

Transcripts

Consumer

Shake Shack Inc. (SHAK) Q1 2026 Earnings Call Transcript

May 07, 2026, 3:11 PM ET | **Shake Shack Inc. (SHAK) Stock****SA Transcripts**

159.9K Followers

Q1: 2026-05-07 Earnings Summary

Insights

EPS of \$0.00 **misses by \$0.12** | Revenue of \$366.74M (14.28% Y/Y) **misses by \$5.54M**Shake Shack Inc. ([SHAK](#)) Q1 2026 Earnings Call May 7, 2026 8:00 AM EDT

Company Participants

Alison Sternberg - Head of Investor Relations

Robert Lynch - CEO & Director

Conference Call Participants

Brian Vaccaro - Raymond James & Associates, Inc., Research Division

Hyun Jin Cho - Goldman Sachs Group, Inc., Research Division

Michael Tamas - Oppenheimer & Co. Inc., Research Division

Brian Mullan - Piper Sandler & Co., Research Division

Peter Saleh - BTIG, LLC, Research Division

Sara Senatore - BofA Securities, Research Division

Anisha Datt - Barclays Bank PLC, Research Division

Margaret-May Binshtok - Wolfe Research, LLC

Presentation

Operator

Greetings. Welcome to Shake Shack's First Quarter 2026 Earnings Call. [Operator Instructions]. Please note, this conference is being recorded.

I will now turn the conference over to Alison Sternberg, Head of Investor Relations. Thank you. You may begin.

Alison Sternberg

Head of Investor Relations

Thank you, operator, and good morning, everyone. Joining me for Shake Shack's conference call is our CEO, Rob Lynch. During today's call, we will discuss non-GAAP financial measures, which we believe can be useful in evaluating our performance. The presentation of this additional information should not be considered in isolation or as a substitute for results prepared in accordance with GAAP.

Reconciliations to comparable GAAP measures are available in our earnings release and the financial details section of our shareholder letter. Some of today's statements may be forward-looking, and actual results may differ materially due to a number of risks and uncertainties, including those discussed in our annual report on Form 10-K filed on February 26, 2026, and our other SEC filings.

Any forward-looking statements represent our views only as of today, and we assume no obligation to update any forward-looking statements if our views change. By now, you should have access to our first quarter 2026 shareholder letter, which can be found at investor.shakeshack.com in the Quarterly Results section and as an exhibit to our 8-K for the quarter.

I will now turn the call over to Rob.

Robert Lynch

CEO & Director

Thanks, Alison, and good morning, everyone. I want to start by thanking our incredible team members across the globe who continue to bring enlightened hospitality to life every single day. Your dedication to serving our guests with care and kindness is what makes Shake Shack special. I'm grateful for everything that you do.

Turning to our results. I'm pleased to report that our first quarter performance showcases continued sales momentum in our company-operated Shacks and meaningful progress against our 6 strategic priorities for 2026, which are building a culture of leaders, optimizing restaurant and supply chain operations, driving comp sales behind culinary marketing and digital innovation, building and operating our Shacks with best-in-class returns, accelerating our license business and investing in long-term strategic capabilities.

For the first quarter, we grew total revenue by more than 14%, much of this growth came from same-Shack sales growth of 4.6%, including a 1.4% traffic growth. These strong sales and continued traffic growth were achieved despite significant weather impacts that contributed 240 basis points of negative comp in the quarter, negatively impacting our EBITDA for the quarter.

Despite these headwinds, our sales and traffic momentum continued, and we have now delivered 3 straight quarters of traffic growth. At the core of our sales performance is, first and foremost, strong restaurant operations that deliver guest satisfaction. Secondly, is culinary innovation that differentiates our brand. And lastly, our investments in targeted digital media to create awareness of our guest value proposition.

In Q1, we increased investments in delivering guest satisfaction, driving comp and opening new Shacks. And despite elevated beef costs that continue to persist, we were able to expand our restaurant-level profit margin by 50 basis points year-over-year to 21.2%. We continue to show our ability to grow both top line sales and operating margin, primarily through ongoing traffic driving programs and operational and supply chain productivity.

We also delivered our largest first quarter of new units ever with 17 new Shacks. We continue to successfully bring Shake Shack to new and underpenetrated markets, many outside of our historical footprint. Given our strong current cash-on-cash returns and expected future returns, we will continue to accelerate our company-operated development efforts.

Consistent with this strategy, we are now guiding to 60 to 65 new company-operated Shacks for 2026, an increase from our prior guidance of 55 to 60 Shacks. I would call out that opening this higher number of new Shacks in Q1 did increase our total preopening costs, which weighed on our adjusted EBITDA for the quarter.

Throughout the quarter, we made strategic investments to support our sales driving initiatives and new unit openings, both of which support our multiyear growth plans. These investments allow us to bring Shake Shack to more communities and create awareness of what makes our food and hospitality so special. These investments continue to enhance our strong value proposition and drive traffic in this value-oriented environment.

As we work to continue to enhance our value equation in a very competitive marketplace, we're focused on making the right investments in our food, our assets, our team members and our traffic-driving strategy. As a result of the weather headwinds that we experienced and our investments in additional new store openings, our first quarter adjusted EBITDA did not meet our short-term quarterly expectations.

