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Yum! Brands, Inc. ([YUM](#)) Q4 2025 Earnings Call February 4, 2026 8:15 AM EST

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
David Tarantino - Robert W. Baird & Co. Incorporated, Research Division
Jon Tower - Citigroup Inc., Research Division
Hyun Jin Cho - Goldman Sachs Group, Inc., Research Division
Jacob Aiken-Phillips - Melius Research LLC
Jeffrey Bernstein - Barclays Bank PLC, Research Division
Brian Bittner - Oppenheimer & Co. Inc., Research Division

Presentation

Operator

Hello, everyone, and thank you for joining us today for the Yum! Brands 2025 Fourth Quarter Earnings Call. My name is Sami and I'll be coordinating your call today.

[Operator Instructions] I will now 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 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. Our fourth quarter results reflect the comparison against an extra week in 2024 for business units that report on a period calendar basis. However, all figures discussed on this call exclude the impact of lapping that additional week.

For more details on our reporting calendars by market, please refer to our Financial Reports section of our 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 first quarter earnings will be released on April 29 with a conference call on the same day.

Now I'll turn the call over to our CEO, Chris Turner.

Christopher Turner

CEO & Director

Thank you, Matt, and good morning, everyone. Yum! delivered another year of outstanding results at KFC and Taco Bell with our fundamentals stronger than ever at both brands. Looking back at 2025, Taco Bell again gained market share, outperforming the QSR industry with exceptional 7% same-store sales growth and KFC delivered record-breaking unit development while hitting an incredible milestone in opening its 30,000th international restaurant.

Both Taco Bell and KFC delivered 10% divisional core operating profit growth, a strong outcome that speaks to the durability of Yum!'s portfolio and the skillful execution of our team. And these great results build on multiple years of compounding success as best highlighted by Taco Bell system sales being up nearly 40% and KFC international units being up over 30% since 2021.

What excites me most as I've stepped into the CEO role is not just the strength of our results, but the clarity in how we will continue to grow, building on our strengths and elevating our ambitions. The combination of our global scale, unrivaled culture and talent and world-class franchise partnerships create a unique and unbeatable competitive advantage.

Our digital capabilities continued to be a powerful sales driver in 2025 as we reached new milestones with digital mix approaching 60% and digital sales growing 20% year-over-year. We saw growth across all digital channels, including mobile apps, loyalty programs, first and third-party delivery and kiosk ordering. Investments in the Byte by Yum! platform, our loyalty ecosystem and AI-driven personalized marketing all underpin this incredible top line momentum.

These early wins reinforce our digital and technology strategy. Owning our core digital and technology platforms gives us an edge over the competition. Yum! scale uniquely positions us to develop common platforms and deploy them across brands and markets, creating a scalable foundation for the next wave of digital innovation. As we move into 2026 and beyond, I'm eager to build on what's working and in collaboration with our leaders, thoughtfully apply the insights and ideas generated in my conversations with franchisees, team members, investors and employees.

Our recipe for good growth remains unchanged. Everything we do at Yum! Brands is in service of our mission to grow iconic restaurant brands globally that are loved by our consumers, connected through people, systems and technology and trusted everywhere we operate. All of our work is powered by our unrivaled culture and talent, which remains our greatest strength and most important differentiator.

Looking forward, we are raising the bar with clear priorities to drive the next chapter of growth for Yum!. This means setting bold aspirations and delivering industry-leading performance. We have 3 core priorities. The first is battling for the future consumer with the goal of meaningfully lifting average unit volumes over time.

Second, accelerating restaurant-level economics for our franchisees, which will enable sustained industry-leading unit growth across our brands; and third, reaching the full potential of Byte, leveraging our technology and digital capabilities to create more connected experiences for our consumers and more profitable growth for our franchisees. One clear example of what raising the bar looks like in practice is Taco Bell.

The brand is relentlessly innovating for next-generation growth with clear 2030 ambitions, including reaching approximately \$3 million in U.S. average unit volumes, expanding to 3,000 international stores and delivering 25% to 26% U.S. restaurant level margins. This reflects a deliberate multiyear journey focused on battling for the future consumer, including expanding digital and loyalty and new category entry points, which together will drive higher frequency, stronger check and increasing traffic across daypart.

Combined with leveraging our scale, these initiatives improve 4-wall economics and create a more attractive, repeatable growth model for franchisees, which in turn accelerates new unit builds. Byte continues to support this progress by enabling more personalized engagement, stronger operational execution and improved restaurant-level economics. Together, these efforts demonstrate how bold aspirations, disciplined execution and a clear strategic road map can deliver durable growth and attractive returns.

