GEN Restaurant Group, Inc. (GENK) Q2 2026 Earnings Call Transcript

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Q2: 2026-08-10 Earnings Summary

Insights

EPS of -$0.06 beats by $0.05 | Revenue of $55.73M (1.25% Y/Y) misses by $1.47M

GEN Restaurant Group, Inc. (GENK) Q2 2026 Earnings Call August 10, 2026 5:00 PM EDT

Company Participants

Lucas Zimmerman
Wook Kim - Chairman, CEO & Founder
Luke Hewko - CFO, Secretary, Principal Financial Officer & Principal Accounting Officer

Conference Call Participants

Todd Brooks - The Benchmark Company, LLC, Research Division

Presentation

Operator

Good afternoon, and welcome to the GEN Restaurant Group, Inc. Second Quarter 2026 Earnings Conference Call.

[Operator Instructions]

Please be advised that this call is being recorded today, Monday, August 10, 2026. I would now like to turn the conference over to Lucas Zimmerman, Investor Relations. Please go ahead.

Lucas Zimmerman

Good afternoon, everyone, and thank you for standing by. Welcome to GEN Restaurant Group's Second Quarter 2026 Earnings Conference Call.

[Operator Instructions]

This conference is being recorded today, Monday, August 10, 2026, and the earnings press release accompanying this call was issued after the market closed today. Joining us for today's call are GEN Restaurant Group's Chairman and Chief Executive Officer, David Kim; and Chief Financial Officer, Luke Hewko.

Before we begin, I'd like to remind everyone that some of the statements management makes on this call are forward-looking statements that reflect current expectations about future operating and financial results, including expectations relating to the company's CPG division, growth prospects and statements regarding the nonbinding letter of intent and the proposed transaction contemplated thereby, including when a definitive agreements will be executed or any transaction consummated. Although management believes these expectations and assumptions are reasonable, they remain subject to significant risks and uncertainties, and the actual results could differ materially from what is stated or implied today.

For more information, please refer to the forward-looking statements section in today's press release and the risk factors described in the company's annual report on Form 10-K for the year ended December 31, 2025, and subsequent filings with the Securities and Exchange Commission. The forward-looking statements made on this call speak only as of today, and the company undertakes no obligation to update them, except as required by law.

Please also note that today's call will include a discussion of adjusted EBITDA, restaurant-level adjusted EBITDA and adjusted net income or loss, which are non-GAAP financial measures. Important information, including reconciliations to the most directly comparable GAAP measure is detailed in today's press release.

With that, it is my pleasure to turn the call over to GEN Restaurant Group's Chairman and Chief Executive Officer, David Kim. David, the floor is yours.

Wook Kim

Chairman, CEO & Founder

Thank you, Lucas, and good afternoon, everyone. Thank you for joining us today for our second quarter 2026 earnings conference call. I want to start today somewhere different than I normally would, not with a number and not with our restaurants, but with where the food business in this country is going and why I believe GEN is standing in exactly the right place at exactly the right time.

One of the things that I have learned in the past 15 years building this company is that you cannot manufacture demand, you can only find it and then get in front of it. And what I want investors to understand is that Korean food in America is not a trend we are trying to create. It is current that is already running hard and it is getting stronger every quarter.

Let me put some outside numbers behind that. Korea's government reported in January that K-Food exports to the U.S. grew 13.2% in a single year. Korean sauce exports hit a record $411 million. Ramen crossed $1.5 billion, up nearly 22%. This is not a niche. This is a global food culture arriving in America's homes at scale, and the American consumer is reaching for it.

Circana Consumer Intelligence Platform has reported that retail sales of Asian packaged food in the United States grew nearly 4x faster than overall packaged food sales in a market where total packaged food dollar growth has been running in the low single digit with flat units. In its category work on Korean food, Circana found kimchi cases up 80%, the strongest growth of any vegetable it tracked.

Supermarket News reports that 61% of Americans say they like or want to try Korean foods. And the pull-through is visible in American grocery data. Asian food unit sales in mainstream U.S. supermarkets are growing roughly 4% a year on unit growth in a market where overall packaged food units are flat. Part of what is unlocking shelf space is generational. As veteran purchasing managers retire, the younger managers being promoted, grew up inside the Korean culture wave, the K-pop music, the Netflix movies, the K-dramas, the live shows and of course, the foods. And they know these products. And that wave have reached middle America, where Korean is the fastest growing of the international food categories, tracking roughly 10% annual growth internationally led by Gen Z and millennial shoppers.

