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Texas Roadhouse, Inc. (TXRH) Q2 2026 Earnings Call Transcript

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Q2: 2026-08-06 Earnings Summary

Insights

EPS of $1.85 beats by $0.02 | Revenue of $1.68B (11.11% Y/Y) beats by $5.77M

Texas Roadhouse, Inc. (TXRH) Q2 2026 Earnings Call August 6, 2026 5:00 PM EDT

Company Participants

Michael Bailen - Head of Investor Relations
Gerald Morgan - CEO & Executive Vice Chairman
Mike Lenihan - Chief Financial Officer

Conference Call Participants

David Tarantino - Robert W. Baird & Co. Incorporated, Research Division
David Palmer - Evercore ISI Institutional Equities, Research Division
Zachary Fadem - Wells Fargo Securities, LLC, Research Division
Andrew Charles - TD Cowen, Research Division
Brian Harbour - Morgan Stanley, Research Division
Lauren Silberman - Deutsche Bank AG, Research Division
Brian Bittner - Oppenheimer & Co. Inc., Research Division
Dennis Geiger - UBS Investment Bank, Research Division
James Salera - Stephens Inc., Research Division
Sara Senatore - BofA Securities, Research Division
Gregory Francfort - Guggenheim Securities, LLC, Research Division
Logan Reich - RBC Capital Markets, Research Division
Karen Holthouse - Citigroup Inc., Research Division
James Sanderson - Northcoast Research Partners, LLC
Peter Saleh - BTIG, LLC, Research Division
Brian Vaccaro - Raymond James & Associates, Inc., Research Division

Presentation

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, Vice President of Investor Relations for Texas Roadhouse. You may begin your conference.

Michael Bailen
Head of Investor Relations

Thank you, Holly, and good evening. By now, you should have access to our earnings release for the second quarter ended June 30, 2026. 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 Mike Lenihan, our Chief Financial Officer.

Following the prepared remarks, we will be available to answer your questions.

[Operator Instructions]

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

Gerald Morgan
CEO & Executive Vice Chairman

Thanks, Michael, and good evening, everyone. We are excited with our second quarter results as revenue approached $1.7 billion. We continued our top line momentum with same-store sales increasing 6.2%, including 3% traffic growth. We are especially pleased that our second quarter average weekly sales exceeded $175,000 for the first time in our company's 33-year history. There's a lot to be proud of across our portfolio of restaurants. Each of our brands is at a different point in their journey and I want to take some time to talk about the potential growth each brand has going forward.

Texas Roadhouse ended the second quarter with 755 system-wide locations across the United States and 10 foreign countries. Average weekly sales at company restaurants were over $183,000. We are confident in our operators' ability to continue driving sales through traffic growth. The sales volume and consistent growth that our restaurants have delivered over the long term are a testament to the strength of the brand and the commitment of the best operators in the industry.

This year, we expect to open approximately 20 Texas Roadhouse restaurants spread throughout the country. With the momentum in our existing location and a full pipeline of sites under development, the future continues to be incredibly bright for Texas Roadhouse. Bubba's 33 ended the quarter with 59 restaurants in 16 states. And just last week, we celebrated the opening of our 60th location, which is our first in the state of Iowa. Average weekly sales for the brand were over $129,000 in the second quarter, and our recent openings continue to perform very well.

Our expectation is to open at least 10 Bubba's 33 restaurants this year and maintain this low double-digit pace of openings for the next several years. Lastly, Jaggers also continues to perform well. In the quarter, weekly sales exceeded $76,000, and we opened our 11th company location. The remainder of this year's growth of the company side will be focused in our existing markets. We expect a total of 4 company openings this year.

On the topic of development, we remain on track for approximately 35 company-owned openings this year. 9 of these occurred in the second quarter, including 5 Texas Roadhouses, 3 Bubba's 33s and 1 Jaggers. As we mentioned last quarter, our openings this year are heavily weighted toward the end of the year. At this time, 6 are scheduled for the third quarter. The remainder of the 2026 openings are planned for the fourth quarter.

