

Red Robin Gourmet Burgers, Inc. (RRGB) Q1 2026 Earnings Call Transcript

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Q1: 2026-05-19 Earnings Summary

Insights



EPS of \$0.13 **beats by \$0.13** | Revenue of \$378.26M (-3.59% Y/Y) **beats by \$16.12M**

Red Robin Gourmet Burgers, Inc. ([RRGB](#)) Q1 2026 Earnings Call May 19, 2026 4:30 PM EDT

Company Participants

David Pace - President, CEO & Director

Mark Graff - Chief Financial Officer

Christopher Meyer

Conference Call Participants

Alexander Slagle - Jefferies LLC, Research Division

Jeremy Hamblin - Craig-Hallum Capital Group LLC, Research Division

Mark Smith - Lake Street Capital Markets, LLC, Research Division

Presentation

Operator

Good afternoon, everyone, and welcome to the Red Robin Gourmet Burgers, Inc. First Quarter 2026 Earnings Call. This conference is being recorded.

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

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 may be 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 2026 earnings release on its website at ir.redrobin.com.

On today's call are Dave Pace, President and Chief Executive Officer; Mark Graff, Chief Financial Officer; and Chris Meyer, Interim Chief Financial Officer.

Now I would like to turn the call over to Dave Pace.

David Pace

President, CEO & Director

Good afternoon, everyone, and thank you for your interest in Red Robin. I'm pleased to report that our first quarter results demonstrate continued improvement in the business, highlighted by our strongest traffic performance since the first quarter of 2023, and our highest Q1 restaurant operating profit margin since 2021. These results reinforce that the actions we're taking to strengthen guest engagement are gaining traction.

Our Big Yummm value platform continues to resonate with guests with high satisfaction scores, and we're seeing strong results across the system. In addition, our targeted First Choice marketing efforts are improving both reach and brand awareness, helping us to engage guests more effectively to drive frequency. Importantly, the operational discipline embedded in our First Choice plan is delivering steady improvement across the P&L as well. Our teams remain focused on executing the fundamentals, enhancing the guest experience and positioning the business for sustainable growth.

As it relates to our Q1 performance, same-store sales were down 0.6%, including a 1.0% increase in average check and a 1.6% decrease in traffic. This traffic result improved sequentially from Q4 and continued to narrow the traffic gap to the industry as compared to Black Box Intelligence, reinforcing that our strategies are gaining traction despite a challenging macro environment.

The current economic environment requires that we remain deliberate in highlighting value and disciplined in our approach to average check. Q1 was our third consecutive quarter where our check average increases were below the industry. Our prudent approach to menu pricing, complemented by the expansion of our Big Yummm platform has positioned us for success and is reflected in our traffic momentum.

Turning to profitability. We're pleased with the continued incremental gains in 4-wall efficiency, including a 50 basis points improvement in restaurant-level operating margin to 14.8%. This was our highest first quarter margin in 5 years. Our adjusted EBITDA was in line with our expectations, and we remain on track for our full year objectives.

With that, let me update you on our First Choice plan and how we're thinking about our strategic priorities for the remainder of the year. First, let's start with Hold Serve. Our team continues to do a great job sustaining the progress we've made in the past several quarters, and this quarter is no different. During the first quarter, our labor efficiency initiatives drove approximately 130 basis points of year-over-year savings. Our labor percentage of 35.7% was our lowest first quarter labor in 3 years. These improvements reflect the sustained accountability and ownership embedded in our managing partner model.

What's particularly encouraging is that we are achieving these efficiency gains without compromising the guest experience. Our satisfaction scores remain strong, reinforcing that operational excellence and genuine hospitality are not competing priorities. They're complementary.

Moving to our drive traffic pillar, we believe our value and innovation platforms are gaining traction with guests. The expanded Big Yummm platform we launched in late January continues to address the need for value with the new offerings while serving as an incremental traffic driver. All in all, the 6 meal options across our \$9.99 to \$16.99 price range are strengthening our relevance with value-seeking guests and supporting incremental traffic and trial. In total, our Big Yummm offerings are mixing at over 13%, well within the expectations for this program.

The platform's appeal extends beyond burgers, including our hand-breaded classic chicken sandwiches, Donatos Pizza and Whiskey River Barbecue Chicken Wraps. Importantly, each meal includes our signature bottomless sides and beverages, reinforcing value while preserving the full Red Robin experience.

