Yum China Holdings, Inc. (YUMC) Q2 2026 Earnings Call Transcript

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Q2: 2026-07-30 Earnings Summary

Insights

EPS of $0.70 beats by $0.03 | Revenue of $3.14B (12.59% Y/Y) beats by $86.37M

Yum China Holdings, Inc. (YUMC) Q2 2026 Earnings Call July 30, 2026 7:00 AM EDT

Company Participants

Florence Lip - Senior Director of Investor Relations
Joey Wat - CEO & Executive Director
Adrian Ding - Chief Financial Officer

Conference Call Participants

Michelle Cheng - Goldman Sachs Group, Inc., Research Division
Chen Luo - BofA Securities, Research Division
Lillian Lou - Morgan Stanley, Research Division
Kin Shun Ling - Jefferies LLC, Research Division
Xiaopo Wei - Citigroup Inc. Exchange Research
Christine Peng - UBS Investment Bank, Research Division
Yushen Wang - CLSA Limited, Research Division

Presentation

Operator

Good day, everyone, and thank you for standing by. Welcome to Yum China's Second Quarter 2026 Earnings Conference Call.

[Operator Instructions]

Please be advised that today's conference is being recorded. Now it's my pleasure to hand the conference to Florence Lip, Senior Director of Investor Relations. Please proceed.

Florence Lip
Senior Director of Investor Relations

Thank you, operator. Hello, everyone, and welcome to Yum China's Second Quarter 2026 Earnings Conference Call. With me on the call are our CEO, Ms. Joey Wat; and our CFO, Mr. Adrian Ding. Before we begin, I will remind everyone that our remarks and investor materials contain forward-looking statements. These are subject to future events and uncertainties, and actual results may differ materially.

Please refer to these forward-looking statements together with the cautionary statement in our earnings release and the risk factors included in our SEC filings. We'll also be talking about non-GAAP financial measures. We encourage you to review the comparable GAAP measures, along with the reconciliation of non-GAAP and GAAP measures provided in our earnings release, which is available on our Investor Relations website at ir.yumchina.com.

You can also find both the webcast replay and a PowerPoint presentation on our IR website. Please note that all year-over-year growth rates discussed today exclude the impact of foreign currency, unless we mentioned otherwise. With that, I'll now turn the call over to Joey Wat, CEO of Yum China. Joey?

Joey Wat
CEO & Executive Director

Hello, everyone, and thank you for joining us. We delivered strong second quarter results. For the ninth consecutive quarter, we achieved system sales growth, operating profit growth and OP margin expansion at the same time. I would like to thank our team again for making this possible.

Revenue grew 13%. Operating profit increased 14% and diluted EPS rose 21% year-over-year, partially supported by favorable foreign exchange impact. Excluding foreign exchange impact, system sales grew 6% in quarter 2, up from 4% in quarter 1 and continued to outperform the catering industry.

Same-store sales growth also improved sequentially to 1%, driven by the 14th consecutive quarter of same-store transaction growth. We opened 560 net new stores with expansion accelerating year-over-year across both equity and franchise stores. With our dual focus on innovation and operational efficiency, Q2 restaurant margins and OP margins stayed resilient despite significant cost pressure from a higher delivery mix. Our breakthrough side-by-side modules are scaling rapidly, especially in higher-tier cities.

KFC's KCOFFEE Cafe and KPRO are effectively capturing new customer occasions. Pizza Hut's new Burger Bar was well received by our customers. At the same time, KFC's Small Town model and Pizza Hut WOW are helping us penetrate lower-tier cities quickly. Together with innovation in our core menus, these initiatives are unlocking new opportunities for us. Let me start with Pizza Hut, which made significant progress in quarter 2.

Pizza Hut same-store sales growth returned to positive at 1%, while new store openings accelerated, almost double what we did in quarter 2 last year. This brings net new store openings to 381 in the first half, nearly matching our 2025 total. In April, we launched Fajitas and Shakshuka on the spring menu to enrich Pizza Hut's protein platforms and enhance the dining experience. In May, we extended our pizza category into lighter meal occasions with a new multigrain crust and new protein and vegetable toppings.

Duoguwu Neng Liang pizza. The pizza's colorful look, nutrient packed profile and grain-rich texture make it our best-selling crust since launch in June. We also introduced an individual-sized multi-grain pizza with less than 500 calories, helping us attract more solo and light meal diners.

