

El Pollo Loco Holdings, Inc. (LOCO) Q1 2026 Earnings Call Transcript

May 08, 2026, 12:11 AM ET | El Pollo Loco Holdings, Inc. (LOCO) Stock

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Q1: 2026-05-07 Earnings Summary

Insights



EPS of \$0.28 **beats by \$0.06** | Revenue of \$126.18M (5.88% Y/Y) **beats by \$4.16M**

El Pollo Loco Holdings, Inc. ([LOCO](#)) Q1 2026 Earnings Call May 7, 2026 4:30 PM EDT

Company Participants

Ira Fils - Chief Financial Officer

Elizabeth Williams - CEO & Director

Conference Call Participants

Jeremy Hamblin - Craig-Hallum Capital Group LLC, Research Division

Todd Brooks - The Benchmark Company, LLC, Research Division

Matthew Curtis - D.A. Davidson & Co., Research Division

Presentation

Operator

Good day, ladies and gentlemen, and thank you for standing by. Welcome to the El Pollo Loco First Quarter 2026 Earnings Conference Call. [Operator Instructions] Please note that this conference is being recorded today, May 7, 2026.

And now I would like to turn the conference over to Ira Fils, the company's Chief Financial Officer. Please go ahead.

Ira Fils*Chief Financial Officer*

Thank you, operator, and good afternoon, everyone. By now, everyone should have access to our first quarter 2026 earnings release, which can be found at www.elpolloloco.com in the Investor Relations section.

Before we begin our formal remarks, I need to remind everyone that our discussions today will include forward-looking statements, including statements related to our new products and growth opportunities, strategic and operational initiatives, expectations regarding sales and margins, potential changes to our product platforms, capital expenditure plans, the ability of our franchisees to drive growth, expectations regarding commodity and wage inflation, remodel plans and our 2026 guidance, among others. These forward-looking statements are not guarantees of future performance, and therefore, you should not put undue reliance on them.

These statements are also subject to numerous risks and uncertainties that could cause actual results to differ materially from what we currently expect. For a more detailed discussion of the risks that could impact our future operating results and financial condition, we refer you to our recent SEC filings, including our Form 10-K for the year ended December 31, 2025, as well as our Form 10-Q for the first quarter of 2026, which we expect to file tomorrow and encourage you to review at your earliest convenience. During today's call, we will discuss non-GAAP measures, which we use for financial and operational decision-making as a means to evaluate period-to-period comparisons and which we believe can be useful to investors in evaluating our performance.

The presentation of this additional information should not be considered in isolation or as a substitute for results prepared in accordance with GAAP and reconciliations to comparable GAAP measures are available in our earnings release, which is available in the Investor Relations section of our website.

With respect to the adjusted EBITDA outlook we will be providing on today's call, please note that we have not provided a reconciliation to the most directly comparable forward-looking GAAP financial measure because without unreasonable efforts, we are unable to predict with reasonable certainty the amount of or timing of non-GAAP adjustments that are used to calculate income from operations and company-operated restaurant revenue on a forward-looking basis.

Now, I would like to turn it over to our CEO, Liz Williams.

Elizabeth Williams

CEO & Director

Thank you, Ira and good afternoon, everyone. We are proud of our first quarter results, including system-wide same-store sales growth of 5.8% and restaurant-level margin expansion of 320 basis points year-over-year. As we enter the third year of our brand transformation, El Pollo Loco is building momentum on the strong foundation we've built over the past 2 years. What's particularly encouraging is that this performance reflects strength across multiple fronts. Our innovation pipeline, highlighted by the success of our Baja Double Tostadas, continues to resonate with guests. But equally important is the operational progress we are seeing across every key metric from customer service and accuracy to speed of service. We are also seeing balanced daypart performance with lunch traffic returning, dinner continuing to grow and evening into late night gaining traction. These results demonstrate that our strategy is working. Our momentum is sustainable and we are well-positioned to deliver on our priorities for 2026.

As we look at the remainder of the year, our main goal remains clear: to drive sustainable traffic growth across our system while maintaining the margin discipline and unit economic improvements that we've accomplished over the past 2 years and to thoughtfully grow El Pollo Loco across the country. We recognize that the operating environment for the remainder of the year presents challenges, particularly related to consumer spending pressures from elevated energy and gas prices. While we are monitoring these dynamics closely, we remain focused on what we can control, delivering exceptional value, great customer service and delicious new menu items that resonate with our guests.

