Portillo's Inc. Announces Third Quarter 2025 Financial Results

November 4, 2025

OAK BROOK, Ill., Nov. 04, 2025 (GLOBE NEWSWIRE) -- Portillo's Inc. ("Portillo's" or the "Company") (NASDAQ: PTLO), the one-of-a-kind restaurant concept known for its menu of Chicago-style favorites, today reported financial results for the third quarter ended September 28, 2025.

Third Quarter 2025 Performance Highlights (vs. Third Quarter 2024):

- Total revenue of $181.4 million, an increase of 1.8% or $3.2 million
- Same-restaurant sales decrease of -0.8%
- Operating income of $5.4 million, a decrease of $10.6 million
- Net income of $0.8 million, a decrease of $8.0 million
- Restaurant-Level Adjusted EBITDA(1) of $36.7 million, a decrease of $5.3 million
- Adjusted EBITDA(1) of $21.4 million, a decrease of $6.5 million

(1) Adjusted EBITDA and Restaurant-Level Adjusted EBITDA are non-GAAP measures. Please see definitions and the reconciliations of these non-GAAP measures accompanying this release.

"Portillo's took a number of steps to reset our growth model in the third quarter, as we proceed at a more measured pace in new markets while pursuing better unit economics," said Mike Miles, Chairman of the Board and Interim President and Chief Executive Officer of Portillo's. "In the meantime, our restaurant operators continue to deliver outstanding food and guest experiences, and they remain the foundation of this great brand."

Third Quarter 2025 Financial and Operating Results

Revenues for the quarter ended September 28, 2025 were $181.4 million compared to $178.3 million for the quarter ended September 29, 2024, an increase of $3.2 million or 1.8%. The increase in revenues was primarily attributed to the opening of eight restaurants in the third and fourth quarters of 2024 and four restaurants in 2025, partially offset by a decrease in our same-restaurant sales. Restaurants not in our Comparable Restaurant Base (as defined below) contributed $5.6 million of the total year-over-year increase. Same-restaurant sales decreased 0.8%, or $1.2 million in the quarter. The same-restaurant sales decline was attributable to a 2.2% decrease in transactions, partially offset by an increase in average check of 1.4%. The higher average check was driven by an approximate 3.2% increase in certain menu prices, partially offset by a 1.8% decrease in product mix. For the purpose of calculating same-restaurant sales for the quarter ended September 28, 2025, sales for 76 restaurants that were open for at least 24 full fiscal periods were included in the Comparable Restaurant Base.

Total restaurant operating expenses for the quarter ended September 28, 2025 were $144.7 million compared to $136.3 million for the quarter ended September 29, 2024, an increase of $8.4 million or 6.2%. The increase was primarily driven by the opening of eight restaurants in the third and fourth quarters of 2024 and four restaurants in 2025. Additionally, food, beverage and packaging costs were negatively impacted by a 6.3% increase in commodity prices. The increase in labor expense was driven by incremental investments to support our team members. Lastly, the increase in other operating expenses was due to the increase in repairs and maintenance, utilities, and advertising expense, partially offset by lower cleaning expenses due to vendor renegotiation.

General and administrative expenses for the quarter ended September 28, 2025 were $20.0 million compared to $18.3 million for the quarter ended September 29, 2024, an increase of $1.7 million or 9.4%. This increase was primarily driven by $3.3 million in dead site costs. This increase was partially offset by a $1.1 million net benefit resulting from the CEO transition. This benefit was due to the forfeiture of equity awards, offset by other transition expense.

Operating income for the quarter ended September 28, 2025 was $5.4 million compared to $16.0 million for the quarter ended September 29, 2024, a decrease of $10.6 million or 66.0% primarily due to the aforementioned change in revenue and expenses and legacy Barnelli's trade name impairment charges of $2.2 million.

Net income for the quarter ended September 28, 2025 was $0.8 million compared to a net income of $8.8 million for the quarter ended September 29, 2024, a decrease of $8.0 million or 91.1%. The decrease in net income was primarily due to a decrease in operating income of $10.6 million due to the aforementioned factors and a decrease in the tax receivable agreement liability adjustment of $2.1 million, partially offset by a decrease in income taxes of $3.8 million and interest expense of $0.8 million.

