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Texas Roadhouse, Inc. (NASDAQ:[TXRH](#)) Q2 2025 Earnings Conference Call August 7, 2025 5:00 PM ET

Company Participants

Gerald L. Morgan - CEO & Director

Keith V. Humpich - Interim CFO, VP of Finance & Principal Accounting Officer

Michael Bailen - Head of Investor Relations

Conference Call Participants

Andrew Strelzik - BMO Capital Markets Equity Research
Anisha Datt - Barclays Bank PLC, Research Division
Brian Michael Vaccaro - Raymond James & Associates, Inc., Research Division
David E. Tarantino - Robert W. Baird & Co. Incorporated, Research Division
David Sterling Palmer - Evercore ISI Institutional Equities, Research Division
Dennis Geiger - UBS Investment Bank, Research Division
Jake Rowland Bartlett - Truist Securities, Inc., Research Division
Gregory Ryan Francfort - Guggenheim Securities, LLC, Research Division
James Jon Sanderson - Northcoast Research Partners, LLC
James Ronald Salera - Stephens Inc., Research Division
Jeffrey Daniel Farmer - Gordon Haskett Research Advisors
Karen Ann Holthouse - Citigroup Inc., Research Division
Kelly Anne Margaret Merrill - Morgan Stanley, Research Division
Lauren Danielle Silberman - Deutsche Bank AG, Research Division
Peter Mokhlis Saleh - BTIG, LLC, Research Division
Sara Harkavy Senatore - BofA Securities, Research Division
Todd Morrison Brooks - The Benchmark Company, LLC, Research Division
Zachary Robert Fadem - Wells Fargo Securities, LLC, Research Division

Operator

Good evening, and welcome to the Texas Roadhouse second quarter earnings conference call. Today's call is being recorded. [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, Tamika, and good evening. By now, you should have access to our earnings release for the second quarter ended July 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 may refer to 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 Keith Humpich, our Interim Chief Financial Officer. 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.

Gerald L. Morgan

Thanks, Michael, and good evening, everyone. We are pleased with our second quarter results and the continued top line momentum of the business. Strong traffic growth throughout the quarter drove a 5.8% increase in same-store sales. As a result, our revenue for the quarter grew to over \$1.5 billion for the first time in our history. We are especially encouraged to see that all three brands contributed to our second quarter traffic and sales growth. Texas Roadhouse averaged approximately \$172,000 in weekly sales for the second quarter. The brand continues to benefit from a relentless focus on food, service, hospitality and value. This is why Texas Roadhouse once again earned top recognition from external surveys for guest experience and satisfaction in the casual dining segment.

Bubba's 33 average weekly sales exceeded \$128,000 in the second quarter. In addition to solid performance from our same-store sales group, we are also seeing strong sales at our most recent openings. We believe Bubba's 33, which currently has 53 locations in 16 states has a sound infrastructure and a seasoned management team in place who can execute our road to 200 locations strategy. This could include double-digit openings next year.

We are equally excited about Jaggers. We delivered average weekly sales of nearly \$76,000 in the second quarter. New store openings have been limited as we have been building the growth strategy for the brand. With our plan in place, we could open as many as eight company and franchise locations next year. We recently completed discussions with our operators regarding menu pricing. Based on those conversations, we will take a menu price increase of approximately 1.7% at the beginning of the fourth quarter. We feel confident this is the right level of pricing to maintain our everyday value while offsetting some of the inflationary pressures we are facing.

On the development front, we recently opened our 800th system-wide restaurant. This milestone is a testament to the appeal of our brands, our operational excellence and the effectiveness of our growth strategy. During the second quarter, we opened four company- owned restaurants, including two Bubba's 33 locations, and we remain on track to open approximately 30 company-owned restaurants this year. Our franchise partners opened one Jaggers location in the second quarter and we currently expect they will open four international Texas Roadhouse restaurants in the second half of this year.

During the second quarter, we completed the acquisition of three franchise restaurants, bringing the total number of franchised restaurants acquired this year to 17. We also have plans in place to acquire three more franchise locations in the fourth quarter.

Additionally, we will be purchasing our remaining five California franchise restaurants at the beginning of 2026. We are also excited to share we entered into an agreement to purchase our support center. The purchase of these two buildings, which we previously leased solidifies space planning for the future and reflects our long-term commitment to our hometown of Louisville, Kentucky.

