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Brinker International, Inc. (EAT) Q1 2025 Earnings Call Transcript

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Q1: 2024-10-30 Earnings Summary

Play Call



Press Release



10-Q

EPS of \$0.95 **beats by \$0.26** | Revenue of \$1.14B (12.49% Y/Y) **beats by \$37.84M**Brinker International, Inc. (NYSE:[EAT](#)) Q1 2025 Earnings Conference Call October 30, 2024 9:00 AM ET

Company Participants

Kim Sanders – Vice President of Investor Relations

Kevin Hochman – President and Chief Executive Officer

Mika Ware – Chief Financial Officer

Conference Call Participants

Jeff Farmer – Gordon Haskett

Chris O’Cull – Stifel

Dennis Geiger – UBS

David Palmer – Evercore ISI

Brian Vaccaro – Raymond James

Jeffrey Bernstein – Barclays

Andrew Strelzik – BMO

John Ivankoe – JP Morgan

Alex Slagle – Jefferies

Katherine Griffin – Bank of America

Eric Gonzalez – KeyBanc

Jim Sanderson – Northcoast Research

Operator

Good day, and welcome to Brinker’s First Quarter Fiscal Year 2025 Earnings Call. At this time, all participants have been placed on a listen-only mode. The floor will be open for questions and comments following the presentation.

It is now my pleasure to turn the floor over to your host, Kim Sanders, Vice President of Investor Relations. Ma’am, the floor is yours.

Kim Sanders

Thank you, Holly, and good morning, everyone, and thank you for joining us on today’s call. Here with me today are Kevin Hochman, President and Chief Executive Officer; and Mika Ware, Chief Financial Officer.

Results for our first quarter were released earlier this morning and are available on our website at brinker.com. As usual, Kevin and Mika will first make prepared comments related to our strategic initiatives and operating performance. Then we will open the call for your questions.

Before beginning our comments, I would like to remind everyone of our Safe Harbor regarding forward-looking statements. During our call, management may discuss certain items, which are not based entirely on historical facts. Any such items should be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

All such statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such risks and uncertainties include factors more completely described in this morning's press release and the company's filings with the SEC.

And of course, on the call, we may refer to certain non-GAAP financial measures that management uses in its review of the business and believes will provide insight into the company's ongoing operations.

And with that said, I will turn the call over to Kevin.

Kevin Hochman

Good morning, everyone. Thank you for joining us as we share insights from our first quarter and our outlook on the remainder of fiscal 2025. We are off to a strong start in Q1 with Chili's delivering 14% sales growth on a 6.5% traffic increase. We also continue to see meaningful progress on our four-wall economics on both brands with Brinker year-over-year restaurant operating margin improvement of 310 basis points.

The simplification and investments we've been layering into the business over the past two years have put us in a position to win in a market where customers want great food, great service at a great value. And from our own guest scores, I can say with confidence that our restaurant teams are delivering our daily Chili's metric guess with a problem came in at an all time low of 2.7% for the quarter, which is even more impressive given the significantly higher traffic trends.

This would tell us our decision to invest in additional labor in June to keep up with the dramatic acceleration in traffic worked to keep service levels high. We're excited about our progress and we still see plenty of upside in the business. At Chili's, we continue to work through improvements on our core menu. Over the past 2.5 years, we've removed around a quarter of our menu to focus on our core four offerings, burgers, crispers, fajitas and margaritas, which now represent 47% of our business.

On burgers, our Big Smasher better than fast food advertising campaign continues to win with guests. The 3 for Me \$10.99 bundle includes an appetizer of unlimited chips and salsa, a 7.5 ounce burger and fries, and a bottomless choice of Coca-Cola soft drink, which is tough for competitors to match.

Our 3 for Me value offer clearly resonates with guests who are looking for high quality and abundance that may not be the lowest price, but it is a very reasonable price. And when new guests come in, we often get feedback that the burger looks just like the ad and that no one else has a value like this.

Despite the industry's challenged consumer and our significant traffic lifts being driven by the Big Smasher campaign, we've only seen a 1% increase in 3 for Me mix since last quarter and nearly half of those guests are still choosing the more premium 3 for Me tiers at \$14.99 and \$16.99.

We will continue with the Big Smasher campaign in the Q3, a period we know consumers seek out value coming off their holiday spend. On margaritas, our barbell strategy is helping drive the top line and margins with super premium margaritas, while our Margarita of the Month is protecting entry level price points to drive drink incidents.

In Q1, we introduced the new super premium Don Julio margarita and are over \$10 price tier. The Don Julio is off to a good start and on expectations. On the other side of the barbell, the entry price point, we introduced the October \$6 Marg of the Month, the Witches Brew and it's now one of the best selling promotional margaritas ever.

While some competitors are offering more aggressive discounted margaritas, including one being advertised on TV, our success proves that value isn't necessarily offering the lowest price point, but that the price quality equation is critical for this guest. Our barbell strategy has proven an effective way to meet all our guest needs and balance great value while driving profitability.

Another key driver of our results is the success of the Triple Dipper. We saw the social media discussion of the Triple Dipper picking up momentum with our campaign in the spring and it remains at high volumes even six months later. We recently introduced the Nashville Hot Mozz Sticks to the Triple Dipper via social media and it's been so successful that we've actually taken that item now to our permanent menu.

The Triple Dipper continues to gain steam and now represents 11% of our business, with sales up over 70% versus last year. It's very relevant with younger guests and how they prefer to eat with more variety, customization and experiential flavors through a wide variety of dips. Because of the Triple Dipper's ability to attract the next generation of guests as well as drive guest check, we are expanding our core four menu strategy to become the five to drive. With the addition of the Triple Dipper, those five items now represent 58% of our business.

We're confident this five to drive focus will increase opportunities for innovation and further accelerate sales growth. I also want to share some insights into the guest count list that we are experiencing at Chili's that gives us increased confidence in the sustainability of our results. The tokenized data is telling us that we have two big traffic drivers right now. The primary one is our 3 for Me better than fast food campaign, which is bringing in more new guests across all demographics, turns out that all households, regardless of income, want unbeatable value, high quality and a great experience. In addition to increasing Chili's penetration, we also see that guests who purchased 3 for Me return to Chili's more often than those who have not.

The second primary traffic driver is our social media marketing campaign. Social mentions about our Triple Dipper started accelerating in April and May, and with people talking and experiencing the unique food items that you can only get at Chili's. This dialogue is attracting new guests to come experience the brand. We now know that guests who purchased the Triple Dipper skew younger. Their check average is approximately 20% higher, and we're driving frequency with that group as well.

