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EPS of \$1.73 **beats by \$0.09** | Revenue of \$1.44B (23.49% Y/Y) **beats by \$27.07M**

Texas Roadhouse, Inc. (NASDAQ:[TXRH](#)) Q4 2024 Earnings Conference Call February 20, 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

David Tarantino - Baird

David Palmer - Evercore ISI

Brian Harbour - Morgan Stanley

Sara Senatore - Bank of America

Jon Tower - Citi

Brian Bittner - Oppenheimer

Jake Bartlett - Truist Securities

Jeffrey Bernstein - Barclays

Gregory Francfort - Guggenheim Securities

Dennis Geiger - UBS

Lauren Silberman - Deutsche Bank

Andy Barish - Jefferies

Andrew Strelzik - BMO Capital

Jim Salera - Stephens

Logan Reich - RBC Capital Markets

Peter Saleh - BTIG

Christine Cho - Goldman Sachs

Jim Sanderson - Northcoast Research

Brian Vaccaro - Raymond James

Rahul Krotthapalli - JPMorgan

Operator

Good evening, and welcome to the Texas Roadhouse Fourth 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, Sarah, and good evening. By now, you should have access to our earnings release for the fourth quarter ended December 31, 2024. 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 Chris Monroe, our 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'd like to turn the call over to Jerry.

Jerry Morgan

Thanks, Michael, and good evening everyone. 2024 was a memorable year for Texas Roadhouse with strong performance in all aspects of our business. Thanks to positive traffic growth at all three brands, revenue grew to nearly \$5.4 billion, and average unit volume exceeded \$8 million for the first time in our history. This was the second consecutive year of double-digit increases in restaurant margin dollars, income from operations and earnings per share.

2024 was also special for a number of milestones we achieved including opening our 750th systemwide restaurant and our first international Jaggers. Additionally, we were named the brand icon by Nation's Restaurant News and celebrated our 20-year anniversary, as a public company. There is also no doubt that our people-first mentality was alive and well in 2024 as we continued giving back to the communities we serve. This included partnering with homes for our troops to fully fund their 400th custom-built home, raising over \$925,000 for the American Tinnitus Association and honor of our late founder, Kent Taylor. And on Veterans Day, we honored over 1 million veterans with a free meal or a voucher for a future meal.

On the development front, we opened 31 company-owned restaurants across all brands in 2024. Our franchise partners also opened 11 international Texas Roadhouse restaurants in addition to 3 Jaggers. For 2025, we continue to expect approximately 30 company restaurant openings across the three brands. 2025 will also benefit from the January 1 acquisition of 13 franchise restaurants in Indiana, Ohio and California. Our outlook for franchise development also remains unchanged with an expectation of seven international Texas Roadhouse openings and three domestic Jaggers openings.

In 2025, we believe value will remain top of mind for the consumer and it was a focal point for our operators during our recently completed menu pricing calls. Based on these calls, we will be implementing a 1.4 menu price increase at the beginning of the second quarter. We are confident this level of pricing maintains our everyday value, which has always been one of our competitive advantages, also to address evolving consumer beverage preferences, we are offering a variety of mocktails at Texas Roadhouse and Bubba's 33. We are monitoring their performance and contribution to our product mix and early indications are positive.

Our technology initiatives this year will primarily be a continuation of our 2024 projects. We expect to complete the conversions of all locations to a digital kitchen by the end of the year. These conversions are creating a more efficient kitchen and a less stressful environment for our Roadies. We will also continue upgrading the guest management system that our restaurants use at the host stand. These upgrades are allowing us to quote more accurate wait times and improve seating utilization.

While we are talking today about our 2024 results, our operators turned their attention to 2025 months ago. They remain focused on what we believe is the most important to our guests, fresh, made from scratch food, high-level hospitality in everyday value. We are confident that they will deliver with a little Roadie enthusiasm, another year that will make our employees, guests and shareholders proud.

Now Chris will provide some thoughts.

Chris Monroe

Thanks, Jerry. There certainly is a lot about 2024 to celebrate. The tremendous efforts of our operators resulted in a same-store sales increase of 8.5%, including 4.4% traffic growth. Also, full year weekly sales averaged 159,000 at Texas Roadhouse, 119,000 at Bubba's 33 and 71,000 at Jaggers, and this momentum continued on the bottom-line with meaningful margin dollar improvement for all three brands. The end result of this performance was a total return of 44% for fiscal year 2024, consisting of 42.5% EPS growth and a 1.5% dividend yield.

Additionally, we ended the year with over \$245 million of cash and generated over \$750 million of cash flow from operations. This allowed us to once again self-fund all of our capital allocation priorities, including \$354 million of capital expenditures, \$163 million of dividends and \$80 million of share repurchases.

Moving on to 2025. Our guidance for wage and other labor inflation remains unchanged at 4% to 5%. It will largely be driven by state-mandated wage increases, the impact of the recently completed franchise acquisition and higher benefits expense. Turning to commodities. We are updating our 2025 inflation guidance to 3% to 4% based primarily on updated cattle supply expectations, which now project a tighter supply in the back half of 2025 than originally anticipated. For 2025, our capital expenditure guidance of approximately \$400 million remains unchanged. This amount does not include the \$78 million used at the beginning of 2025 and to complete the previously mentioned acquisition of 13 franchise locations.

We have a full pipeline of new restaurants for all three brands, as well as a good number of bump outs, cooler additions and other projects planned for the year. We will also be relocating as many as nine of our higher-performing Texas Roadhouse restaurants to new, larger locations with more parking. While building new restaurants and maintaining our existing locations remains our top capital allocation priority, we are also allocating capital for other key initiatives including the aforementioned franchise acquisition. Additionally, today, we announced an 11% increase to our quarterly dividend and a newly authorized \$500 million share repurchase program. With the full development pipeline, strong balance sheet and healthy cash flow trends, we are well positioned for another year of solid growth and shareholder returns.

