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Denny's Corporation (DENN) Q4 2024 Earnings Call Transcript

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EPS of \$0.14 **misses by \$0.01** | Revenue of \$114.67M (-0.59% Y/Y) **misses by \$1.36M**Denny's Corporation (NASDAQ:[DENN](#)) Q4 2024 Earnings Call February 12, 2025 8:30 AM ET

Company Participants

Kayla Money - Senior Director, Investor Relations

Kelli Valade - Chief Executive Officer

Robert Verostek - Executive Vice President and Chief Financial Officer

Conference Call Participants

Nick Setyan - Wedbush Securities

Mike Tamas - Oppenheimer & Company

Jake Bartlett - Truist Securities

Operator

Greetings and welcome to the Denny's Corporation Fourth Quarter 2024 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Kayla Money, Senior Director of Investor Relations. Thank you. You may begin.

Kayla Money

Good morning. Thank you for joining us for Denny's fourth quarter 2024 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 fourth quarter 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 fourth 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 27, 2023 and in 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 Valade

Thank you, Kayla. Good morning, everyone and thank you for joining us. Today's discussion will focus on the continued progress we have made to execute profitable traffic driving initiatives at our flagship Denny's restaurants. We'll also discuss our continued confidence in our growth brand, Keke's Breakfast Cafe. After that, we'll review our fourth quarter financial results and full year 2025 guidance expectations. With that, let's get started.

The fourth quarter marked our strongest quarter of 2024 for both brands. Specifically, Denny's maintained positive quarter-over-quarter same-restaurant sales at positive 1.1%, while Keke's generated same-restaurant sales of positive 3%. Additionally, we are very pleased that Denny's outperformed the BBI Family Dining sales index for the fourth consecutive quarter as we continued to steal share from our peer set. Keke's also outperformed the BBI Family Dining sales index in Florida for the second consecutive quarter.

Overall, both brands benefited in the back half of the year from consumer stabilization as optimism rose and spending normalized. While we are a bit disappointed that trends have since softened to start 2025, our continued focus on executing our strategic initiatives and winning with our guests will serve us well in restoring momentum. I want to express my gratitude to our teams and our franchisees for their continued dedication, focus and execution.

For Denny's, several of our key initiatives in 2024 have been in the works for quite some time. And we saw those initiatives come to fruition in the back half of the year, including launching our \$2 \$4 \$6 \$8 Value play, expanding our virtual brand Banda Burrito and enhancing our digital presence and guest experience. We launched our \$2 \$4 \$6 \$8 Value play in August, which was engineered as a consumer friendly, traffic-driving platform that's also profitable for our franchisees and our system. This brand differentiator was an instant hit and continues to perform well because our guests recognize and appreciate the great value we are providing to them.

We continue to believe strongly in our off-premise strategies and are leaning into our 3 virtual brands, The Burger Den, The Meltdown and Banda Burrito, which we nationally expanded in the back half of the year and was a significant contributor in Denny's same-restaurant sales growth.

Denny's is uniquely positioned to build a sizable virtual brand business given our labor structure and these transactions over indexing at dinner and late night when we can leverage our labor line to generate incremental profitability for the system. Plus, we see less than 1% overlap between guests that use our virtual brands and those that are in our dining rooms. So these brands are delivering incremental sales volumes and margins.

Our investments in digital enhancements are also working. Things like improving the digital guest experience, optimizing our e-mail creative and improving search engine optimization led to increased website traffic and conversion rates. Additionally, we reignited our Diner 2.0 remodel program, completing 6 remodels during the fourth quarter, bringing the total to 23 during 2024. The program was tested prior to the pandemic and has been tweaked to meet how guest expectations have since evolved. In test, we saw a 6.5% lift in traffic in remodeled restaurants. This program is a catalyst to increasing same-restaurant sales, generating incremental traffic and driving profitability to our system and is a key component of achieving our long term goal of 2.2 million system AUVs for the Denny's brand. And so, we are living our values and executing our strategic initiatives, leaning into our brand strengths, winning in key occasions like breakfast with a renewed value emphasis and engaging the next generation of fans to drive meaningful results for our business.

