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Market Intelligence

# **Lancaster Colony Corporation** NasdaqGS:LANC

## *Earnings Call*

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# Call Participants

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## EXECUTIVES

**Dale N. Ganobsik**

*Vice President of Corporate  
Finance, Investor Relations &  
Treasurer*

**David A. Ciesinski**

*President, CEO & Director*

**Thomas K. Pigott**

*VP, Assistant Secretary & CFO*

## ANALYSTS

**Alton Kemp Stump**

*Loop Capital Markets LLC,  
Research Division*

**Andrew Paul Wolf**

*CL King & Associates, Inc.,  
Research Division*

**James Ronald Salera**

*Stephens Inc., Research Division*

**Scott Michael Marks**

*Jefferies LLC, Research Division*

## Presentation

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### Operator

Good morning. My name is Kathy, and I'll be your conference call facilitator today. At this time, I would like to welcome everyone in the Lancaster Colony Corporation Fiscal Year 2025 Third Quarter Conference Call. Conducting today's call will be Dave Ciesinski, President and CEO; and Tom Pigott, CFO. [Operator Instructions].

And now to begin the conference call, here is Dale Ganobsik, Vice President of Corporate Finance and Investor Relations for Lancaster Colony Corporation. Please go ahead.

### Dale N. Ganobsik

*Vice President of Corporate Finance, Investor Relations & Treasurer*

Good morning, everyone, and thank you for joining us today for Lancaster Colony's Fiscal Year 2025 Third Quarter Conference Call. Our discussion this morning may include forward-looking statements, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are subject to a number of risks and uncertainties that could cause actual results to differ materially, and the company undertakes no obligation to update these statements based upon subsequent events.

A detailed discussion of these risks and uncertainties is contained in the company's filings with the SEC. Also note that the audio replay of this call will be archived and available at our company's website, [lanastercolony.com](http://lanastercolony.com), later this afternoon. For today's call, David Ciesinski, our President and CEO, will begin with the business update and highlights for the quarter. Tom Pigott, our CFO, will then provide an overview of the financial results. Dave will then share some comments regarding our current strategy and outlook.

At the conclusion of our prepared remarks, we'll be happy to respond to any of your questions. Once again, we appreciate your participation this morning. I'll now turn the call over to Lancaster Colony's President and CEO, Dave Suzynski. Dave?

### David A. Ciesinski

*President, CEO & Director*

Thanks, Dale, and good morning, everyone. It's a pleasure to be here with you today as we review our third quarter results for fiscal year 2025. In our fiscal third quarter, which ended March 31, consolidated net sales declined 2.9% to \$458 million. Despite the lower sales, we are pleased to report third quarter records for both gross profit, which reached \$106 million and operating income, which grew to \$50 million. In our retail segment, net sales decreased 2.6%, excluding the perimeter of the store bakery lines we exited in March of 2024, retail sales decreased 0.7%.

This decline also reflects the shift of some sales into our fiscal fourth quarter due to the later Easter holiday, along with a more challenging consumer environment that resulted in softer demand. Despite these headwinds, our retail segment's licensing program remains a source of growth in the quarter as we began shipping Chick-fil-A sauce into the club channel, and our Texas Roadhouse dinner rolls continue to perform very well. Net sales for our category-leading New York Bakery frozen garlic bread products also grew in the period.

[indiscernible] scanner data for the quarter ending March 31 showed solid performance for several of our licensed items and our core brands. In the frozen dinner roll category on any Sister Schubert's brand and our licensed Texas Roadhouse brand combined to grow 11.6% and resulting in a market share increase of 520 basis points to a category-leading 60.9%. In the frozen garlic bread category, our New York Bakery brand grew sales 6.8% and adding 180 basis points of market share for a category-leading share of 43.9%. In the produce dressing category, sales of Chick-fil-A dressings grew 4% when combined with our Marzetti brand dresses, our share totaled a category-leading 27.2%. And the shelf-stable sauces and condiments category, sales of Chick-fil-A sauces grew 2.3%, while Buffalo Wild Wings sauces gained

