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GEN Restaurant Group, Inc. (GENK) Q3 2026 Earnings Call Transcript

Nov 10, 2026, 8:00 PM ET | **GEN Restaurant Group, Inc. (GENK) Stock**

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Q3: 2026-11-10 Earnings Summary

Insights

EPS of -$0.08 misses by $0.02 | Revenue of $48.74M (-3.32% Y/Y) misses by $5.16M

GEN Restaurant Group, Inc. (GENK) Q3 2026 Earnings Call November 10, 2026 5:00 PM EST

Company Participants

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

Conference Call Participants

George Kelly - ROTH Capital Partners, LLC, Research Division

Presentation

Operator

Good afternoon, ladies and gentlemen, and welcome to the GEN Restaurant Group, Inc. Third Quarter 2026 Earnings Call. [Operator Instructions] This call is being recorded on Tuesday, November 10, 2026.

I would now like to turn the conference over to Lucas Zimmerman, Investor Relations. Please go ahead.

Lucas Zimmerman
Investor Relation Officer

Thank you. Good afternoon, everyone, and thank you for standing by. Welcome to GEN's Third Quarter 2026 Earnings Conference Call. [Operator Instructions] Joining us on today's call are GEN's Chairman and Chief Executive Officer, David Kim; as well as 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 management's current expectations about future operating and financial results. These statements include the proposed transaction with Chubby Group, the negotiation and potential execution of a definitive asset purchase agreement, the satisfaction of closing conditions, any phased restaurant transition as well as the amount and timing of any payments to the company. They also include statements regarding the potential effects of the transaction on the company's balance sheet, cost structure and liquidity as well as expectations for our consumer packaged goods business, retail placements, revenue run rate, growth, profitability and potential uses of capital, including any return of capital to shareholders.

A definitive asset purchase agreement has not yet been executed, and there can be no assurance that an agreement will be signed or that the proposed transaction will be completed on the terms discussed today. Although management believes these expectations and assumptions are reasonable, they remain subject to significant risks and uncertainties, and 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 as required by law, except as required by law.

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

With that, it is my pleasure to turn the call over to GEN'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. Today, I want to tell you where GEN is headed. Our goal is for GEN to become the household K-Food brand in America with our products in the everyday American home kitchen. That means a greater focus on our consumer packaged goods business, a business we believe can be very profitable while we continue to operate our restaurants and pursue the proposed transaction with Chubby Group. I will cover 3 things in order: the proposed restaurant transaction, a simpler operating model and cost structure and the work ahead of us in CPG. Luke will then review and -- the third quarter results, which reflects the restaurant portfolio we continue to own and operate. Both the performance of our current business and the execution of our growth plans matter to our shareholders.

As previously announced, we entered into a letter of intent with Chubby Group regarding a potential transaction of 47 of our U.S. restaurants for consideration of up to $100 million payable over time. We have not yet signed a definitive asset purchase agreement. The final terms, payment protections and closing arrangements remain subject to that agreement and the applicable closing conditions. We're focused on reaching terms that support the transition and protect GEN's interest, and we will update shareholders as there are material developments.

As we have told everyone, we're looking forward to closing with Chubby. At the same time, as CEO, I always have backup plans. Korean brands are in demand in today's market, and we are comfortable that GEN has meaningful optionality. The proposed approach is a phased transition. Until a restaurant is transferred under the applicable arrangements, GEN would continue to operate it and bear its operating responsibilities. The timing of any handover would depend on the final agreement and the conditions applicable to each location. Our priority is a workable transition for our guests, employees and business partners. Under the proposed structure, GEN would remain and retain the GEN brand, our CPG business and our restaurant in Cerritos, California. Those 3 are the foundation of the company we are building. we see Cerritos continuing to support the brand and serving a place for training and CPG product development.

Here is why we believe this makes strategic sense. The rest of our portfolio and the CPG business have different operating and capital needs, and we want to devote more of GEN's resources to developing our retail business. Our restaurants built this company over 15 years, and we gave -- and they gave us the recipes and the name our customers know. That recognition gives us a brand to build on. The business we're building expands through manufacturing and distribution partners with capital focused more on inventory, customer support and working capital and less on facilities, leases and staffing. It still requires a disciplined execution and our objective is to build a business that can grow profitably over time. That brings me to our cost structure.