There are millions of Americans who have never experienced Korean barbecue in their grocery aisles. The second tailwind is just as important, and it is about where this demand is being served. The American Frozen Food Institution and FMI released the fourth edition of their Power of Frozen report in February. U.S. frozen food is now an $87 billion business, and it has grown more than 45% since 2019. The single best performing corner of that aisle, frozen processed meat and poultry, which more than doubled to $8 billion. That is our aisle. That is our category. And within that report is the number that matters most to a company like ours.

71% of frozen shoppers say they're actively looking for items they have not bought before and 30% say they plan to buy more frozen in the year ahead. A brand new to the freezer case usually has to fight for trial. Right now, the consumers is coming and looking for us.

The channel data tells the same story. Over the same period, retail club grew frozen food sales by nearly 14% far outpacing the traditional grocery and warehouse clubs and mass merchandisers like Walmart and Target now account for as much of the frozen dollars as conventional supermarkets do.

We launched our retail business in grocery and it gives us our foundation. But our newest push has been the club channel led by Costco. That was not an accident. And as you will hear in a moment, it is working. The third current is the one every restaurant operator in America is feeling, and I'm not going to pretend otherwise.

Circana reported that U.S. foodservice traffic declined 0.3% in 2025, and they project industry-wide traffic growth of less than 1% this year. Consumers have not stopped wanting restaurant food. They're simply feeling the strain of the macro environment and they cannot pay restaurant prices as often as they would like.

Conagra sized this precisely in their Future of Frozen Report earlier this year. Takeout style frozen food is now a $14 billion category and they contribute its growth directly to global flavors and to consumers recreating the restaurant experience at home.

So here is the picture. Restaurant traffic is flat. The freezer aisle is booming. Korean flavors are among the fastest-moving things in global food and restaurant quality food sold in grocery stores is a $14 billion category. Every one of those current runs straight through GEN, a real restaurant brand with a proven retail engine. I think GEN is one of the best positioned companies to take advantage of this, which brings me to the point I want everyone to understand today.

Most CPG brands hope a consumer who has never heard of them picks up the package. We do not have that problem. We have served millions of customers at the GEN tables. Those guests already know what our bulgogi tastes like. When a shopper sees our packages in the freezer aisle and freezer doors, we're not introducing ourselves for the first time. We are being recognized. BDA Partners in their study of Asian Food's Rise in North America calls the winning formula, accessible authenticity. This is a very good description of what GEN sells. And our in-store demonstrations staffed by our own trained people continue to deliver sell-through well above typical demo programs.

Now let me talk about capital because this is the part I think the market has not yet fully appreciated. Opening a GEN restaurant is a good business, and it builds everything we have. It is a capital-intensive business with very stiff competition. Every new location requires meaningful build-out, a construction time line, a lease commitment and a ramp-up period.

Our CPG division does not work that way. We do not own a single manufacturing plant. We produce through co-packing partners who make our products to GEN's own recipes and quality standards, just as we do in the restaurant business. That means our growth comes down to speed, execution and scale. We can add a SKU, add a region or double a production run in weeks. We scale with purchase orders, not capital projects. The consequence of that are significant and I want to say them plainly. We can grow this business quickly without major CapEx.

Our incremental return on invested capital in CPG is meaningfully higher than what we can achieve opening restaurants in this environment. And the margin profile is structurally better. We continue to expect this division to deliver EBITDA margins in the high teens at scale after promotional investments. Simply put, we found a way to take our brand that we spent 15 years and a lot of capital building and monetize it in a channel that requires much less.

The CPG division is already profitable. Our CPG business delivered its best quarter yet with revenue up 341% sequentially from the first quarter, driven by frozen raw non-cooked marinated meats. June was our biggest month with revenue surpassing $2 million and GEN products being placed in nearly 2,000 retail doors nationwide exceeding the expectations set on March 20 press release, which stated by the end of 2026, GEN is projected to have our CPG products in 1,500 to 2,000 locations across the United States with a run rate in excess of $20 million in revenue.

