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Q2: 2026-01-28 Earnings Summary

Insights



EPS of \$2.87 **beats by \$0.24** | Revenue of \$1.45B (6.92% Y/Y) **beats by \$39.21M**

Brinker International, Inc. ([EAT](#)) Q2 2026 Earnings Call January 28, 2026 10:00 AM EST

Company Participants

Kim Sanders - Vice President of Investor & Government Relations

Kevin Hochman - President, CEO & Director

Mika Ware - Executive VP & CFO

Conference Call Participants

Dennis Geiger - UBS Investment Bank, Research Division

Christopher O'Cull - Stifel, Nicolaus & Company, Incorporated, Research Division

David Palmer - Evercore ISI Institutional Equities, Research Division

John Ivankoe - JPMorgan Chase & Co, Research Division

Jeffrey Farmer - Gordon Haskett Research Advisors

Jon Tower - Citigroup Inc., Research Division

Brian Harbour - Morgan Stanley, Research Division

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

Eric Gonzalez - KeyBanc Capital Markets Inc., Research Division

Hyun Jin Cho - Goldman Sachs Group, Inc., Research Division

Sara Senatore - BofA Securities, Research Division

Jeffrey Bernstein - Barclays Bank PLC, Research Division

Andrew Strelzik - BMO Capital Markets Equity Research

Presentation

Operator

Good day, and welcome to the Brinker International's Q2 F '26 Earnings Call. [Operator Instructions] It is now my pleasure to turn the floor over to your host, Kim Sanders, Vice President of Investor Relations. Ma'am, the floor is yours.

Kim Sanders

Vice President of Investor & Government Relations

Thank you, Holly, and good morning, everyone, and thank you for joining us on today's call. Here with me today are Kevin Hochman, Chief Executive Officer and President of Brinker International and President of Chili's; and Mika Ware, Chief Financial Officer. Results for our second quarter were released earlier this morning and are available on our website at brinker.com. As usual, Kevin and Mika will first make prepared comments related to our strategic initiatives and operating performance.

Then we will open the call for your questions. Before beginning our comments, I would like to remind everyone of our safe harbor regarding forward-looking statements. During our call, management may discuss certain items which are not based entirely on historical facts, and such any such items should be considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

All such statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such risks and uncertainties include factors more completely described in this morning's press release and the company's filings with the SEC. And of course, on the call, we may refer to certain non-GAAP financial measures that management uses in its review of the business and believes will provide insight into the company's ongoing operations. And with that said, I will turn the call over to Kevin.

Kevin Hochman

President, CEO & Director

Thank you, Kim, and good morning, everyone. Thank you for joining us as we discuss our financial and operating performance for the second quarter as well as our outlook on the remainder of fiscal '26. Q2 Chili's same-store sales were plus 8.6%, outpacing the casual dining industry by 680 basis points. This strong result was rolling at plus 31% from last year for a 2-year cumulative comp of 43%. This was our 19th consecutive quarter of same-store sales growth with a 3-year cumulative comp of 50% and a 4-year comp of 62%.

The Chili's turnaround is real. It is sustaining, and we have no intentions of taking our foot off the gas, which means we will continue to be focused on improving our food service and atmosphere as well as continue making Chili's more fun, easier and more rewarding for our team members. Q2 results were driven by our world-class marketing and brand building that brought guests in and continued improvements in food service and atmosphere that brought guests back.

Now I'll give some updates on the Chili's business. We talked last quarter about the need to bring back our Skillet Queso based on guest feedback. That reintroduction has been successful. We are now selling 20% more Southwestern Queso and the original Skillet Queso versus the prior 2 Queso lineup. In addition, our relaunched nachos featuring our signature Chicken Bacon and House-Made Ranch is now 170% bigger business than the previous nachos with guests loving our new nachos.

We have also completed our bacon upgrade to thicker bacon strips and our Bacon Cheeseburger upgrade, which now features triple the bacon in the prior burger. That bacon burger upgrade is doing 43% more sales than the prior bacon burger. What's important to take away from these examples is as we upgrade the menu offerings while attracting a new generation of guests, we continue to build bigger, sustainable sales layers in the business.

Over the past 3 years, we have had success with these menu renovations, crispers, margaritas, burgers, ribs, Frozen Margs and now Queso and nachos with more segments still ahead of us to upgrade. Next on our list is our super premium chicken sandwich lineup, which will launch chain-wide in April with a substantial advertising campaign. Chicken sandwiches is a very large market with over 80% of people buying them at least once last year and is by far the biggest segment of all restaurant chicken servings.

It has the potential to drive customer traffic, both with new and existing guests. We believe our new chicken sandwich lineup is superior, distinctly on brand and highly differentiated than what is in the market today. Bold signature flavors is unique to Chili's, terrific value with abundance and a traffic-driving opening price point within a 3-tier lineup. We'll also be advertising in a big way, leveraging that sharp price point to drive awareness and traffic.

The sandwich lineup has done exceptionally well from a mix standpoint in merchandising-only test in 200 restaurants, and we expect even bigger numbers when we launch nationally in April with advertising and earned media attention. From an operations perspective, we've also made great progress in Q2. We successfully eliminated a net total of 6 menu items, which will continue to make it easier for our teams to serve hot, delicious food more consistently.

One of the keys to our success has been staying disciplined on food innovation, which means avoiding launching food limited time offerings. This allows us to focus our efforts to improve our core offerings, simplify operations and keep field leader attention on ops fundamentals like hospitality and great food. Avoiding limited time offer distractions to maintain efforts on the core business has continued to drive guest scores. The daily metric we measure, guests with a problem or GWAP, improved to 2.1% versus 2.9% for Q2 last year.

For perspective, when we started the turnaround journey over 3 years ago, we were at about 5% and has been consistently getting better every quarter as we keep hitting on different fundamentals in the business. We are also now seeing real movement in syndicated external guest perception metrics, which allow us to track not just progress against ourselves, but even more importantly, how we are improving versus our competitive set.

When we started this turnaround, third-party syndicated data places at the bottom or near the bottom of our competitive set in all 7 of their key metrics that correlate to future sales growth. In the last quarterly snapshot of these metrics, Chili's is now in the top 3 of all those metrics, quality, value, service, atmosphere, taste, cleanliness and overall experience. Yes, there's still room for meaningful gains, but our guest experience progress through our operational improvements is very encouraging.