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

Michael Bailen

Thanks, Chris. For the fourth quarter of 2024 we reported revenue growth of 23.5%, primarily driven by a 6.6% increase in comparable average unit volume and 13.7% store week growth. We also reported a restaurant margin dollar increase of 37.3% to \$243 million and a diluted earnings per share increase of 60.1% to \$1.73. These measures were positively impacted by an additional week in our December period, which resulted in 14 weeks in the fourth quarter of 2024 compared to 13 weeks during the fourth quarter of 2023. We estimate the additional week positively impacted diluted earnings per share growth for the fourth quarter of 2024 by over 20% and full year 2024 by approximately 5%.

Average weekly sales in the fourth quarter were \$154,000 with to-go representing \$20,000 or 13% of the total weekly sales. Comparable sales increased 7.7% in the fourth quarter, driven by 4.9% traffic growth and a 2.8% increase in average check. By month, comparable sales grew 8.3%, 6.9% and 7.9% for our October, November and December periods, respectively. And despite the impact of weather and calendar shifts, comparable sales for the first seven weeks of the first quarter of 2025 were up 2.9%, with our restaurants averaging sales of over \$157,000 per week during that period.

Also, please keep in mind, because of the 53rd-week in 2024, our comparable sales growth in 2025 is based on a different set of weeks than what is included in our 2024 reported restaurant sales. This mismatch of weeks will result in comparable sales being as much as 1.5% higher in average weekly sales in the first quarter. In the fourth quarter, restaurant margin dollars per store week increased 20.8% year-over-year to approximately \$26,000. Restaurant margin as a percentage of total sales increased 172 basis points to 17%. The margin improvement included an estimated 45 basis point benefit from the additional week.

Food and beverage costs as a percentage of total sales were 33.5% for the fourth quarter. The 65 basis point year-over-year improvement was primarily driven by the benefit of a 2.8% check increase, offsetting the 0.3% commodity inflation for the quarter. Commodity inflation for full year 2024 was 0.7% which was in-line with our guidance of less than 1%. Labor as a percentage of total sales decreased 10 basis points to 33% as compared to the fourth quarter of 2023. Labor dollars per store week increased 8.2%, due to wage and other labor inflation of 5%, growth in hours of 2.6% and higher group insurance claims expense of 0.6%. Adjusting for the impact of the additional week, labor hour growth for the quarter was approximately 2%.

For the full year, wage and other labor inflation came in at 4.6% which was the midpoint of our 2024 guidance. Other operating costs were 15% of sales, which was 82 basis points better than the fourth quarter of 2023. The leverage was driven by the benefit of the additional week and moderating cost pressures. There was also a 13 basis point positive net year-over-year impact from general liability insurance reserve adjustments which included a \$2.7 million unfavorable adjustment this year and the lapping of a \$3.7 million unfavorable adjustment from last year.

Moving below restaurant margin, G&A dollars grew 15.2% year-over-year and came in at 4% of revenue for the fourth quarter. G&A for the quarter included approximately \$3.7 million of higher expense due to the additional week. The majority of the remaining year-over-year dollar increase was due to higher compensation and benefit expense, including the \$1.3 million impact of timing of our change from quarterly to annual equity grants. Our effective tax rate for the quarter was 15.8%, our full year 2024 income tax rate of 15.3% was in-line with our guidance of approximately 15%. Our forecast 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. There's no doubt that 2024 was a great year for Texas Roadhouse. As we turn our full attention to 2025, we will remain dedicated to the principles that have served us well for 30 years. Our operators are committed to delivering on our mission to legendary food and legendary service each and every shift. We will uphold our core values of passion, partnership, integrity and fun with purpose in order to continue providing high-level hospitality to our guests and staying true to our mission and values will lead us to delivering on our purpose of serving communities across America and the world.

Finally, Texas Roadhouse celebrated its 32nd birthday this week, and I want to thank all of Roadie Nation for their many contributions to our success.

Michael Bailen

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

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from David Tarantino with Baird. Your line is open.

David Tarantino

Hi, good afternoon. I was hoping maybe you could provide some context on the quarter-to-date trend you're seeing in Q1. I know you mentioned weather issues. I was hoping maybe you could try to quantify that and just give us some perspective on what you think the underlying trend might look like and your confidence level in returning to positive traffic growth for the rest of the year? Thanks.

Jerry Morgan

Thanks, David. This is Jerry. Our restaurants are fully staffed, our food is legendary, and our menu is screaming value. And the other thing that gives me a lot of confidence, we just completed Valentine's Day week, which -- our stores averaged \$183,000 during that week, which is over \$20,000 higher than the average six weeks. So I think although our performance for comp has been irregular for Roadhouse, I do believe that there's still a very strong desire to visit our Texas Roadhouse. And I have a lot of confidence in the underlying fundamentals and the strength of our business. So -- and we look forward to a five-week period in March and there have been some other factors and -- I think Chris will comment on some of that?

Chris Monroe

Sure. David, thanks for the question. I agree with Jerry. I definitely feel good about the business overall. Let's see if I can provide a little more detail on the sales trends over the last seven weeks. So for the 4-week January period, David, we were actually up 5.5%. That included an approximate 1% benefit from New Year's Day being in our comp sales in '25 and not in '24 but it was more than offset by approximately a 2% negative impact from snow causing store delays or store closures rather. So that's just in the month of January. Sales in the most recent three weeks were basically flat and while sales during Valentine's week were strong, we actually had over a 2% negative impact by Valentine's Day shifting from a Wednesday last year to a Friday this year.

