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Brinker International, Inc. (EAT) Q1 2027 Earnings Call Transcript

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Q1: 2026-10-28 Earnings Summary

Insights

EPS of $2.77 beats by $0.32 | Revenue of $1.48B (9.37% Y/Y) beats by $19.59M

Brinker International, Inc. (EAT) Q1 2027 Earnings Call October 28, 2026 11:00 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

David Palmer - Evercore ISI Institutional Equities, Research Division
John Ivankoe - JPMorgan Chase & Co, Research Division
Dennis Geiger - UBS Investment Bank, Research Division
Christopher O'Cull - Robert W. Baird & Co. Incorporated, Research Division
Jeffrey Farmer - Gordon Haskett Research Advisors
Andrew Strelzik - BMO Capital Markets Equity Research
Andrew Charles - TD Cowen, Research Division
Sara Senatore - BofA Securities, Research Division
Brian Harbour - Morgan Stanley, Research Division
Margaret-May Binshtok - Wolfe Research, LLC
Christopher Carril - KeyBanc Capital Markets Inc., Research Division

Presentation

Operator

Good morning, and welcome to the Brinker International First Quarter Fiscal 2027 Conference Call. [Operator Instructions]

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

Kim Sanders
Vice President of Investor & Government Relations

Thank you, Joanna, and good morning, everyone, and thank you for joining us on today's call. Here with me today are Kevin Hochman, Chief Executive Officer and President of Brinker International and President of Chili's; and Michaela 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 Michaela 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 '27. Q1 Chili's same-store sales were plus 10%, outperforming the casual dining industry by 720 basis points. This strong result was lapping a plus 21% in Q1 fiscal '26 and a plus 14% in Q1 fiscal '25 for a 3-year cumulative comp of plus 52%.

Our Q1 sales result was driven by traffic increases of 6% versus a year ago. Chili's traffic has now beat the industry in the past 12 quarters. I'm proud of our Chili's team rolling industry-leading comps from Q1 last year and two years ago with even more very strong comps in Q1 this year.

Our guest experience improvements and our everyday value leadership continue to support a powerful flywheel of traffic, sales growth, margin expansion and reinvestment in our business. And this steady approach is why the business will continue to win. Some have repeatedly said we cannot possibly continue to comp on top of big comp numbers. Our Q1 result putting three consecutive years of double-digit comp growth, driven by traffic gains provides ample support that our strategy is sustainable even with a difficult macro.

And in Q2, we feel good about our ability to not only comp positive, but deliver a mid-single-digit comp for two reasons. We continue to convert new guests into regular guests, which means sustainable growth regardless of the prior year comp and we have very strong commercial and operational plans to keep the flywheel going. While it's clear the consumer is challenged, we feel we are positioned to continue to win in this environment through market share growth.

Our experience improvements, combined with our everyday value leadership position us to win trips, a sustainable traffic-led strategy based on the fundamentals of why a consumer goes out to eat will continue to win the day.

Now let's talk about the specific food and hospitality initiatives in Q1 that helped keep the momentum going. We continued our advertising and operations focus on the Big Crispy Chicken sandwich, and it was a key driver of incremental traffic throughout the quarter. Customers are responding to the size and quality of the sandwich versus fast food, as well as the price certainty of $10.99 for a large and abundant complete meal.

Customer reception to the Big Crispy has been very positive, and our traffic momentum is proving the sandwich reception has been great. In Q1, we maintained the 55 sandwiches sold per restaurant per day we saw in Q4. Customer social media comments tell the story. Quotes include "Those commercials weren't lying. This thing is the bomb," and, "Chili's is making it affordable to go out to eat again."

In addition to continued focus on the Big Crispy, we also completed the upgrade of several lower mixing menu items during the quarter. During our Investor Day, we outlined plans to renovate most of the remaining 40% of the menu that has not been touched over the next few years. Recent menu changes included upgraded ice cream to the famous Blue Bell premium brand, the addition of sausage as a new protein to our high mixing pasta menu, the return of Cheesecake, a highly requested non-chocolate dessert, and a newly renovated Kids Pepper Pals menu with the addition of Ice Cream floats, Shirley Temples as well as the return of Grilled Chicken Bites, Cheese Quesadillas, and Mini Molten.

On the hospitality side, ongoing simplification, removing friction for our team members and managers and North of 6 initiatives are continuing to improve the guest experience. Q1 was the first quarter we removed GWAP from our General Manager bonus. But as planned, this does not stop our customer experience improvements. Chili's Google ratings hit an all-time best in Q1 of 4.3.

Key operational initiatives this quarter focused on the fundamentals of making our existing menu items more consistently. We had another full court press on Big Crispy execution, focusing on scratch-made batter and hand-breading perfection as well as ensuring filets go out freshly cooked hot and fresh every time. With the sausage addition to our pasta menu, we took the opportunity to retrain teams on pasta perfection, which includes how to cook the pasta for optimal taste and texture as well as retraining on all pasta menu item recipes.

And our last big ops swing for the quarter was the initiative called Staff to Grow Your Business. With all the incremental traffic coming in, we believe it was the perfect time to roll out North of 6 best practices on staffing so restaurants can continue to take on more guests without sacrificing the customer experience. As part of this big swing, we also retrained all above restaurant leaders and managers on how to write perfect labor schedules based on North of 6 learnings, which is one of the most difficult tasks for our restaurant managers.

So while our competitors were hard at work launching new items and new offers, we continue to keep operations focused on the fundamentals of delivering a great restaurant experience. We believe this focus will allow us to spend more time on what is important versus free limited time offers that will not have a lasting impact on the business. Marketing continues to bring guests in, and our restaurant operations continues to bring them back.

Now I want to give an update on Maggiano's. I'm pleased to report the successful rollout of our new banquet operations program in Q1, where we have, one, restaffed our banquet sales managers removed during COVID; two, streamlined banquet execution; and three, created single point ownership of the entire process to ensure guests receive great service through the entire banquet planning and event day experience.

This cross-functional banquet team was formed back in January, and we are now seeing great results from these efforts. Banquet sales were up 11% for the quarter versus a year ago. And while Banquets are only 15% of the Maggiano's business, this initiative is important for two key reasons.

