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EPS of \$0.20 **beats by \$0.07** | Revenue of \$114.28M (1.81% Y/Y) **beats by \$1.10M**

El Pollo Loco Holdings, Inc. (NASDAQ:[LOCO](#)) Q4 2024 Earnings Conference Call March 6, 2025 4:30 PM ET

Company Participants

Ira Fils - CFO

Liz Williams - CEO

Conference Call Participants

Todd Brooks - The Benchmark Company

Larson Rice - Truist

Tania Anderson - William Blair

Operator

Good day, ladies and gentlemen, and thank you for standing by. Welcome to the El Pollo Loco Fourth Quarter 2024 Earnings Conference Call. At this time, all participants have been placed in a listen-only mode and the lines will be open for your questions following the presentation. Please note that this conference is being recorded today, March 6, 2025.

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

Ira Fils

Thank you, operator, and good afternoon.

By now everyone should have access to our fourth quarter 2024 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 a more detailed discussion of the risks that could impact our future operating results and financial condition. We expect to file our 10-K for 2024 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 undue efforts we are unable to predict and -- 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.

Liz Williams

Thank you, Ira, and good afternoon, everyone.

2024 was a foundational year for El Pollo Loco as we embarked on our brand transformation and made tremendous progress across all of our key objectives. We reignited growth, delivering same-store sales growth, expanding margins, and reviving our development pipeline. But make no mistake, we are just getting started and we believe our best is yet to come.

2024 was my first year with the brand and the first year of our turnaround story. Now when I say turnaround, I want to be clear. This is a brand turnaround, not a business turnaround. We are fortunate that our business fundamentals are solid and we will talk about this today with regards to our strong financial position and our business model. We are equally fortunate that our food is high quality and loved so many times in a turnaround the food needs to be fixed or improved. That just is not our case.

The turnaround needed for El Pollo Loco is one to modernize our brand, to drive operational consistency and simplicity, and most importantly, to enhance our customer experience. Our five pillar plan and focused initiatives position us to address these turnaround fundamentals and will allow us to achieve our goal to become the national fire-grilled chicken brand.

So let's dive into each of these areas. First, we've made great progress within our brand that wins pillar by reminding consumers that we are craveable, affordable and better-for-you. A core strength of El Pollo Loco is our food anchored around our signature fire-grilled citrus-marinated chicken. Whether it is our chicken family meals, our delicious tacos, our burritos, salads, fresh guacamole and our unique salsas, all are prepared fresh daily by hand in our restaurants.

In consumer research, we continue to get high quality scores and accolades from customers that put us ahead of the traditional QSR players. We are fortunate that we don't need to change our food. We simply need to remind our lapsed consumers and communicate with new consumers that El Pollo Loco stands for quality and flavorful food that is quick, convenient, and offers value for the money.

We will communicate these brand strengths in the upcoming months as we launch a new advertising campaign. Amplifying this quality even further, in 2024, we reignited our culinary innovation and are just now seeing the results as we have a 2025 marketing calendar with new innovation.

In late January, we showcased our first innovation in many years with Mango Habanero, a new flavor for our bone-in fire-grilled chicken. In mid-February, we followed up with Mango Habanero chicken available also on our tostada salad and I'm pleased to say that both have been very well received.

The sweet and spicy or spicy flavor delivers on taste at a value price that we know consumers are looking for and the best part it's operationally simple for our team members to execute. Mango Habanero is just the beginning for new sauces and flavors at El Pollo Loco and our innovation doesn't stop there. As we will launch our new fresco wraps and salads this spring, featuring fresh and healthy leafy greens. Our new wraps and salads break the QSR mold being made to order with premium ingredients. These products further solidify our positioning when it comes to quality, flavorful, better-for-you offerings in a drive-thru format at affordable prices.

Turning to value. We continue to have success with promotions like our Taco Tuesday and our \$5 Hoya Bowl. As we look to extend value even further, we are focused on pairing value with innovation. We do not need to play into the price wars or the menu discounts that erode margins. Rather, we believe a new product like quesadilla slated to launch this summer can deliver on both innovation and value while also offering a craveable portable fan favorite. With all white meat chicken and guacamole included for dipping together with chips and a drink, this combo will be a tremendous value priced in the \$9 to \$10 price range.

