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Good Times Restaurants Inc. (GTIM) Q1 2026 Earnings Call Transcript

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Good Times Restaurants Inc. ([GTIM](#)) Q1 2026 Earnings Call February 5, 2026 5:00 PM EST

Company Participants

Keri August - Senior VP of Finance & Accounting and Corporate Secretary

Ryan Zink - President, CEO & Director

Conference Call Participants

Kevin Holden

Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to the Good Times Restaurants, Inc. Q1 2026 Earnings Call. [Operator Instructions]

I will now hand the call over to Keri August, Chief Accounting Officer. Please go ahead.

Keri August

Senior VP of Finance & Accounting and Corporate Secretary

Thank you, Elodie. Good afternoon, ladies and gentlemen, and welcome to the Good Times Restaurants, Inc. Fiscal 2026 First Quarter Earnings Call. I am Keri August, the company's Chief Accounting Officer. By now, everyone should have access to the company's earnings release, which is available in the Investors section of the company's website.

As a reminder, a part of today's discussion will include forward-looking statements within the meaning of federal securities laws. These forward-looking statements are not guarantees of future performance, and therefore, you should not put undue reliance on them. These statements involve known and unknown risks, which may cause the company's actual results to differ materially from results expressed or implied by the forward-looking statements.

Such risks and uncertainties include, among other things, the market price of the company's stock prevailing from time to time, the nature of other investment opportunities presented to the company, the disruption to our business from pandemics and other public health emergencies, the impact of staffing constraints at our restaurants, the impact of supply chain constraints and inflation, the uncertain nature of current restaurant development plans and the ability to implement those plans and integrate new restaurants, delays in developing and opening new restaurants because of weather, local permitting or other reasons, increased competition, cost increases or ingredient shortages, general economic and operating conditions, risks associated with our share repurchase program, risks associated with the acquisition of additional restaurants, adequacy of cash flows, and the cost and availability of capital or credit facility borrowings to provide liquidity, changes in federal, state or local laws and regulations affecting our restaurants, including wage and tip credit regulations, and other matters discussed under the Risk Factors section of Good Times' annual report on Form 10-K for the fiscal year ended September 30, 2025, and other reports filed with the SEC.

During today's call, we will discuss non-GAAP 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 and reconciliation to comparable GAAP measures available in our earnings release.

And now I would like to turn the call over to our Chief Executive Officer, Ryan Zink.

Ryan Zink

President, CEO & Director

Thank you, Keri, and thank you, all, for joining us today. I am pleased with the results that our team has delivered in this first quarter of fiscal 2026.

Although same-store sales at both brands remained negative for the quarter, performance improved sequentially from last quarter at both brands. Also, in spite of rolling over a 14-week quarter from 2025, we delivered marginally better net income and approximately the same adjusted EBITDA as last year with 1 fewer week in the fiscal calendar.

Underlying sales trends in the second quarter have continued to improve at both brands. As you may have read, 2 weeks ago, Winter Storm Fern was a major presence in the Southeastern United States. It impacted 75% of the Bad Daddy's system and another more concentrated storm last weekend affected all of our North Carolina stores, with Charlotte receiving its fourth largest snowfall on record. We lost 28 full restaurant operating days between both storms and an additional 73 restaurant operating days had significantly reduced sales.

On the flip side, weather in Colorado has been generally favorable to last year and warmer than historical averages, marginally offsetting the winter storm sales losses in the Southeast.

During January, we completed our transition to cook-to-order at Good Times, resulting in fresher, tastier patties compared to the previously -- previous process of cooking and holding batches of burger patties in advance of guest orders. We selected a new beef manufacturer to deliver fresh 100% Angus beef patties that work with our existing grills and allow us to still achieve speed of service under 3 minutes from point of order to the time when the guest drives away from the window with their meal. During this process, we have increased patty size by about 10%, which we have been able to do without any cost increment.

On the advertising and promotion front, we are already seeing benefits from our enhanced loyalty program powered by our partnership with Thanx. This was primarily a technology and user experience change, but the fundamental design of the program from a points and rewards standpoint did not change. We are measuring success by what we call loyalty attachment rate, which is the percent of sales attributable to loyalty members. Under our prior program, we were achieving 3% to 4% attachment rate and now with just 2 months under the new program, are exceeding a 7% attachment rate with the highest performing restaurants exceeding a 10% attachment rate. The new technology powering our loyalty program has also added another endpoint from which we are able to collect and respond effectively to guest feedback.

There has been recent commentary in the industry press and by market analysts about the effectiveness of loyalty programs in the restaurant industry, with the increasingly common theory that loyalty programs merely pull forward existing visits and don't deliver true incrementality. We view loyalty differently for Good Times.

