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Restaurant Brands International Inc. (QSR) Q2 2026 Earnings Call Transcript

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Q2: 2026-08-06 Earnings Summary

EPS of $1.07 beats by $0.03 | Revenue of $2.52B (4.56% Y/Y) beats by $916.96K

Restaurant Brands International Inc. (QSR) Q2 2026 Earnings Call August 6, 2026 8:30 AM EDT

Company Participants

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

Conference Call Participants

Brian Bittner - Oppenheimer & Co. Inc., Research Division
Dennis Geiger - UBS Investment Bank, Research Division
David Palmer - Evercore ISI Institutional Equities, Research Division
Danilo Gargiulo - Bernstein Institutional Services LLC, Research Division
John Ivankoe - JPMorgan Chase & Co, Research Division
Sara Senatore - BofA Securities, Research Division
Brian Mullan - Piper Sandler & Co., Research Division
Andrew Charles - TD Cowen, Research Division
Gregory Francfort - Guggenheim Securities, LLC, Research Division

Presentation

Operator

Good morning, and welcome to Restaurant Brands International's Second Quarter 2026 Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded. I would now like to turn the conference over to Kendall Peck, RBI's Vice President of Treasury and Investor Relations. Please go ahead.

Kendall Peck
Head of Investor Relations

Thank you, operator. Good morning, everyone, and welcome to Restaurant Brands International's earnings call for the quarter ended June 30, 2026. 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 can be found in the press release and trending schedules available on our website. As a reminder, organic adjusted operating income growth is on a constant currency basis and excludes results from the Restaurant Holdings segment. For calendar planning purposes, our preliminary Q3 earnings call is scheduled for the morning of October 29, 2026.

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

Joshua Kobza
Chief Executive Officer

Thank you, Kendall, and good morning, everyone. Q2 was another strong quarter. We delivered 3.8% same-store sales growth and 2.9% net restaurant growth, driving 6.4% system-wide sales growth, 6.7% organic adjusted operating income growth and 12.9% adjusted EPS growth.

Last quarter, we said our results were early proof that the 2028 vision we laid out at our Investor Day was taking hold. Q2 built on that momentum. We accelerated same-store sales, exceeding our long-term 3% algorithm for the third consecutive quarter, delivered double-digit earnings growth and returned $435 million of capital to shareholders. We also advanced our other key priorities, strengthening our path to becoming an investment-grade company and making progress towards 5% net restaurant growth, all while being the partner of choice for the best franchisees and the employer of choice for the best talent.

Just as importantly, our results highlight the strength of our diversified portfolio and disciplined operating model. By investing behind each of our brands while executing consistently against our long-term strategies, we've built a portfolio capable of delivering durable top line and earnings growth across a variety of consumer environments. Those strategies continue to drive results with Tim Hortons and International each delivering their 21st consecutive quarters of positive same-store sales growth. Burger King U.S. was a standout performer this quarter with our elevation strategy driving another major step forward in sales and expanding our outperformance versus the industry to the high single digits.

I'm incredibly proud of what our teams and franchisees have accomplished so far this year. Through the first half of 2026, we've delivered above algorithm same-store sales of 3.5% and organic adjusted operating income growth of 8.5%, along with nearly 14% adjusted EPS growth. These results highlight the power of strong alignment with our franchisees and consistent execution every day in our restaurants. We're excited about the opportunities still ahead as we look to build on this momentum in the second half of the year.

With that, let's turn to our segment results, starting with Tim Hortons, which represents roughly 41% of our operating profit. At Tim Hortons, Canadian same-store sales were relatively flat at plus 0.1%. While we maintained our leadership positions in coffee, breakfast and baked goods, our calendar didn't drive the growth we've come to expect from Tims and was unable to lap last year's major platform launches.

However, there were encouraging signs as the quarter progressed. In late May, we introduced Melts, one of the most requested items that guests wanted to return to the menu, and we saw continued growth in cold beverages. As we look ahead, Axel and the team have an exciting marketing calendar, kicking off next week with our Harry Potter Back to Hogwarts campaign, featuring magical baked goods and beverages designed to appeal to fans of all ages and celebrate 25 years since the release of the first film. We'll follow this with new flavors across our core breakfast offerings and an exciting holiday partnership later in the year.

Our recent matcha launch also unlocks an entirely new beverage innovation opportunity, while the continued rollout of fountain equipment is enabling us to further expand our cold beverage offerings like Soda Swirls, which is Tim's version of a dirty soda, while also improving back-of-house efficiency. We're also excited about our upcoming loyalty partnership with Canadian Tire, which will allow guests to link their Triangle Rewards and Tims Rewards accounts, earning Canadian Tire money with every Tims transaction and extending the reach of our digital ecosystem through one of Canada's largest loyalty programs.

Beyond marketing, we're on track to accelerate development in Canada with approximately 80 gross openings this year compared to over 50 last year, spanning every Canadian province, including Ontario, Alberta and Quebec. These will primarily be standard drive-thru restaurants, which deliver paybacks of under 3 years, 1 of the strongest in the industry. And just as importantly, our restaurants continue to make a meaningful impact on the communities that they serve. This year's Smile Cookie campaign raised a record $23 million for more than 600 charities and community organizations across Canada and the U.S. And in July, our annual campaign raised nearly $13 million to support Tims Foundation Camps.

Taking a step back, while our marketing did not perform as anticipated in Q2, we were encouraged by stronger business performance as the quarter progressed and are excited about the back half calendar. Tim Hortons remains one of the strongest and most loved restaurant brands in Canada. Canadians continue to rank us #1 in brand trust and affordable pricing, a testament to the unique role Tims plays in the everyday lives of our guests. We're focused on building on those strengths by delivering delicious food and beverages, reliable everyday value and a great experience to our guests. I'm confident these fundamentals position us well for the years ahead.

Now on to our International business, which drives roughly 29% of our operating profit and remains 1 of the most important growth engines of the business. This quarter, International delivered comparable sales of 5.5% and net restaurant growth of 5.1%, resulting in system-wide sales of 10.7%. Growth was fueled by strong execution across many of our largest markets, including BK Germany, Spain, Brazil, China, Korea and Japan.

