

BJ's Restaurants, Inc. (BJRI) Q1 2026 Earnings Call Transcript

May 06, 2026, 1:01 AM ET | **BJ's Restaurants, Inc. (BJRI) Stock**



SA Transcripts

161.12K Followers

Q1: 2026-05-05 Earnings Summary

Insights



EPS of \$0.57 **misses by \$0.04** | Revenue of \$358.12M (2.92% Y/Y) **beats by \$1.20M**

BJ's Restaurants, Inc. ([BJRI](#)) Q1 2026 Earnings Call May 5, 2026 5:00 PM EDT

Company Participants

Rana Schirmer - Director of SEC Reporting

Lyle Tick - CEO, President & Director

Todd Wilson - Executive VP & CFO

Conference Call Participants

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

Jeffrey Bernstein - Barclays Bank PLC, Research Division

Alexander Slagle - Jefferies LLC, Research Division

Sharon Zackfia - William Blair & Company L.L.C., Research Division

Nerses Setyan - Mizuho Securities USA LLC, Research Division

Jon Tower - Citigroup Inc., Research Division

Allison Arfstrom - Piper Sandler & Co., Research Division

Todd Brooks - The Benchmark Company, LLC, Research Division

Presentation

Operator

Good afternoon, and welcome to the BJ's Restaurants First Quarter 2026 Earnings Release Conference Call.

[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

Director of SEC Reporting

Thank you, operator. Good afternoon, everyone, and welcome to our fiscal year 2026 first quarter investor conference call and webcast.

After the market closed today, we released our financial results for our fiscal 2026 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 Lyle Tick, our Chief Executive Officer and President, followed by Todd Wilson, our Chief Financial Officer, after which we will take your questions.

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

Lyle Tick*CEO, President & Director*

Thank you, Rana. Good afternoon, everyone, and thank you for joining us to discuss our Q1 financial results, operating performance, and outlook.

Q1 was another strong quarter for BJ's. We delivered our seventh consecutive quarter of sales and traffic growth, along with our sixth consecutive quarter of profit dollar growth and EBITDA margin expansion.

Same-store sales increased 2.4%, driven primarily by 2.2% traffic growth, continuing to outperform Black Box casual dining benchmarks by roughly 120 basis points on sales and close to 400 basis points on traffic.

On the profit side, restaurant-level operating margins were 16%, and adjusted EBITDA margins reached 10.5%, up 30 basis points year-over-year.

Our consistent performance continues to reflect the progress we're making across our 4 strategic priorities, focused on building a winning culture, improving our food, enhancing our atmosphere, and driving WOW hospitality and executional consistency.

A few notable Q1 highlights in context. Valentine's Day performance was exceptional. Approximately half of our restaurants set new daily sales records, while 14 set weekly records, reinforcing our strength in the social spoage occasion.

We delivered Q1 results with roughly 20% lower media spend year-over-year as we continue to optimize how we deploy marketing dollars while ensuring we have sufficient resources to drive Q2, or what we call the celebration season.

This is a testament to the progress our marketing and culinary teams have made in refining our go-to-market strategy and how best to leverage our product news and media.

The quarter had its fair share of volatility, including approximately 70 basis points of weather-related headwinds year-on-year. Importantly, the teams managed this volatility effectively while growing sales and protecting margins.

We are also encouraged by the results of some of our tests and recent programming we put into the market.

Overall, total beverage sales stabilized in Q1 behind growth in nonalcoholic beverages, our 22-ounce beer upgrade, and a successful seasonal beer offering in our waterfall beer, which was a collaboration with Sapporo Breweries, hitting on growing segment trends like lower ABV, sessionable drinks, and Japanese-style rice beer, which is one of the few growing segments in craft beer.

Our chicken sandwich renovations have shown a clear positive impact in tests, improving the chicken sandwich and overall handheld performance, and we'll be rolling them out as we move into Q3.

Our premium Wagyu burger with a custom blend patty has garnered a lot of interest in trial and provides a top-of-the-barrel anchor in the burger category.

This has just moved into a full system, limited-time feature, and will become part of our menu burger lineup as we move into Q3 as well.

Overall, I'm pleased with our Q1 results and encouraged by the positive momentum in the business as we head into Q2 and our growing outperformance versus black box casual dining benchmarks.

