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The ONE Group Hospitality, Inc. (STKS) Q3 2025 Earnings Call Transcript

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Q3: 2025-11-06 Earnings Summary

Insights



EPS of -\$2.31 **misses by \$2.14** | Revenue of \$180.20M (-7.10% Y/Y) **misses by \$10.94M**

The ONE Group Hospitality, Inc. ([STKS](#)) Q3 2025 Earnings Call November 6, 2025 4:30 PM EST

Company Participants

Emanuel Hilario - President, CEO & Director

Nicole Thaung - Chief Financial Officer

Conference Call Participants

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

Anthony Lebedzinski - Sidoti & Company, LLC

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

James Sanderson - Northcoast Research Partners, LLC

Presentation

Emanuel Hilario

President, CEO & Director

[Audio Gap] New premium holiday menu focused on Wagyu and premium seafood, aligning with today's selective diners who are more intentional about what they choose to dine.

At Kona Grill, we are strategically expanding our menu to reduce reliance on categories facing current market pressures. The brand has historically been centered around seafood, sushi, and our distinctive bar experience, but we are seeing headwinds across those core areas.

Our menu diversification introduces broader culinary options that appeal to more frequent dining occasions and are less sensitive to economic fluctuations.

Our Friends with Benefits loyalty program continues to gain momentum with over 6.5 million members. During the quarter, we added over 200,000 new members.

Newly enrolled guests are showing the most repeat participation in the program. We are focused on growing a best-in-class program that fuels long-term business growth.

Our key objectives with the Friends with Benefits loyalty program are: one, maximize membership size by converting members from other TOG marketing programs; number two, drive organic sign-ups through increased awareness and engagement; and number three, increase member engagement within the program to strengthen brand connection and repeat visits.

We have also upgraded our brand websites, Benihana, STK, Kona Grill, and RA Sushi now feature fresh, mobile-optimized designs that are increasing both traffic and conversion rates.

These digital enhancements, combined with our loyalty platform, position us to compete effectively as national chains ramp up promotional activity.

Priority 2, capital-efficient growth. The newly redesigned Benihana location we opened in San Mateo, California, early this year has become the top-performing restaurant opening in the brand's 60-year history. This outstanding start validates the effectiveness of our redesigned restaurant format.

In this redesign, we made several meaningful changes to the Benihana footprint. We relocated the sushi station to the back of the house to create more Techniaki table capacity, expanded the bar seating area, modernized the interior with a brighter, more contemporary look, and created a dedicated takeout station that improves overall restaurant flow.

We are now implementing this learning system-wide, adding 2 to 3 Techniaki tables per restaurant to create meaningful capacity increases that directly boost revenue potential.

This success gives us confidence that future locations can achieve \$8 million in annual sales with a restaurant-level profit margin in the mid-20% range.

Franchise momentum continues to accelerate. We opened our second Benihana Express location in Miami in the second quarter, with more in development.

The Express format offers the full menu without Techniaki tables, generating strong franchise interest while enabling asset-light expansion. Over time, we expect franchise licenses and managed locations to represent over 60% of our total footprint.

We are also expanding Benihana into more nontraditional venues. We currently operate in 3 professional sports stadiums, generating 9 million fan impressions annually, with additional airport and arena opportunities under discussion.

Across our portfolio, we have opened 4 company-owned venues and 1 franchise location year-to-date, with additional fourth quarter openings planned, bringing our total 2025 openings to 5 to 7 new venues.

In the fourth quarter, we already opened an STK in Scottsdale, Arizona, and plan to open a company-owned STK in Oak, Illinois, and our Kona Grill San Antonio relocation.

Relocations remain a key strategy to unlock strong returns in existing markets. By prioritizing nearby high-quality real estate opportunities in areas that already embrace our brands, we can increase capacity, optimize traffic, and better position our brands for long-term success.

For example, our recently relocated Westwood STK has delivered margin improvement over the previous location. Remodels are also showing promise and success.

