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Jack in the Box Inc. (JACK) Q4 2024 Earnings Call Transcript

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EPS of \$1.16 **beats by \$0.07** | Revenue of \$349.29M (-6.24% Y/Y) **misses by \$7.41M**Jack in the Box Inc. (NASDAQ:[JACK](#)) Q4 2024 Earnings Conference Call November 20, 2024 5:00 PM ET

Company Participants

Chris Brandon - VP, IR

Darin Harris - CEO

Brian Scott - CFO

Conference Call Participants

Lauren Silverman - Deutsche Bank

Brian Mullan - Piper Sandler

Katherine Griffin - Bank of America

Brian Bittner - Oppenheimer

Gregory Francfort - Guggenheim

Alton Stump - Loop Capital

Dennis Geiger - UBS

Jon Tower - Citi

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Alex Slagle - Jefferies

Andrew Charles - TD Cowen

Christine Cho - Goldman Sachs

Brian Harbour - Morgan Stanley

Drew North - Baird

Operator

Good day, everyone, and welcome to the Jack's Fourth Quarter and Full Year 2024 Earnings Webcast.

At this time, I would like to hand the call over to Mr. Chris Brandon. Please go ahead, sir.

Chris Brandon

Thanks, operator, and good afternoon, everyone. We appreciate you joining today's conference call, highlighting results from our fourth quarter and fiscal year 2024. With me today are Chief Executive Officer, Darin Harris; our Chief Financial Officer, Brian Scott; and our Interim CFO, Dawn Hooper. Following the 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 those 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. 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 also available on our Investor Relations website.

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

Darin Harris

Thank you, Chris. In fiscal 2024, we achieved really significant milestones for our company with the largest number of new restaurants opening in over a decade for Jack in the Box with sustained sales outperformance in new markets. Positive net unit growth at both brands with a growing new restaurant pipeline, progress on brand building initiatives including first and third-party digital, new POS rollout and restaurant reimages, refranchising of Del Taco, now an asset-light business at about 80% franchise owned. And lastly, managing through significant inflation plus the cost pressures from increased minimum wages in California.

Entering 2025, I am encouraged by the start to the year and believe strongly in our ability to continue executing on our transformation strategy to deliver results and shareholder value. I am thrilled to report the recent hiring of our new CFO, Lance Tucker, a familiar face to both the restaurant industry and the Jack brand. Lance will be a terrific addition to our leadership team and will get acclimated very quickly with our teams, many of whom worked with Lance in the past and our business. Most importantly, he will take the time to connect with franchisees and build relationships.

With that said, let's briefly look back at 2024, particularly the progress and results related to net unit growth, new market openings in digital. Our growth plan several years in the making is beginning to take shape and show results. There were notable macro challenges that emerged during the year and I want to thank our franchisees and restaurant leadership teams for their efforts and dedication in serving our guests and making progress on our key long-term ambitions related to digital sales, unit economics, and new restaurant growth. We battled through a tough environment that brought top line headwinds to the industry and we are adapting to this new environment to accelerate sales throughout 2025 and beyond.

Our investments in modernizing restaurant technology and advancing our digital capabilities are now contributing toward the ambition objectives we shared last January, including becoming a 20% digital business by 2027. We will have nearly 550 Jack in the Box restaurants on our new POS by the end of calendar 2025, all of which include flip kiosk capabilities. I want to extend a huge thanks to our technology teams and franchisees for the tremendous efforts in making this a seamless rollout.

Although, it is early innings using the new kiosk capabilities, we are experiencing a double-digit increase in average check helped by upsell and menu visibility. We are now starting to test freestanding kiosks and are excited to see how this can drive additional sales and labor efficiencies. New network capability added to all our restaurants this year plus the POS implementation enabled us to begin testing kiosks.

We also launched our new iOS Jack app during the fourth quarter with immediate benefits including an improved user experience, speed of ordering, incremental sales and accelerated acquisition of loyalty members. With digital now at over 14%, the combination of the new POS and app for Jack will allow us to dramatically improve our loyalty program to deliver personalized offers and promotions to our growing loyalty guest base.

First-party sales continue to grow, higher by 83% year-over-year in quarter four. And third-party now is nearly 70% of our total digital business, continues to grow consistently and was up high-single digits. First-party also saw a record setting sales over the last eight weeks. Our digital investments are leading to incremental sales and a growing loyalty membership, which makes reaching guests more efficient and gives us confidence that digital can make a strong contribution in growing total sales this year. And this progress is expected to continue with the upcoming launch of our app for Android and a new mobile web ordering platform.

Now we attacked the macro backdrop aggressively in the fourth quarter, highlighted by our Munchies Under \$4 platform, which drove an everyday value message and resulted in increased items per check and year-over-year improvement in average ticket. This will remain a permanent part of our menu and we'll continue to evolve and expand. Our focus on value has continued through the recent LTOs of our Bonus Jack and two for \$3 Monster Tacos, which have been successful.

