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Texas Roadhouse, Inc. (TXRH) Q4 2025 Earnings Call Transcript

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Q4: 2026-02-19 Earnings Summary

Insights



EPS of \$1.28 **misses by \$0.22** | Revenue of \$1.48B (3.07% Y/Y) **misses by \$13.06M**

Texas Roadhouse, Inc. ([TXRH](#)) Q4 2025 Earnings Call February 19, 2026 5:00 PM EST

Company Participants

Michael Bailen - Head of Investor Relations

Gerald Morgan - CEO & Executive Vice Chairman

Mike Lenihan - Chief Financial Officer

Keith Humpich - Chief Accounting & Financial Services Officer

Conference Call Participants

David Palmer - Evercore ISI Institutional Equities, Research Division

Andrew Charles - TD Cowen, Research Division

Sara Senatore - BofA Securities, Research Division

James Salera - Stephens Inc., Research Division

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

Brian Harbour - Morgan Stanley, Research Division

Peter Saleh - BTIG, LLC, Research Division

Jeffrey Farmer - Gordon Haskett Research Advisors

Jeffrey Bernstein - Barclays Bank PLC, Research Division

Jake Bartlett - Truist Securities, Inc., Research Division

Jacob Aiken-Phillips - Melius Research LLC

Dennis Geiger - UBS Investment Bank, Research Division

Andrew Barish - Jefferies LLC, Research Division

Jon Tower - Citigroup Inc., Research Division

Andrew Strelzik - BMO Capital Markets Equity Research

Rahul Krotthapalli - JPMorgan Chase & Co, Research Division

Brian Vaccaro - Raymond James & Associates, Inc., Research Division

Gregory Francfort - Guggenheim Securities, LLC, Research Division

James Sanderson - Northcoast Research Partners, LLC

Presentation

Operator

Good evening, and welcome to the Texas Roadhouse Fourth 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, Krista, and good evening. By now, you should have access to our earnings release for the fourth quarter ended December 30, 2025. It may also be found on our website at texasroadhouse.com in the Investors section.

I would like to remind everyone that part of our discussion today will include forward-looking statements. These statements are not guarantees of future performance, and therefore, undue reliance should not be placed upon them. We refer all of you to our earnings release and our recent filings with the SEC. These documents provide a more detailed discussion of the relevant factors that could cause actual results to differ materially from those forward-looking statements.

In addition, we may refer to non-GAAP measures. If applicable, reconciliations of the non-GAAP measures to the GAAP information can be found in our earnings release.

On the call with me today is Jerry Morgan, Chief Executive Officer of Texas Roadhouse; Mike Lenihan, our Chief Financial Officer; and Keith Humpich, our Chief Accounting and Financial Services 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. 2025 was another successful year as revenue grew to nearly \$5.9 billion, and all 3 brands delivered positive sales and traffic growth. We also just completed our 60th consecutive quarter of comparable restaurant sales growth, excluding 2020. That's 15 years of sales growth going back to 2010.

2025 included a number of company milestones and accomplishments. We opened our 800th system-wide restaurant and acquired 20 of our franchise locations. Over 70% of our restaurants set both daily and weekly sales records. We completed the rollout of our digital kitchen and upgraded guest management systems. We also solidified our home in Louisville by purchasing our support center buildings.

Our operators continue to serve their communities by raising over \$40 million for local schools and nonprofit organizations through their dedicated Dine to Donate fundraisers. And finally, we remain proud to honor those who have served our nation by providing 1.2 million meals to veterans and active military in honor of Veterans Day.

On the development front, in 2025, we added 48 restaurants to our company-owned restaurant base. This included 28 new store openings and the previously mentioned acquisition of 20 franchise restaurants, and our franchise partners opened 4 restaurants, including 3 international Texas Roadhouses and 1 domestic Jaggers. For 2026, we continue to expect approximately 35 company restaurant openings across the 3 brands. 2026 will also benefit from the acquisition of 5 California franchise restaurants, which occurred on the first day of the fiscal year.

Our outlook for franchise development also remains unchanged with the expectation of opening 6 international Texas Roadhouses and 4 domestic Jaggers.

For 33 years, our mission has been legendary food and legendary service, with a focus on high-level hospitality and value. This will remain the same in 2026 and beyond. While commodity inflation will continue to be a headwind this year, our operators remain committed to driving growth over the long term by providing a legendary experience to every guest.

We just completed menu pricing calls with our operators. As always, maintaining our value proposition was a big topic of conversation. Based on these calls, we will be implementing a 1.9% menu price increase at the beginning of the second quarter. We will also continue to focus on our lineup of beverages with all of our restaurants offering some combination of mocktails, dirty sodas and a \$5 all-day everyday beverage special.

