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Red Robin Gourmet Burgers, Inc. (RRGB) Q1 2024 Earnings Call Transcript

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Q1: 2024-05-29 Earnings Summary

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EPS of -\$0.80 **misses by \$0.18** | Revenue of \$388.54M (-7.05% Y/Y) **misses by \$4.20M**

Red Robin Gourmet Burgers, Inc. (NASDAQ:[RRGB](#)) Q1 2024 Results Conference Call May 29, 2024 4:30 PM ET

Company Participants

G.J. Hart - President and Chief Executive Officer

Todd Wilson - Chief Financial Officer

Conference Call Participants

Mark Smith - Lake Street Capital

Alex Slagle - Jefferies

Andrew Wolf - CL King

CJ Dipollino - Craig-Hallum Capital Group

Todd Brooks - The Benchmark Company

Operator

Good afternoon, everyone and welcome to the Red Robin Gourmet Burgers Incorporated First Quarter 2024 Earnings Call. This conference is being recorded.

During management's presentation and in response to your questions, they will be making forward-looking statements about the company's business outlook and expectations. These forward-looking statements and all other statements that are not historical facts reflects management's beliefs and predictions as of today and therefore are subject to risks and uncertainties as described in the company's SEC filing.

Management will also discuss non-GAAP financial measures as part of today's conference call. These non-GAAP measures are not prepared in accordance with generally accepted accounting principles, but are intended to illustrate alternative measures of the company's operating performance that maybe useful. Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP measures can be found in the earnings release. The company has posted its first quarter 2024 earnings release on its website at ir.redrobin.com.

Now, I would like to turn the call over to Red Robin's President and Chief Executive Officer, G.J. Hart.

G.J. Hart

Good afternoon, everyone, and thank you all for your interest in Red Robin. Almost 18 months ago, we launched our North Star Five-Point plan, grounded in a commitment to a great experience through investments in service and food quality. We expect the investments to deliver gains in sales and profits and drive long-term shareholder value. Due to the hard work and dedication of our team members, we are beginning to reap the rewards of the investments by delivering positive comparable restaurant sales in the first five weeks of our second quarter. We have achieved this result despite the 200-basis point to 250 basis point headwind from the strategic removal of virtual brands last year that we will experience through the second quarter.

As you've heard from others, the consumer environment is becoming more challenging and our core consumer of hardworking families is looking for value when they choose to eat out. Our menu and our brand are centered around providing everyday value to each and every guest through our 30 bottomless items, our Tavern Burger lineup, our pizza offerings and throughout our menu. We believe this brand positioning has been beneficial to our top line trends as we continue to create moments of connection over craveable food that only Red Robin can provide.

Before I dive into more specifics, I'd like to extend a heartfelt thank you to all of our more than 20,000 team members across the country. The success of Red Robin currently and in the future is due to your efforts and all of us working towards the same goals, all of us in this together.

We've come a long way, but we still have more work to do. I'm excited for what we can accomplish over the remainder of the year. As a reminder, our North Star Five-Point plan consists of the following. Number one, transform to an operations focused restaurant company. Two, elevate the guest experience. Three, remove costs and complexity. Four, optimize guest engagement. And five, drive growth in comparable restaurant revenue and unit level profitability, while delivering on our financial commitments. I'm proud to say that we continue to make progress against all five facets of our strategic plan.

Starting with operations, service is the backbone to our turnaround efforts as we work to ensure every guest has a great experience in our restaurants, rain or shine. As we have spoken to previously, we spent much of 2023 improving our operations. We did this through labor investments, including adding servers, so they can focus their effort on fewer tables, adding back bussers, adding a dedicated expo and bringing back more than 250 dedicated kitchen managers. We also made investments in our food, including flat top grills, which deliver a thicker, juicier and more flavorful burger, unveiled more than 20 improved gourmet burgers prepared with higher quality and more flavorful ingredients, expanded our bottomless menu and upgraded our bar menu to include higher quality brands that our guests know and love.