With all the other stores in the current pipeline, we are estimating the 12-month revenue run rate going forward to be between $35 million to $40 million. The pipeline extends well beyond the doors already secured. Current customers include the likes of and not limited to the Albertsons banners, Stater Bros., Smart & Final, Save Mart, BevMo! and multiple Costco regions. More than 1,000 additional doors have been presented to buyers, including the likes of BJ's Wholesale Clubs, Walmarts, cruise lines and wholesalers like Syscos of the World. These are not just names we're mentioning, but have had meetings and are in the process of testing our products.

Furthermore, more than 8,000 future doors are in active outreach with grocery stores and mass retailers. I want to describe this business the way we now run it in 3 distinct layers. The first layer is the core and it is the engine of our run rate. Frozen raw non-cooked marinated meats in the freezer section, 6 SKUs of beef, pork and chicken. That is a frozen aisle in the U.S. retail meat market that topped $100 billion last year and reached nearly 98% of American households in the world of big names like Tysons and Conagra, and it is where roughly 90% of our focus remains.

The second layer is where we go next, freshly prepared replacement meals in the deli section. The world of Kevin's and the Del Real. Kevin's was acquired by Mars for roughly $800 million, which tells you what that category is worth. And grocers tell us there is room for both. Frozen raw and pre-cooked replacement meals are 2 separate categories and we intend to be in both. We will support this with new branded offerings, new packaging technologies and new protein formats. And we believe the deli cook side of the business can ultimately be a multiple, double or triple of what our frozen section is today.

The third layer is what we call the Korean incubator, the beverages, the snacks, the beef jerkies and other non-meat-related SKUs manufactured in South Korea. We started this because the grocery markets we serve wanted more GEN Korean products from us and now its velocity is starting to grow.

Regarding execution, GEN already buys over $40 million of meat a year from its restaurants. The procurement scale, supplier relationships and buying power that CPG requires are already built. We're not standing up a supply chain from ground zero. We are pointing an existing one at the freezer aisle. To meet this demand, the company has also addressed supply chain and manufacturing capacity, securing multiple manufacturing partners across several states and overseas and South Korea. This proves GEN has the ability to execute and scale.

Now I want to discuss the announcement we made today because I do not want anyone to mistake it for a defensive move. It is not. As we discussed, we received a nonbinding letter of intent from a nationwide multi-concept restaurant operator to acquire only the company's U.S. restaurant operation, including assignment of related restaurant leases. The LOI contemplates a transaction to be valued at approximately $100 million for the restaurant operations alone only.

Under the terms contemplated by the LOI, GEN will retain 100% of its rapidly growing CPG and retail business. The proposed transaction will allow GEN to put its capital and focus behind its fastest-growing business, the CPG. The proposed transaction could create value for shareholders in two distinct ways. First, the sale will monetize GEN's restaurant operations while materially strengthening the company's balance sheet, eliminating long-term liabilities tied to the restaurant business and providing additional capital.

Second, shareholders would retain a second opportunity to create value, full ownership of GEN's rapidly growing CPG business and full participation in its accelerating growth and rising revenue run rate. Our Board of Directors with our financial and legal advisers is reviewing it under the proper protocols of a public company and may evaluate a broader process, and there can be no assurance that any transaction will result. Consistent with that, we do not intend to comment further on or provide updates regarding the proposal unless and until we determine that further disclosure is appropriate or required.

Before I hand off, I want to formally welcome Luke Hewko to his first earnings call as our Chief Financial Officer. Luke joined us effective June 1, succeeding Tom Croal, who retired following a planned succession process. And I want to thank Tom once again for his years of service and partnership. Luke is a builder. He is a builder in exactly the right places. He built a direct-to-consumer e-commerce business into the foundation of a platform that grew to more than $100 million in annual revenue and then built and led a finance organization through a successful sale to a NASDAQ-listed company.

We're also strengthening the organization around this opportunity, adding senior CPG executives, including Mark Cutrona, who is a result-driven CPG sales professional with more than 30 years of experience in account management, broker leadership, category management and trade marketing, who will be focused on expanding east of Texas. Luke, over to you.

