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Kura Sushi USA, Inc. (KRUS) Q2 2025 Earnings Call Transcript

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EPS of -\$0.14 **beats by \$0.00** | Revenue of \$64.89M (13.27% Y/Y) **beats by \$23.78K**

Call Start: 17:00 January 1, 0000 5:50 PM ET

Kura Sushi USA, Inc. (NASDAQ:[KRUS](#))

Q2 2025 Earnings Conference Call

April 08, 2025, 5:00 PM ET

Company Participants

Benjamin Porten - Senior Vice President, Investor Relations and System Development

Hajime Uba - President and Chief Executive Officer

Jeff Uttz - Chief Financial Officer

Conference Call Participants

Andrew Charles - TD Cowen

Jeffrey Bernstein - Barclays

Jeremy Hamblin - Craig-Hallum Capital Group

Matt Curtis - William Blair

Mark Smith - Lake Street Capital

John-Paul Wollam - ROTH Capital Partners

Todd Brooks - Benchmark Company

Jim Sanderson - Northcoast Research

Operator

Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome to the Kura Sushi Fiscal Second Quarter 2025 Earnings Conference Call. At this time, all participants have been placed in a listen-only mode and lines will be open for your questions following the presentation. Please note that this call is being recorded.

On the call today, we have Hajime Jimmy Uba, President and Chief Executive Officer; Jeff Uttz, Chief Financial Officer; and Benjamin Porten, Senior Vice President of Investor Relations and System Development.

And now I'd like to turn the call over to Mr. Porten. Thank you. You may begin.

Benjamin Porten

Thank you, operator. Good afternoon, everyone, and thank you all for joining. By now everyone should have access to our fiscal second quarter 2025 earnings release. It can be found at www.kurasushi.com in the Investor Relations section. A copy of the earnings release has also been included in the 8-K we submitted to the SEC.

Before we begin our formal remarks, I need to remind everyone that part of our discussion today will include forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not guarantees of future performance and therefore you should not put undue reliance on them. These statements are also subject to numerous risks and uncertainties that could cause actual results to differ materially from what we expect.

We refer all of you to our SEC filings for a more detailed discussion of the risks that could impact our future operating results and financial condition. Also, during today's call, we will discuss certain non-GAAP financial measures, which we believe can be useful in evaluating our performance. The presentation of this additional information should not be considered in isolation nor as a substitute for results prepared in accordance with GAAP and the reconciliations to comparable GAAP measures are available in our earnings release.

With that out of the way, I would like to turn the call over to Jimmy.

Hajime Uba

Thanks, Ben, and thank you to everyone for joining us today. We had a very productive second quarter making headway on the new market opportunities represented by our success in Bakersfield, building out our IP pipeline, and beginning testing or rollout of several system and projects that have long been in development.

New restaurant openings are going exceptionally smoothly with 11 units opened to date and another six under construction. While this inclement weather was an unexpected sales pressure, we are pleased overall with the quarter due to the great progress we've made across our initiatives.

Total sales for the fiscal second quarter was \$64.9 million, representing comparable sales growth of negative 5.3% with price and mix of 3.2%, offset by negative traffic of 8.5%. We knew coming into the quarter that Q2 will be the most difficult comparison of the year due to the lapping of last year's successful Peanuts IP campaign without an IP collaboration during the current Q2, but this was compounded by the unexpected weather impact we experienced in January and February, with wildfires followed by flooding in Southern California and cold waves across many of our other markets.

Cumulatively, we estimate that Q2 weather represented a comp headwind of 400 basis points to 500 basis points. Cost of goods sold as a percentage of sales improved by 90 basis points over the prior year quarter due to pricing and supply chain initiatives. Labor as a percentage of sales increased by 180 basis points due to sales deleverage caused by weather and year-over-year labor inflation. Restaurant-level operating profit margin was 17.3% as compared to 19.6% in the prior year due to the previously mentioned sales deleverage.

