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Q2: 2025-07-31 Earnings Summary



EPS of \$0.44 **beats by \$0.06** | Revenue of \$356.47M (12.63% Y/Y) **beats by \$2.34M**

Shake Shack Inc. (NYSE:[SHAK](#)) Q2 2025 Earnings Conference Call July 31, 2025 8:00 AM ET

Company Participants

a - Corporate Participant

s - Corporate Participant

Alison Sternberg - Head of Investor Relations

Katherine Irene Fogertey - Chief Financial Officer

Robert M. Lynch - CEO & Director

Conference Call Participants

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

Daniel Edward Guglielmo - Capital One Securities, Inc., Research Division

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

Jake Rowland Bartlett - Truist Securities, Inc., Research Division

James Jon Sanderson - Northcoast Research Partners, LLC

Jeffrey Andrew Bernstein - Barclays Bank PLC, Research Division

Jeffrey Daniel Farmer - Gordon Haskett Research Advisors

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

Sharon Zackfia - William Blair & Company L.L. Research Division

Melissa Eve Calandruccio - ICR Inc.

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Operator

Greetings. Welcome to Shake Shack's Second Quarter 2025 Earnings Call. [Operator Instructions] As a reminder, this conference is being recorded. It is now my pleasure to introduce Melissa Calandruccio, Investor Relations. Thank you. You may begin.

Melissa Eve Calandruccio

Thank you, operator, and good morning, everyone. Joining me for Shake Shack's conference call is our CEO, Rob Lynch; and our CFO, Katie Fogertey. Additionally, I'm very pleased to announce that Alison Sternberg has joined us as Shake Shack's new Head of Investor Relations. Alison brings over 25 years of finance and investor relations expertise across multiple industries, including consumer. We're excited to have her on board and look forward to everyone getting to meet her. Alison?

Alison Sternberg

Thank you, Melissa. I am delighted to be here today. Shake Shack has long been a brand and company that I've deeply admired and I'm excited to work alongside this talented team to capitalize on the significant opportunities ahead of us. Over the past few weeks, I've been immersing myself in the business and collaborating closely with Rob, Katie and our finance team as we prepare for today's earnings call.

I look forward to connecting with many of you in the coming months. Now back to business. 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 21, 2025, 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 second quarter 2025 shareholder letter, which can be found at investor.shakeshack.com in the quarterly results section or as an exhibit to our 8-K for the quarter. I will now turn the call over to Rob.

Robert M. Lynch

Thanks, Alison. Good morning, everyone. Firstly, I want to thank all of our team members across the country who have been leading the efforts to assist their communities impacted by significant weather. I'm never surprised but always thankful for the way our Shake Shack team members contribute their time and resources when challenges arise.

And I'm proud to announce that with their help, we have raised over \$100,000 to support communities in Texas and North Carolina impacted by the devastating floods earlier this month. We are all hopeful that this support can help a lot of people in a significant time of need.

On to our Q2 results. I'm very proud of the strong results from the second quarter despite a particularly challenging environment in the first quarter and April. Although there are still lingering headwinds facing the industry, these results are reflective of our continued execution against our strategic plan and long-term aspirations and are the foundation of our confidence in raising our adjusted EBITDA guide for the full year.

Just a year ago, I stood here and outlined our areas of focus, and I am humbled by the progress that our entire team has made in such a short period of time. On my first earnings call, I shared 3 key priorities. The first was driving healthy Shake Shack sales while building brand awareness and affinity. The second was opening more Shacks globally with strong returns for us and our licensed partners. And the third was improving profitability in our Shacks and across the enterprise.

Over the last year, we've made meaningful progress in all 3 areas. And we have a clear road map to continue scaling Shake Shack with discipline and purpose. Let me begin by reinforcing what we're building and why we know that we're positioned to win. Our

team members and general managers are the heart of our brand. They deliver a differentiated guest experience anchored in premium ingredients and enlightened hospitality in beautiful restaurants.

That is what sets us apart in the category. Team member and guest satisfaction remain our true north as we execute on a long-term strategy focused on revenue growth and margin expansion. One of my favorite quotes is from Simon Sinek, who says, "Leadership is not about being in charge, it's about taking care of those in your charge." At Shake Shack, we accomplished this through our culture of enlightened hospitality.

We are laser-focused on taking care of our team members so that they can take care of our guests. Over the past year, we've evolved into a performance-based culture that empowers our teams to lead with clarity, accountability and purpose. We've invested in leadership development programs that go beyond training to prepare our next generation of leaders to open up many Shacks ahead.

From Shack-level managers to our support center teams, we're equipping our people with the tools, mentorship and confidence they need to grow and thrive, and we're seeing the results from improved restaurant-level margins to our ability to open the largest class of new Shacks on record this year.

Our wins are powered by leaders who are deeply engaged and committed to our success. As we scale, we will remain focused on our #1 strategic priority of building this culture of leadership, and it will be our fuel, enabling us to grow with consistency, maintain the soul of our brand and deliver long-term value for our shareholders.

To further support our efforts, earlier this month, we welcomed Jamie Griffin as our new Chief People Officer, reporting directly to me. Jamie has held multiple roles across various business segments and multiunit restaurants, always serving as the connective tissue between field teams and senior leadership in helping them to scale. We are very excited to have him on our team as we bring the world's best fine casual experience to as many guests, team members and communities as possible.

