UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED May 5, 2024

OR

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

FOR THE TRANSITION PERIOD FROM_____TO_____

Commission File No. 001-35664

Dave & Buster's Entertainment, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**35-2382255**
(State of Incorporation)	**(I.R.S. Employer ID)**
1221 S. Beltline Rd., Suite 500, Coppell, Texas, 75019	**(214) 357-9588**
(Address of principal executive offices) (Zip Code)	**(Registrant's telephone number)**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock $0.01 par value	**PLAY**	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging Growth Company	☐		

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

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

As of June 7, 2024, the registrant had 39,560,180 shares of common stock, $0.01 par value per share, outstanding.

DAVE & BUSTER'S ENTERTAINMENT, INC.
FORM 10-Q FOR QUARTERLY PERIOD ENDED MAY 5, 2024
TABLE OF CONTENTS

		Page
PART I	**FINANCIAL INFORMATION**	
Item 1.	Financial Statements	3
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	27
Item 4.	Controls and Procedures	27
PART II	**OTHER INFORMATION**	
Item 1.	Legal Proceedings	29
Item 1A.	Risk Factors	29
Item 2.	Unregistered Sales of Equity Securities	29
Item 6.	Exhibits	30
	Signatures	31

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

DAVE & BUSTER'S ENTERTAINMENT, INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except per share amounts)

	May 5, 2024 (Unaudited)	February 4, 2024 (Audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 32.1	$ 37.3
Inventories	37.8	37.2
Prepaid expenses	34.1	18.2
Income taxes receivable	13.2	22.9
Accounts receivable	20.6	21.9
Total current assets	137.8	137.5
Property and equipment (net of $1,284.6 and $1,222.6 of accumulated depreciation as of May 5, 2024 and February 4, 2024, respectively)	1,371.3	1,332.7
Operating lease right of use assets, net	1,314.4	1,323.3
Deferred tax assets	6.1	6.0
Tradenames	178.2	178.2
Goodwill	742.5	742.5
Other assets and deferred charges	35.0	34.2
Total assets	$ 3,785.3	$ 3,754.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current installments of long-term debt	$ 9.0	$ 9.0
Accounts payable	109.4	118.6
Accrued liabilities	303.0	306.0
Income taxes payable	2.7	2.0
Total current liabilities	424.1	435.6
Deferred income taxes	90.9	89.8
Operating lease liabilities	1,552.0	1,558.5
Other long-term liabilities	136.6	135.3
Long-term debt, net	1,289.2	1,284.0
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $0.01; authorized: 400.00 shares; issued: 63.15 shares at May 5, 2024 and 62.86 at February 4, 2024; outstanding 40.35 shares at May 5, 2024 and 40.27 at February 4, 2024	0.6	0.6
Preferred stock, 50.00 authorized; none issued	—	—
Paid-in capital	609.1	597.6
Treasury stock, 22.80 and 22.59 shares as of May 5, 2024 and February 4, 2024, respectively	(956.8)	(945.3)
Accumulated other comprehensive loss	(1.0)	(0.9)
Retained earnings	640.6	599.2
Total stockholders' equity	292.5	251.2
Total liabilities and stockholders' equity	$ 3,785.3	$ 3,754.4

See accompanying notes to consolidated financial statements.

DAVE & BUSTER'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions, except per share amounts; unaudited)

	Thirteen Weeks Ended	
	May 5, 2024	April 30, 2023
Entertainment revenues	$ 385.7	$ 393.1
Food and beverage revenues	202.4	204.2
Total revenues	588.1	597.3
Cost of entertainment	33.2	35.2
Cost of food and beverage	54.1	59.1
Total cost of products	87.3	94.3
Operating payroll and benefits	141.6	130.6
Other store operating expenses	176.1	166.0
General and administrative expenses	31.5	31.4
Depreciation and amortization expenses	62.8	48.9
Pre-opening costs	3.3	4.7
Total operating costs	502.6	475.9
Operating income	85.5	121.4
Interest expense, net	33.1	30.7
Income before provision for income taxes	52.4	90.7
Provision for income taxes	11.0	20.6
Net income	41.4	70.1
Unrealized foreign currency translation loss	(0.1)	—
Total other comprehensive loss	(0.1)	—
Total comprehensive income	$ 41.3	$ 70.1
Net income per share:		
Basic	$ 1.03	$ 1.46
Diluted	$ 0.99	$ 1.45
Weighted average shares used in per share calculations:		
Basic	40.32	47.93
Diluted	41.64	48.47

See accompanying notes to consolidated financial statements.

DAVE & BUSTER'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions; unaudited)

	Thirteen Weeks Ended May 5, 2024							
	Common Stock		Paid-In Capital	Treasury Stock At Cost		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount		Shares	Amount			
Balance February 4, 2024	62.86	$ 0.6	$ 597.6	22.59	$ (945.3)	$ (0.9)	$ 599.2	$ 251.2
Net income	—	—	—	—	—	—	41.4	41.4
Unrealized foreign currency translation loss	—	—	—	—	—	(0.1)	—	(0.1)
Share-based compensation	—	—	4.0	—	—	—	—	4.0
Issuance of common stock	0.29	—	7.5	—	—	—	—	7.5
Repurchase of common stock	—	—	—	0.21	(11.5)	—	—	(11.5)
Balance May 5, 2024	63.15	$ 0.6	$ 609.1	22.80	$ (956.8)	$ (1.0)	$ 640.6	$ 292.5

	Thirteen Weeks Ended April 30, 2023							
	Common Stock		Paid-In Capital	Treasury Stock At Cost		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount		Shares	Amount			
Balance January 29, 2023	62.42	$ 0.6	$ 577.5	14.01	$ (639.0)	$ (0.9)	$ 472.3	$ 410.5
Net income	—	—	—	—	—	—	70.1	70.1
Share-based compensation	—	—	6.7	—	—	—	—	6.7
Issuance of common stock	0.09	—	0.1	—	—	—	—	0.1
Repurchase of common stock	—	—	—	3.62	(127.5)	—	—	(127.5)
Balance April 30, 2023	62.51	$ 0.6	$ 584.3	17.63	$ (766.5)	$ (0.9)	$ 542.4	$ 359.9

See accompanying notes to consolidated financial statements.

DAVE & BUSTER'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions; unaudited)

	Thirteen Weeks Ended May 5, 2024	Thirteen Weeks Ended April 30, 2023
Cash flows from operating activities:		
Net income	$ 41.4	$ 70.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	62.8	48.9
Non-cash interest expense	2.8	3.0
Deferred taxes	1.0	12.1
Share-based compensation	4.0	6.7
Other, net	3.0	0.5
Changes in assets and liabilities:		
Inventories	(0.6)	(2.5)
Prepaid expenses	(15.9)	(7.7)
Income tax receivable	9.7	4.0
Accounts receivable	1.3	1.4
Other assets and deferred charges	(1.4)	1.5
Accounts payable	1.8	(24.5)
Accrued liabilities	(3.1)	(23.5)
Income taxes payable	0.7	1.8
Other long-term liabilities	1.3	0.6
Net cash provided by operating activities:	108.8	92.4
Cash flows from investing activities:		
Capital expenditures	(113.0)	(51.2)
Proceeds from sales of property and equipment	0.2	0.4
Net cash used in investing activities:	(112.8)	(50.8)
Cash flows from financing activities:		
Proceeds from term loan and revolver	81.0	—
Term loan and revolver payments	(78.2)	(4.3)
Proceeds from the exercise of stock options	7.5	0.1
Repurchases of common stock under share repurchase program	(9.8)	(126.9)
Repurchases of common stock to satisfy employee withholding tax obligations	(1.7)	(0.6)
Net cash used in financing activities:	(1.2)	(131.7)
Decrease in cash and cash equivalents	(5.2)	(90.1)
Beginning cash and cash equivalents	37.3	181.6
Ending cash and cash equivalents	$ 32.1	$ 91.5
Supplemental disclosures of cash flow information:		
Increase/(decrease) in accounts payable for the acquisition of property and equipment	$ (11.0)	$ 3.8
Cash paid for income taxes, net	$ 0.1	$ 1.3
Cash paid for interest, net	$ 35.7	$ 27.2

See accompanying notes to consolidated financial statements.