During the third quarter, we remodeled our dated Tampa Bay Kona Grill. With modest capital investment, it has delivered a significant turnaround in same-store sales performance.

Priority 3, portfolio optimization. We have taken decisive action to strengthen our portfolio quality through strategic location optimization. After conducting a thorough evaluation of our Grill concepts portfolio, we closed 6 underperforming locations in the second quarter and 1 additional location in the third quarter within challenging trade areas.

These were primarily older units, which would have required substantial capital investment. Looking ahead, we have identified up to 9 additional Grill locations to convert to either Benihana or STK formats through the end of 2026.

These conversions represent an excellent capital allocation opportunity. They require about \$1 million in capital investments, and the average STK generates over \$1 million in annual EBITDA.

Our first conversion of a RA Sushi location to an STK location has already happened in Scottsdale, Arizona, which opened at the end of October. After completing all planned conversions, we will operate all profitable locations that we expect to generate approximately \$10 million in restaurant-level EBITDA and over \$100 million in revenue, with all units maintaining positive cash flow.

Priority 4, balance sheet strength. With approximately \$45 million in liquidity, we have the means to invest in growth while maintaining discipline.

Our Board authorized a \$5 million share repurchase program last year, and we view our stock as an attractive investment. Additionally, we expect to further reduce discretionary capital expenditures in the coming year across all of our brands, allowing us to strengthen our balance sheet while enhancing financial flexibility.

Finally, I'm optimistic about our fourth quarter. This is historically our strongest period, and we are better positioned than ever to capitalize on that strength.

2024 marked our first holiday season with Benihana in the portfolio, and we set records across every holiday with exceptional demand. This year, we have made targeted investments to capture even greater holiday demand.

Our enhanced reservation technology, streamlined operational flow, and comprehensive team training initiatives position us to execute flawlessly during our busiest periods.

A key operational focus is optimizing Benihana table efficiency. We are targeting a reduction from 120 minutes to 90 minutes table turns throughout the fourth quarter, which will significantly expand our capacity to serve more guests during the busy dinner periods.

The items that I have outlined today are fundamentally execution-driven and within our direct control. We are not relying on macroeconomic recovery or waiting for consumer sentiment shifts.

Instead, we are focused on strategic initiatives that position us to deliver strong results regardless of broader economic trends. Before I turn it over to Nicole for the financial details, I want to thank our teammates.

Every day, they live our mission of creating great guest memories by operating the best restaurants in every market that we operate by delivering exceptional and unforgettable guest experiences to every guest every time.

They are at the foundation of everything we do. With that, I'll turn it over to Nicole.

Nicole Thaung

Chief Financial Officer

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 the 53rd week when necessary.

For 2025, our fiscal calendar began on January 1, 2025, and will end on December 28, 2025, and our third quarter contained 91 days. Let me start by discussing our third-quarter financials in greater detail before updating our outlook for 2025.

Total consolidated GAAP revenues were \$180.2 million, decreasing 7.1% from \$194 million for the same quarter last year. Included in total revenues were our company-owned restaurants' net revenue of \$177.4 million, which decreased 6.9% from \$190.6 million for the prior year quarter.

The decrease was primarily due to a 5.9% reduction in consolidated comparable sales and the closure of underperforming restaurants from the prior year period.

Management license, franchise, and incentive fee revenues decreased to \$2.8 million from \$3.4 million in the prior year. The decrease is attributed to lower management license and incentive fee revenue at our managed STK restaurants in North America and reduced franchisee revenues due to exiting 2 license agreements.

It is important to note that our sales at our managed STK in Las Vegas have notably improved quarter-to-date. Additionally, we exited our management deal with STK Scottsdale and converted a former RA Sushi to a company-owned STK.

Now turning to expenses. We continue to implement targeted cost management initiatives, including strategic adjustments to our protein sourcing to reduce costs and a temporary hiring freeze that will optimize our labor structure.

