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# Restaurant Brands International Inc. (QSR) Q2 2025 Earnings Call Transcript

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## Q2: 2025-08-07 Earnings Summary

Insights



EPS of \$0.94 **misses by \$0.03** | Revenue of \$2.41B (15.87% Y/Y) **beats by \$71.97M**

Restaurant Brands International Inc. (NYSE:[QSR](#)) Q2 2025 Earnings Conference Call  
August 7, 2025 8:30 AM ET

### Company Participants

J. Patrick Doyle - Executive Chairman  
Joshua Kobza - Chief Executive Officer  
Kendall Ardyce Peck - Head of Investor Relations  
Sami A. Siddiqui - Chief Financial Officer

### Conference Call Participants

Andrew Michael Charles - TD Cowen, Research Division  
Anisha Datt - Barclays Bank PLC, Research Division  
Brian James Harbour - Morgan Stanley, Research Division  
Brian John Bittner - Oppenheimer & Co. Inc., Research Division  
Danilo Gargiulo - Sanford C. Bernstein & Co., LLC., Research Division  
David Sterling Palmer - Evercore ISI Institutional Equities, Research Division  
Dennis Geiger - UBS Investment Bank, Research Division  
Gregory Ryan Francfort - Guggenheim Securities, LLC, Research Division  
Hyun Jin Cho - Goldman Sachs Group, Inc., Research Division  
John Zamparo - Scotiabank Global Banking and Markets, Research Division  
John William Ivankoe - JPMorgan Chase & Co, Research Division  
Sara Harkavy Senatore - BofA Securities, Research Division

### **Operator**

Good morning, and welcome to the Restaurant Brands International Second Quarter 2025 Earnings Conference Call. [Operator Instructions] And please note, this event is being recorded.

I would now like to turn the conference over to Kendall Peck, RBI's Head of Investor Relations. Please go ahead.

### **Kendall Ardyce Peck**

Thank you, operator. Good morning, everyone, and welcome to Restaurant Brands International's earnings call for the second quarter ended June 30, 2025. Joining me on the call today are Restaurant Brands International's Executive Chairman, Patrick Doyle; CEO, Josh Kobza; and CFO, Sami Siddiqui. Following remarks from Josh, Sami and Patrick, we will open the call to questions.

Today's discussion may include forward-looking statements, which are subject to risks detailed in the press release issued this morning and in our SEC filings. We will also reference non-GAAP financial measures, reconciliations of which are available in the press release and trending schedules on our IR website.

As a reminder [Audio Gap] adjusted operating income growth exclude results from the Restaurant Holdings segment.

In addition, on February 14, 2025, we acquired substantially all the remaining equity interest in Burger King China from our former joint venture partners. Burger King China has been classified as held for sale and reported as discontinued operations in our financial statements, as we are actively working to identify a new controlling shareholder. That said, Burger King China's KPIs continue to be included in our International segment KPIs. A breakdown of Burger King China's KPIs and its impact on our 2024 financial statements can be found in the trending schedules available on our Investor Relations website. For calendar planning purposes, our preliminary Q3 earnings call is scheduled for the morning of November 5.

And now I'll turn the call over to Josh.

### **Joshua Kobza**

Good morning, everyone, and thank you for joining us. We made solid progress in Q2 with comp sales accelerating to 2.4% year-over-year and net restaurant growth of 2.9%, driving system-wide sales of 5.3%. Combined with disciplined cost management, this translated into organic adjusted operating income growth of 5.7%. These results reflect the strength of our brands and the focus and execution of our teams and our franchisees.

While the consumer environment remains dynamic, we've seen encouraging signs of improvement across many of our largest businesses. That's given us added confidence as we continue focusing on the fundamentals that matter the most: quality, service and convenience. Our teams are executing disciplined, well-balanced marketing calendars, elevating restaurant operations and delivering better guest experiences every day. At the same time, we're running the businesses efficiently and investing behind priorities we believe will generate long-term value for our guests, our franchisees and our shareholders.

Tim Hortons and our International businesses, which together account for nearly 70% of our adjusted operating income, led the way this quarter. Tims posted its 17th consecutive quarter of positive comparable sales in Canada, and our International segment delivered another quarter of strong growth. We also saw solid improvement across the rest of the business, and I feel confident in our ability to build on that momentum in the second half of the year and deliver at least 8% organic adjusted operating income growth in 2025. I'm equally encouraged by the steps we're taking to return to a more simplified business model. This includes launching Carrols refranchising efforts 2 years ahead of schedule and moving with urgency to position Burger King China for success under a new partner.

With that, let's turn to our segment results, starting with Tim Hortons, which accounts for about 43% of our business. Tims delivered a strong quarter with Canadian comparable sales accelerating to 3.6%. Growth was relatively balanced between check and traffic, supported by positive sales across all dayparts, including 5% growth in the morning. These results reflected a well-executed marketing calendar featuring our Scrambled Eggs Loaded Breakfast Box, filled Timbits and summer cold beverage lineup, all brought to life by our dedicated restaurant owners.

In April, we launched the Scrambled Eggs Loaded Breakfast Box, a new platform in partnership with Ryan Reynolds, featuring 100% Canadian farm-certified eggs. This offering brought a delicious and uniquely Canadian voice to our breakfast business and helped drive over 10% growth in breakfast food sales in the quarter.

We also played into nostalgia and brought back filled Timbits nationwide for the first time in 5 years, featuring blueberry cheesecake and patterned strawberry flavors. These delicious additions to our baked goods showcase were the outcome of strong collaboration between our culinary and operations teams to deliver fun, guest-loved treats and an easier-to-execute format for our team members.

Beverage sales grew 4% year-over-year, driven by strength in cold and espresso-based beverages. We kicked off our summer lineup with new quencher flavors like pineapple, dragon fruit, and the launch of frozen quenchers. We also introduced new and improved iced lattes, which helped drive record high espresso beverage incidents in the quarter. With new espresso machines rolling out later this year, we see opportunity to drive improved consistency and further elevate the guest experience in this high potential category.

