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El Pollo Loco Holdings, Inc. (LOCO) Q2 2025 Earnings Call Transcript

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Insights



EPS of \$0.28 **beats by \$0.04** | Revenue of \$125.83M (2.99% Y/Y) **beats by \$1.60M**

El Pollo Loco Holdings, Inc. (NASDAQ:[LOCO](#)) Q2 2025 Earnings Conference Call July 31, 2025 4:30 PM ET

Company Participants

Elizabeth Goodwin Williams - CEO & Director

Ira M. Fils - Chief Financial Officer

Conference Call Participants

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

Marshall Pittman - Jefferies

Matthew James Curtis - William Blair & Company L.L.C., Research Division

Operator

Good day, ladies and gentlemen, and thank you for standing by. Welcome to the El Pollo Loco Second Quarter 2025 Earnings Conference Call.

[Operator Instructions] Please note that this conference is being recorded today, July 31, 2025.

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

Ira M. Fils

Thank you, operator, and good afternoon. By now, everyone should have access to our second quarter 2025 earnings release. If not, it 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 growth opportunities, strategic and operational initiatives, expectations regarding sales and margins, potential changes to our product platforms, capital expenditure plans, expectations regarding kiosk rollouts, the ability of our franchisees to drive growth, expectations regarding commodity and wage inflation, remodel plans and our 2025 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.

We refer you to our recent SEC filings, including our Form 10-K for the year ended 2024 previously filed as well as our Form 10-Q for the second quarter to be filed for a more detailed discussion of the risks that could impact our future operating results and financial condition. We expect to file our 10-Q for the second quarter of 2025 tomorrow and would encourage you to review that document at your earliest convenience.

During today's call, we will discuss non-GAAP measures, which we believe can be useful 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 restaurant contribution margin 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 Goodwin Williams

Thank you, Ira, and good afternoon, everyone.

During the second quarter, we made meaningful progress against our strategy as the investments we've made in our brand relaunch and menu innovations are resonating with our customers. Despite ending the quarter with slightly negative sales performance, we saw modest sequential improvement in overall sales and achieved a return to positive system-wide traffic growth. This traffic growth reflects our careful balance of innovation and value in response to the current macroeconomic environment.

Given value-conscious consumer behaviors, we implemented targeted discounting through Taco Tuesday, our app-only offers, third-party delivery promotions and traditional coupons. Importantly, we took this targeted approach rather than discounting our everyday menu. It's clear that consumers are looking for better deals, and these offers resonated with our customers in driving traffic.

In addition, even as we invested in transactions through targeted value offerings and continued to roll off pricing, we were able to drive year-over-year margin expansion. Through our focus on operational excellence, we grew both restaurant level and corporate profitability on both a dollar and margin basis.

Overall, progress takes time, especially in this consumer environment, but we believe we are on the right track in our journey to achieve long-term sustainable growth. As we look ahead, we will remain focused on the growth drivers we've put in place, including menu innovation, improved 4-wall operations, continued digital growth and unit development.

With that, let me give you an update on each of these drivers, starting with our brand and menu innovation. At the heart of our brand that wins pillar lies our signature fire-grilled citrus-marinated chicken, the cornerstone of our brand's success and differentiator. During the second quarter, we introduced our new Fresca Wrap and Salads, which perfectly demonstrates the versatility of our fire-grilled chicken platform.

These products feature our signature citrus marinated fire-grilled chicken breast with premium leafy greens served as a salad or in a whole wheat tortilla wrap with hand-sliced avocados, queso fresco and our new citrus vinaigrette. Importantly, the Fresco salads and wraps address key consumer demands for both quality and portability with both being convenient for on-the-go consumption.

The positive guest feedback we've received validates our strategic focus on flavor innovation that leverages our core differentiator while addressing evolving consumer needs. Building on this momentum, we recently launched our new premium chicken quesadillas in 2 bold flavors, Creamy Chipotle and Salsa Verde.

