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Sweetgreen, Inc. (SG) Q3 2025 Earnings Call Transcript

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Q3: 2025-11-06 Earnings Summary

Insights

EPS of -\$0.18 **misses by \$0.07** | Revenue of \$172.39M (-0.60% Y/Y) **misses by \$5.42M**Sweetgreen, Inc. ([SG](#)) Q3 2025 Earnings Call November 6, 2025 5:00 PM EST

Company Participants

Rebecca Nounou - Head of Investor Relations

Jonathan Neman - Co-Founder, Chairman, President & CEO

Jamie McConnell - Chief Financial Officer & Accounting Officer

Conference Call Participants

Brian Mullan - Piper Sandler & Co., Research Division

Jon Tower - Citigroup Inc., Research Division

Andrew Charles - TD Cowen, Research Division

Rahul Krotthapalli - JPMorgan Chase & Co, Research Division

Sara Senatore - BofA Securities, Research Division

Logan Reich - RBC Capital Markets, Research Division

Kelly Anne Merrill - Morgan Stanley, Research Division

Anisha Datt - Barclays Bank PLC, Research Division

Edward Farley - Goldman Sachs Group, Inc., Research Division

Presentation

Operator

Thank you for standing by. My name is Joe, and I'll be your conference operator today. At this time, I would like to welcome everyone to the Sweetgreen, Inc. Third Quarter 2025 Earnings Call. [Operator Instructions] I would now like to turn the call over to Rebecca Nounou, Head of Investor Relations. You may begin.

Rebecca Nounou

Head of Investor Relations

Thank you, and good afternoon, everyone. Speaking on today's call will be Jonathan Neman, Co-Founder and Chief Executive Officer; and Jamie McConnell, 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. The earnings release and today's announcement regarding the sale of Spyce are 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 and Spyce announcement 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 their 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

Co-Founder, Chairman, President & CEO

Thank you, Rebecca, and thank you all for joining us this afternoon. We are addressing the headwinds from the current operating environment with agility and focus. We are tightening operations, accelerating menu innovation, and deepening guest engagement. The team is focused on delivering an exceptional guest experience, improving operational execution and serving delicious, high-quality food in every restaurant. The actions we're taking are designed to expand our value proposition, strengthen transactions, enhance restaurant performance and position Sweetgreen for a return to profitable growth.

For the third quarter, we reported sales of \$172.4 million and a same-store sales decline of 9.5%. Restaurant level margin was 13.1% and adjusted EBITDA was a loss of \$4.4 million. Performance was impacted by softer sales trends in our Northeast and Los Angeles markets, which together represent about 60% of our comp base. This was coupled with lighter spending among younger guests, particularly the 25- to 35-year-old age group where we over-indexed.

As we look to Q4 and beyond, our new leadership team has taken the learnings from the year and focused our actions around 5 key strategies to transform our business. We're calling it the Sweet Growth Transformation Plan. Our strategies are: one, operational excellence; two, brand relevance; three, food quality and menu innovation; four, personalized digital experience; and five, disciplined profitable investment.

Now let me share some of the work being done under each of these strategic priorities, starting with operational excellence. Since joining earlier this year, our COO, Jason Cochran, has been instrumental in leading the work to strengthen operational execution. He has brought greater accountability and a new culture to how we run our restaurants.

Building on the foundation we introduced last quarter, Jason and his team are continuing to deploy Project One Best Way, our system-wide effort to elevate operational excellence through clear operating standards, performance-based leadership and measured execution. As part of this project, we launched Sweetpass, a framework that helps every team member understand what running a great restaurant looks like at Sweetgreen. The Sweetpass breaks each restaurant into clear zones from the front line to the back of house with simple, consistent behaviors and standards for how we show up every day.

Jason also introduced a new restaurant scorecard this quarter. It gives our teams greater visibility into performance across a streamlined set of metrics -- sales, throughput, customer satisfaction, food quality and labor performance that helps our team celebrate wins, bought opportunities and focus on what drives results.