Restaurant-Level Adjusted EBITDA* for the quarter ended September 28, 2025 was $36.7 million compared to $41.9 million for the quarter ended September 29, 2024, a decrease of $5.3 million or 12.5%

Adjusted EBITDA* for the quarter ended September 28, 2025 was $21.4 million compared to $27.9 million for the quarter ended September 29, 2024, a decrease of $6.5 million or 23.4%.

**A reconciliation of Restaurant-Level Adjusted EBITDA and Adjusted EBITDA and the nearest GAAP financial measure is included under "Non-GAAP*

Measures" in the accompanying financial data below.

Third Quarter 2025 Development Highlights

During the quarter ended September 28, 2025, we opened four restaurants. Subsequent to September 28, 2025, we opened one additional restaurant, bringing our total restaurant count to 99, as of the filing of this press release, including a restaurant owned by C&O of which Portillo's owns 50% of the equity. We plan to open three more restaurants in the fourth quarter, including our first location in Georgia, for a total of 8 new restaurants opened in the fiscal year 2025.

During the third quarter, we opened our first in-line restaurant format. With the exception of the one in-line restaurant, all new restaurant openings in 2025 will be our "Restaurant of the Future" (RoTF 1.0) design, which is a smaller square footage prototype featuring a shorter, more efficient production line designed to reduce costs and provide fast service to our guests.

Location	Opening Month	Fiscal Quarter Opened
Tomball, Texas	July 2025	Q3 2025
Stafford, Texas	August 2025	Q3 2025
Grand Prairie, Texas	August 2025	Q3 2025
Middleton, Florida (In-Line)	August 2025	Q3 2025
Chandler, Arizona	November 2025	Q4 2025

Fiscal 2025 Financial Targets

Based on current expectations, management has updated financial targets for fiscal 2025 as follows:

	Current Targets
New Units	8 new units
Same-restaurant sales	(1%) to (1.5%)
Revenue	$730-$733 million
Commodity inflation	3% to 5%
Labor inflation	3% to 4%
Restaurant-level adjusted EBITDA margin*	21.0% to 21.5%
General and administrative expenses	$76-$79 million
Pre-opening expenses	Approximately $9 million
Adjusted EBITDA*	$90-$94 million
Capital expenditures	$97-$100 million

*We are unable to reconcile the financial target for adjusted EBITDA and restaurant-level adjusted EBITDA margin to net income/loss growth and operating income/loss margin, the respective corresponding U.S. GAAP measure, due to variability and difficulty in making accurate forecasts and projections and because not all information necessary to prepare the reconciliation is available to us without unreasonable efforts. For the same reasons, we are unable to address the probable significance of the unavailable information because we cannot accurately predict all of the components of the adjusted calculations and the non-GAAP measure may be materially different than the GAAP measure.

The following definitions apply to these terms as used in this release:

Change in Same-Restaurant Sales - The change in same-restaurant sales is the percentage change in year-over-year revenue for the Comparable Restaurant Base, which is defined as the number of restaurants open for at least 24 full fiscal periods. For the quarters ended September 28, 2025 and September 29, 2024, there were 76 and 70 restaurants in our Comparable Restaurant Base, respectively.

A change in same-restaurant sales is the result of a change in restaurant transactions, average guest check, or a combination of the two. We gather daily sales data and regularly analyze the guest transaction counts and the mix of menu items sold to strategically evaluate menu pricing and demand. Measuring our change in same-restaurant sales allows management to evaluate the performance of our existing restaurant base. We believe this measure provides a consistent comparison of restaurant sales results and trends across periods within our core, established restaurant base, unaffected by results of restaurant openings and enables investors to better understand and evaluate the Company's historical and prospective operating performance.

Average Unit Volume - AUV is the total revenue recognized in the Comparable Restaurant Base, including C&O, divided by the number of restaurants in the Comparable Restaurant Base, including C&O, by period.

