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Restaurant Brands International Inc. (QSR) Q3 2026 Earnings Call Transcript

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Q3: 2026-10-29 Earnings Summary

Insights

EPS of $1.10 beats by $0.02 | Revenue of $2.53B (3.10% Y/Y) misses by $21.44M

Restaurant Brands International Inc. (QSR) Q3 2026 Earnings Call October 29, 2026 8:30 AM EDT

Company Participants

Tara Andrews
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
Brian Bittner - Oppenheimer & Co. Inc., Research Division
Danilo Gargiulo - Bernstein Institutional Services LLC, Research Division
Lauren Silberman - Deutsche Bank AG, Research Division
John Ivankoe - JPMorgan Chase & Co, Research Division
Sara Senatore - BofA Securities, Research Division
Gregory Francfort - Guggenheim Securities, LLC, Research Division
Andrew Charles - TD Cowen, Research Division
Christopher O'Cull - Robert W. Baird & Co. Incorporated, Research Division
Brian Harbour - Morgan Stanley, Research Division
Christopher Carril - KeyBanc Capital Markets Inc., Research Division

Presentation

Operator

Good morning, and welcome to Restaurant Brands International's Third Quarter 2026 Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded. I would now like to pass the conference over to Tara Andrews, RBI's Director of Investor Relations. Tara, please go ahead.

Tara Andrews

Thank you, operator. Good morning, everyone, and welcome to Restaurant Brands International's Earnings Call for the quarter ended September 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 Q4 earnings call is scheduled for the morning of February 11, 2027. And now I'll turn the call over to Josh.

Joshua Kobza
Chief Executive Officer

Good morning, everyone, and thank you for joining us. In Q3, we delivered 3.8% same-store sales and 3% net restaurant growth, driving 6.2% system-wide sales growth and 6.7% organic adjusted operating income growth. This marks our fifth consecutive quarter of same-store sales above 3%, led by strong performances from Burger King U.S. and International and a return to solid growth at Tim Hortons. I think there are a few things driving our consistent outperformance, but 2 priorities stand out across our brands. The first is a persistent focus on restaurant operations. We know that consistently delivering great food and great experience is fundamental to building guest loyalty and driving sustainable growth. Where execution is already good, we're raising our standards, and where there's more work to do, we're moving with urgency to close the gaps.

The second is listening to our guests and acting on what they're telling us. That looks different across our brands, whether it's elevating the core menu at Burger King, refocusing on Popeyes signature offerings, bringing back guest favorites at Tims or developing locally relevant innovation across our international business. But the underlying principle is the same, understanding what guests value most and giving them more reasons to choose our restaurants. At the same time, we're expanding the reach of our brands around the world. This quarter, Burger King surpassed 13,000 restaurants outside the U.S. and Canada, while Popeyes crossed 2,000. These are meaningful milestones for both brands, but we're still in the early stages of realizing our full global potential.

As our system grows, our increasing scale gives us more opportunities to share ideas, capabilities and operational expertise across our markets. Looking at the business today, I'm encouraged by both the consistency of our results and the opportunities that are still ahead. We've built a lot of momentum this year and remain focused on creating long-term value for our franchisees and our shareholders. With that, let's turn to our segment highlights, starting with Tim Hortons, which represents roughly 41% of our operating profit.

In Q3, Tims Canada delivered 1.8% same-store sales, an encouraging improvement from the second quarter. The team executed a stronger marketing calendar, driving growth across dayparts and categories. Beverages continue to be an important growth driver, with cold beverages up nearly 5% in the quarter. Our Matcha offering, which launched in July, is off to a great start. Not only does it appeal to younger guests, but over 2/3 of Matcha beverages are sold in the PM daypart, helping us capture more demand where we've historically under-indexed. And almost 75% of Matcha orders include another item, supporting overall check growth. We've already expanded the platform with Strawberry Matcha and see significant room for further innovation. In PM Food, we're also seeing growth, led by our Melt platform and the return of our Turkey Bacon Club with Honey Mustard. Both offerings innovate on familiar menu items guests already know and love.

We also had a delicious lineup of seasonal offerings this quarter, including the return of our popular pumpkin spice beverages and baked goods. And in August, we launched a comprehensive Harry Potter Back to Hogwarts collaboration, featuring themed baked goods, cold beverages and retail merchandise to appeal to guests of all ages. As we add menu innovation, consistent execution remains essential. We're supporting our restaurant owners with speed-of-service coaching, greater visibility into restaurant cleanliness and simpler processes so teams can deliver an even better guest experience. I saw that commitment firsthand during a recent visit to Eastern Ontario, where our restaurant owners are deeply engaged in their restaurants and their local communities.

We're also growing our loyalty program through partnerships that give guests more reason to choose Tims. In September, we launched our partnership with Canadian Tire, allowing members to earn Canadian Tire Money in addition to Tims Rewards. Early account linkings are ahead of our expectations with potential access to at least 5 million additional members. We're also partnering with another iconic Canadian brand, WestJet, to bring Tims Flight Roast to the skies beginning next month, extending our reach to Canadians when they travel. I'm looking forward to what we have planned through the year-end, including a holiday family partnership and further innovation across Matcha and Melts.

Guests can look forward to the return of more fan favorite menu items as well as a new loyalty partnership with WestJet in 2027. Taking a step back, Tims is performing well and delivering solid results in a tough consumer environment. I'm confident in Axel and his team's ability to build on this progress, strengthening the core and balancing relevant innovation with familiar favorites, all supported by consistent restaurant execution.

Now on to our international business, which represents 29% of our operating profit. Thiago and his team delivered another good quarter with same-store sales of 3.9% and net restaurant growth of 5.6%, driving system-wide sales growth of 9%. We saw particularly strong results across several of our largest markets, including Germany, Brazil, China, Japan and Korea. I had the opportunity to visit many of our key markets this quarter and spend time with the teams and partners driving those results. In Tokyo, I visited the Burger King Japan team, who have now delivered 6 consecutive quarters of double-digit same-store sales. They've also developed some of the most creative and effective marketing across our system, and we brought back several ideas that are already being implemented in other markets.

