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Noodles & Company (NDLS) Q4 2025 Earnings Call Transcript

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Q4: 2026-03-25 Earnings Summary

Insights



EPS of $-\$0.43$ **beats by $\$0.29$** | Revenue of $\$122.78\text{M}$ (0.82% Y/Y) **beats by $\$376.00\text{K}$**

Noodles & Company ([NDLS](#)) Q4 2025 Earnings Call March 25, 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's Fourth Quarter 2025 Earnings Conference Call. [Operator Instructions] After the presenters' remarks, there will be a question-and-answer session. As a reminder, this call is being recorded. I would now like to introduce Noodles & Company's Chief Financial Officer, Mike Hynes.

Michael Hynes

Chief Financial Officer

Thank you, and good afternoon, everyone. Welcome to our Fourth 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 fourth quarter 2025 earnings release.

To the extent that the company provides guidance, it does 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 afternoon. As we reflect on 2025, the story is clear. We have built meaningful and sustained momentum across Noodles & Company accumulating a system-wide comp sales growth of nearly 7% in fourth quarter of 2025 and further escalating to over 9% in the first quarter of 2026, thus far, with only a week remaining in the quarter, and profitability far exceeded the prior year in the fourth quarter of 2025 and as we have guided in the first quarter of 2026. That progress is not accidental. It is the result of disciplined execution and a clear focus on what matters most.

2025 was a pivotal year for the brand. We significantly elevated our food with the launch of our most comprehensive new menu in the history of the company and the introduction of craveable limited time offers including Chili Garlic Ramen, one of our strongest LTOs in recent years, which we believe also introduced new customer groups to new within company.

We leaned into strong value messaging with the launch of Delicious Duos, giving guests compelling meal combinations at an attractive price point that delivered balance, variety and everyday affordability without compromising quality while also raising consumer awareness to our new menu offerings. We initiated a thorough review of our portfolio, resulting in the closing of underperforming restaurants, which has continued into the first quarter of 2026 and importantly, has resulted in a material transfer of sales to nearby locations, resulting in a step baseline increase of average sales volume at those go-forward restaurants, which also favorably impacted margins, as Mike will discuss in more detail shortly.

And we strengthened operational excellence by introducing our operational excellence review program, raising standards and driving greater consistency and accountability across every restaurant. Underpinning all of this was a renewed focus on the fundamentals.

Throughout 2025, we tightened execution in our restaurants, improved food consistency, managed costs with discipline and sharpened our marketing approach. When you consistently execute the fundamentals at a high level, performance follows, and that is exactly what we began to see in the back half of the year. But before I dive deeper into the progress we made in 2025, I want to highlight our first quarter comp sales performance to date as the progress we built last year has further accelerated into 2026, delivering sales increases, which we believe are the top of the fast casual industry.

In the first quarter thus far, we have delivered continued increases in traffic and same-store sales with system-wide comparable sales growth over 9% and traffic over 4%. March will mark our seventh consecutive period of traffic growth and notably, period 2 of 2026 delivered one of the strongest comparable sales performances in the company's 31-year history.

We kicked off the year by bringing back Steak Stroganoff as a limited time offer, one of the most requested fan favorites ever. We leaned into that fandom with a creative AI-driven campaign that generated strong engagement and reminded guests why this dish has remained such an enduring classic.

The Steak Stroganoff results exceeded prior launches of this LTO and cemented this great dish as a returning favorite, craveable LTO over the winter months in the coming years. When you pair a comforting favorite like Steak Stroganoff with stronger restaurant execution and a great guest experience, it becomes even more craveable. The combination of great food and consistent operations is clearly resonating with our guests.

We entered this year with clear goals and a sharpened focus, aligning the organization around four strategic goals: developing winning teams, igniting growth, driving guest satisfaction and delivering strong financial results. These goals are shaping how we operate, how we invest and how we measure success. And already, we are seeing that progress continue. With that context, let's recap the progress we made in fiscal 2025 to build the foundation for our strong performance to start the year.