As we look to continue this momentum throughout 2026 and beyond, I would like to walk you through our progress and future plans across our strategic pillars. Let's start with the Brand that Wins pillar, which continues to be critical in driving our business. Our culinary innovations during the first quarter delivered exactly what we intended, driving traffic with quality and value proposition that defines El Pollo Loco. We kicked off the year with new Double Pollo Salads in 3 craveable flavors: Street Corn, Mexican Caesar and Bacon Ranch. This lineup added growth to the salad category and delivered value to our customers through a premium salad at an affordable price compared to other fast casual salads. We continued the momentum with the introduction of our Baja Double Tostadas in mid-February, which feature double portion of fire-grilled chicken or seasoned shrimp, both drizzled with a tangy lime crema sauce.

The Baja Tostada lineup exceeded expectations, delivering a record-breaking 8.3% sales mix for our brand with our tostada and salad category peaking at over 20% of our total sales mix. Our guests love the Baja Tostadas so much that we have made a strategic decision to keep the chicken Baja Tostada on the menu in the summer, providing us with some strong check-building opportunities.

Shifting to more affordable options, we launched our Loco Tenders in late April. These all-white meat, boldly seasoned tenders represent our take on America's favorite finger food with a distinctive El Pollo Loco twist through the seasoning and our 3 signature dipping sauces: Baja Lime, House Ranch and Pollo Loco Sauce. We expect tenders to be an important traffic driver, particularly with new consumers who may not yet be familiar with our quality chicken.

To build excitement and generate buzz, we strategically seeded our Loco Tenders into several cultural moments before the Loco Tenders launch. In early April, we brought tenders to the Revolve Festival at Coachella, giving celebrities, VIPs and influencers a sneak peek into our newest innovation.

We also hosted a tender reveal party for media and influencers, offering a firsthand look at our tenders and a chance to meet our executive chefs. Social momentum continued with user-generated content and we generated over 2 billion impressions across social channels leading up to the launch day. We're only 2 weeks into the launch and the tenders are already meeting our expectations.

We believe that the combination of bold flavors and bold activations is a winning equation for us. And you can expect to see additional infusion of buzz-building moments into our product launches as we move forward.

As we look at the balance of 2026, we remain confident in our innovation pipeline. From testing loaded quesadillas to grilled chicken sandwiches to cheesy enchilada bowls and our newest beverage offering, our pipeline is the most robust we have delivered in years.

Beyond menu innovation, our marketing efforts continued to amplify the El Pollo Loco brand through our Let's Get Loco campaign. Our first quarter results have demonstrated that our social media and activation strategy is a powerful driver of brand engagement and cultural relevance. And we will continue to leverage these channels to amplify our menu innovation and to reinforce our fire-grilled chicken differentiation to create the kind of memorable brand moments that turn customers into true fans.

From our Leg and Thigh Day promotion in January to our Loco Moments during the March basketball tournament to our recent festival merch drop, we have shown the power that social presence can have in expanding our audience and brand relevance.

In short, the combination of thoughtful innovation, targeted marketing and our growing social platforms positions us well to continue driving sustainable traffic growth throughout 2026 while maintaining the margin discipline we've established.

Moving to hospitality mindset. I'm pleased with the continued progress we've made in the first quarter to improve guest experience and overall customer satisfaction. Our team's relentless focus on executing the fundamentals is paying dividends and our service consistency is improving. Our overall satisfaction scores continue to outpace the QSR industry as measured by SMG with meaningful sequential improvement across every key metric from accuracy to quality to friendliness, cleanliness and speed.

What's particularly encouraging is that we're not just maintaining the gains we achieved in 2025, we're building momentum that positions us well for continued progress. We are using data to identify our biggest daypart opportunities to drive even greater guest satisfaction and operational throughput. We have deployed new tools and standards to drive speed of service while also focusing on order accuracy. These 2 metrics work hand-in-hand as we believe improving speed and accuracy represents a significant step in enhancing customer satisfaction and overall performance.

