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EPS of \$0.59 **beats by \$0.21** | Revenue of \$347.97M (3.15% Y/Y) **misses by \$3,360.00**

BJ's Restaurants, Inc. (NASDAQ:[BJRI](#)) Q1 2025 Earnings Conference Call May 1, 2025 5:00 PM ET

Company Participants

Rana Schirmer - Director-SEC Reporting
Brad Richmond - Interim Chief Executive Officer
Lyle Tick - President & Chief Concept Officer
Tom Houdek - Chief Financial Officer

Conference Call Participants

Alex Slagle - Jefferies
Brian Bittner - Oppenheimer & Company
Jeffrey Bernstein - Barclays
Sharon Zackfia - William Blair
Brian Mullan - Piper Sandler
Todd Brooks - The Benchmark Company
Jon Tower - Citigroup
Andrew Wolf - C.L. King

Operator

Good afternoon, and welcome to the BJ's Restaurants First Quarter 2025 Earnings Release Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note, this event is being recorded.

I would now like to turn the conference over to Rana Schirmer, Director of SEC Reporting. Please go ahead.

Rana Schirmer

Thank you, operator. Good afternoon, everyone, and welcome to our fiscal 2025 first quarter investor conference call and webcast. After the market closed today, we released our financial results for our fiscal 2025 first quarter. You can view the full text of our earnings release on our website at www.bjsrestaurants.com.

I will begin by reminding you that our comments on the conference call today will contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that forward-looking statements are not guarantees of future performance and that undue reliance should not be placed on such statements. These statements are based on management's current business and market expectations, and our actual results could differ materially from those projections in the forward-looking statements.

We undertake no obligation to publicly update or revise any forward-looking statements or to make any other forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by the securities laws. Investors are referred to the full discussion of risks and uncertainties associated with forward-looking statements contained in the company's filings with the Securities and Exchange Commission.

We will start today's call with prepared remarks from Brad Richmond, our Interim Chief Executive Officer; followed by Lyle Tick, our President and Chief Concept Officer; and Tom Houdek, our Chief Financial Officer. After our prepared remarks, we will take your questions.

And with that, I will turn the call over to Brad Richmond. Brad?

Brad Richmond

Thank you, Rana, and good afternoon, everyone. We appreciate you joining us today to discuss our performance for the fiscal first quarter of 2025 and updated annual outlook for 2025.

Our first quarter comp sales performance was strong, driven by significant traffic growth, which meaningfully outpaced the industry. While sales were a bit behind our internal expectation, the shortfall was isolated to February where monthly comps were negative due to adverse weather and the delay in federal income tax refund processing.

But January and March comp growth was strong at approximately plus 3%, in line with our expectations. Importantly, our operating initiatives delivered improved guest satisfaction scores, which bodes well for future sales growth.

And we expanded margins beyond the normal sales growth leveraging expectations. As a result of the stronger margin performance, we've raised our earnings expectations and increased our planned share buyback range. Tom will take you through those details in a minute.

Even amidst the potential macroeconomic headwinds in 2025, we believe we are well-positioned to continue to be a share taker and expand margins as we look across the remainder of the year. Underlying this are well-developed near-term sales growth drivers, initiatives around operational excellence and executing at our best, while also supporting investments in our longer-term strategic initiatives to create shareholder value beyond 2025.

Before I turn it over to Lyle to walk you through a few of those key highlights, I want to thank our restaurant operators who make this happen every day, at every restaurant, for every guest.

Our support team centers who have raised their level of support to enable our operators to perform better and the rest of our leadership team who have been very agile and adaptive on developing and implementing near-term actions and have put in the extra effort to develop our broader strategic initiatives as we move this business ahead with more clarity and certainty.

And a big thanks to Lyle for his guidance through the early phases of this journey. His insight and leadership have been instrumental in our progress, and we believe BJ's is well-positioned for the long-term.

With that, let me turn it over to Lyle to talk more broadly about our brand refresh and growth initiatives.

Lyle Tick

Thank you, Brad. Good afternoon, everyone, and thank you for joining us today. I'm happy to report another quarter of positive sales, driven by 2.7% traffic growth, which beat the black box industry average by approximately 320 basis points as well as margin expansion, resulting in 16% restaurant-level operating margins and 10.2% adjusted EBITDA margins, representing improvements of 100 basis points and 150 basis points, respectively, year-over-year.

I'm also pleased with the progress we're making across both our short and long-term strategic initiatives. While we're still in the early innings of this journey, we're increasingly confident in our actions and continue to believe the work we're putting in place now we can build upon going forward.

Before I look ahead, I will take a moment to briefly double-click on Q1. We continue to put the guest and team member experience at the center of everything we do, and I believe that is reflected in our sales performance, particularly our continued traffic outperformance as well as our margin expansion.

On the sales side, we continue to leverage one of our core brand equities, the Pizookie. The Pizookie Meal Deal continues to resonate with guests, providing a great value and an accessible everyday splurge opportunity that consumers need now more than ever.

I also want to give a shout out to our marketing and operations teams for their agility in recognizing and building on the emerging social media interest in our Pizookie Platter, which combines four regular-sized Pizookies into huge treat. This off-menu jumbo Pizookie started to gain traction in January on TikTok, and the teams moved quickly on both the marketing and operations side to leverage the momentum.

So far, the Platter has generated over 57 million in organic social impressions, and we've sold over 24,000 Pizookie Platters, a 17 times increase from the previous run rate. This compelling value, combined with increased social relevancy was reflected in traffic growth not only during the week when the Pizookie Meal Deal was offered, but also throughout the weekend.

On the margin side, we continue to focus on helping our team members be more effective and efficient to enable better execution and guest satisfaction. Outside our typical sales leverage gains, we continue to make practical improvements to our POS and KDS systems to help make it easier for our team members to enter menu items, improving accuracy and speed for the guests and helping us reduce our comp, food, and beverages, which has seen a 13% reduction year-over-year, a win-win for the team member and guest experience.

I also want to highlight our proactive facilities program, leveraging the equipment tagging system we implemented in the second half of last year and our Preventative Maintenance Programs that mitigate emergency repairs.

