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Texas Roadhouse, Inc. (NASDAQ:[TXRH](#)) Q1 2025 Earnings Conference Call May 8, 2025 5:00 PM ET

Company Participants

Michael Bailen - Head, Investor Relations

Jerry Morgan - Chief Executive Officer

Chris Monroe - Chief Financial Officer

Conference Call Participants

Sara Senatore - Bank of America

David Palmer - Evercore ISI

David Tarantino - Baird

Kelly Merrill - Morgan Stanley

Dennis Geiger - UBS

Jake Bartlett - Truist Securities

Jeff Farmer - Gordon Haskett

Lauren Silberman - Deutsche Bank

Brian Vaccaro - Raymond James

Jim Salera - Stephens, Inc.

Peter Saleh - BTIG

Andrew Strelzik - BMO Capital Markets

Andy Barish - Jefferies

Gregory Francfort - Guggenheim Securities

John Ivankoe - JPMorgan

Jim Sanderson - Northcoast Research

Operator

Good evening, and welcome to the Texas Roadhouse First Quarter Earnings Conference Call. Today's call is being recorded. All participants are now in a listen-only mode. After the speakers' remarks there will be a question-and-answer session. [Operator Instructions]

I would now like to introduce Michael Bailen, Head of Investor Relations for Texas Roadhouse. You may begin your conference.

Michael Bailen

Thank you, Kyle, and good evening. By now, you should have access to our earnings release for the first quarter ended April 1, 2025. It may also be found on our website at texasroadhouse.com in the Investors section.

I would like to remind everyone that part of our discussion today will include forward-looking statements. These statements are not guarantees of future performance, and therefore undue reliance should not be placed upon them. We refer all of you to our earnings release and our recent filings with the SEC. These documents provide a more detailed discussion of the relevant factors that could cause actual results to differ materially from those forward-looking statements. In addition, we lay out our coordinated non-GAAP measures. If applicable, reconciliations of the non-GAAP measures to the GAAP information can be found in our earnings release.

On the call with me today is Jerry Morgan, Chief Executive Officer of Texas Roadhouse, and Chris Monroe, our Chief Financial Chief. Following the prepared remarks, we will be available to answer your questions. In order to accommodate everyone that would like to ask a question, could everyone please limit yourself to one question.

Now I would like to turn the call over to Jerry.

Jerry Morgan

Thanks, Michael, and good evening, everyone. We recently returned from our annual Managing Partner Conference where we celebrated the performance of our restaurants and recognized the success of our top operators. Spending time surrounded by our partners leaves me inspired and energized by the passion and enthusiasm they have for operating great restaurants.

Moving to our results, we remain pleased with the direction of our overall business and the demand for our brands is as strong as ever. For the first quarter, we generated over \$1.4 billion of revenue and same-store sales increased 3.5%, including positive traffic growth. After a somewhat mixed start to the year, our top line trends have returned to more normalized levels in March, April, and May.

In fact, our average weekly sales for March hit all-time highs at all three brands. While we can't control the broader economic landscape, including potential tariffs, consumer sentiment, and other macro conditions, we see the current environment as an opportunity to double down on what we do best.

We will stay true to our mission, values, and purpose and continue to focus on what we can control, which is delivering legendary food and legendary service. It is our belief that despite any external factors, our recipe right food, high level hospitality, and everyday value will continue to resonate with our guests and drive long-term growth.

On the development front, during the first quarter, we opened eight company-owned restaurants, including one Bubba's 33 location. With an additional 15 restaurants already open or under construction, we remain on track to open approximately 30 company owned restaurants this year. This includes as many as seven Bubba's 33 three openings as well as one Jagers.

Our current outlook for franchise openings this year includes five international Texas Roadhouses and two domestic Jagers. In addition to the 13 franchise restaurants that were acquired at the beginning of the year, we purchased one additional restaurant later in the first quarter, and we expect to acquire another three restaurants in the second quarter.

We also opened our 50th Bubba's 33 during the first quarter and have already opened two additional locations in the second quarter. We just completed our guest attitude and usage study for Bubba's thirty three, and it is providing us with a lot of good insight into the brand. It has reinforced our belief that Bubba's 33 is a family friendly sports themed restaurant that appeals to consumers of all ages.

Our guests expressed love for the brand and appreciation for the consistency, quality, and taste of our food. We also received high praise for our fun and energetic atmosphere. From a technology standpoint, our current initiatives are progressing as planned. 65% of our restaurants are currently using a digital kitchen, and the remainder of our restaurants are scheduled to convert by the end of this year.

As we have said before, we believe these conversions are creating a more efficient kitchen and a less stressful environment for our roadies. Additionally, the upgrade of our guest management system is moving quickly. 70% of our restaurants have the new system with the rest on track to receive it by the end of year.