In his role, Jamie will oversee key areas of the company, including team member experience, talent acquisition, organizational design and leadership development amongst others. Additionally, he will leave the Shack Support Center HR team to support enterprise growth, build organizational capabilities and shape our high-performance, people-first culture rooted in enlightened hospitality.

Our second strategic priority is improving restaurant operations and the results speak for themselves. In Q2, we expanded restaurant-level margin by nearly 200 basis points year-over-year to approximately 24%, our highest in the last 24 quarters. This reflects the strength of our operational foundation and the momentum that we are building. We've implemented a performance scorecard that's driving accountability and visibility across our Shacks, improving both guest experience and profitability versus last year.

We're investing in tools that empower our teams to operate more efficiently, including smarter scheduling systems and targeted coaching. This past quarter, we achieved improved labor attainment, speed of service and order accuracy. Our third strategic priority and a core focus of our long-term strategy is delivering positive same-Shack sales with a focus on traffic and culinary mix.

In the second quarter, we achieved 1.8% same-Shack sales growth. Trends improved throughout the period and into July, where we delivered 3.2% same-Shack sales through a combination of culinary innovation, targeted marketing, operational improvements and digital activations, all aimed at reaching new guests, increasing guest frequency and reinforcing our value proposition.

Culinary innovation is part of our DNA at Shake Shack. We take immense pride in our ability to serve unbelievable food with the finest quality ingredients, made fresh to order for our guests. We are continuing to innovate across our core menu, along with a strong pipeline of LTOs. We look forward to the next 18 months where we are going to introduce new innovation to our guests as only Shake Shack can.

We are seeing it today with our limited time summer barbecue platform, Dubai Chocolate Pistachio Shake and new fried pickles side. These offerings are creating an exciting buzz bringing in new guests while also driving higher frequency. On the marketing front, we are focused on driving sustained, engagement strategies. And with our increased scale, we are in the initial stages of testing a paid media component of our business model.

We expect to realize the full potential of this brand by clearly defining how Shake Shack is different than fast food and bringing that to life in every market we compete in. As a company, we have historically underinvested in advertising versus many of our larger peers. And while same-Shack sales growth has been positive for many quarters now, this has been a limiting factor to achieving our true potential.

In Q2, we delivered close to 2% same-Shack sales and approximately 3% of pricing year-over-year. Compare that to 2024, where we delivered 4% of same-Shack sales with approximately 7% pricing. We are building a different, more sustainable, value-enhancing model that still delivers the premium experience that sets us apart.

Moving forward, we will support our amazing culinary offerings with traffic driving media. This has never been the case for Shake Shack. We have historically relied on our word-of-mouth promotions and other bottom of the funnel marketing initiatives to drive traffic. These tactics will continue to be components of our model where appropriate, but they will be enhanced and supplemented with advertising that brings our brand to life.

Last week, we embarked on a paid media campaign around 2 exciting products and strategies, our Dubai Shake and our new Dollar Soda promotion to drive Shack app adoption and usage. Building this product marketing muscle is a cornerstone for us to drive long-term sustainable traffic, delivering incremental sales with great products and marketing will provide even more fuel for continued leverage and restaurant margin expansion.

Another sales strategy we've been focused on is offering combos. We believe that combos or bundled meals are important for drive-through success. By reducing the friction for our guests and increasing our value perception, we see potential for combos to drive throughput and frequency. Our combo meals are now live in all 46 of our drive-throughs, and we're excited about the continued opportunity in this important format.

Looking forward, we're confident that our holistic approach, combining culinary innovation, guest experience enhancements and a 360-degree approach to marketing will continue to drive top growth and strengthen our brand. Turning to development.

We continue to execute with discipline and momentum in Q2, opening new Shacks that reflect the strength of our brand and the scalability of our model. In the second quarter, we opened 13 new domestic company-operated Shacks, bringing our first half total to 17. We remain on track to open 45 to 50 company-operated Shacks in 2025 and marking this as the largest class in company history.

These openings are concentrated primarily in established markets outside of the Northeast, diversifying our portfolio and increasing the productivity of our supply chain and marketing investments. We are continuing to push the limits of what is possible and to think big with our new location at The Battery in Atlanta right next to the Braves stadium.

It's our first company-operated Shack offering a great lineup of signature cocktails like the Frozen Around the Rocks Patron Shaquerita alongside boozy shakes and many other premium cocktails, spirits, beer and wine. This first of its kind Shack came to life through a fast, cross-functional effort across our company and shows just how much progress we have made on transforming our pace of innovation.

This location also features promising new equipment that is allowing us to deliver a high-quality experience with shorter wait times. Just a few weeks in, the team is already hitting it out of the park with strong volumes on both game days and nongame days. The wins we are seeing here reinforce the innovative work we have embarked on around kitchen equipment and layout operations and a broader culinary strategy.

We're also making solid progress on reducing our build costs. Despite global supply chain uncertainty, we are on track to reduce our cost to build by at least 10% this year, and we're confident that the work our teams have done will allow us to continue to open many more beautifully designed, high-return Shacks.