Moving on to technology. As I mentioned earlier, in late 2025, we completed the rollout of our digital kitchen and upgraded guest management systems. We are pleased with the results and our technology priorities in 2026 will include the continued integration of these enhanced systems.

Additionally, in 2026, we will expand the testing of a handheld tablet that our servers can use to input guest orders at the table. As our attention shifts to 2026 and beyond, we will remain relentless in our commitment to driving top line growth, providing high-level hospitality in everyday value to our guests and remaining a people-first company.

Finally, I want to welcome Mike Lenihan, our new CFO, to the Texas Roadhouse family. For purposes of today's call, Mike is on for introductory purposes only. I will tell you that we are extremely excited to have Mike on the team. He's been getting to know us and beginning next week, he will start his operations training at each of our brands.

Mike, please share some thoughts on your experience so far.

Mike Lenihan*Chief Financial Officer*

Thanks, Jerry. I'm honored to have the privilege of joining Texas Roadhouse. As a member of the restaurant community for the last 20-plus years, and a longtime resident of Louisville, I have witnessed Texas Roadhouse's incredible journey to become a leader in the industry and our community. Since joining in December, I've immersed myself into the culture of the support center, learning about the incredible hard work, people-first approach and teamwork needed to support our restaurants. I would like to specifically thank Keith, along with the rest of team CFO, who have made my transition seamless and special. It's become clear that we have an incredible team and I look forward to the opportunity to lead it while helping Texas Roadhouse on its growth journey. Finally, as Jerry mentioned, I'm looking forward to spending the next several weeks in our restaurants, learning from the best operators in the industry.

And now I'd like to turn it over to Keith for some thoughts on our 2025 performance as well as comments on 2026.

Keith Humpich*Chief Accounting & Financial Services Officer*

Thanks, Mike. Along with the rest of the team, I would like to welcome you and your family to Texas Roadhouse. We can't wait to support you further in your Texas Roadhouse journey.

Moving on to our results. 2025 was another banner year for top line growth in our restaurants. Same-store sales increased 4.9% for the full year, including 2.8% traffic growth. Consolidated average unit volume exceeded \$8.4 million with average weekly sales of over \$166,000 at Texas Roadhouse, \$122,000 at Bubba's 33 and nearly \$73,000 at Jaggers.

In addition, despite cost pressures, we still generated the second highest restaurant margin dollars, income from operations and earnings per share in our history. While commodity inflation and the lapping of an additional week impacted our ability to generate earnings growth in 2025, we have not deviated from our strategy of serving more guests and expanding our restaurant base across the 3 brands. We are confident in our long-term strategy and believe we are set up for continued success over the coming years.

Additionally, we ended the year with over \$130 million of cash, and cash flow from operations for the full year was over \$730 million. With this cash flow, we funded \$388 million of capital expenditures as well as the acquisition of 20 franchise restaurants for \$108 million. We also returned \$180 million to shareholders through dividends and another \$150 million in share repurchases.

Moving on to 2026. Our commodity inflation guidance of approximately 7% remains unchanged with the continued expectation of being above the guidance in the first half of the year and below the guidance in the second half of the year. Beef inflation accounts for nearly all of the expected commodity inflation throughout the year. Our guidance for wage and other labor inflation also remains unchanged at 3% to 4%. We expect the wage component of the inflation should moderate despite state-mandated increases, while cost pressures on insurance and other employee benefits will likely trend higher.

Our approach to capital allocation for 2026 remains consistent with our proven philosophy of prioritizing new restaurant development and maintaining the condition of our existing locations. As such, our capital expenditure guidance of approximately \$400 million remains unchanged. This amount does not include \$72 million paid at the beginning of the year to complete the previously mentioned acquisition of 5 California franchise locations. As part of funding this acquisition, we borrowed \$50 million on our credit facility. Also today, we announced a 10% increase to our quarterly dividend, which brings it to \$0.75 per quarter.

And now, Michael will provide the fourth quarter financial update.

Michael Bailen

Head of Investor Relations

Thanks, Keith. Before I begin the discussion of results, I want to remind everyone that the fourth quarter of 2024 included an additional week. Lapping the additional week negatively impacted fourth quarter revenue growth by approximately 9% and earnings growth by approximately 12%. My discussion will be based on reported results, which include the negative impact.

For the fourth quarter of 2025, we reported revenue growth of 3.1%, driven by a 4% increase in average weekly sales, partially offset by a 0.6% decline in store weeks. We also reported restaurant margin dollar decrease of 15.6% to \$205 million and diluted earnings per share decrease of 26.1% to \$1.28. Average weekly sales in the fourth quarter were over \$160,000 with to-go representing approximately \$22,000 or 13.8% of these total weekly sales.

