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# Jack in the Box Inc. (JACK) Q3 2025 Earnings Call Transcript

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## Q3: 2025-08-06 Earnings Summary

Insights



EPS of \$1.02 **misses by \$0.15** | Revenue of \$332.99M (-9.80% Y/Y) **misses by \$7.22M**

Jack in the Box Inc. (NASDAQ:[JACK](#)) Q3 2025 Earnings Conference Call August 6, 2025 5:00 PM ET

### Company Participants

Dawn E. Hooper - Executive VP & CFO

Lance F. Tucker - CEO & Director

Rachel Webb - VP of Finance and Investor Relations

Ryan Lee Ostrom - Executive VP & Chief Customer & Digital Officer

### Conference Call Participants

Arian Razai - Guggenheim Securities, LLC, Research Division

Brian John Bittner - Oppenheimer & Co. Inc., Research Division

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

James Jon Sanderson - Northcoast Research Partners, LLC

Jon Michael Tower - Citigroup Inc. Exchange Research

Pengqi Zhou - Stifel, Nicolaus & Company, Incorporated, Research Division

Alexander Russell Slagle - Jefferies LLC, Research Division

**Operator**

Hello, and thank you for standing by. My name is Lacey, and I will be your conference operator today. At this time, I would like to welcome everyone to the Jack in the Box Third Quarter 2025 earnings webcast. [Operator Instructions]

Thank you. I would now like to turn the conference over to Rachel Webb, Vice President of Finance and Investor Relations. You may begin.

**Rachel Webb**

Thanks, operator, and good afternoon, everyone. We appreciate you joining today's conference call, highlighting results from our third quarter 2025.

With me today are Chief Executive Officer, Lance Tucker; and our Chief Financial Officer, Dawn Hooper. 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 certain 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](http://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 risk. 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. Material risks 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 available on our Investor Relations website.

With that, I would like to turn the call over to our Chief Executive Officer, Lance Tucker.

**Lance F. Tucker**

Thanks, Rachel, and I appreciate everyone joining us today. As I've now been back with Jack in the Box for 6 months, I'd like to take a moment to share my observations thus far. Despite the last 6 months being some of the most challenging, I can recall in my time in the QSR industry, I've been struck by the energy, passion and grit that I've seen from our teams and our franchisees at both Jack in the Box and Del Taco. -- giving me even greater confidence that we can and will leverage the many equities at both brands to deliver strong long-term results for our franchisees and investors. I continue to be grateful for the opportunity to lead such an amazing group of people as we work to drive these brands forward. Another reason for my confidence is the excitement generated by our recent entrants in the new markets, highlighting the relevance and potential of both brands, Jack in the Box, fantastic new market openings. Recently opened restaurants in Chicago, while Del Taco entered the Durham, North Carolina market. In both cases, these restaurants are opening with very high volumes and are expected to be excellent performers. I want to thank the operations teams at both brands as well as our newly appointed Chief Development Officer, Van Ingram and the entire development team for the contributions to these fantastic new market openings.

Turning to third quarter results. There were several challenges we had to continue with during the quarter. As many in the QSR industry have already called out, the macro environment is very difficult, and consumers remain cautious. Jack in the Box significantly over-indexes with Hispanic guests, who, especially in our core markets, face uncertainty and have pulled back their spending. This issue is having an outsized impact on our sales. In addition, we have seen lower income cohorts pull back as well in line with industry trends. We're also continuing with some difficult compares as we continue to lap successful Smashed Jack promotions from last year as well as significant price taken by many of our restaurants in 2024 and as a result of California minimum wage increases. Both of these have negatively impacted Jack growth on a year-over-year basis.

As I look at our Q3 results, and what is needed to drive better sales performance in spite of the headwinds, we need to get back to our barbell strategy and more specifically provide more demonstrable value to our customers. So we're doing just that as we move through the fourth quarter. To start, last week, we reintroduced our Bonus Jack combo, a fan favorite at a very compelling introductory price point. In addition, we have launched our popular Spicy Chicken Strips featuring a new craveable hot and honey flavor that really resonates with our core guests. Our always popular Sauced and Loaded Potato Wedges are also back for a limited time. And to combat

late-night competition and help bolster some of the softness in check, we'll continue to pulse our Munchie Meals with culturally relevant collabs, including our current Munchie Meal featuring Coca-Cola Starlight.