Another important capability that supports how we raise the bar across the portfolio is Collider, which has been our in-house consumer insights agency for over a decade. In December, Collider published its 2026 Food Trends Report, which highlighted 3 clear shifts in consumer behavior. First is what we call the Me, Me, Me economy, where consumers are increasingly over-indexing on customization and crave-worthy food.

Second is choice therapy, where consumers reclaim a sense of agency through small intentional choices, often expressed through sauces and add-ons. And third is Vibe mapping, reflecting the importance of delivering affordability that feels good and connects emotionally. These insights shape how we think about menu architecture, innovation platforms and brand expression across the system, all with the aim of giving consumers what they want, staying ahead of the competition and taking share.

Now let me turn to our full year results. At KFC, which represents 51% of our divisional operating profit, the brand delivered a strong year with 6% system sales growth, resulting in an impressive 10% core operating profit increase. We delivered exceptional results in the U.K. market, KFC's largest equity estate, where relevant limited time offers paired with disruptive value drove a 10% increase in same-store sales in Q4 and high single-digit same-store sales growth for the year.

Our results were strong in the Middle East, where same-store sales growth was high single digits in the fourth quarter, building off of the 13% comp growth we experienced in the fourth quarter last year. As we move into 2026, KFC's CEO, Scott Mezvinsky, is leaning into his previous experience at Taco Bell and leveraging findings from Collider to reengineer the menu and calendar, continuously evolve and modernize the brand and accelerate net new unit development.

On the menu and calendar, KFC will increase the pace of its marketing windows while upgrading its limited time offerings through partnerships to enhance the brand's cultural relevance. We'll also invest in high confidence platforms that drive frequency and check growth, including beverages, sauces and tenders. Leveraging learnings from Saucy by KFC, the team has developed more than 20 sauces, creating a scalable platform that allows us to move innovation from limited time offers to always-on proposition.

We are also rolling out our beverage platform, KWENCH to approximately 3,000 stores this year, while refining our tender offerings by adjusting portion sizes and tailoring crispiness to consumer preferences. Similar to Taco Bell's successful and robust testing platform, the KFC team launched a global innovation hub in September, a centralized database of historical products, tested ideas and Collider concepts that will meaningfully shorten development cycle.

The team will pair its higher innovation cadence with profitable low price point products, compelling individual value offers and expanded daily menus designed to drive traffic while protecting margins long term. At Taco Bell, which represents 38% of our divisional operating profit, the brand continues to fire on all cylinders with full year system sales growth of 8% and core operating profit growth of 10%.

At Taco Bell U.S., our momentum continues to be driven by sustainable market share gains. Importantly, that growth is broad-based with increased penetration among higher income consumers, families and younger guests. Key growth drivers this year included innovation-led buzz with National Taco Day and Baja Blast Pie, \$5, \$7 and \$9 Luxe boxes, Decades 2.0, returning favorites like Cheesy Dipping Burritos and Nuggets and Fries.

Looking ahead, the 2026 marketing calendar builds on this momentum by broadening our core platforms while leaning into key themes that we know resonate with consumers. We're focused on unlocking more growth potential on the road to achieving our 2030 goals by leveraging our magic formula, including driving brand buzz through 26 new and tested innovation launches, dominating on value with the new Luxe value menu and optimized \$5, \$7 and \$9 boxes and expanding and innovating off our core platforms across beverages, fries, Cantina and Crispy Chicken.

Digital remains a powerful growth lever and is expected to drive nearly 1/4 of Taco Bell average unit volume growth in 2026. At Taco Bell International, in 2025, we achieved 5% same-store sales growth with standout performance in Canada, the U.K. and Spain. This included fourth quarter double-digit same-store sales growth in Canada, where we successfully launched Crispy Chicken.

We achieved over 15% system sales growth in Europe, where we launched the Live Mas Club in the U.K., laying the foundation for deeper loyalty and e-commerce integration. The team is committed to strengthening its position as a distinctive and culturally relevant brand, reinforcing its food leadership by scaling craveable platforms and testing future menu icons across key markets, leaning into value as a core traffic and relevance driver and building digital engagement through locally relevant platforms and partnerships.

Turning to the Pizza Hut strategic review that we announced last quarter. The process is proceeding as planned. And as of now, we intend to complete the review of options this year. We are pleased with the Pizza Hut team's dedication through this process, including their work with franchise partners to strengthen near-term results. Given the ongoing nature of the process, at this time, we cannot share further details on the strategic review.

