

REFINITIV

# DELTA REPORT

## 10-Q

GEN RESTAURANT GROUP, INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1358
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 CHANGES	313
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 DELETIONS	600
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 ADDITIONS	445
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 10-Q**

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(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **September 30, March 31, 2023 2024**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-41727

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**GEN Restaurant Group, Inc.**

(Exact Name of Registrant as Specified in its Charter)

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**Delaware**

( State or other jurisdiction of  
incorporation or organization)

**11480 South Street Suite 205**

**Cerritos, CA**

(Address of principal executive offices)

**87-3424935**

(I.R.S. Employer  
Identification No.)

**90703**

(Zip Code)

**Registrant's telephone number, including area code: (562) 356-9929**

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading	Name of each exchange on which registered
	Symbol(s)	
Class A Common stock, par value \$0.001 per share	GENK	The Nasdaq Stock Market LLC (The Nasdaq Global Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

☐

Non-accelerated filer

☒

Emerging growth company

☒

Accelerated filer

☐

Smaller reporting company

☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 14, 2023, April 24, 2024 the registrant had 4,140,000 4,511,958 shares of Class A common stock, \$0.001 par value per share, outstanding and 28,141,566 27,886,912 shares of Class B common stock, \$0.001 par value per share, outstanding.

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## PART I—FINANCIAL INFORMATION

### Item 1. Financial Statements.

#### GEN RESTAURANT GROUP, INC. Condensed Consolidated Balance Sheets



(in thousands, except share and per share information)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(unaudited)		(unaudited)	
<b>Current assets:</b>				
Cash and cash equivalents	\$ 32,149	\$ 11,195	\$ 28,122	\$ 32,631
Inventories	575	2,542	474	461
Prepaid expenses and other current assets	3,114	994	3,854	3,726
<b>Total current assets</b>	<b>35,838</b>	<b>14,731</b>	<b>32,450</b>	<b>36,818</b>
Equity method investment	558	618	—	523
Property and equipment, net	27,808	21,283	37,138	33,907
Goodwill			9,498	—
Operating lease assets	98,479	90,713	121,369	99,255
Notes receivable from related party, net of current portion	—	10,850		
Deferred tax asset	12,253	—	13,196	12,618
Other assets	692	683	860	749
<b>Total assets</b>	<b>175,62</b>	<b>138,87</b>	<b>\$ 214,511</b>	<b>\$ 183,870</b>
<b>Liabilities and equity (deficit)</b>				
<b>Liabilities and equity</b>				
Current liabilities				
Accounts payable	5,254	7,474	12,597	10,704
Accrued salaries and benefits	1,048	1,976	1,525	2,660
Accrued interest	230	175	57	42
Notes payable, current	42	624	3,252	165
Line of credit	—	6,894		
Notes payable to related parties, current	1,062	3,021	1,197	1,197
Obligations under finance leases, current	40	134	88	124
Operating lease liabilities, current	4,376	4,096	4,113	4,535
Deferred Restaurant Revitalization Fund grant	3,806	3,806	3,806	3,806
Advances from members	2,704	4,442	1,841	2,704
Other current liabilities	6,102	4,624	5,615	5,366
Income tax payable	225	—		



<b>Total current liabilities</b>	24,889	37,266	34,091	31,303
Notes payable, net of current portion	4,709	5,316	4,422	4,547
Notes payable to related parties, net of current portion	—	500		
Tax receivable agreement liability			584	—
Obligations under finance leases, net of current portion	130	185	—	1
Operating lease liabilities, net of current portion	109,38	100,87		
	9	2	133,552	110,501
<b>Total liabilities</b>	139,11	144,13		
	7	9	172,649	146,352
Commitments and contingencies (Note 11)				
<b>Mezzanine equity</b>				
EB-5 Members' equity	1,500	1,500	1,500	1,500
<b>Permanent equity (deficit)</b>				
Members' equity (deficit)		(10,01		
	—	1)		
Noncontrolling interest	—	3,250		
Class A common stock, \$0.001 par value, 75,000,000 shares authorized, 4,140,000 shares issued and outstanding as of September 30, 2023	4	—		
Class B common stock, \$0.001 par value, 50,000,000 shares authorized; 28,141,566 shares issued and outstanding as of September 30, 2023	28	—		
<b>Permanent equity</b>				
Class A common stock, \$0.001 par value, 75,000,000 shares authorized, 4,511,958 shares issued and outstanding as of March 31, 2024 and 4,140,000 shares issued and outstanding as of December 31, 2023, respectively			4	4
Class B common stock, \$0.001 par value, 50,000,000 shares authorized; 27,886,912 shares issued and outstanding as of March 31, 2024 and 28,141,566 shares issued and outstanding as of December 31, 2023, respectively			28	28



Additional paid-in capital	5,909	—	8,016	7,112
Retained Earnings	348	—	818	322
Non-controlling interest	28,722	—	31,496	28,552
<b>Total permanent equity (deficit)</b>	<b>35,011</b>	<b>(6,761)</b>		
<b>Total liabilities and stockholders' equity (deficit)</b>	<b>175,62</b>	<b>138,87</b>		
	<b>\$ 8</b>	<b>\$ 8</b>		
<b>Total permanent equity</b>			<b>40,362</b>	<b>36,018</b>
<b>Total liabilities and stockholders' equity</b>			<b>\$ 214,511</b>	<b>\$ 183,870</b>

See accompanying notes to condensed consolidated financial statements.

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**GEN RESTAURANT GROUP, INC**  
**Condensed Consolidated Income Statements**

(in thousands, except per share amounts)	Three months ended		Nine months ended		Three months ended March 31,	
	September 30,		September 30,			
	2023	2022	2023	2022	2024	2023
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	45,564	42,419	135,899	122,880	50,760	43,862
Restaurant operating expenses:						
Food cost	14,523	13,954	43,614	40,968	16,968	14,305
Payroll and benefits	14,444	12,649	42,419	36,128	16,152	13,652
Occupancy expenses	3,772	3,168	10,876	9,051	4,293	3,432



Operating expenses	4,582	4,159	13,007	11,178	5,098	4,126
Depreciation and amortization	1,232	1,095	3,476	3,234	1,537	1,113
Pre-opening costs	723	437	23	975	1,901	519
Total restaurant operating expenses	39,276	35,462	115,515	101,534	45,949	37,147
General and administrative	3,802	2,191	7,815	5,720	4,674	2,055
Consulting fees - related party	—	1,320	2,325	4,897	—	880
Management fees	—	588	1,176	1,745	—	588
Depreciation and amortization - corporate	21	9	58	24	29	18
Total costs and expenses	43,099	39,570	126,889	113,920	50,652	40,688
Income from operations	2,465	2,849	9,010	8,960	108	3,174
Gain on extinguishment of PPP debt	—	—	—	387		
Employee retention credits	—	64	2,483	2,583	—	1,165
Other income (loss)	—	(6)	(7)	(854)		
Interest expense, net	190	(3)	(206)	(440)		
Equity in income of equity method investee	53	70	520	921		
Gain on remeasurement of previously held interest (see Note 3)					3,402	—
Interest income (expense), net					276	(189)
Equity in income (loss) of equity method investee					(17)	381



Net income before income taxes	2,708	2,774	11,800	11,557	3,769	4,531
Provision for income taxes	(74)	—	(171)	—	(71)	—
Net income	2,634	2,774	11,629	11,557	3,698	4,531
Less: Net income attributable to noncontrolling interest	2,297	2,387	3,198	1,067	3,202	397
Net income attributable to Gen Restaurant Group, Inc.	337	7	31	90		
Net income attributable to GEN Restaurant Group, Inc.					496	4,134
Net income attributable to Class A common stock per share - basic and diluted <sup>(1)</sup>	\$ 337	—	\$ 348	—	\$ 496	—
Weighted-average shares of Class A common stock outstanding - basic <sup>(1)</sup>	4,140	—	4,140	—	4,324	—
Weighted-average shares of Class A common stock outstanding - diluted <sup>(2)</sup>	4,140	—	4,140	—	4,324	—
Net income per share of Class A common stock - basic	0.08	—	0.08	—	\$ 0.11	—
Net income per share of Class A common stock - diluted	0.08	—	0.08	—	\$ 0.11	—

(1) Basic and diluted net loss per Class A common stock is presented only for the period after the Company's organizational transactions.

See Note 1 for a description of the organizational transactions. See Note 15 for calculation of net income per share.



(1) (2) Basic and diluted net income per share of Class A common stock is presented only for the period after the Company's organization transactions.

See Note 1 for a description of the organizational transactions. See Note 15 for calculation of net income per share.

See accompanying notes to condensed consolidated financial statements.

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**GEN RESTAURANT GROUP, INC.**  
**Condensed Consolidated Statements of Changes in Permanent Equity (Deficit)**  
**(unaudited)**

Three and Nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023

(in thousands)	Members' Equity (Deficit)	Non-Controlling Interest	Total
Balance, December 31, 2021	\$ 8,894	\$ 1,799	\$ 10,693
Distributions	(17,334)	—	(17,334)
Net Income	2,989	373	3,362
Balance, March 31, 2022	\$ (5,451)	\$ 2,172	\$ (3,279)
Distributions	(5,481)	\$ -	\$ (5,481)
Net Income	5,112	307	\$ 5,419
Balance, June 30, 2022	(5,820)	2,479	(3,342)
Distributions	(4,833)	—	(4,833)
Net Income	2,387	387	2,774
Balance, September 30, 2022	(8,266)	2,866	(5,401)

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(in thousands)	Members' Equity (Deficit)	Non-Controlling Interest	Total



Balance, December 31, 2022	\$ (10,011)	\$ 3,250	\$ (6,761)
Distributions	(3,059)	-	(3,059)
Net Income	4,134	397	4,531
Balance, March 31, 2023	<u>\$ (8,936)</u>	<u>\$ 3,647</u>	<u>\$ (5,289)</u>

	Redeemable Class B Common	Members' equity (deficit)	Class A Common Stock Shares	Class A Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional paid-in capital	Retained earnings	Non-controlling interest	Stockholders' Equity/ Members' equity (deficit)
(in thousands)	Units									
Balance, December 31, 2022		(10,011)								
	\$ -	\$ 11 )		\$ -		\$ -	\$ -		\$ 3,250	\$ (6,761 )
Redemption of Class A and B common units										-
Net income		4,134							397	4,531
		(3,059)								
Member distributions		9 )								(3,059 )
Balance, March 31, 2023		(8,936)								
	\$ -	\$ 6 )	-	\$ -	-	\$ -	\$ -	\$ -	\$ 3,647	(5,289 )
<b>Activity prior to the initial public offering and related organizational transactions:</b>										
Net income prior to the organizational transactions		3,950							430	4,380
Conversion of related party loans to equity		871								871
		(23,410)								(23,410 )
Member distributions		10 )								0 )
<b>Effects of initial public offering and related organization transactions:</b>										
	(23,447)	27,500							(4,070)	
Effects of the organizational transactions	7 )	25							7 )	23,448



Issuance of Class A common stock in the		3,600,	3		40,13		40,141			
IPO, net of underwriting discount		000			8					
Issuance of Class A common stock to										
underwriters upon exercise of		540,00								
overallotment option		0	1		6,025		6,026			
Issuance of Class B common stock in the				28,141						
IPO, net of underwriting discount				,566	28	(28 )	-			
Conversion of Class B common units into	23,44					(23,4	(23,44			
Class B Shares	7					47 )	7 )			
						(3,26				
Capitalization of initial public offering costs						5 )	(3,265 )			
Establishment of liabilities under tax										
receivable agreement and related changes										
to deferred tax assets associated with						10,53				
increase in tax basis						0	10,530			
<b>Activity subsequent to the initial public offering and related organizational transactions:</b>										
Net income						11	74	85		
						(26,3	26,35			
NCI adjustment						51 )	1	-		
Balance, June 30, 2023		4,140,		28,141			26,42			
	\$ -	\$ -	000	\$ 4	,566	\$ 28	\$ 3,602	\$ 11	\$ 5	\$ 30,070
Net income							\$ 337	\$ 2,297	2,634	
Stock-based compensation							759		759	
Establishment of liabilities under tax										
receivable agreement and related										
changes to deferred tax assets										
associated with increase in tax basis							1,548		1,548	
Distributions paid to non-controlling										
interest holders				-		-	-	-	-	
Balance, September 30, 2023		4,140,		28,141			28,72			
	\$ -	\$ -	000	\$ 4	,566	\$ 28	\$ 5,909	\$ 348	\$ 2	\$ 35,011



	Redeem	Class A		Class B		Addition	Retained	Non-	Stockhol
	able	Common Stock		Common Stock		al		Controlli	ders'
	Class B					paid-in		ng	Equity/
	Commo								Members'
	n								equity
(in thousands)	Units	Shares	Amount	Shares	Amount	capital	Earnings	Interest	(deficit)
Balance, December 31, 2023		4,140,0		28,141,					
	\$ -	00	\$ 4	566	\$ 28	\$ 7,112	\$ 322	\$ 28,552	\$ 36,018
Net income							496	3,202	3,698
Stock-based compensation						759			759
Adjustment to tax liabilities and assets under TRA						(113)			(113)
Shares issued upon RSU vesting		117,304							
Exchange of noncontrolling interest for Class A				(254,65					
common stock		254,654		4 )		258		(258 )	-
Balance, March 31, 2024		4,511,9		27,886,					
	\$ -	58	\$ 4	912	\$ 28	\$ 8,016	\$ 818	\$ 31,496	\$ 40,362

See accompanying notes to condensed consolidated financial statements.

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**GEN RESTAURANT GROUP, INC.**  
**Condensed Consolidated Statements of Cash Flows**

(in thousands)	Nine months ended		For the three months ended March 31,	
	September 30,			
	2023	2022	2024	2023
	(unaudited)		(unaudited)	
<b>Cash flows from operating activities</b>				
Net Income	\$ 11,629	\$ 11,557	\$ 3,698	\$ 4,531



Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization	3,534	3,258	1,566	1,131
Equity in income of equity method investee, net of distributions	60	(484)	17	(31)
Gain on remeasurement of previously held interest			(3,402)	—
Acquisition related costs			(370)	—
Stock-based compensation	759	—	759	—
Gain on extinguishment of debt, PPP	—	(387)		
Amortization of operating lease assets	3,506	2,555	1,304	1,140
Interest income earned on Notes receivable from related party	(133)	(142)	(17)	(47)
Changes in operating assets and liabilities:				
Inventories	1,967	(3,005)	(13)	1,198
Prepaid expenses and other current assets	(1,986)	(1,030)	(109)	(146)
Other assets	(9)	(19)	(136)	(3)
Accounts payable	(2,817)	1,680	1,985	(3,020)
Accrued salaries and benefits	(929)	(664)	(1,135)	(1,143)
Accrued interest	56	(85)	15	24
Other current liabilities	275	2,365	249	117
Operating lease liabilities	(2,475)	(1,820)	(790)	(961)
Income tax payable	49	—		
Deferred tax asset			(107)	—
Net cash provided by operating activities	13,486	13,779	3,514	2,790
<b>Cash flows from investing activities</b>				
Proceeds from recovery of Notes receivable from related party	12,950	13,467		
Advances made to related party	(2,100)	—	—	(2,100)
Purchase of property and equipment	(9,462)	(5,777)	(4,100)	(2,808)
Net cash provided by investing activities	1,388	7,690		
Acquisition of GKBH, net of cash acquired			(2,976)	—
Net cash (used in) investing activities			(7,076)	(4,908)
<b>Cash flows from financing activities</b>				



Proceeds from issuance of Class A common stock sold in IPO, net of underwriting	46,167	—		
Payments to members for advances	(2,000)	—	(864)	—
Advance from members	262	2,866	—	2,989
Payments for deferred offering costs	(2,061)	(1,896)	(7)	—
Proceeds from PPP and EIDL loans	—	2,700		
Payments on PPP and EIDL loans	(65)	(192)	(22)	(22)
Payments on finance leases	(149)	(162)	(37)	(51)
Payments on third party loans	(2,424)	(379)	(17)	(156)
Payments on related party loans	(2,088)	(7,962)	—	(650)
Payment on line of credit	(7,993)	—	—	(153)
Proceeds from line of credit	1,100	7,893		
Proceeds from third party loans	1,300	—	—	1,300
Proceeds from related party loans	500	2,425	—	500
Member distributions	(26,469)	(27,648)	—	(3,059)
Net cash provided by (used in) financing activities	6,080	(22,355)		
Net cash (used in) provided by financing activities			(947)	698
<b>Net increase in cash and cash equivalents</b>	20,954	(886)	(4,509)	(1,420)
Cash and cash equivalents at beginning of year	11,195	9,890	32,631	11,195
Cash and cash equivalents at end of quarter	\$ 32,149	\$ 9,004		
Cash and cash equivalents at end of the year			\$ 28,122	\$ 9,775
<b>Supplemental disclosures of other cash flow information:</b>				
Cash paid for interest	\$ 284	\$ 380	\$ 70	\$ 76
Cash paid for taxes	95	—	—	—
<b>Non-cash investing and financing activities:</b>				
Unpaid purchases of property and equipment	737	371	837	381
Receivable for member contributions	—	60	—	60
Unpaid deferred offering cost	1,374	626	118	137
Leased assets obtained in exchange for new operating lease liabilities	11,430	103,827	23,421	—
Conversion of related party loans to member's equity	871	-		
Issuance of promissory note for business acquisition			3,000	—



Decrease in non-controlling interest as a result of exchanges for Class A common stock	—	—
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See accompanying notes to condensed consolidated financial statements.

GEN RESTAURANT GROUP, INC.  
Notes to Condensed Consolidated Financial Statements (Unaudited)  
September 30, March 31, 2024 and 2023 and 2022

(1) Organization and Description of Business

The accompanying consolidated financial statements represent the consolidated balance sheets, income statements, changes in permanent equity (deficit), and cash flows of GEN Restaurant Group, Inc and its consolidated subsidiaries, including the Operating Company (the “Company”). The Company operates restaurants which are located in California, Arizona, Hawaii, Nevada, New York, Washington, Florida, and Texas, specializing in a variety of special flavored meats for Korean barbeque.

