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Kura Sushi USA, Inc. (KRUS) Q4 2025 Earnings Call Transcript

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Q4: 2025-11-06 Earnings Summary

Insights

EPS of \$0.20 **beats by \$0.08** | Revenue of \$79.45M (20.35% Y/Y) **beats by \$820.90K**Kura Sushi USA, Inc. ([KRUS](#)) Q4 2025 Earnings Call November 6, 2025 5:00 PM EST

Company Participants

Benjamin Porten - SVP of Investor Relations & System Development

Hajime Uba - Chairman, President & CEO

Jeff Uttz - CFO & Treasurer

Conference Call Participants

Jeremy Hamblin - Craig-Hallum Capital Group LLC, Research Division

Alex Sturnieks - Lake Street Capital Markets, LLC, Research Division

Pratik Patel - Barclays Bank PLC, Research Division

Zachary Ogden - TD Cowen, Research Division

Allison Arfstrom - Piper Sandler & Co., Research Division

John-Paul Wollam - ROTH Capital Partners, LLC, Research Division

Tania Anderson - William Blair & Company L.L.C., Research Division

Todd Brooks - The Benchmark Company, LLC, Research Division

Presentation

Operator

Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome to the Kura Sushi USA Fourth Quarter 2025 Earnings Call. [Operator Instructions] 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, Senior Vice President, Investor Relations and System Development.

And now I would like to turn the call over to Mr. Porten. Please go ahead.

Benjamin Porten

SVP of Investor Relations & System Development

Thank you, operator. Good afternoon, everyone, and thank you all for joining. By now, everyone should have access to our fiscal fourth 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 or 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

Chairman, President & CEO

Thank you, Ben, and thank you to everyone for joining us today. I'm incredibly proud of what our team achieved during fiscal 2025 as we delivered our strongest class of restaurant openings in recent memory, adding a record of 15 new locations. We also successfully managed our corporate G&A expenses, resulting in an annual adjusted EBITDA growth of over 30%. These accomplishments are particularly significant given the volatile consumer environment and the tariff pressures we navigated throughout the year, which have negatively impacted our top line results and restaurant-level margins. Nevertheless, our team remains resilient, and we continue to believe that our focus on execution has positioned us well for continued growth in fiscal 2026.

Total sales for the fiscal fourth quarter was \$79.4 million, representing comparable sales growth of 0.2%, led by traffic growth of 0.5% and partially offset by price and mix of negative 0.3%. Cost of goods sold as a percentage of sales was 28.4% as compared to the prior year quarter at 28.5%. I am exceptionally proud of our purchasing team who negotiate tirelessly to mitigate higher ingredient cost so we can continue to provide the best value possible for our guests. Labor as a percentage of sales improved by 30 basis points to 31.1% as compared to the prior year period of 31.4%, meeting the expectations for year-over-year improvement for labor in Q4 that we had shared in the previous earnings call. In spite of ongoing labor inflation, we have been able to offset these cost increases through aggressive operational initiatives and system implementations. I have some exciting news on this front that I will discuss shortly.

Turning to real estate. We closed fiscal 2025 with 3 store openings in the fourth quarter, The Woodlands, Texas, Salt Lake City, Utah and Boulder, Colorado. Salt Lake City and Boulder are the first units in their respective markets. And as with every new market we've entered to date, have been a very strong performance. Subsequent to quarter end, we opened 3 units, Arcadia and Modesto in California and Freehold, New Jersey. With another 6 units under construction, the new fiscal year is off to a great start. We expect to open 5 to 6 units in the first half of the fiscal year and open the remaining units in the back half of the year. I'm excited to announce we are in the process of introducing status tiers to our rewards program. We are currently performing exploratory research to determine what kind of incentives resonate most strongly with our guests.

