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Red Robin Gourmet Burgers, Inc. (RRGB) Q4 2025 Earnings Call Transcript

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Q4: 2026-02-25 Earnings Summary

Insights



EPS of -\$0.41 **beats by \$0.18** | Revenue of \$269.04M (-5.67% Y/Y) **beats by \$4.78M**

Red Robin Gourmet Burgers, Inc. ([RRGB](#)) Q4 2025 Earnings Call February 25, 2026 4:30 PM EST

Company Participants

David Pace - President, CEO & Director

Christopher Meyer - Interim CFO, Principal Financial & Accounting Officer

Conference Call Participants

Todd Brooks - The Benchmark Company, 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. Fourth Quarter 2025 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 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 fourth quarter 2025 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, Dave Pace.

David Pace

President, CEO & Director

Good afternoon, everyone, and thank you for your interest in Red Robin. As we close out 2025, our fourth quarter results reflect the steady momentum we're building as we execute against our First Choice plan. We introduced this plan in the second quarter of 2025 to focus our priorities and outline how we intend to strengthen our competitive position and improve our overall performance.

Today, I'll provide an update on our progress against its key pillars and how we intend to build on that progress in 2026. Before I get into the details, let me begin with some context around our full year and fourth quarter sales performance. For the full year, comp sales were down 0.3%, excluding the impact of deferred loyalty revenue. This included a 3.5% increase in average check, offset by a 3.8% decrease in traffic.

Our traffic improved in the back half of the year as we rolled off 2024 pricing actions and saw traction with our Big Yummm value offering. For the fourth quarter, comp sales were down 3.3%, excluding deferred loyalty revenue. This included a 0.3% increase in average check and a 3.6% decline in traffic. Now like the broader industry, trends softened in October and November relative to where we exited the third quarter.

In addition, we made the intentional decision to shift marketing spend into December to maximize reach during the holiday season. That strategy proved effective. Increased support behind our Big Yummm value offering and our holiday promotions drove a notable inflection in December as we outpaced the Black Box Intelligence casual dining index in traffic for the first time since the third quarter of 2024.

Encouragingly, momentum continued into January, where traffic was positive before weather events starting in late January with Winter Storm Fern have made results choppy in subsequent weeks. On profitability, we exceeded our expectations for both restaurant level margin and adjusted EBITDA in the fourth quarter. Full year adjusted EBITDA of \$69.7 million represented a 53% growth over 2024, and RLOP margin grew by 190 basis points. Importantly, we achieved this result with only modest pricing in 2025.

For perspective, in the fourth quarter, net pricing contributed just 1.6% to results, underscoring that our performance improvement is increasingly being driven by a stronger consumer proposition and improved operating efficiency. With that context, let me walk through our progress against each pillar of the First Choice plan and our strategic priorities for 2026.

First, let's start with Hold Serve. Our Hold Serve pillar requires that we sustain the progress that we make each quarter and then extend that improvement even further as we move forward. During the fourth quarter, our labor efficiency initiatives contributed approximately 180 basis points to restaurant level margin. These gains were consistent throughout the year and were a primary driver of a 250 basis point reduction in total labor costs for 2025. Importantly, we achieved these efficiencies while maintaining our guest satisfaction scores, demonstrating that productivity and hospitality can coexist.

These improvements also reflect the increased accountability and ownership embedded in our managing partner model, which rewards our partners for improvements that they drive in restaurant-level profitability. This leads me to our next pillar, which is our Drive Traffic initiative. As noted earlier, we saw industry outperformance in December. We believe this improvement is driven by 2 primary factors: one, the power of our Big Yummm burger offer; and two, our improvements in how we market and message to our guests.

First, our \$9.99 Big Yummm value offer continues to resonate. Within our dine-in channel, it delivered 10% guest mix in the fourth quarter, strengthening our relevance with value-seeking guests and supporting incremental traffic and trial. Building on this success, we expanded our platform with the January 26 launch of our new menu, integrating additional Big Yummm deals directly into our core offering.

This expanded platform now features 6 meal options across a tiered price range of \$9.99 to \$16.99, extending beyond burgers into categories such as our hand-breaded classic crispy chicken sandwiches, Donatos Pizza and Whiskey River barbecue wraps. Importantly, each meal includes our signature bottomless sides and beverages, reinforcing value while preserving the full Red Robin experience.

The new menu also broadens our premium offerings, creating a deliberate barbell approach that balances compelling value with higher-priced indulgent options to expand guest choice across dayparts and occasions. Early results indicate that the menu is performing as expected and that average check has increased and remains healthy as guests engage across the menu.

