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# Brinker International, Inc. (EAT) Q3 2026 Earnings Call Transcript

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## Q3: 2026-04-29 Earnings Summary

Insights



EPS of \$2.90 **beats by \$0.04** | Revenue of \$1.47B (3.16% Y/Y) **misses by \$3.66M**

Brinker International, Inc. ([EAT](#)) Q3 2026 Earnings Call April 29, 2026 9:00 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  
Christopher O'Cull - Stifel, Nicolaus & Company, Incorporated, Research Division  
Dennis Geiger - UBS Investment Bank, Research Division  
Jeffrey Farmer - Gordon Haskett Research Advisors  
Andrew Strelzik - BMO Capital Markets Equity Research  
Jeffrey Bernstein - Barclays Bank PLC, Research Division  
Jon Tower - Citigroup Inc., Research Division  
Brian Harbour - Morgan Stanley, Research Division  
Brian Vaccaro - Raymond James & Associates, Inc., Research Division  
Nerses Setyan - Mizuho Securities USA LLC, Research Division  
Andrew Charles - TD Cowen, Research Division  
Christopher Carril - KeyBanc Capital Markets Inc., Research Division  
Hyun Jin Cho - Goldman Sachs Group, Inc., Research Division

## **Presentation**

### **Operator**

Good day, and welcome to the Brinker International's Q3 F '26 Conference Call.  
[Operator Instructions] 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**

*Vice President of Investor & Government Relations*

Thank you, Holly, 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 Mika Ware, Chief Financial Officer. Results for our third quarter were released earlier this morning and are available on our website at [brinker.com](https://brinker.com). As usual, Kevin and Mika will first make prepared comments related to our strategic initiatives and operating performance. Then we will open the call for your questions.

Before beginning our comments, I would like to remind everyone of our safe harbor regarding forward-looking statements. During our call, management may discuss certain items, which are not based entirely on historical facts. Any such items should be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All such statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such risks and uncertainties include factors more completely described in this morning's press release and the company's filings with the SEC. And of course, on the call, we may refer to certain non-GAAP financial measures that management uses in its review of the business and believes will provide insight into the company's ongoing operations.

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

**Kevin Hochman**

*President, CEO & Director*

Thank you, Kim, and good morning, everyone. Thank you for joining us as we discuss our financial and operating performance for the third quarter as well as our outlook on the remainder of fiscal '26. Q3 Chili's same-store sales of plus 4% marked our 20th consecutive quarter of same-store sales growth and outpaced the casual dining industry by 420 basis points. This strong result was rolling a plus 31% from last year for a 2-year cumulative comp of 37%. A list of the top 500 largest restaurant chains for all of 2025 just came out, and I'm proud to say Chili's is now the #2 casual dining brand for sales in addition to maintaining our status as the #1 casual dining traffic brand.

To put our sustained growth into perspective, if Chili's nearly \$1 billion of sales growth in calendar '25 was its own business, it would be larger than most of the restaurant chains on the list. After delivering a plus 15% in calendar '24, we often were getting asked what's going to be the next Chili's? With the 21% we posted in calendar '25, the answer was resoundingly Chili's. And in 2026, our sales growth has consistently outpaced the industry with our outperformance continuing to accelerate from 320 basis points better in February to 550 points in March and now 560 points month-to-date through April.

Chili's momentum is sustaining, driven by quarterly improvements in food service and atmosphere as well as continuing to make Chili's more fun, more easy, and more rewarding for our team members. These experience improvements, coupled with our everyday value leadership, represented by a per person average guest check that is \$3 to \$4 below competition, are supporting a powerful flywheel of traffic, sales, growth margin expansion, and reinvestment into our business.

Now I'll give some updates on the Chili's business. We spent Q3 continuing to work on the fundamentals, preparing for our new chicken sandwich platform launch and bringing in new guests with relevant marketing to experience Chili's. In Q3, our restaurant teams remain squarely focused on the fundamentals of the guest experience. From a food standpoint, our primary focus was chicken breading and cooking perfection, which involved retraining the teams on perfect execution of hand-breading our chicken crisper and chicken sandwich lineup, which will ensure those items are freshly cooked, hot and crispy.

A key differentiator of our chicken sandwich is that we hand bread the chicken in restaurant. We believe a freshly breaded filet tastes better than chicken that has been breaded and fried by machines in a factory, frozen, shipped hundreds of miles and then refried in a restaurant. And in anticipation of our Q4 chicken sandwich launch, our teams were busy ensuring restaurants were ready for the guests that will come in, including reinforcing daily procedures for sparkling clean restaurants and emphasizing key areas to double down on Chilihead Hospitality, our differentiated customer service that drives memorable experiences to grow sales and traffic over time.

While our competitors ramp up limited time offers, we spent the quarter investing time in operations, training and culinary resources into everyday capability that more closely correlates with long-term sustainable traffic growth. We believe doing fewer things bigger and better is a more sustainable way to build traffic and grow our business over time. The result is continued momentum on the business, attracting new guests in and retaining the ones we have converted. Dine and GWAP or Guests With A Problem continued its 3-year decline, finishing the quarter at 1.9%. Food grade finished at 75% and intent to return was also an all-time best at 79%. Our operational improvements continue to deliver better experiences for our guests, and our tokenized cohort tracking yielded similar results from previous quarters. New guests are coming into the restaurants and following the pattern of existing guests on frequency, which gives us confidence growth will continue to sustain.

Our chicken sandwich platform launched on April 14, with our new menu drop. The lineup features 2 sandwiches at our \$10.99 3 for Me opening price point, the Big Crispy and the Spicy Big Crispy, which includes fries, a bottomless Coca-Cola drink and bottomless chips and salsa. Given a wide range of guest preferences, we also offer 3 flavored chicken sandwiches, Nashville Hot, Signature Honey Chipotle, and Buffalo with 2 sides as well as the Big Crispy Deluxe with lettuce, tomato and bacon. All sandwiches are served with our Chili's Signature house-made ranch for dipping and dunking that our guests absolutely love and pour on everything. This adds an additional point of differentiation you can only get at Chili's.

The sandwich platform was launched behind our Better Than Fast Food Campaign, this time tapping into an insight we have seen among consumers frustrated with what they call shrinkflation, where portion size is reduced to offset rising input costs. For example, a post went viral a few months ago when someone posted a photo where a famous fast food chain's burger pickle was actually thicker than the burger patty itself. We believe Chili's over-the-top generous portions are a great way to resolve the biggest challenge facing our customers today. In a world of rising inflation, how do I get the best value for my money? Our TV ads both show and tell our chicken sandwich is way bigger than the leading fast-food restaurants most premium chicken sandwich. And at \$10.99, this addition to the 3 for Me platform is the perfect antidote for corporate shrinkflation.