The other important takeaway from this data is where we have repositioned ourselves on value, which allows us a long runway for growth. In the past 3 years, we have captured value leadership in casual dining and the broader restaurant industry. And while we earn that leadership value position, we were also able to improve restaurant operating margins from 11% to 18%, while baking in hundreds of millions of dollars of guest experience investments into the going 4-wall economics.

The brand repositioning and operational improvements have delivered big results. Chili's was the #1 traffic brand in casual dining for the entire 2025 year. And what's even more encouraging is Black Box data is telling us our per person check average is still more than \$3 less than our direct casual dining competitors and more than \$4 less than casual dining as a whole. Simply put, Chili's has been repositioned to win for the long term, and that's exactly what this team is going to do.

On the Maggiano's business, we are making progress on the turnaround pillars of food, service and atmosphere I talked about last quarter. Based on guest feedback, we brought back Gigi's Butter Cake, Eggplant Parmesan, Baked Ziti and classic Meat Sauce. On the value front, we've also increased pasta portions by 20% and have up portions on select other dishes that had opportunities, including our meatball dishes, salads, Stuffed Shells and Crispy Mozzarella.

As a result of bigger portions, value scores have improved in the past few months. We did see some sequential improvement in the business during the quarter and sales beat our internal expectations for the first time in a while. Still lots of work ahead of us on service atmosphere and team culture, but these are encouraging green shoots and small wins. Maggiano's is now only 8% of our company sales and 3% of our profit contribution, but it can be a source of growth in the future given the white space opportunities.

This is why improving 4-wall economics of the brand and getting momentum back into the business is important. Q2 marked another exceptionally strong quarter for Chili's with continued progress in food service and atmosphere, guest experience improvements, world-class marketing, a repositioned relevant and distinctive Chili's brand and our value leadership sets us up for continued market share gains and a long run of profitable growth.

We rolled big results from Q2 last year with more big results this year, and that's proof that the strategy is working and that it's sustainable. Lastly, I want to recognize our restaurant teams, and our home office teams for quickly responding to Winter Storm Fern. I know many of us on this call view the storm through a lens of what it will do to sales or earnings, but on the ground, it's a whole lot more than that. Our restaurant teams have done an excellent job overcoming the challenges of the storm to reopen safely and quickly.

Our field facilities teams are working tirelessly on restaurant repairs that are needed, and our restaurant support center has been incredibly responsive getting restaurants what they need. Hats off to our VPOs, our directors of operations, our managers, our team members and our restaurant support center for all that you do to overcome challenges like these. Now I'll hand the call over to Mika to walk you through fiscal '26 second quarter numbers. Go ahead, Mika.

Mika Ware*Executive VP & CFO*

Thank you, Kevin, and good morning. Brinker successfully comped the comp, delivering another quarter of positive same-store sales growth, led by 8.6% growth at Chili's, lapping a 31.4% increase from the prior year. With fiscal '26 more than halfway complete, we expect to achieve our fifth consecutive year of same-store sales growth and second consecutive year of traffic gains, demonstrating our continued momentum and sustained growth.

We have grown our customer base by leaning into our everyday industry-leading value, core menu improvements and marketing initiatives to position us well in a competitive and challenging environment. And by focusing on the fundamentals of food, service, and atmosphere, we continue to improve operations, bring guests back and deliver consistent positive growth. For the second quarter, Brinker reported total revenues of \$1.45 billion, an increase of 7% over the prior year, with consolidated comp sales of positive 7.5%.

Our adjusted diluted EPS for the quarter was \$2.87, up from \$2.80 last year. Chili's top line sales growth was driven by price of 4.4%, positive traffic of 2.7% and positive mix of 1.5%. These results were bolstered by the continued success of our Margarita of the Month program, which performed well during all months of the quarter. Notably, we exceeded our expectations in November with what guests in the media coined the Wicked Margaritas, which sold approximately 1.5 million more drinks than a typical Margarita of the Month.

Another call out for the quarter, Christmas Day traded out of the second quarter into the third quarter, resulting in a favorable comp sales impact of 1.2%. Turning to Maggiano's, the brand reported comp sales for the quarter of negative 2.4%. As Kevin mentioned, we saw some encouraging progress as the team executes on its back to Maggiano's strategy, which is designed to improve our value proposition, optimize our service model and ensure atmosphere is clean and well maintained.

At the Brinker level, restaurant operating margin was 18.8% compared to 19.1% in the prior year, a 30 basis points decrease year-over-year, mainly due to Maggiano's sales deleverage and the additional investments needed to help improve that business. However, at Chili's, we saw a 40-basis point increase in restaurant operating margin year-over-year, mainly due to sales leverage, partially offset by incremental investments in labor and advertising and higher health and workers' compensation insurance costs due to increased restaurant headcount.

Food and beverage for the quarter were unfavorable by 20 basis points year-over-year due to unfavorable menu mix with 0.8% commodity inflation offset by price. Labor for the quarter was favorable 30 basis points year-over-year. Top line sales growth offset additional investments in labor, higher health insurance costs and wage rate inflation of approximately 3.3%. Advertising expenses for the quarter were 2.9% of sales and increased 40 basis points year-over-year due to additional weeks on TV.

G&A for the quarter came in at 4.1% of total revenues, 20 basis points higher than prior year due to increased restaurant support -- restaurant center support resources, partially offset by sales leverage. Depreciation and amortization for the quarter came in at 3.8% of total revenues and increased 30 basis points year-over-year due to an increase in our asset base from equipment purchases, partially offset by sales leverage. Second quarter adjusted EBITDA was approximately \$223.5 million, a 3.6% increase from prior year.

The adjusted tax rate for the quarter increased to 18.8%, mainly driven by higher profits, which increased at a greater rate than the offset generated by the FICA tax Tip Credit. Capital expenditures for the quarter were approximately \$63.7 million, driven by capital maintenance spend. As discussed, in 2026, we started our reimage program for Chili's. We just completed our first 4 reimages and we'll use the learnings to inform our long-term reimage and new unit growth strategy.

We expect to complete another 8 to 10 reimages during the balance of this fiscal year before ramping up to 60 to 80 reimages in fiscal 2027. We expect to fully roll out both our reimage and new unit growth programs during fiscal 2028. At Maggiano's, our main focus areas will be guest-facing repairs and maintenance, and a smaller scope reimage program. Our strong free cash flow provides sufficient liquidity to maintain our disciplined capital allocation strategy, allowing us to invest in our restaurants and return excess cash to shareholders.

