

Portillo's Inc. (PTLO) Q1 2026 Earnings Call Transcript

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Q1: 2026-05-05 Earnings Summary

Insights



EPS of \$0.02 **beats by \$0.01** | Revenue of \$182.62M (3.51% Y/Y) **misses by \$641.77K**

Portillo's Inc. (**PTLO**) Q1 2026 Earnings Call May 5, 2026 10:00 AM EDT

Company Participants

Chris Brandon

Brett Patterson - CEO, President & Director

Michelle Hook

Conference Call Participants

Margaret-May Binshtok - Wolfe Research, LLC

Gregory Francfort - Guggenheim Securities, LLC, Research Division

Sara Senatore - BofA Securities, Research Division

John-Paul Wollam - ROTH Capital Partners, LLC, Research Division

Christopher O'Cull - Stifel, Nicolaus & Company, Incorporated, Research Division

Sharon Zackfia - William Blair & Company L.L.C., Research Division

David Tarantino - Robert W. Baird & Co. Incorporated, Research Division

James Salera - Stephens Inc., Research Division

Dennis Geiger - UBS Investment Bank, Research Division

Matthew Curtis - D.A. Davidson & Co., Research Division

Brian Harbour - Morgan Stanley, Research Division

Presentation

Operator

Hello, and thank you for standing by. Welcome to the Portillo's First Quarter 2026 Conference Call and Webcast. I would now like to turn the call over to Chris Brandon, Vice President of Investor Relations at Portillo's to begin.

Chris Brandon

Thanks, operator. Good morning, everyone, and welcome to the Portillo's First Quarter 2026 Earnings Call. With me today are Brett Patterson, President and Chief Executive Officer; and Michelle Hook, Chief Financial Officer. You can find our 10-Q, earnings press release and supplemental presentation at investors.portillos.com. Any commentary made here about our future results and business conditions are forward-looking statements, which are based on management's current expectations and are not guarantees of future performance.

We do not update these forward-looking statements unless required by law. Our 10-Q identifies risk factors that may cause our actual results to vary materially from these forward-looking statements. Today's earnings call will make reference to non-GAAP financial measures, which are not an alternative to GAAP measures. Reconciliations of these non-GAAP measures to their most comparable GAAP counterparts are included in this morning's posted materials.

Finally, after we deliver our prepared remarks, we will be happy to take questions from our covering sell-side analysts.

And with that, I will turn the call over to Brett.

Brett Patterson

CEO, President & Director

Thanks, Chris, and good morning, everyone. I appreciate you joining my first earnings call as President and CEO of Portillo's. It's an honor to lead this special brand and as I've observed these past few weeks, talented group of people. What drew me to this company starts with what makes it unique.

At its core, Portillo's is about creating memorable experiences for our guests, supported by a strong culture of hospitality and a differentiated menu that offers craveable food. I want to take a moment to thank our team members for their candor and insights during my first 2 months as well as offer my deep appreciation to all that bring this brand to life every day. I started my career in restaurants at age 17 working on the front lines. That foundation helped shape my leadership approach and taught me firsthand that the best restaurant brands have great culture with well-trained and committed teams that genuinely care about the guest experience.

My focus now is bringing those elements together into a clear, disciplined strategy that our teams can consistently execute. My key objective of these first 60 days has been to listen and learn, spend time with the teams in our restaurants and understand the business from the ground up. That includes both our new markets as well as here in our backyard of Chicago, where strong performance is important and expected.

Over the next several months, my priority is to partner with the leadership team and lean on formal research and insights to build a strategy that will align the entire organization. Getting there will require relentless focus and rigor to stick to what is most important, and that's how we will deliver the memorable experience that has helped us build some of the most loyal guests in the industry for more than 6 decades.

At a high level, that foundation centers around 3 areas: operational excellence as defined by a guest-centric mindset, well-trained team members and high-quality food executed the standard, served accurately and on time. An integrated and targeted approach to marketing, leveraging data and insights while fully utilizing the right platforms to drive awareness, trial, acquisition and frequency.

