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EPS of \$0.05 **beats by \$0.01** | Revenue of \$207.38M (20.22% Y/Y) **misses by \$1.56M**

The ONE Group Hospitality, Inc. (NASDAQ:[STKS](#)) Q2 2025 Earnings Conference Call August 5, 2025 4:30 PM ET

Company Participants

Emanuel P. N. Hilario - President, CEO & Director

Tyler Loy - Chief Financial Officer

Conference Call Participants

Anthony Chester Lebieczinski - Sidoti & Company, LLC

Brian Hugh Mullan - Piper Sandler & Co., Research Division

James Jon Sanderson - Northcoast Research Partners, LLC

Joseph Anthony Gomes - NOBLE Capital Markets, Inc., Research Division

Mark Eric Smith - Lake Street Capital Markets, LLC, Research Division

Roger Lipton - Unidentified Company

Lipton Financial Services - Unidentified Company

Operator

Greetings, and welcome to The ONE Group Second Quarter 2025 Earnings Conference Call. [Operator Instructions] As a reminder, this conference is being recorded.

I would now like to turn the conference call over to Tyler Loy. Please go ahead.

Tyler Loy

Thank you, operator, and hello, everyone. Before we begin our formal remarks, let me remind you that part of our discussion today will include forward-looking statements. These forward-looking statements are not guarantees of future performance, and you should not place undue reliance on them. These statements are also subject to numerous risks and uncertainties that could cause actual results to differ materially from what we expect. Please also note that these forward-looking statements reflect our opinion only as of the date of this call. We undertake no obligation to revise or publicly release any revisions of these forward-looking statements considering new information or future events. We refer you to our recent SEC filings for a more detailed discussion of the risks that could impact our future operating results and financial condition.

During today's call, we will discuss certain non-GAAP financial measures, which we believe can be useful in evaluating our performance. However, the presentation of these measures or other information should not be considered in isolation or as a substitute for results prepared in accordance with GAAP. For reconciliations of these measures, such as adjusted EBITDA, adjusted net income, restaurant EBITDA, comparable sales and total food and beverage sales at company-owned, managed, licensed and franchised units to GAAP measures, along with a discussion of why we consider these measures useful, please see our earnings release issued today.

With that, I would like to turn the call over to Manny Hilario.

Emanuel P. N. Hilario

Thank you, Tyler, and thanks to everyone joining us on today's call. Before we get into the results, I want to take a moment to recognize the incredible dedication of our more than 10,000 teammates across the organization. Your commitment to excellence not only drives our performance, it creates the great guest memories that keep our guests coming back time and time again.

With that, I'd like to discuss our second quarter highlights. We are pleased to have delivered results that met our expectations. We achieved strong top line growth of 20%, driven by the successful integration of our Benihana acquisition and continued execution of our key strategic initiatives. Adjusted EBITDA was \$23.4 million, underscoring our ability to drive efficiencies and profitability despite the challenging consumer environment.

This quarter, we made additional investments in marketing, which helped drive positive same-store sales at Benihana and positive traffic at STK, the second and third consecutive quarters for each metric, respectively. Integration efforts following the Benihana acquisition are progressing ahead of schedule, and we are already realizing meaningful operational synergies across multiple business areas. And finally, our development strategy continues to gain momentum. So far this year, we have opened 3 new company-owned restaurants in our second franchise Benihana Express location.

Now let's discuss our strategic priorities. Number one, first, drive and accelerate same-store sales growth. Same-store sales growth remains our top priority, and we continue to execute against our proven framework built around 3 pillars: operational excellence, culinary innovation and relevant and timely marketing. Demand remained strong during peak periods, particularly on Fridays and Saturdays, and we are focused on maximizing throughput through enhanced reservation systems and centralized logistics. These tools also allow us to better manage high-volume occasions like a record-breaking Mother's Day by balancing no shows and walk-in traffic to deliver exceptional guest experiences.

To address weekday traffic, we've continued to emphasize value-focused programming, including our pre-fee menus at \$69 per STK and \$39 across our other brands, along with our highly popular \$3, \$6, \$9 Happy Hour menus. These offerings are resonating with more value-conscious guests while maintaining our premium positioning. As we see more thoughtful spending behavior, particularly at STK, with increased demand for shared dishes and pre-fee selections, we've leaned into these patterns to drive weekday traffic and

engagement. On the culinary innovation front, our Wagyu program at Benihana continues to meet expectations, and we are preparing exciting new premium menu enhancements across the portfolio intended to drive engagement and average check.

Marketing continues to be a core growth lever. Our new Friends with Benefits loyalty program launched in Q2 is designed to deepen guest relationships across our brands. With more than 7 million contacts in our marketing database, this initiative is already showing strong traction in repeat visitation. Members earn points for every dollar spend and receive exclusive rewards, including birthday and half birthday offers that encourage frequency and celebration across our portfolio. As national casual dining chains intensify promotional campaigns, we are responding with investments in targeted grassroots marketing, including stronger local store marketing and digital engagement to build brand affinity and guest frequency.

