Brinker International, Inc. (EAT) Q4 2026 Earnings Call Transcript

Aug 12, 2026, 4:27 PM ET | **Brinker International, Inc. (EAT) Stock**

SA Transcripts
162.05K Followers

Q4: 2026-08-12 Earnings Summary

Insights

EPS of $3.07 misses by $0.02 | Revenue of $1.54B (5.06% Y/Y) beats by $1.41M

Brinker International, Inc. (EAT) Q4 2026 Earnings Call August 12, 2026 10:00 AM EDT

Company Participants

Kim Sanders - Vice President of Investor & Government Relations
Kevin Hochman - President, CEO & Director
Mika Ware - Executive VP & CFO

Conference Call Participants

Dennis Geiger - UBS Investment Bank, Research Division
David Palmer - Evercore ISI Institutional Equities, Research Division
Jeffrey Farmer - Gordon Haskett Research Advisors
Andrew Strelzik - BMO Capital Markets Equity Research
John Ivankoe - JPMorgan Chase & Co, Research Division
Brian Harbour - Morgan Stanley, Research Division
Brian Vaccaro - CGS International
Andrew Charles - TD Cowen, Research Division
Sara Senatore - BofA Securities, Research Division
Christopher Carril - KeyBanc Capital Markets Inc., Research Division
Jon Tower - Citigroup Inc. Exchange Research
Margaret-May Binshtok - Wolfe Research, LLC

Presentation

Operator

Good day, and welcome to the Brinker Q4 F '26 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
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 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
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 fourth quarter, as well as provide guidance for fiscal '27.

Q4 Chili's same-store sales of plus 6% marked our 21st consecutive quarter of same-store sales growth and again significantly outpaced the industry. This strong result was rolling a plus 24% from last year and a plus 15% from 2 years ago for a 3-year cumulative comp of 50%.

There are lots of different ways to look at our results, but the key conclusion is that Chili's turnaround is real. Fiscal '26 saw this brand increase its lead as the #1 casual dining traffic brand, and the results are sustaining year-after-year. It's important to note in this difficult operating environment that instead of using precious resource and investments on initiatives to drive short-term sales, we at Chili's focus our resource for long-term sustainable growth, improving food service and atmosphere and the team member experience, as well as positioning our brand to be more relevant, easy and distinctive.

These experience improvements, coupled with our everyday value leadership represented by a per person average spend that is $3 to $4 below competition, are supporting a powerful flywheel of traffic, sales growth, margin expansion and then reinvestment into our business. And this steady approach is why the business will continue to win. The American consumer demands experience and great value, and they are showing up for those brands who consistently deliver that.

Third-party syndicated data confirms Chili's continues to be ranked in the top tier across key measures, like value, quality, service and overall experience. We still have room to improve, but our progress gives us confidence that we will sustain traffic gains and repeat business. We are very appreciative and proud that Chili's is one of the small handful of brands the American consumer trusts, and we're willing to increase their visits to. And we will work hard for our guests to maintain both our value leadership and improving our guest experience year-after-year.

Now I'll give some updates on the Chili's business. We're now 4 months post-Big Crispy launch, and we can share some more detail on how it's performing. The launch has been a success, overdelivering on our lofty estimates going in. We were selling 20 chicken sandwiches per restaurant per day pre-Big Crispy launch. By the end of Q4, we were selling 55 sandwiches per restaurant per day, an increase of 175%, and that number continues to build in the current quarter.

For perspective, the Big Crispy is bigger than the '24 Big Smasher launch and the '25 Big QP launch. And as you all know, those were 2 very successful launches. The customer reviews and social media comments have been excellent, declaring Chili's victorious for size, price, value and taste versus fast food. The Big Crispy is now a signature sandwich and another important chapter in our Better Than Fast Food story that will continue to position Chili's uniquely as a restaurant destination.

In addition to culinary upgrades, our team continues to deliver world-class marketing to drive traffic. Q4 highlights include the successful Big Crispy launch, the remake of our famous 1985 Baby Back Ribs Jingle commercial featuring Popstar Lizzo, and a continued success with our Margarita of the Month program.

As a reminder, our marketing strategy is driving sales overnight and brand overtime. It's clear the marketing is driving sales, but they are also doing an amazing job of strengthening the brand's positioning over time. We are 2.5 years removed from the initial viral cheese pull in early '24, and YouGov's third-party data reported that Q4 was Chili's highest level of buzz across all cohorts ever recorded. Chili's is everywhere. It continues to be America's hottest restaurant brand and the sustained relevance of the brand proves this repositioning has legs beyond one social event.

Now let's talk about operations. We continue to focus our efforts on both removing friction as well as improving restaurant throughput as this is a key piece of our sustainable growth flywheel. In addition to listening to our managers' ideas on how to make operations easier, we now have the North of 6 team, our highest volume restaurant leaders to formally source ideas from 2. I think the important thing to note is North of 6 leaders typically have the additional perspective of increasing throughput because of their incredibly high volumes. We recently made some very significant changes to free up managers' time to coach teams to be with guests on the floor.

The first is the ruthless simplification of our shift line checks, a set of tasks the manager is mandated to perform to know their team is ready to take on guests. We have taken that by daily process down from 8 pages to 1 page and freed up 30 minutes of manager time per day. Think about that as 22 years of manager time freed up annually across our system, and that's time much better spent side-by-side coaching their teams and in the dining room with our guests.

A second important change we made is upgrading hot schedules. Our tool managers used to schedule labor to make it easier to schedule the right number of team members per shift. We know the #1 thing that can set up a shift for success is properly written labor schedules and anything that makes the task easier to do correctly is a big win for our managers and improves our ability to take on more and more traffic.

And lastly, the VPs of operations have chosen their obsession metric for fiscal year '27. This year, they have chosen traffic for a third year in a row, but have added a second metric, profit improvement. They chose a second to begin developing a stronger ownership culture on restaurant expense with things like R&M. We recently made profits a bigger percentage of their bonus structure, so it is even more important to field leadership to nail the flow-through of all the incremental sales.

Before I close out Chili's commentary, I do want to touch on one more important thing. Last quarter, I talked about a new initiative we have started with the objective of speeding up restaurant cycle time, meaning looking at everything that goes into the total time of kitchen prep and the dining experience and finding ways to remove time to serve as another traffic building block.

Most cycle time improvements may seem small, but will continue to compound to make meaningful impacts as well as improve the guest and team member experience. Remember, this is about attacking anything that gets in the way of a smooth dining experience, which should also improve overall guest satisfaction.

