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FAT Brands Inc. (FAT) Q3 2025 Earnings Call Transcript

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Q3: 2025-11-05 Earnings Summary

Insights



EPS of $-\$2.67$ **misses by \$1.19** | Revenue of \$140.01M (-2.34% Y/Y) **misses by \$2.89M**

FAT Brands Inc. ([FAT](#)) Q3 2025 Earnings Call November 5, 2025 4:30 PM EST

Company Participants

Andrew Wiederhorn - Founder, President, CEO, Outside Consultant & Strategic Advisor and Chairman

Kenneth Kuick - Chief Financial Officer

Conference Call Participants

Joseph Gomes - NOBLE Capital Markets, Inc., Research Division

Roger Lipton - Lipton Financial Services

Presentation

Operator

Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome to the FAT Brands Inc. Third Quarter 2025 Earnings Conference Call. [Operator Instructions] Please note that this conference is being recorded today, November 5, 2025.

On the call from FAT Brands are Chairman and Chief Executive Officer, Andy Wiederhorn; and Chief Financial Officer, Ken Quick. This afternoon, the company released its third quarter 2025 financial results. Please refer to the earnings release and earnings supplement, both of which are available in the Investors section of the company's website at www.fatbrands.com.

Each contains additional details about the third quarter, which closed on September 28, 2025. Before we begin, I must remind everyone that part of the discussion today will include forward-looking statements. These forward-looking statements are not guarantees of future performance, and therefore, undue reliance should not be placed upon them.

Actual results may differ materially from those indicated by these forward-looking statements due to a number of risks and uncertainties. The company does not undertake to update these forward-looking statements at a later date. For a more detailed discussion of the risks that could impact future operating results and financial condition, please see today's earnings release and recent SEC filings.

During today's call, the company will also discuss non-GAAP financial measures, which it believes can be useful in evaluating its performance. The presentation of this additional information should not be considered in isolation nor as a substitute for results prepared in accordance with GAAP. Reconciliations to comparable GAAP measures are available in today's earnings release.

I would now like to turn the call over to Andy Wiederhorn, Chairman and Chief Executive Officer. Please go ahead.

Andrew Wiederhorn

Founder, President, CEO, Outside Consultant & Strategic Advisor and Chairman

Good afternoon, everyone, and thank you all for joining us. I'm pleased to be back as Chief Executive Officer of FAT Brands. With this transition, Ken Quick is now focusing exclusively on his responsibilities as Chief Financial Officer of both FAT Brands and Twin Hospitality Group, while Taylor Wiederhorn will continue as our Chief Development Officer. I want to thank Ken and Taylor for their leadership as co-CEOs. They played an instrumental role in navigating the company through an arduous few years of legal matters. I'm excited to continue executing against our key priorities, which I will outline shortly.

Before discussing the third quarter results, I'd like to provide an update on the legal matters we discussed during our last earnings call. In late July, the U.S. Department of Justice dismissed all charges against me, FAT Brands, William Amon and Rebecca Hershinger. I'm grateful to the U.S. Jury's office for their thorough review and to all legal counsel involved.

We have also resolved the Delaware derivative cases known as Harris I and Harris II filed in 2021 and 2022 relating to our 2020 merger and 2021 recapitalization, respectively. As announced in early August, our settlement agreement resolves all claims without any admission of liability or wrongdoing. The settlement includes the recognition of previously adopted corporate governance enhancements by the Board, a \$10 million insurance payment to the company and a contribution of 200,000 shares of Twin Hospitality Group by Fog Cutter Holdings. We received preliminary approval in September and expect final court approval in December. We are now fully focused on strategic execution and enhancing shareholder value.

Turning to Twin Hospitality Group. The business continues to gain momentum under Kim Boerema's leadership, who has strengthened both brands operationally and bolstered his executive team. During the quarter, he appointed Ken Brendemihl as President of Smokey Bones, hired [Rob Churn] as Chief Operating Officer of Smokey Bones promoted Lexi Burns to Chief People Officer, expanding her role across both Twin Peaks and Smokey Bones and hired Melissa Fry as Chief Marketing Officer.

These strategic leadership additions position Twin Hospitality for further growth and operational excellence. In August, I was honored to assume the role of Chairman of Twin Hospitality Group, providing valuable continuity following its successful spinout earlier this year. My deep understanding of the business and direct involvement in structuring the transaction provide a solid foundation for the company.