Lastly, a disciplined development strategy that creates value. When we execute those 3 pillars, we believe the desired outcomes will follow: consistent year-over-year same-store sales growth and improved restaurant level profitability. Everything starts with operational excellence. It's essential that we consistently deliver a great experience in all our restaurants no matter how guests choose to use us. The best insights come straight from the source, our restaurant teams and managers. That's why I have and will continue to make it a priority to spend time with them listening to what they need to ensure the proper tools and resources are in place to deliver on this imperative.

We have engaged with outside partners to execute several landmark studies for the brand, led by our Chief Marketing Officer, Denise Lauer. This critical research is focused on customer segmentation, brand positioning and menu satisfaction and will give us deeper insights to better inform our marketing strategies in our core markets as well as new and growing territories.

Strong operations and marketing will complement another extremely important initiative, implementing a sound philosophy and approach to ensure a value-creating development strategy. Portillo's has significant long-term growth opportunity, which will be a key piece of our strategic road map, but it must be pursued with discipline. We will be measured in terms of where and how we grow with a clear focus on cash-on-cash returns at the restaurant level.

We're fortunate that Jennifer Pecoraro-Striepling recently joined the team as Chief Development Officer. She brings vast industry experience in multiple categories to this critical function. She will be focused on evolving our new market playbook, selecting sites that drive healthy returns, exploring prototype formats and ensuring a more disciplined use of capital by safeguarding responsible building costs.

Before closing, I want to briefly touch on the first quarter where we showed improvements in transactions and sales. And while I'm encouraged by these results, our teams are putting the focus and energy into building a sustainable long-term plan that will lean on the aforementioned fundamentals to drive consistent results. Michelle will speak about our first quarter and current trends shortly. But as we look ahead to the next few months, our focus is less about short-term tactics and quick hit strategies and more about building the right foundation for long-term profitable sales growth.

As noted in the press release, we're comfortable with reiterating our fiscal year guidance. But as our strategic work progresses and new finance leadership was brought on board, our expectations may evolve. We will continue to provide updates as appropriate throughout the year.

In closing, I developed a passion for operations early in my restaurant career. I've always believed that the top restaurant companies are built on solid fundamentals and disciplined execution led by teams that take pride in delivering best-in-class guest experiences. Bringing that passion to a brand I've admired since my first visit more than 2 decades ago is incredibly exciting. Our focus now is to sharpen our priorities, strengthen our ability to execute and build a credible growth story.

Before I pass it over to Michelle, I want to address the announcement we made this morning regarding her decision to depart Portillo's. Michelle has been Chief Financial Officer here since 2020, playing a critical role in leading our finance function, supporting the company's IPO in 2021 and helping expand the business into new markets. We appreciate Michelle's leadership, and we will, consistent with our internal succession plan, immediately kick off a search with a leading national executive search firm to identify our next CFO. I'm confident in the long-term opportunity of Portillo's, and I look forward to sharing more as our strategy continues to take shape and drive sustained long-term shareholder value.

And Michelle, I want to thank you for your dedicated service and partnership and wish you all the best in your next chapter. I will now turn it over to you to walk through our quarter 1 results in more detail.

Michelle Hook

Thanks, Brett. I appreciate the kind words. I believe in the Portillo's brand and its leadership team, and I'll be cheering you all on from the sidelines. Moving on to the company's first quarter performance. During the first quarter, revenues were \$182.6 million, reflecting an increase of \$6.2 million or 3.5% versus last year.

Revenue growth was driven by non-comp restaurants, which contributed \$7.7 million of the year-over-year increase. Same-restaurant sales declined 0.1%, decreasing revenues approximately \$0.2 million. The same-restaurant sales decline reflected a 0.9% decrease in average check, partially offset by a 0.8% increase in transactions. Lower average check was driven by an approximate 1% decrease in product mix, partially offset by a 0.1% increase in menu prices, reflecting increased promotional offers.