Turning to our licensed business. We had an exceptional quarter with 9 new openings and strong performance across regions. In China, we expanded our breakfast offering to more cities along with new menu items tailored to local tastes, helping us stabilize performance in a region that had been under pressure. We also announced 2 new licensing partnerships 1 with PENN Entertainment to bring Shake Shack to 10 licensed domestic casinos and another with Grupo Attie-Multifood Enterprises to open 12 Shacks in Panama with the first opening next year.

These new partnerships reflect our disciplined approach to global growth and our confidence in the long-term potential of the brand. I'm also thrilled to share that Shake Shack has now served on Delta flights across 13 domestic airports and guest feedback has so far been amazing. Looking ahead to 2026, we plan to grow new units system-wide by at least a mid-teens percent, with a continued focus on delivering strong cash-on-cash returns for ourselves and our partners.

We're building the infrastructure and capabilities to support this growth while maintaining the integrity of our guest experience and operational excellence. Lastly, as we scale Shake Shack for the future, we're making deliberate investments in our long-term strategic capabilities.

Key milestone in this journey is the opening of our second domestic support center in Atlanta later this year. This space will serve as a hub for continued innovation, collaboration and operational excellence, bringing together our teams from across the globe and enabling us to better support our growing Shack footprint.

From culinary innovation, restaurant operations, digital transformation to supply chain optimization and new kitchen prototypes, we're laying the foundation for a more agile, efficient and guest-centric organization. One is built to lead in the years ahead.

New York will continue to be our home, and we will continue to invest in amazing talented team members there but this new facility will significantly enhance our ability to build the team, pipeline and future we aspire to. We look forward to hosting many of you there in the near future. And with that, I'll turn it to Katie for more details on the quarter.

Katherine Irene Fogertey

Thank you, Rob, and good morning, everyone. As Rob shared, we're pleased with our second quarter performance and the continued momentum that we're building across the business. This quarter marks the 18th consecutive quarter of positive same-Shack sales growth as we also continue to deliver year-over-year expansion in restaurant level and adjusted EBITDA margins and delivered double-digit adjusted EBITDA growth.

These results reflect the strength of our strategy and the discipline with which we're executing. Let's dive into the details. Total revenue for the second quarter was \$356.5 million, ahead of our guidance range. System-wide sales grew 13.7% year-over-year to \$549.9 million, supported by 22 new Shack openings system-wide and positive same-Shack sales growth.

In our licensed business, we grew revenue by 20.2% year-over-year to \$13.3 million with sales up approximately 16% to \$206.7 million. We opened 9 licensed Shacks in the quarter and saw a strong performance across regions, including the U.S. and meaningful improvements in trends in China with positive impacts from new menu innovation and extended dayparts.

In our company-operated business, we grew Shack sales 12.4% year-over-year to \$343.2 million with 13 new Shack openings, including 2 drive-throughs, bringing our first half total openings to 17. We are on track to open 45 to 50 company-operated Shacks this year, our largest class on record and are already deep in the work to open even more Shacks next year.

Average weekly sales were 78,000 with 1.8% same-Shack sales growth. Importantly, and as Rob just mentioned earlier, we grew comps year-over-year despite less incremental pricing. In-Shack menu price was up approximately 2% and blended across all channels about 3%. Traffic was down 70 basis points, and our trends improved in each month of the quarter with positive traffic exiting the quarter and into July, driven by successful marketing activations, operational improvements, compelling menu innovation and further improving the guest experience.

We are encouraged by the resilience of our Shacks and how we have grown this brand as well as our pipeline of all that's to come. Turning to culinary innovation. With our strategic culinary calendar, it's not only driving traffic, it's also benefiting mix. Mix in the quarter contributed approximately 1 percentage point of growth to our comp led by summer barbecue and merchandising improvements on our digital and kiosk channels.

Items per check declined 1.5%, impacted by smaller party sizes. Trends continue to improve into July, with positive 3.2% same-Shack sales growth and positive traffic, led by our national Dubai Shake offering and additional marketing activations. Turning to restaurant-level profit. We once again had an exceptional strong quarter of growth. We generated \$82.2 million of restaurant-level profit, reaching 23.9% of Shack sales, that's a 190 basis point improvement over last year and our highest second quarter margin since 2019.

We're very proud of the great work our teams have done to improve the financial performance of our Shacks while at the same time delivering a better guest experience. Now I'll go through the components. Food and paper costs were \$96.6 million or 28.2% of Shack sales, up 40 basis points versus last year. This was led by a mid-single-digit increase in beef costs. Labor and related expenses were \$88.1 million or 25.7% of Shack sales, down 270 basis points versus last year, reflecting the strong adherence to our new labor guides and model.

Other operating expenses were \$50.8 million or 14.8% of Shack sales, up 40 basis points year-over-year driven by an increase in marketing expenses and our digital mix, partially offset by improvements in utilities. Occupancy and related expenses were \$25.6 million or 7.5% of Shack sales, down 10 basis points year-over-year, led by stronger sales.

Taken together, the results our operators delivered in the quarter and the progress we continue to show against our strategic priorities underscores our momentum and commitment to delivering sustainable margin growth for this year and beyond. G&A was \$40.7 million or \$40.1 million, excluding onetime adjustments. The year-over-year increase reflects strategic investments in our people to support our growth and additional marketing investments.

