

Dave & Buster's Entertainment, Inc. (PLAY) Q3 2024 Earnings Call Transcript

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Q3: 2024-12-10 Earnings Summary

Play Call

Press Release

10-Q

EPS of -\$0.45 misses by \$0.09 | Revenue of \$453.00M (-2.98% Y/Y) misses by \$10.74M

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Dave & Buster's Entertainment, Inc. (NASDAQ:PLAY)
Q3 2024 Earnings Conference Call
December 10, 2024, 05:00 PM ET

Company Participants

Cory Hatton - VP of IR and Treasurer
Kevin Sheehan - Chair of the Board and Interim CEO
Darin Harper - CFO

Conference Call Participants

Jake Bartlett - Truist Securities

Andy Barish - Jefferies

Sharon Zackfia - William Blair

Andrew Strelzik - BMO

Dennis Geiger - UBS

Todd Brooks - The Benchmark Company

Brian Vaccaro - Raymond James

Operator

Good afternoon, and welcome to the Dave & Buster's Third Quarter 2024 Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded.

I would now like to turn the conference over to Cory Hatton, Vice President of Investor Relations and Treasurer. Please go ahead.

Cory Hatton

Thank you, operator, and welcome to everyone on the line. Joining me on today's call are Kevin Sheehan; our Chair of the Board and Interim Chief Executive Officer; and Darin Harper, our Chief Financial Officer. After our prepared remarks, we will be happy to take your 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 third quarter 2024 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 risk factors 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, I would like to turn the call over to Kevin.

Kevin Sheehan

Thanks, Cory. Good afternoon, everyone, and thank you for joining our call today.

As communicated in our press release, Chris Morris, our CEO, has resigned to pursue other interests, and I'm assuming the role as Chairman of the Board and Interim CEO. I want to assure you that despite Chris' departure, there will be a strong and seamless continuation under my interim executive leadership.

I've done this before for Dave & Buster's from the fall of 2021 until Chris started in the middle of 2022, and I am excited to work with this management team. The same plan, which we initially unveiled to you at our Investor Day in June of 2023 and have been hard at work as a team to execute on ever since will remain our focus.

We are working with Heidrick & Struggles, a global executive search firm to identify the future permanent CEO of this great company. On behalf of the whole entire Board, I would like to extend the thank you to Chris for the significant amount of energy he dedicated to leading this company over the past 2.5 years, and we wish him all the very best in his future endeavors.

Now, I'll turn the call over to Darin to walk you through the results for the third quarter. Darin?

Darin Harper

Thank you, Kevin, and good afternoon, everyone. During the quarter, we continued to make progress towards our long-term strategic goals. We opened three new stores which are on track to generate strong cash-on-cash returns, as we have demonstrated throughout our history. We completed 11 new fully programmed remodels and are on track to have 44 completed by the end of fiscal 2024. Our fully programmed remodels continue to outperform the rest of the store base, and we are excited for the opportunity these remodels give us to drive traffic sales and EBITDA.

Additionally, we saw a strong year-over-year growth in our special events business and remain optimistic about the prospects for our event business and the upcoming peak holiday event season following the rollout of our new banquet menu and the investments we've made in our in-store sales managers.

Despite this progress, our financial results for the third quarter, which is our historically lowest seasonal volume quarter of the year were negatively impacted as compared to the prior year by a material fiscal calendar mismatch, adverse weather across many important regions and disruption to certain stores in our comp set as they underwent remodel construction.

Our new domestic store openings have consistently performed in line with or above expectations and historically high ROIs. In the third quarter, we opened two new Dave & Buster's stores in Barboursville, West Virginia and Lombard, Illinois and one new Main Event in Grand Rapids, Michigan.

Quarter-to-date for Q4, we opened one new Dave & Buster's store in Clarksville, Tennessee, bringing us to a grand total of 10 new stores opened year-to-date. With one new store in our pipeline slipping into 2025, we expect to open four additional stores, three Dave & Buster's and one Main Event and the balance of this fiscal year.