When assessing our gross pricing, we came into the first quarter with around 3% of incremental pricing from prior pricing actions in 2025. We had approximately 1.5% roll off in January, approximately 1% roll off in April and the remaining 0.7% to lapse in June. We did not take additional pricing actions during the first quarter. However, we did take a 2% pricing action in mid-April across select menu categories. We expect surprise and delight offers within Perks to continue to have an impact on pricing.

In addition to the impact on our net effective pricing in the quarter, our promotional offers and other menu initiatives drove positive transactions. During the quarter, our transactions benefited from our limited time BIG Burger Bundle meal and innovation, including our new birthday cake LTO and the launch of our new sauces. This is in addition to other targeted offers we ran during the quarter on our Portillo's Perks loyalty platform.

During April, we have seen negative comp trends of roughly 1 point, driven primarily by negative transaction and mix trends as we are lapping the benefit of our breakfast pilot from the prior year. We expect to have continued headwinds in May as we will be lapping our BOGO Beef promotion from the prior year. As Brett discussed, we will focus on 3 foundational areas, which we believe will lead to improved sales and transactions and restaurant level profitability for the long term.

Turning to costs. Food, beverage and packaging costs increased to 34.7% of revenues in the quarter from 34.6% last year. This increase was driven primarily by higher commodity costs of 1.8%, led by beef and produce, partially offset by an increase in certain menu prices, net of promotional offers.

Labor expense increased to 26.9% of revenues from 26.6% in the prior year, primarily due to deleverage from our new restaurant openings, higher benefit costs and wage inflation, partially offset by labor efficiencies. Hourly wage rates increased approximately 1.5% in the quarter compared to prior year.

Other operating expenses increased \$2.3 million or 10.7%, primarily driven by the opening of new restaurants and higher repairs and maintenance expenses. As a percentage of revenues, other operating expenses increased to 13.2% from 12.4%. Occupancy expenses increased \$1.2 million or 11.6%, also driven by the opening of new restaurants.

As a percentage of revenues, occupancy expenses increased 0.4% compared to the prior year, driven by higher occupancy costs and revenue deleverage at new restaurants.

Restaurant level adjusted EBITDA decreased \$1.8 million to \$34.8 million, with margins declining approximately 170 basis points to 19.1% in the quarter versus 20.8% in the prior year.

General and administrative expenses increased by \$1.5 million to \$20.4 million or 11.1% of revenue in the quarter from \$18.9 million or 10.7%. This increase was primarily driven by higher equity-based compensation and professional fees, including \$0.5 million of dead site costs. As we refine our development strategy, we will continue to evaluate our pipeline.

Preopening expenses were \$2.6 million in the quarter compared to \$0.5 million last year, reflecting the timing and scale of activities related to our planned restaurant openings, including expansion into new markets. Adjusted EBITDA decreased by \$2.8 million to \$18.5 million or 10.1% of revenue from \$21.2 million or 12% of revenue in the prior year.

Below the EBITDA line, interest expense was \$5.6 million in the quarter, down slightly from last year, driven by a lower effective interest rate. Income tax benefit was \$0.2 million in the quarter compared to expense of \$1.4 million in the prior year. Our effective tax rate for the quarter was 24.4% versus 25.4% in the prior year, reflecting changes in our valuation allowance related to equity-based compensation expense.

Since the end of the quarter, we have opened one additional restaurant in Frisco, Texas and expect to open 3 additional locations during the remainder of 2026, including our first airport location at DFW International Airport and our second in-line location, which will be in downtown Chicago.

Cash provided by operating activities increased 85.8% year-over-year to \$17.6 million year-to-date. We ended the quarter with \$24 million in cash. We had \$104 million outstanding on our revolver, total net debt of \$347 million and approximately \$42 million of remaining revolver capacity. Thanks for your time today. Operator, please open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] And our first question will come from Margaret-May Binshtok with Wolfe Research.