As you can tell, our current lineup is strong, and we are investing \$5.5 million in incremental marketing across the fiscal fourth quarter to make sure we're fully supporting it. Part of this spend is to overcome the shortfall created by our sales performance in Q3, while the majority is to add [ media weight ] so our guests are fully aware of these capable offerings.

As I look longer term, the entire guest experience requires improvement in the coming months and years. The value equation has gotten a bit off track across the broader QSR industry and Jack in the Box is no different. So we need to work on the entire guest experience not just promotion or price. As such, we are refocusing on 3 key areas to enable staying power of the Jack brand. We'll do this by getting back to our roots and leaning on our 75-year heritage by going back to doing things as we call it, Jack's Way. While JACK on Track is intended to quickly fortify the financial foundation for both the company and its franchisees, it is comprised of structural actions, it's not an actual operating plan. But in contrast, Jack's Way will be our ongoing strategy for driving a better overall experience for our guests. First, doing things Jack's Way means improving service quality and getting back to emphasizing operational excellence. In a sense, it's as simple as getting back to basics. Initially, this means delivering a better experience through improved guest interactions and focusing on consistent service quality across our core menu items from burgers to our fried offerings. It includes additional training and support for employees at both our restaurant and field levels, and it also includes holding our restaurants more accountable performance and also rewarding them for outstanding work by reintroducing key recognition programs to motivate and recognize our team members in every restaurant.

While operational changes don't impact sales overnight, we know these are table stakes for the long-term brand success. That's why we are thrilled to have Shannon McKinney back at Jack in the Box as our COO. Shannon has hit the ground running and is already building a great rapport with our team members and franchisees to improve our system-wide operations.

Second, doing things Jack's Way means serving high-quality food at a good value. Recently, we have missed the mark on delivering the value to our guests that they've come to expect. What I like the most about the rest of this year is the marketing lineup has a strong balance of innovation and ownable value that will keep guests coming back more often. In addition, we are entering Jack's 75th anniversary in 2026. We are fully embracing the out-of-the-box qualities that make Jack in the Box such a distinctive iconic brand. While I won't get into specifics, you'll see more innovation and improve quality across our core products as well as the return of some classic Jack throwback products our loyal fans have been asking for. You'll also see [indiscernible] to Jack's history in our marketing, including a modern twist on iconic commercials from the brand's past that will feature Jack's reverent quirky personality in a way that we expect will really resonate. These improvements, coupled with the improved operations will deliver that incredibly hot flavorful food our guests crave.

The third key element of doing things Jack's Way is the modernization of our restaurants. We want our guests to enjoy a consistent experience from our mobile app all the way to the drive-thru. The guest experience has suffered over the years as many of our restaurants have not received timely reimages. To remedy this, we intend to deploy a multiyear reimage initiative to touch at least 1,000 additional restaurants beyond our current program. We'll share more plans about this in November as part of our capital planning discussions, but please know I am committed to the revival of the Jack in the Box brand stores.

Underlying all of our plans around an improved guest experience is a solid foundation in technology. The digital mix reached a total of 18.5% of sales for the Jack brand this quarter. We are pleased with the progress the teams have made in enabling our restaurants with technology and we're well ahead of schedule in achieving our initial goal at 20% of sales through digital channels. I'm also pleased to announce that as of last week, over 2,000 restaurants now have the new point-of-sales be installed. I want to thank Doug Cook and the IT organization, our ops team, our vendor partners and our franchisees for installing these ahead of schedule. It's been a true team effort. We anticipate the new POS will be fully rolled out to the entire Jack system by the end of this month. While we continue to see implementation impacts from temporary downtime, we anticipate these impacts will be short term in nature. And of note, the vast majority of issues we discussed last quarter related to our technology modernization have been mitigated. While there's been a lot of progress, we do still have a number of items on our technology road map. With future enhancements to our digital platforms, loyalty program and data capabilities yet to come, there is a lot of long-term upside from enabling our restaurants with better tech.

Switching gears. Dawn will speak to the specifics regarding the JACK on Track program and updates, but I am pleased with the progress we've made thus far. There are many puts and takes throughout the plan, and my commitment is to provide as much transparency as I can, knowing on timing will be challenging to predict on our end.