Company-owned restaurant's cost of sales as a percentage of the company-owned restaurant's net revenue increased slightly to 21.1% from 20.9%. This was primarily due to sales deleveraging, coupled with higher-than-anticipated inflation in certain commodity costs.

This was partially offset by additional integration synergies from our Benihana acquisition. Company-owned restaurant operating expenses as a percentage of company-owned restaurant net revenue increased 140 basis points to 67.6% from 66.2% in the prior year quarter.

This was primarily due to investments in marketing, general cost inflation, and fixed cost deleveraging driven by a decrease in same-store sales.

Restaurant operating profit decreased to \$20.1 million or 11.3% of owned restaurant net revenue compared to \$24.5 million or 12.8% in the prior year quarter.

On a total reported basis, general and administration costs increased \$0.5 million to \$13.3 million from \$12.8 million in the same quarter prior year, driven by increased marketing expenses.

When adjusting for stock-based compensation of \$1.2 million, adjusted general and administrative expenses were \$12 million compared to \$11.2 million in the third quarter of 2024.

As a percentage of revenues, when adjusting for stock-based compensation, adjusted general and administrative costs were 6.7% compared to 5.8% in the prior year.

Depreciation and amortization expenses were \$11.5 million compared to \$9.4 million in the prior year quarter. The increase was primarily related to depreciation and amortization of new venues and capital expenditures to maintain and enhance the guest experience in our restaurants.

During the quarter, we completed our regular assessment of the recoverability of the net book value of our fixed assets. A noncash loss on impairment may be necessary when the net book value exceeds the future expected cash flows of the restaurant, and can happen due to economic factors, end of lease, or restaurant performance.

As a result of this assessment, we identified 5 restaurants that required impairment charges that totaled \$3.4 million, mostly related to grills that we plan not to extend the leases on.

Preopening expenses were approximately \$700,000, primarily related to the preopening rent for restaurants under development and payroll costs associated with the preopening training team as we prepare restaurants scheduled to open in the fourth quarter of 2025.

Preopening expenses decreased \$1.4 million compared to the prior year period. Operating loss was \$7.9 million compared to an operating loss of \$3.6 million in the third quarter of 2024, mostly impacted by the \$3.4 million in noncash loss on impairment.

Interest expense was \$10.5 million compared to \$10.7 million in the prior year quarter. Provision for income taxes was \$59.1 million compared to a benefit of \$4.9 million in the prior year quarter.

The increase in income tax expense is primarily the result of the establishment of a full valuation allowance against our deferred tax assets during the third quarter.

This is a noncash income tax expense item that was recorded because of management's assessment of the future usability of our deferred tax assets and liabilities.

Net loss attributable to Wes Hospitality was \$76.7 million compared to a net loss of \$9.3 million in the third quarter of 2024. The 2025 loss was primarily driven by the noncash loss on impairment and the noncash recognition of the valuation allowance.

Net loss available to common shareholders was \$85.3 million or \$2.75 net loss per share, compared to \$16.4 million in the third quarter of 2024 or \$0.53 net loss per share.

The previously discussed noncash loss on impairment and establishment of the deferred tax asset valuation allowance represent \$2.02 of the third quarter 2025 net loss per share.

Adjusted EBITDA attributable to The ONE Group Hospitality, Inc. was \$10.6 million compared to \$14.9 million in the prior year, a decrease of 28.9%.

We finished the quarter with \$6 million in cash and cash equivalents and restricted cash. We have \$28.7 million available under our revolving credit facility.

And as of quarter end, we had \$5.5 million outstanding on our revolving credit facility. Under 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 remind our investors that the actual number and timing of new restaurant openings for any given period are subject to factors outside of 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 our expectations as of today, we are updating 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 \$820 million and \$825 million, which reflects our anticipation of consolidated comparable sales of negative 3% to negative 2%.

Managed franchise and license fee revenues are expected to be between \$14 million and \$15 million. Total company-owned operating expenses as a percentage of company-owned restaurant net revenue of approximately 83.5%.

