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EPS of \$1.58 **beats by \$0.10** | Revenue of \$1.98B (8.38% Y/Y) **beats by \$8.80M**

Yum! Brands, Inc. (YUM) Q3 2025 Earnings Call November 4, 2025 8:15 AM EST

Company Participants

Matthew Morris - Head of Investor Relations

Christopher Turner - CEO & Director

Ranjith Roy - Chief Financial Officer

Conference Call Participants

David Palmer - Evercore ISI Institutional Equities, Research Division

Dennis Geiger - UBS Investment Bank, Research Division

Danilo Gargiulo - Sanford C. Bernstein & Co., LLC., Research Division

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

Andrew Charles - TD Cowen, Research Division

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

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

John Ivankoe - JPMorgan Chase & Co, Research Division

Jeffrey Bernstein - Barclays Bank PLC, Research Division

Presentation

Operator

Hello, everyone. Thank you for joining us today for the Yum! Brands 2025 Third 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 your host, Matt Morris, Head of Investor Relations, to begin. Please go ahead, Matt.

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 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 that our fourth quarter earnings will be released on February 4 with the conference call on the same day. Finally, I want to express my appreciation to those investors who have willingly shared their perspectives on our strategy and communication. Your thoughts are important to us. I will make myself available to listen to your views as well as share those with our management teams. Now I'll turn the call over to our CEO, Chris Turner.

Christopher Turner
CEO & Director

Thank you, Matt, and good morning, everyone. With this being our first call since David's retirement, I want to recognize his exceptional leadership over the past 5 years as CEO and his many strategic contributions throughout his remarkable 36-year career at Yum!. David will continue to serve as a trusted adviser through next year. On behalf of our team members, employees and franchise partners, I want to sincerely thank David for the lasting impact and strong foundation he's built as we carry Yum! into the future.

As I take on the role of CEO, I've spent the last few months meeting many of Yum! stakeholders, including many of our leaders, Board members and largest franchise partners to better understand where Yum! is leading the industry and where Yum! has even greater potential. I've spent time in our restaurants, serving our consumers and listening to team members and general managers. Finally, I've met with many of our top shareholders to hear how Yum! can unlock even more value.

Speaking with our incredible team has reinforced how important a strong culture and performance mindset are to driving robust results. Yum! invests meaningfully in our talent and gives employees opportunities to work across functions and brands providing Yum! with the most experienced and tested leaders in the industry. Combining the best leaders with the world's most loved, trusted and connected restaurant brands is a winning formula. It's no surprise that few companies are executing at our level with Taco Bell delivering industry-leading 7% same-store sales growth and KFC on track to add nearly 3,000 new restaurants on a gross basis around the world, which would set a new record for annual gross development for the brand.

It is also clear there is a consistent theme that success in our industry depends on anticipating and adapting to changing consumer needs. That's a tremendous opportunity for a company like Yum! that already benefits from scale, talent and the ability to innovate.

With this in mind, I see 3 areas where I'll focus additional energy to raise the bar on our growth. First, we are a consumer-first business, and we must stay as relevant to the next generation of consumers as we are to our core. Second, franchisees are the lifeblood of our system, and we can do more to leverage our global scale to strengthen their store-level economics. Third, Yum! has pursued a differentiated technology strategy that gives us unmatched operational agility and control. I want to extend those advantages across more restaurants to benefit consumers, franchise partners and team members alike.

To this end, I recently announced a series of leadership changes. These included expanding the role of Taco Bell's CEO, Sean Tresvant, to include that of Yum! Chief Consumer Officer, with responsibilities that will include oversight of Collider, Yum!'s in-house consumer insights agency. Jim Dausch, Global Chief Digital and Technology Officer of Pizza Hut, was promoted to Yum! Brands' Chief Digital and Technology Officer and President of Byte by Yum!. Ranjith Roy, who goes by Roy, Yum!'s Chief Strategy Officer and Treasurer, was promoted to Chief Financial Officer. Roy had previously spent more than 15 years with Goldman Sachs, leading investment banking relationships for restaurants, food and tech businesses.

We also intend to add a Chief Scale Officer to Yum!'s leadership team, who will focus on leveraging Yum!'s scale to maximize franchise returns and drive stronger restaurant profitability. We also announced this morning that we have commenced a process to explore strategic options for the Pizza Hut brand. Our objective is to maximize value for Yum! and position Pizza Hut and its franchise partners for greater success. Pizza Hut holds key structural advantages, strong brand equity, experienced franchise partners and meaningful scale, which give it a unique opportunity to reclaim the leading position in the highly fragmented pizza market. We believe a different approach, including but not limited to, a sale of the business would allow Pizza Hut to realize its full potential.