Beyond pizza, we are taking Pizza Hut's burger category to the next level with a new side-by-side module, Pizza Hut Burger Bar. In just 6 months, it has expanded to more than 200 locations, contributing double-digit incremental sales and meaningful profit to parent stores. Pizza Hut Burger Bar features a tight menu centered on make-to-order burgers from an open kitchen.

Our buns are baked fresh in-store every day [Foreign Language] and our patties come straight off the griddle, releasing a rich savory aroma. Great-tasting burgers, amazing value for money and a quick service model have proved very appealing to young consumers and solo diners. With light investment and by utilizing space in existing stores, we believe Pizza Hut Burger Bar can unlock significant growth opportunities for Pizza Hut.

We plan to accelerate the rollout in the second half, reaching 500 to 600 locations by the end of 2026. That would represent around 10% of Pizza Hut's nearly 5,000 store portfolio. And we are about to reach a major breakthrough by becoming the owner of the Pizza Hut brand in Mainland China after operating the brand in the market for 36 years.

In the near term, the savings in license fees will enhance store economics and make Pizza Hut restaurant margin closer to KFC's. This will enable more potential new stores to meet our payback requirement of 2 to 3 years. Over the longer term, brand ownership will give us greater strategic flexibility and allow us to respond more nimbly to market opportunities and consumer needs. While we are still reviewing our growth plan, our initial assessment points to accelerated store openings beginning next year.

In 2027 and 2028, we now expect net new openings to exceed 800 per year, up from our original target of over 600. As we step up our efforts at Pizza Hut, KFC continues to be our #1 growth driver, delivering strong results. In quarter 2, both system sales and core operating profit grew 7% year-over-year. Same-store sales grew 1%. In the first half, KFC opened nearly 800 net new stores, around 200 more than in the first half last year. KFC's hero products and their extensions continued to drive strong sales and repeat purchases.

Chicken has become a major platform for at-home consumption, generating over CNY 2 billion in sales last year. This category has delivered double-digit growth every year since its launch in 2021 and remains on track for double-digit growth in 2026.

In April, we add the aromatic paper wrap roasted chicken, [Foreign Language] to the permanent menu. It's super juicy and high in protein, appealing to consumers seeking lighter meals. Zinger is another top-selling platform for KFC. In quarter 2, we introduced the limited time offer more fragrant, spicier Zinger. [Foreign Language] the Extra Spicy Chicken, secret sauce and toasted sesame aroma attracted younger customers.

Sales were especially strong in spicy loving provinces such as Jiangxi and Sichuan. With more regional flavors to come, we see strong potential for the Zinger category to exceed CNY 5 billion in sales by end of 2026. KFC's side-by-side modules, KCOFFEE Cafe and KPRO continue to gain momentum and deliver incremental sales and profits. KCOFFEE Cafe grew to more than 3,300 locations, and we are on track to reach 5,000 locations by the end of 2027.

In addition to coffee offerings, KCOFFEE Cafe is broadening its tea and food options, including more eight top flavors and breakfast pairings to expand its addressable market. KPRO has expanded to over 450 locations and has proven more promising than we expected. Earlier this year, we raised our year-end rollout target from 400 to 600 locations, and we now expect to reach around 800 locations.

Following its success in higher-tier cities, we are expanding KPRO into select lower-tier cities. Beyond increasing its footprint, we are capturing the growing demand for lighter meals through menu innovation. In addition to our signature energy bowls, we recently launched sandwiches featuring whole wheat bun and chia seed and high protein ingredients.

The sandwiches became an instant hit with good repeat purchases. In fact, more than 80% of KPRO sales came from KFC members, showing the power of cross-selling and membership. Combined with our trusted food quality standards and strong value for money, KPRO is well positioned to become a leading player in China's light meal business.

Aside from new modules, KFC is also rolling out car-side pickup service to improve convenience for customers who drive. More than 8,000 KFC stores now offer either drive-thru or car-side pickup, where our restaurant staff bring orders to designated pull-up areas. While customer awareness and habits are still in the early stage, the service is gaining traction, supported by strong repeat purchases.

Over 7 million members have used this service this year, yet that still represents only 3% of our active member base, leaving significant room for growth. Let me now turn the call over to Adrian.

Adrian Ding
Chief Financial Officer

Thank you, Joey. Let me update key highlights by brand, starting with KFC. In quarter 2, both KFC same-store sales growth and system sales growth improved sequentially. System sales grew 7%, up from 5% in quarter 1. Same-store sales grew 1%, the fifth consecutive quarter of growth. Same-store transaction grew 4%, more than offset the ticket average decrease of 3%. Ticket average was CNY 36 lower year-on-year, mainly due to incremental smaller orders from new customer segments and locations such as KCOFFEE and KPRO.