This upgrade is allowing our operators to quote more accurate wait times and better manage their floor plan. This week, we are in the process of rolling out new beverage menus for our Texas Roadhouse restaurants. We are excited that for the first time, we will be using regional beverage menus that are tailored to specific geographic preferences.

These menus will also include our mocktails as well as our \$5 all day, everyday beer and margarita offerings. Finally, I want to recognize I want to congratulate Ron Marcus from Concordville, Pennsylvania as he was named our Texas Roadhouse managing partner of the year.

On the Bubba's 33 side, congratulations to Kyle Morris from Glen Burnie, Maryland for being named the brand's managing partner of the year. Additionally, I want to recognize Daniel Rivera of Covington, Louisiana for being named for the third time our national meat cutter champion, and Katie Vincent for being our support center roadie of the Year. And lastly, I would like to congratulate and to thank all of our award finalists for their contributions, accomplishments, and passion for Texas Roadhouse.

Now Chris will provide some thoughts.

Chris Monroe

Thanks, Jerry. For the first quarter, weekly sales averaged \$167,000 at Texas Roadhouse, \$123,000 at Bubba's 33 and 71,000 at Jagers. All three brands delivered positive same-store sales and traffic growth during the quarter with momentum building in the back half of the quarter. This momentum has carried forward into the first 5 weeks of the second quarter with comparable sales up 5% and our restaurants averaging weekly sales of approximately \$164,000.

The positive sales trend through the first 5 weeks includes the benefit of the 1.4% menu price increase that we implemented at the beginning of the second quarter as well as improved mix trends. Before discussing our inflation outlook, I would like to address our current thoughts on the potential impact of tariffs.

The most likely areas of our business impacted by tariffs are commodities, supplies and equipment. However, there are still many unknowns, including how much of the expense will be passed through as well as the timing of when we will see the increased expense.

For commodities, seafood will be the most impacted portion of our basket. Much of this category comes from non-USMCA countries. Outside of seafood, there are no other significant components of our commodity basket that are purchased from outside North America.

Within supplies, tariffs on some items such as disposables and plateware will be the most impactful to us. However, due to inventory and orders already in transit, the higher cost should not be felt until the back half of the year. For equipment, the potential impact this year is lessened as we typically order much of our new restaurant equipment well in advance. However, we could also see some impact from unplanned equipment replacement at existing restaurants.

Now moving on to our outlook for commodity inflation. While first quarter inflation was in line with our internal forecast, we have increased our guidance for full year commodity inflation to approximately 4%. This increase is based on our updated expectations for beef costs through the remainder of the year as well as the impact of tariffs. We currently estimate that tariffs will drive approximately 30 basis points of the full year commodity inflation.

Labor inflation in the first quarter was also in line with our projections. The ongoing focus by our operators on productivity resulted in labor hours growing at approximately 35% of comparable traffic growth. Based on our outlook for the remainder of the year, we are maintaining our 4% to 5% wage and other labor inflation guidance for the full year.

With regard to cash flow, we ended the first quarter with \$221 million in cash. Cash flow from operations was \$238 million, which was offset by \$173 million of capital expenditures, dividend payments and share repurchases as well as \$78 million for the acquisition of 14 franchise restaurants. Our guidance for 2025 capital expenditures including any tariff related cost pressures remains unchanged at approximately \$400 million.

And now Michael will walk us through the first quarter results.

Michael Bailen

Thanks, Chris. For the first quarter of 2025, we reported revenue growth of 9.6%, primarily driven by a 2.4% increase in average unit volume and 7.1% store week growth. We also reported a restaurant margin dollar increase of 4.7% to \$239 million, and a diluted earnings per share increase of 1% to \$1.70.

Average weekly sales in the first quarter were over \$163,000 with to go representing approximately 22,000 or 13.6% of these total weekly sales. Comparable sales increased 3.5% in the first quarter, driven by 1.1% traffic growth and a 2.4% increase in average check. By month, comparable sales grew 5.5%, 0.5% and 4.6% for our January, February and March periods, respectively.

In the first quarter, restaurant margin dollars per store week decreased 2.2% to approximately \$27,000. Restaurant margin as a percentage of total sales decreased 77 basis points year-over-year to 16.6%. Food and beverage costs as a percentage of total sales were 34.1% for the first quarter. The 22 basis point year-over-year decline was driven by 2.1% commodity inflation combined with shifts within the entree category, partially offset by the benefit of a 2.4% check increase.

Labor as a percentage of total sales increased 79 basis points to 33.3% as compared to the first quarter of 2024. Labor dollars per store week increased 4.8% due to wage and other labor inflation of 4.6% and growth in hours of 0.3%.

