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EPS of \$1.44 **misses by \$0.02** | Revenue of \$1.93B (9.64% Y/Y) **misses by \$6.05M**

Yum! Brands, Inc. (NYSE:[YUM](#)) Q2 2025 Earnings Conference Call August 5, 2025 8:15 AM ET

Company Participants

Christopher Lee Turner - Chief Financial & Franchise Officer

David W. Gibbs - CEO & Director

Matthew Robert Morris - Head of Investor Relations

Conference Call Participants

Brian James Harbour - Morgan Stanley, Research Division

Brian John Bittner - Oppenheimer & Co. Inc., Research Division

David E. Tarantino - Robert W. Baird & Co. Incorporated, Research Division

David Sterling Palmer - Evercore ISI Institutional Equities, Research Division

Dennis Geiger - UBS Investment Bank, Research Division

Hyun Jin Cho - Goldman Sachs Group, Inc., Research Division

John William Ivankoe - JPMorgan Chase & Co, Research Division

Sara Harkavy Senatore - BofA Securities, Research Division

Operator

Hello, everyone, and thank you for joining the Yum! Brands 2025 Second Quarter Earnings Call. My name is Sammy, and I'll be coordinating your call today. [Operator Instructions].

I would now like to hand over to our host, Matt Morris, Head of Investor Relations, to begin. Please go ahead, Matt.

Matthew Robert Morris

Good morning, everyone, and thank you for joining us today. On our call are David Gibbs, our CEO; Chris Turner, our CFO; and Dave Russell, our Senior Vice President and Corporate Controller. Following remarks from David and Chris, we'll open the call to questions.

Please note that this call includes forward-looking statements that are subject to future events and uncertainties that could cause our actual results to differ materially from these statements. All forward-looking statements are made only as of the date of this call and should be considered in conjunction with the cautionary statements in our earnings release and the risk factors discussed in our SEC filings. Please refer to today's release and filings with the SEC to find disclosures, definitions and reconciliations of non-GAAP financial measures.

Please note that during today's call, system sales and operating profit growth will exclude the impact of foreign currency. For more information on our reporting calendar for each market, please visit the Financial Reports section of the IR website. We are broadcasting this conference call via our website. This call is also being recorded and will be available for playback. We would like to make you aware our third quarter earnings will be released on November 4 with a conference call on the same day.

Now I'll turn it over to David.

David W. Gibbs

Thank you, Matt, and good morning, everyone. Thank you for joining us today. Before we dive into this quarter's results, I want to acknowledge that this will be my final earnings call as CEO before I officially pass the baton to Chris on October 1. As one of the biggest champions of our brands and having personally recruited Chris to Yum! many years ago, I am thrilled that the Board unanimously elected Chris as our next CEO, yet again demonstrating the strength of Yum!'s internal talent. I couldn't think of a better person to lead this company. To ensure a seamless transition, I will serve as an adviser until the end of 2026.

Now turning to the second quarter results. I'm proud that Yum! Brands delivered another strong quarter in a tough consumer environment. System sales grew 4%, driven by strong unit growth at KFC International and persistent market share gains at Taco Bell U.S. with both businesses delivering positive transaction growth. Yum! delivered 386 net new units, including 871 gross openings, reflecting the enduring appeal of our brands and the strength of our diversified system.

This quarter, Yum! achieved a new digital sales milestone with digital mix reaching 57%, 7 percentage points higher year-over-year. Notably, KFC's digital sales grew 22% and mix climbed to over 60%. Digital sales growth is undeniably due to the continued expansion of digital channels and the global rollout of Byte in which we made additional progress in international deployments and new service offerings across our U.S. portfolio. We also made strides with expanding AI-driven personalized one-to-one advertising for which having a high digital mix will become a massive strategic advantage.

I'll now discuss the strategic drivers that underline our commitment to being the most loved, deeply connected and always trusted brands for consumers around the world. Afterwards, Chris will provide a deep dive on our second quarter results, balance sheet position and capital strategy, followed by our current outlook for 2025.

Starting with KFC. KFC contributes 52% of Yum!'s divisional operating profit with KFC International accounting for 85% of our international operating profit. KFC International grew same-store sales 3%, driven by strong performance in key markets, including South Africa, Spain, Canada, Japan and the U.K.

Even with a solid overall top line performance, we have opportunities to improve performance in underperforming regions such as the U.S. and parts of Europe, where challenges stem from gaps in value perception, inconsistent consumer experience and innovation that

has not fully resonated with consumers. As a first step, KFC U.S. recently introduced the Kentucky Fried Comeback campaign aimed at striking the right balance between innovative, relevant products and strong consumer value.

In Europe, the teams are focused on delivering distinctive product offerings and meaningful partnership activations that resonate with local consumers, along with tailoring individual and snacking occasions in the EUR 3 to EUR 5 price range.

On March 1, Scott Mezvinsky assumed the role of KFC's CEO, bringing fresh energy and a clear vision for the brand's next chapter. Scott has articulated a compelling strategy focused on energizing the brand, enhancing its cultural relevance and deepening consumer engagement worldwide, leaning on his findings at Taco Bell. A key pillar of his approach involves modernizing the brand to attract younger consumers in part by leveraging local standout innovations like the Korean barbecue chicken sandwich inspired by Squid Game in Spain, a product the team has recently introduced in select additional European markets as part of ongoing efforts to learn and scale regional successes.