Additionally, as part of our operations improvements, we launched the partner compensation program for our single unit operators at the start of 2024. Through this program, the operators now see themselves as owners of the restaurants that they oversee and are rewarded based on their profits. The feedback has been positive, and we are thrilled to align the entire organization around the unified goal of driving traffic and ultimately profit dollars.

Turning to the guest experience. If we rewind several years, dining guest satisfaction scores at Red Robin began declining and lagging the industry back in 2016. Since we've launched the North Star plan in January of '23, our operators have worked hard to deliver the great guest experience and we saw their efforts translate to gains in guest satisfaction scores throughout 2023. The gains continued in the first quarter with all of these efforts leading to overall guest satisfaction that now has achieved parity to the industry. The measurement proof points align across many different sources.

First, from guest surveys. Overall satisfaction has increased significantly over the past 18 months and is now in line with the industry average, led by an improved pace of experience, including reduced wait time and more frequent manager engagement with guests. Second, across Google, Yelp and TripAdvisor, the overall satisfaction score has increased 13% versus the first quarter of 2023. The attentive staff score increased over 30%.

We are further encouraged as we see first time guest ratings are even higher than our repeat guests. First time guests rate us higher on things like taste of food and overall value, which are key drivers to overall satisfaction. Finally, the number of guest relations complaints declined by 19% versus the first quarter of 2023 and 79% versus the first quarter of 2018 when we began tracking. Delivering a great experience to our guests is a single key to improving the performance of our business. It requires a relentless pursuit of executing the fundamentals at every level, which our teams are dedicated to pushing forward every day on every shift for every guest.

We are proud of what we've accomplished so far and are energized by the road ahead. In addition to our operational improvements, our teams continue to become even more ingrained in the communities we serve. The number of fundraiser partnership events, which serve as a great way to support our local communities, while simultaneously introducing new guests to the Red Robin brand, increased that relative to last year. This growth is a testament to the tremendous work of our managing partner and their teams as well as our field marketing team, who has been traveling the country to provide our operators the tools and know how to become more valued partners in the communities that we serve.

Following our operational and guest experience focus in 2023, 2024 is about optimizing guest engagement and that begins with our marketing efforts. Starting in March, we began rolling out our new marketing strategy focused on reigniting visit frequency from our loyal guests, new guest acquisition and improving our guest engagement capabilities. We began by promoting the competitive breadth and value of our 30 bottomless menu items, far more than only the bottomless steak fries many guests know us for. We have also highlighted our upgraded high-quality ingredients and reintroduced fun to our iconic brand. We are excited with the results we've seen so far.

In May, we launched our Leave Room for Fun campaign that has been developed to take back our ownable position as the most engaging and fun experience in casual dining. We're implementing an all new tone and more contemporary design. Our new advertisement titled Fun Guy has been a hit with viewers with over 1.5 million views in the first week. After viewing the ad, we measured improvement of our brand perception with viewers across many measures, including a 15-percentage point increase in the metric of brand is better than it used to be, a 6%-point increase in intent to visit in the coming four weeks, and a 9-point increase in the metric used as high-quality ingredients.

We've coupled Fun Guy with our video advertisements that connect with guests on a human level, celebrate our new burgers and bottomless promise and tell stories around the new ingredient transformation. We view our creative strategy as a success, as the key message to recall of viewers has centered around our better burgers, our upgraded ingredients and the fact that we now have over 20 new and improved gourmet burgers.

While we're excited by the guest reception, we're also focused on the financial returns from our investment. In March, we began testing a marketing heavy up plan in five markets. The initial results have been approximately 200 basis point in traffic improvement versus a control set. These early results have proven that we have the right marketing initiatives to drive traffic and sales gains. That said, we're never satisfied. During the second quarter, we are testing a reconfiguration of the media mix to double down on digital streaming TV and video, including platforms such as Hulu, Peacock and YouTube TV to further drive performance and investment return. Overall, our communication and media strategy has shown promising results, and we are now in the process of optimizing it to further inform our strategy for the remainder of the year.

Turning to loyalty. The Red Robin Royalty Program is a great asset for the company that continues to grow with membership now approaching 14 million guests. That said, it has historically been an underutilized asset serving more as a discount program rather than driving the business.

