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Jack in the Box Inc. ([JACK](#)) Q4 2025 Earnings Call November 19, 2025 5:00 PM EST

Company Participants

Rachel Webb - VP of Finance and Investor Relations

Lance Tucker - CEO & Director

Dawn Hooper - Executive VP & CFO

Ryan Ostrom - Executive VP & Chief Customer & Digital Officer

Conference Call Participants

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

Alexander Slagle - Jefferies LLC, Research Division

Sara Senatore - BofA Securities, Research Division

Jeffrey Bernstein - Barclays Bank PLC, Research Division

Gregory Francfort - Guggenheim Securities, LLC, Research Division

Dennis Geiger - UBS Investment Bank, Research Division

Brian Harbour - Morgan Stanley, Research Division

Andrew Charles - TD Cowen, Research Division

Logan Reich - RBC Capital Markets, Research Division

James Sanderson - Northcoast Research Partners, LLC

Jake Bartlett - Truist Securities, Inc., Research Division

Presentation

Operator

Thank you for standing by. My name is Tina, and I will be your conference operator today. At this time, I would like to welcome everyone to the Jack in the Box Fourth Quarter Fiscal Year Earnings call. [Operator Instructions] It is now my pleasure to turn the call over to Rachel Webb, Vice President of Investor Relations. Please go ahead.

Rachel Webb

VP of Finance and Investor Relations

Thanks, operator, and good afternoon, everyone. We appreciate you joining today's conference call, highlighting results from our fourth quarter and fiscal year 2025. With me today are Chief Executive Officer, Lance Tucker; our Chief Financial Officer, Dawn Hooper; and our Chief Customer and Digital Officer, Ryan Ostrom. Following their prepared remarks, we will be happy to take questions from our covering sell-side analysts.

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

We will also be making forward-looking statements based on current information and judgments that reflect management's outlook for the future. However, actual results may differ materially from these expectations because of business risks. We, therefore, consider the safe harbor statement in the earnings release and the cautionary statements in our most recent 10-K to be part of our discussion. 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 available on our Investor Relations website.

Additionally, the company intends to file a proxy statement and related materials with the SEC in connection with the 2026 Annual Meeting of Stockholders. Our directors and certain officers will be participants in the solicitation of proxies in connection with the annual meeting. Stockholders are encouraged to read the proxy statement and related materials when they become available as they will contain important information, including the identity of the participants and their direct or indirect interest by security holdings or otherwise.

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

Lance Tucker
CEO & Director

Thanks, Rachel, and I appreciate everyone joining us today. I want to begin by thanking our teams, our franchisees and our shareholders. Fiscal 2025 was an eventful year for Jack in the Box, and I continue to be inspired by our stakeholders' passion and support for the efforts we're making to unlock the company's long-term potential. As we approach our 75th anniversary, we're committed to improving performance today while laying the foundation for sustained shareholder value over the next 75 years.

Throughout today's prepared remarks, I'll provide an update on our JACK on Track plan, the current state of the business and the actions we are taking to restore momentum at Jack in the Box and position the company for sustainable growth. I'll then turn it over to Dawn for a deeper dive into fourth quarter results, our 2026 outlook, along with how to think about the stand-alone Jack in the Box model going forward.

When we announced JACK on Track back in April, one of our key goals was to simplify the business and sharpen our investment thesis. I'm pleased with the progress we have made so far. As you saw in October, we announced the pending divestiture of Del Taco. This is a meaningful step that, when complete, will allow us to fully recenter our attention on strengthening the Jack in the Box brand and executing the remaining elements of our JACK on Track plan. I want to thank the Del Taco team for their partnership throughout this transition.

We've also made good progress on our closure program and have numerous real estate transactions in process, so these key components of the JACK on Track program are also progressing as expected. While we're pleased with our progress on our JACK on Track initiatives, we are clearly not satisfied with our 2025 operating performance, and we are rebuilding our operational discipline to drive growth and shareholder value in 2026 and well beyond. I'll speak more to this shortly.

Now turning to our fourth quarter results. Our fourth quarter was really a story of 2 halves. The first few weeks of the quarter started off rocky, as I alluded to on our last conference call. Our value equation was not resonating and lacked enough price point value, and we moved swiftly to address it with more demonstrable value later in the quarter. Coming out of August, we adapted quickly and implemented a true barbell promotional strategy. We pivoted media and marketing to feature our \$4.99 Bonus Jack combo, a compelling offer that resonates well with our value-seeking guests.

We also featured our \$5 Smashed Jack in a culturally relevant sporting event that included pulsing digital offers, all of which drove incremental trial of the best burger in QSR. The overall result, transactions improved throughout the quarter as guests opted into our value strategy, though check remained pressured, particularly as we continue to lap significant price increases from last year taken to combat big wage increases. All told, sales trends improved roughly 300 basis points throughout the course of the fourth quarter.

As we've moved into the first quarter, our barbell strategy continues, and we largely maintained similar performance to what we saw at the end of Q4. Though like many brands, we've recently seen a few weeks of downward pressure tied to the effects of the government shutdown as well as lapping several weeks of our own stronger results from last year. Beyond the promotions we ran in Q4, we've made several changes to our menu to improve everyday value. In early October, we rightsized pricing on 3 of our signature combos, making them more affordable for our guests. We've also increased our cup sizes on small combos.

While we know these changes won't improve results overnight, we are taking necessary steps to enhance how we improve our value perception, and we will continue refining our menu strategy. Over the past few months, we've pulled several levers to drive improvement, but there's still significant progress to be made. Our category is more competitive than ever, and consumers are very careful about where they spend. We are committed to a strategy grounded in driving value for guests while protecting profitability for ourselves and our franchisees, whether through boosting check or driving cost efficiency.