On the international franchise development front, we expect to have our first store open in Bengaluru, India by the end of this fiscal year and five total international stores in the next 12 months with our respective franchise partners across the globe.

So, now let's step through a brief progress update on each of our six key organic growth initiatives. First, marketing optimization. As we've said in the past, we believe there is an opportunity to drive top line by improving the effectiveness of our marketing. We benefit from the highest brand awareness in the industry. We also know from our strong NPS scores that when customers come to our stores, they have an experience that they are very happy with.

What we have been most focused on is ensuring that we have creative that effectively communicates the breadth, quality and value of our offerings and that we deliver those messages to the right people at the right time. During the quarter, we fully onboarded a new marketing agency. And since then, we have done comprehensive testing as well as a review of our media strategy including our media mix, our digital marketing, analytics capabilities and customer targeting as well as our spend levels.

Through this work, we have discovered various opportunities to improve the effectiveness of our media strategy, including, amongst other things, implementing capabilities to better track and optimize the return on our digital marketing spend, as well as ensuring that we are spending dollars during the periods when they had the greatest impact.

On the promotional side, we have recently revamped and relaunched Dave & Buster's beloved Eat & Play Combo, which aims to communicate and demonstrate value and drive attach across the full breadth of Dave & Buster's offerings. But additionally, we recently did a soft launch test of a Winter Pass, which is aimed to drive loyalty, visit frequency and food and beverage attach while providing a significant amount of value at three attractive pricing tiers. We like what we have seen from the past since the launch of the test at 36 Dave & Buster's stores and are moving quickly to roll out the offering system-wide.

Our loyalty database now has over 7 million members. This is quite valuable as our loyalty members visit 2.5x more often and spend more with us over the course of their visits. In recent months, we have brought on additional internal and external resources to help us optimize our loyalty program, and we believe significant opportunity exists to both continue to grow our loyalty database as well as further improve the value, the customers get out of the program and the value we get from the customers in our database. Overall, we believe the improvements we have continued to make in our creative, our media spend, our promotional calendar and our loyalty program position us to unlock material growth.

Second, strategic games pricing. Our strategic games pricing initiatives continues to show significant upside. As a reminder, prior to this year, the company had not increased chip prices in more than 25 years. Given the macro environment and after the results of our testing, we cautiously rolled out higher games pricing across the country while still ensuring that we have the appropriate promotional offerings at the appropriate time to communicate and demonstrate the compelling value we offer our guests.

We are excited about the capabilities that we have been able to unlock over the last several months as our enhanced game system allows for granular store level price adjustments based on increasingly real-time performance data. We're also excited about a number of strategic investments we are planning for our Midway in the coming months, which should only further enhance the value proposition we provide to our guests.

We have a number of new games set to launch in advance of spring 2025, including The Human Crane, which will be installed in the majority of Dave & Buster's stores and which is adding tangible excitement in the Dallas and Miami stores we have tested it in. Games will always be what we are known for and the key differentiator to our business. We look forward to innovating on our offering and using this to solidify our leadership position in the out-of-home entertainment space.

Third, improved Food and Beverage. As a reminder, our Food and Beverage segment presents another opportunity to boost revenue and EBITDA by enhancing quality and service and returning customer engagement to historical levels with its attachment to games. Earlier this year, our new service model improved efficiency and the guest experience, which were supported by iterations of our revamped menu.

Consequently, our guest satisfaction scores are continuing to show positive signs, up 6 points in the third quarter versus the prior year. August also saw the launch of our Phase IV menu, concentrating on beverage innovation and special events. These Phase 4 enhancements drove encouraging improvements in F&B revenue, number of F&B checks and F&B attach rate. We have come a long way and are now in a very compelling spot with our overall F&B offering.

Fourth, remodels. We completed the remodel of 11 additional Dave & Buster's stores in the third quarter and continue to expect to complete 44 total remodels by the end of fiscal 2024. As a reminder, when we started this remodel initiative, we tested a number of different prototypes to see which could drive the highest returns.

