

Seeking Alpha^α

Transcripts

Consumer

Restaurant Brands International Inc. (QSR) Q3 2025 Earnings Call Transcript

Oct. 30, 2025 3:16 PM ET | **Restaurant Brands International Inc. (QSR) Stock**, **QSR:CA Stock** | QSR, QSR:CA

**SA Transcripts**

156.35K Followers

Q3: 2025-10-30 Earnings Summary

Insights



EPS of \$1.03 **beats by \$0.03** | Revenue of \$2.45B (6.90% Y/Y) **beats by \$58.65M**

Restaurant Brands International Inc. ([QSR](#)) Q3 2025 Earnings Call October 30, 2025 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

Dennis Geiger - UBS Investment Bank, Research Division
David Palmer - Evercore ISI Institutional Equities, Research Division
Danilo Gargiulo - Sanford C. Bernstein & Co., LLC., Research Division
Brian Bittner - Oppenheimer & Co. Inc., Research Division
Gregory Francfort - Guggenheim Securities, LLC, Research Division
John Ivankoe - JPMorgan Chase & Co, Research Division
Hyun Jin Cho - Goldman Sachs Group, Inc., Research Division
Andrew Charles - TD Cowen, Research Division
Sara Senatore - BofA Securities, Research Division
Brian Harbour - Morgan Stanley, Research Division
Pratik Patel - Barclays Bank PLC, Research Division

Presentation

Operator

Good morning, and welcome to the Restaurant Brands International Third Quarter 2025 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 Head of 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 third quarter ended September 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 can be found in the press release and trending schedules available on our Investor Relations website. As a reminder, organic adjusted operating income growth excludes 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 joint venture partners.

BK 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, BK China's KPIs continue to be included in our International segment KPIs. A breakdown of BK China's KPIs and its impact on our 2024 financial statements can be found in the trending schedules available on our website. For calendar planning purposes, our preliminary Q4 earnings call is scheduled for the morning of February 12, 2026.

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

Joshua Kobza

Chief Executive Officer

Thanks, Kendall, and good morning, everyone. Thank you for joining us. Q3 was a strong quarter for us. In a tougher consumer environment, our teams and franchisees once again delivered results that set us apart. Comparable sales were up 4%. Net restaurant growth was 2.8% and system-wide sales grew 6.9%. Combined with disciplined cost management across the business, this top line performance drove 8.8% organic adjusted operating income growth and double-digit nominal EPS growth.

These results demonstrate that our strategy is working, fueling continued momentum through the strength of our brands, the dedication of our teams and franchisees and the value we're delivering to guests every day. Across our largest segments, we continue to see strong execution. Tim Hortons Canada and our international business, which together represent roughly 70% of our adjusted operating income, delivered another quarter of impressive results. Both are performing at a high level and have delivered 18 consecutive quarters of positive same-store sales, underpinned by great food and beverages, strong operations and engage franchisees.

I'm also encouraged by the continued progress at Burger King in the U.S. The team is making meaningful strides strengthening the brand's value proposition through delicious menu innovation, better operations and impactful remodels. The benefits of this work are showing up in solid absolute results and sales outperformance versus the Burger QSR segment. Even in a challenging macro backdrop, we continue to deliver great results the right way. Providing guests quality products, exceptional service and unmatched convenience.

With that focus and with disciplined execution across our teams, we remain confident in our path to delivering at least 8% organic AOI growth in 2025. Now let's turn to our results, starting with Tim Hortons, which represents roughly 44% of our operating profit and stands out as a consistent performer and contributor to RBI's growth. Tim Hortons in Canada continues to exemplify what happens when you get the fundamentals right and keep innovating.

It's a business built on strong brand love, great restaurant level execution, affordable everyday value and a steady stream of menu innovation that keeps our guests coming back. Comparable sales grew 4.2% in Q3, outperforming the broader Canadian QSR industry by roughly 3 points. We continue to build on our breakfast leadership and saw a 6.5% growth in breakfast foods, driven by our 100% Canadian freshly cracked Scrambled Egg platform and the launch of our Loaded Croissant breakfast sandwich.

Guests also responded enthusiastically to our fall baked goods like the Spice vanilla filled donut and Halloween Timbits bucket. In the PM daypart, the team is thoughtfully expanding our menu. The Thanksgiving stack, a seasonal in addition to our premium hot sandwich platform performed well. And our \$8.99 dinner deals after 5:00 p.m. are attracting new guests and strengthening our position in dinner meal occasions.

Total beverage sales grew 4%, reaching record highs in both cold and espresso-based beverages. Our improved iced lattes were a particular standout and helped to drive 10% growth in cold beverages. Our fall beverage lineup is also performing well, featuring Chai Lattes, the return of Pumpkin Spice and new protein lattes that are resonating with health-conscious guests.

We also expanded the rollout of our new espresso machines, an important investment from our franchisees that will further enhance espresso beverage consistency and quality as this category continues to grow. Operationally, our restaurant owners and team members continue to deliver excellent guest experiences.

Guest satisfaction remains at record highs, and speed of service has improved across every daypart, now reaching our fastest Q3 levels since 2019. Importantly, PM execution and guest satisfaction scores keep improving, a key focus area as we work to capture share and is historically underutilized daypart.

We're also advancing our digital initiatives. Kiosk installations are on track to reach about 800 restaurants by year-end, and are driving higher average checks and strong adoption among younger guests. And we recently announced an exciting new loyalty partnership with Canadian Tire, one of Canada's largest and most trusted retailers launching in late 2026. This partnership is together two of Canada's most iconic brands, allowing guests to link their rewards accounts and unlock even more benefits. It's one of several initiatives designed to expand our loyalty base and deepen guest engagement.

