

Papa John's International, Inc. (PZZA) Q1 2026 Earnings Call Transcript

May 07, 2026, 2:01 PM ET | Papa John's International, Inc. (PZZA) Stock



SA Transcripts

161.12K Followers

Q1: 2026-05-07 Earnings Summary

Insights



EPS of \$0.32 **misses by \$0.05** | Revenue of \$478.61M (-7.66% Y/Y) **misses by \$6.91M**

Papa John's International, Inc. ([PZZA](#)) Q1 2026 Earnings Call May 7, 2026 8:00 AM EDT

Company Participants

Heather Hollander - Senior VP of Strategy, Investor Relations and FP&A

Todd Penegor - President, CEO & Director

Ravi Thanawala - CFO & President of North America

Conference Call Participants

Brian Bittner - Oppenheimer & Co. Inc., Research Division

Alexander Slagle - Jefferies LLC, Research Division

Todd Brooks - The Benchmark Company, LLC, Research Division

Isiah Austin - BofA Securities, Research Division

Presentation

Operator

Good day, and thank you for standing by. Welcome to Papa John's First Quarter 2026 Earnings Conference Call and webcast. [Operator Instructions] Please be advised, today's conference is being recorded.

I would now like to turn the conference over to your speaker today, Heather Hollander. Please go ahead.

Heather Hollander

Senior VP of Strategy, Investor Relations and FP&A

Good morning, and welcome to our first quarter 2026 earnings conference call. Earlier this morning, we issued our earnings release, which can be found on our Investor Relations website at ir.papajohns.com under the News and Events tab or by contacting our Investor Relations department. Joining me on the call this morning are Todd Penegor, President and Chief Executive Officer; and Ravi Thanawala, Chief Financial Officer and President, North America. Comments made during this call will include forward-looking statements within the meaning of the federal securities laws. These statements may involve risks and uncertainties that could cause actual results to differ materially from these statements. Forward-looking statements should be considered in conjunction with the cautionary statements in our earnings release and the risk factors included in our SEC filings. In addition, please refer to our earnings release and our Investor Relations website for the required reconciliation of non-GAAP financial measures discussed on today's call. Lastly, we ask that you please limit your questions to one question and one follow-up.

And now I'll turn the call over to Todd.

Todd Penegor

President, CEO & Director

Thank you, Heather, and good morning, everyone. During the first quarter, we continued to execute our transformation plan to be the best pizza makers in the business. I am proud of the work our team is doing to navigate the current consumer backdrop and highly promotional QSR marketplace. Although certain competitors have outlined their strategy to compress restaurant margins in the sector, we are taking a disciplined approach, executing a balanced transformation that extends well beyond price, meeting customers where they are while improving 4-wall margins, elevating our fleet and supporting our franchisees to build this business for the long term. While transformation work is neither linear nor instant, we are confident that the progress we are making in Papa John's transformation, combined with the strength of our brand and quality of our pizza will fuel profitable growth and value creation over the long term for all our stakeholders.

Now turning to our quarterly results. In our international business, results continue to be strong. We delivered 3.6% comparable sales growth, marking six consecutive quarters of positive comps, driven by the benefits of our transformation initiatives. We continue to see strong performance in our focus markets in the first quarter, including Europe, the Middle East and Asia Pacific. In the U.K., comparable sales growth accelerated to 11% compared with 7% in the fourth quarter, driven by strong operational execution and enhanced customer experience and increased media investment that is strengthening our brand awareness and foundation for growth in the market. Comparable sales in the Middle East increased 9%, driven by sustained transaction growth, while Asia Pacific increased 5%, reflecting continued strength in Korea, supported by product innovation, partnerships and holiday demand.

As anticipated, North America comparable sales ended the first quarter down mid-single digits, primarily driven by declining orders, which were pressured by lower new customer acquisition. During the quarter, we continued to see resilience in core pizza and customers ordering multiple pizzas, with flat year-over-year pizza volumes, excluding 2 weeks that were impacted by severe weather and pies per order increasing 5% versus last year. Our loyalty customers continue to be a force for the company, and we added nearly 1 million new loyalty members in Q1. We also saw growth among our frequent and super frequent customers. And combined, these tiers make up approximately 30% of our customer base. Our loyalty customers are our most valuable customers, generating 5% higher ticket per order and ordering twice as often as non-loyalty members. This upside was offset by pizza mix shifting to smaller nonspecialty pizzas, resulting in low single-digit declines in overall pizza sales, excluding severe weather impacts.

