



YumChina

Third Quarter 2018 Results Presentation

October 30, 2018



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,” “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.

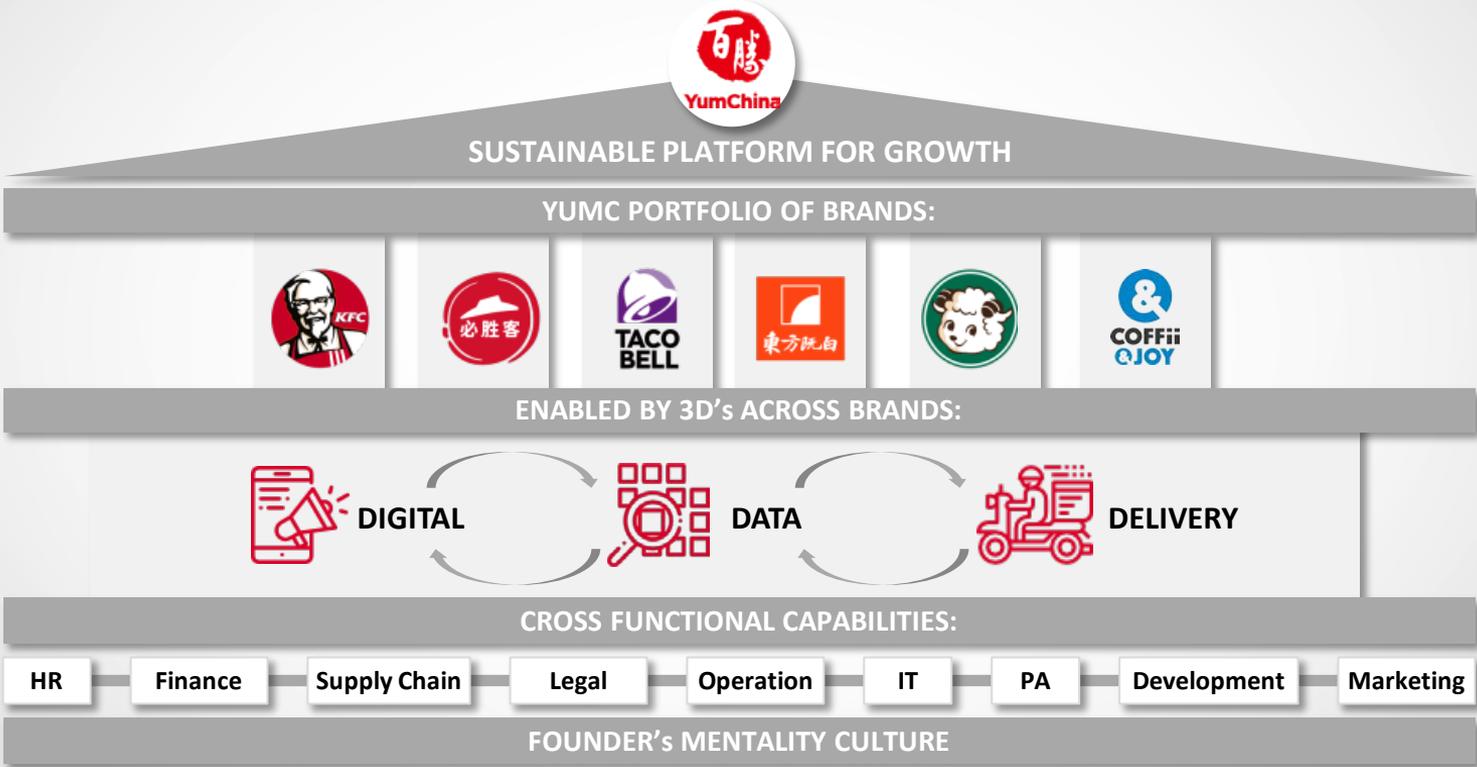
Forward-looking statements include, without limitation, statements regarding the future business plans, earnings and performance of Yum China, statements regarding the revitalization of Pizza Hut, anticipated effects of population and macroeconomic trends, the capital structure of Yum China, the anticipated effects of our 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, 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 “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.