The launch campaign geared a before your eyes demo of a balancing scale holding our Chili's Big Crispy in one pan with its lighter fast food foil in the other. The scale is not in balance with the new Big Crispy demonstrating it is the exact opposite of shrinkflation, weighing down the scale heavily. In fact, our test conducted in the Dallas-Fort Worth area, weighing a large sample size of sandwiches, the new Big Crispy filet was over 80% bigger than the leading fast food restaurants premium chicken sandwich filet.

I know many of you are interested in specifics on how the launch is performing. And while it's only been 2 weeks in market with only 1 week on TV, initial response to the new sandwich platform has been encouraging. So far, the overall platform is selling 161% more sandwiches than prelaunch and is significantly outpacing the numbers we saw in the 200 test locations. From a total business standpoint, we have been comping in mid-single-digit sales in April with positive traffic, which is rolling a plus 29% in April, driven by the Big QP launch in the prior year. As I said earlier, we have accelerated our sales outperformance versus the industry to 560 basis points in April, which only includes 2 weeks of chicken sandwiches. So while it's still early, the initial results on both the platform and the total business are both encouraging.

I also want to give an update on our north of 6 initiative and how it will be a key to continued sustainable comp growth. A question we get asked a lot is with all the traffic growth you've had in the past few years, do you still have capacity for more? So let me start with the numbers. Our average traffic is now back to 2013 traffic levels, but that's still about 20% less weekly guests from our peak in 2000 to 2005. And our north of 6 restaurants serve anywhere from 20% to 80% more guests than our current average restaurant traffic. So the first point is we know we have a lot more capacity in the buildings.

The second question is, what are we learning from the north of 6 restaurants? And first of all, the dramatic business simplification has been a huge enabler for our restaurants and the direction we are getting from the managers of north of 6 restaurants is we need more simplification. So our teams are going to challenge every requirement that slows down our restaurant teams. We'll continue to remove items and processes that don't help the guests or team members. And the new initiative I'm most bullish about is speeding up cycle time, meaning looking at everything that goes into the total time of kitchen prep and the dining experience and finding ways to simply remove time. For example, if one of our restaurants are on a wait on the weekend, the average wait time is about 15 to 20 minutes. That number is pretty good. But remember, that's just an average, which means there are about half our restaurants with longer waits.

If we have enterprise project teams studying every bit of that wait to understand what are the bottlenecks we need to remove to reduce that cycle time, whether it be at the host stand, taking orders, kitchen ticket times, checking out with the Ziosk payment system and ultimately resetting tables for the next wave of guests. Chief Operating Officer, Aaron White, and our cross-functional teams are hard at work to reduce cycle times across the entire dining experience. I look forward to sharing new additional initiatives, which should be a continual tailwind for traffic on future earnings calls.

On the Maggiano's business, we are continuing to make progress in its turnaround. When you adjust for Christmas Day falling in Q3 of this fiscal and the January weather, we did see sequential improvement in traffic and comp sales. Customers are noticing more abundant portions, more generous family style and the return of classic Maggiano's dishes like eggplant parm and Gigi's butter cake. Value scores are improving. We still have a lot more opportunity ahead of us with service and removing non-value-added process to improve Maggiano's dine-in times. But the important thing to know is we are making sequential progress. This turnaround, like the Chili's turnaround, will take time. But as long as we focus on important areas of food service and atmosphere and make progress every quarter, I'm confident we'll return this business to growth. As a reminder, Maggiano's is only 8% of our company sales and low single-digit percentage of our profit contribution, but it can be a source of growth in the future given the white space opportunities.

To close out, I want to do some recognition of our integrated marketing team and our supplier partners on industry recognition. The industry-leading publication Ad Age named Chili's the brand of the year for the second straight year, an award that has never ever been awarded to the same brand 2 years in a row. This is an award recognizing the best work in all industries, not just restaurants. In addition to Chief Marketing Officer, George Felix and our Marketing Vice Presidents, Jesse Johnson and Steve Kelly, we have developed a deep bench of directors, managers and a collection of world-class agencies in various disciplines who have delivered the results over the past 3 years to earn this industry recognition.

And the last bit of recognition I want to do is to congratulate our driver, Carson Hocevar, and the entire Spire race team for their first ever NASCAR Cup series win in Talladega last Sunday, driving the #77 Chili's car. Carson is a servant leader to his team and his fans and always makes those around him feel special. He's a perfect representative of what we like to call Chilihead hospitality that our guests experience in our restaurants. And hats off to our Mooresville, North Carolina, Chili's restaurant team and Area Director, Rachel Austin, who stayed open late Sunday night for Carson and the Spire team to celebrate their victory with a lot of triple dippers and a few Presidentes.

To close, Chili's delivered another strong quarter, rolling big numbers from prior year. The quarter got stronger as we moved out of January, and we accelerated our market share growth as the quarter closed and now into April, driven by the chicken sandwich launch. Yes, there are macro headwinds the industry is experiencing, but Chili's is well-positioned to continue winning in this environment given the improvements in food service and atmosphere and our industry-leading everyday value. That formula has proven quarter after quarter to be resilient in driving traffic and outperforming the industry.

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

**Mika Ware**

*Executive VP & CFO*

This quarter marks our 20th consecutive quarter of same-store sales growth and our second year of traffic gains, evidence of the durability of our results and the sustainability of our strategy. With the end of fiscal '26 in sight, we expect average annual unit volumes for the year to approach \$5 million. These higher sales levels and strong unit economics continue to support our Invest to Grow strategy. We maintained strong business momentum this quarter, achieving positive same-store sales despite last year's positive 31% comparison, including 4% growth at Chili's. While winter storm burn affected Chili's January sales, growth returned to mid-single digits after weather conditions improved. In both February and March, Chili's comparable restaurant sales increased 5.9% with positive traffic, reflecting the underlying strength and momentum in our business, which we expect to continue throughout the rest of fiscal '26.

Turning to our financial results. In the third quarter, Brinker reported total revenues of \$1.47 billion, an increase of 3.2% over the prior year, with consolidated comp sales of positive 3.3%. Our adjusted diluted EPS for the quarter was \$2.90, up from \$2.66 last year. Chili's top line sales growth was driven by price of 4.6% and positive mix of 0.6%, offset by negative traffic of 1.2%. Weather and a holiday shift negatively impacted sales and traffic at Chili's by approximately 2.1% during the quarter. For Maggiano's, the brand reported comp sales for the quarter of negative 4.6% with negative 10.4% traffic, partially offset by positive mix of 0.6% and price of 5.2%. Weather and a holiday shift negatively impacted sales and traffic at Maggiano's by approximately 2.1% during the quarter.



