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# Brinker International, Inc. (EAT) Q4 2024 Earnings Call Transcript

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## Q4: 2024-08-14 Earnings Summary

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EPS of \$1.61 **misses by \$0.11** | Revenue of \$1.21B (12.34% Y/Y) **beats by \$44.67M**

Brinker International, Inc. (NYSE:[EAT](#)) Q4 2024 Earnings Conference Call August 14, 2024 10:00 AM ET

### Company Participants

Kim Sanders - VP of IR

Kevin Hochman - President and CEO

Mika Ware - CFO

## Conference Call Participants

Chris O'Cull - Stifel  
Dennis Geiger - UBS  
Jeffrey Bernstein - Barclays  
David Palmer - Evercore ISI  
Andrew Strelzik - BMO  
Jeff Farmer - Gordon Haskett  
Brian Vaccaro - Raymond James  
John Ivankoe - JPMorgan  
Eric Gonzalez - KeyBanc  
Brian Mullan - Piper Sandler

## Operator

Good day and welcome to the Brinker International's Q4 F'24 Earnings 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

Thank you, Holly, and good morning, everyone, and thank you for joining us on today's call. Here with me today are Kevin Hochman, President and Chief Executive Officer; and Mika Ware, our new Chief Financial Officer. Results for our fourth quarter were released earlier this morning and are available on our website at Brinker.com. As usual, Kevin and Mika will first make prepared comments related to our strategic initiatives and operating performance. Then we will open the call for your questions.

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

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

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

### **Kevin Hochman**

Thank you, Kim, and thank you for your 26 years of leadership on the Brinker Finance team. We are very excited to have you in this role. Good morning, everyone, and thank you for joining us as we wrap up our fiscal year and share our plans for fiscal '25.

Fiscal '24 marked the second full year of our turnaround, and we're very pleased with our progress and momentum. It was a year we delivered both big growth and major operational improvements, which sets us up for continued profitable and sustainable long-term growth.

The vision we introduced two years ago was to improve our restaurant's 4-wall economics through focusing on the fundamentals of casual dining, a differentiated brand, with craveable menu items, served with great hospitality, in a fun and friendly atmosphere. And while we still have lots more work to do, we're well on our way to achieving that vision.

Over the past two fiscal years, we've grown Chili's restaurant AUVs by \$440,000 to \$3.6 million, and we've grown Brinker's adjusted EBITDA by 25%. This is excellent progress on our 4-wall economics. The biggest driver of these results are the significant improvements we've made to the guest experience.

On the operations front, we conducted listening sessions with our field restaurant leaders all over the country to better understand what we could do to reduce or eliminate to make our restaurant jobs easier and more rewarding. Today, the Chili's menu has 22% less items than it did two years ago.

We've eliminated many prep steps and pantry ingredients, reduced administrative tasks like how often we count inventory, and other complexity that reduces team member morale and gets in the way of great execution. I'm proud to say we still do these listening sessions, and they are still led by myself and other members of our executive team. We now have a cross-functional simplification team, currently led by our Chief Operating Officer, Doug Comings, which is where we get most of the simplification ideas.

Codesigning our operational programs by intently listening to our restaurant team's ideas is the new way of doing business at Brinker International. In addition to simplification, we're making our technology more reliable, which also reduces friction for team member and guests.

We've made investments to bring Ziosk pay-at-the-table technology to replace the prior system, which has increased reliability and usage. We've also reduced server handheld ordering tablet errors from 5% two years ago to less than 1% today, and we are on track to finish the replacement of an end-of-life kitchen display system by October. We recently rolled out AI labor forecasting, which is reducing the amount of time our general managers need to write labor schedules, as well as making their forecasts more accurate.

With a renewed focus on our fundamentals, technology is now working harder than ever for our Chili's managers, with lots more room for upside. In addition to improved technology over the last two years, we've also made investments in labor and facilities, which is improving the overall experience.

Labor investments include more hours for QA cooks, and most recently, bussers, which are all helping deliver record food grade scores. Our facilities investments have helped us catch up on deferred maintenance during the COVID years and is creating a better environment for both team members and guests.

Simplification, stabilization of restaurant technology, and labor and facility investments have delivered dramatic improvements in the guest experience, with our daily track dine-in metric, guests with a problem, dropping from 5% two years ago to just 2.7% today, and that's the lowest sustained score we've seen tracking that measure.

And even with the surge in traffic over the past few months, our Google ratings for the past 90 days have also improved to an all-time high of 4.1. We've also made good progress over the last two years in improving our Core 4 menu, margaritas, Chicken Crispers, burgers, and fajitas. We now have a clear good-better-best lineup of margaritas with entry price points of \$3.99 and \$6.00 for those guests looking for lower price points but still wanting great taste.

And those low-priced margaritas include premium tequilas like Espolon Reposado and Patron. But in addition to making our entry-point margaritas stronger, we also now have super-premium offerings like Casamigos and Teremana Blanco, which have allowed us to double the number of margaritas sold over \$10 price points.

We've learned that some guests love a great price point with great tequila, and others are willing to spend a little more for that super-premium brand. Our job is to make sure we offer items for all of our guests in the core segments that we want to win in.

Having a balance in price points allows us to deliver great everyday value while continuing to keep food costs low and to grow operating margins. We have made similar moves with innovation in burgers and boneless fried chicken to create improved offerings and deliver barbell pricing in those Core 4 segments. Fajitas will be the last of the Core 4 to be upgraded with improvements starting in Q2 and a full relaunch coming in Q4.

We also have successfully restarted our marketing after several years off air with hard-hitting advertising placed in shows where people are watching, live sports, premium cable, primetime, streaming, and digital channels. Thanks to our CMO, George Felix, and his leaders, Jesse Johnson and Steve Kelly, and their marketing team, Chili's has never been more relevant with TV, streaming, and social media, working very hard to put us back in the cultural conversation. And being back in the cultural conversation gets us back in the consumer's consideration set, which ultimately leads to more traffic.

And even with all these significant investments we've put into the business, we've made good progress on our ultimate goal of improving unit economics, delivering 3.3% Brinker restaurant operating margins in fiscal '24, a 210 basis point improvement from the prior year. Before I talk about what's coming in fiscal '25, let me give a little more context of what we saw in Q4.