In addition to getting tokenized data up and running, I'm pleased to announce we have a new Data Analytics leader, Alex Knight. Alex comes to us from a large restaurant company where he was the Senior Director of Data Analytics. Having worked with Alex previously, I know he has the experience and track record to build out our data analyst capabilities to accelerate our business.

In summary, these strong business results are being driven by great marketing, which is doing an exceptional job of bringing guests in and these results are being sustained by the improved guest experience our restaurant teams are delivering. Our operations leadership chose traffic as their fiscal 2025 of session metric and they are delivering by focusing on a few simple fundamentals of a better guest experience and then executing like crazy.

Now, I'd like to give an update on Maggiano's. We're applying lessons from the Chili's turnaround to our Maggiano's brand to strengthen the four-wall economics and help build more relevance back into the brand, what our Maggiano's President Dominique Bertolone calls bringing the magic back. Dom has spent the past six months deep in the field listening to Maggiano's teammates to understand what's working and what needs to change to improve the brand's experience.

Now, Dom and his leadership team are focused on the fundamentals, simplifying the menu and operations, so we can elevate the food, speed up service and more relevant. And we already have a few quick wins. The new Cocktail Innovation and Master Sommelier wine curation we launched last quarter has successfully reversed a 10-year declining alcohol trend and the Maggiano's Old Fashioned, which is presented to the guest in a smoking box has quickly become the Maggiano's number one selling cocktail.

We also recently launched two classic dishes that our guests are already raving about and are mixing very well, Rigatoni alla Vodka and a new Maggiano's Signature Caesar salad finished tableside. Dom and team are also working on simplification to shift labor to areas that will improve the guest experience, which in turn will drive profitable and sustainable growth.

One example of this simplification is removing our \$6 take home pasta offerings. To prepare and package six different take home meals daily requires significant kitchen prep labor as well as time for service to sell this offering to guests, but it's not a profitable business driver. We estimate that exiting this business in December will be a 1% drag on Maggiano's top line and traffic assumption, but will have minimal impact on profitability. The time, attention and investment we are putting towards \$6 take home pastas will now be redeployed to elevating and accelerating the business. I'm excited to share more details of the Maggiano's transformation plan to bring the magic back in future calls.

Lastly, I did want to quickly give an update on an initiative that is touching both brands, our move to replace legacy back office systems with the modern Oracle ERP system. The objective of this project is to upgrade it to a more stable, secure and productive back office system, which touches finance, supply chain and human capital management. We're in the middle of the transition now and overall it's going well. We're experiencing the normal bumps you would expect with a large scale ERP implementation and the team has done a good job, working through these bumps and managing the change.

Most importantly, the Oracle transition has not materially impacted our day-to-day operation and this is evidenced in our great results. I'm very encouraged by the momentum of our business. Our results demonstrate we're working on the right things, the right way to drive long-term growth. Specifically, Q1 results are a proof point that we are building significant and sustainable improvements in both the top and bottom line.

Our focus on consistently improving the fundamentals of casual dining, food service, atmosphere and team member engagement is working. This improved experience combined with driving differentiated relevant brands is becoming Brinker's unique strategic advantage that we believe will consistently outperform the industry.

Now I'll hand the call over to Mika to walk you through first quarter numbers and our updated guidance for the remainder of the year.

Mika Ware

Thank you, Kevin, and good morning, everyone. Our first quarter results represent a great start to the fiscal year and as Kevin shared are reflection of the success of our long-term invest to grow strategy. As noted in our press release, once again, we saw strong year-over-year top line growth, comp sales and traffic well above industry averages and significant restaurant margin expansion. For the first quarter, Brinker reported total revenues of \$1,139 million with consolidated comp sales of positive 13%.

Our adjusted diluted EPS for the quarter was \$0.95, up from \$0.28 last year. Both brands reported top line sales growth with Chili's comps coming in at positive 14.1%, driven by price of 6.8%, positive mix of 0.8% and positive traffic of 6.5%, with traffic improving sequentially throughout the quarter.

These impressive results were driven by the continued success of our marketing campaigns on both TV and social media, highlighting our industry leading everyday 3 for Me value and our popular Triple Dipper appetizer. We're encouraged to see that our restaurant teams continue to deliver record guest metrics demonstrating material improvement in the overall guest experience at even higher sales volumes.

Turning to Maggiano's, the brand reported 4.2% positive comp sales for the quarter driven by 10.8% price, positive 2.1% mix, partially offset by negative 8.7% traffic. As Kevin mentioned, Dominique and his team are making progress at Maggiano's and we're seeing some early signs those initiatives are working. I'm happy to share that Maggiano's had a solid first quarter with year-over-year operating income up an impressive 117%, primarily driven by increased alcohol mix simplification efforts and labor productivity.

At the Brinker level, we made significant progress on flow through this quarter with restaurant operating margin coming in at 13.5%, an impressive 310 basis points improvement year-over-year, primarily driven by sales leverage from top line growth. This resulted in favorability in all categories of food and beverage cost, labor and restaurant expense.

Food and beverage cost for the quarter was favorable 60 basis points year-over-year benefiting from higher price partially offset by 2.5% commodity inflation. Labor for the quarter was favorable 130 basis points year-over-year despite incremental labor investments. Top line growth offset wage rate inflation of approximately 4.3%.

Advertising for the first quarter was flat year over year, but marketing costs will ramp up versus prior year as we progress through the fiscal year. Each time we go on there with our 3 for Me messaging, we pick up momentum. We are particularly pleased with how our advertising strategy continues to deliver positive lapse versus prior year media windows.

G&A for the quarter came in at 4.5% of total revenues with the year-over-year increase largely driven by an increase in performance based compensation expense. First quarter adjusted EBITDA was \$112 million, a 55% increase from prior year. We will continue to prioritize paying down debt for the remainder of the fiscal year and we have used our revolving credit facility to repay the bond that came due in October.

Capital expenditures for the quarter were approximately \$56 million driven by capital maintenance, IT expenses and new restaurant development. We did open one new restaurant during the quarter in Leander, Texas with opening week sales over \$160,000. This is the latest in a string of openings that all have well surpassed their hurdle rates and current brand averages, which demonstrates the increasing strength of the Chili's brand, particularly in new markets. While it's still early in the quarter, we're excited to see strong momentum as we finish our first month of Q2. October comp sales to-date for Chili's remain in the double digits with positive traffic and we continue to increase our GAAP to the casual dining industry.