Margaret-May Binshtok
Wolfe Research, LLC

Michelle, best of luck, for all the collaboration. I just wanted to ask on the first quarter comp. Can you give us a sense of how that progressed through the quarter? I know January had some weather, but did you guys see February and March showing sequential improvement? And then just ex that breakfast lap that you mentioned in April, how are underlying transactions trending in April?

Michelle Hook

Yes, Margaret-May, I'll take that. Yes, you're absolutely right. We were not immune to the weather conditions that hit in January. So we definitely saw that negativity come into play in January. And then obviously, as the quarter progressed, we saw improvement. And I talked about and Brett talked about some of the things that we did in Q1 that helped to contribute to the results that you saw in the quarter. So yes, we did see some improvement in the quarter.

And then when we look at April, we're seeing negative trends that's primarily coming in the form of transactions. We do continue to see some negative trends in mix as well. And that's primarily driven by what I describe as more trade downs versus items on the ticket. So those are the trends that we're seeing throughout the month of April.

Operator

And our next question will come from Gregory Francfort with Guggenheim.

Gregory Francfort

Guggenheim Securities, LLC, Research Division

Just maybe the other OpEx line, can you maybe parse out that looks up quite a bit. Is that utilities? Is that maybe delivery fees or something like that? I'm just curious what might have been driving that?

Michelle Hook

Yes, Greg, we did see some impacts earlier in the quarter from the weather. So we saw some higher utilities, some higher, what I describe as snow maintenance and removal expenses that drove some variability in the repairs and maintenance line. But those are the specifics that we saw. Again, I'd call some of that more attributable to the weather conditions that we saw, but that's the call out I'd make on that.

Gregory Francfort

Guggenheim Securities, LLC, Research Division

Got it. And then just with maybe pricing in the quarter, I mean, clearly, Perks is having a big negative impact, but that might be part of just what you're trying to do strategically. Can you maybe parse through like -- do you expect it to have -- I guess you would expect it to have an impact on consumer value perceptions. Is there an expected delay in terms of kind of having more controlled pricing and when the consumer might pick up on that and that impacts traffic on a 6-month delay or a 12-month delay? Any thoughts on that would be great.

Michelle Hook

Yes, Greg. So we had 2 things that impacted that net pricing in the quarter. So we had our BIG Burger Bundle meal. That was the burger, fries and a drink meal we were running for \$9.99. That definitely impacted the net pricing as well as the Perks offers that we were running in the quarter as well. And so I would say just from a consumer perspective, you're right. As people go into these offers, whether it's the BIG Burger Bundle that we are running or Perks offers, there's definitely a lag in terms of that value perception.

But we continue to focus on those value perception scores. But -- as Brett and the team look towards our strategies in the future, I think what plays a role in that could be many things, whether it's continuing to look at value in the form of Perks offers or menu offerings. We're currently running our new Hot & Saucy beef promotion right now, not really a discount, but more of an LTO. So -- but there is a lag to your point that I think as people go into those that they come out with. And the goal is to obviously drive frequency of visits and attract new guests into our brand. And so those were the things that we were looking at post promotion as well to determine if there was success or not.

Brett Patterson

CEO, President & Director

Greg, this is Brett. I would also just chime in that, as Mel mentioned, Michelle mentioned, we're looking at the numerator of the value equation as well. And if you think about our strategy when we're starting with ops excellence, one of the things we need to do is make sure that we're delivering or exceeding the expectations of the folks coming in that are paying full price. I think the second lever that we'll explore as part of the strategy is going to be the use of food innovation to create value. So not just locking in on a fully discounted value offer, but how do we use innovation to talk about value, how do we use marketing to talk more about value.

We certainly know it's a driver for the business and kind of where the consumer is at today is important, but not locking ourselves into just going after kind of this discounted promotional model.

Operator

[Operator Instructions] We'll go next to Sara Senatore with Bank of America.

Sara Senatore

BofA Securities, Research Division

And sorry, just a quick clarification and then a question about the real estate strategy. So for 2Q, I was trying to follow some of the rolling off of prices. Did you say what the effective price will be in the second quarter? Is it -- could it be negative?

