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Jack in the Box Inc. (JACK) Q2 2024 Earnings Call Transcript

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Jack in the Box Inc. (NASDAQ:[JACK](#)) Q2 2024 Earnings Conference Call May 14, 2024 11:00 AM ET

Company Participants

Chris Brandon - Vice President, Investor Relations

Darin Harris - Chief Executive Officer

Brian Scott - Executive Vice President and Chief Financial Officer

Conference Call Participants

Brian Bittner - Oppenheimer
Lauren Silverman - Deutsche Bank
Nick Setyan - Wedbush Securities
Gregory Francfort - Guggenheim Securities
Alton Stump - Loop Capital
Jon Tower - Citi
Dennis Geiger – UBS
Chris O'Cull - Stifel
Sara Senatore - Bank of America
Jim Sanderson - Northcoast Research
Jake Bartlett - Truist Securities
Alexander Slagle – Jefferies

Operator

Thank you for standing by, at this time I would like to welcome to the Jack in the Box Second Quarter 2024 Earnings Webcast. [Operator Instructions]. I would now like to turn the call over the Chris Brandon, Vice President of Investor Relations. Chris, please go ahead.

Chris Brandon

Thanks operator, and good afternoon, everyone. We appreciate you joining today's conference call, highlighting results from our second quarter of 2024.

With me today are Chief Executive Officer, Darin Harris, and our Chief Financial Officer, Brian Scott. Following their prepared remarks, we will be happy to take questions from our covering sell-side analysts.

Note that during both our discussion and Q&A, we may refer to non-GAAP items. Please refer to the non-GAAP reconciliations provided in the earnings release which is available on our Investor Relations website at jackinthebox.com.

We will also be making forward-looking statements based on current information and judgments that reflect management's outlook for the future. However, actual results may differ materially from these expectations because of business risks. We therefore consider the Safe Harbor statement in the earnings release and the cautionary statements in our most recent 10-K to be part of our discussion. The material risk factors as well as information relating to company operations are detailed in our most recent 10-K, 10-Q, and other public documents filed with the SEC, and are all available on our Investor Relations website.

And lastly, I'd like to update you on our upcoming conference and event plans for the next few weeks. On Tuesday, June 2nd, we will be attending the Stifel Conference in Boston. On Wednesday, June 3rd, we will be attending both the Baird and Cohen Conferences in New York City. On Thursday, June 4th, we will be attending the RBC Conference in New York City and on Tuesday, June 11th, we will participate in the Oppenheimer Conference, which will be held virtually. We look forward to seeing many of you at these events.

And with that, I would like to turn the call over to our Chief Executive Officer, Darin Harris.

Darin Harris

Thank you, Chris. I appreciate the opportunity to speak with you today regarding our performance and results.

To start, I want to thank everyone in the organization for their efforts in driving material progress on our breaking out of the box long-term additions of targeting top-tier AUVs, improving restaurant-level economics, driving digital growth and building new restaurants with compelling returns for franchisees.

Now at this point, you're aware of the consumer headwinds impacting our industry and the need to drive transactions and win share, especially with the lower income guest. Providing a compelling value offering, in essence, what you get for what you pay, is more important than ever to our barbell strategy and messaging. Today, I'll talk more about our second quarter results and long-term goals, but we'll also share our near-term plans to play offense by executing on our exciting second half of the year marketing calendar. Although Q2 proved to be a challenging sales environment, I'm encouraged by the improvement at Jack near the end of the quarter and leading into May. Brian will speak more on what occurred during the quarter and our current trends, and while there are still headwinds, the direction through the early stages of Q3 is more encouraging.

Q2 margins and earnings were better than expected, particularly as we lapped our strongest comp quarter last year for Jack, producing 7% same store sales growth on a two-year basis while adapting to the initial effects from AB 1228.

Speaking of AB 1228, I'm proud of how our California franchisees joined together with our company leadership teams to execute strategic price increases, implement our margin savings plans, share best practices and test equipment and technology that can support labor savings in the future. Interestingly, our California restaurants at both brands have performed on par, and in some cases better than other regions across the country, particularly with our company owned restaurants.

As transaction and mix pressures persisted throughout Q2 for both brands, I want to spend some time on our focus areas for the remainder of the year. Let's start with Jack in the Box. Later this month, we will launch our Munchies Under \$4 platform, which will accomplish three things: first, provide a strong value message for our guests second, support our hook and build strategy with disciplined pricing on our add on and upsell favorites to increase attachment and lastly, support value through digital channels. We are aggressively building direct guest connections via 1st party, growing the Jack Pack Rewards Program and gaining further data and insights that we can utilize to create personalized marketing strategies for the future.

We're examining all marketing channels and promotional windows as an opportunity to drive value to complement our premium offer messages, particularly within digital, where we are generating 13% of sales and growing. We will also deliver opportunities for value across all five dayparts, and on that note, I'd like to share a few of our upcoming marketing calendar highlights that I'm confident will drive sales during the second half of 2024.