GEN today carries the corporate structure of a company that was opening 10 restaurants a year. The company we are becoming needs a fraction of that. Our plan cuts corporate overhead by about 75% by the end of the transition, with further reduction targeted from there. The functions that exist only to support the restaurants go with the restaurants. We began restructuring the corporate office in the third quarter when G&A was down 15% from a year ago, and the corporate workforce reduction begins in the fourth quarter. What remains is built around CPG and office space, systems and contracts underneath it is being renegotiated or terminated. Every role in the new GEN must earn its place by growing CPG or keeping us compliant.

Now to CPG. This is the part of the call that is most important. For us, the opportunity starts with the food. Our restaurants introduce guests to the flavors of Korean barbecue and the CPG gives us a way to bring those same recipes into meals prepared at home.

We want the products to be approachable for a first-time buyer and consistent enough to become a repeat purchase. That means making the experience simple, a product consumers understand, clear preparation instructions and the flavor they expect from GEN. Our ready-to-cook format lets consumers prepare Korean barbecue at home without starting with a recipe and a long list of ingredients.

In the third quarter, we added all 14 Bristol Farms stores. We added 55 Vallarta Supermarket locations and Olé City Markets. And we started to enter 2 channels we had never been in, University dining with UCLA being the first and live entertainment with the likes of SoFi Stadium. When BTS played 4 sold-out nights at SoFi in September, GEN products were in the building. If you want a picture of how Main Street Korean food has become in America, that is it.

Here is where we sit today. In grocery, we are across the Albertsons family of banners, including the likes of Safeway, Albertsons, Vons and Pavilion, The Stater Bros., Save Marts, Smart&Final, Times Supermarkets, Vallarta, Bristol Farms and Berkeley Bowl. In specialty retail, the BevMo! In club, Costco in several regions on rotation, including the Midwest, Texas, San Diego and Northern California, with discussions underway on a national program. We have met companies, the likes of Walmart, and we anticipate going into those programs the second quarter of next year.

Our distribution runs through Sysco, UNFI and C&S Wholesale Grocers, which puts GEN within reach of any retailer. And here is the part that matters most for 2027. We have locked in a significant number of additional placements that are not on the shelves yet. They began reaching stores in the second quarter. None of them is in our third quarter CPG revenue. Next year's wave is what drives the next step up in CPG revenues. And to be clear, we're seeking not just revenue, but profitable revenue. CPG sales carry a much more attractive margin profile than restaurants, which combined with our increasing lean corporate overhead, positions us with the potential to be profitable.

The backdrop keeps getting stronger. Korea's Agri-Food Trade Agency reported in September that K-Food exports are running at a record pace, 19 days ahead of 2025. And the United States was the largest market, up nearly 13%. Korean Food is not a trend in this country anymore. It is a category. In-store demonstrations and road shows are how we turn that interest into sales. They let people taste the food and see how easily it can be prepared. We want to connect that trial to repeat demand with promotions and store support that makes economic sense for each account.

Let me remind everyone how this business is built. Our core is frozen, ready-to-cook, marinated meats led by our 4 SKU, BBQ Beef Bulgogi, BBQ Short Ribs, Spicy Pork Bulgogi and BBQ Chicken Bulgogi, same marinades, same recipes, we serve in our restaurants, ready in minutes on a grill, in a pan or in an air fryer. We do not own a single plant. We produce through co-manufacturing partners in several U.S. states and in South Korea to our own specification. And we add capacity with purchase orders, not construction.

Our capital grows into inventory and shelf space, not build-outs and 20-year leases. That is a big part of why we believe and know this business can be very profitable at scale. In 2027, we'll roll out GEN ready-to-eat, fully cooked, not frozen Korean BBQ meats and complete meals, sold refrigerated in the deli and prepared food sections, heat and eat in minutes. No grill, no pan, no prep. This puts GEN squarely in what the industry calls the home meal replacement, or often called HMR.