Finally, I invite you to join Twin Hospitality Group's third quarter earnings discussion at 5:15 Eastern Time today with details available in the earnings release published earlier today. Turning back to the business. We continue to take decisive actions to strengthen our financial position and sharpen our capital structure. We are advancing plans for a \$75 million to \$100 million equity raise at Twin Peaks to pay down debt and fund new unit development.

Our dividend pause remains in effect, preserving \$35 million to \$40 million annually in cash flow. The dismissal of the DOJ case and the resolution of the derivative matters provide at least \$30 million a year in additional annual savings. We've already executed more than \$10 million of SG&A reductions and continue to look for additional savings. And we are actively negotiating a debt restructuring with our noteholders.

Together, these actions put us on track to achieve positive cash flow in the coming quarters, reduce our debt and build a strong foundation for long-term growth. While the restaurant industry continues to face headwinds, we delivered adjusted EBITDA of \$13.1 million for the quarter. Most encouraging is the momentum we are building in same-store sales performance. We've narrowed our decline to just 3.5%, down from 4.2% in the second quarter, representing our strongest quarterly performance so far this year. Notably, our casual dining segment demonstrated particularly strong results with same-store sales growth of 3.9%.

Now I would like to provide you with an update on our 3 strategic pillars: organic expansion through strategic market penetration, targeted acquisitions to diversify our brand portfolio and manufacturing scale-up emphasizing cookie dough in dry mix production.

First, organic expansion. We opened 13 new locations during the third quarter and 60 locations year-to-date with a current target of 80 new openings this year. Development remains concentrated within our 7 highest performing brands, Fatburger, Johnny Rockets, Fazoli's, Roundtable Pizza, Twin Peaks, Marble Slab Creamery and Great American Cookies. Looking beyond 2025, our development visibility is strong. We secured over 190 franchise development agreements year-to-date, contributing to approximately 900 committed locations scheduled to open over the next 5 to 7 years. These represent executed contracts with paid franchise fees.

The potential earnings impact is quite substantial. Once operational, these units should generate \$50 million to \$60 million in incremental earnings through our asset-light model, requiring no acquisition capital or corporate build-out investment. As you know, co-branding remains a key growth driver key growth driver domestically.

In August, we opened our first co-branded roundtable Pizza and Fatburger location in Rancho Cordova, California. We leveraged more than 3,000 square feet of unused space at an existing roundtable location and added a Fatburger enhancing sales across dayparts, particularly lunch. Weekly sales and transactions have doubled. With approximately 50 of these co-branded locations in our development pipeline, we see significant expansion potential across California and beyond.

During the third quarter, we opened new Great American Cookies and Marble Slab Creamery locations in Maryville, Tennessee and Sanford, North Carolina. The Sanford opening marks both brands entry into the Raleigh market. We also opened our first co-branded Fatburger and Buffalo's Express location in Springer, Oklahoma at the high-traffic Arbuckle Travel Center, marking Fatburger's debut in the state.

Beyond co-branding, we expanded our presence with strategic stand-alone openings. Roundtable Pizza expanded in Western U.S. footprint with its first Colorado location in Colorado Springs, a milestone opening that sets the stage for additional growth across the state. The brand also added a third location in the Las Vegas market. Hot Dog on a Stick opened at Downtown Commons in Sacramento, a high-traffic shopping center that reinforces the brand's strong California presence.

On the international front, Johnny Rockets continues its global expansion, opening 7 new locations this year across Iraq, Chile, the UAE, Mexico and Brazil. Highlights include 2 openings in Baghdad and new locations in high-traffic destinations such as Cancun's Grand Outlet Riviera Maya and Dubai's Jumeirah district.

Additionally, we announced Fatburger's return to Japan through a new franchise agreement that will bring 4 locations to Okinawa over the next 5 years. The first restaurant is slated to open before year-end, strategically leveraging Okinawa's robust tourism traffic and U.S. military base presence as a gateway to reestablish Fatburger's footprint in Japan.

Along with new unit development, we plan to complete 100 remodels this year, refreshing our brand's presence and enhancing the customer experience across our portfolio. Also, our portfolio digital mix hit a new record high with year-to-date digital sales increasing 19% from Q2 to Q3.

Additionally, our brands received several notable awards this quarter, underscoring the strength and recognition of our portfolio. Great American Cookies and Marble Slab Creamery were named 2 QSR's Best Franchise Deals 2025 list. Hurricane Grill & Wings earned a spot on USA Today's 10 Best list for sports bars. 12 of our concepts were included in the Franchise Times Top 400.