Scott is encouraging boldness and creativity in innovation and marketing. As an example, the United Kingdom elevated KFC's visibility and appeal with a younger audience through successful launches such as the Dirty Louisiana Burger and strategic cultural partnerships like Limitless Live, the U.K.'s largest free music event, leading to a 5% increase in same-store sales.

Moving to Taco Bell, which accounts for 37% of our divisional operating profit, with Taco Bell U.S. accounting for 82% of Yum!'s U.S. profit. Taco Bell delivered 4% same-store sales growth, outpacing the limited service category in the U.S. by 4 percentage points. I'm thrilled at the progress Taco Bell made to elevate and broaden its menu with new occasions, including its focus on crispy chicken and an expanded beverage lineup.

This quarter, Taco Bell reintroduced crispy nuggets and unleashed full flavor and full-size versions of Crispy Chicken in the innovative new items to start Q3, such as the Crispy Chicken Taco and Crispy Chicken Burrito. The success of growing our chicken sales layer is undeniable with total chicken sales up over 50% in 2 years. We expect the momentum in chicken to continue as Crispy Chicken becomes a permanent platform in 2026, while the momentum behind new occasions will continue with shredded beef later this year.

As for beverages, the team has bold ambitions to make beverages as iconic as their food, aiming for \$5 billion in total system sales by 2030. At the very start of Q3, they took a significant step with the release of a nationwide lineup of flavorful Refrescas and announced plans to expand its innovative beverage concept, Live Mas Cafe. Despite executing an unprecedented level of limited time offer innovation, Taco Bell's order accuracy has improved and maintained exceptional drive-thru performance in the U.S. Internationally, Taco Bell's momentum remained robust. Same-store sales grew 5% in Europe with double-digit increases in Canada and India.

Moving on to Pizza Hut, which accounts for 11% of Yum!'s divisional operating profit. In the U.S., innovation with Cheesy Bites and Ranch Lover's Flights mixed well with existing consumers, but an insufficient value message amid a competitive value landscape resulted in transaction softness. The team has learned from this and going forward, the U.S. team is establishing compelling value propositions, including the recent launch of Wing Wednesday and Tuesday's \$2 personal pan pizzas.

Following the recent new mobile app launch this year, the team plans to double down on mobile app acquisitions to start the third quarter. Internationally, Pizza Hut grew same-store sales 2%, driven by the Middle East recovery, positive transaction growth in the U.K. and strong performance in South Asia.

Habit Burger and Grilled year-over-year system sales trends in Q2 declined 1%, consistent with the trend observed in Q2 last year. The decline reflects continued softness in consumer demand with some impacts associated with the recent events in the L.A. area. The team improved this value offering through compelling weekly offers to our CharClub members and the launch of Gotta Habit Meal Deals in June in select markets priced at \$6, \$8 and \$10. Encouragingly, this emphasis on brand-right abundant value lifted sales starting in June, and that positive momentum has continued into July.

Looking ahead, I'm optimistic that increased marketing investments will further support sales momentum and build on the traction we're already seeing. In fact, recently, for the second year in a row, Habit has been ranked the #1 best burger and #1 best side for our Tempura Green Beans and now it's been named the #1 best fast casual restaurant by USA Today's 10BEST Readers' Choice Awards.

We continue to push the boundaries of what's possible with bold strategic initiatives to keep us ahead of the competition and future-proof our business. At Taco Bell, Live Mas Cafe is part of the team's bold bet to go after the \$25 billion beverage category in the U.S. and will bring a new layer of hospitality and culinary creativity to the brand. The cafe was inspired by Gen Z's love for curated, customizable drinks and offers over 30 signature beverages from Churro Chillers and specialty coffees to Refrescas and Dirty Mountain Dew Baja Blast Dream sodas.

With a Live Más Cafe, our test store has seen a significant increase in transactions while more beverage users are visiting the cafe and choosing to dine in. The team announced last month that they will expand Live Mas Cafe within existing Taco Bell restaurants to 30 locations across Southern California and Texas by year-end.

In the U.S., we are moving forward with plans to expand our one unit test of Saucy. We will open several additional test units by end of year near our existing Orlando location. We continue to be encouraged that weekly sales have averaged materially higher than the pre-existing KFC since opening and that we're connecting with a younger demographic as 1/3 of Saucy consumers are under age 30. We have a lot of learning ahead of us, and we are eager to leverage the invaluable consumer insights relevant for our larger KFC U.S. system.

In the connected pillar, our progress continues to accelerate, leading us to become the world's most connected restaurant platform. Digital sales now total a record portion of our system sales. In Taco Bell U.S., 41% of our orders are digital, fueled by loyalty offers and unique digital activations like Mike's Hot Honey Tuesday Drop and Feed The Beat Record Club Box. Taco Bell's unique activations helped grow active loyalty consumers nearly 45% year-over-year.