These handcraft offerings feature all white meat fire-grilled chicken with 100% Jack cheese complemented by our signature sauces and served with handmade guacamole at no extra cost. Available as a \$9.99 combo, these quesadillas deliver on both portability and value, which are key attributes among younger consumers and busy families seeking convenient meal options. We're pleased with the early performance of quesadillas and expect momentum to build over time as product awareness continues to grow.

Importantly, these launches demonstrate our strategic approach to menu innovation with each product leveraging our core differentiator of fire-grilled chicken, while also expanding into new consumer occasions. The Fresca line captures the fresh, health-conscious segment, while our quesadillas serve the consumer that's on the go.

As we look ahead, we continue to build our culinary innovation pipeline and are excited by some of the other craveable portable products that we have planned for the remainder of the year, like our street corn and queso Crunch Burrito Bowls and also our upcoming market tests like our new flavor-forward Mexican Caesar and Street Corn Salads, our cold fun cooler beverages and lots of exciting chicken innovation, including new seasoned chicken tenders paired with dipping sauces and chicken sandwiches like no other chicken sandwich you've seen in the market. We look forward to sharing more details on future calls.

Building on our culinary team's menu innovation, we took a significant step toward the modernization of our brand during the quarter with an updated approach to marketing and brand positioning with our new "Let's get Loco" brand campaign that launched in May of this year. This brand relaunch and evolution emphasizes our 50-year heritage of fire grilling chicken and actually cooking in our restaurants daily, a true competitive advantage in the QSR industry.

Some may call this Loco commitment to quality chicken and fresh ingredients crazy. But for us, Loco is anything but crazy. Loco is about being unapologetic about our passion, and we are passionate about making the most delicious chicken. As we share our passion with the world, we are inviting others to share their passion with us as we embrace what makes us all a little Loco.

Importantly, our new positioning directly addresses our key differentiator in a crowded restaurant landscape, our authentic commitment to quality. As we look forward, our brand evolution provides the foundation for all of our marketing efforts and creates a cohesive narrative that supports everything we do. We believe this passion-driven positioning rooted in our brand's essence will resonate with both existing and new customers alike.

We've also extended this passion-driven approach to marketing collaborations with pro basketball players, Dalton Knecht and Arike Ogunbowale. Most recently, we've leveraged our partnership with Dalton Knecht to introduce our first-ever food truck with the launch of quesadillas in June. And we have something equally exciting planned with Arike later this year. These partnerships reflect our commitment to aligning with athletes who share our values of dedication, excellence and passionate pursuit of their craft.

Another top priority in our brand transformation is our hospitality mindset pillar, which we accomplished through operational excellence. Over the last few quarters, we have heightened our focus on standards and accountability together with customer service and customer recovery. When something doesn't go as planned in the restaurant, we have to take action. From new tools and training to new programs and best-in-class third-party partners, these efforts are having an impact.

As an example, we recently began utilizing Service Management Group, or SMG, data to track customer service and feedback. We are benchmarking our progress against the industry. The increase in actionable customer comments has been helpful for our restaurant teams and is beneficial for accuracy, quality and service.

While our consistency across the system, both company and franchise locations continues to improve, the data has highlighted we still have an opportunity across specific dayparts. Our goal is to get our consistency and quality of service to match that of our food quality at all times. While we've made substantial progress in the second quarter, we still have work to do. With the high quality of our food, we have a high bar to meet, but we are up for the challenge.

Turning now to our digital-first pillar. We have continued to improve our app experience, making it easier for Loco rewards members to add points to their orders. And we have also increased the value proposition by providing more frequent offers to our most loyal customers. We have done this through in-app offers, loyalty member exclusive menu items and our Loco Friday drops. These new offers or experiences drop every Friday exclusively for our Loco Reward members.

The combination of all of this activity has positively impacted frequency of our Loco Reward members by 5.6% year-over-year, and we are pleased with these early results. We have also invested in growing our third-party delivery business in the last few months as delivery gives us the ability to reach more consumers that either don't have an El Pollo Loco near them or are looking for the convenience of delivery. Our food travels well and through special offers and delivery, we are able to introduce El Pollo Loco to new consumers.

