# McDonald's Corporation (MCD) Q2 2026 Earnings Call Transcript

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## Q2: 2026-08-04 Earnings Summary



EPS of $3.38 beats by $0.06 | Revenue of $7.10B (3.74% Y/Y) misses by $27.51M

McDonald's Corporation (MCD) Q2 2026 Earnings Call August 4, 2026 8:30 AM EDT

**Company Participants**

Dexter Congbalay - Vice President of Investor Relations
Christopher Kempczinski - Chairman President, & CEO
Ian Borden - Executive VP & Global CFO

**Conference Call Participants**

David Palmer - Evercore ISI Institutional Equities, Research Division
Dennis Geiger - UBS Investment Bank, Research Division
Brian Harbour - Morgan Stanley, Research Division
John Ivankoe - JPMorgan Chase & Co, Research Division
Sara Senatore - BofA Securities, Research Division
David Tarantino - Robert W. Baird & Co. Incorporated, Research Division
Jon Tower - Citigroup Inc., Research Division
Lauren Silberman - Deutsche Bank AG, Research Division

**Presentation**

**Operator**

Hello, and welcome to McDonald's Second Quarter 2026 Investor Conference Call. At the request of McDonald's Corporation, this conference is being recorded. [Operator Instructions]

I would now like to turn the conference over to Mr. Dexter Congbalay, Vice President of Investor Relations for McDonald's Corporation. Mr. Congbalay, you may begin.

**Dexter Congbalay**
*Vice President of Investor Relations*

Good morning, everyone, and thank you for joining us. With me on the call today are Chairman and Chief Executive Officer, Chris Kempczinski; and Chief Financial Officer, Ian Borden.

As a reminder, the forward-looking statements in our earnings release and 8-K filing also apply to our comments on the call today. Both of those documents are available on our website as are reconciliations of any non-GAAP financial measures mentioned on today's call, along with their corresponding GAAP measures. Following prepared remarks this morning, we will take your questions. Please limit yourself to one question and then reenter the queue for any additional questions. Today's conference call is being webcast and is also being recorded for replay via our website.

And now I'll turn it over to Chris.

**Christopher Kempczinski**
*Chairman President, & CEO*

Good morning, everyone, and thank you for joining us. Before Ian gets into the detailed results for the quarter, I want to do 2 things: recap our progress under our Accelerating the Arches strategy and highlight how McDonald's remains positioned for long-term value creation and provide a snapshot of the quarter, what worked, what didn't and what we're doing to address our opportunities.

At the end of our prepared remarks, I'll preview McDonald's > NEXT in advance of our Investor Day. We'll also share some additional perspective on our leadership change in the U.S. and why Skye Anderson's past accomplishments give me confidence that she is the right leader for this moment.

Almost 6 years ago, we unveiled our Accelerating the Arches strategy to drive our next chapter of growth and build the foundation for our digital-first future. The strategy worked. We've grown system-wide sales roughly $40 billion and operating income by over $3 billion. We've done this by focusing on our 3 growth pillars: our MCDs, as we like to call them. We maximized our marketing by leaning into our fans to create cultural moments that drove consumer engagement and restaurant traffic. As a result, over the last 6 years, our brand relevance with the critical U.S. Gen Z consumer has increased, and we now hold a significant advantage versus our primary competitor.

The McDonald's brand remains one of one in our industry and among the most powerful brands in the world. We committed to our iconic core menu by focusing on our $17 billion brands with a particular focus on our critical beef, chicken and beverage categories. We created a global category structure to increase our pace of innovation, and we're already seeing significant benefits from this focus, most notably in beverages.

And we've doubled down on the 4 Ds. In digital, we've built the industry's largest customer platform with nearly 220 million active loyalty users, and we're now among the largest loyalty programs in the world. In delivery, we've grown an efficient business with an industry-leading cost structure that generates more than $20 billion in annual system-wide sales. In drive-thru, we've modernized operations and invested in technologies that have improved accuracy and reduced service times. And in development, we're well on our way to 50,000 restaurants, thanks to the most aggressive expansion of new restaurants in our history, all while keeping our existing restaurant estate among the industry's most modernized.

As we've executed against these growth pillars, we've also done the hard work behind the scenes to integrate our systems for a digital-first future. We're now close to having all our major markets on one app, one loyalty program, one pricing engine, one HR system and one finance system. This will drive cost savings, accelerate innovation, harden security and enhance stability. Critically, with all our data soon to be pooled in a global data lake, we'll also be well positioned to capitalize on the new opportunities afforded by artificial intelligence. You'll hear more about all of this at our Investor Day in September.

Now that I've recapped the progress under Accelerating the Arches and highlighted our continuing efforts towards long-term value creation, I'm going to provide a snapshot of our second quarter. McDonald's system-wide sales grew 4% in constant currency, reflecting the growing contribution from new unit openings. Global comparable sales grew 1.3% with positive comparable sales growth across each of our operating segments. Our international markets, which contribute more than half of our system-wide sales and operating profit continue to demonstrate that our playbook is working. Strong execution in value offerings, menu innovation and creative marketing across many of our international markets continue to resonate with customers and supported results that were broadly in line with our expectations.

Turning to the U.S. After a solid start to the year, the business slowed significantly, posting comparable sales growth of 0.8% in the quarter. This was below our expectations and something we're going to address in greater detail on today's call. We don't have a strategy problem. We simply didn't execute at the level we needed to in the second quarter.

Our execution opportunities fall into 3 buckets. First, although we've restored our overall value and affordability leadership, our restaurant level results show that execution was inconsistent across the system. The strongest performing restaurants consistently executed our new Every Day Affordable Price menu and delivered strong restaurant operations. We need that same level of execution in all our restaurants. Second, our restaurant teams were overwhelmed by too many deployments in the quarter, which led to less efficient restaurant operations. This impacted customer service times and as service times went up, satisfaction scores went down. And third, our marketing programs didn't deliver against expectations.

