



LAVAZZA
TORINO, ITALIA, 1895

烧范儿



YumChina

Second Quarter 2023 Results

1 August 2023

NYSE: YUMC and HKEX: 9987



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,” “commit,” “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, growth, business plans, investment, dividend and share repurchase plans, liquidity, earnings, performance and returns of Yum China, anticipated effects of population and macroeconomic trends, the expected impact of the COVID-19 pandemic, pace of recovery of Yum China’s business, the anticipated effects of our innovation, digital and delivery capabilities and investments on growth, beliefs regarding the long-term drivers of Yum China’s business and GHG emissions reduction targets. 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 pandemic, 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.

Reached New Heights in Second Quarter

	Q2			YoY	Vs 19
	2021	2022	2023		
RMB to USD rate vs prior year Q2: ~6% depreciation					
Total stores	11,023	12,170	13,602	+12%	+55%
Net new stores	298	53	422		
Revenue (\$bn) ¹	2.45	2.13	2.65	+25%	+25%
System sales growth ²	+14%	(16)%	+32%		
Same-store sales growth ²	+5%	(16)%	+15%		
Restaurant margin	15.8%	12.1%	16.1%	+400bp	+140bp
Operating profit ¹ (\$mn)	233	81	257	+216%	+26%
Adjusted operating profit ¹ (\$mn)	237	82	259		
Net income ¹ (\$mn)	181	83	197	+138%	+11%
Diluted EPS ¹ (\$)	0.42	0.20	0.47		

Record Q2 net new stores

1,900+ cities nationwide

Record Q2 revenue

+25% YoY, +25% vs 2019

Operating profit 3x YoY

+26% vs 2019

RGM Strategy

Resilience-Growth-Moat

¹ Stated in reported currency, includes the consolidation of Huang Ji Huang from April 2020, Suzhou KFC from August 2020 and Hangzhou KFC from December 2021.

² Stated on a constant currency basis.

First Half Operating Profit Exceeded 2022 Full Year

	1H			YoY	Vs 19
	2021	2022	2023		
RMB to USD rate vs prior year 1H: ~7% depreciation					
Total stores	11,023	12,170	13,602	+12%	+55%
Net new stores	517	382	655		
Revenue (\$bn) ¹	5.01	4.80	5.57	+16%	+26%
System sales growth ²	+24%	(10)%	+24%		
Same-store sales growth ²	+8%	(12)%	+11%		
Restaurant margin	17.3%	13.0%	18.3%	+530bp	+160bp
Operating profit ¹ (\$mn)	575	272	673	+147%	+33%
Adjusted operating profit ¹ (\$mn)	582	275	678		
Net income ¹ (\$mn)	411	183	486	+166%	+22%
Diluted EPS ¹ (\$)	0.95	0.43	1.15		

Record 1H net new stores

On track to full year target

Record 1H revenue

+16% YoY, +26% vs 2019

1H 2023 Operating profit more than 2022 full year

+147% YoY, +33% vs 2019

RGM Strategy

Resilience-Growth-Moat

¹ Stated in reported currency, includes the consolidation of Huang Ji Huang from April 2020, Suzhou KFC from August 2020 and Hangzhou KFC from December 2021.

² Stated on a constant currency basis.

Dine-in, Takeaway and Delivery All Grew

Delivery

Off-premise

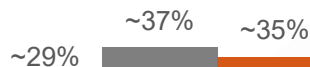
KFC Delivery
Get extra items at ¥1+,
New delivery member only