The conclusion of our initial effort was that the remodels that had the broadest offering, which we refer to as fully programmed, which combined a new and modernized dining room, sports bar and game room with new and easily substitutable entertainment offerings like electronic shuffleboard, electronic darts and the arena, our immersive experience drove the highest ROI.

We are encouraged that, in aggregate, our fully program remodels continue to demonstrate improved top line performance. It is also important to note that we are still in the early stages of this effort, and we expect to see additional benefits as we progress on our remodel journey. Our rollout plan underscores our commitment to transforming the Dave & Buster's experience across our entire system. And by the end of this fiscal year, all new stores will look and feel like the fully programmed prototype which will give us a holistic portfolio of fresh stores upon program completion.

Fifth, special events. Our special events business continued to perform well in the third quarter, up mid-single digits to the prior year. This bodes well for the fourth quarter as our special events business historically is a significantly higher percentage of sales over the prime holiday season than other periods of the year. Our marketing is now more appropriately supporting special events by utilizing paid media, digital channels and in-store experiences with bounce backs that drive cross-selling.

We are also exploring offline media test to expand reach. We are seeing encouraging signs of the strength with customer deposits for group events up low double digits versus this time last year, which has been supported by advancements in our online group booking engine. The addition of on the premise sales manager into our stores is proving highly effective with our increasingly hands-on approach of enhanced training for the special events teams.

While we feel comfortable at the current level of labor investments in our special events business, the outperformance thus far of stores with dedicated sales managers indicates continued upside to expand the program to additional stores in 2025 should we achieve our internal targets this quarter.

Finally, technology enablement. Our significant IT enhancements throughout the year have updated connectivity and server infrastructure which was foundational in supporting our gaming ecosystem, remodels, kitchen enhancements, loyalty program and new service model, all of which will allow us to better integrate new property level insights into strategic analysis and enhance guest satisfaction and engagement.

On the cost management front, we remain rigorous about finding ways to further optimize our cost structure at the store level and G&A level of our P&L, and we are encouraged by the results achieved this year that will allow us to grow margins as our various top line initiatives take hold in the coming quarters.

The investments we are making in store level IT infrastructure and service center systems are enhancing our team members' productivity, which will unlock continuous improvement and allow us to scale the portfolio in ways that don't require a significant amount of additional resources in the years ahead. Most importantly, we aim to improve margins and reduce costs while simultaneously enhancing the guest experience, a challenging but rewarding achievement.

Okay. Turning to some additional financial detail. In our third quarter of fiscal 2024, comparable store sales decreased 7.7% on a like-for-like calendar basis versus the prior period. During the quarter, we generated revenue of \$453 million, net loss of \$33 million or \$0.84 per diluted share, adjusted net loss of \$17 million or \$0.45 per diluted share and adjusted EBITDA of \$68 million, resulting in an adjusted EBITDA margin of 15.1%. Reconciliations of all non-GAAP financial measures can be found in today's press release.

As a reminder, the third quarter is the lowest seasonal quarter from both the volume and EBITDA margin perspective. And as a result, a decline in same-store sales has an outsized impact on year-over-year changes in adjusted EBITDA and adjusted EBITDA margin than in any other quarter of our fiscal year.

As you know, we do not typically provide guidance. However, given the significant calendar shifts as well as the lack of comparability of a 52-week fiscal year lapping a 53-week fiscal year in the prior year, amongst other factors, we felt it appropriate at this time to give our perspective on where we expect the year to end up.

Based on what we are seeing in walk-in sales trends as well as our forward bookings on the special event side, we expect fiscal 2024 adjusted EBITDA to be within a range of \$505 million and \$515 million. In the quarter, we opportunistically refinanced a portion of our debt to extend maturities, minimize interest costs and increased liquidity. We raised the new \$700 million term loan due in 2031. We redeemed the remaining outstanding \$440 million principal amount of our senior notes that were due in 2025. We paid down \$200 million of existing term loan principal due in 2029.

