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Denny's Corporation (DENN) Q2 2025 Earnings Call Transcript

Aug. 04, 2025 9:50 PM ET | **Denny's Corporation (DENN) Stock** | DENN

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Q2: 2025-08-04 Earnings Summary

Insights



EPS of \$0.09 **misses by \$0.02** | Revenue of \$117.66M (1.49% Y/Y) **misses by \$430.31K**

Denny's Corporation (NASDAQ:[DENN](#)) Q2 2025 Earnings Conference Call August 4, 2025 4:30 PM ET

Company Participants

Kayla Money - Corporate Participant

Kelli F. Valade - CEO & Director

Robert P. Verostek - Executive VP & CFO

Conference Call Participants

Jake Rowland Bartlett - Truist Securities, Inc., Research Division

Jon Michael Tower - Citigroup Inc., Research Division

Michael A. Tamas - Oppenheimer & Co. Inc., Research Division

Todd Morrison Brooks - The Benchmark Company, LLC, Research Division

Operator

Ladies and gentlemen, thank you for joining us, and welcome to the Denny's Corporation Second Quarter 2025 Earnings Conference Call. [Operator Instructions] I will now hand the conference over to Kayla Money, Senior Director of Investor Relations.

Kayla, please go ahead.

Kayla Money

Good afternoon. Thank you for joining Denny's Second Quarter 2025 Earnings Conference Call. With me today from management are Kelli Valade, Denny's Chief Executive Officer; and Robert Verostek, Denny's Executive Vice President and Chief Financial Officer.

Please refer to our website at investor.dennys.com to find our earnings press release, along with a reconciliation of any non-GAAP financial measures mentioned on the call today. This call is being webcast, and an archive of the webcast will be available on our website later today.

Kelli will begin today's call with a business update, then Robert will provide a recap of our second quarter financial results and a development update before commenting on guidance. After that, we will open it up for questions.

Before we begin, let me remind you that in accordance with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the company knows that certain matters to be discussed by members of management during this call may constitute forward- looking statements.

Management urges caution in considering its current trends and any outlook on earnings provided during this call. Such statements are subject to risks, uncertainties and other factors that may cause the actual performance of Denny's to be materially different from the performance indicated or implied by such statements. Such risks and factors are set forth in the company's most recent annual report on Form 10-K for the year ended December 25, 2024, and any subsequent Forms 8-K and quarterly reports on Form 10-Q.

With that, I will now turn the call over to Kelli Valade, Denny's Chief Executive Officer.

Kelli F. Valade

Thank you, Kayla. Good afternoon, everyone, and thank you for joining us. Today's

discussion will focus on the continued progress we've made to bring profitable traffic-driving initiatives to our flagship Denny's restaurants. We'll also talk about our continued confidence in our growth brand, Keke's Breakfast Cafe. After that, we'll provide updates on our quarterly financial results and share our full year 2025 outlook.

With that, let's get started. As we talked about in quarter 1, we are operating in a very choppy consumer environment, and that has continued through quarter 2. Household incomes remain under pressure and consumer sentiment continues to be volatile, meaning consumers are pulling back on spending across most categories, and they're being more selective about where to spend.

Despite these challenges, Denny's delivered system-wide same-restaurant sales of negative 1.3%, which is a 170 basis point sequential improvement from Q1. Results were impacted by our concentration in key states and markets that are particularly under pressure right now. For instance, our top 4 DMAs of Los Angeles, San Francisco, Houston and Phoenix represent nearly 30% of our comp sales base and have historically been strong performers for us, lifting our overall system-wide same-restaurant sales in Q1 by approximately 40 basis points.

However, in Q2, these markets experienced outsized macroeconomic pressures that contributed to a reduction in system-wide same-restaurant sales of approximately 30 basis points. This was a shift felt across the industry, and we were not unique, but our concentration in these markets means we may have felt the impact more acutely. Despite this, we continue to remain laser-focused on driving profitable traffic, helping us continue to outperform BBI family in California specifically and for the sixth consecutive quarter.

We expect that the volatility in consumer sentiment will moderate over time. But in the meantime, we are continuing to stay nimble, innovating our value messaging and merchandising and meeting the guests where they are. In March, we introduced the buy-one-get-one Slam for \$1 deal, featuring our original Grand Slam and our All-American Slam. This was a compelling and competitive offer, and it performed well over the 12-week period, driving traffic from new and lapsed users.

In fact, over 15% of the new and lapsed users who visited us during the BOGO promotion has since returned to enjoy our latest promotions and some have even visited multiple times. As we headed into the busy summer months, we opted to refresh our value offer again with something that highlighted our brand equity and slams.

