

Black Rock Coffee Bar, Inc. (BRCB) Q1 2026 Earnings Call Transcript

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Q1: 2026-05-12 Earnings Summary

Insights



EPS of \$0.11 **beats by \$0.09** | Revenue of \$55.45M **misses by \$1.19M**

Black Rock Coffee Bar, Inc. ([BRCB](#)) Q1 2026 Earnings Call May 12, 2026 5:00 PM EDT

Company Participants

Will MacIntosh - Chief People & Investor Relations Officer

Mark Davis - CEO & Director

Rodd Booth - Chief Financial Officer

Conference Call Participants

David Tarantino - Robert W. Baird & Co. Incorporated, Research Division

Brian Harbour - Morgan Stanley, Research Division

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

Andrew Barish - Jefferies LLC, Research Division

John Ivankoe - JPMorgan Chase & Co, Research Division

Christopher O'Cull - Stifel, Nicolaus & Company, Incorporated, Research Division

Brian Vaccaro - Raymond James & Associates, Inc., Research Division

Matthew Curtis - D.A. Davidson & Co., Research Division

Presentation

Operator

Good afternoon, and welcome to Black Rock Coffee Bar's First Quarter 2026 Results Conference Call.

Today's call is being recorded, and we have allocated 1 hour for prepared remarks and Q&A. At this time, I'd like to turn the conference over to Will MacIntosh, Chief Investor Relations Officer for Black Rock Coffee Bar. Thank you, sir. You may begin.

Will MacIntosh

Chief People & Investor Relations Officer

Good afternoon, everyone, and thanks for joining us for Black Rock Coffee Bar's first quarter results. Before we begin, we would like to remind you that this conference call may include forward-looking statements. These statements, which are subject to various risks, uncertainties and assumptions, could cause our actual results to differ materially from these statements. These risks, uncertainties and assumptions are detailed in this afternoon's press release as well as our filings with the SEC, which can be found on our IR website.

We undertake no obligation to revise or update any forward-looking statements or information, except as required by law. During our call today, we will also reference certain non-GAAP financial information. We use non-GAAP measures to assist investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items we do not believe are indicative of our operating performance. The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. Reconciliations of GAAP to non-GAAP measures can be found in this afternoon's press release and in our SEC filings.

Joining me on the call today is our CEO, Mark Davis; and our CFO, Rodd Booth. Following our prepared remarks, we'll open the call for your questions. And with that, I'll turn the call over to Mark.

Mark Davis

CEO & Director

Thank you, Will. Good afternoon, everyone. We appreciate you joining us today to discuss our first quarter earnings. We started 2026 with a clear focus on executing against our strategic priorities and building on the core strengths of our business while staying true to our simple mission: to build connections through caffeine and community.

At the heart of our model is a highly personalized, community-driven experience where every interaction is designed to be memorable, authentic and rooted in connection, driving loyalty and engagement. Equally important, our culture remains a true competitive advantage.

We invest deeply in our people and foster an environment where team members feel empowered, valued and inspired, which translates directly into exceptional service, strong execution and industry-leading retention.

Finally, our growth strategy is anchored in company-operated stores, giving us greater control over our guest experience, the ability to protect our culture and strong unit economics as we scale. Together, these priorities continue to guide our decisions and position Black Rock for long-term value creation.

We delivered strong first quarter performance, achieving both revenue and adjusted EBITDA growth of 24% compared to the prior year period, ahead of our long-term growth algorithm. We opened nine new locations in the quarter, bringing our total stores to 190 as of quarter end. Same-store sales growth was 5.2% or 14.4% on a two-year basis, demonstrating resilient demand and strong execution even as we lapped a strong prior year comp and fully aligned with our mid-single-digit expectations.

Our focus on our three strategic priorities, deepening customer engagement, strengthening our people-oriented culture and expanding our market presence underpin our performance and remains central to our long-term growth strategy. These initiatives are further supported by the strength and resiliency of our customer and our model. Our broad and balanced demographic exposure ranges from ages 18 to 45 and skews slightly higher income.

We also see consistency across both day parts and days of the week, which is a key differentiator for Black Rock. Traffic remained steady from the morning through the afternoon with meaningful opportunity as the day progresses. Sales are also well balanced across weekdays and weekends without reliance on any single day part.

Importantly, approximately 55% of our mix is coffee, a category that has historically proven highly resilient, and we continue to grow our mix in food and energy to drive check across day parts. As a result, our unique positioning insulates us well amidst an uneven macro environment. With that, let me take a few minutes to walk through our first quarter progress against our strategic priorities.

Starting with customer engagement, digital sales grew sequentially as a percent of sales in the first quarter, reaching approximately 17% of our sales, driven by increased guest frequency across app, online ordering and third-party delivery. These channels continue to enhance convenience and provide greater optionality for our guests.

Touching on loyalty, momentum continued through the first quarter with our loyalty rewards participation rate at 66%, reflecting strong guest engagement from the outset with continued month-over-month growth even as we open new locations. Loyalty members continue to demonstrate higher visit frequency and greater spend per visit relative to non-members, highlighting the program's impact on driving repeat behavior and strengthening long-term guest relationships.

Our loyalty database is expanding steadily and has become one of our most effective channels for engaging guests and delivering targeted value. In the last two years, we have established a robust data asset that provides deeper insights into our guest preferences, positioning the program to support continued growth and more personalized engagement over time.

To that end, in Q1, we piloted segmented personalized offers across our loyalty base in our Phoenix, Colorado and Dallas markets with notable results. When we moved from a single blanket offer to segmented incentives tailored by guest type, such as coffee forward rewards for coffee drinkers and fuel-based offers for energy enthusiasts, we saw meaningfully higher engagement and spend.

In one case study, personalized segmentation more than doubled engagement, drove a nearly 100% increase in incremental spend and generated over 3x the incremental visits versus a blanket approach. Lifecycle-based segmentation outperformed one-size-fits-all offers by delivering significantly higher visit lift and incremental spend efficiency as we meet guests where they are in the Black Rock community.

