

The ONE Group Hospitality, Inc. (STKS) Q2 2026 Earnings Call Transcript

Aug 06, 2026, 8:44 AM ET | The ONE Group Hospitality, Inc. (STKS) Stock



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Q2: 2026-08-05 Earnings Summary



EPS of -\$0.31 **misses by \$0.24** | Revenue of \$200.48M (-3.33% Y/Y) **misses by \$4.21M**

The ONE Group Hospitality, Inc. ([STKS](#)) Q2 2026 Earnings Call August 5, 2026 4:30 PM EDT

Company Participants

Nicole Thaung - Chief Financial Officer

Emanuel Hilario - President, CEO & Director

Conference Call Participants

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

Anthony Lebieczinski - Sidoti & Company, LLC

James Sanderson - Northcoast Research Partners, LLC

Presentation

Operator

Greetings, and welcome to The ONE Group Second Quarter 2026 Earnings Conference Call. [Operator Instructions] As a reminder, this conference is being recorded. I would now like to turn the conference over to Nicole Thaung, Chief Financial Officer. Please go ahead.

Nicole Thaung

Chief Financial Officer

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, restaurant operating profit, comparable sales and total food and beverage sales at company-owned managed, licensed and franchise units to GAAP measures, along with the 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 Hilario

President, CEO & Director

Thank you, Nicole, and good afternoon, everyone. I appreciate you joining us. I want to start, as I always do, by thanking our team members. Every day, our teams across every brand and market work to create memorable experiences for our guests. Today, consistency is more important than ever, and I want to recognize their drive in providing operational excellence and upholding our commitment to vibe dining that defines who we are.

With that, let me turn to an overview of our quarterly performance, walk through our progress on our strategic priorities and then hand things over to Nicole for a closer look at the financials. We made significant progress in driving market share this quarter with all segments reporting positive transactions for the quarter. We expanded restaurant level margin. We generated \$32 million in operating cash flow in the first 6 months of 2026, nearly triple the \$11 million we generated over the same period last year. And we reduced year-to-date net capital expenditures by approximately 38% compared to the first half of 2025 and used our improved cash generation to pay down debt.

This is the combination we set out to deliver, stronger returns, more disciplined capital deployment and a cleaner balance sheet. Consolidated restaurant level operating profit margin increased 110 basis points to 16.4% compared to 15.3% a year ago, reflecting the operational discipline we have embedded across the business. The STK segment demonstrated strong margin expansion of 130 basis points, improving to 17.4%. The Benihana segment also demonstrated solid growth, expanding 90 basis points to 18.9% and remains our strongest margin segment.

Turning to revenue. Total revenue was approximately \$200 million, down 3.2% from a year ago. This decline was primarily anticipated and driven by our planned optimization of the Grill concepts portfolio. The one variable outside of our plan was the timing of the STK Downtown New York relocation, which was planned for the second quarter, but delayed until July. This was the relocation of our original STK in downtown New York City.

Our comparable sales results are indicative of our core business strength. Consolidated comparable sales grew 0.9% for the quarter, with U.S. STK restaurants delivering 3.2% comparable sales growth and Benihana restaurants growing 0.8%. All segments posted positive transaction growth. Our comparable sales results were modestly affected by World Cup impacts as consumers shifted dining occasions to watch matches, particularly during evening and weekend dayparts when our restaurants are busiest. Benihana was also impacted by elevated temperatures in select markets, which affected traffic during the quarter. These represent temporary headwinds that now have passed and should not persist into the third quarter.

Now let me update you on our 4 strategic priorities. Our first strategic priority is accelerating comparable sales through disciplined execution. The improvement we saw in comparable sales, particularly at STK, reinforces that the strategy is working. We continue to grow our relative market share with positive traffic at all segments. The Barbell strategy that defines our brand continues to deliver strong results. During the week, our value programming leads the way. Our \$3, \$6, \$9 Happy Hour remains one of our most consistent traffic drivers in the early evening and late night, while our Weeknight Date Night initiative is driving incremental traffic during historically slower periods and creating new opportunities across all brands.