18-plus months into my journey at BJ's, we have a clear road map, have made material progress in building stronger foundations, and we intend to continue to focus on bringing guests a better BJ's by investing in our food, our people, and our atmosphere, ensuring these elements continue to work in concert to drive performance.

While there's still a significant amount of work and opportunity ahead, we have made tangible progress across several areas.

We have seen significant improvement across our guest metrics since Q3 of 2024, with our Net Promoter Score improving roughly 10%. Our team member retention continues to be better than pre-pandemic levels and is trending positively.

Both hourly and management turnover are improving on a trailing 12-month average and tracking 12-plus percentage points below black box industry benchmarks as we continue to strive to make BJ's a better, easier, and more rewarding place for our team members.

The work we're doing to upgrade our menu offerings, while still in its early stages, is reflected in improvement in our food scores, our momentum with younger guests, and our new product performance.

Since the launch of the all-American Smashburger in June of 2025, the burger category has been delivering roughly 30% more sales than prior to the launch.

Pizza has also performed well since its introduction, with category sales up about 20%, and we're beginning to see encouraging signs that the new pizza is improving repeat visits amongst guests who try it.

Seasonal Pizookies continue to resonate, particularly with younger guests, contributing to both traffic and growth in dessert sales. Our value scores have materially improved behind the Pizookie meal deal and an improved overall experience, reinforcing our complete value proposition.

And our marketing strategy continues to evolve with greater emphasis on social and word of mouth to support our new products, complemented by selective use of broader media to deliver value messaging.

At the same time, we've materially improved margins over the last 18 months while making significant investments in our restaurants and guest experience through our remodels and facilities programs.

We are, however, still in the early innings, and the vast majority of our opportunities still lie ahead of us.

The last 6 quarters of sales and traffic growth have been driven predominantly by traffic. We have brought a younger, hard-to-reach guest into our restaurants, lifted frequency, and meaningfully reset BJ's relevance in casual dining.

As we look ahead, we will continue to build on the drivers of success to date while moving to further balance the model where traffic, as well as average check and mix carry weight, over time.

The Wagyu burger I mentioned earlier is an example of the category management work we're doing on the menu.

Sitting alongside the all-American Smashburger that remains a hero at the opening price point of the category, the Wagyu burger gives guests a premium trade-up option, building a clear, good, better, best strategy within a high-affinity category.

In addition, we're moving into a test with a premium tier on the Pizookie meal deal, giving our most engaged guests a path to trade up while still reinforcing 2 core and ownable BJ's equities in variety and the Pizookie.

We continue to work across the menu, extending the structured approach to category renovation. I'll share more information in the coming quarters as we gain more learnings from our market tests.

The progress to date, combined with the work ahead, will help us maintain momentum while continuing to allow us to improve flow-through over time.

I'm confident in our plans and our commitment to investing in our people, ensuring they have the tools and support needed to bring our brands to life every day, advancing operational excellence, making BJ's better and easier for both team members and guests, continuing to improve our food offerings and guest experience, and setting the foundation for future net unit growth.

On net unit development, our prototype work is progressing at a pace. The 2 planned openings later this year are in Buckeye, Arizona, and Joliet, Illinois, and they will showcase a meaningfully improved guest experience.

These markets represent a mix of an established performance market in Buckeye, Arizona, and a development opportunity in Illinois, where we expect approximately restaurants to benefit from increased brand awareness and operational leverage.

As we build the pipeline, we will stay focused on refining the prototype to continue to improve the consistency and financial returns of future openings.

Q1 delivered another strong quarter for BJ's and reflects our continued progress, sustained traffic-driven growth, and share gain.

While the environment remains dynamic, we enter Q2 with positive momentum, strong plans, and growing outperformance versus black box casual dining benchmarks, and a focus on continuing to build on the foundations we've laid across our strategic priorities.

Before I close, I would like to thank all our BJ's team members from our restaurants through to the support center for their passion and commitment in bringing our promise to life every day for our guests.

Q1 was not without its volatility, navigating multiple severe weather episodes, and our teams took care of each other, our guests, and our restaurants, and adjusted in real time to deliver another strong result for BJ's.