This key performance indicator allows management to assess changes in consumer spending patterns at our restaurants and the overall performance of our restaurant base.

Adjusted EBITDA and Adjusted EBITDA Margin - Adjusted EBITDA represents net income (loss) before depreciation and amortization, interest expense, interest income, and income taxes, adjusted for the impact of certain non-cash and other items that we do not consider in our evaluation of ongoing core operating performance as identified in the reconciliation of net income (loss), the most directly comparable GAAP measure to Adjusted EBITDA. Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of revenues, net. See also "Non-GAAP Financial Measures."

Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin - Restaurant-Level Adjusted EBITDA is defined as revenue, less restaurant operating expenses, which include food, beverage and packaging costs, labor expenses, occupancy expenses and other operating expenses. Restaurant-Level Adjusted EBITDA excludes corporate level expenses and depreciation and amortization on restaurant property and equipment. Restaurant-Level Adjusted EBITDA Margin represents Restaurant-Level Adjusted EBITDA as a percentage of revenues, net. See also "Non-GAAP Financial Measures."

For more information about the Company's Non-GAAP measures, how they are calculated and reconciled and why management believes that they are useful, see "Non-GAAP Financial Measures" below.

Earnings Conference Call

The Company will host a conference call to discuss its financial results for the third quarter on Tuesday, November 4, 2025, at 10:00 AM ET. The conference call can be accessed live over the phone by dialing 877-407-3982. A telephone replay will be available shortly after the call has concluded and can be accessed by dialing 844-512-2921, and using passcode #13748478. The webcast replay will be available at investors.portillos.com shortly after the call has concluded.

About Portillo's

Portillo's (NASDAQ: PTLO) is a one-of-a-kind brand that has grown from a small hot dog trailer in Chicago to more than 90 restaurants across 10 states. Known for its unique menu of craveable Italian beef sandwiches, Chicago-style hot dogs, char-grilled burgers, fresh salads and iconic chocolate cake, Portillo's is beloved in both its home of Chicagoland and across new and growing markets. Portillo's operates a company-owned model of not just restaurants – but experience-focused destinations that blend dine-in, drive-thru, takeout and delivery to serve our guests with the food they crave. And now, after six decades of success and counting, Portillo's is on a mission to bring its iconic food and unforgettable dining experience to guests across the country.

Cautionary Note Regarding Forward-Looking Statements

This press release contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"). All statements other than statements of historical fact are forward-looking statements. Forward-looking statements discuss our current expectations and projections relating to our financial position, results of operations, plans, objectives, future performance and business, and are based on currently available operating, financial and competitive information which are subject to various risks and uncertainties, so you should not place undue reliance on forward-looking statements. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "aim," "anticipate," "believe," "commit," "estimate," "expect," "forecast," "outlook," "potential," "project," "projection," "plan," "intend," "seek," "may," "could," "would," "will," "should," "can," "can have," "likely," the negatives thereof and other similar expressions.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. As a result, our actual results may differ materially from those contemplated by the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- risks related to or arising from our organizational structure;
- risks of food-borne illness and food safety and other health concerns about our food;
- risks relating to the economy and financial markets, including in relation to trade and tax policy changes and other macroeconomic uncertainty, including, inflation, fluctuating interest rates, stock market volatility, recession concerns, and other factors;
- risks associated with our recently announced search for a new Chief Executive Officer and the related transition;
- the impact of unionization activities of our team members on our reputation, operations and profitability;
- risks associated with our reliance on certain information technology systems, including our new enterprise resource planning system, and potential failures or interruptions;
- risks associated with data, privacy, cyber security and the use and implementation of information technology systems, including our digital ordering and payment platforms for our delivery business;
- risks associated with increased adoption, implementation and use of artificial intelligence technologies across our business;
- the impact of competition, including from our competitors in the restaurant industry or our own restaurants;
- the increasingly competitive labor market and our ability to attract and retain the best talent and qualified employees;
- the impact of federal, state or local government regulations relating to privacy, data protection, advertising and consumer protection, building and zoning requirements, labor and employment matters, costs of or ability to open new restaurants, or the sale of food and alcoholic beverages;
- inability to achieve our growth strategy, including as a result of, among other things, the availability of suitable new restaurant sites in existing and new markets and opening of new restaurants at the anticipated rate and on the anticipated timeline;
- the impact of consumer sentiment and other economic factors on our sales;
- increases in food and other operating costs, tariffs and import taxes, and supply shortages; and
- other risks identified in our filings with the Securities and Exchange Commission (the "SEC").