Comparable sales increased 4.2% in the fourth quarter, driven by 1.9% traffic growth and a 2.3% increase in average check. By month, comparable sales grew 6.1%, 4.8% and 2.2% for our October, November and December periods, respectively. And comparable sales for the first 7 weeks of the first quarter were up 8.2% with our restaurants averaging sales of approximately \$170,000 per week during that period.

In the fourth quarter, restaurant margin dollars per store week decreased 15.1% to \$22,200. Restaurant margin as a percentage of total sales decreased 309 basis points year-over-year to 13.9%. The year-over-year decline included lapping an estimated 45 basis point benefit from the additional week.

Food and beverage costs as a percentage of total sales were 36.4% for the fourth quarter. The 281-basis point year-over-year increase was driven by 9.5% commodity inflation, combined with shifts within the entree category. This was partially offset by the benefit of a 2.3% check increase.

Commodity inflation for full year 2025 was 6.1%, which was in line with our guidance of approximately 6%. Labor as a percentage of total sales increased 18 basis points to 33.2% as compared to the fourth quarter of 2024. Labor dollars per store week increased 4.3% due to wage and other labor inflation of 2.9% and growth in hours of 1.4%. For the full year, wage and other labor inflation came in at 3.7%, which was slightly below our guidance of approximately 4%.

Other operating costs were 14.9% of sales, which was 4 basis points better than the fourth quarter of 2024. While higher sales continue to generate leverage within some line items of other operating costs, it was almost fully offset this quarter by lapping the benefit of last year's additional week as well as an increase in our quarterly reserve for general liability insurance. These insurance adjustments included \$3.5 million of additional expense this year as compared to \$2.7 million of additional expense last year.

Moving below restaurant margin, G&A dollars declined 6% as compared to the fourth quarter of 2024, and came in at 3.6% of revenue for the fourth quarter. This was primarily driven by lapping approximately \$3.7 million of higher expense related to last year's additional week. With our budgeting process for 2026 complete, we are currently forecasting a low double-digit percentage increase in G&A dollars for full year 2026.

Our effective tax rate for the quarter was 11.5%, and our full year 2025 income tax rate was 13.8%. At this time, we are updating our forecast for the full year 2026 income tax rate from approximately 15% to between 14% and 15%.

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

Gerald Morgan

CEO & Executive Vice Chairman

Thanks, Michael. I want to take a moment to thank our guests and our operators for their continued support of our recent tinnitus fundraiser in honor of our founder, Kent Taylor. This year was our fifth annual event, and we raised over \$1.1 million to the American Tinnitus Association. We are proud to raise funds for research, education and awareness for this condition that impacts so many people.

Finally, 33 years ago, Kent opened the first Texas Roadhouse. While most milestone birthday celebrations end in a 0 or a 5, at our company, we believe 33 means something special. When we celebrate our birthday, we are also celebrating opportunity, growth and a commitment to operating at a high level. What started as Kent's dream on a napkin has grown to over 800 locations, 3 brands and more than 100,000 Roadies.

I'll close with a happy 33rd birthday to Texas Roadhouse and all of Roadie Nation. So on the count of 3, can I get a big yeehaw? One, two, three. Yeehaw.

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

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from David Palmer with Evercore ISI.

David Palmer

Evercore ISI Institutional Equities, Research Division

Congrats on a great year. I wanted to just squeeze 2 questions. And the one is just sort of about that fourth quarter and the fact that the sales slowed down in December, we heard in the industry that there was some weather dislocation in that month.

And so a lot of times in when a chain gets caught with slow sales late in the quarter, it's tough to adjust the labor and to sort of save the budget for the quarter, so to speak. And you did have a higher ratio of labor hours versus traffic than normal for you. So I suspect that was something you're not wanting to make excuses, but maybe you could speak to what sort of a drag that, that noise or even just the fact that, that happened late in the quarter might have had on your earnings that quarter.

And then I'm just wondering also bigger picture question is just the long term, when it comes to beef inflation, it feels weird this cycle where it's not getting better fast in terms of the number of battle head out there, and the demand is remaining strong. So it feels like the relief might not be as fast as it was the last time we saw one of these cycles.

And I'm just wondering if you're thinking, is there things that you could do besides have food costs get down to 34% to get back to 17% plus? I mean you talked about the handhelds, but is there anything that you're thinking about on the labor side and effectiveness there to really offset some -- what might be longer -- higher for longer on beef?

Michael Bailen

Head of Investor Relations

David, it's Michael. I appreciate the question. Hopefully, I can touch on all the topics. You are correct, for the fourth quarter, that labor hours ratio was 68%. For October and November, it was sub-50% and that slowed down. The entire industry saw in December certainly resulted in an elevated number there. I can tell you so far, in the first quarter, we are back to sub-40%. So that does feel like it was a little bit of an anomaly given the results from December. And again, December was impacted by both holiday shifts and weather. So for 2026, I think we believe that we can continue to run in that sub-50% level.

