



## Yum China Reports Second Quarter 2023 Results

*Delivered record-breaking second quarter performance in Total Revenues, Operating Profit and net new adds  
Total Revenues up 25%; System Sales grew 32% in constant currency; Operating Profit increased 216%  
Store openings accelerated, 655 net new adds in the first half, on track for full-year net new store target*

Shanghai, China (August 1, 2023) – Yum China Holdings, Inc. (the "Company" or "Yum China") (NYSE: YUMC and HKEX: 9987) today reported unaudited results for the second quarter ended June 30, 2023.

### Second Quarter Highlights

- **Total revenues** increased 25% year over year to \$2.65 billion from \$2.13 billion (a 32% increase excluding foreign currency translation ("F/X")).
- **Total system sales** increased 32% year over year, with increases of 32% at KFC and 30% at Pizza Hut, excluding F/X. Growth was mainly attributable to same-store sales, new unit contribution and lapping of temporary store closures in the prior year.
- **Same-store sales** increased 15% year over year, with increases of 15% at KFC and 13% at Pizza Hut, excluding F/X.
- Opened 422 **net new stores** during the quarter; total store count reached 13,602, as of June 30, 2023.
- **Operating Profit** increased 216% year over year to \$257 million from \$81 million (a 228% increase excluding F/X), primarily driven by sales leveraging and margin expansion.
- **Adjusted Operating Profit** increased 215% year over year to \$259 million from \$82 million (a 227% increase excluding F/X).
- **Restaurant margin** was 16.1%, compared with 12.1% in the prior year period.
- Effective tax rate was 24.7%.
- **Net Income** increased 138% to \$197 million from \$83 million in the prior year period, primarily due to the increase in Operating Profit.
- **Adjusted Net Income** increased 137% to \$199 million from \$84 million in the prior year period (a 207% increase excluding the net loss of \$9 million in the second quarter of 2023 and net gain of \$16 million in the second quarter of 2022, from the mark-to-market equity investment in Meituan; a 219% increase if further excluding F/X).
- **Diluted EPS** increased 135% to \$0.47 from \$0.20 in the prior year period.
- **Adjusted Diluted EPS** increased 135% to \$0.47 from \$0.20 in the prior year period (a 206% increase excluding the net loss from the mark-to-market equity investments in the second quarter of 2023 and net gain in the second quarter of 2022; a 219% increase if further excluding F/X).

### Key Financial Results

	Second Quarter 2023				Year to Date Ended 6/30/2023			
	System Sales	Same-Store Sales	Net New Units	Operating Profit	System Sales	Same-Store Sales	Net New Units	Operating Profit
Yum China	+32	+15	+12	+216	+24	+11	+12	+147
KFC	+32	+15	+12	+125	+24	+11	+12	+103
Pizza Hut	+30	+13	+13	+216	+23	+10	+13	+120

(in US\$ million, except per share data and percentages)	Second Quarter				Year to Date Ended 6/30			
	2023	2022	% Change		2023	2022	% Change	
			Reported	Ex F/X			Reported	Ex F/X
Operating Profit	\$ 257	\$ 81	+216	+228	\$ 673	\$ 272	+147	+164
Adjusted Operating Profit <sup>(1)</sup>	\$ 259	\$ 82	+215	+227	\$ 678	\$ 275	+146	+162
Net Income	\$ 197	\$ 83	+138	+147	\$ 486	\$ 183	+166	+184
Adjusted Net Income <sup>(1)</sup>	\$ 199	\$ 84	+137	+147	\$ 491	\$ 186	+164	+181
Basic Earnings Per Common Share	\$ 0.47	\$ 0.20	+135	+145	\$ 1.16	\$ 0.43	+170	+188
Adjusted Basic Earnings Per Common Share <sup>(1)</sup>	\$ 0.47	\$ 0.20	+135	+145	\$ 1.17	\$ 0.44	+166	+184
Diluted Earnings Per Common Share	\$ 0.47	\$ 0.20	+135	+145	\$ 1.15	\$ 0.43	+167	+186
Adjusted Diluted Earnings Per Common Share <sup>(1)</sup>	\$ 0.47	\$ 0.20	+135	+145	\$ 1.16	\$ 0.44	+164	+182

<sup>1</sup> See “Reconciliation of Reported GAAP Results to non-GAAP Adjusted Measures” included in the accompanying tables of this release for further details.