We also know the entire guest experience plays into the value perception, not just promotion or price. As we build the foundation for Jack's Way, we are focused on consistency, consistency across our operations, our food quality and an elevated overall experience for the guests.

First, we are making strides in operational excellence. We identified a critical gap in our field support and restructure our field teams to spend more than twice as much time in restaurants. This helps provide more real-time coaching to our team members and hold restaurants more accountable while also rewarding top performers. In the near term, we are retraining the entire system with a disciplined focus on getting back to basics. It isn't glamorous, but it is essential. And we have already received great feedback from our franchisees and employees on these efforts.

Second, doing things Jack's Way also means serving high-quality food and leading the way with innovation. Our priority is clear. We need to serve hotter, juicer burgers with greater consistency across the system. So we've challenged ourselves to rethink how we deliver starting with the fundamentals, cooking procedures, ingredients and training. Shannon McKinney is doing a great job driving rapid improvement in our ops fundamentals.

We've also reinvested in culinary innovation and welcomed our new executive chef, Ciaran Duffy, to lead the effort. He has already shared concepts that we believe will elevate both quality and craveability for our guests. As we celebrate Jack's 75th anniversary and bring back some of our customer fan favorites for a limited time, we will be ramping up our innovation and quality improvements that position us to exit 2026 in a much stronger place than we entered.

The final component of Jack's Way is modernizing our restaurants. We continue to work through the tenets of a comprehensive reimage program, and we'll keep you updated on our progress. Meanwhile, we are currently testing a proof of concept on a handful of restaurants with a mini refresh that can be executed quickly while generating modest uplift for the brand, so we can get some immediate learnings.

We know all of these things must work in tandem, the right menu, the right level of service and a welcome environment and an overall experience that meets the customers' expectations. As you can probably tell, but to put a little finer point on it, 2026 will very much be a rebuilding year.

Looking ahead to the next 12 months, here's what I expect Jack in the Box to achieve. First and foremost, expect same-store sales for Jack in the Box brand to return to positive as we utilize our barbell promotional approach throughout the year, enhance our operations and improve the overall guest experience. Second, I expect the Del Taco divestiture and associated TSA will be fully completed, and we will be well on our way to rightsizing the organization as a stand-alone Jack in the Box brand. Third, our restaurant base will be substantially cleaned up with the closure of many of our underperforming restaurants behind us. Sales transfer from closed restaurants will benefit our remaining restaurants and profitability will be improved. Fourth, later in the year, I expect us to begin actively executing a reimage program that will ultimately impact the majority of our restaurants, driving even stronger volumes and generating more guest excitement around the brand. And finally, we will have made significant progress in paying down our debt with a market improvement and reducing our overall debt levels.

As you can tell, there is real work ahead, but we have the right plan in place and the right leadership focus to execute our plans in the coming months. And while 2025 was a challenging year, Jack in the Box remains in a position of strength with AUVs approaching \$2 million, a resilient and dedicated franchise base and core brand equities to leverage as we work to restore momentum.

You can continue to expect transparency from us on progress as we're building towards long-term sustainable growth. We expect to exit 2026 as a stronger, more disciplined and more valuable Jack in the Box, positioned to drive sustained profitability and create long-term shareholder value.

I will now turn the call over to Dawn to dive deeper into fourth quarter results and specifics around 2026 guidance.

Dawn Hooper

Executive VP & CFO

Thanks, Lance, and good afternoon, everyone. I'll start by reviewing the results of the 2 brands individually and then will provide details on our fourth quarter 2025 consolidated performance and 2026 guidance.

Beginning with Jack in the Box, our fourth quarter system same-store sales declined 7.4%, with franchise same-store sales decreasing 7.6% and company-owned same-store sales down 5.3%. This result included a decrease in transactions and negative mix, partially offset by a 2.4% increase in price. As Lance mentioned, we did see improvement throughout the quarter ending Q4 roughly 300 basis points stronger than we started the quarter.

Turning to restaurant count. For the fourth quarter, there were 15 Jack restaurant openings and 47 closures, and we ended the year with 2,136 restaurants. Jack restaurant level margin for the quarter decreased year-over-year by 240 basis points to 16.1%. The margin decrease was driven by sales deleverage, commodity inflation of 6.9% and elevated labor costs as a result of opening 8 new restaurants in Chicago.

Food and packaging costs as a percentage of company-owned sales remained flat at 30.3% as a result of favorable funding from our new beverage contract as well as price increases offset by commodity inflation and negative mix as consumers shifted into price-pointed promotions, as Lance mentioned. From a commodity standpoint, our largest inflationary category was beef, consistent with industry trends.

Labor costs as a percentage of company-owned sales increased 100 basis points to 33.7%, primarily due to the elevated labor at our new restaurant openings in Chicago, partially offset by a reversal of additional FUTA taxes in California.

Jack in the Box opened 8 restaurants within 12 weeks in Chicago, which was 1 of the fastest new market openings we've completed in recent history. We are seeing excitement from customers around these openings, but there was a significant impact to our P&L for the quarter. The Chicago market had a negative 130 basis point drag on our overall company restaurant level margin.

We are taking swift actions to improve the margin compression driven by this market. While volumes remain strong, with annual unit volumes projected to exceed \$2 million, labor costs were elevated this quarter as we staffed up the market to ensure first-time guests received the best possible experience.

Occupancy and other operating costs as a percentage of company-owned sales increased 130 basis points to 19.9%, primarily due to higher costs for rent, security and third-party delivery fees. Franchise-level margin was \$62.6 million or 38.9% of franchise revenues compared to \$70.9 million or 40.4% a year ago. The decrease was driven by lower franchise same-store sales and lapping \$2.6 million of nonrecurring lease termination revenue from franchisees, partially offset by higher early termination fees collected in connection with our closure program.

