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BJ's Restaurants, Inc. (BJRI) Q3 2025 Earnings Call Transcript

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Q3: 2025-10-30 Earnings Summary

Insights

EPS of \$0.04 **beats by \$0.01** | Revenue of \$330.16M (1.37% Y/Y) **misses by \$4.06M**BJ's Restaurants, Inc. ([BJRI](#)) Q3 2025 Earnings Call October 30, 2025 5:00 PM EDT

Company Participants

Rana Schirmer - Director of SEC Reporting

Lyle Tick - CEO, President & Director

Carl Richmond

Daniel Duran

Conference Call Participants

Alexander Slagle - Jefferies LLC, Research Division

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

Jeffrey Bernstein - Barclays Bank PLC, Research Division

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

Todd Brooks - The Benchmark Company, LLC, Research Division

Brian Mullan - Piper Sandler & Co., Research Division

Jon Tower - Citigroup Inc., Research Division

Presentation

Operator

Good day, and welcome to BJ's Restaurants Third Quarter 2025 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 2025 third quarter investor conference call and webcast. After the market closed today, we released our financial results for our fiscal 2025 third 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 Brad Richmond, one of our Board Directors. We also have Daniel Duran, our Senior Vice President of Strategy and Financial Planning and Analysis, on hand for questions, which we will take after our prepared remarks.

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

Lyle Tick

CEO, President & Director

Thank you, Rana. Good afternoon, everyone, and thank you for joining us today. I'm happy to report our fifth consecutive quarter of sales and traffic growth as well as our fourth consecutive quarter of profit expansion.

From a top line perspective, Q3 delivered 0.5% same-store sales growth, which included a slow start to the quarter, as we discussed on the last call, with the remainder of the quarter averaging roughly plus 1.5% comp growth for the final 2 months, which has accelerated into Q4.

On the profit side, we delivered 12.5% restaurant level operating margins and 6.4% EBITDA margins, representing an improvement of 80 and 70 basis points, respectively, year-over-year.

We have now lapped the launch of the Pizookie Meal Deal, and I'm pleased with the positive year-on-year momentum in the business that closed Q3 and has continued into Q4. In the last 6-plus weeks, our traffic is tracking at roughly plus 3.5% year-on-year, close to 9% on a 2-year basis and outperforming Black Box casual dining benchmarks again.

Our current performance trends, combined with a strong product calendar for the rest of Q4, anchored in our pizza refresh launching next week and 2 exciting seasonal Pizookies gives us confidence to reiterate full year top line guidance of approximately 2%.

As I reflect on my first year with BJ's, I could not be more proud of the teams, and I remain very pleased with our progress to date and energized about what we can achieve going forward. 2025 has been a year of building the foundations of a stronger and more consistent BJ's guided by our strategic priorities. We are better positioned today to leverage an incremental dollar of sales and win a return visit and the improvement we're seeing across our guest, operational and team member metrics give me confidence in the durability of the progress we're making.

Our restaurants are operating more effectively and efficiently, focusing on being great at what we call the table stakes and both our guest satisfaction scores and team member retention metrics are at multiyear highs.

Our ongoing simplification efforts and focus on gross to net have resulted in sustained double-digit improvements in comp food and beverage incidents, improving the guest and team member experience while removing over 0.5 million unnecessary POS clicks for our team members and counting.

Our outlier program and drive for accountability has improved overall effectiveness and efficiency as reflected in our restaurant level cash flow. We continue to build the Pizookie Meal Deal into an everyday value platform, resulting in continued improvements in our value scores and traffic, and we're beginning to see these improvements reflected with positive movement in our guest frequency metrics as we now begin to roll out product and experience improvements with our pizza refresh next week.

Speaking specifically to Q3, we further embedded our Pizookie Meal Deal as a core value platform our guests can count on, leaned into the power of social media and seasonal Pizookies to drive brand momentum and continued the journey of improvement on table stakes operations.

Our strong year-on-year momentum since the Pizookie Meal Deal lap began can, I believe, be attributed to a combination of the foundational work I've talked about, as well as the continued refinement of our marketing strategies and tactics that are helping us codify how to most effectively drive the business.

In Q3, we continued to shift our marketing focus towards social influencer and word of mouth. Given it's not our strategy to win a share of voice battle, our effort is increasingly focused on driving social dialogue and relevancy. I want to give a shout out to the marketing team for the great progress they're making.