More broadly, I'm encouraging the brand teams to play more offense through bold actions, particularly when we see opportunities to accelerate development. In that spirit, we announced our plans to complete the acquisition of 128 Taco Bell restaurants located across the Southeast U.S. in the fourth quarter. Buyout opportunities of this scale are unusual to come by in the Taco Bell system.

This acquisition provides our team with an opportunity to improve and accelerate Taco Bell profitability, expand strategic leadership within the Taco Bell system and unlock significant unit development in the region. Of course, this acquisition provides immediate and significant EBITDA growth at an attractive multiple in the context of the Taco Bell system. I want to reiterate that there is no change in strategy regarding our asset-light model.

Now let me turn to our third quarter results. Yum! delivered another strong quarter with system sales up 5% and core operating profit up 7%. Between KFC and Taco Bell, we've delivered 5% unit growth, 7% system sales growth and 11% segment operating income growth. At KFC, which represents 53% of our divisional operating profit, we delivered 14% core operating profit growth, driven by 6% unit growth and 3% same-store sales growth. Several KFC international markets are delivering exceptional results, including the U.K. market with same-store sales up 9% on 6% transaction growth and South Africa delivering 7% same-store sales growth on record youth engagement. Several markets like South Korea and Brazil posted double-digit transaction growth within the quarter.

Turning to the U.S., which represents 12% of our KFC Global system sales, we have taken bold steps over the last 18 months to reengineer our strategy, bolster our talent and pilot new approaches. The new President of KFC U.S., Catherine Tan-Gillespie, has been driving KFC's comeback plan with new marketing tactics and products focused on increasing consumer relevance, which have led to a 2% growth in same-store sales this quarter. There is still a long journey ahead, but we're pleased with Q3's momentum.

As a separate plank in the strategy, we're excited about the continued progress to refine and thoughtfully expand the Saucy pilot in the Southeast region. Let me briefly touch on KFC's unit development, which remained broad-based and energized by strong franchise engagement. I recently made a trip to Italy to visit our new franchisee, where I saw firsthand how critical having the right 3C partner is in driving powerful change. Since joining our system in 2023, our franchisee, COB, has doubled the number of stores and improved AUVs to \$2 million. I was pleased to be there when the team unveiled its Italian flagship restaurant featuring 2 floors in Rome with prime real estate between the Spanish steps and the Trevi Fountain.

Similarly, our new franchise partner in South Korea is delivering unbelievable results. That team reported their third consecutive quarter of double-digit sales and traffic growth and is set to have 5x the net new unit growth they had in 2024. Our strongest partners are expanding into new and adjacent markets, as is the case in Brazil, one of KFC's largest underpenetrated growth markets. Our highly capable 850-unit Latin American partner, Juan Carlos Serrano, is building commissaries and piloting more efficient asset formats, laying the foundation for sustainable, scaled growth ahead.

Finally, I recently returned from China, where our largest partner, Yum! China, runs the most efficient and advanced restaurant operation in the world, leading to significant market share wins over the competition. Overall, KFC's development pipeline remains robust. White space remains abundant and our well-capitalized, capable and committed franchise partners remain growth hungry. At Taco Bell, which represents 36% of our divisional operating profit, same-store sales grew 7%, reflecting continued progress on the journey laid out at the Taco Bell Consumer Day to drive \$3 million U.S. average unit volumes by 2030.

Innovation, distinctive value offerings and digital engagement drove this remarkable performance. In the U.S., Taco Bell introduced innovation-led buzz like the Tony Hawk and Bad Birdie collaborations, compelling value like the \$3 Grilled Steak Burrito and expanded its beverage platform with the launch of Refrescas and Baja Blast Midnight. Digital mix hit another record and digital sales grew 28% year-over-year. Next year, the U.S. team will add more weeks of crispy chicken, fries and beverages to expand everyday occasions, balanced with a refreshed cravings value menu and elevated guest experience.

Turning to Taco Bell International. Same-store sales growth accelerated again with momentum building as the team executes against its magic formula and strategic priorities laid out at the Taco Bell Consumer Day in March. This quarter, the team expanded to 2 new markets, Greece and Ireland. During my trip to Europe, I stopped to visit our largest international Taco Bell franchise partner, Ignacio Mora-Figueroa and his amazing Taco Bell Spain team. I saw firsthand how the team keeps building relevance and scale.

Shifting now to our goal of building the world's most trusted brands, stepping into the role of CEO has been both humbling and energizing. I couldn't be more excited to start this next chapter of Yum!'s growth with a renewed focus on what makes us extraordinary, led by our people and our culture. Our commitment to trust and connection extends beyond our restaurants. It's reflected in how we show up in our communities.

In September, we celebrated Community Impact Month. Employees at all 3 of our U.S. campuses volunteered to help more than 15,000 people in communities across the United States. Our teams fought childhood hunger, packing more than 6,000 weekend meals for kids who need the most, donated blood with the American Red Cross, prepared food with local food banks and packed hygiene and laundry kits for those in need. Hundreds of volunteers touch thousands of lives. That's the power of Yum!, serving up good everywhere there's a KFC, Pizza Hut, Taco Bell and a Habit Burger & Grill.

