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# Brinker International, Inc. (EAT) Q1 2026 Earnings Call Transcript

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## Q1: 2025-10-29 Earnings Summary

Insights



EPS of \$1.93 **beats by \$0.16** | Revenue of \$1.35B (18.45% Y/Y) **beats by \$17.00M**

Brinker International, Inc. ([EAT](#)) Q1 2026 Earnings Call October 29, 2025 10:00 AM EDT

### Company Participants

Kim Sanders - Vice President of Investor & Government Relations

Kevin Hochman - President, CEO & Director

Mika Ware - Executive VP & CFO

### Conference Call Participants

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

David Palmer - Evercore ISI Institutional Equities, Research Division

John Ivankoe - JPMorgan Chase & Co, Research Division

Jeffrey Farmer - Gordon Haskett Research Advisors

Dennis Geiger - UBS Investment Bank, Research Division

Hyun Jin Cho - Goldman Sachs Group, Inc., Research Division

Sara Senatore - BofA Securities, Research Division

Andrew Strelzik - BMO Capital Markets Equity Research

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

Jon Tower - Citigroup Inc., Research Division

Brian Harbour - Morgan Stanley, Research Division

Jeffrey Bernstein - Barclays Bank PLC, Research Division

Alexander Slagle - Jefferies LLC, Research Division

Margaret-May Binshtok

James Sanderson - Northcoast Research Partners, LLC

## **Presentation**

### **Kim Sanders**

*Vice President of Investor & Government Relations*

Thank you, Paul, 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 President of Chili's; 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](https://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**

*President, CEO & Director*

Thank you, Kim, and good morning, everyone. Thank you for joining us as we share insights from our first quarter and our outlook for the remainder of fiscal '26. Q1 Chili's same-store sales were plus 21.4%, outperforming the casual dining industry by 1,650 basis points. This strong result was lapping a plus 14% in Q1 last year for a 2-year compounded comp of plus 39%.

Our Q1 sales result was driven by traffic increases of 13% versus a year ago, and Chili's has now beat the industry the past 8 quarters on traffic as well as completed our 18th consecutive quarter of positive same-store sales growth. I'm so proud of our Chili's team rolling industry-leading comps from Q1 last year with even more industry-leading comps in Q1 this year. World-class marketing and brand building is bringing guests in and continued improvements in food service and atmosphere are bringing guests back, and that momentum feels great.

Our food and hospitality initiatives in Q1 continue to deliver momentum for the business. The ribs upgrade has been a success with the ribs business now running 35% up in sales and significantly improved profitability, which is also up 29%. Food grade scores on tickets with ribs are up and guest feedback has been very positive on the taste. On the beverage innovation front, the frozen Patrón Margaritas platform is now selling 2x the units of the old platform despite a higher price point for the more premium ingredients. Q1 new items are winning and helping progress our food grade scores in addition to growing sales.

On the hospitality side, ongoing simplification, removing friction from our team members and managers and the North of 6 initiatives are continuing to improve guest experience scores. Our main metric for experience guests with a problem is again at an all-time low at 2.1% versus 2.7% last year in Q1, with food grade and intensity return scores also at all-time highs.

And on atmosphere, our first 4 remodel pilot restaurants should be completed by the end of this quarter, and we will start getting a read on how they are performing. The modern Greenville prototype is about making a Chili's as Chili's a Chili's can be by going back to the first Chili's ever built on Greenville Avenue and getting back to what makes Chili's like no place else.

Given what everyone is seeing in the industry right now, I thought it would be helpful to talk a little bit more insight on what we're seeing at Chili's with the consumer. I'm going to share what we are seeing with the consumer household income levels and some new token data on Chili's guest behavior. Chili's continues to grow sales across all households of all income levels. And while others in the restaurant industry are seeing households with lower income pull back, we are seeing just the opposite.

Our customer base is very representative of the U.S. consumer across all income cohorts, but our cohort growing the fastest is actually now households with income under \$60,000. It's clear that the better than fast food campaign we've been hammering over the past 2 years has positioned Chili's as an important value leader in the industry, and we are gaining market share with low-income households while others are reporting softness with that group.

I also wanted to share some new capability mined from our tokenized data. We now have sufficient data to understand as more and more new guests come into Chili's, what is happening to the guest frequency over time. The intent is to have a better understanding of the sustainability of guest traffic we are bringing into the business via TV and social advertising. We track each group of monthly customers separately and what their visitation and purchase behavior is over time.

For example, we have a July 2024 cohort who represents all of the guests that came into Chili's during the month of July 2024, whether they are new to Chili's or regular guests, and we can track how often they have come back over time. We can do the same analysis with the guests who came in, in August 2024 and get the same data about that group. We then look at frequency of those groups over time to understand how well we are retaining them, which also tells us how sustainable Chili's traffic trends are.

So here's what we learned tracking monthly cohorts. For both new and regular guests, trip frequency is staying very stable regardless of the cohort. What this means is our restaurant experience is bringing guests back and retaining the traffic over time versus bringing them in once and having them not come back to Chili's. This data, along with our quarter-to-date sales and traffic trends, give us confidence we'll be able to roll over the Q2 plus 31.4% sales growth and the plus 19.9% traffic growth from prior year.

Now I want to give an update on Maggiano's. Chief Operating Officer, Rich Kissel and I have had the opportunity to go deeper into the business, and we have a better understanding of the opportunity to get Maggiano's stabilized and growing again. The turnaround starts with a better understanding of Maggiano's positioning. which when it was growing at its best, was about abundant and scratch-made Italian American favorites with warm and attentive service and then putting those pieces in place to deliver on that positioning consistently.

The back to Maggiano's plan has 4 pillars: getting back to classic recipes and scratch-made Maggiano's guest favorites with the abundance that differentiates Maggiano's, improving service levels and speed of service through new labor deployment and simplification as well as the elimination of tests that don't benefit the teammate or the guest; three, focusing repairs and maintenance on guest-facing areas while reimaging the balance of the estate; and four, getting pride in ownership back with our Maggiano's management teams.

We recently concluded the annual Maggiano's Conference in Orlando with the brand's top 150 leaders and the response to the new strategy and the green shoots of the execution plan was very encouraging. The Maggiano's leadership response was, we need to get back to Maggiano's, and many specifically gave me the feedback and felt like they are now being listened to. I look forward to providing updates on how the Maggiano's turnaround plan is progressing on future calls.