We remain rooted in our community and look forward to growing our presence in Louisville for many years to come. As to our future, I am fully confident in the strength of our operations and the commitment of Roadie Nation. While there are always be challenges, we will continue to focus on what we can control for the long-term health of our business. Through it all, we will remain a people-first company that delivers on its mission of providing legendary food and legendary service to every guest.

Now Keith will provide some thoughts.

Keith V. Humpich

Thanks, Jerry. During the second quarter, we saw our positive traffic trends accelerate from what we experienced in the first quarter. Also, our mix trends in the second quarter remained similar to what we have seen in the last several quarters. These traffic and mix trends show that our guests continue to appreciate the high-quality food, experience and value that all three of our brands provide. As for commodities, our second quarter inflation was in line with our expectations.

Looking ahead, we have increased our guidance for full year inflation to approximately 5%, primarily due to higher than previously forecasted beef inflation, particularly in the third quarter. This guidance includes approximately 30 basis points of full year 2025 inflation related to tariffs, which remains consistent with our initial estimates from last quarter. Labor inflation in the second quarter was also in line with our expectations. Our operators continue to do a great job of staffing the restaurants as labor hours grew at approximately 40% of comparable traffic growth. With greater visibility into inflationary trends for the year, we have lowered guidance for full year wage and other labor inflation to approximately 4%.

With regards to capital allocation, we ended the second quarter with \$177 million of cash. Cash flow from operations was \$128 million which was offset by \$148 million of capital expenditures, dividend payments and share repurchases as well as \$16 million for the three franchise restaurant acquisitions. As Jerry mentioned, we will be acquiring our support center buildings in the third quarter for a net purchase price of approximately \$23 million. We are maintaining our full year capital expenditure guidance at approximately \$400 million inclusive of this transaction.

Going forward, our capital allocation philosophy remains unchanged. Our first priority remains the funding of new restaurant development and taking care of our existing restaurant base. We also expect our dividend will continue to increase annually at a measured rate. And at a minimum, we will repurchase shares to offset dilution. Beyond that, we will continue to look at opportunities to acquire additional domestic Texas Roadhouse franchise restaurants as well as repurchase additional shares as appropriate.

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

Michael Bailen

Thanks, Keith. For the second quarter of 2025, we reported revenue growth of 12.7%, primarily driven by a 5.3% increase in average weekly sales and 7.2% store week growth. We also reported a restaurant margin dollar increase of 6.1% to \$257 million and a diluted earnings per share increase of 4% to \$1.86. Average weekly sales in the second quarter were over \$167,000 with To-Go representing approximately \$22,000 or 13.3% of these total weekly sales. Comparable sales increased 5.8% in the second quarter, driven by 4% traffic growth and a 1.8% increase in average check.

By month, comparable sales grew 4.3%, 7.2% and 5.8% for our April, May and June periods, respectively. And comparable sales for the first 5 weeks of the third quarter were up 5.3% with our restaurants averaging sales of over \$158,000 per week during that period. In the second quarter, restaurant margin dollars per store week decreased 1% to over \$28,500. Restaurant margin as a percentage of total sales decreased 108 basis points year-over-year to 17.1%. Food and beverage costs as a percentage of total sales were 34% for the second quarter. The 131 basis point year-over-year increase was driven by 5.2% commodity inflation combined with shifts within the entree category, which was partially offset by the benefit of a 1.8% check increase.

Labor as a percentage of total sales increased 6 basis points to 32.9% as compared to the second quarter of 2024. Labor dollars per store week increased 5.4% due to wage and other labor inflation of 3.8% and growth in hours of 1.6%. Other operating costs were 14.5% of sales, which was 32 basis points better than the second 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 \$300,000 of additional expense this year as compared to \$2.1 million of additional expense last year.

Moving below restaurant margin, G&A dollars grew 7.9% year-over-year and came in at 4.2% of revenue for the second quarter. Our effective tax rate for the quarter was 14.9%. Based on our outlook for the remainder of the year, we are updating the guidance for our full year 2025 income tax rate to approximately 15%.