As I look back on 2025, I am proud of our teams around the world who make our iconic brands loved by consumers, trusted by all stakeholders and connected to the communities we serve. Last year, we expanded access to education, skill building and employment opportunities for more than 400,000 people. In partnership with our franchisees, we donated more than 4 million pounds of food and supported communities and team members affected by disasters around the world.

I extend my heartfelt thanks to all the individuals who made these efforts possible. demonstrating how we lead with heart, which is what makes this company truly special. That's the power of Yum!, serving up good wherever we operate. As we close, we have iconic global brands with clear growth runways and a commitment to raise the bar.

I want to emphasize that our brands are executing with discipline, guided by insight and grounded in purpose. Most importantly, we have exceptional people, franchisees, team members and leaders around the world. This gives me tremendous confidence in our ability to navigate change, take share and deliver consistent long-term value for our shareholders.

With that, Roy, over to you.

Ranjith Roy

Chief Financial Officer

Thanks, Chris, and good morning, everyone. I'll begin with our fourth quarter and full year results before discussing Yum!'s balance sheet, liquidity position and guidance for the upcoming year. Beginning with top line, we grew our Q4 system sales 5%, driven by 3% unit growth and 3% same-store sales growth. System sales were led by strong Taco Bell same-store sales growth, record high KFC international unit openings and robust digital sales growth.

Our digital sales topped \$11 billion and grew 25% year-over-year, raising digital mix 9 points higher to nearly 60%. For the full year, Yum! overall system sales grew 5%, led by our 2 largest brands, Taco Bell at 8% and KFC at 6%. Q4 company restaurant margins were 16%. Taco Bell U.S. delivered 25.7% restaurant level margins, a 50 basis point expansion year-over-year on 4% same-store sales growth at company-operated restaurants.

Full year Taco Bell U.S. restaurant margins ended at 24.4%. Despite higher beef prices year-over-year, full year margins at Taco Bell U.S. expanded, thanks to strong top line and transaction growth. For KFC, Q4 restaurant level margins were 12.7%, a 60 basis point expansion year-over-year, driven by an improvement of 150 basis points in our U.K. store margins and nearly 350 basis points in our U.S. store margins. Q4 ex special G&A was \$337 million, up 5% year-over-year.

Reported G&A of \$377 million included \$40 million of special expenses primarily related to the Pizza Hut strategic options review. For the year, ex special G&A was in line with our guidance, up 5% year-over-year at \$1.15 billion. As a result, Q4 core operating profit grew 11% and ex special EPS was \$1.73. For the year, Yum! core operating profit grew 7%. Excluding the Pizza Hut division, core operating profit grew 10%. Yum! ex special EPS for the year was \$6.05, up 10%.

Moving on to development. We opened over 1,800 new units in Q4 and over 4,550 new units for the year. KFC led unit growth with over 1,100 units opened in Q4 and nearly 3,000 units opened in the year. This is a record pace for KFC's gross unit openings and spanned 105 different markets. Were it not for the Turkey closures in the first quarter of 2025, KFC would have set a net new unit record in 2025.

As you may well know, many of our franchisees set their development plans more than 12 months in advance. So the record-setting unit growth in 2025 on the back of a challenged same-store sales environment in 2024 is a testament to the global appeal of the KFC brand, its attractive restaurant paybacks and our advantaged franchise system. Building upon an already strong system, the KFC team is prioritizing further improvement in paybacks and setting bold goals to drive attractive long-term growth for the KFC brand.

A strong network of franchise partners is key to our mission, and we continue to see franchise partners achieve greater scale, advance operational capabilities and invest in growth. To that end, on Jan 1 this year, 2 of KFC's publicly traded partners, Devyani and Sapphire announced an intent to merge, creating one of the largest food and beverage companies in India. This will bring together 2 already strong partners, enhance Devyani's supply chain, technology and development capabilities and accelerate growth in one of the largest underpenetrated markets globally.

Similar advantages and scale are being realized in other parts of Asia, where the Carlyle Group, which acquired KFC Japan in 2024, has now doubled down to acquire KFC Korea, underscoring the attractiveness they see in the KFC brand and the long-term white space opportunity. Carlyle has been clear about their intentions to accelerate KFC's growth across Asia as is evident in Japan, where the pace of net new unit development increased by nearly 70% in the past year.

We are incredibly excited to see our sophisticated, well-capitalized franchise partners around the world gain greater scale and further strengthen their capabilities. which, combined with the enormous white space, provides even more reason to believe in the store development opportunity ahead. To illustrate this point, consider Thailand, an emerging market where we have approximately 24 KFC restaurants per million consuming class population today and where we continue to see strong unit growth.

