
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 MAY 5, 2002.

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
(State of Incorporation)

43-1532756
(I.R.S. Employer Identification No.)

2481 MANANA DRIVE
DALLAS, TEXAS
(Address of Principle Executive Offices)

75220
(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 May 30, 2002 was 13,269,611 shares.

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 May 5, 2002	May 6, 2001
	-----	-----
Food and beverage revenues	\$ 48,743	\$ 43,612
Amusements and other revenues	48,499	44,598
	-----	-----
Total revenues	97,242	88,210
Cost of revenues	18,116	16,495
Operating payroll and benefits	30,765	27,224
Other store operating expenses	27,943	24,209
General and administrative expenses	6,111	5,296

Depreciation and amortization expense	7,555	6,751
Preopening costs	152	1,079
	-----	-----
Total costs and expenses	90,642	81,054
Operating income	6,600	7,156
Interest expense, net	2,008	2,322
	-----	-----
Income before provision for income taxes	4,592	4,834
Provision for income taxes	1,676	1,750
	-----	-----
Income before cumulative effect of a change in an accounting principle	\$ 2,916	\$ 3,084
Cumulative effect of a change in an accounting principle	7,096	0
	-----	-----
Net (loss)/income	\$ (4,180)	\$ 3,084
	=====	=====
Net (loss)/income per share - basic		
Before cumulative effect of a change in an accounting principle	\$ 0.22	\$ 0.24
Cumulative effect of a change in an accounting principle	(0.55)	0
	-----	-----
	\$ (0.33)	\$ 0.24
Net (loss)/income per share - diluted		
Before cumulative effect of a change in an accounting principle	\$ 0.22	\$ 0.24
Cumulative effect of a change in an accounting principle	(0.53)	0
	-----	-----
	\$ (0.31)	\$ 0.24
Basic weighted average shares outstanding	12,971	12,953
Diluted weighted average shares outstanding	13,307	13,068

See accompanying notes to consolidated financial statements.

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

ASSETS

	May 5, 2002 (unaudited)	February 3, 2002
	-----	-----
Current assets:		
Cash	\$ 1,624	\$ 4,521
Inventories	26,058	25,964
Prepaid expense	3,576	1,442
Other current assets	2,681	2,445
	-----	-----
Total current assets	33,939	34,372
Property and equipment, net	256,127	258,302
Goodwill, net of accumulated amortization of \$2,612	0	7,096
Other assets	8,932	9,364
	-----	-----
Total assets	\$ 298,998	\$ 309,134
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Current installments of long-term debt	\$ 6,200	\$ 5,500
Accounts Payable	14,081	15,991
Accrued liabilities	10,591	11,085
Income Tax Payable	2,980	5,054
Deferred income taxes	1,205	1,220
	-----	-----
Total current liabilities	35,057	38,850
Deferred income taxes	8,143	8,143
Other liabilities	7,669	7,099
Long-term debt, less current installments	81,969	84,896
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, 10,000,000 authorized; none issued		
Common stock, \$0.01 par value, 50,000,000 authorized		
12,977,611 and 12,959,209 shares issued and outstanding		

as of May 5, 2002 and February 3, 2002, respectively	131	131
Paid in capital	115,849	115,701
Restricted stock awards	428	382
Retained earnings	51,598	55,778
	-----	-----
Less: treasury stock, at cost (175,000 shares)	168,006	171,992
	(1,846)	(1,846)
	-----	-----
Total stockholders' equity	166,160	170,146
Total liabilities and stockholders' equity	\$ 298,998	\$ 309,134
	=====	=====

See accompanying notes to consolidated financial statements.

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

	Common Stock		Paid in Capital	Restricted Stock Awards	Retained Earnings	Treasury Stock	Total
	Shares	Amount					
Balance, February 3, 2002	12,959	\$ 131	\$ 115,701	\$ 382	\$ 55,778	\$ (1,846)	\$ 170,146
Proceeds from exercising stock options	19	--	133	--	--	--	133
Tax benefit related to stock option exercises	--	--	15	--	--	--	15
Amortization of restricted stock awards	--	--	--	46	--	--	46
Net (loss)/income	--	--	--	--	(4,180)	--	(4,180)
Balance, May 5, 2002	12,978	\$ 131	\$ 115,849	\$ 428	\$ 51,598	\$ (1,846)	\$ 166,160

See accompanying notes to consolidated financial statements.