Despite significant rider cost headwinds, KFC's restaurant margin expanded 20 basis points to 17.1% in quarter 2. OP margin also expanded by 20 basis points, once again demonstrating KFC's strong execution and nimble operations at scale. KFC's side-by-side modules continue to drive incremental sales and profit while improving store economics through model iteration.

KCOFFEE Cafe delivered around mid-single-digit sales uplift to its parent stores, while KPRO delivered around 20%. CapEx for both KCOFFEE Cafe and KPRO has come down by around half from earlier modules last year, and both are showing solid margin improvement. Now moving on to Pizza Hut. In quarter 2, system sales grew 6% year-over-year, accelerating from 4% in quarter 1, driven by the sequential improvement in same-store sales growth to 1%, same-store transactions grew strongly by 13% in quarter 2, marking the 14th consecutive quarter of growth, offsetting an 11% ticket average decrease. Ticket average was CNY 68, moving closer to our target range of CNY 60 to CNY 70 in line with our mass market strategy, mainly driven by better value for money and incremental smaller orders, including those from solo diners and Burger Bar.

Pizza Hut restaurant margin was down 40 basis points, mainly due to the increased costs associated with higher delivery sales mix, better value for money and expenses related to the launch of the Pizza Hut Burger Bar. The new initiative successfully drove incremental sales and profit with a modest margin investment.

In the first half, restaurant margin was up 10 basis points year-over-year. OP margin expanded by 60 basis points, mainly driven by lower closure and impairment expenses, reflecting improved store performance. In the second half, we expect greater year-on-year improvement versus the first half in Pizza Hut restaurant margin as efficiency continued to improve and rider cost headwinds softened.

Moving on to store opening. We opened around 1,200 net new stores in the first half, about double the pace of the same period last year and entered more than 200 new cities. Both equity and franchise store openings accelerated year-over-year. In the higher-tier cities, we continue to densify our network, primarily through equity stores to sustain our powerful brand momentum and operational mode.

At the same time, franchisees, which accounted for 40% of total net new openings in the first half are unlocking incremental opportunities for us. They provide additional resources to help us expand into lower-tier cities, remote areas and strategic locations. With franchise stores accounting for only 18% of total stores of Yum China, we're confident there are significant opportunities ahead.

Let me now go through our quarter 2 P&L. System sales grew 6% year-on-year. Same-store sales grew 1%, sequentially improved from quarter 1. Our restaurant margin was 16.1%, in line with the prior year level. Improvements in occupancy and other costs offset growth in cost of sales and cost of labor. Cost of sales was 31.5%, 50 basis points higher year-over-year, mainly due to better value for menu offerings, increased packaging costs due to higher delivery sales mix and Pizza Hut's new menu items, which have higher COS and are still being optimized.

Commodity prices remain favorable, though the benefit was smaller than before. We also improved our procurement efficiency through menu innovation and dynamic price management. Cost of labor was 27.6%, 40 basis points higher year-on-year. Rider costs continued to increase year-on-year in quarter 2, driven by the strong growth in delivery sales mix, which rose from 45% last year to 54% this year.

The margin impact from rider cost was 140 basis points, slightly lower than in quarter 1, and we offset most of that through enhanced store operations. Occupancy and other was 24.8%, 90 basis points lower year-over-year. The rent ratio improved through lease renegotiations and more favorable rent in lower-tier cities.

We also implemented other initiatives to enhance operational efficiency. Our OP margin was 11.1%, 20 basis points higher year-over-year, achieving the ninth consecutive quarter of OP margin expansion. Savings in G&A expenses helped improve OP margins. Operating profit was $348 million, a second quarter record, growing 7% year-on-year. Net income was $244 million, up 6% year-on-year.

Excluding our investment in Meituan, net income grew 3% year-on-year. Our investment in Meituan had a negative impact of $6 million in quarter 2 compared to a negative impact of $14 million in quarter 2 last year. As a reminder, we recognized $13 million less in interest income in quarter 2 this year due to a lower cash balance resulting from the cash we returned to shareholders and lower interest rates. Diluted EPS was $0.70, 14% higher year-on-year or up 10%, excluding our investment in Meituan.