I'd also like to say that we extend our heartfelt thoughts and prayers to the Southern California community in the wake of the devastating wildfires. We deployed our mobile relief diner to the area and served nearly 5,800 meals, in addition to donating food and nonfood items to those affected. Additionally, we offered a free Original Grand Slam and coffee to all uniformed first responders as a small token of our gratitude to those that have worked tirelessly to support the fire and recovery efforts. Denny's is America's diner. We are at the center of our communities, feeding people's bodies, minds and souls and providing comfort in ways only a diner can.

Now let's talk about the Keke's brand and how we're building momentum and unlocking its growth potential. Like Denny's, Keke's had several initiatives in the final testing stages during the first half of 2024, and now we're starting to see those results. These included the beverage program rollout, incremental marketing investments and the expansion of their off-premise business. And while we're pleased with same-restaurant sales of positive 3%, it's important to note that this would have been 4.1% positive absent the impact of Hurricane Helene and Milton in Florida as many of our cafes were in the path of these back-to-back hurricanes.

A big focus area for Keke's is development, and 2024 was a record-breaking year for growth. Robert will talk more about the specifics, but we are incredibly encouraged by this momentum. We also now have over 140 development commitments as we work towards the goal of becoming one of the largest competitors in the fast-growing daytime eatery segment. That growth will come under our new design, which has received incredible guest feedback in 3 company test cafes. We're targeting a 6% to 8% sales lift that we are confident can be delivered.

Now let's turn to 2025 and what we've seen in the first 6 weeks of the year. As we sat at the ICR Conference a few weeks ago, there was a feeling of consumer stabilization and normalcy. However, since then, we've observed evolving consumer sentiment driven by macro events. As a result, over the last few weeks, in particular, we've seen a decline in system-wide same-restaurant sales. Robert will speak in greater detail about how this impacts our 2025 guidance, which is intentionally conservative.

We believe this is a temporary shift in consumer behavior, and we remain confident in our strategies and the long-term fundamentals of being America's diner. We are a great value leader, and we know how to leverage that strength to drive traffic and support our guest needs. We have many sales levers at our disposal, including a full year of renewed focus on value, a full year of Banda Burrito, an ongoing and expanding remodel program driving a 6.5% sales lift and new digital enhancements, including an improved digital guest experience and a new loyalty CRM program set to launch in the back half of the year.

In closing, we continue to be proud of all the progress we've made. While there is some near-term choppiness, we are confident that the steps we are taking will enable us to continue to meet the guests where they are and create shareholder value. We have a lot to look forward to, and I'm incredibly proud of our teams, our franchise partners and all those leading these amazing brands, executing our strategies and taking great care of our guests every single day.

I'll now turn the call over to Robert, Denny's CFO, for further comments on the quarter performance and on our 2025 guidance.

Robert Verostek

Thank you, Kelly, and good morning, everyone. Denny's reported fourth quarter domestic system-wide, same-restaurant sales of positive 1.1% and outperformed the BBI Family Dining Index for the fourth consecutive quarter. This included strong performance in both California and Florida. Domestic franchise restaurants delivered same-restaurant sales of positive 1.2%, while company same-restaurant sales were flat compared to the prior year quarter, as they lapped a more challenging comparison.

Average guest check increased approximately 6.5% compared to the prior year quarter, which was a step-up from previous quarters of approximately 5%. This change was solely due to shifting the \$2 and \$4 categories on the \$2 \$4 \$6 \$8 Value Menu from guest entrees to add-ons, which increases check, but it is simply a categorization change and not an increase in pure price. This will continue to be the case until we roll over the relaunch of \$2 \$4 \$6 \$8 later in 2025.

Denny's off-premises sales remained strong at 21% in the fourth quarter, boosted by a 70 basis point increase in same-restaurant sales from the launch of our third virtual brand Banda Burrito. Value incidence mixed at approximately 19% during the fourth quarter with strong performance in the \$6 and \$10 categories, specifically the value plays guests know and love us for, the Everyday Value Slam and the Super Slam.

Denny's opened 4 franchise restaurants during the quarter and 14 for the full year. And as part of our previously communicated strategy to accelerate the closure of lower-volume restaurants, Denny's closed 30 restaurants during the fourth quarter and 88 for the full year. These closures had an average unit volume of slightly under \$1.1 million and were open on average for nearly 30 years.