Across the organization, AI is supercharging our marketing. Over 200 million AI-generated communications have been sent this year, delivering up to 5x incrementality compared to traditional approaches. This is not just marketing evolution, it's a revolution, and we're only getting started. In addition, as our systems become more connected, we're finding more opportunities to strengthen our operations. For instance, this quarter, we completed the conversion to a more advanced voice of the consumer product that helps aggregate consumer reviews from social channels and third-party delivery platforms and allows us to integrate such insights into Byte Coach to deliver more effective operations routines to restaurant general managers.

Corporate citizenship and sustainability play a key role in ensuring our brands remain trusted everywhere we operate. We recently issued our 2024 Global Citizenship and Sustainability Report, which highlights our efforts across our people, food and planet pillars. Highlights from the report include achieving 89% of Yum! approved suppliers being certified or on the path to global food safety initiative recognized certification.

Yum! also now sources 94% cage-free eggs across 25,000 restaurants, including in the U.S. and Western Europe. Additionally, we reduced emissions by 25% on an absolute basis for company-owned restaurants and corporate offices since 2019. These are just a few examples of how we are future-proofing the world's largest restaurant company. Congratulations to the teams around the world who are driving this important sustainability work every day. Your efforts are making a real impact on our business and our bottom line.

I'd also like to highlight a few programs that Yum! and our brands invest in that help people by building careers, connections and strong communities. Pizza Hut Sri Lanka's An Equal Slice for Everyone program offers up to 6 months of training for youth to gain restaurant skills and certification before joining the workforce. In Thailand, KFC's Bucket Search helps youth who left school regain confidence, explore vocations and return to education. This program has impacted the lives of hundreds of young people since 2023. I'm immensely proud of the work that is being done around the globe to ensure Yum! Brands is positively impacting the markets where we operate and the people who live there.

To close, I want to extend my deepest thanks to our restaurant teams, franchisees and support centers across the globe. Despite the challenges we faced in the second quarter, driven in part by softer consumer sentiment, our results stand as a powerful testament to the strength of our global brands and the dedication of our people. I'll share more final thoughts after Q&A, reflecting on my nearly 4 decades at Yum!, including the past 6 years as CEO. It has truly been an incredible journey. I've had the privilege of working alongside the best talent and franchisees in the industry and feel the same way about the analyst and investor community. Your partnership, insights and long-term perspective have pushed us to become a better company, better positioned for sustained long-term success.

We've expanded our iconic brands by opening an additional 22,000 stores. And together, we've navigated both challenges and milestones in our shared commitment to building a culture rooted in growth, purpose and performance. We've built industry-leading digital capabilities we once thought unimaginable and dramatically accelerated the pace of unit development. As I look ahead, I couldn't be more confident that Yum! is well positioned to continue to deliver sustainable growth and long-term value for our shareholders. Thank you.

With that, Chris, over to you.

Christopher Lee Turner

Thanks, David, and good morning, everyone. I want to start by saying how truly honored and excited I am to step into the role of CEO of this incredible organization. David recruited me into Yum!. And while I'm deeply grateful for that, I'm even more grateful for the way he has led. Over the past 6 years, he has guided our system through a global pandemic, geopolitical instability and inflationary pressures unlike anything we've seen in recent memory. And through it all, together with our teams and franchisees, he has delivered; transforming our digital capabilities, reigniting development and laying a strong foundation for the future. I'm thankful he will continue advising me and the company as we turn the page to Yum!'s next chapter.

Let me now turn to our second quarter financial results. We achieved solid system sales growth of 4%, driven by 3% unit growth and 2% same-store sales despite the tough consumer backdrop. Digital sales grew an astonishing 18%, thanks to our ongoing expansion of digital channels and Byte deployments, pushing our digital mix to a record 57% or up 2 points from last quarter. Total restaurant level margins were 16.3%, down roughly 150 basis points year-over-year due to an unfavorable commodity lap at Taco Bell and KFC's higher mix of overall restaurant profit from our newly acquired U.K. stores.

Since our acquisition of 216 restaurants in the U.K. last year, we've been very pleased with the progress we're making on improving the margins in those restaurants where sales performance has been ahead of our projections. However, this quarter still reflects the anticipated negative impact of those stores on year-over-year company margins.

Ex special G&A expense was \$274 million, up \$18 million or 7% year-over-year. This level of expense was in line with our plan and included lapping lower incentive comp from Q2 last year. Reported G&A was \$302 million and includes \$28 million in special expense, primarily relating to our ongoing resource optimization program and recent office consolidation. Franchise and property expense increased \$16 million, driven by incremental spend tied to our global franchise convention that we hold every 2 years as well as lapping prior year bad debt recoveries at KFC.

Lastly, Yum!'s core operating profit increased 2% to \$646 million. Second quarter ex special EPS was \$1.44, up 7% year-over-year. Reported EPS was \$1.33.

Moving to development. We opened 871 gross new units in the quarter, largely consistent with Q2 of last year and translating to 386 net new units. At KFC, we opened 566 gross new units across 58 countries, fueled by China, India and Japan. We feel good about the development momentum with the long-term global white space remaining highly attractive, particularly in Europe and East Asia, where the opportunity is vast.