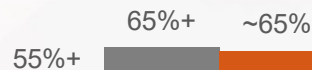
% of Company sales¹

Delivery sales growth²

% of Company sales¹



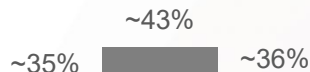
+25% vs Q2 22



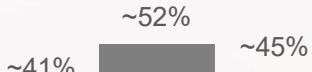
Q2

Q2

■ 2021 ■ 2022 ■ 2023



+9% vs Q2 22



Q2

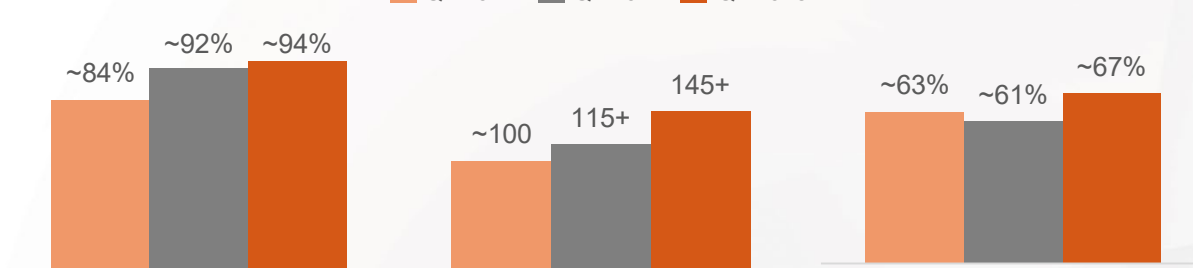
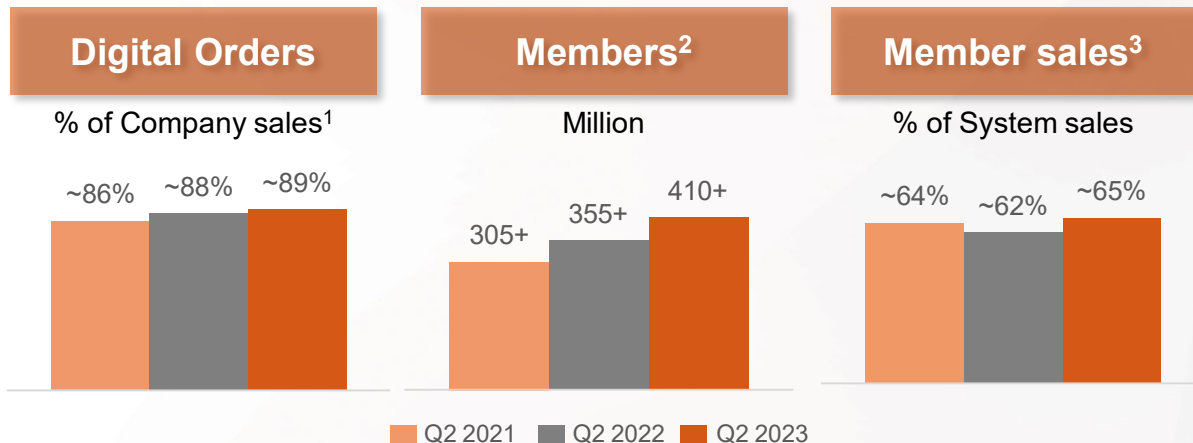
Q2



¹ Includes KFC (Hangzhou KFC included since December 2021) and Pizza Hut.

² Stated on a constant currency basis.

Continued to Expand Membership Program and Improve Member Engagement



Super App
Lucky draw using member points



¹ Includes KFC (Hangzhou KFC included since December 2021) and Pizza Hut.

² Cumulative as of period-end

³ Includes KFC and Pizza Hut. From 2022, in addition to transactions in which members self-identified as members (i.e., through member QR code, using member coupons/vouchers, ordering via Super-Apps or other own channels), member sales also include 1) transactions in which members order using our coupons/vouchers through third party e-commerce platforms, 2) Pizza Hut tableside orders paid through POS terminals, provided members could otherwise be identified as members. 2021 data restated to reflect this change. Before restatement KFC was 62% and PH was 54% in 2021 Q2.

Bringing Moments of Joy to Customers

Labor Day (May 1)