In the second quarter, we also repurchased an additional \$100 million of common stock under our share repurchase program to support our ongoing commitment to returning capital to shareholders. In terms of our expectations for the balance of the year, as noted in this morning's press release, we're raising our fiscal 2026 guidance, which includes annual revenues in the range of \$5.76 billion to \$5.83 billion, adjusted diluted EPS in the range of \$10.45 to \$10.85, capital expenditures in the range of \$250 million to \$260 million and weighted average shares in the range of 44.7 million to 45.2 million.

This guidance also includes the negative impact from closures caused by Winter Storm Fern through Tuesday, January 27, which includes approximately \$20 million in reduced revenues and a decrease of \$0.15 in adjusted diluted EPS. Prior to the storm, Chili's comps, including the negative holiday flip, were running solidly in the mid-single-digit range, giving us a good glimpse into the health of the base business. Once we get through the negative impacts of the weather, we expect Chili's same-store sales to return to the mid-single-digit range.

Additional assumptions underlying our guidance largely remain unchanged. We still anticipate wage inflation in the low single digits and our tax rate to be approximately 19%. Our commodity inflation is now anticipated to be in the low single digits for the fiscal year due to the removal of Brazil-based ground beef tariffs this past quarter and better-than-expected poultry and dairy commodity prices. However, due to rising beef prices, we still expect mid-single-digit inflation for the back half of the year.

We remain confident our plans will enable us to lap the upcoming quarters and continue to significantly outperform the industry on sales and traffic at Chili's. In summary, our second quarter results reflect the continued strength of our strategy. Chili's industry-leading everyday value continues to deliver for the guest, not only on overall price, but also on overall experience. As we look ahead, we remain focused on delivering sustainable long-term growth.

Our continued momentum and plans for the remainder of this fiscal year give me confidence in our ability to deliver on expectations and our strong financial position will allow us to continue to invest in the business and return cash to shareholders, unlocking future growth potential. With our comments now complete, I will turn the call back over to Holly to moderate questions. Holly?

Question-and-Answer Session

Operator

[Operator Instructions] Your first question for today is from Dennis Geiger with UBS.

Dennis Geiger

UBS Investment Bank, Research Division

Congrats on the strong results. First, I just wanted to ask a little bit more on contributors to the strong traffic and sales growth in the quarter. You gave a lot of color. Beyond the Margarita campaign, just curious if any other notable shifts in contributors as we think about 3 For Me and where that was mixing, Triple Dipper mix, et cetera. Anything to call out there?

Mika Ware

Executive VP & CFO

You know, I'll start, Kevin -- go ahead.

Kevin Hochman

President, CEO & Director

Go ahead, Mika. Sorry, we're in different locations because of the ice storm. But go ahead, Mika.

Mika Ware

Executive VP & CFO

I'll start with some of the things, and Kevin, you can fill in some color. So as we've talked and we've guided all year, our pricing has been very stable kind of right in the middle of that 3% to 5% range. What I will say on mix is, yes, we were very, very happy with the performance of the Margarita of the Month. But overall, our mix was still positive. That was driven not only by the margaritas, but continued success in Triple Dippers.

They were up still year-over-year, even lapping the big numbers from prior year and some appetizer sales with the new Quesos out. So we're not seeing any huge changes. We're still really happy with how our menu is performing, how our sales are going. And again, our traffic, we were very pleased with the traffic. Throughout the quarter, we had positive traffic that before the storm was continuing on. So nothing huge, Dennis, that changed. Kevin, if you want to add in some color to that.

Kevin Hochman

President, CEO & Director

Yes. I was going to say the same thing with a little bit different angle. It's just more of the same. So we continue to streamline the menu. We continue to improve operations and make the needed investments to improve the overall guest experience. And then we see that in the internal metrics, and then that allows us to both attract new guests with things like the 3 For Me and the Margarita of the Month program that we did really well in November and December, but then also allow us to retain existing guests. So we don't see any frequency changes.

So we don't see frequency changes in existing guests, and we keep bringing new guests in and they start looking like existing guests pretty quickly in terms of frequency, that's how you sustainably grow over time. So like I shared the GWAP metric, guests with a problem continue to hit record lows. Our food grade scores went from 68% last year in Q2 to 74% this year. We also saw quarter-on-quarter improvements in food grade and same thing with intent to return was 72% last year, it's almost 78% this year. So you just look across the board, the internal metrics continue to get better.

And this is why I keep saying as long as we keep focusing on the fundamentals of casual dining, and we are honestly looking in the mirror saying, are we going to be better this year than last year, and we continue to have this world-class marketing, there's no reason why the comp won't continue to grow. So we're just going to -- it's going to be kind of a boring quarter when we say there are new drivers, and it's like, well, they're not new drivers, but there are new things we're doing to drive those drivers. And I couldn't be more proud of the team.

Dennis Geiger*UBS Investment Bank, Research Division*

Great. Appreciate it, guys. And just one more. You guys both gave good color on sort of back half of the year revenue and comp expectations. And I think talked about a strong quarter-to-date even with a calendar shift pressure, I believe. Anything else on kind of the back half of the year as it relates to top line expectations? Anything embedded from a stimulus tax rebate perspective? Or Kevin, anything else to share on some of those big levers, which sound exciting for the back half of the year?

Mika Ware*Executive VP & CFO*

Yes, Dennis, so let me kind of talk about that. So we, like Kevin said, expect more of the same. So we're forecasting for Chili's solid mid-single-digit comps for the back half of the year. We've talked about pricing. I think, again, mix may moderate a little bit in the back half of the year just as we continue to lap those really big Triple Dipper numbers.

And then traffic, what I would say is prior to the storm, we would have expected traffic positive in both Q3 and Q4. We may have a little pressure with the storm and the holiday flip on traffic just because of those 2 events. It could be flat to slightly negative traffic in Q3, but we expect positive traffic in Q4. So really, it's more of the same, but that's some of the detailed color into what we expect the same-store sales to do over time.

Operator

Your next question is from Chris O'Cull with Stifel.

Christopher O'Cull*Stifel, Nicolaus & Company, Incorporated, Research Division*

Mika, I just want to follow up on that last question. Can you just maybe elaborate on, or level set us on the comp cadence that's embedded into the back half of the year guidance?

Mika Ware*Executive VP & CFO*

Yes. No, it's going to be pretty steady as we go. So January will have the storm and the holiday flip. But after that, I expect it to be very steady mid-single digits. There's not a lot of flips in and out, and the quarters will be very similar to each other is what we expect.