1.2%, both sauce has picked up market share as sales for the entire category grew only 10 basis points. In the Foodservice segment, net sales declined 3.2% and driven by weather and industry-wide declines in restaurant traffic and the impact of menu changes as some customers shifted to value offerings. Finally, we are pleased to report record third quarter gross profit of \$106 million. When compared to last year's third quarter, gross profit margin improved 90 basis points to 23.1%. Our focus on supply chain productivity, value engineering and revenue management all remain core elements to further improve our margins and financial performance. I'll now turn the call over to Tom Pigott, our CFO, for his commentary on our third quarter results. Tom?

**Thomas K. Pigott**

*VP, Assistant Secretary & CFO*

Thanks, Dave. Overall, the company drove gross margin and operating income growth despite the top line decline through strong execution on the fundamentals. Third quarter consolidated net sales decreased by 2.9% to \$457.8 million.

Breaking down the revenue performance Lower core volume and product mix drove a 250 basis point decline. Net pricing was accretive by approximately 20 basis points. Last year's exit of the perimeter of the store bakery product lines accounted for 100 basis points of the decline. In addition, the company reported \$2.1 million in sales or 40 basis points of growth that resulted from a temporary supply agreement with Winland Foods, the seller of the Atlanta-based manufacturing facility that we acquired in mid-February. We entered into this agreement to facilitate the closing of the transaction.

These temporary and noncore sales are expected to end by March of 26. Consolidated gross profit increased by \$1.5 million or 1.4% versus the prior year quarter to \$106 million, and gross margin expanded by 90 basis points. The gross profit growth was driven by our cost savings initiatives favorable pricing [indiscernible] a commodities as the company held pricing commodity costs modestly declined and the impact of last year's write-down resulting from the product line exits. These favorable items offset the impact of the revenue declines as well as the start-up manufacturing costs at the Atlantic facility.

Selling, general and administrative expenses decreased by \$1.1 million or 2%. the decline reflects reduced compensation and benefit expenditures, some of which is timing related and lower expenditures for Project sent. These favorabilities were partially offset by \$1.7 million of integration costs related to the acquisition of the Atlanta facility. These costs are primarily comprised of legal and professional fees. Consolidated operating income increased \$14.7 million or 41.9%. In the prior year quarter, the company recorded \$14.7 million of primarily noncash expenses as a result of the product line exits. \$12.1 million was recorded in restructuring and impairment and \$2.6 million was recorded as an inventory write-down and cost of goods sold.

In the current year quarter, the company recorded \$1.7 million of integration costs related to the Atlanta facility acquisition. Excluding these items, operating income growth was driven by the lower SG&A costs and the gross margin improvement. Our tax rate for the quarter was 20.7% versus 23.2% in the prior year quarter. We estimate our tax rate for the remainder of fiscal '25 to be 22%. Third quarter diluted earnings per share increased \$0.46 or 44.7% to \$1.49. Incremental SG&A expenses contributed to the integration of the lab facility reduced EPS by \$0.05 in the current year quarter.

Last year's restructuring impairment costs, along with the inventory write-down, reduced EPS by \$0.41 per share. The remaining EPS growth was driven by the underlying performance of the business as well as the lower tax rate. With regard to capital expenditures, our payments for property additions totaled \$43.7 million for the year-to-date period. For fiscal '25, we are forecasting total capital expenditures of \$65 million. We continue to invest in both cost savings projects and other manufacturing improvements including the newly acquired Atlanta-based manufacturing facility. In addition to investing in our business, we also returned funds to shareholders. Our quarterly cash dividend of \$0.95 per share paid on March 31, represented a 6% increase from the prior year's amount. Our enduring streak of annual dividend increases stands at 62 years. Our financial position remains strong with a debt-free balance sheet and \$124.6 million in cash. The decline in this balance reflects the \$78.8 million deployed to acquire the Atlanta-based manufacturing facility. SP1 So to wrap up my commentary, our third quarter results demonstrate strong

execution across a number of areas in a more difficult operating environment. In addition, we continue to make investments to support further growth and cost savings.