The first of these initiatives have now been successfully rolled out. Supermarket simple for loyalty reward redemption. In the newly rolled out system, the guest simply puts the rewards telephone number into the Ziosk. And at the end of the meal, the discount that is available like free chips and salad is automatically removed from the check.

Then the Ziosk tells the guests how much they save by being a rewards member, kind of like what happens when you put your loyalty number into the supermarket. The Ziosk software upgrade will reduce the manager time needed to resolve check issues, deliver faster table turns and more importantly, improve the guest dining experience.

To summarize, Chili's long-term growth year-after-year is a result of deliberate set of choices we make to deploy resource and capital to improve the guest and team member experience while driving same-store sales now and over time. The traffic growth reinvestment flywheel continues to spin and create sustainable profitable growth.

Now I'll give a short update on Maggiano's. A reminder that given the success we've had focusing on Chili's, Maggiano's now only represents 8% of sales. For perspective, Chili's outside of the U.S., which is a licensed model is expected to deliver 4% of Brinker profits this fiscal, and that will actually surpass Maggiano's profit contribution.

While we are seeing some green shoots with financial results improvement and guest value scores, the turnaround at Maggiano's has been mixed. We've made progress on operational and culinary improvements, but some of that progress has been offset by losses with our core guests from our prior strategy.

So while we're headed in the right direction, the turnaround is happening slower than we had planned. We think we're on the right strategy, but we need to be more focused on delivering a few important changes that can make the biggest impact. These updates are all contemplated in the fiscal '27 Brinker guidance we have provided today.

Before I close, I want to share 2 weeks ago, we had our Annual General Managers Conference in Arlington, Texas. To summarize the event, the restaurant leaders are proud of their results, excited about the plans for fiscal '27 and ready to lead their teams for another year of growth significantly ahead of the industry. Because of their leadership and their success, almost 80% of GMs now earn more than $100,000 this past fiscal, and that number keeps growing annually. Our stated goal to those GMs 4 years ago was to make their jobs more fun, easier and more rewarding, and you could sure feel that in the room that we have collectively delivered on that commitment.

Manager turnover has been well ahead of the industry for years now, and now hourly turnover recently moved ahead of the industry, too. We also recognized our GM of the Year, P.J. Tremblay, leader of the East Fort Myers Chili's and our Above Restaurant Leader of the Year, Dale Bullotta, the VP who leads our California region.

I also want to recognize Dale's colleague, the legendary Vice President in the Northeast region, Todd Pierce, who was inducted into our Chili's Hall of Fame along with 35-year Director of Operations in South Florida, Tony Viola. Congratulations to all 4 of these amazing leaders, and thank you for your years of making guests feel special and leading our restaurant teams.

To close, Chili's delivered another strong quarter, rolling very big numbers from the prior 2 years. The macro headwinds the industry is experiencing are still there, but Chili's is positioned to continue winning in this environment with improvements in food service and atmosphere, coupled with our industry-leading value.

That formula has proven quarter-after-quarter to be resilient in driving traffic and outperforming the industry. And with all of the initiatives we have planned for fiscal '27 to continue improving the fundamentals, we are poised to have another year of profitable growth that significantly outpaces the industry.

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

Mika Ware

Executive VP & CFO

Thank you, Kevin, and good morning. As we close fiscal 2026, today's results highlight major milestones in Chili's growth journey. The completion of 5 consecutive years of same-store sales growth, positively lapping all 4 quarters of double-digit same-store sales growth this past fiscal year, including 2 quarters that were above 30%, 2 consecutive years of traffic gains and average annual unit volumes increasing from just over $4.5 million at the end of last fiscal year to $5 million this year.

Together, these results demonstrate the continued momentum and sustainability of our focus on the fundamental strategy. For the year, we reported total revenue growth of 7.9%, restaurant operating margin improvement of 30 basis points and adjusted EPS growth of 20.6%.

Turning to the fourth quarter. We continue to see strong year-over-year top line growth, traffic well above industry averages and restaurant margin expansion at Chili's. Brinker reported total revenues of $1.536 billion with consolidated comp sales of positive 5%. Our adjusted diluted EPS for the quarter was $3.07, up from $2.49 last year, a 23% increase. Chili's comps were positive 5.6% in the quarter, driven by price of 4.3% and positive traffic of 1.5%, partially offset by negative mix of 0.2%.

Chili's continues to gain momentum through its strong everyday value platform, led by the success of the Big Smasher, the Big QP, and now the Big Crispy Chicken Sandwich. July sales and traffic have significantly accelerated versus the fourth quarter, further widening our lead over the casual dining industry. For Maggiano's, the brand reported comp sales for the quarter of negative 2.5% with negative 5.3% traffic, negative 0.1% of mix, partially offset by price of 2.9%.

At the Brinker level, restaurant operating margins were 18%, a 20 basis points improvement year-over-year, primarily driven by sales leverage, partially offset by unfavorable food and beverage costs as well as higher advertising and insurance costs.

Food and beverage costs for the quarter increased by 80 basis points, driven by 4.4% commodity inflation, primarily from higher beef cost, and a temporary spike in tomato prices following a late freeze in Florida. Tomato costs remained elevated longer than expected, but have since normalized and will not impact Q1 cost.

Labor for the quarter was favorable 90 basis points year-over-year. Top line sales growth offset wage rate inflation of approximately 3.1%, additional investments in labor and higher health insurance costs.

Restaurant expenses for the quarter were favorable 10 basis points year-over-year with sales leverage and lower repairs and maintenance costs, partially offset by higher advertising costs and general inflation impacting expenses such as utilities, rent, to-go supplies and delivery fees.

Advertising expenses for the fourth quarter were 3% of sales and increased 20 basis points year-over-year to help support the rollout of the Big Crispy Chicken Sandwich campaign. G&A for the quarter came in at 3.9% 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.

Depreciation and amortization for the quarter came in at 3.6% of total revenues and decreased 40 basis points year-over-year due to sales leverage and the lapping of accelerated depreciation from the prior year due to the retirement of the CTX and Impinger ovens.

Fourth quarter adjusted EBITDA was approximately $228 million, a 7.1% increase from prior year. Our adjusted tax rate declined year-over-year to 17.6% from 19.5%, primarily due to a benefit from our state income tax filing adjustments and a higher benefit from the FICA tip credit. Capital expenditures for the quarter were approximately $58.3 million, driven by capital maintenance spend.

In our new Chili's reimage program, we completed a total of 11 reimages in fiscal 2026. Based on the learnings from these restaurants, we plan to complete another 60 to 80 during fiscal '27. In fiscal '28, we will start a planned cadence of 10% of the fleet annually.