Mango Habanero fresco wraps and salads followed by quesadilla are a testament to our focus on culinary innovation. We are proud of our growing pipeline and we look forward to sharing more in the upcoming months as it continues to grow.

In conjunction with our effort to reignite the brand through culinary innovation, we are excited about our plans to re-launch our brand in the coming months.

From our brand aesthetic to a new approach in marketing and brand positioning, we will be evolving El Pollo Loco to be a more modern brand, while remaining true to our core. We made a change with our advertising agency at the end of 2024 and are excited to show our passion for chicken, our fresh ingredients, homemade food and quality. Together with our restaurant remodel program that will touch 60 to 80 restaurants this year, it will be hard to miss this transformation.

While I won't spoil everything we have planned, I'm excited about where we will take the brand in 2025 with our new agency partners. Equally important in our transformation are the improvements in all aspects of our four-wall operations with our hospitality mindset and digital-first pillars.

In 2024, we reaffirmed our standards driving accountability and productivity in all of our restaurants. From a re-launch of our standards to a new labor deployment system in our company restaurants to investments in cooking equipment and kiosks, we are focused on improving the team member and consumer experience, while also driving productivity. As I continue to spend time in the field and in our restaurants, it has become more and more apparent that we need to get our consistency and quality of service to match our food quality.

To that end, our focus for 2025 will be overall customer satisfaction, building upon our standards and accountability foundation. To measure this, we recently launched a new customer feedback system with a best-in-class partner, which has enabled us to improve our closed loop customer feedback system and to more clearly benchmark customer feedback with other leaders in the restaurant industry. This feedback together with the efforts mentioned above will position us to be laser-focused on improving our speed, accuracy, and consistency as we serve our guests. We recognize better customer service, drives transaction growth, and customer loyalty and are optimistic about the opportunity for improvement in both.

Shifting to winning economics, we substantially improved our unit economics through methodical cost savings and asset modernization initiatives. During 2024, our team did a tremendous job identifying cost savings across the P&L, culminating in restaurant contribution margins of 17.4% for the year. This is a 190 basis point improvement year-over-year. More importantly, the work we've done this past year was just the beginning and has given us the ability to drive further cost improvement as we enter 2025.

In 2024, we also improved our economics with our new restaurant build. Last fall, we introduced our new iconic restaurant prototype. This prototype not only showcases an enduring yet modern and efficient design that is uniquely El Pollo Loco, but it also helps us achieve our goal to reduce build costs and drive improved cash-on-cash returns as we grow our footprint across the country in 2025 and beyond.

This evolutionary flexible format is in the permitting process and will be built for under \$2 million. Needless to say, this is a big unlock as we reignite sustainable unit growth across the country.

Turning to new unit development. We are now planning to open 10 new restaurants in 2025. While California has been our home and holds a rich history for our brand, we know El Pollo Loco is destined for more. This year the majority of our new restaurant openings will be outside of California and will also be spread across our emerging markets with restaurants under development in Arizona, Colorado, Idaho, New Mexico, Texas and Washington.

In fact, we are thrilled to be opening our 500th restaurant outside of California in just a few months in a fitting tribute to what is yet to come as we celebrate our 50th year. As part of these development efforts, we bolstered our new unit growth strategy through conversions. We are taking advantage of restaurant closures that have been happening in our industry over the past several years.

Due to our flexible restaurant format, our franchise partners have been able to take over some of these locations and convert them to El Pollo Loco's with reduced build costs and outsized returns relative to a ground up build.

Finally, as I mentioned earlier, part of our brand transformation is modernizing our current locations to further showcase our evolved restaurant design, in line with our new iconic new build design. If you recall, we offer a two-tier approach on remodeling. One is a low cost five-year refresh investment and another is an extensive 10-year remodel investment. With this strategy, we anticipate being able to touch roughly half of our total system over the next four years in partnership with our franchise partners.

We are in the early days with just a few new images rolled out. However, we are pleased with the sales and the economic returns that we are seeing with the remodel and we'll share more throughout the year as we get more data points.