Buy one Bucket get one free

Children's Day (Jun 1) – Record Daily Transactions



KFC x Sanrio



Pizza Hut x Pokemon

Lucky Draw



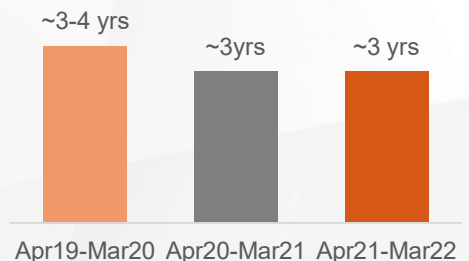
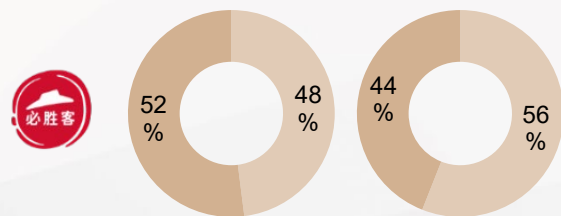
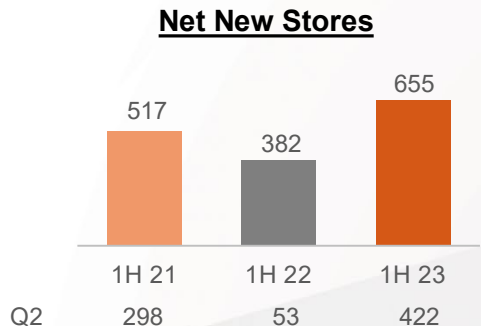
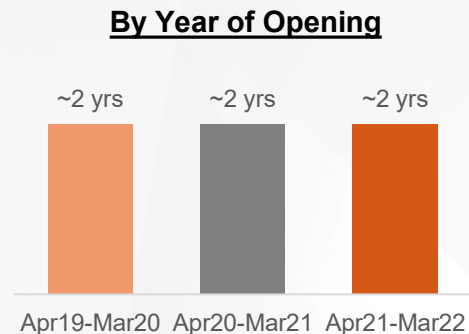
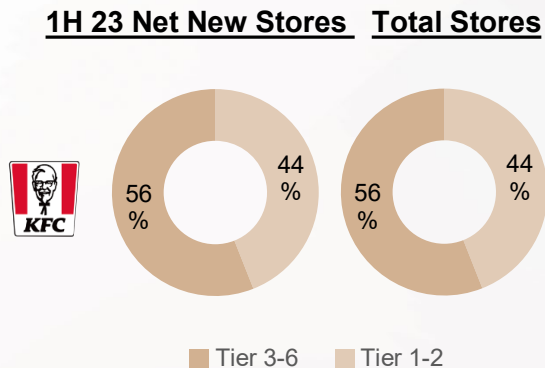
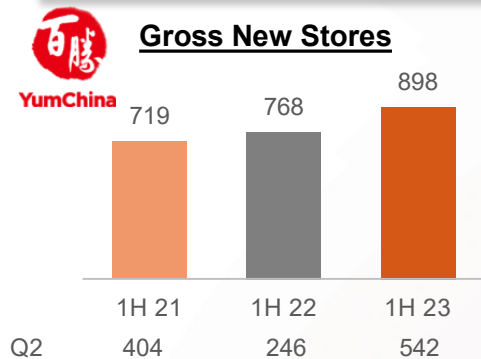
Trip to Maldives

Maintained New Unit Payback Periods – 2 Years for KFC; 3 Years for Pizza Hut

Expanding Store Portfolio

Penetrating into Lower-tier Cities

Maintained New Unit Payback¹



¹ Refers to Average Pre-tax Cash Payback Period assuming yearly cashflow is same as year 1, after deduction of 3% license fee and before G&A expenses and income tax; Years refer to store opening period.



KFC: Going from Strength to Strength



	Q2		YoY	Vs 19
	2022	2023		
Total stores	8,510	9,562	+12%	+55%
Net new stores	69	323		
System sales growth ¹	(15)%	+32%		
Same-store sales growth ¹	(16)%	+15%		
Restaurant margin	13.4%	17.3%	+390bp	+120bp
Operating profit (\$ mn) ²	122	273	+125%	+33%
Delivery sales ³	~37%	~35%		
Off-premise sales ³	65%+	~65%		
Digital order ³	~88%	~89%		

¹ Stated on a constant currency basis; includes the consolidation of Suzhou KFC from August 2020 and Hangzhou KFC from December 2021.

² Segment operating profit before unallocated costs in reported currency

³ % of Company sales

Photo: KFC store in Shanghai Hongqiao Airport Terminal 2



Introducing Delicious and Innovative Food

“K-zza”