That being said, we are confident that the foundation that we are building today positions us for long-term growth, and we remain confident in our long-term strategic plan. Still, given the volatility in the global and domestic marketplace, we are broadening our 2026 adjusted EBITDA guidance to a range of \$230 million to \$245 million.

Despite that volatility, I am excited to share that our sales momentum is building in Q2 and that we are reiterating our 2026 guidance for same-Shack sales, restaurant level margins and our long-term financial targets. After making the strategic decision to focus our traffic-driving investments in May and June, we're excited to see very strong performance to start May, behind the launch of our Baby Back Ribs Sandwich and anticipate strong sales growth in June as we expect to leverage the incremental traffic in some of our largest markets driven by the World Cup.

And despite a slower start in April, driven in part by the shift in spring break timing associated with the Easter holiday, we're confident in our guidance for Q2 at 3% to 5% comp growth.

Over the last 2 years, we have built a best-in-class executive team. A performance-driven restaurant operating model, a sales engine that can consistently drive transaction growth, a supply chain that is increasing productivity and a domestic development capability that is profitably accelerating the growth of our restaurant count on our way to 1,500 company-operated Shacks. Shake Shack is well positioned for the balance of 2026 and beyond.

Now I will discuss our progress against our strategic priorities. At Shake Shack, our performance is directly correlated to the quality of our team members. I've invested a significant amount of my time over my first 2 years cultivating an executive team that is uniquely positioned to achieve our ambitious aspirations.

Today, I'm excited to announce the newest member of our executive team. Michelle Hook will be joining Shake Shack as our new CFO next week. When we set out on this search, I thought that it would be very difficult to find a new CFO that met every criterion that was important to us. I'm ecstatic that we found a candidate that does.

Michelle comes to Shake Shack with over 25 years of public company restaurant experience, including the last 5.5 years where she has served as the CFO of Portillo's. Michelle's experience leading FP&A, accounting, treasury and IR, coupled with her long track record of leading teams with a commitment to building a strong culture will allow her to hit the ground running and make an immediate positive impact on our organization. I look forward to introducing her to our investment community over the coming weeks.

As we look to the balance of 2026, our focus will be on delivering significant value to our guests, leveraging both the numerator and the denominator of the value equation to accomplish this objective. We will employ a balanced approach leveraging premium core ingredients, culinary forward LTOs and a focus on guest satisfaction through enlightened hospitality to drive the numerator of the value equation.

For the denominator, we will continue to focus on decreasing our reliance on base pricing and employ strategic focused price pointed offerings like our 135 platform to profitably grow our transactions in a value-oriented macro environment.

We continue to make strategic investments in marketing to drive traffic and frequency. These investments have been primarily focused on creating a foundation for long-term revenue growth as opposed to short-term traffic burst. We are accomplishing this by motivating new guests to enter into our app and digital channels.

We have also seen a frequency increase amongst our current guests in these channels. This increase in the population of our digital community will support the launch of our loyalty program towards the end of this year, and the results of these investments have exceeded our expectations. We have grown both our digital channel guest count and app downloads by over 35% year-over-year.

Even more importantly, the lifetime value of our digital channel guests has grown by approximately 20%, driven by an increase in frequency from this highly engaged group. These guests visit us more often and spend more on an annual basis. With these strategic platforms, we are offering an improved value equation across all household incomes, which we believe will result in a broader guest base, sustained loyalty and greater lifetime value. These are long-term benefits from our current investments.

On the brand building front, our We Really Cook campaign is resonating. We are seeing significant quarter-over-quarter increases in guest engagement on key media platforms as we refine our targeting and creative execution. This campaign reinforces what sets us apart, our commitment to fresh premium ingredients, cook-to-order and true culinary craftsmanship.

Our culinary team continues to deliver bold flavor forward innovation. Adding to our successful return of the Korean-inspired menu launch in January, we introduced our Clubhouse Pimento Cheeseburger and Pimento Chicken Sandwich in March, which was inspired by a Southern Classic and reimagined with a Shake Shack Twist. These items performed strong nationwide and contributed to our sales growth in Q1.

In late April, we announced the return of our Smoky BBQ menu platform, anchored by a first-of-its-kind BBQ Boneless Baby Back Rib Sandwich, along with a new Mac & Cheese side. This premium protein innovation is indicative of our ability to successfully deliver more than just the best burgers in the business.

The BBQ Rib Sandwich is made with 100% Baby Back pork ribs that are hand deboned, slow cooked for 9 hours and marinated in a proprietary BBQ spice blend with apple cider vinegar. It's a perfect example of our ability to develop and execute innovative Shake Shack-only recipes at scale without disrupting our operations. I'm happy to report that both the Baby Back Rib Sandwich and the Mac & Cheese have significantly exceeded our expectations and are driving outpaced traffic and ticket growth in May.

We're also expanding into new beverage occasions intended to increase relevancy in all dayparts. Our new sparkling cucumber basil lemonade, our first sparkling lemonade, provides a delicious refreshing offering to complement lunch and dinner, but also gives us a platform to drive more afternoon beverage occasions with expected strong guest satisfaction and strong margins.

All of this innovation is supported by our disciplined stage-gate process that has resulted in a 12- to 18-month pipeline of innovation, which positions us to deliver a consistent cadence of high-impact menu items.

