Good Times Restaurants Inc. (GTIM) Q3 2026 Earnings Call Transcript

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Good Times Restaurants Inc. (GTIM) Q3 2026 Earnings Call August 6, 2026 5:00 PM EDT

Company Participants

Keri August - Chief Accounting Officer & Corporate Secretary
Ryan Zink - President, CEO & Director

Conference Call Participants

Steven Stern - Stern Investment Advisory

Presentation

Operator

Hello, everyone. Thank you for joining us, and welcome to the Good Times Restaurants, Inc. Q3 2026 Earnings Call. [Operator Instructions]

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

Keri August

Chief Accounting Officer & Corporate Secretary

Good afternoon, ladies and gentlemen, and welcome to the Good Times Restaurants, Inc. Fiscal 2026 Third 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 Investor 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. It is exciting to report the shift of Good Times same-store sales to positive year-over-year. What is equally encouraging is that this positive trend has continued on into the fourth fiscal quarter. As I mentioned on last quarter's call, we have been seeing success with the test of a $2 promotional price for our Bambinos, which are simple cheeseburger sliders with sauce and pickles. We expanded this system-wide test beginning in June and experienced same-store sales in the mid-single digits during the June fiscal month.

Beyond that, we saw a combination of sales, average check, and transaction growth during both fiscal June and fiscal July on a same-store basis. Although the promotion was originally planned to be a summer promotion, its success has resulted in us considering expanding the length of the $2 pricing beyond its originally intended end. The promotion hits on real value, the guest's power to choose how much they want to eat, and it simply being a fun eating experience.

It also is a different format than our large burgers. And so while there is certainly some cannibalization, there are distinct differences in products that prevent interchanging Bambinos with, say, a Deluxe cheeseburger or modifying the Bambino to be equivalent to that item. The year-over-year change in average check indicates that in spite of the significant opt-in into our Bambinos, which have become the largest single burger item purchased, our guests are supplementing those purchases with other items. Although we have a product calendar including seasonal favorites and fresh news scheduled throughout the next quarter, we are intent on consistent execution and increasing the friendliness and hospitality our guests experience, whether in the drive-through, at an outdoor walk-up window, or in one of our few restaurants that have a lobby with indoor dining.

Bad Daddy's sales were not as strong, and we continued to develop new limited-time and permanent menu items to reach our guests. Our [Smashadia] Burger in the month of May was a huge success, easily the best-selling individual limited-time burger we have ever launched. We are currently featuring the Big Dill in August and have monthly drops planned out for the balance of the calendar year, including new items and the return of a couple of fan favorites.

In addition to upcoming monthly drops during the first quarter of fiscal 2027, we expect to add a sampler platter to the core menu, the first such item in Bad Daddy's history. Additionally, we expect to add a new Power Bowl to the core menu as we reintroduce ahi tuna to Bad Daddy's, an item that was last part of our core menu in 2019. As discussed in last quarter's call, we are expanding our team member training and retraining with the use of our new learning management system, as we believe improved salesmanship is key to improving both sales and traffic.

During the quarter, we paid down the balance of our revolving credit facility and ended the quarter with a strong cash balance and approximately $300,000 in seller-financed debt related to the June 2024 acquisition of one Good Times restaurant.

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

Keri August
Chief Accounting Officer & Corporate Secretary

Thank you, Ryan. Let's review this quarter's results. Total revenues decreased approximately for the quarter to $35.2 million. We'll start by going through Bad Daddy's results. Total restaurant sales decreased $1.6 million to $24.9 million for the quarter. The sales decrease was primarily due to fewer restaurant operating weeks due to a reduced number of operating restaurants and reduced customer traffic, all of which were partially offset by menu price increases. Our average menu price during the quarter was 2.5% higher than Q3 2025. Same-store sales decreased 2.3% for the quarter, and were negative 1.5% year-to-date. There were 36 Bad Daddy's in the comp base at quarter end.