The second key driver of our fourth quarter traffic improvement was the deployment of incremental investment behind the data-driven First Choice marketing strategy we initially introduced in Q3. This strategy enables us to engage guests more personally and precisely than traditional broad-based campaigns. We've now mapped every restaurant across 6 to 8 competitive categories and clustered locations based on similar trade area dynamics and messaging needs.

This analysis supports more focused and locally relevant messaging, allowing each restaurant to compete more effectively within its specific market. In short, we continue to transition from a broad one-size-fits-all approach to a marketing model that is more precise, more disciplined and more efficient by ensuring that the right message reaches the right guests at the right time, improving the overall return on our marketing spend.

The third pillar of our First Choice strategy is Find Money. As discussed last quarter, our corporate efficiency actions have meaningfully reduced general and administrative expenses, and those savings will continue to benefit us in 2026. For perspective, excluding stock-based comp, we reduced G&A by over \$4 million in 2025 and expect to have a similar step down in 2026, driven by the efficiency initiatives implemented in the middle of 2025.

With respect to our work to strengthen our balance sheet and capital structure, we continue to progress on tactical refranchising as a key enabler to this initiative. As previously communicated, we plan to use proceeds from any completed transactions to reduce debt and further strengthen our balance sheet. We're encouraged by the interest level expressed and the progression of discussions to date. We remain confident that we will achieve our targeted capital structure objectives.

Unrelated to our work to reduce debt, but that is further reflection of franchisee confidence in our system improvements, 3 of our current franchise groups have indicated that they are currently pursuing new unit development opportunities within their territories. With respect to overall refinancing efforts, our improved financial performance has strengthened our liquidity position and along with our progress on refranchising is expected to expand our options to improve our capital structure.

We continue to work with our advisers to advance this process and expect to refinance our debt consistent with our previously outlined objectives. Additionally, as a result of improved business performance and further progress in our refranchising work, we no longer believe that we need to preserve the option to conduct an at-the-market equity offering, and so we have terminated the ATM program announced last November. No shares were issued under that program before it was terminated.

Turning to our Fix Restaurants pillar. In 2025, we completed 20 light-touch refreshes to help our physical environment maintain competitive standards and reflects the quality of our food and service. Our 2026 capital plan allocates additional investment toward restaurant refreshes. We plan to resume refresh activity later in the first quarter, continuing a disciplined light touch approach designed to maximize guest impact.

In addition to our facility refreshes, we begin to roll out replacement devices for our server handheld technology and we'll also 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.

In the 10 months I've served as CEO, what stands out most for me is the growing sense of ownership and pride across our restaurants. Our team members are not simply executing initiatives. They are 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. It's also important that we continue to challenge the status quo and identify insights and potential competitive advantages that will enhance our ability to differentiate ourselves in the marketplace.

With that in mind, in the fourth quarter, we launched an enterprise version of the ChatGPT AI platform. Since our launch, we're seeing expanding utilization across the organization with tangible results. We're now in the process of introducing it to our managing partners, along with custom GPT tools and are already seeing adoption and application that assist our managing partners in further optimizing labor costs, COGS and guest service.

The overall impact of our investments in our teams is tangible. Hourly turnover is now at its lowest level since 2017, and engagement scores continue to improve. This translates directly into how we serve our guests and support one another. As we look ahead, we'll remain focused on creating an environment where great people can build meaningful and rewarding long-term careers.

To our entire Red Robin team, thank you for your continued commitment to our guests and to each other. The foundation we're building together positions us well to be able to capture the opportunities ahead. With that, I'll turn the call over to Chris to review our fourth quarter results.

Christopher Meyer

Interim CFO, Principal Financial & Accounting Officer

Thanks, Dave, and good afternoon, everyone. I would like to start by providing a recap of our financial performance for the fiscal fourth quarter of 2025. Total revenues in Q4 were \$269 million, a decrease of \$16.2 million from 2024. This change in revenue was primarily due to a decrease in comp sales and the impact of restaurant closures.

Comp sales, excluding the impact of deferred loyalty revenue, were down 3.3% in Q4. Including deferred loyalty revenue, comp sales were down 3.1%. This result was in line with the expectations we discussed in our last earnings call. Q4 comp sales included a 0.3% increase in average check, offset by a 3.6% decline in traffic. As it relates to other aspects of our Q4 financial performance, restaurant level operating margin was 11.4%, a decrease of 10 basis points compared to the fourth quarter of 2024.

