

GEN Restaurant Group, Inc. (GENK) Q1 2026 Earnings Call Transcript

May 14, 2026, 7:30 PM ET | GEN Restaurant Group, Inc. (GENK) Stock



SA Transcripts

160.11K Followers

Q1: 2026-05-14 Earnings Summary

Insights



EPS of -\$0.14 **misses by \$0.04** | Revenue of \$53.90M (-6.00% Y/Y) **misses by \$3.10M**

GEN Restaurant Group, Inc. ([GENK](#)) Q1 2026 Earnings Call May 14, 2026 5:00 PM EDT

Company Participants

Thomas Croal - CFO & Secretary

Wook Kim - Chairman, CEO & Founder

Conference Call Participants

Todd Brooks - The Benchmark Company, LLC, Research Division

John-Paul Wollam - ROTH Capital Partners, LLC, Research Division

Presentation

Operator

Good afternoon, ladies and gentlemen, and welcome to GEN Restaurant Group, Inc. Q1 2026 Earnings Call. [Operator Instructions] This call is being recorded on Thursday, May 14, 2026.

And now I would like to turn the conference over to Tom Croal, the company's Chief Financial Officer. You may begin.

Thomas Croal

CFO & Secretary

Thank you, operator, and good afternoon. By now, everyone should have access to our first quarter 2026 earnings release. If not, it can be found at www.genkoreanbbq.com in the Investor Relations section.

Before we begin our formal remarks, I need to remind everyone that our discussions today will include forward-looking statements within the meaning of federal securities laws, including, but not limited to, statements regarding growth plans and potential new store openings as well as those types of statements identified in our annual report on Form 10-K for the year ended December 31, 2025, and our subsequent reports filed with the SEC. These forward-looking statements are not guarantees of future performance, and therefore, you should not put undue reliance on them. These statements represent our views only as of the date of this call and are also subject to numerous risks and uncertainties that could cause actual results to differ materially from what we currently expect. We refer you to our recent SEC filings, including our annual report on Form 10-K and quarterly reports on Form 10-Q for a more detailed discussions of the risks that could impact our future operating results and financial condition. Except as required by law, we undertake no obligation to update or revise these forward-looking statements in light of new information or future events.

During today's call, we will discuss some non-GAAP financial measures, which we believe can be useful in evaluating our performance. The presentation of this additional information should not be considered in isolation or as a substitute for results prepared in accordance with GAAP. Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures are available in our earnings press release and our SEC filings, which are available in the Investor Relations section of our website.

Now I'd like to turn it over to our Chairman and CEO, David Kim.

Wook Kim

Chairman, CEO & Founder

Thank you, Tom, and good afternoon, everyone. In the first quarter of 2026, the economic challenges continued to impact customer traffic for all restaurant businesses. Just as we began seeing improvement in January, the increase in fuel prices because of the war has reduced customer discretionary spending. This impact has been particularly pronounced for GEN as approximately 45% of our stores in the U.S. are in California, where gas prices have climbed to over \$6 a gallon. This has led to decrease in our same-store sales of approximately 8.8% for the quarter, although our same-store sales decline improved from 11.7% in the fourth quarter of 2025.

In our continued response to the changing economic environment, several directional changes were made at the end of 2025 and in the first quarter of 2026 through initiatives designed to improve the company's value proposition. First, during March of 2026, as part of an ongoing portfolio update, we entered into a partnership with Chubby Cattle International related to 5 of our restaurants. We will own 49% and Chubby Cattle will own 51% of these restaurants, which will be operated under the Chubby Cattle brand. Importantly, these joint ventures are far different than closing a restaurant as the locations remain open and continue generating value. The first 2 conversions took place on May 1, 2026, with 2 more scheduled for June 1, 2026, and the final conversion on August 1, 2026.

This transaction created a \$4.5 million write-down, but we anticipate no further liability from the deal and expect these 5 restaurants to generate strong EBITDA going forward, of which we're entitled to 49%, enhancing our overall profitability. This will reduce our loss positions in these 5 restaurants starting in the second and third quarters of 2026.