Early in the quarter, we saw strong average check supported by our spicy chicken strips and we made news with our Deadpool and Wolverine partnership, which featured many chimneys as a product tie-in. Breakfast improved in the fourth quarter, supported by French toast sticks permanent and LTOs including the chicken and waffle sticks and scrambler sandwiches. We will continue to feature breakfast value in every window, highlighted by our \$5 breakfast meals and two for \$3 Breakfast Jacks. I'm encouraged to see this daypart moving in the right direction. The late-night daypart continued its streak as our best performer, but followed closely by a much improved dinner daypart.

As I stated earlier, I'm pleased with the start to fiscal year 2025. This emphasis on digital, value and innovation helped us exit the fourth quarter with sales and transaction momentum with first quarter to-date running at about 1% positive same-store sales. Look for us to continue to reach both the value and premium guest width, innovation, as we currently are executing with our Biscoff shakes and Donut Holes as well as Birria Tiny Tacos and the introduction of our Sourdough Smashed Jack. We will also support both value and breakfast as we have with our \$5 meals and Munchies Under \$4. We will drive digital via first and third-party offers and aggressive activity. And we will bring back fan favorites as we are currently doing with our Potato Wedges LTO.

Shifting to unit growth, our primary initiative to drive long-term shareholder value. We are now at 101 development agreements for 464 restaurant commitments. And we signed our first franchise agreement for Chicago in Q4, which will be incremental to our eight company owned locations opening this year. Chicago is also part of our current cloud kitchen test with two locations up and running. But I'm certainly excited to cut the ribbon on our first full restaurant location in the second quarter of this year.

This, in addition to our entry into Florida later in 2025, sets us up for a special year for the brand and our teams on the ground are working hard to ensure a terrific first impression of the Jack experience in these two new markets. In addition, we recently signed new franchise agreements to join our growth effort in Mexico, completing six new restaurant commitments to open in two new territories. And just this week, we completed a development agreement to enter Detroit, our second market in Michigan.

Restaurant openings and new market performance were both a major highlight in 2024, a year where we increased our gross openings by 50% with 10 more restaurants than prior year and saw sustained momentum of new restaurants in whitespace markets. New restaurants continue to outperform the system in both core territories and new markets. And out of our 30 new restaurants in fiscal 2024, five opened in Salt Lake City and continue to collectively achieve over 90K in weekly AUVs, with three restaurants now open for over a year.

Our two Louisville restaurants are averaging nearly 60,000 a week with performance sustaining nicely during our first full year in the market. And our two Chihuahua restaurants in Mexico, while still early, are performing better than expected. Bringing new franchisees into Jack in the Box has been a major focus for our team since the beginning. And we are seeing that focus pay-off. We have added 22 new franchisees to the system, the most in our brand's history. We are thrilled to have these new operators join Jack during this key moment for our long-term growth story, which is currently ahead of schedule.

While it's still early in our reimage program, we have committed \$50 million on a multi-year basis to support the over 1,100 requests for remodels we have received and we are beginning to see some progress. We have now completed 17 of our industrial reimages with 67 in the design and permitting stage and the future of our reimage platform, the Crave design now has 377 sites approved to participate in our capital incentive program. This is a great start and we look forward to providing more updates in the future, including performance from these restaurants, which have historically ran around a 15% same-store sales lift.

Our margin improvement initiatives continue to roll out and we believe both our franchisee and company owned restaurant level margins will improve. We are also in the process of finalizing our beverage provider contract and believe the new equipment will improve product quality and definitely generate significant cost savings that will benefit restaurant level margins. These initiatives which include oil management, inventory management and continued equipment implementation will continue to help offset AB1228 and other cost pressures we are facing.

In 2025, we will update our organizational structure to be more focused on the guest and their experience with a back to basic operational approach through a frictionless digital pickup experience. Our guests expect and we will deliver better speed and accuracy at the drive through. And we will absolutely have an obsession to reduce guest alerts, especially on these digital orders. We believe all of this will lead to a better overall guest satisfaction. And when you couple this with our great tasting food, and all day, every day menu variety, it will make the future Jack experience more valuable for our guests.

Now, I want to turn to Del Taco. The leadership team there is making progress to transform this business and that's helped by our first brand research study and guest segmentation work in seven years. We will be enhancing the median marketing calendar that aligns to this segmentation work. We will focus on rebuilding the innovation pipeline to support a barbell offering to meet the demands of both the value and premium guests.

Very, very excited to report that our new menu initiative launched system wide yesterday. After a successful test demonstrating improved speed, positive feedback from operators and improvements to top and bottom line performance, we look forward to reporting on how this performs throughout the remainder of the year and beyond. The team is working hard towards positioning this brand to compete for the long-term and grab share from the number one player.

I've been part of many brand transformation projects in my career and this takes time. But I can see the progress being made. For example, our transactions saw sequential improvement for the first time in several quarters demonstrating that our focus on value may be starting to take shape.

I'm optimistic that we will begin to see fundamental improvements in 2025 led by an improved innovation and media calendar, expanding the rollout of freestanding kiosks with 63 now installed and 300 additional planned by the end of 2025 where we have seen a 15% to 20% average check lift from kiosk orders. We will add catering representing a brand new ordering occasion and currently something we have under test.

