

Dave & Buster's Entertainment, Inc. (PLAY) Q1 2027 Earnings Call Transcript

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Q1: 2026-06-15 Earnings Summary

Insights



EPS of \$0.22 **misses by \$0.44** | Revenue of \$559.20M (-1.50% Y/Y) **misses by \$19.18M**

Dave & Buster's Entertainment, Inc. ([PLAY](#)) Q1 2027 Earnings Call June 15, 2026 5:00 PM EDT

Company Participants

Cory Hatton - Head of Entertainment Finance, Investor Relations & Treasurer

Tarun Lal - CEO & Director

Darin Harper - Chief Financial Officer

Conference Call Participants

Andrew Barish - Jefferies LLC, Research Division

Sharon Zackfia - William Blair & Company L.L.C., Research Division

Andrew Strelzik - BMO Capital Markets Equity Research

Eric Wold - Texas Capital Securities, Research Division

Brian Vaccaro - Raymond James & Associates, Inc., Research Division

Michael Hickey - The Benchmark Company, LLC, Research Division

Dennis Geiger - UBS Investment Bank, Research Division

Presentation

Operator

Hello, and welcome to the Dave & Buster's Entertainment Inc. First Quarter 2026 Earnings Call. [Operator Instructions]

I'll now turn the conference over to Cory Hatton, VP of Entertainment, Finance, Investor Relations and Treasurer. Please go ahead.

Cory Hatton

Head of Entertainment Finance, Investor Relations & Treasurer

Thank you, operator, and welcome to everyone on the line. Joining me in the room on today's call are Tarun Lal, our Chief Executive Officer; and Darin Harper, our Chief Financial Officer. After our prepared remarks, we will be happy to answer any questions. This call is being recorded on behalf of Dave & Buster's Entertainment, Inc. and is copyrighted.

Before we begin the discussion on our company's first quarter 2026 results, I'd like to call your attention to the fact that in our prepared remarks and responses to questions, certain items may be discussed, which are not entirely based on historical fact. Any of these items should be considered forward-looking statements relating to future events within the meaning of the Private Securities Litigation Reform Act of 1995. All such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Information on these risks and uncertainties have been published in our filings with the SEC, which are available on our website.

In addition, our remarks today will include references to financial measures that are not defined under generally accepted accounting principles. Investors should review the reconciliation of these non-GAAP measures to the comparable GAAP measure contained in our earnings release this afternoon.

And with that, let me turn the call over to our CEO, Tarun.

Tarun Lal

CEO & Director

Thank you, Cory. Good evening, everyone. I first want to speak directly to our Q1 results, which came in below both our own expectations and the expectations we set with you last quarter.

We started the quarter well in February. The spring break calendar shift between March and April played out largely as expected. Of the macro backdrop, elevated gas prices, geopolitical uncertainty and a meaningful softness in consumer sentiment. They all were a real headwind in April.

That said, we are not here to make excuses. We have a resilient business model and expect to be able to navigate these obstacles.

Our same-store sales growth declined 5.4% in the first quarter of fiscal 2026. We found that our dollar per day messaging did not resonate as strongly as we hoped. And since then, we have pivoted to more compelling promotions, which are resonating with customers.

We've also made significant progress in establishing partnerships with IP providers and expect to have exciting entertainment announcements for you in the coming months.

We are making significant progress, but I want to remind you that we are in the early innings and look forward to providing updates as soon as possible. We have seen improvement in quarter-to-date in the second quarter despite unfavorable weather with comps down approximately 4%. We remain confident in our ability to continue improving in the back half of the quarter. We're extremely excited about our summer offerings, including our new game rollout and the World Cup watch activation, which kicked off last Thursday.

After nearly a year fully immersed in this business, I remain extremely confident in our ability to dramatically improve operating results. Over the past several years, we have shifted from the core elements that historically drove our success, investment in games, F&B, marketing and operational excellence. We are systematically restoring each of these pillars now.

We've also significantly strengthened our leadership team. In just the last month, we've added top caliber executives. Our Chief Marketing Officer in Jeremy Tucker, who joins us from AutoNation, Planet Fitness, Walt Disney and Spin Master. Our Chief Technology and Digital Officer in Kevin Fish, who joins us from Wingstop. And our Chief Legal Officer in Rachel Morgan, who joins us from Nexstar.

We're equally focused on field operations and culture because we know exceptional execution and guest experience traffic and sales. With that in mind, I'm delighted to share that we will be announcing a new COO by next week.

Now we have the right strategy, the right team and the right business model to create meaningful value for our guests and our shareholders.

Our priorities this year remain clear: turn same-store sales sustainably positive and generate meaningful free cash flow. This management team is highly confident we will generate positive comparable store sales growth in the remainder of the year, driving revenue and adjusted EBITDA growth and more than \$100 million in free cash flow for the full year.

Let me now provide an update on each pillar of our Back to Basics strategy. First, on marketing, we are rebuilding our strategy around discipline, a simplified promotional calendar, data-driven media mix modeling and an optimized balance between TV and digital.