Operationally, our restaurant owners and teams delivered meaningful improvements across the board. Speed of service improved across all dayparts and guest satisfaction rose more than 4 points year-over-year to its highest level since we began tracking in 2018. As we broaden our presence in the PM daypart, we're focused on delivering the same high-quality Tims experience our guests know and love.

That was the focus of our restaurant leadership symposiums in May and June, which brought together over 3,700 leaders across the system under the theme of winning in the PM. The alignment achieved coming out of these events translated to improved execution, including through the launch of our latest PM food menu innovation, the Supreme Stack sandwich. We're also making progress on development and remain on track to return to modest net restaurant growth in Canada in 2025, supported by strong unit economics.

Finally, I want to thank our restaurant owners for delivering 2 incredible campaigns: Smile Cookie Week in April, which raised a record-breaking \$23 million for charities across Canada and the U.S.; and Camp Day in July, which raised \$13 million for the Tim Hortons Foundation camps. Together with our Canadian Dream brand spot and owner story video series, these helped Tims further solidify its position as Canada's most loved brand. All in, I'm proud of the sustained momentum at Tim Hortons. It's a business with incredibly strong fundamentals, grounded in its #1 brand love and trust in Canada. This quarter marked a clear return to the consistent performance we've come to expect from the Tims brand, a reflection of Axel and the team's disciplined execution and the unwavering dedication of our restaurant owners and their team members.

Now turning to our International segment, which accounts for 26% of our adjusted operating income and continues to be a key growth engine for our business. In Q2, International delivered nearly 10% system-wide sales growth, supported by 5.4% net restaurant growth and 4.2% comparable sales, once again outpacing many of our largest global peers. This strong performance reflects the strength of our balanced playbook across menu innovation, marketing, digital and operations, which are driving continued outperformance in same-store sales in many major markets like the U.K., Spain, Australia and Germany.

At our BK CEO Summit and International Convention in Lisbon, Thiago and his team laid out a clear vision for the future and shared our bold ambition of chasing #1 globally. We're already the leading burger QSR in key markets like Spain, Turkey and Mexico and aspire to become the most loved burger brand in every market we serve. That means great flame-grilled burgers served your way in restaurants guests love to visit and franchisees are proud to run. At convention, we reinforced our commitment to the guest experience and highlighted the critical role of our restaurant general managers by honoring our top 50 international RGMs as amazing examples of operational excellence.

We also recognized several high-performing partners with 2024 awards. Burger King India, which surpassed 500 restaurants in 2024, was named both Franchisee and Operator of the Year. Burger King Turkey earned Developer of the Year, opening nearly 50 net new restaurants in 2024. And Nomura-san and the team at Burger King Japan were recognized as Marketer of the Year after delivering nearly 20% same-store sales growth in 2024, fueled by a compelling Whopper relaunch.

Following convention, I visited Brazil, one of our most important growth markets. Since entering the market in 2010, we scaled Burger King from about 100 restaurants to roughly 1,000, generating nearly \$1 billion in system-wide sales. Building on that foundation, we introduced Popeyes in 2018 and Firehouse Subs in June of this year. Popeyes Brazil delivered double-digit same-store sales growth in 2024 and mid-teens same-store sales growth so far this year, further evidence that fried chicken is on an incredible global trajectory and that Popeyes is well positioned to take share.

I also visited our first 2 Firehouse restaurants with Yuri Miranda, who's leading the brand's rollout in Brazil. I'm encouraged by the early traction and excited about the opportunity to scale Firehouse Brazil under Yuri's excellent leadership. Finally, we're making meaningful progress at Burger King China and delivered results this quarter ahead of our expectations. Since assuming control, we've

moved quickly, putting in place a seasoned local leadership team, sharpening our marketing on core burger and chicken equities and reestablishing an operational focus.

Comparable sales turned positive in the second quarter, and unit economics improved meaningfully quarter-over-quarter. It's been an encouraging start, reinforcing our conviction in the long-term opportunity. Burger King has strong brand awareness in China and is one of the few scaled beef burger players in the market with favorable category dynamics. With the right local partner, capital support and development plan, we see a clear path to reignite growth. We're actively working with Morgan Stanley to identify that partner, someone who can build on our early progress and unlock the next chapter of growth for the brand in China.

Now turning to Burger King, which represents around 19% of our business. Tom and team continued making progress executing against their long-term plans despite an admittedly tougher industry backdrop. In the U.S., comparable sales grew 1.5%, modestly outperforming the burger QSR segment. On the marketing front, we're delivering against our 3 focus areas: first, reestablishing relevance with families; second, reinforcing our core brand equities; and third, meeting the needs of today's value-conscious guests. Our How to Train Your Dragon partnership brought our flame-grilled burgers into a popular franchise and drove our highest King Junior meal incidents in more than a decade. We'll continue building family engagement in the months and years ahead through fun, effective and relevant partnerships.

On core equities, we're leaning into the Whopper with innovation in our Have It Your Way promise through guest-led ideas from our recently launched Whopper By You platform. The Barbecue Brisket Whopper is a standout, a delicious guest-designed take on the classic that highlights our flame-grilled flavor. And when it comes to value, we're maintaining a barbell approach with premium offerings alongside our evolving \$5 Duos and \$7 Trios, allow guests freedom of choice, ensuring we keep delivering a variety of fan favorites at great everyday prices. We're happy with how our value initiatives are performing and are encouraged to see the percentage of sales on deal stabilized around pre-pandemic levels.