Burger King Korea is also performing very well with an impressive pace of innovation driving double-digit same-store sales in the third quarter. Later in the quarter, I visited Burger King in Scandinavia, including Norway and Sweden as well as Germany, where Burger King just celebrated its 50th anniversary. Across all of these markets, I saw how investments in our restaurants and our teams are helping improve our guest experience. Across the international business, our local teams are finding new ways to bring guests into our restaurants, from twists on our flame grilled beef offerings to new chicken innovation. We're also increasingly taking successful ideas from one market to others, including this quarter's Dragon Ball Z partnership that we launched in over 70 markets.

In September, I joined Thiago in London for the Popeyes International Convention. It was exciting to see how far the brand has come and the ambition of our franchise partners for what's next. We crossed 2,000 international restaurants this quarter and now operate in more than 50 markets, generating over $2 billion in system-wide sales. That's nearly double the sales of just 2 years ago and roughly 7x the level of when we acquired Popeyes in 2017. We've come a long way in a relatively short period of time, and there is an incredible opportunity ahead of us as we work to become the world's #1 chicken QSR. Finally, at BK China, our partners at CPE delivered a third consecutive quarter of double-digit same-store sales, lapping double-digit growth in the prior year.

This sales momentum, combined with improving unit economics, gives us confidence in accelerating development and returning to positive net restaurant growth this year. After spending so much time in our international markets this quarter, I came away with an even greater appreciation for the competitive advantage we've built with this business. Our local partners know how to win in their markets. We're increasingly bringing the best ideas across our system, and we're leveraging our established Burger King infrastructure to accelerate the growth of other brands like Popeyes. With significant white space remaining in almost all of our largest markets, we see a long runway ahead. Now turning to Burger King, which represents nearly 19% of our operating profit. After an awesome first half of the year, we accelerated our outperformance in the third quarter with U.S. same-store sales up 8.4% and system-wide sales up 7.5%.

We widened our gap to burger QSR peers to nearly 10 points. And after years of hard work, we are incredibly proud to have reclaimed the #2 position in the U.S. burger category. Our convention in Miami this month gave us a chance to come together and celebrate that progress. But what stood out to me was how determined our team and our franchisees are to keep pushing forward. There's no appetite for a victory lap or complacency. We still see lots of opportunities in front of us, and we're very focused on capturing them. Q3 was a good example of how we're doing that, pairing core menu elevation and family-friendly collaborations with consistent, accessible value. We continued building on the success of our elevated Whopper with popular variations like the Texas Whopper and, in September, introduced the next chapter of our culinary elevation road map with upgraded chicken nuggets.

Our new nuggets feature crispier breading, juicier chicken and more premium packaging, and we paired them with the revamped sauce lineup. These improvements directly address an opportunity we identified through guest feedback, and the response has exceeded our expectations. We're attracting new guests, increasing nugget incidents and closing the gap with competitors in a category that's particularly important for kids and families. Together with our Dragon Ball Z collaboration, the launch helped drive King Jr. average unit volumes to their highest level in over a decade. And with volumes still well below peak historical levels, we see considerable room for further growth. We just launched our Hello Kitty kids meal collaboration and have another exciting partnership planned for the holidays to further engage with families.

Alongside these initiatives, our $5 Duos and $7 Trios continue to support steady value incidents as we see outsized growth in more premium areas of the menu. Importantly, none of this would be possible without the commitment of our franchisees who have continued to invest in their restaurants and operations to deliver a better guest experience. Those investments will be the focus of our next elevation chapter, highlighting the improvements we're making to restaurant image through remodels. Looking ahead, we'll continue introducing new elevation chapters at a regular cadence, each designed to address guest feedback and showcase the upgrades we're making to the Burger King experience.

We are very proud of the results at Burger King that they've delivered this year. Reclaim the Flame has strengthened the foundation of the business, and elevation is helping us bring that to life for our guests. With more work underway across our menu, operations and restaurant image, we're confident in our ability to continue driving meaningful outperformance. Moving now to Popeyes, where same-store sales were negative 1.8% this quarter. Although top-line performance is still below expectations, our work to strengthen the guest experience is gaining traction. Popeyes was the only brand in the chicken category to deliver year-over-year improvements in overall service satisfaction in each of the first 3 quarters of this year, led by meaningful gains in value for money and food quality. Satisfaction with our core chicken is the highest it's been on record, and we're seeing encouraging signs in our traffic trends, which have strengthened sequentially.

That said, 2 factors weighed on our sales performance this quarter. First, we brought back our $6 Big Box promotion in September, which proved to be less incremental than we had hoped. Second, as part of our efforts to streamline operations and refocus on our core menu, we made a deliberate decision to scale back our wings offering. Wings add operational complexity, and simplifying the platform allows us to put greater emphasis behind the core items that define Popeyes, our Bone-In Chicken, Tenders and the Sandwich. While this decision naturally created some year-over-year sales pressure, we think it was the right trade-off for the long-term health of the business.

Given these dynamics, while we previously expected to return to positive same-store sales in the second half of this year, we now believe it will take a little bit longer than anticipated. We're not satisfied with our top-line results, but the progress we're seeing across our key focus areas, everyday value, operational execution and product satisfaction, give me confidence that Peter and his team are making the right decisions to strengthen the underlying business and position Popeyes for sustainable growth. Lastly, turning to Firehouse Subs, where same-store sales of 1.5% and net restaurant growth of 7.8% drove system-wide sales growth of 8.3%.

The team is building excitement through a combination of menu innovation and returning favorites like our new Smokin' Honey Melt and the fan favorite Thanksgiving Sub, which we brought back in September. We also reached 2 exciting development milestones this quarter, opening our 1,500th restaurant in North America, including our 200th restaurant in Canada. With significant white space in both our home markets and abroad, we see a long runway to bring Firehouse to more guests around the world.