And we upsized the capacity of our revolving credit facility by \$150 million to \$650 million and extended its maturity for a fresh five years to 2029. I'd like to thank our bank partners for the consistent support and flawless execution in this important transaction, which solidifies our balance sheet for the long term as we continue to invest in our business. It also reemphasizes the confidence our financial partners have in our go-forward plan.

We had a \$7 million operating cash outflow during the third quarter, ending the quarter with a cash balance of \$9 million for total liquidity of \$546 million when combined with the \$537 million available on our upsized \$650 million revolving credit facility, net of outstanding letters of credit. We closed on an additional sale-leaseback transaction for the real estate of one Dave & Buster's store with an institutional real estate partner generating \$28.5 million in proceeds.

Coupled with the sale leaseback transaction, we closed in the second quarter, this takes our year-to-date proceeds to nearly \$75 million and we have four owned and operating real estate assets today, with one more wholly owned property scheduled to open later this fiscal year. We find these types of transactions attractive to allow us to replenish our capital for further investment into the business and being methodical in how and when we decide to monetize our existing and growing pipeline of real property assets.

Turning to capital spending. We invested a total of \$131 million and capital additions during the quarter, of which over 90% was considered growth CapEx. During the quarter, due to our belief in the significant value we see in our shares at current levels, we repurchased \$28 million of shares, bringing total repurchases year-to-date to \$88 million, representing 2 million shares or 5.1% of the company's outstanding shares as of the end of fiscal '23.

We still have \$112 million remaining on our Board approved share repurchase authorization to opportunistically repurchase our shares. With our expected healthy free cash flow into the future, we will work closely with our Board to evaluate our new store growth, remodel program, other accretive growth investments and share repurchase opportunities to drive maximum shareholder value.

Now Kevin and I would be happy to answer any questions you might have. Kevin can address any topics related to the Board or management changes, and I can take those related to our business performance. So operator, please open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] The first question is from Jake Bartlett with Truist Securities. Please go ahead.

Jake Bartlett

Great. Thank you for taking the question. Kevin, I wanted to start with Chris's departure and really, how we should think about the plan that Chris was so critical in putting together. He's left but the plan remains. How confident should we be that the plan stays as is? Or as you look for a new - a replacement new CEO. What do you look for in terms of attributes that might change the plan going forward? Second part of that question is, what has not gone wrong - not gone right in your mind. So what needs to be course corrected in terms of kind of what's been executed so far? And then I have a couple of follow-ups?

Kevin Sheehan

Sure. Hi, when you listen to Darin's commentary on each of those initiatives, you can't help, but get excited because there's a lot of progress going on here behind the scenes, and I'm excited about that. So the Board and the whole management team, just as a way of background, work very closely with Chris in devising the original plan. And the plan was clearly defined all the underlying initiatives that we have a tremendous amount of confidence, and we'll continue to execute against.

And I would just say in this intervening period, a lot of my time will be focused square on that. And making sure we show tangible progress on each of these initiatives, and drive things to move forward. So that we can show you some success in each of these. There's a lot of value in these, and we want to make sure we communicate that to you guys along the way.

Now the only wildcard is the consumer environment has been somewhat conflicting this year. And we have - but we have a significant amount of optimism that things are progressing forward in a very encouraging way. And from here, our search to identify a very capable permanent CEO that shares this vision is critical, and it will be obvious to the right candidate that these are the things that will move the meter forward.

And as far as the successor CEO, we're looking for - you can take the textbook, but it's really important. We're looking for someone with a clear lead in strategic vision, operational execution, getting things accomplished and financial performance of the company. We have to watch everything as we go through the balance sheet, the income statement, the cash flow and make sure the capital allocation is right.

This role demands a forward-thinking leader, who can integrate the dining and the entertainment experiences into a cohesive, scalable and profitable business model, while fostering the innovation that Darin was talking to you about, with so many of the things that we're working on, which should translate into strong guest satisfaction and brand loyalty. They will need to be an individual who can drive these critical initiatives forward.

As I said, we need to show you guys the progress that we're making day-by-day, or quarter-by-quarter as the case may be. But there's a lot of, a lot of - I just went through a series of meetings. There's a lot of very excited team members here. And I think it's going to be a very encouraging fourth quarter and 2025. Thank you.