Now moving on to our 2026 outlook. Let me start with sales. Since June, we have been lapping a higher delivery sales base, and that tougher sales comparison will continue through the second half. That said, given our disciplined execution last year and multiple growth drivers, we remain confident in our ability to lead the catering industry in China.

July tracked broadly in line with our expectations. We are working hard to maintain positive same-store sales growth in quarter 3 and deliver the 15th consecutive quarter of positive same-store transaction growth. Moving on to margins. Before considering the impact of the Pizza Hut deal, we expect quarter 3 restaurant margin to be stable to slightly positive year-on-year.

Relative to the first half, incremental rider cost pressure is expected to moderate slightly as delivery sales mix already increased to 51% in quarter 3 last year. Our continued efforts to improve operational efficiency and optimize store costs, including rent, labor productivity and CapEx are expected to support margins, giving us room to reinvest in growth. We expect OP margin to be roughly in line with quarter 3 last year.

There was a positive margin impact of about 20 basis points from some ad hoc government subsidies in quarter 3 2025 that are not expected to repeat in quarter 3 this year. Some similar subsidies were already recognized in the first half this year, though in smaller amounts. For the full year, without considering the impact of the Pizza Hut deal, we're confident in meeting our 2026 targets, which are consistent with the range we shared at our Investor Day last year and in February.

These include same-store sales index of 100 to 102, mid- to high single-digit system sales growth, high single-digit operating profit growth, double-digit EPS growth and a slight improvement in restaurant and OP margins from Yum China.

Additionally, we remain on track to reach 20,000 stores by year-end. Now let's turn to the Pizza Hut deal, which is on track to close in August. We plan to fund this transaction primarily with debt. We expect to borrow an offshore bridge loan of around $1.2 billion equivalent for up to 12 months. For longer-term financing, all options remain on the table.

We'll proceed in the best interest of our shareholders and execute financing when market conditions are appropriate. We'll provide an update once our financing plan is finalized. The savings in the 3% license fee payments to Yum! Brands are expected to add 2.8% to Pizza Hut's restaurant OP margins after taking VAT into account. This translates to approximately 60 basis points for Yum China overall.

For quarter 3, we expect around 30 to 40 basis points positive impact to both Yum China's restaurant and OP margins and for the 2026 full year, around 20 to 30 basis points. After accounting for deal-related costs, financing interest expense, tax and without considering the potential higher growth of Pizza Hut, we expect the deal to be accretive to diluted EPS, slightly accretive in 2026 and mid-single-digit accretive in 2027 and 2028.

In terms of capital returns to shareholders, we remain on track to return $1.5 billion to shareholders in 2026, equivalent to around 10% of our current market cap. In the first half, we returned $718 million, including $515 million through share repurchases and $203 million through quarterly cash dividends. We stepped up share repurchases in quarter 2, reflecting what we believe was a relatively attractive share price.

From 2027 onwards, we remain committed to returning around 100% of annual free cash flow after subsidiaries dividend payment to noncontrolling interests. This translates to an average of $900 million to $1 billion plus in 2027 and 2028 and exceed $1 billion in 2028 and beyond. With ownership of Pizza Hut brands supporting faster growth, we also see potential upside to our future free cash flow. With that, let me hand it back to Joey for her closing remarks.

Joey Wat
CEO & Executive Director

Thank you, Adrian. Looking ahead, we are firing on all cylinders to drive sales and expand our addressable market. A number of our initiatives have each reached or are about to reach the meaningful milestone of CNY 1 billion in sales or around 1% of Yum China sales.

KCOFFEE Cafe generated around CNY 1 billion in sales last year. We target to double that to nearly CNY 2 billion this year. KPRO is expected to quadruple in sales year-over-year this year and exceed CNY 1 billion in sales next year. KFC's drive-thru and car-side pickup are gaining strong momentum. We target to reach CNY 1 billion in sales this year.

Pizza Hut Burgers, a category we introduced 2 years ago, is also gaining popularity. We now target over CNY 1 billion in sales this year or around 5% to 6% of Pizza Hut sales. We remain confident in the strength of our brands and our ability to deliver sustainable growth even in the current dynamic environment. And we continue to see significant long-term growth potential in China. Together with our team, I look forward to achieving our growth targets for 2026 and beyond. Now let me pass it back to Florence.

Florence Lip
Senior Director of Investor Relations

Thanks, Joey. Now we will open the call for questions. In order to give more people the chance to ask questions, please limit to one at a time. Operator, please start the Q&A.