In the past year, Kevin Mayer and our marketing team have done a great job of better utilizing the program and the proof is in the numbers. 10%-member growth in the past year. Members have over a \$3 higher average check than non-loyalty members. They visit 3 times more often and new members are visiting with much greater frequency. In 2023, only 8% of new members made the second visit in the following 12 months.

In 2024, 8% of our new members have already made a third visit in just the first 90 days. In our view, these successes are despite the format of our loyalty program not because of it. One week ago, on May 22nd that all changed with the launch of our revamped Red Robin Royalty Program, now featuring bottomless rewards. Under our new program, guests earn one point for every dollar spent. After earning 100 points, guests receive a \$10 reward good for both dine in as well as online orders. This will allow guests to earn a reward much faster than the previous program.

In addition, the redemption window for the reward allows our guests the flexibility to use it in the following 90 days. We expect the collective result of these changes will be more loyalty members visiting Red Robin with greater visit frequency.

In addition, the guest data capability in the new program will also facilitate more personalized communication and offers to members and allow us to reward our best guests. Overall, our team members are excited to reintroduce the program to every guest, and we fully expect this new program to be a driver of our business rather than just a discount program. I'd really like to extend a thank you and congratulations to Jyoti Lynch and our IT team, Kevin Mayer and our marketing team and everyone at Red Robin and across our implementation partners who brought the new loyalty program to launch ahead of schedule.

With that, now let me turn the call over to Todd to walk you through the financial performance for the quarter.

Todd Wilson

Thank you, G.J., and good afternoon, everyone. In the first quarter, total revenues were \$388.5 million a decrease of \$29.3 million versus the first quarter of fiscal 2023, primarily due to a decrease in comparable restaurant revenue of 6.5%. The decline was led by the difficult start to 2024 experienced by many in the industry and that we referenced on our prior earnings call. Additionally, recall we eliminated our virtual brand offerings in the third quarter of 2023. Eliminating these brands comes with minimal profitability impact and significantly reduces the complexity in our restaurants, but results in a 200 basis point to 250 basis point sales headwind.

Restaurant level operating profit as a percentage of restaurant revenue was 11%, a decrease of 370 basis points compared to the first quarter of 2023. The decline was mostly driven by our strategic investments in labor and food quality to support hospitality and the guest experience. This investment is the foundation for improved financial performance as we expect it to drive guests back into our restaurants and increase profitability.

We made the decision to maintain labor levels in the January and February periods despite adverse weather events that make it difficult to project sales and guest counts to ensure our guests receive a great experience when they choose to visit our restaurants. While this created near-term margin pressure, we see the benefit of that decision in our guest satisfaction scores and believe all of the investments we have made to date are beginning to pay dividends as evidenced by our positive comparable restaurant sales increase of 0.3% in the first five weeks of the second quarter as compared to the same weeks in 2023.

Inflationary pressures have generally occurred as we expected with a more normalized level of inflation across all cost categories as compared to recent years. For 2024, we anticipate inflation across our entire cost basket including commodities, wages and operating expenses in a range of 3% to 4% in line with our original 2024 expectations. We also continue to seek out and capture cost savings opportunities in the P&L. In the first quarter, we captured approximately \$5 million of incremental cost savings primarily in cost of goods.

We continue to expect approximately \$19 million of incremental cost saves in 2024 with \$8 million from initiatives started in 2023 and \$11 million of new initiatives we have or plan to implement in 2024.

General and administrative costs were \$25.8 million as compared to \$26.1 million in the first quarter of 2023. Selling expenses were \$13.5 million an increase versus the prior year of \$5.2 million. The increase reflects our intentional investment to increase communication with consumers to accelerate visits and allow guests to experience the upgrades in hospitality. Additionally, our remittance back to local organizations for their share of the fundraiser partnership events that G.J. mentioned earlier is also accounted for here and drives a portion of the increase.