Getting the right message to the right audience at the right time is 1 of our biggest opportunities to improve traffic, sales and EBITDA. Our priority is rebuilding brand consideration through culturally relevant promotions and attractively priced offerings.

We are still in the early innings of our marketing optimization. We've conducted a number of tests in the first quarter, which have shown success and which we expect to roll out nationally this year.

On the flip side, we also tested a number of items such as our dollar per day messaging and certain changes to our media spend, mix and target audience that had less success, but have provided us with valuable loss lessons and learnings for the future.

On the owned media side, we've seen a lot of success with bold activations that generate meaningful earned media and put us into cultural conversations. For example, in May, we announced that we replaced tickets to the World Cup finals inside our human crane and the response has been extraordinary. These shareable moments drive organic awareness. Beyond that, we are activating our loyalty program to drive personalized messaging and increase visit frequency. We're building a scalable special events engine that turn events into cultural moments and convert even guests into repeat walk-in visitors.

Overall, we are very excited about the evolution of our marketing leadership and look forward to continued progress with Jeremy now at the helm as CMO.

Second, our food and beverage business that has seen an early win from our Back to Basics strategy. Comparable food and beverage sales grew approximately 5% in Q1, driven by our return to the historically proven menu last October and by a strong eat and play combo execution.

Before these changes, the share of gaming guests who also bought food had declined significantly as our menu drifted post-COVID. We've reversed that trend decisively in 2025, which has continued in 2026.

Our ongoing success in food and beverage has resulted in 9 straight months of positive F&B same-store sales. We have additionally exciting LTOs launching in the coming months, which we expect to be highly accretive. Main Event rolled out a new menu last month, and we continue to test food-focused promotions, which have shown signs of success, and we expect to drive continued growth in the back half of the year.

Third, our games offering. This management team strongly believes we need to reinvest in new games after a 6-year pullback. New relevant gains and attractions are essential to driving both new and repeat visitation and same-store sales growth.

Just a few weeks ago, we rolled out 10 new games, the most since 2017. Coupled with initial game investments in 2025, this reverses a prolonged period of underinvestment. And we expect to roll out at least 5 additional new games in the balance of 2026. This is a direct response to an abundance of customer feedback citing a lack of newness on our traditional game flows, and we have moved with significant urgency to address it.

We also know from our inaugural state of fund report that nearly half of the Americans say their lives like fun and more than half would prioritize fun if affordable options existed. Our strategy is simple, give people exciting, affordable reasons to reconnect in the real world. The new lineup spans high-energy competition, immersive gameplay and hands-on skill challenges. Highlights include Hot Wheels, Ultimate Speedway, ICEE Slush Rush, John Wick: Continental Pursuit, Odin's Hammer and Perfect Pump. Plus, of course, The Mandalorian and Grogu and Stranger Things IP, alongside guest-tested original concepts.

Many of these games are already pacing amongst the top revenue generators in the first weeks, which is validation of our continued Midway investment. And this is only Phase 1. We have a lot more in the pipeline, including several exciting IP partnerships that I look forward to sharing soon.

We're equally excited about leveraging our watch offering on massive 40-foot screens and 30-plus TV per location to drive visitation during the World Cup this summer. The World Cup, which kicked off on June 11 is a major catalyst for our business. We have launched a full 360-degree activation, 2 new software inspired arcade games, World Soccer and Kick and Bend, plus exclusive tournament themes food and drinks, including sliders inspired by the host countries. And as I mentioned, we've put tickets to a major World Cup matches inside our human cranes, including USA group stages game and all the way through the finals.

We've also launched our Hat Trick Watch Experience, a ticketed watch party for kickoff and championship matches with all you can eat wings and fries and unlimited gameplay all day, starting at just \$24.99. It has attracted significant crowds for the opening games cheering on the Mexico 2-0 victory. This builds on the playbook we deployed during the summer ball -- during the Super Bowl and creates a repeatable, high engagement format for major watch occasions that we will continue to enhance and make more pragmatic.

Combined with our summer season's pass, the World Cup activation positions us to capture significant incremental traffic during an already strong summer season. This revitalized product offering represents a meaningful step forward in quality, variety and cultural relevance with combining world-class IP with innovative original concepts in a way that drives per capita spend and repeat visitation.

For full year '26, our ambition is to continue evolving our play experience and position Dave & Buster's as the fun capital of America.

Fourth, operations. We are investing in and energizing the field to training that empowers teams to deliver exceptional guest experiences. A collaborative culture, supported by our shared service center is reducing turnover and creating an environment where our people and brand can thrive.

As we discussed at the start of the year, our full year '26 obsession metric is speed of service, our 1-minute greet and 4 minutes drinks backed by coaching and performance management. We are sending a clear signal. Our success is tied directly to execution and to the guest experience.

Finally, our revamped remodel program continues to progress. We are confident we have identified the right layout to drive traffic, improve productivity and deliver strong ROI at a reasonable cost.