Spend a moment on the balance sheet component of the program, we remain committed to reducing our leverage, but want to be very clear about why this is a priority. Jack in the Box has a very flexible existing securitization debt structure and is well over \$100

million from approaching its debt covenants, so our cash flow easily supports our debt. We simply feel it is prudent to operate with more modest leverage as we move forward, and we also want to mitigate increases in our interest expense as we begin to refinance the various tranches in this higher interest rate environment.

And lastly, while there are certainly a lot of activities occurring in Jack in the Box. I want to make it very clear that my #1 priority is improving performance at our restaurants to ensure long-term health across the system now and for years to come.

Before I pass it over to Dawn, I want to take a moment to acknowledge Dawn's much deserved promotion to Chief Financial Officer. The stability, consistency in over 20 years of Jack knowledge she provides gives me great confidence in her ability to drive shareholder value.

Now I'll turn the call over to her for her prepared remarks, after which we'll take your questions. Dawn?

### **Dawn E. Hooper**

Thanks, Lance, and good afternoon, everyone. I will start by reviewing our 2 brands individually followed by details on our consolidated performance and capital allocation as well as update guidance. Starting with our Jack brand. The third quarter system same-store sales decreased 7.1% comprised of a franchise restaurant same-store sales decrease of 7.2% and a company-owned same-store sales decrease of 6.4%. This resulted from a decrease in transactions and mix negativity, partially offset by many price increases.

Now looking at restaurant-level performance. Jack's restaurant-level margin percentage in the quarter decreased to 17.9% and down from 21% a year ago, driven primarily by sales deleverage. Food and packaging costs as a percentage of sales were favorable in the quarter, declining 60 basis points from the prior year to 28.6%. This was driven by an increase in beverage funding relating to a new contract and menu price increases partially offset by commodity inflation of 4% in the quarter. Labor costs as a percentage of sales were 34.5%, increasing 220 basis points from the prior year. This increase was primarily driven by a California unemployment payroll tax adjustment as well as wage inflation, which was 1.5% for the quarter. Wage inflation was relatively low for the quarter as we lapped the impact of AB1228, and we expect wage inflation to be 2 to 3 percentage points on a go-forward basis.

Occupancy and other operating expenses increased 160 basis points, driven primarily by sales deleverage and higher costs for rent, utilities and other operating expenses.

Franchise level margin was \$66.2 million or 39.3% of franchise revenues compared to \$74.6 million or 41.1% a year ago. The decrease in dollars was mainly driven by lower sales, driving lower rent revenue and royalties, partially offset by franchise lease buyout transactions in the current year.

Turning to restaurant count. There were 6 restaurant openings and 21 restaurant closures in the quarter, of which 13 were associated with our JACK on Track closure program.

Turning now to Del Taco. System same-store sales declined 2.6%, with a franchise same-store sales decline of 2.7% and a company- owned same-store sales decrease of 2.2%. The lower sales were the result of a decline in transactions and mix, partially offset by an increase in price. Del Paco benefited from a strong value promotion in L. Big Boxes and bolstered check later in the quarter by adding a premium protein promotion in Carnitas. All Del Taco company-owned restaurants have kiosks installed and we are continuing to see franchisees increasing their adoption rate as well, including kiosks, along with third-party delivery and mobile, digital mix now makes up roughly 20% of system-wide sales.

Del Taco restaurant level margin was 9.7%, down 370 basis points from the prior year. The margin percentage decline was driven primarily by lower sales and higher costs, including higher utilities, labor and other operating costs as well as commodity inflation. Food and packaging costs as a percentage of sales increased 100 basis points to 26.6% due to unfavorable menu mix and commodity inflation of 4.7% in the quarter. Labor costs as a percentage of sales increased 100 basis points to 39.6%, primarily due to higher insurance and a California unemployment payroll tax adjustment, partially offset by wage deflation of 0.5% for the quarter.

Occupancy and other operating expenses increased 170 basis points, driven primarily by higher utility costs and other operating expenses. Franchise global margin was \$6.4 million or 27% of franchise revenues compared to \$5.8 million or 27.1% last year. The increase was driven by the benefit of refranchising, early termination fees and lower IT costs, partially offset by negative sales and higher bad debt expense. Del Taco restaurant count at quarter end was 585 with 3 openings and 9 closures during the quarter.