These insights reinforce that personalized value, not just more value is what drives meaningful behavior change. As we look ahead, we plan to expand this disciplined data-driven segmentation strategy into additional markets using loyalty as a powerful lever to engage with our guests, provide a differentiated experience and as a reminder for why they choose Black Rock.

We're a premium offering customized to meet their needs, delivered by an engaged team for a personalized and authentic experience. Additionally, our programmatic marketing campaign launched in the fourth quarter of 2025 continued into the first quarter of 2026, helping maintain same-store sales and guest engagement during a seasonally softer period for Black Rock.

The campaign was designed to extend our reach beyond existing loyalty members while sustaining traffic across our core guest base and results exceeded expectations. From a performance standpoint, we saw the strongest lift in visits from non-customers and our highest frequency visitors, demonstrating the campaign's effectiveness in both attracting new guests and deepening engagement with our most valuable cohorts.

Building on this momentum, we are launching a follow-on programmatic campaign in the second quarter across Phoenix, Dallas and Colorado with a continued focus on prospecting in all markets and an added layer of retargeting in Phoenix, where we delivered the strongest cohort level performance. We anticipate this next programmatic marketing campaign will drive measurable improvements in engagement and visit frequency.

While loyalty remains a valuable lever for influencing repeat behavior, our programmatic campaigns are unlocking stronger growth at the top of the funnel, expanding awareness, reaching new audiences and bringing first-time guests into the brand. As we scale, loyalty will play a key role in enhancing the guest experience, while paid media and programmatic efforts remain focused on attracting and converting new guests.

As it relates to menu and innovation, we were very pleased with the performance of our first seasonal window of the year, which delivered strong year-over-year growth and the product mix of our core offerings increasing more than 60% versus last year. From a product standpoint, results showed particularly strong performance from indulgent flavor-forward beverages such as the Pecan Pie Blondie, Prickly Pear Fuel and Strawberry Blondie, which ranked among our top sellers for the quarter.

The Strawberry Blondie with Sweetheart Cold Foam was especially impactful, performing well as a featured beverage and driving incremental attachment as guests added the Sweetheart Cold Foam across a wide range of drinks. This customization behavior was only highly social with guests sharing these visually compelling beverages online, reinforcing the importance of creating shareable menu items.

Overall, the first quarter reinforced that our LTO strategy, combining bold flavor innovation with seasonal and social relevance is resonating strongly with guests and driving both engagement and incremental traffic.

Furthermore, we're continuing to evolve how we amplify these launches through our influencer strategy. We're encouraged by the early traction we're seeing from this newer component of our marketing mix, particularly on discovery-driven platforms like TikTok, where authentic storytelling resonates strongly with new audiences.

Most importantly, we're learning quickly. Our recent Desert Springs campaign is already delivering stronger engagement and deeper audience interaction, reinforcing that our content approach and creator mix are becoming more effective. We're also seeing meaningful benefits from a regionalized strategy that partners with creators in specific markets, allowing us to show more authentically at the local level while driving increased brand visibility and organic social momentum.

Starting in the second quarter, influencer partnerships will align with our key summer seasonal windows, presenting an exciting opportunity to enhance our reach. Overall, we view micro influencers as a powerful storytelling channel that brings the brand to life through real voices. We will continue to build and scale this program thoughtfully over time.

As it relates to our food offerings, Egg Bites continue to exceed expectations with our guests, driving attachment and check growth over prior year as anticipated. In the second half, we plan to introduce new and innovative food options to continue driving engagement and growth across day parts as we lap the launch of Egg Bites from the prior year.

Product mix for fuel and food increased again sequentially in the first quarter, showcasing the sustained demand and engagement for our menu innovation and elevated sweet and savory food items.

On the innovation front, we were excited to launch a Protein Test in Phoenix in early March, introducing a protein-boosted milk for dairy-based drinks, protein boost for shakes and smoothies and protein cold foam as customizable add-ons across our beverage platform. We've been encouraged by the early results, which have driven incremental attachment and ticket lift, particularly with cold foam, where protein is creating differentiated entry point with FUEL by enabling customers to add protein to energy beverages. This is a capability that remains unique in the category.

Importantly, protein is also performing well in core beverages like lattes and signature drinks, reinforcing that this is a natural extension of our existing menu. Guest response has been very positive with strong satisfaction scores and clear feedback around the value of adding protein without sacrificing flavor or experience.

Based on this performance, we expanded the test into additional markets with a full system rollout completed in April. As we scale, we'll continue to refine positioning and menu integration, but we view protein as a longer-term platform opportunity that aligns well with evolving guest preferences and our broader innovation pipeline.

Regarding other recent innovation, our seasonal Dirty Soda partnership with OLIPOP was an important test-and-learn opportunity, providing valuable data, insights and guest engagement that we will leverage in future offerings. From a guest perspective, response has been encouraging. Customers who have tried the beverage are rating it highly with feedback showing strong alignment with both the flavor profile and the broader Dirty Soda trend.

We're also seeing incremental strength in the afternoon day part, which is a future targeted area of opportunity for us as we work to drive traffic outside of morning peaks. As our near-term focus remains on scaling the recently launched protein platform, we are using this period to gain insights and refine the OLIPOP offering. Looking ahead, we have an OLIPOP recipe refresh planned for the second quarter, along with Barista-driven variations, which we believe will help broaden appeal, encourage repeat trial and inform future innovation decisions.

Overall, our broad menu innovation and multiple points of guest interaction continue to support strong customer engagement while creating meaningful opportunities to deepen brand relevance and expand our presence across markets. Moving to our people-oriented culture. Our continued focus on investing in our people and cultivating a high-performance collaborative culture is driving deeper guest relationships and strong team engagement.

Retention remains a key differentiator for Black Rock and underscores the strength of our operating model, one that is rooted in professional development, increased business acumen and disciplined execution across the organization.

Notably, team member turnover hit an all-time low in the first quarter, ending at approximately 54%, continuing to outperform the industry average and improving year-over-year, driven by the evolution of our Learning Management System.