One, it shows that we can turn around Maggiano's results with focus on deploying cross-functional resources at a single-minded goal; and two, Banquets are Maggiano's #1 marketing vehicle to introduce guests to the brand as the vast majority of Banquets have never eaten Maggiano's.

Big congratulations to the Maggiano's team for rebuilding our banquet capability, an important part of the brand's DNA.

Before I close out my prepared remarks, I also want to provide an update on the industry check averages we shared at Investor Day. We were recently informed by our third-party data aggregator, Black Box Intelligence, that there were errors in the industry benchmarks for casual dining per person average. Importantly, they confirmed our PPA remains below the competition, but the differential is now narrower than we previously have quoted. The new data is expected to be included in the November update. We are confident our overall experience and price point provides the best value to guests.

One last piece of quick recognition before I close out. A big thank you to our Bedford, Chili's GM, Nikky Castro, and our Pinnacle Park Chili's GM, Kara Miller, and their restaurant teams for allowing me to work hourly team member roles for a week in October. I learned some really important things, including while it's easier to work in a Chili's today than it was five years ago, there's still lots of opportunity to make it a whole lot easier. So thank you, Nikky, and thank you, Kara, and thank you to your team.

As we discussed during our September Investor Day, the Chili's business has been rebuilt for the long-term sustainable growth, and our focus is on playing offense to keep this exceptional performance going. The powerful flywheel of traffic, sales growth, margin expansion and reinvestment in our business supports all of the investment needed to maintain the momentum, create a new layer of growth through new restaurant development and reimages as well as return significant capital to shareholders. And this quarter of comping double-digit sales over the past two years with double-digit growth this year is proof positive this sustainable strategy is working.

Now I'll hand the call over to Mika to walk you through fiscal '27 first quarter numbers. Go ahead, Mika.

Mika Ware
Executive VP & CFO

Thank you, Kevin. Good morning. Brinker started the year strong with its 22nd consecutive quarter of same-store sales growth. Our momentum and consistent focus on the fundamentals continue to support sustainable long-term growth. This momentum drove strong year-over-year revenue growth, positive traffic at Chili's that meaningfully outpaced the industry and restaurant margin expansion. Brinker reported total revenues of $1.476 billion with consolidated comp sales of positive 9.1%. Our adjusted diluted EPS for the quarter was $2.77, up from $1.93 last year, a 44% increase.

Chili's comps were positive 10.1% in the quarter, building on double-digit comp growth in both fiscal '26 and 2025. This was driven by traffic of 6.4% and price of 3.7% with mix coming in flat. This represents cumulative traffic growth of over 28% over the last three years, demonstrating our ability to build on the increasingly strong foundation of our business bringing in new guests and keeping existing ones coming back.

Chili's strong everyday value platform continues to resonate with guests, led by the success of the Big Smasher, Big QP and now the Big Crispy Chicken Sandwich. We are also focused on increasing throughput in our restaurants, allowing us to bring more guests through our doors as we reduce bottlenecks and streamline operations. We continue to have confidence in sustaining positive growth as we move through the year with our marketing brings guests in and operations brings them back approach.

For Maggiano's, the brand reported comp sales for the quarter of negative 3.4% with negative 5.1% traffic, negative 0.3% of mix, partially offset by price of 2%. At the Brinker level, restaurant operating margins were 17.7% 150 basis points improvement year-over-year, primarily driven by sales leverage, partially offset by unfavorable commodity costs as well as higher hourly labor costs.

Food and beverage costs for the quarter were unfavorable by 10 basis points year-over-year due to 3.3% of commodity inflation and unfavorable menu mix, partially offset by price. Labor for the quarter was favorable 90 basis points year-over-year. Top line sales growth and productivity offset wage rate inflation of approximately 2.6% and additional investments in labor.

Restaurant expenses were favorable by 70 basis points compared with last year. Sales leverage offset higher costs for repairs and maintenance, advertising, insurance, rent and other inflation-related expenses. Advertising expenses for the first quarter were flat to the prior year at 2.5% of sales due to sales leverage offsetting slightly higher spend.

G&A for the quarter came in at 4.3% of total revenues, 10 basis points higher than prior year due to higher performance-based compensation and additional restaurant support center resources, partially offset by sales leverage.

Depreciation and amortization for the quarter came in at 3.8% of total revenues and decreased 20 basis points year-over-year due to sales leverage, offset by increased depreciation on capital spend.

First quarter adjusted EBITDA was approximately $209.1 million, a 21.3% increase from prior year. The adjusted tax rate for the quarter increased to 19%, mainly driven by the increase in income, which was partially offset by a higher FICA tax tip credit. Capital expenditures for the quarter were approximately $63.4 million, driven primarily by capital maintenance spend.

Regarding our Chili's reimage program, we have completed a total of 20 reimages to date. We have another 13 currently under construction and expect to complete a total of 60 to 80 during fiscal 2027. In fiscal '28, we will start a planned cadence of 10% of the fleet annually.

While it is still early in the program, and we will continue to evaluate and read the results as more time passes, we anticipate the cost of each remodel to be in the $500,000 to $600,000 range with sales lift of approximately 3% to 5%. We are pleased with these early results as we know it's important to preserve the fun, welcoming and relevant atmosphere that we're known for. As we continue to refine the program, we will look for additional opportunities for cost efficiencies while retaining the quality of the reimage package.

Turning to new unit growth plans. As we announced at our recent Investor Day, we'll be targeting 2% to 3% annual unit growth by fiscal 2029, supported by AUV growth from $3 million to $5 million and improved four-wall unit economics. We have visibility into a decade of new development with over 300 potential trade areas identified. The growth opportunities include capturing underpenetrated markets like Washington and the Pacific Northwest, executing infill strategies in core strongholds like Texas and Florida, expanding in high-growth secondary markets like the Carolinas and leaning into a small town strategy.

That said, our growth will be modest in fiscal '27, but we already have ample sites in the pipeline and will ramp up significantly in fiscal '28 with expectations for our new run rate to be in place for fiscal '29.

