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Red Robin Gourmet Burgers, Inc. (RRGB) Q2 2026 Earnings Call Transcript

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Q2: 2026-08-12 Earnings Summary

Insights

EPS of $0.12 beats by $0.12 | Revenue of $277.64M (-2.14% Y/Y) beats by $11.85M

Red Robin Gourmet Burgers, Inc. (RRGB) Q2 2026 Earnings Call August 12, 2026 4:30 PM EDT

Company Participants

David Pace - President, CEO & Director
Mark Graff - CFO & Principal Accounting Officer

Conference Call Participants

Todd Brooks - The Benchmark Company, LLC, Research Division
Jeremy Hamblin - Craig-Hallum Capital Group LLC, Research Division

Presentation

Operator

Good afternoon. Welcome to the Red Robin Gourmet Burgers, Inc. Second Quarter 2026 Earnings Call. This conference call 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 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 second quarter 2026 earnings release on its website at ir.redrobin.com.

On today's call are Dave Pace, President and Chief Executive Officer; and Mark Graff, 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 momentum continued in the second quarter with significant progress across the business as we execute against our priorities under the First Choice plan. We've taken deliberate steps over the past year to strengthen the guest experience, improve hospitality and execution, and invest behind traffic-driving platforms that we believe can increase frequency over time. We're seeing those actions translate into increased guest engagement, elevated satisfaction scores and improved restaurant-level profitability.

We also took major steps this quarter towards strengthening our balance sheet. We announced 3 refranchising agreements that will collectively generate approximately $96 million in gross proceeds upon closing. Our partners are seasoned, multi-concept operators who bring meaningful operating capabilities and resources and who share our hospitality-first mindset and core values. The proceeds received from these transactions, which we expect to receive during the third quarter, will provide us with greater financial flexibility to refinance our existing debt and support our long-term strategic priorities. This represents a step forward for our company, and I appreciate the significant efforts expended by everyone on our team to drive this to a successful outcome.

Taken together, the results in the quarter give us greater confidence and reinforces that the First Choice plan is working. We've made substantial and consistent progress across the business over the last year and the underlying fundamentals continue to move in the right direction. We remain laser focused on executing against our strategy and positioning the business for sustainable results.

Let me now walk through the quarter in more detail and update you on each of our First Choice priorities. Same-store sales grew 1.3% in the quarter with traffic effectively flat at down 20 basis points. This traffic result outperformed the industry by 40 basis points as measured by Black Box and for the second quarter in a row, represented our best traffic performance since Q1 of 2023.

In addition, we increased our share of visits by 80 basis points in trade areas where competitors are located. Our team has been working toward this inflection point for some time and it's encouraging to see it build and show up in the results. Value remains a key driver of this traffic performance, and the Big Yummm offer is delivering as expected. The platform continues to resonate with guests, especially against an economic backdrop where consumers are more discerning about where they spend. Big Yummm gives guests a clear, accessible entry point while preserving the full Red Robin experience that guests have come to expect. Combined with our targeted First Choice marketing efforts, we're improving both reach and brand awareness, helping us to engage guests more effectively to drive frequency.

At the same time, we've remained disciplined on pricing. Our goal is to build traffic and frequency while protecting the value guests associate with Red Robin. Q2 was the fourth consecutive quarter in which our average check increase was below the industry. Turning to profitability, the top-line momentum, combined with disciplined cost management, enabled us to drive four-wall efficiency, including a 20 basis point increase in restaurant-level operating margin to 14.7%. This represented the highest second quarter margin in 4 years. Adjusted EBITDA was in line with our high expectations and sets us up well to deliver against full year financial commitments.

With that as the backdrop, let me walk you through where we stand on each of our First Choice priorities and how we're thinking about our strategic focus for the balance of the year. First, let's start with Hold Serve. Our Hold Serve pillar is about sustaining the operational progress we've made and then building on it. And that's exactly what our team continued to do in the second quarter. Our labor efficiency initiatives delivered approximately 50 basis points of year-over-year savings. A key enabler has been the accountability and ownership embedded in our managing partner model, which rewards our partners directly for the improvements they drive in their own restaurants.

We're continuing to achieve these efficiencies while still providing high satisfaction scores that remain at the strong levels we've established over the past year. This continues to demonstrate that operational discipline and genuine hospitality reinforce one another. Our operators keep finding smarter ways to run efficient shifts while providing great hospitality, and that discipline has been showing up quarter after quarter.