Adjusted EBITDA was \$12.2 million in the first quarter of 2024. The decrease relative to the first quarter of 2023 was driven by three key factors. First, the strategic investments we started after the first quarter of 2023 operated at a full run rate in the first quarter of 2024. Second, top line headwinds in the January and February financial periods in particular were substantial.

Finally, the increase in selling costs supported the launch of our marketing communication to guests. Notably, during the final eight weeks of the quarter in the March and April financial periods, we generated the vast majority of the adjusted EBITDA for the quarter as our top line trends improved toward the modestly positive comparable restaurant sales we reported in the May period.

As we mentioned on our last call, we were pleased to complete our third tranche of sale leaseback transaction during the first quarter. This transaction included 10 properties and generated gross proceeds of \$23.9 million with net proceeds of \$21.2 million used to repay debt bringing the total debt repayment from the three tranches to \$45.1 million. We expect the third tranche transaction represents the end of our multiunit sale leaseback efforts. We are now evaluating the market for five of the properties we own for individual sale leaseback transactions.

Due to the nature of the potentially single unit transactions, we expect this effort may require more time than the first three multiunit tranches, but it is an effort that we plan to act on if the economics are compelling. We ended the first quarter with \$30.6 million of cash and cash equivalents, \$8 million of restricted cash and \$25 million available borrowing capacity under our revolving line of credit. At quarter end, our outstanding principal balance under our credit agreement was \$167.9 million a reduction of \$21.2 million as compared to the end of fiscal 2023 due to repayment of debt from the sale leaseback transaction proceeds.

Turning now to our 2024 guidance. We reiterate all aspects of our previously issued guidance for 2024. Total revenue of \$1.25 billion to \$1.275 billion including comparable restaurant revenue of a low single digit percentage decline. Restaurant level operating profit of 12.5% to 13.5% inclusive of investments in the guest experience and rent expenses related to the sale leaseback transactions. Adjusted EBITDA of \$60 million to \$70 million and capital expenditures of \$25 million to \$35 million. The \$65 million midpoint of our adjusted EBITDA range represents a modest increase year-over-year when adjusting for the benefit of the 53rd-week in 2023 and the additional rent we will incur in 2024 due to the sale leaseback transactions and compound annual growth of approximately 12% relative to 2022, the starting point of the North Star plan.

As added color for our 2024 financial guidance, we expect the following factors to influence our results. We will revert back to a 52-week fiscal year in 2024 as compared to 53 weeks in 2023. We expect this will result in an approximate \$25 million reduction in restaurant sales and \$3 million reduction in adjusted EBITDA as compared to 2023.

In the second quarter, we expect to generate modest fleet positive comparable restaurant sales and a modest sequential improvement in adjusted EBITDA, which would represent a continuation of the monthly EBITDA trends we saw in the second half of the first quarter. This is driven by improved top line trends and a sequential improvement in restaurant level operating profit margin, partially offset by the investments we are making in selling expense.

We expect adjusted EBITDA in the third and fourth quarter to be more than that of the first and second quarter, driven by the aggregate sequential benefit of the initiatives we have put in place and including an expectation for positive traffic growth in each of the third and fourth quarter.

In summary, we've made significant progress over all points of our North Star plan. We remain on track to achieve our targets and are building this brand to be successful over the long-term.

With that, I will turn the call back over to G.J.

G.J. Hart

Thank you, Todd. Our comeback journey has not been easy, but what we've accomplished to date has been substantial. Through the continued execution of our team members in operations, utilization of our new marketing strategy and the relaunch of our loyalty program, we believe we have the levers in place to drive sustainable long-term growth and return this beloved brand to prominence in our industry. We are excited by the progress we've seen so far, but I can assure you that we are only scratching the surface of our potential.

I believe in the strategy we have in place that it's working, and I'm thrilled to bring guests back into our restaurants for moments of connection over craveable food that only Red Robin can provide.

And with that, we are now happy to open up and take questions. Operator, please open the lines.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question comes from the line of Mark Smith with Lake Street Capital. Please proceed with your question.

Mark Smith

First question for me. Just wondering if you can give any more breakdown on the comps here the first couple of weeks in Q2, just traffic price, any additional color you can give us would be great.