Our teams continue to launch exciting innovation tailored to local preferences across both our core offerings as well as emerging platforms like chicken and beverages. At Burger King China, value chicken innovation and exciting Whopper collaboration with Michelin chef, David Lai; and the continued success of our whole muscle double patty chicken burger drove another great quarter of results. Germany's strong performance was supported by the dessert innovation and a new iced beverage platform, while in Spain, guests enjoyed our new Wild Ranch burger.

These innovations were complemented by a variety of family partnerships around the world. Our Mandalorian collaboration extended across over 70 markets, including Spain, Germany and the U.K., while our Toy Story 5 kids meal helped drive traffic in countries like Brazil and Argentina. Underpinning all of this is a strong base of everyday value, creating a balanced offering for guests across a wide range of occasions. Earlier in the quarter, Thiago and his team hosted their annual Burger King CEO Summit in France, bringing together leaders across the global Burger King system.

Together, we aligned on priorities to drive long-term growth, strengthening restaurant operations, simplifying our technology platforms and improving unit economics. Those priorities continue to translate into results with average paybacks of around 4.5 years across our top 10 growth markets, and we remain committed to improving those over time. Delivering attractive returns supports new unit growth and market expansion, such as the recent successful launch of Firehouse Subs in Australia.

In July, I visited our Firehouse business in Brazil with Thiago, Yuri and our local team, where transactions per restaurant are up over 60% just this year. While in Brazil, we also toured Burger King and Popeyes restaurants. Popeyes continues to perform very well with comparable sales up over 20% year-to-date on top of roughly 20% growth in 2025, resulting in improving unit economics. Meanwhile, our Burger King team has accelerated investments in restaurant image and operations, and they're seeing incredible results there so far.

I'm also very encouraged by Burger King's performance in China under CPE's leadership. The team has hit the ground running with another quarter of double-digit comparable sales and a sequential improvement in unit economics. Their operational expertise, local market knowledge and fast pace of execution are very exciting to see, especially given the important role Burger King China plays in our path back to 5% net restaurant growth.

International's performance in Q2 once again demonstrated that our growth is broad-based and repeatable. Across markets, our experienced local teams are executing a proven playbook that continues to generate attractive results in a wide range of consumer environments. After more than 4 years of consistent outperformance, this business remains 1 of the strongest long-term growth opportunities across our portfolio.

Moving now to Burger King, which represents nearly 19% of our operating profit. The business delivered another exceptional quarter with comparable sales of 8.6%, driving system-wide sales growth of 8.2%. For the second quarter in a row, we're seeing years of our team's hard work translate into strong absolute results and accelerating outperformance with U.S. same-store sales of 8.5% beating the burger QSR industry by over 9 points.

In Q2, we continued building on the momentum established by the launch of our Whopper and brand elevation campaigns earlier this year. Those campaigns were just the first of many chapters in our multiyear elevation road map, all of which is anchored in listening to guest feedback to make the Burger King experience even better and more consistent across the country.

More recently, we introduced the next phase of our journey, service elevation, with the launch of the Your Way Champion and Whopper Guarantee. Together, these initiatives reinforce our commitment to ensuring guests get their order their way every time. Every Burger King restaurant now has a dedicated Your Way champion, a reimagined restaurant general manager devoted to putting the guest experience first and making things right whenever needed. And if a guest Whopper isn't up to our standards, we'll remake it with the next one on us.

Importantly, we have many more chapters in our elevation road map ahead of us from culinary improvements to operational initiatives to image, all of which supports durable outperformance. At the same time, we remain focused on the core pillars of Reclaim the Flame by executing remodels, refranchisings and marketing centered around the Whopper, families and kids and consistent everyday value.

Our Q2 marketing built on the momentum from the elevated Whopper with platforms like Whopper Wednesday and Whopper by You, featuring the loaded Jalapeño Whopper, driving even more engagement with our flagship burger platform. We've seen Whopper platform AUVs grow by over 20% since launching our elevation campaign, reinforcing our confidence that these initiatives are creating lasting behavior change. In May, we also strengthened our connection with families and kids by collaborating with Disney's Mandalorian, helping drive Q2 kids meal AUVs above $28 per day. That's up nearly 50% since 2022. We're excited about this achievement, but there is still significant opportunity to grow the category as we remain well below historical kids meal levels.

Lastly, underlying all of this is our steady base of everyday value with $5 Duos and $7 Trios continuing to provide guests with consistent value and choice. This quarter is more evidence that Tom, his team and our dedicated franchisees have built and are continuing to build a better Burger King. We invited guests back earlier this year to experience the improvements we've made over the past 4 years, and our results year-to-date reinforce that those investments are resonating. What excites us most, though, is that we're still early in our journey with more chapters of marketing and menu elevation to come alongside continued restaurant remodels and operational improvements that will further strengthen the Burger King experience.

Moving on to Popeyes, where U.S. net restaurant growth of 0.3% was more than offset by a same-store decline of 5.2%, resulting in system-wide sales of negative 3.3%. While sales remained soft during the quarter, we're encouraged by the improvement we saw and continue to execute against the same priorities we've discussed, improving operations and service, refocusing on our core menu and strengthening our value proposition.

During the quarter, we completed the rollout of an improved tender spec across the system and continued leveraging our increased field support through operations coaching visits and training. These efforts contributed to improved product satisfaction across our core offerings. And moving forward, we'll continue innovating around those core platforms while ensuring operational simplicity.

On value, the $5 Faves platform introduced in January continues to perform well, driving higher repeat purchase behavior and helping to support traffic. In Q2, we layered on the $6 Big Box and our $20 Family Meal to serve additional occasions, and we'll continue to focus on maintaining consistent, easy-to-understand value for guests moving forward.

Overall, Peter and his team are focused on the right things, and we remain confident in a return to positive comps in the second half of this year. By working closely with our franchisees, I'm confident Popeyes will deliver the best tasting, best value chicken in America.