At Pizza Hut, we opened 254 gross new units across 32 countries with growth led by China, the U.S. and India. Pizza Hut's openings were just ahead of last year's Q2 pace. Taco Bell delivered a notable acceleration this quarter, opening 50 gross new restaurants or twice the number in Q1. 18 of those openings were in international markets across 9 countries. The team remains on track to meet its commitment of 100 international net new units this year, led by unit growth in the U.K. and Spain as well as planned entry into several new markets.

I'll now discuss our connected brand strategy that continues to revolutionize digital and technology across our system, strengthening operations, enhancing consumer experiences and unlocking new insights. As one example of the power of Byte, let me share with you a new tool we've developed, which we call Byte Connect. Byte Connect is Yum!'s menu and order integration platform for third-party delivery providers, which launched in Q2 and is now scaling across our Pizza Hut U.S. system, saving our franchisees significant cost. This service is typically provided to restaurant companies at a significant cost per order by a third party, but we are able to offer it to our franchisees using the Byte stack at a more affordable price. This platform serves as the essential infrastructure for all our brands to better support our sizable third-party delivery business.

Byte Connect reduces order cancellation and is priced at a discount relative to similar capabilities in the market. Byte Connect is a great example of the power of the Byte platform. We are able to build innovative new capabilities like Byte Connect and scale them quickly to all brands, leveraging the common technology chassis provided by Byte.

Equally as exciting is how AI is accelerating our innovation time line. By leveraging developer AI tools, we reduced the time of Byte Connect ideation to national launch from an estimated 9 months down to 3 months. Another key aspect to our connected strategy is our industry partnerships. Our current voice AI solution now in 600 restaurants continues to enhance our team member and consumer experience and is outperforming everyone in the industry.

That said, we are always looking to raise the bar. The partnership we announced last quarter with NVIDIA plays a key role in our Byte strategy as we collaborate on cutting-edge models and technology. We have exciting plans for the next 6 months, including expanding our internally developed voice AI solution developed on the NVIDIA stack to our first drive-thru restaurant in Q3.

Now let me highlight the significant strides across our Easy Experiences, Easy Operations and Easy Insights pillars. Starting with our Easy Experiences pillar, which is focused on making consumer interactions more seamless. We've continued the expansion of Byte Commerce, scaling our web and app ordering platform to Pizza Hut Canada and Mexico this quarter, while preparing for 2 additional Pizza Hut markets by year-end. Early results from Pizza Hut Mexico are strong. The market is seeing nearly 40% month-over-month app transaction growth since the launch of Byte Commerce in Q2.

Within Easy Operations, we're focused on simplifying the restaurant team member experience through solutions like Byte Kitchen and Fleet, Byte Coach and Byte Inventory, more than 30,000 restaurants now have AI informing restaurant manager decisions.

For Byte Coach, we've rolled out additional AI features, including dynamic routines, which incorporate feedback from a wider catchment of consumer reviews to inform store-specific routines. The significant adoption of Byte Coach across our system provides us with a scale platform to deliver AI recommendations that take the guesswork out of running a restaurant to our RGMs and team members. As David mentioned, Byte Coach is now powering operational excellence across nearly all Pizza Hut stores globally, excluding China.

Lastly, within our Easy Insights pillar, we're harnessing our powerful data ecosystem to drive smarter, faster decisions across the organization. As part of our AI-driven personalization strategy, we launched a proprietary consumer insights product tailored for international markets this quarter in Pizza Hut U.K. This platform will enhance the consumer journey by offering more relevant personalized item suggestions directly within the cart. We plan to expand this offering to 3 additional markets by year-end.

Next, I'll provide an update on our balance sheet and liquidity position. Net capital expenditures for the quarter totaled \$54 million, reflecting \$17 million in refranchising proceeds and \$71 million in gross capital expenditures. During the quarter, we repurchased approximately 740,000 shares for a total of \$108 million, bringing our year-to-date repurchases to \$336 million. This reflects our commitment to returning excess capital alongside a prudent approach to credit facility utilization while we plan the refinancing of our 2026 debt maturity over the coming months.

Our net leverage ratio ended the quarter at 3.8x. As I previously shared, subject to market conditions, after the refinancing, we expect to maintain a net leverage ratio of approximately 4x over the medium term by issuing incremental debt as our business grows.

Overall, our capital priorities remain unchanged. We continue to focus on maximizing shareholder value through strategic investments in the business, maintaining a strong and flexible balance sheet, offering a competitive dividend and returning excess cash to shareholders.

Now let me share our latest outlook for the balance of the year. The global operating environment remains dynamic and complex. Our teams are staying agile with their marketing playbooks and leveraging key strengths, including digital capabilities and operational scale. At Taco Bell U.S., which represents over 80% of our U.S. operating profit, we're on track to deliver 24% to 25% restaurant level margins.

