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Yum! Brands, Inc. (YUM) Q2 2026 Earnings Call Transcript

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Q2: 2026-07-30 Earnings Summary

Insights

EPS of $1.62 beats by $0.06 | Revenue of $2.17B (12.21% Y/Y) misses by $7.51M

Yum! Brands, Inc. (YUM) Q2 2026 Earnings Call July 30, 2026 8:15 AM EDT

Company Participants

Matthew Morris - Head of Investor Relations
Christopher Turner - CEO & Director
Ranjith Roy - Chief Financial Officer

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
Brian Harbour - Morgan Stanley, Research Division
John Ivankoe - JPMorgan Chase & Co, Research Division
Andrew Charles - TD Cowen, Research Division
Gregory Francfort - Guggenheim Securities, LLC, Research Division

Presentation

Operator

Thank you for standing by. My name is Carly and I will be your conference operator today. At this time, I would like to welcome everyone to the Q2 2026 Yum! Brands, Inc. Earnings Call.

[Operator Instructions]

I would now like to turn the call over to Matt Morris, Head of Investor Relations. Please go ahead.

Matthew Morris
Head of Investor Relations

Good morning, everyone, and thank you for joining us today. On our call are Chris Turner, our CEO; Ranjith Roy, our CFO; and Dave Russell, our Senior Vice President and Corporate Controller. Following remarks from Chris and Roy, 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 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 details on our reporting calendars by market, please refer to the Financial Reports section of our IR website. This conference call is being webcast live on our website and will be available for replay following the call. Our third quarter earnings will be released on November 3 with the conference call on the same day. Now I'll turn the call over to Yum!'s CEO, Chris Turner.

Christopher Turner
CEO & Director

Thank you, Matt, and good morning, everyone. Before discussing our second quarter performance, I want to address the current public health issue that our industry is navigating in the U.S. First and foremost, the safety of our consumers is our highest priority. We know our consumers place their trust in us. We remain committed to earning that trust each and every day, and it starts with an unwavering commitment to food quality and safety. That commitment is reflected in how we act when issues arise.

Our teams are acting quickly and transparently while keeping the safety and well-being of our consumers as the top priority. That is how we build the world's most loved, trusted and connected restaurant brands. Roy and I will share more on the recent trends in Taco Bell U.S. in a moment. Before we do that, let me provide an update on other parts of the business, starting with Pizza Hut. In June, we completed the strategic review of Pizza Hut and entered into separate agreements to sell the business to LongRange Capital and Yum China. These transactions will result in a stronger Yum! and a stronger Pizza Hut, and we look forward to supporting a smooth transition. The ability of our teams to enter into 2 separate transactions simultaneously while achieving strong performance in our other brands in the context of a turbulent macro environment is a testament to the strength of Yum!'s talent and culture. It also gives me tremendous confidence in our future.

Turning to second quarter results. Excluding Pizza Hut, we delivered 7% system sales growth, 6% unit growth and 4% same-store sales growth. This capped a solid first half of the year with KFC delivering a first half development record, Taco Bell meaningfully outperforming the QSR industry in same-store sales and Habit delivering 4% same-store sales growth. Just as impressive, digital sales, excluding Pizza Hut, in the first half of the year exceeded $17 billion, up 25% year-over-year. These results demonstrate the power of our brands and the discipline of our teams while giving us confidence in the Raise the B.A.R. priorities that will shape Yum!'s next chapter of growth. Those priorities are battling for the future consumer, accelerating restaurant unit economics and reaching the full potential of Byte and our broader digital capabilities. I'm excited to highlight how they are coming to life across our brands starting with KFC, which represents 58% of our divisional operating profit, excluding Pizza Hut.

KFC delivered 6% system sales growth driven by 7% unit growth and 2% same-store sales growth. Around the world, KFC teams are advancing our Raise the B.A.R. priorities, beginning with improving menu relevance. The U.K. provided a strong example with the Pickle Mania limited time offer driving the highest sales week in the market's history and helping deliver exceptional same-store sales growth of 8% in the second quarter. While visiting the team in London this quarter, I was introduced to Pickle Mania Pepsi, and I'll admit, while I was skeptical before trying, it far exceeded my expectations. It was another great example of the kind of bold, culturally relevant innovation that our KFC teams continually bring to market. Asia was also a strong market, delivering 6% same-store sales growth. Japan accelerated by 8 points from Q1, while Korea delivered its sixth consecutive quarter of double-digit same-store sales growth. I had the opportunity to visit both countries last month and spend time in our restaurants with team members.

