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Red Robin Gourmet Burgers, Inc. (RRGB) Q4 2024 Earnings Call Transcript

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EPS of -\$0.94 **misses by \$0.37** | Revenue of \$285.23M (-7.70% Y/Y) **beats by \$26.50K**

Red Robin Gourmet Burgers, Inc. (NASDAQ:[RRGB](#)) Q4 2024 Earnings Conference Call February 26, 2024 4:30 PM ET

Company Participants

G.J. Hart - President and CEO

Todd Wilson - CFO

Conference Call Participants

Alex Slagle - Jefferies

Jeremy Hamblin - Craig-Hallum

Andrew Wolf - C.L. King

Mark Smith - Lake Street Capital

Todd Brooks - Benchmark Company

Operator

Good afternoon everyone and welcome to the Red Robin Gourmet Burgers Incorporated Fourth 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 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 the 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 mostly directly comparable GAAP measures can be found in the earnings release. The company has posted its fourth 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 for your interest in Red Robin. As we enter 2024, we laid out our vision to improve traffic in our restaurants and allow our guests to experience the substantial enhancements we have made in our hospitality and food quality over the past 24 months.

I'm proud to say we began to see the benefits of our work as we progress through the year culminating in a 600 basis point improvement in traffic trends from the first quarter of the year to the fourth.

While our improvement has been substantial, we have not yet reached the potential of our iconic brand and expect to drive further traffic improvements in 2025. Before we dig deeper into our plans for 2025, let's take a look back at the progress we have made last year.

Starting with the operations, we continued our progress to deliver an upgraded experience to our guests. Dine in guest satisfaction scores in 2024 increased approximately 8 percentage points compared to 2023 and beat the casual dining average.

Satisfaction scores as measured by SMG posted their highest absolute levels since Red Robin launched with SMG in 2017. Scores measured by Technomic are also at the highest since 2017. This guest feedback reflects gains across all aspects of the dining experience from the taste of food to the friendliness and attentiveness of our team to the pace of the experience.

The benefit of these efforts shine through in many ways, including that our operators set approximately 1,400 sales record since the launch of the North Star plan. In May, we launched the revamped Red Robin Royalty program and spurred membership growth of approximately 1.5 million members in 2024 to end the year with approximately 14.9 million members.

The new program allows guests to earn rewards much faster and encourages more frequent visitation to capitalize on their earned rewards, which expire after 90 days. We continue to be pleased with the response from our guests and believe our revamp loyalty program was a key driver of our improved traffic throughout the year, led by a record number of new members delivering 25% of all loyalty member visits from the relaunch of the program through the end of the year and the return of previously lapsed guests accounting for 20% of the visits.

Moving to value. During the second half of the year, we rolled out our appointment dining promotions with three key objectives. First, drive incremental traffic to days of the week that are less busy. Second, provide the ability to upsell additional items to drive average check while introducing new items.

And finally, drive dine in traffic, allowing guests to fully experience our hospitality and food quality upgrades. I'm proud to say that our efforts were successful as we were able to provide additional value to our guests and drive incremental visits without discounting the core equities of our brand.

Finally, in 2024, we successfully launched our Managing Partner Compensation Program, empowering our operators to function as a partner and owner of the restaurants that they oversee.

Now, that every operator in our system is under this compensation program, we have aligned the entire organization around a unified goal of driving growth in both traffic and profit dollars and we're expecting to see continued benefits from the program as we move through 2025.

Looking to the fourth quarter, we delivered a 3.4% increase in comparable restaurant revenue, excluding the impact of a change in deferred loyalty revenue, as the momentum that we saw to start the fourth quarter accelerated through the end of the year.

Importantly, we also gained traction in our management of the middle of the P&L to translate the top line growth into a 19% increase in adjusted EBITDA to \$12.7 million during the quarter.

Overall, we're proud of the progress we've made in our comeback plan and I'd like to extend my heartfelt thank you to all of the more than 20,000 team members across the country. Your dedication to improving every day and every shift is what drives our success and is the key to the revitalization of our beloved brand.