On the franchise side, our partners opened 1 international Texas Roadhouse during the second quarter. We expect as many as 5 more international openings as well as 2 domestic Jaggers franchise openings in the second half of 2026.

Moving on to menu pricing. We remain committed to maintaining our everyday value while also continuing to deliver on legendary food with high-level hospitality. Based on recently completed discussions with our operators, we will take a menu price increase of 1% at the beginning of the fourth quarter. We believe this level of pricing strikes an appropriate balance between helping to offset structural inflation and maintaining our everyday value position.

During the first half of 2026, our operators continued to deliver on our mission of providing legendary food and legendary service. In the second quarter, we saw tremendous demand on Mother's Day and Father's Day, which along with Valentine's Day are the 3 legs of what we call our Triple Crown. 90% of our restaurants set daily sales records this year on 1 of those 3 days and a handful of our restaurants really crushed it with single day sales exceeding $100,000 on one of those holidays.

The trust that our guests show our restaurants on the most important dining occasions is one of our competitive advantages. This trust is earned and something we will not take for granted. Now Mike will provide some thoughts.

Mike Lenihan
Chief Financial Officer

Thanks, Jerry. During the second quarter, guests continue to reward us for their overall experience at our restaurants. Sales and mix trends within our dining rooms were both positive, and we maintained an impressive growth rate in our to-go business during the quarter. These trends continued into the first 5 weeks of the third quarter with comparable sales up 6.2% and our restaurants averaging weekly sales of $168,000.

Moving on to commodities. While the overall beef supply outlook remains dynamic given a variety of factors, our second quarter commodity inflation came in at 7%, which was at the bottom end of our forecasted range. As previously stated, our second half inflation outlook remains lower than our first half inflation and based on our updated forecast, we are reducing our full year 2026 commodity inflation guidance from between 6% and 7% to approximately 5%. We will provide an initial outlook on 2027 commodity inflation during our quarterly call in November.

With regards to labor, second quarter inflation of 3.9% was in line with our expectations, and we are maintaining our full year 2026 wage and other labor inflation guidance of 3% to 4%. Labor productivity continued its positive trend with labor hours growing at approximately 25% of comparable traffic growth.

On the topic of our capital position, we ended the quarter with $202 million of cash. Cash flow from operations for the second quarter was $180 million, which was offset by $191 million of capital expenditures, dividend payments and share repurchases. Our guidance for 2026 capital expenditures remains unchanged at approximately $400 million. As always, our capital allocation framework prioritizes new restaurant development and maintaining our existing restaurants. And now Michael will provide the second quarter financial update.

Michael Bailen
Head of Investor Relations

Thanks, Mike. For the second quarter of 2026, we reported revenue growth of 11.1%, driven primarily by a 5.9% increase in average weekly sales and a 5% increase in store weeks. We also reported a restaurant margin dollar increase of 6.9% to $275 million and a diluted earnings per share decrease of 0.7% to $1.85. Average weekly sales in the second quarter were over $177,000 with to-go representing more than $25,000 or 14.3% of these total weekly sales.

Comparable sales increased 6.2% in the second quarter, driven by 3% traffic growth and a 3.2% increase in average check. By month, comparable sales grew 6.2%, 6.7% and 5.7% for our April, May and June periods, respectively. In the second quarter, restaurant margin dollars per store week increased 1.9% year-over-year to over $29,000. Restaurant margin as a percentage of total sales decreased 66 basis points to 16.4% as compared to the same period last year.

Food and beverage costs as a percentage of total sales were 35.4% for the second quarter. The 136 basis point year-over-year increase was primarily driven by 7% commodity inflation. The inflationary pressure was partially offset by the benefit of a 3.2% check increase. Labor as a percentage of total sales improved 40 basis points to 32.5% as compared to the second quarter of 2025. Labor dollars per store week increased 4.7% due to wage and other labor inflation of 3.9% and growth in hours of 0.8%.