The benefits of cost savings, restaurant closures and check average increases were offset by inflation and lower traffic. General and administrative costs were \$14.9 million as compared to \$18.4 million in the fourth quarter of 2024. The reduction is primarily due to reduced people costs from our corporate efficiency initiatives and lower stock-based compensation expense.

Selling expenses were \$8.8 million as compared to \$5.7 million in the fourth quarter of 2024. Adjusted EBITDA was \$11.8 million in the fourth quarter of 2025, a decrease of \$2.6 million versus the fourth quarter of 2024. This result was ahead of expectations we discussed on our last earnings call. We finished 2025 with \$69.7 million of adjusted EBITDA, which represented 53% growth over 2024.

As it relates to our balance sheet and capital structure, we ended the fourth quarter with \$19.9 million of cash and cash equivalents, \$9.6 million of restricted cash and \$37 million available borrowing capacity under our revolving line of credit. Our strong results in 2025 have improved our liquidity and position us well heading into 2026.

Turning to our outlook. We will now provide the following guidance for 2026. 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.

And finally, we expect capital expenditures to be between \$25 million and \$30 million. Our financial guidance suggests that we expect to make progress in 2026 across all of our key financial metrics.

In summary, we are pleased with our financial performance in 2025. We have made significant progress towards increasing restaurant level profitability, reducing debt and growing EBITDA. We will remain disciplined in executing against the First Choice plan in 2026 and continue strengthening the operational and financial foundation of the company.

Dave, I will now turn the call back to you.

David Pace

President, CEO & Director

Thanks, Chris. As we look ahead to 2026, I'm confident that the progress we've made across each pillar of our First Choice plan positions us well for continued performance improvement. Our December results where we outpaced the Black Box casual dining traffic index reinforces that when we execute with precision, combining compelling value, targeted marketing and exceptional hospitality, we can compete effectively.

Our menu enhancements launched in January and give our guests expanded options at both ends of the menu and across dayparts and occasions. And we have a robust new product pipeline that we will introduce throughout the year. Simultaneously, our ability to continually refine and focus our marketing messaging and spend means that we can confidently reach our guests where they are in the most efficient way possible.

Our capital structure initiatives are progressing in line with our plan. We expect the combination of tactical refranchising and refinancing to strengthen our balance sheet and provide the flexibility needed to continue investing in our people, restaurants and technology. Further announcements will be made as we achieve significant milestones on that journey.

While there's much work ahead, our team is focused and committed to building a Red Robin 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. So operator, please open the lines.

Question-and-Answer Session

Operator

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

Todd Brooks

The Benchmark Company, LLC, Research Division

Congrats on the inflection of the business in the second half of last year, guys. Two quick questions. One, kind of a block and tackle. But within the 50-basis point to up 150 basis point same-store sales guidance for '26, thoughts on pricing. I think you said you were running about 1.6% price in Q4. What kind of pricing assumption is baked into that guidance for same-store sales?

Christopher Meyer

Interim CFO, Principal Financial & Accounting Officer

Yes. Todd, it's Chris. So we took a 3.2% menu price increase when we rolled out our new menu at the end of January. We didn't have a whole lot of carryover from last year. So we're expecting that to carry through for the full year. So the full year pricing impact this year will probably be about 3.2% as well.

Todd Brooks

The Benchmark Company, LLC, Research Division

Perfect. And then more of a strategic question, but it sounds like the micro-targeted marketing has been a real revelation for you all. Can you -- I know we're a couple of quarters into that, but can you walk us through how far through the process of really implementing that with kind of a full year plan behind it?

And any thoughts -- I know selling expense was up in Q4 versus prior year. But for the full year, there was some efficiency around selling expense. So any color you can give on the selling expense plan needed in '26 to support the micro-targeted marketing efforts?

David Pace

President, CEO & Director

Yes. Thanks, Todd. It's a pretty holistic shift in the way we're approaching marketing. So not only is it a change in the absolute spend, but it's been a change in the efficiency of it and the allocation of working versus nonworking dollars. So we're able to put a lot more working dollars to work to just that point. I'd say we are probably -- I'm saying 2/3 of the way through the implementation of this.

I mean the stuff that I referenced in the remarks around clustering, identifying competitive groups, understanding trade area dynamics and then allocating messaging priorities to each of those, we've got those in place. We're kind of putting them in action and trying to understand then what's the response.