Overall, the underlying traffic trends in the business are improving, and our momentum is increasingly being driven by compelling platforms rather than relying on traditional discounting. Our deliberate barbell approach with the menu balances compelling value with higher-priced indulgent options to expand guest choice across dayparts and occasions. We believe this approach is building a more sustainable foundation for traffic generation.

In addition, we continue to enhance our new product pipeline, which provides additional opportunities to drive frequency. An example of this is our Towering Sliders that we launched last month, which has generated record-setting menu satisfaction scores and is driving incremental check growth.

On the marketing front, our data-driven First Choice strategy continues to gain traction. Our ability to deliver locally relevant messaging based on competitive dynamics in each trade area has improved both engagement and marketing efficiency. We're seeing the benefits of this more precise, disciplined approach in our traffic performance and expect to build on this momentum as we refine our capabilities throughout the year.

Now let me update you on our third pillar of the First Choice strategy, Find Money. I'm pleased to report that our momentum on corporate efficiency initiatives continues to deliver meaningful results. As we previously outlined, the G&A reductions we implemented in mid-2025 are providing sustained benefits, and we remain on track to realize the full year step down we anticipated for 2026.

Turning to our balance sheet optimization efforts. Our tactical refranchising initiatives continues to move forward. We're currently in the final stages of discussions with multiple parties, and I'm pleased with both the pace of these conversations and the depth of engagement from prospective franchisees. These are sophisticated operators who recognize the operational progress we've made and see the opportunity that our First Choice strategy creates. The sustained level of interest we're seeing reflects growing confidence in our system improvements and the strength of the Red Robin brand.

I want to emphasize that we remain committed to being disciplined and selective in this process. Our objective is to partner with franchisees who share our commitment to operational excellence and guest experience while achieving terms that support our balance sheet objectives. We plan to use proceeds from any completed transactions to reduce debt and further strengthen our balance sheet. We look forward to providing further updates on this in the near future.

Turning to our Fix Restaurants pillar. We're continuing our light-touch refresh program in 2026. This initiative touches customer-facing elements within our restaurants that can enhance the overall experience and support the quality of our food and service. We expect to have our first markets completed by the end of June. In addition to our facility refreshes, we've begun to roll out replacement devices for our server handheld technology and will shortly introduce an upgraded version of our Ziosk tabletop devices. We believe that both of these actions will improve server efficiency, order accuracy and speed of service, returning the gift of time benefit that Red Robin has historically been known for.

Lastly, let me quickly touch on our Win Together pillar. As I reach the 1-year mark as CEO of Red Robin, what stands out most for me is a growing sense of ownership and pride across our restaurants. Our team members are not simply executing initiatives. They're owning the challenge, putting guests at the front of everything we do and actively contributing ideas that have improved operations and enhanced the guest experience. We also recognize that the rate of change continues to accelerate and evolve, and we need to adapt with it. Technology and AI are at the forefront of that discussion, and our team is constantly challenging the status quo to identify ways to enhance our capabilities, reduce friction and differentiate ourselves in the marketplace.

Last fall, we introduced an enterprise version of the ChatGPT AI platform, and we're seeing meaningful adoption of the tools across the enterprise, but especially within the field. Our managing partners are actively leveraging these tools to optimize labor scheduling, manage food costs and enhance guest service delivery, all of which are contributing to the operational efficiencies reflected in our results.

On the people front, our focus on creating a supportive work environment continues to pay dividends. Hourly turnover remains at historically low levels and employee engagement scores are tracking positively above industry benchmarks. This stability strengthens our ability to deliver a consistent, high-quality experience our guests expect.

As we progress through 2026, we remain committed to fostering an environment where great people can build meaningful careers while driving the innovation and execution that will differentiate Red Robin in the marketplace. To our entire Red Robin team, thank you for your continued commitment to our guests and to each other. The operational discipline and guest-first mindset you demonstrate every day are the foundation of our progress, and I'm grateful for your commitment as we execute our First Choice plan.

Before I turn the call over to Mark, I'd like to extend my sincere thanks to Chris Meyer for stepping out of retirement to serve as our Interim CFO. Since December, Chris has provided strong continuity, steady leadership and valuable guidance to our finance team and the entire organization, including me personally.