Equity-based compensation was \$5.2 million, up 39.3% year-over-year with \$4.7 million in G&A. Pre-opening costs were \$5 million, up 23.4% year-over-year as we opened 13 new company-operated Shacks in the quarter and prepare for a strong opening schedule ahead. We grew adjusted EBITDA by 24.8% year-over-year to \$58.9 million, representing 16.5% of total revenue, a 160 basis point improvement compared to last year.

This marks our highest adjusted EBITDA level on record and second quarter margin since 2018, underscoring the meaningful progress we've made in strengthening our business fundamentals despite navigating a challenging inflationary environment and persistent macro headwinds, we continue to invest responsibly in our long-term growth opportunities that's positioning Shake Shack well for sustained growth in sales and margin, and that's reflective in our 3-year outlook.

Depreciation and amortization expense was \$26.5 million. Net income attributable to Shake Shack Inc. was \$17.1 million or \$0.41 per diluted share. Adjusted pro forma net income was \$19.5 million, or \$0.44, per fully exchanged and diluted share. Our GAAP tax rate was 25.1%. Our adjusted pro forma tax rate that excludes the tax impact of equity-based compensation was 24.6%.

Our balance sheet remains strong with \$336.8 million in cash and cash equivalents at the end of the quarter, that's up approximately \$35 million year-over-year and \$24 million sequentially. We grew operating cash flow by 21% year-over-year to a record \$65 million. We invested \$38 million in CapEx to support our strong opening calendar and are on track to deliver another approximate 10% reduction in our build costs this year.

Now on to guidance. Our guidance assumes no material change in the macroeconomic or geopolitical landscape. For the third quarter of 2025, we expect system-wide unit openings of 20 to 25 with 13 to 16 company-operated and 79 licensed. Same-Shack sales to grow positive low single digits year-over-year.

Licensed revenue of \$13.3 million to \$13.6 million, total revenue of \$358 million to \$364 million, up nearly 13% to 15% year-over-year. Restaurant level profit margin of 22% to 22.5%, this represents 100 to 150 basis point improvement year-over-year, driven by our operational improvements and sales leverage.

We expect low single-digit inflation in food and paper costs with beef prices now up low teens. On to our full year 2025 outlook, where we expect system-wide unit openings of 80 to 90 with 45 to 50 company-operated and 35 to 40 licensed. Same-Shack sales to grow positive low single digits year-over-year, licensed revenue of \$51.5 million to \$52.5 million, total revenue of \$1.4 billion to \$1.5 billion, and we're currently tracking to approximately the midpoint of this range.

Restaurant-level profit margin of approximately 22.5%. This is 110 basis point improvement year-over-year. And with our strong margin performance year-to-date and plans for the quarters ahead, we're currently tracking very well against this guide. Food and paper inflation of positive low single digits, led by beef up mid- to high single digits. Labor inflation up low single digits. We expect G&A to be between 11.5% to 12% of total revenue.

As Rob mentioned, with our profitability tracking ahead of plan and solid wins from some recent marketing activations, we're excited to invest a portion of these incremental profits into additional marketing strategies in our major markets, to support Dubai Shake and Dollar Soda. And while we haven't factored in a revenue or a profit lift yet from this incremental media into our 3Q and full year outlook, we're optimistic about its impact and look forward to updating you.

For your modeling purposes, you should assume that G&A will be evenly split between third quarter and fourth quarter for the remainder of this year. Equity-based compensation expense is guided to \$22 million with approximately \$20 million in G&A. Adjusted EBITDA of \$210 million to \$220 million, representing 20% to 25% growth year-over-year.

Depreciation and amortization expense of \$107 million to \$109 million, pre-opening costs of \$18 million to \$19 million, adjusted pro forma tax rate of 24% to 25% and net income of \$50 million to \$60 million. We remain confident in the trajectory of the business and in achieving our 3-year target of growing revenue by at least a low teens percent year-over-year expanding our restaurant profit level margins by at least 50 basis points a year and growing adjusted EBITDA by at least a low to high teens percent year-over-year.

Embedded in these targets is a low single-digit comp expectation, driven by 1% to 2% mix, 1% to 2% price and flat to up 1% traffic. Thank you for your time. And with that, I'll turn it back to Rob.

Robert M. Lynch

Thank you, Katie. I want to thank our teams again for their hard work and passion for Shake Shack, which is an engine behind our strong second quarter performance and the momentum we are seeing across the business as we continue to execute against our long-

term strategic plan. Thank you to everyone on the call today and 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 Michael Vaccaro

I had a quick question. I guess we could start on the margin front. The labor productivity here in the second quarter seemed to take another step higher. If you will, could you just elaborate on some of the incremental efficiencies that you saw in the second quarter? And, Katie, maybe you could touch on the puts and takes embedded in your third quarter store margin guidance as well.

Robert M. Lynch

Hi, Brian. I'll start with kind of the work we're doing in operations and Katie can talk a little bit more in detail about the specific impact on the margin, but this has been a focus area since I got here. We have really focused on making sure that we can deliver the kind of performance that we need in order to invest in driving the comp sales.

