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Q1: 2025-05-08 Earnings Summary

Insights



EPS of $-\$0.21$ **beats by $\$0.01$** | Revenue of $\$166.30\text{M}$ (5.36% Y/Y) **beats by $\$1.40\text{M}$**

Sweetgreen, Inc. (NYSE:[SG](#)) Q1 2025 Earnings Conference Call May 8, 2025 5:00 PM ET

Company Participants

Rebecca Nounou – Investor Relations

Jonathan Neman – Co-Founder and Chief Executive Officer

Mitch Reback – Chief Financial Officer

Conference Call Participants

Jon Tower – Citigroup
Sara Senatore – Bank of America
Zach Ogden – TD Cowen
Sharon Zackfia – William Blair
Logan Reich – RBC Capital Markets
Brian Mullan – Piper Sandler
Brian Bittner – Oppenheimer
Christine Cho – Goldman Sachs
Brian Harbour – Morgan Stanley
Rahul Krotthapalli – JPMorgan

Operator

Thank you for standing by. My name is Tina, and I will be your conference operator today. At this time, I would like to welcome everyone to the Sweetgreen Incorporated First Quarter 2025 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. We respectfully ask that you keep your questions to one. [Operator Instructions]

Thank you. I would now like to turn the call over to Rebecca Nounou. Please go ahead.

Rebecca Nounou

Thank you, and good afternoon, everyone. Speaking on today's call will be Jonathan Neman, Co-Founder and Chief Executive Officer; and Mitch Reback, Chief Financial Officer. Both will be available for questions during the Q&A session following the prepared remarks. Today's call is being webcasted live and recorded for replay. The earnings release is available on the Investor Relations section of Sweetgreen's website at investor.sweetgreen.com.

I'd like to remind everyone that the information under the heading forward-looking statements included in our earnings release also applies to our comments made during the call. These forward-looking statements are based on information as of today, and we assume no obligation to publicly update or revise our forward-looking statements. We also direct you to our earnings release for additional information regarding our use of non-GAAP financial measures, including reconciliations of non-GAAP financial measures mentioned on the call with the corresponding GAAP measures. Our earnings release can be found on our investor website.

And now I'll turn the call over to Jonathan to kick things off.

Jonathan Neman

Thank you Rebecca and good afternoon everyone. Sweetgreen is redefining fast food, proving possible to operate with financial discipline without compromising on the quality of our menu or the seamless experience that defines our brand. As we scale, we're building a more resilient business and leaning into what's working. Our real estate playbook reflected by the strength of new markets and recent restaurant openings, our Infinite Kitchens and sweetlane formats are unlocking operational efficiencies while enhancing the guest experience. We're also advancing menu innovation while refining our core ensuring every ingredient is prepared, sauced and seasoned to create meals that keep guests returning again and again.

Our first quarter results reflect the progress we've made despite the quarter being significantly impacted by several external headwinds. These include the holiday timing shift, the LA wildfires and their lingering impacts, as well as adverse weather impacts across several regions. For the first quarter, we reported sales of \$166.3 million and a same store sales decline of 3.1%. These results are toward the higher end of our guidance range. By staying focused on what we can control, we delivered a restaurant level profit margin of 17.9% and achieved slight adjusted EBITDA profitability, both above our provided outlook.

Looking ahead, the macro environment remains uncertain and volatile. April sales trends were soft, which we believe is reflective of a broader consumer slowdown. This has been particularly true in our largest markets such as New York, Boston and Los Angeles. However, we're confident in our ability to deliver long-term value for our guests, our team members and our shareholders. I'm proud of the strides we've made, but no true operational excellence requires relentless attention to detail, especially now. That's why our team is committed to optimizing every process, no matter how small, to drive continuous improvement. We continue to see significant opportunities to optimize operations, broaden our customer base, grow guest frequency and expand our footprint. With these focused areas in mind, our three strategic pillars for 2025 are: one, revolutionizing fast food through menu and technology innovation; two, strengthening guest connection and operational excellence; and lastly, number three, strategically expanding and evolving our footprint. These pillars are designed to increase traffic and expand restaurant level margin.

Let me share what we delivered in the first quarter. We opened five new restaurants, Fishtown in Philadelphia, Westfield and Canton in the New York metro area, Carytown in Richmond, and Hilldale in Milwaukee. As I shared on our last call, our 2024 class of new restaurants is tracking towards two year metrics in year one and delivered a Q1 margin of 18.3%. Notably, 40% of this class is located in legacy markets and 60% in new markets, underscoring the broad based strength of our performance. This reaffirms our confidence in the effectiveness of our real estate strategy and the significant long-term growth opportunity that lies ahead.

