

Yum China Reports Third Quarter 2022 Results

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Total Revenues grew 5%; System Sales grew 5% in constant currency, despite temporary closures
Delivered \$316 million Operating Profit, representing 77% growth, through strong execution
Opened 621 net new stores year-to-date, on track to meet full-year net new store target of 1,000 to 1,200

The COVID pandemic continued to impact the Company's operations and results in the third quarter. COVID-related health measures remained in effect across China, impacting travel and social activities. Despite the volatile environment, the Company grew system sales in the quarter by 5% year over year and outpaced the 2% national restaurant industry average for the period.

Joey Wat, CEO of Yum China, commented, "We achieved outstanding performance in the third quarter with fantastic growth, both top-line and bottom-line. In the past two years, we have learned to navigate through uncertainties and volatilities. During tougher times, our resilient business model and agility has helped us to effectively manage the negative impact of the pandemic. As the market situation became relatively calmer in July and August, we successfully captured the upsides and delivered strong results. By adapting and innovating, we have further strengthened our business fundamentals. Our efforts to improve our cost structure make us nimbler and more efficient. This allows us to offer great value to customers without sacrificing profitability. Our in-house and tailor-made supply chain management system empowers us to innovate amazing new products and launch at scale with great speed. In just two years, we established expertise in beef burgers, capturing meaningful market share. Also, our digital capabilities continue to lead the industry. Our loyalty programs now have over 400 million members with great potential to be unleashed."

Third Quarter Highlights

- **Total revenues** increased 5% year over year to \$2.68 billion from \$2.55 billion (an 11% increase excluding foreign currency translation ("F/X")).

- **Total system sales** increased 5% year over year, with increases of 5% at KFC and 7% at Pizza Hut, excluding F/X.
- **Same-store sales** were flat year over year, with flat growth at KFC and an increase of 2% at Pizza Hut, excluding F/X.
- Opened 239 **net new stores** during the quarter; total store count reached 12,409 as of September 30, 2022.
- **Restaurant margin** was 18.8%, compared with 12.2% in the prior year period.
- **Operating Profit** increased 77% year over year to \$316 million from \$178 million (an 86% increase excluding F/X).
- **Adjusted Operating Profit** increased 89% year over year to \$318 million from \$168 million (a 99% increase excluding F/X).
- Effective tax rate was 29.9%.

In 2021, Yum China was selected as a member of both Dow Jones Sustainability Indices (DJSI): World Index and Emerging Market Index. In 2022, Yum China ranked 359th on the Fortune 500 list. The Company was also named to the Bloomberg Gender-Equality Index and was certified as a Top Employer 2022 in China by the Top Employers Institute, both for the fourth consecutive year