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**YumChina**

**Yum China Holdings, Inc.**

**百勝中國控股有限公司**

*(Incorporated in the State of Delaware of the United States of America)*

**(Stock Code: 9987)**

## **DISCLOSEABLE TRANSACTION ACQUISITION OF ALL EQUITY INTERESTS OF THE TARGET COMPANY TO ACQUIRE OWNERSHIP OF THE PIZZA HUT BRAND IN MAINLAND CHINA**

### **THE ACQUISITION**

On June 16, 2026, Yum China Holdings, Inc. (the “Company,” “we,” “us,” “our,” or “**Yum China**”), as purchaser, and Yum! Brands, as seller, entered into the Agreement pursuant to which Yum China agreed to purchase, and Yum! Brands agreed to cause its subsidiary to sell to Yum China, the Interests, representing all of the issued and outstanding equity interests of the Target Company, at a cash consideration of US\$1.2 billion.

Yum China currently has the exclusive right to operate and sublicense the Pizza Hut business in Mainland China pursuant to a certain master license agreement entered into with a subsidiary of Yum! Brands. Upon the Closing, Yum China will acquire all of the Interests of the Target Company and will, through the Target Company, acquire ownership of the Pizza Hut brand in Mainland China, and will no longer be subject to the license fees previously payable to Yum! Brands.

### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of Yum China and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **THE ACQUISITION**

On June 16, 2026, the Company entered into the Agreement with Yum! Brands. Pursuant to the Agreement, on the terms and subject to the conditions set forth therein, Yum China has agreed to purchase, and Yum! Brands has agreed to cause its wholly-owned subsidiary, YIFC, to sell, all of the issued and outstanding membership interests, or the Interests, of the Target Company, which together with its wholly-owned subsidiaries, as of the Closing, will hold the intellectual property and related rights for the Pizza Hut brand in Mainland China.

A summary of the principal terms of the Agreement is set out below:

### **Subject matter**

On the terms and subject to the conditions contained in the Agreement, at the Closing, Yum! Brands shall cause its wholly-owned subsidiary, YIFC, to sell, assign, transfer and deliver to Yum China, and Yum China shall purchase, the Interests, free and clear of any liens, other than restrictions on transfer imposed under applicable securities laws, in exchange for the payment by Yum China of the transaction consideration.

### **Transaction consideration and Payment**

The transaction consideration for the Interests is US\$1.2 billion, payable in cash at Closing.

Yum China intends to fund the Acquisition through a combination of cash and debt financing.

## **BASIS OF DETERMINING THE TRANSACTION CONSIDERATION**

The Directors have taken into account the following when determining the Acquisition and its terms, including the transaction consideration: (1) through the Acquisition, Yum China will obtain ownership of the Pizza Hut brand in Mainland China; (2) historical performance and future prospects of Pizza Hut in Mainland China; (3) valuation based on the market approach among other commonly adopted valuation methodologies, details of which are set out in the section headed “Valuation” below; (4) due diligence conducted on the Target Company; and (5) other strategic rationale as set out in the section headed “REASONS FOR AND BENEFITS OF THE ACQUISITION” in this announcement.

### **Valuation**

#### ***(a) Valuation Methodology***

The transaction consideration for the Acquisition was determined after arm’s length negotiations between Yum China and Yum! Brands. The Company considered commonly adopted valuation methodologies, including the market approach. The market approach provides an indication of value by benchmarking the Target Company against comparable listed companies with publicly available market and financial information. Given the availability of sufficient number of listed companies comparable to the Target Company, their trading

multiples provide a relevant reference for market expectations and industry valuation levels. In applying the market approach, commonly used trading multiples of the comparable companies, with a key focus on the price-to-earning (P/E) ratio, were considered.

***(b) Rationale for Using Price-to-Earnings (P/E) based Valuation***

The price-to-earning (P/E) based valuation is considered appropriate in the context of the Acquisition, as it is one of the principal valuation methods commonly used by the capital markets in assessing Yum China's value, supported by sufficient publicly available data for market comparables.

Upon the Closing, Yum China will no longer be subject to license fee payments to Yum! Brands under the existing license arrangements for operating Pizza Hut in Mainland China. The elimination of such fees, net of tax, will directly benefit the Company's earnings, which is also an appropriate proxy for cash flow in this transaction. Furthermore, EPS is a key indicator used by the Company to assess its financial performance, and enhancing EPS aligns with the Company's long-term shareholder value creation commitment. Thus, the Company primarily considered the P/E based valuation to determine the transaction consideration.

