1

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT TO SECTION 13 OR 15(d) OF THE SECURITIES
\- --- EXCHANGE ACT FOR THE QUARTER ENDED AUGUST 2, 1998.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
\- --- ACT OF 1934 FOR THE TRANSACTION PERIOD FROM _______ TO _______.

COMMISSION FILE NUMBER: 0-25858

DAVE & BUSTER'S, INC.
(Exact Name of Registrant as Specified in Its Charter)

MISSOURI	43-1532756
(State of Incorporation)	(I.R.S. Employer Identification No.)

2481 MANANA DRIVE DALLAS, TEXAS	75220
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code:
(214) 357-9588

Indicate by check mark 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 [X] No [ ]

The number of shares of the Registrant's common stock, $.01 par value, outstanding as of September 9, 1998 was 13,061,850 shares.

2

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

DAVE & BUSTER'S, INC.
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	13 Weeks Ended		26 Weeks Ended	
	August 2, 1998	August 3, 1997	August 2, 1998	August 3, 1997

Food and beverage revenues	$ 19,439	$ 14,655	$ 38,631	$ 29,433
Amusement and other revenues	21,252	15,016	40,977	28,870
Total revenues	40,691	29,671	79,608	58,303
Cost of revenues	7,965	5,760	15,595	11,293
Operating payroll and benefits	11,756	8,416	22,649	16,388
Other restaurant operating expenses	10,303	7,594	20,549	14,737
General and administrative expenses	2,500	1,947	4,907	3,833
Depreciation and amortization expense	2,795	2,021	5,243	3,865
Preopening cost amortization	992	717	1,967	1,495
Total costs and expenses	36,311	26,455	70,910	51,611
Operating income	4,380	3,216	8,698	6,692
Interest (income) expense, net	(121)	283	(412)	480
Income before provision for income taxes	4,501	2,933	9,110	6,212
Provision for income taxes	1,700	1,144	3,443	2,422
Net income	$ 2,801	$ 1,789	$ 5,667	$ 3,790
Basic net income per share	$ 0.22	$ 0.16	$ 0.43	$ 0.35
Basic weighted average shares outstanding	13,052	10,907	13,041	10,905
Diluted net income per share	$ 0.21	$ 0.16	$ 0.43	$ 0.34
Diluted weighted average shares outstanding	13,272	11,061	13,157	11,028

See accompanying notes to consolidated financial statements.

DAVE & BUSTER'S, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

ASSETS	August 2, 1998 (unaudited)	February 1, 1998
Current assets:		
Cash and cash equivalents	$ 399	$ 14,309
Short-term investments	0	8,507
Inventories	7,678	6,222
Prepaid expenses	1,673	1,234
Preopening costs	5,414	3,415
Other current assets	1,716	2,018
Total current assets	16,880	35,705
Property and equipment, net	145,299	114,060
Goodwill, net of accumulated amortization of $1,312 and $1,121	8,396	8,587
Other assets	1,188	637
Total assets	$171,763	$158,989

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 7,681	$ 4,075
Accrued liabilities	4,974	3,255
Deferred income taxes	2,233	1,967

Total current liabilities	14,888	9,297
Deferred income taxes	3,663	3,530
Other liabilities	1,018	806
Long-term debt	12,500	12,000
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, 10,000,000 authorized; none issued	0	0
Common stock, $0.01 par value, 50,000,000 authorized; 13,060,350 and 13,019,050 shares issued and outstanding as of August 2, 1998 and February 1, 1998, respectively	130	130
Paid in capital	116,725	116,054
Retained earnings	22,839	17,172
Total stockholders' equity	139,694	133,356
	$171,763	$158,989

See accompanying notes to consolidated financial statements.

DAVE & BUSTER'S, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)
(UNAUDITED)

	Common Stock				
	Shares	Amount	Paid in Capital	Retained Earnings	Total
Balance, February 1, 1998	13,019	$ 130	$116,054	$ 17,172	$133,356
Stock options exercised	41	0	476	0	476
Tax benefit related to options exercised	0	0	195	0	195
Net income	0	0	0	5,667	5,667
Balance, August 2, 1998	13,060	$ 130	$116,725	$ 22,839	$139,694

See accompanying notes to consolidated financial statements.

