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# Jack in the Box Inc. (JACK) Q3 2026 Earnings Call Transcript

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## Q3: 2026-08-12 Earnings Summary

Insights

EPS of $0.96 beats by $0.08 | Revenue of $257.66M (-22.62% Y/Y) misses by $6.94M

Jack in the Box Inc. (JACK) Q3 2026 Earnings Call August 12, 2026 5:00 PM EDT

### Company Participants

Rachel Webb - Senior Vice President of Finance, Investor Relations & Analytics
Mark King - Interim CEO & Executive Chairman
Dawn Hooper - Executive VP & CFO

### Conference Call Participants

Brian Bittner - Oppenheimer & Co. Inc., Research Division
Dennis Geiger - UBS Investment Bank, Research Division
Brian Mullan - Piper Sandler & Co., Research Division
Logan Reich - RBC Capital Markets, Research Division
James Sanderson - Northcoast Research Partners, LLC
Arian Razai - Guggenheim Securities, LLC, Research Division

### Presentation

### Operator

Thank you for standing by, and welcome to the Jack in the Box Third Quarter 2026 Earnings Call. [Operator Instructions] I would now like to turn the call over to Rachel Webb, Senior Vice President of Investor Relations. Rachel, please go ahead.

**Rachel Webb**
*Senior Vice President of Finance, Investor Relations & Analytics*

Thanks, operator, and good afternoon, everyone. We appreciate you joining today's conference call, highlighting results from our third quarter fiscal 2026. With me today are Interim Chief Executive Officer Mark King; and 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 non-GAAP items. Please refer to the non-GAAP reconciliation 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 statement in our most recent Form 10-K to be part of our discussion. Material risk factors, as well as information relating to company operations, are detailed in our most recent Form 10-K, 10-Q and other public documents filed with the SEC and are available on our Investor Relations website.

And with that, I would like to turn the call over to our Interim Chief Executive Officer, Mark King.

**Mark King**
*Interim CEO & Executive Chairman*

Thanks, Rachel, and good afternoon, everyone. Thank you for joining us. When I stepped into the interim CEO role just a few months ago, I said my first priority would be listening and learning. After spending meaningful time inside the business, I have greater clarity around where we need to focus to drive sustainable long-term growth. But we have a lot of work to do. I've met with almost all of our franchisees. We hosted a strategy summit with a few of our largest franchisees, and I attended the conference of our largest franchise organization just a few weeks ago, representing the majority of the system. I spent time meeting almost every employee throughout the corporate office. Most importantly, I've spent time in our restaurants, including working multiple shifts alongside of our teams. This gave me a first-hand view of both the operational challenges our teams face and the opportunity we have to improve execution.

My restaurant shifts included one memorable attempt at cooking our tacos that I'm fairly certain won't end up earning me another invitation. Those experiences reinforce something important. While the business model can at times appear complex, at the end of the day, we exist to serve hot, flavorful food to our guests. That's it. When we stay focused on why we exist, our priorities become much clearer. Being in our restaurants and hearing directly from employees, franchisees and guests has provided insights I simply could not have gained from a P&L or the corporate office. Throughout my career transforming consumer brands, this is the playbook I followed.

Getting closer to the customer is the first step toward improving the business for our stakeholders. And that will be our approach at Jack in the Box. Before I jump into my top priorities for the brand, I want to mention JACK on Track. JACK on Track is well underway, and I'm proud of the team's execution, including completing our refinancing in the quarter. Dawn will discuss this in more detail. Much of the remaining JACK on Track work is now happening behind the scenes. My primary focus is on improving same-store sales and positioning Jack for sustainable long-term growth.

As I've spent time across the system, 5 priorities have emerged, and they all support one overarching objective: to drive consistent same-store sales growth. First, we must obsess over what the customer wants. We need to listen to our guests first and use those insights to guide menu, marketing and innovation decisions. We've been revisiting both first- and third-party research while increasing our engagement with current and lapsed customers. Those insights will shape how we market the brand, present our menu and develop products that drive repeat visits. While Jack has historically differentiated itself through variety, we know we must strengthen our position around 2 things customers increasingly demand: quality and value. This fall, we'll begin testing an updated menu layout designed to improve navigation and to better communicate both.