We're also making good progress in operations. Operating satisfaction for lunch and dinner rose 4 points year-over-year, reaching their highest levels since we launched Reclaim the Flame in 2022. This progress was driven by continued improvements in customer friendliness, food quality, order accuracy and speed of service. To help meet late-night demand from guests, we also saw around 1,200 restaurants extend their hours by at least 1 hour year-over-year. We continue to see a clear link between strong operations and profitability. Over the last 12 months, [ A ] operators have generated over 70% higher 4-wall EBITDA on average than the rest of the system, reinforcing the importance of operational consistency and transitioning underperforming restaurants to more engaged operators. Our Carrols restaurants outperformed both the broader BK system and other burger QSR peers this quarter and are a great example of the importance of having strong operations led by great restaurant general managers.

Modern image is another driver of sales and profitability, and we remain on track to complete roughly 400 remodels this year. They continue to generate average sales uplifts in the mid-teens net of control. These investments are improving brand perception and franchisee profitability, reinforcing the value of our modern image efforts. Finally, we began our refranchising process for Carrols restaurants this quarter, including signing 5 candidates for Crown Your Career, a program that supports high potential internal talent on their journey towards restaurant ownership over a 1- to 3-year period. Our focus remains on placing restaurants with highly engaged operators who are well positioned for long-term success.

Altogether, Tom and his team are making steady progress across marketing, modernization, operations and the guest experience, all underpinned by strong franchisee alignment. While there's still a lot more work to do, this quarter's industry outperformance is another sign that we're on the right path to building a healthier business for the long term.



Finally, turning to the remaining 12% of our business with Popeyes and Firehouse Subs. In the second quarter, Popeyes delivered system-wide sales growth of 1.9% in the U.S., supported by net restaurant growth of 2.1% and partially offset by a 0.9% decline in comparable sales. This quarter, the team's flavor-forward pickle menu and launch of \$3.99 wraps generated strong guest engagement and helped drive a sequential improvement in comparable sales. We also continue to enhance operations by scaling our easy-to-run kitchens as well as providing targeted operational support to restaurants that need it the most. At the same time, we remain highly disciplined in our development approach, opening new restaurants only with top-tier operators aligned on quality and execution.

Finally, at Firehouse Subs, system-wide sales grew 6.3% in the second quarter, driven by 6.4% net restaurant growth and a 0.8% decline in comparable sales. We're encouraged by the momentum and quality of the development we're seeing with new restaurant openings performing above the system average. Last month, Mike and his team hosted their annual family reunion in Las Vegas and laid out the brand's 3-year road map, which outlines clear initiatives to drive sales growth, enhance the guest experience and support franchisee profitability. There's strong excitement from the franchisees about the path forward for Firehouse.

With that, I'll pass it over to Sami. Sami?

### **Sami A. Siddiqui**

Thanks, Josh, and good morning, everyone. Today, I'll discuss our Q2 financial results, our capital structure and financial guidance for the remainder of 2025. We were encouraged by the improvement in results this quarter, especially against a dynamic consumer backdrop. We delivered global comparable sales of 2.4%, system-wide sales growth of 5.3%, organic AOI growth of 5.7% and nominal adjusted EPS growth of 9.2%. Organic AOI growth slightly outpaced system-wide sales growth this quarter, driven by continued cost discipline, including a \$15 million reduction in segment G&A as well as a \$6 million tailwind from lapping last year's Fuel the Flame ad fund contribution.

These tailwinds were partially offset by a couple of factors in the quarter. First, bad debt expenses came in at \$9 million this quarter, compared to a net recovery of \$6 million in the prior year. Bad debt expense this quarter was primarily tied to our International business, which impacted F&P expenses in International and supply chain cost of sales at Tim Hortons. We're actively engaged with our partners to collect on these revenues. We also had a discrete situation at Burger King U.S., which was resolved in June.

And second, as I mentioned last quarter, since we are actively working to find a new local partner for the BK China business, we are treating it as held for sale with results recorded in discontinued operations. As a result, we saw a \$10 million year-over-year revenue and AOI headwind in Q2. For the full year, assuming no change in ownership, we continue to expect a \$37 million impact to revenue and a \$19 million impact to AOI on a year-over-year basis, given that we recorded about \$18 million of bad debt expenses related to BK China in 2024, largely in Q4. For more detail, you can refer to the quarterly breakdown of 2024 BK China revenues and bad debt expenses available in the trending schedules and on the RBI Investor Relations website.

Now turning to EPS. Adjusted EPS increased to \$0.94 per share from \$0.86 last year, representing nominal growth of 9.2%. EPS growth was driven by AOI performance as well as a \$12 million year-over-year decrease in adjusted net interest expense to \$131 million, reflecting the benefits of our upsized cross-currency swaps from 2024 refinancings and interest rate swaps. For the full year, we now expect adjusted net interest expense to be around \$520 million, assuming an average SOFR rate of 4.3% flowing through to approximately 15% of our debt.

Now turning to free cash flow and our capital structure. In Q2, we generated \$446 million of free cash flow, inclusive of approximately \$35 million in cash benefits from our hedges. During the quarter, we allocated capital to key strategic priorities and recorded \$68 million of capital expenditures, tenant inducements and incentives, collectively referred to as CapEx and cash inducements. We continue to expect 2025 CapEx and cash inducements to be between \$400 million to \$450 million, though we think we will come in at the lower end of that range. In addition, this quarter, we capitalized Burger King China with \$30 million to support operations, build out our local team and to fund marketing. We also returned \$282 million of capital to shareholders through our dividend, which we declared for Q3 at \$0.62 per common share and unit with a 2025 target of \$2.48 per share.

We ended Q2 with total liquidity of \$2.3 billion, including approximately \$1 billion of cash and a net leverage ratio of 4.6x. As a reminder, our capital allocation priorities remain unchanged. We're focused on investing in our brands and businesses where we see clear and compelling returns, maintaining a healthy and growing dividend and steadily deleveraging over time.

Now before shifting to our 2025 financial guidance, I'd like to take a moment to address commodities, specifically beef and coffee. We've been closely monitoring beef, which makes up roughly 1/4 of the commodity basket for Burger King U.S. In the first half of 2025, beef prices were up high teens year-over-year, which we expect to translate into a mid-single-digit increase in the total commodity basket at Burger King U.S. for the full year '25. While elevated, this trend is largely driven by the cyclical nature of U.S. herd rebuilding, and we expect prices to normalize over time.

