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EPS of \$0.26 **beats by \$0.01** | Revenue of \$328.68M (14.83% Y/Y) **misses by \$322.19K**

Shake Shack Inc. (NYSE:[SHAK](#)) Q4 2024 Earnings Conference Call February 20, 2025 8:00 AM ET

Company Participants

Michael Oriolo - Vice President, FP&A & IR

Rob Lynch - CEO

Katie Fogertey - CFO

Conference Call Participants

Michael Tamas - Oppenheimer & Company

Christine Cho - Goldman Sachs

Brian Vaccaro - Raymond James

Jeffrey Bernstein - Barclays

Sharon Zackfia - William Blair

Brian Mullan - Piper Sandler

Andrew Charles - TD Cowen

Peter Saleh - BTIG

Brian Harbour - Morgan Stanley

Jake Bartlett - Truist Securities

Lauren Silberman - Deutsche Bank

David Tarantino - Baird

Andy Barish - Jefferies

Jeff Farmer - Gordon Haskett

Jim Sanderson - Northcoast Research

Rahul Krotthapalli - JPMorgan

Operator

Greetings. Welcome to Shake Shack's Fourth Quarter 2024 Earnings Call. At this time all participants are in a listen-only mode. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce Michael Oriolo, Vice President, FP&A and Investor Relations. Thank you. You may begin.

Michael Oriolo

Thank you, and good morning, everyone. Joining me for Shake Shack's Conference Call is our CEO, Rob Lynch; and CFO, Katie Fogertey. 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 29, 2024, and the company's other filings as filed with the SEC. 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 fourth quarter 2024 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.

Rob Lynch

Thank you, Mike, and good morning, everyone. I want to congratulate our teams on an exceptional 2024. We finished the year strong with fourth quarter revenue up 14.8%, driven by 4.3% same Shack sales. Restaurant-level margins expanded nearly 300 basis points to 22.7% and adjusted EBITDA grew almost 50%.

As we enter 2025, we have reached numerous milestones and achievements we are celebrating. 2024 marked the 20th anniversary since Danny and Randy opened the first Shake Shack, originating from a hot dog cart in New York's Madison Square Park. In January, we celebrated the 10th anniversary of our IPO. At the time of our IPO, we had only 31 company-operated Shacks, but the team dreamed of expanding one day, and it's 450 Shacks. With 329 company-operated Shacks today, we are now setting our sights much higher, targeting at least 1,500 company-operated Shacks across the U.S., more than 4 times our current size.

Shake Shack is doubling down on our mission to deliver the best buying casual experience to our guests, team members and communities, fostering pride within our company, generating strong financial returns for our employees and shareholders. To that end, we have established three-year financial targets: low teens total revenue growth, low teens unit growth, at least approximately 22% restaurant level margins and EBITDA growth in the low to mid-teens outpacing top-line growth. These targets reflect our strong financial performance to-date and our confidence in our strategy, which we believe could lead to results exceeding these projections.

We've talked a lot about the designation of fine casual in the past. Today, I want to reinforce the importance of and clearly define what fine casual means because it is who we are and why Shake Shack is different. Most of you know our brand was founded by an acclaimed fine dining company, Union Square Hospitality Group, and we aspire every day to deliver the same quality of ingredients and hospitality that you would expect from the best fine dining restaurants. As you also know, Shake Shack was born at a public park, which meant that we brought this elevated food to all, making our food and hospitality accessible to everyone in the Madison Square Park in New York City community. That's really what Shake Shack is all about, delivering the highest quality food and hospitality to communities around the world, and in doing so improving the world in which we live, work and play.

We've made significant strides towards this mission in my first eight months, but the real potential lies ahead, as we execute our 2025 strategic priorities. I will now outline these six priorities, highlighting both our accomplishments to date and our plans for the future. Our first strategic priority is to build a culture of leaders. Everything we do starts with our people. They are the driving force behind our enlightened hospitality model and commensurately, our results. We need to ensure that we have hundreds of leaders in waiting to support our growth. As a largely company-operated system, we determine the success of our new Shacks, by our readiness to open and operate them at scale.

We are building a training and development program that will identify, prepare and place our best candidates into leadership positions throughout our company. A company that is growing as fast as we aspire to grow is an amazing place for future leaders to build their careers and achieve their full potential. We are building an infrastructure that will support that moving forward versus having to hire externally. We aspire to increase the number of internal promotions by 10% in 2025, and will continue to increase internal promotions sequentially moving forward.

Two programs that we have implemented to help us accomplish this goal are Shift Up and Lead to Succeed. Shift Up nominates high performing hourly team members for an 18-week intensive development program designed to provide the tools and business acumen needed to run a \$4 million AUV Shack. In 2024, we retained 100% of the graduates from the program, with nearly one-third of participants being promoted to manager roles, and we expect this number to grow in 2025. The need to promote from within is vital to our growth due to our unique group model rooted in fine dining where everything is created fresh to order. As a result, this requires a different type of manager versus traditional QSR and promoting from within helps ensure that we are opening our new restaurants with excellence.

Our Lead to Succeed program teaches our newly promoted managers in our support centers the crucial skills needed to transition from an individual contributor to leading others. This investment in our teams has been integral in achieving our best retention levels on record in 2024. Our second strategic priority is to optimize restaurant operations. In 2024, we began testing a standard scorecard as a way to measure performance across all of our Shacks. This management tool focuses on improving across our KPIs of people, which includes metrics such as staffing and retention; performance, which includes metrics such as speed of service; and profit. We officially rolled-out the scorecard in January and are excited to see improvements across these three focus areas.

We delivered an exceptional year across our operational and guest metrics while expanding restaurant level margins by 150 basis points to 21.4%. We introduced speed of service as a key KPI for our operators in 2024 and saw immediate improvement. Average wait times dropped by approximately one minute year-over-year. Order accuracy also reached the best levels on record in 2024.

On labor, we drove productivity through improved hourly and manager scheduling with enhanced reporting that leverages real-time data and analytics. At the same time, we pilot a new activity versus sales-based labor model that uses time motion studies to optimize staffing and deployment schedules across various formats, menu mixes, sales channels and other key variables. The model was fully rolled out during 4Q 2024 and drove approximately 80 basis points of leverage in the fourth quarter. Of course, the key metric for labor is talent, and our sourcing, training and retention continue to improve. All of these work streams will have both short- and long-term positive impacts on the operations of our Shacks.