We have not heavily invested in marketing up until very recently because we needed to make sure that when we send people, we send our guests into the restaurants, they were going to get great service. And we've improved across all 3 of the things we really measure in our scorecard, people, performance and profits. And so we have improved all of our recruiting and retention numbers.

Every guest metric is moving in the right direction in terms of performance. Our speed of service has significantly improved. And from a profit standpoint, it's really driven primarily by the new labor model and the labor attainment of that model. We delivered the highest labor attainment in the last -- since we've been really measuring it and monitoring it closely in this quarter.

So our teams have just done an unbelievable job. We've got great leaders in place, we're developing talent in order to be able to open up our new Shacks and the results speak for themselves. So I'll let Katie get into any detail on the margins.

Katherine Irene Fogertey

Yes. I just want to echo all that Rob said about the amazing job that our operators are doing and what an impact the scorecard is having on our labor and then just really a lot of other aspects of our restaurant margin line. We showed great progress in the quarter overall, expanding our restaurant-level margin by 190 basis points year-over-year.

Some of that was due to kind of some nice sales leverage we had with our 1.8% comp, but we also did have a nice pickup on the labor line. As we look forward to the rest of the year, embedded in our guidance for the third quarter and then the approximate 22.5% for the full year. We expect to continue to see nice wins on a year-over-year basis on our labor line. The foundational things that our operators are putting into place and led by Stephanie Sentell and Damon Thomas have really helped to give us a stable foundation for which we can grow.

And if you can see from the strong flow-through that we had in the quarter, as we look to invest more into marketing to drive sales, this will be a powerful engine for us to continue to grow margins over the long term. As we look to kind of some puts and takes for the third and fourth quarter, just remind everybody that we do have a heavier opening schedule planned in the third and then in the fourth quarter.

We have a new opening team to help open our restaurants with excellence and get us to profitability sooner, which was a benefit in the second quarter. And we're hopeful that we'll continue to get a nice win on that side in the third and fourth quarter. That's not really reflected in our guidance.

Brian Michael Vaccaro

Great. And if I could just ask a follow-up, just in terms of the kitchen innovation lab. I know it's still early days and maybe it's a couple of years away until we see some of these things roll, but are there any new learnings on the new kitchen prototypes or kitchen formats, or new equipment that might have improved quality, throughput or other benefits to the business that you might be willing to touch on?

Robert M. Lynch

Yes. I mean I can just share that, and we kind of mentioned in the comments that we opened the Battery Shack about a month ago now. And we've been working in Atlanta on a lot of new equipment prototypes, and we implemented some of those into the back of the house in the Battery. And that was a -- is a very high-volume Shack, especially the week we opened, which was the week before the All-Star Game was there and a lot of home games. So we kind of put our feet to the fire.

And I was blown away by the amount of volume we were doing and the service times we were providing. And it's not a lot of rocket science. It's really just bringing our kitchens into the 21st century with equipment that currently exists. So we're not inventing stuff. We're just optimizing our processes. We're optimizing our design and our standard prototypes. And some of that is in our fry station, some of that is in our make station, and some of that is in our cold station around our shakes.

But we were able to significantly improve not just the speed but also the throughput and our ability to hit the high volumes that Shack demand. So I think as we get that equipment into more Shacks and we really start deploying that, I think we'll be prepared to kind of share a little bit more in detail around what those -- what those -- what that equipment is and the opportunities that we see moving forward.

Operator

Our next question is from Christine Cho with Goldman Sachs.

Hyun Jin Cho

So could you discuss some of the major changes to your go-to-market strategy, with the new culinary calendar that includes 4 main platforms per year along with fries and beverage LTOs and what kind of implications that would have on your advertising and marketing? So I'm guessing the potential pay media investment that you talked about is one piece of that. Could you also elaborate on how you would approach that paid media investment and how you plan to track the returns and performance?

Robert M. Lynch

Yes, Christine, I mean we are so excited right now. We decided this quarter because we're out ahead of where we thought we were going to be from a profit standpoint to test and invest in some paid media programs. And that's really been just the last 2 weeks, and we couldn't be more excited about the results we're seeing. This brand has never had top-of-funnel paid media launched at scale.

It's hard to believe, but all the marketing has always been word of mouth, earned media and bottom a funnel kind of promo activations, and so we leaned in on making some of these investments and so we're ecstatic with the results. And so as we look at the calendar moving forward, we're absolutely going to create awareness at the top of the funnel level around our LTOs.

And we have built an 18-month culinary innovation calendar that is locked and loaded, and we have -- it's not just me saying, "Hey, I like this stuff." We're actually doing guest testing on some of -- on a lot of the big items that we're launching, and we've got incredible scores back on some of the concepts and some of the product or food that we're creating.

So when you take that and you create awareness amongst millions of people that otherwise wouldn't have found out outside of earned media or word of mouth, we think there's a lot of comp benefit there. And I'll just tell you the composition of the comps is important, and we called it out in the script, but I want to reinforce it.

Last year, we delivered 4% comp growth with 7% pricing. We were down almost 300 basis points on traffic. This year, in this quarter, we delivered almost 2% sales growth on 2% pricing. So we are moving the model to not be dependent on pricing. And we are making consistent sequential improvements in traffic.