On that note, we've been encouraged to see some normalization in coffee prices following a period of historic highs. This is welcome news for our Tim Hortons business, where coffee accounts for around 15% of the commodity basket. Given our forward buying strategy, we expect to see these lower costs flow through in mid- to late 2026.

Now wrapping up with 5 modeling-related items for 2025. First, we remain confident in delivering net restaurant growth of around 3% for the year and 8% plus organic AOI growth in 2025. As a reminder, AOI growth this year will be weighted towards the fourth quarter as we lap \$41 million of the Burger King Fuel the Flame ad fund expense and \$20 million of net bad debt expenses recognized in Q4 of '24. Second, we continue to expect full year '25 Tim Hortons supply chain gross margin of roughly 19%. Within this, we anticipate Q4 will be the lowest margin quarter, reflecting typical seasonality and the impact of working through higher cost inventory.

Third, we remain on track for 2025 segment G&A, excluding Restaurant Holdings of \$600 million to \$620 million, reflecting a healthy sustainable baseline that supports continued investment in our people and our strategic priorities. Fourth, we expect second

half restaurant level margins at Burger King Carrols restaurants in RH to compress by approximately 100 basis points year-over-year from the roughly 12.3% margin we saw in the second half of 2024. This is primarily driven by commodity cost inflation as well as the impact of the 50 basis point ad fund contribution step-up.

In addition, the RH segment includes Popeyes China and Firehouse Brazil. These are early-stage businesses. And in the first half of 2025, they generated a combined AOI loss of \$9 million. We expect this loss to increase to around \$15 million in the second half of the year as we build our teams and development pipelines. That said, these early-stage losses should be more than offset by positive AOI contribution from our BK Carrols restaurants in RH.

Finally, we continue to expect an adjusted effective tax rate of 18% to 19% for the year. As a reminder, year-to-date, our tax rate was 18.3%. While we do not expect recent changes in tax legislation to be material at the RBI level, we do expect U.S. franchisees, particularly those investing in development and remodels, to see benefits related to bonus depreciation and interest deductibility.

Overall, to wrap up, when I look at our Q2 results, I see real progress. Our 2 largest businesses, representing nearly 70% of AOI, delivered strong performance. I also see promising signs within Restaurant Holdings with Carrols outperforming Burger QSR, refranchising efforts beginning ahead of schedule and early traction with development and sales at Popeyes China. Although we're operating through a period of peak complexity today, we are starting to simplify. The steps we're taking from refranchising Burger King U.S. restaurants to setting BK China up for success with a new partner, position us to be a more streamlined and stronger business in the years ahead. At the same time, we're maintaining cost discipline at the RBI level, keeping us on track to deliver 8% plus AOI growth in 2025 and beyond.

And with that, I'll hand it over to Patrick.

## **J. Patrick Doyle**

Thank you, Sami. The story this quarter is pretty straightforward. We've been consistently putting in the work and it's starting to show. We're focused on what matters, running great restaurants, supporting great operators and building brands that stand the test of time. That's been the plan, and this quarter is another step forward in that journey. Tim Hortons is a great example. Tims is exceptionally well run. Our franchisees are great locally involved operators, and the team running the business in Toronto is terrific. Consistent strong results are the outcome.

You can say the same for our International business, which continues to deliver strong growth and outperform most of our largest QSR peers quarter after quarter. The kind of consistency we're seeing from Tims and across many of our international markets comes from doing the basics really well. It's built on a foundation of strong local leadership, brand trust, disciplined operations and relevant marketing. At the end of the day, it all comes down to great teams putting in the hard work to run great restaurants. We're seeing it at Tims, we're seeing it at International, and we're starting to see it in more parts of our business.

Take our 47 company-run Burger King restaurants in Miami. These are restaurants where we're leading by example and everything is lining up, operations, marketing and image, and they're performing well above the system average, comping into the double digits, driven by mid-single-digit growth in traffic. It's a real example of what the Burger King brand can do when all the pieces come together. And I'm confident we're going to see more of it, because as we execute Reclaim the Flame, more markets should start to look and feel like Miami. And when that happens, it creates a system-wide lift.

I've seen this before in the industry. There is a moment where everything starts to click and the tide turns. Things just get easier. We saw the turning point at Tims in Canada a few years ago, and we're working towards that same kind of turning point at Burger King U.S. It can be a tough unglamorous lift, but the operators, restaurant managers and team members doing that work are the heroes of a turnaround, and they're the ones helping to move the entire system forward. And then there's BK China. Not long ago, there were real questions about this business. But since February, we've taken control, brought in strong local leadership, refocused our marketing and started to execute more consistently.

Same-store sales turned positive in Q2. That doesn't happen by accident. It happens because the brand has strength, and when it's supported by the right strategy and the right team, it works. We still need to find the right long-term partner, and we're actively working on that. But this quarter showed us that the business has real potential and under the right ownership, it can thrive. So that's the story this quarter, focused execution, steady progress, and those generate consistent results. We've got real momentum in the places we put in the work. There's more to do, and we're not letting up, but we're proving what these businesses can deliver when everything starts to click. And if this is what we can deliver in the current consumer backdrop, we're even more excited about what's possible as the environment improves. And that should give all of us confidence in where we're headed. With that, we can take questions.

## **Question-and-Answer Session**

### **Operator**

[Operator Instructions] Our first question today comes from Brian Bittner from Oppenheimer & Co.

### **Brian John Bittner**

As it relates to Burger King U.S., the Carrols restaurants and your RH segment had nearly 3% same-store sales growth, biggest outperformance versus the rest of the system in a couple of years. Is this a product of the remodels happening at Carrols, or is there other factors driving this outperformance? And just secondly to that, you did mention that you're ahead of schedule on refranchising. What does that mean exactly? Does that mean you're planning on going faster? If you could unpack that comment a little bit more, it would be helpful.