I'm going to turn the call over to Ian now to cover our results and these execution opportunities in greater detail.

**Ian Borden**
*Executive VP & Global CFO*

Thanks, Chris, and good morning, everyone. In the second quarter, McDonald's system-wide sales grew 4% in constant currency. Global comparable sales grew 1.3%, reflecting a challenging consumer environment that saw QSR industry traffic in several of our largest markets continue to be flat to negative. Global comparable sales were also impacted by execution that was below our expectations in the U.S. business, as Chris just highlighted. For the first half of the year, system-wide sales grew 5% in constant currency and global comparable sales increased 2.5%.

Starting with the U.S. Comparable sales grew 0.8% for the quarter and 2.3% for the first half. As Chris noted, we're not satisfied with our second quarter comparable sales growth. As we discussed on our Q1 call, we had a slow start to the quarter with comparable sales slightly negative in April as we lapped last year's highly successful Minecraft campaign. In late April, we augmented our McValue program with a new under $3 Every Day Affordable Price or EDAP menu. Similar offerings have been consistently successful across our top international markets. We also added a $4 Breakfast Meal Deal. Inconsistent restaurant level execution of the EDAP menu and consumer awareness levels below target resulted in lower incrementality than we expected.

At the same time, the business pulled back on digital offers and removed our Buy One, Add One for $1 feature to offset the investment behind McValue. In combination, all of these factors negatively impacted visits from some of our most loyal customers. We estimate that these value execution factors accounted for about 2/3 of the customer traffic underperformance relative to our expectations for the quarter. The remainder of our underperformance can largely be attributed to our FIFA campaign in June. While the campaign provided a lift to the business and generated excellent system excitement, the campaign underperformed versus our expectations.

Importantly, we're taking actions in the near term to address these opportunities. For instance, starting next week, we're launching more national digital flash offers to reenergize our high-frequency customers. In addition, we're going to target our most loyal users with more personalized digital offerings. We'll also be reallocating marketing dollars throughout the second half of the year to increase support behind our proven value offerings such as Extra Value Meals. While we've been pleased to see our value and affordability scores improve significantly since last year, we remain ready to adjust as needed.

We have been consistent. We will not get beaten on value. As Chris noted, operations metrics worsened in the quarter as restaurant teams were overwhelmed with too many complicated deployments. We've already taken steps to simplify restaurant operations by eliminating several noncustomer-facing activities over the remainder of the year so that our restaurant teams can focus on delivering a great experience for our customers. In short, we're acting with urgency to improve our baseline guest traffic and put the U.S. business in a stronger position as we exit 2026.

Now turning to the International Operated Markets. Comparable sales increased 1.5%, driven by Germany, Australia and the U.K. again this quarter. These markets continue to demonstrate that our playbook across value menu and marketing delivers solid results when well executed despite a challenging industry environment. After recording slightly negative comparable sales in April, as we mentioned in our Q1 call, IOM's performance improved as expected over the balance of the quarter, with comparable sales returning towards more normalized levels in May and June, and this has largely continued into July. On value, the majority of our top IOM markets benefited from strong EDAP menu offerings and meal deals as they have continued to respond to evolving consumer needs.

Menu innovation behind chicken continued to drive growth across these markets, with Australia and Germany both gaining chicken share in the quarter. Australia generated momentum with its Korean Barbecue McCrispy limited time offering, one of the market's strongest chicken LTOs in recent years, while Germany continued its successful Chicken for Every Moment campaign featuring a mix of core products and LTOs. Germany also successfully launched our new specialty beverage platform in early May with an assortment of crafted sodas, refreshers, cold coffee and Red Bull Energizers. We're excited about the performance to date and our strong position in a category in its early stages of development.

In regard to great marketing, 2 specific campaigns in the quarter are strong examples of how our market teams are bringing global ideas to life while executing them in locally relevant ways. The Menu Heist campaign, which we now have had success with in multiple markets, ran in Australia and showcased a curated selection of international McDonald's menu favorites exceeding expectations.

And in Germany, Grimace returned to the market with a full menu of purple-themed offerings, driving significant social interaction, including 57 million views across social platforms and reinforcing the emotional connection to our brand while benefiting top line performance. Of our top 5 IOM markets, France's performance again fell short of our expectations. While it will take some time to improve alignment and execution across the system in France, we are clear on what's needed to drive performance. One element that is foundational is consistent everyday value. The market recently extended their EUR 4 Happy Meal component and reintroduced nationally price pointed meal deals that are resonating with consumers.

Turning to the International Developmental Licensed Markets. Comparable sales increased 1.9%. Japan again led the way by delivering its tenth consecutive quarter of positive comparable guest count growth. This reflects strong execution behind our loyalty platform, which launched less than a year ago and already has nearly 20 million 90-day active users who are visiting us more often. The segment's comparable sales growth was tempered by results in China, where we expect the macro environment and the consumer backdrop to remain challenging in the near term.

Turning to the P&L. Our top line performance drove adjusted earnings per share of $3.38, which included a $0.03 benefit from foreign currency translation. On a constant currency basis, this represents a 5% increase versus the prior year. We currently estimate a tailwind of about $0.15 from the impact of foreign currency translation on full year 2026 adjusted EPS based on current exchange rates. That's down from our previously estimated range of a $0.20 to $0.30 tailwind. As always, this is directional guidance only because rates will continue to change as we move throughout the remainder of the year.