And you know that we don't attempt to quantify the general impact of cold weather, but we certainly believe that colder weather and many other external factors this year have negatively impacted recent performance. So you just kind of put all that together, and we're conservatively estimating at least a 1.5% negative impact to the reported seven-week sales growth from calendar shifts and store closures and that's without including any general impact from the cold weather. Bottom line, again, we feel really good about the core business across all 3 brands, and we've seen an excellent performance in spite of the obstacles over the last few weeks.

David Tarantino

Very helpful. Thank you.

Operator

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

David Palmer

Thanks, good evening. Thanks for all that detail before on sales. Maybe switch my question to one on inflation. You mentioned that the change in estimates to 3% to 4%, but that -- I guess it was about 1 point increase in that estimate, and that was all beef. How much visibility do you have on your cost this year and maybe give a sense of the how those margin trends or those -- that food cost line will trend through the year? Thanks.

Michael Bailen

Hi, David, it's Michael. Thanks for the question. Yes, I mean I'd say the majority of the increase is driven by beef, but there was also a little bit of it driven by some other proteins and a few other items, but largely the view on beef in the second half of the year, it was driving the increase there. We do have about 40% of our overall basket locked for the full year. We certainly have more locked in the front half of the year than the second half of the year. So you could say we have a little bit more clarity earlier in the year. As far as the cadence of the commodity inflation, probably would see our -- you are expected to the lowest level of inflation in the first quarter, maybe at or could be a little bit below the low end of the range. And then a fairly consistent inflationary outlook for the rest of the year that would get you into that 3% to 4% range.

David Palmer

Thank you very much.

Operator

The next question comes from Brian Harbour of Morgan Stanley. Your line is open.

Brian Harbour

Thanks, good afternoon guys. Maybe -- just as you think about kind of margin drivers this year, I mean, Michael, you talked a little bit about some -- I think, some OpEx favorability, is that something that you would still expect this year? And on the labor front, as you think about kind of -- our growth relative to traffic, would you expect kind of similar to what you saw in the second half of this year? Maybe just comment generally on how you see kind of margins evolving this year.

Michael Bailen

Yes. Thanks for the question, Brian. So yes, as we sit here now and the trends that we saw in late '24, I think we have an opportunity to get some leverage on the other operating line. Obviously, traffic trends will play a role in that as well. But yes, with the moderating costs we've seen and -- yes, you could see some leverage there. As far as the labor hours to traffic, still a lot to learn here in '25, but early indications have us maybe expecting to be somewhere in that could be a little bit below 50% is possible. Again, we don't have a labor model. So things can vary, and some of that will also depend upon what the traffic growth looks like. So our operators are staffing their restaurants for the sales they have and the sales they want, and we feel good about that. And obviously, we think 4% to 5% labor inflation so that could put a little bit of pressure on the labor line, probably more in the front half of the year than the back half.

Brian Harbour

Thank you.

Operator

The next question comes from Sara Senatore with Bank of America. Your line is open.

Sara Senatore

Thank you very much. So just a first quick housekeeping. Could you talk about the components of the comp? I just want to make sure we have traffic and mix and price pulled out because I know Jerry mentioned positive trends from mocktails. And I was just wondering if you're starting to see that mix turn positive if that's sort of fully offsetting some of the shift away from alcohol? And then I'll have another question, please.

Michael Bailen

Sara, You're talking about the fourth quarter, correct?

Sara Senatore

I am. Yes.

Michael Bailen

Yes. So we have the 7.7% sales growth with traffic of 4.9%. The check being up 2.8% implies about 30 basis points of negative mix as we were carrying 3.1% pricing. It's still – it is basically the same story you've heard from. Alcohol being negative is driving that mix, and we're seeing some benefit that offsets that negative alcohol mix from entrees and other items. Mocktails are still kind of in the early phase, especially in the fourth quarter. So while a positive contributor, it's a pretty small piece at this point. So we'll see where the mix goes in 2025, but still seeing some negative alcohol mix to start off the year.

Sara Senatore

Okay. And then just the question I had was about looking at like Texas Roadhouse and Bubba's 33, it looks like the sort of maturity curve looks pretty similar if I look at the comp restaurants with maybe some of the higher volumes in the brand new ones and then and it eases and then as you sort of steady state goes back. Is that the right way to think about them, which is you see maybe a honeymoon and then over time, very strong positive same-store sales, but the opening volumes tend to be quite high for both?

Michael Bailen

Yes, Sara. That would be correct. They both have similar patterns that way of opening in that honeymoon period. Probably see a little bit more of a honeymoon on the Roadhouse side than the Bubba's side. Again, that probably just goes to 30-plus years of name recognition. But in both cases, they opened at some great volumes. And then over those first three months to six months, they tend to trend down a little bit. And as they're entering our comp base, we see them beginning to grow on a year-over-year basis.

Sara Senatore

Thank you.

Operator

The next question comes from Jon Tower of Citigroup. Your line is open.

Jon Tower

Great. Thanks for taking my questions. First, a clarification and then a question. The clarification is 9 or so relocations that you spoke to, Chris, those are not included in the 30 new restaurant openings in '25. Is that accurate?

Chris Monroe

That is accurate, John.

Jon Tower

Great. Awesome. The question that is over the past year and particularly starting '25, the industry has certainly grown more promotional. And I understand that Texas really doesn't use traditional media methods to advertise. And stay in front of the consumer. What -- can you dig into what exactly the company is doing to remain top of mind for consumers? I know you're doing a lot of things at the local level, including even sponsoring monster truck rallies and such. But can you delve into kind of how you're staying in front of consumers in markets?

