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EPS of \$2.66 **beats by \$0.09** | Revenue of \$1.43B (27.21% Y/Y) **beats by \$37.05M**

Brinker International, Inc. (NYSE:[EAT](#)) Q3 2025 Earnings Conference Call April 29, 2025 10:00 AM ET

Company Participants

Kim Sanders - Vice President of Investor Relations

Kevin Hochman - President & Chief Executive Officer, President of Chili's

Mika Ware - Chief Financial Officer

Conference Call Participants

David Palmer - Evercore ISI

Dennis Geiger - UBS

Chris O'Cull - Stifel

Jeff Farmer - Gordon Haskett

Christine Cho - Goldman Sachs

Andrew Strelzik - BMO

Jon Tower - Citi

Brian Vaccaro - Raymond James

Eric Gonzalez - KeyBanc

Isiah Austin - Bank of America

Jim Sanderson - Northcoast Research

Operator

Good day, and welcome to Brinker International's Q3 F '25 Earnings Call. At this time, all participants have been placed on a listen-only mode. The floor will be open for questions and comments following the presentation.

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

Kim Sanders

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

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

Before beginning our comments, I would like to remind everyone of our safe harbor regarding forward-looking statements. During our call, management may discuss certain items, which are not entirely based 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

Thank you, Kim, and good morning, everyone. Thank you for joining us as we discuss our financial and operating performance in the third quarter. Chili's delivered another strong quarter with same-restaurant sales up 31.6% and traffic up 21%. Sales leverage and simplification continue to drive improved 4-wall economics, which allowed us to deliver an 18.9% restaurant operating margin for the quarter. These results were achieved by our continued focus on the fundamentals of casual dining, food, service and atmosphere.

Our Q3 sales performance significantly outpaced the industry, which is especially encouraging given we launched no new food or value news. We remained on the same Big Smasher campaign. We continued reducing our menu and pantry SKUs, and we were still able to weather the increase in competitive promotional offers. These results further demonstrate the operational muscle we continue to build is accelerating performance.

Marketing is driving guests in and operations is bringing guests back. I'd like to recognize the marketing team led by George Felix and our field operations team led by Doug Cummings and his VPOs for just exceptional teamwork that is driving our industry-leading results. Our restaurant support center and our field restaurant teams are operating as one team with a common goal of improving the guest and team member experience.

Now, let's talk about the operational improvements we completed in the third quarter. It starts with menu simplification as we removed three menu items, as well as four lower mixing wing sauces. Eliminating those sauces help simplify Zone 1, our fry station, which also has gotten much busier with the increased volumes. This sauce reduction also allowed us to eliminate the sauce station in small orders, which freed up much needed space for our cooks and reduced the amount of Zone 1 equipment they need to clean daily.

We also made three key operational improvements during the quarter. The first ops initiative was a renewed focus on burger mastery in preparation for our big QP launch in Q4. Burger mastery training and coaching involves making sure every burger is properly smashed, properly seasoned and the flat top grill is properly maintained, so we deliver a tasty, juicy, perfectly cooked burger every time.

The second ops initiative was adding an all-day button to our kitchen display systems, which summarized the counts on high-mixing items for our cooks. Prior to this enhancement, cooks would have to scroll through several pages of screens and count how many crispers to fry or how many burgers to drop on the flat top. Now our cooks can easily see a running total of what to cook, which will reduce both response time and total ticket times during busy shifts. No more scrolling, no more adding in their heads, so they can focus on making great food faster every time.

The third big Q3 ops initiative was making significant improvements to win with our dishwashers, one of the most important roles in our restaurants and it's a high turnover position in the heart of house. We held listening sessions to understand what would make their jobs easier and more enjoyable, particularly given how much busier they are with our sustained higher volumes.

We then made the changes that were most important to them that were rolled out in Q3. We believe this continued focus on operational improvements and making team members' jobs easier sets us up for more sustainable success in the out quarters.

Now I want to give an update on marketing and menu innovation. Two weeks ago, at the start of Q4, we launched the Big QP, a burger packed with 85% more beef than 0.5 pound burger. It's topped with two slices of American Cheese catch-up mustard pickles and onions. It joins the Big Smasher on the 3 for Me menu at the \$10.99 price point.

As consumers' frustration with high prices and shrinkflation continues, we're continuing Chili's better than fast food campaign to demonstrate our unbeatable value. To launch the Big QP, Jesse Johnson, our Vice President of Marketing and our amazing PR team opened up fast food financing, a limited time pop-up experience in the heart of Manhattan. This successful event generated more impressions than the Big Smasher launch did in both creating awareness of the Big QP and further strengthening our position as a great value our guests can count on.

Our world-class marketing team also continues to find new ways to insert the brand into pop culture and differentiate Chili's from its casual dining peers. This is what we call building the brand over time and is a way to separate ourselves from the sea of casual dining competitors.

