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Sweetgreen, Inc. (SG) Q3 2024 Earnings Call Transcript

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Q3: 2024-11-07 Earnings Summary

[Play Call](#)[Press Release](#)[10-Q](#)EPS of -\$0.18 **misses by \$0.03** | Revenue of \$173.43M (13.04% Y/Y) **misses by \$2.06M**Sweetgreen, Inc. (NYSE:[SG](#)) Q3 2024 Earnings Conference Call November 7, 2024 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

Rahul Krotthapalli - JPMorgan

Jon Tower - Citigroup

Andrew Charles - TD Cowen

Dennis Geiger - UBS

Brian Harbour - Morgan Stanley

Katherine Griffin - Bank of America

Logan Reich - RBC Capital Markets

Sharon Zackfia - William Blair

Brian Mullan - Piper Sandler

Brian Bittner - Oppenheimer

Christine Cho - Goldman Sachs

Operator

Thank you for standing by. My name is Danica, and I will be your conference operator today. At this time, I would like to welcome everyone to the Sweetgreen Incorporated Third Quarter 2024 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. [Operator Instructions]

I would now like to turn the conference over to Rebecca Nounou, Vice President of Investor Relations.

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 webcast live and recorded for replay. 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 statement.

We'd 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 their corresponding GAAP measures. Our earnings release can be found on our Investor website.

And now, I will turn the call over to Jonathan to kick things off.

Jonathan Neman

Thank you, Rebecca and good afternoon, everyone.

At Sweetgreen, we're committed to redefining fast food through a relentless focus on innovation across both food and technology. We're setting a new standard, quality ingredients, culinary innovation and a great guest experience intersect with our cutting-edge technology, the Infinite Kitchen, to transform convenience and accessibility to real food in a way that's never been seen in our industry.

For the third quarter, we reported sales of \$173.4 million, representing 13% year-over-year growth. We opened five restaurants, intentionally opening three of them late in the third quarter to align with our Infinite Kitchen production schedule. We began the third quarter with two Infinite Kitchens and as of today we operate 10, three of which were opened in the past two and a half weeks.

Same-store sales in the third quarter grew 6%. This consisted of a 4% benefit from menu price and 2% positive traffic and mix. Growth was led by emerging markets with the Midwest, Texas and the Southeast, all comping double-digits.

Restaurant level margin for the third quarter was 20.2%, expanding by over 100 basis points compared to last year, marking another strong quarter in our company's history. As a result of restaurant level profit expansion and G&A discipline, adjusted EBITDA came in at \$6.8 million for the quarter.

Let me highlight some of our third quarter achievements against our two-fold strategy to one, strengthen our brand by delivering exceptional products and guest experiences; and two, deepen our connection to guests through strategic expansion and operational excellence. Among the five new restaurants we opened in Westport, Connecticut; Newport Beach, California; Montvale, New Jersey; Columbus, Ohio; and Charlotte, North Carolina, three are powered by the Infinite Kitchen, Newport Beach, Montvale and Charlotte.

Our openings in the Short North area of Columbus and Uptown Charlotte, two new markets for us, had some of the best opening weeks in our company's history. These successful new market launches follow Seattle's strong opening at the beginning of the year. Successful openings like these further our conviction that our brand has significantly greater reach than our current physical footprint and that there is significant white space for our category defining concept.

As we continue to accelerate the development pipeline, we are excited to have added a strong and dynamic leader to our team. Chris Tarrant joined in late August as our Chief Development Officer. Chris brings nearly two decades of real estate experience in the restaurant industry with a proven track record of spearheading and executing critical development strategies for global brands. We have been working with Chris to accelerate our pipeline for growth.

For fiscal year 2025, we expect to open at least 40 new restaurants, approximately half of which will be Infinite Kitchens. This means that by the end of 2025, we expect to have nearly triple the number of Infinite Kitchens in our fleet.