While we're pleased with the progress we've made under the North Star plan, we have two key priorities in 2025 to continue our comeback. First, further improve our traffic trends. Second, gain efficiency in our operations to deliver growth in restaurant and corporate level profitability.

Starting with our top line drivers, 2025 is off to a good start with comparable restaurant revenue momentum we had exiting the fourth quarter continuing through the first eight weeks of the first quarter, partially due to lapping the comp weakness we saw last year.

Looking ahead at the remainder of 2025, we will lean into several drivers to improve our traffic trends and dive deeper into our new capabilities to keep Red Robin top of mind with our guests.

Let's start with loyalty. In addition to the guest facing portions of the new program I spoke to earlier, we've also integrated new guest data capabilities to not only facilitate more personalized communication and promotions to members, but also allow us to reward our best guests.

While our marketing team has made use of our new capabilities from day one, we believe we're only scratching the surface. Our new program facilitates deeper guest segmentation and personalization and we're leveraging member exclusives, gamification and compelling content campaigns to reap the full rewards of our program, driving new member growth and continue our momentum increasing guest frequency.

Since the launch of Loyalty 2.0 last year, loyalty transactions, which are more profitable on average have increased 13%, representing both an increase in guest frequency and the addition of new loyalty members. We continue to be excited by the potential of Loyalty 2.0 as a key driver for traffic growth.

Turning to the menu, we expect ongoing new menu items and innovation throughout the year, starting with the launch of our Hot Honey platform in March. The platform will include a Hot Honey Crispy Chicken sandwich, wings, and pizza offering. We are excited to launch these great menu items and I would note the Hot Honey pizza is the most successful LTO our partners at Donatos have ever launched.

We'll share more as the year progresses, but we expect to introduce additional items over the course of the year, including great salad options and LTOs for the summer. Classic Red Robin burgers our guests have loved over the years and we may introduce a new flavor profile or two from around the globe to deliver our guests the amazing flavors that they can only get at Red Robin.

We expect to continue to prioritize everyday value as a means to grow visits with our current guests and drive new guest trial of our quality and experience upgrades. This includes maintaining our successful Monster Mondays, \$10 Cheeseburger Tuesdays, and Kids Night Wednesday promotions.

\$10 Cheeseburger Tuesday as an example has continued to prove successful in driving double-digit traffic growth and incremental visitation on a typically quieter day of the week.

As we move through the year, we also expect to message our industry best bottomless menu and our broad range of price point options. We expect to leverage efficient digital earned and social media celebrating our Gourmet Burger Authority to reach new guests with our compelling innovation and quality improvements.

Finally, we continue to generate encouraging results with local restaurant marketing programs and the catering and other off premise channels of our business.

I'd like to touch on our marketing team leadership and a change that we announced a few weeks ago. We believe we have a great opportunity to further accelerate our guest traffic improvements with compelling marketing programs that message to consumers the fantastic food and experience they now receive at Red Robin and fully capitalize on the power of digital, social, and owned channels.

The search for a leader best suited to help us achieve these goals is currently underway. We are very fortunate to have two great leaders already in place to drive our marketing efforts during this interim period.

Kathleen Bush, our Vice President of Marketing and Brand Development and Dave Dodson, Vice President of Marketing and Internal Communications. Both have worked with me in the past and along with our talented marketing team, I have great confidence we will make quick progress and are in the position to deliver on our 2025 sales plan.

Turning to profitability. Over the past two years, we've invested to improve the quality of our food and our hospitality from introducing flat top grills and upgrading over 85% of our menu to deliver a true gourmet burger experience to adding team members to delivering great hospitality.

We're proud to see these investments reflected in sustained improvement in overall satisfaction scores showcasing that our guests are recognizing and enjoying the upgraded overall experience.

Throughout 2024, we put our resources behind arming our restaurant teams with information and the tools needed to drive everyday efficiency. We launched new dashboards and scorecards to inform our teams. We reconstructed and relaunched actual versus theoretical food cost measurement and reporting in the second quarter and we rebooted the Hot Schedules labor management tool in the third quarter.