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

Gerald L. Morgan

Thanks, Michael. I am so proud of our operators and support center Roadies who work together as one team to deliver great results. I'm also excited to spend time with our managing partners on our annual fall tour. As always, we look forward to getting feedback on how we can better support them or remove any obstacles so they can focus on partnering with Roadies, serving their guests and growing the business.

Michael Bailen

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

Question-and-Answer Session

Operator

[Operator Instructions]

Your first question is from the line of Sara Senatore with Bank of America.

Sara Harkavy Senatore

Obviously, very strong top line results. I just wanted to ask about the -- maybe the inflation. I know last year, commodity inflation, beef inflation kind of consistently surprised the downside. This year, it seems to be surprising upside. I was wondering if you could maybe talk about some of the dynamics there? I know in the past, the retail -- what's happening in retail and groceries has been a big impact, but there may also be -- obviously, the supply has been coming down consistently and then within that, I know you said 3Q perhaps was the peak in terms of -- relative to your expectations. So is any of this maybe timing or quarter-to-quarter? So I know there's a lot in there, but you always have good insight into beef cycle.

Michael Bailen

Thanks, Sara. This is Michael. I'll do my best to cover those questions. Yes, I think we obviously updated our guidance, and it's a combination of demand, specifically retail demand for beef has remained resilient. So we're seeing strong demand out there and the supply situation, which we knew was going to be tight as we move through the year, saw some additional pressure on the production side, from the beef suppliers cutting back on how much they were producing given some of their margin commentary that we've probably heard. So we saw a further tightening of supply, which certainly drove the cost higher in June. And so we are expecting to -- as that beef ages to see the impact of that here in the third quarter. We have about 80% of our beef locked for the third quarter and about 50% locked for the fourth quarter. So our team continues to monitor the situation, and we'll update you all accordingly.

Operator

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

David Sterling Palmer

Just a couple of line item questions that maybe there's some insights behind. When I look at the mix effect for over 2 years now, and initially, I was thinking this would make a lot of sense that mix would be negative coming out of COVID. There was a lot of check growth during those particularly the latter stages, people had some money. And -- but now 2.5 years of a slightly negative mix, I'm wondering how you're thinking about that, maybe what are the behaviors that's driving that? Maybe it's some of the alcohol dynamics or maybe it's just a cautious consumer, but anything that maybe drives your strategy as you think about pricing, for example?

And then secondly, you did really well with labor leverage this quarter. Obviously, traffic accelerated. That's a good way to get that. Does it really come down to that if you're doing a very nice traffic number like this quarter? Does that labor -- is the labor leverage, that gap of 2 points just much more possible than cutting back on hours? I'd love to hear your thoughts on that.

Michael Bailen

David, it's Michael. On the mix front, I'll tell you, all of the negative mix pressure is coming from the alcohol category. We are actually continuing to see positive entree mix. The guest is actually trading up still to bigger steaks or more often ordering a steak from us, and we're seeing positive mix in the mocktail categories. So really no downward pressure overall from our menu pricing actions. It's all in that alcohol category, which -- a lot of that -- we've talked about before is societal and not just a Roadhouse-specific item, and that's what drove us partly to introduce mocktails, which have been well received by the guests.

So I think we feel very good about how the guest is using our menu, and where they're trading on the menu. As far as the labor question, yes, certainly, more traffic helps on the labor line, but our operators are doing a very good job of staffing their restaurants, and they're also benefiting from lower turnover in their restaurants. And a longer tenured employee is a more productive employee and some of that can go to our digital kitchen investments and just the overall way we're running those restaurants. So we are definitely

encouraged by those labor productivity trends that we've seen, and we're cautiously optimistic that those can continue throughout the year.

Operator

Your next question is from the line of David Tarantino with Baird.

David E. Tarantino

Maybe two questions I'm going to cheat here. But Michael, can you just give us a sense of what the inflation in Q3 and Q4 is going to look like based on your current outlook? And I just want to make sure everybody is on the same page. And then I guess my real question is, Jerry, you mentioned the step-up in Bubba's openings for next year. And I just wanted to get your thoughts on what that means for the total enterprise and your overall growth rate? I know you said in the past, you're pretty comfortable 30 or so openings, but does this allow you to push higher than that as you think about next year and future years?