Outside of pizza, comparable sales were pressured by declines in size and desserts and lower new customer acquisition compared with last year. We are working with urgency to address areas of opportunity and capitalize on areas of strength through our transformation work. Our two largest opportunities to gain share are building on our improved value perception and leveraging our rebuilt innovation pipeline to win new customers, elevate our pizza order mix to more premium pizzas, drive add-ons and expand our total addressable market.

Starting with our value proposition, we are meeting customers where they are with popular offers, including Buy One pizza, Get One free, \$9.99 3-topping and our Papa Pairings. Leveraging our CRM platform, we meaningfully increased engagement with existing customers, which translated into higher subscriber order frequency in Q1. We are also leaning into innovation because newness is critical to winning new customers. We rebuilt our pipeline to deliver more frequent, compelling new product launches. And in the first 3 months of 2026 alone, we introduced 2 new menu platforms, Pan Pizza and oven-toasted sandwiches. These launches elevate our pizza mix and expand our total addressable market.

Our first innovation of the year was Pan Pizza, which launched at the end of January and filled a critical menu gap developed through extensive consumer research and rigorous testing, our Pan Pizza is truly a best-in-category product. Since launch, it has delivered strong repurchase rates, and we plan to build on this momentum throughout the year in North America by driving trial and awareness. We also have plans to expand Pan Pizza into several priority international markets.

Next, we introduced oven-toasted sandwiches at the end of March, opening an entirely new category for Papa John's. This platform features 3 chef-crafted handhelds, each available at an accessible price point. We integrated sandwiches into our Papa Pairings value offer, where they've mixed well since launch. We're encouraged by the early results we're seeing with sandwiches driving participation across both dayparts, contributing to sales expansion and already exceeding sales of Papadias without complicating our makeline. The feedback from our restaurant teams on the introduction of sandwiches and the removal of Papadias and Papa Bites has been overwhelmingly positive. Not only have we removed operational complexity, but we are seeing benefits to the brand as we introduce new menu items outside our core pizza.

Great pizza deserves great pairings. Part of our 2026 innovation agenda is crafting compelling side items at accessible price points to encourage customers to look beyond the center of the plate and drive higher ticket, increase sales and improve 4-wall margins. We introduced Cheesy Garlic Bread in April, a new value side baked on the same tasty ciabatta bread as our sandwiches. This operationally friendly side item is designed to be a strong add-on, increase check and expand non-pizza sales.

We're also unlocking new sales layers to expand our top line. I'm excited to share that this summer, our iconic Papa John's garlic sauce will be available for retail purchase across 7,500 distribution points at Walmart, Kroger, Albertsons, Safeway and other leading retailers across the country. This launch builds awareness by extending our brand beyond our restaurants and gives customers a convenient way to add Papa John's signature flavor to their everyday meals.

Finally, we're partnering with iconic global brands to introduce Papa John's to new customers in powerful and highly relevant ways. I'm excited to share that Papa John's has announced a global collaboration for the theatrical release of Toy Story 5 on June 19, the first time Disney and Pixar have collaborated with a pizza brand for a Toy Story movie release. We're fully leaning into this activation with new product innovation, custom packaging and a special custom animated spot created by the team at Pixar Animation Studios. At participating international restaurants, customers will also be able to receive an exclusive Toy Story 5 collectible. Papa Rewards members can also join in on the fun and earn Papado through our new Toy Story 5-themed in-app game. As part of the collaboration, we're also launching a new lineup of Toy Story 5 personal pizzas.

Looking ahead, we believe that our individual 8-inch pizza can become a new innovation platform with a compelling price point to drive customer acquisition. We're thinking big with our innovation strategy and all our newest offerings, Pan Pizza, oven-toasted sandwiches and our Toy Story 5 activation, including our single-serve pizza creations will also be available across select international markets. Our international innovation continues to raise the bar with the U.K. launching an on-trend Artisanal Salerno pizza last month. Backed by consumer-led insights, this lighter, thinner, more premium pizza is designed to attract new customers and further elevate the Papa John's brand.