And what that means is, we're going to be able to compete in really all macroeconomic environments. For the last year, every -- all the commentary has been about we've got this value-oriented guest, this value-oriented market, can Shake Shack compete in that type of market? And we're doing all the things and the heavy lifting to be able to compete in good times and bad.

So Shake Shack is not going to be a super volatile, dependent upon the whims of the guests moving forward. We're building a model that can sustain itself and drive consistent traffic growth moving forward and that's all around the culinary innovation and the marketing that we're putting behind it. And then the frequency that we are going to pick up because our guest satisfaction scores are so much better because our operations are so much better.

Hyun Jin Cho

That's really helpful color. Can I just clarify with you. So is it fair to understand that the introduction of the higher end of the range of G&A guidance was related to this advertising and marketing plans associated with the paid media or was there something else?

Katherine Irene Fogertey

Yes. No, I mean, the majority of -- if you kind of look at the first part of this year, we've been tracking to about 11.7% of total revenue with the industry and weather pressures in the first quarter kind of that was a little bit of a pressure. We're kind of expecting that same level to persist through the rest of the year and that is really with this added media investment.

I just want to make sure that it's very clear to everybody that we have not -- we just launched this 2 weeks ago, we have not put any impact from what we're seeing right now in our top line or our margin guidance. We're making these investments because we do believe that they will drive sales comp and margin expansion, but that is not in the guidance today.

Operator

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

Michael A. Tamas

I just wanted to ask about the EBITDA guidance raised to \$210 million to \$220 million as you just talked about, you have some higher G&A, you're making these investments a little bit lower pre-opening, but you maintained the revenue and restaurant margin guidance from last quarter. So can you help us understand what's changed within that outlook that allowed you to increase your guidance?

Katherine Irene Fogertey

Yes, absolutely. I mean as we've shown this year, we are tracking very well against our expectation to expand our restaurant margins by -- to be approximately 22.5%, and that is a range. So we're expecting to have continued strength in our restaurant margin throughout the rest of this year. And the comments I kind of talked about we're tracking very solidly, strongly against the guidance for the approximately 22.5%. And again, that is an implied range, not an exact target.

Michael A. Tamas

Got you. And then the follow-up is you're obviously stepping up the intensity of marketing the promotions and the LTOs. And, Rob, you mentioned in other calls that these actions are designed to be margin accretive, not dilutive. And so can you just help us maybe understand how are they margin accretive? And is anything about the elevated commodity environment that you're seeing right now change the way you're thinking about deploying any of these innovations that you're already planned for?

Robert M. Lynch

Sure. I mean, the majority of the elevated commodity situation is in beef. And obviously, we sell a lot of beef. But we are able to mitigate a lot of that with productivity in our operations and in our supply chain. So what we haven't talked about on this call a lot yet is the supply chain optimizations that we are actively working against and delivering.

We have looked at every facet of our supply chain, our suppliers across all of our ingredients. Our logistics and distribution network. So we are very confident that we're going to be able to mitigate a lot of this beef inflation with supply chain operational productivity.

On -- specifically on how the marketing and the culinary innovation will be margin accretive is, we're launching like amazing new- to-the-world type featured items that will be premium priced and all the mix that flows from our burgers into this new innovation is going to be mix accretive and therefore, margin accretive.

Also, we just -- we have an opportunity just to create fixed cost leverage. Our sales have been in kind of the -- for the first half of the year have been obviously in the 1.5% comp when you factor in both quarters. If we're going to deliver low single digits, we have to do a little bit better than that in the second half.

And so as we continue to drive sales, we're going to continue to pick up some leverage, especially as we continue to get more efficient with our labor. So we've committed in our long-range guide to continued margin accretion, and we're very confident that, that is going to come to fruition despite the investment in marketing. We're really confident that we're going to continue to get more productive.

Operator

Our next question is from Sharon Zackfia with William Blair.

Sharon Zackfia

William Blair & Company L.L.C., Research Division

I wanted to ask more about the marketing plans and if there's kind of any thought about maybe bifurcating the messaging. It seems like kind of in the New York region, maybe it's more of a call to action and frequency dynamic whereas the rest of the country still might be more brand awareness? So how do you think about kind of maybe micro targeting geographically some of the messaging to kind of yield the consumer behavior that you want?

Robert M. Lynch

So it's a great question. And it's actually what we're trying to do. And this has kind of been our first test. We launched our media into about 15 different markets and about half of them were Dubai Shake-focused, which was much more of a culinary brand-type message around come and get Dubai Shake. And then in 8 other markets, we did dollar drinks, which really the intent there is to generate app downloads.

And we're seeing actually very high order -- very high check on these dollar drinks -- checks actually, people aren't coming in and just buying a dollar drink. So the check total on our dollar drink transaction is about the same as our average total on our check. So we're getting a lot of revenue from promoting dollar drink. So we wanted to test both of those messages in different markets to understand how each of them react because once again, as I shared, we really haven't done this on this brand before.

So we're gathering all this information, understanding how these different messages impact both our traffic as well as our check average. And then moving forward, this -- the media will be up against our big LTOs, neither of these are the featured item of the quarter.