Michelle Hook

Sarah, so we don't anticipate it being negative. We're not -- the BIG Burger Bundle came off being an offer we were running at the end of Q1. Yes, we're running some various Perks offers as well. But no, we don't expect it to be negative. So just to clarify, we took 2 percentage points of a pricing increase at the beginning of April. We had a point that rolled off midway through April. And then we have around 0.7% that will be in effect until June. So think of it as we sit here today, you had a little bit higher pricing in April, but then the point -- just under 4% in April, and then you had that point that rolled off. So as we sit here in May, we're just under 3%.

Sara Senatore

BofA Securities, Research Division

Okay. I appreciate that. And then I guess you mentioned, I guess, \$0.5 million of dead site costs. So it sounds like you're already making some changes to the sites in terms of what you might have identified before versus where you're deciding to build. I know the Chief Development Officer, just -- she's relatively, I guess, recent. But anything you can sort of address in terms of what changes maybe your -- or what sites you might be abandoning versus how you're thinking about going forward?

Brett Patterson

CEO, President & Director

Sarah, this is Brett. Yes, I'll take that. As far as -- yes, Jennifer is fairly new, but she's hit the ground running. I think the team and Jennifer have been really focused on kind of just reassessing the entire development strategy. The 2026 sites were locked, and those will be finished after we open the next 3 this year. We did have an opportunity for some of the 2027 class to take a look at where there are some sites we could potentially get out of. I don't want to share specifically what those were, but we have made some decisions to get out of a couple of them. So I would say in 2027, and we're probably going to be in somewhere in the 4 to 6 range for openings, and that's why you'll see some dead site costs coming into last quarter and potentially quarter 2 as well.

Operator

And we'll go next to J.P. Wollam with ROTH Capital Partners.

John-Paul Wollam

ROTH Capital Partners, LLC, Research Division

I was hoping we could just maybe talk in terms of productivity in the new Texas stores. Understanding, Brett, to your point, a lot of those sites were kind of already baked, we could say. But just in terms of the openings, how are you thinking about productivity efficiency in terms of labor and back of house? And just any other new takeaways from this year's Texas openings?

Brett Patterson

CEO, President & Director

Yes, JP, thank you. I would tell you that the team has done a really good job coming out of 2025 in the first quarter, addressing some of those productivity opportunities. Tony, our Chief Operating Officer, has been very involved with the kind of the Texas turnaround. So I'd say we've seen some improvement, sequential improvement in backhouse labor productivity. There's still opportunity. I think we've got to really take a look at kind of the analogs of similar volumes outside of Texas and how those perform and use that as kind of a benchmark for our Texas teams. And I know Tony and the team are starting to do that work now. So I still think there's opportunities there. Certainly, we've got to drive the top line, and that's more of our focus. We don't want to cut ourselves to the point we can't grow top line.

So Denise is they're still working very actively on a very integrated marketing plan for Texas. But yes, we'll continue to see some productivity improvements in Texas as well as some top line growth.

Operator

Moving on to Chris O'Cull with Stifel.

Christopher O'Cull

Stifel, Nicolaus & Company, Incorporated, Research Division

Michelle wish you well and hope to work with you again.

Michelle Hook

Yes, sure.

Christopher O'Cull

Stifel, Nicolaus & Company, Incorporated, Research Division

Maybe I don't know if this question is for Michelle or Brett, but can you explain the sharp decline in annualized AUVs for the 2025 class during the quarter relative to the fourth quarter?

Michelle Hook

Yes. So when you look at the class of '25, Chris, so we had openings that were in the back half of the year. One of those openings was a restaurant we were very public about, which was our first in Atlanta in Kennesaw. And so I think we talked about that having a very robust opening when we opened Kennesaw in November. Obviously, you know us, you know there's a honeymoon curve, right, to the performance of those restaurants. So as those volumes start to settle down, specifically for that restaurant, you see some impacts coming in there. So that's part of what you're seeing in some of that. I'd call out that one specifically.