With over 7 million active Tims reward members already spending about 50% more on average than they did before joining, we see significant potential ahead. Finally, we remain on track to return to modest net restaurant growth in Canada in 2025. In August, I joined Axel and his team in Nova Scotia and Prince Edward Island, where we saw firsthand that even in some of our most established markets, there is still room to grow given the strength of demand for Tims. I'm proud of the results the team delivered in Q3 from strengthening our leadership in breakfast and beverages to unlocking growth in PM food. With a continued focus on innovation, operational excellence and digital engagement, I'm confident in the long-term growth trajectory for Tim Hortons.

Now our international business, which drives 26% of our operating profit and accelerated meaningfully this quarter. Same-store sales increased 6.5% and net restaurant growth of 5.1% drove system-wide sales growth of more than 12%. These results reflect the strength of our global franchise network and the effectiveness of our balanced playbook across menu innovation, marketing, digital and operations.

Our same-store sales outperformed the industry in several key markets, including France, the U.K., Spain and Germany. In France, performance strengthened with the successful launch of our Baby burger boxes in July, a shareable snacking platform that's been a big hit with our guests.

In September, we expanded our chef collaboration platform to the U.K. with the launch of the Gordon Ramsay Wagyu burger made with 100% British Wagyu beef, which drove strong engagement and sales. This quarter, we also leveraged our global scale with a cross-market promotion of Naruto, the popular anime series, which performed well across countries like Germany, Brazil and China.

I visited several international markets this quarter, including the U.K. and China and was impressed to see the consistency of execution and enthusiasm across the system. In the U.K., Burger King is now our fifth international business to surpass \$1 billion in system-wide sales and continues to deliver strong top line growth, adding more than \$115 million in sales over just the last 12 months.

Meanwhile, Popeyes in the U.K. is set to open its 100th restaurant in November, just 4 years after its debut in East London. Popeyes is seeing strong traction across EMEA, where the brand now has more than 1,000 restaurants. In Turkey, the team will open 100 restaurants this year, reaching nearly 500 locations by year-end. Both markets are great examples of the brand's international potential. Popeyes now ranks among the world's top 10 Western QSR brands outside the U.S. and stands out as the only one that's been growing system-wide sales by over 35%.

In China, we're making significant progress at Burger King with results again exceeding our expectations. Comparable sales grew 10.5% in Q3, with momentum building throughout the quarter, and unit economics once again improved quarter-over-quarter. Performance was driven by elevated marketing, including the launch of our new Crisper chicken burger, strong guest response to the Naruto campaign and continued growth in delivery.

Under the leadership of our new local team, we've also continued to strengthen operations to build a stronger foundation for long-term growth. The results we're seeing at Burger King China reinforce our conviction that is a high potential business. supported by strong brand awareness, favorable category dynamics and improving unit economics.

Sami, Tiago and I spent time in Shanghai in September, meeting with several of our prospective partners, and we left encouraged by both the level of interest in the brand and the alignment around our vision for the business. We see a clear path to reigniting growth in this important market and remain confident we'll find the right partner to continue driving it forward.

While in Shanghai, we also spent time with the team at Popeyes China, which continues to perform well and remains on track to open around 50 restaurants this year. Looking ahead, we believe we have a clear runway to accelerate development and capture share of the growing Chicken QSR segment in China. Taken together, our results highlight the strength and diversity of our international portfolio with strong execution, great local partners and a shared commitment to the guest experience, fueling double-digit system-wide sales growth.

Turning now to Burger King, which represents roughly 17% of our operating profits. In September, I joined the team in Phoenix for their convention. The energy was amazing with franchisee confidence in the plan and team near all-time highs. That confidence has been earned over the past 3 years, as Tom and the team, together with our franchisees, execute reclaim the plan with focus and consistency, raising the bar on food and service quality, elevating our marketing and modernizing the restaurant experience. This focus continues to translate into results with our U.S. comparable sales growing 3.2%.

We've outperformed the Burger QSR category for many quarters by staying true to our balanced marketing strategy. We're leaning into the Whopper, providing everyday value that guests can trust and reigniting Burger King's connection with families through innovation and fun partnerships. Our Whopper By You platform is delivering strong results, engaging our guests through personalized takes on their favorite flame grilled burger. The Barbecue Brisket and Crispy Onion Whoppers exceeded expectations, reinforcing the power of our flagship product, and the platform's extension to Whopper Junior is broadening our reach with women and Gen-Z guests.

Our \$5 Duos and \$7 Trio value platforms are also performing well, and the launch of our You Rule Value campaign builds on that success. Celebrating guest choice and personalization while further strengthening our You Rule positioning. In an environment where peers are leaning into short-term deals or headline price cuts, our disciplined value strategy continues to resonate.

Looking ahead, we'll maintain this measured approach while keeping our flame-grilled burgers at the center of our story. And we'll support our efforts with innovative family promotions like our recent Monster menu. Our marketing and menu innovation are being matched by steady improvements in operations, which are equally as important to delivering guests great everyday value.

Since launching Reclaim the Flame in 2022, Burger King consistently improved in guest-driven operational surveys and revisit intent now ranks among the top 3 out of 12 QSR brands. These gains reflect a sharper focus on the fundamentals, quality, accuracy, friendliness and consistency and close collaboration with our franchisees to sustain that momentum.

We're also making good progress modernizing the system. With remodeled restaurants having strong uplifts in the team's net of control and average restaurant sales post remodel of around \$2 million, with beef costs elevated, we're mindful of the near-term impact on franchisees. While we still expect roughly 400 remodels in 2025, we're mindful of the commodity cycle and impact on profitability as we manage future remodel schedules with our franchisees.

At Carrols, performance again outpaced the system, underscoring the importance of strong operations and the impact of modern image. Comparable sales at Carrols were 4.8%, and remodels are delivering updates -- uplifts ahead of the system average, reflecting the success of our new image, which is now featured in nearly 2/3 of Carrols remodels completed since 2023. We're also advancing the refranchising of Burger King restaurants through a Crown Your Career program as well as with experienced restaurant operators.