Before I hand the call to Sami, I want to take a moment to remember Chris Sorensen, Co-Founder of Firehouse Subs, who recently passed. Together with his brother, Robin, Chris built a brand that is passionate and committed to hearty and flavorful food, heartfelt service and public safety. Through the Firehouse Subs Public Safety Foundation, they have already granted over $100 million to support first responders, something unheard of for a restaurant brand of our size and a great tribute to Chris and Robin's personal generosity and care for others. Our heartfelt condolences go out to Robin, the Sorensen family and everyone who knew and loved Chris. With that, I'll pass it over to Sami.

Sami Siddiqui
Chief Financial Officer

Thanks, Josh, and good morning, everyone. Today, I'll discuss our Q3 financial results, capital structure and capital allocation and guidance for the year. We continue to make good progress against our long-term growth targets. In Q3, comparable sales of 3.8% and net restaurant growth of 3% drove system-wide sales growth of 6.2%. That translated into organic AOI growth of 6.7% and nominal adjusted EPS growth of 6.9%. Year-to-date, that brings organic AOI growth to 7.8% and nominal adjusted EPS growth to 11.1%. Organic AOI growth this quarter included approximately $11 million of tariff refunds in our Tim Hortons U.S. CPG business related to tariffs incurred last year. This was largely offset by a $10 million organic increase in segment G&A, excluding restaurant holdings.

Adjusted interest expense declined by $2 million year-over-year, and our adjusted effective tax rate was 17.4% for the quarter. This brings our year-to-date adjusted tax rate to 17.5%, and we continue to expect an 18% to 19% rate for the full year, likely towards the lower end of that range. Turning to adjusted EPS, which increased by 6.9% this quarter to $1.10 from $1.03 last year. This was driven by AOI growth, partially offset by a $0.01 FX headwind and a $0.01 impact from the year-over-year decline in restaurant Holdings AOI. Excluding these impacts, adjusted EPS grew by 8.6% in the quarter. Moving to cash flow and capital allocation. We generated over $500 million of free cash flow in Q3, including the impact of $105 million of CapEx and cash inducements and a $22 million benefit from our swaps and hedges.

We returned $569 million of capital to shareholders through our dividend and share repurchases, including repurchasing a total of $274 million of stock in the quarter. Year-to-date, we've returned $1.3 billion of capital to shareholders, including $444 million of share repurchases, and we remain on track to repurchase approximately $500 million for the full year. We ended Q3 with total liquidity of approximately $2.2 billion, including $1 billion of cash and a net leverage ratio of 4.0x. As we discussed at our Investor Day, we remain committed to achieving corporate investment-grade leverage by 2028 or the low to mid-3x net leverage range, primarily through continued earnings growth.

In early September, we reached another important milestone on that path with Moody's upgrading our corporate rating to Ba2 and our first lien secured debt to Ba1. We've worked closely with the rating agencies over the past several years, and these upgrades reflect our track record of delivering on our commitments to deleverage. The current interest rate environment further reinforces why pursuing investment grade is the right decision for RBI. It will give us access to a deeper pool of capital, longer duration debt and a lower cost of borrowing. Importantly, we also believe this will give our franchisees a competitive advantage as RBI would be one of the very few large franchise restaurant systems in the U.S. with an investment-grade rating. We've also proactively managed our interest rate exposure with the vast majority of our debt swapped to fixed, leaving less than 10% exposed to floating rates on an all-in net basis.

On top of that, given our significant businesses in Canada and Europe, we've been able to take advantage of lower interest rates in those markets through cross-currency swaps, effectively reducing our overall cost of debt. Together, these strategic decisions leave us well positioned to manage through today's environment while continuing to invest in our brands and return capital to shareholders. We're also making progress towards a simpler, more highly franchised business. We picked up the pace of Burger King refranchisings in Q3, bringing our year-to-date total to 135 restaurants refranchised through October 23. Our pipeline continues to develop, and we expect to refranchise a couple of hundred restaurants this year with activity accelerating further into 2027 as we work towards sunsetting restaurant holdings by the end of 2027.

Finally, I'd like to discuss our 2026 financial guidance. First, we continue to expect segment G&A, excluding RH, of about $600 million to $620 million. Second, we continue to expect net adjusted interest expense to stay approximately flat year-over-year in the $500 million to $520 million range. 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 lastly, we continue to expect total RH AOI of roughly $10 million to $20 million for the full year, down from $21 million year-to-date. The implied AOI loss in Q4 reflects the impact of Carrols Restaurant refranchising and incremental investments in our international start-up businesses that we expect to continue until we transition ownership to new investors.

Looking back on the year so far, we've delivered great results, above algorithm same-store sales of 3.6%, organic AOI growth of around 8% and over 11% adjusted EPS growth. We're on track to hit our organic AOI growth target and return over $1.6 billion of capital to shareholders this year. At the same time, we're making tangible progress towards the longer-term financial model we outlined at our Investor Day with a clear path to investment grade and a simpler, more highly franchised business. I'm excited to finish the year strong and carry this momentum into 2027 as we accelerate restaurant development and move closer to our 2028 vision for the business. And with that, I'll hand it over to Patrick.

J. Doyle
Executive Chairman

Thanks, Sami. I'll keep my comments brief today because the message is pretty simple. The plans we put in place over the last several years are working, and we're going to keep executing against them. Burger King has delivered over 4 years of industry outperformance. And now we've seen 3 consecutive quarters of truly exceptional results. We're taking share. Our franchisees are investing and the team continues to raise their standards. At this point, I think the consistency of the results is just as important as the magnitude. And when I look at what Tom and his team have planned for the next few years, I have every reason to expect this business will continue performing at a very high level.