These efforts ensure our team members have the tools to deliver. These programs, combined with other Facilities Initiatives, have resulted in an overall 4% reduction in R&M spend for the quarter, while enhancing team execution.

All of this work culminates in our Guest Satisfaction Metrics, including Food, Value, and Recommend Scores all hitting multi-year highs, making us increasingly confident that the work we are doing has a runway to build upon. As we head into our Celebration Season during the second quarter, this momentum provides a great opportunity to further drive sales and grow profit.

I want to thank our teams for their dedication and agility in navigating a choppy sales quarter that started strong in January, followed by a challenging February driven by weather and some delayed tax returns processing and then March that bounced back with strong top line trends that are continuing to hold. This kind of choppiness requires a lot of agility by our operators to forecast staff and manage the business efficiently and effectively, and they did just that in Q1.

With respect to the consumer, clearly, there's a lot of uncertainty out there, which no one loves. Having said that we're not seeing any marked changes in our Guest Behavior across Income Cohorts, Traffic, or Check Management, while we have seen a nominal increase in Pizookie Meal Deal incidents, the increase in Traffic, combined with the great job our team is doing in leveraging Incremental Sales, has delivered strong results overall.

I feel confident that between the Pizookie Meal Deal, Operational Improvements, and our Product Roadmap, we're in a strong position to compete and win, especially at a time when consumers are focused on making sure their dining experiences are worth it.

On the Tariff front, Tom will provide further detail, but approximately 85% of our food is sourced from the U.S., Canada, or Mexico under USMCA, and is not subject to the proposed tariffs. We do not see much impact in Q2, but have contemplated some modest incremental inflation in the second half.

At this point, we feel comfortable with what we have baked into our guidance based on what we know today and are not planning any extraordinary changes to our pricing or promotional optimization initiatives. We are, of course, keeping a close eye on the evolution of the policy. And we'll adjust accordingly.

Looking ahead, we recently completed our brand positioning work. And while it's only been 10 weeks since we reported Q4, our cross-functional teams are diligently working to move our plans from strategy to action, and I continue to be pleased with the progress. We'll begin to see the impact of the work across our menu, operations, marketing in the second half of the year.

I will now provide a brief update on progress across our four strategic priorities. Starting with the team member experience, we continue to focus on simplification and training. As I mentioned before, we are working from a relative position of strength here. Our turnover continues to be below pre-pandemic levels, significantly below industry averages, and the trend is improving.

Plus, we see a high correlation between manager tenure and restaurant performance. I just returned from some visits last week in California and Colorado and the engagement and energy in the field is great. They feel the momentum in the business and are excited about the changes on the horizon, many of which have come from them.

And I think this energy is reflected in the improvements we're seeing across guest metrics that I mentioned earlier. Simplification is going to be an ongoing journey for us, led by operations and supported by our cross-functional support center teams.

In addition to continuing the work we're doing to optimize our POS ordering screens, we stood up a working group led by operations with the participation of our directors of operations, general managers and team members. This task force has identified 50-plus potential process and procedure improvements that come directly from the restaurants, and we are working through prioritizing and sequencing impact and effort.

On the training front, we continue to refine our new team member training, and that feedback continues to be very positive. This is particularly true with respect to the first 90-day retention as new team members get buddied up from the beginning and more quickly feel part of our community.

Our next big training initiative is rolling out new manager training and a refreshed certified training manager program. Our aim is to roll this out at our GM conference in Q4.

With respect to our menu and handcrafted food and beverage offering, on our last call, I mentioned that the brand work we have done has reinforced that we have some very powerful core pillars of our menu with strong brand equity and association as well as some emerging opportunities.

Our signature pizza, our world famous Pizookie and our award-winning craft beverages are clear areas of strong association and equity. Our shareable items, steaks and slow roast are strong traffic drivers and emerging areas of strength. In these platforms where we choose to compete to win, we want to ensure we have the best offering and we can deliver it consistently great.

To enable this, we've also identified an opportunity to optimize menu offerings around these core pillars. We're taking a structured category management approach to this work with the first category being a renovation of our signature pizza platform.

Pizza is a core equity and strong brand association, but has had eroding guest satisfaction and incidents in recent years. We've dissected the feedback and our culinary team has renovated the product from the ground up, starting with the crust to ensure it's crispy and light every time through the new sauce, the cheese, pepperoni and so on.

Our operations and central location testing were very strong, and we recently moved into an expanded market test with encouraging initial results. Along the journey, we're also taking advantage of our natural menu cycles to implement low-hanging fruit opportunities to drive guest engagement and our simplification opportunities.

On April 17th, we introduced two new wing sauces, Honey Barbecue and Honey Buffalo, expanding turf coverage with the sauces, the main driver of choice in this category without adding any operational complexity.

Wings remain our number one ordered shareable appetizer. We also launched our LTO sneakers Pizookie, which is driving a lot of brand buzz and trial. Looking ahead to our June menu, we've identified 9 SKU reductions and 5 prep simplifications that we're moving forward as we continue to plan for further category optimizations, which require more thorough testing like pizza.

Our third priority is delivering WOW Hospitality. Hospitality has always been at the heart of BJ's and a big reason why our loyal guests keep coming back. We continue to be focused on putting our managers and team members in the best position to deliver WOW hospitality to our guests, both on and off-premise.

We continue to evolve and calibrate our AI forecasting model and labor scheduling. It's all about having our team members in the right place at the right time to WOW our guests. We're seeing opportunities to be more efficient and effective, particularly around the shoulder periods while also identifying labor mix and peak hour opportunities.

In an expanded pilot in certain restaurants in Texas and Northern California, we're leveraging AI to drive not just the forecasting but also our labor scheduling, and we're seeing encouraging improvements in both labor hours and guest sentiment versus control. We will continue to calibrate and scale throughout 2025, but we believe we have a definite opportunity going forward.

Lastly, we have our fourth priority, keeping our atmosphere fresh. BJ's atmosphere has always been a differentiator for the brand. Investing in keeping our atmosphere fresh through remodels will continue to be a priority, as we move through 2025 and we continue to rebuild our new restaurant pipeline. On remodels, we've completed eight so far in 2025 with approximately 20 more planned for the remainder of the year. Our remodeled restaurants continue to perform as expected with improved performance versus control.