On weekends and around celebrations, our premium steak and seafood offerings continue to perform strongly. Guests are being deliberate when they trade up and when they look for value and our model captures both ends of that spectrum. Our balanced approach is working. Mother's Day, Father's Day and graduation season represents distinct moments where guests seek out our restaurants for premium offerings and celebratory atmosphere. All 3 occasions performed strongly across the portfolio. Our Friends with Benefits loyalty program continues to gain momentum. We're adding many new organic members each week and newly enrolled guests show strong repeat participation.

Loyalty members spend meaningfully more per visit than non-loyalty guests. And as the program grows, it represents an increasing share of our overall quarterly transaction. We strategically target our Friends with Benefits members around Mother's Day, Father's Day and graduation season using personalized outreach to drive traffic during these occasions. We remain focused on growing membership, driving organic sign-ups and increasing engagement to strengthen brand connection and repeat visits.

We're also driving growth through seasonal innovation. This quarter, our culinary and beverage teams launched and emphasized premium offerings, including new Wagyu cuts and innovative top-shelf liquor cocktails. We also will be adding new dishes built around fiber and whole grains, including a new quinoa option, which supports the broader wellness and GLP-related dining trends we are seeing among our guests. We launched new food and beverage menus 4 times a year, keeping our offerings fresh and differentiating ourselves from competitors and generating strong social media engagement.

We expanded our off-premises business heading to the summer travel season with a particular focus on curbside operations. Burgers and sides drive strong takeout and delivery volume across all brands and Benihana and RA Sushi's fried rice burritos have performed well in that channel. While off-premises represent a smaller share of our business than dine-in, it delivers a strong margin profile and allows us to capture additional occasions when guests want the brand without committing to a full dine-in experience.

Our second priority is capital-efficient growth. We are making meaningful progress on both our company-owned and franchise expansion initiatives. We opened 2 new company-owned restaurants, STK Downtown Phoenix in June and the relocation of our downtown New York City STK restaurant to Chelsea in July, each at a cost of \$1 million or less after TI. In July, we also completed the conversion of our Kona Grill location in Riverton, Utah, into a Benihana restaurant, following the same playbook we used in Scottsdale, Arizona last year.

Our development pipeline remains focused and heavily weighted toward capital efficiency. We plan to open 6 to 10 venues in 2026, prioritizing locations that require \$1.5 million or less in net capital investment. And the majority are asset-light, meaning that they require little to no upfront capital or investment from us. Additionally, we are prioritizing our existing lease pipeline over new commitments. That approach is deliberate, giving us the flexibility to navigate an uncertain consumer environment while still investing in the highest return opportunities.

Beyond our core domestic expansion, we're also advancing strategic partnerships. We signed a license agreement to bring RA to Canada at Niagara Falls with an opening expected by year-end. Our regional projects showcase how we're deploying this capital-light strategy across our portfolio. In Baltimore, we're advancing a single project site with 2 brands, an STK and Kona Grill Bistro, a smaller footprint Kona Grill model are both under construction as part of the Kona Grill Baltimore conversion. STK also recently signed a contract for 2 asset-light licensed locations at a major U.S. airport.

Franchise Benihana and Benihana Express is expected to drive the bulk of our near-term openings. I'm particularly excited about the long-term potential for the Benihana Express brand. As we previously reported, we purchased the Miami Benihana Express location from an exiting franchisee and have begun accelerating the growth of the concept. With this model, we can deliver your Benihana fix on the go with cost of goods and labor margin of approximately 20% and 25%, respectively, the 800 to 1,000 square foot box can deliver over 50% prime margin and annual revenues greater than \$1 million.

