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Restaurant Brands International Inc. (QSR) Presents at Barclays 19th Annual Global Consumer Staples Conference Transcript

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Restaurant Brands International Inc. (QSR) Barclays 19th Annual Global Consumer Staples Conference September 9, 2026 9:00 AM EDT

Company Participants

Joshua Kobza - Chief Executive Officer
Sami Siddiqui - Chief Financial Officer

Conference Call Participants

Jeff Bernstein

Presentation

Jeff Bernstein

Good morning, everyone. Thank you for joining us for day 2 of our Global Consumer Conference. My name is Jeff Bernstein. I'm the Restaurant and Foodservice Distribution analyst here at Barclays. We are thrilled to have our next presenting company with us, Restaurant Brands International.

With us on stage from Miami, Florida, we have Josh Kobza, to my far right, the CEO; and Sami Siddiqui, my immediate right, the CFO. By way of background, for those not familiar, Restaurant Brands International or RBI is a multinational quick service portfolio comprised of 4 brands: Tim Hortons, Burger King, Popeyes, Firehouse Subs.

Their long-term annual guidance is for 8% plus system sales growth, supported by 3% plus comp and 5% plus net unit growth. With that said, we have lots of questions from management.

We want to thank Restaurant Brands for joining us this morning, and I'm going to kick it off with some questions for the team. So Josh, Sami, thank you so much for joining us.

Joshua Kobza
Chief Executive Officer

Thank you for having us.

Sami Siddiqui
Chief Financial Officer

Thanks very much for having us.

Joshua Kobza
Chief Executive Officer

Thank you for coming out of retirement for this.

Jeff Bernstein

Yes. So I have still another 3 weeks for official retirement. So -- but it has been an honor and a privilege to cover you guys for so long through so many different phases of the Restaurant Brands portfolio.

Joshua Kobza
Chief Executive Officer

How many years has it been now?

Jeff Bernstein

So I joined as the restaurant associate in 2000. 25-plus years of looking at restaurants, 4 quarters a year, that's 100 quarters of Burger King.

Joshua Kobza
Chief Executive Officer

And you still have us beat by a bit.

Question-and-Answer Session

Jeff Bernstein

Yes. Well, I look forward to [indiscernible] but specific to Restaurant Brands and the industry because you guys have a look at so many different brands in so many different countries, you guys are a great intel for us as we think about our consumer conference. The first thing people usually talk about for your portfolio is Burger King U.S. I think I just saw over the past couple of days, a new nuggets commercial, which is very exciting.

You guys seem to be coming outside of the box and really attacking different products of yours and trying to upgrade. So I'm wondering anything you can share on that new nugget launch or how that's performing? And -- but just more broadly, I mean, the share gains, where are you in that transformation of the Burger King portfolio, whether it's more value, franchise economics? This is obviously a world to talk about, but start with kind of an overarching Burger King view.

Joshua Kobza
Chief Executive Officer

Yes, absolutely. So Burger King has been doing great. You've seen that over the last few quarters. And as you pointed out, we just launched new and improved nuggets. We did it together with a Dragon Ball Z promotion. So another one of these IP collaborations that we've been doing a number of over the last couple of years and have been a tremendous success for the business. We're thrilled with how the nuggets are doing.

We upgraded the quality of the product. It's juicier, full white meat chicken. We improved the crispiness of the coating on the nugget. And also importantly, everybody who loves nuggets knows that nuggets go well with sauces. So we've been on a journey to upgrade our sauces. It's actually been a project that's been going on for a few years.

I particularly am passionate about -- and I'm thrilled with how the sauces came out. My favorite one is the honey mustard, which I've been excited for us to upgrade for a while. And I think the combination of the upgraded core products and this Dragon Ball Z partnership with a really cool special sauce, the Super Saiyan Sauce has gotten our guests pretty excited. And you've probably seen that in some of the online chatter.

But I think you step back a little bit, the journey we've been on with Burger King has been fantastic. It's been a multiyear thing. We had to go and we had to fix a lot of the fundamentals. We had to do work on the assets. I think Tom and the rest of the team did an awesome job really improving the baseline level of consistency of operations within Burger King. And you saw that in every metric we look at over the last 3 to 4 years.

