2017 Yum China Investor Day

Business Update

Joey Wat | President & Chief Operating Officer, Yum China
Johnson Huang | General Manager of KFC, Yum China

OCT. 18 Shanghai
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**Non-GAAP Measures.** Our presentation includes certain non-GAAP financial measures. Reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures are included on our presentation where indicated. Investors are urged to consider carefully the comparable GAAP measures and reconciliations.
Agenda

Business Overview by Joey Wat
Pizza Hut Update by Joey Wat
KFC Update by Johnson Huang
Understanding evolving consumer needs is fundamental to YUMC’s success.

- Food
- Services
- Value For Money
Urban middle class is the fastest growing segment in China. High labor force participation drive consumption growth

Urban households annual income growth trend

<table>
<thead>
<tr>
<th>Year</th>
<th>Household Number(Mil.)</th>
<th>2000</th>
<th>2010</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>147</td>
<td>226</td>
<td>328</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percent</th>
<th>Affluent (&gt;34k)</th>
<th>Mainstream ($16-$34k)</th>
<th>Value ($6-$16k)</th>
<th>Poor (&lt;$6k)</th>
</tr>
</thead>
<tbody>
<tr>
<td>63%</td>
<td>6%</td>
<td>51%</td>
<td>36%</td>
<td>-3.8</td>
</tr>
<tr>
<td>36%</td>
<td>10%</td>
<td>7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CAGR %

- Affluent (>34k): 20.4
- Mainstream ($16-$34k): 26.6
- Value ($6-$16k): 1.2
- Poor (<$6k): -3.8

High labor force participation rate and women’s share of labor force

Women’s share of the labor force (%)

- China
- United States
- Europe
- Canada
- Australia
- Brazil
- Mexico
- Philippines
- South Korea
- Argentina
- Japan
- India


Urban middle class is the fastest growing segment in China. High labor force participation drive consumption growth

Source: Mckinsey & Company (2012)
Catering industry is still growing at double digits in China, driven by O2O food delivery (at >50% CAGR) in the past two years.

China’s restaurant sector is highly fragmented, and prospects for chain restaurants remain promising.

Restaurant Market: Chain vs. Independent Restaurants

- **USA**: 53% Chained Restaurants, 47% Independent Restaurants
- **UK**: 42% Chained Restaurants, 58% Independent Restaurants
- **HK**: 36% Chained Restaurants, 64% Independent Restaurants
- **Taiwan**: 35% Chained Restaurants, 65% Independent Restaurants
- **China**: 91% Chained Restaurants, 9% Independent Restaurants
- **World**: 27% Chained Restaurants, 73% Independent Restaurants

Source: Euromonitor (2016), Citi Research
Key success factors for YUMC

- Food! Food! Food!
- Lifestyle
- Replicable development model
- Culture & talent
- Loyalty
- Operation
- Scale
- Infrastructure

- Attractive unit economics
- Scalability
- World class shared services
Employee engagement and customer satisfaction are keys to building shareholder value in the long term.
Employee engagement is centered around three principles

公平
CARE
PRIDE

我们遵循三个原则为员工代言
Pizza Hut is the largest western CDR in China

- 1st store opened in Beijing in 1990
- Over 80 million pizzas served annually
- “Most Preferred Western Casual Dining Restaurant” – Nielson (2016)
Successfully expanded to over 2,100 stores in 475 cities

Averaging ~80 stores a year over its 27 year history

Note, from 2008 - 2013 exclude Pizza Home Express
Sales stabilized in the past few quarters, focus now is on revitalization of the Brand

**Same-store sales growth (y/y)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q16</th>
<th>2Q16</th>
<th>3Q16</th>
<th>4Q16</th>
<th>1Q17</th>
<th>2Q17</th>
<th>3Q17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>-12%</td>
<td>-10%</td>
<td>-4%</td>
<td>-3%</td>
<td>2%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

**System sales growth (y/y)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q16</th>
<th>2Q16</th>
<th>3Q16</th>
<th>4Q16</th>
<th>1Q17</th>
<th>2Q17</th>
<th>3Q17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>-2%</td>
<td>0%</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
<td>8%</td>
<td>10%</td>
</tr>
</tbody>
</table>

1 Stated in constant currency basis
Biggest challenge of the brand is being outdated

PIZZA HUT IN 2017

“暖男备胎”

“My Reliable Backup Boyfriend”
Four levers to turn strategy into execution

I. Fix Fundamentals
- Product innovation & update
- Menu rationalization
- Service and engagement

II. Enhance Digital Capabilities
- New super APP launch
- Member privilege upgrade

III. Optimize Delivery Network
- Pizza Hut delivery platform integration

IV. Experiment New Models
- Store image upgrade
- Bistro model roll-out
Series of new products to bring excitement and value

New Products
Pizza Hut Autumn 2017

1. 黑松露菌菇比萨
2. 松子鸡肉罗勒意面
3. 咖喱牛腩意面
4. 咖喱牛肉
5. 烤土豆
6. 烤南瓜
7. 榴莲薯条
8. 手作意式酸奶奶茶
9. 法式南瓜浓汤
10. 意式培根蘑菇烩饭
11. 黄金夏威夷风光比萨
12. 芋头鲜果茶
13. 薯条
14. 柠檬薏仁饮
15. 芒果汁
16. 鸡肉蘑菇派
17. 黑椒鸡排
New October menu features innovative & healthy products