Total G&A, excluding stock-based compensation of approximately \$46 million, adjusted EBITDA of between \$95 million and \$100 million, restaurant preopening expenses of between \$5 million and \$6 million; an effective income tax rate of between 1% and 4% when excluding the valuation allowance and the items subject to valuation allowance.

Total capital expenditures, net of allowances received from landlords, of between \$45 million and \$50 million. And finally, we plan to open 5 to 7 new venues. I will now turn the call back to Manny.

Emanuel Hilario

President, CEO & Director

Thank you, Nicole. Before we open it up for questions, I want to emphasize how excited we are about the future of our business.

Although the current environment is challenging, our future looks bright. With our strengthened portfolio and our expanded franchise capabilities, we are well-positioned to capture the significant opportunities ahead of us.

We thank you for your continued support and look forward to sharing our progress in the quarters ahead. Nicole and I look forward to your questions. Operator?

Question-and-Answer Session

Operator

[Operator Instructions]

We'll take our first question from Joe Gomes with NOBLE Capital.

Joseph Gomes

NOBLE Capital Markets, Inc., Research Division

So I want to start out the last couple of quarters, you talked about Benihana having 2 quarters in a row of same-store sales growth, in STK 3 quarters in a row of positive traffic.

And I might have missed it, but I didn't hear that discussion today. I was wondering if you could give us a little update on those.

Emanuel Hilario

President, CEO & Director

I mean, I think probably the best thing to do is talk about maybe our traffic overall as a company. I think if I look at the third quarter, 2025, I think that's been our best quarter in traffic, actually, for the whole year.

As a consolidated company, I think we were down 6.9% in traffic for the third quarter, whereas in the second quarter, we were down 7.5%. And in Q1, we're down 7.8%.

So the third quarter this year was by far our best or better traffic quarter. The big difference for us in the third quarter, though, is that until the end of the second quarter, beginning of the third quarter, we had about 7% effective pricing in there.

So that offset part of the traffic experience that we were having. And then, going into the middle of the third quarter around August, we began lapping some pricing from last year.

And we just saw a lot of noise in the middle of August in traffic. So we decided to just hold off on the pricing. And so our pricing in the third quarter was only plus 4% for the quarter.

So we effectively lost about 3 points of pricing in the third quarter. So I would say from my perspective or our perspective, we made significant or we're doing improvements on traffic, which is one of the reasons why going into the fourth quarter, and we put some pricing in effect right at the beginning of November, I think that we've basically put the pricing back on.

And with the sequential improvement in traffic, I think we feel pretty good about the sales position going into the fourth quarter.

Joseph Gomes

NOBLE Capital Markets, Inc., Research Division

And what do you think is driving the traffic improvement in the fourth quarter so far?

Emanuel Hilario

President, CEO & Director

On the third quarter, I'd say the sequential improvement in the third quarter, I think, is really a testament to the value of the proposition and the marketing that we've been doing.

We also, as I mentioned in my prepared statements, we do have some macro forces that haven't really supported sales. For instance, if you look at our across of our portfolio, our concentrations of restaurants are in California, Arizona, Florida, and Texas, and then we have the other, which is about 50% of our concentration of sales.

And if I just look in the third quarter alone, I think there was a lot of macro pressures, for instance, in our California sales sequential between the second and third quarter actually got negative by 7 points.

So there's some geographical pressures that came in that quarter since the third quarter. We've seen some of that loosen up a little bit, but certainly in September, we saw a lot more pressure in our traffic in California, which is, by the way, one of the reasons why we put the pause on our pricing actions, just because we saw the traffic in there.

So again, I think that the combination of the sequential improvement in traffic in the quarters, and now I feel as if California is getting slightly better.

And last but not least, as I mentioned also in my prepared statement, in the month of December, taking the turn times at Benihana from 120 minutes to 90 minutes creates a significant lift in availability and tables, and capacity to take more business.