Thank you, and I will now turn it over to Todd for more color on our financial results and our outlook.

Todd Wilson*Executive VP & CFO*

Thank you, Lyle, and good afternoon, everyone.

We delivered a strong first quarter with traffic-driven sales growth, generating an increase of \$1.6 million in restaurant-level operating profit and a \$2.4 million increase in adjusted EBITDA.

As Lyle noted, we achieved these gains while navigating sales volatility, including 70 basis points of winter weather headwinds.

Total revenue for the quarter was \$358.1 million, a 2.9% increase versus last year. Comparable restaurant sales increased 2.4%, led by a 2.2% traffic growth and a 0.2% increase in average check.

The traffic-led growth underscores the continued strength of our brand and our increasing guest frequency.

Restaurant-level operating profit was \$57.2 million, a \$1.6 million increase versus last year. Margins were stable at 16%, reflecting strong operational execution in a shifting environment.

Cost of sales was 25.1%, a sequential improvement from 25.5% in the fourth quarter.

While this is a 10 basis point increase versus last year, led by anticipated beef inflation, we mitigated much of the impact with operational improvements, including reduced food waste and continued progress in our gross-to-net initiative focused on simplifying the efforts of our team members and more consistent execution for guests.

Our menu evolution has also brought upgraded and new items to our guests, like pizza and seasonal Pizookies that are delivering increasing incidents, great guest satisfaction, and carry a favorable cost structure.

Total labor expense was 36.3% of sales, a 20 basis point increase versus last year. Core labor expense, including hourly wages, management, and benefits, was unchanged from last year.

Our operations were efficient while also delivering meaningful gains in guest satisfaction.

The reported increase was driven entirely by higher workers' compensation costs resulting from rising medical expenses despite our team's good work in reducing the number of claims. We expect this pressure to begin to normalize in the back half of the year.

Occupancy and operating expense was 22.7% of sales, a 30 basis point reduction versus last year. This reflects a strategic decision to shift marketing dollars into the second quarter to support our high-volume celebration season.

It also reflects the good work our marketing team has done to optimize channel mix and drive better return on our investments with increased focus on social and digital channels.

General and administrative costs are \$22 million and 6.1% of sales, a 20 basis point reduction versus last year.

Depreciation expense increased 110 basis points compared to last year, largely due to a one-time catch-up entry. Excluding this, the underlying increase was 30 basis points, reflecting our ongoing remodel program and new unit investment.

These component parts delivered an adjusted EBITDA increase to \$37.7 million as compared to \$35.4 million last year. This represents a 30 basis point increase to 10.5% of sales.

The strong business performance resulted in significant free cash flow that we deployed for 3 primary purposes.

First, we invested \$15.8 million in capital expenditures, primarily maintaining our restaurants and completing 5 remodels.

Second, we repurchased and retired approximately 151,000 common shares for \$5.3 million. Third, we repaid \$23 million of debt. We ended the first quarter with net funded debt of \$39.3 million, a significant reduction compared to \$61.2 million at the end of 2025.

With my first 100 days at BJ's complete, I would like to share an update on my initial areas of focus and the opportunity I see in front of us. Initially, my priority was stabilizing, building my immediate team, and strengthening the foundational processes within our accounting and finance functions.

We are fortunate to have many great team members in place, and I'm pleased to have bolstered the team in key areas, including the addition of Ashley Van as our accounting leader, whom we announced a few weeks ago.

With that groundwork in place, my focus has shifted to partnering more closely with Lyle and the broader leadership team to accelerate our growth initiatives.

This includes our efforts to continue driving top-line sales growth through great operations, marketing efforts, and remodels, driving further margin gains in the middle of the P&L, and enhancing our unit economics to accelerate new restaurant growth.

While I was optimistic when I joined in December, I'm even more energized by what I see today. The BJ's brand clearly resonates with a broad and growing cross-section of consumers.

Our team is highly engaged, and we are continuing to build sales, traffic, and profitability. I am confident we have a significant runway ahead.

Now turning to our 2026 financial outlook. We are reiterating all metrics in our 2026 full-year financial guidance. I will provide additional color for modeling purposes.

First, comparable restaurant sales and traffic trends to start the second quarter are off to a strong start and continue to beat the Black Box casual dining benchmark.