We continue to be pleased with the financial and operational performance of our Infinite Kitchen format, which is delivering strong results across key metrics. These locations are showing meaningful margin leverage compared to restaurants of similar age and volume driven by improved efficiency and operational consistency. Additionally, our class of Infinite Kitchens continues to drive higher native digital sales due to their high throughput and consistency, which leads to a better guest experience.

We believe the Infinite Kitchen together with our revamped loyalty program can accelerate our industry leading digital presence. Not only do we see strong performance in our Infinite Kitchens, we are also seeing strong performance of our sweetlane in Schaumburg, Illinois. In the first quarter, comparable sales grew more than 20% year-over-year. Schaumburg's AUV and restaurant level margin is above the fleet average and with minimal incremental costs. Schaumburg is a clear proof point of the strong cash on cash return potential of the sweetlane format.

This year's pipeline includes two new sweetlane locations, one classic and our first with an Infinite Kitchen with more planned for 2026. We are reiterating our 2025 new unit guidance and continue to have high conviction in our long-term development roadmap of 15% to 20% annual unit growth. In 2025, we plan to enter three new markets, Sacramento, Phoenix and Cincinnati, and open at least 40 new restaurants including 20 with the Infinite Kitchen. Additionally, we're planning two relocations that will be upgraded with the Infinite Kitchen and expect to complete one to three Infinite Kitchen retrofits of existing restaurants. As we scale innovation across every touch point, physical and digital becomes even more critical. In today's environment, staying top of mind requires a steady cadence of newness. Our 2025 calendar is designed to do just that, increase visit frequency, attract new customers and build deeper loyalty among our base.

Let me take a moment to share one of the most exciting things we've rolled out recently, Ripple Fries. After an initial test in our LA market, we launched Ripple Fries nationwide on March 4th. Ripple Fries are Sweetgreen's take on this classic item. Fresh cut daily in our restaurants, air fried in avocado oil and served with a choice of our house made pickled ketchup or garlic aioli. Made with just five simple ingredients, Ripple Fries are a category defining side that's both craveable and aligned with our commitment to clean elevated food. Ripple Fries drove same store sales improvement in March. They have become our most attached side item across channels, helping to lift overall ticket averages and broaden the meal experience. Notably, the strength has been consistent across all markets.

Our innovation pipeline continues to be a key driver of traffic. For us menu innovation goes beyond the food. It's about keeping the brand dynamic and culturally relevant. One of our most mouthwatering culinary launches planned for this year is our collaboration with COTE Korean Steakhouse. They are the first and only Michelin-starred Korean steakhouse in the U.S. Together we are introducing Sweetgreen's first ever Korean barbecue inspired menu featuring our new KBBQ glazed steak, cucumber kimchi and an apple kimchi sauce, bringing an entirely new flavor profile to our guests. This limited time menu launches nationwide next Tuesday on May 13th. Collaborations like this is one way Sweetgreen is redefining fast food, showcasing our culinary creativity, high quality ingredients and cultural relevance.

When we deliver bold culinary-led menu moments, we see clear signals. New customers show up, lapsed customers return, and existing guests engage more deeply. That's why the work we're doing now across both limited time offers and strategic brand collaborations is so important. And there's more menu innovation to come. With seasonal menus planned for the summer and fall, we are poised to sustain momentum through high traffic periods. We're also focused on elevating our core menu by perfecting how each ingredient is prepared, sauced and seasoned, ensuring every ingredient in bowl is a craveable, repeatable winner. A lot of this starts is our proteins, how they are marinated, cooked, held and portioned. Our job now is to keep delivering on that promise, staying nimble, listening closely to our guests and executing with the kind of discipline that builds lasting brand love.

Another important milestone for us has been the nationwide launch of our reimagined loyalty program, SG Rewards, at the beginning of April. SG Rewards is a points based program where customers earn 10 points for every eligible dollar spent with the ability to redeem points for free menu items, unlock surprise offers and gain access to member exclusive experiences. This updated program is designed to be more engaging and rewarding for a broader range of customers based directly on their feedback. In just the first few weeks of the launch of SG Rewards, we've already seen strong adoption and excitement from our community. Since launch, we've added 20,000 new digital customers a week.

As part of the perks SG Rewards members can expect they will get an early first taste of our new KBBQ menu on May 12, when ordering through the Sweetgreen app or website. I want to thank our team members who are doing an incredible job engaging with guests and helping them discover the benefit of our reimagined loyalty program. In a challenging industry environment where consumers are making more intentional choices with every dollar, SG Rewards is designed to meet the moment by delivering meaningful value.