Luke Hewko

CFO, Secretary, Principal Financial Officer & Principal Accounting Officer

Thank you, David, and good afternoon, everyone. It is a privilege to be speaking with you on my first earnings call as GEN's Chief Financial Officer. Since joining in June, I spent my time deep in our operations, our systems and our data. And what I have seen has only strengthened my conviction in the opportunity in front of us. My focus as CFO is on building the financial foundation that scalable multichannel growth requires, disciplined inventory controls, margin visibility by channel and by SKU, rigorous forecasting and clear KPI reporting.

Now let me walk you through our second quarter results. Total revenue increased 1.2% to $55.7 million in the second quarter of 2026 compared to $55 million in the second quarter of 2025 as the increase in revenue from our CPG business and revenue from our restaurants opened in 2025 and 2026 more than offset a decline in comparable restaurant sales and the loss of revenue from the restaurants we contributed to a joint venture during the quarter, which contributed $2.3 million of revenue in the prior year period. This quarter marked a return to year-over-year revenue growth following a 6% revenue decline in the first quarter of this year.

Cost of goods sold was 39.1% of revenue compared to 33.8% a year ago, an increase of just over 5 percentage points. Of the $3.2 million increase in food cost dollars, 81% came from our CPG business, which carries a retail cost of goods sold and was not in the prior year period. The balance reflects commodity cost inflation in our results. Payroll and benefits improved to 28% of revenue from 30.1%, an improvement of roughly 2 percentage points, reflecting continued labor efficiencies. Occupancy costs were 9.6% of revenue compared to 9.3%. The restaurants we exited operated through their respective transfer dates, so the occupancy benefit from those exits begins in the third quarter.

Other operating costs were 12.1% of revenue compared to 10.7% and restaurant preopening expenses declined to $1.3 million from $2.1 million in the prior year period, reflecting our deliberate slowing of new development. Loss from operations was $5.2 million or 9.2% of revenue, which includes a $0.6 million loss on a lease termination compared to a loss from operations of $1.9 million or 3.4% of revenue in the prior year period.

General and administrative expenses totaled $7.1 million or 12.8% of revenue compared to $6.4 million or 11.6% of revenue in the prior year period. That increase is entirely investment in our CPG go-to-market, including marketing and in-store demonstrations. Excluding CPG, our corporate and restaurant general and administrative expenses declined year-over-year. Net loss was $4.6 million compared to a net loss of $1.7 million in the second quarter of 2025. Net loss attributable to GEN Restaurant Group was negative $0.14 per basic and diluted share of Class A common stock compared to negative $0.05 per share in the prior year period.

Turning to our non-GAAP measurements. Restaurant level adjusted EBITDA was $6.3 million or 11.3% of revenue compared to $9 million or 16.3% of revenue in the second quarter of 2025. However, this quarter marked a sequential inflection. Restaurant level margin improved from 7.4% in the first quarter and 7.9% in the fourth quarter of 2025, our strongest margin in 3 quarters.

Turning to the balance sheet. Cash and cash equivalents were $5.9 million as of June 30, 2026, compared to $2.8 million as of December 31, 2025. Total debt outstanding was $24 million compared to $14.6 million at year-end. The increase in borrowing primarily reflects an $11 million net draw on our line of credit, which funded working capital, including the inventory build behind our CPG expansion, while we cut first half capital expenditures to $5.3 million from $16.5 million a year ago.

Finally, let me update our outlook for the balance of 2026. We are reaffirming our full year revenue guidance of $215 million to $225 million. On the portfolio, we expect to complete the fifth and final restaurant transfer under our previously announced transaction in the third quarter and keeping development spending near maintenance levels. Our focus remains on improving operations and margins at our existing restaurants and growth through our CPG initiatives. That completes my financial review.

I will now turn the call back to David for some closing remarks before we open the line for questions. David?

Wook Kim

Chairman, CEO & Founder

Thank you, Luke. Our priorities for the balance of 2026 are simple, and there are three of them. First, protect profitability in our restaurants through disciplined development, continued labor efficiencies, direct action wherever possible on food cost and operating benefits of our joint venture structure.