Development trends are encouraging across the portfolio. While there's no observable impact to our development pipelines, we are expecting inflation pressures across several key building products sourced from Mexico and Canada. Fortunately, 90% of Yum!'s development occurs outside the U.S., unlike many of our competitors, so our exposure to the impact of tariffs on the business is limited and with industry-leading margins, Taco Bell is not expecting a material change to paybacks. In fact, we expect to meet or exceed the total number of gross builds from last year for all brands, leading us to 4% unit growth or 5%, excluding the Turkey market exit.

Moving to G&A. We expect G&A, ex special and ex FX, will land at the high end of our previously guided mid-single-digit increase due to one-off expenses related to an accelerated CEO transition and KFC's headquarter consolidation. In Q3, we expect G&A to increase double digits, owing to lapping the significantly reduced incentive comp booked in Q3 last year, with Q4 G&A growing near the low end of our full year guide.

Subject to market conditions, we do expect refranchising gains will help offset some, but not all of those expenses. While this reduces some contingency in our profit guide, we still expect to achieve 8% core operating profit growth, excluding the 53rd week this year, with Q4 in double digits, in part due to easing compares related to our elevated bad debt last year. Below the line, we expect interest expense to land between \$500 million and \$520 million, excluding the interest from any incremental debt. Finally, on FX, at current spot rates, we expect a \$20 million tailwind to GAAP operating profit for the remainder of the year.

To close, I am incredibly proud of how our teams are navigating this dynamic environment, staying fast, consumer-focused and forward-looking. Our second quarter results reflect strong development momentum, continued growth in digital sales and healthy same-store sales increases driven by rising traffic and our twin growth engines.

As I prepare to step into the role of CEO, I'm spending time with our leaders and teams, Board members and franchise partners and rolling up my sleeves in restaurants alongside our amazing frontline teams to reflect on our strengths and where we can raise the bar. Throughout this process, I've become even more energized by the possibilities ahead and by the privilege of leading this world-class organization, home to iconic brands and incredibly talented people. I'm confident that together, we'll build on our momentum and shape an even stronger future for Yum!. With that, operator, we are ready to take any questions.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question comes from David Tarantino from Baird.

David E. Tarantino

First, David, congrats on a great career again and wish you well in your retirement. I've enjoyed working with you. And Chris, congrats on your new role as CEO. My question is really about the guidance for this year. I think, Chris, you mentioned maybe removing some cushion. I forgot the exact words, but just wanted to get your thoughts on your degree of confidence in getting to that 8% operating profit growth for the year? And I guess, what are the puts and takes that could push it one way or another in the back half?

Christopher Lee Turner

Yes. Thanks, David. I appreciate the kind comments about David and my new role. David's done an incredible job, and it's a big honor for me to step into his big footsteps. As we look into the back half of the year on the profit plan, we remain on track to deliver our full year algorithm of 8% core operating profit growth.

I'll start with sales. The back half doesn't require a dramatic sales acceleration versus the first half. Just solid performance, roughly in line to slightly ahead of where we were in the first half. So then you get to the big drivers of profit in the second half in terms of that versus last year.

First is company store profit. While we're primarily asset-light, our own stores do matter. We had strong company store profit growth in the first half, and we expect even stronger company store profit growth in the second half. That's driven in part by Taco Bell, where you heard us mention that we still expect to land on Taco Bell U.S. with 24% to 25% margins on the full year, which implies a bit of a back-half-weighted plan on margins there. We also expect continued improvement in our KFC equity estate, those KFC U.K. stores that we acquired last year. As you can imagine, in the second half, we were digging in, optimizing those. We're seeing better performance and we expect that to continue into the second half, also better performance in other parts of the KFC equity estate, including in Australia.

The other big bucket are some discrete items. So last year, in the back half, we had about \$30 million in bad debt exposure from a couple of situations. One, our franchisee in Turkey and Germany and another Pizza Hut situation in Europe. So there's a \$30 million bad debt expense that we expect to lap this year. And as I mentioned, we've got refranchising gains and the plan there is a bit backloaded in the year. So in total, that's \$40 million in tailwind in the back part of the year.

If you think about the shape on Q3 and Q4, the biggest G&A lap will happen in Q3. That's why we shared that we expect double-digit G&A increase in Q3. That's simply because last year, when we adjusted for incentive comp, the biggest adjustment was in Q3. We had some true-ups for Q1 and Q2. So we expect profit growth to be stronger in Q4 than Q3 this year.

Operator

Our next question comes from David Palmer from Evercore ISI.

David Sterling Palmer

Congrats, David, on your career, a lot of value creation over your time. And best to you, Chris. I wanted to follow up on all of your comments on tech capabilities and maybe invite you to speak about what your examples or your top tech platform initiatives will do to comps or other metrics that you think people would care about Yum! shareholders. So for example, you mentioned hyper-personalized digital marketing, perhaps being in ramp mode, that sounds pretty exciting.

How important could that be to comps? You've, in the past, talked about Taco Bell rollout of AI-enabled drive-thru. How is that coming along? And how important can that be? When could that be the majority of drive-thru orders? And then you listed all those things you're talking about with Byte Connect, Byte Commerce, Byte Coach, maybe what is that doing for profitability or some other metrics that ultimately will lead to unit growth acceleration?