Stronger onboarding and training have led to higher retention and more confident new hires. Store lead turnover also continues to stay below industry average as we continue building the business acumen and leadership skills of our retail leaders through our career road map training program, helping them run their stores more effectively.

Our robust programs in place give us confidence in the ever-growing pipeline of leaders as Black Rock, who are well equipped to support our store opening plan and deliver exceptional guest satisfaction. Importantly, the progress we're seeing in succession planning and internal advancement gives us added conviction that we can scale new store growth with our strongest leaders stepping up to drive execution and foster our people-oriented culture across our newest markets.

Finally, I want to take a moment to welcome Jon Vingo to the Black Rock team as our new Chief Development Officer. I've been fortunate enough to work with Jon during my time at both Panera and Tokyo Joe's, and I've seen firsthand his ability to thoughtfully lead complex large-scale growth initiatives. He brings deep experience in guiding disciplined national store expansion across multiple brands and markets, and we're confident his leadership will be instrumental as we continue to execute our development strategy and scale the brand.

I also want to thank Bobby Kaufmann for his many contributions to Black Rock and wish him all the best in his future endeavors. Last, I'll touch on progress across our expansion strategy in the first quarter.

We opened nine new stores across Colorado, Texas, Arizona and Oregon in the quarter, bringing our total store count to 190. Four of our new store openings in the quarter were in Colorado, a leading growth market for us with terrific momentum. We also continue to build out our more established markets like Portland and Phoenix, which are driving strong early performance despite higher penetration in these areas.

As we grow store density in these maturing markets and add new locations around existing high-volume stores, we are thoughtfully rebalancing demand across our store base to enhance the experience, grow our presence, strengthen our market position and better serve our guests. This dynamic can result in some sales transfer where a portion of volume from existing stores shifts to newer locations that have opened in closer proximity.

In the first quarter, we saw this dynamic in Phoenix, creating a 160 basis point headwind to same-store sales. To be clear, this is a function of the strong underlying demand we are seeing in this market. New stores are performing well. Traffic remains strong and overall market level sales are growing.

As we grow store density and brand awareness in our key markets, we are continuing to see strong demand at the market level, reinforcing our data-driven concentric circle development strategy. Although sales transfer modestly impacted same-store sales in the quarter, we're encouraged by the long-term benefits and believe it reinforces our commitment to showing up for our guests in key markets while strengthening demand and engagement as these markets mature.

Importantly, five of our new unit openings in the first quarter occurred in the last week of the quarter, impacting store weeks during the period as expected. Underlying demand remained healthy, highlighted by our strong comp momentum and the continued growth from our newest stores.

Furthermore, we expect to comfortably hit our commitment of a minimum of 10 stores in Q2 and 36 for the 2026 year. As a reminder, on average, new stores will achieve 1.1 million AUVs by 18 months with incremental growth compounding thereafter. Our development pipeline has continued to mature and the learnings from this process have allowed us to refine our systems, strengthen cross-functional coordination and position ourselves for a more robust 2026 opening cadence, which ensures we capture the full benefit of store weeks through the remainder of the year.

Across our newest cohort, we are pleased with the year-to-date performance, which is in line with our targets. We continue to see significant opportunity to drive performance and awareness across all markets as we continue to scale and grow our company, including our trajectory to drive AUV growth from \$1.3 million system-wide today.

Additionally, as it relates to new development, we maintain significant flexibility on build type, allowing us to pursue multiple development paths to secure the right real estate for our stores with comparable capital deployment. We continue to expect to shift towards more reverse build-to-suit leases in our near-term pipeline, allowing us to more closely manage our development planning and drive greater speed to market.

As we continue to build on our dual format foundation, Black Rock Coffee Bar stands apart by pairing drive-thru access with thoughtfully designed lobbies that enable both speed and connection, supported by a differentiated menu with growing food mix that performs across day parts. This combination allows us to serve a broader demographic, meeting guests where they are with convenience and a community-driven experience that extends well beyond coffee.

With a robust development pipeline, a disciplined and repeatable process and incremental investments supported by strong sales and earnings performance, we remain confident in our long-term growth plan to open 1,000 units by 2035. As we move through the rest of the year, we're energized by the significant white space across our existing markets and the depth of talent across our team, positioning us well to continue executing against our long-term growth plans.

While we are confident in our ability to double our footprint within our existing markets, we have also started evaluating new markets with potential new market entries in 2027 and 2028. I'm incredibly optimistic about the path in front of us and bringing Black Rock to more guests across the country.

Before turning it over to Rodd, I want to thank the entire Black Rock team, our baristas, field operators and home office for their dedication and passion in serving our guests. I'm also grateful to our loyal guests for welcoming Black Rock into their daily routines and to our shareholders for their continued support as we pursue meaningful growth and long-term value creation.

I'll now turn the call over to Rodd to provide more detail on our first quarter 2026 financial performance.

Rodd Booth
Chief Financial Officer

Thank you, Mark. Good afternoon, everyone. We entered 2026 with strong momentum. And in the first quarter, we generated \$55.5 million in total revenue, an increase of 23.7% year-over-year. Our performance was driven by 5.2% same-store sales growth despite lapping a strong 9.2% in the same period prior year, and we opened nine new stores in the quarter, bringing our total store count to 190 in counting.

We delivered against our mid-single-digit same-store sales guide despite challenging weather in January, a 60 basis point impact and the initial impact of strategic densification in Phoenix as we added new stores around existing high-volume locations, which resulted in a 160 basis point headwind, as Mark mentioned earlier.

This reflects a deliberate effort to better serve demand, continue investing where demand is strong, maintain our exceptional guest experience and drive incremental market level sales. This is a beneficial outcome of densifying high-demand markets as well as an important driver of long-term growth.

As a result, as we move through the remainder of 2026, we continue to feel good about our mid-single-digit pacing and the initiatives we have in place to drive guest engagement. Same-store transactions declined 0.6%, while pricing contributed 3% and check grew 2.8%. Softer transaction volume in the quarter stemmed from a challenging comp as the prior year period saw elevated transaction growth related to the early accelerated growth of our loyalty program, which launched in June 2024.

