

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 4, 1996.

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.)

2751 ELECTRONIC LANE
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 6, 1996 was 7,268,056 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

26 Weeks Ended

	August 4, 1996 ----	July 30, 1995 ----	August 4, 1996 ----	July 30, 1995 ----
Food and beverage revenues	\$11,464	\$ 6,320	\$22,549	\$12,942
Amusement and other revenues	9,681	5,535	18,813	11,180
	-----	-----	-----	-----
Total revenues	21,145	11,855	41,362	24,122
	-----	-----	-----	-----
Cost of revenues	4,315	2,483	8,491	4,948
Operating payroll and benefits	6,284	3,456	12,093	7,102
Other restaurant operating expenses	4,728	2,812	9,476	5,381
General and administrative expenses	1,337	980	2,672	1,767
Depreciation and amortization expense	1,381	813	2,611	1,528
Preopening cost amortization	730	0	1,216	0
Earn-out and special compensation	0	1,043	0	1,607
	-----	-----	-----	-----
Total costs and expenses	18,775	11,587	36,559	22,333
	-----	-----	-----	-----
Operating income	2,370	268	4,803	1,789
Interest (income) expense, net	(26)	11	(41)	37
	-----	-----	-----	-----
Income before provision for income taxes	2,396	257	4,844	1,752
Provision for income taxes	978	109	2,007	741
	-----	-----	-----	-----
Net income	\$ 1,418	\$ 148	\$ 2,837	\$ 1,011
	=====	=====	=====	=====
Earnings per common share	\$ 0.20	\$ 0.03	\$ 0.39	\$ 0.19
	=====	=====	=====	=====
Weighted average number of common shares outstanding	7,267	5,197	7,267	5,197

See accompanying notes to consolidated financial statements.

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

ASSETS

	August 4, 1996 (unaudited) -----	February 4, 1996 -----
Current assets:		
Cash and cash equivalents	\$ 403	\$ 4,325
Inventories	3,051	2,621
Prepaid expenses	646	360
Preopening costs	1,882	1,946
Other current assets	613	831
	-----	-----
Total current assets	6,595	10,083
Property and equipment, net	66,354	56,384
Intangible assets:		
Goodwill, net of accumulated amortization of \$551 and \$361	9,110	9,300
Other	130	170

Other assets	279	264
	-----	-----
Total assets	\$82,468	\$76,201
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 2,352	\$ 2,456
Accrued liabilities	1,034	1,354
Deferred income taxes	527	639
	-----	-----
Total current liabilities	3,913	4,449
Deferred income taxes	1,439	1,368
Other liabilities	753	876
Long-term debt	4,500	500
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; 7,268,056 shares issued and outstanding as of August 4, 1996 and February 4, 1996	73	73
Paid in capital	66,999	66,981
Retained earnings	4,791	1,954
	-----	-----
Total stockholders' equity	71,863	69,008
	-----	-----
Total liabilities and stockholders' equity	\$82,468	\$76,201
	=====	=====

See accompanying notes to consolidated financial statements.

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

	Common Stock		Paid in	Retained	Total
	Shares	Amount	Capital	Earnings	
	-----	-----	-----	-----	-----
Balance, February 4, 1996	7,267	\$73	\$66,981	\$1,954	\$69,008
Issuance of common stock	1	0	18	-	18
Net income	0	0	0	2,837	2,837
	-----	-----	-----	-----	-----
Balance, August 4, 1996	7,268	\$73	\$66,999	\$4,791	\$71,863
	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

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

	26 Weeks Ended	
	August 4, 1996	July 30, 1995
Cash flows from operating activities		
Net income	\$ 2,837	\$ 1,011
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,111	1,528
Provision for deferred income taxes	(41)	123
Changes in assets and liabilities		
Inventories	(430)	173
Prepaid expenses	(286)	(202)
Preopening costs	(666)	(391)
Other assets	203	24
Accounts payable	(104)	308
Accrued liabilities	(320)	1,772
Other liabilities	(123)	256
Net cash provided by operating activities	3,181	4,602
Cash flows from investing activities		
Capital expenditures	(11,121)	(5,606)
Cash flows from financing activities		
Net transactions with Edison Brothers	0	1,161
Proceeds from issuance of common stock	18	0
Borrowings under long-term debt	4,000	0
Net cash provided by financing activities	4,018	1,161
Cash provided (used)	(3,922)	157
Beginning cash and cash equivalents	4,325	1,233
Ending cash and cash equivalents	\$ 403	\$ 1,390

See accompanying notes to consolidated financial statements.

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DAVE & BUSTER'S, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 4, 1996

(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. The primary business of the Company is the ownership and operation of restaurant/entertainment complexes (a "Complex") under the name "Dave & Buster's" which are located in Texas, Georgia, Pennsylvania, Illinois and Florida.

NOTE 3: EARNINGS PER COMMON SHARE

Earnings per common share are computed by dividing net income by the weighted average number of shares of common stock and dilutive options outstanding during the period. For the periods ended July 30, 1995, the weighted average number of shares outstanding is based on the assumption that 5,197,000 shares of common stock were outstanding. Primary and fully diluted earnings per share are not materially different for the interim periods presented.