Competing with brands likes of the (sic) [the likes of] Kevin's Natural Foods and the other refrigerated entree lines that have built large businesses. Deli prepared food are a category of more than $31 billion a year at U.S. retail according to Circana, and it is growing fast. We think we win there for 3 reasons. First, the deli case is where grocery is growing. Shoppers have moved from cooking to assembling. Second, our food is the product, 15 years of marinades, recipe and a brand millions of guests already trust in a category where most entrants are starting from 0 on taste and awareness. Third, our co-manufacturing model means we launch with purchase orders, not plants. The products are developed. The Cerritos kitchen is our test bed and our retail partners already carry our frozen line. So we're expanding within existing relationships, not opening new doors.

Frozen marinated meats built this business and will keep growing. But the ready-to-eat is a larger category with a broader shopper, and we anticipate that over time, it will be bigger for the GEN than the frozen raw marinated meats. This is a huge driver of the growth we see ahead, and it is why we are confident in the long-term trajectory of this business. And we are not stopping at meat. The GEN name already stretches across the whole Korean table. GENJU, our Gen-branded soju, comes in 8 flavors. Our beef chips come in Korean BBQ, Spicy Korean Barbecue and Teriyaki.

We have Korean BBQ Beef Jerky, spicy rice cakes, kimchi and our own sauces, including our Korean BBQ dipping sauce and our green tea salt. And we have GEN Jelly and GEN Vera, our Korean drinks. We have been testing these products and they are starting to grow. They also carry higher margins than our core meat products.

We also want to be disciplined about how we expand. Each retailer and channel has different pack sizes, promotional requirements and the selling cost. Our objective is to build sales that remain attractive after those costs while giving our retail partners a product that earns its place on the shelf. Most CPG brands have to buy awareness. We earned our one table at a time. Millions of guests have cooked at a GEN grill. When one of them sees our package in the freezer case, they are being recognized, not introduced. That is why buyers take our call and it is why our products move once they are on the shelf.

We measure ourselves on velocity, not just door counts. A door that does not reorder is not a win, neither in revenue that does not earn a profit. Based on the doors we have secured on the stores in the pipeline, we expect CPG revenue to keep growing through 2027. We're building the team to match. In August, Mark Cutrona joined us as a Senior Vice President of Sales and Operations in the East Coast with more than 30 years at Kimberly-Clark, TreeHouse Foods and Hormel Foods. He leads our national and regional accounts, broker network, category, management and trade marketing. Our own trained people run our in-store demos. And as the transition progresses, every member of our senior team will be focused on one business.

Put those 3 categories together, a proposed transaction for up to $100 million over time, a plan to cut corporate overhead by about 75% or more and a CPG business we are targeting at a $40 million annualized revenue run rate by the end of 2027. We anticipate there could be more growth, but as the growth comes in, we will, on a quarterly basis, update those projections. That is GEN we are building, and we intend to deliver it.

With that, I'll pass the call back to CFO, Luke Hewko. Luke, over to you.

Luke Hewko
CFO, Secretary, Principal Financial Officer & Principal Accounting Officer

Thank you, David, and good afternoon, everyone. Before I walk through the numbers, a word on the transaction status. As David noted, the definitive asset purchase agreement with Chubby has not been signed. The results we are reporting today reflect our full restaurant portfolio for the quarter. I will review those results and then discuss the financial priorities for CPG and a potential restaurant transition.

Revenue for the third quarter of 2026 totaled $48.7 million compared to $50.4 million the same year ago, a decrease of 3.3%.

Loss from operations was $6 million or 12.4% of revenue in the third quarter of 2026 as compared to $3.7 million or 7.4% of revenue in the same year ago quarter.

General and administrative expenses totaled $5.5 million or 11.2% of revenue as compared to $6.5 million or 12.8% of revenue in the same year ago quarter. The 15.3% decrease reflects reductions in corporate costs and lower stock-based compensation, which more than offset continued investment in the company's CPG go-to-market efforts.