As we continue to address this opportunity, we have many initiatives underway to assist our team members. From redesigning how orders are displayed on the kitchen display screens to reconfiguring our point-of-sale keys to streamlining the ordering process, all of these reduce potential errors at the point of entry. Our goal is to make it easier and faster for team members to deliver customer orders accurately and efficiently.

In addition to these initiatives, we are also reinforcing our commitment to speed and accuracy through enhanced training protocols, such as triple checking every order. We're also testing enhanced product labels and testing consumer-facing order confirmation boards. As we work to make speed and accuracy an even more disciplined part of our culture, our teams continue to take tremendous pride in getting orders right every single time. We are confident that the investments we're making in both tools, systems and training will create meaningful improvements to guest experience over time.

Before we move on, I would like to take a moment and recognize our team members and franchise partners who are raising the bar and elevating our service. Their dedication to operational excellence is what will drive our success and I am grateful for their commitment to delivering an outstanding experience for every guest.

Also aiding our operations and customer satisfaction is the continued shift of our business to digital platforms as this part of our business continues to gain momentum. For the first quarter, our total digital business, including kiosks, represented approximately 28% of sales in our corporate restaurants. More importantly, we saw a year-over-year improvement in sales and transactions from our loyalty members, which we believe were a direct result of our more aggressive approach to our app-based promotions and targeted value through our Loco Rewards program as well as the recent enhancements made to the app that improve ordering and give more benefits to our highest frequency members.

Our strategy for loyalty is focused on 3 key areas: providing everyday value, delivering personalized offers and creating exclusive experiences for our members. We deliver on everyday value through our all-member perks, including our Loco Friday Drops, our member boosts and our national food holiday deals. We launched our Loco Friday Drops in 2025 as a tribute to our 50th year. And given its performance, we've decided to keep our Loco Friday Drop perks alive for the remainder of 2026.

Each Friday, we drop an offer that ranges from new innovations to fan favorites. These are typically available only for 1 day. This sense of urgency creates FOMO, or fear of missing out, for our members to drive incremental frequency. To level up our value even more, we introduced boosts recently, which are seasonal, limited-time offers based on membership tiers. The higher the tier, the better the boost.

And lastly, we leverage relevant national food holidays to deliver value. Case in point, our National Burrito Day activation at the beginning of April delivered our single highest loyalty sales day in our company's history. The results speak to both the strength of our menu and the growing engagement with our Loco Rewards program. We achieved a 30% increase in redemptions over last year and generated loyalty sales that significantly exceeded both our prior-year performance and our internal goals.

Our participation rate reached 21%, up from 19% last year and we saw a healthy 7% increase in average check compared to last year. Again, these proof points demonstrate that our loyalty platform is not just driving transactions, but also creating meaningful engagement with our most valuable guests.

During the quarter, we also implemented improved program segmentation, giving our members personalized messaging and offers based upon purchase history as well as launching our member exclusive experiences, which is a platform of exciting perks, including early access to new menu items and access to curated experiences, including tickets to concerts and sporting events. For example, in March, we launched the Coca-Cola x El Pollo Loco Soccer Challenge, a sweepstakes that exemplifies our evolved approach to loyalty. Through our partnership with Coca-Cola, an official partner of Major League Soccer, we gave Loco Rewards members the chance to win a VIP trip to the MLS All-Star Game in Charlotte this July, along with other offers from El Pollo Loco. In totality, our approach to loyalty has returned healthy increases in member frequency, up 13% for the trailing 12-period and member spend is up over 17% year-over-year.

Turning to our Winning Unit Economics pillar. I'm pleased to report that we are now solidly within our 18% to 20% long-term restaurant-level margin target that we set out 2 years ago, including achieving a 19.2% restaurant-level margin in the first quarter. But more importantly, we've built a sustainable margin structure that improves both team member productivity and our guest experience through disciplined cost management, strategic menu pricing and investments in technology. As we look ahead, our focus starts to shift from driving significant year-over-year margin expansion to maintaining our healthy margin range while we invest strategically in other initiatives I've alluded to earlier. We expect restaurant-level margins to remain within the 18% to 20% range as we balance our commitment to operational excellence with continued investments in menu innovation, guest experience and unit expansion. This disciplined approach ensures we can deliver sustainable, profitable growth while maintaining the quality and value proposition that differentiates El Pollo Loco.