In two weeks, we will be concentrating on the late-night daypart where we can continue to win share. Backed by popular demand will be our chicken tater melt, a favorite from our original Munchie Meal menu and to make it even more exciting, we are partnering with Ice Cube to help us reintroduce it.

Cube's Munchy Meal will help bring back this item that has been in high demand from our long-time late-night fans for the past couple of years. We were thrilled to learn that Ice Cube, the rapper, actor, film producer and Rock and Roll Hall of Famer, was a huge Jack in the Box fan, and we are eager to roll out the campaign via television and our social channels. This partnership further displays the pop icon status of Jack Box as he partners with other celebrities to deliver the unique offering our guests and fans expect.

Also, at the end of this month, we will launch Wings systemwide. Our product test this past November drove both transactions and outstanding feedback from our guests that crave this product and wanted to order it again. We will initially promote Wings via digital and social, then plan to support the product with a major campaign in the future.

Our Smashed Jack, which launched in the Q2, drove high single digit mix and improved average check by 200 basis points and really resonated with our premium guests. Consumer scores for the product have been outstanding and in fact, we are looking to further innovate and develop new builds utilizing this differentiated and craveable burger patty. Brian will have more detail on how Smashed Jack performed and a supplier delay, which impacted Q2 results.

We will drive breakfast top-line by making French Toast Sticks, a proven fan favorite LTO item, permanent on our menu. This will provide a strong offering in addition to featuring breakfast messaging in every marketing window, and lastly, in the spirit of continuing to capture culturally relevant moments, we will be partnering with one of Jack's celebrity friends this summer in one of the most anticipated major motion picture events in recent years. Stay tuned.

Despite the challenging consumer environment, I'm excited by what this team is creating to connect with guests and drive transactions and as you can see, our second half marketing and promotional calendar is robust and will occur as we lap easier comparisons from a year ago. We will lead with value and follow with innovation while communicating in our own unique Jack way.

Part of our breaking out of the box strategy, we shared plans at our Investor Day to modernize our technology and data capabilities at the restaurant level and within our marketing technology stack. This strategy includes our plan to aggressively pursue digital growth. Our first-party platforms continue to grow meaningfully, and our third-party activity remains stable as we battle on a pay-to-play marketplace. First-party channels grew over 80% during the quarter and has grown, on average, 75% each quarter for the past year. We believe we can continue this strong growth through the launch of our next generation mobile app later this year, with an emphasis on building active users and capturing data to reach our guests more effectively.

At the restaurant level, we recently announced our partnership with Qu, which will serve as the unified commerce platform at the heart of our new point-of-sale that will be installed across the entire Jack in the Box system. The new POS unlocks a variety of ways to enhance the guest experience and pursue our vision for the Jack restaurant of the future. It will significantly enhance our digital and in-restaurant loyalty integration, improve customer data capture and streamline integration with our web and mobile ordering platforms. It will unlock the ability to effectively deploy kiosks and upgrade our back-office inventory and labor management systems, and in the longer term, it will improve our ability to deploy automation and use AI throughout the restaurant.

Turning to unit growth and restaurant level economics. Our focus on increasing restaurant level margins is critical to our long-term growth and will ultimately benefit the entire system. These efforts contributed toward Jack's 23.6% restaurant level margin this quarter and was driven in part by ongoing equipment, technology and financial fundamentals initiatives that our franchisees are embracing.

Of the programs we have rolled out to the system, an example being Hydro Rent equipment, we are currently at over 50% full system adoption. Next steps for additional savings include the three-in-one toaster and then inventory and labor tool rollouts. We are very encouraged at the way these initiatives are supporting our long-term ambition of franchise restaurants realizing 15% for our EBITDA and an under five-year payback on new restaurants.

Aligning to our ambition to drive higher AUVs, last month, we rolled out our new CRAVED reimage and refresh program to the franchise system, coupled with a \$50 million commitment toward this program.

We are thrilled with the interest and excitement from franchisees with submitted requests to remodel over 500 restaurants. The performance of our new restaurants with this design has been outstanding, and we are confident these remodel efforts will drive incremental same store sales. Franchisees will utilize this design in new restaurant builds and now have this image option in a remodel format, which has created even more excitement around the remodel program. We now have 71 restaurants in the design and permitting stages for our previous industrial design, and all restaurants from this point forward will feature the new CRAVED treatment.

Turning to new market performance. We opened our first restaurant in Mexico during Q2, and much like our other new market locations, its performance has been beyond expectations. We will open our second Mexico restaurant in June with a third set to open later this year. The success of our first opening there has generated interest from other operators throughout the country, and I am pleased to report that the trailing 12-month AUV for all new market restaurants, which now includes Mexico, is nearly \$100 million in weekly sales on average.

Jack also continues to have success in signing development agreements with new franchisees, particularly in Florida, where we will open our first restaurant in Orlando in early 2025. We recently signed a new franchisee with outstanding restaurant experience to open in Tallahassee, and we now have 31 total restaurant commitments in Florida and have seen a continued increase in franchise development interest.