At Tim's, we said last quarter that we expected results to improve in the second half, and that's exactly what happened. Axel and his team made the necessary adjustments and performance improved. And it's worth remembering that Tim's has now delivered 22 consecutive quarters of positive same-store sales in Canada. That's a remarkable track record for a business with Tim's market position and one that gives me a lot of confidence in its ability to keep growing. And speaking of consistency, International has also delivered 22 quarters of positive same-store sales, and I still think investors underestimate just how strong this business is. We have more than a dozen international businesses that are not only generating more than $100 million in annual system-wide sales, but also growing at double-digit rates.

And they're doing this with a healthy balance of same-store sales and new restaurant development. Our international growth isn't concentrated in just a few markets either. Nearly 45% of sales come from outside our 10 largest businesses. Even in some of our most established markets, we're nowhere near the number of restaurants we believe we can ultimately support. I don't think there's another global QSR company that matches our combination of scale, diversification and growth potential. Of course, there are always areas where we have more work to do. That's the nature of this business, and we should never be satisfied with where we are. There's nothing particularly complicated about our priorities. We want to keep improving our restaurants, growing our brands and delivering against the financial commitments that we've made. We're doing those things, and I expect us to continue doing them. With that, Rebecca, let's open the line for questions.

Question-and-Answer Session

Operator

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

Dennis Geiger
UBS Investment Bank, Research Division

I wanted to ask a bit more about the sustainability of the Burger King momentum in the U.S. given continued industry outperformance in the quarter and the ongoing strength against the execution of your plans in a difficult environment. You all commented on the confidence and the continued momentum. But could you speak a little more to the biggest opportunities that remain from here, perhaps sort of medium term into '27 and even maybe longer term, as you think about continued upgrades, whatever is left on operations, maybe additional daypart focuses, et cetera?

Joshua Kobza
Chief Executive Officer

Dennis, I think as we look at the Burger King business, it's really impressive. Tom, the team, the franchisees, they've been doing a really nice job across the board. And I think it's -- the great part about it is that it's underpinned by consistent improvements in the fundamentals. And throughout the year, the results have been really great based on those. But as we look forward, I would say, over the next months, 2027 and really beyond, as you referenced, there's a lot more to do on all of those fronts. And I think about things like our remodels. We have done a lot of remodels. They're going great. The uplifts are really good, but we're still probably around 60% of the system done. So we've got a number of years in front of us and a lot of stores that still need to get to the right image there. So I expect that will be a driver for quite some time.

I think we made a ton of progress on operations. We're much more consistent than we were 3 or 4 years ago. But there are still pockets where we're not there, and we've got our eyes on those. And I think that will probably take us another year or 2 to get some of those to the right place. And I think what you've seen this year in terms of menu elevation is great. We've worked on The Whopper. We now worked on nuggets. But the reality is there are a lot of other places in the menu where we're still really excited about how we can respond to the feedback we've gotten from guests and make it even better.

I'll tell you, Tom, Patrick and I -- we spent a bunch of time in the test kitchen. And I'll tell you, the challenge is not finding other things we want to elevate. It's figuring out how we sequence them. And I'll tell you, those are going to stretch well into 2028 and beyond. And that's why we're so excited. So you can kind of tell across all of the core work streams. There's a lot of progress, but I think we have multiple years left in front of us across each of those core work streams where we're going to be able to surprise and excite our guests in new ways and keep driving sustained outperformance.

J. Doyle
Executive Chairman

Dennis, it's Patrick. I'll share a statistic that I love. 3 years ago, our Burger King was in the consideration set of 70% of consumers. So 30% of people did not consider Burger King when they were driving down the street and saw different options. That number now is 78%. So it just means the brand is becoming more relevant again. People are thinking about us because of the improvements that we've made, because of how we are listening to them about ways to improve the business. And as Josh said, there are so many more ways that we know that we can still improve what we're doing, but guests are responding, and we have a much larger group of guests now who will even think about coming to us to give us their business. And so it's just exciting. There are just a lot of things go in the right direction and so much more that we know we can do.

Operator

Your next question comes from David Palmer with Evercore ISI.

David Palmer
Evercore ISI Institutional Equities, Research Division

Great. And congrats, particularly to the Burger King U.S. team. It's been fantastic with the momentum. I wanted to ask you about international. Obviously, a little bit lower visibility area for the U.S. investor, including Canada. Could you talk about how the markets, the environment might be shifting and how that's influencing the general QSR space in your key markets? And maybe could you speak to market share trends, key initiatives in the key markets that really matter for BK International, but also Tim's up in Canada?

Joshua Kobza
Chief Executive Officer

In terms of the overall environment, it doesn't feel like it's changed too much across our international businesses. I would say it's more stable. Maybe on the margin, things feel a little bit better in Asia, and there's maybe some macro headwinds going on in parts of Western Europe. Maybe that's the only shift a little bit versus a year ago. I think the big new things in our business in terms of what's shifting though, are a couple that come to mind at least. One, our China business has been getting an awful lot better. That's probably one of the biggest changes over the last year or 2. We went from a pretty tough spot to now where we really feel like we're on the front foot and have the ability to see a pretty bright future, especially for the Burger King business over the next couple of years. And the other big thing that's changing, I sort of -- I referenced a little bit of it in the prepared remarks.

We just had this Popeyes International Summit in London where we got together all of our 50 markets around the world outside of the U.S. and Canada for Popeyes. And things are getting a lot better in the Popeyes business. Those businesses, we have so many that are really seeing their sales take off and the margin profiles improve, and therefore, the payback on a lot of those new and fast-growing markets are getting better and better. So I think that's seen a big positive evolution over the last couple of years. And I think with that, a lot of our biggest markets, I think we're doing well on market share. Everywhere from places like France where the -- I'd say the macro environment is tough and the same-store sales environment can be challenging. We're taking a lot of share there. And if you look at some of the biggest APAC markets, places like Japan or Korea, I think we're taking a lot of market share in those.