Contents

- Business Highlights
- Financial Results



Long-term YUMC Strategy: Dynamic Brands Built on a Sustainable Platform for Growth



Potential to grow to 20,000 stores over the long term, 2.5x today's store base

A Powerful Digital Ecosystem



A Digital Pioneer in the Restaurant Industry

2018 Q3

40%+

Digital Ordering

(Mobile order + Online delivery)

82%

Digital Payment

44%

Digital Members Sales

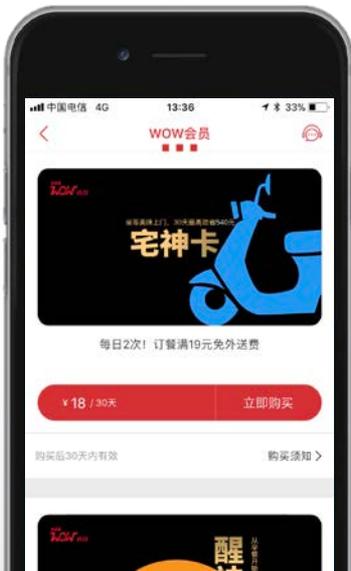
~75%

Digital GES Coverage

(Guest Experience Survey)

~60%

Digital Media Spend





Solid System Sales Growth Supported by Accelerated New Builds



Q3 2018 Highlights



SSSG +1% YoY¹, System sales +6% YoY¹



Q3 2018: 139 new stores, 164 remodels
Q3 2017: 102 new stores, 200 remodels



Restaurant Margin at 19.2%, -0.4ppt YoY



Operating Profit +4%YoY¹



Product Innovation Differentiates KFC from Peers

Couple
Burger



Chicken
Taco



Crazy
Thursday





Build Dayparts and Product Categories to Drive SSSG

Breakfast



Coffee



Dessert





Privilege Subscription Program to Build Customer Loyalty and Increase Frequency

Delivery Privilege



¥18 for 30 days
Waived delivery fee
(max 2 times per day)

Breakfast Privilege



¥18 for 30 days
Half price on
selected items

Coffee Privilege



¥18 for 30 days
Medium size coffee @¥10
(1 per day)

Co-branded Privilege



¥38 for 60 days
Privileges at KFC
and iQIYI



Integrating Physical Store and Digital Capabilities to Enhance Customer Experience





Expand with Multiple Store Formats and Different Designs



Fuzhou (福州市三坊七巷)



Beijing (北京朝阳大悦城)



Shanghai (上海曼克顿)



Shenyang (沈阳龙之梦)