I'll now turn it back over to Dave for his closing remarks. Thank you.

**David A. Ciesinski**  
*President, CEO & Director*

Thanks, Tom. As we look ahead, Lancaster Colony will continue to leverage the combined strength of our team, our operating strategy and our balance sheet in support of the 3 simple pillars of our growth plan: to: one, accelerate core business growth; two, simplify our supply chain to reduce our cost and grow our margins; and three, to expand our core with focused M&A and strategic licensing. Looking ahead to our fiscal fourth quarter, we anticipate some ongoing challenges with the consumer environment, but we are positioned to respond. In the retail segment, we will focus on innovation and incremental distribution of relevant new items. In the Foodservice segment, our award-winning culinary team will continue to partner with our customers to support their growth through collaboration on new menu items and other opportunities.

We project that our retail segment sales will benefit from our licensing program, including expanding distribution for the recently introduced Texas Roadhouse dinner rolls and the extension of Chick-fil-A sauce into the club channel. In the Foodservice segment, we anticipate continued growth from select customers in our mix of national chain restaurant accounts. With respect to our input costs, in aggregate, we do not anticipate significant impacts from commodity cost inflation or deflation in the coming quarter. I would now like to comment on a couple of strategic matters for our business.

First, you may have noticed as part of our 10-Q filing this morning that we announced the planned closure of our sauce and dressing facility in Milpitas, California, as part of an ongoing initiative to better optimize our manufacturing network. I can assure you this was a very difficult decision as it impacts 78 of our employees. I extend my most sincere thanks to all of them for their dedication and commitment to our business during their time with us. Second, we completed the acquisition of the Atlanta-based sauce and dressing facility in mid-February.

Strategically, this plant represents a significant addition to our manufacturing network, and I believe we're off to a great start from an integration and operation standpoint. Through the execution of these 2 strategic items, we believe our supply chain is better positioned to cost-effectively support the growth of our key customers for years to come. Specific to the acquisition, I would like to thank all of the members of our supply chain, R&D, HR and IT teams that worked tirelessly during the acquisition integration phase that began with the transaction signing in mid-November and continue through the startup of production in mid-March.

The execution process for both the integration and production startup was exceptional, thanks to the team's thoughtful planning and tremendous leadership. In addition, I would like to welcome the plant's employees that have joined our Marzetti team. These new teammates have impressed me with their enthusiasm, team-first attitude and strong work out. They have demonstrated a firm commitment to the continued growth and future success of our business. I look forward to working with them in the years to come. Finally, I would like to take a moment to welcome Tania Berman as the new President of our Retail business. Tony is a strong addition to our executive leadership team and a great fit to lead our retail business. Her background includes 25 years of general management and marketing with a proven record of driving growth across many categories in the food and consumer packaged goods industries. Most recently, she served as Senior Vice President at Mondelez, leading their U.S. portfolio of cookie and cracker brands. Previously, she held leadership roles at Mars [indiscernible], buyer consumer care and Johnson & Johnson Consumer Products. Based on Tania's tremendous experience with iconic brands, I'm very confident in her ability to innovate, market and grow our brands as we continue to deliver on our company's growth strategy.

This concludes our prepared remarks for today, and we'd be happy to answer any questions you may have. Operator?

## Question and Answer

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### Operator

[Operator Instructions] Your first question comes from the line of Jim Salera with Stephens.

### James Ronald Salera

*Stephens Inc., Research Division*

I wanted to maybe start by just asking on the foodservice side of the business. Obviously, well-documented kind of consumer slowdown, especially across QSR with kind of consumer uncertainty this year. How should we think about your ability to collaborate with your food service partners on the demand generation side. Is there anything we can do to have maybe a little bit more contribution on supporting traffic? Or do we really just need to wait for industry traffic to improve to see the food service piece of the business kind of get back to normal growth?

