Black Rock Coffee Bar, Inc. (BRCB) Q2 2026 Earnings Call Transcript

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Q2: 2026-08-11 Earnings Summary

EPS of $0.13 beats by $0.07 | Revenue of $63.00M misses by $1.58M

Black Rock Coffee Bar, Inc. (BRCB) Q2 2026 Earnings Call August 11, 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

Andrew North - Robert W. Baird & Co. Incorporated, Research Division
Andrew Barish - Jefferies LLC, Research Division
Rahul Krotthapalli - JPMorgan Chase & Co, Research Division
Kelly Anne Merrill - Morgan Stanley, Research Division
Allison Arfstrom - Piper Sandler & Co., Research Division
Matthew Curtis - D.A. Davidson & Co., Research Division

Presentation

Operator

Good afternoon, and welcome to the Black Rock Coffee Bar's Second 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. You may begin.

Will MacIntosh
Chief People & Investor Relations Officer

Good afternoon, everyone, and thanks for joining us for Black Rock Coffee Bar's second 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 that 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. 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 second quarter results. Our second quarter results reflect the strength of Black Rock's differentiated operating model and the disciplined execution of our team. It starts with our people, our greatest competitive advantage. They bring our premium beverages and continuous product innovation to life every day, creating exceptional guest experiences that continue to broaden our appeal across more guests, occasions, and dayparts. And because every Black Rock location is company-owned, our welcoming lobbies and convenient drive-thrus allow us to consistently deliver that experience regardless of how our guests choose to engage with us.

Together, these differentiated advantages provide a strong foundation for durable, long-term growth, reflected in another strong quarter that delivered 25% revenue growth, 28% store-level profit growth, and 17% adjusted EBITDA growth compared to the prior year period. Even as we absorb the incremental costs of operating as a public company, which were not present in the same period last year. We expect to leverage those costs over time with EBITDA growth trending toward and ultimately surpassing our store-level growth, something we expect to become visible in the third and fourth quarters as we begin lapping periods that fully reflect our public company cost base.

We did this while opening 10 new locations in the quarter, reaching 200 stores system-wide, momentum that is leading us to raise our new store guidance. Store-level margins have never been stronger. Our team is executing at a high level and continues to strive to exceed our long-term growth algorithm of 20% unit growth, 20% revenue growth, and EBITDA growth that exceeds revenue growth, a trajectory we expect to sustain for years to come. Same-store sales increased 4.2% or 15.1% on a 2-year basis. Incredibly strong 2-year comps reflecting the continued strength of our brand and customer engagement strategy. This performance was achieved against our strongest same-store sales comparison in the last 3 years as we lapped 10.9% same-store sales growth in the second quarter of 2025.

Transactions were down 2% in the quarter. This was largely influenced by the growth of free drink redemptions from the launch and transition of our loyalty platform in the second half of 2024 and the structural changes made in the first half of 2025 surrounding the expiration of rewards. In July, we have lapped those changes, demonstrated by positive transaction growth that we continue to see today. Even more, this marks our 14th consecutive quarter of positive same-store sales, underscoring the resilience of our customer demand and the consistency of our operating model. These results reflect the 3 strategic priorities that guide everything we do, deepening customer engagement, which drives frequency, repeat visits, and same-store sales, strengthening our people-oriented culture, which powers both guest satisfaction and strong retention that underpins our margins, and expanding our market presence to capture the significant white space ahead of us.

Let me take each in turn, starting with customer engagement. I'll start by sharing some updates on the great work our teams are doing around customer engagement, the single biggest driver of our same-store sales. Menu innovation is a core focus. It's how we stay top of mind, strengthen our connection with loyal guests, and give new customers a reason to try us. Our seasonal lineup continues to grow as a share of sales. This spring and summer, guests responded strongly to drinks like our Orange Blossom Mocha and Blueberry Cobbler Latte. Our Fuel platform in particular is accelerating. Seasonal fuel drinks like the Prickly Pear Fuel was among our best sellers this year. And because fuel skews to the afternoon, it's a direct lever to grow our afternoon and evening dayparts.