We recently opened 6 remodels and plan to open 2 more over the next few months. Early results from this new remodel prototype have been very encouraging, driving a strong 7% comp uplift consistent with a far more expensive remodels of full year '24 and '25.

As a reminder, the new cohort of remodels cost approximately half of what the legacy remodels cost, while still contributing a similar sales lift. In fact, these remodels were positive in same-store sales in the first quarter and year-to-date, providing us further confidence that we are executing on the optimal prototype. This renewed remodel strategy highlights the power and importance of continuing to invest in our core business as a key traffic and comp driver for our brands.

Taking a step back, after COVID, this company moved away from the core and also simple elements that made it successful. Marketing and promotions, the F&B offerings, the annual investment in games and entertainment, operational excellence and store refreshes that preserved what customers love about D&B, all changed significantly. We are now actively going back to basics, restoring those elements piece by piece, and it is working.

Armed with direct and candid feedback from the guest, we know that games innovation and value are of utmost important, and we are urgently addressing these issues.

We know Q1 was disappointing. What I hope you take from tonight is that we understand why and that we are taking the right actions and that the underlying business is already responding. We have made meaningful progress over the past years and expect that progress to convert into financial results more quickly from here.

Before I pass the call over to Darin, I want to be clear that we are highly focused on strict capital expenditure discipline, minimum ROI thresholds and generating significant free cash flow. Net CapEx for full year '26 remains targeted at no more than \$200 million, down from approximately \$270 million in full year '25, and we have committed to a very strict ROI thresholds and eliminating inefficient use of capital. We dynamically evaluate our capital investment plans, including our new store plans and we'll make adjustments as we weigh the best returns for each dollar of capital. We continue to plan to open 11 total new stores in full year '26. If and as we make material adjustments to the same, we will communicate them to you. Very importantly, we continue to expect to deliver over \$100 million in free cash flow this year.

To talk about this more and review our financial results for the quarter, let me hand the call over to Darin Harper.

Darin Harper*Chief Financial Officer*

Thank you, Tarun, and good afternoon, everyone. As Tarun touched on in his comments, there are several areas where we have made solid progress over the past several months that I'll provide highlights on here shortly.

Before that, as a reminder, on a weather-adjusted basis, Q4 FY '25 comparable store sales were down 1.5% with sequential improvements throughout the quarter. February, our first period of Q1 FY '26 continued this improvement in trend. However, given broader macroeconomic challenges that intensified in March and April, but during our highest seasonal time of the year due to spring breaks, our Q1 FY '26 comparable store sales decreased to 5.4% versus the prior year.

As Tarun mentioned, despite some unfavorable weather, our comps quarter-to-date in Q2 have improved to down approximately 4%.

Despite this consumer headwind, there are several areas of the business we have seen improvements, which, coupled with our strong unit economics and cash flow generation led to an overall \$84 million improvement in free cash flow in Q1 FY '26 as compared to Q1 FY '25. This, in turn, allowed us to reduce our outstanding debt all while still continuing to invest in new stores, remodels and a fresh set of high-quality games.

During the quarter, we have continued our trends of F&B same-store sales growth with an increase of over 5%. Special events grew approximately 3% and our remodel locations continue to outperform the balance of the system, nearly 700 basis points led by our most recent and significantly more cost-effective remodel prototype.

During the first quarter, we generated total revenue of \$559 million, net income of \$6 million or \$0.16 per diluted share, adjusted net income of \$8 million or \$0.22 per diluted share and adjusted EBITDA of \$123 million, resulting in an adjusted EBITDA margin of 22%.

As Tarun mentioned, we expect to generate positive comp sales in the remainder of FY '26, leading to EBITDA growth and a steady improvement of our margin profile.

As a reminder, reconciliations of all non-GAAP financial measures can be found in today's press release.

We believe we can meaningfully improve our margins over time by continuing improvements in our cost management. We have put significant additional effort into further improving our internal processes and controls around costs and remain steadfast in identifying material cost savings across all aspects of the business.

As you know, we have reworked our D&D store remodel strategy to bring down costs by half versus the store remodels of FY '24 and '25. And I'm pleased to report that we've recently completed 6 of these new remodel prototypes with an additional 2 scheduled to open in the coming months.

As a reminder, despite costing half of our prior remodels, our new cohort generates the same nearly 700 basis points of outperformance versus the rest of the system. And as Tarun mentioned, we're positive in both the first quarter and year-to-date in this new cohort.

We are very encouraged by their initial performance and particularly robust return profile due to the efficiencies we have found on our costs. We believe this new prototype will maximize the impactful elements of our successful store remodels, while eliminating previously ineffective spend. We expect to remodel another 10 to 20 locations in FY '27.

Our new store development continues to deliver strong returns, and we have a solid pipeline of upcoming store openings. In the first quarter, we opened 1 new domestic store and already in the second quarter, we have opened 3 additional domestic stores. We continue to anticipate opening 11 new stores at FY '26.