Our strong free cash flow provides sufficient liquidity to maintain our disciplined capital allocation strategy, allowing us to invest in our restaurants, keep debt levels low and return excess cash to shareholders. We continue to support this approach by repurchasing $125 million of common stock under our share repurchase program during the quarter.

In this morning's press release, we shared that we are updating the fiscal '27 targets provided on our last earnings call due to our first quarter outperformance and continued business momentum. We expect to significantly outperform the industry in sales and traffic while delivering another year of same-store sales growth in fiscal '27.

Regarding the updated targets, we expect F '27 annual revenues in the range of $6.23 billion to $6.33 billion, adjusted diluted EPS in the range of $13.30 to $13.90, weighted average shares in the range of $42 million to $43 million and capital expenditures in the range of $265 million to $285 million.

The assumptions underlying our targets remain unchanged, including the expected impact of the 53rd operating week in the fourth quarter of approximately 2% increase in total revenues and $0.70 in incremental earnings per share. We anticipate the first quarter will be our strongest on a year-over-year same-store sales basis with more moderate gains in subsequent quarters as we lap higher prior year comparisons.

Despite these tougher comparisons, Q2 is also off to a strong start with high mid-single-digit same-store sales growth, primarily led by positive traffic that continues to meaningfully outpace the industry. While consumer sentiment is creating some pressure on check and mix, the underlying strength of the business gives us confidence in our outlook. We are optimistic about our ability to continue growing sales and traffic while maintaining a disciplined approach to our full year expectations.

As we look to the rest of the year, I am confident in the direction of the business and our ability to drive consistent long-term growth. We are executing on the fundamentals of operational improvements, marketing and value across the menu while adding incremental growth through reimages and new units. These initiatives will continue to generate new and repeat visits and deliver solid traffic and sales growth.

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

Question-and-Answer Session

Operator

[Operator Instructions]

First question comes from David Palmer with Evercore ISI.

David Palmer
Evercore ISI Institutional Equities, Research Division

Thanks for your comments on the quarter today because I know people are going to be focused on any changes that you're seeing in the industry. Maybe I could ask you a question about it since you talked about your sales in particular. What insights can you give us about what's going on out there with the consumer? We've heard that perhaps there was a little bit of wobbliness with $100,000 and over consumer and maybe you could speak to what you've seen even on a weekly basis and looking into your demographics and any other insights we'd love to hear from you on that. And then I know that also, if I throw in another one, it would be on inflation. A lot of focus on freight and other costs kind of getting into the cost picture by what would be the end of your fiscal year? And I'll pass it on.

Kevin Hochman
President, CEO & Director

So let me handle the consumer question, David, and then I'll have Mika do the inflation question. So we are seeing what most of you guys are all seeing, which is a consumer that is under pressure with what's happening with gas prices and the interest rates. So what we've seen, and we talked about this on the prepared comments, is we still see very strong same-store sales, primarily driven by traffic. We have seen a little bit of mix slippage, which we think is the consumer being under pressure. So it's very similar to what we've talked about in the past, which is if trips do pull back because of the macro, that consumer is going to pick places they trust and the stronger are going to get stronger and the weaker are going to get weaker.

I think that's what you're seeing with us growing market share and driven by traffic. So we launched the chicken sandwich at $10.99 as a traffic-driving strategy for just this. This is exactly how it's playing out in the way we had hoped in terms of growing market share. So we believe as long as we continue to improve food service and atmosphere and make us an obvious choice for consumers that may be going out a little bit less, but they know they're going to get a great value and a consistent experience. We believe we're going to continue to grow enough market share to continue to win, and that's what's reflected in our guidance.

Mika Ware
Executive VP & CFO

Yes. And David, on your inflation question, specifically around the oil prices and freight, yes, no, we've had that pressure. The good news is all of that is built into the guidance that I gave. So we probably have about $7 million built into our numbers and our expectations. Most of that for us is going to hit in restaurant expense. So that's where that lies. It's not necessarily in food and beverage costs. But yes, we are feeling those pressures and the inflation kind of I spoke about in the prepared comments, that is built through. Luckily, our sales are helping us to still have great margins and flow-through.

That's kind of been job one from this whole -- from the start of the turnaround has been, we are going to grow faster and grow enough volume to improve our margins and to overcome any inflationary pressures, and that's exactly what's happening in the business right now.

Operator

Next question comes from John Ivankoe with JPMorgan.

John Ivankoe
JPMorgan Chase & Co, Research Division

I'm going to ask a tactical question, if I can. In terms of the promotion awareness trial repeat of the Chicken Parm Big Crispy, Hopefully, I'm getting that right. Do you expect to kind of go back to kind of traditional media and really drive awareness of it? Do you think enough people know what the product is, appreciate how it's differentiated? And just talk about, at least from your perspective, how you think that product could or should build as we move throughout the second quarter?

Kevin Hochman
President, CEO & Director

Yes. So let me just give you a little context of like what we're trying to accomplish with that. And then I'll give you a status update of where we think it is right now versus where it could be. So this is what we call a big swing. So this is swings that we take in marketing. Some of them hit, some of them don't hit.

In Q1, I think the swings that we took, they all pretty much landed. That's, I think, why we were plus 10 and more. This one is a big swing, similar to the one that we had done when we launched Nashville Hot Mozz. So this was a quote unquote "secret menu item." We had trained our teams on how to make Nashville Hot Mozz. We released that via social media, and we had no POP and we had no menu presence until a few months later, and it obviously worked incredibly well.

On this one, we're applying that same playbook. But the one thing I think we're learning in the first week of it being available nationwide is, it's much easier to order that Nashville Hot Mozz even if it's not on the menu because you order like a Triple Dipper or you order Mozzarella sticks, so you can just ask for it in this other flavor versus this is an entirely new sandwich. And so some guests are more forceful and say, "Hey, do you have the sandwich I saw on social media?" Other guests are kind of like, "Hey, I do not see it on POP or on the menu. I am not going to order it."

Now that's all going to change the first of the year. Our table tents for the next three months, we'll all have…

Mika Ware
Executive VP & CFO

First of the month.

Kevin Hochman
President, CEO & Director

I'm sorry, first of the month.