### David A. Ciesinski

*President, CEO & Director*

Yes. So Jim, maybe I'll start by commenting on Q3 and then we'll sort of pivot and talk about the outlook. If you pull apart Q3's volume, there are several drivers that were underlying the results. The first was weather, which I think is pretty well documented as you've heard other peer companies or concept operators come out with their results. And just maybe to elaborate on that for you. We had several of our big customers that had stores closed for upwards of a week and on that the outside 10 days, I believe it or not, because of weather.

So January was materially impacted by that. More broadly, we are seeing a diminution in traffic. That's one that we're watching carefully. It was slow through January due to weather in February. What I would point to, though, is in March, it looked like it was modestly better as we looked at the NPD Crest. The other contributor, and this is a little bit unique to us is that we had several of our concept operators we were working with on sauce programs that pivoted their menus to focus on value in the period. So you put it all together, it gets you into that sort of zone. As we look forward, our outlook is that unless something materially changes, up or down in the economy, we're still looking at our foodservice volume outlook that is probably down in the low single digits, low, low single digits. Having said that, we see the ability to get price in there because of age inflation. So our view is it's going to remain soft. We're probably going to be doing better than most of our peers, but we're not looking for a material change there.

### James Ronald Salera

*Stephens Inc., Research Division*

Okay. That's helpful. And then just thinking over on the retail side. If we look at kind of the puts and takes with Chick-fil-A sauce distribution in club and the increased distribution on the Texas Roadhouse roles. How should we balance that against maybe just some core softness, again, more broad-based with the consumer? And do those -- are those distribution gains enough to kind of more than offset what we see in consumer softness? Do you kind of expect to wash from those [indiscernible].

### David A. Ciesinski

*President, CEO & Director*

No, we believe so. So again, if you pull apart of Q3, if you allow me, I'll do the same thing. Let's maybe start with volume. And if you look at it, I think our reported volume was down 2.6% or 2.2%. And then you pulled out flat out in Angelic, which we exited a year ago at this time. That takes us down about 90 basis points on volume. And then you adjust for Easter and some other trade moves that we've made there. Our business, we believe, would be growing on volume. If you look at revenue, sort of the same thing holds because we weren't getting much pricing if you go in and you look at consumption in the period, consumed sales, our business was actually up 2.2%, and in the -- excuse me, 2% ex-angelican flat out in the period. And our pounds were up actually 50 basis points, and that's lapping Easter in the

period. So our view on our retail business, again, notwithstanding a material change things inflect down or flat up.

But if things kind of stay the course, we see line of sight to low single-digit volumetric growth on volume and on revenue. And the way that we expect to get there is, as you pointed out, contribution on new IDO. Now we have some pipeline built in the period on Chick-fil-A, but we didn't really have any sales in the period on Chick-fil-A club through consumption, and then Texas Roadhouse. Now Texas Roadhouse, just recently is expanding into general retail, and it's not really going to be until our next fiscal year that we begin to ship that to all outlets. As you sort of pull apart other elements of the business, I think there are some high points there that may be worth mentioning. We continue to grow our Texas Toast business. We grew share, and we grew volume in the period. It's performing quite well, both on toast and on our bread sticks and on suite. Sister Schubert's is sort of hard to look at just because Easter pretty significantly impacts the item in the period. But notwithstanding Easter, we believe that business continues to be well positioned. Maybe as a proof point, we actually grew share on that item -- in the period as well. As you move down to our own brands, Marzetti Classics continues to be strong. It was improving are simply is a bit of a soft point. And then our license program, in general, Chick-fil-A was up, Buffalo Wild Wings was up, Olive Garden was down, but we're lapping a lot of support in the same time last year. So you put it all together, allow me to kind of bring it up. Our view is on a volumetric basis, a little soft in foodservice, room to grow in retail volume kind of sets up because of those offsets, probably flattish on a consolidated basis with our revenue being up in the low single-digit range as we go forward.