Looking beyond FY '26, we continue to identify optimal sites, but will remain extremely judicious in maximizing return on every dollar of capital spending. We see merits in potentially redirecting new store capital to further invest in our core through remodels, deleveraging and other forms of returning capital to shareholders. And as Tarun mentioned, we will communicate material adjustments to our capital strategy to you.

On the international front, we opened our fifth international franchise location during Q1, which is in Australia and our sixth international franchise location opened in Q2, which is in Delhi, India. We expect at least 1 more international opening in the balance of the year in Mexico City, Mexico.

As a reminder, we have secured agreements for over 30 additional international franchise stores in the coming years and we see international franchising as a driver of highly efficient growth, increasing our customer base around the world with minimal investment and risk. We have a sizable opportunity internationally and see strong upside from this asset-light growth model.

We generated \$25 million in free cash flow during the first quarter which, as previously noted, is an \$84 million improvement to the negative free cash flow in Q1 FY '25 of \$59 million.

As a result of this free cash flow generation, we ended the quarter with \$20 million in cash and \$499 million in total liquidity, combined with the availability under our \$650 million revolving credit facility, net of \$20 million in outstanding measures of credit. We remain committed to generating meaningful free cash flow while continuing to invest in new store growth, new games in our revamped remodel program.

In the first quarter, we invested approximately \$71 million in CapEx on a net basis when factoring in payments from landlords. We continue to make progress converting our strong operating cash flow to free cash flow through more strict management on capital spending by eliminating inefficient capital spend. As Tarun mentioned, this year, we continue to expect this net CapEx figure to be no greater than \$200 million. Our FY '26, our entire team to squarely focus on driving savings to expand EBITDA margins while tightly managing capital spending to generate significant free cash flow.

Given our plans, management is highly confident in its ability to generate comp store sales growth for the balance of the year. Coupled with our capital expenditure discipline, we continue to expect to generate more than \$100 million in free cash flow during FY '26, which we believe position us well to continue investing in the business.

Our financial foundation is strong, underpinned by high returns, a strong unit economics, disciplined cost management and clear potential to generate meaningful cash flow. This was demonstrated by our generation of \$25 million in free cash flow in Q1 despite over \$70 million in net CapEx investment and a 5.4% comparable store sales decline. Leadership in the Board remain focused on driving same-store sales growth and significant cash flow generation.

And with that, operator, please open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from the line of Andy Barish of Jefferies.

Andrew Barish

Jefferies LLC, Research Division

Just wondering on the second half sort of inflection on same-store sales. I mean, are you assuming anything changes sort of in the external environment, just given that that's been a challenge you noted today on the call?

Tarun Lal

CEO & Director

I think that we have more confidence in our internal strategy and execution than be really dependent on the external, Andy. We can't say anything about the external environment. Of course, we are highly optimistic that things will improve in terms of consumer sentiments.

But I think what really gives us a sense of confidence is the fact that a lot of things that we have put into motion are now becoming a reality from a guest perspective, from new games to new watch experiences to new IP partnerships. So I think that's what is giving us confidence as we get into the second half of the year.

Andrew Barish

Jefferies LLC, Research Division

Got you. And then just a follow-up. Are we still, I guess, seeing sort of incremental investment in labor and the value initiatives that's kind of weighing on margins? Or is that starting to be lap from the year now that you've been there, Tarun?

Darin Harper

Chief Financial Officer

Yes, Andy, I'll take this. Yes, overall, we feel like we've managed our margins well in terms of the key elements that are impacting the value equation with cost of sales and labor.

From what we've been able to do from a cost improvement standpoint on cost of sales as well as what we've seen from margin improvements on our new menu enhancements as well as driving more attach, we've really been able to elevate that offering and manage our margins well.

And again, on the labor side, we continue to be as effective as we can with our scheduling at key peak times where we're really delivering on that guest experience, particularly coupled with our F&B offering.

So yes, look, we don't anticipate any material changes to those items as we go out to the balance of the year and believe we've got the structure in place to deliver on the growth that we need.

Operator

Your next question comes from the line of Sharon Zackfia of William Blair.

Sharon Zackfia

William Blair & Company L.L.C., Research Division

I guess first on World Cup. So I wanted to ask if you're doing anything there with special events as well and kind of what your insight is to what that demand generation could be? And then as you think about the guest that might be coming in that could be last or even new to Dave & Buster's, what is the plan that you have to kind of create more durability with that revenue stream following the World Cup?

Tarun Lal

CEO & Director

That's a great question. And that's exactly our objective that once you get this special events guests in, how do you build a durable business by getting them back again and again?

So first of all, it's a big part of our business is growing. And of course, even such as World Cup does kind of help promote that part of the business even more.