Second, we also have several operational initiatives currently in progress to improve the financial results of our restaurants. A, we're adjusting our menu to streamline options in response to stubborn increases in our food cost. B, we're enhancing our incentive program with restaurant managers to drive stronger store level execution and performance. C, we're testing new Boba drinks as well as Soju drinks, which have shown promising sales during the launch. D, following 2 quarters of research and preparation, we are exploring a new digital platform to enhance our customers' online experience. In parallel, we plan to roll out our GEN loyalty program in quarter 2 and have begun accepting cryptocurrency for payments. We're also preparing to launch our enhanced e-commerce website, which will offer an expanded selection of our GEN branded products.

Finally, we have made the strategic decision to slow restaurant developments to 5 to 7 openings for the full year of 2026 and have proactively suspended construction on 6 additional stores. This disciplined capital allocation strengthens our balance sheet and reduces near-term expenses. We have also initiated an AI program to drive further efficiencies and reduce corporate overhead.

As a further update, our Costco gift card program continues to contribute to our brand presence with cumulative sales since inception reaching over \$30 million.

In October 2025, we announced the creation of a new division within the company to develop and sell CPG products to grocery stores. We started by testing our products at over 30 locations in Southern California in October of 2025, and the customer response significantly exceeded our expectations. We are now confident in an estimated run rate of over 2,000 locations in supermarkets across the country. We plan to announce a financial forecast for the CPG division at the end of quarter 2.

Our retail product lineup under the exclusive GEN brand is anchored by our core meat offerings, complemented by a growing selection of additional products, spanning from beef jerky and beef chips, frozen sides, snack chips, sauces and seasonings, ready-to-drink beverages and Sojus sold under our GENJU brand. Here are our breakdown of our 56 SKUs: Core frozen meats, 6 SKUs; beef jerkies, 6 SKUs; frozen meat and sides, 12 SKUs; snack chips, 6 SKUs; sauces, and seasonings, 6 SKUs; ready-to-drink beverages, 9 SKUs; Soju, 11 SKUs.

Part of the expansion of our ecosystem is our CPG placement, including Soju, with the #1 beverage retailer, the West Coast, BevMo. Our growing line up of shelf-stable Korean snacks and beverages, as previously mentioned, represents a meaningful expansion of our non-meat product catalog. These single-serve formats are well suited for convenient-driven channels such as 7-Eleven and other convenience stores, opening a significant growth opportunity beyond our core meat offerings. Additionally, at the end of May, Albertsons is launching a regional test of a full shelf-stable product lineups across 150 stores. And based on the projected numbers, we anticipate additional regions to follow.

With the strength of our restaurant labor force, GEN has deployed a trained team members to local grocery stores to demo our products, which have been highly successful in driving sell-throughs. Unlike many grocery demos, which are run by outside companies with no product knowledge, our restaurant staff brings first-hand expertise that creates a dynamic sales presentation and significantly lifts product sales. Combined with our well-known GEN brand and great-tasting Korean-inspired food, this makes it easy for our staff to introduce our products to new customers.

Additionally, last week, we announced the launch of our Costco road show demonstration series, a multi-region initiative, bringing GEN signature ready-to-cook marinated meats to Costco members in Oregon, Washington, Alaska and Texas. Powered by our restaurant staff, this launch marks the next chapter in GEN's growing retail presence and supports our broader phased retail expansion strategy. We anticipate this will lead to permanent shelf space.

Separately, we recently announced a major milestone in GEN's retail expansion, our first direct Southern California and Hawaii Regional Costco purchase order, securing freezer aisle placement for 1 SKU of our ready-to-cook marinated meat across approximately 40 Costco warehouse locations. Importantly, this order was issued without a preceding regional road show requirement, reflecting GEN's strong regional brand presence, proven retail execution and demonstrated customer demand. We also plan to conduct road show activations within the Southern California and Hawaii locations not as a prerequisite for a placement but as demand-driven initiative to support the rollouts.