Second, we expect the second quarter to be the peak for commodity inflation this year, which will likely result in a Q2 cost-of-sales percentage marginally higher than Q1.

In response, we are tracking towards a midyear menu update engineered to further optimize product mix. Combined with our planned pricing actions, we expect to fully offset the inflation impact in the second half of the year.

Next, we expect occupancy and operating expenses to be approximately 23% of sales in Q2 as we reinvest the marketing favorability captured in Q1 to drive sales performance in our high-volume celebration season.

Lastly, construction is underway for our new restaurant in Joliet, and we are on track to break ground in Buckeye in the coming weeks. We expect to record nominal preopening expenses in Q2 and Q3, with approximately 80% concentrated in Q4 as these restaurants open.

As a reminder, we target roughly \$700,000 in pre-opening costs per opening.

Overall, our sales and traffic trends are strong, providing a solid foundation for the business. We are implementing targeted improvements across our menu, operations, and marketing tactics.

As inflationary pressures ease, we expect these actions to further enhance performance, positioning us for accelerating profit growth in the second half of the year.

In closing, the first quarter was a strong start to the year, defined by healthy traffic growth and resilient margins. This performance is a direct result of the hard work and dedication shown by our restaurant teams, field operators, and everyone at the support center.

Thank you for your hard work and commitment. Looking ahead, we are confident that our strategic plan, combined with strong execution, will drive sustainable growth and create long-term value for our shareholders.

With that, we'll turn the call over to the operator for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question today is from Brian Bittner with Oppenheimer & Company.

Brian Bittner

Oppenheimer & Co. Inc., Research Division

Just want to ask about same-store sales. The 7 consecutive quarters of traffic growth are very impressive, as is the outperformance against the benchmark. And it speaks for itself.

So I really want to ask about the average check side of the equation. It was flattish in the first quarter, which is definitely an improvement from where you were in 4Q.

But I want to ask about the opportunity for the average check to become a bigger contributor to comp growth as the year unfolds? And perhaps what type of average check is embedded in your 2026 outlook for same-store sales growth of 1% to 3%.

Lyle Tick

CEO, President & Director

Sure. Brian, this is Lyle. I'll start and turn it over to Todd. Yes. I mean, look, I'm really pleased with the consistent traffic growth and outperformance that we've been seeing and with the moderation of the check compression, which I think we signaled to be expected in Q4 of last year when we were talking about this year.

And so I think it's moving along very much the way that we expected it to, as we lap some of the performance from last year and then start to be able to layer in some of the other growth drivers.

So right, in Q4, I think we had a very strong seasonal Pizookie play, then towards the end, we started to be able to lay in pizza, building on that mix. And then, as you see us coming into this year, we continue to build on pizza.

As I started to talk about in my comments, things like the Wagyu burger, the chicken sandwich refresh, the PMD tiering, and other menu work we're doing, we've got a planful approach as we go forward that we think will continue to moderate and allow both of those levers to work for us as we go forward. So in terms of the exact price or check built into the model?

Todd Wilson

Executive VP & CFO

Yes, Brian, I'll jump in there. So relative to the guidance, what's embedded in our model is checked in a range of, call it, flat to plus 1%. As Lyle alluded to, we think that progressively advances through the year, both as we lap different items and as some of these new initiatives come on board. But we think Q1, marginally positive check in Q1. We think that's one side of the bookend. We think it could be as high as a plus 1% on the year, as some of these different initiatives take hold.

Brian Bittner

Oppenheimer & Co. Inc., Research Division

And my follow-up is just really zooming out here. Can you give us maybe a state of the union updated state of the union on your plans for accelerating unit growth? How are you thinking about the near-term building blocks that are in place to accelerate unit expansion?

And just as it relates to the longer-term opportunity, have you had a chance now that you've been there for a while, to maybe create a road map on how you are thinking about what the proper growth algorithm for this company is over the next many, many years?

Lyle Tick

CEO, President & Director

So yes, I'll answer both those questions. So first of all, I guess as we take a step back and we look at laying the foundations for unit growth as we go forward.

I mean, I think our first stage of it was looking and making the geographical decision about where we want to grow, which I think I've talked about in terms of growing out from where we already have a footprint versus going greenfield and the concentric circle approach.