**Italian Thin Pizza**
Thin, Chewy, Trendy, and Flavorful

**Roasted Vegetables**
Flavorful and Healthy
With a relaxing ordering experience and simplified menus
Creative and fun content through diverse channels

Durian Player, Play with FUN
Celebrity endorsements to revamp brand image
Increasing outreach to other key customer groups

- **Build kids market**
- **Interact with students**
Operational focus on improving customer service

1. Simplify service process
2. Enable digital experience
3. Engage with customers
4. Improve management & crew retention
A win and scale approach to fix fundamentals

<table>
<thead>
<tr>
<th>ILLUSTRATIVE</th>
<th>Pilot stores</th>
<th>Selective cities</th>
<th>National</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jumbo fruit tea</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 min working day lunch set</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simplified afternoon tea</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enhance PHDI delivery visibility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Simplified service procedure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italian thin pizza...</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roasted vegetables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

“Scale” – Roll-out

Aug Menu

Oct Menu

To be Continued
Many tests conducted in the pilot stores
Super App as a platform for a full digital ecosystem. Over 3 million downloads in 2 months

Member count at 30mn by Aug 2017
Pizza Hut is catching up with rapid growth in membership and digital payments

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>MEMBER SALES</th>
<th>MOBILE PAYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loyalty member count</td>
<td>Member sales % of system sales</td>
<td>Mobile payment as % of company sales</td>
</tr>
<tr>
<td>1Q16: ~3mn</td>
<td>1Q16: 7%</td>
<td>1Q16: 5%</td>
</tr>
<tr>
<td>3Q17: ~30mn</td>
<td>3Q17: 19%</td>
<td>3Q17: 35%</td>
</tr>
</tbody>
</table>
Membership and digital engagement: Just one more visit

**CRM**
- Member exclusive promotions and experiences

**Digital experience**
- Launch Super App 2.0 to enhance service experience

**Aggregator cooperation**
- Joint marketing campaigns on aggregator’s platform
Pizza Hut has expanded delivery stores footprint…

Current business model

- **Own rider**
- **Own Platform**
- **Aggregators**
- **3rd-party rider**

Over 2,000 stores offering delivery today

Number of stores offering delivery

- PHHS
- PHDI

Bar chart showing the increase in stores offering delivery from 2008 to 2016, with a significant jump in the 3Q2017.
… leading to significant sales growth

Delivery sales growth

Delivery sales as % of company sales
Pizza Hut delivery integration to provide a seamless consumer experience across multiple channels

**Unify the brand**
- Logo / Menu / Packaging / Marketing / Organization

**Short term challenge**
- Store network optimization

**Strategy for long term**
- One brand with consistent image and message
- Standardization for high quality execution and efficiency
Accelerate remodels to rejuvenate brand image
Target to have ~30 Bistro stores in ~10 cities by the end of 2017
Ph+ model stores in high-end commercial complexes
Still in the early stages of laying a solid foundation for future growth

**FIX FUNDAMENTALS**
- Rationalize MENU
- Innovate & upgrade PRODUCT taste
- Revamp SERVICES

**ENHANCE DIGITAL CAPABILITIES**

**EXPERIMENT NEW MODELS**

**OPTIMIZE DELIVERY NETWORK**
KFC Update

by Johnson Huang
1st Store in Beijing, 1987
Shanghai Oriental Tower lit up for KFC CHINA
Strong sales momentum in the past 4 quarters

Same-store sales growth of KFC

- 2016 Q1: 12%
- 2016 Q2: 3%
- 2016 Q3: -1%
- 2016 Q4: 1%
- 2017 Q1: 1%
- 2017 Q2: 4%
- 2017 Q3: 7%
Introducing several disruptive innovations in 2017
Providing unique and rich products
Upgrading to fresh and premium ingredients

Avocado Burger
Successful launch of Cremia and seasonal flavors of ice-cream with good value
Providing abundant value on top of food innovations
Building a young and unconventional image
Breakfast - one of the key growth drivers in 2017...
KFC delivery maintains strong growth momentum

Current business model

Consumers

Own Platform

KFC stores

Aggregators

KFC rider

Delivery as % of company sales

2009
2010
2011
2012
2013
2014
2015
2016
YTD Aug 2017

11%
Accelerate Penetration in High-speed Train Delivery

In over 20 stations with strong market share
Building a fun and credible coffee image
Building on the latest trends to connect with kids
97 million members
33%* of sales contribution

*As percentage of system sales
Offering great promotions to members to increase stickiness
Promoting healthy lifestyle through direct engagement

K-Run club

3 x 3 basketball
Building upon our socially responsible brand

Children

KFC Little Migratory Birds Fund

One Yuan Donation Program

KFC First Light Fund

KFC Community Caring Program

Youths

Communities
Enhancing store image through restaurant remodeling

Year to date, 378 stores remodeled
Unique store designs capturing local history and vibe
Revamped brand image to Young, Stylish & Trustworthy…