Secondly, focus on asset-light or low-cost growth opportunities and prioritize high-quality relocations. We continue to execute our multipronged growth strategy, balancing company-owned development with asset-light models that deliver capital-efficient returns. So far this year, we have opened a new Benihana in San Mateo, California, which is the highest performing new Benihana in the company's 60-year history, followed by a new STK in Tapanga, and we relocated STK Westwood to a larger, higher-capacity location to strengthen our presence in that key market. Additionally, we opened our second franchise Benihana Express in Miami's Bayside Marketplace.

As you can see, franchising is gaining momentum, and we are in active discussions with high-quality partners. Over time, we expect franchise licensed and managed locations to represent over 60% of our total footprint, driving scalable growth and reduced capital intensity. Looking ahead, we plan to open 5 to 7 new venues in 2025, including a company-owned Benihana in Seattle, Washington and the relocation of Kona Grill San Antonio to a higher-performing trade area. Relocations remain a key strategy to unlock stronger returns in existing markets. By prioritizing nearby high-quality real estate opportunities in markets that already embrace our brands, we can increase capacity, optimize traffic and better position our brands for long-term success.

Number three, continued optimization of the grill portfolio. We continue to assess and optimize performance across our portfolio and the grill concepts remain a clear area of focus. While execution at the store level is strong, traffic in the upscale casual segment remains challenged. We are responding with more targeted marketing, enhanced visibility and grassroots efforts to drive awareness, trial and repeat visits.

This past quarter, we closed 5 grill locations that were coming up on lease renewals or whose real estate quality did not match that of the rest of the portfolio. Our growth strategy for the grill concepts will be very disciplined. We will grow selectively, focusing only on top-tier opportunities that align with our brand standards and return profile. As the broader casual dining segment experiences pressure, we remain committed to enhancing performance while making strategic decisions to ensure long-term viability.

Number four, maintain balance sheet flexibility. Our balance sheet remains strong with approximately \$50 million in liquidity between cash, short-term receivables and revolver availability. This provides us with operational flexibility to navigate near-term challenges while supporting long-term investments. We continue to prioritize positive cash flow generation and have implemented cost discipline across all our functions from labor optimization to marketing efficiency.

Lastly, the Benihana integration is progressing ahead of plan. We've already captured a significant portion of the \$20 million in expected synergies with full realization target by the year-end 2026. Importantly, this integration is not just about cost savings. We are leveraging our strengths in operations, culinary innovation and marketing to unlock top line growth across Benihana and RA Sushi.

Looking longer term, we remain focused on scaling from \$1 billion to \$5 billion in system-wide sales. Our development road map includes over 200 potential STK locations and more than 400 Benihana opportunities in the U.S., supported by a blend of company-owned, franchised, licensed and managed locations. STK continues to deliver industry-leading unit economics, generating approximately \$11 million in annual revenues with 20% plus restaurant level margins. And as we previously mentioned, the Benihana in San Mateo is significantly above target from a revenue, profit and cash-on-cash return perspective. Based on the success of our new prototype that we opened in San Mateo, we now believe that the new model can deliver \$8 million in annual revenues and restaurant level margins in the mid-20s before any franchise fees.

We anticipate net capital expenditures will be between \$3 million and \$5 million per location and expect significant franchise interest in this model. As we move into the back half of 2025, we remain confident in our strategy and our ability to execute. Despite a challenging macro environment, we are seeing positive signals and are well positioned to gain share through our differentiated vibe dining model. We are building a unique portfolio of iconic brands that deliver not only for guests but for our shareholders.

With that, let me turn it over to Tyler for the financial details. Tyler?

Tyler Loy

Thank you, Manny. As a reminder, beginning this year, we are reporting financial information on a fiscal quarter basis using 4 13- week quarters with the addition of a 53rd week when necessary. For 2025, our fiscal calendar began on January 1, 2025, and will end on December 28, 2025, and our second quarter contained 91 days.

Let me start by discussing our second quarter financials in greater detail before providing our outlook for the third quarter and the current year. As a reminder, we realized 61 days of the Benihana and RA Sushi acquisition in the previous year quarter. In addition, the current quarter includes \$5.6 million in lease termination and exit expenses related to the 5 grill locations we exited, nearly all of which was noncash flowing through our operating and net income.

Total consolidated GAAP revenues were \$207.4 million, increasing 20.2% from \$172.5 million for the same quarter of last year. Included in total revenues were our company-owned restaurant net revenues of \$203.9 million, which increased 20.6% from \$169 million for the prior year quarter. The increase was primarily due to the 30 additional days of ownership of Benihana and RA Sushi and contributions from the opening of 7 restaurants since the beginning of the second quarter of 2024. These were partially offset by a 4.1% reduction in consolidated comparable sales.