Pizza Hut Revitalization Continues



Q3 2018 Highlights



SSSG -5% YoY¹, System sales -2% YoY¹



Q3 2018: 38 new stores, 44 remodels²
Q3 2017: 50 new stores, 47 remodels



Restaurant Margin at 13.8%, -0.6ppt YoY



Operating Profit +1% YoY¹



Refreshed Brand Identity for Pizza Hut



Pizza Hut's New Identity: **ALWAYS SOMETHING NEW**





Reinforce Core Competencies and Strengthen Value Perception

Reinforce the Core

Innovation on New Flavor

Improve Value Perception



I. FIX FUNDAMENTALS

II. ENHANCE DIGITAL

III. OPTIMIZE DELIVERY

IV. EXPERIMENT NEW MODELS



Innovative and Craveable Desserts & Drinks



I. FIX FUNDAMENTALS

II. ENHANCE DIGITAL

III. OPTIMIZE DELIVERY

IV. EXPERIMENT NEW MODELS



Clear Progress in Digital & Delivery

Tableside Ordering



I. FIX FUNDAMENTALS

Improve User Experience



II. ENHANCE DIGITAL

Member Value



III. OPTIMIZE DELIVERY

Delivery Value



IV. EXPERIMENT NEW MODELS



Optimizing Portfolio with Remodels and Multiple Store Formats



Nanjing Central Emporium, opened in Sep 2018



**I. FIX
FUNDAMENTALS**

**II. ENHANCE
DIGITAL**

**III. OPTIMIZE
DELIVERY**

**IV. EXPERIMENT
NEW MODELS**

Exploring New Coffee Concept - COFFii & JOY



- New concept in 2018
- 6 new stores as of Sep
- Multiple store formats

Contents

- Business Highlights
- Financial Results



2018 Third Quarter Financial Highlights



Stores

- 195 new stores, +15% YoY
- Total stores reached 8,313, +6% YoY



Revenue

- System sales +4% YoY¹
- SSSG -1% YoY¹
- Total revenue \$2.2bn, +6% YoY¹



Profit

- Operating Profit at \$269mn, +4%YoY¹
- Net Income \$203mn, +17% YoY¹
- Diluted EPS \$0.51, +18% YoY¹
- Effective tax rate 24.2%



Capital

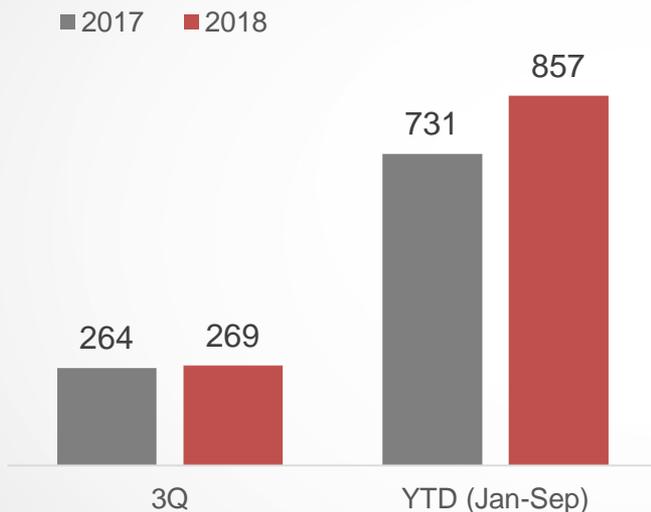
- 2.7mn shares repurchased for \$94mn
- Dividend of \$0.12 per share declared on Oct 30, 2018

¹Stated in constant currency basis.

Note: Yum China's fiscal third quarter includes July to September results.

Moderate Operating Profit Growth in Q3

Operating Profit (\$ mn)



YoY	+2%	+17%
YoY ex F/X	+4%	+12%

Key factors for Q3'18 year-over-year movement



- Net new unit growth
- G&A expense optimization



- Same-store sales deleverage
- Wage inflation
- Product upgrade & promotion costs
- Foreign exchange impact



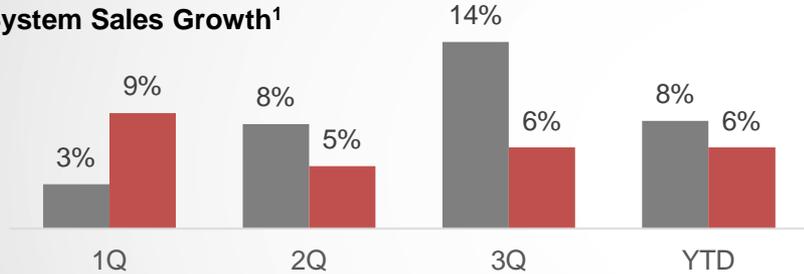
KFC Achieved Solid System Sales Growth

Sales Growth (%)