So as we see these responses, we'll continue to reallocate among those clusters. So if we see something that's not showing the elasticity that we think it should, we'll try it and move it to another cluster. So I'd say we're 2/3 into the implementation, but we still have a little bit to go.

Christopher Meyer

Interim CFO, Principal Financial & Accounting Officer

Yes. And the only thing I would add as it relates to 2026 is if we continue to see success that we've seen, we have the agility to deploy more dollars against the full year thought. And I think right now, the expectation is that we will be up in selling expense in 2026 relative to 2025. And I think I can go so far as to say that we would expect to be up in each quarter, particularly given the success that we've seen here late in Q4 and early in Q1.

Operator

Our next question is from Jeremy Hamblin with Craig-Hallum.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

And I'll add my congratulations on the improved profitability last year. I wanted to start with thinking about the same-store sales guidance for the year. And Q1, by far, your toughest compare for the year. I wanted to get a sense for how you expect things to flow given what you saw in January.

I don't know if in February, you've seen some bounce back post weather, although there's obviously been a couple of storms and impacting a wide swath of the country. But how do you expect kind of that cadence to play out during the year? I mean, are you thinking that Q1 is like a negative comp quarter and then improvement from there?

David Pace

President, CEO & Director

Yes. I think as we kind of map it out, I'll let Chris talk about this as well. But I think we see it kind of strengthening in the back half of the year more than the front for the points that you raised, given where we're lapping and then the introduction of Big Yummm and how that plays out. But I think your assumption is right, Jeremy.

Christopher Meyer

Interim CFO, Principal Financial & Accounting Officer

Yes. And I'll just add a little color as it relates to Q1. We're not going to give a guide, obviously, for Q1, but we do have some perspective. So quarter-to-date comps are down in Q1 about 1%, but it's important to provide context around that because we talk about -- we took very limited pricing in 2025. We did take that 3.2% increase that I mentioned. But that pricing as well as some of the indulgent offerings that we added to the new menu, that we think is going to offset the negative mix associated with taking our Big Yummm burger deal and putting it on our core menu.

So I think if you think about check average, it's probably going to be positive, marginally positive in Q1. In terms of traffic, before Winter Storm Fern hit, traffic was positive in January. And since that winter storm hit traffic trends have been negative, mostly due to weather, right? So we think we'll end up -- the weather impact will cost us maybe 50 basis points as it relates to Q1 in total comp. We lost about 179 operating days quarter-to-date.

We even had some restaurants still closed as of yesterday, so from this most recent storm over the weekend. It's also important as you think about Q1 and the construct of Q1, we had less media weight in February versus what we expect in March or April. So there's a lot going on, but we feel really good about the underlying business and the progress we've made. And so that kind of sets up Q1. And then as you sort of shift towards the back half of the year, that price increase, we start to lap the Big Yummm burger deal in July of this year, and you'll start to see more of that pricing that we took start to flow through.

So PPA is going to be higher in the second half than it was in the first half. And then I think in terms of traffic, just for the reasons I laid out, it's a little bit of the opposite. Traffic will probably be a little higher in Q1 and in Q2. Again, it's a product of lapping the Big Yummm burger deal. We're getting some traffic momentum. But given the media weight and the strong LTO calendar we have in 2026, we feel like it's going to be a better year overall in same-store sales with a stronger second half comp than first half.

Jeremy Hamblin

Craig-Hallum Capital Group LLC, Research Division

Switching gears and looking on the expense side, we know that there's been some pressure from commodity cost, beef pricing, but wanted to get a sense for your expectation on that is basically flat year-over-year in '25 as a whole. But you did note on the November call that there had been a little bit of pressure. So I wanted to get an update on what you're seeing on that end?

David Pace*President, CEO & Director*

Yes. I think, again, look, I think we're going to continue to see beef prices rise. We're factoring that in. We'll see some offsets, obviously, with that. I think Chris can give you more of the specifics as we -- in terms of percentage shift between the 2, but we are expecting those to continue. We'll still see some headwinds on the COGS side.

Christopher Meyer*Interim CFO, Principal Financial & Accounting Officer*

Yes, I think that's right. We were up roughly 4% in commodities in 2025. We're looking at basically the same number in 2026. Beef inflation is still expected to be high. But the other major categories are going to be kind of plus or minus 1% or 2%. Really beef is the outlier for 2026.

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

Got it. And then I wanted to ask about your refranchising efforts. It's something where my sense is that there's some engagement there and interest. You'd outlined 25 to 75 units. Any update you might be able to share on progress on that initiative? I noted, obviously, you must feel pretty good about where the balance sheet is. No need to raise capital in the near term. Given that you're going through kind of the debt refinancing process as well, I wanted to see if you could update us on refranchising.