Restaurant openings are proceeding smoothly with three new unit openings during the second quarter, Berkeley, California; Fort Worth, Texas; and Paramus, New Jersey. Subsequent to quarter-end, we opened the units in Scottsdale, Arizona, and Lynnwood, Washington State. We are very pleased with the performance of this year's openings and believe fiscal '25 has the potential to be one of our strongest classes.

In our last call, we had mentioned the success we've seen with our Bakersfield, California restaurant opening and I'm pleased to report that Bakersfield is performing just as well as when we last spoke. As a reminder, up until Bakersfield, we had only opened restaurants in the top 40 or 50 DMAs, but Bakersfield is significant for us because it represents the 120th largest DMA in the United States causing us to de-evaluate our previous considerations for what we constitute a viable market.

Recent visits to markets like Birmingham, Tulsa, Boise, and Oklahoma City have all supported our early enthusiasm. Along with the greater further space potential, these markets are especially exciting to us as new markets have no impact on cannibalization, which we estimate to be approximately 4% comp headwind with the current and prior fiscal years. With the progress that our development team is making, we believe that we will be able to return to the 50-50 split of new and existing markets by fiscal '27, which we believe will serve as a comp tailwind.

While the lack of an IP collaboration in the prior quarter made for what we believe to be the most difficult year-over-year comparison in fiscal '25. This pause allowed us to focus our efforts on building a great pipeline and I'm extremely pleased to say that, in fiscal '26, we will not have any gaps between IP collaboration campaigns and expect to have seven or eight collaborations, which will be a record for us.

We've also been developing our full focus marketing muscles over the course of this fiscal year and we are very much looking forward to seeing the combined impact of these campaigns and IP collaborations beginning in May.

Lastly, I would like to touch on the progress we've made in system development. The rollout of our new order panel software is proceeding smoothly and we expect pre-rollout within the fiscal year. This new order panel software is supplemented by a redesigned push [to trigger] [ph] Mr. Fresh dome, which is much more intuitive than the current model.

This redesign is meaningful as our servers spent several minutes explaining how the old Mr. Fresh model works when receiving first-time guest. The new touch panel software includes an optional introduction video for first-time guests, which in conjunction with the updated Mr. Fresh dome, eliminates the need for our servers to go through their intro explanation, which we expect will reduce front-of-house workloads. To coincide with our upcoming IP collaborations, we are rolling out improvements to our big platform system as well.

Guests will soon be able to earn their second prize capsule after eating 25 plates instead of the current 30 plates. Considering our average party sizes and platform plate averages, we believe that 25 plates is a more realistic reach than 30 plates and that this has the potential to drive ticket growth while also improving guest satisfaction, especially families with two children.

Finally, I would like to share our progress on what we are most excited about, the reservation system. We began testing in February and have since expanded it to three restaurants, including service testing at one of our highest volume restaurants. The reservation feature has been very well received by guests and its system-wide rollout is now one of our top priorities due to its potential as a traffic driver.

With the old waitlist program, if you have fixed plans like going to see a movie, Kura is off the table because you can't predict how long the line will be or when your actual seating will be. So, by giving guest control through reservation slots, our hope is to open up new occasions for guests to visit Kura.

Additionally, historical attrition rates for Kura guests in dining are between 20% to 25% and so the ability to capture these guests represents a meaningful comp opportunity. While it's too early for us to provide any quantitative commentary, shorter period sales did increase with the implementation of the reservation system in Kura Japan's restaurants. Lastly, reservations are accessed through the rewards program and we are excited to see what the rollout does for membership registrations.

As you can see, we've been very hard at work. Many of these efforts have been long in development and it's been great to see so many projects be approved one after another. I'm deeply grateful for the combined efforts of all of our team members for making this possible. Thank you, everyone.

Jeff, I'll hand it over to you to discuss our financial results and liquidity.

Jeff Uttz

Thank you, Jimmy. For the second quarter, total sales were \$64.9 million as compared to \$57.3 million in the prior year period. Comparable restaurant sales performance compared to the prior year period was negative 5.3% with regional comps of negative 1.5% in our West Coast market and negative 8% in our Southwest market.