Let me close by saying how thrilled I am with what we accomplished in 2024 and how equally excited I am about what we can accomplish in 2025. I am proud of our team, particularly our company and our franchise operators, for establishing a strong foundation that we can build on as we move forward.

As we enter year two of our three-year turnaround, our focus remains squarely on growth. We have a robust product calendar that embraces innovation and value. We are gearing up for a brand re-launch that will make our brand more relevant while maintaining our core identity and we are improving our operational foundation.

We have a new flexible and affordable unit prototype that will drive new units and remodel. With all of these combined, we believe, we are well-positioned to not only capture top-line growth opportunities, but also to improve profitability as we make El Pollo Loco the national fire-grilled chicken brand. Of course, none of this would be possible without the hard work and dedication of our over 4,300 amazing team members. And for that, I would like to say thank you to each of you.

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

Ira Fils

Thank you, Liz, and good afternoon, everyone.

For the fourth quarter ended December 25, 2024, total revenue was \$114.3 million, compared to \$112.2 million in the fourth quarter of 2023. Company-operated restaurant revenue increased 1.8% to \$95.6 million from \$94 million in the same period last year. The \$1.7 million increase in company-operated restaurant sales was primarily driven by a 1.6% increase in company operated comparable restaurant sales, as well as additional sales from restaurants opened during or subsequent to the fourth quarter of 2023.

Increase in comparable restaurant sales included a 9% increase in average check size and an approximately 6.8% decrease in transactions. During the fourth quarter, average check was primarily driven by our effective price increase versus 2023 of about 7% and an approximate 2% benefit from mix. Franchise revenue increased 2.5% to \$11.2 million during the fourth quarter, driven by four new franchise restaurant openings and one refranchised restaurant during or subsequent to the fourth quarter of 2023, partially offset by a comparable restaurant sales decrease of 0.1%.

Looking ahead, first quarter-to-date through February 26, 2025, system-wide comparable same-store sales increased 0.6% consisting of a 2.3% increase in company-operated restaurants and a 0.4% decrease in franchise restaurants.

Turning to expenses. Food and paper costs as a percentage of company restaurant sales decreased 180 basis points year-over-year to 25.1% due to higher menu pricing partially offset by commodity inflation of approximately 2.5% during the fourth quarter. We expect commodity inflation to be in the 1.5% to 2.5% range for the full year 2025.

Labor and related expenses as a percentage of company restaurant sales increased about 10 basis points year-over-year to 32.4%. An increase in wages was partially offset by menu pricing and better operating efficiencies, primarily driven through improvements in labor deployment. Wage inflation during the fourth quarter was approximately 15% for all our company-owned locations driven by wage inflation in our California restaurants as a result of the April 1, 2024, California \$20 minimum wage for QSR restaurants. For the full year 2025, we expect wage inflation of between 5% and 6% for all our company-owned locations.

Occupancy and other operating expenses as a percentage of company restaurant sales increased 60 basis points year-over-year to 25.8% primarily due to higher rent in CAM combined with higher third-party delivery-related expenses and higher other operating expenses.

Our restaurant contribution margin for the fourth quarter was 16.7%, compared to 15.8% in the year ago period. For the full year 2025, we expect our restaurant contribution margin to be in the 17.25% to 17.75% range, which includes a preliminary estimated 25 basis point unfavorable direct impact from the recently imposed tariffs.

General and administrative expenses increased 30 basis points year-over-year to 9.7% of total revenue. The increase for the quarter was primarily due to an increase in estimated management bonus expense and other general administrative expenses.

During the fourth quarter, we recorded a provision for income taxes of \$1.8 million for an effective tax rate of 23.5%. This compares to a provision for income taxes of \$1.7 million, and an effective tax rate of 27.7% in the prior year period.

We reported GAAP net income of \$6 million or \$0.20 per diluted share in the fourth quarter, compared to GAAP net income of \$4.4 million or \$0.14 per diluted share in the prior year period.

Adjusted net income for the quarter was \$5.9 million or \$0.20 per diluted share, compared to adjusted net income of \$5.2 million or \$0.16 per diluted share in the fourth quarter of last year. Please refer to our earnings release for a reconciliation of non-GAAP measures.

In regards to new unit development, we opened one company operated store in California and one franchise store in Texas during the fourth quarter to bring our total year-end count to 498 domestic locations.

