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# Noodles & Company (NDLS) Q3 2025 Earnings Call Transcript

Nov. 05, 2025 10:51 PM ET | **Noodles & Company (NDLS) Stock** | NDLS**SA Transcripts**

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## Q3: 2025-11-05 Earnings Summary

Insights

EPS of -\$0.10 **beats by \$0.00** | Revenue of \$122.09M (-0.54% Y/Y) **beats by \$2.32M**Noodles & Company ([NDLS](#)) Q3 2025 Earnings Call November 5, 2025 4:30 PM EST

### Company Participants

Michael Hynes - Chief Financial Officer

Joseph Christina - President, CEO &amp; Director

### Conference Call Participants

Todd Brooks - The Benchmark Company, LLC, Research Division

Ivan Yu - Jefferies LLC, Research Division

### Presentation

#### Operator

Good afternoon, and welcome to Noodles & Company's Third Quarter 2025 Earnings Conference Call. [Operator Instructions] As a reminder, this call is being recorded.

I would now like to introduce your host, Noodles & Company's Chief Financial Officer, Mike Hynes. Thank you. You may begin.

**Michael Hynes***Chief Financial Officer*

Thank you, and good afternoon, everyone. Welcome to our third quarter 2025 earnings call. Here with me this afternoon is Joe 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 third quarter 2025 earnings release.

To the extent that 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 efforts.

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

**Joseph Christina***President, CEO & Director*

Thanks, Mike, and good afternoon. I appreciate the opportunity to share our results for the quarter with you and discuss the exciting progress we are making across Noodles & Company, including the accelerated sales we have seen in the third quarter and further in October. I have been in the CEO role for just a couple of months after joining the company earlier this year as President and COO, and I could not be more proud of the work happening across this organization. From our restaurant teams to our support center, everyone has rallied behind our purpose and our commitment to deliver great food and an exceptional guest experience.

I am thrilled with our recent sales trend, which has significantly outperformed the fast casual benchmark in the third quarter and continued in October. Comparable sales grew 4% in the third quarter, improving sequentially each month within the quarter, and that momentum accelerated even further in October to a robust 8% increase in comparable sales, well above the industry average, with traffic up over 1.5%. All of this has been achieved despite a difficult consumer environment. These results are not by chance, but the outcome of deliberate, focused efforts across the business.

The success of our new menu rollout earlier this year, which has delivered noticeable improved food to our guests, the strong value proposition of our Delicious Duos platform introduced in late July, the excitement around our Chili Garlic Ramen limited time offer and the impact of our enhanced marketing and operational execution are all working together to strengthen the relevance of the Noodles brand.

That momentum has driven enthusiasm among our guests and energized our team members. We are building a foundation for sustained growth, and I'm confident in the path ahead. We are seeing meaningful year-over-year improvement in our digital sales channel, driven largely by third-party delivery, which increased 12%. Digital remains a critical growth engine for noodles, strengthening both awareness and accessibility while aligning with our overall sales performance trends.

We have also seen increased enrollment and engagement in our NoodlesREWARDS program, supported by targeted promotions such as our 30th anniversary offer and our early access ramen launch for reward members. These efforts continue to build loyalty and deepen our connection with guests, reinforcing the role digital plays in driving frequency and relevance for the brand.

Another important contributor is the introduction of our Delicious Duos platform in late July. This value offering brings the new menu flavor and quality we are so proud of to our guests at an accessible price point. The early results show the guests view Duos as an everyday option rather than a limited time promotion, allowing them to make noodles a regular part of their dining routine. The platform is expanding our reach and reinforcing our value credibility while maintaining brand equity and profitability.

Our focus on these fundamentals, meeting guests where they are, deliver real value and provide an exceptional experience is driving consistent improvement in same-store sales, and we believe this momentum will continue into the coming quarters. I'm especially encouraged by the momentum we are seeing in our sales trends. As I noted earlier, October was a very strong month with comp sales accelerating to positive 8%, reflecting continued strength of our brand and the appeal of our recent initiatives.

October was particularly strong, thanks to the continuing momentum from our Delicious Duos as well as the success of our new Chili Garlic Ramen dish. This item has resonated with guests who are craving something bold and new, including younger guests visiting Noodles for the first time. The success of our ramen LTO reflects the power of thoughtful menu evolution and flavor innovation working in tandem. This launch delivered on several key drivers: a craveable high-quality product, a fresh expression of global flavor trends and an unexpected yet approachable twist on a familiar comfort food.

Together, these elements capture guest curiosity and enthusiasm evidenced by strong trial and early repeat performance. Strategically, ramen represents how we continue to push our menu forward, introducing bold differentiated flavors that feel both new and true to our brand. Supported by a distinctive creative platform and well-integrated media plan, this limited time offer translated culinary innovation into cultural relevance, driving excitement, traffic and brand buzz that has extended well beyond the initial launch window.