Jerry Morgan

Yes, John, thanks. This is Jerry. I think, first of all, we have a few approaches that we take. We have a local store marketing kind of a boots on the ground. We get out in our communities and really shake hands and do bread runs. But every one of our restaurants has an early dine feature that has 11 items or 12 items that are at a discounted price during the early hours of that. We have Wild West Wednesday that we talk about that we've been talking about and prepping on potentially implementing that throughout more, we've got a \$5 all day everyday drink menu that we've implemented last year, which is a 10-ounce margarita that we brought back and so we have a \$5 10-ounce margarita, which was really a superstar for us for a very long time in the early days.

And then a \$5 Pint Beer and a \$5 Long Island tea. And then as we blend in these mocktails at \$5 also, it is appealing to a different consumer. So the Mocktail has really performed well for us overall, it is very early on. But we have a few things that we can again -- and a lot of value is already built into our menu. And as we focus on that and -- now again, I think we operate at a high level. The consumer trust and believes in what we're doing, and we can get out there and scream louder when it comes to early dine Wild West Wednesday and 5-day all day everyday drink value menu that has been implemented last year.

Jon Tower

Got it. Thanks for taking the questions.

Operator

Thank you. The next question comes from Brian Bittner of Oppenheimer. Your line is open.

Brian Bittner

Hi, thanks. Hi guys. As it relates to pricing in 2025, once you put the 1.4% action in place. Just -- can you clarify, does that math put you in the 2.5% pricing run rate range from there? And is that what we should expect the rest of the year? Just clarify that. And if that's the case, do you want us anticipating maybe a little bit of deleverage on the cost of sales line, given your updated commodity outlook may be offset by some leverage on that other operating line?

Chris Monroe

Hi, Brian, it's Chris. So we're at 3.1% through the first quarter of 2025. And then the 2.2% will roll off at the end of the first quarter, and that's being replaced by the 1.4% that Jerry announced earlier today. So that gets you to 2.3% starting in the second quarter. And then we have another opportunity to come at that in the fourth quarter, but we'll take a look at the end of the third quarter, 0.9% would be rolling off. So we'll have another set of conversations with our operators at that point in time. And in terms of the -- of how we're thinking about that, I mean the -- I think Michael talked about the different areas of the income statement, where we're -- there's some pressure and some things that we're looking at where we have -- our guidance is out there.

But a lot of what matters is our guest counts. And as the guest count comes in, if we can outperform there, then that helps with the margins. And if it doesn't, then that can compress it a bit. And I'll let Michael add to that.

Michael Bailen

Brian, on that COGS line, specifically, with the upgrade -- update from 2% to 3% and 3% to 4% commodity inflation. I would -- the math would imply some de-levering of cost of sales as you move through the year, maybe not in the first quarter, but certainly into the second quarter and the back half of the year with kind of where the guidance is today.

Brian Bittner

Okay, thank you.

Operator

The next question comes from Jake Bartlett of Truist Securities. Your line is open.

Jake Bartlett

Great. Thanks for taking the question. Mine was on the guidance for company-owned development of 30 stores in '25. And I look at what you did in '24 at Roadhouse, your 26 openings, it was the most in quite some time, I think going back to 2008. So it shows you, you can do it, you have the capacity to do that. I also had the impression that you were on the cusp potentially of accelerating development at Bubba's. So you put those two things together and it seems to me like you could be a little bit north of the 30 stores in '25. What's wrong with that thinking? Or maybe there is some potential conservatism in your guidance?

Jerry Morgan

Jake, this is Jerry. Yes, I'll tell you, we focus on 20 to 25 roadhouses every year. In '24, we were able to get 4 Bubba's open. I believe we have seven on our report for '25, and we're continuing to try to get a little north of that as we get into '26. And so that's kind of the approach that we really take. We like to be in that 30-ish number. I believe that opening restaurants and hiring 200 people and a management team and all of the time and effort that we put into it. That's the right number for us to really open a quality restaurant at the volume that we are at, you only get one-time to make a first impression, and we put a lot of time and effort into those openings.

So I want to be very cautious of trying to open that up too much. I'd rather be very good at opening 25, 30 restaurants on a normal basis and a good cadence with two brands. And then as we blend in Jagers, as we continue to focus on that down the road, and obviously, our international businesses. So I feel really good about that number for us. Sometimes, we will creep up a little bit. Sometimes it will be maybe a little low, but that's a really good number and a space for us to be in to open quality restaurants and make a great first impression.

Jake Bartlett

Great. Thank you very much.

Jerry Morgan

Thank you.

Operator

The next question comes from Jeffrey Bernstein with Barclays. Your line is open.

Jeffrey Bernstein

Great. Thank you very much. Two questions. The first one, just on the quarter-to-date comp, just to clarify. I know you reported a 2.9% -- and Chris, I appreciate all the color. It sounds like you're saying maybe 150 basis point headwind from weather and shifts and whatnot. So the true trend is maybe a 4.4% or so. But just looking at your monthly comps, once you get past January, for better or for worse, your comparison become 500 basis points hotter starting in February for the rest of the year. It seemed like January would be the easiest compare for whatever reason. So as we think about the rest of the year, barring any major change in the consumer, is it fair to assume that the '25 comp would be much more tempered from the [8.5] (ph), I think you did in '24, wondering whether you would agree with that or whether there's something wrong with that logic? And whether within that, you've seen any sign of change in consumer behavior above and beyond just the weather and the holiday shifts? And then I had one follow-up.

Michael Bailen

Hi Jeff, this is Michael. I'll try to address that one. So I think you have to be a little careful trying to compare it to the same-store sales growth for '24 because of the different level of pricing. So I'll adjust a question a little bit and we have 4.4% traffic growth in 2024. And will we see something like that again in '25? I don't think we can answer that. I will tell you, our operators, our staff and ready to serve the guests. They are out there building those relationships. We're seeing our highest volume stores, growing at the highest rate. So we think everything is in place for us to continue to grow and serve more guests, how that will exactly play out if a little still should be determined but we're ready to serve the guest.