Question-and-Answer Session

Operator

[Operator Instructions]

Our first question is from Michelle Cheng with Goldman Sachs.

Michelle Cheng
Goldman Sachs Group, Inc., Research Division

Congrats again for the very solid results. My question is about the overall consumption environment and also the pricing and promotion trend. So we actually heard from many consumer companies and also looking at the macro data, second quarter market has been turning softer.

And even into third quarter, it's not exciting and definitely the weather didn't help at all. But you still delivered a very solid result in second quarter. So can you share with us your observation on the overall consumption trend?

And I remember a few quarters ago, you mentioned the promotional activities has been better in China. But given this kind of consumption trend, do you see any risks on the reemergence of this pricing trend or promotion activities in the market? And since we know we have an easier base on margin. So still want to hear your thoughts how to balance this pricing trend and the promotional activities to drive the sales growth.

Joey Wat
CEO & Executive Director

Thank you, Michelle. We are encouraged to see the rebound. In June retail sales compared that with May actually. And as Adrian mentioned earlier in prepared remarks, July tracked broadly in line with our expectations. There was some extreme weather, but it was temporary and it has certain regional impact in July.

Coming back to the few trends, there are a few things here worth noting. Consumers are still willing to spend on certain occasions. They are still growing nicely and present attractive opportunities such as coffee, light meal and they're willing to spend money on innovative products and experiences, strong value for money and emotional value. And then additional interesting trend is we see some stabilization in pricing trends.

More players are willing to take pricing, reflecting a stable consumer environment and the competition between the delivery platform is more rational. So these are positive. And on top of that, we continue to see ongoing increase, what we call chainification. China restaurant chain, the percentage has grown from 20% to 30% plus and it's still relatively low compared with 60% plus in mature market.

And there's also another one little trend going on is since April, the government has tightened oversight of the food delivery related to what is called ghost kitchen. We view this as a positive development, raising the standard of the industry, and we expect to benefit from our well-established food safety, which is a strategic moat for us.

Thus, Michelle, Yum China team, we are working hard to drive traffic, sales and profit all at the same time, and we target to maintain positive same-store sales growth in quarter 3 and deliver 15 quarter of same-store transaction growth as well. Thank you, Michelle.

Operator

Our next question comes from Chen Luo with Bank of America.

Chen Luo
BofA Securities, Research Division

Congrats again on the strong results for Q2. My question is focused on our Pizza Hut China brand acquisition. Just now, Adrian mentioned that there will be a 12-month bridge loan.

But regarding the future refinancing plan, do we have any options in mind that we can share with investors, say, whether these options may include syndicated loans or even CB. In particular, there have been some market concerns from some investors that if we are opting for CB, whether this will have some negative impact, either in terms of dilution or in terms of the share price performance.

I understand that we are always trying to take a very disciplined approach, always trying to maximize shareholder value. So any color or comment on our future refinancing plan would be appreciated.

Adrian Ding
Chief Financial Officer

Sure. Thank you, Chen. So indeed, as I mentioned in the prepared remarks, we expect to take a bridge loan of approximately $1.2 billion equivalent of up to 12 months to close the transaction first. And by the way, the closing will take place in August, as I mentioned. The bridge loan interest rate will be approximately 2%. So it will be quite favorable. And your question actually focused on the takeout financing or the long-term refinancing.

Indeed, we think all options currently are on the table, including syndicated loans, including bonds, including CBs, et cetera, et cetera. And given you specifically asked about CB, although it's actually pretty preliminary, and we don't have any inclination on which instrument we take. But speaking for CB specifically, let's say, even if we choose to take CB as the takeout financing option, there are different ways to minimize or reduce the dilution meaningfully -- potential dilution meaningfully.

For instance, the issuer can take a capital option, thereby to increase the conversion premium from 20%, 30% to as much as 70% or 80% -- that means the share price when it only gets to 70%, 80% premium versus the time when they issue the CB, then the dilution will occur.

In which case, the shareholders will be pretty happy, right? The share price is 80% up. And even at that point in time, there is still an option to use net share settlement, meaning that only the in-the money portion of the CB will be used -- will be issuing shares.

So the dilution all in all will be very limited. So that's about CB. And you can see some of the other big technology companies actually did quite similar things. That's what I mentioned to minimize the dilution impact. Again, we're still studying the different long-term refinancing options and all the different options are on the table. But I just want to share more color given you asked about the CB.

Operator

Our next question comes from Lillian Lou with Morgan Stanley.

