



## Dave & Buster's Achieves 6.1% Revenue Growth in Third Quarter

### *Successfully Executing Near-Term Priorities to Drive Growth*

DALLAS, December 10, 2019 (GLOBE NEWSWIRE) – Dave & Buster's Entertainment, Inc., (NASDAQ:[PLAY](#)), ("Dave & Buster's" or "the Company"), an owner and operator of entertainment and dining venues, today announced financial results for its third quarter 2019, which ended on November 3, 2019.

#### **Key Highlights (all comparisons to third quarter 2018)**

- Total revenues increased 6.1% to \$299.4 million from \$282.1 million
- Number of stores increased 13.6% to 134 from 118
- Comparable store sales decreased 4.1%
- Net income totaled \$0.5 million, or \$0.02 per diluted share, vs. net income of \$11.9 million, or \$0.30 per diluted share.
  - Third quarter 2019 net income was negatively affected by pre-tax charges totaling \$3.3 million (\$2.6 million, net of tax, or \$0.08 per diluted share) related to on-going litigation and corporate restructuring. Third quarter 2018 net income benefited from a \$2.3 million pre-tax insurance recovery (\$1.4 million net of tax, or \$0.03 per diluted share).
- EBITDA decreased 13.5% to \$39.8 million from \$46.0 million.
  - Both third quarter 2019 and third quarter 2018 EBITDA were affected by pre-tax items described above. Excluding these impacts from the respective third quarter measures, EBITDA in the third quarter of 2019 declined by \$0.6 million or 1.4% to \$43.2 million from \$43.8 million.
- Repurchased 2.4 million shares for approximately \$97 million and increased quarterly cash dividend by 7% to \$0.16 per share
- Fiscal 2019 guidance updated

"We delivered 6% revenue growth in the third quarter driven by strong new store performance, and are encouraged by our progress advancing our near-term priorities to drive improved performance and sustainable shareholder value," said Brian Jenkins, Chief Executive Officer. "We are successfully executing our plan to drive growth and position the company for long-term success despite comp sales headwinds from increased competition. We will continue to manage the pace of new store growth to maximize returns and focus on advancing our store revitalization efforts."

#### **Third Quarter Results**

**(All comparisons are between third quarter 2019 and third quarter 2018, unless otherwise noted)**

Total revenues increased 6.1% to \$299.4 million from \$282.1 million, driven by a 7.0% increase in Amusements and Other revenue and a 4.9% increase in Food and Beverage revenue. Amusement and Other revenue increased 50 basis points as a percentage of total revenue to 58.4%.

Comparable store sales decreased 4.1%, driven by a 4.6% decline in walk-in sales, partially offset by a 0.7% increase in special events sales. Comparable store sales decreased 3.9% in Amusements & Other and 4.4% in Food & Beverage. Third quarter 2018 comparable store sales decreased 1.3%. Non-comparable store revenue totaled \$75.4 million, an increase of \$26.2 million, or 53.3%.

Operating income decreased 58.0% to \$6.5 million, or 2.2% of revenues, compared with \$15.5 million, or 5.5% of revenues.

Net income totaled \$0.5 million, or \$0.02 per diluted share (31.5 million diluted share base) compared with \$11.9 million, or \$0.30 per diluted share (39.9 million diluted share base).

EBITDA decreased 13.5% to \$39.8 million, or 13.3% of revenues, compared with \$46.0 million, or 16.3% of revenues.

Adjusted EBITDA decreased 12.1% to \$46.3 million, or 15.5% of revenues, compared with \$52.7 million, or 18.7% of revenues.

Store operating income before depreciation and amortization decreased 8.4% to \$60.3 million, or 20.1% of revenues, compared with \$65.8 million, or 23.3% of revenues.

### **New Store Development**

The Company is on track to open 16 new locations in fiscal 2019, representing unit growth of approximately 12% (net of one first quarter closing). These store openings include 11 large and 5 small format locations and are split between new and existing markets for the Dave & Buster's brand. The Board and management team remain open-minded about the pace of new unit growth in 2021 and beyond and will continue to monitor progress, consistent with the Company's focus on maximizing returns for investors.