***(c) Selection of Comparable Companies***

In view of the nature of the Acquisition, which will result in Yum China's ownership of the Pizza Hut brand in Mainland China, the Company has made reference to reputable brand owners in the global catering and beverage space as comparable companies.

In selecting the comparable companies, Yum China conducted a comprehensive screening across global capital markets. The following multi-layered selection criteria were applied:

- (1) Business Nature: companies that own one or more brands with franchising as a key business model in the global catering and beverage industry;
- (2) Scale Comparability: companies with market capitalization of at least US\$5 billion as of June 12, 2026; and
- (3) Brand Awareness: companies owning well-known brands in their portfolio with leading market positions in respective segments and regions in the catering and beverage industry.

Based on the above selection criteria, seven comparable companies were selected for the purpose of the valuation:

Company Name	Stock Code	Market Capitalization (US\$ in millions)	Share Price (US\$)	LTM EPS <sup>(1)</sup> (US\$)	Latest LTM P/E Ratio <sup>(2)</sup>	One-year Average LTM P/E Ratio <sup>(3)</sup>
Yum! Brands	YUM-US	43,052	154.31	6.20	24.9x	28.0x
McDonald's	MCD-US	203,212	284.81	12.13	23.5x	25.7x
Restaurant Brands International	QSR-US	34,356	74.85	2.51	29.8x	27.4x
Domino's Pizza	DPZ-US	10,952	323.88	17.37	18.6x	23.5x
Starbucks	SBUX-US	117,795	103.04	1.31	78.6x	59.4x
Mixue	2097-HK	13,390	35.27	2.32	15.2x	25.2x
Guming	1364-HK	6,908	2.90	0.19	15.0x	25.6x
				Average	29.4x	30.7x
				Median	23.5x	25.7x

Source: FactSet, as of June 12, 2026. US\$1 = HK\$7.84, US\$1 = RMB6.76.

Notes:

- (1) LTM EPS refers to diluted earnings per share for the latest last-twelve-month period based on the most recent financial statements publicly available as of June 12, 2026.
- (2) Latest LTM P/E ratio refers to the closing price of each comparable company on June 12, 2026 divided by LTM EPS.
- (3) One-year Average LTM P/E ratio is calculated as the average of daily LTM P/E ratios over the past one year. Daily LTM P/E ratios are calculated in the same way as (2) above, where LTM EPS and closing prices are from FactSet on each of the trading days in the past one year.

The transaction consideration of US\$1.2 billion represents a 19.5x P/E, based on the license fees payable to Yum Brands! from Pizza Hut China for the last twelve months ended March 31, 2026, and after applying an assumed tax rate of 16.5%. The implied P/E ratio represents a 17% discount to the median of the peer group's latest LTM P/E (23.5x) as of market close on June 12, 2026, as disclosed above.

## Closing Conditions

The consummation of the Acquisition is subject to the satisfaction or waiver of certain Closing conditions, including the absence of any law or governmental order prohibiting the Transaction, the accuracy of the parties' respective representations and warranties (subject to certain materiality qualifiers), and the performance in all material respects of the parties' respective covenants.

## Closing

In no event shall the Closing occur prior to the earlier of (a) August 17, 2026 and (b) the date specified by Yum China in written notice to Yum! Brands provided that Yum China's notice is delivered at least five (5) business days prior to such specified date.

Subject to the satisfaction or waiver, if permitted, of the Closing conditions described above, the Closing is expected to occur in the third quarter of 2026. Upon the Closing, Yum China will, through the Target Company, acquire ownership of the Pizza Hut brand in Mainland China.

## Other Arrangements

The Company and Yum! Brands have agreed to enter into certain related agreements at or prior to the Closing, including the amendment and restatement of the Company's existing master license agreement with Yum! Brands for the KFC and Taco Bell brands in Mainland China (the "**Amended and Restated KFC/TB Master License Agreement**"), by and between YRICF, a Yum! Brands subsidiary, and YCCL, a Yum China subsidiary.

The Amended and Restated KFC/TB Master License Agreement will govern YCCL's ongoing right and license to use certain intellectual property associated with the KFC and Taco Bell brands in Mainland China. The Amended and Restated KFC/TB Master License Agreement will amend the existing master license agreement between YRICF and YCCL to, among other things, (i) provide Yum China the opportunity to earn certain annual financial incentives over the next twelve years based on the achievement of specified KFC system sales growth targets, and (ii) establish the terms on which the parties will work together to develop potential long-term growth plans for Taco Bell in Mainland China.