## **Joshua Kobza**

Brian, it's Josh. Thanks for the question. I would tell you, we've been really proud of the performance across both the Carrols restaurants and the rest of our BK company restaurants. And I think it comes from a couple of -- from a lot of focus on getting a couple of the most important fundamentals right. In both of those portfolios, they're operating at a very high level. We've got great teams. We have really good restaurant managers. We see it in all of our op stats. And I think that's driving a lot of the outperformance. And on top of it, the remodels.

Both of those portfolios are making significant investments in remodels and the returns from those remodels have been very good. They're doing the right scopes of work. They're executing them well, and they're really making sure that they get the results out of them. So I think that's what gives us a lot of confidence in where the rest of the system can go, because we've got a lot of other operators that are doing that increasingly, too. But I think that's what's driving the consistent outperformance that we started to see from the Carrols portfolio.

In terms of the refranchising, we're also making a lot of progress there. We mentioned we've started to do some refranchising activity already. I think if you go back to when we first acquired Carrols, we said that we were going to do the refranchising between years 3 and 7. And we've obviously started that early, and we're working on plans to kind of move that ahead at a reasonable pace. It's incredibly important for us that all those restaurants go to very good operators. That was the intention of the acquisition in the first place was to make sure that those restaurants get remodeled and they're in the hands of excellent local operators. So we want to make sure that we preserve that intent, but we would like to move it along at a reasonable pace, and we're happy that we've kicked it off already, and we'll try to keep doing that, keep moving along at as good of a pace as we can over the next couple of years.

## **Operator**

The next question is from David Palmer from Evercore ISI.

**David Sterling Palmer**

I'll just squeeze in 2 quick ones. One is on the conditions in Canada for the fast food market up there. One competitor mentioned that trends had worsened in Canada. It looks like Burger King perhaps in Canada was a drag to results in North America, speaking to what might be a slower market up there, but you can't really see that if you look at the results of Tim Hortons. So love to have your comment about the QSR market in Canada and if you think that there's reasons why Tim Hortons trends are perhaps widening versus the competitive set in Canada?

And then secondly, I know you're not a huge fan of speaking about intra-quarter trends, but I know people are certainly interested in what is happening with Burger King U.S., given you saw snack wraps introduced by a major competitor at \$2.99. You've had a lot of success with Royal Crispy wraps. So if there's any comment you can make about July trends with that major competitor launch, that would be helpful.

**Joshua Kobza**

Dave, thanks for the question. It's Josh. I'll take those 2 in turn. I think in terms of the Canada trends, we were really pleased to see the improvement from Q1 to Q2. I think you've heard all of us say consistently that we're just so proud of the work that the Tims team is doing. I mentioned earlier, we're on our 17th quarter of consecutive same-store sales. I think that's because they're doing all the fundamentals right. And I think that's perhaps why you might see the consistent outperformance versus the peer set.

If you look at what's been happening up here, you've seen Tims do really well consistently, but you've also seen a bit of like a sequential improvement in some of the consumer confidence indices. And that happened throughout the second quarter, but it's continued into the third quarter. So I don't see any real reason to expect any change in trend or any deterioration up here in Canada for our Tims business. In terms of Burger King in the U.S., similar story, really happy to see what happened from Q1 to Q2. I think Tom and the team are doing a great job. They're sticking to the plan, and we haven't seen any impact in July from competitor activity. So continue to be really confident in where we're going with BK. We're going to stick to our plan, and we're excited about the stuff that we have planned for the second half.

**J. Patrick Doyle**

Dave, the only thing I'd add to that is a lot of what you're seeing in the results from Burger King is better execution, remodels working, driving results. These are things we can control that are frankly separate from competitive activity, and somewhat from even kind of the macro environment. So we feel very good about where we are.

## **Operator**

The next question comes from Dennis Geiger from UBS.

## **Dennis Geiger**

Congrats on the momentum in the International business. I want to dive in there, if I could. And maybe just if there's anything more that you could kind of share in sort of unpacking the BK International momentum and the performance in the quarter across key markets, perhaps relative to industry dynamics in those markets? And just how you're thinking about that momentum going forward? And maybe what it does for kind of the longer-term development trajectory as you think about the international potential?

## **Joshua Kobza**

Thanks, Dennis. So I'll share a few thoughts on the International business, both in the quarter. And I think overall, it's worth reiterating. That BK International business is a fantastic business, and it's been on a really great growth trajectory, I think, now for 10 or 15 years. And as we talk about a lot, the brand is just in a good place in a lot of these international markets. We have high-quality newer assets. We have really good operations. We have good food quality perception. It's a highly digital business, and we have some fantastic partners around the world who are just doing a very nice job.

I think as you look around the world in terms of the performance in the quarter, some of the highlights are places like Spain, Germany and the U.K., so some of our largest markets, they're doing a nice job on innovation, but also, I think, importantly, keeping the right balance of value offerings in the market. So I think they're getting both of those things right, and it's driving some good same-store sales.

The one market that's been a little bit softer for us over the course of the last few quarters has been Burger King in France. But I think really encouragingly, we've now seen some improvement there. So as you get into -- especially the last couple of months, Alex Simon and the team there in BK France have really turned the corner, and I think we're back on a much more positive trajectory. So I think that's encouraging in terms of where that business is going overall.



Outside of that, if you look across APAC, we've had some really good consistency in terms of the markets, the big markets that are outperforming. Places like Japan and Australia are just building on top of strength and doing really well. And I think importantly, compared to where we were last year, China is really in a very different place. We had negative comps for a while throughout the prior year. And as we mentioned, we're now in a positive territory. I think that's a really remarkable turnaround that we've had in BK China.

