UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED August 1, 2021

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 **(State of Incorporation)**	**35-2382255** **(I.R.S. Employer ID)**
2481 Mañana Drive, Dallas, Texas, 75220 **(Address of principal executive offices) (Zip Code)**	**(214) 357-9588** **(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 September 3, 2021, the registrant had 48,256,375 shares of common stock, $0.01 par value per share, outstanding.

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PART I – FINANCIAL INFORMATION

**Item 1 .	Financial Statements**

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

	August 1, 2021 (unaudited)	January 31, 2021 (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 107,801	$ 11,891
Inventories	23,811	23,807
Prepaid expenses	10,673	11,878
Income taxes receivable	51,639	70,064
Other current assets	2,031	1,231
Total current assets	195,955	118,871
Property and equipment (net of $862,568 and $798,804 accumulated depreciation as of August 1, 2021 and January 31, 2021, respectively)	785,227	815,027
Operating lease right of use assets	1,018,558	1,037,569
Deferred tax assets	7,313	5,874
Tradenames	79,000	79,000
Goodwill	272,570	272,597
Other assets and deferred charges	25,882	23,886
Total assets	$2,384,505	$2,352,824
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 34,227	$ 36,400
Accrued liabilities	272,062	234,790
Income taxes payable	2,644	446
Total current liabilities	308,933	271,636
Deferred income taxes	11,405	13,658
Operating lease liabilities	1,248,038	1,267,791
Other liabilities	48,438	50,119
Long-term debt, net	537,816	596,388
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $0.01; authorized: 400,000,000 shares; issued: 61,276,473 shares at August 1, 2021 and 60,488,833 shares at January 31, 2021; outstanding: 48,256,375 shares at August 1, 2021 and 47,646,606 shares at January 31, 2021	613	605
Preferred stock, 50,000,000 authorized; none issued	—	—
Paid-in capital	540,348	531,191
Treasury stock, 13,020,098 and 12,842,227 shares as of August 1, 2021 and January 31, 2021, respectively	(603,686)	(595,970)
Accumulated other comprehensive loss	(6,296)	(9,085)
Retained earnings	298,896	226,491
Total stockholders' equity	229,875	153,232
Total liabilities and stockholders' equity	$2,384,505	$2,352,824

See accompanying notes to consolidated financial statements.

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DAVE & BUSTER'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(in thousands, except share and per share amounts)

	Thirteen Weeks Ended August 1, 2021	Thirteen Weeks Ended August 2, 2020
Food and beverage revenues	$ 123,006	$ 17,002
Amusement and other revenues	254,632	33,831
Total revenues	377,638	50,833
Cost of food and beverage	33,127	4,659
Cost of amusement and other	24,584	4,025
Total cost of products	57,711	8,684
Operating payroll and benefits	80,623	13,756
Other store operating expenses	105,116	62,682
General and administrative expenses	18,470	9,278
Depreciation and amortization expense	34,875	35,160
Pre-opening costs	1,676	2,388
Total operating costs	298,471	131,948
Operating income (loss)	79,167	(81,115)
Interest expense, net	13,728	8,163
Income (loss) before provision (benefit) for income taxes	65,439	(89,278)
Provision (benefit) for income taxes	12,669	(30,676)
Net income (loss)	52,770	(58,602)
Unrealized foreign currency translation gain (loss)	(15)	304
Unrealized gain on derivatives, net of tax	1,372	1,372
Total other comprehensive income	1,357	1,676
Total comprehensive income (loss)	$ 54,127	$ (56,926)
Net income (loss) per share:		
Basic	$ 1.10	$ (1.24)
Diluted	$ 1.07	$ (1.24)
Weighted average shares used in per share calculations:		
Basic	48,178,611	47,111,763
Diluted	49,229,817	47,111,763

See accompanying notes to consolidated financial statements.

DAVE & BUSTER'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(in thousands, except share and per share amounts)

	Twenty-Six Weeks Ended August 1, 2021	Twenty-Six Weeks Ended August 2, 2020
Food and beverage revenues	$ 208,764	$ 80,922
Amusement and other revenues	434,214	129,717
Total revenues	642,978	210,639
Cost of food and beverage	56,284	22,003
Cost of amusement and other	41,198	14,753
Total cost of products	97,482	36,756
Operating payroll and benefits	130,902	57,493
Other store operating expenses	189,561	158,354
General and administrative expenses	35,561	23,841
Depreciation and amortization expense	69,974	70,512
Pre-opening costs	3,335	6,211
Total operating costs	526,815	353,167
Operating income (loss)	116,163	(142,528)
Interest expense, net	28,548	14,278
Income (loss) before provision (benefit) for income taxes	87,615	(156,806)
Provision (benefit) for income taxes	15,210	(54,660)
Net income (loss)	72,405	(102,146)
Unrealized foreign currency translation gain (loss)	46	(131)
Unrealized gain (loss) on derivatives, net of tax	2,743	(3,577)
Total other comprehensive income (loss)	2,789	(3,708)
Total comprehensive income (loss)	$ 75,194	$ (105,854)
Net income (loss) per share:		
Basic	$ 1.51	$ (2.59)
Diluted	$ 1.47	$ (2.59)
Weighted average shares used in per share calculations:		
Basic	47,937,158	39,470,874
Diluted	49,272,693	39,470,874

See accompanying notes to consolidated financial statements.

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DAVE & BUSTER'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(in thousands, except share amounts)

	Thirteen Weeks Ended August 1, 2021							
	Common Stock		Paid-In Capital	Treasury Stock At Cost		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amt.		Shares	Amt.			
Balance May 2, 2021	60,691,906	$607	$535,768	12,847,298	$(596,206)	$ (7,653)	$246,126	$178,642
Net income	—	—	—	—	—	—	52,770	52,770
Unrealized foreign currency translation loss	—	—	—	—	—	(15)	—	(15)
Unrealized gain on derivatives, net of tax	—	—	—	—	—	1,372	—	1,372
Share-based compensation	—	—	3,187	—	—	—	—	3,187
Issuance of common stock	584,567	6	1,393	—	—	—	—	1,399
Repurchase of common stock	—	—	—	172,800	(7,480)	—	—	(7,480)
Balance August 1, 2021	61,276,473	$613	$540,348	13,020,098	$(603,686)	$ (6,296)	$298,896	$229,875

	Thirteen Weeks Ended August 2, 2020							
	Common Stock		Paid-In Capital	Treasury Stock At Cost		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amt.		Shares	Amt.			
Balance May 3, 2020	49,578,351	$496	$411,048	12,786,624	$(595,077)	$ (13,753)	$389,921	$192,635
Net loss	—	—	—	—	—	—	(58,602)	(58,602)
Unrealized foreign currency translation gain	—	—	—	—	—	304	—	304
Unrealized gain on derivatives, net of tax	—	—	—	—	—	1,372	—	1,372
Share-based compensation	—	—	2,734	—	—	—	—	2,734
Issuance of common stock	10,843,861	108	112,471	—	—	—	—	112,579
Repurchase of common stock	—	—		40,676	(651)	—	—	(651)
Balance August 2, 2020	60,422,212	$604	$526,253	12,827,300	$(595,728)	$ (12,077)	$331,319	$250,371

See accompanying notes to consolidated financial statements.

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DAVE & BUSTER'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(in thousands, except share amounts)

	Twenty-Six Weeks Ended August 1, 2021							
	Common Stock		Paid-In Capital	Treasury Stock At Cost		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amt.		Shares	Amt.			
Balance January 31, 2021	60,488,833	$605	$531,191	12,842,227	$(595,970)	$ (9,085)	$226,491	$153,232
Net income	—	—	—	—	—	—	72,405	72,405
Unrealized foreign currency translation gain	—	—	—	—	—	46	—	46
Unrealized gain on derivatives, net of tax	—	—	—	—	—	2,743	—	2,743
Share-based compensation	—	—	6,158	—	—	—	—	6,158
Issuance of common stock	787,640	8	2,999	—	—	—	—	3,007
Repurchase of common stock	—	—	—	177,871	(7,716)	—	—	(7,716)
Balance August 1, 2021	61,276,473	$613	$540,348	13,020,098	$(603,686)	$ (6,296)	$298,896	$229,875

	Twenty-Six Weeks Ended August 2, 2020							
	Common Stock		Paid-In Capital	Treasury Stock At Cost		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amt.		Shares	Amt.			
Balance February 2, 2020	43,386,852	$434	$339,161	12,783,512	$(595,041)	$ (8,369)	$ 433,465	$ 169,650
Net loss	—	—	—	—	—	—	(102,146)	(102,146)
Unrealized foreign currency translation loss	—	—	—	—	—	(131)	—	(131)
Unrealized loss on derivatives, net of tax	—	—	—	—	—	(3,577)	—	(3,577)
Share-based compensation	—	—	2,345	—	—	—	—	2,345
Issuance of common stock	17,035,360	170	184,747	—	—	—	—	184,917
Repurchase of common stock	—	—		43,788	(687)	—	—	(687)
Balance August 2, 2020	60,422,212	$604	$526,253	12,827,300	$ (595,728)	$ (12,077)	$ 331,319	$ 250,371

See accompanying notes to consolidated financial statements.