So I think we have a lot of big markets across international, where our -- both our initiatives and the relative market share are doing well in markets that are tough and in markets where the macro is a little bit easier. With regards to -- I'll switch now to Tim's Canada as well and give a little bit of sense of the macro and kind of relative performance there. I would characterize the macro in Canada as being relatively stable over the past few quarters. If you look at anything from employment levels to inflation, interest rates, it's been pretty stable. So I think I wouldn't characterize that market as changing too much. The one thing that's changed a little bit in the near term recently is obviously, gas prices are up a little bit. And we see a little bit of an impact from that.

We can kind of see it in some of our drive-thru and especially more rural markets. If you think of the places where people have longer drive times and they're being mindful about the kilometers they're driving, you can see a little bit of an impact there. But obviously, you can see we still did pretty well in the quarter. And I would say relative to the other major QSR brands in Canada, we're relatively in line for the quarter.

Operator

Your next question comes from Brian Bittner with Oppenheimer.

Brian Bittner
Oppenheimer & Co. Inc., Research Division

Again, congratulations on the results this morning. I wanted to go back to Burger King. I think it's pretty clear that the business has momentum now and the turnaround question marks are really no longer a question. So kind of my question centers on really the opportunity from here relative to the AUVs you're seeing at Burger King now. You're generating around 1.7 million to 1.8 million AUVs. What is your data and analysis suggest the opportunity is against this for the entire system so we can maybe start to think about the big picture opportunity moving forward for Burger King. And just also, there's been some articles about potentially extending the remodel time line for Burger King. Is there anything -- any tidbits you can give us on that?

Joshua Kobza
Chief Executive Officer

Brian, thanks for that. A couple of thoughts on Burger King here. In terms of where we can take the AUV, I'll highlight at least 2 things for you. One, we're -- as I mentioned, we're still working on remodels, and those remodels have a really big uplift. So I think as we move from, call it, 60% remodeled towards 85% and beyond, I think that's going to be a big driver. We know those remodeled restaurants, especially the sizzles are doing north of $2 million. So that's a very clear opportunity that we're going after over the next couple of years.

Another interesting one, as we go through elevation, I mentioned we've worked on Whopper and Nuggets now. The exciting part about that is we're seeing a big uplift in the AUVs in our core. So our core Whopper AUVs are up double digits year-on-year. Our King Jr., our kids meals are up 40%, and our nuggets are up more than 35%. So I think that gives you a sense of the power of elevating your core menu. And that's -- I think that's a lot of where we'll continue to go over the next couple of years. If you can do things that make your -- the core menu items that people love even better and get people really excited to come back and give you another try on the core menu, and you can deliver those kinds of uplifts across the core menu, that's what allows you to, I think, see a path to a really great business in the future with much higher AUVs. So those are a couple of the things that are probably highest on my mind.

Sami Siddiqui
Chief Financial Officer

Yes. And Brian, I can jump in on your question around the timing of remodels. And I think we've talked about this a little bit in the past is just beef costs and record high beef inflation has been a headwind to the system's profitability. So despite the amazing progress on the top line, we've -- our franchisees have had to manage through this. The good news is we're starting to see a little bit of relief on that front, and we expect to see a little bit more next year. And I think that will naturally cause the pace of the remodels to pick up. The top line is going really well. There's a ton of momentum, a ton of excitement from franchisees.

We were just at Burger King convention a couple of weeks ago, and the energy was great around the remodels. And as Josh mentioned, the average AUVs on sizzle remodels is around $2.2 million plus. So you asked about getting that $1.7 million or $1.8 million up, remodeling a restaurant is one of the best ways to do it, and we anticipate that may take a little bit longer than expected, but not considerably. And we think we'll get most of the system to a modern image by 2028, 2029 in that general time frame.

Operator

Your next question comes from Danilo Gargiulo with Bernstein.

Danilo Gargiulo
Bernstein Institutional Services LLC, Research Division

I was wondering if you can contextualize the performance of Tim Hortons relative to your expectations? And specifically, in which dayparts do you see an outperformance? And where do you see more opportunities to maybe align with peers or exceed your current performance going forward?

Joshua Kobza
Chief Executive Officer

So I think the Tim's performance, it was relatively in line with the peers. And I'm happy that we improved from where we were in Q2. That's good. I think our goal, though, is to be consistently outperforming the peers, and that's the goal that we have and Axel has, and I think everybody on the team is searching for. Some of the -- if you look at how we performed this quarter, actually, if you look across dayparts, we grew across all day parts. So it was pretty consistent across -- frankly, across dayparts and menu categories, they were all positive. So kind of in a similar range across the menu. What was better, I would say, sequentially was our performance in PM food. So that has been softer in kind of Q1, got closer to flat in Q2, and now we went positive in Q3. And I think that was a result of some of the better PM innovation that we did across things like Melts.

So I think a balanced and better performance in Q3, though our ambition is to go farther. And if I had to characterize what I think we'll be focused on going forward, we're going to keep working on growing in cold beverage. You started to see us innovate faster in cold beverage. We talked about that a bit last quarter. And I think you've seen since that, we brought out Matcha, which is a great addition and already innovated on that again. And we've also brought energy infusers with Monster. So we've started to enter some of those new categories that are very incremental to our business. They bring in new guests, kind of a different guest demographic, and they bring in more guests in the afternoon, which is great for our business. It's been a goal of ours.

So that's -- we're going to see more innovation on the cold bev side, bringing things that are new and exciting. And we'll also continue to innovate on PM Food. I think we've started to figure out more and more what's working there. One of the things that's very clear to us is when we bring back guest favorites from the past, we can innovate on them, make them even better. That's something that's really invading -- that's really resonating with our Tim Hortons guests. And I think you can expect to see more of that later this year and into 2027.

Operator

Your next question comes from Lauren Silberman with Deutsche Bank.

Lauren Silberman
Deutsche Bank AG, Research Division

Congrats on the performance. I want to ask just on the unit growth side and expand perhaps a little bit about how you're thinking about closing out '26 and any read into '27, just broadly given the macro cost interest rates, I guess, what's the general franchisee sentiment and appetite to accelerate development? And any sort of market or brand color would be helpful.