This marks the first major update to our rewards program since we introduced the Punchh. We are very excited to take our rewards program to the next level and look forward to keeping you updated on its progress. On system development, we have largely completed the revisions we have been working on for the reservation system. With these updates completed, we expect to begin marketing the reservation system to non-reward members beginning in the fiscal second quarter. As you may have guessed when I mentioned this earlier, I'm extremely pleased to announce that we have secured commercial use certification for our robotic dishwasher and are currently in the process of installing these machines in eligible restaurants. As a reminder, our initial expectation was that the robotic dishwasher opportunity will be largely limited to new openings with only 5 to 10 restaurants eligible for retrofitting, but now we expect to be able to retrofit approximately 50 restaurants of our existing 82.

We expect to have the majority of the retrofit rollout during this fiscal year and to see labor improvements of approximately 50 basis points for restaurants that receive the retrofit. Fiscal 2025 was defined by the incredible cross-departmental efforts to do everything that we could to mitigate an unfriendly environment. Our commitment to growing corporate profitability remains unabated as demonstrated by the strides we made in adjusted EBITDA and adjusted net income. We have made great strides in honing our unit expansion strategies and have built a pipeline that allows us to capitalize on the opportunities represented by previously unexplored smaller DMAs. The efforts by the operations team and the implementation of new systems have created lasting efficiency gains. I am very grateful for all of our team members who generate the good news we get to share at each earnings call. I don't see that changing.

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

Jeff Uttz

CFO & Treasurer

Thanks, Jimmy. For the fourth quarter, total sales were \$79.4 million as compared to \$66 million in the prior year period. Comparable restaurant sales performance compared to the prior year period was positive 0.2% with traffic growth of 0.5% and price and mix of negative 0.3%. Comparable sales in our West Coast market were negative 0.6% and comparable sales in our Southwest market were positive 1.6%. Effective pricing for the quarter was 3.5%. On November 1, we took a 3.5% menu price increase. And after lapping prior year increases, our effective price for the first quarter will be 4.5%. Beginning in the first quarter of fiscal 2027, we will no longer be providing regional breakdowns for comparable sales as regional comps are largely determined by the timing of infills, and we don't believe that they are indicative of overall company trends.

Turning now to our costs. Food and beverage costs as a percentage of sales were 28.4% compared to 28.5% in the prior year quarter. During the quarter, we began to see the impact of tariffs in our cost of goods sold of approximately 70 basis points. Labor and related costs as a percentage of sales were 31.1% as compared to 31.4% in the prior year quarter due to operational efficiencies and pricing, partially offset by wage inflation. Occupancy and related expenses as a percentage of sales were 7.1% compared to the prior year quarter's 7%. Depreciation and amortization expense as a percentage of sales was 4.7% as compared to the prior year quarter's 4.6%. Other costs as a percentage of sales were 15% compared to the prior year quarter's 14.4% due to sales deleverage and higher marketing costs.

General and administrative expenses as a percentage of sales were 11.7% as compared to 20.3% in the prior year quarter due to the lapping of litigation costs incurred during the prior fiscal year, partially offset by higher compensation-related expenses. On a full year basis, general and administrative expenses as a percentage of sales were 13.3%, representing a 300 basis point improvement over the prior year's 16.4% G&A expenses as a percentage of sales, excluding litigation costs for the fourth quarter were 11.4% as compared to the prior year quarter's 13.2%. G&A expenses as a percentage of sales, excluding litigation costs for the full year were 12.5% as compared to the prior year's 14.1%. And we did not have any impairment charges in the fourth quarter of fiscal '25 as compared to 2.4% in the prior year quarter. Operating income was \$1.5 million compared to an operating loss of \$5.8 million in the prior year quarter, mainly due to the lower G&A and the impairment expenses just discussed.

Income tax expense was \$43,000 compared to \$19,000 in the prior year quarter. Net income was \$2.3 million or \$0.18 per share compared to a net loss of \$5.2 million or negative \$0.46 per share in the prior year quarter. Adjusted net income was \$2.5 million or \$0.20 per share as compared to adjusted net income of \$1 million or \$0.09 per share in the prior year quarter. Restaurant-level operating profit as a percentage of sales was 19.8% compared to 20.9% in the prior year quarter. And adjusted EBITDA was \$7.4 million as compared to \$5.5 million in the prior year quarter.

