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BJ's Restaurants, Inc. (BJRI) Q4 2024 Earnings Call Transcript

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Q4: 2025-02-20 Earnings Summary

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EPS of \$0.47 **beats by \$0.13** | Revenue of \$344.34M (6.40% Y/Y) **beats by \$7.85M**

BJ's Restaurants, Inc. (NASDAQ:[BJRI](#)) Q4 2024 Earnings Conference Call February 20, 2025 4:30 PM ET

Company Participants

Rana Schirmer - Director, SEC Reporting
Brad Richmond - Interim CEO
Lyle Tick - President and CCO
Tom Houdek - CFO

Conference Call Participants

Alex Slagle - Jefferies
Todd Brooks - The Benchmark Company
Brian Mullan - Piper Sandler
Sharon Zackfia - William Blair
Mike Tamas - Oppenheimer & Co.
Pratik Patel - Barclays

Operator

Good afternoon, and welcome to the BJ's Restaurants Fourth Quarter 2024 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 2024 fourth quarter investor conference call and webcast. After the market closed today, we released our financial results for our fiscal 2024 fourth 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 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 should refer 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 as we discuss our fourth quarter and full year 2024 performance, as well as our outlook for 2025.

Before we dive into our results, I'd like to take a moment to acknowledge the devastating impact of the wildfire here in the Los Angeles area. Our thoughts and prayers go out to everyone affected by these fires. I want to express our deep gratitude to the first responders, who worked tirelessly in these challenging conditions. I'd also like to extend a heartfelt thank you to our local restaurant leaders, team members who have gone above and beyond providing support to the first responders and local residents, offering meals, refreshments and even safe spaces for those affected by the fires. We couldn't be prouder of their community engagement and spirit of generosity. We also know that some of our team members have been directly impacted and a few have tragically lost their homes. BJ's team member support fund, which we call Give us Life, came to the aid of these members in their time of need. The fund is supported by voluntary donations from team members who contribute from each of their paychecks. We are grateful for the generosity and support of the BJ's family.

Now turning to the fourth quarter. I'm pleased to report that the breadth of our momentum of our progress is clearly reflected in our financial performance. Comparable same-restaurant sales were very strong. Margins continued to improve, and our cash flow is both resilient and increasing. What's even more exciting is that there's still ample opportunity to build upon these achievements and further strengthen each of these key financial metrics as we move forward.

We made significant progress on our first phase of initiatives, and I'm impressed by what we've accomplished in such a short time. This progress also fuels my optimism as I see more untapped potential for the BJ's brand in the near-term. Our early goals have been met, the foundation is strengthening, and we now have more clarity and actionable plans in place to drive future success. To provide deeper insights into our recent progress and near-term initiatives, Lyle will discuss our brand positioning efforts and growth plans later in the call, and Tom will review our fourth quarter and annual results and share our expectations for 2025. But before he does, let me quickly recap our fourth quarter financial results.

Comp sales for the quarter were 5.5%, driven primarily by guest traffic with strength across all dayparts and all channels. Each month of the quarter, we delivered sales meaningfully above the Black Box benchmark levels. Also important to note, the quarterly comps did benefit by approximately 100 basis points from favorable holiday shifts. Our margin enhancement initiatives began to deliver meaningful results late in November and leverage our top line growth to achieve restaurant-level margins of 15.4%, up 100 basis points to last year.

Restaurant level operating profit reached \$52.9 million, a 14% increase to last year, which set a record for Q4 restaurant profitability. Adjusted EBITDA was \$33.1 million in the fourth quarter, a 21% increase from the prior year. Our adjusted EBITDA margin was 9.6%, a 120 basis points improvement from last year, and we were able to deliver this significant profit growth while making meaningful investments in brand positioning initiatives.

In the fourth quarter, we engaged in significant work around strengthening our brand and business model, leveraging external resources to increase the certainty and accelerate the pace of our efforts. Lyle will go into more detail on this shortly, but we are energized by the preliminary insights and are excited to bring these fresh perspectives to life.

Additionally, we made some key leadership changes. The charges for these two items increased G&A's approximately 100 basis points in the quarter, but are largely transitory and already behind us with only a small amount remaining for the first half of 2025. We also conducted a thorough review of our restaurant portfolio and determined that no restaurants needed to be closed. We also reassessed our new restaurant pipeline, applying a more refined set of criteria, which we believe will lead to more consistency in our new restaurant opening performance. This led to the removal of some sites from our new restaurant pipeline as they no longer meet our revised criteria. These two reviews were the primary drivers of the charge for asset disposals and impairments in the quarter, which I remind you is a noncash item and does not impact our restaurant operations.

In summary, Q4 was a strong quarter with meaningful progress across multiple areas. I want to extend my thanks to Lyle, our leadership team and our 21,000-plus team members for their hard work and agility in delivering these results in quick order. Their efforts have laid a solid foundation as we move into 2025.

