



YumChina

Second Quarter 2017 Results Presentation

July, 2017



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,” “likely,” “will,” “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 business plans and earnings, costs and performance of Yum China and its segments, anticipated effects of population, macroeconomic trends, statements regarding the capital structure of Yum China, statements regarding the anticipated synergies from the acquisition, anticipated share repurchases, beliefs regarding the long-term drivers of Yum China’s business; and plans and efforts to drive growth through digital engagement and new technologies. 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 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 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, changes in political, economic and regulatory conditions in China, the fact that the PRC government may determine that the variable interest entity structure of Daojia does not comply with PRC laws on foreign investment in restricted industries, the fact that the integration of Daojia may require significant time, attention and resources, potentially diverting attention from the conduct of our core businesses, as well as the fact that the expected synergies from the acquisition may not be realized. 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 “Forward-Looking Statements” in our Annual Report on Form 10-K) 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.

Agenda

- Q2 2017 Highlights
- Brand Performance
- Digital & Delivery
- Financial Results
- Q&A



Q2 2017 Results Highlights

Financials

- SSSG +3% (KFC +4%, Pizza Hut flat), system sales grew 7% YoY, ex FX
- Restaurant margin improved to 15.3% vs 12.6% in Q2 2016
- Operating profit reached US\$143mn, up 64% YoY
- On a fully diluted basis, our EPS was \$0.27, up 29% YoY

Development

- Total restaurant count reached 7,685
- Opened 90 new restaurants, remodeled 197 stores driven by KFC

Digital & Delivery

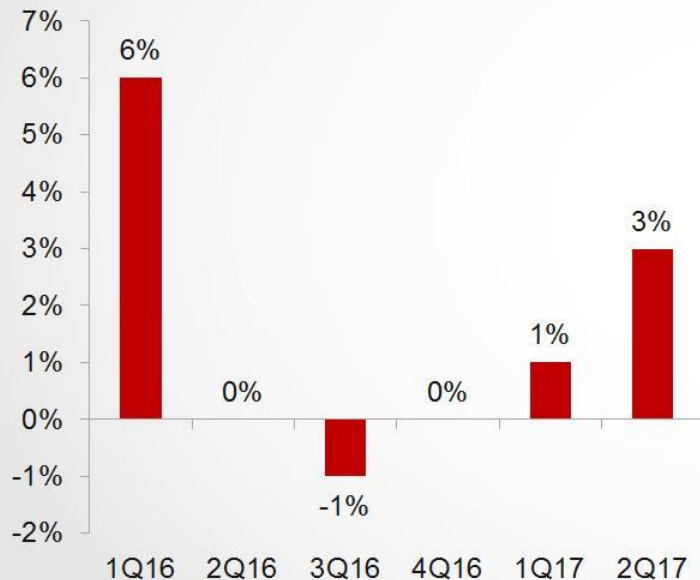
- Over 4,900 restaurants offer delivery; total delivery sales about 13% of company sales
- Mobile payment represented over 40% of total company sales; cashless payment over \$900mn
- Total loyalty members exceeded 100mn between KFC and Pizza Hut

Others

- Acquired Daojia for \$36.7mn to selling shareholders and \$25mn in capital contribution, for an 80% stake on a fully diluted basis
- \$39mn in share repurchases at an average price of \$36.27/share

