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Shake Shack Inc. (SHAK) Q2 2026 Earnings Call Transcript

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Q2: 2026-08-05 Earnings Summary

Insights

EPS of $0.43 beats by $0.13 | Revenue of $417.62M (17.16% Y/Y) beats by $749.15K

Shake Shack Inc. (SHAK) Q2 2026 Earnings Call August 5, 2026 8:00 AM EDT

Company Participants

Alison Sternberg - Head of Investor Relations
Robert Lynch - CEO & Director
Michelle Hook - Chief Financial Officer

Conference Call Participants

Sharon Zackfia - William Blair & Company L.L.C., Research Division
Brian Vaccaro - Raymond James & Associates, Inc., Research Division
Michael Tamas - Oppenheimer & Co. Inc., Research Division
Margaret-May Binshtok - Wolfe Research, LLC
Stephen McManus - BNP Paribas, Research Division
Gregory Francfort - Guggenheim Securities, LLC, Research Division
Lauren Silberman - Deutsche Bank AG, Research Division
James Sanderson - Northcoast Research Partners, LLC
Sara Senatore - BofA Securities, Research Division
Andrew Charles - TD Cowen, Research Division
Brian Mullan - Piper Sandler & Co., Research Division
Rahul Krotthapalli - JPMorgan Chase & Co, Research Division

Presentation

Operator

Good morning. Welcome to Shake Shack's Second Quarter 2026 Earnings Call. [Operator Instructions] It is now my pleasure to turn the floor over to Alison. 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, and our CFO, Michelle Hook. 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, or other quarterly reports on Form 10-Q 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 2026 shareholder letter and our Q2 quarterly report on Form 10-Q, 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

Good morning, everyone, and thank you for joining us. Our second quarter results reflect a business that continues to execute across sales, development and profitability despite operating in one of the most challenging cost environments we have faced in many years. While we still have a lot of work to do, I'm encouraged by our performance in the quarter and the resilience of the Shake Shack model. We remain laser-focused on executing our strategic priorities throughout the remainder of the year. The quarter unfolded largely as we anticipated following the business update we provided in early June. At that time, we revised our second quarter and full year outlook to reflect several developments that emerged during the quarter, including record high beef prices, higher fuel and distribution costs and uncertainty surrounding the potential impact from the World Cup. Today's results are consistent with that updated outlook and importantly, reflect our deliberate focus on guest value, traffic generation and long-term brand health.

Turning to sales performance. We continue to see encouraging momentum across the business. Our teams delivered another quarter of positive traffic growth, marking four consecutive quarters of positive traffic and extending our streak of positive comparable sales growth to 22 consecutive quarters. For the second quarter, Same-Shack sales grew 3.5%, including positive traffic of 2.0%. Comp sales, excluding any World Cup impact, landed within the range contemplated in our June update. These results reflect our ongoing investments across culinary innovation, targeted marketing and digital engagement, designed to drive guest acquisition and frequency. We continue to refine our paid media strategy to broaden awareness of the brand while also maintaining disciplined returns on our marketing spend. We will continue to make these investments to drive traffic growth in a challenging consumer sentiment environment.

Our marketing strategy remains disciplined, not reliant on broad-based discounting. Promotional investments are targeted by channel, whether through our app or digital ecosystem, with the goal of driving incremental demand and long-term guest value. Our digital ecosystem continues to deliver traffic growth. Comparable app channel sales grew nearly 30% year-over-year, and these guests are visiting more often and spending more annually. Delivery partnerships are also expanding our reach in markets where we have room to build awareness and trial. And over the summer, we are able to strategically leverage these partnerships and their World Cup initiatives to drive traffic for our brand. Importantly, these channels are not just driving individual transactions. They are introducing new guests to the brand, creating lifetime value. We are building the data and capabilities to better understand guest behavior and personalized engagement opportunities at scale, which is foundational to our upcoming loyalty platform launch.

In the second half of the year, we are expanding our life cycle marketing through the delivery of behavior-based communications, targeted offers and automated guest journeys designed to increase frequency, accelerate second visits and strengthen retention, all while maintaining our promotional discipline. Our 246 digital offers continue to drive app engagement and support frequency among existing guests. As I mentioned earlier, comparable app sales are up nearly 30%. Separately, our delivery channel performance improved as we continue to strategically partner with third-party providers, resulting in strong traffic gains. These channel-specific investments are designed to create value without compromising the integrity of our core menu or our premium positioning. Our strategy balances culinary innovation with digital value, widening our reach without compromising our premium positioning.

Our barbecue platform illustrated by Baby Back Rib Sandwich met our expectations and resonated strongly with guests. This product line reinforced our belief that Shake Shack will continue to lead with differentiated culinary innovation that drives excitement, traffic and check growth.

Looking at the second half, we're making the Big Shack a core menu item given its strong guest response. And in July, we launched a new West Coast inspired menu platform. We also brought back the Dubai Chocolate Pistachio Shake, which continues to resonate and gives us a differentiated platform for future premium shake LTOs. We are also testing new chicken offerings, building on the Korean chicken sandwiches performance and a smoked brisket platform as we continue balancing proven favorites with disciplined innovation testing.