We have many other large markets where the future potential is even bigger. As examples, India has only 5 and Brazil recently under new management has only 2 KFC restaurants per million consuming class population today. Turning to Taco Bell development. We opened 228 new units in Q4, our second highest Q4 ever. We continue to see a very attractive development runway, anchored by a clear target of reaching at least 10,000 units in North America and 3,000 units internationally.

Taco Bell entered 5 new markets in 2025 and opened 155 gross units internationally, up almost 40% from the prior year. Development occurred in 26 countries, including 10 units or more in each of India, the U.K., Thailand, Brazil, Spain and Canada. International expansion is supported by analytics-driven store development plans and strong top line growth, leading to improved franchisee economics, all of which reinforces our confidence in Taco Bell's global growth trajectory.

Moving to technology. As Chris mentioned, last year was an important year for our technology initiatives. We consolidated our portfolio of leading technology solutions into a single restaurant technology platform unveiled as Byte by Yum!. The Byte platform is the only multi-brand, multi-market QSR technology platform built by restaurant operators for restaurant operators. We think about Byte's evolution in chapters.

Chapter 1 was about building, integrating and proving the platform in the U.S. Chapter 2 now focuses on product excellence and accelerating adoption across our global system. To make this adoption easier, we've simplified Byte into 2 interconnected core bundles, the SmartOps bundle and the digital ordering bundle. The SmartOps bundle includes Byte point-of-sale, menu and kitchen management and is in over 7,000 restaurants at year-end.

The digital ordering bundle includes web and app ordering, menu and third-party marketplace integrations and is in nearly 18,000 restaurants at year-end. When including the 2 bundles plus more narrow a la carte offerings, at least 1 Byte product is live in approximately 38,000 restaurants globally. In 2025, Byte Digital ordering bundle expanded to 5 new markets and processed over 370 million digital transactions, representing over 60% growth year-over-year.

In 2026, we will deploy SmartOps in KFC U.K. and digital ordering in KFC Australia, marking an important next phase of expansion. Byte's benefits are widespread and include operational and consumer-facing impacts. For example, we've delivered up to a 75% reduction in aggregator ordering failure rate through the digital ordering bundle. Within the SmartOps bundle, we've had restaurants see up to a 10% increase in consumer satisfaction and up to an 85% reduction in stock-outs.

Such improvements directly support sales conversion, consumer trust and restaurant efficiency. Over time, these improvements will continue to contribute to higher same-store sales growth and stronger unit economics in support of our Raise the Bar ambitions. Furthermore, as the pace of technology change accelerates, our ability to own our data and key strategic components of our technology stack provides a differentiated competitive advantage to stay ahead.

For example, at Taco Bell, we are advancing intelligent drive-thru capabilities and our next-generation kiosk experience, both designed to improve throughput, accuracy and guest engagement. Now on to Pizza Hut. Looking back at 2025, Pizza Hut saw a 1% same-store sales decline globally for the quarter and the year. We were pleased with continued momentum in Pizza Hut International, where same-store sales were up 1% with strength in the Middle East, Latin America and Asia.

Pizza Hut globally opened over 440 gross units in Q4 and nearly 1,200 gross units in 2025 across 65 countries, representing the fifth highest gross new builds in 7 decades and a sign of brand health and strong franchise partners. This was partially offset by a few specific franchise situations that resulted in elevated Q4 store closures. As Chris shared, the strategic review we announced in November is progressing according to plan.

We have aligned stakeholders on a targeted program in the U.S., Hut Forward that represents a bridge to a longer-term acceleration of the brand. This program includes alignment on a vibrant marketing program, modernization of certain technology and franchise agreements and Yum! providing a onetime contribution to marketing support, along with the approval of some targeted closures of underperforming units. We have confidence in our Pizza Hut team and the steps they are taking.

To help set expectations on key Pizza Hut business metrics for 2026, from a unit standpoint, we expect strong gross openings globally, which are seasonally in the back half of the year. In the first half, in the U.S., we expect approximately 250 targeted closures of underperforming units tied to the Hut Forward program, which will result in a decline in global Pizza Hut units in the first half.

We expect Pizza Hut Q1 core operating profit to be down approximately 15%, driven by the Q1 impact of the onetime Hut Forward marketing support investments that will be recorded in franchise and property expenses and G&A growth due to integration costs related to recently acquired stores in the U.K. Next, I'll provide an update on our balance sheet and liquidity position as it stands today.

Our capital priorities remain unchanged: maximize shareholder value through strategic investments in the business, maintain a strong and flexible balance sheet, offer a competitive dividend and return excess cash to shareholders. For the year, net CapEx was \$293 million, consisting of \$78 million in refranchising proceeds and \$371 million in gross CapEx. We also completed a 128-unit Taco Bell acquisition for \$668 million in Q4.