SSSG +3%, System Sales +7%

Same-store sales growth (YoY)¹



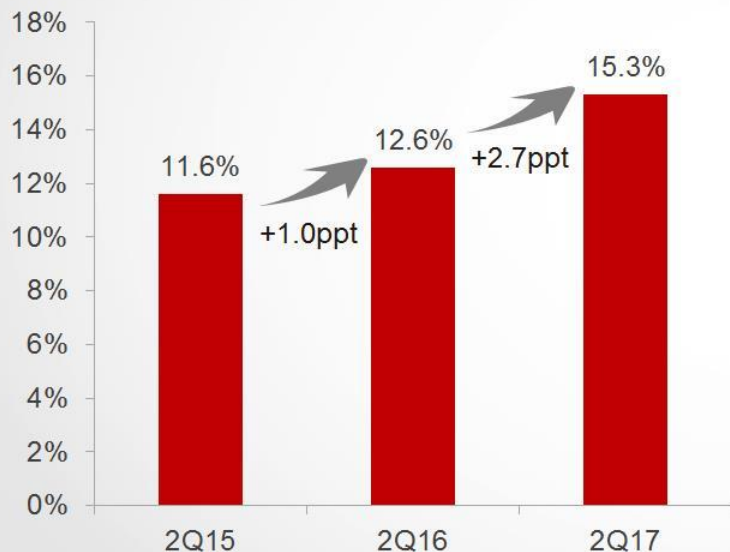
System sales growth (YoY)¹



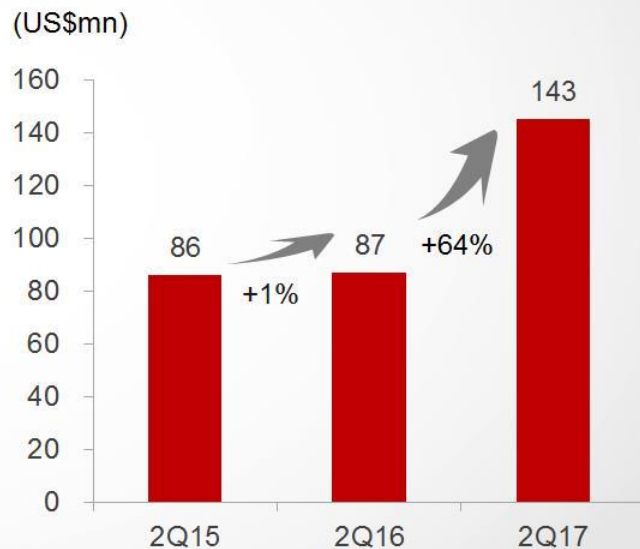
¹ Stated in constant currency basis.

Restaurant Margin Expanded to 15.3%, Operating Profit +64% y/y

Restaurant margin



Operating profit



Daojia Acquisition Completed

About Daojia & Sherpa's



Founded in 2010, Daojia is an online food delivery service platform with operations in four Tier 1 cities targeting higher-end orders



Sherpa's is a leading premium food delivery platform with 18 years' operation specializing in English speaking services

Deal structure

- \$36.7mn to selling shareholders, and \$25mn capital contribution for 80% stake in the holding company of Daojia on a fully diluted basis;
- Mr. Hank Sun, founder of Daojia, will continue to lead the business

Strategic rationale



Accelerate growth by building know-how and expertise in delivery



Focus on higher-end orders



Provide valuable operational and technological expertise

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KFC Q2 Results Highlights



SSSG¹ at 4%, system sales¹ +8%



62 new stores, 180 remodels



Restaurant margin reached 16.0%



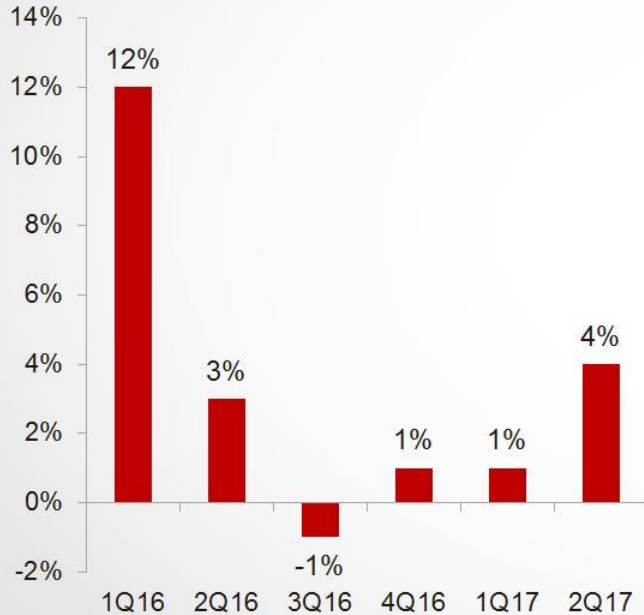
Operating profit at \$154mn, +41%

¹Stated in constant currency basis.