In terms of our expectations for the balance of the year, as noted in this morning's press release, we're raising our fiscal 2025 full year guidance to include the following. Annual revenues in the range of \$4.7 billion to \$4.75 billion. Adjusted diluted EPS in the range of \$5.20 to \$5.50. Our existing guidance for weighted average shares and annual capital expenditures were also reiterated. Assumptions underlying this guidance include planned commodity inflation in the low single digits, wage inflation in the mid-single digits and a tax rate in the mid-double digits.

I'm very proud of the work our teams are doing to put the guest and team member first and the smart investments we're making into the business to make their experiences better. We've demonstrated that when we do what is right for our team members and guests, positive sales and profits follow. Our business continues to drive outstanding positive sales and traffic as well as material margin expansion. I'm confident our investments into food service and atmosphere are the foundation that will drive the business for the long-term.

With our comments now complete, I will turn the call back to Holly to moderate questions.

Question-and-Answer Session

Operator

Thank you. At this time, we will be conducting a question-and-answer session. [Operator Instructions] Your first question for today is from Jeff Farmer with Gordon Haskett.

Jeff Farmer

Good morning and very impressive quarter to say the least. A couple of model questions for you. So the first one would be, you gave a lot of updated guidance items, but how are you thinking about the restaurant level margin for the year with the strong same-store sales performance through Q1?

Mika Ware

Hi, Jeff. We do think that we're going to continue to drive restaurant level margins. And so I think now we will be probably a 100 basis points or more favorable year-over-year.

Jeff Farmer

Okay, that's helpful. And then just on advertising, you've talked about this a little bit over the last couple of calls. Just to compare and contrast, just remind us how many TV advertising weeks you had in 2024 and then what you're contemplating for 2025?

Kevin Hochman

So I have the weeks in front of me for 2025. So we'll be on a year of total of 31 weeks and I don't have the number of weeks from last year in front of me. I will tell you, I can – we can get you the specifics of the actual spend versus a year ago in a little bit. So just give us a little time and we can calculate that for you, so you can at least start the benchmark.

Mika Ware

I have the dollar. So it's an incremental four weeks, I think year-over-year that we have. And so what's going to happen is, I think it's more important to understand how the dollars are going to flow for your modeling. They're going to be up probably \$3 million to \$4 million for the second quarter and the third quarter and up a little bit more in the fourth quarter, probably closer to \$7 million. So that's how that advertising spend will spread.

Jeff Farmer

All right, very helpful. Thank you.

Mika Ware

Thanks, Jeff.

Operator

Your next question is from Chris O'Cull with Stifel.

Chris O'Cull

Thanks. Good morning, guys and congratulations on another strong quarter.

Mika Ware

Thanks, Chris.

Chris O'Cull

Kevin, it's great to see the company gain insights from the tokenized data. I was wondering if you could provide some more color on how you plan to use these insights to continue the traffic and sales momentum.

Kevin Hochman

Yes. I think probably the most important thing about loyalty and CRM is going to be the mining of the data to understand how our initiatives are performing in markets. So for example, I think before we had tokenized data, it was more difficult to understand like who was coming in from the Big Smasher campaign, who was coming in from the social media campaign on Triple Dipper. How frequently are they coming? Are they coming back within the next 90 days after trying the brand for the first time?

So these are things that allow us to understand not just the marketing that we put in place to try to attract new guests, but then because we have the transaction level data, we're able to understand what did they buy and did they come back and how long did it take them to come back. So, for example, we now know that if you're a Chili's guest this year versus – before we had kind of the real acceleration in traffic in May, call it, last year a Chili's guest. If you were a Chili's guest, you came back every 37 weeks. Now we know based on what we believe is the experience improvements, that same guest is coming back every 31 weeks, right?

So it gives us more confidence. If you think about our strategy, it's about improving the fundamentals of casual dining. So better food, better service in a fun and friendly atmosphere. Those are very hard things for us to model. It's very hard for you guys to model too, right, versus like, did I drop x amount of coupons or did I do something with my CRM program, right?

And so when we start having the insights on what is actually – how is it changing consumer behavior and we can connect that to the transaction level detail of sales, it gives us a whole lot more confidence that the investments that we're making are going to drive the sustainable long-term growth. And honestly, that's the key to this whole thing is like believing that these improvements on the fundamentals of casual dining will in fact sustainably grow the business. And now we have more insights of what things are working and what things may need some tweaking. So I hope that makes sense, Chris?

Chris O'Cull

No. It does. That was very helpful. I also had a question about menu pricing at Chili's. The 3 for Me platform, the Big Smasher, the 3 For Lunch combos, all offer consumers price certainty. I'm just wondering, as these platforms and products grow and mix, it would seem you would need to raise prices more aggressively on other menu items. So how are you thinking about this dynamic.

Kevin Hochman

You're thinking of exactly right, Chris. We just have to make sure that we're managing the merchandising, so the mix doesn't go sideways on us, right? Because at the end of the day, the barbell strategy is dependent on meeting all guest needs, not just the extreme value guests. So we look at this very closely and it's one of the reasons why we shared that in our prepared comments, because I know that's on everybody's mind. Despite all the success in traffic that we had for the quarter, we only saw the 3 for Me mix increase a point and we're still selling almost half of the 3 for Me's at the higher \$14.99 and \$16.99 price tiers, which is accretive to check.

So we just got to continue to keep our eye on it. The good news is in California, we tend to have an early warning system, if we see something that was going to get out of check. It would probably start in California just based on – it's more expensive to do business there and there's more sensitivity to that dynamic that you're talking about. Because we're one of the few concepts that no matter where you go in the country, you're going to be able to get that \$10.99 advertised value, including California. So that will give us an early warning whether things are going in a place that we don't want them to go. But so far, I think just making sure that we continue to offer premium items at the same time of offering entry point price value. It seems to be working to control that mix and not give us any kind of trouble from a P&L or a restaurant level margin standpoint.

Chris O'Cull

Great. Thanks guys.

Operator

Your next question for today is from Dennis Geiger with UBS.

Dennis Geiger

Great. Hey guys, and congratulations. Another modeling question first if I could. Following that strong flow through in the first quarter, wondering if you could touch a little bit more on the investments through 2025. Mika, great color on sort of getting the all in restaurant margin for the year and the perspective on marketing. Just anything more on cadence though, I think R&M is coming down as we go through the year. Anything else to be thinking about on those investments or other sort of margin items as we go through the year here.