As Mark elaborated on earlier, we have several initiatives in place geared towards driving awareness and engaging with our guests, including: one, scaling programmatic marketing campaigns and making additional investments to drive awareness and guest engagement; two, increasing investments in influencer marketing, merchandise activations and paid media; three, expanding loyalty segmentation and day part-based offers to drive frequency; and four, continuing to enhance our menu and attachment opportunities through innovation.

On pricing, we took price late in the fourth quarter 2025 across most of our markets, which we expect to carry through 2026. We don't plan to take additional price through the remainder of the year in those markets, consistent with our historical cadence of measured price increases.

Store level profit was \$16.4 million in the first quarter, up 29.2% year-over-year and store level profit margin was 29.6%, 126 basis points favorable year-over-year, highlighting the terrific execution of our teams and their commitment to driving great results.

Consolidated adjusted EBITDA for the quarter was \$7.4 million, up 23.5% over the prior year as we continue to execute against our strategic initiatives. Beverage, food and packaging costs were \$15 million or 27.1% of total revenue and 122 basis points favorable year-over-year.

Our margin on Food, Beverage & Packaging costs improved year-over-year, driven by strong execution from our retail teams executing against our strategic initiatives like inventory management, along with disciplined procurement and pricing management by our supply chain team. As a result of these efforts, we remain confident in the stability of our COGS margin as we continue through the year.

Store-level labor costs were \$11.5 million or 20.7% of total revenue and 32 basis points favorable year-over-year, highlighting our team's excellent work driving operating efficiencies and delivering amazing results. Occupancy and related expenses were \$4.7 million or 8.5% of total revenue, up 16 basis points year-over-year.

Other store operating expenses were \$7.8 million or 14% of total revenue, up 12 basis points year-over-year. Preopening costs were \$1.1 million or 2% of total revenue, driven by 9 new store openings in the quarter.

Adjusted SG&A was \$7.9 million in the quarter or 14.3% of total revenue compared to \$6 million in the prior year period. We continue to manage SG&A growth closely to support the long-term growth of our business. Our approach remains intentional and disciplined with investments focused on expanding our team to support our key strategic initiatives, sales growth and new store expansion. As a reminder, we expect SG&A to be evenly weighted on a quarterly basis through the remainder of 2026.

Turning to the balance sheet. As of March 31, 2026, we had cash and cash equivalents of \$20 million and a total debt position of \$27.4 million, consisting of \$18.7 million outstanding under our credit facility and \$8.7 million of financing obligations related to certain reverse build-to-suit arrangements, resulting in a net debt position of \$7.4 million and full access to our unfunded revolver of \$25 million.

As it relates to CapEx, Investments were primarily directed towards new unit development, supporting our 2026 and early 2027 pipeline. As Mark mentioned, while we maintain flexibility in our development approach, we expect a near-term shift towards more reverse build-to-suit projects, enabling greater control over development planning and new store delivery. While these projects typically require higher upfront capital, we expect to benefit from TI contributions in 2026 and into 2027. As such, 2026 will be an investment year as we take advantage of real estate opportunities and support our growth targets.

Turning to our outlook. We see a long runway ahead and are excited about the opportunities in front of us, even as we navigate a more dynamic macro environment and lap stronger prior year comparisons. While still early in our journey as a new public company, our progress to date reinforces our conviction in the durability and scalability of our model.

Our 2026 outlook remains consistent with our long-term algorithm, reflecting both underlying momentum in the business and investments to support sustainable long-term value creation. We are reaffirming our full year 2026 guide of 36 new store openings, total revenue of \$255 million to \$257 million, same-store sales growth in the mid-single digits, consolidated adjusted EBITDA of \$33.5 million to \$34.5 million, capital expenditures of \$40 million to \$41 million, inclusive of anticipated tenant improvement allowances or \$58 million to \$61 million, excluding tenant improvement allowances of \$18 million to \$20, our capital spending supports our 2026 new store class, continued investments across our existing store base and select investments towards our 2027 class.

Our team continues to execute against our strategic initiatives with discipline, driving strong performance across the organization and the markets we serve. We believe our differentiated guest experience, premium product offering, engaged teams and scalable expansion model positions us well to sustain this trajectory.

Looking further ahead, we remain firmly committed to our long-term target of 20% annual unit growth, revenue growth of 20% or more, mid-single-digit same-store sales growth and adjusted EBITDA growth that outpaces revenue. On this trajectory, we remain confident in our ability to reach 1,000 units by 2035.

With that, I'll turn it over to the operator to open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] And the first question comes from the line of David Tarantino with Baird.

David Tarantino

Robert W. Baird & Co. Incorporated, Research Division

I wanted to ask about the strategic densification strategy. And I guess my first question is, I guess, could you elaborate on why you're taking that approach? And then secondly, I'm wondering if the sales impact on the comp base units surprised you at all or if it turned out the way you expected it to turn out?

Mark Davis

CEO & Director

David, first off, thanks for joining us. It's good to hear your voice. Regarding the densification of the markets, I think as we densify markets, there's probably some level of sales transfer, especially in, call it, Phoenix. When you're looking at the market level and you're thinking about the strong incremental sales and the attractive returns, Phoenix was a little bit easier for us because we've got such high-volume stores. I think it's our highest performing market and most mature, and it was intentional.

We're talking roughly five to six stores. And what it did is it gave us great opportunities with high AUV stores that we opened up. And it also made the stores that were higher in AUV run a little bit better. I'll have Rodd, who's sitting across from me here. He can answer a little bit of the math behind it, but it's pretty immaterial when you look at what we received with the AUV from the new stores.

Rodd Booth

Chief Financial Officer

Yes. David, I think as we talked or as Mark mentioned, what I would add is in terms of sales transfer about 160 basis points, about 130 of transaction. Really, when you look at Phoenix as a whole, as Mark mentioned, it is one of our higher volume markets, our most penetrated market. And really more than anything, it's just, we had really good opportunities. They were within five miles of some existing stores. And so we haven't really seen that historically.