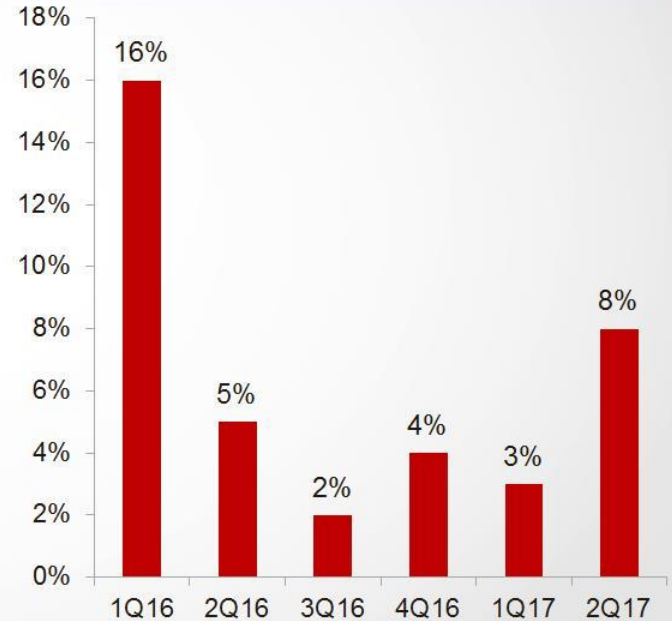


KFC Delivered +4% SSSG, +8% System Sales Growth

Same-store sales growth (YoY)¹



System sales growth (YoY)¹



¹ Stated in constant currency basis.



Integrated Marketing Campaigns Drove Sales Growth

Innovative products



Make the brand youthful



Great festival celebrations

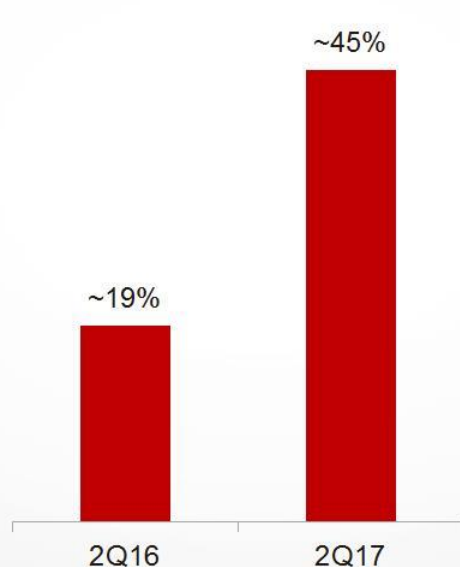




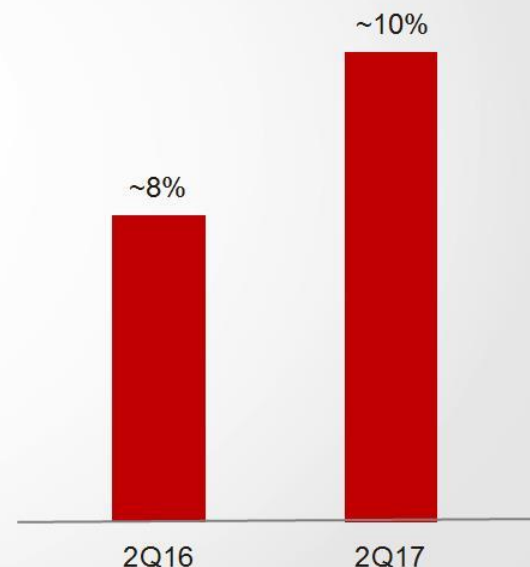
Digital and Delivery – The Key Growth Drivers



Mobile payment as % of sales



Delivery as % of sales





Pizza Hut Q2 Results Highlights



SSSG¹ flat, system sales¹ +7%



25 new stores, 17 remodels



Restaurant margin at 13.9%



Operating profit at \$30mn, +157%

¹Stated in constant currency basis

Starting in Q2 2017, Pizza Hut Casual Dining and Pizza Hut Home Service were combined and reported together as the Pizza Hut reportable segment

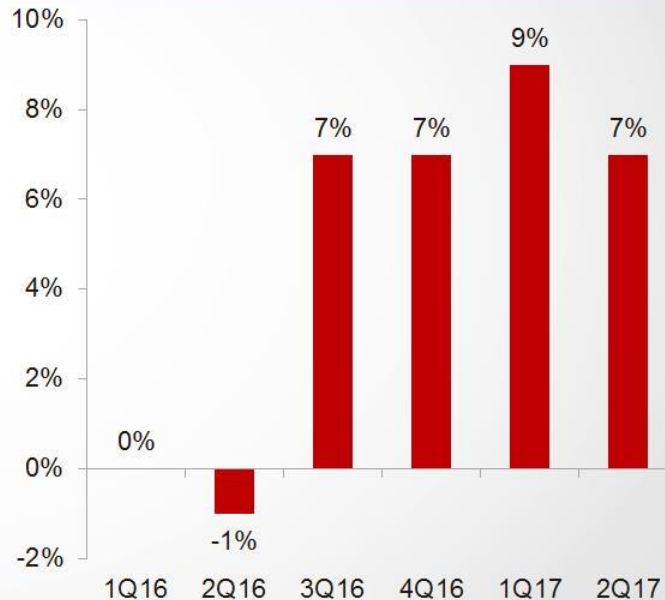


SSSG Flat, System Sales Grew 7%

Same-store sales growth (YoY)¹



System sales growth (YoY)¹



¹ Stated in constant currency basis.