Other operating costs were 14.4% of sales, which was 32 basis points better than the first quarter of 2024. The improvement was driven by leverage on operator bonuses as well as the year-over-year change in our quarterly reserve for general liability insurance. These insurance adjustments include \$0.3 million of additional expense this year as compared to \$3.5 million of additional expense last year.

Moving below restaurant margin, G&A dollars grew 6.9%, year-over-year and came in at 3.9% of revenue for the first quarter. Our effective tax rate for the quarter was 14.8%. Our expectation for the full year 2025 income tax rate remains unchanged at between 15% and 16%.

Now I will turn the call back over to Jerry for final comments.

Jerry Morgan

Thanks, Michael. As I mentioned, we just returned from our Managing Partner Conference where the theme was going all in. It is clear to me that our operators are going all in on the fundamentals of our business and purpose of serving communities across America and the world. Speaking of our communities around the world, I recently completed store visits in the Philippines. I can tell you that no matter the country, the culture, or brand, the passion for legendary food and legendary service is truly amazing. Let's go, Roadhouse.

That concludes our prepared remarks. Kayla, please open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question comes from the line of Sara Senatore with Bank of America. Your line is open.

Sara Senatore

Thank you very much. Just quickly, the components of the tech, Michael, if don't mind, I think you have probably about 3% price, and I wanted to sort of make sure I understood. It sounds like you'll probably price below inflation, not just kind of this updated commodities, but also, maybe even wage inflation. I want -- I wanted to make sure that that was correct. And then the question is about mix. If you could just talk about, is that the sort of the new alcohol program? Or what are you seeing that's driving the improvement in mix, which I think has been a headwind for a little while now? Thank you.

Michael Bailen

Sure. Thanks, Sara. So we did have 3.1% pricing in the first quarter. That drops down to 2.3% in the second and third quarter. So yes, we are priced below the inflation guidance that we have. But that's typically we are typically not going to price for commodity inflation. So that change there is really not something that is driving our decisions there.

As far as the mix, the benefit that we saw in the first 5 weeks was a little bit of improvement further improvement from already having positive mix in the entree category and then some improvements as well in the appetizers. Appetizers softened a little bit in the first quarter and came back here so far in the second quarter. And alcohol has kind of remained, as we have been seeing, down a little over 0.5 point.

Sara Senatore

Got it. Thank you. So just I think you're also pricing below wage inflation. Was that the right interpretation? That seems like something you've historically priced for. Thank you.

Michael Bailen

Yes. With 4% to 5% being our wage and other guidance, now within that 4% to 5% the underlying wage pressure is probably about three. But we do tend to price for structural inflation. It doesn't mean that we always price for all of it all at once. So it's something that we are very careful on and very methodical in our pricing decisions.

Sara Senatore

Understood. Seems to be working for you. Thank you very much.

Michael Bailen

Thank you.

Operator

Your next question comes from the line of David Palmer with Evercore ISI. Your line is open.

David Palmer

Thanks. I wanted to ask a question about labor and labor leverage. Oftentimes when it's a choppy quarter, it's hard to nail your labor hours, especially when it's as volatile as that first quarter was. But in the quarter, that labor leverage, which had gotten better than that 50% ratio that you've been doing, was less so, was closer to one to one. I'm wondering, should we not look into that too much as sort of an end of an era or was it really about that volatility or maybe when things just moderate, in general, you're not going to be going down in hours like you would let your hours go up less than the traffic? Or just any thoughts about what that means, if anything, for the year? Thanks.

Chris Monroe

Hey, David, it's Chris. And I just want to clarify because I thought I had it in my comments, but just to be clear, we did in the first quarter have 35% labor hours to traffic growth. So we were back under that 50%. And that's the sixth straight quarter below 50% on that metric. And so that yes, so that has continued. And we've stayed very productive and the operators have stayed very productive even through the difficulties, and in particular, it was February. But largely you can attribute a lot of that of course to their focus, but the turnover has remained low. The hourly turnover is below pre-pandemic levels and as is manager turnover. So that's continued as well.

David Palmer

I misheard that. Thank you. That's helpful. Thank you.

Chris Monroe

Sure.

Operator

And your next question comes from the line of David Tarantino with Baird. Your line is open.

David Tarantino

Hi, good afternoon. My question is about restaurant margin performance. And I think if I look at the long history of Texas Roadhouse, there's been very few periods where we've seen restaurant profit dollars per week decline and you had a slight decline in the first quarter. So just wondering if you could maybe think about or frame up your thought process around what that metric could look like for this year given some of the inflation and the very small amount of pricing. And specifically, is it important to you that you try to keep that positive? Or because it was so positive last year, you're willing to give some back? I guess what is the philosophy and how you manage that line for this year?

