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Noodles & Company (NDLS) Q1 2026 Earnings Call Transcript

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Q1: 2026-05-06 Earnings Summary

Insights



EPS of -\$0.44 **beats by \$0.17** | Revenue of \$123.79M (-0.01% Y/Y) **beats by \$2.29M**

Noodles & Company ([NDLS](#)) Q1 2026 Earnings Call May 6, 2026 4:30 PM EDT

Company Participants

Michael Hynes - Chief Financial Officer

Joseph Christina - President, CEO & Director

Conference Call Participants

Todd Brooks - The Benchmark Company, LLC, Research Division

Presentation

Operator

Good afternoon, and welcome to today's Noodles & Company First Quarter 2026 Earnings Conference Call.

[Operator Instructions].

As a reminder, this call is being recorded. I would now like to introduce Noodles & Company's Chief Financial Officer, Michael Hynes. Please go ahead, sir.

Michael Hynes*Chief Financial Officer*

Thank you, and good afternoon, everyone. Welcome to our first quarter 2026 earnings call. Here with me this afternoon is Joseph Christina, our Chief Executive Officer. I'd like to start by going over a few regulatory matters.

During the call, we may make forward-looking statements regarding future events or the future financial performance of the company.

Any such items should be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act.

Such statements are only projections, and actual events or results could differ from those projections due to a number of risks and uncertainties, including those referred to in this afternoon's news release and the cautionary statement in the company's annual report on Form 10-K and subsequent filings with the SEC.

During the call, we will discuss non-GAAP measures, which we believe can be useful in evaluating the company's operating performance. These measures should not be considered in isolation or as a substitute for our financial results prepared in accordance with GAAP.

A reconciliation of these measures to the most directly comparable GAAP measures is available in our first quarter 2026 earnings release.

To the extent the company provides guidance, it does so only on a non-GAAP basis and does not provide reconciliations of forward-looking non-GAAP measures. Quantitative reconciling information for these measures is unavailable without unreasonable effort.

With that, I would like to turn the call over to Joseph Christina, our Chief Executive Officer.

Joseph Christina*President, CEO & Director*

Thanks, Mike, and good afternoon.

As we look at our performance in the first quarter and into the second, the story is clear. We are delivering consistent and sustainable favorable results across Noodles & Company, demonstrated by system-wide comp sales growth of over 9% and adjusted EBITDA more than tripling year-over-year in the first quarter.

More importantly, this momentum continued into the second quarter with April system-wide comp sales growth of over 9%, including over 10% for our company-operated restaurants.

To date, we have delivered positive same-store sales for the last 16 consecutive months.

In conjunction with the increase in comparable sales, our restaurant contribution margins increased by a significant 460 basis points in the first quarter, with the combination of the strong sales and margin increases reflected in the over tripling of our adjusted EBITDA results.

What gives me confidence in the sustainability of our results is that our progress is driven not by a single initiative or unlock.

It is a result of a focused, disciplined approach to executing the fundamentals of our business and doing the small things right every day, with those small improvements adding up to meaningful wins.

Moreover, we are seeing those winning behaviors spread across the organization, leading to stronger execution and a better overall guest experience.

What's important to understand is that this progress is not accidental. It is a result of how our teams show up and operate every day. We are seeing that come through clearly in 3 areas.

First, we are running more consistent restaurant operations. Second, our marketing is more disciplined and more connected.

And third, our culinary strategy is driving demand through relevant craveable food. Let me start with our restaurants.

Put simply, we are operating better restaurants today than we were a year ago.

Across the system, we are executing at a higher level in the moments that matter most to our guests. We are seeing meaningful improvement in service, particularly during our dinner daypart, where consistency and hospitality have the greatest impact.

Our overall guest satisfaction scores increased by 10% in the last 6 months, with significant improvement achieved in all of our major sales channels: in-restaurant, native digital, and third-party delivery.

That comes from more focused, more aligned teams who understand what matters most and hold themselves accountable to it.

We are recognizing strong performance and reinforcing it, which raises the standards across the system. Guests are noticing the difference, and that is showing up in stronger in-restaurant sales and more consistent traffic patterns.

At the same time, as execution in our restaurants has improved, our marketing has become more disciplined, more connected, and more effective.

We're not relying on a single campaign or promotion. We are operating with a consistent ongoing dialogue with our guests anchored in what we do best, delivering craveable globally inspired noodle dishes.