Net loss for the third quarter of 2026 was $5.5 million compared to a net loss of $3.6 million the same year ago quarter. Net loss per basic and diluted share of Class A common stock was $0.16 compared to $0.11 in the same year ago quarter.

Adjusted EBITDA, a non-GAAP measure, reflected a $600,000 loss for the third quarter of 2026 compared to approximately $200,000 loss in the same quarter a year ago.

Turning to the balance sheet. Cash and cash equivalents as of September 30, 2026, totaled $2.9 million compared to $2.8 million as of December 31, 2025. Total debt outstanding was $26.8 million as compared to $14.6 million as of December 31, 2025. Reducing debt remains a priority. The amount and timing of any reduction will depend on cash available from operations, any transaction proceeds received and the working capital and other obligations of the business.

If the proposed transition is completed, we would expect the ongoing business to have 3 principal components. First, our CPG business. We continue to target a $40 million annualized run rate by the end of 2027. Achieving that objective depends on new placements, sales within our existing accounts, repeat orders and our ability to supply those customers. Our financial focus is on the profitability of that growth after product cost, promotions, distribution and the overhead needed to support it. Second, our remaining restaurant exposure, which under the proposed transaction would include our GEN in Cerritos and our existing 49% ownership interest in 5 Chubby Group branded restaurants. Third, a corporate cost structure appropriate for the business we retain.

General and administrative expenses were $19.5 million for the first 9 months of this year. We began taking out -- we began taking costs down in the third quarter. In connection with the proposed transaction, we are targeting annual general and administrative expense of approximately $6 million to $8 million with further reductions where appropriate. The timing and extent of these savings will depend on the pace of restaurant transfers and our ability to reduce cost while supporting CPG growth.

Our objective is an ongoing business that could support its operating costs and generate cash. Reaching that point will depend on CPG sales and margins, the results of restaurant interest we retain and the overhead working capital required to support them.

Payments received on the restaurant purchase price would be separate from the operating performance of that ongoing business. Once the debt is retired, those payments, together with the earnings we expect from CPG will give us real flexibility in how we allocate capital, including returning capital to shareholders, be that a future buyback or dividend.

The revenue run rate objectives described the annualized sales pace we are targeting at the end of 2027. It is not a forecast of revenue for the full year. The timing of placements, customer demand, promotional spending and inventory requirements will affect the path toward that objective. Any restaurant transaction restructuring would also affect consolidated results during the transition.

That completes my financial review. I will 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 are very clear, and there are 3 of them. First, work toward a definitive agreement with Chubby and prepare for an orderly transition, if the transaction requirement at each location and taking care of our guests, team members and business partners throughout the process.

Second, grow CPG profitably, support the placement that began reaching stores in the second quarter, build repeat demand in existing accounts and deepen our retail relationships. Our distribution partners and broker network can help us reach more customers, while demonstrations and dependable store support can help turn that reach into repeat orders. We'll keep our core products at the center of that work as we bring ready-to-eat to market in 2027.

Third, run GEN with financial disciplines, align overhead with the business we operate, protect liquidity, reduce debt as cash permits and direct investments towards opportunities that can produce sustainable returns. Execute on those 3, and we expect to have choices between the proceeds of the proposed Chubby transaction and what we expect to be a very profitable CPG business. Those choices include returning capital to our shareholders, as we said, when we announced the letter of intent. That would be a dividend. It could be a buyback if we feel our stock price does not reflect the value of this business.

We have made no decisions and retiring our debt comes first. But those are good choices to have and ones we intend to take very seriously as we position ourselves to accumulate an increasingly large cash balance. 15 years ago, GEN was founded in L.A. with a simple idea that Korean barbecue belonged at the center of the American table. We built one of the leading Korean barbecue brands in the country, one grill at a time. The next chapter is to put that same food in millions of American kitchens.

I want to make it clear to my fellow shareholders that we did not stumble into this opportunity. We built the brand that made it possible. And I believe the most valuable chapter of GEN's story is the one we are writing now.

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

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from George Kelly with ROTH Capital Partners.