Christopher O'Cull

Stifel, Nicolaus & Company, Incorporated, Research Division

Brett, why isn't -- why don't you think customer retention isn't higher once you get these strong responses to the initial opening? Do you have any assessment of that?

Brett Patterson

CEO, President & Director

I think it's a really good question, Chris. I think there's a real opportunity for us to learn more about kind of the consumer base when we go into these new markets. Certainly, you do see a pretty steep honeymoon. It's a little more steep than I'm used to in my past. I don't know how much that has to do with our ability to drive quick awareness out of the gate, and that kind of wanes off over time. So I would tell you, I don't have the answer now, but it is certainly something we need to continue to explore to better understand that and how do we prop it up during that kind of down cycle in the honeymoon. I would tell you, the one thing I would add is you generally see though very high metrics still from a customer satisfaction, Net Promoter Score. So there's nothing that jumps off that says you didn't open it well and now you've disappointed a lot of guests. They seem very, very engaged and connected to the brand. So again, that frequency is going to be something we really have to understand.

Operator

And our next question comes from Sharon Zackfia with William Blair.

Sharon Zackfia

William Blair & Company L.L.C., Research Division

Sorry to see Michelle go. It's been a pleasure working with you. I did want to ask about kind of menu innovation versus Perks. It seems like you're having more success with Perks driving traffic. And I'm curious if there's anything there that you could call out specifically that worked well in the first quarter that you plan to replicate or evolve? And then secondarily, as we think about those non-Chicago markets, how is innovation resonating in those markets?

Brett Patterson

CEO, President & Director

Yes. I'll speak to the Perks piece. The one thing we have seen is continued growth and penetration. So we -- in quarter one, we saw 3% more penetration from Perks than quarter 4. I think the real unlock there is for us to continue to better understand our customer cohorts and how do we tailor messages specific to those cohorts based on their visit frequency.

And I know Denise and the team are really -- there's a lot of test and learn going on for that right now. We did see some -- what we've seen when we do Perks offers around kind of special events or holidays, we do get a really strong reaction like opening Major League Baseball Day with buy one hot dog get one free. And so we've seen those really work well for us, but it's not something that we see as kind of this on everyday type scenario.

We had -- the BIG Burger Bundle was a big driver in quarter one as well for the traffic. So I think it was a combination of both. And so the -- your question on the innovation, I think there's really an opportunity to learn. I wouldn't say we've had significant meaningful innovation yet when we've really introduced new items or new item format. And I do believe once we get out of Chicago and have different understanding in different markets of what those items can be, I think it will play an important role in the future for us.

Operator

Moving next to David Tarantino with Baird.

David Tarantino

Robert W. Baird & Co. Incorporated, Research Division

Brett, I'd be interested to hear more about your vision for how Portillo's should grow over time. I know you have a lot of foundational work that you outlined that you need to complete, but once that work is done, what are you going to be looking for to make the decision on reaccelerating the growth? And what type of growth do you think Portillo's can deliver longer term if you get it right?

Brett Patterson

CEO, President & Director

Yes, David, speaking to the development piece, I would tell you, right now, we're turning over every stone to understand every piece of development and what we can learn from the past and then creating certainly a better future for development. So what I'll share again without having the facts, as you mentioned, we've got a lot of research doing insights. But I will tell you, there's an opportunity. Certainly, number one, we've got to make sure we have the real estate forecast model dialed in because that really informs site selection. I think there's an opportunity -- when we go to new markets with low awareness, the type of site we choose is imperative that it's a site that generates high awareness versus they have to find you. There's prototype work we're going to do. We're going to explore what are the best formats that can generate the best returns to the restaurant and still execute high volume. I know Michelle really led the project with the team to get to the 2.0. We're excited to see that come to life. So I would tell you that everything is under review, including build cost.