Moving forward, we will start doing that and that will be primarily a brand and culinary product message that may or may not have a call to action or a featured price point. So this is -- we're kind of entering into a new dynamic with marketing these things and targeting specific guests, primarily in the digital channels with specific messages. Thank you.

Operator

Our next question is from Jim Sanderson with Northcoast Research.

James Jon Sanderson

I just wanted to review your outlook on traffic. I think you started the year with a -- about a negative 4.6% and improving ever since then. But to get to the flattish traffic for the year implies 1% to 2% traffic growth in the current quarter and fourth quarter. Is that the right way to look at that?

Katherine Irene Fogertey

Yes. So we're not -- we haven't broken out the traffic guide for the full year, Jim. But what I would say is that our traffic has improved in every month, really coming out of the weather pressures that we had in P2. And then we did have a nice positive traffic in July as well with our 3.2% comp.

So what we have with menu innovation that's in our guidance today and the potential, which is not in our guidance for the lift from media, we are pretty encouraged by our traffic trends and the outlook for the rest of this year.

James Jon Sanderson

Okay. And as a brief follow-up, you mentioned some marketing initiatives in the back half of July. Has that been a primary driver of the traffic improvement? Is there anything you can take away from your learnings that would help us to understand how that is moving traffic?

Katherine Irene Fogertey

Yes. I think it's a great -- July is a really great example when you just take a step back and you look at what we're doing overall. It's exactly what we've been talking about. It's about having compelling culinary out there. And then on top of it, starting to amplify that message, we didn't have much of the media impact in July.

A lot of this was really -- most of the quarter was just launching our great culinary. And then towards the end of the month, we amplified it as Rob talked about in some of our major markets around Dubai Shake. But we're really excited overall by what our culinary calendar and our media plan can do.

Robert M. Lynch

I think maybe what we should call out is that the 3.2% is our Period 7 which runs through July 24. And so we turned the media on right at the end of that. So although we're still in July, we -- the media wasn't baked into the 3.2% because our period ended, we haven't disclosed the results in the media.

Operator

Our next question is from Jake Bartlett with Truist Securities.

Jake Rowland Bartlett

Mine is on the underlying same-store sales trends. And then I'm thinking about the Dubai Shake and what that might have contributed. You do the rough math. I think 50 shakes were offered a day. It would imply a pretty significant contribution to same-store sales. You saw a step up in July, but certainly not what that contribution might imply. So maybe just if you could talk about the impact of the Dubai Shake and then the underlying trends, whether there's some pressure that's offsetting the lift that you're getting from the Dubai Shake.

Robert M. Lynch

Yes. I mean I would tell you that the Dubai Shake has done exceptionally well. We're going to finish essentially selling as much as we forecasted to sell. But it was different in different markets and different Shacks. So it wasn't like every Shack did 50, some Shacks, some regions did a little bit less. Some regions did more.

In the end, like right now, with the media turned on to Dubai Shake, we've seen a very significant lift in our consumption of Dubai Shake. So we are confident that when we have great culinary and we market it, we can sell it at the rate that you're describing. Up until the media, it probably wasn't 50 Dubai Shakes per Shack per day.

Jake Rowland Bartlett

Okay. And as we think about the cadence throughout the quarter, you have the Dubai Shake is benefiting July. You're doing some advertising in the Dubai Shake, how long is the Dubai Shake going to continue. Just I guess, as we look at the balance of the quarter feel comfortable with the guidance, it seems like you have a big driver that might be going away, but maybe not. I just want to kind of understand what your plans are for the rest of the quarter.

Robert M. Lynch

Yes. I mean, we can't be a one-trick pony, right? I mean we have to continue with consistent, culinary innovation that drives traffic and put the media behind it. So the Dubai Shake will run pretty much through the month of August. And then we've got other innovation that comes right behind that, that we're excited about and that we're going to continue to drive traffic. And I think we were

moving traffic in the right direction before the Dubai Shake. So we have a lot of confidence in the pipeline -- culinary pipeline to continue to do that.

Operator

Our next question is from Jeffrey Bernstein with Barclays.

Jeffrey Andrew Bernstein

Great. Rob, you talked a lot about the product innovation pipeline. I think you said you have 18 months that's been well-tested. Obviously, that's exciting and it's driving traffic. Obviously, that potentially butts heads with the balancing that against the back-of-the-house complexity in order to still make sure that you're achieving speed of service and guest satisfaction scores.

Just wondering how do you manage that I'm wondering whether -- where the intersection is between marketing and operations just to make sure that one doesn't hurt the other? And then I had one follow-up.

Robert M. Lynch

That's a great question. And I've been managing that balance my whole career, right? From Taco Bell to Arby's to Papa John's. I can tell you that one of our strengths at Shake Shack is that we make everything to order. And so that is a different model than kind of the streamlined assembly line. I mean we have definitely improved our productivity and our efficiency of our core menu operations, but we also have flexibility given just the necessity of the model to be able to flex.

So we have not only tested this innovation pipeline with our guests, we've also operationally tested it, embedded it. Before anything goes out and is launched, we put it through both supply chain as well as operational tests to make sure that it's not going to do -- not going to create problems and mitigate all the great work that we've done around getting productivity out of our operations.

