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Noodles & Company (NDLS) Q3 2026 Earnings Call Transcript

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Noodles & Company (NDLS) Q3 2026 Earnings Call November 13, 2026 8:30 AM EST

Company Participants

Michael Hynes - Chief Financial Officer
Joseph Christina - President, CEO & Director

Conference Call Participants

Todd Brooks - StoneX Financial, Inc., Research Division

Presentation

Operator

Good morning, and welcome to today's Noodles & Company's Third 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, Mike Hynes. Please go ahead.

Michael Hynes
Chief Financial Officer

Thank you, and good morning, everyone. Welcome to our third quarter 2026 earnings call. Here with me 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 the 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 morning'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 2026 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'd like to turn the call over to Joe Christina, our Chief Executive Officer.

Joseph Christina
President, CEO & Director

Thank you, Mike, and good morning, everyone. I appreciate you joining us today to discuss our third quarter results and the continued progress we are making at Noodles & Company.

The third quarter was another strong step forward for Noodles. System-wide comparable sales grew 9.5%, led by 10.7% growth at our company-owned restaurants, including 7.8% traffic growth, marking the eighth consecutive quarter of positive same-store sales growth with all 3 quarters of this year exceeding 9%.

Restaurant contribution margins expanded 350 basis points to 16.7% with our year-to-date restaurant contribution margin also exceeding 16%, which is a significant enhancement to our operating model.

Adjusted EBITDA grew 34% to $8.7 million in the third quarter and has nearly doubled on a year-to-date basis. This represents a step change in our operating model over the past year as we benefited from the leverage of higher AUVs together with more efficiencies on the cost side and the elimination of underperforming stores from our portfolio.

Our average restaurant volume grew by over 15% to $1.54 million, which is a key pillar for the entire operating model to be successful. We got here the same way we have all year, through running better restaurants, creating food guests crave and engaging our guests with smarter marketing, complemented by the success of our store closure program, which has resulted in what we believe is a more permanent transfer of predominantly off-premise sales to nearby restaurants.

Over the past year, we have fundamentally transformed our business, building stronger Noodles & Company through disciplined execution and a renewed focus on our guests. We have elevated our restaurant operations, transformed our menu with more innovation, permanent and LTO offerings and evolved our marketing strategy to strengthen our brand, connect with new and existing guests and drive traffic.

These efforts are working together to create a stronger foundation for our business, and our third quarter performance reflects the sustainable progress we are making.

What is particularly encouraging is that our progress is not the result of any single initiative. It reflects a series of deliberate improvements across our organization that are strengthening our ability to execute, improving the guest experience and creating new opportunities for growth.

As we enter the final quarter of 2026, our priorities remain clear: continue to deliver innovation, creative menu offerings that meet our guests' needs for great food at an appropriate value, strengthen our restaurant operations, build a more effective marketing organization and translate those efforts into sustainable, profitable growth.

Today, I want to share more about the progress we made during the third quarter, the early response to our new Ramen menu and how we are positioning Noodles & Company for continued success.

Our menu transformation continues to be a central component of our strategy, and the third quarter marked another important milestone in that journey. Over the past year, we have taken a more deliberate approach to menu innovation, focusing on creative dishes that bring together familiar comfort, bold flavors and the culinary expertise that make Noodles & Company unique.

Our goal is to create a more compelling menu that gives existing guests more reasons to visit while attracting new guests who may not have previously considered noodles. The strength of our testing process is an important part of this approach. We are testing dishes we believe our guests want, using what we learned to develop compelling dishes and build confidence before bringing them to our broader menu. Our guests remain at the center of every stage gate in our testing process, with each phase providing opportunities to further refine concepts based on their feedback and evolving expectations, ensuring we deliver what both our loyal fans and new guests want to see from us.

In August, we expanded our baked lineup with Baked Cheese Tortelloni, building on an existing menu favorite and reinforcing one of our strongest attributes, comfort food.

Our testing process helped us develop this enticing dish and our improved operational readiness for the promotion helped make the launch successful. Bringing those 2 elements together gave us a stronger foundation for introducing the offering to guests.

The launch engaged existing guests and demonstrated how familiar, craveable dishes can generate renewed interest when promoted in a fresh and relevant way.

The campaign also helped spotlight comfort offerings across our menu. Both Baked Chicken Parm and Garlic Cream Tortelloni saw increased trial and stronger performance during the campaign window.