We are also expanding our food offering and growing occasions beyond the morning daypart through a combination of innovation, value, and convenience. On the food innovation front, we launched our grilled cheese as a summer limited time test in Arizona and the Pacific Northwest in early June, before expanding system-wide in July. Early guest response has been very strong, and as such, we are adding this as a permanent menu item. Grilled cheese continues to gain traction, contributing incremental sales and visits, elevating our afternoon and evening food offering. It is building on the positive momentum we've continued to see with Egg Bites, with food now 13% of our product mix. We also began testing extended operating hours in select stores so we can better align with guest demand. It's still early, but the results are encouraging. We are seeing incremental sales in the hours before close, and we expect extended hours to contribute to same-store sales and AUV. Together with food, these initiatives work together to expand the occasions for our guests.

Turning to digital sales, we saw a sequential improvement as a percent of sales in the second quarter, reaching 17.2%. The continued growth of this platform highlights the momentum we're seeing in guest frequency across app, OLO, and third-party delivery, which drive convenience and provide great optionality for our guests while driving higher average check. Our loyalty platform continues to be one of our strongest tools for driving engagement and frequency while providing great value with loyalty members demonstrating higher visit frequency and spend per visit versus non-members. While loyalty is still in its early innings, we continue to see meaningful opportunities to grow our database and enhance engagement over time. We're increasingly leveraging segmented and personalized offers to connect with our guests and drive incremental afternoon visits. In addition, we continue to test, learn, and refine these offers, and we're encouraged by the early response. As a result, loyalty participation increased to 68% of our transactions.

During the quarter, we also launched a customer data platform, enhancing our ability to engage directly with guests outside of our loyalty platform. We're encouraged by the early results and see this as an important addition to our always-on marketing efforts, helping us drive traffic, deepen guest engagement, and ultimately convert more customers into loyalty members. More broadly, our marketing strategy continues to become more sophisticated through programmatic media, which remains an effective channel for both re-engaging existing guests and reaching non-loyalty members. While loyalty continues to be an important driver of customer retention and engagement, our marketing investments in paid media are fueling growth at the top of the funnel by expanding brand awareness, reaching new audiences, and attracting first-time guests, an area where we see tremendous opportunity.

As we continue to scale the brand, we see loyalty and customer acquisition working hand-in-hand. Loyalty strengthening long-term guest relationships and lifetime value, while our paid media and other marketing initiatives drive new customer discovery and trial.

Moving to our people-oriented culture, our continued investment in our people and our focus on building a high-performance, values-driven culture remain important drivers of both guest satisfaction and operational execution. Engaged, well-supported teams deliver the speed, hospitality, and consistency that keeps guests coming back. And that same engagement is what underpins our store-level margins of 30%. The engagement of our team shows up first in retention. Team member turnover was 59.8% on an annualized basis, roughly half the industry average. Store lead turnover continues to be below industry norms at 23.5%.

Retaining experienced store leaders matters, especially as we scale, as they play a key role in developing talent, reinforcing our culture, and ensuring consistent execution. You can see the consistency in the guest experience itself. Guest satisfaction remains consistently strong, a direct reflection of the experience our teams deliver, and it's a meaningful contributor to repeat visits and same-store sales.

Roughly 98% of our store leaders were promoted from within and our leadership pipeline is staffed ahead of our growth. We have named store leads for each store we plan to open over the next 12 months, so each new store opens to the same standard our guests experience today. We believe this reflects the investments we have made across the team member experience, particularly in onboarding, training, and development. Programs like Black Rock University, the Career Path Roadmap, and our Leadership Pathway Platform continue to deepen our bench. We believe our ability to attract, develop, and retain great people is a meaningful, competitive advantage. Our improving retention, strong store lead stability, and growing leadership pipeline give us confidence that we can scale the organization efficiently while preserving the people-oriented culture and exceptional guest experience that differentiates.

Last, our third priority, expanding our market presence. Development is our most visible growth engine, continuing to outpace our projected growth. We opened 10 new stores this quarter to reach 200 locations system-wide, bringing us to 19 openings through the first half of the year. With a back half-weighted pipeline, we're raising our full-year target to at least 38 new stores, up from 36. And we expect to move ahead on store operating weeks in the third quarter carrying that momentum into 2027. Across the system, our newer store classes are performing above our expectations. California is the clearest example. Our newest California stores, which have been open for less than a full calendar year, are performing very well and trending to an AUV of $1.6 million in their first year, exceeding our base.