Tied to our brand relaunch in May, our app, web and kiosks all received a refresh with upgraded branding and a light user interface and experience updates. For the quarter, our digital business, which includes kiosks, grew to 25.5% of sales compared to 17.1% in the second quarter of last year. We have a robust road map for the back half of 2025 and through 2026 that will allow us to continue to improve the overall customer experience of our digital platforms while further optimizing for business performance.

Turning to our winning economics pillar. During the quarter, we continued to make improvement to our unit economics through methodical cost savings and asset modernization initiatives, delivering restaurant level operating profit margins of over 19%.

We continue to see enhanced labor productivity with a continued focus on efficiency. From better using technology and kitchen equipment to having more success routines for opening and closing shifts, our team members are putting more into customer service hours while also delivering savings. These strong results, along with our visibility into the opportunities ahead, give us the confidence to maintain our expectations for full year restaurant level contribution margins of 17.25% to 17.75%.

Lastly, let me update you on our unit growth pillar. During the quarter, we were able to bring some of our new iconic design to life with our recent restaurant opening in Arizona. This new design features an enduring yet modern and efficient design that is uniquely El Pollo Loco.

Our restaurant in Kingman, Arizona marks our fifth new franchise unit open in the last 12 months with an average unit volume settling in at about \$2.4 million. Up next is our 500th El Pollo Loco, which will open in Colorado Springs, Colorado in the second half of 2025. More importantly, we remain confident in our plan to open at least 10 new restaurants in 2025, representing the largest system-wide unit growth since 2022.

In addition, thanks to the hard work of our real estate team and our franchise partners, we have the opportunity to almost double this pace in 2026. As a reminder, the majority of these new openings will be outside of California. Today, we have restaurants under development in Arizona, Colorado, Idaho, New Mexico, Texas and Washington.

Modernizing our restaurants through remodeling also remains a crucial component of our development strategy and brand evolution. If you recall, we've implemented a 2-tier approach on remodeling with a cost-effective 5-year refresh program and more comprehensive 10-year remodel.

We continue to work alongside our franchisees with a goal to update approximately half of our total system over the next 4 years. As with any construction project, there are factors that we can't control such as local permitting process, which has resulted in some projects being pushed a couple of months and into next year.

With that in mind, for the year, we're now expecting to remodel between 55 to 65 system-wide restaurants, 20 of which have already been completed through the end of the second quarter. The remodeled restaurants look fresh and modern and have positive feedback coming in with excitement from customers and team members. We are happy with the early sales and the economic returns we are seeing thus far from the remodeling effort and are encouraged by the acceleration in projects over the upcoming quarters.

We look forward to updating you on our transformation journey as the year progresses. But in closing, I believe the second quarter results clearly demonstrates the momentum we're building across all aspects of our business.

The initiatives we put in place are delivering meaningful results, thanks to the hard work and dedication of each of our team members and our franchise partners and their execution against our 5 strategic pillars. As we look ahead, we will remain focused on the long-term opportunity of El Pollo Loco to become the nation's favorite fire-grilled chicken restaurant.

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

Ira M. Fils

Thank you, Liz, and good afternoon, everyone.

For the second quarter ended June 25, 2025, total revenue was \$125.8 million compared to \$122.2 million in the second quarter of 2024. Company-operated restaurant revenue increased 2% to \$104.3 million from \$102.3 million in the same period last year. The \$2 million increase in company-operated restaurant sales was primarily driven by a 1.2% increase in company-operated comparable restaurant sales as well as additional sales from the opening of 2 restaurants during or subsequent to the second quarter of 2024.

The increase in comparable restaurant sales included a 1.5% increase in average check size and a slight decrease in transactions of only 0.3%. During the second quarter, our effective price increase versus 2024 was about 3.1%. Franchise revenue increased 14.8% to \$13.4 million during the second quarter, driven by a \$1.6 million in IT pass-through revenue related to the franchisee rollout of our new point-of-sale system, which is offset by a corresponding expense in franchise expenses.