Christopher O'Cull*Stifel, Nicolaus & Company, Incorporated, Research Division*

Okay. Perfect. And then, Kevin, you guys have successfully used the \$10.99 anchor to drive the 43% 2-year comp. But the barbell strategy relies on guests eventually, I would think, trading up to premium items like the Triple Dipper and then maybe the new ribs. But as you lap these massive traffic gains, how do you prevent the \$10.99 price point from becoming a structural ceiling on the pricing power? Is there any long-term risk that you're training your most loyal new guests or your new guest, I guess, to never leave that price point?

Kevin Hochman*President, CEO & Director*

Yes. Well, it's something we've talked about for several years now. It's very important for our team to have offerings for all guests because if too much mix gets into the \$10.99 price point, obviously, the math doesn't continue the math. So one of the first thing that we do is we have what we call the barbell strategy, which we've talked about, which is we have good, better, best price tiers because not every guest wants the cheapest thing on the menu, some want different benefits or different features and the things that they buy.

So like when we launch the chicken sandwich, the relaunch of the chicken sandwich, it's not just going to be a hot opening price point that we advertise on TV. We're going to have chicken sandwich with benefits. We're going to have more premium chicken sandwiches that can take you all the way up to the highest tiers, and then we're going to continue to manage that. So the outcome when you do this is that you keep the \$10.99 sales mix constant.

You don't let it grow too much because that's when the margins can get out of whack. So as long as we continue to bring innovation, not just at the \$10.99 price point, but at other price points that we keep other parts of the menu interesting and we hold the mix on all those parts of the menu, we shouldn't have any issue continuing to advertise \$10.99. Now 5 years from now, I know we might be in a different position. It's hard to predict how -- what will happen with COGS inflation, et cetera.

But because we have such a varied menu and we've done a really good job merchandising and we continue to innovate on higher tiers like ribs and margaritas, et cetera, we're continuing to drive people into that mix. We don't see -- we don't have like specifics of detail. We don't see, in general, a lot of trading up and down the menu. So people kind of gravitate to what they want to gravitate to, and they stick with it.

So like the 3 For Me consumer tends to come more often. They actually spend more over the course of the year because they come more often versus higher-priced guests. They don't come as often, but they're worth a lot to us because they spend more when they're there. So -- but like -- I get asked a lot of questions about our people bounce all over the menu, and you just don't see that much of that.

Christopher O'Cull

Stifel, Nicolaus & Company, Incorporated, Research Division

Makes sense. Congrats on the great quarter, guys.

Operator

Your next question for today is from David Palmer with Evercore ISI.

David Palmer

Evercore ISI Institutional Equities, Research Division

I had a question on the reimaging. Is there any one of the prototypes that you're testing that is emerging as the most exciting, perhaps the one that you feel like has a very good odds of being the go-to-market option that can be rolled out quickly and with significant sales lifts? And if so, what can you tell us about the learnings from the reimaging?

Kevin Hochman

President, CEO & Director

David, thanks for the question. So there's 2 reasons why we're doing these first 4. One is to understand the levels of investment and which ones make the most sense. And then the second is to get operational learnings so that we don't make -- if there's any mistakes in the first, we don't make them as we roll them out to the balance of the system. And obviously, we'll continue to learn beyond just these first 4.

The first thing I would tell you is the guests, and the team members absolutely love all 4 of the reimage units. And there's a lot of clarity in our system to get that across the system. So that's good. It's too early to declare victory on sales lifts. The initial results look pretty good. We're pretty excited about that. But it's nothing that we would publish and that you could take to the bank. Obviously, we want to understand more and look at test versus control and all that good stuff.

So overall, the first thing is they look like completely different restaurants. And when all of you guys are here for our Investor Day later in the year, you'll be able to tour them. So we'll make sure we spend time where you can see them firsthand, those first 4 and get your eyes on them and see that's a marked difference. I mean basically, the comment I typically hear from the managers is like we have a new restaurant, which is really cool to hear because these are really old restaurants that haven't been touched a while.

The second thing that we've learned is that -- so each of the 4 have different elements to them. And the good news is the one that has actually the lowest cost is the one that everybody is gravitating towards is the best. So some of the ones that cost a little bit more, they had a little too much done on the inside and they're a little too busy. So we're learning like, hey, less is more in some of the interior units. But things like the bar part of the reimage has been phenomenal.

I mean it literally just makes the whole building feel different, not just the bar area that creates an energy and a vibe. And it is distinctly Chili's. I mean you go in and you're like, wow, it feels like I'm back in Chili's when it first started, but in a modern way. So that's the second thing we're learning is that we probably don't need all the bells and whistles. Like, for example, a couple of the restaurants have these oversized margarita shakers that we actually pulled from the old, old Chili's.

And it's something that just feels like it's clutter, it's not really adding versus some of the tile tables that we've added and some of the cheaper frills actually make a bigger impact. So we're going to be obviously focused on the things that make the biggest impact for the lowest cost. So that's a good learning. And then lastly, we're learning a lot about the operational opportunities with rolling them out. So for example, we're learning there's just a lot of extra dust and a lot of extra work that's coming in that construction.

So we got to do a better job of like masking and taping and tarping, and those are important things to know as we roll out further. We're learning about some of the tile work that we're putting by the bar is actually not needed and it adds additional expense that's not needed. So just using the tiles on the tabletops, on the exterior and on the size of the bar, but not the floor of the bar is making the maximum impact. And then we're also learning about some of the operational opportunities.

So like, for example, we're bringing back tile tables, but we're doing it in a smart way where they're much easier to clean. So like the old tile tables that were so cool are really difficult to clean the grout in between the tiles. And so we're basically doing is a printed tile table that looks 3-dimensional but then has an acrylic top on top of it. We're finding that those are a little hard to clean, not the tile, but because that's printed unit, but the actual plastic is starting to buckle under the heat of skillets.

So that's an example where we're just going to spend a little bit more time getting the right tabletop on that. So that's what we're learning from it. It's both operationally, how do we make sure it is sound. And then two, what is the right investments. But I will tell you, we are extremely bullish about this, and we can't wait for you guys to see what we've done.

Operator

Your next question is from John Ivankoe with JPMorgan.

John Ivankoe

JPMorgan Chase & Co, Research Division

It's actually a follow-up on the previous question. In terms of the remodels, which obviously you're planning to accelerate into '27, I think you said 60 to 80 but correct me on that. With potential further acceleration into...

Mika Ware

Executive VP & CFO

John, you're cutting out.

Operator

Looks like his line dropped. We'll take our next question from Jeff Farmer.

