GEN Restaurant Group, Inc. (GENK) Q4 2025 Earnings Call Transcript

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Q4: 2026-03-31 Earnings Summary

EPS of -$0.14 misses by $0.09 | Revenue of $49.75M (-8.98% Y/Y) misses by $10.60M

GEN Restaurant Group, Inc. (GENK) Q4 2025 Earnings Call March 31, 2026 5:00 PM EDT

Company Participants

Thomas Croal - CFO & Secretary
Wook Kim - Chairman & CEO

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. Fourth Quarter 2025 Earnings Call. [Operator Instructions] This call is being recorded on Tuesday, March 31, 2026.

And now I would like to turn the conference over to Tom Croal, the company's Chief Financial Officer. Please go ahead.

Thomas Croal

CFO & Secretary

Thank you, operator, and good afternoon. By now, everyone should have access to our fourth quarter 2025 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 SEC filings, including our annual report on Form 10-K and our quarterly reports on Form 10-Q for a more detailed discussion of the risks that could impact on 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

Thank you, Tom, and good afternoon, everyone. The fourth quarter continued to be a very challenging environment for all restaurants in the business. Since the majority of our customer base is Hispanic in many of our markets, and they have been put under extreme pressure through the immigration enforcement, our customers have retracted and are very afraid to come out. This significantly reduces our customer traffic. Additionally, just as we felt we were turning the corner, the increase in the fuel prices because of the war has reduced customer discretionary spending. All of this has led to a decrease in our same-store sales. In spite of this, we completed our business plan for the year, including opening new stores, continuing to deliver an exceptional service and build our brand recognition. We opened 15 restaurants in 2025, including six located in South Korea for a total of 57 restaurants in operation. In the first quarter of 2026, we opened two additional restaurants in Tucson, Arizona and Denton, Texas.

As a result of the changing economic environment, we have made several directional changes through initiatives designed to improve the company's value proposition. First, we're managing our portfolio of restaurants that have recently entered into a joint venture with Chubby Cattle International to partner on five of our non-performing restaurants. We will own 49% and Chubby Cattle will own 51% of these restaurants, which will be operated under the Chubby Cattle brand. This transaction creates a $4.5 million write-down, but will create five profitable restaurants that will generate strong EBITDA in the future for which we are entitled to 49% of the profits, which will enhance our overall profitability as a company.

Second, we also have several operational initiatives to improve the financial results of our restaurants. We have adjusted our menu to streamline options in response to stubborn increase in our food cost. We have enhanced our incentive program with restaurant managers, focusing them on short-term financial results. We have tested new Boba drinks as well as Soju drinks, which have shown promising sales during the launch. After two quarters of research and preparation, we started to explore our new digital platform to enhance our customers' experience online. Additionally, we recently launched our GEN loyalty program and are accepting cryptocurrency for payments.

Lastly, we're launching our new enhanced e-commerce website, which will be selling much more of our GEN branded products. Finally, as we slow down our restaurant development, we have initiated an AI program to create efficiencies and reduce corporate overhead.

As a further update, our Costco gift card program continues to sell exceptionally well. During 2025, we sold approximately $29 million in gift card to Costco, which is 150% increase over last year as this program has greatly exceeded expectations due to our strong brand recognition. As CEO of GEN, I've contemplated for some time how we can expand a GEN Korean products and experience around the country without the heavy capital outlay to build restaurants everywhere. This is why we decided to enter into the consumer packaged goods called CPG business. We began by offering fresh frozen ready-to-cook Korean branded meats. These products feature the exact same meats and recipes used in our restaurants, ensuring an authentic experience. The CPG business has done very well in recent years. Many smaller companies have entered this business and are doing very well as current customer profile tends to seek smaller brand names.

Companies like Kevin's, Marie Callender's, California Pizza Kitchen, P.F. Chang's and Bachan Japanese Sauces have created large businesses with valuations reaching over $400 million to $800 million in a relatively short period of time. We previously announced the creation of a new division within the company to develop and sell CPG products to grocery stores. We started with four SKUs by testing our products at over 30 locations in Southern California in October of 2025. The customer response was incredible and the business blew up. Early this month, we announced that we had expanded our CPG business to over 800 locations in various supermarkets. With the strength of our restaurant labor force, GEN has deployed trained team members to local grocery stores to demo our products. This has been very successful in the early stages of moving products to consumers. Most grocery store demos done by other companies are done by employees with no product knowledge. The expertise our restaurant staff has to present these demos creates a dynamic sales presentation that exponentially increased the sale of our products.