As we look ahead, we've strategically shifted internal capital to focus more heavily on menu innovation and targeted media investments. Coupled with enhanced personalized CRM and our reimagined loyalty program, we believe these efforts will work together to accelerate transaction growth and strengthen guest loyalty.

Turning to our team and operations, our AI powered workforce management system is now live in the majority of our restaurants. With just two markets remaining, we are on track for full implementation by the end of the second quarter. This system gives team members an optional, user-friendly mobile platform to manage their schedules, aligning their availability with restaurant needs. Average weekly hours are up nearly 10% and absentee rates have declined by nearly 50%. For our head coaches, the platform enables smarter, more proactive workforce planning and frees up valuable time to focus on team development, the guest experience and restaurant performance.

We've continued to see progress on the turnover front for both coaches and the broader team with turnover nearing 90%, more than half of our first quarter leadership roles were filled from within, a clear testament to our growing bench strength and sustained investment in our people.

While we've made meaningful strides, we still have opportunities to raise the bar on operational execution across many of our locations. Inconsistencies in service, speed and portioning highlight the need for sharper discipline, tighter systems integration and a greater focus on the details that drive day-to-day excellence. That's why I'm excited to welcome Jason Cochran as our new Chief Operating Officer. Jason is a seasoned operations leader with more than two decades of experience at some of the most iconic brands in our industry, including Pizza Hut and Chipotle. At Pizza Hut, he served as CEO and board member of American West Restaurant Group, the third largest franchisee in the U.S. where he led transformational improvements in performance, instilling operational discipline and elevating execution across hundreds of locations. At Chipotle, he played a key role in scaling operations during a period of rapid growth with a focus on driving consistency, improving throughput and enhancing the guest experience.

Jason is a highly methodical, hands-on leader, who brings a sharp eye for detail, a deep commitment to standards and a passion for unlocking operational excellence at scale. I'm confident he'll help us drive greater consistency and accountability across the fleet. I'm thrilled to welcome Jason to our leadership team and to partner with him closely on this next chapter.

Before I turn the call over to Mitch, I want to take a moment to acknowledge the industry dynamic we're operating in and the decline in consumer sentiment. We believe we are uniquely positioned to succeed even in a more challenging industry backdrop. This confidence stems from the strength of our guest loyalty, our disciplined financial approach and our unwavering commitment to transparent, high integrity sourcing.

As our menu has evolved to include more warming, heartier offerings such as our protein plates and premium additions like steak, we've seen a positive shift in the brand's value perception at dinner. However, we also recognize the opportunity to introduce compelling mid and lower priced items that increase guest frequency, particularly in the current environment.

Given our customization model, we're well positioned to act quickly through limited time and evergreen menu items. We're excited about what's ahead and confident in our ability to deliver value in a way that deepens connection with our guests, without compromising on the quality or integrity they've come to expect from Sweetgreen.

As we look ahead we're confident that our culinary innovation pipeline focus on elevating the guest experience, recent loyalty program launch and focused investments in marketing and media will drive sales and strengthen the brand. We remain focused on what we can control, delivering consistently great experiences, improving operational execution and investing in our people and processes.

Sweetgreen has always been more than just a place to eat. We're a community, a movement and a brand built on purpose, with farm-to-flavor at the heart of how we connect people to real food.

And now I'll turn the call over to Mitch who will take you through our financials in more detail.

Mitch Reback

Thank you, Jonathan. And good afternoon everyone.

Total revenue for the quarter was \$166.3 million, up from \$157.9 million in the first quarter of 2024.

Same-store sales for the first quarter declined 3.1% compared to the prior year period. This reflects a 3.4% benefit from menu price increases and a negative 6.5% from traffic and mix. Same-store sales grew in more than half of our markets, led by the Upper Midwest, Texas and Colorado, all of which comped double digits.

Our average unit volume in the first quarter was 2.9 million. We opened five restaurants, ending the first quarter with 251 restaurants.

Restaurant level profit margin for the quarter was 17.9% compared to 18.1% a year ago. Restaurant level profit for the first quarter was \$29.7 million, up 4% year-over-year. For a reconciliation of restaurant level profit and restaurant level margin to comparable GAAP figures, please refer to the earnings release.

Food, beverage and packaging costs were 26.5% of revenue for the quarter and more than 100 basis point improvement from the prior year period, primarily due to distribution savings from continued market densification and ingredient consolidation as well as favorable contract pricing on key ingredients.