For a quick update on JACK on Track, I'll start with the restaurant block closure program. In Q4, we closed 38 restaurants under this initiative, all of which were franchise locations.

Turning to real estate activity. We sold 3 real estate properties during the quarter, generating \$4.8 million in proceeds, which will be used to pay down debt. We also continue to reduce capital expenditures sequentially as we remain focused on disciplined capital allocation.

And lastly, as announced in October, we entered into a material agreement to sell Del Taco. Overall, we are making progress on our JACK on Track plan every quarter.

Now taking a look at Del Taco results. For Del Taco, system same-store sales declined 3.9%, consisting of company-owned same-store sales down 3.1% and franchise same-store sales down 4.2%. This decline was driven by a decrease in transactions and an unfavorable mix, partially offset by a 2.8% increase in price. For the fourth quarter, there were 4 restaurant openings and 13 restaurant closures. Del Taco ended the year with a restaurant count of 576 locations.

Del Taco restaurant level margin was 6.8% as compared to 9.3% in the prior year. This decrease was primarily driven by the impact of opening 17 locations in Colorado, transaction declines, inflationary increases in commodities slightly offset by menu price increases. Food and packaging costs increased 260 basis points to 27.8% due to unfavorable mix and commodity inflation of 5.1%.

Labor costs remained flat at 39% as elevated labor costs from the reopening of 17 locations in Colorado was offset by a reversal of additional FUTA taxes in California. Occupancy and other costs decreased 10 basis points to 26.4%, driven primarily by favorable utilities.

Franchise level margin was \$6.8 million or 30% of franchise revenues compared to \$6 million or 26.5% in the prior year. The increase was driven by a lease buyout transaction and early termination penalties partially offset by lower sales and higher bad debt expense.

Moving to our consolidated results. SG&A for the fourth quarter was \$36.6 million or 11.2% of revenues as compared to \$30 million or 8.6% a year ago. The increase was primarily driven by the \$5.5 million incremental advertising contribution we made during the quarter, higher information technology costs, the rollover of favorable insurance claim development factors from the prior year and a decrease in COLI gains. These impacts were partially offset by lower share-based compensation and reduced incentive compensation tied to performance. Excluding the net COLI gains, along with company-owned marketing expenses, G&A was \$27 million or 2.4% of total system-wide sales.

For the quarter, we spent approximately \$3.9 million in preopening costs. The majority of this investment supported new restaurant openings in Chicago for the Jack in the Box brand, with the remainder related to reopening the Colorado market for the Del Taco brand.

Consolidated adjusted EBITDA was \$45.6 million, down from \$65.5 million in the prior year due primarily to lower same-store sales at both brands. For the full year adjusted EBITDA was \$270.9 million, inside of our revised guidance range. GAAP diluted earnings per share was \$0.30 for the quarter compared to \$1.12 in the prior year. Operating earnings per share, which includes certain adjustments, was \$0.30 for the quarter versus \$1.16 in the prior year.

Our effective tax rate for the fourth quarter was negative 30.4% compared to 29.2% in the prior year quarter. The negative rate this quarter was primarily driven by incremental nontaxable gains from the market performance of insurance products used to fund certain nonqualified retirement plans along with favorable state audit accruals recorded during the period.

The non-GAAP operating EPS tax rate for the fourth quarter of 2025 was 11.9% and was 25.4% for the full fiscal year. The lower non-GAAP operating EPS tax rate for the fourth quarter was primarily due to favorable state audit accruals recorded in the quarter.

Capital expenditures were \$17.9 million for the quarter. Cash flows from operations for the quarter were \$33.7 million, and cash flows from operations for the full fiscal year was \$162.3 million.

We did not repurchase any shares in the fourth quarter. For the full year, we repurchased 0.1 million shares for \$5 million. As of year-end, we had \$175 million remaining under our Board-authorized share repurchase program. We ended the year with an unrestricted cash balance of \$51.5 million. We also had available borrowing capacity of \$96.8 million. Our total debt at year-end was \$1.7 billion with our net debt to adjusted EBITDA leverage ratio at 6x.

As we look to 2026, we want to share the stand-alone Jack business model. Del Taco results will be reflected in discontinued operations in our Q1 2026 financial statements, pending successful close of the sale, which we expect to occur within Q1. Upon close, we will be required to file pro forma financials presenting a 3-year look back of what our results would have been without Del Taco. After this, we plan to host a call with our analyst community to walk through the stand-alone model and assumptions in more detail.

Before getting into specifics, I do want to reiterate the primary source of uncertainty in our 2026 outlook, the timing of our JACK on Track initiative. Restaurant closures may shift based on factors such as franchisee readiness, lease dynamics and market conditions. Similarly, while we do expect real estate proceeds during 2026, the exact timing of those transactions will depend on market conditions and our pace alongside our debt paydown plan.

Both of these add a level of variability to our sales, restaurant counts and franchise level margin estimates for the year and thus impact our overall adjusted EBITDA expectations. Please know our guidance reflects our current best assumptions. We will provide more color on this throughout the year as our assumptions update.

Now to specific guidance. We expect to end fiscal 2026 between 2,050 restaurants to 2,100 restaurants. We expect same-store sales of negative 1% to positive 1% versus the prior year. Please keep in mind, as you model company sales, that you factor in our new market of Chicago, which will not be included in same-store sales but are expected to have AUVs above \$2 million.

We expect company restaurant level margin of 17% to 18%. This includes mid-single-digit commodity inflation largely driven by beef. Keep in mind, we are also rolling over a favorable beverage contract benefit from 2025. Restaurant level margin guidance also includes low single-digit wage inflation and our expectation for continued margin compression in the first quarter driven by our Chicago market.