One restaurant that stood out was the KFC in Takadanobaba, Japan, which has served its community for more than 50 years. It was a great reminder of what makes KFC special. The brand has deep roots with local consumers and continues to evolve its menu and experience to stay relevant in every market. The KFC team is encouraged by recent performance, but believes there is even greater opportunity ahead. To accelerate progress, KFC outlined how it will build on its momentum by setting the standard for modern chicken QSR. As part of the strategy, KFC will modernize the brand and focus on menu innovation surrounding boneless chicken, crave-worthy sauces, a more contemporary restaurant experience and a refreshed brand visual identity. Our consumers will experience new tenders in select markets that are built for dunking, dipping and solo snacking, an expanded sauce pantry of 9 bold sauces unlocking customization and flavor discovery and updated branding across digital and in-restaurant touch points. KFC's aspiration is to have core elements of the strategy live across its top 20 markets by the end of 2027.

Importantly, this is not simply a market-by-market implementation, but a coordinated global effort that is creating momentum across the brand. Teams around the world are rallying behind the strategy, giving the brand a renewed edge as KFC evolves to be more modern and relevant. Additionally, KFC is favorably positioned to benefit from powerful category tailwinds. Chicken is the fastest-growing protein around the world, driven by its affordability, versatility and broad consumer appeal. As the world's largest chicken restaurant brand, KFC is uniquely positioned to capture that demand growth, thanks to its global scale, first-mover advantage, market leadership, world-class franchise partners and unmatched operational expertise. KFC benefits from deep local market knowledge, decades of franchisee development and a global network of culinary innovation centers, technology capabilities and operational support teams.

Moving to Taco Bell. I'd like to first focus on Q2 results. Taco Bell represents 43% of our divisional operating profit, excluding Pizza Hut. The team delivered 7% same-store sales growth in the second quarter, meaningfully outperforming the QSR industry for the ninth quarter in a row. Digital sales mix reached 47%, up 5 percentage points year-over-year with more than half of the growth driven by Taco Bell's first-party loyalty channels. Overall, Q2 results reflect the strength of Taco Bell's strategy which combines compelling value, differentiated innovation, cultural relevance and broadening consumer occasions to drive consistent U.S. share gains. Turning to more recent developments. As you would expect, the brand has seen a meaningful near-term sales impact, which Roy will discuss in more detail. We expect the sales impact to be temporary and are encouraged by a few factors. Elevated uncertainty initially weighed on consumer demand.

And since then, consumers have become increasingly aware that this is an industry-wide issue, not an issue specific to Taco Bell. The team's swift and transparent action reinforced trust in the brand. As evidence of those factors, Taco Bell's measures of social sentiment have already returned to pre-issue levels of positivity. Though we are still in the early days of recovery, Taco Bell is leveraging its magic formula, brand buzz, innovation, value and digital. Examples include last week's introduction of the new Pepper Jack Steak Burrito, which showcased the brand's ability to deliver craveable innovation at a compelling price point.

Taco Bell also tapped into fans' passion for iconic menu items through the last 2 Tuesday drops, with last week's $1 Enchirito followed by this week's $1 Mexican Pizza offer, which became our 2 highest-performing Tuesday drop promotions in brand history. By connecting directly with loyalty members through the app, the brand turned those offers into powerful fan moments. That is the magic formula at work. As a result, over the last 10 days, we have seen sales trends steadily improving. Taco Bell entered Q3 in its strongest position ever. And I'm confident the brand's core strengths, which have always made it a category of one, will return it to sales growth that meaningfully outpaces the broader QSR industry and fuel momentum well into the future.

Moving on to Taco Bell International. The brand continues to build scale and relevance with strong same-store sales growth across many of its largest markets. The international business continues to replicate the U.S. strategy, introducing locally relevant value, craveable innovation and digital engagement. In the U.K., Taco Bell recently launched Baja Blast, marking the beverage's first international launch, an important milestone in the journey to expand what is already the most distinctive brand-specific beverage in QSR. In its first week, the Baja Blast launch helped lift same-store sales by 14%, reinforcing the power of bringing Taco Bell's most distinctive innovation to more consumers around the world.