In June, we introduced 4 Slams under \$10, featuring the Red, White and Berry Everyday Value Slam, which is particularly relevant in the summer months around the 4th of July as well as the Choconana Everyday Value Slam and the fan favorites Super Slam and Everyday Value Slam.

The Super Slam incidence peaked at a record high of nearly 10%, demonstrating the significant appeal of this offer and the 4 Slams promotion is continuing to drive similar new and lapsed user trial as the BOGO promotion did. We are continuing to iterate and evaluate ways to meet our guests' desire for value through a variety of offers that meet their different needs. We also remain confident in our off-premise strategies, which we believe uniquely position Denny's as a leader in the family dining category.

Our volatility is concentrated in dine-in transactions, but our off-premise business remains strong. In fact, our off-premise sales contributed a 1.5% improvement in same-restaurant sales during Q2. We attribute our strength in this channel to our continued smart investments in digital, which increased traffic to our website, improved conversion rates and more effective promotions on third-party platforms.

And we'll go deeper with digital as we launch a new points-based loyalty program during the back half of this year. This new program is a best-in-class one-to-one marketing program that leverages our already strong database of loyal guests to create greater, more compelling reasons for them to engage and spend more. It will allow us to collect valuable first-party data that enables us to personalize offers based on real guest behavior, drive frequency and margin with right promotions and deliver the right message to the right guests at the right time.

These digital guests are more valuable because they tend to visit more often. On average, these guests visit 2x more often than other guests. Plus, we're making it easy for everyone to join from anywhere they can access dennys.com, which includes, but isn't limited to just the Denny's app. By launching this new points-based loyalty program, we incentivize engagement every visit, collecting data needed to fuel a personalized CRM program to build frequency and delivering between 50 to 100 basis points in traffic over time.

I also want to take a moment and provide an update on our previously communicated strategy to close underperforming restaurants and return to pre-pandemic growth of flat to slightly positive in future years. The surgical and methodical approach, which began in 2023 and will be completed by the end of this year, was specifically designed to optimize and enhance the overall health of the franchise system with the goal of returning to net flat to positive growth by 2026.

Rationalizing the portfolio was the right thing to do, and we're seeing the results that we wanted and expected from this process. It has already resulted in a franchise AUV increase of approximately 5% or nearly \$100,000 in AUVs.

In addition, our rehabilitation plan is also working as expected. We're moving underperforming restaurants to new operators and taking a targeted approach to rehabilitating other restaurants through enhanced training and dedicated support from our field teams. This collaborative effort has resulted in the remaining Quintile 5 restaurants now outperforming franchise same-restaurant sales by approximately 120 basis points during quarter 2, further proving the strategy to rationalize the portfolio in this way, though difficult, was absolutely the right thing to do.

One more important action we're taking to improve not only the lower quintile restaurants, but the entire portfolio is protecting margins and leaving no stone unturned. Our margin improvement efforts to-date have already identified significant savings through reduced food and non-food costs and waste savings. These savings are a result of supplier negotiations, product spec changes, recipe changes, menu enhancements and operational procedure modifications.

As we look forward, upcoming areas of opportunities for savings include pack size optimizations, product packaging and to-go packaging. In total, we believe this initiative can deliver up to 200 basis points of savings over the next 12 to 18 months to mitigate continued rising costs and boost both our company P&Ls and franchise P&Ls.

It's important to note, none of the savings I've referenced are at the expense of the guests and all of them have come with complete alignment and working closely with our franchisees. Overall, we remain focused on living our values and executing our strategic initiatives.

We are leaning into our strengths as a brand, winning in key occasions like value and off-premise and engaging the next generation of brand fans to drive meaningful results for our business. I'd like to thank Chris Bode and the entire team at Denny's, along with our dedicated Denny's franchisees. Their resilience and focus are inspiring.

Now turning to Keke's Breakfast Cafe, which was recently named to the Nation's Restaurant News 2025 100 Under 100 list of emerging restaurant chains with staggering results. The brand continues to delight guests. And as we've taken it beyond Florida, we're seeing incredibly strong guest sentiment, including a 4.85 Google rating.

Keke's delivered strong second quarter same-restaurant sales of positive 4% compared to the prior year quarter, and they continued their trend of significantly outperforming the BBI Family Dining Index in Florida by over 220 basis points. The brand continues to delight our guests. And as we've taken it beyond Florida, we're seeing incredibly strong guest sentiment, including a 4.85 Google rating. And when you take care of guests this way, they thank you by coming back more often. Because of this and our other compelling initiatives, Keke's was able to deliver strong second quarter same-restaurant sales of positive 4% compared to the prior year quarter, and they continued their trend of significantly outperforming the BBI Family Dining Index in Florida by over 220 basis points.