In mid-September, we kicked off a new throughput initiative that defines what it means to be ready for peak lunch and ties progress directly to the scorecard. Early results are encouraging, showing improved peak hour throughput and building momentum towards the operational excellence we expect from ourselves.

To improve throughput further, our technology team has begun rolling out Scan to Pay for a faster and simpler frontline checkout experience. With a single app scan, guests can pay, earn and redeem rewards instantly using saved payment methods, including credit cards, Sweetgreen credits and gift cards. These disciplined system-level changes under Project One Best Way will take time to mature, but they're already building the structure and habits that will define how we operate going forward.

As we shared last quarter, about 1/3 of our restaurants met or exceeded our internal operational standards. Today, that number is approximately 60%, an important step forward. Additionally, turnover and retention continue to improve, and we expect this progress to translate into stronger restaurant-level performance over the year ahead.

Now turning to brand relevance. I'm excited to welcome Zipporah Allen, our Chief Commercial Officer, who leads marketing, menu innovation and the overall customer experience. In her first 2 months, Zipporah has brought new energy and focus to our marketing team, shaping a strategy that positions Sweetgreen as a lifestyle brand with a focus on acquiring and inviting more customers to live the Sweet Life. In the near term, we have redirected marketing to support New York, our most challenged market. We are optimizing our media investments to drive new guest acquisition and expand our share of voice. In the long term, we are focused on creating culture through distinct brand moments.

This will include a more structured approach to engagement with content creators that have an authentic connection with Sweetgreen, as well as brand partnerships that will broaden awareness with new audiences.

For our food quality and menu innovation pillar, we are focusing our attention on driving awareness around the quality of our ingredients. Next week, we're launching a protein-focused campaign, highlighting the real fuel that our customers get when they choose 1 of our 9 chef-curated menu items with more than 30 grams of protein. We are also introducing a new macros calculator in our digital experience. This protein campaign gives us a great opportunity to educate customers about our larger protein portions and is the first step to broadly communicating the key differentiators that make our menu distinct in the market. You'll see us continue to message our high-quality ingredients into next year, claims that differentiate us from our competition such as made from scratch, chicken, steak and salmon raised responsibly with no antibiotics ever, seed oil-free proteins, grains and roasted vegetables, no artificial flavors, colors or dyes and sourcing organic and local produce from farmers and partners we know and trust. These will take a more prominent role in our messaging going forward.

Additionally, in 2 weeks, we will launch a new steak bowl and steak plate to strengthen variety and value.

We continue to strengthen our menu innovation muscle with a pipeline of menu items entering our new stage-gate process in Q4. This is a cross-functional testing process that we will use for every menu item going forward. This will give us more precision and predictability in the results that we can expect from our menu development efforts.

We continue to leverage seasonal menus to drive frequency with our existing customers, and we have rightsized our marketing investment to reflect the role that these menu items play on our menu. At the same time, we are expanding our core menu offering to be relevant for more occasions and consumer needs through our pipeline test.

Our new handheld product will go into market test in early 2026. In Q4 and heading into Q1, we are also reviewing our menu and pricing architecture as we continue to strengthen our value proposition. We know that we can do a better job of creating clear entry prices and logical trade-up opportunities across our create-your-own and chef-curated menu options so that our customers understand the value across every menu tier. When guests know what they're getting and feel good about it, it builds trust and drives loyalty over time.

Now turning to personalized digital experience. Earlier this year, we launched SG Rewards to create a platform for a more personalized experience powered by enhanced customer data. We just reached the 6-month mark of this program and are continuing to see positive trends on frequency among our most loyal guests. The program unlocks the ability to leverage the data to drive frequency and retention through our CRM efforts. And during the fourth quarter, you will see us leverage this channel to invest more in targeted discounts and promotions to improve value perceptions and drive increased frequency with lighter users.

Shifting to our last pillar, which is disciplined profitable investment. In the third quarter, we opened 8 restaurants, including 6 Infinite Kitchen. We also entered a new market, Arizona, with our Scottsdale location, delivering the second strongest opening of the year. Following the quarter, we added a second Arizona location, further deepening our presence. The continued success of these openings reinforces our confidence in the white space opportunity ahead.