We will evolve the Del Yeah! Rewards Program. And we will focus on scalable cost and margin saving initiatives similar to those up and running at Jack in the Box that will dramatically help the bottom line. I'd also like to note our progress on making Del Taco an asset-light business as we are now at 80% franchised. Our new Del franchisees are very excited about what the future holds, now operating within a category that represents incredible opportunity to grow and gain share.

In closing, I'd like to take this opportunity to thank Brian for his time with Jack in the Box and wish him well on his return to his former company and industry. And I'd also like to thank Dawn Hooper, for stepping up once again to serve as Interim CFO between now and Lance's start in mid-January. I anticipate 2025 to be an outstanding year of progress towards achieving our ambitions and delivering sustained long-term value for our shareholders.

I'll take this moment now to turn the call over to Brian.

Brian Scott

Thanks, Darin, and good afternoon, everyone. I'll begin by reviewing the results of our two brands individually and then, we'll provide details on our 2024 consolidated performance and 2025 guidance.

Beginning with Jack in the Box, our fourth quarter system same-store sales declined 2.1% with franchise comps lower by 2% and company owned comps down 2.2%. This result included a decrease in transactions and negative mix partially offset by a 4.8% increase in price. We continue to drive increases in mobile and delivery channels and are excited by the early signs from our kiosk tests at both brands, which will ultimately help drive higher average ticket and restaurant efficiencies. Our ongoing investments in technology and marketing are paying off as we work towards achieving our ambition of 20% of sales through digital channels.

Turning to restaurant count, we opened 16 restaurants in the quarter. For the full year, there were 30 Jack restaurant openings, the highest number in over a decade, along with 25 closures, resulting in Jack delivering positive net restaurant growth for the year. We ended the year with 2,191 restaurants. Our development pipeline continues to grow and we are tracking well for another step up in openings in 2025. An exciting example of expanding pipeline includes our recently announced deals in Chicago and Detroit, which Darin mentioned earlier.

Jack restaurant level margin for the quarter decreased year-over-year by 220 basis points to 18.5%. The margin decrease was mainly driven by the lower same-store sales during a period of increases in wages from California's new minimum wage law along with certain other restaurant level cost increases. Food and packaging costs as a percentage of company owned sales declined 50 basis points to 30.3%, driven by price increases exceeding an approximately 2% increase in commodity inflation and an unfavorable sales mix change.

Labor cost as a percentage of company owned sales increased 180 basis points to 32.7%, primarily due to wage inflation of over 14% from implementing AB1228, along with negative sales leverage. Occupancy and other operating costs as a percentage of company owned sales increased 100 basis points to 18.6%. Franchise level margin was \$70.9 million or 40.4% of franchise revenues compared to \$71.1 million or 39.9% a year ago. The dollar decrease was driven by lower franchise same-store sales and lower early termination fees, partly offset by lower IT support costs and higher franchise lease termination income.

For Del Taco, system same-store sales declined 3.9%, consisting of company owned comps down 3% and franchise comps down 4.2%. This decline was driven by a decrease in transactions and an unfavorable mix, partially offset by an 8.2% price increase. For the full year, there were 14 restaurant openings and 12 restaurant closures. Del Taco ended the year with a restaurant count of 594. Del Taco restaurant level margin was 9.3% compared to 14.8% in the prior year. This decrease was primarily driven by transaction declines, inflationary increases in wages and other restaurant operating costs, partially offset by menu price increases and a change in restaurant mix.

Food and packaging costs decreased 200 basis points to 25.2%, due primarily to price increases more than offsetting about 2% commodity inflation. Labor costs increased 430 basis points to 39%, primarily due to approximately 16% wage inflation driven by the new California minimum wage regulation. Occupancy and other costs increased 320 basis points to 26.5%, driven primarily by higher utilities, maintenance and IT costs.

Franchise level margin was \$6 million or 26.5% of franchise revenues compared to \$6.3 million or 32.5% in the prior year. The dollar decrease was driven by higher IT expenses, partially offset by increased royalties from refranchising transactions. The margin percentage declined primarily from the additional refranchising and the impact of the pass-through rent and marketing fees.

Moving to our consolidated results. SG&A for the fourth quarter was \$30 million or 8.6% of revenues as compared to \$43.7 million or 11.7% a year ago. The biggest drivers of the decrease were a \$6 million benefit from current year gains on the cash surrender value of our company owned life insurance policies and \$3 million lower incentive based compensation as well as decreases in legal, share based compensation and other operating expenses.

Excluding the net COLI gains along with company-owned marketing expenses, G&A was \$26.6 million or 2.2% of total systemwide sales. Consolidated adjusted EBITDA was \$65.5 million, down from \$68.4 million in the prior year due primarily to the impacts from Del Taco refranchising and the decrease in sales partially offset by the lower G&A. GAAP diluted earnings per share was \$1.12 for the quarter compared to \$1.08 in the prior year.