Mika Ware

Dennis, I think, the big one – the big changes again, are marketing. That's why I mentioned that one and wanted to be clear on the dollars. I think I talked about that advertising was going to – I mean, R&M was going to continue to be up in the first quarter, up slightly in the second quarter, will get flat in the third, and probably favorable in the fourth. So those are some of the big expenses as they flow through. I will say that we had great restaurant operating margin expansion in Q1. I think we'll continue to see some outsized margin improvement in Q2. It will probably start to moderate in three and four just because we're lapping even better numbers as the business had started to ramp up. So you can think about it that way as how margins. I think they'll improve every quarter, but the largest improvement will probably be in the first and second quarter.

Dennis Geiger

Very helpful. And then just the second one is just on the social media support or initiative that you highlighted as one of the two primary drivers of this impressive traffic and sales growth. So wondering if you could talk a little bit more about what the team has done to sort of help this initiative and perhaps how some of the external factors from influencers, et cetera, has helped. And obviously this has gone on for an extended period of time. So just kind of thinking about the work that you've done and how much you can control and kind of continue to control in kind of making this aspect of the growth a bit more sustainable. Thank you.

Kevin Hochman

Yes. From when I was a marketer, a lot has changed today and the tools that are available to the team. We have an exceptional, I mean, literally an exceptional leader and Louis Becker who runs our social media program. And number one, she and her team are constantly monitoring the trends and the insights that they're seeing in social media literally every day. That's big part of their job.

And then two, they work very effectively with professional agencies that are experts at influencer in – working with influencers and understanding how to translate those insights into content that's going to be exciting and craveable for hopefully future guests or current guests, right, to get them to engage with the brand and I understand what items that we offer at Chili's and how they might be relevant to them, right?

So it's a very – there's deliberate investments that go in. So as we talk about the marketing dollars that we share with you guys, that's all baked in. In terms of the social media platforms and then we have an exceptional team that really – they are professionals in what they're doing and they've been doing this for a while. And you can see that they're constantly thinking about how they're going to continue to sustain that momentum and that conversation in social media.

So at this point, we're – typically when you see something that goes viral or something that really catches fire on social media, that's a pretty short flame. And the fact that we've just continued to be able to maintain these high levels of social impressions tells you something about the quality of that team and the results that they're delivering.

Dennis Geiger

Great. Thanks guys, congrats.

Mika Ware

Thanks, Dennis.

Operator

Your next question for today is from David Palmer with Evercore ISI.

David Palmer

Good morning and congratulations on what has been a spectacular brand strategy and recovery. Wanted to ask you just a simple one about the near-term sales, but also I want to ask you something longer term on unit growth since you have had so much success, maybe how you're thinking about that? How is that strategy evolving in your mind as you look beyond this year and how do you think about capital strategies? But in the near-term, how have sales trends evolved versus the industry through the quarter, maybe into this quarter? How are you thinking about that going forward and how is that informing what's working and not? And then as far as the unit growth goes, I wonder, are you getting to return thresholds where you might think about pedal to the metal or maybe thinking about tweaks to the format and maybe help us think through how you're thinking about early thoughts on fiscal 2026. Thanks.

Mika Ware

Okay. Well, you got a lot of questions in there, Dave. So what I heard is you asked about sales. And so sales, they actually accelerated throughout the quarter and our gap to the industry accelerated throughout the quarter and that trend continued into October. So we're very pleased with the momentum. Again, every time, we go on air we continue to pick up, it seems like even more momentum with the industry leading value. So we couldn't be more pleased with how the trajectory continues to go.

Kevin Hochman

Yes. Good morning, Dave. I can handle the unit question. So right now just a short answer is, we have no change in the approach and the net new units that we've shared with you prior. I will tell you we are going through capital allocation discussions internally about – okay, we've got all these new opportunities in front of us based on the success of the business. Where should we start thinking about deploying capital differently?

And the options that we have are obviously we can accelerate new builds. The new builds that we've done now, it's at a slower pace than they were a couple years ago, but the new builds that we've done, we're very excited about the return. So that's an option, right? I would – the thing I'm challenging the team on now is do we want to continue to build out existing markets or can we – is there white space markets on both brands, on Maggiano's and Chili's that we could go into that might be more incremental for our business, but – so that's one option.

Another option is we do have an estate that could use some reimaging. And so I personally did some tours last week to understand the different prototypes within the system. And what are the prototypes that we want to try to deploy capital faster, because you think about the brand getting more and more relevant. It needs to be relevant everywhere, not just the newer builds and not just with menu and social media. It has to be relevant everywhere. And so I think that's a great opportunity for us. And that's typically where you get better reimaging returns when you start with older assets that haven't been touched in a while.

And then obviously there's other capital allocation discussions that we have to have in terms of returning capital to shareholders, et cetera. So the short answer is there's no change to the guidance that we've given you on net new units. The success that we've had in the business certainly opens up additional opportunities to deploy capital. And once we have those answers and we're aligned with our board, we'll certainly share that out with all of you.

Mika Ware

And Dave, just one follow-up on that, just to – I think there could be some questions out there again. So capital allocation strategy hasn't changed, as Kevin said, first priority is to invest back in the business. You did see that we bought back some shares in the first quarter and that was as planned. We wanted to – we always buy back shares to offset dilution, so we took care of that in the first quarter. Now that we have taken the October bond, we put that onto the revolver. So we will resume paying down our debt. So that will now be our second priority is to pay down our debt and then third is return cash to the shareholders. So that's where we are now. Was there any other piece of your question we didn't answer?

David Palmer

No. No, that was great. Thanks and congrats again.

Mika Ware

Okay, thanks, Dave.

Operator

Your next question is from Brian Vaccaro with Raymond James.

Brian Vaccaro

Hi. Thanks and good morning. A couple quick ones for me, just on the quarter-to-date comps, I guess, in the spirit of setting reasonable near-term expectations, would you be willing to be a bit more specific on what you're seeing in October? Maybe kind of level setting relative to what you put up to 14 in the first quarter? Any incremental color you'd be willing to provide?

Mika Ware

Brian, just because it is early in the quarter, we don't want to get too specific, but what we will say is we're very pleased. We did say double-digit sales in October positive traffic, we're lapping the media window very nicely. So we're excited about that.