**Operator**

Your next question comes from the line of Scott Marks with Jefferies.

**Scott Michael Marks**

*Jefferies LLC, Research Division*

First question, I guess, as I look at the retail business performance, and I kind of break it down across the different platforms. It looks like most of the, I guess, weakness in the segment where maybe it came in below expectations was on the refrigerated dressings and dips side, whereas frozen breads and shelf stable seem to have held up pretty well. So wondering if you can just kind of speak to that weakness and kind of help us understand what's going on with that part of the business. .

**David A. Ciesinski**

*President, CEO & Director*

Yes, it's a great question. And I would say that was significantly impacted by the timing of Easter. If you look at that, we get a seasonal bump don't have to restate calendar. But you remember, last year's Easter was on March 31. So all of those shipments and the consumption would have been in the third quarter this year, Easter switched to April 20. And and it resulted in a drag on both when you look at the -- I'm assuming that you're looking at the consumption data inside of there. As you pull those apart, now that sort of macro adjustment notwithstanding, I would tell you that our Classics continues to be strong. We're picking up share. Chick-fil-A dressing in refrigerated continues to be strong. It's growing share also. Our Simply Dress as a platform continues to need work. Maybe the only other thing that I would mention is that as you look at the category, that category was down about 3 points in the quarter, which is softer than it had been. Some with Easter and some might be just sort of a broader consumer shift.

**Scott Michael Marks**

*Jefferies LLC, Research Division*

Understood. And next question from me would be just a ramp kind of the promotional environment at retail, I think for some other...

**David A. Ciesinski**

*President, CEO & Director*

Scott, before I jump to that, if I may, one thing that may be worth mentioning, I talked dressings on dips. We did implement a material down weighting of dips in the prior year, which we're lapping. So if

you're looking at the pounds in their in particular, you're going to see something that overstates what's happening in terms of units. So again, it's Easter timing, but one unique nuance on that was the down weighting that we did to get some price realization that we're continuing to cycle through. So back to trade, finish your question, please.

**Scott Michael Marks**

*Jefferies LLC, Research Division*

Yes, sure. Thanks for that. Yes, just in terms of what we're seeing on the promotional environment, I think we've heard from some larger peers of yours about retail performance and maybe the need to invest a little bit more in pricing in some of their brands and categories. Wondering what you see from your perspective. .

**David A. Ciesinski**

*President, CEO & Director*

So it's a great question. If you remember last year, in our Q3 and Q4, we took our trade rate up which elevated our year against year, fiscal year '25 versus '24 trade rate. We made the decision going into fiscal year '25 that what we wanted to do was sort of level load that trade. So we took the incremental increase that we had in Q3 and 4 as we went into this fiscal year, and we split that evenly across all 4 quarters. As a result, our trade rate was modestly up in Q1 and Q2 and and it was modestly down in Q3 and is planned to be modestly down in Q4. As we look at our category, Scott, we don't think that we have a pricing problem right now. And as we pull apart where we spent. There were some areas where we felt like we got really strong performance, quality support from our retailers and others where we felt like it just wasn't worth the investment. And if you look at that, you can see some of that leverage in our consumption data, where you can see actually our consumer sales were up more than our pounds.

And if you look at it, we call it either a sweat up where you're getting leverage between your gross sales and your net sales or sweat down where you're losing leverage because of trade we've chosen at least at this point, to be a little bit more careful on trade just because even in this environment, we just don't think that we're getting a financial return on it.

**Operator**

[Operator Instructions] Your next question comes from the line of Andrew Wolf with CL King.

**Andrew Paul Wolf**

*CL King & Associates, Inc., Research Division*

I wanted to ask an open-end question sort of circa and just competitive dynamic related on items being sold on promotion kind of in your major categories and your stance, I mean, in the past, you basically said you don't -- I don't know completely put words in your mouth. But I don't think you've wanted to spend that much promotionally, maybe it wasn't the most effective way trade promotions, maybe it was better to have endcap placement and some other things like that. I just wanted to get an update on your -- what you're seeing competitively and what your thinking is? .