Sami Siddiqui
Chief Financial Officer

Lauren, it's Sami. I can take that one. Look, I think we were pleased to see a little bit of acceleration in the unit growth this quarter. So we got to around 3% unit growth on a trailing basis. I think we've talked about this year, we would accelerate off of what we -- off of last year, which is what we thought was a low. And as you know, Q4 is the year is always back-end weighted. So Q4 is a very, very busy quarter for us as we open a bunch of restaurants. I think as you go kind of around the world, and of course, international is the biggest driver of our growth. I think what's really encouraging for us and promising is, as you look at our top 10 growth markets, we're seeing the paybacks get even better. We've talked about paybacks being around 4.5 years in our top 10 growth markets. It's even ticking down.

It's a lot of the markets that Josh had mentioned, markets like Japan and Korea and even India, you're seeing paybacks get better. So that helps, I think, for this year, but that really helps set the runway for the longer term. I think if you kind of think about the home markets, there's obviously puts and takes. I think we've talked about Tim's Canada accelerating, and we still feel good about that both this year and really into next year. And Firehouse is doing great, sub-4-year paybacks on those units, and we feel really good about that. I think kind of on the other side of it, Popeyes, we expect will be a little bit softer than where we were last year on the unit growth side. So I think that's sort of the puts and takes around the world, but we feel pretty good about the development pipeline. We're spending a lot of time with our franchisees, and they're excited. Ultimately, it's about profitability and getting the paybacks where they need to be and franchisees will develop.

Joshua Kobza
Chief Executive Officer

Yes. The only other thing I would add is, one of the big drivers going into '27 and beyond is Burger King China further ramping up. And I think the important drivers of that are always going to be how is the business doing. And that's why we're really pleased with the performance so far this year, we're doing double-digit comps on top of double digits in the prior year. That obviously has a big impact on improving the unit economics and makes it make even more sense for our partners to ramp up the pace of growth. So the performance there gives us even more confidence about how we'll be able to accelerate further in '27.

Operator

Your next question comes from John Ivankoe with JPMorgan.

John Ivankoe
JPMorgan Chase & Co, Research Division

In your prepared remarks, you talked about Burger King, I think it specifically Burger King achieving global scale where it really made sense to kind of have it as an information sharing type of organization where you can pull the ideas out of one market, apply it globally or at least apply it to the U.S. So I wanted to see if there's anything specific, whether it's coming quarters or coming years that we could potentially take a winning idea, for example, that might be occurring in Europe or parts of Asia and bring it to the U.S. that might make a tangible difference for customers and employees. Anything specific that we can talk about there?

Joshua Kobza
Chief Executive Officer

John, I'm really happy with how Thiago and the team are managing -- how we're doing this in international. I think it's really powerful and that we give a lot of leeway to our big master franchisees to innovate and come up with new ideas, and we have some terrific CMOs who are very creative and do really cool stuff. And what we do is, we try not to force a top-down idea. We let ideas bubble up. But once we find something that we think is really interesting, we're very open about sharing those ideas, and we do it in a lot of different ways. And then we let markets pick what's relevant to them, what ideas from other countries can make a lot of sense. And sometimes you have to adapt those a little bit. Some things that will work in Western Europe might not work in some of our Asian markets.

So we're choiceful in kind of sharing those things. A couple of the ones that we've done in recent years are things like our gourmet series, some of our bigger patty burgers. That's an idea that started in a couple of markets and it has expanded. We've also done some stuff like -- France came up with sliders. They call them baby burgers and some other markets have chosen to use that. And we've found some innovation around sauces, too in some of our markets that others have grabbed on to. I'm not ready to share exactly which ones of those are going to come to the U.S. next year, but stay tuned. We hope to bring some exciting stuff in 2027.

Operator

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

Sara Senatore
BofA Securities, Research Division

I wanted to ask about a comment, I think, Josh, that you made about working with the Tim's franchisees to work on like speed of service and visibility into restaurant friendliness. I guess maybe 2 questions. One is, is this in response to customer feedback or more just continuous improvement? And then more broadly, as I think about how important the Tim's business is to the portfolio, you're talking about kind of 2% same-store sales, which is a nice improvement of what you've seen, but I would say probably pretty consistent with the long-term history of Tim's. And then fairly modest unit growth. I guess, what is the sort of ceiling on how fast Tim's could grow just because as 40% of EBITDA, it matters a lot to achieving that sort of 8% plus operating profit target you have.

Joshua Kobza
Chief Executive Officer

Sara, so first on some of the operational priorities, I would tell you, Axel is always focused on getting better. He grew up in restaurants. He is all over the details, and he always wants us to get better and better. And so we're always listening to guests, but also observing things as we spend a lot of time in the restaurants ourselves as we can tell. And we're always looking for any angle on things that we can get better at. So those are a couple of the priorities that we've highlighted for ourselves this year and into next to kind of refocus on some of those elements and make sure that we're exactly where we want to be. And I love Axel's focus on it, and he and his team are all over it.

In terms of the growth profile of the Tim's business, I'll go through each of the elements that you mentioned. First, on the net restaurant growth, we still think that there is space for more Tim's across Canada, and that's why you've seen us ramping up the pace of restaurant growth. We did that this year, and I expect we'll grow a bit more. So I think we'll have some structural unit growth within just the Canada business. And then on top of that, we certainly intend and have a goal to grow faster than the 2% over time. We want to be growing structurally into the PM daypart with cold beverages and growing our share of things like lunch and dinner food.

So we need to make progress on those, but that's a big driver of growing faster than the 2% or so where we are today. And the other piece of that Tim's business is the U.S. That's the kind of the other big long-term structural growth driver where as we do a better and better job with Tim's in the U.S., that can be an add-on to the pace of growth. So those are probably the 3 biggest levers I would think about to have Tim's contribute to our kind of our overall growth algorithm.