Turning to our cash and investments. At the end of the fiscal fourth quarter, we had \$92 million in cash, cash equivalents and investments and no debt. And lastly, I'd like to provide the following guidance for fiscal year 2026. We expect total sales to be between \$330 million and \$334 million. We expect to open 16 new units, maintaining an annual unit growth rate above 20% with average net capital expenditures per unit continuing to approximate \$2.5 million. We expect general and administrative expenses as a percentage of sales to be between 12% and 12.5%. And lastly, we expect full year restaurant-level operating profit margins to be approximately 18%.

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

Hajime Uba

Chairman, President & CEO

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**

[Operator Instructions] First question comes from Jeremy Hamblin with Craig-Hallum.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

Congrats on the strong profitability here. I wanted to just dive into what you saw over the course of the last several months. I think you were on the July call, very pleased with how quarter-to-date comp trends were. Maybe things softened a little bit in the August period. But I wanted to see if you could give us kind of a sense of where quarter-to-date trends were. And then you've had a bunch of IP collabs. And just to understand how effective those been? I know you've had kind of shorter periods than you previously had on the collabs, but some color on what you're seeing out there, especially in context that the number of restaurants have seen some softening in September and October.

Hajime Uba

Chairman, President & CEO

Sure. Thank you, Jeremy, for your first question. Please allow me to speak in Japanese. He's going to -- Ben is going to translate. [Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] So -- Jeremy, this is Ben. Over the last several months, we've certainly been seeing the same macro pressures that our peers have been reporting, and we're not immune to them either. We're very pleased with the work that the marketing team has done. They've done a phenomenal job. They're really doing everything in their power to drive comps and the quarter would have been much more difficult without all of their efforts. And so the IP collabs that you had mentioned, they certainly -- the quarter would have been worse without them. It's hard to assess the impact on a numerical basis, but they definitely made a difference in the quarter.

The upside from the reservation system, the light rice and the 25 plates cumulatively had a little bit of a contribution, but that's what got us to positive comps between all those different factors. All those efforts were largely offset with the macro pressures that you mentioned, but we were pleased to come in with positive comps for the quarter.

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] And then in terms of quarter-to-date, we've seen the same operating environment as we've entered our first quarter.

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] And while this is -- this is not going to be a usual practice going forward, we just felt given that we're already 2 quarters -- or 2 months into the quarter that it made sense for us to share our comp expectations based off of the results to date and our internal expectations. Unfortunately, our expectation for Q1 is to come in negative mid-single digits. This is not a reflection in terms of worsening performance or a worsening environment, but really just a reflection of the quarter -- the year-over-year comparisons for Q4 and Q1. And the delta is pretty cleanly about 500 basis points between those 2 quarters.

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] Just to remind you the numbers that we're lapping, Q4 was lapping a negative 3% comp. And so a relatively easy comparison, whereas Q1, we're lapping a 2% or a positive 2%. And so just given that we came out about flat in Q4 over -- while lapping that negative 3%, our expectation is that same delta, which would get us to that mid-single -- negative mid-single-digit number for our Q1 comp expectation.

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] That being said, we remain -- our goal remains to deliver positive comps for the year. We think we can get flat to slightly positive. Q1 remains the most difficult comparison. As we enter Q2 and Q3, we'll be lapping a negative 5% comp and a negative 2% comp. Those will also coincide with the -- with some of our stronger IP collaborations, we'll benefit from the pricing that we took in November, and we'll also hopefully benefit from greater adoption from the reservation -- for the reservation system as we start to market it to non-rewards members.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

Appreciate the color on that. And then just a follow-up here on the unit development and make sure I understood. So 16 new units for the year. I think you said 5 to 6 in the first half of fiscal '26 and 3 quarter-to-date. Do you anticipate opening up any more in Q1? And then just confirming that you're 5 to 6 in the first half of the year and then roughly 10 in the back half of the year?