Jake Bartlett

Great. Thank you. And a follow-up, it was very helpful to get that guidance for the year on EBITDA. I think it's important for us to understand how sales is driving that. So I'm hoping you can give us a little more detail. I know it's not typical. But on the quarter-to-date November, how it's trended, I'm trying to understand, you gave us a range for EBITDA. How does that correspond in terms of sales? And how confident are you in an acceleration in the same-store sales in the fourth quarter or perhaps not?

Darin Harper

Yes hi, Jake. It's Darin. Yes, we felt like given the, you're correct. We typically don't give guidance. But given the 53 weeks in the prior year, calendar shifts and some other factors, we just thought it would be helpful to provide what we believe is a conservative level setting. And so regarding sales assumptions, I think the best way to think about it is if we assume that Q4 performed similarly to Q3.

Maybe with some modest improvements. And this is based on what we're seeing in walk-in trends and forward bookings that, kind of gives you some directions for how we thought about that EBITDA guide. As we've articulated, we're working on a number of things, hard at work at a number of initiatives.

And we are optimistic in the near and medium-term contribution that, those are going to have. But we wanted to present what we thought was a fairly conservative guide, and just help investors cut through some of the noise and some of the comparability challenges.

Jake Bartlett

Okay. And then just last question just on that point. It sounds like you've talked about higher bookings, you have considerably higher or leased deposits. I believe your deferred revenue is down year-over-year. Maybe just kind of help us understand what we should -- how we should read in terms of deferred revenue. But in the context of that, you mentioned - I think you're talking about kind of same-store sales roughly being the same as they were in the fourth quarter as in the third? But if you have those special events, a big part of the business, you're seeing some good movement there. Why would we expect? And is there something that maybe has walk-ins decelerated or something? Is there an offset that you're seeing that would make us feel like the special events was not going to be driving an improvement?

Kevin Sheehan

Yes. No, I would not look at it that way at all. What I'd say right now is where we are quarter-to-date. It's - the preponderance of the quarter is yet ahead of us. We still have 75% of our quarter between now and the end of Q4. And so with holiday shifts, from where we are quarter-to-date. And with all of our special events predominantly happening over the next two to three weeks.

We feel very confident about where these are going. But we didn't want to overextend and demonstrate any additional sort of walk in guidance. Look, we feel very good about what we have to offer going into Q4. And again, I'd say I would look at this guidance as a very conservative view just to help really level set, and make sure people know at least generally how to approach Q4.

Just given Q4 and the prior year had a 53rd week, and just some other year-over-year noise. So I'd say we're looking at this very conservatively, and are optimistic that we're going to have a strong Q4.

Jake Bartlett

Thank you very much. I really appreciate it.

Operator

The next question is from Andy Barish with Jefferies. Please go ahead.

Andy Barish

Hi guys, and yes, welcome back. Kevin, at least on the call for a while. Hi Darin, just on the calendar shift benefit within that guidance, again, without having to parse it too much. I'm assuming the negative impact of the third quarter flips around in the fourth quarter, and I know it doesn't fully offset an extra week, but can you give us some sense of sort of, or at least what's going on with that shift in the 4Q?

Kevin Sheehan

Yes. Yes. I think when you look at the impact in Q3, and there's a table in the earnings release that provides some color there, if you haven't had a chance to digest that. The benefit in Q4 is going to be half of that or less. So certainly, we would not look at that as it is hardly going to offset the 53rd week. The 53rd week had a \$39 million impact in the prior year in this fiscal week shift, maybe circa \$5 million favorable impact in Q4. So I hope that provides some context.

Andy Barish

Yes. Very helpful. And then just maybe nitpicking here, but obviously important as you move into '25. You didn't kind of give a sales increase in the fully program remodels? And prior to now, I think you guys have kind of said, hi, we need and are seeing a double-digit increase to justify the returns on a, let's say, a \$3.5 million investment. So is there anything that you're seeing that's not generating similar types of returns? Or are you just kind of being a little bit more conservative right now? I think that's an important area just to kind of help parse out here?