Moving on now to our consolidated results. SG&A for the quarter was \$26.8 million or 8.1% of revenues as compared to \$29.6 million or 8% a year ago. The decrease of \$2.7 million was primarily due to fluctuations in the cash surrender value of our company-owned life insurance policies, net of changes in our nonqualified deferred compensation obligation supported by these policies of \$2.6

million. Lower incentive-based compensation of \$1.7 million also contributed to the decrease. These decreases were partially offset by increases in insurance of \$3.3 million. Excluding net COLI gains of \$6.1 million as well as advertising costs, G&A was 2.2% of total system-wide sales for the quarter and total G&A spend was \$25.5 million, which is an increase of \$1 million versus the prior year.

Consolidated adjusted EBITDA was \$61.6 million, down from \$78.9 million in the prior year due primarily to the impact from sales deleverage. We reported a consolidated GAAP diluted earnings per share for the third quarter of \$1.15 compared to a net loss per share of \$6.26 in the third quarter of the prior year.

Operating earnings per share, which includes adjustments for certain items, was \$1.02 for the quarter versus \$1.65 in the third quarter of the prior year. The effective tax rate for the third quarter of 2025 was negative 2.4%, compared to a negative 0.1% for the same quarter a year ago. The lower tax rate in the current year was primarily driven by nontaxable gains from the market performance of insurance products. The adjusted tax rate used to calculate the non-GAAP operating earnings per share this quarter was 26.1%.

On the investing front, our capital expenditures were \$22.5 million for the quarter and \$70.3 million on a year-to-date basis and included investments in our restaurant technology and digital initiatives as well as the development of new company restaurants. We did not repurchase any shares of stock during the quarter, and as previously announced, we discontinued our dividend. As of quarter end, we had available borrowing capacity of \$96.5 million under our variable funding notes, net of letters of credit issued.

Our total debt outstanding at quarter end was \$1.7 billion, and our net debt to adjusted EBITDA leverage ratio was 5.7x. I'd like to spend a few moments reiterating our JACK on Track plan elements and provide a progress update. As discussed during our April 23 call, our objective is to position Jack in the Box for long-term sustainable growth.

Reviewing the primary actions as part of this plan, I'll start with the restaurant block closure program. In Q3, we closed 13 restaurants as part of this program. 5 of these closures were company-owned restaurants, and we don't anticipate any more company-owned closures as part of the program. To give you more color on the roughly 200 restaurants in the JACK on Track closure program, we expect the profile of a restaurant to resemble the following: average annual sales volumes of roughly \$1.2 million per restaurant; average annual 4-wall EBITDA of negative \$70,000 per restaurant, which has been a drag on our franchise operators. The average annual Jack in the Box contribution from rent and royalties to franchise level margin of \$80,000 per restaurant. By closing these restaurants, we expect the health of our franchisees overall portfolios to improve. We do expect there will be a sales transfer benefit to nearby restaurants, many of which are owned by the same franchise operator. Because we are closing these restaurants over a span of years, the total impact depends on restaurant closure dates. As announced in April, we are on track to close 80 to 120 restaurants by the end of calendar year 2025 and the majority of these performed more poorly than the averages I just outlined. As it pertains to real estate sales, we did not sell any real estate in the third quarter. We do expect to sell real estate with proceeds of at least \$100 million, most of which will occur within the next fiscal year.

And for the last component of JACK on Track, the Del Taco strategic process, we have good interest and are progressing through the process. Ideally, we will have news to share with you by the end of this calendar year. Lastly, we have updated our outlook for the remainder of fiscal year 2025. These are updated from our April JACK on Track call. As a reminder, we do not include the impacts of future JACK on Track activities in these estimates. On a company-wide basis, we expect total capital expenditures for the year of \$85 million to \$90 million. We do not plan to repurchase any additional shares beyond the \$5 million that was repurchased in the first quarter. Our tax rate expectations remain the same at about 26%. We expect SG&A spend of \$155 million to \$160 million for the full year which includes the \$5.5 million in incremental marketing spend in the fourth quarter that Lance mentioned, but does not include any COLI gains. We expect G&A as a percentage of system-wide sales also excluding COLI gains to be roughly 2.3%.

Depreciation and amortization are expected to be closer to \$57 million to \$59 million for the full year. We expect adjusted EBITDA of \$270 million to \$275 million, which includes the \$5.5 million in incremental marketing spend in the fourth quarter. And we expect operating EPS of \$4.55 to \$4.73.