While these tools now are in the hands of operators, the data used to drive these programs along with our team's efficiency in using them improves by the day and we expect we will continue to benefit in 2025.

As we go forward, our focus will be to maintain our improved hospitality and guest experience, while creating efficiencies throughout our P&L to drive growth in restaurant level and corporate profitability. This is showcased in our margin guidance with gains of at least 120 basis points in 2025.

In 2025, we expect to become much more efficient with our labor costs and this is the primary driver of our expected increase in restaurant level operating profit. We were pleased to recapture our base level of expected labor efficiency in the fourth quarter on the back of the Hot Schedules implementation.

Maintaining this fourth quarter level of efficiency would result in approximately \$6 million or approximately 50 basis points of savings through the first three quarters of 2025.

During the first quarter of 2025, we are also streamlining our opening and closing procedures to further reduce our cost structure as we have other efficiency measures in test that we are very optimistic will deliver additional benefits.

Beyond labor, our supply chain team has done a great job over the past two years identifying and capturing savings that achieve our hurdle of parity or better for the guest experience.

Past examples of this included switching from a 10 pound case of hamburgers to a 20 pound cases to deliver the exact same hamburger patty to our guests, while saving on our per case distribution fees. We expect to continue to harvest opportunities to consolidate suppliers and streamline distribution to continue to generate savings in 2025.

Increasing the profitability of our restaurants requires dedication to both delivering a great guest experience to grow guest traffic and the diligence to manage the cost side of the business. We are committed to both and I am confident we are on the right track to deliver our targets in 2025.

Finally, I'd like to provide an update on our restaurant portfolio. As we shared last quarter, while more than 300 of our company-owned restaurants continue to perform very well, we have approximately 70 restaurants that generate a restaurant level operating loss of approximately \$6 million in 2024, a drag of approximately 210 basis points on total company restaurant level operating profit. Inclusive of capital expenditures and G&A burden, we estimate the total cash burn associated with these restaurants at approximately \$9.5 million in 2024.

In the fourth quarter, we have paired the majority of these assets and it is currently our base case expectation that we will close the majority of these restaurants over the next five years at their lease expiration.

As such, we expect to close 10 to 15 restaurants in total in 2025. We believe the expected closure of a majority of these restaurants will allow the strength of our remaining portfolio to become clear over time and free cash that we expect to reinvest in the business and use to prepay debt. We're also exploring other avenues to accelerate this process as we expect further updates on our progress in future quarters.

And with that, I'll turn the call over to Todd to walk you through the financial performance before I provide my closing thoughts.

Todd Wilson

Thank you, G.J, and good afternoon, everyone. In the fourth quarter, total revenues were \$285.2 million versus \$309 million in the fourth quarter of 2023. The decline is due primarily to the fourth quarter of fiscal 2024, including 12 operating weeks compared to 13 operating weeks in the same period last year. This was partially offset by a comparable restaurant revenue increase of 3.4% excluding the impact of a change in deferred loyalty revenue led by an increase in guest check average, outweighing a decline in guest traffic.

As G.J. noted, I would also highlight that our guest traffic trends sequentially improved in each quarter of 2024, which we believe is a testament to the successful implementation of the North Star plan, the traction of Loyalty 2.0, and the traffic driving success of the appointment dining promotions.

Restaurant level operating profit as a percentage of restaurant revenue was 11.5%, a decrease of 70 basis points compared to the fourth quarter of 2023. The decline was primarily due to lower guest counts and discount levels that increased approximately 120 basis points as compared to last year.

General and administrative costs were \$18.4 million as compared to \$22.7 million in the fourth quarter of 2023. Selling expenses were \$5.7 million, a decrease versus the prior year of \$6.4 million. The decrease results primarily from a reduction in media in the quarter intentionally reallocated to support funding the traffic driving promotional discounts.

Adjusted EBITDA was \$12.7 million in the fourth quarter of 2024, an increase of \$2 million versus the fourth quarter of 2023. Adjusted EBITDA increased due to the reduced selling and G&A expenses and overcame the headwind of our fiscal calendar reverting to 12 weeks this year as compared to 13 weeks last year.