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 taking the time to join us today. I'm now five months into my role at BJ's Restaurant and Brewhouse, and I'm very encouraged by the progress we're making driving sales and traffic, as well as identifying opportunities to operate more efficiently and simply. While we're at the beginning of the journey and there is lots of work ahead, we're getting clear on our core equities where we can drive differentiation while also putting in place the right initiatives to drive sustainable and profitable growth. We're at an exciting juncture for the BJ's brand, building on positive sales and margin performance in Q4, while also sharpening our focus for the future.

Before I look ahead, I'd like to briefly double-click on Q4. We're pleased with our sales performance, as well as our margin expansion initiatives. Importantly, we believe we can continue to build upon these initiatives in the near-term, which will provide learnings to inform our future actions. On the sales side, the Pizookie Meal Deal and our holiday large party offering resonated with guests and our targeted marketing investments served as an accelerator in key markets. While our performance across geographies, days and dayparts were all encouraging, our performance on the weekend when the promotion was not offered and over performance in media markets underline awareness and consideration headroom for the brand, as well as brand affinity when we are top of mind. It also underlined a real structural advantage we have in accommodating and delivering great experiences for group occasions.

On the margin enhancement side, we made progress laying the foundations of initiatives that will help us be more efficient, but most importantly, will help us improve guest and the team member experience. Our AI forecasting model has continued to improve and is helping our GMs improve food preparation plans, as well as labor scheduling and having the right people in the right place at the right time.

We also took a hard look at our comped food and beverages as these generally result in difficult situations for team members, less than ideal guest experience and they slow the restaurants down overall. We identified that a key driver was items being run in wrong or prepared wrong and that the root cause was complexity in how we ring items into our POS and how they show up in the kitchen. To give you just a couple of practical examples of how we address this, we simplified the process for how we ring in our craft margaritas. This simple change resulted in about a 20% decrease in comped margaritas and mistakes making their way to guests. We added takeout and delivery tailored cooking and packaging guidance to our kitchen display systems, driving our accuracy scores up about 10%. While both examples benefited margins, their bigger impacts were made by creating better team and guest experiences. Our operations and technology teams are partnering and continuing to work on mapping additional simplification opportunities.

On the facilities and equipment side, we completed two important projects. We tagged every critical piece of equipment across our system with a QR code that allows us to track repair history, manage warranty work and apply predictive analytics to determine the optimal replacement cycle. This is ensuring our equipment is in the best possible working order for our team members and also ultimately provides savings and efficiencies in our R&M spend. It's all about setting our teams up for success. We also implemented preventative maintenance programs for major kitchen and HVAC equipment. Early feedback from the team indicates this work has improved their experience with less equipment failures, and we're saving with less costly and frequent repair orders. Taking a proactive approach with our facilities and equipment is paying immediate dividends, and we believe there's additional opportunities ahead.

Lastly, as part of the menu work, we're in the process of taking a comprehensive look at our value strategy and promotional platforms. Ultimately, we want to ensure that our guests looking for a great everyday price point have craveable options they can count on and that our guests looking for an accessible splurge or treat have exciting premium BJ's handcrafted options, all of which deliver a great value for the role that they play on our menu. These near-term initiatives provide a springboard for our longer-term strategy.

Since our last call, we have also completed extensive brand research to better understand our core consumers' needs, our brand's core equities and how we can uniquely deliver value to our guests. This has allowed us to clarify BJ's brand positioning, which provides focus and clarity to the teams as we move forward. There is a cross-functional team that is now diligently working on our plans to position the brand for sustained profitable growth in the mid to long-term [Technical Difficulty] four strategic priorities, which include the team member experience, our handcrafted food and beverage, delivering WOW hospitality and keeping our atmosphere fresh.

First, I'd like to talk a little bit about our team member experience. At BJ's, we're working from a relative position of strength here. Our turnover is below pre-pandemic levels and below industry norms and we see a high correlation between manager tenure and restaurant performance. Our managers and team members are the heartbeat of BJ's, and our research signals that our hospitality can be a real differentiator for us. What we also know from our research and from our team members is that we have an opportunity to provide great hospitality more consistently. To enable this, we're focused on two areas in the short to medium-term. simplification and training. On the simplification side, there's two main aspects. One is addressing task saturation. Our teams are in the business and at BJ's specifically because they want to deliver great guest experiences. We have a team focused on identifying and eliminating or automating tasks that do not add value to our guests or get in the way of our managers and team members operating as efficiently as possible. The other part of simplification is simplifying our processes and systems. As I mentioned before, we're working to simplify our POS and kitchen display systems and processes, including how items are rung in and how they show up in the kitchen, and this is already showing promising results.

Turning to training. Our managers and team members alike have told us we have an opportunity to support them better with training. This is an area we're striking the right balance of technology and shoulder-to-shoulder training is key. During and since COVID, training for many has gone almost all digital. Our team members have told us that more shoulder-to-shoulder training is important. To address this, we have just rolled out new team member training and new manager training is following suit. The training makes the digital modules more streamlined and gets team members shoulder-to-shoulder quicker. The feedback has been very positive. What I'm hearing from our managers is they're seeing that it's helping in hiring and retention in the first 90 days because our new team members get buddied up from the beginning and more quickly feel part of our community and are executing better for our guests.

