

First of its kind secondary listing: overcoming cross-border barriers to reach new capital



Challenge

Yum China Holdings, Inc., a U.S. Fortune 500 company, is the largest restaurant company in China, operating iconic brands including KFC, Pizza Hut and Taco Bell. In 2020, the NYSE-listed company was planning to conduct a secondary listing of its shares on the Hong Kong Stock Exchange (HKEX). This would be the first of its kind listing of fully fungible common stock across the NYSE and the HKEX, where both specialist global capital market expertise and international share register management would be key.



Solution

While not the incumbent U.S. transfer agent, Computershare were recognized and approached as the market-leading experts in this field, with the ability to propose and, more importantly, implement a compliant solution. Working closely with senior Yum China personnel and the broader advisory teams, Computershare's Global Capital Markets team project managed a chain of inter-connected activities. These required collaboration across the Issuer Services, Legal and Compliance, Technology and Operations business units, with 70 subject matter experts in 16 teams from the U.S., Hong Kong, Australia, Canada, India and the UK.

The comprehensive and pioneering model envisaged by the Computershare team would need a series of "firsts" to be rapidly designed and implemented:

- › Creating a new Computershare Hong Kong entity to be registered with the regulating entities in each market, being the SEC in the U.S. and approved by the Federation of Share Registrars in Hong Kong.
- › Developing new operational and compliance protocols to meet wide ranging practices and regulations of both the U.S. and the market operations in Hong Kong.
- › Delivering multiple complex technology and reporting functionalities to enhance the Hong Kong registry offering, ensuring it could support the intricate compliance, tax reporting and processing needs of a U.S. incorporated company.
- › Extending xSettle, Computershare's secure online instruction portal, allowing investors to move shares between the U.S. and Hong Kong markets efficiently, providing fungible securities across both markets

Once the final project scope was decided, the team determined the project would take eight to nine months to deliver and developed a detailed timetable and end-to-end implementation plan. All of this was set against the backdrop of growing global economic and political pressures, and all Computershare teams working remotely due to the coronavirus pandemic.



"Our cross-border listing objectives between the U.S. and Hong Kong demanded a series of innovative and complex operational and technology solutions. Computershare was the perfect partner for this, demonstrating their unique global market expertise, knowledge of market practices and operational scale. Computershare devised and delivered a number of industry 'firsts' under challenging conditions and remained dedicated, professional and diligent throughout. We couldn't have achieved our goals without them."

Joseph Chan, Chief Legal Officer,
Yum China Holdings, Inc.

Results

Accelerated delivery: Yum China asked the Computershare team to accelerate the development of the solution. This challenge was accepted, and we delivered all elements in just over six months, providing a critical two-month time savings for Yum China and the advisory teams, greatly aiding the timing and success of their transaction.

A successful listing: Yum China listed on the HKEX on September 10, 2020. Their shares can now be traded on both the NYSE and HKEX.

Smooth migration of shareholders: At the same time, and in readiness for the secondary listing in Hong Kong, Computershare seamlessly migrated the U.S. transfer agent services and shareholder records from the incumbent provider.

Massive capital gain: Yum China conducted a successful and oversubscribed secondary listing and Global Offering in Hong Kong, raising \$2.2 billion USD of new capital.

Global efficiency: Yum China now has the advantage of an integrated bespoke, yet efficient, service model from Computershare, spanning both sides of the Pacific.

Listing of a fungible share on the HKEX: Listing their shares on the HKEX, the same shares that are listed and traded on the NYSE, ultimately enabled Yum China to be admitted to the Hang Seng Composite Mid-cap Index.

Southbound Stock Connect participation: Subject to the approval by regulatory authorities, the structure may allow companies to be considered for eligibility and participation in Southbound Stock Connect, which links the exchange in Hong Kong to its counterpart in Shanghai.

Transaction highlights by the numbers

\$22.2 billion USD
market cap of Yum China
(as of September 10, 2020)

\$2.2 billion USD
Hong Kong secondary listing
and Global Offering

70+
people on the global project team

16
business units involved

6
global office locations

6
Computershare services in
the solution