And while there is likely some truth that the gamifying effect of the points-based program do primarily pull forward visits rather than increasing the total number of visits, the greater impact is the ability to better understand our guests, segment them and then deliver hyper-targeted messaging. This ability to drive more relevant messaging to each guest is what we believe ultimately will deliver incremental traffic for Good Times.

At Bad Daddy's, we rolled out our final multi-month limited time menu promotion in January, which will end later this month. This promotion included 2 regionally inspired burger builds and a Mediterranean protein bowl. We've received positive guest feedback on all of these items. The protein bowl is currently performing better than all of the signature salads on our menu. And after a brief hiatus at the end of the LTO, we expect to add it to our core menu in April. The April core menu update will also feature a return of the strong selling Elote dip from last year's summer LTO and the addition of our Giant Bavarian pretzel, which was the top-selling appetizer during its run in our most recent fall LTO.

As mentioned in our press release, we are shifting to a Burger of the Month platform beginning in March. The focus of this program is to allow us to be more flexible with items that might have a shorter promotional value shelf life than a full 8 to 10-week LTO.

Additionally, we view the GLP-1 trend as somewhat more long-lived and more than just a short-term fad. In alignment with this view, we expect to lean more into our Smashburger lineup with our Burger of the Month platform or future core menu items, while satisfying our guests that dine with us with our existing Pub style burger. Between these 2 separate platforms, we believe we have products that appeal to a greater breadth of guest base, and we will be promoting that attribute of our brand more in the future.

For Bad Daddy's, our Director of Marketing, Jason Murphy, has launched a brand study to refresh previously fielded research related to our guest perceptions of our brand across different demographic and psychographic profiles. We expect this research to be completed during the second fiscal quarter and to influence future product and promotional decisions beginning in the third quarter.

Across both concepts, our vision continues to be running great restaurants that deliver a consistent guest experience with high-quality ingredients and exceptional operations execution while creating an emotional connection with each guest that makes us memorable.

One of the pillars of our business is the guest-first mindset. In addition to viewing all decisions through this lens, it is also an operations North Star, ensuring that our employees, each and every -- ensure that each and every guest leaves delighted. Ultimately, we believe that is what delivers long-term sales and profit gains.

I'll now turn the call over to Keri for a review of our performance during the quarter.

Keri August

Senior VP of Finance & Accounting and Corporate Secretary

Thank you, Ryan. Let's review this quarter's results. Total revenues decreased approximately 10% for the quarter to \$32.7 million. We'll start by going through Bad Daddy's results. Total restaurant sales decreased \$2.9 million to \$23.2 million for the quarter. The sales decrease was primarily due to an additional week in the prior year fiscal quarter versus the current year fiscal quarter, the fourth fiscal quarter 2025 closure of one Bad Daddy's restaurant and the current quarter closure of one Bad Daddy's restaurant, partially offset by menu price increases. Our average menu price during the quarter was 1.7% higher than Q1 2025.

Same-store sales decreased 1.2% for the quarter, which is a significant improvement over the prior quarter's decrease. There were 37 Bad Daddy's in the comp base at quarter end. As Ryan mentioned, same-store sales have continued to improve into the second quarter. We increased core menu prices by a blended 2.3% during the first 2 periods of fiscal 2026, and our move away from \$8 Margaritas has the impact of another 1% of blended price, resulting in year-over-year food and beverage pricing that is in aggregate flat to 1 year ago. We expect to increase menu prices by approximately 1.1% in April and then expect the benefit of rolling over our \$8 Margarita promotion beginning in May.

Food and beverage costs were 30.2% for the quarter, a 130 basis point decrease from last year's quarter. The decrease is primarily attributable to the impact of recipe portion and waste controls, along with favorability in chicken and cheese prices, partially offset by higher beef, bacon and bison purchase prices. Thus far into the second quarter of 2026, we have experienced lower beef and bacon costs.

Labor costs decreased by 60 basis points compared to the prior year quarter to 34.5% for the quarter. This decrease as a percentage of sales is primarily attributable to reduced incentive compensation and other employee benefit costs, partially offset by decreased labor productivity resulting from the deleveraging impact of lower sales and higher average wage rates paid to attract qualified employees. Although we expect continued solid labor controls on a full year basis, as mentioned during last quarter's call, in January, Colorado's minimum wage increased to \$15.16, a 2.4% increase, and the tips minimum wage increased to \$12.14, a 3% increase.

Occupancy costs were 7%, an increase of 30 basis points from the prior year quarter. The increase is primarily due to the deleveraging impact of lower sales on fixed costs.