And we'll come back to you at a later date with what we think that means for the future, but we're going to try to get to it really be 2028 before we start to see that work. And again, I think getting the brand study, and I mentioned the discipline in the script, right, having the discipline just to wait for the insights and the research to help guide us, not be necessarily just the guide is going to be really important to our future growth.

David Tarantino

Robert W. Baird & Co. Incorporated, Research Division

And if I'm still on, maybe a follow-up is.

Brett Patterson

CEO, President & Director

Sure.

David Tarantino

Robert W. Baird & Co. Incorporated, Research Division

I think at one point, I guess, in the recent past, Portillo's was targeting double-digit unit growth. I mean I guess my question is whether you think that's an appropriate growth rate for the company longer term. Presuming you get all the foundational elements right, I mean, is that, should we be expecting a path back to that level? Or do you think that maybe a slower growth rate is more appropriate? I guess what are your initial thoughts about that or the...

Brett Patterson*CEO, President & Director*

Yes. Again, I'm anxious to answer that question myself. And I think we've got to -- right now, we've got to do the work, right, to build what I would tell you is what we've done in the past, I wouldn't say is a sustainable double-digit growth model. But developing something for the future that we feel really confident about the level of capital we're spending, the returns we're getting will be the key driver for that.

Operator

And moving next to Jim Salera with Stephens.

James Salera*Stephens Inc., Research Division*

To switch gears and talk a little bit on the margin front. I know beef prices have continued to grind higher as the year has progressed and you guys flagged some promotional offering you did that obviously had beef-centric items. Can you just walk us through, a, kind of how you're hedged on beef, but then also b, how you're thinking about maybe some of those promotional mix given that you have beef exposure and where that's at on input cost?

Michelle Hook

Yes, Jim, I can take that. So we're still projecting mid-single-digit commodity inflation for the year. And we did have what I'd describe as a lower inflationary number in Q1. And I think that speaks to the things that we put in place to try and manage that exposure. So as we sit here today, we're hedged on our flats or we forward bought on those. There's about 65% of that specific commodity that we're locked in on for the year. And we have about 30%-ish or so of our total basket that we're locked in on for Q2 through Q4. So we've put some things in place to derisk that. And as we look at what is the future of commodities, yes, we still expect beef to be a pressure point for the remainder of this year.

We do expect our inflation to be higher than what you saw in Q1 in Q2 through 4. I'd say probably Q4, we're just as we sit here today, expect that to be the most pressured quarter of the future quarters. But we still feel good about, again, that mid-single-digit inflationary number that we put out there. And to your point on marketing certain items that relate to beef, I think to Brett's point, as he continues to refine the strategy and we look at what's best for the brand, I think everything is on the table as we move forward. But Portillo's is built on beef items, whether it's our beef sandwich or hotdogs are all beef, our hamburgers, which we ran that promotion in Q1.

And so we're not going to lean away from that, I would say, as we move forward in the future. But I think there's opportunities to lean into other categories as well moving forward.

Operator

And moving on to Dennis Geiger with UBS.

Dennis Geiger

UBS Investment Bank, Research Division

Michelle, thanks for all your help and best of luck to you, of course. Quick housekeeping item and then a question from me. On the housekeeping, just curious if anything to share on performance across geographies, thinking about Chicagoland versus outside, et cetera, or performance by channel in the quarter? And then the question really is a bit more on the marketing strategy side of things. And just where things stand there, if it's too early to share about anything on sort of notable shifts in marketing strategy or marketing spend levels? Is it still early until some of those survey insights come back?

Brett Patterson

CEO, President & Director

Dennis, this is Brett, yes, first, so what we saw in quarter 1, which was really good news, we saw Chicagoland perform really well. They had outsized transaction growth compared to the rest of the fleet. The rest of the concept did well, but it was great to see Chicago pop in the first quarter, which I think speaks to this environment being -- and the way that Chicago uses a brand where you had that value offer BIG Burger Bundle really resonated. So there's learnings for that of how we think about it going forward, but it was nice to see that for Chicago.