Brian Vaccaro

All right, fair enough. On the topic of mix, I'm guessing, it was up 80 bps, I think, at Chili's. I'm guessing that's mostly from the Triple dipper. But, Kevin, I caught your comment on the margarita growth and success you're seeing in the \$6 category. I'm curious just what you're seeing broadly in terms of your alcohol sales overall. And do you expect mix to maybe be a tailwind for the next few quarters?

Mika Ware

So, Brian, let me start out on that, and Kevin can jump in if he has any color. But our alcohol mix has actually been pretty flattish, so flat just slightly negative like everyone else is. But we are more profitable with alcohol with the new premium margaritas that we've introduced. We are very pleased with the Margarita of the Month and the success of that. So it's helping us to kind of hang in there on the alcohol. Now taking it up on mix a little bit, we did introduce the new 3 for Lunch combos. That was really late in Q1, so I don't have a lot of data to share.

But we do think this is a positive mix driver. So we'll have more information as we end the second quarter. But I do think our mix will be positive through the second quarter. Then as we lap different things, it could flatten out a little bit in the back half of the year. But where I originally said mix would be flat to slightly negative, I would now say it could be more flat to slightly positive, especially with the new rollout of the lunch combos.

Brian Vaccaro

All right, that's great. And then just last one for me, looking at the fiscal first quarter margins, Mika, did you say advertising dollars were flat year on year? Did I hear that correctly?

Mika Ware

They were. They were basically flat. The dollars will ramp up in the next three quarters.

Brian Vaccaro

Okay. And then on R&M specifically, can you share what was the change in dollars in the first quarter? And do you still expect R&M dollars to be down around \$10 million versus fiscal 2024?

Mika Ware

I think I gave a range of \$8 million to \$10 million favorable. So that'll depend as the year progresses and how we manage those repairs. But it was basically in line with what we expected. So R&M – the Chili's R&M specifically, it kind of matters what different lines you group together. But that was still up about \$8 million or \$9 million, which was our expectation. Again, I think that will still be slightly up in Q2, flattish in Q3, and favorable in Q4. So that's how kind of the cadence goes of saving that \$8 million to \$10 million year-over-year.

Brian Vaccaro

Great. Thanks very much. I'll pass it along.

Mika Ware

You're welcome.

Operator

Your next question is from Jeffrey Bernstein with Barclays.

Jeffrey Bernstein

Great. Thank you very much. Two questions. The first one just, Kevin, you talked about the new guests and increased frequency, which presumably is key to driving further traffic acceleration. Just wondering if you can share any new color on your learnings there. I think you mentioned something about maybe frequency has come in or improved every 31 weeks versus 37. I was just trying to get some more color, if that's the way you look at it, primarily. And maybe if you have any metrics to compare that to peers across casual dining or elsewhere. Just trying to get a sense for any specific metrics you guys use to demonstrate that you're seeing kind of that ramp up in frequency.

Kevin Hochman

Yes. So we don't have any benchmarks for competitors. This is the tokenized data of how we are able to understand which guests at the transaction level detail are coming back and when are they coming back. So there's not really much more color to give you other than, number one, we're growing with all income cohorts now. So Chili's is for everyone. And when you have growth like we're having on that brand, you likely would see it across demographics, and you are. So there's no demographic that we're not winning with. As far as the detail on the two drivers that I shared, 3 for Me and the Triple Dipper, the 3 for Me is winning with all households. It's skewing just a tad older. It's not significant. And it might be a function of how we're placing that advertising in more traditional TV.

And then the Triple Dipper is skewing younger. So essentially, we feel like we're introducing a whole new generation of Chili's. And so that's good. And then another really good thing is this frequency data point that I shared. So if you go to Chili's, we've compressed your purchase cycle from 37 weeks to 31 weeks. And what that tells you is they're having a good experience and they're coming more frequently, which means that we're not just in their rotation, but we're being chosen more often than we were a year ago. So those data points give us confidence that we'll be able to sustain some of these gains, if not all of these gains. And as we get more and more insights from the tokenized data, we'll make sure we share it with all of you.

Jeffrey Bernstein

Got it. And my follow-up was just on the restaurant margin, Mika, clearly, 300 plus basis points in the first quarter impressive. I think you said 100 basis points for the full year. So obviously, we're going to see those benefits pull back materially, I guess, in the back half as you lap the strength from last year. But is there any color you can provide? How we should think about margins over time, whether it's the range of performance you're currently seeing across your system to contextualize some of the better margins out there. Just trying to gauge what the upside opportunity is if sales continue to deliver. Whether or not maybe you look historically or your best performing markets. How do you best think about where the restaurant margins can go beyond just this year but over the next few years as you think about the business? Thank you.

Mika Ware

That's a great question, Jeff. So obviously, this whole strategy has been built around, it's an invest to grow strategy. And we always said we were going to improve the four wall economics, but we were going to do it by investing in the business and growing the top line. And so I think we demonstrated over the last two years when we improve the top line, we absolutely can flow through and have some great sales leverage.

So depending on how fast we continue to grow revenues, I think we're going to continue to improve our margins. The fact that now we're getting back to those historical margins where people used to say can you get back to the mid-teens? I think that is well within range at this point. And that also includes a lot of changes in the model that like sale leasebacks and things that happened in the past that would have taken that down, so that's even more impressive.

And then also I think that's really critical is our new pricing strategy. So again, we continue to be focused on execution. When we're focused on execution, that gives us more pricing power. And we're going to make sure that we use that pricing power to make sure we price ahead of inflation and then that allows us to protect those margins. So I just think we have an all around better strategy to drive our margins. All the underlying initiatives such as simplification, the pricing strategy, all the things are helping us to make sure those margins have opportunity to continue to grow in the future.

Jeffrey Bernstein

Thank you.

Mika Ware

You're welcome.

Operator

Your next question for today is from Andrew Strelzik with BMO.

Andrew Strelzik

Hey, good morning. Thanks for taking the questions. My first one, you gave some helpful color on the marketing spend cadence, excuse me, for the rest of this year, but I guess I'm wondering how the marketing spend and the marketing approach evolves over the next couple of years. Is there room or do you want to take weeks higher in the future? Do you look at placements? I guess, I'm just thinking about how you continue to evolve that approach between linear and digital.