DAVE & BUSTER'S ENTERTAINMENT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except per share amounts; unaudited)

Note 1: Summary of Significant Accounting Policies

The accompanying consolidated financial statements include the accounts of Dave & Buster's Entertainment, Inc. (referred to herein as the "Company", "we," "us" and "our"), any predecessor companies and its wholly-owned subsidiaries, Dave & Buster's Holdings, Inc. ("D&B Holdings"), which owns 100% of the outstanding common stock of Dave & Buster's, Inc. ("D&B Inc"), the operating company. The Company, headquartered in Coppell, Texas, is a leading operator of high-volume entertainment and dining venues ("stores") in North America for adults and families.

During the thirteen weeks ended May 5, 2024, the Company opened four stores, and as of May 5, 2024, the Company owned and operated 224 stores in 43 states, Puerto Rico and one Canadian province.

The Company operates its business as two operating segments based on its major brands, Dave & Buster's and Main Event. The Company has one reportable segment as both brands provide similar products and services to a similar customer base, are managed together by a single management team and share similar economic characteristics.

Fiscal Calendar — The Company has historically operated on a 52 or 53-week fiscal year that ends on the Sunday after the Saturday closest to January 31. Each quarterly period reported has 13 weeks, except for 53-week fiscal years when the fourth quarter has 14 weeks. Fiscal 2023, which ended on February 4, 2024, followed this calendar and had 53 weeks. The first quarter of fiscal 2024 also followed this calendar and had 13 weeks.

On May 6, 2024, the first day of the 2nd quarter of fiscal 2024, the Company changed its fiscal year to end on the Tuesday after the Monday closest to January 31st. As a result of this change, the second quarter and fiscal year 2024 have two additional days added to its normal 13-week quarter and 52-week year. The 2nd, 3rd and 4th quarters of fiscal 2024 will end on August 6, 2024; November 5, 2024; and February 4, 2025, respectively.

Basis of Presentation — The Company's financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States for interim financial information as prescribed by the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all the information and notes required by GAAP for complete financial statements. In the opinion of management, these financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Our quarterly financial data should be read in conjunction with the audited financial statements and notes thereto for the year ended February 4, 2024, included in our Annual Report on Form 10-K.

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities at the date of the consolidated financial statements and for the period then ended. Actual results could differ from those estimates. Operating results for the thirteen weeks ended May 5, 2024 are not necessarily indicative of results that may be expected for any other interim period or for the full fiscal year ending February 4, 2025.

Cash and cash equivalents — We consider transaction settlements in process from credit card companies and all highly-liquid investments with original maturities of three months or less to be cash equivalents. Our cash management system provides for the daily funding of all major bank disbursement accounts as checks are presented for payment. Under this system, outstanding checks in excess of the cash balances at certain banks create book overdrafts. There were no book overdrafts as of May 5, 2024 or as of February 4, 2024.

Fair value of financial instruments — Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. In determining fair value, the accounting standards establish a three-level hierarchy for inputs used in measuring fair value.

The carrying amounts of cash and cash equivalents, accounts and notes receivable, accounts payable, and other current liabilities approximate fair value because of their short-term nature. The fair value of the Company's debt is determined based on traded price data as of the measurement date, which we classify as a level two input within the fair value hierarchy as defined under GAAP. The fair value of the Company's debt was as follows as of the periods indicated:

DAVE & BUSTER'S ENTERTAINMENT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except per share amounts; unaudited)

	May 5, 2024	February 4, 2024
Revolving credit facility	$ 5.0	—
Term loan	896.6	898.3
Senior secured notes	443.6	445.0
	$ 1,345.2	$ 1,343.3

Revenues — Our entertainment revenues primarily consist of attractions including redemption and simulation games, bowling, laser tag, billiards and gravity ropes. Our food and beverage revenues consist of full meals, appetizers and both alcoholic and non-alcoholic beverages. The Company's revenue for these categories was as follows:

	Thirteen Weeks Ended	
	May 5, 2024	April 30, 2023
Entertainment	$ 380.8	$ 386.1
Other [1]	4.9	7.0
Entertainment revenues	$ 385.7	$ 393.1
Food and non-alcoholic beverages	$ 135.6	$ 136.1
Alcoholic beverages	66.8	68.1
Food and beverage revenues	$ 202.4	$ 204.2

[1] Primarily consists of revenue earned from party rentals and gift card breakage (see *Revenue recognition* below).

Revenue recognition — Customers purchase cards with game play credits or "chips" to be used on a variety of redemption and simulation games. Entertainment revenues related to game play primarily consist of game play credits, which are used by customers to activate video and redemption games. Redemption games allow customers to earn tickets, which may be redeemed for prizes. We have deferred a portion of entertainment revenues for the estimated unfulfilled performance obligations related to unredeemed game play credits and tickets. The deferral is based on an estimated rate of future use by customers of unused game play credits and the material right provided to customers to redeem tickets in the future for prizes. During the thirteen weeks ended May 5, 2024, we recognized revenue of $28.3 related to the amount in deferred entertainment revenues as of the end of fiscal 2023. These revenues are included in entertainment revenues on the consolidated statements of comprehensive income.

We recognize revenue on unredeemed gift cards in proportion to the pattern of redemption by the customers. During the thirteen weeks ended May 5, 2024, we recognized revenue of $5.6 related to the amount in deferred gift card revenue as of the end of fiscal 2023. These revenues are included in Entertainment revenues on the consolidated statements of comprehensive income.

Earnings per share — Basic net income per share is computed by dividing net income available to common shareholders by the basic weighted average number of common shares outstanding for the reporting period. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted net income per share, the basic weighted average shares outstanding is increased by the dilutive effect of stock options and restricted share awards. Stock options and restricted share awards with an anti-dilutive effect are not included in the diluted net income per share calculation.

Basic weighted average shares outstanding are reconciled to diluted weighted average shares outstanding as follows:

	Thirteen Weeks Ended	
	May 5, 2024	April 30, 2023
Basic weighted average shares outstanding	40.32	47.93
Weighted average dilutive impact of awards	1.32	0.54
Diluted weighted average shares outstanding	41.64	48.47
Weighted average awards excluded as anti-dilutive	0.10	0.52

Recent accounting pronouncements — We reviewed the accounting pronouncements that became effective for fiscal year 2024 and determined that either they were not applicable, or they did not have a material impact on the consolidated financial statements. See discussion at Note 1 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended February 4, 2024 for previously issued accounting pronouncements that may have an impact to the Company in the future.

Accounting reclassifications — We reclassified $0.9 to cost of entertainment and $3.1 to cost of food and beverage, respectively, from other store operating expenses for the thirteen weeks ended April 30, 2023 to be consistent with the presentation for the thirteen weeks ended May 5, 2024. During the thirteen weeks ended May 5, 2024, we determined that reclassifying the expenses, which are primarily related to inventory items provided to customers during promotions and events, results in a clearer presentation of the cost of goods sold.

Note 2: Accrued Liabilities

Accrued liabilities consist of the following as of the dates presented:

	May 5, 2024	February 4, 2024
Deferred entertainment revenue	$ 123.4	$ 121.2
Current portion of operating lease liabilities, net [1]	60.0	63.1
Compensation and benefits	36.8	29.0
Deferred gift card revenue	20.4	20.3
Customer deposits	14.9	9.7
Property taxes	11.6	9.7
Sales and use and other taxes	9.7	12.5
Utilities	8.0	7.5
Current portion of self-insurance reserves	5.7	5.7
Current portion of deferred occupancy costs	2.9	2.9
Accrued interest	2.5	9.6
Other	7.1	14.8
Total accrued liabilities	$ 303.0	$ 306.0

[1] The balance of leasehold incentive receivables of $16.6 and $13.0 as of May 5, 2024 and February 4, 2024, respectively, is reflected as a reduction of the current portion of operating lease liabilities.