Our earned media impressions are up over 300% year-on-year. The Pizookie Meal Deal continues to resonate with guests, providing a great value and accessible everyday splurge opportunity, driving increased traffic, recruiting new guests and driving frequency with existing ones.

We leaned into our All-American Smash Burger as a new feature on the Pizookie Meal Deal and garnered over 2 billion impressions on National Cheeseburger Day alone. On September 17, we also rolled our latest menu update and the Spooky Pizookie has been a social phenomenon. Again, the team has taken a more proactive approach to social and influencer engagement, driving a 350% increase in overall engagement and doubling overall impressions year-over-year, further codifying the role of seasonal Pizookies as both a buzz and traffic driver.

In addition to the traction of the Spooky Pizookie, our other menu optimizations are resonating with our guests. The 22-ounce beer pour offering is seeing about a 23% pickup rate and helping to improve checks with beer attached. And the Brewhouse Sampler is a top 3 appetizer, resonating with guests while driving a premium trade-up.

In Q3 and through October, our growth has continued to be traffic-driven with broadly flat to slightly down average check. Underlying this performance is an increase in frequency that is more than making up for any check compression.

Double-clicking on check, there are 3 factors at play. Primarily, it's the increased traffic and number of checks driven by the growth of the Pizookie Meal Deal, which has continued into Q4. Additionally, the outsized growth we continue to see in late night, which carries a lower check and continued pressure on alcohol beverage attachment are also contributing factors.

On the margin side, our operators continue to do an excellent job making progress on the foundations of great operations and hospitality. Despite some choppiness in sales early in the quarter, they delivered another strong quarter of restaurant margin expansion by continuing to focus on the fundamentals.

I want to thank all our teams from the restaurants through to the support center for the continued energy, passion and commitment they show every day.

As I look ahead through the rest of the year and into 2026, we remain focused on continuing to make progress across our 4 strategic priorities, and I'm excited about what is yet to come. Starting with the team member experience.

Our team members are the heart and soul of BJ's. Our job is to make things easier and better for them and the guests and the rest follows suit. I come into this call having just hosted our GM Conference in Dallas 2 weeks ago, and the excitement and engagement was energizing and infectious.

We spent 3 days together building alignment and ownership of our brand strategy, learning together and sharing best practices. We rolled out our new company values, which were informed by our engagement survey, co-developed by a cross-functional team and will guide us in how we deliver on our brand promise every day.

Our people and training teams led learning sessions that empower our directors of operations and general managers to bring these values back to their restaurants and bring them to life across the system. Maybe most importantly, we began the rollout of a comprehensive refresh to our manager and team member training that will be fully implemented across the system in Q1 2026. This new training establishes one best way for BJ's while also empowering general managers and team members to deliver Wow Hospitality.

I think what resonated most with this training was it was created in partnership with our operations, people and training teams and was authored by people who came up through the restaurants.

With respect to handcrafted food and beverage, we continue to progress development across our priority categories, identify areas for simplification and are now on the cusp of launching our first major renovation. On November 6, we'll be introducing the refreshed pizza platform across the system. The entire BJ's system is locked and loaded and can't wait to share the new product with our guests.

Our team members love the product. And as Chris Pinsak, our Chief Operating Officer and our senior operation leaders remind me, that is the foundation of creating excitement with our guests. We will ramp up the pizza refresh through the end of the year and through Q1, introducing our first LTO pizza product in over 5 years in Q1, continuing to drive engagement and excitement.

We also have 2 exciting seasonal Pizookies launching in November with the Monkey Bread Pizookie coming back after much prodding from fans on social media and a Dubai Chocolate Pizookie and dessert martini taking advantage of this current trending flavor.

As we head into 2026, our culinary priorities will be to continue to renovate our core categories, to refresh strong sellers with clear NPS and executional opportunities, and to continue work on simplification.

In 2025, we have had net reduction in menu items of 6. And in the January menu update, we will be removing 2 more items, eliminating 5 additional single-use SKUs. And then additional simplification will be primarily connected to the category refresh work throughout 2026.

Our third priority is delivering Wow Hospitality. Our focus in 2026 is to build off the foundations we have laid and continue to improve guest satisfaction, throughput and efficiency. We will continue to focus on great fundamentals and not ceding conquered ground by continuing to drive accountability through our directors of operations and general managers focused on lifting up our outliers and sharing best practices.