That work is showing up in the business. We're seeing it in both sales and transactions, supported by stronger engagement across our paid, owned and earned channels.

Importantly, a meaningful portion of that growth is coming from new guests entering the brand. In fact, new guest active purchases increased 36% year-over-year and loyalty sign-ups grew 33% in the quarter, clear indicators that our brand is reaching new audiences.

We also become intentional in how we invest. In paid media, we are actively managing performance in real time across channels, allowing us to allocate dollars more efficiently and maximize return.

We are not separating traffic from brand. The same work that brings guests into our restaurants is also strengthening how they think about noodles.

In the first quarter, we introduced what we call a boost week offer, a focused, time-bound activation designed to drive immediate profitable traffic during key periods.

During this window, reward members can enjoy 2 of our culinary classics for \$12. The results were strong as we added new loyalty members, reactivated last guests, and drove a meaningful increase in traffic to our website.

Based on that performance, we plan to build this into a repeatable program and execute it on a quarterly basis. We also launched our fresh campaign, highlighting ingredient quality and reinforcing the care that goes into every dish, helping to elevate how our guests perceive our food.

On the culinary side, we are executing a focused strategy that balances fan-favorite returns, bold global flavors, and culturally relevant partnerships to drive both frequency and new guest engagement.

This progress began last year with the most significant menu transformation in our company's history as we introduced a range of new and enhanced dishes that strengthen the core of our offerings.

We followed that with our Delicious Duos platform, which reinforced our value proposition in a disciplined way as well as provided further reinforcement of the new and enhanced menu items.

Later in the year, we introduced Chili Garlic Ramen, one of our most successful limited-time offers, which brought new guests to the brand and further reinforced noodles as a credible, differentiated fast casual destination for globally inspired noodle dishes.

In the first quarter, Steak Stroganoff returned as a highly successful limited-time offer. We brought it back in response to strong guest demand, and the results reinforce both the strength of our loyal guest base and our ability to attract new guests.

We also expanded how we supported that launch through differentiated marketing initiatives to build broader awareness and reach beyond our core guests. More broadly, fan favorites like Steak Stroganoff played an important role in our strategy.

For long-time guests, they create a reason to return. For new guests, they provide an easy entry point into a brand through dishes we know resonate.

We continued that approach into March by highlighting our Asian category and bringing back Indonesian Peanut Saute alongside Chili Garlic Ramen.

This work reinforced our global flavor profile, showcasing the variety on our menu and helped lift the overall Asian category. During this LTO window, our Asian category mix has increased 40%, a clear signal that this strategy is resonating with guests.

As limited-time offers remain a key part of our menu strategy, I'm excited to share our newest LTO, Chicken Artichoke and Asparagus Rigatoni, which is available today nationwide.

This dish is a bright spring-forward pasta that brings together fresh seasonal ingredients with the comforting flavors our guests expect from noodles.

In tandem with this LTO, we are partnering with CRAVINGS by Chrissy Teigen to offer guests a craveable bundle, which includes our new Chicken Artichoke and Asparagus Rigatoni alongside a CRAVINGS-inspired, crispy and nostalgic sweet and salty twist on our signature treat.

This is another example of how we are delivering craveable food while elevating it through the right partnership. We know noodles and the CRAVINGS brand, which has a significant following among one of our key demographics, certainly knows cravings.

Together, we are bringing those strengths to life in a way that allows us to show up in culture authentically while driving awareness, trial, and engagement.

Across all these efforts, the true line is clear.

We are executing well in our restaurants, supporting them with disciplined marketing and delivering craveable food, creating a better guest experience that is translating into consistent performance and steady growth in both comparable sales and margins.

At the same time, we have taken a disciplined look at our portfolio and how our restaurants are performing across markets. In select areas, we had too much density, particularly as our off-premise sales continue to grow, so we made the decision to optimize our footprint.

By closing underperforming restaurants in these areas, we have seen a significant transfer of their sales to nearby restaurants, which results in a higher baseline average unit volume for those go-forward restaurants, which also further improves restaurant-level margin and profitability.

It also allows us to focus our resources on our strongest restaurants, improving efficiency and driving better overall company profitability. The progress we are seeing is helping across the business and is building on itself.

We are seeing a shift in mindset across the organization, and our teams believe they can impact results. They are taking ownership.