Maximizing unit economics and lowering build costs are critical elements in achieving our ambitions of a sub five-year payback and hitting net unit growth of over 2%. Our design and construction teams continue to identify ways to value engineer our CRAVED prototype and have made significant progress toward our build cost goals for both brands. While it will take some time to fully realize our new restaurant payback objectives, there is a clear path to making this happen. On the development front, there are 88 restaurants in the design, permitting and construction stage and we remain on track for both brands to hit our gross openings expectations range for the year.

Shifting to Del Taco, I am pleased with Tom and Sarah's efforts to get the team aligned on the right strategy to improve sales and profitability. As an early example, we are encouraged by Del's new menu simplification test. It is showing signs of improving sales, speed of service and margins and Del's ability to test kiosks, which are producing increased ticket and lower labor cost benefits, only helps our progress toward it being a future system wide opportunity for both brands.

New restaurants recently opened in Utah, Alabama, Florida and California continue to perform well leading to recently signed agreements to expand in Atlanta and Greensboro, North Carolina.

In terms of back half 2024 plans, due to our everyday value, we will launch premium innovation that supports our barbell strategy, starting with bringing back the popular Birria including a new burrito, as well as another quality product with the introduction of Al Pastor. In addition, this week, two fan favorites will return, Nacho Cheese after a 12-year hiatus and mini fan requests and Funnel Cakes. We will couple this with a revised media activation strategy, which will bring heightened awareness to both our campaigns and new brand positioning. We look forward to updating you on the progress of these Del Taco initiatives under our new leadership throughout the remainder of 2024. We have the right team focused on the right things to achieve both our goals and the brand's potential.

In closing, I'm confident in our ability to navigate industry headwinds in the short term, while also ensuring that we remain focused on executing our strategy to achieve our long-term goals. Our strong margin and growth fundamentals are evident and will continue to support our ambition targets.

Thank you again, and I'll now turn the call over to Brian.

Brian Scott

Thank you, Darin, and good afternoon, everyone. I will start by reviewing our two brands individually, followed by details on our consolidated performance and capital allocation.

Beginning with Jack in the Box, our second quarter system same-store sales declined 2.5%, consisting of a company owned comp decrease of 0.6% and franchise comp decrease of 2.6%. Jack experienced a decline in transactions as well as unfavorable mix shift during the quarter, partially offset by an approximately 5% lift in price. The same-store sales decline was clearly impacted by the macro headwinds, but was exacerbated by a delay in our Smashed Jack launch, which I'll describe in a bit more detail.

For Smashed, our original plan was to transition from the late December soft launch into a full marketing supported launch in February. However, two things happened. First, the soft launch was so successful that we ran out of product in about three weeks. Second and even more impactful was an unexpected supplier issue that temporarily stalled our ability to proceed with our original February launch timing. This delay forced us to push the launch date with full marketing to March 15 about four weeks later than originally planned. While we were able to delay our TV campaign until the supplier issue was resolved, this caused an extended point of purchase promotion gap as our window panels had been updated in January to promote Smashed Jack. This delay also meant a temporary loss of the premium component of our familiar barbell marketing approach, forcing us to pivot to a suboptimal value promotion that negatively impacted average check. Based on our sales performance after the Smashed Shack launch, we estimate that the delay caused about 100 basis points drag on our Q2 same-store sales.

The supplier issue has been fully resolved and Smashed Jack has performed very well and consistent with our expectations, including mixing at a high single-digit level, boosting average check by approximately 2% and providing strength in lapping the very successful Mint Mobile promotion from a year ago.

In terms of our recent performance, Jack quarter-to-date same-store sales trends have been running about 1% below prior year with company owned restaurants actually comping positive since March showing the opportunity for our franchisees to reignite growth. As Darin mentioned, we have several upcoming initiatives along with more favorable comparisons to give us optimism in regaining system wide positive sales through the back half of the year.

Regarding product categories, notable contributions came from burgers and sides with the introduction of Smashed Jack driving our burger category and sides benefiting from increased purchase of Jack Wraps and our famous Two Taco offering.

Turning to restaurant count, there were three restaurant openings and no closures in the quarter. This resulted in a quarter end restaurant count of 2,195 and we continue to remain on track with our target of opening 25 to 35 restaurants this year with positive net unit growth. Jack restaurant level margin expanded year over year by 220 basis points to 23.6% driven primarily by lower commodity costs along with price increases. Food and packaging costs as a percentage of company owned sales declined 250 basis points to 28.8% primarily due to 0.5% commodity deflation and price increases. Labor as a percentage of company owned sales remained consistent at 30.6% compared to prior year. Wage inflation in the quarter was 4.6%. Franchise level margin was \$71.7 million or 40.4% of franchise revenues compared to \$73.9 million or 41.2% a year ago. The decrease in dollars and margin was mainly driven by the sales decline and resulting decrease in royalty and rent revenue.