At the same time, Katelyn Zborowski, our new CMO, and her team are developing a new brand campaign designed to strengthen our connection with existing guests while reintroducing the brand to new and lapsed customers. We expect those learnings to influence broader marketing efforts into calendar 2027.

Second, quality matters now more than ever. The competitive environment in the restaurant industry has changed significantly over the past decade. Consumers have more choices across QSR, fast casual and casual dining, all while consumers have become more discerning about how they spend. So what does that mean for our guests? Guests expect hot food that looks delicious, tastes fresh and delivers value they can immediately recognize. This requires more than quality of ingredients. It requires preparation, presentation and execution, along with a restaurant environment that reinforces the quality of the food, from the curb appeal of the restaurant all the way through packaging.

We've recently been testing a new burger platform, and early results have been encouraging. We're highlighting premium, higher-quality ingredients, a juicier burger patty, new ingredient prep and presentation and new packaging. We're continuing to refine this platform as we learn throughout this test. We expect to roll out our best burger platform system-wide in 2027.

Third, the restaurant experience needs to reflect the quality of the food. Guests expect clean, modern restaurants. While many refreshes are relatively modest investments, we've seen consistent evidence that generate meaningful, low-single-digit sales lifts and perhaps more importantly, improve the overall guest experience through a better look and feel. At our recent franchisee conference just a few weeks ago, we announced a modest contribution of $2,000 per restaurant to accelerate these improvements. In just a few weeks, approximately 25% of franchise restaurants in the system have signed up. We expect these refreshes to occur over the next few quarters. Longer term, a broader remodel strategy will be warranted. In the meantime, these targeted investments allow us to begin improving the guest experience and driving incremental sales with relatively modest costs.

Four, we must make our restaurants easier to operate. Sustainable turnarounds aren't built from one promotion or a single quarter. They're built through disciplined execution over time and experience that bring guests back again and again. Within the first 2 weeks of joining as Interim CEO, I attended roadshows alongside the leadership team visiting with franchisees. There, I heard very clearly we need fewer distractions and greater consistency to ensure our teams can execute the brand's initiatives. This means reduced complexity in promotional windows, rethinking the back of house and removing barriers to enable consistent, high-quality execution.

In 2026, we've reduced the number of promotions per marketing window from 3 to 2, and for 2027, we'll continue to simplify as we build out the marketing calendar. Shannon McKinney, our COO, and his team have done a phenomenal job retraining the entire system on joyful service and getting back to basics by holding workshops across the country and focusing on winning the shift. It sounds simple, but it drives results. I am encouraged by the operational improvements we've seen, but there's more to do as both our menu and kitchen remain complex. Our objective is straightforward: execute our core products consistently and give guests more reason to return. Jack in the Box serves great food. Our job is to make sure our guests experience that consistently.

Most importantly, we must improve franchisee profitability. Ultimately, each of these priorities should translate into stronger restaurant economics. The success of any franchise system begins with the success of its franchisees. Stronger sales across the system support stronger restaurant-level profitability. Stronger profitability creates capacity for franchisees to invest in remodels and build new restaurants. Over time, the results are healthier unit growth, stronger revenue streams, and ultimately better earnings for our shareholders.

Our incentives are aligned. Our role is to help franchisees succeed while delivering the experience our customers expect. Today, franchisee profitability remains under pressure. Multiple quarters of same-store sales decline, coupled with continued inflation, have weighed on restaurant-level profitability for us and our franchisees. We are developing plans now to stabilize franchisee economics and expect to be in a position to provide more detail on that with the 2027 guidance.

Now turning to the third quarter. Quite simply, our performance remained below expectations. We are making progress operationally, but that progress has taken longer than we anticipated to translate into consistent financial results. Dawn will get into more specifics for the quarter and the pivots we've made accordingly. As we look ahead, our approach is straightforward. We will establish achievable objectives and execute against them consistently. I've outlined our key priorities today. On our November call, we'll provide additional detail around these plans and the outcomes we expect to deliver.