Turning now to costs. Food and beverage costs as a percentage of sales were 28.7% compared to 29.6% in the prior year quarter, largely due to pricing and supply chain initiatives. Labor and related costs as a percentage of sales were 34.8% as compared to 33% in the prior year quarter. This increase was largely due to wage increases and sales deleverage.

Occupancy and related expenses as a percentage of sales were 7.9% compared to the prior year quarter of 6.9% due to sales deleverage. Depreciation and amortization expenses as a percentage of sales were 5.1% as compared to the prior year quarter's 4.7%. Other costs as a percentage of sales were 13.5% as compared to the prior year quarter's 14.3%, largely due to lower marketing, travel and recruiting costs. General and administrative expenses as a percentage of sales were 16.9% as compared to 14.3% on the prior year quarter due to a \$2.1 million litigation settlement expense.

Operating loss was \$4.6 million compared to an operating loss of \$1.7 million in the prior year quarter due to sales deleverage and litigation costs. Income tax expense was \$38,000 compared to \$50,000 in the prior year quarter. Net loss was \$3.8 million or a negative \$0.31 per share compared to a net loss of \$1 million or negative \$0.09 per share in the prior year quarter. Adjusted net loss was \$1.7 million or negative \$0.14 per share compared to adjusted net loss of \$1 million or negative \$0.09 per share in the prior year quarter.

Restaurant-level operating profit as a percentage of sales were 17.3% compared to 19.6% in the prior year quarter, largely due to sales deleverage. Adjusted EBITDA was \$2.7 million as compared to \$2.9 million in the prior year quarter. Turning now to our cash and our liquidity, at the end of the fiscal second quarter, we had \$85.2 million in cash and cash equivalents and no debt.

And then lastly, I'd like to reiterate our guidance for fiscal year 2025. We expect total sales to be between \$275 million and \$279 million. We expect to open 14 units, maintaining an annual unit growth rate above 20% with average net capital expenditures per unit of approximately \$2.5 million. And we expect general and administrative expenses as a percentage of sales to be approximately 13.5%.

And with all that, I'll now turn it back over to Jimmy.

Hajime Uba

Thanks, Jeff. This concludes our prepared remarks. We are now happy to answer any questions you have. Operator, please open the line for questions. As a reminder, during the Q&A session, I may answer in Japanese before my response is translated into English.

Question-and-Answer Session

Operator

Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] First question is from Andrew Charles from TD Cowen. Please go ahead.

Andrew Charles

Great. Thank you. Wanted to ask just about the performance through the quarter. I think you talked about 400 basis points to 500 basis points of inclement weather and LA wildfire impact. I mean did you see that improve from the trend improve from January through February and if you're able to speak about kind of if that trend is further improved kind of the March and quarter-to-date time frame as well. Thanks.

Hajime Uba

Thank you, Andrew, for your first question. Please allow me to answer in Japanese.

[Foreign Language] Speaking to post-weather, so starting in March, performance has been very smooth. We were very pleased with it. Things are a little uncertain now with the tariff announcements, but up until then, we had remarkably smooth performance. In terms of the monthly cadence, January, we had the wildfires, but February, we had flooding, and so we didn't see any easing from January to February.

[Foreign Language] And then beyond California, both in January and February, there were a lot of cold waves that impacted Texas and our Northeast restaurants and so there was pretty meaningful weather pressure across both January and February.

Andrew Charles

Okay. That's helpful. And then, Jeff, wanted to ask about the margins. In the last call, you talked about 20% restaurant-level operating profit margin could be achievable in '25 as well as labor leverage, is that still on the table?

Hajime Uba

[Foreign Language] In terms of the 20% margins through March, we were very, very confident, we'd be able to maintain that 20% margin for the full year. That being said, we're seeing a lot more uncertainty with the tariffs, and so we have less visibility into that 20%, but that absolutely remains our goal.

[Foreign Language] We came into the year expecting lower labor inflation of recs than what we've actually seen. Our expectation was low to mid-single-digits. What we've seen to date is high-single-digits. If we see no impact from tariffs with no impact on consumer confidence and there's no change in behavior, then we remain confident that labor will largely be in line year-over-year. Now with the uncertainty levering year-over-year, it's a bigger hurdle.