With the launch of our Big Smasher and our Triple Dipper going viral on TikTok, we experienced a step change in our business, delivering 14.8% sales growth and 5.9% traffic growth versus a year ago. To put in context, this was 15.6 points better than the industry on sales and 9.4 points better than the industry on traffic.

A majority of the incremental guests were new to Chili's, so we responded quickly by adding labor to ensure we could handle the increased volume. Our restaurant experience would normally be very challenged with such a sudden influx of traffic, but with the operational simplification over the past two years and labor investments that we made in Q4, we were able to maintain our record guest metrics throughout May and now into June and July. Now, let me spend a few minutes on what's to come in fiscal '25.

For the front half, we'll continue to drive the Big Smasher, as it's been successful in driving traffic and tapping into the cultural conversation about fast food prices. An almost half-pound burger, bottomless chips and salsa, and bottomless drink at \$10.99 continues to be an industry-leading value that we believe it to be, and it continues to work.

During the back half of the year, our plan is to refresh the \$10.99 message with new product news and superior value in a large fast food segment. We will commercialize this new news using the successful Better Value Than Fast Food campaign we created during the successful Big Smasher launch last May. In Q4, our plan is to relaunch the fajitas platform, which is currently a \$200 million business.

The new fajita lineup will feature improved chicken, guacamole, and pico de gallo recipes, and upgraded soft tortillas. We're also incorporating new dippable add-ons and a completely new menu merchandising designed to drive bigger fajita bundles.

We believe strengthening the core and expanding offerings like we've done in other Core 4 segments will also work on fajitas and drive a significant lift in the business. And throughout the year, we'll have beverage innovation at both the opening price point and premium tiers to create excitement for our guests to return. It's going to be an exciting year of food and drink innovation.

In addition to strong food innovation throughout the year, we'll continue to make strides to reduce pantry SKUs and simplify operational processes. At our Annual General Manager Conference last week here in Dallas, we rolled out the first wave of fiscal '25 simplification, which included simplified avocado prep that will also mean a fresher product for guests, reduction in time spent portioning brisket, a new bulk bread and Chicken Crisper procedure, and the introduction of a new process that reduces the time required to grill steaks.

These changes were met with a lot of excitement from our managers because the ideas all came from them. We also have a plan to improve our off-premise business execution by streamlining operational process to improve order accuracy, eliminating curbside to remove friction for team members, and improving packaging to ensure our food arrives hot and fresh. The first of these changes, curbside removal, will roll out by the end of Q1.

Now I'd like to spend a little time sharing our operations obsession metric for fiscal '25. If you recall, our obsession metric for fiscal '23 was manager turnover, for fiscal '24 was hourly turnover, both of which we made significant progress on. For fiscal '25, the obsession metric our Vice Presidents of Operations chose is growing traffic.

We now have a joint business plan with our operations leadership to continue to accelerate traffic ahead of the industry, which includes an additional simplification, as well as an incremental \$15 million to \$20 million investment in labor. We rolled out the new traffic obsession metric at last week's Annual General Manager Conference with the theme, Making Every Guest Count, with content and labor investments focused on driving sustainable traffic growth.

To close, the past two years of our Chili's turnaround was all about improving the guest experience and creating a traffic driving model to build sustainable momentum in our business. The next two years will be continuing more of the same, driving our differentiated brand with advertising, superior value, and food innovation with barbell pricing strategy, simplifying the operation, and removing friction to improve the guest experience, and creating a fun and inviting environment for our guests and teams.

We will continue to bring new and fresh ideas to the business and leverage technology to help, but they will still be focused on those key casual dining fundamentals that are proven to deliver long-term profitable and sustainable results. And with that, I want to turn it over to our new Chief Financial Officer, Mika Ware. Mika brings 36 years of experience at Brinker to the role.

She's basically done every finance role at the company, and before that, she started her career at Chili's and Brinker, working in the restaurants. I can't think of a leader in our company who knows more about our Chili's business, and her passion for people and winning will help take Brinker through its next wave of profitable growth.

And with that, please take it away, Mika.

**Mika Ware**



Thank you, Kevin, and good morning, everyone.

I am so honored to represent our amazing team as Brinker's Chief Financial Officer. I'm excited to continue executing our strategy and helping our operators grow our very strong brands. Today's results mark the completion of a very successful fiscal 2024 for Brinker. This was year two of our new strategy, and it was great to see it come to life, especially through the results we were able to deliver.

F'24 reported annual revenue growth of 6.8%, restaurant operating margin improvement of 210 basis points, and adjusted EPS growth of approximately 45%. Turning to the fourth quarter. We saw strong year-over-year top line growth, comp sales and traffic well above our historical and industry averages, and significant restaurant margin expansion. Brinker reported total revenues of \$1.208 billion for the quarter, with consolidated comp sales of positive 13.5%. Our adjusted diluted EPS for the quarter was \$1.61, up from \$1.39 last year.

Both brands reported top line sales growth, with Chili's comps coming in at positive 14.8%, driven by price of 8.1%, positive mix of 0.8%, and positive traffic of 5.9%. These results were driven by a strong partnership between our marketing and operations teams, with our successful launch of the Big Smasher on the 3 For Me value platform.

In addition to positive traffic, mix was also positive for the quarter, driven by more Triple Dipper sales, which more than offset a very modest mix shift into the \$10.99 value tier. Turning to Maggiano's, the brand reported 2.5% positive comp sales for the quarter, driven by 9.2% of price and positive 2.2% of mix, offset by negative 8.9% traffic. Dominique and the team are making progress, applying learnings from our Chili's turnaround to drive long-term, sustainable growth at the brand.

He is strengthening his leadership team, most recently with the addition of Anthony Amoroso as Vice President of Innovation and Growth. Anthony is a highly successful Michelin Star chef, with a deep Italian-American heritage, who's the perfect cultural fit for the Maggiano's team. They are working to simplify operations and redirect their efforts to elevate the guest experience and drive food and beverage innovation. I'm excited to share more from Maggiano's in the coming quarters. Now that we've covered the top line from both brands, let's talk about how our sales flowed through to the bottom line.

