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Dave & Buster's Entertainment, Inc. (PLAY) Q3 2025 Earnings Call Transcript

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Q3: 2025-12-09 Earnings Summary

Insights



EPS of -\$1.14 **misses by \$0.10** | Revenue of \$448.20M (-1.06% Y/Y) **misses by \$11.95M**

Dave & Buster's Entertainment, Inc. ([PLAY](#)) Q3 2025 Earnings Call December 9, 2025 5:00 PM EST

Company Participants

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

Tarun Lal - CEO & Director

Darin Harper - Chief Financial Officer

Conference Call Participants

Eric Wold - Texas Capital Securities, Research Division

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

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

Presentation

Operator

Good day, ladies and gentlemen, and welcome to the Dave & Buster's Q3 2025 Earnings Conference Call. [Operator Instructions] Please also note today's event is being recorded. At this time, I'd like to turn the floor over to Cory Hatton, Head of Entertainment Finance, Investor Relations and Treasurer.

Cory Hatton

Head of Entertainment Finance, Investor Relations & Treasurer

Thank you, Jamie, and welcome to everyone online. 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 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 2025 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 Tarun.

Tarun Lal
CEO & Director

Thank you, Cory. Good evening, everyone, and thank you for joining our call today. I'm pleased to report we are making substantive progress on our Back to Basics plan. We've been hard at working our marketing engine, strengthening our food and beverage offering, improving our operations, refreshing our games offering and revamping our remodels. This work bore fruits over the course of the third quarter as we saw sequential improvement in same-store sales each month with the final month of the quarter down only roughly 1%.

We are also quite pleased with our Back to Basics new menu launch, which helped contribute to positive same-store sales for food and beverage during the quarter. We are laser-focused on executing our Back to Basics plan, strengthening our culture, elevating the guest experience and fully realizing the significant potential of our unique and iconic brand. After being here for about 5 months and fully immersing myself in the business, I am even more confident in our ability to dramatically improve operating results and drive meaningful value creation for our guests and our shareholders.

I'll now provide an update on each of the pillars of Back to Basics, which, as I mentioned, is already driving measurable improvements across the business. First, we have reconstructed our marketing strategy with a clearer, more disciplined approach to planning and execution. We have created a simplified marketing and promo calendar, which effectively communicates the attractiveness of our offerings such as the Eat & Play combo, which highlights our offerings across both food and beverage and games.

We continue to improve and optimize, leveraging data, our media mix and the flighting of our investment between television and digital. Organizational enhancements are empowering our marketing to function as a growth engine, driving both guest acquisition and sales performance. We have built out a comprehensive revenue management team, which, among other things, test games, promotions, creative, marketing messages and other strategic components well ahead of the major launches.

This process ensures that we make data-driven decisions, which has led to smoother execution and strong results, which we expect to continue in the remainder of 2025 and beyond. Second, we have made significant progress implementing our new food and beverage offerings. As we have discussed previously, the percentage of people who came into our stores to play games and then also eat food was significantly lower than in the past, and it has been our goal to return that number to historical levels.

Earlier this year, we made certain changes to the presentation of our existing menu, while in parallel testing a new menu, which included significantly more items and brought back numerous fan favorites. As previously discussed, the new menu test performed extremely well, and we launched the new menu in October. It has delivered strong results and accelerated momentum in our food and beverage performance. This new menu as well as a number of other food initiatives is driving higher average checks through an improved product mix and stronger volumes in its first month, creating additional momentum in Q4.

We are pleased that during the quarter, traffic in our dining rooms was up meaningfully up year-over-year with October same-store food sales being the best month of the year, a trend that has only further improved in November. As we discussed, earlier this year, we brought back the Eat & Play combo, and we continue to see positive momentum from this promotion, which we believe provides a highly compelling value to our guests.

We have continued to improve this offering throughout the year and guest attached to EPC has improved significantly to a double-digit percentage of our guests since the beginning of the year, demonstrating the attractiveness of the offering. We are continuing to optimize dayparts and experiences such as refining our lunch offerings and enhancing mobile and kiosk ordering to ensure our guests enjoy both convenience and craveable quality on every visit.

Third, we are reinvigorating our field operations with comprehensive training programs designed to empower our teams to deliver exceptional guest experiences. By fostering a collaborative culture that receives strong support from our shared service center, we are reducing turnover, enhancing engagement and creating an environment where our people and our brand can truly thrive.

We have high confidence that these initiatives are working as our guests are staying longer in our stores and spending more while continuing to provide high guest satisfaction. Fourth, regarding our games offering, we are focused on tightly aligning our marketing campaigns with high-impact IP-driven game launches. While we aren't ready to make an announcement, we are highly confident that our upcoming 2026 lineup has highly relevant cultural IPs, which will maximize awareness, engagement and traffic.