In addition, the increase in franchise revenue was due to the 5 new franchise-operated restaurant openings during or subsequent to the second quarter of 2024. The increase in franchise revenue was partially offset by comparable restaurant sales decrease of 1.1%. While franchise comparable sales were down 1.1%, we are very encouraged to see franchise traffic growth continue to accelerate with traffic up 1.5% in the second quarter for our franchise system, which drove the positive system-wide traffic of 0.8% that Liz mentioned earlier.

Looking ahead, third quarter to date through July 23, 2025, system-wide comparable store sales decreased 0.7%, consisting of a 0.6% increase in company-operated restaurants and a 1.4% decrease in franchise restaurants.

As we look to the remainder of the year, the trends are certainly mixed. Although we saw some positive growth weeks in May and June, July has been choppy. We expect a modest improvement in our comp trends through the remainder of the third and into the fourth quarter driven by continued momentum with our brand relaunch, quesadillas, combined with full innovation, additional pricing and easier prior year quarterly compares as we move through the year.

Even with all those tailwind activities, we acknowledge the macro environment is not ideal and there are headwinds with consumer dynamics out of our control. We remain excited about the long-term potential of the brand and believe our brand relaunch and menu innovations will serve as important foundations for our growth over time, supported by additional initiatives currently under development.

Turning to expenses. Food and paper costs as a percentage of company restaurant sales decreased 70 basis points year-over-year to 24.4% due to higher menu pricing and approximately 40 basis points of commodity deflation during the second quarter, which was partially offset by higher discounting.

We expect commodity inflation to be in the 0.5% to 1.5% range for the full year 2025. As a reminder, our commodity base is largely domestic with chicken being the largest component. Internationally, our largest exposures include avocados, tomatoes and packaging.

Labor and related expenses as a percentage of company restaurant sales decreased 130 basis points year-over-year to 30.8% as we benefited from continued gains in operating efficiencies, primarily driven through improvements in labor deployment and scheduling, the continued use of technology and equipment to simplify team member roles, along with menu price increases.

Wage inflation during the second quarter was 0.6% for all our company-owned locations. For the full year 2025, we expect wage inflation of between 3% and 4% for all our company-owned locations.

Occupancy and other operating expenses as a percentage of company restaurant sales increased 150 basis points year-over-year to 25.6%, primarily due to higher third-party delivery-related expenses, utilities, rent and CAM, repairs and maintenance and higher other operating expenses.

Our restaurant contribution margin for the second quarter improved to 19.1% compared to 18.6% in the year ago period. For the full year 2025, we continue to expect our restaurant contribution margin to be in the 17.25% to 17.75% range.

In addition, I want to remind you that our restaurant contribution margin already contemplates the impacts from tariffs, which we anticipate will be relatively minimal as our largest commodity cost chicken is domestically sourced and we have limited international exposure in the remainder of our commodity basket.

General and administrative expenses increased 120 basis points year-over-year to 10.8% of total revenue, primarily due to an increase of \$0.8 million in stock compensation expense, \$0.8 million in special legal and professional fees related to shareholder activism and related matters and \$0.7 million in restructuring and executive transition costs. These increases were partially offset by \$600,000 decrease in other general and administrative expenses.

During the second quarter, we recorded a provision for income taxes of \$3 million for an effective tax rate of 29.6%. This compares to a provision for income taxes of \$3.2 million and an effective tax rate of 29.3% in the prior year period.

We reported GAAP net income of \$7.1 million or \$0.24 per diluted share in the second quarter compared to GAAP net income of \$7.6 million or \$0.25 per diluted share in the prior year period.

Adjusted net income for the quarter was \$8.2 million or \$0.28 per diluted share compared to adjusted net income of \$7.8 million or \$0.26 per diluted share in the second quarter of last year. Please refer to our earnings release for a reconciliation of non-GAAP measures.