Michael Bailen

Hey, David, it's Michael. Appreciate the question. And I think you're touching on a lot of things that we discussed internally. Certainly, those margin dollars per store is something we watch. And yes, with the choppy start to the year, we just didn't get as much growth in that area as maybe we normally would. Now how this will play out throughout the year is still to be determined. Our traffic has come back very strongly. But you're also right, we've had a really strong 2024 and lapping that right now in the face of some commodity pressures we'll probably mean that those margin dollars per store week maybe don't grow nearly as much as we have seen or but it's something we'll keep an eye on and be aware of. But you are correct that it's definitely a little bit softer in the first quarter than what we typically see.

David Tarantino

And if I could just ask a quick follow-up to that. I guess as you approach your menu price decision later in the year with all this inflation that you're essentially absorbing, including the newfound tariff impacts, I guess how do you think about pricing against some of that inflation or maybe catching up for maybe what you haven't taken so far?

Jerry Morgan

Hey, David, it's Jerry. Yes, we'll continue on with our strategy. We are just a few weeks into the pricing that we took for basically the spring and the summer. As we get a little closer to the fall decision, we'll get with our operators. We'll kind of see where the climate in the world is at that time and try to make the best decision not only for our shareholders, but for our consumers and for our operators and partners.

So we will continue on with that same philosophy. As we get closer, I think we'll have a better idea of what we'd like to do.

David Tarantino

Great. Thank you.

Thank you.

Operator

And your next question comes from the line of Brian Harbour with Morgan Stanley. Your line is open.

Kelly Merrill

Hi, this is Kelly Merrill on for Brian. Thank you for taking our question. Looks like a nice start to the quarter with some pickup from Q1 as some peers have noted as well. I'm just curious if what you're seeing is in line with the industry or if there are any Roadhouse specific efforts that are driving the acceleration.

Chris Monroe

From a -- I think we've stayed very true to our focus on our food and our service and our value and our execution. And I think that's what's continuing to drive that rebound, I guess, would call it in March, April, and May. And we feel really good about our game plan as we've always had and our continued focus. So I think our results are a reflection of our operators performing at a high-level and executing and our guests continuing to reward and trust us that we've created an environment that they enjoy spending their time and their money.

Kelly Merrill

Thank you.

Chris Monroe

Thank you.

Operator

The next question comes from the line of Dennis Geiger with UBS. Your line is open.

Dennis Geiger

Thanks guys. Appreciate it. Wondering if we could give or you could give any additional thoughts on margins for the year. Obviously, given a lot of the pieces on labor and commodities, anything else as we think about other OpEx managing that this year, maybe visibility into the beef side of things? Any other pieces to help us kind of better put together some puts and takes for full year 2025 restaurant margins? Thank you.

Michael Bailen

Hey, Dennis, it's Michael. Now obviously, your traffic assumptions will play a part in that. But if you were to assume that we were going to have some modest traffic growth through the year, I think the guidance that we have given would say that the commodity line is going to be under some pressure through the year. And labor could still have some pressure, probably wouldn't beat to the extent you saw in the first quarter.

And then other operating is, just like we said last quarter, is probably that line where we do have some opportunity to get some leverage and where we got some leverage in the first quarter. So we'll see where the overall margins come in, but it would seem like other op is our as we sit here today with what we know is the area with the greatest opportunity for some leverage.

Dennis Geiger

Makes sense. Thanks, Michael.

Operator

And your next question comes from the line of Jake Bartlett with Truist Securities. Your line is open.

Jake Bartlett

Great. Thanks for taking the question. Mine is on COGS and the dynamics there and what we should expect maybe over the next couple of quarters. In the first quarter, COGS were up 22 basis points, as you mentioned. Pricing was a point higher than commodity inflation. So there were some negative impacts, some I think mix shift that seems pretty severe. And I'm wondering whether that continues, whether we should expect more deleverage from COGS than just the pricing and the commodity inflation guidance would suggest.

And then within the commodity inflation guidance, I'm wondering whether the cadence is pretty differs, meaning I'm kind of thinking maybe the second quarter you'd see the most inflation and then it comes down from there. But just any idea about cadence would be helpful.

Michael Bailen

Sure. Yes, let me start off with the actual COGS line. Because you are correct, we had 2.1% inflation in the first quarter, and our check was up 2.4%. That math by itself would have said that we should have levered the commodity line by about 10 basis points. So we did have about 30 basis points of pressure on that line from that mix shift.

What we've started to see a little bit more of is our guests trading from chicken or a seafood entree up into our steak category. And I think some of that makes a lot of sense given the cost of steak at the grocery. Guests are recognizing the value that we're offering and choosing to order a steak a little bit more often with us. With that comes some positive overall mix. It helps the top line, but it does put pressure on the COGS line because those steak items are not as high a margin item as maybe -- on a percentage basis as chicken is.