Turning now to Del Taco. System same-store sales declined 1.4% consisting of a company owned comp decrease of 1.8% and franchise comp decrease of 1.1%. The decline in sales is a result of declines in transactions partially offset by a lift in price. Del Taco restaurant count at quarter end was 595 with three openings and no closures during the quarter. Del Taco also remains on track to achieve their target of opening 10 to 15 restaurants this year with positive net new unit growth.

Del Taco restaurant level margin was 16.8% compared to 17.3% in the prior year. The decrease was due to increased labor, utilities and technology support costs partially offset by menu price increases and commodity deflation. Food and Packaging as a percentage of sales decreased 190 basis points to 25.6% which was primarily due to price increases and commodity deflation of 1.6%. Labor as a percentage of sales increased 140 basis points to 34.9% primarily due to wage inflation, which was approximately 4.7% in the quarter.

Occupancy and other operating expenses increased 110 basis points to 22.8% driven primarily by higher utility costs and an increase in technology costs. Franchise level margin was \$6.1 million or 28.9% of franchise revenues compared to \$5.1 million or 37.3% percent last year. The increase in dollars was due to refranchising over 100 restaurants over the past year, while the decrease in margin percentage was primarily driven by refranchising efforts and the resulting impact of the pass-through rent and marketing fees.

During the quarter, we refranchised 13 Del Taco Restaurants with a new franchisee that includes a development agreement for 10 additional restaurants. We also have an agreement in place to refranchise an additional 27 restaurants that is expected to close later in the third quarter. We currently remain on track to have 40 to 60 refranchised restaurants this year.

Shifting now to our consolidated results. Consolidated SG&A for the second quarter was \$37.5 million or 10.3% of revenues as compared to \$39.4 million or 10% a year ago. The decline was due primarily to lower incentive-based compensation and lower advertising due to fewer company owned restaurants, partially offset by higher share-based compensation along with higher legal and technology costs. Our G&A expenses excluding net COLI gains and selling and advertising of \$31 million were 2.5% of total system wide sales. Consolidated adjusted EBITDA was \$75.7 million down from \$80.6 million in the prior year due primarily to the impacts from the Del Taco refranchising as well as a decrease in sales. Consolidated GAAP diluted earnings per share was 1.26 dollars compared to \$1.27 in the prior year. Operating earnings per share, which includes certain adjustments was \$1.46 for the quarter versus \$1.47 in the prior year.

The effective tax rate for the second quarter was 26.5% compared to 34.8% for the same quarter a year ago. The operating EPS tax rate for the second quarter of 2024 was 27.1%. The higher effective tax rate in the prior year was due to the write off of nondeductible goodwill on refranchising transactions.

Cash flows from operations for the quarter were \$16.7 million while capital expenditures were \$22.2 million related primarily to our technology and digital initiatives as well as constructing new company restaurants and remodeling existing restaurants. During the quarter, we repurchased approximately 200,000 shares of our common stock for \$15 million and now have \$210 million remaining under our board authorized program.

On May 10, 2024, the Board of Directors declared a cash dividend of \$0.44 per share to be paid on June 25. As of quarter end, we had available borrowing capacity of \$175.5 million under our variable funding notes and credit facility. Our total debt outstanding at quarter end was \$1.7 billion and our net debt to adjusted EBITDA leverage ratio was 5.2 times.

And finally, we are providing the following updates to our guidance and underlying assumptions, reflecting the company's current expectations for the fiscal year ending September 29, 2024. Any guidance measures not discussed today remain the same as provided on November 21, 2023.

For the fiscal year 2024 companywide guidance, we are anticipating adjusted EBITDA of \$325 million to 330 million, operating earnings per share of \$6.25 to 6.40 and appreciation and amortization expense of \$60 million to \$62 million. For our Jack in the Box segment, we are expecting same store sales growth of flat to low single digits and a company owned restaurant level margin of 22% to 23% and for Del Taco, we are anticipating same store sales growth of flat to low single digits and our franchise level margin of 27% to 29%.

Before we transition to Q&A, I want to take a moment to recognize and thank all of our team members across the organization. Their passion, drive and dedication are what gives us confidence in our ability to deliver a superior guest experience and achieve our long-term ambitions.

And with that, we'd be happy to take some questions. Operator, please feel free to open up the lines for Q&A.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] And it looks like our first question today comes from the line of Brian Bittner with Oppenheimer. Brian, please go ahead.

Brian Bittner

Thanks. Good morning. Thank you for all the details on the call. You mentioned that macro headwinds and pressure on the low-end consumer is impacting same-store sales and as you diagnose your sales trends, just how vital is incremental success with value to achieving the back half sales guidance considering you're underwriting a pretty nice acceleration? And are you able to talk at all about what type of price points you're thinking about deploying to compete in this more aggressive value environment that we're going to see for the rest of the year? Thanks.