I'd also like to welcome our new CFO, Mark Graff, who just joined us earlier this month. With more than a decade at Bloomin' Brands, he brings deep financial expertise and direct operational leadership to the team. I had the privilege to work with Mark when we were both at Bloomin'. He's been working closely with Chris over the past several weeks as he comes up to speed, and we look forward to his leadership and perspective as we continue to execute on our First Choice plan.

With that, I'll turn the call over to Mark to review our first quarter results.

Mark Graff

Chief Financial Officer

Thanks, Dave, for the kind words, and good afternoon, everyone. I'd like to start by providing a recap of our financial performance for the fiscal first quarter of 2026. Total revenues in Q1 were \$378 million, a decrease of \$14 million from 2025. This change in revenue was primarily due to the impact of restaurant closures and a decrease in comp sales.

Comp sales, excluding the impact of deferred loyalty revenue were down 60 basis points in Q1. Q1 comp sales included a 1% increase in average check, offset by a 1.6% decline in traffic. The 1% increase in average check consisted of a 3.1% increase in price, offset by a 2.1% decrease in mix and discounts, driven largely by the impact of our Big Yummm value offerings.

As it relates to other aspects of our Q1 financial performance, restaurant-level operating margin was 14.8% and an increase of 50 basis points compared to the first quarter of 2025. The benefits of cost savings and labor efficiencies, check average increase and restaurant closures were offset by inflation and lower traffic.

As it relates to our commodity basket, as of the end of the first quarter, we were approximately 60% locked on our 2026 commodity needs.

General and administrative costs were \$23 million as compared to \$27 million in the first quarter of 2025. The \$4 million reduction is primarily due to reduced people costs from our corporate efficiency initiatives and timing of corporate events. Selling expenses were \$13 million as compared to \$9 million in the first quarter of 2025.

Adjusted EBITDA was \$27.3 million in the first quarter of 2026, a decrease of \$0.6 million versus the first quarter of 2025.

As it relates to our balance sheet and capital structure, we ended the first quarter with \$24 million of cash and equivalents, \$10 million of restricted cash and \$17 million available borrowing capacity under our revolving line of credit.

Turning to our outlook. We are maintaining the full year guidance for 2026. Please note that our outlook does not include any impact from the tactical refranchising initiatives. First, we expect comparable restaurant revenues to be between 0.5% and 1.5%, excluding the impact of deferred loyalty revenue. Second, restaurant-level operating profit margin of approximately 13%. Third, we expect adjusted EBITDA of between \$70 million and \$73 million. Finally, we expect capital expenditures to be between \$25 million and \$30 million.

In summary, our first quarter performance marked our continued improvement in our business fundamentals. As we look ahead to the remainder of 2026, we will remain disciplined in executing against the First Choice plan and continue strengthening the operational and financial foundation of the company.

Dave, I'll now turn the call back to you.

David Pace

President, CEO & Director

Thanks, Mark. We believe our first quarter performance validates the strategic direction we've set with our First Choice plan. Across all 5 pillars of our plan, we're executing with discipline by one, holding serve on operational efficiencies while maintaining guest satisfaction; two, driving traffic through our expanded Big Yummm value platform and data-driven marketing; three, finding money through our organizational efficiencies and our strategic refranchising initiative that will strengthen our balance sheet; four, fixing our restaurants with targeted refreshes and technology enhancements; and five, winning together by empowering our team members with the tools and culture they need to succeed.

Combined, our strategy has not only improved our underlying traffic momentum and share gains relative to the industry during the first quarter, but also allowed us to better speak to our guests on what matters to them through the continued evolution of our targeted marketing initiatives. We believe we have the right team to make Red Robin a place that guests choose first, team members are proud to work at and shareholders can rely on for sustainable returns.

With that, we're happy to take your questions. Operator, please open the lines.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question comes from the line of Alex Slagle with Jefferies.

Alexander Slagle

Jefferies LLC, Research Division

Congrats, Mark, and good to have you back. And Chris, it was certainly great having you back for a while as well. I wanted to just dive more into the acceleration in the same-store sales and traffic trends. I mean it seems like the new menu, Big Yummm deals were pretty big and maybe a little bit also from the targeted marketing efforts, but just seems like the trends really accelerated a bit more notably after the storms than I think we would have expected. So if you could kind of dig more into the Big Yummm performance and maybe some of the other metrics like the check performance certainly seemed pretty solid.