As previously discussed, we have renewed our focus on regularly introducing exciting new games, which we were able to do in 2025, but which we will be able to do even more effectively in 2026. We have significantly improved our process and plan to introduce 10 new games throughout the year. We are confident based on tests that are in the market that the games are highly marketable and will resonate well with our customers.

We expect these games to drive significant repeat visitation based on data from robust customer tests. Additionally, we expect the rollout of Human Crane to all remaining locations, along with its debut in main event to deliver an immediate and proven lift in sales in the coming months. Beyond our in-house innovations, we are exploring powerful partnerships at the intersection of media, sports, technology, embracing the growing potential of location-based entertainment to create experiences that are truly unmatched in our category.

Finally, we have commenced our revamped remodel program. As mentioned last quarter, we've been focused on optimizing the remodel prototype to modernize and refresh the look and feel of the units at an appropriate cost. We have high confidence we have found the right layout to increase traffic and overall productively and will generate highly attractive ROIs at reasonable cost. We have 3 new remodels under construction and plan to open 6 new remodels in the next 5 months.

To further accelerate our momentum and our execution of all pillars of the Back to Basics strategy, we are elevating our culture and people capabilities across the organization to strengthen our foundation for growth and success. With the recent addition of key new executives to our leadership team, including our Chief Strategy Officer, Aldo; our Chief Growth and Partnership Officer, Putnam Shin; and our Chief People Officer, Devesh Sinha, we have significantly enhanced the depth and expertise of our leadership team.

Aldo, Putnam and Devesh are highly quality -- high-quality executives who have tremendous capability and experience, and they're joining our teams highlight the power of D&B as an employer of choice. Aldo joins us from McKinsey, Putnam has experience with both Walt Disney and Merlin, and Devesh comes from Yum! Restaurants. As we build our support center capabilities, we are equally committed to our field.

From launching industry-leading GM incentives, investing in training programs to simplifying tasks and initiatives for our team members, we are sending a message to the field that our success is closely tied to our execution and to our guest experience. By fostering a culture that is fun, collaborative and supported by the shared service center, we're reducing turnover, enhancing engagement and creating an environment where our people and our brand can truly thrive.

With that, I would like to turn the call over to Darin to walk through the financial results of our third quarter. Darin?

Darin Harper

Chief Financial Officer

Thank you, Tarun, and good evening, everyone. Our financial foundation remains strong, supported by a business model that consistently generates high returns, healthy unit level performance, disciplined cost management and meaningful free cash flow. Both leadership and the Board remain sharply focused on executing our priorities to drive same-store sales growth and generate significant cash flow. We have clear operational levers at our disposal, and we are confident in our ability to further enhance performance and deliver long-term shareholder value.

Turning to a more detailed review of our financials. In our third quarter of fiscal 2025, comparable store sales decreased 4% versus the prior year period. We are encouraged by the improving monthly trend throughout the third quarter with relative strength in the final month of October, down approximately 1% versus the prior year period. We are also encouraged by a continuation of these improved trends throughout November.

During the third quarter, we generated revenue of \$448 million, a net loss of \$42 million or \$1.22 per diluted share, adjusted net loss of \$39 million or \$1.14 per diluted share and adjusted EBITDA of \$59 million, resulting in an adjusted EBITDA margin of 13%. As a reminder, reconciliations of all non-GAAP financial measures can be found in today's press release.

We generated \$58 million in operating cash flow during the third quarter, ending the quarter with \$14 million in cash and \$442 million in total liquidity, combined with the availability under our \$650 million revolving credit facility, net of \$14 million in outstanding letters of credit. On the expense side, we see meaningful opportunities to further optimize our cost structure.

In recent weeks, we have focused on enhancing our internal cost management processes, and we have also launched a comprehensive initiative to identify material efficiencies across the business. We are confident these efforts will support continued margin expansion, and we look forward to sharing updates on our progress in future quarters.

Year-to-date, in 2025, we have invested a total of \$268 million in capital additions on a gross basis or approximately \$155 million on a net basis when factoring in payments from landlords. Details of this can be found in the table in our 10-Q filing. We are making increasing progress converting our strong operating cash flow to free cash flow through more strict management on capital spending by eliminating inefficient spend.

As a reminder, we are committed to demonstrating our ability to generate free cash flow while continuing to invest in double-digit new store growth, new games, other high ROI initiatives and a more diligent remodel program. Our new store development continues to deliver strong returns, and we have a solid pipeline of upcoming store openings. In the third quarter, we opened 1 domestic D&B store in Spokane, Washington and 3 new domestic Main Event stores in Taylor, Michigan, Norman, Oklahoma and Greenville, North Carolina.