[Foreign Language] That being said, we do have a lot of levers that are unique to ourselves, mainly through our tech initiatives, whether it would be our new Mr. Fresh or touch panels, or greater sales leverage to increase traffic from the reservation system.

Andrew Charles

Great. Thank you. I'll pass it off.

Jeff Uttz

Thank you, Andrew.

Hajime Uba

Thank you, Andrew.

Operator

Our next question is from Jeffrey Bernstein from Barclays. Please go ahead.

Jeffrey Bernstein

Great. Thank you very much. First question is just on the broader consumer. I know at ICR in mid-January you talked about the consumer being in a much better place. And I know you mentioned just now that the weather was a 400 basis point to 500 basis point headwind. I'm just wondering whether there's any concern that maybe what appears to be in part weather is actually the masking of maybe an underlying slowdown in consumer spending. Sounds like you don't believe that was the case through March, but maybe something's changed in April. So just trying to get a sense or how to gauge your confidence that you really up until most recently haven't seen any change in consumer behavior when others seem to be talking about perhaps a slowing consumer spending environment. Just wondering what metrics you look at just to give you that level of confidence. And then I had one follow-up.

Hajime Uba

[Foreign Language] Looking to Q2, beyond the weather, we were also lapping peanuts without an IP campaign and so we knew that it was going to be the toughest comparison. And we don't interpret it as a slowdown of the consumer -- our consumer whatsoever especially given the performance that we saw in March, now that we're in April, post the tariff announcements, I mean, people's retirement accounts are being impacted with the stock market taking a hit and so there's just generally more uncertainty and that would be the biggest reason that we didn't raise guidance for this quarter. But we don't think that it's a big to us.

Jeffrey Bernstein

Understood. And then just to follow-up, you mentioned the tariffs, and it seems like you're referring to it in regards to a consumer headwind, seemingly having pressure on markets and consumer confidence. Just wondering, as you think about it from a cost side of things, I know in the past when I asked you talked about how you have somewhat supply chain, geographical diversity, and your ability to pivot, I'm just wondering how you think about your specific supply chain, seemingly some products could potentially be coming from overseas. Just wondering how you think about the tariff implications on your actual cost side of the business. Thank you.

Jeff Uttz

Yes, Jeff. Hi, Jeff. It's Jeff. So, everybody's been doing, we've been using the last several days kind of scrambling to figure out what the implementation of these tariffs are going to have and what impact it's going to have on our business. And that the answer, really short answer right now, is that we really don't know yet, as we haven't had a chance to meet with our main suppliers and really figure out or determine how much of these tariffs they're going to be passing along to us. And on a pretty encouraging note, even though we haven't had in-depth conversations with them, a couple of our top suppliers have already given us preliminary indication that they would be willing to share the impact of these tariffs with us to some extent. But like I said it's sort of been about a week. So we haven't been able to sit down with them and determine what that looks like. In terms of our overseas purchases, we know that when we look at our top purchases as it relates to overseas, Japan is one of the top countries of origin in our supply chain. And something that's very encouraging to us is we also know that the Prime Minister of Japan has expressed his willingness to come over and meet with President Trump to negotiate these tariffs and we're hopeful that that's going to happen sometime in the near future. And also to a lesser extent, we purchased from Vietnam, and when the bird's news came out, I think Vietnam was one of the very first countries to come out and say that they were interested in negotiating. So a couple of countries that we do purchase from overseas seem very willing to come to the table. So the negative news of the tariffs coming out, we have received a few positive bits of information as it relates to our suppliers that we hope that once we get these lined up, we'll mitigate the impact to our company in the future.

Jeffrey Bernstein

Understood. That's very helpful. And just to clarify I think you mentioned if not for April or the April uncertainty has led you to keep your sales guidance as is rather than raising it, which is encouraging. I'm just wondering, does that therefore mean you still kind of reiterate your expectation for positive comps for full year '25, barring any significant change in consumer behavior?