So I think that improvement in the underlying fundamentals set the stage for the marketing elevation and the product elevation that we started to do this year. We've also done a service elevation window over the summer with the Whopper Guarantee and Your Way Champions. And I think what's so exciting about what we're doing there is you asked the question kind of where are we in that journey.

I still think there's a long way to go. Burger King has improved, but it can be much, much better. We have a whole kind of calendar for a couple of years of further things that we want to do to elevate the menu across the entire menu, and that will take us a little bit of time to get through. And -- but we also have opportunities on some of the things I talked about, our assets aren't completely remodeled yet. There are still places where there are old Burger Kings, and we still need to work through that. And there are still places where I think we can operate even better and even more consistently in certain patches of the country.

So I think we're -- we still have like a number of years to go in this journey, but it's really fun to see some of the payoff happening so far. And the last one I would say is underpinning all of that is working together with our franchisees. And I think Tom and the BK team have done a really nice job really getting the whole system on board with the journey that we're on, where we're going and how we're going to go about it, getting people excited about investing in product upgrades and making the products even better for our guests, focusing on our franchisees' profitability and trying to keep moving that forward.

And I think that alignment of the vision and where we're going has been really important to the progress we've been able to make so far. So it's been pretty good, but I think we have quite a bit to go in front of us.

Jeff Bernstein

And I do want to give you a lot of credit because there -- when you have a turnaround of a big brand like Burger King, it's hard to do, and there's been past attempts at it. But if you don't give it multiple years and have the conviction and the Board support, obviously, Patrick and team to say, we're going to give you several years to do this the right way, it can have sustained flywheel success. So...

Joshua Kobza
Chief Executive Officer

I think it's a great point. And if you think about the journey with Reclaim the Flame, we had a pretty good first year. And then things got a little bit tough for a while. Beef prices went up, and it took a while for that underlying work, the work on the assets and the work on the operations to really come through. And you have to have the patience and you have to have the support of your Board to keep making those investments. And I think we're all really thankful to our Board and our shareholders to kind of see through the good times and the bad. And I think we're now starting to see some of the payoff from that patience.

Jeff Bernstein

Obviously, the broader quick service segment, if I could just touch on that. I mean that is where you have a very strong foothold across your portfolio. Just maybe talk about the strengths and/or weaknesses as you see it for the quick service segment in the current environment, maybe the rise of nontraditional competition, which gets a lot of attention these days, but obviously, it's smaller scale, but moving upward and becoming larger.

Joshua Kobza
Chief Executive Officer

Yes. I think overall, the quick service restaurant segment is a great segment. If you look at the historical growth trajectory, it's been pretty stable. It's been a consistent grower over time. And I think that's because we provide something really important to our guests. We provide good value, good quality, convenient meals.

And that plays a really important life -- important role in the lives of our guests. It has and it continues to do that. And I think when I think about competition, you're going to have it in any of these consumer sectors. And I'd say it's a good thing. It pushes us to evolve the category and make the category better and more relevant.

And I think what's incumbent upon any of us, whether you have a newer brand or a brand that's been around for a long time, is to think about how you continue to evolve that brand in a way that's true to what the founders wanted for the brand and what really differentiated it and gave it a place to win in the marketplace.

But it's increasingly relevant to your guests. And I think what we're doing with Burger King is a perfect example of that. Let's stay true to flame grilling the Whopper, but let's be figuring out how we can make everything about this concept better and more relevant to our guests today.

We have a saying internally, I have to give Patrick credit for this one. He's the one who first brought this up. And the best test you can give yourself is for my core guest, am I making the experience on the product better this year than it was last year?

If you're doing that, you're probably going to grow your sales and traffic. And so we keep that test in our minds as kind of a limit test of whether we're working on the right things and whether we're making progress. And I think you've got to keep your focus there. And if you do, you're going to do pretty well.

Jeff Bernstein

And obviously, quick service focuses more on the lower to middle income versus others that focus on the middle to upper income. Thoughts on that more broadly. It seems like lower income has been a little bit more challenged for some in quick service, but yet you're putting up very strong results. So how do you kind of think about that income dichotomy here?