Jeffrey Farmer*Gordon Haskett Research Advisors*

Just cutting through the weather and all the calendar shifts that the industry is facing, what is your read on casual dining segment trends in December and January? So ultimately, I'm trying to ask you guys if you think the demand backdrop is stable? Is it softening? Is it improving? Any color there would be helpful.

Kevin Hochman*President, CEO & Director*

Well, it's just like what you guys are seeing, it's mixed, right? Like December was tougher for the industry, but then January looked really good and then the weather hit, which kind of stopped that trend. So -- I mean, candidly, it's a lot of mixed signals. What I've told our team is just continuing to focus on the things that we can control, which is food service and atmosphere, whether the economy gets better and the consumer gets better or worse, having a better experience is going to win trips, which is what's happened in the last couple of years for our business.

So if the macro gets better, that will be more tailwind for us. If the macro doesn't get better, we're going to continue to steal market share from those that aren't improving their food service and atmosphere. So -- but to answer your question directly, December didn't look great. January looked better. Weather stopped everything. We'll see what happens when we get out of -- fully out of the weather, whether the strength that we saw in January restarts. So -- but it's similar to what you're seeing.

Jeffrey Farmer*Gordon Haskett Research Advisors*

Okay. And then, Mika, with the updated guidance, can you just sort of level set us on the restaurant level margin and G&A as a percent of revenue expectation for fiscal '26?

Mika Ware*Executive VP & CFO*

Sure. So looking out into the back half of the year, what I would say is our restaurant level margin will probably decrease a little bit in the back half versus what we posted in P2 (sic) [Q2]. And really, it's the line I think everyone should look at is make sure the cost of sales line is going to be pretty similar to what you saw in Q2, maybe a little bit higher. I talked about the kind of influx in commodity pricing in the back half.

That also -- that mid-single digit includes some of those investments we've made in things like bacon and ribs and some better cut chicken. But with that being said, they're going to be phenomenal margins in the back half, very steady, similar to what you saw in Q, maybe just a little bit less as some -- as we kind of wash through some of those lap's year-over-year.

Jeffrey Farmer

Gordon Haskett Research Advisors

And then G&A real quick?

Mika Ware

Executive VP & CFO

G&A is going to be very similar to what you saw. We are 4.1% of total revenues in Q2. I expect similar numbers as you move through the fiscal year. Very similar to what you saw in Q2.

Operator

Your next question is from John Ivankoe with JPMorgan.

John Ivankoe

JPMorgan Chase & Co, Research Division

Can you hear me?

Mika Ware

Executive VP & CFO

We can now.

John Ivankoe

JPMorgan Chase & Co, Research Division

All right. Super. You are talking about travel disruptions. I'm doing this from the airport, ask this big, long question and I was literally just talking to myself. So thank you for the patience on this. So the question is actually a follow-up to the remodel question. Obviously, remodel is an important part of the Chili's business. And I think I heard you say, and correct me if I'm wrong, that you're planning 60 to 80 remodels in '27 with a further...

Operator

Looks like we dropped his line again. We'll move on to John Tower with Citi.

Jon Tower

Citigroup Inc., Research Division

Just a couple, if I may. Maybe starting off, I know obviously, you're launching [Technical Difficulty] in the chicken group in April with advertising. I believe there's a soft launch now or soon in stores. But curious if you're attacking the marketing side of the equation any bit differently than what you've done with the previous 2 product launches on 3 For Me, the 2 burgers. I know it's -- you don't want to -- if it's not broke, you might not [Technical Difficulty] but is there a different tack you might be taking this go around?

Kevin Hochman

President, CEO & Director

Well, we think that high prices are more relevant than ever. So every time we think we're -- the consumer is going to get bored of our messaging, like this keeps coming back up in social media and in the zeitgeist. So -- and I think you guys see it all the time that consumers are really frustrated with high pricing in lots of different areas, not just restaurants. And so the idea of continuing to attack that head on with unbeatable value and abundance continues to win for us. So there's no reason why we would change that.

Jon Tower

Citigroup Inc., Research Division

Got it. And then just maybe shifting to the store-level employees and specifically thinking about incentives over time. Obviously, you have a fairly ambitious goal to get to roughly \$6 million AUVs across the Chili's store base over time. I'm just curious how you're thinking about store level incentives for the managers and where they sit today versus where you might optimally see them going over time?

Kevin Hochman

President, CEO & Director

Yes. It's something we talk about a lot. We look at like the best-in-class competitor and they are masters at ownership at the general manager level. And part of that is their incentive structure. They do other things, too, that we're obviously studying. And right now, we're in the camp of let's get our managers trained so they can be true owners of the business. For years, we started pulling things off of their P&L in effort to make their bonuses more fair and control more of what happens in the restaurant.

And we've got to unravel some of that so that they actually understand the P&L, understand the areas that they can improve their bottom line and their top line and then start rewarding for them once they're trained and have the tools to do that. So the first step has been, #1, we're launching a new P&L tool as part of our overall Oracle upgrade. That's done, and they've been trained on that.

Secondly, we're teaching the principles of extreme ownership to our managers. We started with our directors of operation and above, and now we've been rolling that out over to the general managers and the management team inside the restaurants. We're going to do that for at least a year, maybe even a little bit longer before we actually change the incentive structure.

I do anticipate that we will change the -- some of the long-term -- I'm sorry, some of the bonus structure for the directors and above before that. So we'll try to roll that out to the directors first and make sure that we got their buy and their understanding before we would ever go to the manager level. But we're at least 1 to 2 years out from actually changing the incentive structure of the managers.

Operator

Your next question is from John Ivankoe.

John Ivankoe

JPMorgan Chase & Co, Research Division

Okay. We're blaming this on the ice storm. So I'm in the airport, and this one is not going to drop. So the question was on remodels. Remodel is obviously a very important part of your story in '27, '28. I think I heard you say 60 to 80 remodels in '27, followed by a greater increase in '28. So just confirm that. And secondly, as we think about new unit development into '28 and beyond, I mean, that is something that you're planning to accelerate in the Chili's business in '28.

And I'm not going to ask you for TAM at this point on this conference call, but what are we thinking in terms of percent unit growth that's kind of right for the Chili's brand at this part of the brand's life cycle in '28 that maybe can be established for a long term. And Mika, you know where I'm getting with this question is how we should just think about broad capital intensity of the business in '27 and '28 as this is such an important part of our model.