For Jack in the Box specifically, we expect same-store sales of negative low- to mid-single digits, consistent with our expectations from April. 30 to 35 gross restaurant openings and restaurant level margin of 19% to 21%. This includes the full year impact of AB1228 as well as higher costs for utilities and low- to mid-single-digit commodity inflation. We look forward to sharing our outlook for fiscal year 2026 on our upcoming earnings call in November.

In closing, we expect the JACK on Track program to set the groundwork to improve the long-term financial performance of the company as we refocus on our customer experience from improving the value equation to modernizing the image of our restaurants, we expect to get back to Jack's Way of delivering best-in-class results. We look forward to speaking with you again in November when we release the fourth quarter results and set expectations for fiscal 2026. Thanks again for your time this afternoon. Operator, please open the line for questions.

## **Question-and-Answer Session**

### **Operator**

[Operator Instructions] Your first question comes from the line of Brian Bittner with Oppenheimer.

### **Brian John Bittner**

Two questions. First, is the guidance for Jack in the Box same-store sales down low- to mid-single digits for the fiscal year, it does imply a very wide range for the fourth quarter. So any help on the rate of change we should be expecting relative to 3Q's performance would be helpful, particularly given the incremental advertising you're deploying in 4Q. If you could kind of help us understand what that's going to be used for specifically?

### **Lance F. Tucker**

Sure, Brian, it's Lance. On Q4, what we're really doing is we're kind of pivoting to a little bit better value. So the first several weeks of the quarter were difficult because we were still in kind of the same window that we were coming out of Q3. But then when you look at what we've seen for just about the last couple of weeks since we rolled the new window, we've rolled out very attractive price-pointed combo in our Bonus Jack. We have also rolled out our Spicy Chicken Strips with a really good new flavor in hot honey. We also are rolling out Sauced and Loaded Potato Wedges, which is the fan favorite. We're bringing those back for a limited time, continuing to pulse in Munchie Meals, which is 1 of our best-performing products. And right now, we have a collab with Coca-Cola Starlight. We're going to put the media weight behind -- mainly behind the Bonus Jack combo. And so again, that's price pointed. I think that's been a little bit of a miss for us throughout the quarter. We didn't have quite enough price point of value. So as we look to Q4, what I'll tell you is that the first few weeks started off a little bit at rough, the last couple of weeks, while it is still early, the trends have looked much improved. So we definitely think we're on the right track. And I think kind of the theme is going to be, we probably need to be looking at a little more price pointed value, little more consistent value honestly and making sure it's visible by being on the menu board, which we're also doing, which we don't always do when we do an LTO.

### **Brian John Bittner**

Okay. And my follow-up is just on the JACK on Track strategy and specifically the real estate sales of potentially \$100 million over the next fiscal year. How did you decide on that dollar amount figure without knowing the final result of the Del Taco strategic review. I was assuming that the Del Taco dynamic could have an impact on the amount of real estate sales you may have been targeting. So if you could just help us better understand the \$100 million and how that got constructed?

### **Lance F. Tucker**

Absolutely. And really the way you should think about that \$100 million is kind of an at least \$100 million. The way I'm thinking, we're going to use the real estate sales as really as the balancer, so very similar, I think, to what your expectation was, as I heard you explain it. We'll see where the Del Taco process lands. We'll also see what cash we're able to accumulate via other means, a little bit less CapEx spend, et cetera, what our operating result look like, all those things. We know we'll want to sell at least \$100 million of real estate and then beyond that, we'll kind of wait and see.

### **Operator**

Your next question comes from the line of Gregory Francfort with Guggenheim.

**Arian Razai**

This is Arian Razai for Greg. Lance, with Shannon McKinney coming back to Jack, what do you think you can bring or change operationally?

And then I have a quick follow-up on income cohorts. It seems like the low-income consumer has been struggling for the last, I don't know, 2, 2.5 years. And the mid-income consumer for the past 6, 8 months. Can you provide more color on what you're seeing at Jack within these 2 and how it tracks over the recent quarters?

**Lance F. Tucker**

Sure. So let me start with Shannon. So we are thrilled to have him back. He used to be in the system a number of years ago in a senior role at that time, too. And I think what you'll see Shannon bring back is a real focus on operations. And I guess to be a little bit more specific, and we mentioned this in some of our scripting, we're going to get back to the basics on some things that we can do, they really were falling a little bit short of. So even just things like friendliness, making sure some real basics are taken care of in our food prep. And then we're going to be holding our franchisees and ourselves as the company operators more accountable as well. And so Shannon will be leading that charge. I can tell you, just in the first month or so that he's been here, he's already been out in several of our major markets. He spent the last couple of weeks in 50 or 60 restaurants, both in the -- in Texas and over on the East Coast. So he's been all over the place, and he's going to bring that real field-based leadership and being out there in the field of a bit more really driving results.