Other operating costs were 14.2% of sales, which was 28 basis points better than the second quarter of 2025. The leverage was a result of higher sales, combined with a $1.1 million net benefit to our quarterly reserve for general liability insurance. This insurance benefit included a credit of $800,000 this year as compared to $300,000 of additional expense last year.

Moving below restaurant margin, G&A dollars increased 15.4% as compared to the second quarter of 2025 and came in at 4.3% of revenue for the second quarter. For full year 2026, we continue to forecast a low double-digit percentage increase in our total G&A dollar expense. Depreciation expense increased 15% year-over-year in the second quarter and came in at 3.5% of revenue. For full year 2026, we continue to expect a low teen percentage increase in our total depreciation dollar expense.

Our effective tax rate for the quarter was 13.5%. At this time, we are updating our guidance for the full year 2026 income tax rate from between 14% and 15% to approximately 14%. Lastly, we want to highlight the likely negative impact to same-store sales growth in the fourth quarter from several holiday shifts. Year-over-year, Halloween is shifting from a Friday to a Saturday and Christmas Day is shifting from a Thursday to a Friday. In total, we estimate an approximately 75 basis point negative impact to fourth quarter same-store sales growth from these shifts.

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

Gerald Morgan
CEO & Executive Vice Chairman

Thanks, Michael. In September, we will begin our annual fall tour, where we visit with approximately 800 managing partners across the country. I'm looking forward to listening to the best operators in the business and learning how we can better support them and help them continue to grow our legendary company.

Finally, over the last several months, the world was watching as the U.S. hosted World Cup matches. It was amazing to see the social media post from visitors who experienced Texas Roadhouse for the first time. These guests fell in love with our high-level hospitality, legendary food, especially our fresh baked bread and those free peanuts. These experiences inspire us further as we continue with our purpose of serving communities across America and the world. Let's go Roadhouse.

Michael Bailen
Head of Investor Relations

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

Question-and-Answer Session

Operator

[Operator Instructions]

Your first question comes from the line of David Tarantino with Baird.

David Tarantino
Robert W. Baird & Co. Incorporated, Research Division

My question is on the pricing philosophy going forward. So thank you for the update on what you're planning for the start of Q4. But my bigger picture question is, how do you think you and the system will approach price increases in a scenario where inflation moderates more meaningfully? I know Texas Roadhouse has had a long history of pricing below inflation, and it served you well. But the last year or 2, you've absorbed quite a bit of inflation. So just maybe explain maybe how you might recapture some of that absorption, if you will, as we move forward?

Gerald Morgan
CEO & Executive Vice Chairman

Thanks, David. This is Jerry. I think we always go into these pricing conversations with a conservative approach and we've had to make adjustments over the last several years. And I think we look at it from an over an annual basis on what are we facing structurally and then what do we feel like will change. And we're going to go into it. We're going to talk to our operators. We really want to see what's going on, not only in their communities, but maybe in their state and then try to match it up to what we believe that the company needs.

So I think we've always had that approach to keep value into our menu is absolutely critical for us as we continue to try to take care of our staff and our guests and our shareholders. But understanding that we have a conservative approach. We believe that, that strategy and philosophy has paid very well over the years. And we'll continue to look at it on a biannual basis, have great conversations with our operators and then make that decision at that time.

Operator

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

David Palmer
Evercore ISI Institutional Equities, Research Division

I want to ask you a question about labor productivity a bit. One could say you guys have been on a hot streak since the fourth quarter of '23 with labor hours growing less than 0.5%, half as fast as traffic since then. Wondering it doesn't look like it's going to stop, but I don't want to take it for granted. So I was just wondering if you could give us a sense of what you're seeing. You've talked about things like digital kitchens and guest management systems, you're testing handhelds, perhaps that's giving you a little bit of confidence to lean into to go. So I just want to give you a sense of will this hot streak continue? And what are some of the things going on behind the scenes?