By the end of 2026, we're confident in an estimated run rate of over 2,000 supermarket locations across the United States. We estimate that our CPG products could be carried in 7,000 to 8,000 locations by the end of 2027. With this expanded growth, we believe we can achieve a run rate of over \$100 million in annual revenue in as soon as 3 years as we have stated previously. After accounting for slotting fees and promotional marketing estimates, the company projects EBITDA margins in the high teens.

GEN's strong brand recognition is a key driver behind our retail momentum and a testament to the connection we've built with customers through our restaurants, Costco gift cards and social media. This momentum is further amplified by the Korean culture wave, including globally dominated acts like BTS and BLACKPINK, along with the expanding influence of Korean streaming, food, fashion and lifestyle, all creating measurable tailwinds for the Korean BBQ as a retail category. Korean food remains underpenetrated yet the most sought-after cuisine in the 3 food category.

As we grow this business, GEN will offer many Korean food SKUs under the GEN K-food ecosystem. At GEN, we have always had a strong operating model. When combined with meaningful expansion across both core and new concepts, we're executing with focus and discipline to create shareholder value.

Now I'd like to hand the call over to Tom for a detailed look at our first quarter of 2026 financial performance.

Thomas Croal

CFO & Secretary

Thank you, David. Since David already reviewed sales, I will begin with operating expenses. Cost of goods sold as a percentage of company restaurant sales increased to 38% in the first quarter of 2026 compared to 33.6% in the first quarter of 2025, an increase of approximately 440 basis points. A large portion of this increase reflects inflationary cost increases in addition to more new restaurants in operation and a minor impact from our premium menu. As a result of the inflationary impact on our meat prices, we implemented a \$1 price increase at the majority of our restaurants in the first quarter of 2026, which equates to about a 2.5% price increase overall.

Payroll and benefits as a percentage of company restaurant sales remained relatively flat in the first quarter of 2026, increasing from 31.7% in 2025 to 32.1% in the first quarter of this year.

Occupancy expenses as a percent of company restaurant sales increased by 184 basis points to 10.7% compared to the first quarter of last year. This is primarily due to higher rent at our 2025 and 2026 new locations along with the impact of decreases in same-store sales from 2025 to 2026. Compared to the fourth quarter of 2025, occupancy costs as a percentage of restaurant sales decreased 45 basis points from 11.2% to 10.7% in 2026.

Other operating expenses as a percentage of company restaurant sales increased 169 basis points to 12% compared to the first quarter of 2025, primarily due to the decrease in same-store sales. Other operating expenses in the first quarter of 2026 decreased by 38 basis points compared to the fourth quarter of 2025.

G&A, excluding stock-based compensation during the first quarter, was \$6.2 million compared to \$5.7 million in the year ago period. This increase is primarily due to marketing and professional fees.

In the first quarter, we had a net loss before income taxes of \$7.5 million, which equated to \$0.22 per diluted share of Class A common stock, compared to a net loss before income taxes of \$2.1 million, which equated to \$0.06 per diluted share of Class A common stock in the first quarter of 2025. If you look at adjusted net income, a non-GAAP measure, we had a net loss of \$4.5 million or \$0.14 per diluted share of Class A common stock in the first quarter of 2026 compared to adjusted net income of \$1.4 million or \$0.04 per share in the first quarter of last year.

As a result of the decrease in sales and the inflationary-driven increase in costs, our restaurant adjusted EBITDA for the first quarter of 2026 was \$4 million or 7.4% of total revenue compared to \$9 million or 15.6% in the first quarter of 2025. Restaurant-level adjusted EBITDA margin was flat compared to the fourth quarter of 2025.

Total adjusted EBITDA for the first quarter of 2026 was negative \$3.2 million as compared to \$1.2 million in the first quarter of 2025. After removing pre-opening costs for both periods, adjusted EBITDA for the first quarter of 2026 was negative \$2.1 million compared to \$3.3 million for the first quarter of 2025.