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

	13 Weeks Ended	
	May 5, 2002	May 6, 2001
Cash flows from operating activities		
Net income before cumulative change in an accounting principle	\$ 2,916	\$ 3,084
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,555	6,751
Provision for deferred income taxes	(15)	12
Restricted stock awards	--	--
Changes in assets and liabilities		

Inventories	(94)	(1,202)
Prepaid expenses	(2,134)	(1,527)
Other current assets	(236)	--
Other assets	432	(379)
Accounts payable	(1,910)	1,593
Accrued liabilities	(494)	(920)
Income taxes payable	(2,074)	244
Other liabilities	570	159
	-----	-----
Net cash provided by operating activities	4,516	7,815
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(5,632)	(8,885)
Proceeds from sale of property and equipment	252	--
	-----	-----
Net cash used by investing activities	(5,380)	(8,885)
	-----	-----
Cash flows from financing activities:		
Borrowing under long-term debt	6,852	8,000
Repayments under long-term debt	(9,079)	(8,437)
Purchases of treasury stock	--	--
Proceeds from issuance of common stock	194	--
	-----	-----
Net cash used by financing activities	(2,033)	(437)
	-----	-----
Decrease in cash and cash equivalents	(2,897)	(1,507)
Beginning cash and cash equivalents	4,521	3,179
	-----	-----
Ending cash and cash equivalents	\$ 1,624	\$ 1,672

See accompanying notes to consolidated financial statements.

DAVE & BUSTER'S, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MAY 5, 2002

(UNAUDITED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

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 fairly present the results of operations and financial position for the interim periods.

NOTE 2: BASIS OF PRESENTATION

BASIS OF PRESENTATION. The consolidated financial statements include the accounts of Dave & Buster's, Inc. and wholly owned subsidiaries (the "Company"). All material intercompany accounts and transactions have been eliminated in consolidation. The consolidated balance sheet data presented herein for February 3, 2002 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 Company's one industry segment is the ownership and operation of restaurant/entertainment Complexes (a "Complex" or

"Store") under the name "Dave & Buster's" which are principally located in the United States.

CHANGE IN ACCOUNTING PRINCIPLE. In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets ("Statements"), effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives.

The Company has applied the new standards on accounting for goodwill and other intangible assets during the first quarter of 2002. The Company performed the required impairment test of goodwill and other intangible assets during the first quarter of 2002, which resulted in a one-time charge of \$7.1 million representing the cumulative effect of a change in accounting principle. The write off of goodwill resulted in a negative \$.53 per diluted share in the first quarter. If the application of the non-amortization provisions of the Statement had been adopted as of the first quarter of 2001, net income would have increased by \$.1 million (\$.01 per diluted share) or pro forma earnings of \$0.25 per diluted share. The remaining intangible (trademark) has a net carrying value of \$118,000 and amortization of this intangible is insignificant.

RECENT ACCOUNTING PRONOUNCEMENTS. The FASB recently issued FAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("FAS 144"), which we adopted on February 4, 2002. The FASB's new rules on asset impairment supersede FAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of ("FAS 121").

The adoption of FAS 144 did not have a significant effect on our financial condition or results of operations.

NOTE 3: INVENTORIES

Inventories, which consist of food, beverage and merchandise are reported at the lower of cost or market determined on a first-in, first-out method. Static supplies inventory is capitalized at each store opening date and reviewed periodically for valuation.

NOTE 4: LONG-TERM DEBT

At May 5, 2002, long-term debt consisted of the following:

Long-term debt	\$ 88,169
Less current installments	(6,200)

	\$ 81,969
	=====

On November 19, 2001, the Company amended its senior secured revolving credit and term loan facility. The amendment allows proceeds from sales/leaseback transactions to be applied to both the revolving credit and the term loans. At May 5, 2002, \$3,360 was available under this facility.