Mike Lenihan
Chief Financial Officer

Yes. David, it's Mike. Thanks for the question. It is -- you hit on it nicely. It is a number of items that are continuing to build on themselves on a quarter-to-quarter basis that is driving that momentum. A quieter kitchen is a factor. That's a beneficial part of the technology investments that we've made. Importantly, the managing partner staffing for the level of sales that they want.

The other thing that helps with that ratio for us is tenure of our Roadies being as high as it is and also the continued growth of the to-go business, all of those are working in concert. And so importantly, it's not a metric that we target our operators with. And so while we like what we see, we don't target them on it, and we do hope that it will continue based on the trends we're seeing.

Operator

Your next question comes from the line of Zack Fadem with Wells Fargo.

Zachary Fadem
Wells Fargo Securities, LLC, Research Division

Could we start with the food and beverage margin bridge in terms of commodity impact versus check impact versus entree mix? And in terms of that entree mix, grocery prices are starting to peak for beef. So maybe we could talk through what that typically means for entree mix as well as traffic as grocery prices retrace.

Michael Bailen
Head of Investor Relations

Zack, it's Michael. So I mean, certainly, if I understand your question correctly, I mean we do see a benefit to our traffic. We're seeing a benefit to the steak category given the high price of beef at retail. What may happen in a world where beef prices come down, will we see a change in our traffic trends? Hard to know. I think we certainly, over quite a number of years through multiple beef cycles seeing very strong traffic performance.

We do, like I said, tend to outperform in a time of this inflationary beef environment. But I certainly would not expect that we won't be able to continue to grow in a lower inflationary environment. Times like this, it introduces new people to Texas Roadhouse, and we believe once they've come in, they're going to want to come back.

Operator

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

Andrew Charles
TD Cowen, Research Division

I had a 2-part question on the reduced commodity inflation. First, what did you attribute to the favorable commodity inflation in the quarter versus your forecast as you guys were about 80% contracted. And then curious on how much visibility you have, how contracted you are in the back half of the year with commodities and relative to how contract you were a year ago at this time for your back half '25?

Michael Bailen
Head of Investor Relations

Zack (sic) [Andrew] it's Michael. So our second quarter commodity inflation was only slightly better than what we were maybe internally modeling. So it was not -- because we were well informed on that going into the last call. We did see a continuation or like in June, we saw sirloin prices really start to move lower and some deflation there. And that's really been the biggest benefit to our commodity expectations.

So expecting to see much lower inflation in the third quarter than we had originally anticipated. Now expecting 2% to 3% inflation in Q3 before stepping back up to approximately 5% in the fourth quarter. So sirloin is the biggest driver of that improvement. As far as contracted, we're about -- on our overall commodity basket, we're about 80% locked for Q3 and about 40% locked for Q4, and that's not much different than you would have seen us having at this time last year for 2025.

Operator

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

Brian Harbour

Morgan Stanley, Research Division

I guess, Jerry, you started just by talking about the pipeline and development. Could you talk a little bit about just some of the recent openings, where you've been finding success, kind of size of the pipeline and how you feel about Texas Roadhouse unit growth specifically?

Gerald Morgan

CEO & Executive Vice Chairman

Yes. Thanks. Yes. So I mean, the pipeline is, obviously, we continue to focus on that 20-ish a year in openings that continue to be very successful all across the country. So I mean, we've got a full pipeline for '26, '27, '28. We're really working into '29. So with that deal. So working a lot of deals. We continue to have success. I'll tell you, wherever we go, we're focused on our food, our service and open our restaurant at the volume that we're at is really just hats off to these operators at every level, the single unit, the multiunit, the regionals, everything the commitment, all the coaches and the training managers that it takes to really make a first impression in every community that we open up at.

And when you have your reputation out there, even if you're new to the community, there are expectations. And I'm really proud of the team and all of our operators that get out there and open the doors and hustle to show our guests and our community what legendary food and legendary service is about. But the pipeline is strong. We continue to focus, and we have great success at the openings.

