El Pollo Loco Holdings, Inc. (LOCO) Q2 2026 Earnings Call Transcript

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Q2: 2026-08-06 Earnings Summary

EPS of $0.30 beats by $0.02 | Revenue of $129.57M (2.97% Y/Y) misses by $722.17K

El Pollo Loco Holdings, Inc. (LOCO) Q2 2026 Earnings Call August 6, 2026 4:30 PM EDT

Company Participants

Ira Fils - Chief Financial Officer
Elizabeth Williams - CEO & Director

Conference Call Participants

Todd Brooks - The Benchmark Company, LLC, Research Division
Matthew Curtis - D.A. Davidson & Co., Research Division
Jeremy Hamblin - Craig-Hallum Capital Group LLC, Research Division

Presentation

Operator

Good day, ladies and gentlemen. Thank you for standing by to the El Pollo Loco Second Quarter 2026 Earnings Conference Call. [Operator Instructions] Please note that this conference is being recorded today, August 6, 2026. And now, I'd like to turn the conference over to Ira Fils, the company's Chief Financial Officer.

Ira Fils

Chief Financial Officer

Thank you, Operator, and good afternoon. By now, everyone should have access to our second 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 conditions, 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 second 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 operating decision-making and 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 time of non-GAAP adjustments that are used to calculate income from operations and company-operated 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 pleased with our second quarter results of system-wide same-store sales growth of 3.9% and restaurant-level margin of 19.5%, which demonstrates the sustainability of the improvements we've made over the past 2 years. What if you're more encouraging is that we achieved this performance through a combination of sales layers and operational improvements, which gives us confidence in the long-term sustainability of our growth.

More specifically, our top-line performance this quarter was driven by a combination of our strategic pillars with strong brand activation and menu innovation, a targeted focus on providing value through our digital channels, and operational excellence. With that, let me walk you through our progress across our strategic pillars. Let's start with [Brand That Wins], which continues to be anchored by menu innovation. First, our Loco Tenders, which launched at the end of the first quarter, brought new guests to the brand, many of whom who had not considered El Pollo Loco before.

And they broadened our appeal beyond our core, fire-grilled chicken loyalists. Notably, our tenders generated significant buzz and excitement. From social media conversation to word of mouth, this craveable product, done with our own twist, put El Pollo Loco back in the conversation in a way that we haven't seen in years. Our high-quality, Mexican-seasoned Loco Tenders, paired with our new Pollo Loco Sauce, drove trial across income and age cohorts, but notably with a new, younger consumer. They were additive to check and popular in snacking and late-evening day parts.

As these were always planned as an LTO, we are taking the learnings and already thinking of ways to bring them back in the future. We believe we've only scratched the surface of what is possible with Loco Tenders. Following tenders, in late June, we introduced Loaded Quesadillas, available in 2 flavors: queso with our creamy cilantro sauce and street corn with our creamy chipotle sauce, both with our citrus-marinated, fire-grilled, chopped chicken breast wrapped in a warm flour tortilla and grilled to order. We designed these for portability and value, giving guests a satisfying eat, packed to their heart's content, that they can enjoy on the go at a price of less than $10 a la carte or $10.99 for a combo meal, which includes chips, salsa, and a drink.

We also gave our Loco Rewards members early exclusive access ahead of the general launch. The early guest response has been strong, and we believe Loaded Quesadillas strengthens our lineup within handheld and on-the-go occasions. We also introduced a new coffee platform to the menu this quarter with our Chata coffee lineup, featuring our signature horchata, iced coffee, and cold foam. We designed our new beverages to capture an afternoon pick-me-up occasion, which we believe is a meaningful and underserved day part for our brand. Alongside items like our tenders and quesadillas, we see this as part of a broader snacking occasion that brings guests into our restaurant outside of traditional mealtimes and also helps in building check.

We are just getting started with beverages and look forward to even more innovation in the upcoming quarters. As we head into the second half of the year, we are encouraged by the strength of our innovation pipeline. Two new Double Chicken Burrito bowls will be coming this fall, as well as a new Pumpkin Spice Churro and Caramel Apple Chata coffee. We also continue to test new salads, wraps, and sandwiches as we prepare for 2027. In short, we remain committed to keeping our menu craveable, relevant, and fresh, giving guests new reasons to visit. Our "Let's Get Loco" campaign continues to build momentum and has found new ways to put our new menu items in front of our guests often by showing up where our brand hasn't historically been invited.