There is meaningful work ahead, but I have greater conviction today than I did a few months ago that we are focused on the right priorities. We're listening closely to our guests and franchisees. We're simplifying the business. We're elevating quality, execution and restaurant experience. And we're focused on improving restaurant economics to build the brand to sustainable growth. Our job is now to execute. We're committed to building a stronger Jack in the Box that creates lasting value for our franchisees, employees, and shareholders.

And with that, I'll turn the call over to Dawn to walk through our Q3 results. Dawn?

**Dawn Hooper**

*Executive VP & CFO*

Thanks, Mark, and good afternoon, everyone. I will start by reviewing the details on our performance in the third quarter as well as provide more detail relating to our JACK on Track plan. The third quarter same-store sales for Jack in the Box decreased 1.1%, comprised of a franchise restaurant same-store sales decrease of 1.2% and a company-owned same-store sales decrease of 0.9%. This resulted primarily from a decline in transactions partially offset by menu price increases. Throughout the third quarter, performance varied greatly across the 2 marketing windows. We started off strong with the continuation of our Sliders platform. Then, as we transitioned to Hot Ones, performance did not meet our expectations. The products in the Hot Ones promotion were highly polarizing and did not uphold the higher end of the barbell. This means our check was lower and overall sales were softer than expected.

Upon lower-than-expected performance in the Hot Ones marketing window, the team pivoted quickly to stabilize the remainder of the third quarter. First, we added options to the promotion to offer more broadly appealing, less spicy builds of our LTO products. Second, we replaced promotional panels that featured value promotions with core, higher-price-pointed products to limit trade-down at the drive-thru. Lastly, we ended the marketing window early and pulled forward our Philly Cheesesteak platform launch to kick off Q4. The team worked with our suppliers, franchisees and restaurants to pull this forward a few weeks from its original launch. This platform has resulted in strong customer interest and a higher associated average check. Q4 to date, same-store sales are positive in the low-single-digit range, reflecting us getting the balance of premium and value right in our promotional calendar so far quarter-to-date.

Turning to margins, Jack's restaurant-level margin percentage in the third quarter decreased to 17.6% from 17.9%. Food and packaging costs as a percentage of sales were 29.3% for the quarter, increasing 70 basis points from the prior year. This was driven by commodity inflation of 5.4% in the quarter. We continue to see elevated beef costs, and while we expect inflation as a percent to abate in the fourth quarter, we expect overall beef costs to remain high. We also expect deflation in other commodities such as dairy to offset some of this pressure. Labor costs as a percentage of sales were 33.7%, decreasing 80 basis points from the prior year. This decrease was primarily related to a rollover of elevated unemployment taxes in California in the prior year.

Occupancy and other costs increased 30 basis points driven primarily by sales deleverage and higher rent. Franchise-level margin was $60.3 million, or 37.4% of franchise revenues, compared to $66.2 million, or 39.3% a year ago. Of this decrease, approximately $1.7 million was driven by lower same-store sales, $1.5 million was driven by a lower number of restaurants versus the prior year and roughly $1 million was higher bad debt expense.

SG&A for the quarter was $17 million, or 6.6% of revenues, as compared to $20.6 million, or 7.8% a year ago. The decrease of $3.5 million was primarily due to a legal reversal that drove a benefit in the quarter, as well as lower stock-based compensation due to forfeitures, partially offset by the market fluctuation of our COLI policies, as well as higher incentive compensation in the quarter. Excluding net COLI gains, SG&A was 1.4% of total system-wide sales for the quarter, driven lower by the legal reversal. The effective tax rate for continuing operations for the third quarter of 2026 was 36.9% as compared to 20.9% for the same quarter a year ago. The adjusted tax rate used to calculate the non-GAAP operating earnings per share in the quarter was 35.7%.

Earnings from continuing operations was $21 million for the third quarter of 2026 as compared to $22.8 million for the same quarter of the prior year. We reported GAAP diluted earnings per share from continuing operations for the third quarter of $1.08 compared to $1.19 in the same period of the prior year. Operating earnings per share was $0.96 for the quarter versus $1.04 in the same quarter of the prior year. Adjusted EBITDA was $61.2 million for the quarter as compared to $57.1 million in the prior year due primarily to the favorable SG&A decrease and partially offset by lower sales performance and restaurant closures.