With the traffic spike at Chili's during the fourth quarter, we chose to accelerate investments in key areas, such as repair and maintenance, to ensure our buildings were welcoming and well-maintained, and labor, so our teams were staffed up to take care of the guests and deliver great hospitality. Restaurant operating margin for the quarter was 15.2%, an impressive 180 basis points improvement year-over-year, primarily driven by sales leverage from top line growth.

This resulted in favorable food and beverage and labor costs, partially offset by a 90 basis points increase in restaurant expense. Food and beverage costs for the quarter was favorable 140 basis points year-over-year, benefiting from higher price, partially offset by commodity inflation. Labor expense for the quarter was favorable 130 basis points year-over-year, despite incremental labor investments.

Top line growth offset the additional labor hours, as well as wage rate inflation of approximately 3.5%. Advertising for the quarter increased approximately \$14 million versus last year, which has been a highly successful strategy for us. G&A for the quarter came in at 4.3% of revenues, with the year-over-year increase largely driven by an increase in incentive-based compensation expense due to improved financial performance.

Capital expenditures for the quarter were approximately \$58 million, driven by equipment replacement and maintenance, new restaurant development, IT upgrades, and restaurant reimages. For the full year, capital expenditures came in at \$199 million.

Fourth quarter adjusted EBITDA was \$142 million, a 24% increase from prior year. And full year adjusted EBITDA totaled \$444 million, an increase of 28% versus prior year. We continued to strengthen our balance sheet by repaying the remaining outstanding balance of \$51 million on our revolving credit agreement during the quarter. Our funded debt-to-EBITDA ratio improved to 1.64x at quarter end. As Kevin mentioned, while the industry softened in July due to rocky macros, our quarter-to-date sales trends have remained strong, but at a more sustainable level.

July sales for Chili's were in the high single digits, including positive traffic. We've also maintained our gap to the casual dining industry through the first week in August by approximately 13% in sales and 8% in traffic. Before I get into guidance, let me build on Kevin's comments by sharing some of the strategic financial choices we will continue to make to maintain our strong performance in fiscal 2025.

We will continue with our barbell pricing strategy to protect our industry-leading value for those that need it, while providing more premium options for those who want a more elevated experience. We will continue to focus on menu management with a goal of keeping mix flat to slightly negative in the current economic environment, and we'll continue to focus on improving the guest experience with expectations of delivering traffic well above the industry.

Now turning to fiscal 2025 guidance. In this morning's press release, we shared that we expect F'25 annual revenues in the range of \$4.55 billion to \$4.62 billion, adjusted diluted EPS in the range of \$4.35 to \$4.75, weighted average shares in the range of 45 million to 47 million, and capital expenditures in the range of \$195 million to \$215 million. Assumptions underlying this guidance include plain commodity inflation in the low-single digits, wage rate inflation in the mid-single digits, and a tax rate in the low-double digits.

To provide some additional context as to how we landed on these guidance numbers, while we are pleased with where the business is and confident our plans will enable us to continue to significantly outperform the industry on sales and traffic, we are also mindful of what we are seeing in the industry and in the macros. Even though we are not experiencing the same softness as others today, we did contemplate the macros in our guidance.

I'll wrap up with this. We are encouraged with the momentum our strategy has created in the business, and we are focused on executing at an even higher level and ensuring continued financial momentum throughout F'25. We're watching the macros closely, and we believe we're well-positioned to navigate the anticipated choppiness and leave plenty of runway to continue to execute on our key priorities. We look forward to sharing our progress during upcoming quarters.

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

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

### **Operator**

[Operator Instructions] Your first question for today is from Chris O'Cull with Stifel.

### **Chris O'Cull**

Thanks. Good morning, guys. Mika, the midpoint of the earnings guidance suggests a rate below the 3-year targeted range, I think was 13% to 17%. Given the revenue guidance was roughly in line with the 3% to 5% growth target, can you help us understand what's driving the relative margin pressure for next year?

### **Mika Ware**

Yes, so there's two main things. First, in the prepared comments, I talked about the wage rate inflation and the commodity inflation. The second thing is we do have some incremental planned investments into the F'25 plan. Kevin talked about the incremental investment into labor, which is \$15 million to \$20 million, and we also beefed up our media plan by about approximately \$15 million to \$18 million more. So we do have some incremental investments that we have contemplated in that guidance.

### **Chris O'Cull**

Okay. That's helpful. And then, Kevin, I was hoping you could provide, and I apologize if I missed this, but I was hoping you could provide an update on the GALE partnership and any progress around standing up the required infrastructure to keep customers refreshed with current data.

### **Kevin Hochman**

Yes. So the update there is that we're continuing our efforts to enhance our direct marketing and optimize segmentation with targeted emails. So we are leveraging the real-time data now that we're getting with the Ziosk rollout. So if you recall, we needed to get that rolled out in order to get the tokens, build up the tokens, and so that's been done. We are now receiving token data from every Ziosk transaction, and it's now being incorporated in our CM planning and measurement.

We are working now on our loyalty program, so we've got better targeting going on with CRM. We're now reopening our loyalty program, and I will tell you from what I've seen in the industry where other major players are pulling back on their loyalty programs, it's having me rethink whether we want to double down on loyalty or really focus on using the CRM data in order to better optimize our marketing plans and our innovation.

And so what we're focusing right now on the loyalty program is how do we simplify it to make it easier for the guests to understand and easier for them to use and make it more frictionless at the point of purchase. So we think it can continue to be a delighter. I just don't think we're going to put as much investment as I originally thought into the loyalty program.

I think we're going to use it primarily to both reward the guests, but also mine that data in order to better service or better optimize our marketing plans and our innovation. And then the last thing I'd tell you is, I'm still very excited about the token data and what it can mean for our total business, and we're continuing to build out that capability. And when I have more to share beyond just the segmentation and the targeted emails, we will.

**Chris O'Cull**

Great. Thanks, guys.

**Operator**

Your next question is from Dennis Geiger with UBS.

**Dennis Geiger**

Great. Thank you. I wanted to ask first a bit more on the top line outlook for '25. Strong momentum, obviously very much continuing into the start of the new year. Just wanted to touch, Mika, on your comments around the macro. Obviously, it doesn't seem like you're seeing much as far as negative behavior from macro pressures, but just a little more on what's embedded in the guide, and are you embedding some macro softness that maybe eventually impacts trends through the year? If there's anything more you can touch on with respect to the top line guide, please.