So what is next? This fiscal year, we'll be standing up a kitchen innovation lab in close proximity to our brand new Atlanta Support Center, which will provide a launchpad for innovation, largely focused on delivering improved service times and convenience for our guests. This, too will provide both short-term and long-term benefits. In the short-term, it will allow our teams to test process optimizations, including new equipment and allow us to learn, refine and test again, dramatically accelerating a process that historically took a lot longer. This approach will provide insights in 2025 that we can implement into 2026 and beyond with improved speed ultimately leading to higher frequency.

We also see longer-term benefits through new kitchen design tests, which allow faster rollout of new formats and ensure strong cash on cash returns. Lastly, on drive-thru, we continue to develop and test the new menu strategy with the objective of decreasing order time and increasing accuracy. We're committed to launching our new drive-thru optimizations this year. Optimizing our operations also applies to our supply chain. We leveraged our scale across the supply chain, onboarding new suppliers and implementing other strategic initiatives. For instance, introducing competitive suppliers drove savings in paper and packaging in 2024. Across our supply chain strategies, we offset nearly 30 basis points of inflationary pressures. We anticipate even greater savings in 2025 and beyond.

Our third strategic priority is driving comp sales by increasing guest frequency. In 2024, we drove strong same-Shack sales of 3.6%, and nearly flat traffic despite significant macro industry headwinds. We accomplished this through our sales-driving initiatives and invested more in marketing and advertising to drive awareness. Through campaigns like our Chicken Sundays, which we ran in April and again in the fourth quarter, we drove strong incremental checks and saw chicken awareness improved 5% year-over-year in the fourth quarter.

Second, we launched our Worth It brand campaigns in New York and Miami, highlighting our very own Shack Burger and Chicken Shack products and ingredients in our Creative. The campaign effectively improved awareness and brand familiarity. Third, we drove sales through culinary innovation with LTOs, such as Summer barbecue and Korean barbecue, along with the return of our revamped Black Truffle menu. The 2024 edition of Black Truffle is outperforming our Truffle Menus from both 2021 and 2023. Shake Shack's DNA is built on culinary innovation and doing what a traditional QSR cannot and will not do. Looking ahead, we are excited to drive guest frequency and overall check through menu innovation.

In 2025, you will see us increase product tests to drive incremental visits and mix, as well as invest in guest recognition, which will allow us to extend even more hospitality by connecting our app and web-known guests with an in-Shack experience with the kiosk. We expect this to be a huge unlock for Shake Shack and allows us to connect the dots to provide targeted offers to our guests and give that really important incremental driver for frequency over time.

Into 2026, we expect to continue to refine and test our new creative against our new media mix model. This will help us make more strategic decisions on what channels we disproportionately invest in going forward, which we expect to positively impact 2026 and beyond. Our fourth strategic priority is to build and operate our Shacks with best-in-class returns. As I mentioned earlier, our mission is to bring the world's best fine casual experience to as many guests team members and communities as possible.

In 2024, we opened 43 company-operated Shacks, the highest number that we've ever opened in a single year. We reduced net build costs in 2024 to \$2.4 million and in 2025 have committed to further improving net build cost to approximately \$2.2 million. Last year, we began leveraging our scale to achieve greater purchasing efficiencies and we brought our design teams in-house. This year, we plan to condense build timelines by nearly two months with increased consistency and lower cost. We also plan to build our new prototype drive-thrus, which are designed to improve speed, accuracy and reduce cost to maintain.

I remain highly confident in driving strong cash-on-cash returns, as we increase restaurant-level margins and bring down build costs. Recent classes are tracking well compared to our long-term targets of at least 30% to 33%. Our fifth strategic priority is to accelerate our license business. In 2024, we expanded into three new markets: Canada, Israel and Malaysia, and grew our license footprint to 250 Shacks across 20 different countries. We opened 33 new licensed Shacks in 2024 and expect to accelerate the number of openings in 2025 to 35 to 40.

In the fourth quarter, we also launched our partnership with Delta and began serving Shake Shack 35,000 feet in the air. Today, we offer meals through preselection via Delta's First-Class Menu on all qualifying domestic flights originating from Boston Logan Airport with plans to expand our reach to additional airports in the near future. This is a great example of the power of the Shake Shack brand, which we increasingly look to leverage in the future.

We will also be building the foundation for accelerated growth going forward by focusing on targeted culinary innovation and diversifying formats in our licensed markets around the world. For example to address local taste and a gap in our menu, we recently launched the first ever Fish Sandwich LTO in Hong Kong which has been well received with a lot of excitement from our guests. Lastly, our sixth strategic priority is to invest in long-term strategic capabilities. This year, we are investing across the business to ensure we have the right people and capabilities to achieve continued profitable growth and accelerate our business as we work towards our bright long-term potential of at least 1,500 company operated Shacks.

In January, we stood up a new transformation office to drive cross functional collaboration and execution on the projects that are most critical to the company. We are also making investments in our tech platform to build out guest recognition and investing in our new kitchen innovation lab. We are making these investments while still committing to growing adjusted EBITDA at a faster rate than total revenue and see potential upside based on execution of these strategic priorities.

As you can see, there is a lot going on at Shake Shack. We are very focused on becoming more productive so that as we increase our investments to drive same-Shack sales and sales from new Shack openings, we become even more profitable which then allows us to continue to invest in our growth moving forward. With that, I'll turn the call over to Katie to recap more on 2024 and provide more detail on our outlook for first quarter and fiscal year 2025.

Katie Fogertey

Thanks, Rob, and good morning everyone. We ended the year on a high note and are on a solid path for 2025, with continued success from our marketing and operational strategies, including faster speed of service and enhanced labor management, driving strong solid sales and record flow-through.

Over the past 14 quarters, we have consistently proven our ability to grow our sales and adjusted EBITDA, while also making investments in our business to build a strong foundation for the future. This quarter also marks our 10th consecutive quarter that we have expanded our restaurant level profit margins year-over-year and our 16th consecutive quarter that we've generated positive same-Shack sales. Our guidance for this year and the next three years underscores our confidence in maintaining this trajectory of success.