Operating earnings per share, which includes certain adjustments was \$1.16 for the quarter versus \$1.10 in the prior year. Our effective tax rate for the quarter was 29.2%, compared to 33.1% in the prior year quarter. The effective tax rate for such periods differed from the statutory tax rate, primarily due to the impact of non-deductible goodwill related to the sale of company operated restaurants, partially offset by non-taxable COLI gains in both fiscal years.

The non-GAAP operating EPS tax rate was 28.1% for the fourth quarter and 27.2% for the full fiscal year. Cash flow from operations for the quarter were \$29.6 million and for the full-year was \$68.8 million. The full-year operating cash-flow was muted in-part from \$50 million of fiscal 2023 income tax payments that were deferred into fiscal '24 as well as a \$25 million litigation settlement payment.

Our capital expenditures were \$29.7 million for the quarter and \$115.5 million for the full year and included investments in our technology and digital initiatives, increased development of new company restaurants and remodeling of existing restaurants. Our capital allocation plan continues to focus first on investing in our long-term strategy including our restaurant growth and technology initiatives, while also returning cash to shareholders through dividends and selective share repurchases.

Accordingly, on November 14, our Board of Directors declared a cash dividend of \$0.44 per share to be paid on December 30. And during Q4, we repurchased approximately 300,000 shares for \$15 million. For the full year, we repurchased approximately 1.1 million shares for \$70 million. As of year-end, we had \$180 million remaining under our Board authorized share repurchase program. We ended the year with an unrestricted cash balance of \$24.7 million. We also had available borrowing capacity of \$169.5 million. Our total debt year-end was \$1.8 billion with our net-debt to adjusted EBITDA leverage ratio at 5.3 times.

Lastly, I'll cover our current outlook for 2025. On a consolidated basis, we are expecting the following. Capital expenditures of \$105 million to \$115 million, SG&A expenses of \$160 million to \$170 million, depreciation and amortization of \$58 million to \$60 million, share repurchases of approximately \$20 million, operating EPS tax-rate of approximately 27.5%, adjusted EBITDA of \$288 million to \$303 million, and operating EPS of \$5.05 to \$5.45.

For the Jack in the Box segment, we are expecting the following. Same-store sales of flat to up 1%, 35 to 45 gross restaurant openings, company owned restaurant level margin of 20% to 22% which reflects the full-year impact of AB-1228 wage increases and assumes low-single digit commodity inflation and franchise level margin of 40% to 41%.

For the Del Taco segment, we are expecting the following. Same-store sales approximately flat-to-down 1%, 15 to 20 gross restaurant openings, company-owned restaurant-level margin of 9% to 11% which reflects the full-year impact of AB-1228 wage increases and assumes mid-single-digit commodity inflation and franchise level marks for 25% to 26%.

I would like to provide some additional context regarding our guidance. Part of my final efforts here at Jack included the completion of our 2025 budget and a refresh of our top priorities for the coming year. This process established the framework for our fiscal 2025 guidance and our path from this point towards achieving our long-term ambitions.

Although, we've spoken today about the great progress made last year across multiple strategic initiatives, we also faced some near-term industry headwinds that shaped our expectations for next year. And while we are encouraged by the improved sales trends at Jack to start the year, it is early and our full year sales guidance reflects some near-term gross margin pressures.

This includes about \$15 million of additional expense annualizing the impact of California's new minimum wage law. We are also expecting a more historically normalized commodity inflation after experiencing net deflation for our combined brands in fiscal 2024 along with increased utility costs this year and realizing the full year impact from Del Taco refranchising transactions.

On the G&A front, we are proud of the efficiency gains achieved for the Del Taco integration and our ongoing process improvement initiatives. However, G&A is expected to be higher in fiscal 2025 as we lap our prior year \$4 million actuarial reserve benefits and reset our incentive compensation accruals to Target as well as having increased pre-opening costs for our company-owned restaurants opening in 2025.

We remain confident that our investments in digital, new market expansion, restaurant technology, operational improvements and our uniquely craveable menus will drive positive same-store sales over time along with higher incremental level of profitability. This team has made tremendous progress over the last several years that set the foundation for delivering consistent and meaningful long-term shareholder value.

Before we open up the call for questions, I would like to take a moment to express my appreciation of Darin and the entire Jack in the Box team for my time here. The passion and dedication to our brands bleed throughout this organization and I'm excited to watch the company's continued growth and success in the coming years.

And with that, operator, please feel free to open the line for Q&A.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] We'll go first to Lauren Silberman, Deutsche Bank.

Lauren Silberman

Thank you for the question. So I wanted to ask about quarter-to-date. You said it's running up 1%, which is a pretty meaningful acceleration from the fourth quarter. So can you talk about what's driving that acceleration and the extent that you expect those trends to continue as we move through the quarter? Thank you.

Darin Harris

Thanks, Lauren. Yeah. I think what we've seen is we've had a -- our calendar has been aligned to both innovation and value during this time and we've seen, as we said, meaningful improvement to -- coming out of quarter four and into quarter one and we're running at approximately 1% same-store sales growth at Jack. A lot of that has also been, that innovation and premium has been paired with us continuing to lean into digital. As you know, we've rolled-out our new app. We are about to roll out into an Android component of that app as well. And all of these things are working to drive sales in a more meaningful way.