At the Brinker level, restaurant operating margins were 18.4% for the quarter compared to 18.9% in the prior year due to higher food and beverage costs and higher restaurant expenses, partially offset by sales leverage. At Chili's, we continue to make investments in food by upgrading the quality of ingredients and making recipe improvements for items such as ribs, frozen margaritas, queso, nachos and our bacon cheeseburger to improve the guest experience and ensure value across our entire menu. In addition, we prioritize actively repairing and maintaining our facilities to provide a comfortable and fun atmosphere.

At Maggiano's, we continue to execute the Back to Maggiano's strategy, which is designed to improve our value proposition, optimize our service model and ensure our atmosphere is clean and well-maintained by making the investments needed to improve the business. Food and beverage costs for the quarter were unfavorable by 60 basis points year-over-year due to unfavorable menu mix with 4.6% commodity inflation, mainly due to beef offset by price. Labor for the quarter was favorable 60 basis points year-over-year. Top line sales growth offset wage rate inflation of approximately 3.4%, additional investments in labor and higher health insurance costs. Restaurant expense for the quarter were unfavorable 50 basis points year-over-year due to higher repair and maintenance costs and general inflation impacting expenses such as utilities, rent, to-go supplies and delivery fees offset -- partially offset by sales leverage.

Advertising expenses for the quarter were lower than expected and flat to the prior year at 2.9% of sales due to a portion of spend that shifted from the third quarter to the fourth quarter of this fiscal year. G&A for the quarter came in at 4.0% of total revenues, 10 basis points favorable to prior year due to sales leverage and lower performance bonus accruals, partially offset by an increase in restaurant center support resources to support our growth. Depreciation and amortization for the quarter came in at 3.7% of total revenues and decreased 10 basis points year-over-year due to sales leverage and lapping accelerated depreciation from the prior year due to the retirement of the CTX and Impinger ovens. This was partially offset by an increase in our asset base from new equipment purchases.

Third quarter adjusted EBITDA was \$223.7 million, a 1.4% increase from the prior year. Our adjusted tax rate declined year-over-year to 18.7% compared to 19.3% in the prior year, largely due to the impact of a prior year tax catch-up associated with stronger-than-expected performance. Capital expenditures for the quarter were \$51.2 million, driven by capital maintenance spend. At the end of the second quarter, we completed our first 4 reimages at Chili's, and the learnings were used to inform our long-term reimage and new unit growth strategy. As we shared last quarter, we plan to complete another 8 to 10 reimages during the remainder of this fiscal year and another 60 to 80 during fiscal 2027 before getting to a planned cadence of 10% of the fleet every year starting in 2028. Regarding new unit growth plans, our goal is to continue to ramp up to a new run rate by fiscal 2029, and we expect to share more details on our strategy and plans at our Investor Day later this year.

At Maggiano's, our main focus areas will continue to be guest-facing repairs and maintenance, supplemented by a smaller reimage program. Our strong free cash flow provides sufficient liquidity to maintain our disciplined capital allocation strategy, allowing us to invest in restaurants, keep debt levels low and return excess cash to shareholders. We continue to support this approach by repurchasing \$108 million of common stock under our share repurchase program in the third quarter. In addition, we are planning to call our \$350 million 8.25% bonds early in fiscal 2027 using the liquidity of our \$1 billion revolver, which would provide interest expense savings in fiscal 2027 and the flexibility to continue reducing leverage if we choose.

In terms of our expectations for the balance of the year, as noted in this morning's press release, we're updating our guidance for fiscal 2026 to include the following: annual revenues in the range of \$5.78 billion to \$5.82 billion, adjusted diluted EPS in the range of \$10.60 to \$10.85. Capital expenditures in the range of \$240 million to \$250 million; weighted average shares in the range of \$44.7 million to 45 million. Our guidance assumes wage and commodity inflation in the low single digits and a tax rate of approximately 19%. April started the quarter on a strong note with continued mid-single-digit sales growth and positive traffic. In addition, our outperformance versus the industry is accelerating, and we remain confident we will lap the fourth quarter with mid-single-digit sales and positive traffic at Chili's.

Looking ahead, our results show that our strategy is sustainable and that we're positioned for continued growth. At Chili's, we will build on our momentum by continuing to bring in new guests and drive loyalty through relevant and innovative marketing, menu innovation and strong operations and our industry-leading everyday value. We're confident these strategies will support our ability to drive growth, invest strategically in the business and deliver value to shareholders. I look forward to providing further details at our upcoming Investor Day scheduled in Dallas for Thursday, September 17.

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

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

### **Operator**

[Operator Instructions] Your first question for today is from David Palmer with Evercore ISI.

### **David Palmer**

*Evercore ISI Institutional Equities, Research Division*

Two questions, if I could. Just I know you said some stats on the chicken sandwich, but if you wouldn't mind, so forgive me if I'm making you repeat yourself, but any stats on that would be helpful, the mix of the product, the perceived lift to same-store sales when you exclude any of the noise that might be out there, new guest repeat, customer sat scores associated with it? And then is your experience that the lift from that -- a product like that will rise over time with the TV campaign, consumer trial for a product like that?

And then just a big picture question. As Chili's approaches \$5 million in AUV, and I'm not asking you to front run your Analyst Day out in September, but how are you thinking about the big levers from here and how they'll be different to get the next \$1 million or \$2 million? How should we be thinking about your big hairy goals here from here and how you get there?

### **Kevin Hochman**

*President, CEO & Director*

Okay. So 2 big pack questions. So I'm going to start with the chicken sandwich first, and then I'll address the second one about sustainable growth in the second. So from a chicken sandwich standpoint, we don't have really much more to share because it's only been 2 weeks of launch. We've had 1 week of merchandising only and then 1 week of TV. And we're seeing 161% more chicken sandwiches today than we did pre the launch, which is significantly higher than what we saw in the merchandising-only test market. So -- and in fact, the first week where we were merchandising only, we did see higher lifts than we saw in the test market. So that's all good.

As far as like what's the feedback been, anecdotally, we've heard mostly very, very positive, both in the reviews that we see online as well as in talking to our team members. The first thing that people tend to say when they see it is, "Oh my goodness, this is a really big sandwich," which is exactly what we're going for. Inflation is how we position the sandwich and the price point and the size, especially when we compare to our fast-food foil. So that's all working. Over time, we're going to see whether it continues to maintain. So we'll be able to answer your questions about repeat rates and we have all that tokenized data, but that's going to take a few quarters to really understand that. But right now, we feel very, very bullish about it.