In 2024, we expanded our restaurant level profit margins by 150 basis points to 21.4%. We grew restaurant level profit by 24% year-over-year to set a new record of \$257.9 million, and we drove 33% year-over-year growth in adjusted EBITDA, reaching a record \$175.6 million. We opened 43 company operated Shacks in the year, marking our largest class on record, and we expect to open even more Shacks in 2025. We're really proud of the results from our fourth quarter that highlight the broad-based strength in our business.

Fourth quarter total revenue was \$328.7 million, up 15% year-over-year, supported by the opening of 19 new company-operated Shacks and nine new licensed Shacks, leading to a 13% year-over-year growth in system-wide sales. Our licensing revenue reached \$12.1 million in the fourth quarter, with licensing sales at \$184.1 million, up 11% year-over-year.

Shack sales in the fourth quarter were \$316.6 million, growing approximately 15% year-over-year, supported by a strong new Shack openings and 4.3% year-over-year growth in same-Shack sales with traffic down slightly impacted by infill and weather and price mix of 4.8%.

Our in-Shack pricing was up approximately 4.5%, and our total price inclusive of additional price to address delivery cost headwinds was up approximately 6%. We generated \$79,000 in average weekly sales, up 4% from \$76,000 in the third quarter and also up 4% from \$76,000 in the fourth quarter of 2023. Our trends first quarter-to-date have been choppy, and this is largely due to the headwinds from the significant weather pressures and the impacts from the tragic Los Angeles wildfires. In January, we faced approximately 150 to 200 basis points of same-Shack sales pressures from the weather and the fires, yet we still grew same-Shack sales by 3.7% in the month, showing the strength in our underlying business.

Los Angeles is a very important market for Shake Shack. In fact, we opened our first Shack in California in 2016 in West Hollywood, and we've been serving the Los Angeles community ever since. We are immensely proud of our amazing leaders and teams there, as we have now grown to 27 Shacks in the area.

Our motto at Shake Shack is to Stand For Something Good, and that doesn't just apply to our commitment to using the best ingredients in our food. It's also about how we show it for our teams and our communities. We are really grateful that all of our Los Angeles area leaders and team members were safe and accounted for during the fires. They were so quick to stand up to support our community and are first responders. Across the country, our team members and support staff also stood up to financially assist those directly impacted from the fires through meaningful donations and company matches to our special employee fund.

We expect a degree of residual impact from the fires to persist for a while and the weather has been highly uncertain quarter-to-date. However, we believe our broad-based operations, marketing and culinary strategic focus will continue to drive improved guest experience and sales, and this will help us navigate these temporary impacts. Fourth quarter restaurant-level profit was \$71.9 million or 22.7% of Shack sales, 290 basis points higher than last year as we showed strong execution across our operational improvement strategies including labor management and optimizing our supply chain.

In the fourth quarter, food and paper costs were \$88.6 million or 28% of Shack sales, down 20 basis points quarter-over-quarter and down 110 basis points year-over-year. Blended food and paper inflation was nearly flat after taking into account the low single-digit benefit from identified efficiencies in our supply chain. Our beef costs rose by low single digits, somewhat less than our expectations. And our paper and packaging costs decreased by mid-single digits year-over-year.

Labor and related expenses were \$85.1 million or 26.9% of Shack sales, down 160 basis points year-over-year and down 110 basis points quarter-over-quarter, primarily led by the positive benefit from the first full quarter of our new labor scheduling system that drove 80 basis points of benefit. Other operating expenses were \$47 million or 14.8% of Shack sales, down 10 basis points from the fourth quarter of 2023 and also down 10 basis points versus last quarter. Our improvement year-over-year was a function of identified efficiencies in R&M and professional services, as well as more favorable utility spend. This was partially offset by planned increases in advertising expense.

Occupancy and related expenses were \$24 million or 7.6% of Shack sales, also down 10 basis points from the fourth quarter of 2023 and versus last quarter driven by the growth in Shack sales. G&A was \$41.1 million or 12.5% of total revenue. Excluding \$800,000 in one-time adjustments, G&A was \$40.3 million or 12.3% of total revenue. For the full year, G&A was \$149 million or \$142.3 million, excluding one-time adjustments, approximately 11.4% of total revenue. This was down 10 basis points from 2023 levels despite nearly doubling our advertising year-over-year, as we showed significant improvements in how we've managed our underlying spending across other areas in G&A. As a reminder, a portion of our advertising spend is in other operating expense. However the majority of the spend is in G&A.

Pre-opening costs were \$5.1 million in the quarter as we opened 19 new company operated Shacks. We made significant progress on reducing our cash and non-cash preopening expense in the year, bringing it down by nearly 23% per Shack year-over-year.

Depreciation was \$25.8 million. On a GAAP basis in the quarter, we reported a pretax income of \$12.9 million and a tax expense of \$3.6 million. On an adjusted pro forma basis, we reported a pretax income of \$15 million and a tax expense of \$3.3 million. Excluding the tax impact of equity-based compensation, our adjusted pro forma tax rate in the quarter was 29.8%.

We reported fourth quarter adjusted EBITDA of \$46.7 million, up approximately 49% year-over-year or 14.2% of total revenue, improving 320 basis points from 11% of total revenue in the fourth quarter of 2023. For the full year, we grew adjusted EBITDA by 33% to \$175.6 million or 14% of total revenue, 190 basis points higher than the prior year. We realized a net income attributable to Shake Shack Inc. of \$8.7 million or \$0.21 per diluted share. On an adjusted pro forma basis, we reported a net income attributable to Shake Shack Inc. of \$11.6 million or \$0.26 per fully exchanged and diluted share.

Our balance sheet is strong. We ended the year with \$320.7 million in cash and cash equivalents and generated a record \$36 million in free cash flow, the first-time that we have generated positive free cash flow on the year since 2017. Now on to our guidance for the first quarter and full year 2025. Our guidance assumes no material changes in the macroeconomic or geopolitical landscape and the potential impact to system-wide sales or costs including any outside impact from potential tariffs.

For the first quarter of 2025, we guide total revenue of \$326.5 million to \$330.9 million, with \$10.5 million to \$10.9 million of licensing revenue, three to four company-operated Shack openings, five to six licensed Shack openings, and for same-Shack sales to be up 2.5% to 3.5% year-over-year. We are seeing weather and the lingering impacts from the L.A. wildfires continue into February, and we expect some of our Los Angeles Shacks to take a while to fully recover. We are also lapping over the strong launch of our Korean barbecue LTO from last year. These factors and the Easter shift together is an approximate low single-digit impact to our same-Shack sales guidance in the first quarter.