With regards to what's really driven this is that we have invested in an incredible organization. We've got an outstanding leader who leads our special events business, is -- we call him RJ, Robert Jenkins. He's got a team of people in the field who are speaking to corporates and different institutions at all times, they're leveraging a massive database that we have in making costs. This is like -- this is the kind of business that requires a massive amount of getting into details, a lot of hard work, missing a lot of cold calls.

I think in terms of the durability of the business, that's where I believe, and I strongly believe that the investments we are making into new games and the investments we are making into food and beverage and experiences matter so much because when these guests come in and they see the difference as far as the arcade area is concerned, they see how exciting the new menu is, they see the value promotions we have, that brings them back.

Darin Harper

Chief Financial Officer

And Sharon, I would add with regard to the World Cup, we did launch a full 360 activation. We have a couple of new soccer inspired games, tournament themed food and drinks. We had a ticketed event on Thursdays in human crane. We're really leveraging human crane that offers some free tickets to the World Cup, some influencer-driven watch content.

So yes. So I think we're pleased with how we've executed that and to your point, and leveraging what Tarun said, once we get those people in, they get to taste our food, get their experience or 40-foot Wow Wall. We really hope they now -- it becomes part of the consideration set for them.

Sharon Zackfia

William Blair & Company L.L.C., Research Division

That's helpful. And then in April, when you saw kind of the shift in the business, is there anything to call out in terms of trends by household income and anything that you've been able to come up with subsequently that might kind of attract that customer back?

Darin Harper

Chief Financial Officer

Consistent with what we have seen here recently, purely that lower end consumer is where we've seen most of that pressure. The higher end of middle consumer is consistently trading, but we're seeing more of that pressure on the low end. And that's part of really what we've been trying to focus on with our value offers, how we have really focused on revamping our rate cards with our games. However we've offered half-price games. What we've done with the Eat & Play Combos, really trying to highlight that value component so that those lower-end consumers can still have an occasion at Dave & Buster's that is economical for them.

So we're very focused on that, but not trying to overdiscount the business and cannibalize ourselves as well. So we're really pleased with the -- what we've seen, particularly on the Eat & Play Combo side, we're really starting to promote the ability to have an entree for \$4.99, you come in by any denomination of Power Card and you can attach food and beverage to it. And so we're really starting to see some really nice ice attach that we've never seen before. And -- so those are elements that we think could be really helpful in targeting this lower-end consumer.

Operator

Your next question comes from the line of Andrew Strelzik of BMO.

Andrew Strelzik

BMO Capital Markets Equity Research

My first one, I was hoping maybe you could be a little bit more specific about what you're learning around the marketing messaging, the customer targeting, maybe why some of the stuff you tried recently didn't work and how that's framing your approach going forward?

Tarun Lal

CEO & Director

Yes, Andrew, that's a great question. Let me kind of first take a step back and share with you what our guests have been saying to us. I think as you won, they have been saying that, listen, you've got to elevate your product. And by that, I mean that you need to elevate your games, you need to elevate your food and beverage. Now with both of them, we clearly responded by investing in a ton of games, but that's only happened in the last -- almost like what, I would say, 30 days. We've talked about food and beverage. That investment has gone very well. That happened in October of last year, and we have seen a significant increase in our cash and growth in our F&B business. I think that's kind of like the first thing that the guests told us.

I think the second thing that guests have told us is that hey, from a value perspective, consumers are trading for value today, right? And they have been for some time. If you look at the competitive marketplace, a lot of ask -- a lot of offerings around value. And so again, we have promoted our half-off games. It went off really well. We've talked about dollar a day. Now that didn't really hit the bulls eye. But our new version of EPC has tested tremendously well, and we plan to launch that in the next 30 days.

I think in terms of learning, I think we -- as far as media is concerned, I think what we have learned is that you can't swing in 1 direction. So what we did at some stage, we spent all the money on television. And then we swung double way around and we invested all the money on digital.

I think consumers -- our consumers consume media in different ways and therefore, we need to have a very data-based media planning and investment. And I think that's where we had gone wrong in the past. Now in the month of February or March, we have invested in MMM with the media modeling. And that's really now helping us learn faster on what kind of target audience should you go after, what channels, which -- whether -- how much money should we be investing in linear TV, how much money should we be investing in CDV and so on and so forth. So basis that learning, we have now deployed our media a lot more effectively.

I think -- and finally, in terms of, I think, messaging, this is like we are now working in a very structured, disciplined approach of there being the primary message and then there being a secondary message. And so we invest a lot more money, of course, on the primary messaging. So if you think about the current calendar construct, our primary messaging is 10 new games. So we want every guest in the U.S. to know that there are 10 new games with exciting IP partnerships that are on -- at Dave & Buster's arcade.

Our secondary messaging is that, hey, if you -- the World Cup soccer event is on. And if you want to watch it on massive screens and enjoy exceptional food and beverage and enjoy playing during breaks, come in Dave & Buster's. So that's our kind of secondary message.

So we now have -- are becoming more and more disciplined. One in creating messages based on what consumers are saying they want. And secondly, using real data to define what media channels to invest behind.