Typically, when things mix a lot, they tend to be generally overall more incremental from a magnitude standpoint. So the fact that we're beating the test market is very encouraging. And then we obviously saw some acceleration in traffic driven by the sandwich over the past 2 weeks, which feels good, too. So it's too early to declare this thing is successful. But so far, we're really encouraged by the data that we're seeing.

Now on the second question, David, on what are the next drivers of sales over the next 3 years, we're kind of a repeat record on this. There will be new initiatives behind this, but it's still going to be focused on food service and atmosphere. So from a food standpoint, we talk about the other menu categories that still need renovation, plus we'll have some innovation on the core categories that we've already renovated. So that will continue.

From a service standpoint, I think the big unlock of north of 6 that we're understanding over the past 3 months is this idea of cycle time. So the idea of how do we take the throughput that we're seeing in the north of 6 restaurants and expand that throughout the system. They do a lot of things differently to get higher throughput. So like the example I gave in the prepared script, was at the host stand, right? So typically, in a north of 6 restaurant, they either have more staffing at the host stand than what the labor card says and/or they have more senior level of staffing, either paying a more senior host or sometimes having a manager be in the door during busy peak times, right?

In addition to that, there's software behind that when we use the seating system that we need to make sure the teams are trained on, they're using consistently so that when we quote wait times, they're more accurate because we need to use that all the time. So there's a bunch of work that we need to do for the host rollout that we're learning from the north of 6 restaurant. That will go in Q2 of next fiscal, but that's like one example of reducing cycle time, which I think is going to improve throughput, not just for north of 6 restaurants, but more importantly, the entire system.

And then on atmosphere, the big thing is the reimage. And you're going to be able to see that when you're here for the Investor Day. We're going to take you out to the restaurants, so you can see them for yourselves of what we're doing. The next 8 to 10 that we're doing in these 3 months is really going to be finalizing what are the things that we want to invest and what are the things that we don't want to invest in so that when we start with 60% to 80% next fiscal and obviously get to the 10% run rate in fiscal '28, we're off and running with the best possible package with the best possible payback. So we're very bullish about the growth levers in front of us. And obviously, I even talked about our world-class marketing, which continues to get stronger and stronger and bring new guests in. So we're very, very bullish about the continued sustained growth of this business.

## **Operator**

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

## **Christopher O'Cull**

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

Kevin, just given the recent volatility in consumer sentiment, have you observed any canary in the coal mine type behaviors such as check management or softness in lower income spending?

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

The answer is we're seeing a little bit of check management. So as we've seen traffic accelerate behind Chicken Sando launch, we've seen a little bit of check management in desserts and in alcohol. Our alcohol sales are still way up with the growth that we've had with the business, but we are seeing some incidents start to slow. And here's what I would tell the team is let's control what we can control. So we can continue to win market share with the best food service and atmosphere in the industry with industry-leading value, and we need to stay focused on that.

Whatever happens to gas prices in the macro, that's out of our control. But what we can control is staffing our restaurants for peak. We can control serving great food and with wonderful service in a clean and inviting environment. And if we continue to do that, we'll continue to grow market share, we'll be able to hang on to our business. And then obviously, if the macro gets any better, we'll be able to grow even faster behind that. So I'm kind of like a broken record on it. It doesn't matter what happens with the macro. It doesn't matter what happens with external factors. Our indicated action for this team is improved food service and atmosphere and good things will happen, and we're just going to stay focused on that.

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

Makes sense. And then, Mika, I know margin flow-through was impacted, I think, by R&M expense this quarter. Can you help us walk us through how to think about flow-through in the fourth quarter? And were there any significant headwinds on any line items that we should be aware of? And then maybe whether the new sandwiches to the platform are margin accretive or margin neutral? Any color would be helpful.

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

Okay. Great. Yes. So I know the flow-through, we continue to invest back in the business with this invest to grow strategy. So that's part of it is that we don't flow it all through when we put it back in. We saw that food and beverage was up a little bit year-over-year. We continue to invest in labor. And then our restaurant expense, like I said, the R&M, we caught up with a lot of the deferred maintenance. Now we're shifting to preventative maintenance, which takes a little bit of time for that to start really coming through that you can see some opportunities or some reduction in future expenses. But we are seeing a lot of give and take in there. If you look at our R&M just over the first 3 quarters, you can really see that we've kind of established a run rate. So it's pretty steady. I think some of the volatility is really lapping the prior year. And we'll continue to look at that and get more efficient in our spend, but that's kind of one of the drivers there.

Looking forward on margins, I think in the fourth quarter, you're going to see probably similar margins. Maybe food and beverage are going to creep up a little bit. We have a beef contract that came due, a state contract that's going to be a little bit more. I think we'll continue to leverage the labor that will probably offset any of that increase. And then you'll see very similar, I think, to restaurant expense this quarter as a percent of company sales. I think you'll see something there. So I expect margins to be similar from Q3 to Q4, and I expect margin growth to happen, return to margin growth in Q4. And I'm very confident in what I stated at the beginning of the year is that, taking a step back, we're going to grow our margins year-over-year at 30 to 40 basis points. I'm very confident about that moving forward.

## **Operator**

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

## **Dennis Geiger**

*UBS Investment Bank, Research Division*

With all the focus on the chicken sandwich, all 6 varieties of which are delicious, as you know, you put up great results in April, even with just a couple of weeks of the sandwich seemingly, even as you talked about that acceleration in traffic with the sandwich. But I'm curious if you could talk a little more about sort of ex the sandwich, some of the key drivers of that momentum that you've been seeing, especially as we kind of go into 2027? Or said differently, even if, let's say, the sandwich incrementality is not a significant step change in trend, do you think that sort of the mid-single-digit type of comp trajectory is still within view?

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

Well, the answer to your last part of the question is yes. I still think that mid-single comp is still within purview. The recipe for success for us is just to continue to improve the fundamentals, so foodservice and atmosphere. That's why every earnings call, I talk about the improvement on Guest With A Problem and GWAP and food grade and intent to return because what I tell my team is if it's not better than the previous year, what belief do we have that we're going to continue to grow. So we have to continue to improve those things because we're not going to like LTO our way to growth that we see others do. So we want to use those resources on the things that drive long-term traffic and sustainable growth.

And if we believe in that, those metrics have to continue to improve. And that's why when we budget the year, we have some food news that has to do with upgrading the permanent menu, but most of our initiatives have to do with improving food service and atmosphere on the kind of the core thing, like the thing like Q2 hosting, what we're going to launch for next fiscal. That's all about throughput and driving traffic. That's not a new piece of food that's necessarily going to drive traffic. It's going to drive traffic through taking the demand that we're already having come to the restaurants and making sure they don't leave, right? So the recipe for success right now is to continue to improve food service and atmosphere, continue to improve the fundamental metrics, right, and then let the world-class marketing team create excitement so that people come into the restaurant and try it for the first time. And that's why we also share the token data because the idea is, hey, we are bringing -- we are putting new guests into the funnel every quarter.