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DAVE & BUSTER'S ENTERTAINMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Twenty-Six Weeks Ended August 1, 2021	Twenty-Six Weeks Ended August 2, 2020
Cash flows from operating activities:		
Net income (loss)	$ 72,405	$ (102,146)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	69,974	70,512
Non-cash interest expense	3,774	2,201
Impairment of long-lived assets	—	13,727
Deferred taxes	(4,723)	(31,609)
Loss on disposal of fixed assets	257	417
Share-based compensation	6,158	2,345
Other, net	2,127	173
Changes in assets and liabilities:		
Inventories	(4)	3,288
Prepaid expenses	1,405	2,089
Income tax receivable	18,425	(21,474)
Other current assets	(800)	2,311
Other assets and deferred charges	(2,503)	107
Accounts payable	(4,918)	6,646
Accrued liabilities	39,187	37,522
Income taxes payable	2,198	(2,430)
Other liabilities	(4,874)	2,817
Net cash provided by (used in) operating activities	198,088	(13,504)
Cash flows from investing activities:		
Capital expenditures	(37,915)	(63,486)
Proceeds from sales of property and equipment	446	152
Net cash used in investing activities	(37,469)	(63,334)
Cash flows from financing activities:		
Proceeds from debt	37,000	138,000
Payments of debt	(97,000)	(38,500)
Net proceeds from the issuance of common stock	—	182,207
Proceeds from the exercise of stock options	3,007	359
Dividends paid	—	(4,891)
Repurchases of common stock to satisfy employee withholding tax obligations	(7,716)	(687)
Net cash provided by (used in) financing activities	(64,709)	276,488
Increase in cash and cash equivalents	95,910	199,650
Beginning cash and cash equivalents	11,891	24,655
Ending cash and cash equivalents	$ 107,801	$ 224,305
Supplemental disclosures of cash flow information:		
Increase (decrease) in fixed asset accounts payable	$ 2,745	$ (12,466)
Cash paid (refund received) for income taxes, net	$ (1,189)	$ 752
Cash paid for interest, net	$ 22,978	$ 11,295

See accompanying notes to consolidated financial statements.

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

Note 1: Summary of Significant Accounting Policies

The accompanying unaudited 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 & Busters, Inc. ("D&B Inc"), the operating company. All intercompany balances and transactions have been eliminated in consolidation. The Company, headquartered in Dallas, Texas, is a leading operator of high-volume entertainment and dining venues ("stores") in North America for adults and families under the name "Dave & Buster's". The Company operates its business as one operating and one reportable segment. During the first and second quarters of fiscal 2021, we opened one new store located in Gainesville, Florida and one new store located in Fairfield, California, respectively. As of August 1, 2021, we owned and operated 142 stores located in 40 states, Puerto Rico and one Canadian province.

The Company operates 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. Fiscal 2021 and 2020, which end on January 30, 2022 and January 31, 2021, respectively, contain 52 weeks.

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 January 31, 2021, included in our Annual Report on Form 10-K as filed with the SEC.

COVID-19 Considerations — On March 11, 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic and on March 13, 2020, the United States declared a National Public Health Emergency. As a result, several state and local mandates were implemented that encouraged the practice of social distancing, placed restrictions from individuals gathering in groups and, in many areas, placed complete restrictions on non-essential movement outside of the home. Shortly after the national emergency declaration, state and local officials began placing restrictions on businesses, some of which allowed To-Go or curbside service only while others limited capacity in the dining room or midway. By March 20, 2020, all our 137 operating stores were temporarily closed. On April 30, 2020, our first store re-opened to the public, as state and local guidelines began to allow dining rooms and arcades to open at limited capacity and/or limited hours of operation. By the end of fiscal 2020, we had re-opened an additional 101 stores with limited operations. The Company also opened five new stores in the second half of the fiscal year, all of which commenced construction prior to the outbreak of the COVID-19 pandemic. As of January 31, 2021, 107 of our 140 stores were open and operating in limited capacity.

During the first quarter of fiscal 2021, the Company re-opened 31 additional stores and one new store opened on February 8, 2021. During the second quarter of fiscal 2021, the Company re-opened three stores, including one that temporarily closed during the first quarter, and the Company opened one new store on June 15, 2021, resulting in all our 142 stores open and operating in some capacity as of the end of our second quarter.

As stores were re-opened during fiscal 2020, typically in limited capacity, the Company reduced labor and other operating costs. During fiscal 2020, the Company also negotiated with landlords and other vendors to negotiate relief from cash payments under existing lease and trade payable obligations, extending or reducing payment terms with several vendors. Regarding negotiations with landlords, a total of 126 initial rent relief agreements related to our operating locations and corporate headquarters were executed during fiscal 2020, which generally provided for rent deferrals on all or a portion of rent for up to six months. As the COVID-19 pandemic continued to impact our business into the fourth quarter, the Company renewed negotiations with the majority of these landlords in order to provide additional rent relief, generally seeking to push out or extend the terms of deferral pay back periods and/or provide rent relief beyond the periods in the initial agreements. As of the end of the second quarter of fiscal 2021, the Company had executed 97 of these additional rent relief agreements.

In addition to reducing or deferring expenditures, including capital expenditures and discretionary spending, during the first half of fiscal 2020, the Company obtained additional liquidity through the sale of common stock, which resulted in net proceeds of $182,207. On October 27, 2020, D&B Inc completed the private sale of $550,000 in aggregate principal amount of 7.625% senior secured notes due 2025. At the same time, the revolving credit commitments under our existing credit facility were extended through August 17, 2024, and the suspension of our financial ratio covenants was extended until the last day of the first quarter of fiscal year 2022. See Note 3, Debt, for more information on these transactions.

The measures taken by the Company as well as the re-opening of the Company's stores provide sufficient liquidity to meet estimated cash flow needs and covenant compliance obligations for at least the next twelve months from the issuance of the financial statements. We cannot predict whether, when or the manner in which the conditions surrounding COVID-19, particularly as a result of a new Delta variant of COVID-19, will change, including possible capacity restrictions or re-closures of our currently open stores and customer engagement with our brand.

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 twenty-six weeks ended August 1, 2021 are not necessarily indicative of results that may be expected for any other interim period or for the fiscal year ending January 30, 2022.

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 creates book overdrafts. A book overdraft of $8,168 is presented in "Accounts payable" in the Consolidated Balance Sheets as of January 31, 2021. There was no book overdraft as of August 1, 2021. Changes in the book overdraft position are presented within "Net cash provided by (used in) operating activities" within the Consolidated Statements of Cash Flows.

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 as follows: Level One inputs are quoted prices available for identical assets or liabilities in active markets; Level Two inputs are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; and Level Three inputs are unobservable and reflect management's own assumptions.

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 interest rate swap is determined based upon Level Two inputs which includes valuation models as reported by our counterparties and third-party valuation specialists. These valuation models are based on the present value of expected cash flows using forward rate curves. The fair value of borrowings under our revolving credit facility was $62,114 at January 31, 2021, and the fair value of our senior secured notes was $588,232 and $576,033 at August 1, 2021 and January 31, 2021, respectively. The fair value of the Company's debt is determined based on a discounted cash flow method, using a sector-specific yield curve based on market-derived, trade price data as of the measurement date, and is classified as a Level Two input within the fair value hierarchy.

The Company also measures certain non-financial assets (primarily property and equipment, right-of-use ("ROU") assets, goodwill, tradenames and other assets) at fair value on a non-recurring basis in connection with its periodic evaluations of such assets for potential impairment.

During the thirteen and twenty-six weeks ended August 2, 2020, the Company recorded an impairment charge for its long-lived assets, including ROU assets, of $0 and $6,746, respectively, primarily driven by the expected impact of the COVID-19 pandemic on future cash flows of specific stores. During the twenty-six weeks ended August 1, 2021, the Company did not identify triggering events which would require a change in management's estimate regarding the recoverability of store asset values, and no impairment related to our operating stores was recognized. The Company has determined no events and circumstances existed during the twenty-six weeks ended August 1, 2021 that would indicate it is more likely than not that its goodwill or tradename are impaired. The ultimate severity and longevity of the COVID-19 pandemic is unknown, and therefore, it is possible that impairments could be identified in future periods, and such amounts could be material.

During the thirteen and twenty-six weeks ended August 2, 2020, the Company recorded an impairment loss and related contract termination costs of $2,178 and $6,981 related to projects in development and discussions to terminate several executed lease contracts that had not yet commenced, which is included in "Other store operating expenses" in the Consolidated Statements of Comprehensive Income (Loss). There were no impairment charges related to our potential future sites during the twenty-six weeks ended August 1, 2021.

Interest rate swaps — Effective February 28, 2019, the Company entered into three interest rate swap agreements to manage our exposure to interest rate movements on our variable rate credit facility. The agreements entitle the Company to receive at specified intervals, a variable rate of interest based on one-month LIBOR in exchange for the payment of a fixed rate of interest throughout the life of the agreements. The notional amount of the swap agreements, which mature August 17, 2022, totals $350,000 and the fixed rate of interest for all agreements is 2.47%.

The Company initially designated its interest rate swap agreements as a cash flow hedge and accounted for the underlying activity in accordance with hedge accounting. Effective April 14, 2020, the Company amended its existing credit facility agreement to obtain relief from its financial covenants, and as a result, the variable interest rate terms were modified to create an interest rate floor of 1.00%. Accordingly, and as a result of the then current forward interest rate curve, the Company discontinued the hedging relationship as of April 14, 2020 (de-designation date). Given the continued existence of the hedged interest payments, the Company is reclassifying its accumulated other comprehensive loss of $17,609 as of the de-designation date into “Interest expense, net” using a straight-line approach over the remaining life of the originally designated hedging relationship. The amount of pre-tax losses in accumulated other comprehensive loss that was reclassified into interest expense was $3,774 and $2,201 for the twenty-six weeks ended August 1, 2021 and August 2, 2020, respectively, and the Company expects to reclassify $7,547 within the next twelve months. Effective with the de-designation, any gain or loss on the derivatives are recognized in earnings in the period in which the change occurs. For the twenty-six weeks ended August 1, 2021 and August 2, 2020, a loss of $88 and $1,796, respectively, were recognized, which are included in “Other store operating expenses” in the Consolidated Statements of Comprehensive Income (Loss).