**Mika Ware**

Sure. So what that guide entails is really same-store sales in that mid-single-digit range. So that's the first building block. Like I said, we always consider what the macro and what the casual dining is running right now in traffic. So underlying that, we're anticipating that our pricing is going to be in the 4% to 5% range for the year, and that traffic could be flat to slightly positive, and mix will be flat to slightly negative.

**Kevin Hochman**

And just to add on that, so we built in -- when we do our building blocks for our traffic, we built in a 4% to 5% decline in the industry, which is what we hear from our third-party insight groups. So the way to think about it is, if it's better than that, there certainly could be upside in that number. But right now, that's what we've baked into our traffic assumptions. But obviously, we're going to do everything in our power to beat that.

**Dennis Geiger**

That's great. Very helpful, guys. And then just on marketing. Helpful the dollar amounts there. Not sure if I missed it, but just as far as number of weeks on air, 25, are you able to frame that up at all?

**Kevin Hochman**

Well, I can't give you the exact weeks, but I can give you what's it by quarter. So towards the end of the first quarter and then end of the second, we'll have a 9-week flight. And then in the third quarter, we're going to have four weeks at the beginning of the year, and then another six weeks towards the end of the third quarter, and then we've got six weeks planned in the Q4. And so that's the detail I can give you right now on when we're planning.

**Mika Ware**

So Dennis, what we did is we added a few more weeks, but we've also beefed up some of the TRP. So just really enhancing it overall by investing some more dollars into that plan.

**Dennis Geiger**

Very helpful, and congrats on the top line strength.

**Mika Ware**

Thanks Dennis.

**Operator**

Your next question is from Jeffrey Bernstein with Barclays.

**Jeffrey Bernstein**

Great. Thank you very much. The first one just on the broader competitive environment in terms of value and increasing deal focused. As you think about your \$10.99, and I know you're doubling down on that the first half of the year, what's your learnings in terms of consumers that maybe just come in for the deal? Obviously, it's a good thing if you can get them to remain with you, and I think you said you had a lot of newer guests. So just wondering how you measure stickiness just to prove out that the consumer is going to stay with you in good times and bad, whether or not you're advertising a \$10.99 or not. Any thoughts on that broadly would be great.

And then I have one follow-up.

### **Kevin Hochman**

Yes. So we look at that two ways. We have anecdotal data just when we talk to our restaurant teams, and they're telling us they're seeing new guests, and they're seeing those new guests return. As I was talking about earlier with Chris's question on the CRM program and GALE, we are building out the capability to be able to use tokens to have much more finite numerical data that we could share with you. So we'll be able to tell you what percentage of guests were new, and we'll be able to tell you what percentage of guests have come back within a certain period of time.

So I'll be able to answer that question more than just what our restaurant managers are telling us they're seeing inside their restaurants. The other thing I would add on that, Jeff, is it's not like we just put this value in the market in the last quarter. We've been running this thing for almost 18 months, and so the guest is associating us with this great value and this superior value. We're seeing it in our scores, and we think that's having a compounding effect of why you've seen the traffic trends not just get better, but really start to accelerate. So we're very excited about the position that we're in.



I think we've put in more investment over a longer period of time into this value message. And so, it might seem like someone can just flick something on, especially if you're a really big competitor, right? But most competitors don't have that muscle, and it's going to take some time for them to be able to establish whatever their value is in the market versus we've been doing the same thing for almost 18 months. So I remain very bullish about that offer in the market. It continues to resonate with our guests.

And the other thing I would tell you, this is really simple for them. They don't have to download an app. They don't have to come a certain time of day. It's always available for them. They know that, and I think that's why we're seeing the business continue to accelerate.

### **Mika Ware**

Jeff, I'd also like to add on. On that deal, we're very pleased that on the \$10.99, we still have a minimum amount of guests or only 18% of guests eating on that \$10.99 tier. So we still have the majority of our guests coming in for the value, but then seeing the great menu and all the other options and abilities to trade up, so we still have over 80% of the people eating on a full-price menu.

And in addition to that, with the Big Smasher, we still have 25% of the Big Smasher sales being sold for full price. So a lot of people are coming in, but they're utilizing the menu, they're trading up for more premium options, and it's really helping us to drive traffic all while maintaining our mix.

And then, of course, the great guest scores that we keep getting and the momentum that continues even when we're off-air, all those things point to why we're happy with this offer and how it's performing.

### **Kevin Hochman**

Yes. And let me just build on that. So, Jeff, the person that's coming in for \$10.99, it's not like they're coming in alone, and we're not really seeing that much more of an incidence of \$10.99 or 3 For Me as a percentage of 100. There's a slight tick up. So we're at 17.7% in Q4 per 100 versus 16.1.

So there is a tick up, but it's not huge. And then, if we look at the mix within that incidence, 51% is at \$10.99 tier, that's slightly up, but then 49% is at the \$14.99 and the \$16.99 tier, right? So a lot of times, I think, folks see the traffic and go, oh, it's all \$10.99, and it's only \$10.99. And the reality is, that's not really the case. It's a slight increase in mix, but it's really negligible.

And you can see that in our COGS number and our margin number that remains quite good. So we'll continue to monitor that. We say this every call because, obviously, that could get sideways at some point, but we're nowhere close to that. And we feel very good about the way we're doing menu merchandising, the way we're using this to drive traffic and bring guests in.

### **Jeffrey Bernstein**

Understood. Thank you for the color. And then just my follow-up is on the menu pricing. I think it was roughly 8% in the fiscal fourth quarter. I'm just wondering what you're thinking about the fiscal first quarter and full year. I'm wondering whether you think you're seeing any pushback because, obviously, you would look to avoid increases on the \$10.99. But I guess that means there's a wider barbell and, therefore, maybe the full price offerings are forced to carry the \$10.99 effectively. Just wondering how you think about that barbell approach and the profitability on different customers who fall into the different end of those ranges. Thank you.

### **Mika Ware**

Yes, Jeff, so we feel really good about the opportunity in our pricing strategy because it's working really well. So we don't have a lot of evidence that it's not working with the great traffic that we're having, the great guest metrics that we have. And then Kevin just talked about, I feel if we were overpricing on the regular menu, we'd be pushing a ton of people into the 3 For Me and the \$10.99, which isn't happening. So I think all those indicators are helping us to really feel confident to keep moving forward with the barbell strategy. So it's working.