In the fourth quarter, we are lapping over a period of heavy promotions and discounts that we choose not to repeat this year. As a result, we are seeing an over 6% increase in average check quarter-to-date, a trend we expect to continue through Thanksgiving. Even against discount-heavy comparison, our year-over-year traffic is positive over 1.5% quarter-to-date, extending a positive traffic trend that began midway through the third quarter. This performance speaks to the quality of our offerings, the strength of our value platform and the growing relevance of the Noodles brand.

Turning to earnings and margin growth. We continue to make disciplined decisions that strengthen our business and position us for sustained profitability. One of the most significant levers we can pull is the strategic closing of underperforming restaurants. We are approaching these closures thoughtfully, focusing on locations where we can effectively transfer sales to nearby restaurants given a high mix of off-premise revenue.

For the restaurants we plan to close, we expect to retain approximately 30% of sales through transfer to neighboring units, consistent with the performance of recent closed locations. These actions improve overall sales leverage and enhance restaurant level profitability and efficiency. These closures are never easy, but they are the right ones for the long-term health of the brand. By tightening our portfolio and focusing on high-performing restaurants and markets, we can strengthen operations, elevate the guest experience and focus on innovation that drives continued growth in sales and margins.

Our adjusted EBITDA is expected to meaningfully improve as a result of these initiatives, driven by the elimination of negative earning restaurants, the transfer of approximately 1/3 of their sales to nearby locations and the ability to reduce certain overhead expenses associated with a smaller store base.

In the third quarter, our restaurant contribution margins improved 40 basis points, reflecting not only higher comparable sales and the closure of underperforming restaurants, but also our continued focus on managing costs even as sales improve. Strengthening margin remains critical to the success of our operating model, and we will stay focused on driving additional improvements in the quarters ahead.

Importantly, our third quarter adjusted EBITDA improved by \$1.6 million or approximately 33% as a result of the sales improvement I described together with our cost controls. As we look ahead, our focus remains on executing our key priorities to strengthen operations, drive innovation and improve overall profitability.

Since launching our operations excellence coaching program earlier this year, we have made meaningful progress. This program focused on what matters most to our guests, order accuracy, speed of service, taste of food and hospitality. We are addressing each of these areas through targeted training and accountability. To date, our dedicated coaching team has visited nearly 200 restaurants, working side-by-side with operators to identify opportunities, build on each restaurant strength and elevate performance across the system. This investment is already showing results with increased guest satisfaction and helping us deliver a more consistent and elevated guest experience across the brands.

On the culinary front, we are keeping momentum going with exciting new menu and marketing initiatives. In December, we will introduce our newest holiday crispy created in a collaboration with one of America's favorite candy bars. Additionally, early next year, we'll bring back one of the most requested fan favorites, answering the call from guests who can't wait to see it return.

In parallel, we are also seeing continued growth in our digital and third-party channels, which remains powerful drivers of awareness, convenience and incremental sales. These efforts reinforce our position as a brand that offers both variety and innovation, meeting the evolving taste of today's guests while staying true to who we are.

From a financial perspective, we continue to make disciplined decisions that position Noodles for long-term success. In addition to the restaurant closures, we're executing a comprehensive cost savings plan that is on track to deliver more than \$5 million in savings across our P&L in 2025. We will build on that progress in 2026 with a focus on optimizing our labor model, reducing food waste and improving efficiencies across every part of our P&L.

At the same time, we are becoming increasingly efficient and effective with our marketing investments, ensuring every dollar works harder to drive business impact. Through insights from our media mix model, we have optimized our media strategy to better balance reach and return, shifting spend towards the channels and tactics that deliver the strongest ROI.

Our refined audience targeting also seeks to ensure we are reaching the right guests with the right message, maximizing both relevance and conversion. Together, these efforts are strengthening profitability for the company and our franchise partners while building a smarter, more agile business ready to capture future growth.

Before I turn it over to Mike, I'd like to provide an update on an announcement we made in September. As previously shared, our Board of Directors has initiated a review of strategic alternatives to explore ways to maximize shareholder value. The process may include a range of potential options such as refinancing existing debt or other strategic or financial transactions. No decisions have yet been made, and there are no set timetables for completion. Until the review is completed, we will not provide additional commentary.

With that, I will turn it over to Mike to review our third quarter financial highlights and full year guidance.

**Michael Hynes**

*Chief Financial Officer*

Thank you, Joe. In the third quarter, our total revenue decreased 0.5% compared to last year to \$122.1 million. System-wide comp restaurant sales during the third quarter increased 4.0%, including an increase of 4.0% at company-owned restaurants and an increase of 4.3% at franchise restaurants. Company comp traffic during the third quarter decreased slightly by 0.6%, though was positive in the second half of the third quarter and average check increased 4.6%, inclusive of 2% effective pricing during the quarter.