One month in as CEO, and I'm inspired by the commitment to excellence across our system from our franchise partners to our restaurant teams and leaders. Together, we are building on Yum!'s solid foundation to continue delivering strong, sustainable growth. And going forward, we will be laser-focused on accelerating growth around the world, backed by our 2 biggest brands, KFC and Taco Bell. With the dedication of our people, power of our brands and a clear strategic vision, I am confident that we are entering an exciting new chapter of growth and long-term value creation for Yum! and our stakeholders around the world. With that, Roy, over to you.

Ranjith Roy*Chief Financial Officer*

Thanks, Chris, and good morning, everyone. I'm excited to share our results today and to connect with many of you in the months ahead. It is an honor to transition to the CFO role, having served as Yum!'s Chief Strategy Officer and Treasurer. My connection with Yum! goes back more than 15 years. I partnered with Chris during my time at Goldman Sachs, where I was Yum!'s strategic adviser. And prior to Chris, I partnered with David Gibbs, Greg Creed and David Novak during their tenures, giving me a deep appreciation for Yum!'s enduring brands, franchise partners and talent.

Prior to joining Yum!, during my time as CFO at Goldbelly, I guided the company from being a tech start-up to being a capital-efficient high-growth retailer, reinforcing my belief in the power of evolution. It's an energizing time to step into this role as Yum! strengthens its position as the global franchisor of choice. The QSR industry is evolving rapidly. Scale and technology are defining success around the world, and these shifts play directly into Yum!'s strengths.

I look forward to continue working with Chris to advance our strategic priorities and drive sustainable growth for our franchisees and shareholders. I'll start with third quarter results before discussing Yum!'s balance sheet and liquidity position, the Taco Bell store acquisition and guidance for the year. During the third quarter, we grew system sales 5% with 3% unit growth and 3% same-store sales growth. Digital sales are growing quickly across our markets with Yum! reaching \$10 billion in digital sales and digital mix of approximately 60%. On restaurant level margins, Taco Bell U.S. delivered 23.9% margins, 50 basis points higher year-over-year despite a 1 percentage point headwind from double-digit beef inflation.

Taco Bell's restaurant margins benefited from strong top line growth fueled by, among many factors, the expansion of Taco Bell's category entry points like Crispy Chicken and Refrescas. Beef inflation will remain a headwind through year-end, though we take some comfort in beef prices declining 10% since exiting the third quarter. For KFC, the team delivered 13.7% restaurant-level margins, 120 basis points higher year-over-year, driven by significant improvements in both KFC U.K. and KFC U.S. margins.

Moving on to expenses. Ex special G&A was \$268 million, up 7% year-over-year as we lapped lower incentive compensation accruals in the third quarter of last year. Reported G&A of \$282 million included \$14 million of special expenses. And finally, third quarter core operating profit grew 7%, leading to ex special EPS of \$1.58, up 15% year-over-year.

Moving to development. we opened 1,131 gross new units globally, a Q3 record with KFC opening 760 units or a store every 3 hours. KFC's momentum remained broad-based and energized by strong franchise engagement. China, India, Thailand, South Korea and Mexico led the way, each demonstrating the strength of our playbook and the scalability of our brand. Overall, KFC's development pipeline remains robust. White space remains abundant and our well-capitalized, capable and committed franchise partners remain growth hungry.

At Taco Bell, development accelerated this quarter with 74 gross unit openings, well above Q3 levels of last year. Taco Bell International continued to build momentum, adding 27 gross new units and successfully launching 2 new markets, Greece and Ireland. On the back of accelerating sales, we remain on track to deliver 100 international net new units this year, reflecting energized franchise partners, compelling brand marketing and improving unit level economics around the world.

Early development plans for next year offer promising signs of further unit growth. At Pizza Hut, we built 289 gross units this quarter. We delivered gross builds across 31 countries with strength in China, the U.S. and India. We've been pleased with Pizza Hut's gross unit openings as the brand is a leader in new builds within the pizza category globally in all but 1 quarter over the last 4 years. However, gross builds have been partially offset by elevated closures through Q3, largely isolated to a reduction in footprint in a small number of markets, including Turkey. These closures were largely tied to specific franchisee matters impacting operational execution.

Turning to technology. As we continue to work on making our restaurants more connected to drive growth and operational excellence across the Yum! system, Jim Dausch, our new Chief Digital and Technology Officer, will help accelerate the next phase of our transformation, but our focus remains the same, building the industry's leading restaurant technology platform that enhances guest experience, simplifies operations and strengthens franchisee economics built around easy experiences, easy operations and easy insights.