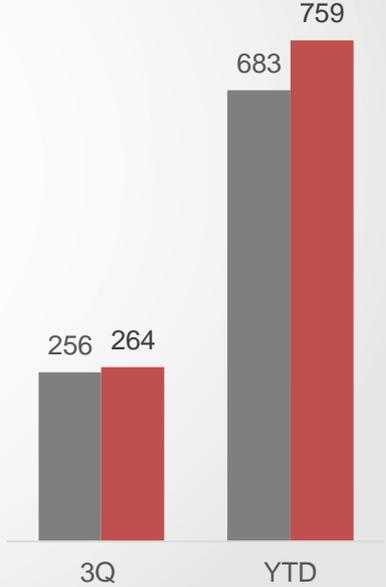
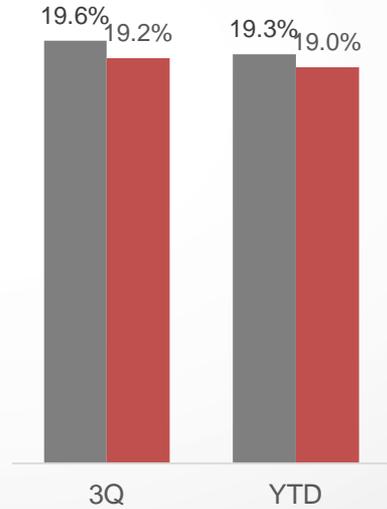
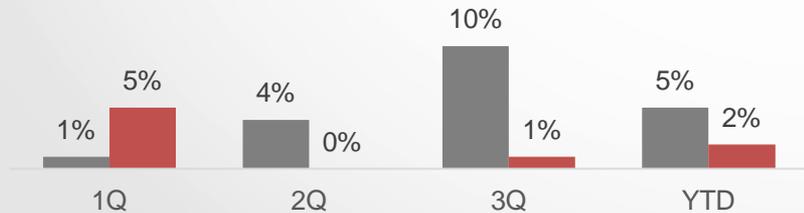
Restaurant Margin (%)

Operating Profit (\$ mn)²

System Sales Growth¹



Same-Store Sales Growth



¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs.



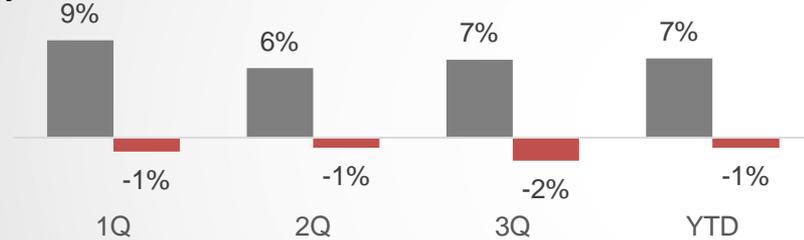
Pizza Hut Sales Remain Challenging but Margin Declines Narrowed

Sales Growth (%)

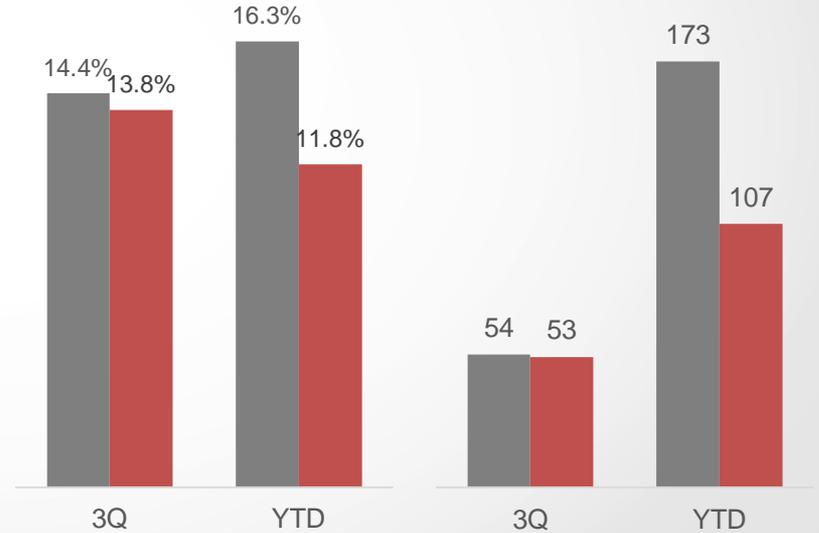
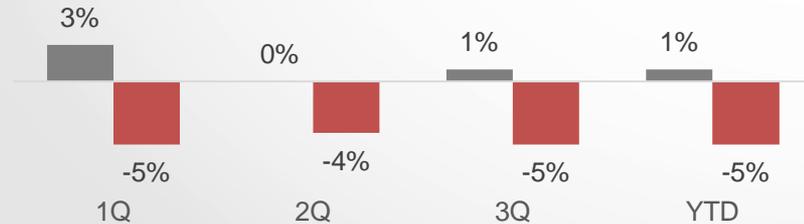
Restaurant Margin (%)