We anticipate the developed cost to be about \$500 per square foot, resulting in substantial returns. We believe these economics will make the Benihana Express brand highly marketable to the franchise community and its flexible footprint is easy and replicable in many markets. We currently have a company-owned Benihana Express under construction in Denver and a licensed Benihana Express in the Florida Keys in development, all expected to open by year-end.

With a disciplined pipeline focused on high-return capital-efficient opportunities, we're positioned to drive meaningful growth while maintaining financial flexibility. We remain confident in our ability to execute this strategy and create lasting shareholder value. Our third priority is portfolio optimization to improve returns. As previously discussed, we continue converting certain Grill locations into higher-performing STK and Benihana restaurants.

Through January 2026, we have previously identified and temporarily closed 6 RA and Kona Grill restaurants for conversion. What remains is a healthy, profitable base expected to generate strong revenues and profitability. As of today, we have reopened 2 conversions. Each conversion is budgeted between \$1 million and \$1.5 million and expected to be EBITDA accretive. Scottsdale, our first conversion, continues to validate the thesis of increased revenues and a healthy ROI. Going forward, we'll continue to assess the portfolio as leases expire, which typically occurs for 1 to 2 Grill locations each year.

Our fourth priority for 2026 is conserving cash and optimizing the balance sheet. And the second quarter shows that discipline is taking hold. We ended the period with \$17 million in cash and short-term credit card receivables, \$28.7 million of availability under our revolving facility. Our long-term loan facility currently carries no financial covenants. The clearest signal is in our cash generation. Operating cash flow for the first 6 months of 2026 reached \$32 million, up from \$11 million a year ago. We put that cash to work, repaying over \$4 million on the term loan facility and \$2 million on the revolving facility. We are generating a significant amount of free cash flow, and we expect to continue to do so in the foreseeable future.

We also continue to evaluate opportunities to refinance our credit facility on more favorable terms as our leverage profile keeps improving. This is a trajectory that we outlined in our last call. We expect to generate free cash flow in 2026 and debt reduction remains a top priority alongside creating shareholder value.

Before I turn it over to Nicole, I want to be clear about one thing. Everything I've outlined today is execution, not hope. These are initiatives within our direct control, and they are delivering measurable results today, not commitments for tomorrow.

With that, I'll turn it over to Nicole.

Nicole Thaung

Chief Financial Officer

Thank you, Manny. As a reminder, beginning this year, we're reporting financial information on a fiscal quarter basis using four 13-week quarters with the addition of a 53rd week when necessary. For 2026, our fiscal calendar began on December 29, 2025, and our second quarter contained 91 days, which is consistent with the prior year quarter. Consolidated comparable sales are reported on the same number of days year-over-year.

Let me start by discussing our second quarter financials in greater detail before introducing our third quarter outlook and updating our fiscal year 2026 guidance. Total consolidated GAAP revenues were \$200.5 million, decreasing 3.3% from \$207.4 million for the same quarter last year. Included in total revenues were our company-owned restaurant net revenues of \$197.3 million, which decreased 3.2% from \$203.9 million for the prior year quarter. The decrease was primarily attributable to the closed Grill concept restaurants, partially offset by an increase in comparable restaurant sales and sales from new restaurants opened since July 2025. Comparable restaurant sales increased 0.9%, which included positive transaction growth at all segments.

Management license franchise and incentive fee revenues decreased slightly to \$3.2 million from \$3.5 million in the prior year quarter. The decrease is primarily due to the exit of a management agreement in Scottsdale, Arizona during the second quarter of 2025. As previously noted, the managed location was replaced with the conversion of a former RA to a company-owned STK in the second half of 2025.