Prior to the de-designation, changes in the fair values of the interest rate swaps were recorded as a component of other comprehensive loss until the interest payments being hedged were recorded as interest expense, at which time the amounts in accumulated other comprehensive loss were reclassified as an adjustment to interest expense. Cash flows related to the interest rate swaps were included as a component of interest expense and in operating activities.

Credit risk related to the failure of our counterparties to perform under the terms of the swap agreements is minimized by entering into transactions with carefully selected, credit-worthy parties and the fact that the swap contracts are distributed among several financial institutions to reduce the concentration of credit risk. Our swap agreements with our derivative counterparties contain a provision where if the Company defaults on any of its indebtedness, and repayment of the indebtedness has been accelerated, the Company could also be declared in default on its derivative obligations.

The following derivative instruments were outstanding as of the end of the periods indicated:

		Fair Value	
	Balance Sheet Location	August 1, 2021	January 31, 2021
Interest rate swaps	Accrued liabilities	$ (8,300)	$ (8,350)
Interest rate swaps	Other liabilities	(373)	(4,416)
Total derivatives		$ (8,673)	$ (12,766)

The following table summarizes the activity in accumulated other comprehensive loss related to our derivative instruments:

	Thirteen weeks ended		Twenty-six weeks ended	
	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
Loss recorded in accumulated other comprehensive income	$ —	$ —	$ —	$ 7,602
Loss reclassified into income (1)	$ (1,887)	$ (1,887)	$ (3,774)	$ (2,680)
Income tax expense (benefit) in accumulated other comprehensive income	$ 515	$ 515	$ 1,031	$ (1,345)

(1) Amounts reclassified into income are included in “Interest expense, net” in the Consolidated Statements of Comprehensive Income (Loss).

Revenue recognition — Amusement revenues are primarily recognized upon utilization of game play credits on power cards purchased and used by customers to activate video and redemption games. Redemption games allow customers to earn tickets, which may be redeemed for prizes in our WIN! area. We have deferred a portion of amusement revenues for the estimated unfulfilled performance obligations 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 and twenty-six weeks ended August 1, 2021, we recognized revenue of approximately $12,900 and $24,800, respectively, related to the amount in deferred amusement revenue as of the end of fiscal 2020.

In jurisdictions where we do not have a legal obligation to remit unredeemed gift card balances to a legal authority, we recognize revenue on unredeemed gift cards in proportion to the pattern of redemption by the customers. During the thirteen and twenty-six weeks ended August 1, 2021, we recognized revenue of approximately $900 and $1,800, respectively, related to the amount in deferred gift card revenue as of the end of fiscal 2020, of which approximately $120 and $240, respectively, was breakage revenue.

Stockholders' equity — In our consolidated financial statements, the Company treats shares withheld for tax purposes on behalf of our employees in connection with the vesting of time-based and performance restricted stock units as common stock repurchases because they reduce the number of shares that would have been issued upon vesting. During the twenty-six weeks ended August 1, 2021 and August 2, 2020, we withheld 177,871 and 43,788 shares of common stock to satisfy $7,716 and $687 of employees' tax obligations, respectively. The share activity in the twenty-six weeks ended August 2, 2020 includes the settlements of $2,351 cash obligations through the issuance of 150,455 shares of common stock.

On April 14, 2020, pursuant to an open market sale agreement, the Company sold 6,149,936 shares of its common stock at a price of $12.20 per share, for proceeds of $75,000, prior to deducting offering expenses related to the offering. During May 2020, the Company entered into an underwriting agreement, pursuant to which it sold an additional 10,593,416 shares of its common stock (including shares under an over-allotment option) at a price of $10.44 per share, for proceeds of $110,600, prior to deducting offering costs.

Effective March 18, 2020, the Board of Directors of the Company adopted a 364-day duration Shareholder Rights Plan (the "Rights Plan") and declared a dividend of one preferred share purchase right for each outstanding share of common stock to shareholders of record on March 30, 2020 to purchase from the Company one one-ten thousandth of a share of Series A Junior Participating Preferred Stock, par value $0.01 per share, of the Company for an exercise price of $45.00, once the rights become exercisable, subject to adjustment as provided in the related rights agreement. The Rights Plan expired on March 17, 2021.

Earnings per share — Basic net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the basic weighted average number of common shares outstanding for the reporting period. Diluted net income (loss) 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 (loss) 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 (loss) per share calculation. For the thirteen weeks ended August 1, 2021 and August 2, 2020, the Company excluded anti-dilutive awards from the calculation of approximately 164,811 and 2,419,468, respectively. For the twenty-six weeks ended August 1, 2021 and August 2, 2020, the Company excluded anti-dilutive awards from the calculation of approximately 134,177 and 1,456,430, respectively. Basic weighted average shares outstanding are reconciled to diluted weighted average shares outstanding as follows:

	Thirteen weeks ended		Twenty-Six weeks ended	
	August 1, 2021	**August 2, 2020**	**August 1, 2021**	**August 2, 2020**
Basic weighted average shares outstanding	48,178,611	47,111,763	47,937,158	39,470,874
Weighted average dilutive impact of awards (1)	1,051,206	—	1,335,535	—
Diluted weighted average shares outstanding	49,229,817	47,111,763	49,272,693	39,470,874

(1) Amounts exclude all potential common and common equivalent shares for periods when there is a net loss.

Recently adopted accounting guidance — In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which removes certain exceptions related to the approach for intraperiod tax allocations, the calculation of income taxes in interim periods, and the recognition of deferred taxes for taxable goodwill. The Company adopted this standard as of the beginning of fiscal year 2021, and the adoption did not have a material impact on our consolidated financial statements.

Recent accounting pronouncements — In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Reform on Financial Reporting*, which provides temporary optional expedients and exceptions to the current guidance for contract modifications and hedging relationships through December 31, 2022, that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. A contract modification resulting from reference rate reform may be accounted for as a continuation of the existing contract rather than the creation of a new contract. Additionally, changes in the critical terms of hedging relationships, caused by reference rate reform, should not result in the de-designation of the instrument, provided certain criteria are met. Although the Company has swap agreements based on LIBOR rates, the guidance is not expected to have an impact on our consolidated financial statements due to the de-designation of our hedging relationships in fiscal 2020.

Note 2: Accrued Liabilities

Accrued liabilities consist of the following as of the end of each period:

	August 1, 2021	January 31, 2021
Deferred amusement revenue	$ 95,380	$ 78,852
Current portion of operating lease liabilities, net (1)	49,699	46,471
Compensation and benefits	33,325	13,846
Current portion of deferred occupancy costs	23,223	36,121
Accrued interest	10,748	11,321
Deferred gift card revenue	10,317	10,918
Property taxes	10,154	8,149
Current portion of derivatives	8,300	8,350
Sales and use taxes	6,148	1,385
Utilities	5,638	4,151
Current portion of long-term insurance	5,000	5,100
Customer deposits	2,695	1,373
Other	11,435	8,753
Total accrued liabilities	$ 272,062	$ 234,790

(1) The balance of leasehold incentive receivables of $4,668 and $8,763 as of August 1, 2021 and January 31, 2021, respectively, is reflected as a reduction of the current portion of operating lease liabilities.

Note 3: Debt

Long-term debt consists of the following:

	August 1, 2021	January 31, 2021
Senior secured notes	$ 550,000	$ 550,000
Credit facility—revolver	—	60,000
Total debt outstanding	550,000	610,000
Less debt issuance costs	(12,184)	(13,612)
Long-term debt, net	$ 537,816	$ 596,388

On October 27, 2020, the Company issued $550,000 aggregate principal amount of 7.625% senior secured notes (the "Notes"). Interest on the Notes accrues from October 27, 2020 and is payable in arrears on November 1 and May 1 of each year, commencing on May 1, 2021. The Notes mature on November 1, 2025, unless earlier redeemed, and are subject to the terms and conditions set forth in the related indenture. Prior to November 1, 2022, but not more than once during any twelve-month period commencing with the issue date of the Notes, the Company may redeem up to 10% of the original principal amount of the Notes at a redemption price of 103% of the principal amount, plus accrued and unpaid interest, at the redemption date. After November 1, 2022, the Company may redeem the Notes, in whole or in part, at certain specified redemption prices, plus accrued and unpaid interest, at the redemption date. 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, which is substantially the same as the guarantors of the Company's existing credit facility.

Concurrent and subject to the issuance of the Notes, the Company entered into a second amendment to its existing credit facility, which included relief from testing compliance with certain financial covenants until the last day of the fiscal quarter ending on May 1, 2022. During the financial covenant suspension period the Company is required to maintain minimum liquidity (primarily availability under the credit facility) of $150,000. The second amendment extended the maturity date of the $500,000 revolving portion of the facility from August 17, 2022 to August 17, 2024, increased the interest rate spread to 4.00% during the financial covenant suspension period, and instituted a 1.00% utilization fee during that same time period. The utilization fee is due at maturity. The financial covenant suspension period may end earlier, at the Company's election, if certain predetermined financial covenant ratios are achieved. After the financial covenant suspension period, the interest rate spread ranges from 1.25% to 3.00%. The second amendment terminated the term loan portion of the credit facility, which triggered payment of $1,900 of lender debt costs associated with the first amendment. The first amendment, effective April 14, 2020, provided initial relief from compliance with financial covenants after the COVID-19 pandemic and increased the interest rate spread on variable rate debt to 2.00% plus a LIBOR floor of 1.00%.

The Company used the proceeds of the Notes offering, along with cash on hand, to repay the $255,000 principal balance of the term loan facility, $463,000 of borrowings under the revolving credit facility, and related accrued interest. The Company incurred debt costs of $18,300, which are being amortized over the terms of the respective Notes and revolving credit facility. The Company also recorded a loss of $904 related to the unamortized debt costs associated with the term portion of the credit facility.

Our credit facility and Notes 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.