We're going to continue to be strategic. We think that on an absolute and relative basis, we're still very competitive, even versus the competition. So we still think we got some runway there.

### **Jeffrey Bernstein**

And the pricing through the four quarters, if you didn't take incremental, or how are you thinking about that versus the 8% in the fourth quarter?

### **Mika Ware**

Yes. So it will start to step down throughout the fiscal year. So our pricing for F'25 should be in the mid-single-digit range. That's what we're shooting for now. We're not planning on taking any price in the first half of the fiscal year. We have optionality to take a little price in the back half if we want to. What I would expect is you'll probably see about a 2% step down in price each quarter in the first half, and a little bit less in the back half.

### **Jeffrey Bernstein**

Okay. Thank you, and congrats, Mika.

### **Mika Ware**

Thank you, Jeff.

**Operator**

Your next question is from David Palmer with Evercore ISI.

**David Palmer**

Thanks. First, just a modeling-type question. Restaurant expenses were up 17% per unit in the quarter in fiscal 4Q. Could you break out how much of that was due to advertising, repair and maintenance, bonuses? And then, how are you thinking about those line items for fiscal '25?

**Mika Ware**

Yes, David. So restaurant repairs were up \$16 million year-over-year in the fourth quarter, and that's what Kevin and I both mentioned in our prepared remarks about accelerating some of those repairs. Advertising was up \$14 million year-over-year, so that's just part of the strategy where this was the big year where we had the big incremental investments that hit every quarter. And I think you asked -- were you asking about G&A or on the bonuses? But the incentive-based compensation continues to drive G&A, and obviously year-over-year, that was up \$13 million.

I will call out, because of really the big spike in the fourth quarter performance that we had, it triggered some older legacy, longer-term compensation programs. So, for example, we had one program that we had written off, and within the fourth quarter, that came back into the money. So that was approximately about \$4 million. And in the past, that would have been spread out over three years. Instead, we had to take that full comp into the fourth quarter.

And then the rest of that incremental expense is just, again, incentive-based compensation with the better performance and some more of that. And finally, I think the last piece of Q4 that we invested is we had about \$5 million of incremental labor that we put in, again, to take care of the guests and just make sure that as we had those new guests coming in, that we were prepared and that we were going to deliver a great experience so that we get back in that consideration set and have them come again and again.

**David Palmer**

Great. Thanks, Mika. One other question. I think you mentioned something about, during the back half of the year, your expectation was to replace the \$10.99 message with something else compelling and to continue to do that in a juxtaposition against traditional fast food and the value there. I'm just wondering what's driving that or what your thinking is there, because it looks like you're killing it with that Big Smasher on the \$10.99 with an appetizer. The Big Smasher, I see it on the regular menu is \$3 more than that. So taking that off the \$10.99 or doing something to remove the \$10.99 would certainly be a big step-up in actual price. So I'm just wondering what you're really thinking there, and why not stick with something that's working. Thanks.

**Kevin Hochman**

Yes. So if you recall, our last earnings call, we talked about the plan was to switch the message in the fall, but now that the Big Smasher has done so well, we decided to run it for the balance of this calendar year, and then the thought was, when we get the Q3, to rotate this new \$10.99 message on a new item.

I will say that we contemplated those plans in July when we saw some softness versus what we had expected and, Mika has shared with you, we were in the high single digits on sales and positive traffic. And so, the thought was, hey, is this starting to run its course? Now we've seen an acceleration happen in August, which would lead us to believe that the burger is still very relevant.

So, at the end of the day, we're going to -- in Q3, we're going to be ready to go with the new message. But if the burger is continuing to work throughout Q2, we'll continue the same burger message. So we're going to keep optionality on that, but we're going to go ahead and produce the new spot against the new food innovation just so that we're ready in case it starts to slow down. But we have seen it pick back up in August, so we feel very confident right now of where we are.

**Mika Ware**

And, David, to be clear, we're not moving away from the \$10.99 value proposition. That's staying in. It would just be new news in the entree. So kind of like how we had the Oldtimer with Cheese, we switched that to the Big Smasher. That's what we're saying.

We have new innovation in the \$10.99 platform if we need it, but we're going to stick with the Big Smasher as long as it's still working.

**David Palmer**

That makes sense. Your food costs are pretty good with this \$10.99. It's pretty impressive. Thank you.

**Mika Ware**

Thank you.

**Operator**

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

**Andrew Strelzik**

Hi, good morning. Thanks for taking the questions. You mentioned continuing to do the listening sessions, and so I'm curious about how those are evolving and what you're hearing now. Obviously, you've done a lot over the last two years or so. So what are you hearing now, and how is that informing the strategic actions you're taking in '25?

**Kevin Hochman**

Yes. We're in a little bit of an inflection point. We shared this with our general managers last week in Dallas. We've been winning pretty big, and it's really been accelerating all throughout the year, and we're at an inflection point with our restaurant teams in that, like, we need to get everybody to be thinking, we're going to just primarily win, right? And what that's all about is raising the expectation and raising the bar on what's okay and what's not okay.

And so, the big thing that we're hearing from the teams now in the listening sessions is if you guys want to raise the bar, here are the things that I need you to help me with in order for us to continue to raise the bar on experience, both in terms of the restaurant environment as well as the experience that the guests and the team member have, right? So what I would tell you right now is, it's a lot about ownership.

So we hear about, let me go ahead and own this. If you want me to continue to raise the bar on performance, these are the levers I need in order to be able to own on my own, versus have everything laid out in a model. And so, I think the theme that we're going to be seeing throughout the next 12 months in terms of simplification is going to be, what are the things that we can remove off of their plates to allow them to focus on the most important things so that they're not being measured and tracked against every little detail?

So, for example, AVT, which is average versus theoretical, that's a measure of waste. We used to measure AVT on every item. And now, number one, they're not going to get bonus on AVT. And number 2, they're just going to get bonused on COGS. And so, if they want to just focus on the most expensive items like proteins and alcohol and not worry about everything else so they can free up time to spend more time with their teams and more time with their guests, that's something that we're going to allow them to do.