Now, turning to JACK on Track. We've made progress this quarter paying down debt and taking care of upcoming maturities. We continue to focus on debt reduction, and I'm proud of the team for completing the refinancing this summer. We completed the refinancing on June 23rd, fully paying down the August 2026 tranche and substantially reducing our February 2027 tranche. Prior to the refinancing, we prepaid $110 million of the August 2026 debt tranche using withdrawals of excess COLI funding along with cash on hand. Since JACK on Track was announced in April 2025, we have decreased debt by a total of $244 million. Our total debt outstanding at quarter end was $1.5 billion and our net debt to adjusted EBITDA leverage ratio was 6.3x, which has decreased from 6.9x in the prior quarter. We now expect our interest expense for the year to be roughly $81 million. Included in the interest expense is $1.3 million related to debt extinguishment costs as a result of the debt refinancing this quarter.

As it pertains to real estate sales, we've generated $26.7 million of proceeds year-to-date. So far in the fourth quarter, we've generated approximately $1 million of proceeds, and we don't anticipate any further real estate sales in the fourth quarter. We have closed 40 restaurants year-to-date and expect to close an additional 10 to 20 during the fourth quarter. While closures have occurred a bit slower than we had anticipated, franchisees have increased their willingness to close ahead of franchise agreement expiration to focus on higher-performing restaurants and improve margins of their portfolio.

As Mark mentioned, profitability remains a challenge for our franchisees. As a result, we expect accelerated closures to extend into 2027. Based on year-to-date trends, we do anticipate select franchisees to continue payment delays and potentially include continued deferrals. We are working through specifics to improve franchise profitability, including reevaluating our closure program as a whole, and we will provide updated guidance on our November earnings call.

We also continue to be strategic with our capital expenditures. Year-to-date through the third quarter, our capital expenditures were $44.1 million, which primarily included spending on restaurant information technology and new restaurants.

Given our year-to-date performance as well as expectations for the remainder of the year, we did update certain guidance measures as reflected in our release. For fiscal year 2026, we now expect Jack in the Box restaurant count of approximately 2,100. We expect restaurant-level margin of approximately 16.5%, which includes mid-single-digit commodity inflation and low-single-digit wage inflation. We expect franchise-level margin of approximately $265 million. This reflects our latest expectations about closures and selling real estate. As we've noted in our guidance, the timing of these elements could shift and as such have an impact on our franchise-level margin. We anticipate SG&A to be between $112 million and $115 million. As a reminder, this excludes any gains or losses from COLI. And lastly, we expect adjusted EBITDA to be between $225 million to $230 million for the year. The rest of our guidance that remains unchanged is listed in today's earnings release.

We look forward to updating you on our full-year results in November. 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 Bittner**
*Oppenheimer & Co. Inc., Research Division*

It's good to hear that comps are trending positive in the quarter. I think your guidance, the full-year guidance implies positive comps in the quarter. So do you expect comps to continue to remain positive? Is that correct as far as the full year guide is concerned?

**Mark King**
*Interim CEO & Executive Chairman*

Yes, I think it'll be somewhere around flat to slightly up.

**Brian Bittner**
*Oppenheimer & Co. Inc., Research Division*

Okay. And just my follow-up, Mark, you talked a lot about strategies, simplifying the menu, reducing marketing complexity. You're taking the promotional calendar down from 3 to 2. And that sounds like it makes sense, but it also sounds like that gives you less opportunities to try to drive the business potentially and create frequency and accelerate sales. So can you talk about the balanced approach you're taking here between simplifying the business and driving traffic?

**Mark King**

*Interim CEO & Executive Chairman*

Well, yes. Well, first of all, thanks for the questions, Brian. But I think the simplification for us, we see as a positive to drive business because it'll allow us to focus on what matters most. And I think part of our challenge in the past was we had so many things to execute that we didn't do a great job really on anything. So the whole idea of simplification isn't to eliminate, it's to focus. And we believe the result of that should be positive.

**Operator**

Your next question comes from the line of Sara Senatore with Bank of America.