NOTE 5: CONTINGENCIES

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 conditions of the Company.

NOTE 6: SUBSEQUENT EVENTS

On May 30, 2002 Dave & Buster's, Inc. announced that it had entered into a definitive agreement under which a group led by its founders and certain members

of Dave & Buster's senior executive management, together with Investcorp, a global investment group, and international investors organized by Investcorp will acquire the company through a newly-formed holding company, D&B Holdings I, Inc. The transaction is structured as a cash tender offer by D&B Acquisition Sub, Inc., a wholly-owned subsidiary of D&B Holdings, for all outstanding shares of common stock of Dave & Buster's at a price of \$12.00 per share, to be followed by a merger which would result in Dave & Buster's becoming a wholly-owned subsidiary of D&B Holdings. Shares of Dave & Buster's common stock not purchased in the tender offer will be cancelled and converted into the right to receive \$12.00 per share in cash. The total transaction value is approximately \$255 million, including the refinancing of Dave & Buster's debt. The cash tender offer is subject to the tender of at least 80 percent of Dave & Buster's shares, exclusive of approximately one million shares held by founders and certain members of senior management which will be exchanged for equity securities of the new holding company. A special committee of three independent, non-employee directors, with the advice of Houlihan Lokey Howard & Zukin, recommended approval of the transaction, which was also unanimously approved by the Board of Directors of the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (DOLLARS IN THOUSANDS)

Results of Operations - 13 Weeks Ended May 5, 2002 Compared to 13 Weeks Ended May 6, 2001

Total revenues increased to \$97,242 for the 13 weeks ended May 5, 2002 from \$88,210 for the 13 weeks ended May 6, 2001, an increase of \$9,032 or 10.2%. New stores opened in fiscal 2001 increased revenues during the period by \$12,039, while revenues at comparable stores decreased 2.4% for the 13 week period ended May 5, 2002. The decrease in comparable store revenues was primarily attributed to decline in company sponsored private parties. Total revenues for the 13 week period ended May 5, 2002 from licensing agreements were \$200.

Cost of revenues increased to \$18,116 for the 13 weeks ended May 5, 2002 from \$16,495 for the 13 weeks ended May 6, 2001, an increase of \$1,621 or 9.8%. As a percentage of revenues, cost of revenues decreased to 18.6% from 18.7% in the 13 weeks ended May 6, 2001 due to lower grocery and dairy costs.

Operating payroll and benefits increased to \$30,765 for the 13 weeks ended May 5, 2002 from \$27,224 for the 13 weeks ended May 6, 2001, an increase of \$3,541 or 13.0%. As a percentage of revenues, operating payroll and benefits increased to 31.6% in the 13 weeks ended May 5, 2002 from 30.9% for the 13 weeks ending May 6, 2001 due to new store openings and higher management labor.

Other store operating expenses increased to \$27,943 for the 13 weeks ended May 5, 2002 from \$24,209 for the 13 weeks ended May 6, 2001, an increase of \$3,734 or 15.4% primarily attributed to increased occupancy cost as a result of the sale/leaseback of the corporate headquarters. As a percentage of revenues, other store operating expenses were 28.7% of revenues in the 13 weeks ended May 5, 2002 compared to 27.4% of revenues for the 13 weeks ended May 6, 2001 due to new store openings and repair & maintenance charges.

General and administrative expenses increased to \$6,111 for the 13 weeks ended May 5, 2002 from \$5,296 for the 13 weeks ended May 6, 2001, an increase of \$815 or 15.4%. As a percentage of revenues, general and administrative expenses increased to 6.3% in the 13 weeks ended May 5, 2002 from 6.0% in the 13 weeks ended May 6, 2001. The increase is due to occupancy costs for the sale/leaseback of the corporate office and higher insurance costs.