In the second quarter, we generated more than $4 billion in restaurant margins, and our year-to-date adjusted operating margin was 46.9%, highlighting the resiliency of our business model. General and administrative expenses were 2.2% of system-wide sales, consistent with our expectations for the quarter and included expenses associated with our biennial worldwide convention with franchisees. We remain on track for G&A to be about 2.2% of system-wide sales for the full year.

Chris and I are focused on managing our enterprise cost structure. We've made investments over the last couple of years to consolidate and upgrade our global systems and processes, with a clear goal of delivering future efficiency. In 2027, we expect that we'll begin to see the benefits from those investments as we seek to lower G&A percentage spend.

As we mentioned last quarter, in relation to margin performance at our U.S. company-operated restaurants, we continue to evaluate the optimal franchisee versus company ownership balance to maximize system value. As part of this ongoing work across both the U.S. and international markets, we expect incremental company-owned restaurant divestitures, some of which occurred in the second quarter to continue in 2026 and beyond. We'll provide more details on our refranchising efforts and our G&A outlook during our Investor Day in September.

We continue to be highly disciplined allocators of capital towards new restaurants based on our ability to generate attractive returns. We've completed our new restaurant pipeline analysis that Chris and I spoke about last quarter. Due to the current pressured consumer environment, coupled with the cumulative inflationary impact on development costs, we now expect to reach 50,000 restaurants globally in 2028. That's a slight adjustment to our previous plans to reach that level by the end of 2027. Yet, even with this change, this continues to be the fastest period of restaurant growth in McDonald's history, and we remain on track to open about 2,600 gross restaurants by the end of this year.

As we look ahead, Chris and I remain very confident about our pathway to enhancing shareholder value. We have both led large parts of the operating business in prior roles and have demonstrated the ability to proactively address and solve issues to drive strong performance. That's exactly what we're working together to accomplish in the coming quarters.

And with that, let me turn it back over to Chris.

**Christopher Kempczinski**
*Chairman President, & CEO*

Thanks, Ian. As we've discussed today, the opportunities we see in the U.S. are largely execution focused, and we're acting with urgency to address them. At the same time, we're equally focused on driving sustainable long-term growth and strengthening our competitive advantages. That's why at our worldwide convention in June, we introduced McDonald's > NEXT, our new growth strategy with a clear ambition to be more customers' first choice. We'll do this by improving the taste and quality of our food, engaging and co-creating with our fans in exciting new ways and simplifying our restaurants so our crew can deliver great hospitality for our guests to what they do best.

These priorities are highly complementary to the execution improvements we're focused on today. And while this plan will require system investment, we expect it will also be meaningfully self-funded by the many productivity opportunities that we see in our company and franchisee restaurant P&Ls, along with the strong top line growth that it will deliver.

The system is behind this new strategy. In a post-event survey, more than 90% of owner operators see how McDonald's > NEXT will drive growth. And they're energized by the growth and productivity opportunities available to us and confident in our system's ability to execute against them. We'll share in detail on Investor Day why McDonald's > NEXT represents such a massive opportunity to catalyze our global business, including in the U.S., building on a foundation created through Accelerating the Arches. But we're not waiting to get after the opportunities within McDonald's > NEXT.

As we've been saying internally, next is now. One way we're acting next now is in beverages. The launch of our new beverage platform in May was an important part of upgrading our taste and quality. Early results exceeded our expectations across our lead markets of the U.S., Canada and Germany. In the U.S., sales are ahead of plan. Guest checks are higher, and we're seeing new occasions emerge throughout the day. We've also seen strong food attachment rates on these orders. The addition of Red Bull Energizers in the U.S. in the coming weeks will only further this momentum.

Another way we're actioning next now is through our people. Central to McDonald's > NEXT is elevating the experience we offer customers in our restaurants from the taste and quality of our food to the hospitality that we provide. None of that happens without our people, which is why on October 5, we'll officially launch a program to retrain the 2 million-plus restaurant crew, company employees and supplier partners who work under the Golden Arches on gold standard taste, quality and hospitality. October 5 is Ray Kroc's birthday, something we also call Founder's Day. So it's fitting that we start on this day the largest training exercise undertaken in our history.

Finally, a few words on our leadership transition in the U.S. We announced this morning that Skye Anderson is the new President of McDonald's U.S., effective today. Skye's appointment reflects the depth of leadership across McDonald's and completes a planned transition with Joe Erlinger, who has assisted with this change. Skye is an exceptional leader with 26 years of experience across multiple parts of our business, including finance, operations, market leadership, Global Business Services and most recently as Chief Operating Officer of McDonald's U.S.A.

Throughout her career, she has consistently been a hands-on leader who has demonstrated strong business judgment and operational discipline. Skye is a change agent, driving positive performance. I've had the opportunity to work closely with Skye throughout much of her career. When I led the U.S. business, I asked her to relocate from Australia, first to run our West Coast field office and then to lead our entire West Zone. Over a 4-year tenure as Head of the U.S. West Zone, she helped support strategic initiatives that modernize the base of more than 5,700 restaurants, drove comparable sales growth of more than 30% and increased average restaurant unit cash flow by $100,000. She was a key partner to me in the success we achieved through our Bigger, Bolder Vision 2020 program and a leader who could innately connect strategies to execution.

Later, when we decided to fundamentally rethink how we support our global system and unlock greater productivity and profitability, I asked Skye to build and lead our new Global Business Services organization. The talented team and the new capabilities that she put in place will help deliver much of the enhanced productivity that will be central to McDonald's > NEXT.

Since April, as the Chief Operating Officer in our U.S. business, she's been reengaging with our franchisees and spending time in the restaurant observing operations. She understands the opportunities available to us in the U.S. to unlock superior performance, and her transition as Chief Operating Officer means that she's ready to hit the ground running as U.S. President. As she steps into this role, she'll have my full support. Having led the U.S. business myself, I have a great appreciation for the capabilities, passion and pride of our U.S. franchisees and company employees. When we're on our game, no one can beat us, and I'm committed to helping our U.S. system regain its swagger.