KFC

新 大盘鸡风味 鸡米花 K 萨 ¥21

创意主食

K 萨系列

新 蘑菇鸡汁风味 鸡米花 K 萨 ¥21

Popcorn chicken on thin crust at ¥21

Double Down

KFC DOUBLE DOWN

单人餐 立享 8折*

咚咔滋鸡腿肉霸堡单人餐

¥36.5 折后价

3种柠檬酸甜爆汁

3-item combo at ¥36.5

K-Coffee

你喝咖啡 我喝K咖啡

三重酷爽 唤醒快乐

NEW 100%阿拉比卡咖啡豆

3种柠檬酸甜爆汁

爆汁三柠气泡美式

扫一扫即下单

肯德基冰咖啡季 冷冷滴上市

Iced sparkling Americano with zesty lemon

Chinese-style Breakfast

KFC 早餐 早餐·粥·凉皮·馒头

葱油拌面

焦黄葱叶 灵魂点缀

拌出五味俱全油润飘香

扫码点单或预约明日早餐

Scallion oil noodles



Offering Amazing Value

Weekday Value Combo

肯德基OK 三件套
工作日正餐时段供应

19.9元

汉堡 小食 可乐

NEW 滋滋YES 烤鸡腿堡 OK三件套
整块焗烤风味带皮腿肉

薯条(中)可换蛋挞或红豆派

黄金SPA 鸡排堡 OK三件套
整块多汁大鸡排

薯条(中)可换蛋挞或红豆派

New burger 3-item combos at ¥19.9

Crazy Thursday

KFC 灵魂宵夜 20:00上线

疯狂星期四

8根 **十九块九**

鸡肉香脆细春卷

8根 19.9元

¥19.9/8根

KFC 灵魂宵夜

8 mini spring rolls at ¥19.9

Sunday Buy More Save More

周日疯狂拼

4拼 6拼 8拼
66折 55折 5折

新款主食6月25日限时加入!
NEW 滋滋YES烤鸡腿堡

KFC

34%-50% discount (Mix-n-match from 15 items)

Prepaid Discount Vouchers

KFC 本地生活团购券专场

肯德基618 宠粉节

6月12日起* 限量开售 到店 外送 同享

招牌 **两件 9.9**元

香辣鸡腿堡+可乐(中) **9.9元**

炸鸡4选1+可乐(中) **9.9元**

2 items at ¥9.9; For sale on Super APP & 3rd party platforms



Pizza Hut: Operating Profit Tripled Year-over-year



	Q2		YoY	Vs 19
	2022	2023		
Total stores	2,711	3,072	+13%	+36%
Net new stores	32	89		
System sales growth ¹	(14)%	+30%		
Same-store sales growth ¹	(15)%	+13%		
Restaurant margin	8.6%	12.4%	+380bp	+110bp
Operating profit (\$ mn) ²	11	35	+216%	+21%
Delivery sales ³	~43%	~36%		
Off-premise sales ³	~52%	~45%		
Digital orders ³	~92%	~94%		

¹ Stated on a constant currency basis

² Segment operating profit before unallocated costs in reported currency

³ % of Company sales

Photo: Pizza Hut store in Qinhuangdao Seatopia Resort – 3000th store in China



New Menu with Innovative Products and Flavors



必胜客

2023
新菜单

新品超级多



Mini pineapple pie

奶香芝士
菠萝卷



意式肉酱
风味牛肉比萨

Bolognese pizza with beef (stuffed crust)



生椰莓莓

Strawberry & coconut milk



炙烤西冷牛排
能量碗

Sirloin steak energy bowl



Exciting Campaigns That Delight and Engage Customers

Genshin Impact Campaign



Campaign includes themed stores, special combos, souvenirs and packaging

Camping Campaign



Meal sets with camping box and trolley

Scream Wednesday



Pizzas / fried chicken / pasta from ¥ 29.9

Capital Allocation Balances Operations Needs, Long-term Growth and Return to Shareholders



\$ million	1H		
	2021	2022	2023
Cash and short-term investments	4,348	3,653	2,951 ¹
Cash flow from operating activities	773	609	924
Capital expenditure	303	347	332
Free cash flow ²	470	262	592
Cash dividends distributed	101	101	108
Share repurchases	-	400	124 ³

Disciplined Capital Allocation

- Maintain sufficient cash for operations and contingencies
- Make significant capex investment in store network expansion, supply chain infrastructure and digital
- Committed to returning excess cash to shareholders:
 - ✓ Increased quarterly cash dividend payments from \$0.12 to \$0.13 per share in 1H 2023
 - ✓ \$232 million returned through dividends and share repurchases in 1H 2023
- Remain disciplined in M&A

¹ Additionally, there is \$1,179 million in long-term bank deposits and notes.

² Refers to cash flow from operating activities minus capital expenditure.