In the fourth quarter, we will open 17 new restaurants and enter 3 new markets: Sacramento, Cincinnati and Northwest Arkansas. Our Q4 openings include our first Sweetgreen featuring the Infinite Kitchen in Costa Mesa. Altogether, we expect to complete construction of 40 new restaurants this year, ending 2025 with 37 net openings. This reflects the closures of our Bleecker and Astor Place restaurants in the third quarter. It also includes shifting 2 restaurant openings into early 2026 to ensure the best possible experience for our guests and team members, though construction will be completed this year.

We expect to open our relocated Nomad restaurant in December and Union Square in January. Both locations are being relocated to stronger sites and will include Infinite Kitchen.

We're prioritizing the strength of our financial position by improving cash flow and maintaining greater discipline in how we invest, which will include a slowdown of new restaurant openings.

Looking ahead to 2026, we plan to open 15 to 20 net new restaurants with about half featuring Infinite Kitchen technology and enter 2 to 3 new markets, including Salt Lake City. We believe this strikes the right balance between growth and financial discipline as we focus on lowering capital expenditures and driving strong returns. We remain focused on quality growth and continue to target cash-on-cash returns above 40%.

As announced today, we've made the strategic decision to sell Spyce, our business unit responsible for developing the Infinite Kitchen to Wonder. This will allow us to unlock greater scale, lower operating costs and strengthen our financial foundation for the future. First and foremost, the Infinite Kitchen remains central to Sweetgreen's future. The technology has consistently proven its ability to deliver faster throughput, improved accuracy and consistency and elevated food quality. In the third quarter, the Infinite Kitchen restaurants continue to realize approximately 700 basis points of labor savings and nearly 100 basis points of COGS improvement compared to restaurants of similar age and volume.

Under our agreement with Wonder, Sweetgreen will continue to utilize and expand Infinite Kitchen technology across our restaurants. Partnering with Wonder enables us to leverage their manufacturing scale, R&D investments and shared innovation, accelerating the refinement and rollout of additional IK units. This transaction also allows us to sharpen our focus on our core restaurant business, allocating more of our talent and financial resources toward accelerating growth and achieving profitability. The \$186.4 million sale is expected to infuse our balance sheet with approximately \$100 million in liquidity, strengthening our financial position and enhancing our flexibility to fund future growth initiatives.

We're incredibly proud of the work the Spyce team has done to develop, scale and commercialize one of the world's most advanced food automation technologies under Sweetgreen. I want to especially thank Spyce co-founders, Michael Farid, Kale Rogers, Brady Knight and Luke Schlueter, for their vision and phenomenal technical execution. We look forward to partnering with you and the Wonder team as we enter this next chapter of innovation together.

From menu development to our app to the Infinite Kitchen, we've always been pioneers in reimagining how real food is sourced, prepared and served. That spirit of innovation is core to our DNA and will continue to guide us.

Before I conclude my prepared remarks, I want to take a moment to recognize Mitch Reback, who retired in September as our CFO, and express my deep gratitude for everything he's done for Sweetgreen. Mitch joined us when we were still a small regional brand over 10 years ago, and has been a driving force behind our growth ever since. He built the financial foundation that supports our business today, guided us through our IPO and has been a true partner, mentor and friend. His impact on Sweetgreen and on all of us personally can't be overstated. We're deeply grateful for his leadership and wish him all the best in his retirement.

We are also excited to welcome Jamie McConnell as our new Chief Financial Officer. In her short time, she's already brought a sharp focus on financial discipline, returns and efficiency. Her background and experience in high-growth, operationally disciplined businesses will be instrumental as we strengthen our operating model and position Sweetgreen for long-term success.

Over the years, Sweetgreen has navigated some of the toughest moments from growing through the Great Recession to leading through COVID. Through it all, I've never wavered in my belief in our vision or the impact we can make. We've proven that our brand resonates across markets and demographics and the opportunity ahead remains significant.

