



COMPETITIVE INTRUSIONS

SHORT DAVE & BUSTER'S (PLAY)

September 28, 2016

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QA@HEDGEYE.COM

**ANSWERED AT THE END OF THE CALL*

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HEDGEYE RESTAURANTS BEST IDEAS LIST

LONG LIST

| | | TRADE | TREND | TAIL |
|----------------|--------------------------|-------|-------|------|
| 1) PNRA | Panera Bread Company | ✓ | ✓ | ✓ |
| 2) DFRG | Del Frisco's Rest. Group | ✓ | ✓ | - |
| 3) BWLD | Buffalo Wild Wings | ✓ | ✓ | ✓ |

LONG BENCH

| | | | | |
|-------------|--------------------------|--|--|--|
| MCD | McDonald's | | | |
| SONC | Sonic | | | |
| YUM | Yum! Brands | | | |
| ARCO | Arcos Dorados Holdings | | | |
| EAT | Brinker International | | | |
| RRGB | Red Robin Gourmet Burger | | | |

SHORT LIST

| | | TRADE | TREND | TAIL |
|----------------|------------------------|-------|-------|------|
| 1) CMG | Chipotle Mexican Grill | X | X | X |
| 2) PLAY | Dave & Buster's | X | X | X |
| 3) SBUX | Starbucks | X | X | - |
| 4) DNKN | Dunkin' Brands | X | X | X |
| 5) BLMN | Bloomin' Brands | X | X | X |
| 6) JACK | Jack In The Box | X | X | - |
| 7) DRI | Darden Restaurants | X | X | X |

SHORT BENCH

| | | | | |
|-------------|------------------------|--|--|--|
| SHAK | Shake Shack | | | |
| TXRH | Texas Roadhouse | | | |
| QSR | Restaurant Brands Int. | | | |
| CAKE | Cheesecake Factory | | | |

Bench = timing is not right, or research is in progress.

KEY POINTS

1

COMPETITIVE INTRUDERS ATTACKING PLAY FROM ALL ANGLES

“Competitive intrusion,” words seldom used by PLAY’s management team, were first mentioned during their 1Q16 call one time, and then three times in their 2Q16 call. During the 2Q16 call Steve King, PLAY’s CEO, also mentioned, “there is more of that competitive intrusion coming that will affect our fourth quarter.” PLAY is no longer the only game in town when it comes to big venues to go enjoy games and grab a bite to eat. They are facing competitive intrusions in key markets, such as Texas. And other markets are getting hit as well by differentiated concepts that provide a fun atmosphere with the availability of food and beverages.

2

LEGS (FOOD & BEVERAGE) FEED THE WOLF (PLAY)

We view Food & Beverage as a leading indicator for how the games business at PLAY will perform. When you go to PLAY to have fun with your kids, you are going to get food for them and likely a beverage and food for yourself, as well. Importantly, this business is slowing for PLAY, Food & Beverage SSS declined 2.0% in 2Q16, representing a 75bps decline sequentially in the two-year average. Although Amusement continues to outpace Food, the sharp deceleration in Food signifies to us that Amusement spending will follow suit over time, as food can often be a deciding vote on whether a group of friends goes somewhere.

3

DISCRETIONARY GAMES BUSINESS WILL SUFFER

Spending on games is as discretionary as it gets, and as consumer confidence is waning, the desire to spend discretionary dollars on games will diminish. Additionally, the consumers’ wallet is getting pulled in different directions, with rent and healthcare cost inflation far outpacing other consumer expenditures.

MUCH OF THE ORIGINAL THESIS STILL HOLDS TRUE (PUBLISHED JANUARY 15, 2016)

1

LOW QUALITY, LOW RETURN CYCLICAL BUSINESS

PLAY has a very cyclical business model, that is dependent on the whim of games to drive the business. The reported numbers of the past two years are giving investors a false sense of security that the business model has changed from the company's previous public life. While the concepts positioning has improved, the cyclical nature of the business will reappear, challenging the bull thesis. There are also a number of financial metrics that we find challenging.

2

CYCLICAL PRESSURES

This could quite possibly be a bigger issue than the internal issues. In this deck we walk through a number of employment, CPI & PCE trends that correlate well both with the overall PLAY business and the amusement business more specifically. The amusement business is a cyclical one, which represents 53.4% of PLAY's revenue in 3Q15 (a number that has been growing), which will face trouble if we are in fact headed into a recession.

3

OVERZEALOUS PROJECTIONS (INTERNAL) & EXPECTATIONS (EXTERNAL)

Wall street analyst are perennial bulls on PLAY's stock. The banks are focused on maximizing banking revenues instead of doing proper analysis. Internally, they continue to defend their business despite going against tough comparables, coupled by slowing macroeconomic trends.



OVERVIEW OF THE BUSINESS

COMPANY OVERVIEW

Company Overview

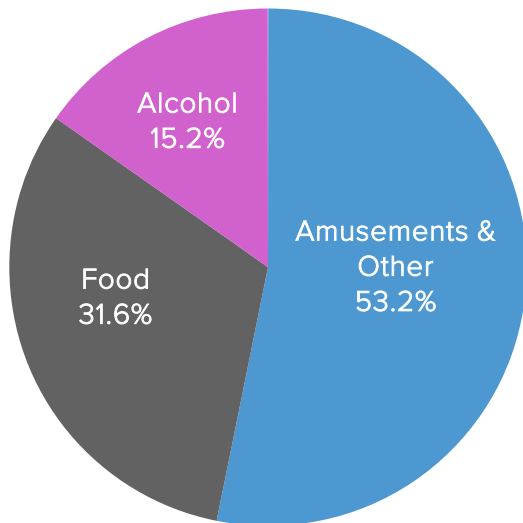
- Dave & Buster's (PLAY) owns and operates dining and entertaining venues targeted at adults and families.
- PLAY conducted their IPO on October 9, 2014, after being purchased by Oak Hill for \$570 million from previous owner Wellspring, who originally took Dave & Buster's private in 2006 for \$257 million.
- They are predominately located in the United States, with one location in Toronto, Canada and agreements in place to franchise in the Middle East starting in 2018.
- Target customers are adults ages 21-39, with a customer mix skewing moderately male (58%), and a household income of \$75,000+.
- Customer mix is generally 59% Adults and 41% families. 11% of revenue in FY15 came from corporate and social special events.

Management Team

- **CEO: Stephen King**
 - Has served as CEO since September 2006, prior to PLAY. Stephen worked in various roles at Carlson Restaurants (TGI Fridays).
- **President & COO: Dolf Berle**
 - Has served in current position since February 2011, previously served as EVP at ClubCorp USA, the largest owner and operator of golf, country club and business clubs.
- **SVP & CFO: Brian Jenkins**
 - Has served in current position since December 2006, previously served in various finance roles at Six Flags.
- **SVP & CMO: Sean Gleason**
 - Has served in current position since August 2009, previously served as SVP of Marketing Communications at Cadbury Schweppes.
- **SVP of Entertainment and Games: Kevin Bachus**
 - Has served in current position since November 2012. Previously, he served as the Chief Product Officer at Bebo, an international social networking site.

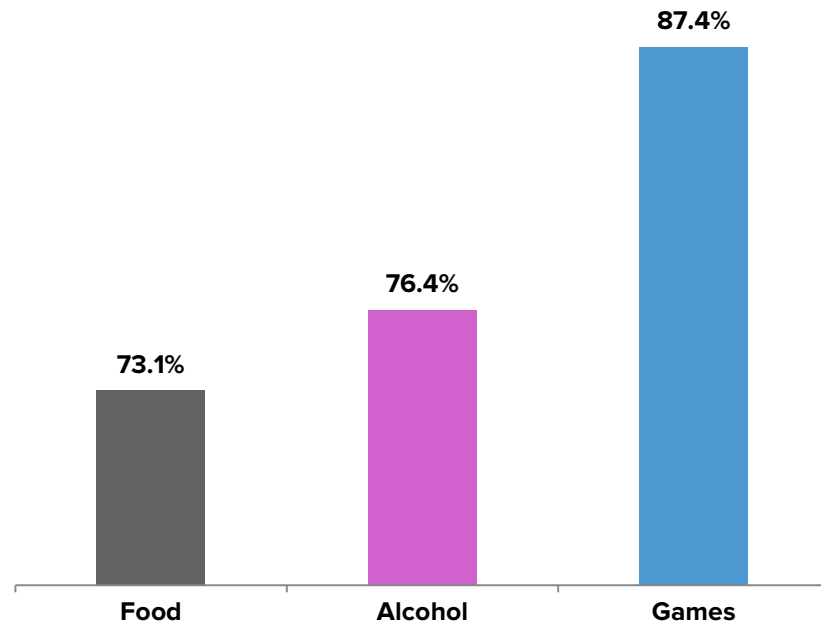
REVENUE MIX BREAKDOWN

Revenue by Category



2015 Revenue = \$866.98 million

Gross Profit Margin by Category



2015 Gross Profit Margin = 81.2%

2Q16 QUARTERLY PERFORMANCE

2Q16 Highlights

- PLAY delivered sales of \$244.3 million, an increase of 12.4%, narrowly beating estimates of \$243.1 million
- Food and beverage revenues were a big disappointment, coming in at \$107.7 million and missing estimates of \$111.8 million
- Amusement and other revenues increased 15.7% to \$136.7 million, beating consensus estimates of \$131 million
- PLAY reported SSS of +1%, missing estimates which stood at 2.1%, and saw Food & Beverage SSS fall by 2%
 - Amusements SSS rose by 3.5%, versus consensus estimates of 4.3%, while their food and bar segments fell by 2.2% and 1.4%, missing estimates which stood at +0.3% and +0.5%, respectively
- Notched \$45.1 million of operating cash flow and 23.5% EBITDA margin
- Net income rose to \$21.5 million, or \$0.50 per diluted share, finishing ahead of estimates of \$18.9 million, or \$0.44 per diluted share, largely assisted by higher than anticipated leverage in the games business
- Opened 2 stores during the quarter (Florence, KY and Little Rock, AR) and total of 5 units throughout the first half of the year

Outlook

- Will open two units during the third quarter (Las Vegas, NV and Fresno, CA) in August and October, respectively.
- Intend to open a total of ten to eleven new stores (versus nine to ten previously guided) in FY16, with three of those coming in the fourth quarter
- Expect total revenue of \$983 million to \$995 million, consensus currently stands at \$989.1 million
- Total capital additions are expected to be in the \$130 million to \$140 million, and includes development costs for store openings, six remodeling projects, new games and maintenance capital

Management Commentary

- Will continue to aggressively promote all you can eat wings for the first 5 Sundays, Mondays, and Thursdays of the NFL season for \$29.99 (guests will also receive a \$20 power card)
- Company has planned additional test runs for their Radio Frequency Identification Device (RFID) enabled merchandise
- “The impact to our business from cannibalization and competitive intrusion, while notable, was in line with our expectation,” Brian A. Jenkins, CFO
- “But we know there is more of that competitive intrusion coming that will affect our fourth quarter,” Steve King, CEO

DAVE & BUSTER'S DOMESTIC LOCATIONS

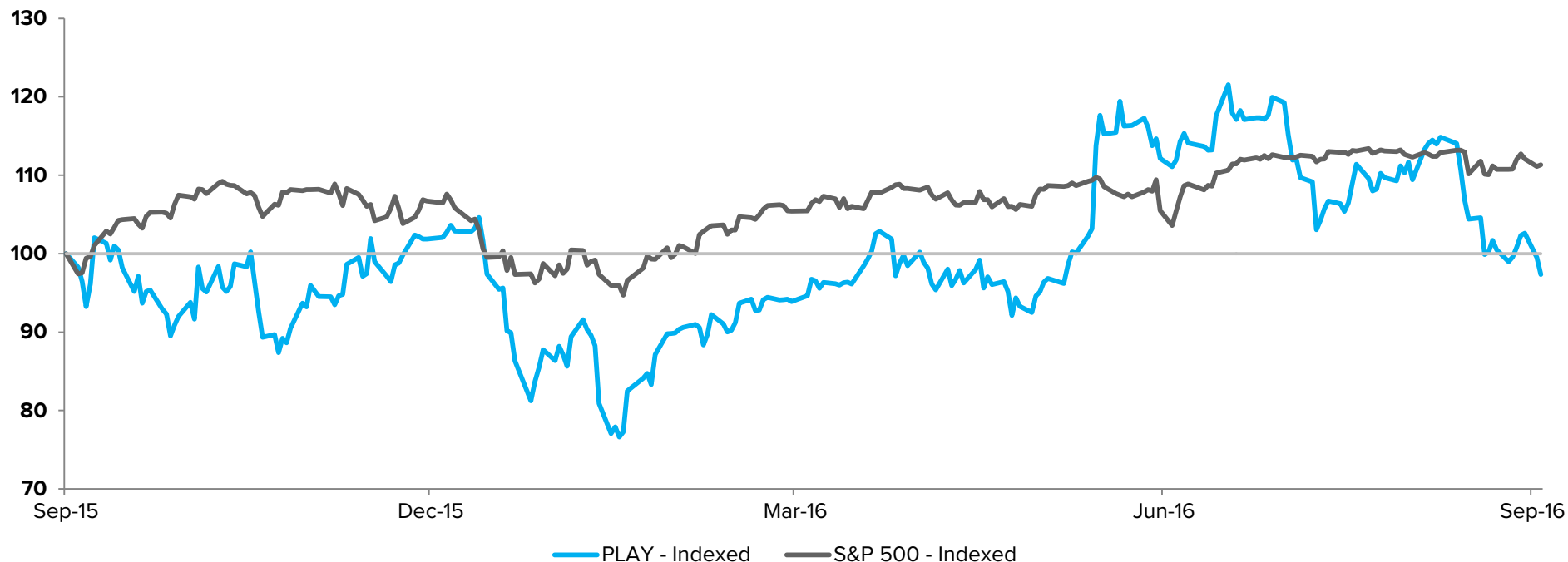
89 DOMESTIC LOCATIONS; THE FOUR LARGEST MARKETS ARE TEXAS (11), CALIFORNIA (11), NEW YORK (9) & FLORIDA (5)