As I mentioned earlier in our team member section, the new manager and hourly training is driving a one best way approach to the system, ensuring we're all pulling in the same direction and can deliver a consistent BJ's experience to our guests. Our simplification team continues to work day in and day out to remove unnecessary barriers, and this will be a continued process.

Finally, we will advance our technology initiatives to help ensure we have the right people in the right place at the right time with our AI-driven activity-based labor model. This will be rolled out to 30% of our system by the start of 2026, and we're beginning to lay the groundwork for future use cases.

In 2026, we will also continue to invest in our remodel program, which consistently has shown strong results and pilot a refreshed BJ's prototype, setting the foundations to grow our restaurant portfolio in support of our fourth strategic pillar, keeping our atmosphere fresh.

In 2025, we will complete 20 remodels, bringing the total to 72 over the past 3 years, impacting 50% of our pre-2016 fleet and are pleased with the value-accretive results we continue to see. In 2026, we will continue the program and are refining our 2026 remodel targets now.

With the progress we're making on the core business, we're now laying the groundwork of reigniting new unit growth and have signed 2 leases with a number of deals in late-stage development. We're actively building a flexible pipeline as we target up to 2 new openings in the second half of '26 to pilot the refresh prototype and set the foundations for further growth in 2027 and beyond.

As we drive towards a strong finish to 2025, we've made great progress in building the foundations of a stronger and more consistent BJ's and now are on the cusp of beginning to introduce product and experience improvements.

I will wrap by reiterating what I believe are the 3 key themes coming out of Q3 and looking ahead. The first is continued progress. Q3 marks our fifth consecutive quarter of sales and traffic growth, along with our fourth consecutive quarter of profit expansion.

The second is stronger foundations. All of our financial, consumer, and team member metrics continue to indicate that we're building a stronger and more durable BJ's. We are better positioned today to leverage an incremental dollar of sales and win a return visit. And the third is momentum.

Since the lap of the Pizookie Meal Deal, we have seen increasing momentum and strong traffic-driven growth year-on-year. This momentum, combined with the strong product lineup through the end of the year with the pizza refresh and 2 seasonal Pizookies, gives us confidence in maintaining strong performance.

Before I turn it over to Brad to take us through more detail on our Q3 financial performance and outlook, I'm excited to share that we have finalized an agreement with our next CFO, who brings deep restaurant industry experience and will be starting at BJ's in mid-December. You can expect more details in a public announcement next week.

Given that, I also wanted to take a moment to thank Brad and the entire Board for their continued support, partnership and guidance. It has and will continue to provide great value to me and the entire management team. Brad?

Carl Richmond

Thanks, Lyle, and good afternoon, everyone. As Lyle has just outlined, BJ's brand is healthy, thriving.

During the third quarter, we achieved record sales and profitability levels we have not seen in over 6 years. The cash flow of the business is durable and growing to support our growth drivers with ample excess cash to repurchase shares when the market price is a meaningful discount to its intrinsic value.

To the latter point, we repurchased and retired 996,000 common shares for \$33.2 million during the third quarter. And for a year-to-date total of 1,838,000 common shares for \$62.4 million. With the Board's authorization today for an additional \$75 million in share repurchases, we have updated our 2025 annual share repurchase expectations from \$45 million to \$55 million to \$65 million to \$80 million.

Importantly, our balance sheet remains healthy as we ended the third quarter with a net funded debt of \$64.1 million, comprised of a debt balance of \$89.5 million with cash and equivalents of \$25.4 million.

In the third quarter, we generated sales of \$330 million, a 1.4% increase versus last year. On a comparable basis, Q3 sales increased by 0.5 percentage point, all driven by traffic growth. This quarter included a little over 2% of year-over-year pricing. The compression in check is driven by 3 factors: the outsized growth we continue to see in the late-night daypart and the Pizookie Meal Deal, both which carry a lower check. These comprised about half of the check compression. Continued pressure on alcohol beverage sales comprised the other half.

However, to put the check conversation in a larger context, I would highlight that gross margin, that's check less food and beverage is up 90 basis points and margin after direct labor is up 130 basis points this year over last year. This is a testament to our menu and marketing team's management of the menu and our operations team's delivery of the menu.

We achieved meaningful increases in our restaurant level operating profit, adjusted EBITDA and EPS. Lyle highlighted what I call the 4 drivers of this margin improvement.

But to briefly recap, it's our focused efforts on table stakes, simplification, restaurant outliers and the Pizookie Meal Deal platform. This has driven our restaurant-level operating returns to 12.5% in Q3, which represents an 80 basis point improvement year-over-year with our restaurant level operating profit increasing 8.8% to \$41.3 million.