Then historically, when we have only a few instances, those stores really build back in the next 12 to 24 months. And so it's really a way to continue to grow within Phoenix. We like the sites very much. And even looking ahead, giving you a little bit more, we've got another 10 to 12 stores in Phoenix this year, and there's only about three to four, depending on when we open them this year that are within that five-mile range. So we don't see the impact being really significant. And for us, at the moment, really Phoenix is the one market where we're seeing that. I think the white space and all the other markets that we're in don't really give us any concern for a number of years.

David Tarantino

Robert W. Baird & Co. Incorporated, Research Division

Got it. And if I could ask a follow-up. I guess, was this the first quarter you saw an impact or just the first quarter that it was measurable enough to call out? And then I guess the follow-up to that is, is this 160 basis points or so something that we should expect to see for the rest of the year until you cycle all of this? I guess maybe just give us some context on how this all will play out.

Rodd Booth

Chief Financial Officer

Yes. So the first quarter was the first quarter where we saw really some movement in the transfer of the sales. These are stores that we opened at the end of 2025 or towards in the second half of 2025. I think as we think about the 160 basis points, it's really early. We're going to continue to manage it and watch it, and we'll continue to report out on it. But I think more than anything, sometimes the stores, what we found is they'll take that initial hit and then they're building back guests as they continue to grow and the new store continues to grow. And so it's really, really early for us.

Like I said, I know we've shared in the past, we really haven't experienced much, if any, sales transfer. But obviously, Phoenix is our most penetrated high-volume market, and we're going to continue to watch it. And it's also helping from a development strategy to understand what's that right balanced proximity for stores. And so three to five miles is how we've been approaching it. By the way, not every store within five miles has had this transfer of sales. But it's new, and it's something that we're continuing to manage and monitor.

Operator

And the next question comes from the line of Brian Harbour with Morgan Stanley.

Brian Harbour*Morgan Stanley, Research Division*

Yes. Do you care to comment on just the start of the second quarter? Are you still sort of in that mid-single-digit range that you're thinking for the year? Any change there?

Mark Davis*CEO & Director*

So Brian, we again, and we talked about this a little bit earlier. First quarter, we came in at 5.2%. We were lapping the 9.2%. And we have continued to reiterate that we have no issue reaffirming our guidance. I think secondarily, when you look at our long-term algorithm of the 20% system-wide sales, the 20% EBITDA growth and the 20% unit growth, we came in at 24% on the sales. We came in at 24% on the profit, and we're at 23% on the unit growth. And again, as I had said earlier, everyone in the company is very strong in what we guided to, and we will continue to come through on that commitment.

Brian Harbour*Morgan Stanley, Research Division*

Okay. And just you called out, I think, in particular, some of the segmented offers that drove higher spend. And then you also kind of talked about the new marketing campaign. I guess how broad were those done? And how much of a contributor was that to the first quarter performance? I mean, obviously, you're kind of highlighting the headwind perhaps from sales transfer, but how do you think about sort of the potential tailwind from those other things that you could expand this year?

Mark Davis*CEO & Director*

I appreciate it, Brian. I think for, and I'll give you a couple of answers here. I think on the marketing side, the marketing spend, we have increased our marketing spend by 30% versus prior year. And as you think about that, Brian, what that means is we're going to be about 2% of our sales being marketing. Long term, we see a meaningful opportunity to scale the marketing investment.

I think, Brian, as you think about paid media, Rodd brought up the influencers, the merchandise drops, all of those are driving brand and awareness, which we all know is a new smaller company, we really need. And so we feel like that's a great strategy. We're certainly driving the innovation, which we'll talk about more undoubtedly. On the loyalty, the segmentation, and it obviously drives rewards, which is great on the value side, and we like that very much. And then we're pushing on the food attachment.

With regards to loyalty and the segmented targeted offers, in Q1, we tested segmented offers in selected markets. What that basically means is that coffee-based guests got coffee-based offers, fuel-based offers went to fuel-based guests. And then there's some life cycle-based incentives, which we're trying to use to drive frequency.

Here's a little bit of the math that you're asking about. It doubled the engagement. And when you look at the initial test that we ran, we nearly doubled the spend. We also drove 3x the incremental visits.

So, there is a plan to expand that segmentation and continue to grow the same-store sales, and we'll do that through more personalized value offers. And then just to make sure we follow up on the paid media, we like the paid media because it drives the awareness. And again, that's important to us. And we've been really encouraged by the early results. We're going to continue to invest with the new guests because I think as you look at us, we are currently at about, let's call it, 66% of our traffic is loyalty guests.

Again, loyalty guests spend about \$1 more on check than non-loyalty. And as you think about that, while we're so very strong on loyalty, we want to make sure that we're bringing new guests in. And so, we'll continue with that paid media to build brand awareness. We're certainly trying to strengthen the marketing at the top of the funnel. And I think when you look at that paid media, what we're most happy about is that it gives us a chance to introduce Black Rock to people that have never been before.

Operator

And the next question comes from the line of Sharon Zackfia with William Blair.

Sharon Zackfia

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

Obviously, the margin performance at the unit level has been jaw-droppingly good. But I think if you kind of back into full year guidance, just given the EBITDA margin guidance, it probably implies flattish full year margins, which again is still a good level. But I'm curious what the pushes and pulls would be for the rest of the year versus the great leverage you saw in the first quarter.

Rodd Booth

Chief Financial Officer

Yes. Thanks for the question, Sharon. When we look at margins in the first quarter, the 29.6%, really, really happy with the team. And I know we've spoke about it in the past. Every year, we go into the year with strategic initiatives for the team that help with the execution.

Last year, a big one was inventory management. That has certainly contributed and helped, when you think about the supply chain team, our procurement team, and working closely with our partners to really help manage costs and make sure we've got a really stable and predictable supply chain. They're doing a tremendous job there. But from a margin standpoint as well in the first quarter, Mark mentioned it, but we're lapping a lot of accelerated growth within the loyalty program.

In the first quarter of 2025, we did have more discounting, more start of the year offers, welcome offers for our guests as that program is building. So there's a little bit of margin in there in the first quarter of this year because the discounts were lower than they were a year ago. But generally speaking, where we ended last year, 29.2%, first quarter 29.6%, we feel really, really good about the margin.