Operator

We'll go to the next question from Brian Mullan, Piper Sandler.

Brian Mullan

Hey. Thank you. Just a question on Del Taco. I just want to ask about the restaurant level margin guide for the year. If we go back to the Investor Day in January, we got to hear a lot from Tom Rose and the opportunity to actually grow these over-time. So I know it's a tough consumer environment and you're dealing with AB1228. So my question is really just do you still feel good about the work that has gone on behind the scenes? Maybe what's the right way to think about a normalized margin in that business and what the path is to get to where you want to be?

Darin Harris

So, Brian, I think the work that we're doing similar to what we did at Jack with financial fundamentals is working and in progress. And I think some of the discipline that Tom has implemented around inventory management and other things has enabled us to run our P&L from a food and packaging standpoint substantially better by almost 2 points than we did in the past. The real challenge has been with AB1228 and the inflation we've had related to it has driven up labor by about 4 -- a little over 4 points.

And then also with electricity in California in some of our restaurants, it's also been driving up the P&L. So the key here is driving top line. And if we drop top -- drive top line, I think the margins come in line and it all flows. And the last thing I would say, with the new menu rollout that we introduced at Investor Day, we're seeing substantial improvement in our business from a top line standpoint and a bottom line standpoint and it is going into the system this week and will be systemwide within the next couple of weeks.

Operator

The next question will come from Sara Senatore, Bank of America.

Katherine Griffin

Hi. Thank you. This is Katherine Griffin on for Sara. We wanted to ask to what extent would you attribute the softer performance in the quarter to the demand backdrop in California versus your own sort of share loss or relative underperformance? Thank you.

Darin Harris

I missed the last part of that question.

Katherine Griffin

No problem. I'll repeat it. Yeah, I just wanted to -- just trying to figure out the -- to what extent was the softer performance in the quarter a function of the broader demand backdrop in California versus your own share loss and relative underperformance?

Darin Harris

Yeah, go ahead.

Brian Scott

Yeah. This is Brian. No. California has actually performed relatively well for us. If you look at our -- the Q4 performance for Jack, it's in line, it's not slightly better. So, we've seen a -- as we talked about even the last quarter, although we did take more price and we had a little more of a traffic impact, the California, it's such a strong market for us, it's actually held up well. So, there's been variation across different regions and some of that is based on what's going on in the consumer behavior in those markets as well as some price take differences with our franchisees.

But overall, the price discipline and the strategy we've had in California is -- it's held up well. So that -- it's not -- it's really more of an industry issue. I think that all the QSRs have faced in the last couple of quarters and we're not immune to that, but overall our performance in California, we've been very pleased with and feel good about it going forward as well.

Darin Harris

And I'd add to what Brian said. We're also seeing the same. Del Taco, California tends to be the best-performing of the regions. And then also as you think about industry-wide, if you measure industry-wide, all cohorts at all income levels are showing less QSR spend and transactions and that also is age, ethnicity, gender and overall demographics and income levels. So, we know that QSR transactions are softer than they've been historically and we anticipate that improving into 2025.

Katherine Griffin

Great. Thank you, both.

Brian Scott

Thank you.

Operator

Your next question is from Brian Bittner, Oppenheimer.

Brian Bittner

Thanks. As it relates to the Jack in the Box brand, it is encouraging to see you continue to make progress on the gross openings and development agreements, but elevation in the closures, they do continue to pressure the net impact of this progress. So, Darin, do you have visibility into the current health of the bottom quintile of stores within that franchise portfolio? And do you have a line-of-sight to these closures subsiding and improving the net impact of the progress you're making on the gross openings?

Darin Harris

Yeah. We continue to see that our closures -- what we saw in Q4 is we went ahead and accelerated some closures with all the openings we were having to get in front of it, especially with the environment we're in. We feel good about the health of the system. If we just look at our financial -- our franchisees financials, they basically held flat when we compare last year to this year. And so we feel good about the overall health of the system. If we think about going-forward closures, we've always suggested on these calls that historical averages somewhere between 16 and 18 a year to 1%, which is more industry norm would be kind of the run rate of closures. So that's what we anticipate going-forward is more of an industry norm.

Brian J. Bittner

Thank you.

Operator

Next up is Gregory Francfort, Guggenheim.

Gregory Francfort

Hey, thanks. Thanks for the question. My question is just on what the CapEx and just the guidance for next year? Brian, can you maybe break-down how much of that is going to go into new stores versus maintenance CapEx versus investment projects? I'm trying to get maybe how elevated that is versus what it could be in a couple of years. Thanks.

Brian Scott

Yeah, no doubt. And you can reference back to the Investor Day presentation as well. There's no -- there's been no real material change in our strategy we've talked about. Our top priority is investing in the strategy that we have. We're seeing it pay off. We mentioned digital. It's -- we're making really good progress in growing our digital mix and that does take investment. And so that as you look at fiscal '25, the technology investments are relatively similar. The -- we're looking at somewhere in the \$40 million to \$45 million range for both digital and restaurant technology and kind of other corporate systems with the biggest components being the kind of rollout of our POS.