Turning to our remodeling effort. During the fourth quarter, we completed three company operated restaurant remodels and nine franchised restaurant remodels, for a total of eight company operated remodels and 44 franchise remodels for the full year 2024.

In terms of liquidity, we paid down \$5 million on our revolver during the fourth quarter and as of December 25, 2024; we had \$71 million of debt outstanding and \$2.5 million in cash and cash equivalents. Additionally, during the fourth quarter, we repurchased approximately 104,000 shares of stock for approximately \$1.3 million, leaving approximately \$1.8 million remaining under our current share repurchase program as of December 25, 2024.

Finally, based on our results to-date, we would like to provide you with the following guidance for 2025. The opening of one to two company-owned restaurants and eight to nine franchise restaurants, capital spending of \$30 million to \$34 million, G&A expenses of \$48 million to \$51 million including approximately \$5 million in stock compensation expense, and an estimated effective income tax rate of 27.5% to 28.5%.

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

Thank you. We will now be conducting a question-and-answer session. [Operator Instructions].

Our first question comes from the line of Todd Brooks with The Benchmark Company. Please proceed with your question.

Todd Brooks

Hey, thank you and congratulations to you all on just a year of tremendous progress in 2024.

Liz Williams

Thanks, Todd.

Todd Brooks

Two questions, if I may. And I know you said we'll get more detail as time passes, but you got what north of 50 remodels done for the full year and just starting to try to get my mind around okay if we're going to touch half the base over the next four years. I'm trying to get a sense of thoughts on lift from the remodels. And I know there's the two different types, but I'm trying to tie to a structural same-store sales tailwind that the brand should have from the remodeling efforts.

Liz Williams

Got it. Thanks for the question. So we're excited about our remodel program. And in fact, we tapped the brakes a little bit this year toward the end of the year as we were working on our design prototype. As I mentioned, we're really excited about the evolving design and just the aesthetic of the brand and how it's going to show up with consumers.

We are just wrapping that up and then we're really going to turn on the engine in the next couple of months here and get that going. So far, we've had a history of seeing nice returns whenever we do remodels. So far with these last couple units we've done, we've only done a couple with this revised design and so we don't have enough in the data set to give you a number today. But what we're seeing is directionally very positive and the consumer reaction we're seeing is great. It just the look and feel is just much more in line with what you'd expect from a modern brand.

Todd Brooks

Okay. Fair enough. And then my second question and I'll jump back in. With the progress you made this year, Liz, and kind of a push behind growth via franchising and growth outside of California. Is there any update you can give us on maybe a franchisee pipeline and activity that occurred over the year that shows that these partner existing and potential partners are taking notice of the improvement that you all are generating in the brand? And it's being reflected in either new signings or additional deals from existing partners. Thanks.

Liz Williams

Yes. So the excitement we're seeing from franchise partners continues to grow. I can tell you the number of meetings that we're taking and the franchise days that we're hosting also trending upward. And some of that is franchisees that were in the pipeline prior to me coming on Board and prior to the turnaround and just reigniting them. So they might have been -- we might have been talking with them, but they perhaps put it on pause until we really got the clarity of showing the growth in terms of same-store sales growth and getting the margins back in a way that we're growing and then reducing the build costs.

So putting all three of those together, many of those conversations started back up in the last couple of months and continue to grow. We don't -- we're not releasing any pipeline data today, but as we continue to build that, I think that is something in the future that we'll talk about. And as I look out even beyond, Ira, mentioned the number of units for this year, company and franchise, as we look to the next 2026, I'm pleased with how that pipeline is coming together and we'll continue to build. We don't want to stop just with the 10 units this year. We want that to grow meaningfully over the years.

Operator

Thank you. Our next question comes from the line of Larson Rice with Truist. Please proceed with your question.

Larson Rice

Hi guys, Larson on for Jake here. Just wanted to ask a few here. So margin expansion has been great so far, and you guys alluded to in the call that there are some things that are giving you confidence about further expansion into 2025. And I was wondering if you could give any color or touch on any specific things that you're seeing to give you that confidence.