Twin Peaks, Roundtable Pizza, Johnny Rockets, Fazoli's, Great American Cookies, Fatburger, Marble Slab Creamery, Ponderosa and Bonanza Steakhouses, Pretzelmaker, Native Grill & Wings and Elevation Burger. And finally, Roundtable Pizza was recognized on Yelp's top 25 U.S. pizza chains list.

Now turning to our growth by acquisition strategy. We remain disciplined while preserving flexibility. Strengthening the balance sheet is our near-term priority given current capital costs, but we continue to actively market -- to monitor the market for opportunities at the right valuation. Our focus is on acquisitions that enhance our core brand or add complementary capabilities without compromising our commitment to deleveraging.

Our Georgia production facility continues to perform well, generating \$9.6 million in sales and \$3.8 million in adjusted EBITDA, a 39.6% margin during the third quarter. Importantly, we are operating at only 45% of capacity with meaningful expansion potential at low incremental cost.

In August, we announced a major strategic initiative supporting our manufacturing scale-up goals, a partnership with virtual dining concepts to make Great American Cookies available for delivery from Chuck E Cheese locations nationwide. The collaboration is already live at over 450 locations with 500 additional locations targeted through the virtual dining concepts network by the end of this year.

In addition to delivery, we are exploring in-venue cookie sales and co-branded menu opportunities. This partnership represents a transformative step in our manufacturing growth strategy, leveraging third-party partnerships to significantly increase production volume and drive our Georgia facility towards greater capacity utilization, all while maintaining an asset-light business model.

Before I turn it over to Ken, I'd like to highlight the meaningful impact of the FAT Brands Foundation, which has awarded 42 grants and provided over \$170,000 in funding so far this year. In September, the foundation launched a health and wellness campaign aimed at promoting FAT Brands' employee well-being in addition to driving fundraising efforts, the step-up for FAT Brands Foundation Challenge.

The initiative saw tremendous engagement from employees and reinforced the foundation's role in giving back to the communities we serve. With approximately \$12,000 in funds raised from this month -- from the month-long initiative, the foundation was able to help provide 1,000 meals to underprivileged children in Collier County, Florida, equipped 6 schools and 250 students with books and materials to promote fourth grade literacy and assist families impacted by the Eaton fires in Altadena, California through the purchase of essential gift cards.

Looking ahead, our focus is on execution, driving growth across our brands, strengthening our balance sheet and unlocking the full potential of our platform. We believe these efforts will deliver meaningful value for shareholders, franchise partners and team members alike.

With that, let me turn it over to Ken to walk through our financial highlights for the third quarter.

Kenneth Kuick

Chief Financial Officer

Thanks, Andy. Moving on to our third quarter results. Total revenues were \$140 million, a 2.3% decrease from \$143.4 million in last year's quarter. This was driven primarily by the closure of 11 underperforming Smokey Bones locations as planned, the temporary closure of 2 Smokey Bones locations for conversion into Twin Peaks lodges and lower same-store sales, partially offset by revenues generated by our new Twin Peaks Lodges.

Turning to costs and expenses. General and administrative expense increased \$8.2 million to \$42.7 million in the quarter from \$34.5 million in the year ago quarter, primarily due to a \$6.9 million store closure reserve and a \$1.4 million noncash impairment of fixed assets in the third quarter related to the closure of underperforming Smokey Bones locations and higher noncash share-based compensation expense related to the public listing of Twin Hospitality Group earlier this year.

Cost of restaurant and factory revenues decreased to \$94.6 million in the quarter compared to \$96.8 million, primarily driven by the closure of underperforming Smokey Bones locations, the closure of 2 Smokey Bones locations for conversion and lower same-store sales, partially offset by wage and food cost inflation.

Advertising expense varies in relation to advertising revenues and decreased to \$12.2 million in the quarter from \$10 million in the year ago period. Total other expense net, which consisted primarily of interest expense was \$41 million in the quarter compared to \$35.8 million in last year's quarter. Net loss attributable to FAT Brands was \$58.2 million or \$3.39 per diluted share compared to a net loss of \$44.8 million or \$2.74 per diluted share in the prior year quarter. And on an as-adjusted basis, our net loss attributable to FAT Brands was \$45.4 million or \$2.67 per diluted share compared to \$38 million or \$2.34 per diluted share in the prior year quarter. And lastly, adjusted EBITDA for the quarter was \$13.1 million compared to \$14.1 million in the year ago quarter. And with that, operator, please open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions]

And our first question will come from Joe Gomes with NOBLE Capital Markets.