Keke's has continued to benefit from all the foundational work that was done to capture the essence of this emerging brand, maintaining industry-leading guest satisfaction scores while focusing on operational excellence and speed of execution. This, combined with initiatives such as introducing alcohol offerings and growing off-premise sales helped to deliver the 4% comp in Q2. Importantly though, the growth came from both dine-in and off-premise transactions, making it even more impressive.

Additionally, Keke's launched its first-ever system-wide promotion in fiscal June, featuring \$5 kids meals with every adult entree. This timely promotion set out to capture families traveling during the busy summer months and promote the recently added kids section of the menu. This first-ever Keke's promotion drove substantial incremental traffic during the weekdays throughout the summer and helped introduce the brand to new guests.

Another big area of focus for Keke's is development. In Q2, Keke's opened 8 new cafes, which included reopening 2 previously closed Keke's locations now under new management and ownership. In July, we opened 2 more, bringing our year-to-date cafe openings to 13 already. The brighter, more vibrant new image has been included in all of the new cafe openings. And with the new 3 company remodels completed, our company fleet is now over 70% converted and our franchise fleet is starting the journey with nearly 20% representing the new image.

We plan to complete a couple more remodels this year in company locations as well as a few new franchise remodels, and we'll launch into a broader remodel program for the franchise fleet in 2026. As part of the strategic plan to remain asset-light, we also refranchised 3 company cafes in Northern Florida during the quarter and expect to refranchise 2 more in the near term. This allows us to streamline Florida Keke's company operations to Orlando while expanding into Nashville and Dallas.

I'd like to take a few minutes to share an update specifically on these new markets for Keke's. The Nashville market, which marked the brand's initial expansion outside of Florida about 1.5 years ago, now includes 6 company cafes, one of which opened in fiscal July. Sales momentum has improved with each successful opening, reflecting enhanced brand recognition within the market.

The 6 cafes in the Nashville market currently generate roughly 15% higher average weekly volumes than the system-wide average, and we are confident that volumes will continue to grow as the market matures. Although we now have 6 cafes in Nashville, only 2 have operated for over a year. The rest averaged just over 3 months. Robert will speak to this in more detail when you hear from him, but note that margins are improving as planned and are on track to meet the upper teens targets that were set at Investor Day.

Dallas is similar with 6 company cafes now open for less than 6 months on average. We are optimistic about this market as well, having expanded early into many new and developing suburbs, and we expect Dallas to achieve its targets as scheduled. The maturity of these 2 markets will be crucial for demonstrating success, providing a playbook for openings and growing in new markets and attracting new franchisees beyond our current internal pipeline.

I am confident we are on the right path. I want to thank our Keke's team and franchisees for their ongoing commitment and enthusiasm as we aim to become one of the largest competitors in the fastest-growing daytime eatery segment.

In closing, we continue to focus on executing our strategic initiatives and winning with our guests while being nimble, facing challenges head on and meeting our guests where they are. We are a value leader, and we know how to leverage that strength to drive profitable traffic and support our guests and our franchisees' needs. We are hopeful that the macro environment will continue to stabilize and improve, and we are confident in our sales levers and smart initiatives.

These include a continued focus on value and off-premise and new digital enhancements such as our new loyalty CRM platform set to launch in the back half of this year. Going forward, we have a lot to look forward to, and I am incredibly proud of our teams, our franchise partners and all those leading these amazing brands, executing our strategies every day and taking great care of our guests.

I will now turn the call over to Robert Verostek, Denny's Chief Financial Officer, to discuss our Q2 financial results.

Robert P. Verostek

Thank you, Kelli. And I also want to echo how proud I am of the team's unwavering dedication to executing our strategies. They have maintained a sharp focus on controllable factors as we steer through this choppy landscape.

Now, starting with our second quarter financial results. As Kelli mentioned, Denny's reported Q1 domestic system-wide same- restaurant sales of negative 1.3%. This reflected a sequential improvement of approximately 170 basis points from the first quarter but was also weighed down by the impacts of our concentration in certain markets.

From an income perspective, all income cohorts improved during the quarter, but the biggest improvement came from those guests in the \$50,000 to \$70,000 range. This is particularly encouraging as this is our core Denny's guest. Denny's company restaurants delivered flat same-restaurant sales for the second quarter, even though they were exposed to some of these same pressures as the franchise system.

This speaks to the investments we have made at our company restaurants by being early adopters of server tablets, allowing for quicker table turns; accelerating remodels, which deliver significant cash-on-cash returns; as well as having higher guest satisfaction scores.