I think for the year, we expect to continue the momentum. But 29.6%, as you suggested, it is a good margin, and we're really proud of the team for their ability to execute and drive performance.

Sharon Zackfia

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

And then can I just follow up on mix because it looked like that gapped up kind of nicely for you sequentially. I mean I know year-over-year, you're talking about the discounts. But is that just a function of lapping those discounts? Or is that also reflecting some of that loyalty work that you did in the quarter with segmentation?

Mark Davis*CEO & Director*

So, Sharon, just to kind of reiterate on the mix, coffee is going to be about 55%. Energy has grown up to 25%. So we're really proud of that. Food is elevating. We're now at about 13%. And again, digital in totality, and again, this goes to your loyalty and everything with that, we are at 17% of sales through the app, online ordering and third party. Again, we expect that to ramp.

We're certainly increasing and enhancing the functionality and the loyalty integration and the targeted offer certainly helps. And I think while digital is growing, we're very cognizant that we want it to be a complementary channel. And while it enhances convenience and frequency, as you're aware, we're really proud of our engagement and the terrific Baristas we have and how they interact with the guests. So what we want is an easy personal and meaningful message that we can give to everybody that engages. But ideally, we would like that digital to be complementary.

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

Mark, sorry, I meant the 2.8% of mix in the check, which I think is up from like 1% in the back half of last year.

Rodd Booth*Chief Financial Officer*

Yes, that's both the incremental growth of food, which is an attachment item for us. And then obviously, yes, discounts coming down as well, which helps with the check.

Mark Davis*CEO & Director*

And again, Sharon, as I commented, that food mix is elevating. And part of that is Jess and the team have done a really great job with some new breakfast items, and we've certainly pushed on that, and I think that's helped in a big way.

Operator

And the next question comes from the line of Andy Barish with Jefferies.

Andrew Barish*Jefferies LLC, Research Division*

Just wondering if the OLIPOP Dirty Pop Soda LTO didn't kind of pop, so to speak, as you guys may have thought and what the learnings were around that, if you could?

Mark Davis*CEO & Director*

Yes. I think, Andy, when you look at OLIPOP, and I'll go back to our Italian soda and everything that way, that's going to be in that 3% to 4% of mix. And I think when you look at OLIPOP, it is fantastic from an awareness. I think it helps with being partnered with a great brand, and it certainly has provided valuable insights I think when you look at it, it gives us a great way to talk to other guests, and it's a new innovative way to talk about the brand.

But I think as you look at our coffee mix, you look at our energy mix, again, OLIPOP is going to be on the smaller side. I would say, generally, the protein has been a strong addition. And in the near term, we'd love to scale that protein. And again, I'll use an example that we're able to put the protein cold foam on top of energy and our peer group typically doesn't do that. And so that has been a real positive for us as well.

Andrew Barish*Jefferies LLC, Research Division*

Okay. And then a follow-up, just in terms of kind of the recent quarter-to-date and all the noise out there with gasoline prices and such and Starbucks putting up a good quarter and McDonald's launching some beverages. Anything you'd call out, any changes in consumer behavior you're seeing? Or was really the sales transfer in the first quarter kind of the primary reason there was an upside kind of to the mid-single-digit comps?

Mark Davis*CEO & Director*

Well, Andy, I think starting with the mid-single-digit comp, one of the things that we have tried to reiterate through this call, and we'll continue to do through the Q&A we're running right in the neighborhood of 7% to 7.5% on a two-year basis, which, again, is really, really strong. I think when you look at the consumer, as you're aware, we've got a balanced demographic where we're going to be 18% to 45%.

Again, with that coffee at 55%, it certainly leans higher income. We have not seen slowing of momentum whatsoever. I think I'd go a step further that Jess and the team have worked real hard to push the Black Rock value proposition. We're trying to drive a higher quality item at a competitive price, and we drive that through an exceptional guest experience. And as you look at the satisfaction that Clay and the team have run, we have never been higher. So that's fantastic. And I think what we believe is that, again, if we deliver on what we're supposed to operationally, we're in a really, really good place.

Operator

And the next question comes from the line of John Ivankoe with JPMorgan.

John Ivankoe

JPMorgan Chase & Co, Research Division

There are comments made on some of the higher volume stores on Phoenix, and I think implicitly just overall being pleased with Portland. So I wanted to get a sense of some of your other markets.

First, I'm going to call them opportunity markets where you're not growing much that have lower average volumes in a Dallas, a Houston and San Antonio. So that's kind of the first bucket I'd like to talk about cohort I'd like to talk about. And then secondly, some higher volume markets like Denver and Austin where you are growing, I wanted to get a sense of how the new unit volumes have been in the Denver and Austin units specifically as I do think they're making up a pretty decent part of the 2026 class.

Mark Davis

CEO & Director

Thanks for being on, John. So I'll start with Texas. We opened two units in Texas in the first quarter, and we are certainly feeling very, very strong in those. They've come out great. When you look at the densification opportunity, we see that we can progress on that. And I think what you're going to see through regionalized marketing and innovation, that's going to help quite a bit.

With regard to Texas, Austin continues to be the strongest market, and the openings have done really, really well. Pflugerville, which is one of our newest openings, has done just outstanding. And we had a chance to take the leadership team down there and spend time in Austin, and it was really a tremendous experience, team doing really, really well. I think as you think about Texas, the concentric circles and our ability to open stores near the stores we're in has shown to be really positive, and we're continuing to try to be predictable and make sure we're doing this in a cautious way, but it's starting to go really, really well for us.

I think when you speak to Colorado, and we're really proud of Colorado, Colorado at the moment, and I'll give you, and especially with the McDonald's test there, and I know that's come up in the past, we have not felt any impact from the McDonald's test. Energy continues to grow.

McKenzie and the team in Colorado on a two-year basis on their comp of 17.3% or they're averaging 8.7%. So it's an incredibly strong market with strong AUVs. And then just to follow up a little more on that competition, which I know has come up through other earnings calls.