Management, license and incentive fee revenues remained flat at \$3.5 million for both quarters. Company-owned restaurant cost of sales as a percentage of company-owned restaurant net revenue remained flat at 21.2% for both quarters. This was primarily due to integration synergies, offset by higher-than-anticipated inflation driven by chicken, eggs and certain cuts of beef.

Company-owned restaurant operating expenses as a percentage of company-owned restaurant net revenue increased 210 basis points to 63.5% from 61.4% in the prior year quarter. This was primarily due to the addition of Benihana and RA Sushi results in April, which typically have lower revenues and lower margins than that of the rest of the quarter. In addition, company-owned operating expenses were impacted by investments in marketing, general cost inflation and fixed cost deleveraging driven by a decrease in comparable store sales.

Restaurant EBITDA decreased 210 basis points to 15.4% compared to 17.5% in the prior year quarter. This included restaurant EBITDA of 18.5% for the Benihana location and 15.9% at STK locations. The 2 new STK restaurants opened during the quarter impacted STK margins by 80 basis points due to increased costs during the start-up period, and we anticipate these costs to normalize during the balance of the year. On a total reported basis, general and administrative costs increased \$1 million or 9.7% to \$11.7 million from \$10.6 million in the prior year quarter, driven by the addition of Benihana in the second quarter of last year, offset by a reduction in performance-based compensation expense.

When adjusting for stock-based compensation, adjusted general and administrative expenses were \$10.2 million and \$9.1 million in the second quarter of 2025 and 2024, respectively. As a percentage of revenues, when adjusting for stock-based compensation, adjusted general and administrative costs improved 40 basis points to 4.9% compared to 5.3%. The improvement is due to the sales leverage realized through the Benihana acquisition, the implementation of cost savings and integration synergies and a reduction in performance-based compensation expense.

Depreciation and amortization expense was \$10.9 million compared to \$8 million in the prior year quarter. The increase was primarily related to depreciation and amortization for the Benihana and RA Sushi restaurants, depreciation associated with the opening of 7 new company-owned venues since July 2024 and capital expenditures to maintain and enhance the guest experience in our restaurants. Preopening expenses were \$1.4 million, consisting primarily of payroll, training and other costs for Benihana San Mateo and STK Topanga, which opened in March 2025 and April 2025, respectively, payroll and travel costs for the training team and preopening expenses for restaurants currently under development.

Preopening expenses were \$2.5 million in the prior year quarter. Operating income was \$0.7 million compared to \$1.1 million in the second quarter of 2024 and included \$5.6 million of lease termination and exit costs in the current year quarter. Excluding those costs, operating income would have been \$6.3 million.

Interest expense was \$10.3 million compared to \$7.9 million in the prior year quarter due to our higher level of outstanding debt post acquisition, which occurred during the second quarter of last year. Provision for income tax was \$0.7 million compared to a benefit of \$3.5 million in the prior year quarter. The effective income tax rate year-to-date through the second quarter was negative 11.3% compared to 27.1% for the same time in the previous year, which is driven by the company's FICA tip credit.

Net loss was \$10.1 million compared to a net loss of \$7.3 million in the second quarter of 2024 and the current year includes the \$5.6 million in aforementioned lease expenses, the majority of which were noncash. Net loss available to common stockholders was \$18.2 million or \$0.59 net loss per share compared to \$11.9 million in the second quarter of 2024 or \$0.38 net loss per share.

Adjusted net income was \$1.7 million or \$0.05 adjusted net income per share compared to an adjusted net income of \$6.3 million or \$0.19 adjusted net income per share in the prior year quarter. Adjusted EBITDA attributable to The ONE Group Hospitality, Inc. was \$23.4 million compared to \$21.8 million in the prior year quarter, an increase of 7.3%. We finished the quarter with \$15.1 million in cash and short-term credit card receivables.

Our cash and cash equivalents were lower versus the previous quarter due to the impact of biweekly payroll and reduction of accrued payroll at the end of the second quarter versus the end of the first quarter. We finished the quarter with \$33.6 million available under our revolving credit facility, which remains undrawn. Under the current conditions, our term loan does not have a financial covenant.

Now I would like to provide some forward-looking commentary regarding our business. This commentary is subject to risks and uncertainties associated with forward-looking statements as discussed in our SEC filings. We, as always, remind our investors the actual number and timing of new restaurant openings for any given period is subject to a number of factors outside the company's control, including macroeconomic conditions, weather and factors under control of landlords, contractors, licensee and regulatory and licensing authorities.