We expect franchise level margin of \$275 million to \$290 million. Franchise level margin is the most impacted area on the P&L from JACK on Track through both closures and real estate sales. Like we mentioned on our last call, we expect a negative impact to franchise level margin of approximately \$80,000 per closure. With a closure range of 60 to 100, this equates to roughly \$4.8 million to \$8 million on an annualized basis. As a reminder, franchise level margin also had a benefit in fiscal 2025 of \$5.2 million tied to rent spread monetization transactions with franchisees related to right of first refusals.

We expect SG&A expenses of \$125 million to \$135 million. Accounting for roughly \$31 million in Del Taco-specific G&A and advertising as well as impact of incremental Jack in the Box marketing spend, COLI gains, favorable share-based compensation and lower incentive compensation in 2025, a comparable SG&A figure for fiscal 2025 is \$134 million. For fiscal 2026, G&A, excluding selling and advertising, is expected to be approximately 2.5% of system-wide sales. We expect this to remain elevated for the first half of the year and then improve into the back half as we restructure following the sale of Del Taco.

Similar to prior divestitures, we will enter into a transition services agreement, or TSA, and we expect income to offset some of our G&A as part of that agreement. This guidance does not reflect that benefit, and we will share more as we learn the total TSA amount and timing. We expect preopening costs of less than \$0.5 million and depreciation and amortization of \$45 million to \$50 million.

Adjusted EBITDA for the full year is expected to be \$225 million to \$240 million. And finally, as part of the JACK on Track plan, we expect to pay down \$263 million in debt by retiring the August 2026 tranche of our securitization with proceeds from the Del Taco divestiture, cash on hand, proceeds from real estate sales and potentially borrowings on our VFN to preserve flexibility.

We recognize that rebuilding takes time, and 2026 is about executing against JACK on Track and restoring momentum for the Jack in the Box brand. You have our commitment to transparency and to maintaining financial rigor as we make decisions that impact our guests, employees, franchisees and shareholders. We look forward to speaking with you again in February as we release first quarter results.

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

Question-and-Answer Session

Operator

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

Brian Bittner

Oppenheimer & Co. Inc., Research Division

Just as it relates to your '26 guidance for same-store sales down 1% to up 1%, you talked about how you anticipate comps to remain pressured in 1Q and then sequentially improve. Can you first talk about what are the main drivers of this improvement throughout the year? Is it comparison-driven or something else? And maybe you could help us understand how you are thinking about the shape of the recovery in '26, maybe first half versus second half so we can get -- all get on the same page with that.

Lance Tucker

CEO & Director

Brian, it's Lance. So first of all, we do expect the first quarter to be soft, as we've mentioned, and you guys see credit card data probably just like we do, so you're already aware of that. As we get into the second quarter, though, which for us begins in kind of mid-January, we'll be entering our 75th anniversary, where we have a number of pretty exciting things going on relative to ads and innovation and bringing back some old customer favorites.

We'll also -- we will have some softer compares, particularly as you get into the second half of the year, that will contribute as well. And then there are a number of kind of other things that we're doing. We'll be obviously working on the value equation and continuing to make sure that we've got the barbell strategy correct. We expect to continue to see sales benefit as we continue to improve on the operations side. Tech modernization, as you guys know, we've put a lot of time into tech modernization. It is ongoing, and I think it will build throughout the year and help us a little bit.

And then we do have, again, some interesting innovation coming. We have a new chef, a restructured kind of innovation team and structure that we think is going to drive some interesting things. So we have a lot of things that we're excited about as we go into 2026, but it's more calendar '26 comment than it is necessarily here in the first quarter.

Brian Bittner

Oppenheimer & Co. Inc., Research Division

Okay. And just a quick follow-up is on the EBITDA guidance. I think you guys said the biggest wild card there is just as it relates to JACK on Track plan and as you execute against that. What's the assumption in the current EBITDA guidance? Is it for no real estate sales? And no block closures as of now? And then as those happen, that impacts the EBITDA relative to this initial guidance? Or how would you frame that dynamic up for us?

Lance Tucker

CEO & Director

No, we have block closures built in, first of all, to start with that piece. I'll let Dawn give you the exact number, but I believe looks like we've said 60 to 100 in total '26 closures. So that does include the closure program, as you would expect when you see that number.

And on the real estate sales side, we do have real estate sales. I think there -- we're a little bit limited in how fast we can go on the real estate sales because of the dynamics of how we're able to pay the debt back within the securitization, but there is between \$50 million and \$70 million of real estate sales built into that guidance number.

Dawn Hooper

Executive VP & CFO

That's right.

Operator

Your next question comes from the line of Alex Slagle with Jefferies.

Alexander Slagle

Jefferies LLC, Research Division

First, I just wanted to clarify on Brian's question and the commentary around the first quarter same-store sales trends. It sounds like a modest improvement versus the reported fiscal 4Q just given the cadence you talked about but then I guess some degree of slowdown recently. Is that the net-net for the first quarter-to-date? Is it similar to the 4Q? Or has it improved a little bit even after a few weeks of softer trends?

Lance Tucker

CEO & Director

Yes. I'd say we kind of -- as we got into the back half of Q4, we were seeing some improvements. As we entered the first quarter of '26, we maintained and we're probably seeing even a little bit of improvement beyond how we would exit Q4. The last few weeks, as we've not only gone over our own kind of stronger compares but also had some impact from the government shutdown, things have slowed down a little bit. They're normalizing again or beginning to normalize. I don't want to go into a lot more depth than that.

But again, when we kind of made the change to make sure we had some price point value and we've got things kind of at both sides of the barbell, the consumer has reacted better to that than what we were doing before. And I think you'll continue to see us run that playbook.

Alexander Slagle

Jefferies LLC, Research Division

Got it. And the \$5.5 million incremental marketing spend in the fourth quarter, you could kind of talk to if you're happy with the return you saw there and things you maybe do the same or different or if there's an opportunity to do more of that in '26.