Note 3: Leases

We currently lease most of the buildings or sites for our stores, store support center, and warehouse space under facility operating leases. These leases typically have initial terms ranging from ten to twenty years and include one or more options to renew. When determining the lease term, we include option periods for which renewal is reasonably certain. Most of the leases require us to pay property taxes, insurance, and maintenance of the leased assets. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. Operating leases also include certain equipment leases that have a term in excess of one year. Certain facility leases also have provisions for additional contingent rentals based on revenues.

Operating lease cost, variable lease cost and short-term lease cost related primarily to our facilities is included in "Other store operating expenses" for our operating stores, "Pre-opening costs" for our stores not yet operating, or "General and administrative expenses" for our store support center and warehouse, in the consolidated statement of comprehensive income.

The components of lease expense, including variable lease costs primarily consisting of common area maintenance charges and property taxes, are as follows:

	Thirteen Weeks Ended	
	May 5, 2024	April 30, 2023
Operating lease cost	$ 50.3	$ 48.0
Variable lease cost	10.9	10.7
Short-term lease cost	0.3	0.7
Total	$ 61.5	$ 59.4

Operating lease payments in the table above includes minimum lease payments for future sites for which the leases have commenced. As of May 5, 2024, the Company had signed lease agreements with total lease payments of $198.3 related to nine facility leases which had not yet commenced. Fixed minimum lease payments related to these facilities are not included in the right-of-use assets and lease liabilities on the consolidated balance sheets as of May 5, 2024.

Sale-leaseback transaction

In October 2023, the Company entered into a sale and master lease agreement (a "sale-leaseback") with an unrelated third party. Under this agreement, the Company sold four of its store properties, including land, buildings and certain improvements, at a sale price of $85.8 and then leased the assets back through the sale-leaseback transaction.

The transaction was accounted for as a failed sale-leaseback based on U.S. GAAP. As a result, the store property assets remain on the consolidated balance sheet at their historical net book value and are depreciated over the remaining term of the master lease. A financing obligation liability was recognized in the amount of the net proceeds received in the amount of $84.2. The Company will not recognize rent expense related to the leased assets. Instead, monthly rent payments under the master lease agreement (initially, $6.4 per year) will be recorded as interest expense and a reduction of the outstanding liability.

As of May 5, 2024 the current outstanding liability of $0.2 is included in accrued liabilities and the long term outstanding liability of $83.6 is included in other liabilities on the consolidated balance sheet related to the financing liability.

DAVE & BUSTER'S ENTERTAINMENT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except per share amounts; unaudited)

Note 4: Debt

Long-term debt consists of the following:

	May 5, 2024	February 4, 2024
Credit facility—revolver	$ 5.0	$ —
Credit facility—term loan	895.5	897.8
Senior secured notes	440.0	440.0
Total debt outstanding	1,340.5	1,337.8
Less current installments of long-term debt	(9.0)	(9.0)
Less issue discounts and debt issuance costs	(42.3)	(44.8)
Long-term debt, net	$ 1,289.2	$ 1,284.0

June 29, 2022 Credit Facility

The Company has a senior secured credit agreement including a revolving credit facility with a maturity date of June 29, 2027, and a term loan facility with a maturity date of June 29, 2029 ("Credit Facility").

The revolving credit facility can expire before the stated maturity date if the aggregate outstanding principal amount of the 7.625% senior notes (described below) exceeds $100.0 ninety-one days prior to November 1, 2025. A portion of the revolving facility not to exceed $35.0 is available for the issuance of letters of credit. As of May 5, 2024, we had letters of credit outstanding of $11.0 and an unused commitment balance of $484.0 under the revolving facility. The Credit Facility may be increased through incremental facilities, by an amount equal to the greater of (i) $400.0 and (ii) 0.75 times trailing twelve-month Adjusted EBITDA, as defined in the Credit Facility, plus additional amounts subject to compliance with applicable leverage ratio and/or interest coverage ratio requirements. The Credit Facility is unconditionally guaranteed by D&B Holdings and certain of D&B Inc's existing and future wholly owned material domestic subsidiaries.

The term loan facility bears interest at Term SOFR or ABR (each, as defined in the amended Credit Facility) plus (i) in the case of Term SOFR loans, 3.25% per annum and (ii) in the case of ABR loans, 2.25% per annum. The Revolving Loans bear interest subject to a pricing grid based on net total leverage, at Term SOFR plus a spread ranging from 2.50% to 3.00% per annum or ABR plus a spread ranging from 1.50% to 2.00% per annum. Unused commitments under the revolving facility incur initial commitment fees of 0.30% to 0.50%. The interest rate margin applicable to term loans and Revolving Loans outstanding under the Credit Facility would be subject to an additional 0.25% step-down if a rating of B1/B+ or higher from Moody's and S&P is achieved (which will step back up if such rating is subsequently not maintained)

7.625% Senior Secured Notes

During fiscal 2020, the Company issued $550.0 aggregate principal amount of 7.625% senior secured notes (the "Notes"). Interest on the Notes is payable in arrears on November 1 and May 1 of each year. The Notes mature on November 1, 2025, unless earlier redeemed, and are subject to the terms and conditions set forth in the related indenture. The Notes were issued by D&B Inc and are unconditionally guaranteed by D&B Holdings and certain of D&B Inc's existing and future wholly owned material domestic subsidiaries. During fiscal 2021, the Company redeemed a total of $110.0 outstanding principal amount of the Notes. The Company may elect to further redeem the Notes, in whole or in part, at certain specified redemption prices, plus accrued and unpaid interest, at the redemption date.

Restrictive covenants and debt compliance

Our debt agreements contain restrictive covenants that, among other things, place certain limitations on our ability to incur additional indebtedness, make loans or advances to subsidiaries and other entities, pay dividends, acquire other businesses or sell assets. The Credit Facility also requires the Company to maintain a maximum net total leverage ratio, as defined, as of the end of each fiscal quarter. We were in compliance with our covenants and the terms of our debt agreements as of May 5, 2024.

Interest expense

The Company's weighted average effective interest rate on our total debt facilities was 9.7% and 9.5% for the thirteen weeks ended May 5, 2024 and April 30, 2023, respectively.

The following table sets forth our recorded interest expense, net for the periods presented:

	Thirteen Weeks Ended	
	May 5, 2024	April 30, 2023
Interest expense on debt	$ 29.6	$ 30.1
Interest associated with swap agreements	—	(0.2)
Amortization of issue discount and issuance cost	2.8	3.0
Interest expense on sale-leaseback [1]	1.4	—
Interest income	(0.1)	(1.7)
Capitalized interest	(0.6)	(0.5)
Total interest expense, net	$ 33.1	$ 30.7

[1] See discussion of sale-leaseback transaction at Note 3 to the consolidated financial statements.

Note 5: Commitments and Contingencies

We are subject to certain legal proceedings and claims that arise in the ordinary course of our business, including claims alleging violations of federal and state law regarding workplace and employment matters, discrimination, slip-and-fall and other customer-related incidents and similar matters. In the opinion of management, based upon consultation with legal counsel, the amount of ultimate liability, with respect to such legal proceedings and claims will not materially affect the consolidated results of our operations or our financial condition. Legal costs related to such claims are expensed as incurred.

Note 6: Stockholders' Equity and Share-Based Compensation

Share issuances and repurchases

The Company treats shares withheld for tax purposes on behalf of our employees in connection with the vesting of time-based and performance-based restricted stock units as common stock repurchases because they reduce the number of shares that would have been issued upon vesting. These were immaterial for all periods presented.