³ Share repurchase amount excludes 1% excise tax.

Maintaining Net New Units and Capex Targets for 2023



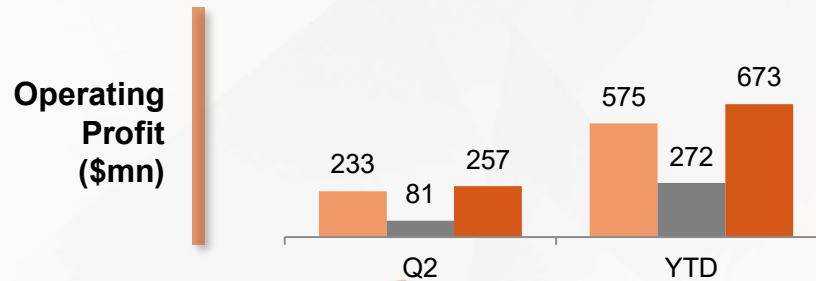
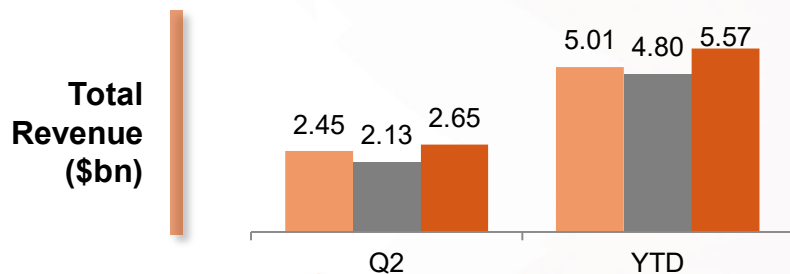
- Expect to open approximately 1,100 to 1,300 net new stores
- Continue disciplined approach in opening high-quality new stores



- Expect capital expenditure in the range of \$700mn to \$900mn
- Make significant capex investments in store network expansion, supply chain infrastructure and digital

Appendix

Key Factors of Year-over-year Change



Key factors for Q2 year-over-year increase

- + Same-store sales growth
- + New unit contribution
- + Lapping of prior year temporary store closures
- Foreign exchange

Key factors for Q2 year-over-year increase

- + Sales leveraging
- + New unit contribution
- + Lapping of prior year temporary store closures
- Lapping of prior year austerity measures
- Higher promotion cost
- Wage inflation
- Foreign exchange

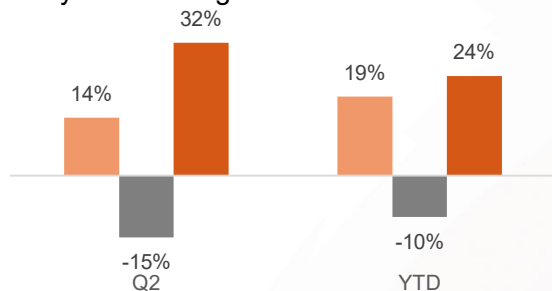
■ 2021 ■ 2022 ■ 2023



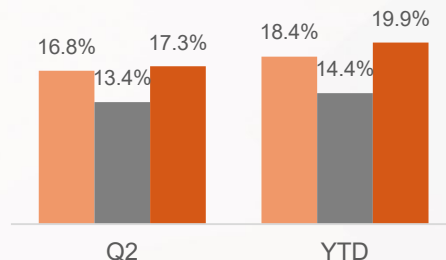
KFC Key Financials

Sales Growth (%)

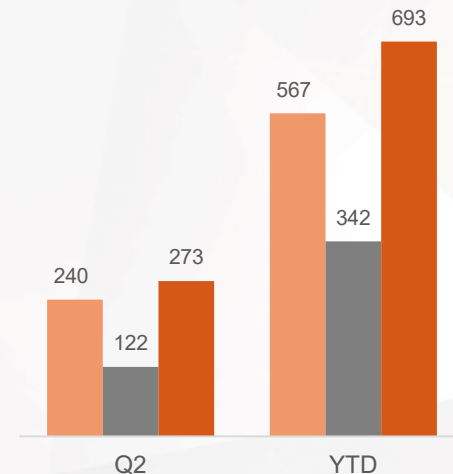
System sales growth ¹



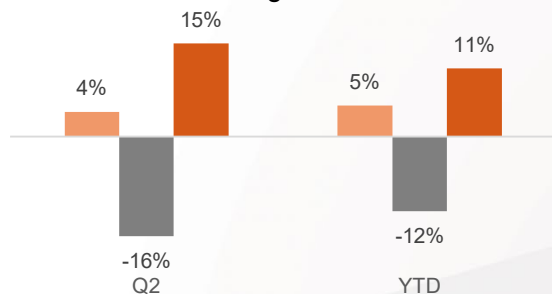
Restaurant Margin (%)



