PIZZA HUT
ALWAYS SOMETHING NEW!
Jeff Kuai | Pizza Hut General Manager
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Key Takeaways

Unrivalled Leader in Large & Fast Growing China WCDR Market

2018 Transition Year with Initial Success Witnessed in Revitalization Strategy

Leveraging Improved Core Capabilities to Roll Out Transformative Initiatives at Scale in 2019+

Note: WCDR market is defined as western restaurants with spending per person of RMB 50-150 for a meal.
Leader in Rapidly Growing China WCDR Market

Large China WCDR market with strong growth potential

$ billion

2015E ~22
2016E ~24
2017E ~33
2018E ~39

2015E ~4
2016E ~39
2017E ~23
2018E ~24

Market leader with ~2,240 stores

~2,240

~4X

~540
~380

Second player
Third player

Source: Yum China analysis and estimation based on Statistics Bureau and secondary research
More than pizza: Dominant leader in multiple food categories

- No.1 Pizza
- No.1 Steak
- No.1 Appetizer

#1 WCDR brand in family customer segment

Family-friendly, Modern, Value-for-money

Leading WCDR Brand in China
Broad Footprint With Strong Operational Capabilities

- 2,200+ high traffic locations
- 240mn+ customer visits/year
- 50mn+ digital member base
- Delivery footprint covers 500+ cities
- World class operational capability
Four Levers to Drive Revitalization

I. Fix Fundamentals
- Product Innovation
- Disruptive Value
- Improved Service
- Family Engagement

II. Drive Digital Capabilities
- New Customer Recruitment
- Digital Experience & Engagement
- Monetization

IV. Enhance Asset Portfolio
- Existing Asset Upgrade Acceleration
- Multiple New Store Formats (e.g. Hub & Spoke)

III. Grow Delivery
- Own Platform Growth
- Aggregator Collaboration
- Image & Technology Upgrade
Enhanced Pizza Leadership with Multiple Dough Types
Launched Series of Craveable Food
I. Launched Instagrammable & Social “Buzz Worthy” Desserts & Drinks

MATCHA

抹茶雪域蛋糕

清香抹茶香气 层层顺滑融合 绽放舌尖

¥24 (90克)

TIAMISU

提拉米苏

经典马卡彭芝士打发 加上咖啡酒香手指饼干 甜与微苦错综纠缠 绵软细腻

¥24 (90克)
1. Launched Instagrammable & Social “Buzz Worthy” Desserts & Drinks

金沙咸蛋黄冰淇淋

金枕榴莲冰淇淋

7月30日震撼上市
I. Launched Instagrammable & Social “Buzz Worthy” Desserts & Drinks
1. Upgraded Menu and Product Portfolio
1. Ongoing Innovation to Strengthen Leadership in Signature Categories

- Strengthen Pizza Leadership Position
- Enhance Steak Category
- Upgrade Dessert and Appetizer
I. Piloted Multiple Value Campaigns with Promising Results

- **Everyday Low Price**
  - Value Pizza Line

- **Disruptive Value**
  - Entry Price LTO Products
  - Scream Wednesday

- **High Low Price**
  - Buy One Get One Free
  - Half Price Discount
I. Roll Out Disruptive Value Campaign with Improvements

Positive Pilot Results
- Drive Traffic Effectively
- Recruit New Customers

National Launch
- Optimized Offer From Test Result

Further Improvement in Plan
- More Product Varieties for Scream Wed Platform
I. Establish Signature Service to Improve Customer Experience

Key Touchpoints

Reception | Order | Serve | Check

Our Service Proposition

1. Young & Energetic Team
2. Rapid Service
3. Birthday Surprise & More
# II. Rapidly Expanded Digital Capabilities

<table>
<thead>
<tr>
<th>Recruitment &amp; Engagement</th>
<th>Monetization</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRM Member</td>
<td>Member Sales%</td>
</tr>
<tr>
<td>50mn+</td>
<td>45%</td>
</tr>
<tr>
<td>+15mn</td>
<td>+16pts</td>
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</tbody>
</table>

Cumulative APP Download:
- +15mn
- +10mn

User Experience Improvement + Expanded SuperAPP Functions + In Store Digitalization

Note: CRM and APP data as of 2018 year-end, member sales % during Q4 2018; compared to same period in 2017
II. Enhance Digital Life Cycle Management

**Acquisition**
- Co-branding
- Welcome package for member recruitment

**Experience**
- Tableside ordering
- Pre order for carry out
- Self payment

**Upgrade Engagement**
- Family privilege
  - Frequency Uplift
  - New Customer Recruitment
- In-store CRM
- New e-commerce mall

**Churn Prevention**
- Data bank
  - Identify churn characteristics & target with tailored program
III. Achieved Double-Digit Delivery Sales Growth

Strengthen The Core
- Simplified Menu
- 100% Integrated Own Rider Team

Drive Online Traffic
- Delivery-specific Calendar
- Member Exclusive Offers
III. Further Strengthen Delivery Core Capabilities

- **Strengthen Branding**: Upgrade Packaging & Uniform
- **Grow Own Platform**: Enhance Multi-layer Calendar
- **Improve Engagement**: Rollout Delivery Privilege
- **Enhance Operations**: Build Delivery Room
IV. Launched New Asset Design and Upgraded 225 stores
IV. Further Accelerate Asset Upgrade & Complete Full Refurbishment by 2021

- 500 Store Upgrades in 2019
- Store Age <3 Years by 2021
IV. Continue to Explore Adaptable New Store Formats to Become Smaller, Faster with Better Support for Delivery

Core Asset Model

<table>
<thead>
<tr>
<th>Year</th>
<th>Traditional Dine-in Store Size</th>
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<tbody>
<tr>
<td>Pre-2016</td>
<td>-10%</td>
</tr>
<tr>
<td>2016</td>
<td>-6%</td>
</tr>
<tr>
<td>2017</td>
<td>-13%</td>
</tr>
<tr>
<td>2018</td>
<td></td>
</tr>
</tbody>
</table>

(Further reduce kitchen size by 30%+ in 2019)

FASTER WITH BETTER SUPPORT FOR DELIVERY

Hub & Spoke

- Delivery Support Store
- Dessert & Drink
- Dessert & Drink
Customer Perception improved to become young and energetic, with positive traffic growth in Q4

Source: Yum China consumer survey and focus group study in 2017 & Jan, 2019
2018

Transition year

- Revamped menu
- Rebuilt value for money
- Refocused on family
- Caught up on digital capabilities
- Took back last mile delivery through dedicated riders
- Launched new asset design

2019

Ready to roll out transformative initiatives at scale

- Ongoing food innovation
- Roll out disruptive value campaigns
- Establish signature service
- Enhance digital life cycle management
- Continue to focus on family customers
- Strengthen delivery core capabilities
- Accelerate asset model upgrade