Our Infinite Kitchens are transforming the guest experience by enabling a faster and higher quality food experience. This is reflected in guest surveys at our Penn Plaza restaurant. The first Infinite Kitchen retrofit opened in mid-July. Guests cite improvements not only in speed, but product quality and consistency. We attribute this to the Infinite Kitchen's advanced temperature control systems designed to optimize food freshness and quality. By integrating precise climate management for ingredients and prepared items, the Infinite Kitchen maintains the ideal conditions needed to ensure consistent flavor, texture and food safety.

Guests can now receive their orders within five minutes, making Penn Plaza the fastest way to get sweetened in New York City. Half of surveyed guests reported visiting more frequently since the Infinite Kitchen renovation.

Additionally, team members at Penn Plaza have expressed that the efficiency of Infinite Kitchen allows them to focus on their true passions preparing food, elevating the culinary experience and providing exceptional hospitality.

This is creating a more engaging work environment. In September, turnover for the class of Infinite Kitchens open for the full month of September was meaningfully lower than both our class of new restaurants and the fleet average. While still early days, an initial learning from Penn Plaza has been a noticeable increase in native digital sales with higher ticket and frequency. We believe the Infinite Kitchen, together with our revamped loyalty program launching in 2025 can accelerate our industry leading digital presence. Penn Plaza is also achieving all the financial metrics we see across our class of Infinite Kitchen, including 700 basis points in labor savings.

We are currently retrofitting Willis Tower in Chicago and Wall Street in New York with the Infinite Kitchen. Renovations will be complete by the end of the fourth quarter. We are delivering a reimaged experience that meets the needs of today's digitally connected consumer. Our dual commitment to technology, innovation and culinary excellence positions Sweetgreen as a leader in the fast food space.

Although we have traditionally been known as a salad lunch destination, we are actively shifting this perception with menu innovation and new protein varieties. Our expanded menu of chef crafted craveable offerings is resonating with current guests and attracting new ones. Following the release of caramelized garlic steak and other protein plates, we introduced our fall harvest menu in mid-September. Inspired by seasonal ingredients and flavors, we are featuring maple glazed Brussels sprouts, which are air fried for a caramelized char then glazed with house made maple sauce.

Together, these menu items are driving strong sales during dinner and weekends. With dinner holding a 40% mix. Both dinner and weekends show higher check averages compared to weekday lunch.

As we expand and optimize our menu beyond salads, we're committed to our high sourcing standards. This includes prioritizing fresh, seasonal and organic ingredients that are free of artificial additives and cooked without seed oils.

We also see significant upside opportunities to grow our attachment rate. We continue to introduce sides, desserts and drinks that are both delicious and better for you. In Los Angeles, we are testing broader beverages as well as ripple fries. Our ripple fries are air fried with avocado oil and served with pickled ketchup and garlic aioli sauce. We are laser focused on menu relevancy and reinforcing our culinary and supply chain ethos to build traffic and check over the long-term.

To enable culinary innovation, we are focused on reducing operational complexity in our restaurants. During the quarter, we simplified our broccoli prep and tested destem kale in select markets which we plan to roll out fleet wide next year. We are also in the process of updating cooking recipes to optimize oven capacity while improving the consistency of our cooked ingredients.

By reducing back of house complexity, we can shift some of our team members focus into prioritizing the guest experience and speeding up throughput. While we continue to see progress on wait times and order accuracy, it remains a focus for us.

In a business of seconds and cents, we believe every operational detail matters, not only to drive efficiency, but also to enhance the Sweetgreen experience. As part of our commitment to continuously improve the team member experience, we're rolling out an AI-driven labor scheduling system. With this tool, team members can take ownership of their schedules through an app, all while aligning staffing needs with guest demand.

By harnessing machine learning and reducing the administrative load, head coaches can focus on spending more time with guests, coaching our teams and driving better results in our restaurants. Just this week we expanded our pilot to 70 restaurants across six markets. We anticipate having this tool fully deployed across the fleet in the second quarter of next year.

Our goal is to create an environment where team members feel valued, supported and set up for success. We are seeing sequential improvements across key people metrics such as head coach stability and 90-day team member retention. We believe in offering a career, not just a job and we are investing in promoting our leaders from within. In addition to culinary skills, we offer leadership training that spans the full employee lifecycle. In as few as three years, team members can become a head coach and earn a six-figure package including equity in Sweetgreen. As part of accelerating our footprint, we are excited about the number of new restaurant leadership roles we are creating.