Our continued momentum at Chili's is proof our strategy is working and gives us confidence in our ability to lap our high sales comparisons this fiscal. I especially want to thank our Chili's heads for their hard work and commitment to what sets Chili's apart, providing great hospitality and delicious food and drinks in a fun and friendly atmosphere. I also want to recognize our Maggiano's teammates for their engagement in our Back to Maggiano's turnaround plan and their understanding of the changing strategy and plans. Their leadership and positive attitude and passion for returning the brand to its roots is exciting to see, and I know will lead to better results in the long term.

Now I'll hand the call over to Mika to walk you through fiscal '26 first quarter numbers. Go ahead, Mika.

**Mika Ware**

*Executive VP & CFO*

Thank you, Kevin, and good morning, everyone. Brinker delivered another outstanding quarter led by Chili's, which marks our sixth consecutive quarter of double-digit sales and positive traffic growth, sustaining the strong momentum we built last year. Our investor growth strategy and everyday industry-leading value continue to position us well in a competitive and challenging environment, enabling our delivery of consistent positive results by focusing on the fundamentals of food, service and atmosphere.

For the first quarter, Brinker reported total revenues of \$1.35 billion, an increase of 18.5% over the prior year, with consolidated comp sales of positive 18.8%. Our adjusted diluted EPS for the quarter was \$1.93, up from \$0.95 last year. Chili's reported top line sales growth with comps coming in at positive 21.4% driven by positive traffic of 13.1%, positive mix of 4.3% and price of 4%. We continue to see strong year-over-year top line growth, same-store sales and traffic well above industry averages and significant restaurant margin expansion at Chili's.

Our improved operations, menu innovation and effective marketing have brought more guests to Chili's and in a crowded environment full of limited time-only promotions, our consistent everyday value sets us apart.

Turning to Maggiano's. The brand reported comp sales for the quarter of negative 6.4%. As Kevin mentioned, we are focused on stabilizing and improving the business utilizing our new back to Maggiano's strategy, which is designed to improve our value proposition, optimize our service model and ensure our atmosphere is clean and well maintained.

At the Brinker level, we saw continued strong flow-through this quarter with restaurant operating margin coming in at 16.2%, a 270 basis points improvement year-over-year, primarily driven by sales leverage, partially offset by unfavorable food and beverage costs. Food and beverage costs for the quarter were unfavorable 60 basis points year-over-year due to unfavorable menu mix with 2.6% commodity inflation offset by price. We remain pleased with the stable mix and profitability of our \$10.99 3 for Me value platform. It offers a compelling price point for guests seeking value while still allowing us to maintain margin profitability.

Labor for the quarter was favorable 120 basis points year-over-year. Top line sales growth offset additional investments in labor and wage rate inflation of approximately 3.8%. Advertising expense for the first quarter were 2.5% of sales and decreased 10 basis points on a year-over-year due to sales leverage. G&A for the quarter came in at 4.2% of total revenues, 30 basis points lower than prior year due to sales leverage, partially offset by increases in ERP system and support costs.

Depreciation and amortization for the quarter came in at 4% of total revenues and decreased 10 basis points year-over-year due to sales leverage offset by an increase in our asset base from equipment purchases. Our first quarter adjusted EBITDA was approximately \$172.4 million, a 54.4% increase from prior year. The adjusted tax rate for the quarter increased to 18.5%, mainly driven by the increase in sales, which accelerated at a greater rate than the offset generated by the FICA tax tip credit.

Capital expenditures for the quarter were approximately \$58.6 million, driven by capital maintenance spend. As discussed, in 2026, we are ramping up our reimage program for Chili's and expect to have 4 completed by the end of this calendar year for evaluation, while also working on our long-term new unit growth strategy with the goal of fully rolling out both programs during fiscal 2027 helping us return to positive net new unit growth. And for Maggiano's, as Kevin said, our main focus will be on guest-facing repairs and maintenance and a smaller reimage program before shifting gears to new unit growth.

Our strong free cash flow provides sufficient liquidity to maintain our disciplined capital allocation strategy, allowing us to invest in our restaurants and return excess cash to shareholders. We supported this approach by repurchasing \$92 million of common stock under our share repurchase program. With regard to fiscal 2026 guidance, we are reiterating the targets provided on our last earnings call. Chili's is on track to beat our original goals for the year, but those gains will likely be offset by softer results at Maggiano's, along with the investments needed to stabilize that brand's performance.

We are also currently expecting higher tariffs on commodities, along with higher inflation in workers' comp and health insurance claims. With all these factors and the current economic uncertainty, our overall guidance for the company stays the same. The assumptions underlying our guidance largely remain unchanged, except we now anticipate commodity inflation, inclusive of tariffs in the mid-single digits rather than the low single digits as projected last quarter.

Despite these headwinds, we remain confident our plans will enable us to lap fiscal 2025 and continue to outperform the industry on sales and traffic at Chili's. We still anticipate that the first quarter will be our strongest on a year-over-year basis with more moderate gains in subsequent quarters due to last year's high comparison base. Despite challenging comparisons and a weaker macroeconomic environment, Q2 is off to a great start.

Given the high comp numbers we are rolling this quarter, we thought it would be helpful to share quarter-to-date sales with expectations for the balance of the year. Chili's quarter-to-date sales are in the high single digits, and our expectations are Chili's same-store sales will normalize on average in the mid-single-digit range for the balance of the fiscal year. We will continue to manage the business for the long term and make investments strategically, so the timing of expense impacts may not be spread evenly across all quarters.

In summary, our first quarter results reflect the continued strength of our strategy and the disciplined execution focusing on the fundamentals of food, service and atmosphere. Chili's continues to lead the way with exceptional performance, driven by industry-leading value platforms and guest favorites such as the Triple Dipper and our frozen Patrón Margaritas. As we execute the Back to Maggiano's plan, I am excited to partner with Kevin, Rich and the Maggiano's team as they return the brand to its full potential.

As we look ahead, we remain focused on delivering sustainable long-term growth by sticking to our investor growth strategy and our continued momentum gives me confidence in our ability to deliver positive results this fiscal year.

With our comments now complete, I will turn the call back over to Paul to moderate questions. Paul? [ id="-1" name="Operator" /> [Operator Instructions] And the first question today will be from Chris O'Cull from Stifel.

## **Question-and-Answer Session**

### **Christopher O'Cull**

*Stifel, Nicolaus & Company, Incorporated, Research Division*

Kevin, thanks for the segmented consumer information. I was just hoping maybe you could elaborate on how Chili's plans to yet leverage tokenized consumer data now to enhance consumer engagement or drive growth.



