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 May 2, 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 June 4, 2021, the registrant had 48,157,786 shares of common stock, $0.01 par value per share, outstanding.

DAVE & BUSTER’S ENTERTAINMENT, INC.
FORM 10-Q FOR QUARTERLY PERIOD ENDED MAY 2, 2021
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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)

	May 2, 2021 (unaudited)	January 31, 2021 (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,154	$ 11,891
Inventories	22,812	23,807
Prepaid expenses	11,681	11,878
Income taxes receivable	55,224	70,064
Other current assets	1,572	1,231
Total current assets	111,443	118,871
Property and equipment (net of $832,079 and $798,804 accumulated depreciation as of May 2, 2021 and January 31, 2021, respectively)	792,296	815,027
Operating lease right of use assets	1,029,315	1,037,569
Deferred tax assets	7,451	5,874
Tradenames	79,000	79,000
Goodwill	272,552	272,597
Other assets and deferred charges	25,918	23,886
Total assets	$2,317,975	$ 2,352,824
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 39,418	$ 36,400
Accrued liabilities	238,511	234,790
Income taxes payable	1,291	446
Total current liabilities	279,220	271,636
Deferred income taxes	10,910	13,658
Operating lease liabilities	1,258,169	1,267,791
Other liabilities	53,932	50,119
Long-term debt, net	537,102	596,388
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $0.01; authorized: 400,000,000 shares; issued: 60,691,906 shares at May 2, 2021 and 60,488,833 shares at January 31, 2021; outstanding: 47,844,608 shares at May 2, 2021 and 47,646,606 shares at January 31, 2021	607	605
Preferred stock, 50,000,000 authorized; none issued	—	—
Paid-in capital	535,768	531,191
Treasury stock, 12,847,298 and 12,842,227 shares as of May 2, 2021 and January 31, 2021, respectively	(596,206)	(595,970)
Accumulated other comprehensive loss	(7,653)	(9,085)
Retained earnings	246,126	226,491
Total stockholders' equity	178,642	153,232
Total liabilities and stockholders' equity	$2,317,975	$ 2,352,824

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)

	Thirteen Weeks Ended May 2, 2021	Thirteen Weeks Ended May 3, 2020
Food and beverage revenues	$ 85,758	$ 63,920
Amusement and other revenues	179,582	95,886
Total revenues	265,340	159,806
Cost of food and beverage	23,157	17,344
Cost of amusement and other	16,614	10,728
Total cost of products	39,771	28,072
Operating payroll and benefits	50,279	43,737
Other store operating expenses	84,445	95,672
General and administrative expenses	17,091	14,563
Depreciation and amortization expense	35,099	35,352
Pre-opening costs	1,659	3,823
Total operating costs	228,344	221,219
Operating income (loss)	36,996	(61,413)
Interest expense, net	14,820	6,115
Income (loss) before provision (benefit) for income taxes	22,176	(67,528)
Provision (benefit) for income taxes	2,541	(23,984)
Net income (loss)	19,635	(43,544)
Unrealized foreign currency translation gain (loss)	61	(435)
Unrealized gain (loss) on derivatives, net of tax	1,371	(4,949)
Total other comprehensive income (loss)	1,432	(5,384)
Total comprehensive income (loss)	$ 21,067	$ (48,928)
Net income (loss) per share:		
Basic	$ 0.41	$ (1.37)
Diluted	$ 0.40	$ (1.37)
Weighted average shares used in per share calculations:		
Basic	47,695,705	31,829,985
Diluted	49,331,092	31,829,985

See accompanying notes to consolidated financial statements.

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

	Thirteen Weeks Ended May 2, 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	—	—		—	—	—	19,635	19,635
Unrealized foreign currency translation gain	—	—	—	—	—	61	—	61
Unrealized gain on derivatives, net of tax	—	—	—	—	—	1,371	—	1,371
Share-based compensation	—	—	2,971	—	—	—	—	2,971
Issuance of common stock	203,073	2	1,606	—	—	—	—	1,608
Repurchase of common stock	—	—	—	5,071	(236)	—	—	(236)
Balance May 2, 2021	60,691,906	$ 607	$ 535,768	12,847,298	$ (596,206)	$ (7,653)	$ 246,126	$ 178,642

	Thirteen Weeks Ended May 3, 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	—	—	—	—	—	—	(43,544)	(43,544)
Unrealized foreign currency translation loss	—	—	—	—	—	(435)	—	(435)
Unrealized loss on derivatives, net of tax	—	—	—	—	—	(4,949)	—	(4,949)
Share-based compensation	—	—	(389)	—	—	—	—	(389)
Issuance of common stock	6,191,499	62	72,276	—	—	—	—	72,338
Repurchase of common stock	—	—		3,112	(36)	—	—	(36)
Balance May 3, 2020	49,578,351	$ 496	$ 411,048	12,786,624	$ (595,077)	$ (13,753)	$ 389,921	$ 192,635

See accompanying notes to consolidated financial statements.