Labor and related expenses were 28.9% of revenue for the first quarter in line with the prior year period.

Occupancy and related expenses were 9.4% of revenue, slightly higher than the prior year period.

Operating support center costs in the first quarter increased slightly versus the prior year period on a dollar basis. As a percentage of revenue year-over-year operating support center costs for the first quarter decreased slightly to 16.7% from 17.1%.

Net loss for the quarter was \$25 million as compared to a loss of \$26.1 million in the prior year period. The decrease in net loss is primarily due to a \$1.2 million increase in our restaurant level profit partially offset by an increase in depreciation amortization expense primarily associated with an increase in new restaurants.

Adjusted EBITDA, which excludes stock based compensation and certain other adjustments, was \$300,000 for the first quarter.

Our balance sheet remains strong with a cash balance of \$184 million.

Now I would like to provide an update for our shareholders on the potential impact of tariffs across three key areas of our business. First, supply chain, second the restaurant build out costs and third, the Infinite Kitchen. From a supply chain perspective, our exposure remains relatively contained. The vast majority of our core ingredients are domestically sourced. At this time our exposure to tariffs is about 75 basis points for the second quarter of 2025.

Most of this impact comes from just a few items, primarily our packaging, which is currently sourced from China. Six months ago we began a project to move packaging out of China and we anticipate this to be completed during second half of 2025. We expect the tariff impact to be reduced in the second half of the year to approximately 40 basis points. This does not reflect the impact of any further mitigation initiatives.

As we plan for the build out of our 2025 real estate pipeline, we anticipate tariffs will have an approximate 10% impact on our \$1.4 million to \$1.5 million per unit build out costs. Importantly, this impact is not expected until late in 2025 as we have pre purchased number of key components.

Our team continues to diversify our supply base, avoid cost pass throughs and is focused on securing multi-year pricing agreements with key partners to further mitigate the tariff impact.

On the Infinite Kitchen, as Jonathan mentioned, we're extremely encouraged by their performance. These restaurants continue to outperform expectations in both efficiency and guest satisfaction. As we scale the Infinite Kitchen which costs approximately 450,000 to 550,000 per unit, we are closely monitoring the impact of tariffs on our cost structure. Currently, roughly 15% of each unit's cost is tied to components sourced from China. We have 10 IKs on hand that were not impacted by tariffs.

While the current tariff rate on Chinese goods will impact the Infinite Kitchen, it remains accretive to our return on capital due to the long-term labor savings, consistency and improvements in throughput. We remain committed to the expansion of the Infinite Kitchen and reiterate our 2025 new unit and IK guidance.

Now turning to fiscal year 2025. As we look out on the next three quarters, we are highly cognizant that this is a dynamic environment. As you have heard from others across our industry and seen in recent data consumer sentiment has fallen sharply. After returning to positive comp sales performance in March, we saw a mid-single digit decline in the same-store sales during April, coinciding with the tariff announcements.

Historically, April has always shown a ramp in performance as seasonal patterns kick in. This is the first time we haven't seen that lift. We believe this is noteworthy and reflective of the volatile external environment and the softening consumer sentiment marked by more deliberate purchasing behavior and lower frequency across discretionary categories.

Our outlook assumes that the current trends continue and layers in the positive impact of upcoming menu initiatives as well as continued ramp in our new loyalty program. As we considered our fiscal year guidance, we assume no further deterioration in macroeconomic conditions. As always, our forecast is based on the information available to us today and we recognize that uncertainty in the macro environment remains elevated.

For fiscal year 2025, we anticipate the following. At least 40 net new restaurant openings, revenue ranging from \$740 million to \$760 million, same-store sales growth approximately flat, restaurant level margin of approximately 19.5%, adjusted EBITDA of approximately \$30 million.

On the development front, 20 of our 40 restaurants will feature the Infinite Kitchen. In terms of pipeline timing, 30 of our 40 plan new restaurants will open in the second half of the year. We do not anticipate any price increases for the remainder of the year. While the external environment may create some short-term volatility, particularly around traffic and frequency, we believe we have strong levers to navigate this moment.

Specifically, we see meaningful opportunities to lean into our loyalty program and our seasonal offerings. We have a number of traffic driving initiatives that have yet to launch, including our collaboration with CO2E Steakhouse next week. As the year progresses and comps get easier in the second half of the year, we believe there's a clear path to accelerate momentum.