Sami Siddiqui
Chief Financial Officer

Sara, I would just add that a couple of things. One is, as we think about where a bunch of our CapEx is going in our long-term CapEx outlook, about half of the CapEx is actually going into Tim's because we have a pretty sizable property business. So as we think about the ROIs on that capital, the ROIs and the flow-through to AOI tend to be very good on those real estate deals. And as we think about not only growing, as Josh mentioned, but growing through real estate makes tons of sense by being on those head leases. We also have ancillary businesses that are just fantastic businesses. Tim's CPG business is a fantastic business where we're #1 on retail shelves in Canada. And Josh mentioned the Tim's U.S. business as well. So there are a lot of other businesses that are connected to that top line growth that we feel really good about.

Operator

Your next question comes from Gregory Francfort with Guggenheim.

Gregory Francfort
Guggenheim Securities, LLC, Research Division

Maybe Sami, the 8% profit growth that you guys have kind of underlying for the foreseeable future, I guess, do you see -- as you kind of refranchise some of the restaurants, do you see yourself dipping below that in the next year or 2? And can you maybe just help frame that up kind of numbers-wise? And then my question, I guess, more broadly is Tim's in Canada, as you accelerate unit growth to maybe 1%, how do you gain confidence that maybe that won't be cannibalistic to your existing base and it will be incremental kind of maybe where you're growing? Or do you have an expectation for a cannibalization on that number? That would be helpful.

Sami Siddiqui
Chief Financial Officer

Greg, yes, on the 8% algorithm, I think a couple of things on sort of maintaining that 8%. First off, year-to-date, we've been right around 8%, and we're really proud over -- as you think about the last 2 or 3 years, we've been around that 8%. Now as you think about restaurant holdings and how the refranchising impact that, when we report, we obviously report on the organic 5 franchisor segment. So RH is excluded from that, and we have an intercompany royalty and property setup. So you see the royalties and property in the kind of core segments. Now it will get a little bit trickier when we end up sunsetting RH, which will be at the end of 2027. And we will -- we've talked about a little bit absorbing those restaurants the, remaining Carrols Restaurants into the Burger King U.S. and Canada P&L.

We anticipate that will be between 300 and 500 restaurants when we absorb it into the P&L, probably getting towards the lower end of that range. So as those come into the core, which would be technically in 2028, they would impact it. But the performance at Carrols Restaurant Holdings has been fantastic, and we feel really good about the direction of that business. From a bottom line EPS perspective, we anticipate refranchising to be a couple of pennies of dilution this year to the EPS. But from a broader 8% algorithm perspective, we really are focused on the core franchise segments rather than RH.

Joshua Kobza
Chief Executive Officer

And then to your question, Greg, on the Tim's restaurant growth in Canada, a lot of that growth is coming in places that might have new developments, and that can come across the country. So you can think about maybe like a new residential development that's happening on the outskirts of Toronto that has a retail plaza attached to it. We want to be there. If there's going to be a big community in a big retail center, we want to be there. And so you have those -- whether it's in Toronto or out west in Alberta, there's a lot of that construction happening, and we're going to want to be part of it. Each time we do that, we're doing pretty detailed cannibalization modeling to make sure that those units are not going to excessively take away sales from any other units around them. So we look at it very carefully to make sure that the returns make a lot of sense for us and the franchisees. And I think our team is doing a great job of that.

Operator

Your next question comes from Andrew Charles with TD Cowen.

Andrew Charles
TD Cowen, Research Division

Sami, I wanted to ask about international AOI. The segment same-store sales and development remains on track, but the flow-through to AOI wasn't as strong as we expected in the third quarter. So I'm just curious with international AOI margins decelerating over the last 3 quarters, if it explained by any onetime items or perhaps the growth in the segment is skewing to lower royalty and lower volume markets?

Sami Siddiqui
Chief Financial Officer

Andrew, yes, actually, as you think about -- first off, the International segment continues its amazing streak. I think it's now 22 consecutive quarters of positive same-store sales, taking share across a bunch of the key markets. And so just the business performance has been fantastic from a top line perspective and the bottom line perspective. As you think about the flow-through this quarter from the top line to the bottom line, there was a little bit of some onetime noise in the numbers. I think we talked about -- we talked about around $10 million of G&A increases across the consolidated business. About half of that was due to some onetime expenses, legal expenses that were concentrated in our international business. Those are onetime. Those are not expected to recur. So I think that might be what you're alluding to as you think about the flow-through for the quarter.

Operator

Your next question comes from Chris O'Cull with Baird.

Christopher O'Cull
Robert W. Baird & Co. Incorporated, Research Division

I had a follow-up question to an earlier one on Tim's Canada. We've seen some signs of softer start here in October in the U.S. Are you seeing anything similar across the industry in Canada? And also, if you could just provide some more color on what drove the pickup in same-store sales at Tim's Canada and maybe how confident you are that, that momentum can continue as comparisons ease?

Joshua Kobza
Chief Executive Officer

Chris, we haven't seen a big change in the Canada performance recently. So nothing new to call out in the last month or so. They're pretty stable, I would say. In terms of the big drivers, so I would say the couple of big ones are some of the success on cold beverages, things like Matcha, it turned out to be really incremental. We're bringing in new guests that are generally younger. They skew more female. They come in the afternoon more often, and it's a little bit higher check as you've seen with a lot of the cold bev. Interesting thing we've realized with Matcha, it peaks on the weekend. So it's a pretty different behavioral profile from our traditional kind of hot brewed coffee in the morning. So that one is kind of interesting. And then we also just recently launched our energy infusers with Monster Zero, which is the most popular energy drink in Canada. And that's been a big hit, too.