Depreciation and amortization increased to \$7,555 for the 13 weeks ended May 5, 2002 from \$6,751 for the 13 weeks ended May 6, 2001, an increase of \$804 or 11.9%. As a percentage of revenues, depreciation and amortization increased to 7.8% from 7.7% for the comparable period due to new store openings in fiscal 2001.

Preopening costs decreased to \$152 for the 13 weeks ended May 5, 2002 from \$1,079 for the 13 week period ended May 6, 2001. The decrease is attributed to no store openings in the first quarter of fiscal 2002.

Interest expense decreased to \$2,008 for the 13 weeks ended May 5, 2002 from

\$2,322 for comparable period in fiscal 2001. The decrease is due to both a lower level of debt and interest rates.

The effective tax rate for the 13 weeks ended May 5, 2002 was 36.5% as compared to 36.2% for the 13 weeks ended May 6, 2001 primarily as a result of higher state income taxes.

The cumulative effect of a change in an accounting principle charge of \$7,096, represents a one-time charge to income for the write-off of goodwill in accordance with FAS 142.

Liquidity and Capital Resources

Cash flows from operations was \$4,516 for the 13 weeks ended May 5, 2002 compared to \$7,815 for the 13 weeks ended May 6, 2001. The decrease in cash flow was attributable to an increase in prepaid expenses and decrease in accounts payable and income taxes payable.

Cash used in investing activities was \$5,380 for the 13 weeks ended May 5, 2002 compared to \$8,885 for the 13 weeks ended May 6, 2001. The decrease was the result of no new store openings scheduled in the first half of 2002.

Financing activities resulted in a use of cash of \$2,033 compared to \$437 for the 13 weeks ended May 6, 2001. This increased use of cash was directly attributed to net repayment of long-term debt during the quarter.

The Company has a \$110,000 senior secured revolving credit and term loan facility. The facility includes a five-year revolver and a five and seven-year term debt. The facility agreement calls for quarterly payments of principal on the term debt through maturity. Borrowings under the facility bear interest at a floating rate based on LIBOR (1.901% at May 5, 2002) or, at the Company's option, the bank's prime rate (4.75% at May 5, 2002) plus, in each case, a margin based upon financial performance. The facility is secured by all assets of the Company. The facility 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 November 19, 2001, the Company amended the facility to allow proceeds from sale/leaseback transactions to be applied to both the revolving credit and the term loans. At May 5, 2002, \$3,360 was available under this facility.

The Company has entered into an agreement that expires in 2007, to change a portion of its variable rate debt to fixed-rate debt. Notional amounts aggregating \$51,255 at May 5, 2002 are fixed at 5.44%. The Company is exposed to credit losses for periodic settlements of amounts due under the agreements if LIBOR decreases. A charge of \$466 was incurred in the first quarter of 2002 under the agreement.

The market risks associated with the agreements are mitigated because increased interest payments under the agreement resulting from reductions in LIBOR are effectively offset by a reduction in interest expense under the debt obligation.

The Company's plan is to open one new complex in fiscal 2002. The preopening and construction costs of the new store will be provided from internal cash flow. The Company's credit facility, as amended, restricts the Company from opening any new complexes in fiscal 2003 or in any fiscal year thereafter without the unanimous consent of the bank group.

We believe that available cash and cash flow from operations, together with borrowings under the new credit facility, will be sufficient to cover our working capital, capital expenditures and debt service needs in the foreseeable future. Our ability to make scheduled payments of principal or interest on, or to refinance, our indebtedness, or to fund planned capital expenditures, will depend on our future performance, which is subject to general economic conditions, competitive environment and other factors. We may not generate sufficient cash flow from operations, realize anticipated revenue growth and operating improvements or obtain future capital in a sufficient amount or on acceptable terms, to enable us to service our indebtedness or to fund our other liquidity needs.

Quarterly Fluctuations, Seasonality and Inflation

As a result of the substantial revenues associated with each new Complex, the timing of new Complex openings will result in significant fluctuations in quarterly results. The Company expects seasonality to be a factor in the operation or results of its business in the future due to expected lower third quarter revenues due to the fall season and expects higher fourth quarter revenues associated with the year-end holidays. The effects of supplier price increases are not expected to be material. The Company believes low inflation rates in its market areas have contributed to stable food and labor costs in recent years.