Profitability is strong in this market, which is driving stronger year 1 returns. We have another 7 California openings planned this year, and approximately 12 to 15 in 2027. With 20-plus stores by the end of 2027, California provides ample opportunity for significant growth, higher AUVs, attractive cash-on-cash returns, and the ability to continue to build brand awareness. Under our new Chief Development Officer, Jon Vingo, we have added even more rigor to site selection. With a largely committed 2026 and 2027 pipeline, we are confident in both the durability and the returns of our growth. We remain firmly on track towards our long-term goal of 1,000 stores by 2035, and we are confident we can get there while directing capital to the highest return opportunities in front of us.

Before turning it over to Rodd, I want to thank our Black Rock team members for the passion and purpose they bring to serving our guests each day. Our people-oriented culture remains one of our greatest strengths. It is their commitment that enables us to deliver exceptional experiences as we continue to grow. I also want to thank our guests for their loyalty and engagement and our shareholders for their continued support as we execute on our strategy and drive sustainable long-term growth. I'll now turn the call over to Rodd to provide more detail on our second quarter 2026 financial performance.

Rodd Booth

Chief Financial Officer

Thank you, Mark, and good afternoon, everyone. We delivered a strong second quarter with total revenue of $63 million, up 25% over the prior year quarter. Same-store sales growth was 4.2% despite lapping a strong 10.9% in the prior year. And on a 2-year basis, our same-store sales growth was 15.1%. Opened 10 new stores in the quarter, with 42 new store openings over the last 4 quarters, or 27% unit growth. Breaking down same-store sales, price contributed 2.4% and check grew 3.8%, while transactions were down 2%. Our transaction decline was driven by the prior year lap, as Mark mentioned earlier.

As anticipated, second quarter transactions were pressured as we lapped the elevated transaction activity associated with the transition and launch of our loyalty platform. Now that we're past that comparison, transactions have improved. And while we don't normally provide interim numbers, and we may not do so in the future, this improvement was reflected in our July same-store transactions, which turned positive to 1.7%, showing the underlying strength of our business. We're driving transaction growth through the strategic initiatives described, menu innovation, segmentation, more targeted loyalty and daypart-based offers, and extended hours. And while still early, the traction is real. We're deepening engagement with our existing loyalty members while inviting new guests to experience Black Rock.

Turning to profitability, store-level profit grew 28.1% to $19 million, and store-level margins expanded 70 basis points to 30.2% during the quarter. That expansion was led by strong leverage in beverage, food, and packaging costs, down 220 basis points to 26.9% of revenue, driven by disciplined procurement and execution of our strategic initiatives and inventory management, which more than offset targeted investments across our stores and people. Labor increased 40 basis points to 21%. Occupancy increased 30 basis points to 8%, and other store operating expenses increased 70 basis points to 13.7%. We are both confident and encouraged by the execution of our team and our ability to maintain strong store-level margins through the balance of the year.

Adjusted SG&A was $8.4 million in the quarter, or 13.4% of total revenue, compared to $6 million in the prior year period. We continue to take a balanced and disciplined approach to our SG&A as we invest in long-term growth of our business, focusing on our key strategic initiatives, sales growth, and new store expansion. Consolidated adjusted EBITDA was $9.4 million, up 17% over the prior year period. The gap between our 25% revenue growth and 17% consolidated EBITDA growth was driven by the incremental costs of operating as a public company, costs that were not burdened a year ago. Those costs are largely fixed and highly leverageable, our adjusted SG&A margin has improved sequentially from 15% in quarter 4 2025, our first full quarter as a public company.

Moving forward, as we begin lapping periods that carry all these public company costs, we expect consolidated EBITDA growth to converge towards and ultimately exceed our revenue growth. We also incurred incremental pre-opening costs over the prior year as we opened 10 new stores compared to 4 a year ago. Pre-opening costs were $1.3 million, or 2% of total revenue.

Turning to the balance sheet, we ended the quarter with $16 million in cash and cash equivalents and full access to our $25 million revolving line of credit, giving us ample liquidity to fund our growth. Our term loan balance was $19.6 million. Supported by healthy operating cash flow, we remain focused on funding high return new store openings while maintaining a disciplined balance sheet. We continue to prioritize capital investments in new unit development, supporting our pipeline through 2027 and into 2028 as we maintain flexibility in our approach, focused on site selection, balance build types, and returns to support our growth targets. As discussed last quarter, while we continue to maintain flexibility in our development approach, we expect a near-term shift towards more reverse build-to-suit projects, which enable greater control over development planning and new store delivery.