Kevin Sheehan

Yes. Yes. No, great question. What I'd say is our fully programmed remodels, our Phase 1 of remodels, which were the initial, call it, proof-of-concept remodels. We are still seeing double-digit growth in those locations. So we remain very pleased with how they're performing. The balance of the fully programmed remodels are seen mid to high single-digit growth.

What I'd say that we've learned is when we saw the success of the first remodels, we went into, hi, let's aggressively push these out. And as we've done that, going through any of these programs, as you're probably aware, is you pick up a lot of learnings along the way, where you need to tweak things or you need to modify. And so, what we've learned is that there's opportunity for us to learn, from how we roll out those initials for.

There's a lot of dedicated effort, there is plussed up marketing, there is additional training, that when we started getting more aggressive at the rollout. We realized that those are really critical elements to really giving the best returns out of these. So with that being said, it's - we've had a lot of learnings, and we are now making some changes to how we're messaging these brands.

The awareness of the remodel is very critical. And so as we look at our Phase 3 fully program remodels, we are going back and plusing up our marketing and messaging, to more reflect what those first four were like, and focusing on some of those areas that we really excel at on those first four.

And we think that's really important as we move forward with this remodel program. So I think that's how you, still like our returns. We think we can optimize those returns even more, and we have a pathway to that, that we think is the correct one to do that.

Andy Barish

Okay. Helpful. And then just finally, I know things are in flux and the annual budget is probably being worked on, but there's some discussion of 60 fully programmed remodels for fiscal '25 coming up. Can you comment on that at this point? Or would you rather hold off?

Kevin Sheehan

Yes. I'd say we're still very committed to obviously getting to 44 done this year. And we're continuing to work with our Board on what that cadence looks like for FY '25. If we chose to, we could do 60 next year. I think we might take a little bit more judicious of approach, just to make sure that we can focus on delivering the right marketing, the right ops execution with it.

But we're still very excited about this program. And I think next time we get together, we'll provide some more color on the quantum of remodels. But needless to say, it's still a very key initiative, and we're just working through what that right cadence looks like for '25.

Andy Barish

Okay. Thank you very much.

Operator

The next question is from Sharon Zackfia with William Blair. Please go ahead.

Sharon Zackfia

Hi. Thanks for taking the question. I guess I wanted to ask about the brands and kind of your research with your core customers on where the relevancy is, of the brand at this point? Where you think that can improve? And then on the remodels, I would be interested in hearing about the utilization of the social base?

Kevin Sheehan

Yes, sure. So the first question, we - for both the brands in terms of relevancy, we've done a lot of extensive consumer research over the last couple of years or so. The - our consumers love our brands and the - some of the most compelling feedback that we've gotten, which has influenced this remodel program, and some of our other initiatives is relevancy in terms of that entertainment innovation.

The entertainment side, is the key driver for the occasion for our guests, which is why it's important for us to deliver on that. In the midway through incremental innovation from an entertainment side. So it's remarkably consistent over the years that our product offering has high appeal. And so, we're very much - aligning our strategy with that. In terms of your second question, in terms of the utilization of the social base and the arenas.

I think it's a - we see some differences on with - on a store-by-store basis with our remodels. Our locations are not prototypical. They're all - it's a snowflake, they're all different. And so the placement of the social base and the arenas in each one, is a little bit different. But the number of social base and arenas as well can differ. And that leads to different usage.

And so, we're continuing to learn how to further engage our guests with this new platform, because it's a new form of entertainment for us. But we think we're just scratching the surface quite frankly, even in our fully programmed locations that are performing incredibly well. We just think we're scratching the surface, on the guest usage and awareness and traffic driving ability of these new forms of entertainment that we've put in place.

So we think we can drive more, and we've got the teams focused on that a lot from a training, from a staffing, from a pricing, from a length of gameplay to drive even more utilization.

Operator

The next question is from Andrew Strelzik with BMO. Please go ahead.