Mika Ware

Executive VP & CFO

Yes. So John, let me start with a lot of pieces to your question. First, yes, I'll confirm we want to ramp up in '27 -- fiscal '27 with the 60 to 80 is our current plan. And then the goal in '28 is to get to about 10% of the system, which would get us a little bit over 100%. So you did hear that right and we're very excited about it. Okay, on the new unit growth. And so what I would say is next year, we -- this year has been pretty flat with what we've opened versus what we've -- some of the leases expiring, et cetera, what we've closed.

Next year, you're not going to see that much of a bump because remember, it's an 18- to 24-month cycle. So that's from 2 years ago when we weren't really leaning into new units. But what I can tell you, with all the progress we've made on building the team and all of the sites that we have at the front end of the funnel that we're putting in, I do feel like you're going to see a significant difference in F '28 in the new units that we're able to post for that year. So that is correct.

We haven't communicated an exact target of new unit growth. But it will be in the low single digits, I would say, is something that could be in the realm of expectations for what we can do. So again, that will be something that we go into more detail on when we get to that Investor Day and talk about what we think the universe of Chili's could be, what we think that new unit growth cadence will be over time.

But we do know that we can build more Chili's, and we're really excited about it, especially with the change in the business. The areas of opportunities have opened up for us because our business is so much stronger on where we can build in different areas, different locations. We've learned a ton. So we're really excited about it as we move forward. So I hope that's helpful.

John Ivankoe

JPMorgan Chase & Co, Research Division

It is. And I guess as we're thinking at this point, I mean, do we think that there might be an opportunity long, long term to maybe double the Chili's brand relative to what it is? Or am I may be getting ahead of myself in kind of the question is just thinking about what this brand can be now that it has the returns, the permission, the capital to once again start to expand this footprint again.

Mika Ware

Executive VP & CFO

Yes. Again, no, I don't know that we're ready to say the numbers. I think double is quite aggressive. But yes, we think we can build more Chili's and again, more to come. The great news is the company has plenty of capital available to do it, too. So that's not a constraint for us to continue to invest in the business and return to the shareholders. So we feel really good about our capital allocation strategy over time and our ability to invest back in the new unit growth and grow some profitable Chili's.

John Ivankoe

JPMorgan Chase & Co, Research Division

Well, I'm really looking forward to the event for you guys to highlight all of your opportunities, so look forward to that.

Operator

Your next question is from Brian Harbour with Morgan Stanley.

Brian Harbour

Morgan Stanley, Research Division

Mika, just so I'm clear on the food cost comments. Are you saying sort of tariffs is helpful, but look, there's some other things that sort of offset that. So you say you're not really changing your outlook for commodities.

Mika Ware

Executive VP & CFO

Yes. No, my outlook for commodities, we did have favorability in the tariffs. So it is more favorable than it was last quarter. But what I'm saying is I'm reiterating that the back half of the year is going to be in that mid-single digit. That does include some of the investments we've made in things such as ribs and bacon. We made some investments in poultry. And so we're -- I'm just trying to level set everybody on commodities have looked pretty favorable in the front half.

In the back half, it will be that mid-single digit. And then to help guide people on what does that mean, I was just trying to say, hey, you've seen our food and beverage cost in quarter 2. I think we'll have a similar number in quarter 3 as we move forward. So just trying to help people kind of understand what would that turn into within 10 to 20 basis points.

Brian Harbour

Morgan Stanley, Research Division

Okay. Got it. And with sort of the chicken sandwich revamp, did you change any of the timing at all on sort of the soft launches that still as expected? Are you -- is it fair to say you're not kind of giving yourselves credit for that in your revenue comments? Or you sort of just view it as one of the drivers that have been ongoing?

Kevin Hochman

President, CEO & Director

Go ahead, Mika.

Mika Ware

Executive VP & CFO

I would just say the chicken sandwich, what's in the guidance is we have it in over 200 restaurants now where we're getting all the learnings. The real launch will be late in April, and that's when we'll go on TV. And that's really critical for the chicken sandwich because this is about driving traffic with a very appealing product that we have. And so that's the timing that's built into the guidance that we gave. Kevin, you can give more color on that.

Kevin Hochman

President, CEO & Director

Yes. I mean the thing to understand is in the 200 restaurants, when you don't advertise it, you're just basically going to be moving mix. You might get a little bit of repeat, but if it's only a 3- or 4-month period, it's not going to be a ton of repeat that you get. So you're really just trying to test for what are consumers saying about the sandwich, can we execute it with excellence given it's going to drive a lot of mix the way you merchandise it, what is the feedback that we're getting on the sandwich.

But you're really not going to see a major change in the business other than some mix shifts until you launch the TV advertising and start bringing people in with the sandwich. So I wouldn't read too much into the restaurants that we put in other than it's encouraging. When you see something mix significantly more and the feedback is really good, that's always a good sign that it's going to do even better when you go on TV.

Operator

Your next question for today is from Brian Vaccaro with Raymond James.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

Kevin, just back to chicken sandwich, could you remind us just the changes that you made to quality and the flavor profile and maybe level set us on where your existing chicken sandwich mix is and just kind of how you frame that potential opportunity? And then more broadly, just what's your latest thinking on the timing for other menu upgrades? Are you still thinking about steaks and salads maybe moving into fiscal '27? Just curious there.

Kevin Hochman

President, CEO & Director

Yes. So I'll let Mika answer the exact mix question while I give you the update on the platform. So the first thing is the base sandwich, and we had fixed the recipe on that about a year ago, where we went to a very focused build that you see in kind of the most popular or the biggest innovation in, I would say, in fast food history or modern history, which is the Popeyes Chicken Sandwich is a very basic build, and we wanted to look at that and learn from that. And so that's what we did about a year ago.

We basically have a brioche bun, a semi-cured pickle, mayonnaise and a very large hand-breaded chicken breast that we think is incredibly abundant in the category. I mean I don't have the exact data to say it's the biggest, but when you eat it, you might think it's the biggest. And so that was done. And then we're going to start bringing in some flavor updates to it, which I can't go into the details of, but there'll be a variety of sandwiches in different benefit spaces based on some of the signature flavors that we have as well as a new flavor that we don't have in the restaurants today that mixed really well when Popeyes launched the sandwich.

And then we're going to have a good, better, best tiering of those sandwiches. So we'll have a base sandwich at a hot price point. We'll have a sandwich with benefits at a medium price point, and then we'll have the super-premium that will have like bacon and produce and things that you expect in the super premium sandwich at the super premium tier.

And then we're also going to bring some additional sides innovation and dip cup innovation to that lineup to make it even more exciting and more distinctly Chili's. So it really will look like a completely new lineup to the guests. And it's in areas that we know that consumers are excited about chicken sandwiches, but done in a very unique Chili's way, not just in the flavor profiles, but the abundance and value that we think that you're going to get.