Todd Wilson

Hey, Mark, Todd here. Appreciate you joining us here. The color I think we give is we've seen sequential improvement in our same-store sales throughout the entire course of 2024, and that's true of traffic as well. So, the improvement that we've noted, the positive same-store sales to start the quarter is on the back of improved traffic. We reported about 5% price in the first quarter. That has ticked up a bit and so there's some benefit of price, but I would be clear of there's a benefit from traffic as well that continues to improve sequentially.

Mark Smith

And then just looking at labor cost, as that came up as a percent of sales here in the quarter, any breakdown you can give us as how much of that was planned as you guys been investing in that that's bearing fruit here versus any incremental pressures that you maybe saw in the quarter such as minimum wage hikes or pressure in any certain states?

G.J. Hart

Yes. Hey, Mark, it's G.J. here. I too agree with Todd. Thanks for joining us today. Couple of things I would call out and Todd can add color to this as well. But as we stated in the prepared remarks, the investment was at a full run rate after the first quarter of 2023. And so that continued to stay the course. And so, as we mentioned on all the things with guest satisfaction and performance and sequential improvement with traffic, we believe those benefits will continue to accrue to us all the time. But I will call out there was \$1.8 million that were extraordinary expenses that go back for workman's comp, claims back to 2018 and beyond. And then secondarily, we had a pretty high claim rate on our health insurance program. So that \$1.8 million we don't plan to have recurring. And so that was a big change in the numbers.

Mark Smith

And then last one for me. Just curious as we look at menu mix and maybe changes sequentially during the quarter, January was obviously really tough. Any thoughts on kind of how your consumer is doing today and especially insights into maybe managing check and how the consumers may be doing today versus early in Q1?

G.J. Hart

Sure. Mark, let me give start by saying that a couple of things that we've noticed. And just as we hear others in the industry and some of the comments that they're making, in our particular case, we are seeing our value-oriented tavern burgers click up a bit. So, you can certainly assume that some of the folks are managing their checks. However, our promotional activity around some of our premium burgers have really increased the usage of those as well.

And then when you start to look at add ones and appetizer sites, etcetera, desserts, they held steady. So, we're actually feeling pretty good about where our overall consumer is. But again, we're watching it every day to see. But at this point in time, we feel pretty good.

Operator

Our next question comes from the line of Alex Slagle with Jefferies. Please proceed with your question.

Alex Slagle

Congrats on the comp progress here recently. Definitely a nice notable shift here and just wanted to follow-up on that a little bit. First, just maybe on monthly comparisons, if you could provide any color there through the first quarter and second quarter just to get a better sense for like the two-year trend? I know there was a lot of variability last year, reducing some of the false weights and other dynamics, but any other color there and if there's any other things to consider like calendars or whatnot?

Todd Wilson

Yes, Alex. Hey, this is Todd. We've looked at, I'd say, all of the above. We've looked at the two-year stack. We've looked at multiyear stacks. And I think you're aware as I'm sure the group is, the industry broadly had a very strong quarter in the first quarter of 2023 that was certainly true for Red Robin. We posted an 8.6% same-store sales number in Q1 of last year. And so certainly lapping that I think proved to be difficult. But I think most encouraging as we look at our trends, we do see the sequential improvement, and especially on a multiyear basis, we believe the progress that we're seeing on traffic reflects a true stabilization of the business that hadn't been present for many years.

So that's only the first step is to stabilize the business. Obviously, the next step is to grow it with things like loyalty and the marketing efforts that G.J. talked about. But that's how we assess the collective is. Yes, there were some difficult compares in Q1, but overall, we see much more stabilization in the business and especially in the traffic line most importantly that gives us the confidence that this will continue to build.

Alex Slagle

And the new marketing platform, if you could just talk a little bit more about that, what you saw kind of early feedback, I guess anything on how this marketing support maybe ramped up through the first quarter into second quarter? Just a sense of what to look for there.