Lillian Lou
Morgan Stanley, Research Division

My question is focusing on Pizza Hut again. I think in the previous statement, you mentioned second half Pizza Hut margin will see some improvement. Just a little bit of clarification, does that include the buyback, the margin accretion from the loyalty fee or it's underlying margin improvement?

That's more technical question to clarify. And the major question is more on the Pizza Hut store expansion acceleration. How do you balance this store expansion pace versus maintaining a positive same-store?

Adrian Ding
Chief Financial Officer

Yes. I will take the question first, Lillian. So on your clarification question, obviously, our guidance, as we mentioned in the prepared remarks, is disregarding or without taking into account the Pizza Hut deal.

We do expect the restaurant margin for Pizza Hut in the second half will enjoy a greater expansion compared to the first half. And the key reason is the moderation of rider cost pressure. Obviously, in the second half of last year, the delivery sales mix in the base was a bit more normal or comparable to what we see currently.

Obviously, in the second half of this year, there will still be a delivery sales mix increase, but the delta year-over-year will be much less, meaning the rider cost pressure will be more manageable in the second half. In other cost line items, I think the trend will be kind of similar. For COS on the second half for Pizza Hut, it will be broadly stable year-over-year.

In our last earnings release, we guided a full year approximately 34% COS for Pizza Hut. I think we should be able to deliver consistent results compared to our guidance on Pizza Hut COS. On the long term, COS for Pizza will be 31% plus or minus 1% as we always commented. O&O, we do see opportunity for expansion there.

So that's on the first question.

The second part of the question is the relationship between store opening and comp sales for Pizza Hut specifically, I think you mentioned. I think over the past few quarters or even the past few years, we have always trying to balance the different factors, right, like comp sales, store opening, margin, profit growth. And hopefully, it's fair to say that we successfully delivered right or proper balance in most of the quarters or hopefully in the past few years in a consistent manner.

And indeed, we see lots of untapped opportunities for Pizza Hut here in China, obviously, for KFC too, but you asked about Pizza Hut. So we will open the stores. We will not slow down the store opening. And in terms of store opening, we do open store across different tiers, high-tier city, low-tier city. For pizza, particularly, the lower-tier city penetration, there are actually lots of opportunities, right?

We are kind of a bit underrepresented there compared to where we are for KFC and compared to some of the local Chinese QSR brands there. So -- and for high-tier city, we will also continue to defend our market leadership and open stores in higher-tier city. And I think you focus on the relationship between store opening and comp sales, there are different ways where we can manage or reduce the sales transfer by store opening.

For instance, when we open stores in strategic channels like hospitals, university campuses, the sales transfer will be rather limited, right, because it's kind of a close trade zone. For instance, when we open stores in lower-tier cities, because there are lots of white space, the sales transfer will be rather limited. And also, that's similarly true for outskirts areas in high-tier cities, too.

So as always, we'll try to balance the different metrics and hopefully deliver a set of results that are satisfactory to our shareholders.

Operator

Our next question comes from Anne Ling with Jefferies.

Kin Shun Ling

Jefferies LLC, Research Division

Also on Pizza Hut side, we see pizza -- the burger bar having very good momentum, and we are like expanding to more locations. But for me, it's like I would like to understand like because we are offering burger, the product itself something similar to that of pizza. So how do we like prevent from cannibalization?

And it seems that like we do have like incremental sales. So as a customer, possibly like even when I go to the store, I might want to go for a burger. So in that case, like how do we like maintain or prevent the cannibalization?

And also like for the incremental growth coming out from the burger bar, like where do you think the market share is coming out from? What is the customers that you have attracted that are new to you? Yes, that's my question.

Joey Wat
CEO & Executive Director

Cannibalization with what?

Kin Shun Ling
Jefferies LLC, Research Division

With the existing [indiscernible]

Joey Wat
CEO & Executive Director

So -- and the overall market of the burger, first of all, is growing very nicely. So that's a good starting point. And when we decided to launch the Pizza Hut Burger, it's very clear among our team that the products need to be very unique.

So it's unique compared to KFC to start with, that the buns are baked fresh in the store. So that is very unique, not only compared with KFC, but many other incumbent player in the market. And then the patty were prepared based on order. So the quality of product is fantastic. And I think after learning from over 200 locations, we can see we are probably competing with business they focus on beef burger. So given KFC's beef burger share is mid-single digits.