We remain extremely confident in our strategies and the underlying health of our business. We have built a strong business, a differentiated brand and a flexible omni-channel platform that allows us to adapt and drive sustainable growth. As we move through 2025, we remain disciplined in how we deploy capital and leverage our G&A.

We are focused on high return opportunities and committed to building a resilient, durable business. One that can scale efficiently, serve with purpose and create long-term value for our shareholders, guests and team members.

And now, I'll turn the call back to the operator to start Q&A.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question comes from the line of Jon Tower with Citigroup. Please go ahead.

Jon Tower

There we go. Thanks. I guess, maybe starting – I appreciate all the color you offered in tariffs and in terms of across the business in IK. And I think that's certainly a point of a question that I'm getting a lot from investors. So I just want to clarify and make sure that I understand. It looks like all in based on the range for build out costs and including an Infinite Kitchen, it'll be roughly 32% to 37% higher than what you guys had originally targeted for stores previously for build out costs with these tariffs in place. And that's kind of the current situation that you know, for tariffs coming in from China. That's not assuming any changes at the moment for what's going to happen going forward.

Mitch Reback

Hi Jon, it's Mitch. I think what I would say is the build out cost for an NRO with no tariffs is approximately \$1.5 million. And as of now we see that tariff running about a 10% of that type of number. So call it \$150,000 per unit. And on the Infinite Kitchen call an average cost of \$500,000 per IK, the tariff is approximately \$100,000.

So you would see a total tariff impact of about 2.5 – \$250,000 on a \$2 million build out. So just a little bit over 10% and I should point out in this dynamic world that says of the tariffs as of last night.

Jon Tower

Okay. And just – go ahead, sorry.

Jonathan Neman

So Jon, just one thing to add. We mentioned on the call that we've pre-bought materials for the majority of our pipeline this year. So a lot of that impact including some Infinite Kitchens on hand. So that is not impacting the entire pipeline this year we really start to see the impact on the build out in Q4 and we do have a good number of IKs on hand and working to diversify the supply base there.

The other thing I'd say is, over the years we've talked to you all about the work we're doing to optimize the overall build out cost. So this is all on a kind of apples-to-apples basis. We've obviously been working really hard on new formats and just general cost optimization. So our hope is to mitigate as much of this as possible. But this is just kind of if we took the impact as a straight apples-to-apples.

Jon Tower

Got it. And maybe just one follow-up, Jon, you mentioned in the prepared remarks the idea of perhaps adding more mid to lower priced items to the menu, either evergreen or LTO options for value. Like one, where are you in that process? And then two, how do you plan on communicating that to guests? You're not necessarily a traditional marketer nor would I expect you to be out there blasting the airwaves with a value pitch per se.

So is this something we should expect more through the rewards program or more through point of purchase? Like how do you plan on getting that message out to folks who might not be aware that now there is something that's more approachable?

Jonathan Neman

So I think what I'd start with is, if you look back over the past five years in the high inflationary environment, we've actually taken less price than most of the industry. What we have done is in an effort to broaden our TAM and broaden our consumer, we did introduce these hardier, warmer options, things like protein plates and steak.

And the beautiful news about that is they really did work in unlocking a lot of those TAM markets. You can see that in the strength of those new markets and the comp in the emerging markets. But as we did that, some of the price value perception, if you look at our menu, you now have this higher category price things, great value for dinner. But we've noticed some price gaps on the menu kind of in the middle or lower tier.

So we see a couple of ways that we can do that. One is through our seasonal menu. Our seasonal menu allows us to flex into different price points. We do see some opportunities to potentially introduce some things in the core. We would not present them as necessarily as a value menu to your point. It would just be kind of finding things, kind of anchoring more of the menu in the middle – mid to lower price tiers.

And of course, loyalty becomes a really big lever for us to be more surgical and personalized around how we can create the right customer journeys, the right promo and the right next best action to drive the long-term value of our customers. So we have a lot of levers at hand. And I think given – we mentioned on the call is, given the way our menu is constructed, we have the ability to move pretty quickly in terms of coming up with new menu items and coming up with things that both the consumers love. We can execute seamlessly and can kind of meet our margin profile. So the world changed pretty quickly here in April. But have a lot of tools at our disposal.

Jon Tower

Great. Thanks for taking the questions.

Operator

Our next question comes from the line of Sara Senatore with Bank of America. Please go ahead.

Sara Senatore

Thank you. Maybe actually, quick question about any differences you might be seeing in terms of geography. I'm just thinking about your exposure to D.C. because April has been quite mixed, I think, for different restaurants, and so trying to understand why some might be feeling the impact of lower consumer confidence while others are actually seeing acceleration. So I didn't know if there was a maybe just your geographic exposure. And then I do have a quick follow-up.