Joshua Kobza
Chief Executive Officer

I think the consumer environment for us has been more or less stable over the past few quarters at least. I feel like the environment we've been in hasn't changed on us too much. And what we've been focused on within our business is making sure that we've got the right balance of more premium innovation.

You can think about things like our Whopper by You that where we're letting guests innovate and doing premium offers that build on that core equity while having consistent value those folks who are looking for a specific price point. We want to have that price point available to them every day consistently. And that's what our $5 Duos, $7 Trios, we've been on that for quite a while. And I think our guests who are looking for that price point really appreciate that consistency.

Jeff Bernstein

And taking a step back, obviously, you meet with investors pretty regularly, and we all appreciate that. I'm just curious, like what question do you get that surprises you or perhaps on the flip side, what question don't you get that you're wondering why people aren't asking more about based on what you know about the company?

Sami Siddiqui
Chief Financial Officer

Yes. It's funny you asked this question, I think, last year. And my answer is probably the same, but slightly changed in a nuanced way, I guess. We get a lot of questions about Burger King U.S. as we were just talking about. And Burger King U.S. is about 17% of our operating income. But I'd say it dominates probably the majority of the conversation. And I think the questions we were getting maybe a year ago were really around when is the turnaround coming, what's happening?

I think for all the reasons that Josh provided, people are starting to see the results, right, through the first 2 quarters, I mean, Q2 being at an 8.5% same-store sales in an environment like this, really something amazing that Tom and team are doing.

So the questions are still on Burger King U.S., but they've shifted to how sustainable is the turnaround. And I think to Josh's point, this is not some flash in the pan success, right? I think Tom and team have been at it really maniacally executing for 4 years now. And I think this is sort of the beginning results of all that hard work and all that execution.

And that's why I think we firmly believe it's sustainable because not only has a lot of work been put in, but there's still so much work to be put in, in the future, right? When you think about remodels, right? A little over 50% of the system is remodels. That means we have almost half the system to go, about 40% of the system to go.

Refranchising, we've just started refranchising restaurants. We have about 1,000 restaurants to get into the -- or a little less than 1,000 to get into the hands of the right operators. The remodels, like I was saying, was they're showing good returns and consistent sales uplift, so promising results there.

You think about just elevation, as Josh was mentioning, we've elevated our Whopper. We're selling more Whoppers now. We've elevated our nuggets. There's more products in our core menu that we will continue to elevate and build on that latent brand love for Burger King.

So I think I get excited because I know we're still in early innings, and there's so much opportunity on the horizon such that we will continue to -- we feel good about continuing to be able to drive results there.

I think to the second question around what are the questions we don't get asked. And Josh and I talk about this a little bit. I think one of the interesting questions that doesn't come is really around sort of the aggregate of RBI. People tend to focus on the individual brands, which is great. But I think when you think about aggregate RBI and what we're able to do, this is a multi-branded diversified company.

We're in over 100 countries all around the world, little concentration risk, I'd say, it's really exciting what we've been able to do with these brands and how much growth potential they have on the horizon. And I think we firmly believe that having them under the RBI umbrella is the right place for brands to be.

I think for a few reasons. I think one is when you think about the synergy of having multiple brands under one house and under one roof, right, everything from procurement synergies, from talent and moving people around from just the scale of what we can provide. And I think the biggest one being our global growth model, right? I think our ability to take brands and plug them into the global growth model is, I think, pretty differentiated.

I think if you look at Popeyes and what we've been able to do with Popeyes in just 7 or 8 years, it's been a really incredible global growth story. We're one of the top 10 international -- or Western brands on an international basis now. And Popeyes wasn't very relevant before we had acquired it on an international stage.

And so I think there's a ton of value to that. And I'd say the last thing about RBI is when you have this kind of global diversified platform, you don't need every brand to outperform every quarter to still hit the algorithm. And I think like just like all of you kind of construct balanced portfolios, this is a portfolio, right? And ultimately, we're able to -- we've done it this year, right? There are some brands that have outperformed like Burger King and some brands have fallen a little bit short for us. Popeyes is probably namely Popeyes. But year-to-date, we've grown aggregate comps 3.5%, and we've grown aggregate operating income year-to-date 8.5%, so above our algorithm. And so that is another powerful aspect of the model.