Since the beginning, our vision has been to redefine fast food and create positive change in the food system through a focus on taste, freshness, convenience and sustainability. We remain committed to elevating our brand, our unique sourcing approach and our culinary strength. We will continue to deploy technology innovation to drive efficiencies in our financial model while enhancing experiences for both our teams and guests. We believe this commitment will enable us to sustain substantial growth, positioning us to lead and expand the category for years to come.

I'd like to thank our team for their hard work and dedication for another solid quarter. Now I'll turn the call over to Mitch who will take you through the financials in more detail.

Mitch Reback

Thank you, Jonathan and good afternoon, everyone. Our commitment to redefining the future of fast food through a focus on culinary and technology enabled innovation has led to top line growth and expanded restaurant level profit margins.

Total revenue for the quarter was \$173.4 million, up from \$153.4 million in the third quarter of 2023 growing 13% year-over-year. Same-store sales for the third quarter grew 6% against the prior year period. This consisted of a 4% benefit from menu price increases and a 2% positive traffic and mix.

Strong performance was led by the emerging markets which includes double-digit same-store sales growth across the Midwest, Texas and the Southeast. Year-to-date, same-store sales growth is 7%. Our average unit volume in the third quarter was 2.9 million.

During the quarter, we opened five restaurants, ending the third quarter with a total of 236 restaurants. As of today, we've opened five restaurants in the fourth quarter for a total of 20 new restaurants year-to-date.

Restaurant level profit margin in the third quarter was 20.2% compared to a 19% margin a year ago. This is more than 100 basis point improvement from the third quarter of 2023. This marks our seventh consecutive quarter of year-over-year restaurant level margin expansion. Year-to-date restaurant level profit margin is 20.4%. Restaurant level profit for the third quarter was \$34.9 million, a 20% increase year-over-year.

For a reconciliation of restaurant level margin to comparable GAAP figures, please refer to the earnings release.

Food, beverage and packaging costs are 28% of revenue for the quarter, remaining relatively consistent with the prior year period with slightly unfavorable protein costs. Labor and related expenses were 27% of revenue for the third quarter and more than 100 basis point improvement year-over-year. This improvement is primarily due to higher revenue and improvement in labor optimization. This more than offset prevailing wage rate increases.

Occupancy and related expenses were 9% of revenue, slightly below the prior year period. For the third quarter of 2024, general and administrative expense was \$36.8 million or 21% of revenue as compared to \$36 million or 23% of revenue in the prior year period. This increase in general and administrative expenses on a dollar basis was primarily due to a slight increase in support center spend, partially offset by a \$1.8 million decrease in stock-based compensation expense.

Net loss for the quarter was \$20.8 million as compared to a loss of \$25.1 million in the prior year period. This improvement in net loss is primarily due to a \$5.8 million increase in our restaurant level profit and a \$1.8 million decrease in stock-based compensation, partially offset by an increase in depreciation and amortization expense primarily associated with an increase in restaurants as well as an increase in general and administrative expenses.

Adjusted EBITDA, which excludes stock-based compensation and certain other adjustments, was \$6.8 million for the third quarter, a \$4.3 million improvement from the third quarter of 2023. Our year-to-date adjusted EBITDA of \$19.3 million versus a \$1 million loss this time last year continues to demonstrate our focus on profitability.

At the end of the quarter, we had available cash balance of \$235 million. We generated a positive operating cash flow of \$37 million during the first nine months of 2024, an increase of \$20 million over the same period last year.

For the fiscal year 2024, we are raising guidance to reflect our strong performance year-to-date. 24 to 26 net new restaurant openings, revenue ranging from \$675 million to \$680 million, same-store sales growth between 6% and 7% restaurant level margin between 19.5% and 20%, adjusted EBITDA between \$18 million to \$20 million.

Our guidance reflects the retrofitting of two high volume restaurants with the Infinite Kitchen, Willis Tower in Chicago and Wall Street in New York City. As a reminder, 2024 is a 52-week period whereas 2023 was a 53-week period.