In March, we will be rolling off the approximate 3.5% price that we took on menu last year. We plan to exit the quarter with approximately 2% in check pricing and a blended 3% overall price. We guide restaurant-level profit margins of 20% to 20.5%, representing 50 to 100 basis points of improvement year-over-year despite the weather, wildfire and inflationary headwinds that we are facing. We are planning for low single-digit year-over-year inflation in food and paper costs after baking in the positive benefits from our supply chain strategies with pressures led by uncertainty in our beef pricing that represents 25% to 30% of our blended food and paper basket.

Additionally, our marketing plan for this year is more evenly split over the quarters versus last year that was back end weighted. This cadence will result in a higher step up year-over-year in both other operating expense and G&A in the first half of the year, tapering-off in the back half. On to our full year 2025 outlook. We are largely reiterating the guidance that we provided at ICR Conference in early January, while we are also raising our outlook for adjusted EBITDA based on increased confidence in our outlook for restaurant level profit margins to reach approximately 22% this year.

Our pricing plans for this year remain modest as our in-Shack price will be up about 2% year-over-year and our overall price across all channels will be up approximately 3%. Our commodity outlook reflects our expectations for low single-digit inflation led by beef up mid- to high single digits and does not contemplate any potential outsized impacts related to tariffs. We are planning for labor inflation to be in the low single-digit range. We're now guiding for adjusted EBITDA of \$205 million to \$215 million, representing 17% to 22% growth year-over-year as operationally, we are tracking strong against our three-year target of low to mid-teens growth.

To close, I want to extend my heartfelt gratitude to our more than 12,000 team members in our 329 company-operated Shacks and our employees and our support centers for their outstanding work in 2024. Your dedication to our guests, to supporting one another and to executing our strategic priorities has been truly remarkable. Thank you to your efforts. We exceeded nearly all of our goals and targets, and we're really excited about the opportunities that lie ahead. We believe that we have the right plan in place to help us unlock our growth potential. We have confidence as we look forward to our target to grow to at least 1,500 company-operated Shacks over time, and we're very much looking forward to updating you on our progress against our 2025 strategic priorities throughout the year.

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

Rob Lynch

Thank you, Katie. Building off of a strong 2024, we are excited about the opportunities ahead and look forward to making progress against our new set of strategic priorities in 2025. Above all, I'm so grateful to our dedicated teams bringing their hearts, minds and focus to their endeavors every single day.

Thank you all for your time today. And with that, operator, please open the call for questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] Our first question is from Michael Tamas with Oppenheimer & Company. Please proceed.

Michael Tamas

Hi, thanks good morning. You guys just talked about increased confidence in getting to that 22% restaurant margin this year, and that suggest about 60 basis points of expansion versus '24, despite, I think, a more choppy top-line environment since ICR. So can you maybe just unpack for us what's driving that increased confidence and talk about maybe some of those incremental initiatives throughout '25 that give you the confidence in this target? Thank you.

Katie Fogertey

Great. Yes. Thanks for the question. Yes, we raised our full year 2025 adjusted EBITDA to \$205 million to \$215 million. And that's really a function of our increased confidence to achieve this approximately 22% restaurant profit margin we expect to get this year. The reasons why we are going to be expanding margins this year by about that 60 basis points, it is pretty evenly split through just better labor management. The implementation of our new labor model that we put in place in fourth quarter has gone exceptionally well. We are continuing to see really strong performance from that scheduling system in the first quarter of this year, and it is helping us to offset some of the sales pressures that we are seeing from the weather and the wildfires. So we have good confidence that, that will continue throughout the rest of the year.

And then on other initiatives that we're working on, I would say, part of it is the margin expansion that we delivered in the fourth quarter was really evenly split between labor management and then also on our supply chain. And we're continuing to do great work there, uncovering opportunities to get more efficient, bring on more suppliers and optimize our freight while also from an operational standpoint, improve the way that we're running our ships in our Shacks to help minimize waste. So those are the kind of big buckets that will help carry us through this year and give us increased confidence.

Michael Tamas

Thank you.

Operator

Our next question is from Christine Cho with Goldman Sachs. Please proceed.

Christine Cho

Yeah. Hi, thank you. So it was really encouraging to see kind of the 3.7% same-Shack sales growth in January despite the weather headwinds and the impact of the LA wildfire. Can you help us unpack that growth a little bit for us? Thank you so much.

Katie Fogertey

Yes. So yes, we had a really strong January despite these pressures. We talked about 150 to 200 basis points of pressure from traffic pressure from the fires and from weather. As far as the components of the comp, we were running about a 6% price heading into the year, that's kind of leveled off to about 5% for the rest of the quarter. And so when you take those together, we just think that it signifies a very strong performance in our underlying business. The fact that our marketing and operational strategies are helping us to deliver strong performance against -- and helping us to offset some of these weather and wildfire pressures.

Operator

Our next question is from Brian Vaccaro with Raymond James. Please proceed.

Brian Vaccaro

Hi, thanks and good morning. I had a question on the store margins, on labor specifically. You spoke to the Phase 2 labor model efficiencies. But I also wanted to ask about the improvement that you are seeing just from running tighter operations and more sort of your maybe lower-performing stores starting to achieve more of your new KPI targets. So I guess on that topic of attainment, is there a way to frame the improvement you are seeing on sort of bringing up the lower-performing stores and what the opportunity might be there if more of those stores start hitting more of your targeted KPIs?

Katie Fogertey

So on the improvements that we are seeing from the labor model, I'd really -- I actually think that, that is very coupled with the operational improvements that we are seeing. And by implementing this new labor scheduling system, we do believe that we are providing a better guest experience and we are enhancing our returns. However, it really is only able to be executed by the strength of our operations. And so I think, both of those run hand in hand. We wouldn't be able to have the new scheduling system go into place so successfully if not for the work of all of our operators and their improvements on that side.

I'll let Rob talk to the scorecard and what we are seeing there.