On April 7, we opened our Chili's Scranton Branch, a new restaurant that pays homage to Chili's on-screen moments from one of the most famous television comedies of all time. The special location features 2005 the core scene in the famous Chili's episode, a boot for guests to recreate the scene for social media and is now the only Chili's in the world to serve the Awesome Blossom, which was prominently featured in the episode.

We surrounded the launch with ads featuring popular actors from the show, which appeal to both long-time viewers of the show's first run in addition to a younger generation that now streams the library of episodes.

Chili's Scranton branch is yet another way to reignite Chili's brand history in a modern, relevant way that no other casual dining brand could do. Fans are raving about this move, and this initiative has generated over 9 billion impressions for Chili's. And now the Scranton branch is a place where super fans of the show can poker image and be a part of the Chili's story.

We have also recently launched three initiatives designed to reinforce Chili's as the number one seller of margaritas and bring us to the top of the consideration set when consumers are craving a Mark. First, we partnered with Life Time Television to premier Chili's first-ever movie in celebration of National Margarita Day, the 15-minute original film titled, I'll be Home for National Margarita Day, Starred Maria Menounos and Taye Diggs and leverage Life Time Fans love of holiday movies to bring top-of-mind awareness for Chili's and margaritas.

We've also partnered with the JM&D agency to make Chili's first-ever music video entitled, Ride The Dente as a way to drive awareness of our famous Presidente Margarita with NASCAR fans and activate our sponsorship of the No. 77 Spire Motorsports car driven by Hocevar.

And starting May 1, our new Margarita the month will tap into the '90s nostalgia with the Radical 'Rita featuring 90's Pop TV icon, Tiffani Thiessen. The marketing team has leveled up their Margarita of the Month strategy and is leading to record-breaking Margarita of the Month sales that both help protect alcohol incidents as well as give Chili's fans exciting new drinks to come try at a hot price point. Food news, drink news, culture pops of strategic marketing are all a part of our marketing team's plan to drive sales overnight as well as the brand over time.

Now let's do an update on Maggiano's. The team continues to follow the Chili's playbook to bring the magic back to Maggiano's by simplifying and elevating the menu with innovation, removing discounting from the business, improving service levels, refreshing atmosphere to drive more sustainable traffic over time.

Much like Chili's early around turnaround days, we're doing the hard work in the Gin to simplify operational complexity and invest in improving the fundamentals of food service and atmosphere. We're also stopping unprofitable discounting that's not consistent with the Maggiano's brand that had been embedded in the business for years.

During the third quarter, the team launched a new menu with four significantly upgraded core dishes, including The Grand Chicken Parm, the new Fettuccine Alfredo, a new lasagna Bolognese and a Snake River Farms, Wagyu meatballs that are available both as an appetizer and part of our spaghetti meatballs entree. These upgraded dishes along with four previously upgraded core recipes that President, Dominique Bertolone and VP of Culinary, Anthony Amoroso have brought to the menu, now represent 50% of the entree mix. And I firmly believe the more mix we get into these new and renovated modern and delicious menu items, the more loyalty we will drive with Maggiano's guests over time.

To enable the restaurant teams to execute these elevated dishes consistently, the Maggiano's menu has now been reduced by 20% over the last year, and we continue to simplify our cooks jobs by consolidating ingredients and removing process that does not add value for guests.

During Q3, we removed eight lower mixing menu items, 10 pantry SKUs and 17 prep recipes from the business. We have also removed the remaining deep discounts that were in the business, including Double your Portion, which gave as much as a 50% discount across our digital channels, Marco's Meal, which was a significantly discounted meal for two and discounted carryout meals. We're getting out of the discounts that were originally installed to drive sales in the short-term and reinvesting those resources into more sustainable long-term business building activities that will upgrade the food, service and atmosphere similar to the Chili's playbook in year one.

And just like Chili's in the early days of the turnaround, we expect to see traffic choppiness over the next four quarters as we build a stronger Maggiano's brand for the long-term.

I continue to be encouraged by our business momentum, and I'm just so proud of our team. Our focus on the fundamentals has been at the core of the turnaround, and we believe it will continue to allow us to push through the macro pressures the industry is now experiencing. Guests are pulling back the number of trips across restaurants in the industry and are choosing those brands they trust to have a great experience. So those brands delivering on superior fundamentals will grow market share, and we believe Chili's is well positioned to be one of those winning share, and Maggiano's has now started the journey, too.

Now I'll hand the call over to Mika to walk you through the third quarter numbers and our updated guidance. Go ahead, Mika

Mika Ware

Thank you, Kevin, and good morning, everyone. Brinker delivered another double-digit same-store sales growth quarter, which is a direct result of our focus on improving the fundamentals of food, service and atmosphere. It's exciting to see our multilayered marketing strategy, driving trials and our ongoing operational improvements bringing guests back. These results give us confidence that our invest to grow strategy continues to deliver, and we're excited by the opportunities ahead to grow the base business.