Christopher Lee Turner

Yes. Thanks. As we look at the Byte strategy, we are very pleased with the progress, and we're very pleased with the impact that it's having on the business. If you go back to the Taco Bell Consumer Day earlier this year, we shared some data there that had the correlation of digital sales mix change at the store level in Taco Bell and the correlation between that and absolute top line dollar sales growth at the store level and EBITDA growth at the store level for our Taco Bell stores in the U.S.. Very strong correlation on both, which we think demonstrates the impact that Byte has on both top and bottom line. And of course, Taco Bell U.S. is where we have the most components of Byte implemented versus any other brand country combination around the globe.

As you mentioned on top line, AI-enabled marketing is a big component of that. We're excited about the piloting that we're doing there. We've got 11 different use cases that we've laid out. 7 of those are in action right now. We shared in my earlier comments that we're seeing significantly higher return on targeted communications through that. Of course, the bigger driver of top line growth through digital are just making an easier experience for consumers, allowing them more easily to customize their orders and more easily to expand check size. Everywhere we increase digital mix, we see higher check sizes and higher frequency from our consumers. Of course, consumer insights and loyalty will be a big part of that as well.

On the operational side and helping our franchise partners ensure they have strong unit economics, I actually got to experience this working in a Taco Bell restaurant a couple of weeks ago, spent a Saturday working with the team there. The technology that makes the lines flow easier was really easy to use. And then I was working at the window and got to wear the headset and listen in on voice AI interacting with our consumers. I've known from the team that it was doing a good job.

I was actually amazed at how seamless those consumer conversations were. In wearing the headset for 1.5 hours to 2 hours, there was only one of those conversations where we needed to intervene from a team member in the store and the voice AI made that job dramatically easier, and that's why we're seeing lower turnover in restaurants where we've implemented voice AI. So lots of good things happening with Byte, but we are still in the early phases of generating the value from it. We've got more to do to get it around the globe, and we're excited to continue that journey.

Operator

Our next question comes from John Ivankoe from JPMorgan.

John William Ivankoe

David, I look forward to seeing you on the senior tour. I have no doubt with maybe an extra round or 2, you'll be able to make it and probably win a few tournaments. So the question which I have is obviously thinking about the company's overall free cash flow generation and the future capital intensity of the business.

As we think about longer-term models, should the company benchmark CapEx as a percentage of system sales, CapEx as a percentage of revenue? Obviously, there's a lot of different moving pieces, especially from a tech spend perspective, that could influence CapEx. But I wanted to see if we could begin to think about just overall capital intensity of Yum! and how much future company unit development might influence the overall business strategy and CapEx specifically?

Christopher Lee Turner

Yes. Thanks, John. In terms of the capital strategy, nothing is changing in terms of Yum! being an asset-light company. That's what we came out of the transformation with as one of the guiding principles of the company. We're still at 2% restaurant ownership. In fact, over the last several years, we have grown the overall estate faster than we have grown our company-owned estate. And so it's important for us to continue to acquire stores periodically to ensure we have strong capability from an operations standpoint.

But whenever we do that, we typically are buying high AUV, high-performing restaurants. And there's also a strategic reason that might go along with it. We may pick up a few stores in one geography and then we see that as an area where we potentially could unlock new development. And we always see strong returns, immediate EBITDA increases whenever we do that and then strong returns over time. So I think we're going to continue to be a very capital-efficient company.

On the tech side, all of the investments that we make there, we want to ensure that those are high return for our shareholders as well. And since many of the benefits of those flow to the bottom line of our franchisees, they share in those investments over time. So no dramatic change in terms of us being an asset-light company.

Operator

Our next question comes from Christine Cho, Goldman Sachs.

Hyun Jin Cho

Congrats, David, on such a successful career. And congrats, Chris, on your new role as CEO. You've announced your plans to scale the Live Más Cafe to 30 locations by end of 2025, and we did see some step-up in beverage focus across several QSR competitors as well. Could you kind of walk us through how you're approaching that \$5 billion long-term beverage opportunity for Taco Bell and how you plan to differentiate your offerings versus peers? Any further color in terms of scale, time line, required investment or some of your key learnings from the pilot so far would be appreciated.

David W. Gibbs

Thanks, Christine, and thanks for everybody's nice comments on the retirement, particularly John's comments on my golf game, although I will not be playing on the senior tour. Beverages is one of those things that I think we're incredibly excited about. It's no secret that the industry has been embracing beverages in the last few years, and you've seen a lot of success with some of our competitors. Nobody is more naturally positioned to succeed in beverages than Taco Bell. We already have a proprietary beverage with Baja Blast that's wildly successful.

So what you saw with the opening of our first Live Más Cafe is putting a lot of our theories and ideas about beverages into action and doing it in a big way, not just a small addition to the menu. And the results were obviously stellar and prompted us to really lean in and create a plan to be much more aggressive in beverages at Taco Bell, which leads to the test units that you've talked about.

So you've got the Live Más Cafe test, which we truly believe will then lead to a broader expansion in the system. And then you also have what you saw in Q2, which is the launch of Refrescas, which was part of the success that Taco Bell had in Q2.