Michael Bailen

Yes, David, I'll -- I'm assuming you're talking about beef inflation and our expectations there. And as we said, as of now, we expect that highest pressure in the third quarter, and that could be as much as 7% commodity inflation in the third quarter. And then the expectation is it would probably come down from there more in the 4% to 5% range in the fourth quarter would be our current expectations. And remember, we are feeling some additional negative impact on the cost of sales line in addition to that inflation coming from the guests trading more often to steak. So that's something we've seen in the last several quarters and would expect to see in the third quarter as well.

Gerald L. Morgan

And David, this is Jerry. On the growth of Bubba's, yes, we've got seven openings slated that will happen this year, and the pipeline for '26 looks very solid. We are approaching that double-digit count. And so there -- we obviously have said around 30 or 30-ish, approximately 30. So it could be a little bit on the high side of that approximate 30 with the escalation of Bubba's growth. So we are excited about the results that we're getting and the investment and the brand in itself. So I think we could see a little tick up on that.

Operator

Your next question is from the line of Lauren Silberman with Deutsche Bank.

Lauren Danielle Silberman

On the comp side, the monthly cadence, any additional color you can provide on what drove some of the monthly differences. I think broadly, the industry has seen some choppiness. So just wondering if there's anything you're seeing that's different than typical consistency?

Michael Bailen

Lauren, it's Michael. Obviously, we were pleased with the overall performance that we have seen. I guess, the July period. You probably had about a 70 basis point negative impact from the timing of Easter. And the 5-week period that we gave for the beginning of the third quarter has about 60 basis points of negative pressure from the calendar shift for the fourth of July.

Lauren Danielle Silberman

Sorry, is 2Q is a 70 basis point negative impact?

Michael Bailen

That was on just our April period. On the quarter, it was about 20 basis points. Yes, just April was 70.

Lauren Danielle Silberman

Understood. Anything you can provide on comp performance or differences that you're seeing across region, days?

Michael Bailen

Yes. I'll tell you when we look at that and this has been the case for a while, we're seeing solid growth 7 days a week through all day parts of each day in our -- both in our dining room and To-Go. And when you look at it regionally strong performance in all areas. So nothing really to call out as a specific area of weakness or outsized strength. So we're very pleased with what we're seeing across the board.

Operator

Your next question is from Dennis Geiger with UBS.

Dennis Geiger

I appreciate all the color on the cost inflation pieces. Maybe just one more in thinking about restaurant margins for the back half of the year. Just as far as the other OpEx line, thinking about that and if there's any differences 3Q and 4Q as we think about how the labor setup might play out? Anything to there to kind of fully fill in the pieces for us in thinking about 2H restaurant margins?

Michael Bailen

It's Michael. I think you asked for both labor and other ops. And I would see -- obviously, a part of it will be based on your assumption for traffic growth. But if you're assuming that we continue with some modest level of traffic growth, and I think that other op line could continue to get a similar level of leverage that it's been getting the last 2 quarters. You could see that again in Q3 and Q4. And the labor line, again, with some traffic growth is probably in that flat to maybe a little potential for a little bit of leverage as we move into the back half of the year.

Operator

Your next question is from Brian Harbour with Morgan Stanley.

Kelly Anne Margaret Merrill

This is Kelly Merrill on for Brian. Obviously, saw some commodity inflation in the second quarter with the expectation of that continuing into 2H. Could you just provide some color on what's driving that? Obviously, beef, but is there anything else inflationary outside of that? And could there be any offsets to beef on the commodity side? And then on labor, is there anything to explore there just from an efficiency standpoint as you look to offset the commodity inflation?

Michael Bailen

Yes. It's Michael. It really is the beef that is driving that inflation in -- for commodities, with it being over 50% of our basket, and there really not being another item that's large enough to make a serious impact on the overall numbers. I'd say the rest of the proteins maybe are slightly inflationary, getting a little bit of offset, maybe a little benefit on the produce area, but really all the pressure is coming from beef.

And on the labor side, our operators are always looking to run efficient restaurants. We aren't mandating any kind of scheduling for them, and they do what is appropriate for their restaurants for staffing for the sales they have and the sales they want in the future. And so they're always looking at that to see if there is opportunity, but I don't believe there are any levers to be pulled that will dramatically change our approach to labor.