Joseph Gomes

NOBLE Capital Markets, Inc., Research Division

So Andy, just wanted to start off on the debt restructuring that you're negotiating. Can you give us any feel for timing on that?

Andrew Wiederhorn

Founder, President, CEO, Outside Consultant & Strategic Advisor and Chairman

I'm hopeful that during this quarter, we'll come to a resolution on restructuring. The -- we've publicly stated that we're close to raising equity for Twin Peaks. That is held up only by the government shutdown. As soon as the government opens, Twin Peaks is good to go and the majority of the proceeds from the equity raise go to reduce debt with the noteholders. So we'd like to get that started as quickly as everyone would. We're just waiting for the government to open.

Joseph Gomes

NOBLE Capital Markets, Inc., Research Division

Okay. And on the Twin Peaks, have you closed all the underperforming Smokey Bones - or is there still more to do there?

Andrew Wiederhorn

Founder, President, CEO, Outside Consultant & Strategic Advisor and Chairman

Well, for now, we have closed all of them and reserved for them. There are some stores that are not performing well, but they're part of a larger master lease where we have a number of very, very well -- stores are performing very well. And then there's a few that are not performing that well, all in the same master lease. So there's some more to go over the coming couple of quarters, but that will really come to an end once the master lease is sorted out and extended.

Joseph Gomes

NOBLE Capital Markets, Inc., Research Division

Okay. And where do we stand on the effort for refranchising the Fazoli units?

Andrew Wiederhorn

Founder, President, CEO, Outside Consultant & Strategic Advisor and Chairman

We've made some material progress on the Fazoli's refranchising. We are evaluating some proposals that we've received and deciding if we want to move forward or continue negotiating with additional parties.

Joseph Gomes

NOBLE Capital Markets, Inc., Research Division

All right. Let me see what else do we have here. I'm assuming it's more economic economy related, but the goal was 100 new targeted stores to open in '25, and you said now the target is to 80. I was just wondering if you could give us a little update on that.

Andrew Wiederhorn

Founder, President, CEO, Outside Consultant & Strategic Advisor and Chairman

Yes, there's definitely a slowdown in the pace of which new stores are getting opened. That's a little bit of foot dragging by franchisees to open their stores, so they'll slip into next year. It's not really many projects getting canceled as much as it is just moving a little bit slower. It's always frustrating because every day, every month that a store is delayed, that's \$5,000 in royalties you'll never get. And so if you wait -- if the store is delayed a year at \$60,000, you add 10 of those and \$600,000. So it really adds up quickly, and we are trying to accelerate the throughput and the opening of those new stores as quickly as we can, but you still got to get them open with the franchisees doing their part.

Joseph Gomes*NOBLE Capital Markets, Inc., Research Division*

Right. And you mentioned about \$10 million of SG&A reduction. I was wondering if you could kind of maybe give us an idea of where that came from? And what more do you see as potential for additional cost optimization?

Andrew Wiederhorn*Founder, President, CEO, Outside Consultant & Strategic Advisor and Chairman*

Well, there's been -- I mean, it's been across the board. There's staff reductions, there are executive reductions. There's just general G&A. We've closed some offices as we were able to consolidate and consolidate some of the accounting departments and things like that to get further single platform shared services.

So that's been very beneficial. I think going forward, we just have to see how the restaurant economy performs. I don't think any of the major restaurant operators would argue that we're in a restaurant recessionary environment. I think they all agree that we are generally in that environment. There are some outliers where guys are putting up some big numbers. But for the most part, people are off a little bit.

We're fortunate that it's just a little bit, not a lot. 3% or 4% is okay in this environment. It's not what you want, but it's certainly not off 10% or 20% or closing 30% of our units like some other problems that have occurred. So I think that we push through that. There may be -- when you're in that environment, you're looking at costs and you're looking at what am I spending on new business development or things like that, that may just not be realistic in this environment. And so that's probably where there's additional savings.

Operator

And next, we'll hear from Roger Lipton with Lipton Financial Services.

Roger Lipton*Lipton Financial Services*

As you know, this is Roger. You answered the questions I had about the timing of your -- the restructuring efforts. Let me ask you, you made reference to the same-store sales growth in the casual dining. What -- which were the chains that are in that category these days?