Mika Ware

Executive VP & CFO

And so I'll talk about the mix, right now, the mix is very low, Brian, because we aren't merchandising it on the menu, it's not on TV. So it's just one item on the menu in our handhelds section. So very low, but there are big plans for how we merchandise it, how it's going to be on TV. So we do know that there is big room for mix to grow there. And we do think, again, the chicken sandwich is designed to be a traffic driver.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

All right. That's very helpful. I was going to ask one on the balance sheet as well. Mika, you only have \$20 million left on the revolver, I think, and you've got the \$350 million notes at 8.25%. Just how are you thinking about the refi opportunity on the notes through calendar '26? And is there an opportunity to maybe move those notes onto the revolver second half of calendar '26 and maybe shave off a few hundred bps on the interest rate?

Mika Ware*Executive VP & CFO*

Brian, right now, we don't have that in the works, but we are watching it closely. So if the opportunity arises where we can take out the bonds early and it makes sense for the revolver and save us some money, we'd absolutely do that. Remember, there's just different aspects of when you do it and the fees you have to pay upfront, but it is something we're watching. So right now, I would say we don't have that planned, but we're going to continue to watch it.

Operator

Your next question is from Eric Gonzalez with KeyBanc.

Eric Gonzalez*KeyBanc Capital Markets Inc., Research Division*

Congrats on the strong results. I'm just curious about the timing of marketing investments this year. I know there was an uptick in spend in the second quarter. So if you could just confirm that you stayed in that range of \$9 million to \$10 million incremental advertising? And then how does that look as you get into 3Q and 4Q, particularly around the chicken sandwich launch?

Mika Ware*Executive VP & CFO*

Yes. No, we did stay in that, Eric. So we had the biggest increase year-over-year in Q2. So that did happen, and we said that was about 2.9% of sales. I think the percent of sales will stay fairly stable as we move forward. The year-over-year increase isn't as much in 3 and 4, but exactly what we said did happen in Q2.

Eric Gonzalez*KeyBanc Capital Markets Inc., Research Division*

Okay. And then just quickly, just regarding the winter storm. I mean, how quickly do you expect to bounce back there? And what are your expectations in terms of how long the effects could linger?

Mika Ware*Executive VP & CFO*

Yes. No, that is the big question. So it was quite a challenge to be -- we had to quantify the impact of the storm while the storm is still happening and unfolding. So that is why I was pretty purposeful in saying this is what we know as of Tuesday and what the impacts are. So that is what we have built into that guidance. We'll see there. Historically, we have had some bounce back when people get a little bit of cabin fever. Now on the flip side, a little caution. We lost a Friday, Saturday, Sunday.

We're in a Monday, Tuesday, Wednesday when it bounces back. So there could be some upside. But what I will say is we don't have a ton of upside built in that we just kind of have all systems go from Wednesday on. So upside or downside on the storm could still be kind of playing out a little bit. But we think we got the bulk of the impact captured with what I communicated earlier and the \$20 million decrease in revenue and the \$0.15 to EPS.

Operator

Your next question is from Christine Cho with Goldman Sachs.

Hyun Jin Cho

Goldman Sachs Group, Inc., Research Division

Congrats on the quarter. In the last call, you mentioned that the under \$60,000 income cohort was your fastest-growing group, contrary to kind of the broader industry trends. Have these trends continued into this quarter? And are there any other observations on spending across various consumer cohorts? And additionally, are you concerned at all that the QSR pricing growth continues to track below the casual dining average and how that would impact the overall category value perception?

Kevin Hochman

President, CEO & Director

Yes. So from an income cohort standpoint, we didn't see much shifting in the quarter, like the low-income cohort is no longer the fastest growing. So there was a little bit of shift down and a little bit of shift to the higher income cohorts, but it wasn't anything like that was so obvious that will be willing -- we should proactively highlight to you guys on the call. So -- but just a little bit. We haven't seen any kind of trade down, like mix has been pretty healthy.

So I would say not really made any major shifts or changes versus last quarter. I know that's a little bit of bucking the trend from what you see in the industry, but I also think that we do have industry-leading value, which is helping insulate us to some extent. As far as the QSR question that you -- the second part of your question, I'd say we still have industry-leading value on TV.

We still have -- when you look at casual dining having a renaissance and when you look at our -- I mentioned on my prepared comments, when you look at the PPA or per person average versus our casual dining competitive set, direct competitive set, we're \$3 under them. We're \$4 under the broader casual dining. So we don't really -- we feel like we're really positioned to win regardless of what happens with the macro between the operational improvements that we've made, where we've positioned ourselves and then our everyday value, which looks pretty darn good.

So I'm not particularly concerned. I think we get asked that every time a competitor from Chicago decides to put a \$5 meal out there, and we just keep chugging along. And I think it's because when you look at the overall value for what you pay for what you get, it does feel superior to what's out there, and we're going to continue to deliver that.

Operator

Your next question for today is from Sara Senatore with Bank of America.

Sara Senatore

BofA Securities, Research Division

Just I guess, maybe a couple of clarifications. One, Mika, you pointed out that you had positive mix in terms of the check impact, but I think negative in terms of margins. Can you just talk about that? I mean, it didn't sound like there was a lot of shift in terms of consumption or guest kind of choice, but I don't know if that was maybe a little bit more on the value side. And then also, sorry if I missed it, but you lowered the CapEx guide. I don't think that's because of the lower kind of cost of remodels. It sounds like those are still in test, but just wanted to maybe understand that, too.

Mika Ware

Executive VP & CFO

Okay. Yes. Great, Sara. So first of all, we'll start with the mix. Yes, mix was positive and a little less positive. One reason that margins went down year-over-year was, if you remember last year, it was really about the lapping of last year when we accelerated our business, took a huge step change in the business. We weren't able to staff our labor as quickly as we needed to a year ago, October. So we kind of over-earned in quarter 2, which I caution people about as we were lapping that even coming into this year.

So I think that's probably what's in play with the margins more than just the overall health of the margins and the health of the business and the flow-through. So again, that's kind of the -- what kind of was built in the run rate. The same with the restaurant expense. As our restaurants got busier, it took us a little bit to ramp up and get those expenses caught up with kind of the new traffic levels. And we've continued to invest in the business, and now we're lapping some of that.

So I feel really good about the flow-through and the margin profile overall. So it's really strong and really healthy. And if I take a step back and just look at the full year, I guided that I think we can improve restaurant level margins 30 to 40 basis points. even with the impacts of the storm that could put a little pressure on us, I still feel very confident in that number on growing the margins over time.