For the twenty-six weeks ended August 1, 2021 and August 2, 2020, respectively, the Company's weighted average interest rate on outstanding borrowings was 10.17% and 3.98%, respectively. As of August 1, 2021, we had letters of credit outstanding of $10,486 and an unused commitment balance of $489,514 under the revolving credit facility.

Interest expense, net — The following table sets forth our recorded interest expense, net:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
Interest expense on debt	$ 11,038	$ 5,865	$ 23,139	$ 11,163
Interest associated with swap agreements	1,887	1,887	3,774	2,680
Amortization of issuance cost	1,103	411	2,205	654
Interest income	—	—	—	(22)
Capitalized interest	(300)	—	(570)	(197)
Total interest expense, net	$ 13,728	$ 8,163	$ 28,548	$ 14,278

Note 4: Leases

We currently lease most of the buildings or sites for our stores, corporate office, 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 includes 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 corporate office and warehouse, in the Consolidated Statements of Comprehensive Income (Loss).

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
Operating lease cost	$ 33,297	33,321	$ 66,591	66,884
Variable lease cost	7,241	5,688	14,630	13,054
Short-term lease cost	187	140	310	227
Total	$ 40,725	$ 39,149	$ 81,531	$ 80,165

During fiscal 2020, the Company entered into 126 initial rent relief agreements with our respective landlords on operating locations and our corporate headquarters. Under these agreements, certain rent payments will be abated, deferred or modified without penalty for various periods, generally providing for full deferral for three months beginning April 2020, with partial deferrals continuing for periods of up to six months at approximately 50% of those locations. As the COVID-19 pandemic continued to impact our business into the fourth quarter of fiscal 2020, the Company renewed negotiations with the majority of these landlords in order to provide additional rent relief, generally seeking to push out or extend the terms of deferral pay back periods and/or provide rent relief beyond the periods in the initial agreements. As of the end of the second quarter of fiscal 2021, the Company had executed 97 rent relief agreements related to the second phase of negotiation. The Company has elected to apply the practical expedient to account for lease concessions and deferrals resulting directly from COVID-19 as though the enforceable rights and obligations to the deferrals existed in the respective contracts at lease inception and will not account for the concessions as lease modifications unless the concession results in a substantial increase in the Company's obligations. To date, 206 of our 223 rent relief agreements qualified for this accounting election, and the remaining agreements were treated as lease modifications, primarily due to a significant extension of the lease term. The Company has bifurcated our current operating lease liabilities into the portion that remains subject to accretion and the portion that is accounted for as a deferral of payments or as short payments. The current portion of deferred occupancy costs or short pays is included in "Accrued liabilities" and the balance, or $17,286 and $16,243 at August 1, 2021 and January 31, 2021, respectively, is included in "Other liabilities" in the Consolidated Balance Sheets.

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.

The Company is a defendant in several lawsuits filed in courts in California alleging violations of California Business and Professions Code, industry wage orders, wage-and-hour laws and rules and regulations pertaining primarily to the failure to pay proper regular and overtime wages, failure to pay for missed meals and rest periods, pay stub violations, failure to pay all wages due at the time of termination and other employment related claims (the "California Cases"). Some of the California Cases purport or may be determined to be class actions or Private Attorneys General Act representative actions and seek substantial damages and penalties. During fiscal 2020, the Company settled a portion of the cases at the approximate amount estimated and accrued. For the remaining cases, the Company's assessments are based on assumptions that have been deemed reasonable by management, but that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause the Company to change those estimates and assumptions. Management's assessment of these California Cases, as well as other lawsuits, could change because of future determinations or the discovery of facts that are not presently known. Accordingly, the ultimate costs of resolving these cases may be substantially higher or lower than estimated. The Company continues to aggressively defend the remaining cases.

Note 6: Share-Based Compensation

Compensation expense related to stock options and restricted stock units is included in "General and administrative expenses" in the Consolidated Statements of Comprehensive Income (Loss) and is as follows:

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 1, 2021	August 2, 2020	August 1, 2021	August 2, 2020
Stock options	$ 84	290	$ 358	830
Restricted stock units	3,103	2,444	5,800	1,515
Share-based compensation expense	$ 3,187	$ 2,734	$ 6,158	$ 2,345

Transactions related to stock option awards during the twenty-six weeks ended August 1, 2021 were as follows:

	2014 Stock Incentive Plan		2010 Stock Incentive Plan	
	Number of Options	Wtd. Avg. Exercise Price	Number of Options	Wtd. Avg. Exercise Price
Outstanding at January 31, 2021	1,231,601	$ 36.77	173,563	$ 7.51
Granted	—	—	—	—
Exercised	(151,902)	16.61	(70,122)	6.90
Forfeited	(9,838)	44.53	—	—
Outstanding at August 1, 2021	1,069,861	$ 39.57	103,441	$ 7.91
Exercisable at August 1, 2021	1,005,392	$ 38.76	103,441	$ 7.91

The total intrinsic value of options exercised during the twenty-six weeks ended August 1, 2021 was $6,718. The unrecognized expense related to our stock option plan totaled approximately $214 as of August 1, 2021 and will be expensed over a weighted average period of 0.7 years.

Transactions related to restricted stock units during the twenty-six weeks ended August 1, 2021, were as follows:

	Shares	Wtd. Avg. Fair Value
Outstanding at January 31, 2021	1,116,341	$ 17.32
Granted	226,153	50.60
Performance adjusted units	362,491	15.30
Vested	(565,616)	15.11
Forfeited	(49,615)	37.64
Outstanding at August 1, 2021	1,089,754	$ 23.78

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 market stock units was determined using a Monte-Carlo simulation model. The unrecognized expense related to restricted stock units was $12,523 as of August 1, 2021 and will be expensed over a weighted average period of 2.1 years.

During the twenty-six weeks ended August 1, 2021 and August 2, 2020, excess tax expense (benefit) of $(5,665) and $477, respectively, were recognized in the "Provision (benefit) for income taxes" in the Consolidated Statement of Comprehensive Income (Loss) and classified as a source in operating activities in the Consolidated Statement of Cash Flows.

Note 7: Income Taxes

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law. Intended to provide economic relief to those impacted by the COVID-19 pandemic, the CARES Act includes provisions, among others, allowing for the carryback of net operating losses generated in fiscal 2018, 2019 and 2020 and technical amendments regarding the expensing of qualified improvement property. The application of the technical amendments made by the CARES Act to qualified improvement property resulted in additional tax net operating losses which were carried back from fiscal 2020 and fiscal 2019 to years with a higher federal corporate income tax rate. During the second quarter of fiscal 2021, the Company filed the fiscal 2020 carryback claims for federal tax refunds of approximately $57,400. While we expect to receive a portion of the refunds in fiscal 2021, due to government delays in processing these claims, we do not expect to receive the majority until fiscal 2022.

The Company has historically calculated the provision for income taxes during interim reporting periods by applying an estimate of the annualized effective tax rate for the full fiscal year to "ordinary" income or loss for the reporting period. Due to the uncertainty created by the events surrounding the COVID-19 pandemic, the actual effective tax rate for the year-to-date period was used to calculate the income tax provision (benefit) for the twenty-six weeks ended August 2, 2020. The effective tax rate for the twenty-six weeks ended August 1, 2021, was 17.4%, compared to a benefit of 34.9% for the twenty-six weeks ended August 2, 2020. The current year tax provision includes higher excess tax benefits associated with share-based compensation while the prior year tax provision was a tax benefit primarily due to the impact of the pre-tax loss and the impact of the tax provisions within the CARES Act.

Note 8: Subsequent Event

Subsequent to the end of our second quarter, the Company notified the trustee of the Notes that it intends to redeem $55,000 outstanding principal amount of the Notes. The redemption is expected to take place prior to the end of the Company's third quarter, which ends on October 31, 2021. In connection with the early redemption of the Notes, the Company will pay a prepayment premium of $1,650, plus accrued and unpaid interest to the date of redemption, pursuant to the terms of the indenture governing the Notes. Additionally, the early redemption of the Notes will result in an additional loss on extinguishment of approximately $1,200 related to a proportionate amount of unamortized issuance costs.

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 unaudited 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 March 31, 2021. 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 Unaudited 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 March 31, 2021. 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, those results or developments may not be indicative of results or developments in subsequent periods.

Recent Developments

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak to be a global pandemic and on March 13, 2020, the United States declared a National Public Health Emergency. As a result, several state and local mandates were implemented that encouraged the practice of social distancing, placed restrictions from individuals gathering in groups and, in many areas, placed complete restrictions on non-essential movement outside of the home. Shortly after the national emergency declaration, state and local officials began placing restrictions on businesses, some of which allowed To-Go or curbside service only while others limited capacity in the dining room or midway. By March 20, 2020, all our 137 operating stores were temporarily closed. On April 30, 2020, our first store re-opened to the public, as state and local guidelines began to allow dining rooms and arcades to open at limited capacity and/or limited hours of operation. By the end of fiscal 2020, we had progressively re-opened an additional 101 stores with limited operations. The Company also opened five new stores in the second half of the fiscal year, all of which commenced construction prior to the outbreak of the COVID-19 pandemic. As of the end of fiscal 2020, 107 of our 140 stores were open and operating in limited capacity. By the end of the first quarter of fiscal 2021, only 3 stores remained closed, including one that temporarily re-closed due to a local increase in COVID-19 cases. By the end of the second quarter of fiscal 2021, all our 142 stores were open and operating, including two new stores that opened during fiscal 2021.