PRICE PERFORMANCE VERSUS THE S&P 500

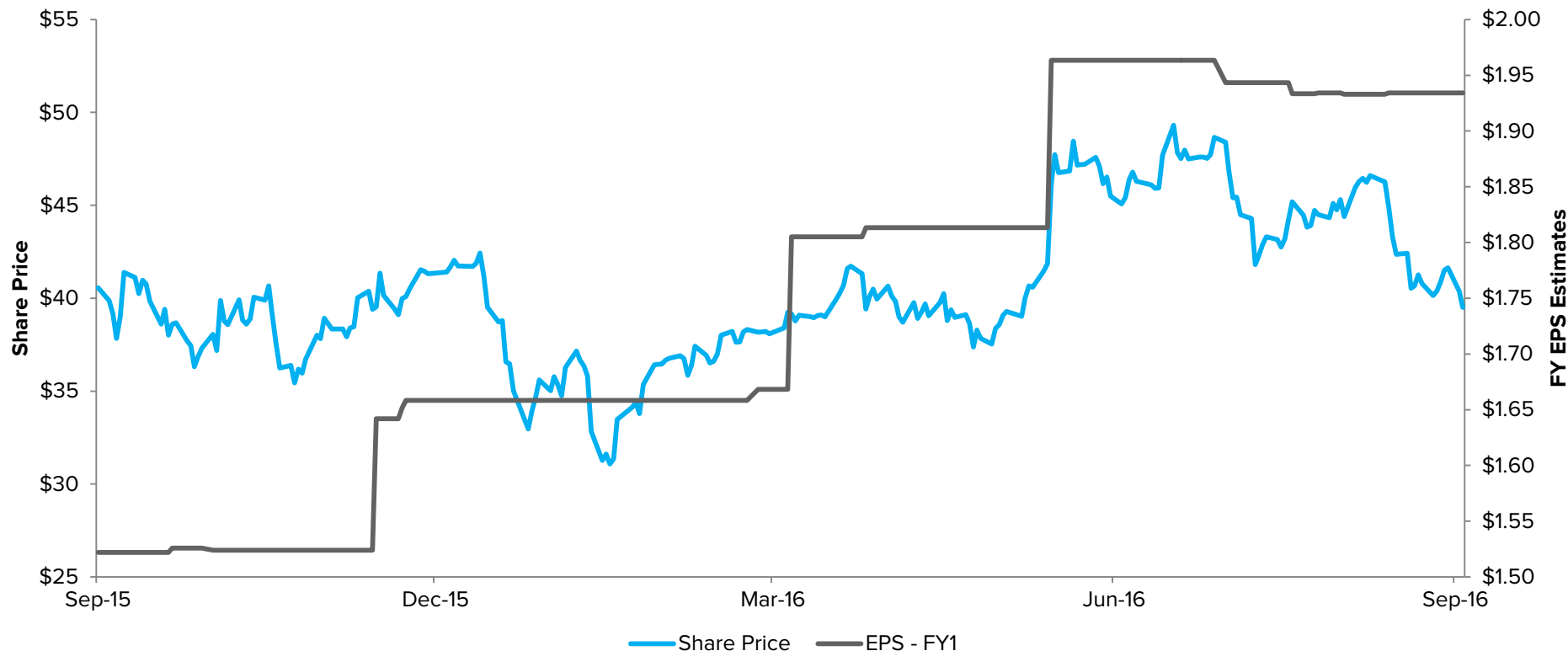
PLAY HAS TRAILED THE S&P FOR MOST OF THE YEAR AND HAS PLUNGED AS OF LATE

1 Year Performance



I YEAR EPS REVISIONS VS. STOCK PRICE

ESTIMATES HAVE TRAILED OFF SLIGHTLY SINCE JUNE

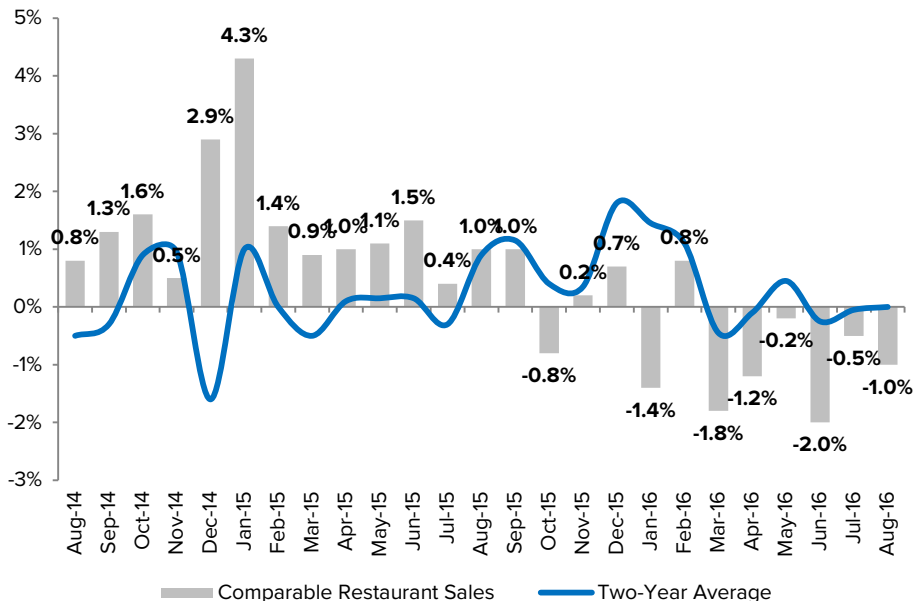




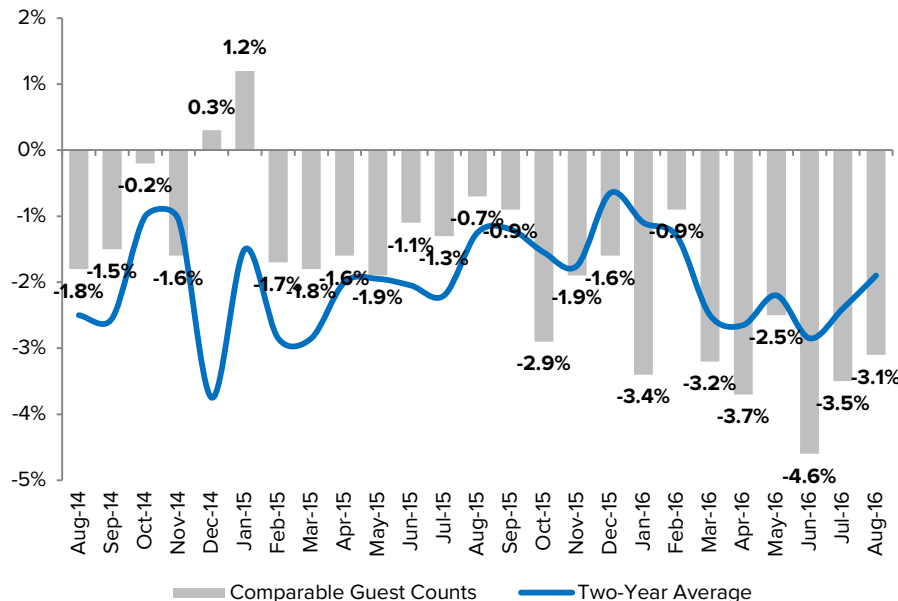
CONSUMER DOLLAR IS STRETCHED

KNAPP TRACK COMPARABLE SALES AND TRAFFIC

KNAPP-TRACK COMPARABLE SALES



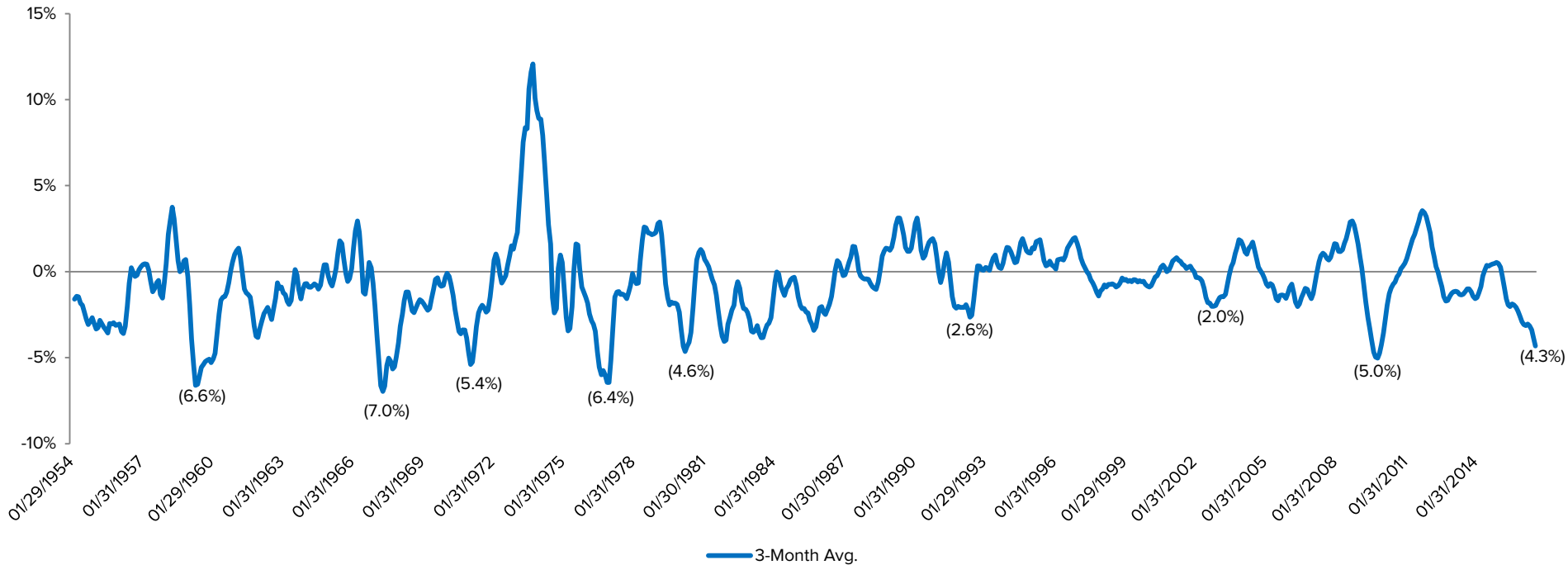
KNAPP-TRACK COMPARABLE GUEST COUNTS



INDUSTRY SALES CONTINUE TO LOOK BEARISH

Continued volatility in sales trends are predicted given the current election process. Additionally, as we will lay out, consumer spending continues to be pressured by healthcare and rent inflation, which is far outpacing other goods.

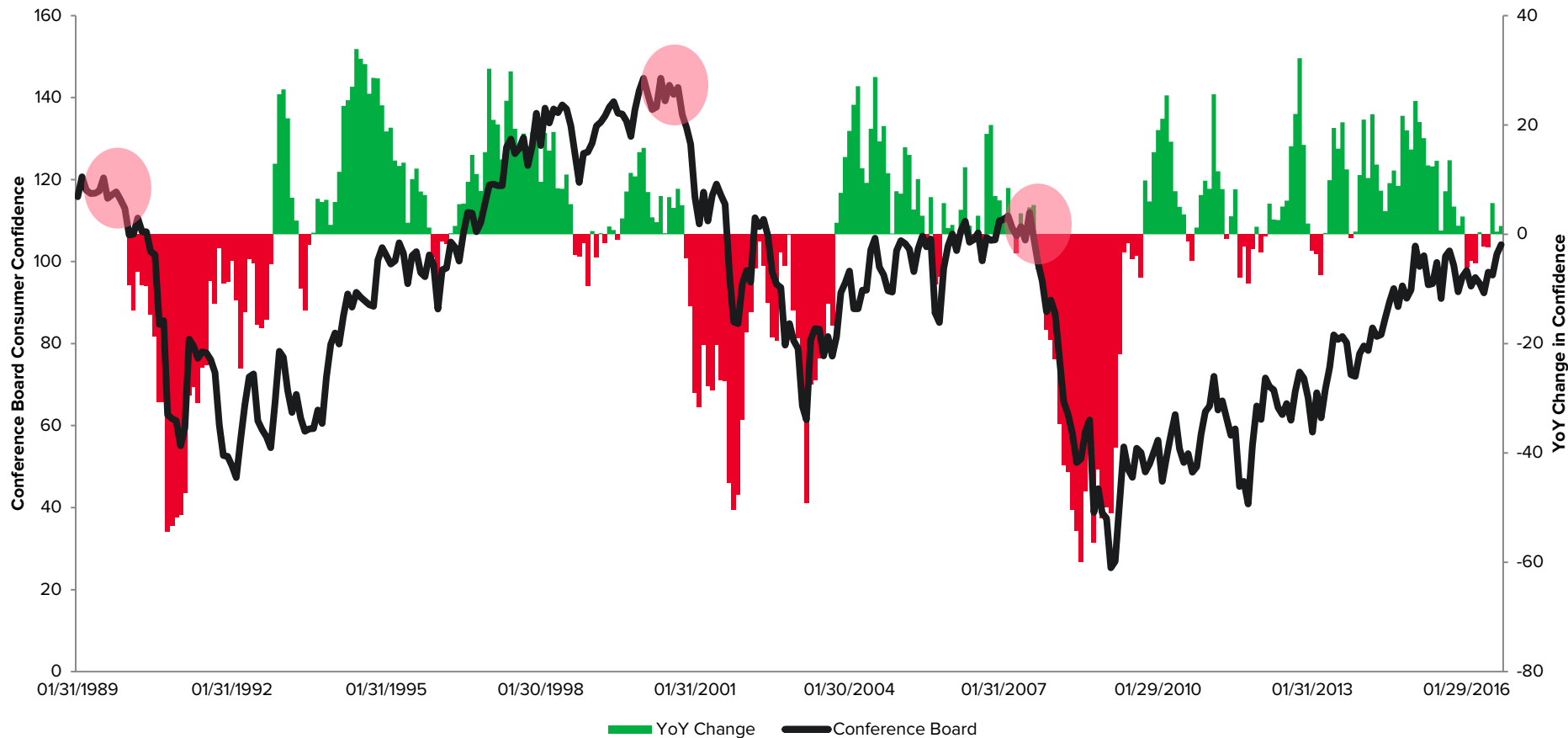
FAH - FAFH INFLATION DIFFERENTIAL



INFLATION DIFFERENTIAL NEARING GREAT RECESSION LEVELS

Although not an unprecedented number, besides the great recession in 08'/09' the inflation differential between FAH and FAFH hasn't been this low since the early 1980's. And we have now recorded the 19 month in negative territory.

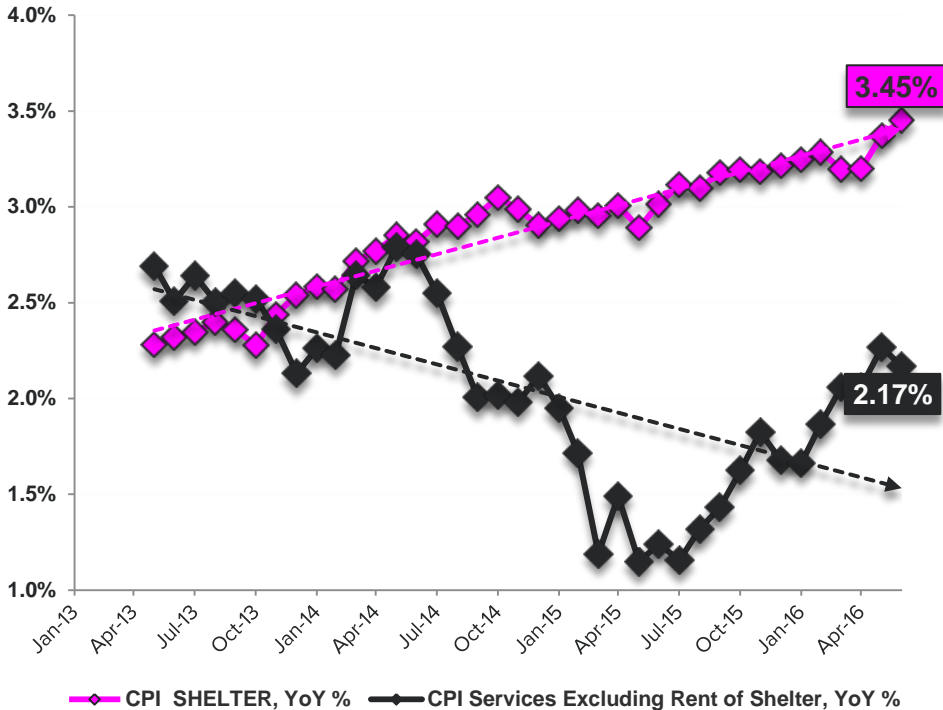
CONFERENCE BOARD CONSUMER CONFIDENCE



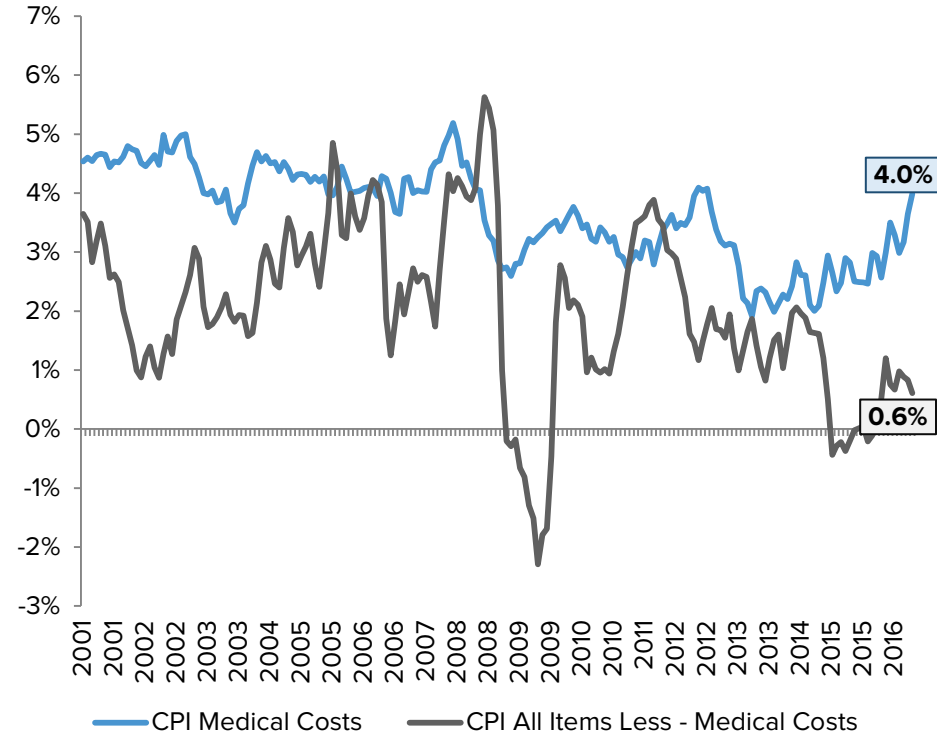
CONSUMER PRICE INDEX

CONSUMER INCOME GETTING STRETCHED IN MANY DIRECTIONS

SERVICES INFLATION
SHELTER VS SERVICES EX-SHELTER

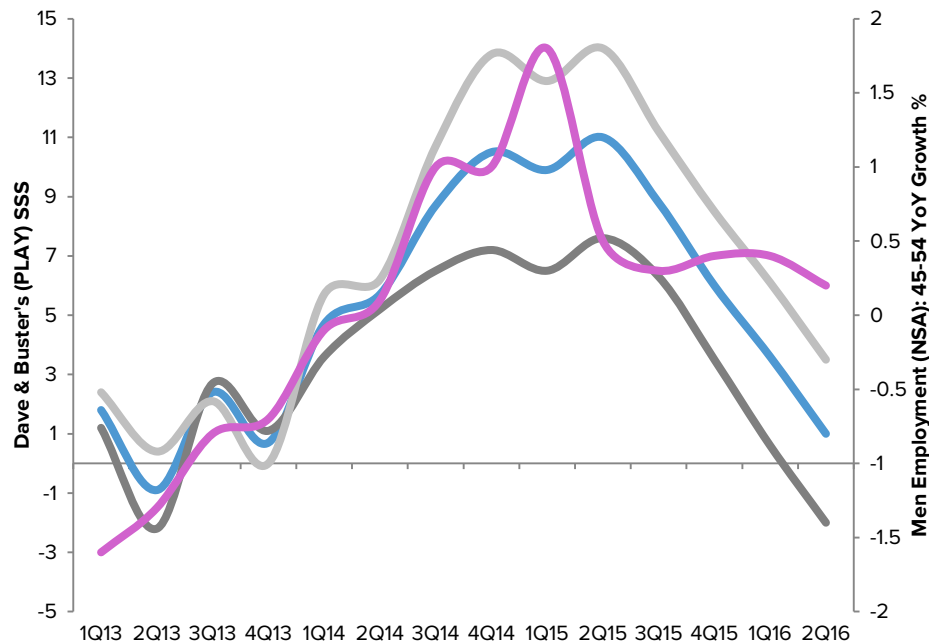


MEDICAL COST INFLATION



HEDGEYE RESTAURANTS MACRO TRACKERS

Men Employment (NSA): 45-54 YoY Growth %

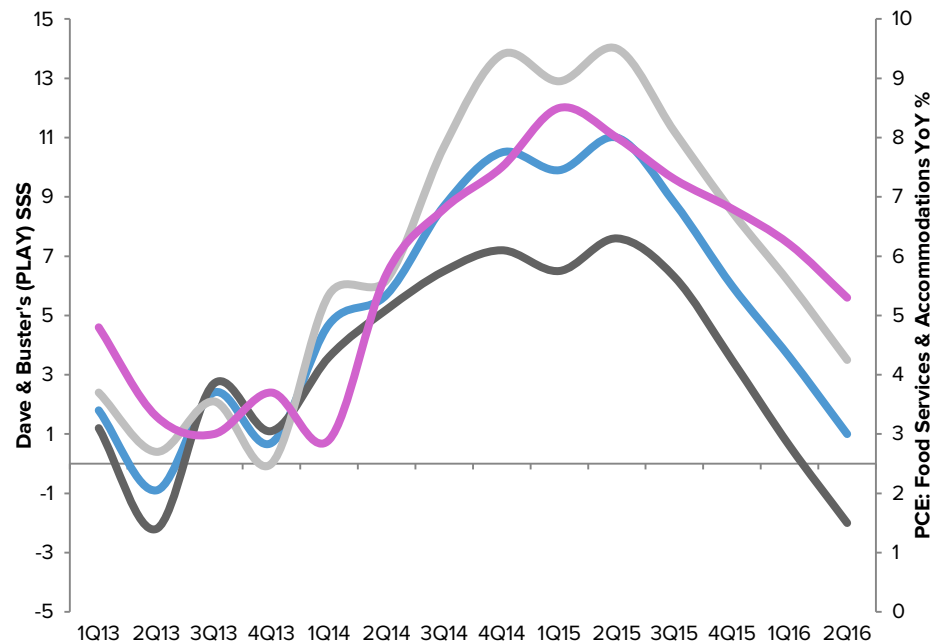


- PLAY: System-wide SSS
- PLAY: Food & Beverage SSS
- PLAY: Amusement & Other SSS
- Men Employment (NSA): 45-54 YoY growth %

Correlations

| | |
|------------|------|
| Total | 0.81 |
| Food & Bev | 0.66 |
| Amusement | 0.84 |

PCE: Food Services & Accommodations YoY %



- PLAY: System-wide SSS
- PLAY: Food & Beverage SSS
- PLAY: Amusement & Other SSS
- PCE: Food Services & Accommodations YoY %