Chris Monroe

Yes. And I'll just add on to that. That -- if you just looked at January, we were continuing the role. So I think that felt really good. And these last three weeks have been breathtaking in terms of all of the things that have come against the business. So -- and we're still flat. So I still feel pretty good about that and our progress this year.

Jeffrey Bernstein

Got it. And then my follow-up was just on the new units. You mentioned you're going to be opening up your 800th in total, which I know it's more like 650 for the pure Texas Roadhouse brand, wondering if you could just give us an update in terms of where you currently see that ultimate opportunity. It seems like the number keeps going higher as you're having success in smaller markets. And if you could maybe just share some of the metrics around the cost to build and the margins and returns on those new units. I know the cost to build have been running higher, but just any color on that would be great. Thank you.

Jerry Morgan

Yes, Jeff, I'll start off. Yes, our target is still 900 for Texas Roadhouse. And we'll continue to evaluate that over time. But we feel very comfortable with that number, which we upped it from 700 to 800, I think a couple of years ago. And we are excited to have the number 800 within the whole portfolio, including Texas Roadhouse, Bubba's, Jaggers and international. So as well on our way to some of our internal goals of 1,000 between the brands. But the additional costs, I'll let Michael speak to that for just a little bit.

Michael Bailen

Yes. Jeff, for 2025, we are expecting the average investment cost to be about \$8.5 million, gone \$8.6 million. It's an all-in investment cost, including a 10 times rent factor for both Texas Roadhouse and Bubba's. And on the Bubba's side, that's really flat with 2024 for Roadhouse, that's up a little bit, and some of that has to do with where the locations are. You do a few more in California with higher rents or higher building costs, that can shift it a little bit. So we still feel very comfortable about meeting or exceeding our targets, which is a mid-teen IRR for new store development and we watch that very closely, and we still are meeting or exceeding that. So we think we have still tremendous opportunity there.

Jeffrey Bernstein

Thank you.

Operator

The next question comes from Gregory Francfort with Guggenheim Partners. Your line is open.

Gregory Francfort

Hi, thanks for the question. I was wondering if you just give a little bit more color on the wage inflation and what you're seeing there. It's ticked up kind of each of the three quarters of this year and running above -- not above, but at the high end of your guidance for next year at 5%. Is that just maybe [lapse] (ph) in comparisons? I guess, what are you seeing kind of at the store level or the operator level that maybe you can give us a better look at that. Thanks.

Michael Bailen

Greg, it's Mike. I can talk to that. So certainly, again, we guided to 4% to 5%. We came in at 4.6%. And some of those things are the higher Q4 may have contemplated in there. It is a little bit more wage inflation at the end of the year and early in the year where you see some state mandated changes coming into effect, but we think the underlying wage inflation has peaked and so whether it's going to come down. I don't know about that, but not really seeing a large upward tick in wage inflation and certainly, health insurance costs and the premiums associated with that. So the benefits that we offer continue to come at a higher price and that's factored into our assumptions. But at this time, we feel very good about being in that 4% to 5% range for 2025.

Gregory Francfort

Thank you. Appreciate it.

Operator

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

Dennis Geiger

Great. Thanks guys. I'm curious how you think about your traffic outperformance gap to the industry. Our performance has been significant for a while. You expanded it pretty notably last year, I think I know it's more the output of all the work that you and the team -- the teams do. But do you think about that going forward at, that traffic gap as you make decisions on pricing or otherwise? And if you do think about it, any view on what that gap looks like going forward or any kind of broad thoughts on the gap? Thank you.

Jerry Morgan

Thanks, Dennis. This is Jerry. We always are trying to do the best that we can and stay within the value that we build into the menu. And if the gap that you are talking about our competitors, we do try to pay attention and be educated and that's part of those phone calls that we make with our operators and their local communities. And it's important for us to be a very value-based offering that operates at a very high level. So I think we'll always try to be very competitive in that side of it as we have been in the past. And we'll keep that conservative approach as best we can and believe that we are doing right by our consumer and yet taking care of our business at the same time.

Dennis Geiger

Make sense thanks Jerry.

Operator

The next question comes from Lauren Silberman with Deutsche Bank. Your line is open.

Lauren Silberman

Thank you very much. I wanted to follow up on the quarter-to-date trends in February, in particular, being flat. What do you think is driving the step down in comps relative to January? Is it whether that were [tougher compares] (ph)? I think we're all trying to discern what's driving the fall off just broadly, any differences you can share across regions to provide a bit more insight. Thank you.

Chris Monroe

Lauren, I'll start, and Michael may have some other thoughts as well. But Yes. I mean, you've had more -- I think, a dozen named winter storms this year, and they've gone across geographies. They've gone broader than what we've seen in the last several years. You've had flu and COVID and RSV and schools closing and entire communities being shut down. And it's just -- it's been across the country -- and there certainly have been some areas of the country hit harder than others. But that's really -- when we talked about other external factors, those are just a few that we're seeing. And I really feel like that -- that's what's driven a lot of the results for that three-week period. But again, having said that, I mean our operators are still -- I mean, they are running fantastic shifts. They're doing a great job. They're serving our customers. We had a fantastic Valentine's Day. So there is a lot of positive to pull out of all that, but I really think there are -- there have been a number of factors that have hit us.

Michael Bailen

Yes. And Chris, you hit on that, and I'll reiterate again, the Valentine shift had a 2% or more impact on those three weeks of our February period. And so we are not even trying to measure the impact of cold weather and of these other factors that Chris mentioned. So we think some of those are just out of our control. When I look at our regional trends, it makes me feel the same way Chris is talking about that the underlying trends are good. The Western U.S. certainly has outperformed in the first part of the year. And that's an area that maybe -- used to winter weather a little bit more or hasn't been as impacted by some of the snow that has moved across the country. So I look at the West as an example of maybe what the more normalized numbers are. And I said it little bit earlier, but our highest volume stores are still growing at a nice rate. And so I don't believe any of this is a slowdown in the guest's or the consumer's desire to come to Texas Roadhouse, I just believe we're in a little bit of an environment right now where the consumer is just acting a little bit differently, and I think you're hearing that from others as well.