Operator

Your next question is from the line of Jim Salera with Stephens.

James Ronald Salera

I wanted to dig in a little bit on Bubba's 33. You guys crossed 50 units, mainly concentrated in Texas, but just thoughts around how do we kind of continue to scale that and maybe regional attack plan and where we should anticipate to see new units in the strategy for engaging new guests as that brand becomes more and more visible?

Gerald L. Morgan

Yes. Thanks, Jim. This is Jerry. Yes, we've -- like we said, we're in 16 states, and we're continuing to focus typically, in our program. We have a multiunit operator that lives in a certain area, and we try to build out that turf. And as we continue to expand and bring on more market partners and get into a new turf or two demographic areas, we'll continue to grow. We're having good success on the openings. We're kind of spread out over those 16 states, and we'll probably keep that philosophy.

But the big thing really has been getting stable on the leadership side, clearly focusing on our menu and our execution. And we've always felt great about the look of the building and the energy that the restaurant provides between the entertainment and the sports and the food is incredible. But as we continue to settle in and really start executing at a high level, I think we'll continue to be able to develop at a higher rate than we have in the last few years. So exciting times for sure.

Operator

Your next question is from Jeff Bernstein with Barclays.

Anisha Datt

This is Anisha Datt on for Jeff Bernstein. I wanted to ask about value. How has the mix of value-oriented sales evolved at both Texas Roadhouse and Bubba's compared to historical levels? And do you have plans to further emphasize value offerings in coming quarters particularly to support lower-income guests?

Gerald L. Morgan

Yes. I'll start with that. On the value side, we've always believed that there's a lot of value built into our menu in the country dinners and because we offer multiple cuts of beef, you can pick how much you want to spend from 6 ounces to 16 ounces. So I think from that side of it, we've got an early dine feature. All of those things have been in play for a very long time. And we really see people picking and choosing how they want to have their dining experience. And we like it that way. We want people to spend as much money as they like or to be as much -- very conscious as they want to be, too.

But you get a protein, two free sides and bread and butter and all of the things that go with it, the peanut. So it's just -- like I said, the value is really built into it. I think in the last year, we leaned into more on a \$5 beverage mix menu, so offering value pint beer and a value 10-ounce margarita and our mocktails are \$5, which have really new to us.

So there's a lot of things that are very reasonably priced with great quality. And I think that's what's always been the big driver for our success on the top line. And our operators executing at a high level and acting like owners. They're all owners in the business, and they grow their sales, they control their costs, and they run a great business, and they get rewarded by driving that top line. So I hope that answered your question.

Operator

Your next question is from the line of Peter Saleh with BTIG.

Peter Mokhlis Saleh

Great. Just a couple of quick ones on my end. In the past, you guys have -- we've seen beef inflation, sometimes you see a highly promotional retail environment, which kind of contributes to those elevated beef prices. Are you seeing any of that today? Or is this mostly a function of the shorter or tighter supply?

And then second, on construction costs going forward, are you seeing any elevated costs or anything that's been dislocated, anything with tariffs that may be impacting the construction costs going forward?

Michael Bailen

Peter, it's Michael. First, on the beef comment, I think that certainly, beef is being offered at retail, but I don't think the retailers are being rational in their pricing. They are not using it as a loss leader to drive people into their stores, but they are marketing beef at a pretty high level. And what we've seen this year is the consumer willing to pay for that. So I think that's really been part of what's driven the pressure is a consumer who's willing to keep spending and a supply that has been very tight.

Keith V. Humpich

Yes. And then Peter, this is Keith. On the construction side, we really aren't seeing any impact yet from tariffs. We had a lot of inventory for all of our builds for the year. So like I said, we just really haven't seen anything yet, and we're still evaluating that to see how that's going to affect us going forward.

Operator

Your next question is from the line of Jeff Farmer with Gordon Haskett.

Jeffrey Daniel Farmer

Just shifting gears a bit. I'm just looking for an update on the Roadhouse mobile app. Specifically, can you guys share the number of active users, how quickly that's growing? And how you guys have been leveraging that customer database?