Overall, Burger King's results show that our plan is working. Operational improvements, creative marketing and strong franchisee alignment are driving sustained outperformance versus the broader Burger QSR category. Finally, turning to Popeyes and Firehouse Subs. At Popeyes, results were softer this quarter, with U.S. comparable sales down 2% and net restaurant growth of 1.9%, resulting in system-wide sales growth of 0.9%.

We are not satisfied with our performance and know there's more work to do. While our limited time offers like dipipelineers, drove solid trial from new guests, repeat visitation fell short. And while our wings revamp in August delivered improved guest satisfaction, it proved to be only modestly incremental.

It's clear that we need to do a better job focusing on our core offerings, especially our bone-in chicken, tenders and sandwich platforms, and we need to deliver consistent value for everyday guests. We also know that price is just one piece of the value equation. And Jeff and his team are stepping up efforts to improve the overall experience at Popeyes by reprioritizing resources to support our franchisees, focusing investments on restaurant and equipment upgrades that have the biggest impact ensuring that new units are opened exclusively with our top operators.

It may take some time for these operational improvements to flow through to sales, but we remain very confident that Popeyes has every right to win and take share in an increasingly competitive Chicken QSR environment. Popeyes has the best chicken in QSR. It's slowly marinated, hand battered and fried in-house and is rooted in the authentic Louisiana heritage.

On top of this, we have a relatively modern asset base. with roughly half of the Popeyes system having been opened in the last decade, good unit economics and strong franchisee alignment. Finally, Firehouse Subs delivered a solid quarter with comparable sales up 2.6% and net restaurant growth of 7.7%, which drove 10.7% system-wide sales growth.

Performance reflects continued progress in expanding our footprint across North America with great engaged operators and a standout result in Canada. Mike and his team have already opened 100 net new restaurants over the past 12 months, which is 5x the pace of growth from when we acquired the business. This strong result keeps us on track for another year of accelerating development in 2025, supported by enthusiastic franchisees, solid paybacks and growing brand awareness.

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

Sami Siddiqui

Chief Financial Officer

Thanks, Josh, and good morning, everyone. I'm excited about the momentum we're seeing in our business, and I'm proud that we were able to accelerate both top line and bottom line results in Q3. Our focus on balanced marketing and great guest experiences is driving that performance.

And I feel confident that the groundwork we're laying today positions us well for consistent long-term growth. At the RBI level, we're complementing strong brand execution with financial discipline and thoughtful capital allocation, setting us up to deliver another year of 8% plus organic AOI growth, while continuing to invest in areas of the business that will drive sustainable returns over time.

Today, I'd like to discuss our Q3 financial results, capital allocation and guidance for the remainder of the year. Starting with our financials. For the third quarter, system-wide sales grew 6.9%. Organic AOI grew 8.8% and nominal adjusted EPS increased 10.7%. Organic AOI grew faster than system-wide sales this quarter with operating leverage driven by disciplined cost management, including an \$8 million reduction in segment G&A and an \$8 million tailwind from lapping last year's fuel to flame ad fund contribution at BK U.S.

These benefits were partially offset by an \$8 million year-over-year AOI headwind from BK China. As a reminder, consistent with prior quarters in 2025, we are recording results from BK China in discontinued operations as we work to find a new local partner. Adjusted EPS increased \$1.03 -- increased to \$1.03 per share this quarter from \$0.93 last year, representing nominal growth of 10.7%. This was driven by our AOI growth as well as a \$14 million year-over-year decrease in adjusted net interest expense from \$142 million last year to \$128 million, reflecting the benefits of our 2024 refinancing activities and cross currency swaps.

Our adjusted effective tax rate this quarter was 17.8%, bringing our year-to-date rate to 18.1%. For the full year in 2025, we continue to expect our adjusted effective tax rate to be in the 18% to 19% range. Now turning to cash flow and capital allocation. We generated \$566 million of free cash flow, including the impact of \$110 million of CapEx and cash inducements and a \$35 million benefit from our swaps and hedges. We also returned \$282 million of capital to shareholders through our dividend and we fully repaid the approximately \$100 million remaining on our Tim Hortons facility that was maturing in October, consistent with our plan to prioritize deleveraging.

As a result, we ended Q3 with total liquidity of approximately \$2.5 billion, including \$1.2 billion of cash and a net leverage ratio of 4.4x. Looking ahead, our capital allocation priorities remain unchanged. We'll continue investing in our business, maintaining an attractive dividend and reducing leverage.

As I said before, one of our key priorities is to return to a more simplified business model. As part of this, we're refranchising Burger King restaurants, and we remain on track to refranchise between 50 and 100 restaurants in 2025. About half of these will be through our Crown Your Career program, which means the actual deconsolidation of those restaurants will take place over time as candidates graduate from the program.

In addition, we're actively engaged with Morgan Stanley to sell Burger King China, and we feel confident in the progress the team is making to find a new local partner. Together, these initiatives are key steps towards simplifying our structure, strengthening our franchise model and creating a more capital-light platform for long-term free cash flow generation.

Before shifting to our 2025 financial guidance, I'd like to touch on beef costs. As Josh mentioned earlier, our Burger King U.S. business is seeing elevated beef costs, which are creating some short-term margin pressures. Beef represents roughly 1/4 of the Burger King U.S. commodity basket and year-to-date prices are up high teens versus last year. This equates to a mid- to high single-digit increase in the overall commodity basket for Burger King U.S. in 2025.

We expect this to be temporary as the increase is largely tied to the cyclical nature of U.S. herd rebuilding and we're optimistic prices will normalize over time. In fact, you've already seen cattle futures come down in the last week or so, and we continue to monitor movements in that market. In the meantime, we're working closely with our franchisees to identify efficiencies and margin opportunities across the P&L.