Food and packaging costs were 30.3% for the quarter, a 30-basis-point decrease from last year's quarter. The decrease is primarily attributable to improved non-beef protein costs, combined with the impact of a 2.5% average increase in menu pricing, partially offset by higher produce costs and fuel surcharges. Labor costs decreased by 70 basis points compared to the prior year quarter to 33.6% for the quarter. This decrease is primarily attributable to reduced salary costs, partially offset by higher hourly labor costs. Occupancy costs were 6.3%, an increase of 20 basis points from the prior year quarter. Other operating costs were 15.3% for the quarter, an increase of 70 basis points, primarily due to increased customer delivery and travel expenses, partially offset by decreased repair and maintenance expenses.

Overall, restaurant-level operating profit, a non-GAAP measure for Bad Daddy's, decreased $0.2 million to $3.6 million for the quarter, and as a percentage of sales, remained steady at 14.4% compared to the prior year quarter.

Moving over to Good Times, total restaurant sales for company-owned restaurants decreased approximately $0.2 million to $10.1 million for the quarter compared to the prior year third quarter. Same-store sales increased 0.6% for the quarter. There were 25 Good Times restaurants in the comp base at quarter end. The average menu price for the quarter was approximately 1.7% higher than the prior year quarter. Based upon the competitiveness in the current market, we are not currently planning for other price increases during the balance of the year.

Food and packaging costs were 31.2% for the quarter, a decrease of 30 basis points compared to last year's quarter. The decrease is primarily attributable to reduced waste, along with the impact of a 1.7% average increase in menu pricing, partially offset by higher fuel surcharges. Total labor costs decreased to 33%, a 120-basis-point decrease from the 34.2% we ran during last year's quarter, primarily attributable to increased labor efficiency, partially offset by higher average wage rates resulting from a combination of market forces and the inflation-indexed minimum wage rates in Denver and the state of Colorado.

Occupancy costs were 9.1%, an increase of 50 basis points from the prior year quarter, primarily due to an increase in property taxes between the quarterly periods. Other operating costs were 13.7% for the quarter, a decrease of 50 basis points, primarily due to reduced operating supplies and R&M expenses, partially offset by utility cost increases.

Good Times restaurant-level operating profit increased $0.1 million over last year's quarter to $1.3 million. As a percent of sales, restaurant-level operating profit increased by 150 basis points versus last year to 13%. Combined, general and administrative expenses were $2 million during the quarter, or 5.6% of total revenues, a decrease of 30 basis points from the prior year quarter, primarily related to decreased multi-unit supervision costs and legal and professional fees. We anticipate 6% to 7% general and administrative costs on a full-year basis for fiscal 2026.

Our net income to common shareholders for the quarter was $1.9 million, or income of $0.18 per share, versus net income of $1.5 million, $0.14 per share, in the third quarter last year. There was $0.2 million of income tax benefit recorded during the quarter compared to $0.4 million in the prior year quarter. Adjusted EBITDA for the quarter was $2.5 million compared to $2.1 million for the third quarter of 2025. We finished the quarter with $3.6 million in cash and $0.3 million of long-term debt. And now I will turn the call back to Ryan.

Ryan Zink
President, CEO & Director

Thank you, Keri. At this time, Ben, we can open the call for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from the line of Steven Stern with Stern Investment Advisory.

Steven Stern
Stern Investment Advisory

Congratulations on an excellent quarter. My question is, earnings are good, balance sheet is good, no long-term debt. We have cash. We have a stock repurchase program, low price-earnings multiple, and even a very low market price to book value. Any thoughts on initiating a cash dividend given the background numbers?

Ryan Zink
President, CEO & Director

Yes, I mean, I think our Board continually evaluates the best way to create value for shareholders and ensure that shareholders receive value for their stock. I will say that that, as well as many other alternatives are in the consideration set of our Board.

Steven Stern
Stern Investment Advisory

Very good. My thinking is by becoming a cash dividend-paying equity, the number of potential shareholders out there, both individuals and institutions that are looking for or need an income-producing item, we automatically become on their list too. So it expands the possibility of shareholders out there.

Ryan Zink
President, CEO & Director

I will take that information under consideration, and as a Board, I will share that with them as well.

Steven Stern
Stern Investment Advisory

Congratulations again.

Ryan Zink
President, CEO & Director

Thank you. Appreciate it.

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

I want to thank our team members and leaders as they continue to create great experiences for every guest, every shift, every day. And as always, 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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