The second part of that was getting to a new prototype design. Really, the first part of that job is getting to a prototype that we feel like our guests and our team members are going to love, and we feel great about what we've seen so far. And so that's step 2, and that will be reflected in the next 2 openings. Then I think the second job after you've established that is, as you go forward, we want to make it commercially exciting for all of us to accelerate growth. While the new units that we have to date have been a good use of capital, and that they've hurdled our weighted cost of capital. It's been a responsible use.

We have much higher ambitions for that as we go forward and look to tune in the prototype, both through actual engineering of the prototype, but also flexibility in the size of the box, as I've talked about, a mix of first and second-generation space.

Then, when I talk about the box also just challenging existing assumptions, right? There had been an assumption that BJ's was going to have something from 35 to 40 taps. So this is just one example.

But when you do the productivity analysis, we probably need 20, and those are mostly driven by our BJ's beers. And when you start to kind of look through the opportunities and follow the numbers, there are a lot of benefits to play off of something like that, everything from cost to build, to ongoing maintenance of the infrastructure, to OpEx costs.

So, just taking a holistic look at everything as we go forward.

If I get my head up and look at the growth, we're looking to open a couple this year. I would say mid-single digits next year, moving towards double digits as we go into 2028 and beyond.

And I feel like we have significant headroom in filling out our existing markets prior to actually having to go greenfield. So, as we've done our analysis, we will share more about the long-term growth algorithm as we go forward.

But I feel very confident in the headroom that we have to grow BJ's units.

Operator

The next question is from Jeffrey Bernstein with Barclays.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

My first question is just drilling down on the comp. I think you mentioned a growing outperformance versus the industry.

I'm wondering if you could share maybe the sequential trends through the quarter and more specifics for April. And I recall last quarter, you saying you thought all 4 quarters would be within that 1% to 3% range.

So just looking for some context there. And just lastly, whether or not gas price volatility, I know you mentioned weather was a big impact. I didn't mention gas. I'm just wondering whether you saw any kind of pressure or things in a sequential trend, as there was a spike in gas.

Lyle Tick

CEO, President & Director

Yes. I mean, thank you, Jeffrey, by the way, this is Lyle. I can only speak for our consumer. But our consumer has remained very resilient.

When we look across Q1, we saw a very consistent performance across the periods in Q1 for our brand and our consumer. And as we've entered Q2, based on black box benchmarks, we have seen some of the delta between our performance and the category performance, our performance accelerates versus the category.

But at least to date, obviously, we're keeping a very close eye on our consumer and their behavior. We really have seen a resilient consumer and resilient behavior, at least with respect to BJ's.

Todd Wilson

Executive VP & CFO

Jeffrey, Todd here. I'll chip in on a few of those, just building on in kind of the word you asked. Relative to Black Box, Lyle may have said it in his prepared remarks, but we beat in Q1, we beat the benchmark by 3.3%.

Encouragingly, that was across every geography that we operate in. So it was a consistent outperformance for our business, which is good to see. I think you asked about as well the quarterly same-store sales cadence. We talked last time about an annual expectation of 1% to 3% growth.

We obviously reiterated that in terms of our full-year guidance. And I'd say we still feel good with that. We're able to deliver that growth consistently quarter after quarter. So I think that's consistent with what we would have shared in our last update.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

And then my follow-up is just taking a step back, Lyle. I think on a couple of occasions in your prepared remarks, you said you think the brand is still in the early innings.

Seemingly, you've had some strong momentum and a number of quarters of accelerating strength. So, just wondering what exactly early innings means?

What are you referring to in terms of where you see the greatest further opportunity, whether it's a long-term target that you're aspiring towards or whether there's a North Star or a player in the industry that you aspire to be like?

Just wondering what exactly that means when you say early innings. What are you referring to?

Lyle Tick

CEO, President & Director

Yes. Well, I mean, one, very broadly, I'm 18 months roughly or a little bit more than that into a journey of, I think, what I've talked about, which is creating a more durable, consistent, and sustainable performance platform for BJ's that we expect and want to deliver on into the future.

I think secondarily to that, a lot of the work that we've done in the first 18 months, what we'll continue to build off of, I would say, is foundational.