G.J. Hart

Hey, Alex. Good to hear from you. Yes, so as we mentioned, we saw 200 basis points improvement in the markets that we were very active in. And we're still as we test and learn and continue to improve a very targeted message. What we learned is that we need to be a little bit more targeted and go more towards, as I mentioned, sort of the video assets and really learning from our guests.

And remember, you tie into that with our ability now to segmentation around our loyalty program, granted it just launched the revamp. But we're going to be able to be much more targeted. So, while the results of 2% may not be exactly what we wanted, they still were good improvement. And that's why we're very encouraged in terms of going into the future here. Remember, our marketing campaign is kind of three-pronged approach, right?

The first one was is more of a brand halo and really that human element of that affection for Red Robin and make room for fun. That whole campaign is getting noticed and it's different than what's out there and we feel great about that as an overview. And then underneath of that, we screen value with our 30 bottomless sides. And what we learned from that, Alex, is that our consumers know us for bottomless, but they know us for bottomless fries. And now that they realize that we have 30 menu items that are bottomless, we are getting great feedback from our guests, both existing and new guests in terms of that response.

And it's very well needed. In fact, we're seeing huge improvements in guest satisfaction once we fulfill that bottomless promise. And so that's really good. And then the third component is all about the upgraded ingredients and bringing that innovation that Red Robin has been known for many years, bringing it to the forefront with great value great ingredients. So, you take that three-pronged approach and we feel really, really good about where we're taking this.

And then you layer on the loyalty platform and what we're seeing there. When you start talking about 8% of new guests that are signed up have been on a third visit within 90 days, that gives you a lot of reason to believe. And so again, there's lots of other indicators here, but that's hopefully give you some breakdown of how we're thinking about it.

Operator

Our next question comes from the line of Andrew Wolf with CL King. Please proceed with your question.

Andrew Wolf

I just wanted to ask about the sequential improvement in profitability into the second half and really specifically in the third quarter, which I think seasonally is I think the lowest quarter of the year. So, I mean, the way you'll I guess you have a couple of things going on. You're going to cycle out of the virtual brands, but they may not have been as profitable as they were accretive to in the same-store sales. So, and then obviously your plans are improve the traffic. So, what is the leverage in the P&L that's going to help the third quarter be sequentially stronger from profitability point of view, than the second quarter despite the seasonality headwind?

Todd Wilson

Hey, Andy, Todd here. The way we're thinking about it and the reason that we do, as we said on call, we expect the EBITDA or the adjusted EBITDA in Q3 and Q4 to certainly outpace the first half of the year. And you're correct, the third quarter is typically a more seasonal soft period for us, but the year-over-year growth we still think is very much a realistic expectation. Yes, I think the way I'd think about it is, while some of the traffic headwind has been due to the virtual brands that as you know that have minimal profit impact.

There has been just a legacy traffic headwind that Red Robin's experienced for many years at this point. And when you value that, that's been a headwind that we've been fighting since G.J. and I and this leadership team joined roughly 18 months ago. And so, as we see a track back to flat traffic, that headwind goes away. And as we said on the call, we actually do expect modestly positive traffic in the second half of the year. And so, you get a combination of a headwind going away and then a little bit actually of a traffic benefit is what we expect. And so that's really the key lever if you will that we see driving the second half of the year.

Andrew Wolf

Thank you. And just a quick follow-up on your mentioning that there might be a little more menu price increase in the quarter to date, were the mix and discount factors pretty similar, like if we want to get a little way back to where the guest traffic went to so far this quarter?

Todd Wilson

Yes, I think I follow you there, Andy. I think what I'd say is, we actually expect mix is will be less negative as we progress in Q2 and Q3. All the factors that G.J. mentioned, we do anticipate some of that continuing, but many of the changes we lapped from menu changes a year ago. So, I think mix will be a less negative factor in Q2 and Q3. And so, I think that's the headline there.

Operator

Our next question comes from the line of CJ Dipollino with Craig-Hallum Capital Group. Please proceed with your question.

CJ Dipollino

Hey, everyone. CJ Dipollino on for Jeremy Hamlin tonight. Just wanted to touch or just wanted to ask about comps real quick. So relative to May, do June and July get a little bit easier, a little bit harder? I'm just thinking about the rest of Q2?