Regarding new unit growth plans, our growth will be modest in fiscal '27, but we already have sites in the pipeline to ramp up significantly in fiscal '28, with expectations for our new run rate to be in place for fiscal '29. We expect to share more details on our strategy and plans at our September 17 Investor Day.

Our strong free cash flow provides sufficient liquidity to maintain our disciplined capital allocation strategy, allowing us to invest in our restaurants, keep debt levels low and return excess cash to shareholders. We continue to support this approach by repurchasing $100 million of common stock under our share repurchase program in the fourth quarter, bringing our total for the year to almost $400 million.

In support of our capital allocation strategy, our Brinker Board of Directors authorized additional amounts under our current share repurchase program in August, bringing the total amount available to $750 million.

Subsequent to year-end, we redeemed our outstanding $350 million, 8.25% bonds using the liquidity on our $1 billion revolver, which will provide interest expense savings in fiscal 2027 and the flexibility to continue to reduce leverage, if we choose.

In this morning's press release, we shared that fiscal '27 guidance includes a 53rd operating week in the fourth quarter. We estimate the impact of the additional operating week to be an increase of approximately 2% in total revenues and $0.70 in incremental earnings per share.

Regarding the guidance, we expect F '27 annual revenues in the range of $6.15 billion to $6.27 billion, adjusted diluted EPS in the range of $12.60 to $13.40, weighted average shares in the range of 42 million to 43 million, and capital expenditures in the range of $265 million to $285 million.

Assumptions underlying this guidance include planned commodity and wage inflation in the low-single digits, with commodity inflation higher in the first quarter before moderating as the year progresses, a tax rate of approximately 19% and 3 net new company-owned restaurant openings.

Guidance also contemplates the planned acquisition of 12 Chili's franchise restaurants located in Alabama and Mississippi, including the real estate of 6 of the locations. The transaction is expected to close at the end of August.

As previously mentioned, fiscal '27 is off to a strong start in July and August, and we are confident our plans will enable us to continue to significantly outperform the industry in both sales and traffic while delivering another consecutive year of same-store sales growth.

Before I wrap up, I'll just say this. The results we delivered this year give us a lot of confidence in where Chili's is headed. The strategy is working, and we believe there's still plenty of runway ahead. We'll keep building on the momentum by bringing in new guests, giving them more reasons to come back and staying focused on the things that matter most, strong execution in our restaurants, great value and world-class marketing and innovation. 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'll turn the call back to Holly to moderate questions. Holly?

Question-and-Answer Session

Operator

[Operator Instructions] Your first question for today is from Dennis Geiger with UBS.

Dennis Geiger
UBS Investment Bank, Research Division

Congrats on another great quarter and year, guys. I wanted to ask a bit more on fiscal '27 guidance. I know we can back into select items, but anything more to share on specific assumptions for Chili's same-store sales for the year? And then just shifting over to margins and earnings flow-through, helpful with the inflation, but anything more on some of the key pieces there as far as reinvestment opportunities go maybe versus prior years?

Mika Ware
Executive VP & CFO

Sure. So what we've done and what's implied in this guidance is we built in a little bit of upside for July. But basically, for the remainder of the year, we have assumed mid-single digit same-store sales and positive traffic for Chili's. So we feel really confident that we can continue to deliver those results. If this momentum continues that we started in the beginning of this fiscal year, there's absolutely opportunity to exceed those expectations, but that is what we have built into the guidance.

As far as the margins go and the flow-through, we are very protective of our value proposition. We've been very mindful of that. We are very aware of driving positive traffic over time. So we have built in inflation. I talked about the inflation for commodities and for labor. There's also some inflation in some other pieces of the P&L. For example, we have some inflation in rent. We have some inflation in advertising, inflation in our insurance costs. So we've been just really mindful of baking in all those expenses and making sure that we're not putting too much pressure on the guest and the pricing strategy on the top line.

So we feel really good about the numbers that we've built in. I think we've been very, very conservative about the inflation that we put in. So we feel good about delivering the results in the double-digit EPS that we promised.

Operator

Your next question is from David Palmer with Evercore ISI.

David Palmer
Evercore ISI Institutional Equities, Research Division

Congrats on the accelerating sales. I had a question about that. I wonder what reasons you would give for this pretty big acceleration you're seeing in July and August. I've heard a lot of theories, but would love your analysis. And what part or parts do you think are more clearly not sustainable in your mind?

Kevin Hochman

President, CEO & Director

Yes. So we've seen lifts like this in the past during this turnaround, David. And like what we've seen to be is we bring people in and then it just kind of becomes their habit, and we just don't look back. So to answer your question more specifically about what we think is driving it right now, number one is chicken sandwich. So the chicken sandwich continues to build. It's doing everything that we thought it would do. It was part of our plan to continue the better than fast food campaign, continue to drive our value leadership in the industry, but most importantly, continue to give the guest unbelievable abundant value that tastes great, and that's exactly what it's doing.

We've had a couple of other things that happened from a social standpoint. So we had some pretty good success with our Bombshell Marg, which was the Margarita of The Month in July that we saw some younger guests come in for. And then we also seized upon a social media thing that we did not do. So guests started asking for Molten's on top of skillet cookies. The marketing team wanted to get after it immediately and we said, hey, let's make sure we're operationally ready to do that before we turn that on. So we were hard at work making sure we had the proper supplies on cookies and Molten's and ice cream.

And then we recently put that into the business, allowing the service have keys to ring it up properly as well as train the teams on how to make it consistently versus just looking at social media and how to make it. And that's also been very successful. It's actually reversed our incidence decline on desserts between that and then also upgrading a couple of our other desserts. So we feel like it's just a collection and then obviously, the continued operational initiatives on removing friction and improving throughput.

They're very hard things to pinpoint because like I said in my prepared comments, the throughput stuff is a collection of small things that add up. But like, for example, when you make the reduction of our loyalty rewards supermarket simple and it reduces the number of times the manager has to come and change checks, that turns tables faster. And we know, especially on the weekend, turning tables is traffic in the till. So it's a collection of all the things that we're doing. And we've been relatively consistent continuing to deliver comps on top of comps on top of comps and it's because our strategy is built to just continue to plow through all of this.

Operator

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

Jeffrey Farmer
Gordon Haskett Research Advisors

Mika, what is your expectation for the restaurant level margin in '27? And how should we be thinking about the benefit from the 53rd week?

Mika Ware
Executive VP & CFO

That's a great question. So what I would say on a 52-week basis, I'm going to expect 20 to 40 basis points of margin improvement. Depending on where it falls in that range, the 53rd week could get you up to 50 basis points of margin improvement year-over-year. So that's where we are now, Jeff.