Now turning to expenses. We continue to implement targeted cost management initiatives. Last year, we made strategic adjustments to our beef tenderloin sourcing that is still favorably impacting our cost of sales. We drove better labor by improving scheduling management, and we are still realizing the synergies from the Benihana acquisition. Company-owned restaurant cost of sales as a percentage of company-owned restaurant net revenue improved 170 basis points to 19.5% from 21.2%. This improvement was primarily due to integration synergies, supply chain initiatives, menu optimization and increased menu pricing. This is not a 1-quarter story. Cost of sales has now improved for 6 consecutive years from 25.5% in 2021 to 19.5% today.

Company-owned restaurant operating expenses as a percentage of company-owned restaurant net revenue increased 50 basis points to 64% from 63.5%, reflecting incremental marketing investment to drive traffic during the World Cup and additional repair and maintenance spend to expand air conditioning capacities at Benihana during the summer heat waves. Importantly, on a combined basis, including cost of sales, total owned operating expenses improved 110 basis points to 83.6% from 84.7%, meaning the progress we made on cost of sales more than offset these deliberate near-term investments.

Restaurant operating profit was \$32.4 million or 16.4% of owned restaurant net revenue, improving by 110 basis points from 15.3% in the prior quarter. On a total reported basis, general and administrative costs increased \$2.3 million to \$14 million from \$11.7 million in the same quarter prior year, driven by inflation on salaries, higher bonus expense, planned investment in information technology, including AI-related technologies and increased travel expenses. We believe that fuel prices have directly impacted our travel costs.

When adjusting for stock-based compensation of \$1.1 million, adjusted general and administrative expenses were \$12.9 million compared to \$10.2 million in the second quarter of 2025. As a percentage of revenues, when adjusting for stock-based compensation, adjusted general and administrative costs were 6.4% compared to 4.9% in the prior year. Our updated full year general and administrative expense guidance of approximately \$50 million remains roughly \$21 million below where pre-acquisition run rate spending adjusted for inflation would otherwise be today. Depreciation and amortization expense was \$11 million compared to \$10.9 million in the prior year quarter. This slight increase is attributed to new restaurants opened during the previous 12 months. Lease termination and restaurant closure expenses were \$900,000, primarily related to the Grill concept optimization and the relocation of the downtown New York City STK restaurants.

Preopening expenses were \$2.9 million, primarily related to payroll, training and other costs for STK Downtown Phoenix, which opened in June; the delay of the STK Chelsea opening, which opened in July; and preopening rent for restaurants under development, including \$1.1 million in noncash rent. Preopening expenses increased by \$1.3 million compared to the prior year period.

Transition and integration expenses were \$200,000, down from \$3.9 million in the prior year quarter as we near completion of the integration of the Benihana and RA acquisition. Operating income was \$6.6 million compared to operating income of \$700,000 in the second quarter of 2025, an increase of \$5.9 million, primarily due to improved restaurant operating profit and the reduction in transition and integration costs. For a reconciliation, please refer to our press release issued earlier today.

Interest expense was \$9.6 million compared to \$10.3 million in the prior year quarter. Our weighted average interest rate was 10.1% compared to 10.8% in the prior year quarter. Benefit for income taxes was \$700,000 compared to \$700,000 expense in the prior year quarter. Net loss attributable to The ONE Group Hospitality, Inc. was \$2.1 million compared to a net loss of \$10.1 million in the second quarter of 2025. Net loss available to common stockholders was \$12 million compared to \$18.2 million in the second quarter of 2025.

Adjusted EBITDA attributable to The ONE Group Hospitality was \$21.1 million compared to \$23.4 million in the prior year quarter, a decrease of 9.7%, primarily due to increased investment in marketing during the quarter and the increase in general and administrative expenses, excluding stock-based compensation, as previously discussed. We finished the quarter with \$17.1 million in cash and short-term credit card receivables. We have \$28.7 million available under our revolving credit facility, subject to certain conditions. And as Manny said, our term loan does not currently require a financial covenants.

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 remind our investors that the actual number and timing of new restaurant openings for any given period is subject to factors outside the company's control, including macroeconomic conditions, weather and factors under the control of landlords, contractors, licensees, and regulatory and licensing authorities.