So it's kind of net neutral to our margin dollars, but you do see that pressure very obviously on the commodity or on the cost of sales line. We do think that will stay with us into the second and third quarters, maybe not to that full 30 basis points. We're thinking more like 20 basis points of pressure. And then the fourth quarter, we think it may step down to about 10 basis points of pressure.

And then as far as the cadence of our inflation for the year, you're probably fairly similar is our expectations, certainly for second and third quarter. Maybe it comes down a little bit into the fourth quarter, but pretty similar is our expectation right now.

Michael Bailen

Thank you very much.

Operator

And your next question comes from the line of Jeffrey Bernstein with Barclays. Your line is open.

Jeffrey Bernstein

Great. Thank you very much. Just looking back at the comp trends you offered for the first quarter, not unlike others, it seemed like you were running mid-single-digit and then trends really fell off in February and then bounced back to that mid-single-digit. Just wondering to what you attribute that slowdown. I mean, lot people talk about weather, others have been referred to a slowing macro. The weather seems to have subsided, but the macro most would argue is still challenged. So the fact that you made it all the way back to kind of where you were running before, I'm just wondering how you think about the weakness and whether on the yields of that you've seen any change in consumer behavior, whether it's weekday, weekend or any mix shift changes. I know you mentioned actually consumers potentially trading up into stake. I was thinking maybe they'll be trading the other way. So any thoughts on the drivers of the pullback and the lasting impact from that since then? Thank you.

Chris Monroe

Hey, Jeff. It's Chris. And thank you for that question. It's a thoughtful one and it's something we've been studying here the entire quarter. And it really did come down to the weather and some influenza. Different parts of the country had it worse than others, but it was absolutely store closures from snow. It was the weather. It was people staying in. We saw more to go business during that period of time. And then the bounce back came when the weather got better.

And so we're not seeing anything that's concerning us in any sort of geographic area and any sort of any other way you would divide up the consumer base. They're coming back. They're enjoying what we have to offer. And we have strength and momentum that's carrying into the second quarter.

Michael Bailen

Thank you.

Operator

And your next question comes from the line of Jeff Farmer with Gordon Haskett. Your line is open.

Jeff Farmer

Thanks. You guys did briefly touch on it, but you just returned from the Managing Partner Conference. So I'm curious if there were anything you heard from your restaurant operators that were surprising to you, anything about ops or just how the consumers holding up in general? Basically, I'm just looking for anything you guys heard from us sort of a boots on the ground perspective about your restaurants.

Jerry Morgan

Yes, Jeff. I appreciate it. You know what? I think it was all very positive. We were celebrating the success of 2024. We did discuss a little bit of our start to '25, and I believe we had a strong January. And we all know what happened in February across the country, and we bounced right back in March, April and May, and I think they're feeling very, very confident. Again, there's still concerns.

We all have questions about some of the things that are going on, but I think, in general, our restaurants are packed full of people that love our made from scratch food and our high-level hospitality, and they're feeling very confident that as the world kind of settles, we'll be right back to doing what we always do, and that's to deliver on legendary food and legendary service. And we will focus on what we can control and do everything we can to serve communities across America and the world at the highest level. And that's what we're focused on.

Jeff Farmer

Okay. Thank you.

Jerry Morgan

Thank you.

Operator

And your next question comes from the line of Lauren Silberman with Deutsche Bank. Your line is open.

Lauren Silberman

Thank you very much. I wanted to follow-up actually on the quarter to date comp. I believe price in April is lower than what you had in January or March. So can you just give that breakdown across traffic, price and mix? And I think you also mentioned mix has been improving. And then are you seeing any differences in trend across regions or days of the week? Thank you.

Michael Bailen

Hey, Lauren, it's Michael. Yes. So, like quarter to date, those 5 weeks, same-store sales up 5%. That includes traffic of about 3.1%, meaning that the check was up 1.9%, and that was with 2.3% pricing. So about 40 basis points of negative mix as compared to the 60 basis points we saw in the first quarter. And again, that improvement was coming in the entree and the appetizer categories and maybe a little bit in the mocktails as well is what drove that improvement.

s far as the regional trends that we're seeing, like Chris said, whether it be for the first quarter or the first 5 weeks, we're seeing strong performance throughout the country in all days of the week and all segments of the day. So we are very pleased with how the guest is using us right now.

Lauren Silberman

Great. Thanks so much. Congrats on the performance.

Jerry Morgan

Thank you.

Operator

And your next question comes from the line of Brian Vaccaro with Raymond James. Your line is open.

Brian Vaccaro

Hi, thanks and good evening. Just back to the quarter-to-date, just curious, can you clarify how does the shift of Easter or spring break timing? Does that how does that impact your March versus April?