When combining dividends and share buybacks, we returned approximately \$1.35 billion to shareholders in 2025. Our net leverage ended the year at approximately 4x. Subject to market conditions, we expect to hold our net leverage at approximately 4x moving forward. Turning to 2026 outlook. When excluding the Pizza Hut division, we are confident the rest of our portfolio will meet or exceed every component of our long-term growth algorithm, including delivering over 5% net new unit growth.

We expect Taco Bell U.S. restaurant level margins of between 24% and 25%, excluding Pizza Hut, ex special G&A will grow mid-single digits, which includes the incremental overhead assumed with the Q4 Taco Bell U.S. store acquisition. Amortization of reacquired franchise rights, which we record in unallocated company restaurant expenses will increase by \$30 million, again, reflecting the Q4 Taco Bell U.S. store acquisition.

We expect interest expense to fall in the range of \$500 million to \$520 million for the full year when excluding any potential debt issuances. We expect our tax rate to be in the range of 22% to 24%. In closing, we are encouraged by the strength and resilience of our business, significant white space opportunity, strong unit economics, highly capable franchise partners and clear growth drivers.

In 2026, we are focused on Raising the Bar across all our businesses and completing the review of Pizza Hut strategic options, positioning Yum! for its next phase of growth and long-term value creation. With that, operator, we are ready to take questions.

Question-and-Answer Session

Operator

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

Dennis Geiger

UBS Investment Bank, Research Division

Appreciate all of the detail and the color on the call. Very helpful. Wondering if you could talk a little bit more about some of the comments around accelerating the long-term growth.

If there's anything to elaborate on sort of opportunities to accelerate an already strong growth profile, perhaps any high-level color on sort of a potential -- what a potential increased focus on the Taco Bell and KFC businesses post strategic review, what that could do as far as the growth and maybe strengthening that growth even further?

Christopher Turner

CEO & Director

Yes. Thanks, Dennis. As we look forward, the business has momentum coming out of 2025, continuing into 2026. As we look at 2026, you've got a lot of great things happening across our 2 big businesses in KFC and Taco Bell. Of course, on the unit development side, KFC delivered a tremendous 2025. We had record gross unit openings for the full year and in Q4.

That tells you that paybacks are strong. Our franchisees are strong in KFC International. And with our Raise the Bar strategy, we're looking to accelerate restaurant economics over the coming years, which will help us to broaden and sustain that strong development pace. Taco Bell, we had strong same-store sales in both U.S. and international. International, 5% same-store sales growth last year. We got back to pace on net new unit growth in Taco Bell.

We can continue to build on that in Taco Bell International. So we feel good about the development trajectory. As we go to the same-store sales side and building to overall system sales, really excited about what the KFC global team is doing. You saw acceleration on a 2-year basis from Q3 into Q4 on KFC. Scott Mezvinsky and his team, of course, are taking a page from the magic formula playbook at Taco Bell. Scott spent many years there.

And you're seeing that come to life in our marketing plans for 2026 and beyond. They're focused on elevating marketing, things like the partnerships that we had with Stranger Things in the U.K., which led to a plus 7 last year in the U.K. in KFC. New category entry points. We talked about expanding beverages, for example, rolling KWENCH out to nearly 3,000 stores this year.

Elevating our innovation. We talked about tenders and ensuring we've got the right sizes, the right formulations across markets to resonate with that next generation of consumers and of course, expanding flavors through sauces. Loyalty, we'll continue to take loyalty to more markets in KFC. And underneath all of it is leveraging our scale to help franchisees to deliver the right value across markets. In Taco Bell, it's continuing the momentum.

The plan is working. We've laid out, Sean, at the event early last year, the path to 2030. We are on or ahead of that plan to get to approximately \$3 million AUVs. We talked about some of the excitement drivers for this year. I'll just highlight a few that I'm really excited about. The biggest value launch in the brand's history earlier this year with the Luxe value menu, tremendous items at \$3 or less.

Our loyalty program continues to grow 23% more members last year. That's 23% more members where we can have a direct relationship. And then finally, I'll highlight the strength relative to the industry. Taco Bell continues to play in a category of one. You sum it all up with the profit plan, we'll continue to be balanced on how we manage G&A.

You look at 2026, we were already confident in our ability to deliver the algorithm even before you take into account those Taco Bell store acquisitions. With that, it just raises our confidence in our ability to deliver or exceed the long-term growth algorithm ex Pizza Hut as we go into next year.

Operator

Our next question comes from David Palmer from Evercore ISI.