And I would add, while Taco Bell is sort of leading the way on getting into the new category entry points on beverages for Yum!, we see the same opportunity for KFC. And KFC has their own program, Quench, which is now going into test. I'm very excited about the impact that, that can have on the business.

Operator

Our next question comes from Dennis Geiger, UBS.

Dennis Geiger

Congratulations, David, terrific career. Very much appreciate the partnership over the years. And of course, Chris, congrats, well deserved. Wondering if you could talk a little bit more about the difficult consumer environment in the U.S. that you both referenced. Any commentary on maybe the low-income consumer in particular or any other notable consumer cohort pressure to call out? And more importantly, how the brands in the U.S. are positioned to win with those consumers?

David W. Gibbs

Yes, sure. Yes. Obviously, it's well documented that the U.S. is a challenged environment to operate in right now in our industry. Others have talked about that. Obviously, we are playing a little bit of a different game at Yum!, given that more than 80% of our profit in the U.S. comes from Taco Bell. And in many ways, this sets up as a really nice environment for Taco Bell. You're seeing it in the results. The data that we look at about consumer behavior shows clear trade-in from consumers in fast casual into the Taco Bell brand.

And when you even pull apart the income bands, although I know the lower income consumers are pulling back, that's been well documented by our competitors. We aren't seeing that at Taco Bell. In fact, we've had -- if you pull all the income bands in Q2, we've had sales and trans growth across all income bands at Taco Bell very consistently, very little difference from one income band to another.

And I think it's just more evidence of the power of the Taco Bell model and our ability to take share in this environment, even though it is a pressured consumer.

Just a little bit more on Taco Bell's performance. I found this stat the other day, which I was sort of proud of. Only if you take the top 10 companies that are publicly traded, top 10 restaurant brands in the world, Taco Bell is the only one that has had positive quarterly sales for 5 years in a row. This year, we haven't had a single negative week for Taco Bell. So most people are reporting negative quarters. We haven't even had a negative week for Taco Bell. And while the 1-year numbers can be a little choppy based on some unusual lapse from last year, we've been very consistent on a 2-year basis in that plus 9%, plus 10% same-store sales growth.

And honestly, in Q3, we expect to see sequential improvement in our 1-year same-store sales growth and consistent 2-year performance coming out of Q1 and Q2. So the brand is truly on a roll. Why is that? It's because of all the great innovation, Crispy Chicken, what we did with Refrescas, improving ops, the value menu, \$5.79, all of that contributed to Q2. But what gets me most excited, which I'm going to be excited to be watching from the sidelines is what we have coming in Q3 and Q4.

In the next few weeks, we'll be launching Baja Blast Midnight at Taco Bell. We've got \$3 Burritos coming. We've got Cheesy Street Chalupas. And then in Q4, we're bringing back the Decades menu, and we even have [indiscernible] house coming back, which I know is a favorite of a lot of our customers. So there's lots to get be excited about Taco Bell despite the softer U.S. consumer environment. In fact, in many ways, we welcome that environment because we're taking share from the competition and Taco Bell is clearly on a roll.

Operator

Our next question comes from Brian Bittner from Oppenheimer & Company.

Brian John Bittner

And of course, congratulations, David, on your inspiring career at Yum!. And of course, a big congrats to you as well, Chris. I think it's pretty clear that the Byte by Yum! platform is a very unique catalyst for your business relative to the competitive set. And I know there's different components to it. But can you help us understand how many units have the full platform today? And what does the cadence of the rollout look like as you go across your global portfolio through 2026? And what do you see as just the greatest unlocks going forward for your Byte by Yum! platform for the franchisees?

Christopher Lee Turner

Yes. Good question. I think we've shared previously that about 25,000 restaurants around the globe have some component of Byte operating in them today. But in a number of cases, that is just 1 component or 2 components today. The place where we have the most components of Byte operating in one brand-country combination, as I mentioned earlier, is in Taco Bell.

So the expansion journey is 2 things. One, on restaurants that already have some components, getting them to the full Byte ecosystem. And that's really when we see the power of the seamless integration across the elements in Byte spanning the consumer experience, the team member experience and the insights that we can generate.

Of course, there's another piece, which is getting into new markets where we haven't started to deploy Byte yet. We've made a lot of progress in the U.S. But as we shared on the last call, it was at our global franchise convention in Sydney earlier this year, where we really made the Byte unveil to our global franchise base. And we essentially hosted what was a trade show event where those franchisees from around the globe were able to spend time with Joe Park and our technology leaders who are building and developing and deploying each part of Byte. There's now significant demand from those franchisees, and we are in conversations with them to help them understand how we could bring those to life in their market.

So there's still some steps to go through in terms of ensuring that the Byte capabilities are ready to deploy in each specific geography. And then, of course, there's some implementation work to be done. So this will be a process that we will work through, but we're looking for ways to accelerate that. And right now, we believe that demand for Byte is not our problem. It's how do we work through that process to get deployment.

Operator

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

Sara Harkavy Senatore

Great. I'll add my congratulations as well to both of you. I wanted to just maybe clarify a couple of comments, if I could. The first is, I think you mentioned Byte Connect is priced at a discount to 3p offerings. Trying to understand, is that because the cost to you is lower because of your scale or something else? Or is this effectively kind of a subsidy to franchisees?