Our focus now is combining the creativity and cultural relevance that makes Sweetgreen unique with greater discipline and a continued focus on the guest.

The Sweetgreen brand remains strong and continues to deeply resonate with our guests. We know the work we need to do to raise our execution and reignite our flywheel to drive traffic and set the stage for long-term profitable growth. We are taking the steps needed to get back on track and position Sweetgreen for long-term success.

I want to thank every Sweetgreen team member for their focus, resilience and commitment to excellence. Together we're positioning Sweetgreen to reach its full potential, all while staying true to our purpose of connecting people to real food.

Now I'll turn over the call to Jamie to review our financial results in detail.

Jamie McConnell

Chief Financial Officer & Accounting Officer

Thank you, Jonathan, and good afternoon, everyone. As a long-time Sweetgreen guest, I could not be more excited to join the team. This is an important time for the brand, and I'm grateful for the trust Jonathan, the Board and the company have placed in me to help shape the next chapter.

Over the past few weeks, I've spent time in our restaurants listening and learning from our teams. What stood out immediately was the care our people bring to the food we serve and the ingredients we source. I met Yuri, who began as a dishwasher 6 years ago and now leads her own restaurant as a head coach. Seeing how she has grown within Sweetgreen and her pride in the restaurant showed me what makes this company so special.

Since stepping into the CFO role a little over 6 weeks ago, I've been focused on gaining a clear understanding of our economic model and the levers that drive our results. It's clear there's meaningful work ahead. I've launched a full review of our restaurant level expenses and G&A structure to ensure we're operating as efficiently as possible, identifying savings, simplifying processes and investing only in what drives the business forward. Over time, this work will drive margin improvement, stronger cash flow and tighter financial discipline across the company to deliver steady, stable results. I will have more to share in future quarters. I'll now walk you through our third quarter results.

Third quarter sales were \$172.4 million compared to \$173.4 million last year, with same-store sales decline of 9.5%. Restaurant-level margin was 13.1%, down from 20.1% a year ago. Adjusted EBITDA was negative \$4.4 million compared to positive \$6.8 million last year. The comp decline reflects an 11.7% decrease in traffic and mix, partially offset by a 2.2% benefit from menu price increases. The comp decline reflects softer sales trends and the transition from Sweetpass+ to our new rewards program, which eliminated subscription revenue and includes a loyalty deferral.

Third quarter food, beverage and packaging costs were 30.7% of revenue, a 320 basis point increase year-over-year. The benefit from pricing was more than offset by higher protein costs, reflecting our investment in increased chicken and tofu portions to reinforce the value for our guests and higher ingredient usage. We expect to offset the 140 basis point portion investment through a combination of in-restaurant and supply chain initiatives with savings beginning in 2026, and fully realized in the second half of the year. The quarter also included a 50 basis point impact related to imposed tariffs and duties on our packaging and other menu items. This is a level we expect to continue in the near term. Additionally, the third quarter was impacted by a onetime 60 basis point write-off of discontinued materials.

Third quarter labor and related expenses were 29.1% of revenue, an increase of 170 basis points from last year. The increase was primarily driven by deleverage from lower sales volumes and higher wage rates, partially offset by menu price increases.

Other operating expenses were 17.6% of revenue, an increase of 130 basis points from last year. Third quarter operating support center costs decreased \$2.3 million from last year on a dollar basis. As a percent of revenue, operating support center costs improved to 14% from 15.2% last year. The decrease was primarily driven by lower bonus expense due to company performance. As a reminder, we streamlined parts of our organization during the quarter, eliminating roughly 10% of open and existing roles to drive greater focus and efficiency.

Third quarter net loss was \$36.1 million compared to a net loss of \$20.8 million last year. The higher net loss primarily reflects a \$12.4 million decrease in restaurant level profit and increased impairment charges, driven by a \$4.3 million impairment charge for 4 underperforming restaurants. This was partially offset by lower stock-based compensation as IPO-related grants continue to roll off.