The following tables lists the Company’s entities in operation as of September 30, 2023 March 31, 2024:

Name	Operating Name	State	Purpose
GEN Restaurant Group, LLC	GEN Tustin	CA	Restaurant
	GEN Huntington Beach	CA	Restaurant
	GEN Oxnard	CA	Restaurant
JC Group International Inc. (S Corp)	GEN Henderson	NV	Restaurant
	GEN West Covina	CA	Restaurant
	GEN Corona	CA	Restaurant
GEN Restaurant Investment, LLC	GEN Glendale	CA	Restaurant
GEN California, LLC	GEN Fullerton	CA	Restaurant
	GEN Mira Mesa	CA	Restaurant
GEN Arizona, LLC	GEN Tempe	AZ	Restaurant
GEN Chandler, LLC	GEN Chandler	AZ	Restaurant



GEN Nevada, LLC	GEN Sahara	NV	Restaurant
	GEN Miracle Mile	NV	Restaurant
GEN Alhambra, LLC	GEN Alhambra	CA	Restaurant
GEN Arlington, LP	GEN Arlington	TX	Restaurant
GEN Cerritos, LLC	GEN Cerritos	CA	Restaurant
GEN Cerritos II, LP	Gen Cerritos II	CA	Restaurant
GEN Torrance, LLC	GEN Torrance	CA	Restaurant
GEN Rancho Cucamonga, LP	GEN Rancho Cucamonga	CA	Restaurant
GEN San Jose, LP	GEN San Jose	CA	Restaurant
GEN Northridge, LP	GEN Northridge	CA	Restaurant
GEN Chino Hills, LP	GEN Chino Hills	CA	Restaurant
GEN Carrollton, LP	GEN Carrollton	TX	Restaurant
GEN Fort Lauderdale, LP	GEN Fort Lauderdale	FL	Restaurant
GEN Fremont, LP	GEN Fremont	CA	Restaurant
GEN Concord, LP	GEN Concord	CA	Restaurant
GEN Webster, LP	GEN Webster	TX	Restaurant
GEN Westgate, LP	GEN Westgate	CA	Restaurant
GEN Westheimer, LLC	GEN Westheimer	TX	Restaurant
GEN Manhattan NYU, LP	GEN Manhattan	NY	Restaurant
GEN Mountain View, LP	GEN Mountain View	CA	Restaurant
GKBH Restaurant, LLC	GEN Korean BBQ	HI	Restaurant
GEN Hawaii, LLC	Investment Company	HI	Management of GKBH
GEN Online, LLC	GEN Online	CA	Website sales
GEN Sacramento, LP	GEN Sacramento	CA	Restaurant
GEN Pearlridge, LLC	GEN Pearlridge	HI	Restaurant
GEN Kapolei, LP	GEN Kapolei	HI	Restaurant
GEN Frisco, LP	GEN Frisco	TX	Restaurant
GEN Houston, LLC	GEN Houston	TX	Restaurant
GEN Seattle, LP	GEN Seattle	WA	Restaurant
GEN Dallas, LP	GEN Dallas	TX	Restaurant
			Management of GEN Houston
GEN Texas, LLC	Investment Company	TX	and GEN Webster
GEN Master, LLC	Holding Company	NV	Management
GEN Restaurant Management, LLC	GRM	DE	Management



As of September 30, 2023, the above entities are collectively owned 100% by the controlling group, except for GEN Hawaii. Prior to the IPO, an outside investor owned 49% of GEN Houston and GEN Webster, but as of June 30, 2023, they are 100% owned by the Company. The Company has an equity method investment in GEN Hawaii, with a 50% ownership share. On September 30, 2023 and December 31, 2022, there were 34 and 31 restaurants in operation, respectively. During the third quarter of 2023, the Company signed two leases for restaurants in Orlando, FL for a period of 10 years and a lease for another restaurant in Manhattan, 16Y (Sixth Street) for a period of twenty years. 5

## GEN RESTAURANT GROUP, INC.

### Notes to Condensed Consolidated Financial Statements (Unaudited)

September 30, March 31, 2024 and 2023 and 2022

As of March 31, 2024, the above entities are collectively owned 100% by the controlling group. The Company had an equity method investment through GEN Hawaii, with a 50% ownership share of GKBH Restaurant, LLC ("GKBH"). On February 18, 2024, the Company purchased the other 50% of GKBH for a total purchase price of \$6.0 million and the Company now controls 100% of GKBH. As of March 31, 2024 and December 31, 2023, there were 39 and 37 restaurants in operation, respectively. During the first quarter of 2024, the Company signed three leases for restaurants in Huebner Oaks (San Antonio), TX, Pflugerville (Austin), TX and Bayside (Queens), NY for terms between 10 and 15 years. During April 2024, the Company opened a restaurant in Jacksonville, FL.

### Organization

GEN Restaurant Group, Inc. ("GEN Inc.") was formed as a Delaware corporation on October 28, 2021. GEN Inc. is a holding company that was formed for the purpose of completing an underwritten initial public offering ("IPO") of shares of its Class A common stock (as defined below) and other related Transactions (as defined below) in order to carry on the business of GEN Restaurant Companies, LLC ("GEN LLC", or the "Operating Company"), the predecessor of GEN Inc. for financial reporting purposes. The Operating Company was organized under the laws of the state of Delaware on October 28, 2021, and is based in Cerritos, California. As the managing member of the Operating Company, GEN Inc. operates and controls all the business and affairs of the Operating Company, and through the Operating Company and its consolidated subsidiaries, conducts its business. Unless the context otherwise requires, references to the "Company" refer to GEN Restaurant Group, Inc., and its consolidated subsidiaries, including the Operating Company. The authorized shares of GEN Inc. consist of (i) shares of Class A common stock, par value \$0.001 per share (the "Class A common stock") and (ii) shares of Class B common stock, par value \$0.001 per share (the "Class B common stock"). See "Initial Public Offering and Organizational Transactions" below for the a description of the IPO and the Transactions completed in June 2023.



The Operating Company has been determined to be the predecessor for accounting purposes and, accordingly, the condensed consolidated financial statements for periods prior to the IPO and the related Transactions have been adjusted to combine the previously separate entities for presentation purposes. Amounts for the period from January 1, 2023 through June 27, 2023 presented in the condensed consolidated financial statements and condensed notes to the financial statements herein represent the historical operations of the Operating Company. The amounts for the period from June 28, 2023 through **September 30, 2023** **March 31, 2024** reflect the consolidated operations of the Company.

### ***Initial Public Offering and Organizational Transactions***

On June 30, 2023, GEN Inc. completed its IPO of 3,600,000 shares of Class A common stock at a public offering price of \$12.00 per share. In addition, the underwriters purchased an additional 540,000 shares of Class A common stock from selling stockholders pursuant to the exercise of their option to purchase additional shares in the IPO. The sale of shares of Class A common stock by GEN Inc. generated aggregate net proceeds of \$46.2 million, after deducting the underwriting discounts and commissions and offering expenses payable by GEN Inc. GEN Inc. contributed all of the net proceeds to the Operating Company in exchange for a number of Class A common units of the Operating Company ("Class A Common Units") equal to the number of shares of Class A common stock sold by GEN Inc. in the IPO at a price per Class A Common Unit equal to the IPO price per share of Class A common stock. After giving effect to the IPO and the related Transactions and the use of the net proceeds from the IPO, GEN Inc. owns approximately 12.8% of the Operating Company's outstanding common units. As a result of the IPO, Mr. David Kim and Mr. Jae Chang, Co-CEOs, collectively control approximately 58.6% of GEN Inc.'s common stock as a result of their ownership of GEN LLC's Class B common units ("Class B Common Units"), which were issued on a one-to-one basis. Each share of Class B common stock is entitled to ten votes on all matters submitted to a vote of GEN Inc.'s stockholders.

As a result of the IPO and the Transactions, GEN Inc. became the managing member of the Operating Company and its principal asset is Class A Common Units of the Operating Company. As the managing member of the Operating Company, GEN Inc. operates and controls all of the business and affairs of the Operating Company, and through the Operating Company and its subsidiaries, conducts its business. Although GEN Inc. has a minority economic interest in the Operating Company, GEN LLC has the sole voting interest in, and controls the management of, the Operating Company, and has the obligation to absorb losses of, and receive benefits from, the Operating Company, which could be significant. GEN Inc. consolidated the Operating Company in its consolidated financial statements and reports a non-controlling interest related to the Class B Common Units held by the members of the Operating Company (other than the Class A Common Units held by GEN Inc.) on its consolidated financial statements. GEN Inc. has a board of directors and executive officers but has no employees. All of the Company's assets are held by, and all of its operations are conducted through, the Operating Company. All of the Company's employees are employed by the Operating Company.

In connection with the closing of the IPO, GEN Inc. and the Operating Company consummated the following organizational transactions (collectively, the "Transactions"):

- The Operating Company adopted the Operating Agreement (the "Operating Agreement"), which converted each member's existing membership interests in the Operating Company into Class B Common Units, and appointed G Inc. as the managing member of the Operating Company;



- GEN Inc. restated its certificate of incorporation to, among other things, provide for Class A common stock and Class B common stock;

## GEN RESTAURANT GROUP, INC.

### Notes to Condensed Consolidated Financial Statements (Unaudited)

September 30, 2023 and 2022

- GEN Inc. issued and sold 4,140,000 shares of its Class A common stock to the purchasers in the IPO (including the underwriters' option to exercise), and used all of the net proceeds received from the IPO to acquire Class A Common Units from the Operating Company at a purchase price per Class A Common Unit equal to the IPO price per share of Class A common stock, less underwriting discounts and commissions, which Class A Common Units represented approximately 12.8% of the Operating Company's outstanding common units after the IPO; and
- GEN Inc. entered into (i) a Tax Receivable Agreement (the "TRA") with the Operating Company and the Operating Company's members and (ii) a Registration Rights Agreement (the "Registration Rights Agreement") with the Operating Company's members who, assuming that all of the Class B Common Units of such members are redeemed or exchanged for newly-issued shares of Class A common stock on a one-to-one basis, will own an aggregate of 28,141,566 shares of Class A common stock, representing approximately 98.6% of the combined voting power of all of GEN Inc.'s common stock. Although the actual timing and amount of any payments that GEN Inc. will make to the Operating Company's members under the TRA will vary, GEN Inc. expects those payments to be significant.

GEN Inc.'s corporate structure following the IPO, as described above, is commonly referred to as an "Up-C" structure, which is often used by partnerships and limited liability companies when they undertake an initial public offering of their business. The Up-C structure allows the members of the Operating Company to continue to realize tax benefits associated with owning interests in an entity that is treated as a partnership, or "pass-through" entity, for income tax purposes following the IPO. One of these benefits is that future taxable income of the Operating Company that is allocated to its members will be taxed on a flow-through basis and therefore will not be subject to corporate taxes at the Operating Company entity level. Additionally, because the members may redeem their Class B Common Units for shares of GEN Inc.'s Class A common stock on a one-for-one basis, the Up-C structure also provides the members with potential liquidity that holders of non-publicly traded limited liability companies are not typically afforded.

GEN Inc. will receive the same benefits as its members because of its ownership of Class A Common Units in an entity treated as a partnership, or "pass-through" entity, for income tax purposes. As GEN Inc. redeems additional Class B Common Units from the Operating Company's members under the mechanism described above, GEN Inc. will obtain a step-up in tax basis in GEN Inc.'s share of the Operating Company's assets. This step-up in tax basis will provide GEN Inc. with certain tax benefits, such as future depreciation and amortization deductions that can reduce the taxable income allocable to GEN Inc. GEN Inc. entered into the TRA with the Operating Company and each of the Operating Company's members, which provides for the payment by GEN Inc. to the Operating Company's members of 85% of the amount of tax benefits, if any, that GEN Inc. actually realizes (or in some cases, is deemed to realize)



as a result of (i) increases in tax basis resulting from the redemption of Class B Common Units and (ii) certain other tax benefits attributable to payments made under the TRA.

As a result of the completion of the Transactions, including the IPO:

- GEN Inc. is a holding company and its principal asset is the Class A Common Units it holds in the Operating Company;
- GEN Inc. is the managing member of the Operating Company and controls the business and affairs of the Operating Company and its subsidiaries;
- The purchasers in the IPO (i) own 4,140,000 shares of Class A common stock, representing approximately 1.4% of the combined voting power of all of GEN Inc.'s common stock, and (ii) own 100% of the economic interest in GEN Inc.
- GEN Inc. owns all of the Class A Common Units of GEN LLC, representing approximately 12.8% of the distributions made by GEN LLC. While this interest represents a minority of economic interests in GEN LLC, it represents 100% of the voting interests, and GEN Inc. acts as the managing member of GEN LLC. As a result, GEN Inc. operates and controls all of GEN LLC's business and affairs and is able to consolidate its financial results into GEN Inc.'s financial statements.
- The members of GEN LLC other than GEN Inc. are certain historic owners of GEN Restaurant Group, all of whom, in the aggregate, own 28,141,566 Class B Common Units of GEN LLC and 28,141,566 shares of Class B common stock of GEN Inc.

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**GEN RESTAURANT GROUP, INC.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**September 30, 2023 and 2022**

**(2) Basis of Presentation and Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The accompanying condensed consolidated financial statements of the Company, collectively, have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. As such, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the registration statement filed Annual Report on Form 10-K for the IPO completed on June 30, 2023 year ended December 31, 2023 (the "Annual Report"). The unaudited condensed consolidated financial statements were prepared on the same basis as the audited consolidated financial statements, and, in the opinion of management, reflect all



adjustments (all of which were considered of normal recurring nature) considered necessary to present fairly the Company's financial results. The results of the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2023 December 31, 2024 and for any other interim period or future year.

**(b) Recently Adopted Recent Accounting Pronouncements**

The Company, as an emerging growth company, has elected to use the extended transition period which allows us to defer the adoption of new or revised standards. This allows the Company to adopt new or revised accounting standards as of the effective date for non-public business entities.

In March 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-01, Leases (Topic 842): Common Control Arrangements. The new guidance requires all lessees in a lease with a lessor under common control to amortize leasehold improvement over the useful life of the common control group and provides new guidance for

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**GEN RESTAURANT GROUP, INC.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**March 31, 2024 and 2023**

recognizing a transfer of assets between entities under common control as an adjustment to equity when the lessee no longer controls the use of the underlying asset. This guidance is effective for fiscal years beginning after December 15, 2023. The Company is adoption of this standard in the process first quarter of evaluating the impact that the adoption of the ASU will have on the consolidated financial statements and related disclosures, which is not expected to be material.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including receivables. In January 2023 2024, the Company adopted ASU No. 2016-13, and concluded that the adoption of ASC 326 did not have any material impact on the Company's recognition of our consolidated financial instruments within the scope of the standard. statements.

ASC Topic 320, "Investments-Debt Securities" Securities," requires that an enterprise classify all debt securities as either held-to-maturity, trading, or available-for-sale. During the third quarter ended September 30, 2023, 2023, the Company adopted ASC 320 and classified its U.S. Treasury and equivalent securities as held-to-maturity. Held to maturity Held-to-maturity securities are those securities which the Company has the ability and intent to hold until maturity.



In November 2023, the FASB issued ASU 2023-07, “*Segment Reporting (Topic 820): Improvements to Reportable Segment Disclosures*” which provides guidance to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The guidance is effective for fiscal years beginning after December 15, 2023. The Company is currently evaluating the impact of this standard on our consolidated financial statements and will adopt this pronouncement in the fourth quarter of 2024.

In December 2023, the FASB issued ASU 2023-09, “*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*,” which is effective for fiscal years beginning after December 31, 2024. The Company is evaluating the presentational effect that ASU 2023-09 will have on our consolidation financial statements.

### **(c) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities in the accompanying unaudited condensed consolidated financial statements of the Company. The accompanying condensed consolidated financial statements have been prepared in conformity with GAAP and applicable rules, and regulations of the SEC regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. As such, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the previously filed registration statement. Annual Report.

### **(d) Goodwill**

Goodwill is calculated under ASC 805-30-30, which represents the excess of the fair value of purchase consideration of an acquired business over the fair value of the identifiable net assets acquired. Goodwill is not amortized but is tested for impairment at a reporting unit level on an annual basis, or more frequently if circumstances change or an event occurs that would more likely than not reduce the fair value of the a reporting unit below its carrying amount.

### **(e) Business Combinations**

The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC Topic 805, “Business Combinations” (“ASC 805”). Under the acquisition method, we recognize 100% of the assets we acquire and liabilities we assume, regardless of the percentage we own, at their estimated fair values as of the date of acquisitions. Any excess of the purchase price over the fair value of the net assets and other identifiable intangible assets we acquire is recorded as goodwill. The assets we acquire, and liabilities we assume from contingencies, are recognized at fair value if we can readily determine the fair value during the measurement period. The operating results of the business the Company acquired are included in the consolidated statements of operations from the date of acquisition. Acquisition-related costs are expensed as incurred.

### **(d) (f) Equity-Based Compensation**



The Company accounts for equity-based compensation grants of equity awards to employees in accordance with ASC Topic 718, “Stock Based Compensation”. The Company issued restricted stock units to its employees.

The Company estimates the fair value of the restricted stock units on the grant-date and recognizes the resulting fair value over the requisite service period. The fair value of each restricted stock unit or award is determined based upon the value of the common stock granted or sold. granted. The Company has elected to treat stock-based awards with graded vesting schedules and time-based service conditions as a single award and recognizes stock-based compensation on a straight-line basis over the requisite service period. Forfeitures are accounted for as they occur.

GEN RESTAURANT GROUP, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

September 30, March 31, 2024 and 2023 and 2022

(e)(g)Cash and Cash Equivalents

The Company and its related entities consider all highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents. As of March 31, 2024 and December 31, 2023, cash and cash equivalents consist principally of cash, money market accounts and short-term investments. Short-term investments are classified as held-to-maturity as the Company has the positive intent and ability to hold the investments until maturity. Held-to-maturity investments available for sale securities, which are carried at amortized cost. Due to the short-term nature, the carrying amounts fair value, with changes in fair value reported in the consolidated balance sheet approximate fair value. earnings. Cash equivalents consist principally of also include credit card transactions in transit.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were deposits in excess of federally insured amounts of \$11.65.0 million and \$3.58.8 million, respectively.

	Gro	Gro	Fair				
Carryi	ss	ss	Value				
ng	Unr	Unr	as of				
Value/	ealiz	ealiz	Septe				
Amort	ed	ed	mber	Carrying	Gross	Gross	Fair Value
ized	Gain	Los	30,	Value/Amortized	Unrealized	Unrealized	as of
Cost	s	ses	2023	Cost	Gains	Losses	March 31,
							2024



(in thousands)

Cash	32,	14							
	32,	14							
	\$ 149	\$ —	\$ —	\$ 9					
					32,				
	32,	14							
	\$ 149	\$ —	\$ —	\$ 9					
Money Market Accounts (included in cash and cash equivalents)					\$ 5,087	\$ —	\$ —	\$ 5,087	
U.S. Treasury Securities (included in cash and cash equivalents)	20,	1	01						
	20,	1	01						
	\$ 000	\$ 2	\$ —	\$ 2	\$ 20,000	\$ 592	\$ —	\$ 20,592	
	20,	1	01						
	20,	1	01						
	\$ 000	\$ 2	\$ —	\$ 2	\$ 25,087	\$ 592	\$ —	\$ 25,679	
Represent money market accounts.									
Excludes \$2.4 million of cash and cash equivalents at March 31, 2024.									

### **(f)(h) Concentration Risk**

The Company relies on third parties for specified food products and supplies. In instances where these parties fail to perform their obligation, the Company may be unable to find alternative suppliers.

The Company relies on Sysco, an unrelated third-party, for a significant portion of its food supplies. During the fourth quarter of 2023, the Company entered into an agreement with Sysco Los Angeles, Inc., or Sysco, to purchase certain food supplies. For the three months ended March 31, 2024 and March 31, 2023, Sysco accounted for approximately 35.2% and 0% of total food costs, respectively

The Company previously relied on U.S. Foods, an unrelated third-party for a significant portion of its food products. For the three months ended September 30, 2023 and September 30, 2022 March 31, 2024, the Company did not purchase from U.S. Foods. For the three months ended March 31, 2023, U.S. Foods accounted for approximately 52.9% and 37.8 52.2% of total food costs, respectively. For the nine months ended September 30, 2023 and September 30, 2022, U.S. Foods accounted for approximately 45.0% and 44.8% of total food costs, respectively, costs.