As we close out the year and head into 2025, we have an incredibly strong foundation to build on and the right leaders in place to execute our strategic priorities. We have high confidence in our unit growth roadmap of 15% to 20% per year for the foreseeable future. Our 2025 new unit pipeline will consist of at least 40 new restaurants, approximately half of which will be powered by the Infinite Kitchen.

Our confidence to accelerate our unit growth and IK deployments is validated by the strength of our 2024 openings, a third of which are in new markets, double-digit same-store sales growth in emerging markets such as the Midwest, Texas and the Southeast and the superior operating and financial model of our 10 Infinite Kitchens running today across the country.

Our performance through the first three quarters of 2024 has demonstrated the powerful effects of the Sweetgreen flywheel. Our category defining brand, menu and technology innovation combined with our relentless focus on great operations continues to drive strong financial performance. We are continuing to broaden the perception of Sweetgreen beyond salads and are excited to open in more communities next year.

With that, I'll turn the call back to the operator to start Q&A.

Question-And-Answer Session

Operator

Thank you. [Operator Instructions]

Your first question comes from Rahul Krotthapalli [JPMorgan]. Please go ahead.

Rahul Krotthapalli

Good evening, guys. Thanks for all the color today. Can you discuss the brand awareness in the context of broadening the appeal of Sweetgreen as you focus on organic traffic growth and evolve TAM to a wider demographic and different income cohorts? I mean, how do you think about, you don't need to be a salad person to be a Sweetgreen person as brand becomes national.

Jonathan Neman

Hey, Rahul, thanks for the question. So broadening appeal is something we've been focused on for a while. Really the way we think about Sweetgreen is what sets us apart is our unique sourcing philosophy as well as the craft we prepare -- in terms of how we prepare our food in our restaurant, it's really this idea of creating high quality special food experiences.

Started with salads as our core offering. But we've begun our thoughtful expansion. About almost exactly a year ago we launched protein plates. They've done really well both in terms of driving dinner, broadening our consumer, helping us drive check and transactions, and as you mentioned, really helping us from a TAM perspective. Some of the places where it's over indexing is in some of our emerging markets.

We followed up, but a few months ago with caramelized garlic steak, which again has done really well. We see a lot more to do here. So, we have a very, very robust menu innovation platform that we're working on, with a lot of things that are going through our stage gate process. So, one thing we mentioned in the script is we see a big opportunity, call it outside the bowl, around things like sides and sides, beverage and dessert.

One thing we're testing in our Southern California markets today is something we called ripple fries. They're seed oil free, air fried. They're absolutely delicious. And so that's a test we're working on now. As long as things continue to go well, expect that to roll out sometime next year.

We also have a few other things that we are working on. Things like a handheld, which we talked about in the last call, which again, no promise on the timing, but we think there's a real opportunity us to have something that kind of plays in the wrap sandwich category. And we also think desserts a big opportunity. So, all to say, we've seen a lot of our customers resonate as we take this philosophy of how we make our food and apply it to other things. And we want to disrupt fast food. So we want to give you those things that you want. You're used to eating things like fries and do it in a Sweetgreen way, in a way that we kind of think about as like a permissible indulgence.

So, I think the company has a lot of license to do it. I'm very proud of the culinary and operations team and how they're driving this innovation, and I'm excited for we're going to come out in the next year or two.

Rahul Krotthapalli

Perfect. That's amazing. I have a follow up on the in-store productivity improvements that sound to be coming along very well. Destemming kale. And it's also easy to notice the sliced versus shredded carrots. Previously it was discussed like around 10 points of labor is being attributed to the food prep. As we think about the solutions over time, how much opportunity is there to reduce labor hours or costs, and how do we think about reinvesting these dollars along with IK productivity gains into the store menu price, among other avenues.

Jonathan Neman

Sure. So, we've been on this journey around simplifying the prep in our restaurants while elevating quality for a while, and we're going to continue to do so. So, you mentioned some of the things that we've done. We're going to continue to push on things like destem kale, things like continuing to look at some upstream dressings where we can find more consistency, and also bringing in other tools and ways of making the prep easier in our restaurants.