Your second question regarding marketing, the brand work is going to be critical for that. I know Denise is -- we're working on the MarTech stack. We're looking at channel usage, media mix usage, offers by customer segmentation. So that work is all in progress. But the brand work is really going to help us inform how and who we target once we get that information back. We did plus up some media around the BIG Burger Bundle, and we saw that really support the message. So we know it works when we have the right offer and the right message. But getting the channels and the mix right is going to be really important as we go forward to maximize our marketing spend.

Operator

And we'll go next to Matt Curtis with D.A. Davidson.

Matthew Curtis

D.A. Davidson & Co., Research Division

Brett, given your casual dining background, I was just wondering if you could share your thoughts on elevating the customer experience, both in-store and at the drive-thru and if perhaps adding labor might be part of that?

Brett Patterson

CEO, President & Director

Matt, I've gotten the question a lot about coming in from full service to fast casual. What I would tell you is I think there's so many similarities. And one was when you just step back and think about what a customer wants, it doesn't really differ between the 2 channels. And they want great value created by food service atmosphere divided by price.

And that's what we have to deliver. So as I think about our brand, how do we make sure our food is compelling. It remains high quality. It's something that the brand has been built on. The service aspect, we're different than a lot of other fast casual concepts with our drive-thru where we have people in the drive-thru taking orders and have that face-to-face interaction. So I think those things have been key to Portillo's and will remain key. But I think your point on how do we enhance that to make sure that we put the guest at the center of everything we do is a culture we're going to continue to focus on in this company. So I don't see a difference of being full service or quick service as it relates to how we think about the customer.

Operator

And our final question will come from Brian Harbour with Morgan Stanley.

Brian Harbour

Morgan Stanley, Research Division

Michelle, best of luck, certainly. The conversation about kind of value perception lagging, I guess, is what you're saying that, look, some of these promotional offers have certainly worked, but they're fairly short-lived. I mean how do you think those kind of play a role in the future? Or is this kind of like a conversation about maybe some everyday value thing is needed? How should we think about that?

Michelle Hook

Yes. Brian, I think that at the end of the day, we're not looking and Brett and the team are not looking for quick like hitters or fixes for this brand. And so I think doing the work around the brand that Denise is doing on the perception study and what do we want to be over the long term, and it comes back to that value equation that Brett just talked about, which is something over price, whether that's your experience, the quality of the food, the accuracy, the speed, all of that over the price that you're paying for that. So I think as this brand moves forward, that's the way that the team is thinking about it is what's the best over the long term for the brand to continue to provide that "value" to the guest. And those things can come in many forms, whether it's through menu innovation, right?

And menu innovation can be permanent menu items that can be limited time offers, right? Those things you don't necessarily have to put the brand on sale or do things like that and discount to have that value perception. Brett talked about operational excellence, like getting better operationally. So focusing in on those metrics that matter, whether it's accuracy or speed of service or hospitality, right? Those are things that over the long term, carry brands forward versus how can I get these quick wins in the short term. So that I know is the mindset moving forward for Brett and the team versus what can we do for this quarter.

Brett Patterson

CEO, President & Director

Yes. If I could just add, Brian, one thing is I think the way I would frame it is we have to organizationally make sure we build a much stronger foundation of value -- and then I think as you pause in opportunities, there should be a bump in value. But those to me are very short-term transactional. So if you do a heavy discount over a period of time or an offer, you certainly are going to see your value scores elevate during that time. But generally, what happens as soon as you come off that, your value scores revert back to a base. So our job and our focus is going to be how do we get -- how do we strengthen the base value.

And when we do those offers, it's just incremental, right, to the consumer. So again -- and right now, until we really understand that we keep coming back to the brand work and research, we're not going to spend a lot of time on figuring out what are those short-term levers until we really understand who our customer is and how do we go to market, and that will shape our marketing and go to our strategy.

Operator

And ladies and gentlemen, thank you for your participation. This does conclude today's teleconference. You may disconnect your lines, and have a wonderful day.

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