Andrew Strelzik

Hi, good afternoon. Thanks for taking the questions. My first one, I know that you continue to talk about the strong returns you get on the new stores. But I guess just as kind of they're implementing all these things, and doing the remodels and going down the path of repositioning the business. Is there any thought to pulling back on the store opening pace temporarily to focus on the core for a period of time, and kind of get the comps in the right place, improve the cash flow profile. I know you talked about kind of getting with the Board, to talk about capital allocation priorities. So I'm just wondering if there's any consideration to that?

Kevin Sheehan

Yes, it's a great question. At this moment, we would say no for a couple of reasons. Number one, we hit phenomenal returns on our new store openings. And this is our standard size of the store are smaller locations as we go into smaller markets in existing or new markets, continuing just to get really, really great returns. Secondly, all the things that we're focused on right now.

All the initiatives that we just walked through, while it's frustrating in this - in this environment to not see the impact of all these green shoots poke through the macro environment, we are highly committed, highly confident that we're focused on all the right initiatives. And when that works in conjunction with our remodel program, with the right marketing messaging, the right innovation, the right ops execution.

We believe we're going to start seeing the results of that. So I think if you start having questions on that core strategy that, could lead you to allocate capital away from new stores, but we're not close to that right now and remain very confident in that.

Andrew Strelzik

Okay. And then my other question is about the marketing optimization, which I think if I go back to the original Investor Day deck, was identified as the biggest revenue and EBITDA opportunity, amongst all the things that you guys have identified. And it sounds like we're kind of still a work in progress towards that. So from here, I guess, what's the pathway? When do we start to see that full expression of the marketing optimization really flow through, and start to realize the benefits of that? How far away are we from that driver really playing out?

Kevin Sheehan

Yes, it's a great question. And I think we would say admittedly, that has been one of the more challenging areas to address, I think, for a number of reasons. But we remain very optimistic that there is a lot to untap there. So, what I'd say is that there has been a lot of learnings, particularly when we look at the condition of the just the underlying infrastructure, the availability of actionable data.

Our analytics capability that takes a while to build. And I think we probably underestimated the amount of work that went into doing that. And then once you get that foundation laid, and then you partner and we brought in a new agency, there was a number of things, a number of things that we have learned and identified that we are now really starting to focus on.

A few examples of that is media mix. We shifted from a media mix that had a good blend of linear off-line and online, we really shifted to a 90% digital, 10% off-line. And while that shift to digital is the right move, we likely overcorrected by completely eliminated TV entirety from our mix. So we've been doing some tests in terms of linear. We've recently added some back to really drive top-of-the-funnel awareness, which we believe is showing some really positive signs. We - how we allocated some of our spend across locations. We've learned that we weren't allocating that as smartly as we could. Kind of going back to my comment on remodels. It's - we don't - we were appropriately messaging all the great things that we had. And so we are looking at that at that balance shift, between awareness and relevance.

We're taking our latest round of fully programmed remodels and heavying up on our, spend there and starting to get some good returns. How we're sitting in the stage in terms of, how we know if our digital spend is appropriately driving? Are we targeting that guest properly? And are they coming into our center after being delivered an impression? How we have looked at our loyalty program and how we're shifting that.

So that being said, we still - there's a lot here. There's a lot to unlock for us. And I think we made a little overcorrected in some areas, setting that foundation took a little bit longer than we thought. But our confidence and optimism about what that strategy can unlock. We continue to be very passionate about. So I know I said a lot, but hopefully, that provides some color, that's helpful for you.

Operator

The next question is from Dennis Geiger with UBS. Please go ahead.

Dennis Geiger

Great, thank you. I'm curious if you guys could talk at all about the Friendswood location, sort of just the latest update there as it relates to year two? And then if anything else to share on those remodels, I'm sort of - I know it's early days for many of them. But just on the trajectory of the performance following the initial open as it - are they generally especially Phase 1? Are they generally tracking in line or either perhaps better than your expectations? Just how that's generally looked if there's anything notable to call out there?