David Palmer

Evercore ISI Institutional Equities, Research Division

I wanted to follow up on the prospects for reacceleration in KFC Global Development and maybe the potential for higher franchise revenue and profitability from the composition of growth in the future as hopefully, the non-China unit growth accelerates. There's been some slowdown even beyond the Turkey closures. I'm wondering if you could give us some reasons to feel confident that you can get back to '23 levels of KFC International growth ex China.

And I know you've talked about some European markets, for example, having a higher profitability per store and that are also underpenetrated. So I'm wondering if there's maybe also a little thing there where your composition of growth could really be a positive for franchise revenue and the profitability of that revenue.

Christopher Turner

CEO & Director

Yes. Thanks, David. If we focus on KFC global development, you're hitting on some really important points, and they tie back to the raise the bar strategy, badly for the future consumer, which ultimately should result in higher AUV growth and accelerating restaurant economics for our franchisees, which, of course, is the lifeblood of unit development.

To your point, we have really strong paybacks in a number of markets where we get the most development today, China being our biggest development market. But we expect to grow units in all of our markets around the globe. Every country, 150-plus countries that KFC is in. And of course, you do that by in markets where the paybacks aren't as strong, how do we accelerate those? And that's what Scott Mezvinsky and team are focused on.

It starts with reaching the consumer and driving AUV growth. The second piece of that is leveraging our scale to help our franchisees continue to improve margins. So we have focused goals on how over the next few years do we systematically improve paybacks. As we do that, we will unlock white space in those markets. To your point, many of those markets may have higher AUVs than some of the places where we get the most development today.

They may also have higher royalty rates. So both of those help to build the economic picture over the long term. Just to give you a few examples of when we get focused on markets, how we can accelerate, let's start with Korea. We've done a lot of work transformation in that market with our partner. In 2023 and 2024, we had 5 and 6 net new units. Last year, we accelerated to 39. Italy, we were doing low double digits, 12 units in 2023, brought in a new partner, got focused on driving growth there.

We've done 35 and 34 units each of the last 2 years. Japan, we were doing mid-30s development, new partner focused strategy. We've elevated that to 69 units last year. So you've got these examples of how when we lean in, we can unlock development. As I look forward, I'm really excited to see what happens in Brazil. We have plenty of other markets where Scott Mezvinsky and his team are focused on unlocking that white space that we know is out there.

Operator

Our next question comes from David Tarantino from Baird.

David Tarantino

Robert W. Baird & Co. Incorporated, Research Division

I guess my first question is sticking with the theme on unit development. I guess if I look at your business, excluding Pizza Hut and some of the turkey closures you disclosed earlier last year, your unit development would have been comfortably above 5%. I think it would be around 6% for the remaining business.

And I just wanted to ask how you're thinking about that growth rate for, I guess, the 2 big brands and whether your commentary this morning is meant to signal that you think you might be able to accelerate that pace? Or are you just talking about perhaps trying to continue that type of pace of growth in the KFC and Taco Bell businesses?

Ranjith Roy

Chief Financial Officer

Yes. Thank you. Happy to cover that. Look, we're very pleased with the unit development momentum we have around the world, both in terms of near record development in KFC, accelerating development in Taco Bell, and this covers multiple markets around the world.

Now you guys have pointed out around things around the acceleration and so on and so forth. If you tie that to what Chris Turner just covered in terms of raising the bar, the natural outcome of that is accelerating development over the longer term. I think also as you think about -- you pointed out how does that flow through to our growth algorithm look, we had a couple of factors in the last year.

One, you pointed out, Turkey closures that obviously have an impact on flow-through of net new units to system sales. The other is we are big believers in the Yum! China strategy. They're going after consumers with models that have strong paybacks, delivering positive transactions and same-store sales growth, but with mathematically lower AUVs. We're fully supportive of that strategy.

But when you couple that with accelerating development as we unlock higher AUV markets around the world, along with the higher royalties we have relative to the advantaged license fees we get from -- we provide to Yum! China, you get the double whammy of accelerating growth over time, and we're focused on going after that opportunity.

Operator

Our next question comes from Jon Tower from Citi.

Jon Tower

Citigroup Inc., Research Division

I was hoping maybe you could discuss Taco Bell's comp growth in '25 and specifically, maybe how much of it was traffic driven? And then digging into that a little bit, breaking down how much was increased guest frequency rather than dragging -- bringing in new guests.

And then specifically, where these new guests are coming from with respect to demographics? Are you starting to hit more at the higher income level in '25 and how that sets up for next year?