Andrew Strelzik

BMO Capital Markets Equity Research

Got it. Okay. That's very helpful. And maybe my follow-up. I guess, based on your comments about -- you see maybe a little bit more open to potentially shifting dollars between the new store CapEx and the internal investments you had talked about taking a disciplined approach previously, but maybe this sounded a little bit more like it's in the consideration set, even though no formal decision has been made. But so how are you evaluating that decision at this point? Is it more about the site selection you go find or internal performance, something else? Just little more color around that would be great.

Tarun Lal

CEO & Director

Okay. So fundamentally, at the highest level, Andrew, our belief is that our #1 priority is to drive same-store sales growth in our core stores. So our core business is definitely a priority. And so if there's a requirement of CapEx as far as remodel is concerned, that would be definitely a priority for us.

As far as new unit growth is concerned, it's not something that we are kind of taking -- kind of turning our backs on. What we are now very, very clear is that we must be very responsible with our capital. And so only when we have supreme confidence in a new site, are we going to go put capital behind it. That we are going to be a little bit more risk averse as far as new CapEx deployment on new stores are concerned.

And so again, in summary, our core priority, our key focus is going to be our core business. We will continue to build new stores, but only when we have supreme confidence in the returns that we're going to get from that CapEx investment.

Darin, anything you wish to add there?

Darin Harper*Chief Financial Officer*

Yes. No, I think you covered it well. Yes. I think interpret it less as -- we haven't lost confidence in new store growth. In fact, we continue to get really, really great returns there. But we do want to reallocate capital to our core business. And so that in turn allows us to be even more discriminating on what sites to open. So more to come there, but we feel like this reallocation of capital is going to be really meaningful for us.

Tarun Lal*CEO & Director*

Yes. And Andrew, once again, I just want to reiterate that between Darin and I, the 1 number that we are very fixated on is the \$200 million of CapEx. And so that's a finite amount of money that we have and we need to just decide where to kind of allocate that money.

Operator

Your next question comes from the line of Eric Wold of Texas Capital.

Eric Wold*Texas Capital Securities, Research Division*

So a couple of questions. I guess, first -- sorry, clarify the comment around your expectation for positive same-store sales for the balance of fiscal '26. Is that starting today? Or does that kind of include the quarter-to-date decline of 4% and that you would expect a reversal in the remainder of the quarter to get back to positive comps for Q2?

Darin Harper*Chief Financial Officer*

Yes, Eric, I think the best way to look at that is starting today through the balance of the year, is how we're looking at it from a same-store sales growth perspective. So hopefully, that clears that up a little bit?

Eric Wold*Texas Capital Securities, Research Division*

Yes. That's great. And then my second question is on the games and the installation of the kind of 10 new games to date and I guess 5 more for the remainder of the year. When you sold a new game, market a new game and kind of promote that and hopefully drive traffic for that new game production, are you seeing a lift in game play outside of the new games as people come in there and kind of on the Midway and trying everything? Or is really -- is it more of a focus? Or is it more of a -- is the game plan more focused on the new games you're not really seeing a broader list?

Darin Harper*Chief Financial Officer*

Yes. I can take this, and Tarun can add any color to it. The best way to look at it is how these games complement the overall entertainment experience. So from the perspective of these new 10 to 15 games that we're rolling out this year. That's 10% plus of our game room for. So we really look at it as -- it is a -- it's refreshing our gaming floors, it's keeping it relevant. It's giving us that new relevant news to talk about to message to our guests and to drive visitation. It's less about, hey, can we get incremental spend while they're in our stores. That can happen. And certain games investments will do that. Human crane is a great example based on the type of experience it is, there's incrementality to that. So it's more about traffic driving relevancy, messaging getting lapsed customers in, getting repeat visitation than it is about driving more growth when they're there.

But that being said, more to come. But as we -- as Tarun has mentioned, some proprietary type of entertainment that we're working on, we believe that can unlock more check growth.

And lastly, I guess, what I'll say is as we've coupled with these new games, as we continue to find the right way to optimize the dwell time of the guests when they're in the box, we have also found that, that leads to more F&B sales, which is incremental to our check growth. So that's broadly the right way to think about it.

Tarun Lal*CEO & Director*

Absolutely. Completely concur, Darin. And Eric, just to add. I think that if you just look at the current consumer sentiment, 1 of the positive highlights for us is that we have lost -- we haven't lost it. It's not that consumers are spending less, consumers actually are spending more time on our games floor. And that's what's also helping us actually drive F&B revenue.

And so I think the key challenge for us remains how do we market that these games more effectively to consumers so that we drive footfalls. And that's kind of our primary area of focus that how do we drive our awareness, like what's the best use of media. And I think that the earlier question, I think, from Andrew on this -- this is a great question, and it's a very, very competitive marketplace out there. There are lots of messages going out from different companies. I think we remain singularly focused on finding the most effective way to communicate with that consumer and said, "Hey, there are 10 new games, and they're really exciting. They're very different to what we had on the games floor." And our belief is that, hey, this message will land with consumers. But as we continue to invest and bring new games, this is all kind of -- have a compounding impact on the brand image of Dave & Buster's as a place to go to. It's a brand that will suddenly be back in consideration, be back in conversation, be back in culture.