Operating Profit ² (\$ mn)



Same-store sales growth ¹



2023 vs 2022	Q2
Same-store sales	+15%
- Transactions	+21%
- Average ticket	-5%

¹ Stated on a constant currency basis.

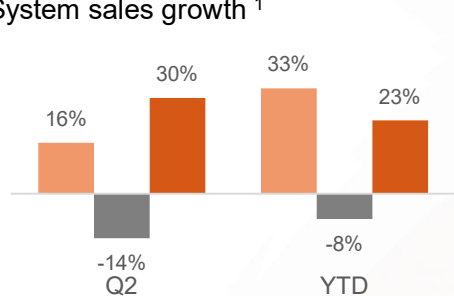
² Segment Operating Profit before unallocated shared service costs; includes the consolidation of Hangzhou KFC from December 2021



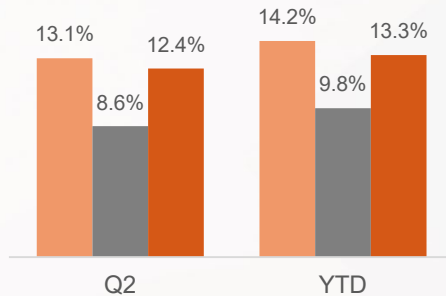
Pizza Hut Key Financials

Sales Growth (%)

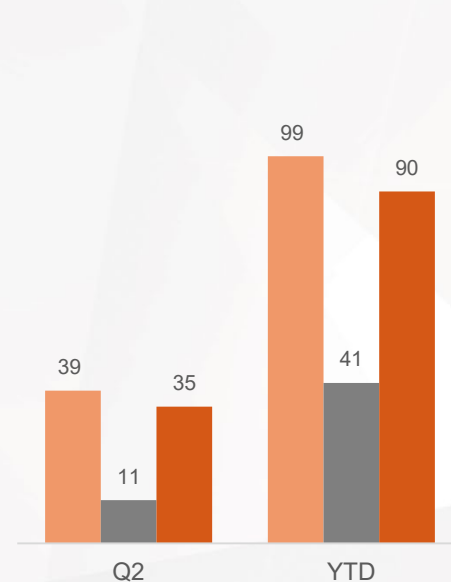
System sales growth ¹



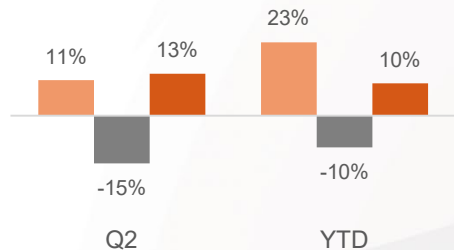
Restaurant Margin (%)



Operating Profit ² (\$ mn)



Same-store sales growth ¹



2023 vs 2022		Q2
Same-store sales		+13%
- Transactions		+27%
- Average ticket		-11%

¹ Stated on a constant currency basis.