I would say that's happening even faster than we expected. And I think that the team there is just really moving quickly and doing all the things that we wanted to do in terms of building a great team, cleaning up the store base, fixing operations, bringing marketing back to relevance, focusing on the Whopper and an amazing new chicken sandwich called the Crisper. So I would say China is going better than we expected, and we're really pleased to see that, and that helps a bit on the International same-store sales as well. So those

are some of the things that are going well. Overall, very proud of our partners and our teams in the International business and happy with the results.

## **J. Patrick Doyle**

Two things I'd add to that. First, in terms of China, team is just doing an outstanding job. I mean, as Josh said, I mean, we are ahead of where we thought we were going to be at this point because they are executing so well against the plan that they put together. The other thing I'd point out is I think every U.S. brand that has reported so far was positive in China. So people have been talking about the China macro for quite some time. And everybody -- I believe everybody was positive. So it has clearly improved, and that gives us some confidence as well.

The other interesting thing I would point out, I mean, Josh highlighted BK in International. Popeyes did north of \$400 million of system sales in the second quarter outside of the U.S. and Canada. And it's comping just nominal sales. It's comping high 20s, low 30s percent and system-wide sales growth. I believe of the top 10 brands, U.S. brands outside of the U.S., that it is the only one that is growing system sales double digit. So it is an extraordinary business outside of the U.S. growing very fast. I'm proud of what the team, what Thiago and the team are doing with it, our master franchisees around the world, but it is really strong outside of the U.S.

## **Operator**

The next question comes from John Ivankoe from JPMorgan.

**John William Ivankoe**

As part of the themes both this quarter, this year, past couple of years is a lot of companies that have really developed their own or at least leaned in to their digital data, artificial intelligence type of capabilities, including personalized marketing as a big part of their overall marketing efforts. So I know it's a big topic, but I was hoping if we could revisit the overall QSR strategy for its franchisees around this and how you could potentially take advantage of some of these scale-driven opportunities of your brands versus what others are doing.

**J. Patrick Doyle**

Yes. This is Patrick. We are very excited about what we're doing on this front. We haven't been talking about it all that much because we think there are some things that we're doing that not everybody else has figured out yet. What I will tell you is we are very focused on what can happen with AI in our restaurants, how that can improve the customer experience, how that can improve the efficiency and effectiveness of operations. We're not fighting the last war. I mean we are focused on AI and what we can do there.

It's not -- I mean, I spent a lot of time on technology in my old life, and it was just a very, very different world when we were doing that. And we're just seeing opportunities now kind of across the board on everything that you do to run your restaurants effectively and how you interact with our customers that gets us excited. More to come on that as we roll more things out, but I'm excited about how it's going to affect our operations, our franchisees, their profitability, the customer experience. Just a lot happening there.

**Operator**

The next question comes from Danilo Gargiulo from Bernstein.

**Danilo Gargiulo**

I wanted to unpack the value creation in the United States, specifically for Burger King, because it looks like the performance in this quarter doesn't seem to be overly hinging too much on the value platform, because you're sustaining momentum even without having a \$5 meal deal. So I was wondering if you can help us understand how you're scoring internally your affordability of your core items in the domestic market. And if you can also give us a little bit of highlight or excitement that you might be having for the marketing calendar heading into the second half of the year.

## **Joshua Kobza**

Danilo, thanks for the question. I think you characterized it reasonably that I think we've had a more stable value offering. And I think we're very happy with how things are working. We've got our \$5 Duos and \$7 Trios. We think that's been working reasonably well for us. And I think we'll continue to have value offerings. We'll probably bring some new news, whether that's product news or some of the mechanics and some of the communication of value over the next 6 months to a year. But I don't see a big change in the weight of value offerings or on-deal offerings within our menu.

And I think if you look back over time within the industry over a long time horizon, the on-deal part of the business tends to be about 30%. It will move up, down a couple of points here and there, but that's relatively consistent. It's an important part of the business. But I think what you've seen Tom and team correctly focused on is making sure we're focusing on all the important parts. We're focusing on premium offerings and family offerings. We're focused on our strongest equity, which is the Whopper, and elevating the Whopper.

And we're focused on making sure that we have relevant and fresh value offerings. I think you got to make sure that you're doing all 3 of those. And I think, as you mentioned, doing all of those things is what has allowed us over a number of quarters to perform in line or better than the peer set without getting stuck too much on an overdependency on value. And I think we view that as an overall equation that we provide to our guests. It's having awesome core offerings at a fair price, having good value offerings, and having exciting premium innovation.

And frankly, as you look forward with the marketing calendar, we are very excited because we're going to do all of those things. We're going to bring new partnerships and new family properties that keep bringing families and younger guests back into the restaurant. We're going to have even more exciting Whopper innovations along the lines of some of the things you've seen recently, and we're going to keep value fresh. I think that's probably the simplest kind of 3-part explanation of what the forward calendar looks like, and we look forward to sharing more of it with you and with our guests over the next few months.

## **Operator**

Next question comes from Andrew Charles from TD Cowen.

## **Andrew Michael Charles**

Patrick, you talked about the success of Burger King remodels that are driving mid-teen sales lifts and outperformance at Carrols. But if we think about the soft quick service sales backdrop, the significant beef inflation in the first half of this year, as well as the challenged lending environment, how can you accelerate the pace of remodels to help more meaningfully accelerate the share gains versus peers? I guess I'm curious as well, are you open-minded? I know obviously, there's a target for 85% to 90% reimage by 2028. Burger King is obviously funding some of this, but open-minded is to increase CapEx to kind of accelerate this transformation over this time as well?

## **Joshua Kobza**

Andrew, it's Josh. I'll start and let Patrick add anything that you'd like. In terms of the BK remodels, so we continue to have the exact same vision that we articulated a couple of years back. We think it's really important to the brand to have fresh, modern assets in almost every community you go to across the U.S. And we think getting to around 85% in the next few years is still absolutely the right goal. I think we continue to be very encouraged by the results we're seeing from the remodels.