Our innovation strategy is driving both near-term performance and long-term brand relevance as we continue to differentiate Shake Shack through culinary leadership. We will continue to drive sales and traffic growth while improving our productivity across the company, and we are confident in our ability to drive continued margin improvement in a competitive inflationary environment. Foundational to those objectives is the recently announced Project Catalyst. Our comprehensive technology initiative designed to make us more productive across our company, which will be critical to creating long-term G&A leverage.

Through strengthening our digital, data and operational framework, we expect to improve restaurant execution, deepen guest engagement and unlock enterprise productivity, all while enhancing our ability to deliver enlightened hospitality.

Let me walk you through the key components. First, we're modernizing our restaurant systems. We've partnered with Qu, a cloud-native unified commerce platform to upgrade our point-of-sale and kitchen display systems. These new systems will improve throughput, order accuracy and consistency, particularly during peak periods. They'll also enable better orchestration across digital and in-Shack ordering channels, giving our team members faster, more reliable tools so they can stay focused on what matters most, delivering hospitality to our guests.

Second, we're building Shake Shack's first-ever loyalty platform. This will be a very meaningful platform for our brand. Our objectives in launching this new platform are to drive frequency, retention and lifetime value while enabling more personalized guest communication and enlightened hospitality. It's not just about points and discounts. This capability supports our continued journey towards data-driven targeted engagement that resonates with our guests and creates deeper connection with the Shake Shack brand. It will help us to reinforce the core principles of enlightened hospitality that launched Shake Shack as a company and continue to differentiate us in the marketplace.

Third, we're investing in a new generation of proprietary AI capabilities, embedded directly into daily operations. These AI tools will provide real-time operational insights, alerts and recommendations at the Shack level and for our above Shack operational leaders, enabling faster and better informed decision-making for our restaurant operators and support teams. This intelligent operating layer will deliver measurable productivity gains and form the foundation for ongoing performance enhancement over time.

Finally, we're advancing a unified data and analytics platform that brings together operational performance, guest behavior and advanced analytics. This data backbone will support improved service speed and accuracy, more personalized guest experiences and the continued expansion of AI-driven capabilities at scale.

We expect to begin rolling out these systems in the second half of 2026, and these investments position us to deliver an even better experience for our guests and team members.

Turning to operations. Our operations have never been stronger, and I couldn't be prouder of our team. In March, we hosted our first ever Operations Leadership Summit, where we celebrated an outstanding 2025, recognized best-in-class leaders across our company and outlined our vision to meet both our short- and long-term goals.

Our operational focus in 2026 centers on 2 things our guests value every single time they visit us, our hospitality and the accuracy of the order that we deliver. Over the past 2 years, we've driven meaningful gains in speed of service, and we are now averaging under 6 minutes on ticket times of cook-to-order food, a significant improvement. However, speed cannot come at the expense of accuracy, food quality or hospitality. With the tools that we are putting in place, we expect to not only get faster, but to also get better, delighting our guests, which will in turn drive frequency and loyalty over the long term.

Our operations performance scorecard continues to serve as the backbone of how we drive continuous improvement, and we've updated the metrics to reflect the sharpened focus on hospitality and accuracy. Even as a growing share of orders flow through our kiosks and digital platforms, we refuse to let efficiency come at the expense of connection. We've intentionally redeployed labor toward guest engagement through our front-of-house hospitality champion role. It's a deliberate investment to ensure there's a human touch point in every Shack, regardless of how the order was placed.

I'm also happy to report that our team member tenure and retention has continued to steadily increase. You might think that more rigor and operating discipline would create more turnover, but it's just the opposite. Our team members are experiencing a high-performance environment, seeing opportunities to advance their careers and they're staying longer. That tenure builds experience, which makes them better able to serve our guests, and that makes us a better operating company.

It also allows us to develop the leaders of tomorrow, which will support our continued new Shack growth. This culture has led to improved guest satisfaction across restaurant cleanliness, friendliness and overall experience. And we're delivering these results by making sure that we have the right labor in the right Shacks at the right time.

Supply chain optimization continues to deliver the highest quality ingredients in a more productive way. We've restructured our internal teams to unlock productivity across every node of the supply chain model. And we've built a strategic sourcing capability that is fully connected end-to-end, delivering the cost visibility that we need to make smarter, faster decisions.

We're partnering in new ways with both new and current suppliers, optimizing our distribution network and leveraging our scale to drive efficiencies, all while maintaining the quality standards that define our brand. In Q1, we realized cost savings through strategic sourcing initiatives, successfully transitioning key ingredients to new suppliers who meet our rigorous specifications while providing better economics.

Before making any changes, our culinary, quality assurance and operations teams test and validate that if there is any change in taste or guest experience, it is for the better. These improvements are flowing through to better unit economics and directly supporting our priority of building and operating our Shacks with best-in-class returns as we scale.

Turning to our license business. Our license business continues to be a long-term strategic engine for EBITDA growth. However, the short-term results have been and will continue to be impacted by the ongoing conflict in the Middle East, driving some of our rationale for a broader adjusted EBITDA guide in 2026. The conflict has led to business disruptions ranging from temporary closures to reduced operating hours and delivery-only operations for periods of time.

Beyond these impacts, inbound tourism has slowed substantially, which has further pressured sales, particularly at high-traffic locations. Despite these near-term headwinds, we stand side-by-side with our license partners and the long-term opportunity in these markets. We've seen some delays in opening time lines, but as of now, we still plan to achieve our target of 40 to 45 licensed unit openings in 2026. We will continue to monitor the situation closely and provide additional updates as we move through the year.