Part of why we do this is to create space for innovation. So, as we want to add more to the menu, we have to make it easier to run our restaurants and some of those productivity gains will be captured by the company. But all to say, we know that if we make it easier for our customers -- for our team members to operate our restaurants, create room to broaden the menu and have a relentless focus on improving the quality of our food, we're going to be in a really good place.

And that's -- the last piece is something that, I talk to our team a lot about is how do we get better as we get bigger and how do we think about our food quality all from our supply chain through or how we cook the food and how we hold it, how we portion it and we've taken a very hard look at our core and making sure that we can deliver on our promise. So, again, expect an iterative improvement on how we -- on both the prep, the quality and how we are able to drive some of those benefits to the bottom line.

Rahul Krotthapalli

Appreciate that response.

Operator

All right. Our next question comes from Jon Tower with Citigroup. Please go ahead.

Jon Tower

Great. Thanks for taking the questions. I hate to get myopically focused, but I'm curious, maybe you could speak to how trends performed throughout the quarter, how we're looking fourth quarter to date when it comes to same-store sales.

And then on top of it, separate question, but I think last call you had spoke to the idea of a new approach around marketing. Are you guys testing new mediums in which to communicate to the consumer? And do you have any thoughts in terms of what new channels can open up and where you think you could allocate some marketing dollars over time to drive more consistent traffic and build that brand awareness?

Mitch Reback

Hi, Jon. Let me take the first half of the question. What were the sales patterns that we saw in the third quarter? Let's say the quarter had a same-store sales growth of 6%. September was the strongest month in the quarter and the momentum of September carried on into October where we're certainly confident within our revised upward guide of 6% to 7%.

Second part I think was on the marketing.

Jonathan Neman

Yeah. Thank you, Jon. Thanks for the question. So, as it relates to marketing, we're continuing to evolve our marketing approach. One of the goals we've set out is how can we continue to drive G&A leverage while allocating more and more dollars to marketing. We know that once we get people to try Sweetgreen and create that brand awareness, there is a lot of frequency. It also speaks to our densification strategy. As we densify markets, it creates a lot of leverage from a marketing perspective because a lot of our marketing is done at the local level.

We shifted a lot of our marketing approach this year to be really a full funnel approach. Combination of out of home, digital, social and influencer has played a big part, as has community. One of the things that we're very focused on is how do we have more of a direct relationship with our customers. Loyalty is going to be a big piece of this puzzle. So, first half of next year we'll be introducing our loyalty, our new loyalty program. And we think that will be a large lever.

And we're continually testing other things. I mean, we talked a lot about our bringing back community marketing and that experiential and community marketing has worked very well for us. So, we're going to continue to double down there. We're seeing customers and communities really resonate when they can feel Sweetgreen in real life. And so, I think you see a lot of those effects in our emerging markets with the big comps as well as with our NRO performance. If you look at our class of NROs this year, they've been phenomenally strong. The average, the AUV for that class is more than the existing fleet.

So, we're really excited about that and we think that we can continue to build on that, especially as you look at some of the new markets we've opened. So that marketing approach we feel very good about and we're going to continue to build on.

Jon Tower

Thanks for taking the questions.

Operator

Our next question comes from Andrew Charles with TD Cowen. Please go ahead.

Andrew Charles

Great. Want to ask about the retrofits? I'm curious, I mean you're very early with this with Penn Plaza of the summer and now two in the hopper. Curious though how this informs your decision for retrofits for 2025, recognizing the big opening pipeline for Infinite Kitchen next year.

Mitch Reback

Hi, Andrew. Let me say you're right. Penn was our first retrofit. It opened in mid-July, so it was not open for the whole third quarter. We're very, very happy with the results we're seeing at Penn, both from a labor savings perspective and from a customer acceptance and a team member satisfaction level.

When we think about retrofits for the IK, I would say the two things we look at are the AUVs of the stores and particularly how that store sales take place in a concentrated period of time. So, if it's really a tight lunch time, it lends us more towards an IK for the faster throughput. And the other factor we look at is really I would say the challenging labor markets. The IK runs with a lot fewer people and we believe if we can get IKs into more challenged labor markets, it will have greater benefits for us long-term.