Additionally, because of our well-known GEN brand and the great taste in Korean food, it is easy for our staff to introduce our products. Our concept is simple. We bring our restaurant experience into your homes just as in our restaurants, where guests cooked their own meal using fresh frozen meats. Our grocery products allow customers to create that same hands-on dining experience and exact same taste in their own kitchen. Unlike most restaurant brands in the frozen food aisle, GEN is able to deliver the exact same quality you would expect in dining in our restaurants. These are not typical TV dinners, where food is different from the restaurant level. Our products represent thoughtfully crafted meals made with same high-quality ingredients we serve at our restaurants. Introducing our products to grocery store chains takes time to set up in their IT systems, organized shelf space and complete the delivery and distribution chain.

Once this initial setup is completed, the growth of this segment significantly speeds up, allowing us to achieve significant sales. By the end of 2026, we are projected to have our CPG products in 1,500 to 2,000 locations across the United States. We estimate that our CPG products could be carried to 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 as soon as 3 years. After accounting for slotting fees and promotional market investments, the company projects an EBITDA margin 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 our consumers through our restaurants, gift cards at Costco and social media. Korean food is under penetrated, but the most sought out food in the ethnic food category. As we grow this business, GEN will offer many Korean food SKUs under the GEN K-Food Eco system.

Due to early retail reception from both buyers and consumers. GEN is accelerating its CPG expansion trajectory and expect CPG to be a meaningful growth driver with strong margins. As a result, GEN will be working with investment bankers in the CPG space to explore possible investments, logistics and supply line partners to help grow this business and increase shareholders' value. With a solid operating model, meaningful expansion across both core and new concepts, we're executing with focus and discipline.

Now I'd like to hand over the call to Tom for a detailed look at our fourth quarter and year of 2025 financial performance.

Thomas Croal
CFO & Secretary

Thank you, David. During the fourth quarter, we generated total revenue of $49.7 million compared to $54.6 million for the fourth quarter of 2024, a decrease of $4.9 million. As we previously reported, due to the global tariffs early in the year and extreme pressure through immigration enforcement, we experienced a downturn in our restaurant customer traffic during the remainder of 2025, which resulted in same-store sales dropping by 11.6% for the fourth quarter and some of our peers are experiencing the same downturn.

For the year ended December 31, 2025, revenues totaled $212.5 million compared to $208.4 million in 2024, an increase of $4 million or 2%. Revenues increased by approximately $14 million from our new restaurant openings, offset by a same-store sales decrease of approximately $10 million. Consistent with our previous messaging, same-store sales are not the metric that defines our success, I can't stress that enough. Our AUV revenue is still over $5 million per restaurant in the casual dining space. This is a very elite level. Cost of goods sold as a percentage of company restaurant sales increased by 285 basis points to 36.9% in the fourth quarter of 2025 compared to the fourth quarter of 2024.

The increase reflects inflationary cost increases, more new restaurant in operation and a minor impact from our premium menu. For the full year of 2025, cost of goods sold as a percentage of revenue increased from 33% in 2024 to 34.7% in 2025. 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 increased by 97 basis points in the fourth quarter of 2025 to 31.8% compared to the fourth quarter of last year.

For the full year, payroll and benefits as a percentage of company restaurant sales remained relatively flat from 2024 to 2025. Occupancy expenses as a percentage of company restaurant sales increased by 253 basis points to 11.2% compared to the fourth quarter of last year. For the full year, occupancy costs as a percentage of restaurant sales increased from 8.4% in 2024 to 10% in 2025. This is primarily due to higher rent at some of our new locations, along with the decrease in same-store sales for 2024 to 2025.

Other operating expenses as a percentage of company restaurant sales increased 261 basis points to 12.4% compared to the fourth quarter of 2024. For the full year, other operating expenses as a percentage of restaurant sales increased from 10.3% in 2024 to 11.4% in 2025, primarily due to the decrease in same-store sales.