We ended the fourth quarter with \$30.7 million of cash and cash equivalents, \$8.8 million of restricted cash, and \$20 million available borrowing capacity under our revolving line of credit.

At quarter end, the outstanding principal balance under the credit agreement was \$189.5 million. As we mentioned on our last call, we executed a third amendment to the credit agreement during the fourth quarter, which increases our compliance leverage ratios in the fourth quarter of 2025 and first quarter of 2026 and continues the revolver expansion from \$25 million to \$40 million through the first quarter of 2026 that was previously scheduled to expire in the third quarter of fiscal 2025.

Turning to 2025, our three financial priorities for the year are; first, deliver our 2025 financial guidance commitments; second, drive continued gains in traffic and aggressively capture operating cost efficiency, particularly in labor; third, position ourselves to be able to refinance our debt.

As a reminder, our term loan matures in March of 2027. We expect to use a portion of our free cash flow in 2025 to repay debt and we are pursuing other options like monetizing remained owned real estate to further support debt reduction and facilitate a refinance of the debt that remains. This is a key focus for us in 2025 and I expect to provide periodic updates.

Turning to our outlook, we will now provide the following guidance for 2025. First, total revenue of between \$1.225 billion and \$1.25 billion. This incorporates our expectations for modestly positive same-store sales outweighed by an approximately 2% revenue headwind from the restaurant closures G.J. mentioned earlier.

Second, restaurant level operating profit of 12% to 13%, which represents an increase of 120 basis points to 220 basis points as compared to 2024. Third, adjusted EBITDA excluding non-cash stock-based compensation of \$60 million to \$65 million.

Please note that starting in 2025, our reported adjusted EBITDA and our adjusted EBITDA guidance will add back non cash stock based compensation expenses as we believe this change will provide investors with a better understanding of our financial performance from period-to-period.

The add back of non-cash stock-based compensation is the only change between the old and new definition of adjusted EBITDA. For transparency and the ability to compare old versus new, we estimate non cash stock based compensation expense will total between \$9 million and \$10 million in 2025. We have also included a reconciliation of quarterly 2024 results to this new definition in the earnings release issued earlier today. Finally, capital expenditures of \$25 million to \$30 million.

In closing, I share G.J.'s optimism for what 2025 has in store for us. The heavy lifting of transforming Red Robin into an operations-focused company is largely behind us giving us a solid footing to build upon as we continue our comeback journey.

We are now working hard to optimize guest engagement and combined with effective operating expense management, we are well-positioned to capture the long-term growth opportunity for this iconic brand.

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

G.J. Hart

Thank you, Todd. Our commitment has always been to provide our guests with great hospitality, serving delicious food at a great price and creating a fun friendly atmosphere with every visit.

We believe the North Star plan is helping us fulfill that promise. The last two years have been transformational at Red Robin and I believe our team has done a tremendous job in executing our strategic plan and successfully transformed this brand into an operations focused company.

As we look ahead to 2025 and beyond, the focus of our team will be on bringing back guests into our restaurants for moments of connection over craveable food that only Red Robin can provide. With the strategy we have in place, we believe we are well-positioned to deliver significant value to our guests and shareholders alike.

With that, we are happy to turn the call for questions. Operator, please open the lines.

Question-and-Answer Session

Operator

Thank you. We will now be conducting a question-and-answer session. [Operator Instructions]

The first question is from Alex Slagle from Jefferies. Please go ahead.

Alex Slagle

Thanks. Congrats on the progress. I wanted to sort of ask about sort of the balance you're trying to work with here, just trying to -- the big focus on driving frequency with the promotions and loyalty efforts and how to improve margins, which clearly you're doing.

There is a good bit of pricing behind that in this quarter and I guess as you said sort of like threading a needle and just sort of making sure you're not taking too much pricing. So, I guess just wanted to get thoughts on that. I mean maybe you don't need as much maybe that'll come down as the year goes on and you have these incremental labor and supply chain efforts yielding some benefits, but maybe you can kind of talk about that balance?