Now I'd like to discuss four updates to our 2025 guidance. First, we continue to expect Tim Hortons supply chain margins to average around 19% for the full year, with Q4 as the softest quarter in the mid-17% range, reflecting the typical seasonality of the business, and the impact of higher average cost of inventory, including within our CPG business.

Second, we now expect segment G&A, excluding restaurant holdings, to come in at the low end of our guidance of \$600 million to \$620 million. Third, we expect 2025 CapEx and cash inducements, including capital expenditures, tenant inducements and incentives to be around \$400 million, down from our prior guidance of \$400 million to \$450 million.

And fourth, within Restaurant Holdings, BK Carrols restaurant level margins will continue to be impacted by the 50 basis point ad-fund contribution step-up year-over-year and commodity inflation, primarily related to elevated beef costs. In addition, our early-stage investments at Popeyes China and Firehouse Brazil resulted in a net AOI drag of \$7 million in Q3, and we will expect a similar impact in restaurant holdings in Q4. We anticipate these expenses will continue until we transition ownership to new local partners.

Finally, we continue to expect 2025 interest expense, NRG and organic AOI growth to remain consistent with our prior guidance. This includes adjusted net interest expense of around \$520 million, net restaurant growth of around 3% and organic AOI growth of 8% plus. As a reminder, organic AOI growth in the fourth quarter will see a \$52 million net benefit from lapping 3 items: \$41 million of BK Fuel to Flame ad fund expense and \$20 million of net bad debt expenses in Q4 of '24, partially offset by \$9 million of BK China revenues also recognized in Q4 of '24.

Stepping back, I'm confident we're making good progress towards our goal of returning to a more simplified and highly franchised business. We're ahead of schedule on refranchising the Carrols restaurants and continue to make great progress on the Burger King China sale process. And even as we execute on these strategic initiatives, we remain firmly on track to deliver another year of 8% plus organic AOI growth in 2025.

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

J. Doyle

Executive Chairman

Thanks, Sami. This team is driving strong results. And importantly, they're doing it the right way. Quarter after quarter, our teams and franchisees are delivering for guests and staying focused on what matters most, creating value for guests by improving their experiences in our restaurants while maintaining discipline around our pricing. That's what sets RBI apart right now, and it's working. We've got 5 amazing businesses that are each at a different point in their journey.

Tim Hortons and our international business continue to set the standard with steady high-quality growth built on strong fundamentals. At Tims, Axel and team keep raising the bar with exciting menu innovation and outstanding execution in the restaurants. You can feel that momentum from the strength that we're seeing in cold beverages to continued leadership in breakfast. The brand is connecting with guests in a way that feels fresh and relevant every day.

Tim's is firing on all cylinders, and our runway for consistent growth is long. Internationally, Thiago and team are delivering another year of great results. growing system-wide sales double digits and outperforming our peers in many of our largest markets.

What I love about our international business is how consistent the playbook is, great food, engaged local operators and an unwavering focus on the guest experience. That model scales. We've proved it with Burger King, and now we're proving it with Popeyes which is generating the best system-wide sales growth in international amongst our scaled global peers. Burger King U.S. is showing what focus, patience and follow-through can deliver.

Franchisee confidence is near all-time highs. Operations are improving, and the brand is clearly earning its way back. After nearly 2 years of outperforming the broader QSR burger category, you can feel the turnaround taking hold. These things don't happen overnight. But you know when a brand starts to click again, and that's exactly what we're seeing at Burger King.

I'm proud of our franchisees, and I'm proud of Tom and the team leading BK. Popeyes on the other hand, has some work to do. We know it's not performing where it should be, and Jeff and team are leaning in by simplifying and improving operations, sharpening the value proposition and getting back to what makes Popeyes so special. It's incredible food and Louisiana heritage. As we increase the pace of operational improvements in our restaurants, Popeyes food is too good and the brand is too strong for us to not be growing faster. And Firehouse continues to build momentum with strong development and a lot of enthusiasm from franchisees who see the long runway ahead.

Mike and his team are moving the brand in the right direction and starting to accelerate the pace of scaling this business. What makes RBI stand out is our bias for action. When something isn't working, we move aggressively to make it right. We run this business like true owners and take a long-term view, investing in the areas that strengthen both our business and our franchisees. From investing in Back to Basics at Tim's to supporting Reclaim the Flame at Burger King U.S., to stepping in to stabilize BK China. We're not afraid to do the hard work to make every one of our business is great. There is no kicking the can here.

Long-term success means creating an ever-improving guest experience, compelling franchisee economics that attract and grow great restaurant operators and efficient use of RBI's resources to achieve that growth in order to generate consistent and compelling returns for our shareholders. We also know that we need to simplify our business back to being nearly 100% franchised.

So we're taking steps to get that done, refranchising our Carrols restaurants and finding a new partner for Burger King China. We are going to be a much simpler story. We've got engaged franchisees, motivated teams and a culture that values doing things the right way for our guests, our operators and our shareholders.

That combination of long-term investment, operational discipline and accountability gives me a lot of confidence in where we're headed. I'll close by saying thank you to everyone across our system. These results don't happen without incredible teamwork and passion from our restaurant operators, managers, crew members and corporate teams around the world. You're building something that lasts and it's a lot of fun to be a part of it.

And with that, I'll turn it over to the operator to take questions.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question comes from Dennis Geiger from UBS.

Dennis Geiger

UBS Investment Bank, Research Division

Great. Congrats on the solid results. I wanted to ask a little bit more on Burger King U.S. given the continued industry outperformance, the continued execution against plan despite the difficult environment. I think, Patrick, you and Josh both spoke to like feeling the turn. But could you speak a little more to that turnaround trajectory that the brand is on and maybe if it's possible to draw some parallels to the Tim's turn in previous years. And I know you guys spoke to the ops, the marketing, the franchise, the alignment, but just maybe highlighting some of the biggest opportunities still from here to get to where you want the brand to be.