Fiscal 2025 was about strengthening the core of our business and restoring consistency across the system. We started with the food. We sharpened our menu, elevated recipe standards and improved execution at the restaurant level. Enhancing training and tightening operational controls drove better consistency bowl after bowl. Our limited time offers were also more impactful and more focused, bringing energy to the brand and reinforcing our authority in noodles. A great example is Chili Garlic Ramen, which we introduced as a limited time offer in October.

Inspired by trending Ramen Hacks, this broth-less bowl delivered the buttery, spicy Umami-pack flavors guests were already craving. It quickly became one of the strongest LTOs in our history. A new Ramen dish not only resonated with our loyalty members, but also, we believe, introduced our brand to a new consumer who desired a Ramen dish in a fast casual environment.

We have just recently brought the Ramen back along with a previous fan favorite Indonesian Peanut Chicken Saute as we raise awareness to our Asian noodle collections of our menu. Furthermore, we are currently evaluating additional Ramen recipe as we believe a Ramen section of our menu could be as equally successful as our collection of max.

Together, these improvements strengthen guest confidence in our food and help drive stronger engagement with the brand throughout the year. Operational excellence followed. The launch of our Operational Excellence Review, or OER program introduced a more structured coaching and accountability model across our restaurants. Area managers and regional leaders now use OERs to focus on root causes, develop clear action plans and reinforce consistent execution across our teams. This approach has strengthened leadership alignment, improved training accountability and raised operational standards across the system.

We are seeing the results of that work in our guest experience. Over the course of the year, our OSAT scores improved as measured by SMG meaningfully, and we have steadily closed the gap with the fast casual category average. In January, our overall satisfaction reached 72%, the closest we have been to fast casual benchmark since launching the program in early 2024.

These improvements reflect stronger execution across the fundamentals of the guest experience from cleaner restaurants and better hospitality to more consistent food quality and stronger dinner operations. Just as importantly, our teams are now operating with clearer expectations, stronger coaching and a shared focus on continuous improvement across people, operations, guests and financial performance.

We also established a more thoughtful and sustainable approach to value. As we listen closely to our guests, it became clear that value is not simply about price. Our guests want to feel good about the amount of food they receive relative to what they pay for. Value means balance, feeling satisfied and leaving with the sense that you had a great dining experience.

In addition, in the current macroeconomic environment, today's consumer has become more value conscious, which we wanted to be able to address in our menu offerings, not through a temporary discount, but rather in an ongoing value-oriented option for our guests. That insight informed the launch of Delicious Duos. Rather than introducing a discount, we focused on elevating our value proposition by offering craveable combinations that deliver both variety and satisfaction at an accessible price point.

The platform has resonated with guests, supporting traffic and frequency while maintaining the integrity of our margins. It also raised awareness of our new menu due to the combination of Delicious Duos offers and the marketing of that offering, which showcased those various menu offerings. Our marketing approach has become more disciplined, more data-driven and more focused on the core of who we are as a brand.

We returned to the foundation of our business, noodles. Our messaging leaned into craveability, variety and the comforting shareable occasions that define the Noodles & Company experience. As we often say internally, we know noodles, and our marketing is once again centered on celebrating that authority. At the same time, we evolved how we plan and manage marketing investments. We moved away from static annual plans towards an always-on performance optimized marketing engine.

Using AI-supported data and channel level performance input, our teams dynamically adjust investment based on return, incrementality and audience response, allowing us to balance brand building with demand generation. As a result, we are managing media investment more actively across channels, reallocating dollars towards the highest return opportunities while refining audience targeting and leaning into markets where guest response is strongest. Combined with improvements in food, operations and value, these efforts contributed to steady improvement in comparable sales trends, traffic stabilization and eventual growth and expansion in restaurant-level margins.

At the same time, we strengthened the financial foundation of the business. We improved labor productivity through better scheduling and tightening operational management. We managed food costs with greater precision, and we increased efficiency in our marketing deployment. These actions, combined with leveraging the significant same-store sales increases, expanded restaurant level margins in the fourth quarter of 2025 to 14.1%, an improvement of 290 basis points year-over-year.

Our guidance for 2026 that Mike will discuss calls for improved margins for the full year of 2026 over 2025 due to all that I have mentioned. The result is a healthier system with stronger unit level economics and a more resilient operating model. What gives me confidence today is the consistency we are seeing across the business. Food is better, execution is stronger, standards are clearer and the results are following.