Rob Lynch

Yes. Hi, Brian, I mean I would say that it's pretty consistent with what we've been saying for the last six months. It is -- the new labor model is great. I wish we had some kind of like proprietary AI software that's driving a lot of these results. Like it's literally great discipline operating restaurants. Our new leadership has permeated her philosophy down through the organization. And so part of it is the amount of hours that are being allocated because of the activity-based labor model versus the sales base. But a big part of it is just adherence to what's being allocated. So it is the discipline to hit the numbers that are in the schedule. That wasn't necessarily something that was really focused on in the past, and it is incredibly focused on now.

So to your question around the lowest-performing Shacks, even though Shacks now have much better adherence to their labor scheduling than they had in the past, which is definitely driving increased profitability, and hence our confidence in our ability to add 60-plus basis points of restaurant level margin this year.

Operator

Our next question is from Jeffrey Bernstein with Barclays. Please proceed.

Jeffrey Bernstein

Great. Thank you very much. Just wanted to follow up on the restaurant margin topic. Looking beyond this year, you guys gave a three-year guidance at ICR last month and reiterated this morning for a restaurant margin of at least 22%. And that is similar to the 22% you are projecting for this year. I think there were some investors that were hoping for maybe a little more context behind the at least 22% just because it seems like it is open-ended. But at 22%, it wouldn't demonstrate any improvement from here, but yet we know you have a variety of initiatives and it seems like you are increasingly confident in those. So I'm just wondering if you can give any kind of color, whether it is a range or an annual goal or potential magnitude of upside. Rob, I think you mentioned there was potential upside to those targets. So just trying to get some frame of reference for when you say at least 22%, kind of a little more context behind what that could be.

Rob Lynch

Yes, it's a great question. Our aspiration is to continue to get more efficient and more productive. Everything we talked about this morning and everything we talked about in our calls with all of our -- the investment community really talks about all of the initiatives that we are putting in, that are transforming our operations, improving our guest satisfaction, improving our team member experience and improving our retention and eventually that flows down to margin. So we will keep the investment community very close to that as we continue to see progress and as we continue to advance the initiatives that we have in place today towards driving more productivity.

Our guide is a baseline. It's representative of what is in the model today and what we believe we can execute today. That doesn't mean we don't have five, six, seven other big initiatives in place with the intention of continuous improvement. That being said, we also see headwinds on the horizon. We also see a volatile commodity situation, both on ingredients, as well as equipment and other costs to our business, given kind of the uncertainty of the current environment. So we are trying to be thoughtful and planful and take both the upside into account, but also some of the risks that are facing kind of the industry as a whole right now.

Katie Fogertey

And I will just add on that, what Rob just discussed. We are planning, and our plans for this year reflect us returning to a more normalized price environment of that kind of 2% for in-Shack, 3% overall. And our outlook for the next three years doesn't really contemplate any big step-up in pricing. So what we are doing here is really relying on operational efficiencies and other strategic initiatives to continue to expand our margins, while still trying to navigate the pressures that Rob outlined.

Rob Lynch

Yes. I mean product, innovation and productivity are better than pricing. So we are focused on developing a culinary innovation pipeline, a menu strategy that -- where we have items that complement each other to drive both comp sales, as well as margin enhancements. And obviously all the operating productivity that we've already talked about, I mean you couple that, our goal would be to minimize the amount of pricing that we have to take, which is then going to continue to improve our value perception relative to the industry. We already know that we have the best food, the best ingredients. And if we can become more productive and more inventive around our innovation and achieve our financial targets without having to take as much pricing, that is going to become a virtuous cycle that's just going to drive transactions transaction growth for a long time. So that's really what we're focused on doing.

Operator

Our next question is from Sharon Zackfia with William Blair. Please proceed.

Sharon Zackfia

Hi, good morning. Thanks for taking my question. You guys just mentioned a lot of uncertainties with the commodity environment. And Katie, I know you said you don't have any kind of tariff impact in your guide. Are you guys exposed to Canadian or Mexican produce or imports in your business? Or would you just expect there to be potentially broader inflation of tariffs we are impacted?

Rob Lynch

Yes. I think we source domestically for our company operations. We source the vast majority of our ingredients domestically. So we do not have a huge amount of exposure. That being said, all of these things live together, right? I mean we don't have a breakfast business, a big breakfast business. So we don't have the exposure to eggs. But other restaurant companies that have exposure to eggs may be moving away from eggs in the time being which means they are going to offer more beef products or chicken products to complement, to substitute for that high cost item. And when that consumption demand changes, it has the potential to change even some domestic pricing.

So we are just trying to be thoughtful and planful and making -- as Katie highlighted, a lot of the work we've done in our supply chain has been around creating multiple sources of supply, new vendors, new partners. That has been a big focus for us, both from a business continuity standpoint, but also from a sourcing and price standpoint. So as we look at the environment, we are being very thoughtful about how we balance our source of supply with pricing and make sure we have access to the best suppliers at the best prices. But that is more context than maybe you asked for. I would tell you that the vast majority of our ingredients are sourced domestically.

Operator

Our next question is from Brian Mullan with Piper Sandler. Please proceed.

Brian Mullan

Hi, thank you. Just a question on loyalty. Can you talk about the road map for an eventual launch? And related to that, I know -- I think with Shake Shack, the goal is to make sure there is enlightened hospitality expressed digitally. My question is just how do you strike the right balance between basic blocking and tackling and maybe replicating what have made other programs successful versus also trying to make it very unique for Shake Shack? Any thoughts on all that?

Rob Lynch

Yes. I think we have gotten very successful this year in delivering kind of surgical incentives to drive incremental purchases. I mean the marketing investments that Katie talked about, a lot of those are kind of performance marketing as opposed to big national advertising campaign.

So we are always going to have a component of our business that is focused on delivering incentives. So loyalty and understanding our customers will give us even greater insights to be able to be even better at delivering those targeted incentives. But that's not where it stops. It's also about making sure that our -- we understand our guests and their historical purchase behavior and their needs so that we can deliver information and insights as well. So if you are somebody who traditionally has bought a premium burger or LTO burger like a Truffle Burger or what have you, and you come in to our kiosk and you order a Shack Burger, like we are going to be able to interrupt that process, not in a huge disruptive way that slows things down, but in a way that it might add value to this customer by saying, well, did you know that we currently have this great new LTO burger that is here for a limited time?