I'd also like to recognize Joe Erlinger, who has decided to leave McDonald's after more than 2 decades with the system. Over the last nearly 7 years leading our U.S. business, Joe helped guide the organization through a period of significant growth and transformation. Joe has been a key partner in the success we've enjoyed with the Accelerating the Arches strategy, delivering strong sales and operating income performance. He oversaw significant gains in digital, delivery and chicken share and developed several of the leaders now running key markets in IOM. I want to thank Joe for his many contributions to McDonald's and wish him all the best.

One final thought to share before we open the call to questions. Ray Kroc once said, we're living in a rapidly changing world, so McDonald's will change with it. Well, that's what McDonald's > NEXT is designed to do, earn the right to be more customers' first choice. We're confident in the path ahead, and I look forward to seeing all of you at our Investor Day on September 23 in Chicago.

With that, let's open it up for questions.

**Question-and-Answer Session**

**Operator**

[Operator Instructions]

**Dexter Congbalay**
*Vice President of Investor Relations*

First question today is from Dave Palmer of Evercore.

**David Palmer**
*Evercore ISI Institutional Equities, Research Division*

Chris, you had a comment in your prepared talking about how you thought value and affordability leadership had been restored. That surprised me a bit. I would have thought that value menu construction and the marketing around it was maybe in addition to chicken quality, a top 2 opportunity for improvement in the U.S. Perhaps could you just double-click on the U.S.? I know you made a lot of comments there, but about what you think the near-end opportunities for the U.S. are versus perhaps medium-term ones that might be a slower build?

**Christopher Kempczinski**
*Chairman President, & CEO*

Yes. Sure. Well, thanks for that, David. I think to answer that question, it's probably unpacking the various components of value and maybe go back to where we were last summer. So -- we talked about a year ago, a little over a year ago that we had gotten off sides on value. And that started with our base menu pricing. Our base menu pricing in many places has gotten ahead of competition. There has been a lot of work done since then to get our base menu pricing back in line. And the good news I can say in the U.S. is now if you look at our base menu pricing, beef, chicken, beverages, we are below our nearing competitors in each one of those categories when we look at that on a U.S. basis. So base menu pricing, we feel very good about where we are with that.

The second part of getting our value proposition fixed was what we did around the meal deals. And as you know, we introduced the $5 Meal Deals. Those continue to perform really well for us. And I would say our meal deal is the best meal deal in the entire industry. So we feel really good about where we are with the meal deal.

We also then, at the end of last year, brought back our EVMs. And this was something that we supported the franchisees with through a transition period. Getting EVMs back on the menu has also been something that has been very helpful to the business and something that is performing at or above our expectations on EVM. I think it's also worth noting that even though we supported our franchisees for just a transition period on EVMs, the franchisees in the U.S. are still maintaining that 15% discount or better when you look at an EVM versus on an a la carte.

So you take each of those base menu pricing, meal deal, EVM, a lot of progress on that, and I feel really good about where we are. And it shows up when we track, as you know we do, how we're being perceived by our customers on value and affordability. We've seen a big rebound in the value and affordability scores that we have in the U.S. Our internal numbers, just order of magnitude would be 7, 8 points of improvement that we've seen on those.

So there was one final piece that we've talked about on prior calls that was an opportunity for us when we look at the U.S. and we compare it to other markets in the value construct that we know is successful around the world. And that is the EDAP menu, you could call that 10 items for under $3. That was sort of the last piece that we felt like we needed to get done in the U.S. And that was what McValue 2.0 as we referred to it. That's what we introduced in April of this year. As we look at actually what happened in the quarter, the 10 items for under $3 has not delivered against our expectation. Part of that was due to the fact that we're getting really inconsistent execution, only about call it, 60% to 65% of our system is currently executing the recommended pricing architecture with the 10 items for under $3.

And the other thing that was an issue is we didn't get the awareness that we needed when we launched that 10 items for under $3. That's a little bit of that execution issue that I was talking about, which is we just had a lot of messages out there with the customer. We didn't break through with that 10 items for under $3 message. So we didn't get the incrementality that we were expecting on that. We compounded that unintentionally by our system pulled off of a lot of digital offers. And digital offers for us is something that is core to kind of our loyalty program. It's something that's valued by our most loyal customers. And so that ended up being a bad trade. Putting in an EDAP program that didn't deliver and taking away a lot of digital offers and the Buy One, Add One program, that was the point I referenced or Ian referenced in the call, which is 2/3 of our miss in the quarter was related to that bad trade.

So we've got some work now that we need to do to go get that fixed. As you know, in our system, that's not something that we just flip the switch on. It requires conversations with franchisees. But the good news is in talking with our franchisees, they're all aligned that we've got some work to do there to get that addressed. So at a high level, I feel really good about the progress that we've made around getting value and affordability leadership back in the U.S. We have an issue that we made a bad trade in Q2, and we've got to get that fixed, which is going to be Skye's focus over the next couple of quarters.

**Dexter Congbalay**
*Vice President of Investor Relations*

Our next question is from Dennis Geiger at UBS.

**Dennis Geiger**
*UBS Investment Bank, Research Division*

Helpful commentary on the detail on some of the U.S. issues. And Chris, you just talked about sort of not just flipping the switch. But wondering if you could talk a little bit more about how quickly the issues that you flag across the execution, the ops and the marketing can be addressed and perhaps what that means as you think about the U.S. sales trajectory over the coming quarters in a still difficult macro backdrop?