The second strategic priority is our handcrafted food and beverage. The brand work we have done has reinforced that we had some powerful core pillars of our menu with strong brand equity and associations, as well as some emerging opportunities. The work we're doing on the menu is centered on making strategic choices about where we will drive meaningful differentiation, while also identifying opportunities for simplification. Pizza, our world-famous Pizookie and our award-winning craft beverages anchored in our craft beer program are clear areas of strong brand equity and association. Our wings, stakes and slow roast are emerging areas of potential strength. It's also clear from our research and guest feedback we have opportunities to improve consumer satisfaction on some of these core platforms. 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. This is where a great deal of our focus is going in the short term, and I'm pleased with the progress here.

We also identified an opportunity to optimize our menu offerings. Like many, we have a core group of offerings that drive an outsized portion of our total gross margin. We will be focusing across categories on the long tail to do two things. One is streamline, remove items that are not delivering from either a commercial, brand equity or turf perspective, and this will allow us to achieve our second goal, which is to bring exciting innovation to our guests and keep our core platforms fresh.

Our third priority is delivering WOW hospitality. Hospitality has always been at the heart of BJ's brand, and it's a big reason why our loyal guests keep coming back. This pillar is about how we put our managers and team members in the best position to deliver WOW Hospitality to our guests, both on and off-premise. On-premise, the core focus is around ensuring we have the right quality and quantity of staff in the right positions at the right times. As we continue to evolve our AI forecasting model and labor scheduling, we're seeing opportunities to be more efficient and effective as a whole, particularly around our shoulder periods, while also identifying key peak hours where we need more team members. We believe this, combined with some of the simplification efforts I outlined earlier, will put our teams in a better position to deliver our BJ's WOW experience more consistently. And just beyond the horizon for off-premise, the main focus is going to be on delivering a seamless end-to-end experience and removing friction points. We have a robust off-premise business, about 17% of our total sales, and we believe we have the right product offering to continue to grow in the off-premise. We do, however, have a clear opportunity to optimize that end-to-end journey and make things easier for guests and team members alike, all the way from how we merchandise our items and capture that demand to how we ultimately fulfill and convert that demand.

Lastly, our fourth priority is about keeping our atmosphere fresh. BJ's atmosphere has always been a long-term differentiator for our brand. In 2025, we will continue to focus on keeping our footprint fresh by remodeling up to 30 existing locations to expand our successful remodel program, while continuing to optimize based on learnings. We plan to open one new restaurant in 2025 in Queens Creek, Arizona in just a couple of weeks, and we're very excited about this restaurant and believe it will be accretive to our total restaurant portfolio. In addition to this, our team has been closely analyzing recent restaurant openings to identify key success factors and maximize our return on investment. The preliminary findings are promising. And as such, we will return to building our new restaurant pipeline with more restaurants to come in 2026. Our capital expenditures in 2025 related to new restaurant openings will 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 will keep you updated as we move throughout the year.

While I'm pleased with the progress to date, we are early in this journey. The clarity we gained from our brand research, our operator feedback and learnings from recent performance, combined with the organizational alignment behind these strategic priorities give us confidence in the path ahead.

Thank you. And now I want to turn it over to Tom to provide more detail on our fourth quarter results and our outlook for 2025.

Tom Houdek

Thanks, Lyle, and good afternoon, everyone. Before looking at our fourth quarter results, let me reflect on what we accomplished in 2024. During the year, we generated record sales of \$1.36 billion as our sales driving initiatives gained traction throughout the year, culminating with 5.5% comp restaurant sales growth in Q4. We produced record restaurant level cash flow of \$195.6 million, which increased by 10% from 2023 levels. We improved our restaurant margins by 110 basis points to 14.4% for the full year, including 15.4% margins in Q4 and we delivered adjusted EBITDA of \$117.1 million, which was 13% higher than the prior year.

Turning to the fourth quarter. We generated sales of \$344.3 million, which was 6.4% higher than last year. On a comparable restaurant basis, Q4 sales increased by 5.5%, driven primarily by traffic growth. This represented our best comp performance since 2018 when excluding the COVID recovery quarters as our sales driving initiatives worked to grow sales, traffic and market share during the quarter.

In Q4, our comp sales beat the industry by 3.7 percentage points and our traffic beat by 6.8 percentage points as measured by Black Box. Our traffic outperformance was driven in large part by our key promotion, the Pizookie Meal Deal that we launched in September, as well as an investment in media to build an awareness of this promotion and the BJ's brand overall. We also built guest excitement around limited time offerings such as our Spooky Pizookie and the 25th anniversary of our Grand Cru Belgian ale.

Our restaurant level cash flow margin was 15.4% in Q4, which was 100 basis points better than a year ago. We effectively leveraged our strong sales and delivered improving margins, while also investing in food and marketing costs. Our restaurant-level operating profit increased 14% to \$52.9 million for Q4, which marks our most profitable Q4 ever. We are pleased with our progress on improving our margins to date. And as Lyle and Brad outlined, we have a range of strategies and initiatives to continue to grow margins both on a dollar and percentage basis going forward.