Joseph Gomes

NOBLE Capital Markets, Inc., Research Division

And then one more for me, if I could sneak one in. Maybe just can you give us a little color on your efforts on the Benihana franchising side.

I know that's something that you're hoping to see a little faster growth. So just want to get an update there.

Emanuel Hilario

President, CEO & Director

Yes. So I mean, we did open one in the second quarter in Florida. And then our activities on the franchising side have also yielded. We now have a deal that's almost done for some Benihana Express-type operations in California.

We also have a potential franchise deal for the Bay Area that's also shaping up. So we've made significant improvements on the pipeline. So now our team is out there working with these potential individuals and closing these deals down.

We've also made some improvements to our pipeline for license sites for STK. So we do have both the franchising move forward on the pipeline for Benihana and also STK, as we've gotten some more leads and are actually getting very close to announcing some additional license deals for STK.

Operator

We'll take our next question from Anthony Lebieczinski with Sidoti.

Anthony Lebieczinski

Sidoti & Company, LLC

So Manny, I think also last quarter, you called out Las Vegas as being a market where you saw some, I think, softness. Can you comment on that? Did you see that as well? And have you seen any improvements fourth quarter to date?

Emanuel Hilario

President, CEO & Director

Yes. So I will caveat my response on Vegas on the fact that it's our experience. We only have, let's call it, 3 or 4 restaurants in that market, actually 4 in total.

But our experience right now with STK is that it's actually improving for STK. So we've seen an improvement in our business on that side. Again, as I mentioned earlier, part of that has to do with the shifting in the conference and convention schedule.

I think if you follow Vegas, you probably are aware that there was a shift in the convention calendar. So that's definitely benefiting us in the fourth quarter, having a more robust conference schedule.

I think the other restaurants, though, I would say that it's more of a little bit of a mixed bag. So I haven't seen the same improvement that I've seen on the STK business.

Anthony Lebieczinski

Sidoti & Company, LLC

And then you gave us some numbers on the loyalty program, which looks like it's doing well in terms of sign-ups. Can you give us maybe some details, as far as like what the average ticket or frequency or anything else, can you share about the loyalty members versus non-loyalty members? What do you see in terms of behavior from them?

Emanuel Hilario

President, CEO & Director

Yes, great question. So we have about 6.5 million people who are in the program. A lot of those members came through our conversion of memberships from other programs.

So we have Benihana on the programs. We had Kona Grill Rock. And that's the case. So we brought everybody into the same common program, if you will, into that loyalty program. And since then, we've done about 200,000 sign-ups of new members coming into the program. We're early.

So I'm going to give you what I've seen so far because of all the brands we have, Kona Grill is the one that has been on the loyalty program much longer than anyone else because we were already utilizing Konivor, which was the legacy program from Kona.

And for that particular brand, it's actually been helpful. So we've seen a frequency increase in the use of the program. So we feel the early returns are very promising because we have members in that program who've been around for longer.

And I think the new program and new activations that we're doing with it have driven a little bit more interest. But again, as I said earlier, it's early. I think we rolled it out only earlier this year.

I think that we will continue to pick up momentum with it going forward. But again, I think that as I look at the overall story for the quarter, I think that the third quarter being our best traffic quarter for the company, I think it bodes well for all the initiatives and the actions that we're taking with marketing and everywhere else.

Anthony Lebiedzinski

Sidoti & Company, LLC

And then I guess my last question before I pass it on to others. In terms of recent price increases, I know it's still early on, but any early read on the reaction to the price increases?

Have you seen any customer pushback to those higher prices? Or do you think that you'll be able to successfully pass those along?

Emanuel Hilario

President, CEO & Director

Yes. I mean, I think we start rolling out those price increases in late October in some places. And so we're really, really early on it. But, again, I think the way that we did our pricing increase this time is that we really tried to wait until we think the timing is a little better.