Additionally, beginning late last year, we started testing another virtual brand at our company restaurants in partnership with Franklin Junction, selling Nathan's Famous hot dogs. This rolled out throughout Q1 and is currently in over 70% of our company restaurants. Virtual brands have always been highly incremental for us with minimal SKUs being added, driving traffic during dayparts where we have capacity, and our operators are loving how easy hot dogs are to execute also.

In the second quarter alone, this new revenue channel improved company same-restaurant sales by approximately 50 basis points, and we are starting to explore what a broader franchise rollout could look like. Denny's system guest check average increased approximately 3% compared to the prior year quarter, which was primarily from carry-over pricing from 2024.

Off-premises sales have remained strong during the quarter, representing 21% of total sales. This unique strength for us benefited system-wide same-restaurant sales by approximately 150 basis points and was evenly split between our investments in digital, which improved online sales, strategic promotions with third-party platforms and the continued benefit of rolling out Banda Burrito last year.

Value was clearly a big component of our quarter as well with incidents just over 20%. There is no doubt that we needed to lean into value, but we also did it in a smart way, which resulted in us driving enough traffic during the quarter to offset the discount provided to our guests. Denny's opened 3 restaurants during the quarter and closed 10 franchise restaurants with average unit volumes of approximately \$1 million.

As Kelli mentioned, being proactive in closing these lower-volume restaurants, along with a focused rehabilitation program has already improved our franchise AUVs by nearly 5% since we started this journey almost 2 years ago. Also during the quarter, Denny's completed 14 remodels, including 5 at company restaurants. This brings our company fleet to nearly 55% remodeled, and our franchise system is ramping up with over 10% of the system remodeled. We expect to complete another 5 to 10 company remodels this year and upwards of another 50 franchise remodels.

And lastly, we have always had a practice of opportunistic buying in markets where we already have oversight, which is why we strategically acquired 1 restaurant in Texas during the quarter. We have been very pleased with this acquisition as this restaurant is rivaling for our top sales unit in Texas over the last several weeks.

Now moving to Keke's. Keke's delivered system-wide same-restaurant sales of positive 4% for the quarter and outperformed the BBI Family Dining Index in Florida for the fourth consecutive quarter. Company same-restaurant sales experienced sequential improvement of nearly 300 basis points, primarily due to strong performance in the newly acquired Keke's cafes from the first quarter.

Keke's average check increased approximately 6% during the second quarter, driven by pricing, favorable menu trades, higher beverage incidents and off-premises growth. They opened 8 new cafes during the quarter, 4 of which were company-owned. The openings also included 2 previously closed franchise cafes that reopened under new ownership and with our new image.

Thus far in the third quarter, we have reopened 1 additional franchise cafe under the new image and also opened our sixth company cafe in the Nashville market. And as Kelli mentioned, we also refranchised 3 company cafes in Northern Florida during the quarter and have one more transaction expected to be completed in the near term.

Now moving on to our second quarter financial details. Total operating revenue was \$117.7 million compared to \$115.9 million for the prior year quarter. This increase was primarily driven by 12 additional Keke's company cafes and partially offset by our previously communicated strategy to intentionally close lower volume Denny's franchise restaurants to improve the overall health of the brand.

Adjusted franchise operating margin was \$30.0 million or 50.7% of franchise and license revenue compared to \$30.8 million or 50.0% for the prior year quarter. This margin change was primarily due to fewer Denny's equivalent units and softer Denny's same-restaurant sales.

Adjusted company restaurant operating margin was \$6.7 million or 11.5% of company restaurant sales compared to \$13.7 million or 12.9% for the prior year quarter. This margin change was largely attributable to increased product cost of 80 basis points with commodity prices holding steady at 5% during the quarter. However, as egg prices declined over the period, we anticipate this pressure will ease for the remainder of the year.

The current year quarter also included approximately 115 basis points related to legal and medical reserve adjustments as well as approximately 100 basis points related to inherent inefficiencies in new cafe openings and oversight. As a reminder, with our smaller company base, having 8 cafes within the quarter that were open less than 4 months on average can have short-term impacts that will abate over time.

And as Kelli mentioned, we are very pleased with the progress we are making in Keke's new cafe sales and margins, and these new opening inefficiencies are just a temporary headwind as they mature into the higher teens margin targets we have previously communicated. Absent the temporary new cafe ramp-up costs, legal and medical reserves and adjusting for normalized commodities, our adjusted company margins would have been approximately 14%.

Now moving on to G&A. General and administrative expenses were \$21.4 million compared to \$20.5 million in the prior year quarter. This change was primarily due to additional incentive compensation, along with additional share-based compensation and deferred compensation valuation adjustments, neither of which affect adjusted EBITDA. These impacts were partially offset by corporate administrative expenses savings of approximately \$0.6 million or a reduction of approximately 3.5% compared to the prior year quarter.