In late June, around National Go Skateboarding Day, we launched our "Quesadillas for Kickflips" activation, featuring Olympic skateboarder Paige Heyn. This content resonated well beyond our usual audience, drawing praise from across the skateboarding world, including from the editor-in-chief of Thrasher magazine, one of the most recognized voices in that community. We followed that with our "Hold It Like It's Hot" campaign, which put our new Chata coffee, Loaded Quesadillas, and black beans into real, everyday moments to highlight how portable and delicious these products are. We continue to expand our presence with brand partnerships, working with brands like Igloo Coolers, Sand Cloud, and Tapatio all throughout the quarter as we were showing up in live sports.

From our media presence during the World Cup games to free food giveaways for at-home watch parties, we were there. We believe this combination of timely, culturally relevant marketing and strong menu innovation is exactly the kind of engine that builds lasting brand loyalty and something that we will continue to lean into as we carry the momentum through the rest of the year. Turning to our loyalty and digital business, which continues to contribute to our top-line performance. Digital sales, including our app, web, and kiosk channels, represented approximately 28% of system sales and were up 13% year-over-year, and our Loco Rewards members continued to be an important growth driver for the brand.

These members visited approximately 3 times more annually than non-loyalty members. We use a strategic approach with our loyalty offers based on segmentation and purchase behavior. These targeted offers deployed throughout the quarter, together with more frequent communications, drove not only frequency growth, but also check growth among our loyalty members, outpacing non-loyalty guests by more than double. As a reminder, we center our loyalty program around 3 things: giving members everyday value, tailoring offers based on purchase behavior, and giving our most loyal guests access to exclusive experiences.

Starting with everyday value, our weekly Loco Friday Drops, providing great offers and value each Friday on some of our best menu items, and our Sunday spreads and abundant value on family chicken meals have continued to be consistent performers for the program. These all-member deals, combined with our segmented offers based upon purchase history, have both contributed to the frequency and check growth. In addition to these deals, our exclusive giveaways, early access to menu items, and prizes have created engagement in our loyalty program. As we look ahead, in early Q3, we launched Loco Days, a summer-themed promotion featuring exclusive prizes, deals, and a grand prize VIP experience at the iHeartRadio Music Festival.

Early engagement in the promotion has exceeded expectations, and we look forward to future growth of our loyalty program. Finally, our off-premise digital business, inclusive of delivery, continues to gain strength as we have launched segmented deals targeting new customers at the snack and late-evening day parts. For lunch, we have expanded our roster of third-party partners focused on groups and catering services. In total, our off-premise digital business represents almost 17% of sales and has increased 12% year-over-year. While we're pleased with the growth, we believe there is still significant opportunity to grow this channel. At the intersection of digital and operational excellence is technology.

We continue to make great progress in modernizing our capabilities, from in-restaurant training to analyzing consumer feedback to a more effective help desk for restaurant general managers. The use of technology and AI tools is improving our insights and capabilities. In just a few months, we have made great strides in our capabilities with the addition of Vadim Parizher, who joined us earlier this year as our Chief Technology Officer. His leadership in digital, data, and technology is unlocking opportunity and insights across the business, and we look forward to sharing more about our technology advancement in future calls.

Moving on to operational excellence and our hospitality mindset, I'm pleased with the continued progress we made this quarter in improving guest experience and overall customer satisfaction. System satisfaction scores continued to move in the right direction on a year-over-year basis. We saw improvement across the board, from order accuracy to speed of service to overall friendliness. This kind of consistent incremental progress is exactly what we set out to build, and it reflects the discipline our teams have in driving operational excellence every day. As we look forward to national expansion with new restaurant openings, we will continue to build our operational people capability, as this is the single most critical item in ensuring consistency and execution across our restaurants.