Our reimagined innovation pipeline is fully stocked and purpose-built to win new customers, elevate our pizza lineup, drive add-on sales and expand our total addressable market. In addition to our compelling product innovation, we're sharpening our marketing message to drive greater impact at the local level.

As we discussed on our last earnings call, we reinstated advertising co-ops across the U.S. to improve local targeting and relevance. While still early, 50% of our U.S. restaurant system is now supported by local co-ops across more than 50 markets. With our reestablished co-ops and sharpened value proposition, our local operators are aligning around a unified market strategy, accelerating our ability to win at the local level and driving benefits that will build throughout the year.

Investing in technology and our tech stack is essential to delivering a seamless customer experience across our digital assets and own channels, strengthening customer connections and driving operational efficiency. For example, we have now made to-the-door delivery tracking a brand standard across our U.S. restaurant system. Through our app, customers can see real-time updates on their order, including its progress through the bake process and when it is ready, creating greater transparency and confidence in their experience.

We continue to build on our partnership with Google Cloud to transform our digital ordering experience with Google's Food AI. This partnership is highly customized to Papa John's and grounded in a customer-first approach, focused on solving real customer problems and removing friction from the ordering journey. Across our U.S. system, we rolled out advanced voice and group ordering, enabling customers to order using voice and text inputs, significantly reducing friction in the order process. Our agentic ordering technology further enhances the customer experience by applying the best deals and enabling high-speed and seamless reordering for Papa Rewards members.

Together, these innovations underscore our commitment to leveraging technology to make the customer experience even more seamless. We are pleased with the early results, showing faster ordering and higher conversion rates.

As part of our ongoing efforts to improve workflows across our U.S. restaurant operations, we began piloting our new POS solution in our first restaurant in April. Our new PAR POS is designed to simplify restaurant operations by bringing inventory management, makeline operations and labor inventory and restaurant management systems onto a single integrated platform. It will help us also innovate faster through improved SKU management and faster deployment of menu changes across our restaurant system. This modernized POS solution will equip our operators with more actionable insights, enabling them to run more efficiently while delivering a better experience for our customers. Designed to utilize existing hardware, it minimize implementation expense and accelerates deployment across our restaurant fleet. We continue to differentiate our customer experience across every demand channel to support top line growth.

As of the end of the first quarter, we are approaching 42 million loyalty members and year-over-year loyalty redemption sales continue to grow. Leveraging our robust CRM platform, we are engaging customers more frequently and using targeted personalized communications across e-mail, push and SMS to drive incremental visits and deepen engagement. Our restaurant general managers and their teams are hard at work driving a more consistent experience in our restaurants. Ravi will share more about their progress in a moment.

Finally, we continue to partner with and evolve our franchisee base. Our efforts to optimize our North American supply chain and reduce overall cost to serve are gaining momentum on a path to unlocking the full potential of our vertically integrated model. We captured \$7 million of benefits in the first quarter and are now on track to realize at least \$25 million of these savings this year. We are confident that we will achieve at least \$60 million of North American system-wide supply chain productivity opportunities, equating to at least 160 basis points of 4-wall EBITDA improvement by 2028 for both company and franchise restaurants. In total, we expect to generate at least 200 basis points of 4-wall EBITDA improvement for both company and franchise restaurants over the medium term, driven by supply chain savings, operational efficiency and restaurant portfolio optimization.

In summary, while the consumer environment has impacted the pace of our transformation, we are managing through these short-term headwinds and building for the future. We are confident that we are taking the right actions to transform the business and set Papa John's up for long-term success. We are making progress and are excited about the opportunities ahead.

And with that, I'd like to turn the call over to Ravi.

Ravi Thanawala

CFO & President of North America

Thank you, Todd, and good morning, everyone. I will begin by sharing an update on the progress we've made in the first quarter to drive 4-wall profitability across our restaurants, elevate our service model and optimize our restaurant portfolio. I'll then provide a summary of our first quarter financial results and conclude with our outlook. Improving 4-wall profitability remains a core pillar of our transformation. We have clear line of sight to delivering at least 200 basis points of store level profitability through supply chain productivity, labor optimization, market optimization and dedicated coaching and financial incentives for our franchisees. As Todd shared, we are on track to achieve at least 160 basis points of 4-wall EBITDA improvement through our supply chain productivity work with 24 basis points of margin improvement captured to date through Q1.