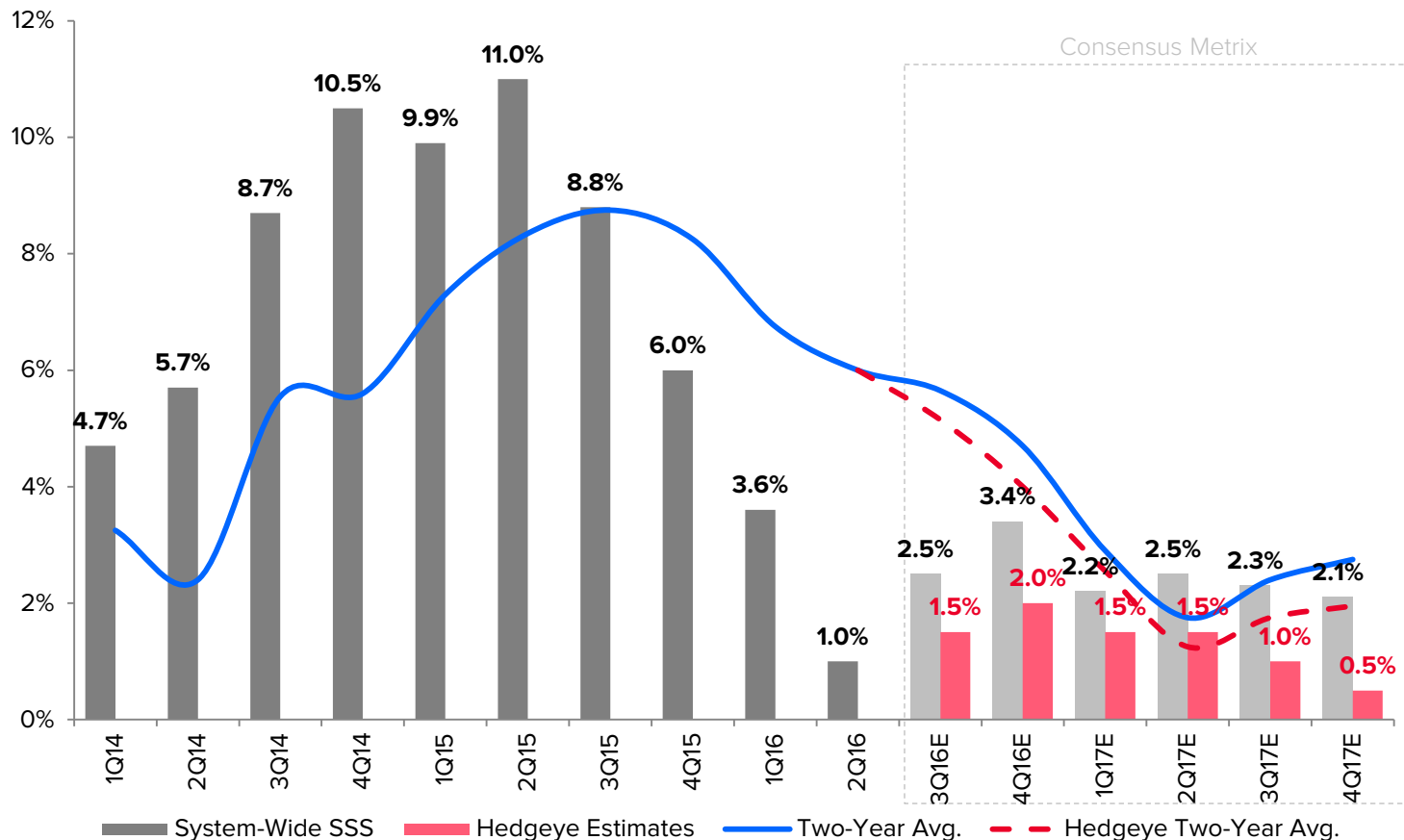
Correlations

| | |
|------------|------|
| Total | 0.84 |
| Food & Bev | 0.68 |
| Amusement | 0.89 |



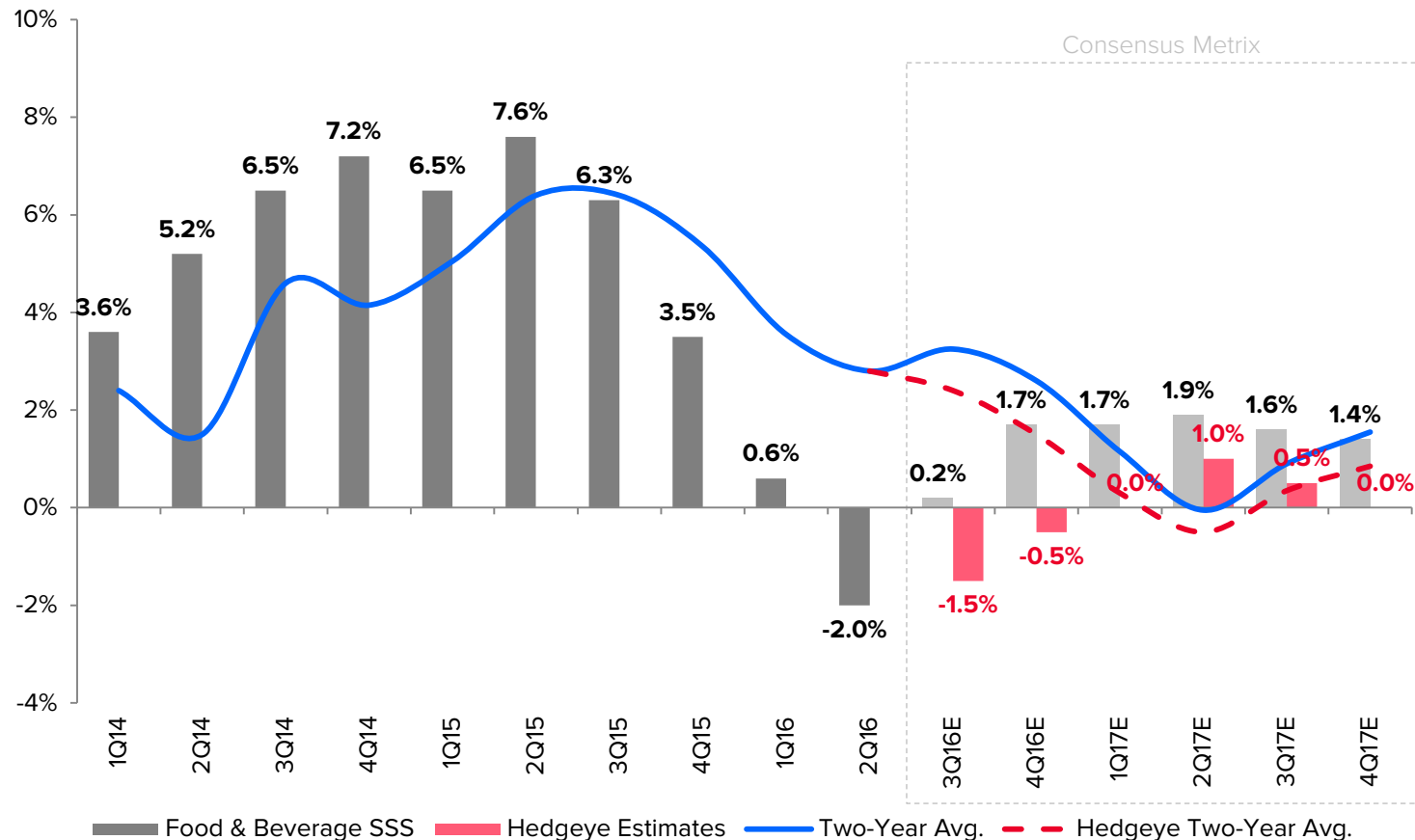
BUSINESS HAS BEGUN TO DETERIORATE

CONSOLIDATED SSS



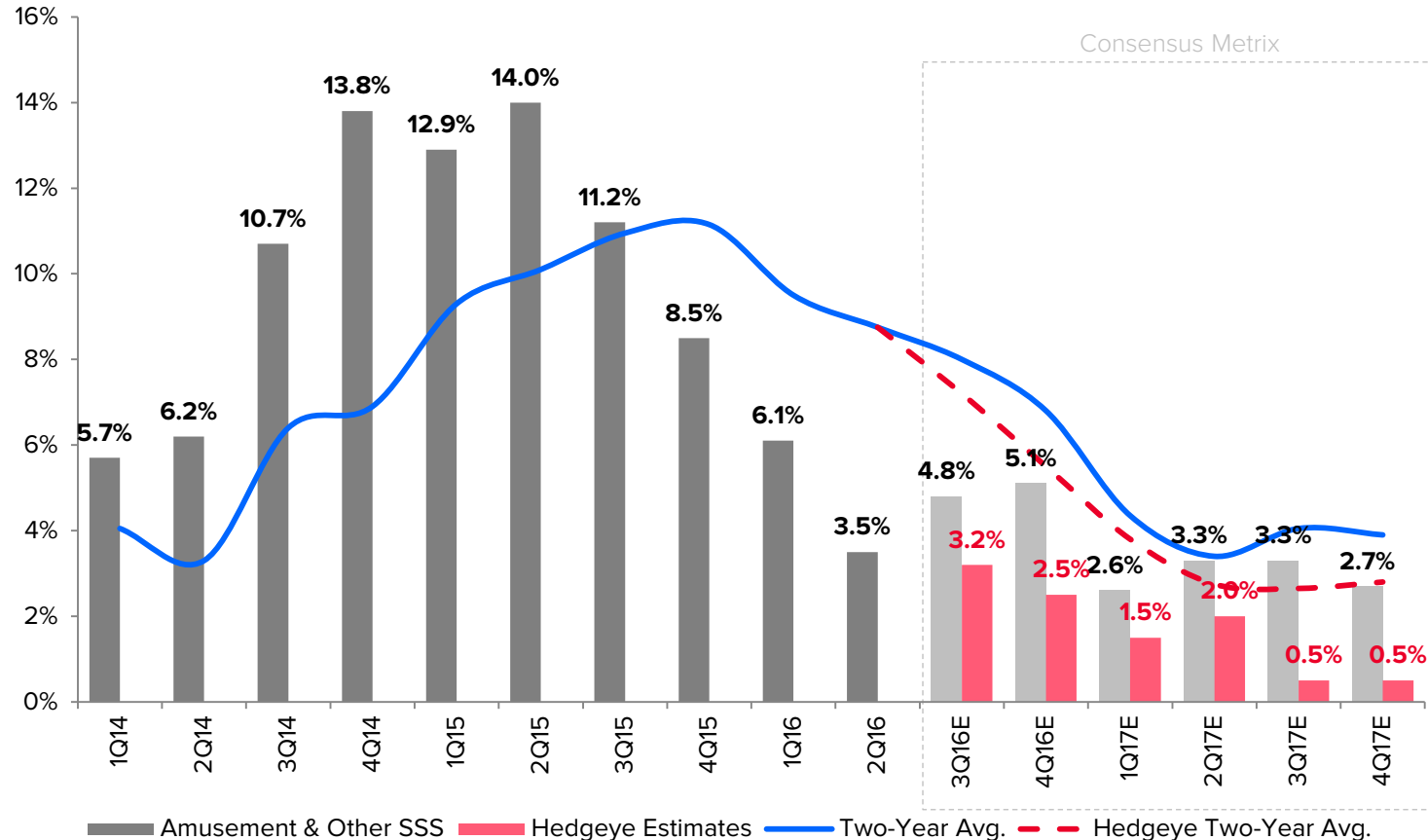
- The aggressive competitive intrusion that management has alluded to will come to a head in the coming quarters.
- Given the current trends, we would not be surprised to see PLAY post its first negative consolidated same-store sales comp in 1Q17.
- Management noted during the 2Q16 call that, “through the first two quarters, comp store sales were tracking at 2.3%, which would imply a 2.25% to 4.25% range for the back half of the year. Note that our third-quarter-to-date performance is consistent with this implied range.”
- Let’s not forget that in the press release they guided to full year comps of 2.25% to 3.25%, which is down versus previous guidance for FY16 of comps in the range of 3.25% to 4.25%.
- With consensus already at the low end of the range we are considerably more bearish, that the deterioration of the business has gotten worse.

FOOD & BEVERAGE SSS



- The decline in Food sales are leading the way down, and Games are likely to follow suit
- Without an increased focus on aggressive promotions, Food same-store sales will be down for the next four quarters

AMUSEMENT SSS



The slowdown in amusement is surely not far behind...

- It is unlikely that the optimism on the street is accounting for “competitive intrusions”
- The negative leverage to the P&L when this turns negative will be the single biggest reason why PLAY will ultimately trade at 6x EV/NTM EBITDA

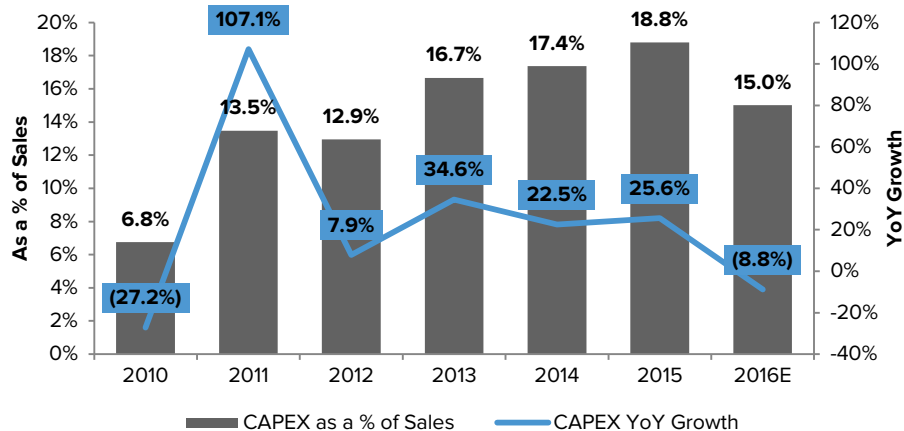


UNIT GROWTH

CAPEX GROWTH & UNIT ECONOMICS

AT THE END OF A CAPEX LIFE CYCLE

Capital Expenditures



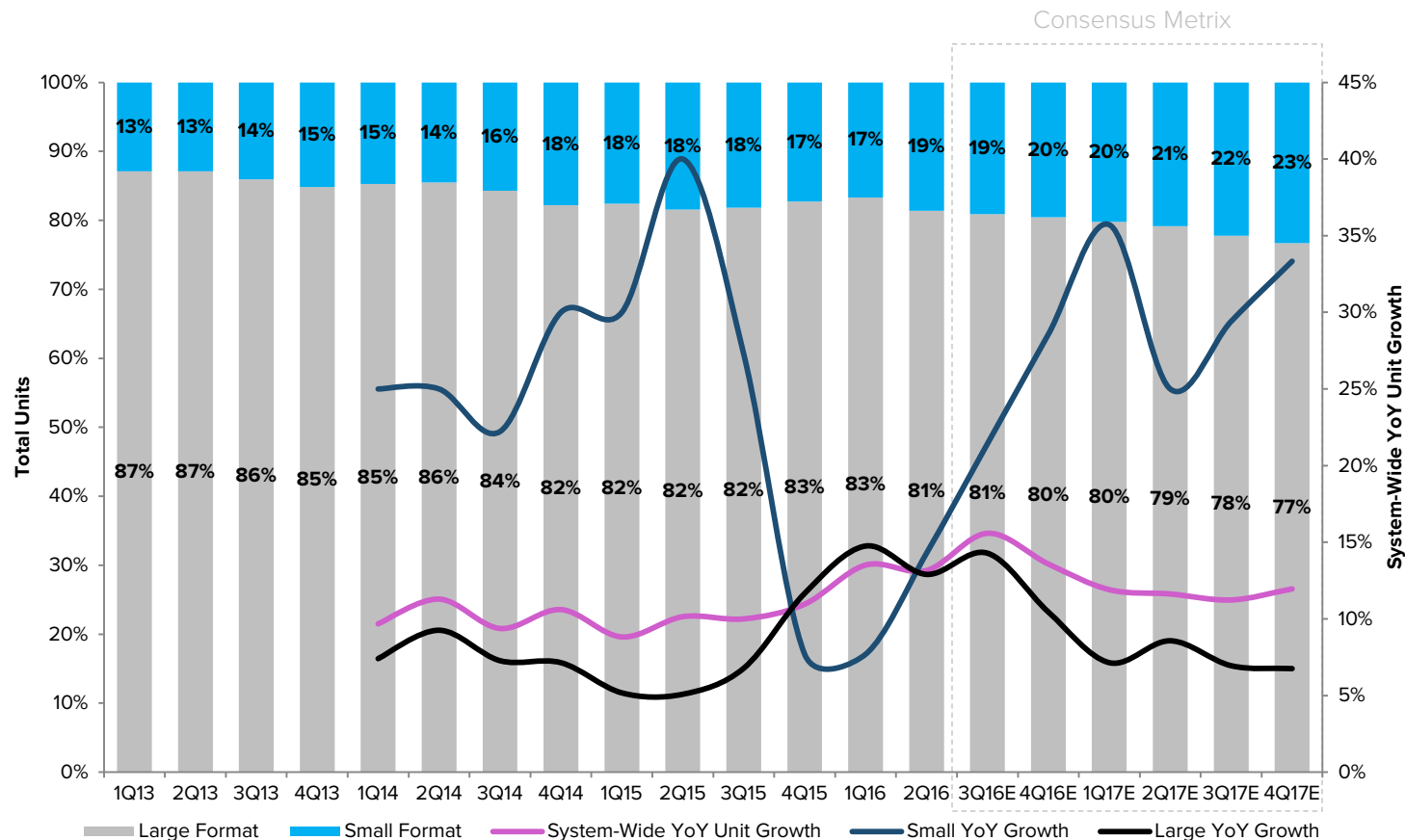
Economics of a New Store

| | Small Stores | Large Store |
|-------------------------------|--------------|-------------|
| Average Sq. Ft. | 27,500 | 37,501 |
| Total Revenue Post Honey Moon | \$7,225 | \$10,370 |
| Revenue Per Sq. Ft. | \$0.26 | \$0.28 |
| Store EBITDA Margin | ~29% | ~29% |
| Net Development Costs | \$6.80 | \$8.80 |

CAPEX Commentary

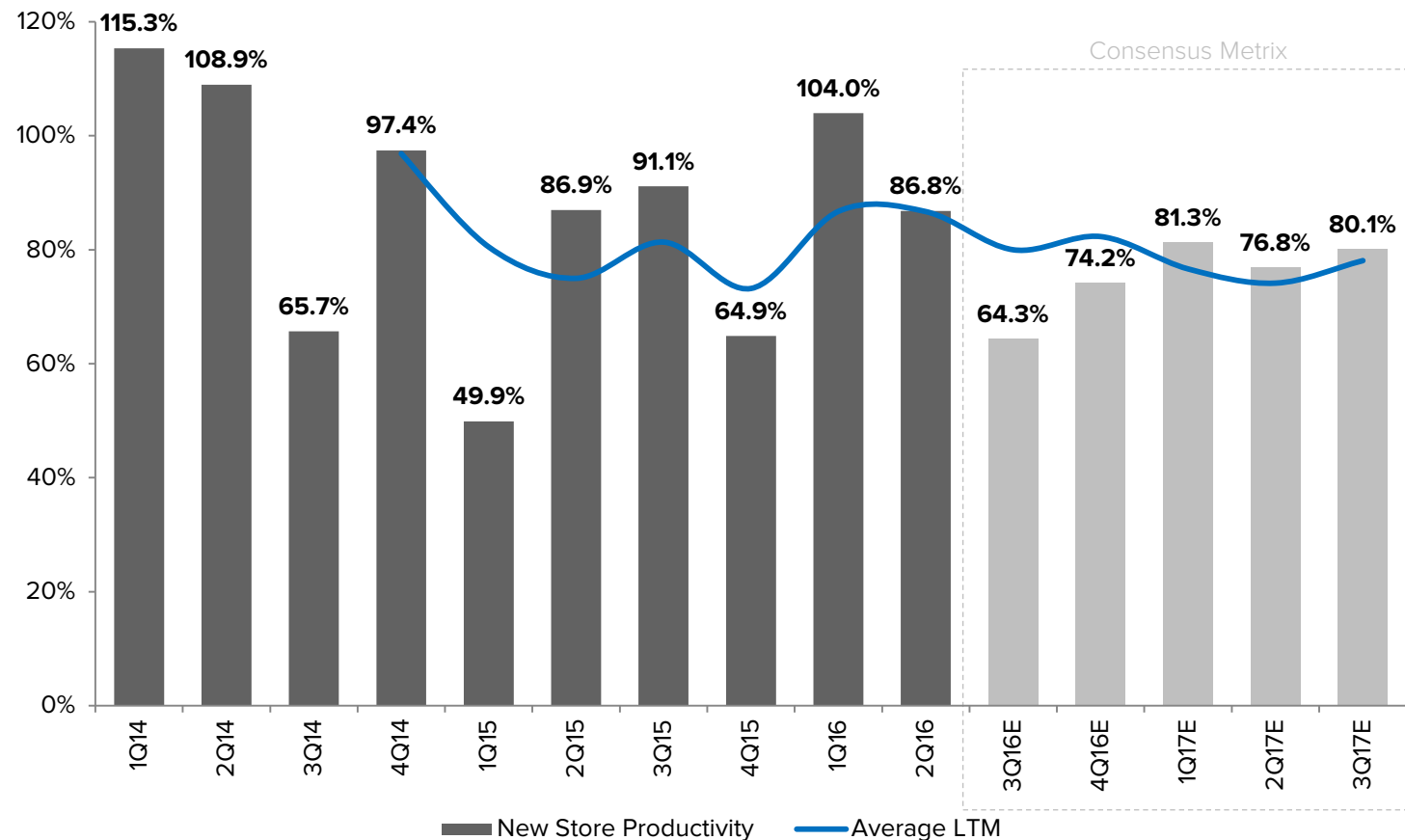
- Capital allocation strategy remains focused on investing in growth via new store development
- “And finally, we are now planning net capital additions after tenant allowances and other landlord payments of \$130 million to \$140 million. That's up from \$123 million to \$133 million previously. This is driven by increased development costs for new store openings as we have raised our guidance by one store from the previous range and are also making additional strategic investment in new games, some of which will be exclusive to D&B.” – Brian Jenkins PLAY CFO during 2Q16 call

UNIT GROWTH



- Usually, new stores start out not as efficient on the important costs. Namely, Cost of Goods Sold and Labor.
- Of the 86 stores they operated during the second quarter, 20 stores (23% of the store base) are “non-comp” stores.
- An excessive growth rate over an extended period of time can cause significant labor issues.
- This issue was first mentioned in the 2Q16 conference call: “And the challenge around that is that the number of new managers in our system are either populating new stores or backfilling for managers who go to new stores, therefore, more new managers in the system means that we need to pay a lot of attention to people’s proficiency in our system.”