Mitch Reback

Hi Sara, thanks for the question. Yes, I would point out two areas in our geography that are probably noteworthy. One that we mentioned on the last call, Los Angeles, which we said was about 15% of our volume, continues to be severely impacted in the aftermath of the LA fires. In our modeling, we see some lingering impacts of this continuing on for quite a while. And as you pointed out correctly, sometime around the beginning of April, we did see a change in our DC volume. The company began in Washington, D.C., it's kind of one of the markets that we're identified with. We have a number of stores there, but I should point out they're generally older, smaller stores in the D.C. market. But there clearly was a change in the D.C. performance around the beginning of April.

Sara Senatore

Okay, thank you. Very helpful. And then the follow-up is about the breadth of your reach. I'm super excited about the collaboration, but that strikes me as a little bit of a New York institution. How do you think about that in terms of appealing? I think, as Jon mentioned, broadening TAM and kind of the things that you do from a culinary perspective. Thanks.

Jonathan Neman

Yes. So we're very excited about this collaboration. I think, it's beyond just the collaboration. It's really about the bold flavors that we're bringing to market. We're excited for everyone to taste it. It's a totally different flavor profile. It really leans on both the sourcing and scratch cooking, but brings in this these Korean flavors and leverages our new steak offering with a twist. So in terms of the actual collaborator, what we – the reason we do this is it gives us a lot of culinary credibility and it actually the partnership with the chef helps us build truly delicious items.

So it's a part of our storytelling. There's a lot – huge experiential element as part of it, and we know it's a core part of how we built this brand and I think something that consumers expect. So what we've learned is it's not just if you've heard of it, for us, it's a huge way to drive discovery for these great chefs that you may or may not know. So very excited about bringing this new flavor and excited to share more with you on the next call.

Operator

Thank you. Our next question comes from the line of Sharon Zackfia with William Blair. Please go ahead. I'm sorry. Our next question comes to the line of Andrew Charles with TD Cowen. Please go ahead.

Zach Ogden

Thank you. This is Zach Ogden on for Andrew. Just given April's mid-single-digit decline in same-store sales, could you just walk us through the cadence of sales you'd expect for the rest of 2025 to get the flat for the full year?

Mitch Reback

Thank you. What I would say about April, as other people have noticed, April has generally been a month when our business has accelerated. That's probably been the pattern that's been in the business since inception, as the weather warms up, our business picks up. This April that did not materialize. There's actually a significant change in the history and in the historical patterns of the business, largely coincided with the tariff announcement and some of the external uncertainty. What we see is the second quarter being challenging, both from a comp perspective led by April, as well as the fact that the launch of our loyalty program as we've disclosed, will create some headwinds around our revenue number as we launch that program.

During the back half of the year, particularly Q3 and Q4, we see business picking up for a number of reasons. One, we have slightly easier comps during that period. Two, the return of our summer seasonals and fall seasonals. These have been crowd favorites for a number of years that were not on the menu in 2024. And we think they'll have a massive impact beginning around July 24.

In addition to which, we have our loyalty program, which as I said will be a headwind in Q2 but becoming a pretty big tailwind as we go through Q3 in the back half of the year. I should point out, as was kind of alluded to at the beginning, there's a degree of synergy between the launch of seasonals and loyalty program, where they can feed each other to help drive frequency and attract new customers. So we think we have a pretty solid lineup of activity actually starting next week with the CO2E collaboration, but really accelerating in July.

Zach Ogden

Got it. Thank you. And then just on the Infinite Kitchens, if the tariffs do persist, would that change your aptitude at all to retrofit stores, to IKs going forward?

Mitch Reback

No, it really would not at this point in time, change our deployment strategy around the Infinite Kitchen. When you do the math on the Infinite Kitchen and you take a kind of typical AUV store at \$3 million and 8 points of saving, you get around \$240,000 annually. If the cost moved up from 500,000 to 600,000, you find the return on capital remains wildly accretive, and that's a current labor rates. When you look out over the next 10 years, we see labor continuing to increase and those returns increasing. So I would say the current tariff structure would not change the IK deployment strategy at all.

Zach Ogden

Great, thank you.

Operator

Our next question is from the line of Sharon Zackfia with William Blair. Please go ahead.

Sharon Zackfia

Hi, can you hear me?

Jonathan Neman

Yes.