This discipline focused on costs that are within our control has us well on our way to hitting our stated goal of reducing G&A between 3.5% and 4.5% in 2025 and a longer-term goal of 5% to 6%. These results collectively contributed to adjusted EBITDA of \$18.8 million.

The effective income tax rate was 34.3% compared to 25.1% for the prior year quarter. This change in rate was primarily due to discrete items relating to share-based compensation in the current year quarter.

Adjusted net income per share was \$0.09 in the current year quarter, and we were compliant with our debt covenants as of the end of the quarter. We had approximately \$279 million of total debt outstanding, including approximately \$269 million borrowed under our credit facility.

Let me now discuss our business outlook for 2025. I will go through the details, but at a high level, we are reiterating everything we guided on our previous call. Sales results have been choppy. However, we still see a path to the low end of our same-restaurant sales guidance range given our continued momentum from digital enhancements, strong off-premises sales, additional remodels and a new loyalty program that will provide positive benefits.

With the 20 openings through the second quarter and 2 additional Keke's openings thus far in the third quarter, we are confident in our current range of 25 to 40 openings. With regard to closures, as we previously shared, we expect between 70 and 90 closures, which includes our strategy to close underperforming restaurants as well as some attrition related to normal lease expirations, and we still believe this range is appropriate.

Our expectations for commodities between 3% and 5% and labor inflation between 2.5% and 3.5% remain intact. Additionally, our G&A guidance of between \$80 million and \$85 million is still appropriate, and as a reminder, includes approximately \$1 million related to the 53rd week. We remain on track to reach the low end of our adjusted EBITDA guidance of \$80 million to \$85 million.

Our refinancing process is currently underway, and we anticipate its completion prior to our third quarter earnings call. We intend to resume share repurchases in the fourth quarter and ultimately achieve our previously stated guidance range of \$15 million to \$25 million.

We have historically been a highly cash-generative business and returned a significant amount of cash to shareholders through our successful share repurchase program, and we believe this strategy remains critical to maximizing shareholder value.

In closing, I would like to thank our teams and franchisees for their continued dedication and support to both Denny's and Keke's. We remain focused on delivering a best-in-class guest experience and advancing our strategic initiatives to ensure sustainable growth on both top line and bottom line. I will now turn the call over to the operator to begin the Q&A portion of our call.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from the line of Michael Tamas with Oppenheimer.

Michael A. Tamas

Robert, you mentioned that the sales have been choppy, but you still see a path to the lower end of your same-store sales guidance for the year. So, I was wondering, can you comment maybe on what July same-store sales might look like? And then what you're seeing that's giving you the confidence to still hit that same-store sales guidance because your comparisons do toughen quite a bit, I think, particularly in the fourth quarter.

Robert P. Verostek

Yes. Michael, good to hear from you. So, we are in a pretty volatile period here in July due to the -- some of the macroeconomic changes that have been more recent. It probably would be a disservice to quote what it was. It's been up and down. We're actually in a pretty good spot as we sit. So, when you look at it, I think we're down [2.2%] year-to-date. So, we'll need about 0.5 point improvement compared to that on the back half of the year.

And when you look at what we have slated for the back half of the year, we got -- we'll continue to evolve the value messaging. We're actually pretty bullish with what we have seen and how that continues to evolve. Remodels, we are picking up some momentum in remodels. We'll do additional company remodels. The franchise side will pick up.

Then when you look at the CRM and loyalty program, we are really, really close to getting that launched. So, when you look at the front half of the year, Michael, and look what we -- how we need to improve, even with that rollover, we'll have some really good value to roll over on top of that value that I think \$2-\$4-\$6-\$8 launched last September. We'll be in good shape with regard to that.

So, again, with all of the things I just mentioned, I think what I -- the comments that we made with regard to that low end of the guidance range are clearly within reach, the way we see it.

Michael A. Tamas

Okay. And then, you mentioned that the biggest sales improvement you saw was in the \$50,000 to \$70,000 income cohort, I believe, was the number. So based on the data that you have, do you have any thoughts on maybe why that income cohort saw that biggest improvement? And where do you think the shift in spending came from? Was it from other restaurants? Or were they eating at home and now they sort of came back? Any insight there would be great.

Kelli F. Valade

Michael, this is Kelli. Yes, great question. I think when we think about that \$50,000 to \$75,000 household income, we definitely think, speaking to them, meeting them where they are and the launch of our BOGO, that buy-one-get-one for \$1 with those 2 really amazing slams at our equity was the reason for those -- for that pickup. And then we really saw return visits of new. We had a lot of new first- time or lapsed users that came back in, light users, if you will, that came in for that promotion.