The Company will also enter into certain other related agreement relating to the intellectual property rights for the Pizza Hut brand in Mainland China.

## INFORMATION ON YUM CHINA

Yum China is a company incorporated under the laws of the State of Delaware of the United States of America with limited liability whose shares are dual primary listed on the New York Stock Exchange under the ticker symbol "YUMC", and on the Main Board of the Stock Exchange under the stock code 9987.

Yum China is the largest restaurant company in China with a mission to make every life taste beautiful. The Company operates over 18,000 restaurants under six brands across over 2,600 cities in Mainland China. KFC and Pizza Hut are the leading brands in the quick-service and casual dining restaurant spaces in Mainland China, respectively. In addition, Yum China has partnered with Lavazza to develop the Lavazza coffee concept in China. Little Sheep and Huang Ji Huang specialize in Chinese cuisine. Taco Bell offers innovative Mexican-inspired food. 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.

## **INFORMATION ON THE TARGET COMPANY**

As of the date of the Agreement, the Target Company is a wholly-owned indirect subsidiary of Yum! Brands.

The Target Company is a Delaware limited liability company, which as of Closing, together with its subsidiaries, will own certain intellectual property assets relating to the Pizza Hut brands, including the Pizza Hut brand trademarks registered or filed in Mainland China and other owned intellectual property exclusively used in Mainland China, and will have a license to certain intellectual property relating to the Pizza Hut brand business in Mainland China.

The license fees payable by Yum China to Yum! Brands for operating Pizza Hut in Mainland China, which could be considered as the net profit (before tax) attributable to the Pizza Hut IP in Mainland China, for the two most recent financial years ended December 31, 2024 and December 31, 2025, was RMB478 million and RMB494 million, respectively. The net profit (after tax) attributable to the Pizza Hut IP in Mainland China is not applicable as standalone after-tax figure is not available.

The value of the total assets of the Pizza Hut IP as of the date of the Agreement was approximately US\$1.2 billion.

## **INFORMATION ON YUM! BRANDS**

Yum! Brands is a North Carolina corporation which has over 63,000 restaurants in 155 countries and territories primarily operating under the four concepts of KFC, Taco Bell, Pizza Hut and Habit Burger & Grill. Yum! Brands' shares are listed on the New York Stock Exchange under the ticker symbol "YUM".

As of the date of the Agreement, YCCL, a wholly-owned indirect subsidiary of Yum China, and YRICF, a Yum! Brands subsidiary, are parties to a certain master license agreement, pursuant to which YCCL has the exclusive right to operate and sublicense the Pizza Hut business in Mainland China. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Yum! Brands is independent of Yum China and connected persons of Yum China.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

Pizza Hut is the largest casual dining restaurant brand in China<sup>1</sup> and continues to capture significant growth opportunities in the market. In 2025, Pizza Hut reported segment revenue of \$2.3 billion and segment operating profit of \$183 million, and in the first quarter of 2026, it delivered its 13th consecutive quarter of same-store transaction growth and its eighth consecutive quarter of restaurant margin and operating profit expansion. With 4,375 restaurants across more than 1,100 cities<sup>2</sup>, Yum China is targeting the expansion of Pizza Hut's footprint to over 6,000 stores by 2028 and doubling its operating profit by 2029 compared with that for 2024, as previously outlined at Yum China's Investor Day in November 2025.

<sup>1</sup> In terms of 2025 system sales and number of restaurants.

<sup>2</sup> As of March 31, 2026.

Moving from the exclusive licensee to the brand owner of Pizza Hut in Mainland China represents a transformative milestone for the Company, demonstrating the Company's conviction and long-term commitment to the China market. Becoming the brand owner will give the Company greater strategic flexibility to drive innovation across the menu, store formats, new modules, and operations. In addition, the elimination of the license fee payments to Yum! Brands is expected to enhance store economics and lower store-opening thresholds, which support Pizza Hut's margin expansion, growth acceleration and market leadership in China.