All forward-looking statements are expressly qualified in their entirety by these cautionary statements. You should evaluate all forward-looking statements made in this press release in the context of the risks and uncertainties disclosed in the Company's most recent Annual Report on Form 10-K, filed with the SEC. All of the Company's SEC filings are available on the SEC's website at www.sec.gov. The forward-looking statements included in this press release are made only as of the date hereof. The Company undertakes no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

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PORTILLO'S INC
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except common share and per common share data)

	Quarter Ended				Three Quarters Ended			
	September 28, 2025		September 29, 2024		September 28, 2025		September 29, 2024	
REVENUES, NET	$ 181,428	100.0%	$ 178,252	100.0%	$ 546,321	100.0%	$ 525,945	100.0%
COST AND EXPENSES:								
Restaurant operating expenses:								
Food, beverage and packaging costs	62,619	34.5%	60,136	33.7%	187,471	34.3%	178,809	34.0%
Labor	48,263	26.6%	45,945	25.8%	143,471	26.3%	135,659	25.8%
Occupancy	10,524	5.8%	9,172	5.1%	30,511	5.6%	27,723	5.3%
Other operating expenses	23,331	12.9%	21,053	11.8%	67,040	12.3%	60,868	11.6%
Total restaurant operating expenses	144,737	79.8%	136,306	76.5%	428,493	78.4%	403,059	76.6%
General and administrative expenses	20,025	11.0%	18,305	10.3%	57,726	10.6%	54,786	10.4%
Pre-opening expenses	3,260	1.8%	1,747	1.0%	5,465	1.0%	5,270	1.0%
Depreciation and amortization	7,312	4.0%	6,679	3.7%	21,489	3.9%	20,729	3.9%
Net income attributable to equity method investment	(452)	(0.2)%	(383)	(0.2)%	(998)	(0.2)%	(923)	(0.2)%
Other loss (income), net	1,112	0.6%	(390)	(0.2)%	800	0.1%	(1,176)	(0.2)%
OPERATING INCOME	5,434	3.0%	15,988	9.0%	33,346	6.1%	44,200	8.4%
Interest expense	5,664	3.1%	6,450	3.6%	17,139	3.1%	19,583	3.7%
Interest income	(118)	(0.1)%	(50)	—%	(268)	—%	(204)	—%
Tax Receivable Agreement liability adjustment	353	0.2%	(1,724)	(1.0)%	(2,132)	(0.4)%	(2,724)	(0.5)%
(LOSS) INCOME BEFORE INCOME TAXES	(465)	(0.3)%	11,312	6.3%	18,607	3.4%	27,545	5.2%
Income tax (benefit) expense	(1,247)	(0.7)%	2,539	1.4%	3,792	0.7%	4,898	0.9%
NET INCOME	782	0.4%	8,773	4.9%	14,815	2.7%	22,647	4.3%
Net (loss) income attributable to non-controlling interests	(432)	(0.2)%	1,553	0.9%	1,584	0.3%	4,395	0.8%
NET INCOME ATTRIBUTABLE TO PORTILLO'S INC.	$ 1,214	0.7%	$ 7,220	4.1%	$ 13,231	2.4%	$ 18,252	3.5%

Income per common share attributable to Portillo's Inc.:				
Basic	$ 0.02	$ 0.12	$ 0.20	$ 0.30
Diluted	$ 0.02	$ 0.11	$ 0.19	$ 0.29
Weighted-average common shares outstanding:				
Basic	71,908,534	61,921,564	67,780,566	60,336,488
Diluted	73,973,710	64,894,558	70,131,466	63,347,715