Turning to our outlook, we continue to see significant growth opportunities ahead and are excited by the momentum across our business, even as we navigated our strongest same-store sales comparison over the past 3 years. As we continue to execute against our strategy, the progress we're making across customer engagement, leadership development, and profitability reinforces our confidence in the long-term growth potential of Black Rock. Combined with a robust development pipeline and significant white space opportunity ahead, we believe we are well positioned to continue scaling the business and creating long-term value for our shareholders.

Turning to guidance, we now expect 38 new store openings up from 36. We continue to expect total revenue in the range of $255 million to $257 million, representing 27% growth year-over-year, well ahead of our long-term growth algorithm. We remain very encouraged by our growth trajectory, which is supported by a strong pipeline of new stores and significant white space opportunity ahead. We continue to expect same-store sales growth in the mid-single digits. We are raising our adjusted EBITDA guidance to $34 million to $35 million, up from $33.5 million to $34.5 million, representing 24% to 27% growth over the prior year. And more importantly, this reflects 28% to 35% EBITDA growth in the second half of 2026 versus the prior year.

We now expect capital expenditures to be in the range of $42 million to $43 million inclusive of tenant improvement allowances, or $57 million to $59 million excluding tenant improvement allowances of $15 million to $16 million. It's worth highlighting that our capital is predominantly focused on new store development, not only for our 2026 pipeline, but also our 2027 pipeline, with approximately $13 million to $14 million, or 30% of our total capital used towards supporting our 2027 pipeline of new stores.

Our 2027 investments are deliberate and allow us to better position future openings. Supported by our differentiated guest experience, premium product offering, engaged teams, and a scalable expansion model, we believe we are well positioned. We remain focused on advancing our strategic priorities with discipline, generating strong performance across the organization and the markets we serve. We remain firmly committed to our long-term growth targets 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. As such, we remain confident we can reach 1,000 units by 2035.

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

Question-and-Answer Session

Operator

[Operator Instructions] Our first question is from Drew North with Baird.

Andrew North

Robert W. Baird & Co. Incorporated, Research Division

I wanted to start and ask one about your comp guidance. Appreciate the color on the step-up in traffic in July. Was hoping you could share some thoughts on your expectation for Q3. Seems like the step-up could support a comp solidly within that mid-single-digit range, if not higher. So, perhaps if you could level set on your expectations there since you were willing to share more specific thoughts. And then I have a follow-up.

Rodd Booth

Chief Financial Officer

Thanks, Drew. Yes, we shared the transaction specifically knowing, hey, the 2% down in the second quarter, what's driving that? And as we mentioned, a big part of that was the growth of the loyalty, some of the structural changes we made to the plan. And I think as we've started the third quarter, the 1.7% is certainly very encouraging, but we aren't really speaking specifically to the total comp. I think, as you think about the price in the second quarter, comments we've made about price in the past, and we're working off some incremental price from 2025, I think we feel really good about this third quarter specifically, but I think as a reminder, just like in the second quarter, we're up against a really tough lap in that 10.8%.

And so generally speaking, you know, we feel good about the mid-single-digit guide for the year. Third quarter is a tougher lap, similar to the second quarter. Then the fourth quarter gets a little bit easier. And I think when we look at all the initiatives that we mentioned that we're driving, you know, be it, you know, the innovation around the grilled cheese, when we think about the extended hours, though, it's very, very new, as well as just the segmentation of loyalty, that's new as well. I think we're very encouraged by the second half. But, again, I would remind you the third quarter of last year, 10.8% was a tough lap, and so keeping that in context is important.

Andrew North

Robert W. Baird & Co. Incorporated, Research Division

Thanks for that color. And then maybe one more quick one. I know last quarter, one of the key updates was on sales transfer. It was an impact on Q1. I didn't hear that in the prepared remarks regarding the Q2 traffic performance. So maybe you could just update us there on what you saw in Q2, if there was some improvement in terms of the underlying sales transfer impact or any updates as we think about that dynamic into the second half. Thank you.