**Christopher Kempczinski**
*Chairman President, & CEO*

Sure. Let me take kind of each of those. I'd say the first part on the operations side, that should be something that we see the fastest improvement on because that's something that is very much within our control. And it's going to start with really looking at the -- it has started with -- looking at the balance of the year calendar, looking at the balance of the year deployments that we're pushing into the restaurants and making sure that we've got a cadence there that we can actually go execute at a high level. So I feel really good that we're going to be able to get after some of these operations opportunities by really just cleaning things up, giving our crew more support and having that laser-like focus on that. So that would be part one.

I think part two, on the marketing programs, I'd say that is it's a little bit of a mixed bag because obviously, in Q3, you're already in flight on all of those. And so your ability to actually change anything from a marketing calendar standpoint, you're not going to be able to do that within Q3. We're certainly with Skye looking at what we can do in Q4 from a marketing program standpoint. And I think we'll be able to make some adjustments there. But that takes a minute in terms of just being able to get that lined up. But I think marketing is the second one that nothing in Q3, but we're certainly looking at opportunities for us to enhance that program in Q4, and we should be fully back to where we need to be in 2027.

And then on value, I mean, value, as I said in my comments to the prior question, the good news is we've got high-level alignment with our franchisee leadership. We're seeing the same thing. We're seeing that we had a miss when we launched the EDAP menu and the fact that it came at the expense of what we were doing with our loyalty program was a bad trade. Now how you get that fixed in our system to how on value is always where we have the conversation with franchisees. The good news is we had a meeting with our franchisees a couple of weeks ago, and many of the things that Ian talked about were the outcome of those conversations with franchisees. We have another set of meetings set up with franchisees in early September, where we're going to talk about additional ways for us to address some of these value opportunities.

And so I think come Investor Day, I'll have a better answer for you in terms of where we are aligning with our system on what we can do with the value and the speed with which that's actually going to flow through to things that you see in market.

**Ian Borden**
*Executive VP & Global CFO*

Dennis, it's Ian. I might just kind of tag on to emphasize a couple of things Chris talked about. And then you've obviously kind of just teed up a bit of a -- I look forward to Q3. So I'll just maybe give you some commentary on that. I mean I think I just would emphasize, as you heard us say upfront that we're already taking action, getting digital kind of national offers back in place, getting more targeted kind of digital interaction with our most frequent consumers that I think have been a little disengaged with some of the changes that Chris talked about, plus as you heard me say upfront, we are reallocating some of our marketing dollars over the next several months to kind of put behind proven kind of value components like Extra Value Meals that we -- that continue to grow and are continuing to perform really strongly.

I think as you heard us talk about on the execution opportunities that we've talked a fair bit about already, those certainly extended into the start of Q3 and comps in the U.S. were slightly negative in July. I think as we talked about a lot already, obviously, the team is acting with the right sense of urgency. The system is acting with the right sense of urgency, and we're beginning to take action to kind of get some of those execution issues addressed. But I think as you've heard Chris talk about, it's going to take a moment for those actions to start delivering impact. And I think the main thing for us is that the focus is on ensuring that we kind of get our execution to the level we expect and that our baseline momentum is in a stronger position as we exit 2026 in the U.S. business.

I'm just going to -- also just touch quickly on IOM and IDL because I think we certainly expect in both segments that our comp sales growth will accelerate sequentially in Q3 from the 1.5% and 1.9% comps in Q2, respectively. Also expect that comp sales in both of those segments will accelerate on a 2-year stack basis. So just to kind of cover all the bases since you've teed that up. Thank you.

**Dexter Congbalay**
*Vice President of Investor Relations*

Next question is Brian Harbour from Morgan Stanley.

**Brian Harbour**

*Morgan Stanley, Research Division*

What was the reason for the lower franchisee participation just in the EDAP program, I guess. It seems like that's probably one of the pieces that's most important here just as you talk about that relative to some of the limited time offers and new products that you had. Do they not necessarily agree that, that's the most important driver of traffic right now? Or I guess, has it been -- maybe it's cost pressures that have driven that decision? How do you sort of ensure that better alignment, especially kind of going forward as you look to the next program as well?

**Christopher Kempczinski**

*Chairman President, & CEO*

Sure. Well, as you would imagine, when we launch something like the EDAP menu, which we did in April, we provide recommended guidance to our franchisees. So we're quite clear in terms of what we believe is the right pricing execution to deliver on our expectations for that program. And as I mentioned, most of our franchisees did deliver against that set of expectations. So what we're talking about here is, call it, 1/3 of the system that did not execute against what we were guiding around in terms of our EDAP menu. I think some of that is when you have a program which is 10 items for under $3, you leave a wide range of potential price points for individual items. Essentially, anything that's priced for under $3 technically qualifies for being within that program versus when you do something like a $5 Meal Deal where there's not nearly as much wiggle room that you have when it's a $5 Meal Deal. You're either on $5 or you're not on $5.

So I think the construct of this probably provided more degrees of freedom where people perhaps saw an opportunity to go take pricing. And then as I said, that was compounded by the fact that the system pulled back in a pretty significant way on digital offers, and we also discontinued the Buy One, Add One program that had been something that our most frequent customers really valued as part of our overall value proposition. So the net-net of that is there was a fairly significant amount of price that got taken in Q2 as a result of those two moves.

Now what we're doing about that, obviously, with those folks that are not complying, as you would imagine, their business results are a lot softer than those who haven't complied. And so it starts with an education piece to show when you execute the program as designed, here's what that performance looks like compared to those who didn't. And there's quite a difference, let's just say, between the two of those. So I think there's -- first, there's an education opportunity that we're doing right now with those franchisees.