During the third quarter of 2019, the Company opened four new stores: Concord, California; Huntsville, Alabama; McDonough, Georgia; and Wichita, Kansas. During the fourth quarter, the Company has already opened a store in Canton, Ohio and has one more store scheduled to open in Shenandoah, Texas later in the fiscal fourth quarter.

### **Capital Allocation**

During the third quarter of 2019, the Company repurchased 2.4 million shares for approximately \$97 million and at quarter-end had approximately \$173 million remaining under the current \$800 million authorization. The Company declared a quarterly cash dividend of \$0.16 per share during the third quarter. Returning capital to shareholders will continue to be an important component of the company's capital allocation plans in 2020 and beyond.

### **Financial Outlook**

The Company is updating its fiscal 2019 guidance as follows:

- Total revenues of \$1.347 billion to \$1.354 billion (vs. \$1.338 billion to \$1.359 billion)
- Comparable store sales of -3.0% to -2.5% (vs. -3.5% to -2.0%)
- 16 new stores (vs. 15-16 new stores)
- Net income of \$94 million to \$98 million (vs. \$91 million to \$100 million)
- Effective tax rate of 21.5% to 22.0% (vs. 22.0% to 22.5%) and diluted share count of approximately 34.0 million (unchanged)
- EBITDA of \$275 million to \$280 million (vs. \$272 million to \$282 million)
- Total capital additions (net of tenant improvement allowances and other landlord payments) of \$215 million to \$220 million (vs. \$200 million to \$210 million)

### **Investor Conference Call and Webcast**

Management will hold a conference call today at 4:00 p.m. Central Time (5:00 p.m. Eastern Time) to discuss these results and updated guidance. The conference call can be accessed over the phone by dialing (323) 794-2093 or toll-free (800) 458-4121. A replay will be available after the call for one year beginning at 7:00 p.m. Central Time (8:00 p.m. Eastern Time) and can be accessed by dialing (412) 317-6671 or toll-free (844) 512-2921; the passcode is 1233569.

Additionally, a live and archived webcast of the conference call will be available at [www.daveandbusters.com](http://www.daveandbusters.com) under the Investor Relations section.

### **About Dave & Buster's Entertainment, Inc.**

Founded in 1982 and headquartered in Dallas, Texas, Dave & Buster's Entertainment, Inc., is the owner and operator of 135 venues in North America (as of December 10, 2019) that combine entertainment and dining and offer customers the opportunity to "Eat Drink Play and Watch," all in one location. Dave & Buster's offers a full menu of entrées and appetizers, a complete selection of alcoholic and non-alcoholic beverages, and an extensive assortment of entertainment attractions centered around playing games and watching live sports and other televised events. Dave & Buster's currently has stores in 39 states, Puerto Rico, and Canada.

### **Forward-Looking Statements**

The statements contained in this release that are not historical facts are forward-looking statements. These forward-looking statements involve risks and uncertainties and, consequently, could be affected by our level of indebtedness, general business and economic conditions, the impact of competition, the seasonality of the Company's business, adverse weather conditions, future commodity prices, guest and employee complaints and litigation, fuel and utility costs, labor costs and availability, changes in consumer and corporate spending, changes in demographic trends, changes in governmental regulations, unfavorable publicity, our ability to open new stores, and acts of God. Accordingly, actual results may differ materially from the forward-looking statements, and the Company therefore cautions you against relying on such forward-looking statements. Dave & Buster's intends these forward-looking statements to speak only as of the time of this release and does not undertake to update or revise them as more appropriate information becomes available, except as required by law.