Lance Tucker

CEO & Director

Yes. That's a good question. I can tell you -- first, let me kind of tell you where the spend went actually. So we did obviously spend behind our value and digital offers, and primarily that was the Bonus Jack that we brought in kind of at the low end of the barbell. And then we also pretty heavily spent against the \$5 Smashed Jack for about a week within our app. That was actually tied to a sponsorship we had also invested in with part of that money, which was for a culturally relevant sporting event. That was the Crawford-Canelo fight, where we got really a lot of benefit.

So -- and then some of the spend also went to shortfalls. Obviously, our sales fell a little bit shorter where they would in the beginning part of the -- or where we thought they would in the beginning part of the year. And so when you think about that \$5.5 million, think a portion kind of half or a little less was really going to make sure that we shored up our marketing fund and the remainder was incremental. That's the way I think about that.

As far as the benefits we got, we did see improved transactions. We also kind of got the opportunity to introduce a bunch of consumers to the best burger in QSR at a really good price point at \$5, and then we made very significant impressions with 1 of our big demographic groups. So overall, would we consider doing that again? I mean our goal would be that we wouldn't need to do another significant contribution into the marketing fund because we would certainly expect that results are going to be better than what we saw in 2025.

With that said, I am happy with the results. I think Ryan would echo that. And if we needed to do something again, we'll always keep our options open.

Operator

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

Sara Senatore

BofA Securities, Research Division

I guess a follow-up question on the top line outlook and then a question on G&A. So the top line, I know your same-store sales guide is predicated on company-specific initiatives, and it sounds like you're very confident in those. Do you have any kind of underlying macro assumptions that you're making? I mean, we've seen -- I know you've talked about sort of exposure to different income cohorts. Anything that might signal, I guess, a sort of expectation that things improve in sort of the macro backdrop?

And then the G&A guide, I guess, it's flat on an adjusted basis. I just want to make sure I understand that the second half, is that more -- that will be lower. So is that the right run rate that the sort of lower G&A in the second half is actually the right run rate and so perhaps a little bit below that 2.5% of system-wide sales. It's just the first half is more -- you might still have some stranded costs or still be working on restructuring, so as a go-forward basis.

Lance Tucker

CEO & Director

Sara, I'll take the first one, and then I'll ask Dawn to pitch in on the G&A question. But relative to kind of the macro conditions, really, the assumptions we've made are certainly that is not going to going to get any worse but that it's going to remain pretty flat kind of throughout the year. We didn't build in a significant tailwind from anything going on in the environment that would necessarily be a benefit. So the numbers you kind of see are largely a status quo is what I would say. We've seen just the slightest bit of sequential improvement kind of both in the low income cohorts and in the Hispanic cohorts but still a lot of work to do on both, and so not enough that we felt comfortable building any tailwind into that guidance.

Dawn, on the G&A, I'll let you run with that piece.

Dawn Hooper

Executive VP & CFO

Yes. And on the G&A, you're exactly right. As we rightsize the business and we exit the TSA and eliminate those stranded costs, you're going to see Q2 -- the second half of the year come in, in like the 2.3%, 2.4% range, which would be more realistic going forward.

Operator

Your next question is from the line of Jeffrey Bernstein with Barclays.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Great. My first question is just on franchisee sentiment. Lance, you mentioned the category is more competitive than ever, and currently, I know you're running similar to peers, but large negative traffic. Just wondering how those conversations are going as you focus on kind of more singular brand, asset-light model. Maybe what are they asking for? Are they still showing willingness to invest in the JACK on Track plan? Kind of any broader sentiment you can share since you are a, again, a primarily franchise business model and there's lots going on there, but profitability is likely under pressure? And then I had one follow-up.

Lance Tucker
CEO & Director

Sure. And you're right. I mean, when you have a difficult year like we had in 2025, that does, in fact, put pressure on franchisee P&L. What I would tell you is the kind of sentiment and what we're hearing from them. First of all, they want the same things that we want, right? They want sales to be positive just like we do. We want them to be positive tomorrow. And so yes, of course, we hear that, and it's understandable.

When the sales are difficult and the bottom line results are difficult, the conversations are going to get more pointed. But again, that's kind of what you expect. And while they're pointed, they're also respectful. And they also are willing and able to support the team and support the brain, and they're doing everything they can on their side as the primary operators of their restaurants to drive our results.

And so look, we spend a lot of time talking to franchisees. We listen to them. We don't always agree, and I suspect that's the same across most systems. But with that said, we assume their positive intent, and they assume our positive intent. And so we are working together to try to drive the business forward.

As far as investing, I do think, as we get towards the end of the year, and I said this in the prepared remarks, I do want to be rolling out some sort of -- some kind of reimage program. I think we're going to need to do a comprehensive reimage program, and that needs to start sooner rather than later. But as we also mentioned, we are testing kind of a mini reimage that would be much more affordable, get out there very quickly and bring some instant kind of modest benefit to the brand until we get to a point where we can do a broader reimage because franchisees with the financials, where they have been for the last year, will need a little more time before they're going to be in a position probably to reinvest in the brand the way we all want to.

So kind of a long answer to your question but I guess I want to kind of end with 2 things. We do still have nearly a \$2 million overall AUV within our franchise community. And so yes, when you get to some of the smaller franchisees and some of the less well-capitalized franchisees, there are some pressures, and there's pressures across everyone. But it still overall is a pretty reasonable picture.

And then we're actually going to be out, the executive team is in December doing kind of road shows in several markets to talk to franchisees, and they hear what they have to say. And make sure that we're being as transparent with them as we are with you along this call. So a lot of conversations.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Understood. And then just the follow-up, as we look past the transition to a single brand, asset-light model, presumably maybe we're thinking more like fiscal '27. But just as you look out, like what are the reasonable assumptions that you think about for top and bottom line even if it's directional only? I know unit growth gets the most attention because there's often talk about an acceleration in that growth and having a national footprint 1 day. But how do you think about that directional trend over the next number of quarters or years or however you think about it in terms of top and/or bottom line growth for the Jack story?