Mark Davis

CEO & Director

Drew, it's nice to hear your voice. Regarding the sales transfer, I would start out with and as a reminder that in those few instances in Phoenix, those were both strategic and intentional. We meant to do that. I would go a step further and say that when you look at Phoenix in the second quarter and everything Rodd spoke to at the beginning of the third quarter, not only are we seeing strong performance, but we're seeing strong demand, especially in the transactions, which is a great sign. Regarding the sales transfer, Drew, the second quarter has a modest headwind, and it is less than the first quarter.

And then when you think about what that means moving into the third quarter, your first question, we will lap the majority of those openings that we spoke to regarding sales transfer in the third quarter, and it won't have any future impact. And then last, I want to bring this up just because I want everybody to hear this. We have reviewed the pipeline with Jon, and we are very confident in the white space to grow. And I think, again, as we move forward, we're going to be in places where we've got plenty of space between stores, and you won't see that in any material way.

Operator

Thank you, Drew. Our next question is from Andy Barish with Jefferies. Please proceed with your question.

Andrew Barish

Jefferies LLC, Research Division

I'm happy to hear on the California pipeline building, but also wanted to kind of make sure I level set on drive-thrus, are those in all of the units? California is notoriously a tough place to get drive-thru permits. And then on the pricing side, is California kind of a higher-tier market for you guys, which allows for that margin support with the AUVs?

Mark Davis

CEO & Director

Sure, Andy, thank you for being on. So I'd start with a couple of things. I think regarding the new locations in our existing markets, I want to make sure everybody again hears it. Very disciplined data-driven approach to site selection. Every store that we build will have a drive-thru. And so the answer to your question, yes, all the California locations have drive-thrus. Again, when you think about the competition you brought up on development, we have yet to feel any pressure. I think our ability to be nimble and be able to use different site characteristics has been really great. And so when you think about our real estate supply, it continues to remain strong. Again, growing brand, having just become public, it's made us a really attractive tenant.

Andy, as we spoke to earlier on the script and the walk-through, California will see 6 to 8 more locations this year, and you'll see 15 next year. I would add that the 2027 pipeline is complete, and it's weighted heavily with the strongest markets. And then I would remind everybody that California not only is among our highest AUVs, but it's also among our highest profitability markets. And, Andy, there is a price increase being in California that we have done. And so when you think about the pricing tiers, California is at the highest.

Andrew Barish

Jefferies LLC, Research Division

Got you. And then one quick follow-up on the extended operating hours. Kind of how are you balancing the labor impact? Is that sort of the gating factor where you want to make sure you cover, you know, the incremental labor with those incremental sales?

Mark Davis
CEO & Director

Yes, it's a great question. So, I would start with on the extended hours. We extended 1 hour, and we did that at select stores in the month of July. While it's only been 1 month since we launched, we've had really positive results so far. One of the things that we're going to do, Andy, is share more after quarter 3. We're going to continue to explore the extended hours. But I think when you look at our labor, our thought is, again, that we want those hours to be profitable hours. They are. And what we're looking at is that while we will open our latest hour, meaning we went from 7 to 8 p.m., that hour again is growing. But what we've seen is the hours sequential to it have also grown, which has been great. And so, Andy, I think the short answer is in the immediate moment, there might be a little bit deleverage because of the closing hour, but I would say that as those hours have grown week over week, we continue to see that, that labor will lever and we'll be in a really good place.

Operator

Our next question is from Rahul Kro with JPMorgan.

Rahul Krotthapalli
JPMorgan Chase & Co, Research Division

Clearly, it looks like there was a pull forward in the California stores in your pipeline as you read it that post the new leadership. It sounds like about 1/3 of the 2027 stores will be in California. How should we think about both the average build cost and the occupancy cost on what is typically a high-cost and very competitive market? And I have a follow-up.

Rodd Booth
Chief Financial Officer

Yes. Do you want to take it, Mark?

Mark Davis
CEO & Director

Please, go ahead.

Rodd Booth
Chief Financial Officer

Thanks for the question, Rahul. I think we've spoken to this, but for everyone else, while certainly California has a higher build cost, a lot of what we are doing to manage this, going back to everything we've said about being flexible and really thinking about good investments, good return, we are doing more conversions in California than we are other states, other markets. And so the cost for a conversion actually helps us balance the overall cost of not only California, but the overall pipeline.