Michael Bailen

Sure, Brian. Are we talking about for the quarter-to-date? Right?

Brian Vaccaro

Yes.

Michael Bailen

Yes. It had about a -- for the 5 weeks, about a 50 basis point negative impact on our reported comps. So that should come out to about a 20 basis point negative on the quarter, second quarter, and we had about a 20 basis point positive impact the first quarter. We would estimated it at about 30 basis points and the actual was about 20.

Brian Vaccaro

Okay. Very helpful. Thank you. And on commodity inflation, obviously, you took the guidance to up 4%. We've seen spot state prices increase pretty meaningfully through April. Seems like some industry participants think we could be seeing some early signs of type of retention. We'll see. But just curious if you could just kind of expand on your latest on the beef outlook, both from a supply and demand perspective.

Michael Bailen

Yes. Sure, Brian. I mean, obviously, things haven't changed that dramatically in our outlook. We still expect a tightening supply, and it looks like that is continuing to happen. Demand has stayed robust both in the foodservice sector and retail. At this point, in the grocery stores, people are still willing to pay for the beef. So that is coming along with this tighter supply.

You're seeing the suppliers maybe tighten how much they're producing, and that has led to some of those higher prices that you're talking about. So whether or not we're seeing that heifer retention as of yet is something we're watching as well and that can obviously drive prices higher if when that occurs. So all of those things are baked into our guidance of the approximately 4% for the full year.

Brian Vaccaro

All right. Thanks. And if I could just slip one more in just on the margins. It did look like the rent line picked up a little bit, increased, I don't know, 7%, 8% on our math per week. I just wanted to confirm, is that the impact of the acquisition, or were there some one timers we should be mindful of in that line? Thank you.

Michael Bailen

No. Hey, Brian. It's Michael again. Yes. You're correct. A lot of that is driven by the acquisition that we made in, some of those store -- half those stores are nearly half being in California with some higher rents. And new stores in general tend to have higher rents as well. So those are the two things driving that. And I would expect that to probably continue, maybe not to that as much of a degree is the first quarter with a little bit more sales -- potential sales growth, but that rent line could delever just slightly in 2025.

Michael Bailen

Yes. Thanks very much.

Operator

And your next question comes from the line of Jim Salera with Stephens, Inc. Your line is open.

Jim Salera

Hey, guys. Good afternoon. Thanks for taking our question. I wanted to ask about to go sales. It looks like my maths correct, stepped up about 60 basis points sequentially from 4Q. Can you just talk about what you're seeing there from the consumer? And can you maybe just remind us margin differential between to go sales and in restaurant dining?

Jerry Morgan

I mean I can talk to the sales side of it a little bit. Again, I think it's just our focus on the execution. We did mention a little bit of that some of that February might have ticked [ph] it up also with some of the weather and so we've seen that. But I think if you really look at the last 24 months, I mean, we've really continued to execute very well. We've really improved our measurable of missing items to some degree and just we've changed our packaging. We've done a lot of things operationally to provide a better to go experience, And I think those have been good payoffs for us in the long run. And I think Michael wanted to follow-up on that.

Michael Bailen

Yes, Jim. As far as the margins on to go versus dine in, obviously, we can put costs in any bucket and make it look differently. The way I like to talk about it is under the assumption that our dining room is full, which largely it is, the To-Go business is a great incremental margin dollar occurrence for us, And it's probably just about margin neutral to just slightly positive having the step up in the To-Go business.

You have to remember, we don't get the beverage attachment typically with the To-Go order. But if we're already full in the dining room and our kitchen is fully staffed, getting those to go sales are definitely beneficial to the dollars and neutral to slightly positive on the percents.

Jim Salera

Okay, great. That's very helpful. Thank you.

Operator

And your next question comes from the line of Peter Saleh with BTIG. Your line is open.

Peter Saleh

Great. Thanks for taking the question. Just two quick ones. One clarification. Your prior commodity guidance was 3% to 4%. You're now talking 4% commodity inflation with about 30 basis points from the tariffs. So I'm just curious, does anything really change other than the tariffs on the commodity inflation picture? Has anything really changed there? And then I guess my second question would be more on the Bubba's side. You guys mentioned you completed a study recently. Can you share some of the learnings there and if you learned anything about guest frequency with that brand? Thanks.

Michael Bailen

Hey, Peter. I will start off with your cost of sales question. We certainly have taken a slightly higher inflation view beef going along with the tariffs as well. There's a few areas, offsets in the basket or a few items that maybe we don't think will be as inflationary as we were thinking at the last time that we spoke, produce being one of those and some of the changes to our relationships with some of the produce generating countries, we've modified some of our assumptions there. So that was a little bit of an offset.