And the reason I ask is because I think a conversation that's ongoing is about kind of tech costs as they show up in your G&A perhaps. And I wanted to see if there's been kind of a shift in the philosophy or maybe just understand it. And then the other clarification is I think there was a mention that Taco Bell is taking share from fast casual. Does that mean you're not seeing it come from other traditional QSRs? I had thought that fast casual maybe was just too small to explain kind of how robust the performance has been.

Christopher Lee Turner

Yes. Thanks, Sara. Let me start with the first one on Byte. And let me start with a couple of sort of high-level statements about Byte. First, it is the only multi-brand, multi-market restaurant technology platform built by restaurateurs for restaurateurs. And as part of that, our commitment to our franchisees is to give them leading-edge capabilities at a price that is better than they can get on the market.

And so if we think about Byte Connect, there are some other solutions on the market built by tech companies, not restaurant companies that many of our franchisees are accessing today at a certain price. Through our internal development, which allows us to accomplish the same functional objectives for our franchise partners, because of our scale, we're able to offer that to our franchise partners at a lower cost than they could get on the market. So that creates a competitive advantage for them. It actually helps their P&L. They end up spending less in total on tech as a result whenever they migrate over to Byte Connect.

And of course, given that, that benefit flows to their P&L, we expect our franchise partners to share that investment with us through the fees that are generated into Yum!. And that, of course, is part of how we're bending the curve on the G&A impact of our tech strategy on our P&L. So all part of how we leverage our scale and our tech capability and expertise, our ownership and our talent for the benefit of our franchise partners.

David W. Gibbs

Yes. I'll take the second part of the question. And just further on Byte Connect, to answer your -- the pointed question, Sara, our goal is not to subsidize anything. Our goal is to provide stuff to our franchisees at a dramatically lower price that we can still cover our costs and then some. That is what -- Byte Connect is a great example. The cost of what we're charging for that is dramatically lower than what the largest third party in the marketplace charges for that service. And yet, it's something we internally developed with a few resources. So the math works for that.

As far as Taco Bell share, I was only sharing the context of -- the stealing from fast casual was really in the context of the question about the consumer and consumer behavior. I think that demonstrates that you're seeing people trading in from other concepts and that they're pressured financially. However, with Taco Bell's performance, it's clear we're taking share from a lot of competitors, not just in fast casual, we're taking it from the QSR industry in general. And obviously, when we look at this environment, it's one that not only can we win and we can really thrive and really take market share, put ourselves in a better position going forward.

Christopher Lee Turner

Operator, we have time for one more question.

Operator

Our final question will come from Brian Harbour from Morgan Stanley.

Brian James Harbour

Congratulations again to both of you. I guess could you just elaborate on the comments -- there were separate comments, but I think you talked about value perception at KFC and you talked about sort of, I think, value menu lineup at Pizza Hut. What needs to be done differently there? And I'm not sure if those were comments that apply across different markets? Or is this sort of a broader opportunity for those 2 brands?

David W. Gibbs

Yes. I think the comments on value, clearly, this is an environment -- softer consumer environment all around the world where value matters. Value never doesn't matter, but it's a particular importance in this environment. And what we're seeing around the world is we can win when we have that -- when we do value the right way. Taco Bell with \$5,79, creating value menu is a great example, but we have all sorts of other examples all around the world.

And I think Scott Mezvinsky coming out of the Taco Bell world, where they play value better than just about anybody else in the industry has been quite helpful to him spreading that gospel at KFC around the world, and you're starting to see some of the results from that as we go into Q3 and the second half of the year, we're seeing the business strengthen on the backs of embracing value in this environment.

I think with that, I'm just going to close out real quickly. I appreciate all the nice comments today from everybody. I really have enjoyed working with all of you. And as I reflect on my tenure as CEO and my career with Yum!, obviously, I'm proud of so much that we've done to create shareholder value, improve the business, the work we did to dramatically ramp up the pace of development, going from a laggard to a leader on tech. The strength of our twin growth engines today has never been stronger and well positioned for success.

But when you pull all of that apart, it all comes down to the people in this organization. The culture and talent at Yum! is the best in the industry, really the best, not just about any company that there is out there. Our ability to attract, develop and retain people is what sets us apart, and it's why we've achieved so many great things over the years. That is at all levels of the company. It's our franchise partners. It's from our team members all around the world up to the leadership team that runs this company.

The best example that I can think of that is Chris Turner. He joined 6 years ago and our ability to even attract him and get him to come join Yum! was a real coup. And you can see from his career here, he's had a massive impact on the company as CFO. Nobody is better positioned to take over this company than Chris. I'm so excited to be able to stay connected to him as an adviser and watch him lean in on new growth strategies to take the business to new heights and accelerate the pace of growth.

And nobody will be cheering this company on more strongly than me. I'm excited about the next chapter of my life as I move into retirement and proud of the company that we've built and the future of it could not be brighter. Thank you so much for your time today. It's been a pleasure.

Operator

This concludes today's call. We thank everyone for your time. You may now disconnect your lines.

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