Operator

Your next question comes from the line of Brian Vaccaro of Raymond James.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

I have a question on the adjusted free cash flow guidance. Can you help us just bridge that, that guide you're maintaining it over \$100 million despite the weaker-than-expected first half. So just could you walk us through the moving pieces that allows you to maintain that guidance?

Darin Harper

Chief Financial Officer

Yes, sure. Brian. Yes, I think what it demonstrates is despite same-store sales performance, we've got a lot of other levers in order to drive free cash flow. And so really, the simplest way of looking at it is our operating cash flow less gross CapEx adjusted for sale leaseback proceeds.

Again, as demonstrated by our the ability here in Q1 despite comps around 5.4% and \$70-plus million in net CapEx, we're still able to generate \$25 million in free cash flow. So it's -- we're able to do it through how we're managing our capital spend, how we're managing working capital, how we're managing other costs in the business. And that's what gives us the confidence to be able to reiterate that guide.

Brian Vaccaro*Raymond James & Associates, Inc., Research Division*

Okay. And I know, Darin, on the last call, you spoke about adding some resources, I think a senior resource is how you put it to, look at cost savings, et cetera. Are there additional cost savings that you've identified? Can you give some color on that, if that's the case versus the prior call that could be helping that free cash flow outlook?

Darin Harper*Chief Financial Officer*

Yes. Yes, really, really excited about a number of areas that we're focused on right now, and it's really across the P&L from cost of sales optimization, not lessening the product for the guests, but being smarter and more efficient with our spend, how we're looking at our utility costs, insurance costs, et cetera. There are a number of areas that we've identified some very significant cost opportunities. And so without quantifying or getting into any more detail, yes, that's another great area that we're leaning into to be able to deliver on the \$100 million free cash flow guide.

Brian Vaccaro*Raymond James & Associates, Inc., Research Division*

All right. And then a quick follow-up, just on the capital allocation and new unit growth conversation. We made some quick math on your noncomp stores, and we arrived at a noncomp AUV in sort of the mid- to high \$7 million range. Can you confirm that that's about right? And if so, can you -- what's the average cash investment on those units? Or maybe you could help us sort of sketch out the cash-on-cash ROI that you've seen on the current noncomp base at these AUVs?

Darin Harper*Chief Financial Officer*

Yes, sure. Yes, look, you're in the right ballpark with the AUVs. Keep in mind, a lot or a good chunk of this latest cohort are some of our smaller prototype locations that we underwrote at those volumes. But we have continued to deliver strong circa 30% plus cash-on-cash returns even at those volumes. So still good returns for us that we remain confident in.

On that topic, as well, I guess, just maybe to put a finer point on the discussion that we had. We are in our redeployment of capital, I would anticipate that we will have about half the number of new units in FY '27. And probably FY '28 for now. So you're looking at circa 5 new units. And so just wanted to sort of firm up sort of how to think about that. So hopefully, that answered all your questions there, Brian.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

Yes, very helpful.

Operator

Your next question comes from the line of Michael Hickey of StoneX.

Michael Hickey

The Benchmark Company, LLC, Research Division

We've got 2. We've kind of hit on this one, but just given your track record here over the last year and quarter-to-date on same-store sales, it's just sort of flexing that you're still highly confident that as of today, going to inflect positive on comp sales here, especially when macro is a factor -- was a factor that took down April and it took down your first quarter, but you won't give a view on it. So just curious if there's any specific evidence you can point to as to why your confidence given that backdrop?

The second question, over the last year, it was pretty clear that not having a refresh on your games was a problem. But so far, last year, you're going to refresh of your arcade. So when you think about capital allocation and resetting your business, especially on the entertainment side, which I think you're about 8 quarters in a row of down year-over-year growth, why haven't you been more aggressive in terms of refreshing that area of your business, which is clearly a concern that you've already illustrated to us?

Tarun Lal

CEO & Director

Michael, great question. So I will kind of address both. So I think our confidence and optimism comes from the fact that there are a lot of things that we have set in motion in terms of improving our execution, whether it's marketing operations or investment in games that are all now kind of coming together. And so that's kind of one.

The second piece is really that we have kind of partnered with some very exciting IPs that we can't kind of announce just now, but we will announce in the months to come. That, again, gives us tremendous confidence that we will be a brand that will be in conversation and once brands get into culture, into conversations, you see that business and traffic kind of follows. So that kind of gives us optimism about the future.

I think your second question on why have we not invested earlier and like why are we slowing -- why we were slow. I think that is -- I think it's a very, very fair question. One of the learnings I've had is that if you just go to buy any games from any of the suppliers, you could get a very similar game that you currently have already in your arcade just painted differently. And therefore, there's actually a significant lead time in developing proprietary games especially those that come with IPs because, again, IP and partnerships take time to kind of formalize.