Lance Tucker

CEO & Director

Sure. Yes. Well, first of all, we'll give long-term guidance once we're a little further into the JACK on Track program. I would -- I'm not going to put an exact time frame on that, but I would tell you, we realize the need to go out and update that long-term guidance sooner rather than later. Obviously, in the meantime, and you kind of referenced this, the unit guidance number that's out there, given the closure program that's going, is a number I wouldn't pay a lot of attention to.

I think as you think about the long-term algorithm, I mean, I think it's not going to be too far off, I don't believe, from what you would expect, which is to say asset-light model, primarily franchise openings, reduced CapEx, moderate G&A by low single-digit comps. We are going to want to get into a growth story on the unit side. That's probably a couple, 3 years away. We'll give better guidance on that when that happens.

And then kind of responsible unit openings with units that have really good overall unit economics. We are driving cost out of the building right now. We need to continue to do that before it makes sense to be out building just a whole lot. So we'll give more firm long-term guidance, as I said here, when we're a little better positioned to do so. But with that said, it's not probably an atypical algorithm than what you would have expected.

Operator

Next question is from the line of Gregory Francfort with Guggenheim.

Gregory Francfort

Guggenheim Securities, LLC, Research Division

I have I guess 2. The first is you made a comment a couple of questions ago about maybe holding off on bigger remodels and doing smaller remodels in the near term. I guess if the stores need larger remodels, why would you do that? And would you consider maybe instead raising equity capital if these are the right things to do from either reimage or your struggling franchisees you need to buy in? Is that something that's on the table here? Then, I have a second question.

Lance Tucker

CEO & Director

No, I would not expect we would be doing an equity raise, so I'll largely put that one to bed. I think we're going to have plenty of franchisees that are able to go full speed ahead with the more comprehensive reimage. But I think we are going to need to have an alternative for those that are not.

So I'll reframe my answer just a little bit and say I do expect at the end of the year to be moving forward with a full on reimage program. But I think we do need to make sure that we've got programs that are attainable for everyone. And as I said, when we were talking about kind of franchise health, I think, by and large, we're going to have a large number that would be able to move ahead and plow ahead. But we are going to need to make sure we have some options that give some relatively modest to median impact while giving the franchisees time to plan for those expenditures going forward.

Gregory Francfort

Guggenheim Securities, LLC, Research Division

Got it. Okay. That's helpful context. And then just the other question I had was on value scores. There's, I guess, a debate in the industry that some of the softness might be just the consumers balking at higher prices for a lot of brands just because labor costs were up a lot. I -- have you seen your value scores more recently change either for the better or for the worse? Just any thoughts on the direction of where that stands and where you want it to be?

Lance Tucker

CEO & Director

Yes, we actually have seen our value scores increase a little bit. And by the way, you're hearing the same thing, I believe, we think and that we all think. I mean there is just an overall feeling that prices are too high out there, though with some of the pivots that Ryan and team made on the marketing side and I think you'll continue to see some improvements in our scores as we move forward given what we have planned for the calendar, which is to make sure that we do have kind of at that more value end of the barbell that we make sure we do have some good choice out there while also having some things at the more premium or [above net] value side as well.

Operator

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

Dennis Geiger*UBS Investment Bank, Research Division*

I wanted to come back to that value topic again. And maybe, Lance, just if anything else, it's great to see the value scores are improving some. Could you share sort of where maybe value incidence was in the quarter or if it had been improving through the quarter? As you mentioned, sort of value was driving some improvement in the trends.

And then I'm sure you don't want to give too much away. But as it relates to next year, maybe where are some of the biggest gaps? Clearly, the barbell approach but some of the biggest opportunities from a value perspective in '26, is there anything to share a high level there?

Lance Tucker*CEO & Director*

Yes. So we don't typically share the absolute kind of value scores. I can tell you, particularly as we got into the second half of Q4, though, it was sloped upwards. I don't want to get into a whole lot more detail than that. And then as for next year, I think from my perspective, and I'll ask Ryan to jump in here when I'm finished, if he has anything to add, but I think the biggest thing we need to do is be consistent with value and make sure that we have something at the -- at kind of both sides of the barbell that we try to play in so that the consumer always knows, hey, I can go get some price point of value if I need to. That is not the place where we want to build all our sales. It's not the place where we want to drive the business. But we do recognize that we've got to consistently be there with some fresh innovation and some -- frankly, some good value literally every window, every week.

Ryan, am I missing anything?

Ryan Ostrom*Executive VP & Chief Customer & Digital Officer*

Yes, that's correct. It's making sure we have that consistent bottom bell part of the barbell strategy on value, and that is something we've kind of missed in a few windows before. So as we're looking at our '26 calendar, we are making sure that consistently shows up in our messaging and marketing.

Dennis Geiger

UBS Investment Bank, Research Division

Terrific. One more then, if I could, maybe just another on remodels or the reimage program. Is there currently a prototype? I know over the years, there have been various prototypes, Lance. It seems like you're still kind of working through what the more comprehensive reimage prototype will be. So I just wanted to confirm that.

And then maybe if there's any context that you provide, looking back historically on -- we've seen that, I believe, some fits and starts as it related to a remodel program. And just looking back relative to the go forward on why going forward, there's going to be strong demand to get this done and what will be different over the coming years maybe than looking back as it relates to getting the reimage done.