Gerald L. Morgan

Yes. I mean, obviously, it is out there. I don't know that we know the exact amount of users, but I mean there is a large percentage of folks that are obviously placing their To-Go orders getting on our wait list. The efficiency of being able to really do that, we did upgrade our mobile app to have more pictures when you are kind of ordering the side items. So we continue to look at the mobile app on making it easier to navigate and place your order, and then we're executing at the restaurants at a much higher level on how we grade, making sure we don't have missing items that the order is ready when you get there.

And all of those little details that really do matter when you're an off-premise orderer and the consistency of the product in the food. And obviously, we believe the mobile app is really widely used in a lot of ways, and it's been a game changer in a lot of ways since early on coming out of the pandemic, from that. And we continue to upgrade and find ways to make it easier for our guests to get that order placed. And again, at the restaurant level, we're executing at a higher level than we ever have, and we're continuing to find ways to improve that experience at the pickup window.

Operator

Your next question is from the line of Andrew Strelzik with BMO Capital Markets.

Andrew Strelzik

Obviously, a lot of focus on the discussion of value in the industry these days. And I'm curious, where now are your price gaps against your competitive set versus either the last several years or historical levels? Is there anything that has changed? And also, can you remind us over the next several quarters and especially with the 1.7% coming in, in the fourth quarter where your price will trend?

Gerald L. Morgan

Thanks, Andrew. I believe we still always look at where we're positioned. I think we look at ourselves first and make sure that we're comfortable with our pricing, and then we fact check a little bit against some of our competitors just to make sure that we feel comfortable with that gap. And it has changed over the years and in different items for different reasons. But I think in general, we're very happy with the value that's built into the menu, the gap that we have between our competitors. And some of that gap, is it really just about the dollar? Or is it about the ability to execute? Is it the portion size, there's so many components that are built into value. And with getting a protein in two sides and free butter and bread and peanuts and all of that, I think that's all built into the value component. And then what was -- you had the question on the -- Michael has got the other side of that question.

Michael Bailen

The other side of the question was on our pricing and how much pricing we have in the menu. We'll have 2.3% pricing in the menu here for the third quarter. And then we'll have 0.9% that rolls off when the 1.7% rolls in, that will leave us with a 3.1% pricing for the fourth quarter of this year and the first quarter of 2026.

Operator

Your next question is from the line of Brian Vaccaro with Raymond James.

Brian Michael Vaccaro

I had a question on California. And I think you said you were acquiring the remaining five franchise units in that state. And in this state, I think it's only around 20 Roadhouse units. So I'm just curious how you think about the growth opportunity there? And if you're setting the table so to speak to maybe accelerate growth there over the next few years?

Gerald L. Morgan

Thanks, Brian. This is Jerry. Yes, we're very excited. We obviously were able to get an acquisition done on the Northern California group and now through some great partnership and hard work through both our company and our great franchise group down in Southern California have been able to come to terms. We're very excited to have them in the family. And that is a very special unit to us, is obviously -- that group has been with our organization for a very, very long time. And we're really proud of that partnership. And it's a little bittersweet, but we are happy for Steve and his family and happy for the Roadhouse family.

And as we look at owning all those stores in California, in our growth strategy, we are meeting as a group and really discussing from a real estate team to an operations team on how do we look at California. We know there's a lot of folks there that love great food. And we've had a lot of success there with our 19 stores open and where we'll continue to see our presence in California grow. We believe that people in California are loving and legendary food and high-level hospitality, and that's what Texas Roadhouse provides.

Brian Michael Vaccaro

Absolutely. And then just a quick follow-up. What was a reasonable expectation for G&A spend this year?

Keith V. Humpich

Yes. This is Keith. I'll take that one. Yes. On G&A, I'd say for the rest of the year, you can expect us to get some leverage, I'd say, especially in the fourth quarter as we're lapping the 53rd week. And then just one thing to mention with us purchasing the support center. On an annual basis, we're going to be saving about \$2.5 million in rent. And so you'll see a little -- a prorated benefit of that for this year also in the back half.

Operator

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

James Jon Sanderson

I was hoping you could talk a little bit more about how you expect the corporate store margin to evolve as you start to look more closely at developing Bubba's? And then how you foresee mix of company versus franchised as you target that 200 unit growth goal?