Jeffrey Farmer
Gordon Haskett Research Advisors

Okay. And then just one more quick one. As it relates to the -- it sounds like you guys have made the change in the compensation structure for the restaurant level manager. How are you guys thinking about the impact that would have on the business?

Kevin Hochman
President, CEO & Director

Yes. So a couple of things to answer that question, Gordon. I'm sorry, Jeff. So number one, we're trying to simplify the amount of reports and the measurements that the managers use so that they can focus more on the behaviors, which is in terms of coaching the team members as well as being in the dining room with the guests. So they're still going to have access to the GWOP metric, and they'll be able to see it like on a weekly basis, and they'll be able to get verbatims from guest comments.

And we're going to use AI to help cultivate that for them so they don't have to go through all of the verbatims. But we're not going to give them GWOP per shift on a daily basis because we found that they were kind of overly consumed with the daily metric. They were using that more often with their teams, posting them up and the team members didn't feel great about it.

And so even though we've been making incredible progress on GWOP, the guests with the problem, we felt like it was taking them away from the things that we wanted to do. So we're not going to have them look at it on a daily basis. We removed that from the bonus. The bonus is totally focused now on sales and profits. We did codesign this with them. We started with our Vice President of Operations, and we trickled it down.

And overall, the feedback has been incredibly positive. It's like, hey, we can focus on the behaviors that we need to focus on and we don't necessarily have to look at this thing and be consumed with reporting. We also dramatically simplify the reports that they get on a daily basis. We've got kind of this laundry list of reports down to 2 main reports that help them with throughput, labor scheduling and some other key things like guest metrics that they need to be able to see.

So I feel like that, that change is going to make them focus, number one, most importantly, on the behaviors to deliver a great guest experience. And then number two, because profits are a higher percentage of their total bonus, we think that's going to help us with that middle of the P&L to be able to flow through more of the dollars that we get with incremental sales. And it doesn't mean we're not going to continue to invest in the business.

So Mika talked about that in the prepared comments, but we feel like this is just a continuation of dramatic simplification in order to allow the restaurant teams to do their job, which is making guests feel special.

Operator

Your next question is from Andrew Strelzik with BMO.

Andrew Strelzik

BMO Capital Markets Equity Research

And maybe following up on that last answer. If you feel like you're going to be able to get more flow-through because of the change in the compensation structure, why is 20 to 40 basis points still the right starting point for margin expansion?

Mika Ware

Executive VP & CFO

So Andrew, I'll start with that. So like I said, 20 to 40 basis points is what we have built in the model. And again, we've been very mindful of how much price we're taking. So our pricing strategy had been 3% to 5%. We're on the lower end of that. And we actually have just a lot of inflationary pressure. So I talked about the commodities even though they're in the low-single digits, that's going to start at the beginning of the year.

Probably I'm going to give you some nice round numbers where commodities will probably be 4% in Q1, 3% inflation in Q2, 2% inflation in Q3 and 1% in Q4. That's what we're modeling now. So we do have a little bit of earlier pressure on that. Also we've had some inflation in some other areas such as insurance, such as delivery fees, things like that, we've built in that we're not necessarily passing all the way through to the guest. So we've been very mindful of driving long-term traffic over time.

When I take a step back and just look at the whole model, we know if we deliver mid-single digit same-store sales over time, we delivered 20 to 40 basis points of margin improvement and we deliver double-digit EPS growth that we're going to deliver significant earnings and growth to the shareholders and if we can deliver those consistently over time. So we're not as concerned. We don't want to overpressure the guest in the short term. You've heard a lot of our competitors have that same mindset where you don't want to overprice the guest right now.

We have a lot of inflation that we're facing. So we're being more conservative in those assumptions. Now as the year progresses out, if our sales exceed our expectations or some of those inflation assumptions are a little bit less, I think we have the opportunity to outperform those metrics. But that's what we have guided in and worked in the model for now to start the year.

Andrew Strelzik

BMO Capital Markets Equity Research

Got it. Okay. That makes sense. And maybe if I zoom out on the margins, obviously, you transformed the restaurant level margins of the business. Is there a level at which you think about kind of shifting how much flows through versus how much you reinvest kind of like a ceiling on restaurant margins for this business over time as you kind of continue to make these continuous improvements, how you think about that?

Mika Ware

Executive VP & CFO

Andrew, that is also an excellent point that I should have made, too. So as you called out, we had, since this turnaround started, over 600 basis points of margin improvement over time. So we've significantly improved the margin profile of this business. Now that is a reason why because we have an investor growth strategy that as we move forward, you're going to see the margin growth moderate a little bit. And really, what that means is, we're not trying to flow through every dollar. We're trying to make sure that we're mindful to invest back in food service and atmosphere.

What that means is, we are investing back in the guest experience, the team member experience, and we don't want to overprice the guest, and we want to make sure we continue to make that value proposition as strong as it can be because we know that is the secret to driving positive traffic over time. There's not a cap. I said all that, and you did say is there a cap. We do think if we continue to grow the top line in the AUVs, we still think we can expand it.

It's just not going to be as material as it has been during this turnaround. So there will be a point as the AUVs grow. But right now, we still have plenty of capacity. Our restaurants are only at 80% capacity of our historical guest count. So we have plenty of capacity to continue to grow traffic and grow some margin.

Kevin Hochman

President, CEO & Director

And just one thing I would add is like when we first started this turnaround, what I told the leadership team was, boy, we were like at $3 million AUVs, like we just get the $4 million AUVs, like we'll have enough labor to service the guests. We'll have better restaurant margins, like we'll have enough money to pull back into the business and that happened. And now we're at $5 million now. And you just get more of that. And at the end of the day, when we study these North of 6 restaurants, they have dramatically higher margins than the balance of the system.

So as long as we continue to invest in the business and grow those AUVs and delight the guests, good things will happen with margin. And every year, we start out the year with a pretty reasonable guidance on our margin growth, but then we've blown through it. We've blown through it because we keep delivering on the top line because we're winning with the guests. So I don't know why we would change that approach. And I would expect that, if we deliver on the upside on sales based on the acceleration that we've seen in the first part of the year, then I would expect to see that also expand on restaurant margin.

Operator

Your next question for today is from John Ivankoe with JPMorgan.

John Ivankoe

JPMorgan Chase & Co, Research Division

The first, I think, housekeeping and the second may be a little bit more important. In terms of the remodels at 60 to 80 units, I know you've looked at a number of different packages in terms of what you would spend per unit. Where are we kind of landing in '27 on a per remodel basis? And is that the right number to assume going forward as well with normal type of inflation?