I think this has actually started our seasonally better months, weeks, whatever you want to call it, actually, for the next 36 weeks is really our high season period for us.

So I think putting the price right at the beginning of the high season is actually a good strategy for us. Have we seen any noise in terms of feedback? The answer is not. We follow it obviously through all our listening tools and social media, and everything.

So we have not seen anything above and beyond what we usually see on the pricing.

Operator

We'll take our next question from Mark Smith with Lake Street Capital Markets.

Mark Smith

Lake Street Capital Markets, LLC, Research Division

I wanted to dig in a little bit more into Benihana comps here in the quarter. They came down more than we've seen here recently.

Can you just talk about traffic and tickets at Benihana?

Emanuel Hilario

President, CEO & Director

Yes. I think for the quarter for Benihana, as I mentioned earlier, that we had pricing coming off.

Benihana was the one that had 5 points of pricing might have actually been a little higher than 5 points that we did not replace in the quarter. So if I look at their differential in same-store sales year-to-date to what we performed in the third quarter, I would attribute it mostly to the pricing, not taking the pricing action.

And again, I want to reiterate this, if I look at our same-store sales by geography, California was by far the most impacted of all markets in our portfolio, and the Benihana portfolio does have a bit of weight in the California market, some of our higher-volume restaurants.

So again, I think that I would say that the 2 items on the Benihana would be not replacing the 5 points in pricing that we came off and then the additional pressure in the California market.

Mark Smith

Lake Street Capital Markets, LLC, Research Division

And then just on the impairment that you took in the quarter, was all of that on Grill Concepts? Or was there anything on any of the other brands?

Emanuel Hilario

President, CEO & Director

Yes. I think the majority of the impact was on Kona Grill. And then we did have a very minor amount coming out of our STK in downtown New York just because that lease is up.

We're in the last year of that lease, and we're moving the restaurants, actually relocating the restaurant around the corner. So that will be a reload.

But right now, we just have some additional amounts in the books that we have to accelerate. And by the way, there were assets that we couldn't move over to the new location because a lot of the assets may move to the new location.

Mark Smith

Lake Street Capital Markets, LLC, Research Division

And then just talking about changing locations here. Can you just walk us through a little bit more on your, maybe the economics of the conversions? I think you said \$1 million maybe on spend, but just the economics there and then, maybe your outlook on these that you plan on converting, how many maybe to STK, how many to Benihana.

And I'm curious, sorry to throw a lot on you here. Do these come with a new lease signing? Or do you typically keep the lease terms that you currently have?

Emanuel Hilario

President, CEO & Director

Well, so a very good question. So the first one we did is Scottsdale. It was a RA Sushi restaurant. And in that one, we converted to an STK.

It took us, I think, from beginning to end, somewhere between 6 and 8 weeks, to do the full conversion. The cost of the conversion, I'm putting it at about \$1 million in a round number.

And it was a very effective refurbishing of the restaurant, and we kept the majority of all the infrastructure. So it was very cost-effective in that. And the question on the lease is that one, actually, we actually got an extension on the lease by choice.

So we got another 5-year option just because we like the real estate. When you go to that property, you'll notice that it's in an A plus, I'm going to call it A, I'm not going to give it A+, but let's call it A real estate with very good lease terms and a good presence there.

And we've already reopened it. I would say that we just opened the door. We didn't really do much marketing. We're actually starting the marketing push in the next couple of weeks.

And I've been so far been very happy with what it's happened there. Obviously, as you know, our model for STK, brand-new STK, is about \$8 million in volume with margins around 20%.

So I would expect that STK to be in that range of value. It's in a market that we've already been in. So we have pretty good experience there. So I feel pretty good about that one.

Now we have other, I think, up to 9 other sites that we're looking at converting and the cost should be around that same \$1 million type tag, if you will, price tag and the conversion cycle should be relatively fast, and we'll do the same thing in terms of taking advantage of existing infrastructure in electrical, HVAC, kitchen, plumbing, et cetera.