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

	Thirteen Weeks Ended May 2, 2021	Thirteen Weeks Ended May 3, 2020
Cash flows from operating activities:		
Net income (loss)	$ 19,635	$ (43,544)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	35,099	35,352
Non-cash interest expense	1,887	314
Impairment of long-lived assets	—	11,549
Deferred taxes	(4,840)	(892)
Loss on disposal of fixed assets	145	153
Share-based compensation	2,971	(389)
Other, net	950	(156)
Changes in assets and liabilities:		
Inventories	995	(249)
Prepaid expenses	197	1,828
Income tax receivable	14,840	(20,910)
Other current assets	(341)	1,271
Other assets and deferred charges	(2,097)	(110)
Accounts payable	1,173	21,441
Accrued liabilities	8,667	11,647
Income taxes payable	845	(1,847)
Other liabilities	(2,930)	1,359
Net cash provided by operating activities	77,196	16,817
Cash flows from investing activities:		
Capital expenditures	(10,359)	(55,168)
Proceeds from sales of property and equipment	54	18
Net cash used in investing activities	(10,305)	(55,150)
Cash flows from financing activities:		
Proceeds from debt	19,000	138,000
Payments of debt	(79,000)	(34,750)
Net proceeds from the issuance of common stock	—	72,144
Proceeds from the exercise of stock options	1,608	44
Dividends paid	—	(4,891)
Repurchases of common stock to satisfy employee withholding tax obligations	(236)	(36)
Net cash provided by (used in) financing activities	(58,628)	170,511
Increase in cash and cash equivalents	8,263	132,178
Beginning cash and cash equivalents	11,891	24,655
Ending cash and cash equivalents	$ 20,154	$ 156,833
Supplemental disclosures of cash flow information:		
Increase (decrease) in fixed asset accounts payable	$ 1,845	$ (7,717)
Cash paid (refund received) for income taxes, net	$ (8,525)	$ (357)
Cash paid for interest, net	$ 22,525	$ 5,574

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 thirteen weeks ended May 2, 2021, we opened one new store located in Gainesville, Florida. As of May 2, 2021, we owned and operated 141 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 of 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. Many of these stores that were re-opened in limited capacity were required to temporarily close again in areas more severely impacted by the COVID-19 pandemic, particularly during the fourth quarter holiday season. 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. One store that was open at the end of fiscal 2020 was temporarily re-closed in an area impacted by a localized resurgence, resulting in 138 of our 141 stores open and operating in some capacity as of the end of our first 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 first quarter of fiscal 2021, the Company had executed 86 of these additional rent relief agreements.

In addition to reducing or deferring expenditures, including capital expenditures and discretionary spending, during 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 majority of our stores, although many remain at limited capacity, 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 will change including the timing of lifting remaining restrictions, customer re-engagement with our brand, or possible re-closures of our currently open stores.

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 thirteen weeks ended May 2, 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. Book overdrafts of $11,196 and $8,168 are presented in “Accounts payable” in the Consolidated Balance Sheets as of May 2, 2021 and January 31, 2021, respectively. 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 our revolving credit facility was $62,114 at January 31, 2021, and the fair value of our senior secured notes was $588,775 and $576,033 at May 2, 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 first quarter of fiscal 2020, the Company recorded an impairment charge for its long-lived assets, including ROU assets, of $6,746, primarily driven by the expected impact of the COVID-19 pandemic on future cash flows of specific stores. During the first quarter of fiscal 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 thirteen weeks ended May 2, 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 first quarter of fiscal 2020, the Company recorded an impairment loss and related contract termination costs of $4,803 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 charges related to our potential future sites during the first quarter of fiscal 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

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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 $1,887 and $314 for the thirteen weeks ended May 2, 2021 and May 3, 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 thirteen weeks ended May 2, 2021 and May 3, 2020, a gain of $131 and a loss of $820 were recognized, respectively, 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	**May 2, 2021**	**January 31, 2021**
Interest rate swaps	Accrued liabilities	$ (8,184)	$ (8,350)
Interest rate swaps	Other liabilities	(2,366)	(4,416)
Total derivatives		$ (10,550)	$ (12,766)

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

	Thirteen weeks ended May 2, 2021	**Thirteen weeks ended May 3, 2020**
Amount of loss recorded in accumulated other comprehensive income	$ —	$ 7,602
Amount of loss reclassified into income (1)	$ (1,887)	$ (793)
Income tax expense (benefit) in accumulated other comprehensive income	$ 516	$ (1,860)