We're also encouraged by the early results of our labor optimization efforts, supported by new tools that more accurately forecast sales and help our restaurants align staffing with intraday demand. While it's still early, we're seeing meaningful labor productivity gains and improved operation scores in our test. We're also leveraging new AI capabilities, including our Google Cloud partnership to further reduce costs and enhance customer service.

Optimizing our restaurant portfolio is also a key lever to improve profitability and overall fleet health. We are making progress on our previously announced efforts to address locations that are failing to meet brand standards, lack a clear path to sustainable improvement or represent an opportunity for strong sales transfer to nearby restaurants. These sites, primarily decade-old franchise units with AUVs below \$600,000, predominantly generate negative EBITDA.

During the first quarter, we closed 44 of the 300 identified locations. Early results are encouraging as we have observed a strong transfer of sales to neighboring restaurants. These results, along with the demonstrated success of our international transformation underpinned by a focus on priority markets and strategic closures give us confidence that our strategy will enhance our competitiveness and support our efforts to increase North America market share.

We are also addressing low-volume restaurants where operational improvements can drive significant value. Currently, there is a 400 basis point gap in comparable sales performance between restaurants and the highest quintile of operation scores versus the lowest quintile. To close this gap, we are planning to provide certain franchisees with dedicated coaching and financial incentives to elevate operational execution, boost sales and enhance unit economics.

Turning now to our first quarter results. Please note that all comparisons and growth rates referenced today are compared to the prior year period, unless otherwise noted. For the first quarter, global system-wide restaurant sales were \$1.2 billion, down 3% in constant currency as higher international comparable sales were more than offset by lower comparable sales in North America.

As Todd shared, our international teams delivered another exceptional quarter with comparable sales growing 4%. Our international focus markets continue to outperform as we build momentum through new menu offerings, aggregator expansion and improved brand and marketing performance.

Total consolidated revenue for the first quarter was \$479 million, down 8% as lower revenue at our domestic company-owned restaurants, North America commissary and all other business units was partially offset by higher international revenues. Domestic company-owned revenues decreased \$31 million, primarily due to refranchising of 85 corporate restaurants in the fourth quarter of 2025 in addition to lower comparable sales. Revenues at our North America commissary segment decreased \$18 million, primarily due to food cost deflation, partially offset by higher pricing and all other business unit revenues decreased \$4 million, driven by lower digital fees and advertising funds revenue as a function of lower sales.

Partially offsetting these declines was a \$4 million increase in international revenue. Consolidated adjusted EBITDA decreased \$2 million to approximately \$48 million, impacted by pressure flow-through due to lower sales and QCC volumes in North America and increased food costs in the supply chain, which will be covered by pricing in subsequent quarters, partially offset by improved performance in our international markets, lower overall G&A spend due to our biannual franchisee conference, which did not repeat this year, as well as lower supplemental advertising and lower cost of sales due to commodities deflation and lower volumes to our restaurants.

As Todd stated, we recognized approximately \$7 million of benefits or approximately 20 basis points of 4-wall margin improvements related to our efforts to increase efficiency and reduce our overall cost to serve at our North America commissary during the first quarter. North America commissary segment adjusted EBITDA margins were 5%, a decline of 230 basis points, primarily reflecting franchisee food cost subsidies, increased food costs, which will be covered by pricing increases in subsequent quarters and lower volume during the quarter.

Domestic company-owned restaurants delivered 4-wall EBITDA of \$16.6 million and a 4-wall margin of 11.9%, an improvement of 140 basis points. Importantly, 4-wall margins have remained resilient, supported by our benefits of our transformation work and our disciplined approach to sharpening our value proposition.

Turning to our balance sheet. At the end of the quarter, our total available liquidity was approximately \$498 million, and our covenant leverage ratio was 3.3x as we continue to maintain a strong balance sheet.

Turning now to cash flows. Net cash provided by operating activities in the first quarter was \$7 million. Free cash flow was an outflow of \$6 million compared with the last year's cash inflow of \$19 million, primarily reflecting lower net income and a more normalized incentive payments, inclusive of the company's enterprise transformation plan.