So we think those will be very effective. Again, what really drives that decision is the quality of the real estate. That's one of the things that we're really happy about, The ONE Group is we have great real estate, and that's one of the things that having multi-brands like we do gives us a lot of flexibility and gives us an opportunity to really leverage the strength in the real estate.

Mark Smith

Lake Street Capital Markets, LLC, Research Division

Would there be much of a difference in the cost or maybe return metrics on converting to Benihana versus STK?

Emanuel Hilario

President, CEO & Director

I mean, again, another great question. I think the difference between Benihana and STK conversion is actually the mechanical cost because with the tables in the dining room, we have to do more upgrading on the exhaust system, and sometimes electrical systems if we add electrical tables.

So it's a little bit more on the mechanical side. And it may take a little bit more time because we actually have a lot more engineering and architectural work into it. So it's a little bit different from a process. But our view on it is that the cost will still be around \$1 million in either one.

And so we don't foresee a lot of cost incrementality in there. Again, I mean, we have a lot of real estate in malls and other places that make a lot more sense for Benihana than STK.

So that's part of our decision on Benihana is that Benihana is a great concept for mall-type locations.

Operator

We'll take our next question from Jim Sanderson with Northcoast Research.

James Sanderson

Northcoast Research Partners, LLC

I wanted to go back to the issue of pricing. I think you mentioned you exited the third quarter with a global price of about 4 percentage points and that you took a price in November. What should we expect as far as the impact of menu price on fourth-quarter same-store sales?

Emanuel Hilario

President, CEO & Director

So I think the bigger part of that increase was Benihana around slightly above 5 points on pricing. So that will weigh in heavily. And then STK and the other brands, we had about 2 to 3 points on pricing.

So the other ones are very modest. I would call that just cleanup pricing. So I would say, overall, somewhere around 4.5% to 5.5% on a weighted basis would be the impact of the new pricing layer.

James Sanderson

Northcoast Research Partners, LLC

And that probably will last for the next 36 weeks, give or take. Is that the right way to look at that?

Emanuel Hilario

President, CEO & Director

That's right.

James Sanderson

Northcoast Research Partners, LLC

Could you talk a little bit more about bookings? I think you mentioned in the press release that you were optimistic given the level of holiday bookings.

Maybe you can tell us any comparison with respect to last year at this time?

Emanuel Hilario*President, CEO & Director*

Yes. I mean, we actually just reviewed the books this morning. Nicole and I did a review of our bookings to progress right now.

Frankly, since COVID, if I look at the month of November, looking into December has been one of the months where I've actually seen a significant amount of progress on the number of bookings that we've seen in events.

Obviously, that also reflects a little bit of the fact that we have a very experienced. We have a very good sales team. So that team has become very good at working in the current environment of sales.

And again, the convention business and a lot of the stuff that used to happen in the third quarter last year also got moved into the fourth quarter this year. So definitely, that helps bring up the books into the fourth quarter.

James Sanderson*Northcoast Research Partners, LLC*

And can you remind us what share of the fourth quarter is related to holiday bookings or special events, that type of thing?

Emanuel Hilario*President, CEO & Director*

I would say about 15% of our business comes from the group event business in the fourth quarter.

James Sanderson*Northcoast Research Partners, LLC*

Also wanted to shift gears on Benihana. You mentioned a lot of changes taking place in the design of the store that you're going to be implementing.

Can you give us a sense of when that change will be implemented across all Benihana stores? And any feedback on helping us understand how to quantify the increased capacity, how that potentially could benefit AUVs?

Emanuel Hilario*President, CEO & Director*

So our planning for that is we typically say that our CapEx is about 1.5% to 2.5% of sales on existing stores.

So we're not putting together a special allocation of capital for that. We will do that revamp within our typical allocated basket, if you will, of CapEx. And so it will take a little bit of time to do that. But our changes will be more around our priority, one is getting rid of the smoke in the dining room.