We know there is room to have even more of a consistent guest experience that builds long-term loyalty, and we are focused on the investment in people, tools, training, and technology to get us there. Shifting to financial metrics, we are proud to have coupled our sales momentum with winning unit economics. In Q2, we delivered another solid restaurant-level margin of 19.5%, comfortably within our 18% to 20% long-term target range. We are pleased with this result, especially in light of the significant cost pressure in produce during the quarter. Even with this headwind, our underlying cost discipline continues, which speaks to the margin focus we've built over the past several years.

We will continue to manage the levers within our control closely, including labor productivity, waste reduction, and disciplined menu pricing. And we are watching our key commodities as we move through the back half of the year. As we said last quarter, we will also balance the goals of driving year-over-year margin expansion with the need for value offers and investment in innovation, technology, and unit growth. We believe we can do all of these and be in the healthy margin range. Let me now touch on our new unit growth pillar.

First, we were pleased to welcome Tara Hinkle in late June to the El Pollo Loco family as our new Chief Development Officer. Tara joined us with extensive industry experience and expertise that spans development operations, market planning, franchise recruiting, and finance, with experience from brands like Taco Bell, Starbucks, and The Coffee Bean & Tea Leaf. We remain confident in our goal of opening 18 to 20 new restaurants system-wide this year, nearly double our 2025 pace. Our new restaurants continue to open with strength, which reinforces our confidence in the appeal for fire-grilled chicken and the El Pollo Loco brand as we continue our nationwide expansion. A good proof point of this progress came at the end of June, when our franchise partner opened our first restaurant in Idaho, making the entry into our 10th state.

The Idaho restaurant is run by an experienced franchise group with more than 25 years in the El Pollo Loco system, and we already have a second location scheduled to open later this fall, with 3 to 4 more planned in the market as it develops. Less than 2 years ago, El Pollo Loco operated in just 7 states. Since then, we've added Washington, New Mexico, and now Idaho, 3 new states in under 24 months. As we look forward, the vast majority of our openings will continue to be outside of California. Our new unit growth continues to benefit from the second-generation sites where we are achieving lower development costs than the typical ground-up builds.

Together with our value engineering initiatives, we remain focused on overall new unit economics. As we look forward to becoming a national brand, we are encouraged by the discussions and the level of interest with prospective franchise partners. Over the past couple of months, we've hosted discovery days at our restaurant support center with new franchise groups representing opportunities across the country. These visits have been positive, and we are in discussions on various development agreements. We expect to have more details to share on future calls and remain confident that our development pipeline is building nicely and supports our continued expansion across the country.

On the restaurant refresh initiative, we remain pleased with our results. On average, we continue to see a mid-single-digit sales lift in the locations we've refreshed, consistent with what we've shared on prior calls. We'll continue to be thoughtful about pacing this initiative in a way that supports our teams without disrupting the day-to-day operations. In summary, we are proud of our quarterly performance and the work we have done over the last 2 and a half years in transforming the El Pollo Loco brand. Our menu innovations are driving real trial and repeat, and our marketing and loyalty engines are amplifying that momentum. Our operations continue to improve, and we are back to healthy margin expansion and unit growth. With that, let me turn the call over to Ira for a more detailed discussion of our second quarter financial results.

Ira Fils

Chief Financial Officer

Thank you, Liz, and good afternoon, everyone. For the second quarter ended July 1, 2026, total revenue was $129.6 million compared to $125.8 million in the second quarter of 2025. Company-operated restaurant revenue increased 3.7% to $108.1 million from $104.3 million in the same period last year. The $3.8 million increase in company-operated restaurant sales was driven by 3% growth in company-operated comparable restaurant sales, as well as sales from the 3 company restaurants opened since the second quarter of 2025.

The growth in comparable restaurant sales included a 4.2% increase in average check size, partially offset by a 1.1% decrease in transactions. During the second quarter, our effective price increase versus 2025 was approximately 3.4%. Franchise revenue decreased 3.8% to $12.9 million during the second quarter, driven by a $1.1 million decrease in franchise IT pass-through revenue related to the franchise rollout of our new point-of-sale system completed in 2025. Franchise revenue did benefit from a 4.5% increase in comparable restaurant sales and revenue associated with 11 franchise-operated restaurant openings subsequent to the second quarter of 2025.