Note: All comparisons are versus the same period a year ago.

Percentages may not recompute due to rounding.

System sales and same-store sales percentages exclude the impact of F/X. Effective January 1, 2018, temporary store closures are normalized in the same-store sales calculation by excluding the period during which stores are temporarily closed.

## CEO and CFO Comments

Joey Wat, CEO of Yum China, commented, “We achieved outstanding results, delivering substantial growth in the ~~time~~ and bottom-line, in the second quarter, thanks to our teams’ dedication and creativity. This once again demonstrates our ~~ar~~fragile business model and ability to capture opportunities in good times and stay resilient in bad times. Our innovative products and compelling value captured customer demand and drove double-digit same- store sales growth. KFC’s “K -zza” and Pizza Hut’s new menu items were hugely popular. Our exciting campaign with Genshin Impact and fun toy offerings with Sanrio and Pokemon spurred strong demand and brought consumers moments of joy. We registered record daily transactions of 8.5 million on Children’s Day . Our amazing operations team, robust end-to-end digital capabilities and agile supply chain enabled us to flexibly handle surges in customer traffic through holiday periods and special marketing campaigns, while maintaining consistent quality and customer service. As a result of these collective efforts, our operating profit for the first half of this year already exceeded the entire year of 2022.”

Wat continued, “We accelerated the pace of new store openings in the second quarter and celebrated two milestones. Pizza Hut surpassed 3,000 stores in China and KFC exceeded 500 stores in Shanghai alone. With 655 net new stores in the first half of 2023, we are on track to meet our expansion goals for the year. Importantly, new store payback periods remain healthy. Furthermore, we see abundant white space in China. With a presence in 1,900 cities, we are still tracking over 800 cities without a KFC. Similarly, Pizza Hut has a great potential for expanding its footprint. With our flexible store formats, we continue to expand addressable markets across city tiers. By actively pursuing our RGM (Resilience-Growth-Moat) strategy and leveraging our industry-leading strengths, we are confident in our ability to capture long-term growth opportunities.”

Andy Yeung, CFO of Yum China, added, “We delivered record secondquarter revenues and profits, despite challenging macro conditions and an uptick of COVID infections during the quarter. When customer demand softened in May, we adjusted nimbly to address consumer needs, captured holiday spending and successfully regained sales momentum. Sales growth and proactive cost structure rebasing helped us improve operating leverage, expanding restaurant margins and delivering record operating profit in the quarter. Even though same-store sales remained below 2019 levels, our revenue in the second quarter has increased by 25% and operating profits have risen by 26% compared to pre-pandemic levels in 2019.”

“As we move into the third quarter, driving sales remains our top priority. We have lined up exciting marketing campaigns and resources to seize sales opportunities in the peak summer season. Our efforts on efficiency improvement and cost structure rebasing should continue to benefit profitability in the long run. But, it is worth noting that last year’s record third -quarter restaurant margins set a relatively high benchmark, due to austerity measures and temporary reliefs. We will continue to stay agile through evolving market conditions, expand our store network and fortify our competitive moat to drive sustainable long-term growth,” Yeung concluded.

## Share Repurchases and Dividends

- During the second quarter, the Company repurchased approximately 1 million shares of Yum China common stock for \$62 million at an average price of \$60.23 per share. As of June 30, 2023, approximately \$1 billion remained available for future share repurchases under the current authorization.
- The Board declared a cash dividend of \$0.13 per share on Yum China's common stock, payable on September 18, 2023 to shareholders of record as of the close of business on August 28, 2023.