Moving to our Drive Traffic pillar, our value and innovation platforms continue to gain traction with guests, and Big Yummm remains central to that story. The platform is mixing at healthy levels and strengthening our relevance with value-seeking guests. We continue to see improving traffic in trials since it launched last year. Importantly, every Big Yummm meal still includes our signature Bottomless sides and beverages, contributing to the compelling value our guests are asking for. Our objective is to generate traffic through attractive platforms rather than depend on broad-based discounting. We continue to use a deliberate barbell approach to the menu, pairing accessible value with more premium and indulgent options, so guests can choose Red Robin across different occasions and spending levels.

We believe this approach is building a more sustainable foundation for long-term traffic generation. To that end, we introduced our Towering Double Cheeseburger Sliders LTO during the quarter, giving guests a more indulgent option. We also recently broadened our bone-in chicken wing lineup with new 8-, 12- and 16-count options. That expansion was paired with the nationwide launch of Garage Beer, making Red Robin the first national restaurant chain to offer the Kelce brothers-owned brand across its system. Together, we see wings and beer as a natural fit for the social occasions our guests already come to Red Robin for. While it's still early, the reception so far has been encouraging.

On the marketing front, our data-driven First Choice strategy continues to see the benefit of a more precise, locally relevant approach to how we reach guests in each trade area. This has improved the efficiency of our spend and helps build awareness and frequency over time. We expect to keep iterating and building on that discipline as the year progresses.

Turning to our Find Money pillar, I'm pleased to update you on the progress we've made on our balance sheet objectives. As I mentioned at the beginning, since our last call, we've announced 3 refranchising agreements. Op Burgers with 69 restaurants across 8 states in the Southeast, Mid-Atlantic and Midwest, Evergreen Dining with 30 restaurants in Washington and Western Idaho and Kuber Dining with 17 restaurants in Oregon and Washington. Altogether, we expect to receive roughly $96 million in proceeds following the close of these transactions, which we will use to pay down debt and further strengthen our balance sheet. We're excited about the new franchise partners we've gained through this process and we're confident they'll be strong stewards of the Red Robin brand in their respective markets.

In parallel with the signing of these transactions, we've further advanced our efforts to refinance our existing debt, which comes current later this year. We continue to work with an experienced group of advisers to facilitate this process and have made considerable progress. While I don't have any additional details to provide at this point in time, I can tell you that we see this as an important step in giving the company more financial flexibility over the long term and will keep you updated as the process progresses.

Turning to our Fix Restaurants pillar, we continue our 2026 light-touch refresh program. The goal is straightforward. Improve the guest-facing elements that matter most to the dining experience while maintaining a disciplined approach to capital. We recently refreshed 7 restaurants in the St. Louis market. The updated elements modernize the ambiance and aesthetics and are designed to complement the improvements we've made in food, hospitality, and service execution. In addition to our facility refreshes, we're in the middle of rolling out replacement devices for our server handhelds, and we'll shortly introduce an upgraded version of our Ziosk tabletop devices. We believe these investments will improve order accuracy, server efficiency and overall speed of service, helping us return the gift of time that has historically been an important part of the Red Robin experience.

Lastly, I'll address the Win Together pillar. I continue to be proud of the sense of ownership and pride I'm seeing across our restaurants and our support center. Our team members are rising to the occasion, putting guests first in everything we do and actively bringing forward ideas that improve both restaurant operations and the guest experience. We continue to see strong adoption of the enterprise version of ChatGPT that we rolled out last fall across the organization. Adoption has been particularly strong in the field where our managing partners are putting these tools to work to optimize labor scheduling, manage food costs and improve how we deliver guest service. We view this as one more tool that can help our operators make faster, better informed decisions, all of which is showing up in the operational efficiencies behind our results.

On the people side, our commitment to building a supportive work environment continues to pay off. Hourly and restaurant management turnover remain at historically low levels. And employee engagement scores are tracking above industry benchmarks. That stability matters because experienced, engaged team members are better positioned to deliver a consistent guest experience. In addition, greater stability means lower recruitment and training costs, further contributing to our improving restaurant-level operating profits.

As we move through 2026, we remain focused on building an environment where great people can grow meaningful careers while helping us strengthen execution and differentiate Red Robin in the marketplace. To the entire Red Robin team, thank you for your continued commitment to our guests and to each other. Your focus, discipline and guest-first mindset are the foundation of the progress we're making.