As far as beef inflation, yes, we're going to have that pressure here in '26, Far too early to start predicting what may happen in '27. But I think the industry would say that it will be certainly a little early to see the herd beginning to expand before late '27.

So in periods like this, we focus on the dollars and growing the top line, and that's what flows through. And certainly, more dollars can help you leverage labor, can help you leverage other operating. We're going to stay true to who we are, and that's really going to be our approach to the business.

Operator

Your next question comes from Andrew Charles with TD Cowen.

Andrew Charles

TD Cowen, Research Division

Maybe just first, just if you just quantify, if you can, the impact of [Fern] on the quarter-to-date, obviously, a very stellar number, but just curious with weather, how much that impacted it.

And my real question is really around now that you're focused -- now that you fully rolled out the digital kitchen. How does it allow you to go on offense in 2026? Can we expect more advertising around carryout, could a market test a third-party delivery potentially be something you're focused on? I'd love to learn more about now the digital kitchen is over, what this allows you to do?

Michael Bailen

Head of Investor Relations

Andrew, it's Michael. I'll certainly start with the question on Fern. It definitely -- on the first 7 weeks, it had about a 2.5% negative impact. Now we were lapping some weather from last year that offset some of that. So I would say the net impact of weather on the 7 weeks was about 1.5% negative for us.

And then when it relates to the digital kitchen, maybe I'll start there and see if anybody else wants to join in. Certainly, it has led to that calmer, quieter restaurant -- excuse me, kitchen experience. And I think it does free us up to do more to-go business. And I think we've seen that over the last several quarters. Don't know what else will change fundamentally about how we do the business. But I do believe that our operators know that it allows them to do some more to-go.

Gerald Morgan

CEO & Executive Vice Chairman

And Andrew, this is Jerry. I would tell you, we will continue to learn as we now have the whole concept on the digital kitchen, what all it can do for us other than create a very calm environment that our cooks are really enjoying and just how we execute in the back. So it will not lead us to looking at delivery service at this time.

Operator

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

Sara Senatore

BofA Securities, Research Division

Just, I guess, first housekeeping. Could you just let me know what price was for the quarter? And also, I know you talked about taking 1.9% in 2026, at least the first price. So can you -- what should we expect for pricing? What does that mean on a quarterly basis pricing looks like? And then I do have a question.

Michael Bailen

Head of Investor Relations

Yes, Sara, it's Michael. So we had 3.1% pricing for the fourth quarter. We'll have that same 3.1% here in the first quarter. And then with the [1.9%]rolling on, that means we'll have 3.6% in the menu for the second and third quarters before we have conversations about what we may do at the beginning of the fourth quarter.

Sara Senatore

BofA Securities, Research Division

Okay. Great. And then I guess, as I think about the sort of price cost dynamic, I know typically you price just for sort of structural changes. But I guess, as I think through the year ahead, I guess, is your sense that part of the reason the traffic growth has accelerated so much is because you've maintained your pricing kind of substantially below the competitive set?

Or I guess trying to understand like how you think about that elasticity because certainly, the quarter-to-date trends, again, including weather, were very impressive. Just a sort of philosophy as you think about the year ahead.

Gerald Morgan

CEO & Executive Vice Chairman

Thanks, Sara. This is Jerry. I'll start it off a little bit on the pricing. We continue to try to be very conservative. We believe that the full-service dining segment, we are still well underneath that. So we continue to have great conversations with our operators. We look at it from the lens of our guests and our business and our shareholders and try to find a solid balance. We also know beef is a challenge, and we will continue to look at it.

But we focus on a great experience, value in our menu that's built in throughout everything that we have. And it's been a great strategy. And I believe we don't skimp on any of our portions. We really focus on nothing has changed. All we try to do is get a little bit better for our guest experience.

Operator

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

James Salera

Stephens Inc., Research Division

I wanted to ask around tax refunds. There's been a lot of conversations around that potentially driving some incremental consumption, particularly in, I guess, more in the second quarter. Do you have any historical precedent for years where there's a larger-than-expected tax refunds? Do you see kind of an immediate flow through into the restaurants and more engagement? And if so, does that show up just purely in transactions? Or do you maybe see higher attachments? Any comments you could provide there would be helpful.

Michael Bailen

Head of Investor Relations

Jim, it's Michael. I would say historically, if the timing of the refunds moves around, I think we can see it a little bit in our numbers. So I do think refunds do have the potential to be a tailwind for us, whether this time around and who may be getting these refunds will result in a benefit for us to be determined. But typically, yes, when people are getting a larger than normal refund, I would say it may result in them looking to spend some of that.