**Unknown Analyst**

This is Ashley on for Sara. Just on franchise-level margin, it's now expected to be around $265 million. Can you help us separate the impact from closures and real estate sales from the underlying pressure in the franchise business? And as those actions normalize, what do you view as the right base for franchise-level margin going forward?

**Dawn Hooper**

*Executive VP & CFO*

Yes, so I can give you kind of the breakdown for the quarter anyway on the closure impact. So the closure impact was about $1.5 million. We haven't, year-to-date, sold a significant number of restaurants to franchisees, so you won't see any material impact of that on our franchise-level margin. But that could change going forward. I want to say we sold about 4 restaurants to franchisees, so nothing material there. But the biggest drivers are obviously the closure program and the lower sales driving franchise-level margin lower. Obviously, the franchise-level margin is variable based on sales, so when we see the uptick in sales start, you're going to see that flow through to the franchise-level margin.

**Unknown Analyst**

Great. My follow-up is on digital. Just can you update us where digital and delivery economics stand today? Are these channels still driving profitable incremental sales? There's still some kind of work to do there.

**Rachel Webb**

*Senior Vice President of Finance, Investor Relations & Analytics*

So overall -- this is Rachel, by the way. Overall, our digital percent of sales is around 22% for the quarter. In terms of the overall economics, there's still a lot of work to do, I would say, to make sure that every transaction is profitable through those channels. We're working very closely with our franchisees to make sure that it makes sense for their business as well as for ours. And I don't know if you guys want to add anything about digital strategy, but that's kind of where we sit today.

**Mark King**

*Interim CEO & Executive Chairman*

Yes, I think one of the things we'd like to do on digital is not be so promotional, but be more brand-specific, be more engaging with our customers and bring more exciting products, not just promotional. So I think you'll see the strategy slightly evolve from where it's been, which will also help drive profitability.

**Dawn Hooper**

*Executive VP & CFO*

Yes, maybe just one thing to add back to your franchise-level margin question just to help you build your model. We've said that for each closure, franchise closure that we have for an underperforming restaurant, it impacts our franchise-level margin by about $80,000.

**Operator**

Your next question comes from the line of Dennis Geiger with UBS.

**Dennis Geiger**

*UBS Investment Bank, Research Division*

Mark, I wanted to ask a high-level question about the 5 key priorities that you outlined to drive consistent same-store sales growth. Helpful color on the priorities as well as a rough sense of sort of what the timing looks like on those priorities, it feels like. But just wondering if you could share a bit more on maybe where you think some of the lower-hanging fruit within those priorities lies as well as maybe where there's a little bit more of a heavy lift among those priorities.

**Mark King**
*Interim CEO & Executive Chairman*

Yes. So first of all, we spent quite a bit of time with our franchise partners over the past couple of months really identifying what are the key fundamentals that we have to be better at. And that's really where those 5 priorities came from. It was not just us, but we had a 3-day offsite with the leadership of the franchise group and really focused on we've got to know our consumer better, we've got to understand what they want and we have to be able to deliver that. Quality means everything that we touch from the restaurant to the food to the prep to the packaging, even to the team members because we'll be launching new uniforms next year. The look and feel of the restaurant. We have a refresh program going on right now that is really starting to take off. We've got more than 1/4 of the system have signed up for it just in a couple of weeks.

And then ops excellence. And I think this is the one that's probably the most challenging to get consistency at all of our 2,100 doors. And our ops team has done a lot and will continue to do a lot. We have field ops people now out training. We have franchisees that are welcoming the different training programs that we have and consistent follow-up in the restaurants. But that is a broad one because the back of house is a little bit different in each -- not in each restaurant, but in quite a few models that we have. So we want to bring more consistency to how we deliver the experience to the consumer. They're all underway, there's different groups working on all of them. But to me, it's the ops excellence and being consistent throughout the system, which is a real coordination between us supporting our franchisees.

**Operator**

Your next question comes from the line of Brian Mullan with Piper Sandler.

**Brian Mullan**
*Piper Sandler & Co., Research Division*

Just wanted to ask on the store closure comments earlier. Thanks for the update of your 4Q expectations. Understood this might extend into fiscal '27. Could you just expand on that a little bit? What's the disconnect between the pace you were expecting to see versus maybe what the franchisees are doing this?