We were particularly encouraged by the response amongst first-time guests. Of the new guests who tried Baked Cheese Tortelloni, we saw the highest return rate among dishes launched this year, which showed the opportunity for approachable, familiar flavors to encourage trial and bring guests back.

The launch also reflected closer collaboration across our culinary, operations, supply chain and marketing teams from developing the offering to preparing our restaurants and promoting it to our guests. We will continue to build on this approach, introducing dishes that strengthen our menu and give new and existing guests more reasons to choose Noodles & Company.

We are applying the same testing approach as we develop our menu pipeline for 2027 to build upon the substantial growth we've achieved this year, focusing on products we believe our guests want and preparing our teams to support continued success.

And that brings me to our latest innovation, which launched just a few weeks ago. In October, we took another important step in our menu transformation with the introduction of Ramen as a permanent category on our menu. Ramen represents a natural extension of our culinary expertise and an opportunity to bring new flavor, formats and experiences to our guests.

The foundation for this launch was established last year with the introduction of Chili Garlic Ramen, which generated an enthusiastic response from guests and demonstrated the opportunity for Noodles & Company to bring its own unique perspective to a popular noodle category.

Building on that success, we introduced a new lineup of Ramen dishes in October, featuring globally inspired flavors and unexpected twists on traditional Ramens with different price points to embrace the more value-focused guests. With Ramen now a permanent part of our menu, we have established yet another platform for continued culinary innovation.

This gives us the opportunity to introduce new Ramen dishes and rotate them into our menu sequentially to expand our appeal to different guests preferences and continue building excitement around our menu.

This also creates both an LTO type of excitement as we rotate new Ramen dishes in throughout the year and an assurance that our guests can always find Ramen dishes on our menu, similar to our successful Mac category.

While we are still in the early stages of the launch, we are encouraged by the initial response. During our October period, Ramen has a double-digit product mix and helped deliver 5.5% comparable sales growth, which we're extremely pleased with as we are comping against an 8% comp sales growth in 2025.

Importantly, the Ramen launch is not simply about introducing another menu category. It reflects our broader strategy of building a more differentiated brand through innovation that is grounded in our culinary expertise and informed by guest insights.

We believe there is a meaningful opportunity to continue building on this platform as we look ahead. And as we introduce new menu offerings, we remain equally focused on ensuring that our restaurant teams have the tools, training and operational support needed to deliver them consistently and successfully.

Successful menu innovation is only one part of our transformation. Equally important is our ability to deliver a consistently great guest experience across every restaurant and digitally every day. Throughout 2026, we have continued to strengthen our operational foundation with a focus on the fundamentals that matter most to our guests, food quality, guest service, order accuracy and consistency.

Our restaurant teams are at the center of everything we do, and we are focused on giving them the support and resources they need to execute at a high level. One example is the more structured approach we have established for menu rollouts.

As I mentioned earlier, our culinary, operations, supply chain, marketing and restaurant teams are working more closely throughout the development and launch process, helping ensure that new offerings are compelling to guests through successful execution in our restaurants. We have also continued to reinforce operational fundamentals through more consistent training, restaurant evaluations and greater collaboration between our company-operated and franchise restaurants.

The progress we are making in our restaurants is essential to the long-term success of the business. As we strengthen execution, we create a better experience for our guests, support our restaurant teams and establish a stronger foundation for continued innovation and profitable growth.

We are encouraged by the progress we have made while recognize that there is still work ahead. Alongside our menu transformation and operational improvements, we have continued to evolve our marketing strategy to strengthen our connection with guests and support sustainable traffic growth.

We are taking a more integrated approach across national advertising, digital and social media, influencer partnerships and local restaurant marketing to bring our menu innovation to life and turn awareness into restaurant visits. During the third quarter, these efforts supported the launch of our Baked Cheese Tortelloni and highlighted comfort offerings across our menu.

Our most recent marketing mix modeling results estimated that marketing activities contributed a meaningful increase in guest traffic and is helping to drive an increase in first-time guests. We will continue to use guest insights and these measurement tools to refine our marketing investments, attract new guests and give existing guests more reasons to return.

Our October Ramen launch provided another example of how we are bringing our menu and marketing strategies together. With Ramen becoming a permanent part of our menu, we have an opportunity to introduce Noodles & Company to new audiences while giving our existing guests another compelling reason to visit.