Operator

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

David Tarantino

Robert W. Baird & Co. Incorporated, Research Division

Michael, just a clarification on the recent comp trends. Did you have a calendar impact in December from the shift of New Year's Eve? And if so, can you quantify the impact of that on Q4 and on Q1 quarter-to-date? And then I have a follow-up to that.

Michael Bailen

Head of Investor Relations

Yes, David, definitely, we had a negative impact from Christmas shifting and also the timing of our year-end. Those two on the quarter had about a little under -- when you combine in Halloween shifting as well, all of those had about a 1% negative impact on the fourth quarter. The first quarter -- or I'm sorry, the first 7 weeks is benefiting from having New Year's Eve in the first quarter, and that's had about a 1 -- a little over 1% benefit to our first quarter -- first 7 weeks, excuse me.

David Tarantino

Robert W. Baird & Co. Incorporated, Research Division

Great. That's helpful. So if I net all the impacts from the calendar and the weather, it does look like Q1 has accelerated pretty meaningfully on the traffic side. So I just wanted to get your thoughts on why that's occurred. I guess I know there's a lot of cross currents in the economy. But I guess what are your thoughts on what's driving the recent strength?

Gerald Morgan

CEO & Executive Vice Chairman

Well, thanks, David. This is Jerry. I do know there was some weather in that time line, but I really do believe that it's just about us operating at a high level. Our operators are out there hustling.

We're continuing to provide a great experience for the guest. And we benefited a little bit from some of that. It would be hard to measure exactly what it is, but I just think we're out there hustling, we're trying to make sure our employees have a great experience coming to work, and our guests are having a great experience dining with us, and we are very appreciative of their business.

Operator

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

Brian Harbour

Morgan Stanley, Research Division

Can you comment on just where you are with commodity contracting at this point? And then is your expectation that inflation in the first quarter could look similar to 4Q and then it sort of comes down ratably from there. Could you help us a little bit on that?

Michael Bailen*Head of Investor Relations*

Sure, Brian, it's Michael. I would -- as far as locked, we're certainly more locked our fixed price in the first half of the year, probably about 65% locked in first half of the year and only about 25% in the back half of the year, and that's probably not abnormal over the more recent years from that standpoint.

As far as the cadence of the commodity inflation, I would -- we mentioned that the first half of the year would be probably above our 7% guidance. I'd say within that, Q1 is probably in line with the guidance. And Q2 is probably where we expect to have our highest commodity inflation of the year, and that could be in the very high single-digit level. And then it should start to come down in the back half of the year.

Operator

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

Peter Saleh*BTIG, LLC, Research Division*

Great. Jerry, I wanted to ask real quick on the expanding test of the handheld ordering in 2026. I think you guys have been testing this for -- since 2024, I think it was in about 40 restaurants. So can you maybe a little bit talk about what you're seeing, how much this test will expand and what you expect to see?

And then, Michael, if you could just comment on the G&A and how that goes throughout the year? I think you said a low double-digit increase. So any details you could provide there would be helpful.

Gerald Morgan*CEO & Executive Vice Chairman*

Yes. Thanks, Peter. This is Jerry. On the handhelds, we are -- we did absolutely have a test out there. We have pulled back on it just a little bit to rewrite some software. We have had it in a store right before the holidays and learned a lot of things. We paused it for a minute. We now have it back in that store, and we've just got a couple of more tweaks to make before I think we can offer it up to the operators.

There's no doubt that the handheld and technology side of it doesn't make us a little bit quicker when it allows the server to take the order at the table to press send, and obviously, from an order accuracy standpoint. So there's a lot of things that we really like about it what we have to have is it to be reliable.

And so we're just working through a few more things. We'll continue to get it out there and test and then I think later on in the year, we should be ready to kind of offer it up for our operators to opt in if they want to do that. But we have made a lot of progress, and I feel good that a lot of focus on it right now.

Keith Humpich

Chief Accounting & Financial Services Officer

And Peter, this is Keith. On the G&A, I think we guided to low double-digit increases, and I think you can pretty much see that throughout the year, evenly throughout the year.

Operator

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

Jeffrey Farmer

Gordon Haskett Research Advisors

You did touch on it, but with all the moving pieces, how should we be thinking about the restaurant level margin for the full year 2026?

Michael Bailen

Head of Investor Relations

Jeff, this is Michael. Obviously, there are a lot of moving pieces. I would say with 7% commodity inflation and that's where we end up and with the pricing that we're talking about, taking and assuming that some of that, not all of it flows through the check, I think it's going to be a challenge to get leverage on the cost of sales line.