I'll provide a brief update on the progress across these 3 pillars. Within easy experiences, we're creating more frictionless, engaging consumer journeys across our brands. At KFC, global digital sales mix reached 63%, supported by kiosk adoption and aggregator partnerships. Byte Commerce, our scalable and global web and mobile app ordering platform, continued to unlock the creativity of our digital marketing teams by enabling viral promotions or daily drops that drive high transaction velocity, such as Pizza Hut's \$2 Personal Pan, Tuesday offer this quarter. Byte Commerce expanded to Pizza Hut Canada, Kuwait and France this quarter, building on earlier launches in Pizza Hut U.K., Mexico and Peru.

Finally, Byte Connect, a product that streamlines order and menu integration with third-party delivery partners has expanded to KFC U.S., Taco Bell U.S. will add this service next year. Under easy operations, we are simplifying restaurant operations and giving teams better tools to deliver fast, accurate and friendly service. Byte Coach, which delivers AI recommendations to our store managers, was deployed to an additional 4,000 KFC restaurants internationally this quarter, bringing the total to more than 28,000 restaurants across the Yum! system.

Beginning next year, we'll add further AI capabilities to Byte Coach to provide restaurant general managers individualized guidance to help improve store-level performance based on inputs from a combination of operations, consumer feedback and store audit data.

Within easy insights, our data and analytics capabilities are providing better visibility and faster, more actionable insights across brands.

In addition to building more AI capabilities into the Byte ecosystem for our franchisees, consumers and restaurant general managers, we are also excited about using AI at the enterprise level to build Byte in a more efficient manner. Currently, 1/3 of our developers are regularly using AI developer tools and realizing significant productivity gains. By early 2026, substantially all of our Byte software developers will be using AI tools to write better, safer and more efficient code for the Byte platform.

Next, I'll provide an update on our balance sheet and liquidity position. Our capital priorities remain unchanged: maximize shareholder value through strategic investments in our business, maintain a strong and flexible balance sheet, offer a competitive dividend and return excess cash to shareholders. Net capital expenditures for the quarter totaled \$73 million, reflecting \$21 million in refranchising proceeds and \$94 million in gross capital expenditures.

We expect our net leverage ratio to end the year at approximately 4x, consistent with our commitment to hold leverage at approximately 4x. As announced in September, we completed successfully a \$1.5 billion issuance of Taco Bell senior secured notes with a weighted average coupon of just under 5%. Proceeds were used to repay 2026 debt maturities and to prefund our Taco Bell acquisition.

During the quarter, we repurchased approximately 244,000 shares for a total of \$36 million, bringing our year-to-date repurchases to \$372 million. As Chris shared, similar to the successful KFC U.K. acquisition last year, we saw an exciting opportunity to invest in the business and acquire 128 Taco Bell U.S. stores in the fourth quarter. The total cash outlay is expected to be approximately \$670 million, largely financed with cash on hand. In 2026, we expect the stores we're acquiring to contribute approximately \$70 million in incremental EBITDA and add 1 point to Yum!'s operating profit growth after the impact of depreciation and amortization, including reacquired franchise rights.

Due to timing and modest transition costs, we don't expect this deal to contribute to core operating profit in 2025. Additionally, the Taco Bell team can step up U.S. equity development in this market beginning in 2027. Over the long term, we anticipate profit growth for this estate to exceed Yum!'s long-term growth algorithm. As Chris mentioned, while retaining our asset-light strategy, we are investing where we see outsized strategic benefits and financial returns.

Now let me share our latest outlook for the balance of the year. As you heard from Chris, both KFC and Taco Bell are taking share from our competition. We expect KFC to achieve record gross unit openings on a full year basis and Taco Bell to deliver strong international development. At Taco Bell U.S., despite the impact of beef inflation, we expect our full year restaurant level margins to fall within our guidance at 24%, with global reported margins landing slightly below the U.S. level.

We expect Q4 ex special G&A to grow by a mid-single-digit percentage rate year-over-year, finishing the year in line with our full year guidance. To summarize, KFC and Taco Bell, which make up roughly 90% of our divisional operating profit, continue to perform exceptionally well with sales momentum that has continued into Q4.

Together, we expect these brands to be on track or ahead of our original full year plan for unit growth, sales growth and core operating profit growth. This performance is further backed by a strong execution of Byte and disciplined G&A management across the enterprise. Below the line, we expect full year interest expense to land in the range of \$505 million to \$515 million, incorporating the impact of our recent debt issuance. Lastly, at current rates, we expect FX to represent approximately a \$15 million tailwind to reported operating profit in Q4.

Finally, turning to our Pizza Hut division. We remain focused on strengthening business performance. That said, as we prepare the business for a potential transaction, our Q4 results may see some impact from actions involving isolated franchisee situations. Taking this and Pizza Hut's year-to-date performance into account, full year 2025 Yum! performance may land slightly below our algorithm. We will record expenses tied to the strategic options review as a special item. Since this is an active process, we will not be providing further comments on the status of our review.