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

Mark Graff

CFO & Principal Accounting Officer

Thanks, Dave, and good afternoon, everyone. I'd like to start by providing a recap of our financial performance for the fiscal second quarter of 2026. Total revenues in Q2 were $278 million, a decrease of $6.1 million from the prior year. This change in revenue was primarily due to the impact of restaurant closures offset by an increase in comp sales. Comp sales, excluding the impact of deferred loyalty revenue, were up 1.3% in the quarter. Q2 comp sales included a 1.5% increase in average check offset by flat traffic. This was our best traffic performance since Q1 2023. The 1.5% increase in average check consisted of a 3.3% increase in price offset by a 1.8% decrease in mix and discounts driven largely by the impact of our Big Yummm value offerings. This is consistent with our strategy of maintaining compelling value while pricing prudently.

As it relates to other aspects of our Q2 financial performance, restaurant-level operating margin was 14.7%, an increase of 20 basis points compared to the second quarter of 2025. Benefits from average check, cost savings and labor efficiencies were partially offset by inflation. As it relates to our commodity basket, as of the end of second quarter, we were approximately 60% locked on our 2026 commodity needs. General and administrative costs were $17.6 million as compared to $17.4 million in the prior year quarter. The $0.2 million increase is primarily due to stock-based compensation partially offset by reduced people costs from our corporate efficiency initiatives.

Selling expense was $10.4 million compared to $6.4 million in the second quarter of 2025. The increase reflects our decision to invest behind the Big Yummm value platform and our personalization efforts to improve local market awareness and reach. Adjusted EBITDA was $18.9 million, down $3.5 million versus the second quarter of 2025. This was primarily driven by the $4 million year-over-year increase in marketing spend. We view that spend as an intentional investment behind the traffic-driving initiatives Dave discussed.

As it relates to our balance sheet and capital structure, we ended the second quarter with $23 million of cash and equivalents and $10 million of restricted cash. Total liquidity was $48 million consisting of cash and equivalents plus $25 million of available borrowing capacity under our revolving credit facility.

Turning to our outlook, we are maintaining our 2026 guidance. 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 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. Please note that our outlook does not include any impact from the tactical refranchising initiatives Dave discussed earlier.

In summary, our second quarter performance reflects continued improvement in the core operating fundamentals of the business. As we look ahead to the remainder of 2026, our priorities remain disciplined and executing against the First Choice plan, prudent investment behind traffic-driving initiatives and continued progress strengthening the company's financial foundation.

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

David Pace
President, CEO & Director

Thanks, Mark. Second quarter results reinforce our belief that the First Choice plan is working. It's working because our team is executing on it with focus and discipline. Our labor efficiencies have continued and guest satisfaction has remained strong right alongside them. That combination continues to demonstrate that hospitality and operational discipline reinforce each other rather than compete with each other. Big Yummm keeps performing as designed and we supplemented it this quarter with real menu innovation. Combined with the continued sharpening of our First Choice marketing, we believe we now have multiple layers of comp-driving initiatives rather than relying on a single platform to carry the load. As we look forward, we also feel good about our new product development pipeline and ideas that we have for 2027.

As we referenced, we've made real progress on our balance sheet initiatives with our 3 new refranchising agreements in the process we're engaged in to complete a refinancing and reduce our level of outstanding debt. Our restaurant refresh program and our technology implementations are showing up in the guest experience and our team continues to execute across the system every single day.

Putting it all together, we believe Red Robin has built real momentum. While we still have work ahead of us, we like the direction we're headed, and we believe the plan we have in place will make Red Robin a place that guests choose first, team members are proud to be a part of and shareholders can count on.

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

Question-and-Answer Session

Operator

[Operator Instructions] Our first question is from Todd Brooks with StoneX.

Todd Brooks
The Benchmark Company, LLC, Research Division

Congratulations on a really solid quarter. It was great to see. So well done. If I could dig in on a few questions, then I can jump back in queue, but I've got a number of them for you. Mark, can you give us any sense of how same-store sales progressed across the quarter? And I don't know if you want to frame up any qualitative or quantitative commentary about how Q3 has started from a same-store sales standpoint.