The Company continues to be subject to risks and uncertainties as a result of the COVID-19 pandemic, particularly as a result of a new Delta variant of COVID-19, which appears to be causing an increase in COVID-19 cases. Public health officials and medical professionals have warned that a resurgence of COVID-19 cases may continue, particularly if vaccination rates do not quickly increase or if additional potent variants emerge. It is unclear how long a resurgence may last, how severe it may be, and what safety measures governments may impose in response to it. For instance, a few jurisdictions that our stores operate have recently imposed proof of vaccination requirements for our customers and team members, and many of our stores have face mask requirements. We cannot predict with certainty how quickly our customers will return to our stores once all restrictions have been lifted or the impact this will have on consumer spending habits. Additionally, in connection with the COVID-19 pandemic, there have been disruptions in various food and amusement supply chains, and we have incurred expenses to recall, hire and retain team members as our operating stores have re-opened and the majority of operating hour and capacity restrictions have been lifted.

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 name "Dave & Buster's". Founded in 1982, the core of our concept is to offer our customers the opportunity to "Eat Drink Play and Watch" all in one location. Eat and Drink are offered through a full menu of entrées and appetizers and a full selection of non-alcoholic and alcoholic beverages. Our Play and Watch offerings provide an extensive assortment of entertainment attractions centered around playing games and watching live sports and other televised events. Our brand appeals to a relatively balanced mix of male and female adults, as well as families and teenagers. We believe we appeal to a diverse customer base by providing a highly customizable experience in a dynamic and fun setting.

Our stores, which average 40,000 square feet, range in size between 16,000 and 70,000 square feet. Our stores are generally open seven days a week, with normal hours of operation typically from 11:30 a.m. to midnight on Sunday through Thursday and 11:30 a.m. to 2:00 a.m. on Friday and Saturday.

Key Measures of Our Performance

We monitor and analyze several key performance measures to manage our business and evaluate financial and operating performance. These measures include:

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 fiscal year and excluding stores permanently closed during the period. Due to the limitations of store operations during the COVID-19 pandemic, the comparable store base for fiscal 2021 is defined as stores open for a full 18 months before the beginning of fiscal 2020 and excludes two stores that the Company elected not to reopen after they were closed in March 2020 as a result of local operating limitations. As of August 1, 2021, our comparable store base consisted of 114 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. Between August 3, 2020 and August 1, 2021, we opened seven new stores (five in fiscal 2020 and two in fiscal 2021) and we permanently closed two stores at the end or near the end of their respective lease terms.

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, 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 entitled 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 pre-opening and 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 vary from period to period and do not directly relate to the ongoing operations of the currently underlying business of our stores and therefore complicate comparison of underlying business between periods. Nevertheless, because of the limitations described above, management does not view Adjusted EBITDA or Store Operating Income Before Depreciation and Amortization 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 (loss) plus interest expense, net, loss on debt refinancing, provision (benefit) for income taxes, depreciation and amortization expense, loss on asset disposal, impairment of long-lived assets, share-based compensation, pre-opening costs, 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.

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 (loss) 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 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 operate on a 52 or 53-week fiscal year that ends on the Sunday after the Saturday closest to January 31. Each quarterly period has 13 weeks, except in a 53-week year when the fourth quarter has 14 weeks. All references to the second quarter of 2021 relate to the 13-week period ended August 1, 2021. All references to the second quarter of 2020 relate to the 13-week period ended August 2, 2020. Fiscal 2021 and fiscal 2020 consist of 52 weeks. All dollar amounts are presented in thousands, unless otherwise noted, except share and per share amounts.

Store-Level Variability, Quarterly Fluctuations, Seasonality and Inflation

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

Our new stores historically 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 may result in significant fluctuations in quarterly results.

In the first year of operation new store operating margins (excluding pre-opening expenses) typically 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. Furthermore, rents in our new stores are typically higher than our comparable store base.

Our operating results fluctuate significantly due to seasonal factors. Typically, we have higher revenues associated with 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 the 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. Although 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, the effects of any supplier price increases or wage rate increases might be partially offset by selected menu price increases if competitively appropriate. In addition, how quickly, and to what extent, normal economic and operating conditions can resume cannot be predicted, and the resumption of normal business operations may be delayed or constrained by lingering effects of the COVID-19 pandemic on us or our suppliers, third-party service providers, and/or customers.

Thirteen Weeks Ended August 1, 2021 Compared to Thirteen Weeks Ended August 2, 2020

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

	Thirteen Weeks Ended August 1, 2021		Thirteen Weeks Ended August 2, 2020	
Food and beverage revenues	$ 123,006	32.6%	$ 17,002	33.4%
Amusement and other revenues	254,632	67.4	33,831	66.6
Total revenues	377,638	100.0	50,833	100.0
Cost of food and beverage (as a percentage of food and beverage revenues)	33,127	26.9	4,659	27.4
Cost of amusement and other (as a percentage of amusement and other revenues)	24,584	9.7	4,025	11.9
Total cost of products	57,711	15.3	8,684	17.1
Operating payroll and benefits	80,623	21.3	13,756	27.1
Other store operating expenses	105,116	27.9	62,682	123.2
General and administrative expenses	18,470	4.9	9,278	18.3
Depreciation and amortization expense	34,875	9.2	35,160	69.2
Pre-opening costs	1,676	0.4	2,388	4.7
Total operating costs	298,471	79.0	131,948	259.6
Operating income (loss)	79,167	21.0	(81,115)	(159.6)
Interest expense, net	13,728	3.7	8,163	16.0
Income (loss) before provision (benefit) for income taxes	65,439	17.3	(89,278)	(175.6)
Provision (benefit) for income taxes	12,669	3.3	(30,676)	(60.3)
Net income (loss)	$ 52,770	14.0%	$ (58,602)	(115.3)%
Change in comparable store sales [(1)]		690.8%		(87.0)%
Company-owned stores at end of period [(1)]		142		137
Comparable stores at end of period [(1)]		114		115

(1) As of the end of the second quarter of fiscal 2020, 84 of 137 total stores and 68 of 115 comparable stores were open and operating in limited capacity. Our comparable store count as of the end of the second quarter of fiscal 2020 includes a store in Houston, Texas that is near the end of its lease term, which the Company decided not to re-open.

Reconciliations of Non-GAAP Financial Measures

Adjusted EBITDA

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

	Thirteen Weeks Ended August 1, 2021		Thirteen Weeks Ended August 2, 2020	
Net income (loss)	$ 52,770	14.0%	$(58,602)	-115.3%
Interest expense, net	13,728		8,163	
Provision (benefit) for income taxes	12,669		(30,676)	
Depreciation and amortization expense	34,875		35,160	
EBITDA	114,042	30.2%	(45,955)	-90.4%
Loss on asset disposal	112		264	
Impairment of long-lived assets and lease termination costs	—		2,178	
Share-based compensation	3,187		2,734	
Pre-opening costs	1,676		2,388	
Other costs (1)	135		(88)	
Adjusted EBITDA	$ 119,152	31.6%	$(38,479)	-75.7%

(1) Primarily represents costs related to currency transaction (gains) or losses.

Store Operating Income Before Depreciation and Amortization

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

	Thirteen Weeks Ended August 1, 2021		Thirteen Weeks Ended August 2, 2020	
Operating income (loss)	$ 79,167	21.0%	$(81,115)	-159.6%
General and administrative expenses	18,470		9,278	
Depreciation and amortization expense	34,875		35,160	
Pre-opening costs	1,676		2,388	
Store Operating Income Before Depreciation and Amortization	$ 134,188	35.5%	$(34,289)	-67.5%

Capital Additions

The table below reflects accrual-based capital additions. Capital additions do not include any reductions for accrual-based leasehold improvement incentives or proceeds from sale-leaseback transactions (collectively, “Payments from landlords”).

	Thirteen Weeks Ended August 1, 2021	Thirteen Weeks Ended August 2, 2020
New store and operating initiatives	$ 12,611	$ 1,921
Games	9,443	810
Maintenance capital	6,402	838
Total capital additions	$ 28,456	$ 3,569
Payments from landlords	$ 2,085	$ 4,014

Results of Operations

Revenues

In response to the COVID-19 outbreak, which was declared a global pandemic on March 11, 2020 and a National Public Health Emergency in the United States on March 13, 2020, the Company temporarily closed all of our stores by March 20, 2020. On April 30, 2020, our first store re-opened to the public, as state and local guidelines began to allow dining rooms and arcades to open with capacity and other restrictions, with two additional stores offering limited food and beverage for off-premises dining by the end of our first quarter of fiscal 2020. By the end of the second quarter of fiscal 2020, 84 of our 137 stores were open and operating with a combination of limited menus, reduced dining room seating, reduced games in the midway, reduced operating hours and other restrictions referred to as "limited operations". Of these 84 open stores, 68 were comparable stores. Between August 3, 2020 and August 1, 2021, we opened seven new stores (five in fiscal 2020 and two in fiscal 2021) and we permanently closed two stores at the end or near the end of their respective lease terms. As of August 1, 2021, all of the Company's 142 stores were open and operating, the majority of which having no operating restrictions.

Selected revenue and store data for the periods indicated are as follows:

	Thirteen Weeks Ended		
	August 1, 2021	August 2, 2020	Change
Total revenues	$ 377,638	$ 50,833	$ 326,805
Total store operating weeks	1,817	628	1,189
Comparable store revenues	$ 317,882	$ 40,199	$ 277,683
Comparable store operating weeks	1,458	493	965
Noncomparable store revenues	$ 67,288	10,437	$ 56,851
Noncomparable store operating weeks	359	135	224
Other revenues and deferrals	$ (7,532)	$ 197	$ (7,729)

Total revenues increased $326,805, or 642.9%, to $377,638 in the second quarter of fiscal 2021 compared to total revenues of $50,833 in the second quarter of fiscal 2020. The increase in revenue is attributable primarily to more store operating weeks in the second quarter of fiscal 2021 compared to the prior year as a result of temporary store closures during the second quarter of fiscal 2020, as a result of the COVID-19 pandemic. For the thirteen weeks ended August 1, 2021, we derived 22.4% of our total revenue from food sales, 10.2% from beverage sales, 67.2% from amusement sales and 0.2% from other sources. For the thirteen weeks ended August 2, 2020, we derived 22.2% of our total revenue from food sales, 11.2% from beverage sales, 66.6% from amusement sales and less than 0.1% from other sources. The shift in mix from food and beverage sales to amusement sales of 59 basis points is due, in part, to reduced special events, less discounting of amusements, and greater capacity restrictions in our dining area due to the impacts of the COVID-19 pandemic.