**Kevin Hochman***President, CEO & Director*

Well, the biggest thing is we're starting to learn how to use it. So obviously, this is new capability, what I shared on my prepared comments on the cohorts by month. So that's the first thing we're going to start doing is just tracking each of these monthly cohorts separately to understand our new guests repeating as often as the previous cohorts, what is happening over time as well as understanding when we look at guest metrics like GWAP or food grade, how is that impacting the frequency over time. So we're going to have a better understanding of the impact of some of the investments that otherwise were much more difficult to quantify in the past.

Separately, I think we're going to start understanding the impact of initiatives on our menu, right? So whether it's the ribs upgrade or the frozen upgrade or whatever it is, we can start understanding for the guests that have that on a transaction level data, are they coming back more frequently and then we can start linking food grade scores to how frequently guests come.

So I think the -- I've always said, I think the big upside is going to be better understanding the big investments that we make in the business and how they're performing versus necessarily marketing to guests using CRM. I don't love that type of discounting from a long-term standpoint of the business versus using our money to advertise how great the brand is. But I think we -- this was a really great quarter and the strides that we've made in being able to leverage the token data.

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

That's great. And then we've seen several restaurant chains struggle to get a lift from recent value promotions, even some with much more marketing support. I know Chili's recently launched or returned with the big QP value message. I'm just -- and obviously, the comp trends sound great, but I'm just wondering how is it performing against your expectations? And if there's any color you can maybe provide around second half innovation for that platform?

**Kevin Hochman***President, CEO & Director*

Yes. So we feel really good about the value platform. So I can give you just a little bit of history because I know everybody is wondering about what happened with the Triple Dipper advertising that we had rolled at the end of Q1. And we put the triple -- so if you recall, the last couple of years, we've been driving the \$10.99 message pretty consistently, and that has obviously worked tremendously well to drive market share for Chili's.

And about 6 months ago, we contemplated the idea of what if we could put Triple Dipper on TV. I think the macro was in a little bit different place at the time. We went and created the advertising and the macro kind of turned, and we decided to go ahead with the Triple Dipper advertising regardless because we wanted to understand is that another quiver in our arsenal to be able to drive traffic.

And so we turned on that advertising in September. We did see lifts in the business, and we actually saw more new guests come in from the Triple Dipper advertising than we've seen as a percentage of the total lift than we've seen from the value advertising. However, the overall lift was not as great as what we saw from the big QP. And so based on where the macro was, based on the overall lift, we decided that even though we think Triple Dipper could be used again, especially if the macro gets stronger again because of the volume response we got from new guests, we felt like it was important to get back on value. Once we got back on value, we saw the lifts improve again.

So I think the \$10.99 burger deal that we have in the market is still as relevant as it was when we introduced it a few years ago on TV. I do think in the back half, so to answer the last question, Chris, the back half, we need to refresh that message. We're going to have some big innovation coming. It's going to be ready to go in Q3. We're going to launch it in Q4. If we feel like we need to pull it up for any reason, we can. But that's going to be a completely new initiative under the \$10.99 platform in a very big segment for guests.

So we're very excited about the news that we're bringing to the business, and we think that's going to continue the momentum on value.

### **Christopher O'Cull**

*Stifel, Nicolaus & Company, Incorporated, Research Division*

Congratulations on another great quarter.

[ id="-1" name="Operator" /> The next question is coming from David Palmer from Evercore ISI.

**David Palmer***Evercore ISI Institutional Equities, Research Division*

Just a 2-parter here, Kevin, and thanks for all that detail. I wanted to maybe take your insights out first, and just to ask more specifically about the young consumers. I think there's a concern around younger consumers, maybe Gen Z would define it with regard to not only their economic issue of higher unemployment lately, but also you had a massive -- or it was -- it's been perceived that you had a massive wave of trial around the cheese pull and the Triple Dipper last year, and that younger cohort would -- that you would likely be down with them and that would weigh in your traffic this fiscal 2Q in particular. So if you could address what you're seeing, particularly with regard to young consumers?

And then I just wanted to ask you separately, just on the renovation of the menu, you're pretty far along in the journey there. Maybe you could just kind of summarize where you are and what's left to do and how that's going to progress through the fiscal year?

**Kevin Hochman***President, CEO & Director*

Okay. So thanks, David. So let me start with the younger consumer question. So there's 2 things that we think about in terms of that younger consumer demographic. One, for the younger consumers that we've brought in, are they coming back as frequently as all new guests? And that answer is yes. So we're not seeing any difference in the age of the consumer and how frequently they come in if they're new. So that's good.

The second is, are we continuing to bring new young consumers in, right? And right now, when we look at like our TikTok trends, they basically have stayed the same since we saw the original the cheese pull go viral over a year ago. So I know a lot of folks have said, "Hey, that's going to peter out." We really haven't seen that. So if you look at like the monthly views, it stayed very high. Now that said, it is the marketing department's job to keep our brand relevant with young people because they're not going to stay on the same thing forever. Everybody knows that, right?

And so one of the things I'm proud about our world-class marketing department is they're constantly thinking about every quarter, what are the things that we're going to bring to bear to make sure that we stay relevant with all guests, especially and with the emphasis on staying relevant and making the brand relevant again with Gen Z. So I don't see that letting up. In fact, I think as our marketing budgets continue to grow, as the business continues to grow, I think you're going to see more of that and not less of that.

So -- but the 2 things that we're focused on with the young consumer are making sure that they are repeating as much as other guests, and that's really about guest experience. And then secondly, are we bringing new guests in or new young guests in through both advertising and social media and on TV as well as some of these marketing stuff that we do.

**David Palmer**

*Evercore ISI Institutional Equities, Research Division*

And then separately on the food renovation journey?

**Kevin Hochman**

*President, CEO & Director*

Yes. Thanks for the reminder on that. So we're continuing to do that. So what next on the docket is going to likely be for next fiscal is -- well, we got the chicken sandwich platform in the back half that we talked about in previous calls. And then the following fiscal, right now in the plan is steaks and salads and there'll probably be a few other things. We've learned a lot with the queso upgrade.

So obviously, I think people are probably interested in that. One, the new queso is doing quite well. So we're pretty pleased with the sales of it. What we have learned though is not a replacement for the old queso. So we've got a lot of fans out there that have said, "Hey, this is a completely different queso. We want the old Skillet Queso back," and that's why we recently announced a few days ago, we are going to bring that back.