Second, scale CPG aggressively, convert as much of the current pipeline as possible by year-end and keep doing it in a capital-efficient way, co-packers, third-party distribution and our own people running the demos. Third, maintain the financial discipline that lets us put every available dollar behind the highest return opportunity we have.

I said at the beginning of the call that you cannot manufacture demand. You can only get in front of it. Korean food is moving into American mainstream. The freezer aisles is where American families are increasingly shopping and club channels is where they are shopping most. GEN sits at the intersection of all 3 with a brand millions of guests already know and trust and a business model that lets us scale into the opportunity without heavy capital investment.

We're building a formidable K-food platform in the United States, and I believe the most valuable chapter of this company's story is the one directly in front of us.

With that, operator, let's open the lines for questions.

Question-and-Answer Session

Operator

[Operator Instructions]

Our first question comes from the line of Todd Brooks from StoneX.

Todd Brooks
The Benchmark Company, LLC, Research Division

A lot of news, a lot of ground to cover here. First of all, I know we're not talking about the transaction itself. If you could talk about the kind of the run rate goals that you set out for the next 12 months for the CPG business, David, that $35 million to $40 million, what's the algorithm that gets you there as far as velocity levels, where you would be as far as launching the non-core prepared food tier, which you sized at 2x to 3x. How do you envision getting to that $35 million to $40 million run rate?

Wook Kim
Chairman, CEO & Founder

The run rate was something that we discussed in the beginning of last quarter, I believe, and we're meeting those run rates today or exceeding them. That's why we were able to talk about that and disclose it. One of the areas that this run rate is, is current business that we have. It does not -- it contemplates very little of new business. We wanted to be as conservative as we can. And if we do start getting into larger agreements with the likes of larger names other than who we have already have distribution going in today, we will come out and let the street know that the projection could change to a bigger number. But we're not -- this run rate that we have put out -- I have put out that our company put out is just currently what we're running right now.

And what right now means is it's taking longer than I thought by the time you make a presentation to the decision-making to every grocers have their own different calendar year dates of when you can go present and how they start changing and accepting new products. But the run rate that I'm talking about are currently what we're selling today. And we are monitoring the velocity very, very carefully because it's one thing to go into the grocery market. It's another thing to keep it in the grocery market.

So we support that with promotions. We support that with demos, et cetera. So going back to your question is the run rate that we have disclosed the $35 million to $40 million is just what we are going to do with the current sales we have with very little new customers coming on board.

Todd Brooks

The Benchmark Company, LLC, Research Division

That implies that July because the $2 million in June really annualized to $24 million. So July stepped up over the $3 million level then?

Wook Kim

Chairman, CEO & Founder

Yes. That June was a run rate where we got into new locations. Those are new businesses, right? Once you go into new businesses, they order based on velocity. They either order every 2 weeks, every 4 weeks. But mostly, they're ordering every 2 weeks. So that June number that we talked about is a lot of new business that we got on the shelves into the doors.

Todd Brooks

The Benchmark Company, LLC, Research Division

Okay. Great. And then I know you talked about the 3 tiers of products and the prepared food is still on the come. When you look at the incubators and you talked about some improving velocities there. In your discussions with your retail partners, do you really need to offer 50 SKUs in the category? Or can this be rationalized back to a number that would still give you a dominant presence within the Korean category, but not trying to stock and support 50 different product SKUs?

Wook Kim

Chairman, CEO & Founder

I agree with you. We are focused on just the meat products. The additional SKUs that we got into was not a choice we made, but it was one of -- it's 130 locations. They wanted to try it and I couldn't turn them down because the velocity on the meats was high. So I said we'll do it. But the data is coming out of that, I can't deny the fact that it keeps growing and it's not growing by single digit. These are growing by double digits here.

So yes, it will distract us from our core focus. Our focus is meats right now. But the good thing about -- there's a good and a bad about dealing with the other SKUs other than the meats. The good is the manufacturing capacities that are set up in South Korea, these are big conglomerates. And we don't have a capacity issue. The only issue that we will have is maintaining inventory because it takes a longer time by the time an order is placed from manufacturing to shipping to the warehouse to the customer.