Mika Ware
Executive VP & CFO

Yes, not year November 1.

Kevin Hochman
President, CEO & Director

1st of November. Sorry, with the Table tent merch. So I think we're going to learn a lot more in the next coming week or two about how much it takes off because it's going to be something that people can point to and say, "I want to order that."

So right now, it's being a little over two a day, which is a little short of what we expected it to do. But I think the difference on this one that we're learning is it's not an easy thing to order. And so once we have that merchandising in the restaurant, we would expect it to pick up again. So let me answer that in a few weeks when we see what's going on once we have some merchandising in the restaurant.

Operator

Next question comes from Dennis Geiger with UBS.

Dennis Geiger
UBS Investment Bank, Research Division

I wanted to ask a little more on the '27 guidance. I know we can back into some of the items. But after the strong 1Q same-store sales, very good momentum still into 2Q, anything more specific on your assumption for Chili's same-store sales for the year, I guess, really for the back half of the year in particular?

Mika Ware
Executive VP & CFO

Yes. So Dennis, what I would say is for the back half of the year, two, three and four, we're back to the mid-single-digit same-store sales expectation with positive traffic. October, again, we are thrilled with the start to October. We do have, we're just aware of, and you guys remember, we had a huge November last year. So we do have a big lap right in the middle of the quarter. We feel very confident in our ability to lap that with positive sales and traffic. But right now, we're in that same mid-single-digit same-store sales. We have a lot of momentum, and we're really excited about it.

Dennis Geiger
UBS Investment Bank, Research Division

Awesome. And then just as far as value goes, can you just give us the latest update considering the backdrop in particular, on where the 3 for Me mix is, where that $10.99 is? And if anything incremental on the check management maybe that you're suggesting, I think we heard a QSR a couple of weeks ago, we talked about number of items per order. So it sounds like you're not the only one that's seen that. But just if anything incremental as we think about value and where the consumer is.

Mika Ware
Executive VP & CFO

So for Q1, when we think about the 3 for Me platform and specifically the $10.99, the 3 for Me platform, it's pretty similar to what it has been. It ticked up a little bit, maybe 50 basis points. So I always say we're in that 20%, 21% range. So we're a little over 21%. So really right where we expect it to be, so a little bit of an uptick. As far as the check management goes, in Q1, like we said, our mix was flat. Kevin alluded to this, we did see in October, our mix has gone a little bit negative, but our traffic has more than made up for that. Our traffic is 2/3 of our same-store sales right now. So our traffic is accelerating. So we're seeing those guests maybe do a little check management in alcohol and desserts, but they're seeing more guests come to Chili's as that's where they think the affordable choice is. So that's really working out for us.

Operator

Next question from Chris O'Cull with Baird.

Christopher O'Cull
Robert W. Baird & Co. Incorporated, Research Division

Kevin, I'm just curious what you believe is driving the quarter-to-date strength? Because I believe that's happening during a period where you weren't particularly heavy on national advertising, at least until very recently. And if that's correct, what potential is there maybe for further acceleration as you do get back into some more heavier media?

Kevin Hochman
President, CEO & Director

Well, I don't think it's anything different than what we've been doing year after year now. So this idea of marketing brings them in and then ops brings them back. We shared at Investor Day, Chris, the token data where we said, hey, we have anywhere from 3 million to 3.5 million new tokens come in and then we track their frequency as a monthly cohort to see do we maintain that frequency as we continue to fill the bucket with new guests.

We don't have the data for this past quarter yet in terms of repeat from new guests, but like there's no reason to believe that's changing based on the guest metrics that we have. So I don't think it's anything new or different. I think we have great marketing. So we had some big swings. We had a really good July Margarita of the Month. We had the Big Crispy advertising going with a direct comparison to a large QSRs chicken sandwich, which is really before your eyes, how much value you get with $10.99 in Chili's.

Then we had a great Rhoback, Chili's golf merch thing, which is another big thing just to get into the zeitgeist and be relevant with our guests. And then we've continued to have operational improvements. We talked about the Google scores, which is an external measure. That's not something we even measure. That's just we get from Google being an all-time high at 4.3. So it's just kind of more of the same. I know that sounds a little boring. I wish it was more of a Merlin act where we pulled out some LTO and it did it. It's really just about the fundamentals of casual dining, delivering great everyday value for our guests and then executing like crazy. And the guest is seeing that and they are coming more often. I think that's why we're seeing traffic accelerate as the consumer is becoming under more pressure.

Christopher O'Cull
Robert W. Baird & Co. Incorporated, Research Division

Okay. Fair enough. And Mika, can you provide some additional color on the returns you're seeing on the remodels as you ramp them up? I mean, just in terms of flow-through, I understand you've given the comp list, but I'm curious what the flow-through looks like, especially as relative to the investment.

Mika Ware
Executive VP & CFO

Yes. So Chris, really, what they're doing now is covering the cost of capital. Early on, right now, we're at the $600,000 investment. We talked about 20% of the fleet is going to need that higher investment. The other 80%, it will probably get closer to $500,000. And again, we're so early in this program. We think we can continue to get some costs out of those reimages while just maintaining the quality of the reimage. So I think we're going to see some efficiency there.

Also remember, these are fairly new. We need to read them over time. Again, we're getting that 3% to 5% lift even as we continue to add on new restaurants. And again, that is above and beyond all the incredible momentum that we're seeing in the business. So we're still really pleased with this because we know the reimages need to be -- they need to happen. They need to keep as part of our pillars on the atmosphere. We've got to stay relevant, and we think it's part of the overall program. But more to come on specifics on returns as we continue to refine it over time, but it's just really early right now.

Operator

Next question comes from Jeff Farmer with Gordon Haskett.

Jeffrey Farmer
Gordon Haskett Research Advisors

Mika, can you update us on the restaurant level margin expectation for the year in the backdrop of sort of the stronger same-store sales numbers you're seeing?