I'll give you three different units. On a mature basis, Castle Rock, which again is in Colorado, is doing \$40,000 a week. It is going to be right by a Dutch, right by a Starbucks and right by a McDonald's, and it's up 15% with a 7.4% same-store transaction.

I'll then go to last year's class, Power and Elliott, which is in Arizona, is, again, right by our peer groups. I mentioned the three earlier, and it's doing \$35,000 a week and growing. And so we love that not only are we seeing success in mature, but we're seeing it in last year's cohort.

And then, John, here's the one we're most proud of. Jess Williams, who runs the Pacific Northwest, that market is among our highest comp this year, again, with the most competition. And we opened Cedar Hills, which is dead in the middle of Oregon with all that competition around it, and that new store has opened up at \$26,000 a week. And so we feel that we've got that winning model with not only the drive-thru, but we've got the great lobbies with the engagement. We've got the online ordering and the third party. And so I feel really, really strong about that. Does that answer your question?

John Ivankoe

JPMorgan Chase & Co, Research Division

Yes. All that color is helpful, Mark. And I don't expect to talk city to city forever, but I know there's a lot of different kind of micro stories within the business. So thank you for that color.

Let me ask, it's tough to do this on the fly, but I just wanted to make sure that I heard something right, maybe it will benefit some others as well. So there was a comment made, and I think it was 2-year traffic of 7% to 7.5% in the second quarter. Just clarify what that 7% to 7.5% was.

And just maybe simplify the math to me, does that imply that we're running in line with mid-single-digit comps for the year for the second quarter or maybe a little bit below mid-single-digit comps for the second quarter? I just want to make sure that I'm not going to mischaracterize anything. So I just want to give you the opportunity to clarify it for me and perhaps some others.

Mark Davis

CEO & Director

Thank you, John. So Colorado, on a two-year basis, just the state of Colorado has a comp of 17.3% or they are averaging 8.7.

John Ivankoe

JPMorgan Chase & Co, Research Division

That was in reference to a previous question, not just what you said in Colorado. I didn't mean to interrupt you. So I just, maybe I misheard the number on 7% to 7.5% in a previous question, but we can follow up on that if I'm taking a number out of context.

Mark Davis

CEO & Director

Yes. I think, John, what we said is we were up against 9.2% in the first quarter of last year. We ran 5.2% in the first quarter of this year. And I think what we said was that there was 1.5% of sales transfer and there was 0.6% of negative sales transactions from some of the lap of the loyalty program, et cetera. And so what we have said regarding the second quarter is that we feel very good about our guidance, and we are reaffirming that we will be mid-single digit.

Operator

And the next question comes from the line of Chris O'Cull with Stifel.

Christopher O'Cull*Stifel, Nicolaus & Company, Incorporated, Research Division*

Not to beat a dead horse here, but can you just clarify whether you expect transactions to be positive in the second quarter?

Rodd Booth*Chief Financial Officer*

Yes. Thanks for the question, Chris. Like I mentioned previously, about 130 basis points of transaction decline from the sales transfer primarily in Phoenix. I think that was something that we didn't originally anticipate. But I think really to Andy's point, that was what kept us from the upside of the mid-single digits on comp. I think as we continue to move forward, we're going to continue to monitor it and we'll report out. I think at the moment, mid-single digits for the year kind of as we've guided, we feel really good about. And I think as those newer stores transfer from the old stores continue to build back and grow, we still see great opportunity with all that and returns are incredibly strong because they're coming from our highest performing market.

Christopher O'Cull*Stifel, Nicolaus & Company, Incorporated, Research Division*

Okay. My other question, Mark, was just regarding the investments in the segmented loyalty offers. I'm just curious what gives you confidence that you're driving incrementality with those offers versus just pulling forward demand, let's say, over a year?

Mark Davis*CEO & Director*

Yes. I think when we look at our loyalty, Chris, what we're seeing is that, obviously, that 66% of our transactions has again grown, and we're very, very proud of that. I think when you're looking at, and what I had said is we've seen on the initial test doubled in engagement. We've seen nearly double the spend, which was surprising to us, but great. And then we've seen about 3x the incremental visits.

Again, these are in initial tests, we did this in Colorado and Phoenix, and we feel good about it. But I think, Chris, what I'd like to make sure is that Jess and the team have more time to make sure that, that trend continues. I think as far as the math goes, we, each and every time we have an investment, and part of this is being small and nimble. We are very, very clear on what is the return on investment and are we seeing incrementality. And so we have seen that initially, and we expect that to continue.

Operator

And the next question comes from the line of Brian Vaccaro with Raymond James.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

Just following up on the segmented offers. You talked about testing those in certain markets here in the first quarter. Is there any way to frame sort of the pace of the rollout the rest of the year, kind of high level of percentage of units that could benefit maybe in the next couple of months and how that benefit could build through the year, how that coverage could kind of build?

Mark Davis

CEO & Director

Brian, thank you for being on. I think when you look at the segmented offers, we originally tested them in Phoenix. I think, one, back to David Tarantino's question, around the fact that we had some sales transfer. We wanted to see if we could push people in, and we've been able to do that. So, we like that very much. We again tried it in Colorado. Colorado, I want to say two years ago was right around five stores, and we are now sitting at 12, and we've got a lot of openings coming second part of this year.

So once again, we were able to look at that and go, "Hey, we're going to use this and see if we can push more frequency, " et cetera, in, and that's worked out really, really well. I think as you look at the remainder of the year, Brian, we are trying to pace this in a way where we can be predictable and consistent. One of the things that we have found and when you look at some of the double spend, triple incremental visits, doubled engagement, it's really important to us that everybody gets that great experience.