Sharon Zackfia

Okay, thanks. I don't know what happened before. I guess, I wanted to ask about the markets that you called out, which were – you talked about LA, but you also mentioned New York and Boston. Is there anything in those markets where you think your perceived value has somehow kind of declined in the recent environment? Is there anything you could point out operationally that maybe is causing those markets to gap differently than some of the other markets that you're operating in?

Jonathan Neman

Thanks for the question, Sharon. So I think there's a few things here. First, I'd say if you think about the Sweetgreen model over our history, the seasonal menu was a core part of the model. We would change our menu about five times a year. And it's part of what drove the habituation, the frequency. It's what would limit the fatigue and just keep you hooked season after season. With the removal of that, we've seen some weakness in the frequency of it, specifically in those core markets where those seasonals did especially well. So we're encouraged by bringing them back in a really big way, and we think that will help us with the frequency challenges we have.

The second is loyalty. We made a transition from our SweetPass plus loyalty program, which really had a pretty small member base to a much broader base loyalty program. And we're acquiring about 20,000 new loyalty members a week. This is pretty much more than each week than the whole SweetPass plus membership base. So there's a huge opportunity here to kind of lean into that to continue to drive frequency. And then the last thing I'd say is that there's definitely some operational opportunities we have specifically in a lot of those core legacy markets, specifically in the urban environment on our off-premise channels. So really highly focused on getting portioning and accuracy and speed right on those digital make lines. As you know, digital is a huge, huge part of the business and we see an opportunity to really elevate the standards across those lines.

Sharon Zackfia

Okay, thank you.

Operator

Our next question comes from the line of Logan Reich with RBC Capital Markets. Please go ahead.

Logan Reich

Hey guys, good evening. Thanks for taking my question. I wanted to ask about Fries and how the launch went relative to expectations and maybe anything you're able to share on mix in terms of number of transactions or contribution to comp. Any color there would be much appreciated.

Jonathan Neman

Sure. So very early but very encouraged by Fries. We've had great customer feedback, great social awareness, a lot of fantastic trial and it's our – it's by far our most attached side. So very encouraged continuing to work to perfect them and get the word out. But overall I think it's something that we're really proud of and customers love and should continue to help drive comp and ticket.

Operator

Our next question comes from the line of Brian Mullan with Piper Sandler. Please go ahead.

Brian Mullan

Thank you. I just want to ask about the marketplace sales channel. That's been growing faster than the in store and the owned digital really for several quarters now. Can you just speak to what's behind that particularly throughout last year and start this year? Just any color you could add would be great.

Jonathan Neman

Yes. So we continue to see strength on marketplace. I think there's a few things. One, I think our product travels well and people love the fact that it just works in an off-premise environment. Two, we continue to optimize our relationships with the marketplaces and how we market and how we're presented on those marketplaces. And I think a lot of our consumers are there. Lastly, I think not having a loyalty program gave a lot less reason to transact natively and with the loyalty program that should help us there. But overall, good partners with them, happy to see continued growth, higher average checks, and we'll continue to leverage them as a partner. Thank you.

Brian Mullan

Thank you.

Operator

Our next question comes from the line of Brian Bittner with Oppenheimer. Please go ahead.

Brian Bittner

Hey, thank you. Just with all this talk, a lot of focus here on April sales trends on this call, just another question there. You said down mid-singles and a change in how April has behaved historically. So I understand your caution, but is there any of this that is explained by your own toughening comparisons that happened into 2Q from 1Q? Is any of April just mathematically driven? Or are you seeing underlying weakness that's making you more cautious on the near-term and on 2Q?

Jonathan Neman

Yes. Brian. I think that the more challenging comp period for the business will come actually in the next week as we launch – a successful launch of steak gets lapped. So Coke [ph] will lap over the launch of steak a year ago. I think the April caution and, results and the caution on the second quarter largely come from what we saw in April where we had a period of limited menu and marketing activity, but that kind of lapped the same type of situation last April. It really reflects much more of an external environment and kind of our take on consumer sentiment.

Brian Bittner

Okay. And then just real quick on your guidance for the year for adjusted EBITDA now approximately \$30 million. I'm just trying to bridge to that guidance in my own model when I use the midpoint of your revenue and your restaurant margin guidance. The bridge from there

is about flat G&A year-over-year versus last year on an adjusted basis. Is that the right math there? Is that how you're thinking about G&A as it relates to that \$30 million of adjusted EBITDA?

Mitch Reback

Yes. I would point out and say that, really since the time we went public, the company continues to focus on gaining leverage in our G&A, and we continue to focus on that and accelerate that in this environment and to make changes where we can adjust the G&A down without impacting our strategies or our development. And we will continue to really relentlessly pursue that in this environment.