For our last pillar, Driving Unit Growth, we remain on track to open 18 to 20 new restaurants this year system-wide. Our pipeline is building momentum with existing franchise partners and new partners while also leveraging our company capital. As a reminder, the vast majority of our openings this year are expected to be outside of California as we continue nationwide expansion. And roughly 75% will benefit from the lower cost of having been a second-generation site. On the restaurant refresh front, we continue to see strong returns from our remodel program.

As we continue to focus on new unit development and ensure flawless execution across all growth initiatives, we will continue to balance our remodel pace in 2026 to ensure we do not disrupt our operations.

In summary, our performance to date and the progress we've made across our strategic pillars gives us confidence that El Pollo Loco is on the right path. As we look ahead, we believe the investments we've made in innovation, operations and technology, coupled with the momentum in our development pipeline, have positioned us well to deliver on our commitments for 2026 and beyond.

With that, let me turn the call over to Ira for a more detailed discussion of our first quarter financial results.

Ira Fils*Chief Financial Officer*

Thank you, Liz and good afternoon, everyone. For the first quarter ended April 1, 2026, total revenue was \$126.2 million, compared to \$119.2 million in the first quarter of 2025. Company-operated restaurant revenue increased 7.6% to \$105.9 million from \$98.4 million in the same period last year. The \$7.5 million increase in company-operated restaurant sales was driven by 5.4% growth in company-operated comparable restaurant sales, as well as sales from 2 company restaurants opened since the first quarter of 2025. The growth in comparable restaurant sales included a 5.7% increase in average check size, partially offset by a 0.3% decrease in transactions.

During the first quarter, our effective price increase versus 2025 was 4.6%. Franchise revenue decreased 8.8% to \$12 million during the first quarter, driven by \$1.9 million of franchise IT pass-through revenue in the prior year quarter related to the new point-of-sale franchise rollout completed in 2025. This decrease was partially offset by a 6.1% increase in comparable restaurant sales and revenue associated with 9 franchise-operated restaurant openings subsequent to the first quarter of 2025. The 6.1% increase in comparable franchise store sales consisted of a 4.9% increase in average check size and a 1.1% increase in transactions.

For the first quarter, system-wide same-store sales were up 5.8% as system-wide traffic turned positive to up 0.6%. We are very pleased to report that the sales momentum we experienced in Q1 has continued into the second quarter. System-wide comparable store sales for the second quarter to date through April 29, 2026, increased 4.8%, consisting of a 3.9% increase in company-operated restaurants and a 5.3% increase in franchise restaurants. Looking ahead, we believe same-store sales for the second quarter will be in the 3% to 4% range.

Turning to expenses. Food and paper costs as a percentage of company restaurant sales decreased 30 basis points year-over-year to 24.9% due to higher menu pricing and cost management initiatives, partially offset by approximately 70 basis points of commodity inflation and higher discounts. We expect commodity inflation to be in the 1.5% to 2.5% range for the full year 2026.

Labor and related expenses as a percentage of company restaurant sales decreased about 260 basis points year-over-year to 30.1% as we continued to benefit from improvements in operating efficiencies, along with lower health insurance and workers' compensation costs. In addition, labor as a percentage of sales benefited from leverage on the 5.4% company-owned comparable store sales increase.

Wage inflation during the first quarter was a manageable 0.4% for all our company-owned locations. For the full year 2026, we expect wage inflation of between 1.5% and 2.5%. Occupancy and other operating expenses as a percentage of company restaurant sales decreased 30 basis points year-over-year to 25.8%, primarily due to leverage on the same-store sales increase was able to offset increases from higher delivery fees, higher utilities, higher occupancy costs and higher liability insurance costs. Our restaurant contribution margin for the first quarter improved to 19.2% compared to 16% in the year-ago period.

As we continue our path of margin improvement, we expect our restaurant level margin for the full year 2026 to be between 18.25% and 18.75%, an increase of 25 basis points from our prior guidance. In addition, we expect our margins in the second quarter of 2026 to be between 19% and 19.5%.

General and administrative expenses increased to \$12.8 million compared to \$11.3 million in the prior year. The increase was primarily due to \$0.6 million received from a legal settlement in the prior year, as well as increased legal fees, outside services, software maintenance and other general administrative expenses. These increases were partially offset by lower shareholder activism-related expenses. As a percentage of sales, G&A increased 10.1% or 60 basis points.