The Company relies on Pacific Global Distribution, Inc. ("PGD"), which provides restaurant supplies such as tableware, napkins, soda, and sauces. PGD is owned by a related party. For the three months ended September 30,



2023 March 31, 2024 and September 30, 2022 March 31, 2023, PGD accounted for approximately 13.7 0.5% and 5.2% of total operating expenses, respectively. For the nine months ended September 30, 2023 and September 30, 2022, PGD accounted for approximately 14.9% and 6.3 22.3% of total operating expenses, respectively.

The Company also relies previously relied on Wise Universal, Inc. ("Wise"), an entity 60% owned by a related party, which provides for food products supplies for 13 restaurants. For the three months ended September 30, 2023 and September 30, 2022, Wise March 31, 2024 the Company did not purchase from Wise. For the three months ended March 31, 2023, Wise accounted for approximately 26.8% and 26.5 27.8% of total food costs, respectively. For the nine months ended September 30, 2023 and September 30, 2022, Wise accounted for approximately 23.6% and 26.7% of total food costs, respectively. supplies.

#### **(g) (i) Inventories**

Inventories consist principally of food and beverages and are valued at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method (FIFO) for all inventories.

#### **(h) (j) Revenue Recognition**

The Company recognizes revenue in accordance with Accounting Standards Codification ("ASC") 606, "Revenue from Contracts with Customers." Revenue from the operation of the restaurants is recognized as food and beverage products are delivered to customers and payment is tendered at the time of sale.

Sales tax amounts collected from customers are remitted to governmental authorities and are excluded from sales. revenue.

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## **GEN RESTAURANT GROUP, INC.**

### **Notes to Condensed Consolidated Financial Statements (Unaudited)**

**September 30, March 31, 2024 and 2023 and 2022**

#### **(i) (k) Property and Equipment**

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Property and equipment under finance leases are stated at the present value of minimum lease payments.



The estimated useful service lives are as follows:

Equipment	5 - 7 Years
Furniture and fixtures	5 - 7 Years
Leasehold improvements	Shorter of useful life or remaining lease term

The Company and its related entities capitalize certain costs in conjunction with improvements to specific sites for planned future restaurants. The Company and its related entities also capitalize certain costs, including interest, in conjunction with constructing new restaurants. These costs are included in property and equipment and are amortized over the shorter of the life of the related leasehold improvements or the remaining lease term. Costs related to abandoned sites and other site selection costs that cannot be identified with specific restaurants are charged to general and administrative expenses in the accompanying condensed consolidated income statements. The Company and its related entities did not capitalize any internal costs related to site preparation and construction activities during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **September 30, 2022** **March 31, 2023** as any amounts were deemed immaterial.

#### **(j)(l) Other Assets and Other Current Liabilities**

Other assets as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** consist of the following:

<i>(in thousands)</i>	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
<b>Other Assets</b>				
Security Deposits	\$ 465	\$ 444	\$ 636	\$ 534
Liquor Licenses	215	224	224	215
Other	12	15		
<b>Total Other Assets</b>	<b>\$ 692</b>	<b>\$ 683</b>	<b>\$ 860</b>	<b>\$ 749</b>

Other Current Liabilities as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** consist of the following:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
<i>(in thousands)</i>				
<b>Other Current Liabilities</b>				



Sales tax payable	\$	1,259	\$	1,468	\$	1,680	\$	1,447
Accrued percentage rent		1,268		1,246		918		1,163
Deferred offering costs		1,374		319		118		125
Misc. accrued expenses		2,201		1,591		2,899		2,631
<b>Total Other Current Liabilities</b>	<b>\$</b>	<b>6,102</b>	<b>\$</b>	<b>4,624</b>	<b>\$</b>	<b>5,615</b>	<b>\$</b>	<b>5,366</b>

### **(k)(m) Advances from members**

Advances from members consist of funding received from member owners. During the first quarter of 2024, the Company re-paid a member \$864 thousand. As of September 30, 2023 March 31, 2024, the members had funded a total of balance was \$7.7 1.8 million and as of which December 31, 2023, the balance was \$4.8 2.7 million was paid and immediately received as an equity contribution as part of the IPO transaction. As of December 31, 2022, the members had funded a total of \$4.4 million in cash to cover a portion of the costs of the IPO. (See Note 14 for further discussion). million.

### **(l)(n) Pre-Opening Costs**

Pre-opening costs, incurred in connection with the opening of new restaurants, are expensed as incurred. Pre-opening costs were \$0.7 1.9 million and \$0.4 519 million thousand for the three months ended September 30, 2023 March 31, 2024 and September 30, 2022, respectively, and \$2.1 million and \$1.0 million for the nine months ended September 30, 2023 and September 30, 2022 March 31, 2023, respectively.

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## **GEN RESTAURANT GROUP, INC.**

### **Notes to Condensed Consolidated Financial Statements (Unaudited)**

**September 30, 2023 and 2022**

### **(m)(o) Income Taxes**

Prior to the IPO, the Company and its related entities are were organized as limited liability companies or limited partnerships and are treated as pass-through entities for federal and state income tax purposes. As the Company and its related entities have elected to

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## **GEN RESTAURANT GROUP, INC.**

### **Notes to Condensed Consolidated Financial Statements (Unaudited)**



be treated as partnerships for income tax purposes and are not subject to federal or state income taxes, income or loss is included in the tax returns of the members or the partners of the Company and its related entities based on their respective shares.

Deferred tax assets are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes positions taken or expected to be taken in a tax return in accordance with existing accounting guidance on income taxes which prescribes a recognition threshold and measurement process. Under GAAP, a tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

In assessing the realizability of deferred tax assets, management considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

### **(n) (p) Long-Lived Assets**

Long-lived assets, such as property and equipment owned, are reviewed quarterly for impairment and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for possible impairment, undiscounted cash flows expected to be generated by that asset or asset group are compared to its carrying amount. If the carrying amount of the long-lived asset or asset group is not expected to be recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. We assessed our long-lived assets for potential impairment with the result that no impairment charges were recorded in any of the periods presented.

### **(o) (q) Interest Income/Expense**



A reconciliation of total interest cost to interest **income**/expense as reported in the condensed consolidated income statement for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **September 30, 2022** **March 31, 2023** is as follows:

(in thousands)	Three months ended		Nine months ended		Three months ended	
	Septe mber 30, 2023	Septe mber 30, 2022	Septe mber 30, 2023	Septe mber 30, 2022	March 31, 2024	March 31, 2023
Interest cost capitalized	\$ —	\$ —	\$ —	\$ —		
Interest expense	216	244	733	582	87	256
PPP interest expense forgiven	—	—	—	(4)		
Interest income	(406)	(41)	(527)	(138)	(363)	(67)
Interest expense, net	\$ (190)	\$ 203	\$ 206	\$ 440		
Interest (income) expense, net					\$ (276)	\$ 189

### **(p)(r)** Liquor Licenses

Liquor licenses are deemed to have indefinite useful lives and are qualitatively tested on an annual basis for impairment. Liquor licenses are included in other assets in the accompanying balance sheets.

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## **GEN RESTAURANT GROUP, INC.**

### **Notes to Condensed Consolidated Financial Statements (Unaudited)**

**September 30, 2023 and 2022**

### **(q)(s)** Sales Taxes

Sales taxes are imposed by state, county, and city governmental authorities, collected from customers and remitted to the appropriate governmental agency. The Company's policy is to record the sales taxes collected as a liability on the books and then remove the liability when the sales tax is remitted. There is no impact on the condensed consolidated income statements as restaurant sales are recorded net of sales tax.



## GEN RESTAURANT GROUP, INC.

### Notes to Condensed Consolidated Financial Statements (Unaudited)

March 31, 2024 and 2023

#### (r)(t) Advertising Costs

Advertising costs are expensed as incurred and are included in General and Administrative costs in the accompanying condensed consolidated income statements. The Company incurred approximately \$42,104 thousand and \$35,333 thousand in advertising expenses for the three months ended September 30, 2023, March 31, 2024 and September 30, 2022, respectively. The Company incurred approximately \$131 thousand and \$126 thousand in advertising expenses for the nine months ended September 30, 2023 and September 30, 2022, March 31, 2023, respectively.

#### (s)(u) Risks and Uncertainties.

We have been subject to continued risks and uncertainties as a result of the outbreak of, and local, state and federal governmental responses to, the COVID-19 pandemic which was declared a National Public Health Emergency in March 2020. We experienced significant disruptions to our business as suggested and mandated social distancing and shelter-in-place orders led to the temporary closure of all of our restaurants. In the second quarter of fiscal 2020, certain jurisdictions began allowing the reopening of restaurants. While restrictions on the type of operations and occupancy capacity may continue to change, by the end of the first quarter of 2022 all of our restaurants were operating at full capacity with no capacity restrictions remaining. We cannot predict whether COVID-19 outbreaks will reoccur or whether variants will spike, what additional restrictions may be enacted, to what extent we can maintain sales volumes during or following any resumption of mandated social distancing protocols or vaccination or mask mandates and what long-lasting effects the COVID-19 pandemic may have on the restaurant industry as a whole. The ongoing effects of the COVID-19 pandemic, including, but not limited to, labor-related impacts, supply chain disruptions and changes in consumer behavior, will determine the continued significance of the impact of the COVID-19 pandemic to our operating results and financial position.

The Company has experienced, and in the future may experience, inflation related to its purchase of certain food products, supplies that the Company needs to operate its business. This price volatility could potentially have a material impact on the Company's financial condition and/or its results of operations. In order to mitigate price volatility, the Company monitors cost fluctuations and may adjust its menu prices accordingly. The Company's ability to compensate for higher costs through increased menu pricing may be limited by the competitive environment in which the Company operates.



### **(t)(v) Restaurant Revitalization Fund**

Several of the Company's restaurants received, between May and August 2021, a total of approximately \$16.8 million from the Restaurant Revitalization Fund ("RRF"). The RRF funds must be used for specific purposes, and the Company was required to provide use of funds validation on an annual basis through March 2023. The Company accounted for the RRF funds as a government grant and has recognized the amounts as income as related expenses were incurred. During the year ended December 31, 2021, the Company recognized approximately \$13.0 million as RRF grant income and had deferred the remaining balance of \$3.8 million. No RRF grant income was recognized during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **September 30, 2022** **March 31, 2023**.

### **(u)(w) Employee Retention Credits**

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act was signed into law, providing numerous tax provisions and other stimulus measures, including the Employee Retention Credit ("ERC"), a refundable tax credit against certain employment taxes. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 and the American Rescue Plan Act of 2021 extended and expanded the availability of the ERC. We qualified for the ERC in the first and second quarters of 2019, second and fourth quarters of 2020 and first, second and third quarters of 2021. During the three months ended **September 30, 2023** **March 31, 2024** and **September 30, 2022** **March 31, 2023**, we recorded an aggregate benefit of \$0 and \$64 thousand, respectively, in our condensed consolidated income statements to reflect the ERC. During the nine months ended **September 30, 2023** and **September 30, 2022**, we recorded an aggregate benefit of \$2.5 million and **\$2.6** **1.2** million, respectively, in our condensed consolidated income statements to reflect the ERC.

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## **GEN RESTAURANT GROUP, INC.**

### **Notes to Condensed Consolidated Financial Statements (Unaudited)**

**September 30, 2023 and 2022**

### **(u) (x) Deferred Offering Costs**

The Company capitalized certain legal, accounting, and other third-party fees that were directly attributable to GEN Inc's IPO. Following the successful consummation of the IPO in June 2023, deferred offering costs of approximately \$3.3 million were recorded in the Company's stockholders' equity as a reduction of additional paid-in capital. The Company had no remaining deferred offering costs assets at **September 30, 2023** **March 31, 2024**.

### **(v)(y) Net Income Per Share**

Basic net income per share is computed by dividing net income attributable to the Company by the **weighted average** **weighted-average** number of shares outstanding during the period. Diluted net income per share is computed by giving effect to all potential **weighted average** **weighted-average**



**GEN RESTAURANT GROUP, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited)****March 31, 2024 and 2023**

dilutive shares including stock options, restricted stock units, dividend equivalent units, restricted stock awards, and Class B Common Units exchangeable for shares of Class A common stock for the periods after the closing of the IPO on June 30, 2023. The dilutive effect of outstanding awards, if any, is reflected in diluted earnings per share by application of the treasury stock method or if-converted method, as applicable. See “Note 15—Net Income per Share.”

**(3) Business Combinations**

On February 18, 2024, we acquired the remaining 50% interest in GKBH, which was previously accounted for under the equity method. GKBH has been consolidated in our consolidated financial statement commencing February 18, 2024, the date of acquisition. The purchase price for the acquisition was allocated based on estimates of the fair value of the net assets acquired at the acquisition date, with the excess allocated to goodwill. The total consideration for the acquisition consisted of \$6.0 million, payable in cash. During the three months ended March 31, 2024, we recognized approximately \$370 thousand in acquisition-related costs, which were included within “Gain on remeasurement of previously held interest” in our condensed consolidated income statements.

The following table summarizes the fair value of GKBH's assets and liabilities at the acquisition date, and the resulting goodwill.

<b>(in thousands)</b>		
Purchase price of 50% interest in GKBH	\$	6,000
Acquisition-date fair value of previously held interest (Level 2)		4,286
Fair value of GKBH at acquisition date		10,286
<b>(in thousands)</b>		
Cash	\$	24
Accounts Receivable		96
Inventories		22
Prepaid and Other assets		118
Deposits		67



Property and equipment		745
Operating lease right-of use assets		3,851
Liabilities assumed		(4,135)
Total identifiable net assets	\$	788
Goodwill		9,498
	\$	10,286

Goodwill is calculated as the excess of the purchase price over the net assets acquired. The Company expects that a portion of the goodwill balance to be deductible for tax purposes over a period of 15 years. Goodwill is primarily attributed to growth and efficiency opportunities, expected synergies from combining the operations with the Company, and the assembled workforce.

The following table presents unaudited consolidated pro forma results as if the acquisition of GKBH had occurred on January 1, 2023.

(in thousands, except per share data)	Three months ended March 31,	
	2024	2023
	(unaudited)	
Revenue	51,669	45,691
Net income before taxes	733	7,943
Earnings per common stock:		—
Basic	\$ (0.61)	\$ -
Diluted	\$ (0.61)	\$ -

## GEN RESTAURANT GROUP, INC.

### Notes to Condensed Consolidated Financial Statements (Unaudited)

#### March 31, 2024 and 2023

The unaudited pro forma financial information reflects the acquisition of the GKBH by the application of pro forma adjustments to the Company's historical financial statements as if the acquisition had occurred on January 1, 2023. The unaudited pro forma financial information should not be considered indicative of actual results that would have been achieved had the acquisition of GKBH actually been consummated on the date indicated and does not purport to be



indicative of the Company's future financial position or results of operations. There were no material nonrecurring pro forma adjustments directly attributable to the acquisition included within the unaudited pro forma financial information.

The fair value of the previously held noncontrolling interest was determined based on the fair value of total consideration transferred and application of a discount for lack of control, which was determined using historical market data on control premiums and other industry data.

#### (4) Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents and investments. The carrying amounts reported in the accompanying condensed consolidated balance sheets for cash and cash equivalents approximate fair value because of the short-term maturity of those instruments. Fair value measurements are classified and disclosed in one of the following three categories:

**Level 1** - Quoted prices in active markets for identical assets or liabilities.

**Level 2** - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of September 30, 2023 March 31, 2024, all of the Company's financial assets that were subject to fair value measurement were valued using observable inputs. The Company's financial assets valued based on Level 1 inputs consist of cash and money market funds. The Company's financial assets based on Level 2 inputs consist of U.S. treasury securities.

(in thousands)	Fair Value Measurements at September 30, 2023				Fair Value Measurements at March 31, 2024			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Money Market Account (included Cash and Cash Equivalents)					\$ 5,087	\$ 5,087	\$ —	\$ —
U.S. Treasury Securities (included in cash and cash equivalents)					\$ 20,592	\$ 20,592	\$ —	\$ —



Cash	32,			
	14	32,1		
	\$ 9	\$ 49	\$ —	\$ —

#### Fair Value Measurements at December 31, 2023

Money Market Account (included Cash and Cash Equivalents)					\$ 9,079	\$ 9,079	\$ —	\$ —
U.S. Treasury Securities (included in cash and cash equivalents)	20,							
	01	20,0						
	\$ 2	\$ 00	\$ 12	\$ -	\$ 20,322	\$ 20,322	\$ —	\$ —

#### (4) Notes Receivable from Related Party

The Notes receivable from related party balance as of December 31, 2022, was \$10.9 million with accrued interest income receivable of \$164 thousand. During the period ended June 30, 2023, the Company provided an additional \$2.1 million in loans to the related party. The Company recorded \$94 thousand and \$172 thousand as interest income during the three and nine months ended September 30, 2023, respectively. As part of the IPO transaction in June 2023, the loan along with the accrued interest was repaid in full and immediately distributed to owners' equity and the balance was zero as of September 30, 2023.

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### GEN RESTAURANT GROUP, INC.

#### Notes to Condensed Consolidated Financial Statements (Unaudited)

September 30, 2023 and 2022

#### (5) Property and Equipment, Net

The costs and related accumulated depreciation and amortization of major classes of property:

(in thousands)	Nine months ended	Year ended	For the year ended	
	September 30,	December 31,	March 31,	December 31,
	2023	2022	2024	2023
Equipment	13,206	9,578	13,799	12,387
Furniture and fixtures	4,309	4,050	6,093	5,467
Leasehold improvements	35,618	32,157	48,602	43,022
Other assets	449	448	414	414
Construction in progress	5,145	2,435	3,647	4,894
	\$ 58,727	\$ 48,668	\$ 72,555	\$ 66,184



Less accumulated depreciation and amortization	(30,919)	(27,385)	(35,417)	(32,277)
Property and Equipment, Net	\$ 27,808	\$ 21,283	\$ 37,138	\$ 33,907

The construction in progress balance on September 30, 2023 March 31, 2024 and December 31, 2023 is related to new stores currently being developed for

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## GEN RESTAURANT GROUP, INC.

### Notes to Condensed Consolidated Financial Statements (Unaudited)

March 31, 2024 and 2023

openings expected in 2023 and 2024.

Total depreciation and amortization for the nine three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 was \$3.5 1.6 million and \$3.3 1.1 million, respectively, of which \$105 31 thousand and \$134 62 thousand for those periods were related to assets acquired under a finance lease.

#### (6) Equity Method Investment

On April 1, 2016, GEN Hawaii made an investment of \$200 thousand for a 50% interest in GKBH, Restaurant LLC ("GKBH"), which operates a GEN restaurant in Hawaii. The Company does accounted for this investments as an equity method investment since the Company did not control major operational and financial decisions, which require consent from the other owner. During

On February 18, 2024, the nine Company purchased the remaining 50% membership interest for a total purchase price of \$6.0 million and controls 100% of GKBH as of the acquisition date. See (Note 3. Business Acquisition.)