Comparable store revenue increased $277,683 or 690.8%, in the second quarter of fiscal 2021 compared to the second quarter of fiscal 2020, due primarily to an 195.7% increase in comparable store operating weeks. Comparable store sales and comparable store weeks in the second quarter of fiscal 2021 were approximately 103.6% and 98.4%, respectively, of the levels achieved pre-pandemic during the second quarter of fiscal 2019. Our individual comparable stores generally experienced gradual increases in weekly sales performance as operating weeks increased. Individual store performance after re-opening was also impacted by changes in local operating restrictions and consumer reactions to changes in local COVID-19 infection rates.

Food sales at comparable stores increased by $60,957, or 678.6%, to $69,940 in the second quarter of fiscal 2021 from $8,983 in the second quarter of fiscal 2020. Beverage sales at comparable stores increased by $28,006, or 602.2%, to $32,657 in the second quarter of fiscal 2021 from $4,651 in the 2020 comparison period. Comparable store amusement and other revenues in the second quarter of fiscal 2021 increased by $188,720, or 710.4%, to $215,285 from $26,565 in the comparable period of fiscal 2020.

Non-comparable store revenue increased $56,851 in the second quarter of fiscal 2021 compared to the second quarter of fiscal 2020, for the same reasons noted above, including 224 more store operating weeks.

Cost of products

The total cost of products was $57,711 for the second quarter of fiscal 2021 and $8,684 for the second quarter of fiscal 2020. The total cost of products as a percentage of total revenues decreased 180 basis points to 15.3% for the second quarter of fiscal 2021 compared to 17.1% for the second quarter of fiscal 2020.

Cost of food and beverage products increased to $33,127 compared to $4,659 for the second quarter of fiscal 2020. Cost of food and beverage products, as a percentage of food and beverage revenues, decreased 50 basis points to 26.9% for the second quarter of fiscal 2021 from 27.4% for the second quarter of fiscal 2020. The impact of year-over-year cost increases in food and beverage products and the absence of COVID-19 related vendor payment concessions in the same period of the prior year were partially offset by lower closure-related spoilage costs.

Cost of amusement and other increased to $24,584 in the second quarter of fiscal 2021 compared to $4,025 in the second quarter of fiscal 2020. The costs of amusement and other, as a percentage of amusement and other revenues, decreased 220 basis points to 9.7% for the second quarter of fiscal 2021 from 11.9% in the second quarter of fiscal 2020. This decrease was driven primarily by lower ticket redemption activity as a percent of tickets issued in the second quarter of fiscal 2021.

Operating payroll and benefits

Total operating payroll and benefits increased by $66,867, or 486.1%, to $80,623 in the second quarter of fiscal 2021 compared to $13,756 in the second quarter of fiscal 2020. Nearly all of our store workforce, with the exception of a small team of essential personnel, were furloughed in mid-March 2020. Hourly team members began to return as stores re-opened at reduced staffing levels. The total cost of operating payroll and benefits as a percentage of total revenues was 21.3% in the second quarter of fiscal 2021 compared to 27.1% in the second quarter of fiscal 2020. This decrease is primarily due to favorable leveraging on management labor and benefits and lower labor hours as a result of labor efficiency initiatives and hourly labor staffing shortages, partially offset by increases in the hourly wage rates and higher incentive compensation, including referral and retention incentives implemented during the second quarter of fiscal 2021.

Other store operating expenses

Other store operating expenses increased by $42,434, or 67.7%, to $105,116 in the second quarter of fiscal 2021 compared to $62,682 in the second quarter of fiscal 2020. The increase is primarily due to the impact of increased store weeks during the second quarter of fiscal 2021 on costs such as utilities, supplies, maintenance, and other services as well as a significant increase in marketing spend to align with the launch of its Summer of Games initiatives. Other store operating expense as a percentage of total revenues decreased to 27.9% in the second quarter of fiscal 2021 compared to 123.2% in the second quarter of fiscal 2020. This decrease was due primarily to favorable sales leveraging on occupancy costs and utilities and the absence of $1,178 in net charges for asset impairment and business interruption proceeds that were recorded in the second quarter of fiscal 2020.

General and administrative expenses

General and administrative expenses increased by $9,192, or 99.1%, to $18,470 in the second quarter of fiscal 2021 compared to $9,278 in the second quarter of fiscal 2020. The increase in general and administrative expenses was driven primarily by higher incentive compensation, professional fees, salaries and benefits, board fees, and officer insurance. During the second quarter of fiscal 2020, most of our corporate team members remained furloughed, with reduced pay and benefits for the remaining team members through the first seven weeks of the quarter, and board fees were suspended.

Depreciation and amortization expense

Depreciation and amortization expense decreased by $285 or 0.8%, to $34,875 in the second quarter of fiscal 2021 compared to $35,160 in the second quarter of fiscal 2020. Increased depreciation due to our 2021 and 2020 capital expenditures for new stores, operating initiatives, games and maintenance capital, was offset by other assets reaching the end of their depreciable lives.

Pre-opening costs

Pre-opening costs decreased by $712 to $1,676 in the second quarter of fiscal 2021 compared to $2,388 in the second quarter of fiscal 2020 due to a decrease in the number of planned new store openings after construction was reduced as a result of impacts of the COVID-19 pandemic which began during the first quarter of fiscal 2020.

Interest expense, net

Interest expense, net increased by $5,565 to $13,728 in the second quarter of fiscal 2021 compared to $8,163 in the second quarter of fiscal 2020 due primarily to an increase in the weighted average effective interest rate, offset slightly by a decrease in average outstanding debt.

Provision (benefit) for income taxes

The effective tax rate for the second quarter of fiscal 2021 was 19.4%, compared to a benefit of 34.4% for the second quarter of fiscal 2020. The current quarter tax provision includes higher excess tax benefits associated with share-based compensation while the prior quarter tax provision was a tax benefit primarily due to the impact of the pre-tax loss and the impact of the tax provisions within the CARES Act.

Twenty-Six Weeks Ended August 1, 2021 Compared to Twenty-Six Weeks Ended August 2, 2020

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

	Twenty-Six Weeks Ended August 1, 2021		Twenty-Six Weeks Ended August 2, 2020	
Food and beverage revenues	$208,764	32.5%	$ 80,922	38.4%
Amusement and other revenues	434,214	67.5	129,717	61.6
Total revenues	642,978	100.0	210,639	100.0
Cost of food and beverage (as a percentage of food and beverage revenues)	56,284	27.0	22,003	27.2
Cost of amusement and other (as a percentage of amusement and other revenues)	41,198	9.5	14,753	11.4
Total cost of products	97,482	15.2	36,756	17.4
Operating payroll and benefits	130,902	20.4	57,493	27.3
Other store operating expenses	189,561	29.4	158,354	75.3
General and administrative expenses	35,561	5.5	23,841	11.3
Depreciation and amortization expense	69,974	10.9	70,512	33.5
Pre-opening costs	3,335	0.5	6,211	2.9
Total operating costs	526,815	81.9	353,167	167.7
Operating income (loss)	116,163	18.1	(142,528)	(67.7)
Interest expense, net	28,548	4.5	14,278	6.7
Income (loss) before provision (benefit) for income taxes	87,615	13.6	(156,806)	(74.4)
Provision (benefit) for income taxes	15,210	2.3	(54,660)	(25.9)
Net income (loss)	$ 72,405	11.3%	$(102,146)	(48.5)%
Change in comparable store sales (1)		199.1%		(72.2)%
Company-owned stores at end of period (1)		142		137
Comparable stores at end of period (1)		114		115

(1) As of the end of the second quarter of fiscal 2020, 84 of 137 total stores and 68 of 115 comparable stores were open and operating in limited capacity. Our comparable store count as of the end of the second quarter of fiscal 2020 includes a store in Houston, Texas that is near the end of its lease term, which the Company decided not to re-open.

Reconciliations of Non-GAAP Financial Measures

Adjusted EBITDA

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

	Twenty-Six Weeks Ended August 1, 2021		Twenty-Six Weeks Ended August 2, 2020	
Net income (loss)	$ 72,405	11.3%	$(102,146)	-48.5%
Interest expense, net	28,548		14,278	
Provision (benefit) for income taxes	15,210		(54,660)	
Depreciation and amortization expense	69,974		70,512	
EBITDA	186,137	28.9%	(72,016)	-34.2%
Loss on asset disposal	257		417	
Impairment of long-lived assets and lease termination costs	—		13,727	
Share-based compensation	6,158		2,345	
Pre-opening costs	3,335		6,211	
Other costs (1)	(30)		59	
Adjusted EBITDA	$195,857	30.5%	$ (49,257)	-23.4%

(1) Primarily represents costs related to currency transaction (gains) or losses.

Store Operating Income Before Depreciation and Amortization

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

	Twenty-Six Weeks Ended August 1, 2021		Twenty-Six Weeks Ended August 2, 2020	
Operating income (loss)	$116,163	18.1%	$(142,528)	-67.7%
General and administrative expenses	35,561		23,841	
Depreciation and amortization expense	69,974		70,512	
Pre-opening costs	3,335		6,211	
Store Operating Income Before Depreciation and Amortization	$225,033	35.0%	$ (41,964)	-19.9%

Capital Additions

The table below reflects accrual-based capital additions. Capital additions do not include any reductions for accrual-based leasehold improvement incentives or proceeds from sale-leaseback transactions (collectively, “Payments from landlords”).