So we put a lot of work into foundationally improving what we called our table stakes operations. And we see that coming through in our scores and our retention. But that is a foundation for us to then continue to improve operations.

We solidified our value platform with the Pizookie meal deal. But as I alluded to in our comments, as you then get that platform solidified, the question is after that step 1, where are you going with step 2 and 3, and we talked about some of the tiering.

Then, really, on the menu work, we're really early doors there. The first real category renovation that we did was pizza, and I think we solidified our seasonal program for Pizookie.

But we have a lot more ahead of us in continuing to do the menu work. And while I speak about all of those things individually, the idea is that as those things come together over time, they ultimately create a strong flywheel for BJ's working collectively together to deliver sustained performance.

So when I look at where we're at, I would still say we are in the early innings of the journey with more opportunity ahead.

But I do think we've identified our strategic priorities, and they'll guide us as we go forward, but there's more room in all of them. And obviously, we haven't even touched on really starting to get development going again. That's clearly in its early stages.

Operator

The next question is from Alexander Slagle with Jefferies.

Alexander Slagle

Jefferies LLC, Research Division

I wanted to follow up on the Pizookie meal deal, just sort of how you're feeling about the progress there and the next steps you talked about to further refine the offering, maybe with more attachment and upgrade options and the tiering options that you're testing.

Lyle Tick

CEO, President & Director

Yes, sure. So I mean, I feel really good about the Pizookie meal deal. It continues to resonate.

It continues to bring in traffic and do its job and importantly, bring new people into BJ's that based on our numbers, is providing an improved experience.

So that is exciting because hopefully, a number of those people are going to have a good experience and come back to us. When I think about evolving the Pizookie meal deal, there's a couple of different things that I would point to.

One is, as I talked about some of the chicken sandwich work that we have done and how we've felt confident in what we've seen in testing and are going to roll those out as part of Q3 menu. We're taking an opportunity within PMD, for example, at the \$13 level to retire one of our less-performing items on there, and we're going to bring in a core chicken sandwich. The reason I mentioned that is because if you remember, the Smashburger, we introduced the Smashburger exclusively on PMD and, then it became very popular and people wanted it, and then it became a mainstay on the menu.

So we are going to be doing a couple of premium chicken sandwiches on the menu, but an entry chicken sandwich on PMD that I think potentially could play a similar role for chicken sandwiches as hopefully Smashburger did for burgers for us. Then there's the tiering, which is we have a lot of people who come and engage in PMD, and we wanted to give them an opportunity for our best and most frequent customers who are coming in and taking advantage of that deal to have trade-up opportunities.

And so we've developed a premium tier offering. It's just a few offerings where we're able to condense the 13 a little bit, open up a trade-up tier a little bit. And I'm excited to see how the test goes. It's going to start in the next couple of days here.

But we feel good about the products that we're putting into that tier. We think it will be a compelling partnership to the 13.

Alexander Slagle

Jefferies LLC, Research Division

And then just on marketing spend, just remind us of the percentage of sales in the 1Q and what the 2Q outlook looks like? I know you gave some comments on that.

Lyle Tick

CEO, President & Director

Yes. When I look at marketing spend, I guess the thing that I would point us back to is that when we look at it year-over-year in terms of the full year marketing spend, we're planning flat year-over-year.

I think it's 2.2%, if I'm not mistaken, reinvestment from a marketing spend percentage point of view. So we did make a strategic decision to move dollars out of Q1 to reinforce Q2.

As I said, we call it celebration season. It's kind of one of our most critical seasons. And that was because when you think about the natural shape of our year, and what the important quarters are.

And then Q1 is always a choppy time. You have weather, you've got January, and people eating and drinking differently and all those types of things.

So we felt that with our evolved marketing strategy, we could get more adolescent in Q1 and reinforce Q2. And so the biggest shift is really between Q2 and Q1. But overall, the percentage of sales year-on-year will remain flat.

Operator

The next question is from Sharon Zackfia with William Blair.

Sharon Zackfia

William Blair & Company L.L.C., Research Division

Sorry if I missed this, but I'm curious what you learned from your first pizza LTO.

And then when you talk about the growth that you saw in pizza and burger, which is really quite amazing, what have you seen consumers shift away from? Kind of what did that come at the expense of?