Kevin Hochman

Yes, Andrew. So thanks for the question. So it's really the marketing team, so every year when we go into planning, we look at, do we want to continue to make incremental investments or just flow the percentage of advertising as a percentage of sales. So that's the first question is, do we feel like there's opportunities to continue to get the return that we've been getting from the advertising spend?

There is no – we have no data right now that would suggest that we wouldn't continue to increase the investment as we continue to grow the business, right? So that would be point one, which is like magnitude. And then the second would be and then how do you deploy those dollars? I think the things that we're learning on social media, also what we're learning on TV, what they'll take into that new account and start planning whatever incremental dollars they have for next fiscal.

So typically, you start with are your weeks – do you feel like they're sufficient or is there opportunity to make them upside, to create upside. And then once you get there, then do you want to add additional weeks, which is the bulk of the spend in TV? So from a social media standpoint, it really involves. It's just not as linear in terms of weeks on air and frequency. It's more about what are the priorities of the brand to communicate that we think is content worthy and how are you going to deploy that from a social media standpoint? So that's the way we think about it.

I think we'll have more to share likely sometime in the spring as we think about the next the following fiscal based on what we learned for this fiscal, we're still pretty early into this fiscal with this incremental spend. So as we learn more, we'll make sure we share it with you.

Andrew Strelzik

Okay. Great. And then last quarter, there was a discussion about the cadence or sequencing of your initiatives and how some of those were moving around a little bit, I guess, as you continue to see momentum in the business, is there – are you considering kind of further evolving the timing or that sequencing moving away from the Big Smasher, other menu news or any of the other kind of strategic priorities that you've had in place for the balance of this year and the next year? Thanks.

Kevin Hochman

Yes. I mean, you're thinking about the way we're thinking about it, so we're not going to be blind to what we're seeing from a result standpoint. So the current plan right now is to continue the Big Smasher, as I said in the prepared comments through Q3, and then we're going to pivot to a new innovative item on the 3 for Me in Q4. Obviously, if we continue to see the same results that we've been seeing with the Big Smasher campaign throughout Q3, we would revisit that decision.

So I think there's more to come on that based on how the business evolves. But we've been basically running the same campaign now for over 18 months with the same ads, and the business continues to accelerate. So typically corporations get bored with their messaging before the consumer does, which is funny because we see the same ads over and over. But the reality is, as long as the data continues to deliver or as long as the data continues to show that the ads are working, why will we then change them just because we are bored of them? When the customer still is learning about 3 for Me, and we see that within the tokenized data too, we are not just seeing new customers come in for the Triple Dipper, we are seeing them come in for the 3 for Me.

So more to come on that obviously, we are going to stay close to the trends, but as long as we continue to have the same success, we will continue to delay moving off the message to something else until we see otherwise.

Andrew Strelzik

Great. Thank you very much.

Operator

Your next question for today is from John Ivankoe with JP Morgan.

John Ivankoe

Hi, thank you. You were – turnaround in your results, I mean is truly remarkable. And it actually had me think how many times in my career I've seen it happen before. Maybe it was McDonald's

in 2003, which they sustained. Maybe it was Domino's 2010, which they sustained. But really, you're in a class of a very, very few that I can't really think of such acceleration, especially for what is kind of a difficult category.

So Kevin, I'll ask you, is there any case study or anything that you kind of look at from a learnings experience in terms of, we've all used the word catching lightning in a bottle, but you're in a very special place in terms of the level of outperformance that you have both from a traffic and total comp perspective. What type of paradigm, if any, have you seen that we can kind of point to of why this can really be a multi-year event?

Kevin Hochman

Well, I think we shared it in the Investor Day that was 18 months ago kind of what – where these thoughts were inspired by number one, there's a best-in-class casual dining competitor that you guys track that there's no secret on their secret success to win, right, which is the fundamentals of casual dining, great food, great experience in a fun and friendly atmosphere.

And that was what we had embarked on 18 months ago to get after, right? And now, we're starting to see the fruits of those investments and the fruits of that labor come to bear. I don't think that's going to change. Like I still think those are the things that are going to win in recessionary times and non-recessionary times. I think the fundamentals of why a customer goes out and being able to win on those things are going to continue to win.

And so the challenge for our team to keep it going is, what are the next things that we need to do to continue to improve the Chili's experience, whether it's a food – from a food standpoint or a service standpoint or whatever. And so it's funny, we're going into our planning season for next fiscal.

And when I look at the things that we're really proud that we've been able to accomplish and I look at what's still left on the plate, I still think more of the changes are ahead of us than behind us because there are so many more things that we can do to continue to improve the experience. So that's the first thing I would tell you.

And then obviously, we look at some of the more modern concepts and the way they do marketing and the way they're attracting new guests and we're trying to replicate some of those things. And so I know it some of the characters that you guys follow and understand, they've done an exceptional job and we've learned a lot from them and brought those into the business too.

So I would share with you, it's kind of a little bit of old school in the fundamentals of casual dining in restaurants and then a little bit of new school with how do we make sure we stay relevant and reach new customers in ways that they expect to be reached versus some of the more traditional ways.

John Ivankoe

I like the old school, new school, that's a perfect way to characterize it. And then secondly, I apologize if I missed this word. Are we still working on kind of relaunching fajitas? I mean, is that still a front burner activity for you guys? How big of an opportunity do you think that is?

Kevin Hochman

Yes. We still think it's a big opportunity. We're debating whether it's going to be like the number one priority from a marketing standpoint, because once again, what we have on advertising right now continues to work. So it's like, why would you change that, especially when you're in an environment where value is so important, especially on – in your advertising and on TV. So right now, the fajitas relaunch is still on track for Q4. We plan to make a huge deal about it from a menu merchandising standpoint and a feature card standpoint.

We'll probably have some out of store advertising or marketing behind it. It probably won't look like the 3 for Me campaign that you've come to understand in terms of the level of weights and the visibility of it, but we still think it's a big opportunity. We also think there's a lot more opportunities throughout our menu to continue to improve.

And we're looking at appetizers now, we're looking at ribs. We're looking at continued innovation on Triple Dipper, which I talked about in my prepared comments, and expanding the core four now to the five to drive. And that idea has really excited that team to create innovation on Triple Dipper that we hadn't been thinking about prior.

Obviously, the Nashville Hot Mozz was the first innovation we've had on Triple Dipper in a long time that has worked and that's got that team super fired up about what's next to continue to bring news to the Triple Dipper. So I think you're going to see a lot more than just fajitas, especially as we start talking about the next fiscal year in terms of continuing to upgrade our menu.