Adjusted EBITDA was \$33.1 million and 9.6% of sales in the fourth quarter. Q4 EBITDA was \$5.8 million higher than last year, while also marking or making longer-term investments in our brand positioning, which Brad and Lyle both highlighted. We reported a net loss of \$5.3 million and diluted net loss per share of \$0.23 on a GAAP basis for the quarter. The net loss included a few extraordinary items, including a \$15.4 million charge for loss on disposal and impairment of assets, a \$4.6 million charge related to an extension of a warrant and a \$1.5 million charge related to leadership transition costs. But the loss on disposal and impairment of assets was elevated this quarter as we completed a review of our existing restaurants and potential future sites, resulting in a number of impairments and our planned replacement of our pizza pans as we work to upgrade the pizza category of our menu. We added supplemental non-GAAP metrics to our earnings release to account for these items. Adjusted diluted net income per share grew 5.1% to \$0.47 per share compared to \$0.45 per share last year.

For more detail on restaurant expenses, our cost of sales was 25.9% in the quarter, which was 40 basis points higher than a year ago. Food cost inflation was approximately 3.5% year-over-year, which we did not fully recapture in menu pricing. Also, our Pizookie Meal Deal had modestly higher food costs than our menu average. Labor and benefits expenses were 35.8% of sales in the quarter, which was 70 basis points favorable from last year. Our restaurant teams hit their stride, delivering strong results and leveraging labor efficiently, while still maintaining strong guest sentiment scores as we drove meaningful traffic and sales in the quarter. Occupancy and operating expenses were 22.9% in the quarter, which was 70 basis points favorable compared to the fourth quarter of last year. We continued to achieve strong efficiency gains over the prior year from our cost savings initiatives and leverage from higher sales. We achieved these overall O&O gains, while investing this 50 basis points in additional marketing, which was effective at driving incremental traffic to our restaurants.

G&A was \$23.7 million in the fourth quarter. Included in G&A was a \$2.1 million cost related to the acceleration of our brand positioning work and \$1.5 million related to leadership changes. Without those costs, Q4 G&A was approximately 1% lower than our expectations.

During the quarter, we repurchased and retired approximately 234,000 shares of common stock at a cost of \$8 million. Reflecting the progress on our plans and our cash flow growth expectations, our Board of Directors approved an increase in the repurchase program at \$50 million. We currently have approximately \$83 million available under our share repurchase program.

Turning to the balance sheet. We ended the fourth quarter with net debt of \$40.4 million, comprised of a debt balance of \$66.5 million less cash and equivalents of \$26.1 million. This equates to a \$7.7 million reduction in net debt from our balance at the end of Q3.

Next, we provided our 2025 financial outlook today. We anticipate full year comparable restaurant sales in the 2% to 3% range. This takes into account multiple third-party forecasts for both food-away-from-home and industry traffic, as well as our own idiosyncratic growth drivers. This forecast also accounts for recent sales trends, which have softened somewhat from Q4 2024 levels due to weather in certain markets and more general conservatism in consumer spending coming out of the holidays. Specific to Q1, we continue to deliver positive comp sales and traffic and continue to beat the Black Box index on both of those measures, though the spread has tightened since Q4. We expect Q1 comp sales near 2%, which assumes the recent weather headwinds begin to moderate as we move through the remainder of the quarter, which has tended to be the case historically. Our full year 2025 guidance assumes comp sales shifting higher in Q2 and Q3, similar to expected Q1 levels without the weather impact before moderating in Q4 as we lap our strongest comp sales from 2024. We expect restaurant-level operating profit in the \$205 million to \$215 million and adjusted EBITDA of \$127 million to \$137 million. These profitability levels take into account a range of top line scenarios, as well as our expectations for inflation and the initiatives planned for this year to drive increased profitability, while investing to position BJ's brand for future success. We expect the regular seasonality in our profitability and additional margin expansion in the second half as additional margin building initiatives are implemented.

We expect capital expenditures of \$65 million to \$75 million. In 2025, we plan to open one new restaurant and remodel up to 30 existing locations. By the end of 2025, approximately 60% of BJ's restaurants will either be recent prototypes or have been refreshed within the past four years as part of our ongoing remodel initiative. Our capital expenditures in 2025 related to future restaurant openings will depend on the speed at which we can develop a more robust and targeted pipeline that aligns with our refined criteria for new locations, as Lyle outlined. Finally, we expect to repurchase \$40 million to \$50 million of shares in 2025. Our increased repurchase program will provide ample capacity to execute on our repurchase plan this year.

In closing, we are proud of our fourth 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 of the BJ 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. Operator?

Question-and-Answer Session

Operator

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

Alex Slagle

Thanks. Congrats. Great to see the progress through the quarter. A couple of things I just want to clarify. First, on the restaurant level profit guidance and the implication for restaurant level margin, I guess if we assume revenues are up a little bit, maybe low single near mid-single-digits, I guess, towards the lower end, really just given the unit growth. I mean, restaurant level margin, should we assume them sort of flat to up 50, 60 basis points? Or how should we kind of clarify the margin implications?