Operating Profit (\$ mn)²

System Sales Growth¹



Same-Store Sales Growth

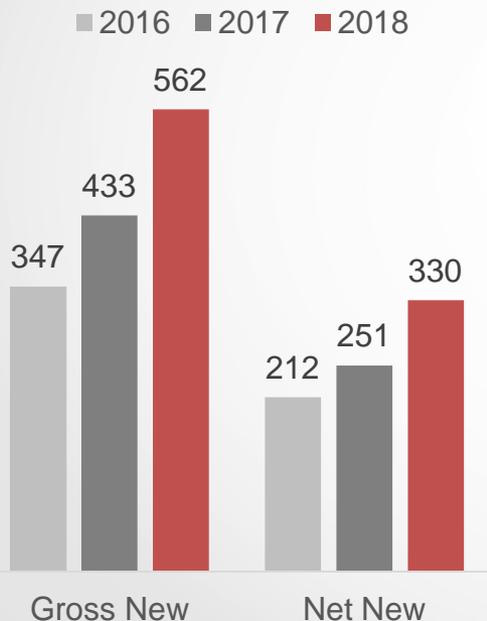


¹ Stated in constant currency basis.

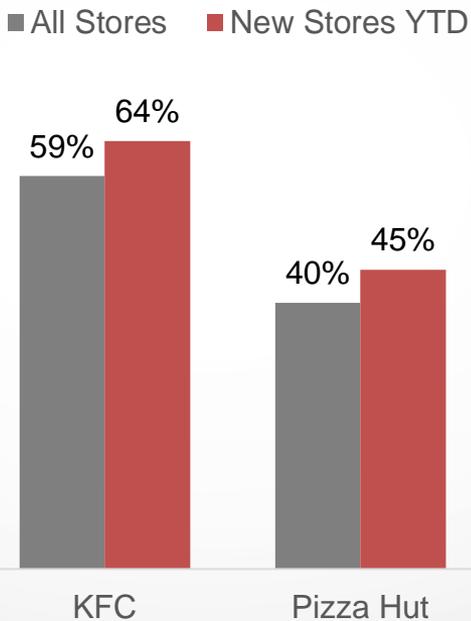
² Segment Operating Profit before unallocated shared service costs.

Accelerated New Store Openings

New Stores YTD¹



Store Mix in Tier 3-6



New Unit Return²

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

¹ January to September

² Refers to Average Pre-tax Cash Payback Period; Includes units opened between April 2016 and March 2017, after deduction of 3% license fee.

Digital & Delivery KPIs Continue to Improve

Q3 2018



	Members	Member sales	Mobile order	Delivery sales	Delivery coverage (store)	Delivery coverage (city)
	145mn+ (+45mn YoY)	44% (+10ppt YoY)	28% (+13ppt YoY)	14% (+2ppt YoY)	70% (+8ppt YoY)	1,063 88% (+199 YoY)
	50mn+ (+20mn YoY)	43% (+18ppt YoY)	6% (Q3 launch)	25%* (+4ppt YoY)	97% (+1ppt YoY)	498 97% (+72 YoY)

Note: All YoY comparison stated in constant currency basis.