Now I do believe there is opportunity on the other components of restaurant margin, but that may not fully offset. So it is certainly possible that restaurant margin percents remain under pressure. But the restaurant margin dollars certainly have a path, both on an absolute and a dollar per store week basis to go higher, and that's really where more of our focus is right now during this cattle cycle.

Operator

Your next question comes from the line of Jeffrey Bernstein with Barclays.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Jerry, just curious your updated thoughts on Bob is, obviously, it's taking on a bigger role in the unit growth. And needless to say, when you're big brothers, Texas Roadhouse, your results probably won't look as good in the short term.

I'm wondering if you can, just because it is in a different category, do you think that one day, if you do the same focus on Bubba's that you do on Texas, it will have the same level of resilience that Texas has had or probably maybe in a different category in a different position where it will never achieve something similar? Just trying to get your sense on Bubba's outlook, obviously, you're accelerating that growth for the next few years, but how you vision that brand long term relative to Texas?

Gerald Morgan

CEO & Executive Vice Chairman

Thanks, Jeff. Yes, I mean, I see Bubba's. I really like to compare it to the competitive set that it goes in it. Obviously, 6.4 million average unit volume. We have a lot of confidence in what Bubba's is doing and who it's competing with. And so we are very excited about it. We've got a great team over there. We've got great people, great operators executing at a high level. So we continue to lean into it and how we can support Bubba's to be as successful as they can be and I am really proud of where we're at from that.

We have done a lot of great things getting some of the cost out of the building to make it a little more profitability or profitable for our operators as we go forward. We'll continue to look at ways to offset some of the inflation and other sides of it for that business. But yes, we'll ramp up the growth on it. We'll get to approximately 10 this year, and that's what's on schedule for the following year. And we believe that it will continue to add a lot of value to our company as we go forward from a sales and profit standpoint.

Operator

Your next question comes from the line of Jake Bartlett with Truist Securities.

Jake Bartlett

Truist Securities, Inc., Research Division

Mine is about mix, and there's 2 kind of mixes here that I want to ask about. One is on COGS. Your COGS have been higher than we would think or one would think given the pricing and the commodity inflation. You mentioned that's a shift towards stake. I think that differential increased in the fourth quarter. So the question is, what should we expect from that dynamic in '26? I mean is there a possibility that, that reverses out? Should we continue to expect maybe an increased pressure on COGS from that dynamic.

And then if I look at just a mix within check, it increased in the fourth quarter. So a little bit kind of confusing. Have that increased or get more negative yet the COGS impact getting bigger. So the question on mix, what is driving the negative mix within same-store sales? And should that continue? What are the dynamics there going into '26?

Michael Bailen

Head of Investor Relations

Thanks, Jake. This is Michael. First on that mix within our food cost, it was lower in the fourth quarter than it had been in the third. It probably was 30, maybe 35 basis points of pressure where it had been over 50 basis points in the third quarter.

From what we're seeing so far this year, it does seem like we have lapped a lot of that trade up to the state category. That doesn't mean that it couldn't reaccelerate. But right now, my assumption is maybe 10 to 15 basis points of pressure coming from that, call it, usage line within the cost of sales.

As far as the product mix, you are right, it did step up a little bit in the fourth quarter. And we saw that trend higher as we move through the last several months of the quarter. And some of that, I think, more of that came from the to-go side of it and the growth of our to-go putting a little bit of pressure, more pressure on that line. As I've looked at the beginning of this year, some of that pressure has abated, alcohol is still negative but not as negative as it was at any point last year.

So some encouraging signs within our mix. We continue within the dining room to see positive mix in entrees, appetizers, soft beverages mocktails. But when the to-go business is growing at a slightly faster rate and that comes with a lower average check, it does continue to put a little bit of pressure on mix.

Operator

Your next question comes from the line of Jacob Aiken-Phillips with Melius Research.

Jacob Aiken-Phillips*Melius Research LLC*

So I just wanted to ask about share gains. And you've shown super consistent traffic strength and peers have shown less so. I mean restaurants, food, fast casual, QSR, et cetera, what portion of the traffic outperformance do you view as structural share gains versus like people trading between channels or in and out? And how should we view that durability if the consumer weakens further?

Gerald Morgan*CEO & Executive Vice Chairman*

Yes. Jacob, I can start. I mean it's hard to predict all of that. I mean we open up our doors and we serve our guests and represent our communities all across America in the world. And I think the guest has to make a choice, and their choice is where do they get quality food, where they get great value and where do they get hospitality at a high level?

And I do believe that that's where we continue to win and that reputation that we have in the industry for consistently providing great service, great food and what we call legendary food and luxury service and that just resonates with our consumer. And they want to spend money, but they want to spend money where they're getting a great product with value. And I believe that's where we settled in nicely.