Lyle Tick

CEO, President & Director

Yes. So the LTO, the Mike's Hot Honey LTO, it performed really well. It was our third, I believe, highest performing pizza in our pizza lineup, which we felt pretty good about.

It had really good scores. You may see it rear its head again sometime later in the year. So we felt really good about that. We've actually just moved into our next pizza LTO, it's a Barada pizza.

So think of like a margarita pizza, but with Barad and cheese, which I'm pretty excited about. It's a nice premium offering, but also not a meat-based offering. So excited about that. You may actually try it soon, Sharon.

In terms of, sorry, the second part of the question, with respect to the growth of burgers and the growth of pizza, I mean, we've seen the sales growth.

We've seen units per store per day growth. And overall, we've seen trading into pizza and trading into burgers is margin accretive to the menu.

So we feel good about any sort of incident movement there from a margin percentage point of view. Where we've seen probably a little bit of movement around the menu, is in some of our steaks and slow roast category and in some of our specialty entrees, we've seen some movement there, while we've seen a lot of growth in pizza and burgers.

Operator

The next question is from Nerses Setyan with Mizuho.

Nerses Setyan

Mizuho Securities USA LLC, Research Division

It was very helpful the cost commentary and the other OpEx commentary, but I didn't hear anything about labor.

Would you mind sharing what your thoughts are on Q2 labor and maybe for the full year? And then just the bigger picture, where do you think the opportunities around remaining cost cuts and efficiency initiatives are across the P&L?

Todd Wilson

Executive VP & CFO

Yes, Nerses, this is Todd. I'll start there. As we look at labor, if I look at last year in Q2, we ran a little over 35%, 35.4%.

Part of our commentary on Q1, navigating those weather ups and downs, is not easy for an ops team. And we were really pleased with the job our team did in Q1, both on the margin side and the guest experience side, but we certainly feel like there's an opportunity there as we go forward.

And so as we look at the balance of the year, we think there's an opportunity to improve our labor margins. Primarily, certainly, the traffic traction that we have leads that as traffic grows, we're able to leverage our fixed costs. And so that's a leading piece of it.

But there are specific initiatives in place. We work with our operators on a daily and weekly basis to learn what best practices are and how to implement those across the system.

So as we look forward, we think there's an opportunity to improve that through the balance of the year.

Operator

The next question is from Jon Tower with Citi.

Jon Tower

Citigroup Inc., Research Division

Maybe starting, obviously, moving to this premiumization test on the PMD is interesting. I'm just curious, is this something that's spawned by consumer behavior that you're already seeing, meaning someone's coming in, getting the \$13.99, and then adding a few more things to the menu such that you feel comfortable with the idea of moving in this direction?

Lyle Tick

CEO, President & Director

So it's less spurred by that, although we do see people coming in for the Pizookie Meal Deal and adding appetizers. Obviously, it doesn't include a drink.

So the vast majority of Pizookie Meal Deals also have a drink attached to them.

So those are opportunities. It's really just the idea of as we go forward, optimizing that \$13 segment to the most high-performing products within the segment and then giving those people who are coming in looking for that kind of social splurge need state, but looking for kind of an entry point like the Pizookie Meal Deal to give them a place to go if they want to go for something more premium.

And so that it's a hypothesis based on what we see in our business, is the way people navigate our broad menu. We see a lot of people come in at different entry points when they're going to that social squares occasion.

Then secondarily, obviously, observations in the market about how this tiering can work and work effectively for your business.

Jon Tower

Citigroup Inc., Research Division

Maybe pivoting a little bit, but the World Cups are coming up, and it will be at the end of your fiscal second quarter.

Obviously, you talked about the idea of the celebration season as being something that's important. But I know in the past, certainly, when the World Cup has been more aligned with your time zones, there has been an impact on the business.

Curious how you're thinking through either marketing around it or building up any business around it, if anything at all?

Lyle Tick

CEO, President & Director

Yes. I mean, when we are looking at it, I'm hopeful that the World Cup, when you think about it year-on-year, will provide some tailwinds.

In my previous life, which was much more sports bar-rooted with respect to the World Cup, you really saw material movement around U.S. games, Mexico games, and sometimes when there was like a really, really big matchup.