In regard to new unit development, we opened 1 franchise store in Arizona during the second quarter. Regarding our remodeling effort, during the second quarter, we completed 12 franchised restaurant remodels and 4 company remodels, bringing our total completed remodels for 2025 to 20 through the end of June.

So far, we've been very pleased with the results of our new iconic remodel image. For the 7 company remodels completed with the new image, we have seen, on average, a mid-single-digit uplift in sales, which is in line with our expectations.

In terms of liquidity, as of June 25, 2025, we had \$69 million of debt outstanding and \$9 million in cash and cash equivalents. Subsequent to the end of the second quarter, we paid down an additional \$1 million on our revolver, resulting in our debt outstanding of \$68 million as of July 31, 2025. Additionally, during the second quarter, we repurchased 3,479 shares for approximately \$0.1 million.

Finally, based on our results to date, we would like to provide you with the following guidance for 2025. The opening of 10 to 11 system-wide restaurants, including 9 to 10 franchise restaurants and up to 1 company-owned restaurant. Capital spending of \$31 million to \$34 million, G&A expenses of \$48 million to \$51 million, excluding onetime charges and an estimated effective income tax rate of 29% to 29.5% before discrete items.

This concludes our prepared remarks. We'd like to thank you again for joining us on the call today as we are now happy to answer any questions that you may have.

Operator, please open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question comes from Jake Bartlett, Truist Securities.

Jake Rowland Bartlett

I had a number. I wanted to start with -- you mentioned it kind of a challenging macro environment. I'm hoping just for a little more detail. You're obviously doing a lot to counteract that, and it's nice to see some impact. But I just want to make sure I understand how strong the headwind is that you're fighting against with all of your initiatives.

Elizabeth Goodwin Williams

Sure. Thanks for the question, Jake. So you're right, things like innovation with our Fresca salads and wraps and just we only got a few days of quesadilla in on this quarter but really the 1,000 wraps together with value. So I spoke about just some of the targeted value that we had out there, whether it was in the app or through the traditional couponing through delivery, all of that is really helping, and you saw it in the transaction growth.

When we see the consumer headwinds, it's really in -- across all different income groups. And it's a bit -- we keep saying choppy in the industry. It's the fact that at the beginning of the month, you see a lot more activity towards the end of the month, when consumers are waiting for a payday or a payday effect, you see it even more pronounced.

You also -- we're also seeing it as consumers are really reacting to the value, which tells me that a consumer wants to spend or wants to enjoy our products, but they're limited on what they can spend. And so that's -- you see value even more pronounced and more attractive in that dynamic.

Jake Rowland Bartlett

Got it. And there was some -- in terms of the franchise traffic, obviously, great to see. But there seems to be a big drag on check specifically for the franchise overall. What is the dynamic going on there? Is there a little more discounting potentially going on, a little more focus on value in those markets?

Elizabeth Goodwin Williams

A couple of things. If you remember last year, we had the very large minimum wage increase in California where a lot of our restaurants are. And so there was a lot of pricing taken last year. And I would say the franchisees, if you remember, they took a little bit more than a company did.

And so this year is they're lapping that and just our ability to take price in this value-conscious environment, we're just not taking a lot of price, which is healthy, and I appreciate that we're not doing that, and that's helping us grow the transactions. So that is some of it.

And then also, you can imagine, when prices get a little bit higher, say, if they're higher at one restaurant than another, that's going to make the value even more attractive. And then we also are seeing, in some instances, we had some franchise partners experiment with different promotions and family meal discounts that were just greater than what we were doing in corporate restaurants.

Jake Rowland Bartlett

Got it. And then my last question, then I'll jump back in the queue, maybe come back. But is on the acceleration of unit growth, it sounds like you're talking about 20-plus for 2026, a doubling, as you mentioned, the fastest growth in some time here.

One is -- one question is just your level of confidence that, that will be achieved, whether it's really dependent entirely or mostly on franchise development? And then what's giving the franchisees the confidence to do that? It's obviously a challenging environment still. What are they seeing that making them so confident to really accelerate growth like we haven't seen in a while?