We saw that immediately. We track that against other promotions, seeing something similar throughout the summer with the 4 Slams promotion. And so we feel good about that in terms of them just kind of coming back to us and then continuing to come back as they see us lean into just a great value proposition at a time when they need it most.

Operator

Your next question comes from the line of Todd Brooks with Benchmark Company.

Todd Morrison Brooks

First on the value mix , Robert, I think you said it was running about 20%. I was wondering if you could parse it. How much is kind of everyday value that sits there in \$2-\$4-\$6-\$8 versus how much is tied to new LTOs. We just hear more operators talking about customers seeking out everyday value that they know will be there versus more episodic value. Any thoughts on going forward, do we need to continue to roll these slam type of promotions to make them fall into that relatively everyday type of bucket?

Kelli F. Valade

Yes. It's a really great question, Todd. This is Kelli. And it's -- the crux of the issue, as you just said it, is you're spot on. It really -- to me, everyday value, \$2-\$4-\$6-\$8 would fall into that everyday value category. What you've seen us doing is what I would call -- you said episodic, I'd call it LTO value, right, limited time only meeting them, again, where we know they need -- we knew when we pivoted to that and we did the BOGO, we could see the volatility. We could see the enhanced competitive pressures that were happening. And for us, turning that LTO value on was really important. And it drove significant traffic for us in the quarter that we're referencing.

So, we saw the traffic build. It definitely was margin positive. It actually was a 5% traffic change, the delta from the beginning to pre and post after doing that. So we knew we were on to something with that, and we've carried that through the summer, just knowing that there would continue to be volatility.

Your question about \$2-\$4-\$6-\$8. So, as of right now, the leaning into that 4 slams is what we're doing. And we're looking at everyday value going into the fall and testing new ideas and new propositions so that the guests can find everyday value all the time. It's engineered for the right profitability.

What we saw with \$2-\$4-\$6-\$8 was they were -- as Ellie Doty, our Chief Brand Officer, likes to say, they were hacking our value. They were taking \$2-\$4-\$6-\$8 and it was primarily the Everyday Value Slam and the Super Slam. Hence, us coming in with the LTO approach around our slams this summer. And then just weaving that in using the "Red, White and Berry Slam as well. So, we're just trying to iterate and really just being nimble and flexible, but doing what the guest needs us to do right now at the same time, either rearchitecting, reengineering \$2-\$4-\$6-\$8 or there will be this -- looking for that next everyday value proposition that you can always find on the menu that the guests can count on us for.

And then, yes, I think you'll always see some LTO stuff going on, whether it's obviously premium offerings or maybe some episodic other offers. But the goal is everyday value that the guests can find, premium offerings and new innovation from food offerings that you'll see from us in the back half of the year.

Todd Morrison Brooks

Perfect. If I could just squeeze in 2 quick follow-ups. One, on the refranchise of the 3 Keke's in Northern Florida, I think it's probably the first refranchise activity under Seed and Feed. Any commentary that you can share around proceeds and what the process was, how much interest there were in these properties and trying to give us some hope in kind of momentum building behind Seed and Feed.

And then the other one I have is just a quick one. I'm just a little confused, I want to be clear. So, Robert, you said predominantly pricing driving the average check up 3%. But then I heard when you guys were talking about the value that it drove enough traffic to offset the mix drag. So, I just want to understand where mix versus price came out in the quarter to kind of be able to put a little color around those 2 comments.

Robert P. Verostek

Yes. I appreciate that, Todd. Let me try to unpack that a little bit for us. So, with regard to the refranchising, those were -- while we did refranchise those restaurants in the quarter, they were not actually technically part of the Seed and Feed. Those were restaurants, cafes that we owned as part of the original acquisition. So, we actually -- so those were all in Florida. So, the pricing of those -- they were ones that were just not optimal for us to keep in the Florida market.

So, it was all part of the purchase price accounting in there. So, those weren't actually new builds as part of the Seed and Feed. We were just really looking to optimize our oversight efficiency in the Orlando market is why we kind of tweaked tweak those 3 [refrans].

From a perspective of going forward, I can tell you that we are -- the Seed and Feed is really starting to mature into how we envisioned it. Nashville is coming together nicely with regard to maturing into a market now with 6 company cafes. The volumes in that market are -- so they have grown into being quite substantial with regard to that. So, they're maturing into that time when we could begin the idea of actually selling that market.