### **\*Non-GAAP Measures**

To supplement its consolidated financial statements, which are prepared and presented in accordance with GAAP, the Company uses the following non-GAAP financial measures: EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Store operating income before depreciation and amortization, and store operating income before depreciation and amortization margin (collectively the "non-GAAP financial measures"). The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. The Company uses these non-GAAP financial measures for financial and operational decision making and as a means to evaluate period-to-period comparisons. The Company believes that they provide useful information about operating results, enhance the overall understanding of our operating performance and future prospects, and allow for greater transparency with respect to key metrics used by management in its financial and operational decision making. The non-GAAP measures used by the Company in this press release may be different from the measures used by other companies.

**DAVE & BUSTER'S ENTERTAINMENT, INC.**  
**Condensed Consolidated Balance Sheets**  
**(in thousands)**

| <b>ASSETS</b>                                   | <b><u>November 3, 2019</u></b><br>(unaudited) | <b><u>February 3, 2019</u></b><br>(audited) |
|---|---|---|
| Current assets:                                 |   |   |
| Cash and cash equivalents .....                 | \$ 20,880                                     | \$ 21,585                                   |
| Other current assets .....                      | 50,729  | 69,508                                      |
| Total current assets .....                      | 71,609  | 91,093                                      |
| Property and equipment, net.....                | 878,203                                       | 805,337                                     |
| Operating lease right of use assets .....       | 967,697                                       | -   |
| Intangible and other assets, net.....           | 380,678                                       | 376,757                                     |
| Total assets .....                              | <u>\$ 2,298,187</u>                           | <u>\$ 1,273,187</u>                         |
| <br><b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |   |   |
| Total current liabilities .....                 | \$ 281,383                                    | \$ 244,390                                  |
| Operating lease liabilities .....               | 1,174,772                                     | -   |
| Other long-term liabilities .....               | 53,527  | 262,491                                     |
| Long-term debt, net .....                       | 640,384                                       | 378,469                                     |
| Stockholders' equity.....                       | 148,121                                       | 387,837                                     |
| Total liabilities and stockholders' equity..... | <u>\$ 2,298,187</u>                           | <u>\$ 1,273,187</u>                         |

**DAVE & BUSTER'S ENTERTAINMENT, INC.**  
**Consolidated Statements of Operations (Unaudited)**  
(in thousands, except share and per share amounts)

|   | <u>13 Weeks Ended</u><br><u>November 3, 2019</u> |             | <u>13 Weeks Ended</u><br><u>November 4, 2018</u> |             |
|---|--|-------------|--|-------------|
| Food and beverage revenues .....  | \$ 124,637                                       | 41.6%       | \$ 118,807                                       | 42.1%       |
| Amusement and other revenues .....  | 174,715  | 58.4%       | 163,332  | 57.9%       |
| Total revenues .....  | 299,352  | 100.0%      | 282,139  | 100.0%      |
| Cost of food and beverage (as a percentage of food and beverage revenues) .....     | 33,384   | 26.8%       | 31,163   | 26.2%       |
| Cost of amusement and other (as a percentage of amusement and other revenues) ..... | 18,796   | 10.8%       | 17,571   | 10.8%       |
| Total cost of products .....  | 52,180   | 17.4%       | 48,734   | 17.3%       |
| Operating payroll and benefits .....  | 76,165   | 25.4%       | 71,309   | 25.3%       |
| Other store operating expenses .....  | 110,713  | 37.1%       | 96,267   | 34.1%       |
| General and administrative expenses .....   | 16,210   | 5.4%        | 15,043   | 5.3%        |
| Depreciation and amortization expense .....   | 33,340   | 11.1%       | 30,574   | 10.8%       |
| Pre-opening costs .....   | 4,245  | 1.4%        | 4,740  | 1.7%        |
| Total operating costs .....   | 292,853  | 97.8%       | 266,667  | 94.5%       |
| Operating income .....  | 6,499  | 2.2%        | 15,472   | 5.5%        |
| Interest expense, net .....   | 6,110  | 2.1%        | 3,321  | 1.2%        |
| Income before provision (benefit) for income taxes .....                            | 389  | 0.1%        | 12,151   | 4.3%        |
| Provision (benefit) for income taxes .....  | (93)   | -0.1%       | 295  | 0.1%        |
| Net income .....  | <u>\$ 482</u>                                    | <u>0.2%</u> | <u>\$ 11,856</u>                                 | <u>4.2%</u> |
| Net income per share:   |  |             |  |             |
| Basic .....   | \$ 0.02  |             | \$ 0.30  |             |
| Diluted .....   | \$ 0.02  |             | \$ 0.30  |             |
| Weighted average shares used in per share calculations:                             |  |             |  |             |
| Basic shares .....  | 30,980,878                                       |             | 38,892,288                                       |             |
| Diluted shares .....  | 31,515,454                                       |             | 39,855,648                                       |             |
| Other information:  |  |             |  |             |
| Company-owned and operated stores open at end of period .....                       | 134  |             | 118  |             |

