Restaurant Research®

Concept Analysis & Benchmark Report

Pizza Hut 2024

Executive Summary

Pizza Hut enjoys substantial scale and strong brand equity as the 2nd largest national player in the $1B+ chain pizza segment by domestic system sales. An ongoing repositioning towards a modern delivery concept includes: a pivot from dine-in assets to smaller stores optimized for digital & delivery; and a rollout of "Hut Lanes" drive-thru windows which helps improve the relevancy of older "Red Roof" dine-in restaurants in good markets. The chain's "Nobody out pizzas the Hut" menu strategy seeks to reclaim its America's favorite pizza positioning, returning to a heritage of making special pizzas customers can only get at Pizza Hut. Progress in digital ordering and access includes DSP delivery-as-a-service partnerships which increase delivery capacity & market reach. While Pizza Hut's comp sales have historically underperformed the segment average, the brand's repositioning should eventually begin to drive sales more in-line with segment performance. To this end, the chain's long-term positioning benefits from its: ongoing substitution of Delco for dine-in locations; progress in digital ordering & access; DSP integration which increases delivery capacity & market reach; and relevant product innovation. Notably, the chain's current unit economics are generally in-line with the segment average and continue to improve as dine-in assets are replaced with Delcos. Having said all this, Pizza Hut remains challenged to build a sustainable competitive advantage that resonates in the hyper-competitive pizza segment which is evidenced by persistent comp underperformance and a steady decline in domestic market share, reflecting that roughly half of system stores include dining rooms and many are located in outdated, rural markets. Further, while the chain's value equation is improving, it is hampered by a bi-furcated system marked by different cost structures for its dine-in & Delco assets. In conclusion, while Pizza Hut's positioning is improving, the brand must still compete around value in a tough economic environment while it simultaneously completes its asset conversion sufficient to finish its evolution into a relevant competitor in the very challenging pizza segment.

Parent Company Summary

Parent Company	Ticker	Corp. Debt Rating	Net Debt [(1)]/ EBITDA	EV/ EBITDA	Stock Performance		
					2023	TTM	Jan-24
Yum! Brands, Inc.	YUM	Ba2	4.97	18.70	2.0%	-0.8%	
$1B+ Chains			5.49	15.52	21.1%	3.9%	

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(1) Net Debt includes operating leases.

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