And in doing so, we're going to improve -- potentially improve the experience that, that guest has on that occasion, but we are also going to drive self-selection trade up, which is going to improve our comp and is going to improve our margins. So it really is a virtuous cycle.

We are right now trying to stay away from a pure points discounting loyalty program. We don't feel like that is necessary for us. We feel like we can do it in an enlightened hospitality way, which is about understanding our guests and being able to deliver on their unmet needs. So that's -- those are two examples of how we're going to leverage the loyalty platform.

Operator

Our next question is from Andrew Charles with TD Cowen. Please proceed.

Andrew Charles

Thanks. You mentioned advertising doubled year-over-year, which implies about an increase of about 1 point as a percent of sales to help drive the sales momentum in 4Q. What's embedded in guidance for advertising spend in 2025?

Katie Fogertey

Hi, Andrew, yes. So we had a really successful year of ramping advertising last year. We learned a lot. We are excited for -- to kind of keep that level of investment up there. We are growing it less significantly. Certainly, our plans are less significant in 2025 than they were in 2024. But we feel like we have a really good plan in place and learnings that we've achieved from what we did last year.

Just for everybody's knowledge, a portion of that will hit other operating expense in our restaurant expense line, most of that is going to be in G&A. And for modeling purposes, just a reminder that last year, we did see more of a ramp-up in our advertising spend towards the end of the year. This year, we are planning it for it to be more evenly paced both across other operating expense and also on G&A.

Rob Lynch

So just to build on that Katie, we are going to increase advertising, not at the same rate as Katie talked about, but that's because we are increasing our investment in G&A, in operations and development so -- and tech. So we could go out and double our advertising this year and get the same rate of return on that advertising, as we've gotten in the past or we can go out and make G&A investments and running better operations, increasing throughput, increasing guest satisfaction. So the marketing investment that goes into driving that occasion has a higher lifetime value for us because there is going to be a higher probability of repeat purchase because of a better guest experience.

Same with development. One of our -- obviously think, we are not as developed as a lot of our competitors, 329 company-operated Shacks across the U.S. The more Shacks we build, the more access we create for people, the more convenient access we create for people, the better returns we are going to get on our marketing investment, right? Because proximity or lack thereof is a barrier potentially to frequency. So the more Shacks we can build in more neighborhoods, the better convenience, the more convenience we are going to offer, the better return we're going to get on our marketing investment.

So as I've talked about for the last few months like 2025, we have got great -- we put a guide out there. We've got great ambitions to have a great year. But it is also a year of investment. It is a year of building the infrastructure in operations, development and tech. That is then going to give us even greater returns when we increase our marketing investments moving forward in 2026 and beyond.

So I just want to make sure it's not about us kind of taking our foot off the gas on the marketing model. It's about us believing we have culinary, operations, development and tech opportunities to build that will give us even greater returns from those investments moving forward.

Operator

Our next question is from Peter Saleh with BTIG. Please proceed.

Peter Saleh

Great. Thanks. I did want to follow up on that question on advertising. Rob, can you just talk a little bit about how the strategy may be a little bit different in '25 versus '24? I know you guys said that it'll be more evenly spaced. But I think the last we spoke, you said you haven't really leaned on a call to action or any price point advertising. Is that something that could be in the cards for 2025? Just a little bit more, call it action on the advertising strategy?

Rob Lynch

Yes, Pete. I mean, it could be. We are -- I just hired a new Chief Communications Officer, Luke DeRouen, and he and I'm taking a very active role in the brand positioning and marketing work that we are doing, the foundational work that is so important to really making the media dollars deliver great returns, right? Bad strategy, great media, bad output. So I'm not saying we have a bad strategy, but we definitely have work to do on how we bring the Shake Shack brand to life. There are so many great things for us to talk about. We need to distill that and we need to communicate that in a compelling and concise way. And we haven't yet got that all the way to bright.

So we are still developing that strategic brief, like what is our single point of communication moving forward. Once we have that, there will be opportunities to deliver that from a pure branding standpoint, but there will also be opportunities for us to leverage those insights to drive closer in purchase occasions through price pointed promotions or price pointed LTO promotions or those types of things, which we haven't done a lot of that in the past. We've done targeted surgical incentives through our digital channels. We haven't done a lot of price pointed advertised promos, I think that's definitely something that we are looking at and we can leverage probably more in the back half of this year or even in the front half of 2026.

Operator

Our next question is from Brian Harbour with Morgan Stanley. Please proceed.

Brian Harbour

Yeah, thanks. Good morning guys. Just on the same-Shack sales side. I guess you provided kind of that regional color in your letter. It seems like a couple regions got better, a couple faded a little bit. Can you just comment on what drove some of that? And then into this year, as you think about kind of at least 3% it seems for sales I think, was what you spoke about. That's obviously mostly pricing. I would sort of infer that you might be looking for a bit of traffic growth and maybe some offset from mix. Obviously, you did kind of see that in '24 as well. Is that kind of accurate? Or do you see any sort of changes in those pieces based on the strategies you're deploying this year?

Katie Fogertey

Yes. So to start with the first part of your question on 4Q, same-Shack sales and kind of heading into January and how those trends look. So overall when you adjust for weather and the fires, our trends are actually quite consistent. And the regions where we are seeing strength are just areas where we are still building brand awareness. I'll talk about Florida has been a particularly strong market for us and operations are incredibly strong in that market as well.

What we are seeing though, and I think this will – it is helpful color for the rest of the year and kind of lines up to the strategies that Rob has talked about is in January, towards the end of January, we were lapping the launch of our Korean barbecue LTO last year and we did not have a new product to go against that. And so we are seeing that plus the continued impacts of weather and some calendar shifts be about a low single-digit pressure to our traffic overall for the first quarter. And when we talk about the investments that we are making and our focus on culinary and a culinary calendar, that is very important. It will help us get ahead of issues like this going forward.

Rob, do you want to add some more on that?

Rob Lynch

I would just say, you nailed it. The whole point I've made for the last six months about us not having like a strategic culinary calendar is the representation of that is what Katie is talking about. We had a great Korean barbecue launch last February. And we didn't really have something planned to comp over that this February. And that's -- that hasn't been the way this railroad has been run. It's been, to their credit, an amazing culinary machine. But that culinary has really been more about the focus just on bringing great food to life. Like we need to continue to do that. We need to do it in a strategic way to make sure we don't have 100, 150 basis point gaps in our comp model because we don't have a great annual year-over-year innovation plan behind it.