I think the other part is, as you know, we've introduced previously, one of the things that we've changed as part of our business review process with franchisees is we now have a discussion around pricing and pricing execution. And so as we're now doing our business reviews with franchisees, which affects things like growth and eligibility from a franchisee standpoint, pricing and pricing noncompliance in certain cases as part of those conversations. So I think the two of those things combined, the actual performance, and it's kind of obvious what should happen out of that as well as this being something that is going to be happening in business reviews, those will be the things that get this fixed.

But again, I want to go back to -- we have a very strong degree of alignment with our U.S. franchisees around value leadership. We wouldn't be making the statements that we've been making around not getting beaten on value without that kind of clear strong alignment here. So -- that for me is what gives me confidence because there absolutely is commitment and support for that. There's absolutely a strong belief and recognition that in this environment, in particular, we have to be really sharp on value. But as I've said in my comments a couple of different times now, we absolutely also had a miss in Q2 on how we executed it, and that's what we're working on fixing right now.

**Dexter Congbalay**
*Vice President of Investor Relations*

Next question from John Ivankoe at JPMorgan.

**John Ivankoe**
*JPMorgan Chase & Co, Research Division*

The question is on the recent ACSI survey and obviously, kind of McDonald's place in it. So what I'm going to ask you is, I guess, do you, in general, agree with that in terms of, I guess, McDonald's relative to the rest of the industry? And where I want to go with this question is kind of looking at performance of company stores versus franchise stores just from a customer service perspective and even looking within franchisees, if there's an opportunity to maybe move some significant bucket of underperforming from a customer service perspective, franchisees in a better performing, just what kind of mechanics might be involved for you to get certain stores, especially the underperformers in the hands of the right operators.

**Christopher Kempczinski**
*Chairman President, & CEO*

Thanks for the question, John. I felt like I knew every industry acronym, but you've stuck me on ICSA. So tell me what that is and what it revealed and then I can answer the question.

**John Ivankoe**
*JPMorgan Chase & Co, Research Division*

So maybe I screwed up the words. ACSI, the American Customer Satisfaction Index.

**Christopher Kempczinski**
*Chairman President, & CEO*

ACSI. Okay.

**John Ivankoe**
*JPMorgan Chase & Co, Research Division*

I'm sorry, maybe my new speaker box maybe isn't working like I'd like.

**Christopher Kempczinski**
*Chairman President, & CEO*

Yes. So I think the survey that you're referencing was around customer satisfaction. Is that accurate?

**Ian Borden**
*Executive VP & Global CFO*

I think so.

**Christopher Kempczinski**
*Chairman President, & CEO*

Okay. Well, I'm going to just assume that, that is accurate. This is obviously something that we track religiously, and we've got all sorts of data on this that goes back longitudinally over time. We have seen -- if you look at over the last several years, we've certainly seen improvements around how consumers are rating the experience that happens in our restaurant. We have a survey that we do with our actual customers who are visiting our restaurants who then give us feedback on performance. So we've seen strong performance, strong improvement on that over time. We certainly, as I referenced in the call, saw a step back on that in Q2, which we're now working at going and addressing.

But I guess I'd say more broadly, we think that the environment that we're in now, there's an opportunity for us to always step up the game. And part of what we've been talking about with McDonald's > NEXT is we've got to elevate the taste and quality of the food. We're going to elevate the experience that we're offering our customers. We're going to bring even greater levels of hospitality. So the notion of is there an opportunity for us to continue to improve the experience that we offer in the restaurants, 100%, and that's what we're focused on.

But I just would caution, survey data is inherently fraught with peril. It's much better to be actually using survey -- to be using data based on known customers who actually visited the restaurant, which is the data that we use when we track our customer satisfaction.

**Ian Borden**
*Executive VP & Global CFO*

And John, I might just build on just two things. One, I don't know that we're familiar with the survey you're referencing, but I think we get the point you're trying to make. I would just say we're always looking at putting our restaurants in the hands of the best operators, whether that's company franchise or within franchise because we know clearly that if we're delivering better customer satisfaction across all elements of the metric, we deliver better operating performance and better financial results. And I think that's in our interest, that's in our system's interest to make sure we're always maximizing the opportunity.

It also kind of speaks to, I think, what you're hearing us talk about with McDonald's > NEXT, where we're focused on taste and quality and hospitality. Taste and quality, we know are some of the top consumer expectations, meaning that's what they use as a decision criteria when they make choices about which restaurants they visit. And I think that's clearly part of kind of the NEXT strategy that you're going to hear more about from us in September and how we're going to really, I think, demonstrably deliver an elevated outcome across all of those key metrics and what we believe that can do from a performance standpoint as we look forward.

**Dexter Congbalay**
*Vice President of Investor Relations*

Our next question is from Sara Senatore from Bank of America.

**Sara Senatore**
*BofA Securities, Research Division*

I guess maybe two quick questions. One is a follow-up to an earlier comment. The first is about -- you mentioned like some of the most aggressive expansion of new restaurants in your history, but also that you're pushing out your 50,000 target. So is it possible that the accelerated pace of growth may have had some impact on same-store sales growth, either because of cannibalization or because of implications for operations, maybe resources redirected away from that? And could that translate into better same-store sales?

And I guess just the follow-up question, you've talked a lot about marketing. Historically, McDonald's has been very good, I think, at marketing and anticipating consumer behavior. Has anything changed in terms of, I don't know if it's stage gate or how you think about it just as you sort of -- and whether you'll pivot back to a different process?