And then when we look back over the next 6 to 12 months, they start looking like existing guests. And that's the key. If the fundamentals continue to improve, then the new guests that come in will start looking like existing guests, and we've just got to keep that flywheel going. That traffic growth obviously drives sales growth. Sales growth drives revenue growth -- drives profit growth. We're able to reinvest some of that back into the business to continue the flywheel and drive traffic growth, right? That's the recipe that's worked the last couple of years, and that's the plan for the next 3 years.

**Operator**

Your next question is from Jeff Farmer with Gordon Haskett.



**Jeffrey Farmer***Gordon Haskett Research Advisors*

Mika, I think you just said that there's an expectation that you can grow margins by 30 to 40 basis points sort of on a go-forward basis or at least in '27. But beyond continued same-store sales momentum, what dynamics do you see contributing to that level of margin expansion? And hopefully, I got that 30% to 40% -- or 30 to 40 basis point number correct in the question.

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

Yes. Well, the 30 to 40 basis points was referencing this fiscal year, what we guided, very confident in that. But I do think that we will be able to grow margins over time. And it will primarily be from sales leverage because that's our strategy is to grow the top line. But we do think there can be opportunities now that we have gotten through the turnaround, we've stabilized the teams. We've attracted better talent. This does give you an opportunity to just be more efficient in your spend, and I think we'll look for ways as we move forward to do that as well. But even with the sales growth, I do think that we can continue to leverage margins.

**Jeffrey Farmer***Gordon Haskett Research Advisors*

Okay. And then just one quick follow-up. As it relates to menu pricing moving into FY '27. I think you guys have been back-to-back mid-4% in '25 and '26. How are you thinking about menu pricing as you move into FY '27?

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

Yes. So the very first thing, most important thing for us is to protect our value proposition. We're going to protect that \$10.99 industry-leading value, have it there for those that need it. And then we also want to make sure we have value across the entire menu for everyone. And with that being said, moving forward, I do think that we'll continue to invest in food service and atmosphere, but we will probably be on the lower end of our stated pricing range. So moving forward, we'll have to -- we're always going to make sure that we can price for inflation, but we're going to make sure we balance that with making sure value is there for our guests.

**Operator**

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

**Andrew Strelzik**

*BMO Capital Markets Equity Research*

I know there's a lot of focus on the food initiatives and the menu initiatives that you guys have planned. But I was hoping you could talk a little bit more about the operational and service improvements and those kind of legs of the stool there. How much more room for improvement is there? What are kind of some of the bigger opportunities that you see kind of going forward to drive that?

**Kevin Hochman**

*President, CEO & Director*

Yes. It's frustrating, but it's also really exciting how much more opportunity we have. So look, we didn't even touch on the technology initiatives that are happening from an operational standpoint. We continue to improve our KDS system. We have a -- we're just kicking off now an entire back office redo, basically taking all these antiquated systems and getting to -- it's not an ERP system, but the idea that all the back-office systems could be connected. So it's going to be way more usable for the team members, hopefully, help for throughput as well as retention. That's the big one.

We still are working on -- we're rolling out right now our team member handheld initiative, which is a complete upgrade to the interface. That's gone a little slower as we rolled it out just as we've seen some glitches. We paused it to get it fixed and it's rolling back out now, which should be done by next quarter, which is a huge one. So that's all the technology initiatives and there's a lot more than that. We have what we call Supermarket Simple that's going to be rolling out in the next quarter, which is all about removing the friction that happens at the end payment with the Ziosk where either a discount didn't come off that the guest expected or they accidentally left a different type of tip and we need to get that reversed.

These are all things that hold the tables. I'll give one example. This one simple example that happens about 7 times a day where we've got to reverse something out on the Ziosk. We added it up. It was like over 20 years where the tables tied up for the guests waiting for that to get reversed by a manager. And that's an example where we can fix that very quickly with an update from Ziosk. So there's a huge amount of technology initiatives.

And then from an operational standpoint, really the big push now has been the north of 6. So we're moving from kind of defense of just removing a bunch of stuff and making it much easier for our team members to operate. We're now moving to offense on accelerating cycle time. So whether that's the host stand, whether that's ticket times, a great example we'll see in very busy restaurants is their ticket times will be a little bit inflated. We'll go to the labor card to understand are they scheduling enough cooks. The answer is no. And it's like that's a clear indicated action that we can continue to take on more traffic and get those ticket times down.

So ticket times, even the checkout time that we talked about earlier. So there's a ton of initiatives that are coming. We'll be giving a lot more detail at Investor Day on the new things that we haven't talked about before. But I remain very, very bullish about our ability to improve the operations, continue to get GWAP and intend to return scores better and better as well as the most important thing right now is to get throughput going.

**Andrew Strelzik**

*BMO Capital Markets Equity Research*

Great. Okay. And then I wanted to ask also on the remodels, and I know it's very early days, but can you just remind us kind of spend levels? How should we think about the types of lifts that we might be able to expect there as that continues to build? Or maybe kind of are there different levels that you're testing? How should we think about that?

**Mika Ware**

*Executive VP & CFO*

Andrew, yes, so it's really early with only 4 restaurants that we've done so far. But we are optimizing the spend. The good news is we did 4 different levels of spend and the lowest level of spend is getting the same sales lift. So we are getting a sales lift in these restaurants. We're optimizing the spend. But we'll have more of that to share once we have a bigger test group with the 8 to 10 and then the 60 to 80. So more of that, again, will come in September when we just have a little bit more time to read the test, but very encouraged with the spend and the sales lift that we're getting in the early 4.

**Operator**

Your next question is from Jeffrey Bernstein with Barclays.

**Jeffrey Bernstein***Barclays Bank PLC, Research Division*

The first question is just on the new unit opportunity. Clearly, new unit growth is more of a stable driver of top line than comps. But can you talk maybe a little bit about the changes in the new units you anticipate versus existing, maybe the cost to build and return requirements. I know the Investor Day will offer more color, but just how you think about the U.S. total addressable market for a brand that most people view as fairly mature. And then I had one follow-up.

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

Okay. Thank you, Jeff. Yes. No, we're really excited about our new unit growth strategy. So our first step was to really build up the team. We have a great leader with Richard Ingram. We have a lot more insights, a lot more analytics. Just the whole team is phenomenal. So we've really started gearing that up. Primarily in the past, we've really stuck to some of the states, our biggest states that we always have done a great job in California, Texas, Florida. We continue to build there. We've been very successful, and we'll still build there. But there's a lot more opportunity across the United States for us to build in different markets. So it seems like Chili's is everywhere, but Chili's is not everywhere.