Domestically, our company-operated development pipeline remains robust. As I mentioned, we had a momentous first quarter with a record 17 openings compared to 4 openings in the first quarter last year. We also opened new markets, such as Naples, Florida; Tucson, Arizona; Athens, Georgia and East Lansing, Michigan. This is the start of a record year of growth for Shake Shack as we march toward opening 60 to 65 new company-operated Shacks.

We continue to see strong results from our cost containment strategies and see similar build costs for the class of 2026 as compared to last year. We also continue to invest in our existing Shack base through targeted remodels and refreshes that enhance the guest experience and improve operational efficiency. I'm energized by the momentum in our business and the opportunities that lie ahead.

We have a clear strategy focused on driving same-Shack sales growth and transactions, expanding our footprint with disciplined development and improving profitability across the enterprise. Project Catalyst will provide the technological scaffolding that we need to scale efficiently while enhancing the experience for our guests and team members. Our marketing investments are building brand strength and driving consistent traffic growth.

Our culinary innovation is creating excitement and brand affinity, which differentiates us in the marketplace. And our operational improvements are delivering better guest experiences and stronger unit economics. Most importantly, we have an exceptional team executing with discipline and passion.

From our restaurant team members who serve our guests every day to our leadership team driving strategy and innovation, we have the right people focused on the right priorities. I've never been more confident in our ability to build Shake Shack into the best restaurant company in the world. Our premium quality, enlightened hospitality and a focus on supporting our team members drives prosperity for Shake Shack and our shareholders.

And with that, I'll turn it over to Alison to provide more details on the quarter.

Alison Sternberg

Head of Investor Relations

Thank you, Rob, and good morning, everyone. Our first quarter results showed the resilience of our business in the face of a challenging macro environment and inclement weather. The quarter marks our 21st consecutive quarter of positive same-Shack sales growth alongside continued year-over-year restaurant level margin expansion.

First quarter total revenue reached \$366.7 million, up 14.3% year-over-year, supported by the opening of 17 new company-operated Shacks and 5 new licensed Shacks, leading to 14.1% year-over-year growth in system-wide sales.

Our licensing revenue was \$12.7 million in the quarter, with licensing sales of \$204.3 million, up 13.8% year-over-year, driven by continued strength in Asia, U.S. airports and the United Kingdom. Sales growth was partially offset by the ongoing conflict in the Middle East, where we had temporary closures in 17 licensed Shacks in Q1 with 3 locations at airports and a transit center remaining closed from the onset of the conflict through the end of the quarter.

In our company-operated business, we grew Shack sales 14.3% year-over-year to \$354 million. We generated roughly \$72,000 in average weekly sales, flat year-over-year. We delivered 4.6% same-Shack sales growth with 1.4% positive traffic and 3.2% price/mix. Our same-Shack sales growth was driven by the success of our culinary and marketing initiatives despite a 240 basis point headwind due to inclement weather in Q1.

Our pricing remained disciplined. And in March, we rolled off the price we took on our delivery channels last year, an approximate 1% impact. In-Shack menu prices for the first quarter came in at about 3%, while blended pricing across all channels increased approximately 4%. This compares to approximately 5% last year, demonstrating our ability to deliver positive same-Shack sales with less dependence on price increases. April AWS was \$75,000, down 2.6% year-over-year and same-Shack sales decreased by 0.6%.

The month same-Shack sales were negatively impacted by approximately 200 basis points, largely due to the shift of Easter weekend spring breaks into March this year compared to last. Additionally, we continue to see declines in tourism in our largest urban markets, particularly in New York City.

First quarter unit development was strong with 17 new company-operated Shacks ahead of our guidance for 12 to 14 new Shack openings. As a result of these Shacks opening earlier than planned, preopening costs were higher in the first quarter to support our strong opening schedule for 60 to 65 new Shacks in 2026.

First quarter restaurant level profit was \$75.1 million or 21.2% of Shack sales, expanding 50 basis points versus last year. Strong benefits from our labor management strategies alongside procurement-driven cost improvements and other items in our commodity basket helped offset higher beef costs and demonstrate our ability to sustain profitability despite beef headwinds.

That said, restaurant level margins came in slightly below our expectations for the quarter due to higher other operating expenses, mainly due to the timing of investments in repairs and maintenance expenses to support our Shacks and some mix impact of our marketing initiatives.

In the first quarter, food and paper costs were \$100 million or 28.3% of Shack sales, 50 basis points higher versus last year. The increase year-over-year was mainly driven by the mix of promotional activities to support our culinary innovations during the quarter.

Blended food and paper inflation was down low single digits with beef costs up low teens and paper and packaging costs down low single digits year-over-year. Through proactive procurement and cost mitigation initiatives, our teams meaningfully offset continued beef inflation without taking additional price.

Labor and related expenses totaled \$92.7 million or 26.2% of Shack sales, representing a 180 basis point improvement year-over-year, driven by more efficient scheduling and deployment through our labor management strategies. As we move through the year and fully lap the benefits of the implementation of our new labor model, the year-over-year improvement in the labor line will be more muted with our supply chain initiatives driving restaurant level margin expansion going forward.