And then lastly, I'd say is just the strength of our balance sheet and our ability to put capital, put resources, put investment behind brands when they may need it. So I would love for folks to focus more on the aggregate RBI story as time goes on because I think it's one of the most compelling stories in our industry.

Jeff Bernstein

I guess everyone tends to focus on the individual brands. It's hard to think about the whole portfolio. But from your seat, I would hope that right. It's the message of the entire RBI portfolio. Josh, you mentioned -- well, Sami just mentioned elevation and taking the brands up and Burger King gets a lot of attention there. But yet value remains such a focus across QSR right now. Just wondering how you think about value, how you message at each of your brands to say, how do we balance the value strategy to make it effective. But at the same time, we don't want everyone coming in and just buying off the value menu. So how does that balance come into play?

Joshua Kobza
Chief Executive Officer

Yes. I think value always has been and always will be one part of the business. I think if you look in the media, it tends to go through cycles of kind of prominence that I think are bigger than the actual variations in its relevance to the business. If you look at kind of value mix within our businesses, especially for the, let's say, the U.S. burger business, it'd be around 30% of the menu.

It doesn't really change that much. It goes up and down a point here, 2 points there. And it is important to have, but it can't be your whole strategy. So I think that's why we've always had the perspective, we need to be working on premium stuff. We need to work on core. We need to have some value offering. And ideally, like I was saying a little bit ago, it needs to be consistent. People want to know that when they go to one of your concepts, they're going to have access to a certain price point, a certain value construct.

And I think also just from a media efficiency standpoint, you don't want to have to educate your guests on a new construct every couple of few months. It's expensive to do that. So the best kind of place you can get to is where you have something that's consistent over time, where you create the awareness of this construct and then you stick with it and you don't have to overinvest media and you can invest some of that media in other places of your business.

So that's sort of where we've tried to get to. It's a little different for every business, though, whereas Burger King might have a $5 Duo and a $7 Trio. Our Tim Hortons business probably has a different view of value, which is more of an everyday price point. We have guests coming to us. Many of our loyal guests come 4 or 5 times a week. So for them, it's an everyday price point that they get and maybe some personalized offers in the app. It's a little bit different for each of those businesses, but I think the goal is figure out what it means within each of your businesses and try to stick to something more or less consistent if you can.

Jeff Bernstein

Yes. Shifting gears a little bit to Tim, Tim Hortons in Canada. Maybe you could just -- most of us being here in the U.S., provide some color on the competitive dynamic in Canada. It seemed like you had some confidence on this last quarterly call on reaccelerating comps in the second half of '26. Maybe just the broader state of the Canadian consumer keeping Tim's best-in-class, I'm sure there is no easy task.

Sami Siddiqui
Chief Financial Officer

So the Tim's business is amazing. It's one of the best restaurant businesses, I think, anywhere in the world has incredible average tickets. If you go through a Tim Hortons drive-thru in Canada from like 6:00 to 10:00 a.m., cars are going through the drive-through every like 23 seconds. It is an incredible business that we have up there.

I would say the comps were a little bit softer last quarter. And I think the macro up there it's been kind of stable over the last few quarters. So not changing too much. What we're focused on is making sure that our marketing calendar is being really impactful and driving the business forward.

And we've had a couple of new things that we've been working on in the last couple of months. We obviously did a big partnership with Harry Potter that got everybody really excited. We did -- we had all kinds of merch with wands and donuts and special drinks that matched up with all the houses from Hogwarts.

So that was a lot of fun. And we also recently launched Matcha. And I think one of the things that everybody has been focused on is cold beverage and the pace of innovation. So we were really pleased with the response that we got to Matcha. It's an interesting one for us because if you think about our core business, like I said, that 6:00 to 10:00 a.m. kind of morning peak is very routine.

We're like max throughput in a lot of our drive-thrus. And so some of this cold beverage innovation and things like Matcha, they're an interesting addition to it in that you get more of a P.M. business. It can be more of an afternoon beverage, which is great.

That's a lot of where we're trying to take our innovation pipeline is cold bev, P.M. food, get more folks coming back into the restaurants through other dayparts. So we found some really interesting things there. And I think if you look over the next few months throughout the back half of the year, you can expect to see an even faster pace of cold beverage innovation to go -- to lean into some of the categories where I think you're seeing guests go to in both the U.S. and I think increasingly in Canada.