Prior to the purchase of GKBH, the following was recognized: during the three months ended September 30, 2023 March 31, 2024, and September 30, 2022 March 31, 2023, the Company received distributions of \$575 0 thousand and \$400 350 thousand, respectively, from GKBH.

A summary of the GKBH financial position for the nine months ended September 30, 2023 and December 31, 2022 as of December 31, 2023 and results of operations as of September 30, 2023, and September 30, 2022 for the three months ended March 31, 2023 is as follows (unaudited):

	September 30, 2023	December 31, 2022
(in thousands)		



Current assets	740	846
Noncurrent assets	2,480	892
Current liabilities	883	367
Noncurrent liabilities	1,206	130

December 31,

(in thousands)

2023

Current assets	808
Noncurrent assets	2,290
Current liabilities	972
Noncurrent liabilities	1,064

(in thousands)	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2023	2022	2023	2022
Net sales or gross revenue	1,888	1,932	5,657	5,517
Operating income	1,263	1,295	3,805	3,726
Interest expense	—	—	—	—
Net income	107	140	1,040	1,843
Net income attributable to the entity	53	70	520	921

Three months ended

March 31,

(in thousands)

2023

Net sales or gross revenue	1,829
Operating income	1,233
Net income	761
Net income attributable to the entity	381

## GEN RESTAURANT GROUP, INC.

### Notes to Condensed Consolidated Financial Statements (Unaudited)

September 30, 2023 and 2022

#### (7) Line of Credit

During March 2022 the Company entered into a line of credit for \$8.0 million with Pacific City Bank ("PCB"). These funds were used to pay off related party loans payable. The line of credit matured on September 3, 2023, and bore interest



at a variable interest rate which was defined as the Wall Street Journal Prime Rate plus 1.75%, resulting in an interest rate of 10.25% on August 16, 2023, when paid in full. Only interest payments were due monthly with the principal balance to be paid in one payment at the maturity date. On August 16, 2023, the Company repaid in full the obligation under the line of credit plus accrued interest of \$29 thousand. The balance as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was \$0 and \$6.9 million, respectively. .

On September 29, 2023, the Company entered into a new line of credit agreement for \$20.0 million with PCB. The line of credit matures on September 25, 2024, and bears interest at a variable rate per annum equal to The Wall Street Journal Prime Rate, plus 0.25% resulting in an initial rate of 8.750%. The available balance is \$20.0 million at March 31, 2024, with no draw against the line of credit.

## (8) Notes Payable

### Note Payable to WDI

On February 18, 2024, the Company finalized an agreement with WDI International, Inc., ("WDI") to acquire a 50% ownership stake in GKBH Restaurants, along with securing rights for participation in upcoming restaurant ventures in Hawaii, at a valuation of \$6.0 million. Subsequently, on the same date, the Company disbursed \$3.0 million in cash and committed to a promissory note amounting to \$3.0 million as per the terms of the agreement. The note is non-interest bearing and is due August 16, 2024.

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## GEN RESTAURANT GROUP, INC.

### Notes to Condensed Consolidated Financial Statements (Unaudited)

March 31, 2024 and 2023

#### Notes Payable to Bank

On September 13, 2017, the Company and a commercial bank entered into a loan agreement in the amount of \$3.0 million with a maturity date of September 15, 2024, at an interest rate of 6.00%. On September 2, 2020, the loan was amended for the amount of the balloon payment due on September 15, 2024. The Company pays \$44 thousand each month and will pay one last payment estimated at \$263 thousand due on September 15, 2024. Interest on this loan is computed on a 365/360 basis, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days in the monthly period. This calculation method results in a slightly higher effective interest rate than the numeric interest rate originally stated. This note is guaranteed by six of the Company's entities and is cross guaranteed by related party entities. On August 16, 2023, the Company paid the



outstanding balance plus accrued interest in full. The balance as of September 30, 2023 at both March 31, 2024 and December 31, 2022 December 31, 2023 was \$0 and \$1.1 million, respectively. .

During the first quarter of 2023, the Company and a commercial bank entered into a loan agreement in the amount of \$1.3 million with a maturity date of February 6, 2030, at a variable interest rate which is defined as the Wall Street Journal Prime Rate plus 1.00%, resulting in an interest rate of 9.25% as of August 16, 2023. Principal and interest payments were due monthly and commenced in March 2023. On August 16, 2023, the Company paid the outstanding balance plus accrued interest in full.

Economic Injury Disaster Loan (EIDL)

On July 1, 2020, the Company executed the standard loan documents for six restaurants required for securing an EIDL loan from the United States Small Business Administration (the “SBA”) under its Economic Injury Disaster Loan assistance program. This assistance was sought in light of the impact of the COVID-19 pandemic on the Company’s business.

During the twelve months ended December 31, 2022, the Company received \$2.6 million in additional EIDL loans. As of September 30, 2023 both March 31, 2024 and December 31, 2022 December 31, 2023, the total principal amount of the EIDL loans EIDLs was \$4.5 4.4 million, for both periods and the proceeds were used for working capital purposes. Interest on the EIDL loans EIDLs accrues at 3.75% per annum and installment payments, including principal and interest, are due monthly beginning twelve months from the date of each loan. The balance of principal and interest is payable over thirty years from the date of the promissory note.

Note Payable to Landlord

In August 2017, GEN Fremont entered into a note agreement with a landlord. The Company is making equal monthly payments on this note which has a July 2027 maturity date, with an interest rate of 8.00% per annum. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the loan balance outstanding was \$288 254 thousand and \$334 271 thousand, respectively.

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GEN RESTAURANT GROUP, INC.		
Total Obligations of Notes to Condensed Consolidated Financial Statements (Unaudited)		
September 30, 2023 and 2022		
Payable		
The aggregate maturities of all third party notes payable as of September 30, 2023 March 31, 2024:		
(in thousands)		



2023 - remaining	\$	42	
2024		170	
2024 - remaining	\$		3,129
2025		179	179
2026		189	189
2027		169	163
2028			117
Thereafter		4,002	3,897
	\$	4,751	\$ 7,674
Less current portion of notes payable		(42)	(3,252)
Long term portion	\$	4,709	\$ 4,422

### (9) Related Party Notes Payable

Each of the entities, GEN Alhambra, GEN Cerritos, GEN Torrance, GEN Rancho Cucamonga, GEN San Jose, GEN Northridge, GEN Chino Hills, GEN Carrolton, GEN Hawaii, GEN Fremont, GEN Online, GEN Concord, GEN Westgate, GEN Mountain View, GEN Sacramento, GEN PearlrIDGE, GEN Frisco, and GEN Texas (collectively, the “Borrowers”) had notes payable to Ignite Enterprise, LLC, (“Ignite”), an entity owned by one of the members of the Company, with similar terms. Each note allowed for draws to be made as individual loans. The total amount of loans under each note payable became due on the fifth anniversary of such note. Maturity dates ranged from January 2020 to December 2025. Interest accrued on each loan using the simple interest method at interest rates ranging from 2.75% to 5.00% of the outstanding principal balance. Interest was paid annually, one year in arrears. Ignite had a security interest in the assets of the Borrowers. There were no financial covenants in the note payable agreements. As of December 31, 2021 the outstanding principal under the Ignite notes payable was \$7.7 million. During the month of March 2022, the Company repaid the entire \$7.7 million principal balance outstanding on the notes payable. After repaying the notes payable of \$7.7 million with Ignite, the Company signed additional note agreements with Ignite in 2022 and the outstanding principal under Ignite notes payable was \$1.1 million as of December 31, 2022.

During 2022, the member owners loaned \$1.9 million to the Company for the construction and pre-opening costs at the new GEN Webster restaurant location. As of September 30, 2023 March 31, 2024, the loan balance outstanding was \$1.1 1.2 million. The loans bear loan bears interest of 3.00% per year and mature matures on November 25, 2023 2024.



**GEN RESTAURANT GROUP, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited)****March 31, 2024 and 2023**

In December 2022, the member owners loaned an additional \$500 thousand to the Company for construction and pre-opening costs. The loan has a variable interest rate which is defined as the Wall Street Journal Prime Rate plus 1.75%, resulting in an interest rate of 9.25% at December 31, 2022. During January 2023, the Company repaid \$500 thousand towards the Note Payable – related party. During March 2023, the member owner loaned another \$500 thousand to the Company of which \$150 thousand was repaid prior to the IPO transaction, and as part of the IPO transaction, the remaining loan balance was repaid in full and immediately contributed to owners' equity.

The aggregate maturities of notes payable from related parties as of **September 30, 2023** **March 31, 2024**, are as follows:

(in thousands)	2023	1,062	
	2024	—	
	2025	—	
Total related party notes payable			\$ 1,197
Less current portion of notes payable:		(1,062)	\$ (1,197)
Notes Payable, net of current portion:		—	—

Interest expense incurred for the related party debt was \$**38****25** thousand and \$**18****23** thousand for the three months ended **September 30, 2023** **March 31, 2024** and **September 30, 2022**, respectively.

Interest expense incurred for the related party debt was \$109 thousand and \$44 thousand for the nine months ended **September 30, 2023** and **September 30, 2022** **March 31, 2023**, respectively.

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**GEN RESTAURANT GROUP, INC.****Notes to Condensed Consolidated Financial Statements (Unaudited)****September 30, 2023 and 2022****(10) Leases**



At inception of a contract, the Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease classification, measurement, and recognition are determined at lease commencement, which is the date the underlying asset is available for use by the Company. The accounting classification of a lease is based on whether the arrangement is effectively a financed purchase of the underlying asset (finance lease) or not (operating lease). The Company has operating and finance leases for its corporate office, restaurant locations, office equipment and kitchen equipment. Our leases have remaining lease terms of less than 1 year to up to 25 years, including options to extend many of the leases. For leases with renewal periods at the Company’s option, the Company determines the expected lease period based on whether the renewal of any options are reasonably assured at the inception of the lease.

Operating leases are accounted for on the balance sheet with the lease assets and liabilities recognized in “Operating lease assets”, “Operating lease liabilities, current” and “Operating lease liabilities, net of current portion”. Finance lease liabilities are recognized on the balance sheet in “Obligations under finance leases, current” and “Obligations under finance leases, net of current portion”.

Lease assets and liabilities are recognized at the lease commencement date. All lease liabilities are measured at the present value of the lease payments not yet paid. To determine the present value of lease payments not yet paid, we estimate incremental borrowing rates corresponding to the maturities of the leases. We estimate this rate based on prevailing financial market conditions, comparable company and credit analysis, and management judgment. Operating lease assets are initially measured based on the lease liability, adjusted for initial direct costs, prepaid or deferred rent, and lease incentives. The operating lease liabilities are subsequently measured at the carrying amount of the lease liability adjusted for initial direct costs, prepaid or accrued lease payments, and lease incentives.

The following table summarizes the operating and finance lease activities to the income statement and balance sheet for the three months ended September 30, 2023 March 31, 2024 and the nine three months ended September 30, 2023 March 31, 2023:

(in thousands)	Threemonths ended	Ninethmonths ended		
			Three months ended March 31,	



		Sep	Sep	2023		
Operating lease cost		tem	tem			
		ber	ber			
		30,	30,			
		202	202			
	Classification	3	3	Classification	2024	
Operating lease cost	Occupancy and related expenses, and General and administrative expenses	2,971	8,664	Occupancy and related expenses, and General and administrative expenses	\$ 2,760	\$ 2,099
Variable lease cost	Occupancy and related expenses, and General and administrative expenses	801	2,233		1,631	1,333



	2017	2018	2019
Total operating assets	\$ 2,377	\$ 6,078	\$ 4,391
Total operating liabilities	\$ 2,377	\$ 6,078	\$ 3,432



GEN RESTAURANT GROUP, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

September 30, March 31, 2024 and 2023 and 2022

Supplemental balance sheet information related to leases:

	March 31, 2024	December 31, 2023
<b>Operating leases</b>		
Operating lease assets	\$ 121,369	\$ 99,255
Operating lease liabilities, current	4,113	4,535
Operating lease liabilities, net of current portion	133,552	110,501
Total operating lease liabilities	\$ 137,665	\$ 115,036
<b>Finance lease assets, net</b>		
Property and equipment	\$ 902	\$ 902
Accumulated depreciation	(896)	(861)
Property and equipment, net	\$ 6	\$ 41
<b>Finance lease liabilities</b>		
Obligations under finance leases, current	\$ 88	\$ 124
Obligations under finance leases, net of current portion	-	1
Total finance lease liabilities	\$ 88	\$ 125

Nine months ended

September 30,

2023 March 31, 2024

Weighted Average Weighted-Average Remaining Lease Term (Years)

Operating leases	15.3	15.5
Finance leases	1.0	0.6

Weighted Average Weighted-Average Discount Rate

Operating leases	5.83	6.67 %
Finance leases	7.42	7.46 %

Maturities of lease liabilities as of September 30, 2023 March 31, 2024:

	Operating Leases	Finance Leases	Operating Leases	Finance Leases
(in thousands)				
2023 (remaining months)	\$ 2,408	\$ 40		



2024	10,793	138		
2024 - remaining			\$ 8,918	\$ 90
2025	11,062	—	13,435	1
2026	11,264	—	13,876	—
2027	11,472	—	14,183	—
2028			14,395	—
Thereafter	143,332	—	169,707	—
Total undiscounted lease payments	\$ 190,331	\$ 178	\$ 234,514	\$ 91
Present value discount/interest	(76,566)	(8)	(96,849)	(3)
Present value	113,765	170	137,665	88
Lease liabilities, current	4,376	40	4,113	88
Lease liabilities, net of current	109,389	130	133,552	0
Total operating lease liability	\$ 113,765	\$ 170	\$ 137,665	\$ 88

As of **September 30, 2023** **March 31, 2024**, the Company had additional operating leases related to new restaurants the Company has not yet taken possession of that will total **\$38.6** **19.2** million in future lease payment commitments. These operating leases are expected to commence later in fiscal year **2023** **2024** and have lease terms, including option periods, of 20 to **25** **22** years.

The Company is obligated under finance leases covering certain property and equipment that expire at various dates during the next 2 years. On **September 30, 2023** **March 31, 2024** and **September 30, 2022** **March 31, 2023** the gross amounts of property and equipment and related accumulated depreciation and amortization recorded under finance leases were as follows:

(in thousands)	Period ended			
	September 30, 2023	December 31, 2023	March 31, 2024	March 31, 2023
Property and equipment	902	905	902	905
Less accumulated depreciation and amortization	(838)	(714)	(896)	(776)
Property and equipment, net	\$ 64	\$ 191	\$ 6	\$ 129



**GEN RESTAURANT GROUP, INC.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**March 31, 2024 and 2023**

Amortization of assets held under finance leases is included with depreciation expense in the condensed consolidated income statement.

**(11) Commitments and Contingencies**

**(a) Commitments**

On November 23, 2016, pursuant to the U.S. government's Immigrant Investor Program, commonly known as the EB-5 program (the "EB-5 Program"), Gen Restaurant Investment, LLC entered into an operating agreement with an investor (the "EB-5 Investor"). Under the terms and conditions of the EB-5 program, the Company is subject to certain job creation requirements.

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**GEN RESTAURANT GROUP, INC.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**September 30, 2023 and 2022**

As part of the EB-5 Program operating agreement, Gen Restaurant Investment, LLC issued 3 units of Series II Preferred Member Interest in exchange for a 30% interest and received \$1.5 million, recorded as equity. Five years from the date of issue, (the "Conversion Date"), or after approval of the I-829 petition to USCIS, the EB-5 Investor has the option to convert the Series II Units into Series I Units. If the EB-5 Investor does not exercise the conversion option, the Company may exercise its call option to purchase the EB-5 Investor's interests for the fair market value. If approval of the preferred member's I-526 immigration application is denied, the Company is required to repurchase the preferred member's units for \$1.5 million.

Accordingly, this has been presented as mezzanine equity, not permanent equity, in the accompanying condensed consolidated balance sheets.

**(b) Contingencies**

The Company and its related entities are involved in various claims and legal actions arising in the ordinary course of business. The outcomes of these actions are not predictable but the Company does not believe that the ultimate resolution of these other actions will have a material adverse effect on its financial position, results of operations, liquidity, or capital resources. However, a significant increase in the number of these claims or an increase in amounts owing under successful claims, could materially and adversely affect its business, financial condition, results of operations or cash flows.



On January 21, 2015, the Company received is a class-action lawsuit naming Gen Alhambra, LLC, for alleged wage and hour class violations party to several lawsuits brought in Los Angeles County, California. This claim was settled during the year ended December 31, 2022, for an amount of \$850,000 and was recorded in the Company's books as Other income (expense).

On September 23, 2021, the Company received a lawsuit from an ex-employee naming Gen Cerritos for alleged California by ex-employees alleging labor law violations in Los Angeles County, California. violations. The Company plans to continue to defend against this claim these claims and does not expect the outcome of the lawsuit to have a material impact on the financial statements of the Company.

On September 17, 2021, the Company received a lawsuit from an ex-employee naming Gen Restaurant Group, LLC for alleged labor law violations in Los Angeles County, California. The Company plans to defend against this claim and does not expect the outcome of the lawsuit to have a material impact on the financial statements of the Company.

## (12) Income Taxes

As a result of the IPO and the Transactions the Company owns a portion of the common units of the Operating Company, which is treated as a partnership for U.S. federal, and most applicable state and local income tax purposes. As a partnership, the Operating Company is generally not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by the Operating Company is passed through to and included in the taxable income or loss of its members in accordance with the terms of the Operating Agreement. The Company is subject to U.S. federal, state and local income taxes based on its share of the Operating Company's pass-through taxable income.

The effective tax rate differs from the statutory tax rate primarily due to the Operating Company's pass-through structure for U.S. income tax purposes.

For the nine three months ended September 30, 2023 March 31, 2024, the Company did not have any unrecognized tax benefits as a result of tax positions taken during a prior period or during the current period. No interest or penalties have been recorded as a result of tax uncertainties.

For the three months ended March 31, 2024, the Company recorded an income tax expense of \$71 thousand. The Company's effective income tax rate before discrete items for the three months ended March 31, 2024 was 1.85%.

## GEN RESTAURANT GROUP, INC.

### Notes to Condensed Consolidated Financial Statements (Unaudited)



## Tax Receivable Agreement (“TRA”)

Gen, Inc. entered into the TRA, with the Operating Company and each of the members of the Operating Company (the “Members”) that provides for the payment by Gen Inc. to the Members of 85% of the amount of tax benefits, if any, that the Company may actually realize (or in some circumstances **are is** deemed to realize) as a result of (i) increases in tax basis resulting from any future redemptions that are funded by Gen Inc. or exchanges of Class A Common Units described above in “Note 1—Organization and Description of Business” and (ii) certain other tax benefits attributable to payments made under the TRA.

The annual tax benefits are computed by calculating the income taxes due, including such tax benefits, and the income taxes due without such benefits. The Operating Company expects to benefit from the remaining 15% of any tax benefits that it may actually realize. The TRA payments are not conditioned upon any continued ownership interest in the Operating Company. The rights of each noncontrolling interest holder under the TRA are assignable to transferees of its interest in the Operating Company. The timing and amount of aggregate payments due under the TRA may vary based on a number of factors, including the amount and timing of the taxable income the Operating Company generates each year and the applicable tax rate.