Mika Ware
Executive VP & CFO

Sure. Absolutely. I'm happy to. So taking a step back. So if we look at the full year, what I'm expecting in restaurant-level margin improvement is about 70 to 90 basis points improvement year-over-year now, especially with the strong first quarter that we've had. Now I do want to say I need to maybe smooth out the quarters a little bit, just thinking about some of the lapse that we had in prior year. So what I would expect in the second quarter, I would expect restaurant level margins to be roughly flattish year, year-over-year with maybe a little pressure on labor because, as Kevin said, we are really leaning into labor.

We kind of do opposite what everybody else does. Labor is one of our secret sauces where when those guests comes in, we want to make sure that we're taking care of them and capturing all those guests. So we don't shy away from that. Quarter 3, I think you're going to see a return to the 20 to 40 basis points that I always talk about with mid-single-digit same-store sales.

Then quarter 4, there's more upside there, particularly in the food and beverage line because we're going to be lapping from a year ago, the tomatoes and the lettuce. We talked about that last year. So we have a little bit more upside there. So again, full year, and that does include the 53rd week, that 70 to 90. The 53rd week is worth about 30 basis points. So hopefully, that helps everyone to kind of get those quarters in line and a little more visibility on how we expect restaurant level margins to progress throughout the year.

Jeffrey Farmer
Gordon Haskett Research Advisors

Very helpful. And just same sort of topic area, at least on the margin front. Updated G&A guidance, I think it stood at approximately 4% of sales on the last call. Where does G&A stand right now?

Mika Ware
Executive VP & CFO

Yes. So it's going to hover around that for the full year. It may be 4%, 4.1%. We do have some incremental performance-based compensation there, especially after the first quarter. It will smooth out over time, but it's going to still be in that 4% to 4.1% range for the full year.

Operator

Next question comes from Andrew Strelzik with BMO.

Andrew Strelzik
BMO Capital Markets Equity Research

My first one is about the throughput initiatives. But I'm curious, as you talk to the traffic strength, if you're seeing any measurable benefit from those throughput initiatives in the first quarter or even the quarter-to-date period? And maybe just looking for an update on where the rollout of some of those drivers stand today.

Kevin Hochman
President, CEO & Director

Yes. So we've seen a slight decrease in ticket time, but it's not worth, it wasn't worth, it wasn't significant enough to worth reporting. I think if we see it over a few quarters and it continues to track, then we'd probably share that. But we feel very good about what's happening. So number one, as I talked about in our prepared comments, we rolled out really the best practices on how the North of 6 restaurants manage labor cards and labor productivity at peak. And so we retrained all of our above restaurant leaders on how to write proper labor schedules and have incorporated all the best thinking and best practices in the North of 6 restaurants into the business. So that's kind of point one.

Point two, we have a quarterly rollout going on right now on host stand. That's a pretty big initiative for us because just top per day is almost a point in sales. So it's a pretty big opportunity for us. And we have nothing baked in the guidance. So anything that we can get here is upside. We did four things this quarter.

One, we reestablished talent standards for the host position as well as staffing appropriately for the volume. So five years ago, there are a lot of restaurants didn't even have a host done. Now we're talking about three, four hosts in some of the restaurants.

Number two, we trained on what we call Aces in Places. So defining multiple host stand roles. We call it Meeter, Seater And Greeter and then making sure that managers are at the floor for large parties. That tends to be a bottleneck when a party of like 8 or 12 come in and they all want to sit together. And so making sure managers get involved there.

Three was retraining on our iPad training for host stand. So this is all about how to properly use the software with the end goal of making sure that we quote zero false waits. False waits, I think I talked about this in an earlier earnings call. False waits are a very common thing in casual dining where through improper preparation or lack of labor scheduling, the restaurant gets backed up. So the servers are kind of pushed to put people on false waits. We want zero false waits in our restaurants, meaning we want them quote in the exact quote time that the system is quoting.

So all these things are rolling out right now. So I would expect by November, December to start seeing some progress on host stand. And then we are currently rolling out. We've talked about this for a while. It should be done by the end of the calendar year of rolling out the new team member handheld interface, which eliminates over half of the tasks that are required in order to ingest an order from a table, which would help with ordering time.

So we have a lot going on in terms of throughput. There's a whole host of another initiatives on to-go that we have yet to share, that is just getting started now. And as we get updates, we'll share them. But feel very, very good about what we're attacking. I hope in future calls to be able to share metrics like what we talked about at Investor Day like dine-in times and ticket times and things that would give you some sense of in-process metrics that would let you know that productivity is happening.

I will say when we look at North of 6 restaurants, who have mailed throughput, everything is better. Food grade scores are better, GWAP is better, productivity is better. They save on the labor line and ticket times are lower despite having way more volume. So certainly, if we can crack the net on this productivity thing, I would expect there to be upside from it.

Mika Ware
Executive VP & CFO

And I'd like to note on North of 6, they also continue to comp at the same rate or higher than the brand. So their ability to get even more traffic in continues to amaze us.

Andrew Strelzik
BMO Capital Markets Equity Research

Okay. All right. That was super helpful. And I just wanted to quickly ask, with the change to the manager bonus structure going into place, have you seen any changes in behaviors? I know you're leaning into labor more certainly. But I guess I'm just curious if you're seeing any changes to maximize throughput or anything like that since that's gone into place.

Kevin Hochman
President, CEO & Director

Yes. There's a couple of things that are going on. One is there's just a lot less like distraction about the guest score. So we don't see as much like for lack of a better term, obsession about the Ziosk scoring and the scores going up, and it's no longer a motivator for our hours when folks are posting these scores. So I think the biggest thing that I've seen so far is just a lack of a distraction or wasted time on worrying about a score versus worrying about the behaviors. So that's kind of point one.

The second thing that I think has come out of this is we rolled out a vastly simpler reporting structure in terms of like the key operational metrics that we look at on a daily basis. the focus on a few ones that are incredibly important. So I feel like when I go to restaurants and we have discussions with the general managers and the above restaurant leaders, I feel like they're more focused on the more important things, and we get to the fewer, bigger things faster.

So I think over time, I would hope to see just continued operational improvement because of the simplification. But those are the two big areas that I've seen is a focus on what's important, and then the elimination of distraction of looking at these metrics on a daily basis by individual basis and really just focusing on the behaviors that are going to be required to deliver improved operations over time.