Finally, at Firehouse Subs, Q2 system-wide sales grew 7.5%, driven by 8.1% net restaurant growth and 0.4% comparable sales growth. Our new Steak & Cheese Melt was well received by guests and unlocks future flavor innovation opportunities like our recently launched Smokin' Honey Melts.

I was just at our convention in Nashville with Mike and the team, and it was great to see the enthusiasm from our franchisees. They were especially excited about our July announcement naming Firehouse Subs as the official sub partner of Major League Baseball across the U.S. and Canada. As Firehouse's first national professional sports league partnership, it provides another meaningful platform to build awareness and support long-term growth. We also introduced our new Ladder Up training program for restaurant general managers, which began rolling out this summer and reflects our continued investment in developing great restaurant leaders.

Separately, we continue to see excellent momentum across our development pipeline and remain on track to accelerate unit growth this year.

With that, I'll hand it over to Sami.

Sami Siddiqui
Chief Financial Officer

Thanks, Josh, and good morning, everyone. Today, I'll discuss our Q2 financial results, capital structure and our 2026 financial guidance. In Q2, comparable sales of 3.8% and net restaurant growth of 2.9% drove system-wide sales growth of 6.4%. We translated that into organic AOI growth of 6.7% and nominal adjusted EPS growth of 12.9%.

This was another exciting quarter of accelerating top line growth, led by double-digit growth in our International business and high single-digit system-wide sales growth at Burger King and Firehouse. We also saw sequential improvement in net restaurant growth, led by a diverse mix of markets. We continue to expect net restaurant growth to accelerate through the second half of the year as we progress toward our 5% unit growth target by 2028.

We converted our strong top line performance into double-digit earnings growth while returning capital to shareholders through both dividends and share repurchases. At the same time, we made further progress toward our goal of achieving corporate investment-grade leverage, which I'll update you on in a few moments.

This quarter, adjusted EPS increased 12.9% to $1.07 per share from $0.94 last year. This was driven by our AOI growth as well as a $6 million year-over-year decrease in adjusted net interest expense. In addition, our adjusted effective tax rate this quarter was 16.8%, bringing our year-to-date tax rate to 17.6%. We continue to expect our full year adjusted effective tax rate to be between 18% and 19%.

Now moving to cash flow and capital allocation. We generated $501 million of free cash flow in Q2, including the impact of $62 million of CapEx and cash inducements and a $22 million benefit from our swaps and hedges.

We returned $435 million of capital to shareholders through our dividend and share repurchases, including repurchasing a total of $137 million of stock in the quarter. Importantly, we remain on track to repurchase approximately $500 million for the full year.

We ended Q2 with total liquidity of approximately $2.3 billion, including $1.1 billion of cash and a net leverage ratio of 4.1x, down from the prior quarter. As we shared at our Investor Day, we remain committed to becoming an investment-grade company. And in May, we achieved an important milestone on that path by receiving a ratings upgrade from S&P to BB+. As our business grows, we will continue to naturally work our way down to corporate investment-grade leverage by 2028 or the low to mid-3x net leverage range.

Finally, I'd like to discuss our 2026 financial guidance. First, we continue to expect segment G&A, excluding Restaurant Holdings, of about $600 million to $620 million for the full year. Second, we continue to expect net adjusted interest expense to stay approximately flat year-over-year in the $500 million to $520 million range based on a high 3% average SOFR rate, which flows through to less than 15% of our debt.

Third, we continue to expect 2026 CapEx and cash inducements, including capital expenditures, tenant inducements and incentives to be around $400 million. Fourth, we continue to expect Tim Hortons supply chain margins to be roughly in line with 2025 levels. And last, we continue to expect total RH AOI of roughly $10 million to $20 million for the full year, reflecting the impact of Carrols Restaurant refranchising, continued beef inflation and incremental investments in our international start-up businesses that we expect to continue until we transition ownership to new local partners.

Lastly, I'd like to address FX rates given recent movements in currency markets and U.S. dollar appreciation. Based on current rates, we expect an approximately $10 million headwind to AOI and a $0.02 to $0.03 headwind to adjusted EPS for the second half of 2026.

To close, I'd like to take a step back. Year-to-date, we've delivered above algorithm same-store sales growth of 3.5%, above algorithm organic AOI growth of 8.5% and nearly 14% adjusted EPS growth. On top of that, we've returned $750 million of capital to shareholders through our dividend and buybacks, and we've made clear progress on the path to corporate investment-grade leverage. Those are great results that demonstrate the strength of our business model and show we're executing against the plan we outlined at our Investor Day. And importantly, they keep us on track to deliver 8% organic adjusted operating income growth.

And with that, I'll turn it over to Patrick to provide his perspective on the quarter.

J. Doyle
Executive Chairman

Thanks, Sami. Three months ago, I said I didn't believe our Q1 consolidated results were an outlier. I believe they reflected years of work that were finally beginning to show up in our top line. Q2 has only strengthened that conviction.

Burger King's performance this quarter was exceptional. Growing same-store sales by high single digits in today's restaurant environment is an outstanding outcome, especially following the momentum we delivered in Q1. What's really encouraging to me is what those results tell us about guest behavior. Today, guests have more choices than ever before for where to eat and where to spend their dining dollars; and every day, more and more of them are choosing Burger King. That's the clearest indication that the work we've been doing is resonating. We're winning because we're delivering a better guest experience, and that's exactly what Tom and his team set out to accomplish when they launched Reclaim the Flame 4 years ago.

One thing I've learned over the years is that businesses rarely change overnight. They change because thousands of people make thousands of better decisions every single day. That's what's happened at Burger King. The effects of better operations, better culinary, better marketing, better restaurants and better franchisees have been compounding for several years. This quarter is an important milestone, but I see it as the results of that compounding work, not as the beginning or end of anything.

The Burger King team and our franchisees have accomplished a tremendous amount, but they'd be the first to tell you we aren't close to finish. We continue to see opportunities to elevate the menu, strengthen operations and keep raising standards across the system. That's the mindset you want after delivering results like these because it means they're focused on building a better business for the long term, not just celebrating a strong quarter. And the reality is there are still meaningful parts of the business we haven't yet transformed, which gives me confidence there's plenty of runway ahead.