Adjusted EBITDA was a loss of \$4.4 million compared to positive \$6.8 million last year. The decline was primarily driven by lower restaurant level profit. During the quarter, we opened 8 restaurants, 6 of which were Infinite Kitchen. We closed 2 restaurants during the quarter, Bleecker and Astor Place for a third quarter net [interim] count of 6, and we ended the quarter with 266 restaurants.

We ended the quarter with a cash balance of \$130 million. As you heard earlier from Jonathan and read in our release this afternoon, the strategic sale of Spyce to Wonder marks an exciting milestone for Sweetgreen. From a financial standpoint, this transaction reflects a disciplined capital decision that both strengthens our liquidity position and enhances our path to profitability. The sale is expected to infuse our balance sheet with approximately \$100 million in cash upon closing. We expect the Spyce sale to close in either the fourth quarter of 2025 or early in the first quarter of 2026.

We also expect to realize approximately \$8 million in annualized G&A savings as the Spyce team transitions to Wonder. Together, these actions are being taken to create meaningful leverage in our model and reinforce our focus on balancing growth with disciplined cost management.

Through our ongoing collaboration with Wonder, we have found a way to continue to benefit from the long-term success of the platform while keeping our focus on expanding and enhancing the Sweetgreen experience.

Now turning to guidance. We are updating 2025 guidance to the following: 37 net new restaurant openings, revenue ranging from \$682 million to \$688 million, negative same-store sales of 8.5% to 7.7%, restaurant level margin of 14.5% to 15%, and adjusted EBITDA between negative \$13 million and negative \$10 million.

As Jon said, we plan to slow new unit growth next year to approximately 15 to 20 net new restaurants with about half featuring the Infinite Kitchen. We'll continue to evaluate opportunities to increase development as operating cash flow improves.

To close, I came to Sweetgreen because I believe in what we're building and the impact this brand can have. I'm incredibly passionate about our mission and confident in the opportunity ahead.

And now I will turn the call over to the operator to begin Q&A. Operator?

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from the line of Brian Mullan of Piper Sandler.

Brian Mullan

Piper Sandler & Co., Research Division

In the prepared remarks, you mentioned starting to evaluate Sweetgreen's menu and pricing architecture. I think you said in Q4 and into Q1. So Jonathan, can you just give a sense of the scope of what you're looking at, what you're hoping to accomplish? Maybe you could characterize how difficult you think this will or won't be? And I ask because I know absolute price points, it's only one part of the value equation, but it's an important one. So I would just love to get your thoughts on what you think needs to be done.

Jonathan Neman

Co-Founder, Chairman, President & CEO

Absolutely. Thank you, Brian. So yes, we're looking at menu and pricing architecture, as we mentioned. And I think there's a few ways that we're considering it. First is our pricing ladders and menu -- and new entry points. As you know, in the quarter, we tested a few things around \$13 bull drops, we saw -- really to understand the price elasticity, we saw a lot of engagement around it. But given the fact that it was mostly marketed to existing customers, a relative high degree of cannibalization, but it did show us that there is a real opportunity around more entry price points around our menu.

As we look at menu innovation, we also see opportunities to create different price points and again, entry ways into the brand. We've also looked at how we present menu price points on our menu boards, again, to really show the different pricing options we have.

Lastly, I'll just follow up on the things that I talked about in the prepared remarks. We can do a much better job of talking about the value we provide, whether it be made from scratch or our proteins cooked without seed oils or all of our proteins being -- having no antibiotics ever, there's a much better job we can do around really delivering on the value message that we are offering.

Lastly, we have increased our protein portions by about 25%. And we've been relatively quiet on that. But starting next week, we have a big campaign around the increased portioning around protein. And with all the craze around protein, we think that will also do well.

So I'll close with on this is a lot of the pricing work is going into stage gate in the coming months, and we do think that there's going to be a lot of opportunity around these different pricing tiers.

Operator

Your next question comes from the line of Jon Tower of Citi.