On new restaurants, we opened a new restaurant in Queen Creek, Arizona, just outside of Phoenix. It was our second highest sales opening week ever after Tracy, California in 2024 and reinforces our hypothesis of focusing our near term development in geographies where we have an existing footprint, infrastructure and awareness.

Our capital expenditures in 2025 related to new restaurant openings continue to depend on how quickly we can develop a more robust and targeted pipeline that aligns with our refined criteria for new locations. We're excited about the future unit growth for BJ's and we'll keep you updated as we move through the year. I'm proud of our teams and the progress to date. The energy engagement and alignment behind our strategic initiatives has allowed us to create early momentum and lay strong foundations for an exciting and ambitious agenda still on the horizon.

Thank you. And now, I'm going to turn it over to Tom to provide more details on first quarter results and an updated outlook for 2025.

Tom Houdek

Thanks, Lyle, and good afternoon, everyone. In the first quarter, we generated sales of \$348 million which was 3.2% higher than last year. On a comparable restaurant basis, Q1 sales increased by 1.7%, driven primarily by 2.7% traffic growth. We had a solid start to the quarter, with comp sales up approximately 3% in January. Winter weather impacted our February results, with comp sales down approximately 1%. Then we ended the quarter much like it started, with March comp sales up approximately 3%.

As Lyle mentioned, we have not seen any material change in guest behavior in recent weeks. April comp sales are up in the mid-2% area and up more than 3% when excluding the Easter week with the mismatch holiday lap. Our restaurant level cash flow margin was 16% in Q1, which was a 100 basis point improvement from a year ago. We effectively leveraged our sales and improved our operational efficiencies, delivering improving margins, while also investing in marketing.

Our restaurant level operating profit increased 10% to \$55.6 million, which marks our most profitable Q1 ever. We are pleased with our progress improving margins to date, and as Lyle outlined, we have a range of strategies and initiatives to continue to grow margins both on a dollar and percentage basis going forward.

For more detail on restaurant expenses, our cost of sales was 25% in the quarter, which was 20 basis points favorable compared to a year ago. Food cost inflation was approximately 3% year over year, but deflationary from Q4 levels, driven by lower sequential costs for bone in wings, steak and produce. Labor and benefits expenses were 36.1% of sales in the quarter, which was 100 basis points favorable to last year.

Our restaurant teams hit their stride leveraging higher sales and boosting efficiencies, while improving our guest sentiment scores as we drove solid traffic in the quarter. Remember that winter weather had a meaningful impact on sales and operations during the quarter, so we delivered a solid labor performance despite operational headwinds during periods of less predictable traffic. Occupancy and operating expenses were 23% of sales in the quarter, which was 20 basis points unfavorable compared to last year. The difference versus last year was due to investing 20 basis points in additional marketing to drive incremental traffic to our restaurants.

G&A was \$21.8 million in the first quarter, which was \$1.2 million lower than a year ago and in line with our expectations. As a reminder, our Q1 2024 G&A was elevated due to legal expenses related to our shareholder cooperation agreements, higher deferred compensation expense and severance, totaling approximately \$1.9 million.

As a reminder, the higher deferred compensation expense last year of approximately \$800,000 had a matching amount in the other income line where the offsetting market gain is recognized.

Adjusted EBITDA was \$35.4 million and 10.2% of sales in the first quarter. Q1 EBITDA was \$6 million higher than last year, while we also made longer term investments in our brand positioning, which Lyle highlighted.

We reported net income of \$13.5 million and diluted net income per share of \$0.58 on a GAAP basis for the quarter. Diluted net income per share increased by 80% compared to \$0.32 per share last year.

During the quarter, we repurchased and retired approximately 404,000 shares of common stock at a cost of \$14.1 million. At the end of Q1, we had approximately \$72 million available under our share repurchase program. And in April, we repurchased an additional 324,000 shares at a cost of \$10.5 million.

Turning to the balance sheet. We ended the first quarter with net debt of \$66.5 million, comprised of a debt balance of \$85.5 million with cash and equivalents of \$19 million. We successfully upgraded to a new ERP system at the end of Q1. To prepare for the migration, we released all invoices for payment, which created a temporary working capital need and was the key driver of the step-up in our revolver balance.

Now four weeks after we closed Q1, we have paid down our revolver by \$13 million and expect to continue to reduce the balance as our working capital position further normalizes.

Next, we provided an updated 2025 financial outlook today in our earnings release. Given our performance to date, we are raising our profit guidance. We now expect restaurant-level operating profit of \$210 million to \$219 million and adjusted EBITDA of \$131 million to \$140 million. We are also raising our expected share repurchase range by \$5 million to \$45 million to \$55 million, given the higher expected operating profit.

We continue to anticipate full year comparable restaurant sales in the 2% to 3% range and capital expenditures of \$65 million to \$75 million. Our updated guidance takes into account our current inflation expectations, including the potential impact from tariffs as understood today.

For context, approximately 85% of our food is sourced either domestically or from Mexico and Canada under the USMCA and exempt from any new tariffs. For the remaining 15% of our food basket, we expect only modest impact in Q2, but potential for extra food inflation in the 1% area in the second half, including certain beef and seafood items.

Tariffs could also impact other costs, including small wares, to-go packaging and equipment used for repair and maintenance as well as building new restaurants. All-in, the run rate impact could be about 30 basis point headwind to restaurant level margins starting later this year, assuming no change from current tariff policy or before any mitigating actions.

We have also preemptively purchased critical equipment to mitigate costs and ensure availability of these key items. We expect the tariff situation to remain fluid, and we will continue to explore how to best position our business in a range of environments.

In closing, we are proud of our first quarter results and the strong foundation we are building for sustainable, profitable growth. We have a clear path to sales and profit growth ahead and our long-term strategy and the strong consumer appeal for the BJ's brand position us well to continue building on our successes. With strong and improving cash flow, expanding margins and a healthy balance sheet, we are well positioned to execute multiple initiatives aimed at enhancing shareholder value.

Thank you for your time today, and we'll now open the call to your questions.

Question-and-Answer Session

Operator

We will now begin the question-and-answer session. [Operator Instructions] The first question comes from Alex Slagle with Jefferies. Please go ahead.