Todd Wilson

Yes, CJ, Todd here. I'd say really the comparisons in the balance of the year get progressively easier. A part of that is the virtual brands that we eliminated in the second half of last year, but we don't foresee any unusual hurdles in the balance of the quarter.

CJ Dipollino

Okay. Great. Thank you, that's helpful. And then if you could just touch on, what you're doing to drive membership in the loyalty program, both new members and, getting some of those dormant accounts to reactivate?

G.J. Hart

Sure. It's G.J. here. First of all, what we started doing was actually when a new member signs up either on a website or in a restaurant, we'll send them a welcome email back to tell them all the what the program is all about. We were not doing that before. And so that has gotten a great response.

The second thing I would tell you is that throughout the organization, this is a huge initiative. And so, all the way down to our team members and servers, really talking about and understanding where we're going with our new loyalty platform has been super beneficial as well. And then thirdly, just in everything that we're doing, by all of our communication strategy are coming into play as well. So, I just might add, I think I mentioned it on the prepared remarks, we've seen significant improvement in the numbers up almost 10% for the year-to-date. So, our teams are doing a great job bringing people into the program, as well as having it on the website and really making it prominent where as well it wasn't connecting with our website before. So, all those factors are really helping us.

CJ Dipollino

Okay. Got it. Thank you. And then one more if you don't mind. Could you maybe speak to some of the new menu items you introduced this year and kind of the initial reaction from customers?

G.J. Hart

Well, we brought the MadLove Burger back. We've added shrimp to the menu both in an appetizer and entree. We brought back our put ribs on the menu, again in the whole barbell menu strategy that we've had. So, we're not just targeting just burgers. And historically, Red Robin has had a more barbell approach to the menu. And so those things have really gained traction. We've added some other appetizers with brussels sprouts have been received incredibly well with our chips and salsa have been received really well as well. So, the other thing is just by bringing back some of the old burgers and with our new ingredients have been received incredibly well as well.

Operator

And our next question comes from the line of Todd Brooks with The Benchmark Company. Please proceed with your question.

Todd Brooks

Thanks for taking my question and congrats on getting loyalty live early and inflecting the same-store sales back to positive.

Todd Wilson

Thanks, Todd.

Todd Brooks

Let me ask a question on the marketing side and the efficacy and kind of working with the mix going forward. How do you feel like bottomless is resonating in a world where there's so much specific price point advertisement on TV? I know you're pleased with the fun focused campaign kind of grabbing eyeballs and cutting through the clutter. But is bottomless doing the same thing for Red Robin?

G.J. Hart

Yes. So, let me give you a couple of stats here. And some of these are new questions that we're asking, so a lot of this data is relatively new. But I'll tell you this is that in the work that we've done, 79% of our guests really appreciate bottomless and want to utilize bottomless. And of those, if we're executing, call it, at 84%, 85% take level, what we're seeing is our overall value scores go through the roof, I mean, substantially through the roof.

And then when you take a look at from a value perception and some of the top box questions that we made that we're finding that the satisfaction level when bottomless is executed at 84% that we're seeing the 60% value scores, which are really, really high for us. And as you know, value is probably what they rate the toughest on. And so, we've seen really, really good numbers here. So, what it's telling us is our guests want it. They're surprised, significantly surprised that there's 30 items that are bottomless, which I don't think we've done a good job in the past communicating. And so that's being received and the take rate on that is improving all the time.

Todd Brooks

That's great and good to hear. Switching to loyalty, I know the design of the reward tiers or the reward hurdles is lowered. I mean, depending on how much you spend, you could probably get there in three visits versus having to visit 10 times before for the reward prior. I'm hearing from others that have kind of lowered reward tiers that it's having an outsized frequency benefit and driving retention, but also driving behaviors that would point to improve frequency from a more attainable award structure. I know we're weekend and it sounds like the conversion went well and you've got people in there, but kind of executing against it now at the store level in the second half and what type of duration do you need before you know about the frequency benefit of the new structure?