The following table sets forth a reconciliation of net income to EBITDA and Adjusted EBITDA for the periods shown:

|  | <b>13 Weeks Ended</b>   |       | <b>13 Weeks Ended</b>   |       |
|--|-------------------------|-------|-------------------------|-------|
|  | <b>November 3, 2019</b> |       | <b>November 4, 2018</b> |       |
| Net income .....                           | \$ 482                  | 0.2%  | \$ 11,856               | 4.2%  |
| Add back: Interest expense, net.....       | 6,110                   |       | 3,321                   |       |
| Provision (benefit) for income taxes.....  | (93)                    |       | 295                     |       |
| Depreciation and amortization expense..... | 33,340                  |       | 30,574                  |       |
| EBITDA.....                                | 39,839                  | 13.3% | 46,046                  | 16.3% |
| Add back: Loss on asset disposal.....      | 458                     |       | 120                     |       |
| Share-based compensation.....              | 1,747                   |       | 1,757                   |       |
| Pre-opening costs.....                     | 4,245                   |       | 4,740                   |       |
| Other costs.....                           | 1                       |       | 6                       |       |
| Adjusted EBITDA .....                      | <u>\$ 46,290</u>        | 15.5% | <u>\$ 52,669</u>        | 18.7% |

The following table sets forth a reconciliation of operating income to store operating income before depreciation and amortization for the periods shown:

|   | <b>13 Weeks Ended</b>   |       | <b>13 Weeks Ended</b>   |       |
|---|-------------------------|-------|-------------------------|-------|
|   | <b>November 3, 2019</b> |       | <b>November 4, 2018</b> |       |
| Operating income.....   | \$ 6,499                | 2.2%  | \$ 15,472               | 5.5%  |
| Add back: General and administrative expenses.....              | 16,210                  |       | 15,043                  |       |
| Depreciation and amortization expense.....                      | 33,340                  |       | 30,574                  |       |
| Pre-opening costs .....   | 4,245                   |       | 4,740                   |       |
| Store operating income before depreciation and amortization ... | <u>\$ 60,294</u>        | 20.1% | <u>\$ 65,829</u>        | 23.3% |

**DAVE & BUSTER'S ENTERTAINMENT, INC.**  
**Consolidated Statements of Operations (Unaudited)**  
(in thousands, except share and per share amounts)