DAVE & BUSTER'S, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	26 Weeks Ended	
	August 2, 1998	August 3, 1997
Cash flows from operating activities		
Net income	$ 5,667	$ 3,790
Adjustments to reconcile net income to net cash provided by operating activities		

Depreciation and amortization	7,210	5,360
Provision for deferred income taxes	(1,834)	494
Changes in assets and liabilities		
Inventories	(1,456)	(980)
Prepaid expenses	(439)	(789)
Preopening costs	(3,967)	(1,690)
Other assets	(255)	(725)
Accounts payable	3,606	(360)
Accrued liabilities	1,719	1,044
Income taxes payable	2,233	0
Other liabilities	212	(335)
Net cash provided by operating activities	12,696	5,809
Cash flows from investing activities		
Capital expenditures	(36,284)	(14,225)
Sale of short-term investments	8,507	0
Net cash used by investing activities	(27,777)	(14,225)
Cash flows from financing activities		
Proceeds from issuance of common stock	671	167
Borrowings under long-term debt	3,500	31,911
Repayments of long-term debt	(3,000)	(22,661)
Net cash provided by financing activities	1,171	9,417
Cash provided (used)	(13,910)	1,001
Beginning cash and cash equivalents	14,309	358
Ending cash and cash equivalents	$ 399	$ 1,359

See accompanying notes to consolidated financial statements.

DAVE & BUSTER'S, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 2, 1998

(UNAUDITED)

NOTE 1: RESULTS OF OPERATIONS

The results of operations for the interim periods reported are not necessarily indicative of results to be expected for the year. The information furnished herein reflects all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary to present a fair statement of the results for the interim periods.

NOTE 2: BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Dave & Buster's, Inc. (the "Company") and all wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. The consolidated balance sheet data presented herein for February 1, 1998 was derived from the Company's audited consolidated financial statements for the fiscal year then ended. The preparation of financial statements in accordance with generally accepted accounting principles requires the Company's management to make certain estimates and assumptions for the reporting periods covered by the financial statements. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses. Actual amounts could differ from these estimates. The primary business of the Company is the ownership and operation of restaurant/entertainment Complexes (a "Complex") under the name "Dave & Buster's".

NOTE 3: EARNINGS PER COMMON SHARE

Effective December 15, 1997, the Company adopted the provisions of SFAS No. 128, "Accounting for Earnings Per Share." SFAS No. 128 requires companies to present basic earnings per share (EPS) and diluted EPS, instead of the primary and fully diluted EPS presentations that were formerly required by Accounting Principles Board Opinion No. 15, "Earnings Per Share." Basic EPS is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. For the Company, diluted EPS includes the dilutive effect of potential stock option exercises, calculated using the treasury stock method. EPS amounts for all periods presented reflect the provisions of SFAS No. 128, including amounts presented for prior periods which have been restated to conform with SFAS No. 128.

NOTE 4: CONTINGENCIES

In April 1998, a litigation limited liability corporation owned by the creditors of Edison Brothers filed a lawsuit against the Company and related parties, seeking recovery in connection with the June 1995 spin-off and certain related transactions. In August 1998, the Company settled the litigation with the limited liability litigation corporation. The Company paid $2,125,000 in full and final settlement of all claims against the Company. Due to the nature of this litigation, the settlement amount net of any tax

benefit will be charged to equity.

The Company is subject to certain legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, based on discussions with and advice of legal counsel, the amount of ultimate liability with respect to these actions will not materially affect the consolidated results of operations or financial condition of the Company.

Management's Discussion and Analysis

Results of Operations - 13 Weeks Ended August 2, 1998 Compared to 13 Weeks Ended August 3, 1997

Total revenues for the 13 weeks ended August 2, 1998 increased by 37% over the 13 weeks ended August 3, 1997. The increase in revenues was primarily attributable to the Cincinnati, Ohio, and Denver, Colorado locations, which opened in the third and fourth quarters of fiscal 1997, respectively, the Detroit, Michigan and Irvine, California locations which opened in the second quarter, and a 6% increase in comparable Complex revenues. Total revenues also increased due to the opening of the second store under the Bass licensing agreement. Total revenues for the second quarter of fiscal 1998 from the Bass agreement were $149,000.