Company average unit volumes in the third quarter increased 5.4% to \$1.34 million. As Joe mentioned, we saw comp sales improved sequentially in the third quarter. July was positive 1.6%, August was positive 4.5% and September was positive 5.5%. We're excited to see that momentum accelerate into the fourth quarter with our October comp sales positive 8%.

Turning to profitability. We're especially encouraged that our top line momentum translated into year-over-year restaurant-level margin growth, increasing to 13.2% from 12.8% in the third quarter of 2024. Costs in the third quarter were 25.7% of sales, a 20 basis point increase from last year, which was primarily driven by higher food costs associated with our new menu offerings and inflation, partially offset by the combination of menu price and vendor rebates. Our food inflation in the third quarter was approximately 2%.

Labor costs for the third quarter were 31.4% of sales, which was down 60 basis points to prior year, primarily due to the benefit of sales leverage, partially offset by wage inflation. Hourly wage inflation in the third quarter was 2.5%. Occupancy costs in the third quarter decreased to \$11.1 million compared to \$11.5 million in 2024 due to a reduction in our company-owned restaurant count over the last 12 months.

Other restaurant operating costs increased by 40 basis points in the third quarter to 20.5%. 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.

G&A in the third quarter was \$12.3 million compared to \$12.9 million in 2024, primarily due to a decrease in expenses related to our annual summit and a decline in obsolete inventory costs. Net loss for the third quarter was \$9.2 million or a loss of \$0.20 per diluted share compared to a net loss of \$6.8 million or a loss of \$0.15 per diluted share last year. The loss in the third quarter of 2025 included a \$5.3 million noncash impairment charge related to our decision to close underperforming restaurants.

Adjusted EBITDA for the third quarter was \$6.5 million compared to \$4.9 million in the third quarter of 2024 and an increase of nearly 33%. In the third quarter, we closed 15 company-owned restaurants and 3 franchise restaurants. Our third quarter capital expenditures totaled \$3.7 million compared to \$7.1 million in 2024. At the end of the third quarter, we had \$4.7 million of available cash and our debt balance was \$109.8 million with over \$12 million available for future borrowings under our revolving credit facility.

In August, we announced an expanded effort to close underperforming restaurants on or before lease end dates. Through October, we've closed 29 company-owned restaurants, and we're on schedule to close a total of 31 to 34 company-owned restaurants by the end of 2025. We continue to be pleased with the results from closing underperforming restaurants. The closures removed restaurants with negative cash flow from our system and post closure, we're seeing nearby Noodles restaurants experience an increase in sales and profits.

We expect the closure of underperforming restaurants in 2025 to positively impact 2026 restaurant level contribution by over \$2 million. Based on the positive results we've seen over the last year from closing underperforming restaurants, we will continue to monitor our portfolio of restaurants carefully to optimize our overall financial performance.

Turning to our full year guidance for 2025. We're revising our expectations based on our recent positive trends. For the full year 2025, we are providing the following guidance: Total revenue of \$492 million to \$495 million, including comp restaurant sales growth of 3.6% to 4.2%, restaurant contribution margin between 12.3% and 12.7%, general and administrative expenses of \$48 million to \$49 million, inclusive of stock-based compensation expense of approximately \$3.3 million, depreciation and amortization expense of \$28 million to \$29 million, interest expense of approximately \$11 million, and we estimate total 2025 capital expenditures of \$12 million to \$13 million. For further information regarding our 2025 expectations, please see the Business Outlook section of our press release.

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

**Joseph Christina**

*President, CEO & Director*

Thanks, Mike. As I look across the business, I am confident that the work we have done this year is paying off. We're building a more relevant brand, providing greater value and a variety for our guests and setting the stage for sustainable growth in the quarters ahead. Thank you for your time today. I now turn the call back over to the operator.

## **Question-and-Answer Session**

### **Operator**

[Operator Instructions] Our first question comes from Todd Brooks with The Benchmark Company.

### **Todd Brooks**

*The Benchmark Company, LLC, Research Division*

Congratulations on the momentum in the business. It's great to see. I know there's a lot of work that went into this over the last couple of years. So nice to see that paying off. If I can dig in, first of all, on the Duos, success there. Can we kind of talk through how Duos are mixing or how you look at value on the menu? Just trying to figure out consumers accessing via value platform and then what they do upon repeat.