Andrew Charles

Okay. Mitch, could segue my follow up that you called out the 700 base points of labor savings at Penn Plaza retrofit, which is in line with what you've said in the past. And I'm curious if there's room for that number to move higher as you retrofit more potential business districts, just given the higher staffing levels as well as the higher wages in these stores versus the system average.

Mitch Reback

Yeah. We think there probably is more room over time. I think the other thing, Andrew, that I point out, just a little bit like when we open up an NRO, a new store, we generally will -- if you will overstaff that store for the beginning and have a labor ramp period and I suspect it will be faster. But we believe we'll have the similar dynamics in an IK store as we kind of get better and go to a training period and learn how to operate it more efficiently. So, I think over the long run, you'll probably see that.

Andrew Charles

Great. Thanks for the insights, Mitch.

Operator

Our next question comes from Dennis Geiger with UBS. Please go ahead.

Dennis Geiger

Great. Thank you, guys. Appreciate the color on IK. I just wanted to ask if any additional thoughts to share around AUVs at those stores based on another quarter of results, a few more opens, as you kind of think about what you've told us on check on frequency on some of the throughput benefits. Any latest update to share on what that might mean on AUVs relative to non-IK stores, even if high level? Thank you.

Mitch Reback

Hi, Dennis. Let me just say we expect that the volume in an IK store will grow over time after we put an IK in. We think that's going to happen for a combination of reasons including the faster throughput and higher customer satisfaction in an IK store.

We are seeing some of that at Naperville. I should point out Naperville is the only IK store that's now been open for a year. Penn, as we said, was not even open for the full quarter. What we are seeing certainly in the month of October is Penn did grow at the faster end of the range for New York City. So, we're pretty happy with what we're seeing.

Dennis Geiger

Great. Mitch, appreciate it. Thank you.

Operator

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

Brian Harbour

Yeah. Thanks. Good afternoon, guys. Just the labor optimization you talked about, is that kind of the main driver of the year-over-year favorability in labor, like how much of that do you think you can get next year and what are kind of the next steps for that?

Mitch Reback

Hi, Brian. Yeah. I think the labor optimization is a result of changes we've made in scheduling and head coach deployment on the line. Looking forward, Jon talked about, I think in his script some of the AI scheduling tools that we are bringing into the business. We think that we still have considerable room in labor over the next several years to optimize it both from a scheduling perspective and a deployment perspective in the store.

Brian Harbour

Thanks. Mitch, could you comment on what the food and labor inflation rates were in the third quarter, and if you have a view on kind of what those will be, looking forward?

Mitch Reback

It ran approximately 2% and we see it, as others have reported, pretty tame actually, at this point in time.

Brian Harbour

Thank you.

Operator

Our next question comes from Katherine Griffin with Bank of America. Please go ahead.

Katherine Griffin

Hi. Thank you. Thanks for the question. First, I wanted to ask about -- another question just on labor. I want to understand how you're thinking about sort of reinvesting in the four walls that 700 basis points of margin savings. I'm curious, like in the context of the decision to invest in another kind of AI labor tool, because it would seem to me that as IK becomes a larger part of the fleet, that maybe there are different labor needs that could be different. That may not justify the need for incremental investment into labor optimization. So that's the first one.

And then I have a follow up.

Mitch Reback

Hi, Katherine. So let me kind of break apart your question. First of all, you're correct about the labor savings in the IK. About 700 points, 800 points. You're right. The IK stores use less labor, but they still have a labor element running through the stores. And labor at this point in time is still the highest cost component in the industry. So having an AI tool to help us optimize labor still has a lot of efficiencies for the business with an IK store or without an IK store.

We haven't really commented on where we see the margin savings from the IK being deployed. Many people have asked. I think it's fair to say near term it will drop to the margin of the company.

Katherine Griffin

Okay. Thank you.