For the third quarter, Brinker reported total revenues of \$1.425 billion with consolidated comp sales of positive 28.2%. Our adjusted diluted EPS for the quarter was \$2.66, up from \$1.24 last year. Both brands reported top line sales growth with Chili's comps coming in at positive 31.6%, driven by positive traffic of 20.9%, positive mix of 6.3% and price of 4.4%. The Chili's team delivered these sales results against the backdrop of industry and macro headwinds from weather and consumer economic uncertainty. Except for a slight dip in both sales and traffic in February due to weather, Chili's delivered consistent results every period of the quarter and has maintained its momentum into April. We now believe more than ever, consumers will continue to reward Chili's as a brand that consistently provides great food, service and atmosphere at an exceptional value.

Turning to Maggiano's. The brand reported comp sales for the quarter of positive 0.4%, driven by 7.3% price, positive 1.3% mix, partially offset by negative 8.2% traffic, of which 1.2% was weather related. As Kevin mentioned, Maggiano's is still in the early stages of its turnaround strategy. Dom and the team continue to follow the Chili's playbook by eliminating discounting and simplifying operations to improve the menu, service and atmosphere. Like the early days in Chili's turnaround, we expect some traffic headwinds in the near term, but I'm proud of the team for doing what it takes to grow the business for the long term.

At the Brinker level, we saw continued strong flow-through this quarter with restaurant operating margin coming in at 18.9%, a 470 basis points improvement year-over-year, primarily driven by sales leverage from top line growth. This resulted in favorability in all categories of food and beverage cost, labor and restaurant expense.

Food and beverage costs for the quarter were favorable 10 basis points year-over-year with pricing offsetting 1.8% of commodity inflation. We're also pleased with the mix and profitability of our \$10.99 3 For Me value platform, which continues to perform as expected. It offers a compelling price point for guests seeking value, while remaining cost effective for us, allowing us to maintain margin profitability.

Labor for the quarter was favorable 140 basis points year-over-year. Top line sales growth offset additional investments in labor and wage rate inflation of approximately 4.5%. Advertising spend for the third quarter was 2.9% of sales and increased 40 basis points year-over-year. Our marketing team continues to do an excellent job bringing Chili's back into the cultural conversation and making the brand relevant again, which is helping drive traffic.

G&A for the quarter came in at 4.1% of total revenues with year-over-year sales leverage offset by increases in performance-based compensation and ERP system costs. Our second quarter adjusted EBITDA was approximately \$221 million, an 80% increase from prior year. Capital expenditures for the quarter were approximately \$80 million, driven by accelerated investments in kitchen equipment and capital maintenance.

During the quarter, we repaid approximately \$125 million in funded debt, leaving only \$90 million remaining on our revolver from the \$350 million notes that matured in October, bringing our overall lease adjusted leverage ratio to 1.9 times. Our current \$900 million revolver expires in August of 2026. We are on track to close the refinance of the revolver during Q4, locking in ample liquidity to continue to support all of our disciplined capital allocation strategy, which is to invest in the business, pay down debt and return excess cash to the shareholders.

In terms of our expectations for the balance of the year, as noted in this morning's press release, we're raising our fiscal 2025 full year guidance to include the following; annual revenue in the range of \$5.33 billion to \$5.35 billion, adjusted diluted EPS in the range of \$8.50 to \$8.75, capital expenditures in the range of \$265 million to \$275 million; weighted average shares in the range of 46 million to 46.5 million.

Assumptions underlying this guidance include consideration of the macro environment, planned commodity inflation in the low single digits, wage rate inflation in the mid-single digits and a tax rate in the high teens.

We've seen a step change in our business over the past year as we remain committed to improving the fundamentals of food, service and atmosphere with world-class marketing making us relevant and our restaurant teams providing a great guest experience, we are back in the consideration set and a destination of choice for consumers. I'm so proud of what the team has accomplished, and I'm confident that by sticking to our strategy and making smart investments, we'll continue to drive long-term success.

Now with our comments complete, I will turn the call back over to Holly to moderate questions. Holly?

Question-and-Answer Session

Operator

Thank you. At this time, we will be conducting a question-and-answer session. [Operator Instructions] Your first question for today is from David Palmer with Evercore ISI.

David Palmer

Thanks Kevin and Mike. As you can imagine, people are really thinking a lot about same-store sales and sustainability of same-store sales growth. And, obviously, they're looking at your comparisons, and they get a lot tougher coming into fiscal 2Q, the December quarter. So people are looking at that as a big mountain that you're going to have to climb and I know you've been -- that you take your comparison seriously and you're thinking about your initiatives and you have things lined up.