Based on the information available now and the expectations as of today, we're issuing the following financial targets for the third quarter of 2026. Please note that due to seasonality, the third quarter historically represents 10% to 15% of the full year contribution. Beginning with the top line, we project total GAAP revenue between \$176 million and \$180 million, which reflects our anticipation of consolidated comparable sales of 0% to 2%. Managed franchise and license fee revenues are expected to be approximately \$3 million, total company-owned operating expenses as a percentage of company-owned restaurant net revenue between 85% and 87%. Total general and administrative expenses, excluding stock-based compensation of approximately \$12.5 million; adjusted EBITDA between \$12 million and \$15 million; and finally, restaurant preopening expenses between \$1 million and \$2 million.

Based on our year-to-date results, the information available now and our expectations as of today, we're also updating the following financial targets for fiscal year 2026. We project total GAAP revenues between \$805 million and \$820 million, which reflects our anticipation of consolidated comparable sales of 1% to 2%. Managed franchise and license fee revenues are expected to be approximately \$14 million, total company-owned operating expenses as a percentage of company-owned restaurant net revenue of approximately 82%. Total general and administrative expenses, excluding stock-based compensation of approximately \$50 million. Adjusted EBITDA between \$95 million and \$105 million. Restaurant preopening expenses between \$6.5 million and \$7.5 million. Interest expense net of interest income between \$38 million and \$39 million. An effective income tax rate of approximately 10% to 20%. Total capital expenditures net of allowances received from landlords of approximately \$30 million. And finally, we plan to open 6 to 10 new venues.

I will now turn the call back to Manny.

Emanuel Hilario

President, CEO & Director

Thank you, Nicole. Before we take questions, I want to underscore our confidence in our business. Even against a mixed consumer backdrop, our results this quarter show that our strategy is working. We have expanded our market share to traffic growth at all segments. We generated substantially more cash than a year ago while investing less capital to do it, and we are very excited about the expansion of the Benihana Express brand. Backed by consistent execution, a stronger portfolio and growing franchise capabilities, we are well-positioned to build on this momentum into the second half of the year. We appreciate your ongoing support and look forward to updating you on our progress in coming quarters. As always, special thanks to our team members around the world who bring our mission to life each day, creating memorable guest experiences by running the best restaurants in every market and delivering outstanding service to every guest every time.

Nicole and I look forward to your questions. Operator?

Question-and-Answer Session

Operator

[Operator Instructions] The first question is from Joe Gomes from NOBLE Capital Markets.

Joseph Gomes*NOBLE Capital Markets, Inc., Research Division*

I was wondering if you could give us maybe a little more color on the impact of the New York City relocation on the quarter on the top line.

Emanuel Hilario*President, CEO & Director*

Yes. I mean I think the restaurant relo, we're expecting revenues to be somewhere between \$150,000 and \$200,000 a week, and we were expecting it to open right at the beginning of the quarter in Q2 and we ended up opening in July. I mean we were all -- there's a lot of reasons for that, but the primary reason is it was very difficult to get the inspections done in the city of New York, particularly during the Knicks' run for the championship. So we just seem to have a lot of challenges getting all the inspectors in and out of the restaurant to get the inspections done. But the restaurant was built by beginning of, call it, April, and we were ready to go, just kind of get all the clearances necessary to get into business. Now the costs because we had a full staff and the full team there, I mean, really the only cost that we offset would have been the direct operating costs like food costs and some of the operating supplies. But following since we lost the revenues, and we had a lot of the costs already loaded in.

Joseph Gomes*NOBLE Capital Markets, Inc., Research Division*

Okay. And maybe that kind of plays into my next question a little bit here. Even though owned operating expenses declined year-over-year to 83.6%, you guys have guided at the end of the first quarter call to 81% to 82%. And just wanted to provide a little more color on why they were above what you were guiding to.