Having taken into account the above reasons and benefits, the Directors consider that the terms of the Agreement are fair and reasonable, and the entry into the Agreement and the transactions contemplated thereunder is in the interests of Yum China and its stockholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of Yum China and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, the following terms and expressions shall, unless the context requires otherwise, have the following meanings:

“Acquisition”	the acquisition of the Interests by Yum China from Yum! Brands pursuant to the Agreement
“Agreement”	the membership interest purchase agreement dated June 16, 2026 entered into between Yum China as purchaser and Yum! Brands as seller in relation to the Acquisition
“Board”	board of Directors
“Closing”	the consummation of the transactions contemplated by the Agreement
“Closing Date”	the date on which the Closing is to occur
“Director(s)”	director(s) of Yum China
“Hong Kong”	the Hong Kong Special Administrative Region of People's Republic of China

“Interests”	all of the outstanding membership interests of the Target Company, which constitute all of the issued and outstanding equity interests of the Target Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“LTM”	last twelve months
“Mainland China”	the People’s Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Pizza Hut IP”	the Pizza Hut trademark registrations and applications for Mainland China and certain other Pizza Hut intellectual property exclusively used in Mainland China, to be assigned to the Target Company prior to the Closing
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Willow Glade Investments, LLC, a Delaware limited liability company, and a wholly-owned direct subsidiary of YIFC as of the date of the Agreement
“US\$”	U.S. dollar, the lawful currency of the United States of America
“YCCL”	Yum Restaurants Consulting (Shanghai) Company Limited, a company established in Mainland China, and a Yum China subsidiary
“YIFC”	Yum! International Finance Company, LLC, a Delaware limited liability company, and a Yum! Brands subsidiary
“YRICF”	YRI China Franchising, LLC, a Delaware limited liability company, and a Yum! Brands subsidiary
“Yum China”	Yum China Holdings, Inc., a company incorporated under the laws of the State of Delaware of the United States of America with limited liability, and with shares dual primary listed on the New York Stock Exchange under the ticker symbol “YUMC”, and on the Main Board of the Stock Exchange under the stock code 9987

“Yum! Brands”

Yum! Brands, Inc., a North Carolina corporation

“%”

Percent

By order of the Board  
**Yum China Holdings, Inc.**  
**Joey WAT**  
*Director and Chief Executive Officer*

Hong Kong, June 16, 2026

*As of the date of this announcement, the board of directors of Yum China comprises Dr. Fred HU as the chairman and an independent director, Ms. Joey WAT as an executive director, and Ms. Mikel A. DURHAM, Mr. Edouard ETTEGDI, Ms. Grace Xin GE, Mr. David HOFFMANN, Ms. Ruby LU, Mr. Zili SHAO, Mr. William WANG, Mr. Zhe (David) WEI, Ms. Min (Jenny) ZHANG and Ms. Christina Xiaojing ZHU as independent directors.*

## FORWARD-LOOKING STATEMENTS

This announcement contains “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, including statements relating to future strategies, growth and business plans, restaurant expansion plans and operating profit targets, the Acquisition and related financing, the expected timing, benefits and impact of the Acquisition, expected license-fee savings, expected margin benefits, expected enhancement in store economics and lower store-opening thresholds, implied P/E ratios and peer group comparisons, and the potential KFC financial incentive from Yum! Brands. Yum China intends all forward-looking statements to be covered by the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995 to the extent applicable. 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 Yum China in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that Yum China believes 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 Yum China’s future strategies, growth and business plans, restaurant expansion plans and operating profit targets, as well as statements about the benefits, timing and impact of the Acquisition, and the potential KFC financial incentive. 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 actual results or events to differ materially from those indicated by those statements. Yum China cannot assure you that any of its expectations, estimates or assumptions will be achieved. The forward-looking statements included in this announcement are only made as of the date of this announcement, and Yum China disclaims any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances, except as required by law. Numerous factors could cause Yum China’s actual results or events to differ materially from those expressed or implied by forward-looking statements. Factors that could cause actual results to differ materially include, among others, risks relating to the consummation of the Acquisition, including the possibility that the conditions to the consummation of the Acquisition will not be satisfied in the anticipated timeframe or at all; risks related to the ability to realize the anticipated benefits of the Acquisition; risks related to the availability, terms and cost of debt financing; transaction costs; tax and accounting treatment; changes in consumer demand or competitive conditions; failure to achieve anticipated license-fee savings, margin benefits, enhancement in store economics, lower store-opening thresholds, restaurant expansion plans, operating profit targets or the potential KFC financial incentive; risks that the assumptions underlying the implied P/E ratios and peer group comparisons may prove inaccurate or incomplete; and negative effects of the announcement or failure to consummate the Acquisition on Yum China’s operating results or market price of its securities. In addition, other risks and uncertainties not presently known to Yum China or that Yum China currently believes 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 Yum China’s filings with the U.S. 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 Yum China’s Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q) for additional detail about factors that could affect Yum China’s financial and other results.