² Segment Operating Profit before unallocated shared service costs

Reconciliation of Reported Results to Non-GAAP Adjusted Measures



	Quarter Ended		Year to Date Ended	
	6/30/2023	6/30/2022	6/30/2023	6/30/2022
Non-GAAP Reconciliations				
Reconciliation of Operating Profit to Adjusted Operating Profit				
Operating Profit	\$ 257	\$ 81	\$ 673	\$ 272
Special Items, Operating Profit	(2)	(1)	(5)	(3)
Adjusted Operating Profit	<u>\$ 259</u>	<u>\$ 82</u>	<u>\$ 678</u>	<u>\$ 275</u>
Reconciliation of Net Income to Adjusted Net Income				
Net Income – Yum China Holdings, Inc.	\$ 197	\$ 83	\$ 486	\$ 183
Special Items, Net Income – Yum China Holdings, Inc.	(2)	(1)	(5)	(3)
Adjusted Net Income – Yum China Holdings, Inc.	<u>\$ 199</u>	<u>\$ 84</u>	<u>\$ 491</u>	<u>\$ 186</u>
Reconciliation of EPS to Adjusted EPS				
Basic Earnings Per Common Share	\$ 0.47	\$ 0.20	\$ 1.16	\$ 0.43
Special Items, Basic Earnings Per Common Share	—	—	(0.01)	(0.01)
Adjusted Basic Earnings Per Common Share	<u>\$ 0.47</u>	<u>\$ 0.20</u>	<u>\$ 1.17</u>	<u>\$ 0.44</u>
Diluted Earnings Per Common Share	\$ 0.47	\$ 0.20	\$ 1.15	\$ 0.43
Special Items, Diluted Earnings Per Common Share	—	—	(0.01)	(0.01)
Adjusted Diluted Earnings Per Common Share	<u>\$ 0.47</u>	<u>\$ 0.20</u>	<u>\$ 1.16</u>	<u>\$ 0.44</u>
Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate				
Effective tax rate	24.7%	26.5%	27.0%	30.4%
Impact on effective tax rate as a result of Special Items	0.1%	0.2%	0.1%	0.3%
Adjusted effective tax rate	<u>24.6%</u>	<u>26.3%</u>	<u>26.9%</u>	<u>30.1%</u>

Details of Special Items

	Quarter Ended		Year to Date Ended	
	6/30/2023	6/30/2022	6/30/2023	6/30/2022
Share-based compensation expense for Partner PSU Awards ⁽¹⁾	\$ (2)	\$ (1)	\$ (5)	\$ (3)
Special Items, Operating Profit	(2)	(1)	(5)	(3)
Tax effect on Special Items ⁽²⁾	—	—	—	—
Special Items, net income – including noncontrolling interests	(2)	(1)	(5)	(3)
Special Items, net income – noncontrolling interests	—	—	—	—
Special Items, Net Income – Yum China Holdings, Inc.	<u>\$ (2)</u>	<u>\$ (1)</u>	<u>\$ (5)</u>	<u>\$ (3)</u>
Weighted-average Diluted Shares Outstanding (in millions)	422	424	423	427
Special Items, Diluted Earnings Per Common Share	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>

(1) 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 to the same employees during the performance period. The impact from these special awards is excluded from metrics that management uses to assess the Company's performance.

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

ESG Key Initiatives

Climate Action

SBTi approved near-term greenhouse gas (GHG) reduction targets*

Published first TCFD report

Circular Economy

Phasing out plastic packaging

100% FSC paper napkin**

Expanded food bank program

Nutrition & Food Safety

Published Yum China Nutrition and Health Commitments to promote healthy lifestyle

End-to-end food safety and quality management system

People

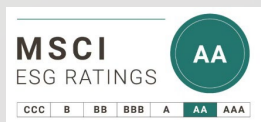
People First:
Fair, Care & Pride

Committed to positive social impact: e.g., One Yuan Donation, Book Kingdom, Angel Restaurants

Recognition



Industry highest score for the 3rd year



The only restaurant company with AA rating



5th consecutive year



5th consecutive year

* 2035 reduction targets (from 2020 base year): 63% for Scope 1 and 2 GHG emissions; 66.3% for Scope 3 GHG emissions per ton of goods purchased

** Includes KFC, Pizza Hut, Taco Bell, Lavazza and Little Sheep restaurants.



YumChina

About Yum China

Yum China is the largest restaurant company in China with a mission to make every life taste beautiful. The Company has over 400,000 employees and operates over 13,000 restaurants under six brands across 1,900 cities in China. KFC and Pizza Hut are the leading brands in the quick-service and casual dining restaurant spaces in China, respectively. Taco Bell offers innovative Mexican-inspired food. Yum China has also partnered with Lavazza to develop the Lavazza coffee concept in China. Little Sheep and Huang Ji Huang specialize in Chinese cuisine. Yum China has a world-class, digitalized supply chain which includes an extensive network of logistics centers nationwide and an in-house supply chain management system. Its strong digital capabilities and loyalty program enable the Company to reach customers faster and serve them better. Yum China is a Fortune 500 company with the vision to be the world's most innovative pioneer in the restaurant industry. For more information, please visit <http://ir.yumchina.com>.

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