Operator

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

Lauren Silberman

Deutsche Bank AG, Research Division

Congrats on the great results. Just a clarifying question, my actual question, clarifying is just on the commodity inflation. Why is it stepping up in Q4? Just help me understand that. And then the actual question is on average weekly sales. I mean your fifth quarter of double-digit growth has been amazing. What do you think is driving the momentum? Anything that you're doing differently? And then can you remind us how the labor model works with to-go and like what capacity the restaurants have with the current labor?

Michael Bailen

Head of Investor Relations

Lauren, I'll start with the commodity question. So again, third quarter right now, we are seeing some good benefit on the sirloin side. We do think, again, these cuts as one moves one way and another doesn't move quite as much, that will -- that does change how the retailers look about what they're going to buy and what they're going to market. So we do think that as sirloin prices fall, that may then lead them to purchase more of that into the fourth quarter as something that they will put into their stores.

So it's our current -- it's based upon what we have locked, what we're lapping and how we believe the cuts will move over time and also factoring in what's going on with supply.

Gerald Morgan

CEO & Executive Vice Chairman

Lauren, this is Jerry. Just on the overall sales growth, I mean, we obviously are continuing to have momentum on traffic which means to me that we're opening or operating quality shifts and that we're finding ways to get more people through the dining room. And all of the components of pay at the table, our guest management system upgrade, the digital kitchen, our operators just really focusing on a high level in the peak times and even in the nonpeak times.

So it just tells me not only growing dining room sales, we're growing our to-go traffic because of the ease to order, the ease to pick up. Our operators are focused on making sure that we have all the items that the guest has ordered so that when they get home and they open up our food at their own dining room tables, they have everything that they need. So I think it's just all of us putting this energy and towards getting a great experience for our guests and whether it be through the to-go side of it or to the dining room, but just being energetic when it comes to serving people. I think, is really what's paid off for us for a long time.

Operator

Your next question comes from the line of Brian Bittner with Oppenheimer.

Brian Bittner

Oppenheimer & Co. Inc., Research Division

As it relates to the 1% pricing that you're going to take, can you just confirm, does that put you around 3% for 4Q? And can you guys talk about the mix trends that you're seeing maybe in 2Q and how you're anticipating mix to impact average check as we go into 3Q and 4Q?

Mike Lenihan

Chief Financial Officer

Yes. Brian, it's Mike. I'll start with the first on pricing and Mike will jump in on mix. So with the 1% in Q4, we will have 2.9%. And in Q1 of next year, we'll also have that same 2.9%.

Michael Bailen

Head of Investor Relations

Yes. And Brian, as far as mix is concerned, in the second quarter, we definitely saw improving trends as we moved through the quarter, still about 40 basis points negative overall for mix. But in the dining room, mix turned positive, which was very good to see. And I'll tell you here in the first 5 weeks of the third quarter, we've seen a continued improvement in those mix trends with the vast majority of our pricing flowing through. And so that is certainly beneficial to profitability when that happens. We'll see if those trends continue, but so far looking very positive.

Operator

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

Dennis Geiger

UBS Investment Bank, Research Division

Just wondering if you could touch a little more on beef. Michael, you spoke to it a good amount a couple of minutes ago. But just anything more on what the team is seeing as far as supply and demand dynamics? I know you kind of gave the output of what supply has meant, but just anything more on the dynamics that the team is observing.

Michael Bailen

Head of Investor Relations

Dennis, yes, happy to do that. Not sure necessarily that much has changed of recent there from what we've spoken about over the last several quarters. Supply is still very tight, and we'll likely see a tight fourth quarter with regards to beef and cattle supply. Demand overall for beef is still very strong. There's certainly at retail, still been some movements in trade to other proteins and trade within the beef category to some extent as well, trends that we had talked about before. There's been talk -- the announcement of the Mexican border reopening later this quarter, but that's more of an opportunity, if any, for next year. It takes a while. One, it's going to be a very small reopening, and that takes a while before you would see any benefit from that.