As it relates to income -- and I'm going to start here, and I'll ask Ryan to jump in if he needs to. But we continue to see the low income consumer has been cautious, even though the sentiment overall has gone up overall if you look at stats, that's not necessarily true to the low-income consumer. So we're seeing a lot of the things that you see, I think, from other competitors, which is just that those folks continue to be cautious. But the mid-range maybe just a little bit less so but not appreciably.

**Ryan Lee Ostrom**

And I think the only thing to add in there is as -- we have a higher propensity for the Hispanic communities, just noting that we kind of got a little bit more by that and really working on how we bring that customer back in as well.

**Operator**

Your next question comes from the line of Jon Tower with Citi.

**Jon Michael Tower**

Great. I was just wondering maybe you could talk. I know you're discussing the pivot to doing more value in the fourth quarter, and you outlined a handful of the LTOs that are coming to Bonus Jack, Spicy Chicken Strips. I'm just curious how you can get the franchisees to buy into, say, a more consistent ongoing everyday value menu and messaging around that beyond these LTO windows. Is that 1 of the efforts that you're hoping to kind of pursue going forward? I think you're hitting on earlier, Lance, during the discussion that pricing has gotten a little out of hand, not only for you guys, but certainly the category and there needs to be kind of a broader pivot to value and LTOs work for a while, but then they come off the menu. So how are you getting them more aligned on an everyday basis?

**Lance F. Tucker**

I think there's a couple of things I'd say, Jon. First of all, we're kind of taking a fresh look at our menu architecture, at the way our menu is built at our pricing overall. We're engaging a third party to actually help us do so. So I think the first thing is to make sure we've got the menu constructed right, I think without going into too much detail, we are - we don't have enough kind of entry level. If you think about a good, better, best structure, we don't have enough sitting in the good category. So we'll be looking at that. But as far as specifically how we get the franchisees on board, I think our franchisees, they understand the need to bring customers back in. Obviously, you can tell that we haven't brought them in at the pace we would expect. And I think by really focusing on profitability and making sure we're balanced with when and where we do add a little bit more value and make sure we're really sticking of that barbell approach where, Yes, we do have the value that's going to bring that lower income consumer in, but we also have some of the higher-end products that are going to keep the folks that are able to spend a little bit more coming in. That is how you get the franchisees on board. What what franchisees don't want is everything discounting and "just giving away a lot of food". The reality is they're fine to bring people in, try to upsell them where they can, it's just got to be balanced and it's just got to be profitable transactions where they're concerned.

**Jon Michael Tower**

Got it. And maybe just you hit on the idea of the menu architecture. Included in that, are you thinking about the size of the menu as well? Is that part of the discussion? Or is it more around just price and pricing architecture?

### **Lance F. Tucker**

I'll start with that one, and then, I'll let Ryan jump in here on a couple of things. But I think we'll look at it. A lot of our brand equity, though at Jack in the Box does come from a variety and the fact that we have 24-hour breakfast, and we have 24-hour menu generally, and you can get an Egg Roll or [indiscernible] or Tacos or things that you can't traditionally get elsewhere. So I think we do need to look to make sure we're being smart about our menu. But it's a difficult task at Jack in the Box simply because so much of the equity relies on variety, so it's making sure how do you keep as much variety out there on the menu for the guest, while maybe trying to make it a little simpler in the back of the house. Ryan, what am I missing there?

### **Ryan Lee Ostrom**

I think when you look at our menu architecture, I think we have a really strong entry to point value around Munchies under \$4, but those are all the carte items, and then we have our combos, which are priced mainly \$10 or more. So we're really trying to figure out how we create some ownable value on the menu in between that \$4 price point and the \$10 price point. And so that's where you see us really leverage, creating some ownable value but that's on the menu panel, which is what we haven't had for the past 2 windows.

### **Operator**

Your next question comes from the line of Teddy Farley with Goldman Sachs.

### **Unidentified Company Representative**

You talked about it in broad terms, but would you mind giving the specifics on the same-store sales breakout for both Jack and Del Taco.