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## GEN RESTAURANT GROUP, INC.

### Notes to Condensed Consolidated Financial Statements (Unaudited)

September 30, 2023 and 2022

As of **September 30, 2023** **March 31, 2024**, the Company **did not have had** a liability related to its projected obligations under the TRA. TRA of \$584 thousand, which is reflected on the Company’s condensed consolidated balance sheet in “Tax receivable agreement liability”. During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, Gen Inc. did not make any payments to members of the Operating Company pursuant to the TRA.

## (13) Non-Controlling Interest

As discussed in “Note 1 – Organization and Description of Business,” the Company consolidates the financial results of the Operating Company and reports a non-controlling interest related to the Class B Common Units held by non-controlling interest holders on its consolidated statements.

As of **September 30, 2023** **March 31, 2024**, the Company owned **12.8** **13.9**% of the economic interests in the Operating Company, with the remaining **87.2** **86.1**% of the economic interest owned by non-controlling interest holders. The non-controlling interests on the accompanying condensed consolidated income statement represents the portion of the income attributable to the economic interests in the Operating Company held by the non-controlling holders of Class B



Common Units calculated based on the weighted average weighted-average non-controlling interests' ownership during the periods presented.

#### (14) Other Related-Party Transactions

The Company purchased approximately \$577.0 thousand and \$732 thousand million for the three months ended September 30, 2023 March 31, 2023, and September 30, 2022, respectively, of supplies from Pacific Global ("PGD"), which is 100% owned by Mr. Jae Chang, our Co-Chief Executive Officer and Mr. Chang's direct family. The Company purchased approximately \$1.9 million and \$2.6 million for the nine months ended September 30, 2023, and September 30, 2022, respectively. Outstanding obligations for supply purchases from PGD of approximately \$51.140 thousand and \$33 thousand are were included in accounts payable as of September 30, 2023, and September 30, 2022, respectively. March 31, 2023. Following the IPO on June 27, 2023 the agreement with PGD was terminated.

In 2016, the Company entered into a management agreement with JL Restaurant Management, Inc (formerly known as J&J Management Group, Inc.), a third party which shares offices with Mr. Jae Chang, our Co-Chief Executive Officer. Pursuant to the agreement, the Company paid approximately \$90.0 thousand and approximately \$0.6 million during the three months ended September 30, 2023 March 31, 2024, and September 30, 2022, respectively. The Company paid \$1.2 million and \$1.9 million during the nine months ended September 30, 2023 and September 30, 2022 March 31, 2023, respectively. As of September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, included in accounts payable were payments due for obligations for management services provided by JL Restaurant Management, Inc. of \$0 and \$24.78 thousand, respectively. Following the IPO on June 27, 2023 this management agreement was terminated.

The Company purchased food from Wise Universal Inc., an affiliate 60% owned by Mr. Chang for approximately \$3.70 million for the three months ended September 30, 2023 March 31, 2024 and \$3.63.5 million for three months ended September 30, 2022 March 31, 2023. The Company purchased approximately \$3.6 million and \$11.0 million for the nine months ended September 30, 2023, and September 30, 2022, respectively. As of September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, included in accounts payable were outstanding obligations for food purchases from Wise of approximately \$248.0 thousand and \$250.420 thousand, respectively.

On August 29, 2014, the Company entered into a consulting agreement (the "Consulting Agreement") with Ignite Enterprise, LLC, ("Ignite"), 100% owned by Mr. David Kim, our Co-Chief Executive Officer, which provides for annual fees of up to 25% of gross revenue in exchange for various consulting services. Such consulting fees are only paid to the extent the Company and its related entities have adequate resources as determined by the controlling member. . The Company paid approximately \$0 and approximately \$1.3880 million thousand for the three months ended September 30, 2023 March 31, 2024, and September 30, 2022 March 31, 2023, respectively, to Ignite for consulting services. The Company paid approximately \$2.3 million and \$4.9 million for the nine months ended September 30, 2023, and September 30, 2022, respectively. Following the IPO on June 27, 2023 this agreement was terminated.



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**GEN RESTAURANT GROUP, INC.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**March 31, 2024 and 2023**

During the three months ended **September 30, 2023** **March 31, 2024** and **September 30, 2022** **March 31, 2023**, the Company paid **\$0** and approximately **\$30** thousand and **\$102** **100** thousand to Fast Fabrications, LLC ("Fast Fabrications"), for services related to restaurant interior construction. Fast Fabrications is an affiliate that is 100% owned by an employee of the Company. **That employee is also a partner in several of the LP entities and a member of GEN Hawaii.**

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**GEN RESTAURANT GROUP, INC.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**September 30, 2023 and 2022**

As of December 31, 2021, the Company had notes receivable from Ignite and A/R Put-Forever, LP (100% owned by David Kim) totaling \$21.5 million with interest accruing at 2.5% per annum. The \$13.0 million was collected during the three months ending March 31, 2022. During the month of January 2022, the Company received \$320 thousand from its partners. The remaining balance of approximately \$13.0 million was repaid in full and immediately distributed to owner's equity as part of the IPO transaction during June 2023.

As of **December 31, 2022** **December 31, 2023**, GEN Mountain View had a related party account payable to a company owned by Mr. David Kim of approximately **\$353** **152** thousand for purchases of fixed assets during 2018. During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, GEN Mountain View paid **\$41** **32** thousand towards this payable.

As of September 30, 2022 Gen Restaurant Management had a related party account payable to Ignite of **The balance at March 31, 2024 was \$1.0** **120** million for the purchase of inventory. During October and November 2022, the Company had repaid the entire balance.

During the year ended December 31, 2021 the owners advanced \$2.0 million in cash to cover a portion of the costs of the pending IPO transaction. During the year ended December 31, 2022, the owners advanced an additional \$2.4 million. Of this total, \$4.0 million was expensed during the year as deferred offering costs aborted, reflecting poor IPO market conditions at the end of 2022. As of December 31, 2022, the deferred offering costs balance was zero. The Company capitalized certain legal, accounting, and other third-party fees that were directly attributable to GEN Inc's IPO. Following the successful consummation of the IPO in June 2023, deferred offering costs of approximately \$3.3 million were recorded



in the Company's stockholders' equity as a reduction of additional paid in capital. The Company had no deferred offering costs at September 30, 2023. thousand.

## (15) Net Income per Share

Basic net income per share of Class A common stock is computed by dividing net income attributable to GEN Inc. by the weighted-average number of shares of Class A common stock outstanding during the period. Diluted net income per share of Class A common stock is computed by dividing net income attributable to GEN Inc. by the weighted-average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive elements. securities. Diluted net income per share for any periods for which loss per share is presented is the same as basic net income per share as the inclusion of potentially issuable shares would be antidilutive.

Prior to the amendment and restatement of the Operating Company's LLC Agreement in connection with the IPO, the Operating Company's membership interests were defined solely as percentage interests as the LLC Agreement did not define a number of membership units outstanding or authorized. As a result, a calculation of basic and diluted earnings per unit for the three and nine months ended September 30, 2022 March 31, 2023 was not presented in the accompanying condensed consolidated unaudited financial statements as a denominator to the calculation could not be determined. The basic and diluted net income per share for the three and nine months ended September 30, 2023 March 31, 2024 represents the brief period between the IPO listing on June 28, 2023 from January 1, 2024 through September 30, 2023 March 31, 2024.

A calculation of the numerator and denominator used in the calculation of basic and diluted net income per share of Class A common stock is as follows:

	Three months ended	Nine months ended
	Sept 30,	Sept 30,
(in thousands, except per share data)	2023	2023
Numerator:		
Net income	\$ 2,634	\$ 2,719
Less: Net income attributable to non-controlling interest	(2,297)	(2,371)
Net income attributable to Class A common stockholders	\$ 337	\$ 348
Denominator:		
Weighted average shares of Class A common stock outstanding - basic	4,140	4,140
Weighted average shares of Class A common stock outstanding - diluted	4,140	4,140
Net income per share of Class A common stock - basic	\$ 0.08	\$ 0.08



Net income per share of Class A common stock - basic and diluted	\$	0.08	\$	0.08
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**GEN RESTAURANT GROUP, INC.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**September 30, 2023 and 2022**

(in thousands, except per share data)		March 31, 2024
Numerator:		
Net income	\$	3,698
Less: Net income attributable to non-controlling interest		3,202
Net income attributable to Class A common stockholders	\$	496
Denominator:		
Weighted-average shares of Class A common stock outstanding - basic		4,324
Weighted-average shares of Class A common stock outstanding - diluted		4,324
Net income per share of Class A common stock - basic	\$	0.11
Net income per share of Class A common stock - basic and diluted	\$	0.11

For the three and nine months ended September 30, 2023 March 31, 2024, 28,141,566 27,886,912 shares of Class B common stock was excluded from the weighted-average in the computation of diluted net income per share of Class A common stock because the effect would have been anti-dilutive.

Shares of Class B common stock do not share in the earnings or losses of GEN Inc. and are therefore not participating securities. Separate calculations of basic and diluted net income per share for Class B common stock has not been presented.

**(16) Stock-Based Compensation**

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**GEN RESTAURANT GROUP, INC.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**March 31, 2024 and 2023**



In connection with the IPO, the Company has granted RSUs restricted stock units ("RSUs") to certain team members that generally vest on the five year anniversary of the grant date, or over a five year period with vesting of 20% each year. Certain The non-employee directors of the Company received RSUs that vest on the first anniversary of the grant date, subject to the grantee's continued service through the vesting period. We award restricted stock units ("RSUs") to certain employees and certain non-employee members of our Board of Directors. Grants of RSUs to our Board of Director fully vest on the first anniversary of the grant date, period, or upon termination from the Board of Directors for any reason other than for cause, a pro rated portion of the shares vest on the termination date. The employee grants vest in increments over a five year period. The total stock based compensation for the three and nine months ended September 30, 2023 March 31, 2024 was \$759 thousand, and is included in general and administrative expenses.

RSUs	Number of RSUs (Thousand s)
Non-vested as December 31, 2022 December 31, 2023	1,209
Granted	-
Granted	1,209
Vested	(117)
Canceled	-
Non-vested as of September 30, 2023 March 31, 2024	1,209 1,092

The aggregate fair value of the RSU's granted during the period year ended December 31, 2023 was \$14.6 million. The unrecognized stock-based compensation of \$13.7 12.2 million as of March 31, 2024, will be recognized over five years, through July 2028. The Company issued 324,000 372,600 (or 9% of the shares of common stock sold in the offering) warrants in connection with the IPO transaction to the underwriters. The warrants expire five years after the effective date of the registration and can be exercised on a cashless basis. As a result, the conversion of some or all of the Warrants warrants may dilute the ownership interests of existing shareholders.

## (17) Subsequent Events

The Company and its related parties evaluated subsequent events from the balance sheet date through November 14, 2023 May 14, 2024, the date at which the condensed consolidated financial statements were issued.

### Store Opening



On **October 26, 2023** **April 12, 2024**, the Company opened a new restaurant **on Westheimer Road in Houston, Texas. Jacksonville, Florida.**

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## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

*The following management's discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and related notes of GEN Restaurant Group, Inc., included in Part I, Item 1 of this Quarterly Report on Form 10-Q, and with the audited consolidated financial statements and related notes, **of GEN Restaurant Companies, LLC (the "Operating Company") for the year ended December 31, 2022** which are included in our **Registration Statement Annual Report** on Form **S-1 (File No. 333-272253)** as **amended, 10-K for the year ended December 31, 2023 (the "Annual Report")**, filed with the Securities and Exchange Commission (the "SEC"). The terms "we", "our", and "us" as used herein refer to the Operating Company and its consolidated subsidiaries prior to the Transactions described in this Form 10-Q and to GEN Restaurant Group, Inc. and its consolidated subsidiaries, including the Operating Company, following the Transactions.*

*This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. All statements other than statements of historical fact contained in this Quarterly Report, including, without limitation, statements regarding our future results of operations or financial condition, business strategy, and plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "believe," "consider," "contemplate," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will," or "would" or the negative of these words or other similar terms or expressions. You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in **our Registration Statement on Form S-1 (File No. 333-272253), as amended, the Annual Report**, and in our subsequent filings with the SEC, which are available on the SEC's website at [www.sec.gov](http://www.sec.gov). The forward-looking statements made in this Quarterly Report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements to reflect future events or circumstances, new information, or the occurrence of unanticipated events, except as required by law.*



## Overview

GEN Restaurant Group is an Asian casual dining restaurant concept that offers an extensive menu of traditional Korean and Korean-American food, including high-quality meats, poultry, and seafood, all at a superior value. Founded in 2011 by two Korean immigrants, since the opening of our first restaurant in September 2011 we have grown to 34 40 company-owned restaurants located in California, Arizona, Hawaii, Nevada, Texas, New York, Washington and Florida. Our restaurants have modern décor, lively Korean pop music playing in the background and embedded grills in the center of each table. We believe we offer our customers a unique dining experience in which guests cook the majority of the food themselves, reducing the need for chefs and servers and providing a similar customer experience across the restaurants.

We expect to continue growing our number of restaurants in the future. Our new restaurants have historically generated average payback periods of approximately 1.4 years. The projected payback periods for stores open since 2022 range from 1.9 to 3.1 years. Restaurants range in size from 4,700 to 12,000 thousand square feet, and are typically located in high-activity commercial areas.

During the third first quarter of 2023, 2024, we signed one three new lease leases for a restaurant restaurants in Orlando, FL. Huebner Oaks, TX, Pflugerville, TX, and Bayside, NY.

## Business Trends

Although we temporarily paused our new restaurant opening plans during the pandemic, our long-term growth strategy is to continue to open new restaurants in locations that we believe will achieve profitability levels consistent with our pre-pandemic experience. During 2022, 2023, we opened six new restaurants and through April 2024, we opened three new restaurants in Seattle, WA, Dallas, TX, and as Jacksonville, FL. As of September 30, 2023 March 31, 2024 we have ten eight new restaurant locations with leases that have been signed, four of which we already opened in 2023. signed. These locations are in Kapolei, Hawaii, Westheimer Road in Houston, Texas (opened on October 26, 2023), Seattle, Washington, Jacksonville, Florida, Dallas, Texas, Arlington, Texas, Maui, Hawaii, Cerritos, California (opened on April 4, 2023), Chandler, Arizona (opened on June 1, 2023) Manhattan Sixth New York, NY, Orlando FL, Austin, TX, Portland, OR, Huebner Oaks, TX, Pflugerville, TX and Fort Lauderdale, Florida (opened on June 10, 2023). Bayside, NY. We currently expect to open three to four other five of these locations during the rest remainder of 2023. Future sales and profitability levels of our restaurants and our ability to successfully implement our growth strategy in the near term, however, remain uncertain, as the full impact and duration of the pandemic continues to evolve. 2024.

## Recent Events Concerning Our Financial Position

During 2021, we entered into several loans under the Paycheck Protection Program, or “PPP Loans”, which provided for an aggregate loan in the amount of \$13.5 million as of October 6, 2021. During the month of December 2021, we received notices of loan



forgiveness related to the PPP Loans that totaled \$13.1 million. In addition, we We have received approximately \$16.8 million in Restaurant Revitalization Fund, or RRF, grants. These grants were recognized as income as the money was spent, with \$13.0 million recorded as income as of December 31, 2021, and \$3.8 million was deferred as of December 31, 2022 December 31, 2023 and September 30, 2023 March 31, 2024. During 2022, the year ended December 31, 2022 we received notices of forgiveness of \$0.4 million related to the PPP Loans and recorded it as a "Gain on extinguishment of debt" in 2022. During the twelve months ended December 31, 2021 and 2022, we received \$1.4 million and \$2.6 million, respectively, in additional EIDL loans. Economic Injury Disaster Loans, "or EIDLs". There are no additional EIDL loans EIDLs expected. The EIDL loans EIDLs mature in 2050 and 2051, and

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carry an interest rate of 3.75%. The range of monthly payments under the EIDL loans EIDLs are from \$700 to \$9,770. As of March 31, 2024, the balance outstanding on the EIDLs was approximately \$4.4 million.

During 2022, we entered into a new line of credit for \$8.0 million with Pacific City Bank with the funds used to pay off related party loans payable. On August 16, 2023, the Company paid the outstanding balance on the line of credit and the related interest payable in full reflecting a balance at September 30, 2023 December 31, 2023 and March 31, 2024 of \$0. The line of credit matured in September 2023, and had a variable interest rate defined as the Wall Street Journal Prime Rate plus 1.75%, which resulted in an interest rate of 9.25% as of December 31, 2022 and 10.25% as of August 16, 2023.

On September 29, 2023, the Company entered into a \$20 million line of credit with a bank. The line of credit matures on September 25, 2024 and bears interest at a variable rate per annum equal to 8.750% as of September 30, 2023. No amounts have been borrowed under the line of credit as of September 30, 2023. March 31, 2024

We assessed our long-lived assets for potential impairment each quarter with the result that no impairment charges were recorded in any of the periods presented.

## Key Performance Indicators

In assessing the performance of our business, we consider a variety of financial and performance measures. The key measures for determining how our business is performing include Net Income Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Restaurant-Level Adjusted EBITDA, Restaurant-Level Adjusted EBITDA Margin, Average Unit Volumes, comparable restaurant sales growth, the number of restaurant openings and revenue per square foot.

### Net Income Margin



Net Income Margin is net income measured under GAAP divided by revenue.

### Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA represents net income excluding interest expense, net, income taxes, depreciation and amortization, stock-based compensation, consulting fees paid to a related party, and we also exclude non-recurring items such as gain on extinguishment of debt, RRF grants, Employee employee retention credits, litigation accruals, aborted deferred IPO costs written off, non-cash lease expense and non-cash lease expense included in pre-opening costs. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue. Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP measures intended as supplemental measures of our performance and are neither required by, nor presented in accordance with, GAAP. For a discussion of why we consider these measures to be useful and their material risks and limitations, see “Non-GAAP Financial Measures.”

### Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin

Restaurant-Level Adjusted EBITDA is Income from operations plus adjustments to add-back the following expenses: depreciation and amortization, pre-opening costs, general and administrative expenses, related party consulting fees, management fees and non-cash lease expense. Non-cash items such as charges for asset impairments and asset disposals are not included in Restaurant-Level Adjusted EBITDA. Restaurant-Level Adjusted EBITDA Margin is the calculation of Restaurant-Level Adjusted EBITDA divided by revenue. For a discussion of why we consider these measures to be useful and their material risks and limitations, see “Non-GAAP Financial Measures.”

### Average Unit Volume

“Average Unit Volume” or “AUV” means the average annual restaurant sales for all restaurants open for a full 18 12 months before the end of the period measured. AUV is calculated by dividing annual revenue for the year presented for all such restaurants by the total number of restaurants in that base. This measurement allows management to assess changes in consumer spending patterns at our restaurants and the overall performance of our restaurant base.