The work we did in 2025 created a solid foundation. We are now building on that foundation as we move through 2026. Before I turn it over to Mike, I'd like to provide an update on the status of our previously announced review of strategic alternatives. As previously shared, our Board of Directors 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 is no set timetable for completion. Until the review is completed, we will not provide additional commentary. 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 fourth quarter, our total revenue increased 0.8% compared to last year to \$122.8 million. System-wide comp restaurant sales during the fourth quarter increased 6.6% including an increase of 7.3% at company-owned restaurants and an increase of 3.8% at franchised restaurants.

Company comp traffic during the fourth quarter increased 1.4% and average check increased 5.8%, inclusive of 2% effective pricing during the quarter. Company average unit volumes in the fourth quarter increased 9.9% to \$1.44 million. As Joe mentioned, our sales momentum continued to accelerate in the first quarter of 2026.

Our company comp sales in '26 are positive over 9% year-to-date. We're extremely encouraged by the sales acceleration, especially against a tougher comparison in the first quarter of 2025, where comp sales were positive 4.7% and incorporated significant marketing of our new menu rollout in March of 2025. Turning back to the fourth quarter of 2025. Our sales acceleration in the fourth quarter delivered impressive bottom line growth.

Our restaurant contribution margin in the fourth quarter increased to 14.1% from 11.2% in the fourth quarter of 2024. COGS in the fourth quarter were 26.0% of sales, a 120 basis point decrease from last year, which was driven by a combination of menu price, vendor rebates and lower discounting, partially offset by higher food costs associated with our new menu offerings and modest inflation.

Our food inflation in the fourth quarter was approximately 1%. Labor costs for the fourth quarter were 30.9% of sales, which was down 140 basis points to prior year, primarily due to the benefit of sales leverage, partially offset by wage inflation. Hourly wage inflation in the fourth quarter was 2.3%. Occupancy costs in the fourth quarter decreased to \$10.7 million compared to \$11.4 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 fourth quarter to 20.1%. 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 fourth quarter was \$11.7 million compared to \$11.3 million in 2024. Net loss for the fourth quarter was \$6.8 million or a loss of \$1.16 per diluted share compared to a net loss of \$9.7 million or a loss of \$1.70 per diluted share last year.

The loss in the fourth quarter of 2025 included a \$5.6 million noncash impairment charge primarily related to our decision to close underperforming restaurants. Adjusted EBITDA in the fourth quarter was \$7.6 million compared to \$4 million in the fourth quarter of 2024 an increase of over 88%.

In the fourth quarter, we closed 9 company-owned restaurants and 3 franchise restaurants. Our fourth quarter capital expenditures totaled \$2.3 million compared to \$3.8 million in 2024. At the end of the fourth quarter, we had \$1.3 million of available cash and our debt balance was \$110.2 million, with over \$11 million available for future borrowings under our revolving credit facility.

As a part of our restaurant portfolio optimization project, we closed a total of 33 restaurants in 2025 and have closed 20 restaurants year-to-date in 2026. We continue to see great results from this ongoing project. The most meaningful impact is the post-closure transfer of sales to nearby Noodles restaurants, which is driving a significant increase to our company-wide restaurant level profits.

This is attributable in large part to our high mix of off-premise sales. In the fourth quarter of 2025, we estimate that the closures benefited comp sales by approximately 100 to 150 basis points. We forecast that the portfolio optimization project will positively impact the first quarter of 2026 comp sales by 200 to 300 basis points.

We view the sales transfer from closed restaurants to nearby Noodles restaurants as a permanent benefit to our baseline average unit volumes at those go-forward sites. Throughout 2026, we will continue to look for additional opportunities to optimize our portfolio of restaurants in an effort to increase restaurant level profitability, including the benefit of sales transfer trends we have been experiencing.

We currently estimate that we'll close 30 to 35 restaurants in 2026. Turning to guidance. Our forecast for the first quarter of 2026 projects the following: comp sales of approximately 9% and adjusted EBITDA of \$5.7 million to \$6.3 million, more than doubling prior year results.