More broadly, I think our year-to-date results say something important about RBI as a whole. We built this company around 4 iconic brands in 4 of the fastest-growing global QSR categories. Each of our brands has different opportunities and is at different stages of their journey. That intentional diversification allows us to continue growing sales and earnings while investing for the future. We don't need every brand to have the same results each quarter or be at the same point in its journey for RBI to deliver strong consolidated results. What matters is that we're consistently strengthening each business over time. I think that's one of the defining advantages of this company, and it's that balanced strength and consistent top line growth that continues to give me confidence in our ability to grow adjusted operating income by 8% and EPS at an even faster rate.

Our International business is another great example of that diversification. I continue to believe we have the strongest scaled international business in the restaurant industry. We are the only global QSR to grow our international system-wide sales by double digits each of the last few years. Our growth at scale is unmatched in consistency and in the absolute. And with Burger King China back on track, my confidence in our ability to continue outperforming is high.

At Tim Hortons, while our comparable sales performance wasn't our best this quarter, I remain incredibly confident in Tims, its strength and love with our Canadian guests and most importantly, in Axel, his team and our restaurant owners in Canada. Tims is a stunningly strong business and brand, and we will continue to drive this going forward.

We're proud of what we've accomplished in the first half of the year, but we also know that our shareholders expect consistency and sustainable strength. The bar we've set for ourselves is higher today than it was a year ago, and that's exactly how it should be. Our job is to continue earning investor confidence quarter after quarter. We have a lot of work left to do, but I couldn't be more confident in our people, our plans and our ability to keep executing.

With that, operator, let's open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question comes from the line of Brian Bittner with Oppenheimer & Co.

Brian Bittner
Oppenheimer & Co. Inc., Research Division

Congratulations on the year-to-date results. Congratulations on Burger King's standout quarter. As it relates to Burger King, I can certainly attest that my 3 boys are definitely helping that kids meal growth. They love their Burger King. And clearly, years of hard work seems to be showing up in the results this year, and it's created some momentum. But you also said that you think you're still very early on in your journey, which suggests you still see a runway for above-average growth moving forward. And I think you gained the credibility to say it. And I know you're winning because you've tackled and improved the underlying fundamentals, but I would love to hear what you believe at this point in the journey may be the most overlooked drivers that you can still unlock for this brand moving forward to drive more outperformance.

Joshua Kobza
Chief Executive Officer

Thanks for the questions. And mostly, I think you just -- thank you because I think you just put a smile on the face of everybody in this room, so we appreciate it. Appreciate your boys' love for Burger King.

I would just echo a little bit of what you said. We do very much feel that there's a lot in front of us. We feel great about the sustainability of what we're doing because it's built on improving the fundamentals. We see operations having improved tremendously over the last 3 to 4 years. We've started to make some progress on image, and we're starting to execute all the menu items that we serve even better.

And if I can just take a parenthesis, I think our team has done a great job, but I would like to say thank you as well to our franchisees because for as much money as we're investing in the system, they've been investing even more in bringing their restaurants up to modern image. And I think it's that alignment that we have with the franchisees that's been so powerful in the journey that we've been on over the last few years. And all the operational improvements as well, we have a hand in that, but really it's our franchisees who have committed to upgrading operations in the restaurants. And so I think we have a lot to thank them for in making sure that we're serving you and your 3 boys better every day at each of the restaurants you go to.

In terms of what we have in front of us, I think we do -- I think Patrick mentioned this. We feel like we have a lot ahead of us. As much as we've made progress on image, we still have a lot of restaurants out there that aren't modern image. So I think we still got a few years left of getting to that point we've all talked about, where almost every Burger King across America is a new, modern Burger King. So I think there's still a big tailwind that we'll realize over the next few years.

I think as well on operations, we've made progress. It was actually -- I think we were tied for the #1 burger chain in the ACSI index, which was a big evolution. But it still feels like we have a long way to go, and we still have spots within the system where we want to get better. So I still think there's a lot of progress to be made there.

And maybe one of the bigger things that we're still working on is we really want to continue to upgrade and elevate the menu. You saw us do this with the Whopper at the beginning of this year, but there's still a lot of other parts of the menu that we think can be made even better. You're going to see another chapter of this coming up in the next, call it, month or so, which we're pretty excited about. And we've got a few more chapters of menu elevation that are going to come over the next year and into 2027.

So I would say really happy with the progress, but there is a lot of work left to do over the next couple of years. And we're looking forward to it, and we think there's just a lot more potential for the brand than what we've realized so far.

Patrick, anything you want to add to that?

J. Doyle
Executive Chairman

Yes, Brian, first, congrats on raising your boys correctly. I -- you've heard me talk about this before, but growth in this industry is -- happens because you wake up in the morning and you're confident that your average guest is going to have a better experience today than they did a year ago.

And the reason I'm confident in Burger King's performance going forward is I know what we're working on in terms of culinary. There are still things that we know can be better on our menu. I know we're going to have more remodeled modern image restaurants a year from now than we do today. We've got our value layer figured out, and it's consistent. And the more people know that they can come to us for great value, it's going to do well. Our franchisees are leaning in, and they're aligned with us. And they're committed to working with us to find ways to improve the service in our restaurants every day. So my confidence level that our guests are going to have a better experience a year from now than they do today is high and in a similar manner to how they're having a better experience today than they were a year ago.

And that's what's going to drive growth. It's not going to be a new promotion that's going to do it. It's going to be that our marketing is talking about the truth, which is you're having a better experience at Burger King now than a year ago, and you're going to have a better experience a year from now than you do today.

Operator

Your next question comes from the line of Dennis Geiger with UBS.