Operator

Next question comes from Andrew Charles with TD Cowen.

Andrew Charles
TD Cowen, Research Division

Kevin, I wanted to ask on the marketing side. We've seen you guys partner celebrity brand fans, including Snooki most recently and then Lizzo about five months ago. Should we think about this as a pattern that you have the opportunity to run these collaborations every six months or so? Or do you expect future collapse to be further apart?

Kevin Hochman
President, CEO & Director

Well, I can just share with you how the marketers think about this. So typically, we sit down with the calendar or they sit down with the calendar and they look at, "Okay, when are we launching things, where are consumers seasonality-wise, what's happening in the restaurants." They typically make the plan to try to always be on with some type of interesting thing happening in the business. So, if the food is leading the way because we're launching the Big Crispy, they let that thing. But if we have times where it's been three or four months into the Big Crispy launch, and we feel like we got to get new news to make sure that we continue to build relevancy for this brand, they'll come up with ideas based on some specific strategy, right?

So the example of the Lizzo example that you gave was, "Hey, we have these new improved ribs. There is 50% more bones from the portion size. They are fattier and meatier than the old rib that we had, so they are much better value." How do we create excitement to get people to come into the ribs given it's not the biggest segment that we're going to go put on TV. And that's where the team came up with like, "Hey, let's reboot the rib single. " That's something that's really part of our history, and let's get a bid performer to sing that. So that's where Lizzo came in.

On the Snooki one that you're referring to that's most recently, that was in innovation kitchen, we tasted a lot of different chicken sandwiches to see which ones could really stand out given how big that fleet is. We talk about it's over 80% bigger than the leading QSRs chicken sandwich and handmade, the batter is from scratch. So this is a vastly superior chicken sandwich. And so we're looking for ways to create some excitement by it. The team saw Chili's way of doing Chicken Parm with the cheese pull. So that's where that piece of sandwich was invented, right?

And then we say, how do we create excitement in social media, and that's where Snooki came from. So it's not necessarily like on a cadence of every six months. It has to do with what is the priority for the quarter that we want to drive. In this case, how do we continue to launch and sustain our chicken sandwich launch. So how do we create new news virally. And so that was the idea behind it. So it really just starts with what's the priority and what we want to drive with the guest and then the marketers then use their creatives to figure out what are we going to apply to that.

Andrew Charles
TD Cowen, Research Division

That's very helpful. And then, Mika, I know you gave the commodity inflation by quarter for the year, the expect for food inflation. Can you give that for labor inflation as well?

Mika Ware
Executive VP & CFO

Yes. Labor is just going to be in that 3% to 5%. It was a little bit less than 3% this quarter. Closer to 3% all year.

Operator

Next question comes from Sara Senatore with Bank of America.

Sara Senatore
BofA Securities, Research Division

I guess I wanted to ask just broadly about the casual dining segment. I know it's something we've talked about before, in particular, younger users. I think when you and I chatted, you suggested that maybe having more casual dining brands on social media gives younger consumers maybe permission to go. Could you just talk about that cohort in particular? And I'm trying to, I guess, figure out why it seems like just casual dining, the contrast between the comps and casual diners we're seeing, you're obviously leading, but just broadly speaking, much greater than QSR or others.

I know you talked about the relative value. But maybe you could just talk about that younger cohort in particular as a potential longer-term maybe structural driver.

Kevin Hochman
President, CEO & Director

Yes. I mean I think we see that in our business. I think you're probably referring to one of our competitors that have done this successfully, too. What I would tell you is I think maybe we brought some of the more modern marketing techniques to casual dining, but they're not, I mean, I think within restaurants, they're pretty well known, like in QSR, I came from QSR. And if you actually look at the reports that come out about social media impressions, QSR tends to have more social media impressions than casual dining.

I think the difference is what's happening is, one, it's new to casual dining. So as George and team have brought social media to our business and people see the success that we've had, they're saying, "Hey, I could probably apply this to my casual dining concept. " But I think the second thing, which I think is different than QSR is there are several casual diners that operate very, very well.

When you have a good product and it shows up in social media and then people go to replicate it, if you have that experience, that's what grows and that's what grows your business, right? Like I always talk about when we had the first kind of spark in social media, this was April of '24, so about 2.5 years ago, if people came in for the cheese pool and the cheese didn't pull and the restaurant wasn't clean and the experience wasn't good, I don't think that would have lasted more than two or three weeks, and we wouldn't be talking about this 30 months later, comping a 10 on top of a 22% on top of a 14%, right?

So I think that's the other thing that I think, Sara, I'm not sure everybody quite understands is like it's not just about going viral. I think lots of brands go viral. But like what you saw with us, I think what you're seeing with one of our competitors in casual dining that's having some really good success with it is you go into their restaurant, you go into our restaurant, you have a pretty good experience.

Like it feels like that social media experience that you saw online, and that causes you then to repost and share your experience and then that's when it has that more. So I would anticipate that everybody trying to do this. I think the better operators are the ones that are going to really win out in this environment because you can't take a social media post, right? Like that person is going to post whatever they see an experience. If it's great, you're going to feel really good about that post. And if it's not great, you're going to feel the exact opposite. And as long as the brands that do this are operating well like Chili's is, I think they're going to also win too.

Sara Senatore
BofA Securities, Research Division

Yes. And then just quickly on Maggiano's. The banquet business, that's encouraging. And to your point, that's the real opportunity to market. Anything that else that maybe has changed in the operating environment, whether in the Italian segment or anything that you've seen that might also be contributing? Or this is really very specific to Maggiano's?

Kevin Hochman
President, CEO & Director

Well, I mean, there's macro factors. I always tell our team, we've got to just focus on what we can control. And what we can control is speeding up service and making it more consistent. And so Banquet is a great example. And the reason why I shared it, even though it's only 15% of the business, it's up double digits, and it was like kind of a big swing that we started nine months ago, and now we're seeing the fruits of our labor and our bank of bookings are ahead of a year ago now when we look heading into the holiday season. So to me, it was two things. One, it's a marketing tool because that's the way a lot of people are introduced to the brand. But two, I think it showed, hey, if this cross-functional team gets together, they focus on something that's important, they work together, they're going to have big results, right?