And as we continue to reinforce strong execution, winning is becoming contagious across our teams. That is what allows this momentum to sustain. As we look ahead, we will stay focused, remain disciplined, and continue executing at a high level every day.

With that, I will turn it over to Mike to walk through the financial details.

Michael Hynes

Chief Financial Officer

Thank you, Joe. In the first quarter, our total revenue was relatively flat compared to last year at \$123.8 million, with strong comp sales growth, mostly offset by the closing of underperforming locations.

System-wide comp restaurant sales during the first quarter increased 9.1%, including an increase of 9.4% at company-owned restaurants and an increase of 8% at franchise restaurants.

Company comp traffic during the first quarter increased 4.8%, and average check increased 4.4%, inclusive of 2% effective pricing during the quarter.

Company average unit volumes in the first quarter increased 13.5% to \$1.49 million.

Our sales growth in the first quarter, which was an acceleration of the sales growth we saw in the back half of 2025, delivered impressive restaurant contribution margin growth.

Our restaurant contribution margin in the first quarter increased 460 basis points to 14.9% from 10.3% in the first quarter of 2025.

[Indiscernible] in the first quarter were 25.4% of sales, a 120 basis point decrease from last year, which was driven by lower food waste related to new menu items, menu pricing, and lower discounting, partially offset by higher food costs associated with our new menu offerings and modest inflation.

Our food inflation in the first quarter was 0.2%.

Labor costs for the first quarter were 30.0% of sales, which was down 250 basis points from the prior year, primarily due to the benefit of sales leverage and labor efficiencies, partially offset by wage inflation.

Hourly wage inflation in the first quarter was 1.9%.

Occupancy costs in the first quarter decreased to \$10.4 million compared to \$11.5 million in 2025 due to a reduction in our company-owned restaurant count over the last 12 months.

Other restaurant operating costs increased by 10 basis points in the first quarter to 21.2%.

The increase in other restaurant operating costs was primarily driven by a combination of higher third-party delivery fees from higher third-party delivery channel sales and higher marketing expenses, which were mostly offset by sales leverage and lower repairs and maintenance costs.

G&A in the first quarter was \$12.5 million compared to \$12.8 million in 2025.

Net loss for the first quarter was \$3.4 million, or a loss of \$0.68 per diluted share, compared to a net loss of \$9.1 million or a loss of \$1.58 per diluted share last year.

The loss in the first quarter of 2026 included a \$2.7 million noncash impairment charge primarily related to our decision to close underperforming restaurants.

Our adjusted EBITDA in the first quarter more than tripled to \$7.7 million compared to \$2.4 million in the first quarter of 2025.

Our first quarter capital expenditures totaled \$2.1 million compared to \$2.9 million in 2025.

At the end of the first quarter, we had \$1.4 million of available cash, and our debt balance was \$106.8 million, which was a reduction of \$3.4 million from our debt balance at the end of 2025, as we were able to pay down debt in a seasonally low quarter.

In the first quarter, we closed 20 company-owned restaurants and 3 franchise restaurants.

The 20 company-owned restaurants were closed as part of our restaurant portfolio optimization project, which continues to yield a significant transfer of sales to nearby locations given our high mix of off-premise sales, contributing to improvement in our comp sales and overall profitability.

That said, a majority of the comp restaurant sales increase in the first quarter was driven by the improvement in our underlying business fundamentals, with our portfolio optimization providing an added benefit.

Overall, we are extremely pleased with our first quarter results, which exceeded our expectations, as our restaurant contribution margin and adjusted EBITDA improvements were driven by our double-digit average unit volume increases, paired with effective cost management.

As we reflect on the first quarter results and look forward to the rest of the year, we're raising our full-year 2026 guidance to the following: total revenue of \$483 million to \$498 million, including comp restaurant sales growth of 7% to 10%.

Restaurant contribution margin between 15.5% and 17%, general and administrative expenses of \$50 million to \$53 million, inclusive of stock-based compensation expense of approximately \$2.5 million, depreciation and amortization expense of \$24 million to \$25 million, and interest expense of \$10 million to \$11 million.

Adjusted EBITDA between \$32.5 million and \$37.5 million, 1 to 2 new franchise restaurant openings, restaurant closures, 30 to 35 company-owned restaurants, and 5 franchise restaurants.