Dallas is earlier on into that process, right? We're just -- we just got those opened up with regard to that. So they're earlier on in the maturation curve. And so it will be a second before that will mature into being ready. So, the -- with regard to the proceeds, I don't have that at my fingertips, Todd. But again, it weren't -- they were not ones that we built. So, with regard to recouping the actual build cost, it's a different dynamic with these first 3.

With regard to the second question regarding the pricing, so it is predominantly pricing. We took a 3% -- there's 3% pricing within the current quarter. The majority of that is rollover pricing. When you -- the question, the clarity, I think, that you're seeking with regard to that is, we did have some -- as Kelli mentioned, the traffic did offset the GCA decline. There is -- as you recall, I don't want to get too far into it. It could be -- it's a complicated issue, but you know about it.

The way we are accounting for the \$2-\$4-\$6-\$8 plates with regard to the \$2 price points that are now add-ons that used to be plates. So, it now is in check and not guest count. Net-net, when you look at the LTO and you look at that dynamic, it gets to a flat mix GCA impact. So, you're getting back to what happened in the quarter is really 3% pricing, predominantly rollover pricing.

Operator

Your next question comes from the line of Jake Bartlett with Truist Securities.

Jake Rowland Bartlett

My question first to, actually, Kelli, if you could just talk about some of the macro trends, your consumer. I mean, obviously, we're hearing about volatility in July. But I think, Kelli, your comment was also some stabilization in demand from your consumer. So, maybe just some comments what you see as the trajectory just on an underlying macro basis, and then I had some questions on what you can do about it.

Kelli F. Valade

Sure, Jake. Yes. Well, it's -- the jobs report that just came out recently, that doesn't -- just there's so much. When I think about the buckets, it's everything from just inflation, it's interest rates, it's the jobs reports that have come out. It's our most pressured consumer that is that \$50,000 to \$75,000 household income.

And it's just -- the farther we get away from any kind of big announcements or changes or things that are out there, from a narrative, the better we see our promotions, our work really coming into play and really making a difference for the guests. So, it just is choppy still, right? It just continues to be choppy.

We believe and have -- there's no crystal ball here, but hope to see that moderate as it continues to moderate. We're encouraged as of late, I will say that. We are encouraged by what we're seeing as of late and the response to, like I said, all the things that we are doing with some of these offers, some of the promotions that we're doing. So, encouraged by it, which gives us some -- watching other things, black box metrics, looking at some of the things that we see and learn from other data points gives us some confidence things will continue to moderate, which will only help us because the initiatives are the right initiatives. The macro environment moderating will really be what we need.

Jake Rowland Bartlett

Got it. And as we think about the second quarter, just the cadence throughout the quarter, I think April was flat. You had shared that last time. Obviously, decelerated since. Was it -- I guess the question is, are you seeing good response in June when you bring back the more heavy LTO activity with the slams under \$10. Is that -- can we think about the cadence of same-store sales as really very much tied to that cadence of your LTOs, like meaning it would have decelerated in May and then snapped back in June?

Kelli F. Valade

Yes, I think it's probably fair. That's probably a good way to describe it and best that we would want to, kind of given the volatility that happened in the quarter and not getting into specifics by month. But yes, I think that's fair. That's fair, Jake. Yes.

Jake Rowland Bartlett

Okay. And then for the back half of the year, does it look similar in terms of the cadence of whether it's value-oriented or more premium-oriented LTOs as we think about how much you're going to be trying to drive a recovery here?

Kelli F. Valade

Yes. I think what you'll continue to see us do is look for great -- again, back to everyday value, maybe some pulsing of LTO value in there. Certainly, our CRM and loyalty program launches soon. We've talked about that. We're real bullish about that in the way that we will engage with those most loyal guests, and we have a really strong amount in our database already, and we'll start to really target them with unique and special offers.

So, I think, think new food innovation and think, yes, new value innovation, whether it comes in the form of pulsing some LTO value over time or just getting a really strong everyday value proposition in place over the next couple of months.

Jake Rowland Bartlett

Okay. And then, last question is just on that -- the rewards program. And just I want to make sure I understand what is changing with it and what gives you confidence it's going to be more effective. Also, any timing back half of the year, whether it's sooner rather than later would certainly make a difference.

Kelli F. Valade

Yes. It's absolutely sooner, so I'll answer the latter part. In fact, it is absolutely on schedule. The timing is going to be this quarter, late this quarter. So, we're excited about that. This has been in the works and with our -- and it really aligned with the investments we made about a year ago within digital, brand-new digital team and a new tech stack to support this.

So, think about it going from basically a digital coupon program where we've got a database that has over -- it's a 5.5 million people in the database. We do have significant sales that comes from those guests that do engage with us in the database, but they're all getting similar offers and similar coupons. And what we're moving to is truly a one-to-one marketing program. And honestly, it will be best-in-class from the team that's worked on this and the expertise we have in this area now. So, we're truly moving to that one-to-one where we'll have journeys or lanes where you might get one offer based on your patterns and your purchase history, and I might get a different one.