And I think in terms of occupancy, yes, occupancy is higher in California, but as Mark mentioned, you know, with the higher AUVs, strong performance, we're still seeing great margins at the store level. And then returns there, while it's early, because you think about the 2 stores we added last year and the more stores in California we have coming in the second half of this year, we still expect to have really strong returns there. And again, I think as we move through the rest of this year, we'll certainly report out more on that, but very encouraged both in the AUV opportunity, the overall profitability and return opportunity we have in the state of California. And again, to your comment, from a build cost standpoint, we are doing mostly conversions, which is actually helping on the overall capital.

Rahul Krotthapalli
JPMorgan Chase & Co, Research Division

Thank you, thanks for the color. A quick follow-up, how long is the conversion timeline typical to the new build? And the original follow-up I had is on where the food mix is exiting the quarter and what the grilled cheese lift has been in the stores you have been trying out. Thank you.

Mark Davis
CEO & Director

So, Rahul, that's going to be anywhere between 3 and 4 months. I think, again, and I spoke to this earlier, one of our advantages is that being smaller, we're pretty nimble. And when you look at the different ways we can use an existing prototype, we're pretty good with that. I think when you look at, and you brought pulling stores forward. Again, we finished the quarter with 10 openings. We're now expecting 38 stores in 2026. And then one of the great things, and Rodd brought this up, and again, I think it's important to reinforce, 30% of the capital that we're spending is for 2027, because again, we're trying to pull those forward into 2027 earlier in the year to help with the store weeks and everything that we've been pushing. Jon and the team have done a really, really solid job with that, and the 2027 pipeline is now front-loaded, which I think as a company we're really, really happy with.

Operator

Thank you. Our next question is from Brian Harbour with Morgan Stanley.

Kelly Anne Merrill
Morgan Stanley, Research Division

This is Kelly on for Brian Harbour. Can you just talk a bit about the higher unit growth guidance for this year? It seems like 2Q openings were as planned. So just wondering what's driving the higher outlook? And I know you've talked about some puts and takes on '27. And secondly, you have a competitor hoping to use conversions to open numerous locations in Phoenix, which is one of your most meaningful markets. So does that change at all how you think about your own development strategy there, including where you open, how much densification you're comfortable with, and the level of sales transfer you're willing to underwrite? Thank you.

Mark Davis
CEO & Director

Kelly, thank you for being on. So I'd start, the 10 stores are in Idaho, Arizona, Colorado, and Texas. That's what we just did. And we saw a significant opportunity to drive that densification. Really pleased with the cohort. And I think given the strength we're seeing today, we're pushing harder towards a robust development pipeline. We believe these newer stores will contribute in a meaningful way, and we're seeing that not only in the same-store sales, but we're seeing that in the AUV. I think when you look at the pipeline, as you're aware, we had an opportunity with store weeks, and you'll see that get better in the third quarter. You'll see that get even stronger in the fourth quarter.

And again, back to the capital comment, we're going to push to try to get more of these stores not only open earlier in the year, but open earlier in the quarter, which is a great thing. I think with regards to Phoenix, and Rodd has said this several times, we will continue to develop in Phoenix, but we're going to do that in a way where we make sure that we don't have the sales transfer, that we have enough space between our existing stores and the new stores. And we believe when you look at our competitive advantage, our teams, our lobbies, and how we execute that customer experience, we think that's the way we're going to look at it. So I think that should answer everything you asked. Thank you for being on.

Operator

Our next question is from Brian Mullan with Piper Sandler.

Allison Arfstrom
Piper Sandler & Co., Research Division

This is Allison Arfstrom on for Brian Mullan. I wanted to ask how you're thinking about commodity and coffee costs in the second half and whether you have any early thoughts on 2027. Thank you.

Rodd Booth
Chief Financial Officer

Thanks for the question, Allison. At the moment, we're not really seeing any meaningful pressure in our supply chain or our costs today. Our teams continue to do a really good job of working with our partners and making sure we're way out in front of it when we can. I think you saw that last year. And I think, again, when you look at the second half of 2026, we feel like we're in a really good place. And, you know, I had spoken to last quarter about potentially commodities coming down around beans and there being some benefit there, particularly in the second half. I feel like we still believe that's the case. And, I mean, just like last year, it's sometimes a pretty dynamic market, and we're going to continue to monitor and watch that. But no real pressure that gives us any concern today, and I think we're in a really good spot.