So those are the things that we are remediating. Those are the things that we are fixing. I keep talking about like we are going to have a great 2025. But like we are building all of that 2025. So if I'm sitting here in 2026 telling you that we didn't have a great innovation calendar to lap what we did in 2025, then shame on me because that is the work that we're doing today to make sure that, that type of scenario never plays out again.

Operator

Our next question is from Jake Bartlett with Truist Securities. Please proceed.

Jake Bartlett

Great. Thanks for taking the question. Rob, I just wanted to build on that last comment, and that's the cadence of LTOs. And so I definitely note that January or February, there has been an LTO in years past, and there is not this year. So I guess the question is, does something come going forward soon? Or anything that is different about the cadence of LTOs in '25? And maybe what your vision is going forward? It seems like there is about three LTOs a year historically. Is that what you think should be the case going forward? How should we expect '25 to be different? But also what does the future look like in your view?

Rob Lynch

Yes. I think every brand is different. Every brand is different based on their purchase cycles and how they engage and interact with their guest base, right? I think the right cadence for this brand is similar to what you just articulated, three to four big LTO windows a year. We made the strategic decision this year to stick with truffle, like technically right now, we do have an LTO. It is truffle. But it's been in market for over four months now. And I think we are seeing that, that's probably a little bit too long to continue to stimulate demand. We are a bit enamored with truffle. We are the only ones who can do it. It is literally a \$25 burger that we sell for \$11. So we love it. Our guests love it. It has been incredibly successful. But the duration of it, I think we are still seeing strong repeat, but we are not getting as much trial after 4.5 months.

So as we look to the future, our goal will be to strike that -- the right balance between giving people a window to be able to kind of drive repeat frequency around an LTO that they really love, but also making sure we have refreshed our LTOs enough, quickly enough to continue to stimulate new trial and new demand of new items. So I hope that is kind of the answer -- the information you are looking for.

Operator

Our next question is from Lauren Silberman with Credit Suisse. Please proceed.

Lauren Silberman

Thank you. So industry comp, challenging exiting '24-'25 early on. Obviously, with the noise of weather and holiday shifts. Some of your peers have also had mixed commentary around the consumer. Can you just talk about what you're seeing with the underlying consumer? Any discernible changes in behaviors or thoughts on the relative resiliency at Shake Shack? Thank you.

Rob Lynch

Sure, Lauren. So when I got here in May, right out of the gate, it was, Rob, are you concerned about the push to value? Are you concerned that your premium positioning in the marketplace is going to be a risk? And when I just got here, I might have had a little bit of that trepidation because, yes, you are premium priced, everyone's raising the value, does that create a risk? And what we learned last year is – it is just the opposite. We to a certain extent, because of our footprint, are a bit insulated from the hyper value-conscious guest. We -- our Shacks are typically in the markets they are in at the corner of [Maine and Maine] (ph) great real estate, great assets. And historically, our premium positioning has attracted a higher income guest and has people that are a little bit less price sensitive.

So as we aspire to get to 1,500 Shacks, that dynamic will obviously evolve as we penetrate more markets and go into more mixed demographic areas. But right now, we are seeing a lot of strength with our guests. And the Truffle Burger is our highest surprised LTO and history and has performed better than almost any LTO in history. So those data points imply that there's still a lot of demand for high-quality food that people still determine as a great value, right? I mean we may be -- our price -- I've talked also about our price points relative to mainstream, QSR competition, the gap has actually narrowed a bit on our core offerings, particularly our Shack Burger and our Double Shack Burger. So we feel really good about our value equation and our guests have shown up and shown us that we can continue to win with this premium strategy.

Operator

Our next question is from David Tarantino with Baird. Please proceed.

David Tarantino

Hi, good morning. Rob, my question is about speed of service. You mentioned many times about that being a priority. You also indicated that wait times improve by more than a minute year-over-year. So I was hoping you could perhaps put the opportunity for speed of service into context. So for example, kind of where are you today on wait time? Where do you want to be? And just to kind of frame up kind of how much progress has been made already and how much more might be to come? Thanks.

Rob Lynch

Yes. That was a great question. I'll give you a little walk-through history very quickly. When I was at Taco Bell, we used to talk about every second off of the drive-thru delivery time was worth \$1 million in sales to the system because when you are at max capacity during your peak hours, when you drive throughput, you're driving incremental sales. And they had measured how many people drove off the lot or how the -- when the line got to a certain point, the queue stopped growing. So they've done all that diligence. We have yet to do all that diligence at Shake Shack and our drive-thrus make up less than 10% of our footprint.

So there's absolutely a benefit in throughput at our peak hours at our best Shacks. And if you walk around New York City at lunch time, you are going to see the line 10 deep at almost every Shake Shack. So there is a throughput benefit. But there is also a lifetime value benefit from improved speed of service, right? Like people don't come to us sometimes because they know that they are going to have to wait. And they're okay with it taking a little bit longer to make the food, but we have longer lines than those people. It's 4 million AUV, we're doing a lot of business. We have a lot of traffic and line.

So speed is a big focus area for us. And to take a minute off of speed of service in one year, that's just not even something that is possible at the QSRs of the world. Taco Bell, RVs, places I have experience with, we were trying to take a second off. We are trying to take two seconds off. We took one minute off. Now to put that into context, we're still not even close to the industry standard total time to delivery.

So we have a lot of work to do. We are not disclosing exactly what those times are, but I can tell you that we still have another minute to go before we even get into the ballpark of where I want to be. And all of our initiatives, both in the short-term around our process, our equipment, how we prep cook and hold our food are all geared towards improving our speed without degrading our quality. So that's going to have short-term benefit in 2025. That long term, as we build more drive-thrus, those benefits are going to be even more greatly exacerbated.

Operator

Our next question is from Andy Barish with Jefferies. Please proceed.

Andy Barish

Yeah. Hi guys. Just trying to level set on the new labor scheduling. I mean it seems like with low single-digit wage inflation and the pricing you still have for '25, those kind of offset. So are we expecting that 80 bps to kind of continue before you lap it in the fourth quarter on the labor-line? I know you've got obviously less pricing, but just trying to get the puts and takes there.