Mika Ware

Executive VP & CFO

So John, that's a number that we're still finalizing right now. But what I will tell you is we have taken our capital guidance up. The majority of that increase year-over-year is due to the reimages, and we said we're going to do between $60 million and $80 million. So you'll get an estimate there. We're continuing to refine that number. We're going to talk about it on Investor Day and give some more details around it then. But I'm pretty happy with the number. The first 250 are probably a little bit elevated because we've talked about those being some of the 911 restaurants that probably need a little bit of extra love.

A lot of those are older prototypes. And some of the early reimages, if they have the lower ceilings in the bar, we do an extra step where we open up the bar and actually remove a wall. So that also has an incremental cost. So over time, I think this number is going to continue to evolve and come down as we get more scale and then we kind of work through the balance of the system. But again, more details on Investor Day, but the bulk of that increase in the year-over-year CapEx is for the reimage.

John Ivankoe

JPMorgan Chase & Co, Research Division

Well, we're definitely looking forward to the 17th. Okay. So let me ask another question on the menu. We've talked in the past about maybe opportunity, maybe today wouldn't be the time, but we talked about the opportunity to kind of relaunch salads, bowls, maybe improving steak to kind of take another modern re-hit at the Guiltless Grill for how people are eating today. So can you kind of talk about any major menu categories that could be addressed in the near term and could lead to future sales growth beyond '27?

Kevin Hochman

President, CEO & Director

Yes. We have shuffled a little bit of our priorities in '27 based on just what's happening in the zeitgeist. So let me just tell you what food innovation will be for '27, and then I'll share with you what we're planning for '28. So number one, we're going to continue to ride the chicken sandwich all year. So that was certainly up in the air as we were launching.

The plan was if it does well, we're going to continue to drive it. And so that's the plan from an out-of-store marketing standpoint. And then, we're going to continue each quarter to remind the teams on how to make the best sandwiches. It's not an easy thing to make a hand breaded sandwich. So we're going to stay focused on that operationally.

Secondly, we're in process of revamping the kids menu. So we've launched the new kids menu, and this is about how do we just continue to get young families into Chili's. We know that kids are talking about Chili's. We see -- there's a very common thing we see in social media where if a kids team wins X, they want to all go to Chili's. So we think this is the time is right to go after the kids menu. So we have a new kids menu. We brought back Grilled Chicken Tenders, which is a parent and kid favorite.

And then next quarter, we're going to be adding mini Moltens back to that lineup as well as cheese quesadillas. And then we've recently launched new floats with our new Blue Bell ice cream. So we've upgraded our ice cream to a much more premium ice cream. And then we've also added a mocktail for kids, a Shirley Temple that's made with Sprite. So -- the new kids menu, a part of that has happened now and the rest of it will be finished next quarter.

We finished renovating our pasta platform. So we've added sausage as a protein. We are hearing our chicken and sausage in our Q2 menu. And then we retrained teams on what we call pasta perfection. We did that last quarter. So the pasta is now going to be featured in Q2 in a bigger way. And then we also have a new cooking process to make it a little bit hotter.

And then on a dessert standpoint, we've got a couple of things coming, which we haven't done in a while. We just recently upgraded our skill of cookies. So if you go in the restaurant now, you'll probably see it being advertised on our little table tent. It's been to upgrade with more premium ingredients, chocolate, brown sugar and butter to make them oozier and gooier. We've obviously upgraded the ice cream, which I talked about earlier to Blue Bell Ice cream.

And then lastly, we added this social media phenomenon, the Molten on top of the cookie, and that is now something that we're selling in the restaurants. And then next quarter, we're actually going to bring back Cheesecake as a non-chocolate option for folks that want dessert. The other thing I would tell you about desserts that we're learning operationally is a lot of times in casual dining, servers don't sell dessert because they want to turn the tables on a busy Friday or Saturday. And we think we have an unlock on that one.

The feedback that we've been getting from the servers is like, hey, when I get the dessert, it goes to the bottom of the kitchen display system on Zone 3, that's where we make desserts. And so it might take 15 minutes to make a dessert. So I really don't want to sell dessert, it's going to take 15 minutes. And so what we're doing is we're going to start -- we're going to test it first, bump the desserts to the top of the screen so the desserts get priority, so we actually can get that sale. So there's a lot of good things happening on the menu.

In '28, that's when we're going to launch in the front half, we're going to launch salads. So we push that out a little bit based on what's happening. And then we'll have steaks and Guiltless Grill, hopefully, in the back half of '28 also.

Operator

Your next question is from Brian Harbour with Morgan Stanley.

Brian Harbour
Morgan Stanley, Research Division

Mika, just a quick clarification. So is it correct that you expect to run like roughly 3% price through this year? And then do you have any kind of directional color on like mix impact that you're expecting?

Mika Ware

Executive VP & CFO

Yes. So what I would say as far as price goes, like I said, for the full year, it's going to be on the lower end, maybe just over 3%. If you're thinking about the cadence by quarter, it's going to be a little elevated in Q1. So I would model, again, nice round numbers, 4, 3, 3, if you wanted, just some general numbers on how the pricing will go at Chili's.

As far as mix goes, like we said, it was slightly negative in Q4. We had the 0.2 that was driven by alcohol and appetizers. For the full year, the assumption, I would say it's basically flattish. So we see -- Kevin talked, we've had a little momentum in the dessert category. But really, our strategy this year is to focus on driving traffic. We've talked about that a little bit with the flow-through, but it's really about the chicken sandwich.

The chicken sandwich is designed to drive traffic. We've built up all these other businesses over the years, and those are all built into the run rate, and now we're really leaning into this one to drive traffic, and that's exactly what it's doing. So flattish mix for the year. You got the price just over 3% and the balance of your sales will be from traffic.

Brian Harbour

Morgan Stanley, Research Division

Okay. Got it. Maybe talk about this next month, but I guess, any of the like North of 6 initiatives that you'd expect to see visibly this fiscal year? I guess, like any of those that you're kind of giving yourself credit for sooner at this point?

Mika Ware

Executive VP & CFO

Well, let me tell you one thing we've done. So really, we look at North of 6 to really study their throughput. And so, as traffic continues to increase, we want to capture all that traffic. We just talked about, we're really excited about the start of the fiscal year. And when we think about the labor model, that's the main place that we're learning from them. So for example, in Q4, we just talked about that flow-through was a little bit challenged. I talked about tomatoes. We saw that food and beverage is up a little bit and also beef.