Operator

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

James Salera

Stephens Inc., Research Division

I was hoping you could provide some incremental color on the continued traffic outperformance. As you guys continue to deliver very robust traffic gains, we see the industry with traffic down low single digits. And I wonder if you can help us kind of disaggregate how much is increased guest frequency versus new households coming to the brand? I recognize not everyone might know about Texas Roadhouse, but I feel just the prominence at this point, especially you mentioned some of the World Cup visibility would allow for most people to at least know that Texas Roadhouse in their area exists. So just wondering if you could help us kind of break out that frequency versus new household drivers.

Gerald Morgan

CEO & Executive Vice Chairman

Jim, it's Jerry. I don't know that we measure it necessarily like that. I mean we focus on trying to give guests a great experience. By word of mouth, they tell others and then we get to try. But I think once they get in and when you try made from scratch food and fresh baked bread and hand-cut steaks and all those things that we do is just kind of the word gets out and we continue to exceed people's expectations. And I think that's really what we focus on.

We do have a first-time guest program. So we absolutely identify guests in the restaurant and we try to really create a relationship with all of our guests and especially on their first time in, just letting them telling our story, who we are, how we do business and how we approach things. And we just try to knock their socks off with legendary food and high-level hospitality and just put a smile on their face. I mean the worlds are complicated. Our job is to fill their bellies with legendary made-from-scratch food and put a big smile on their face and just say thank you for coming to our restaurant and providing us with an opportunity to serve them.

So I think that's really how we focus on driving traffic. And again, on the to-go side, it's just a focus and emphasis on making sure that the guest has everything that they need when they get home and they unpack our bag and our food for their family at their dining room table. It's just our operators do an incredible job of building a strong relationship. We're a nationally known company, but we like to be known as locally owned and operated and our partners really see them owning their communities. And food service and community partnership has always been the key to our success.

Operator

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

Sara Senatore
BofA Securities, Research Division

I have one clarification. Hopefully, that doesn't count as some question and then a question. The clarification is, I think the negative mix you were saying, Michael, effectively, there's a little bit of pressure on mix from to-go because the average check is lower. So I want to confirm that's true. And maybe should we expect that as to-go continues to build as it has nicely as a percentage of sales, maybe you see that a little bit continue.

But the question actually is about -- Jerry, you mentioned a line of sight for Texas Roadhouse even into perhaps 2029. Does that give any sort of different thoughts on how many units you think the market can support? I mean, as your volumes keep going up, it would seem that the density you could support would be higher, but I was just curious where that stands?

Gerald Morgan
CEO & Executive Vice Chairman

Thanks, Sara. I'll kick off on the -- we have opted a couple of years ago to approximately 900 restaurants. I don't think we're going to change anything at this time. We feel confident in what we -- our game plan currently. We're focused on that 20 restaurants a year being highly successful openings. So we won't update that guidance at this time, but we are very confident that America wants more Texas Roadhouses out there serving them high-level hospitality and legendary food.

Michael Bailen
Head of Investor Relations

And Sara, I'll clarify on the mix in the second quarter, we did have about 40 basis points of overall negative mix. In the dining room, mix was just slightly positive, offset by the rising to-go mix. Quarter-to-date Q3, overall mix is flat. And dining room has gotten more positive and the to-go mix has actually gotten a little bit better even though the to-go is still growing.

Operator

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

Gregory Francfort
Guggenheim Securities, LLC, Research Division

You could add 2 or 3 restaurants in Bergen County, New Jersey. I would love that. I appreciate that. My question is on the smaller brands and just Bubba's, the comps have been okay, but I think the new stores the last 6 months have just been phenomenal. Just what you're seeing there? And Jaggers, I think the reason to keep it franchised has been because maybe there wasn't a lot of QSR talent in the organization existing at Roadhouse. And Mike, I guess I'm wondering with you coming in, do you think about maybe changing that into maybe a company-operated model going forward? Or just any other thoughts in terms of your experience from QSR and bringing it into the Jaggers space?