NEW STORE PRODUCTIVITY



- As the inexperience of the store managers grows, you will see a corresponding decline in new store productivity



INCREASED COMPETITION

COMPETITION IS MORE THAN MEETS THE EYE

~53% OF THEIR BUSINESS IS AMUSEMENT AND GAMING

Restaurants



At home



Out of Home Entertainment



DIRECT COMPETITOR LOCATIONS IN TEXAS

SIGNIFICANT COMPETITORS HAVE STRATEGICALLY PLACED THEIR UNITS NEAR PLAY LOCATIONS



Topgolf Locations

- Allen, TX: Opened May 2011 (11 miles to nearest PLAY)
- Austin, TX: Opened May 2013 (2.7 miles to nearest PLAY)
- Dallas, TX: Opened Sept. 2007 (3.3 miles to nearest PLAY)
- Houston, TX: Opened Dec. 2012 (11.2 miles to nearest PLAY)
- San Antonio, TX: Opened Jan. 2015 (9 miles to nearest PLAY)
- Spring, TX: Opened April 2014 (24.3 miles to nearest PLAY)
- The Colony, TX: Opened Nov. 2013 (6.7 miles to nearest PLAY)
- Webster, TX: Opened Nov. 2015 (2.7 miles to nearest PLAY)



Main Event Entertainment Locations

- Austin, TX: Opened May 2005 (8.3 miles to nearest PLAY)
- Fort Worth (North), TX: Opened March 2016 (18.9 miles to nearest PLAY)
- Fort Worth (South), TX: Opened Aug. 2003 (26.2 miles to nearest PLAY)
- Frisco, TX: Opened Feb. 2009 (8.2 miles to nearest PLAY)
- Grapevine, TX: Opened Aug. 2000 (5.4 miles to nearest PLAY)
- Lewisville, TX: Opened Oct. 1998 (13.8 miles to nearest PLAY)
- San Antonio (North), TX: Opened April 2012 (12.5 miles to nearest PLAY)
- San Antonio (West), TX: Opened Aug. 2014 (8.3 miles to nearest PLAY)

EENIE, MEENIE, MINEY....MOE

OPTIONS ABOUND FOR CONSUMERS...



- “Part driving range, part video game, part raging house party” -Topgolf patron
- Average size of 65,000 sq. ft.
- 26 locations currently open for business (8 coming soon)
- 3 levels with capacity to accommodate 1,250 people
- Interactive platform, allowing players to fully-engage
- Competitive environment, that is also family-friendly
- Concerts, and other live music/DJ options
- Full beverage and food menu, featuring cocktails and house specials
- Offers inexpensive golf lessons (adults: \$29; kids: \$15 per hour)



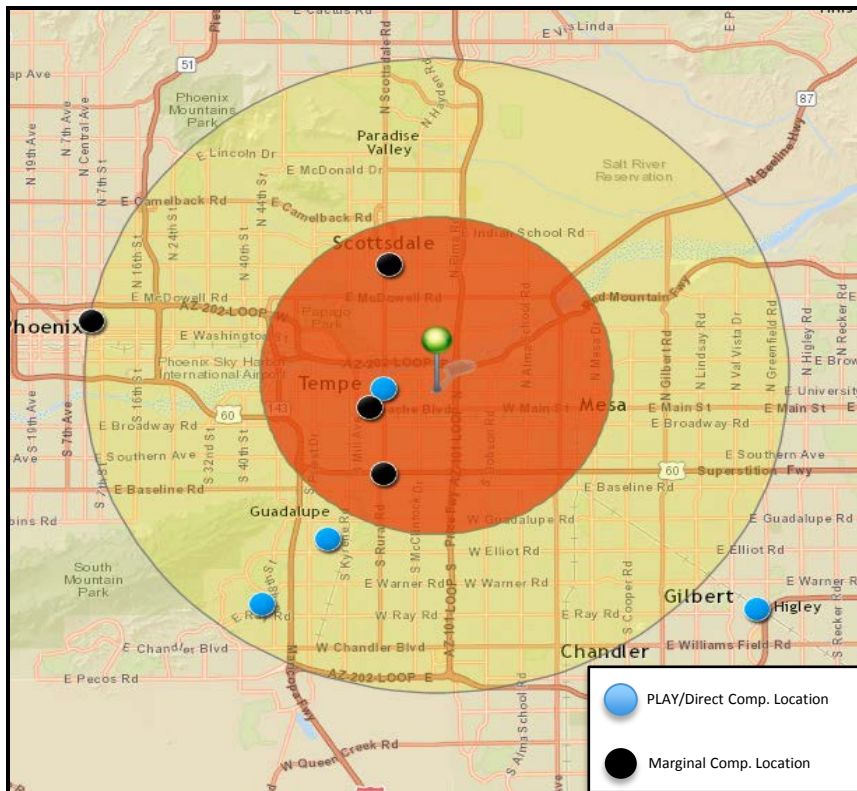
- “Eat, Drink, Play and Watch” – Company slogan
- Average size of 45,000 sq. ft.
- 87 locations currently open for business (5 coming soon)
- Full menu of “Fun American New Gourmet” entrees and appetizers, along with a full selection of alcoholic and non-alcoholic beverages.
- Play interactive games and watch live sporting events
- Coinless play via Power Card, which allows customers to load money via Charging Station kiosks and/or the Charging Station App



- “Eat. Bowl. Play.” – company slogan
- Average size of 60,000 sq. ft.
- 28 locations currently open for business (3 coming soon)
- Billiards, bowling, virtual and interactive games, multi-level laser tag, rock climbing, glow mini-golf, gravity ropes course, zip-lining and karaoke services
- Dining experiences ranging from fast-casual to chef-inspired casual and creative cocktails, beer and wine.
- Full-service catering and private rooms

BEHIND ENEMY LINES

Tempe, AZ



Surrounding Attractions

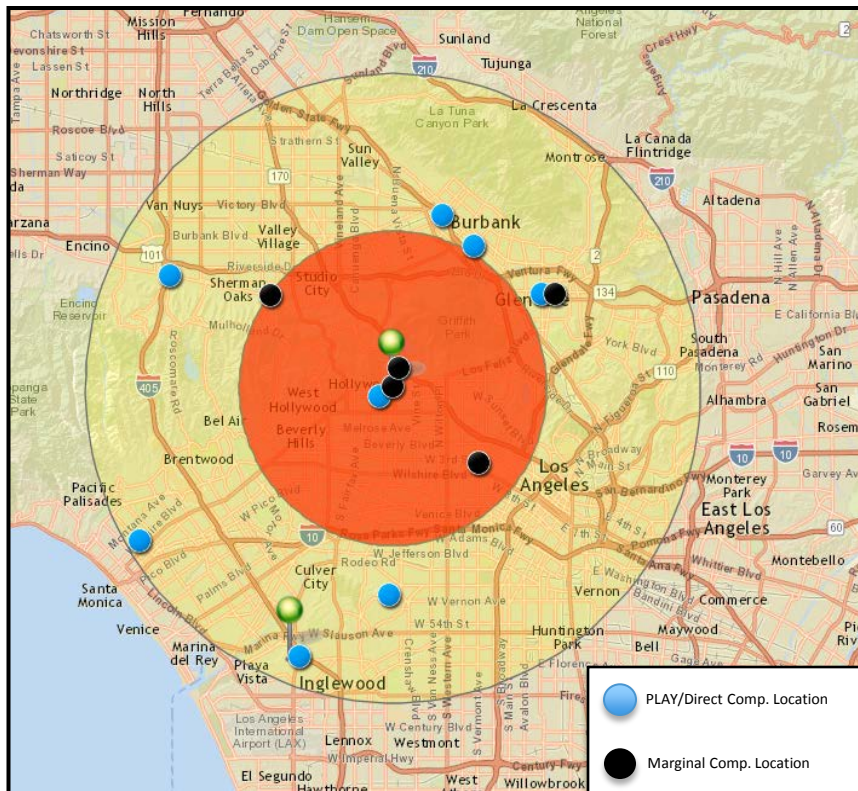
- Buffalo Wild Wings: 1.9 miles
 - Bowling Alley: 2.3 miles
 - Bowling Alley: 4.0 miles
 - Bowling Alley: 4.0 miles
 - Fuddruckers: 6.0 miles
 - Main Event Entertainment: 8.0 miles
 - America West Arena (NBA): 9.6 miles
 - Topgolf: 13.0 miles
- Opening Dates:**
- This PLAY location opened in January 2008
 - This Topgolf location opened for business in June 2014
 - This Main Event location opened in November 2013

Relevant Background Information

- Population: 175, 826
- Persons under 18 years: 16.8%
- Households: 63, 523
- Persons/household: 2.47
- Median Income: \$48,183
- Per-capita income: \$26,094
- This PLAY location is 50,000 sq. ft.

BEHIND ENEMY LINES (CONT'D)

Los Angeles (Hollywood), CA



Surrounding Attractions

- Bowling Alley: 300 ft.
- Buffalo Wild Wings: 0.4 miles
- Bowling Alley: 0.4 miles
- Bowling Alley: 4.0 miles
- Bowling Alley: 5.0 miles
- Fuddruckers: 5.0 miles
- Buffalo Wild Wings: 5.2 miles
- Buffalo Wild Wings: 5.6 miles
- Buffalo Wild Wings: 6.1 miles
- Bowling Alley: 6.2 miles
- Buffalo Wild Wings: 7.8 miles
- Dave & Buster's: 9 miles
- Fuddruckers: 9.0 miles
- Buffalo Wild Wings: 9.3 miles

Opening Dates:

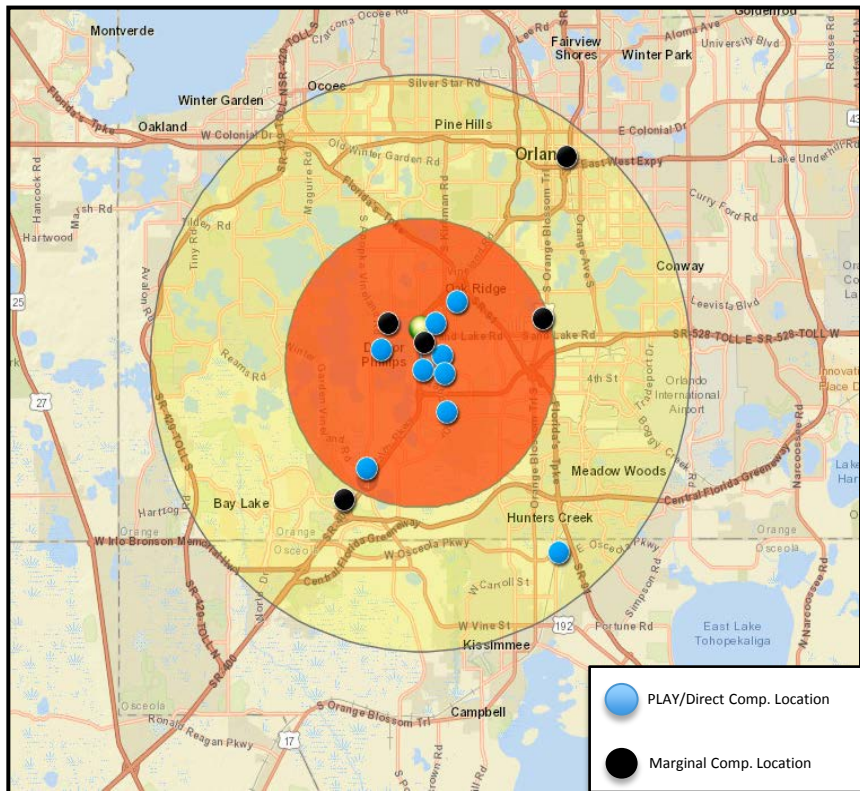
- This PLAY location opened in February 2014

Relevant Background Information

- Population: 3,971,883
- Persons under 18 years: 23.1%
- Households: 1,329,372
- Persons/household: 2.84
- Median Income: \$49,682
- Per-capita income: \$28,320
- This PLAY location is 35,000 sq. ft.

BEHIND ENEMY LINES (CONT'D)

Orlando, FL



Surrounding Attractions

- Main Event Entertainment: 0.2 miles
- Buffalo Wild Wings: 0.6 miles
- Bowling Alley: 0.7 miles
- Topgolf: 1.0 mile
- Buffalo Wild Wings: 1.5 miles
- Buffalo Wild Wings: 2.0 miles
- Bowling Alley: 2.0 miles
- Buffalo Wild Wings: 3.0 miles
- Fuddruckers: 3.0 miles
- Fuddruckers: 4.0 miles
- Bowling Alley: 5.0 miles
- Bowling Alley: 6.0 miles
- Buffalo Wild Wings: 8.0 miles

Opening Dates:

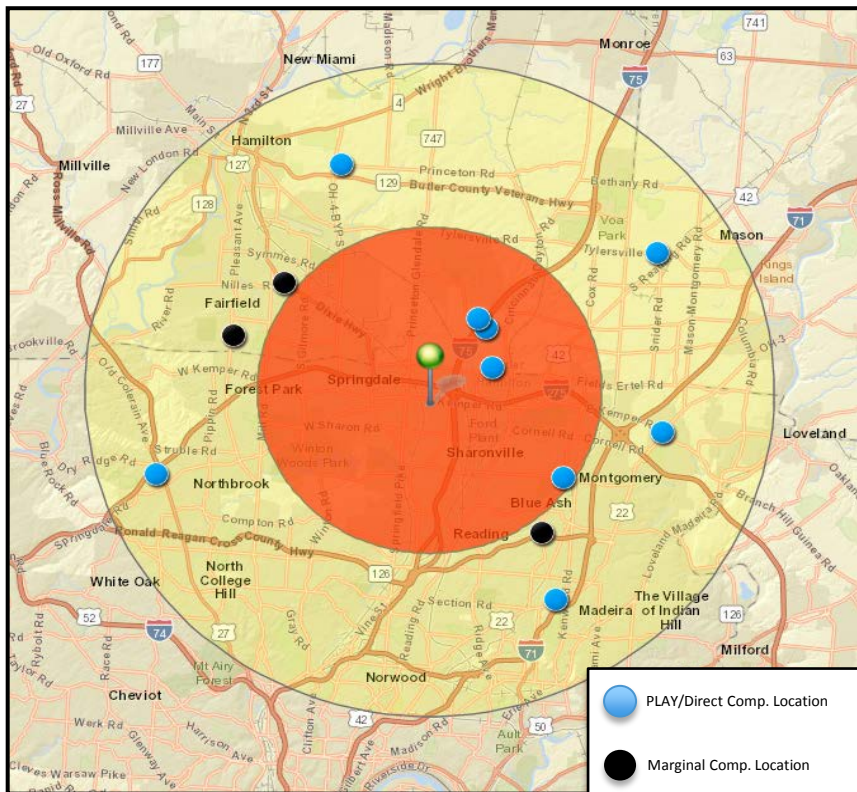
- This PLAY location opened in July 2011
- This Topgolf location opened will be opening in Fall 2017
- This Main Event location opened in September 2016

Relevant Background Information

- Population: 270,934
- Persons under 18 years: 21.9%
- Households: 102,570
- Persons/household: 2.4
- Median Income: \$41,901
- Per-capita income: \$25,664
- This PLAY location is 46,000 sq. ft.

BEHIND ENEMY LINES (CONT'D)

Cincinnati, OH



Surrounding Attractions

- Topgolf: 2.0 miles
- Main Event Entertainment: 3.5 miles
- Buffalo Wild Wings: 3.5 miles
- Buffalo Wild Wings: 4.5 miles
- Bowling Alley: 6.0 miles
- Bowling Alley: 6.0 miles
- Bowling Alley: 6.5 miles
- Buffalo Wild Wings: 7.0 miles
- Buffalo Wild Wings: 7.0 miles
- Buffalo Wild Wings: 7.0 miles
- Buffalo Wild Wings: 7.0 miles
- Buffalo Wild Wings: 8.0 miles

Opening Dates:

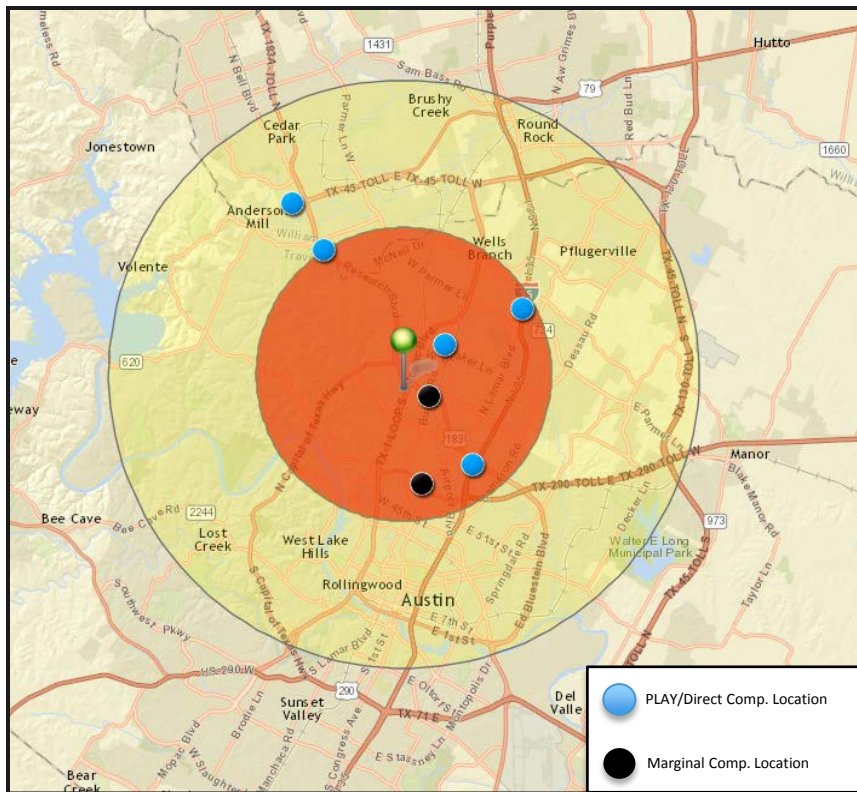
- This PLAY was opened in March 1997
- This Topgolf location opened for business in July 2016
- This Main Event opened in June 2016

Relevant Background Information

- Population: 298,550
- Persons under 18 years: 22.1%
- Households: 131,160
- Persons/household: 2.17
- Median Income: \$34,002
- Per-capita income: \$25,256
- This PLAY location is 64,000 sq. ft.