So I think the biggest thing that we're hearing is empower us, give us more freedom within the framework to run our restaurants and reward us as such. And so that's really the next wave of simplification is going to be about empowering those restaurant teams to raise the bar and continue to win.

**Andrew Strelzik**

Okay, great. That's super helpful. And then my second question, I'm just curious if you have a sense for where the traffic growth is coming from within the industry, obviously vastly outperforming the benchmarks that we look at and some of the data that you referenced. Do you have a sense is this coming from within bar and grill, independents, trade up, trade down? Just curious if you have any insight into where that's coming from. Thanks.

### **Kevin Hochman**

Yes, number one, I'd tell you from a demographic standpoint, all demographics are growing. So it's not like it's lower income or higher income. It's pretty much every age and every income level are growing. So it's pretty broad-based. When you're outpacing the industry by 15 points, whatever points we said, you're going to be basically growing in every segment.

Clearly, we're winning market share. You just do the math, we're winning market share. I will tell you, I think that the biggest thing, I've said this in the past is, the fact that we're more relevant, and we're more top of mind, and we're more on air, and we have a very attractive value out there. I think that's really just kind of growing some trips.

So I don't think someone was saying, "Hey, I was going to go to this fast food place, and now I've decided to go to Chili's tonight." I think it's the fact that we're front and center and relevant not just on TV but in social media.

I think you see this in pop culture more often. And then it's just triggering them to be in that consideration set that we talked about at Investor Day a couple of years ago and causing them to want to come to Chili's. So I don't think it's a specific thing where it's like we're sourcing from these two concepts. It's so broad-based, and I think it's really a more function of we're more top of mind, we're more relevant, and so we're more in the consideration set for people to choose to come to us.

### **Andrew Strelzik**

Great. Thank you very much.



**Operator**

Your next question for today is from Jeff Farmer with Gordon Haskett.

**Jeff Farmer**

Thank you very much. You provided some guidance components for the restaurant-level margin for FY '25, but, Mika, is there anything you can do in terms of providing a range of where you think that margin might end up in '25 versus '24?

**Mika Ware**

Yes. So I still think we're going to stick to the probably 30 to 50 basis points ROM improvement year-over-year. So again, that contemplates the inflation that we're still experiencing plus those incremental investments that we want to do. But we're just pleased that we can still invest in the business and still expand our ROM. So we do think we'll have another year of expansion.

**Jeff Farmer**

Okay. And then I apologize if I missed this, but G&A in '25, obviously, a lot of things going on in 2024, but G&A dollars in '25 versus '24, any insight there?

**Mika Ware**

Yes. So G&A is going to be at probably \$5 million to \$7 million next year, and here's why. We have a couple of things that are coming into play. So the first thing is we actually are transitioning from a legacy ERP system that is going live this fiscal year. So the cost of that with the software and the cost of the project is now going to be in our G&A numbers.

And then on top of that, we are growing the teams. We've been investing back into the teams. And so, we have a little bit of increase in payroll expenses as well.

**Jeff Farmer**

Thank you. I'll pass it along.

**Operator**

Your next question is from Brian Vaccaro with Raymond James.

**Brian Vaccaro**

Hi, thanks, and good morning. Just if I could start with two quick clarifications, and sorry if I missed it, but what was the total sales mix on 3 For Me in the quarter?

**Mika Ware**

We said I rounded up to 18%. Kevin said 17.7%. So that was the mix.

**Brian Vaccaro**

Okay. Thank you. And the fiscal 4Q R&M spend, Mika, I think you said it was at \$14 million. Can you level set where that is versus a normal level of spend? And is this a new higher level of spend that will carry into fiscal '25? What have you layered in terms of expectation there versus '24?

**Mika Ware**

That's a great question, Brian. So our R&M has been going up the last couple of years. Obviously, as we came out of COVID, we had a lot of deferred maintenance to catch up on. And truthfully, as the business has done better and exceeded our expectations on how fast it's recovered, we've accelerated some of that deferred maintenance. I'm happy to say, I do think that we have hit the peak for R&M expense this year.

So next year, we are planning to have lower R&M expense, probably lower \$8 million to \$10 million. So we're not all the way there, but we're definitely moving now in the right direction. We've been on a catch-up where we've been very reactive in doing all this deferred maintenance.

I think we're finally getting to the point that we can start being proactive and getting some more preventative maintenance programs back into our restaurants so that we can take care of our equipment, we can minimize equipment going down, and then we're also going to extend the life of that equipment over time. So I do think this new strategy that we've caught up, and now we're moving from reactive to proactive, will allow us to start lowering that expense. And that should start next fiscal year.

### **Brian Vaccaro**

Okay. Great. And then my question, obviously, impressive comps driven by a few different levers that you're pulling. But one area specifically, Chili's seemed to catch lightning in a bottle on TikTok in May and maybe more recently, too, with the Nashville Hot Mozzarella Sticks. And it sounds like you think you're attracting new guests, which makes sense. But I guess the question is, how do you think about the stickiness of this TikTok consumer? And how does that impact how you set your fiscal '25 guide?

### **Kevin Hochman**

Yes. So the way we thought about that May that you saw had such an incredible performance was we think about 60% of it was due to the advertising and the Big Smasher, and about 40% was due to the TikTok going viral on the mozzarella sticks. That's the analysis that we've done post-May to better understand what moved and why it moved. Obviously, that's our chance when they come in is to wow them with a great experience. That's one of the reasons why we put more money into facilities and more money into labor.

As soon as we saw that spike, we got on a call with our managers, and we said, look, guys, this is our opportunity, given how much traffic is coming in to try to keep them, right? So we're going to put these investments into the business over the next six weeks to try to maintain as many of those new guests as we possibly can, right? I think now that we've seen July and the first part of August play out, it would lead us to believe we were glad that we put those investments in because the business continues to be incredibly strong, and we continue to outpace the industry by double digits. So that was the thought process on it, right? Now, is a person converted with TikTok any different than a person converted with TV?

I don't really think so. I think the opportunity is when they come to try Chili's for the first time, are they having that experience that would make them want to come back. I think if you look at some of the comments that we got during that time, I was very excited to hear things like it was like Chili's is low-key awesome, like where did they come out of, where did they come out of the blue and be so good.