Turning to margins. This quarter's results reflect the underlying strength of our model. As we discussed in June, beef inflation accelerated throughout the quarter and peaked in June, exceeding our original expectations and driving a majority of restaurant-level margin pressure that we saw. Rather than fully offsetting those costs through pricing, we chose to preserve our value positioning and guest proposition. At the same time, our teams made real progress operationally, continuing to optimize our labor model, maximizing labor attainment and using our technology to run efficient restaurants, while enhancing the guest and team member experience. Running better operations to improve the experience in our restaurants will always be job #1. We are also continuing to pursue supply chain opportunities that maintain or improve product quality, capture more competitive pricing, drive efficiencies across our business and mitigate commodity and distribution pressures over time. Together, these efforts allowed us to deliver healthy restaurant level margins despite a backdrop of significantly elevated beef costs.

On the development side, we continue to grow our footprint. During the quarter, we opened 16 new company-operated Shacks, bringing us to 33 openings year-to-date as of the end of the quarter, and we remain on track to open 60 to 65 company-operated Shacks this year, sustaining our strong development momentum. This quarter's openings were all in existing markets, reflecting the meaningful white space we continue to see across our current footprint. Our build costs remain consistent with the levels expected. Our confidence in the long-term opportunity to expand our footprint remains unchanged, and we are encouraged by the productivity of our newer Shacks as they track towards our expected cash-on-cash return targets.

Our licensed business also continued to perform well despite a challenged global environment. We opened 8 net new licensed Shacks in the quarter, led by strength in U.S.A. airports and Canada. Total licensing sales grew 7.6% year-over-year to $222.4 million and licensing revenue grew 7.1% to $14.2 million. The ongoing conflict in the Middle East continued to weigh most heavily on the UAE, historically our highest volume market in the region and one that has been especially dependent on tourism, partially offset by strong performance in markets such as Canada, the United Kingdom and parts of China. Our license pipeline remains on track to deliver 40 to 45 new Shacks this year.

Before I conclude, I would like to briefly touch on technology and our long-term strategic capabilities. Project Catalyst remains our foundation for scaling efficiently while improving the guest and team member experience, spanning our POS rollout, loyalty platform development and the integration of AI-enabled capabilities across the business. We are also evolving our unified data and analytics platform, bringing together operational performance and guest behavior, supporting faster, more accurate service, more personalized guest experiences and continued expansion of our AI capabilities at scale. These investments are not just technology projects. They are foundational to our growth strategy, decision-making and guest connection, which we anticipate will support our path to G&A leverage moving forward.

Before turning the call over to Michelle, I want to reinforce how we are thinking about the balance of the year. We know the back half carries real headwinds, tougher comparisons, beef inflation that we expect to remain elevated, continued competitive intensity and uncertain macro environment. We remain a premium brand with a proven unit economic model, positive traffic momentum, disciplined operators and structural margin resilience that has held up through one of the toughest input cost environments that we have seen. We are focused on our ability to deliver sustainable long-term growth, and we will continue to execute against our strategic priorities throughout the remainder of the year.

Finally, I would like to take a moment to welcome Michelle to our first earnings call as Chief Financial Officer. Since joining the company, Michelle has quickly established credibility across the organization. She has immersed herself in every aspect of the business, built strong relationships throughout the leadership team and finance organization and has already become a valuable contributor to our strategic and operational decision-making. We are thrilled to have Michelle on the team and excited about the leadership and perspective she brings to Shake Shack.

With that, I'll turn the call over to Michelle.

Michelle Hook
Chief Financial Officer

Thank you, Rob, and good morning, everyone. Before I get into the quarter, I want to say how thrilled I am to be here for my first earnings call at Shake Shack. Since joining, I have spent my time immersing myself in every part of this business and my enthusiasm for the opportunity ahead has only grown. What drew me to Shake Shack is clear, an iconic premium brand with a tremendous runway for growth, a proven unit economic model and a culture rooted in the enlightened hospitality that the company was built upon. Having spent the majority of my career in the restaurant industry, I have a deep appreciation for how rare this combination is, and it gives me great confidence in the future of this brand. I want to thank Rob and the entire team for the warm welcome, and I look forward to speaking with many of you in the quarters ahead.

Now turning to our results. Our second quarter results reflect the underlying strength of our business despite ongoing macro and cost pressures. We are encouraged by the top line momentum we have seen with four consecutive quarters of positive traffic and our 22nd consecutive quarter of positive Same-Shack sales growth, while executing on our growth plan. On June 2, we provided a business update, revising our second quarter and full year guidance to reflect incremental information at that point in the quarter. As Rob noted, this included escalating beef prices, higher fuel and distribution costs and uncertainty surrounding the potential impact from the World Cup. Our second quarter results delivered within the revised ranges we provided. Second quarter total revenue was $417.6 million, up 17.2% year-over-year, driven primarily by the opening of new company-operated Shacks and new licensed Shacks and 3.5% Same-Shack sales growth. Licensing revenue was $14.2 million in the quarter, with licensing sales of $222.4 million, up 7.6% year-over-year. Despite continued conflict in the Middle East, we saw strong sales in U.S. airports, Canada, the United Kingdom and parts of China.

In our company-operated business, we grew Shack sales 17.5% year-over-year to $403.4 million. We generated roughly $78,000 in average weekly sales flat year-over-year. We delivered 3.5% Same-Shack sales growth comprised of 2% positive traffic and 1.5% price mix. Growth was driven by strength in our app and delivery channels, as Rob discussed, plus the June boost from the World Cup. Our estimated World Cup impact is approximately 90 basis points. In-Shack menu prices for the second quarter came in at 3.7%, while blended pricing across all channels increased 4.4%. This includes approximately 1% price taken in June, continuing our track record of driving positive Same-Shack sales with less reliance on price than in prior years. Our promotional offers weighed on pricing, but were a deliberate driver for traffic gains we saw, particularly in our highest lifetime value channels.