Jerry Morgan

And then on the Bubba's question, what we really learned was that the food for all messaging that we have is really something they understand. It's family friendly. They love the energy and the enthusiasm around it. I mean, Roadhouse is steaks and potatoes and cold beer and margaritas, and Bubba's is more burgers and pizzas and kind of a rock and roll and sports theme because of all the TVs and things like that. So what we really learned was mostly was that they really love the vibe of Bubba's, and they love the food for all being so family friendly. So it was a great learning for us for that go round.

Peter Saleh

Thank you very much.

Jerry Morgan

Thank you.

Operator

And your next question comes from the line of Andrew Strelzik with BMO Capital Markets. Your line is open.

Andrew Strelzik

Hey, thanks for taking the question. You guys have been pretty consistent talking about the kitchen technology as improving the back of house and just making a better kind of work environment back there. But I guess, as you have more quarters under your belt and more stores under your belt, are you getting to the point where you can start to identify more operational benefits, throughput, table turns, labor efficiency? Any color on that would be great. Thanks.

Jerry Morgan

Thanks, Andrew. This is Jerry. Appreciate the question. Yes, we are excited about getting it wrapped up with all of our AGM enhancements to the stores and to the digital kitchen. And you know, I think we are learning some things, but it's from a measurable, really, be able to discuss it at this time. We would really like to see everybody up and running on it and really understand what are the efficiencies. But the bottom line is in the back of the house, that digital kitchen, our employees really love it. Our managers really love it. It does help manage the mathematics of the work orders a little bit. And in the dining room, that the AGM 2.0 is we are calling, really about managing the floor plan and even helping us manage some of the wait list that we have for different reasons that that might people come and go and change positions. But, really, it helps us calculate how to keep moving fast. And for us, that's the key component at this point in time. So thanks for the question, Andrew.

Andrew Strelzik

Yes, thank you.

Operator

[Operator Instructions] And your next question comes from the line of Andy Barish with Jefferies. Your line is open.

Andy Barish

Hey, guys. Just wondering on the labor line this quarter, was there any unique items in there that drove, I don't know if it's kind of state taxes or things like that at the beginning of the year? Just wondering if there's any other callouts there.

Michael Bailen

Andy, it's Michael. Nothing really to call out there. I mean, the deleverage there is really a function of while we had same comparable sales growth of 3.5% in Q1, as we talked about on the last call, because of the mismatches mismatch of the weeks, we were expecting average weekly sales to be as much as 150 basis points lower, and it was 120 basis points lower.

So we had 2.3% average weekly sales growth and had our normal commodity inflation right in the middle of our I'm sorry, labor inflation of 4.5% right in the middle of our guidance with good productivity from our stores on the labor hour side. So it's just a function of only having the 2.3% average weekly sales growth in the first quarter.

Andy Barish

Okay. That's helpful color. And then any update on G&A dollar growth? I assume mid-single-digit. Dollar growth is still in the ballpark for 25%?

Michael Bailen

Yes. That would still be our assumption. Not much change from what we thought last year. We had mid-single, almost just under 7% G&A dollar growth in the first quarter. Could see that come up a little bit in the second quarter. And then should be flat in the third quarter and should be lower in Q4 because of lapping the extra week. So that probably gets you into low to mid single digit dollar growth.

Andy Barish

Okay. Thank you.

Operator

And your next question comes from the line of Gregory Francfort with Guggenheim. Your line is open.

Gregory Francfort

Hey, thanks for the question. I had maybe a little bit longer term question on store hours. And I think you guys have kind of over the last 5, 10 years opened up a little earlier and earlier. So I think you're opening a lot of stores like [indiscernible]. How productive has it been? And I guess, is there an opportunity to open later some of your stores? Like I think a lot of them close at 10 or 11 depending on the day of the week. And just do you think there's an opportunity to kind of keep pushing hours out a little bit more than you have been?

Jerry Morgan

This is Jerry. Thanks for the question. I like our hours where we're at. I think closing at 10 during the week seems to make sense, just in general, we stay a little low open, like you say, a little later on the weekends for Roadhouse, and Bubba's even stays a little longer than that. So in there and Bubba's is open for lunch. So I think that there is a demand than a conversation would be maybe we keep opening incrementally a little bit earlier to capture that versus staying late.

Gregory Francfort

Thanks for the thoughts. Appreciate it.

Jerry Morgan

Thank you.

Operator

And your next question comes from the line of John Ivankoe with JPMorgan. Your line is open.