Jeff Bernstein

What is the mix of A.M. versus P.M. because obviously, it seems like there's a tremendous opportunity if you're so busy 6:00 to 10:00 but you're paying for rent 24 hours a day.

Sami Siddiqui
Chief Financial Officer

Yes, it's meaningfully over-indexes on the A.M. piece, and we're quite a bit quieter in the P.M. as you go off into the evening. So that is the big opportunity to use the assets even more and bring people back later in the day. Around half of the business is before 11:00 a.m.

Jeff Bernstein

Half of the business before 11:00 a.m. Okay. Thinking more beyond Canada, but just the international aspect of the portfolio outside of North America. Maybe you could just share and again, it's difficult when you got 100-plus countries.

So generalizations, I can totally understand are not often helpful. But maybe color on the strongest few markets that you're most proud of. And maybe not everything is rosy, I can imagine. So maybe a couple of markets where there are some challenges and structural changes that are required. Like how do you think about that over the next 12 months or so?

Sami Siddiqui
Chief Financial Officer

Yes. Going back to one of the original questions when you talk about sort of underappreciated parts of the business, I similarly think our international business doesn't often get the type of credit that it should. It's almost half of our business, a little more than half of our business from a restaurant count perspective and almost up getting closer to 50% of our system sales and growing incredibly, right, growing system sales year-on-year double digits, growing operating income double digits. So a large, fast-growing business for us.

I think when we think about kind of the broader sort of international growth story, we tend to focus on paybacks, right? Ultimately, top line AUVs relative and bottom line profitability relative to the capital invested. And we look at often our top 10 markets. And our top 10 markets from a growth perspective, they have roughly 4- to 5-year paybacks right now.

And those are unlevered paybacks, which is really strong, right, when you think about 4- to 5-year paybacks and improving kind of every year. So our goal is to continue to kind of get that 4.5-year payback down to ultimately kind of drive that flywheel of growth. When you think about these top 10 markets, there are markets like France, there are markets like India, Korea, Japan, a bunch of kind of markets really all around the world, which kind of just highlights how diversified it is in terms of an international business. When you think about kind of some of the opportunities, I think because of that point on diversification, there's not really a sort of a single point of failure or anything like that in the model.

I will say the one that we spent a lot of time on over the last couple of years was China, which, as you know, for Burger King in China, it was a big focus area for us. We stepped in and took control of that business and are so pleased with kind of the results we've seen in really less than a year through the first 2 quarters of this year, comping double digits, getting those paybacks to a better place and ultimately kind of kicking off that growth flywheel. So I think we continue to be excited about it. Josh spends a lot of time. I think you were in Korea last week.

Joshua Kobza
Chief Executive Officer

I was in Korea and Japan week before last. But that's interesting -- it's an interesting window into this business on both markets actually. The Korea business, we have a similar amount of units to our biggest competitor. So we go head-to-head there, and we've got a number of -- increasing number of markets where that's the case. But also Japan has been one of the most incredible stories that we've seen over the last 10 years.

When we brought in a new partner there a little bit less than 10 years ago. And at that time, I think we were sub-100 locations, and our biggest competitor was a few thousand. And we've now turned that into one of the best and fastest-growing markets anywhere in the world.

We're pushing towards 400 restaurants today on the way to 600 in a couple of years. And to one of Sami's points from earlier, the paybacks are down to like 2.5 years. So it's incredibly compelling for our local partner. They've done a great job building the brand and the business. I think I've shared a couple of anecdotes on the same-store sales there, but we've been double digits on double digits on double digits.

So I say that just to point out, we've got some really big markets across international for Burger King and for the other brands that are still relatively small versus what their ultimate potential will be. And so our focus is on building the brand in those markets, making sure that our partners have compelling paybacks and then supporting them to build the business out to its potential, and we've got 125 markets of that.

But I've got a long way to go. We've got a lot of those still to work on. And that's exciting to us because it means we have a long runway ahead of us of structural growth in the business.

Jeff Bernstein

With 100-plus countries, I'd love to borrow some of your frequent flyer miles, I imagine where you're going every week.