Other operating expenses were \$57.5 million, or 16.2% of Shack sales, 60 basis points higher versus last year, largely driven by the timing of repairs and maintenance expense and the growth of third-party delivery. Our digital sales mix increased to 39.9% in the first quarter. Occupancy and related expenses were \$28.7 million or 8.1% of Shack sales, 20 basis points higher year-over-year.

First quarter G&A totaled \$53.6 million or 14.6% of total revenue, reflecting incremental investments in marketing and technology as well as continued investments in our people to support growth and strategic initiatives. As we mentioned on our fourth quarter call, our marketing plan for 2026 is more evenly distributed across the year.

As a result, our quarterly G&A expense is expected to remain relatively steady from an absolute dollar standpoint each quarter of 2026 and will be relatively consistent with what we spent each of the last 2 quarters to land within 12% and 13% for the year. This results in a higher year-over-year G&A step-up in the first half, tapering off in the back half of the year.

As we discussed last quarter, we plan to deliver G&A leverage in 2027. Equity-based compensation was \$5.2 million, 13.6% higher year-over-year with \$4.6 million hitting G&A.

Preopening costs were \$6.9 million, up 113.5% year-over-year, reflecting 17 new Shack openings in Q1 2026 versus 4 in Q1 2025. We have approximately 37 Shacks under construction and the largest pipeline of new Shacks that we've had in our company history.

Adjusted EBITDA of \$37 million or 10.1% of total revenue declined 9.3% year-over-year, resulting from sales underperformance due to weather and macroeconomic factors alongside strategic investments to support our multiyear growth plans. Depreciation was \$29.1 million. The increase in depreciation year-over-year, both in the first quarter and throughout 2026 is a result of more new company-operated openings, coupled with new technology investments.

Net loss attributable to Shake Shack, Inc. was \$290,000 or a loss of \$0.01 per diluted share. Adjusted pro forma net income was \$88,000 or earnings of \$0 per fully exchanged and diluted share. Our GAAP tax rate was 33% and our adjusted pro forma tax rate, excluding the tax impact of equity-based compensation, was 25.5%. We ended the quarter with \$313.7 million in cash and cash equivalents on our balance sheet.

Now on to guidance for the second quarter and full year 2026. Our outlook assumes no major changes to the macro or geopolitical environment. For the second quarter of 2026, we expect system-wide unit openings of 24 to 27 with 16 to 19 company-operated openings and approximately 8 license openings. Total revenue of \$424 million to \$428 million with same-Shack sales up 3% to 5% licensing revenue of \$13.5 million to \$13.7 million and restaurant-level profit margin of 24% to 24.5%.

Our pricing plans for this year remain modest, assuming no outsized macro changes. We plan to exit the second quarter with approximately 4% overall price and continue to expect price across all channels to be up approximately 3% for the full year. We will continue to evaluate the need for pricing as our dynamic cost structure continues to evolve, but our intention is to take a limited amount of pricing.

On to our full year 2026 outlook. Given the impacts that we've seen in the first quarter, we now expect to open 60 to 65 company-operated Shacks this year as our new Shack openings are tracking ahead of plan and more heavily weighted to the first 3 quarters of the year. We continue to expect total revenue of approximately \$1.6 billion to \$1.7 billion, driven by low single-digit same-Shack sales growth year-over-year.

Given headwinds in the Middle East, we now expect licensing revenue of \$57 million to \$59 million. We still plan to open 40 to 45 licensed Shacks this year. We expect restaurant level profit margin of 23% to 23.5%. We are planning for food and paper inflation to be down low single digit year-over-year after accounting for our own supply chain strategies. Beef inflation is expected to continue at the high single-digit levels. We expect labor inflation to be in the low single-digit range. G&A investments are expected to be toward the higher end of our guided range of approximately 12% to 13% of total revenue to support our strategic investments in growing the business and driving greater brand awareness.

We continue to expect approximately \$28 million of equity-based compensation expense with about \$25 million in G&A. We expect full depreciation of \$124 million to \$128 million and preopening of approximately \$26 million to \$28 million. We expect net income of \$50 million to \$60 million. Altogether, we now expect adjusted EBITDA of \$230 million to \$245 million, representing 10% to 17% growth year-over-year.

Thank you for your time. And with that, I will turn it back over to Rob.

Robert Lynch

CEO & Director

Thank you, Alison. I want to thank our teams again for their hard work and passion for Shake Shack, which is the engine behind our ability to achieve our long-term goals. Thank you to everyone on the call today for your interest in our company.

And with that, operator, please open up the call for questions.

Question-and-Answer Session

Operator

[Operator Instructions]. Our first question is from Brian Vaccaro with Raymond James.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

So just on the first quarter comps, and can you elaborate on the underlying cadence that you saw through the quarter? Any changes in consumer behavior that you've seen more recently that might be tied to higher gas prices and the Iran conflict? But also maybe provide some more color on how the value initiatives like 135, Chicken Shacks on Sundays performed in the quarter. And just curious how that might be positively impacting value perceptions or frequency among certain consumers.

Robert Lynch*CEO & Director*

Thanks, Brian. Great question. We had relatively consistent sales rates throughout the quarter. We didn't see significant changes. We did see a little bit of softening in the back half of March, but not at a significant rate. And so we were -- we made a lot of our investments in February behind the launch of our Korean launch and some of the innovation that we were planning. So most of the weather impact we saw was January and March.