Tom Houdek

Sure, Alex, and thanks for the question. As we look at the year ahead, we see a path to expand margins. So in the range we gave on the upper end, it certainly is -- it does imply margin expansion. Even on the lower end, a little bit of that expansion. And it really is across the categories of margin. We see opportunities in food cost, in labor and O&O. There is some reinvestment that's happening that helps us build traffic and continue to beat the industry. But net-net, we do see a path for margin expansion and are planning for it.

Alex Slagle

Okay. And the pricing expectations, you mentioned, I guess, the pricing lagged a little bit, the inflation, but if you could talk to what you're thinking on pricing and if you think that will be enough to offset the inflation?

Tom Houdek

Yes. As we look at just generally around comp right now, it's mostly driven by traffic. And getting into the components of check, there is pricing, and we have underpriced in terms of inflation. We like what that's showing in terms of our value scores, our different scores as we measure the guest and how that's driving traffic. But also, just looking at mix shift, we are seeing some mix shift into things like Pizookie Meal Deal. There is some negative mix shift in our off-premise channel still. So net-net, as we look at the forecast for this year, our expectations, it's mostly driven by traffic. There will be some pricing in there. We'll price to offset inflation, but that's not a driver of where the margin improvement is coming from, where we're expecting our initiatives to be the driver there.

Brad Richmond

Hey, Alex, Brad here and I would just jump in as well that we have a lot of arrows in our quiver now marked to around margins. And so you're going to find us remaining pretty agile there. We really want to build the total absolute dollars of profitability is what we're after. And so we've had some success already with that. We're going to continue to explore that. And so yes, the margin percents are important, but we're more guided by the absolute dollars that we can drive, particularly when you look at our unit economics, very large box, high AUVs. And as you saw in the fourth quarter, driving just a little bit of sales there provides leverage all the way down the P&L. You may not see it as much on food costs, given just where the cost structures are these days. But I think the real message to take away is there's a lot we can do. We're going to remain agile. We've learned a lot. We're still learning a lot more. But putting the guidance out for the year that we feel comfortable that we should be in that range. And as it develops the year, we'll update that. But don't foresee right now any major changes to that.

Alex Slagle

Okay. Thanks for that.

Operator

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

Todd Brooks

Hey, good evening, guys, and congrats on just a really stellar fourth quarter. A couple of questions, if I may. One, with the success that you talked about with some incremental marketing spend in the fourth quarter, how are you thinking about using marketing as a lever to drive traffic going into fiscal '25? And any thoughts on kind of a percentage claim on sales for marketing spend? Or is it more different in new tactics? If you could just kind of dig into that a little bit, that would be great.

Lyle Tick

Yeah. Thank you for the question. This is Lyle, by the way. First of all, I mean, we're still learning, right? We had obviously a great Q4 and I think as I've mentioned before, we saw outperformance in our media markets, and we saw even more outperformance in our non-California media markets where we have the bigger gap on awareness and consideration. So those things suggest there's headroom there, and we're going to take those learnings to shape what we're doing going forward. I would say at this point, though, strategically, we're not planning major shifts in our spend strategy. It's going to remain very targeted, looking at accelerating performance in California and some of our other kind of core markets where we have some lagging awareness and consideration. We're not going to suddenly kind of be going out there and trying to compete for share of voice with some of the big national media spenders. We're going to need to continue to be efficient and choiceful about the spend. And I think given the share gains that we saw in Q4 and the outperformance in those media markets, I'm encouraged that we can be kind of choiceful about where we do things. And once we get some more time under our belt, we can decide if we want to make any sort of material changes or acceleration there. From a channel point of view, it is helpful, right? We are not a big linear TV spender. We are looking for more efficient ways to get in and spend our money and talk to our target. And so our broadcast is more connected TV versus linear and heavily in digital and social.

Todd Brooks

Okay, great. That's helpful, thanks. And then you highlighted kind of core brand pillars that BJ's has been able to deliver for a long time and then some emerging categories that you hope could expand into those brand pillars. If you think about what worked value-wise in Q4, especially around Pizookie Meal Deal, are you delivering enough value based on the results? And I would argue that the results probably say, yes, we are, at least at that point in time in Q4. And thoughts on how do you deliver value across fiscal '25? Is it take what's worked in Q4 and continue it in some sort of perpetuity here? Or are there other levers that you could pull confidently that you feel could be as impactful as Pizookie Meal Deal was?