And we estimate total 2026 capital expenditures of \$9.5 million to \$10.5 million.

We continue to expect to be free cash flow positive and have the opportunity to reduce our debt balance in 2026 by approximately \$10 million, including the \$3.4 million reduction in the first quarter.

For further information regarding our 2026 expectations, please see the Business Outlook section of our press release.

With that, I'd like to turn the call back over to Joseph for final remarks.

Joseph Christina

President, CEO & Director

Thanks, Mike. We are very pleased with our first quarter results, reflecting continued strong momentum at Noodles & Company, which continues into the second quarter.

We are very encouraged by this momentum and remain focused on executing the fundamentals every day that are delivering a better overall guest experience, as evidenced by sequential improvement in our guest satisfaction scores, sustained traffic growth, increased engagement with our guests, and more consistent in-restaurant performance.

Thank you for your time today, and I'll now turn the call back over to the operator.

Question-and-Answer Session

Operator

[Operator instructions]

The first question that we have comes from Todd Brooks of Benchmark Company.

Todd Brooks

The Benchmark Company, LLC, Research Division

Congratulations. Mike, you quantified the same-store sales in Q1 as majority driven by fundamental business improvements and the momentum in the business.

I think last quarter, you parsed out the sales transfer contribution versus the contribution from the fundamental improvements. Is that something you'll do this quarter as well?

Michael Hynes

Chief Financial Officer

You mean for the second quarter? Is that the same message for the second quarter?

Todd Brooks

The Benchmark Company, LLC, Research Division

Well, no, for same-store sales, I'm just wondering what came from the contribution from closed locations versus just the core business?

Michael Hynes

Chief Financial Officer

Yes. We talked about 200 to 300 basis points a few weeks ago during our Q4 call, and that's about where we landed, right in the middle of that, about 250 basis points attributable to the closed locations.

So, most of the benefit was due to core business improvement, which is really encouraging to see.

Todd Brooks

The Benchmark Company, LLC, Research Division

And then it sounds silly because the same-store sales are so strong, but did you guys have any winter weather-related impact that muted results in the first quarter that you would call out?

Michael Hynes

Chief Financial Officer

Just timing between the periods. But overall, we feel like it washed out and didn't have a big impact for the quarter.

Todd Brooks

The Benchmark Company, LLC, Research Division

And then, Joe, you talked about the introduction of a boost week. I was wondering if this is something you're going to tease for customers ahead of time? Or is it something you're going to drop on them? What's the strategy for how this rolls out quarter after quarter?

Joseph Christina

President, CEO & Director

Yes. Great question, Todd. That's a strategy for our reward members. So, it's offered to them, and it's also offered to other guests once they sign up for our reward activity.

So, it's something that attracts new guests to our app, as well as our existing guests, to give them a great promotion. And with the results we saw, it's something that we're going to continue throughout the year.

Todd Brooks

The Benchmark Company, LLC, Research Division

And I assume that you would stagger that with the new LTO rolling out today. It wouldn't be something we would see until later in the quarter than the boost week.

Joseph Christina

President, CEO & Director

Correct. It's specific weeks of the year outside of our existing LTOs.

Todd Brooks

The Benchmark Company, LLC, Research Division

And you talked about the second quarter LTO. I know last quarter, you had some additional items when you were running the Sartori, you added the Raman back in.

Are there any other add-ins to this LTO? Or is it going to be the dish standing on its own through the quarter?

Joseph Christina

President, CEO & Director

It's a partnership that we are with Cravings, with Chrissy Teigen, and getting the benefit of all her followers, as well as a new tree to put in the bundle.

So, we are standing on our LTO for this quarter, and with other news coming up in the remainder of the year.

Todd Brooks

The Benchmark Company, LLC, Research Division

Final one for me, and thanks all. Mike, I think you talked about the check being up 4.4%. Can you break that down between price and mix?

Michael Hynes

Chief Financial Officer

Yes. We had about 2% price for the quarter, and that's really our expectation for the full year 2026, with the rest coming from mix.

And the mixed benefit we've been seeing for a couple of quarters now as we've had the new menu items, which have a little higher price point. And then also the strength of our delivery channel is pushing the check up a bit as well.

Operator

Thank you. Ladies and gentlemen, that then concludes today's conference call. Thank you for joining us. You may now disconnect your lines.

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