Mark Graff
CFO & Principal Accounting Officer

Yes, sure. So as we think about the quarter, we continue to see progression specifically on traffic as we got to the quarter where we ended our last period 7 with actually positive traffic in the period. So we felt like that had really good momentum. As a reminder, we were kind of coming up on the expiration of our Big Yummm platform that we launched last year. So we feel like the marketing, the personalization was very much working behind that. So love to see that momentum. As it relates to the quarter, obviously, we're a little gun-shy just given intra-quarter results. But I think it's fair to say at a high level, we like the momentum we're seeing as you see that reflected in the guidance.

Todd Brooks
The Benchmark Company, LLC, Research Division

Okay, great. And was there any meaningful lift in the business from the World Cup in the quarter?

Mark Graff
CFO & Principal Accounting Officer

No, we didn't see much change in the business from the World Cup.

Todd Brooks
The Benchmark Company, LLC, Research Division

I just want to -- I was just reading the release and I just wanted to see the language. With the upside results in the quarter, the only reason that you're not raising guidance at this point is just the outstanding refranchising transaction, right? It's not commentary about forward outlook for the second half. It's just you're in this weird place waiting for the transaction to close, and that's what's keeping the guidance reaffirmed.

David Pace
President, CEO & Director

Yes, look, I think it's a little bit of that. We're trying to be cautious about what we put out given where we are. We're close to having all that resolved, and so I'd like to keep the focus on getting that resolved. As Mark said, second half of the year, we start to lap our Big Yummm initiative that we introduced last year in the middle of the year. So I think what we see we feel good about, but we don't want to get over our skis, quite frankly.

Todd Brooks
The Benchmark Company, LLC, Research Division

Understood. Understood. And I was a little conservative in my modeling on the selling cost side, and it seems like you had good results from the investment in Q2. Is there any thoughts or any way to frame that up for how we should be thinking about selling costs in the second half of the year?

David Pace
President, CEO & Director

Yes, I mean, look, I think selling costs will be relatively consistent as we think about the second half of the year. But if you -- just for context on this, if you go back, if you recall in Q2 of '25, we were basically without a Chief Marketing Officer for most of that quarter and so we kind of dialed back spend as a result. And that's when Russ came in. And Russ and I actually both came in and we kind of sorted out what do we want to do, where do we want to put our attention and where do we want to put our focus. And while we were doing that, we were kind of putting any of the planned spending on hold just to keep the dry powder for what we wanted to do. So that was a little bit of the overlap there.

Todd Brooks
The Benchmark Company, LLC, Research Division

Okay, and then a final one for me and I'll jump back in. Obviously, great success, 3 partners, $96 million in gross proceeds once the deals close. Dave, if you think about a digestion period where you and the team are going to have to really focus on those transactions going well and those restaurants transitioning seamlessly to the new partners. Do you think we've created a pause here before we see further refranchising activity where we need to digest? Or what do you think is that? When should we be looking for kind of further activity beyond those first 3 deals?

David Pace

President, CEO & Director

Yes, look, thanks. I think you nailed it. I mean, our focus is on making sure we do these right. So our teams are engaged right now, both getting to the finish line on closing the transactions and then setting up the transitions with the new partners so that we can kind of have as much of a seamless handoff as we can. What I would tell you is there is a lot of expressed interest from the outside that we've kind of said, look, let's just kind of get through this. Let's make sure we hand these over the right way and then revisit this. So exactly what you said, which is -- I think the pause is to ensure that we execute the right way.

Operator

Our next question is from Jeremy Hamblin with Craig-Hallum Capital. Please proceed with your question.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

I'll add my congratulations on the results and the positive traffic, the improvement in traffic overall, best in a few years. That's awesome. Just in terms of, I think when you had guided back in May or kind of provided some direction, you expected Q1 to be somewhat close to what you did -- I'm sorry, Q2 to be somewhat close to what you did in Q1. Obviously, you were almost 200 basis points better, and it leads me to believe that you finished the quarter on a strong note. Seems like maybe you even have a little bit more momentum here at the start of Q2. But I just wanted to see if you could provide maybe a little bit more hint at that. And then as we look at comparisons, obviously, tougher comparison in Q3 versus what you had in Q2 before it eases again in Q4. So as you look at what's embedded in your guidance today for the year, should we be assuming that Q4 is going to outperform Q3? Is that what your internal expectations are?