Based on the information available now and the expectations as of today, we are issuing the following financial targets for the third quarter of 2025. Beginning with the top line. We project total GAAP revenues of between \$190 million and \$195 million, which reflects our anticipation of consolidated comparable sales of minus 4% to minus 2%; managed, franchise and license fee revenues are expected to be between \$3 million and \$4 million; total company-owned operating expenses as a percentage of company-owned restaurant net revenue of approximately 86%; total G&A, excluding stock-based compensation of approximately \$11 million; adjusted EBITDA of between \$15 million and \$18 million; and finally, restaurant preopening expenses of between \$1 million and \$2 million. Based on the information available now and the expectations as of today, we are reiterating the following financial targets for fiscal year 2025.

Please note, this does not include the potential impact of tariffs on broader economic conditions. We project total GAAP revenues of between \$835 million and \$870 million, which reflects our anticipation of consolidated comparable sales of minus 3% to 1%; managed, franchise and license fee revenues are expected to be between \$15 million and \$16 million; total company-owned operating expenses as a percentage of company-owned restaurant net revenue of 83.5% to 82.2%; Total G&A, excluding stock-based compensation of approximately \$47 million; adjusted EBITDA of between \$95 million and \$115 million; restaurant preopening expenses of between \$7 million and \$8 million; an effective income tax rate of approximately 7.5%; total capital expenditures net of allowances received from landlords of between \$45 million and \$50 million; and finally, we plan to add 5 to 7 new venues. I will now turn the call back to Manny.

Emanuel P. N. Hilario

Thank you, Tyler. Before we open it up for questions, I want to emphasize how excited we are about the future of our business. Our path to \$5 billion in system-wide sales remains clear and achievable. With our strengthened portfolio, expanded franchise capabilities and proven ability to deliver industry-leading margins, we're well positioned to capture significant opportunities ahead of us. We thank you for your continued support and look forward to sharing our progress in the quarters ahead. Tyler and I look forward to your questions. Operator?

Question-and-Answer Session

Operator

[Operator Instructions] Our first question comes from Brian Mullan of Piper Sandler.

Brian Hugh Mullan

A question on Benihana. It's encouraging to see the positive same-store sales again at the brand. As we look at the current quarter, it seems like the brand has an easier comparison. Last year was down 4% in the third quarter. Can you just remind us what some of the issues were last year that you'll be lapping over? Did that have to do with integration or maybe something else? And then just related to that, just talk about any initiatives you're particularly excited about to drive the top line at Benihana over the balance of this year?

Emanuel P. N. Hilario

I mean that's a great question regarding Benihana third quarter last year. Probably the more significant challenge we had with Benihana last year was that post our acquisition, we found out that there were a lot of HVAC opportunities within the model. As you know, it's a really hot restaurant with the tables in the restaurant. So we spent quite a bit of time last year working out the temperature and airflow issues in the restaurant. So I think that was kind of a year 1 learning for us. This year, we're much more proactive going into the summer months. We make sure that we got all the ventilation and some of those issues taken care of. So we feel much better about the sales opportunity for the brand in the third quarter this year.

Brian Hugh Mullan

Okay. And then sticking with Benihana, can you talk about the recently opened restaurant in San Mateo? It sounds like it's been a great opening from an AUV perspective. Manny, maybe remind everyone what was different with this opening versus some of the legacy restaurants? What have you learned? And what does that tell you about the future growth opportunity?

Emanuel P. N. Hilario

Yes. I think the difference -- well, there's several. One is on the actual design of the restaurants, we chose to eliminate the sushi bar from -- within the property. So there's no sushi bar in the restaurant, which created additional space for tables. We also decided to add tables in the bar area, which was new for the model. So we were able to concentrate more tables within the restaurant. Actually, it's only 7,000 square feet, and we were able to get in there a significant amount of tables.

The other things that we've done, we lightened up the colors. We added a takeout delivery station in the property, which helps with the flow of the customers coming in and out. The color scheme of the restaurant is brighter, more welcoming. It's a more bright, colorful environment, new artwork. So it's significantly better from an aesthetics perspective. And then from a preopening model, we did a lot of earlier marketing, which was not really typical. We put a lot more ads, more -- we put a lot more emphasis on the pre-marketing and then we leverage our digital assets right away to let people know that we were open.

So I think the opening from day 1, frankly, we were super busy on first 2 or 3 weeks of opening. We opened the doors and frankly, it was all about managing capacity. So we've been very happy with that. And as we continue operating the restaurant, I think that the consumer base and the market is really has embraced that restaurant. So we feel pretty good about, if you will, the new look and feel as well as the new preopening model that we put in place for the location.