But in our labor model, I will say, hey, we thought that labor would be a little bit more efficient. We have been telling our operators to staff for the sales they want. So we did have a little bit of -- let's say, they weren't as efficient as we wanted in labor, but thank goodness we did that because traffic ramped up so quickly in July and August that they were all ready for it and they're capturing it. So we have actually built in a lot of that where they exceeded the labor model last year.

We built that into the model this year. Now a lot of it was built in the year-over-year already because they overspent, but we learned all that again from where are they leaning into this labor model. We're working on getting the base labor model exactly how we have it. I mean, it's a great problem to have that every year, we're growing the business so quickly that we're adjusting that labor model to make sure that we can capture all the guests and have the throughput improve. But that's kind of where we're focused on.

Kevin Hochman

President, CEO & Director

Yes. The -- and like, I said in my prepared comments, there's a lot of little initiatives that help with throughput. The major one, I think, that we're mostly focused on in the front half is going to be host stand. So this is this idea that like when we're on a weight, the average weight of our guest is 15 to 20 minutes. And even if we can't reduce that, we're going to try to reduce that, even if we couldn't reduce that, even just managing the host stand better makes a huge difference for that guest. Like, there's very different ways you can experience 15 to 20 minutes.

And one way it can be a delighter and another way, it can be just the opposite. So we're going to focus on how they use the software to seat guests and manage the seating of the restaurant, retraining the host on how to better work with the guest on waits. We're obviously going to work on how do we get tables seated faster, how do we get tables bused faster. So there's a whole host of initiative coming in Q2.

And then there's going to be just things throughout the year. So for example, one of the pieces of feedback we've been getting from North of 6 restaurants is some have tried to put in a second soda machine, but the reality is we just have a bottleneck on refills because we give a lot of free refills to our guests. And so, during a busy Friday, Saturday night, that can get -- that station can get clogged with both servers and food runners trying to get drinks. And so, we've got some initiatives that will help us with the KDS to unclog that.

So there's a lot of little things like that, that are going to improve throughput. But it's very clear that those North of 6 restaurants that take on so much more traffic than our rest of our restaurants, they have the similar sized boxes, but they do things differently, and we're going to continue to roll those things out, plus take new ideas from those North of 6 restaurants and what we need to work on from a system standpoint.

Operator

Your next question is from Brian Vaccaro with Raymond James.

Brian Vaccaro
CGS International

Just on the quarter-to-date, just to kind of make sure we're all on the same page and setting reasonable first quarter expectations. Would you be willing to share what the quarter-to-date comp is at Chili's or provide a guardrail there? And in the fourth quarter, could you also share what the 3 For Me mix was and the split between the $10.99 and higher tiers?

Mika Ware
Executive VP & CFO

Yes, sure. So Brian, what I'll say and what I said in my prepared comments is that we did significantly accelerate in July and August. And so if Chili's was 6% in Q4, that means it's higher than that in Q1. So I'm happy to talk about all of that when the quarter ends, won't go over all of the results in quarter 1, but we're just really, really pleased with the strong start to the year and the traffic drivers.

And so again, like Kevin said, the chicken sandwich is outperforming. The Margarita of The Month has been fantastic. It continues to help us drive traffic. And the Triple Dipper, I wanted to mention that, that the Triple Dipper is something that has grown our business year-after-year-after-year and continues to grow today and is up even in Q1 year-over-year. So we're happy with that. That's also built into our everyday value. proposition. So that is the first thing.

The second thing you just asked is on the 3 For Me mix, and I'm very pleased to say that, it's very stable. So in Q3, it was just under 21%. And in Q4, it's just over 21% of our guests are opting in on the total platform for 3 For Me. And of that 21%, about 40% of the people are opting into the $10.99 tier, which is very stable, that's what we reported every quarter. So what I -- the takeaway would be 3 For Me continues to be very stable. We are very pleased that the chicken sandwich and before that, the QP and the smash, they drive in new guests. But the guests -- some guests opt into the $10.99 that want it, but the majority of the guests then eat all over the menu and enjoy anything else they upgrade to whatever they want on the premium option. So that strategy continues to play out, and we're very, very pleased with it.

Brian Vaccaro
CGS International

And I guess as a follow-up, if I could, just on the topic of accelerating unit growth, which you've obviously talked about in recent quarters and this morning. I guess, can you just give us a sneak peek on just the opportunity you see there in the U.S.? It would seem that there are some pretty large states in the Midwest, the Pacific Northwest, and I saw you are acquiring Alabama this morning as well. There's a lot -- there's several states out there where the stores per pop might be 1.5 to 2 instead of 3.5 plus like the system average. So any early thoughts on the TAM in the U.S. that you could be thinking about?

Mika Ware
Executive VP & CFO

Yes. What I'll tell you about is we do think there's an opportunity to build -- to definitely build more Chili's. We talked about kind of the new unit growth as a percent of revenues ramping up. So we're going to share all those details. Again, we got to say something for Investor Day. But what I will tell you, Brian, is that what I really love about it is we still have opportunity to expand in our 3 biggest states, California, Texas and Florida. We have a lot of opportunity in the Southeast to expand, like you said. I mean, we really have opportunity all over the United States.

And so, there's a lot of markets where we can continue to build out Chili's in just kind of those gray areas that we haven't built yet. There's a little bit of white space still in the Pacific Northwest, where we know we have opportunity there. So we have a great opportunity. I think we're going to be able to grow units over many, many years at Chili's and have a nice growth rate to build into our growth algorithm and a nice lever to pull for years to come. So we are excited about the total opportunity for Chili's.

Operator

Your next question for today is from Andrew Charles with TD Cowen.

Andrew Charles

TD Cowen, Research Division

Mika, I had 2 different questions about the guidance. So just first, what contributes to the $0.70 53rd week impact? It's a pretty large impact relative to the revenue guidance. Is the interest savings piece of it from the new debt structure, a piece of it. Just curious more about how the $0.70 came to be.

Mika Ware

Executive VP & CFO

Yes. So what I would tell you is at a very high level, this is how we did it, and we'll continue to refine that as the year goes on. But it's just an incremental week of sales. So you'll look at what our sales volumes are at the end of the year. And it's just a flow-through assumption. It's going to be probably at restaurant level margins, it's probably going to be in that 30% to 35% range. And at a net income, it will probably be in the 20% to 25% range. So it's just a flow-through assumption on that final week of sales.

Andrew Charles

TD Cowen, Research Division

Okay. And then the other piece is the impact of the 12-store franchise acquisition, how does that impact EPS guidance? And if you could also provide the purchase price you guys are paying for that as well, it would be helpful.