Disruptive Product Innovation & Marketing Campaigns

Jumbo fruit tea
超多鲜果 超大满足 —

750ml

嗨杯鲜果茶

精选西瓜、橙子、苹果、奇异果等新鲜水果搭配优质果酱茶底，满满一杯超大享受。

19元 748ml

Thin crust pizza

全新 薄脆大装比萨

嗨享价仅 58元起

海鲜满溢薄脆比萨 86元

榴莲多多薄脆比萨 89元

黄金薯角培根薄脆比萨 58元

爱拼客 爱分享 love to share

更多惊喜优惠/活动 请关注 手机扫码二条以下

Fashion Week promotion

天生爆款 就要拼!

爱拼客 爱分享 love to share × 王大陆

上海时装周 SHANGHAI FASHION WEEK × Pizza Hut

街头潮流 时尚达人最爱!

甜美可爱 时尚达人必备!

黑白搭配 时尚达人最爱!

未来科技 时尚达人最爱!

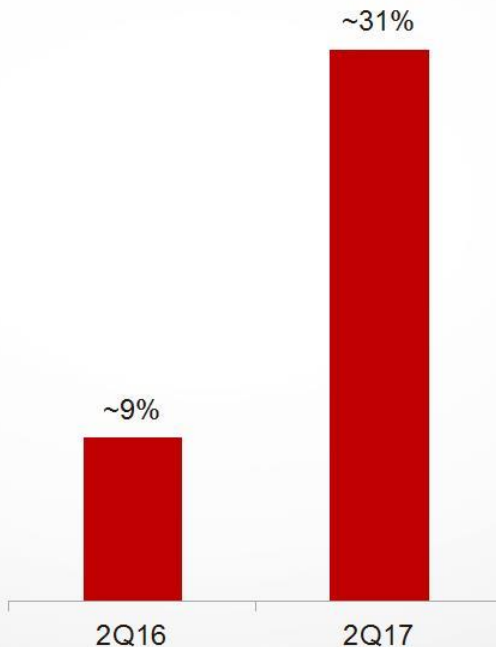


Keep Driving Digital and Delivery

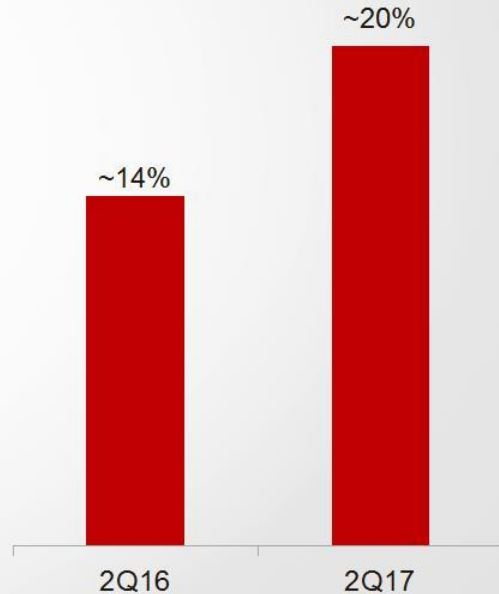
Digital marketing



Mobile payment as % sales



Delivery as % of sales





Strategic Initiatives to Revitalize Pizza Hut

I. Fix Store Fundamentals



II. Enhance Digital Capabilities



III. Diversify Business Models



IV. Optimize Delivery Network

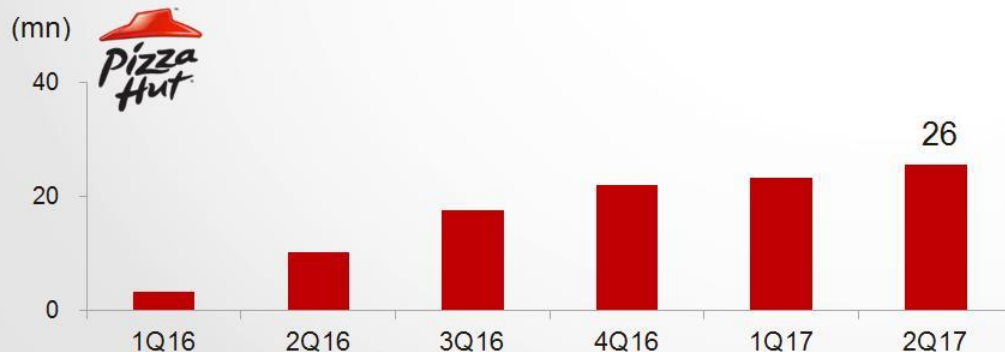
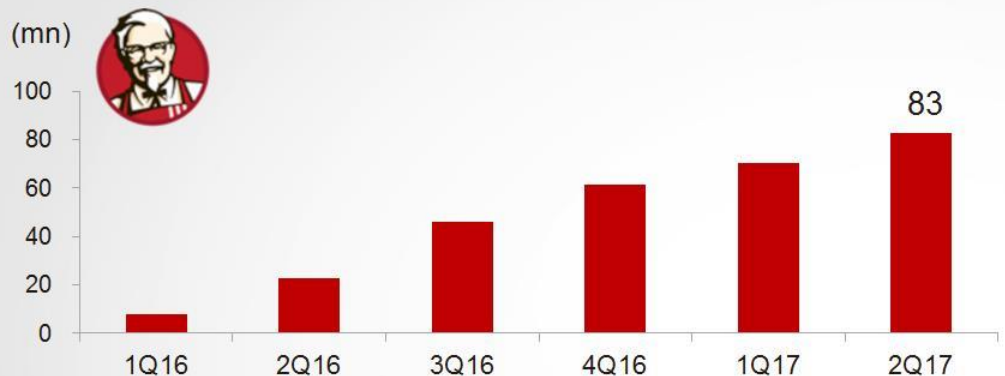