This included approximately 40 basis points year-over-year headwind on this line as we wrote down certain asset valuations this year that's included in the operating and other expense line.

Our adjusted EBITDA margins reached 6.4% in Q3, which represents a 70 basis points improvement year-over-year with our adjusted EBITDA increasing 14.1% to \$21.1 million. On a line item basis, our cost of sales was 25.7% in the quarter, which was 90 basis points favorable to a year ago. Food cost inflation was approximately 2% on a year-over-year basis, driven broadly by higher beef and seafood costs, partially offset by lower cost for bone-in chicken.

Cost of sales also benefits from our 4 margin drivers. Labor and benefit expenses were 37.1% of sales in the quarter, which was flat to last year. Our restaurant teams continue to operate at a heightened level from better guest count forecasting, enabling better labor scheduling and then managing to that schedule.

We leveraged hourly and management labor by approximately 50 basis points, but this progress was largely offset by accruals for higher anticipated medical cost inflation related to workers' compensation despite the progress in reducing the number and severity of claims.

Occupancy and operating expenses, which includes marketing, was 24.7% of sales in the quarter, which was flat to the third quarter last year. Marketing costs increased by 10 basis points and sales leveraging offset the approximately 40 basis points of year-over-year headwind on the write-down of certain assets I mentioned earlier.

General and administrative costs increased 40 basis points year-over-year, largely driven by investments in our strategy and a negative 20 basis points impact of mark-to-market accounting, which is fully offset below EBITDA and other income.

Preopening costs declined 30 basis points from fewer new restaurant opening activities this year. Depreciation expense increased 20 basis points compared to last year, reflecting the remodel investment in our restaurants.

And as Lyle has already mentioned, we reiterated our 2025 comp sales guidance of approximately plus 2%, restaurant-level operating profit of \$211 million to \$219 million, adjusted EBITDA of \$132 million to \$140 million and capital expenditures of \$65 million to \$75 million.

And as I mentioned earlier, we increased our expected share repurchases to \$65 million to \$80 million, depending on market conditions. Our earnings assumptions include an overall inflation increase from approximately 2% in the third quarter to the mid-2% in the fourth quarter.

And with that, we'll take your questions. Operator?

Question-and-Answer Session

Operator

[Operator Instructions] The first question comes from Alex Slagle with Jefferies.

Alexander Slagle

Jefferies LLC, Research Division

I wanted to ask about the drivers of the acceleration in traffic. And it looks like the back half of September and into October, just kind of runs opposite of what some others have seen in the benchmarks show. So just maybe you could expand on that a little bit more on what drove that acceleration.

Lyle Tick

CEO, President & Director

Yes. Sure, Alex. Thank you. It's Lyle. As we're looking at it year-on-year, there's a couple of things that I would point to. I think there's kind of a combination of factors that go into it. Some of it, I believe, is some of the foundational stuff that I've talked about on the past several calls. We're seeing improvement in guest metrics, improvement in satisfaction, improvement in value. And eventually, you expect to see that starting to come through in frequency, and we're starting to see those frequency numbers improve across income cohorts and age cohorts. So that kind of works together.

Pizookie Meal Deal has continued to grow. So as we came into the lap, the numbers that we were seeing coming into the lap that I think we alluded to probably last quarter is that PMD continued to grow. We continue to see more people coming into it and more frequency. So it made us -- gave us confidence going into that.

And then I mentioned the marketing and the lean in on the social side. I wouldn't underestimate that increase in social dialogue and buzz and influencer engagement. I'd say the 2 kind of main platforms for that were the Pizookie Meal Deal and the Smash Burger. But really, the Spooky Pizookie was really a phenomenon this year and the team leaned in, and it really gained a lot of traction on social. And I think that resonated. And we saw it coming through, obviously, in traffic, but we also see that in the rise in Spooky Pizookie incidents. So we kind of can see that correlation there that helps us point to that.

Alexander Slagle

Jefferies LLC, Research Division

Interesting. And I guess you've been here a year and I guess, started the CEO role in June, but kind of curious if there's anything in the business that's surprising you now or just shaking out a little bit different than you expected coming in?