Katie Fogertey

Yes. We are planning for about the same level of benefit throughout the year until we start to lap it closer to the fourth quarter. The other put and take here though, just to consider, we have been seeing sales pressure in the first quarter due to weather and the fires and it was lapping the LTO from last year. So that is a little bit of a pressure. We are lean on operational strategies to help still deliver quite strong margin improvement year-over-year, which is something for your model.

Operator

Our next question is from Jeff Farmer with Gordon Haskett. Please proceed.

Jeff Farmer

Great. Thank you. Just wanted to take another crack at the 3-year guidance question. Obviously, as you guys well know, that low to mid-teens EBITDA growth guide, it is just above that low teens revenue growth guide. So clearly implies a smaller level of margin expansion as you move forward. Here is the question, and you guys did hit on this, but I'm just looking for greater clarity on if this is sort of conservatism on your part or an expectation for some incremental costs or maybe a combination of both?

Rob Lynch

Yes. I mean we are definitely in investment mode. We see huge opportunities. We cannot get a better return than investing our capital into our assets, like new Shack openings is the #1 value unlocked for this company and that requires increased G&A investment as well that it requires us to continue to build teams, it requires us to go and build the development capability. We have to get dealmakers, real estate people, like a lot of that stuff in the QSR industry sits on the franchisees play here, construction management, real estate, all those things, that is all us.

So we are making those investments in 2025 and into 2026 to continue to drive incremental growth, like we are going to build more restaurants, more Shacks this year than we built last year, and we're going to build more than that in 2026 and beyond. So we are making investments. So as you think about the margin opportunities, we can absolutely grow our margins faster than what we've guided to. But that would come potentially at the expense of the investments necessary to deliver the full realized long-term potential of our company. I don't know, Katie, if you want to add anything to that?

Katie Fogertey

Yes. I mean I think it's important to put that into perspective here. So just looking at 2024, we started the year with about 200 Shacks in our comp base. And we grew our comps by about 3.6% year-over-year. So it is about \$30 million, you kind of have system-wide AUVs, it's about \$30 million of revenue that came from just our comp base. However, we did increase our sales by \$160 million year-over-year. So really four-fifth of our revenue growth is coming from -- our incremental revenue is coming from us opening up more and more Shacks. And to Rob's point, for us to achieve our total long-term potential of at least 1,500 shacks and what that can mean from how big adjusted EBITDA could be on that side, it does require a level of investment, but we believe we have a great plan in place in order to do that, and we believe we're maximizing the returns from this business.

Operator

Our next question is from Jim Sanderson with Northcoast Research. Please proceed.

Jim Sanderson

Thanks for the question. I just want to go back to the drive-thru optimization process. Could you speak a little bit more about what that entails? And if menu bundling is going to be part of that solution or more broadly, how you expect the changes to improve performance?

Rob Lynch

Yes, Jim. Menu bundling will absolutely be part of that solution, and we will be launching that soon. So I've been talking about it for a long time. We have been building it. We have been optimizing it. And I am committing that it is coming. That's just one part of it, though. But it is a big part of it because we -- the biggest gap versus best-in-class drive-thru is in the order zone for us. So ideally, the configurations, the changes we're making to the menu and the drive-thru will have a very positive impact on the order times.

But we're making other improvements as well. We are streamlining, I mean I talked about it and I mentioned it earlier, we are streamlining the drive-thru restaurants. We are improving -- and our kitchen innovation lab, I mean this is something I want everyone to take away. For us to do kitchen innovation in the past, we have built Shacks with new models to test them. Like think about that. We didn't have a lab, for us to like learn, it required us to build more Shacks and do things differently. So while you are trying to open up a new restaurant in an optimized way and drive performance, you are also testing ideas and thinking about, well, maybe this could work, maybe that could work. The whole idea behind this kitchen innovation lab that we're opening in Atlanta is we are building a modular lab that's going to allow us to test and optimize all of our kitchen equipment and build-outs and flows and processes. So that is going to accelerate like 100 times acceleration of innovation on our model. So that's going to have a big impact.

And then the last thing I'll say is our -- I know we talked about the flows, but even just the equipment. I mean we talked about hot holding. We've talked about fries. We talked about shake machines, like all those things are on the table that haven't really been on the table in the past. So we're looking at all of that to decrease the times in the drive-thru. And we just built our first single lane drive-thru that opened in December and Wesley Chapel and Tampa. And I got to tell you, it has the best times in our system and drive-thru and it's single lane and it doesn't even have all of these improved modifications. So lots of upside there.

Operator

Our next question is from Rahul Kro with JPMorgan. Please proceed.

Rahul Krotthapalli

Can you talk more about this Atlanta support center? I know you mentioned a little bit about the kitchen innovation lab. But over time, like how big and what kind of capabilities will this center have? And it does sound like some sort of secondary HQ? And then I also wanted to follow up on how you plan to attract the right tech talent out there, given how expensive it is been and then as you continue to build out your data and tech capabilities?

Rob Lynch

Yes. I mean it is a great question. In the last quarter, we have moved away from this idea of a headquarters. We have communicated in my year beginning letter, I sent a note out to all of our employees. And I just let them know, everybody in our company is dedicated to one thing, making our Shacks successful. Every employee, whether you are in finance, you are in tech, you are in marketing, whatever, we are all here to support our operations. And so we have moved from a headquarters vernacular to support -- Shack support centers. And we have three of them. We have New York, we have Hong Kong for international business, and we are building Atlanta. And Atlanta is going to give us a very convenient location to operate a restaurant company out of. We're going to be able to recruit different talent from across the country to be able to come to Atlanta, and we are going to be able to do it more efficiently.

So we are super proud of our roots in New York City. We have a great team here in New York City doing amazing work and driving all these great results. That's not going to change. We are not moving people from New York to Atlanta. We are just opening up the opportunities both from a recruiting. And you talk about tech talent, this new office gives us access to a whole new population of tech talent. And we've just hired a new Chief Information and Technology Officer, Justin Mennen, who is best in class, is building a best-in-class organization. He's going to be based out of Atlanta. Atlanta has over 60 universities within a two-hour drive from it. It's a hot bed of restaurant, operations talent, it's also a hot bed of tech talent. So we feel great about opening this office, giving us a lot more access to recruiting and also giving us a space to be able to do a lot of this innovation work.

Operator

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

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