### **Dawn E. Hooper**

Yes. And this is going to be -- we only give it for company restaurants. But for Jack Company, same-store sales were down 6.4%. That included trans down 6.6% and price of 2.2% with the balance of mix down 2%. And then on the Del Taco side, company was down 2.2%, transition down 5.2%, mix unfavorable 1% and price up 4.1%.

**Operator**

[Operator Instructions] Your next question comes from the line of Jim Sanderson with Northcoast Research.

**James Jon Sanderson**

I was hoping you could update us on average weekly sales trends in Salt Lake City and Lexington, Kentucky, and how they compare to the new store openings you've seen in Chicago to date?

**Lance F. Tucker**

We won't give the exact numbers, Jim, but I can tell you, Salt Lake continues to perform very strongly. In [indiscernible] not Lexington, Kentucky. And again, it continues to be very strong. Chicago has opened in excess of where both of those are today and has been a very strong opening overall. Now of course, we're only a few weeks into Chicago, but we do already have 3 restaurants up, and we're actually going to have 8 restaurants within about a 2-month period. So we're excited about the early returns on Chicago.

**James Jon Sanderson**

All right. I had just 1 other follow-up question on your commentary regarding low-income consumers in Hispanics. Can you provide any type of sense of what share of traffic those groups drive for Jack in the Box?

**Lance F. Tucker**

I can tell you we significantly over-index on the Hispanic consumer. And by that, I mean, at least 1.7x kind of the general industry. In some cases, versus some of our major competitors is twice as high. The lower income consumer, we look more similar to the rest of the industry. So I can't give you the exact percentages of what they make up on our sales base, but that gives you a feel for how we compare our competition anyway.

**Operator**

Your next question comes from the line of Chris O'Cull with Stifel.

**Pengqi Zhou**

This is Ella on for Chris. So EBITDA was better than we would have expected with comps down 7% at Jack. Can you help us understand how sensitive Jack's restaurant margin is to like a 1% change in comps? And then I have a follow-up question.

**Lance F. Tucker**

so relative to -- Dawn is going to want to look at the number here and give me some guidance. But so give us just 1 second, how we kind of look at this.

**Dawn E. Hooper**

I'm sorry, can you repeat your question just 1 more time?

**Pengqi Zhou**

Yes. So EBITDA was better than what we have expected with like comps down some 7%, which is more than what we projected. And we want to understand how sensitive is the restaurant margin to 1% change in comps?

**Lance F. Tucker**

Give us one second. So we...

**Dawn E. Hooper**

It would be 10 basis points. based on 1% change in the comp.

**Pengqi Zhou**

Great. And then is there a risk that the soft sales would impact timing or sequence of the JACK on the Track plan?

**Lance F. Tucker**

I'm so sorry, I'm having a hard time hearing you. If you could repeat that question, please?

**Pengqi Zhou**

So sorry. My question is, is there a risk that a soft sales impact the timing or sequencing of the JACK on Track plan?

**Lance F. Tucker**

I see. No, there really isn't. Certainly, we'd rather not be doing some of these things in a down sales environment. But with that said, the downturn certainly has not been so severe that it's impacting anything we're doing relative to the JACK on Track program. And 1 thing that I would kind of remind the group is that with the closures happening over 4 to 5 years, that EBITDA impact is actually going to be leaked in over a number of years, and there's going to be some sales transfer. So once you get beyond that initial 80 to 120 closures, you're going to see the impact spread out over a fairly significant number of time. And similarly, the real estate sales while they will have a little bit of an EBITDA impact, that will happen kind of throughout 2026. So there's nothing happening in the current environment, it would slow down what we're doing for JACK on Track.

### **Dawn E. Hooper**

And Ella, I apologize. We have must heard you when you ask your initial question, and we'll follow up with you on the basis point change to restaurant level margin.

### **Operator**

Your final question comes from the line of Jake Bartlett with Truist Securities.

### **Jake Rowland Bartlett**

Mine is on the operational improvements that you're targeting in the Jack's Way. If you can just maybe frame the opportunity, meaning where are some key metrics landed today versus maybe where they've been a few years ago? And how much opportunity do you see there to -- whether it's speed of service or customer satisfaction, just other ways you measure? I'm just trying to understand really what the opportunity is here?