Mika Ware
Executive VP & CFO

So let me tell you how it impacted the guidance. And so I'm glad you asked that so I could clarify. So we did get the 12 restaurants back. They are a little bit lower performing than the brand average. And also, remember, we have to net out the royalties we were already getting. So the incremental revenues from those restaurants is probably around $30 million year-over-year.

And then it's going to have a flat impact to EPS basically because it's a very small acquisition. And with the opportunity of share purchase versus buying those back, it's probably a flat EPS impact. I don't know, if I'm going to share all the price on that. I think we'll give some more details as it comes, but we didn't put it in now, but we've got a really great price on those restaurants, and we're really happy to welcome them back.

Operator

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

Sara Senatore
BofA Securities, Research Division

Maybe just a quick follow-up on that and then a question about Maggiano's. I noticed you're acquiring real estate. Is that a signal about how you're thinking about growth ahead in terms of approaching unit growth? I know there have been periods of real estate acquisition, but also sale leaseback. So just as I contemplate how you think about kind of the outlook as you're accelerating unit growth. So that was one quick question. And then I do have a follow-up.

Mika Ware
Executive VP & CFO

Okay. So really, our approach to growing Chili's in the future is going to be that we're open. Now I will tell you the majority of the opportunities are going to be to continue to lease our locations and have operating leases, which is what we're going to continue to do. But I guess what I would signal is if there's an opportunity that we could purchase the land, if it makes sense, we're not against that if it helps us to continue to grow Chili's and it makes sense in certain areas.

When we did the deal with Valente, they own that real estate, and we were happy to take it back. We'll continue to hold it. We'll look at it to see what we think the long term is. I don't know that we have a lot of sale leasebacks in our future. We prefer probably just to hold the real estate. Some of these are older units. We don't want to burden them with some really high and long rents on there. So that's not going to be a big strategy moving forward. But what I would say is primarily, we're going to leave. If the opportunity comes to buy, we're not against it, but we're not overhauling our strategy to be an all-buy strategy by any means.

Sara Senatore

BofA Securities, Research Division

Got it. And then I guess maybe just 2 quick modeling questions. One is the negative mix, is that sort of a continuation of the check management you saw in April? And then can you give any color on Maggiano's, as you mentioned, it was being contemplated in the 2027 guidance. I know to Kevin's point, it's less than 4% of operating profit, but just curious about that.

Mika Ware

Executive VP & CFO

Yes. So as we move forward on mix, I think because the chicken sandwich is just going so great, we're just really -- again, we're just modeling, I would say, flattish for the next year. The negative 0.2% was just a continuation of, like we said, a little bit of check management with alcohol and appetizers. Like also Kevin talked about desserts, those are hanging in there a little bit better. So we feel good about mix.

And again, I'd like to remind everyone that we've spent so many years building the mix up when we built up the Crisper business, we built up the Triple Dipper business, the fajita, the rib, and all those are maintaining, which is wonderful. And so that's why we're back to this flattish. But there is a little bit of check management, but it's very, very small.

As far as Maggiano's goes, I'll give you some high-level assumptions. And what we've done is we've basically assumed in this guidance that Maggiano's is going to have flat revenues and flat profits year-over-year, that just gives us a little bit of room so that we've seen some green shoots like Kevin said, so that we just have room to have Maggiano's to be able to kind of have the pressure off of them where they can just really focus on improving their food service and atmosphere and they can get that traffic rolling again. But those are the assumptions at a high level built in for Maggiano's.

Operator

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

Christopher Carril

KeyBanc Capital Markets Inc., Research Division

Just on the chicken sandwich platform, can you maybe expand a little bit more in terms of what you saw around guest demand around the different tiers and price levels you offer maybe relative to your expectations? And Kevin, you gave us some detail around the number of chicken sandwiches sold per day and how that's continuing to build. So can you talk maybe about how like advertising and awareness drove that growth versus maybe other factors and how the trajectory of chicken sandwich compares to what you saw with Big Smasher and Big QP?

Mika Ware

Executive VP & CFO

I'll start with the 3 For Me question on the chicken sandwich. So we're very mindful about maintaining our $10.99 level of the 3 For Me. So when something new comes in, the other one moves out. And so, in this case, the Big Smasher moved up to $12.99 and the Big Crispy moved in $10.99 and Big QP. Like I said, those levels have stayed very similar. So as far as the 3 For Me goes, we're selling about a similar amount as we did before the Big QP and the Big Smasher.

The rest of the chicken sandwiches and the increases that Kevin talked about are really on the base menu because we have all the sauce versions, we have the premium, the deluxe. And so that's where we're selling the bulk of our incremental chicken sandwiches are on, I would say, the base menu.

Kevin Hochman

President, CEO & Director

And then as far as like the driving trial and awareness, the curve -- when you look at the curve, it looks almost exactly like the QP and the Smasher curve just higher. So like it started off at a certain level and then it kind of a few months in, it starts to accelerate, which is what we saw on the others, too. So the mix is still good. That's like it's kind of behaving like the other 2. So that's why we just continue to drive advertising on it.

Like I mean, a lot of folks have seen it quite a few times like in the investment community or in our walls, our 4 walls. But like the reality is the vast majority of our guests haven't seen a Chili's ad, hate to tell the marketing team. So as they continue to drive and build the awareness of it with a very similar campaign, that awareness will compound over time. So that's why we stay on these things. We don't do it for 4 weeks and then move on to something else, hat's had incredible success for us, since we've started the 3 For Me campaign. So we don't plan to change that.

As long as the item is -- the customer is responding well to the item, which is what it appears to be on the Big Crispy, we're going to continue to drive that. And then we'll reassess whether in year 2 of Big Crispy, do we continue to advertise that or we bring news to Big Crispy or do we move to another item on $10.99. But we do that -- we've done the same thing every year for the last almost 4 years now, and we've had success. So we don't plan on changing that formula. We think that is creating value certainty for the guest and really repositioning us in the market.

Operator

Your next question is from Jon Tower with Citi.

Jon Tower

Citigroup Inc. Exchange Research

Kevin, you earlier talked about the cycle time efforts and what you've got lined up for 2027 in terms of what you're tackling. I'm just curious like how you're thinking beyond that. Are there larger chunks or areas that you can go after in '28 and beyond? I'm just trying to get an idea of how long this runway is for you to kind of continue to improve the cycle times.