Cost of revenues, as a percentage of revenues, increased to 19.6% from 19.4% in the prior comparable period. The increase in cost of revenues was primarily a result of higher costs associated with food revenues offset by lower costs associated with beverage revenues. The increase in food costs were a function of higher produce, dairy and grocery costs, while the decrease in beverage costs was primarily associated with lower beer and liquor costs.

Operating payroll and benefits increased to 28.9% from 28.4% in the prior comparable period due to higher variable labor and benefits costs. The increase in variable labor is partially due to the second increment of the Federal minimum wage increase implemented in September 1997 while benefit costs increased due to higher medical and dental insurance costs.

Other operating expenses decreased to 25.3% compared to 25.6% in the prior comparable period. Other operating expenses as a percentage of revenue were lower due to lower advertising and repair and maintenance costs.

General and administrative costs increased $553,000 over the prior comparable period as a result of increased administrative payroll and related costs for new personnel and additional costs associated with the Company's future growth plans. As a percentage of revenues, general and administrative expenses decreased to 6.1% compared to 6.6% for the comparable prior period due to increased leverage from revenues.

Depreciation and amortization expense increased $774,000 over the prior comparable period as a result of the opening of the Cincinatti, Ohio, Denver, Colorado, Detroit, Michigan and Irvine, California locations. As a percentage of revenues, depreciation and amortization increased to 6.9% from 6.8% for the comparable prior period.

Preopening cost amortization increased $275,000 over the prior comparable period as a result of two additional Complex months of amortization. As a percentage of revenue, preopening costs remained flat at 2.4%.

The effective tax rate for the second quarter of 1998 was 37.8% as compared to 39.0% for the comparable period last year and was the result of a lower effective state tax rate.

Results of Operations - 26 Weeks Ended August 2, 1998 Compared to 26 Weeks Ended August 3, 1997

Total revenues for the 26 weeks ended August 2, 1998 increased by 37% over the 26 weeks ended August 3, 1997. The increase in revenues was primarily attributable to the Cincinnati, Ohio, and Denver, Colorado locations which opened in the third and fourth quarters of fiscal 1997, respectively, the Detroit, Michigan and Irvine, California locations which opened in the second quarter, and an 8% increase in comparable Complex revenues. Total revenues also increased due to the opening of the second store under the Bass licensing agreement. Total revenues for the first 26 weeks of fiscal 1998 from the Bass agreement were $203,000.

Cost of revenues, as a percentage of revenues, increased to 19.6% from 19.4% in the prior comparable period. The increase in cost of revenues was primarily a result of higher costs associated with food and amusement revenues offset by lower costs associated with beverage revenues. The increase in food costs were a function of higher produce, dairy and grocery costs. The increase in amusement costs was due to higher merchandise and freight costs, while the decrease in beverage costs was primarily associated with lower draft beer and wine costs.

Operating payroll and benefits increased to 28.5% from 28.1% in the prior comparable period due to higher variable labor and benefits costs. The increase in variable labor is partially due to the second increment of the Federal minimum wage increase implemented in September 1997.

Other operating expenses increased to 25.8% compared to 25.3% in the prior comparable period. Other operating expenses were higher due to increased occupancy costs associated with the addition of the Ontario, California, Cincinnati, Ohio, Denver, Colorado, Detroit, Michigan and Irvine, California locations. The increase was also a function of higher restaurant supplies and advertising costs at the Complexes.

General and administrative costs increased $1,074,000 over the prior comparable period as a result of increased administrative payroll and related costs for new personnel and additional costs associated with the Company's future growth plans. As a percentage of revenues, general and administrative expenses decreased to 6.2% compared to 6.6% for the comparable prior period due to increased leverage from revenues.

Depreciation and amortization expense increased $1,378,000 over the prior comparable period as a result of the opening of the Ontario, California, Cincinnati, Ohio, Denver, Colorado, Detroit, Michigan and Irvine, California locations. As a percentage of revenues, depreciation and amortization remained flat at 6.6%.