Christopher Turner

CEO & Director

Yes. Thanks, Jon. Look, really healthy growth in 2025 in Taco Bell U.S. If you dig into it, we had strong same-store sales growth. Our numbers would say we were 5 or more points ahead of the category taking share. If you look at transaction growth, our data would say we were nearly 5 points ahead of the category. So bringing more consumers on more occasions to our restaurants. That transaction growth was driven by penetration and frequency.

And to your point, it happened with a broad range of consumers. We saw transaction growth at all income bands, but we did bring more higher income consumers into Taco Bell. We saw transaction growth with younger consumers and with consumers with families. In fact, from a penetration standpoint, we saw the highest penetration growth in the 18- to 24-year range. So think about battling for that future consumer.

Taco Bell is showing us a great example of how to do that. With that kind of growth relative to the category, I think we're taking share broadly from a broad range of competitors. It tells us that the Taco Bell marketing and value are really resonating. The new category use occasions that the team has added are very well fit to consumer needs. And of course, as we bring those new consumers in, we're working hard to get them into the loyalty program, which helps us to build a relationship with them to keep them coming back for the long term and to continue to build frequency over time.

I'm really excited. Just wait, watch for announcements around this year's Live Mas Live event whenever we have that, I think we'll all be really excited by what Sean and the team share. When you sum it up for Taco Bell, they're doing a few things together. They have a really cool brand that is incredibly relevant in culture. They are providing craveability.

They're providing tremendous value and a convenient experience. Some other brands can do 1 or 2 of those things, but Taco Bell does all 4 of those things incredibly well. That's why they're winning and it's proven by their results.

Operator

Our next question comes from Christine Cho from Goldman Sachs.

Hyun Jin Cho

Goldman Sachs Group, Inc., Research Division

Great to see the Byte initiatives really moving to the next level. Could you help us understand the current adoption of Byte in the U.S. specifically to kind of get a sense of the outcomes from the step 1? What are some of the primary areas of adoption? How does the pace of progress compare with prior years and feedback you're getting from franchisees? And lastly, Roy, could you share any latest thoughts on the tech-related G&A into 2026?

Ranjith Roy

Chief Financial Officer

Thanks, Christine. I'll take both those questions. Look, as we mentioned in the prepared remarks, the U.S. market is where Byte has the highest penetration today. I would say that most of its components are active in the Taco Bell U.S. system. And you're seeing that not just in how it works in making the restaurant operations efficient, but also in consumer-facing technologies that enable the marketing teams to drive better outcomes on the top line.

We're also fairly penetrated, I'd say, in the Pizza Hut system in the U.S. We need to do more penetration, and we plan to do more penetration in KFC over time. Obviously, from a deployment perspective, the focus is on expanding into selected international markets, proving it out and then scaling because a massive opportunity in the years ahead. In addition, we're not taking our eyes off the ball in terms of maintaining and upgrading technology where it's already deployed.

That includes various initiatives, both between the Byte team as well as the Taco Bell's technology teams. And we're continuing to make investments in that respect. Our investments are going to be prudent as we deploy and update technology, and we'll continue to bend the curve on G&A. But to be clear, we are still investing in technology on behalf of our system, and it's an important component of us raising the bar. All of this is incorporated into our confidence in delivering the algorithm or above this year.

Operator

Our next question comes from Jacob Aiken-Phillips from Melius Research.

Jacob Aiken-Phillips

Melius Research LLC

I just wanted to continue off of the Byte question a little bit. I appreciate you breaking it down into some more easily communicable parts. But -- so internationally, you're making strides. And I'm just curious what's currently the gating factor for further international expansion? Are new restaurants that are opening up internationally coming with Byte components?

And then any color you can give on the time line once it's implemented in a restaurant and when do you start seeing the benefits? And how does that mature?

Christopher Turner

CEO & Director

Yes, Jacob, as we talk about reaching the full potential of Byte, of course, part of that is where we have Byte deployed, how do we continue to innovate and stay ahead on behalf of our franchisees of the competition. But the other part of reaching the full potential of Byte is taking it to more of our international markets. We introduced it to our international franchisees last year.

The steps that are involved, you have to be thoughtful as you deploy. You certainly evaluate the Byte benefits relative to the technology systems that are currently in those markets. Then once you've aligned with the franchise partners on the upside from implementing Byte, you then think through the implementation plan, and you want to be very thoughtful, particularly on the SmartOps side. You want to be very thoughtful about how you implement the restaurant, how you work through the change management with the team members.

So it's a process. That's why this will be a journey that takes time. We talked about a couple of the big markets and deployments that we'll be focused on this year. So this will be a steady expansion, but we look forward to getting Byte into more and more markets so that our franchise partners can benefit from it and our marketing teams can leverage the Byte capabilities to better connect with consumers.