For pricing in the back half of the year, we have approximately 2% of pricing that rolls off in August and an additional 1.4% that rolls off in December. We will continue to evaluate the need for additional pricing this year as our cost structure continues to evolve. We delivered our strongest second quarter of unit growth on record with 16 new company-operated Shacks versus 13 in Q2 of last year. We are on pace towards 60 to 65 new company-operated Shacks planned for 2026. We will continue to invest in accelerating development. Our strong cash-on-cash returns are driven by low-cost builds, strong margins and our high AUVs. Second quarter restaurant level profit was $92.7 million or 23% of Shack sales. Our margins declined 90 basis points versus the prior year quarter, driven by higher food and paper costs and increased operating expenses, partially offset by the benefits from our continued labor management strategies.

The higher food and paper costs in Q2 reflect the record high beef costs we discussed in our June business update. We remain disciplined in our pricing approach to offset some of our cost pressures and are focused on driving continued traffic into our Shacks. In the second quarter, food and paper costs were $116.3 million or 28.8% of Shack sales, 60 basis points higher than last year. The increase year-over-year was mainly driven by higher commodity costs, primarily beef, promotional activity during the quarter and a shift in menu mix to higher cost items. Blended food and paper inflation was up low single digits in the second quarter with beef costs up mid-teens. Through proactive procurement and cost mitigation initiatives, our teams meaningfully offset continued beef inflation. In the second half of the year, we expect continued inflation from beef to pressure our restaurant level profit.

Labor and related expenses were $101.2 million, representing 25.1% of Shack sales and improving 60 basis points compared to last year, while continuing to uphold guest satisfaction metrics. By this time last year, we had fully rolled out our labor model supported by our performance scorecard, which provides Shack level visibility into labor performance. Since then, we have continued to refine our labor management approach, helping drive the efficiencies we achieved this quarter.

Other operating expenses were $63.1 million or 15.6% of Shack sales, 80 basis points higher versus last year, primarily driven by increased delivery commissions as we continue to leverage that channel to expand our reach, build awareness and grow engagement. Our digital sales mix increased to nearly 41% in the second quarter. The year-over-year increase also reflects higher professional service fees as well as travel and training costs associated with our elevated pace of new Shack openings.

Occupancy and related expenses were $30.2 million or 7.5% of Shack sales, flat year-over-year. Second quarter G&A totaled $48.3 million or 11.6% of total revenue. While our marketing plan for 2026 is more evenly distributed across the year, in Q2, we realized favorability versus Q1, primarily from lower equity-based compensation related to performance-based awards and forfeitures as well as lower short-term incentives. We continue to expect total G&A to fall within our guidance of 12% to 13% for the year. Our marketing spend in 2026 across G&A and restaurant-level profit is expected to remain in the 2% to 3% range of total revenue. Equity-based compensation was $3.9 million, 24.7% lower year-over-year with $3.2 million hitting G&A. Preopening costs were $6.6 million, which was $1.7 million or 34% higher than the prior year, driven by the increased number of new Shacks opened during the quarter and our growing pipeline to support future growth.

Adjusted EBITDA of $61.2 million or 14.7% of revenue increased 3.9% year-over-year, resulting primarily from higher restaurant level profit, partially offset by higher G&A and preopening expenses. Depreciation was $30.7 million. The increase in depreciation year-over-year is a result of more new company-operated openings, coupled with new technology investments. Net income attributable to Shake Shack, Inc. was $15.7 million, a decrease of $1.5 million or 8.6% versus prior year quarter. Our GAAP tax rate was 25.9% and our adjusted pro forma tax rate, excluding the tax impact of equity-based compensation, was 25%. We ended the quarter with $308 million in cash and cash equivalents on the balance sheet, including $250 million in convertible notes outstanding and have full availability under our revolving credit facility, leaving us well capitalized to fund our growth.

Before we discuss our outlook, I want to share a change to our guidance practice going forward. After reviewing our approach relative to the broader restaurant industry, we have made the decision to move away from providing quarterly guidance while continuing to provide annual guidance. We believe an annual outlook better reflects how we manage the business for the long term, aligns us with best-in-class practices across our industry and keeps the focus on the multiyear value we are building rather than quarter-to-quarter volatility. We remain committed to transparency, and we'll continue to provide meaningful color on the trends we are seeing as we move throughout the year.

For the full year 2026, our current outlook assumes no adjustments for our previously disclosed full year guidance. However, we do expect the back half of the year to look different from the first half with tougher comparisons and beef inflation that we expect to remain elevated above prior year levels. Given the continued headwinds in our cost structure, we do expect our adjusted EBITDA and net income to be at the low end of our ranges. We remain encouraged by the momentum in the business, a strong pipeline that's delivering returns, a robust innovation calendar, maturing marketing efficiency and our loyalty platform and Project Catalyst both progressing on schedule, and we remain focused on the long-term value that we are building.

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

Robert Lynch
CEO & Director

Thank you, Michelle. 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 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 Sharon Zackfia with William Blair.