The uplifts have been consistent. The guest reaction is great. And we see incredible results, especially in our company restaurants, whether it's Carrols or some of the Miami restaurants. And those are the kind of things that make us want to stay the course and continue on the path. So I think that's our game plan. We know there's been some fluctuations in commodity prices that will happen in the business. But I think over the long term, that vision is the right one, and we're seeing all the data points that we wanted to see to continue investing behind the brand and the assets.

**Operator**

The next question comes from Gregory Francfort from Guggenheim.

**Gregory Ryan Francfort**

Josh, I guess you made a comment on the prepared remarks about reaccelerating unit growth at Tims Canada. Can you maybe help frame up maybe what that opportunity is and the pace of development that you would expect, and how quickly you can get there?

**Joshua Kobza**

Yes. So in terms of unit growth at Tims in Canada, we are pleased that I think we're on track to get back to positive growth this year. And the way I think about it is that we've seen population growth over the last few years, and I think there's an outlook for perhaps more moderate population growth in Canada over the next few years. But our view is directionally, if you have 1% population growth, then we should be growing more Tims. And there are a lot of new communities that are being developed, whether here around Toronto or out West.

And when you have new housing communities, new retail -- new commercial complexes, we want to have a Tims in those. And so we're looking at where all the development is happening all across the country. We control the development here in Canada. So we have an in-house development team that's very close to all the landlords and developers. And so we're making sure that we're a part of those conversations, and we're growing Tims as kind of the footprint and the population of Canada grows. And I think it helps as well. The returns are great. This is one of the best businesses in the QSR space in the entire world. So we're very excited to be part of building new Tims and growing with Canada.

**Operator**

The next question comes from Jeff Bernstein from Barclays.

**Anisha Datt**

This is Anisha Datt on for Jeff Bernstein. I wanted to ask a question on franchisees. How would you characterize franchisee willingness to lean into national value platforms, particularly if it comes at the expense of near-term profitability? And are there any concerns around franchisee alignment or margin compression as you compete more aggressively on price?

**Joshua Kobza**

Yes. Anisha, it's Josh. Thanks for the question. I would say, in terms of franchisee alignment, it's as good as it's ever been. We have great franchisee alignment, I think, across all of the businesses. And a lot of that comes from the great work our teams have done developing those relationships. I think our franchisees know and trust that we have their best interest in mind. Over the last couple of years, we published their profitability, and we've made it very clear that we're being held accountable to improve that profitability across the balance of things that we do in the business, whether that's operational initiatives, investment initiatives or some of the marketing initiatives across premium, core and value.

And I think that our franchisees, they understand that value is a part of the business, and it's an important part of the business. And we work very closely with them to talk through what the right value strategy is for each of our brands and to make sure that we've got alignment that those are the right things that are going to drive the business, that are respectful of the profitability of the business, but will help bring more guests into our restaurant. So I think we've developed a good relationship with all the franchisees. I think we have very balanced but effective value mechanisms across all of the businesses, and we'll keep having that be an important, but only one part of the business strategy going forward.

**Operator**

The next question comes from Brian Harbour of Morgan Stanley.

**Brian James Harbour**

Roughly -- this is more of a U.S. question, but roughly where are you running on year-over-year price today? And I think the broader question is just, I think there's been more talk about not just value, but sort of broader price architecture in the industry. Do you think that's a focus for you, too? Or how do you see that sort of changing in QSR broadly?

**Joshua Kobza**

Brian, so within the U.S., I'd say most of the brands are running sort of low single digits on pricing right now. And it's something we're keeping a close eye on and trying to make sure that we're as balanced as we can in the menu pricing. I wouldn't say we're contemplating any large-scale changes in pricing architecture. As I mentioned in response to a couple of the earlier questions, the

value or on deal part of our business has been pretty stable. And then we're just focused on making sure that those offerings are compelling, but reasonably profitable for the franchisees and that we keep the baseline menu pricing as contained as it's reasonable to do.

## **Operator**

The next question comes from Sara Senatore from Bank of America.

## **Sara Harkavy Senatore**

Okay. Sorry, just I jumped on late, but -- so one quick clarification and then, Patrick, I thought I would get your thoughts on the Chicken segment, if I might. The clarification was on the remodels. It sounds like you're still seeing these very healthy lifts. Has that accelerated or increased the rate at which franchisees want to do some of these sort of these fuller remodels? Because I know at some point, you kind of shifted to a little bit of the lighter touches, shifted some of your funding in that direction. And I was curious if you're seeing any kind of swing back to the bigger remodels, if you touched on that.

And then the question, I guess, for Patrick is about the chicken segment and Popeyes. At your last company, obviously, you overtook the biggest competitor in the pizza space and kind of never looked back. Is there any risk that Popeyes, even though it has a big scale advantage over some of these up-and-coming concepts, the assets aren't in the right place or the product mix isn't quite right. Is there any risk that it's hard for Popeyes to keep pace with the industry just because of perhaps maybe more structural issues about the system. So those are the 2 questions.

## **Sami A. Siddiqui**

Sara, it's Sami. I'll take the first question, and then I'll throw it over to Patrick to talk about chicken. On the remodels, actually, we continue to be very pleased with kind of the uplift we're seeing in the mid-teens. And it's actually quite the opposite. What we're seeing is more franchisees leaning into the Sizzle image, which is a full -- the brand-new modern image of the Burger King system.

I think what you may be referencing is a thing of the past, many years ago, when there were lighter touch remodels, but for our system right now and really since the inception of Reclaim the Flame, the focus has been doing on high-quality, really good remodels. And we know that sometimes those are a bit more expansive, which is how we design the incentive program, but that's what ultimately drives the lifts and guests coming back to the restaurant. So we're really pleased. And I will point out actually the Sizzle uplifts, there's only about so far, probably about 100 in the data set, but the Sizzle uplifts are even better than the mid-teens uplifts we're seeing on average across the program. So we're really pleased with those numbers.