Lyle Tick

Yeah. Thank you for the question. I think it's probably a bit of a multifaceted answer. On your first part, like, is there more headroom with the Pizookie Meal Deal? We like what we're seeing in the Pizookie Meal Deal. We like the traffic that it's motivating. We're actually seeing as people come in during the week, we've seen kind of a halo benefit in non-Pizookie Meal Deal categories with some unit growth in other areas. So people coming in, somebody at the table getting Pizookie Meal Deal, somebody at the table not getting Pizookie Meal Deal. So we like that. We like what we've seen in terms of the marketing is overhang into the weekend, so that when the deal is not on and we have awareness, we can drive it. So we think there's more with Pizookie Meal Deal. I think we also want to take this opportunity, as I mentioned in my remarks, to take a comprehensive look at our value strategy and promotional platforms, so that we can really lean into the things that are working and then retire some of the things that may not be. And then the last part about the value strategy is, I'm a big believer in the value equation, which is the experience that we're delivering the food experience and the service experience over the price. And what we need to do is continue to have things like the Pizookie Meal Deal for those guests that are looking for that kind of everyday value that may be more driven by price and make sure that our premium kind of handcrafted trade-ups are delivering the way they should deliver so that we have both ends of that guest being satisfied with value as they see it. So value to me is kind of the holistic occasion and is applied differently to different guests, if that makes sense or different cohorts.

Todd Brooks

Yes, that's great. And one more, and I'll jump back in queue. Tom, if you think about the commentary of expecting you get to 2% same-store sales in the first quarter, is there a way to quantify what's been lost to weather and potentially the fires in the California market as far as either lost service days year-over-year or maybe alternatively, I know that you often talk about how strong those tent-pole holidays are, which I believe Valentine's Day is one of them for the brand. Just either or both that where we can get at, okay, the strength of the consumer when not disrupted by these exogenous factors and help us understand, okay, 2% without these headwinds is really running closer to mid-single-digit than low single-digits?

Tom Houdek

Yeah. Thanks for the question, Todd. The way that I look at it or we look at it, looking at January and the comp really when weather was a cleaner lap, that was closer to, call it, higher end of our full year guide. Since coming into February, we've seen a lot more weather impacts that really did weigh on results. So there is -- we talked -- I talked about this in the guidance that an assumption that, that moderates as we go through the through the quarter as we finish the quarter up here. But yes, there has been some -- certainly, for the full quarter, it's worth probably over 100 basis points from the weather we've seen so far. Not as much on the California fires as there's been -- there was a couple of restaurants in the closer vicinities, but I think we've -- you see some days you're impacted. You see some days where we get more traffic coming into the restaurant. So net-net, nothing to report really on the California specific area other than what Brad mentioned of some really nice work by our teams and supporting the communities. But as comp goes, that won't have much of an impact on the quarter. It really is getting through the weather piece here and coming out of that is where we see hitting back to more of the true run rate.

Todd Brooks

Thank you.

Tom Houdek

Thank you.

Operator

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

Brian Mullan

Hey, thank you. Just question on your simplification efforts. On the menu side, in the prepared remarks, one of the things you talked about was streamlining. So I'm guessing you see an opportunity to shrink the size of the menu. So do we have that right? And if so, any sense of the scope or the magnitude of what you might be able to do? And then how much time you would need before you would want to move forward with something like that?

Lyle Tick

Yeah, sure. The -- this is Lyle again, by the way. So as we look at the menu and you think about simplification, the -- this is not new in terms of BJ's, but we have a concentration of items that have a concentration of our gross margin. And so as you start to look at that, you begin to look at kind of the long tail of items across your categories. And those are the kind of targeted opportunities that you have to look at how do you streamline those items that aren't either specifically unique to you from a brand equity point of view, may not be delivering from a commercial perspective or might be stepping on another item from a turf perspective. I don't have right now a targeted number of items that we are looking to remove, but I absolutely do see the opportunity to ultimately streamline our menu. And I think it's a balance in terms of giving you some color on how we think about it. With the menu the way it is now, we don't have a lot of room to bring new news and innovation and even keep news on our core platforms to keep them fresh. So as we are able to go into the menu and streamline some of those items that are in the long tail, we provide ourselves an opportunity to then bring new news on our core platforms and really focus on those areas, while net ultimately having a menu that's easier to execute for our team members. So I don't have a targeted number as yet as we go through that work and that becomes more clear, happy to share that in the future. In terms of when that process will start, you're probably looking more towards the second half of this year as we look at some of our menu -- planned menu reprints as our first opportunity to look at taking some things down, as well as while we do that, providing some new news to guests.

Brian Mullan

Okay. And then just a follow-up. I would be curious to get your assessment of the service levels in the stores right now, assuming you are able to find efficiencies elsewhere, do you envision being able to put more labor hours in the front of the house or maybe that's not even necessary? Just would be great to get your thoughts on the state of that at BJ's right now.