We are very confident that with the 2 quesos, it's going to be a significantly bigger business than it was with the old 2 quesos. So at the end of the day, it's going to be a good thing for our sales. Obviously, we're hoping to maintain the traffic with those Skillet Queso guests. So right now, it's going to cause us to look at some of those favorites that we looked at renovating and saying maybe we need to slow down a little bit on those things to make sure that we're not missing our existing guests and making sure we're bringing them along.

So that's probably a learning from the queso. I don't think it's really a very concerning thing at all. In fact, it's a good thing that we learned on a smaller item. So as we think about renovating some of the bigger items like pasta, where our eyes are wide open to what we need to work on. At the end of the day, we got to continue to make our venue tighter, and we got to continue to make it better if we want to continue to get these great results on Chili's.

[ id="-1" name="Operator" /> The next question will be from John Ivankoe from JPMorgan.

**John Ivankoe**

*JPMorgan Chase & Co, Research Division*

The question is I'm getting back to the original Chili's. And I wanted just to understand better what that might mean. And Kevin, the question is on cooking platforms and even staffing around cooking platforms. Conveyors are one thing you guys did, Merrychef, TurboChef's style ovens, another. But do we have an opportunity to maybe focus more on the grill, focus more on the broilers. So talk about the possible complexity or maybe need of putting back in some of this equipment and whether such a change would benefit the customers and your products and whether that would actually require additional labor or just a reallocation from labor that you currently have?

**Kevin Hochman**

*President, CEO & Director*

John, it's Kevin. So thank you for the questions. Let me start with the first one on the reimaging program. And so the intent of the reimage program, and folks will be able to see it by the end of this quarter, we'll have it in 4 restaurants here in Dallas, is to go back to that original Greenville Chili's, understand what made Chili's so darn special and then bring that into a 2025 version of the prototype. So that's things like having a true margarita bar and then talking about the things that make us special, whether it's the Presidente or our ribs or our fajitas, right?

And when you went into a Chili's way back when, it had a very different vibe than other casual diners, and that's what we want to bring back to it. Some of our more recent renovations, when we look at the last reimage program, it took some of that real cool characteristic and that personality out of the box. And we've been leaning forward to it in our advertising and the way we talked about the brand, there's no reason why we can't do that also in the restaurant.

So I'm excited about -- if you look at the rendering of those images, if they come out even close in real life when we do the reimagining, I think guests are going to be really excited because it's going to feel like more like Chili's, not less like Chili's, but in a modern fun way.

And then separately, the other question that you had, which was on kitchen equipment. That is part of our -- we have a 2030 Heart of House team, cross-functional team that's looking at based on the volumes that we've been bringing in and the continued growth in the business as well as where do we want to take our food next level, what is the type of equipment that we need in the restaurant. We've been working very closely on figuring out fryer capacity.

And then the other one is how do we get flame back into the building, which I think that was what you're referring to on the char boilers. We don't have anything yet to announce yet. I mean we haven't even put a charbroilers into a restaurant to start understanding labor deployment changes, how much cost there is, et cetera. But once we have line of sight to a test on that, we'll make sure to bring everybody along to understand what it could mean for the business, what it could mean for going operating cost, depreciation, all that stuff.

The good news is charbroilers aren't very expensive. So it's not like it's a major piece of equipment that's going to be a huge investment. But really, it's going to change the way the part of house operates, and that's why we need to test it. So there is some investment, obviously, but the bigger thing is going to be making sure the operation runs as smoothly as it is now in the future with the charbroiler. So once again, once we have more insight to share on that, we'll make sure we share with all of you.

[ id="-1" name="Operator" /> The next question will be from Jeff Farmer from Gordon Haskett.

**Jeffrey Farmer**

*Gordon Haskett Research Advisors*

You noted that you expect same-store sales to normalize. I think you said in the mid-single-digit range for the balance of the fiscal year. So from your perspective, does that mean across Q2, Q3, Q4 with all 3 quarters holding on to that mid-single-digit number or sort of an average where maybe some quarters higher or lower than mid-single digit?

**Mika Ware**

*Executive VP & CFO*

Jeff, it's Mika. Yes. So it's just really once we start lapping that peak in November on that mid-single digit on average. And it is for the latter half of the year for Q3 and Q4. Q2 could be a little bit different where obviously, I just talked about how October is starting. November is going to be the peak gap or the peak lap for the full year. So that could be a little lower. And then December actually has a holiday flip in it, too, where we have Christmas moving into Q3. So we have about 100 basis points of traffic that could flip flop positive to Q2. It will reverse in Q3 negative. So Q2 could be a little bit higher than that, but that's what we wanted to communicate once we have these laps and it kind of normalizes, that's where we think Chili's will land.

**Jeffrey Farmer**

*Gordon Haskett Research Advisors*

Okay. And then one more. On the August call, I think you were pointing to 30 to 40 basis points of restaurant level margin expansion. You just updated your thinking on commodities. So how does that -- commodity inflation, I should say, how does that impact your thinking about restaurant level margin expansion for FY '26?

**Mika Ware**

*Executive VP & CFO*

Yes. So with the softness at Maggiano's and some of the investments we need to make there, coupled with the tariffs, the margins could be more flat to slightly positive than positive 30% to 40% for Brinker. So we'll be watching that closely. I know that last time we talked about the tariffs, they were a little bit more fluid. Now they're starting to materialize. We took a little bit of price in October. We planned for a little bit more price in January to offset those tariffs.

Now how we're thinking about it is we're offsetting the tariffs with dollars in profit, not necessarily offsetting the margin impact. So again, those 2 things are impacting what we think Brinker margins will do for the full year right now.

[ id="-1" name="Operator" /> The next question is coming from Dennis Geiger from UBS.

**Dennis Geiger**

*UBS Investment Bank, Research Division*

Congrats on the results. Mika, I wanted to follow up maybe on that question as it relates to traffic. I mean you gave us the comp from a mid-single-digit perspective. Just within that, is that sort of still assuming positive traffic? Is that the assumption as we look at the quarters from here? I guess the other piece of that would just be maybe thinking about where price shakes out for the year after your comments there. And just mix, I think, was flat was the expectation previously over the balance of the year. Is that still similar? Or there's some moving pieces there?