Our Board of Directors has approved a share repurchase program with a total authorization limit of $500.0. During the thirteen weeks ended May 5, 2024, the Company repurchased 0.18 million shares at an average of $52.97 per share. The remaining dollar value of shares that may be repurchased under the program was $190.2 as of May 5, 2024. Future decisions to repurchase shares continue to be at the discretion of the Board of Directors and will be dependent on our operating performance, financial condition, capital expenditure requirements and other factors that the Board of Directors considers relevant.

Share-based compensation

Our compensation expense related to share-based compensation was as follows:

	Thirteen Weeks Ended	
	May 5, 2024	April 30, 2023
General and administrative expenses	$ 4.0	$ 6.7

Our share-based compensation award activity during the thirteen weeks ended May 5, 2024 was as follows:

	Options	Restricted Stock Units	Total
Outstanding at February 4, 2024	0.82	1.51	2.33
Granted	0.06	0.16	0.22
Exercised	(0.16)	n/a	(0.16)
RSUs vested	n/a	(0.12)	(0.12)
Forfeited	—	(0.04)	(0.04)
Outstanding at May 5, 2024	0.72	1.51	2.23
Remaining unrecognized compensation expense	$ 4.2	$ 29.3	$ 33.5

The fair value of our time-based and performance-based restricted stock units is based on our closing stock price on the date of grant. The grant date fair value of stock options was determined using the Black-Scholes option valuation model. The grant date fair value of performance-based awards with market conditions was determined using the Monte Carlo valuation model. The unrecognized expense will be substantially recognized by the end of fiscal 2026.

During the thirteen weeks ended May 5, 2024, the Company granted certain options and time-based and performance-based restricted stock units to employees and directors of the Company. These grants vest over a range of one year to five years. Certain of the market-based restricted stock units can vest earlier if the targets are achieved prior to that time. As a result, the requisite service period for such grants was determined to be less than the explicit service period.

DAVE & BUSTER'S ENTERTAINMENT, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(in millions, except per share amounts; unaudited)

Note 7: Income Taxes

The effective tax rate for the thirteen weeks ended May 5, 2024, was 21.0%, compared to 22.7% for the thirteen weeks ended April 30, 2023. The current year tax provision includes higher excess tax benefits associated with share-based compensation and lower permanent differences as compared to the prior year.

Note 8: Subsequent Event

Between May 6 and the filing of this quarterly report on Form 10-Q, the Company repurchased 0.79 shares for a total of $40.3, excluding the impact of excise taxes that will be due under the Inflation Reduction Act of 2022. In fiscal 2024, through the filing of this quarterly report on Form 10-Q, the Company has repurchased 0.97 shares for a total of $50.0 representing 2.4% of the shares issued and outstanding as of February 4, 2024.

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

The following discussion and analysis of our financial condition and results of operations should be read together with the accompanying consolidated financial statements and the related notes in Item 1 and with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC") on April 2, 2024. Amounts included in the following discussion, except for operating weeks and per share amounts, are rounded in millions.

Unless otherwise specified, the meanings of all defined terms in "Management's Discussion and Analysis of Financial Condition and Results of Operations" are consistent with the meanings of such terms as defined in the Notes to Consolidated Financial Statements. This discussion contains statements that are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "intends," "may," "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not a guarantee of future performance and our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this quarterly report as a result of various factors, including those set forth in the section entitled "Risk Factors" in our Annual Report on Form 10-K filed with the SEC on April 2, 2024. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Form 10-Q, such results or developments may not be indicative of results or developments in subsequent periods.

Quarterly Financial Highlights

- First quarter revenue of $588.1 million decreased 1.5% from the first quarter of 2023.
- Net income totaled $41.4 million, or $0.99 per diluted share, compared with net income of $70.1 million, or $1.45 per diluted share in the first quarter of 2023.
- Adjusted EBITDA of $159.1 million decreased 12.6% from the first quarter of 2023.

General

We are a leading owner and operator of high-volume venues in North America that combine dining and entertainment for both adults and families under the "Dave & Buster's" and "Main Event" brands. The core of our concept is to offer our customers quality dining and various forms of entertainment all in one location. Our entertainment offerings provide an extensive assortment of attractions centered around playing games, bowling, and watching live sports and other televised events. Our brands appeal to a relatively balanced mix of male and female adults, as well as families and young adults. We believe we appeal to a diverse customer base by providing a highly customizable experience in a dynamic and fun setting.

Our Dave & Buster's stores average 40,000 square feet and range in size between 16,000 and 70,000 square feet. Our Main Event stores average 54,000 square feet and range in size between 37,500 and 78,000 square feet. Generally, our stores are open seven days a week, with normal hours of operation generally from between 10:00 to 11:30 a.m. until midnight, with stores typically open for extended hours on weekends.

Key Measures of Our Performance

We monitor and analyze several key performance measures to manage our business and evaluate financial and operating performance, including:

Comparable store sales. Comparable store sales are a comparison of sales to the same period of prior years for the comparable store base. We historically define the comparable store base to include those stores open for a full 18 months before the beginning of the current fiscal year and excluding stores permanently closed or planned for closure during the current fiscal year. For fiscal 2024, our comparable store base consists of 195 stores, of which 146 are Dave & Buster's branded stores and 49 are Main Event branded stores.

New store openings. Our ability to expand our business and reach new customers is influenced by the opening of additional stores in both new and existing markets. The success of our new stores is indicative of our brand appeal and the efficacy of our site selection and operating models. For the thirteen weeks ended May 5, 2024, we opened four new stores (three Dave & Buster's branded stores and one Main Event branded store).

Non-GAAP Financial Measures

In addition to the results provided in accordance with generally accepted accounting principles ("GAAP"), we provide non-GAAP measures which present operating results on an adjusted basis. These are supplemental measures of performance that are not required by or presented in accordance with GAAP and include Adjusted EBITDA, Adjusted EBITDA Margin, Credit Adjusted EBITDA, Store Operating Income Before Depreciation and Amortization and Store Operating Income Before Depreciation and Amortization Margin (defined below). These non-GAAP measures do not represent and should not be considered as an alternative to net income or cash flows from operations, as determined in accordance with GAAP, and our calculations thereof may not be comparable to similarly titled measures reported by other companies and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Although we use these non-GAAP measures to assess the operating performance of our business, they have significant limitations as an analytical tool because they exclude certain material costs. For example, Adjusted EBITDA does not take into account a number of significant items, including our interest expense and depreciation and amortization expense. In addition, Adjusted EBITDA excludes certain other costs which may be important in analyzing our GAAP results. Because Adjusted EBITDA does not account for these expenses, its utility as a measure of our operating performance has material limitations. Our calculations of Adjusted EBITDA adjust for these amounts because they do not directly relate to the ongoing operations of the currently underlying business of our stores and therefore complicate comparison of the underlying business between periods. Nevertheless, because of the limitations described above, management does not view Adjusted EBITDA, Adjusted EBITDA Margin, Credit Adjusted EBITDA, Store Operating Income Before Depreciation and Amortization or Store Operating Income Before Depreciation and Amortization Margin in isolation and also uses other measures, such as revenues, gross margin, operating income and net income to measure operating performance.

Adjusted EBITDA and Adjusted EBITDA Margin

We define "Adjusted EBITDA" as net income, plus interest expense, net, loss on debt refinancing, provision for (benefit from) income taxes, depreciation and amortization expense, (gain) loss on property and equipment transactions,

impairment of long-lived assets, share-based compensation, currency transaction (gains) losses and other costs. "Adjusted EBITDA Margin" is defined as Adjusted EBITDA divided by total revenues.

Adjusted EBITDA is presented because we believe that it provides useful information to investors and analysts regarding our operating performance. By reporting Adjusted EBITDA, we provide a basis for comparison of our business operations between current, past and future periods by excluding items that we do not believe are indicative of our core operating performance.