So I think we've been introducing guests to new -- or new guests to the brand, and when they actually come, they're having a great experience, and I think that's why you're seeing a strengthening and strengthening of our business. Now, if that continues, there could be upsides versus what we shared with you guys, but right now we feel really good about where we are.

**Brian Vaccaro**

All right, that's really helpful, Kevin. And maybe on a follow-up to that, I think I read recently that influencer marketing spend might be up 50% versus two years ago, and I know your team's been focused on reinjecting the Chili's brand into the social media conversation for a couple of years now, but have you started to spend specifically on influencer marketing yet, and if not, is that something you think we could see soon?

**Kevin Hochman**

Yes. So I think there's two things that have step-changed our social media game. I think number one, Luz Bickert and Jack Hailey, who run that group internally, they're Brinker employees, they've been empowered to just go run with it, and they've done a phenomenal job of changing our voice online.

Similar to what you've seen some other brands do and had some success, they've just done a phenomenal job. I think the second thing is we have been putting some investments into TikTok, and some of that obviously is to run the media on TikTok, some of that is for influencer marketing.

And typically what we're seeing is the organic stuff is what's traveling more, but I do think some of that investment starts that flame that gets things going. So I'm obviously not an expert on TikTok and social media marketing, but I would say those are the two things. I think we've got people in place that are now empowered within the framework to win, and then number 2, we have put more investment into TikTok and influencer marketing.

**Mika Ware**

And we do think that social media plan is helping us to drive the younger consumer into Chili's, so we're really happy with that.

**Kevin Hochman**

Yes, it's a great point. Like our Buzz metrics from YouGov were up across most demographics, but among 18 to 34, it was by far the most, which is a good sign because you obviously want to introduce that generation into your brand and obviously have a great experience when they come in.

**Brian Vaccaro**

That's very helpful. I'll pass it along. Thank you.

**Mika Ware**

Thanks Brian.

**Operator**

Your next question is from John Ivankoe with JPMorgan.

**John Ivankoe**

Hi. Thank you. A couple, if I may. First, in answering an earlier question, it was asked about why you were at the lower end of your earnings growth guide for the year in fiscal '25. And increased advertising was cited, at least from what I heard, as one of those reasons. Now normally, at this point in the cycle, a company would be taking up advertising because they would view it as accretive to sales and actually accretive to profit. So is this advertising that we should really view as an investment that won't get an increase in profitability?

Was it just a modeling exercise that we're trying to go through now just to explain, I guess, why the increased advertising actually doesn't come with even greater profitability since it does sound like that's discretionary on your part.

**Kevin Hochman**

Well, I think the way to think about it, John, is we obviously add volume and traffic into the plans when we put advertising in. That's the deal we have with marketing. So they get more money, and we get more traffic, what we bake into the plan. What's happening here is the macro assumption. So we talked about the 4% to 5% that we pulled out for industry traffic.

So that's a headwind. So you've got a tailwind with putting the advertising in. You've got a headwind with the macro assumption. Now, obviously, as I said earlier, if we're able to beat that macro assumption, there could be upside on the guidance that we gave. But at this point, we're six weeks into our fiscal year, it's very hard for us to give you guys an update on whether 4% to 5% was the right number or not, right?

Certainly, we've seen pretty good strength in the first six weeks of the year, and so we feel very good about where we are, but we're not ready to change that assumption.

### **John Ivankoe**

Okay. I'm with you. Thank you for that. CapEx fiscal '25, the range right on top of what you spent in '24. Can you talk about shifting priorities between new unit CapEx, remodels which I'm going to say discretionary at this point, and then just R&M that may be capitalized? And let's talk about how the mixes may or may not be different, '25 versus '24. And just remind us, since we all have models going beyond '25, how you're at this point thinking about capital intensity in the out year as well.

### **Mika Ware**

Okay, John. So this next year, like you said, will be pretty similar in the spend level as the F-'24 was. We did shift some money around in the bucket. So like I said, the R&M should start to come down in equipment replacement. That's been our main focus this year and our highest bucket of spend.

We'll probably shift some of that spend out of the R&M equipment replacement into the reimage bucket. So that is a bucket we would like to start, or a program we'd like to start bringing back to the equation. So a little bit more dollars there. And then the new restaurants, we're probably going to have about the same level of Chili's that we built last year into F'25 in that 10-ish range. We are going to start to accelerate some Maggiano's.

We have some Maggiano's on the horizon, which is exciting. So we have new restaurants, the bucket going up slightly in F'25. Now moving forward, the CapEx dollars could slightly increase from there. You hopefully can continue to moderate your R&M. Depending on how the new, especially Maggiano's, go, you could accelerate your new unit growth bucket a little bit.

And then also if we want to get back on just a more common cadence on reimages, we could really start to elevate that spend as we get a new prototype design, a new reimage design. If that starts driving some sales, we'd like to put some CapEx dollars against that just to get all of our restaurants on the 8- to 10-year cycle to keep them relevant and up-to-date.

### **John Ivankoe**

Okay. And that reimage comment, obviously an important one, and that was leading you there a little bit. But can you tell us the percentage of Chili's, the percentage of Maggiano's today that you view as being current or modern, or said another way, what percentage of your system do you think would actually benefit from reimagining if you could do it all today, which, of course, you can't, but what percentage do you think, say, okay, it would really make sense for you guys to go out and put some capital against them?

### **Kevin Hochman**



Yes. I don't have the exact numbers at my fingertips right now on how many we would consider as out of date versus what we feel good about. What I will tell you is we have no plans of -- we've been catching up on deferred maintenance. We don't have a plan right now to catch up on reimaging. We're just going to reimage on that 8- to 10-year timing.

And so, when they get updated, they get updated. I don't think that the issue is as big as we had originally thought, just because a lot of what we've been able to fix in terms of the deferred maintenance is making the restaurants a really good environment. But the important thing for you and the investor community to understand is there's no plans to catch up on deferred reimaging. We're just going to put in the plan once we get to a reimage that we feel confident in a normal 8- to 10-year cadence.

### **Operator**

Your next question is from Eric Gonzalez with KeyBanc.