Brian Hugh Mullan

Okay. That's great. And then just one more for me. A question on the STK brand. You spoke to this in the prepared remarks a bit, but can you just talk about how you're managing this business at the moment is ensuring positive traffic. Does that remain the main objective right now, even if you need to continue to give up a little bit in average check at least during the week? Is that how you foresee this at least while we're in this consumer environment? Any color on that would be great.

Emanuel P. N. Hilario

Yes. I mean I think our strategy with STK still is a traffic working with Happy Hour, working with value price points. Obviously, in the current economy with the uncertainty with the consumer, we think it's wise to have a great value proposition. So we continue to emphasize that. And then I think as we go into the third, fourth quarter progression, one of the things we'll continue doing is emphasizing premium products, so the barbell approach to try to mitigate the impact of value. So that will continue to be our strategy there.

As I've always said, STK is about market share. So we're retaining market share in the existing restaurants. And then as we continue opening new restaurants, we're gaining market share. So I feel very positive about the future of STK just because we're really grabbing market share right now in an environment that you should not. If you look at all the industry statistics, sales are relatively flat in the industry, but traffic is down. So I would say that STK being at the price point that it is and getting traffic is an incredible success in terms of marketing and execution.

Operator

Our next question comes from Anthony Lebieczinski of Sidoti & Company.

Anthony Chester Lebieczinski

So first, I just wanted to check in if you guys could talk about the cadence of your same-store sales during the second quarter and whether or not you saw any notable regional differences in traffic or just same-store sales overall?

Tyler Loy

Anthony, it's Tyler. Yes, so we definitely saw April and May -- April with the holiday shift and a little bit of the spring break shift coming out a little slower and then we saw a sequential improvement throughout the quarter. And then June ended up being the most -- having the best of the -- in same-store sales of the cadence throughout the quarter.

Anthony Chester Lebieczinski

Got you. All right. And then as far as any regional differences to speak of? Or was it consistent throughout your operating area?

Emanuel P. N. Hilario

I mean I think you probably could see that -- by the way, this is Manny, so I introduced myself there. But the -- I mean, probably the most meaningful geographical difference for us has been Vegas. Vegas was probably a challenged market from just what we saw. But other than that, I wouldn't call out anything other than that one particular market.

Anthony Chester Lebiedzinski

Got it. So was this because of change in convention schedules? I think you had talked on the last call about that.

Emanuel P. N. Hilario

Yes. We have -- I mean there's definitely been shifting. So if you even look at the casino outlooks for the rest of the year, there's definitely calendar shifting in conferences. But then I also think that the other factor impacting Vegas has been the decline in Canadian visitors as well as some even Mexico traffic in the market. So it's a combination of visitor traffic right now as well as shifting of some of the convention calendar.

Anthony Chester Lebiedzinski

Got you. Okay. And then thinking about your guidance for the year, you kept it unchanged. So it does imply a meaningful step-up in the fourth quarter relative to what you've done so far and your guidance for the third quarter. So can you just walk us through like what gives you the confidence to maintain the annual guidance?

Emanuel P. N. Hilario

Well, I can't wait to get to the fourth quarter because as you've probably seen in our seasonal results, we do like fourth quarters. I think particularly for us this year, we had Benihana for the first time last year in the fourth quarter. And we frankly have record days around every single one of the holidays. And our biggest challenge, frankly, was managing the logistics and the throughputs at the tables. And frankly, that's one of the areas that The ONE Group is very good at is logistics and management at tables. So we think that there's a pretty large opportunity for us, particularly with Benihana going into the fourth quarter.

As you know, Benihana is a significant part of our sales now. It's over 55% of our sales. So we feel very good about that. And then as I mentioned earlier, STK continues to deliver strong traffic results, and we think that the holidays again will be an opportunity for us to leverage those traffic buildup that we've been having for the last 3 quarters. So I think it will be a continued track of building the traffic there. So as we look at the year, obviously, the fourth quarter is the quarter that we feel very good about.

Anthony Chester Lebiedzinski

Sounds good. I'm sorry, go ahead.

Emanuel P. N. Hilario

Yes. Again, notice that none of my comments have to do with the economical or the economy. It all has to do with kind of internal identified areas that I think I can get the team organized around. So I think these are all within our control, manageable situations. Obviously, always the background is if the economy gets significantly worse, then obviously, that will be a little bit difficult to achieve. But in the context of the economy staying where it is and just the identified opportunities that we had from last year, I think this year should be a very good fourth quarter for us.

Operator

Our next question comes from Mark Smith of Lake Street Capital.

Mark Eric Smith

I wanted to ask first just about kind of the differences between Grill Concepts and STK and Benihana customers. What kind of behaviors are you seeing different between those customers?

Emanuel P. N. Hilario

I mean I think the -- at least for us, I think the -- as I speak of Grill and we talk about the performance of it, there's at least 3 or 4 factors that I keep reminding people about the Grill Concepts us. Number one is just the way that business model was built, there's a great connection of that -- of those locations to the movie business and the movie business has been frankly challenged since COVID. So that's kind of one of the things that we continue to battle.