Again, kind of trying to drive the business with younger guests and kind of getting outside our core demographic during our lower traffic period. So those couple of things have been decent AUVs, but highly incremental, and that's helping us to drive a bit of incremental growth. And the other big piece is just more success on the food side. That's something that we've been working on figuring out for a couple of years now. And it was a category that was negative for us earlier in the years, and it's kind of stepped up progressively through the year from Q1 to Q2. And now in Q3, we really started to see some growth out of that. So I would say those 2 were the biggest contributors, and they're informing a lot of our thinking about where we go from here and kind of what we're going to work on next year in 2027.

Operator

Your next question comes from Brian Harbour with Morgan Stanley.

Brian Harbour
Morgan Stanley, Research Division

When you think about these collaborations, right, I mean, I think clearly, they can work very well. I know some are kind of backing off them, right? Some, I think, still continue to like those. What's your kind of philosophy on that? I mean, do you still view this as a good way to bring in maybe some of those lapsed users to Burger King? Is it kind of -- do you think you'll maintain this pace as you go forward because, look, that's something that's important to families. Like what's your thinking about that over time?

Joshua Kobza
Chief Executive Officer

Brian, it's a really interesting topic and one that I think our Burger King team has done a great job on, and you saw Tim's now working on. I think there's a couple of things that I think are critical to them working really well. First, you got to pick the right ones that match -- that are kind of good brand collaborations that for each of the brands. And that will be different for Burger King versus a Tim Hortons. So you got to pick things that have brand fit. And we've tried to pick one that -- where possible, where they can appeal to a large guest demographic. So some of them appeal to kids, but it's even better if they can have multigenerational appeal. And I think some of the ones that have really done great have had that multigenerational appeal. The other thing I would -- that I have to give the BK team and Tom and Joel a lot of credit for is I think we're starting to do these IP collaborations very well.

We're extremely thoughtful about the menu innovation. Our culinary teams do a fantastic job with a lot of creative ideas about how we make -- how we tie the 2 brands together, and we do that across a variety of menu items that give people a lot of reasons to come in. But we're thoughtful about other aspects, too, things like the packaging. If you go back to our SpongeBob collaboration in last December, we did some really neat things on the packaging. So I think our teams have just been really thoughtful about being comprehensive and doing very high quality, very collaborative work on how we execute those, and that drives interest. To your point -- to one of the points you made, Brian, it's really valuable, I think, with guests in 2 respects. One, we're bringing a bunch of people back to the restaurant. We might give them a reason to visit that they didn't have before that causes them to give us another try.

And a lot of those folks are coming back to the restaurants, and they're very pleasantly surprised with the changes they see, whether that's a new restaurant or improved and more consistent operations. So I think it's a great way to bring lapsed guests back. And one of the most exciting things that we've seen over this past year is our retention and revisit rates with Burger King have improved markedly, which I think is a very clear sign that when we bring people back, the underlying operations improvements are causing them to return again. The last piece I would say on this is that those IP collaborations are a big part of our effort to drive the family business. And I mentioned some of the stats on the King Jr. meals, but we're really trying to bring families back into the restaurant. I think we're seeing some early success. But there's a long way to go on that front. We have a lot of different initiatives aimed at it, and I think that could be a driver for many years to come.

Operator

Our next question comes from Chris Carril with KeyBanc Capital Markets.

Christopher Carril
KeyBanc Capital Markets Inc., Research Division

Josh, you highlighted the rapid growth of Popeyes international system-wide sales over the last couple of years. But Sami, you did mention Popeyes unit growth maybe a little softer versus last year, if I heard that correctly. Can you help us understand the dynamics there and maybe provide any additional or updated thoughts on how you're thinking about Popeyes' contribution to international unit growth over the medium to long term?

Sami Siddiqui
Chief Financial Officer

Yes. Chris, thank you for the question and actually clarify. I think when I was speaking to unit growth as we kind of approach year-end, I was talking about Popeyes in North America, which would be -- which would decelerate a little bit from kind of where we landed last year. But as we think about the Popeyes international business, it's been an incredible growth story. Really, as you think about -- actually, if you go back to when Popeyes became part of RBI in 2017 and you look at where international system sales are today, I think they've increased by sevenfold.

I think now we're at around $2 billion in system sales. And you look around the world at what Popeyes is doing on the international side, and it's really impressive. We've talked a little bit about -- it's the fastest-growing Western QSR brand -- or sorry, in the top 10 of Western QSR brands and it really just continues to build on momentum in markets like the U.K., in India, in really across a bunch of the markets that we've been entering, including now China, where we're seeing a lot of positive traction.

As you know, we took ownership of that business a little while ago. This was our first quarter where we saw positive 4-wall margins, and we're starting to see paybacks in that business get a lot better. So we're really, really excited for what's happening on the Popeyes international side. I think our offering and our differentiated chicken is something that guests in these markets want. We see it in the long lines and the amazing guest reviews and feedback when we enter. And we're going to continue hitting the gas on Popeyes International. I think in the path that we laid out to 5% unit growth, continuing to accelerate Popeyes is in the international markets is a big part of that growth.

Joshua Kobza
Chief Executive Officer

Yes. And if I could just add a couple just on the international a little bit further. I'd say some of the markets that are starting to get to scale are seeing really tremendous results, places like Brazil and India, our Central European markets, those markets are doing really remarkable levels of same-store sales and their restaurant level margins are getting better and better. It's something we saw when we were in London with all the partners there. So I expect to see those markets continue to grow a lot. And now we're adding more and more markets every year as there's a lot of enthusiasm and demand to be part of the Popeyes International system. So I think if anything, that Popeyes international business will become a bigger and bigger contributor to our net restaurant growth over the next couple of years.

Operator

We have reached the end of the Q&A session. I will now turn the call back to Josh for closing remarks.

Joshua Kobza
Chief Executive Officer

Well, thank you all very much for joining us today. We're very pleased with the results for the quarter and thankful to all of our teams, to our franchisees for the great work that they're doing all around the world. We appreciate your time. Have a great day, and we'll talk to you next quarter.

Operator

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

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