Now turning to liquidity position. As of March 31, we had approximately \$4.4 million in cash and cash equivalents. We have \$15.5 million available from our revolving credit facility. As we previously discussed, we anticipate using a portion of our revolving credit facility this year as we continue to open new restaurants in the future and grow our grocery store initiatives. In 2026, we have significantly slowed our new restaurant growth plans and focus our efforts on improving operations and margins at our existing restaurants and growth through our grocery store initiatives.

Before concluding, I want to reiterate what we said on our last call. Our balance sheet reflects \$164 million in lease liabilities as required under GAAP through the new ASC 842 lease accounting standard. These are not financial obligations in the form of long-term debt but rather the accounting recognition of our future lease commitments. Importantly, they are offset by \$140 million in operating lease assets.

To wrap up, we anticipate opening 5 to 7 stores by the end of the year 2026. We're targeting full year revenues of \$215 million to \$225 million and achieving restaurant-level adjusted EBITDA margins of 15% to 15.5% in the second half of 2026. By the end of 2026, we anticipate being at an annual run rate approaching \$250 million in revenue.

This concludes our prepared remarks. We'd like to thank you again for joining us on the call today, and we are now happy to answer any questions that you may have.

Operator, please open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] And your first question comes from the line of Todd Brooks with Benchmark.

Todd Brooks

The Benchmark Company, LLC, Research Division

Tom, wondering if we can -- and David, I know that celebration season is important for the brand. We just came through Mother's Day, but we still have fuel prices going against us. Any commentary on kind of quarter-to-date trends that you're willing to share, and if we're seeing stabilization yet or if it's just being overwhelmed by kind of the growing macro pressure on the consumer?

Wook Kim

Chairman, CEO & Founder

We have gained a lot of improvement on the food cost side. But in terms of sales decrease, it's kind of the same as the first quarter. Consumers are definitely getting pressured because of things like the fuel costs and all that. Especially in California, we make up a good percent of our stores there. So we have not seen any improvements in sales part, but we definitely have seen -- we made a lot of good improvements on the food cost side.

Todd Brooks

The Benchmark Company, LLC, Research Division

Okay. Great. And then, Tom, just a thought. I know that you took the price increase during the quarter, which works out to about 250 basis points. But can you talk to what average check trends have been quarter-to-date? I'm just trying to figure out how to flow the price increase through for modeling and if there's any mix pressure against that?

Thomas Croal

CFO & Secretary

Right. In the first quarter, there was really no material change in our check. I think we've seen a pickup in the second quarter a little bit from the price increase.

Todd Brooks

The Benchmark Company, LLC, Research Division

Okay. Great. And then, David, more of a strategic question for you. As we think about balancing the 2 sides of the house here, so we have a restaurant business where we're trying to really slow the growth, retrench operations a little bit, fortify the profitability of that business to support the balance sheet to really be able to unlock the growth that you see in front of you for the CPG opportunity, what steps -- what's the right restaurant operation look like for GEN K as far as number of units, geographic mix going forward to really stabilize to go after the growth opportunity that you see on the grocery CPG side?

Wook Kim

Chairman, CEO & Founder

Todd, I need a little clarity. Is it a question based on the growth of the restaurant side or growth on the CPG side? I'm sorry.

Todd Brooks

The Benchmark Company, LLC, Research Division

No. With the struggles from a same-store sales standpoint on the restaurant side and kind of the EBITDA performance that we saw in the quarter, my sense is with things like the Chubby Cattle transaction, the suspending on the construction of the 6 units that we're trying to really stabilize the restaurant business, so it's not a big drag on EBITDA to kind of free up the balance sheet to support the growth in CPG.

Wook Kim

Chairman, CEO & Founder

And the question was? I'm so sorry. It's my fault.

Todd Brooks

The Benchmark Company, LLC, Research Division

No, no. I must not be asking it well. What does the GEN restaurant operation look like at a rightsized level in your mind? And then at that level, it would free you up to grow CPG. I'm just trying to think of, okay, where do you see the GEN brand kind of shaking out versus the size of the operation right now?