Kevin Hochman

President, CEO & Director

Yes. I think there's 2 areas, I think, that we'll continue to work on that we're going to learn about, which is like the actual dining experience. And so -- and that one, I think there's a ton of upside just because it's a big part of the business, and we continue to uncover basically places where things bottleneck. And so we're just going to continue to walk through those things. So for example, host is a big one. That is a major initiative for us. But like we also know that the order time is a little bit of a blockage.

And so when we're finally finishing rolling out the new UX for the order tablets, that's going to speed up ordering. And what we're learning at the soft drink station, the fact that, that's -- it's harder to get refills as fast, and that's going to speed up time. And then this idea of dessert bottlenecks. And so when people do order dessert, it ends up being a long time. That's going to improve cycle time, but it's also going to improve the server being more willing to sell desserts, right? So I think we're just going to continue to uncover things from a dining room standpoint. And I think we've got at least 3 years of runway on that one.

The other one, which we haven't even scratched the surface on is to-go. It's 25% of our business, and we have a huge opportunity to figure out how to get friction out of that to make it seamless. When you look at the players in QSR that win on digital, meaning they create habits of their guests that they can rely on to get a quick take-home meal, it's all about a fast app, a seamless pickup experience and accurate pack-outs. And we think those 3 things, we can go nail over the next couple of years. And we think that we're uniquely positioned in casual dining to go after those transactions because if you look at the things that we're winning with, it's all around the Better Than Fast Food campaign.

So these are things that people think about when they think about take-home meals. So burgers and chicken sandwiches and chicken tenders and some of our Tex-Mex offerings, like these are all things that we think are positioning ourselves well, but we've got to figure out that operation. I think that's a huge task. We're going to talk a little bit more about it when you guys come in for Investor Day, but that's the next big frontier I'm excited about because there's so many more transactions in QSR that we could go after with the off-premise occasion.

Jon Tower

Citigroup Inc. Exchange Research

I guess one more follow-up. I guess I've asked this question before in previous calls. I'm curious if you have any data behind it now in terms of the guest behavior. A lot of those guests that have been lapsed and now have come back to Chili's over the years, how they're using the brand perhaps differently than maybe you thought or maybe they're using the brand or the menu as you had expected. I'm curious if you've got kind of that customer journey, how they've been coming back in.

Kevin Hochman

President, CEO & Director

Yes. We don't really have that detail. I mean the level that we have with the token data is basically that we're bringing a lot of new guests in. So a little bit more than half of the tokens that we see each month are new. And then when we track them, now we do it within 9 months, we can understand what their repeat behavior is, and it looks a lot like existing guests. So that's basically what we know. We have some broad things on younger guests that tend to order more triple dippers -- older guests tend to order more of the 3 For Me.

So we have some of that, but like we don't really -- it's -- I don't know how to answer your -- I don't have the data to answer your specific question of like how our lapsed users will they come back to the brand using the brand differently. We don't have it to that level.

Mika Ware

Executive VP & CFO

Jon, but what we do know is we continue to draw on new guests every quarter, and then we talk about how 3 For Me is pretty stable. So we're not seeing like an over-index to value. And all of the categories are -- they've grown over time, but then they're all pretty stable. And so we're not seeing any huge mix shift in the menu with new guests. It's kind of like we said, we're attracting new guests in and they quickly fall and look like existing guests over time and then just keep coming back, but they're utilizing the menu basically the same. We're not seeing any big changes in the run rates of all the different particular categories or like a run-up in 3 For Me.

Operator

Your next question is from Margaret-May Binshtok with Wolfe Research.

Margaret-May Binshtok

Wolfe Research, LLC

This is a 2-parter. I wanted to ask, I know you guys have talked about the success of the Big Crispy platform, but anything to call out in terms of the incremental traffic? Is that a younger guest? Anything between the different income cohorts, the type of guest that that's bringing in? And then the second part, I just want to ask, since you guys launched the Margarita of the Month Club earlier this year, have you seen any sort of sequential improvement in alcohol incidents?

Mika Ware

Executive VP & CFO

So you know what the great thing is about Chili's and about burgers and chicken sandwiches, everybody loves them. So our traffic has been up, and we're growing. We're growing all income levels, low, medium, high. We're growing all of our different demographics. And so historically, we had a little pop in our younger guests with the initial success of the Triple Dipper. We've maintained that. And we continue to grow and attract all the different demographics and cohorts.

So we're really pleased that chicken sandwich again, has behaved just like the burgers. It's a huge segment, and it's broadly appealing to everyone. And so we're not seeing one particular group drive the traffic. It's all the groups, which we love because it's not very specific to one group. It's very broadly appealing.

And as far as the Margarita of the Month Club goes, it's been a huge success for us just in general as an everyday value platform for us. So I know our guests really appreciate that $6 margarita. It's fun, it's colorful. They enjoy seeing what's next. It's culturally relevant. The one we had in July, Kevin mentioned it, it was really successful. So I would say, overall, the Margarita of The Months have been very successful. They're driving margarita incidents. They're driving traffic.

Now if you take a bigger step back and look at the whole alcohol category, we're feeling a little pressure like everybody else as the whole category -- for the category as a whole, we continue to sell market share. We're top in market share, but we're feeling a little bit of that macro pressure like everyone else is. But Margarita of the Month specifically, great value and helping us drive traffic.

Kevin Hochman

President, CEO & Director

And one other thing I would add is I think maybe 5 years ago, the prior team viewed Margarita of The Month as just like how do we get more drink attachment. And it does play a great role to do that, still does. So we tested it years ago when I first got here, which put take it off the table and it was a mistake. So we know that it drives drink attachment even if the broader macro trends are against alcohol attachment and what's going on with gas prices.

So -- but the second thing I think that is important to note is the new marketing team has done a phenomenal job of figuring out what are different margaritas a month we can use to drive traffic. We saw that with -- last November with our witch-themed Margs. We saw it with the most recent Bombshell Margs in July. And so I think they're doing a better job. Not every month is going to be this big traffic-creating margarita. These guys are very planful about which ones they're going to do and how they're going to surround it with advertising and social.

But they've done an exceptional job of creating a second growth lever on Margarita of the Month. So it's not just about attachment and entry price point, but it's also now about traffic driving for certain Margs and I think that's going to continue. When I look at the innovations they have planned, I think it's not going to be every month, but often, they're going to be looking at things that are actually going to drive the total box traffic, not just alcohol attachment.

Operator

We have reached the end of the question-and-answer session. I will now turn the call 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 presenting an update on our long-term growth plans at our upcoming Investor Day in September and updating you on our first quarter fiscal year 2027 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.

Read more current EAT analysis and news

View all earnings call transcripts