BEHIND ENEMY LINES (CONT'D)

Austin, TX



Surrounding Attractions

- Topgolf: 2.0 miles
- Bowling Alley: 2.0 miles
- Buffalo Wild Wings: 4.0 miles
- Buffalo Wild Wings: 4.0 miles
- Bowling Alley: 4.0 miles
- Main Event Entertainment: 5.0 miles
- Fuddruckers: 7.0 miles

Opening Dates:

- This PLAY location opened in December 2012
- This Topgolf location opened for business in May 2013
- This Main Event opened in May 2005

Relevant Background Information

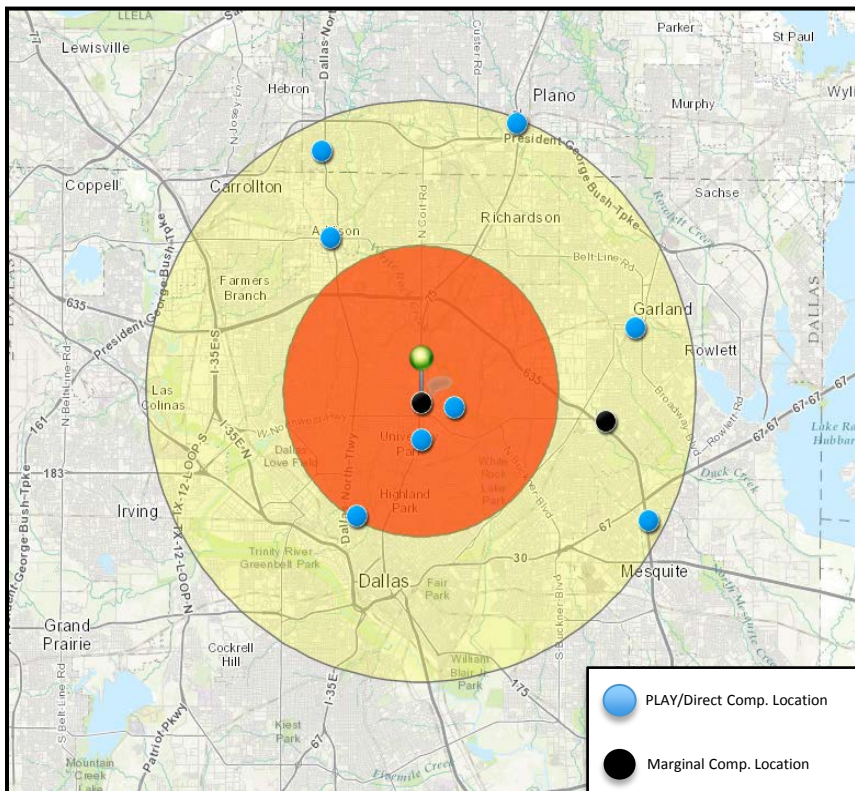
- Population: 931,830
- Persons under 18 years: 22.2%
- Households: 344,289
- Persons/household: 2.45
- Median Income: \$55,216
- Per-capita income: \$32,672
- This PLAY location is 40,000 sq. ft.

Alcohol sales per sq. ft.:

- PLAY: \$35.99
- Topgolf: \$81.46
- Main Event: \$18.14

BEHIND ENEMY LINES (CONT'D)

Dallas, TX



Surrounding Attractions

- Bowling Alley: 200 feet
- Topgolf: 1.0 mile
- Fuddruckers: 1.5 miles
- Buffalo Wild Wings: 5.0 miles
- Buffalo Wild Wings: 6.0 miles
- Bowling Alley: 6.0 miles
- Buffalo Wild Wings: 8.0 miles
- Fuddruckers: 9.0 miles
- Buffalo Wild Wings: 10.0 miles
- Fuddruckers: 10.0 miles

Opening Dates:

- This PLAY location opened in December 2012
- This Topgolf opened for business in September 2007

Relevant Background Information

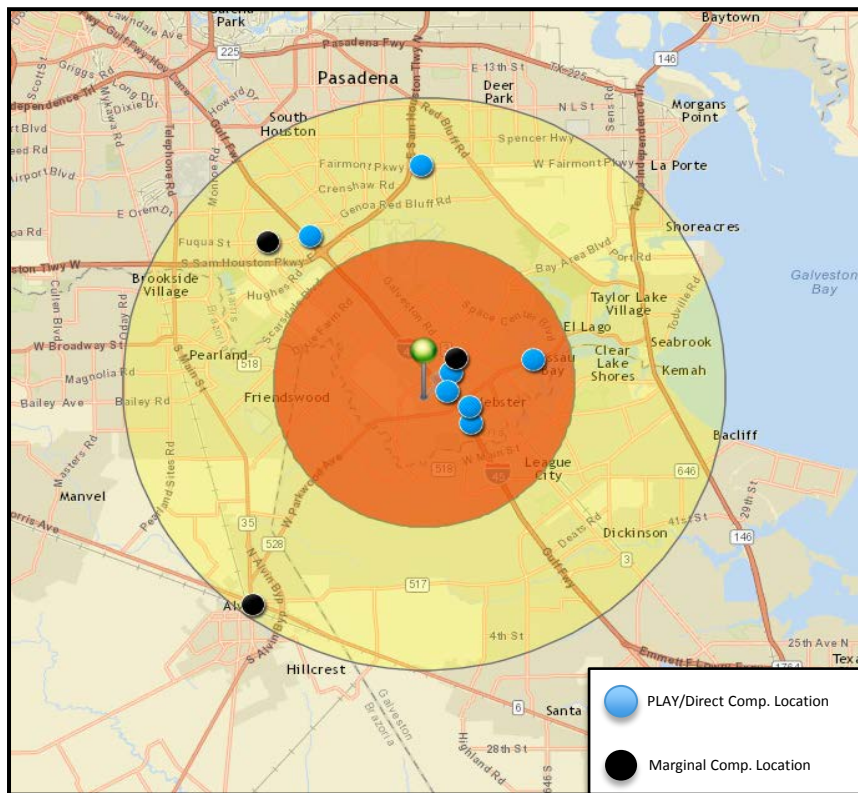
- Population: 1,300,092
- Persons under 18 years: 26.5%
- Households: 467,501
- Persons/household: 2.61
- Median Income: \$43,359
- Per-capita income: \$27,917
- This PLAY location is 45,000 sq. ft.

Alcohol sales per sq. ft.:

- PLAY: \$53.44
- Topgolf: \$64.03

BEHIND ENEMY LINES (CONT'D)

Friendswood, TX



Surrounding Attractions

- Buffalo Wild Wings: 1.0 mile
- Bowling Alley: 1.0 mile
- Fuddruckers: 1.0 mile
- Topgolf: 3.0 miles
- Main Event Entertainment: 3.0 miles
- Fuddruckers: 4.0 miles
- Fuddruckers: 7.0 miles
- Bowling Alley: 7.0 miles
- Buffalo Wild Wings: 8.0 miles
- Bowling Alley: 9.0 miles

Opening Dates:

- This PLAY opened in November 2015
- This Topgolf location opened for business in November 2015
- This Main Event location opened in May 2007

Relevant Background Information

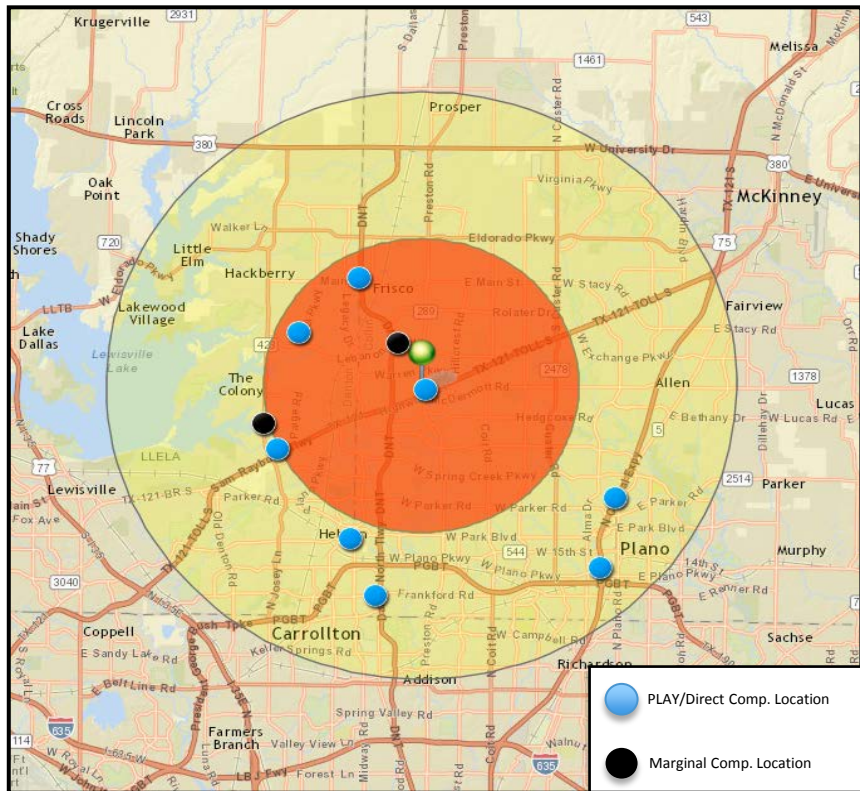
- Population: 38,800
- Persons under 18 years: 27.5%
- Households: 13,032
- Persons/household: 2.8
- Median Income: \$95,120
- Per-capita income: \$42,963
- This PLAY location is 26,400 sq. ft.

Alcohol sales per sq. ft.:

- PLAY (since open): \$31.81
- Topgolf (since open): \$51.29
- Main Event: \$17.17

BEHIND ENEMY LINES (CONT'D)

Frisco, TX



Surrounding Attractions

- Fuddruckers: 300 ft
- Bowling Alley: 2.0 miles
- Main Event Entertainment: 4.0 miles
- Buffalo Wild Wings: 4.0 miles
- Topgolf: 5.0 miles
- Bowling Alley: 5.0 miles
- Buffalo Wild Wings: 6.0 miles
- Buffalo Wild Wings: 7.0 miles
- Fuddruckers: 7.0 miles
- Fuddruckers: 8.0 miles

Opening Dates:

- This PLAY opened in January 2001
- This Topgolf location opened for business in November 2013
- This Main Event opened for business in February 2009

Relevant Background Information

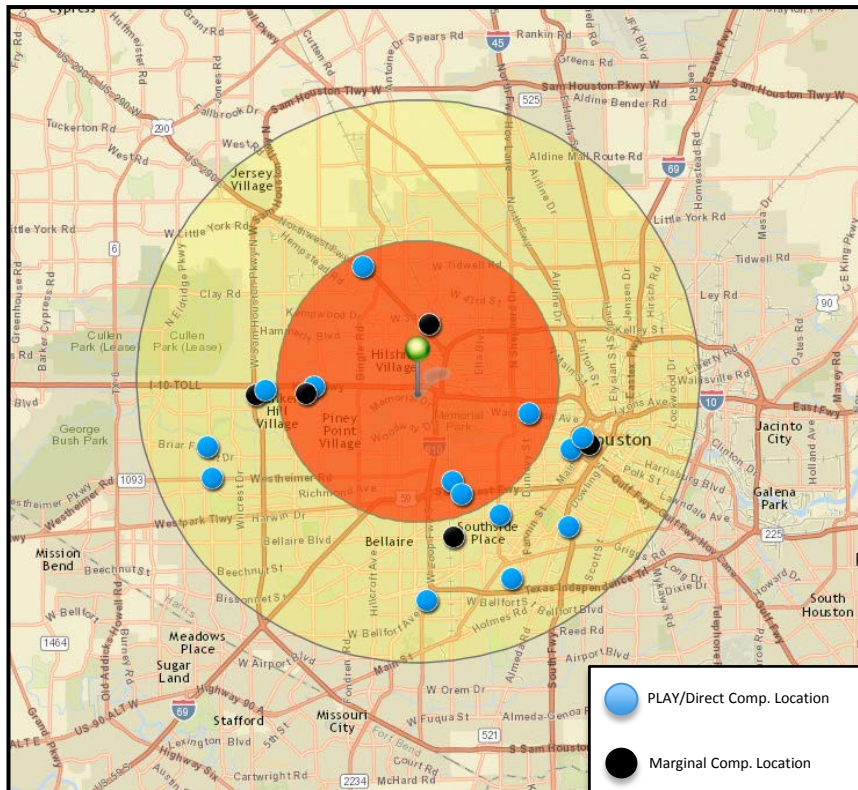
- Population: 154,407
- Persons under 18 years: 33.3%
- Households: 43,492
- Persons/household: 3.0
- Median Income: \$112,155
- Per-capita income: \$43,595
- This PLAY location is 26,400 sq. ft.

Alcohol sales per sq. ft.:

- PLAY: \$27.99
- Topgolf: \$79.56
- Main Event: \$7.99

BEHIND ENEMY LINES (CONT'D)

Houston (Galleria), TX



Surrounding Attractions

- Bowling Alley: 2.0 miles
- Buffalo Wild Wings: 4.0 miles
- Buffalo Wild Wings: 4.0 miles
- Buffalo Wild Wings: 4.0 miles
- Bowling Alley: 4.0 miles
- Fuddruckers: 4.0 miles
- Fuddruckers: 5.0 miles
- Buffalo Wild Wings: 6.0 miles
- Buffalo Wild Wings: 6.0 miles
- Bowling Alley: 6.0 miles
- Bowling Alley: 6.0 miles
- Fuddruckers: 6.0 miles
- Fuddruckers: 6.0 miles
- Fuddruckers: 7.0 miles
- Bowling Alley: 7.0 miles
- Fuddruckers: 7.0 miles
- Fuddruckers: 7.0 miles
- Fuddruckers: 8.0 miles
- Buffalo Wild Wings: 8.0 miles

Opening Dates:

- This PLAY location opened in November 2014

Relevant Background Information

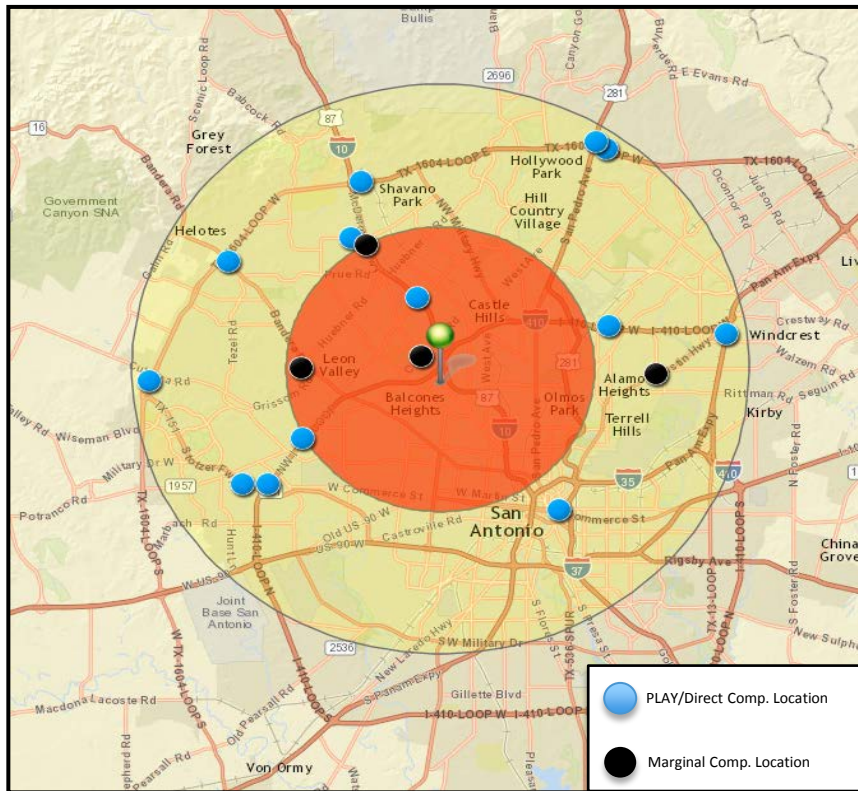
- Population: 2,296,224
- Persons under 18 years: 25.9%
- Households: 792,763
- Persons/household: 2.69
- Median Income: \$45,728
- Per-capita income: \$27,938
- This PLAY location is 53,000 sq. ft.

Alcohol sales per sq. ft.:

- **PLAY: \$24.20**

BEHIND ENEMY LINES (CONT'D)

San Antonio (Balcones Heights), TX



Surrounding Attractions

- Bowling Alley: 2.0 miles
- Buffalo Wild Wings: 3.0 miles
- Fuddruckers: 3.0 miles
- Buffalo Wild Wings: 4.0 miles
- Buffalo Wild Wings: 4.0 miles
- Bowling Alley: 4.0 miles
- Fuddruckers: 5.0 miles
- Buffalo Wild Wings: 6.0 miles
- Buffalo Wild Wings: 6.0 miles
- Bowling Alley: 6.0 miles
- Bowling Alley: 6.0 miles
- Fuddruckers: 6.0 miles
- Bowling Alley: 7.0 miles
- Bowling Alley: 7.0 miles
- Fuddruckers: 7.0 miles
- Buffalo Wild Wings: 8.0 miles
- Fuddruckers: 8.0 miles
- Topgolf: 9.0 miles

Opening Dates:

- This PLAY location opened in June 2015
- This Topgolf location opened for business in January 2015

Relevant Background Information

- Population: 1,469,845
- Persons under 18 years: 26.8%
- Households: 484,219
- Persons/household: 2.81
- Median Income: \$46,317
- Per-capita income: \$22,784
- This PLAY location is 30,000 sq. ft.
- As a result of the new Topgolf venue, PLAY closed down for renovations; re-opening in June 2015

Alcohol sales per sq. ft.:

- PLAY: \$35.96
- Topgolf: \$83.84

THERE'S NOT ENOUGH TO GO AROUND

LESS MONEY, MO' OPTIONS

- As seen in the mapping, PLAY locations are facing competition from all angles
- Both traditional and non-traditional competitors are demanding consumer mind-share
- With discretionary spending falling, Dave & Buster's, along with its competitors, are fighting for a piece of an ever-shrinking pie
- As a result of this, differentiation has been a major focus for all players, forcing PLAY to turn to aggressive promotions and innovation in order to attract customers
 - Their adoption of the Disney-esque RFID technology will help to bring more patrons through the doors, as it adds a level of convenience that many competitors do not have, and rides the wearable technology wave that has swept the nation. Subsequently, this increase in promotional spending has eaten into their bottom line
- Unfortunately, for PLAY, competitors such as Topgolf offer an experience that exceeds the convenience offered by PLAY's RFID technology in our opinion



PROMOTIONAL ACTIVITY

AGGRESSIVE PROMOTIONAL ACTIVITY

PROMOTIONS HAVE TAKEN CENTER-STAGE



***GAME = DAY = SPECIALS**

GAME DAYS ALL SEASON

ALL DAY SUN, MON & THU

\$3.50 22 oz Bud Light or Miller Lite

\$3 Select Hitches

\$5 Select Appetizers

HALF PRICE

EVERY WEDNESDAY

OPEN TO CLOSE

GAMES WEDNESDAY

Why wait for the weekend to have fun? Get 1/2 Price Games* all day EVERY Wednesday!