Our marketing efforts surrounding the launch are designed to build awareness, generate trial and establish Ramen as an important part of our menu moving forward. Our objective is to ensure that our marketing strategy supports both the immediate success of our menu innovation and the long-term strength of the Noodles & Company brand.

As we move through the fourth quarter, we remain focused on sustaining that progress we have made while continuing to strengthen the fundamentals of our business. Our new permanent Ramen menu gives us additional innovation to bring to guests, supported by a more integrated marketing strategy and continued improvement in our restaurant execution.

While we remain mindful of the broader consumer environment and the competitive landscape, we are focused on the factors within our control. We believe the work we have done to strengthen our menu, operations and marketing capability has positioned us to navigate any challenge ahead while continuing to pursue opportunities for growth.

As we look towards 2027, our focus is on building a stronger Noodles & Company and continuing to advance the transformation of our business. Over the past year, we have established a stronger foundation through meaningful improvements in our menu, restaurant operations and marketing capabilities.

The next phase of our journey is about building on that foundation and continuing to elevate our performance. Our approach will remain disciplined with a focus on initiatives that improve the guest experience, support our restaurant teams and create long-term value for our shareholders.

We are also focusing on ensuring that our continued growth is supported by the right organizational capabilities, operational processes and financial discipline. The transformation of Noodles & Company is an ongoing journey, and we recognize that continued success requires consistent execution across every part of the business.

Before I turn the call over to Mike, I wanted to thank our team members, franchise partners and everyone across the Noodles & Company organization for their continued dedication and commitment.

The progress we have made this year reflects the collective efforts of our teams who are working every day to deliver better experiences for our guests and build a stronger business.

We have accomplished a great deal, but our work is far from complete. We remain focused on building on our momentum, raising the standards across our organization and positioning Noodles & Company for continued success. With that, I'll turn the call over to Mike to walk through our third quarter financial results and outlook in greater detail.

Michael Hynes
Chief Financial Officer

Thank you, Joe. In the third quarter, our total revenue was $120.9 million, which was a $1.2 million decrease compared to last year, driven by significant increases in comp sales growth, offset by the closing of certain restaurants.

System-wide comp restaurant sales during the third quarter increased 9.5%, including an increase of 10.7% at company-owned restaurants and an increase of 4.9% at franchise restaurants.

Company comp traffic during the third quarter increased 7.8% and average check increased 2.6%, inclusive of 1.9% effective pricing during the quarter. Company average unit volumes in the third quarter increased 15.2% to $1.54 million.

Before I move away from our sales performance, I wanted to review our October sales results. Last year, in October, we launched the most successful LTO in the company's history, Chili Garlic Ramen, and we delivered 8% comp sales growth in October 2025.

As we lap Chili Garlic Ramen, we are encouraged by our continued strong sales growth with October comp sales of 5.5%. This is further evidence that the sales gains and margin improvements we've realized over the last 12 months are sustainable and have created a new baseline of AUVs and restaurant profitability for our system.

Back to our third quarter results. Our strong company comp sales growth, which was a continuation of the momentum we built in the front half of the year, continues to drive impressive year-over-year margin growth. Our restaurant contribution margin in the third quarter increased 350 basis points to 16.7% from 13.2% in the third quarter of 2025.

Cost of sales in the third quarter was 24.8% of sales, a 90 basis point decrease from last year, which was driven by menu price, favorable menu mix shifts and lower food waste, partially offset by modest inflation.

Our overall cost of sales inflation in the third quarter was 1.4%. Labor costs for the third quarter were 29.5% of sales, which was down 190 basis points from the prior year, primarily due to the benefit of sales leverage, partially offset by wage inflation.

Hourly wage inflation in the third quarter was 1.7%. Occupancy costs in the third quarter decreased to $9.8 million compared to $11.1 million in 2025 due to a reduction in our company-owned restaurant count over the last 12 months.

Other restaurant operating costs for the third quarter were 20.8% of sales, which was up 30 basis points from the prior year. The increase was primarily driven by higher third-party delivery fees from higher third-party delivery channel sales, partially offset by sales leverage and lower repairs and maintenance spend.