Across all brands as part of our Raise the B.A.R. priorities, we are building deeper, more direct relationships with our consumers. Loyalty is a critical capability because today's consumers expect personalized experiences, relevant offers and seamless digital engagement from the brands they love. When executed well, loyalty creates better experiences for consumers, stronger engagement with our brands and more powerful demand-driving tools for franchise partners.

Globally, our brands have amazing loyalty programs in many markets. We're very pleased with the distinctiveness and effectiveness of those loyalty programs, but we still have a big opportunity to raise the bar. Our approach is to make existing loyalty programs even more distinctive and to launch, learn and refine in additional markets, recognizing that loyalty will come to life differently based on local consumer behavior and brand needs. To accelerate Taco Bell's owned digital performance, the team is strengthening its digital relationship with consumers through a redesigned app launching in Q3 that delivers a more intuitive and personalized member experience.

New capabilities make it easier for consumers to discover menu items, personalize orders and customize favorites, while expanded Build Your Own Luxe Box functionality and curated offers create more relevant experiences. Together, these enhancements will strengthen engagement with one of the industry's most digitally connected consumer bases.

KFC is rapidly expanding its global loyalty program and by the end of the year, loyalty will be in markets representing over 75% of KFC system sales, excluding China, significantly expanding the brand's ability to engage consumers and drive frequency. This concerted effort to expand loyalty is helping our brands deepen consumer relationships today while building the capabilities needed to win with the next generation of consumers. Beyond our business performance, we had an important leadership update with Tracy Skeans, our Chief Operating Officer and Chief People and Culture Officer, announcing in June her plans to retire after more than 25 years at Yum!. Throughout her career, Tracy has played an instrumental role in shaping our operational excellence model, strengthening our culture, developing our talent and helping position Yum! for long-term growth.

I've had the privilege of working alongside Tracy for many years and I'm deeply grateful for her leadership, partnership and lasting impact on our company. I'm excited to share that Nai De Leon will become our Chief People and Culture Officer effective November 1. Nai has a decade of experience working for and with Yum!, most recently as our Chief Talent and Centers of Excellence Officer, leading some of our most important organizational and strategic initiatives. Across Yum!, we're also committed to creating positive impact in the communities we serve.

We recently released our annual Global Citizenship & Sustainability Report spotlighting how we are integrating impact and sustainability into our growth strategy. 2025 was a year of progress across many of these efforts. Yum!, our brands and franchisees had a positive impact in the communities we serve, reaching 6.5 million people and providing the equivalent of nearly 47 million meals through donations. Before closing, I want to thank the Pizza Hut team members and franchise partners around the world for the role they have played in building one of the most iconic restaurant brands in the world. Their passion, resilience and commitment have been central to Pizza Hut's legacy, and we are grateful for their partnership.

Yum! will enter its next chapter of growth as a more focused company taking advantage of the long runway for development, category expansion and digital growth across our brands. We are focused on delivering the consistent high-quality growth investors expect from Yum!. As we continue to raise the bar, our message is straightforward. Yum! is built for dependable growth, disciplined execution and long-term value creation. We have clear opportunities to deepen consumer relevance, improve restaurant economics, scale Byte across more of our system and allocate capital to create sustained shareholder value. I'm proud of the progress our team has made this quarter, and I'm confident in our ability to keep building the world's most loved, trusted and connected restaurant brands. With that, Roy, over to you.

Ranjith Roy
Chief Financial Officer

Thanks, Chris, and good morning, everyone. I'll begin with reviewing our second quarter results excluding Pizza Hut before discussing the Pizza Hut transaction, Yum!'s balance sheet and liquidity position, recent trends and updated guidance. Beginning with the top line, excluding Pizza Hut, Yum! system sales grew 7%, driven by 6% unit growth and 4% same-store sales growth. Digital sales approached $9 billion and digital mix reached 61%, excluding Pizza Hut, reflecting steady growth across app, loyalty, kiosk and delivery channels. Thanks to Yum!'s technology investments over many years, we've seen steady annual increases in digital mix across brands, with second quarter digital mix for KFC up 5 points to 67%, Taco Bell up 5 points to 47% and Habit up 9 points to 55%.