Lauren Silberman

Thank you for that. And then if I could just ask on the commodity inflation step up to 3% to 4% in the back half of, I guess, 2Q to 4Q, as we exit '25 and going to '26, is that the right way to think about it? Are you anticipating the same period of elevated commodities? And remind us how long it takes to sort of [rebuild herd] (ph)? Thank you.

Michael Bailen

Yes. So Lauren, two parts in there. Unfortunately, I'm not going to have a lot of -- we're just starting off 2025 here. So not even try to venture into what 2026 could look like. There's supply issues, demand issues that all play into that. But to your second part of the question is it does take a little bit of time to rebuild the herd. You need to see ranchers retaining channel for breeding. We have not seen a lot of that happening yet. So we will -- it would not be surprising to see us remaining in a cattle cycle for some time now. Now what that means to inflation or to prices. There's a lot of other factors that play into that. So that's probably as much as we can provide on '26 and beyond at this point.

Lauren Silberman

Thank you very much.

Operator

The next question comes from Andy Barish with Jefferies. Your line is open.

Andy Barish

Hi, guys. I was just wondering on the guest management update or 2.0. I mean, -- could it be in certain markets or obviously restaurants that just the quote times are getting a little bit lofty given how busy you guys are? And is there something tied together with the digital kitchen that kind of can work on maybe bringing wait times down a little bit. Just wondering if that's something where you've seen some guests kind of walk out at a certain point.

Jerry Morgan

Hi, Andy, it's Jerry. Yes, I think our AGM 2.0 is a software that we decided to work on ourselves and customize it to handle some of those longer weights. And obviously, as we continue I believe we are close to half of our -- of the concept has got that upgrade, and we will continue to focus on the digital kitchen rollout and the AGM 2.0. And after they are completely done, then we can really evaluate some of the things that the whole concept can gain from. But I think it is really about table efficiencies. It is about that waitlist management side. So we are feeling very good about where it's at and what it's doing. And more importantly, our operators wanting it. They see the value in it, and that's really the driver behind both the digital kitchen and the AGM 2.0. So we feel very comfortable going forward.

Andy Barish

Thanks Jerry. That's great color. And just one quick follow-up, Michael, on Easter being later this year, is there anything we should think about between 1Q, 2Q, March, April, longer, later, later last or anything?

Michael Bailen

Yes. So this is a good one. So Easter is in our fiscal second quarter for 2025 and 2024. However, it is -- when we give you all comparable sales for the first quarter, we will compare the 13 weeks of 2025 to the comparable weeks of '24, which are weeks two through 14. Easter was in week 14 in 2024. So the Q1 comps will probably have about a 30 basis point benefit from -- because Easter is not a higher volume day for us, so that Q1 comps at a 30 basis point benefit from having no Easter in Q1 '25, we're having it in '24 and then the reverse will happen in the second quarter, about a 30 basis point headwind to comps from it being in our 2025 base, but not in our 2024.

Andy Barish

Perfect. Very clear. Thank you.

Jerry Morgan

Thanks Andy.

Operator

The next question comes from Andrew Strelzik with BMO. Your line is open.

Andrew Strelzik

Hi, thanks for taking the question. I wanted to ask about the off-premise business. And recently, you indicated that the operators have kind of growing confidence in executing in the quality of that channel and maybe increasing willingness to put more focus behind it to drive growth. So I guess I'm curious if there's anything planned that we should think about for 2025. If you see that kind of as an incremental growth opportunity for this year, is that more kind of a longer-term opportunity that you would view at? Thanks.

Jerry Morgan

Hi, Andrew, it's Jerry. Yes, I think we're going to hold our position. We do like it being available for our Jagers concept. And as we get closer to completing all of the Bubba's locations with it. And we do have the one Texas Roadhouse. But as of right now, we will continue to hold on that side of it and see where we go. But we're talking about to go or off-premise from that side of it -- delivery.

Andrew Strelzik

Yes. I was really more [indiscernible] to-go side.

Jerry Morgan

You were talking about delivery?

Andrew Strelzik

To-go side.

Jerry Morgan

To-go side? Okay. Michael will share a thought on that.

Michael Bailen

Yes. I mean our to-go as -- we continue to see great demand on the to-go side and seeing increased [occurrences] (ph), the percentage 13% was up year-over-year. So it continues to be something that the guest appreciates and I think our restaurants have -- and our operators have gotten better about executing on the to-go and having the plans in place. They know how important it is to quote accurate wait times to make sure everything is in the bag, and we just keep getting better and better at that and the guest is appreciating that and coming back for more.

Chris Monroe

And during the first seven weeks of this year, we've seen more to-go. And again, that's likely because people are not being able to come in and dine, somebody in the family may be sick. And so we've seen some more -- some definite improvement in that regard as well.

Operator

Great. Thank you. The next question comes from Jim Salera with Stephens. Your line is open.

Jim Salera

Hi, good afternoon. Thanks for taking my question. I appreciate all the color around year-to-date sales trends and the traffic component in '24. If we think about the drivers of the traffic performance in '24 and kind of the composition between existing guest frequency and then new guests coming to the brand because of the value proposition. Do you have any way to quantify how much each of those contributed and then maybe the way you're thinking about either increasing the frequency of those new guests in '25 or continuing to bring new guests into the pipeline in '25?