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The following table shows the AUV for the twelve months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 :

(in thousands)	Twelve months ended September 30,				Twelve months ended March 31,			
	2023		2022		2024	2023		
	(unaudited)							
Average Unit Volume	\$	5,963	\$	5,886	\$	5,842	\$	5,960



### Comparable Restaurant Sales Growth

Comparable restaurant sales growth refers to the change in year-over-year sales for the comparable restaurant base. We include restaurants in the comparable restaurant base that have been in operation for at least 18 12 full months prior to the accounting period presented. Once a restaurant has been open 18 12 full months, it must have had continuous operations during both the current period and the prior year period being measured to remain a comparable restaurant. If operations were to be substantially impacted by unusual events that closed the location or significantly changed its capacity, that location is excluded from the comparable sales calculation until it has been operating continuously under normal conditions for both the current period and the prior year comparison period.

	Three months ended September 30,		Nine Months Ended September 30,		Twelve months ended March 31,	
	2023	2022	2023	2022	2024	2023
Comparable restaurant sales growth (%)	-1.2 %	N/A	N/A	N/A		
Comparable restaurant sales change (%)					-1.8 %	3.9 %
Comparable restaurant base	28	N/A	N/A	N/A	31	27

Since opening new restaurants is expected to be a significant component of our sales growth, comparable restaurant sales growth is only one measure of how we evaluate our performance. COVID-19 capacity restrictions continued into the first quarter of 2022. Therefore the calculations of comparable restaurant sales growth could only begin with the periods starting with the second quarter of 2023, as its comparable period in the prior year, the second quarter of 2022, was the first quarter of normal operations.

### Number of Restaurant Openings



The number of restaurant openings reflects the number of restaurants opened during a particular reporting period. Before we open new restaurants, we incur pre-opening costs. New restaurants may not be profitable, and their sales performance may not follow historical patterns. The number and timing of restaurant openings has had, and is expected to continue to have, an impact on our results of operations. We temporarily stopped opening new restaurants in 2021 and 2020 due to the COVID-19 pandemic, but began openings again in 2022. The following table shows the change in our restaurant base for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023:

	Three months ended		Nine months ended		Three Months Ended	
	September 30,		September 30,		March 31,	
	2023	2022	2023	2022	2024	2023
Restaurant activity						
Beginning of period	34	30	31	28	37	31
Openings	—	—	3	2	2	—
Closings	—	—	—	—	—	—
End of period	34	30	34	30	39	31

### Revenue Per Square Foot

"Revenue per square foot" means the restaurant sales for all restaurants opened a full 18 months before the end of the twelve month period measured divided by the average square footage of such restaurants. This measurement allows management to assess the effectiveness of our approach to real estate selection and the overall performance of our restaurant base. The following table shows the revenue per square foot for the twelve month periods ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 :

	Twelve months ended	
	September 30,	
	2023	2022
Revenue per square foot	\$ 888	\$ 876



	2024	2023
Revenue per square foot	\$ 855	\$ 899

### Components of Results of Operations

**Revenues.** Revenues represent sales of food and beverages in restaurants and, to a minor extent, through our online portal. Restaurant revenues in a given period are directly impacted by the number of restaurants we operate, menu pricing, the number of customers visiting and comparable restaurant sales growth.

**Food costs.** Food costs are variable in nature, change with sales volume and are influenced by menu mix and subject to increases or decreases based upon fluctuations in commodity costs. Another important factor causing fluctuations in food costs includes restaurant management of food waste. Food costs are a substantial expense and are expected to grow proportionally as our sales grow.

**Payroll and benefits.** Payroll and benefits include all restaurant-level management and hourly labor costs, including wages, employee benefits and payroll taxes. Similar to the food costs that we incur, labor and related expenses at our restaurants are expected

to grow proportionally as our sales grow. Factors that influence fluctuations in our labor and related expenses include the volume of sales at our restaurants, minimum wage and payroll tax legislation, payroll rate increases due to labor shortages or inflationary pressures, the frequency and severity of workers' compensation claims, and healthcare costs.

**Occupancy expenses.** Occupancy expenses include rent, common area maintenance and taxes for all restaurant locations, but exclude any related pre-opening costs.

**Operating expenses.** Operating expenses include supplies, utilities, repairs and maintenance, and other costs incurred directly at the restaurant level.

**Depreciation and amortization expenses.** Depreciation and amortization expenses are periodic non-cash charges at our restaurants that consist of depreciation of fixed assets, including equipment, software and capitalized leasehold improvements. Depreciation is determined using the straight-line method over the assets' estimated useful lives, ranging from five to ten years.



**Pre-opening costs.** Pre-opening costs include pre-opening period rent, maintenance, taxes, payroll and benefits costs, advertising and other expenses directly incurred by the new restaurant until the date of the restaurant opening. Pre-opening costs can fluctuate significantly from period to period, based on the number and timing of restaurant openings.

**General and administrative expenses.** General and administrative expenses include expenses associated with corporate management supervisory functions that support the operations of existing restaurants and development of new restaurants, including compensation and benefits, stock-based compensation, travel expenses, legal and professional fees, marketing costs, information systems, corporate office rent and other related corporate costs. General and administrative expenses are expected to grow as our sales grow, including incremental legal, accounting, insurance and other expenses incurred as a public company including becoming compliant with the requirements of Sarbanes-Oxley and addressing our internal control weaknesses through implementing new accounting systems and hiring additional staff.

**Consulting fees — related party.** Consulting fees include expenses paid to a related party entity, which provides for annual fees of up to 25% of gross revenue in exchange for various consulting services. The related party is 100% owned by an executive officer, the services were for 21 of the restaurants, and such consulting fees were only paid to the extent we had adequate resources. Following the effective date of our IPO, these consulting fees have been were eliminated as services transitioned to us, although corporate general and administrative expenses are expected to increase increased correspondingly.

**Management fees.** Management fees include expenses paid to a related third-party entity, which provides fixed fees for 12 restaurants and a percentage of gross revenue for one restaurant in exchange for management services. Following the IPO, management fees were phased out, although eliminated and corporate general and administrative expenses are expected to increase increased correspondingly.

**Depreciation and amortization - corporate.** These are periodic non-cash charges at the corporate level that consist of depreciation of fixed assets, including equipment, information systems software and capitalized leasehold improvements, if any. Depreciation is determined using the straight-line method over the assets' estimated useful lives, ranging from five to seven years.

**Gain on extinguishment of debt.** During 2021 we entered into PPP Loans that provided for an aggregate loan amount of \$13.5 million. We received notices of loan forgiveness in the amount of \$13.1 million in December 2021 and \$0.4 million in January 2022 related to the PPP Loans. We recorded both sets of loan forgiveness as "Gain on extinguishment of debt" in 2021 and 2022 and do not anticipate receiving additional funds as the program has not been extended under the CARES Act.

**Restaurant revitalization fund grant.** During 2021, we received \$16.8 million under the Restaurant Revitalization Fund, of which \$13.0 million was recognized in income and \$3.8 million was deferred as of December 31, 2022 and September 30, 2023. We do not anticipate receiving additional funds under this program.



**Employee retention credits.** Employee retention credits include refundable credits recognized under the provisions of the CARES Act and extension thereof. During the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, \$0 and \$65 thousand, respectively, of these credits were received and recorded, and during the nine months ended September 30, 2023, and September 30, 2022, \$2.5 million and \$2.6 million, \$1.2 million respectively, of these credits were received and recorded.

**Aborted deferred IPO costs written off.** Costs related to an aborted IPO consist of direct and incremental costs such as accounting, consulting, legal and printing fees that were incurred in connection with an IPO process in which we had planned to register and quote our Common Stock, which we did not complete in 2022 due to market conditions and therefore wrote off the costs incurred through the end of 2022. Market conditions changed in 2023 allowing the process to begin again, with the 2023 IPO costs deferred on the balance sheet in 2023 and charged against stockholder's equity as a reduction of additional paid-in capital at the consummation of the offering just prior to the end of June 2023.

**Other income gain (loss).** Other income gain (loss) consists of one-time legal accruals and other miscellaneous items, items such as the business acquisition of GKBH (a restaurant in Hawaii) during the first quarter of 2024.

**Interest expense, income (expense), net.** Interest expense includes cash and non-cash charges related to our debt outstanding and finance lease obligations. Interest income reflects income earned on deposits and notes receivable.

**Provision for income taxes.** Represents federal, state, and local current and deferred income tax expense (benefit).

**Equity in income of equity method investee.** Equity in income of equity method investee reflects our 50% ownership in a restaurant located in Hawaii that is was accounted for using the equity method. method until the date of acquisition on February 18, 2024.

**Provision for income taxes.** Represents federal, state, and local current and deferred income tax expense.

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## Results of Operations for the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023

The following table presents selected comparative results of operations for the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023. Our financial results for these periods are not necessarily indicative of the financial results that we will achieve in future periods.



(amounts in thousands)	Three months ended September		Increase/(decrease)	
	30,			
	2023	2022	Amount	%
	(unaudited)			
Revenue	\$ 45,564	\$ 42,419	\$ 3,145	7.4 %
Restaurant operating expenses:				
Food cost	14,523	13,954	569	4.1 %
Payroll and benefits	14,444	12,649	1,795	14.2 %
Occupancy expenses	3,772	3,168	604	19.1 %
Operating expenses	4,582	4,159	423	10.2 %
Depreciation and amortization	1,232	1,095	137	12.5 %
Pre-opening Costs	723	437	286	65.4 %
Total restaurant operating expenses	39,276	35,462	3,814	10.8 %
General and administrative	3,802	2,191	1,611	73.5 %
Consulting fees - related party	-	1,320	(1,320)	(100.0)%
Management fees	-	588	(588)	(100.0)%
Depreciation and amortization - corporate	21	9	12	133.3 %
Total costs and expenses	43,099	39,570	3,529	8.9 %
Income from operations	2,465	2,849	(384)	(13.5)%
Employee retention credits	—	64	(64)	(100.0)%
Other income (loss)	—	(6)	6	(100.0)%
Interest expense, net	190	(203)	393	(193.6)%
Equity in income of equity method investee	53	70	(17)	(24.3)%
Income before income taxes	2,708	2,774	(66)	(2.4)%
Provision for income taxes	(74)	—	(96)	—
Net income	2,634	2,774	(140)	(5.0)%
Net Income attributable to noncontrolling interest	2,297	387	1,910	493.5 %
Net income attributable to GEN Restaurant Group, Inc.	\$ 337	\$ 2,387	\$ (2,050)	(85.9)%

(amounts in thousands)	Three months ended March 31,		Increase/(decrease)	
	2024	2023	Amount	%
	(unaudited)			
Revenue	\$ 50,760	\$ 43,862	\$ 6,898	15.7 %
Restaurant operating expenses:				



Food cost	16,968	14,305	2,663	18.6 %
Payroll and benefits	16,152	13,652	2,500	18.3 %
Occupancy expenses	4,293	3,432	861	25.1 %
Operating expenses	5,098	4,126	972	23.6 %
Depreciation and amortization	1,537	1,113	424	38.1 %
Pre-opening costs	1,901	519	1,382	266.3 %
Total restaurant operating expenses	45,949	37,147	8,802	23.7 %
General and administrative	4,674	2,055	2,619	127.4 %
Consulting fees - related party	—	880	(880)	(100.0) %
Management fees	—	588	(588)	(100.0) %
Depreciation and amortization - corporate	29	18	11	61.1 %
Total costs and expenses	50,652	40,688	9,964	24.5 %
Income from operations	108	3,174	(3,066)	(96.6) %
Employee retention credits	—	1,165	(1,165)	(100.0) %
Gain on remeasurement of previously held interest	3,402	—	3,402	100.0 %
Interest income (expense), net	276	(189)	465	(246.0) %
Equity in income of equity method investee	(17)	381	(398)	(104.5) %
Income before income taxes	3,769	4,531	(762)	(16.8) %
Provision for income taxes	(71)	—	(71)	100.0 %
Net income	3,698	4,531	(833)	(18.4) %
Net Income attributable to noncontrolling interest	3,202	397	2,805	706.5 %
Net income attributable to GEN Restaurant Group, Inc.	\$ 496	\$ 4,134	\$ (3,638)	(88.0) %

	% of Revenue	
	Three months ended September 30,	
	2023	2022
	(unaudited)	
Revenue	100.0 %	100.0 %
Restaurant operating expenses:		



Food cost	31.9 %	32.9 %
Payroll and benefits	31.7 %	29.8 %
Occupancy expenses	8.3 %	7.5 %
Operating expenses	10.1 %	9.8 %
Depreciation and amortization	2.7 %	2.6 %
Pre-opening Costs	1.6 %	1.0 %
Total restaurant operating expenses	86.2 %	83.6 %
General and administrative	8.3 %	5.2 %
Consulting fees - related party	0.0 %	3.1 %
Management fees	0.0 %	1.4 %
Depreciation and amortization - corporate	0.0 %	0.0 %
Total costs and expenses	94.6 %	93.3 %
Income from operations	5.4 %	6.7 %
Employee retention credits	0.0 %	0.2 %
Other income (loss)	0.0 %	0.0 %
Interest expense, net	0.4 %	(0.5) %
Equity in income of equity method investee	0.1 %	0.2 %
Income before income taxes	5.9 %	6.5 %
Provision for income taxes	(0.2) %	0.0 %
Net income	5.8 %	6.5 %
Net Income attributable to noncontrolling interest	5.0 %	0.9 %
Net income attributable to GEN Restaurant Group, Inc.	0.7 %	5.6 %

	% of Revenue	
	Three Months Ended March 31,	
	2024	2023
	(unaudited)	
Revenue	100.0 %	100.0 %
Restaurant operating expenses:		
Food cost	33.4 %	32.6 %



Payroll and benefits	31.8 %	31.1 %
Occupancy expenses	8.5 %	7.8 %
Operating expenses	10.0 %	9.4 %
Depreciation and amortization	3.0 %	2.5 %
Pre-opening costs	3.7 %	1.2 %
Total restaurant operating expenses	90.5 %	84.7 %
General and administrative	9.2 %	4.7 %
Consulting fees - related party	0.0 %	2.0 %
Management fees	0.0 %	1.3 %
Depreciation and amortization - corporate	0.1 %	0.0 %
Total costs and expenses	99.8 %	92.8 %
Income from operations	0.2 %	7.2 %
Employee retention credits	0.0 %	2.7 %
Gain on remeasurement of previously held interest	6.7 %	0.0 %
Interest income (expense), net	0.5 %	(0.4) %
Equity in income of equity method investee	(0.0) %	0.9 %
Income before income taxes	7.4 %	10.3 %
Provision for income taxes	(0.1) %	0.0 %
Net income	7.3 %	10.3 %
Net Income attributable to noncontrolling interest	6.3 %	0.9 %
Net income attributable to GEN Restaurant Group, Inc.	1.0 %	9.4 %

**Revenues.** Revenues were \$45.6 million \$50.8 million for the three months ended September 30, 2023 March 31, 2024, compared to \$42.4 million \$43.9 million for the three months ended September 30, 2022 March 31, 2023, an increase of \$3.1 million \$6.9 million, or 7.4% 15.7%. This reflects revenue increases due largely to price increases in lunch and dinner menus in late 2022, as well as having 30 39 restaurants open in the three months ended September 30, 2022 March 31, 2024 compared to 34 31 restaurants open in the three months ended September 30, 2023 March 31, 2023.

**Food costs.** Food costs were \$14.5 million \$17.0 million for the three months ended September 30, 2023 March 31, 2024, compared to \$14.0 million \$14.3 million for the three months ended September 30, 2022 March 31, 2023, an increase of \$0.5 million \$2.7 million, or 4.1% 18.6%. The increase in food costs reflects more restaurants in operation and inflationary cost increases. As a percentage of revenue, food costs decreased increased from 32.9% 32.6% to 31.9% 33.4%.

**Payroll and benefits.** Payroll and benefits costs were \$14.4 million \$16.2 million for the three months ended September 30, 2023 March 31, 2024, compared to \$12.7 million \$13.7 million for the three months ended September 30, 2022 March 31, 2023, an increase of \$1.8 million \$2.5 million, or 14.2% 18.3%. The increase in payroll and benefits costs



reflects the staffing needed to support the higher customer volumes from new and existing restaurants as well as inflationary payroll increases. As a percentage of revenue, payroll and benefits costs increased from 29.8% 31.1% to 31.7% 31.8%.

*Occupancy expenses.* Occupancy expenses were \$3.8 million \$4.3 million for the three months ended September 30, 2023 March 31, 2024 compared to \$3.2 million \$3.4 million for the three months ended September 30, 2022 March 31, 2023, an increase of \$0.6 million \$0.9 million, or 19.1% 25.1%. The increase in occupancy expenses reflects the addition of four eight new locations, two of which were in higher rent geographies. locations. As a percentage of revenue, occupancy expenses were 8.3% 8.5% in the three months ended September 30, 2023 March 31, 2024 compared to 7.5% 7.8% in the three months ended September 30, 2022 March 31, 2023.

*Operating expenses.* Operating expenses were \$4.6 million \$5.1 million for the three months ended September 30, 2023 March 31, 2024 compared to \$4.2 million \$4.1 million for the three months ended September 30, 2022 March 31, 2023, an increase of \$0.4 million \$1.0 million, or 10.2% 23.6%, as expenses increased to support the revenue growth and reflected inflationary cost increases. As a percentage of revenue, operating expenses were 10.1% 10.0% in the three months ended September 30, 2023 March 31, 2024 and 9.8% 9.4% in the three months ended September 30, 2022 March 31, 2023.

*Depreciation and amortization expenses.* Depreciation and amortization expenses were \$1.2 million \$1.5 million for the three months ended September 30, 2023 March 31, 2024 and \$1.1 million for the three months ended September 30, 2022 March 31, 2023. As a percentage of revenue, depreciation and amortization expenses at the restaurant-level were 2.7% 3.0% during the three months ended September 30, 2023 March 31, 2024 and 2.6% 2.5% during the three months ended September 30, 2022 March 31, 2023, with the decrease due increase related to increased revenue. more stores in operation.

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*Pre-opening costs.* Pre-opening costs were \$0.7 million \$1.9 million for the three months ended September 30, 2023 March 31, 2024 compared to \$0.4 million \$0.5 million for the three months ended September 30, 2022 March 31, 2023. This increase was due to more restaurants under development in 2023 2024 than in 2022. 2023.

*General and administrative expenses.* General and administrative expenses were \$3.8 million \$4.7 million for the three months ended September 30, 2023 March 31, 2024 compared to \$2.1 million for the three months ended September 30, 2022 March 31, 2023, an increase of \$1.6 million \$2.6 million, or 73.5% 127.4%. As a percentage of revenue, general



and administrative expenses increased from 5.2% 4.7% for the three months ended September 30, 2022, March 31, 2023 to 8.3% 9.2% for the three months ended September 30, 2023 March 31, 2024 as costs shifted post-IPO from consulting and management fees previously paid to related parties. parties and additional costs were incurred to operate as a public company.

*Consulting fees - related party.* Consulting fees were \$0 for the three months ended September 30, 2023 March 31, 2024 compared to \$1.3 million \$0.9 million for the three months ended September 30, 2022, a decrease of \$1.3 million or 100% March 31, 2023. These fees were eliminated following the IPO.

*Management Fees.* Management fees were \$0 million for the three months ended September 30, 2023 March 31, 2024 and \$0.6 million for the three months ending September 30, 2022 March 31, 2023. This includes expenses paid to a related third-party entity, which consist of fixed fees for twelve restaurants and a percentage of gross revenue for one restaurant in exchange for management services. These fees were eliminated following the IPO.