### **Eric Gonzalez**

Hi, thanks for the question. Just with regard to the recent trend, I'm wondering if there's anything really behind the strong quarter-to-date momentum and perhaps maybe if you delayed some of the marketing windows, given the strong momentum, and whether you have the ability or flexibility to do that, should the momentum dictate it. And then I think you saw some relative softness in July. Obviously, given the strong trend, it's not unexpected that it would slow. But did you do anything proactively to drive the improvement that you saw here in August thus far?

### **Kevin Hochman**

Honestly, we didn't. In fact, we had advertising on in July, and we maintained our gap versus the industry. So it was quite good. It just everything -- the industry went down a few points and so did we versus the prior run rates. But now we're in August, we don't have advertising on, and the business has snapped back to where we thought it would be.

**Mika Ware**

And we've experienced a tail. So when we've been on media all throughout F-'24, we've noticed that we have a nice tail into the next four to five weeks. Also, our social media program is really strong. And so those sales continue, the Triple Dipper we watch that closely. Obviously, it spiked in the fourth quarter, sales were up in Triple Dipper over 75%.

Those maintained. They're selling way more year-over-year as we move into the first quarter. So I think there's a lot of different pieces that are working. And then, again, like Kevin mentioned, just the baseline macro, it really dropped in July, and it snapped back a little bit in August. So everyone's benefiting from that as well.

**Kevin Hochman**

And maybe other thing I would say is I just think we can't underestimate the dramatic improvements that we've had in our service levels and our guest scores. Like we've been talking about it for six months of that and the advertising multiplying effect and that we were seeing more and more momentum throughout the calendar year.

And I think we're just continuing to see that. The service levels continue to get better, the food scores continue to get better, and we see just better traffic trends. So I think these are the things that are always hard to point to because it's not a point-in-time piece of food innovation or pricing or whatever that you can say, okay, I saw an inflection change in the business, but it's clear that our business is a lot stronger because the experience is a lot better.

**Eric Gonzalez**

That's helpful. And congratulations on that. And maybe just switching gears real quick on the balance sheet. Is there anything you can talk about with regards to capital allocation? And your leverage ratio has come down quite a bit. Is there any change in thinking with regards to repurchases or dividends or anything of that nature?

**Mika Ware**

Yes. So our capital allocation strategy for F'25 is going to be more of the same. So we're going to continue to prioritize investing back in the business. And so we demonstrated that with our CapEx guidance. We're going to continue to pay down debt.

So we have a bond due in October. We're going to move that \$350 million bond to our revolver, and we're going to continue to pay down the debt, probably at similar levels that we paid down this year. And then we do have some plans to buy back some shares to offset dilution. So we've also factored that into our strategy for next year. So I think it's going to be one more year of the same, invest back in the business, continue to de-lever, and then buy back some shares to offset dilution.

After that, again, we'll all talk, and then we'll decide what we can do in F'26 and beyond that we can have some more levers to pull.

**Eric Gonzalez**

Great. Thank you so much.

**Mika Ware**

Thanks Eric.

**Operator**

Your next question is from Brian Mullan with Piper Sandler.

**Brian Mullan**

Thank you. Just a question on development. In a prior answer, you told us what the Chili's new unit growth would be for this year. My question is just beyond this year, given all the progress that has taken place on both the top and bottom line, can you just talk about your appetite to build more Chili's restaurants over time? Or just to ask another way, what would you need to see before you might want to accelerate that at all, if you would?

**Mika Ware**

Right now, our plans are to keep the Chili's in the 10 to 12 new restaurant openings. We could accelerate that into 15 and especially, as construction costs starts to come down, and we continue to accelerate our restaurant operating margin. One thing that we're focused on right now is just watching Maggiano's closely because, again, we only have 50 Maggiano's, so we may want to lean into Maggiano's side a little bit more than we've leaned into the Chili's. We're going to build, one or two of those are in the pipeline now. So we're going to balance both of those brands, but Chili's for now, I'd say, 10 to 12, could accelerate the 15.

And then we're going to keep watching the Maggiano's. With those improvements that we expect, we're hoping to accelerate that in the out years of that range, too.

**Brian Mullan**

Okay. Thanks. And then follow-up on Maggiano's then. Exciting to hear, you might want to start building again. Just, Kevin, can you just see what are the most important priorities the leadership will be focused on, say, just this year in fiscal '25, understanding that there will be improvements...

**Kevin Hochman**

Yes. We just got back two weeks ago from the Maggiano's Annual Conference in Savannah. And the theme was, Dom, who's our new President, well, he's not that new anymore. But he was sharing his vision for elevating the brand. And there's really two components to it, and it actually sounds a lot like Chili's was two years ago, which is: number one, what are the things that get in the way of making the guests have a great experience?

And so speed of service is an obvious one at Maggiano's that if we could just reduce that by a small amount, it could actually lead to a lot more traffic on the weekends, as well as an overall better guest experience. There are a lot of prep steps that we did at Maggiano's that probably don't need to be done.

So he's challenging some of those things. And he's freeing up those labor hours and then reinvest into having a better guest experience with both better experience in terms of service levels, as well as adding innovation with tableside garnishes and some really cool innovation that's going to be coming down the pike to make Maggiano's relevant and exciting. And so, that's really the key thing, is elevate the brand, simplify in order to reinvest in the things that are going to separate Maggiano's from the other Italian restaurants that are in the market.

And I think we're seeing it right now in our cocktail program. So that was the first thing that he went and changed, bringing a Master Sommelier in to help curate specific wines at a Maggiano's price that the guests can enjoy.

He's also brought in several experiential cocktails at higher price points. And the number one cocktail now is the new one that he brought in, a Smoked Old Fashioned that comes out basically like a cage with smoke, and it's premium priced. And I will tell you, it's the first thing -- we've now experienced the first change in our improvement in alcohol mix that we've seen in over a decade at Maggiano's.

And he's just getting started on innovation. There's a whole slug of food innovation that's really exciting and going to help drive check and traffic coming in September. So we're just getting started on the Maggiano's initiatives. But I feel like that team is hunting in the right areas. There's a bigger ambition to grow on that brand and grow profitably. And when we have more news to report on, more specifics and details of when these things are going to hit, we're very eager to share that with you.

**Brian Mullan**

Thank you very much.

**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 remarks.

**Kim Sanders**

Thank you. And that concludes our call for today. We appreciate everyone joining us and look forward to updating you on our first quarter results in October. 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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