Joshua Kobza

Chief Executive Officer

Yes, thank you for the question. I'll start, and Patrick feel free to add on. I think we're really pleased with the work that Tom and the team have done now over a number of years. When we set out on this plan, we sort of -- we listen to our guests and our franchisees and understood what they wanted from the brand. And I think they wanted things like more modern assets. We're working on that. They wanted more consistent operations.

We've made tremendous progress on that over the last few years. Our franchisees wanted to see a better focus on profitability. We brought that and saw a lot of progress. And we wanted to see the outcome of all of that being outperformance versus the segment, which we've been lagging behind in the prior periods.

And we've now seen that pretty consistently over the last couple of years. So I think that combination of sort of listening to guests, understanding what they wanted from the brand and making sure that we were really well coordinated and working together with our franchisees, I think, is what's driven progress.

As I look forward over the rest of this year, we're going to stick to the same things that we talked about at the beginning of the year. I think I laid out a couple of different focus areas, we said that we wanted to focus on the Whopper in flame grilling. We want to bring families back in the restaurants, and we wanted to have consistency in our value offerings through the year.

And throughout all the macro ups and downs of various quarters, we stuck with that plan. And I think that really has paid off. And I think you kind of see that in the results and especially in the Q3 results. And the things that we talked about doing will be basically what you see from us in Q4. As I look forward from there into next year, I think that gives us a great foundation to build off of. And Tom and Joel and the team shared some of that plan with our franchisees recently at our convention.

I think there was tremendous excitement and enthusiasm from those plans. And I think kind of what we've done gives us the base to then further elevate the brand and to keep focusing and elevating the focus on flame grilling the Whopper, I think we'll take it kind of into its next chapter next year. We'll have more to share probably in the next few months or on our Q4 call to give you a little bit more specifics around that, but that's basically the plan going forward. Patrick, anything you want to add to that?

J. Doyle

Executive Chairman

Yes, Dennis, I think that the parallel though is exactly right. I mean what we did at Tims in Canada is exactly the same thing we're doing at Burger King. The needs may have been different. The restaurants -- at Burger King, we're in more need of updating and remodeling than they were at Tims.

The food was great and is great at Burger King, but we're going to continue to do work on that. One of the interesting things is as you know, in Canada, you have contractually more control around pricing. And so our pricing in Canada was very consistent. We were very careful about making sure we were delivering value across the menu.

And I think Burger King and our franchisees have done a very nice job of making sure that we're not getting ahead of ourselves on pricing, and that's created consistent value. But the improvement in value that you're seeing for consumers at Burger King is not because we are doing deep discounting or anything like that, it's because we're improving the consistency of execution, the attractiveness of the restaurants that they're going to the service levels, the food quality, all of those things are what are improving the value for consumers.

And we aspire to the 18 straight quarters of positive comps that we've gotten at Tims now, and by the way, 18 straight quarters of growth in our international business, which is from doing the exact same thing, terrific execution in the stores, on average, great compelling franchisee economics, which allow them to reinvest into the stores, keep them looking great and that delivers very consistent results. And so it's still -- we've got a lot of innings to work through on Burger King, but we're very comfortable that we're seeing the results starting to play through.

Operator

Our next question comes from David Palmer from Evercore ISI.

David Palmer

Evercore ISI Institutional Equities, Research Division

Thanks for those comments on Burger King. Just as a follow-up, and you were talking about beef costs and the impact that that's having on cash flow, no doubt, you also talked about the fact that you're having some pretty good sales momentum. And so I would imagine that there is optimism in the system, but you're dealing with a cash flow hit from some of the stuff on the inflation side. Is there any impact from that even if temporary in terms of the plan to get the restaurant counts reversed, reimagining, invested on pace, refranchising of Carrols ad fund contribution. Is there any impact from that even if it's temporary.

And then separately, on Burger King U.S., there's always this concern that a major competitor is going to hurt the brand with their recovery, and we're now a week -- a year away from a food safety incident and a major burger player that rocked their results. Do you see that as something that will -- as we begin to lap that, that will impact Burger King indirectly through the rest of this quarter? Or any comments on that would be helpful.

Sami Siddiqui

Chief Financial Officer

Dave, it's Sami. I'll take the first part of your question, and then I'll pass it over to Josh to comment on the second part. With respect to Burger King U.S., we are pleased with the sales progress, particularly in Q3 and really the pretty consistent outperformance to industry. With respect to beef costs, in particular, those have been a clear headwind. I mean beef costs this year have been at all-time highs. And as we think about that and we think about sort of the dynamics there, being up high teens percentages year-over-year being about 25% of the commodity basket that does impact us.

I think it is impacted by sort of two dynamics. One is sort of this herd rebuilding cycle in the U.S. But it's also impacted by some of the trade agreement dynamics for markets where beef is sourced from. I think we view these kind of impacts as temporary and our franchisees view it that way as well, although they are a significant impact. We've actually been monitoring the market. And even if you look at the last week, as there's been optimism around some trade deals, whether it's been with Argentina, whether it's been with Mexico, whether it's been with Brazil, we're sensing our optimism that there could be some relief on beef costs.

And with respect to the impact on the plans, I don't think that changes our plans. We're still on track to do around 400 remodels this year. On the margin, that may shift things from 1 year to the next, but franchisees are confident they view kind of this as a temporary sort of headwind and that it will reverse, and we're going to continue to out-execute the competition.

Joshua Kobza

Chief Executive Officer

Thanks Sami. Dave, just on the strategy and type of impact of competitors, I don't think anything that the competitors are going to -- are doing is impacting Tom and the team's plan. I think that's one of the strengths of what we've done all year long is we haven't deviated from the plan. We've kept consistent even as you've had some macro ups and downs and you've had some shifts in focus from different competitors.