But people look -- they look at multiyear trends. They look at the two-year trend. They look at compare your growth versus 2019. And I think people are mixed. Some people think things might be slightly negative by that quarter and things might be slightly positive. But there's concern out there. People wonder about did you have brand lightning in a bottle last year that's tough to replicate. And so on the other hand, I know there's a significant number of bulls that are -- that see you having initiatives, too.

So I'm just wondering if you wanted to lean into that debate where people are really arguing about climbing that mountain and what gives you confidence in the metrics you see and what are the most important initiatives that you're doing that gives you confidence that you'll be able to sustain positive comps? Thank you.

Kevin Hochman

Hey, David, it's Kevin. Good morning. This is a discussion that we have internally all the time, right? Because we are doing things that don't necessarily give you that this new initiative or these 50 new buildings that we're going to build that you can guarantee and take to the bank. We're building it based on the fundamentals of casual dining, which is improved food, improved service levels, improved atmosphere. And our belief is we'll continue to comp the comp if we continue to do that, and we're honest with ourselves on the improvements on that.

Now here's what I would tell you. I think even if we go and comp the 31% in October, November, December, it will be whatever the next big mountain is. And so the only thing I can point to is, we were -- this quarter that we're in right now, last year, we were a plus 15%. And I think at that point, everybody was asking the exact same questions, which is how the heck are they going to comp of plus 15 in Q4?

I think we're generally over that mountain. Our trends have been quite good, heading into April. We see very similar to trends that we saw in March with great traffic and great sales results. So we've been able to go over this first hurdle. We're going to have another hurdle two quarters from now.

And after, we figure that one out, there'll be another hurdle in the future, because if you're going to be focused on improving same-store sales versus really laser-focused on system sales, it's going to be harder to look at that and go, I have 100% confidence this is going to happen.

So this is not something that we know is new to us. What I will tell you is what I focused on with our team is on food service and atmosphere, are we going to be significantly better this year versus last year?

And if the answer is yes, we have a lot of confidence we're going to continue to grow the comp. So that's how we think about it. I know it's very, very hard to go put that in a mathematical model and feel really confident, but we're going to continue to do that because that continues to work.

David Palmer

Thank you.

Operator

Your next question is from Dennis Geiger with UBS.

Dennis Geiger

Great. Thanks, guys, and congratulations. I just wanted to ask, if you're seeing any notable shift in sort of the biggest contributors to the momentum that you're seeing in recent quarters? And thinking maybe about "3 for Me", utilization, "Triple Dipper" utilization, marketing benefits, et cetera any observations there? Or has it been pretty steady and consistent? Any kind of call-outs or observations, I would be curious. Thank you.

Mika Ware

Dennis, its Mika. You know what really, as Kevin said our momentum has been very sustainable moving from Q2, Q3 into Q4. A couple of things I'll note is, in Q4, we will roll off a little bit of price.

We will be lapping some of the initial Triple Dipper ramp-up. So we'll probably most likely roll off a point or so of mix. But traffic continues to be really strong year-over-year, and we've not seen that momentum slow down at all.

Dennis Geiger

Thanks Mika. Appreciate it.

Operator

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

Chris O'Cull

Hey. Good morning guys. Mika, just a quick clarification on that last comment, you mentioned, Chili's maintained momentum in April. Just given the step-up in the lap, I was hoping you could clarify, is that maintained momentum on a one-year basis? Or should we be thinking about the comp trend maintaining on a two-year basis?

Mika Ware

It's really very similar trends to Q3, April has. So on the one year, it is maintaining. And in the two-year, I would say traffic has stepped up slightly, because we are lapping harder numbers in April.

Chris O'Cull

Okay. That's great. And then the CapEx guidance was a noticeable step-up this quarter. Can you give us a little more detail of what changed there? I'm assuming, some of it may be the acceleration of the oven replacements, but I was hoping you could confirm that and then, detail any other items that drove the increase? And maybe just help us ballpark what you're thinking for the next fiscal year.

Mika Ware

Okay. No, great, so you nailed it on the head. So one of the largest increases was the new TurboChef ovens that we spoke about last quarter, so we do have a one-time write-off that will happen and happened -- part of it happened in Q3.

The other half of it will happen in Q4, as we write off the old ovens and install the new ovens. So that did contribute to the step-up in depreciation as well as the cost of the new equipment.

Just equipment in general, is the other driver in maintenance capital as we continue to invest in our buildings, in our atmosphere as sales remain elevated, we continue to take that opportunity to make sure that we have the absolute best and most updated assets that we can.

Chris O'Cull

Okay, great. thanks.

Operator

Your next question is from Jeff Farmer with Gordon Haskett.

Jeff Farmer

Good morning. Thanks. How should we be thinking about your ability to either hold or grow restaurant level margins moving into FY 2026? I know there's a lot of moving pieces there, but again, sort of your confidence in continuing to have that margin expansion roll into 2026.