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] Yes. We're expecting to open one more in Q1, and then we would open 1 or 2 in Q2.

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] In the prepared remarks, we mentioned that 6 units were under construction, but the majority of them, we've just broken ground. And so while we do have a lot of units under construction, our expectation for the first half of the year is to open 5 or 6 units total.

Operator

Next question, Mark Smith with Lake Street Capital Markets.

Alex Sturnieks

Lake Street Capital Markets, LLC, Research Division

Yes, Alex turning on the line for Mark Smith today. In the prepared remarks, you highlighted around 50 basis points of labor improvement from the robotic dishwasher rollout and you said you'd be retrofitting about 50 restaurants. How quickly do you expect that to be kind of implemented? And then when will we see the full impact on the P&L?

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] So as it relates to the robotic dishwashers, we placed our order to the manufacturer after we got certification. And so they're in the process of developing or just manufacturing them now. It's a proprietary piece of equipment, so we can't get it just off the rack or whatever. And so really, that's the biggest bottleneck for us, just getting them made and then shipped over from Japan to the United States. Our expectation is that the implementation in earnest will really start in Q3. And while we do expect to get the majority of the eligible restaurants retrofitted during fiscal '26, the impact from a labor perspective would be much more pronounced in fiscal '27 than fiscal '26. Our expectations for the benefit from the robotic dishwashers in fiscal '26 are reflected in the RLOPM guidance that we shared earlier.

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] That being said, as Jimmy is as impatient as I am, he's going to Japan to knock on the doors of the factory and speak with the President and ask for them to expedite things as much as they can. And so hopefully, we'll be able to get these in a little bit sooner than we're expecting right now.

Alex Sturnieks

Lake Street Capital Markets, LLC, Research Division

That's great. Great color there. Last one for me. You mentioned tariffs a little bit impacting you in the quarter. Given the ongoing back and forth for tariffs on Japan and Vietnam, can you give an update on supplier negotiations? What level of cost sharing you're seeing? Have you taken or do you anticipate taking any additional pricing to offset those costs?

Jeff Uttz

CFO & Treasurer

It's Jeff. So the -- we took 3.5% on November 1, as we mentioned in the prepared remarks. And that was after negotiations we had with the suppliers. And as we also said in the prepared remarks, we saw about a 70 basis point impact in Q4. And going forward, after we took the menu price increase, and these negotiations are still ongoing, but they're much more progressed than they were in the past.

But currently, where we stand is that we expect our COGS for fiscal '26 to be at least 30%, around the 30% range. So we thought in interest of transparency that it would just be useful to everybody to just kind of tell you what we thought COGS is going to end up at. So call it about 30%. And that's also why we gave the restaurant-level operating profit margin guidance as well. That was a new piece of guidance for us that we gave this time that we've never given in the past. And just given the volatility of what's going on, we just thought in the interest of transparency that it was just a good thing to help the Street and help everybody out of what we expect going forward.

Operator

Next question, Jeff Bernstein with Barclays.

Pratik Patel

Barclays Bank PLC, Research Division

Great. This is Pratik on for Jeff. A big picture question about '26. What kind of strategic changes do you guys foresee with the brand? Obviously, we've heard all sorts of commentary from restaurants about how the consumer is challenged and people are looking for value. What are you -- what steps are you taking to kind of address that current environment? And more excitingly, what new markets have you the most excited for '26? And I have a follow-up.

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] Just keeping in mind that we're in an environment right now where guests are extremely price sensitive and are managing their frequency being that much more thoughtful about where they're spending their restaurant dollars, we were very diligent in our processes as we approach the November pricing. We added a value question to the end of meal survey, which validated our beliefs that our guests continue to believe that we provide really an unbeatable value. We also conducted a consumer insight study. We actually -- we got granular to the point where we're doing separate studies by geography to see the elasticity by market.