G.J. Hart

Yes. So, I think as I stated earlier, 8% of our new members that have signed up, the data tells us it's early granted, that 8% of those new members are on their third visit within the first 90 days compared to 8% of our members in the same period last year that were only on their second visit in a year. So that gives us incredible reason to believe that this program is really going to work. And in terms of execution, as I stated by the numbers, it just tell us that our guests want it. It screams value to them. In fact, in some surveys, it will tell you it's more important than burgers. So, I think that just speaks light years to what it is we're doing here.

Todd Brooks

And two more if I could slide them in. Todd, you talked about the first half and second half nature of the profitability with Kim Revers vast majority I think of the EBITDA generated in the second half of Q1. The maintenance of the EBITDA guidance and just tying it back to what was generated in the second half as trends normalized, where we don't know what vast majority necessarily equates to, where does that kind of get us to fall if we annualize it over the next three quarters as far as that \$60 million to \$70 million range?

Todd Wilson

Todd, I'm digesting your question a bit. Yes, I think hopefully this if I don't address it, please let me know. But the way we get comfortable with not only our Q2 commentary, but also the full year is really looking at that run rate in the second half of the first quarter. If you extrapolate that, that gets us to our expectations for Q2 in particular. Now as you said, we didn't disclose exactly what that was. We don't disclose that level of detail intra quarter, but that's how we're thinking about the second quarter.

If you continue to extrapolate that in addition to what I referenced earlier of traffic trends continuing to improve, that's really what gets us comfortable with that guide of \$60 million to \$70 million. So, I'll pause there, but that's a headline at least of how we're thinking about it.

Todd Brooks

Yes. No, it makes sense. So, it sounds like Q2 isn't a lift from the kind of trends that we saw in second half of Q1 and then we get to the back half of the year and if we get traffic back to slightly positive that's where you get the additional lift on top of the trends that you saw in the second half of the quarter then?

Todd Wilson

Yes. That is a good clarity and I appreciate that. Q2 is really a continuation of what we saw in the second half of Q1. It is Q3 and Q4 that we expect traffic to continue to make progress and that is what we expect will drive those periods.

Todd Brooks

And then the final one, G.J., just the partner program at the General Manager level has been rolled out for a little over five months now or about five months. What behaviors are you seeing a driver digestion period at the start, but now kind of leaning into it and understanding business owner versus just the manager of a unit and the behaviors that you're getting on the cost and then the revenue lift side? Any improvement that you're seeing and when we should be looking for the full benefits of the program implementation would be helpful. Thank you.

G.J. Hart

Sure, Todd. Well, first of all, they're super excited. I just finished a tour around the country and the rallies that we do every year. And I can tell you just from my experience the morale, the attitude and the belief in where we're going as a result of us having enough faith to put a partner program in place is huge. That's number one.

Number two, what we're seeing is just the involvement in terms of their P&Ls, going the extra mile to be there on the shifts that are appropriate. We're seeing huge behavior changes relative to that. We're seeing our turnover numbers go down pretty dramatically. We're seeing the questions into our accounting teams go through the roof. We expected that, but that's exactly what happens. Like they care about every little thing on that P&L.

It's early as you point out, it's four months in, soon to be five months into this program. And we are holding up some of those folks on the bottom 25% of our restaurants. But they continue to lean in. We continue to have them share practices best practices amongst each other and so to help each other. And so, I fully anticipate it will continue to grow and the results will continue to improve.

If you ask me the question a year from now, we'll be able we will have a measurement in terms of what real impact did it have. So, it's a little early to give you some of those numbers, but I am hugely optimistic about where we're headed with this.

Operator

Thank you. And we have reached the end of the question-and-answer session. And therefore, I'll turn the call back over to G.J. Hart for closing remarks.

G.J. Hart

Thank you very much. I appreciate everybody joining us here today. It's an exciting time here at Red Robin. We look forward to reporting on our results next quarter. Thanks for joining us and we'll see you or hear from you the next time. Take care.

Operator

And this concludes today's conference and you may disconnect your lines at this time. Thank you for your participation.

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