Credit Adjusted EBITDA

We define "Credit Adjusted EBITDA" as Adjusted EBITDA plus certain other items as defined in our Credit Facility (see *Liquidity and Capital Resources* below for additional discussion and reconciliation). Other adjustments include (i) entertainment revenue deferrals, (ii) the cost of new projects, including store pre-opening costs, and (iii) other costs and adjustments as permitted by the debt agreements. We believe the presentation of Credit Adjusted EBITDA is appropriate as it provides additional information to investors about the calculation of, and compliance with, certain financial covenants in the Credit Facility.

Store Operating Income Before Depreciation and Amortization and Store Operating Income Before Depreciation and Amortization Margin

We define "Store Operating Income Before Depreciation and Amortization" as operating income, plus depreciation and amortization expense, general and administrative expenses and pre-opening costs. "Store Operating Income Before Depreciation and Amortization Margin" is defined as Store Operating Income Before Depreciation and Amortization divided by total revenues. Store Operating Income Before Depreciation and Amortization Margin allows us to evaluate operating performance of each store across stores of varying size and volume.

We believe that Store Operating Income Before Depreciation and Amortization is another useful measure in evaluating our operating performance because it removes the impact of general and administrative expenses, which are not incurred at the store level, and the costs of opening new stores, which are non-recurring at the store level, and thereby enables the comparability of the operating performance of our stores for the periods presented. We also believe that Store Operating Income Before Depreciation and Amortization is a useful measure in evaluating our operating performance within the entertainment and dining industry because it permits the evaluation of store-level productivity, efficiency, and performance, and we use Store Operating Income Before Depreciation and Amortization as a means of evaluating store financial performance compared with our competitors. However, because this measure excludes significant items such as general and administrative expenses and pre-opening costs, as well as our interest expense, net, loss on debt refinancing and depreciation and amortization expense, which are important in evaluating our consolidated financial performance from period to period, the value of this measure is limited as a measure of our consolidated financial performance.

Presentation of Operating Results

We have historically operated on a 52 or 53-week fiscal year that ends on the Sunday after the Saturday closest to January 31. Each quarterly period reported has 13 weeks, except for 53-week fiscal years when the fourth quarter has 14 weeks. Fiscal 2023, which ended on February 4, 2024, followed this calendar and had 53 weeks. The first quarter of fiscal 2024 also followed this calendar and had 13 weeks.

On May 6, 2024, the first day of the 2nd quarter of fiscal 2024, the Company changed its fiscal year to end on the Tuesday after the Monday closest to January 31st. As a result of this change, the second quarter and fiscal year 2024 have two additional days added to its normal 13-week quarter and 52-week year. The 2nd, 3rd and 4th quarters of fiscal 2024 will end on August 6, 2024; November 5, 2024; and February 4, 2025, respectively.

All dollar amounts are presented in millions, unless otherwise noted, except per share amounts.

Store-Level Variability, Quarterly Fluctuations, Seasonality and Inflation

We operate stores varying in size and have experienced significant variability among stores in volumes, operating results and net investment costs.

Our new stores typically open with sales volumes in excess of their expected long-term run-rate levels, which we refer to as a "honeymoon" effect. We traditionally expect our new store sales volumes in year two to be 10% to 20% lower than our year one targets, and to grow in line with the rest of our comparable store base thereafter. As a result of the substantial revenues associated with each new store, the number and timing of new store openings will result in significant fluctuations in quarterly results.

New store operating margins (excluding pre-opening expenses) during the first year of operation historically benefit from honeymoon sales leverage on occupancy, management labor and other fixed costs. This benefit is partially offset by normal inefficiencies in hourly labor and other costs associated with establishing a new store. In year two, operating margins may decline due to the loss of honeymoon sales leverage on fixed costs which is partially offset by improvements in store operating efficiency.

Our operating results historically have fluctuated due to seasonal factors. Typically, we have higher revenues associated with the spring and year-end holidays, which will continue to be susceptible to the impact of severe or unseasonably mild weather on customer traffic and sales during that period. Our third quarter, which encompasses the back-to-school fall season, has historically had lower revenues as compared to other quarters.

We expect that economic and environmental conditions and changes in regulatory legislation will continue to exert pressure on both supplier pricing and consumer spending related to entertainment and dining alternatives. There is no assurance that our cost of products will remain stable or that federal, state, or local minimum wage rates will not increase beyond amounts currently legislated, however, the effects of any supplier price increase or wage rate increases might be partially offset by selective price increases if competitively appropriate.

Thirteen Weeks Ended May 5, 2024 Compared to the Thirteen Weeks Ended April 30, 2023

Results of operations

The following table sets forth selected data, in millions of dollars and as a percentage of total revenues (unless otherwise noted) for the periods indicated. All information is derived from the accompanying consolidated statement of comprehensive income.

	Thirteen Weeks Ended			
	May 5, 2024 [1]		April 30, 2023 [1]	
Entertainment revenues	$ 385.7	65.6 %	$ 393.1	65.8 %
Food and beverage revenues	202.4	34.4 %	204.2	34.2 %
Total revenues	588.1	100.0 %	597.3	100.0 %
Cost of entertainment [2]	33.2	8.6 %	35.2	9.0 %
Cost of food and beverage [2]	54.1	26.7 %	59.1	28.9 %
Total cost of products	87.3	14.8 %	94.3	15.8 %
Operating payroll and benefits	141.6	24.1 %	130.6	21.9 %
Other store operating expenses [2]	176.1	29.9 %	166.0	27.8 %
General and administrative expenses	31.5	5.4 %	31.4	5.3 %
Depreciation and amortization expenses	62.8	10.7 %	48.9	8.2 %
Pre-opening costs	3.3	0.6 %	4.7	0.8 %
Total operating costs	502.6	85.5 %	475.9	79.7 %
Operating income	85.5	14.5 %	121.4	20.3 %
Interest expense, net	33.1	5.6 %	30.7	5.1 %
Income before provision for income taxes	52.4	8.9 %	90.7	15.2 %
Provision for income taxes	11.0	1.9 %	20.6	3.4 %
Net income	$ 41.4	7.0 %	$ 70.1	11.7 %
Company-owned stores at end of period		224		208

(1) All percentages are expressed as a percentage of total revenues for the respective period presented, except cost of entertainment, which is expressed as a percentage of entertainment revenues, and cost of food and beverage, which is expressed as a percentage of food and beverage revenues.

(2) We reclassified $0.9 to cost of entertainment and $3.1 to cost of food and beverage, respectively, from other store operating expenses for the thirteen weeks ended April 30, 2023 to be consistent with the presentation for the thirteen weeks ended May 5, 2024. During the thirteen weeks ended May 5, 2024, we determined that reclassifying the expenses, which are primarily related to inventory items provided to customers during promotions and events, results in a clearer presentation of the cost of goods sold.

Reconciliations of Non-GAAP Financial Measures

Adjusted EBITDA

The following table reconciles (in millions of dollars and as a percent of total revenues) Net income to Adjusted EBITDA for the periods indicated:

	Thirteen Weeks Ended			
	May 5, 2024 [5]		April 30, 2023 [5]	
Net income	$ 41.4	7.0 %	$ 70.1	11.7 %
Interest expense, net	33.1		30.7	
Provision for income taxes	11.0		20.6	
Depreciation and amortization expense	62.8		48.9	
EBITDA	148.3	25.2 %	170.3	28.5 %
Share-based compensation [1]	4.0		6.7	
Transaction and integration costs [2]	0.6		2.6	
System implementation costs [3]	3.9		1.6	
Other costs, net [4]	2.3		0.9	
Adjusted EBITDA	$ 159.1	27.1 %	$ 182.1	30.5 %

[1] Non-cash share-based compensation expense, net of forfeitures, recorded in general and administrative expenses on the consolidated statement of comprehensive income.

[2] Transaction and integration costs related to the acquisition and integration of Main Event recorded in general and administrative expenses on the consolidated statement of comprehensive income.