**Dawn Hooper**

*Executive VP & CFO*

Yes, so I think we've said that the closures have occurred at a slower pace than we had expected, and that's due to the lease obligation that remains once the restaurant is closed. Sometimes that burden is more than the loss they incur for operating the restaurant. That being said, we have hired a third-party firm to work with us on exiting the leases. They are currently working through the list of restaurants, prioritizing and up and running. So we do expect that, that closure rate will accelerate. We do think just based on overall profitability, if you think back to when we announced JACK on Track, we said we needed to close about 150 to 200 restaurants. Since then, we've obviously had 4 more quarters of same-store sales losses, so we are reevaluating our closure program as a whole. I think the restaurants that we didn't close in '26, you can expect to carry forward into '27, and I would expect elevated closures to continue into '28.

**Brian Mullan**

*Piper Sandler & Co., Research Division*

Okay. And then can you just give an update on the Chicago market? In the last call, you talked about starting to see some positive signs on the top line, which is good for margins. And then related to that, do you want to own that market long term or find a partner?

**Dawn Hooper**

*Executive VP & CFO*

Yes, so Chicago, we did see improvements on the labor and food and packaging lines, so that was good news. We did turn on digital in that market, and that provided some pressure to the middle of the P&L with the digital fees. In our newer markets, digital sales are a higher sales mix. And obviously, those are less profitable just because of the digital fees that you have to pay. I will say that AUVs for Chicago are running under company averages. I think when we went into that market, operational execution and core leadership has impacted sales. But going forward, we have a new VP in market who's been focusing on the people and bringing the right leadership, we believe, to turn the market around. He's also very financially focused and looking on controllables, and we're starting to see that impact the margins there.

So good news there. I think as we progress with the stable leadership in place, we're going to gain more traction in that market. And I'll say that as far as long term, our plan has always been to seed that market and franchise it. But right now, we're just focused on getting the market to where it needs to be.

**Operator**

Your next question comes from the line of Logan Reich with RBC Capital Markets.

**Logan Reich**
*RBC Capital Markets, Research Division*

I just wanted to ask on the same-store sales improvement quarter-to-date. Just if you can help us understand what the biggest drivers of those are and then what you think the biggest opportunities you guys have in the near term on same-store sales growth for Q4, and then I have a follow-up.

**Dawn Hooper**
*Executive VP & CFO*

Yes, so as we started Q4, we entered our Philly Cheesesteak window. As I noted in the prepared remarks, we pulled that window up based on the underperformance of our Hot Ones window. That has provided a really good balance between premium and value. The Philly Cheesesteak has a very strong center-of-the-plate offering combined with strong add-on products in our sauced and loaded wedges. So I think what you're seeing with this window is that our barbell strategy is balanced and it's really working. And as a result, as I mentioned, the sales trend is positive. We're seeing stronger check and traffic, and we're benefiting from that.

So we think this is a really good window and indicative that we're on the right marketing strategy. As we end the year, we have a window at -- I think it starts the last 2 to 3 weeks of the year. A very exciting collab that we have that we're looking forward to. So we really see that this momentum is going to continue.

**Logan Reich**
*RBC Capital Markets, Research Division*

Great. That's helpful. And then just curious if you saw any impact from the World Cup in Q3 as a lot of the games were in some of your core markets.

**Dawn Hooper**
*Executive VP & CFO*

Yes, so I'll say we did see a benefit in our core markets that hosted, especially in the L.A. market, and it was a decent lift for a few weeks, but nothing that provided a significant lift for the overall system for the quarter.

**Operator**

Your next question comes from the line of Jim Sanderson with Northcoast Research.

**James Sanderson**
*Northcoast Research Partners, LLC*

I wanted to go back to the visits you've made to stores and the discussions you've had with franchisees. I'm wondering how are you giving those visits looking at labor and staffing levels amongst the franchisee store base? Is that where they should be? Or is there further investment that has to be made in order to execute on a new marketing or product development program?