Mobile order refers to pre-order at KFC and tableside order at Pizza Hut

Delivery as % of Company sales exclude KFC Wuxi for all period for comparability; Delivery stores exclude franchise stores

* In Q3 2018, we revised the way delivery sales is measured in Pizza Hut. Should we use the same method, Pizza Hut Delivery sales as % of Company sales for 2018 Q1 and Q2 would have been 22% and 23% respectively. Pizza Hut Delivery sales year over year growth for 2018 Q1 to Q3 would have been 22%, 14% and 15% respectively. No impact to total sales of the business.

Strong Cash Position



**Net cash from
operating activities**

Jan-Sep 2018

\$1.17 bn



Free cash flow

Jan-Sep 2018

\$814 mn



**Cash and short-
term investments**

As of Sep 30 2018

\$1.53 bn

**Continue to leverage our strong cash flow to support business
growth and return values to shareholders**

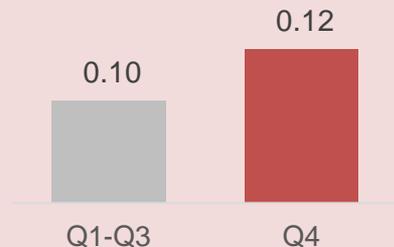
Higher Cash Dividends and Expansion of Share Repurchase Authorization

Dividends

2018 Q3: \$38 mn
2018 Jan-Sep: \$115 mn

20% increase
in cash dividends

Quarterly Cash Dividend (\$)



Share Repurchases

2018 Q3: \$94 mn
2018 Jan-Sep: \$167 mn

Increase share repurchase authorization to **\$1.4 bn**

Total Authorization (\$ mn)



Appendix: Reconciliation of Reported Results to Non-GAAP Measures

	Quarter Ended		Year to Date Ended	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Detail of Special Items				
Gain from re-measurement of equity interest upon acquisition ^(b)	\$ —	\$ —	\$ 98	\$ —
Income from the reversal of contingent consideration ^(c)	—	3	—	3
Special Items Income - Operating Profit	—	3	98	3
Tax Expenses on Special Items ^(d)	—	—	(24)	—
Special Items Income, net of tax – including noncontrolling interests	—	3	74	3
Special Items Income, net of tax – noncontrolling interests	—	—	—	—
Special Items Income, net of tax – Yum China Holdings, Inc.	\$ —	\$ 3	\$ 74	\$ 3
Weighted Average Diluted Shares Outstanding	394	398	398	397
Special Items Diluted Earnings Per Common Share	\$ —	\$ 0.01	\$ 0.18	\$ 0.01
Reconciliation of Operating Profit to Adjusted Operating Profit				
Operating Profit	\$ 269	\$ 264	\$ 857	\$ 731
Special Items Income - Operating Profit	—	3	98	3
Adjusted Operating Profit	\$ 269	\$ 261	\$ 759	\$ 728
Reconciliation of EPS to Adjusted EPS				
Diluted Earnings Per Common Share	\$ 0.51	\$ 0.44	\$ 1.59	\$ 1.27
Special Items Diluted Earnings Per Common Share	—	0.01	0.18	0.01
Adjusted Diluted Earnings Per Common Share	\$ 0.51	\$ 0.43	\$ 1.41	\$ 1.26
Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate				
Effective Tax Rate	24.2%	31.9%	25.7%	29.4%
Impact on Effective Tax Rate as a result of Special Items	—%	(0.5)%	(0.1)%	(0.1)%
Adjusted Effective Tax Rate	24.2%	32.4%	25.8%	29.5%

(a) Amounts presented as of and for the quarter and year to date ended September 30, 2018 are unaudited.

(b) As a result of the acquisition of Wuxi KFC in the first quarter of 2018, the Company recognized a gain of \$98 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.

(c) During the third quarter of 2017, we recognized income from the reversal of contingent consideration previously recorded for a business combination as the likelihood of making payment became remote.

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