**Mika Ware**

*Executive VP & CFO*

It's pretty similar. So price now, like I said, was at the lower end of the range. If we implement the price that I talked about in January, it will probably be about that 4% all year long for Chili's. And then we're going to lap some significant mix and traffic numbers. And so those could be negative to flat to positive, kind of in there more in a neutral-ish zone, I would say. So we'll see how well we lap those numbers.

[ id="-1" name="Operator" /> [Operator Instructions] The next question is coming from Christine Cho from Goldman Sachs.

**Hyun Jin Cho**

*Goldman Sachs Group, Inc., Research Division*

Congrats on another strong quarter. I just wanted to elaborate on your recent experience with the new queso. So firstly, how did the post-launch feedback compare to the feedback that you received during the testing and trial process? And if there were some discrepancies, are there kind of ways to improve the process to narrow the gap going forward?

And secondly, could you just talk about the feedback mechanisms you have in place to quickly kind of reverse the changes or respond to customer feedback in a timely manner as you did this time?

**Kevin Hochman**

*President, CEO & Director*



Yes. Thanks for the question. So let me just start with -- we have a very robust stage gate process on all the initiatives that we launched. So -- and we made a lot of changes to the business. So over the last 3.5 years. So the fact that we had one where it probably didn't go as well as we had hoped from a testing standpoint when we put it in market, we have a pretty good track record on these things. And the good news is we quickly learned in market that we needed to reverse course on removing the Skillet Queso.

In the test market, so just -- in the test that we did, we didn't test market like we do, let's say, the ribs upgrade or the chicken tenders because it's a small -- it's a very low mixing product. There's not like a bunch of equipment we got to go purchase. So the risk is quite low when we were to relaunch the queso. The feedback that we got inside the restaurants when we did kind of -- we do like an op shakedown for a period of time was quite good. The guests love the new queso.

We did learn that long-time guests were kind of hesitant about trying the new queso, and that's why we did the program with the My Chili's Rewards where we dropped a queso of the new queso in for everybody so that they could come try it on us versus them having to use their own money to try it, right? So that was our thought based on the learnings in the test market that we would drop a coupon in order to get people to be able to try and get over the hump to the new queso.

And clearly, once we went to market with it, the new queso has done quite well with newer guests, but the long-time Skillet Queso users were not excited about the new queso. It's just a different queso for them. And either they didn't want to try it with the coupon or they tried it and didn't like it. And so that's why we're bringing back the Skillet Queso. I don't know if we would do anything different going forward. I mean we put these things in market. We did learn what the risk was. We thought we had put together a plan that could bring the existing guests along. That clearly has not played out the way we had hoped. And so that's why we're making the changes that we're making.

A big part of this turnaround has been not just listening to team members, but also listening to our guests intently about the things and why they choose casual dining, food service and atmosphere. And for the most part, we've made a lot of really great decisions over time, both ones that are tested and ones that weren't tested. In this case, we actually did some testing. We learned about it. It ended up turning out different when we went to market. And so we've made some changes. But at the end of the day, we're going to have a bigger queso business.

I think people are excited. If you look at the social reviews, on our announcement of bringing back the queso have been quite positive. And I think we're going to make this a win for everybody. And so the newer guests are going to have the great Southwestern quesos that they love. And then the existing guests that love the Skillet Queso are also going to have that product.

**Hyun Jin Cho**

*Goldman Sachs Group, Inc., Research Division*

Great. Appreciate the color. Just quickly, any update on how the North of 6 initiative is progressing?

**Kevin Hochman**

*President, CEO & Director*

Yes. We continue to tick off updates on North of 6. So the big ones that we had last quarter are declaring bringing more tankless water heaters into busy restaurants. The current water heater is not particularly what's the right word for it, reliable. And so that was one thing that we found was really the better restaurants have replaced the water heaters with tankless water heaters. It's not a huge investment across the system, and we're just starting with the high-volume restaurants on that.

The second big one has been something that we think can help with traffic is replacing -- we put some community tables in our last reimage across the system. So these are large format tables that most of the high-volume restaurants that have figured out this traffic thing have replaced those with smaller tables. We think that can help the balance of the system, especially on Fridays and Saturdays. So we're going to go ahead and make those replacements.

And then there's a couple of other smaller things that we're working on that hopefully will roll out this quarter. So the North of 6 initiative continues to go well. We continue to learn new things from those high-volume restaurants and roll them over time to the rest of the system.

**Mika Ware**

*Executive VP & CFO*

So Christine, I want to add one thing to that. Something that we really learned from the North of 6 group is how they schedule their team members, and we've been able to utilize that information and really rebuild our labor model. So as traffic scales up at those other restaurants that we're able to be really efficient with our labor and make sure we keep that throughput going, too. So a lot of learnings there really help to inform us in that labor model as we build it for the balance of the system.

[ id="-1" name="Operator" /> The next question will be from Sara Senatore from Bank of America.

**Sara Senatore**

*BofA Securities, Research Division*

I have a follow-up to an earlier question and then a question about Maggiano's. So the follow-up was just, I think, Kevin, you mentioned chicken is perhaps a fairly small mix. As you think about the products still to be renovated, how should I think about the mix compared to maybe what you've already done? I think there may be some sense that the biggest impact will already have been had because you've looked at, like you said, some of the core 5 menu items. Are these renovations that you're thinking about, are they still big enough to, I guess, move the needle on traffic? Or is this more just kind of a holistic people's perception about the menu quality just continues to ratchet up? And then a question about Maggiano's.

**Kevin Hochman**

*President, CEO & Director*

So I don't know if we're mixing some of the different items. So I said the queso is relatively low mixing. The chicken sandwich platform, so it's -- Chicken sandwiches are not a big mixer for Chili's. They're a humongous mixer for restaurants. And so that's why we think renovating the chicken sandwich platform could be a huge opportunity for us. It should be a much bigger percentage of our business because boneless fried chicken is one of the top 5 things that Americans eat, and it's been growing every year for several decades now.

So that's why we're very bullish about the chicken sandwich platform. And it's less of a renovation because we already have a very, very good chicken sandwich, and it's more about adding some flavors to the lineup and then advertising it on TV and making a big deal about it because a lot of folks don't even know we have this great fried chicken sandwich. And then, Sarah, what was your second question in addition to that?