And I want to make a comment as well. I think on our prepared remarks, we want to make sure it's clear that we expect to have about 550 stores with the POS implemented by the end of this calendar year. And we'll -- we are targeting to have the whole-system completely on the new point-of-sale by the end of 2025. I think that was -- we might have gotten that little bit wrong in the prepared remarks, just to make sure that's very clear. We're on track with what we've talked about in prior calls, making really good progress, digressing a bit here like -- it's gone really smoothly, the implementation of the POS. So really proud of the teams in that process.

And again, we're on good track to be able to get the whole-system over by the end of next year. And so that work with the point-of-sale implementation as well as just work around digital. We've got the new iOS version of our app, but we've got more work to do on Android, new web interface and then building out a lot of our loyalty. We can drive more personalized messaging to continue to grow our loyalty program. Those all are really critical investments as well as some in-restaurant operational system enhancements. So that's a -- that's pretty much in line with what we've talked about before.

The other step up we've had though in '25 is on the new restaurant openings. We're looking at somewhere by north of \$30 million -- somewhere in the \$30 million to \$40 million range. And that again is aligned to what we shared earlier this year. As we really continue to kind of ramp-up here in some of these new markets like Chicago and soon to be Florida, those are corporate dollars into those new markets. And then the rest is going to cover a variety of things like maintenance stores, REIT and reimages we're doing in the company restaurants.

Darin Harris

Brian, I'm going to miss you being in this room. It's great. You flabbergast me how you can get-in there and remember to say things like the POS and the rollout that we're going to have completed this year and next year.

Brian Scott

Thank you.

Operator

Next up is Alton Stump, Loop Capital.

Alton Stump

Great. Thanks for taking my question. I just wanted to ask on Jack in the Box growth front. Obviously, congrats on the over-decade high openings and office site development deals. I just ask -- given the fact that as you have pointed on this call, it's been a tough overall macro-environment over the last couple of quarters, in particular, has that had any negative impact on the appetite for franchisees to build Jack in the Box units or are they looking a bit longer-term and therefore, it has not impacted their wage bill?

Darin Harris

Yeah. And I'm glad you ask. I mean, we're signing more development agreements than we've ever signed. We're excited about our pipeline. Jack, just to give you an example, we have 18 restaurants under-construction now. We have 54 in design and permitting and 32 approvals for sites. And so our site pipeline is as strong as it's ever been. Again, I think we said this year, we had a 101 development agreements for 464 restaurants in place, 51 of those have opened since we started this process. And so we have a good pipeline. We signed 22 new franchisees.

Our new markets are working. Salt Lake City, we've already opened nine and those are averaging 90,000 in AUV so far. Louisville, the same to open 60K in AUV with eight restaurants coming; Mexico; Chicago. So we think the development pipeline is starting to build the momentum that we had hoped for. I think in our early comments, in my comments, in my script, I mentioned that this year, the 30 openings were the most gross openings since we've had since 2012 and we -- as we've guided to believe we'll accelerate that even into this year in 2025. So, we feel good about what's happening with our development pipeline. Our franchisees are supportive and we'll continue to add more new franchisees to our future.

Operator

The next question is Dennis Geiger, UBS.

Dennis Geiger

Great. Thanks, guys. I wanted to see if you could talk a little bit more about the Taco refranchising and kind of what feedback you've had there, how demand has been? Any kind of updates that you could give on the timeline or milestones as we think about franchise percent levels, obviously seeing good progress, getting good agreements tied to those sales. But just any other update and -- as we look ahead to potential milestones? Thank you.

Darin Harris

Yeah. So with Del Taco, we're at about 80% franchised today and we would call that asset light. We'll continue to rebrand. We have deals and works now for about 13 restaurants. And then what we're going to do is we're going to continue to evaluate how AB1228 has impacted us in topline, how it's being impacted by this kind of restaurant environment.

It's because we want to maintain margin and grow margin and make sure we're getting the valuation for these restaurants that they deserve. And so that's where we're going to hold steady to. We still have good demand. We still have deals that we could execute, but we're in a holding pattern right now just so we can make sure we can recapture some of the margin that has been challenged in the environment we've had.

Dennis Geiger

Makes sense. Thank you.

Operator

We'll go next to Jon Tower of Citi.

Jon Tower

Hey. Thanks for taking the question. I was just curious, Darin, you ran through a lot of the new product news that's come out in fiscal '24 and some more coming in 2025. And I'm just curious how you communicate that message and balance the operations against it and frankly get the best return on the advertising spend, in particular, given all the new food that's out -- all the new food news that's out there. It just seems like there's a lot of activity. And I'm just curious if that's cutting through to the consumer. And then kind of following-up on that, have you offered -- and I apologize if you did on the call, any thoughts around pricing into fiscal '25?

Darin Harris

So as it relates to how we're driving sales and communicating to our guests, I think it goes back to a lot of the great work that our team has done around brand positioning and brand strategy and optimizing our media spend to maximize reach and awareness. And so I think making sure we're hitting the right audience at the right time with the right offer.