|   | <b>39 Weeks Ended</b>   |        | <b>39 Weeks Ended</b>   |        |
|---|-------------------------|--------|-------------------------|--------|
|   | <b>November 3, 2019</b> |        | <b>November 4, 2018</b> |        |
| Food and beverage revenues .....  | \$ 410,779              | 40.8%  | \$ 388,804              | 41.6%  |
| Amusement and other revenues .....  | 596,754                 | 59.2%  | 544,713                 | 58.4%  |
| Total revenues .....  | 1,007,533               | 100.0% | 933,517                 | 100.0% |
| Cost of food and beverage (as a percentage of food and beverage revenues) .....     | 109,072                 | 26.6%  | 101,181                 | 26.0%  |
| Cost of amusement and other (as a percentage of amusement and other revenues) ..... | 64,456                  | 10.8%  | 60,248                  | 11.1%  |
| Total cost of products .....  | 173,528                 | 17.2%  | 161,429                 | 17.3%  |
| Operating payroll and benefits .....  | 239,965                 | 23.8%  | 217,939                 | 23.3%  |
| Other store operating expenses .....  | 321,334                 | 31.9%  | 284,432                 | 30.5%  |
| General and administrative expenses .....   | 49,047                  | 4.9%   | 45,461                  | 4.9%   |
| Depreciation and amortization expense .....   | 97,226                  | 9.6%   | 87,129                  | 9.3%   |
| Pre-opening costs .....   | 15,970                  | 1.6%   | 17,121                  | 1.8%   |
| Total operating costs .....   | 897,070                 | 89.0%  | 813,511                 | 87.1%  |
| Operating income .....  | 110,463                 | 11.0%  | 120,006                 | 12.9%  |
| Interest expense, net .....   | 14,771                  | 1.5%   | 9,406                   | 1.1%   |
| Income before provision for income taxes .....                                      | 95,692                  | 9.5%   | 110,600                 | 11.8%  |
| Provision for income taxes .....  | 20,411                  | 2.0%   | 22,815                  | 2.4%   |
| Net income .....  | \$ 75,281               | 7.5%   | \$ 87,785               | 9.4%   |
| Net income per share:   |                         |        |                         |        |
| Basic .....   | \$ 2.19                 |        | \$ 2.23                 |        |
| Diluted .....   | \$ 2.15                 |        | \$ 2.18                 |        |
| Weighted average shares used in per share calculations:                             |                         |        |                         |        |
| Basic shares .....  | 34,405,503              |        | 39,314,271              |        |
| Diluted shares .....  | 35,042,311              |        | 40,257,231              |        |
| Other information:  |                         |        |                         |        |
| Company-owned and operated stores open at end of period .....                       | 134                     |        | 118                     |        |

The following table sets forth a reconciliation of net income to EBITDA and Adjusted EBITDA for the periods shown:

|  | <b>39 Weeks Ended</b>   |       | <b>39 Weeks Ended</b>   |       |
|--|-------------------------|-------|-------------------------|-------|
|  | <b>November 3, 2019</b> |       | <b>November 4, 2018</b> |       |
| Net income .....                           | \$ 75,281               | 7.5%  | \$ 87,785               | 9.4%  |
| Add back: Interest expense, net.....       | 14,771                  |       | 9,406                   |       |
| Provision for income taxes.....            | 20,411                  |       | 22,815                  |       |
| Depreciation and amortization expense..... | 97,226                  |       | 87,129                  |       |
| EBITDA.....                                | 207,689                 | 20.6% | 207,135                 | 22.2% |
| Add back: Loss on asset disposal.....      | 1,284                   |       | 813                     |       |
| Share-based compensation.....              | 5,479                   |       | 5,771                   |       |
| Pre-opening costs.....                     | 15,970                  |       | 17,121                  |       |
| Other costs.....                           | 34                      |       | 127                     |       |
| Adjusted EBITDA.....                       | <u>\$ 230,456</u>       | 22.9% | <u>\$ 230,967</u>       | 24.7% |

The following table sets forth a reconciliation of operating income to store operating income before depreciation and amortization for the periods shown:

|  | <b>39 Weeks Ended</b>   |       | <b>39 Weeks Ended</b>   |       |
|--|-------------------------|-------|-------------------------|-------|
|  | <b>November 3, 2019</b> |       | <b>November 4, 2018</b> |       |
| Operating income.....  | \$ 110,463              | 11.0% | \$ 120,006              | 12.9% |
| Add back: General and administrative expenses.....             | 49,047                  |       | 45,461                  |       |
| Depreciation and amortization expense.....                     | 97,226                  |       | 87,129                  |       |
| Pre-opening costs .....  | 15,970                  |       | 17,121                  |       |
| Store operating income before depreciation and amortization... | <u>\$ 272,706</u>       | 27.1% | <u>\$ 269,717</u>       | 28.9% |

For Investor Relations Inquiries:

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