And once again, as I said earlier, as long as we continue to make improvements on the fundamentals of casual dining, great food, great service, and a fun and friendly atmosphere, I think we're going to continue to win in this marketplace.

John Ivankoe

Sounds good. Thank you.

Operator

Your next question is from Alex Slagle with Jefferies.

Alex Slagle

All right. Good morning. Great work here. Kind of curious if there are any new eye opening dynamics, sort of with the big jump in traffic now, it's like half a year of sustained higher volumes. And what are the biggest things that your restaurant teams are talking about, if there's anything new that they need at the top of their list to help them out?

Kevin Hochman

Yes, it's a great question. Number one, continued simplification is what we continue to hear from the restaurant team. So anything you can do to make my life easier, either in terms of the prep steps for Heart of House cooks or the amount of administration that our managers have to do to run the business. And so we continue to get after that, every – basically every period, we have some new rollouts that are going to simplify either the Heart of House or the Front of House steps that they have to take to serve the guests and make food.

And that will continue. So we have a more formal team now that literally takes all these simplification ideas, prioritizes them, gets them ready for a restaurant, and then rolls them out. And it's just the way we do business now. So that's kind of point one.

The second thing that we're looking at is what equipment do we need to make sure that we have in place to handle the higher volume. So we've established, we call it a 2030 Heart of House team. And the idea is, as volumes continue to improve, do we have the necessary equipment to keep up with the volume, especially at peak during the weekend? So opportunities that we see on the horizon.

We've been testing these TurboChefs as a replacement for our Impinger and CTX, which are conveyor belt ovens, which are much slower, they're not as reliable. When they go down, they're very expensive to repair. The TurboChefs are much faster, they make a much more consistent product. The teams actually rave about them. So that's like an example where potentially making that investment in that move would certainly create more capacity and deliver a better food experience for the guest.

Another one is fryer capacity. So as we think about the Triple Dipper and the Crisper relaunch that we did 18 months ago having so much success, it puts a lot of weight on what we call zone one, which is our fry capacity. And so the question there is, do we need some bigger fryers in there or you need to add fryers? Certainly, if you add fryers, then it's about hood and exhaust areas for the fryers to be under. So that's probably a little bit more of a longer-term project.

And quite frankly, we'll probably only have some issues in very, very high volume restaurants right now and they typically just put more bodies on it to get through those peaks. So the answer is yes. There's a lot of things we can do. There's short-term things on simplification that we're working on and then there's what we're calling this Heart of House 2030 project. And when we have more details on that, we'll make sure we share that with you.

Mika Ware

Alex, I'd also like to add another thing that we stay very close to is the labor model. And we want to make sure that, we're listening to the front line and those teams to make sure that they have the labor they need to take care of those guests. So we'll continue to tweak that model and make sure we have the right bodies in the right place as we move on. So that's another big one that we make sure that we're taking care of those guests, so that they come back, especially with the step change in traffic.

Alex Slagle

That's great. And the labor levels feel pretty good at this point where they've stepped up to.

Mika Ware

Yes. No, we stepped up in the fourth quarter and we continue to lean into that, especially adding on incremental buzzers where, Chili's a long time ago eliminated the buzzer position. When you talk about, what's the best practice in the restaurant industry, it's probably having a buzzer, especially with higher volumes and more traffic, to make sure that we're keeping the restaurants clean and well maintained, that we're turning those tables. So that's one we're going to continue to lean into as the volumes ramp up.

Alex Slagle

Thanks.

Mika Ware

Thanks. Thank you.

Operator

Your next question is from Katherine Griffin with Bank of America.

Katherine Griffin

Hi, thank you. My first question is on the 3 for Me lunch combo. I think it replaces an existing promotion. I think that that's three for 10. Mika, you alluded a little bit to how this might be more of a mix driver. I'm curious if I should be thinking about 3 for Me as kind of an extension of like earlier strategies to shed less profitable transactions, or is this just kind of capitalizing on the momentum you had with 3 for Me at dinner, at lunch, just trying to think about the balance of traffic and mix in terms of 3 for Me at lunch.

Mika Ware

Yes. So really this was just an evolution as we looked at how successful the 3 for Me platform was and we thought, let's simplify the menu because we had a lot of one-time items on that old lunch combo menu. Let's align it a little bit more with the 3 for Me. But let's lean into some more lunch favorite items on that menu. It has multiple tiers, so really it's been a win for us, a win for the guest and a win for us, just we simplified for operations, we still have that entry price at \$10.99, which our guests love, and we have some more options for them.

So it does drive a little bit more positive mix because the tiers are a little bit different. But again, more to come on that as we get through the second quarter. But we're really pleased with the initial launch.

Kevin Hochman

Yes. The – and just to build on that, like the big wins that we see so far are operationally like the lunch combos – the prior lunch combos were a very small percentage of the business – of the total business, but yet, it had a lot of unique pantry SKUs and unique items that we'd have to train new team members on for a very, very small percentage of the mix. I mean, it was less than most entrees that we have on the menu, this entire list of menu items.

So just getting rid of all that and then aligning it to everyday items that we already make on the everyday menu has been a huge win for the restaurants as well as how we manage pantry SKU and inventory. The other big piece is mix. And so we're seeing a little bit of mix help because in the old lunch combo menu, everything was priced at \$10. In the new lunch combo menu, it starts at \$10.99, but then there's trade up options at \$12.99, \$14.99 and \$16.99.

So just having those options, obviously some guests are going to gravitate to either a bigger eat or something that's more premium. So we've seen some mix help there. We'll continue to learn more about it. There are some opportunities on it. So we are seeing people – three people will come in and they'll all order the three for lunch and they don't all want chips and salsa. And so how do we manage that and make sure that the servers has the right procedures to manage that, either with take home chips and salsa or offering something else.

So we've got some work to do on it. But overall, from an operational standpoint and a guest standpoint, it's been pretty favorable because the guest sees more value in these bigger bundles and they've given us that feedback. So more to come still very early in this, but it seems to be a pretty good move so far.

Katherine Griffin

Great. Thank you. That's super helpful. And then the second question is two parts. First, can you remind me, like, if you've quantified the lift to same-store sales from reimaging, maybe like what you're seeing now versus what you've seen historically. And then just to ask again about unit growth, I'd like to know like what would need to happen in order for Chili's unit growth to reaccelerate. Is it more like macro driven, more favorable build environment versus sort of underlying momentum in the business as kind of the dictator of that?