David Pace

President, CEO & Director

Alex, it's Dave. I'll start out, and then I'll hand it over to you, guys. I think you're right. I mean we did see strength coming into the year. We saw a little bit of dip through the weather that everybody saw in the middle of the quarter and then a nice rebound at the end. Combination of Big Yummm, certainly, the new menu launch that we put out performed as we had hoped or better than we had hoped across a number of different measures. So we feel good about the quarter. And I think you're right. strong start, kind of choppy middle and then strong finish.

So I don't know if Mark or Chris, you want to jump on that?

Christopher Meyer

Yes. The only thing I would add -- this is Chris. I'd say from a marketing perspective, we did increase our spend year-over-year. We feel really good about that targeted marketing approach. We said on the last call, we expect to spend more on marketing dollars pretty much every quarter of this year than we spent a year ago. And I think that we're going to continue on that track certainly in the second quarter.

Alexander Slagle

Jefferies LLC, Research Division

Okay. And on the cost, the labor efficiency was pretty impressive just given last year. I know there were some acceleration or a benefit that you started to see from the managing partner program and efficiency on that labor line. But I mean, are we starting to level out or like are the turnover levels sort of down and stabilizing? Or do you think there's more room to go on labor?

David Pace

President, CEO & Director

Yes. First of all, I think hats off to the ops team. They just did a heck of a job kind of tightening their belts, managing this much more effectively than we had in the past. And so they deserve a lot of the credit for this. But we brought it down. We're going to get to a point where there's not the kind of gains that we've been seeing. But we'll continue to kind of work toward that efficiency. We talk about that every day. I think the thing that is our governor right now, Alex, is just making sure the guest satisfaction scores remain, right? As long as we don't think we're impacting the guests, we'll keep trying to find ways to be more efficient. But I'd say we're approaching that, at least for us right now, optimal level.

Christopher Meyer

Yes. And if you think about how that manifests in the P&L, tactically speaking, we started seeing those benefits in Q2 of last year from a savings perspective. So we are going to start lapping that when we get to Q2 of this year.

Operator

Our next question comes from the line of Jeremy Hamblin with Craig-Hallum.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

Congrats on the results. Just wanted to follow up on the last question in terms of seeing that the cadence kind of exiting the quarter building. Have you seen some of that momentum continue here in Q2? And just in terms of check and menu pricing in terms of -- you're at just over 3% price in Q1. How do you think about price as it plays out through the rest of 2026?

David Pace

President, CEO & Director

Yes. I mean I think in terms of trends, as we came out of Q1, Q2 is looking a lot right now what [Audio Gap]. But it's early days yet, at least P5 for us. I think in terms of pricing for the rest of the year, yes, I'll let maybe Mark, if you want to talk to that.

Mark Graff

Chief Financial Officer

Yes. We're still in that 3%, 3.5% range. So that's been pretty consistent. We had very little rollover from last year.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

Got it. And then in terms of additional menu item initiatives and how you're thinking about menu innovation in combination with some of the marketing efforts, right? So \$4 million year-over-year increase in marketing spend in Q1, clearly, in casual dining, capturing attention on social media and digital marketing has been key to driving traffic. I think this is the best quarter on traffic like in 3 years for you guys as well. But do you lean in a bit more? Do you lean into value a bit more as it's had success and is mixing well? How should we think about the interplay of those 2 things?

David Pace

President, CEO & Director

Well, I think you just touched on it. Your last word of interplay is exactly what's going to happen is there is going to be an interplay. We're going to try and continue to innovate. The consumer is obviously interested in value messaging and value offering across the category these days. But that doesn't mean we're not going to continue to innovate with new products. We put a new menu out in January, which had both value as well as high-end products in the package and in menu. We came out with the Slider Tower offering, which was another kind of opportunity for us to innovate and introduce new products. And we're continuing to look at, okay, how do we -- what's the next round of the value platform? What does that look like as we go forward?

So all of those things are going, Jeremy. I don't think it's going to be one end or the other. I think we're going to constantly be trying to say, okay, what's the value hook and then what are the other product offerings that we can add to the menu or introduce as LPOs.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

Understood. Last one for me. Just in terms of the units, did you have any store closures in Q1? I think you said you were looking at about maybe 20 for the year. But just wanted to understand what you did in Q1? How we should be thinking about the cadence for 2026? And what the expected impact might be on revenues and EBITDA?

David Pace

President, CEO & Director

Yes, I'll let Mark or Chris talk about impact on revenues and EBITDA, but 6 was the number in Q1, and that will kind of play out relatively equally across quarters for the balance of the year.