Now turning to our 2026 outlook. As discussed, we are making progress advancing the actions we're taking to transform the business. We have taken steps to accelerate the top line throughout the year through an enhanced value offering, our rebuilt innovation pipeline and improved mix of national and local media through our reestablished local co-ops. We're also driving efficiencies across our business with our supply chain optimization and cost savings initiatives and evaluating refranchising actions, which are progressing our business towards an asset-light model with higher free cash flow.

With that in mind, we are reiterating our 2026 financial and operational metrics. For 2026, we expect global system-wide sales to range between flat and low single-digit declines. For North America, we still expect comparable sales to be down 2% to 4%. Our guidance reflects both the benefit of our innovation pipeline and enhanced marketing strategy and considerations around the current cautious consumer environment. April North American comparable sales are trending slightly worse than Q1 on a year-over-year basis, but consistent with Q1 on a 3-year stack.

We expect to build top line momentum in the second half of the year with sequential improvements versus the first half as we benefit from our product innovation, marketing co-op activations and meaningful brand collaborations and strengthened aggregator marketing strategy. We expect the North America quarterly comps will be relatively consistent for the remainder of the year on a 3-year stack.

Internationally, we continue to build on our transformation momentum and still expect comparable sales to increase between 2% and 4%. Our outlook reflects current geopolitical and consumer conditions, and we'll continue to monitor developments closely. We are currently in negotiations to refranchise 29 restaurants in the Southeast, and we expect to close the transaction in the third quarter of 2026.

Consistent with our prior expectations, we expect that this transaction will reduce 2026 consolidated revenues by approximately \$9 million, including the impact of eliminations and benefit adjusted EBITDA by approximately \$1 million, all of which is factored into our 2026 financial guidance. We are on track to reduce our company-owned restaurant ownership to mid-single digits of the North America system, and we expect to unlock growth opportunity as we refranchise certain restaurants with well-capitalized growing franchisees.

We will provide an update on future earnings calls as these transactions move forward. For 2026, we continue to expect consolidated adjusted EBITDA to be between \$200 million and \$210 million. We now plan to invest approximately \$18 million in supplemental marketing and franchisee subsidies to support our promotional strategy and this year's reinvigorated innovation calendar. Our 2026 consolidated adjusted EBITDA outlook also includes \$13 million of G&A savings outside of marketing.

We now have line of sight to achieve at least \$30 million of total cost savings by the end of 2027. We also expect that stock-based compensation will be approximately \$5 million per quarter. Consistent with our prior guidance for nonoperating expense items, we expect net interest between \$35 million and \$40 million, adjusted D&A between \$70 million and \$75 million and capital expenditures between \$70 million and \$80 million. We expect our 2026 GAAP effective tax rate to be in the range of 30% to 34%. Finally, we expect diluted shares outstanding of approximately 33 million.

Turning to restaurant development. We are on track to open between 40 and 50 gross new restaurants in North America in 2026, having opened 8 restaurants in the first quarter. We continue to expect 200 restaurant closures in North America. Internationally, we expect to open between 180 to 220 gross new restaurants in 2026 with closures representing 5% to 6% of our international system.

Overall, we continue to execute on our transformation efforts to deliver a better customer experience, accelerate sales, improve restaurant level profitability and move to a more asset-light model and become a more nimble organization to deliver value creation for all of our stakeholders.

With that, we'd like to open the call up for any questions you may have. Operator?

Question-and-Answer Session

Operator

[Operator Instructions]

Our first question comes from Brian Bittner with Oppenheimer.

Brian Bittner

Oppenheimer & Co. Inc., Research Division

Just a question on the same-store sales guidance. As we look to the rest of the year, your comparisons don't get much easier for the rest of the year until the fourth quarter, but you are baking in a big improvement from the first half of the year. And I'm just curious why maybe not derisk the guidance a bit. I know you have a lot of initiatives to bend the trend in the second half of the year, but why not derisk the guidance a bit? And why, Ravi, should the 3-year trend be the right way for us to model comps as the year unfolds? Just any other color you can provide on 3-year trends being the right metric?

Todd Penegor

President, CEO & Director

Yes, Brian, I'll start and see if Ravi has anything to add on. If you start to think about where our year-over-year comparisons starting to soften and lapping over some of the competitive pressure from a year ago, the back half, not all the way to the fourth quarter, starts to get a little bit easier. But what we really wanted to look at is how does the business normalize with all the choppiness over the last couple of years. So very clear that our business, our transactions, how we're actually forecasting the outlook, and we think we've derisked it with really providing guidance that it remains fairly consistent on a stack 3-year basis.