Sami Siddiqui
Chief Financial Officer

Josh's wife Holly would like that, too. He is always on the road.

Jeff Bernstein

That's a tough one. You mentioned that one of the brands that had been a little softer recently was Popeyes in the U.S., but yet since your acquisition, you're very proud of the direction it's gone, especially with the international growth. I was hoping you can give us an update just on how that turnaround is progressing, having a multi-brand portfolio, the ability to hopefully say, hey, Burger King has done really well turning around these 3 aspects.

Let's share our best practices from Burger King with Popeyes. So what's working well? What still needs to be revamped? Kind of what's the -- I think you said return to positive comps in the second half of the year was kind of the line in the sand. So any color you can share on Popeyes U.S.

Sami Siddiqui
Chief Financial Officer

Yes. Look, I think we still feel good about returning to positive comps in the second half of the year, most importantly. I think as we look at the business, we're seeing a lot of early kind of leading indicators of things getting better in the business. I know folks like to draw the parallels to Burger King.

And I think there are some parallels, though I think the 2 sort of big distinctions in my mind is, number one, as you think about the profitability and the health of the franchise system, the Popeyes franchise system is fundamentally healthy when you think about the balance sheet.

It was just a few years ago that average 4-wall profitability was over $300,000 per box. So it's come down a little bit since then, but our franchisees have made money and their leverage really continues to be under control, which was sort of a different story when we first started the turnaround at Burger King.

I think the second really important point as you kind of think about the Popeyes system is the vast majority of the restaurants have been built in the last 10 to 15 years. So when you think about the asset base, the average asset -- the average restaurant at Burger King was over 30 years old when we started the Reclaim the Flame plan, right? That's a big difference.

And I think it then sort of dictates the capital requirements for the franchisees. So those are kind of the differences. I think Peter, who was Chief Operating Officer at Burger King and is now President of Popeyes, really did work closely with Tom and learned a few things. I think it kind of comes down to probably consistency in value, which Peter has been working on, consistency in operations and then probably consistency on the core menu.

And so when you think about value, and Josh just hit on this, it's really expensive to introduce new value mechanics every 3 or 4 months. So one of the first things Peter did about 9 months ago is introduce this $5 Faves. And we've stuck with the $5 Faves menu for quite some time now. And we're actually seeing our value perception get better. Our value perception, our value for money perception has improved 3 points year-over-year, just kind of from launching that consistent value platform.

I think on the second piece around consistency of operations, similar to Burger King, we've expanded field resources. We've added more touch points to the restaurants, to the franchisees, more trainings for restaurant general managers, a lot more hands-on field activity. And what you're actually starting to see is guest complaints, which we track very closely, guest complaints are trending down in the Popeyes system, which is great to see. It's an early sign that the turnaround is really underway.

And then lastly, kind of on core execution, I think Peter has really leaned into we have 3 core platforms that we're known for, our Bonafide bone-in chicken, our tenders, and our chicken sandwich. And we want -- back to the operations point is we want to be the best at those.

We already know we have the best tasting product, but we want to be the best at executing that product. And what we're seeing there is actually product satisfaction in those 3 categories is getting better on a year-over-year basis. So all of these stats putting together, which we track regularly are showing us and giving us confidence that guests are starting to see changes in the restaurant.

It will, of course, take time, but like I think this is fundamentally different than the Burger King turnaround. And we're really excited. And I think that's just highlighted by our confidence in kind of returning to positive comps in the second half.

Jeff Bernstein

Yes. No, it's exciting to see different brands at different stages and to see what brand we will be talking about next year, I'll be listening to you talking about next year is exciting. Taking a step back because you said that you don't get as much appreciation for the broader RBI portfolio rather than individual brands, your algorithm calls for 3% plus system-wide comp growth on an annual basis. I think you said you were running just 3.5% for the first half of this year. So it seems like a reasonable target. But your confidence in sustaining that.

Obviously, there are better years, more difficult years. And within that comp, how you think about maybe traffic versus check? Obviously, people would love to see just endless traffic growth. But just a high level, the ability to sustain 3% plus global comp growth across the portfolio.