In any mature brand, when restaurants have been open that long, it is natural that trade areas can shift over time. Accelerating the closure of lower-volume restaurants will improve franchisee cash flow and allow them to reinvest into traffic-driving initiatives like our tested and proven remodel program. 23 Denny's remodels were completed during 2024, including 7 at company restaurants which represents over 11% of our company fleet. This program delivered a 6.5% sales lift during testing, and is a key component of growing our AUVs and enhancing the guest experience.

Now moving to Keke's. Keke's delivered system-wide same-restaurant sales of positive 3% for the quarter and outperformed the BBI Family Dining Index in Florida for the second consecutive quarter. With all of Keke's comp base concentrated in Florida, system-wide same-restaurant sales were impacted by approximately 110 basis points related to Hurricanes Helene and Milton. Same-restaurant sales performance was softer at company cafes compared to franchise, illustrating the law of small numbers. There are only 7 company cafes included in the company comp base for Keke's. Any one outsized impact, good or bad, can swing numbers dramatically, which is exactly what happened in the fourth quarter.

The franchise comp base consists of 49 Keke's, providing a broader data set for comparison. Keke's opened 8 new cafes during the fourth quarter, which is more than they have opened in any year since their founding almost 19 years ago and a total of 12 for the full year. These openings expanded our footprint from being solely in Florida at the beginning of 2024 to being in 6 different states by the end of 2024.

Keke's expanded its new remodel test to 2 additional company cafes during the quarter, and we continue to be impressed with the results we are receiving. Thus far in 2025, we have opened 3 new cafes and expanded to our seventh state, Georgia. Additionally, subsequent to year-end, we terminated 2 Keke's franchise agreements impacting 11 cafes. Keke's corporate has assumed operation of 5 locations with the intention of keeping 3 to maximize oversight efficiencies in the Orlando market and refranchise 2. We expect this transaction to close in the near term. Four cafes have been temporarily closed, and we anticipate those to reopen in the near term and 2 were permanently closed due to trade area shifts and low-volume sales.

Now moving on to fourth quarter financial details. Total operating revenue was \$114.7 million compared to \$115.4 million for the prior year quarter. This change was primarily driven by the refranchising of 3 Denny's company restaurants during the third quarter and the strategic closure of lower-volume Denny's franchise restaurants in order to enhance the broader portfolio. This was partially offset by an increase in local advertising co-op contributions for the current quarter and positive system-wide same-restaurant sales.

Adjusted franchise operating margin was \$31.9 million or 51.2% of franchise and license revenue compared to \$31.5 million or 51.4% for the prior year quarter. The margin dollar increase was primarily due to positive franchise same-restaurant sales at both brands, partially offset by the closures I mentioned before.

Adjusted company restaurant operating margin was \$5.9 million or 11.3% of company restaurant sales compared to \$6.1 million or 11.4% for the prior year quarter. This margin change was primarily due to investments in marketing and expected new Keke's Cafe opening inefficiencies, partially offset by lower legal settlement expense.

I want to briefly discuss the financial performance of Keke's new openings. As we expand into new markets, it is expected that margins will take time to reach our long-term goal of upper teens. There are inherent inefficiencies in the early months, but we have a structured and disciplined approach to ensure new cafes meet our expectations after this initial period.

Furthermore, as we set our Seed and Feed Strategy up for long-term success, there are also initial oversight inefficiencies related to hiring dedicated area leaders with extensive knowledge of the new market, despite only having a few cafes operational. This investment is intended to establish a solid foundation for future franchisees to build upon. We estimate these new cafe operational and oversight inefficiencies impacted the overall adjusted company margin in the fourth quarter by approximately 70 basis points. To conclude on the fourth quarter adjusted company margins, commodity inflation was approximately 3% during the quarter, driven by increases in pork, orange juice and eggs, and team labor inflation was approximately 3%.