If you think about where we stand with all the second half of the year initiatives, we've launched some compelling innovation. We've got Pan in the world. It's mixing really well with existing consumers. The opportunity is to continue to wear it in and recruit new with that great product. We've got sandwiches in play, again, mixing well with existing consumers, plays to refresh our Papa pairing offering, so great value with that in it. And we're really excited about our partnership with Toy Story 5 and driving 8-inch pizzas with some news as we work to compete in the back half of the year.

We'll continue to work to make sure we got our mix well so we compete on third party as the year progresses. But we think it's a prudent and realistic outlook for the year with lots of initiatives to support it, and that's considering the competitive and the consumer landscape that we're faced with at the moment.

Anything else you'd say, Ravi?

Ravi Thanawala

CFO & President of North America

Yes. And Brian, you asked the question of why the 3-year stack. One, like as we looked at month-over-month and where we saw a bit of the trend come through is we saw some consistency there. So one, the underpinning data from Q1 and quarter-to-date Q2 has reflected that. Second is middle of 2025, we saw a meaningful step-up in competitive pressure from a promotional standpoint. And if you go back one more year, that was really when we saw the competitive pressure step up from an aggregator standpoint. So we're trying to take into account the competitive landscape, both from what's happening in the respective channels as well as what's been happening from a pricing pressure standpoint.

Operator

Our next question comes from Alex Slagle with Jefferies.

Alexander Slagle*Jefferies LLC, Research Division*

I just wanted to ask on some of the new menu categories with sandwiches and pan and then, I guess, the personal pies and ask about your confidence that all these changes don't drive too much complexity. I realize you're going to pull out the Papadias and Bites and that helps. But maybe you could kind of walk us through and help envision what changes happen that keep this simple to execute.

Todd Penegor*President, CEO & Director*

Yes. No, it really starts with a focus on operational excellence and delivering great product with everything we do. And we really stepped back as we started to introduce all these new products to make sure that we set our restaurants up for success starts with great training and making sure that we're ready to deliver on the promise when the new customers show up.

What we really wanted to do is ensure that pan was designed to be best-in-class in the industry, but be able to do it with a one pass through our oven. And that's different than what we've done in the past. We did all the oven calibration work. We're able to make a great Pan Pizza simply with one pass to the oven that takes the complexity out of how we've done it relative to the past.

Sandwiches is a very easy build with the oven recalibration, a great one pass. The ciabatta bread cooks really well in the oven and a lot simpler than what we were doing with Papadias, really getting into that handheld occasion, taking Papa Bites out. Those 2 things, Papadias, Papa Bites were our biggest rhythm breakers in the restaurant and really distracted from making great food day in and day out.

We do make small pizzas today. So as you start to think about the simplistic builds, the unique builds that we're going to have that go along with Toy Story 5 at the 8-inch, that is a very easy build and can be managed quite nicely within our restaurants. So I think we've really set our teams up with less operational complexity and operational focus to really deliver great products with the innovation pipeline we've had. We've taken some of the friction out of our restaurants today to be able to do that.

Operator

Our next question comes from Todd Brooks with Benchmark StoneX.

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

First, I was wondering, Ravi, can you decompose the same-store sales between check and traffic? I'm just trying to get a sense of this more competitive approach to value as innovation ramps, kind of what was the drag on check that was part of that down 6.4% North American comp?

Ravi Thanawala*CFO & President of North America*

Yes. Check was effectively flat in Q1, and that's been the trend in Q2 quarter-to-date as well. So the check has been there. And as a reminder, there was slight food cost deflation in Q1, some labor productivity and supply chain benefit. So 4-wall margins hung in there fairly well in Q1 because of that. But where the sales comp drag has really come has been from a transaction standpoint. If I take -- go one more click down, it was really in small transaction size from a number of pizzas. The transaction loss was in orders that contain only one or no pizzas. We continue to see order growth in multi-pie orders.