Lance Tucker

CEO & Director

Sure. So first of all, yes, we do, in fact, have an image. I mean we still are tinkering a little bit around the edges, but we have reimages, frankly, in process right now. It's not as big a full-scale program, but the kind of the crave package and the reimage packages that we have, we're actually very happy with. The real change from my perspective is making sure that we've got the right contribution coming from the company for those and making sure if there's an aspect or 2, we want to make sure that we're really focused in on that we're getting those done in these reimages.

So there are certain things that if the company is going to put in significant dollars, we want to make sure are present in these reimage packages. And you can imagine what those things would be. They'd look like the drive-through. They'd look like signage. They'd look like some form in all likelihood of a digital menu board, whether a hybrid or a full.

So there's things that we want to make sure focused on the gas and focused on driving sales. They're going to be more important. So we're still thinking with a little bit around that -- with that around the edges. But generally speaking, yes, we do actually have the image, and we're happy with it.

As far as -- there have been fits and starts, and that's actually a good way of saying that. The reality is we haven't done a full on reimage in a number of years. And I think there's -- probably the biggest singular difference that I'm going to tell you that I see going forward is going to be leadership focus. So this is something that we're going to have to focus on and do. It's just been too many years. In all the data we get, it shows up strikingly that we're losing on the appearance of our buildings. And we've kind of gone to the point where we just almost have to do this. So that is why it's an initiative for me. I just, frankly, have to make sure from a company standpoint that we're a little further along in JACK on Track and have the kind of the cash to pay down the debt first, and then we can start with some pretty significant contributions on the company side.

But we're going to drive this as one of our very top priorities, if not, our top priority once we kind of get beyond JACK on Track. And so that is, I think, going to be the primary difference you see versus what you've seen in the past.

Operator

Next question is from Brian Harbour with Morgan Stanley.

Brian Harbour

Morgan Stanley, Research Division

I had just sort of a bigger picture question. What -- in the work you've done, I mean, what is it that you think customers want out of Jack right now? I mean you made the comment yourself that people are very selective, and so I think there's relatively few brands that are kind of taking share in that environment. So what is it that you think would really move the needle with your customers over the next year?

Lance Tucker

CEO & Director

I think when you think about Jack in the Box, one of the things you think about, we've always delivered a solid value, and we've always delivered a lot of innovation and variety. And so I think we're in a unique position to make sure that we can deliver kind of satisfying meals at a good value and some innovative things that you can't find just everywhere. And that's everything from breakfast 24 hours to a lot of our side items like your curly fries or your egg rolls or churros or certainly, Two Tacos, which we're most famous for.

So I think the consumer is looking for that. And I think the consumer is also looking for a little bit better experience from us. And that's where, I think, from an ops improvement standpoint, we can really make inroads quickly. And as I mentioned in my prepared remarks, Shannon and team on the offside, we've done some restructuring. We're going to have people out there training much more than they have been. We're going to have a lot more field presence to make sure that we're delivering on that better ops experience. So a little bit of a long answer to your question, but that's what I think we can deliver.

Brian Harbour

Morgan Stanley, Research Division

Yes, that makes sense. I guess I was going to ask about that, too. I think -- did you pick up like -- is it like a quality perception gap that you think has emerged maybe as a result of some of those inconsistencies? Or what do you think needs to be done better there?

Lance Tucker
CEO & Director

I think there are kind of 2 or 3 things. So to answer your question directly, I don't think our quality perception is as high as we think it should be, and there are steps that we need to take to fix that. So one of them is ops improvement. And again, it's just making sure that we're giving a good, consistent, friendly, what we call joyful experience to the consumer every day. We need to make sure the accuracy is there. We need to make sure that as they're coming through the drive path that the restaurant is clean, that the drive-through looks good. We need to make sure we have the right innovation and all those things kind of wrap into quality perception.

And so yes, we have kind of picked up that we don't think we're getting the credit we think we should. Some of that's self-inflicted. Some of that is just a lot of things that we need to do better, and so that's why you see us focusing on our innovation. That's why you see us focusing on wanting to clean these drive paths up and do some work on the buildings themselves and certainly, why what you see us focus on this, make sure we've got the right ops experience because that's better than any marketing you can do. You get people the right experience to get hot burger, prepared the way they want it in a reasonable amount of time. They're going to come back. It makes Ryan and team's marketing job much easier.

Operator

Your next question is from the line of Andrew Charles with TD Cowen.

Andrew Charles
TD Cowen, Research Division

Dawn, just one housekeeping and then my real question. First, can you comment on what your franchisee store level cash flow was in '25 and the change versus '24? The quick math just looking at company stores is about a 15% decline year-over-year, but hoping you can confirm that's aligned with the system.

And then my real question for Lance or Dawn is what cash-on-cash return are you going to target from the smaller scope remodel. And really, how can franchisees fund these just given the challenged state of industry cash flows?

Dawn Hooper

Executive VP & CFO

Yes. So I'll take the franchise profitability first. We don't disclose that, but it should be in line with what you're seeing on the company side. I wouldn't expect it to be different.

Lance Tucker

CEO & Director

And then on the cash-on-cash returns, I mean, we're talking very modest investments here of under 20,000 -- under 25,000 depending on if you -- depending on what you're doing. So those certainly in the -- even in the context of a difficult year, whether it's for us or anybody in the industry, we're talking very modest kind of investment here, more of a spruce up if you want to think about it that way. And that's the kind of thing you put -- you do it the right way. You put just a little bit of marketing behind it. You would expect low single digits. You're not expecting huge returns on that, but you are expecting kind of a pretty modest return.

Operator

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

Logan Reich

RBC Capital Markets, Research Division

Just on the Jack in the Box company-owned store, same-store sales relative to the franchisee, it looks like company stores are outperforming the franchisee base. Is there anything behind that? It looks like compares got a little bit easier on the company stores, but I'm just wondering if that's a result of some of the operational changes you guys are making and not showing up in the company-owned restaurants first or if there's something else you would attribute the outperformance to.