Q – Alex Slagle

Thanks. Congrats on the quarter. Really good margin performance. The cost of goods and labor really stood out. I was thinking maybe you could help us frame up the magnitude of the impact from some of the incremental simplification and process changes you've taken and -- just trying to get a sense for where restaurant level margins maybe would have been if these actions were in place for the full quarter, if they -- I imagine they were implemented over the course of the quarter, but maybe you could update us on that. And just if you see any opportunities to reinvest some of these savings back into the guest experience as you look ahead?

Brad Richmond

Alex, thanks for the question. I'll say, I mean, with the 100 basis point margin improvement year-over-year, about half of that was leveraging sales, the extra traffic and sales that we drove. But yes, then we saw some really great performance really on the labor side. And I would say we finished 2024 strong. We had a strong finish to Q4 and really saw those benefits continuing into Q1. So this really is -- it is building to a degree, but I would say that it was fairly consistent through the quarter. So as we updated our guidance, it is expecting now a continuation of these levels.

When Lyle mentioned rolling out our -- using AI to both forecast and now schedule labor, that's really in a small subset of restaurants. So if any of that's incremental. So yes, I don't -- as I think of reinvesting in the business, I think we're taking a very balanced approach to getting efficiencies from the business, but we're also taken a fairly modest amount of price. So we have a really nice balance right now of being able to drive traffic in with a great value message as well as delivering these profits. So it feels like we're in a good balance here of investing in the business, but using that to drive traffic and still being able to deliver these margins. So yes, I don't foresee any new investments there.

Lyle Tick

I also would just -- sorry, this is Lyle. I would add that -- and I think I mentioned this on the last call, but what we're really trying to do is start initiatives that we can continue to build upon that become just kind of how we operate and help us be more efficient and more effective as we go forward. So simplification, those types of things are ongoing initiatives. I mentioned a little bit of the POS simplification. We have another round of that coming out actually shortly focused on modifiers for our appetizers and our handhelds. And just to give you an example there, as we look at that, we believe we can save our team members about 3 million clicks a year just through simplifying how we do modifiers on apps and handhelds. And the result of that is more accuracy, better guest experience and us being more efficient managing our comp food and beverage.

So I was talking to our COO, Chris, the other day. He was talking to me about the results and said the thing that he's excited about and encouraged by is we're not forcing the results. We're building off of strategic initiatives. We're holding standards. We have growing tenure in our managers, and we have clear focus. And so we're just kind of getting tighter and sharper as we go forward. And so I found that really encouraging.

Q – Alex Slagle

Good color. Thank you. And just a follow-up question on the check and the mix component. Maybe you could just kind of talk about the dynamics behind that. The traffic growth was great. I guess the mix was a little bit lighter. How you see that progressing through the year and any drivers?

Brad Richmond

Sure. Yes. As you said, I mean, you're looking at both the pricing element, we're in, call it, the mid-2% of pricing. So looking at the mix shift, we did -- launched our Pizookie meal deal, which is driving a lot of traffic. That's some of it. We also lapped this quarter, a very good launch last year in some new menu items. So we had that lap, we were going up against.

Also just how spring breaks fell and how Easter fell, that weighed on mix a bit in Q1. So looking forward, I would -- we're thinking that the check piece will be something closer to flat. It was a little more of a drag on comp in the first quarter, but a bit of things we've worked through.

I think going forward, we will still be pushing things like Pizookie meal deal. We are looking at ways to use that to build check to build on that promotion. So there's more to come that are check builders that are on top of this. But yes, I think that this -- moving forward, I would expect to be something more to flat in terms of our check component.

Q – Alex Slagle

Helpful. Thank you.

Operator

The next question is from Brian Bittner with Oppenheimer & Company. Please go ahead.

Brian Bittner

Hi, thank you. Your same-store sales trends are just -- are holding up really well. You talked about the plus 3% in March and then holding up into April. And obviously, you guys are taking share, which is a big positive. But what's your hypothesis on why the casual dining customer seems to be holding up so much better than the quick service customer and the quick casual customer, which they're seeing much softer trends in that segment. How are you guys thinking about what's going on?

Lyle Tick

Hi. This is Lyle. And I'm just polishing up my crystal ball answers. But the -- look, I mean, I can speak more to, I think, what we're seeing in the BJ's customer than I can more broadly than that. And I think there's a few things when I think about our performance. One is the BJ's customer tends to be a little higher income than the average. And so -- and that's for both CDR and QSR. So I think there's some resiliency there.

I think overall, we continue to improve our execution, and we have a strong value platform and craveable product news in snickers and the wing sauces. And I think all of that is reflected in our consumer scores that I mentioned earlier. So I think those things together are helping us hold up.

I also believe that in times of uncertainty, and I think this will be true going forward, when consumers may have less transactions to give, they're really focusing on that experience being worth it. And I think our atmosphere service in food is compelling in that regard.

And then I guess the last thing I would posit is that our recently completed brand work underlines that from a BJ's perspective, we over-index and win in these kind of everyday celebration and treat occasions. So we call them social splurge occasions. They're not like the big celebrations, although we do well there, too, but rather those kind of weekly moments when people plan for going out and they value those. And I think those occasions are pretty resilient, where I think some other occasions may be more transactional and easier to pass up. So that's kind of my perspective, obviously, through the lens of our consumer and our brand.

Brad Richmond

This Brad.

Brian Bittner

Yes. Just got ahead, sorry.

Brad Richmond

Just to add to that is you got to get beyond the conventional thinking, if you will, particularly in the casual dining space, it's a very fragmented industry. It wasn't too long ago that the big chains were more than half the establishments out there, meaning there's a good number of small independents or regional operators out there. Some do well, but a lot of them aren't doing particularly well.

And Lyle touched on it, the social splurge occasions, and I think more of occasions that we're after than the guests that we're after. And these occasions are very valued by the consumer right now. They're retaining those fairly well. And so the way we're operating we continue to think we will be taking share from some of the weaker players and the relevancy of our brand to what the consumer is looking for right now.

So I think that gives us optimism as we look forward. And we're early in that journey. We've had a lot of smart people here with us working on this and understanding it and crafting what it means. But we think we have a plan that is pretty durable for the foreseeable future.