I think sticking to our playbook, focusing on our strength and being consistent, things like value, one of the best things that we can do is making sure that we have consistent value propositions. Guests who are focused on their budgets. They want to know when they go to Burger King or anywhere else. They want to know what they're going to get. And we've stuck with our \$5 Duos and \$7 Trios and made sure that they know when they come to Burger King, that's what's going to be available over a long period of time.

We give guests options. We let them have it their way a little bit and pick what they want to have as a part of that -- those bundles, but we're trying to have a bit more consistency in some of those constructs. And I think that seems like it's been working well for the business.

Operator

Our next question comes from Danilo Gargiulo from AB Bernstein.

Danilo Gargiulo

Sanford C. Bernstein & Co., LLC., Research Division

Just I was wondering if you can comment on your satisfaction about the launch of the protein latte in Canada, specifically whether you think you've got the right level of advertising behind? Or if you think it was overshadowed by some incremental menu offering over there. And given that you don't have major competitors that are necessarily focusing -- overly focusing on the protein platforms over there. What do you think the comp uplift could be as you're expanding the platform and potentially think through innovation for the coming quarters and years?

Joshua Kobza

Chief Executive Officer

I would frame the protein lattes as one part of our broader push to innovate in cold beverages. And I think Axel and Hope and the team here have done a fantastic job on that. I think we've been talking about it for at least 3 years now that our strategy was going to be cold bev and PM food. And I think we've made consistent progress there, bring exciting new innovations to market.

Within the cold beverage push, we've been focused on iced lattes a lot, and that overall platform has been a huge success for us. We saw growth well into the double digits of iced lattes in this quarter. So I think that's great. Protein lattes are just -- they're one more iteration of that idea. I think it's been working pretty well so far.

We've seen high incrementality of that new product. So I think it's great, but I think we'll have to see where it goes in the future. We'll probably bring some new innovations around it. We're happy with it so far. But I think we've got to give it time and see what new things we bring over the next couple of quarters there.

Operator

Our next question comes from Brian Bittner from Oppenheimer.

Brian Bittner

Oppenheimer & Co. Inc., Research Division

And congrats on the impressive results. Sticking with Tims, obviously, the results continue to be solid, hitting on all cylinders as Patrick highlighted, can you talk about the share trends for the brand in Canada? Are you seeing those share trends accelerate?

And just secondly, can you paint a picture of what type of macro environment you're operating in, in Canada. Everyone is obviously talking about a much softer and softening environment in the United States. So curious what you guys are seeing in the Canadian macro maybe relative to the U.S. macro?

Joshua Kobza

Chief Executive Officer

Brian, what I would point to in terms of share trends is one of the comments I made in our prepared remarks we're outperforming by a pretty consistent margin, and we have over the last couple of quarters. I think I mentioned a little bit ago. Our same-store sales are about 3 points higher than the other large QSRs. So I think we're taking share on a pretty consistent basis by a healthy margin, and that's a result of all of the great work that the team is doing up here and the strength of the brand.

In terms of the macro here in Canada, there are some softer stats on things like unemployment or consumer confidence, but I wouldn't say it's been changing so much sequentially. I think that's sort of been the case for a few quarters now. And I think the results this quarter with over a 4% comp show you our ability to deliver even in some of those tougher macro environments, and I think that comes down to doing the fundamentals right and having a great everyday value proposition.

If you look at -- I think Patrick sort of mentioned it a little bit earlier, we were really disciplined about price over the last few years. Tims has always been known for delivering great everyday value with compelling price points, and we kept disciplined in that. People know they can come to Tims for a really good quality product at a very fair price. And that's the kind of thing that I think allows you to perform well even in some of the tougher macroeconomic environments, which I think we observed over the past quarter or 2.

Operator

Our next question comes from Gregory Francfort from Guggenheim Securities.

Gregory Francfort

Guggenheim Securities, LLC, Research Division

My question is actually on the international business. I mean, pretty impressive comp from Burger King and also, I guess, across the brands. Some of the major markets there that are driving that, are you guys seeing your share gains accelerate or do you see kind of uplift in the macro in those markets that may be you have the biggest overlap. And I'm just curious what you're seeing on the ground and how much of it was share gains versus the overall market for QSR improving.

Joshua Kobza

Chief Executive Officer

Greg, it's Josh. Thanks for the question. I think we've seen pretty broad-based improvement across the international business, especially in our European markets and some of our Asia markets. There are some places where I think the macro has gotten a little bit easier, but there are an awful lot of cases of improvements in relative share. I'll give you just a couple of examples.

There are quite a number underpinning the overall results. I'd say probably the biggest one is in France. That's our largest market within the International segment. And we had a -- we had been seeing a bit of softer comps prior to Q3. And Alex Simon and the team there at Burger King in France did a fantastic job with some really great new product launches.

The baby burgers that I mentioned was a huge success and we really shifted the trend in terms of relative market share there in Q3. So that was a big win and definitely a departure from trend. We've also seen improvement in some other markets. China is, for sure, one of those, where it has been a tough market for us over the last couple of years. And I would say the thesis that we went into China with this year has played out even better than we expected. We made some changes to the teams, put in place some really talented and experienced local leaders, we improved some of the marketing, launched some new products, brought back some media focus and have really turned the corner in a meaningful way on the same-store sales.

I mentioned we were plus 10% in the quarter, which is a terrific result and shows you the kind of the potential of the brand there. So that -- I think that was a big shift in relative market performance. And then we had another one that's top of mind for me is Japan. I've talked about it for a while. It's been doing really well.

But the comps there have been great. The restaurant growth is terrific because the paybacks are good. So I think we're -- we have a huge opportunity in Japan. It's always been one of our biggest opportunities in the world. And the team there is really doing a great job going after that and growing our market share in the market.