General and administrative expenses for the fourth quarter totaled \$18.7 million compared to \$19.3 million for the prior year quarter, primarily due to lower deferred compensation valuation adjustments, corporate administrative expenses and incentive compensation. These results collectively contributed to our strongest quarter of adjusted EBITDA during 2024, increasing 11.1% year-over-year to \$22.2 million. The effective income tax rate was 33.8% compared to 36.9% for the prior year quarter. This change in rate was primarily due to discrete items relating to share-based compensation.

Adjusted net income per share was \$0.14 in the current year quarter, and our quarter end total debt leverage ratio was 3.85x. And we had approximately \$272 million of total debt outstanding, including approximately \$261 million borrowed under our credit facility.

Let me now discuss our business outlook. As Kelli mentioned, when we entered 2025, there was a feeling of the consumer stabilizing and a sense of normalcy ahead. This was even in the face of horrific wildfires and snowstorms spanning across the U.S. and even into the deep South. Yet there has been a shift in consumer sentiment and a slowing that persisted through the remainder of January and has seemingly accelerated in the last few weeks given the evolving macroenvironment.

Given this shift, we want to provide an update on our results through the first 6 fiscal weeks of the year. Denny's delivered domestic system-wide same-restaurant sales of negative 0.7% in fiscal January, which ended on January 22. This was comprised of a 0.8% decline at domestic franchise restaurants and a 1% increase at company restaurants. The variation between the 2 was driven by company restaurants having less exposure to the Midwest and Mid-Atlantic, which were impacted by weather.

Additionally, January had fewer weeks of media compared to the prior year, which also impacted results. Through the first 2 fiscal weeks of February, trends shifted and Denny's domestic system-wide same-restaurant sales thus far are down approximately 5%, but starting to see some relief in the last few days. Again, we are experiencing variation between company and domestic franchise restaurants, with company down approximately 1% and franchise down approximately 5%.

Keke's delivered strong January same-restaurant sales at positive 6.2%. Similar to Denny's, Keke's experienced a shift in fiscal February and is now approximately flat. As we navigate this environment, we are providing intentionally conservative guidance for full year 2025. We expect domestic system-wide same-restaurant sales of between negative 2% and positive 1%. While we believe the consumer sentiment shift is temporary, it will clearly impact first quarter results as we will likely be at or below the low end of this range for the quarter.

However, as trends stabilize and our second half sales initiatives are implemented, including remodels and a new loyalty program, we anticipate comps will rise throughout the year and place us more firmly within the range. We anticipate opening 25 to 40 restaurants on a consolidated basis with half expected to come from Denny's and half from Keke's. We expect the Keke's openings to be approximately 60% company and 40% franchised.

As previously discussed, we plan to intentionally accelerate the closure of lower-volume Denny's restaurants to improve the cash flow of our franchisees, allowing them to reinvest in their remaining portfolio and enhance the overall health of the brand. As such, we expect to close between 70 and 90 restaurants, which includes some closures related to lease expirations.

We are projecting 2025 commodity inflation to be between 2% and 4%. This does not contemplate any outside impacts related to tariffs and while concerns about eggs in the avian flu are valid, we are working closely with our suppliers to ensure minimal disruptions. Labor inflation at company restaurants is expected to be between 2.5% and 3.5%.

Our expectations for consolidated total general and administrative expenses are between \$80 million and \$85 million. This includes three components. The first is corporate and administrative expenses between \$60 million and \$62 million inclusive of approximately \$1 million related to the fifty third week. Excluding the impact of the fifty third week, the midpoint of this range suggests a reduction of approximately 3.5% to 4% moving towards our long-term goal of 5% to 6%. This reduction is attributable to recent headcount reductions and the consolidation of our support centers. The second component is our annual incentive compensation, which is expected to be between \$6 million and \$9 million as we reload our bonus pool. And the third component is approximately \$14 million related to share based compensation expense, which does not impact adjusted EBITDA. As a result, we expect consolidated adjusted EBITDA to be between \$80 million and \$85 million inclusive of approximately \$2 million related to the fifty third week. We understand these ranges are wider than normal. However, we will aim to tighten these throughout the year as the consumer environment stabilizes.