Second quarter core operating profit grew 8% even after a quarterly drag of 3 percentage points from quarterly phasing of 2026 refranchising gains and store closure costs at Habit as we communicated last quarter. Taco Bell U.S. achieved restaurant level margins of 26.2%, a 170 basis point expansion year-over-year, reflecting strong sales leverage, P&L cost optimization and a 60 basis point benefit from acquired stores. Yum!'s ex special G&A was $223 million, up 2% year-over-year. On development, excluding Pizza Hut, Yum! opened 720 stores in the quarter. KFC delivered 660 gross new stores across 55 markets in Q2. The Middle East achieved a milestone this quarter, having reached 1,500 KFC restaurants, underscoring the strength of our franchise partners and the attractive KFC restaurant economics, including 2.5- to 3-year paybacks and approximately $1.5 million in average unit volumes.

Other top contributors to KFC's unit growth in the quarter included China, India, Korea, Japan and Turkey. We expect KFC to deliver its best development year ever as franchise partners' confidence in KFC's long-term potential translates into faster store expansion. KFC continues to grow in both developed and highly underpenetrated markets that have a significant runway for unit expansion. Within more penetrated markets like South Africa and Australia, KFC is building greater store density, solidifying its local market leadership position. Within underpenetrated markets, there's considerable opportunity in India, Southeast Asia, West Africa and Brazil, which together represent more than 1/3 of the world's population. KFC's restaurant density in those markets is only 1/5 that of its top 25 markets, representing a 20,000-unit opportunity.

Recent progress is encouraging. Notably in Brazil, where KFC achieved over 20% same-store sales growth in each of the past 3 quarters. As personal incomes rise, urbanization continues and demand for chicken grows, KFC believes the markets around the world offer compelling long-term development opportunities and sustainable system sales growth for the decades to come. Moving to Taco Bell development. The brand opened 25 gross units in the U.S. during the quarter. Taco Bell is broadening its development pipeline across both traditional and nontraditional formats while improving build costs, simplifying restaurant design and enhancing unit economics to support attractive franchisee returns. Taco Bell has also expanded equity development opportunities through recent acquisitions with 24 sites registered to date across Georgia, South Carolina and Florida. Across Taco Bell's U.S. equity and franchise estate, we are encouraged that new store registrations are tracking above last year's pace.

Internationally, Taco Bell saw strong same-store sales growth and is building scale in key markets, including India, the U.K. and Canada. The strategy remains unchanged. Partner with experienced, well-capitalized franchise partners; strengthen restaurant-level economics; and build the brand with discipline. Sweden is a prime example. Since Taco Bell returned to Stockholm in November 2025, our local franchise partner has opened 4 more restaurants in rapid succession, including a restaurant that is now the best performing Taco Bell in Europe. With that momentum, the franchise partner plans to open 5 more restaurants in Sweden this year and later expanding into Denmark.

Turning to technology. As part of raising the bar, we are focused on reaching the full potential of Byte, Yum!'s proprietary AI-enabled technology platform. Scaling Byte puts Yum! on a common technology foundation across every channel, simplifying operations and allowing teams in each market to manage menus, pricing, promotions and store hours across all our ordering channels via a single platform. This reduces operational execution risk, increases pricing and promotional agility and leads to a more consistent guest experience.

Byte integration also enables our brands to recognize loyalty members regardless of the channel they choose to order from while enabling more personalized experiences over time. This control allows us to innovate more quickly, scale innovations and own the data that gives us greater visibility into restaurant operations without being at the mercy of third parties. Voice AI is a great example of where the connected Byte platform has enabled Taco Bell U.S. to more quickly deploy the technology to over 900 restaurants.

The number of Taco Bell restaurants using Voice AI capabilities continues to grow, driven by our franchise partners, further cementing our leadership position in the restaurant industry. Without a connected technology platform, the integration of Voice AI into restaurants would be significantly more challenging and costly. Over the long term, we aspire for Byte to power the vast majority of Yum! system sales outside of China, creating greater operating leverage while delivering better experiences for our consumers, restaurant teams and franchise partners. AI is becoming an increasingly important force multiplier across Yum!, embedded in how we build software, serve consumers and operate restaurants. In our restaurants, we are expanding AI-powered capabilities, including enhancements to Byte Coach that provide restaurant managers with personalized recommendations on the actions most likely to improve operational performance.