**Sara Senatore***BofA Securities, Research Division*

Yes. No, that's very helpful. So the opportunity is much bigger than what you're currently mixing. Okay. And then the second question was on Maggiano's. I know it's smaller than Chili's, but obviously, the turnaround big enough to sort of move the needle on the outlook for earnings. Could you maybe talk about whether there's any difference as you see the turnaround versus what happened when you came to Chili's, would you say the demand environment presumably may be a little softer. I guess there you're competing in an industry where there's maybe more fragmentation, are there large competitors? I guess anything that would argue for why this might be a little bit slower going than Chili's?

**Kevin Hochman***President, CEO & Director*

Yes. So I think it's a lot of the same challenges. I think because it's not even remotely, I mean, it's less than 10% of our sales now. Because of the size of it and the fact that there's not like big TV budgets because it doesn't have a national footprint. I think the upside is probably less and the risk is probably less because it's only 50 restaurants. So what we're seeing is very similar issues with the facilities and deferred maintenance. So just getting the facilities back up to a place where we feel really proud to host guests and host our teammates in there.

Separately, I think we lost a little bit of what the North Star of Maggiano's is, which is when it was at its best, these are over-the-top portions, very shareable plates, food that sort of very consistent and hot with service that didn't feel like a chain restaurant. There's no reason why we can't get back to that pretty easily. This is not proprietary to restaurants. These are things that we just have to stay focused on and get out of the teammates way so they can do these things on a more consistent basis.

And then the good news is the investments that we need to make into the abundance is mostly on pasta and appetizers. So it's not going to really significantly change the profile of our COGS. So I feel like it's a very doable thing. I don't think it's going to be as fast or as dramatic as Chili's just because we don't have this shot in the arm to get a bunch of traffic for guests to experience the new Maggiano's as it continues to evolve. But I think over time, I think we'll see it stabilize and start to grow.

[ id="-1" name="Operator" /> The next question will come from Andrew Strelzik from BMO.

**Andrew Strelzik***BMO Capital Markets Equity Research*

I wanted to ask about the pricing strategy and how you implement that as you're taking a little bit more here in January and going forward. Is that -- do you take that across the menu? Is it more focused on the more premium items as you renovate those? How are you approaching it in what seems like an increasingly challenging environment?

**Mika Ware***Executive VP & CFO*

Yes, Andrew. So we actually have a revenue growth team that is partnered with Deloitte. So we get a lot of input on how we execute our pricing strategy, and we have multiple tactics. So one of them is we do have different tier pricing across the nation, depending on where our restaurants are on different pricing tiers, which takes a little bit of price across the menu. And then we also look specifically at certain items, the elasticities and where we think we have more room to price where the guest is -- their willingness to pay on certain items in different regions and across there and compared to our competition. So we have -- it's a multilayered pricing strategy that we have that we put into place.

**Andrew Strelzik***BMO Capital Markets Equity Research*

Okay. That's helpful. And on -- I know you said that you would roll out the new store growth plans moving forward. But is there anything you can share about where you are in that process, kind of what you've learned as you're going through it and kind of where you think unit growth ultimately could land over the longer term?

**Mika Ware***Executive VP & CFO*

Yes. So like we said, we really have been spending our time now building up that team. We hired a new leader with Richard Ingram. He's now built his team up so that we can really evaluate the opportunity across the United States for Chili's and Maggiano's. And we're really excited about the prospects we know. What I can tell you is I don't have the exact number yet that we're prepared to share. But we do know that we can build a lot more Chili's, and we think we can build more Maggiano's.

So that team is really ramping up to do the 2 things that we want them to do. One is to get both reimage programs rolling and working very smoothly across both brands and then to ramp up that new unit growth. So more to come, but we do know the opportunity is there and that we can ramp up new unit growth, specifically at Chili's.

[ id="-1" name="Operator" /> The next question will be from Brian Vaccaro from Raymond James.

**Brian Vaccaro**

*Raymond James & Associates, Inc., Research Division*

Just on the updated guidance, Mika, could you give us a little more context on how much your expectations changed at Maggiano's versus the original guidance? And then I just had a follow-up.

**Mika Ware**

*Executive VP & CFO*

Yes. So when we think of the original guidance, I think that the Maggiano's impact, it's actually going to be more pronounced most likely in the second quarter. So there's 2 things in the second quarter. Maggiano's typically, that is the quarter that they outperform. They earn almost half of their profits in the second quarter. So with them being a little bit softer right now, that will probably have a little bit more of an impact in Q2.

The other thing is, like I said, Chili's is doing great and exceeding our expectations. We do have some more tariffs that I talked about that we've factored in and some investments. Chili's the other call out, which we've talked about is Q2 is the quarter that Chili's sales originally accelerated. And then a lot of those expenses that were related to more guests and more team members in the building and some incremental investments, those materialized in Q3 and Q4. So you just want to make sure that we have all those run rates into the Q2 as we look at Chili's and Maggiano's.

But again, so as I think about the guidance, I think Maggiano's, it's going to be a little outsized in Q2. It could be 6% to 8% impact on our EPS. And then moving forward, I think it will have a lesser impact, but still weighing down a little bit of Chili's gains, but not all of Chili's gains.

**Brian Vaccaro**

*Raymond James & Associates, Inc., Research Division*

Okay. And just to clarify that last comment, so 6% to 8% impact on your fiscal second quarter EPS. And it sounds like you're expecting maybe your second quarter margins to be down year-on-year after such an outsized margin performance in Q2. Am I interpreting that correctly?

**Mika Ware**

*Executive VP & CFO*

Yes, you are. Actually just the timing.

**Brian Vaccaro**

*Raymond James & Associates, Inc., Research Division*

Okay. All right. Great. Right, right. Some of the timing on bringing in labor, I think, last year, if I remember correctly, kind of lagging the traffic growth essentially to say it plainly. Okay. And then I was going to ask on margins also. The press release, it noted that repair and maintenance costs were lower. Could you just ballpark sort of how much that might have been year-on-year in the quarter? And I know it can change, but just your latest thinking on how much that cost line could be down as you continue to normalize the R&M spend?

**Mika Ware**

*Executive VP & CFO*

Yes. So R&M was -- and this is Chili's R&M. There's a lot of different buckets there, is why I don't want to give you too specific of numbers. But in general, let's say it was down \$3 million to \$4 million in the first quarter. I don't know that it will be down that materially, but it is favorable year-over-year. And I think it will be the \$10 million to \$15 million year-over-year favorable for Chili's R&M. Some of that's going to be offset with some incremental investments into Maggiano's R&M, a little bit there, but there are some ballpark figures for you.