So again, we'll kind of spell that out and give more detail on how and why we think we have a much larger addressable market, but we are going to be able to ramp up our unit growth. And so next year, you won't see it next year just because there's usually about an 18- to 24-month cycle, but we can already see the teams are ramping up for F '28, and we expect to get to our new growth run rate in F '29. As far as the units go, we're making sure we're using a lot of the fun elements from the reimage. And then we're working with the operators and all the insights we have, again, with the north of 6 restaurants just to make sure that we have these restaurants exactly how we want them, especially with the new unit volumes that we're experiencing to make sure that they are designed for optimal throughput. So a lot of exciting things to come. We have a very strong team. We're ramping up the growth, and that's going to be a great lever for us as we move forward.

**Jeffrey Bernstein***Barclays Bank PLC, Research Division*

Understood. And the follow-up, just Kevin, I think you noted that Maggiano's was -- I think it was high single-digit percentage of sales, low single-digit percentage of operating profits. I know the turnaround is on track, but seemingly take time. Just wondering whether there's any incremental interest in adding a second brand of greater scale, maybe something more meaningful in terms of sales and profit contribution. Clearly, you have the credibility, you have the playbook to strengthen maybe more of a national brand now that Chili's is seemingly in a much more stable and consistent growth position. Just wondering whether there's any incremental interest or what it would take to maybe get you to think about a potential brand of more scale to add to the portfolio.

**Kevin Hochman**

*President, CEO & Director*

Jeff, we get asked that question a lot. What I tell my team is we need to be able to turn around a smaller brand first before we take on more risk of a bigger brand. So it's -- just because we have the playbook on Chili's doesn't necessarily mean that the same leadership team can do the same thing on other brands. And I'd rather prove it on a pretty risk-free opportunity like Maggiano's versus take the big swing for the first time on something a lot bigger that could put more -- put undue risk on the business that we don't really need to do right now. We're very bullish in continuing to be able to grow Chili's and do that profitably. And so we can prove out our beliefs about our ability to turn around other brands with Maggiano's.

Right now, part of the Maggiano's turnaround is also just unifying the system so that we could be ready for a third brand should we be able to turn around Maggiano's. So for example, one of the big issues in Maggiano's is its kitchen throughput. It has a very antiquated kitchen display system. We're now in process of putting them on the Chili's kitchen display system. If we're able to do that successfully, which we should be, it's pretty easy, then as we do updates as we learn more about the Maggiano's business, it's much easier because they can use the same team. It's much easier than having them to have to learn a completely different system, right?

So part of the Maggiano's turnaround is not just the financial improvements of Maggiano's, which is we all want, right? It's also proving to ourselves that we could have a model like some of our biggest competitor in casual dining does an exceptional job being structured to be able to plug in new brands. And so that's a big part of the Maggiano's turnaround, not just the financials, but actually structuring the company to be able to do that. But I will tell you, until we are able to do that, I would caution us from trying to get a third brand. We have no business doing that until we can prove that we can handle our second brand.

## **Operator**

Your next question is from Jon Tower with Citi.

## **Jon Tower**

*Citigroup Inc., Research Division*

On the north of 6 initiative that you're going after, I'm just curious, it sounds like there's a need to invest in some labor. So I'm curious if you could speak to where you see and think labor needs to go over time across the system? And then I've got a follow-up.

## **Kevin Hochman**

*President, CEO & Director*

Yes. So right now, when we look at the north of 6 restaurants, they don't all invest labor in the same places. I mean generally a trend for the extremely high-volume restaurants, they do invest more labor than what the model tells them. The typical positions are either in buster or server assistant. Sometimes it's servers and then sometimes it's hosts. Once in a while, it's cooks too. to get throughput there. So it really depends on the restaurant and what they need and the types of experience of people that are in the restaurant. So it's not a one size fits all.

As we think about the budgets that we're setting for our fiscal '27, there are some north of 6 investments baked into the numbers that we'll be sharing as part of our guidance when we come out with that a quarter from now. So just to be very clear, there will be some investments that they will be baked into the guidance that we provide. And then beyond that, there's a lot of other things that we're working on. Some of them don't really have to do with investments, just deploying different types of labor deployment or instruction. So we'll make sure that all of that is clear for you guys and that nothing is surprising.

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

So I would like to add on to that. So also remember, with our labor model and especially the north of 6, as we have more guests in the restaurant, it naturally scales up. So I don't know that it's a true -- really -- it's not going to be like -- I'm not anticipating it to be a really big investment. Also, when Kevin talks about some people are already spending more than our labor card, that's not just the north of 6. We have scaled that back to a lot of the restaurants, we're saying staff for the traffic you want. So a lot of that is built in our current run rate. We're going to formalize it next year. It will be an investment. There will be some investment, but it's not going to be as material as it has been in the last few years when we really had to staff up to just get that base model right. I feel now it's more of a lot of fine-tuning on the investment side.

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

Got it. I appreciate all that color. Maybe just flipping to the remodels. I know it's early in the process. But I'm just curious, as you're going through with the first 4 stores and now the planned, I believe, 8 to 10 more coming, are you seeing an opportunity to maybe do anything different in the back of the house as well with respect to either equipment or any of the processes that you've got -- or the build, hence, the processes get better in the back of the house?

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

Yes. So -- and it may not necessarily be tied directly to the reimage program, but we're always looking at the heart of house. We have a whole cross-functional team that is dedicated to looking at the equipment. Again, north of 6, part of that is to optimize the heart of house equipment packages. Do we need to add an extra fryer? Where do we need? At what levels do we add a separate combi oven? So we're looking at all of that. We're also thinking about that as we design the new prototypes on making sure that we have the space laid out just right and that we have the model built for those higher volumes and the equipment that we'll need moving forward. So it's absolutely a focus that we continue to look at different pieces of equipment, how do we improve either the quality of the food or the speed of our service. And so we have a whole team just working on that at all times that we could deploy.

**Operator**

Your next question for today is from Brian Harbour with Morgan Stanley.

**Brian Harbour**

*Morgan Stanley, Research Division*

With the reimages, are there elements of that, that sort of help with throughput? Or is that more of just like an aesthetic thing? Could you talk about that a little bit?