Michael Bailen

Yes. Jim, it's Michael. So that is something that's pretty challenging to be able to separate out. I do believe we continue to see our existing guests continue to come and dine with us. And the goal of our local store marketing program is to attract new people into the restaurant. So I think that is occurring as well. And I think we will continue to work on doing that. And that's why we stay very true to who we are and very much focused on the guest experience. So we can give that legendary experience to each and every guest. I don't know if necessarily this is really anything we want to be doing differently in 2025, except continuing to screen the value proposition and provide a great experience for those guests who are choosing to come in and dine with us.

Jim Salera

And maybe if I could ask a quick one on Bubba's too. We've seen a lot of kind of value-centric messaging from other full-service operators, particularly around like burgers and wing deals. Have you ever given out the average at Bubba's? And if not, how do you feel like that stacks up relative to some of the other value offerings we see in full service, particularly around those, like say, like burger and wing options?

Jerry Morgan

Yes. Jim, this is Jerry. I feel really good about our pricing on the Bubba's side with the burgers, the pizzas and the wings and really just in general menu. So we do a lot of work on that side of it, too. We do have a Monday night we have a burger special and then we do focus on a Tuesday night pizza special and knock a little bit off of there. But it really is the quality and the variety that you have to choose from that I think really, really makes it stand out. And the burger is the star of the show over at Bubba's 33.

Michael Bailen

And Jim, with Pizza being a component of the check, that's all -- it makes it a little bit harder to give an accurate per person average, but it's probably more in the \$20 per person. But again, it's a little bit harder to get to a fully accurate number at Bubba's versus a Roadhouse, given the pizza.

Jim Salera

Appreciate it. I appreciate the thoughts there. I'll pass it on.

Operator

The next question comes from Logan Reich with RBC Capital Markets. Your line is open.

Logan Reich

Thanks for taking the question. Just a quick one on the consumer and any sort of changes you guys are seeing in different demographic or income cohorts. Are you guys seeing anything different recently? And then if you could just comment on anything you guys are seeing on your guys' sort of value proposition relative to what consumers are seeing in the grocery store.

Michael Bailen

Hi, Logan, It's Chris. We don't really break it out in that regard. And so we're really not seeing any sort of change in behavior. There is not any matriculation close -- more into the value part of the menu or anything like that. Everything has been proceeding as it has been historically for us, at least over the last couple of years. And we are -- we do watch the grocery prices, and we are certainly mindful that that's one of our competitors is the ability to cook at home. And so we certainly have that in mind as we have those conversations that Jerry talked about with our local store operators. And we want to -- we've set screen value 3 times or 4 times today. We want to continue doing that. And that is, in part, why we're very mindful about these price increases and keeping them modest. We are competing on a number of levels, but also at the grocery. And so we're watching that as well.

Logan Reich

Great. Thank you very much.

Operator

The next question comes from Peter Saleh with BTIG. Your line is open.

Peter Saleh

Hi, great. Thanks for taking the question. Kind of in the same vein, I think in the past when we've spoken about the commodity basket and beef inflation, one of the factors that went into determining the amount of inflation or lack thereof was the amount of demand in the grocery or promotions in the grocery store are retail. Just curious if you guys are seeing incremental promotions in the grocery aisle. Is that factoring at all into the increased commodity inflation basket that you're expecting for 2025? And then also, anything we should be aware of on tariffs? Any exposure to Canada and Mexico at all?

Chris Monroe

Okay. So I'll -- this is Chris. I'll start with what we're seeing in grocery and then I'll let Jerry speak to the second part of your question. Right now -- and you're correct, as we looked at 2024, the fact that the grocery stores were not putting specials on things like Ribeye and other cuts of beef did seem to dampen some of the demand from the retail side and that helped with the cost picture for us during 2024. We haven't seen anything demonstrably different in 2025 thus far. And really, what we were looking at in terms of moving the guidance up was really just what we're seeing from our procurement team and what they're talking about with our suppliers and what we understand is going on in the beef market. So that's the main driver there. So nothing has changed in terms of what we're seeing at least so far at grocery and in terms of running specials.

Jerry Morgan

Yes. And then on all the other things that are being discussed out there, we're very well aware our contacts in Washington, D.C., keep us posted on any of the activities and the talks that are going on. Again, we won't know until for sure that those things come through. But we are paying attention. We are trying to keep our ear to the ground and be aware of anything that would have an impact in the business in any way, shape or form.

Peter Saleh

And could I just follow up on the share buyback. I know new authorization. Any thoughts on how aggressive you guys would be with this buyback? You have plenty of capital sitting on the balance sheet. Just curious on your thoughts given where the shares are today.

Chris Monroe

Sure. And it's Chris again. Share repurchases remain a part of our balanced approach to the capital management program, and we've been consistent, but we've also been opportunistic at times. And we are going to continue to have that approach with regard to all of our returns to shareholders. And so it's good to have that authorization from Jerry and the board and we'll be thoughtful as we move forward. But we're going to be balanced and we are going to continue that process.

Peter Saleh

Thank you very much.

Operator

The next question comes from Christine Cho with Goldman Sachs. Your line is open.

Christine Cho

Hi, thank you so much for taking the question. So I would like to discuss your strategies in growing your portfolio of brands. So Texas Roadhouse, Bubba's, Jagers, all quite unique concepts. But are there any major synergies, leverages on people development or operations that is helping these younger brands move faster on the ramp-up curve and also potentially replicating the exceptional guest experience Texas Roadhouse is famous for? Thank you.