G.J. Hart

Yes. Hey, Alex. Relative to the pricing, much of the pricing that we took in the fourth quarter was really on the West Coast, where we've done a lot of benchmarking and had some opportunity, which carries over into 2025. And on our pricing thoughts through 2025 is in a 1% area. And so definitely we're taking all that into consideration.

In terms of threading the needle, one of the things as we continue down the path to get ourselves real traction around traffic growth, which we believe we are getting and starting to get that to balance the cost side, there's just a lot of work.

You have to remember that during this whole comeback process and journey, we've had we've hired 800 managers. We've had to train those folks. We've had to retrain every single person in the company on not only what we're doing and its expectations from a hospitality perspective, but how do we cook product and all of that. And so it carries -- so all that work's been done over the last couple of years and so we believe we can get a ton of efficiency, particularly in the labor line as we go through 2025.

And we saw some of that in the fourth quarter of 2024, but we believe there's a lot more to get and we're working hard to get it. None of which will affect the guest experience by any imagination. So, there's so much opportunity here in a journey of comebacks or turnarounds. We're at the point now where we can definitely start to ramp up the pressure that we put in terms of the expectations on financial performance. Hopefully that gets to what you were looking for.

Alex Slagle

No, that's certainly encouraging. And I guess as we look at like the sequential improvements you've seen in the menu mix and the discounts recently, the components of the comp, do you think this will continue to improve into 1Q and beyond?

And if so, I'm kind of curious where that would come from? Or it would just seem like that would be more of a challenge just with the promotional efforts underway to drive traffic?

Todd Wilson

Yes. Hey, Alex, Todd here. I'll talk about the discounts in particular of if you go back, it was really the third quarter of 2024 that we really launched the appointment dining. So, I do expect in that comp detail, you'll probably see discounts increase year-over-year in Q1 and Q2, but then become much more normalized in Q3 and Q4. So, that's the way we're thinking about it right now at least.

On the mix side, I'd say, we've been pretty encouraged with all of the different headlines out there. We've talked about this in prior quarters that we tend to look at add ons right in terms of the health of the consumer. Are people still adding appetizers? Are they still buying desserts? Are they still buying beverages? And we see all of those measures at parity or better to what they were previously.

So, there's always a little bit of mix impact as we make changes to the menu. We've been promoting our tavern lineup, which is a more value lineup in recent quarters, but the add on items in particular have held up quite well, which gives us a lot of confidence in the state of the consumer that's walking into our doors.

Alex Slagle

Great. Thanks guys.

Todd Wilson

Thank you.

Operator

The next question is from Jeremy Hamblin from Craig-Hallum. Please go ahead.

Jeremy Hamblin

Thanks and congrats on the improved results. I want to start by just getting a little more color on quarter-to-date trends you noted, some momentum as you entered into the year and wanted to just get a sense of where things stand maybe on a quarter to date basis. I know this is effectively a four-month quarter for you and I think February across the industry has been a little bit lighter than what you maybe saw in January, but wanted to get a sense for what Red Robin has seen?

Todd Wilson

Yes. Hey, Jeremy, Todd here again. I'll start and G.J. can certainly add on. But I think I would build on G.J.'s comments in the script, right, where you said, hey, it's been a good start to the year and I would certainly reiterate that.

For us, we always expected the first part of the quarter to be the best. If you recall for us, with our West Coast footprint, the West Coast had some really tough weather events in the first quarter of 2024 and really depressed our first quarter.

So, we always expected the start of this quarter to be frankly the best part of the quarter and potentially even the year, just given the easier comparison. So, we expected to be a good start and it has been. So, that's been encouraging.

I think the way I talk about the February, there was weather across a lot of the country in February. We've seen it in the industry numbers. That's embedded in what G.J. said in terms of the first eight weeks. So, you're always going to have some ups and downs. We try not to get caught up on the weeks.

The last piece I'd share, we're really thinking probably more about the quarter. And so we expect the first part of the quarter to be the best. We expected the second part of the quarter to be more normalized.