Jeffrey Andrew Bernstein

Got it. And then my follow-up is just on the most recent trends and obviously, encouraging to see the 3% plus in July, and that doesn't even incorporate perhaps the last week, which sounds like it could have been even stronger. But we had heard from a couple of others that maybe after several months of industry improvement that maybe July was proven to be a little bit choppy or maybe some slowdowns.

So I'm wondering how you -- if you look at your underlying business, take out kind of the Dubai benefit, I mean do you think that the consumer continues to get better and we should assume broader industry improvement in coming months or have you seen any sign of maybe change in behavior after the momentum we had seen since what Katie mentioned was the weather issues in February? Just wondering how you see the underlying momentum for the broader industry continuing through the third quarter.

Robert M. Lynch

Yes. I mean, I can kind of only speak to Shake Shack and our guests. I mean, we have seen consistent sequential improvement in our traffic. We've seen a willingness to buy a \$10 shake, which is the most expensive shake that we've ever launched. So we've seen -- we have a lot of confidence that our guests continue to see a lot of value in our offerings, whether it's our core menu or LTOs, and that's why we're so confident in continuing to drive traffic in the back half and moving forward.

Operator

Our next question is from Jeff Farmer with Gordon Haskett.

Jeffrey Daniel Farmer

You guys did touch on it a little bit, but just following up on the standardized scorecard. Two questions. So when was that fully rolled out to the system? And what actions are taken for some of the lower-performing scorecard restaurants?

Robert M. Lynch

Yes, I mean that was rolled out late last year, and we also made a couple changes to the structure and the leadership model in the operations team right around that period as well. And so there's no hiding from the scorecard. It's very clear who's delivering on the KPIs that matter and where there's opportunities.

And I can tell you that our operations team has built a very disciplined model where they're using that scorecard literally where Stephanie is sitting down with her 4 VPs every week and going through the scorecard in their regions and identifying where we're doing good and where we have opportunities.

And then those VPs are going to their regional directors doing the same thing, and those regional directors are going to their area directors. So it's just become a very disciplined operating model to identify where we have opportunities to improve. And then we're committed to the development of our leaders in building this culture of leaders.

So where there's opportunities, we're working with those leaders to identify what's causing those challenges. And to mitigate them. It's like Thomas Edison strategy, without execution is hallucination, right? So we have become a very strong executing company. And that's why there's not going to be a lot of volatility here in these labor numbers.

I mean, we are -- we've built a disciplined model, and that's why we have so much confidence moving forward because it is -- what we've talked about for the last year, it is literally the backbone of everything we do. And we have so much confidence in the people leading that group and the way they're leading it, that it affords us the opportunity to go and spend some resources in the supply chain to improve our COGS.

I mean we're running labor right around 26%. COGS are running 28% to 29%. We think there's opportunity in COGS because the work we're doing in the supply chain. But we couldn't do that if our operations weren't running so seamlessly. We wouldn't be making investments in driving guests into our Shacks with marketing because we wouldn't be getting the returns on those investments if we weren't flowing through to the bottom line.

So our operations are at the heart of everything we do. Jamie Griffin, our new Chief People Officer, he is an operations people officer. His whole job is building a pipeline of leaders that can open up all of our new Shacks and making sure that we have the development programs in place to continue to have a pipeline of managers and assistant managers who can run these restaurants at the peak level. So we've made those investments. We're really confident with where we are, and that's afforded us the opportunity to move on to investing and driving the sales.

Jeffrey Daniel Farmer

And just as a quick follow-up. So again, from a regional perspective, New York City and the Northeast continue to underperform. So the question is, to you guys, what's the opportunity to narrow that spread in coming quarters? Is there something structural that's holding that underperformance spread in place or is there something you can do to bring up those 2 very important markets for you, the New York City area and the Northeast to improve or narrow that spread versus the rest of the system?

Robert M. Lynch

I think it's a great question but we have to be careful about what we talk about when we say underperform, right? I mean those regions, in particular, New York City are our highest-AUV restaurants with our highest margins. So they are great restaurants. They'd be the envy of a lot of systems, \$10 million restaurants flowing through 35% plus. So they are performing, their comp contribution may not be as significant as in the other markets throughout the country.

And so yes, we've got to work on that. We got to understand what the challenges are there. But I think at least our assessment would say that some of those challenges are more macro around some of the things that are impacting those regions as opposed to maybe some of the other regions that are growing much faster. So we're trying to take all that into context and make the right decisions, but there are a lot of really good restaurants in New York and the Northeast that we want to make sure we don't we don't cut off our nose to spite our face.

Operator

Our next question is from Daniel Guglielmo with Capital One Securities.

Daniel Edward Guglielmo

On the 3-year financial targets, of the 4, do any of them have serious momentum to come in above target? I only ask because when I model out to 2027, I do bump up against the targets and I'm always hesitant to push higher than a team's communicated goals.

Robert M. Lynch

I mean that's a pretty good problem to have...

Katherine Irene Fogertey

Yes, I would just say these are our targets. And we've shared our strategic priorities and our progress against them. We are committed to continuing to grow our new Shack openings and continuing to find additional areas, productivity as well as investing in marketing to drive traffic that will also generate additional productivity for our restaurants. And finally, we expect all of this to fall down nicely to pretty strong adjusted EBITDA growth.

Operator

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

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