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

Rob, I think a lot of investors are wondering about the strategy as we enter the second half of the year. Clearly, some of the work you've done on menu innovation and marketing really resonated over the past year. We're starting to lap that now you alluded to some of this in your prepared comments. How do we think about your strategy kind of evolving as we move forward, particularly in marketing? And how do you frame kind of your ability to sustain positive traffic over the longer term?

Robert Lynch

CEO & Director

Thanks for the question, Sharon. We continue to believe that delivering delicious premium quality burgers, fries and shakes with unwavering hospitality is the way that we will continue to thrive. I mean this is four straight quarters since we started investing marketing at scale, where we've delivered positive traffic growth in a tough traffic environment in the industry. So our strategy really isn't going to change. We're going to continue to bring great menu innovation that reinforces the premium nature of our food and our brand. We have stayed totally committed despite a lot of cost pressure to the quality of the ingredients. And we've stayed -- we've professionalized a lot of our operations so that we can make sure that we're delivering the best hospitality -- the best hospitable experience in the industry. So that's all going to stay in place. And we're balancing that with the right strategies, specific strategies and value orientation in each of the channels in which we compete. So we have a lot of continued momentum in our app despite going from 135 to 246. We continue to grow our digital components of our business. And we're going to continue opening great new Shacks that bring in a lot of new customers. And 17% revenue growth, the vast majority of that is new Shack growth. And every time we open up a new Shack and we're able to maintain our high AUV, that means that we are growing guests into the Shake Shack brand. So we feel great about the momentum on the business despite some of these challenges that we have continued to persevere through in 2026. So back half is going to be a lot more of the same, but we're going to continue to get better at execution and continue to improve the returns on every investment we make, whether it's technology or marketing.

Sharon Zackfia

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

And do you have any update on the timing of loyalty?

Robert Lynch
CEO & Director

So we are still committed to the launch of loyalty in 2026. But as I've stated in the past, that -- the expectation should not be that, that's going to be a big contributor to revenue in 2026. There's going to be obviously a period where we're going to test and learn, and we're going to continue to optimize so that we can make sure that our loyalty platform is not just a points-based discounting program. It is really a representation of our commitment to enlightened hospitality across our digital platforms.

Operator

Our next question is from Brian Vaccaro with Raymond James.

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

Rob, I've got kind of a similar follow-up as Sharon there to start. But you obviously continue to see strong growth in digital, and you noted some successful promotions in the period. Can you provide a little more color on where you're seeing the most traction on some of those promotions, whether it be in-Shack or in delivery channels? And maybe touch on how the 246 is performing after raising the price there?

Robert Lynch
CEO & Director

Yes. I mean we're continuing to strike the right balance between traffic growth and margin maintenance as we continue to move through these headwinds that we're facing on the cost side. So the ability to deliver 23% restaurant margins while continuing to invest in incentives that drive new guests and increase our frequency is really working for us, and we're going to continue to do that. And the majority of our incentives are deployed across our digital footprint, both in the delivery channel as well as in our app, less so in our kiosks and in-Shack. So that's really worked for us. It provides us with traffic growth with minimized cannibalization. So that's going to continue to be our strategy. In regards to the LTOs and the culinary promotions, we're seeing demand across every channel. It's obviously something that we want to make sure shows up with the hospitality in in-Shack, but we also are seeing a high rate of guest satisfaction when we're delivering both our LTOs and our core menu through our digital platforms.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

All right. That's helpful. And then a quick follow-up. Michelle, just a question on the store margins. Can you provide more color on some of the moving pieces within your second half outlook? Maybe just what are you expecting in terms of commodity inflation, sources of leverage, maybe labor, there might be some leverage, but offsets maybe in the other OpEx line. Can you just kind of walk us through that second half after, obviously, the second half margins were down, followed by up margins in Q1. Just curious if you could provide more color there.

Michelle Hook

Chief Financial Officer

Yes. No problem, Brian. So we definitely saw the pronounced beef inflation in the first half. We're still going to see inflation in the back half in beef year-over-year, but it's going to -- it will be a little bit less pronounced, but we do expect that to continue to pressure the P&L when you look at year-over-year. I think from a labor standpoint, I think we've talked about the efficiencies that we drove over the last 18-plus months. And so we continue to get as efficient as we can, but I don't look at labor as a significant margin benefit as we move forward. But again, we're always looking for opportunities to continue to refine our labor strategies. But I think we will continue to see a little bit of pressure on the commodity side, labor up a little bit when you look at the low single-digit labor inflation that we saw in the first half of the year. I expect that, that's going to continue at the same clip in the back half of the year. But yes, we still expect to have pressures in both the food area as well as I mentioned, operating expenses, Brian, on the broader call, we expect that to still be a little bit of pressure as well.

Operator

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

Michael Tamas

Oppenheimer & Co. Inc., Research Division

Your second quarter same-store sales were pretty solid, considering everything that went down during the quarter, I mean, mid-2% comp when you take out the World Cup benefit, you talked about solid momentum in the business. So as you mentioned and as we can all see, your comparisons do tough in the back half of the year. So can you maybe help us understand how you're thinking about the shape of the rest of the year? Maybe touch on the confidence you have in those strategies as it seems like some of your burger peers may be getting more aggressive on the value side.