*Employee retention credits.* During the three months ended September 30, 2023 March 31, 2024, we did not receive employee retention credits from the IRS, compared to \$64 thousand \$1.2 million received in the three months ended September 30, 2022 March 31, 2023.

*Other income gain (loss).* During the three months ended September 30, 2023 miscellaneous expenses were zero. March 31, 2024 other gain represented the gain on the previously held equity interest. In the three months ended September 30, 2022 March 31, 2023 we did not have other loss was \$6 thousand. gain (loss).

*Interest expense, income (expense), net.* During the three months ended September 30, 2023 March 31, 2024, interest expense, income (expense), net was \$190 \$276 thousand in income compared to \$203 \$189 thousand in expense during the three months ended September 30, 2022 March 31, 2023. The increase in net interest income was primarily due to the interest income earned on the proceeds from the IPO transaction.

*Equity in income of equity method investee.* Equity in income of equity method investee was a gain loss of \$53 \$17 thousand during the three months ended September 30, 2023 March 31, 2024 compared to \$70 thousand \$0.4 million during the three months ended September 30, 2022 March 31, 2023. During February 2024, the remaining ownership interest in GKBH was acquired and operations were consolidated as of the date of acquisition, February 18, 2024.

Results of Operations for the nine months ended September 30, 2023 and September 30, 2022

The following table presents selected comparative results of operations for the nine months ended September 30, 2023 and September 30, 2022. Our financial results for these periods are not necessarily indicative of the financial results that we will achieve in future periods.

Nine Months Ended September	Increase/(decrease)
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(amounts in thousands)	30,			
	2023	2022	Amount	%
	(unaudited)			
Revenue	\$ 135,899	\$ 122,880	\$ 13,019	10.6 %
Restaurant operating expenses:				
Food cost	43,614	40,968	2,646	6.5 %
Payroll and benefits	42,419	36,128	6,291	17.4 %
Occupancy expenses	10,876	9,051	1,825	20.2 %
Operating expenses	13,007	11,178	1,829	16.4 %
Depreciation and amortization	3,476	3,234	242	7.5 %
Pre-opening Costs	2,123	975	1,148	117.7 %
Total restaurant operating expenses	115,515	101,534	13,981	13.8 %
General and administrative	7,815	5,720	2,095	36.6 %
Consulting fees - related party	2,325	4,897	(2,572)	(52.5)%
Management fees	1,176	1,745	(569)	(32.6)%
Depreciation and amortization - corporate	58	24	34	141.7 %
Total costs and expenses	126,889	113,920	12,969	11.4 %
Income from operations	9,010	8,960	50	0.6 %
Gain on extinguishment of PPP debt	—	387	(387)	(100.0)%
Employee retention credits	2,483	2,583	(100)	(3.9)%
Other income (loss)	(7)	(854)	847	(99.2)%
Interest expense, net	(206)	(440)	234	(53.2)%
Equity in income of equity method investee	520	921	(401)	(43.5)%
Income before income taxes	11,800	11,557	243	2.1 %
Provision for income taxes	(171)	0	(171)	—
Net income	11,629	11,557	72	0.6 %
Net Income attributable to noncontrolling interest	3,198	1,067	2,131	199.7 %
Net income attributable to GEN Restaurant Group, Inc.	\$ 8,431	\$ 10,490	\$ (2,059)	(19.6)%

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	% of Revenue	
	Nine Months Ended September 30,	
	2023	2022
	(unaudited)	



Revenue	100.0 %	100.0 %
Restaurant operating expenses:		
Food cost	32.1 %	33.3 %
Payroll and benefits	31.2 %	29.4 %
Occupancy expenses	8.0 %	7.4 %
Operating expenses	9.6 %	9.1 %
Depreciation and amortization	2.6 %	2.6 %
Pre-opening Costs	1.6 %	0.8 %
Total restaurant operating expenses	85.0 %	82.6 %
General and administrative	5.7 %	4.7 %
Consulting fees - related party	1.7 %	4.0 %
Management fees	0.9 %	1.4 %
Depreciation and amortization - corporate	0.0 %	0.0 %
Total costs and expenses	93.4 %	92.7 %
Income from operations	6.6 %	7.3 %
Gain on extinguishment of PPP debt	0.0 %	0.3 %
Employee retention credits	1.8 %	2.1 %
Other income (loss)	0.0 %	(0.7) %
Interest expense, net	(0.2) %	(0.4) %
Equity in income of equity method investee	0.4 %	0.7 %
Income before income taxes	8.7 %	9.4 %
Provision for income taxes	(0.1) %	0.0 %
Net income	8.6 %	9.4 %
Net Income attributable to noncontrolling interest	2.4 %	0.9 %
Net income attributable to GEN Restaurant Group, Inc.	6.2 %	8.5 %

**Revenues.** Revenues were \$135.9 million for the nine months ended September 30, 2023, compared to \$122.9 million for the nine months ended September 30, 2022, an increase of \$13.0 million, or 10.6%. This reflects revenue increases at comparable stores due largely to price increases in lunch and dinner menus in late 2022, as well as having four more restaurants open for at least a portion of the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022.

**Food costs.** Food costs were \$43.6 million for the nine months ended September 30, 2023, compared to \$41.0 million for the nine months ended September 30, 2022, an increase of \$2.6 million, or 6.5%. The increase in food costs reflects more restaurants in operation and inflationary cost increases. As a percentage of revenue, food costs declined from 33.3% to 32.1%.



*Payroll and benefits.* Payroll and benefits costs were \$42.4 million for the nine months ended September 30, 2023, compared to \$36.1 million for the nine months ended September 30, 2022, an increase of \$6.3 million, or 17.4%. The increase in payroll and benefits costs reflects the staffing needed to support the higher customer volumes from new and existing restaurants as well as inflationary payroll increases. As a percentage of revenue, payroll and benefits costs increased from 29.4% to 31.2%.

*Occupancy expenses.* Occupancy expenses were \$10.9 million for the nine months ended September 30, 2023 compared to \$9.1 million for the nine months ended September 30, 2022, an increase of \$1.8 million, or 20.2%. The increase in occupancy expenses reflects the addition of four new locations, two of which were in higher rent geographies. As a percentage of revenue, occupancy expenses were 8.0% in the nine months ended September 30, 2023 compared to 7.4% in the nine months ended September 30, 2022.

*Operating expenses.* Operating expenses were \$13.0 million for the nine months ended September 30, 2023 compared to \$11.2 million for the nine months ended September 30, 2022, an increase of \$1.8 million, or 16.4%, as expenses increased to support the revenue growth and reflected inflationary cost increases. As a percentage of revenue, operating expenses were 9.6% in the nine months ended September 30, 2023 and 9.1% in the nine months ended September 30, 2022.

*Depreciation and amortization expenses.* Depreciation and amortization expenses were \$3.5 million for the nine months ended September 30, 2023, compared to \$3.2 million for the nine months ended September 30, 2022, an increase of \$0.3 million, or 7.5%. As a percentage of revenue, depreciation and amortization expenses at the restaurant-level were 2.6% for both the nine months ended September 30, 2023 and September 30, 2022.

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*Pre-opening costs.* Pre-opening costs were \$2.1 million for the nine months ended September 30, 2023 compared to \$1.0 million for the nine months ended September 30, 2022. This increase was due to more restaurants under development in 2023 than in 2022.

*General and administrative expenses.* General and administrative expenses were \$7.8 million for the nine months ended September 30, 2023 compared to \$5.7 million for the nine months ended September 30, 2022, an increase of \$2.1 million, or 36.6%. The increase is largely due to hiring employees to support higher restaurant volume and new restaurant development and the shifting of costs, post IPO, from consulting and management fees previously paid to related parties. As a percentage of revenue, general and administrative expenses increased from 4.7% for the nine months ended September 30, 2022 to 5.7% for the nine months ended September 30, 2023.

*Consulting fees - related party.* Consulting fees were \$2.3 million for the nine months ended September 30, 2023 compared to \$4.9 million for the nine months ended September 30, 2022, a decrease of \$2.6 million or 52.5%. These fees were eliminated in the third quarter of 2023, following the IPO.



**Management Fees.** Management fees were \$1.2 million for the nine months ended September 30, 2023 and \$1.8 million for the nine months ended September 30, 2022. This includes expenses paid to a third-party entity, which consist of fixed fees for twelve restaurants and a percentage of gross revenue for one restaurant in exchange for management services. These fees were eliminated in the third quarter of 2023, following the IPO.

**Gain on extinguishment of debt.** During the nine months ended September 30, 2022 we received loan forgiveness from the SBA related to the PPP Loans in the amount of \$0.4 million. We do not anticipate receiving additional funds under this program.

**Employee retention credits.** During both the nine month periods ended September 30, 2023 and September 30, 2022 we received employee retention credits from the IRS in the amount of \$2.5 million.

**Other income (loss).** During the nine months ended September 30, 2023 miscellaneous expenses were negligible. In the nine months ended September 30, 2022 other income (loss) was \$848 thousand, largely reflecting a one-time charge for settlement of a long-standing legal dispute.

**Interest expense, net.** During the nine months ended September 30, 2023, interest expense, net was \$206 thousand compared to \$440 thousand during the nine months ended September 30, 2022. The decrease in net interest expense was due to the increase in interest income on higher cash balances since the IPO.

**Equity in income of equity method investee.** Equity in income of equity method investee was a gain of \$0.5 million during the nine months ended September 30, 2023 compared to \$0.9 million during the nine months ended September 30, 2022.

## Non-GAAP Financial Measures

### **Adjusted EBITDA and Adjusted EBITDA Margin**

Adjusted EBITDA represents net income excluding interest expense, income taxes, depreciation and amortization, and we also exclude non-recurring items, such as gain on extinguishment of debt, RRF grants, consulting fees paid to a related party, employee retention credits, litigation accruals, aborted deferred IPO costs written off, non-cash lease expense and non-cash lease expense related to pre-opening costs. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue. We believe that Adjusted EBITDA and Adjusted EBITDA Margin provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and operating results, as these measure depict normal recurring cash operating expenses essential to supporting the operations of our company. We expect Adjusted EBITDA to increase with the number of new restaurants we open and with comparable restaurant sales growth.

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The following table reconciles net income to Adjusted EBITDA for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

(amounts in thousands)	Three months ended September		Nine months ended September		Three months ended March 31,	
	30,		30,			
	2023	2022	2023	2022		
	(unaudited)		(unaudited)			
EBITDA:						
Net income	2,6	2,77	11,	11,5		
	\$ 34	\$ 4	\$ 629	\$ 57	\$ 3,698	\$ 4,531
Net Income Margin	5.8%	6.5%	8.6%	9.4%	7.3%	10.3%
Interest expense, net	(19					
	0)	203	206	440		
Interest income						
(expense), net					(276)	189
Provision for income						
taxes	74	—	171	—	71	—
Depreciation and	1,2	1,10	3,5	3,25		
amortization	53	4	34	8	1,566	1,131
EBITDA	3,7	4,08	15,	15,2		
	\$ 71	\$ 1	\$ 540	\$ 55	\$ 5,059	\$ 5,851
EBITDA Margin			11.			
	8.3%	9.6%	4%	12.4%	10.0%	13.3%
Adjustments to						
EBITDA:						
EBITDA	3,7	4,08	15,	15,2		
	\$ 71	\$ 1	\$ 540	\$ 55	\$ 5,059	\$ 5,851
Stock-based						
compensation expense						
(1)	759	—	759	—	759	—
Gain on extinguishment				(38		
of debt (2)	—	—	—	7)		



Consulting fees - related party (3)	1,32	2,3	4,89			
	—	0	25	7		
Employee retention credits (4)		(2,4	(2,5			
	—	(64)	83)	83)		
Litigation accrual (5)	—	—	—	850		
Non-cash lease expense (6)	144	77	303	207		
Non-cash lease expense related to pre-opening costs (7)	338	437	763	916		
Consulting fees - related party (2)					—	880
Employee retention credits (3)					—	(1,165)
Non-cash lease expense (4)					184	60
Non-cash lease expense related to pre-opening costs (5)					364	219
<b>Adjusted EBITDA</b>	<b>5,0</b>	<b>5,85</b>	<b>17,</b>	<b>19,1</b>		
	<b>\$ 12</b>	<b>\$ 1</b>	<b>\$ 207</b>	<b>\$ 55</b>	<b>\$ 6,366</b>	<b>\$ 5,845</b>
<b>Adjusted EBITDA</b>	<b>11.</b>		<b>12.</b>			
<b>Margin</b>	<b>0 %</b>	<b>13.8 %</b>	<b>7 %</b>	<b>15.6 %</b>	<b>12.5 %</b>	<b>13.3 %</b>

- (1) Stock-based compensation expense: During the third first quarter of 2023, 2024 we incurred expenses related to the granting of Restricted Stock Units ("RSUs") to employees.
- (2) Gain on extinguishment of debt: In the first quarter of 2022, we received loan forgiveness from the SBA related to the PI Loans in the amount of \$0.4 million. We do not anticipate receiving additional funds as the program has not been extended under the CARES Act.
- (3) Consulting fees—related party: These costs ended following the completion of the IPO.
- (4)(3) Employee retention credits: These are refundable credits recognized under the provisions of the CARES Act.
- (5) Litigation accruals: This is an accrual in 2022 related to a specific, one-time, litigation claim.
- (6)(4) Non-cash lease expense: This reflects the extent to which lease expense is greater than or less than contractual rent.
- (7)(5) Non-cash lease expense related to pre-opening costs: Cost for stores in development in which the lease expense is greater than the contractual rent.



**Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin**

We define Restaurant-Level Adjusted EBITDA as Income from operations plus adjustments to add-back the following expenses: depreciation and amortization, pre-opening costs, general and administrative expense, related party consulting fees, management fees and non-cash lease expense. We define Restaurant-Level Adjusted EBITDA Margin as Restaurant-Level Adjusted EBITDA divided by revenue.

As with Adjusted EBITDA and Adjusted EBITDA Margin, we believe that Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and operating results, as these measure depicts measures depict normal, recurring cash operating expenses essential to supporting the operations of our restaurants. We expect Restaurant-Level Adjusted EBITDA to increase in proportion to the number of new restaurants we open and with our comparable restaurant sales growth.

However, you should be aware that Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin are financial measures that are not indicative of overall results for our company, and Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin do not accrue directly to the benefit of stockholders because of corporate-level and non-cash expenses excluded from such measures.

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The following table reconciles Income from Operations to Restaurant-Level Adjusted EBITDA for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023:

(amounts in thousands)	Three months ended September 30,				Nine months ended September 30,				Three months ended March 31,			
	2023		2022		2023		2022		2024		2023	
	(unaudited)		(unaudited)		(unaudited)		(unaudited)		(unaudited)		(unaudited)	
Income from Operations	2,46	2,84	9,01	8,96								
	\$ 5	\$ 9	\$ 0	\$ 0					\$ 108	\$	3,174	
Income Margin from Operations	5.4 %	6.7 %	6.6 %	7.3 %					0.2 %		7.2 %	



Depreciation and amortization	1,253	1,104	3,534	3,258	1,566	1,131
Pre-opening costs	723	437	2,123	975	1,901	519
General and administrative	3,802	2,191	7,815	5,720	4,674	2,055
Consulting fees - related party	-	1,320	2,325	4,897	—	880
Management Fees	-	588	1,176	1,745	—	588
Non-cash lease expense	144	77	303	207	184	60
<b>Restaurant-Level Adjusted EBITDA</b>	<b>\$ 8,387</b>	<b>\$ 8,564</b>	<b>\$ 26,234</b>	<b>\$ 25,707</b>	<b>\$ 8,433</b>	<b>\$ 8,407</b>
<b>Restaurant-Level Adjusted EBITDA Margin</b>	<b>18.4 %</b>	<b>20.3 %</b>	<b>19.3 %</b>	<b>21.0 %</b>	<b>16.6 %</b>	<b>19.2 %</b>

Adjusted EBITDA, Adjusted EBITDA Margin, Restaurant-Level Adjusted EBITDA, and Restaurant-Level Adjusted EBITDA Margin are non-GAAP measures intended as supplemental measures of our performance and are neither required by, nor presented in accordance with GAAP. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our computation of Adjusted EBITDA, Adjusted EBITDA Margin, Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin may not be comparable to other similarly titled measures presented by other companies, because all companies may not calculate Adjusted EBITDA, Adjusted EBITDA Margin, Restaurant-Level Adjusted EBITDA, and Restaurant-Level Adjusted EBITDA Margin in the same fashion. These non-U.S. GAAP non-GAAP financial measures have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP.

## Liquidity and Capital Resources

As of September 30, 2023 March 31, 2024 we had \$32.1 million \$28.1 million of cash and \$10.9 million \$(1.6) million of working capital, which is calculated as current assets minus current liabilities, compared with \$11.2 million of \$32.6 million in cash and (\$22.5) million \$5.5 million of working capital as of December 31, 2022 December 31, 2023. On June 30, 2023, we completed the IPO of 4,140,000 shares of Class A common stock. The public offering prices of the shares sold in the IPO was \$12.00 per share, resulting in aggregate net proceeds to us of approximately \$46.2 million after deducting the underwriting discounts and commission and offering expenses payable by us.

Our primary uses of cash are for operational expenditures and capital investments, including new restaurants, costs incurred for restaurant remodels and restaurant equipment and fixtures. There is no guarantee that if we need to raise any



additional capital that we will be able to do so.

Prior to the IPO certain companies within GEN Restaurant Group made distributions to their members, which impacted our cash position upon completion of the IPO. The operating agreements of most of the companies within GEN Restaurant Group, as separate private entities prior to the Reorganization, mandate annual or quarterly distributions of available cash and/or tax distributions in an amount sufficient to allow members to pay taxes on income allocated to them. We determined the amount of these distributions based on the operating cash flow of each such entity. During the year ended December 31, 2022, an aggregate of \$29.5 million of distributions were made, and during the nine months ended September 30, 2023, an aggregate of \$26.5 million of distributions were made.

We believe that cash provided by operating activities and cash on hand will be sufficient to fund our lease obligations, capital expenditures and working capital needs for at least the next 12 months.

Upon the IPO transaction, GEN Inc. became a holding company with no operations of its own. Accordingly, GEN Inc. will be dependent on distributions from GEN LLC to pay its taxes, its obligations under the Tax Receivable Agreement and other expenses.

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In connection with the Reorganization, certain members of GEN LLC received the right to receive future payments pursuant to the Tax Receivable Agreement. The amount payable under the Tax Receivable Agreement will be based on an annual calculation of the reduction in our U.S. federal, state and local taxes resulting from the utilization of certain tax benefits resulting from sales and exchanges by certain members of GEN LLC. We expect that payments that we may be required to make under the Tax Receivable Agreement may be substantial. Assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize all tax benefits that are subject to the Tax Receivable Agreement, we expect that the reduction in tax payments for us associated with the federal, state and local tax benefits described above would aggregate to approximately \$117.2 million through 2037. Under such scenario we would be required to pay certain members of GEN LLC 85% of such amount, or \$99.6 million through 2037.

The actual amounts may materially differ from these hypothetical amounts as potential future reductions in tax payments for us and Tax Receivable Agreement payments by us will be calculated using prevailing tax rates applicable to us over the life of the Tax Receivable Agreement and will be dependent on us generating sufficient future taxable income to realize the benefit.