Mika Ware

So Katherine, I'll start with those. So first of all, we're not really reimagining in a big way yet. So Kevin, he was indicating that that's something we think we can ramp up in the future to reimage our restaurants. So I don't have any returns to share. Historically, we did see a sales lift when we do this, but we think it's something that we want to continue to invest in the fleet, to continue with our relevance and being culturally relevant moving forward. So that is more to come in the future. That's a future initiative that we want to lean into.

The second thing about the unit count is, we feel really good about where we are right now. But again, it's back to Kevin's point that when we're looking at our capital allocation strategy, there's still a lot of dollars that we think we need to invest into the fleet or the base business. And we're getting a great return there. So we're going to continue to have slow and steady on Chili's and open new units.

We're very pleased with them and how they're performing. We also mentioned that we may want to lean into Maggiano's, because Maggiano's, those are \$10 million boxes. There's only 50 of them. So there's a lot more white space there as well. And we're excited about the momentum that that brand is picking up. So those are things we'll continue to work through as a management team on where we allocate those dollars. But right now, we're not ramping up too much on the Chili's side.

Katherine Griffin

Thank you.

Mika Ware

You're welcome.

Operator

Your next question for today is from Eric Gonzalez with KeyBanc.

Eric Gonzalez

Hi, thanks for the question, and congrats on the really strong momentum and improved profitability this quarter. It's really impressive in light of what some of your peers are saying about the difficulty of the operating environment. I'd actually like to ask about Maggiano's. It's exciting to hear how you can take what you've done at Chili's and carried [ph] over to Maggiano's brand. I think it really validates the strategy and reinforces that you're doing the right things for the long-term health of the business.

So like the question there is on the pricing levels, they've been fairly elevated relative to peers. So can you discuss the strategy there and what your thoughts are and perhaps moving more towards a traffic focused strategy versus the check growth we've seen in the past few quarters.

Kevin Hochman

Yes, Eric. So good morning, it's Kevin. So the way to think about it is the year that Maggiano's is in right now feels like year one of Chili's turnaround. So we did a lot of things to try to put the pieces in place, so we could start winning with the fundamentals of casual dining. So we reduced a lot of the discounting that we were doing on the brand. We caught up on some pricing that we had missed during COVID to be able to reinvest in things like labor and food quality and the experience.

We got rid of a bunch of small mixing items that were creating a lot of complexity in the kitchen to be able to reinvest in the core four. But that's what Maggiano's is going through right now. So there is some traffic they're losing because of the reduction in discounting. We are going to lose a point of sales in traffic that we talked about on eliminating the \$6 take home meals.

But quite frankly, it's going to accelerate both traffic over time and restaurant level margins as we start building a stronger customer base that's more loyal to the brand versus a discount and then improve the food quality, the service and the atmosphere of going to Maggiano's. So the way I would think about it is, they're kind of in year one of what Chili's turnaround was and that you would expect to start seeing improvements in traffic sometime in year two as the investments that we're putting in the business start taking hold and the innovation starts bringing guests in.

Eric Gonzalez

Great. Thank you.

Operator

Your next question is from Jim Sanderson with Northcoast Research.

Jim Sanderson

Hey, thanks for the question and congratulations on a great quarter. Just going back to trying to understand better the amazing turnaround at Chili's that's taking place. Can you update us on how your household income demographics have changed since you first launched TV advertising? I'm just really wondering if you fundamentally shifted the consumer base to a less price sensitive consumer.

Kevin Hochman

Well, we don't have that exact anecdotal data or the specific data yet to confirm that. I will tell you when you talk to the restaurant teams, they tell you they're seeing different demographics of guests. And we're seeing the same thing now at Maggiano's. I was just with the team literally yesterday in their regional meetings here in Dallas. And Maggiano's is also saying they're starting to see the guest demographic literally change in front of them.

And I think what we're seeing is we're not as reliant on coupons to bring guests in, and those guests might have gone somewhere else where they have a coupon. And we're replacing those guests with guests that are coming because they're excited about the innovation or what they're seeing on TV with the value. So it's very much more of an – Chili's a more EDLP strategy. You might hear that from a retailer everyday low price, where we have great value, great service, a consistent food, versus kind of the high low that I think we used to be in our old strategy. So I do think that creates a more resilient customer base over time because they're choosing you for the right reasons versus something that can be replicated easily by a competitor.

Jim Sanderson

Okay. And for the different demographics you are seeing, is that adjusting the way you're allocating funds for the way you're marketing going forward, whether it be social media channels or advertising traditional.

Kevin Hochman

Yes. At the end of the day, Chili's is still for everyone. So we talked about that earlier on. When we look at the income demographics and where we're growing with, we're growing with literally every income demographic right now, and there's no reason to change our marketing mix right now, we feel like the mix of TV that we have kind of our air war and then the ground war that we have with social media continues to work. So unless, we see something that would tell us differently right now, we're going to continue with the mix levels that we're at.

Jim Sanderson

Understood. And just one last question on new unit development, I think you cited some pretty impressive results. Average weekly sales on some of the new stores opened. How does that benefit cop same-store sales trend given it sounds to me as if you're replacing underperforming stores with strong performers, is there any metric you would call out that would be a contributor to strong sales performance?

Mika Ware

Well, new restaurants won't impact same-store sales because you have to be open 18 months before you get rolled into that number. But what they are doing is, I mean, really, the strategy is we're opening new restaurants. We're thrilled with how they're opening and at the sales volumes, at the same time, we talked about, I think on the last call that through COVID, we had not closed any restaurants. We held everyone out until we kind of really wanted to see the turnaround.

Chili's isn't almost approaching a 50-year old brand. So there's some natural leases that end and things. So we have been closing some of those underperformers. So it could be a net neutral impact to revenue when we're closing a little bit more than we're opening. So it's not really material to revenues, but it is going to be helpful to margins and the long-term strategy to just continue to keep the brand relevant.

Jim Sanderson

All right. Thank you. I'll pass it on.

Mika Ware

Thank you.

Operator

We have reached the end of the question-and-answer session. And I would now like to turn the floor back to Kim Sanders for closing comments.

Kim Sanders

Thank you, Holly. That concludes our call for today. We appreciate everyone joining us and look forward to updating you on our second quarter results in January. Have a wonderful day.

Operator

Thank you. This concludes today's conference call. You may disconnect your phone lines at this time and have a wonderful day. Thank you for your participation.

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