Brian Bittner

Thanks. I appreciate both those perspectives. And just my follow-up is the margin performance. As Alex talked about on the previous question, very impressive. And I want to focus on the labor line, the operating leverage there that you got 100 basis points. But what stood out to me was also the per store labor costs when you break it down, we were actually down year-over-year. What's the biggest driver of that dynamic? And how sustainable are those impacts?

Brad Richmond

Hi, Brian, yes, it's, I would say, very sustainable. This truly is -- I mean, it's a combined effort. If we look across the spectrum on labor, this is scheduling better. We looked at the restaurants that we were scheduling the best and paired them up with other restaurants that had opportunities. We really looked at where over time, we were spending more there in certain restaurants than others and found ways to drive that down. And we're just -- we have an increased focus on -- from the traffic that we're getting in to get as much -- to not take anything away from the guest, but just schedule as efficiently as possible.

So -- and Lyle talked about it, too, in terms of the tenure of our team members is only growing, and our retention rates are well ahead of where the industry is. So it really is coming together nicely. And as we love seeing that on the financial side, the check on the other side of the equation is to make sure our NPS, our Net Promoter Scores are moving in the right direction. And the overall recommend score is at multiyear highs, our value score, our food score, things that if we were squeezing too hard and we were doing things that might be helping in the short-term, but not the longer term, that would show up in our NPS scores, and it's moving in the other direction. So it gives us a lot of faith to the second part of your question of how durable this is sustainable. If anything, we're finding more opportunities to keep efficiencies here. We want to continue to leverage the sales that we're bringing in, and we're seeing just that.

Brad Richmond

Hi, Brian, Brad, I'd just like to add on to this because it can easily get lost. We tried to highlight when you look at how January is performing and then the steep drop off to February, we're not immune to the weather and all those things. We did drop like many did, and then the delay in the refunds processing. And then it snapped right back when the weather cleared and they caught up on the processing refunds to the March levels.

But I really appreciate what our operators were able -- they were proactive, they were agile of managing through that dip, if you will, with really giving -- with not giving much up. And so I think it speaks to our operating philosophies and how the team is working together. There's going to be speed bumps along the way here. We know that, but we really believe we're much better positioned to deal with those today in the past.

Brian Bittner

Great. Thanks, Brad. Thanks, Tom, Appreciate it.

Brad Richmond

Thanks, Brian.

Operator

The next question is from Jeffrey Bernstein with Barclays. Please go ahead.

Jeffrey Bernstein

Great. Thank you very much. First question is just on the macro and the value implication. I'm just wondering what you see in your data to showcase more challenging macro at all. I mean, it sounds like you're not really seeing any change in consumer behavior, which is what led me to think maybe it's in value. I don't know if you can share how you define value or what the mix of sales is.

It sounds like the Pizookie meal deal is one, but I think you mentioned your mix is probably down 3.5 points if I back out just the traffic and price. So just trying to get a sense for how you would even tell looking at your own data that you're seeing a more challenged macro? And then I had one follow-up.

Lyle Tick

Yes, sure. This is Lyle. I'll start, and I'll -- Tom will provide some color. Again, I go back to our consumer. So I'm talking relative to our consumer. But as I mentioned, we're seeing a little bit of increase in pickup in the Pizookie meal deal, but that's more than offset by our traffic gains. And the thing we're seeing is we're seeing traffic gains that are quite similar on the weekday and the weekends. We're seeing traffic gains across all of our cohorts, maybe a little higher traffic gains actually in some of the lower income cohorts who are taking advantage of the Pizookie meal deal.

But net-net, the way that all comes together with the traffic and our operations, it's been overall really good results. And there really haven't been what I would call like flash point changes in any of those areas that say we're seeing fundamental changes across traffic in terms of weekday, weekend, daypart, check management or income cohorts.

Tom Houdek

Yes. And then, Jeff, specifically around the mix piece, yes, like to Lyle's point, there was no material shifts overall. If we think about more longer-term, and we have seen some alcohol incidents decline that started last year and continues a little bit this year, but it's more of just on the fringes.

Really, as we look at this quarter specifically, we were lapping some higher checks. So we anticipated it being a little heavier of a negative mix in the first quarter here. The other piece, I mean, Pizookie meal deal continues to be strong. So it is -- it's still was -- it started strong in Q4, and it grew a little bit in terms of mix, but nothing dramatic. But there's just a few things like that, that net-net, it's driving traffic, it's driving sales, manifesting a little differently through the build on sales there. Sometimes those guests, if they're coming in more at lunchtime, they're ordering less. So the check is a little lower. So it's a bit of the contribution of the types of checks that are coming in as well.

So, back to your bigger question around the macro and value. I think we were smart getting ahead and having this promotion that is very unique and distinctive to BJ's. It's something that's unique to us. It's a great value, and it is during Monday through Friday when we typically have capacity in our restaurants. So great to see our value scores where they are and be able to drive the traffic and we're seeing some great flow-through on it net-net. So love what the promotion is doing. Looking forward, we are looking at ways to use this promotion to drive some more check as well. So, more to come on that. But yes, we're seeing it front.

Jeffrey Bernstein

Got it. And then my follow-up is just on the unit growth opportunity, if I flash back five or 10 years, this call was dominated by how quickly you can open up new stores and how you were pretty much only halfway to where you thought you could get to in terms of total number of units. And I feel like we're potentially embarking on that conversation once again over the next year.

I'm just wondering your confidence, it sounds like you opened up one unit this quarter and perhaps that's it for this year. But should we expect an acceleration of openings next year? Is that integral to the thesis? And if you could snap your fingers, like what do you think the right rate is? Like how does your team equipped to handle something like that? Could we expect a big snapback in unit growth? Or should we just assume, it's more about fixing the existing and you're going to hold off for the next couple of years in terms of any major uptick? Thank you.

Brad Richmond

Hey Jeff, Brad here. We clearly see the opportunity here to grow our unit base. We have a lot of white space. We feel good about it. We've been slow to add those. We've done some reassessments, and we had to prove the box economics. And so we made great progress on those. As probably disappointing to us and a lot of other folks is the lead time these days from saying you want to be there to actually getting the doors open is 20, 22 months, pretty easy these days unless it's a conversion.