And so we feel that the pricing that we took really sort of threaded the needle in terms of what was -- what's appropriate. In terms of the efforts that we're making, it's really -- we're not betting the farm on any one big thing. It's really just the diligent small things all coming together from every department. It's really the approach that we've always taken. It's just lots and lots of small incremental improvements, which cumulatively give us that massive value advantage. We didn't want to force a 20% margin in fiscal '26. That -- we really -- we didn't want to basically trade the future potential traffic for 1 year better margins. We really want our guests to continue to see us as providing an unbeatable value. And yes, we didn't want to be shortsighted as it relates to fiscal '26.

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten*SVP of Investor Relations & System Development*

[Interpreted] In terms of the things that we're working on, this is a very fundamental thing for any sort of restaurant business, but we're very focused on improving our products, both from a menu development perspective and a sourcing perspective. They've really been doing a phenomenal team. There's a reason we call them out every call. They're just tireless in their efforts, and it's really kind of staggering how consistently they've been able to improve our or proteins in particular. And so we've got a number of Japan-sourced LTOs that we're looking forward to, which we expect will be a big hit from our guests.

We know that the IP campaigns are a very big opportunity for us. We're pretty happy with the pipeline that we've built, but we know that there's more opportunity to be run from each campaign. And so we really want to use each one as a learning opportunity and build on that so that we can really, yes, maximize the opportunity that we see there. A couple of other things that we're working on is, as we mentioned in the prepared remarks, we're working on introducing the tiered statuses to our rewards program. And we're also going to begin marketing the reservation system to non-rewards members. And so all those things together would be some of the things that we have on the docket.

Pratik Patel*Barclays Bank PLC, Research Division*

And then my follow-up was for Jeff. It looks like the company ended fiscal '25 at exactly 12.5% of sales when it comes to G&A. And I know you mentioned in your prepared remarks that you expect fiscal '26 to be at 12% to 12.5%. So at the midpoint, you're assuming about 25 basis points of leverage. And I can certainly appreciate what's happening in today's environment. But that's just not as much leverage as we're used to seeing in the past? And I know, Jeff, longer term, I know you want to get the company to that sub-10% level. Just what's changed in fiscal '26? Is there just a deliberate strategy to allow for less leverage? Or is there another round of investment in certain areas? Just anything you can kind of help us unlock what's going on in G&A.

Jeff Uttz*CFO & Treasurer*

Yes. So really look at it on a kind of an average year basis. We got 160 basis points of leverage this year compared to last year. I was expecting under 100 basis points. So we were able to pull some savings from fiscal '26 forward into fiscal '25. So when you look at it on a 2-year basis, even if we did hit that midpoint, that's still almost 100 basis points of leverage per year when you look at it that way. And we can't really parse it out year by year by year. We take the savings when we can get them. And we were fortunate to get the savings earlier on than we thought. So I'm looking at it on a year-by-year basis. And because we expect -- we got much more than we expected, I didn't want to overshoot next year. I'm hoping we can beat that at the beginning of the year. That's our starting guidance, and we'll do our very best to bump that guidance up in one of our future calls. But right now, I think that that's a prudent number between 12% and 12.5%.

Operator

Next question, Andrew Charles with TD Cowen.

Zachary Ogden

TD Cowen, Research Division

This is Zach Ogden on for Andrew. So it looks like new store productivity did improve from 2024 to 2025. Are you able to quantify what new store AUVs are relative to the system average of roughly \$4 million? Or maybe if you could qualitatively speak to what's driving that improvement? And if it's 1 or 2 units driving that strong new store productivity or if you're seeing more of a broad-based improvement?

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] So I'd just like to caveat this by starting by mentioning that we don't have an AUV target. We have a cash-on-cash return target. That being said, Zach, you basically got it right. The pressure on the AUVs that we saw that we reported today versus a year ago was largely due to the new entrants to the AUV comp base. But also to your earlier point, the fiscal '25 stores are spectacular. They've been one of the strongest classes in recent memory. It's not limited to 1 or 2 units. And we're very excited to see those go in the AUV comp base, and we expect that number to improve with their entry.