Lyle Tick

CEO, President & Director

I don't know if there's anything that is particularly surprising. I mean, look, I'll tell you, I'm pleased with the performance we're seeing and the level of acceleration we're seeing in the business recently. I think the team came together, did the hard work on the strategy and the priorities, and we're remaining kind of guided by that and trying to keep ourselves focused on what matters and continue to build a stronger business, right, over time. And so I'm pleased with the progress we've made. I'm pleased with the progress the team has made, and I'm excited about where we're going with the business right now.

Operator

The next question comes from Brian Bittner with Oppenheimer.

Brian Bittner

Oppenheimer & Co. Inc., Research Division

Congratulations on solid results. You clearly have reiterated the guidance for full year same-store sales. And you also said that the 1.5% comps you were seeing towards the end of the third quarter accelerated into the fourth quarter. And getting to that kind of 2% range for the full year would suggest something in the fourth quarter that is closer to like the 3% range. So I'm just trying to level set because there's a lot of outcomes for 4Q to get roughly 2%. Is kind of the 3% range the right way to think about the fourth quarter?

Lyle Tick

CEO, President & Director

Thank you, Brian. As we're looking at our models and kind of where we're at today as we speak and how we're rolling things forward, we're looking at about 2% to 2.5% growth, and that will land us right around that 2% for the year.

Brian Bittner

Oppenheimer & Co. Inc., Research Division

And that's still incredibly impressive, the acceleration, given what we're seeing. And just elaborating on Alex's question. I'm just trying to understand what's going on. Are you guys just not seeing any pullback in consumer behavior? Are you not seeing in your data and insights any changes in frequency or anything like that, that basically everyone else is talking about?

Lyle Tick

CEO, President & Director

Yes. So I mean, I'll tell you what we're seeing. We're actually seeing an increase in frequency beginning to emerge across all of our age cohorts as well as all of our income cohorts. That frequency is resulting in also an increase in total average spend per customer across those cohorts. Now across all of those cohorts, whether you look at it from an age or an income perspective, we are also seeing a bit of check compression, right? But the frequency is more than making up for that.

If you kind of break that out at the lower end, we're actually seeing higher frequency gains and a little bit more compression. And at the higher end, we're seeing less frequency gains and less check compression, but there's not like big, big glaring differences between them. And on the age cohort side, we're seeing actually the older and the younger consumer kind of be a little bit more on frequency and a little bit more on compression. And that kind of between the 2, we're seeing again increased frequency to a lesser extent and a little less check.

I think what it might suggest, right, is we've seen the PMD growing in the cohorts where we're seeing the more -- the higher level of frequency and a little more check, that's a higher engagement rate with PMD. But when you look at the frequency resulting in the average spend, it suggests it's also driving an incremental occasion. So that's kind of the way I'm looking at it and dissecting it. And so I'm pretty happy with what we're seeing, but that's kind of the mechanics of it.

Brian Bittner

Oppenheimer & Co. Inc., Research Division

No, it certainly suggests the foundational work you've been doing on the brand is working.

Operator

Our next question comes from Jeffrey Bernstein with Barclays.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

A couple of things you touched on from the unit side of things. The first one was on the remodels. It sounds like you're still on track for the 20 in '25. And I think you said that's 50% of your class of units opened prior to 2016. I'm wondering if you can give us an update in terms of the cost of these remodels, maybe the sales lift and how many you think you might do in 2026 as you move towards presumably 100% of those stores opened more than 9 years ago? And then I have one follow-up.

Lyle Tick

CEO, President & Director

Yes. I mean what I'll tell you is on the remodels, we continue to see a return that we're pleased with, which gives us confidence that it is a good use of our capital to continue to invest in the remodel program. As I look into 2026, we're definitely going to continue the program. I'd say it might be at somewhat of a moderated pace next year as we start to also get the refreshed prototype out there and then apply those elements to the remodel. And then as we gain a little bit of experience with that, I think returning to that pace of, like we're doing this year, 20 to 25-plus remodel units as we work through the rest of them. So I feel really good about the program. I want to do a little bit of learning with the new prototype and then accelerate again. But we're going to continue it next year.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

And then I think you mentioned from a new unit perspective, the reacceleration in growth. I think you said you have 2 potentially that could open in the back half of '26. And then I thought you mentioned something about accelerate from there. So I was wondering how you think about -- obviously, there's no shortage of opportunity across the U.S. for the concept. So what's -- how do you think about what that ramp looks like in '27 and beyond? I mean is it just -- like what's the constraint to that? Seemingly you have lots of opportunity, but whether it's people or real estate or just operations. I mean how do you think about when kind of the sky is the limit what you do in '27 and beyond?