Operator

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

Dennis Geiger*UBS Investment Bank, Research Division*

Great. Welcome, Mike. Just wondering if you guys could break down that -- the G&A guidance, the G&A increase a bit more. Is that increase coming from? Is it a compensation dynamic? Is it related to the acquisitions? Anything more you could say there? And then, I guess, longer term, has anything changed on how you think about G&A beyond this year? I know you've kind of given some targets in the past for the long term as a percent basis.

Keith Humpich*Chief Accounting & Financial Services Officer*

Dennis, it's Keith. Thanks for the question. Yes. So in December, we completed our 2026 budget process that included finalizing our incentive plans for the year. So as part of that, we did increase our G&A forecast. And this was mainly due to the new long-term management equity grants that we announced in late December and then also some higher forecasted incentive compensation.

I can tell you that when we look at G&A as a percentage of sales, though, I think we see it coming in very similar and consistent to what our recent years have been, and we're comfortable with that level.

Operator

Your next question comes from the line of Andy Barish with Jefferies.

Andrew Barish

Jefferies LLC, Research Division

One question and a quick follow-up. Just can you give us a little better sense on sort of what the guest management software is potentially driving this year? Is it table yields or wait time quotes? Or how is that kind of up and running?

Gerald Morgan

CEO & Executive Vice Chairman

Thanks, Andy. This is Jerry. I think it helps in all categories. To be able to manage your floor plan with the amount of consumers that are on the wait list and for them to be able to navigate a little bit on their own to get on the wait list and allowing us to -- if folks aren't there. So there are so many components that can help us be faster, not only in managing how table turns work, how we get guests on the list, how we get them set and then how do we accurately quote them when we're on longer waits.

And we just went through a tremendous weekend over Valentine's Day and what a success. And I think it all contributes to the ability to handle that kind of volume. So we believe that there are so many things that you -- just little things that all add up to additional success. So it's about all I can share on that, but it's about really being bigger, faster and stronger and getting more people sat accurately from that standpoint. But thank you, Andy.

Andrew Barish

Jefferies LLC, Research Division

Yes. Very helpful. And then on the headquarters acquisition, is that -- I assume that's a benefit to G&A this year versus last, but maybe I'm thinking about it wrong.

Keith Humpich

Chief Accounting & Financial Services Officer

No, Andy, this is Keith. Yes, you are correct. It will definitely be a benefit for us this year.

Operator

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

Jon Tower

Citigroup Inc., Research Division

Jerry, just a quick question for you. The past year, 1.5 years or so, you focused a lot of -- some time on innovating around and focusing on beverage in the menu, I think mocktails, dirty sodas are a couple of things, and then having the \$5 draft on tap and messaging that to the guests. Is there anything else on your menu that you see today as an opportunity, either you're not currently -- it's not either on the menu today or it's something that's underperforming your internal expectations? Or anything you're hearing from your operators that says, hey, this would be a nice area we should be focusing more on?

Gerald Morgan

CEO & Executive Vice Chairman

Well, thanks, Jon. Yes, I think on the beverage side, I mean, obviously, mocktails have become very popular out there, dirty sodas, the 5-day \$5 all day every day. It is about the beer, but it's really also about that margarita and really, Roadhouse was built on ice cold beer and a legendary margarita. And having that \$5 10-ounce margarita back in the system has been really, really popular.

And on the food side, I mean, we're always looking at some innovative ideas in talking with our operators about trying different things, whether it be a menu item, whether it be the ability to add on a different kind of smother or even a sidekick of some sort. So we are constantly out there looking at things.

We have some things that are out there in test. We'll continue to monitor and look at them and make a decision down the road if we think it goes regionally or nationwide could be impactful.

So yes, we're constantly kind of testing and looking and talking with our operators about what we might look at on the menu. We don't have a lot that underperform at the level that they would be replaced. So it would be a tough one for us to take anything off. It really have to be a superstar to get added to it.

Operator

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

Andrew Strelzik

BMO Capital Markets Equity Research

Going back to the beef topic, and I appreciate some of the color you gave on the cattle cycle dynamics. There's been some optimism, I guess, around beef inflation easing at some point in '26 because of demand destruction at retail. So I guess I was curious if you've seen any evidence in any of the data that you've looked at or any of your discussions around that dynamic that maybe does offer a little bit of optimism as the year progresses.

Michael Bailen

Head of Investor Relations

Andrew, it's Michael. Thanks for the question. I mean I think we've certainly seen at retail some trade away from beef over the last several quarters to whether it be pork or chicken or other proteins. And so that has been in effect.

So the level that, that may or may not continue, it is hard for us to know. We aren't trying -- in our forecast, we aren't trying to predict what the demand side might be. So if there was a further, call it, demand destruction or trade away from beef, then maybe there is some potential for our numbers to come down.