**David A. Ciesinski**

*President, CEO & Director*

Maybe start first, Andrew, with a high-level view. If you look at all edibles, all edibles were really soft in the period, I would say some categories doing slightly better than others. So I do think in the quarter, at a total grocery store, there are a number of categories that are undergoing some pressure. So you sort of pull in and you look more closely at us. We continue to believe that trade has a role. But for us, a reduced price on the shelf with a yellow tax, for example, just doesn't get the sort of lift that we would need to offset the investment in trade, where we might see a benefit is if we make an investment and we get an end cap, then what we're likely to see is we're likely to pick up incremental households or get some pantry load, which in the case of sauces results in expandable consumption. And maybe to go a click deeper I'll run through some of the categories.

If you look at our Texas Toast, it really is consolidating around our brand, where we're picking up share, we were north of 43% in private label, and we both are continuing to perform well with some of the other contributors donating share. If you go into the role category, it's us and it's roads, the newest news in the category is that we're bringing in Texas Roadhouse. But here's what's interesting. That's actually growing the category. It's not cannibalized in the category.

We're taking -- we're bringing consumers from the other parts of the store with other brands, and we're bringing them into frozen to buy that. So private label is not really outperforming there. I wouldn't say some of our big retailers have tried to focus on private label items I won't name their names, but they're not performing particularly well. So we continue to believe that we're set up there to continue to perform. Refrigerated dressings, private label has really never been a material contributor and that remains.

As you cycle through, Lighthouse is doing well behind their larger 20 outside. It's a squeeze bottle with some of the other branded players, [indiscernible], [ Panera ] and others losing share with the growth driver being modestly our brand or Classics and Chick-fil-A, and our simply is one that's donating some share as well across to Chick-fil-A and others. But again, private label isn't much of an item as we look there. As you swing across the licensed sauce space, I would say some of our retailers have looked at introducing private label knockoffs.

But again, they haven't performed particularly well, and I'm pointing in this case, Chick-fil-A [indiscernible] Buffalo Wild Wings. I think the area where we want to continue to watch is shelf-stable dressings, where we have seen some trade down in that category. If you remember, we talked at length about 1.5 years ago about watching our opening price point our 16-ounce item that may be one that we want to watch going forward. And then finally, albeit a smaller piece of our business. [ Futon ] is one where we are seeing maybe a little bit larger shift to private label. But as it really plays out for our business private label still isn't the biggest opportunity or obstacle. For us, it comes down to relevant new items and executing our plan.

**Andrew Paul Wolf**

*CL King & Associates, Inc., Research Division*

Okay. Got it. And I'm going to just ask one, hopefully, a quick question, but that was an excellent overview because you always get that kind of a competitive overview and a lot of -- that's really where at least I want to hear about what's going on right in those categories. Just on the Easter shift, any chance you can quantify that in dollar terms or percentage?

I know it's an estimate but what you think it impacted the quarter might aid the current quarter by.

**David A. Ciesinski**

*President, CEO & Director*

Yes. Well, it's at least one point is what we're pegging it at. So if you go back to the adjusted volume, notwithstanding the discontinuation where we were down about 90 basis points. We think it's at least a point marginally better than a point that's in there.

**Operator**

The next question comes from the line of Alton Stump with Loop Capital.

**Alton Kemp Stump**

*Loop Capital Markets LLC, Research Division*

I guess, first off, on foodservice side, I glad that you brought up weather, I think it was interstate, the first question here in the Q&A. Because sort of weather was absolutely terrible during the first 2 months of the year. Maybe kind of similar to the last question. Any way that you kind of quantify how much of an impact do you think that had on your food service volumes for the full quarter?

I know you mentioned that things did get marginally better in March.