We cannot reasonably estimate future annual payments under the Tax Receivable Agreement given the difficulty in determining those estimates as they are dependent on a number of factors, including the extent of exchanges by continuing GEN LLC unitholders, the associated fair value of the underlying GEN LLC units at the time of those exchanges, the tax rates applicable, our future income, and the associated tax benefits that might be realized that would trigger a Tax Receivable Agreement payment requirement.

However, a significant portion of any potential future payments under the Tax Receivable Agreement is anticipated to be payable over 15 years, consistent with the period over which the associated tax deductions would be realized by GEN Inc., assuming GEN LLC generates sufficient income to utilize the deductions. If sufficient income is not generated by GEN LLC, the associated taxable income of GEN Inc. will be impacted and the associated tax benefits to be realized will be limited, thereby similarly reducing the associated Tax Receivable Agreement payments to be made. Given the length of time over which payments would be payable, the impact to liquidity in any single year may be greatly reduced.

### Summary of Cash Flows

Our primary sources of liquidity are operating cash flows, cash on hand and debt borrowings. We use these sources to fund expenditures for new restaurant openings, reinvest in our existing restaurants, and increase our working capital. Our working capital position benefits from the fact that we generally collect cash from sales to guests the same day, or in the case of credit or debit card transactions, within several days of the related sale, and we typically have at least 30 days to pay our vendors.

The following table summarizes our cash flows for the periods presented:

	Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2024	2023
(amounts in thousands)	(unaudited)			
<b>Summary of Cash Flows</b>				
Net cash provided by operating activities	\$ 13,486	\$ 13,779	\$ 3,514	\$ 2,790
Net cash provided by investing activities	1,388	7,690		
Net cash provided by (used in) financing activities	6,080	(22,355)		
Net cash used in investing activities			(7,076)	(4,908)
Net cash (used in) provided by financing activities			(947)	698

### Cash Provided by Operating Activities

Net cash provided by operating activities during the nine three months ended September 30, 2023 March 31, 2024 was \$13.5 million \$3.5 million, the result of net income of \$11.6 million \$3.7 million, adjusted by non-cash charges of depreciation and amortization of \$3.5 million \$1.6 million, amortization of operating lease assets of \$3.5 million and \$1.3 million, stock-based compensation of \$0.8 million and a reduction related to the gain on the acquisition of the remaining



ownership interest in GKBH. The net cash outflows from changes in operating assets and liabilities were collectively a decrease of \$41 thousand.

Net cash provided by operating activities during the three months ended March 31, 2023 was \$2.8 million, offset the result of net income of \$4.5 million, adjusted by non-cash charges of depreciation and amortization of \$1.1 million, and amortization of operating lease assets of \$1.1 million, and net cash outflows of approximately \$5.9 million \$3.9 million from changes in operating assets and liabilities. The net cash outflows from changes in operating assets and liabilities were primarily the result of an increase a decrease of \$3.0 million in accounts payable, of \$2.8 million, an increase \$1.1 million in prepaid expenses of \$2.0 million accrued salaries and an increase benefits and \$1.0 million in operating lease liabilities, of \$2.5 million.

Net cash provided by operating activities during the nine months ended September 30, 2022 was \$13.8 million, the result of net income of \$11.6 million, adjusted by non-cash charges of depreciation and amortization of \$3.3 million, and amortization of operating lease assets of \$2.6 million, offset partially offset by net cash outflows from changes in operating assets and liabilities. The net cash outflows from changes in operating assets and liabilities were primarily due to a \$3.0 million increase in inventories and adjustments to operating lease assets and liabilities resulting from the adoption of ASC 842, offset by a \$1.7 million increase \$1.2 million decrease in accounts payable. inventories.

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### **Cash Flows Provided by Used in Investing Activities**

Net cash provided by used in investing activities during the nine three months ended September 30, 2023 March 31, 2024 was \$1.4 million \$7.1 million, reflecting \$10.9 million \$4.1 million for the purchase of property and equipment and \$3.0 million of payment for the acquisition of the remaining ownership interest in GKBH.

Net cash used in investing activities during the recovery of net proceeds from three months ended March 31, 2023 was \$4.9 million, reflecting \$2.1 million in advances made to a related party partially offset by \$9.5 million for the purchase of property and equipment.

Net cash provided by investing activities during the nine months ended September 30, 2022 was \$7.7 million, reflecting \$13.5 million in the recovery of advances made to a related party, partially offset by \$5.8 million \$2.8 million for the purchase of property and equipment.



## Cash Flows (Used in) Provided by (Used in) Financing Activities

Net cash used in financing activities during the three months ended March 31, 2024 was \$0.9 million, primarily due to payment to members for advances of \$0.9 million.

Net cash provided by financing activities during the nine three months ended September 30, 2023 March 31, 2023 was \$6.1 million \$0.7 million, primarily due to \$46.2 million \$3.0 million in proceeds advances from the issuance of Class A common stock members, \$1.3 million in the IPO, offset partially by \$26.5 million in member distributions.

Net cash used in financing activities during the nine months ended September 30, 2022 was \$22.4 million, reflecting \$27.6 million in net distributions to members and \$8.0 million in payments made on related party loans. These were partially offset by proceeds from third party loans of \$7.9 million, \$2.7 million from PPP and EIDL \$0.5 million in related party loans, largely offset by \$0.7 million in payments on related party loans and \$2.9 million \$3.1 million in advances from members. member distributions.

## Contractual Obligations

The following table presents our commitments and contractual obligations as of September 30, 2023 March 31, 2024:

	Payments Due by Period as of September 30, 2023					Payments Due by Period as of March 31, 2024				
						Less than				More than
	Total	1 year	1-3 years	3-5 years	5 years					
(amounts in thousands)						(unaudited) (amounts in thousands)				
Operating lease payments (1)	19					\$ 231,761	\$ 8,918	\$ 27,311	\$ 28,578	166,954
	0,3	2,40	21,8	22,7	143,					
Finance lease payments (2)	\$ 31	\$ 8	\$ 55	\$ 36	\$ 332					
	17									
Notes payable (3)	8	40	138	—		88	88	0	—	
	4,7				4,00					
Line of credit (4)	51	42	349	358	2	7,674	3,129	368	280	3,897
	-	—	—	—	—					
Notes payable interest (5)	2,9				2,23					
	67	47	364	325	1					
Notes payable - related party (6)	1,0	1,06								
	62	2	—	—	—					



Notes payable interest (4)						2,874	141	344	313	2,076
Notes payable - related party (5)						1,197	1,197	—	—	—
Notes payable - related party interest (6)						127	127	—	—	—
Total Contractual obligations	19									
	9,2	3,59	22,7	23,4	149,					
	\$ 89	\$ 9	\$ 06	\$ 19	\$ 565	\$ 243,721	\$ 13,600	\$ 28,023	\$ 29,171	\$ 172,927

- (1) Represents future minimum lease payments for our restaurant operations and corporate office. Operating lease payer exclude contingent rent payments that may be due under certain of our leases based on a percentage of sales in excess of specified thresholds. See "Note 10—Leases" to the financial statements in this [quarterly report](#) [Quarterly Report](#) for further details.
- (2) Reflects the principal and interest payments during the lease terms. Refer to "Note 10—Leases" to the financial statements included in this [quarterly report](#) [Quarterly Report](#).
- (3) Reflects the principal payment on third party notes. Refer to "Note 8—Notes Payable" to the financial statements included elsewhere in this [quarterly report](#) [Quarterly Report](#).
- (4) Reflects the principal payment on the line of credit. Refer [Interest related](#) to "Note 7—Line of Credit" to the financial statements included in this [quarterly report](#).
- (5) [Interest relates to the](#) notes payable through maturity dates. Refer to "Note 8—Notes Payable" to the financial statements included in this [quarterly report](#) [Quarterly Report](#).
- (6) (5) Reflects the principal payment on related party notes. Refer to "Note 9—Related Party Notes Payable" to the financial statements included in this [quarterly report](#) [Quarterly Report](#).
- (6) [Interest relates to the](#) notes payable to related party through maturity dates. Refer to "Note 9— Related Party Notes Payable" to the financial statements included in this [Quarterly Report](#).

### Off-Balance Sheet Arrangements

As of [September 30, 2023](#) [March 31, 2024](#) and [December 31, 2022](#) [December 31, 2023](#) we did not have any material off-balance sheet arrangements.

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### Critical Accounting Policies and Estimates

Our discussion and analysis of operating results and financial condition are based upon our financial statements. The preparation of our financial statements in accordance with GAAP requires us to make estimates and assumptions that



affect the reported amounts of assets, liabilities, sales, expenses and related disclosures of contingent assets and liabilities. We base our estimates on past

experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis.

Our critical accounting policies are those that materially affect our financial statements and involve subjective or complex judgments by management. Although these estimates are based on management's best knowledge of current events and actions that may impact us in the future, actual results may be materially different from the estimates. We believe the following critical accounting policies are affected by significant judgments and estimates used in the preparation of our financial statements and that the judgments and estimates are reasonable.

### ***Operating and Finance Leases***

Our office leases provide for fixed minimum rent payments. Our restaurant leases provide for fixed minimum rent payments and some require additional contingent rent payments based upon sales in excess of specified thresholds. When achievement of such sales thresholds is deemed probable, contingent rent is accrued in proportion to the sales recognized in the period. For operating leases that include free-rent periods and rent escalation clauses, we recognize rent expense based on the straight-line method. For the purpose of calculating rent expenses under the straight-line method, the lease term commences on the date we obtain control of the property. Lease incentives used to fund leasehold improvements are recognized when earned and reduce the operating right-of-use asset related to the lease. These are amortized through the operating right-of-use asset as reductions of expense over the lease term. Restaurant lease expense is included in occupancy expenses, while office lease expense is included in general and administrative expenses on the accompanying financial statements.

We currently lease all of our restaurant locations, corporate office, and some of the equipment used in our restaurants. On January 1, 2022, we adopted ASU 2016-02, Leases (Topic 842), or "Topic 842", using a modified retrospective approach. See "Note 10—Leases" to the financial statements. At commencement of the lease, we determine the appropriate classification as an operating lease or a finance lease. All of our restaurant and office leases are classified as operating leases and some of our equipment leases are classified as finance leases.

Assets we acquired under finance lease arrangements are recorded at the lower of the present value of future minimum lease payments or fair value of the assets at the inception of the lease. Finance lease assets are amortized over



the shorter of the useful life of the assets or the lease term, and the amortization expense is included in depreciation and amortization on the accompanying financial statements.

### ***Impairment of Long-Lived Assets***

We assess potential impairments of our long-lived assets, which includes property and equipment and operating lease right-of-use assets, in accordance with the provisions of Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, 360—Property, Plant and Equipment. An impairment test is performed on a quarterly basis or whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. In determining the recoverability of the asset value, an analysis is performed at the individual restaurant level. Assets are grouped at the individual restaurant-level for purposes of the impairment assessment because a restaurant represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of an asset group is measured by a comparison of the carrying amount of an asset group to its estimated forecasted restaurant cash flows expected to be generated by the asset group. Factors considered by us in estimating future cash flows include, but are not limited to: significant underperformance relative to expected historical or projected future operating results; significant changes in the manner of use of the acquired assets; and significant negative industry or economic trends. If the carrying amount of the asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset exceeds the fair value of the asset.

No impairment loss was recognized during any of the periods presented.

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### **Emerging Growth Company Status**

We are an “emerging growth company,” as defined in the JOBS Act, and we have taken advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies.” We may take advantage of these exemptions until we are no longer an “emerging growth company.” Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards. We have elected to use the extended transition period for complying with new or revised accounting standards and as a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates. We may take



advantage of these exemptions up until the last day of the fiscal year following the fifth anniversary of our IPO or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company if we have more than \$1.07 billion \$1.235 billion in annual revenue, we have more than \$700.0 million in market value of our stock held by non-affiliates (and we have been a public company for at least 12 months and have filed one annual report on Form 10-K) or we issue more than \$1.0 billion of non-convertible debt securities over a three-year period.

### Recently Adopted Accounting Pronouncements

In April 2020, the staff of the Financial Accounting Standards Board ("FASB") issued a question-and-answer document that stated that entities may elect to account for lease concessions related to the effects of the COVID-19 pandemic as though the rights and obligations for those concessions existed as of the commencement of the contract rather than as a lease modification. Lessees may make the election for any lessor- provided lease concession related to the impact of the COVID-19 pandemic as long as the concession does not result in a substantial increase in the rights of the lessor or in the obligations of the lessee. We have made such election. We have received immaterial rent concessions that did not result in an extension of lease term. As such, this election did not have a material impact on the balance sheets, the statements of operations, statements of stockholders' equity or statements of cash flows.

On September 1, 2019, the FASB issued ASU 2016-02, "Leases (Topic 842)", or Topic 842 or ASC 842 along with related clarifications and improvements. This pronouncement requires lessees to recognize a liability for lease obligations, which represents the discounted obligation to make future lease payments, and a corresponding right-of-use asset on the balance sheet. The guidance requires disclosure of key information about leasing arrangements that is intended to give financial statement users the ability to assess the amount, timing, and potential uncertainty of cash flows related to leases. We adopted this pronouncement for the year beginning after December 31, 2021 using the modified retrospective method to apply the standard as of the effective date of January 1, 2022 and therefore prior period amounts were not adjusted.

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," which is intended to simplify various aspects related to accounting for income taxes. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. ASU 2019-12 was effective for us beginning in fiscal year 2022, although applicability only began after we became a publicly traded C corporation in June 2023.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including receivables. In January 2023, the Company adopted ASU No. 2016-13, and concluded that the adoption of ASC 326 did not have a material impact on the Company's recognition of financial instruments within the scope of the standard.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.



## **Commodity and Food Price Risks**

Our profitability is dependent on, among other things, our ability to anticipate and react to changes in the costs of key operating resources, including food and beverage and other commodities. We have been able to partially

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offset cost increases that have resulted from a number of factors, including market conditions, shortages or interruptions in supply due to weather or other conditions beyond our control and governmental regulations and inflation, by increasing our menu prices as well as making other operational adjustments that increase productivity.

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However, substantial increases in costs and expenses could impact our operating results to the extent that such increases cannot be offset by menu price increases or operational adjustments.

## **Inflation Risk**

The primary areas where inflation impacts our operations are food, beverage, labor and energy costs. Our restaurant operations are subject to federal and state minimum wage and other laws governing such matters as working conditions, overtime and tip credits. Significant numbers of our restaurant personnel are paid at rates related to the federal and/or state minimum wage and, accordingly, increases in the minimum wage increase our labor costs. To the extent permitted by competition and the economy, we have mitigated increased costs by increasing menu prices and may continue to do so if deemed necessary in future years. Substantial increases in costs and expenses could impact our operating results to the extent such increases cannot be passed through to our guests. Historically, until 2022, inflation has not had a material effect on our results of operations. Severe increases in inflation, however, could affect the global and U.S. economies and could have an adverse impact on our business, financial condition or results of operations.

While we have been able to partially offset inflation and other changes in the costs of core operating resources by gradually increasing menu prices, coupled with more efficient purchasing practices, productivity improvements and greater economies of scale, there can be no assurance that we will be able to continue to do so in the future. From time to time, competitive conditions could limit our menu pricing flexibility. In addition, macroeconomic conditions could make additional menu price increases imprudent. There can be no assurance that future cost increases can be offset by increased menu prices or that increased menu prices will be fully absorbed by our guests without any resulting change to their visit



frequencies or purchasing patterns. In addition, there can be no assurance that we will generate sales growth in an amount sufficient to offset inflationary or other cost pressures.

### ***Interest Rate Risk***

The Company is exposed to market interest rates reflected in the line of credit which bears an interest rate at the Wall Street Journal Prime Rate plus 0.25%.

## **Item 4. Controls and Procedures.**

### ***Disclosure Controls and Procedures***

Our management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officers and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined by Rule 13a-15(e) of the Exchange Act) as of the end of period covered by this Quarterly Report on Form 10-Q.

Based on this evaluation, our Chief Executive Officers and Chief Financial Officer have concluded that as of September 30, 2023 March 31, 2024, due to material weaknesses in internal control over financial reporting, that our disclosure controls and procedures were not effective in ensuring that the information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities Exchange Commission and is accumulated and communicated to our management, including our Chief Executive Officers and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The material weaknesses related to (a) a lack of adequate and timely review of accounts and reconciliations by management, primarily due to a large number of accounting journal entries across GEN Restaurant Group's operating entities resulting in material audit adjustments and significant post-closing adjustments and (b) an inadequate design of our information technology controls and inadequate access by members of our finance team, primarily due to our accounting system's open architecture and a lack of segregation of duties within our finance team.

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## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings.**



We are subject to various legal proceedings and claims that arise in the ordinary course of our business. Although the outcome of these and other claims cannot be predicted with certainty, we do not believe the ultimate resolution of the current matters will have a material adverse effect on our business, financial condition, results of operations or cash flows. See “Note 11 - Commitments and Contingencies” to the financial statements in this **quarterly report** **Quarterly Report** for further details.

**Item 1A. Risk Factors.**

Not applicable.

**Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.**

Not applicable.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information**

- (a) None.
- (b) Not applicable.
- (c) None

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**Item 6. Exhibits.**

Furnish the exhibits required by Item 601 of Regulation S-K (§ 229.601 of this chapter).



Exhibit Number	Description
31.1*	<a href="#"><u>Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2*	<a href="#"><u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1*	<a href="#"><u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2*	<a href="#"><u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation With Embedded Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Filed herewith.

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GEN Restaurant Group, Inc.



Date: November 14, 2023 May 14, 2024

By: /s/ David Kim

**David Kim**  
**Co-Chief Executive Officer**  
**(Principal Executive Officer)**

Date: November 14, 2023 May 14, 2024

By: /s/ Jae Chang

**Jae Chang**  
**Co-Chief Executive Officer**  
**(Principal Executive Officer)**

Date: November 14, 2023 May 14, 2024

By: /s/ Thomas V. Croal

**Thomas Croal**  
**Chief Financial Officer**  
**(Principal Financial and Accounting Officer)**

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**Exhibit 31.1**

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David Kim and Jae Chang, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of GEN Restaurant Group, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;



4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report being prepared;
  - (b) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during 1 registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023 May 14, 2024

By: /s/ David Kim  
**David Kim**  
**Co-Chief Executive Officer**

Date: November 14, 2023 May 14, 2024

By: /s/ Jae Chang  
**Jae Chang**  
**Co-Chief Executive Officer**

**Exhibit 31.2**



**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas V. Croal, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of GEN Restaurant Group, Inc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 14, 2023** May 14, 2024

By: /s/ Thomas V. Croal

**Thomas V. Croal**



Exhibit 32.1

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of GEN Restaurant Group, Inc. (the "Company") on Form 10-Q for the period ending **September 30, 2023** **March 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **November 14, 2023** **May 14, 2024**

By: /s/ David Kim

**David Kim**  
**Co-Chief Executive Officer**

Date: **November 14, 2023** **May 14, 2024**

By: /s/ Jae Chang

**Jae Chang**  
**Co-Chief Executive Officer**







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