Dennis Geiger
UBS Investment Bank, Research Division

Very helpful color on Tims Canada in the quarter. I wanted to ask a bit more about the improvement that you saw through the quarter and whether that was a function of some of the marketing adjustments maybe that you spoke to or something else that you would call out. And as importantly, as it relates to maybe thinking about the back half of the year and the trajectory for the brand through the back half after the improvement you've been seeing through the second quarter, anything to highlight there? Anything as it relates to the macro environment in Canada to call out or the competitive environment or anything else as it relates to your own execution and strategy?

Joshua Kobza

Chief Executive Officer

Dennis, thanks for the question. I'll try to address a couple of pieces of that. So in terms of the sequencing through the quarter, I do feel like some of our marketing got a little bit better. We had some stuff that didn't work as well in the first part of the quarter, and we had some stuff that worked a little better, things like Melts that came later on. It was something that guests had asked us for, for a long time. When we brought it back, they really liked it. So that helped.

I would say, overall, the macro picture in Canada has been relatively stable. If you look at things like CPI, it's been around kind of 3%. Unemployment has been in sort of the mid-6s, interest rates in the low 2s. Maybe that CPI ticked up a little bit with gas prices in the beginning part of the quarter, and that could have had a little bit of impact. But I would say the broad macro indicators across the quarter point to like a pretty stable Canadian macro environment.

And if you look at kind of foodservice growth overall in Q2 in Canada, wasn't so far off the U.S. So I really think a lot of this is in our control, and that's what's encouraging in terms of how we saw things improve as I think we got some better momentum on the marketing side.

I think stepping back and then looking forward, this team led by Axel has an incredible track record, right? We're on 21 quarters now of driving positive same-store sales. So they are incredibly talented and really know what they're doing. And I think they've got some exciting stuff that we've launched recently and some really positive things that are going to come out in the back part of the year.

I think we mentioned that we just launched matcha. That's something we were all really excited about and we're pleased with so far. It's a particularly exciting one because it's a whole new occasion. It tends to skew heavily into cold beverage and also p.m., which is one of the dayparts we're really trying to grow, tends to be something that people come in, in the afternoon as an afternoon drink, and that's very complementary to our existing morning business.

So we've got that out there now. I think we have a tremendously good product, and it's a baseline that we can also innovate off of into the future. So we're pretty excited about that.

We obviously have big expectations for our Harry Potter partnership. It's something that appeals to all ages, has been out there for a long time. So we think it will bring in a lot of different age groups. And I think our team has done a terrific job on the innovation across both some of the food innovations, the beverage innovations and everything that comes along with it that's going to generate a lot of excitement here in Canada.

On top of that, we're going to bring out more breakfast innovation to reinforce our a.m. daypart across the back half of the year. We're very excited for the loyalty partnership with Canadian Tire, bringing together some of the most iconic Canadian brands and bringing additional benefits to our guests to be loyal Tims Rewards members.

And the last part I would call out just as you look over the next 6 to 9 months is we're making really good progress systematically rolling out our new fountain systems in our -- all of our restaurants across Canada. And that's enabling further innovation pipelines. You might think of things like Soda Swirl that we've generated some pretty great excitement about. It's a wonderful beverage opportunity for us. So I think we've got a pretty great pipeline for the second half of this year, and we look forward to sharing the results of that as we get through Q3 and Q4.

Operator

Your next question comes from the line of David Palmer with Evercore ISI.

David Palmer
Evercore ISI Institutional Equities, Research Division

That last answer was really where I was going to go with this because I think the market would love to see, call it, 2% plus comps out of Tims Canada. And if you can get there, it feels like you're going to have to do that with market share gains. It just feels like that market is going to remain soft for a while. I don't know if you would agree with that.

And some of the things you mentioned, it did sound like sales layer-ish as opposed to Harry Potter will take those benefits. But I think right now, people want to see sustainable food, beverage, value news. So maybe you can just speak to what you think -- to what degree you feel like you're digging a little bit deeper to gain share in a more durable way up there, kind of questioning how much of a leadership you might have in certain things to maybe on a more sustainable basis, continue to gain share or perhaps accelerate share gains because you kind of need to.

Joshua Kobza

Chief Executive Officer

I'll take that one. In terms of the market share and how the market's growing, I kind of started to mention it but -- in the prior answer, but I'll go there a little bit further. Actually, the Canadian foodservice market is doing okay. The growth rate for the overall foodservice market was in the 3% range in terms of sales for the quarter, which is very similar to the U.S. market. And I think what's going on within that market is just that some chains are doing better and some chains are not doing as well.

So that's why I really feel this is very much in our control and we have an incredible business, the best franchisees and restaurant operators in Canada and a wonderful team leading the business here. And I think they've got a lot of things that they're working on here that will allow us to perform well within a market that I think is doing all right.

So in terms of the few different categories you mentioned, on value, we are the #1 value leader in Canada. If you look at any of the brand scores, we have been and continue to be the leader in providing the best value and -- best value for money across Canada. So I think we're in a good spot there.

And to a couple of the other points you made, what we've really been focused on is the food and bev side. And I think our team is doing a really nice job on the innovation front on cold bev, which has been our big priority. I mentioned matcha. That's probably one of the most exciting things that we can do, but we've got a couple of other additional innovations that will come up over the next 6 to 9 months to drive sustainable growth and hopefully, in new dayparts as well. That was -- I think that's an interesting thing about matcha is it brings guests back in for another visit at a daypart they might not otherwise come. And I think that's how you drive sustainable kind of layers of growth.

And lastly, on the food side, we've had some things that worked well and others that didn't work as well. And I think that's where Melts have come back, and that's working really well. And I think we'll come up with some more innovations on the p.m. food side in the next 6 to 12 months, too, that will allow us to add sustainable growth there.

Operator

Your next question comes from the line of Danilo Gargiulo from Bernstein.

Danilo Gargiulo

Bernstein Institutional Services LLC, Research Division

I want to again ask one more question on Tim Hortons. And specifically, the competitive environment is sharpening in Canada. There is also a notable Northeast chain that plans to reenter the market rapidly. So my question is about the speed of innovation that you think on -- especially on the beverage side, you might need to be adopting going forward to be able to fence off the increased competitive environment and their intention to be gaining share outside of the core coffee.