G&A in the third quarter increased to $13.6 million compared to $12.3 million in 2025, primarily due to an increase in incentive-based compensation as a result of improved company performance as well as an increase in corporate transaction-related costs.

Net loss for the third quarter was $2.1 million or a loss of $0.36 per diluted share compared to a net loss of $9.2 million or a loss of $1.58 per diluted share last year. The loss in the third quarter of 2026 included a $1.2 million noncash impairment charge, primarily related to our decision to close certain restaurants.

Our adjusted EBITDA in the third quarter increased 34% to $8.7 million compared to $6.5 million in the third quarter of 2025. Our third quarter capital expenditures totaled $2.8 million compared to $3.7 million in 2025. At the end of the third quarter, we had $1.5 million of available cash and our debt balance was $101 million, which was a reduction of $9.2 million from our debt balance at the end of 2025.

In the third quarter, we closed 12 company-owned restaurants, opened one franchise restaurant and closed two franchise restaurants. We continue to see a meaningful improvement in our restaurant level economics related to our portfolio optimization project.

In the third quarter, we continue to see a transfer of sales from recently closed restaurants to nearby Noodles locations, which we estimate to have benefited our third quarter company comp sales by approximately 300 basis points.

This creates an ongoing increase to the AUVs of the restaurants that were in proximity to the closed restaurants and contributes to restaurant contribution margin growth.

Overall, we are extremely pleased with our results. Our sales growth, which was a continuation of the acceleration we saw in the first half of the year and our effective cost management are delivering improvements in contribution margin, adjusted EBITDA and free cash flow that are improving the foundation of our business and allowing us to strengthen our balance sheet by reducing our debt balance.

As we look to finish a great year, we're tightening our guidance to the following for the full year 2026. Total revenue of $485 million to $495 million, including comp restaurant sales growth of 9% to 10%, restaurant contribution margin between 16% and 16.7%, general and administrative expenses of $52 million to $54 million, inclusive of stock-based compensation expense of $2.5 million to $3 million.

Depreciation and amortization expense of $23 million to $24 million, interest expense of approximately $10 million, adjusted EBITDA between $35 million and $37 million, one new franchise restaurant opening, for restaurant closures, 34 to 36 company-owned restaurants and 7 to 8 franchise restaurants, and we estimate total 2026 capital expenditures of $8.5 million to $9.5 million.

We continue to expect to be free cash flow positive in 2026 with the opportunity to reduce our debt balance by $10 million to approximately $100 million.

Based on our full year adjusted EBITDA guidance and a projected year-end debt balance of approximately $100 million, we expect our debt balance to be below 3x adjusted EBITDA.

Today, we announced an amendment to our credit facility to extend the maturity date to November 30, 2027, among other changes. We believe the extended maturity, along with the improvement in our business results, provide additional flexibility as we continue our review of strategic alternatives.

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 Joe for final remarks.

Joseph Christina
President, CEO & Director

Thank you, Mike, and congratulations. As we close today, I want to reinforce an important point about where we are as a company and where we are headed.

Over the past year, we have made significant progress transforming Noodles & Company. We have improved our menu, strengthened restaurant operations, made smarter investments and brought greater discipline and accountability to how we run our business.

These improvements have translated to improved financial results and just as importantly, established a stronger foundation for our future.

As we look ahead, we recognize that the consumer environment remains dynamic and that we need to continue adapting to changing guest behaviors and expectations. But we're doing so with a stronger operating model, a more relevant menu and a disciplined approach to investing in our business.

We remain confident in our strategy and focused on the opportunities ahead. Our priorities are clear: continuing delivering exceptional guest experience, strengthen our value proposition, drive greater awareness and trial and build on the operational and financial improvements we have achieved throughout the year.

As we look towards 2027, I am confident that the foundation we have built, the actions we are taking and the commitment of our team position Noodles & Company to continue to deliver sustainable, profitable growth.

Thank you for your continued confidence in Noodles. We look forward to updating you next quarter. I'll now turn the call back over to the operator.

Question-and-Answer Session

Operator

[Operator Instructions] And our question will come from Todd Brooks with StoneX.

Todd Brooks
StoneX Financial, Inc., Research Division

Congrats on the Q3 results.

Michael Hynes
Chief Financial Officer

Thanks, Todd.