Kevin Sheehan

Yes. Yes. So Friendswood, and we, I think, mentioned on the last call that began lapping its remodel from the prior year. And we continue to be pleased with its performance. Obviously, on a year-over-year basis, that has moderated and not that it's lapping out green-over-green, but we continue to be pleased with where that's settled in. Look, I think with any of these remodel programs, it's not a linear view of the world where some.

There's some variance to how these things perform. And - but overall, we're continuing to see that strong growth and aren't seeing anything there that has led us to believe that it's just a short-term burst that the guests are uninterested in. That's not what we're seeing at all. So, we feel really good about that. Do you have another part to your question that I didn't address?

Dennis Geiger

No, that's great. I appreciate that. Just the second unrelated question, if I could. Just looking back at 3Q. Thank you and looking back at 3Q, and you guys called out some of the pressures, some weather and different things and clearly the macro, just curious if any other notable observations? Are the macro pressures still generally impacting visit patterns, spending patterns in a generally similar way, again, if you kind of cut through some of the noise maybe on some of the call-outs that you mentioned. Any kind of notable changes in those behaviors, visits, spending, et cetera, better or worse, generally similar? Thank you.

Kevin Sheehan

Yes. Look, I'd say the macro environment at best just continues to be that headwind. As mentioned previously, particularly that low-end consumer is really where we're feeling that decline to the extent that their spend is down twice as much as the other income quintiles. So, we're continuing to see that pressure on the consumer.

So yes, so overall, from a trend perspective, now look, I wouldn't say there's anything terribly meaningful from a trend change from a regional performance perspective, we're seeing similar trend performance there. So, I think it's just a little bit more of the same from a macro perspective from Q2 heading into Q3.

Operator

The next question is from Todd Brooks with The Benchmark Company. Please go ahead.

Todd Brooks

Hi, thanks for taking my questions. First question, just following up on Dennis' question, Darin, if you look at kind of some of the pressures that you called out in the third quarter between the calendar whether the remodels. Can you size maybe what the bucket of that pressure meant from a same-store sales drag? And then on the remodel portion of that drag, are the remodels taking longer than expected, or where it was a bigger than expected drag versus what you thought going into the quarter?

Darin Harper

Yes. So from a weather and remodel construction impact, we estimate about 50 to 100 basis points of pressure on our comps of down 7.7. The - and that comp of down 7.7 is on a like-for-like basis. So that ignores the noise from the calendar shift. So that's the biggest callout in terms of the same-store sales performance. And again then you've got the macro impact.

And then again, a lot of what I kind of walked through, particularly from a marketing perspective in terms of the opportunities that we've identified after bringing in a new agency partner, those changes and improvements and enhancements that we're making are going to be into Q4, heading into Q1.

So it's difficult to know what kind of impacts that sort of unoptimized, sort of marketing had. But I'd say heading into these ensuing periods, we feel good about what we're able to do to help sort of fight some of these macro headwinds.

Operator

The next question is from Brian Vaccaro with Raymond James. Please go ahead.

Brian Vaccaro

Thanks. Darin, you touched on it a little bit earlier, but your review of the advertising and the shift away from linear TV in recent years. I'm curious just how much of a role you think that's played in the company's negative comp performance, if there's a way to kind of frame that high level?

Darin Harper

Yes. I can't speculate on what that impact might be. You just don't know a lot of times when you've had a plan that was very heavy, linear to now are to guardrail, the guardrail goes very heavy digital, which, again, I think that shift was generally the right. But I think we're now trying to say, look, do we need to balance this better, and some of our testing is telling us, yes, we need to balance that better.

Because we might be - we might be missing a lot of that top of the funnel, which the brand is focused on, notwithstanding having very high brand awareness. So I can't speculate on what that impact will be. I think the biggest test will be as we rebalance it, we'll see what our performance looks like moving forward. And we feel like there's a lot of opportunity there.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Kevin Sheehan for any closing remarks.

Kevin Sheehan

Hi, thank you, operator, and thank all of you for joining. We look forward to speaking with you again soon. And in the meantime, happy holidays from our families to yours. Thank you very much.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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