## **J. Patrick Doyle**

And Sara, on the chicken side, it's actually been a very interesting dynamic the last 6 months or so because with beef prices up, you've seen a lot of people running chicken promotions from McDonald's and Taco Bell and folks kind of leaning in there just because the protein cost on the beef side has been higher. And so it's interesting because while chicken is kind of having a moment, I think the people who are focused on chicken have been feeling everybody else kind of playing in that space.

And the reality is that while people tend to look at things within the burger chains and the chicken chains and the pizza chains, there is a lot of competition amongst all of them for share of wallet from consumers. And a couple of the biggest chicken players are private, and we think that they've actually been under pretty good pressure from a comp standpoint recently. I like where Popeyes is. The big thing on Popeyes is we've got to get better at running the stores. We're doing it. We're getting improvements. We're seeing it in consumer metrics. We're seeing it in the things we look at in terms of speed of service and accuracy and complaints and all of the measures show us that we're making progress on improving the operations. We just need to do it even faster. And I'm confident that's going to get us the kind of growth that we need.



And the proof point on that is, again, kind of the International side, where we started with the kitchens laid out the way we want them laid out now. It means that we're very efficient at how we're running those restaurants, and it's an absolutely booming business. So it's interesting because my old place of employment, there was a period in time where our International business was, I think, better run, growing faster than the domestic side. We brought a lot of those learnings back to the U.S. business. You've seen that with Burger King. The BK business outside of the U.S. has been outperforming the U.S. business. There are definitely learnings we're bringing back. And I think you're seeing the same thing with Popeyes. I'm very optimistic about our ability to make improvements on the business, and you're going to see that over the near and medium term.

### **Joshua Kobza**

And Sara, if I can just add one more thing on what Patrick mentioned on the Popeyes business. I would just call it that we already have a very clear plan aligned with the franchisees to modernize all of the assets, including making sure they're all on the new easy-to-run kitchens over the next few years. So I think there's a clear path to basically entirely modern asset base that you're going to start seeing show up this year and into the next couple of years that I think is going to set us on an even better footing with the Popeyes business.

### **Operator**

The next question comes from John Zamparo from Scotiabank.

### **John Zamparo**

The question is on franchisee profitability in the U.S. at BK. It's a difficult comp environment, but you're still seeing some meaningful cost inflation.

I wonder, are there still ways to grow franchisee profitability this year and next if you don't see a meaningful improvement in the macro? And I'm thinking about some of your initiatives like additional operating hours, kiosk usage, the tailwind you're seeing from modernization. Are those sufficient to get you to grow average franchisee profitability to the levels you're looking for by '26?

### **Sami A. Siddiqui**

John, thanks for the question. Look, I think as you think about through 2 quarters of the year for our Burger King U.S. system, sales are roughly flat. And yes, we have seen some commodity headwinds. So I think I mentioned in the prepared remarks, Beef is about 25% of our cost basket, and we're seeing around 15% inflation on that year-to-date. So it leads to about mid-single-digit cost inflation on the COGS line of the P&L. A couple of things I'd say. I think number one is we are scouring the P&L, and there are opportunities in other cost line items to still help offset some of that mid-single-digit cost inflation. But that level of inflation, we also view as manageable.

And as we think about it, it is a point in time and is driven by mainly beef, and we are in the middle of a herd rebuilding cycle here in the U.S. We've studied these cycles, and they continue -- they're cycles. They will reverse. Probably one of the best analogs we see is up here in our Tims business is coffee. Coffee has been at record highs for months now, and we've seen that reverse, and that's a big benefit to franchise profitability.

So as we think about out to 2026, we're still 1.5 years away from the end of the year, and we feel that this cycle will reverse. And we're doing the right things on the top line. Josh mentioned a lot in terms of what we're doing with our 3-pronged strategy to ultimately drive the top line and get us to a better place on profitability. And most importantly, I think our franchisees are super aligned to the things that we're doing and believe in the plan such that we'll get there.

## **Operator**

Our final question today comes from Christine Cho from Goldman Sachs.

## **Hyun Jin Cho**

Just a quick follow-up on the Carrols refranchising. I just wanted to understand what factors kind of influenced your decision to accelerate the process? And how would you characterize the current demand and interest from the potential franchisees?

## **Sami A. Siddiqui**

Christine, thanks for the question. I think ultimately, the most important thing, and I think Josh mentioned this, is that we get restaurants into the hands of the best operators, right? Folks who are local, who are going to be in the restaurants serving the guest every day. And we've seen a lot of demand internally from folks at Carrols. These are above restaurant leaders who are in the organization already. We've seen it from potential new franchisees, and we've seen it from existing franchisees in the Burger King system who are already great operators. They're A operators, and they have the operational and financial capacity to take on more.

And so this was actually a pretty welcome outcome for us that there's a lot of demand, and that caused us to start refranchising early. Ultimately, we think we'll do somewhere between 50 and 100 refranchisings this year. That's a couple of years ahead of schedule. And we think that number will accelerate as we go into 2026 in terms of more refranchisings. And I think, again, it's a testament to the progress we're seeing at Burger King U.S. The plan is working and folks are buying into the plan. And the most important investment they can make is with their capital and their time, and they're choosing to do both with the refranchising.

## **J. Patrick Doyle**

One of the dynamics that I love that we're seeing right now is Sami mentioned the franchising to folks within Carrols. And there is no better incentive to prove that you are a great operator at Carrols than the opportunity to become an owner. And so I think we're seeing a really nice dynamic there that people see that opportunity, they're running those restaurants, getting good results, better than we're seeing, from the overall system right now, and they're proving that they can be great operators. And that means some of them are going to have the opportunity to become owners and absolutely love that dynamic.

## **Operator**

This concludes today's Q&A session. So I'll hand the call back to Josh for some closing comments.

## **Joshua Kobza**

Well, thank you, everybody, for joining us today, and thanks for the questions. I'd like to once again thank our teams and our franchisees for their very hard work this quarter and look forward to sharing more on our call next quarter. Have a great day.

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