Michael Bailen

Jim, it's Michael. I guess I'll take the second part first. With that 200 number, I assume this is a question about Bubba's. Bubba's is all planned to be company development at this time. So that is all company. And really most of our growth for Texas Roadhouse and Bubba's domestically is company growth. Jaggers will be a mix of company and franchise and international is a franchise business. We expect Bubba's over time will deliver similar margins to a Texas Roadhouse.

Now obviously, Roadhouse sales were a little bit higher, which helps on the margin side. But Bubba's has proven it can do a very strong performance as well. So over time, we would expect to continue to drive strong margins out of both brands.

Operator

Your next question is from the line of Gregory Francfort with Guggenheim.

Gregory Ryan Francfort

I know it's a bit of a tongue twister. I blame my parents. The question I had, Jerry, is margin profile. And I know you guys have said for a long time that 17 to 18 is the right place to be kind of but maybe between the beef cycles in 2024, you got kind of just over 17 and I guess, we're probably headed lower with this level of inflation. As I look back 5 or 6 years, I think your AUVs are up 10 to 15 points more than your development costs are up. And so I wonder if that 17 to 18 is going to be 16.5 to 17.5 or you still think 17 to 18 is the right place to be?

Gerald L. Morgan

Yes. And thank you. And we do believe that internally that, obviously, the world has to cooperate too and the beef cycle does have to turn for us. But I want to always challenge ourselves to be a strong balance when we're talking about financial results. And for our organization to believe that over the years, in 32 years or so, that's a great spot for us to be. But again, things have to work out. So we are not changing that as of right now. We did get our chin over the bar last year, and we were very happy with that, and it had been growing and the momentum has been building up to that point.

And obviously, we're fighting some inflation this year, which we thankfully didn't have as much of last year, and that helped us through there. But I believe that as of right now, we're going to continue to focus on that top line and do everything we can to control that cost and be very balanced when it comes to fiscal responsibility for our Roadies, our guests and for our shareholders. And we'll continue. If we ever did feel like that was unreasonable, we would have some internal discussions. But as of now, we still believe that we can get our chin over that bar at some point.

Operator

Your next question is from Jake Bartlett with Truist Securities.

Jake Rowland Bartlett

I had one and then I had a follow-up. The question is about your off-premise sales, and this might build on the answer about your app, but over the last 4 quarters, off-premise sales per operating week have been growing much faster than on-premise and has been a driver of your comps. The question is what is driving that? Is it just really just spillover and people kind of peeling out of the line and taking it home? Or is it something operationally that you've done? Is it the app? And then I guess, most importantly, how sustainable do you think that is?

Gerald L. Morgan

Yes, Jake, this is Jerry. Thanks for the question. I truly believe it's a combination of all those things, the convenience of us putting in windows for folks to be able to walk up and get their order, the mobile app, the easier that it is to order and navigate through that app.

We're seeing a more completion rate through that and then the missing items is really the biggest thing, and we've just gotten better at it. We've focused on it. we've got ways of -- it's really the operators, in my opinion, that are executing at a very high level. The guest is rewarding us because when they get home, they have their items, they're opening our food in their dining room table with their families and they've got everything that they need. And we've heard it over and over again, if you focus on something, you put energy on it, then the result improves.

And I think that's what we're seeing from that standpoint. So it is exciting to see it continuing to grow, but I really believe it's the app, it's the ease of pickup and it's the operators delivering a great experience to our consumer.

Jake Rowland Bartlett

Great. And the follow-up was building on your comments, and I just want you to kind of maybe say it again. I just want to make sure I'm hearing it right. But the idea that as you increase the number of Bubba's, you also talked about some company-owned Jaggers in

'26. You've been very consistent about kind of about keeping the total number of units about 30 because of operational limitations or just making sure you execute very well.

Is that changing? I mean it seems like you have the capacity you've gotten bigger, you could. I just want to make sure I'm hearing you right, so we didn't get over my skis as we look at our ability to maybe sustain the pace of Roadhouse openings and then add to that with these other concepts.