Operator

Our next question comes from Jeffrey Bernstein from Barclays.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Just curious about, Chris, your views on life beyond Pizza Hut. I know there's no color to share just yet. But your thoughts on the existing portfolio's ability to achieve the prior long-term algorithm. It sounds like you're framing it as the potential upside as you focus on the 2 core brands. But as you think about willingness to consider adding another global brand or whether you prefer to focus on accelerating your 2 core brands where seemingly you have momentum.

And then just a clarification, Roy, I think you said potential upside to your long-term algorithm across 2026. Just want to make sure that includes -- we should be assuming upside to the potential 8% plus core operating profit growth target for this year?

Christopher Turner

CEO & Director

Yes. Thanks a bunch. As we think about the business for the long term, right now, we've got to complete the review of strategic options in Pizza Hut. So our primary focus right now is driving performance in all 4 of our brands. Our teams are laser-focused on that. And then, of course, we have a set of team members that are focused on that review of strategic options. And that is where the focus is right now. As we conclude that process, we'll share more on the long-term thoughts on the evolution of Yum!'s strategy, but that's where our focus is now. Clearly, as I said, all 4 of our brands, we want to perform exceptionally well. We want them to be growing. We want them to be taking share. The 2 biggest brands, Taco Bell and KFC, we've talked extensively about our confidence based on the momentum last year coming into this year.

And as we implement the Raise the Bar strategy, we believe that, that should improve all elements of the algorithm. That's why we are doing it. It will improve our ability to deliver or to overdeliver on elements of the algorithm. That's why we are doing Raise the Bar.

Battle for the future consumer, how do we increase our relevance to the next generation of consumers while remaining relevant to our core consumers who love us so much, accelerating restaurant economics that is the lifeblood of unit development, as we talked earlier, allows us to broaden the base of development, unlock white space in a broader set of markets.

And then, of course, reaching the full potential of Byte, where we've deployed, ensure we operate with excellence and continue to innovate with our franchisees and in new markets where we haven't deployed yet, how do we take Byte there so that more markets can enjoy the benefits of it. That's why we're doing to Raise the Bar. It's why we have confidence in the long-term trajectory of the business.

Ranjith Roy

Chief Financial Officer

And to clarify around the specific question around guidance to 2026, look, I hope you're hearing from the prepared remarks and our Q&A. Our guidance is around 2026, but this team's confidence is about the long-term potential of the business is extremely strong. Our guidance is specific to ex Pizza Hut. We obviously give specific Pizza Hut specific guidance separately, so you guys can model it out.

And yes, based on the strength that we're seeing in Taco Bell, lapping the lap, KFC in Q4 beginning to lap the lap globally, we're continuing to see momentum in 2026. And the combination of factors allows us to have confidence that we're going to meet or exceed every element of the algorithm in 2026, including the 8% operating profit growth, ex Pizza Hut.

Christopher Turner

CEO & Director

Operator, we have time for one more question.

Operator

Our final question today will come from Brian Bittner from Oppenheimer.

Brian Bittner

Oppenheimer & Co. Inc., Research Division

As it relates to Pizza Hut and just the positioning of the U.S. portfolio, you did talk about closing 250 units in the first half as part of this program. Do you anticipate this to encompass the totality of the units you think you need to close? Or is there a reason to think that number could grow? Just what do you think the optimal number of stores for Pizza Hut to operate in the U.S. is as you position this brand moving forward?

Ranjith Roy

Chief Financial Officer

Brian, I'm happy to take that. Look, as we said in the last earnings call, we are taking focused short-term actions on Pizza Hut focused on the execution of the strategic review. In that context, tremendously happy with the progress the team has made.

And as we talk about the Hut Forward program, which is where the closures come from, we think it's -- the Hut Forward is all focused on early 2026. The 250 stores that we mentioned is a very small portion of the 20,000 unit estate that Pizza Hut has globally, and it is the right answer for the brand as we move through the strategic review.

Christopher Turner

CEO & Director

Great. Thanks, everyone, for your time this morning and really good questions. Just in closing, I'll note a couple of things. Our 2 big brands, Taco Bell, incredible momentum, the category of one with a plan that is working and the momentum continues. KFC, global structural advantage, development momentum that continues and a real focus on accelerating AUVs over time, leveraging the best of the Taco Bell magic formula, Scott and his team.

All of that's powered by Yum!'s distinctive strengths, which are talent and culture, digital and Byte, scale and a global franchise base of the best franchise partners in the business. All of that sums up the confidence entering 2026, and we're looking forward to Raising the Bar. Thanks so much.

Operator

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

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