Andrew Wiederhorn

Founder, President, CEO, Outside Consultant & Strategic Advisor and Chairman

Well, it's quite a few. I mean you have Hurricane Grill & Wings, Buffalo's Cafe, Native Grill & Wings and Ponderosa and Bonanza, or Steakhouse brands.

Roger Lipton

Lipton Financial Services

Okay.

Andrew Wiederhorn

Founder, President, CEO, Outside Consultant & Strategic Advisor and Chairman

What's interesting is really you see consumers -- you've seen a lot of information in the industry about the QSR end of things, the consumer has felt pinched and has really, really sought out value. And that's a little bit of a bounce back from when they were bringing a turkey sandwich from home and not going out at all. And now you've seen McDonald's put up numbers where they're showing that if they promote value, they're getting customers to come back and traffic to improve. And so I think on the QSR side of things, it's all about value, and I mean value with discounted kind of deal, not guest experience.

As you move into the higher-end brands, it's all about the value of what you're spending for the guest experience, and you've got to justify the price you're charging, which you need to charge with labor and food costs where they are to the guest experience. And so it's kind of 2 different value propositions. And I think on the casual dining side, the consumer is saying if I'm going to spend what it costs to go to a casual dining restaurant, I want the experience to be great, and I'll spend it because I don't want to be -- I can only do so much QSR.

Roger Lipton

Lipton Financial Services

Right. No, no question. What you're saying is exactly consistent with what we're hearing all over the industry. Talking about Twin Peaks for a second. Can you give us any idea what opening program there could be for next year at Twin Peaks?

Kenneth Kuick

Chief Financial Officer

Yes, there are a number of new stores slated to convert both Smokey Bones conversions into Twin Peaks as corporate and some as franchise. And then there are new franchise locations that have nothing to do with Smokey Bones that are also under development. And so that's a little bit of a moving target as to the timing and the permitting and the franchisees undertaking as to when they start and when they get them open. But there's active development going on.

The brand is -- has a robust pipeline and franchisees who want to get more stores open and build their platforms. So it's a positive.

Roger Lipton

Lipton Financial Services

Right. And I didn't have too much time to look at their numbers with everything coming up over a couple of minutes in your 4:30 call here, but it looks like Twin Peaks is settling down in terms of their day-to-day operations. Their store level margins improved I think, 50 basis points year-to-year, up to 17%. So that's encouraging.

Andrew Wiederhorn

Founder, President, CEO, Outside Consultant & Strategic Advisor and Chairman

That's a big priority for Kim. The restaurant level margin is a big priority for Kim, and he's very focused on it. And I think we'll see the restaurant level margins go well beyond 17% if you just give it a little time over the next couple of quarters as several initiatives kick into place.

And then with Ken Brendemihl coming on board and helping to take the helm at Smokey Bones, there's just a renewed focus there on streamlining the cost structure, so we don't really have duplicative costs by running 2 different brands inside of Twin Hospitality and then also menu management, streamlining purchasing, operational efficiencies. There's just a bunch of things there that they're focused on, and I think we'll see that brand excel.

There's going to be a number of Smokey Bones that remain Smokey Bones because they're not convertible into Twin Peaks because of the location or landlord restrictions. And those are good profitable stores. They're solid, and we want to keep those and run them properly. And then there's a bunch that are eligible for conversion. And we have to -- the ones that we've converted so far have been something like doubles. So sales have doubled, profits doubled, it's been worth it, but it's also uses of capital. And so we have to pace that with our ability to fund that. And then there's franchisees that are interested in some of them and some -- they've got additional development opportunities that have nothing to do with Smokey Bone. So it's a combination of those things.

Roger Lipton

Lipton Financial Services

All right. Well, that color is helpful. No question for your management group, even more than the analytical group, it will be great to get these major structural efforts behind us so that you can talk about opening stores and running stores and improving margins in stores and more day-to-day operational stuff. That will be a pleasure for everybody. So thanks, everyone.

Andrew Wiederhorn

Founder, President, CEO, Outside Consultant & Strategic Advisor and Chairman

From your lips to God's ears, you bet. I agree.

Operator

And there are no further questions at this time. I would like to turn the floor back to Andy Wiederhorn for closing remarks.

Andrew Wiederhorn

Founder, President, CEO, Outside Consultant & Strategic Advisor and Chairman

Thank you, operator. I want to thank all of you for attending our earnings call today and feel free to reach out to the company if you have any other questions. Take care.

Operator

Thank you. This does conclude today's teleconference. We thank you for your participation. You may disconnect your lines at this time.

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