The 4.5% increase in comparable franchise store sales consisted of a 5.3% increase in average check size, partially offset by a 0.8% decrease in transactions. For the second quarter, system-wide, same-store sales were up 3.9%, with system-wide transactions down 0.9%. We are very pleased to report that the positive sales momentum we experienced in Q2 has continued into the third quarter. System-wide comparable store sales for the third quarter to date through July 29, 2026, increased 5.8%, consisting of a 4.4% increase in company-operated restaurants and a 6.6% increase in franchise restaurants. Looking ahead, we believe same-store sales for the third quarter will be in the 3.5% to 4.5% range.

Turning to expenses, food and paper costs as a percentage of company restaurant sales increased approximately 90 basis points year-over-year to 25.4%, primarily due to commodity inflation of 4.1%, primarily produce, combined with increased discounts and menu mix shifts. These increases were partially offset by higher menu prices. We expect commodity inflation to be in the 2.5% to 3.5% range for the full year 2026. Labor and related expenses as a percentage of company restaurant sales decreased about 90 basis points year-over-year to 29.9% as we continue 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 3% company-owned comparable store sales. Wage inflation during the second quarter was under 1% for all our company-owned locations. For the full year 2026, we expect wage inflation of between 1.5% to 2.5%. Occupancy and other operating expenses as a percentage of company restaurant sales decreased 30 basis points year-over-year to 25.3%, primarily due to lower liability insurance costs, lower utilities, and lower other controllable expenses. Which offset increases from higher delivery and mobile ordering fees and higher repairs and maintenance.

Our restaurant contribution margin for the second quarter improved to 19.5% compared to 19.1% 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% to 18.75%, an increase from the 17.8% we ran for the full year of 2025. In addition, we expect our restaurant margins in the third quarter of 2026 to be between 18% and 18.5%, which is in line with the 18.3% we posted in the third quarter of 2025. General and administrative expenses decreased to $7.1 million compared to $13.5 million in the prior year. The decrease was primarily due to $6.3 million received from a legal settlement, lower shareholder activism-related expenses, and lower restructuring and executive transition-related costs.

The decrease was partially offset by higher legal fees, new store pre-opening costs, and other general and administrative expenses. Excluding the impact of the $6.3 million favorable legal settlement as a percentage of sales, G&A decreased to 10.3% or 50 basis points. During the second quarter, we recorded a provision for income taxes of $5.2 million for an effective tax rate of 28.8%. This compares to a provision for income taxes of $3 million and an effective tax rate of 29.6% in the prior year period. We reported GAAP net income of $12.8 million, or $0.43 per diluted share, in the second quarter compared to GAAP net income of $7.1 million, or $0.24 per diluted share, in the prior year period.

Adjusted EBITDA for the second quarter of 2026 was $19.1 million compared to $18.5 million in the second quarter of 2025. Adjusted net income for the second quarter was $8.9 million, or $0.30 per diluted share, compared to adjusted net income of $8.2 million, or $0.28 per diluted share, in the second quarter of last year. Please refer to our earnings release for a reconciliation of non-GAAP measures. As Liz mentioned earlier, we are pleased with our increasing pace of new store development as we open 5 new franchise locations and 1 new company location in the second quarter. Since the end of the second quarter, we have opened an additional 2 locations, bringing our 2026 year-to-date new store opening to 10, and we remain on track to deliver a total of 18 to 20 new openings in 2026.

In regard to our remodeling efforts, during the second quarter, we completed 6 franchise restaurant remodels and 5 company remodels, bringing the remodels completed for the first half of the year to 24, consisting of 12 franchise remodels and 12 company remodels. In terms of liquidity, as of July 1, 2026, after a net paydown of $21 million on our revolver during the preceding 26 weeks, we had $30 million of debt outstanding and $13.3 million in cash and cash equivalents. Subsequent to the end of the quarter, on August 4, 2026, we amended our $150 million revolving credit facility, extending the term to August 4 of 2031. With that, we would like to provide you with the following updated guidance for 2026.

We are increasing our system-wide comparable store sales growth guidance to now be between 3.5% and 4.5% for the whole year. We are increasing our adjusted EBITDA guidance to be between $68 million and $70 million. We are reducing our expected capital spending to be between $33 million and $37 million. In addition, we now expect depreciation and amortization expenses to be between $18 million and $18.5 million for the year.