Jerry Morgan

Well, thank you. I appreciate the kind words. We do take the approach of – there is obviously, our company supports all three brands and the resources that we use to help create each one of them. Obviously, heavily on Texas Roadhouse. But as we start to find our way to support each brand separately, that's really the driver in understanding each one of those businesses. So whether that impacts the growth or not, I think we could continue as we get more. It's about -- do we have the right people in place? Do we have the right growth strategy and are we able to execute at a high level. So I think as we look at -- we figured that out at Roadhouse long ago, as we continue to look at the Bubba's brand and the Jagers brand and the resources that we need to consistently get great restaurants open and to be able to open more is something that we've continued to look at as we have a head of operations or Roadhouse and a Head of Operations for Bubba's and a Head of Operations for our Jagers business in international.

So as they report to us and what their needs and wants are and how we invest in their businesses. It's got to be about the people and it's got to be about the operation, and we feel great about the food and the service model, as you mentioned, but it's really about us being able to grow successfully and get it right off the bat.

Operator

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

Jim Sanderson

Thanks for the question. I wanted to ask a question about your pricing philosophy. I'm wondering, is that -- as we progress through the year and you start to see food inflation pick up, if you would be more willing to take your prices up to protect margin, or if you'll need to see more visibility on traffic accelerating before you get to that point? And then tying into that, I wanted to clarify that 2.5% run rate will remain intact on pricing throughout fourth quarter 2025 or if there is a another roll off later this year? Thank you.

Jerry Morgan

Thank you, Jim. We're always going to look at pricing from a conservative lens and try to make the right decision. We've made the decision for the second quarter. We will revisit that with our operators at the end of the summer and really discuss with the back half of the year and what the climate will be dealing with at that point in time. So those will be the driving factors on the next conversations as we go through there.

Chris Monroe

And Jim, I'll just cover it for you. We have 3.1% in the menu through the first quarter. Then that drive -- with the 1.4% that Jerry announced today, 2.2% rolls-off. But starting in the second quarter you have 2.3%. And then at the end of the third quarter, 0.9% would roll off and that is our opportunity, as Jerry was just describing to perhaps come back in with something that replaces that 0.9%. But going forward, starting in Q2, we'll be at 2.3%.

Jim Sanderson

Very, good. Thank you very much for that.

Operator

The next question comes from Brian Vaccaro with Raymond James. Your line is open.

Brian Vaccaro

Hi, thanks. Just two quick ones, if I could. First, can you level set us on your G&A expectations in 2025? And then second, I just wanted to ask about delivery. You've obviously stayed away from third-party delivery historically. But just given the strength in your off-premise demand for your brand and some changes that we're seeing on a first-party delivery side. Curious if you've given any new consideration potentially getting into the first-party delivery and just how you assess the potential opportunity there. Thank you.

Michael Bailen

Brian, it's Michael. I'll answer the G&A question and then hand it over to Jerry on the delivery. G&A. So I think you would potentially see a little bit -- have some growth in the first half of the year and these opportunities should be more flattish into the third quarter. And as we lap the 53rd week in the fourth quarter, you could actually see G&A dollars go down in Q4. So as of now, maybe mid-single digit dollar growth for the year, which should ideally get you some leverage on the G&A line, but probably more so in the back half of the year than the front half of the year on the leverage.

Jerry Morgan

And then, Brian, on the -- this is Jerry, on the third party, well, like I said, we have it in Jaggers. We have it at Bubba's. We have it in one Roadhouse, and we're continuing to learn on it, but that's probably where we're at right now.

Operator

The next question comes from Raul Krotthapalli with JPMorgan. Your line is open.

Rahul Krotthapalli

Hi guys. Can you share some color on the bump outs? How much seating capacity has been added on average per store that went through? And also what percent of buildings have land availability for more bump-outs after 2025?

Michael Bailen

Yes, Rahul, I can answer some of that. I mean, typically, a bump out is going to add anywhere from probably 20 to 40 seats. Some of that is going to depend on exactly what you mentioned, the land availability, your health, -- how much property, can we use to add more seating. We bumped out over half our system. A lot of the restaurants that we haven't bumped out our -- because you don't have the real estate or you're not going to get the approvals from landlords or other businesses around you. So I don't have a number as far as who could or couldn't but I can tell you, we have a nice pipeline of restaurants that have been approved for bump outs and we don't bump a restaurant out until it's been open for at least a few years. So that pipeline naturally keeps rebuilding itself or at least gives us more restaurants to be looking at over time.

Chris Monroe

And Rahul, it's Chris. The only other thing I would add to that is that we're now building our new stores with the footers and with some capacity to do bump outs. So we have that in mind, and we're getting some of that cost out of the way so that we can do that once they've "earned their bump out". And so that allows us to kind of plan ahead at least on the new stores as well.

Rahul Krotthapalli

That's helpful. And I have a follow-up on the remodels. It looks like around 60% of your Roadhouse units are more than 10 years old. Could you break out like what percent of these old assets need like more capital-intensive or full-scale remodels versus lighter capital refreshes? And how do we think about the schedule over the next few years?

Chris Monroe

Hi, Rahul, we really haven't released that kind of information. I would tell you, though, that we do have the intention on keeping our stores fresh and enjoyable for our guests and also enjoyable and safe for our employees. And so that's why we've been going at a pretty good clip on getting that done. And of course, you know us. And so you also know that there's not going to be a top-down program that says, this is when you have to do X, Y or Z to your store. We're going to hear from the operators. We're going to hear from them in their stores and then they're going to talk to us about what capital is available. So we feel pretty good about the investments that are being made, and we feel good about when you walk into just about any of our stores, you're going to see a really fresh, clean wonderful operation, and you're going to be treated extremely well, and you're going to have some legendary food.

Rahul Krotthapalli

Thanks for the update guys.

Operator

This concludes the question-and-answer session. I'll turn the call to Jerry Morgan for closing remarks.

Jerry Morgan

Thank you all for your continued support. I appreciate all of you in Rhodney Nation and all of our guests that continue to dine with us. Let's go Roadhouse.

Operator

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

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