Elizabeth Goodwin Williams

Right. So the exciting part of the brand, despite having the macro environment that we have, the good news is our average unit volumes are \$2.2 million. We have a healthy business that's getting even healthier as the last 1.5 years, we've really focused on unit profitability and everything as we've -- you've seen the margin expansion.

So pretty amazing that even in a world where labor costs are increasing, value and discounting is increasing, we're also increasing the unit level margins. And so you put that together, a healthy business model inspires franchise partners to want to build.

And then when you couple that with the fact that we have taken a lot of cost out of the building in the restaurant, that also is very inspirational. And then you layer on an incentive to get franchise partners even more excited. You put that all together and our returns are back in a place where it's a healthy return and they're inspired to grow again.

And so moving to your question on confidence on the pipeline, very confident on the pipeline. So as I look out over the next year, and I have the confidence to be able to give that number, that's because many of those sites either have leases signed or some of those sites are under development because nowadays, some sites take over a year to get opened. So as we look at the pipeline, we see that. One of the other factors that's helping us with development is also the second-generation sites that we're finding.

So, I talked about this over the last couple of months. As different concepts have had to close, their misfortune has become our fortune in the sense that you can pick up one of those sites, you don't have to do as expensive of a build-out because you already have walking coolers and framing and bathrooms and hoods. You really have to come in and, of course, redesign it and rebrand it, but it's sometimes as much as half the cost of a traditional build. So that makes the returns even higher. So I'd say it's a lot of factors, but giving us great confidence that the flywheel is going again for El Pollo Loco.

Operator

Our next question comes from Jeremy Hamblin with Craig-Hallum Capital Group.

Unidentified Analyst

This is Will on for Jeremy. I just wanted to start with same-store sales trends for the quarter. You noted some sequential improvement. But can you maybe walk through in a bit more detail how Q2 progressed after May? And then maybe what the rest of Q3 looks like in terms of comp? I think August and September might be a little tougher than July, but just anything you could call out there would be helpful.

Ira M. Fils

Yes. We definitely saw sequential improvement. We had talked -- I think we had talked about being down around a little -- around 1% in April. And we saw sequential improvement as we walked through into May and then even more so in June as some of the marketing initiatives that we were doing really started to take hold around the brand relaunch, which happened in mid-May and the Frescas.

And some of the things that we were doing, coupled with that in regards to discounting really helped drive that traffic and really helped that back part of the quarter, Q2. And we did see a little bit of a slowdown in July as the timing of the 4th of July wasn't great. We saw a little noise there. And as we mentioned on the call, it's just been a little choppy so far in quarter-to-date. But we do feel very confident in a lot of the things that we're doing to continue to keep the recent acceleration we've seen in traffic going.

Elizabeth Goodwin Williams

I might just add -- Yes, I was just going to add, as we feel confident at the back half of the year in terms of the sales trends, the things that are underpinning that are the innovation and the continued thoughtful value that we spoke about. The brand relaunch off to a good start, only just beginning.

So right now, the media in the middle of the summer is not great. And so, as we get into fall and we just get better media and media placement, we'll really be able to accelerate telling consumers about the brand relaunch. And then also a lot of effort going in behind service improvements and just operational improvements that we think will help with sales comps as well.

Unidentified Analyst

Got it. And then just a follow-up on that. I'm curious if you had any more color to share in terms of how the quesadilla and the Fresca wraps have been mixing and then how early results have performed against your guys' initial testing?

Elizabeth Goodwin Williams

Yes. So, the Fresca -- we looked at Fresca as wraps and salads together. And so those were mixing in the 4% to 5% in total. And we've -- the wraps were always planned to phase out as we brought in quesadilla. And so, we still have the salads, and we love the fact that the salads have a following. Those are still mixing at a couple of points of sales mix. They're not on promotion with a small dedication on the menu. And then the quesadilla got out of the gates up at about 4 to 5 points. mix and continues to grow. We're just a couple of weeks into quesadilla.