[3] System implementation costs represent expenses incurred related to the development of new enterprise resource planning, human capital management and inventory software for our stores and store support teams. These charges are primarily recorded in general and administrative expenses on the consolidated statement of comprehensive income.

[4] The amount for the thirteen weeks ended May 5, 2024 primarily consisted of $1.8 million of one-time, third-party consulting fees, $0.8 million of severance costs and a $0.3 million gain on property and equipment transactions. The amount for the thirteen weeks ended April 30, 2023 primarily consisted of a $0.7 million loss on property and equipment transactions. The third-party consulting fees are not part of our ongoing operations and were incurred to execute two related, discrete, and project-based strategic initiatives aimed at transforming our marketing strategy, which are included in general and administrative expenses on the consolidated statement of comprehensive income. The transformative nature, narrow scope, and limited duration of these incremental consulting fees are not reflective of the ordinary course expenses incurred to operate our business.

[5] All percentages are expressed as a percentage of total revenues for the respective period presented.

Store Operating Income Before Depreciation and Amortization

The following table reconciles (in millions of dollars and as a percent of total revenues) Operating income to Store Operating Income Before Depreciation and Amortization for the periods indicated:

	Thirteen Weeks Ended			
	May 5, 2024 [1]		April 30, 2023 [1]	
Operating income	$ 85.5	14.5 %	$ 121.4	20.3 %
General and administrative expenses	31.5		31.4	
Depreciation and amortization expense	62.8		48.9	
Pre-opening costs	3.3		4.7	
Store Operating Income Before Depreciation and Amortization	$ 183.1	31.1 %	$ 206.4	34.6 %

[1] All percentages are expressed as a percentage of total revenues for the respective period presented.

Capital Additions

The table below reflects accrual-based capital additions. Capital additions do not include any reductions for accrual-based leasehold improvement incentives ("Payments from landlords").

	Thirteen Weeks Ended	
	May 5, 2024	April 30, 2023
New store and operating initiatives	$ 79.7	$ 39.0
Games	9.0	0.2
Maintenance	13.3	15.4
Total capital additions	$ 102.0	$ 55.0
Payments from landlords	$ 4.6	$ 2.3

Results of Operations

Revenues

Selected revenue and store data (in millions except for store operating weeks) for the periods indicated are as follows:

	Thirteen Weeks Ended		
	May 5, 2024	April 30, 2023	Change
Comparable store revenues, on a fiscal calendar basis	$ 524.0	$ 562.3	$ (38.3)
Noncomparable store revenues [1]	67.4	38.5	28.9
Other revenues and deferrals	(3.3)	(3.5)	0.2
Total revenues	$ 588.1	$ 597.3	$ (9.2)
Comparable store operating weeks	2,535	2,535	—
Noncomparable store operating weeks [1]	356	155	201
Total store operating weeks	2,891	2,690	201

[1] Our noncomparable store count included two stores planned for closure during the 2nd quarter of 2024.

The $38.3 million, or 6.8%, revenue decrease presented in the table above is on a fiscal period basis. Due to the 53rd week in fiscal 2023, the thirteen weeks ended May 5, 2024 ended one week later than the thirteen weeks ended April 30, 2023. Comparable store revenues based on the same calendar period adjusts for this shift in weeks and compares the thirteen weeks from February 5, 2024 through May 5, 2024 to the thirteen weeks from February 6, 2023 through May 7, 2023. Comparable store revenues based on the same calendar period decreased 5.6%.

Revenue mix by category, as a percentage of total revenues, for the periods indicated was as follows:

	Thirteen Weeks Ended	
	May 5, 2024	April 30, 2023
Entertainment revenues	65.6 %	65.8 %
Food revenues	23.1 %	22.8 %
Beverage revenues	11.3 %	11.4 %

Total revenues for the thirteen weeks ended May 5, 2024 decreased $9.2 million, or 1.5%, to $588.1 million compared to $597.3 million for the thirteen weeks ended April 30, 2023. Entertainment revenues for the thirteen weeks ended May 5, 2024 decreased by $7.4 million, or 1.9%, to 385.7 from $393.1 million in the thirteen weeks ended April 30, 2023. Food sales decreased by $0.5 million, or 0.4%, to $135.6 million in the thirteen weeks ended May 5, 2024 from

$136.1 million in the thirteen weeks ended April 30, 2023. Beverage sales decreased by $1.3 million, or 1.9%, to $66.8 million in the thirteen weeks ended May 5, 2024 from $68.1 million in the thirteen weeks ended April 30, 2023.

The decrease in revenue is primarily attributable to a $38.3 million decrease in comparable store sales, partially offset by $28.9 million of incremental sales from noncomparable stores. The decrease in comparable store revenues is due primarily to a reduction in walk-in transaction counts relative to a more robust consumer environment in the prior year period, partially offset by increases in food and beverage prices and increases in special event revenues.

Cost of products

The total cost of products was $87.3 million for the thirteen weeks ended May 5, 2024 and $94.3 million for the thirteen weeks ended April 30, 2023. The total cost of products as a percentage of total revenues decreased to 14.8% for the thirteen weeks ended May 5, 2024 compared to 15.8% for the thirteen weeks ended April 30, 2023.

Cost of entertainment decreased to $33.2 million in the thirteen weeks ended May 5, 2024 compared to $35.2 million in the thirteen weeks ended April 30, 2023. The cost of entertainment, as a percentage of entertainment revenues, decreased to 8.6% for the thirteen weeks ended May 5, 2024 from 9.0% in the thirteen weeks ended April 30, 2023. The decrease was primarily attributable to price increases.

Cost of food and beverage products decreased to $54.1 million for the thirteen weeks ended May 5, 2024 compared to $59.1 million for the thirteen weeks ended April 30, 2023. Cost of food and beverage products, as a percentage of food and beverage revenues, decreased to 26.7% for the thirteen weeks ended May 5, 2024 from 28.9% for the thirteen weeks ended April 30, 2023. The decrease was primarily attributable to food and beverage menu price increases, continued supply chain and ingredient optimization, and the mix of products sold with our new menu, partially offset by promotional pricing to drive traffic and loyalty engagement.

Operating payroll and benefits

Total operating payroll and benefits increased to $141.6 million in the thirteen weeks ended May 5, 2024 compared to $130.6 million in the thirteen weeks ended April 30, 2023. The total cost of operating payroll and benefits as a percentage of total revenues was 24.1% in the thirteen weeks ended May 5, 2024 compared to 21.9% in the thirteen weeks ended April 30, 2023. This increase is primarily due to temporary staffing hours related to menu updates, hourly wage rate and manager salary increases.

Other store operating expenses

Other store operating expenses increased to $176.1 million in the thirteen weeks ended May 5, 2024 compared to $166.0 million in the thirteen weeks ended April 30, 2023. The increase is primarily due to higher occupancy costs related to new store openings and marketing costs. Other store operating expense as a percentage of total revenues increased to 29.9% in the thirteen weeks ended May 5, 2024 compared to 27.8% in the thirteen weeks ended April 30, 2023. This increase in expense as a percentage of total revenues was primarily due to the marketing costs noted above.

General and administrative expenses

General and administrative expenses increased to $31.5 million in the thirteen weeks ended May 5, 2024 compared to $31.4 million in the thirteen weeks ended April 30, 2023. The increase in general and administrative expenses was driven primarily by system implementation and consulting costs, partially offset by lower incentive compensation in the current year. General and administrative expenses as a percentage of total revenues increased to 5.4% in the thirteen weeks ended May 5, 2024 compared to 5.3% in the thirteen weeks ended April 30, 2023 due primarily to the reasons noted above.

Depreciation and amortization expense

Depreciation and amortization expense increased to $62.8 million in the thirteen weeks ended May 5, 2024 compared to $48.9 million in the thirteen weeks ended April 30, 2023, primarily due to new store openings and remodels and the acceleration of depreciation for two planed store closures during the 2nd quarter of 2024.