Hajime Uba

[Foreign Language] Look, Jeff, I think the keyword is, you kind of said it, barring any major changes in consumer behavior. If there are no changes in consumer behavior, absolutely, we remain confident that we can post positive comps for the full year. We've got a lot to look forward to. We've got strong IPs lined up from March -- from May onwards through the end of the year. We have sales tailwinds coming online with the reservation system. And so if there is no change to consumer behavior, then certainly we expect to be able to maintain positive comps or to achieve positive comps for the year. But that is far from a certainty at this point in terms of whether or not consumers are going to change their behavior and so we are not upgrading guidance at this point.

Jeffrey Bernstein

Thank you.

Hajime Uba

Thank you, Jeff.

Operator

Our next question is from Jeremy Hamblin from Craig-Hallum. Please go ahead.

Jeremy Hamblin

Thanks. I wanted to come back to clarify the food basket and sourcing. Of your total food basket, what portion is domestically sourced, or kind of the range that's domestically sourced versus sourced overseas?

Jeff Uttz

So we haven't given, stated those numbers yet, but I will tell you, Jeremy, that one of your colleagues, sell-side analysts on this call, put out a report a couple of days ago that estimated him and I will say that he is in the ballpark if you take a look at that.

Jeremy Hamblin

Okay. And then I wanted to come back to the comments on wage pressure and just get an understanding of the commentary about high-single-digit wage pressure. Is that being driven by California or other geographies? Given that you're lapping FAST Act here, it's a bit of a surprise that the pressure is quite that high. Now certainly the employment dynamic may change. There may be more labor supply here in coming months, but wanted to see if you could provide a bit more color.

Hajime Uba

[Foreign Language] Yes. This is not a California issue or anything related to the FAST Act. This is something that we're seeing across markets. Whether it's because of statutory minimum wages. We're seeing some come online as of July 1st as well, which was not the case in past years and then just being competitive with the market. So this isn't a California issue.

[Foreign Language] We think it's always important to invest in our team and make sure that we have best-of-class people representing ourselves at the restaurants. At the same time, we push ourselves as much as possible to work on these system initiatives so that we can keep our man-hours at a minimum.

Jeremy Hamblin

Got it. And then lastly just want to come back to the cadence of new unit openings. So you've opened 11 year-to-date. I think you have another six or seven maybe in the pipeline. I know not all of those will get completed in FY'25, but do you expect any more to be opened in Q2, I'm sorry, in fiscal Q3? And then just in terms of thinking about the timing of when things might open in your fourth quarter, I know that, in Q2, all of the openings happened in February, so even though you got three open, I wanted to just understand what the revenue contribution was given that, I think, from an operating week perspective, you only had like five or six operating weeks in which you had new units opened in that quarter.

Hajime Uba

[Foreign Language] So we've got one more scheduled opening for Q3. If you go on our website, you can see that we already have the opening soon language up, and so that should be opening soon. In terms of Q4, we haven't updated our 14 unit guidance. We're very comfortable with being able to open two units. Should we be able to open both of those prior to the July call, that would be an opportunity for us to provide an update to guidance on the unit front. Right now it's just construction is happening in one of the -- one of the constructions in a mall and so there's a level of uncertainty in terms of construction duration there.

[Foreign Language] It's specifically, it's in a food court. We're sort of like the centerpiece of the food court, but we've never had to do construction under those constraints before. Obviously, they're not shutting down the food court to let us build our restaurant.

Jeff Uttz

Yes, it's all overnight construction in that restaurant, so it takes a little bit longer.

Jeremy Hamblin

Great. Thanks so much for the question -- taking the questions and good luck.

Hajime Uba

Thank you, Jeremy.

Operator

Next question is from Matt Curtis from William Blair. Please go ahead.

Matt Curtis

Thanks. Good afternoon. I wanted to get back to the revenue guidance for a minute. Could you tell us what second half comp expectations you have embedded to get to the full year revenue guide?