We are maintaining the following guidance: the opening of at least 3 to 4 company-operated restaurants and 15 to 16 franchise-operated restaurants; G&A expenses between $52 million and $54 million, excluding one-time charges or benefits; and finally, an estimated effective income tax rate of approximately 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, and 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] And our first question is from the line of Todd Brooks with Benchmark, StoneX. Please proceed with your question.

Todd Brooks

The Benchmark Company, LLC, Research Division

Hey, congrats on another solid quarter and continued momentum into the third quarter. Great to see.

Elizabeth Williams

CEO & Director

Thanks, Todd.

Todd Brooks

The Benchmark Company, LLC, Research Division

If we can talk about franchisees. You gave us some good color last quarter about some of the magnitude of the openings in Washington and New Mexico, now you've added Idaho on top of it. What are you seeing for kind of continued strength of performance in newer markets?

Elizabeth Williams

CEO & Director

Yes. Appreciate the question. Our newer markets are opening really well. We're very pleased with the strength of the sales. Most are opening above system average, particularly when it's the first restaurant in the first state or first market. They're opening to just blockbuster lines and, quite frankly, exceeding our expectations, which is giving us a belief that the fire-grilled chicken is resonating and our brand is resonating. It also gives us the confidence to open more units and those franchisees to open more units in those markets. So like I mentioned, Idaho, the second Idaho location is coming on board in the next couple of months.

They're already looking for additional sites. Similarly, up in Washington, we've got just 1 unit. We have been working on finding additional sites up there. Following on with the rest of the quarter, we'll have restaurants opening in New Mexico, in Colorado, another one in Washington, as I mentioned, and then a few more in California and one in New Mexico. So, you know, just really pleased with how these are opening and our franchise partners. It's giving a lot of confidence to them and then additional new partners who are looking at coming into the brand.

Todd Brooks

The Benchmark Company, LLC, Research Division

And I wanted to follow up on that because I think you used the word national 3 or 4 times during the prepared remarks. These discovery days and the outbound work that you're doing to build a pipeline of interest with potential franchisees, can you give us a sense of how far afield the interest in the brand is reaching? Does it feel contiguous? Are you seeing interest nationwide, which kind of helps prove out that concept of our grilled chicken working anywhere in your mind? I'm just curious how this is developing as it goes.

Elizabeth Williams

CEO & Director

There is nationwide interest. And while we have been rather contiguous over the years, particularly West Coast and down into the South, as we went over to Texas and just a couple in Louisiana, jumping across the country is certainly something that we are considering doing, talking with folks. And there's a lot of population in -- on the East Coast. And just throughout different parts of the country. So we don't think it has to be contiguous. We certainly could see a world where we could go to jump many states and go across the country. It really just depends on how these conversations progress over the next couple of months, too, and hopefully, we'll share more in upcoming calls to that effect.

Todd Brooks

The Benchmark Company, LLC, Research Division

That's great, and then just final question I'll jump back into queue. What's, if you're going to make a jump into non-contiguous and a new territory, new market, what are you looking for in that franchisee partner? And in your outreach, are those type of partners being drawn to the brand, you have to go find them? Just kind of if you give us the criteria and the interest from that type of partner.

Elizabeth Williams

CEO & Director

Certainly. The partners that we're talking with are partners that have experience in the restaurant space, multi-units. We want partners that are a great fit with the brand, that love the brand, have the enthusiasm for the brand, they believe in the economic story of the brand, but also they have a proven track record in the restaurant space, and they're great operators. That's really important to us. They've done this before. They know how to do new store development. They know how to do grand openings.

They know how to do just great customer service. We also have the benefit of a fabulous franchise system today, and I can't say enough great things about our existing franchise partners. And we're talking with many of them about their desires to be in additional states. As I mentioned in the remarks, our partner up in Idaho is a partner that's been in the system for many years. And so that's just been a great opening for many reasons, but one of which is he knows the El Pollo Loco system, and he has, you know, just a great team that was able to get trained and ready to go with great efficiency.

Operator

[Operator Instructions] The next question is in the line of Matthew Curtis with D.A. Davidson. Please proceed with your question.