As we think about it, I'll tell you, we're kind of at the mid-range of our thinking is call it a plus three same-store sales on the quarter. Obviously, the weather has to cooperate and we still have, as you said, eight weeks to go, but that's the way we see the quarter coming together as we sit here today.

And so that's the top line side. I'll try to be brief here, but on the profitability side, I'll give you a sense of how we're thinking about that as well. We a simple way to think about it, if you look at Q4, we basically generated a little over \$1 million a week of adjusted EBITDA.

In a 16-week Q1, that'll get you to about \$16 million and then obviously we did make the change with adding back stock based compensation and that's another \$2 million to \$3 million on the quarter. So, again, eight weeks to go in the quarter here, but that's kind of the simple way we're thinking about top and bottom-line.

Jeremy Hamblin

Got it. Great. And then let's just come back to some of the initiatives here on driving restaurant level margin. So, kind of roughly 100, maybe 200 basis points during the year. And it sounds like you have some great labor initiatives going on. I wanted to get a sense for of that range of improvement from the 10.8% that you saw in 2024. What portion of that do you expect to come from labor versus COGS or other line items?

G.J. Hart

Yes, the vast majority, Jeremy, will come from labor. Our COGS generally are at a point, they're pretty low in the first place. So, I don't expect a lot of it to come from there. The majority will come from labor.

Jeremy Hamblin

Got it. And then coming back to kind of trends and what you've seen, you noted that you've seen a lot of strength in the dine in portion of your business, which I think implies that kind of takeaway or takeout has been a weak spot and wanted to get a sense for initiatives that you're looking at there to drive that whether that's going to be helped by enhanced digital engagement or what you think you might be able to do to improve that business? I think it's what 20%, 25% of total sales?

Todd Wilson

Third-party is more like 15% of sales and we are very pleased with where we sit to-date on what we're doing with third-party. It is things like digital initiatives. As you know, in third-party, it's where you sit and where you come up in the algorithms. And we some of that is how much you invest with these third party folks. And so we plan for that in 2025. And our results in terms of where we sat from a year ago are very good. And I'm very hopeful in terms of where a third-party can and what it can do for us in 2025.

Jeremy Hamblin

Last one for me, just in terms of other marketing changes. I think last year your budget was around \$30 million or so on marketing. You're making some changes kind of at the top of that division of your business.

In terms of thinking about that pivot, what should we expect? We know a year ago you had some fairly expensive marketing during March Madness. I don't think you're planning to repeat that, but wanted to see if there's any additional color you can share there?

G.J. Hart

Sure. Yes. So the numbers are about the same in terms of that. Jeremy, one of the things that we're doing is really having a comprehensive program around marketing. So, everything from local store marketing to digital, social to just more traditional media.

We are currently in a test from a media and a very balanced approach in three markets and too early to talk about results of those markets, but we are optimistic around that. That if we find out that we're getting a great return on that investment, we'll invest more in marketing because it'll be pretty immediate in terms of the return. So, that's something we're definitely looking at.

I would say that last year too, we did a similar thing last year where you have it up to your point, there around March Madness and we do not see all the success, but there were some mitigating circumstances around that in terms of where media was placed and just other things that we didn't see the kind of results that we would have expected. So, again, I'll go back to what we're doing this year, more to come on that, but I would tell you that we're cautiously optimistic of what that can do for us.

Jeremy Hamblin

Thanks so much for the color and good luck.

G.J. Hart

Thanks Jeremy.

Operator

The next question is from Andrew Wolf from C.L. King. Please go ahead.

Andrew Wolf

Thank you. Hi. Good afternoon. I wanted to ask about the Loyalty 2.0. Good afternoon again. So, I think you said you had a 13% increase in transactions with loyalty members. Could you just maybe parse it out a little on how that varied between new users and increased utilization from existing members? And kind of what growth outlooks are for the program and how you see it evolving over the I guess coming year or two?

G.J. Hart

Yes. So, I would say that we are seeing nice growth from lapsed users as well as new users. I will tell you that 25% of our visits are new users and 20% from lapsed users. So, we're seeing really, really good improvement on all levels, which again gives us reason to believe in what we're doing here in the future. And so we feel great about that.