To enable our continued growth in 2026 and beyond, we continue to strategically invest in resources to drive new store development, operations excellence and technology. During the first quarter, we recorded a provision for income taxes of \$3.3 million for an effective tax rate of 29%. This compares to a provision for income taxes of \$2.3 million and an effective tax rate of 29.7% in the prior year period. We reported GAAP net income of \$8.2 million or \$0.27 per diluted share in the first quarter, compared to GAAP net income of \$5.5 million or \$0.19 per diluted share in the prior year period.

Adjusted EBITDA for the first quarter of 2026 was \$18.2 million compared to \$13.9 million in the first quarter of 2025. Adjusted net income for the first quarter was \$8.3 million or \$0.28 per diluted share compared to adjusted net income of \$5.5 million or \$0.19 per diluted share in the first quarter of last year. Please refer to our earnings release for a reconciliation of non-GAAP measures.

In regard to our remodeling efforts, during the first quarter, we completed 6 franchised restaurant remodels and 7 company remodels. In terms of liquidity, as of April 1, 2026, we had \$44 million of debt outstanding and \$3.9 million in cash and cash equivalents. Subsequent to the end of the first quarter, we borrowed a net additional \$2 million on our revolver, resulting in our debt outstanding of \$46 million as of May 7, 2026.

With that, we would like to provide you with the following updated guidance for 2026. We are increasing our system-wide comparable store growth guidance to now be between 2% and 4% for the full year. We are increasing our adjusted EBITDA guidance to be between \$67.5 million to \$69.5 million. We are maintaining the following guidance: the opening of at least 3 to 4 company-operated restaurants and 15 to 16 franchise-operated restaurants; capital spending between \$37 million and \$40 million; G&A expenses between \$52 million to \$54 million, excluding onetime charges and including approximately \$6.5 million in stock compensation expense; and an estimated effective income tax rate of approximately 29% to 29.5% before discrete items.

Finally, given our step-up in capital spending this year, we anticipate depreciation and amortization will also marginally step up to be between \$18.5 million and \$19 million for the full year.

This concludes our prepared remarks. We'd like to thank you again for joining us on the call today and we are happy to answer any questions you may have. Operator, please open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] We take the first question from the line of Jeremy Hamblin from Craig-Hallum.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

Congratulations on the really strong results. So I wanted to dig in a little bit. Menu innovation clearly has been a key driver for you. You had the Loco Tenders launch just towards the end of April. And wanted to just get a sense for how customers were responding to that. And in terms of pricing, the price point is a little bit higher than some peers, like Raising Cane's, for example.

But certainly, the reviews that we've seen have been very positive on product taste and the sauces in particular, the Baja Lime and the Loco Sauce. So just a little more color you might be able to share on that launch.

Elizabeth Williams

CEO & Director

Yes. Thanks for the question. Yes. So innovation, as you heard, really proud of everything we're doing with culinary innovation and the response we're getting from our consumers. In this environment, people want to try new things and there's so much love for our brand. So when we can do that, we're seeing a lot of success.

As you mentioned, Loco Tenders launched in April. We put a lot of social and just traditional marketing, all kinds of marketing behind making it a really prominent and successful launch. And as a result, we're driving a nice amount of trial. And you're right, the sauces really are part of the story. There's 3 sauces. Personally, I love the Pollo Loco Sauce. But they're all really great.

Also, our tenders have a unique spin on them in that they have kind of a kick, a little bit of a spice. You can get them as an original without that. But that really is what's differentiating us from -- there's such a big -- a large amount of tenders out there. So we feel like we're differentiated there.

In terms of pricing, we did a lot of work to make sure we were competitively priced. So I'm curious which Raising Cane's you're going to. But in terms of just looking out across the competitive landscape, we are seeing that we're in the middle of the pack. And we're also seeing nice add-on.

So sometimes you wonder if it's just going to be a meal onto itself or if you'll see consumers add them onto a bigger order and we're seeing that as well, which is exciting for us. So all in all, I'm proud of -- it's only a few weeks in there, but proud of what we've accomplished.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

Fair enough. Fair enough. I'm in the East Coast market, as you know. So maybe a little bit -- usually not lower price, but maybe than Southern California market. And then, Ira, I wanted to ask about menu pricing. So I think you said 4.6% in Q1. Can you give us a sense for how that might play out the remainder of the year?