And specifically, if we just look at the menu that you offer compared to your competitors, there are some meaningful gaps, which, on the one hand, might present some opportunity for you because you can build some layers of growth from it but on the other hand, might put you at disadvantage compared to others who are already present in that category. So I'm wondering how are you planning -- are you planning to increase the speed of innovation? And if so, what is the trade-off on that? And if not, how are you planning to, again, compete against these new brands that are coming into Canada?

Joshua Kobza

Chief Executive Officer

Thanks, Danilo. I think all of the QSR markets around the world are always competitive, and I think that's going to be the case in Canada and everywhere else around the world. So I think that's part of the world we do and always will live with. So I don't think there's anything too new there.

In terms of the pace of innovation, I think we -- to your point, we do have a lot of opportunities of cold bev innovation. I take that as an exciting thing. And I think we're getting faster in how quickly we're bringing these things to market. I think the pace of new cold bev innovation has definitely stepped up.

And I would take the matcha launch as one of those examples. We've now launched that nationally and brought, I would say, a whole new offering and a whole new experience to many folks around Canada that were never exposed to it before. And so I think that's a great example. It's one we have clearly in our minds amongst the team here of moving quickly. And I think you'll see that same pace of innovation as you look out over the next 6 to 12 months.

J. Doyle

Executive Chairman

Yes, Danilo, it's Patrick. The thing I'd add to it is the culinary team here is terrific. We had our Board here yesterday. We were sampling things that are going to be launching in the future. I'm very excited about them. I had some other beverages this morning when I arrived. I mean there's really terrific work happening here. We really understand the breakfast daypart extraordinarily well. We're maintaining share at least on our core coffee customer but doing extraordinarily well with cold bev and things that are already on our menu and coming on our menu in the future.

My confidence level on Tims is really high. This -- I go back to the answer I was giving on Burger King. This is a business that has consistently performed over the last 5 years because it is getting better at serving its guests. both in terms of the service, of the perception of value, in how the restaurants look. We're remodeling hundreds of restaurants this year. We're starting to build new ones up here because the return for the franchisees is great. And our competitive set in Canada 5 years from now is going to be pretty much identical to what our competitive set is today.

Announcements aside, I mean, Starbucks, I think, had a very good start to the year, but they're 1/4 of the restaurants that we have. This is all in our control. And the consumer environment, the economy is no different this year than it was last year. This is about continuing to find ways to be more interesting.

We think the loyalty deal that we're doing and combining the program so that -- with Canadian Tires, so that Tim's customers get Canadian Tire points as well is exciting. Getting absolute first-class properties like Harry Potter is terrific. The innovation we're doing is great. Our franchisees are doing a great job on service. There's just a lot that's working well. And if we've got an off quarter, okay, team is moving quickly to make sure that we're going to improve that going forward.

Operator

Your next question comes from the line of John Ivankoe with JPMorgan.

John Ivankoe
JPMorgan Chase & Co, Research Division

I know, obviously, International is a big segment with a lot of brands and many more countries kind of in it. So I just wanted to focus on the aggregate brand numbers and talk about where you see particular strength from a return on investment perspective and where you see significant opportunities. And I do want to put that in the context of average unit volumes. And I understand it's kind of dangerous to talk about exact average unit volumes considering how different formats and countries can be. But Tim Hortons in the second quarter annualizing around $450,000, Popeyes around $1.2 million, I think, and Burger King at around $1.5 million. And obviously, all 3 of those numbers are less than what you're doing in those brands' respective core markets.

So if we can just highlight a little bit more where there's particular return on investment strength on, I guess, per brand per country basis and where you see significant opportunities to improve to where we could hopefully see improvements in those average unit volumes relative to their core or home markets. And I know it's a big question, but it's an important one.

Joshua Kobza

Chief Executive Officer

Thanks, John. I'll try and if I miss a few, Sami or Patrick, feel free to jump in here. If I look across our Burger King business in International, and then I'll move on to Popeyes and some of Tims, I think some of the highest return places are some of the places that we're growing the fastest. So I would look to places like France, where we have very strong AUVs and a great return on capital for our partners. That has been our single biggest growth driver, maybe not in NRG KPI but certainly in terms of system-wide sales over the last 10 years or so now.

That -- returns there are really good. Returns in places like Spain are also really good, and that's the -- I think one of the reasons why we have a very large unit count there now. And if I look across places in Asia, we have very strong returns in countries like Japan, which is now one of the biggest unit growth drivers there. Countries like Korea also has really good returns on capital. Countries like Australia, New Zealand, also very high ARS.

And then I think you have a couple where we have meaningfully improving unit economics. And I put on that list countries like Burger King in China, where we had really good unit economics, they got softer for a while. And now over the last 2 years, given same-store sales performance, we've seen a very material improvement in the unit economics. And I think in China, Johnson and Danny are doing just a terrific job. And I think they're getting those unit economics close to a place where it's going to be very compelling for them to accelerate the pace of growth, which is, I think, one of the most important things that we certainly have our eyes on.

The other market I would call out in Asia would be India. It's been one of our growth contributors for a while. And I think you probably just saw Raj and team are doing a really nice job. They had a terrific quarter, same-store sales up double digits, and that's starting to put their unit economics to an even more compelling place. So those are probably some of the ones that I would highlight as the biggest ones that will kind of move, that are either really good or really improving that are probably some of the influential factors in the pace of our net restaurant growth.

I can -- I'll move to Popeyes real quick. If I look at the Popeyes market, I would say places like U.K. have great average unit volumes and are growing a lot. And then you've got a lot of countries who are kind of coming up the maturation curve, countries like Spain or Brazil, for example, who have been growing their same-store sales a lot, and they're now getting unit economics to more and more compelling places to accelerate growth.

Another big market for us is Turkey. It's probably one of our oldest markets in the Popeyes International business. It's been performing extremely well and has very good returns on capital, a little bit lower CapEx there. But we've been growing there well into the double digits for many years now. Actually, I think our biggest competitor exited the market, and we took a bunch of market share.