Mika Ware

Hi, Jeff, yes, no, great question. I do expect restaurant margins to maintain or continue to grow into the future. So, a couple of things. First of all, we're going to continue to invest in the business so we maintain our pricing power and by doing that, that allows us to protect our margins.

Longer term, I'll reserve the right to invest in labor. But as the teams continue to increase in their tenure, they get more productive, we get more used to these higher levels of traffic that all the teams are experiencing, I think that we'll have some productivity opportunities there.

And then as Kevin said, we expect to grow this business for the long-term. So, the largest thing for us is to continue to increase our AUVs, and we'll be able to leverage those fixed costs and grow margins as we move forward. So, that's worked really well for us, and we continue to plan to do that as we move forward in the future.

Jeff Farmer

Okay. Thank you.

Operator

Your next question for today is from Christine Cho with Goldman Sachs.

Christine Cho

Yes, thank you. I was wondering how we should think about kind of the estimated tariff impact on cost of sales, mainly in tequila in avocado, et cetera. I know there's a lot of uncertainty at the moment. But could you help us kind of size the exposure and whether you have any flexibility in the supply chain to help offset some of that incremental pressure? And any changes to your thinking around pricing if the inflationary pressures end up escalating more meaningfully? Thank you.

Mika Ware

All right. Hi Christine, great question. First of all, so let me go through a lot of different parts of that. So, obviously, the tariff situation continues to be fluid, but we have thought about it a lot. So, first of all, over 80% of our supply chain basket is sourced domestically. So, that's a great thing.

Of the balance that's left, at least a third of that comes from Mexico and Canada, and we've had some opportunity there that we won't have as much tariff as of right this minute. And then we've looked at the rest of the world, and we do have flexibility in our supply chain to move to different countries or do whatever we can to control the cost.

I will say in the grand scheme of things, when we have quantified the impact, we have over \$1 billion of food and beverage costs. So, it's relatively small to the whole spend that we have in that bucket. So, we do think with our current pricing strategy that we can absorb any tariffs that come our way really just within the current strategy that we have.

With our pricing strategy, one of the most important things for us will be to continue to protect those opening price points and that industry-leading value for the guests that need it.

And then we're going to continue to invest in the business so that we can improve our pricing power and keep leaning into that barbell strategy so that we can price and make sure we protect margins and face any inflation that comes our way.

Christine Cho

Thank you so much and congrats.

Mika Ware

Thanks Christine.

Operator

Your next question is from Jeffrey Bernstein with Barclays.

Unidentified Analyst

Hi, good morning. Thanks. This is Pratik [ph] on for Jeff. Kevin, you spoke in your prepared remarks about simplification and removing some of those menu items that are more complex and not maybe mixing as well as you'd like. But just I wanted to ask maybe the opposite side of that. Just anything in the pipeline that you're excited about in terms of upgrading the platform? I think Fajitas has not necessarily gone through a major overhaul of late, but just anything you're thinking about going forward to kind of enhance the menu? Thanks.

Kevin Hochman

Yeah. Thanks for the question. So as I said last quarter, we have been working very diligently on redoing our ribs and our Smokehouse platform. That will launch in Q1. That will feature a significantly upgraded rib recipe and process in making that rib. You'll get a much crustier, more smoky, delicious rib. We're also going to be upgrading sides as part of the Smokehouse combo and redoing the merchandising, similar to what we did with Chicken crispers a few years ago, where we saw explosive growth. Today, the Chicken crispers business is up 66%, even though it's a more simplified lineup. So we expect very big things out of the rib platform. We're known for ribs. It's a part of our equity. It's only 3% of our sales. So huge upside to improve that product and improve that platform going forward.

We've also got some appetizer upgrades coming in Q1. So we're going to have an all-new queso. So we have two queso's today. And we have an opportunity to have one really great queso. That's going to allow us to reinvent our nachos today, our nachos are made almost like a testado style and most people when they order nachos expect to get trash can style. That's going to allow us some pricing power as well as a much upgraded nacho that's more consistent with what guests would want. The nacho that I've tasted, I think, is unbeatable in the market right now. So I'm very excited about Q1. That's going to all launch before football season when Ribs, nachos and Queso is going to be very much in vogue.

And then in the back half of that fiscal year, we're looking at upgrading our steak program as well as our salad program. So -- and then there's more things in the following fiscal. So we've got -- I always say there's way more opportunities ahead of us that are behind us. Now I know we feel really good about the Core 4 upgrades and the five to drive. But quite frankly, we've got a lot more things on the menu that we can make it even stronger and better, and that both gives us pricing power as well as continues to allow us to drive traffic when we have craveable items that you can only get at Chili's. So I'm very, very bullish about the innovation moving forward.

Unidentified Analyst

Sounds very exciting. Thank you so much for the color.