So not exhaustive, but gives you a few examples of some of the places where on top of some macro that maybe is a little bit better, I think we're doing a better job in each of those markets, too.

Operator

Our next question comes from John Ivankoe from JPMorgan.

John Ivankoe

JPMorgan Chase & Co, Research Division

Two-parter, if I may. Firstly, Josh, in your prepared remarks, you mentioned the 400 Reclaim the Flame remodels in '25 and then mentioned beef prices. And it did seem like that you may have been talking down the number of Reclaim the Flames expected in '26. So tell me if I kind of caught that inflection or not? And if it's appropriate, how many remodels we should expect in '26 just to kind of level set everyone?

And then secondly, also in prepared remarks, I heard that it would take a while to deconsolidate the units that were part of Reclaim the Flame, I just want to understand what that means. So it will be a refranchising transaction that the store fully remains on balance sheet. So I just want to understand that. And how long of a transition period are we talking about until those units can be fully refranchised from a practical perspective as part of your career.

Joshua Kobza

Chief Executive Officer

John, I'll take the first part on the remodels, and then I'll let Sami talk about some of the Crown Your Career refranchising. So in terms of the remodels, as we said, we expect to do about 400 this year. We're really pleased with the uplift, and I think there are even better uplifts in some of our company stores and the sizzles that Carrols are doing.

I think the intention of the comment is just to be mindful of the fact that beef prices have been elevated and that does have some impact on our franchisees' profitability. It's not going to change our long-term plan. Our vision and plan continues to be very much the same that we want to get to around 85% of the system on modern image.

We're obviously just keeping an eye on those beef prices and any impacts that, that can have on our franchisees' profitability. The good news, as Sami mentioned, is that we've already started to see those beef prices come down, which will be helpful to franchise profitability and provides more cash flow for our franchisees to fund those remodels. And I think in terms of 2026 remodel numbers, I don't think we're ready to put a number out there quite yet, something we'll probably look at doing once we get into the beginning of the year, maybe the Q4 earnings call.

Sami Siddiqui

Chief Financial Officer

And just quickly on your deconsolidation of refranchised restaurants via Crown Your Career. I think a couple of things, and we've talked about this in the past. When we think about refranchising the Carrols restaurants, there's sort of 3 categories of folks we're refranchising to. Number one is existing operators who have capacity for more or strong operators in our system.

Number two is kind of traditional refranchisings to new operators, new franchisees who are entering our system. And then the third bucket is this Crown Your Career bucket, which are typically smaller restaurant managers above restaurant leaders, folks who may have a little bit less capital but are focused on running very small portfolios of restaurants, call it, anywhere from 1 to 5 or 10 restaurants and really growing with the brand.

And those Crown Your Career restaurants and as part of that program, what we do is someone enters the program and they stay in the program from anywhere from 1 to 3 years as we monitor kind of their progress, how our sales, how are operations performing and then they graduate from the program.

And we don't have set graduation dates. It's really around how quickly are the restaurants turning around and how ready is the operator to be a full-fledged franchisee. And so those may vary over time. The good news is, as you think about it, we're already ahead of schedule in our refranchising. We want to do between 50 and 100 refranchisings this year.

Of those, about half will be in the Crown Your Career program. And then those folks will graduate over the next 1 to 3 years. and those restaurants will come off our books in that appropriate time. So we're really pleased. We also think the Crown Your Career program is an excellent pathway to ownership for small operators, and that's ultimately what powers the Burger King brand.

Operator

Our next question comes from Christine Cho from Goldman Sachs.

Hyun Jin Cho

Goldman Sachs Group, Inc., Research Division

Great to hear that you're on track with your Burger King remodel this year. And I think you mentioned the mid-teens average sales lift for these stores and with even higher performance for the Sizzle images. I was wondering if you had any insights you can share on the year 2 and 3 sales trajectory post the remodel? Do these stores continue to outperform?

Or do they eventually kind of return to a similar comp trajectory with the broader fleet? And additionally, how should we think about kind of the impact on Burger King's comps and returns over the next few years as the mix of Sizzle image continues to increase within the portfolio?

Sami Siddiqui

Chief Financial Officer

Christine, like Josh mentioned, we're really pleased with the remodel uplifts that we're seeing in the teens and particularly with the Carrols remodels where we're seeing with the Sizzle images even better than that. I think as we look into kind of year 2 uplifts, it's about 100 basis point continued uplift from the remodels.

That sort of evolves over time as new restaurants kind of enter our data set, but we've kind of been consistent around this 100 basis point uplift, and you can kind of flow that through the comp impact. We expect to end this year around high 50 percentages in terms of the percentage of the portfolio that's modern image and continue to kind of be on track for around 85% modern image by the end of 2028.

Operator

Our next question comes from Andrew Charles from TD Cowen.

Andrew Charles

TD Cowen, Research Division

Okay. Great. I know we'll get an update on the 4Q call for 2025 store level cash flows by brand, but it's no secret that U.S. industry cash flows are hurting this year just given elevated beef prices and consumers seeking value.

Do you have a target for \$230,000 of BK store level cash flow in 2026 in order to sustain 50 basis points of marketing spend incurred by the franchisees. And I'm just curious your confidence to reach this as well as key priorities to reach this beyond sales growth.

Joshua Kobza

Chief Executive Officer

Yes. Thanks, Andrew. I would say on the ad fund, there are two ways that we can extend the higher ad spend, both by -- one by hitting the franchise profitability target or through a franchisee vote. So there are kind of two pathways to that. I think, obviously, there has been some headwinds from beef costs in 2025. So we're cognizant of that. And like I said, thankfully, those beef costs have started to come down. So I think it's too early to say kind of exactly where we'll land next year, but we're certainly keeping an eye on it.