## Digital and Delivery

- The KFC and Pizza Hut loyalty programs exceeded 445 million members combined, as of quarter-end. Member sales accounted for approximately 66% of system sales in the second quarter of 2023.
- Delivery contributed approximately 35% of KFC and Pizza Hut's Company sales in the second quarter of 2023, a decrease of 3% compared with the prior year period.
- Digital orders, including delivery, mobile orders and kiosk orders, accounted for approximately 90% of KFC and Pizza Hut's Company sales in the second quarter of 2023.

KFC and Pizza Hut Total	Second Quarter		Year to Date Ended 6/30	
	2023	2022	2023	2022
Member count (as of period-end)	445 million+	385 million+	445 million+	385 million+
Member sales as % of system sales	~66%	~62%	~64%	~62%
Delivery as % of Company sales	~35%	~38%	~36%	~37%
Digital orders as % of Company sales	~90%	~89%	~90%	~88%

## New-Unit Development and Asset Upgrade

- The Company opened 422 net new stores in the second quarter of 2023, mainly driven by development of the KFC and Pizza Hut brands.
- The Company remodeled 171 stores in the second quarter of 2023.

	Net New Units		Restaurant Count	
	Second Quarter	Year to Date	As of June 30	
	2023	Ended 6/30/2023	2023	2022
Yum China	422	655	13,602	12,170
KFC	323	468	9,562	8,510
Pizza Hut	89	169	3,072	2,711
Others <sup>(2)</sup>	10	18	968	949

<sup>2</sup> Others include Taco Bell, Lavazza, Little Sheep, Huang Ji Huang, and, for 2022, COFFii & JOY.

## Restaurant Margin

- Restaurant margin was 16.1% in the second quarter of 2023 compared with 12.1% in the prior year period, driven primarily by sales leveraging and ongoing benefits of cost structure rebasing efforts; partially offset by lapping austerity measures in the prior year, higher promotion costs, and wage inflation.

	Second Quarter			Year to Date Ended 6/30		
	2023	2022	ppts change	2023	2022	ppts change
Yum China	16.1%	12.1%	+4.0	18.3%	13.0%	+5.3
KFC	17.3%	13.4%	+3.9	19.9%	14.4%	+5.5
Pizza Hut	12.4%	8.6%	+3.8	13.3%	9.8%	+3.5

## 2023 Outlook

The Company's fiscal year 2023 targets remain unchanged:

- To open approximately 1,100 to 1,300 net new stores.
- To make capital expenditures in the range of approximately \$700 million to \$900 million.

## Company Updates

- On July 17, 2023, the Company announced the appointment of Mr. David Hoffmann to the Board of the Directors. With this appointment, the Board is now comprised of 10 directors, nine of whom are independent.

## Note on Non-GAAP Measures

Reported GAAP results include Special Items, which are excluded from non-GAAP adjusted measures. Special Items are not allocated to any segment and therefore only impact reported GAAP results of Yum China. See “Reconciliation of Reported GAAP Results to Non-GAAP Adjusted Measures” within this release. In addition, for the non-GAAP measures of Restaurant profit and Restaurant margin, see “Reconciliation of GAAP Operating Profit to Restaurant Profit” under “Segment Results” within this release.

## Conference Call

Yum China’s management will hold an earnings conference call at 8:00 p.m. U.S. Eastern Time on Monday, July 31, 2023 (8:00 am. Beijing/Hong Kong Time on Tuesday, August 1, 2023).

Additionally, this earnings release, the accompanying slides, as well as the live and archived webcast of this conference call will be available at Yum China’s Investor Relations website at <http://ir.yumchina.com>.

For important news and information regarding Yum China, including our filings with the U.S. Securities and Exchange Commission and the Hong Kong Stock Exchange, visit Yum China's Investor Relations website at <http://ir.yumchina.com>. Yum China uses this website as a primary channel for disclosing key information to its investors, some of which may contain material and previously non-public information.

## Forward-Looking Statements

This press release 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, including under “2023 Outlook.” 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,” “outlook,” “commit” 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, 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 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 press release are only made as of the date of this press release, 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, 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.

## About Yum China Holdings, Inc.

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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