Looking ahead, we see opportunities to evolve these capabilities into real-time AI coaching that helps restaurant leaders make better decisions every day. At Yum!, every corporate employee has access to AI productivity tools with daily usage increasing more than 50% year-over-year. Teams have built more than 400 specialized AI agents to solve everyday business challenges. Collider, our in-house culture-based strategy and branding agency created Yum!'s global innovation database that combines AI, data science and predictive market research to identify opportunities for new menu items across our brands. It includes data on more than 7,000 food, beverage and marketing concepts across 35 countries and helps our brands identify emerging consumer preferences and accelerate innovation. This tool complements our innovation teams with AI giving us the logic while team members bring the magic.

Together, the global expansion of Byte and our growing AI capabilities reinforce technology as an important driver of growth and operational efficiency. Turning to Pizza Hut. As announced in June, Yum! entered into 2 definitive agreements to sell Pizza Hut for $2.7 billion in the aggregate to Yum China and LongRange Capital with the potential of an additional $75 million in an earnout from LongRange Capital by 2030. We anticipate both transactions will close in August. Following the close, we will provide certain transition services to Pizza Hut ex China that include enterprise technology and finance, with the majority of those services to be phased out over the course of 2027. For the remainder of 2026, we anticipate $2.5 million in transition services related fees per month which will fully offset Yum! corporate G&A expenses previously allocated to the Pizza Hut division.

Byte will continue to power Pizza Hut ex China under a separate commercial agreement that extends beyond and separate from any transition services. Turning to our balance sheet and liquidity position. During the first half of the year, we repurchased approximately $670 million of shares funded by free cash flow and drawing on our revolver. We currently expect to use a portion of anticipated net proceeds of $2.3 billion expected from the Pizza Hut transactions to pay down our revolver balance and the majority of the remainder will be set aside for share repurchases with timing subject to market conditions.

Turning to guidance. Our reported results for the first half of the year, excluding Pizza Hut, met or exceeded every element of our algorithm. And coming into Q3, we were highly confident in achieving or exceeding every element of the algorithm for the full year. As we now assess recent trends, Taco Bell's U.S. same-store sales growth quarter-to-date through July 27 is negative 2%. Since the U.S. food safety industry issue became front and center only 2 weeks ago, we saw maximum impact to sales over the weekend of July 18. It is early days, but in the subsequent week, sales declines have moderated materially and we are seeing steady improvement in day-over-day sales trends.

Despite the deleveraging impact of temporarily depressed sales volumes, we believe Taco Bell's third quarter equity store level margins will range between 19% and 21%. These restaurant margins reflect, first, lower but steadily improving sales. Second, investments in promotions to remind consumers of Taco Bell's incredible value; and third, the higher concentration of Taco Bell's equity footprint in more impacted markets. As Chris mentioned, our goal remains to return the brand to its pre-issue trajectory. In closing, we are encouraged by the strength and resilience of our business as well as our progress against the Raise the B.A.R. priorities that support long-term growth. We remain focused on disciplined execution, improving franchisee economics and investing thoughtfully in capabilities that will drive the next phase of expansion.

The Pizza Hut transactions reinforce our commitment to being disciplined allocators of capital with a relentless focus on long-term shareholder value creation. As we look ahead, we have much hard work to do but we remain confident in the future of Yum!. And with that, operator, we are ready to take questions.

Question-and-Answer Session

Operator

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

Dennis Geiger
UBS Investment Bank, Research Division

Great. I wanted to ask a little bit more on Taco Bell. Very helpful color there, Roy, on kind of what you're seeing of late. But just wanted to get a sense for anything more on the latest trends, as you think about the recovery trajectory, maybe just thoughts on this industry food safety environment in general. Do you see it as unique to other food safety situations? And then just anything else that you're doing to drive folks back if you've shifted plans around? Anything you can share on that front?

Ranjith Roy

Chief Financial Officer

Yes. Thank you, Dennis. Why don't I just unpack a little bit the trends we're seeing because that was part of your question, and then I'll turn it over to Chris to talk about some of the initiatives we have in place that we're very excited about. As we reported, we had negative 2% quarter-to-date same-store sales through July 27. Just as a reminder, you may be aware Taco Bell is a period reporter. So quarter-to-date includes a period of normal same-store sales growth from mid-June to mid-July, following which we saw a peak impact on July 18, which is in the second period of the quarter. And since then, we've been seeing a relatively steady recovery.