Joshua Kobza
Chief Executive Officer

Yes. So as you both pointed out, we feel pretty good about the year so far. We're above that 3% and did that in both of the quarters. So I think you can see kind of the net of all the things going on in the portfolio is a pretty good outcome.

I think we said on the last earnings call that we felt good based on where we were about how the rest of the year looked. So I think we're doing pretty well this year and hope to continue that. In terms of the check versus traffic, I think we're always going to want to be mindful of CPI kind of market inflation rates.

Those are generally targeted at less than 3%, 2% to 3%. So the way we always thought about that was we want kind of flat to a little bit positive ticket growth or kind of transaction growth, sorry, and then to have our pricing be more or less aligned with inflation because we're cognizant that there will be some inflation in those core inputs. So that's sort of how we've always thought about that target.

Jeff Bernstein

And being that you're not running most of these restaurants that franchisees are running these. I'm just curious, conversations you have with franchisees their confidence, their partnership with you? And would you say the overall health of the system and the franchisees kind of the alignment?

Joshua Kobza
Chief Executive Officer

I think it's pretty good. We've spent a lot of time over the last few years, I would say, even deepening our relationships with our franchisees. I think it's been core to the success that we've had, especially going through tough situations like we had at Burger King. And I think the alignment of that system is better than it's ever been.

I think if you go back, there were a few structural things that we did that really helped that. When Patrick joined, we started publishing our franchisee profitability every year. We're one of very few companies that does that. And we also put our franchisees' profitability in our own team's bonus targets.

And that creates a lot of alignment, a lot of trust. People know that we're going to be publicly held accountable to what's happening with the franchisees' profitability. And our team's economic outcomes are tied to the franchisees' economic outcomes. Incentives aren't the only thing. There is a lot to the relationships. And I think people also just -- after we did that, we've built trust through cycles.

Folks work together through years and different campaigns and initiatives, and they start to -- you earn trust over time through how you do things. And I think our teams have done a really nice job building the trust with their respective franchise systems. So a lot of things coming together to generate, I think, really productive dynamics in our franchise networks.

And as you all know who work in this business, that's one of the most important things you can possibly have in a nearly fully franchised system. You need to be growing in the same direction. People all need to be excited about the plan and the elements, and that's what allows you to deliver big results like we're seeing in some of our businesses today.

Jeff Bernstein

We think of a franchise system as kind of a house of cards. So if you don't have a strong foundation, you can have all the best ideas in the world at corporate. But if the franchisees aren't executing it and aren't feeling good about the system, what's the point of that?

Joshua Kobza
Chief Executive Officer

For sure. The more excited the franchise system and the restaurants, the managers, the team members are, that makes stuff go. And that's one of the -- I would tell you that's one of the magical things about some of the elevation work that we've done this year at Burger King.

When our teams are more proud because they're still -- they're serving a beautiful Whopper that looks great. It's in a box. It's tall -- they're serving nuggets that they know that they're better, they're more proud of the products that they're serving. That changes the interaction at the point of sale. And that's going To change your sales and the effectiveness of all these new initiatives we're doing. So I think really in these systems, you can't underestimate the power and the importance of bringing the whole system along.

Jeff Bernstein

And investors tend to focus a lot on comp or same-store sales growth. That tends to be a little bit more volatile, obviously, demonstrates the health of the business. So you want to focus on that. But what we often feel is underappreciated is the unit growth side of things, which is the more stable.

You have pretty good line of sight for multiple years. And that actually comes up a lot on RBI because the unit growth has slowed down for a bit as a portfolio. Just wondering if you could talk about your confidence in reaccelerating that unit growth from '26 to '27 and ultimately getting back to, I believe, the 5% plus in '28. I mean, obviously, the consumer environment is challenged.

So you make a promise, but then it's hard when you're surprised by things. But what are you most excited about and your confidence to getting back to that 5% net unit growth in '28?

Joshua Kobza
Chief Executive Officer

Yes. If you look over the last 2 years at our net unit growth, the biggest swing factor had really been BK China. And Sami referenced it earlier. We had a tough time there, and we ended up stepping in and now found a local partner. So that is -- if you kind of -- if you pull that out, the net unit growth was actually much more stable than you would see in the aggregate.