**Mika Ware**

*Executive VP & CFO*

Yes. So right now, it's more of the exterior, the inside is paint and just how the look and the feel of the restaurant. But we're always looking at our tables where, for example, in one of the previous reimages, we put in some big community tables in the bar. Well, we realize a lot of people don't like sitting at the community table. So as we go through, we make sure that those community tables are gone, those are separate tables. So any time we have the opportunity to update the tables or optimize the tables, we're doing that. And we're making sure we look at that really not necessarily in the reimages, but in the new units as well that we have the optimized tables and we have the most tables to help with throughput.

**Kevin Hochman**

*President, CEO & Director*

Yes. But it's other than the tables, it's mostly cosmetic throughput. Our 2030, Heart of the House restaurant team is focused on what is the equipment that can improve throughput. So like an example that we're looking at right now is a new type of grill. A flat top that all of the space is usable. It's really consistent in terms of heat across the grill. So you can put more burgers and they cook more evenly. That's an example that would have improved throughput. In addition, there's -- they have a manual clamshell attachment that would be able to cook on both sides. We tested computer clamshells a few years ago and thought they were not as reliable as they need to be, but this one likely would be more reliable. So that's an example where the equipment would give us more throughput and lower ticket times on burgers, which is obviously a huge part of our business. But I would consider that kind of separate from the reimage program.

**Brian Harbour**

*Morgan Stanley, Research Division*



Okay. Got it. Makes sense. Mika, how are you feeling about food inflation at this, I guess, more as we think about like fiscal '27, do you expect that to sort of reset higher? Is it something you'll sort of address with price when the time comes? Or could you talk about that?

**Mika Ware**

*Executive VP & CFO*

Yes. So I mean, it's -- we'll probably give you more -- I'm going to give you more details in next quarter when we set guidance for next year. But there's always puts and takes, but there is going to be pressure with beef. I mean that's clearly out there. Luckily, that's not the total basket for us. We're a varied menu, so we have different opportunities. Obviously, we sell a lot of chicken as well. But yes, we're going to continue to see pressure in commodities as we move forward. It will probably be similar levels that you've seen us in the past or this last half of the year, we've had that mid-single-digit inflation. So I'm anticipating that will be something similar as we move forward into F '27.

**Operator**

Your next question is from Brian Vaccaro with Raymond James.

**Brian Vaccaro**

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

Congrats on the continued strong momentum. Mika, just following up on that last question on commodity inflation. Did I hear correctly that you do expect low single-digit inflation in the fourth quarter? And maybe just any clarity on what's breaking a little bit more favorably for you even in the near term compared to the mid-4s you did in the last quarter?

**Mika Ware**

*Executive VP & CFO*

No. So it's mid-single digits in the fourth quarter, and that's what I expect to continue into next year, Brian. And so beef will continue to be a pressure for us. I was just saying there could be some gives and takes out there on different contracts. But in general, we're going to have inflation. It will probably be in the mid-single digits next year as well is what I'm anticipating now. More specific details to come as I give guidance next year. I'm just kind of giving a guideline now. We'll give more information on that next quarter.

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

Okay. Sorry, I thought I misheard the lows. So that's helpful clarity. Advertising. Yes, that's great. On the advertising front, I think you said it was flattish year-on-year as a percent of sales in Q3. Just ballpark, how much do you expect ad spend to be up year-on-year in the fourth quarter?

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

So in the fourth quarter, it will probably be in the \$5 million to \$6 million range for the fourth quarter.

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

Okay. All right. That's helpful. And then just a bookkeeping one for me. Can you share the sales mix of 3 for Me, kind of how that splits between \$10.99 and the higher tiers and also on Triple Dipper?

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

Absolutely. So we continue to have about 20% of our guests eat on the 3 for Me platform. Approximately 40% or a little bit less are eating on the \$10.99. That converts to total 3 for Me is about 12% or almost 13% of our guests. But on the \$10.99 version, less than 5% are actually eating -- of our total sales is \$10.99. So that's being pretty steady for us, I would say, as we move through. What was the second piece of your question, Brian?

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

Triple Dipper.

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

Triple Dipper. Yes, they're hanging in there. So last quarter, it was right at 16%, and that's where it is now. So hanging in there with the Triple Dipper.

**Operator**

Your next question for today is from Nick Setyan with Mizuho Securities.

**Nerses Setyan**

*Mizuho Securities USA LLC, Research Division*

I think I heard you guys say ad spending went a little bit into Q4 from Q3. Can you just remind us what the year-over-year growth was in Q3, what it will be in Q4? And then how are you thinking about ad spend in fiscal '27? Can that grow as a percentage of sales? Is it going to be flattish? And in terms of just spending by quarter, that would be great or at least directionally. Any color there would be very helpful.

**Mika Ware**

*Executive VP & CFO*

All right. Sure. So advertising in the third quarter ended up being fairly flat year-over-year on a dollar basis and a percent of sales basis. It will pop up a little bit. We had to move some things into the fourth quarter just some timing of some things, how they happened. So in the fourth quarter, I expect that to be a little bit higher as a percent of sales and probably, like I said, \$5 million to \$6 million up year-over-year.

Next year, again, more color when I give guidance for next year, but I would expect it to be similar as a percent of sales, a similar amount there. There's always inflation on ad spend. So we will be spending some more dollars, but probably a similar percent of sales as we move forward. I don't have the cadence yet, Nick, to share on quarter-to-quarter in F '27. Again, we'll get into more of that at the end of this fiscal year as we kind of guide for next fiscal year.

**Operator**

Your next question is from Andrew Charles with TD Cowen.

**Andrew Charles**

*TD Cowen, Research Division*

Great. Mika, you talked about the likely mid-single-digit inflation in 2027 led by beef and plans to roll off price as you're prioritizing value. And so I know we're going to give the specific guidance next quarter, but I'm just thinking qualitatively, what are the opportunities to drive margins just beyond sales leverage while you cited that you're not immune from the industry's contracting alcohol mix as well?

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

Right. So moving forward, again, we feel like our strategy is a top line strategy. So we will get margin leverage from that. But we will look into ways, I think, as the brand -- we've kind of been in this turnaround mode. We're getting more into the stabilized mode where we have, again, a lot more talent, stabilized teams. And what we've seen over time is as turnover goes down, you have better talent, you always get more efficient in whatever you do. That could be labor, that could be how we spend the dollars. For example, R&M is one that we spent a ton of money in over time. We do think, like I said, we had a lot of deferred maintenance. Now we're moving into preventative maintenance. We also think there's going to be opportunity now to just find ways to have more efficient spend as we move forward. And we have a lot of initiatives kind of behind the scenes working on that. So there'll be just different areas of the business.