And like I mentioned, the media behind quesadilla is not that great. So we've got some plans over the next couple of weeks. We can't -- no one can -- no one is more excited for some good football on TV to bring some eyeballs, but to continue to get the word out of our quesadilla in addition to all of the social and just the buzz going around quesadilla. I answered your question compared to test, mixing higher than we saw in test.

Operator

Our next question comes from Matt Curtis with William Blair.

Matthew James Curtis

Just another question on the new menu items. I mean you launched Fresca in May then quesadilla. It seems like right at the end of the quarter. I mean it's good to hear they've gotten a favorable reception. But I'm wondering if you've seen any associated transaction lift that you can discern or alternatively, if you've seen any trade-off on average ticket just given the more value-oriented price points?

Elizabeth Goodwin Williams

Yes. So we are seeing -- the nice part about the transaction lift is we're seeing more frequency from our existing customers and the innovation does that with existing customers. It gives them a reason to want to come in more. I also believe that, that is, again, because of those operational improvements that we're making and then some of the deals.

So it's hard to tease apart which piece is driving each part of that, but pleased to see the increased frequency from existing. And then we are seeing new customers. So I attribute reaching new customers to more so to the innovation. So that is certainly helping as well.

Matthew James Curtis

Okay. And I know it's still early, but could you tell us more -- a bit more about the initial reaction to the rebrand, particularly in the -- in your core L.A. market? And basically, what I'm trying to get at is, do you have a sense of how much this helped you get back to positive transactions by the end of the second quarter?

Elizabeth Goodwin Williams

So again, I'd say it's part of the whole mix. hard to tease apart what's attributed to that specifically. But one of the things that we were very pleased to see was, again, as we launch that the new customers in terms of just newer folks to the brand, we did see a notable uptick there, which again would tell us that it's doing its part.

I believe though that, that will build over time just because getting eyeballs on that, especially given our size, it just takes time. And then also with a brand relaunch, there are so many different touch points. So I put in the bucket of brand relaunch just as importantly, how the restaurant looks.

And so, as we get around remodeling more and more restaurants, that too, even if it's not someone's home restaurant, if they're across town and they get to see a remodeled restaurant, that too helps fulfill this whole brand relaunch persona, whether you see it on TV or in social or you drive by it. So, I believe that will take some time to build as well.

Operator

Our next question comes from Marshall Pittman with Jefferies.

Marshall Pittman

I just want to touch on pricing and margins quickly. Are you still expecting about 2% pricing in the back half with the additional increase coming? And can you just talk about confidence in taking that increase despite an uncertain macro and consumer appetite for value out there?

Ira M. Fils

Yes. What we did do is we're moving up a price increase that we had planned for later in the quarter to -- in Q3 to move up in earlier in the quarter. So we should see Q3 about 2.5% pricing. And when we get into Q4, we'll be about 2.7%. It is more about moving it a little earlier than it is taking more pricing.

And I think what we found is we're being really thoughtful and surgical about the types of pricing we're taking. For example, we had a great opportunity to take our combo pricing up from \$250 to \$280. So a very targeted type of price increases. And that's really -- and it helps us balance how we've gotten a little more aggressive with our discounting, which has really helped, among other things, drive some of the traffic that we've seen.

Marshall Pittman

Okay. And just to follow up, we've talked about a margin target for the full year of 7.25% to 7.75%. Obviously, strong results in the second quarter here. Do you think that range is still realistic? Or could we see a little bit of upside in the back half?

Ira M. Fils

Yes. I think we think that range is realistic. We always believe there's upside. We're always working to kind of beat what we put out there, obviously. But we feel pretty good about where we're at. We have -- from a commodity standpoint, we have a lot of visibility to where we're at. We have very limited exposure to any international purchases. So tariffs aren't as a big a concern for us. And so we're working hard to continue to drive that margin improvement.

Operator

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

Elizabeth Goodwin Williams

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

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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