	Twenty-Six Weeks Ended August 1, 2021	Twenty-Six Weeks Ended August 2, 2020
New store and operating initiatives	$ 19,756	$ 40,522
Games	12,614	8,718
Maintenance capital	8,290	1,780
Total capital additions	$ 40,660	$ 51,020
Payments from landlords	$ 2,085	$ 4,014

Results of Operations

Revenues

Selected revenue and store data for the periods indicated are as follows:

	Twenty-Six Weeks Ended		
	August 1, 2021	August 2, 2020	Change
Total revenues	$642,978	$210,639	$432,339
Total store operating weeks	3,450	1,461	1,989
Comparable store revenues	$534,827	$178,835	$355,992
Comparable store operating weeks	2,761	1,190	1,571
Noncomparable store revenues	$124,247	34,671	$ 89,576
Noncomparable store operating weeks	689	271	418
Other revenues and deferrals	$ (16,096)	$ (2,867)	$ (13,229)

Total revenues increased $432,339, or 205.3%, to $642,978 in the twenty-six weeks ended August 1, 2021 compared to total revenues of $210,639 in the comparable period of fiscal 2020. The increase in revenue is attributable primarily to more store operating weeks in the twenty-six weeks ended August 1, 2021 compared to the prior year which was impacted by more temporary store closures and store capacity limitations due to the COVID-19 pandemic. For the twenty-six weeks ended August 1, 2021, we derived 22.3% of our total revenue from food sales, 10.2% from beverage sales, 67.3% from amusement sales and 0.2% from other sources. For the twenty-six weeks ended August 2, 2020, we derived 25.3% of our total revenue from food sales, 13.1% from beverage sales, 61.1% from amusement sales and 0.5% from other sources. The shift in mix from food and beverage sales to amusement sales of 627 basis points is due, in part, to reduced special events, less discounting of amusements, and greater capacity restrictions in our dining area due to the impacts of the COVID-19 pandemic.

Comparable store revenue increased $355,992 or 199.1%, in the twenty-six weeks ended August 1, 2021 compared to the comparable period of fiscal 2020, due primarily to a 132.0% increase in comparable store operating weeks. Comparable store sales and comparable store weeks in the twenty-six weeks ended August 1, 2021 were approximately 83.3% and 93.2%, respectively, of the levels achieved pre-pandemic during the twenty-six weeks ended August 4, 2019. Our individual comparable stores generally experienced gradual increases in weekly sales performance as operating weeks increased. Individual store performance after re-opening was impacted by changes in local operating restrictions and consumer reactions to changes in local COVID-19 infection rates.

Food sales at comparable stores increased by $72,061, or 160.7%, to $116,896 in the twenty-six weeks ended August 1, 2021 from $44,835 in the comparable period of fiscal 2020. Beverage sales at comparable stores increased by $30,838, or 130.9%, to $54,389 in the twenty-six weeks ended August 1, 2021 from $23,551 in the 2020 comparison period. Comparable store amusement and other revenues in the twenty-six weeks ended August 1, 2021 increased by $253,093, or 229.1%, to $363,542 from $110,449 in the comparable twenty-six weeks of fiscal 2020.

Non-comparable store revenue increased $89,576 in the twenty-six weeks ended August 1, 2021 compared to the comparable period of fiscal 2020, for the same reasons noted above, including 418 more store operating weeks.

Cost of products

The total cost of products was $97,482 for the twenty-six weeks ended August 1, 2021 and $36,756 for the comparable period of fiscal 2020. The total cost of products as a percentage of total revenues decreased 220 basis points to 15.2% for the twenty-six weeks ended August 1, 2021 compared to 17.4% for the comparable period of fiscal 2020.

Cost of food and beverage products increased to $56,284 compared to $22,003 for the twenty-six weeks ended August 1, 2021. Cost of food and beverage products, as a percentage of food and beverage revenues, decreased 20 basis points to 27.0% for the twenty-six weeks ended August 1, 2021 from 27.2% for the comparable period of fiscal 2020. The impact of year-over-year cost increases in food and beverage products and the absence of COVID-19 related vendor payment concessions in the same period of the prior year were partially offset by lower closure-related spoilage costs.

Cost of amusement and other increased to $41,198 in the twenty-six weeks ended August 1, 2021 compared to $14,753 in the comparable period of fiscal 2020. The costs of amusement and other, as a percentage of amusement and other revenues, decreased 190 basis points to 9.5% for the twenty-six weeks ended August 1, 2021 from 11.4% in the comparable period of fiscal 2020. This decrease was driven primarily by lower ticket redemption activity as a percent of tickets issued in the twenty-six weeks ended August 1, 2021.

Operating payroll and benefits

Total operating payroll and benefits increased by $73,409, or 127.7%, to $130,902 in the twenty-six weeks ended August 1, 2021 compared to $57,493 in the twenty-six weeks ended August 2, 2020. Nearly all our store workforce, with the exception of a small team of essential personnel, were furloughed in mid-March 2020. Hourly team members began to return as stores re-opened at reduced staffing levels. The total cost of operating payroll and benefits as a percentage of total revenues was 20.4% in the twenty-six weeks ended August 1, 2021 compared to 27.3% in the twenty-six weeks ended August 2, 2020. This decrease is primarily due to favorable leveraging on management labor and benefits and lower labor hours as a result of labor efficiency initiatives and hourly labor staffing shortages, partially offset by increases in the hourly wage rates and higher incentive compensation, including referral and retention incentives implemented during the second quarter of fiscal 2021.

Other store operating expenses

Other store operating expenses increased by $31,207, or 19.7%, to $189,561 in the twenty-six weeks ended August 1, 2021 compared to $158,354 in the twenty-six weeks ended August 2, 2020. The increase is primarily due to the impact of increased store weeks during the twenty-six weeks ended August 1, 2021 on costs such as utilities, supplies, maintenance, and other services as well as a significant increase in marketing spend to align with the launch of its Summer of Games initiatives. These increases were offset somewhat by a $13,727 charge for impairment of long-lived assets and lease termination costs incurred during the twenty-six weeks ended August 2, 2020. Other store operating expense as a percentage of total revenues decreased to 29.4% in the twenty-six weeks ended August 1, 2021 compared to 75.3% in the twenty-six weeks ended August 2, 2020. This decrease was due primarily to favorable sales leveraging on occupancy costs and utilities and the absence of any impairment charges in fiscal 2021.

General and administrative expenses

General and administrative expenses increased by $11,720, or 49.2%, to $35,561 in the twenty-six weeks ended August 1, 2021 compared to $23,841 in the twenty-six weeks ended August 2, 2020. The increase in general and administrative expenses was driven primarily by higher incentive compensation, salaries and benefits, share-based compensation, board fees and officer insurance, offset somewhat by lower professional fees. During the first twenty-six weeks of fiscal 2020, most of our corporate team members were furloughed, with reduced pay and benefits for the remaining team members for a twelve-week period, and board fees were suspended. Share-based compensation was also lower during that same time period due to changes in performance stock unit expense.

Depreciation and amortization expense

Depreciation and amortization expense decreased by $538 or 0.8%, to $69,974 in the twenty-six weeks ended August 1, 2021 compared to $70,512 in the twenty-six weeks ended August 2, 2020. Increased depreciation due to our 2021 and 2020 capital expenditures for new stores, operating initiatives, games and maintenance capital, was offset by other assets reaching the end of their depreciable lives.

Pre-opening costs

Pre-opening costs decreased by $2,876 to $3,335 in the twenty-six weeks ended August 1, 2021 compared to $6,211 in the twenty-six weeks ended August 2, 2020 due to a decrease in the number of planned new store openings after construction was reduced as a result of impacts of the COVID-19 pandemic which began during the first quarter of fiscal 2020.

Interest expense, net

Interest expense, net increased by $14,270 to $28,548 in the twenty-six weeks ended August 1, 2021 compared to $14,278 in the twenty-six weeks ended August 2, 2020 due primarily to an increase in the weighted average effective interest rate, offset slightly by a decrease in average outstanding debt.

Provision (benefit) for income taxes

The effective tax rate for the twenty-six weeks ended August 1, 2021, was 17.4%, compared to a benefit of 34.9% for the twenty-six weeks ended August 2, 2020. The current year tax provision includes higher excess tax benefits associated with share-based compensation while the prior year was a tax benefit primarily due to the impact of the pre-tax loss and the impact of the tax provisions within the CARES Act.

Liquidity and Capital Resources

In response to the business disruption caused by the COVID-19 pandemic which began in the first quarter of fiscal 2020, the Company took the following actions to enable it to meet its obligations over the next twelve months:

- reduced expenses broadly and canceled or delayed all non-essential planned capital spending and halted or delayed planned store openings, except stores that commenced construction prior to the COVID-19 pandemic;
- indefinitely suspended cash dividends and allowed our share repurchase program to expire;
- sold shares of our common stock, generating gross proceeds of $185,600;
- negotiated two amendments with our lenders, resulting in an extension of the maturity date of our revolving credit facility to August 17, 2024 and relief from testing compliance with certain financial covenants until the last day of the fiscal quarter ending on May 1, 2022;
- issued $550,000 of senior secured notes, maturing November 1, 2025; and
- negotiated with our landlords, vendors, and other business partners to temporarily reduce our lease and contract payments and obtain other concessions. During fiscal 2020, a total of 126 initial rent relief agreements related to our operating locations and corporate headquarters were initially executed, which generally provide for full deferral for three months beginning April 2020, with partial deferral continuing for periods of up to six months, at approximately 50% of those locations. As the COVID-19 pandemic continued to impact our business into the fourth quarter, the Company renewed negotiations with the majority of these landlords in order to provide additional rent relief, generally seeking to push out or extend the terms of deferral pay back periods and/or provide rent relief beyond the periods in the initial agreements. As of the end of the second quarter of fiscal 2021, the Company had executed 97 of these additional rent relief agreements.