I think the other piece of that is just our relationships with the franchisees are really great. I think we all have a lot of conviction that we did the right thing in increasing the ad fund rate. I think if you look at the same-store sales performance over the last couple of years, it's very clear that on top of the other important changes we made in BK, the advertising spend, the increased advertising spend and the quality of the advertising are having an excellent ROI for everybody in the system. So I think everybody gets that. And I think because of that, I think we should be able to find a good path to extend it over time.

Operator

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

Sara Senatore

BofA Securities, Research Division

Okay. I just wanted to ask a couple of questions on Tims, and I apologize if I missed anything, but I wanted to first ask about the top line drivers. You mentioned loyalty members increase in spend by about 50% versus prior to joining, can you give me a sense of how -- what percentage of your total -- like unique customers, the 7 million loyalty members might account for, I'm just trying to think about as you -- the opportunity to grow that loyalty base as a top line driver because it's a pretty big increase.

And then maybe the second point about top line is just you mentioned total beverage sales grew 4%. Obviously, if cold is growing 10%, the implication is maybe brewed coffee decline. Are there any margin implications for franchisees just in terms of that product mix shifting?

Joshua Kobza

Chief Executive Officer

So Sara, just first on your first question in terms of loyalty members as a percentage of unique customers, we'll have to come back to that, we just don't have it in front of us right now. In terms of the beverage mix, we have seen a shift. I think the shift from hot to cold beverage is something that you've seen across the industry, both in the U.S. and in Canada. And it's one of the reasons why it was a big part of our innovation focus over the last few years to make sure as the customer preference shifts towards cold beverage, we've got all of the products that they want, and we're leading that shift in Canada.

So you're naturally seeing if beverages are growing 4%, you're seeing higher growth in your cold bevs and you're seeing lower growth in your hot bevs that is something we anticipated. And that's why the kind of the innovation priorities are what they are. In terms of margins, they're both good margin products, both very healthy businesses. for our franchisees. So no big impact that comes out of that shift, I would say, in terms of the percentage margins.

J. Doyle

Executive Chairman

And Sarah, it's Patrick. The one thing I'd add is the cold bev can be a little bit more complicated. And one of the things that I'm proudest of with our franchisees in Canada is our speed of service is better than it has ever been in Canada. They're doing just a terrific job of managing that as you continue to see the shift from hot bev to cold bev.

Operator

Our next question comes from Brian Harbour from Morgan Stanley.

Brian Harbour

Morgan Stanley, Research Division

Yes. I guess just on the Popeyes side. I appreciate there's sort of some of the opportunities you laid out there. But any -- is there anything from your perspective with like customer exposure, sort of like competitive dynamics that's also affecting that business right now? Or what do you see as sort of the real hurdles to seeing improvement there?

Joshua Kobza

Chief Executive Officer

Yes, Brian, I think there's a lot of controllable stuff. I think it's been the case that we know we've got the best products in the industry, but we've got some inconsistency in our operations. And we're making some progress there, but I think we need to make more sustained progress. And I think that's what's going to allow us to improve the sales trajectory. So I'd say that's the biggest focus from my perspective.

I think secondarily, as I mentioned, I think we can shift some of our marketing and innovation focus from a little bit more LTO focused. You've seen things like dippers and pickles, which gain a lot of customer interest, but sometimes don't drive the sustained sales growth that we'd like to see. So you're probably going to see us shift back a bit of that focus to some of our more core platforms. So those are the places that I'm focused on. I think that's what's going to drive the turnaround.

I don't see something in kind of a customer-based SKU or anything like that, that's probably responsible for sales. If you go back over the last few years, we grew our same-store sales tremendously when we focused on the core and got things right. So I think this brand is amazing. It's in exactly the right segment. It has every right to win. We've got relatively new assets. I think like half of the stores were built in the last 10 years. It gets tremendous reaction when we do new things.

It gets a lot of engagement online. So I think we've got every right to win. We've got a couple of things we need to work on, and we're very much focused on those.

Operator

Our next question comes from Jeff Bernstein from Barclays.

Pratik Patel*Barclays Bank PLC, Research Division*

Great. This is Pratik on for Jeff. I had a broader question on the quick service category in the U.S. Can you comment on whether you're seeing the lower-income consumer trade back into fast food with greater frequency now that there's emphasis on value across the board? And also, are you seeing signs of middle and upper-income consumers finally trading down from some of those higher priced options as maybe there's more caution around discretionary spending.

Joshua Kobza*Chief Executive Officer*

PrPratik, what I would say in terms of the income cohorts is we haven't seen a big departure over the course of the year. I think we mentioned over the last couple of quarters that we did see a bit softer relative performance of the lower and middle income consumers. That hasn't changed too much, so nothing too new there. I think we've been operating in that environment pretty much all the year. .

And what's worked for us is that we've been staying focused, executing well and delivering consistency and consistency in value among other things. And you saw that play out in our results in Q3. The one thing I would call out is that October has started out a bit choppy in the U.S., though nothing that would cause us to change any of our plans at this point. .

And I would just keep in mind, we do run a large global and diversified business where 70% of our AOI is generated outside the U.S. So we feel good about the overall trends globally and ability to deliver our 8% AOI growth. But I do want to call out the U.S. trend in October, which I imagine a lot of you guys have already seen.

Operator

We currently have no further questions. So I will hand back to Josh for closing remarks.

Joshua Kobza*Chief Executive Officer*

Great. Thank you, everybody, for the time today. We appreciate very much the hard work by all of our teams and franchisees around the world in helping us to produce a good quarter here. We look forward to updating everyone on our progress on our Q4 call and wish you a great day.

Operator

This concludes today's call. Thank you for joining us. You may now disconnect your lines.

Read more current QSR [analysis and news](#)

View all [earnings call transcripts](#)

Comments

Sort by Newest



If you type a company or ETF ticker symbol in capital letters we will automatically link to the symbol page. You can remove the link by deleting the \$ in the comment.