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

I want to talk about comp trends. You know, July accelerated in terms of traffic relative to the second quarter. I just was wondering if you could unpack what drove the sequential acceleration. I mean, was it LTO momentum, loyalty activity, easier comparisons, or something else? And then, you know, given the guidance for the full third quarter on comps, it implies a deceleration. Is that just a function of more difficult comparisons in August and September, or is there something else going on we should be aware of?

Elizabeth Williams
CEO & Director

Thanks for the question. I'll start and then hand it over to Ira for the back half of that. So I would say all of the above when you gave the list. You know, we were proud of how our Loaded Quesadilla got off to a great start. It's a nice eat, a great value, combined with just the media that we've had behind it. And also, we wish we could have World Cup advertising in the month of July every year. Usually people aren't watching live sports in July, and, we think that certainly got eyeballs on El Pollo Loco, also in terms of just the momentum that the brand was experiencing.

And then in terms of as we think about the lap from last year as well, you think about with everything going on last year, people weren't coming out of their homes as much, and so some of that certainly has come back as well. In fact, we're seeing even some trends where people are eating in the dining room more, whereas last year if they were coming out, maybe they were going through the drive-through. So I would say all of those factors, you know, have played a role. And then as we look into the back half of the year.

Ira Fils
Chief Financial Officer

Yes, as we think about, you know, our full year guidance for the year and even for the quarter, you know, we ran a 3.9% in Q2. And if you think about the midpoint of the guidance for both Q3 and Q4, that's right at 4%. So really consistent with what we, you know, what we ran in Q2. I will tell you there is a little bit of about a 200 basis point change as you go into Q4 versus Q3 in regards to the compares get tougher as you move into Q4, but as you can see by our guidance, we feel great about what's going on from a same-store sales trend, and we really foresee Q3 being pretty much on the same pace as Q2.

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

Okay, got it. Then separately on Loco Tenders, can you maybe just expand on what you learned from the Loco Tenders in terms of new guest acquisition, repeat rates, check impact, and all of that? And I mean, given that the product brought new guests into the brand, it sounds like, I guess what needs to be true for tenders to return in a more permanent or recurring way?

Elizabeth Williams
CEO & Director

Yes, so in terms of what needs to be true, so tenders did great for us, and we'll come around to the answers to some of those first questions. On the back half, the tenders, we had always planned as a limited time offer for the main reason of having some of the equipment in the restaurants to be able to hold them so that we could operate at a higher velocity and just operationally we could execute them for just a better execution.

And so we're working with the system now, we're testing holding equipment so that they could be a permanent menu item. What gives us the confidence in earning that spot for a permanent menu item was that tenders drove a lot of incrementality, particularly around a new consumer with that younger consumer, but also that consumer that is wanting something more portable, that consumer that wants them late night. We saw a higher incidence and an attach rate through delivery, delivery coupled by late night. And when I say late night for us, late night is like 8:00 to 10:00 p.m. in the evening. We're not even talking true deep into late night.

So just, it was really evident that this fit a need also in snacking, which was an afternoon as well. We also just were really pleased with how it helped with check across the board all times of the day. So we learned a lot there. The other thing that we're going back into test and we'll learn some more is different ways to enjoy tenders. So we have a great menu item that has the tender in a wrap. That's again, a portable, more robust eat. I personally love the tender chopped up on a salad. So there's a lot of things that we can do with tenders, and I think you'll see a lot more over the upcoming quarters.

Operator

Our next question is from the line of Todd Brooks with Benchmark StoneX. Please proceed with your question.

Todd Brooks
The Benchmark Company, LLC, Research Division

I have one for Ira that I forgot to ask here. Ira, you talked about reduced cost pressure in the quarter, and I've heard from a couple of our operators that it was very spiky, but relatively short-lived. If you look at the COGS pressure that you talked about, I guess what proportion of that was related to produce? And are you finding that it is more short-lived and kind of retrenching here as we get into Q3? And if that's the case, just wondering about the 19.1% (sic) [19.5%] restaurant-level margin in Q2 versus the 18% in the quarter. Sorry, the 18% to 18.5%?