In the meat side of the business, we get a PO. We place a PO with the manufacturer and they produce it and ship it directly to our end users. So the inventory time is much shorter than buying products from South Korea. So yes, we probably did not want to do it, but the market forces is telling us if it's double-digit increases and some are triple-digit increases, which we don't understand why it's so high, I cannot just say ignore it. I'll say, okay, let's get that incubator division with some personnel and make sure -- and then the margins are much, much better in that category versus the meat category. But our whole focus right now is the driver is meat because that's where all the consumers are spending their money right now.

Todd Brooks

The Benchmark Company, LLC, Research Division

Okay. Great. Two more and then I'll jump back in queue. The $35 million to $40 million revenue run rate over the next 12 months, what do you envision being the contribution from the fresh prepared meals. What's the lead time to really get that sort of business stood up in grocery? How fast can that be done? And how much of a contributor is that within the $35 million to $40 million that you've kind of vocalized here?

Wook Kim

Chairman, CEO & Founder

We did not put the prepared meat category, the cooked one in that projection at all. This is only what we're selling currently today on the frozen side. So when that comes on, it's been some time that we've been working on this, but we many times, as I said, the market is dictating us right now. So the market keeps telling us and then the buyers keep like what's the word? They're really pressuring us to say, come up with the cooked replacement product line, we need it desperately.

So when that is mentioned in that way and the reason why we're slow to roll that out is we want to focus on the frozen side because the cook side has a little different technology involved in making it right because the current competitors in the field that makes cooked food doesn't have the kind of velocity that the grocers are telling us because they don't taste good. So we are very concerned about the taste and the texture profile, and we're just not going to put out bad products. So it took a little longer to get through that, but we're in testing phases now. We approved 3 out of the 4 products to launch. Once we conclude the fourth one, we're actually introducing the cooked product to the grocers as we speak today. We don't even have packaging done, but we got the meats the way we want it. But that is not factored in at all in the projection whatsoever.

And the industry and including the buyers keep telling us that the prepared meal -- replacement prepared meal business is double the sales than the frozen products. That's all we keep hearing. So we're saying, okay, as long as we get that taste profile right, we get that texture right, then we'll launch. So we have 3 out of the 4 done. And I don't want to say anything negative about the space we're going to go into, but the space is going to be direct competition with the likes of the Kevin's, which they grew very fast during the COVID era, and they're like the big gorilla at this time, but there is pressure from the marketplace and the buyers about the taste profile that their customers are experiencing. They want something better than that. So that is the space that we will continuously fight for.

Todd Brooks
The Benchmark Company, LLC, Research Division

Okay. And then last one for me. Assuming that this transaction announced tonight ends up proceeding and the restaurant operation goes to a new owner. You talked about as you've been building the early stages of the CPG business that you've been levering a lot of kind of the restaurant-related labor for trial and sampling and things like that. I'm just trying to think, does the profitability in this business dip if the restaurant operation is separated out, you've got to go and build that capability yourself with new folks? And just what sort of scale do you need to get to that high teens type of EBITDA margin for CPG?

Wook Kim
Chairman, CEO & Founder

I don't know how to answer that in the context how you're asking. So if I'm not answering it properly, please rephrase the question to me again, okay? But initially, the way that I'm thinking the answer to me is we own the brand. The brand does not go anywhere. They're only buying the restaurant and the leases. We even have talked to them about doing co-ops of maybe some of their products to go into the CPG with us and using some of their infrastructure, if need be in the future, but we are not selling the brand. We're keeping the brand. So I don't know if that was the question that you are asking.

Todd Brooks
The Benchmark Company, LLC, Research Division

We can cover that one and a follow-up. But just what you think you need from a revenue scale to get to the high teens EBITDA margin target that you're talking about for CPG.

Wook Kim
Chairman, CEO & Founder

We're actually achieving that now. We actually brought the -- we're getting more conservative. Actually, our EBITDA margins are higher than what we're disclosing right now.

Operator

At this time, this concludes our question-and-answer session. I would now like to turn the call back to Mr. Kim for closing remarks.

Wook Kim

Chairman, CEO & Founder

Thank you very much for listening to our quarterly call. If there's any questions or concerns, please let us know. And thank you very much for your time. Thank you.

Operator

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

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