And what we found is that we have to -- the deals that are in the marketplace are important to kind of keep your guest base, but we also have to answer both sides of it with the premium and the value at the same time, making sure we're thinking about different offers by daypart and then also leaning into digital aggressively because it is now a channel that is become a regular kind of weekly occasion for most guests. And so we need to make sure we're communicating all the right areas at the right times.

Brian Scott

And I can -- on the price side, but our view right now for Jack for fiscal '25 is around 3% to 4% price and for Del is 5% to 6%. I mean, think about as kind of two parts of that. We've got some -- we have rollover of about 2% on the Jack side. So we're looking at another kind of 1% to 2% price take during the year. And then on the Del side, we're going to roll over about 3% price and then looking at another 2% to 3% price during the year.

Some of that's -- a lot of that is aligned to the new menu that we're rolling out and that has some changes to the pricing that puts it a little bit higher than Jack, but we're predominantly focused on just very strategic price increases on certain items. So, a little more of a normalized environment on the pricing side that's embedded into that same-store sales guidance that we gave.

Jon Tower

Got it. Thanks for taking the questions.

Brian Scott

Sure.

Operator

Logan Reich, RBC Capital Markets is up next.

Logan Reich

Hey, good afternoon. Thanks for taking the question. I had a follow up just on the franchisee profitability side. Obviously, gross openings are encouraging and you guys have faced some headwinds in the business that sort of appear to be turning around. How do you -- how would you characterize franchisee profitability today and sort of outlook on how that's going to trend through next year or 2025?

Darin Harris

I think it comes down to sales growth. I think we've done a good job with the programs we've rolled out and really helping them manage the P&L effectively and efficiently. It really comes down to if we get top-line growth and it will flow. If we look-back, as I mentioned, franchisees currently in the most recent data that we received are running basically flat year-over-year on profitability.

Now with AB1228 continuing into 2025, I'm sure it will impact the P&L somewhat just like it is for us. I mean, we're seeing -- that's a lot of the headwind you see in the guidance that we've provided is, if you annualize AB1228 just on our company restaurants, it's \$15 million of the impact. So it's a large number. So, franchisees in California will definitely feel some of that unless we offset it with more top-line growth and then some of the things we're doing from a cost standpoint.

Brian Scott

And just keep in mind our franchisees are -- many of them are multi-unit owners and they've run at a good level of profitability. So they are able to absorb some of this near-term pressure. And again, we've driven improvement in the margin through a lot of the financial fundamentals. And so they're -- we'll navigate through this. They're aligned with us. And overall, again, since they own multiple locations, they're performing well overall. Again, obviously, everybody is happier when you have top-line sales growth and we're set up for that -- that to flow straight through the bottom-line. But overall, the system is very healthy.

Logan Reich

Great. Thanks.

Operator

The next question is from Alex Slagle, Jefferies.

Alex Slagle

Hey, thanks. You talked about a big focus on digital and improving execution and I think back to the basics approach at Jack in '25. So I was wondering if you could expand on that a little bit, add some color on what you're going to be doing differently.

Darin Harris

Yeah. The main focus is on how do we obsess about improving the guest experience and we're going to structure around that. We're going to make sure that we focus on programs that are scalable and back to the basics specifically around frictionless digital because we know that is where the business is heading. Since 2019, it is the only aspect of the QSR business that has grown.

So we -- as we continue to invest in our digital stack and our Martech stack, we also need to invest at the restaurant-level and how do we make sure that experience is amazing for our guests and then improving the accuracy both in our digital business, but also at the drive-thru. So that will enable us to reduce alerts. It's something that we hear from our guests that we can improve on and we're going to make sure we do that in 2025. So aligned around it in the entire organization.

Brian Scott

And again, that all -- that's all set up by the new app, the enhancements we're going to make to our loyalty program, the new point-of-sale, all of these are kind of the cornerstone of the backbone of everything Darin just described. And again, the teams have done a phenomenal job executing. We're making progress. We're seeing it already in the performance with the growth we saw in first-party in the fourth quarter. That has accelerated into the first part of '25. Again, a lot of it driven by the new app, but the marketing team has also done a really good job of looking at the digital channels and optimizing on them and that's driving incremental transactions on both first and third-party and we expect that to continue through this year.

Alex Slagle

Got it. Thank you.

Operator

Andrew Charles from TD Cowen has the next question.

Andrew Charles

Great. Thanks. Darin, it's good to hear you've seen sales improved to the high end of your 2025 same-store sales guidance range. But with your largest competitor set to release a bazooka of value deals in early calendar 2025, what needs to be done to profitably protect traffic as you anticipate commodity inflation to pick-up?

And Brian, if I could just squeeze in a quick follow-up, can you quantify the impact quarter-to-date from your largest competitors who take the challenges? I just presumably had some benefit for you for the Jack brand. Maybe said differently, did quarter-to-date accelerate after October 22nd?