PORTILLO'S INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except common share and per common share data)

	September 28, 2025	December 29, 2024
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents and restricted cash	$ 17,234	$ 22,876
Accounts and tenant improvement receivables	18,850	14,794
Inventories	9,225	7,915
Prepaid expenses	4,786	7,066
Total current assets	50,095	52,651
Property and equipment, net	407,252	358,975
Operating lease assets	259,468	222,390
Goodwill	394,298	394,298
Trade names	221,725	223,925
Other intangible assets, net	24,068	26,098
Equity method investment	15,701	16,056
Deferred tax assets	210,298	197,409
Other assets	7,637	8,284
Total other assets	873,727	866,070
TOTAL ASSETS	$ 1,590,542	$ 1,500,086
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 48,470	$ 45,516
Current portion of long-term debt	6,250	11,250
Short-term debt	77,000	25,000
Current portion of Tax Receivable Agreement liability	7,766	7,686
Deferred revenue	4,394	7,032
Short-term operating lease liabilities	6,301	6,013
Accrued expenses	37,123	33,072
Total current liabilities	187,304	135,569
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	239,368	275,422
Tax Receivable Agreement liability	345,480	316,893
Long-term operating lease liability	326,391	278,540
Other long-term liabilities	3,599	3,559
Total long-term liabilities	914,838	874,414
Total liabilities	1,102,142	1,009,983
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value per share, 10,000,000 shares authorized, none issued and outstanding	—	—
Class A common stock, $0.01 par value per share, 380,000,000 shares authorized, and 71,924,160 and 63,674,579 shares issued and outstanding as of September 28, 2025 and December 29, 2024, respectively	719	637

Class B common stock, $0.00001 par value per share, 50,000,000 shares authorized, and 3,442,335 and 10,732,800 shares issued and outstanding as of September 28, 2025 and December 29, 2024, respectively	—	—
Additional paid-in-capital	402,343	357,295
Retained earnings	56,360	43,129
Total stockholders' equity attributable to Portillo's Inc.	459,422	401,061
Non-controlling interest	28,978	89,042
Total stockholders' equity	488,400	490,103
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,590,542	$ 1,500,086

PORTILLO'S INC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Quarters Ended	
	September 28, 2025	**September 29, 2024**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 14,815	$ 22,647
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,489	20,729
Amortization of debt issuance costs and discount	521	568
Loss on sales of assets	248	130
Equity-based compensation	4,288	9,223
Deferred income tax expense	3,792	4,898
Tax Receivable Agreement liability adjustment	(2,132)	(2,724)
Gift card breakage	(656)	(666)
Asset impairment	2,200	—
Changes in operating assets and liabilities:		
Accounts receivables	(123)	497
Receivables from related parties	(102)	152
Inventories	(1,310)	435
Other current assets	2,280	2,222
Operating lease asset	7,079	6,511
Accounts payable	(6,696)	4,538
Accrued expenses and other liabilities	2,004	1,880
Operating lease liabilities	(2,296)	(2,591)
Deferred lease incentives	2,186	3,476
Other assets and liabilities	1,154	29
NET CASH PROVIDED BY OPERATING ACTIVITIES	48,741	71,954
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(58,097)	(56,514)
Proceeds from the sale of property and equipment	18	77
NET CASH USED IN INVESTING ACTIVITIES	(58,079)	(56,437)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term debt, net	52,000	(1,000)
Payments of long-term debt	(40,312)	(3,750)
Proceeds from equity offering, net of underwriting discounts	—	114,960
Repurchase of outstanding equity / Portillo's OpCo units	—	(114,960)
Distributions paid to non-controlling interest holders	(1,291)	(838)
Proceeds from stock option exercises	2,727	2,576
Employee withholding taxes related to net settled equity awards	(984)	(395)
Proceeds from Employee Stock Purchase Plan purchases	365	401
Payments of Tax Receivable Agreement liability	(7,686)	(4,429)
Payment of deferred financing costs	(1,263)	—
Contributions from non-controlling interests	140	—
NET CASH PROVIDED BY (USED) IN FINANCING ACTIVITIES	3,696	(7,435)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(5,642)	8,082
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF THE PERIOD	22,876	10,438
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF THE PERIOD	$ 17,234	$ 18,520