**Ian Borden**
*Executive VP & Global CFO*

So Sara, it's Ian. Let me just maybe take the development question, and then I think Chris will probably want to jump in on your marketing point. I think we've been, I think, pretty consistently clear that, obviously, we continue to believe there is significant opportunity for us to continue to grow the brand and add more restaurant locations. And so you're right, we pushed the 50,000 out slightly into 2028 versus 2027. We talked about that in the Q1 call that we were as always focused on quality, not just quantity. We did the review over the last several months. And I think as you heard me talk about upfront, I think the cumulative inflation that has been disproportionate and significant that we've seen over the last few years, plus the kind of more constrained consumer environment, just simply meant we felt we needed to kind of what I'll call, slightly adjust our pace to make sure that we were going to deliver the right level of returns, which is ultimately, as you've heard Chris and I talk about pretty consistently how we make our decisions on new openings.

So I don't think we have changed our perspective on the opportunity that continues to remain from development. We've simply kind of adjusted our pace to reflect the significant changes in the external environment that have happened over the last several years since we announced the original goal. I think it's not a very significant adjustment to pace. So I think your question on comps, for sure, maybe there's a little benefit. I wouldn't expect that to be that meaningful.

But I think, as you know, we believe we can do both. I think we are going to continue to get a decent contribution from new store growth. And at the same time, we know we've got to deliver strong comps. And that's the right formula, I think, to ensure because ultimately, our measure that we're guided by is are we taking share in each of the markets relative to kind of the competition around us. And I think we certainly feel confident as we look forward in our ability to continue to do that.

**Christopher Kempczinski**
*Chairman President, & CEO*

Yes. And then turning to the marketing question, Sara. There's a lot to cover in that, and that will be something that Morgan Flatley, our Global CMO, will cover more at Investor Day. But let me just make a few comments to try to address that and maybe preview some of what we're thinking.

I mean, certainly, one of the great things about McDonald's is we've got, we believe, the best brand in the industry. And we are, we believe, also one of the best, most beloved brands in the world. So we've got sort of this great foundation that's been built over 75-plus years in our system, 70 years plus in our system that we all get the privilege of working on.

What's changed pretty dramatically, though, is how consumers react to brands like ours. And when I began my career a long time ago, it was very much -- we would tell the customer about us, and it was television advertising, you would sit down, you would build a marketing campaign at the beginning of the year, and you would basically just go execute that marketing campaign. And the way the world is today, that model doesn't work anymore. And you're seeing the disruption that's happening with advertising agencies, you're seeing a lot of changes there where -- what's changed is it's no longer what we describe as our brand. It's really the customer's brand.

And the great thing about the McDonald's brand is people love to engage with our brand. I mean it's, I think, probably the only brand in our industry that can create the amount of talk value. I've learned that firsthand, but the amount of talk value that McDonald's can do is unlike anybody else. And so that, I think, for us gives us a great opportunity, which means it's about engaging even more with creators. It's about how do we actually find ways to let others drive the message, and there's a lot of work that we've been doing around influencers and other things like that, that you're going to hear more about.

So when I think about marketing, it's actually not going back to anything, which I think was kind of the nature of your question. It's actually evolving to something different because the world is changing, and we need to change with it. I think more fundamentally, part of what we're thinking about is what are we trying to drive over the long term. And I think we have to be really careful about how many sort of "borrowed" equities we put on the calendar because in many cases, and a borrowed equity would be whether you're doing something with World Cup or you're doing something with Minecraft or Grinch. I mean there's certainly a role for those, but you're not going to promo your way to long-term value creation. You're always going to be having to comp over that. And the more fundamental way that you drive long-term value creation is through baseline growth. And it's through reminding people and showing people the experience that we offer, the food, the taste and quality that we offer.

So I think there's an opportunity for us in terms of emphasis of making sure that we're really emphasizing in our marketing communication, the elements that are going to drive long-term baseline volume growth. And periodically punctuating it with borrowed equities, things that can maybe create some cultural moments. But we got to just be really careful about how often we're doing that on the marketing calendar.

**Operator**

Our next question is from David Tarantino from Baird.

**David Tarantino**
*Robert W. Baird & Co. Incorporated, Research Division*

My question is related to the current kind of state of the franchise cash flows and their willingness to invest. It seems like a lot of the items you're doing to address the U.S. operations and value and maybe restaurant experience are going to require some investment. So I was hoping you could comment on the degree of difficulty you see in getting that done when franchisee cash flows are under a bit of pressure here.

**Christopher Kempczinski**
*Chairman President, & CEO*

Sure. Well, certainly, this is going to be something that we talk a lot more about at Investor Day. And so I don't want to get into too much of the detail here. But I'd say one of the things that I would emphasize is McDonald's > NEXT is not a remodel program. There's a remodel that is part of it, but it's not at its core, a remodel program. It's about all the things that I was talking about, elevating taste and quality in the restaurants, elevating the experience, simplifying the restaurants, et cetera.

So as you think about the investment that's required, I think what we've been really thoughtful about on this is there's an investment that happens as part of the regular cadence of remodel activity. Our franchisees every 10 years need to be remodeling the restaurants. It's something that's clear in our franchise agreements. It's something that we've talked about. We just so happen to in the U.S. be coming up on a remodel cycle. It's hard to believe, but we're going to be approaching in the next few years another 10-year remodel cycle. So as we're doing that normal remodel cycle, we're also thinking about are there things that we can do on top of that, that can drive additional opportunities to grow sales and simplify operations.

The other thing that we're seeing as part of that is there are, I think, a lot of productivity opportunities for the restaurants as well. And so net-net, when you look at the combination of the financial health of our franchisees in the U.S., which is still quite healthy. When we look at their balance sheets, they've got a lot of borrowing capacity still. When you look at the fact that we're entering into a normal remodel cycle where these investments would have to be made anyway, and we're going to be able to self-fund much of the sales growth improvement ideas through productivity opportunities, I feel very confident that we'll be able to get this thing done. But obviously, a lot more conversation that we'll have on that in the next couple of months.