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Total Loyalty Members Exceeded 100mn




你好, 1987
2017/3/24-3/31
两款经典美味 价格重回1987年
2017/3/21前加入的会员 专享

会员的名义
今天! 嫩牛五方的GDP
由会员来守护



Building Up Database to Drive Future Growth

45%

Mobile Payment



Mobile Pre-Order



Mobile-Payment



Delivery



WOW Member

83mn

Loyalty members

Dynamic Campaigns to Enhance Member Engagement

Digital calendar

<p>周二</p> <p>兑换 限本周 5月23日</p> <p>韩式炸鸡牛油果沙拉 (限时供应) 二食 (韩式炸鸡牛油果沙拉 + 韩国泡菜比萨 (限时供应))</p> <p>41元</p>	<p>May 23 - May 28</p>
<p>周三</p> <p>兑换 限本周 5月24日</p> <p>韩式炸鸡牛油果沙拉</p> <p>32元</p>	
<p>周四</p> <p>兑换 限本周 5月25日</p> <p>韩式炸鸡牛油果沙拉</p> <p>17元</p>	
<p>周五</p> <p>兑换 限本周 5月26日</p> <p>韩式炸鸡牛油果沙拉</p> <p>14元</p>	
<p>周六</p> <p>兑换 限本周 5月27日</p> <p>韩式炸鸡牛油果沙拉</p> <p>13元</p>	
<p>周日</p> <p>兑换 限本周 5月28日</p> <p>韩式炸鸡牛油果沙拉 + 韩式炸鸡牛油果沙拉</p> <p>21元</p>	

Special member offers

肯德基 30年 中国

我要! 我要!

川辣嫩牛五方

@肯德基 几十万条留言的呼唤, 成就今天的回归!