We had anticipated even higher sales heading into Q1. So we made a lot of investments heading into Q1 with a sales plan that we would have achieved had we not seen those weather impacts. So our app and digital channels continue to drive significant value for our guests and are growing rapidly.

We've seen over 35% growth in our digital channel entrance rate, so 35% downloads of our app, and that is driving a lot of our traffic growth. And we feel great about that. We feel like that is a long-term investment that we're making. It is not a short-term promotion. These folks are coming into our digital community and they're staying. And their frequency is higher than our nondigital guests.

And when you think about the value prop that we offer today in our app, you can get a Shack burger fries and a beverage, a Coca-Cola for around the same price as you can get a lot of our other competitors for the same thing. So on average, an \$8 Shack burger, \$3 fries and \$1 drink, you're talking about a \$12 combo meal, if you want to call it that, we don't call it that. That makes us really competitive. That puts us in the universe of other brands that can persevere through these value challenged and value-oriented times.

So we feel great about level setting that value equation. We also feel great about launching very premium culinary innovation. I would tell you, and I highlighted in the comments, we launched a \$12.99 BBQ Rib Sandwich a week ago, and we're seeing huge demand for that innovation at that price point.

So we really feel that we can play at both ends of the barbell. We can deliver great value on our core and continue to drive traffic through new guest acquisition and repeat, but we can also drive frequency and check growth with our most engaged guests through our premium innovation. So we feel like the sales engine is in place, and that's why we've stayed committed to investing behind it.

Operator

Our next question is from Christine Cho with Goldman Sachs.

Hyun Jin Cho

Goldman Sachs Group, Inc., Research Division

Rob, it's really encouraging to see 3 consecutive quarters of positive traffic growth and really appreciate the quarter-to-date color. But could you elaborate on the key factors driving your confidence in that Q2 same-store sales growth guidance of 3% to 5% as well as the sustainability of this momentum through the second half of the year? And I think you mentioned a potential lift from the World Cup. How much of that benefit is currently embedded in your guidance?

Robert Lynch

CEO & Director

Yes, you're welcome. So we are highly confident in our guide for Q2, driven by what we're seeing both on our core business with our app driving a lot of growth and strength in our digital channels, complemented by the success of our premium LTO innovation. So we are -- we saw last week with the launch of this innovation, we saw 8% comps and 5% traffic.

So we are seeing huge demand for the culinary forward innovation that we're bringing while underpinning that being able to go out and also deliver a great value proposition for a different consumer and primarily a newer consumer, right? Our new guests, when they come to Shake Shack are going to want to try the best burgers in the world. Like that's what they come for. They come for the Shack burger fries and Coca-Cola.

And when they get there, we have to have a value proposition that allows them to come in and feel great about the money that they paid for that. And so that's what the app is designed to do. And we're using that app as a guest acquisition tool. But we also need to continue to differentiate ourselves in the space.

We are not going head-to-head with the likes of the QSR value players from a holistic business proposition. We are going to continue to offer premium ingredients and culinary innovation and the best hospitality in the business with great assets. So when our guests come, it's a different experience than you typically see in traditional QSR. So that balance is working, and we're going to continue to invest behind it.

On the World Cup side, I mean, we're not going to get into specifics about what our model looks like. But our -- the markets where the World Cup is being played are all markets where Shake Shack has a high degree of penetration. And Shake Shack in markets where we have a high degree of confidence in our ability to drive traffic to our restaurants regardless of whether there's the World Cup or not. So that influx of traffic is just going to benefit and accelerate the business that we do in those -- some of our best markets. So we're really excited about Q2.

As we look to the back half of the year, we have more innovation coming. We have great items across our shakes, beverages, core sandwiches, and we're going to continue to invest in the marketing fuel that is driving a lot of this traffic.

Operator

Our next question is from Michael Tamas with Oppenheimer & Company.

Michael Tamas

Oppenheimer & Co. Inc., Research Division

It seems like your same-store sales are implied to be a little bit slower in the second half of the year versus the first half of the year. So can you sort of speak to the confidence in hitting that full year margin guidance of 23% to 23.5% as sales moderate a little bit in the second half of the year?

And maybe how you're thinking about that split between COGS, labor and other OpEx? I mean, is it about COGS deflation that's going to drive the majority of that expansion? Or how do you want to think about that?

Robert Lynch

CEO & Director

Yes. I mean I would tell you that the 50 basis points growth that we had in Q1 was a bit muted given some of the revenue shortfall that we saw from some of the weather. So just the leverage impact. As we look forward, we continue to be able to -- we continue to see the path to continue to expand those margins.

We have a lot of supply chain work going on that is already flowing through in a big way. So obviously, beef prices are elevated, continue to be elevated, although the rate of growth on the beef pricing that we're seeing is less than it was last year. And we're actually seeing a lot of cost mitigation and other items in our basket. And some of that is the macro markets and a lot of it is the work that we've done in our supply chain. So from a cost side, we're doing a lot to mitigate the cost of the inputs into our business model.

On the revenue side, you're right. We delivered 4.6% comp in Q1. We're guiding to 3% to 5% in Q2. We're guiding to low single digits for the year. So that does imply a softer comp in the back half. And the reason for that is we're going to start lapping some of the marketing investments that we made in the back half of last year versus being fully incremental. So we're accounting for that.