We are confident in the actions we are taking to provide relevant messaging to our guests and invest in the business through remodels and our new loyalty program as well as delivering G&A savings which are within our control. We also remain committed to returning capital and creating value for our shareholders. In 2025, we will balance investing in Keke's growth, further expanding company remodels at both brands and capitalizing on price dislocations in the market. Accordingly, we plan to deploy between \$15 million and \$25 million towards share repurchases, which includes proceeds from the anticipated sale of one to two Keke's market as we initiate our seed and feed strategy.

I would like to thank our dedicated franchise partners, restaurant operators and results driven brand teams who have remained focused on delivering a best in class guest experience while continuing to drive our strategic priorities. The support of our teams and partners gives me great confidence in our path forward. That wraps up our prepared remarks. 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] And our first question comes from the line of Nick Setyan with Wedbush Securities. Please proceed with your question.

Nick Setyan

Thank you. I think at ICR you were relatively confident you would be able to expand both company margins and franchise margins. Can we just kind of revisit your confidence there and kind of go over what you think about 2025, I guess a month from then and what's changed? Thank you.

Robert Verostek

Hey Nick, this is Robert. Good to hear you. I still would characterize that we have some pretty high confidence that we will be able to expand company margins. With Chris Bode back, our President, who joined us again just late last year, that with his direction and oversight of that, we are maniacally focused on the things that we can control in that environment despite the softness that we have seen a little bit here in February. So, with regards to margins, the company margin specifically, that mid-teens number that we did quote is something that we are still really quite confident in despite the consumer uncertainty that we are seeing at the moment. And you will – with regards to the Keke's margins, specifically, the cafes that we have owned for more than 12 months, and those are improving with every single month and heading towards the high-teens margins. The ones that – the newer ones, frankly, take a minute to get under control. We have always anticipated that that they grow into those margins. But the ones that we have owned for a period of time are accelerating towards that, the guidance that we offered. So, again Nick, despite this uncertainty that we have run into here in February, we are confident in our margins, we are able to grow our margins like we talked about at ICR.

Nick Setyan

Thank you.

Kelli Valade

Thanks.

Operator

Thank you. Our next question comes from the line of Mike Tamas with Oppenheimer & Company. Please proceed with your question.

Mike Tamas

Hi. Good morning. Thank you. Can you unpack the commentary about the shift that you saw in your sales trends starting in late January? And what do you believe those macro factors are that are changing consumer behaviors? And then just maybe related to that, what do you think changes that cause those headwinds to fade that's giving you the confidence your sales will accelerate after this first quarter? Thanks.

Robert Verostek

Yes, Mike, that's an excellent question. So, we did kind of detail that what we thought we saw in January, the weather impacting that. There is just a lot of uncertainty. As you and I are both reading every day within there, I think the BLS just talked about inflation going up. That just came out again this morning. So, we have seen some – a lot of volatility here in February. As we did remark, it is coming back to us as we move through further February, so not nearly the numbers that we were quoting in that script. And it was really the impetus for us to give that really ultra conservative guidance there that we – with that down too because we just don't know. We are going to control the things that we can control and we are highly confident in our initiatives and that includes the CRM loyalty that I talked about, the remodels that I talked about. We will maintain our value leadership position. So, as we grow through this year, we are confident, as I have said, that we will get into that guidance range and move hopefully towards the top end.

Kelli Valade

And Mike, we also – this is Kelli. We also can see just as Robert mentioned the reports that just came out as of this morning, right, really referencing inflation and then consumer prices rising 3% at a much more accelerated rate. So, I think we didn't characterize it as uncertainty as you've heard from Robert and even from again weather to flu to lots of other things happening. We still see some of our – some strong markets for us California and Florida remaining strong in '25. So, despite some of that, that we have spoken to, Texas and Arizona have the most pullback. So, we are really slicing and dicing this and looking at what we can do to lift up those DMAs or those states that we are seeing the most pullback. As Robert also mentioned, we have done some things to, first of all, kind of weather that storm, if you will. Recently and just recently, these past few days, we have seen a little bit of positive momentum as we switch to the Everyday Value Slam messaging on TV. That Everyday Value Slam is right in the middle of our \$2 \$4 \$6 \$8 platform, so it's still part of our value play. It will remain part of what we are doing this year. So, there is no pulling back on that, but we did decide to just create this hero pull that hero plate and slam out and put it out front at a \$6.99 starting point – starting at price point. So, we just did that. And again, just to combat any uncertainty that consumer may be feeling and just meet them where they are. In addition to all the things Robert mentioned, the initiatives are still in play for us, so we are still incredibly confident in that. Just got – just saw some of that slippage in the first few weeks of the year.