Todd Penegor*President, CEO & Director*

That's why we feel confident with the incoming of Toy Story 5 and that partnership that can address that one pie order. Our challenge really is people are managing their overall check, right? And we're still seeing some of the leakage in size. We've not got cheesy garlic bread as a compelling price point side. We're going to have to continue to make sure sides are relevant. That's the opportunity to allow us to drive some check and mix up, but haven't planned for that with the tough consumer environment. So our guidance reflects where we stand today.

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

And I'm sure there was a weather reality that hit the same-store sales as well. Can you size that for us? And should we be normalizing for that when we're thinking about the 3-year stack trend or just build off of the trend that we saw with the weather impacts this quarter?

Ravi Thanawala*CFO & President of North America*

Yes. The weather impact was about just under 40 basis points of impact for the quarter. But what I would say is build off of the 3-year stack, that probably best reflects how we're thinking about it. And as we talked about, like that applies to all the quarters for the year. And as a reminder, like this is about us like taking into account a more intense competitive pressure, also the competitive landscape in each of the channels, and that's been the underpinning driver of that.

Operator

Our next question comes from Sara Senatore, Bank of America.

Isiah Austin*BofA Securities, Research Division*

Isiah Austin on for Sara. Just in the line of questioning about competition, where do you guys see the competition coming from? Just when you think of the 3 large major chains seem to be struggling. So is it national, regional, maybe there's a resurgence in local? Just curious on your thoughts on that.

Todd Penegor*President, CEO & Director*

Yes. I think if you look at where overall competition, clearly, the pizza category has been very promotional, not just where we participated at times and tried to do it smartly to make sure that we are managing margin while meeting the consumer where they're at. But 2 of the larger competitors have been aggressive on price.

But the total QSR industry has been very aggressive on price. You start to look at some of my past life, the burger players, others with scale. There's a lot of promotional pressure out there to really try to make sure they're meeting the consumer where they're at. And we're going to pick our spots where we need to do that. We're going to leverage innovation to balance it. We're going to take a long-term approach to make sure we set our business up for long-term success.

But we are conscious of where the consumer dynamic is with some of the headwinds that we're seeing with gas prices and impacts on discretionary income. But we also know we're going to have to play a long-term game to really set this brand up for sustainable long-term success, and we're going to use the opportunity to continue to build a really strong foundation, whether that be operationally, whether that be upgrading our tech stack, whether that's continuing to rebuild our momentum on innovation and importantly, making sure that we've got a local co-op environment set up so we can compete as a unit at the local level. There is regional and local pressures out there, but we do think the co-ops getting reestablished will help us compete at that level quite nicely as the national calendar balances with our local calendar.

Isiah Austin

BofA Securities, Research Division

Great. And just as a follow-up, thinking about third-party versus first-party delivery, is third-party still outperforming? And just if you guys can broadly speak about your performance on third party, do you feel like you're still taking share on platforms? Or are you more growing in line with aggregator demand?

Ravi Thanawala

CFO & President of North America

Yes. So third party is still outperforming first party from an order and from a comp sales standpoint. We have seen competitive intensity really ramp up over the last 9 months in the aggregators. And it's a fairly dynamic space. So checking and adjusting on pricing and promotion is a really important part of the cadence. So there are definitely some weeks where we're taking market share. There are other weeks where we're in line. And we just continue to adjust. But I would say that broadly speaking, the space has just gotten more competitive from a pricing standpoint. We're still really focused in on winning across all of our channels and also balancing at the same time, volume, customer count and 4-wall margins to make sure that we navigate this environment well.

Operator

I see there are no more questions in the queue. I will now turn the call back to Todd Penegor for closing remarks.

Todd Penegor

President, CEO & Director

Well, thank you, everyone, for joining the call this morning and for your continued interest in Papa John's. I'd like to extend a special thanks to our team members and our franchisees for their continued commitment to serving our customers. We are focused on continuing our transformation work to be the best pizza makers in the business and generate profitable growth and value creation for all of our stakeholders. Have a great day, everyone.

Operator

Thank you. Ladies and gentlemen, this does conclude today's presentation. You may now disconnect, and have a wonderful day.

Read more current PZZA [analysis and news](#)

View all [earnings call transcripts](#)

Comments

Sort by

Newest ▼



If you type a company or ETF ticker symbol in capital letters we will automatically link to the symbol page. You can remove the link by deleting the \$ in the comment.