So we do have some things that can help with that. So we're working on that right now for a lot of our restaurants. HVAC. I think I've mentioned HVAC in previous calls. And then the third priority is adding tables because on Fridays and Saturdays, we can really use more tables in the restaurants.

So we'll be upping those tables as we go. And then I'd say the next level of priority, things like the artwork, is pretty compelling. The new artwork that we put in the San Mateo location, which we've defined for the brand, is actually very cool. So we really want to start working on that.

And then over time, it's just the key with Benihana is to continue a very strong maintenance program, which we do have in place. We have a very high-quality facilities team that keeps these things maintained.

But as time goes on, with our typical basket of capital, we'll try to take care of that. As you probably picked up on my prepared statements and on the press release, we're also tightening down and keeping down the amount of CapEx that we're using because we want to work on the balance sheet.

So it's all about balancing all those things, and that's where we'll fund the capital B from our regular CapEx basket.

James Sanderson

Northcoast Research Partners, LLC

A bit of a follow-up question, just to make sure I understood the lower CapEx in 2026 that you mentioned. So, how should we put that into perspective based on the plan you have in place this year? How is that CapEx number going to change.

Emanuel Hilario

President, CEO & Director

Yes, very good question. So we're focusing our capital on the conversions, which are about \$1 million per restaurant. And then on new brand restaurants of the world, we're only focusing on restaurants that we can do for \$1.5 million or less on the whole cost of the restaurant.

So we're really working our low-cost real estate inventory. And also the other thing, too, is we're not doing any new leases right now because we have a pipeline of about 12 leases. So we stopped doing leasing, and we're going to work through the existing pipeline of leases.

James Sanderson

Northcoast Research Partners, LLC

And last question for me. I just wanted to better understand the Benihana Express. I think you mentioned that it could eventually become a sizable portion of your portfolio. Can you describe any changes to what the AUVs are store margins and how that's different from, let's say, a larger Benihana?

Emanuel Hilario

President, CEO & Director

Yes. I mean, the box will be much smaller. So we're trying to keep the restaurant -- let's just hypothetically right now, keep it around 1,000 square feet.

So the economics are different from a top-line perspective just because of size. And then there will be no tips on tables in the property. All the food will be ordered and picked up, and taken away. And then we'll have some tables in the property and chairs, but there will be very limited seating. And so it will be a much smaller compact box. And so expect revenues.

Right now, Nicole and I talked about somewhere around \$1 million to \$1.5 million, but a very, very low cost of build-out because there's nothing really to put in there. So we'll probably build that for around \$500,000 to \$600,000 in cost. So it will be a very effective box. Think of it most as a fast casual grab-and-go, take your food back home, or you may choose to eat there, but it will be a more casual environment.

James Sanderson

Northcoast Research Partners, LLC

Just to follow up on that. How do we look at the cash return or the cash-on-cash return to franchisees with be reviewing?

Emanuel Hilario*President, CEO & Director*

Yes. I mean, we think that because of the lower cost of goods and the fact that we'll be able to be effective labor in that box, it will be a very high ROI.

I think the store level margins, even after royalties, can be in the 15% to 20% range. So it will be a very good return vehicle for potential franchisees.

The ones that we're talking to are super excited about it, and we look forward to testing that model out.

Operator

We have reached our allotted time for questions. I will now turn the call back over to Manny Hilario. Please go ahead.

Emanuel Hilario*President, CEO & Director*

All right. Thank you very much, Brittany. As I always close my call here. I want to thank the team once again. I'm very impressed and very pleased as to how the team put above and beyond effort and really showed progress in the third quarter, as our traffic numbers show.

So I appreciate that. And we look forward to a great fourth quarter in terms of traffic and sales. And as always, I appreciate your support of The ONE Group, and I look forward to seeing you out in one of our restaurants. Everybody, have a great day.

Operator

Thank you. This brings us to the end of today's meeting. We appreciate your time and participation. You may now disconnect.

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