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] And on the note of AUV, just as I mentioned before, it's not a target for us, and there are a lot of things that can impact AUVs, just something as simple as store size doesn't necessarily reflect performance. But we did want to internally corroborate that things are as strong as we felt and they are. The sales per square foot for fiscal '24 and '25 are unchanged. And that's, I think, a more meaningful metric of our productivities.

Zachary Ogden

TD Cowen, Research Division

Great. And then my follow-up question is, Jeff. The guidance for new store build costs stayed at \$2.5 million, which is what it was in fiscal '25. So I mean, that's pretty encouraging considering you've previously talked about a \$300,000 to \$400,000 impact from tariffs. So is the impact from tariffs not as bad as you thought? Or are there just offsets to it?

Jeff Uttz

CFO & Treasurer

Let me be very clear, it's the same as it was in '25 and '24. So [we've been in the same] for a couple of years, which we're very proud of. That's a net number. The cost to build did go up a little bit because of tariffs, but we're now getting better TI allowances from our landlords. So when you offset the TI allowance against the higher build, it comes out to a net about \$2.5 million. So our cash out of pocket remains the same.

Operator

Next question, Brian Mullan with Piper Sandler.

Allison Arfstrom

Piper Sandler & Co., Research Division

This is Allison Arfstrom on for Brian Mullan. Just a quick one on the reservation system. It sounds like it's off to a strong start. At this point, are you able to quantify the impact? And if not, just anything new that you've learned with a few more months underway?

Benjamin Porten

SVP of Investor Relations & System Development

Yes. It's hard to tease out the impact of any one initiative, and that's always been the case for us. The rollout of the reservation system coincided with the resuming of our IP collaborations. And so there's just a lot going on. We were really happy to see positive traffic. But as you can see with the numbers, our comps were sort of more or less flat. And so it's the reservation system wasn't a massive traffic driver. It's -- I think it supported the quarter from being weaker, but it wasn't a massive, massive thing. But that also doesn't surprise us given that we haven't -- we really haven't meaningfully advertised it. It's basically just organic discovery from our existing rewards members.

And I'm really excited to see what numbers we can see from it once we advertise it to the broader audience. In terms of learnings, we've been able to identify some things that just make it easier to use both for our servers and for the guests. And so this should actually allow us by reducing front-of-house savings, incremental front-of-house savings as we introduce these improvements.

Operator

Next question, J.P. Wollam with ROTH Capital Partners.

John-Paul Wollam

ROTH Capital Partners, LLC, Research Division

Maybe just 2 sort of focused around the guidance. But one, if I think about kind of the comp expectations that you guys just mentioned for the upcoming year, can you give us a sense of how much maybe the upgraded reward system and the broader marketing of reservation are baked into that expectation? Is there any risk that those underperforming would harm comp expectations? Or is that really just upside to what you guys have underwritten right now?

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] So in terms of the revenue guidance, really all the guidance that we shared, it does not hinge on the IP campaigns or the reservation system. Those would be gravy opportunities for upside, but we know that it's really hard to proactively quantify the impact of new initiatives. And so we don't bake that into our revenue estimates just for the sake of just to be prudent.

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] And on the note of guidance, we think maybe you might have raised an eyebrow when you saw our revenue range combined with our commentary that we expect to be able to hit flat or slightly positive comps for the full year. This is really a reflection of the opening cadence. We touched on this a little bit in the prepared remarks, but that is really the bridge there. I'm sorry...

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten*SVP of Investor Relations & System Development*

[Interpreted] Right. Right. So it's typically, you're going to use a midyear convention for revenue at 50%, we would recommend 40% or even less, just looking at the cadence of openings.

John-Paul Wollam*ROTH Capital Partners, LLC, Research Division*

Great. And then just switching over to kind of the 4-wall guide. Just kind of curious, obviously, the environment hasn't gotten any better since July. But just curious if you could kind of just give us a sense of what's changed since we talked in July when it sounded like maybe there was some optimism about really ramping back towards that 20%.