David Pace*President, CEO & Director*

Yes. I mean the truth is, Jeremy, I can't say a whole lot about where we are specifically, but your tone and your assumptions are accurate. We feel better about the overall liquidity of the business. We feel good about the process that we're in. We feel good about the interest that we saw in the franchising exercise, and we feel good about the progression of discussions that we've had. Beyond that, I can't say a whole lot right now, but your kind of underlying tone is accurate.

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

Great. Last one for me. You made remarkable progress in labor last year. And just to follow up on the other question. In terms of how much more you feel like you can squeeze there, you noted that your satisfaction scores remain strong. Clearly, you're seeing a little bit of a turn here in traffic. Do you look to drive additional labor savings through comp improvement? Or do you feel like there's a little bit more to squeeze out there?

David Pace

President, CEO & Director

I think it's going to be both. I think we think comp improvement certainly will give us some air cover. But I also think that there is room in the middle of the P&L in the labor spend. And I think our operators feel the same way. I've been extremely pleased with their bullishness on this. This is not just us pushing from the top. They're looking at it saying, yes, we have better tools than we've ever had to be able to understand where our opportunities are.

We have better visibility into who our outliers are and how we have to work with them and coach them and kind of make progress there. And I don't want to underestimate it, and we're just in the very early stages of this, but we've introduced the AI tool and our ops team has grabbed that and run with it and created some custom GPTs that they've introduced at the restaurant level that give us the ability or give our managing partners the ability to understand labor spend on a daily basis, forecasting more effectively and then allocation.

There's been a great adaptation or adoption of that tool at the restaurant level. So we think the combination of all of those things is going to give us room to kind of go even further than we have so far.

Operator

Our next question is from Mark Smith with Lake Street Capital.

Mark Smith

Lake Street Capital Markets, LLC, Research Division

First, just wanted to ask a little bit about G&A outlook, Dave, you talked about in your commentary. I think that you said kind of similar decline in dollars year-over-year. Correct me if I'm wrong on that. And then maybe walk us through kind of what's driving some savings there?

Christopher Meyer*Interim CFO, Principal Financial & Accounting Officer*

Yes, I'll start with the numbers, and then I think Dave can add the color. So we finished -- if you exclude stock-based comp, we finished last year G&A at \$71 million. I would say in 2026, we're looking at somewhere between \$65 million and \$67 million range for the year. So that would incorporate the \$4 million that Dave talked about, and there's potentially opportunity for a little bit more than that.

David Pace*President, CEO & Director*

Yes. I think just to build on that, we think this is, again, the combination of figuring out efficiencies. We're going to be looking at this every day, every month, every quarter to see how do we build efficiencies into the business further and get smarter about how we operate. So I don't think that's a one-and-done process. That's something that we will continue.

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

Perfect. And then I just want to ask kind of about the restaurant base. It sounds like some positive movement and thoughts from franchisees around maybe some expansion and opening new restaurants. Curious on the company-operated side, maybe what's built in as far as closures and then any appetite to begin opening some company-operated restaurants?

David Pace*President, CEO & Director*

Yes. Look, I think in terms of the restaurant size, we're still trying to optimize the portfolio. Going back a ways, we found we've made improvements on about 20 restaurants that we had previously identified as potential problems for us or potential closures. We've moved them off the closure list to where we think we can operate them and are hopeful that we can get them back to a performance level that equals the rest of the system.

I think there's still probably -- if you're thinking about it, Mark, I would assume \$20 million for this year is the number that we're thinking about. So that's kind of what do we still have that's out there that we need to get to kind of work our way through the system. So we're trying to kind of clean up the portfolio, figure out a way.

The significance of this is if you go back to when this was first brought up, I think we identified \$6 million of headwind against the business from these potential closures. That number is now down to about a \$1.5 million headwind and shrinking as leases expire and we roll off. So I think we've made huge progress on that and feel good about the state of the portfolio that's moving ahead.

Operator

There are no further questions at this time. I'd like to hand the floor back over to Dave Pace for any closing remarks.

David Pace

President, CEO & Director

Okay. Just quickly, look, thanks. Really appreciate folks for dialing in and hearing our story. We feel good about the progress that we're making, and we look forward to talking to you again in May. So thanks for coming on, and we'll talk to you soon. Thank you.

Operator

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

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