And to give you a sense, and it's only been 10 days, as you know, a week later, if you take the average sales for the last 4 days, which includes the weekend and the first 2 days of this week, we are halfway back to sales levels of the prior year. So we take some comfort in the early momentum, and we're a few days in. And as we mentioned, our goal is to get back to the brand's pre-issue trajectory.

Christopher Turner

CEO & Director

Yes. Thanks, Roy. Dennis, let me start by just reiterating that our top priority is and always will be the safety and well-being of our consumers. With respect to the consumer sentiment, though, we've seen real improvement as consumers have understood better the nature of the issue and they understand that it is not a Taco Bell specific issue. If you think about signs of that engagement, our letter -- the Taco Bell team's letter to their fans on Instagram and TikTok, it was the highest engaged post of this year, one of the highest of all time. Our measures of online sentiment, as we said, have returned to pre-issue levels of positivity.

There's been no change in our measures to brand love. In fact, in some of those measures, there's even an increase in positivity in brand love. You've seen a significant decline in Taco Bell's share of the conversation related to this issue. And the best proof point is that consumers are coming back to the restaurants on a steady basis. We've seen steady improvement in those sales trends. If you think about what we're doing, we're driving the magic formula. We shared a little detail on last week's Tuesday drop. This week's Tuesday drop. The Mexican Pizza drop this Tuesday generated the most app traffic, the most app transactions, and the most loyalty acquisitions of any Tuesday drop ever. And in fact, we saw positive transaction growth on Tuesday. If you look to the remainder of Q3, you look into Q4, our team is focused on bringing fans back and we're seeing those fans respond well.

In Q4, I'm really excited. You get a lot of elements of the magic formula that will be in place, cultural moments. You're seeing food innovation. I'm excited about Decades being in Q4. We took a vote earlier this year on what international item consumers would most want to see. You're going to see butter chicken in Q4. Of course, value is going to be a core part of how Taco Bell brings the magic formula to life and Taco Bell is known for value and our consumers care about it. There is no brand and no team better equipped to drive a recovery in this temporary sales impact than Taco Bell.

Operator

Your next question is from David Palmer with Evercore.

David Palmer
Evercore ISI Institutional Equities, Research Division

A question on KFC and thanks for your comments on your prepared remarks. It feels like KFC's management has been pretty active and maybe increasingly bullish on the long-term system-wide sales. And I'm just wondering if you might help us sort of imagine what's cooking there. It sounds like digital is something that is working, reengineering the box to help returns for franchisees. So we're seeing 2% same-store sales growth or so, 7% unit growth has been pretty steady. I'm wondering how you're thinking about those? Are those good assumptions going forward? Or might we see upside, particularly on the comps? You made some very bullish comments on Brazil and EM opportunity, but you might have room for improvement in some of the developed markets, which are relatively flat. So just wondering how you're thinking about that.

Christopher Turner
CEO & Director

Yes. Thanks, David. If we think about the KFC business, you know that it's a global powerhouse. And the KFC brands has been growing ahead of the market for many years, and it's based on its structural advantages, it's driven by the fact that we have category tailwinds. Chicken is the fastest-growing protein, projected to be one of the fastest-growing categories into the future around the globe. We've got a first-mover advantage in many markets. We've got strong franchise partners.

What you're seeing Scott Mezvinsky and the leadership team do right now is really bring the Raise the B.A.R. strategy to life. If you think about battling for the future consumer, just a couple of months ago, we introduced the new brand visual identity. You're going to be seeing that come to life in our imaging and as the brand presents itself around the globe. You've heard us talk about leveraging the learnings from Saucy to improve our tender formulation. We're going to have larger tenders, more craveable tenders. We're bringing the range of sauces, dips, drips and -- sorry, sauces, dips and rubs to life to give more flavors to our consumers. You're seeing beverages starting to roll Kwench in the U.K. and Australia. So all of those are about winning the consumer, accelerating restaurant economics.