Although uncertainty persists surrounding COVID-19, particularly as a result of a new Delta variant of COVID-19, including the potential that a resurgence of COVID-19 cases may continue, how long such a resurgence may last, how severe it may be, and what safety measures governments may impose in response to it, as well as how quickly customers will return to our stores, the Company has taken measures to provide sufficient liquidity to meet estimated cash flow needs and covenant compliance obligations for at least the next twelve months. All the Company’s stores were open and operating as of the end of the second quarter of fiscal 2021, and as of August 1, 2021, the Company had cash and cash equivalents of $107,801. We expect to spend between $95,000 and $100,000, net of payments from landlords in capital additions during fiscal 2021. On an ongoing basis, we will continue to pursue long-term operating efficiencies and other cost savings initiatives.

The Company is also taking measures to strengthen its financial position. Subsequent to the end of our second quarter, the Company notified the trustee of the Notes that it intends to redeem $55,000 outstanding principal amount of the Notes. The redemption is expected to take place prior to the end of the Company’s third quarter which ends on October 31, 2021. In connection with the early redemption of the Notes, the Company will pay a prepayment premium of $1,650, plus accrued and unpaid interest to the date of redemption, pursuant to the terms of the indenture governing the Notes. The early redemption is expected to save approximately $17,000 of net cash interest over the remaining life of the Notes.

Debt and Derivatives

Effective April 14, 2020, we amended our existing credit facility, to provide relief from compliance with financial covenants through the third quarter of fiscal 2020. The interest rate spread increased to 2.00% plus a LIBOR floor of 1.00%.

On October 27, 2020, the Company issued $550,000 aggregate principal amount of 7.625% senior secured notes (the “Notes”). Interest on the Notes accrues from October 27, 2020 and is payable in arrears on November 1 and May 1 of each year, commencing on May 1, 2021. The Notes mature on November 1, 2025, unless earlier redeemed, and are subject to the terms and conditions set forth in the related indenture. Prior to November 1, 2022, but not more than once during any twelve-month period commencing with the issue date of the Notes, the Company may redeem up to 10% of the original principal amount of the Notes at a redemption price of 103% of the principal amount, plus accrued and unpaid interest, at the redemption date. After November 1, 2022, the Company may redeem the Notes, in whole or in part, at certain specified redemption prices, plus accrued and unpaid interest, at the redemption date. The Notes were issued by Dave & Buster’s, Inc. and are unconditionally guaranteed by Dave & Buster’s Holdings, Inc. and certain of Dave & Buster’s, Inc. existing and future wholly owned material domestic subsidiaries, which is substantially the same as the guarantors of the Company’s existing credit facility.

Concurrent and subject to the issuance of the Notes, the Company entered into a second amendment to its existing credit facility, which included relief from testing compliance with certain financial covenants until the last day of the fiscal quarter ending on May 1, 2022. During the financial covenant suspension period the Company is required to maintain a minimum liquidity (primarily availability under the credit facility) of $150,000. The second amendment extended the maturity date of the $500,000 revolving portion of the facility from August 17, 2022 to August 17, 2024, increased the interest rate spread to 4.00% during the financial covenant suspension period, and instituted a 1.00% utilization fee during that same time period. The utilization fee is due at maturity. The financial covenant suspension period may end earlier, at the Company's election, if certain predetermined financial covenant ratios are achieved. After the financial covenant suspension period, the interest rate spread ranges from 1.25% to 3.00%. The second amendment terminated the term loan portion of the credit facility, which triggered payment of $1,900 of lender debt costs associated with the first amendment.

The Company used the proceeds of the Notes offering, along with cash on hand, to repay the $255,000 principal balance of the term loan facility, $463,000 of borrowings under the revolving credit facility, and related accrued interest. The Company incurred debt issuance costs of $18,300, which are being amortized over the terms of the respective Notes and revolving credit facility. The Company also recorded a loss of $904 related to the unamortized debt costs associated with the term portion of the credit facility.

For the twenty-six weeks ended August 1, 2021 and August 2, 2020, the Company's weighted average interest rate on outstanding borrowings was 10.17% and 3.98%, respectively. The rate has increased due to the issuance of the Notes and the second amendment to the credit facility. As of August 1, 2021, we had letters of credit outstanding of $10,486 and an unused commitment balance of $489,514 under the revolving credit facility.

Our credit facility and Notes 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.

During fiscal 2019, we entered into interest rate swap agreements to manage our exposure to fluctuations in interest rates on our variable rate credit facility. Our swap agreements with our derivative counterparties contain a provision where if the Company defaults on any of its indebtedness and repayment of the indebtedness has been accelerated, the Company could also be declared in default on its derivative obligations. Refer to Note 1 of the Consolidated Financial Statements for further discussion of our swap agreements, which were de-designated as hedges effective April 14, 2020, the date of the first amendment to our credit facility.

Dividends and Share Repurchases

As a result of the impacts to our business arising from the COVID-19 pandemic, dividend payments have been indefinitely suspended, and the previously established share repurchase program was allowed to expire at the end of fiscal 2020.

Cash Flow Summary

As of August 1, 2021, the Company had cash and cash equivalents of $107,801.

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, employee compensation, operations, and occupancy 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 $211,592 in the twenty-six weeks ended August 1, 2021 compared to the twenty-six weeks ended August 2, 2020 driven primarily by the impact of approximately 1,989 more store weeks.

Investing Activities — Cash flow from investing activities primarily reflects capital expenditures.

During the twenty-six weeks ended August 1, 2021, the Company spent approximately $18,900 for new store construction and operating improvement initiatives ($16,800 net of payments from landlords), $11,000 for game refreshment and $8,000 for maintenance capital.

During the twenty-six weeks ended August 2, 2020, the Company spent approximately $48,800 for new store construction and operating improvement initiatives ($44,800 net of payments from landlords), $8,600 for game refreshment and $6,100 for maintenance capital.

Financing Activities — During the twenty-six weeks ended August 1, 2021, the Company had net repayments of $60,000 of its revolving credit facility. During the twenty-six weeks ended August 2, 2020, the Company received $99,500 of net proceeds from borrowings of debt and approximately $182,200 of net proceeds from the issuance of shares of our common stock.

Contractual Obligations and Commitments

There have been no material changes outside the ordinary course of business to our contractual obligations since January 31, 2021, as reported on Form10-K filed with the SEC on March 31, 2021.

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 filed with the SEC on March 31, 2021.

Recent accounting pronouncements

Refer to Note 1 to the Unaudited 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 and beverage product prices. 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. At this time, we do not use financial instruments to hedge our commodity risk.

Interest Rate Risk

Our variable rate indebtedness under our $500,000 revolving credit facility is based on one-month LIBOR, with a LIBOR floor of 1.00%. Our interest rate swap agreements, with a combined notional amount of $350,000, convert one-month LIBOR to a fixed interest rate of approximately 2.47% through August 17, 2022. As of August 1, 2021, one-month LIBOR is below 1.00%.

Inflation

The primary inflationary factors affecting our operations are food, amusement offerings, labor costs, and energy costs. Many of our leases require us to pay taxes, maintenance, repairs, insurance, and utilities, all of which are generally subject to inflationary increases. Finally, the cost of constructing our stores is subject to inflationary increases in the costs of labor and material.

A large portion of our hourly employees are paid wage rates at or based on the applicable federal, state or city minimum wage and increases in the minimum wage will increase our labor costs. Several states and local jurisdictions in which we operate have enacted legislation to increase the minimum wage and/or minimum tipped wage rates by varying amounts, with more planned increases in the future.

In general, we have been able to partially offset cost increases resulting from inflation by increasing prices of food and amusement offerings, improving productivity, or other operating changes. We may or may not be able to offset cost increases in the future.

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 in our internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during our second quarter ended August 1, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes in the risk factors previously disclosed in our Annual Report as filed on Form 10-K on March 31, 2021.

Item 2. Unregistered Sales of Equity Securities

There were no repurchases of our common stock under our share repurchase plan during the thirteen weeks ended August 1, 2021.

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Item 6. Exhibits

Exhibit Number	Description
31.1*	Certification of Brian A. Jenkins, 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 Scott J. Bowman, 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 Brian A. Jenkins, 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 Scott J. Bowman, 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	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	XBRL Inline Taxonomy Extension Schema Document.
101.CAL	XBRL Inline Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Inline Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Inline Taxonomy Extension Label Linkbase Document.
101.PRE	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: September 9, 2021

By: /s/ Brian A. Jenkins
Brian A. Jenkins
Chief Executive Officer

Date: September 9, 2021

By: /s/ Scott J. Bowman
Scott J. Bowman
Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Brian A. Jenkins, Chief Executive Officer of Dave & Buster’s Entertainment, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dave & Buster’s Entertainment, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: September 9, 2021

/s/ Brian A. Jenkins
Brian A. Jenkins
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Scott J. Bowman, Chief Financial Officer of Dave & Buster’s Entertainment, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Dave & Buster’s Entertainment, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: September 9, 2021

/s/ Scott J. Bowman
Scott J. Bowman
Chief Financial Officer

Exhibit 32.1

CERTIFICATION

In connection with the Quarterly Report of Dave & Buster’s Entertainment, Inc. (the “Company”) on Form 10-Q for the period ended August 1, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brian A. Jenkins, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the applicable requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 9, 2021

/s/ Brian A. Jenkins
Brian A. Jenkins
Chief Executive Officer

Exhibit 32.2

CERTIFICATION

In connection with the Quarterly Report of Dave & Buster's Entertainment, Inc. (the "Company") on Form 10-Q for the period ended August 1, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott J. Bowman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

(1) The Report fully complies with the applicable requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 9, 2021

/s/ Scott J. Bowman
Scott J. Bowman
Chief Financial Officer