Darin Harris

Hey, good morning, Brian. Great question and here's the what I think about it. I mean, we in the industry are all seeing this kind of pressure from the headwinds of the consumer. We definitely felt it coming into the second quarter and so we know that value is going to be something we talk about for the rest of the year. We know the competition is doing that. So we will be in that game and we are preparing for it as we talked about at our Investor Day. So Munchies Under \$4 will be a price point. We have different \$5 price points, whether it's \$2.4 on the app or whether we have the \$5 Jack Pack, but we will have a strong value message across both brands that speak to the specific needs by the consumer, and as you know, it depends on channel, depends on the offering. At sometimes, our larger fan favorite box at greater than \$10 is a value. So it's what you get for what you pay, and we'll have the right price point in the right channel.

Operator

Our next question comes from the line of Lauren Silverman with Deutsche Bank. Lauren, please go ahead.

Lauren Silverman

Thank you, guys. I wanted to ask just about the quarter-to-date trends. You guys talked about down 1%, was running Smashed at a nice high single digit mix. Can you unpack what you're seeing quarter-to-date? How you expect to evolve as we move through the quarter? And in the context of mix particularly running negative and with incremental value, how you're thinking about that tradeoff between incremental transactions and the offset in mix? Thank you very much.

Darin Harris

Hi, Lauren. Jack, what we saw is once we finally were able to get Smashed Jack up and running, like we said, we were disappointed that we couldn't start the quarter off as we anticipated. We made a lot of good shifts, but we knew we were going to have trouble to overcome the headwinds. So Smashed has performed great. It's mixing at 7.5% and kind of leveled off a little bit less than that, but it definitely the full launch improved mix shift and average check by about 200 basis points. We've had a nice sell -- upsell with it, and we see that to have future innovation with it.

The other thing I would say is that quarter-to-date, Jack, over the last two periods, specifically on the company side, has been positive, and we have continued to improve sales on the company side over those last two periods. Franchisees have also improved but not positive yet and as we said, as a whole running negative quarter-to-date. We're really excited about the initiatives to come. We've got a good balance on the barbell strategy between really focusing on breakfast as we know that's probably where the industry as a whole have faced the most headwinds. So whether it's French Toast Sticks becoming an everyday item, and then marketing every -- having a breakfast message every marketing window and then bringing back a product that was where we had some self-inflicted sales issues with taking some products off. We've put back on a couple of the products that we'll start seeing on the menu in Window 6 and then I get really excited about our late night with Ice Cube, the Chicken Tater Melt and then the Wings that we have we're launching. And then lastly, two other things that I think the back half calendar, we get this good balance between the Munchies Under \$4, but we also get the higher priced Munchie Meal or we get what we're not going to talk about in detail, but what we have in the fourth quarter with a really nice partnership that I think will be get us a lot of media attention.

Operator

Our next question comes from the line of Nick Setyan with Wedbush Securities. Nick, please go ahead.

Nick Setyan

Thank you. Just a couple of questions. The first one, just a kind of bigger picture approach to value. Do you think sort of this Under \$4 Munchie platform is enough to compete with things like you know, the \$5 national, launch of a value menu, you know, by your biggest competitor. Is it enough in terms of just what Jack value going forward should be? Or is there like a more holistic approach to value in terms of, you know, more sort of specific value meal type of offering that that is necessary, number one. And then just on the Del Taco side, it would be great to know what the quarter-to-date trends there are and where you'd say you are with respect to the progress around the new strategy that launches there. Thank you.

Darin Harris

So I would be speculating if I thought we knew how to react to the market, but what I would say is we're going to stick to what we do well and we think the Munchies Under \$4 is the right value message to promote, but I also think what we're seeing is value is what you get for what you pay and so the right channel to the right guest is really what we're focused on and sometimes that's not just a \$5 meal. We do have that available to us, and we will promote it in app. We'll get a lot more aggressive in app to build our loyalty and database. As an example, recently, we've had \$2 for \$3 Jacks. So we know it's really going to depend on knowing our consumer, how to reach them through the right channel at the right price with the right product and like you said, our premium items, if you think about Smashed Jack for the right guest, that's one of the more premium price points we've had on the menu and it's doing extremely well.

Brian Scott

Yeah, and keep in mind, we have value on the menu. So part of this Munchies Under \$4 strategies to making sure that it's easier for guests to see that and all in one place and then promoting that more. We've changed our marketing strategy going forward. We're promoting value more so that our customers know that they'd have that option. And then as they come in and they're more likely to add on as we have the right products at the right price. So we've got a good strategy there. We have other things we're looking at and we could activate more if we need based on market conditions, but I think we've got a good strategy in place. We think we'll resonate, and then we'll continue to evaluate what happens with the competition.

Operator

Our next question comes from the line of Gregory Francfort with Guggenheim Securities. Gregory, please go ahead.

Gregory Francfort

Hey, thanks for the question. My question is just can you guys maybe expand a little bit more on the experience in California, since the minimum wage increases went into effect and what you're seeing from a consumer standpoint? I mean, you guys have a lot of exposure there, but you also, I think, have done some things to try to mitigate it. Just any more detail on how that's going. Thanks.