Preopening cost amortization increased $472,000 over the prior comparable period as a result of four additional Complex months of amortization. As a percentage of revenue, preopening costs decreased to 2.5% compared to 2.6% in the prior comparable period. The percentage decrease is attributable to the leverage from increased revenues.

The Company defers its restaurant preopening costs and amortizes them over the twelve-month period following the opening of each respective Complex. In April 1998, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-Up Activities." SOP 98-5 requires entities to expense as incurred all start-up and preopening costs that are not otherwise capitalizable as long-lived assets. SOP 98-5 is effective for fiscal years beginning after December 15, 1998, although earlier adoption is encouraged. Restatement of previously issued financial

statements is not permitted by SOP 98-5, and entities are not required to report the pro forma effects of the retroactive application of the new accounting standard. The Company's adoption of the expense-as-incurred accounting principle required by SOP 98-5 will involve the recognition of the cumulative effect of the change in accounting principle required by SOP 98-5 as a one-time charge against earnings, net of any related income tax effect, retroactive to the beginning of the fiscal year of adoption. Total deferred preopening costs were $5.4 million at August 2, 1998 and 3.4 million at February 1, 1998.

As has been the case with the Company's current deferred method for accounting for preopening costs, preopening expense comparisons under the new expense-as-incurred standard will continue to vary from period to period, depending on the number and timing of Complex openings and the specific preopening expenses incurred for each Complex during each period being compared. Based on the Company's current expansion plans, the Company believes total preopening expenses for fiscal 1998 and 1999 under either accounting principle (deferred or expense-as-incurred) will likely exceed the respective amount for each immediate prior year. However, the new expense-as-incurred accounting principle required by SOP 98-5 will, by definition, cause an accelerated recognition of preopening expenses. The impact of this accelerated recognition on the Company's results of operations for any given period could be significant, depending on the number of Complexes opened during that period.

The effective tax rate for the first 26 weeks of 1998 was 37.8% as compared to 39.0% for the comparable period last year and was the result of a lower effective state tax rate.

Liquidity and Capital Resources

Cash flows from operations increased from $5.8 million in the first 26 weeks of fiscal 1997 to $12.7 million in the first 26 weeks of fiscal 1998. The increase was a result of the Cincinnati, Ohio and Denver, Colorado locations opened in the third and fourth quarters of fiscal 1997, respectively, and the Detroit, Michigan and Irvine, California locations which opened in the second quarter.

The Company has a senior revolving credit facility which permits borrowing up to a maximum of $50,000,000 at a floating rate based on the London Interbank Offered Rate ("LIBOR") or, at the Company's option, the bank's prime rate plus in each case a margin based upon financial performance (8.4% at August 2, 1998). The facility, which matures in May 2000, has certain financial covenants including a minimum consolidated tangible net worth level, a maximum leverage ratio, minimum fixed charge coverage and maximum level of capital expenditures on new stores. At August 2, 1998, $37,140,000 was available under the senior revolving credit facility.

The Company's plan is to open four large format Complexes in fiscal 1998. The first two Complexes opened in Utica (Suburban Detroit), Michigan and Irvine, California during the second quarter on May 7, 1998 and July 16, 1998 respectively. The Company plans to open two additional large format Complexes in Rockland County, New York and Orange, California in the third and fourth quarters of fiscal 1998, respectively. The Company also plans on opening a small format Complex in the fourth quarter of 1998 in Columbus, Ohio. In fiscal 1999, the Company's goal is to open four large format and two small format Complexes. The Company estimates that its capital expenditures will be approximately $53.5 million and $69.5 million for 1998 and 1999, respectively. The Company intends to finance this development with cash flow from operations, the proceeds received from the secondary offering completed in the third quarter of 1997 and the senior revolving credit facility.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits
27 Financial Data Schedule

(b) Reports on Form 8-K
No reports on Form 8-K were filed during the 26 weeks ended August 2, 1998.

SIGNATURE

Pursuant to the requirements 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, INC.

Dated: September 11, 1998	by /s/ David O. Corriveau David O. Corriveau Co-Chairman of the Board, Co-Chief Executive Officer and President
Dated: September 11, 1998	by /s/ Charles Michel Charles Michel Vice President, Chief Financial Officer and Treasurer

EXHIBIT INDEX

27 Financial Data Schedule

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