Mike Tamas

Thanks. That makes sense. If I could just follow-up on that, is there any way that you can talk about what your performance versus the industry looks like maybe in '25? Obviously, you outperformed in the fourth quarter there in '24. Is that still the case here? Do you think there has been any shift in that dynamic? Thanks.

Kelli Valade

Yes. I think in January for us, so we watch it, it's really early. And because of all of the holiday flips, especially, you have got a lot of things going on in between January, the way those things line up. So, really early for us to tell, just exactly what's happening in family dining or in casual dining. More as we go on in the quarter, obviously, we look at it all the time.

Mike Tamas

Thank you.

Kelli Valade

Thanks Mike.

Operator

[Operator Instructions] Our next question comes from the line of Jake Bartlett with Truist Securities. Please proceed with your question.

Jake Bartlett

Great. Thanks for taking the questions. Mine was on the marketing strategy for 2025. And Kelli, I think you just mentioned a little bit of the question, but it was on the value side. I understand you are going to be continuing to push the \$2 \$4 \$6 \$8, but what else are you going to do? Are you going to be very active outside in that platform, kind of maybe emphasizing the value side? And then on the other side of the menu, how confident are you in your innovation pipeline? How excited are you that the other side of the barbell is going to be effective in '25?

Kelli Valade

Yes, absolutely. Hi. And Jake, it's great to hear from you and great question, I appreciate that. Yes. So, I think we – so the \$2 \$4 \$6 \$8 platform, you will see us throughout the year, we are going to absolutely balance that with the barbell strategy, as you already mentioned. So, as of right now, we are still seeing – the check is actually up. And so even aside from – there is pricing in there, obviously, but the check is still up slightly. And so we know we are seeing still those premium items in restaurants. Attachment rates are a little different this last – this early into 2025 with a few less desserts and apps. So, we – again, back to seeing that consumer kind of really manage their spend, although again our check is still up. So, \$2 \$4 \$6 \$8, that Everyday Value Slam that I talked about being the hero is at that \$6.99 price point. It's on the \$2 \$4 \$6 \$8 menu. So, you are going to just see us get really creative throughout the year to the exact kind of point you are making. We are going to still be emphasizing that value play, but we will pull in innovation throughout the year. We will have a hero that is maybe new innovation or quality that we want to talk about. So, the pipeline is very robust. There are lots of things in tests that we are working on. There is lots of things that our franchisees have brought to us, that are pretty exciting. But we know will help us out in the coming months and in the back half of the year, especially. So, the pipeline, we have got an 18-month pipeline of food. And again, we are balancing that with how do you create these heroes within the \$2 \$4 \$6 \$8 platform, still emphasize innovation and then inside the restaurant, still have a barbell strategy where the guests can find exactly what they are looking for. Our servers have an opportunity to up-sell or just to meet the guests where they are in that case as well. So, we are really confident into what we have got, yes.

Jake Bartlett

Great. Thanks. And just building on kind of the drivers, some incremental same-store sales drivers in '25, you get the first half of the year of Banda will continue. Are you expanding Banda to more stores is one question? And then the second part is, how significant a driver does the change in the loyalty program? In your mind, how much is that – how big a deal is that? I am trying to kind of think about what drives the accelerating sales from here.