**Brian Vaccaro**

*Raymond James & Associates, Inc., Research Division*

That's great. And then one last one, if I could just squeeze it in, bookkeeping. Could you share what the 3 for Me sales mix overall was and the tiers, the \$10.99 versus the higher tiers? And then anything on Triple Dipper sales mix?

**Mika Ware**

*Executive VP & CFO*

Yes. So you got it. Okay. So the great news is the 3 for Me overall mix was very steady right there in that 18%, just very similar to Q4. You also know -- we also talked about that last quarter, we introduced a new tier. So the \$10.99 is actually down to maybe about 40-ish percent where it was before that, 50% to 55%. We have a new tier at \$12.99, which is where some of that movement happened. So between the \$10.99 and \$12.99 tiers, you still have about 50% to 55% of the mix and the balance of the mix is in the higher tier. So very steady performance, not much change from Q4.

And then I think you said Triple Dipper still remains about 15% of total sales. So those Triple Dipper sales are just hanging in there and not moving. So that's great.

[ id="-1" name="Operator" /> The next question will be from Jon Tower from Citi.

**Jon Tower**

*Citigroup Inc., Research Division*

I appreciate all the color on the guest cohorts and their journeys after they've come to the company or come to the brand. I'm just curious, looking at the data, as these guests have come in, how are they drawn to the brand? Are they coming in initially and using 3 for Me out of the gates and then next visit moving along to something else on the platform? Or are they sticking with the 3 for Me when they come for the next visit? Any color you can provide on that would be great.

**Kevin Hochman**

*President, CEO & Director*

Yes. We don't have the transaction level data on what's that first basket of a new guest. What I can share with you is we've learned the 3 for Me guest they come more frequently and they're more valuable, even though their basket is a little bit lower each time they come, they're more valuable because they come more often. So 3 for Me and the Triple Dipper guests are more valuable than the average guest.

So we understand at least if they bought into that franchise, we know how often they come. But we haven't looked yet at what is in the basket for new guests other than we know young guests are the ones that are coming in through the Triple Dipper. So I mean, I think we're going to learn more over time. And I think that's a good question that you're asking. We probably should look into what is the entry point. Obviously, it probably is 3 for Me and Triple Dipper just based on what we've been putting heat on, but it would be helpful to understand that a little bit more depth. So thank you for the question.



**Jon Tower***Citigroup Inc., Research Division*

Okay. And then, Mika, just curious in terms of your advertising spend. I know I think you said this quarter, you're about 2.5% of sales. Looking forward, any shifts? I know you noted that the second quarter, you're going to ramp that relative to what you had spent last year. But for the balance of '26, do you anticipate any other shifts relative to what you were thinking back in August?

**Mika Ware***Executive VP & CFO*

No, we haven't changed what our expectations are, but I can reiterate that Q2 is the biggest increase year-over-year for Chili's advertising. I said that would be up probably \$9 million or \$10 million. Q3 has some incremental spend there and then Q4 is closer to flattish.

[ id="-1" name="Operator" /> The next question will be from Brian Harbour from Morgan Stanley.

**Brian Harbour***Morgan Stanley, Research Division*

I guess on the margin side, I think most -- you're clear about most of that. But is there any other expense lines that you expect to be lumpy? I think you mentioned some additional labor investment. I think it was labor at Chili's. What's that related to?

**Mika Ware***Executive VP & CFO*

Yes. No, it's not necessarily -- I think the labor was all built in there. I think it's more of the restaurant expense bucket. Some of -- I think that's where you need to make sure that all those expenses where I talked about maybe workers' comp and employee health, things like that to make sure that, that bucket is where you reflect a lot of just the incremental cost and inflation just related to more guests and team members in the building. Labor was a little piece of it as well. I think it's in the run rate. So I think Q1 is a good model of the run rates of these things, just to make sure as -- some of those are going to be lapsed in Q2 is what I was pointing out.

**Brian Harbour***Morgan Stanley, Research Division*

Yes, right. Yes, because that was impacted last year. When you talk about the tariff impact, are you basically referring to beef? And then is your comment that -- or could you quantify how much pricing was taken in October and plan to be taken in January related to that?

**Mika Ware**

*Executive VP & CFO*

Yes. So it is primarily beef and ground beef is being impacted by the tariffs. So that is what's driving the majority of it, a little bit in shrimp. And then we took about 40 basis points of price in October. January is still fluid, but we're going to have to take more because a lot of these tariffs are impacting the back half of the year. So that could be up to 1% or so. Still flexibility there on the final decisions.

[ id="-1" name="Operator" /> The next question will be from Jeffrey Bernstein from Barclays.

**Jeffrey Bernstein**

*Barclays Bank PLC, Research Division*

Kevin, my first question is just on the broader consumer that you talked about earlier. There's obviously lots of talk of a slowdown in discretionary spending across lots of categories, but especially at restaurants. Just wondering, do you see any evidence of such at Chili's? I mean it's hard to tell with such a strong 21% Chili's comp that could mask lots of things and even the high single-digit running in October. But any change you're seeing that would demonstrate or substantiate what people have been talking about in terms of a change or a slowdown in consumer spending, whether it's frequency or mix shift or anything along those lines that would give you an indication?

**Kevin Hochman**

*President, CEO & Director*

No. I mean, we obviously see it on Maggiano's, but we have not felt it on Chili's. I mean -- and that's why I shared the income cohort data that the under \$60,000 household is actually growing faster than other cohorts right now. So I think we've got the sweet spot of being positioned as a great value and then delivering a consistent experience when guests come in. And I think that's made us a lot stronger, I think, than some others because of those investments that we made a few years ago.

The other thing I think people don't realize it's probably important to know is like everybody is like, hey, someone can undercut you or someone can put a better value on and they can. But look, we've been at this for a couple of years now, hammering the same message. And like I always tell the marketers, like our guests are not waiting for a Chili's ad, right? So like the fact that like we've been hammering the same message over and over and then we've been able to deliver on that experience when people come in, like we are in a very good position right now in a tough environment to be ones that can deliver a complete meal at a great value with -- that is just an abundant eat and then deliver that consistently across the entire chain it's a very difficult thing to be able to establish over time and then to deliver on the back-end experience.

So it's something that people don't realize. I think people just think that guests know all value offers that are available and they know the relative quality of each of the offers and the fact that we've been on the same thing over and over and then delivered consistently on it, that's a very different place than a lot of others that have thrown a lot of different offers out there, maybe not have made the same investments that we've made and then don't get the same results when they go on TV with great value. And then you guys wonder why.