Wook Kim

Chairman, CEO & Founder

The size of the restaurant operation will be the same or a little more. It's not as much as the fast growth we took the last 2 years, but the size will be just a tad more than where we are today because some stores were moving into the partnership with Chubby Cattle, and we still have a good 4 to 5 that we are finishing up building at this time. So that will come on board this year, and there will be some 2, I think, or 3 next year. And then we can always assess it later at that time how these new stores come on board and how the same-store sales if it gets better. So that's how we see the restaurant side.

But on the CPG side, we've been publishing for the last 2 weeks all these new contracts that we're getting. And we have a lot more. We just cannot disclose the lot more now is because it takes a long time from the time that we make the presentation, they commit. They have to put into their computer system. We have to put it into their distribution system. They have to now put it out to the store level. There's a lag time that we're learning how that works. So once we get all those established, then we will announce it, okay? So we don't want to announce something that they said they will carry, but it takes 9 months to get it into the stores. But we have a lot more right now that we have gotten commitments that we're following through to get it into their stores. We just haven't announced it yet.

Operator

[Operator Instructions] The next question comes from the line of JP Wollam, ROTH Capital Partners.

John-Paul Wollam

ROTH Capital Partners, LLC, Research Division

Maybe just to start in terms of understanding kind of the comp environment? And maybe just Tom, for you, could you describe a little bit in terms of what your guys' expectation is that's baked into the revenue guide for the year? And I guess what I'm really curious about there is sort of how you're thinking about the back half of the year developing. And last year, we had sort of the immigration issue. And now this year, we've got a bit more kind of pricing macro pressure. So how are you thinking about the customer base and your confidence that customers will be returning at some point versus sort of structural changes to what the customer base and AUVs are going forward?

Wook Kim

Chairman, CEO & Founder

Well, I can answer that. The sudden events that we've encountered as a retailer, these are very sudden non-expected events, okay? So it's like a unexpected car accident, I would say. So when these -- I mean tariff was a very big event, okay? We were not the only one that got caught in that sudden changes. Of course, we had the ICE issues so that's all died down. And especially in California, gas prices when the media says that average price is \$4, it's \$7 out in California. So that impacts a lot of people.

So until things start to stabilize -- and we've gone through this kind of cycles before several years back when prices were at the \$7 and impacted us. I think everything will start to settle down. When we start settling down the customer base of that K-shaped economy because we're dealing with the lower -- middle to lower end part of our customer base, they have to come back, but I'm not a predictor of how the administration will have these very unexpected events that gets created.

John-Paul Wollam

ROTH Capital Partners, LLC, Research Division

Okay. It sounds good. And then thinking about some of the operational initiatives you talked about, I know we talked about them last quarter as well. I'm not sure if you can kind of parse out when exactly some of those took effect. But anything you can share in terms of kind of quantifiable impacts in the quarter-to-date in terms of restaurant-level margin from those initiatives?

Wook Kim

Chairman, CEO & Founder

Yes. So some of the initiatives that we are taking right now is the menu reduction. So that's almost done. So that's coming into place. We're testing some other types of products other than the Soju and the Boba. So all those actually are coming into play. We just got some numbers in but not enough. And we're being very careful how we roll these out because if we roll this out too quickly, we don't have enough bench strength or the ability to actually execute it the right way. So we're actually rolling out in a very small manageable way. And those manageable way of rolling out, we're seeing definite improvement in the margins of food cost.

John-Paul Wollam

ROTH Capital Partners, LLC, Research Division

Okay. And switching gears in terms of the retail business. But I think last time we spoke, the kind of estimated contribution for the year was around \$10 million. And just seeing the sort of pace of distribution wins that you guys' press-released, I'm just curious if that number in the kind of expected contribution for the year has changed at all.

Wook Kim

Chairman, CEO & Founder

It will change for sure. We are probably going to establish a projection on the next quarter, but no later than the third quarter. We have definite numbers coming in, and we will exceed that.

John-Paul Wollam

ROTH Capital Partners, LLC, Research Division

Okay. And one last one, if I could. Again, just pointing to kind of the strength in some of these recent wins. I'm just wondering if there's anything sort of quantifiable you can share with us in terms of at existing stores, how are GEN meats performing on a velocity basis whether that's -- any kind of sales per week data or relative to the industry? I guess what can you share to kind of help us understand what's driving all these wins?