Robert Lynch

CEO & Director

Yes. I mean I think our burger peers have been aggressive for the last 18 months. We've battled up against some really deep discounting, $5 meal deals and what have you. So we feel like our business model has been able to be resilient in the face of some of that competitive activity. As I've mentioned in the past, our footprint insulates us a little bit from the segments of the marketplace that have decreased their spending the most. We're a premium positioned brand. And so we have been able to deliver the right types of incentives and promotions to our target guests and still drive traffic despite a lot of that competitive activity. So as I look to the back half of the year, we're going to continue to launch great new culinary innovation. We're going to continue to get even better at executing against our marketing initiatives. And the fact that we're lapping in Q3, we're already lapping the onset of kind of our $1 drink promotion last year in our app, which was our first big scaled price pointed promotion, and we're encouraged by what we're seeing there to date. So we feel confident that we're going to be able to continue to focus on driving traffic with the right promotions and the right incentives, while maintaining restaurant margins despite some of the cost headwinds.

Michael Tamas

Oppenheimer & Co. Inc., Research Division

And then my follow-up is on the 3-year targets through 2027 that were not in this quarter's press release. You hinted that those were under review before. So can you just help us understand maybe how you're thinking about that outlook, particularly like the prior goals for at least 50 basis points of restaurant margin expansion and that low teens unit growth?

Michelle Hook

Chief Financial Officer

Yes, absolutely, Michael. And so we're continuing to review those long-term targets. As you know, that guidance is out there -- has been out there for the time period of 2025 to 2027. So as we go into our planning process for 2027, we're going to look at those targets. And any updates that we have, we'll provide those to you. But for now, there's no updates to that as we sit here today. But again, as we said before, we're going to continue to assess those and review those as part of the process moving into next year.

Operator

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

Margaret-May Binshtok
Wolfe Research, LLC

I just wanted to ask, I know you guys mentioned just being a little bit more insulated from the broader QSR environment, but are you seeing anything to call out in terms of either frequency or check management between the different income cohorts? And then I just wanted to follow up as well on the Good Fit Menu. Are you guys seeing any -- you've been out for a while now, like strong uptick. And are you seeing that kind of helping you navigate the uptick in GLP-1s that we're seeing out there?

Robert Lynch
CEO & Director

Yes. I would tell you that the growth of our digital channels, particularly our app has definitely improved our frequency. We have -- our team has done a really good job of delivering targeted incentives to bring our guests back more often and making sure that we're delivering a great value equation on our premium items. So our frequency has been really healthy, has been a contributor to our traffic growth, and we expect that to continue, and we expect that to get even better as we optimize our loyalty platform heading into 2027. In terms of the Good Fit Menu, we've been able to sustain that business. We haven't made a huge marketing push on the Good Fit Menu. We've been focused on barbecue and Korean so far this year, but that's definitely a great option for us to make sure that we can deliver lower calorie options with a lot of high-quality protein, which is what a lot of those -- the guests who look for those options. We feel like we can deliver them as well as anybody.

Operator

Our next question is from Steve McManus with BNP Paribas.

Stephen McManus

BNP Paribas, Research Division

So on the innovation calendar, it looks like Big checks Shack's back. Can you just walk us through the rationale? How do we think about like the potential cannibalization? And how will that be priced just given the check drag when it was previously at $9.99?

Robert Lynch

CEO & Director

Yes. So Big Shack is already back. It's on the menu, and we did decide to price it more consistent with our doubles. If you recall back in Q4 of last year, we were excited about launching a great value at a $10 Big Shack burger with 8 ounces of high-quality beef. We did see some cannibalization of our doubles business, which was a bit revenue and margin dilutive. So we have priced it more consistently with our Doubles platform. We still anticipate getting some trade-up from singles, but now when people trade over from doubles or other premium burgers, we won't see as much revenue or margin dilution. And the reason why we brought it back is because guests were -- it was in high demand. Guests were asking for it. We were -- we're very attentive to listening to guest requests and guest feedback on our social and guest response channels, and that was one of the items that folks were really excited about us bringing back. So we decided to do that.

Stephen McManus

BNP Paribas, Research Division

Got it. And I had a follow-up. Looking at the regional comps, the New York market was flat kind of in line with last quarter. I would have expected some uplift from the World Cup. So should we interpret that as like underlying trends in the market are deteriorating or compares anything on that front would be helpful.

Robert Lynch

CEO & Director

Yes, I wouldn't say they're deteriorating. I mean even when you take out the World Cup benefit, kind of the run rate has improved year-over-year in New York City. It's still not a significant driver of the growth on the business, as you would expect, it's a more mature market with a lot of competitors coming into metro New York area. But we're excited about the restaurants there. As I've said in the past, they're not huge comp growth restaurants, but they are huge restaurants. I mean a large number of our highest AUV -- highest sales restaurants are located in this market, and they deliver both high revenue and high margin. So they're great restaurants. We'll continue to support. We even continue to develop here when we find great real estate that we think makes sense and minimizes cannibalization. But the comp growth is coming from other markets where we have not been there quite as long. And we have lower AUVs in every other market. And so there's just more upside potential on a comp basis and in places like Florida and Texas and the Southeast and even in California, where we've seen a lot of strong growth over the last six months. So New York will always be super important to us and deliver a lot of strategic value even if it's not growing at the comp rate that the balance of our newer markets are growing at.

Operator

Our next question is from Gregory Francfort with Guggenheim Securities.