Gerald Morgan
CEO & Executive Vice Chairman

Yes. I'll start off, and we'll let Mike answer that last part. On the Bubba's 33, we continue to focus on the food and the experience, and we feel really, really good about the brands. All the openings these last couple of years have done extremely well. We continue to work on it. We've got the right leadership. We've got the focus on the food and the service model, just being consistent about it is that component. I do think that there's a lot more competition for Bubba's 33. It's not as well known.

So we got to continue to work hard on our local store marketing side, but we absolutely have great food and the same service model, a lot of excitement and energy around there. We focus on the burgers, the pizzas, the rock and roll, the energy, the sports team. And all of those things are components of what we believe long term, Bubba's 33 will continue to have tremendous success in that competitive set.

In Jaggers, I think we have had some franchise partnerships. We've really learned a lot with them. We like that learning from that standpoint. And so we'll continue to look at building the company out as well as our few franchise partners having continued success in growing that side of the business. And then Mike might have a comment.

Mike Lenihan
Chief Financial Officer

Yes, sir. Listen, on Jaggers, I agree. I think there's a place for both franchise partners and company ownership with where the brand sits in its life cycle. I think importantly, just to piggyback on Jerry's comments around the operating DNA that exists in Jaggers because it's part of the Texas Roadhouse family. Our franchisees are very, very strong operators, and we're learning just as much from them as in our own company restaurants. So for the time period, it is a very beneficial mix for us to have both.

Operator

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

Logan Reich
RBC Capital Markets, Research Division

I wanted to ask on the fact-finding delivery test you guys did in a couple of stores recently. Just any sort of learnings from that test that you would be able to share today?

Gerald Morgan
CEO & Executive Vice Chairman

Thank you very much. Like I said, it is a micro test of 4 stores. It is first-party delivery. We do third-party at Jaggers and Bubba's and also at our New Rochelle location. I think most importantly is having a few conversations with folks is that we want to get educated. We view the test as beneficial to fact-finding purposes. We also know there's some operational complexities that we want to know about in case any of our operators ever get curious about it. So I think the micro test is still very early on. I can't say that we've got a lot of learnings to be able to share at this time. But it is a micro test of 4 restaurants across different parts of the country.

Operator

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

Karen Holthouse
Citigroup Inc., Research Division

This is Karen Holthouse on for John. I wanted to dig a little bit into the Bubba's same-store sales performance. And maybe if there's ways to decompose that a little bit into maybe some older legacy units, more recent units, more recent markets, units that are closer to where you want the current prototype to be versus the ones that are not? Trying to get a better sense of like if you were to isolate the part of that system that's the closest to kind of where you want it to be, is that chunk outcomping the total system?

Mike Lenihan
Chief Financial Officer

Yes. Karen, it's Mike. I think with Bubba's, I think, again, where it is in its life cycle with 60 restaurants, the metric that we are more focused on as it relates to performance are some of the newer restaurants because they embody some of the learnings that we've got there and then applying it backwards. I think the other really important thing to consider with Bubba's is that we are very much taking it with a long-term approach and not a quarter-to-quarter approach.

When we do that and we measure where Bubba's is at 60 restaurants and compare it to where Texas Roadhouse was at 60 restaurants, some of the metrics are extremely encouraging. So with that approach and applying some of the learnings to the new ones, that's where we believe the better focus is on same-store sales.

Operator

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

James Sanderson

Northcoast Research Partners, LLC

I wanted to go back to same-store sales in the second quarter. Any benefit or impact from the World Cup? I noticed that you had said June decelerated a little bit. I'm wondering if that brand exposure inspires you to accelerate international franchising.

Mike Lenihan

Chief Financial Officer

Yes. Jim, it's Mike again. I think from a sales impact in Q2, we didn't really see anything significant across the system as a whole. We saw certain Bubba's restaurants have a bigger impact on an individual basis on game days, but nothing really measurable in the quarter across the portfolio. You did hit on a really positive impact that the World Cup had on us, and that was the social media that we got from people experiencing it for the first time. And it is very helpful to some of the conversations we're having with some of the folks that posted those internationally and some of our sales efforts there.