**Ian Borden**
*Executive VP & Global CFO*

And David, I might just took on because I know -- I think you were also maybe just talking in the near term on value. But I just -- so I think in the environment we're in where there's certainly kind of continued inflationary pressures on things like food and paper and labor. I mean, I think for always, that's on, I think, the top of mind for our system, for our franchisees, I think you would expect it to be.

I just would say, I think the system, as you've heard us say pretty consistently today, is clear and united on the fact that we have to have value for money leadership. We have to do that in ways that are driving baseline momentum, which I think, again, everybody is fully aligned on, and we have to do that, that is driving profitable growth over time. And I think we've demonstrated with the components that we put in place on value like Extra Value Meals that if we do that in a thoughtful way, we're building volume, we're building incremental visits. And ultimately, that's, of course, in everybody's best interest. So I think we've got to continue to kind of get those balances right and make good decisions. But I think this -- I think we've got a good track record there. And of course, we'll continue to engage with our franchisees and get to the right outcomes.

**Dexter Congbalay**
*Vice President of Investor Relations*

Our next question is from Jon Tower at Citi.

**Jon Tower**
*Citigroup Inc., Research Division*

Curious, during the prepared remarks, Chris, you had mentioned that the stores during the second quarter in the U.S. were overwhelmed by too many deployments and that kind of hit you guys on the operations front or the stores on the operations front. I'm just curious if you could dive into that a little bit more and talk about the balance between maybe new product news, which seems to be driving a lot of traffic in the industry these days against perhaps needing to be a little bit more thoughtful around new product news in order to make sure that store ops aren't compromised.

**Christopher Kempczinski**
*Chairman President, & CEO*

Sure. I think probably the best way to answer that question is to kind of just put yourself in the shoes of a restaurant manager. So imagine you're running a restaurant and you enter into Q2 and we launched KPop Demon Hunters. So there's a bunch of work that needs to happen to get ready to launch KPop Demon Hunters. We have the KPop Demon Hunters meal. You've got to train your crew on that. You've also got to put up merchandising activity around the restaurant. So you're launching KPop Demon Hunters.

Then 3 weeks later, we're asking you to go execute a change to the McValue program, introducing the EDAP menu, and at the same time, a lot of the digital offers that were there aren't there anymore. The Buy One, Add One that was there isn't there anymore. So you can imagine the number of questions that a customer asks as they pull up into the drive-thru or they go to the front counter and they ask, well, where is this deal? I used to get this deal. So now you're having kind of those conversations, and we're doing that for a couple of weeks.

And then we launched the beverage platform in early May, which is a whole new range of product. You have to train crew on that. Again, you have to do merchandising in the restaurants. You then have marketing activity that goes with that. And then we're on that for a few weeks before you launch FIFA. So again, if you just put yourself in kind of the shoes of a restaurant manager beyond sort of all the normal day-to-day stuff, that's a lot of things to be throwing at the restaurant. And I think if you also think about it from a customer standpoint, it's tough to break through when you have that many messages out there. You've got a KPop Demon Hunters message, then you have a value message, then you have a beverage message, then you have a FIFA message. It's tough to drive awareness when you're sort of jumping around and giving those, call it, 2, 3 at most 4-week windows.

So that's the execution opportunity that I talked about. As I said earlier, we're taking a really hard look at the calendar through the balance of the year. And that doesn't mean that you're not doing new news. It doesn't mean that you're not doing menu ideas, as you mentioned, but you've got to give them space and you've got to go execute it. And if it looks great on paper, but you can't execute it, it doesn't matter. And so that's the scrutiny that we're applying to the calendar for the balance of the year.

**Operator**

Our last question today is from Lauren Silberman at Deutsche.

**Lauren Silberman**
*Deutsche Bank AG, Research Division*

I wanted to ask about beverages and nice to hear about the strong start. Can you comment on what you're seeing there? Are you seeing overall beverage attachment increase for the business, trying to understand the incrementality. I think in test markets, you guys also mentioned energy drinks were the best-performing line. Any color on how much that represented as a percentage of the total new beverage lineup sold?

**Ian Borden**
*Executive VP & Global CFO*

Lauren, thanks for the question. Well, look, I would just say a few things because obviously, during Q2, we had 3 markets that had launched our new platform, U.S., Canada and Germany, and we've had Australia who has launched in mid-July. I think very consistent results, seeing our results in line or above our kind of initial expectations consistently in all of those markets. I think as you've heard us talk a little bit about previously, more than half of the traffic is coming after lunch. That's really compelling for us because it's at parts of the day where we have lower volume, more capacity. And I think it's a sign that we're getting incrementality as a new occasion because of the beverages. Strong average check because of the strong food attachment that's also going with beverages. Average check is up about 50% over kind of the full day average check.

And maybe the example I would use is Germany because that in Q2 was the only market that had the full range. So cold coffee, crafted sodas, refreshers and energy. And we're seeing in Germany, obviously, early days still, but meaningful incrementality to the contribution to overall comp guest counts and comp sales and meaningful impact to kind of average restaurant level cash flow.

And I think -- what's important, we'll talk a lot more about this at Investor Day is beverages goes back a little bit to Chris' what he talked about earlier, how do we get these kind of baseline growing platforms in place that are going to give us multiple years of growth opportunity, and that's certainly how we think about our beverage platform and why we're going to continue, obviously, to extend it to other markets as we look forward.

**Dexter Congbalay**

*Vice President of Investor Relations*

Thank you, everyone, for joining us today. We will -- happy to take follow-up calls later on today and over the next week or so. Please e-mail me if you would like a meeting, and we will talk to you later. Thank you.

**Operator**

This concludes McDonald's Corporation Investor Call. You may now disconnect, and have a great day.

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