Gregory Francfort
Guggenheim Securities, LLC, Research Division

I just maybe want to touch on unit growth. I know you guys are going through the long-term planning process. But -- and I don't know if the question is for Rob or Michelle, but just as you kind of take a look at new store productivity this year and just returns, I think you spoke pretty confidently in the prepared remarks, but do you think unit growth needs to come down at all as you look in the process?

Robert Lynch
CEO & Director

Yes. I don't think it needs to come down. In fact, we have every intention of maintaining kind of the rate of growth, which will imply even a higher number of units on an ever-growing base. We've been really happy with our development. I mean if you're a long-term investor and you're underwriting this business, that's the biggest value creation opportunity. Obviously, comps are really important, and we're really proud of our comps. But we are getting a great return on our invested capital from our new units. And we delivered 16 this quarter. It's the highest Q2 number. Last quarter was 17, which was by far the highest Q1 number. So we are really committed to delivering the 60 to 65 this year and anticipate that number continuing to grow in 2027.

Michelle Hook

Chief Financial Officer

Yes. And Greg, I'll just add on. We're happy with the returns that we're generating with our new -- recent new classes of Shacks, over 30% cash-on-cash returns. And when we talk about assessing the long-term guidance, just to be clear, getting back to the point we made earlier, it's not as much the unit growth. So right now, we're saying in the long-term guidance, unit growth is going to be in the low teens with low teens revenue growth. So that's not the issue with the long-term guidance. It's more the assessment of the restaurant level margins and growing that by 50 basis points a year. So to Rob's point, to be clear, we're happy with the returns that we're generating on the new units. And there's no anticipation that as part of that long-term algorithm that, that's going to change the growth that we've talked about historically or the growth that we plan to do moving forward.

Robert Lynch

CEO & Director

Yes. And I would also say something we don't talk about very often that I'm excited about is the performance of our license business and the units that aren't company-owned. Obviously, this is a challenging year with some of the dynamics in the global environment, and we anticipated having a bit more of a holistic challenging year on our license business, but we've seen so much success in some of these markets. I would call out Canada -- the performance of our partners there has just been amazing as they open up great Shacks with great operations. So I definitely see the license business also becoming an EBITDA, not as much a revenue growth, obviously, as our core business, but definitely becoming kind of an EBITDA growth accelerator as we continue to increase the number of licensed units in markets that we open up globally.

Operator

Our next question is from Lauren Silberman with Deutsche Bank.

Lauren Silberman
Deutsche Bank AG, Research Division

I guess this is on the comp side. Can you talk about the cadence of comps as you move through the quarter? And I know you guys want to move away from quarter-to-date commentary, and I understand, but there's concern amongst the investment community that the business materially slowed exiting the quarter into July. So can you just help like level set qualitatively even whether you see changes in consumer behavior or momentum?

Robert Lynch
CEO & Director

Yes. So I mean, I can speak directly to Q2. I mean I think everyone is aware that April was a minus 0.6% on comp. So we delivered 3.5%. So that -- whatever that assessment is of a decelerating comp is actually completely inaccurate. I don't know where that data is coming from. We saw June is our best period in the quarter. So we had just the opposite, accelerating comps. And now as we disclosed in our comments in the script, we had -- definitely had some tailwind from the World Cup, which we called out as something that was an opportunity for us early on in the quarter. In fact, when we delivered the May earnings -- May 7 earnings, we called that out. And so we had really strong acceleration throughout the quarter. And we're not obviously giving in-quarter updates at this point. But I can tell you that we're -- that in Q3, we're also continuing to work on all the things that drove the strong Q2 results that we delivered.

Michelle Hook
Chief Financial Officer

And Lauren, the only thing I'd add is even when you take out the World Cup benefit in June, to Rob's point, June would have been the highest comp period within Q2 even when you pull out World Cup. So the idea that we decelerated exiting the quarter to Rob's point, is not correct.

Lauren Silberman
Deutsche Bank AG, Research Division

Great. I appreciate that color. And then if I could just touch on like the menu innovation. And can you just talk about the performance of the new menu innovation items relative to expectations, whether it's bringing in new guests, driving incremental transactions with existing guests? And do you see similar performance across markets?

Robert Lynch

CEO & Director

Yes. I wouldn't say that we have a huge disparity across markets on the mix that LTOs and innovation represents. It's relatively consistent. And obviously, you have some markets that perform a little bit better and some maybe a little bit worse. But on the whole, we don't really talk about a big disparity and the pickup on the innovation. And I can tell you that the innovation that we had last quarter around the barbecue menu, I mean, we started off extremely strong on the Baby Back Rib sandwich. And we had some concerns around our ability to even supply Baby Back Rib throughout the planned period. And we were able to meet those demands and meet our expectations on the performance of that LTO. And our LTOs, it depends on what the strategic intention is behind the LTO, right? We have LTOs that we launch. Mac & Cheese is one where -- it's not going to be a traffic driver, maybe a frequency driver long term as we have a lot of guests who love it, but it really is a check builder. And when we launched $13.99 Barbecue Baby Back Rib sandwich, that's going to drive some initial traffic and trial, but it's also a check builder. Those super premium LTOs are definitely -- there's intentionality around trading guests up from either single or double cheeseburgers into those LTOs. So every innovation that we have, the true goal is just to deliver guest satisfaction. The financial goals, whether it be traffic or check will be driven by the strategic intention of that specific LTO.

Operator

Our next question is from Jim Sanderson with Northcoast Research.