So, we're trying to make sure that while driving people in that there's a great, consistent operational experience. I brought up earlier, we've never had a better mystery shop. And again, Clay Geyer, who you've met and the operators have done just fantastic for us. And so, what I believe is you will see more of that as we move forward. Again, Mr. Ivankoe, you'll smile when you hear this, we are spending more marketing dollars. And so, Brian, when you think about that, all of that should push to better sales, better AUV. And again, with the great profitability that we leverage, we should be in a great spot.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

All right. That's helpful. And if I could just squeeze one in on the COGS line. Obviously, another solid quarter of leverage, the ratio in the low 27s. Could you just walk us through sort of your commodity inflation outlook and coffee costs specifically and just where you see that ratio? Did I hear correctly in this 27%, maybe low 27s then going forward through the year. But if you could just walk through some of the finer points there, Rodd, that would be helpful.

Rodd Booth

Chief Financial Officer

Yes. No problem. Thanks, Brian. I think we've shared in the past, when you look at our actual cost of coffee, it's just under 3% of our sales. It's about 10.5% of our COGS mix. When we look ahead, I mentioned this last quarter, we see some opportunity, commodity costs coming down, there will be some benefit. But at 3%, less than 3% of our sales, you'll see maybe 30 to 50 basis points of opportunity. I think when you look at the rest of our COGS mix and any commodity pressure, I think our team has done a really good job, like I mentioned, working with our partners.

When you look at dairy, when you look at the sugars, we feel really good about where they're at today. And we don't have any immediate indications that any of that is going to change meaningfully. I think our team has done a tremendous job with costs essentially staying very stable for us, them going out, really leveraging the tools, the inventory management, things we're giving them to drive the expansion, which has helped in a big, big way.

Operator

Our final question comes from the line of Matt Curtis with D.A. Davidson.

Matthew Curtis*D.A. Davidson & Co., Research Division*

I just have a question on development. I think you mentioned potential new market entries in 2027. I was just wondering what new markets you're looking at? And I guess, equally important, why move up the time line? Because I believe you previously planned no new markets before 2028, if I'm not mistaken.

Mark Davis*CEO & Director*

Yes. And Matt, first off, I believe you're new to follow. So I wanted to say thank you for that. Secondly, when you look at the openings from this first quarter, we opened two in Arizona, two in Texas. We had four in Colorado and then one in Oregon, which did really, really well. As we've committed to, we will, at a 20% growth rate, eclipse 1,000 units by 2035. And so when you think about that, we're in seven states. And within those seven states, we have been able to show that we can grow and not need to add a state.

Now I would say to you that we want to be, and Mr. Tarantino asked this question earlier, but we want to be careful that we're not opening a bunch of stores that cannibalize other stores. And so we're trying to be incredibly, I guess, the term would be predictable in the way that we do that. When we look at other new states, we're looking at states where, obviously, there's a coffee culture. I think when you look at the new states, you're looking at similar analogs around the customer base and things like that. And then obviously, competition, income levels, education, all of the above.

So, I think more than anything, we're just trying to make sure that we stay ahead of our commitments. Matt, you being new to us, we had been taught early and often you better do what you say you're going to do. So, it's real important to us that we hit that system-wide sales of 20%, we want to make sure we hit the profitability, but we also want to make sure that we grow in a way that's purposeful and predictable. And especially with people being such a big part of our culture, it's better to have that spread out.

I'll go quickly to California. One of the things that didn't come up today, we have an incredibly strong pipeline that Will MacIntosh has done a great job helping us with. I'll go a step further that we have Evy, we have Lauren and we have Grayson who are going to be leaving existing markets. They are among the very best that we have, and they're going to go out to California to help us grow that. You'll see substantial growth here over the next, call it, 3 to 4 quarters. And we're really proud of the fact that we have that pipeline, but we're really fortunate to have Evy, Lauren and Grayson help us out in that way.

Matthew Curtis

D.A. Davidson & Co., Research Division

Okay. Understood. I guess I was thinking more in the context of ongoing AUV improvement as you continue to close the gap versus your peers. So I was wondering on AUVs, which have continued to grow, obviously. I mean, which levers, whether it be loyalty segmentation, food marketing are expected to contribute the most to the improvement going forward if you think about the AUV trajectory over, say, the next two years?

Mark Davis

CEO & Director

Well, and again, Matt, you've being new to us, I would tell you where we have awareness, I'll use Phoenix we do incredibly well on AUV, and we have AUVs that rival anybody in the peer group and are better, right? We do incredibly well. So I think I would say awareness out of the gate. I think when you look at Colorado and if we can get you into one of these markets, you'll see where we have done the concentric circles.

So again, I'll use Castle Rock, the Tech Center, Highlands Ranch, Littleton, they're all reasonably close together. And these stores do incredibly well on awareness. And what you get from that is going to work, going to school, going to the high school football game, going out to dinner, you pass Black Rock along the way. And I think that's been really, really strong for Colorado.

When you look at the marketing specific offerings, that segmentation has certainly helped, and it drives great frequency and transaction. And I think the other part of it is it really helps with the value proposition that, as you're aware, high-frequency business being coffee, when you can reward people for coming in, it's exceptional. And so to your point, I think awareness and building awareness through the programmatic marketing is fantastic. I think segmentation on loyalty is important. And then the best thing is we've got these great baristas that drive fantastic experience, and that truly is the best marketing we can have. And just quickly, as I realize we're coming to the end here, I want to reiterate, and I have said this to Matt as we closed out, we have been taught even before we went public that it's really important to hit your commitments.

And again, when you look at the 20-20-20, grow your system-wide sales at 20%, your profit at 20% and your unit growth, we have done that all three quarters. And what is typically from a seasonality, our toughest quarter, the first quarter, we are at sales growth of 24%, we're at EBITDA growth at 24% and units at 23%.

Again, Bobby Kaufmann initially set it up, and Jon Vingo will continue to drive it. But that unit growth, the store weeks, the revenue, all of that will continue to be great. And if we get that with Clay Geyer's guidance on the operations and that great store level margin, we leverage in a big way. And so I want to say thank you to the teams for another great quarter. I think it makes it much easier to have these calls when they perform the way they do. And then I want to thank everybody for being on the call. I know there's a lot of preparation that goes into this, and we're super grateful. I hope everybody has a great night.

Operator

Thank you, sir. Ladies and gentlemen, thank you for your participation. That does conclude today's teleconference. Please disconnect your lines, and have a wonderful day.

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