And again, if you start to do some math around what the loyalty can do for us, it's pretty significant. If you increase that average frequency on a fairly average guest that comes three times a year, you get some of those lapsed users and you can continue to get sign ups.

We continue to be very robust in terms of our efforts around sign up and we have a big target for this year to be able because we're having so much success. And so far we're on track with that and feel great about that.

Andrew Wolf

Good. Thanks. Would you kind of ascribe the sequential pickup in the guest traffic trends and the two-year stack gives a little better as well. Can you describe that more to loyalty or more to the overall service and discount? I mean, how do you -- it's almost an impossible question, but do you have at least a qualitative sense of that? How you would -- is that doable or you just think it's kind of the whole?

G.J. Hart

It's really hard. I mean, I would tell you, my answer is going to be pretty vanilla. It's really a little bit of all. And clearly, the experience is better. We talked about that, but and clearly loyalty is really helping us. So, it's hard to say the percentages on that, but it's all the above.

Andrew Wolf

Okay, fair enough. But I assume that the loyalty is a growing component of that and pretty significant and boosting traffic, getting it moving in a better direction?

G.J. Hart

That's correct.

Andrew Wolf

All right. And just one more, this is most likely just for Todd. I know you don't have formal guidance on free cash flow, but I think you mentioned it as in your plan. And I think that would be a change from burning cash. So your CapEx, if I were \$25 million to \$30 million. So, is that imply you expect to have cash from operations above that figure like a traditional free cash flow measured or are you thinking when free cash flow includes maybe selling some assets or something?

Todd Wilson

No, Andy, your first interpretation was correct, meaning achieving our guidance means we will have some free cash flow in what I would consider the most traditional sense, meaning from operations, funding our CapEx as you alluded to. We do think that that will generate some free cash flow this year.

A number that we hope will build in time. So, you can do the math on call it \$60 million to \$65 million of EBITDA to your point \$25 million to \$30 million of CapEx and cash interest for us this year, we think will be around \$24 million is kind of our midpoint.

So, it's a number that we'll look to grow in time, but that's a metric that I expect you'll hear us talk more about going forward. It's been a bigger focus for us internally. And as I alluded to, paying down the debt as a means to then refinance that is certainly top of mind for me.

Andrew Wolf

Okay. Thanks. That's good to hear.

G.J. Hart

Thanks Andy.

Operator

The next question is from Mark Smith from Lake Street Capital. Please go ahead.

Mark Smith

Hi, guys. First off, just wanted to clarify and make sure I heard right. On closings, you guys are kind of building into the guidance and expecting 10 to 15 this year. And any insight into kind of the timing of that and does that include kind of these asset sales here in Q1?

G.J. Hart

Yes, you're spot on all of that, Mark. We -- the three restaurants that were alluded to as asset sales are included in that 10 to 15. Those we expect -- those are under full contract, we expect that'll be a Q1 event. But in terms of the 10 to 15, we frankly expect it to be pretty spread over the course of the year. It's not necessarily concentrated in one quarter, even with those three in Q1. So that is embedded in the guidance as you noted.

Mark Smith

Okay. And then just any shifts in commodities that we should be thinking about anything on contract that's rolling off, any just insights into kind of cost of sales would be great?

Todd Wilson

Yes, absolutely, Mark. I'd say our commodity basket broadly is pretty, what I would consider to be standard inflation. We think the commodity basket is call it 3% in total. Ground beef for us is always a big part of that. And we do see that's the one we see the most inflation in, which means we have offsetting deflation in other areas.

But in total, G.J. alluded to it, our cost of goods, we feel pretty comfortable with where that's at. We'll find opportunities where we can, but that's one that from a price value standpoint, we were conscious of not driving too low. But in terms of the commodities, we do expect kind of that 3% range.

I'll maybe tag onto that and just build on a comment G.J. made earlier. From a price standpoint, I believe he referenced 1%, which is the incremental action we expect in 2025. We will have, as he alluded to, the actions that we took in 2024 will carry over to 2025 as well.