James Sanderson

Northcoast Research Partners, LLC

I wanted to go back to your comment about life cycle marketing. If you could provide a little bit more color on how that's going to be used, if that includes pricing and discounts, and how that's going to roll out in the second half? And then I have a quick follow-up on adjusted EBITDA forecast.

Robert Lynch
CEO & Director

Yes. The life cycle marketing is really around kind of just how we're managing our relationships with our guests, right? We have had a lot of new guest acquisition. We've also had a pretty significant increase in frequency. And so as we grow our digital channels disproportionately and as we build the data analytics capabilities that are going to support our loyalty platform, we're going to be able to leverage those capabilities in an even bigger way to make sure that we are driving frequency. We want to -- we're grounded in enlightened hospitality. We believe that when folks come to our Shacks, they're going to get a fast casual experience that they really can't get anywhere else. We aspire to deliver that in our digital channels as well and know our guests better than anybody and be able to deliver the right incentives at the right times to trigger the highest level of response, which will bring our guests back more and drive frequency ongoing.

James Sanderson
Northcoast Research Partners, LLC

All right. And I just had a quick follow-up on your EBITDA guidance. I think you went to the lower range of the $225 million to $235 million, and that was back in June. So what's changed to get you more comfortable with the lower range of the $225 million to $235 million since June?

Robert Lynch
CEO & Director

Yes. I mean I think that stayed consistent. It's still the low range of $225 million to $235 million. And once again, that we're opening up the number of restaurants that we want to open up. We're seeing the results that we want with those restaurants. And when you look at the first half of the year, first 6 months, about a 4% comp. That's actually better than we thought we were going to do in the first half of the year. So the revenue generation on this business is as good or better than we had anticipated. The challenge, obviously, is the cost structure that we didn't anticipate. We had seen some relief in beef at this point in the year, which -- we forecasted relief in beef at this point in the year, which we have not realized. We also have seen higher utility and distribution costs as a function of the cost of energy. So some of those cost inputs have driven some of the EBITDA and margin discussions that we've had. So very confident, very excited about our revenues, just trying to be very transparent and very -- and transparent on the cost side of the business.

Operator

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

Sara Senatore

BofA Securities, Research Division

I wanted to ask about the digital sales mix. You mentioned, I think, 41%. I'm not sure if you have or if you could share kind of app-based sales, but maybe directionally, what share of the total they account for? And I guess I asked because you said comparable app sales were up 30%. So I'm just trying to understand kind of what they might have contributed, in particular, the incrementality. I understand that those are high lifetime value channels and you get higher frequency there. But as I think about kind of the app-based sales and maybe having a little bit more of those attractive price points associated with them, thinking about, again, the sort of incrementality from a sales and margin perspective. And then I do have a quick follow-up, please.

Michelle Hook

Chief Financial Officer

Yes. When you think about our channel mix, Sara, so the digital channels include delivery, app and web. And so app is just over -- our total channel mix. It's going to be just over 10% of our total channel mix. So that should give you a sense of how that mix is in. But just -- again, our digital channels are going to be delivery app and web, but app is just over 10% of our channel mix.

Robert Lynch

CEO & Director

Yes. And I can tell you, from an incrementality standpoint, that is the largest driver of frequency and new guest acquisition. So that's where we are seeing a lot of the growth in the traffic is coming from the app channel. So that is highly incremental to our core business and our run rate of our base business.

Michelle Hook

Chief Financial Officer

And it's also our fastest-growing channel presently. So to Rob's point, the frequency there is higher than any other channel.

Sara Senatore

BofA Securities, Research Division

Okay. Got it. And then the follow-up is just as you think about the margin pressure, obviously, beef was some of it, but you've done, I think, a good job of offsetting that with supply chain. I think the bigger piece maybe is some of these sharp price points. I mean mix was pretty negative, I think, in the quarter. Do you envision kind of lapping that as you maybe -- as you anniversary some of the app-based value menu? I guess, is there a scenario where a quarter or two from now, some of that pressure moderates on the mix and the COGS perspective?

Robert Lynch

CEO & Director

Yes. I mean we're already lapping some of those initiatives from last year. So when you look at the things that we are lapping and the question marks around the ability to comp the comp and lap these things, I mean, we're lapping the labor model change that we made in 2025. And so we've continued to be able to drive more productivity with better execution. The model isn't changing. We're just getting better at executing it. I would say that, that is the same model that we aspire to on the revenue side. We are -- we learn every day how to get better at delivering incentives, that deliver traffic growth with less margin dilution or cannibalization of other sales items. So we look at the back half of this year as an opportunity to continue to leverage app even though we're lapping it. And then obviously, as we look to 2027, the loyalty platform should give us a whole another -- an entirely additional tool for us to get even better at delivering targeted incentives that allow us to drive the rate of traffic growth that we aspire to with less mix degradation.

Operator

Our next question is from Andrew Charles with TD Cowen.

Andrew Charles
TD Cowen, Research Division

Michelle, you left the door open to future price increases in 2026. And I'm curious what you're monitoring for around potential contemplation of future pricing. If I heard you right, you believe that beef prices have peaked, but it remain high. Labor inflation is expected to remain consistent in the back half. But any other key items that you're monitoring for on the price?