**Mark King**
*Interim CEO & Executive Chairman*

No, I think the labor model is fine at this point. The issue really is sales. It's not labor. Labor looks bad because sales have declined, and I think really we're running at a pretty low labor rate. So -- and I don't think the execution is about more investment. Right now, it's just doing fundamentals. And I think that old saying of less is more, and that was to an earlier question. We just need to pick a few things, which we've done together, franchisees and us together as the franchisor, and said, we need to win in these 4, 5 key areas. And if we do that, we can start to build some positive momentum. I think we're all aligned. We just had this great conference a few weeks ago where we rolled out these 5 initiatives and everyone aligned behind them. And we're all holding hands as we move together and execute against these strategies. So I think we're in really good shape. And I'm not -- the things that we pick do not require more investment.

**James Sanderson**

*Northcoast Research Partners, LLC*

All right. I just had a quick follow-up question on the store margin guidance. I think it's 16. What is the most important step down as far as fourth quarter goes? What we should be watching for to get to that level for the year?

**Dawn Hooper**

*Executive VP & CFO*

I'm sorry, on the 16.5%? I think -- yes, I think it's Chicago. I think that market, if you take Chicago out, our restaurant-level margin would have been 18.5%. So those restaurants do impact our consolidated results. So I think Chicago is going to be something to watch and something we're watching internally to get to where we think we need to be or where we plan on being.

**Operator**

Your next question comes from the line of Arian Razai with Guggenheim.

**Arian Razai**

*Guggenheim Securities, LLC, Research Division*

Congrats on the progress. It looks like the competitors are upgrading their chicken and beverage platform. What are your thoughts and expectations on that front? Are you anticipating any major upgrades there? And I have a follow-up on menu simplification.

**Mark King**

*Interim CEO & Executive Chairman*

Yes, I think -- is it Arian? Is that...

**Arian Razai**
*Guggenheim Securities, LLC, Research Division*

Yes, yes.

**Mark King**
*Interim CEO & Executive Chairman*

Nice to meet you, Arian. Look, I think beverages is a big opportunity. And everyone in the space is looking at beverages. We have a very good beverage platform. Our shakes are amazing. I think it's about doubling down on what we have in terms of that. Chicken is the protein of choice right now, and we have to innovate in chicken. Now, we've got great chicken offerings right now, and so to me it's more in this menu reimagination, it's how do we focus on, and that would be some of the core products that I would be focusing on, which would be beverages, specifically our shakes, and how do we do a better job around chicken, and a lot of that, I believe, is going to be how you see it visually on the menu board, which we're working on. So those are big opportunities, and as everyone else is looking at them, we need to look at them, too.

**Dawn Hooper**
*Executive VP & CFO*

Yes, and I'll just add a couple things on drinks. One difference is the access that we have to our partners and our products and the innovation that we put into them. Our Red Bull Infusions are a strong example of that, and you can continue to expect that we're going to build on that platform. And then as far as chicken, we've improved the quality of our chicken over the past year, but we do have some room on quality perception, so we'll continue to work towards that.

**Arian Razai**
*Guggenheim Securities, LLC, Research Division*

Got it. And on menu simplification, I just want to make sure I understand. Are you considering a noticeable decline in the SKU count as you zero in on what moves the needle for the customer?

**Mark King**
*Interim CEO & Executive Chairman*

I think there will be a small reduction in SKU count, but the menu simplification is really not about eliminating products. Some will go because some really carry no sales with them at all, but it's really more about how we lay it out and how it needs to be easier for the customer to look at the menu board and not get panicked and be able to pick their meals or their favorite items with a little bit more ease. And that's really what it's about. I'm actually -- we're in our boardroom right now and I'm looking at a couple of these examples which are pretty, pretty awesome. So we're excited to get into that in 2027.

**Operator**

That concludes our question and answer session. I will now turn the call back over to Mark King for closing remarks.

**Mark King**
*Interim CEO & Executive Chairman*

Hey, everyone. Thanks for joining today. We got a lot of work to do here, but we're excited about it and we'll talk to all of you soon. Thanks for joining.

**Operator**

Ladies and gentlemen, this concludes today's call. Thank you all for joining. You may now disconnect.

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