I would expect we would expect that you'll see that pricing roll off in terms of the headline number through the course of the year from we expect we'll probably carry a good 8% percent or so of price in Q1, ramping that down to about 2% by Q4. And that includes the what the only additional increase this year of 1% that G.J. Mentioned. But obviously that will have an impact on cost of goods as well. But that certainly helps to cover the commodity inflation.

Mark Smith

Excellent. Very helpful. Thank you guys.

G.J. Hart

Thanks Mark.

Operator

The next question is from Todd Brooks from Benchmark Company. Please go ahead.

Todd Brooks

Hey, good evening everybody. And that's a nice way to end a year full of progress for you. So, congrats.

G.J. Hart

Thanks, Todd. Appreciate that.

Todd Brooks

Few tag-in questions, if I may. You talked about some of the menu newness coming in 2025 G.J. and wanted to maybe drill down some more on the Hot Honey platform. And also remind us what it's competing against year-over-year when it launches in March? And is this a LTO or is this something that you can foresee based on performance flowing directly into permanent menu items?

G.J. Hart

Yes, Todd, from the Hot Honey perspective, that's pretty -- the whole sort of sweet and savory together is something that's hot and we're trying to capitalize on that. And so far it's tested well. So, we're excited about what that can do.

I don't believe we're going up against anything from a year ago, Todd. So, there's nothing really there. And yes, it's basically our first menu roll of two menus that we'll do during the year with some LTOs sprinkled in. Is that helpful?

Todd Brooks

Okay. Yes, that is. Thank you. Secondly, can you talk through -- and you talked through seeing kind of attach rates hold, but if you look at the same store sales performance in the quarter, which was very strong, did you see a spread or any sort of changes when you look by income cohort? Just wondering if there's any variability maybe in that lower income cohort or if they have responded to the value and hung in from a transaction standpoint?

G.J. Hart

If I understand your question, I would tell you that as Todd just talked about a minute ago, we're pretty pleased with what's happening in terms of what people are ordering. We're still seeing nice lift on our gourmet burger line, more premium products, as well as we're seeing that lift on the Tavern and some of the value stuff.

So, I don't think we've seen any significant movement during the quarter. We did, as we commented on from an overall comp perspective, it got better throughout the quarter.

Todd Brooks

Yes, I didn't know if you looked at the sub-\$50,000 household versus higher-income tranches if the performance was more variable with the lower-income customer? That's why I was asking.

G.J. Hart

I don't think there's anything to note there at all. Yes. Agree.

Todd Brooks

That's great to hear. And then a final one, I know you shared some of the meaningful progress you drove in satisfaction scores over the course of this year. Just wondering as you're looking at the individual components, how are customers rating you as far as scores on value metrics?

You've got the three pillars now Monday through Wednesday. How are customers responding and scoring you on value? And if you look at the overall competitive environment, I imagine, but I don't want to put words in your mouth, you feel pretty good that the value offering is competitive and traffic driving at this point and maybe no need to add more as things stand out?

G.J. Hart

Yes, I would agree with your last statement that we are happy with the value that hopefully some of the stuff that the noise that's out there around value will start to dissipate through 2025.

And in terms of the first part of your question around -- that you're trying to get at value in respect to what we are going to do in the future or let me make sure I understand--.

Todd Brooks

It's more of a part of satisfaction. Customers when they're scoring you on value with the appointment--

G.J. Hart

Yes, I'm sorry, I got you. So, when you look at our satisfaction levers and value being one of them, every metric has gone up, value included. I would tell you that that's good news from our perspective because a little over two years ago that number was continuing to go down. So, we've made progress there.

Todd Brooks

Perfect. Thank you, both.

G.J. Hart

Thanks Todd.

Operator

There are no further questions at this time. I would like to turn the floor back over to G.J. Hart for closing comments.

G.J. Hart

All right. Well, thank you all for joining us tonight. We look forward to reporting on the next quarter. Thank you very much. Good evening.

Operator

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

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