Other operating costs were 14.6% for the quarter, an increase of 90 basis points, primarily due to increased customer delivery, repair and maintenance and utility expenses.

Overall, restaurant-level operating profit, a non-GAAP measure for Bad Daddy's, was approximately \$3.2 million for the quarter or 13.7% of sales compared to \$3.4 million or 13% last year. As a percentage of sales, the increase is primarily due to favorability in food and labor costs.

Moving over to Good Times. Total restaurant sales for company-owned restaurants decreased approximately \$0.7 million to \$9.2 million for the quarter compared to the prior year first quarter. Same-store sales decreased 3.1% for the quarter, which is a notable improvement over the prior quarter's decrease. There were 27 Good Times restaurants in the comp base at quarter end.

The average menu price for the quarter was approximately 0.7% higher than the prior year quarter. We took a small menu price increase in the first quarter and currently expect to take approximately 1% in late February. We have expanded our pricing tiers and now have 3 different tiers based upon testing and measuring price elasticity, allowing us to achieve greater flow-through of menu pricing by being more surgical with changes in pricing. Following the planned February price increase, our year-over-year menu pricing will be higher by approximately 1.7% compared to the prior year. We expect to continue monitoring competitor pricing during the year and plan to continue the surgical approach to pricing of specific menu items and multiple smaller adjustments during the year instead of making broad-based across-the-board pricing changes.

Food and packaging costs were 30.8% for the quarter, a decrease of 100 basis points compared to last year's quarter. As with Bad Daddy's, the decrease is primarily attributable to the impact of recipe portion and waste controls as well as lower chicken and egg purchase prices, partially offset by higher beef and bacon prices. As is the case with Bad Daddy's, input costs have decreased into the second quarter.

Total labor costs decreased to 35%, a 170 basis point decrease from the 36.7% we ran during last year's quarter due to increased labor efficiency, partially offset by higher average wage rates resulting from market forces in the CPI index minimum wage in Denver and the State of Colorado.

Occupancy costs were 10%, an increase of 40 basis points from the prior year quarter. Other operating costs were 13.9% for the quarter, an increase of 120 basis points, primarily due to increased customer delivery, repair and maintenance and utility expenses.

Good Times restaurant-level operating profit was flat quarter-over-quarter at \$0.9 million. As a percent of sales, restaurant-level operating profit increased by 110 basis points versus last year to 10.3%, mostly due to favorability in food and labor costs.

Combined general and administrative expenses were \$2.1 million during the quarter or 6.3% of total revenues, a decrease of 80 basis points from the prior year quarter, primarily related to decreased multiunit supervision costs, health insurance underwriting costs and technology costs. We anticipate 6% to 7% general and administrative costs on a full year basis for fiscal 2026.

Our net income to common shareholders for both the current quarter and the prior year quarter was \$0.2 million or \$0.02 per share. There was approximately \$50,000 of income tax expense recorded during both current and prior year quarters. Adjusted EBITDA was \$1.3 million for both the first quarters of 2026 and 2025. We finished the quarter with \$3.3 million in cash and \$1.8 million of long-term debt.

And now I will turn the call back to Ryan.

Ryan Zink

President, CEO & Director

Thank you, Keri. We can now open the call for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from the line of Kevin Holden with Bite Brands.

Kevin Holden

I'm a shareholder. I'm familiar with the company for a while. Now that you've bought back the remaining franchises of Good Times and you're generating cash, EBITDA is positive, what's your plan to deploy that cash, additional Bad Daddy's or paying down debt or keeping the stock purchases back up?

Ryan Zink

President, CEO & Director

Certainly, and thanks for your question. Yes, I think our first priority is paying down the remaining debt that we have. I think our point of view on the overall economic environment is such that it's a bit unpredictable, and we would rather have a little more cash and liquidity to deploy, should we need to.

That said, I think priority #2 would likely to be building a little bit additional cash. But then beyond that, I think we would resume our share repurchase. And I think our priority would be Bad Daddy's development, and we do continue to look for sites, as has been the case historically. We're pretty picky about the sites that we select. We have a couple that are very, very early in just evaluation, but that would be third on the priority list.

Operator

There are no further questions at this time. I will now turn the call back to Ryan Zink for closing remarks.

Ryan Zink

President, CEO & Director

As I mentioned previously during this call, I'm encouraged by the continued improvement in sales trends that we are seeing at both brands. Our leaders of both brands and in our restaurant support center are the driving force behind this improvement, and I am grateful for their industriousness, their hustle and their grit. Additionally, I want to thank all of the restaurant and support center team members for all the contributions they make to our 2 brands.

Finally, thank you, all, for joining us today.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.

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