Jonathan Neman

And Katherine, if I could just build on that. We're very excited about this new workforce management tool that we're rolling out. It's not just meant to help us save on labor, although it will help us there. I think a lot of it is around the experience that it can help us improve for both our customers and our team members.

So, what it allows us to do is, it allows us to schedule team member shifts at their preferred times and match our labor better to the sales curves of our restaurants. And we have that both in the IK restaurants as well as in our classic restaurants. It also has a lot of other cool features like shift swapping and it's just much more modern. So, our team members are loving it. It's also again, helping us staff to peak in a much better way, hopefully driving throughput and capturing demand appropriately.

Katherine Griffin

Great. Thank you so much for that clarification. And then I just wanted to ask earlier what you talked about with kind of expanding the menu and looking for other opportunities for attach. How do you think about the trade-off between adding these new things to the menu and operational complexity?

Jonathan Neman

Thank you for the question. It's of top concern and that's why I spoke to the optimizations and simplifications that we have to do in order to make room for some of these things. And that also speaks to the stage gating process we have. So, a lot of the work is how do we simplify the work we have? How do we make sure anything new we have is going to be worth it and really drives that broader consumer and drives that acquisition and frequency, and then really thinking about how those new items fit within our operating model.

So, it's a lot of testing to get it right. And we have this philosophy of art and science. So, we need new ideas that are just delicious, craveable, really culturally relevant, but then we need to operationalize them in a way that fits with our model. And I think given the way we've set up our restaurants in a very modular way and the brand that we've built gives us a lot of license to kind of explore some of these things.

Katherine Griffin

Thank you.

Operator

Thank you. Our next question comes from Logan Reich with RBC Capital Markets. Please go ahead.

Logan Reich

Hey, guys. Yeah. Thanks for taking the question. I had a couple just on the same-store sales trend in the quarter. So, you guys sort of alluded to double-digit comps in some of the newer markets. I was wondering if you can share what comps were in the more mature markets in the Northeast and Eastern seaboard.

And then second question is just on the traffic and mix within the 2% this quarter. Can you share how much of that was mix driven by steak?

Mitch Reback

Hi, Logan. Let me say, the same-store sales, as we said earlier, built throughout the quarter. We're very, very happy with the emerging markets that are comping in double-digits pretty consistently. It's fair to say that we really don't like to break everything up by market. And in total, the company averaged around a 6% comp for the quarter. We have not historically broken out the traffic and mix, but the total of the components is 2% positive.

Operator

All right. I think we'll go to the next question. The next question comes from Sharon Zackfia with William Blair. Please go ahead.

Sharon Zackfia

Hey, good afternoon. [Indiscernible], cannot wait to try pickle ketchup. So, if you want to bring back to Chicago, that'll be a happy day for me.

I wanted to ask about the retrofits. I know you've done two of them now. Is there any -- I mean, I know it's a small sample size, but is there any thought process on kind of how the average cost for that is likely to run or what the downtime might be on average as you look forward?

Mitch Reback

Hi, Sharon. Just a slight modification. We've done one so far quarter-to-date, year-to-date. That's the Penn Plaza. We have two retros currently being worked on Willis Tower and Wall Street. The amount of time that the retros take is really going to be pretty much store dependent. But I think right now what we are kind of using as our standard is around six to seven weeks.

Sharon Zackfia

Okay. And in terms of steak -- yeah, the question on the mix was a good one. But I was curious as well on the impact on COGS because I think you were pricing to protect penny profit and not percentage. So, when we look at the COGS with this being the first full quarter of steak, kind of help us think about how much that impacted the COGS line.

Mitch Reback

I would just say, the steak has higher COGS than the other elements in the menu and it had in total a kind of slight upward pressure, if you will, on the COGS in the business, but nothing overly significant.

Sharon Zackfia

Okay. Thank you.

Operator

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

Brian Mullan

Hey. Thank you. Just question on the Infinite Kitchen. For the units you deploy in 2025, how do you want us thinking about the cost of Sweetgreen from the contract manufacturer? And then as you look beyond 2026 and beyond, would that be -- or in '26, would that be a year in which your purchasing scale would start to drive that cost down or would it perhaps take longer? Just any thoughts on that?