2 for TUESDAY

EVERY TUESDAY

OPEN TO CLOSE

\$2 Tacos, \$2 Coronas & 2 FREE Game Plays with \$10 Power Card purchase!

EAT PLAY COMBO

STARTING AT \$17.99

EVERY DAY & UNTIL 5PM FRI-SAT

Choose from 17 entrées & get a \$10 Power Card® starting at \$17.99!

[LEARN MORE >](#)

- In 2Q16, PLAY developed new initiatives to specifically drive SSS growth

Notable Promotions Included:

- Ran annual Summer Of Games promotion, which featured nine new games. Six of which were based on popular and familiar licensed products
- Ghostbusters, Mario & Sonic at the Rio Olympics, and the new level for the Star Wars Battle Pod exemplify PLAY's strategy
- Development of a new Star Trek game that features collectible cards from the original Star Trek series. With this game series, they intend to launch a new set of collectible cards at various times during the year, as an incentive for guests to return and collect new cards when they are released
- Another innovation tested in 2Q was the testing of new Radio Frequency Identification Device (RFID) enabled merchandise in five stores, which can be selected by a guest in place of Power Cards to activate games. Additional tests are planned for the remainder of 2016
- In July, they tested a weekday pass, which allowed guests to play \$50 worth of redemption games and unlimited simulation games on weekdays between store opening and 5pm (due to limited scope, this did not impact overall revenues)
- Announced its "2 for Tuesday" deal where you can get two free games and \$2 tacos
- Looking ahead to 3Q16, PLAY is currently promoting all you can eat wings for the first five Sundays, Mondays, and Thursdays of the NFL season for \$29.99, and guests will also receive a \$20 power card



SCOUTING TALENT

TALENT ACQUISITION

IT APPEARS THAT TOPGOLF HAS BEEN ACQUIRING TALENT FROM DAVE & BUSTER'S

- Some key PLAY corporate-level employees have transitioned to similar roles at Topgolf
 - This seems to be a way for Topgolf to gain a competitive advantage, or at least a way for them to take an advantage away from PLAY
 - In order to catch up, Topgolf needs as much help as possible, and this assistance has come in the form of former PLAY employees



- Regional Director of Sales
 - Spent **23 years** with PLAY
 - Joined Topgolf May 2015



- Director of National Accounts
 - Spent **5 years** with PLAY
 - Joined Topgolf August 2016



- National Director of Sales
 - Spent **14 years** with PLAY
 - Joined Topgolf Sept. 2013

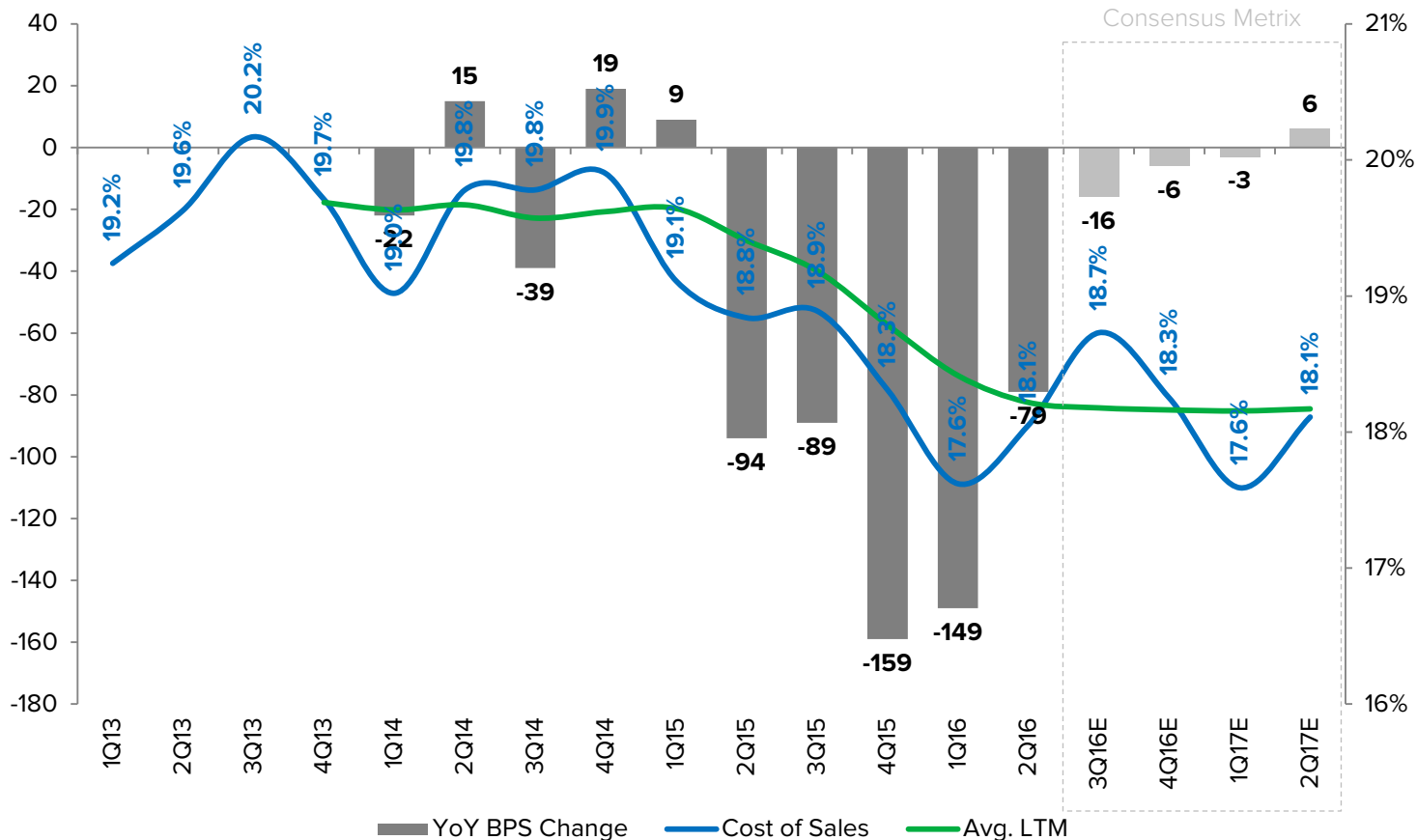


- Regional Director of Sales
 - Spent **15 years** with PLAY
 - Joined Topgolf March 2014



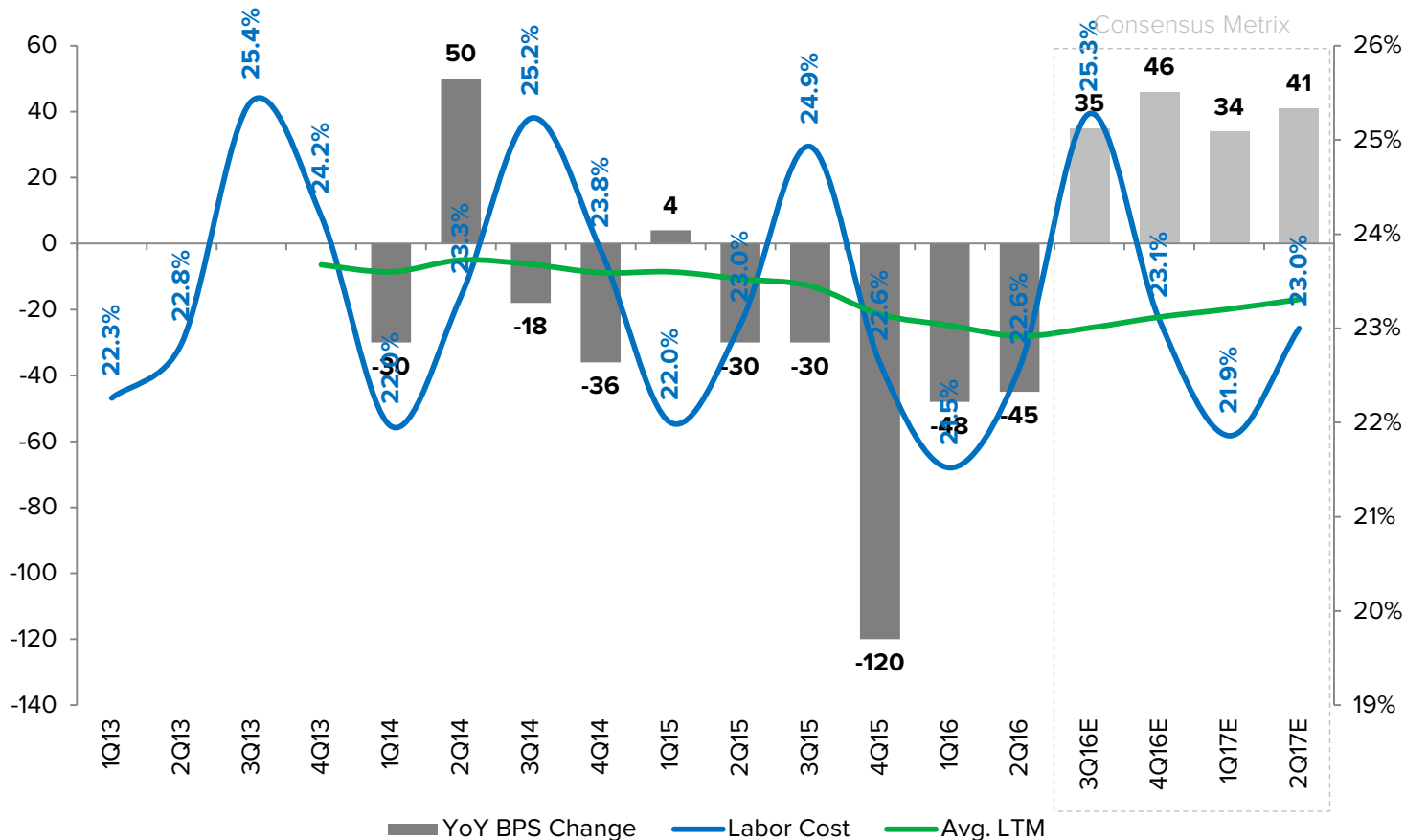
MARGIN ANALYSIS

COST OF SALES AS A % OF SALES



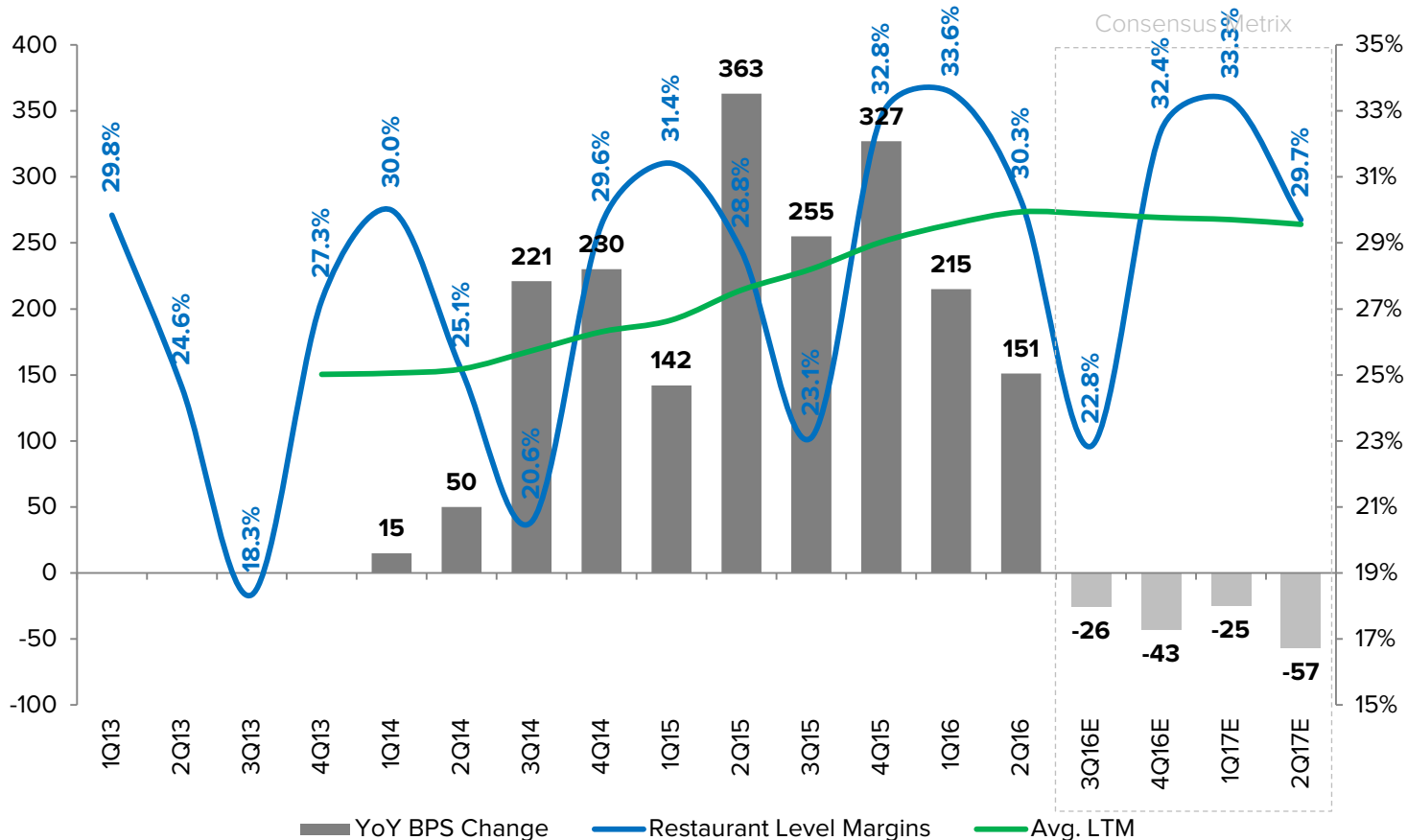
- In 4Q14, the company made a \$10 million investment in equipment to let guests take winnings and put them on a Power Card and not a paper ticket
- By 2Q15, “Cost of Amusements and Other declined significantly reflecting lower paper ticket costs driven by the e-ticket initiative and a reduction in overall redemption costs”
- Further improvement must be driven by sales leverage

LABOR AS A % OF SALES



- Increased labor inflation became a bigger topic in 4Q15
- In 4Q15, the company was projecting wage inflation of approximately 3% to 4% in 2016, which is higher than the 2.5% experienced in 2015
- In 1Q16, they raised their labor inflation guidance to 4%
- In 2Q16 wage inflation was 4.4%. Now wage inflation looks to be 4% to 4.5% for the balance of 2016
- Sales are slowing and inflation is accelerating!

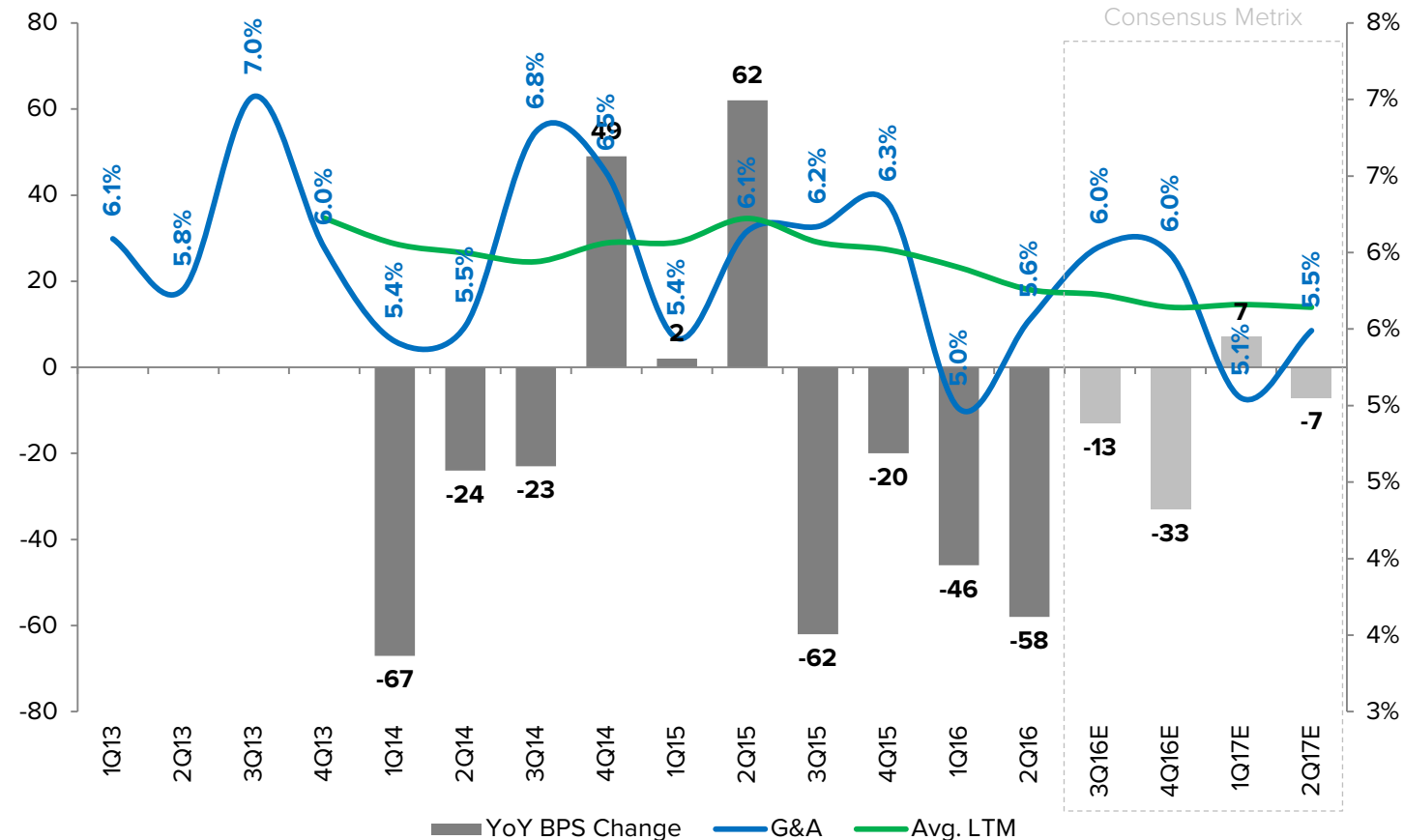
RESTAURANT LEVEL MARGIN



The beginning of the end...