Wook Kim

Chairman, CEO & Founder

On the supermarket side or the restaurant side?

John-Paul Wollam

ROTH Capital Partners, LLC, Research Division

On the supermarket side.

Wook Kim

Chairman, CEO & Founder

So we have a very strong brand, at least in the areas of where our restaurants are. And how we know this, these are certain data points. Number one, the buyers at these supermarket chains are customers of ours. The purchasing people that work for these grocery stores. That's -- we start that data point.

The second data point is when we see velocities, how much they're buying every week or every 2 weeks. Just going into grocery stores is not a good gauge. Well, a good gauge is what's the velocity after they purchase the product. Are customers buying it? That is continuously growing.

Third, we have not announced the -- all the other backlog negotiations that's completed and going through the process of onboarding because we only want to disclose what we're onboarding to be very clear because maybe the buyer changes and they change their mind and they don't come through with the PO. So we just want to make sure we go through that PO. So that's one.

The real gauge is that when we have a team of people that we extract from our restaurants, those are the people that do a lot of upselling, they do very -- they're top-tier staff of ours. They actually help us and we run a separate P&L for the CPG division, still owned under GEN Korean BBQ, and they report to us every night after they're done with their demonstration and how many we sell.

So in a lot of this grocery industry, a lot of these companies hire outside firms, not they don't, but the companies that sell into the grocery, the brands -- and let's just, for example, I'll take a bacon company, right? They'll hire companies to go and demonstrate their products. But the demonstration companies are out there representing the brand, but they don't send their own employees who sell the brand into the grocery stores. In our case, we don't use outside firms. We send our own staff who is very knowledgeable about our products. And what we keep getting on the return every night of these tests -- we've done over 100 tests so far. And the next 3 months, we'll probably be doing about over 300 demos out there. And every demo that we get, the response from the customers is like a 60%. They already know our brand. They are familiar with our brand. And even the ones that are not familiar, once they taste our product, it is very different. Our brand -- and I can't disparage other competitors' brands. But our brand taste-wise, we're very bold, and we're very strong. We'll stand behind that. So even when we go demonstrate 40 buyers at the grocery stores, when they taste our food, they say, "you guys are much better." So we have strength in all different areas.

Now will this strength carry to other states that we don't have a GEN brand out there? And that is going to be tested on the fourth quarter. Areas like Illinois, areas like Boston, okay? There are some big chains that have signed up with us that we are going to help them with our products in their shelves by doing demos for them.

So we have a lot of ground staff on the ground getting data, and these data show -- by the way, when we do our demos at the store at the grocery level, the grocers continuously run out of our GEN products. So we don't -- these days, we don't go and do demos unless they have several hundred of our products there. It's that successful.

Not all brands that hire companies to go demonstrate their products don't even come close to where we heard -- and I cannot -- I will not verify this, but we just heard over the grapevine today that one of the CEOs of the company heard how successful we are with the demos, and we will be having a prolonged conversation with them. And once that conversation takes place and they take -- they already have an interest, we already go into that market. But if they do go forward with the whole chain, we will be announcing that. So there's a lot of positive momentum, but yet getting it into the store process is just taking a long time.

Operator

Thank you. And that concludes our question-and-answer session. I would like to turn it back to Mr. Kim for closing remarks.

Wook Kim

Chairman, CEO & Founder

Thank you very much for always believing in what our brand is. We are taking a very good look at the new direction, and we're very excited about the growth. Thank you very much.

Thomas Croal

CFO & Secretary

Thank you.

Operator

And this concludes today's conference call. Thank you for your participation. You may now disconnect your lines.

Read more current GENK [analysis and news](#)

View all [earnings call transcripts](#)

Comments

Sort by

Newest



If you type a company or ETF ticker symbol in capital letters we will automatically link to the symbol page. You can remove the link by deleting the \$ in the comment.