In closing, we remain focused on continuing to deliver relevant value, distinctive innovation and rapid digital transformation, the combination that keeps us resilient regardless of macro conditions. We are confident in the strength of our strategies, the agility of our franchisees and the power of our business model to drive sustainable growth over the long term. With that, operator, we are ready to take questions.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question comes from David Palmer from Evercore ISI.

David Palmer

Evercore ISI Institutional Equities, Research Division

Great. Congrats to everybody on their promotions and appointments. It's cool to see Sean getting more responsibility in a way you're bringing back the band together with Sean and Scott, probably touching base more on the global KFC brand. I wonder how you're thinking about the opportunities and must get rights for KFC now that perhaps Pizza Hut may not, after this review, be the focus area or the problem area that it was for the company. KFC might be a focus area for Sean by default.

And so I just wonder, maybe it's worth giving a little bit of a review of what he will be and Scott will be thinking about for that brand. The U.S. chicken market is competitive, but KFC's begin -- it looks like a bit of a turnaround. What can solidify that turnaround? And it looks like the U.K. is doing great. Canada slowed a bit. Any sort of review of KFC would be helpful.

Christopher Turner

CEO & Director

Yes. Thanks, David. Obviously, KFC, our largest global brand and an incredible powerhouse, in particular, outside of the U.S., where we've seen tremendous growth over many years, modern, vibrant, relevant QSR brand in so many markets, opening a new restaurant every 3 hours. That's the surest sign of health in a restaurant brand. And you talk about the leaders there. Scott was the President of Taco Bell U.S. working closely with Sean, right before our Taco Bell Investor Day earlier this year, Sean -- Scott made the move over to take the CEO position in KFC Global.

So you can be assured that he is bringing many of the big ideas around brand relevance from Taco Bell, digital growth and relevance to consumers, food innovation. He is bringing many of those ideas over. Of course, that Taco Bell Investor Day highlighted how Taco Bell was focused on driving AUV growth. They laid out a plan from \$2.2 million to \$3 million in 2030, and Scott was part and parcel of building that plan. So you can imagine he's going to be thinking the same way in KFC globally, sustaining the unit development momentum and continually ensuring our brand is relevant to consumers. You saw the numbers in KFC U.K. this quarter, plus 9 same-store sales, really incredible results there.

Turning to the U.S. We did a lot of work over the last couple of years. The KFC brand, we want to be on a better trajectory in the U.S. We really assess what it would take. We did a lot of testing and investigation. We think it starts with brand relevance. And that's why we put Catherine Tan, one of our biggest marketing thinkers, previously the Global Chief Marketing Officer for KFC into that role. Early days on the turnaround, but we're pleased with the green shoots. You saw them take a different approach to social marketing with the launch of Spicy Wings and Wedges. We got great engagement, brought a lot of new consumers who hadn't engaged with the brand in more than a year to KFC. So a long journey ahead, but we're pleased with the progress in KFC U.S.

Operator

Our next question comes from Dennis Geiger from UBS.

Dennis Geiger

UBS Investment Bank, Research Division

Great. Congrats, Roy and to the others on well-deserved promotions. I wanted to ask a bit more about the sizable outperformance at Taco Bell, in particular, relative to the industry. And perhaps maybe sort of any early look into how you're thinking about how that momentum rolls into next year, given, I think, Chris, some of the comments you made about what sounds like more weeks of crispy chicken, fries, beverages. It seems like some news on the Cravings menu, maybe the guest experience. Any additional insights as we kind of look to next year at that momentum continuing?

Christopher Turner

CEO & Director

Yes. Look, the Taco Bell business continues to take share in the U.S. A lot has been written about the consumer. We're not seeing consumer pullback in the Taco Bell business. We do think the consumer in the U.S. is cautious, but incredibly resilient. And the consumer is telling us that in Taco Bell, they are looking for 3 things: First, craveable food; second, a convenient and easy experience; third, unbeatable value. And Taco Bell provides the combination of those 3 in a way that no other brand can.

So if you look across Q3, you saw Crispy Chicken, you saw Nacho Fries, you saw beverages with Baja Blast Midnight. So you add those to the tremendous core that we have, the craveability is clear. Convenience, fastest drive-thru experience in QSR. Voice AI stores were up 14% from the previous quarter, continue to drive the digital journey at Taco Bell, which supports a convenient experience. And then, of course, Taco Bell has always provided the best value in QSR. Go to the Cravings value menu, you can find plenty of items below \$2, \$3, tremendous items or go to the Luxe Cravings Boxes, \$9, it's the only value meal in QSR where you'll find strong innovation.