G&A, excluding stock-based compensation during the fourth quarter was $6 million compared to $5.7 million in the year ago period. For the full year, G&A, excluding stock-based compensation was $23 million in 2025 compared to $18.4 million in 2024. This increase is primarily due to increased personnel required for new restaurant development and additional advertising, marketing and legal expenditures. G&A expenses in the fourth quarter remained flat with G&A expenses in the third quarter of 2025.

Additionally, due to our decreased new restaurant openings in 2026, we expect there to be a reduction in G&A as we move forward. In the fourth quarter, we had a net loss before income taxes of $12.5 million, which equated to $0.36 per diluted share of Class A common stock compared to a net loss before income taxes of $1.2 million, which equated to $0.04 per diluted share of Class A common stock in the fourth quarter of 2024.

The fourth quarter of 2025 reflects higher costs associated with new restaurant development in addition to a $5.5 million provision for asset impairment and $1.3 million in preopening costs for new restaurants. For the full year of 2025, the company had a net loss before income taxes of $20.3 million, which equated to $0.59 per diluted share of Class A common stock. If you look at adjusted net income, a non-GAAP measure, we had a net loss of $5 million or $0.09 per diluted share of Class A common stock in the fourth quarter of 2025 compared to adjusted net income of $1.4 million or $0.04 per share in the fourth quarter of last year.

For the full year, we had an adjusted net loss of $3 million or $0.09 per diluted share of Class A common stock compared to adjusted net income of $11.6 or $0.33 per share last year. As a result of the decrease in sales and the inflationary-driven increase in costs, our restaurant level adjusted EBITDA for the fourth quarter of 2025 was $3.9 million or 7.9% of total revenue compared to $9.3 million or 17% in the fourth quarter of 2024.

The restaurant level adjusted EBITDA was $29.4 million or 13.8% for the year of 2025 compared to $36.9 million or 17.7% in 2024. Total adjusted EBITDA for the fourth quarter of 2025 was negative $2.7 million as compared to $2.1 million in the fourth quarter of 2024. After removing preopening costs from both periods, adjusted EBITDA for the fourth quarter of 2025 was negative $2.1 million compared to $3.7 million for the fourth quarter of 2024. For the full year, total adjusted EBITDA for 2025 was $0.7 million compared to $13.3 million for 2024. After removing preopening costs from both periods, adjusted EBITDA for the year of 2025 was $6.3 million compared to $18.6 million in 2024.

Turning to our liquidity position. As of December 31, 2025, we had approximately $2.8 million in cash and cash equivalents. We have the majority of our $20 million revolving credit facility available. We anticipate using a portion of our revolving credit facility as we continue to open limited 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 as well as growth through our grocery store initiatives.

Before concluding, I want to reiterate what we said on previous calls. Our balance sheet reflects $173 million in lease liabilities as required under GAAP through the new ASC 842 lease accounting standards. 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 $146 million in operating lease assets.

To wrap up, we're targeting full year revenues of $215 million to $225 million in 2026 and achieving restaurant-level adjusted EBITDA margins in the 15% to 15.5% range. 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. 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 George Kelly from ROTH Capital Partners.

George Kelly

ROTH Capital Partners, LLC, Research Division

I wanted to start just with -- Tom, you ended with your expectations for 2026. And I was hoping that we could drill into your revenue guide a little more. I think you said $215 million to $225 million. If you could give the retail contribution that's baked into that as well as -- on the core restaurant business, your comp expectations and net openings, anything that you're comfortable giving just to -- that's baked into that guide?

Thomas Croal

CFO & Secretary

Yes, George, we are -- on the retail side, we're working towards getting to a $20 million run rate by the end of this year. And so we should be in the $10 million range in the retail for this year, which would then put the restaurants in $205 million range looking at the low end.

George Kelly

ROTH Capital Partners, LLC, Research Division

Okay. So $205 million. And what kind of -- the net openings that you talked about slowing down your opening pace. What is that? What are your expectations with respect to openings and closures?

Wook Kim

Chairman & CEO

So there will be no -- we haven't really contemplated on the closures. We did do a deal with the Chubby Cattle Group, which we're very optimistic and excited about. In terms of the new store openings, we opened two, we have one -- five under construction, and that will be completed this year. Maybe we'll squeeze in 1 or 2 more towards the end of the year or the beginning of '27.