For the full year 2026, we are providing the following guidance: Total revenue of \$478 million to \$493 million, including comp restaurant sales growth of 6% to 9%. Restaurant contribution margin between 14.7% and 16%; general and administrative expenses of \$49 million to \$52 million inclusive of stock-based compensation expense of approximately \$2.5 million. Depreciation and amortization expense of \$24 million to \$25 million; interest expense of \$10 million to \$11 million; adjusted EBITDA between \$30 million and \$35 million, 1 to 2 new franchise restaurant openings and we estimate total 2026 capital expenditures of \$9.5 million to \$10.5 million.

We expect to be free cash flow positive and have the opportunity to reduce our debt balance in 2026 by \$5 million to \$10 million. 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

Thanks, Mike. We've built meaningful momentum by focusing on the fundamentals and executing with discipline that elevate the guest experience. When great food, strong operations and targeting marketing that connects with guests come together, performance follows. And that's what we've been seeing come to fruition.

This is evidenced by the significant year-over-year increase in adjusted EBITDA in the fourth quarter of 2025 and our expectations for significant further growth in adjusted EBITDA in 2026. We are confident that the foundation we built in 2025 and the strong acceleration of sales in early 2026, position us for sustainable growth throughout 2026 and beyond. Thank you for your time today. I'll now turn the call back over to the operator.

Question-and-Answer Session

Operator

We will now be conducting a question-and-answer session. [Operator Instructions] Our first question comes from the line of Todd Brooks with The Benchmark Stone..

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

Congrats on such a strong start to Q1 after a really great finish to '25. So well done with that. Two questions, if I may. One, is there way -- and maybe it's best looked at through the lens of the '26 guidance? You talked about a Q1 contribution from sales transfer. You talked qualitatively about kind of a margin benefit of the sales transfer. If we can talk maybe, Mike, on the year-over-year improvement in both metrics in the '26 guidance, how much is attributed to the sales transfer versus just the core underlying momentum that you're seeing in the business right now?

Michael Hynes*Chief Financial Officer*

If we look at the full year guidance for '26, \$30 million to \$35 million of adjusted EBITDA, we just take the midpoint there, it suggests about a \$10 million EBITDA improvement year-over-year. We think about half -- a little less than half of that is -- will be due to closures just under \$5 million with the rest due to core business improvement.

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

Okay. Great. That's helpful. And we'll just back that up through the income statement for kind of the restaurant level margin thoughts to get at what the improvements are from operational improvements and leverage then. Okay. Perfect. And then the second one that I had for you, the strength in the 9% number is pretty amazing considering the environment we're in. Joe or Mike, do you have any sense of any stimulative benefits from maybe some of the early tax refund activity benefiting the business or kind of to the other side over the last few weeks, any pressure that you've seen from more related activity and gas price increases? I'm just trying to figure out how we get the 9% number to something that reflects where the consumer kind of is at at the baseline level without some of these exogenous pressures and benefits.

Joseph Christina*President, CEO & Director*

Yes, those are two pretty big factors impacting the industry, and they're both fresh -- when we look at our performance year-to-date outside of weather, we see a lot of consistency. It's not like we saw a big change in March when tax refunds would have started coming in or post the conflict.

So we're not seeing an obvious impact on our end. And also, when we look at our performance versus the industry, industry has been hovering at the 0% to 1% same-store sales, and we've been consistently meeting that, going back to early '26 by over 9 percentage points. So I don't think those things are showing up yet.

Michael Hynes

Chief Financial Officer

Yes. And I think Todd also, I think also we've built the menu around what you have and what you're willing to pay. So as we leaned into Delicious Duos, and then had great LTOs to drive more traffic into the restaurants. I think we have something for everyone, and that should sustain us through the coming months.

Todd Brooks

The Benchmark Company, LLC, Research Division

And how the Delicious Duos mix, Joe?

Joseph Christina

President, CEO & Director

The mix -- depending on whether there's a strong LTO going on because that gets factored into the Delicious Duos mix, but right around 5%, which is what we expect it to be since its inception back in late July last year.

Operator

We have reached the end of the question-and-answer session. And this also concludes today's conference, and you may disconnect your lines at this time. We thank you for your participation. Have a great day.

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