Hajime Uba

[Foreign Language]

Benjamin Porten

Given that we generally don't give comp guidance with the increased uncertainty, this is certainly not easier for us to give comp guidance. But the revenue guidance does reflect our assumptions, both in terms of the accelerated openings that we've seen. A lot of the fiscal '25 openings outperforming our expectations, reflecting Jimmy's comments about it having the potential to be one of our strongest classes ever. But, yes, we think you could be able to back out or back into our comp expectations from the revenue guidance that we presented in conjunction with the commentary on the unit openings we just did.

Matt Curtis

Okay. Got it. Thanks. And I guess switching to something else. You mentioned some of the IP collabs will be starting in May. Could you give us any details around exactly what you have planned on the IP front in the second half of the year?

Jeff Uttz

Yes. So the IP pipeline that we've been building is really the main thing that we were trying to change was having unsuccessful IPs. And so what we built out is, we have some of our best ever hits from the past coming up. So we've got, Demon Slayer, we have One Piece, we have Peanuts. And then we've been developing our relationship with Nintendo. So we have Kirby, which is one of their major mascot characters coming up in fiscal '26. I'm personally a big Kirby fan. I'm extremely excited. I can't share anything else in terms of the fiscal '26 pipeline, but we're very excited. As Jimmy shared in the opening remarks, we have seven or eight planned for fiscal '26. It's a big part of our strategy.

Matt Curtis

Okay. Sounds good. Thanks.

Hajime Uba

Thank you, Matt.

Operator

Next question is from Mark Smith from Lake Street Capital. Please go ahead.

Mark Smith

Hi, guys. First question, sorry if I missed it. Does the G&A guidance include the litigation expense?

Jeff Uttz

Yes, the guidance, we haven't changed our guidance as it relates to the litigation expense being part of that number. It is part of that.

Mark Smith

Okay. Perfect. And then second one for me. Just as we think about tariffs and kind of build out any idea outside of operations, maybe incremental costs on build out of new restaurants at this point especially any special equipment that you may be importing.

Hajime Uba

[Foreign Language] So we do bring in a certain amount of special equipment from overseas, largely Japan and China. Our initial estimate in terms of incremental costs as it relates to the tariffs, we think in a worst-case scenario, would be about \$400,000.

[Foreign Language] That being said even with the potential increase in build-out costs, this doesn't change our thinking at all in terms of our desire to maintain 20% plus unit growth rate.

[Foreign Language] So, as a refresher, we have AUVs of \$4 million. Our restaurant-level operating profit margins of 20% against build-out cost of \$2.5 million get us to cash on cash returns of 33%. We just mentioned the worst-case scenario would be a \$400,000 increase. We think a \$300,000 increase is more realistic. That only changes the unit economic equation by half a year in terms of payback period and so it really doesn't change our appetite at all. We have \$100 million in cash and long-term investments. We just renewed our revolver with the parent company with Kura Japan for \$45 million and so we're in a very strong capital position and we're excited to be able to make decisions based off of what are in the long-term best interest of the company.

Mark Smith

Great. Thank you, guys.

Hajime Uba

Thank you.

Operator

[Operator Instructions] Next question is from JP Wollam from ROTH Capital Partners. Please go ahead.

John-Paul Wollam

Great. Thanks for taking my questions guys. Maybe if we could start sort of on the levers on your side, understanding that the consumer environment is uncertain and certainly rapidly changing, but I was just hoping we could talk, one, on the reservation system, did you give a timeline of when you would expect that to be fully rolled out? And then two, can you just talk about kind of the marketing and maybe more also with the loyalty program? What else can you kind of do there to help drive volume from your loyalty members?

Jeff Uttz

Yes. So what we've shared publicly is that we expect to be able to roll out the reservation system system-wide by the end of the fiscal year. Our goal is faster. We definitely want to be able to capture the leverage of seasonality that we see in Q4 and so that is one of our top priorities to achieve full system online. In terms of the rewards system or the rewards program, we've got, there are a couple of things that we're really excited about. The first is that the reservation system is accessed through the rewards system and so we know that's going to be a pretty meaningful catalyst in terms of registrations. And as we've discussed on past calls, rewards members are very valuable both in terms of frequency and spend. And so on that note, with the IPs that we have coming up, we know that we can do a lot of different things. We've got giveaways and stuff like that like we've done in the past and those are very meaningful levers for us.