Lyle Tick

Yeah, I mean I would say this -- what we hear from our research and the brand work that we've done is in the places where we're doing it well, it is a real differentiator and strength for the brand, but that we are not delivering that as consistently as we need to across the board for every occasion. And that's where some of the things that I talked about in terms of looking at how do we look at process simplification, how do we look at task saturation and making things easier for our team members is a big focus for us right now because we need to make it easier for them to deliver that great experience more consistently. I think I mentioned training. I'm a big believer that our business is delivered through people, and we need the right training and our team members were pretty loud and clear about needing an update to the training and that shoulder-to-shoulder training. And then to specifically address your question, on labor, as we look forward, on balance, we are seeing kind of an opportunity to get, as I was talking about, the right people in the right place at the right time. So when we look at what the data is telling us, it's telling us that on the shoulder hours, what I mean by that is like the hours like leading into a dinner and the hours leading out of the dinner, we actually maybe are a little loose and have an opportunity to get tighter. But within those kind of core peak periods, we may need some more labor in the right places. And the right places is really unique by restaurant, and that's the benefit of some of the data that we're looking at right now, where some restaurants might need a little more heart of house labor for a peak time and some restaurants might need a little more front-of-house labor, and we can now kind of have the data support us and support our GMs and getting the right people in the right place at the right time. But on balance, the data isn't saying there's a net huge investment in labor. It's about getting -- moving the right amount of labor to the right times is more what it's suggesting to us.

Brad Richmond

Yeah. This is Brad. I just want to emphasize what Lyle was saying and first, I'd say we -- even though I'm sitting in a different seat, you can't take the finance guy up. So to me, it really is about optimizing our hourly labor staff. And these are big boxes. They can do big volumes and yet being careful about just cutting the cost. So there's a lot more tools today, a lot more learning of how to really optimize the labor, put it in the right places at the right times, and it makes a big difference. We're seeing that we have to serve more in the first -- fourth quarter. We're seeing it in consumer scores, which should bode well for future expectations as well. So you look at the fourth quarter and overall, we added hourly labor. But we think we got a good return, and we leverage the whole P&L. And so we'll consciously be looking at those opportunities, and we're learning as we go, but we think it's more of a position of strength to be working for than trying to cost cut our way to profitability.

Brian Mullan

Okay. Thank you both.

Operator

The next question is from Jeff Bernstein with Barclays. Please go ahead. And Mr. Bernstein dropped off the line when he tried to unmute his phone. So we'll move on to Sharon Zackfia with William Blair. Please go ahead.

Sharon Zackfia

I've had that happen before, so I'm glad it wasn't me. So I guess a question on brand positioning. I follow the company long enough to remember kind of when pizza and beer were the driving forces behind when people went to BJ's, that was the first thing you thought of. And I'm just curious, it's been a long time since I've heard anybody kind of update kind of where pizza and beer are as a percent of the mix, either in California versus historical or in newer markets and kind of where you think those ex-California markets are in terms of thinking pizza and beer when they think of BJ's.

Lyle Tick

Yeah. So let me -- this is Lyle, by the way. I will talk to the last part of that question, and then Tom may come back around with some of the specifics. So, I'm a big believer that brands need to operate from a place of authenticity and their power. And pizza and our craft beer, which has actually evolved into a bit of a craft beverage program, you may or may not know about our sodas and our emerging cocktail program. But those are definitely core equities for us. The Pizookie is a core equity for us. And I think you have to build from positions of strength. When you think about the associations of that by geography, in California, pizza is our biggest association and our biggest traffic driver. When you look outside of California, pizza is still a strong association with the brand. It's not as big of an association or a traffic driver outside of California. One of the things I think you heard Tom mention was about the pizza pans. One of the other things we learned was, while it is a big association and equity for our brand, we do have an opportunity to improve consumer satisfaction and guest satisfaction on that product. So when I talk about focusing in on the core, one of the big projects we are well on our way on is kind of a renovation of our pizza platform because we know we have an opportunity to wow our guests more with our pizza, the way I think we did back in the beginning. But it is a big part of our mix. It obviously became less of our mix over time as we introduced Slo Roast and steak, but still an important driver. The other thing we've learned is, it's an important driver of a unique occasion. So it brings -- it's a great driver of group traffic occasions, brings a number of people together, and we find those checks attach a lot to them. So they're actually really good checks from a check size and margin point of view. So we think pizza is an area of strength that can be rekindled as we go forward with BJ's in the next chapter, actually.

Sharon Zackfia

Thanks for that. And then there was a comment about a cautious consumer kind of in the comp commentary for the first quarter. I just didn't know if that was kind of a comment that was kind of thrown in because who knows what's going on with the consumer or if you're actually seeing kind of shifting around on the menu or more of a value-conscious kind of decision-making manifesting so far in your business in 2025?

Lyle Tick

Yeah, I mean, so far this year, what we're seeing is from a consumer perspective, I mean I'd say on balance, we continue to see resilience. We certainly see resilience in the kind of 100,000-plus household guest where, thankfully, we over-index versus the category. Maybe some softness in the kind of below 50,000 household guest. But I'd see on balance, like we haven't seen a major like a seismic shift in consumer behavior over the first quarter. And as Tom was mentioning, January was a strong month for us that delivered, I'd say, the top end of our guidance even with the New Year's calendar shift. And it was really February where we've seen more of a weather impact. So it'd be hard for us to point to consumer with the data we have as being the driver there right now.

Sharon Zackfia

Okay. Thank you.