So it's that combination, coupled with the Taco Bell buzzy brand that is resonating with consumers and delivering what they need. And as a result, we saw growth across all income bands, and we saw more younger consumers and more families coming into the brand during Q3. Looking forward to Q4 and beyond, it is really that broad-based set of strengths, all of those drivers and those factors that give us confidence as we look to 2026 for the brand. Again, we are on track or ahead of our plan that Sean laid out to get to \$3 million AUVs by 2030, and you'll continue to see those layers come to life in 2026.

Operator

Our next question comes from Danilo Gargiulo from Bernstein.

Danilo Gargiulo

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

Chris, thank you so much for supporting the Italian economy. I wanted to ask you a question on your strategic priority. I mean you mentioned strengthening the franchisee store level economics. And in a moment, we were seeing the deterioration of 4-wall EBITDA in the restaurant space and potentially even more labor headwinds coming in with the tighter labor migration policies. I mean, it could be quite meaningful to see stabilization and improvement into the 4-wall economics for your own franchisees.

Now usually, the best results are coming when incentives are aligned and responsibilities are shared. So I was wondering if you can share, first of all, what goals you have in mind in terms of like the hurdle EBITDA growth for your own franchisees, the time line for that and how you're planning to incentivize your teams along that? And then finally, what kind of levers do you see to strengthen the franchisee P&L?

Christopher Turner

CEO & Director

Yes. Thanks, Danilo. The lifeblood of our system and our unit development growth is franchisees and strong unit economics. We have a large number of markets where we have incredible paybacks. You'll hear our franchisees talk about 2- to 3-year paybacks in our biggest development markets. So we want to sustain the incredible returns that we see in those markets. But we've got other markets where there is white space, opportunity for unit growth that we can unlock by getting stronger unit economics. And we think the keys to doing that are leveraging Yum!'s global scale.

Now look, we do a good job leveraging our scale in many places today. Our RSCS partners in the U.S. leverage our purchasing scale across all 4 of our brands in the U.S. But globally, we can do more to leverage our supply chain scale. That's why you see our Yum! global supply chain team coming together using that scale to help drop dollars to the bottom line for our franchise partners. Our Byte acceleration can be a part of this. We know we've got to get Byte into more international markets faster, that helps to drive both top line and bottom line growth for franchise partners through the productivity that Byte enables. And so those would be the kind of levers.

And this is also in part why we announced the creation of the Chief Scale Officer role to give us a focused leader who is helping to make it easier for our franchisees to plug into that scale around the globe. So that's our focus, and the outcome should be strengthening or accelerating unit growth over the long term by unlocking those white space opportunities.

Operator

Our next question comes from David Tarantino from Baird.

David Tarantino

Robert W. Baird & Co. Incorporated, Research Division

Chris, my question is about your strategic outlook. And I was curious to get your thoughts on how you envision the growth profile for Yum! if you were to sell the Pizza Hut business. Do you think this leads to a faster ongoing growth profile for the company? I know we can do the math on that looking backward, but just wanted to get your thoughts on how you think about it looking forward. And if you could also, as part of the answer, comment on whether you would be interested in making any other portfolio moves longer term, such as maybe adding another growth asset to the portfolio?

Christopher Turner

CEO & Director

Yes. Thanks, David. Look, Yum! is going to remain laser-focused on growth in all of our markets around the globe. Our 2 biggest brands, KFC and Taco Bell, nearly 90% of our global divisional operating profit. They are the ones that drive the bulk of our growth, and they will continue on the trajectory that they're on now. KFC will remain a strong unit developer. We think all of the scale initiatives that we just talked about will help us to unlock additional growth there.

And then, of course, we talked earlier about Scott and his focus on driving AUVs and same-store sales growth using many of the levers that were employed at Taco Bell day in and day out in the U.S. Taco Bell U.S., we just talked about the drivers of its strength in Q3 and beyond. Taco Bell International, plus 6% same-store sales growth in Q3, you dig into some of those markets, we're seeing tremendous same-store sales strength in a number of Taco Bell international markets. And of course, I was on the ground in Spain just a few weeks ago, our largest Taco Bell international market, where we see the continued evolution and building scale in that brand outside of the U.S. So I think all of those things lead to that journey toward accelerating Taco Bell international unit growth.

So those are all the factors underpinned by Byte that should allow us to continue to sustain or accelerate growth in those 2 big brands. From a portfolio standpoint, it's our job to constantly think about the portfolio. Obviously, we announced the strategic review today. No other changes at this time. We're going to be focused on completing that strategic review.

Operator

Our next question comes from Andrew Charles from TD Cowen.

Andrew Charles

TD Cowen, Research Division

Taco Bell obviously continues to be stellar performance this quarter. Just love an update on Live Más Café now you've integrated this into one of your stores. And in particular, what needs to happen for that to be rolled out more broadly?