John-Paul Wollam

Okay. Understood. And then the second one would just be maybe more on a competitive note. I don't know how much kind of visibility you guys have, but any high level thoughts about some of your competitors and maybe how the tariffs might impact their business and more specifically kind of their pricing structure and what it means kind of for the value delta that Kura provides relative to some of your competitors out there?

Hajime Uba

[Foreign Language] We appreciate you bringing this up. As shocked as we were by the magnitude of the tariffs, we're certain that every other mom-and-pop Sushi restaurant was just as shocked, if not more shocked. And as you probably guessed, we're in a much, much better position than them and we believe we can turn this into a competitive advantage and further widen the delta in terms of value between ourselves and the typical Sushi restaurant.

[Foreign Language] So the first would be that we're in a very strong cash position. As we just mentioned, we've got \$100 million on the balance sheet, access to another \$45 million revolver and so we're not in the same position as the mom-and-pop where they need to be making decisions about keeping the lights on and operational stuff like that. We can really make what is decisions that are in terms of the best long-term strategy.

As Jeff had spoken to earlier, our vendors are already coming to the table indicating that they want to work with us. Our buying power is orders of magnitude larger than the typical Sushi restaurant. They're probably -- we're probably one of the biggest fish buyers in the country and so that is something that is very different for us versus any of our competitors. And the last would just be all of the things that are unique to us, whether it's the new initiatives that we're talking about, the IP collaborations, the experientiality, all those will continue to work in our favor.

[Foreign Language] Our restaurant-level operating profit margins, generally speaking, are above 20% are amazing. We're really happy with them. And so, if there's some short-term pressure on it, that's something that we can tolerate. We're able to make decisions that are not looking at the short-term, but really the long-term. And we're very grateful to be – to have that strategic flexibility.

[Foreign Language] To return to your initial question, absolutely, we think this is going to be a catalyst for widening of the value delta between ourselves and competitors and we'll -- the value proposition will be stronger than ever.

John-Paul Wollam

Understood. Thank you for the detail. Best of luck going forward.

Hajime Uba

Thanks, JP.

Operator

Next question is from Todd Brooks from Benchmark Company. Please go ahead.

Todd Brooks

Hey, thanks for taking my questions. Only a couple left here. If we can talk IP partnership, I think you said the timing for the next one starts in May. And at one point, I think you were talking about one in Q3 and one to two in Q4. Does that imply when we get to May, we're running under IP partnerships for the balance of the fiscal year?

Jeff Uttz

Yes.

Todd Brooks

Okay, great. And then I know when you talked about the pivot off of this kind of the six scheduled IP partnership cadence, there was a desire to really focus on the more impactful partnerships. A little surprised and encouraged to hear about seven to eight collaborations next year. Is the threshold and the hurdle of impactful still in place where -- go ahead.

Jeff Uttz

We're very, very happy with the work that the marketing team has been doing. Q2 was a difficult comparison, but that bought them the time to be able to put together this amazing IP pipeline. And so, we think it was absolutely the right investment to make.

Todd Brooks

Okay. And then at kind of six week durations, are we pretty much always on then as we think about fiscal '26 from an IP partnership?

Jeff Uttz

My guess at this point is that it will probably -- will probably have a couple of one month collaborations and that's how we would get beyond the six collaborations per year that we've done historically.

Todd Brooks

Okay, perfect. Thanks. And then the other one is just a follow-up on the reservation system. I think you said you're in tests now in three units and one of -- at least one of the ones in test is one of the really higher volume units. Just wondering and not looking for quantification, but the consistency of the lifts that you're seeing from the system, either relative to your expectation or relative to what Kura Japan saw when they implemented it. The consistency of lifts that you're seeing and how that's fueling the desire to get this rolled out even more quickly than the end of the fiscal year and is the bandwidth there to really like I don't know how fast you can roll these out now that you've tested in three. Is this still a iterative process where you go to another five stores and then, but what's the unlock to kind of hit the year end goal for the reservation system?