- Slowing sales, increased labor inflation, increased new unit inefficiencies, and the eventual food inflation will lead to lower margins over the next few years

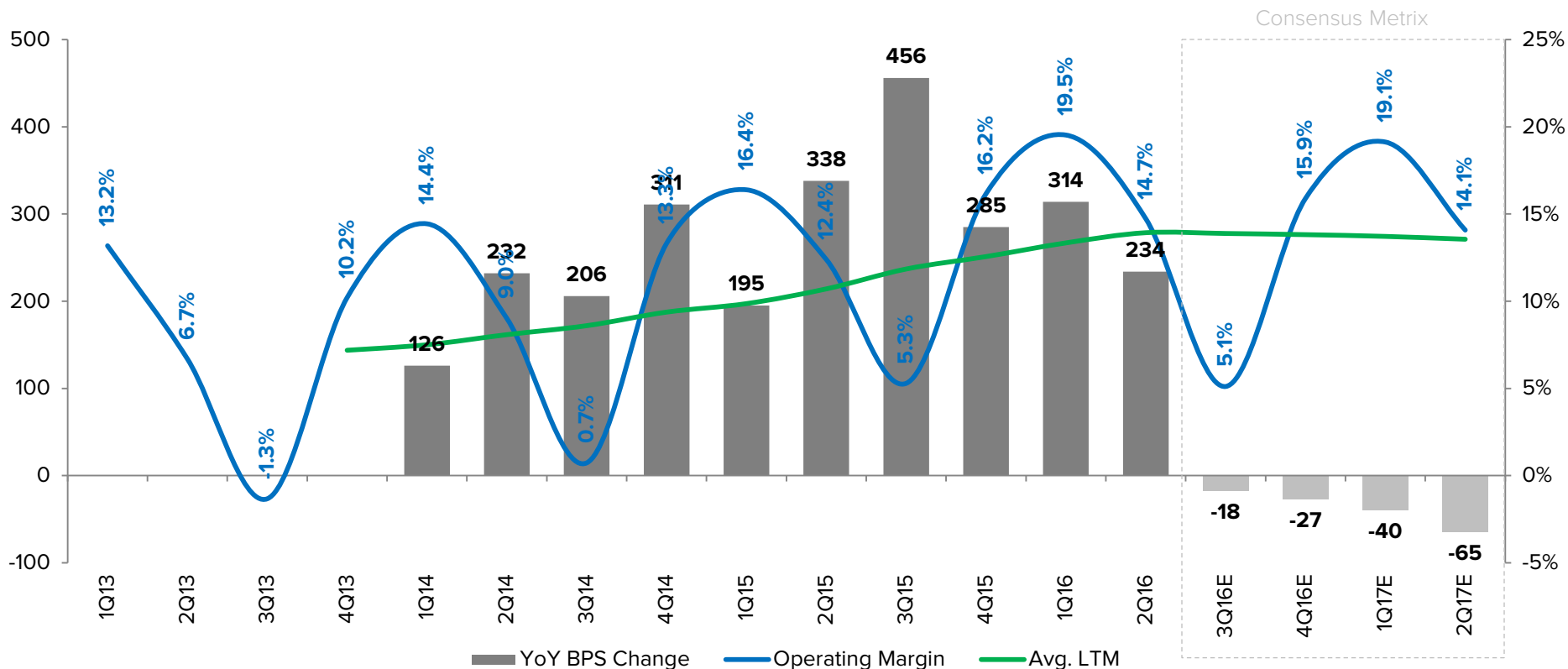
G&A AS A % OF SALES



- A company that is growing square footage at 10% per year will be challenged to show incremental G&A leverage from the current levels

OPERATING MARGIN

MARGINS ARE PEAKING, TAILWINDS ARE BEHIND THEM





VALUATION

COMPANY DASHBOARD

Dave & Buster's Entertainment, Inc. \$ 40.38

EARNINGS AND VALUATION SUMMARY

(FY ends 1/31/16)

| | NTM | 2016E | 2017E |
|--------------------|---------------|---------------|---------------|
| Hedgeye EPS | \$1.83 | \$1.84 | \$1.94 |
| % Chg YoY | | 21.1% | 5.4% |
| Consensus | \$2.03 | \$1.93 | \$2.23 |
| % Chg YoY | | 100.0% | 15.4% |
| Variance % | -9.9% | -4.9% | -13.1% |
| P/E | 21.1X | 20.9X | 19.8X |

INVESTMENT POSITIVES

- 1) Management team
- 2) Brand recognition

SUMMARY FINANCIALS

(Consensus in mm)

| | NTM | FY2016E | FY2017E |
|----------------|-----------|---------|-----------|
| Sales | \$1,077.9 | \$988.8 | \$1,124.8 |
| % Chg YoY | | 14.1% | 13.8% |
| EBITDA | \$254.8 | \$228.3 | \$260.2 |
| % Chg YoY | | 20.1% | 14.0% |
| EBITDA Margin* | 23.6% | 23.1% | 23.1% |
| EV/EBITDA | 7.7X | 8.6X | 7.6X |

INVESTMENT NEGATIVES

- 1) Competitive intrusions
- 2) Cyclical, low return business
- 3) Slowing sales trends, past their peak
- 4) Aggressive expectations, peak margins

VALUATION

| | | |
|-------------------------|-----------|----------------|
| Stock Price | \$ | 40.38 |
| Shares Outstanding | | 42.1 |
| Market Cap | \$ | 1,698.7 |
| + Net Debt | \$ | 266.5 |
| + Preferred Equity | \$ | - |
| + Minority Interest | \$ | - |
| Enterprise Value | \$ | 1,965.2 |

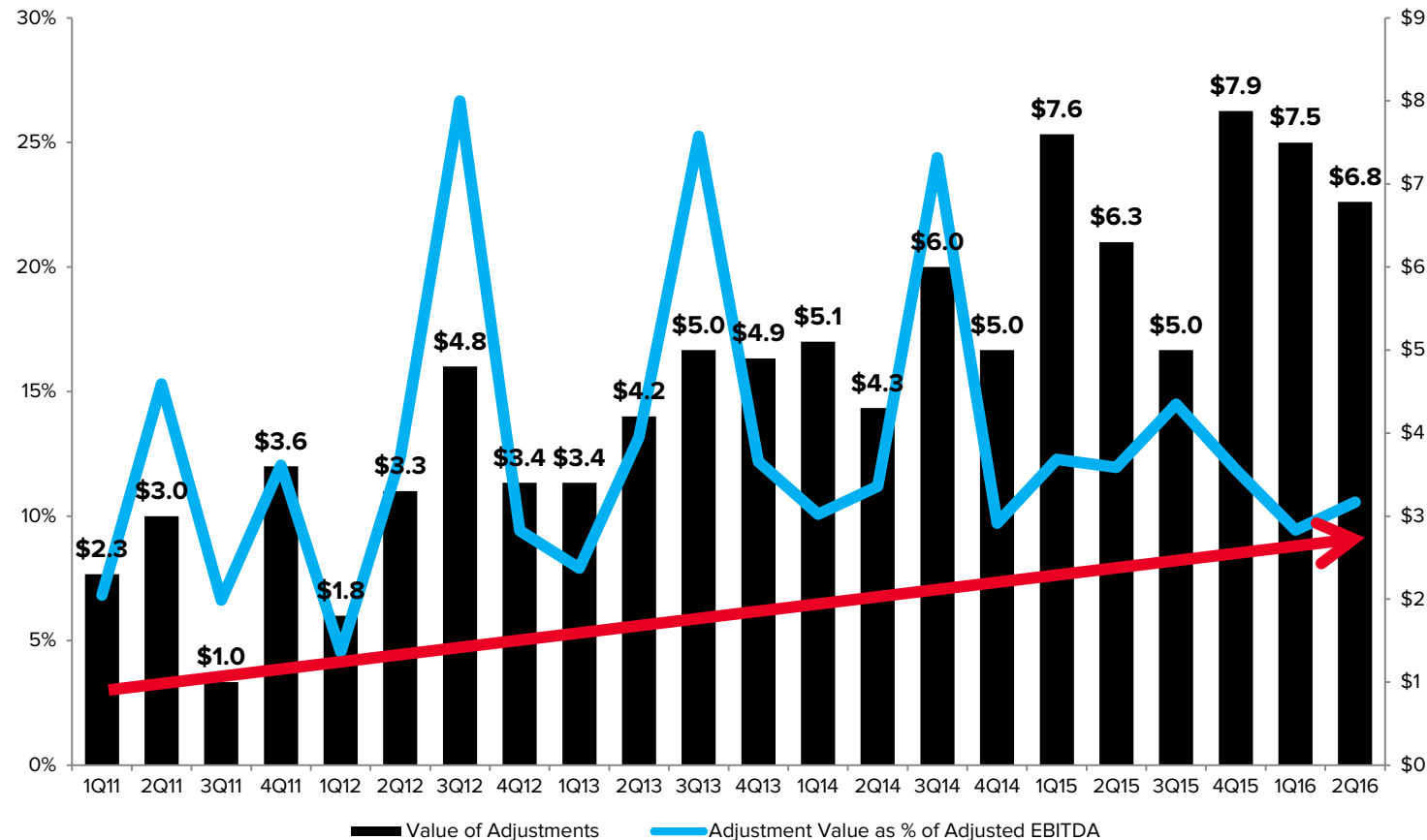
| | | |
|-----------------|----|--------|
| NTM EBITDA | \$ | 254.8 |
| NTM EV/EBITDA | | 7.7x |
| NTM EPS | | \$2.03 |
| NTM P/E | | 19.9x |
| 1X Turn | \$ | 6.06 |
| Upside/Downside | | 15.0% |

Source: Factset, Company Filings

*Consensus EBITDA Margin

©HEDGEYE RISK MANAGEMENT

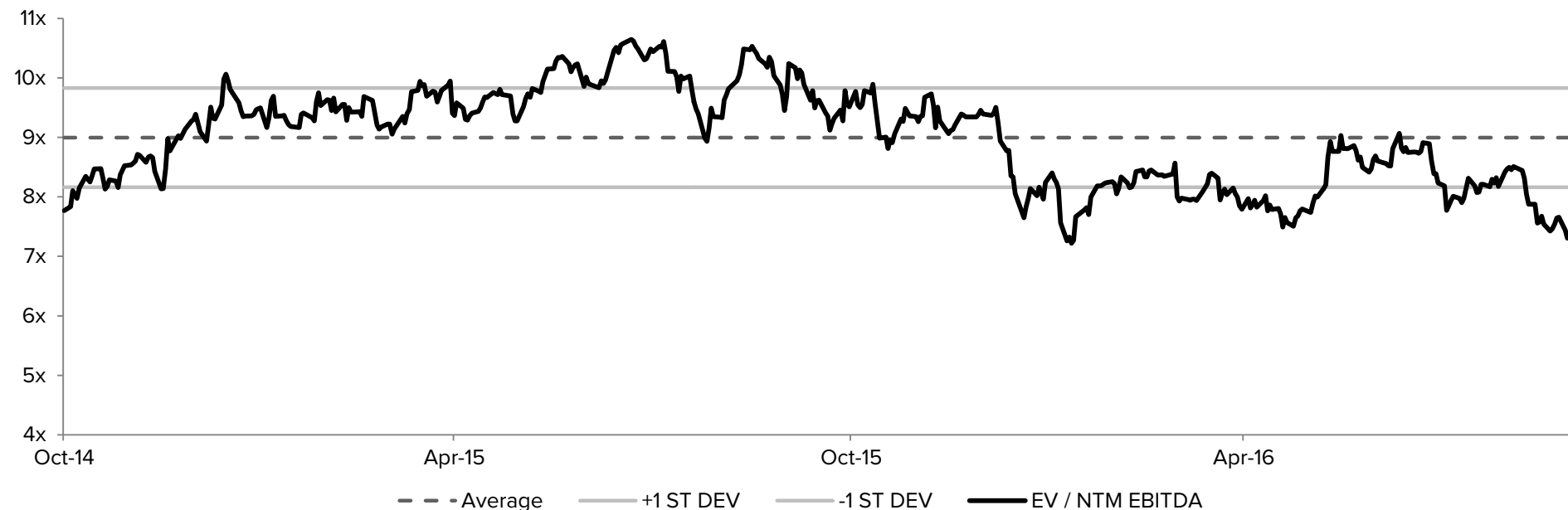
AGGRESSIVE ACCOUNTING ADJUSTMENTS



- PLAY is a serial abuser of adjusted EBITDA
- Common expenses they add back that we have an issue with include: share-based compensation and pre-opening expenses

EV / NTM EBITDA SINCE IPO

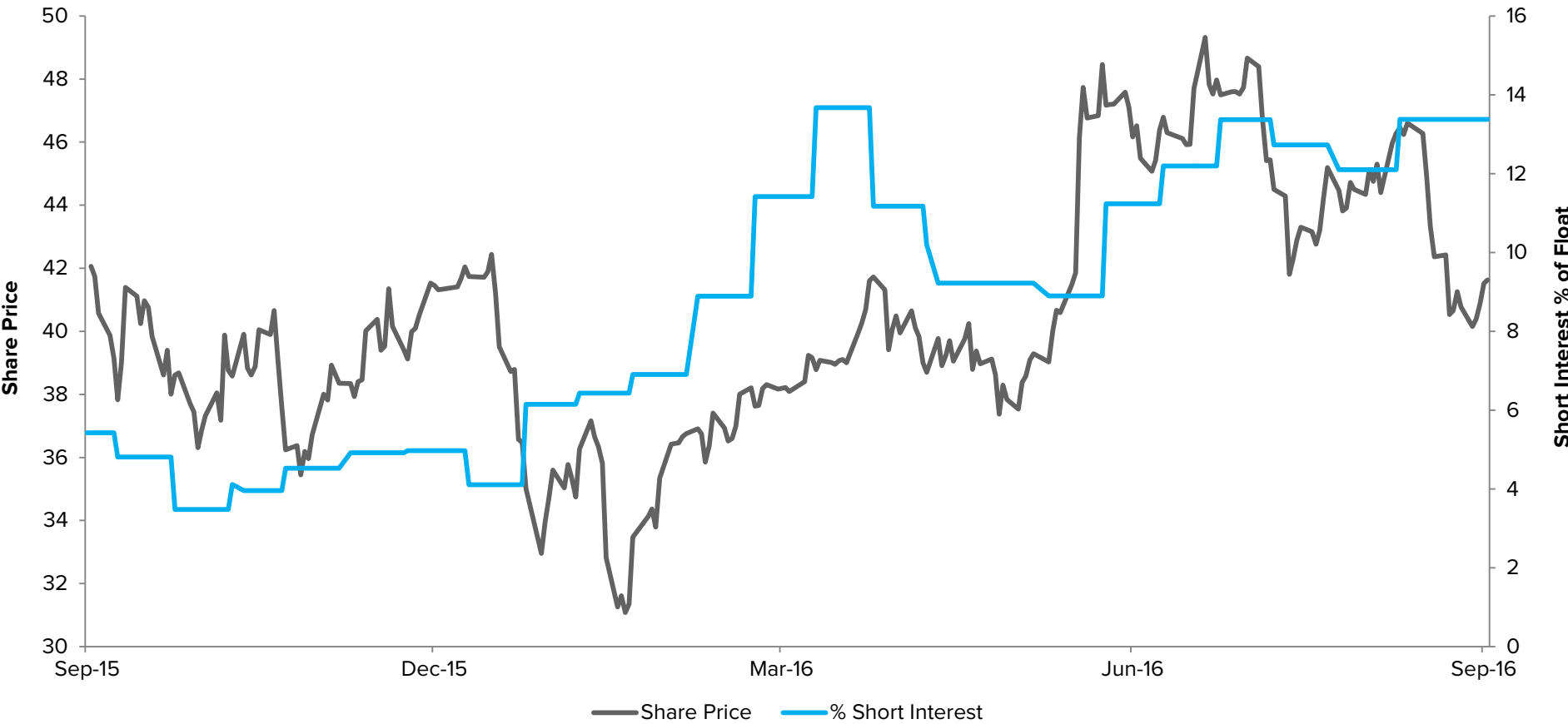
EV / NTM EBITDA



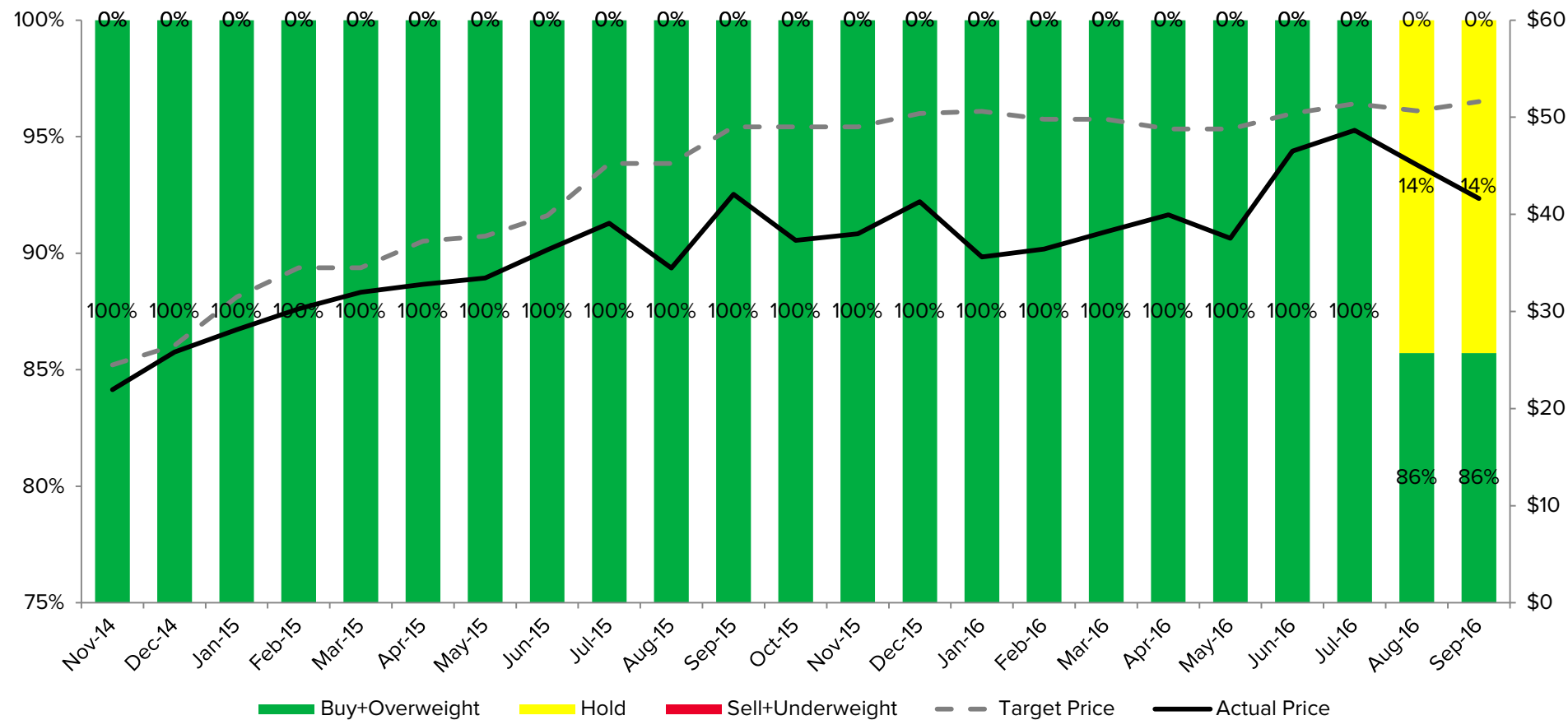
TRADING GREATER THAN 1 STANDARD DEVIATION BELOW THE AVERAGE

PLAY is a company that has greatly benefited from having a once unique concept with strong competitive advantages over other players in the space. But with many of the available internal improvements behind them, competitive intruders encroaching on their business and a general macro slowdown, PLAY is not immune and therefore likely deserves a lower multiple.