Michelle Hook
Chief Financial Officer

Yes. Definitely, Andrew, beef as we head into July continues to be elevated in the month of July. So we're continuing to monitor that. Obviously, as we've talked at length about traffic and us continuing to focus on traffic-driving initiatives within our business, we're monitoring that as well. And as we think about future price increases, definitely taking a surgical approach to what the competition is doing, how that looks like within each of our markets and pricing tiers. So we're going to be mindful of all that, but looking at primarily the cost structure, what that's going to do and then traffic as well and what we're seeing in our different channels. So those are the two primary things we'll be monitoring.

Andrew Charles

TD Cowen, Research Division

Okay. And then, Rob, you talked about digital sales up 30%. You talked about the in-app promotions. But you also mentioned there was going to be -- there was some strategic partnership with third-party providers that led to some traffic gains in the quarter. Can you talk more about that?

Robert Lynch

CEO & Director

Yes. I mean we had great strategic alignment with our delivery partners. Obviously, they have access to a huge audience, and they leverage their platforms to drive a lot of excitement around delivery and the World Cup. I mean a lot of -- when we talk about the World Cup earlier in the year, we talked about our markets and the markets that were hosting the World Cup games and the infusion of incremental traffic into those markets as a result of those games. But we also coupled that with strategic partnerships with our delivery partners so that we could leverage the World Cup excitement across all of our markets even if there weren't games being held in those markets. So it was really a holistic go-to-market strategy. And that was very beneficial. And we saw, as we already mentioned, June and into July with the World Cup, we partnered with those delivery partners to drive strong traffic growth.

Operator

Our Next question is from Brian Mullan with Piper Sandler.

Brian Mullan

Piper Sandler & Co., Research Division

Back to development, just wanted to get your current assessment of the go-forward drive-thru opportunity. Do you feel like that you have that format fully figured out in terms of the right layout and the right operating model, or maybe are there still a few things the team is trying to sort out with the existing assets before you really want to ramp up the drive-thru component of your development moving forward? Just would love to get your current assessment.

Robert Lynch

CEO & Director

Yes. I mean I think drive-thru presents an opportunity for us when we have great real estate that supports a great drive-thru restaurant. I would tell you strategically, we have done a lot to optimize the drive-thrus. We have significantly improved the flow in our restaurants. We've improved the ordering process. We've improved a lot at the drive-thru. The fact that we make all of our food fresh to order, it creates kind of a cap on how fast we can get. And at Shake Shack, we're about delivering premium quality food with great hospitality. And so I don't know that drive-thru is going to ever be the primary format for Shake Shack. I think there are opportunities for us to -- there's a huge amount of real estate for us to go out and build great restaurants that allow us to deliver a great digital experience and an even better in-Shack experience. And so I just want to make sure like we don't aspire to be fast food. We don't aspire to be QSR. So we will have drive-thrus or pickup windows, but that is not kind of the big strategic push for us over the next 3 to 5 years. Obviously, we can execute it. And when we find great real estate, we can do it. But we want to make sure that our enlightened hospitality comes through in the most compelling and differentiating way possible.

Operator

Our next question is from Rahul Krotthapalli with JPMorgan.

Rahul Krotthapalli
JPMorgan Chase & Co, Research Division

Rob, I wanted to ask about how you are thinking about the square footage growth relative to the overall development or unit growth. I'm trying to reconcile the comments you talked about the digital sales, which I understand includes kiosks, but even excluding that, the app and third-party channels seem to be growing a lot faster. Is there an opportunity to reduce the new build square footage and perhaps less in-store seating and more pickup and delivery areas as we go forward?

Robert Lynch
CEO & Director

I do think that, that's an opportunity. I think as we come next year, and we work to deliver our long-term strategic plan, I do think there's an opportunity for us to talk about how we can continue to grow by leveraging different formats. We just answered a question on drive-thru. I do think that there's an opportunity for us to explore some smaller formats with less seating, less build cost, potentially different labor model, even more of a streamlined menu so that we can maintain margins even if we -- those formats have lower rate of sales. So the different formats provide us access to different real estate. When we talk about our TAM of 1,500 company restaurants, that can be 1,500 core units, that can be 1,500 units of varying formats. And I think the more we prove out the different formats, the more TAM opportunity we have. So I do believe there's an opportunity for us to explore markets that might not support some of our big footprint, big Shacks that we could go into and put a smaller Shack with a different operating model that can still deliver great returns with lower cost structure and great margins.

Rahul Krotthapalli
JPMorgan Chase & Co, Research Division

That's helpful. The follow-up is on the traffic and mix. Like as I look into -- from 1Q to 2Q and into back half, we see a dip in traffic and mix combined. How should we think about the dynamic in second half versus first half in the year?

Robert Lynch
CEO & Director

Yes. I mean the back half of last year was the first couple of quarters where we were investing to drive traffic with marketing. And so we employed a lot of different levers, and we were really successful in both quarters in leveraging different models. In Q3, we had dollar beverages only in the app. In Q4, we had 135. We also did different marketing investments in media across different channels and different markets. So there's a lot of things that happened in the back half of last year, but I believe that we are much smarter and much better at understanding how our activities impact our business than we were a year ago. So obviously, our objective is to continue to drive traffic while maintaining strong margins. And so that's -- even though we're lapping some higher comp quarters in the back half, we believe that we have the appropriate amount of investment. We have the right product innovation, to deliver -- the work to deliver strong comp growth. Now I will point to the fact that we had reiterated our single digit -- low single digits for the year. So we're not taking that guide up. We obviously recognize that we have tougher comparables in the back half, but our aspiration is to continue to drive positive traffic.

Operator

Thank you. 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.