Lyle Tick

CEO, President & Director

Yes. I think -- look, I mean, I think part of it is building the pipeline, obviously, which we're doing now. Another part of it is gaining the confidence in the prototype and the return on the spend, which we'll be doing. And so I would think of it as kind of 2026, end of 2026. We'll take a step in 2027. And then in 2028, really starting to see that full run rate come back.

When you think of it from a geographical point of view and what's kind of -- how we're going to attack that and what are enablers, we're going to focus on where we already have a footprint, right? So the way we've talked about it is kind of think of it as concentric circles.

So we're going to look at markets where we already have restaurants and we either need to fill out that density to get kind of that alchemy on awareness and consideration and also leverage on multiunit management or we feel like we have room to fill in where we already have a decent amount of restaurants, because that gives us a head start, gets us out of the gate quicker. We have the leverage on management, we have the leverage on supply chain infrastructure. And so we'll get to new markets, but building out in kind of concentric circles versus kind of putting one-offs out, because we actually have, frankly, a lot of markets that what I would call our kind of between clubs on multiunit management, where we have just a couple of restaurants.

So I think what you'll see, you'll see some of those leases in places like in Arizona, where we're filling in and building out, and you'll see some in places like Pennsylvania or in Illinois, right? So there'll be those types of things, but it will be building out from where we have an existing footprint to a certain extent.

Operator

The next question comes from Sharon Zackfia with William Blair.

Sharon Zackfia

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

As we think about those 2 new locations and 2 new prototypes for next year, are there any key changes that we should be looking for either in the size of the box or the features of the box that you're really keen to explore?

Lyle Tick

CEO, President & Director

I think the -- as we look at the box, the first thing that we talked about was as we did the positioning work, does the environment and atmosphere itself really live and breathe our positioning and our DNA? Does it feel like it would be familiar to existing guests, but excite new guests and bring us into kind of the next generation kind of contemporized BJ's.

I do think there's an opportunity to probably lighten things up a little bit with BJ's that we know we're taking an opportunity to do with the prototype. I am a big believer in right kind of size, right cost, right place. So you're going to see a prototype that has very clear indicators of that you'll see consistently across BJ's, like what are those design elements that make a BJ's a BJ's, which you see everywhere. But we'll see that applied in different markets to different sizes and different costs. In some markets, we'll look to test conversion versus a ground up. So I think we're trying to get really clear on what makes a BJ's a BJ's and then apply it flexibly to get the right return on the investment.

Sharon Zackfia

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

And then can I ask a follow-up on the revamped pizza launch? I mean as you launch that, I mean how do we think about that and the impact to check? I mean, I don't know kind of -- I mean, you already have pizzas, so I don't know how you're expecting the attach of pizza or the incident rate to kind of increase. And I'm assuming that's going to be more value for the consumer than necessarily ordering, everyone ordering entrees for themselves. So I'm curious on how you expect that to play out. And also if you're going to lean into that as another kind of value offering in addition to the PMD.

Lyle Tick

CEO, President & Director

Yes, sure. I think pizza inherently does provide a value and fills kind of a different occasion for people, which is really nice. And so I think it's historically played that role. But I think as the pizza kind of quality and satisfaction eroded, it did that less effectively. And so part of what we're doing is refreshing the pizza to help it play the role it's supposed to play in our menu more effectively going forward.

I think when you look at kind of the way I think about pizza, it's a core product improvement that I would expect to kind of build over time as we drive trial. And I think of it as just another layer in building a stronger, more sustainable BJ's and kind of working in combination with the other improvements we talked about. So what I don't expect is like a short-term inflection point in short-term performance, but rather another layer in building kind of sustainable growth over time.

Daniel Duran

And this is Daniel. I'll expand on that just a little bit here. In terms of the check, what we've seen in the test locations is we've actually seen a little bit of an uptick in our average check in those locations versus control. Part of that is, I think we mentioned previously that we're seeing about a 10% uplift in our pizza incidence overall. So just kind of wanted to add a little color so you get a little more clear answer there around kind of what we're anticipating to happen with our check there.

Operator

The next question comes from Todd Brooks with Benchmark.