Again, labor. I think labor is one that as the teams continue, turnover goes down, productivity goes up. Like we said, we may have to invest in some pockets. But at the same time, we're having teams that just get better and better at what they do and you have some natural opportunities there. So we'll continue to look across the whole brand. We've had a lot of growth the last 3 years. There's probably a lot of opportunity to optimize some of those expenses as we move forward. So that will -- again, will be more things that we look at in the future, but I think there will be opportunity there. But even excluding any margin initiatives, I still think we can expand margins and grow the top line. We feel really great about our mid-single-digit same-store sales and mid-single-digit growth over time as we move forward.

**Andrew Charles***TD Cowen, Research Division*

That's helpful. And then as we think about the ramp in new stores, and you talked about how 2029 more of a steady rate. And again, we'll hear more about this at Investor Day on the specifics. But just kind of curious, I mean, are you piloting opportunities to lower the cost of the box as we get ahead of this to better understand kind of what the Chili's of the future really looks like?

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

Yes. I mean, absolutely, we always look at how can we optimize costs in the box. I mean I will say just over time, especially post-COVID, there has been inflation in how you build the restaurants. The great news is we took our AUVs from around \$3 million to we talked about approaching \$5 million. So that gives us a lot more opportunity. With our improving AUVs, that doesn't give us a lot of opportunity to necessarily shrink the box because we're trying to accommodate more guests, but we are always looking at that. But what I will tell you is the returns we've seen even on the restaurants we've been growing over the last few years have been great. We feel really confident in that, and we're really set up to build some restaurants with some great returns as we move forward. But we're always looking to see if there's opportunities to optimize the box and our spend.

### **Operator**

Your next question for today is from Chris Carril with KeyBanc Capital Markets.

### **Christopher Carril**

*KeyBanc Capital Markets Inc., Research Division*

So I guess just following up on earlier questions about the check. Can you update us more specifically on how you're thinking about the mix component of check moving forward here over the near to medium term? And Kevin, I believe you mentioned the \$3 to \$4 check gap to the competition. So any additional thoughts on the long-term check opportunity would be helpful.

### **Mika Ware**

*Executive VP & CFO*

So Chris, do you mean on the check? Just we're always looking for opportunities to grow mix. But right now, like Kevin said, just recently, we've seen some softness in mix, though it was very interesting that as soon as we saw softness in mix, we saw our traffic start to accelerate. So again, that's why we feel very confident about mid-single digits and positive traffic as we finish up this fiscal year. Now moving forward, we're always looking for opportunities to grow check. We've done a great job of it over the last 3 years. We'll look to continue to optimize. But if I'm thinking longer term, we know what that pricing strategy is with the same-store sales, we talked about that range. And then I think we're really going to be focused on growing traffic on top of that.

### **Kevin Hochman**

*President, CEO & Director*

Yes. As far as like what guidance we give the teams on \$3 to \$4 below category, we don't think about it that way. That's more of an output that we report out to everybody about -- it's a verifiable demo that we're lower priced than our competitors. The way we think about value is -- and we need this across the entire menu is how do we create abundant value everywhere in our menu so that when people leave Chili's, they're like, wow, that was an incredible value. And we've been slowly renovating our menu to get to that value across the entire menu. We started with burgers and fries and fajitas, and we have it in margaritas. And now we obviously did in chicken crispers. Now we're doing chicken sandwiches.

The next to go will be salads and steaks, and we did it with ribs actually last year, where it's a much more abundant value. Even if the price is a little higher, you get 50% more ribs that are meatier and it's a bigger plate. So that's the way we think about it. It's like when we're in the test kitchen with our operators, we're like, hey, is this something that's going to be wow value? And if it's not, we got to continue to work on it. And then the outcome is the things that we report to you on price and how we're lower than the competitor. But the important thing is when I get a plate at Chili's, do I feel like that was wow value that I want to come back for.

**Christopher Carril**

*KeyBanc Capital Markets Inc., Research Division*

Got it. That's helpful. And then just turning to Maggiano's. Now that George is overseeing marketing for Maggiano's in addition to Chili's, can you maybe speak to how you're thinking about marketing for the brand and what that could look like when you do begin to see signs of traffic stability and growth?

**Kevin Hochman**

*President, CEO & Director*

Yes. It's -- we're less than 50 restaurants. So it's never going to be this big national TV thing that like Chili's has. So what George -- the lens that George is bringing to the business right now is empathy for the guest experience because at the end of the day, we've got to improve food service and atmosphere at Maggiano's if we want to grow traffic over time. So he's looking at things like menu presentation, family style, the entire guest experience from the time you get into the lobby to when you sit down to when you check out. These are all things that we need to bring a guest empathy lens to, and that's primarily what he's focused on right now. Should we get that into a place that we're really excited about, will we do some demand creation? Probably. But given that it's -- we're not a national brand, we don't have Maggiano's everywhere, it's never going to be like what you see at Chili's.

### **Operator**

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

### **Hyun Jin Cho**

*Goldman Sachs Group, Inc., Research Division*

Could you give us a quick update on the off-premise trends and whether that channel has proven more resilient in the increased kind of check management standpoint? And I know there has been clearly a stronger emphasis on elevating the in-restaurant experience. But do you see an opportunity to lean further into the off-premise channel going forward?

### **Mika Ware**

*Executive VP & CFO*

Yes. So our off-premise, it's been hanging in there. It's usually been about, what, 23%, 24% of total sales. So it's been pretty steady. It did have the same negative traffic that the dine-in did or the overall brand did this last period. But with that being said, we do think there's opportunity. We've really been focused on the dine-in experience, and we think there is opportunity to, again, take friction out of that whole guest experience with off-premise. We can think -- we think that we can improve that experience, get better throughput. So it will be a focus as we move forward.

### **Kevin Hochman**

*President, CEO & Director*

Yes. I mean the big opportunity is just the overall experience of picking up. It's not -- the improvement that we've made from the dine-in, we still have opportunity to do on to go. Our quote time calculator hasn't been updated in a while. And since our ticket times are so much faster, a lot of times we quote times that are way longer than when the food is actually made. So we've got to get that thing updated. We've got to make the experience for pickup a lot more seamless, ideally with some order boards, so you would know where your order is and whether it's ready to be picked up. And then we just made some investments in packaging that are already in all the numbers that you guys have to make the actual experience, getting the food at home a whole lot better. So to me, the important thing is let's get the fundamentals right before we go try to put any kind of gas on it, and we've got some work to do there.

## **Operator**

We have reached the end of the question-and-answer session. And I will now turn the call back over to Kim Sanders for closing remarks.

## **Kim Sanders**

*Vice President of Investor & Government Relations*

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

## **Kevin Hochman**

*President, CEO & Director*

Thank you.

## **Mika Ware**

*Executive VP & CFO*

Thanks, everyone.

## **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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