Darin Harris

Yes. Our restaurants in California are at par or actually better than non-California markets. So we've seen check is offsetting the lower transactions. Our company owned is performing even better than the positive comps. But we're keeping a close eye on it still, and it's still early. But overall, we feel that we've done the right things with the right price with the franchisees. We're seeing early indications that they're able to manage through kind of sales and margins, and we're all learning how to do that. We've offered significant strategies in which to overcome kind of the margin compression issues. But overall, our California restaurants are at par or better than non-California.

Brian Scott

Yes, as Darin said in his opening remarks, it's interesting that our coveted restaurants have been running positive since the March period and most of those restaurants are in California. So I think it's just an indication that if we're really strategic and surgical on how we adjust price to accommodate for the higher minimum wage, you can still do it effectively and drive comps. So I think we're working closely right now with our franchisees because they are running negative, much better since Smashed launch, but I think there's an opportunity there for them to kind of relook at some of their price points on certain products that will help drive better traffic for them going forward as well. I think, again, the positive comps we're seeing in the company stores is an indication of the opportunity that they have as well to turn things and then you couple that with the next promotional calendar we have and some of the new products coming out, that's why we have confidence in getting the whole system back to positive here in the back half of the year.

Operator

Our next question comes from the line of Alton Stump with Loop Capital. Alton, please go ahead.

Alton Stump

Great. Thanks for taking my question. Just wanted to ask you, it sounds like you've got obviously several pretty big upcoming things going on, you know, the wings launched, of course Ice Cube Munchie Meal, something bigger coming this summer, it sounds like. I'm just curious, how much of an impact do you think that could have, not just on, obviously, in their own way, selling well, but just kind of bringing more news flow back to the Jack in the Box brands in general to consumers?

Darin Harris

Yes. I think from a standpoint of leading Wings is one where we it's a good benefit of -- it's the benefit we see from leading with value but also innovation. So that will be an innovation item that we think will drive traffic to Jack. We saw that when we tested it. It performed extremely well. So we think it will bring traffic. We also think it will improve our attachment rates. It's similar to what when we rolled out Tiny Tacos. I think it's a great product for attachment. We saw that in the test and so we think there's a substantial benefit in the back half of the year when you think of attachment of Munchies Under \$4 or as a meal and then the Wings I think will be a really good lift for us.

Operator

Our next question comes from the line of Jon Tower with Citi. John, please go ahead.

Jon Tower

Great. Thanks for taking the question. Just a clarification on the question. On the Munchies Under \$4 is that effectively just kind of existing products? Are you introducing some value and engineered products to, on this menu so there'll be some new news with it? And then the question is, on the value front, in particular, you know, with a lot of larger brands kinda amplifying their message in the back half, are you guys contemplating the idea of upping your dollar spend, to kind of combat that? Or is it just a shift in mediums and some of the messaging, like you're saying, tagging breakfast, in in most of your advertising?

Darin Harris

So the Munchies Under \$4 is definitely, a change to our overall value menu by adding some items and as you said, tweaking or changing some of the offerings under the Munchies Under \$4 with some margin improvement opportunities. Beyond that, we also, as you mentioned, in the back half of the year, what we've seen is on third party delivery, it's a pay for play. People are spending a lot more money to buy share. We've done some reallocation of some media dollars that we think will help us in the back part of the year that we think can offset some of what we lost in third-party during Q2. So we think overall, we can improve third-party. Our first-party is growing tremendously. It grew over 80% at Jack in quarter two and contributed positively to sales. Now we just need a third-party to continue to be positive and we'll shift some media that we think can buy a share in the back half of the year.

Brian Scott

The other thing on the Munchies Under \$4, we can have a lot more consistent pricing across the franchise, which then allows us to market that in a more effective way. So I think that's an important part is just make sure that our customers understand they've got a lot of choices there and there will be consistency on that pricing across wherever restaurant they go to.

That's going to resonate well and also we think it will drive more attachment as well.

Operator

Our next question comes from the line of Dennis Geiger with UBS. Dennis, please go ahead.

Dennis Geiger

Great. Thank you. Guys, I appreciate the commentary and the details on development and the pipeline. It sounds like things are progressing nicely consistent with your expectations. Just curious if you could talk a little bit more about that development trajectory and sort of if there's any latest updates on the development environment as well as just some of the pressures out there across the industry that you've spoken to and whether that has any impact on pipeline or getting boxes open, anything along those lines? Thank you.