So we do want to invest in new games. We have the capital to invest in new games. We're just being thoughtful in what kind of games do we add to the arcade so that consumers have diverse experiences versus the same experience that they get from the existing games.

Operator

Your last question comes from the line of Dennis Geiger of UBS.

Dennis Geiger

UBS Investment Bank, Research Division

I have 1 more question on the entertainment part of the business. I know you mentioned the lack of newness as -- is kind of what you've observed. And I think that you said the customer is saying is maybe the biggest headwind. Anything else you would highlight that you're seeing or you're hearing from the customer as it relates to the entertainment softness in the business? Anything additional on value proposition? I know you talked about that some. Anything maybe with probably been a question that's come up over the years, but the quality of gains on mobile phones having some impact. Just anything else on entertainment besides the newness factor or the last newness factor that you've observed or that you're hearing from your guests?

Tarun Lal

CEO & Director

Yes. That is a great question, and even more Darin and I'll try and kind of respond to this question. So like I think the biggest competitor really is a couch at our home, because you're right, it's a mobile phone is all the games that you can play at home. And therefore, it's so important to introduce games that are truly distinctive that you can only experience at a Dave & Buster's. And that's exactly why there's a lead time involved in kind of introducing, kind of launching them. And so we've brought in an exceptional talent about 6 months back in a gentleman called Putnam Shin. Putnam comes from -- again, Walt Disney and he's kind of been involved with several other companies innovating in the area of games. And since Putnam has come in, he has really kind of transformed our internal thinking around what experiences guests should have when they come to Dave & Buster. And so we are in a very methodical and disciplined way, kind of investing valuable capital behind it.

One of the things I am very conscious and careful about is not making -- some of our past mistakes where we have not put enough thought into the quality and not really gone into the wise of an investment and just kind of rushed in. And so once again, we are committed to investing in different kind of experiences different new games. We're just kind of being mindful of what would really drive consumer guest satisfaction and what would drive traffic. Dennis, I hope that helps.

Darin Harper*Chief Financial Officer*

I would just add 1 thing, yes. So certainly, value has been 1 of the key feedback from the guests on that entertaining side. And that is where we have been hyperfocused on a number of things with promotion testing, these passes that we've been testing, how our rate card is set up for the consumer. What the kiosk flows is like or half-price games, et cetera, et cetera. So we've -- our team has done a lot of great things there. And we are now -- we've addressed a lot of those in a really nice way. We are up -- based on these changes that we've made while still capturing the same fun card load. We've increased the number of games guest could play in 20% year-over-year, dwell time is up nearly that same amount. So we've done a lot of really nice things and have some additional things in place we're rolling out later this summer that they are going to further address some of these value concerns from our consumers.

Operator

That concludes our Q&A session. I'll now turn the call back over to CEO, Tarun Lal for closing remarks.

Tarun Lal**CEO & Director**

Thank you, operator, and thank you all for joining us this evening. Dave & Buster's is an iconic brand at an obvious inflection point. We're executing a clear differentiated strategy built on innovation, operational rigor and an unwavering focus on the guest experience.

Across brand marketing, F&B quality, in-store execution and next-generation game content, we are raising the bar and early results are validating our thesis.

We want to remind you that we are still in the early stages of this transformation and we are encouraged by the momentum we are building. We're deeply engaged with our guests and our operators, listening closely to their direct feedback and using it to inform every decision we make. That connection gives us confidence that the initiatives we have in play from our evolving product offering and the Eat Play Combo to our sharpened approach to value are all resonating and we will continue to drive meaningful results.

We are already seeing it in the data, metrics on new games, guest satisfaction scores and value perception scores are all trending in the right direction. We're going to accelerate our revamped remodel program and further optimize our media spend to sharpen our approach to both new and repeat customer acquisition.

We are also cultivating exciting IP partnerships that we look forward to announcing in the coming months and are very enthusiastic about what they will mean for the brand.

There is significant improvements still to come, and we look forward to sharing with you the positive results, we are confident these initiatives will produce.

Our strategic framework is simple and disciplined, building lasting brand equity, drive top line growth with urgency, deliver a world-class guest experience at every touch point, protect and expand industry-leading unit economics and underpin it all with the right talent, culture and technology.

The financial model is straightforward. Same-store sales growth drives EBITDA expansion and EBITDA expansion drives long-term shareholder value. We are building momentum, and we are still in the early innings of unlocking this platform's full potential.

We have a major catalyst ahead with our currently live and comprehensive World Cup 360-degree activation, which is an exciting step along our clear and achievable path to sustained same-store sales growth, expanding free cash flow and durable value creation for head shareholders.

I want to thank our teams across the country. They are the ones making this all happen. I look forward to updating you on our continued progress. Have a wonderful evening. Thank you.

Operator

This concludes today's conference call. You may now disconnect.

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