Operator

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

Mike Tamas

Hi, thanks, guys. This is Mike Tamas on for Brian. So obviously, congratulations on the strong results and making such a quick progress against your priorities here. As it relates to the -- just getting to the -- from the restaurant level profit to your adjusted EBITDA guidance '25, are you assuming that G&A kind of holds flat or sort of down slightly? Can you just talk about that maybe? Thanks.

Tom Houdek

Thanks, Michael. Yeah, that's -- if you think of 2024 in our G&A, there were some one-time items in there. We highlighted some that were Q4 specific around some extra consulting spend for brand positioning work, some leadership transition costs. So yeah, year-over-year, we're expecting G&A down some modest amount.

Mike Tamas

Okay, thanks. And then, Tom, I just want to clarify on the 2Q and 3Q commentary that you indicated comp should look like 1Q without that weather headwind. So if you're at 2% in 1Q like you talked about, you add back that 100 basis point headwind from weather that you also talked about, that would be like 3% for those quarters. Is that the right way to interpret that? I just want to make sure we're on the same page.

Tom Houdek

Yeah. Generally, that's how we're thinking about the shape of the quarter or if the quarters go in. We were obviously talking about comp here, and there's some seasonality that goes into the dollar of WSA and implications of the margins as the flow-through works. So we typically see the highest peak of restaurant level cash flow percent in Q2 with Mother's Day, Father's Day, graduations. Those are strong for us. We just had a very strong Valentine's Day weekend. So we're consistent with being a place where people come for large parties and celebrations. So we're expecting the same seasonality in the business. And again, back-to-school, if you think of seasonality where we see the dollar sales falling off. But yeah, on a percentage basis, on a comp basis, we would think kind of the higher end of the full year guide for Q2 and Q3 would be the way to think about it.

Mike Tamas

Perfect. Thanks so much.

Tom Houdek

Thank you.

Operator

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

Pratik Patel

Hi, thanks. This is Pratik on for Jeff. Appreciate you guys squeezing us in here as I got disconnected. Just had a question on the real estate pipeline, maybe a bigger picture question. You're clearly ramping up to open new units in the near future. And in your prepared remarks, you spoke of updated criteria for opening these new units. Perhaps maybe you can just share some of the main differences between the old criteria and the new criteria? And just what maybe you could see down the line in '26 and beyond in terms of openings? Would you be focused on infilling your existing markets? Or are you pushing into new markets or some combination? Any color you can provide there? I know it's a bit early, but anything would be appreciated. Thanks. And I have a follow-up.

Lyle Tick

Yeah. No problem. This is Lyle. We have done studying and refined a number of site-specific criteria as we look at our unit pipeline and refilling our unit pipeline. But -- and you kind of nailed it in your question. The two biggest factors that we're going to focus on in the near-term are brand awareness. So markets where we have existing and/or growing brand awareness and human capital, which is kind of dovetails with the above. Those are markets where we have the management and team member bench strength, I mean those two things really shine through in -- when we kind of evaluate our restaurants and the ones that we can get big hits very quickly on. So we will be focusing as we think about building out that pipeline on existing markets where the brand has a strong presence or performance versus greenfield or new markets in the short-term. And I think if you look at last year and the opening in Tracy, California and our opening in Cypress, Texas, that underlines kind of that as a winning strategy. And we're confident Queens Creek, Arizona is going to kind of reinforce that as well. Now as we kind of open the aperture on it, I think over the medium to longer-term, we will turn our attention to new markets, and we're confident in the brand's resonance and have seen that. But what you see with the new openings in the new markets is it's a longer ramp-up to get to kind of full performance. And we think there's ample opportunity as we look at infilling. And in fact, in some of the markets, we think that can help accelerate some of the awareness and consideration gap that we have in the market outside of California, if that makes sense to you?

Pratik Patel

That makes perfect sense. I appreciate that color. And just maybe one more for Brad. You've been in the seat now for about six months. Just anything high level that you've seen that maybe surprised you versus your initial expectation? Can you call anything out in terms of just big opportunity for future value creation? Thanks.

Brad Richmond

Yeah. Actually, a rush of ideas come to mind. So, kind of, if I start back to the beginning, the brand and the business model are probably much healthier than I initially had thought that it would be, which gives us a much stronger platform to work off of. And I think a lot of folks forget just how big our boxes are and where our unit volumes can go to, and there's tremendous leveraging that's available there. And so what you see, we're plotting out today and Lyle and his leadership team have really got heads down and trying to say, where are those bigger opportunities for us and how do we go about pursuing them. Well, I'd say, first, where can we play in those? Which ones are the right ones for us to go to? And then how do we go and get those. So I think there's a lot of potential for this brand. I joke internally saying it's the old book of good to great. We've been a good brand and a solid business model, but there's no reason we can't be a great brand with a superior business model. And so I'm pretty optimistic about that. I think you heard Lyle lay out kind of what's on the near-term horizon, obviously, working on things beyond that. Some will fall off. The new ones opportunities will creep on there. But there's -- with where the brand is positioned today, there's a lot of places to look.

Pratik Patel

That's much appreciated and congrats, guys, on a strong result.

Brad Richmond

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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