Operator

Your next question is from Andrew Strelzik with BMO.

Andrew Strelzik

Hey, good morning. Thanks for taking the question. I wanted to ask about investments moving forward. And Mike, you talked about reserving the right to invest in labor and having the listening sessions with some of the dishwashers. How is the conversation evolving with operators in terms of what they're asking for to keep up with the traffic growth? Where are you seeing kind of maybe some of the biggest opportunities? And how do we think about the timing of those things? Thanks.

Mika Ware

Hi, Andrew, yeah. So great question. It is a journey for us. So as the -- we had a huge step change in the business that started in October with traffic trends really increasing at a significant amount. And I'm really proud of how the operators have stepped up and made sure that we were prepared and had the labor that we needed to take care of the guests. So that was step one is we just had to make sure that we're staffed and we're ready for the new guests that are trying out Chili's and the guests that are coming back to make sure they have an out of this world experience and that they come back. And so that was job one.

I do think over time that the operators will work closely to make sure where we are investing more hours that it's strategic and that we know what the return is and that we are improving the guest or team member experience in some form or fashion to continue to drive traffic in the long term.

So I do think there's opportunity as we get -- we build those muscles and we can improve some productivity, but we may identify, like Kevin said, some other places that we need to continue to invest to make sure that we grow this thing for the long-term. One other thing is guest metrics continue to improve year-over-year, and that's something we watch really closely. So we're going to continue to keep an eye on that. But right now, we feel really good about those investments that we made, and we're going to work together to make sure we continue to make smart investments as we move forward.

Kevin Hochman

Yes. And it's Kevin, Andrew. The other thing I would add is, and we've been consistent since I started three years ago is that the investments that we make, we're tying them to growing the overall business. So if you actually look at our -- all the investments and then compare that to the ROM results that we've had, the EBITDA results we have, I think we've got a track record now where we primarily invest in things that grow the business and improve the four-wall economics of owning Chili's.

And so I don't anticipate that changing. I will tell you, we are literally this week with our Vice President of Operations and my leadership team, and we are looking at next fiscal's plan. We understand our pricing assumptions. We understand our traffic assumptions. We're looking at the headwinds that are there, things like tariff to make sure that we can cover them like Mika talked about. And then we're looking at potential investments, and we're going to all hold hands together as a field and home office team to decide which things that we think are needed to continue to accelerate the business and which things maybe we need to pause on based on what we -- everybody is seeing in the macro until we have a little bit more visibility about what's happening.

And so if you look at the track record of what we've done with investments and I think taking it to the next level where we're partnering with the field team as one team to figure out which investments are going to make the most sense to accelerate the business, I'm very confident we're going to make the right choices.

Andrew Strelzik

Great. Thank you very much.

Operator

Your next question for today is from Jon Tower with Citi.

Jon Tower

Great. Thanks for taking the question. Maybe first, a modeling one and then just the natural question. On the modeling side, for the fourth quarter, can you give us a range for where you think G&A and D&A will settle out? And then the question is, on the Chili's business itself, traffic has been exceptionally impressive. So I'm curious if maybe you can speak to the breakdown between an increase in frequency with existing guests versus new guests coming in the door for the first time or perhaps lapsed users to the brand coming back in the doors. And just curious if you could kind of suss out the distinction between them?

Mika Ware

Okay. Hi, Jon.

Jon Tower

Hi.

Mika Ware

So, first of all, to start with your first question, depreciation and G&A from maybe an absolute dollar amount, those will be very similar from what you saw in Q3 and Q4. So I'll just guide you guys that way for the modeling question.

As far as traffic goes, really, when you have traffic trends like ours when they're up over 20%, it's really coming from all places. So again, we're growing all income levels, all age groups. It's new guests that are coming back, and it's current guests that are coming back more frequently.

So it's really hard to break it down when everybody is coming more often at Chili's. What we do know, again, is that, that guest experience continues to improve and that we know people are coming to Chili's are having a great experience and they're coming back. And over time, we think we're going to continue to drive that frequency number.

Jon Tower

Got it. Thank you.

Operator

Your next question is from Brian Vaccaro with Raymond James.

Kim Sanders

Hi, Brian. Brian?

Kevin Hochman

I wonder if you are unmute, Brian.

Brian Vaccaro

Sorry about that. Yes, unmute. Sorry about that. So, thank you. Good morning. So, just a couple of clarifications, if I could. On Chili's year-on-year pricing, is that still expected to moderate sort of into that 2.5% to 3% range as we move into the fourth quarter? And do you view that as sort of a sustainable range from here? And you made a comment on mix as well that you might, I think, roll off a point. But I just wanted to clarify, you still expect mix to be up, call it, mid-single somewhere in that range, but you're just rolling off a point. Was that what you were saying there, Mika?