Hajime Uba*Chairman, President & CEO*

[Foreign Language]

Benjamin Porten*SVP of Investor Relations & System Development*

[Interpreted] With the 20%, you're referring to the RLOPM?

John-Paul Wollam*ROTH Capital Partners, LLC, Research Division*

Yes, the restaurant level.

Hajime Uba*Chairman, President & CEO*

[Foreign Language]

Benjamin Porten*SVP of Investor Relations & System Development*

[Interpreted] So JP, to answer your question first, really, the major difference between when we last met in July and the discussion today would be just the expectations for our COGS have changed. As Jeff had mentioned in the prepared remarks, the impact to tariffs in Q4 were 70 basis points. And so on a full year basis, that impact was not very much. We had 18.4%, but looking to this year, we have the full impact all quarters instead of just Q4. We're -- we know that we took price and we'll benefit from that, but you typically only get about half of flow-through. And then as we look to other costs, we've seen meaningfully elevated utility costs and tariffs impacting non-COGS items as well. And so with all those in mind and all those pressures in mind, we felt that 18% was the appropriate number for us to expect for fiscal '26.

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] That being said, emphasis for fiscal '26, 20% remains the overall goal, and we hope to get back to that as soon as possible. And also keep in mind that with COGS of 28.6% this year and an expectation of 30% next year, that's 140 basis points. But our restaurant-level operating profit margin guidance is only 40 basis points lower than what we ran this year. So we're...

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] We're able to control the rest of the P&L.

Operator

Next question, Tania Anderson with William Blair.

Tania Anderson

William Blair & Company L.L.C., Research Division

Most of my questions have been answered. But just to follow up, you mentioned that there were some things that you noticed with the reservation system that you could do to improve it. And I was wondering if you can give a little bit more detail on that. And second, on the IP collaboration, I mean, given that you're kind of building out this portfolio and you have a mix of, say, known collaborations and maybe some new or more experimental, new collaborations, maybe experimental ways of doing the collaborations, I think you mentioned last quarter that might have more risk. How much control do you have about the -- over the exact timing and flow of all these collaborations per year like during the year and throughout the year. I'm curious about that.

Benjamin Porten*SVP of Investor Relations & System Development*

Yes. So in terms of the collaboration timing, this -- we're generally at the mercy of the licensors. They try to -- they typically have their own marketing schedule, which, generally speaking, works in our favor because they want to partner with us when they're advertising something. But in terms of just having control over the timing, that's not really something that we can do. In terms of the reservation system, this is going to get pretty inside baseball. But in terms of guest-facing improvements, I think the most obvious one and the most meaningful one would be for guests to be able to pull their own reservation information.

Right now, you get it in a text. If you've made a reservation a week ago, it's -- you're not going to be able to find that text, and that's a pretty big headache, not just for the guests, but for the servers as well. And I know because I was desperately trying to find people's reservation numbers when I was testing out the program, and it's just not fun. And so that's really one of the big things that I meant when I was talking about labor savings for front-of-house. The other is we're changing the way that we -- that servers can see parties, and it doesn't really make a big difference from an operations perspective, but basically, the way we -- the way that it was set up before, we're working it in a way that made it impossible to collect correct data.

And this shift will allow us to, for the first time, really get accurate data and then we can make adjustments and decisions based off of that. And so I'm really excited for that. It's not very flashy, but it will make a big, big difference in terms of our planning for what we can do in the reservation system.

Operator

Next question, Todd Brooks with Benchmark StoneX.

Todd Brooks

The Benchmark Company, LLC, Research Division

Jeff, can we talk about -- I think you said mix was down 30 basis points last quarter. Obviously, the consumer weakened across the course of the quarter. I guess, did mix weaken as well as far as side menu attach or beverage attach? And within that down mid-single-digit comp expectation for Q1, is there a deeper kind of drag on price/mix versus what we saw in fiscal 4Q?