We've got strong restaurant economics in many markets. We can make improvements though. We want every brand country combination to be moving to that 5-year payback or better over time through leveraging Yum!'s scale. And of course, we'll be increasingly bringing the benefits of Byte and our digital capabilities to markets around the globe and KFC. That will help us power the loyalty programs that we talked about in the speech to life. You put it all together, the aspiration is to drive faster growth. We've had strong unit development.

That same-store sales number, though, our history there, we are dissatisfied with it. And we think we can achieve higher and stronger same-store sales growth and higher and stronger AUVs. So that is our objective in the long run for KFC. It's going to take some time to come to life because you got 150 countries. But you are seeing it start to deliver proof points in markets like the U.K., Korea, Japan and Brazil. We're looking forward to the future.

Operator

Your next question is from Brian Bittner with Oppenheimer.

Brian Bittner

Oppenheimer & Co. Inc., Research Division

I wanted to dive into the fact that Taco Bell's digital sales are 47% of the business now, which I imagine is way above average versus other drive-through QSRs. Can you help us understand how digital has become so high for the Taco Bell brand? I know you talked about strong first-party, but maybe you can unpack the components of digital mix? And how much has digital been a driver of comps over the last several quarters and years?

Christopher Turner

CEO & Director

Yes, look, Taco Bell has an incredible digital capability. You'll remember that in 2018, we had a 1% digital mix in Taco Bell. So it's a dramatic change to that 47% today. We have a very strong first-party capability in Taco Bell. I really think it speaks to the power of loyalty and the unique nature of Taco Bell's loyalty programs. The Taco Bell fandom wants to be a part of the conversation. We go far beyond just an earn-and-burn type program. The Taco Bell program is about building a real connection with our fans.

If you think about these exclusive offers, the Tuesday drops, the things about the program that make our fans feel really special and connected to the brand, I think that's why they want to use the app. That's why they want to use the kiosk, when they're in the store. They want to identify themselves when they're going through the drive-through to ensure that they're part of that loyalty program. Of course, our digital -- Taco Bell has been powered by Byte, and we think it's a real proof point for how Byte can drive performance on both top line and bottom line for our business. It's part of why Taco Bell has grown ahead of QSR for so many quarters now and it's part of how we have kept our restaurant margin so strong for our franchise partners despite the inflation that the industry has seen over the last few years.

Operator

Your next question is from Brian Harbour with Morgan Stanley.

Brian Harbour

Morgan Stanley, Research Division

I wanted to ask about KFC also, please. I guess, I'm curious like some of this feels like it's more of an evolution for the U.S., but I mean you talk about many of these things being global. So how much of the sort of the product evolution will be brought to other markets? Are there some specific investments that you're asking franchisees to make related to kind of brand image or I don't know if anything with store image is going to change? Like how extensive is this going to be? And I guess, over what time will this evolution occur?

Christopher Turner
CEO & Director

Yes. Let me be clear. When we talk about raising the bar at KFC, we're talking about that as a global initiative. 88% of our KFC system sales are outside of the U.S. That's where the majority of the business is, and the U.K. will actually be our lead market on many of these initiatives. That will be the first to bring the brand visual identity to life. They'll be the first with tenders and sauces. They're one of the lead along with Australia on Kwench.

So it's really the global business where these will be coming to life. And that is what Scott Mezvinsky and his general managers are driving. The reason it will take some time to come to life and the reason it will take some time for us to see the impact is that you've got to bring it to life across 150 countries. We're giving consistent playbooks, but we also know in the KFC business, you've got to tailor those to be relevant to the consumers in each and every market, but this is a global aspiration.

Operator

Your next question is from John Ivankoe with JPMorgan.

John Ivankoe
JPMorgan Chase & Co, Research Division

The question is on G&A and maybe going beyond '26, even '27, obviously, you guys announcing the sale of Pizza Hut is a very big deal, and I think there were some comments on G&A that were held back not knowing exactly what you would do with that brand. So as we have an opportunity to really rethink Yum! and a post Pizza Hut environment once some of the shared services are over, how should we begin to think about whether it's G&A as a percentage of system sales or revenue, or maybe even in dollar terms considering -- especially considering some of the significant opportunities that AI is bringing to the enterprise level and also understanding some of the cost recovery that you're getting from Byte.

So as we kind of think about the important question about mapping G&A maybe in '28, which I think would give you enough time to really think about redesigning the organization, how should we begin to think about how you're thinking about that significant opportunity that you may have from an efficiency and an effectiveness perspective?