However, there is no assurance that low inflation rates will continue or that the Federal minimum wage rate will not increase.

Subsequent Events

On May 30, 2002 Dave & Buster's, Inc. announced that it had entered into a definitive agreement under which a group led by its founders and certain members of Dave & Buster's senior executive management, together with Investcorp, a global investment group, and international investors organized by Investcorp will acquire the company through a newly-formed holding company, D&B Holdings I, Inc. The transaction is structured as a cash tender offer by D&B Acquisition Sub, Inc., a wholly-owned subsidiary of D&B Holdings, for all outstanding shares of common stock of Dave & Buster's at a price of \$12.00 per share, to be followed by a merger which would result in Dave & Buster's becoming a wholly-owned subsidiary of D&B Holdings. Shares of Dave & Buster's common stock not purchased in the tender offer will be cancelled and converted into the right to receive \$12.00 per share in cash. The total transaction value is approximately \$255 million, including the refinancing of Dave & Buster's debt. The cash tender offer is subject to the tender of at least 80 percent of Dave & Buster's shares, exclusive of approximately one million shares held by founders and certain members of senior management which will be exchanged for equity securities of the new holding company. A special committee of three independent, non-employee directors, with the advice of Houlihan Lokey Howard & Zukin, recommended approval of the transaction, which was also unanimously approved by the Board of Directors of the Company.

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995

Certain statements in this Report on Form 10-Q are not based on historical facts but are "forward-looking statements" that are based on numerous assumptions made as of the date of this report. Forward looking statements are generally identified by the words "believes", "expects", "intends", "anticipates", "scheduled", and certain similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of Dave & Buster's, Inc. to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions; competition; availability; locations and terms of sites for Complex development; quality of management; changes in, or the failure to comply with, government regulations; and other risks indicated in this filing and discussed under "Risks" in the Company's Form 10-K filed with the Securities and Exchange Commission.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In March 2000, the former shareholders of Edison Brothers Stores, Inc. brought a third party action against us and our directors. The plaintiff class consists of former shareholders of EBS who received stock in our company following its spin-off from EBS in 1995. Within five months after the spin-off, EBS filed for protection under the bankrupt laws. The bankruptcy trustee of EBS is pursuing fraudulent conveyance claims on behalf of unsecured creditors of EBS against the

former shareholders arising out of the spin-off distribution of our stock. The former shareholders' third party action against us alleges that, if it is determined that the distribution of our stock to the former shareholders rendered EBS insolvent and was therefore a fraudulent conveyance, then we and our directors aided and abetted the fraud and are liable for contribution and/or indemnification. We dispute the former shareholders' third party claims against us and are vigorously defending this litigation. The trial court dismissed the case against us and our directors on a statute of limitations defense. Such ruling has been appealed by the former shareholders. If we are unsuccessful in our defense of this litigation it could have a material adverse affect on us and our operations.

We have been served with a complaint filed purportedly on behalf of our stockholders alleging breach of fiduciary duties by our directors in connection with their approval of the transactions contemplated by the Merger Agreement. The purported class action, filed in state district court in Dallas County, Texas on May 31, 2002, purports to seek an injunction preventing consummation of the proposed transaction and unspecified damages. We have received three similar complaints filed in the State of Missouri, one in the circuit court of Greene County and two in the circuit court of Cole County, each filed on June 3, 2002. We and each member of our Board of Directors have been named as defendants in each of the complaints. Based upon a preliminary review of the four complaints, we believe the allegations are without merit.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the 13 weeks ended May 5, 2002.

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: June 14, 2002

by /s/ David O. Corriveau

David O. Corriveau
Co-Chairman of the Board,
Co-Chief Executive Officer
and President

Dated: June 14, 2002

by /s/ W. C. Hammett, Jr.

W. C. Hammett, Jr.
Vice President,
Chief Financial Officer