But a lot of things to learn about there. What we do know is what's going on with the size of the herd and what that takes for a rebuild. So the demand will really play into how things fully play out.

Operator

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

Rahul Krotthapalli

JPMorgan Chase & Co, Research Division

Can you update us on the build cost inflation and how it is tracking at both Roadhouse and Bubba's and especially how you're thinking about cash-on-cash returns for both these concepts as we go forward?

And I have a follow-up on the company versus franchise mix. I've seen this slowly pick up over time from low 80s company mix to the high 80s we are currently. Is there a conscious goal to get to a certain level over time? Can you share some of your thoughts here?

Michael Bailen

Head of Investor Relations

Yes, sure. This is Michael. I'll start with the investment costs. So on the Roadhouse side, we are expecting our average all-in investment cost that includes 10x rent factor will be increasing to around \$8.9 million. We think we're around \$8.3 million to \$8.4 million here in 2025. Some of that increase is coming from higher rents. Certainly, it is not getting any cheaper to build a building. But we -- and we also have a handful of restaurants in California that we will be opening in '26 and that probably adds a few hundred thousand dollars to that cost for Roadhouse.

On the Bubba's side, the opposite is expected. We're expecting to see maybe a little more than \$0.5 million reduction in our investment costs going from around \$9 million down to \$8.5 million, \$8.4 million for 2026. We've done a lot of work on the building and getting the prototype to where we want it to be. And we also have a handful of conversions that we are going to be doing. So taking an existing building and turning it into a Bubba's. We've done 2 of those so far that have opened and definitely seen some cost savings by doing that. So we are hopeful and expecting that, that can continue with some more of these conversions.

And as far as returns, we look at it more as an IRR. We're targeting a mid-teen IRR for our new restaurants. And I'd say we are achieving or exceeding that expectation as an overall portfolio.

Operator

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

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

Most of mine have been asked, but just 2 nitpicks, if I could. Within the other OpEx line, I'm curious what you're seeing just from an underlying inflation perspective within that line? And any changes in the outlook related to utilities or other areas we should be mindful of? And on the acquisition of the 5 units for \$72 million, was there acquired real estate within that acquisition price?

Michael Bailen

Head of Investor Relations

Yes. Brian, I'll just start with the second one first. There is no acquired real estate within that acquisition price for those California stores.

As far as the other OpEx, I think, certainly, there is an expectation that utility costs will continue to go higher. But I do think there is still opportunity to get some -- potentially to get some leverage another op in 2026, probably low single-digit growth in dollars per store week is probably the best guidance I can give you. I don't think I have an inflationary percentage to throw out at this time. So we do think we're going to continue to see some cost pressures, but nothing other than utilities too out of the ordinary.

Operator

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

Gregory Francfort

Guggenheim Securities, LLC, Research Division

Maybe sticking with expenses, just labor inflation running under 3% this quarter. I guess is there anything that maybe there were less overtime hours just given the sales? Or I guess I'm trying to figure why that might ramp next year or, I guess, this year in '26?

Michael Bailen

Head of Investor Relations

Yes. I mean there are several components. We talk about wage and other inflation. And so the wage components, certainly, we have seen that trend down and stabilize, and that's kind of the expectation that we have into 2026. But we do think that there's still going to be some pressures on insurance costs and other components within labor that may be a little bit higher than what we saw in 2025. So we guided the 3% to 4% wage and other. I think the underlying wage component is probably down year-over-year and the overall could be a little bit down versus 2025.

Operator

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

James Sanderson

Northcoast Research Partners, LLC

I wanted to talk a little bit more about pricing. Given the 3.6% you'll have in the second quarter, how you see yourself positioned with respect to top competitors if you feel that your value gap is just as strong and compelling? And maybe if you have any consumer feedback about how the consumer perceives the brand on a value basis, if that's improving?

Gerald Morgan

CEO & Executive Vice Chairman

Thanks, Jim. Absolutely, we will keep our close eye on any conversation that comes up. But obviously, after these first 7 weeks as we continue to roll. But again, we're built on a conservative approach to pricing. We still believe we're well under our competitors and full-service dining average 12 months rolling. So we will continue to look at that.

But if we get feedback, we absolutely will consider and talk with that but we really feel like we've got such a great value, and we're continuing to operate at a high level, and that's the approach that we'll continue to take, and we feel great about it.

Operator

And that concludes our question-and-answer session. I will now turn the conference back over to Jerry Morgan for closing comments.

Gerald Morgan

CEO & Executive Vice Chairman

Thank you all for your time with us tonight. And to Roadie Nation, stay focused on high-level hospitality. Let's go to Roadhouse.

Operator

Ladies and gentlemen, that does conclude today's conference call. Thank you for your participation, and you may now disconnect.

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