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Foreign Language]

Hajime Uba

Chairman, President & CEO

[Foreign Language]

Benjamin Porten

SVP of Investor Relations & System Development

[Interpreted] Todd, just to clarify, are you asking about what we're seeing differently between Q4 and Q1? Or is this just a general question about mix?

Todd Brooks

The Benchmark Company, LLC, Research Division

I was just trying to tie it to what people are seeing with the consumer. Did mix slow during the course of Q4 to end up at down 30 basis points, but the consumer maybe tighten their wallets a little bit more and didn't attach the same way as the quarter went on. And what's the price/mix assumption within the down mid-single-digit guidance for the first quarter same-store sales?

Hajime Uba*Chairman, President & CEO*

[Foreign Language]

Benjamin Porten*SVP of Investor Relations & System Development*

[Interpreted] We certainly have seen check management. We -- in Q4, we had a number of initiatives that were intended to drive improvement in mix such as the light rice, the 25th plate, experimentation with the spending thresholds associated with giveaways. But just with this overall environment and the consumer not feeling as strong as they might have 6 months ago, those efforts, the timing is not right in terms of trying to drive mix. And so really, our focus is on traffic. This is how we've approached every economic downturn in the past. We know that people are going to control check. And so what we do want is just to make sure that they come in the door. We're working a lot on menu development.

We touched on this a little bit earlier, but we want people to be coming in because we have new great items that they want to try and then come back because they like it so much. And so that's one of the things that we're excited for. We expect to start seeing the results of those efforts starting in Q3.

Todd Brooks*The Benchmark Company, LLC, Research Division*

Okay. Great. Second question, I don't know if you guys have ever talked about your customer profile. But if you looked at performance across the quarter, did you see any big disparities by income cohort or age cohort or geographically that would be instructive to share with us?

Hajime Uba*Chairman, President & CEO*

[Foreign Language]

Benjamin Porten*SVP of Investor Relations & System Development*

[Interpreted] There have really been no meaningful changes in demographic patterns or behavior that we've seen. And so nothing to call out.

Hajime Uba*Chairman, President & CEO*

[Foreign Language]

Benjamin Porten*SVP of Investor Relations & System Development*

[Interpreted] That being said, we're seeing a lot of reports about a weaker Gen Z consumer, and some of our best-performing restaurants rely on university or college traffic. And so we're keeping a very close eye on those units.

Hajime Uba*Chairman, President & CEO*

[Foreign Language]

Benjamin Porten*SVP of Investor Relations & System Development*

[Interpreted] But we're not seeing anything that would cause concern for us at this point.

Todd Brooks*The Benchmark Company, LLC, Research Division*

Great. And then, Ben, I'll give you a chance for the commercial here. I know, it will give us a forward look and a tease for the -- some upcoming IP partnerships that you might want to share. I didn't know if -- other than Kirby, if there was anything else you wanted to highlight coming in the next 2 or 3 partnerships?

Benjamin Porten*SVP of Investor Relations & System Development*

Yes. The next one that we have is Sanrio. We're working with a couple of characters from that Sanrio universe that we've deliberately chosen. I won't spoil it for the marketing team. I'll let them unwrap that present. But I'm really excited about that, not just because I think those characters are probably the strongest properties, we could pick among the Sanrio stable, but also this is going to be a shorter period, a 1-month campaign instead of a 2-month campaign. And so it's another opportunity for us to explore how these differences can affect the response that we see from our guests.

Todd Brooks*The Benchmark Company, LLC, Research Division*

Okay. And then Kirby following that, was that the cadence of the first 3 that you talked about last quarter?

Benjamin Porten*SVP of Investor Relations & System Development*

Kirby is actually the next one. And so we entered the year, Demon Slayer. We -- we're in one piece now with Kirby coming up in December, January and then February will be Sanrio.

Operator

Thank you. This concludes today's teleconference. You may disconnect your lines at this time, and thank you for your participation.

[Portions of this transcript that are marked [Interpreted] were spoken by an interpreter present on the live call.]

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