Ira Fils

Chief Financial Officer

Yes, sure. Thanks for the question, Jeremy. So we will see a step down in the pricing that we're carrying as we think about the balance of the year. It'll step down to about 3%, 3.5% in Q2 and then just a little above 3% as we go into Q3 and Q4. And implicit in that is we do have another menu -- a small menu price increase scheduled for midyear of about 1.5%.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

Perfect. And then last one for me. So a big year with the acceleration here in unit growth. And in terms of a lot of those stores, as you said, the majority are going to be outside of some of your core markets and outside of California.

But I wanted to get a sense for -- you already have some of those markets where you're building out great franchise partners. Can you give us a sense for the performance of those new stores versus kind of your new unit algo and what you might be expecting?

Elizabeth Williams

CEO & Director

Yes. So I'll start and then I can have Ira wrap it up there. Proud of what we're seeing with new restaurant development. Really a wide variety of all positive results, but some extreme high sales volumes, particularly when it's the first store in a state, a lot of pent-up demand. But then you're seeing many other openings that are opening at average, a few below our system average, but with the full confidence that over time, they will grow to system average. So seeing just across the board there.

Ira Fils

Chief Financial Officer

Yes. I completely agree. We're excited about what we're seeing. We are seeing a range. But I think really in totality, what we are seeing are volumes that give us confidence that they make sense for us to continue to deploy capital. It makes sense for franchisees to deploy capital and we expect to continue to grow in these markets.

Operator

We take the next question from the line of Todd Brooks from The Benchmark Company.

Todd Brooks

The Benchmark Company, LLC, Research Division

Congrats on the eye-opener of a good quarter. So well done. A few quick questions here. One, you talked about tenders and you talked about it meeting expectations. But what I'd love to drill down in, what is the expectation at the launch? Was there a mix target you were hoping to hit? Or any color you could give us around the performance from a quantified standpoint?

Elizabeth Williams

CEO & Director

When we look at mix targets, we've got a range in terms of what we see when we devote a promo panel and we put a lot of marketing effort behind a new product. And we'd say that this product is right in line with what we traditionally see. Because we're just in the first couple of weeks, that's building. And so as an example, media just turned on in the last week. And so that we'll continue to see it build.

So not really releasing exact numbers at this point, but proud of how they're doing. And a couple more weeks, we'll get a lot more information on the mix between how much is being eaten as an entree versus being added on to an existing meal.

Todd Brooks*The Benchmark Company, LLC, Research Division*

Okay. Great. I was wondering and -- I mean, it sounds like with the April commentary, the question may be redundant, but things obviously changed a bit for the consumer come March, April. And with your concentration in California, obviously, gas prices are even more of a headline issue there. If you look at progression across the quarter and into April, did you see a downshift at all from the consumer? Or did you guys power through it with the momentum you have in the business?

Elizabeth Williams*CEO & Director*

No, the consumer has remained steady. We're pleased with that. And we think that's a function of we're continuing to perform. We're continuing to improve with the operations and the value. And our consumer is remaining steady.

In terms of the progression as we went through the quarter and Ira, you might comment on this.

Ira Fils*Chief Financial Officer*

Yes. We -- as you can -- we announced our quarter-to-date -- quarter on the last call and we were in the low 2% range, 2.4% and obviously, putting up a 5.8% for the quarter. We had a big step-up in March, which was driven -- honestly, we had some weather benefits, which helped us. But we did feel the strength in the consumer as well and the business.

And I think as you move into April and we see the 4.8% that we put up in April, speaks to how we feel a little -- a lot of momentum in the business and we really have not seen that impact from the consumer of what you're talking about in regards to the increased inflationary pressures as well as driven by gas prices.

Todd Brooks*The Benchmark Company, LLC, Research Division*

Okay. Perfect. And then one more from me. Liz, as you're thinking about franchising as a growth engine, I'm not going to ask the pipeline question. For once this quarter I'm going to ask a different question. How aggressive are you being as far as exploring territories that you're looking for partners? And what are you willing to do as far as proving out Loco East Coast or even working your way a little bit more aggressively towards the East Coast to start to put that patina of Loco truly being a national brand versus a super-regional brand?