14元 2008经典价

吮指回味 自在滋味 finger lickin' good

Celebrity collaboration

KFC

世界和平 WORLD PEACE

我好像在肯德基见过你

世界和平 WORLD PEACE NOT WAR

#天生翅粉# Born A Wing Fan

#天生翅粉# 我在这里遇见你

天生翅粉-广东站

Network Expansion and Digital to Drive Delivery

Stores offering delivery



Digital integration



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Overview of Q2 2017 Financial Results



System sales growth

+7% ex FX



Restaurant margin

15.3%

+2.7 ppt YoY



Adjusted EBITDA

\$259 mn

+15% YoY, or +21% YoY ex FX



Operating profit

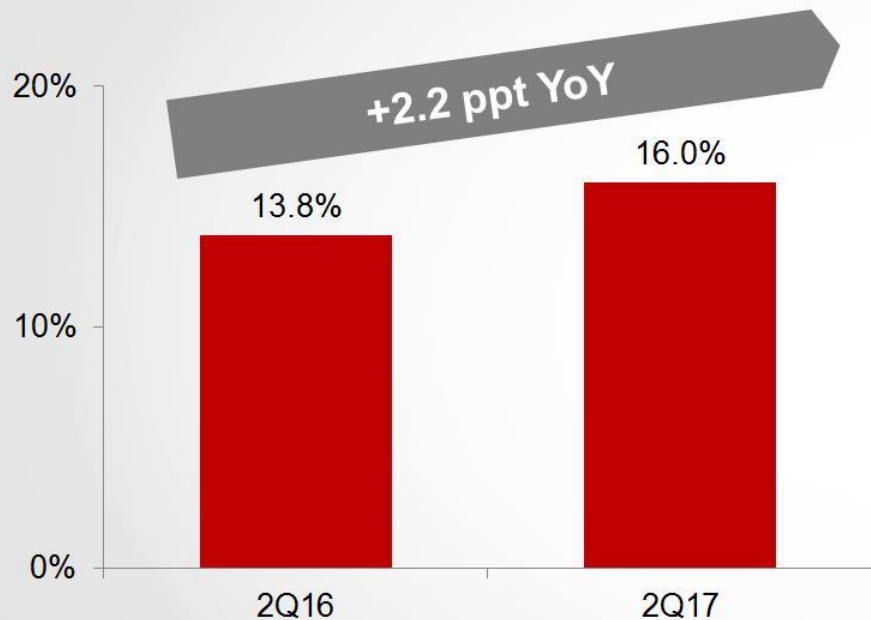
\$143 mn

+64% YoY, or +73% YoY ex FX

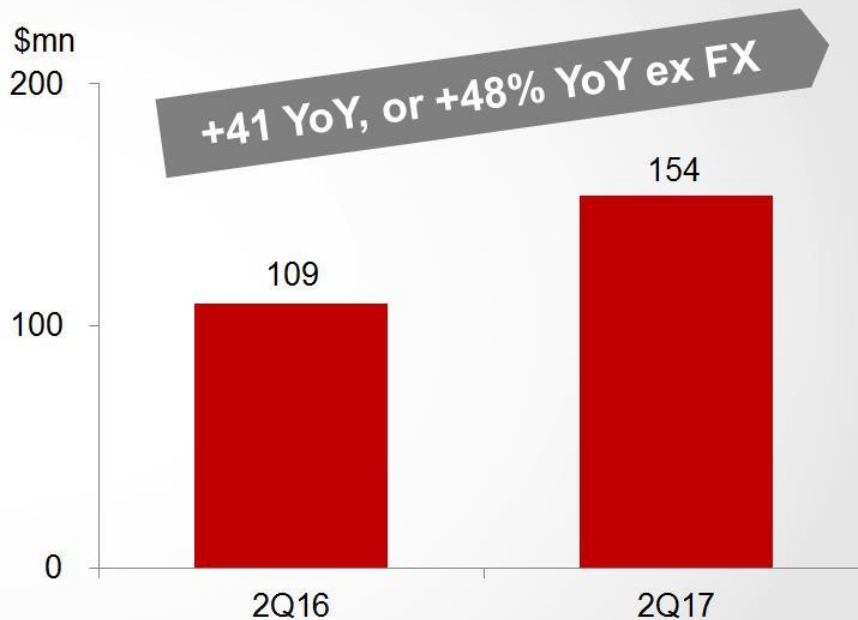


KFC Restaurant Margin and Operating Profit

Restaurant margin



Operating profit

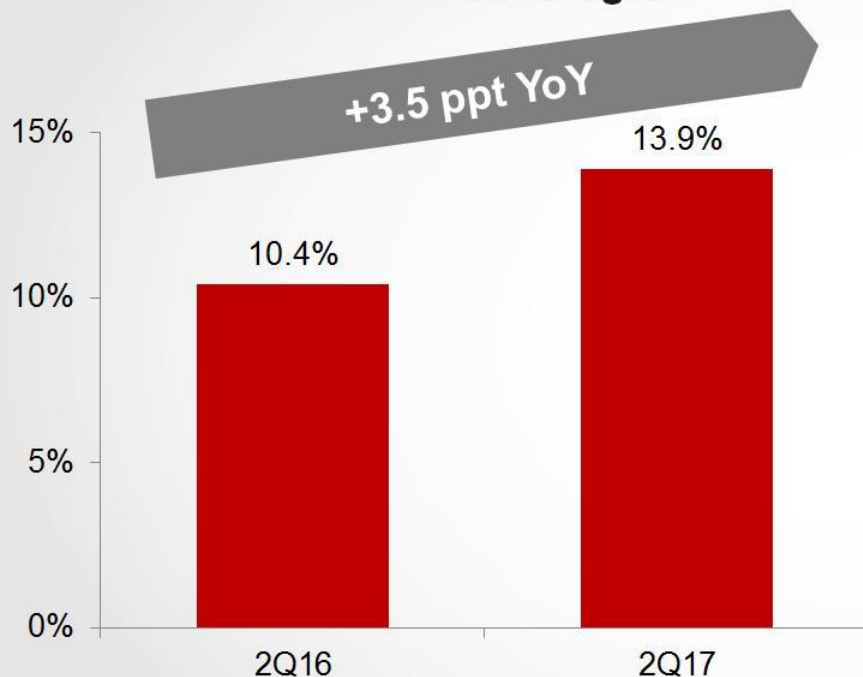