Emanuel Hilario*President, CEO & Director*

Yes. I mean most of the expense differential was all marketing expenses. Obviously, going into the World Cup, we never anticipated the success that the World Cup was going to have as a TV event, particularly around prime time games. And so we had to, frankly, spend a lot more marketing dollars in the quarter than we had to expect. So I would say the majority, if not all the cost differential in the quarter was primarily due to marketing costs that we spent.

Joseph Gomes*NOBLE Capital Markets, Inc., Research Division*

Okay. And then maybe give us a little update here. You talked about in certain locations, the summer heat. We've just talked about the World Cup here. How is demand through July? Have you seen any changes given the economy out there? Are you having to continue that higher-than-expected marketing spend? Maybe just a little more color on what you've seen so far here in the early days of the third quarter.

Emanuel Hilario*President, CEO & Director*

Yes. I mean I want to reemphasize, we were positive traffic in every single one of our segments. So meaning STK, Benihana and the Grills were all positive. So every single one of our segments had positive traffic in the quarter. And then coming into the third quarter, I think the momentum has continued. I think that the World Cup not being on TV is actually a net plus for us right now. So I would say that we've actually seen a net positive on our trajectory because of the -- of what's going on with the World Cup. So I think the World Cup being over is actually beneficial to us.

Joseph Gomes*NOBLE Capital Markets, Inc., Research Division*

Okay. And then one last one here for me, and I'll get back in queue. You talked a lot on the Benihana Express. It sounds like that could be a real nice growth area for you. Maybe you could talk a little bit more about franchisee interest in that to date. We might see some more announcements here of some bigger franchisee agreements to open more than just 1 or 2 here and there.

Emanuel Hilario*President, CEO & Director*

Yes. I mean, so we acquired the restaurants back from the franchisee towards the end. Actually, I think it was the beginning of the second quarter. And so we've only really had our work with it for 3 months directly, if you will, maybe 3.5 months. So we've done a lot of work in terms of the branding and the design elements of it. So because we have to obviously have a prototype and a buildup for it. If you go to the website, www.benihanaexpress.com, you can see exactly what we're doing with the brand. So there's a lot of the branding elements that we've worked on already there.

And then you could also look at the development coming forward with it because we have 3 new sites that we're doing with the Benihana Express. So you can get a look -- you can get a feeling for the look and feel of what the restaurants will look like in the set of new openings, we have one restaurant that's already licensed location. So [indiscernible] is actually a licensed location. And we've had interest in the last couple of weeks for additional ones. So I think the pipeline is really coming through. Obviously, having a prototype now at hand and having designs for future locations make a big difference in terms of being able to market the concept to future and potential franchisees.

Economics are great. We know what the economics look like because we do have the Brickell location. So we know what food cost, labor looks like. So those are the 2 big items that franchisees are usually interested in. And then the thing that we're super excited about it is the size of the print is only 800 to 1,000 square feet. And what that means from an occupancy perspective when food cost and labor cost is so favorable, it should provide for some incredible returns for franchisees getting into the model. And again, the revenue model is already proven because we do have the one prototype already doing the greater than \$1 million AUV. So I think all the pieces are now together, and we'll continue working on our sales process to bring in more franchisees.

Operator

The next question is from Anthony Lebieczinski from Sidoti & Company.

Anthony Lebieczinski

Sidoti & Company, LLC

So just first of all, wondering if you guys saw any notable regional differences just in your operating area? Or was it more or less kind of consistent in terms of traffic and same-store sales?

Emanuel Hilario

President, CEO & Director

I mean I think just the geography -- thanks for that question. The geography for us in the quarter was more associated with temperature. There were a significant amount of markets in the second quarter that experienced high temperature. So there are a lot of -- I think the Midwest just comes to mind right now is having really hot weather. And maybe even in the Northeast, we think it had a couple of weeks where we had some extreme weather there. So I think the big driver of the geographical differences were more on the weather side.