Christopher Turner

CEO & Director

Yes. We're excited about the bold bets that we made across brands last year. A couple of those focused on the growing beverage space. Quench across 3 markets in KFC. We'll continue to add new markets there. But on Live Más Café, we think there's a big opportunity for Taco Bell to both strengthen its attachment on beverages, but through Live Más Café, add a new consumer use case, which is the destination beverage visit. We started with Live Más Café in San Diego. As of now, we have 13 that are open. We are headed toward about 30. That's our pilot group. We are seeing good consumer response in these stores.

We're very pleased with how Live Más Café is performing. Of course, we want to see it at scale with those 30 units. But assuming we get the kind of results that we expect to see in that pilot, you could expect us to lean into Live Más Café growth around the system. That's one of the drivers of the long-term growth plan for Taco Bell. We are already getting benefit for the entire system from Live Más Café. So the Refrescas that we talked about in Q3 across the system, that was a lift and shift from the piloting that we did in the first Live Más Café. So we will also be working to bring benefit from the Live Más Café effort to the entire system even before the rollout of the cafe.

Operator

Our next question comes from Christine Cho from Goldman Sachs.

Hyun Jin Cho

Goldman Sachs Group, Inc., Research Division

Chris and Roy, congrats on your new roles. You did reiterate your long-term goals, but is 5% kind of still the right anchor as you think about the underlying unit growth ahead? What are some of the major factors that you're watching for that could impact the pace of expansion going forward? And where do you see kind of the most notable white space opportunities globally, both in a market and a brand perspective?

Christopher Turner

CEO & Director

Yes. From a development perspective, our development trajectory remains strong. So far this year, we've had 95 countries with development versus 90 at this point last year. KFC gross is ahead of where it was at Q3 last year. So gross development, I think, is the top sign of health in a franchise system, and we said we're on track for a record year this year in KFC gross development. Taco Bell net new units are up almost 30% versus last year. So it reflects the trajectory that we have in Taco Bell, both in the U.S. and internationally.

Of course, we want to sustain and accelerate on both fronts. The lifeblood of this is strong unit economics. And as we shared earlier, we think through stronger unit economics in markets with white space, we can sustain and/or accelerate that path. We shared a couple of examples of where unlocks have occurred in KFC. We talked about Italy. This demonstrates when you get focused on having the right partner and focused on AUVs and unit economics, you can get an unlock.

In that market, we got a couple of competitors that have significantly more locations than we do. But in the 2 years since we changed the partner, we've doubled the unit growth, on a great trajectory. We're now opening the flagship location, which will further sustain. Korea is another example. We shared the example in South Korea, where a change in partner has dramatically changed the pace of unit growth. When you step back, we shared, for example, at KFC, we think there can be at least 75,000 KFCs around the globe. Honestly, there's white space opportunity in just about every market for KFC.

Ranjith Roy*Chief Financial Officer*

I'll also add, Christine, on the -- we make a lot -- we talk a lot about KFC development. But on the Taco Bell side as well, if you look at what happened in the most recent quarter, acceleration in same-store sales growth globally which gives us a lot of faith in the pipeline that we see for Taco Bell International in 2026 and beyond. And you look at the acquisition we're making in the Southeast United States because we actually see opportunity for white space for Taco Bell in the U.S., and this is a step that we're making in that direction.

Operator

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

Brian Bittner

Oppenheimer & Co. Inc., Research Division

Chris, I'd just like to go back to the announcement of Yum! initiating that the review of strategic options for Pizza Hut. I know you can't obviously speculate on the potential outcomes. But can you maybe walk us through the catalysts that culminated in the company making this announcement today? Is it as simple as you stepping into the CEO role and this being a part of your vision to unlock value? Or was this something in the works for a while? Just additional thoughts on the steps that got us to today's announcement on the formal review would be helpful.

Christopher Turner

CEO & Director

Yes, Brett. We are always evaluating what is best for each part of our business. Let me start by reiterating a few things about Pizza Hut. It is an iconic global brand that has incredible strength. It's got the best tasting pizza in QSR. It's got a global footprint, well north of 100 countries. It has an amazing set of franchise partners in markets around the globe. It's got meaningful scale. And that's translating to strong performance in a number of our Pizza Hut markets. In fact, if you look at gross development, if you go back over the last 4 years, Pizza Hut has had the highest gross unit development in the pizza QSR space in every quarter for the last 4 years, except for one. There's a lot of amazing strengths that Pizza Hut has.

That said, we're always focused on what is best for the brand and what is best for our franchise partners. And in that spirit, we do think the business can be positioned for even greater success in the future. And in some markets, there may be a multiyear effort that is required to reposition it as the leading pizza brand in those markets. And it's possible that those efforts may best be done under a different structure, potentially under outside ownership. And so that's what we'll be testing as we go through the review of strategic options. And that's why we're initiating that now.