The second thing that we continue to -- from a consumer and brand is that the grills do have seafood exposure. They have one of the higher consumptions of seafood. And in reality, when the consumer is more uncertain about the future or makes changes in their buying patterns, seafood tends to be one of the areas that has been -- is less, if you will, frequent. So they tend to take those visits out faster than other type of culinary.

And then the other third item that I mentioned about the grill in general is because we have a concentrated base of sales in sushi and everybody who's now can get a sushi machine can be in the sushi business relatively with a low entry price point or low barriers of entry. And so there's a lot of -- there's a proliferation of really low-cost sushi competitors everywhere. So we've had to deal with the fact that those are things that are different about the business.

And I guess the fourth item too is, as you may recall, the reason we bought the Grill is we like the bars, we like the vibe that came with the bars. And if you look at all the metrics in today's consumption of alcohol, that's one of the areas that you see a little bit of a slip. So again, those are all the handicaps. So we understand that. But those things, we do have answers for all of them. We also have some locations that were not exactly in real estate that we would have done today. So right now, we're working the portfolio.

As you saw on some of our releases and on our 10-Q, we did close 5 Grill locations in the quarter because we're resetting the portfolio. So that's priority #1 is to reset portfolio. Priority #2 is we continue to innovate in the brand. So we're looking at the menus and adding a lot of food offerings that are beyond seafood. And the third thing is we just continue to evolve marketing because in the casual category right now, marketing is critical and there's a lot of big competitors with big budgets. So we do have to step up our marketing and investment.

So those are kind of like the -- if you will, kind of a really long answer to your question, but the reality is there are some short-term challenges there, but we still like the Grill in the long term because as consumer confidence comes back, we think that they're going out for seafood offerings and everything else will get back in play. Hopefully, that's helpful -- I mean, helpful.

Mark Eric Smith

No, that's very helpful. I did want to dig into just the closures a little bit more, if we could. Just were these all Konas -- were all of these lumped into kind of what you call noncore units? And maybe how many of those closures were at the end of the lease term?

Emanuel P. N. Hilario

Yes. So the majority of them were in the final option of their leases. So they're already kind of waxing out. And so that was a big important factor in terms of how we've identified some of these locations. And not only were they at the end of their life cycle, they are -- some of them required significant capital investments, and we didn't think that based on their performance and the quality of the real estate that we really want to go there. So that's -- and so those were the ones that we're classifying as noncore royalty in our external reports.

Mark Eric Smith

Okay. And then last one for me. I think, Tyler, you had talked a little bit about some places where you've seen some food inflation. I think it was chicken, eggs and a little bit of beef. Any other insights or anywhere post quarter where you're maybe seeing some inflationary pressure?

Tyler Loy

Yes, Mark, I think we saw some of those commodities come down a little bit. So I think that we anticipate a little bit less pressure there on the commodities coming in the second half of the year. I think the one thing that we're watching is just beef prices are just tending to be a little bit more sticky than maybe we would like.

Emanuel P. N. Hilario

Yes, I would just only add to that, that with that in mind is this is exactly where innovation going to the fourth quarter. As we look at our offerings for the fourth quarter, we probably -- again, depending on what the commodities basket looks like, we'll be able to kind of navigate around some of that through some of the offerings that we would put out there. So again, and we've already contracted for some frozen seafood for the fourth quarter. That kind of helps us keep the cost basket somewhat mitigated.

Operator

Our next question comes from Joe Gomes of NOBLE Capital.

Joseph Anthony Gomes

I was wondering if you could give us a little more color in the franchising efforts for Benihana. We've talked in the past, you've talked about -- you've updated the infrastructure, you're elevating awareness. And just trying to get a better handle on when you think you're going to start to see agreements come in. And is there going to be do you think one store, multiple locations? Is it existing or new franchisees that you think are going to be attracted to the model? Just a little more color there would be appreciated.

Emanuel P. N. Hilario

Great. Great question. So yes, we've obviously already addressed the fact that we've invested in infrastructure. So that's been done already. The second item that we've worked on is obviously with the San Mateo being kind of our new prototype is really working on the cost per square foot because obviously, to drive franchising interest, you got to have a strong and cost so that franchisees can afford to build these restaurants. So I think that's been something that we've worked on, and we got a lot of learnings out of San Mateo. So check the box on getting to the right cost on that.

And then in terms of Benihana franchising specifically, we have 2 models. We have the full-size restaurant, Benihana restaurant. And what we're seeing there is we're seeing a lot of interest from existing franchisees. So we have existing franchisees in the system now that are wanting to do # 2 and 3. So you'll see some new agreements and some new commitments coming from existing franchisees on the big box model. And then you probably saw that we opened up our second Benihana Express in Miami, and we got a tremendous amount of excitement around that brand. It basically offers the same food that you would see at Benihana, particularly the -- we have a really good offering in fried rice.