We still have a lot of confidence in our ability to drive strong performance on the top line. We're seeing continued momentum build. So we want to make sure that both our broadening of our EBITDA guide as well as the reiteration of our low single-digit comp guide takes into account some of the macro risk. I mean the reality is none of us know what's going to happen tomorrow, much less what's going to happen 3 months from now. So there's consumer sentiment driven by a lot of the macro factors. There's cost in commodities driven by macro factors.

So we really thought very carefully about our guidance for this call because we want to make sure that we're informing our investors that we are very confident in our organic business model, but we recognize that there is volatility in the marketplace, and we want to express our guidance and show the risk of that volatility in that guidance.

Operator

Our next question is from Brian Mullan with Piper Sandler.

Brian Mullan

Piper Sandler & Co., Research Division

Congrats on the CFO hire. Congrats to Michelle. Related to that, Rob, last call, you said the new CFO would, I think, share some sort of G&A plan when he or she begins. Just to better understand, has that plan already been largely formed? Or would the new CFO need to kind of undertake that work from scratch once she begins? And you talked about Project Catalyst in the prepared remarks. I just -- are these one and the same? Or are these kind of just 2 separate topics? Any color would be great.

Robert Lynch
CEO & Director

Project Catalyst will definitely be an asset for us as we create G&A leverage moving forward. We have built these tools that I highlighted in the comments, and we shared with our Board last week, and we rolled out to our team members 2 weeks ago. The technology -- we've made a lot of investments. Like I want to be clear.

The G&A is up \$13 million this quarter versus a year ago, all right? Like I don't think about that lightly. Some of that investment was the Operations Summit that we had this year, which we haven't had before. So we had to obviously pay for that. But we felt like it was important for -- to recognize the great job that our operators did last year and lay out our vision for the future. So that was incremental.

We obviously are investing in marketing, but we're also investing heavily in tech and Project Catalyst is a big part of that. And the infrastructure that we're building is going to make us dramatically better. It's going to make us better from an operating standpoint. Our operators today don't have a lot of the tools that they need to make real-time decisions.

Our above-restaurant operators are spending huge amounts of time pulling reports and sourcing data to be able to have conversations with our GMs about their business. All of that time is going to be significantly reduced. And our folks in the field are going to be able to have real-time information to make informed decisions. So that's going to improve the quality of those decisions. It's also going to reduce the amount of capacity necessary to build those conversations.

So there is a huge amount of value creation in Project Catalyst for us. And so to your original question around Michelle, Michelle is going to come in and have a lot of great work on her plate. And she obviously has all the experience and all the capabilities to be able to contribute in a big way to the work that's going on here. G&A, we obviously have a plan. We have a road map. We have things that we're doing and how we're thinking about it for the balance of this year and moving forward.

But Michelle is absolutely going to come in and weigh in on all of that and have a point of view. Michelle and I are committed. We had a big discussion about this. We're committed long term to growing EBITDA faster than revenue and making sure that we're continuing to enhance our operating margins as a company. So that's going to be the work we're doing.

And in order for us to continue to do that, we have to get better on the G&A line, but we have to make sure that we're making the right investments to drive the long-term outcomes. And right now, it's all about battling for share in this marketplace. We cannot afford to lose guests right now. And so we are making those investments.

And yes, none of us are super excited about the way the EBITDA showed up this quarter. There's a lot of moving pieces there. There's a lot of timing. Opening up a lot more restaurants this quarter cost us a lot more, but we wouldn't make the decision not to do it. So we made some decisions knowing that this was going to be the outcome, but we have the most confidence we've had on the path forward.

Operator

Our next question is from Peter Saleh with BTIG.

Peter Saleh

BTIG, LLC, Research Division

Rob, I did want to circle back on that last comment you made on the decision to pull forward some new unit growth. Can you guys elaborate a little bit on that decision and maybe the impact that you saw in the first quarter from pulling forward some new units? And then I had a quick follow-up as well.

Robert Lynch

CEO & Director

Got it. So it's not necessarily that we pulled them forward. We just built them better, faster. So we obviously guided to a range for the year and gave guidance on how many we would open in Q1. And we're just getting better at opening restaurants, frankly. We're getting better on the construction side, on the equipment procurement side and on the operations and preparation it takes to open up a restaurant successfully.

So we're just moving faster, and that's why we're able to take our guide up for the year. It's not just pulling forward from 1 quarter into this quarter. It's actually building restaurants faster. So with the same quality. So that really -- it wasn't as much a pull forward. It's just we're accelerating.

On the amount that it cost, I mean, we opened 4 more restaurants than the midpoint of our guide. So you can kind of do the math on historically what we -- our preopening costs are for those restaurants. And it's not exactly 1:1 because we have a lot of preopening costs that flow from quarter-to-quarter because we're incurring preopening costs right now for next quarter.

And as you think about the rate of acceleration and the fact that we're opening up so many restaurants in Q2, some of those preopening costs actually hit Q1. So that acceleration is great. We wouldn't change it. We're going to continue to build more restaurants. We love the returns. But it is a different cost profile on a quarterly basis, which did impact our results in this quarter.

Operator

Our next question is from Sara Senatore with Bank of America.

Sara Senatore

BofA Securities, Research Division

I guess maybe just 2 questions on the margins. One is you mentioned that cost of goods were -- the inflation was negative low single digits, but you did see some margin pressure there. So is that promotions or the in-app value menu? And I guess the related question is, as you think about supply chain initiatives, and I think you said those will be the primary driver of margin expansion going forward versus labor. The dynamic was reversed in the quarter. So what -- I guess, what's still ahead of you? And how should I think about sort of the mix of those 2 margin components in the next few quarters?