Mika Ware

Yes. Yes. Thank you, Brian. So yes, you got it exactly right. So we're going to roll off a little bit of price. I would say price will be in that 2% to 3% in the fourth quarter. I think longer term, our price should probably live in that 3% to 5% range. We always reserve the right to move that up or down depending on what's happening in the macro environment, but that's kind of an earmark, I would use now for a longer-term place.

As far as mix goes, again, Triple Dipper is driving a lot of mix. And then you got that right. I said we'd roll over about 1 point or so, as we start lapping those higher mix numbers from last year when Triple Dipper really took off.

Brian Vaccaro

All right. Thank you. And sorry if I missed it, but what was the total 3 For Me mix in the quarter and the split between the \$10.99 and the higher tiers? And do you also have the sales mix on the Triple Dipper handy?

Mika Ware

Yes. So as far as the 3 For Me, we've done a really great job of keeping it very consistent. So it's been in that 18% to 19% range and it stayed right there in Q3, nothing changed. And then as far as the \$10.99 level, it's right at that 56%. Again, no change Q2 to Q3. So we're managing it exactly as expected.

Triple dipper sales for the quarter, I think we talked about that being about -- the increase is up, I think it's about up 1%, yes. So of total sales, it went from like, I think, 11% to 12%. Is that right, Kim?

Kim Sanders

Yes. Actually, the menu mix went -- the mix went from 11% to 12%.

Mika Ware

Okay, yes.

Kevin Hochman

And sales, dollar sales are 15%, up a point.

Mika Ware

Exactly, yes.

Brian Vaccaro

Okay. Dollar sales up 1 point to 15%. Okay. Very helpful. Last one, if I could just ask on the margins real quick. Can you level set us on your advertising spend expectations in the fourth quarter? And then I think we're lapping the outsized repair and maintenance from last fourth quarter. Any guardrails on kind of repair and maintenance, I'm obviously mindful of the investments you're making in the business given your very, very healthy traffic? But just if you could level set your thinking on those two items? Thanks so much.

Mika Ware

Yes. So advertising, as I talked about last time, will be up in the fourth quarter. That's where we have some of our increased spend. It will probably be closer to 3% of sales, where it was a little bit less than that in the third quarter. So you will see an increase there. And then R&M, it is planned to be favorable year-over-year. I would expect the run rate to be about the same as the third quarter, though.

Brian Vaccaro

Thank you very much.

Mika Ware

You're welcome.

Operator

Your next question is from Eric Gonzalez with KeyBanc.

Eric Gonzalez

Hi. Thanks for the question and congrats on the really strong results. The step-up in April in terms of two-year traffic, can you discuss whether that was a reaction to the big QP promotion or perhaps, it's just momentum in addition to some other factors such as weather or macros? And in terms of the performance of the Big QP, how does that compare to the Big Smasher in terms of menu incidents?

Kevin Hochman

Yes. So it's Kevin. Eric, so the momentum is all of the above. So when we saw the Big Smasher a year ago really take off, we thought, hey, we need to make sure we have really, really strong plans a year from now so we can continue the momentum going. And that was why the Big QP was designed. It was designed to keep momentum going. We are selling more Big QPs than we did Big Smashers at launch. So we feel very bullish. We've also had more media impressions or PR impressions for the Big QP probably because we have more of an audience now about value based on our track record of value.

So we feel very good about the ability of the Big QP to continue the acceleration of the business. I also think just in general, as we continue to improve service levels and food grade scores, I think that's why you're seeing the business continue to have momentum. Like that's what we've always maintained is we've got to continue to improve the experience for the guests if we expect to continue to grow comps on top of growing comps, and that's exactly what we're doing right now. So the net of it is Big QP is doing what it's been designed to do, which is to continue the momentum on value. And then the things that we're doing outside of a promotion, working on the fundamentals of casual dining, we can continue to work to continue to accelerate our business.

Eric Gonzalez

Thanks.

Operator

Your next question for today is from Sara Senatore with Bank of America.

Isiah Austin

Hi. Thanks for the question. Isiah Austin on for Sarah. Just a quick question, just speaking about value perception. How would you say that the value environment, promotional intensity has trended just throughout the quarter and going into April? And if you can just give broader comments on the demand environment as a whole, that would be appreciated. And I have a quick follow-up.

Mika Ware

Okay. For us, the three for me, the demand on our \$10.99 has been very stable, very steady. So we didn't see any increases from Q3 into April. It's been right at that 19% and then a little bit over half of that is what's on the \$10.99 value.

Kevin Hochman

And competitively, you guys see what we see, right? Obviously, the environment has gotten more and more competitive. It got more competitive last quarter that we reported on in Q2. It's obviously gotten more competitive this quarter. It doesn't seem to be making a dent in what we're doing.

And once again, I don't think that the value equation is just about the lowest price. I think we've proven now it's about both the price as well as what you get and the experience that you have. And I think what you're seeing in the industry is the guys that are growing market share right now, they're the ones that have generally better experience. And so it's not just about the lowest price point.