And then you have countries in Asia Pacific like India or China, which may have lower ARS. They also have lower CapEx. And we're now seeing some really strong same-store sales growth in both of those markets that are getting the unit economics to a place where it's increasingly compelling to scale those brands.

Sorry, I know this is long, but I'm trying to exhaustively get through all of them. And I'll try on Tims here and then see if Sami wants to add anything. Tims, in terms of our biggest and our kind of most important markets, places like Mexico already have really good unit economics. Those have good ARS and good margin profiles.

The U.K. is probably one of the bigger system-wide sales markets, which also has pretty high ARS. The Middle East has lower ARS but has lower CapEx. They seem to be -- they tend to be smaller formats. And then I put places like China as places we've got some work to do. We have low ARS. They tend to be smaller formats, and we're putting in place a plan there, and we put in some capital into that market to change the trajectory and further improve unit economics, just like we did in Burger King in China.

I probably missed some stuff though. So Sami, anything you want to add there?

Sami Siddiqui
Chief Financial Officer

Yes. Thanks, John, for the question. And I think Josh gave a nice geography lesson there, which is very helpful. I might take it from maybe a different lens, John. And really, as we laid out the path to 5% unit growth at our Investor Day, we talked about roughly 1,100 net new units from International and about 700 of those being from our top 10 growth markets.

So if you think about the top 10 growth markets, and Josh mentioned -- and I'm speaking particularly to Burger King, but when Josh mentioned a number of those markets, if you look at actually -- I know you're looking at the ARS, which is one way to look at it, we look at the paybacks often. And actually, if you look at the paybacks of those top 10 markets, in aggregate, it's between 4 and 5 years on new units, and it's improving. So you're actually seeing, Josh mentioned markets like Japan and Korea and a couple of others that are actually driving a bunch of the improving paybacks. So our goal is to continue working on this because, ultimately, if we can drive the paybacks, it will help support the growth model.

I think the other thing to call out when you're looking at the ARS, particularly on kind of a global level, if you strip out China, which as we've talked about, generally has lower ARS, actually, our international ARS for the Burger King business is pretty similar to our U.S. business ARS. And the paybacks actually in our International business, particularly for those top 10 markets is better than the paybacks that we're seeing on Burger King in the U.S.

Now Tom and team are doing a great job of improving the unit economics in the U.S., so I think it's a nice little race that we had between Tom and Thiago to get those paybacks to be best in class. But I actually think when you back out China out of those metrics, you see pretty exciting and impressive paybacks that support the growth model.

Operator

Your next question comes from Sara Senatore with Bank of America.

Sara Senatore
BofA Securities, Research Division

I guess I wanted to just touch on Popeyes because we haven't really talked about it yet. I know it's not -- it's certainly not the biggest of your segments, but it's still, I think, something like 10% of operating profit. So could you just maybe address kind of -- it seems like the turnaround is going a little bit more slowly than anticipated -- maybe what the issues are there?

I think you've said in the past that the problems are more operational in nature. But I guess if I think about the operating model, it actually seems fairly straightforward to me. So maybe is this a value issue? I know you're working on that. Is it a menu innovation or competition? There's some thought that maybe just chicken is saturated at this point. Anything you can sort of pinpoint?

And are you seeing data that suggests that 2H, you're comfortably positive? Or I guess, is the idea maybe it's later in the year and you're optimistic about some of the initiatives you have in place?

Joshua Kobza
Chief Executive Officer

Yes, sure. I would say Popeyes is going exactly pretty much as we hoped it would. And that's why I reiterated that we expect 2H to be positive. We're obviously a week into August, and we're kind of thought -- we're where we thought we should be and needed to be for that.

In terms of the different priorities, I would say we're tracking well across all of them. The few that I laid out a few months back, and I think Peter addressed at Investor Day were, one, addressing some of the value consistency. And I think we've addressed that very quickly with $5 Faves, with our $20 Family Meal and pulsing in the $6 Big Box. So that's been very effective and worked exactly as we thought it would and maybe a little bit better, and that's helped to bring traffic back in and stabilize sales.

On the marketing side, we've definitely brought focus back to our core menu, focusing on tenders, sandwich and bone-in chicken, and we've seen some of the volumes in those stabilize. We've also seen product satisfaction improve across all of our core SKUs, which is what we were hoping to see. So I think that's working really well.

And we're starting to see some ops progress and more consistency there. Things like guest complaints and errors in our stores are starting to move in the right direction. So I think we're seeing some progress on that. That tends to take a little bit longer, so I think there will be -- some of the things are faster like value, and while others like operational improvements across the system will take a little bit more time.

But we made the big investments that we wanted to make. We've dramatically expanded the field team, and those folks are starting to really engage with our restaurants and make progress in some of the ones that were lagging behind a little bit. So I feel very good about the work that Peter is doing. And I think the kind of the recovery is very much on track with what we were hoping for.

Operator

Your next question comes from the line of Brian Mullan with Piper Sandler.

Brian Mullan
Piper Sandler & Co., Research Division

Coming back to Burger King in the U.S., can you provide an update on the refranchising process, the demand you're seeing there and if everything is on track with how you discussed it at the Investor Day? And then separately, just on the remodeling front, does the strengthening momentum in the business, is that enough to have franchisees potentially pick up the pace of it? Or would you need to see more time to see a noticeable impact on the modern image pace?

Sami Siddiqui
Chief Financial Officer

Thanks, Brian. I can take the beginning part of the question, and Josh or Patrick, feel free to chime in. On the refranchising side, sort of as a reminder and stepping back, 2 years ago, when we sort of closed on the Carrols acquisition, we talked about refranchising starting in years 3 through 7 following the acquisition. We were really pleased to start refranchising restaurants much earlier than expected based on the momentum at Burger King. And we started in late 2025 with the refranchising. I'd say the first half of this year, though Q2 is probably a little bit slower than we would have expected, we actually look at the pipeline of potential buyers, and we're actually really, really pleased with what we're seeing.