**David A. Ciesinski**

*President, CEO & Director*

I think the best I could kind of point to is maybe just macro traffic.

If you look at things overall, where traffic in the first couple of months, January and February, were off 3 points or thereabouts softer than they had been trending. As you swing into March, and again, this is NPD press data, traffic improved still off, but it improved by more than 100 basis points. As we look at some of our specific customers, again, I don't want to name names but the weather was particularly hard in, let's say, the upper Midwest and the Northeast, and we had one concept that comes to mind with 300 restaurants, and they mentioned that they had 200 of the restaurants that were impacted by weather, and it ended up being more material than I think even we appreciate it as we cycle through that month. So really hard to put a peg on it. The best number I can give you is MPD Crest, but it was a material contributor.

**Alton Kemp Stump**

*Loop Capital Markets LLC, Research Division*

Understood. And then I guess just on the retail side, obviously, you've got several major new things coming from a few standpoint. But with the new sauce, with new Chick-fil-A sauce going into club, how big of the deal do you think that could be not just in its own right, but also from a marketing perspective to sort of introduce that brand to a new channel of customers?

**David A. Ciesinski**

*President, CEO & Director*

It's a great question, Alton. Chick-fil-A is a tremendous brand, and I would put it in the same Tampas mega brands like Heinz Ketchup or Hidden Valley Ranch. And if you look at brands like that club is a material part of their overall portfolio. And really what it allows you to do is reach consumers often times that are slightly more affluent than have larger families, and they use it as a stock application. And given that the sauce is an expandable consumable, I think it's going to be an important overall contributor to our business as we go forward.

So we're thrilled -- we didn't start shipping it until the very, very end of the quarter. We're starting to see early returns on the scan data at Sam's and at Costco, and it's exceeding our expectations in both of those channels. So we continue to be very excited by that one. So -- and I think what we've talked about there is, oftentimes, if you look at a mix of a mature brand, Kraft Mac and Cheese, a catch up like I mentioned earlier, Club oftentimes might be 15% or so of the overall total of the business. So it's a meaningful channel, and we're thrilled that it's there. And I think predicated on its performance, it may open up opportunities for other Chick-fil-A items to move into club also at some point in time. Texas Roadhouse, that rollout continues to proceed at pace. If you remember, we had it in a test and we expanded and that was with Walmart only. We've expanded it now into 4 states that's just starting, that started in early April. And in August, we're going to be expanding it into full retail all math, all retail, and we're already in discussions about maybe moving that item into Club at some point.

The exciting thing here is that we're able to do this on existing lines. We've just simply had add labor. We've gone back. We've added that labor. We're building the capacity, and we're watching consumption, and it continues to be really strong. So a great new item that we're excited about and a great brand platform.

**Operator**

[Operator Instructions] If there are no further questions, we'd now like to turn the call back to Mr. Ciesinski for his concluding comments.

**David A. Ciesinski**

*President, CEO & Director*

Thank you, operator. and thank you, everybody, for joining. And maybe I'll just provide a couple of summary comments. I mean, obviously, there's a lot of noise today in the macro environment, and we believe against this complicated backdrop, we're positioned to continue to outperform behind strong

brands, both the brands we own and the brands we license, relevant categories, advantaged foodservice customers and then moving beyond that as you look at some of the other sources of volatility out there, for example, tariffs in Make America healthy. We believe we have modest exposure to both. And then finally, we really didn't get into it in the call today, but we've taken actions over the last several months just to continue to strengthen our supply chain network and reduce our overall landed cost, which should allow us line of sight even in this environment to improve our margin structure. So we feel like, again, I guess, a very complicated backdrop, we're positioned to continue to outperform. We see line of sight to revenue growth and margin improvement and modest profit improvement. So again, we look forward to meeting with you in August. If you have additional questions, we look forward to hearing from you. That's all for today.

**Operator**

Thank you for your participation. This does conclude today's call. You may now disconnect.

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