Pre-opening costs

Pre-opening costs decreased to $3.3 million in the thirteen weeks ended May 5, 2024 compared to $4.7 million in the thirteen weeks ended April 30, 2023 primarily related to the pipeline of new store openings during the thirteen weeks ended May 5, 2024 compared to the thirteen weeks ended April 30, 2023.

Interest expense, net

Interest expense, net increased to $33.1 million in the thirteen weeks ended May 5, 2024 compared to $30.7 million in the thirteen weeks ended April 30, 2023 due primarily to a decrease in interest income and additional interest expense associated with a failed sale-leaseback transaction, partially offset by a decrease in interest rates on our Credit Facility. See further discussion of the Company's debt activity and failed sale-leaseback transaction at Note 4 and Note 3, respectively, to the consolidated financial statements.

Provision for income taxes

The effective tax rate for the thirteen weeks ended May 5, 2024 was 21.0%, compared to 22.7% for the thirteen weeks ended April 30, 2023. The current year tax provision includes higher excess tax benefits associated with share-based compensation and lower permanent differences compared to the prior year.

Liquidity and Capital Resources

June 29, 2022 Credit Facility

The Company has a senior secured credit agreement including a revolving credit facility with a maturity date of June 29, 2027, and a term loan facility with a maturity date of June 29, 2029 ("Credit Facility").

The revolving credit facility can expire before the stated maturity date if the aggregate outstanding principal amount of the 7.625% senior notes (described below) exceeds $100.0 ninety-one days prior to November 1, 2025. A portion of the revolving facility not to exceed $35.0 is available for the issuance of letters of credit. As of May 5, 2024, we had letters of credit outstanding of $11.0 and an unused commitment balance of $484.0 under the revolving facility. The Credit Facility may be increased through incremental facilities, by an amount equal to the greater of (i) $400.0 and (ii) 0.75 times trailing twelve-month Adjusted EBITDA, as defined, plus additional amounts subject to compliance with applicable leverage ratio and/or interest coverage ratio requirements. The Credit Facility is unconditionally guaranteed by D&B Holdings and certain of D&B Inc's existing and future wholly owned material domestic subsidiaries.

The term loan facility bears interest at Term SOFR or ABR (each, as defined in the amended Credit Facility) plus (i) in the case of Term SOFR loans, 3.25% per annum and (ii) in the case of ABR loans, 2.25% per annum. The Revolving Loans bear interest subject to a pricing grid based on net total leverage, at Term SOFR plus a spread ranging from 2.50% to 3.00% per annum or ABR plus a spread ranging from 1.50% to 2.00% per annum. Unused commitments under the revolving facility incur initial commitment fees of 0.30% to 0.50%. The interest rate margin applicable to term loans and Revolving Loans outstanding under the Credit Facility would be subject to an additional 0.25% step-down if a rating of B1/B+ or higher from Moody's and S&P is achieved (which will step back up if such rating is subsequently not maintained)

7.625% Senior Secured Notes

During fiscal 2020, the Company issued $550.0 aggregate principal amount of 7.625% senior secured notes (the "Notes"). Interest on the Notes is payable in arrears on November 1 and May 1 of each year. The Notes mature on November 1, 2025, unless earlier redeemed, and are subject to the terms and conditions set forth in the related indenture. The Notes were issued by D&B Inc and are unconditionally guaranteed by D&B Holdings and certain of D&B Inc's existing and future wholly owned material domestic subsidiaries. During fiscal 2021, the Company redeemed a total of $110.0 outstanding principal amount of the Notes. The Company may elect to further redeem the Notes, in whole or in part, at certain specified redemption prices, plus accrued and unpaid interest, at the redemption date.

Sale-Leaseback

In October 2023, the Company entered into a sale and master lease agreement (a "sale-leaseback") with an unrelated third party. Under this agreement, the Company sold four of its store properties, including land, buildings and certain improvements, and then leased the assets back through the sale-leaseback transaction. As of May 5, 2024 the current outstanding liability of $0.2 million was recorded in accrued liabilities and the long term outstanding liability of $83.6 million was recorded in other liabilities on the consolidated balance sheet related to the financing liability. See further discussion at Note 3 to the consolidated financial statements.

Interest expense

The following table sets forth our recorded interest expense, net for the periods presented:

	Thirteen Weeks Ended	
	May 5, 2024	April 30, 2023
Interest expense on debt	$ 29.6	$ 30.1
Interest associated with swap agreements	—	(0.2)
Amortization of issue discount and issuance cost	2.8	3.0
Interest expense on sale-leaseback [1]	1.4	—
Interest income	(0.1)	(1.7)
Capitalized interest	(0.6)	(0.5)
Total interest expense, net	$ 33.1	$ 30.7

[1] See discussion of sale-leaseback transaction at Note 3 to the consolidated financial statements.

Credit Adjusted EBITDA and Net Total Leverage Ratio.

Credit Adjusted EBITDA, a non-GAAP measure, represents Adjusted EBITDA plus certain other items as defined in our Credit Facility. See further discussion at *Non-GAAP Financial Measures* above**.** The following table reconciles Net income to Credit Adjusted EBITDA, as defined in our Credit Facility for the periods indicated:

	Trailing Four Quarters Ended May 5, 2024
Net income	$98.2
Add back:	
Interest expense, net	129.8
Loss on debt refinancing	16.1
Provision for income taxes	26.6
Depreciation and amortization expense	222.4
EBITDA	493.1
Add back:	
Share-based compensation [1]	13.3
Transaction and integration costs [2]	9.1
System implementation costs [3]	11.7
Pre-opening costs [4]	17.0
Entertainment revenue deferrals [5]	(1.2)
Other items, net [6]	5.4
Credit Adjusted EBITDA, a non-GAAP measure	$548.4

(1) Non-cash share-based compensation expense, net of forfeitures, recorded in general and administrative expenses on the consolidated comprehensive income statement.

(2) Transaction and integration costs related to the acquisition and integration of Main Event recorded in general and administrative expenses on the consolidated comprehensive income statement.

(3) System implementation costs represent expenses incurred related to the development and launch of new enterprise resource planning, human capital management and inventory software for our stores and store support teams. These charges are primarily recorded in general and administrative expenses on the consolidated comprehensive income statement.

(4) Represents costs incurred, primarily consisting of occupancy and payroll related expenses, associated with the opening of new stores. These costs are considered a "cost of new projects" as defined in our Credit Facility.

(5) Represents non-cash adjustments to our deferred entertainment revenue liabilities. These costs, which are included in entertainment revenues on the consolidated comprehensive income statement, are considered an "other non-cash charge" as defined in our Credit Facility.

(6) Amount primarily consisted of $5.6 million of one-time, third-party consulting fees, $0.8 million of severance costs, a $2.9 million gain on property and equipment transactions and a $1.7 million impairment charge. The third-party consulting fees are not part of our ongoing operations and were incurred to execute two related, discrete, and project-based strategic initiatives aimed at transforming our marketing strategy, which are included in general and administrative expenses on the consolidated statement of comprehensive income. The transformative nature, narrow scope, and limited duration of these incremental consulting fees are not reflective of the ordinary course expenses incurred to operate our business.

The Company's maximum permitted Net Total Leverage Ratio, as defined in our Credit Facility, is 3.5x. The following table calculates Net Total Leverage Ratio as of and for the period indicated:

	As Of And For The Trailing Four Quarters Ended May 5, 2024
Credit Adjusted EBITDA (a)	$548.4
Total debt [1]	$1,298.2
Less: Cash and cash equivalents	$(32.1)
Add: Outstanding letters of credit	$11.0
Net debt (b)	$1,277.1
Net Total Leverage Ratio (b / a)	2.3 x

[1] Amount represents the face amount of debt outstanding, net of unamortized debt issuance costs and debt discount.