Darin Harris

So development pipeline continues to grow as we mentioned in our comments. We're now at the 88 sites in permitting and construction. We signed more DAs, 93 development agreements for 409 restaurants. So it's always critical that the top of the funnel is being built and that's what we'll consistently share. So ultimately that net unit growth of 2% becomes clearly visible to the street. Our stores are performing extremely well in Mexico, Salt Lake City and Louisville. Mexico is averaging \$90,000 plus a week, where restaurants are open by the end of the calendar year, more franchise interest in Mexico. Salt Lake City, we have five restaurants open. The trailing 12 months of over \$100,000 in average weekly sales, they're performing extremely well. Eight more restaurants to open by the end of 2024 in Salt Lake City and then Louisville, we have two restaurants open, and they're averaging over \$70,000 a week in average sales, with five more restaurants to open by the end of 2025. So our new markets are doing well. We have not seen a slowdown in development. I think there's naturally some projects that haven't -- they're not stopping, they just may take a little bit longer, but we haven't seen the development pipeline slow down as a result of what's going on in the market.

I'll add one more thing and then turn it back over for questions about Florida is we're excited about the interest we're getting there. We talked about it at our Investor Day about just the awareness in the market is strong. So we signed over 30 commitments to build in both Tallahassee and Orlando with some experienced operators. So our plan to grow this brand in new markets is working very well, to expand with new franchisees is well, and you're starting to see the traction, and we just continue to look forward to updating you as it grows.

Brian Scott

Yes, and the other thing I'd add is that in terms of development, you can imagine California with AB 1228, we've heard some a little bit of maybe concern or cause or pause on that. It's just a little bit longer, but we're seeing a lot of development agreements in the Southeast and other markets. So I think that's also why we're confident in our ability to continue to drive unit growth, and that's why it's been so critical to expand into new markets and bring in new franchisees, So that all the things that you just heard Darin talk about were all in new markets, where there's a lot of enthusiasm and driving forward. So we feel good about that. We really haven't lost any momentum at this point and everything if anything, we're continue to see more new franchisees come in, and we've also got a couple other markets as well that we'll be announcing here hopefully soon with new franchisees. So momentum is strong and as we mentioned on the prepared remarks, we're still on track to hit our new unit openings for both brands in this fiscal year and feel like we're setting ourselves up for inflection to higher unit growth in fiscal 2025.

Operator

Our next question comes from the line of Chris O'Cull with Stifel. Chris, please go ahead.

Chris O'Cull

Thanks, guys. This is Patrick on for Chris. Good morning. So, the restaurant performance obviously Jack was impressive this quarter and I was hoping you could help us understand just the commodity outlook for the company stores over the remainder of the year given you didn't decrease your commodity inflation outlook for the year? And then just beyond that, how should we be thinking about the more sustainable drivers that won't come under pressure as we think about how to forecast that out over the second half of the year? Thanks.

Brian Scott

Thanks, Patrick. Yes, you said commodities have been favorable in the first half of the year. We talked about deflation in both the first and second quarter. We still have a favorable outlook in terms of commodities for the full year. The amount of benefit we expect will moderate in the third and fourth quarters because we're we've seen some upward pricing like everybody else in beef prices, but other commodities have continued to still work favorably and we've hedged well to kind of manage those costs. So overall for the full year, we tightened our restaurant level margin outlook for the full year on Jack and in part because commodity costs have been favorable and that will continue through the back half of the year, but not at the pace we've seen in the first half, but still good overall and helpful when you consider some of the impacts we're going to feel from the minimum wage increase, and the same is true on the Del side. So commodity deflation 1.6% in the second quarter. You still expect to have deflation in the back half of the year, but not the same level.

Operator

Our next question comes from the line of Sara Senatore from Bank of America. Sara, please go ahead.

Sara Senatore

Thank you. And, I actually have two questions, but they're both follow ups, so hopefully it counts as one. The first is that you know, you mentioned the quarter-to-date comp is down one for Jack, which I think on a quarterly basis would imply stable two year, if that's the right way to look at it. I know there's been a lot of volatility over the last couple of years. Is that, the right interpretation and how you are thinking about the comp trajectory going forward which is peer point, compared it is lot easier in fiscal Q4 and so just sort of assuming the underlying trends are stable or is there a is it predicated on improvement given all of the initiatives you have underway? So that that was the first. And then just in terms of Smashed, high single digit mix, but the same-store sales obviously negative, so not entirely incremental. What are you seeing in terms of existing customers trading up versus bringing in new customers again to the extent that you can tell? Thanks.

Darin Harris

Yes. So overall, I think you're right. You're seeing our toughest comp was in Q2, and in the back half of it, we started a comp positive on the company side. So we definitely saw improvement over our toughest comp last year and so definitely, as you look into Q3, you're right, we're looking about flat on comp. But with growth coming, we think, in the back half of the year is we have less of a lap, and so we think with what we have in the pipeline, along with Smashed at a higher ticket, we've got a lot of things working in our to our benefit in the back half of the year.

So as you think about Smashed, there was really some unfortunate events that occurred. As you knew, we ran out early because we outperformed. We think that impacted Q2, which is not calculated in the 100 basis -- we think overall Smashed Jack during the normal promotional window that we had planned and the lag of 4 weeks, cost us about 100 basis points on Q2. Probably even more so if we would have had it for the entire time when we soft launched it and we ran into a lack of availability and sold out of the product. So we know Smashed jack is performing as we expected. It did improve mix shift and it's a nice upsell. So we think overall, check is up about 200 basis points and so we continue to be very pleased with what Smashed is doing in light of the environment that occurred during quarter two.