PORTILLO'S INC
SELECTED OPERATING DATA AND NON-GAAP FINANCIAL MEASURES

	Quarter Ended		Three Quarters Ended	
	September 28, 2025	September 29, 2024	September 28, 2025	September 29, 2024
Total Restaurants (a)	98	88	98	88
AUV (in millions) (a)	N/A	N/A	$ 8.6	$ 8.9
Change in same-restaurant sales (b)(c)	(0.8)%	(0.9)%	0.5%	(0.9)%
Adjusted EBITDA (in thousands) (b)	$ 21,387	$ 27,911	$ 72,662	$ 79,554
Adjusted EBITDA Margin (b)	11.8%	15.7%	13.3%	15.1%
Restaurant-Level Adjusted EBITDA (in thousands) (b)	$ 36,691	$ 41,946	$ 117,828	$ 122,886
Restaurant-Level Adjusted EBITDA Margin (b)	20.2%	23.5%	21.6%	23.4%

(a) Includes a restaurant that is owned by C&O of which Portillo's owns 50% of the equity. AUVs for the quarters ended September 28, 2025 and September 29, 2024 represent AUVs for the twelve months ended September 28, 2025 and September 29, 2024, respectively. Total restaurants indicated are as of September 28, 2025.
(b) Excludes C&O.
(c) For the quarter ended September 29, 2024, same-restaurant sales compares the 13 weeks from July 1, 2024 through September 29, 2024 to the 13 weeks from July 3, 2023 through October 1, 2023. For the three quarters ended September 29, 2024, same-restaurant sales compares the 39 weeks from January 1, 2024 through September 29, 2024 to the 39 weeks from January 2, 2023 through October 1, 2023

PORTILLO'S INC.
NON-GAAP FINANCIAL MEASURES

To supplement the consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: Adjusted EBITDA and Adjusted EBITDA Margin, and Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin. Accordingly, Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin are not required by, nor presented in accordance with GAAP, but rather are supplemental measures of operating performance of our restaurants. You should be aware that these measures are not indicative of overall results for the Company and that Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin do not accrue directly to the benefit of stockholders because of corporate-level expenses excluded from such measures. These measures are supplemental measures of operating performance and our calculations thereof may not be comparable to similar measures reported by other companies. These measures are important measures to evaluate the performance and profitability of our restaurants, individually and in the aggregate, but also have important limitations as analytical tools and should not be considered in isolation as substitutes for analysis of our results as reported under GAAP.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA represents net income (loss) before depreciation and amortization, interest expense, interest income, and income taxes, adjusted for the impact of certain non-cash and other items that we do not consider in our evaluation of ongoing core operating performance as identified in the reconciliation of net income (loss), the most directly comparable GAAP measure to Adjusted EBITDA. Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of total revenues.

We use Adjusted EBITDA and Adjusted EBITDA Margin (i) to evaluate our operating results and the effectiveness of our business strategies, (ii) internally as benchmarks to compare our performance to that of our competitors and (iii) as factors in evaluating management's performance when determining incentive compensation.

We believe that Adjusted EBITDA and Adjusted EBITDA Margin are important measures of operating performance because they eliminate the impact of expenses that do not relate to our core operating performance.

We are unable to reconcile the long-term outlook for Adjusted EBITDA to net income (loss), the corresponding U.S. GAAP measure, due to variability and difficulty in making accurate forecasts and projections and because not all information necessary to prepare the reconciliation is available to us without unreasonable efforts. For the same reasons, we are unable to address the probable significance of the unavailable information because we cannot accurately predict all of the components of the adjusted calculations and the non-GAAP measure may be materially different than the GAAP measure.

Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin

Restaurant-Level Adjusted EBITDA is defined as revenue, less restaurant operating expenses, which include cost of goods sold (excluding depreciation and amortization), labor expenses, occupancy expenses and other operating expenses. Restaurant-Level Adjusted EBITDA excludes corporate level expenses and depreciation and amortization on restaurant property and equipment. Restaurant-Level Adjusted EBITDA Margin represents Restaurant-Level Adjusted EBITDA as a percentage of revenue.

We believe that Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin are important measures to evaluate the performance and profitability of our restaurants, individually and in the aggregate.

See below for a reconciliation of net income, the most directly comparable GAAP measure, to Adjusted EBITDA and Adjusted EBITDA Margin (in thousands):

	Quarter Ended	Three Quarters Ended

	September 28, 2025	September 29, 2024	September 28, 2025	September 29, 2024
Net income	$ 782	$ 8,773	$ 14,815	$ 22,647
Net income margin	*0.4%*	*4.9%*	*2.7%*	*4.3%*
Depreciation and amortization	7,312	6,679	21,489	20,729
Interest expense	5,664	6,450	17,139	19,583
Interest income	(118)	(50)	(268)	(204)
Income tax (benefit) expense	(1,247)	2,539	3,792	4,898
EBITDA	12,393	24,391	56,967	67,653
Deferred rent (1)	1,952	1,391	4,870	3,857
Equity-based compensation	(320)	3,506	4,288	9,223
Cloud-based software implementation costs (2)	—	64	267	514
Amortization of cloud-based software implementation costs (3)	292	220	806	366
Other loss (4)	2,305	63	2,448	129
Transaction-related fees and expenses (5)	6	—	742	536
Strategic realignment costs (6)	4,406	—	4,406	—
Tax Receivable Agreement liability adjustment (7)	353	(1,724)	(2,132)	(2,724)
Adjusted EBITDA	$ 21,387	$ 27,911	$ 72,662	$ 79,554
Adjusted EBITDA Margin (8)	*11.8%*	*15.7%*	*13.3%*	*15.1%*

(1) Represents the difference between cash rent payments and the recognition of straight-line rent expense recognized over the lease term.
(2) Represents non-capitalized third party consulting and software licensing costs incurred in connection with the implementation of a new ERP and HCM systems which are included within general and administrative expenses.
(3) Represents amortization of capitalized cloud-based ERP and HCM system implementation costs that are included within general and administrative expenses.
(4) Represents loss on disposal of property and equipment and a legacy Barnelli's trade name impairment charge included within other loss (income), net.
(5) Represents certain expenses that management believes are not indicative of ongoing operations, consisting primarily of certain professional fees included within general and administrative expenses.
(6) Represents costs of $1.5 million in connection with the departure of our CEO and $2.9 million of costs related to the Company's strategic reset of its development and growth plans that are included within general and administrative expenses.
(7) Represents remeasurement of the Tax Receivable Agreement liability.
(8) Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by Revenues, net.

See below for a reconciliation of operating income, the most directly comparable GAAP measure, to Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin (in thousands):

	Quarter Ended		Three Quarters Ended	
	September 28, 2025	September 29, 2024	September 28, 2025	September 29, 2024
Operating income	$ 5,434	$ 15,988	$ 33,346	$ 44,200
Operating income margin	*3.0%*	*9.0%*	*6.1%*	*8.4%*
Plus:				
General and administrative expenses	20,025	18,305	57,726	54,786
Pre-opening expenses	3,260	1,747	5,465	5,270
Depreciation and amortization	7,312	6,679	21,489	20,729
Net income attributable to equity method investment	(452)	(383)	(998)	(923)
Other loss (income), net	1,112	(390)	800	(1,176)
Restaurant-Level Adjusted EBITDA	$ 36,691	$ 41,946	$ 117,828	$ 122,886
Restaurant-Level Adjusted EBITDA Margin (1)	*20.2%*	*23.5%*	*21.6%*	*23.4%*

(1) Restaurant-Level Adjusted EBITDA Margin is defined as Restaurant-Level Adjusted EBITDA divided by Revenues, net.