Liz Williams

Yes. I would categorize the enhancements in two different areas, distinct areas. The first being our cost of goods. We've started a project late last year or actually mid-last year, which was all about looking at our supply chain and going through absolutely every corner and working with our partners to think through, are we sourcing in the most efficient and competitive way? And our product specs is our quality spec as high as it possibly can be.

And so you put those together and we brought in a leader who has just been fantastic at leading our supply chain and he's really taken it to the next level together with his team and very pleased as we look out this year. There's always inflation. Ira talked about that, but really pleased with some of the moves that we're making within our supply chain that will balance out some of that inflation. So that's on cost of goods.

We also have a lot of work underway in regards to productivity, labor productivity. And as everyone knows, with everything that happened in California last year, it gave us even more urgency to get after thinking through every single step in our restaurants. And so whether it was putting in new equipment, we put in new equipment last year to simplify making salsa.

We are looking at everything we are making and cooking in our restaurants. And while we love the fact that we do scratch cooking on so many different ingredients and that's what gives us a great quality advantage. We are also looking at is there an easier or better way to do it? And then also where can we use technology? So kiosks is a great example in our company restaurants, almost all of our company restaurants have kiosks. So being able to see some of that labor savings there is an advantage as well. And we're not done. We are continuing to look for more. Yes, go ahead.

Ira Fils

Yes. I was just going to add to that. We rolled out in the fourth quarter of 2024 holding cabinets and for our chicken, which does two things for us. First off, it allows us to close down the grill about a half hour early and start to close the restaurant down a half hour early to get some labor efficiencies. But it also holds the product better. So we get a better quality product to the consumer and we get some labor savings. So we're continuing to look at not just productivity, how we're deploying labor, but also using equipment to help be more efficient as well.

Larson Rice

That's helpful. Thanks. And then just another one on the -- I think you mentioned the build cost of the prototype just under \$2 million. I think at ICR, we talked around \$1.8 million. So I was wondering, is there any sort of incremental things that are adding to that to get to a slightly higher build cost and is that going to affect franchisee demand as far as the unit economics in any sort of meaningful way, in your view?

Liz Williams

Yes. So \$1.8 million is certainly our bold goal. And I think in some markets, we are going to be able to accomplish that. In some of the Midwestern markets where construction costs are a little bit more moderated. The under \$2 million, the prototype that we're building is in California, so a little bit more expensive there. So that's one component.

Also you can imagine we're leaving a little bit of cushion as we want to account for some of the increasing costs on things like equipment that might come from overseas or outside of the United States. So we're trying to be thoughtful in some room there, but certainly from where we've been getting under \$2 million is a huge accomplishment. But \$1.8 million is the bold goal.

The other thing I might mention, and I said this in the prepared remarks, I'm pleasantly surprised with the -- what we're seeing out in the market in terms of being able to take a restaurant that's been closed, perhaps by another concept that wasn't able to make it, and then to remodel and the build cost for something like that is substantially below \$1.8 million. It's usually between right around \$1 million, sometimes a little bit more or less. So that's a huge opportunity and you can imagine the returns are even better with something like that.

Larson Rice

Great. Thanks so much. Get back in the queue here.

Liz Williams

Thanks.

Operator

Thank you. Our next question comes from the line of Tania Anderson with William Blair. Please proceed with your question.

Tania Anderson

Hi, good afternoon. Could you quantify the impact of the LA wildfires in the first quarter? And let us know whether there's any lingering impact or whether it's all in the past at this point?

Ira Fils

I would say, thankfully, first of all, we were super fortunate that all our team members were all came out safe from the fires. We didn't lose any physical buildings from any of the fires. So that was great. And we had some transitory impact for a week or so and when we had a couple restaurants closed with power outages. But when you think, when you take a look at it from a big picture perspective, we're fortunate not to have a lot of sales impact from the fires.

Tania Anderson

Okay. Thanks. And then you mentioned that the Mango Habanero is really well received. Can you talk maybe specifically, is it driving new customers or is it increasing frequency? How -- just more specific about how the perception is then?

Liz Williams

Yes. So in early days, but we definitely are seeing that it's driving trial across the Board. So with our existing customers and bringing in new consumers as well, what's been nice is we haven't done innovation on our bone-in chicken in years, like many, many years. And what this did was it's one of the first times we saw a mix shift back into bone-in chicken. And the new news drove that trial.