Elizabeth Williams

CEO & Director

So simply put, very aggressive. And I just actually had the Board in this week and we had a robust conversation around what's the right combination of company and franchise development. Company will continue to develop. But the good news is there's a lot of franchise partners that also want to develop alongside us. Some are in our system today and then some are those that we're getting to know or we haven't met yet.

So with the addition of a new recruiter on our franchise development side, she's having some great conversations with franchise partners in new markets, some very far away from California. And I think there's going to be good demand to be able to grow in those markets without even having to go deploy company capital in some of those further afield markets.

But then there's plenty of places where company is operating. So take Dallas, for example, where we just opened our first company restaurant in Dallas at the beginning of the year. And we did that alongside -- we have a franchise partner in that market. So we're developing there. The franchise partner is developing in Texas. So that's an example of moving several states away and putting company capital to work in a way that we're all going to grow that Texas market.

So long story short, it's a combination of both. And the magic will really be in unlocking even more franchise partners across the country.

Operator

We take the next question from the line of Matthew Curtis from D.A. Davidson.

Matthew Curtis

D.A. Davidson & Co., Research Division

I got a question on throughput. It seems like you're driving improvement in speed of service, order accuracy. Liz, I heard your comments about part of this being reconfiguring display screens, et cetera, to help with that. But I'm just wondering what you have planned going forward to continue driving the improvement there. And how much actual improvement on speed of service have you seen so far, either in store or via the drive-thru?

Elizabeth Williams

CEO & Director

Thanks for the question. I'm very pleased with the improvements we're making operationally. Before we even got to speed, we all aligned that the first thing we needed to do was make sure we were improving our performance with things like accuracy and service and standards because I think we all can agree and we've seen a lot of data, if you're fast, but the order is wrong and you get home and you don't have what you want, that's a terrible experience and you would have preferred to have waited that extra -- make it up a couple of seconds for your order to be right. And so the primary focus the last couple of months has been on the standards, the service and really the accuracy.

And so that's where we've made the most meaningful improvements when you look both at the SMG data, when you look at just more broadly talking to consumers. So that's where we're really proud. Speed, on the other hand, in different pockets of the organization, especially where we're testing different things, we're seeing some improvements in speed. I think that's still an area where we have opportunity. And over the next couple of months, all of those items I mentioned on the call, these operational enhancements are exactly what is going to underpin us improving speed. So the simple things like making it easier to make our food because the team member can read the description on the kitchen display system in just a faster format, that's going to help, as one example.

So lots of progress we're proud of, but still, I think, a lot of upside as we continue to focus on it.

Matthew Curtis

D.A. Davidson & Co., Research Division

Okay. Great to hear. Then I guess another question, a different question on the traffic improvements you've seen relative to the fourth quarter. I was wondering if you could talk about how broad-based this improvement has been demographically and if any particular groups in terms of age, income, or other factors are really leading the improvement. And I ask because I think on the last call, you mentioned early data suggesting improved momentum with younger consumers in particular.

Elizabeth Williams

CEO & Director

Yes. So we're seeing the improvement broadly across all, which is nice to see. So whether it's incomes or ages, seeing improvements across the board. That younger set is a little bit higher in terms of the growth, which is a great indicator, we think and also just signals that the work we're doing on some of these new menu items that are just more relevant for that crowd, along with how we're communicating with our brand voice is resonating. So we're excited about that.

It's also nice. I've seen data that shows we're seeing frequency increase with our existing consumers. So the consumers that are heavier users, they're coming more frequently, which is also great. And then also with new consumers, we see when we put new innovation out there, as you would expect, it brings in new consumers. So it's kind of -- it's across the board that we're seeing the improvements.

Operator

Ladies and gentlemen, we have reached the end of today's question-and-answer session. I would like to turn the call back over to Liz Williams for her closing comments.

Elizabeth Williams

CEO & Director

Thanks again, everyone, for your interest in El Pollo Loco today. We look forward to talking to you again next quarter. Have a wonderful evening.

Operator

Thank you. Ladies and gentlemen, the conference of El Pollo Loco has now concluded. Thank you for your participation. You may now disconnect your line.

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