It's obviously been a very thoughtful process that has led us to this announcement. We can't speculate on the exact timing of how this plays out. We'll evaluate all of the options and all of the paths, and we will share more as we have something definitive to share. I know there's going to be lots of questions about that process. But at this time, we just can't provide further comments.

Operator

Our next question comes from John Ivankoe from JPMorgan.

John Ivankoe

JPMorgan Chase & Co, Research Division

The purpose of the large Taco Bell franchisee in the Southeast and your specific mention of them being mature and having growth opportunity in the market, got me thinking about some of the large refranchising that happened 20, 25, even 30 years ago when you guys came out of PepsiCo way back when. And just a question of -- it's one thing to kind of have the best growing current franchisees over 20 to 30 years, but maybe thinking about some generational steps that could potentially happen for the next 5, 10, 20 years in terms of really restarting growth. We're driving growth in a number of your different businesses, not just around the U.S., but also around the world.

So the question really is what kind of opportunity that we may have, maybe taking some of these very successful legacy businesses that have just been in business for so long, 20, 30 years, maybe finding some other partners that are committed not just to running a great business, but growing a great business from a unit perspective. Do we have opportunity to optimize?

Christopher Turner

CEO & Director

Yes. John, let me start. We remain an asset-light business that grows through franchise partners. Our franchisees are the lifeblood. They do an incredible job operating around the globe, 1,500 franchisees, the vast majority who are well capitalized, capable and committed to our brands. Let me just start with that context. What you've seen here is an opportunity in a geography where we thought -- our data would say there's an opportunity for a lot more Taco Bell stores. And so we thought this was an opportunity to make this acquisition.

We can help to unlock unit development in the region. Of course, it comes with the immediate EBITDA lift as we look to 2026 and immediate operating profit growth as we go to 2026, and it solidifies our operational capability, which already is very strong in Taco Bell U.S. And of course, that's an important part of how the overall business operates. We do -- I'll just give one example, innovation testing in our equity estate is really, really strong and a really important part of our food innovation process at Taco Bell. So I think this is a unique opportunity.

There are other instances where we are initiating some bold actions through our equity stores. In Saucy, we took on the first store, we'll be moving to a little over 10 units in Florida. We're making those investments because we think that's the right thing to do to understand and pilot that concept. And then, of course, as part of the Live Más Café journey, we're -- we've invested in a few of the Live Más Café expansion stores. So it's a very strategic use of that capability. But at the broadest level, we remain asset-light, and we will grow through our franchise partner.

Matthew Morris

Head of Investor Relations

Operator, we have time for one more question.

Operator

Our last question today will come from Jeffrey Bernstein from Barclays.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Great. Roy, I just had a question for you. In a franchise model like this, a lot of the focus comes down to the G&A spend. I'm just wondering how you think about that line item. It's currently, I think, 1.7% of system sales, I think you're among the leaders in terms of managing it at a very low level. But I'm just wondering your thoughts on the biggest opportunity to either double down on certain investments, maybe spend a little bit more versus perhaps curtailing elsewhere. Just wondering how you think about that G&A line item. And I ask that just obviously, you're new to the role, but as we think about 2026, is there any reason why the long-term core operating profit growth target of 8% would not be reasonable as we think about it today? So just love to get your broader thoughts.

Ranjith Roy*Chief Financial Officer*

Jeff, that's a great question. 4 weeks into the role, I will admit that I don't know exactly where all the G&A is buried, but I will tell you my observations on how we've managed G&A in the past and the limited amount of change that we see from our strategy going forward on G&A. First of all, I'd observe our G&A growth overall in the past 2 years has been minimal and very disciplined. Second thing I'd observe is we're on track for mid-single-digit G&A growth this year, including incentive comp resets. So we've been very disciplined this year on G&A.

Third, I think we'll continue to be disciplined as we navigate through the strategic review process. And as that process plays out, we'll come back with more guidance. But at this point, you should expect no change to our discipline on G&A, which we've been managing while making investments into the business in terms of growth.

Christopher Turner*CEO & Director*

Great. Okay. Well, I think we're at the end of the call. So thanks, everyone, for joining. I'll just close with a couple of thoughts. I want to reinforce Yum! remains laser-focused on growth powered by our iconic global brand. Yum! provides our investors with exposure to KFC, the leading growth brand across international markets, which delivered 14% divisional operating profit growth this quarter, combined with Taco Bell, one of the most exceptional brands in the U.S., which is providing durable, defensive long-term growth via sustainable market share gains. We will continuously raise the bar. We want to keep our brands relevant. We want to elevate franchisee unit economics to unlock even more development, and we'll continue to deploy Byte. And all of that is underpinned by the best talent, the best franchise partners in the industry. In short, we're tremendously excited about our future. Thanks, everyone.

Operator

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

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