But we're very optimistic about where we are and where we can go. And we are out there now fairly aggressively looking for sites. But realistically, we really -- we'll see that benefit not into the back half of 2026. And we'll post you along the way as we get more deals done, but we see that as one of the contributing factors to creating shareholder value. But we also see a lot of opportunity in the interim period here to improve the economics -- further improve the economics of our box and to grow the AUVs. And we have fairly big facilities, and there's still capacity we can utilize there.

Jeffrey Bernstein

Understood. Thank you.

Brad Richmond

Thanks Jeff.

Operator

The next question is from Sharon Zackfia with William Blair. Please go ahead.

Sharon Zackfia

Hi. Good afternoon. I wanted to follow-up on the Pizookie Meal Deal. It sounds like it's been a great customer acquisition tool for you. And I'm curious if you have kind of any data on what kind of customer might be coming in that you were maybe underpenetrating before? And if you have any kind of repeat metrics on those customers once they come in?

Lyle Tick

I mean as we -- this is Lyle. As we look at our consumer data, and we were looking at, are we seeing any sort of material mix shift? So, like are we suddenly seeing over the course of the quarter, a big move into kind of mix towards lower income, for example, which might say we're bringing in a new or a different consumer that might be more price-oriented.

But again, we're really not seeing those major shifts. We're seeing across each of our income cohorts, we're seeing traffic growth. We're seeing growth on the weekday and the weekend. We are seeing a little bit more growth in some of the lower income cohorts during the week.

When you net it all out, the shape of our income cohort mix really hasn't fundamentally changed. And again, we're seeing traffic growth across all of those cohorts and seeing it during the weekend on the weekend when the deal isn't offered.

So, overall, we see new customers coming in, but I don't know that it's fundamentally changed or we've seen any sort of fundamental shift of who the BJ's customer is based on the stuff we're doing.

Sharon Zackfia

Yes, that's helpful. And then as you're starting to kick the tires on new sites for 2026, is there anything kind of different in the kind of pads you'd look for or the regions you're looking at relative to where kind of the historical BJ's sweet spot would have been?

Brad Richmond

We're always looking at our current box for opportunities to improve the efficiencies, lower the cost. But also we're underway as we've done a lot of this work on the menu and the positioning of the brand to look at ways to more contemporize the box itself.

So, that work is underway. So, I don't know what that's going to yield. But the prototypical site that we have utilized in the past is probably what would be in the future. So, no dramatic changes there.

As we've talked about before, we will focus more of our attention on existing markets where we already have brand awareness. We have supervisory abilities there, distribution and all those. They just make more sense from where we are in the growth phase. That's not to say everything is going to be there because we do need to get to these other sites, but we'll have a more disciplined balance as we go forward.

Lyle Tick

Yes. This is Lyle. Just building upon that, I think probably bigger than the pad shift would be just kind of as we think about sequencing out the priority of geographies over time.

And so as Brad said, we're focusing in on places where we have existing infrastructure. We have some existing brand awareness, and we have operations in place. And when you think about it, what we've seen, Tracy, as an example, last year as well as Cypress in Houston last year, as well as what just happened in Phoenix is we don't really have any markets, including California that are fully saturated as yet with our existing footprint.

And so for us, as we think about filling in, it helps us on multiunit management efficiency. It helps us on operational excellence. And it actually helps us with something that has come out loud and clear outside of California, which is we have a real brand awareness and consideration opportunity in our non-California markets.

And we are not going to be carpet-bombing marketing everywhere. We're using that very strategically. So, as we build out some of these markets, that also has the effect of helping us drive brand awareness and consideration in some of our existing markets where we have headroom.

Sharon Zackfia

Okay. Thank you.

Operator

The next question is from Brian Mullan with Piper Sandler. Please go ahead.

Brian Mullan

Thank you. I just wanted to ask about the pizza platform. Lyle, can you give us maybe a little bit of a history lesson here? How important is this to the brand, particularly in California, maybe where did it mix back when the brand was at its best? And then just assuming you get the product right and you see that in test, how are you going to communicate to that to your guests? And how impactful could this be to the business over time if you get it working the way that you envision?

Lyle Tick

Yeah. So I mean we're very excited about pizza. Pizza is a core association with our brand. It is a strong association with our brand in California and outside, but it's our number one driver association in California. It's also our number one traffic driver in California. It's a traffic driver outside of California, but Pizookie is actually our number one traffic driver outside of California.

I'll let Tom potentially build on the exact mix numbers of where we're coming from to where we are. But the interesting thing about the pizza when we look at it is -- what we find is it's really great for that group occasion, right, where we, I think, have really strong equity and over-index. The pizza actually provides a great value for feeding multiple people. But the really interesting thing about a pizza check is it looks a lot like our other checks because it has a lot more add-on.

So when somebody comes in and they get a pizza for a group, they're getting more drinks and appetizers and things like that than when people that are coming in for a specialty entree. So it tends to fill kind of a different and complementary occasion and need to other things on the menu. So we see it as a really great opportunity.

Obviously, pizza is also -- has really strong margins for us from a percentage perspective. And so as we look at getting that mix back to where it needs to be, I think that overall would be a positive win for the business. But really excited about it because it's a core association and gives us that opportunity because of how core it is to drive a real reenergizing story.

And to answer your question, once we do bring it to market, as we're pretty choiceful about when we decide to go out and do external marketing. Obviously, we will be doing trial at our restaurants. We'll be building the merchandising. But this will be one of those stories that we will absolutely tell externally as we roll it out to all of our restaurants.

Tom Houdek

And Brian, just for some of the stats here. So right now, pizza is mixing in the, call it, mid- to high single digits. If you rewind far in history before really our menu expansion happened, pizza was a much larger portion of the share. But as you can imagine, slow roast, other things added, it's naturally come down over time. But I think a good way to frame up the opportunity would be to look at our mix in a place like Southern California, where it's core, people grew up with it. We have a lot more usage of pizza. Our mix there is almost double compared to some of the newer markets that we've entered in.