This takes our new store openings year-to-date to 9 on our path to 11 new domestic store openings and 1 relocation in fiscal 2025, in line with our previously communicated expectations for the year. With the opening of our third international franchise location in the Manila, Philippines in October, we expect 4 more international openings over the next 6 months. As a reminder, we have secured agreements for over 35 additional stores in the coming years.

We see international franchising as a driver of highly efficient incremental growth, monetizing our brand around the world with minimal investment and risk. As Tarun mentioned, we kicked off construction of our latest remodel prototype at 3 D&B stores at the beginning of November that we are excited to launch in their respective markets in early 2026. We believe this new prototype will maximize the impactful elements of our successful store remodels while eliminating previously ineffective spend for a high-return outcome, and we look forward to updating you on the progress in this area. And with that, operator, please open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question comes from Eric Wold from Texas Capital Securities.

Eric Wold

Texas Capital Securities, Research Division

Just a couple of questions. I guess, first off, with the marketing messages that you've been kind of switching and kind of trialing recently, can you talk about what you found has been resonating with the consumer? Is it a consumer that's still primarily driven by promotional offers, discounting and the like? Or are you seeing one that can be motivated by more kind of top-of-mind awareness marketing?

Tarun Lal

CEO & Director

That's a great question, Eric. What is really working just now is like smart value offers. And these are not necessarily discounts, but just packages that are put as a combo offer that allows our guests to appreciate and enjoy both our games and our games entertainment and our food and beverage offering. And if that is seen as compelling value, that's attractive to them. So as I mentioned, one of the things that we have done differently in this quarter, and we will institutionalize as a process going forward is that we test everything with consumers and this value messaging resonated with them. And so we kind of launched this in November, and we are seeing a lot of traction for this message.

Eric Wold*Texas Capital Securities, Research Division*

Perfect. And then just a follow-up question on that. You're marketing obviously a combo food and beverage and game. You talked about the food and beverage comps have been positive again for kind of the second consecutive quarter, at least. Maybe talk about kind of what you're seeing as those consumers go into the midway. Are you seeing more or less time from what you can monitor spent in the midway or more or less being spent per consumer? Any kind of trends there you can talk to?

Tarun Lal*CEO & Director*

Yes, Eric, I've kind of spent now like 5 months in the company and have spent a lot of time in our midway. I think one of the things that we acknowledged in the last call was that we hadn't invested in the right level of innovation in the games area, in our Arcade, and that's something that we're beginning to do. We've launched a bunch of games in 2025. And moving into 2026, actually, we already have a pipeline of more than 10 games that are associated with strong IPs. And we've tested all of them. So they are kind of lined up for launches in 2026.

So I am really excited about the next year as far as our games business is concerned. In addition, we are seeing a lot of interest and excitement around the Human Crane. And these are now in about 70% of our Dave & Buster's stores. By the end of this year, we'll complete rollout across the system, and then they'll be launched in main event in the first quarter of next year. And as I said, these are incredible games. People absolutely love them. There's a strong TikTok or Instagram value to them, and we are seeing like less than a year kind of return on investment on these games. So yes, that would be kind of my response.

Darin Harper*Chief Financial Officer*

And I'll add one thing to that. Just in terms of spend within the Midway, we're continuing to see very healthy spend. And in fact, our guests are spending a bit more, and they are spending more time in the Midway as well. So we continue to see very healthy spending from the consumer there.

Operator

Our next question comes from Andrew Strelzik from BMO Capital Markets.

Unknown Analyst

Dan, for Andrew. Given Dave & Buster's high brand awareness, are refinements to the marketing media mix enough to change consumer perception? Or are you evaluating increased marketing investment to broaden reach and reinforce the updated value in experiencing messaging?

Tarun Lal

CEO & Director

So Andrew, it's absolutely true that we have very strong brand awareness. I think again as far as the media planning and fighting is concerned, all we are saying is that it should be more data-driven and how do we invest in the right mix as far as linear television, connected television, and digital investments are concerned.

And reach is going to be important, absolutely critical. But I think in addition to reach, I think our learning is that we need to invest equal amounts of money in converting those into real customers. So it's really kind of now using a high level of science and system and process to invest versus kind of more guesswork that -- and impulse as far as media investment is concerned.

Unknown Analyst

Got it. That was helpful. And then one quick follow-up. You've mentioned a refined remodel prototype coming soon that should deliver stronger results at a reasonable cost. What have been the biggest learnings as you finalize that format? And is the aggregate remodel outperformance you've called out at roughly 700 basis points above the system still holding directionally?