David Pace

President, CEO & Director

I think that's right on a couple fronts. I think your point about momentum through the quarter is, as Mark said a minute ago, we feel good that we were kind of building momentum as we move through the quarter, which gave us good confidence and particularly in the back half of the quarter. As we get into Q3, yes, the tougher lapses would come into the back half of the year, but I think the expectation is, as you said, Jeremy, we'll be looking for Q4 to be stronger.

Mark Graff

CFO & Principal Accounting Officer

Yes. And so, Jeremy, just to dimensionalize, I think we think traffic, right, can keep the momentum be a little bit stronger than it was in the first half. From a pricing perspective, obviously, we're pretty consistent there. That's no change. It really comes to the mix component, and that's really a function of just the Big Yummm in the first half, right, the headwind, and that starts to unwind. And so you get a nice benefit on check in the back half. And so the combination of those pieces see a little bit of same-store momentum in the back half. And we also think we've got some good offers out there on the marketing side with our dinner value bundle.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

Yes, to that point, just a quick follow-up on what you expect menu pricing to be in the back half of the year. And then see, you've got like the new Dinner Double Feature. You talked about the Towering Double Cheeseburger LTO as strong. It does seem like menu innovation and LTO innovation has been a net positive, but anything more you can share on that?

Mark Graff

CFO & Principal Accounting Officer

Yes, so I'll answer the pricing piece real quick, and I'll turn it to Dave to cover some of the marketing pieces. So we're still on that. We're just above 3%. We're at like 3.2%, 3.3%. That's about where it's been pretty flat all year. So it's been pretty consistent. So I'll turn it to Dave for the marketing.

David Pace

President, CEO & Director

Yes. On the promotional activity, Jeremy, the Dinner Double Feature idea was to laser target at our dine-in dinner business. The Big Yummm has had a great effect on the business, but it's been skewed toward the lunch business and our lunch business has accelerated pretty aggressively, not as much on the dinner business, although the slope is the same. And I think we think there's an opportunity to further close that traffic gap with a targeted offer at the dinner dining business. And so that's what's behind the Dinner Double Feature idea. But the rest of the work that we've done and we feel good about it. Some things work better than others as we've moved through the year, but we feel like the brand is now able to innovate, introduce ideas that capture the guests' attention. I mean, the slider stuff was really unique. We got a lot of commentary back about that. And we've got other things planned as we exit the year and we head into 2027. So I think we're feeling pretty good about the pipeline that we've got. And I think more specifically about the Dinner Double Feature, it's targeted at a specific part of the business.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

Got it. And then just a couple other quick hitters here. Commodity expectation in the back half of the year, particularly, what you might be seeing on beef prices. And then the other one is really post getting these refranchising deals across the finish line, which I think is going to span mostly the month of October. I'm guessing you probably have already met with some bankers about the refinancing. Can you give us a sense for what you think your future interest rates might look like or kind of a range? I think you guys are paying still about mid-teens today, and I would imagine that, that might come down to 7%, 8%, something like that, given where your net debt to EBITDA would be post-refranchising cash flow?

David Pace

President, CEO & Director

Yes, I mean -- so, Jeremy, I think, again, directionally, you are right where we are. I think we want to get these closed. We are in discussions with the bankers. We're looking at various options. I don't want to get too far ahead of our skis again on interest rate projections, but I think our feeling is that we certainly can do better than where we are right now and we're working toward that as an objective, how much better, we'll see as we work through this. But we still have some wood to chop to get through that. But I think directionally, the tone and the direction you're thinking is where we are. And I'll let Mark talk a little bit about the commodity question -- part of the question.

Mark Graff

CFO & Principal Accounting Officer

Yes, on the commodity side, we've been running, call it, almost 5% in the front half. That will be more deflationary in the back half, kind of closer to a blended 3%. The biggest drivers there being beef and poultry kind of coming down over time. Beef's obviously still inflationary but just not as inflationary as it was in the front half.

Operator

We have reached the end of the question and answer session. I would like to turn the floor back over to Dave Pace for closing comments.

David Pace

President, CEO & Director

Yes. Just quickly, thanks everybody for jumping on the call. We appreciate the interest. Hopefully you got a sense of our enthusiasm and our optimism as we move through the year and as we head toward the back half of the year. We feel really good that the First Choice plan is working and we look forward to continuing with that and talking to you again at the end of Q3. So thanks, and that's it for us. Thank you.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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