So that's why we focus a little bit on what's going on with BK China. And I think the good news is now that we brought in a new partner, we're doing fantastic. We're doing much better than we had even hoped. And the same-store sales and the profitability of the restaurants in that overall business have improved considerably. And I think that really reinforces kind of our excitement and our local partner, CPE, their excitement about the trajectory of unit growth.

And I think that will be the biggest single swing factor from last year to this year and future years. And we feel really good about it. We had cleaned up some restaurants a couple of years ago. We're starting to get the benefit of lapping that. You're starting to see that in the sequential changes in the net unit growth.

And as we look into the back half of this year and into the future years, now I think we can start to see the big ramp-up in net unit openings. I think we shared when we did our Investor Day that we expect to get to just over 200 net new units in 2028, and we're feeling really good about that. Hopefully, we can go even further if we continue to see really good momentum in the business, but we've been very pleased with what we've seen so far there.

Sami Siddiqui
Chief Financial Officer

That's 200 net new in China and then in aggregate by 2028, around 1,800 net new units across the business, which is around 5%.

Jeff Bernstein

Yes. I've got another 10 questions here, but I have 60 seconds. So I just wanted to ask about capital allocation. It's an asset-light model. It sounds like you're refranchising the almost 1,000 Burger King units, and that's going well. But you talked about at your Investor Day, big topic was leverage easing, getting towards an investment-grade credit rating. How do you think about that progress on that, future use of free cash in that regard?

Sami Siddiqui
Chief Financial Officer

Sure. Yes. No, quickly on capital allocation. I think when we last spoke about it, and I think really for the last couple of years, we've had a pretty balanced capital allocation strategy where we've been able to invest in our brands, even with some of this more ramped up investment in Burger King with Reclaim the Flame.

We've still had ample cash flow to have a healthy and growing dividend. We've been able to actually take leverage down on the company, and we've been able to buyback shares. I think our big announcement at our February Investor Day was really twofold. I think number one was our desire to keep deleveraging to get to between low and mid-3x net leverage, which solidly positions the company as an investment-grade company.

And number two was to start using excess cash flow to repurchase shares. So on the investment-grade side, we just think this is the best, deepest, most stable pools of capital, largest pools of capital really in the world. And from the rating agency side, we've had great conversations with all the rating agencies. S&P and Fitch already have our first lien debt as investment grade rated. And our corporate rating will kind of -- we're one notch away from being corporately investment grade with those 2 rating agencies.

And you may have seen yesterday that Moody's upgraded us as well. So we made one step closer to investment grade with them. So we are making progress on this. We expect to be at these investment-grade leverage levels by 2028. And then sort of the second part of that is using excess cash flow and really returning the bulk of cash flow to shareholders.

So we've had, I think, over 50 consecutive quarters of growing dividends now, and that's around a 60% payout ratio on our earnings. And the remainder of cash flow for this year, around $500 million, is now going into repurchasing shares. We think it is a compelling time to be buying back our own shares.

And especially as we see the path to simplification and the business is simplifying, we anticipate that by the time we get to 2028, it's a really exciting time from a capital allocation perspective. You can imagine a world where we're continuing to grow earnings and EBITDA, we're investment grade and we can use excess leverage capacity to effectively return that to shareholders, keeping our dividend payout in place and also with the share buy back. So it's a pretty exciting time to be a shareholder.

Joshua Kobza
Chief Executive Officer

Yes. I think that's what has us, I think, very excited is this vision of where we can be in 2028, which is not that far away of getting back to this 5% unit growth, delivering consistent 3% plus same-store sales. So you get that organic kind of 8% AOI growth. So you've got consistent organic growth, distributing a lot of capital back to shareholders through both dividends and share repurchases.

That gives you a pretty compelling total shareholder return and a stock that has a very low beta. So it's really uncorrelated from a lot of other things. And we think that's a pretty compelling vision of the world and a pretty compelling place to be invested.

Jeff Bernstein

Well, I mean, congratulations on this year thus far. I mean you've been one of our best-performing names this year. And we are out of time, but we wanted to thank Restaurant Brands International for joining us.

Hopefully, you get a chance to meet with management at some point during the day today. But we want to very much thank Josh and Sami and the team for joining us, and thank you all as well. Have a good day.

Joshua Kobza
Chief Executive Officer

Thank you.

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