Since our Investor Day, the top-of-the-funnel pipeline has more than doubled in terms of folks who are interested in acquiring restaurants. And so we still think we're on track. The second half, you will see an acceleration in terms of refranchisings. And we'll do a few hundred refranchisings here in 2026 and then the remainder in 2027, really with the goal of sunsetting the RH segment by the end of '27 as we outlined at our Investor Day.

So we're still on track. I think when we talked about this, the path was not going to be entirely linear. These transactions, they take some time, and we're trying to find the right buyers most importantly because, ultimately, we think that the best thing we can do is get these restaurants in the hands of the right operators.

Taking kind of the second part of your question, which was, I think, on the remodel pace. As we think about the pace of remodels and look, we're very, very pleased with the top line momentum in the Burger King system. And we're pleased with the momentum on the bottom line, though I would say beef costs are still -- I mean, Q2 was still at all-time high, beef costs running through the P&Ls of our franchisees.

So when we think about the flow-through to profitability, it'll probably be a little bit more delayed as beef costs are just starting to come down. As you kind of look at the futures markets on beef, we are expecting a little bit of relief, but I think a lot more of that relief will come in the beginning of 2027. So as you start to see that relief come through with the top line momentum we're seeing, we think that will be really healthy for our Burger King franchisees.

And look, our franchisees are incredibly supportive and excited about the remodel program. And as they start to see their P&Ls get even stronger, I think you'll see that momentum. But I think it will be on a bit of a lag, and you'll see that acceleration a little bit more into 2027 as they see their '26 P&Ls come in.

Joshua Kobza

Chief Executive Officer

Maybe I can add just one thought on top of what Sami said about the refranchisings. I would tell you that Tom and I have spent basically all of our market visits over the last 6 to 12 months visiting new franchisees who are buying restaurants and getting into the system or existing franchisees buying restaurants or those considering participating in the refranchisings. And our view there is we really want to make sure that we have the right franchisees who are set up for success and that we're going to deliver on the vision that we had to have hands-on local operators running these restaurants because we believe that that's going to be such a key to our future success.

And we also -- we want to make sure that we're being a supportive franchisor and we're really going to support these new franchisees in the way that they need to be successful. So that's been a huge focus for us, and it will be. And that's where we're spending a lot of our time.

J. Doyle

Executive Chairman

I'd add one thing, which is, I mean, I'm excited by great operators coming in. They're seeing a terrific opportunity. And we've got really smart operators that are seeing this opportunity to grow with this brand with real momentum behind it. And the interesting thing is they're coming from kind of 4 places.

I mean it's existing franchisees in the system who want to grow and see an opportunity to do that. It's coming from external folks who have not been in the system before. It's coming from our Crown Your Career candidates coming up through Carrols and our own corporate operations. But also, it's been from people in our corporate office, people -- field team people who know how to operate great restaurants.

So we're seeing a lot of interest. And certainly, as people externally see the momentum in this brand and how we're performing versus the industry even in this environment, we're excited about kind of the people who are coming and how they want to grow with us.

Operator

Your next question comes from the line of Andrew Charles with TD Cowen.

Andrew Charles

TD Cowen, Research Division

You guys reiterated the on-algorithm 8% AOI growth for 2026. And in the first half of the year, you did see portfolio same-store sales up 3.5%. And I'm wondering if you can make the claim or the prediction that 3% plus portfolio same-store sales long-term growth algorithm will be achieved in 2026. I know you talked about how confidence in sustained momentum of Burger King, Tims got better for the quarter, Popeyes getting back to positive in the back half of the year. Is that enough to get you to 3% plus portfolio same-store sales for the full year this year?

Joshua Kobza

Chief Executive Officer

Andrew, what I would say is I think if you look at -- to your point, the business performance has been pretty good through the first half of the year. And I think standing where we do today, we continue to feel good about where we're going in the second half.

Operator

The last question will come from Gregory Francfort with Guggenheim.

Gregory Francfort

Guggenheim Securities, LLC, Research Division

I kind of just wanted to ask about in the U.S. market. I don't know if it's Burger King or more broadly. Where is pricing or check running as a part of your comps? And I ask it within the context of one of your major competitors kind of took up some of their pricing expectations for the year and kind of talked about franchisees maybe pushing ahead of where they want to be on pricing. And I guess those conversations that you're having, particularly maybe entry-level pricing, how are they going? And are you seeing any changes in compliance or those negotiations? Just any thoughts there?

Joshua Kobza

Chief Executive Officer

Greg, I would say that we're really trying to be disciplined on menu pricing. We think it's -- we understand very clearly that one of the things we provide to our guests is value for money. I think the kind of menu price increases have been running probably low single digits, but I think we've been pretty restrained on those. There are things like beef inflation that have been a bit of a headwind, but there are some other things that are offsets to it. And we also -- we're cognizant of the fact that beef is at an all-time high, and it looks like there are some signs it might come down. So we realize we've got to cushion some of those things at some point.

So we've tried to be pretty restrained. And I think by and large, our franchisees do understand that, understand what we're trying to deliver, understand the broader brand narrative. And I think we've been able to maintain pretty good alignment on what we're trying to accomplish. I don't know, Sami, if there's anything you want to add to that.

Sami Siddiqui
Chief Financial Officer

Yes. I think when you look at the numbers year-to-date for the Burger King system, actually, I think we've been quite disciplined on price. And I think as you look at the mix in the business, we've had a pretty healthy mix in the business, right? So as you think about the elevated Whopper and all the great work that Tom and team are doing with that, we're selling a lot more full-price Whoppers, and it's a great value on a stand-alone basis. And there's great value in $5 and $7 Duos and Trios.

So providing great value across the menu with the right mix is really the formula, and our franchisees are very supportive of that formula. I think they continue to buy in, and they're seeing it in their P&L.

Operator

This concludes the question-and-answer session. I will now turn the call back to Josh Kobza for closing remarks.

Joshua Kobza
Chief Executive Officer

Great. Well, thank you all for joining today. We wish everyone a great day and look forward to updating you once again on our Q3 call. Thanks so much.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.

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