Darin Harris

So, Andrew, I think the best thing that we can do is always be uniquely Jack and focus on our brand positioning and what makes us different. And we can do that through the means of what we do is all day every day. We lean into our innovation and premium and value and then we do advance our digital capability, which we've been doing. I mean we're having -- we're at about 14% to 16% digital sales today.

We still have plenty of opportunity to grow that because we're behind the industry from an investment standpoint and we're catching-up rapidly and we're seeing that advance our business and we're going to continue to do that. So just as an example, our loyalty users upper -- our growth in loyalty is up to 107%. We know there's opportunity there. So we're going to continue to focus on how do we get better at that business model.

And then the second part of the question, Brian, do you want to talk about what he had asked about McDonald's and...

Brian Scott

Yeah. We were already seeing improvement on the Jack trends before that. So, there's no doubt that everyone gained a little bit of share from their challenges. But like I said, we were fortunate that I think the actions that we took in the back half of '24 were already starting to take hold as we went through the fourth-quarter and that trend was starting to pick up into the first-quarter.

And so I think that -- again, everybody probably gained some, but it's not -- we don't look at that as the primary driver of the better start to the year. I think that's why we are being a little bit cautious to on a full year guide because we don't -- nobody knows exactly what that impact was and how it will impact the industry, but again, we were already encouraged before that happened about the trends we were seeing.

Andrew Charles

Very helpful. Thanks.

Operator

From Goldman Sachs, Christine Cho has the next question.

Christine Cho

Yeah. Thank you for taking the question. So could we talk a little bit more about value? So could you talk about how value mix trended this quarter and how you're thinking about the balance of the promoted value versus everyday value in your menu? Are there any modifications that needs to be made given the changing competitive dynamics and returns on the value promotions?

Darin Harris

Yeah. So as an example, during Q4, our Munchies Under \$4 that we've talked about, it was the first full-quarter in action and we saw about 120 basis points improvement in trends for that value component of our menu. And so we're excited about what the Munchies Under \$4 has done for our business model. It also led to addition to check, which we haven't seen for a period of time and add on. And so we'll continue to focus on growing our Munchies Under \$4 business. And then what we saw with our digital performing offers, our \$5 breakfast and our two for \$3 or two for \$5 really helped us during the quarter.

Operator

Next up is Brian Harbour, Morgan Stanley.

Brian Harbour

Yeah. Thanks. Good afternoon, guys. I had a question about a couple of pieces that just feed into your guidance for next year. Have you assumed any refranchising sort of beyond the 13 that you mentioned? And I don't know if -- are there any G&A savings that you come from that? It seems like maybe not at this point. And then also just kind of what drives the repurchase assumption relative to kind of what you did in '24?

Brian Scott

Yeah. This is Brian. So no, we do not have anything beyond the 13 restaurants that we expect to close here very shortly in the guidance for next year. We've generally not provided that just because it's hard to know magnitude and timing of those. And as Darin mentioned earlier, we will likely won't see too many more this year unless somebody really wants to step-up because we want to make sure we get good value for these high-quality restaurants.

So I think the other, the -- in terms of the share repurchases, again, we are looking at prioritization of our operating cash flow and how we deploy it. And again, the investments we talked about through our CapEx are kind of priority number one. We'll get a good return on those and then we've got our dividend. So we're just really right now just modeling out a very comfortable amount of free-cash flow that we can deploy into repurchases. We'll continue to adjust that during the year. But again, the greatest way we can deliver shareholder value long-term is investing in our strategy. And so that's where we've had to make some trade-off and repurchases to achieve that. But that's exactly aligned with what we've laid out in our strategy this year.

I will add just a couple of other points that we didn't guide on just to make sure everybody is kind of aligned on it. One is the interest expense for the year, we're assuming about \$80 million in the guide. And then the other on the preopening costs, I kind of made a note about pre-openings, which we separate from our traditional SG&A. We were about \$2.5 million in fiscal '24. With the increase in the number of new restaurant openings next year, that number we expect to be closer to \$5 million. So that just helped shape a little bit too as you're looking at your models to align with the guidance that we gave.

Brian Harbour

Thank you.

Operator

Next up we'll hear from Drew North, Baird.

Drew North

Thanks for taking the question. It's a bit of follow up on John's question earlier. Was hoping you could share some of the metrics on the Jack comps performance for Q4. I know you mentioned the perspective on pricing in the prepared remarks, but where did traffic and mix shake out for the quarter? And then the follow up being, how are you thinking about the cadence of traffic embedded in your guidance for 2025? And if there's any notable quarterly volatility to be aware of?

Darin Harris

Trends were flat basically from quarter-to-quarter. Mix increased slightly -- or improved slightly, I should say. And then price was lower than the previous quarter.

Brian Scott

I mean, traffic was down about 5%. Again, it did improve slightly from the third-quarter. But you'll -- you can kind of work your back to it. And again, in next year, we gave some expectations around price for the full-year and so you can -- you've got to work back the difference on that between the price and the same-store sales is going to be a combination of traffic and mix.

Operator

And everyone, that is the last question today. That does conclude our question-and-answer session. That also does conclude our conference. Thank you all for your participation. You may now disconnect.

Darin Harris

Thank you all.

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