Kelli Valade

Yes. Great. Thank you, Jake. You have got it isolated pretty well in terms of the drivers that we have talked about. And one of the things you mentioned, so as I go into CRM, one of the things we have spent a lot of time and money and resources investing in the digital. Just digital enhancements overall, whether it's CRM or whether it's what we are doing in off-premise with our Denny's on Demand, some of those things are up this year and are helping to kind of offset some of the other uncertainty. So, we have often talked about our off-premise strategy. And while others may be zigging, we are zagging because it is absolutely right for us, given the lack of overlap between the consumer, and given our virtual brands index at night, all the things that we have said over and over again, we also use this time when we see people. If there is a – that there are higher flu cases, we are emphasizing off-premise, and we are seeing some of those things really work for us at a time when we need it. And so that will continue. So, specifically, you mentioned Banda, we don't – I don't know that we think – you won't see us – it's in a lot of locations today. That was a big impact in Q4 of 2024, as you mentioned, 70 basis points we attributed to it in 2024. It's in about 1,000 locations today. So, we don't necessarily – in fact, part of our strategy around our virtual brands is to optimize throughout the country and really lean in to where there is strength for those brands. You – the co-op rollover you mentioned as a lever in '25, absolutely right. And then the CRM program, I don't know if we have gotten really specific about what it's worth to us in '25, but it will launch in the second half of the year. And again, with the momentum we are already seeing with the digital enhancements and the investments we have made, we can already see just some of those basics improving as we gear up to launch that in the second half of the year.

Jake Bartlett

Great. And then the last question is on Keke's. And maybe just a little more detail on the franchise agreements that were canceled, the two permanent closures, the four, I think that are temporary closed, not something I think we typically see at this stage of a growth brand. So, just maybe help us understand and feel confident that this isn't a negative sign. And then also just in terms of the sales drivers, I mean I think you talked about the 6% same-store sales in January, but then flat in the last couple of weeks. Yet you also mentioned that Florida was one of the markets that wasn't so bad more recently. So, maybe just what's going on with the system and then some of the sales trends and drivers in '25?

Robert Verostek

Yes. Jake, that's an excellent question. I will take the first part of that, and I will let Kelli speak to the sales. With regards to the two franchisees and the 11 cafes that we are talking about, it was actually really a function of the balance sheet of those two franchisees. So, we will let that sit to the side for a minute. But we are actually really kind of excited about this transaction, believe it or not. We – it gives us the opportunity to capture several additional corporate cafes in the Orlando market, build out oversight efficiency in that market. These are good restaurants. They are good cafes that are – that we took over that we are running. The four that are temporarily, we closed, will get back open. The two that closed, frankly, they were just lower-volume performing cafes and needed to close. But 9 of the 11 are really good cafes, and we look forward to actually running those going – and the note that I am being told is, all of the restaurants, all of the cafes that remain open are \$2 million plus with regard to that, so.

Jake Bartlett

Great. Thank you.

Kelli Valade

So, Jake, on the same-store – great question. On the same-store sales or the optimism we have for Keke's, it's actually just a bit of a story around the momentum gained in the back half of '24 for Keke's, and we still see that continue. So, the levers and the drivers that we spoke to at ICR that we spoke to that really strengthened, remembering, again, a 3% comp and definitely stealing share in family dining and in Florida in that quarter. We continue to see that momentum into '25. And it's really thing that we have spoken to in terms of the alcohol program and now – and again, just momentum throughout the year, but building to having that all in place, the alcohol program and things were things we talked about. Remodel is a little bit as a thing that we will pull forward more in '25, but having excitement around that. It's the off-premise business as well, just solidifying that off-premise business, which really didn't exist when we took over and acquired the brand, but Dave Schmidt and the team have done a tremendous job there, just shoring up that off-premise business. And then finally, there is marketing. There is local marketing. It's definitely grassroots effort. It's not national anything because this is about going to new markets, telling people who Keke's is and then exposing them to just this fabulous little brand. So, those things were the contributors, and we have just seen that momentum continue in '25. As we mentioned, February, we did see a little, again, back to that just macro – those macro headwinds and that consumer sentiment, we saw it tapered a little bit in February as well, but still remain really confident that we have got the right levers to pull and the right things within our control for the Keke's brand.

Jake Bartlett

Great. I appreciate it. Thank you.

Kelli Valade

Thanks Jake.

Operator

Thank you. And we have reached the end of the question-and-answer session. I will now turn the call back over to Kayla Money for closing remarks.

Kayla Money

Thank you. And I would like to thank everyone for joining us on today's call. We look forward to our next conference call in April when we will discuss our first quarter 2025 results. Thank you and have a great day.

Operator

Ladies and gentlemen, this concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.

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