Restaurant margin expansion was primarily due to the impact of retail tax structure reform and same-store sales leverage, offset by inflations and promotion impact

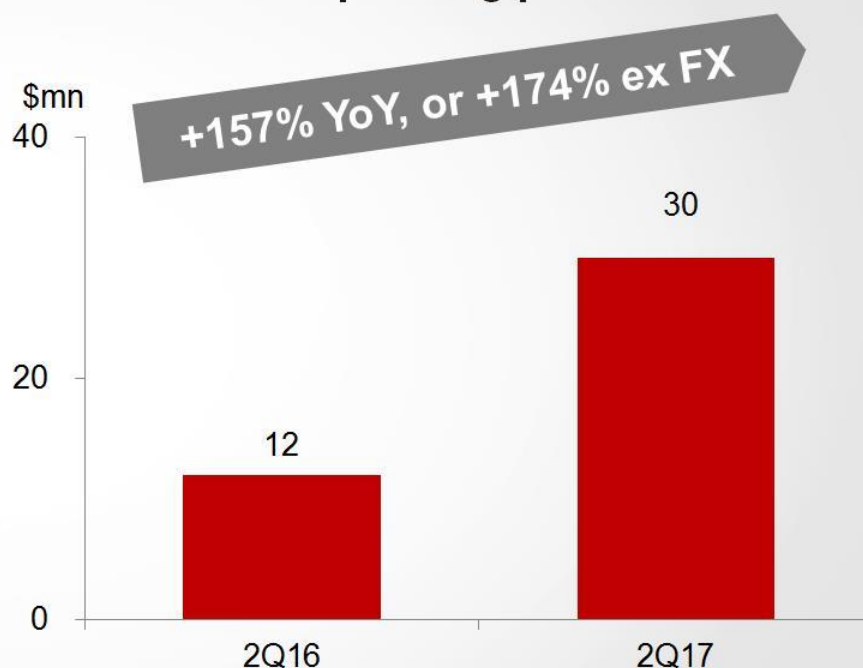


Pizza Hut Restaurant Margin and Operating Profit

Restaurant margin



Operating profit



Restaurant margin expansion was primarily due to the impact of retail tax structure reform, offset by inflation

Factors that Impacted Q2 2017 Financial Results



Inflation

Wage +7% YoY
Commodity +4% YoY



G&A

+9% ex FX



**Currency
translation**

**\$8 mn negative impact on
operating profit**

Strong Cash Position



**Net cash from
operating activities**

Jan – May 2017

\$473 mn



Free cash flow

Jan – May 2017

\$296 mn



**Cash and short-
term investments**

At the end of May 2017

\$1.2 bn

Note: Free cash flow for the period from Jan to May 2017 is net operating cash flow of \$473mn less capital spending of \$177 mn.