And then obviously, as I mentioned earlier, the World Cup did make a difference depending what time the games were on TV. So if you're having games in the middle of prime time, like in California, there were a lot of games at 7:00 p.m. I think you could probably notice a little bit of a dip in the California markets. But other than that, I think it is basically weather and some of the TV scheduling on the games. I didn't really particularly see anything more directly to any kind of consumer trends. And then our Vegas restaurant continues to do very well. I think they did well in the second quarter, and the velocity continues to be very impressive, to be quite honest. So we're very happy with the performance of our Las Vegas STK restaurant.

Anthony Lebiedzinski

Sidoti & Company, LLC

Got you. And then so when we look at the EBITDA for the second quarter, you guys came in at roughly \$21 million. The guidance was \$24 million to \$26 million. So thinking about the delta, was that mostly the New York relocation gone later than planned? Or was there anything else that's meaningful to call out?

Emanuel Hilario

President, CEO & Director

Yes. I mean I think 40% is the New York location and 60% probably would be a majority of -- on the marketing side. So that's how I would break out the delta.

Anthony Lebiedzinski

Sidoti & Company, LLC

Got it. Okay. And lastly for me, as far as beef costs, have you guys done anything as far as locking in anything beyond September? Or how do we think about that?

Emanuel Hilario

President, CEO & Director

Yes. Just a little bit of additional color on your previous question. We also were at the lower end of our guidance on sales. So as you look at the EBITDA, you adjust for that. Your question was on beef. We're -- we've already locked in a significant amount of the beef through the rest of the year. So we don't see any negative impact or foresee that for the remainder of the year. Obviously, we already were pretty locked in through September, and we've already made arrangements for a significant amount of our restaurants from September until the end of the year. So I don't expect any negative impact on our margins because of beef. As a matter of fact, as Nicole mentioned, our COGS continue to be in the 19.5-ish range. So we're very happy with our cost performance, and we expect to continue doing that for the remainder of the year.

Operator

The next question is from Jim Sanderson from Northcoast Research.

James Sanderson

Northcoast Research Partners, LLC

I just wanted to go back to the issue of looking at the change in guidance. I think compared to last quarter, your revenue guidance is down by about \$35 million. Could you just level set that for us to make sure we understand the key drivers of each of that change?

Emanuel Hilario

President, CEO & Director

Yes. So on the revenue, the big driver is, as we've made the point on the press release and on our prepared statements is we're going asset-light. So we're opening -- the majority of our opening pipeline for the rest of this year is mostly, if you will, license and franchise sites as we laid them out on the guidance. And then some of the conversions that we have in place, we've deferred them until the end of the year. And frankly, right now, our preference is to even franchise some of those out. So we're putting a very active strategy right now to go as asset-light as we can on these locations. So the trade-off here is that we'll have less revenues and the efficiencies that will drive the royalties without having to spend the capital.

So right now, as we said in our prepared statements, we're going asset-light. And if you look at our guidance, we actually also brought down our CapEx from \$40 million down to \$30 million. So we're starting to really focus more on free cash flow and using that cash to work on our debt position, and then we will evaluate where it makes sense to do company-owned restaurants. So that's exactly why the revenue shifted is primarily because of that. And then we did bring our guidance on same-store sales to a lesser of a number that we had on the original guidance. So it's a combination of going asset-light and changing the same-store sales guidance for the overall year.

James Sanderson

Northcoast Research Partners, LLC

All right. And then you also mentioned that going forward, you had maybe 1 to 2 lease reviews per year from the Grill locations. Is that the right way to look at that, that the kind of the risk, so to speak, of closures is those lease renewals every year?

Emanuel Hilario

President, CEO & Director

Yes. We don't have any plans on any additional Grills on our portfolio right now. As a matter of fact, we've internally reviewed that, and I don't know if you've been following the movie theater business, but movies have been very robust in the last couple of weeks. And actually, the movie theater is much more effective than it's ever been. So a lot of our Grills are in markets that still have exposure to type of venues with movies. So we're very happy with the progress that we made on our portfolio, if you will, rationalization of the Grills.