Dividends and Share Repurchases

Our Board of Directors has approved a share repurchase program with a total authorization limit of $500.0 million. During the thirteen weeks ended May 5, 2024, the Company repurchased 0.18 million shares at an average of $52.97 per share. Between May 6 and the filing of this quarterly report on Form 10-Q, the Company repurchased 0.79 million additional shares for a total of $40.3 million. In fiscal 2024, through the filing of this quarterly report on Form 10-Q, the Company has repurchased 0.97 million shares for a total of $50.0 million representing 2.4% of the shares issued and outstanding as of February 4, 2024. The remaining dollar value of shares that may be repurchased under the program is $150.0 million as of the filing of this quarterly report on Form 10-Q.

There were no dividends declared or paid during the thirteen weeks ended May 5, 2024. Future decisions to pay cash dividends or repurchase shares continue to be at the discretion of the Board of Directors and will be dependent on our operating performance, financial condition, capital expenditure requirements, compliance with debt agreements and other factors that the Board of Directors considers relevant.

Cash and Cash Equivalents

As of May 5, 2024, the Company had cash and cash equivalents of $32.1 million. The Company can operate with a working capital deficit because cash from sales is usually received before related liabilities for product supplies, labor and services become due. Our operations do not require significant inventory or receivables and we continually invest in our business through the growth of stores and operating improvement additions, which are reflected as non-current assets and not a part of working capital. Based on our current business plan, we believe our cash and cash equivalents combined with expected cash flows from operations and available borrowings under our revolving credit facility should be sufficient not only for our operating requirements but also to enable us, in the aggregate, to finance our capital allocation strategy, including capital expenditures, through at least the next twelve months.

Cash Flow Activity

Operating Activities — Cash flow from operations typically provides us with a significant source of liquidity. Our operating cash flows result primarily from cash received from our customers, offset by cash payments we make for products and services, team member compensation, operations, occupancy, and other operating costs. Cash from operating activities is also subject to changes in working capital. Working capital at any specific point in time is subject to many variables, including seasonality, the timing of cash receipts and payments, and vendor payment terms.

Cash flow from operating activities increased to $108.8 million for the thirteen weeks ended May 5, 2024 compared to $92.4 million for the thirteen weeks ended April 30, 2023. The increase was primarily driven by the timing of changes in working capital, partially offset by a decrease in net income.

Investing Activities — Cash flow used in investing increased to $112.8 million for the thirteen weeks ended May 5, 2024 from $50.8 million for the thirteen weeks ended April 30, 2023 primarily due to an increase in capital expenditures related to new store openings and store remodels.

Financing Activities — Cash flow used in financing was $1.2 million in the thirteen weeks ended May 5, 2024 primarily consisting of share repurchases, partially offset by net debt proceeds and proceeds from stock option exercises. Cash flow used in financing activities of $131.7 million in the thirteen weeks ended April 30, 2023 primarily consisted of share repurchases and net debt repayments.

Contractual Obligations and Commitments

There have been no material changes to our contractual obligations as reported on Form 10-K for the year ended February 4, 2024.

Accounting policies and estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosures of contingent assets and liabilities. These estimates and assumptions affect amounts of assets, liabilities, revenues and expenses and the disclosure of gain and loss contingencies at the date of the consolidated financial statements. Our current estimates are subject to change if different assumptions as to the outcome of future events were made. We evaluate our estimates and judgments on an ongoing basis, and we adjust our assumptions and judgments when facts and circumstances dictate. Since future events and their effects cannot be determined with absolute certainty, actual results may differ from the estimates we used in preparing the accompanying consolidated financial statements. A complete description of our critical accounting policies and estimates is included in our annual consolidated financial statements and the related notes in our Annual Report on Form 10-K for the fiscal year ended February 4, 2024.

Recent accounting pronouncements

Refer to Note 1 to the Consolidated Financial Statements for information regarding new accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Commodity Price Risk

We are exposed to market price fluctuation in food, beverage, supplies and other costs such as energy. Given the historical volatility of certain of our food product prices, including proteins, seafood, produce, dairy products, and cooking oil, these fluctuations can materially impact our food costs. While our purchasing commitments partially mitigate the risk of such fluctuations, there is no assurance that supply and demand factors such as disease or inclement weather will not cause the prices of the commodities used in our restaurant operations to fluctuate. Additionally, the cost of purchased materials may be influenced by tariffs and other trade regulations which are outside of our control. To the extent that we do not pass along cost increases to our customers, our results of operations may be adversely affected.

Interest Rate Risk

The Credit Facility, discussed further at Note 4 to the consolidated financial statements, is based on variable interest rates. As of May 5, 2024, the Company had $5.0 million outstanding on its revolving facility and an outstanding balance of $895.5 million on its term loan facility. The impact on our annual results of operations of a hypothetical one percentage point interest rate change on the outstanding balance of the credit facility as of May 5, 2024 would be $9.0 million.

Inflation

Severe increases in inflation could affect the United States or global economies and have an adverse impact on our business, financial condition and results of operation. If several of the various costs in our business experience inflation at the same time, such as commodity price increases beyond our ability to control and increased labor costs, we may not be able to adjust prices to sufficiently offset the effect of the various cost increases without negatively impacting consumer demand.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 promulgated under the Securities Exchange Act of 1934, as amended, as of the end of the period

covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting practices or processes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during our first quarter ended May 5, 2024.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding legal proceedings is incorporated by reference from Note 5 to our Consolidated Financial Statements set forth in Part I of this report.

Item 1A. Risk Factors

See discussion in “Risk Factors” in Item 1A of the Company's Annual Report on Form 10-K for the year ended February 4, 2024.

Item 2. Unregistered Sales of Equity Securities

Information regarding repurchase of our common stock, in millions, except per share amounts, during the thirteen weeks ended May 5, 2024:

Period [1]	Total Number of Shares Repurchased [2] (in millions)	Average Price Paid per Share [2]	Total Number of Shares Repurchased as Part of Publicly Announced Plans [2][3] (in millions)	Approximate Dollar Value of Shares That May Yet Be Repurchased Under the Plans [4] (in millions)
February 5, 2024 to March 3, 2024	—	$ —	—	$ 200.0
March 4, 2024 to April 7, 2024	—	$ —	—	$ 200.0
April 8, 2024 to May 5, 2024	0.18	$ 52.97	0.18	$ 190.2

(1) The Company uses a "4-5-4" calendar to determine the months in each quarter. The periods presented represent the 4 week and 5 week periods making up the thirteen weeks ended May 5, 2024.

(2) Represents cumulative shares repurchased under repurchase program(s). Excludes shares withheld for tax purposes on behalf of our employees in connection with the vesting of time-based and performance-based restricted stock units totaling 0.03 for the thirteen weeks ended May 5, 2024.

(3) Our Board of Directors approved a share repurchase program in March 2023, with approved increases in April and September 2023 and February 2024 (see further discussion at Note 6 to our consolidated financial statements). Under the program, the Company may repurchase shares on the open market, through privately negotiated transactions, and through trading plans designed to comply with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. The share repurchase program(s) may be modified, suspended or discontinued at any time.

(4) Represents total cumulative share repurchase authorizations in effect, less cumulative purchases, at the end of each period presented.

Item 6. Exhibits

Exhibit Number	Description
31.1*	Certification of Christopher Morris, Chief Executive Officer of the Registrant, pursuant to 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a).
31.2*	Certification of Michael A. Quartieri, Chief Financial Officer of the Registrant, pursuant to 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a).
32.1*	Certification of Christopher Morris, Chief Executive Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Michael A. Quartieri, Chief Financial Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Inline Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Inline Taxonomy Extension Schema Document
101.CAL	Inline XBRL Inline Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Inline Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Inline Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Inline Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Filed herein

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DAVE & BUSTER'S ENTERTAINMENT, INC.,
a Delaware corporation

Date: June 12, 2024

By: /s/ Christopher Morris
Christopher Morris
Chief Executive Officer

Date: June 12, 2024

By: /s/ Michael A. Quartieri
Michael A. Quartieri
Chief Financial Officer