So -- and the burgers are quite unique and different. So KFC is not the target, but from other beef burger focused brands. And then in terms of cannibalization with pizza, we see incremental sales because it's always good to offer choices to customer by offering a new category. And we can see that in our number. I mean, it's double-digit sales to the parent stores and the margin is nice.

Therefore, within a few months, we built over 200 locations, and now we are targeting to increase to 500 to 600. And we are talking about CNY 1 billion sales, which is 5% to 6% of the Pizza Hut sales. So that is pretty fast. And fundamentally, and it's the quality of the products that matter most. And then, of course, the value for money is there and the brand is there. That's how we build our business. So we are very excited and hopeful about this incremental business.

Kin Shun Ling
Jefferies LLC, Research Division

Yes, definitely. I see that you're offering burger at Huang Ji Huang. I'm looking forward to have a try.

Joey Wat
CEO & Executive Director

It tastes really good. I hope you like it.

Kin Shun Ling
Jefferies LLC, Research Division

I'll try. Okay. Thank you.

Operator

Our next question comes from Xiaopo Wei with Citi.

Xiaopo Wei
Citigroup Inc. Exchange Research

I'd like to take this opportunity to ask more about Pizza Hut because it's the first time you talk to investors after announcing the acquisition of the brand. We just try to understand how big changes you will bring to the business after acquisition. For example, from your revitalization experience the past few years, what do you think will be the low-hanging fruit on the business after you acquire the brand?

And what has been the big challenges during the revitalization process? And how could you use the self-owned brand ownership to bridge the differences and make the challenges more less? And also, will you make big changes in the business looking forward, like even transforming the business model of Pizza Hut. So anything -- any color on that would be very helpful.

Joey Wat

CEO & Executive Director

I suppose we feel like we need a separate meeting just for that topic. Let me try to answer at the high level here. You are asking about the challenges in revitalization and then with the acquisition of the brand, any additional sort of changes, if that's what I heard you.

We started the Pizza Hut transformation back to 2017. By 2024, we shared with our shareholders that we've reached inflection point. So it has been a long and committed transformation. And I am very honest to say this, the transformation is mainly fundamental. We rebuilt the core capabilities from the product. For example, the crust, the DoughMaster, the crust technology and know-how. We just launched the multigrain crust in June, and it became instant hit. And this will not happen if we have not built our core capability in the dough in the last many years.

We built our menu. Pizza right now is only 14% of our sales, which is significantly different from the rest of pizza business outside China. We also recently launched burger business. And I think with this burger story, I would like to sort of answer your question about what is the benefit of the brand ownership.

In the past, because we did not own the brand, even when we have this brilliant idea of doing Pizza Burger bar, you can imagine there were a lot of conversation behind the scenes. Yum! has been very, very good partner. But still, the communication takes time, the explanation, the logic and how would that impact the overall Pizza Hut brand globally, all these conversation takes time. And there are many benefits for the brand ownership because not only we are buying the brand, but we also are going to own the recipe, the trademark and many other things. And with that, we will have better ability to react or to respond to the market changes.

Our action will be faster and sharper. And that strategic independence and speed is quite valuable. So among the many other benefits, this is one. And additionally, if I could highlight, it does help us to open stores even faster. You have very good numbers. You are probably aware that for quarter 1 alone, the Pizza Hut China new store opening is more than 100% of the global opening, put it that way. And we could open the store even faster. Why?

Because you will understand and fully appreciate when we open a store, we want the quality first. That means we would look at what other store reach 2 to 3 years payback first. And then we open store. So now with the additional margin of 2.8% into our restaurant margin, more store will meet our requirement. And thus, we are increasing the guideline of next year new store opening to 800 on the condition that they will meet our 2 to 3 years payback.

So I think with that, I'm going to pause about what are the benefits. And again, I think, yes, we need more time to go through this particular topic. Thank you again, Xiaopo.

Xiaopo Wei

Citigroup Inc. Exchange Research

We probably need an Investor Day on this topic.

Operator

One moment for our next question that comes from Christine Peng with UBS.

Christine Peng

UBS Investment Bank, Research Division

So I have a question for Joey. So Joey, I noticed that in the presentation, you actually spent quite a bit of time talking about the new initiatives, especially in terms of product innovations.

So just to a broader picture, we also noticed that the Chinese government has been trying to advocate a healthier diet for the general public in view of the increasing health care cost pressure for the government. So I was just wondering what management thoughts towards this initiative? And also, I'm also very keen to understand the supply chain efforts, any challenges when you're trying to more healthier choices such as KPRO, et cetera, to the consumers of Yum China.