And now that we have it on our tostada, our tostada is always a fan favorite. This time of year, we typically run the tostada. What we're seeing however is when you bring new news that brings a new level of excitement as well. And the fact that we have it available on the chicken and we're doing shrimp right now for Lent is just bringing more excitement to the products.

Tania Anderson

Okay. So how does that inform like your thoughts on maybe additional flavor profiles going forward and maybe the frequency of like the new innovation on that front?

Liz Williams

It has reinforced the fact that there's a huge opportunity to continue to do flavor innovation. What I love about flavor innovation, consumers love it that's the first thing I love. It gets people excited. It gets them trying. While people still love our citrus marinated OG the original, they also like to try something new. So there's a win there.

But there's also a win for our operator group and our restaurant team members in that it's a relatively easy innovation for them to execute. So you can rest assured that we are testing and thinking through many different options as we go-forward. I think we all see in the chicken category, flavor is a big idea.

Operator

Thank you. Our next question comes from the mind of Larson Rice with Truist. Please proceed with your question.

Larson Rice

Thanks. We just had another one here on the raised CapEx guidance. Just wondering if you could parse out. I know at ICR, we kind of touched on the idea of doing some more accelerating the remodel program on capital allocation, that being a priority. I was just wondering if there's anything changed on that or where is that incremental CapEx really targeted towards.

Ira Fils

Yes. That's really what's driving the incremental CapEx; Liz talked about in her prepared remarks that we were going to do about 60 to 80 remodels system-wide. We should probably see about half of those are going to be company operated restaurants. And so at around \$400,000 for those 40 restaurants is what's driving the bulk of the CapEx increase year-over-year.

We have some other -- we're investing some other things in the business as we continue to work on our app platform and some of those digital assets. But the bulk of it is really focused around investing in our remodel program.

Larson Rice

Great. Thanks so much for that. And then just the last one here was a question on the balance of innovation and value and confidence in the calendar going forward. Just wondering what sort of changes do you have planned to have the innovation calendar be maybe a little bit more consistent this time, this year around? And how is that going to be well received in the way that you're going about it sort of combining the dual points of value and innovation together, it would be a little bit different in sort of stabilizing that this time. Thank you.

Liz Williams

Yes. I would say we are much more playful than we've been in the past. And you can be playful when you have a pipeline and you have a team that's really thought through all the different options that are out there and you're constantly testing and innovation is part of the DNA. And I would say all those characteristics are things that we've implemented in the last couple of months.

Certainly, having someone that is leading our innovation team with a rich culinary background has been a huge advantage for us. And so when I look at the pipeline, there are many things in there that I'm excited about. In fact, there's more things in there than there are slots on the calendar.

So the one thing we try and balance is the amount of innovation that we bring. So we want to bring new news, but we don't want to do it in a pace that is so frantic or hard on our operations team, because so much of what we stand for is that quality and the consistency in operations. So as we look at the balance of the year, we'll have the fresco wraps in the summertime, great product. I think it's a very differentiated product.

It's also what I love about it is not only the high quality, better-for-you, but also in the handheld format. So one of the things we've seen from consumer work, consumers want more handheld items from us. They want -- they're busy, they're on the go, so excited about that.

The quesadilla is doing really well in test. It is a big, hearty eat. It's got, like I said, our all white meat chicken and then our guacamole, so that'll -- and there's two flavors there. You've got creamy chipotle, and you've got salsa verde, excited about quesadilla.

And then as we close out the year, there's a couple of options that we are testing right now to see which one is the strongest. That's a good position to be in when you have options. And so we're already working on our pipeline for 2026. So that just gives you a sense of how important we think innovation is, in addition to everything we do every day.

Operator

Thank you. And 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 closing remarks.

Liz Williams

Thank you. Again thank you to all of you for joining us today. We are really proud of our accomplishments from 2024 and even more excited about what's in store for us in 2025. So special thanks for all of our team members, our franchise partners, and we look forward to talking with you in upcoming quarters. Thank you.

Operator

And this concludes today's conference. You may disconnect your lines at this time. We thank you for your participation.

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