Brian Scott

Yes. And on the second point, too, on the mix, we saw still pressure on breakfast, our attachment rates on drinks and combos was lower as well. So that's why we think this some of this work on the value side will be very helpful as we can bring more guests back through and improve attachment rates. I think that's going to be part of our story of how we improve the mix going forward as well. In terms of that predominantly we see more trade up than bringing in new guests, but I think it's kind of launched into a kind of a different environment than we expected, but I think as we go forward, we do believe it will continue to drive more guests and over time as they get a chance to experience the product and then again, we want to make sure we have other items in the menu that are going to bring them in, but once -- I mean everybody's tried the product is impressed me, I think it's a really important part of our go forward strategy.

Operator

Our next question comes from the line of Jim Sanderson with Northcoast Research. Jim, please go ahead.

Jim Sanderson

Hey, thanks for the question. I wanted to follow-up on the commentary you provided about the point-of-sale system. Just wondering if you can update us on how that will influence the timing of loyalty and potentially adding kiosks across Jack in the Box and Del Taco? Thank you.

Darin Harris

Yeah. I think from a standpoint of the POS rolling out is our first focus and we'll target full implementation by 2025, but we're also aggressively moving towards kiosks. We've seen really good results on the -- so many of our POS systems have a guest facing component to the POS. So it operates as a kiosk, and we've seen really good countertop performance out of that system. We also add freestanding kiosk into the dining area and this we can do that hand-in-hand, and we'll lead in California with kiosks throughout the next year to a year and half.

Brian Scott

Yes. On the loyalty side, so as we roll out the new POS, in conjunction with that, we mentioned we're also going to be coming out with kind of a next generation of our app on the Jack side that will roll here in the next few months. That's going to improve just the overall experience for anybody ordering through the app. It works now well, but we know that there's opportunity to improve that experience and then between those two things, we'll be able to create a more integrated loyalty program where if they're ordering through the app, if they're coming in and using the kiosk, they'll just be more easily able to access their loyalty program, and so that's all coming here very soon.

Darin Harris

In the kiosks we have in place in both Del and at Jack, we're seeing about a 15% to 20% lift in ticket and about four to six hours a week in savings from labor.

Operator

Our next question comes from the line of Jake Bartlett with Truist Securities. Jake, please go ahead.

Jake Bartlett

Great. Thanks for taking the question. Mine is another one on the Smashed Jack and, in the past, I think it's been compared to Buttery Jack especially the initial test and how strong that was. My question is how it's mixed -- how the Buttery Jack mixed initially? And then what was the trajectory after the initial mix? I'm just wondering whether there was a deceleration, material deceleration, then build from there. Just kind of what we can expect from the Smashed Jack going forward if it follows the same path.

Darin Harris

Yes, my view is Smashed Jack will have a longer lasting impact at 6% to 7% of sales and stay solid as just a solid menu performer like our Ultimate Cheeseburger. Whereas, Buttery Jack had a very spike in launch, closer to 10% or 11%, where the Smashed Jack was probably close to 8% or 9% and then, Buttery Jack had a more precipitous fall off, and so we think overall, the Smashed Jack, because of what we're doing with innovation with that product, because of how good it is, we think there's a lot of continuation of product extensions that will add to the menu that can really help our innovation pipeline.

Operator

Our final question today comes from the line of Alexander Slagle with Jefferies. Alex, please go ahead.

Alexander Slagle

All right. Thanks. I just wanted to follow-up a little more on menu mix, which has become, I guess, increasingly a bigger headwind in the recent quarters for Jack and already been tough for Del Taco for a while and you called out the, Smashed Jack issue this quarter, but just any sense of where we are now in terms of rebalancing back to pre-COVID levels and number of items per check after I mean the mix was up nearly double digit for two years in 2020 and 2021. Just trying to get a sense of what to expect in the back half on mix and how that plays out going forward?

Darin Harris

Yeah, I think it's a great question. We definitely we're not back to the days of pre-COVID. It is the lowest we've seen on items per ticket since COVID. And what I would say is I think some of that is what we've done from a standpoint of our add on strategy. I think that's one of the opportunities we have to get more aggressive during this value period is on those attach-and-add on items and we've got a strategy that in addition to the Munchies Under \$4, that we'll do via our loyalty and via online and digital that I think can really push back to some attachment rates that we saw. I don't think we'll get all the way back to pre-COVID, but we definitely think there's an opportunity there that we're pursuing, and part of that is things like Wings that we mentioned and then a few other items that we have in the pipeline that we think can really help those attachment rates and drive that items-per-ticket.

Ladies and gentlemen, that does conclude today's call. [Operator Closing Remarks].

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