James Sanderson

Northcoast Research Partners, LLC

All right. And just one follow-up question. Any expectations of purchasing franchise restaurants here in the U.S. that you can talk about?

Mike Lenihan

Chief Financial Officer

Yes. I mean we've got about 31 franchise locations left on the Roadhouse side, and we have roll-up rights for the majority of those sites. We talk all the time with our franchisees, and they know when they're ready to step back that we're ready to step forward.

Operator

Your next question comes from the line of Peter Saleh with U.S. Bancorp BTIG.

Peter Saleh

BTIG, LLC, Research Division

Great. Jerry, a few minutes ago, you mentioned the brand is a national brand, but you like to keep it more on the local level. Just wondering, historically, you're marketing advertising very much on the local side. You guys don't spend a ton on a percentage of sales on marketing. Is there any thoughts about changing that or increasing the contribution? Or any change in strategy or going forward on the marketing side?

Gerald Morgan

CEO & Executive Vice Chairman

Yes. Thanks, Peter. No, we have not ever spent any money on national TV advertising. We absolutely believe that local store marketing grassroots kind of approach, getting out into the local communities, shaking people's hands, delivering some fresh baked bread and just talking about Texas Roadhouse and what we can do for them, for their business, for their families. So we've always taken that approach to legendary food, legendary service and just high-level community engagement and involvement.

If they need us to do something to help them out in some way, shape or form, we just want to be a go-to in that deal. And whether it be local hotels, schools, churches, we want to be their partners on any of their needs. And that's really been our approach. Again, just keeping it as a locally owned and operated business, that's just always been our approach, and it's worked very well.

Operator

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

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

Just a quick clarification on the lower commodity guide for the year '26. I'm curious, was there any change in your non-beef basket inflation for the year?

Michael Bailen

Head of Investor Relations

Brian, it's Michael. There's a little bit of an uptick in produce with everything that's gone on there, but nothing significant.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

Okay. Okay. And then the question I had was, Jerry, you started off talking about the long-term growth opportunity that remains in front of you for the core Texas Roadhouse brand. I'm curious how California factors in to that future growth. I think you only have about 20 stores in that market. You've been buying those stores in, in recent years, making them company-owned. Are you spending more time and focus mapping out California and maybe we could see a rising mix within your pipeline over the next 3 to 5 years?

Gerald Morgan
CEO & Executive Vice Chairman

Thank you. Yes, we have 20 open. I think we have 6 in development. We continue to identify markets in California and exercise where we want to go there. We know that there is a lot of sales opportunities in California. We've got some really high-volume stores. We believe that over the time, we've learned how to manage and control business and work in California, even with all of the complexities that it consistently challenges businesses. But we do know people love to eat and all across there, and there's a lot of folks in California that love handcut steaks and fresh baked bread and ice cold beer and a legendary margarita, and we're going to be available to serve them.

Operator

Your next question comes from the line of John Ivankoe with JPMorgan.

Unknown Analyst

This is [indiscernible] for John. I wanted to ask on your labor. So as you keep expanding towards your TAM, how are you thinking about labor availability and both at the store level and especially at the managing partner pipeline? Do you see any need to like revisit your compensation plans or incentivize your incentives to strengthen the pipeline and ensure that you have enough high-quality operators to support growth?

Michael Bailen
Head of Investor Relations

Yes, this is Michael. On the labor side, we have no concerns about our ability to staff our existing restaurants, staff new restaurants, new managers for new locations, we don't feel will be an issue, whether that's bringing people promoting from within or bringing in people who are already living in the community that we may expand into. And I don't think we foresee any needed change in our compensation plan. We have a very strong managing partner program and feel very good about that. So no expected changes at this time.

Operator

We have reached the end of the Q&A session. I will now turn the call back to Jerry Morgan for closing remarks.

Gerald Morgan
CEO & Executive Vice Chairman

Thank you all very much. Just wanted to say thanks to Roadie Nation for all they do to make our company just stronger and stronger every single day. So have a great summer. Enjoy your evening.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.

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