Jon Tower

Citigroup Inc., Research Division

I guess maybe I'm just looking at the guidance for the balance of the year or the implied guidance for the balance of the year, and it's effectively suggesting the fourth quarter is taking a step down. I don't think that's really too much of a surprise to people on the line. But I'm just curious if you could kind of walk through what you're seeing in the current environment? And specifically, I would think given where your stores are located in the Northeast and what's going on with the government shutdown, if you've seen anything worsen in the most recent months with respect to consumer demand? And frankly, how it's showing up in your business? Are you seeing it specifically during certain parts of the week? Are lunch or dinner getting hit more so than other dayparts and how people are spending at your stores relative to the past?

Jamie McConnell

Chief Financial Officer & Accounting Officer

Jon, yes, you're right, we are seeing a step down. So in July, we saw a slight pickup from Q2, and that was due to the seasonal menu rolling out. However, in August, we saw a step down of about 200 basis points, and then we saw another step down in September of about 200 basis points. October is holding flat to September. So we're running at low negative double digits right now.

I will tell you, you're absolutely right about the consumer. So the 25 to 35 consumer is the most under pressure, and they make up about 30% of our consumer base, and they're down about 15%. And then our Northeast and L.A. markets make up about 60% of our base and the comp -- and they're making up about 800 basis points of negative comp compared to the rest of the fleet. So we're definitely seeing that impact. And then we are seeing some declines in dinner.

Jon Tower

Citigroup Inc., Research Division

Okay. And maybe just in terms of the Infinite Kitchen agreement that you guys made today, can you just walk us through how that's going to impact you going forward? Obviously, it sounds like in a license agreement, but will there be any incremental costs that you'll have to pay going forward like a royalty for the technology into the future?

Jonathan Neman

Co-Founder, Chairman, President & CEO

Yes, Jon, I'll take that. So we think that this strategic agreement with Wonder is really a win-win-win for the business. Not only do we infuse the company with about \$100 million in cash and another \$86 million in Wonder stock, we also reduced our G&A by about \$8 million and allow us to focus more of our time and resources on the customer and really on the food and the experience. Beyond that, around IK going forward, it will continue to be a huge part of our business. Like we said, it's continuing to scale in many of our new stores, and we're pleased with the results. And we've formed a really favorable agreement with Wonder, where we're able to have the units at about -- around cost plus 5% and then maintain the current cost around delivery, install and service. So it's just a huge win for us and able to still use that technology as we continue to scale, but at pretty much the same cost that we've had so far without the financial burden that it was causing.

Operator

Your next question comes from the line of Andrew Charles of TD Cowen.

Andrew Charles*TD Cowen, Research Division*

Just first, one quick bookkeeping. On the 15 to 20 net openings for 2026, what's contemplated the number of closures for next year? And then my real question is it's good to hear the handheld is making a reappearance after you first talked about around a year ago. What were the key unlocks in the operational side to get it to the market test where I know you're going to figure out more on the operations side, but what were the key unlocks you did in this planning phase to get it to the market test?

Jamie McConnell*Chief Financial Officer & Accounting Officer*

I'll start with the net 15 store openings. So we've identified 2 that are going to close, and then we're also looking at lease expirations and being really diligent on if we should renew those leases. So we still expect about net 15. We've identified 2, but net 15 is our number.

Jonathan Neman*Co-Founder, Chairman, President & CEO*

And on the unlocks, I think we're -- we've tested this with consumers. We know we have a really, really killer product. The point of the market test is to make sure that we can operationalize it and really understand any impacts to throughput. So it's a bit early to talk about it, but we've run some internal testing and are very confident that we can come up with something that is accretive and incremental to the business, unlock new dayparts and really be a big acquisition driver for us. So it's something that we've known for a while. Jason, our COO and team are very confident that this is something that we can operationalize.

But as I mentioned in the prepared remarks, the stage-gate process is really critical to getting this right, and that's why we are not rushing this out. We want to make sure both the product, offering and the menu assortment is right, the pricing is right, and most importantly, that we can operationalize this.