So we know when people try it, we can develop some really good fans. And especially with the new pizza that it is a great product. So I think when we have the product ready, we talk about it more. It's just -- it's something that if you look across the competition that nobody else can match. It's something that's core to us and just it's such on trend now with just good high-quality pizzas that we think this has a lot of legs, and we can drive a lot of traffic in core markets, but knowing that this is something that people eat across the country. So there's plenty of white space there to have this better product driving some serious traffic.

Brad Richmond

Brian, Brad here. You can tell we're pretty excited about this. I'll pile on answer here. In my history, one thing that's really important is what occasions is the brand relevant for. And so can you expand that? We clearly see pizza as in that category. I mean, think about where can you get high quality pizza in a shutdown full-service dining experience. There are a lot of places. And to the degree that they are, they're more your mom-and-pops or regional places.

So we see this as another facet of this of growing AUVs over time. That's not going to happen right now. And as Lyle mentioned, they'll take some promoting around that to do it. But we're looking at these from multiple facets, and we see this one as a meaningful linchpin along our journey here.

Brian Bittner

Great detail. Thank you guys.

Operator

The next question is from Todd Brooks with The Benchmark Company. Please go ahead.

Todd Brooks

Hey, thanks for taking my questions. I wanted to lead off kind of following up on Sharon's question and drilling down on an infill strategy going forward for new units. If you think about overall white space for the brand, you've always sized it kind of 400 plus, and that number has been there for a long time. But if we look at the pivot to an infill-driven strategy and trying to get to scale in some of these non-Californian markets, have you sized what the infill unit opportunity as just so we can get our mind around, okay, with an infill strategy, we have x-years' worth of growth that we can exploit higher return, higher awareness type of openings?

Brad Richmond

Tom, I'll start with this one. I would say, I mean, as we talk about our near-term strategy is in the next couple of years, it will be focused on the infill. But looking out longer than that, I would say that the market expansion is part of that strategy. So we're not taking the expansion piece off the table. We're just saying at present, where we can get the -- when we're ramping up and building our pipeline, it's going to be more focused on infill now.

But as we look forward, it will be both. So it's a good question to think through this because we look at our markets and we look where our restaurants are and where we can build and there's plenty of open space in every market that we operate in. So there's plenty of white space for infill, and we love that because of everything that was mentioned before.

But really, as we think about how portable the brand is, when we -- everything Lyle just mentioned from California to Phoenix to Texas, where we've had some really great openings, it travels well. This is a brand, a brewhouse that Midwest to East Coast to Florida to home base in California. We've got some great restaurants out there and can put up some great sales and profits. So, yeah, we're not limiting ourselves to one versus the other. I just want to be clear that that was just more on the near-term side will be the infill focus.

Lyle Tick

Yeah. Tom, let me just -- sorry, Todd, let me add a little more color to that is, yeah, we're going to get to those spaces. But each one of these is a pretty significant investment. And so we want to get it right. So we're going to go at the right time and at the right place. I think also to your ultimate unit potential is -- and I've seen this over my career that you start with a number, but it tends to grow. If the brand is working right, the box model is working right and the economics of that, you start improving it, it makes for more trade areas where you can economically be there and create shareholder value. So, we haven't revisited the number that we don't need to revisit that number right now. We have other things that we're working on. But I mean, it's not too far on the rise and we'll have to figure that out. But there's so much white space right now that we can just go after what we have. But we'll do it more, I think of a concentric circle around our existing hubs and more of a scatter deployment. We don't really see first mover advantage into going to some of these places. It's better to work from our existing strengths.

Todd Brooks

Okay, fair enough. Thanks. And a quick follow-up if I may. Tom, you mentioned kind of April same store sales running in the mid 2s. Obviously, there was a real dislocation with the California restaurant consumer starting kind of early April last year with the menu price increases in the industry and that consumer just going on strike for a period of three to four months. I'm just wondering, as we look at what we're lapping as we progress through the quarter, do same store sales comparisons get more difficult as the quarter progresses? Do they ease? Do they stay steady? I just want to make sure there's not any sort of nuance that we're missing as we're thinking about where you're running now. Thanks.

Tom Houdek

It's a good question. Looking at let me answer it two ways. Looking at regions, California is slightly above. I mean, this is really Q1 and through April. California was slightly above our average, but nothing outsized. So it really isn't driven by California having an easy lap or anything like that. As we go into Q2 here, it really does, when we look at one and two year lapse, we'll even look back to 2019 still just to triangulate internally. It's the first half of the year looks pretty normal. We had the Easter lap that pushed a little from Q1 and Q2, but other than that, it's a pretty clean lap. So, yeah, I wouldn't worry about it being a tougher lap as we go through this quarter or anything like that.

Todd Brooks

Okay. Thanks.

Operator

The next question comes from Jon Tower with Citigroup. Please go ahead.

Jon Tower

Great. Thanks for taking the questions. Lyle, earlier in conversation you talked about the idea of, doing some menu work and I think optimizing the menu offerings around the core pillars that you outlined, pizza, fazooki, beverages and some of the others. So, I'm just curious if you could talk about what goes from the menu from here. Was there anything in the work that you the consumer work you did that surprised you in terms of what you should be pulling off the menu?

Lyle Tick

I don't know if it's surprising. I mean, doing the work is more from my perspective in the past and this time as well about gaining clarity, gaining alignment, and gaining shorty in the moves that you're making. So I think what a number of other restaurants look like, which is we've got a set of items that have a lot of our gross margin, and we have a long tail set of items that are a bigger percentage than they represent from a gross margin perspective. And so there identifies your long tail. And then that long tail really exists across categories. There are certain categories with a bigger long tail and certain categories with a smaller long tail. But our goal is to go category by category, so that category management approach, looking at the long tail. And the outcome ultimately that we want is eliminating the long tail, improving remaining items, bringing some new items in to get to an ultimately smaller, but more productive category.

Giving you a specific example, as we look towards our next menu in June, we're actually taking our Pizookie platforms down by three. So those were in our long tail. We are keeping a core set of five, and then we will have an opportunity to lean into some of these great stories that we have like Cinnamon Roll or Snickers over time and something may find its way in and out over time, but we'll ultimately have a smaller, more productive category, we think that we can execute better and more consistently.

And so that's an example of one of the categories, but each of the categories, we kind of look at that same way. And we're kind of going to take them one by one. And the idea is you test and scale. And right on the back of that, you're testing what you want to scale next and you keep that evolution going forward.