Tarun Lal

CEO & Director

So both Darin and I can take this question. So first of all, yes, we're still seeing a 700 basis point kind of impact -- positive impact of remodels. I think our biggest learning is that remodels work, and that's kind of almost a fundamental kind of truth, right, that you need to refresh your assets to ensure that your guests have the right experience. Our learning was that we had kind of overinvested capital in areas that did not really impact guest experience and kind of -- it was kind of wasted investment.

And through, again, consumer insight work, we have now found like the areas where there is a direct correlation between our investment in guest experience and therefore, a repeat visit, and we are focusing on that now. So we kind of -- we are saving a significant amount of capital now in our remodels. And as Darin said, that's kind of like a general message that we just will be far more responsible with our CapEx and general cost management. We will continue to invest. We have the capital to invest, but we'll use it purposefully and meaningfully.

Operator

And our next question comes from Sharon Zackfia from William Blair.

Sharon Zackfia

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

It sounds like the food is doing tremendously and is going to bolster trends. I'm curious, as you look throughout the October quarter, did you see entertainment comps as well improve as the quarter progressed?

Darin Harper*Chief Financial Officer*

We did -- hey, Sharon, we did see improvement on the entertainment line as well. And obviously, we believe we've got a lot more to leverage. We've been talking about our F&B and menu for a while for a few quarters now. And so we're really proud of the performance that we're seeing there. And so now that focus on the entertainment side is something that we anticipate seeing some good returns there as well. But we have -- we did see sequential improvement in that line.

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

And then I know you mentioned continued improved trends in November. Should I think about that as being similar to October? Just curious on that. And then on unit level margins, I mean, there's been pressure there for a while. Obviously, the sales have been pressured. What kind of comp do you think you need to get expansion on that line?

Darin Harper*Chief Financial Officer*

Yes. So to your first question, yes, interpret that to say November has performed similar to October. Look, in terms of what type of same-store sales, look, we get to flat and positive same-store sales growth. We can manage and expand margins. It's -- while I think you'll see in Q3, we were able to manage our margins relatively well despite the 4% same-store sales decline. We believe there's a lot more opportunity to reiterate what I mentioned. We're very focused on a number of margin enhancement initiatives right now. But look, we can grow margins with comps flattish. And so that's obviously what we're focused on.

Operator

[Operator Instructions] Our next question comes from Brian Vaccaro from Raymond James.

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

So you noted the comps improved through the quarter, obviously. I wanted to ask just the 2-year stack, it does look like it decelerated sequentially versus the second quarter. So maybe you could just kind of elaborate on how you view the underlying trend? And then did I hear correctly, Darin, you said the November comp similar to October, so down around 1%. I just wanted to clarify that, that was the total comp.

Darin Harper*Chief Financial Officer*

Yes. Yes, that's right, Brian. Yes. No, you're absolutely right. From a 2-year stack perspective, I think it's -- that there was some deceleration. And that was largely driven by the softer start to the quarter relative to where we ended. But if you look at it from a 2-year or a 3-year perspective, you see a little deceleration on that front. But we continue to see those sequential trends in the areas that we're focused on, which really give us a lot of optimism around being focused on the areas that can really drive that same-store sales growth as we go through the quarter and into FY '26.

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

Okay. And then just a quick follow-up. I'm curious just how the walk-in versus corporate events business performed in the third quarter. And just heading into the important holiday season, could you give us a sense of how holiday bookings look or just broadly how you expect the corporate piece to perform kind of thinking year-on-year through the fourth quarter?

Darin Harper*Chief Financial Officer*

Yes. So for the quarter, our special events was mid-single-digit growth year-over-year. And we're very pleased with the performance that the team has executed on there. As a reminder, we have effectively completed the rollout of in-store sales managers, which has really helped us drive even stronger performance in those locations. And as we look at pacing for the balance of the quarter, which is obviously an important time for us, we're pleased with where we are and anticipate continued year-over-year growth in Q4. So we feel good about where we're going to end the year.

Operator

And ladies and gentlemen, with that, we'll be concluding today's question-and-answer session. I'd like to turn the floor back over to Tarun Lal for closing remarks.

Tarun Lal

CEO & Director

Thank you, operator, and thank you all for joining. In closing, Dave & Buster's is in the midst of an exciting chapter, one fueled by innovation, a renewed guest-first mindset and the passion of our incredible teams. We're sharpening execution and elevating every part of the experience from marketing and menu quality to operational excellence and games innovation.

The results are already taking shape, reflecting the power of our iconic brand and the effectiveness of our Back to Basics strategy. With growing momentum and significant untapped potential, we are confidently positioning Dave & Buster's for sustained growth in same-store sales and cash flow and meaningful value creation for our guests and our shareholders. I look forward to speaking with you again soon. Have a great evening. Thank you.

Operator

And with that, we'll conclude today's conference call. Thank you for attending today's presentation. You may now disconnect your lines.

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