NOTE 4: 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 condition of the Company.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Results of Operations - 13 Weeks Ended August 4, 1996 Compared to 13 Weeks Ended July 30, 1995

Total revenues for the 13 weeks ended August 4, 1996 increased by 78.4% over the 13 weeks ended July 30, 1995. The increase in revenues was primarily attributable to the Chicago market which the Company opened in the fourth quarter of fiscal year 1995 and the Hollywood, Florida location which opened in the first quarter of fiscal year 1996.

Cost of revenues, as a percentage of revenues, decreased to 20.4% from 20.9% in the prior comparable period. The decrease in cost of revenues was a result of lower costs associated with food and beverage revenues. Operating payroll and benefits increased to 29.7% from 29.2% in the prior comparable period. Operating payroll and benefits was higher due to increased training costs associated with a new lunch menu introduced during the second quarter 1996. Other operating expenses decreased to 22.4% compared to 23.7% in the prior comparable period. Other operating expenses were lower as a percentage of revenue in 1996 due to the leverage from increased revenues.

General and administrative costs increased \$357,000 over the prior comparable period as a result of increased administrative payroll and related costs for new personnel and additional costs resulting from the Company operating as a public company for the entire period in 1996. As a percentage

of revenues, general and administrative expenses decreased to 6.3% compared to 8.3% for the comparable prior period. The percentage decrease is attributable to the leverage from increased revenues.

Depreciation and amortization and preopening costs amortization, as a percentage of revenues, increased to 10.0% from 6.9% due to opening two locations in the Chicago market in the fourth quarter of 1995 and one location in Hollywood, Florida in the first quarter of 1996.

Results of Operations - 26 Weeks Ended August 4, 1996 Compared to 26 Weeks Ended July 30, 1995

Total revenues for the 26 weeks ended August 4, 1996 increased by 71.5% over the 26 weeks ended July 30, 1995. The increase in revenues was primarily attributable to the Chicago market which the Company opened in the fourth quarter of fiscal year 1995 and the Hollywood, Florida location which opened in the first quarter of fiscal year 1996.

Cost of revenues, as a percentage of revenues, remained level at 20.5% for both periods. Operating payroll and benefits decreased to 29.2% from 29.4% in the prior comparable period. Other operating expenses increased to 22.9% compared to 22.3% in the prior comparable period. Other operating expenses were lower in 1995 due to a one time credit for rent related charges.

General and administrative costs increased \$905,000 over the prior comparable period as a result of increased administrative payroll and related costs for new personnel and additional costs resulting from the Company operating as a public company. As a percentage of revenues, general and administrative expenses decreased to 6.5% compared to 7.3% for the comparable prior period. The percentage decrease is attributable to the leverage from increased revenues.

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Depreciation and amortization and preopening costs amortization, as a percentage of revenues, increased to 9.3% from 6.3% due to opening two new locations in the Chicago market in the fourth quarter of 1995 and one location in Hollywood, Florida in the first quarter of 1996.

Liquidity and Capital Resources

Prior to June 29, 1995, the Company financed its capital expenditures and operations through cash flows from operations and advances from Edison Brothers. Subsequent to June 29, 1995, the Company has financed its capital expenditures and operations through cash flows from operations, draws under a line of credit agreement and a common stock offering.

Cash flows from operations decreased from \$4.6 million in the first 26 weeks of fiscal 1995 to \$3.2 million in the first 26 weeks of fiscal 1996. This decrease was due to the opening of one new store in Hollywood, Florida in the first fiscal quarter of 1996 which increased inventory and preopening costs.

The Company has a secured revolving line of credit which permits borrowing up to a maximum of \$23,500,000. At August 4, 1996, \$19,000,000 was available.

In 1995, the Company completed a public offering of common stock for the sale of 2,070,000 shares at \$15.00 per share for net proceeds of approximately \$28,653,000, after deducting related offering costs.

The Company's plan is to open two new stores in fiscal 1996. One store opened in South Florida, in the Hollywood/Fort Lauderdale market on April 25, 1996. The other store in the White Flint Mall, North Bethesda, Maryland market will open later in fiscal 1996. In fiscal 1997, the Company's goal is to open three new stores. The Company estimates that its capital expenditures will be approximately \$24.0 million and \$31.0 million for 1996 and 1997, respectively. The Company intends to finance this development with cash flow from operations and the unused portion of the revolving line of credit described above.

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

Certain statements in this Form 10-Q constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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; development and operating costs; adverse publicity; consumer trial and frequency; availability, locations and terms of sites for complex development; quality of management; business abilities and judgment of personnel; availability of qualified personnel; food, labor and employee benefit costs; changes in, or the failure to comply with, government regulations; and other risks indicated in this filing.

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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 13 weeks ended August 4, 1996.

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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 17, 1996

by /s/ DAVID O. CORRIVEAU

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

Dated: September 17, 1996

by: /s/ CHARLES MICHEL

Charles Michel
Vice President,
Chief Financial Officer
and Treasurer

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EXHIBIT INDEX

27 Financial Data Schedule

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