### **Joseph Christina**

*President, CEO & Director*

Todd, it's Joe Christina. Thanks for the question. Yes, Delicious Duos since we launched it at the end of July, certainly filled the void of value that we have with our guests. And we're mixing around 4% to 5% depending on the restaurants. What we're encouraged by is we see that throughout the business, not just during lunch or dinner or on our third-party platforms. So it's a strong mix, and we see that kind of halo effect of the Delicious Duos with our guests, and we continue to get good value scores from our guests that show us that it's working in the value platform against our competition.

### **Todd Brooks**

*The Benchmark Company, LLC, Research Division*

Yes, that's great. And then I know it's early with an end of July launch, but what are you seeing for repeat frequency for customers that access the brand originally through Duos? And are they -- do they trade around the menu? Or is a Duo customer typically a Duo customer on first visit?

**Joseph Christina***President, CEO & Director*

Well, seeing that our mix has been steady, 4% to 5%, we believe it's bringing in both new and incremental -- I mean, incremental and existing guests. And when we get them in the restaurant, we have seen our teams really upsell to other parts of our menu, including our new menu items, and the guests are trying them also. So I think it's working for us in both ways in driving guests to our brand and then also we're able to elevate to other parts of the menu that we launched earlier in the year.

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

Okay. And then, Mike, if we look at -- and obviously, that October 8% result is amazing. It's great to see. I think you talked about traffic being 1.5%. How do we get our minds around kind of organic traffic versus the contribution from sales transfer to the same-store sales traffic number from the stores that you have closed and you've seen that kind of sales transfer to existing stores?

**Michael Hynes***Chief Financial Officer*

Sure. And we are experiencing a lift -- experiencing a sales lift from our closures. And the closures have really been weighted towards the back half. So we're really seeing that accelerate recently. In October, that was about a 1%, 100 basis point lift for us. And hopefully, that will continue as we expand the effort.

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

That's great. You're still positive traffic outside of the sales transfer, which is excellent to see as well.

**Michael Hynes***Chief Financial Officer*

Yes. Just as a reminder, October last year, we had heavy discounting going on. And so for us to have positive traffic in October up against those comps is really encouraging.

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

Okay. Great. And then you talked about the success with the ramen LTO. Learnings from that, thoughts on kind of rotating between ramen, but as a permanent kind of menu category on the menu? Just what are thoughts coming out of the strength of that recent offering?

**Joseph Christina**

*President, CEO & Director*

Yes. Well, it's too early to tell if it's something that we need to have permanently on our menu. It's working. Both trial and repeat business is there. It's a bold dish for us with a bold taste that fits our platform. And we believe there's a future for ramen on our menu, whether that is a permanent item or an LTO in the future. So we're excited about that as well as the price point with ramen has brought the guest in and really got our repeat trial going. So we're very excited about and encouraged by the results of ramen, and we'll continue to monitor it through the rest of the promotion to see where it goes from there.

**Todd Brooks**

*The Benchmark Company, LLC, Research Division*

And what's the window for that LTO, Joe?

**Joseph Christina**

*President, CEO & Director*

It's slated to end by the end of the year.

**Todd Brooks**

*The Benchmark Company, LLC, Research Division*

Okay. And did it start at the start of the quarter or earlier than that?

**Ivan Yu**

*Jefferies LLC, Research Division*

It started in October.

**Operator**

Our next question comes from the line of Andy Barish with Jefferies Group.

**Ivan Yu**

*Jefferies LLC, Research Division*

This is actually Ivan on for Andy. I just wanted to maybe follow up on one of Todd's questions and just see if you'd be willing to share what the benefit from the underperforming closures were, particularly on margins for this quarter. And I know you guys talked about the contribution looking ahead, but just curious if you were starting to see some of that in the near term as well.

**Michael Hynes**

*Chief Financial Officer*

Yes. Just on the Q3 adjusted EBITDA, the closures did benefit us, but to a limited extent because the closures have been back weighted where a lot were happening in September and October. So it's about \$300,000 of benefit to adjusted EBITDA in the quarter.

**Ivan Yu**

*Jefferies LLC, Research Division*

Got you. And then any way to also unpack sort of your comments about the fourth quarter and sort of the check benefit that you've been seeing as you lap some of the promotions in the prior year. Does that fall off relatively significantly beyond Thanksgiving into December? Just trying to see kind of wrap our heads around the magnitude of that impact.

**Michael Hynes**

*Chief Financial Officer*

Yes. Most of the impact of the discounts from last year does fall off post Thanksgiving. So as we get into December, you should see a much more normal year-over-year check increase.

**Ivan Yu**

*Jefferies LLC, Research Division*

Got you. And just to confirm, that plus the sales transfers are all embedded in the guidance for the full year and fourth quarter implied?

**Michael Hynes**

*Chief Financial Officer*

Correct.

## Operator

We have reached the end of the question-and-answer session, and this concludes today's conference. You may disconnect your lines at this time, and we thank you for your participation.

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