Operator

Your next question comes from the line of Rahul Kro of JPMorgan.

Rahul Krotthapalli*JPMorgan Chase & Co, Research Division*

Firstly, kudos on making the changes to the protein portion increases, Jonathan, they're quite visible and consistently hitting the 100-gram scope. Happy to see that being executed well.

The question is on the net cash proceeds after any tax components associated with the Spyce sale. Given the cost basis and factoring in stock in the initial purchase price of Spyce, can you give us a detail on the actual cash that would be realized on the balance sheet? And also, like does it impact the future IK mix given the hurdle rate, given the cost plus 5% comment you made, Jonathan? Any color on that would be great.

Jonathan Neman

Co-Founder, Chairman, President & CEO

I'll take the second part of the question, and I'll let Jamie take the first. So in terms of the actual cost, I think it's actually a huge benefit to us because today, at our scale, there's only so many -- so much economies of scale we can achieve with the machine at a cost-plus model at just a very small 5%, which would be about \$25,000 on the cost of the machine, we benefit from the economies of scale as they begin to scale production and also have access to future technologies. So we actually think this will help us bring the unit cost down, have them invest more in the R&D and innovation of potentially cheaper and more effective automation units. And so overall, a win-win in that scenario.

Jamie McConnell

Chief Financial Officer & Accounting Officer

And then following up on the cash, we're still going through the tax analysis and the valuation. So I don't expect it to be a material amount of tax that we are going to pay. And then we're still going through the tax and legal fees, et cetera, but I don't expect any of them to be material.

Operator

Your next question comes from the line of Sara Senatore of Bank of America.

Sara Senatore

BofA Securities, Research Division

Jamie, I just -- I guess, one confirmation or clarification and then a question. I think you said that dinner is where you're seeing some softness. So I guess, does that mean sort of disproportionate? Some of what I've seen is that your lunch has actually been more vulnerable just because it's something where people can kind of pack and bring from home. So I wanted to understand the daypart impact, if you kind of control for sort of suburban or urban mix.

Jamie McConnell

Chief Financial Officer & Accounting Officer

Yes. Sara, we actually are not seeing a slowdown in our lunch quarter-over-quarter. We're actually seeing a slight decrease. So really, it's the dinner time that we're seeing that decrease.

Sara Senatore

BofA Securities, Research Division

Okay. And then the question was on just -- again, on the sort of sale. What, I guess, is the impetus to doing that now? I mean, other than perhaps your cash position? I guess I asked because, Jon, to your point about being kind of subscale. My sense is that a lot of restaurants generally will outsource technology unless they're really big. And so I just wanted to understand kind of the thought process of developing tech in-house versus maybe just going forward, just deciding to just to the outsourcing approach.

Jonathan Neman

Co-Founder, Chairman, President & CEO

Yes, absolutely. So when we bought Spyce originally, there was no automation platform that we could have bought from there. And so we took what was a nascent idea, really a prototype in a couple of stores. We perfected it for Sweetgreen. We've commercialized it. We've gotten the manufacturing set up, and we've now scaled it. And it's now in this year, over half of the new NROs, again next year. And we're really at that point where us fully owning it is not needed as long as we have a level of control and license around the technology, and now we can benefit from the economies of scale and future innovation under Wonder. So it not only provides cash and lowers our G&A in this critical moment, it allows us to focus on our business. And we believe over time, it will actually bring the unit cost of the technology down so we can put it in more and more restaurants.

Operator

Your next question comes from the line of Logan Reich of RBC Capital Markets.

Logan Reich

RBC Capital Markets, Research Division

I just had one on the unit growth guidance for next year and the pipeline. Obviously, pulling back a little bit on unit development here. But I guess like the question is, is there any potential for that number to creep a little bit higher in a scenario where same-store sales gets back to growth and you guys feel comfortable about the operations. Curious if there's any flexibility in the pipeline to maybe scale that number up a little bit higher for next year.