Todd Brooks
StoneX Financial, Inc., Research Division

If we could start with, I mean, obviously, strong results in Q3 in the guidance that was given for the full year, you guys shaved about $5 million off the top end of the prior guidance. Is that commentary on the consumer? Is that something around size of store base and contraction? Just trying to want to understand maybe despite the Q3 results, why that top end would have been pulled in by $5 million?

Michael Hynes
Chief Financial Officer

Yes. The biggest factor there, Todd, is the timing of our closures. So our total closures for the full year are within our original guidance range, but we did pull forward some, which is impacting the overall revenue line, but not hurting our profitability.

Todd Brooks
StoneX Financial, Inc., Research Division

Okay. Great. And then, I guess, along those lines, as you look to '27, where are we in the process of, kind of, rightsizing the restaurant base for moving forward? Is there another smaller wave of closures anticipated in '27 or anything you can share there?

Michael Hynes
Chief Financial Officer

It is winding down. We're getting to the end of the process. We don't have a firm number for you for 2027. Best thinking right now would be 10 to 15 closures next year.

Some of those will be natural lease expirations, not all of them is a part of the portfolio optimization, early closure process.

Todd Brooks
StoneX Financial, Inc., Research Division

Okay. Great. And I think you said October same-store sales up 5.5% against the strong results in the prior quarter. Joe, can you go through and maybe review how the new 3 -- well, the new Ramen platform and the 3 SKUs that were introduced earlier in the month were launched. Was this a softer launch that builds into a bigger push as the quarter progresses? Or how was this introduced to consumers here as you maybe, are ramping the operational reps around really getting the product the way you want?

Joseph Christina
President, CEO & Director

Yes. Sure, Todd. Nice to talk to you. Yes. So we approached the Ramen launch starting with training certainly in September, while there was some muscle memory at the restaurant because we had Ramen throughout the 2025, and beginning of '26, we approach the training like an LTO to make sure that restaurants are ready throughout the training process, supply chain is ready and marketing is ready.

And so the first couple of weeks of it, we leaned in heavily to build awareness of the new dishes and induce trial. And now it will be a sustainable because this is not an LTO. This is a platform for us and it will be a sustainable marketing and operational approach throughout the rest of the year and into early 2027.

And we are working on innovation of rotating other Ramen dishes into that menu throughout 2027. So LTO, kind of lean in, training, supply chain and now it's maintaining it like we do with our Mac & Cheese, continue to pulse it, continue to build awareness and trial.

Todd Brooks
StoneX Financial, Inc., Research Division

Okay. Great. And then a couple more. Mike, if I'm thinking about Ramen and it sounds like mixing nicely out of the gate. How do we need to think about this from an average check standpoint? Because I do think it's a lower access point for the customer, right?

Michael Hynes
Chief Financial Officer

Yes. So the offerings we have now, 2 of them are coming curated with protein. So right now, they're not hurting our average check at all. We do have one that does not have a curated protein, and that's, I think, attractive from an entry point perspective from a guest perspective.

So I think we'll always take that approach, keeping value in mind and making sure that this platform is delivering profitability like the rest of our lineup.

Todd Brooks
StoneX Financial, Inc., Research Division

That's great. And then final one, Joe. If you can -- if you're willing to give us a sneak peek where innovation takes noodles in '27. I know we'll be able to keep freshness on the menu now through the Ramen platform. But what else do you envision? I mean you talked about leaning into comfort and that working with the baked launch. But just thoughts on the '27 product pipeline that you can share with us?

Joseph Christina
President, CEO & Director

Yes, definitely. And thanks for the question. Through our testing of products, as I spoke of, and the innovation is really firing on a lot of cylinders, giving us choices for what our guests need, whether it's a value position or comfort food, and we'll be leaning into that in early 2027 with a returning favorite.

And then throughout the rest of the year, as we see both the Asian, Italian and Mac & Cheese categories, we've got great innovation in all 3 of those. So we should see through the first half of the year, us leaning into more opportunities to introduce new products to keep it fresh.

And then certainly, the back half of the year, all the testing we're doing regarding Ramen right now and options for next year to keep it fresh. And we're excited about that, Todd.

The innovation team is doing a great job, and our testing restaurants are delivering us information at a much higher rate so that we can make good decisions for 2027.

Operator

And this concludes our question-and-answer session and will conclude today's teleconference. We thank you for your participation. You may disconnect at this time, and have a wonderful day.

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