John Ivankoe

Yes. Hi. The question is something specific on Roadhouse average unit volumes for stores that, I guess, are open 6 to 18 months. Lower year-over-year, I know they're volatile, and I know it's a fairly small sample size. But how are you feeling about, I guess, that not the newest class, but the newer type of class relative to average unit volumes. Do you expect them to get to average unit volumes? And I know, at least at ICR, maybe some other times, we've talked about some intentional cannibalization, or fill in of markets that would lower average volumes and that would overall grow over time. Is that some of the phenomenon that we're seeing at this point where we're adding capacity to a market and it's just going to take some time for customers to refill some of the seats all the time? Thank you.

Michael Bailen

Hey, John. It's Michael. I do appreciate that question. And that is a group of stores and that somewhat is subject to how many stores are in there and the geographic makeup of the restaurants that are in there. In maybe last year's number, there were a few more California stores, which can be very high volume.

Whereas you know, this year, there's there are some stores in there that are in parts of the country where we don't, you know, originally expect them to be doing, 140,000, 150,000 a week right out of the gate. So maybe some -- Midwestern locations that we feel very comfortable with the returns that we're going to get at the sales volumes that they're doing.

So, whether there'd be one or two in there also that maybe, as you're saying, we're filling in between other stores, that's possible. But those tend to open pretty well also. So we are not feeling any concern by the volumes we're seeing there. It's kind of to be expected. And then if you look at that newest store group, we're seeing some very strong performance there as well.

John Ivankoe

For sure. I know it's ebbs and flow over the years, but overall average unit volumes have gone up. So thank you so much.

Michael Bailen

You are welcome. Thank you.

Operator

Your next question comes from the line of Jim Sanderson with Northcoast Research. Your line is open.

Jim Sanderson

Thanks for the question. Wondering if you could provide a little bit more feedback on the franchisee acquisitions you've mentioned going forward? And how we should look at the mix of franchisee versus company or if eventually you would consider refranchising some of the company stores? Thank you.

Chris Monroe

Hey, Jim. It's Chris. We've got less than 40 domestic Texas Red House franchises that are left, and we do maintain an active dialogue with all of our franchisees. And when they're ready to step back, we are ready step in. But it is an ongoing conversation with them. And there's not a specific plan to roll up anymore anytime soon. In fact, we don't have anything imminent beyond what we've already disclosed. But those are conversations that we have.

We have quarterly meetings with the franchisees individually with them and have a great dialogue going. And then the second part of your question was, are we thinking about adding franchises? That's more of a Jagers question. So we are adding franchises in Jagers, but not in Texas Roadhouse.

Jim Sanderson

Right. And any consideration as far as selling the company owned stores to franchisees for the Texas Roadhouse system?

Chris Monroe

No, Jim, there's not.

Jim Sanderson

All right. Thank you. Yes.

Operator

And your next question comes from the line of Todd Brooks with Benchmark. Your line is open.

Todd Brooks

Hey, thanks for taking my question. I wanted to ask about the bar menu relaunch that's imminent here. Three questions. Did this initiative come from the managing partner level back up through the system as something that you should look at? How do you test something like this? And then if we think about adding in mocktails, but also a more regional mix in the offering, how do we think about the profitability profile of the bar business going forward? Thanks for any color.

Jerry Morgan

Hey, Todd. This is Jerry. I'll tell you the conversation about a \$5 all day everyday margarita, beer, and a LIT offering really came from the consumer as we traveled out over the last few years about what were we offering at our bar specials. And so that conversation kind of created we used to have a 10 ounce margarita and for great value, and then we didn't have it, I guess, coming out of the pandemic. And so we were a little slow getting it back on, but it was a popular item by our consumer.

And that's really the driver. As we started talking to the operators about what we were hearing, they were absolutely in favor of us coming up with a more all day every day for the dining room and for the bar offering that that they had some input on. The margarita has been a great seller for us in getting that back on, but they have enough flexibility on what kind of beer they wanted to sell for in a pint in a in a ice cold pint glass, and so they've got a lot of flexibility on that. So that's a big win overall.

The mocktails, I think is really, again, driven by consumer and some of the demand of the flavor profile of beverages these days. And so we've seen very they've been become very popular for us, and we like where they're going. Still pretty new to it. I think maybe October, November of last year, we really got them on most of the menus and probably even a little later on some of the stores. So this will be our first full year in that segment, but we are excited with what we are seeing so far.

Todd Brooks

That's great. Thanks, Jerry.

Jerry Morgan

Thank you.

Operator

[Operator Instructions] And it appears there are no further questions at this time. Jerry Morgan, I will turn the call back over to you.

Jerry Morgan

Thank you very much. Just want to appreciate all of you being on the call with us today. And to all of Roadie Nation out there, 2024 was an incredible year. I thank you from the bottom of my heart, for appreciate all of your efforts and everything you've done. Let's stay focused on legendary food and legendary service and supporting one another as we continue on. Let's go.

Operator

This concludes today's conference call. You may now disconnect.

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