### **Ryan Lee Ostrom**

And when we look at the operational opportunities under Jack's Way, it's really going back to the basics. And it's just like Lance said, but it's going to be really focused. When we look at that overall guest experience and satisfaction, 1 of the key drivers of that will be overall accuracy as well as friendliness of the execution at our stores. And that's really what we're going to focus on for the next 6 months as well as just making sure the consistent quality. When you look at consistent quality, it's just making sure as you look at our fries, you're looking at our burgers, you're looking at our core items, and we're consistently executing that quality on an ongoing basis. And we're really going to get the field focus. We're getting our team members focused, and we're going to stay on that topic for some time to make sure, reassured what Jack's Way means all the way down to the team members.

### **Jake Rowland Bartlett**

Great. And there's another concept that you out of the -- not in the QSR segment have made comments about Hispanic consumer and impact in certain markets. I think kind of timed around the protest in Los Angeles and the reactions, although all the headlines that we're hitting as well at that time. Is that -- was that -- you mentioned that [indiscernible] event, did that have a big impact on Jack in the Box same-store sales? Has it improved as you've as we've gotten further from that time? I'm trying to understand the impact of some of the environmental stuff that's going on right now and whether that's -- whether you're seeing -- already seeing some sort of change in trajectory there?

### **Lance F. Tucker**

Jack, we -- it's been honestly pretty consistent for us over the last really since the beginning of the year, call it. It has not been acute. It doesn't mean you don't have a day or 2 where it's works here and there, but by and large, it's really been pretty consistent, and that's kind of attributable to our footprint, I think. If you look at where we're heavy footprint, we're obviously huge in California and Texas and then throughout the Southwest. And so it's been relatively constant for us.

### **Operator**

And your final question comes from the line of Alex Slagle with Jefferies.

### **Alexander Russell Slagle**

I want to ask on the remodels. I know it's early to talk about the new program, but kind of curious what the franchisee interest looked like in the original program when you kind of set that up and sort of what the franchisee conversation look like?

**Lance F. Tucker**

Alex, it was actually very favorable. We kind of -- I don't remember if it was this time last year or maybe a little bit earlier in the year in 2024, we went out and said the company is going to do a significant contribution of \$50 million, and we're only able to touch about 300 to 400 restaurants with that contribution, and we took applications for it, and we had, as I would call, over 1,000 applications. And so the interest was really high. So what we're going to do here, I think when you look at our system, honestly, touching 300 to 400 restaurants, it's nearly enough when you look at across our system. And so we are going to attempt to touch an additional 1,000, which honestly ought to get us to a spot where we've touched the vast majority of the system when we're finished with it. And it's -- it will be a meaningful contribution from corporate. I'm not ready to give the exact numbers quite yet, and we'll do that in November. But you can look and say, well, gosh, we did \$50 million before and it touched \$300 million to \$400 million. So if you're looking for kind of a guidepost that would at least give you a feel for what an additional contribution would look like. And the reason we're not giving quite as much detail yet, from a timing standpoint, as you would imagine, I want to get through the next few quarters and get a little bit of a debt pay down and kind of get through that first part of JACK on Track. And then once we're in a position to start making significant contributions to reimages that would be the plan. I think the franchisees will be excited. They certainly were when we did this last year.

**Alexander Russell Slagle**

For sure. Yes, that's helpful. And on the franchisee store closures, part of the JACK on Track program, the block closures, I guess there were 13 in the third quarter and just trying to think about the cadence of the remaining balance, like what might show up in the 4Q. And I know it's a range of 80 to 120 through the calendar year. So I don't know if you can narrow that down at all just to get us a little closer.

**Lance F. Tucker**

Alex, I can probably give you a little tighter range on that by the end of the fiscal year, but there are still a lot of conversations happening. There's a reason we haven't narrowed it down too much. But I would think of the, let's call it, remaining 65 plus for the remainder of the calendar year or 70 plus for the remainder of the calendar year. At least half of those, probably a little bit more will happen in the fiscal year. And then you'll see, as you get going through the program throughout the rest of the program, you'll see the remainder of the kind of the early closures of the ones that are pulling forward against their franchise agreement happening in '26. And then everything else will just fall pretty evenly according to when franchise agreements run through. I don't know if that was at all helpful. But we'll get a good bit of them done by the end of the fiscal year, but I don't think it will be all of them.

### Operator

This concludes today's question-and-answer session.

### Lance F. Tucker

All right. Thank you everybody.

### Operator

Thank you for joining the call. You may disconnect.

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