Jon Tower

Got it. I appreciate that. Maybe just pivoting to the marketing piece. Obviously, it looks like it's working well, certainly on the social channels with Pizookie. I'm just curious how we should think about that spend going forward? It sounds like it's going to be much more regionally concentrated than broad-based, but then obviously, you're leaning into social. So maybe if you could help us think about dollar spend going forward? And even do you plan on altering mediums at all as you progress throughout the year?

Lyle Tick

Yes. I mean, right now, I'm -- there's nothing materially that's changing in terms of we're raising the percentage that we're investing right now. I think we are still in the process from a marketing perspective of what I call codifying growth drivers. So you are right, we are focused geographically. We tend to be pretty surgical about the times. We tend to focus less on broadcast media and more on narrowcast media, so -- or targeted media. So whether that is CTV instead of broad broadcast TV or digital channels.

And then I am a believer that you need to keep your ear really close to social media these days. Not a lot of brands are actually creating trends, but the brands that do well are listening to what's going on and fanning the flames of them. And probably 9 out of 10 of those flames don't catch on and one of them does, but you got to be participating in order to do that. And so we're going to continue to do that.

We're continuing to evaluate the media. If we codify growth drivers and we say, if we know if we put an extra dollar in here, we're going to get two back, then we'll consider that as we get to that point. But right now, we're not looking at materially changing the amount that we're investing. We're continuing to play with the mix, codify the growth drivers, get clear on the messages that are moving, and we'll kind of go from there and build from there.

Jon Tower

Got it. And last one for me, just on the off-premise business. I know you recently made some alterations to that business. So I was just wondering if you could kind of comment on how that performed during the first quarter and if you're seeing some of the changes that you made translate into better sales and consumer uptake.

Tom Houdek

Sure, John. Yes, the off-premise business, in particular, third-party delivery did trend a little bit better than the overall business. So we are seeing some bright spots there. I don't think that's equal across the industry. But yes, as we're looking at how to best approach our third-party delivery business, I think we're seeing some really nice trends there. Again, it's a little better than our overall company average. So, seeing a little extra growth coming from the off-premise business generally, but really being driven by third-party delivery.

Lyle Tick

And this is Lyle. Just to build upon that. We actually haven't made any sort of major interventions in our off-premise business yet. That's kind of -- a lot of those things are kind of sequenced and will probably be later in this year into next year.

I would say that, look, we have a material off-premise business. I think we have the right products to win in the off-premise business, and it's a growing business. And so all of those things are tick, tick, tick. But if I was going to be hard on us and I would evaluate our business, there's too much friction in the consumer experience right now, and our merchandising isn't optimized towards those items that are best for off-premise or towards the occasions for off-premise, whether I'm looking to feed myself which is bigger in the off-premise than it is for us in the on-premise or looking for a group occasion.

So we're kind of -- I kind of think we're at 1.0 of off-premise. I see a lot of opportunity there going forward. But most of our energy so far has been focused on the core brand, getting really clear on the core brand strategy and strengthening that, and we'll kind of sequence the work on off-premise as we go forward. But the good news is it's growing. And so that gives us some headroom to tweak it and advance it.

Jon Tower

All right. Thank you.

Operator

The next question is from Andrew Wolf with C.L. King. Please go ahead.

Andrew Wolf

Yes. Thank you. I wanted to follow-up on the promotional kind of cadence with regard to the same-store sales coming in at 1.7 on 2.7 traffic. It sounds like you didn't really increase your promotionality. Was that more to do with consumer behaviors, consumers naturally trending more to the value side of the menu? Or was that more of some of the viral things that happened on social media, those kind of attracting those kind of guests?

Tom Houdek

Andrew, I think it's -- part of it when you think about Pizookie meal deal in particular, is just gaining momentum. It's something that people are coming and seeing and coming back for. So there's a natural boost that happens there.

I would -- I mean, we did have some value cocktails earlier in the quarter that lapped off. So I mean, there were some things that in the quarter that aren't currently in the mix that are -- that I can think of that might be part of the question, too. But I think more than anything, I mean, just thinking about the lapse in terms of Easter and spring break, that also weighed on it. So...

Lyle Tick

Yes. And this is Lyle. I would just build on what Tom was referencing. The value cocktails are one example of as -- we gain traction with Pizookie Meal Deal and we have a value platform that is working, it gives us the opportunity to lean into those things that are working and take a harder eye on some discounting that may have crept in along the way that maybe isn't as strategic or as effective for the brand.

And so you look at something -- they were these \$6 value cocktails that found their way into the menu, and they weren't helping our drink program, let's just say, so -- or our overall check. And so we pulled those away. I look at our loyalty program. When you signed up for our loyalty program, you used to get a free Pizookie that you could redeem right there. We've now made that you get the Pizookie, but you -- on your next visit. What we've seen is a little bit of a drop in sign-ups on loyalty, but we've seen growing those loyalty members that we see two-plus times in the first few months of being a loyalty member. So a higher quality loyalty member. And we're kind of looking across the areas where we have less strategic discounting to either manage depth, manage access or eliminate where it makes sense.

Q – Andrew Wolf

Got it. Thanks for that color. Just a quick last question on the pizza improvement. Is the value change coming in taste or recipe or process, I think, maybe changing how you cook it? Or is there also a size component? I mean, is there going to be like a value messaging, better servings or calories and so on?

Lyle Tick

No. I mean the size is the same. So that's not changing. But the pans we're cooking it in are changing. The dough itself has fundamentally changed. The sauce has moved to a fresh packed tomato extra virgin olive oil, kind of a more fresh modern sauce. The cheese has moved to 100% whole milk mozzarella, the pepperoni to a more modern, small cupping and crisp pepperoni, which, by the way, we also had two different kinds of pepperoni and three preps on pepperoni, which will be eliminated when we bring that in, but we'll be upping the quality of the product, the sausage. So there's kind of across the entire thing, there's I think we're making improvements to that product.

Q – Andrew Wolf

Got it. Okay. Thank you.

Operator

This concludes our question-and-answer session, and the conference has also now concluded. Thank you for attending today's presentation. You may now disconnect.

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