So there's been a lot of excitement about bringing the Benihana product without having to put the full tables in the dining room. And that model, we've actually showed that off in a lot of franchising conferences. We're starting to participate in a lot of industry events and so forth. So we're starting to get -- building up a book of people who are looking at it. And we just opened our second one. We have a third one in the pipeline. Actually, we have a third and fourth one in the pipeline that we'll be announcing in the near future. So I think the pipeline is building up for the Benihana Express as well. So we're probably 90 days out from starting to make some announcements on development agreements.

Joseph Anthony Gomes

Great. And then just looking at the balance sheet. Cash at quarter end fell to about \$4.5 million from \$21 million at the end of the first quarter. I was wondering if anything specific behind that. Are you still comfortable with the liquidity level there? Just some more detail on that would be appreciated.

Tyler Loy

Joe, this is Tyler. Yes. So we talked a little bit about it in our prepared remarks around kind of the shifts in working capital on a week- to-week basis. And so a lot of what you're seeing there is just the difference in accrued payroll and the amount of accrued payroll that we have on the balance sheet between kind of one week to the next. So that's a big part of what's driving that. And then I think from a liquidity perspective, yes, I think we feel comfortable from just an overall liquidity position.

Emanuel P. N. Hilario

Yes. I think also, if you look at our capital guidance for the year and you look at our guidance and where we spent the money, we're front-ended on capital for a lot of reasons. We have the new restaurants coming up right at the beginning of the year. And I think as I answered one of the questions, we did have some planned CapEx, particularly for Benihana that we got out of the way in the first and second quarter because we want to get the HVACs and everything ready for the summer. So I think it's a function of both the working capital shift as well as a front-ended CapEx budget.

Operator

Our next question comes from Jim Sanderson of Northcoast Research.

James Jon Sanderson

I wanted to go back to the outlook for the back half of the year on same-store sales. I think the guide has a nice range in there. What would it take? Or how do you look at getting to the lower range to the -- in the third and fourth quarter, assuming that you're exiting around negative 4%?

Tyler Loy

Jim, it's around negative 2% really for the back half of the year.

James Jon Sanderson

Right. And what would it take you to get to that stronger outlook? And how you're looking at the puts and takes based on the range you provided?

Emanuel P. N. Hilario

You mean getting to the better end of the range on the...

James Jon Sanderson

Yes.

Emanuel P. N. Hilario

Okay. So I think probably as I mentioned earlier, obviously, going into the fourth quarter, the big variable is always the event business. So we're still kind of early on kind of figuring out what that ultimately looks like. And then as I mentioned earlier on -- to one of the other questions, I think it's really about how much throughput we can get through Benihana because that ultimately makes all the difference in the world. Said a little differently is our turn times right now is about 2 hours at Benihana. And if we can get it down to about 90 minutes in the fourth quarter, that's really what the answer is. So whatever we end up between 90 minutes and 2 hours on our turn times, we're going to make a difference on how much we can really push that fourth quarter sales, if that makes any sense.

James Jon Sanderson

Sure. Yes. So leaning into marketing events for holiday perhaps and then improving turn times at Benihana would be 2 variables we could -- that could see you get a little bit further along on the guide. Excellent. To that point, how do we look at the loyalty program? That's something you just launched. What do you expect out of that? Meaning do you expect higher frequency, higher average spend? Anything you can tell us how that's going to work?

Emanuel P. N. Hilario

Well, I think another great question. So we have 7 million members in the database now, and it's really now about creating activity with them. And so it's now a marketing game of communication and driving awareness about it. And then we're also now really engaging in sign-ups at the restaurants. So we've put a lot of efforts and campaign behind that. So I think the next 3 to 6 months is going to -- you're going to see us continue to go heavy on bringing people in and then utilizing more direct marketing to that group. As you know, in the industry today, a significant amount of visits in the industry now is with loyalty attached to it.

So we think going into the fourth quarter, again, as we build momentum with the program in the third quarter because we just very recently launched it. I think as momentum builds in loyalty, we'll start seeing a payoff of that in the fourth quarter. And for sure, I think the first quarter of next year is where we'll really see the payoff of really building up these nice databases on loyalty.

James Jon Sanderson

Understood. And then going back to the new Benihana location in San Mateo and that strong performance, any learnings that you can apply to the current store base that would...

Emanuel P. N. Hilario

Yes. So that's another great question. And yes, so the first thing that we're learning on is that we're probably going to move sushi bars to a lot of the -- to the back of the house in existing restaurants, which would free up room in a lot of our properties to add 2 to 3 tables in some of these properties. So as we start adding 2 to 3 tables in some of these properties, we should see a significant improvement on throughput. So that's kind of the short-term strategy and short-term learning out of it.