So they were geographical and specific to matchups. And so we've looked at that in terms of our planning.

We've also looked at where we have restaurants in proximity to stadiums and venues where games are going on to make sure we're doing the right things locally.

And then you may see some fun rifts on some of our iconic products that live into celebrating the World Cup, as well as an important year for the U.S., so we're playing around there.

So yes, on our radar, I hope it will provide some tailwinds, and we're going to have a little bit of fun with it from a marketing and engagement perspective.

Operator

The next question is from Brian Mullan with Piper Sandler.

Allison Arfstrom

Piper Sandler & Co., Research Division

This is Allison on for Brian. Just one more on labor. But on the activity-based labor model, what percent of stores have it today?

And any commentary you can share on learnings or data points you've noted through the scaling of this rollout would be great.

Lyle Tick

CEO, President & Director

Yes, yes. We're still at about 1/3 of our stores that have the activity-based labor model.

We're still targeting it to be deployed to the system over the course of this year. We probably won't do much of that in Q2 because of the importance of Q2.

So the next rollout phase will probably be more focused in Q3. What we continue to see with it is that it suggests that we have what I would call some marginal savings from a labor perspective because our looseness around our shoulder hours is more loose than the incremental labor we need at our peak hours is what the model is suggesting.

But the real KPIs that we continue to look at are in those restaurants, and are we seeing improvements across our guest metrics? And so we're pleased with that, and particularly where we're seeing, I think, most of the movement is in our speed metrics, which stands to logic as you get the right people in the right place at the right time.

So overall, very much a build on the same story that you've heard before, on where we are and where we're going with that.

Operator

The next question is from Todd Brooks with Benchmark StoneX.

Todd Brooks

The Benchmark Company, LLC, Research Division

First, I was wondering about visibility into the celebration season, either through some of the advanced reservation capabilities and people utilizing those and being more aware of them year-over-year, or we're in the middle of graduation season now. Just Lyle, what's your take on the front end of celebration season here?

Lyle Tick

CEO, President & Director

I mean, as I mentioned, I think in my comments, Todd, is that we've been pleased with the performance as we've gone into Q2 and some of the accelerated outperformance we've seen against Black Box benchmarks.

And so we feel good about how Q2 has gotten out of the gates for us and hope that bodes well for the rest of the celebration season. I think we have pretty strong plans that are reinforcing our core equities that we've been building off of. So I feel really good about the plans we have in place and at least how the quarter has gotten started. So overall, feeling good right now.

Todd Brooks

The Benchmark Company, LLC, Research Division

And is this a period where it's so high volume that there's no opportunity to drive a lot more incremental traffic year-over-year? Is it more of a hold to hill? Or do you see opportunities to drive more traffic through the boxes this year?

Lyle Tick

CEO, President & Director

I mean, look, when I look at our top, top performing restaurants and you look at the AUVs that they're driving, there's clearly headroom for most of the restaurants in our system to continue to service and move more people through our boxes. So I think it's a matter of us operating as efficiently as possible and really doing the fundamentals right. It's about having it staffed right. It's about full hands in and out of the kitchen. It's about busing and turning tables quickly. And we have our teams very, very focused on that. We've, over the past couple of years, been pushing towards getting more upfront reservations or at least as many as we can because it helps us be as planful as possible. But I think one of the things that we get credit for at BJ's from our guests is that we're a place where you can book ahead of time, but we're also a place that tends to be pretty flexible on accommodating people as they come through our doors. And I think that tends to be to our benefit.

So I'm excited about the season.

Todd Wilson

Executive VP & CFO

Todd, I'd just quickly add, Lyle commented on it in his prepared remarks, but right, we had roughly half of our restaurants setting records on Valentine's Day. And true for us, true for many in the restaurant business, that is typically one of, if not the highest volume days of the year. So seeing that many restaurants are able to raise the bar even further, I think, to me, very much says we have an opportunity to continue to grow even in the high season of Q2.

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.

Read more current BJRI [analysis and news](#)

View all [earnings call transcripts](#)

Comments

Sort by

Newest



If you type a company or ETF ticker symbol in capital letters we will automatically link to the symbol page. You can remove the link by deleting the \$ in the comment.