We're pretty confident that as long as we keep our experience levels high and keep our food scores high with a \$10.99 price point, we think that's pretty difficult to beat in the industry, and we're well positioned even if the macro were to continue to soften. So -- but we're seeing exactly what you guys are seeing, intense promotional activity. We're seeing all the same things about where the consumer sentiment is. But as far as our business results, they don't seem to be that impacted by what's going on right now, I think, given where we're positioned.

Isiah Austin

Got it. Makes sense. Thank you. And just really quickly, it looks like operating leverage was slightly lower year-over-year versus 2Q, despite like similar same-store sales growth. Could you talk about kind of the underlying dynamic that may have shifted quarter-over-quarter there?

Mika Ware

Yes. So really, it was labor. And so I talked about in Q2 that we were understaffed in October. And so we staffed up throughout that quarter, and then you saw that momentum continue with the staffing up into Q3. So we over earned just a touch in labor in Q2 and then that normalized in Q3. So that's where you saw that change.

Isiah Austin

Thank you.

Kevin Hochman

Welcome.

Operator

Your next question is from Jim Sanderson with Northcoast Research.

Jim Sanderson

Hey, thanks for the question. Congratulations on a great quarter. I was wondering, given the many changes you've made, how has the capacity of an average Chili's improved in terms of weekly in-store traffic and off-premises traffic? And then what constraints -- capacity constraints are you trying to resolve going forward?

Kevin Hochman

Yes. Hey, Jim, it's Kevin. So that's a great question. It's something we're working on. We have a team that we put together, we call it the north of six team. So there's over 100 restaurants today that do more than \$6 million AUVs. Our brand average is closer to 43, 45 right now. So these are restaurants that they're not any bigger than a normal Chili's. And for some reason, they're able to handle huge capacities, right? And what we're learning is they do some things differently than the corporate structure, and we're learning from them to then reapply that to the other parts of the system. So we don't think there's any capacity constraint in terms of the equipment or the size of the boxes, given we have a sizable number of restaurants that are doing upwards. Some of them do \$9 million, \$10 million AUVs. It's really about learning from them to understand what are the different things that we need to do to make sure we get the most out of our boxes.

The other thing that Mika referred to earlier is our teams are starting to get used to the higher volumes. So it was probably easier for a team that was doing, let's say, \$5 million AUVs and it's gone up to \$7 million. That's much easier for that team because they're used to having high volumes versus a team that maybe was doing \$3 million AUVs that is doing \$4.5 million. And so the teams are getting more and more used to how they deal with the volumes. They're sharing learnings across the system, and we're just getting stronger about higher volume and higher traffic. So our traffic is now back to where it was over a decade ago in terms of 2015 levels.

So we're going to continue to get stronger and stronger. And I love this north of six team, using the best operators in the system, working on the highest volume restaurants to start teaching the lower volume restaurants as well as what are the things that we need to do differently corporately to be able to handle the increased traffic.

Jim Sanderson

All right. And a quick follow-up. Could you update us on what the off-premises mix is delivery and pickup?

Mika Ware

Yes. So off-premise for both brands keeps -- it still hovers around that 24%, 25%. And then the delivery for Chili's is half of that. So it's still about half and half split between carryout and delivery.

Jim Sanderson

All right. Thank you very much.

Mika Ware

You're welcome.

Operator

Your next question for today is from Rahul Krott [ph] with JPMorgan.

Q – Unidentified Analyst

Good morning, guys. You have a significantly delevered balance sheet now and a strong free cash flow trajectory. How should we think about the levels of future CapEx, especially considering the ramp of Chili's remodels and Maggiano's growth? If you can elaborate some detail there? And further down the line, would M&A reenter the picture for Brinker at all?

Mika Ware

All right. So moving forward, we did talk about that our CapEx could ramp up with the reimages. And so we'll get into more specifics on what our CapEx budget will be in the future next quarter when we wrap it up and kind of guide for next year. But again, we will continue to utilize this cash that we're generating to invest in the business and grow the business long term.

Other than that, I've said, invest in the business, pay down our debt, that will be significantly done by the end of this fiscal year. So the third priority would be return cash to the shareholders. We've mentioned that we would probably do that in the form of a share repurchase program next on the list. So we'll see as the time happens on that.

As far as M&A goes, obviously, there is nothing that is on the radar right now. We always look at opportunities in the future, but nothing that we're doing or considering right now. We're going to lean into Maggiano's. We have a small brand that we're very proud of that we're in the midst of turning around, and we think that brand has a lot of growth opportunities. So we're going to lean into that opportunity first.

Q – Unidentified Analyst

Thank you

Mika Ware

You're welcome.

Operator

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

Kim Sanders

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

Operator

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

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