Ranjith Roy
Chief Financial Officer

Thanks, John. I'll take that one. Look, thanks for the question. Look, historically, as you know, we've been good stewards of G&A. If you look over the last 3 years, I think our G&A, you'll find is flat, while we grew units and system sales around the world. Even year-to-date, system sales in the first half of the year are up 7% and G&A, if you back out FX and acquisition related to G&A, G&A has been flat. We expect no change to our disciplined pro forma for Pizza Hut. The 1.7% G&A percent of system sales, we believe, is still relevant, and we will continue to expect operating leverage on system sales growth going forward.

We obviously, as you pointed out, have some work to do next year and the year after as the TSAs roll off, but that is really the smaller question. The bigger question is the one you brought up, and we ask ourselves and where we will be spending time is how do we allocate resources to invest in our teams and our capabilities to raise the bar and drive higher top line growth while staying within the framework and metrics that we think are reasonable and disciplined G&A targets. AI certainly plays a role in that, but there's lots of other things we're thinking through as we look to raise the bar.

Operator

Your next question is from Andrew Charles with TD Cowen.

Andrew Charles

TD Cowen, Research Division

Roy, just on Taco Bell, I appreciate the strong 2Q trends and the new action plan you shared to get back on track to reach $3 million volumes by 2030. But just to further level set the investment community's expectations, within that quarter-to-date down 2%, you talked about obviously one period of continued strength. And does that imply trends are somewhere down 20% over the last 2 weeks since publicity started recognizing you saw a nice step up week-over-week from the action plan that you quickly put in?

Ranjith Roy

Chief Financial Officer

Yes. Look, first thing on the recent trends, as we shared, look, the peak impact was on July 18. I would say that since then we've seen a steady improvement in trends and the last 4 days are well within the 20%. So I think if you look at it over the last 10 days, you'll find us on both sides of that. But currently, we're well within that.

Matthew Morris

Head of Investor Relations

Operator, we have time for one more question.

Operator

Our last question comes from Gregory Francfort with Guggenheim Securities.

Gregory Francfort

Guggenheim Securities, LLC, Research Division

Actually, just -- I wanted to ask about Kwench. I know it's maybe specific, but just maybe what drove this program on the beverage platform globally. Are you -- do you guys maybe under-index on beverages across your system? And in the early indications, early test markets, Australia and I think the U.K. was the other one, how much of a lift are you seeing? Is that noticeable to the overall AUVs noticeable to the comp?

Christopher Turner

CEO & Director

Yes. Look, Kwench is really driven by insights that have come from Collider, the taste of the future consumer, there's an increasing demand for unique crafted beverages. And we want to be there to meet that demand. And as we think about that in the U.S., you've seen us talk a lot about Live Más Café and the pilots that we're leading there in Taco Bell, which are showing a lot of promise on how that's coming to life and how it's serving consumers.

But think about the global breadth of KFC with more than 30,000 restaurants outside the U.S., we need a relevant beverage offering to be able to bring to that next generation of consumers there. Kwench is that. We've done a lot of testing with consumers in a number of markets. It's a manageable CapEx. We've got a couple of different packages depending on the AUVs in a particular market and where we think the consumer demand will be. Obviously, our franchisees wouldn't invest in it unless they believe there's a return. And what we're seeing right now in terms of the impact on same-store sales and incrementality relative to that investment tells us that this is a go in the U.K. and Australia. We'll continue to learn and refine, but it's all about battling for that future consumer.

So thank you all for your time this morning. If I sum it up, Yum!'s had an incredible first half of 2026. We had great momentum coming into the second half. The Pizza Hut transaction is on track. That will position Pizza Hut for even greater success in the future and it will position Yum! for greater success in the future because of the focus we'll be able to put on our 3 remaining brands. We've talked a lot here about KFC where we're raising the bar across our global business. We're seeing that strategy come to life and we are on track for another year of record development. Taco Bell has been navigating this industry-wide issue, but we have an incredibly strong brand there. We have an incredibly strong team. The sales impact will be temporary, and we appreciate our fans who are coming back and showing their love for Taco Bell. The long-term future of Yum! is incredibly bright. Thank you very much.

Operator

Ladies and gentlemen, that concludes today's call. Thank you for joining. You may now disconnect.

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