Operator

Thank you. Our next question is from Matt Curtis with D.A. Davidson.

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

I just wanted to ask a question about food. I mean, you launched grilled cheese early June, now a permanent menu item it sounds like. With food already at 13% of sales, I'm just wondering what your thinking is around how large food can become as a percent of sales over time? And how we should think about the impact of that growth in food on things like average check and margins.

Mark Davis

CEO & Director

So, Matt, first off, thank you for being on. I will probably walk through the strategy of the food, and I think we'll give Rodd a chance to weigh in on the check a little bit. When you think about food, we would love to use food to drive attachment and ticket, and certainly on the daypart expansion, I think we see that both afternoon and evening beverage and food are obviously going to be really helpful as they're paired together. When you look at that check, especially in the afternoon and evening, we're seeing great success around cold foam, around energy, and around our core drinks. I think with food, Egg Bites has had great traction with our guests, and it fills the desire around protein-oriented food options. So that's been really good, and it's grown attachment and check growth, and it's supported the AUV and same-store sales. We are a beverage-first concept, and so we are very disciplined around the offerings that complement the customer experience.

And then I think the last thing on food that came up a little bit earlier around grilled cheese, it was originally a summertime limited test. We did it in Arizona and the Pacific Northwest, and it did so well that we expanded it system-wide in July. Food currently sits about a little north of 13%, and we see that again as a lever to drive check and attachment. And I would say, looking ahead, the additional food innovation is a way to expand that afternoon and evening daypart. We see that very much. I'll turn it over to Rodd and he can give you a little bit around the expectations of check.

Rodd Booth

Chief Financial Officer

Thanks, Matt. I think you also asked, what do we see the potential for food to be? I think for us, we look at food as a great way to connect with the guests and really provide a great offer to them. It's less about, hey, we want food to get to 15%, 20%, or whatever the case may be. I think we want to continue to bring great items, great menu to our guests and a great product. And naturally, food does have a lower margin, which theoretically could impact margin at the store level. But one of the things that we're continuing to see is really balance that lower margin item in food with other higher-margin items, particularly when you think about fuel, it's really a big growing category for us.

Fuel a year ago, we were doing about 25%, and now we're almost up to 27%. And so there are some puts and takes. But I think generally speaking, at the moment, we're focused on food as a way to connect with our guests, bring them something they want. And I think at the same time, we also have other items and other things on the menu that help offset some of that margin that food can kind of drag on a little bit, if you will.

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

Okay, understood. Thanks for the extra color. And then maybe just more of a clarification on the extended operating hours. It sounds like that's at a relatively early stage and there are more details to come on the third quarter call. But are you including any same-store sales lift explicitly in your guidance from that in the second half?

Mark Davis
CEO & Director

Yes, so, Matt, thank you for that. Again, you know, we are about 30 days in, a little more than that. And I would say that we've been encouraged by it, and we're going to continue to drive that through the remainder of the summer, which you'll see when we come back in November to talk about the third quarter earnings. We'll give you more around that, but I think it would be premature at the moment to give anybody expectations around what kind of impact it can give to same-store sales.

Operator

We have reached the end of the question-and-answer session. I would like to turn the floor back over to Mark Davis for closing comments.

Mark Davis

CEO & Director

Thank you. I'd like first to reiterate not only the strength of the second quarter, but I want to reiterate the strength of the quarters to come. Not only were we encouraged by the 2-year stack of 14.4% coming out of the first quarter on same-store sales, but we're really pleased with the growth of the 2-year stack in the second quarter, which finished at 15.1%, again showing growth quarter to quarter. Rodd spoke to it earlier, but one of the things we tried to do was be transparent and make sure everyone knew that when you look at July, that 1.7% same-store transactions was really positive. And again, we see that as an indicator of future success. More, I'd like to reiterate that it's another strong sign of growth that we raised our guidance to 38 stores. And then last, I'd like to thank our team, our customers, and our shareholders for participating in this call today. We appreciate it very, very much. I hope everybody has a great night.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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