James Sanderson

Northcoast Research Partners, LLC

All right. All right. And then last question for me. You mentioned the potential franchising of the Benihana Express, and you really described some incredible economics. So wondering how you've sized this opportunity, meaning how many Benihana Expresses do you think there could be in the United States? And how do you plan to market the concept to investors or developers?

Emanuel Hilario

President, CEO & Director

Yes. I mean that's a great question. I think that our positioning of the concept is that we can bring the great craveable food of the Benihana model, which we all -- we get a lot of great feedback from customers on particularly the fried rice and some of the items that we have on the menu. So it's a premium experience on a to-go basis. So our view is you can get Benihana on the go, and we can take it to very much smaller boxes, and we don't have -- we don't need as many employees or labor to run it. So it is a sizable opportunity. We just haven't put a full number to it, but we think that there's a lot of 800 to 1,000 square foot retail locations in the U.S. So we think it's a sizable opportunity for us.

And again, just to reiterate, we have one of them already doing over \$1 million in revenue. Actually, it's closer to like \$1.2 million in revenue. So we have a really robust top line in a small footprint. And as we pointed out, the COGS and the labor, the prime costs are super efficient, which allows us to charge our royalties and the franchisees still make a lot of money. So I suspect that there will be a lot of interest on the model. If you also go again to the website, we've already designed 2 or 3 of these smaller footprint locations, and we've worked with people on it. So I think that everything that we need from product to design to operational model, we've defined all that. Now it's just a matter of bringing in the right franchisees and selling those franchisees to people.

Again, it's also easy to train because you don't have to have the Teppanyaki chef. So it's a pretty much regular type of back-of-the-house operation. So we think the universe of people interested in that is going to be relatively large.

James Sanderson

Northcoast Research Partners, LLC

And could you remind me what the royalty rate is that you could generate on those stores?

Emanuel Hilario

President, CEO & Director

So Benihana franchises, we're getting 6% royalty and 2% on marketing contributions. And the license deals that we're doing on the Grills that we're talking to people about are economics that are equal to that. So those are the rates that we would expect to generate on future deals that we make on the Express.

James Sanderson

Northcoast Research Partners, LLC

All right. And just one last question. You mentioned some strength in Las Vegas, and I think you mentioned a little bit of momentum in July. Is it fair to say that gas prices didn't really have a material effect on consumer demand from your perspective despite concern earlier?

Emanuel Hilario

President, CEO & Director

I mean I think if you listen to our prepared statements, we're a lot more focused on our own initiatives. So again, I don't think we have the -- I guess, the intelligence to be able to say that gas did or did not have an impact. Obviously, we do know that the general consumer environment is challenging. We could see that out there from other operators. And we do see the trade downs, right? Because if you do look at our traffic performance relative to the sales performance, we know that consumers are very discreet about where they spend their money. So they're not exactly spending robustly.

So that's why the barbell approach works really well in this environment because we're able to give access to consumers to the brand with a lower price point and promotional price points. And then we still have the premium points, which is what we emphasize in all our seasonal menus. So we're able to use both the play on value as well as upsell people to much more premium products. But again, I just -- I think there is -- that's how we see the impact, at least in our business. We don't see it on the traffic, obviously, because the traffic has been pretty good -- actually very good.

Operator

There are no further questions at this time. I would like to turn the floor back over to Manny Hilario for closing comments.

Emanuel Hilario

President, CEO & Director

All right. Well, again, I think I'd like to thank everyone to being on this call. And as I always do, I'd like to thank our teammates again for a great job in driving great experiences and traffic in the restaurants. And I look forward to seeing everybody out in our restaurants. Everybody, have a good afternoon.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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