Jonathan Neman

Thanks for the question. So yes, we've guided to about \$450,000 to \$550,000 in incremental cost for Infinite Kitchens. We are expecting to start to see some savings as we scale manufacturing. We're kind of in phase two of manufacturing. We're just entering phase two of manufacturing. We think over time with both scale and maturity that there's some opportunities to continue to bring that down.

We are heavily focused. One of the key priorities for Chris and the development team is to work on the overall all build out costs, including the Infinite Kitchen as that becomes the core prototype. We see some pretty big opportunities to bring down the overall cost. And that's really what we care most about is, what is going to be the total build cost of new units including IK. And it's a major focus area for us right now.

Brian Mullan

Thank you. And then back to the Penn Plaza retrofit. I just wanted to clarify some of the prior comments. Have you seen an uplift to the average weekly sales or the run rate AUVs at that store so far? I'm just trying to understand if the deployment has helped grow the revenue and the throughput of the location or if the financial benefits thus far have been more isolated to the margin side so far. Thank you.

Mitch Reback

No, we have seen the store grow and we've seen the store grow more rapidly over the months.

Brian Mullan

Thank you.

Operator

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

Brian Bittner

Thanks. Hey, guys. Just in general, just based on all your data and your insights, what do you believe is behind the stronger sales trends in September and October that you talked about versus the prior couple months? Do you think it's broader, macro dynamic or is there something Sweetgreen specific going on in the business? And I have a follow up.

Mitch Reback

Hey, Brian. It's always hard to really know exactly what moves the things for sales in a very narrow period of time. But I think what we saw is it accelerated as we got further away from the summer and particularly in some of the east coast markets.

Jonathan Neman

And the only thing I'll add to that is, this year we intentionally moved away from some of our seasonal menu in order to make room for some of the new menu items we've been bringing. We have now returned to a lot of that with our Harvest bowl campaign, bringing these Brussels sprouts which I referred to, that has been a really good driver for us and we do plan on beginning to bring back a lot more seasonal items as we look forward. So really getting that menu marketing playbook locked.

Brian Bittner

Great. And just a bigger picture question. As you go on this journey to reaccelerate unit growth into next year and beyond and you talked about at least half being Infinite Kitchens. How do you want us thinking about the new unit economics relative to maybe your original targets that you talked about at the IPO? I mean, is there going to be some pressure upwards potentially on those targets just given the mix of IK units, or do you want us kind of keeping expectations where they were?

Mitch Reback

Thank you, Brian. I think the way I would say to model an IK is that the build out costs will clearly be higher than a classic Sweetgreen for roughly that \$0.5 million number Jon just spoke about. And I think in the modeling you clearly have approximately a 700 basis point improvement in the margin of the store.

I think it's hard to bottle in the second order benefits. We are seeing them and we're very confident of them. But I think it's more challenging to put a number on them at this point.

Brian Bittner

Thank you.

Operator

Our final question for today comes from Christine Cho with Goldman Sachs. Please go ahead.

Christine Cho

Thank you for taking the question. So, first off, clarification. So, it seems like a new additions [ph] in the quarter was a tad lighter versus your usual quarterly cadence in prior years. Can you talk about whether there was any specific reasons driving that? I think you did mention the IK delivery timing, but wanted to double check on that.

And the real question, I think is it's great to see another 100 basis points of margin expansion, restaurant level this quarter. And you mentioned it's the seventh consecutive quarter of improvement. But very early, but could you kind of discuss some of the puts and takes as we think about the year ahead? Thank you so much.

Mitch Reback

Hi, Christine. So, let me say that the pace of the new store openings were actually in line with how we had them modeled and at the right number. So, we're at actually pretty happy with it. And they did come in late in the quarter as we anticipated. We don't think there's any change or anything in the dynamics of the business that's -- in a significant way that they were in line with our expectations.

In terms of projections on the margin, looking out in 2025, we really at this stage are not prepared to give guidance at 2025, but we will certainly be doing that in our next -- probably in our next earnings call.

End of Q&A

Operator

All right. Thank you all for joining. That concludes today's call. You may now disconnect.

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