Gerald L. Morgan

Yes, Jake, I am encouraged by our ability to get that approximately 30. I think you will see us a little on the high side of that the next couple of years, the pipeline for Roadhouse is still strong. We are pressing on the gas with Bubba's a little bit. And you'll see, as we mentioned, Jagers coming into the fold also. So I really want to get into the next year and we have that confidence before I move that number up. But we are clearly starting to tip our head over the skis in that direction.

Operator

Your next question is from the line of Jon Tower with Citigroup.

Karen Ann Holthouse

This is Karen Holthouse on for Jon. Piggybacking a little bit on off-premise questions. I understand there's your steak argument, steak doesn't travel well and some things like that. But would you consider doing kind of -- doing delivery on a unit-by-unit basis, managing partners were asking for it? Was it maybe a unit in a denser marketplace? Or there tech or back-of-house limitation to doing that?

Gerald L. Morgan

Yes. Thanks for the question. We have resisted the temptation of going that route as of now. We do do it at the Jaggers concept and at Bubba's, and we have one store that's in a very urban market in New Rochelle, New York that we do delivery at and then I will continue to have conversations with operators. But as of right now, I think we're holding the line on not doing delivery in the rest of the concept, unless there's a real reason to do it. Individually, we will have some conversations but as of right now, we have resisted going that route. We're focused on providing our guests a great experience in the dining room and through our off-premise, through our pickup system and through the app and all of that, that's where we'd really like to continue to focus as of right now.

Operator

Your next question is from the line Zachary Fadem with Wells Fargo.

Zachary Robert Fadem

On the entree mix shifting more to beef, it looks like it's been about a 30 basis point headwind on the food and beverage line, assuming that held in Q2, curious if you view this more cyclical or a structural phenomenon? And as you think about the impact in the second half, is the 30 bps still the right impact? Or would you expect it to step down?

Michael Bailen

Zach, it's Michael. And it was around 30 basis points in the first quarter. It probably stepped down to about 25 basis points in the second quarter and maybe it holds in that 20 to 25 level in the third quarter would be my expectation. And then I think it would step down a little bit more in the fourth quarter as we lap it. So I kind of view it as a 1-year change in behavior and whether that means it will change back and we will see something else occur, we'll have to wait and see on that.

But I do think what's driving a lot of it is the value on the menu in the steak category and the and guest appreciating the price they can pay with Texas Roadhouse for a steak, and that helps our top line growth, but you see a little bit more pressure right now on the COGS line from that. But as a steakhouse, we love seeing people wanting to try our steaks. We think that is great for our long-term success.

Operator

Your next question is from Todd Brooks with The Benchmark Company.

Todd Morrison Brooks

I'm going to keep the off-premise train rolling here. So it looks like off-premise has been mixing in kind of that mid-13% range recently. I think there was one point is the rollout of KDS was happening, and it brings that additional efficiency and calm to the kitchen that there might have been a theory that more off-premise demand could be met out of the kitchens and that managers would be more comfortable going after and servicing that demand. Has that been the case? Is that still on the common? If you look at maybe your best quartile of stores with off-premise, how high is their mix versus the 13% chain-wide?

Gerald L. Morgan

Todd, this is Jerry. Yes, I believe it is definitely one of the components probably helping us be able to have a little more capacity through the To-Go business. So I think you're right, as we're almost 80% done of having all the concept on the digital kitchen at this point. Then as we get finished this year, and we continue to learn from each other about how we can utilize that technology to help us bigger, faster and stronger and improve our guest experience as well as our Roadie experience in the back of the house, we believe that the digital kitchen will have some components that will play into our ability to be faster and to be focused on taking great care of our guests. So I do believe it is a component of that increase for sure.

Michael Bailen

Yes. And Todd, there are definitely restaurants that do higher levels of it to go on a dollar basis and a percentage basis, don't have all those numbers at our fingertips, but we definitely have stores that are examples to others that you can do even more To-Go in your restaurants. So we think there still is a lot of opportunity.

Operator

At this time, there are no further audio questions. I will now hand today's call over to Jerry Morgan for closing remarks.

Gerald L. Morgan

Thank you all. I want to close with a special shout out to our Jaggers team in Lexington, Kentucky, which represents our 800th system-wide restaurant. Great job on delivering high-level hospitality and creating raving fans. Let's go TXRH. Good night, you all.

Operator

This concludes today's call. Thank you for joining. You may now disconnect your lines.

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