Brian Bittner

Okay. Thank you, Mitch.

Operator

Our next question comes from the line of Christine Cho with Goldman Sachs. Please go ahead.

Christine Cho

Thank you for taking the question. So I was wondering if there were any updates to how you're thinking about capital allocation and investment priorities in light of the tougher macro environment and other external factors. I think, Jon, you mentioned a 15% to 20%-unit growth. Is that still a good anchor for the next few years? And what are some of the factors and triggers that could potentially shift that trajectory? Thank you.

Jonathan Neman

Hey, Christine. Thanks for the question. I think what we said is that we were going to anticipate having a 15% algorithm and accelerating it up to 20% over time. That is still the correct algorithm. And while you're correct that the external environment right now is certainly more challenging and changed somewhat abruptly around the April. We continue to have very strong return on capital on our new stores and especially strong return on capitals with our Infinite Kitchen. As long as our return on capital remains at these levels, we don't see any change in our development.

Christine Cho

Thank you. Just one other question. Any metrics that you can share on kind of the launch of the SG rewards to date and how you plan to leverage the data you obtained from that program to inform kind of your meta innovation, marketing, and other parts of the business? Thank you.

Jonathan Neman

Yes. Overall, very encouraged. Like I said, we're requiring about 20,000 – 20,000 new digital customers on those SG rewards program per week. Much of that conversion is happening in store, so we're now getting access to customer data at the – on our analog in store channel as well as our digital channels. And we're starting to see some promising – I'd say some promising opportunities around the customer journeys and how we can drive the incremental visit.

We have a very, very good team that's able to segment customers and do all kinds of different challenges and promos and see what works and lean on those ones. And especially in this environment, I see a huge opportunity. It also gives us really rich data in terms of menu development, and we have a few exciting things planned on how we can leverage the digital environment to create more of a community, and we'll be sharing more on that in future calls.

Christine Cho

Thank you.

Operator

Our next question comes from the line of Brian Harbour with Morgan Stanley. Please go ahead.

Brian Harbour

Yes. Thanks. Good afternoon. I guess, you're going through another COO transition here, right? Could you just comment on – if you think any of the priorities there will change or if it's more of a continuation of what you're doing? Is there anything that you thought was sort of behind timing or needs to be shifted? What will – what could evolve on sort of operations priorities?

Jonathan Neman

Absolutely. So we're really excited for Jason to join us, and he brings a wealth of experience specifically in restaurants. The focus areas for us really are in terms of tightening up our standards, to deliver consistently the quality food that customers expect. We also see a big opportunity I mentioned earlier on our digital make lines and making sure we're delivering accurately and with the right portion size. We see a big opportunity there.

And then the last thing I'll say is with the growth plans we have ahead, we want to make sure our people flywheel is unlocked. Today, we're seeing about 50% of head coaches being promoted internally. We would like to take that number up over time. We see our internal promotes being more successful. So the other thing is how we can build better leadership capability and have a pipeline of future leaders.

So, you know, it's operations. It's really, it's all the little details to deliver, whether it's the right tools, the right systems, and most importantly the right culture and leadership in each and every store. And we're very confident in the wealth of leadership and experience that Jason will bring as well as the rest of our ops leadership team to continue to deliver on the Sweetgreen promise.

Brian Harbour

Okay. Thanks guys.

Operator

And our final question comes from the line of Rahul Krotthapalli with JPMorgan. Please go ahead.

Rahul Krotthapalli

Hi, guys. Jonathan, a lot has been discussed in terms of how advertising costs could get very low on a per transaction basis. I think especially as agencies given to AI models and, like, large brands and the consumer and Internet industry are catching up on this. You have been leading the space in business transformation in multiple areas of your operations, whatnot. Curious how you think about this area, on advertising and marketing spend. This is going to be a big focus going forward for your sales and traffic driver?

Jonathan Neman

Raul, thanks for the question. I do think it's a huge opportunity. We've been leveraging AI across the business in a number of use cases, whether it be workforce management, talent selection, and customer service, et cetera. And I think there's a lot of opportunities to leverage AI in terms of our – in terms of loyalty and customer acquisition as well. So we're exploring and testing a bunch of things today. We're hopeful that it can help us in terms of our cost per acquisition of customers and our retention, but I'd say it's still early days. But a number of tests and pilots that the team is all over right now.

Rahul Krotthapalli

Thank you.

Operator

Ladies and gentlemen that concludes today's call. You may now disconnect.

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