Ira Fils
Chief Financial Officer

Yes, so to answer the first part, about three-quarters of the COGS pressure that we did see in Q2 was related to produce in particular. We have seen it mitigate some. There's still a little pressure there, but it has mitigated some, and we're seeing some pressure on some other lines. We've seen some pressure in packaging, and we've seen some pressure in oil costs, not as significant as what we've seen in produce. So we, and there's been some fuel pressure as well for delivery charges as far as getting things to the restaurant. And we've got all that baked in until we think about our guidance when we think about the balance of the year and margins as we look forward.

Todd Brooks

The Benchmark Company, LLC, Research Division

Okay, so it's kind of anticipatory based on what you're seeing now, not baking in any relief from these levels currently.

Ira Fils

Chief Financial Officer

We definitely have relief from produce, but there's still some other items where we're feeling pressure on.

Operator

The next question is from the line of Jeremy Hamblin with Craig-Hallum.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

I'll add my congratulations on the strong results. I just want to come back to the question around the Q3 guide. So if we look back, I don't think that the compares actually get tougher in August or September. I think they're pretty similar to what July was. Just wanted to see if you could confirm that, and so, you know, just maybe some assumption that there's a moderation from the current 5.8% level?

Ira Fils

Chief Financial Officer

That's exactly right, Jeremy. The balance of the quarter is pretty similar to what July was, and I think the way to think about it is more about the balance of the quarter being more similar to what Q2 was and that really in July we had some outsized benefit from some things that Liz mentioned. We had some great advertising and spots related to the World Cup. It really worked hard for us this year. Live sports is great for us from a media standpoint, and we had, and again, played really well for us. So I think July was a little more outsized, and as we think about the quarter in a whole, kind of the midpoint of our guide, that's where you think about where our trend is.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

Got it. And have to ask since it's a kind of topical here, you know, some other, kind of Mexican food concepts have been thrown some curve balls here with their sourcing. Have you scoured your food sourcing to ensure no potential issues with jalapenos, anything like that? And have you seen any impact at all, you know, kind of with those headlines that are reaching consumers?

Elizabeth Williams

CEO & Director

Yes. Yes. So we take food safety, you know, utmost seriousness, and, you know, of course, we've scoured every bit of our supply chain and work really closely with suppliers. El Pollo Loco was not involved in any of the lettuce recalls. There was no lettuce product pulled, and no illnesses have been linked to us, and all of our lettuce is currently sourced from the USA. So all of that, and then on the peppers, we don't use jalapeno peppers, we use serrano peppers, and we also don't use the supplier that I know people are talking about right now.

So we continue to be vigilant with the supply chain, and it's definitely part of the industry and caring deeply about that. In terms of benefit, it's hard to tease out. I think possibly we probably got a little bit of help from it. I know our salad business, it is a core part of our menu and it remains strong. No worries in terms of consumer demand there, particularly in the summertime. They're really popular items, and they continue to remain strong.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

Got it. And then I want to come to the CapEx for a second. I think you lowered it by about $3 million or $4 million, but you're maintaining your unit growth. And you might have mentioned it, but can you just talk about kind of the lowering of that? Is there, presumably the new units are coming in at or below budget? But just color you might be able to share on that.

Ira Fils

Chief Financial Officer

Yes, great question, Jeremy. So where we really took the CapEx tipping down is more just the timing of our new remodel program. We're very happy. We're very pleased with the results of the remodel program. We're continuing to move forward, but just as we evaluate the timing of permits, number one, and two, making sure that we're deploying the right resources internally from an operations and from a development standpoint.

We've just pulled the timing back a little bit of it, and that's really the first driver of the lowered CapEx. And the second one is a little bit what Liz has mentioned. We're still testing and we're working on holding equipment, which we feel like if the tests go, that's something we're going to move forward with. It's just more of a timing issue than a cancellation of a project.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

Got it. One other housekeeping item. With the extension of your credit agreement, what's the interest rate that we should expect?

Ira Fils

Chief Financial Officer

The spread from what we were paying before will be going up by about 50 basis points.

Operator

Thank you. Ladies and gentlemen, we've reached the end of today's question and answer session. I'd like to turn the call back over to Liz Williams for closing remarks.

Elizabeth Williams

CEO & Director

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 will conclude today's conference. You may disconnect your lines at this time. Thank you for your participation.

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