Todd Brooks

The Benchmark Company, LLC, Research Division

First question, Lyle, you highlighted the fact you've been here for a year, and you highlighted the foundational improvements that the team has made in that time frame. We're seeing -- when you talk about unit growth, we're seeing it some maybe on the culinary side. But with a year of foundation building behind you, what's the brand better positioned to play offense on now as we go into '26? Other areas that we should see you guys really start to put your stamp on the business and be a little more front-footed in how you're running it versus stabilizing it?

Lyle Tick

CEO, President & Director

Yes. Look, I think -- I mean, one, I guess, I would say I'm pretty pleased with the momentum that we have and the work that we've done. I do call it foundational, but ultimately, it's building a better, more sustainable, more compelling BJ's. I think as you think about getting more on our front foot, it's kind of what I referenced when I talk about like product and experience improvements. And so the 2 kind of probably main drivers of that are going to be the continued work on the menu renovations next year as we start to focus more on kind of the post pizza categories.

And then the other one would be obviously the new prototype that we're working on. And so I think those things allow us to -- having the foundation stronger allow us to push a little bit harder on new stuff in the restaurants and the teams will be capable of taking that in and executing it really well.

I think probably the other thing that is maybe a little harder to just put your thumb on is, as we get stronger with the foundations and we're running more efficiently, it does give our GMs and our team members the opportunity to do more of the added value hospitality, right. As we're making things kind of more systematic for them, it kind of frees them up to deliver that hospitality more effectively, which, in my view, in our business can't be underestimated.

Todd Brooks

The Benchmark Company, LLC, Research Division

And my final question. You spoke on the last call about the Pizookie Meal Deal evolving the platform to have some add-on and kind of check builder type of capabilities for customers that are accessing there. Just wondering, A, success that you've seen with that, any other iterations that you're looking at with the program? And how are the teams doing from a front-of-house standpoint kind of selling that ability to build a higher check on that platform?

Lyle Tick

CEO, President & Director

Yes. So I mean, overall PMD, so as I said, it's growing. It's not only growing in frequency and attachment, but the check is actually growing a bit on PMD. So that's good. Now would I say that we've kind of nailed that yet, the answer would be no. The PMD -- I'm sorry, the Pizookie, full-size Pizookie trade-up has been an easier sell for our team members at dinner, not much at lunch. The other add-ons we've had so far have not had much traction. The Smash Burger brought a lot of kind of momentum and news to the Pizookie Meal Deal, which we're excited about. And so we're still working through kind of what is the next iteration of add-ons and check building and menu refresh for PMD. And so that will be things that we test and roll in 2026. But I'd say we're still at the beginning of that journey, seeing a bit of traction, but I wouldn't pat ourselves on the back yet about that.

Operator

The next question comes from Brian Mullan with Piper Sandler.

Brian Mullan

Piper Sandler & Co., Research Division

Just wanted to come back to the pizza launch. In those test locations you referenced in the prior answer, were you doing anything to proactively drive awareness? Or were those really -- those lifts really just happened purely organically? And related to that, just talk about the plan to drive awareness once that does launch next week, whether that's social or inside the restaurant, anything you could offer?

Lyle Tick

CEO, President & Director

Yes, sure. I mean in the test market, it was really organic. I mean, we obviously have -- geographically, we understand our loyalty customers that are most frequent at restaurants. So there was a communication that went out to loyalty members that are associated with those restaurants, but there was no really other proactive marketing on pizza outside of in-restaurant merchandising. And I think I mentioned this in my talk, but Chris keeps mentioning to me how much the team members love it and then if they love it, that's when you're going to see them selling it and people picking up on it.

So I mean, I think all of those elements obviously continue as we roll out broadly. Then the plan that we're putting in place, we are going to do external marketing about it. It is going to be heavily driven by social PR and influencer. So word of mouth, getting the product in people's mouth, getting people to talk about it and drive it. We'll be doing sampling at a restaurant level, again, to make sure we're driving trial. But yes, we'll be doing marketing, but it will be very much in the spirit of what I was talking about, a bit more of a center of gravity in the social influencer word-of-mouth world.

Brian Mullan

Piper Sandler & Co., Research Division

And then just a question on the share repurchase activity, notable step-up here in the third quarter. As you evaluate whether or not you want to continue with that moving forward, is there a leverage target we should keep in mind, whether it could be a turn of debt, maybe it's something different? Just any color on the philosophy or the parameters from here?