So, we know that those kind of programs are absolutely what's needed in the one-to-one marketing that takes place today. We're building that best-in-class framework, and it is set to launch. In fact, there's training going on in all the restaurants right now to make sure that we really have the right engagement in the restaurants when this happens, so we can continue to get those sign-ups.

Those loyalty -- those loyal guests come to us almost twice as much as an average guest. And so, we're building in frequency, you're building in upside, they tend to spend more, and we've got that 50 to 100 basis points over time expected from this. And it will build, right? It will build over time. But full year, we have really good, strong expectations of this program.

Operator

[Operator Instructions] Your next question comes from the line of Jon Tower with Citigroup.

Jon Michael Tower

Maybe going back to the buy-one-get-one for \$1 in the quarter. I'm just curious, it sounds like it was a fairly successful promotion during the period. I think it was 21% of value incidents or maybe that was the total quarter. And I think you had said something about 70% of BOGO transactions were from new and lapsed users. So, I guess the question is, why did you move off of it? Was it growing ineffective? And what's the chance that we see it coming back to the drawing board sometime in this third or fourth quarter, given how effective it was?

Kelli F. Valade

Yes, it's a great question, Jon. Here -- what I would say is we continue to look at what most were ordering even in that BOGO environment, was the original Grand Slam and the All-American for this -- but again, we were still seeing in \$2-\$4-\$6-\$8 significant incidents and significant preference goes to the Everyday Value Slam and the Super Slam.

And given the seasonality, Red, White and Berry is something -- it's a fan favorite, and it's something our guests have come to expect from us on 4th of July. So, weaving in a couple of new flavored slams that's still our equity and just really refreshing it. It had been on for quite some time. So just refreshing it for the summer was the idea there.

And then just looking at, again, a significant price point to be able to talk about, for \$10, this is what you get with those equities. And it's helped us. It definitely was margin positive, but we also -- we wanted to really make sure in talking with our franchisee that we could refresh things throughout when it made sense.

So, could it come back? It's a great question. And I think when we look at margins and what we've got ahead of us for the full year, some of that gives us confidence in what we did in terms of reiterating our guidance. So, we just are trying to kind of balance all of that, could come back, but it was about trying to make sure we could deliver on our expectations.

Jon Michael Tower

Okay. Appreciate that. And then -- go ahead, Robert.

Robert P. Verostek

Yes. Jon, and with regard to those margins, when you look at the back half of the year, in my script, we talked about kind of a bridge back to that kind of mid-teens, that 14% margin. So, you look at this, you look at the -- what Kelli just described, you look at the abatements in the egg pressure that we did see into a good part of Q2. So we'll get the margins back.

With the G&A -- the G&A savings do accelerate into the back half of the year. We did get the Dallas support center closed, it's just an example. So those savings will accelerate. The better sales that we are describing, it really was an extension of Michael's first question about, "Well, how do you wrap into the low end of the guidance?" It does imply some improvement there. That will help. And then you got the 53rd week in the back half of the year. So, you're looking -- we're pretty confident in reiterating that guidance towards the low end, clearly, but the margins component will be a critical piece of that.

Jon Michael Tower

Okay. Maybe going to the quarter itself, I know, Kelli, you called out some key states and markets where there was some outsized drag on the system; L.A., San Francisco, Houston, Phoenix, I think you said it was 30% of your store base or same-store sales base, that is. Can you just talk to how it manifested itself? Did it kind of suddenly come on? Or is it broad-based throughout the quarter? Did you have 1 month in particular where it stood out? It just seems like, to your point earlier, first quarter was a good guy or contributed to the system. And then second quarter, it was a pretty big hit. So just trying to suss out what exactly transpired and why those markets in particular really had a downdraft year -- sequentially?

Kelli F. Valade

Yes. I think it's a great question. And I think there were some things that we saw specifically in June. And they were -- they're tied to headlines, and we've watched it kind of, again, moderate as of late. But in those states, in particular, there's just even more kind of macro pressures affecting those states and a lot just of other kind of choppiness. As I mentioned earlier, we're encouraged as of late. But yes, I would say it punctuated sometime in mid-June and then it bounced around quite a bit. And as of late, it's -- we've been encouraged.

Operator

There are no further questions at this time. I will now turn the call back to Kayla Money for closing remarks.

Kayla Money

I'd like to thank everyone for joining us on today's call. We look forward to our next conference call in early November as we discuss our third quarter results. Thank you, and have a great evening.

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