Lance Tucker*CEO & Director*

I'll start, and I'll let others jump in if there's more to add. But certainly, there was a little bit on the compares. I also think, over time, that the company's pricing probably has looked a little more favorable than franchisees in a lot of ways, meaning franchisees are, generally speaking, taking more price. So our absolute pricing at company restaurants right now is a little bit below many franchisees, not all. But we think given the markets where we have company restaurants head to head with franchisees, that's what we're attributing most of the difference there.

Operator

Next question is from Jim Sanderson with Northcoast Research.

James Sanderson*Northcoast Research Partners, LLC*

Just trying to look more closely at your current performance and the outlook into fiscal '26. Maybe you can provide some learnings on what worked best that generated that sequential 300 basis point improvement in comp, if that was a consumer reaction among any specific income levels, regions, dayparts, any texture on what really worked well relative to the promotions you offered.

Lance Tucker*CEO & Director*

Yes, Jim, I think more than anything else, we really came out of third quarter and started fourth quarter with not quite enough price-pointed value. I mean the biggest singular driver of that move by far was when we pivoted and put dollars behind the Bonus Jack and more price-pointed value.

When you think about geographies, there weren't great differences in geographies. There weren't great differences in the various income or other demographic cohorts for that matter. I think it really was just a matter of we had a lot of abundant value and we thought what we had was good value, and I still believe it was. But it wasn't price pointed. It won't bringing people in as much. So when we made that switch, that's what drove that 300 basis point change.

James Sanderson

Northcoast Research Partners, LLC

Okay. And then just a follow-up on the discussion of kind of long-term outlook and cash on cash returns. How do you see the store margins at Jack in the Box evolving? They're quite a bit lower than they were pre-pandemic. Is there a new normal out there related to store labor and new stores, things like that, that might adjust what we should expect out of the store going forward?

Lance Tucker

CEO & Director

I would expect certainly improvement from what we saw here in the fourth quarter. We opened the Chicago market. We opened 8 restaurants in a span of 8 or 9 weeks and frankly, really kind of overstaffed those. Particularly with it being a brand-new market to us, we wanted to make sure we were providing really good service. So -- and we overstaffed them to a degree. It actually did kind of move the overall consolidated labor number and restaurant labor margins. So -- our restaurant margin rather.

I do think, as we move forward, we're working on our supply chain. We are working on labor initiatives. So I would expect it to improve. I don't have the 2019 or '20 numbers in front of me to tell you it is or isn't a new normal. What I can tell you is I would expect improvement in restaurant level margin, both for us and our franchisees.

Operator

Your final question comes from Jake Bartlett with Truist Securities.

Jake Bartlett

Truist Securities, Inc., Research Division

My first was on Jack in the Box performance versus peers. I think, clearly, you're underperforming, but I'm wondering whether in your core California market, there might just be general pressure and you're not underperforming as much as I might have seen by looking at the national numbers. So if you can frame out how you're performing versus peers and then I have a follow-up.

Lance Tucker

CEO & Director

Yes. I think versus peers, we certainly, as we started fourth quarter, I think we were lagging more, and then we closed that gap as we got towards the end of the fourth quarter. Again, I hate to keep beating a dead horse, but as we adjusted what we were doing a little bit, so I think that we're certainly closing that gap. When I think about California versus the rest of nation, California itself is, I think, a struggle among many, many brands. And so I have a feeling that we would be certainly no worse off in California and probably a little better off than when you compare national to national just given the concentration we have.

Jake Bartlett

Truist Securities, Inc., Research Division

Got it. And then my follow-up was on you mentioned some of the moves you're making to increase affordability and you mentioned lowering or tweaking some of the combo pricing, increasing the size of the drink in the small combo. The question is about the franchisees' willingness to make those moves. Other brands that have done similar things have had to kind of really make some deals with the franchisees and incentivize them to do so, so encouraging that it sounds like they're agreeable to doing something like that. So that's one part of it.

And then the next part is just whether that should continue. Are there other opportunities you see within '26 to meaningfully increase the affordability within the -- maybe even the core offering?

Lance Tucker
CEO & Director

So I would say on the franchisee side, they have, in fact, been willing to make the moves that we've talked about. They were very onboard with the cup change. They were onboard with making sure that we had some price-pointed combos that were in the area they need to be in, in order to make sure that we're staying competitive. So we really did not have to -- it's not that we didn't have discussions and every franchisee is a little bit different. But with that said, by and large, we really didn't have much pushback on that front. So I think I can confidently say they were -- it's not 100% onboard. They were largely onboard most certainly with making those changes. And then what was the second part of your question, Jake, I'm sorry?

Jake Bartlett
Truist Securities, Inc., Research Division

Yes. Just whether you're going to do more of that sort of thing in '26, whether increasing affordability of the core menu is something that you're going to still try to build upon.

Lance Tucker
CEO & Director

I believe that, first of all, something you're always evaluating, you're making sure that you think you're in a relevant price point for the consumer you're trying to reach. I think there's probably some places where we could reduce prices, probably a few places we could take price to. So as we look into '26 and kind of our menu pricing strategy, I think, from my perspective anyway, we'll be looking are there a few more price points we need to have out there that are eye catching, so to speak. But then again, for every one of those, I would expect there's going to be a couple of places that we can smartly take price to where you wouldn't see a huge impact on the P&L.

Operator

I will now hand the call back over to CEO, Lance Tucker, for closing remarks.

Lance Tucker

CEO & Director

All right. Well, thanks, everybody, for your time. We look forward to being in touch with all of you soon. And for those of you we don't speak to, have a wonderful holiday season. Thank you.

Operator

Thank you for joining us today. This does conclude today's conference call. You may now disconnect.

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