And so the next big thing that we're working on right now, we have it now live in one restaurant is taking the Chili's KDS technology, which is the back-of-house system that tells cooks what to cook and QA what to send out to tables. And we're taking that state-of-the-art system and putting it into Maggiano's. The current system they have today is it's just not doing Maggiano's a service in terms of temperature of food and how fast food goes out and how it coordinates across stations.

So that's an example where I think if we get that done, it's probably going to take at least another quarter to get all the kinks out. If we get that done successfully. I would expect to see ticket times come down, total dining times come down, improved productivity on the weekends, which is where we need it. So that's the next big swing, I think, cross-functional projects that we're working on. And I hope by next earnings call to be able to update that it's either been rolled out or is in process of the majority of the system and soon to be fully rolled out because I think that's going to be the next big push in improving throughput at that concept.

Operator

Next question comes from Brian Harbour with Morgan Stanley.

Brian Harbour
Morgan Stanley, Research Division

Could you just talk about both pieces of the off-premise business maybe? And I know you talked a little bit about kind of leveling that up at your Investor Day. When do you expect that would happen?

Kevin Hochman
President, CEO & Director

So delivery and carryout are about each about 12.5% of the business roughly. So it's about 1/4 of our business is off-premise. We are in process of a major cross-functional effort that's going to take several years to, we think, strengthen our off-premise business. And we're not really focused on delivery per se. We're just focused on all those things that impact carryout and delivery. So even though delivery obviously has been growing from an industry standpoint, we're more focused on how do we make it easier for customers to order, how do we make it easier for both customers and drivers to pick up the food and then how do we ensure that the food is as accurate to the order as possible and arrives in the best possible condition given it's got to travel for a period of time.

So the first things that we're working on this year are our promise time calculator. So essentially, as we've sped up our operations, the promise time calculator is a bit antiquated. So it quotes longer times than actually the food would be prepared. So you get a text that, "Hey, your food is going to be ready in 25 minutes," and then 10 minutes later, you get a text that your food is ready. We think we've got that solved with an interim solution now that's in restaurant. We're working on a longer-term solution that's going to be more reflective of ticket times and how fast the food can be ready to be ordered.

The second thing that we're working on right now is improving the ease of ordering. So the first project that's on the docket that hopefully will roll out soon is just making the reorder button a whole lot easier to use. So there's a decent percentage of people that just want to be able to either reorder or reorder with minor modifications on their order. And the bold goal for that team is to get people's order time to less than a minute in order to make it kind of a routine. When you look at the better players in off-premise. They have apps that are very easy to reorder food from and makes the small items too. So we're trying to copy that. And then longer term, we're looking at things like the pickup experience with order boards, additional packaging upgrades to make the food present better and hold better as well as some improvements in terms of accuracy. But it's going to be a multiple.

Brian, it's going to be a multiple year initiative. We're still working on dine-in, and we're in year five. So I wouldn't expect some magic wand in Q3, all of a sudden to go is fixed. I think it's going to be a long slug of looking at things in a very deep way and then improving things over time so that when you add it all up a couple of years later, we can be the leaders in casual dining to go.

But I will tell you, it's a big opportunity for us because when we think about the better than fast food campaign, and that food tends to travel better. So the bold goal is we want to be as easy as fast food, but have a better value than fast food. And if we can do that, I think you'd see our off-premise business start growing a little bit faster than our dine-in business.

Brian Harbour
Morgan Stanley, Research Division

Okay. Kevin, I guess, since you teased it, what, based on your time working in a restaurant, what do you think can still get better on the back of the house?

Kevin Hochman
President, CEO & Director

Everything. So that it's encouraging. I know that sounded like it was, but it's encouraging. So one of the things that, one of the biggest things, I spent about 1.5 hours debriefing our leadership team on kind of my experience there. And the big umbrella was even though I think everybody, all the managers told me and all of the hours told me, it's so much easy to work here, Kevin. Thanks for your continued partnership on this.

My observation was it's still not easy to run at Chili's. I don't think that's unique to Chili's in casual dining. I think it's probably hard to run complex venues with table service pretty much anywhere, especially when you have a giant concept with over 1,000 restaurants. So I have two main observations on that.

One was we have to be continuously improving and making this restaurant easier to run. And so we think about things like the Heart of House project, which is going to be fueled by AI. So we think about almost like a completely new system that's an integrated kind of like an ERP system for the Heart of House. That is going to make forecasting, ordering, inventory, prep, labor scheduling, it's going to make everything easier. Now that is a two- to three-year project. So it's not like it's going to come this fiscal. But like that example, there's so much institutional knowledge that you need to have to run at Chili's because none of the systems are naturally connected.

We've created some integrations, but most of them are manual integrations that the managers have to do, and it requires a lot of institutional knowledge. So point one, there's still a lot of upside to make it a whole lot easier, especially with technology. The second thing is even when we get all this stuff installed, it's still not going to be the easiest thing to run. So it instilled me the importance of retention in this ownership model because when you look at like North of 6 restaurants, they have longer tenured managers. It's such a clear like data point.

Then having like done it firsthand, I can see why. Because regardless of how much automation we can put in the business with technology, it's still going to be a difficult job. And so the longer we can retain our managers and have them have big careers at Brinker and at Chili's, I think the better they operate, which is why the majority of North of 6 restaurants have long-tenured general managers. So I mean, it was like I have like 60 slides of all the improvements that we can make. So Brian, so a lot came out of that.

But the two big ahas were we still have so much low-hanging fruit that we can focus on to make this operation more seamless and a better guest experience. And then two, how do we really take this ownership and retention and take it to a whole another level. And probably the guys that everybody is chasing in casual dining, that second part, they know like the back of their hand. I think now I see firsthand why that is so valuable to our business.

Operator

Next question comes from Margaret-May Binshtok with Wolfe Research.