George Kelly

ROTH Capital Partners, LLC, Research Division

Okay. So 2 to 5 under construction, 1 or 2 more and then closures are not baked in outside of the Chubby Cattle partial divestiture. Okay. Understood.

Wook Kim

Chairman & CEO

Okay. As of this time, yes.

George Kelly

ROTH Capital Partners, LLC, Research Division

Okay. And then last question for me, back to the retail business. You said, I think, high teens contribution margins somewhere in that range. What should we think about the kind of getting to scale there? Do you anticipate making a lot of upfront investments in 2026 as you scale the business, maybe behind promotion or just G&A infrastructure. How should we think about near-term profitability in the retail business?

Wook Kim

Chairman & CEO

Sure. The infrastructure costs, we're leveraging the current infrastructure we have at the restaurant side. So we don't anticipate a lot at all in terms of infrastructure cost. We will be reducing the construction infrastructure in the GEN side considerably because we're going to cut down on that side of the business. In terms of the capital, it's purely inventory now because there's a lag time between the order that's ordered and some products come from South Korea and some products are made in the U.S. So it depends on how the orders come in. Why we have such a larger number from a run rate versus actual is when you start having an interest in the larger markets order, once the order is in, you have to go through their channels of how to get -- to be on their system, i.e., their SKUs, their accounting.

There's a lot of insurance. There's a lot of setups. Once the setup is done then the cash flow of money coming in and what's sold and the repeated business it's very seamless. So it works very well. The margins that we've talked about all account for the various discounts, the various slotting fees, et cetera. So when we said it will be in the high teens, that accounts for all that. And after taking all that out, we will be -- we're looking at the high teens.

George Kelly

ROTH Capital Partners, LLC, Research Division

Okay, okay. And maybe if I could just squeeze in one more. The numbers you gave, your longer-term expectations around the retail business are big as far as store count and revenue productivity, et cetera. And the business is still early stage. So the question is, what is it that you've seen so far that gives you confidence in that longer-term expectation? Maybe it's the velocities you're doing or the performance outside of Southern California looks good. Like can you just give us a sense of what makes you confident?

Wook Kim

Chairman & CEO

Yes, several things. The -- after signing up with larger brokerage firms, and I'm actually personally making these travels and talking to the senior buyers. The numbers of supermarkets around the country is significantly higher than I expected. This is not just the Walmarts of the world. These are small regional players in the hundreds per their own sections of their markets. We, as of today, can tell you that all the meetings we've had, we have not had a single turndown of the buyers turning down our products and the continuation of interest especially we are in the Korean barbecue business and Korean-related products because of the tailwind that we're getting from the cultural changes and the customer pattern behavior on the ethnic food side. There's continuation of data is coming out saying, it's the highest demanded, but the lowest penetrated food in the United States. So that helps a lot, and it's backed by the cultural changes of movies, getting recognized, Netflix' on the K-drama, the bands, the BTSs, et cetera, et cetera, that's all fueling this. So it's a huge benefit of all the cultural younger generation knowing this food -- Korean food is actually getting the buyers from these larger institutional supermarkets, not just having interest in buying our products. Now the ones that we already in now that have placed products on the shelves. They don't keep products on the shelves if they don't have velocity. So our velocity is above their -- every retailer has their own lines of what velocity that each ones have to hit, and we are actually above their velocities, especially for a new line like this, they're very, very excited. We're very excited too. It's unusual, they say from this industry to have a hit rate of 100%. I'm sure the more we see, we will start to have challenges of certain areas, not buying our products. But it's unusual where products are presented and they bought it. So even if we introduce all the products, the lease that we've had so far is one group buying 2 out of the 4. And then we have other products growing, too. So I'm a believer that just selling into the markets is not a business model, is the continuation of -- yes, consumers coming back to buy it is actually a better measurement. So as of today, it's a small sample, but the amount of bookings that we have from supermarkets to ordering from us, and what we have in the system, that's why we are able to comfortably project those numbers.

Operator

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

Wook Kim
Chairman & CEO

Thank you very much for your time and listening to our quarterly call. Thank you.

Thomas Croal
CFO & Secretary

Thank you very much.

Operator

And this concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.

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