Commitment to Create Value to Shareholders



Share repurchases

Repurchased approximately 1 mn Yum China shares at an average price of \$36.27 per share during 2Q17



Strategic acquisition

Acquired controlling interest in Daojia



Dividend payout

An important aspect of our capital allocation strategy which is under review

Summary and Outlook

Q2 2017 Summary

- Strong overall performance in Q2
- Over 100mn loyalty members; mobile payment exceeded 40% of total company sales
- Completed first acquisition and began share repurchases

Yum China 2017 targets (ex FX)

In 2017, we plan to drive strong earnings growth and shareholder return

- Expect to add 550 – 600 new stores; expect capex of US\$400-500mn
- Expect robust growth from Digital & Delivery to drive system sales & SSSG
- Expect operating profit to grow at double digit with margin expansion, ex FX
- Expect strong free cash flow, enhanced balance sheet position

We will continue to focus on three key priorities in 2017:

1. **Build SSSG momentum with innovative products and creative campaigns;**
2. **Drive Pizza Hut turnaround, complete the integration of Dine-in and Delivery business; and**
3. **Strengthen Digital & Delivery capabilities to drive long-term growth and enhance shareholder returns.**

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Appendix 1: Reconciliation of Reported Results to Non-GAAP Measures



	Quarter ended		Year to date ended	
	5/31/2017	5/31/2016	5/31/2017	5/31/2016
Reconciliation of Net Income to Adjusted EBITDA				
Net income (loss) – noncontrolling interests	\$ 6	\$ (4)	\$ 11	\$ —
Net Income – Yum China Holdings, Inc.	107	77	282	222
Income tax provision	35	16	111	78
Interest income, net	(5)	(2)	(7)	(4)
Operating Profit	143	87	397	296
Depreciation and amortization	96	103	160	171
Store impairment charges	20	35	22	37
Special Items Expense – Operating Profit	—	1	—	1
Adjusted EBITDA	<u>\$ 259</u>	<u>\$ 226</u>	<u>\$ 579</u>	<u>\$ 505</u>

Appendix 2: Reconciliation of Reported Results to Non-GAAP Measures

Detail of Special Items	Quarter ended		Year to date ended	
	5/31/2017	5/31/2016	5/31/2017	5/31/2016
Provision for loss associated with sale of aircraft ^(a)	\$ —	\$ (1)	\$ —	\$ (1)
Special Items Expense - Operating Profit	—	(1)	—	(1)
Special Items Expense, net of tax of nil - including noncontrolling interests	—	(1)	—	(1)
Special Items Expense, net of tax of nil - noncontrolling interests ^(b)	—	(8)	—	(8)
Special Items Income, net of tax of nil - Yum China Holdings, Inc.	\$ —	\$ 7	\$ —	\$ 7
Weighted average diluted shares outstanding	397,326,233	363,758,219	396,679,703	363,758,219
Special Items Diluted Earnings Per Common Share	\$ —	\$ 0.02	\$ —	\$ 0.02
Reconciliation of Reported Operating Profit to Operating Profit Before Special Items				
Reported Operating Profit	\$ 143	\$ 87	\$ 397	\$ 296
Special Items Expense - Operating Profit	—	(1)	—	(1)
Operating Profit before Special Items	\$ 143	\$ 88	\$ 397	\$ 297
Reconciliation of Reported EPS to EPS Before Special Items				
Reported Diluted Earnings Per Common Share	\$ 0.27	\$ 0.21	\$ 0.71	\$ 0.61
Special Items Diluted Earnings Per Common Share	—	0.02	—	0.02
Diluted Earnings Per Common Share before Special Items	\$ 0.27	\$ 0.19	\$ 0.71	\$ 0.59
Reconciliation of Reported Effective Tax Rate to Effective Tax Rate Before Special Items				
Reported effective tax rate	22.9%	18.6%	27.4%	26.2%
Effective tax rate before Special Items ^(c)	22.9%	18.6%	27.4%	26.2%

(a) During the quarter ended May 31, 2016, we recognized a loss of \$1 million associated with the sale of the aircraft.

(b) During the quarter ended May 31, 2016, the Little Sheep founding shareholders sold their remaining 7% Little Sheep ownership interest to the Company pursuant to their redemption rights. The difference between the purchase price of less than \$1 million, which was determined using a non-fair value based formula pursuant to the agreement governing the redemption rights, and the carrying value of their redeemable noncontrolling interests was recorded as an \$8 million loss attributable to noncontrolling interests.

(c) Impact on effective tax rate as a result of Special Items was nil.