Joey Wat

CEO & Executive Director

Thank you, Christine. We want to be more specific about the growth of new initiatives because given KFC's size of business, it's quite hard to highlight the scale of the initiative. But once we point out, they are actually quite big already like KCOFFEE is CNY 1 billion sales, and then we're going to double it to CNY 2 billion. And then KPRO, we are quadruple. I mean the growth is 4x, it's not even 2x, and then we are going to reach CNY 1 billion sales. And all these are very sizable if it's a stand-alone business.

So we highlight that for that reason. And come to your question about the diet, I would like to point out that KFC and Pizza Hut both offer very healthy diet, too. Protein is very healthy. Chicken is very nice protein. What we talk about for KPRO is light meal. And that's the important concept. Light meal is growing very nicely, as you can see, because the concept is good and both in terms of food and also drink.

So the light meal is about protein again. And that also includes Pizza Hut, our recent light meal platform of the multigrain crust pizza with the protein, protein topping like the chicken, the egg and then mixed with vegetable. And then on the drink side, the drink come with protein, again, is getting very popular.

So certainly an area growing nicely. So for KPRO, it's not something that new. We start to open the first KPRO that was 2017 actually. So we've been working on the menu year after year, year after year, year after year until we get to the menu that customers like with the right balance of the protein, the calorie and the vegetable, et cetera.

And then when it comes to the supply chain, the key thing about supply chain in China and for us is food safety. And we are absolutely committed to it. And everything we produce, we provide in KPRO and then also the Light Meal option for Pizza Hut is from our supply chain, and we share the suppliers between the 2 brands and our smaller brands as well. And again, the key thing is get committed food safety. That's the focus. And that's our strategic moat as well.

So we are very confident about the Light Meal option because it's not only -- it's like the concept is great, but customers trust our food safety. you can see KPRO we have 6 promise. If we go a bit deeper and make one more comment before I conclude my answer here is food safety for light meal, the requirement is even higher than fried chicken. It's much harder to achieve food safety for salad, whether the Chinese salad or Western, than fried chicken. Thank you.

Operator

Our last question comes from Ethan Wang with CLSA.

Yushen Wang
CLSA Limited, Research Division

My question is on KCOFFEE. KCOFFEE is now an important contributor to KFC sales. I'm just wondering, how is the same-store sales growth trend going in the second quarter and third quarter? Because we noticed for the other coffee and milk tea companies because of a high base, because of delivery subsidy, same-store sales growth has been pretty weak starting from second quarter. So just wondering how is that going with KCOFFEE?

Joey Wat
CEO & Executive Director

Thank you, Ethan. You know us quite well already. I mean I'm sure you're aware that whatever we do, the execution is always very disciplined. and that applies to KCOFFEE as well. For KCOFFEE, last year, we get to the sales of CNY 1 billion sales. And for 2026, we are going to get to CNY 2 billion plus. And it's still contributing about mid-single-digit same-store sales to the parent stores. And the ticket average or the price per cup is still at similar level compared to last year. So I'm afraid I'm going to give you a boringly stable answer, which is sort of our style here. Adrian, anything else to add?

Adrian Ding
Chief Financial Officer

Sure, sure. Indeed, Ethan, so we don't separately disclose the comp sales for KCOFFEE Cafe as a module. But what we can say is, obviously, the daily sales is higher than the pre-delivery war period of time, right?

That speaks for the consumer mindshare improvement. And we have always been making the comment that KCOFFEE Cafe does somewhat benefit from the delivery war and increasing consumer mind share, thereby helping us do a lot of new location expansion. Now it's more than 3,300 locations, and we guided more than 5,000 locations end of next year, which is 2 years ahead of schedule. And one of the key precondition for us to do that is really the daily cup sale that has to be increasing in a very healthy way, right? And then we're very happy to see. And now the delivery war already is very rational for -- particularly for beverage sector, but the daily cup sale is higher than the pre-delivery period of time. So we are pretty satisfied with that. Thank you, Ethan.

Joey Wat
CEO & Executive Director

Thank you.

Adrian Ding
Chief Financial Officer

Thank you.

Florence Lip
Senior Director of Investor Relations

Thank you, Joey and thank you, Adrian. Now we will conclude our Q&A session. Thank you for joining the call today. Thank you.

Operator

And this concludes our conference. Thank you for participating, and you may now disconnect.

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