Benjamin Porten

Yes. So, to start in terms of guest response. So the high volume restaurant that we refer to was Austin. I was there for the first week that we launched it in Austin. The only -- because this isn't system-wide yet, the only marketing that we've been able to do is through the rewards program. If you set your favorite restaurant as say Austin then you would have got an email saying, we now have reservations. And I was watching all the guests coming in and seemed like the first day, it was a quarter to a third of people were coming in holding up their phones with their reservation numbers.

I was genuinely blown away by that weekend. It was really like every other party had a reservation. And so, for these restaurants that are super busy that have long lines the value is immediately obvious to our guests. And so that got us that much more excited made it really clear to us that there's a concrete upside that we could expect and that's one of the other reasons that we were putting everything that we can into accelerating rollout.

In terms of the unlocks, I'd say that the biggest parts are behind us. It was really just getting tech stability and making sure that we're able to figure out an operational flow that made sense and that's largely been hammered down and so now it's -- we're breaking up into teams and we're going to be having simultaneous rollouts across the country.

Todd Brooks

Okay, great. Thanks, Ben. Appreciate it.

Benjamin Porten

Of course.

Operator

The next question is from Jim Sanderson from Northcoast Research. Please go ahead.

Jim Sanderson

Thanks for the questions. Wanted to go back to the quarterly performance. Did you break down same-store sales between traffic, price, and mix or could you?

Jeff Uttz

Yes, we can. So total comp was minus 5.3% and that was minus 8.5% traffic and 3.2% price and mix.

Jim Sanderson

All right. And again any fee -- March was a meaningful improvement over that trend on the traffic line. Is that the right way to look at it?

Hajime Uba

[Foreign Language] In terms of performance and looking at it on an absolute basis, we're very pleased with March performance. That being said, if we're talking about comps, last year's March was strong enough that it was so strong that that's really what prompted our revenue guide raised last year and so March is really a tough month to compare ourselves against, but ex that we are very, very happy with March.

Jim Sanderson

All right. And then a question on unit development. Can you provide a little bit more insight on what your development pipeline is looking like in the United states beyond fiscal '25? Maybe indications of lease signings into sites you've identified, anything that would give us a sense of commitment you've got beyond the current fiscal year.

Hajime Uba

[Foreign Language] So, generally speaking you could assume that in the foreseeable future we're going to maintain that 20% plus unit growth rate. For fiscal '27, we expect to be able to get back to that 50-50 split between existing and new markets and the confidence behind that statement comes with the number of LOIs that we have under negotiation and the number of leases that we already have executed.

Jim Sanderson

All right. And just one last question on tariffs. Is it possible for you to move to a US-only supply chain to source input costs over the next year, let's say?

Hajime Uba

[Foreign Language] It would probably be difficult to shift entirely to domestic. I mean you can't catch tuna in Lake Erie. So there's just geographic biological limitations there. But what we can do is we can adjust between different sort, different buyer countries, and so we're going to be keeping a very close eye over how the tariffs shake out over the coming months. And if there are countries that we're currently working with that are less advantageous and there are options for ingredients of comparable quality, better tariff rates, then certainly that's something that we pursue.

[Foreign Language] One thing that we've been working over the last couple years that is going to become critically important now is our relationships not with just our broadline suppliers, but with the direct vendors. Our supply chain team goes, they're traveling across the world negotiating directly with the providers. And so it's a very different situation from a mom-and-pop where they have -- their options are limited to what the broadliner is offering. We bring what we want to the broadliner. And so again it's just a completely different story in terms of economies of scale. And as unfortunate as this is, this is going to hurt our competitors a lot more than it's going to hurt us.

Jim Sanderson

Understood. Understood. Thank you very much.

Operator

This concludes the question-and-answer session as well as today's teleconference. Thank you for your participation. You may disconnect your lines at this time.

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