Carl Richmond

This is Brad. I would say, no. I mean, if you look at our balance sheet, you look at our debt levels, we have plenty of capacity. So if the situation presents itself, we'll continue to buy at a heavy rate. But also, we will keep some dry powder, if you will, because we're on the cusp of ramping up new unit growth. We'll get back to brisk pace on remodel. So we want to keep some powder for that. But even with that said, there's a lot of capacity to do that. And so we'll gauge that as each day goes by, but we don't feel constrained at this point.

Operator

The last question comes from Jon Tower with Citi.

Jon Tower

Citigroup Inc., Research Division

Maybe just a few quick ones, if I may. First, obviously, you had mentioned that you're seeing a bit of check pressure, particularly from the higher mix of PMD rolling through the business today. But I'm just curious from another perspective, how are you thinking about that informing your pricing power going forward? And frankly, how you're thinking about pricing over the next 12 months and the broader menu?

Lyle Tick*CEO, President & Director*

Yes. I mean as I think about -- I mean, as we think about pricing going forward, I guess I would take maybe one step back, Jon, and this is Lyle, by the way. The way we're attacking the business is really trying to put that value equation at the center of everything, right? And is our product and experience worth the price and are we delivering kind of a worth it experience in that social splurge occasion. And I think price plays a role in that, but it's not solely about price, certainly.

I think that what I like right now is that we're seeing our value score goes up, we're seeing our guest metrics go up, and we're seeing that traffic-driven growth. So clearly, we're hitting a good kind of intersection with that right now.

Now I think the other thing is as you see guest satisfaction and value scores go up, as long as you're continuing to deliver on that, I think we will be able to find opportunities for pricing, particularly having kind of those entry points of the Pizookie Meal Deal and Daily Brewhouse Specials, right? Because what we're able to do is give certain consumers an entry point into social splurge with PMD and the Daily Brewhouse Special and other consumers an entry point into it with pizza or a steak for that matter. And so just having all of that work collectively.

Another thing that I'm looking at as we go into next year, particularly as we look at category refreshes is how we think about like category and revenue management in the category in order to create opportunities for trade-up for folks and opportunities to drive mix. And so there's really a lot of levers that I think about using as we kind of go forward and drive check. Pricing will be one of them, but we're going to be thoughtful about pricing as we go forward and continue to keep an eye on those guests and value metrics.

So yes, do we think we have some pricing power? Yes, we think we do. But we want to be judicious about that and make sure we continue to see the traffic, see the scores go in the right direction. And as long as we're able to lever that in the P&L, which we have been able to do pretty consistently, I feel good about it.

Jon Tower*Citigroup Inc., Research Division*

Maybe another question on -- just on your digital and off-premise business. I know that had been an area that you'd spoke to in the past in terms of seeing opportunity to improve the presentation to the guests online. And I'm just curious where you guys are in that process.

Lyle Tick

CEO, President & Director

Yes. That is one of -- or will be one of our priorities for 2026. And I think it's really an end-to-end piece of work to improve our off-premise, right? Because it starts with some work that you guys -- it's not as visible to you guys right now, but we're already working on, which is how we attack missing and incorrect. And again, some of the kind of foundational stuff we've talked about.

So we've been tweaking things about like our KDS and how the products show up in the restaurants for our off-premise teams and our cooks, and we're seeing improvements in our M&I. So that's encouraging. And as we start to do that, we can then start to have that stronger foundation and then work on the consumer-facing stuff.

I think the consumer-facing stuff has to do with eliminating friction in our kind of digital consumer flow, which -- part of that is actually improving the flow from a technological point of view. But part of it is improving merchandising, making sure the things that are relevant for off-premise are presented to people first, not offering our full menu on off-premise because it's not all relevant.

So there's a lot of kind of those opportunities for us to improve, and we're going to be attacking them next year, but they just had to be sequenced in the priority this year. And so it's really a 2026 is when we're really going to start to see movement against some of that stuff.

Jon Tower

Citigroup Inc., Research Division

And then just last one, bookkeeping. Fourth quarter, obviously, you gave some commentary on where you think comps might shake out. But is that accounting for some of the calendar shifts? I know Halloween hits this Friday versus, I think it was a Thursday last year. And then I think New Year's Eve falls out of the fourth quarter for you guys this year.

Daniel Duran

Yes. Jon, this is Daniel. That's correct. Our guidance there accounts for all the holiday shifts that you just called out. So you can take kind of the full quarter adjusted for those holiday shifts.

Operator

This concludes the question-and-answer session and today's conference call. Thank you for attending today's presentation. You may now disconnect.

Lyle Tick

CEO, President & Director

Thank you, everyone.

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