In terms of impact on those, do you want to take that, Mark?

Mark Graff

Chief Financial Officer

On the sales front, we did have some closures last year. So if you kind of combine that with the expectation of this year, it's close to \$40 million from the sales perspective. And it's kind of a mixed bag on the RLOP side, which it'll be pretty neutral from that perspective.

David Pace

President, CEO & Director

Yes. Jeremy, the other thing, just to clarify, I said that it's going to play out about the same as it did in Q1, 6 in Q1. But I think your point about 2021 for the full year is right. It's just going to be spread equally relatively over the next 3 quarters.

Operator

[Operator Instructions] Our next question comes from the line of Mark Smith with Lake Street Capital.

Mark Smith

Lake Street Capital Markets, LLC, Research Division

I wanted to ask about commodities a little bit. It sounds like -- I think you guys said you've got 60% locked right now through the end of the year. Maybe walk us through opportunities to continue locking stuff and especially, as we look at beef kind of where you're at, what's on contract and when things come up and what maybe we could look for potential inflation this year.

Mark Graff

Chief Financial Officer

Yes. I mean, from an overall basket perspective, we're still in that kind of 3.5% range. And so as you think about our biggest pieces of our basket, beef is a very large piece. We do not lock that piece. So that's really as you think about what's floating that and as you think about dairy as well are kind of 2 of the bigger options that are not. But as you think about chicken and some of those other ones, those are the opportunity areas that we continue to pursue.

Mark Smith*Lake Street Capital Markets, LLC, Research Division*

Okay. And then similar back to labor efficiencies, and you guys talked about this a little bit. But I'm just curious, any additional thoughts as we think about maybe just the leverage on higher sales that kind of helped with some of those efficiencies versus some of the initiatives that you guys put in, such as using AI on managing labor, the puts and takes within labor that kind of helped you get some of these efficiencies.

David Pace*President, CEO & Director*

Yes. I mean I think it's a combination of things. We've got technology that we introduced with handhelds, which certainly improved the efficiencies at the restaurant level. The AI tools have really -- for those that have adopted it, have really kind of helped just provide -- shine a light on the opportunities for those managing partners that are using it. And so we're trying to extend the comfort level with that across the system. Similarly, managing inventory food costs and inventory in the restaurants, helping from a planning standpoint that way. We've been really pleased with what we've seen on that. And you kind of keep tightening the labor matrix and targets for the operating team, and they keep hitting it. And so I give them credit for their approach to this thing. But I do want to be conscious of the guests impact. And I don't ever want us to go so far that it negatively impacts the guests. And so we're being pretty careful about how we watch that.

Mark Smith*Lake Street Capital Markets, LLC, Research Division*

Perfect. The last one for me is really -- I think last quarter, you guys quantified a little bit around Big Yummm mix within dine-in. Are you able to do that? Anything that you can say or quantify around maybe how Big Yummm trended in mix during the quarter?

David Pace*President, CEO & Director*

Yes, I'll just -- at a headline level or a high level, I'll turn it over to these guys. But we modeled out what we thought Big Yummm might do when we put the new menu in place and put it on the menu. And the performance since we've put it on the menu has performed well within our targets for it. And so I know the number, but I'll let Chris or Mark talk about that.

Christopher Meyer

Yes. And we talked about -- so prior to when we put it on the menu with the additional offerings, we talked about that core LTO at \$9.99, mixing in the 8% to 9% range. We put it on the menu on the core menu with the 3 price points, the \$9.99, the \$14.99, the \$16.99, we saw that mix jump up. And it's been hovering in that 13% to 14% range pretty much for the duration of the -- since that new menu launched in late January. I wouldn't expect it to move much from here. I think it's going to stay pretty much in this range moving forward, which we're totally fine with. We feel really good about where it is. It's mixing at the right level. As we introduce new innovation, it's going to create opportunities for us to have barbell price points across the menu. So it's really a perfect strategy for us. We feel really good about how it's playing out.

Operator

And we have reached the end of the question-and-answer session. I would like to turn the floor back to Dave Pace for closing remarks.

David Pace

President, CEO & Director

Yes. Just to wrap it up, look, thanks to everybody for joining the call. We feel really good about the quarter, and we feel like the First Choice plan is working. We're going to keep on it, and we look forward to talking to you again after Q2. So thanks. We'll talk soon.

Operator

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

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