And I'm sharing with you, I think part of it is we've been really consistent about what we've done, and we've actually made the investments to make the experience better. So I think we're positioned really well in this environment. Obviously, I'd rather have a better environment than to be positioned well in a tough environment, but I do think we're positioned really well to continue growing market share.

### **Jeffrey Bernstein**

*Barclays Bank PLC, Research Division*

Got it. That makes total sense, and it's encouraging. My follow-up was, I guess, for Mika. As you think about the restaurant margin, I think you said now we should assume relatively flat for fiscal '26 versus the prior 30 to 40 basis points of expansion. The first quarter was 270 basis points of expansion. I think you kind of implied that the second quarter is maybe the toughest. But it seems fair to assume compression in the remaining quarters rather than just the fiscal second quarter to get to that flat. And being that, that's, again, compression despite a mid-single-digit or greater comp for the rest of the year, I'm just wondering how you think about that or what that suggests on the future kind of restaurant margin opportunity, your ability to expand them in future years, considering how strong the comps are still even with the easing right now?

**Mika Ware***Executive VP & CFO*

Yes. No, good question, Jeff. So yes, I do think, again, quarter 2 is the one that's going to have the most pressure just because of, like I said, the timing of Chili's expenses and then just the impact of Maggiano's, specifically on that second quarter. Depending how fast Maggiano's can recover, I think it could have some incremental pressure in 3 and 4. So I think that's one of the things. But I do think that we could -- I'm not saying we're going to lose margin in both those quarters, but it could be tougher. The timing of expenses could make it that way, too. But -- so I think they could be flat to slightly positive as you kind of move out or a little pressure depending on the Maggiano's recovery in Q2 to Q3.

[ id="-1" name="Operator" /> The next question is coming from Alex Slagle from Jefferies.

**Alexander Slagle***Jefferies LLC, Research Division*

And following up on your commentary about delivering on the experience, a question on the people pipeline and your ability to hire experienced operators across the business. I mean, obviously, folks are seeing everyone at Chili's kind of getting paid well, probably having more fun. Imagine the quality stepped up significantly here and that comes a competitive advantage for you. Where are we on the path to step up the quality of your teams and the restaurants at both brands?

**Kevin Hochman***President, CEO & Director*

Yes. Thank you for the question. So number one, we certainly are getting more candidates and higher quality candidates based on the results that we had. I remember when I started about 3.5 years ago, and you guys were telling me that my competitors were -- we were a talent donor to them. And I don't think that's the case anymore just based on the strength of the brand and the talent that's coming to us.

So number one, we have a bigger and better talent pool to be able to pull both at the hourly and the managerial level. And then number two, our big people push over the next couple of years, so kind of act 2 of our turnaround is really pushing to upgrade both the talent that's running the restaurants as well as provide them significant amounts of ownership training. So we feel like we need to get more ownership down to the restaurant level and delegate more of the decision-making down to them so that they're able to grow their business and run it like it's their own business. And that involves a couple of years of really training what extreme ownership looks like.

So we actually have our first round of that training rolling out this year. The initial response has been quite good. So I'm excited about what that can mean over time to our business. And then eventually, we're going to look at incentives about how to place long-term ownership incentives for the managers so that they can share in the long-term growth of the business that we expect to have over the next few years. So -- and then going forward. So I'd say right now, number one, we're getting better talent coming into the business. And number two, we -- our people focus right now has been to invest in making them more owners of the business and eventually, that will translate into some changed incentive structures.

id="-1" name="Operator" /> The next question is coming from Margaret May Binstock from Wolfe Research.

**Margaret-May Binshtok**

I know you guys talked about it a little bit earlier about -- last quarter, you talked about leading into unprice pointed value messaging. So bring the Triple Dipper advertising on, is that what you were referring to? And then as you mentioned, shifting back more into value advertising, is that still consistent with value messaging that you guys have highlighted last quarter?

**Kevin Hochman**

*President, CEO & Director*

Yes. That was part of probably why we didn't get as quite a high volume response on the Triple Dipper messaging as we've had on \$10.99 messaging is that doesn't have a price point at a time when customers are looking for what's the great value that's out there. So that's exactly what we're referencing.

**Margaret-May Binshtok**

So going forward, we should expect kind of leaning back into price point-centric value on television going forward?

**Kevin Hochman**

*President, CEO & Director*

Yes. Just to level set, I mean, the last 3 years, all we've had on TV has been \$10.99 value messaging, and we spent 2.5 weeks on a non-value message. We learned a lot about it, brought new guests in, more new guests than the price point in advertising, but overall volume response was not as great. And so that's why we went back to \$10.99.

[ id="-1" name="Operator" /> And the last question today will be from Jim Sanderson from Northcoast Research.

**James Sanderson**

*Northcoast Research Partners, LLC*

Just wanted to talk a little bit more about your thinking regarding your new unit growth plan. Just wondering if multiple store formats are part of the narrative in that discussion, if you could potentially see a Chili's Express or maybe a reduction in square footage to allow you to enter a broader array of trade areas. Anything you'd be willing to offer on how you're looking at that opportunity ahead?

**Mika Ware**

*Executive VP & CFO*

Jim, it's Mika. Yes, right now, we're looking just at the normal full street side footprint for Chili's. We're having great success with that. That's our bread and butter is the dine-in. And so we're going to continue with that format for the foreseeable future.

**James Sanderson**

*Northcoast Research Partners, LLC*

All right. And a quick follow-up question. I think you called out the ribs is doing pretty well. Could you provide us an update on how that mixed in the quarter and how you expect that to evolve going forward?

**Mika Ware**

*Executive VP & CFO*

So really, what we were saying is, I mean, mix is probably about \$150 million business, and it was up 35% in the first quarter with the new ribs. So we think that we'll continue to sell more ribs, and we're excited about those investments and being able to offer that quality play to our guests.

**Kevin Hochman**

*President, CEO & Director*

So it's about a point incremental mix way to think about it.

[ id="-1" name="Operator" /> That's all the time we have for questions today. I will now hand the call back to Kim Sanders for closing remarks.

**Kim Sanders**

*Vice President of Investor & Government Relations*

Thank you, Paul. That concludes our call for today. We appreciate everyone joining us and look forward to updating you on our second quarter fiscal 2026 results in January. Have a wonderful day.

[ id="-1" name="Operator" /> Thank you. This does conclude today's conference. You may disconnect at this time, and have a wonderful day. Thank you for your participation.

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