George Kelly
ROTH Capital Partners, LLC, Research Division

So a couple to start just on your CPG business. I was hoping you could share more about your $40 million run rate at year-end '27. I guess more specifically, what new distribution has been secured? You talked about some new placements in, I think, May of '27. How big do you think ready-to-eat will be out of the gate?

And then, David, you also mentioned that there could be upside you're not factoring in everything that's kind of in the pipeline for '27. So what are those biggest opportunities that are baked into that $40 million number?

Wook Kim
Chairman, CEO & Founder

Okay. So first of all, the opportunity right now, a lot of the buyers and their shelf sets, they call it, they're not taking new orders during the holiday season, the Thanksgiving and Christmas. So once that season is over, there's going to be a lot of new orders coming in because everybody is on a standby mode during the holiday season. Once that's over, then we start going in heavily because the -- we have already talks with promotions and other paused agreements and contract will start unpausing and start going in on the first quarter.

What's interesting about the other question has to do with prepared food, the HMR. The HMR business, it's double or triple the sales of the frozen industry. Frozen industry has not had much excitement. And I don't know how to say this in a positive way, but we actually, at GEN, created that because it's a very dormant industry. But the real strong of all the grocery chains are telling us by their data and they have shared data with us is that the prepared meal fully cooked line is a much, much bigger category for everybody. So we have been asked by the buyers to make those products, and we are very close of getting all the products made so that hopefully, once we get all the packaging done, we have already met a lot of the buyers with our samples, and we can roll those out in the latter part of the second or the beginning of the -- I'm sorry, the latter part of the first quarter and the beginning of the second quarter rollout.

So not only are we going to continue with the frozen and the question may come up, are you going to keep the frozen and the HMR? And the answer is yes. Some might say no, but there is -- there are other competitors in the space that carry the frozen and the HMR, but it's different products, but the same brand. So that's where we will be focusing a lot of our efforts going in next year.

And what was the other question that I missed, George?

George Kelly
ROTH Capital Partners, LLC, Research Division

You mentioned in your prepared remarks that you're not factoring in all the opportunity for next year. I don't know if you're still contemplating going bigger in club? Or I'm not sure what's being sort of excluded, but it seemed like there could be upside to that $40 million if...

Wook Kim
Chairman, CEO & Founder

Absolutely. It could be much bigger than $40 million because I cannot tell you what the orders of the likes of Walmart will be. We met Walmart. Walmart asked us to come in and they normally don't do that until you go into their schedule of cycles, but they called us in way ahead of their cycle because companies like Walmart, they look at brands and see where their brands are placed and because we're placed in major supermarkets, they got attracted to our brand.

So as a public company, I don't want to mention all the names that we are -- have talked, have negotiated, but we are in their planograms or they're telling us, we will do first, second, third quarter. We have to be in their planogram. When we started this in October of last year, none of our products went into any planogram. So one has -- a lot of people have asked us, "How did you go into so many stores so fast without a 1-year lead time of planogram?" It's because the buyers of these grocery stores and the clubs, they knew and they know our brand. And Korean barbecue is such a hot category, nobody is doing it the way we're doing it. So they bypassed all those regular scheduling and brought us in, in emergencies and quickly. They pushed people out. They did a lot of things they're not used to doing. So we had that momentum.

Now we're just going to continuously build on that. So this call that we're on today does not contemplate all the other ones that we are so close of getting done. And as they come through and which we have, we will be putting out press releases on who we are bringing on board. And for example, I won't tell you the company name, but we're almost done with the cruise line company. And that's a very, very big category because they're very consistent. So there's lots of categories that we are in talks or already met and showed them the samples, and they have had interest. They just told us to just wait so that they can get through the Christmas season. And most buyers in this category, they all function that way.

Operator

[Operator Instructions] Ladies and gentlemen, that concludes today's Q&A session. I will turn the call back over to David Kim, Chairman and CEO.

Wook Kim
Chairman, CEO & Founder

Thank you very much again for joining us today. We look forward to updating you on developments in the proposed restaurant transaction and our progress in the CPG business. As always, thank you for your continued support.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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