Robert Lynch

CEO & Director

Yes. Great question. So we did grow the margin 50 basis points, right? So we did make improvements. It was -- when we say we missed on margin, it's just relative to our guide. So we did anticipate higher margins than we delivered despite growing the margins 50 basis points. And a lot of that was just sales deleverage relative to our plan that formed our guidance.

So we came into this quarter with a significantly higher sales rate than what came -- what the outcome was. And that was primarily the weather. And if everyone recalls, we had some bad weather in 2025. Q1 2025 was not a great quarter for anyone, wildfires, blizzards, the whole thing. So we didn't plan for a huge negative weather impact in Q1.

So if you add that 240 basis points to what we delivered, it's pretty strong comp growth. And so our plans were based on that. The investments that we made in marketing, the guidance that we gave on margin was driven by what we anticipated on the top line revenue. And when that revenue didn't come through, you saw some -- you saw less than -- it was 10 basis points. It's not like we missed it by 100 basis points, but we take it seriously, 10 basis points relative to being within the guide.

And the supply chain is driving a lot of the margin right now in addition to continued operational improvements. We've done a ton of work, a ton of work. And that work has also required G&A investment. We had to rebuild a procurement team. We had to hire distribution people. But all of that work is why we have a very high degree of confidence in being able to deliver at least 50 basis points of margin enhancement throughout the rest of the year.

Operator

Our next question is from Jeff Bernstein with Barclays.

Anisha Datt

Barclays Bank PLC, Research Division

This is Anisha Datt on for Jeff Bernstein. As you prepare to launch a loyalty program by the end of 2026, what customer or behavioral insights have been most influential in its design? And how will the program differ from purely points-based or discount-driven offerings?

Robert Lynch

CEO & Director

Yes. So we've been thinking a lot about -- it's a great question. We've been thinking a lot about this. And we have a big decision to make on -- does the [indiscernible] loyalty program, do they just kind of turn into one thing? And we made a strategic decision that, that's not going to be the case. So the app as it list today is going to be a continued way for us to drive value and acquire new guests.

The loyalty platform is really intended to drive brand affinity, brand engagement and frequency amongst our most valuable guests. So those 2 objectives will drive a different approach to our app and our loyalty platform. Now the folks that are already in our app will all transition into our loyalty platform because they're current guests. But we will communicate and approach the promotions and marketing that we do on the app differently than the loyalty platform.

So the loyalty platform will not just be a way to send discounts. It will actually be a way to drive brand engagement, giving loyalty members unique and special representations of hospitality to drive further engagement, drive affinity and drive frequency.

So we're looking at all kinds of different opportunities to do that, whether it's through some of our partnerships with some of our things we've done with partnerships and collaborations in the past, whether it's offering first access to special things that we do. So all of those things will flow through our loyalty platform and the app will kind of stay as a new guest acquisition tool.

Operator

Our next question is from Margaret-May Binshtok with Wolfe Research.

Margaret-May Binshtok

Wolfe Research, LLC

Just a 2-parter here. I just wanted to ask a little bit about the paid media that you guys have done, the location targeted paid media, how you guys are seeing that tracking in some of your newer markets versus more established markets?

And then just wanted to follow up on the remodels that you guys have mentioned are underway, I think, in New York City. Any early reads on what you guys are seeing and any sort of cadence for the rest of the year?

Robert Lynch

CEO & Director

Great question. So our media, we don't have big national market media budgets. So we have to be very choiceful on what and where we invest. And so right now, our media is invested in 2 ways. One is guest acquisition through delivering a value proposition that's compelling for new guests, and that's primarily marketing our app and our 135 platform.

And then it is driving frequency and check benefit through our LTO innovation. So it's a balanced approach in different markets depending upon our market penetration, depending upon the number of guests that we have in the app platform today, which is how we kind of measure the number of current guests versus new guest potential. That will drive a lot of the decisions on how we make -- on how we invest our media.

On the remodels, we've been really pleased. We're continuing to invest in remodels. We're 22-year-old company now, and we're starting to see some of these great restaurants that have been in markets like New York for a long time and continue to deliver great revenue and some of our best margins, they get a lot of traffic.

We want to make sure that, that traffic is when they show up, they're getting hospitality. And so it's not about making everything brand new and fresh, but it is about making sure that the restaurants feel cared for, making sure that the restaurants are welcoming.

And then in addition to that, we're also leveraging remodels as an opportunity to optimize the back of house, right? We've done a lot of testing on kitchen and equipment and kitchen flow. And so when we go in and we know we're going to touch the restaurants, we're going to make sure that those restaurants are set up for the most productivity possible. And so that also can be a revenue driver as we increase throughput because of optimized back-of-house flow. So we're making both of those investments, and we're really happy with where we're at there.

Operator

We have reached the end of our question-and-answer session. This will conclude today's conference. You may disconnect your lines at this time, and thank you for your participation.

Read more current SHAK [analysis and news](#)

View all [earnings call transcripts](#)

Comments

Sort by

Newest ▼



If you type a company or ETF ticker symbol in capital letters we will automatically link to the symbol page. You can remove the link by deleting the \$ in the comment.