So I feel like if there's any variability in the quarter-to-quarter, it's really back to some timing of expenses or investments and a little bit of seasonality, but I feel really good about margins overall. Great question about CapEx. Really just taking a look at it at the midpoint of the year, we realized it's not necessarily because reimages are less expensive. We're still finalizing the scope of that.

We are doing a few less than we originally planned. I think the bigger nugget in is there is we had a placeholder for maybe a potential new equipment rollout that now after the teams have moved down a little bit further on that, we realized we aren't going to have a new big equipment rollout. So we went ahead and updated that in our forecast and just tightened it up a little bit. So plenty of capital out there. We're just tightening up the forecast.

Sara Senatore

BofA Securities, Research Division

Okay. That's helpful. And then just on the margin, I guess I was referring to COGS specifically. You had said it was, I think, 20 basis points unfavorable because of menu...

Mika Ware*Executive VP & CFO*

Okay. So that is really what we're seeing is there's a lot of investments into the quality of the food that we're lapping. So ribs is very material investment. We talked about we were serving one-third ribs and two-thirds. We did the big shift from imported ribs to domestic ribs. So that's just an example of we put a lot more of quantity and quality into the cost of sales line. And so that's where I'm just saying, hey, you see kind of a new run rate in cost of sales.

It's a combination of we do have some more -- we still have commodity inflation in there, but then the investments we're making into that COGS line. And so that's kind of what's hitting there. And if you do mix into some more expensive items, which is fine, that puts a little pressure there. You always have higher penny profit, but if you're selling more of the more expensive one, there's some more cost of sales associated with that, too.

Operator

Your next question is from Jeff Bernstein with Barclays.

Jeffrey Bernstein*Barclays Bank PLC, Research Division*

Kevin, I was intrigued by your prior comments on the restaurant level leadership model. I think you mentioned that you have a peer that successfully operates with a market partner -- more of a market partner ownership model more akin to maybe a franchise model, which you know well from past days. So I'm wondering if you could just -- any more color conceptually about the pros and cons versus the more traditional company-operated manager model that most of the industry uses.

It does sound like maybe you're considering a shift. I know others have talked about the potential to benefit retention, engagement, compensation. Just wondering if there any more color in terms of how you would implement it. It would seem like that will be a material change to your economic model, but presumably more of an ownership structure for long-term further improvements. So any incremental color would be great.

Kevin Hochman*President, CEO & Director*

So I think conceptually, all of the stakeholders are aligned that we want to do something here because like we believe that when we hear it from the managers, they want to have more of a stake and ownership in the company, especially when they see with how the company has performed. We believe that it would be a good thing for them to have more ownership over the results, both in terms of their personal compensation as well as just how they run the restaurants.

So I don't think anybody is really debating like should we do it? It's really the how. And the challenge for us is when you benchmark the model that you were talking about earlier, they tend to pay lower base salaries and then they put more into the variable comp. And that puts us in a difficult position because we're not going to lower base salaries and put it in the variable comp. That's not going to be received very well.

So we've really got to figure out what's the how to do this in a way that is going to work for everybody and not just hope that in the year that we make the change that people aren't upset about it because they would be because you're moving comp that you can be confident into something that's more variable. So we've got to figure out a way that wins for everybody and not just on 1 or 2 items. So that's what we're going to have to work through. At the same time, we've still got a couple of years where we just got to continue to build skills and capability in the ability to own the restaurants.

So that means building the best team, holding people accountable, making sure that you really are owning your restaurant and the facility. These are new muscles that, quite frankly, we haven't asked these guys to do in a while that we've got to build up over time before we change any incentive structure. So -- and I wish it was more simple and we could just flip a switch and kind of replicate the models that we see that works, but we're just starting from a different place.

Operator

Your next question is from Andrew Strelzik with BMO.

Andrew Strelzik

BMO Capital Markets Equity Research

I was wondering if you're seeing the mix of traffic growth shift between new customers and increasing frequency. And I guess what I'm trying to think through is, as you brought back all these new customers over the last couple of years as you kind of work through the brand repositioning, is the opportunity mix between those 2 buckets evolving and kind of how you potentially evolve the strategy to address the 2 buckets as you move forward?

Kevin Hochman

President, CEO & Director

Andrew, it's Kevin. We don't see really a change in how we're doing this. It's pretty simple. It's like, #1, continue to have a great experience so that you don't leak guests. And so that's what we see on the frequency of existing guests that's not changing and then use our world-class marketing and great value offer and great new positioning to drive new guests in. And so if you're not leaking guests and you're bringing new guests in and then they quickly are starting to look like existing guests in terms of their frequency pattern, that's a recipe for sustainable growth.

So what I lean on my team is don't change that strategy, but we better have ideas every quarter to get better and better on the experience because that's the flywheel. We know the marketing guys can do it. They're doing it right now. They're continuing to just really reinvent the industry and what can be done with advertising and marketing and hats off to them. So as long as we continue to improve our experience over time, there's no reason why this run won't stop.

So I don't anticipate changing the strategy. It's just making sure that we continue to execute it quarter after quarter so we continue that because the key to this whole thing is having a great experience because that's going to both retain existing guests and stop the leak and be able to attract new guests because of the things that people are saying about our brand. And we're just going to continue to do that.

Andrew Strelzik

BMO Capital Markets Equity Research

Okay. That's helpful. And one clarification. Last quarter, you talked about the earnings drag for Maggiano's. Can you share what that looks like through the back half of the year?

Mika Ware

Executive VP & CFO

Andrew, that's me. So really, just what I would say is in the guidance that I gave, we haven't changed the expectations for Maggiano's very much. And so what we're expecting is their same-store sales will probably be in the negative mid-single-digit range for the back half of the year. So probably just more of the same on that. So if we get some more green shoots out of Maggiano's, and I think we can start improving that, but they're still going to have a drag year-over-year in their margins.

Operator

We have reached the end of the question-and-answer session, and I will now turn the floor back over to Kim Sanders for closing comments.

Kim Sanders

Vice President of Investor & Government Relations

And that concludes our call for today. We appreciate everyone joining us and look forward to updating you on our third quarter fiscal 2026 results in April. Have a wonderful day. Thank you.

Mika Ware

Executive VP & CFO

Bye, everyone.

Operator

Thank you. This concludes today's conference call. You may disconnect your phone lines at this time and have a wonderful day. Thank you for your participation.

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Newest  

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