I think the other thing that we've learned from the new opening in San Mateo is having a dedicated takeout delivery station at the location takes customers away from the host stand and really opens up the flow of customers in the property, and we already have a very constricted flow because we're busy. If you go to our Benihanas on Fridays and Saturdays, it's standing room only in the front area. So having the tucked away takeout delivery really helps move through people. And we see actually, frankly, a little better turn times in that restaurant just because it's easier to flow customers from the front of the dining room to the table. So I think that's been too easy to adopt kind of learnings from that prototype for the rest of the brand.

James Jon Sanderson

Okay. And just one last question for me. As far as closures go, is there anything we should be thoughtful of going forward with respect to leases that would indicate further closures or exiting the RA Sushi business?

Emanuel P. N. Hilario

I mean, again, as I always say, we always look at portfolio, and we're always looking at seeing what makes the most sense to keep around. And frankly, we're always evaluating that. We're looking at end of lease restaurants. The reality is we have a lot of grills who are kind of at 17, 18, 19 years of life. You may know this or not, but Kona Grill's expansion period was between 2006 and 2010 was kind of like the golden age of growth for them. So on that note, there's a lot of restaurants approaching that 20-year cycle on it.

And then obviously, the decision that Tyler and I and the team have to make is do you chase an old asset that needs a massive remodel at the end of the lease and has problematic real estate? Or do we go ahead? And as I mentioned in my prepared statements, the returns on Benihana are great, right? So if you look at the San Mateo return profile or even STK has the best profile of ROIs in the industry, we're probably -- it really becomes a capital allocation exercise in terms of where we go with our capital.

Operator

Our next question comes from Roger Lipton of Lipton Financial.

Roger Lipton

Lipton Financial Services

Most of my questions have been answered already, but get back to San Mateo, very impressive, of course. So that leads me to wonder the Seattle, Washington location is the next Benihana to open for the company. What's the configuration there in terms of size and cost so far? And when will it open?

Emanuel P. N. Hilario

So Roger, so the Seattle location is on Lake Union. It's going to be a flagship type location, it has some of the best stunning water views that you can possibly get in a restaurant. So it's a really high-quality real estate. We did change it originally. We're going to do a Kona Grill there and mid design cycle, we chose to go with a Benihana instead of Kona Grill there just because we thought the revenue potential based on what we saw in San Mateo was much greater.

So it's really a matter of -- obviously, we have to go back to the city with some changes to the design and the electrical requirements. So we're still thinking that we can probably open that one by the end of the year. So that's kind of our target date for Lake Union is to get it opened by the end of this year. But it's a beautiful, stunning location, so it should do very well for the brand.

Roger Lipton

Lipton Financial Services

And how large is it, Manny?

Emanuel P. N. Hilario

That location is about 7,000-ish square feet. So it's almost identical to what we got in San Mateo.

Roger Lipton**Lipton Financial Services**

Right. And you just made reference to reevaluating how you spend your money and allocating what was going to be a Kona. So I would imagine you're starting to rethink, assuming San Mateo continues to do as well as it has, that next year might be a little more emphasis on company-operated Benihanas than you might have previously thought?

Emanuel P. N. Hilario

Well, I mean, we haven't gotten there yet. But of course, as I said on my prepared statement, is the great returns on the Benihana full-size footprint actually drives franchise interest. We've seen that coming from big franchisees who want to invest in the brand. And the reality is we have a 400-plus footprint outlook for Benihana in the U.S. So we're very early on in the growth story of that. I know it's a 6-year brand, but if I look at the potential of it is we're still very early on. So the reality is to open all that 400-plus with company-owned assets is a big commitment.

So having really sized up to be a great franchise model is a good way of us accelerating the brand. And then ultimately, I think having a bigger brand allows us for a lot more marketing and advertising synergies with Benihana. So I think that's really the goal now is to grow Benihana a little faster so that we can get more marketing and advertising out of the model.

Roger Lipton**Lipton Financial Services**

Okay. That's what I have got for now, so best of luck. We're all obviously excited about the prospects for Benihana.

Emanuel P. N. Hilario

Thank you, sir.

Operator

This concludes our question-and-answer session. I would now like to turn the conference call back over to Manny Hilario for any closing remarks.

Emanuel P. N. Hilario

Thank you. And as I always close my calls with, I want to thank our teammates. They're doing a fantastic job of living our mission every day of executing on great restaurants and creating memories, unforgettable memories all the time. So I appreciate the team continued effort on it. And frankly, they were the driver of our performance in Q2. And I look forward to seeing everybody on this call out in our restaurants. So everyone, have a great afternoon.

Operator

This concludes today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.

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