Margaret-May Binshtok
Wolfe Research, LLC

I just wanted to follow up. I know you mentioned that there is some check management that's impacting desserts. But last quarter, you guys did talk a little bit about some of the dessert innovation that's coming and also moving up desserts in that kitchen screen to help servers sell more. I guess, how do you think about leaning into desserts while seeing the check management that's going on right now?

Kevin Hochman
President, CEO & Director

Yes. So we saw some virality with the Molten being served on top of a cookie. I think that's what drove incidents that quarter, the mix decline has really been more recent. So this dessert incidence is more of a recent trend post the morality of that molten cookie initiative. I will say we're in test right now with bumping the desserts to the top of the screen. We want to make sure that we're not inadvertently slowing down other dishes. So I mean it's more important to turn tables than to create dessert add-ons. So that's why we're testing it versus just doing it. I will say from my last three restaurant visits floating the idea that we're testing it, that everybody got really excited by it. So my guess is it's probably going to work. But we don't really have any updates on that because it's still being tested right now. Still early.

Margaret-May Binshtok
Wolfe Research, LLC

Got it. And then just a follow-up on the Big Crispy. I know you mentioned marketing earlier and the pace of it. But just on the Big Crispy, I know you have the Chicken Parm one coming up. But should we think about more innovation opportunity on the Big Crispy platform? And is there a cadence we should be thinking about from here?

Kevin Hochman
President, CEO & Director

Well, so right now, we're focused on just advertising the Big Crispy on $10.99 with the majority of our marketing dollars are spent on whether linear TV or connected TV and then digital. So the majority of our marketing spend is on this value message find the Big Crispy. The Big Crispy Chicken Parm sandwich is mostly a PR and digital social media play, which is not that it's not important. It's just that investments are a lot less than when we talk about broad-based message about value. We are continuing to look at different innovations on the Big Crispy. We have seven variants right now that we haven't talked about them all. So that's the other opportunity is we have some very unique things like the Honey-Chipotle sandwich and the Nashville Hot sandwich.

These are all very unique sandwiches within casual dining. So we're going to evaluate whether we think we need to update the Big Crispy message next May, like do we need to bring new product news or do we continue to see more traffic being built with just the $10.99 message.

What we talk about here is if it's not broken, we don't fix it. So if we see that the traffic lifts are the same, call it, in Q3 as they were in Q1 and Q2 from the Big Crispy advertising, I don't anticipate us moving off that message. If we see that starting to wane in terms of the traffic response to the advertising, then I think we'd likely see some type of new product news either on chicken or on hamburger depending on what we think is more topical for the moment. But it's more the business results are going to drive whether we bring additional innovation. We're going to be preparing for innovation, but we're not going to like be hard and fast that we are absolutely going to have to have a new chicken sandwich next May because if the business continues to rock and roll, we would not move off that.

Operator

Next question comes from Chris Carril with KeyBanc Capital Markets.

Christopher Carril
KeyBanc Capital Markets Inc., Research Division

So Kevin, you mentioned big swings a few times on this call. Can you maybe talk a little bit more about the efficiency of these big swings, maybe why you think they're landing more frequently? Is this a function of the overall momentum the business is seeing? Or has something changed in the process to ensure the success here?

Kevin Hochman
President, CEO & Director

Yes. So just to be clear, we use big swings in two ways, maybe because I always talk about fewer bigger with our teams, so everybody attached to the word big swings. So I think you're referring to big swings in marketing. We use think swings for two things. Big swings in marketing, meaning take a couple of big swings every quarter to see what we can have takeoff into the culture and drive relevance to the brand. Then we also talk about big swings in operations. We pick about three big swings every quarter that we do a rollout on. They're typically based on the fundamentals of casual dining and typically tied to something commercially that we're driving so that the business is hearing one message from us.

So I think your question is about marketing. We are constantly learning about what works and what doesn't work, and we're adjusting our plans based on that. So like the best example I can give you, so it's not really formulaic. It's more -- we think about it on a value offer, we have large amounts of out-of-store advertising to drive the value message because that's broadly appealing.

Then we use social and digital and PR to kind of try to go after specific groups of people that we think would have interest in learning more about Chili's than about whatever that item is. And then based on what we see in market, we adjust. So things hit, we try to understand what are the things that made it sticky and go. When things don't hit, we try to learn from them and say, what do we miss out on that we could have improved more? Like, for example, on the chicken parm that we just launched, realizing not having something to point to in the restaurant maybe limits the amount of business that we can have on that, but we're going to find out very quickly on November 1 when we have merchandising in the restaurant.

But the best example I can share with you so you can understand at least how we approach it is when we launched the Big Smasher in May of '24, we primarily did that with TV advertising. And next year, we layered on a bunch of social advertising behind it because we had all this great success from the social and the Triple Dipper. And that social advertising was squarely on having people compare our burger versus a fast food burger, which is way more compelling when it's coming from a third party than it is from a company that's advertising on TV. And then in year three, when we launched the Big Crispy, we had all of the PR we had in year two and the social, but then we had three bouts of social. So we didn't just stop with the launch in social.

We had a second hit with new messaging that was fed to the influencers a few months later. And now we have the Big Crispy Parm, which is our third hit of social. So I would tell you it's just every year, we're learning how to be more effective. And that's one of the things I really appreciate about our marketing team. So like George Felix and Jesse Johnson, they're very hungry to like just how do we get better. So even though I would say they're probably the best in advertising in restaurants right now, like every year, they're doing a debrief on like what could we have done better.

So I just feel like every year, they just get stronger, right? And that's why we're able to continue to bring new guests in and then operations does their amazing job, and that's why we have the sustainable flywheel going. So that's the best way I can describe it is they're constantly looking at how they can make these things better. But like there's no formula of like add another 30% and get another three big swings. That's just not the way they look at it.

Operator

At this time, I will turn the call back over to Kim Sanders for closing comments.

Kim Sanders
Vice President of Investor & Government Relations

And that concludes our call for today. We appreciate everyone joining us and look forward to presenting our update on our long-term growth on our second quarter fiscal year 2027 results in January. Have a wonderful day.

Kevin Hochman
President, CEO & Director

Thanks, everyone.

Mika Ware
Executive VP & CFO

Thanks, everyone.

Operator

Thank you. This does conclude 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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