Jonathan Neman

Co-Founder, Chairman, President & CEO

Yes, absolutely, there is. The decision was made, one, from a financial discipline perspective, but also a focus perspective as we really focus on menu innovation and store experience in order to inflect our transaction comp. We do have a very robust pipeline over the next couple of years, and we made the strategic decision to kind of cherry pick the best approximately 20 restaurants, but do have some flexibility depending on how things go to accelerate, and we are planning a reacceleration into 2027, not all the way to the 15% unit growth, but do expect some reasonable step-up from the 20-ish stores in '26 into '27. So if we are able to inflect comp and feel really good about our overall operations and how we're delivering on the experience, we do have the potential to slightly increase next year's unit count.

Operator

Your next question comes from the line of Brian Harbour of Morgan Stanley.

Kelly Anne Merrill

Morgan Stanley, Research Division

This is Kelly Merrill on for Brian. I'm just curious, can we get an update on loyalty and where that stands today? I think on the last call, you noted it as an uplift to the beginning of Q3. So just wondering if that's sustained throughout the quarter or if you're seeing anything different now?

Jonathan Neman

Co-Founder, Chairman, President & CEO

Yes. We've been generally pleased with loyalty. Now we just hit our 6-month mark. We are seeing continued activations at almost 20,000 per week in terms of new customers, and we have seen some frequency increases of those loyalty members. We are right now in the process of really perfecting the different customer journeys and how we can get them to be more personalized and really understanding the different promo levers. One of the things you will see us do, especially in this -- in this kind of cost-conscious environment for consumers is lean a bit more on certain kind of breakthrough promos to drive acquisitions. So you'll see us trying and testing a bunch more things with a lot of discipline, making sure that it can be accretive. But still, I'd say, very early stages of the loyalty program. And over the next 6 months, we expect that to be more of a comp driver for us, especially as some of the overhang from the Sweetpass+ starts to fall off. And then again, it's really about how we leverage that data.

Very excited about Zipporah, we call Zip being here, and her expertise in loyalty and CRM. And again, we see a lot of opportunity to kind of leverage that digital flywheel.

Operator

Your next question comes from the line of Jeff Bernstein of Barclays.

Anisha Datt

Barclays Bank PLC, Research Division

This is Anisha on for Jeff. With only 1 quarter remaining in the year, restaurant level margins were cut significantly. Can you break down what's driving that, if it's labor deleverage, commodity inflation or other factors?

Jamie McConnell

Chief Financial Officer & Accounting Officer

Yes. So you're right. It's about half of sales deleverage. And then the next biggest piece is the protein increase. So we have about 140 bps in protein related to the increased portions of chicken and tofu. Those we plan to offset with supply chain initiatives and restaurant initiatives. And then we have tariffs, which we expect to hold at about 50 bps.

Operator

Your next question comes from Teddy Farley of Goldman Sachs.

Edward Farley

Goldman Sachs Group, Inc., Research Division

One more on the loyalty program for me. Is the pricing and menu architecture review inclusive of a review of the rewards redemption stack for SG Rewards, just kind of making sure that you're competitive versus peers with value, not only on the core menu, but also with regards to the point redemption opportunities?

Jonathan Neman

Co-Founder, Chairman, President & CEO

Yes, absolutely. It's a really good point. We've gone in with relatively modest programmatic benefits. So it gives us a lot of opportunity to move up and also leverage more on the personalized offers in CRM. So we are evaluating all of it, including the potential for tiers and other benefits for members. So the loyalty program will be a huge lever for us.

The one thing I will add on loyalty, which it was in the prepared remarks, but we recently rolled out the ability to Scan to Pay. And the good thing about that is we're now able -- you're now able to very seamlessly use loyalty in-store. So we're capturing more -- since we've done that, we are seeing a step-up of customers using loyalty in restaurants. It also helps us from a throughput perspective. So a lot more improvements coming on that side. And generally, in our digital experience, we have a lot of exciting things planned over the next 6 to 12 months to continue to drive that digital flywheel.

Operator

With no further questions, that concludes our Q&A session and today's conference call. We thank you for your participation. You may now disconnect.

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