SHORT INTEREST



ANALYST RATINGS



SELECTED COMPARABLES VALUATION

| Name | Ticker | Price | Shares Out | Equity Value | Net Debt | Enterprise Value | Sentiment | | | Earnings | | | | EBITDA | | | | |
|-------------------------------------|--------|-----------|---------------|-----------------|-------------|---------------------|-------------------|-------------------|-------------------|----------|---------|-----------------|------------|--------|----------|-----------------|-------------------|---------------------|
| | | | | | | | Short Interest | Dividend Yield | Analyst Rating | FY1 | FY2 | % Change YoY | NTM P/E | FY1 | FY2 | % Change YoY | EV/ NTM EBITDA | Net Debt/ EBITDA |
| Casual Dining Comparables | | | | | | | | | | | | | | | | | | |
| Bravo Brio Restaurant Group, Inc. | BBRG | \$ 4.75 | \$ 15 | \$ 69 | \$ 42 | \$ 112 | 1.5% | 0.0 | 2.0 | \$ 0.16 | \$ 0.17 | 5.3% | 28.1x | \$ 26 | \$ 27 | 1.7% | 4.1x | 1.6x |
| Chuy's Holdings, Inc. | CHUY | \$ 28.95 | \$ 17 | \$ 486 | \$ (14) | \$ 472 | 13.9% | 0.0 | 1.7 | \$ 1.08 | \$ 1.20 | 11.4% | 24.8x | \$ 43 | \$ 49 | 14.7% | 10.0x | -0.3x |
| Buffalo Wild Wings, Inc. | BWLD | \$ 152.26 | \$ 18 | \$ 2,786 | \$ 63 | \$ 2,849 | 12.1% | 0.0 | 1.6 | \$ 5.72 | \$ 6.84 | 19.5% | 22.9x | \$ 310 | \$ 352 | 13.6% | 8.2x | 0.2x |
| Texas Roadhouse, Inc. | TXRH | \$ 41.50 | \$ 70 | \$ 2,923 | \$ (45) | \$ 2,887 | 7.6% | 1.8 | 1.9 | \$ 1.78 | \$ 2.03 | 14.2% | 20.9x | \$ 268 | \$ 301 | 12.6% | 9.7x | -0.2x |
| Dave & Buster's Entertainment, Inc. | PLAY | \$ 40.38 | \$ 42 | \$ 1,699 | \$ 267 | \$ 1,965 | 13.2% | 0.0 | 1.2 | \$ 1.93 | \$ 2.23 | 15.4% | 18.6x | \$ 234 | \$ 266 | 13.7% | 7.6x | 1.1x |
| Cheesecake Factory Incorporated | CAKE | \$ 51.96 | \$ 48 | \$ 2,498 | \$ 12 | \$ 2,511 | 13.3% | 1.8 | 1.9 | \$ 2.75 | \$ 2.98 | 8.3% | 17.7x | \$ 284 | \$ 295 | 3.8% | 8.5x | 0.0x |
| BJ's Restaurants, Inc. | BJRI | \$ 37.07 | \$ 24 | \$ 896 | \$ 68 | \$ 964 | 4.0% | 0.0 | 1.9 | \$ 1.86 | \$ 2.14 | 15.2% | 17.6x | \$ 132 | \$ 145 | 9.6% | 6.7x | 0.5x |
| Del Frisco's Restaurant Group, Inc. | DFRG | \$ 13.82 | \$ 23 | \$ 323 | \$ (5) | \$ 318 | 3.2% | 0.0 | 1.7 | \$ 0.83 | \$ 0.91 | 9.5% | 15.7x | \$ 48 | \$ 52 | 8.6% | 6.3x | -0.1x |
| Darden Restaurants, Inc. | DRI | \$ 62.47 | \$ 126 | \$ 7,885 | \$ 289 | \$ 8,174 | 8.5% | 3.6 | 1.7 | \$ 3.87 | \$ 4.26 | 10.1% | 15.4x | \$ 986 | \$ 1,043 | 5.7% | 8.0x | 0.3x |
| Brinker International, Inc. | EAT | \$ 52.94 | \$ 55 | \$ 2,908 | \$ 1,086 | \$ 3,994 | 10.4% | 2.6 | 1.9 | \$ 3.47 | \$ 3.84 | 10.7% | 14.7x | \$ 463 | \$ 471 | 1.7% | 8.5x | 2.3x |
| Red Robin Gourmet Burgers, Inc. | RRGB | \$ 45.81 | \$ 13 | \$ 609 | \$ 279 | \$ 887 | 8.8% | 0.0 | 1.8 | \$ 3.19 | \$ 3.54 | 10.7% | 13.1x | \$ 148 | \$ 159 | 7.7% | 5.6x | 1.9x |
| DineEquity, Inc. | DIN | \$ 79.90 | \$ 18 | \$ 1,455 | \$ 1,254 | \$ 2,709 | 2.5% | 4.6 | 1.5 | \$ 5.97 | \$ 6.35 | 6.4% | 12.8x | \$ 266 | \$ 273 | 2.6% | 10.0x | 4.7x |
| Fogo de Chao, Inc. | FOGO | \$ 11.36 | \$ 28 | \$ 320 | \$ 129 | \$ 451 | 1.9% | 0.0 | 1.6 | \$ 0.86 | \$ 0.95 | 10.3% | 12.2x | \$ 56 | \$ 62 | 11.5% | 7.4x | 2.3x |
| Bloomin' Brands, Inc. | BLMN | \$ 18.03 | \$ 112 | \$ 2,018 | \$ 1,136 | \$ 3,168 | 4.6% | 1.6 | 1.4 | \$ 1.34 | \$ 1.54 | 14.9% | 11.9x | \$ 453 | \$ 462 | 2.0% | 6.9x | 2.5x |
| Ruby Tuesday, Inc. | RT | \$ 2.72 | \$ 60 | \$ 164 | \$ 156 | \$ 320 | 5.1% | 0.0 | 0.0 | \$ - | \$ - | 0.0% | 0.0x | \$ - | \$ - | 0.0% | 0.0x | 0.0x |
| Average | | | | | | | 7.4% | 1.1 | 1.6 | 10.8% | | | 16.4x | 7.3% | | | 7.2x | 1.1x |
| Select Proxy Comparables | | | | | | | | | | | | | | | | | | |
| Six Flags Entertainment Corporation | SIX | \$ 54.00 | \$ 93 | \$ 5,017 | \$ 1,488 | \$ 6,505 | 6.8% | 4.3 | 1.2 | \$ 1.88 | \$ 1.69 | -9.9% | 31.0x | \$ 518 | \$ 567 | 9.4% | 12.6x | 2.9x |
| Vail Resorts, Inc. | MTN | \$ 155.80 | \$ 36 | \$ 5,637 | \$ 626 | \$ 6,277 | 3.4% | 2.1 | 1.2 | \$ 5.08 | \$ 5.58 | 9.8% | 30.2x | \$ 519 | \$ 534 | 2.8% | 11.9x | 1.2x |
| Churchill Downs Incorporated | CHDN | \$ 146.97 | \$ 17 | \$ 2,438 | \$ 839 | \$ 3,277 | 8.8% | 0.8 | 1.2 | \$ 5.94 | \$ 7.12 | 19.9% | 21.5x | \$ 346 | \$ 379 | 9.6% | 8.8x | 2.4x |
| International Speedway Corporation | CIA | \$ 33.26 | \$ 46 | \$ 1,529 | \$ (38) | \$ 1,491 | 2.8% | 1.2 | 1.8 | \$ 1.49 | \$ 1.65 | 10.6% | 20.6x | \$ 214 | \$ 220 | 2.8% | 6.8x | -0.2x |
| SeaWorld Entertainment, Inc. | SEAS | \$ 13.40 | \$ 89 | \$ 1,191 | \$ 1,596 | \$ 2,786 | 17.2% | 3.0 | 1.8 | \$ 0.55 | \$ 0.73 | 31.1% | 20.1x | \$ 324 | \$ 344 | 6.1% | 8.3x | 4.9x |
| Isle of Capri Casinos, Inc. | ISLE | \$ 22.79 | \$ 42 | \$ 959 | \$ 838 | \$ 1,796 | 2.0% | 0.0 | 2.0 | \$ 1.24 | \$ 1.44 | 15.9% | 17.0x | \$ 203 | \$ 206 | 1.8% | 8.8x | 4.1x |
| Average | | | | | | | 6.8% | 1.9 | 1.5 | 12.9% | | | 23.4x | 5.4% | | | 9.5x | 2.6x |

SELECTED COMPARABLES PERFORMANCE

Casual Dining Comparables

| Company | Ticker | Price | Mkt Cap | 1D % Chg | 5D % Chg | 1M % Chg | 3M % Chg | 6M % Chg | YTD % Chg |
|-------------------------------------|--------|--------|---------|-------------|-------------|-------------|-------------|-------------|--------------|
| Brinker International, Inc. | EAT | 52.94 | 2,908 | 0.76 | 4.34 | -0.66 | 14.59 | 17.38 | 16.28 |
| Texas Roadhouse, Inc. | TXRH | 41.50 | 2,923 | -3.53 | -4.47 | -6.76 | -9.33 | -0.19 | 16.02 |
| Cheesecake Factory Incorporated | CAKE | 51.96 | 2,498 | -1.03 | 3.92 | -0.67 | 6.11 | -0.54 | 12.69 |
| Dave & Buster's Entertainment, Inc. | PLAY | 40.38 | 1,699 | -3.00 | 0.57 | -9.05 | -11.23 | 6.01 | 11.33 |
| Bloomin' Brands, Inc. | BLMN | 18.03 | 2,018 | -3.06 | -0.33 | -6.14 | -2.06 | 10.95 | 6.75 |
| Buffalo Wild Wings, Inc. | BWLD | 152.26 | 2,786 | -2.01 | -1.79 | -6.89 | 5.73 | 5.12 | -4.63 |
| DineEquity, Inc. | DIN | 79.90 | 1,455 | -0.44 | 2.59 | 3.97 | -4.04 | -13.15 | -5.63 |
| Chuy's Holdings, Inc. | CHUY | 28.95 | 486 | -1.83 | 2.44 | -6.31 | -17.76 | -3.63 | -7.63 |
| Darden Restaurants, Inc. | DRI | 62.47 | 7,885 | -0.92 | 1.76 | 2.09 | -6.54 | -5.02 | -7.90 |
| Del Frisco's Restaurant Group, Inc. | DFRG | 13.82 | 323 | -3.76 | -0.58 | -7.62 | -6.31 | -13.14 | -13.73 |
| BJ's Restaurants, Inc. | BJRI | 37.07 | 896 | -2.14 | -1.24 | -7.26 | -18.38 | -10.67 | -14.72 |
| Fogo de Chao, Inc. | FOGO | 11.36 | 320 | -1.65 | -2.99 | -8.97 | -12.95 | -25.51 | -25.07 |
| Red Robin Gourmet Burgers, Inc. | RRGB | 45.81 | 609 | -3.35 | -0.20 | -9.45 | -13.30 | -22.63 | -25.80 |
| Ruby Tuesday, Inc. | RT | 2.72 | 164 | -3.20 | 0.74 | -12.26 | -28.23 | -46.35 | -29.90 |
| Bravo Brio Restaurant Group, Inc. | BBRG | 4.75 | 69 | -2.46 | 3.94 | 3.04 | -41.86 | -38.95 | -47.22 |
| Mean | | | | -2.11 | 0.58 | -4.86 | -9.70 | -9.35 | -7.94 |
| Median | | | | -2.14 | 0.57 | -6.76 | -9.33 | -5.02 | -7.63 |

Select Proxy Comparables

| Company | Ticker | Price | Mkt Cap | 1D % Chg | 5D % Chg | 1M % Chg | 3M % Chg | 6M % Chg | YTD % Chg |
|--|--------|--------|---------|-------------|-------------|-------------|-------------|-------------|--------------|
| Isle of Capri Casinos, Inc. | ISLE | 22.79 | 959 | -0.44 | 3.40 | 26.89 | 26.75 | 73.70 | 52.95 |
| Vail Resorts, Inc. | MTN | 155.80 | 5,637 | -2.96 | -3.16 | -1.46 | 15.04 | 23.07 | 8.90 |
| Churchill Downs Incorporated | CHDN | 146.97 | 2,438 | -0.39 | -1.03 | -1.43 | 20.15 | 2.51 | 3.87 |
| Six Flags Entertainment Corporation | SIX | 54.00 | 5,017 | 0.52 | 3.43 | 8.28 | -6.22 | 0.33 | -1.71 |
| International Speedway Corporation Class A | ISCA | 33.26 | 1,531 | -0.69 | -0.69 | -1.04 | 2.15 | -8.50 | -6.55 |
| SeaWorld Entertainment, Inc. | SEAS | 13.40 | 1,191 | -0.45 | 5.59 | 2.92 | -7.59 | -32.93 | -31.95 |
| Mean | | | | -0.73 | 1.26 | 5.69 | 8.38 | 9.70 | 4.25 |
| Median | | | | -0.44 | 1.36 | 0.94 | 8.60 | 1.42 | 1.08 |

VALUATION MATRIX

Adjusted EBITDA

| EV / NTM EBITDA Multiple | | | | | | | | | | | |
|--------------------------|-------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| EBITDA | 6.3x | 6.5x | 6.8x | 7.0x | 7.3x | 7.5x | 7.6x | 7.7x | 7.8x | 7.9x | 8.0x |
| | \$226 | \$27.29 | \$28.64 | \$29.98 | \$31.33 | \$32.67 | \$34.02 | \$34.56 | \$35.09 | \$35.63 | \$36.17 |
| | \$231 | \$27.97 | \$29.34 | \$30.71 | \$32.08 | \$33.45 | \$34.83 | \$35.37 | \$35.92 | \$36.47 | \$37.02 |
| | \$235 | \$28.65 | \$30.05 | \$31.45 | \$32.85 | \$34.25 | \$35.65 | \$36.21 | \$36.77 | \$37.33 | \$37.89 |
| | \$240 | \$29.35 | \$30.78 | \$32.21 | \$33.63 | \$35.06 | \$36.49 | \$37.06 | \$37.63 | \$38.20 | \$38.77 |
| | \$245 | \$30.06 | \$31.52 | \$32.98 | \$34.43 | \$35.89 | \$37.34 | \$37.93 | \$38.51 | \$39.09 | \$40.26 |
| | \$250 | \$30.79 | \$32.28 | \$33.76 | \$35.25 | \$36.73 | \$38.22 | \$38.81 | \$39.41 | \$40.00 | \$41.19 |
| | \$255 | \$31.54 | \$33.05 | \$34.56 | \$36.08 | \$37.59 | \$39.11 | \$39.72 | \$40.32 | \$40.93 | \$41.53 |
| | \$260 | \$32.29 | \$33.84 | \$35.38 | \$36.93 | \$38.47 | \$40.02 | \$40.64 | \$41.25 | \$41.87 | \$42.49 |
| | \$265 | \$33.07 | \$34.64 | \$36.22 | \$37.79 | \$39.37 | \$40.95 | \$41.58 | \$42.21 | \$42.84 | \$43.47 |
| | | | | | | | | | | | \$44.10 |
| | | | | | | | | | | | |
| BEAR | | | | | | | | | | | |
| -32% | | | | | | | | | | | |
| BASE | | | | | | | | | | | |
| -8% | | | | | | | | | | | |
| BULL | | | | | | | | | | | |
| 9% | | | | | | | | | | | |

- PLAY adds back pre-opening expenses and stock based compensation to their adjusted EBITDA number

Un-Adjusted EBITDA

| EV / NTM EBITDA Multiple | | | | | | | | | | | |
|--------------------------|-------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| EBITDA | 6.3x | 6.5x | 6.8x | 7.0x | 7.3x | 7.5x | 7.6x | 7.7x | 7.8x | 7.9x | 8.0x |
| | \$209 | \$24.68 | \$25.93 | \$27.17 | \$28.41 | \$29.65 | \$30.89 | \$31.39 | \$31.88 | \$32.38 | \$32.87 |
| | \$213 | \$25.31 | \$26.57 | \$27.84 | \$29.10 | \$30.37 | \$31.63 | \$32.14 | \$32.65 | \$33.15 | \$33.66 |
| | \$217 | \$25.94 | \$27.23 | \$28.52 | \$29.81 | \$31.10 | \$32.39 | \$32.91 | \$33.43 | \$33.94 | \$34.46 |
| | \$222 | \$26.58 | \$27.90 | \$29.22 | \$30.53 | \$31.85 | \$33.17 | \$33.69 | \$34.22 | \$34.75 | \$35.27 |
| | \$226 | \$27.24 | \$28.58 | \$29.93 | \$31.27 | \$32.61 | \$33.96 | \$34.49 | \$35.03 | \$35.57 | \$36.11 |
| | \$231 | \$27.91 | \$29.28 | \$30.65 | \$32.02 | \$33.39 | \$34.76 | \$35.31 | \$35.86 | \$36.41 | \$36.95 |
| | \$235 | \$28.60 | \$30.00 | \$31.39 | \$32.79 | \$34.19 | \$35.58 | \$36.14 | \$36.70 | \$37.26 | \$37.82 |
| | \$240 | \$29.30 | \$30.72 | \$32.15 | \$33.57 | \$35.00 | \$36.42 | \$36.99 | \$37.56 | \$38.13 | \$38.70 |
| | \$245 | \$30.01 | \$31.46 | \$32.92 | \$34.37 | \$35.82 | \$37.28 | \$37.86 | \$38.44 | \$39.02 | \$39.60 |
| | | | | | | | | | | | \$40.19 |
| | | | | | | | | | | | |
| BEAR | | | | | | | | | | | |
| -39% | | | | | | | | | | | |
| BASE | | | | | | | | | | | |
| -16% | | | | | | | | | | | |
| BULL | | | | | | | | | | | |
| 0% | | | | | | | | | | | |

- In the un-adjusted number we have added back projected pre-opening expenses and stock based compensation

DOWNSIDE BUILT ON EBITDA DETERIORATION AND MULTIPLE CONTRACTION

SUMMARY OF OUR THOUGHTS

Key Points

- 1 Competitive Intrusions are intensifying.
- 2 Legs Feed the Wolf, as food continues to decelerate, we are confident it will drag the rest of the business down with it.
- 3 Games & amusement activities are as discretionary as it gets, so as wallets get tighter due to inflationary pressures from Healthcare and Rent, coupled with lower consumer confidence, a night out at Dave & Buster's is going to be less appealing.

Risks To The Short

- 1 Management finds another margin lever in the games business with a similar impact as the e-ticket initiative.
- 2 Competitive intrusions dissipate.

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