(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 weeks ended May 2, 2021, we recognized revenue of approximately $11,900 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 weeks ended May 2, 2021, we recognized revenue of approximately $900 related to the amount in deferred gift card revenue as of the end of fiscal 2020, of which approximately $120 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 thirteen weeks ended May 2, 2021 and May 3, 2020, we withheld 5,071 and 3,112 shares of common stock to satisfy $236 and $36 of employees' tax obligations, respectively. The share activity in the thirteen weeks ended May 3, 2020 includes the settlements of $150 cash obligations through the issuance of 12,975 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 first quarter of fiscal 2021 and the first quarter of fiscal 2020, the Company excluded anti-dilutive awards from the calculation of approximately 111,485 and 947,365, respectively. Basic weighted average shares outstanding are reconciled to diluted weighted average shares outstanding as follows

	Thirteen weeks ended May 2, 2021	Thirteen weeks ended May 3, 2020
Basic weighted average shares outstanding	47,695,705	31,829,985
Weighted average dilutive impact of awards (1)	1,635,387	—
Diluted weighted average shares outstanding	49,331,092	31,829,985

(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:

	May 2, 2021	January 31, 2021
Deferred amusement revenue	$ 87,638	$ 78,852
Current portion of operating lease liabilities, net (1)	52,212	46,471
Current portion of deferred occupancy costs	23,587	36,121
Compensation and benefits	19,208	13,846
Deferred gift card revenue	10,513	10,918
Property taxes	8,222	8,149
Current portion of derivatives	8,184	8,350
Current portion of long-term insurance	5,000	5,100
Utilities	4,559	4,151
Sales and use taxes	3,829	1,385
Customer deposits	2,577	1,373

Accrued interest	490	11,321
Other	12,492	8,753
Total accrued liabilities	$ 238,511	$ 234,790

(1) The balance of leasehold incentive receivables of $2,611 and $8,763 at May 2, 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:

	May 2, 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	(12,898)	(13,612)
Long-term debt, net	$ 537,102	$ 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. 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. 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 first quarter of fiscal 2021 and fiscal 2020, the Company's weighted average interest rate on outstanding borrowings was 10.15% and 3.59%, respectively. As of May 2, 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	
	May 2, 2021	May 3, 2020
Interest expense on debt	$ 12,101	5,299
Interest associated with swap agreements	1,887	793
Amortization of issuance cost	1,102	242
Interest income	—	(22)
Capitalized interest	(270)	(197)
Total interest expense, net	$ 14,820	$ 6,115

Note 4: Leases

We currently lease the building or site 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	
	May 2, 2021	May 3, 2020
Operating lease cost	$ 33,294	33,563
Variable lease cost	7,389	7,366
Short-term lease cost	123	87
Total	$ 40,806	$ 41,016

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 first quarter of fiscal 2021, the Company had executed 86 rent relief agreements related to the second phase of negotiation. The Company has chosen to delay scheduled deferred rent payments for eleven locations and to short pay rent for four locations while continuing to seek additional rent relief. 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

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modifications, unless the concession results in a substantial increase in the Company's obligations. To date, 195 of our 212 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 $21,636 and $16,243 at May 2, 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	
	May 2, 2021	May 3, 2020
Stock options	$ 274	540
Restricted stock units	2,697	(929)
Share-based compensation expense	$ 2,971	$ (389)

Transactions related to stock option awards during the thirteen weeks ended May 2, 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	(75,463)	16.75	(55,122)	6.24
Forfeited	(9,056)	43.86	—	—
Outstanding at May 2, 2021	1,147,082	$ 38.04	118,441	$ 8.09
Exercisable at May 2, 2021	1,077,161	$ 37.11	118,441	$ 8.09

The total intrinsic value of options exercised during the thirteen weeks ended May 2, 2021 was $4,270. The unrecognized expense related to our stock option plan totaled approximately $306 as of May 2, 2021 and will be expensed over a weighted average period of 0.9 years.

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Transactions related to restricted stock units during the thirteen weeks ended May 2, 2021, were as follows:

	Shares	Wtd. Avg. Fair Value
Outstanding at January 31, 2021	1,116,341	$ 17.32
Granted	226,153	50.60
Vested	(72,488)	15.69
Forfeited	(43,074)	40.24
Outstanding at May 2, 2021	1,226,932	$ 22.75

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 grand date fair value of market stock units was determined using a Monte-Carlo simulation model. The unrecognized expense related to restricted stock units was $15,725 as of May 2, 2021 and will be expensed over a weighted average period of 2.3 years.

During the thirteen weeks ended May 2, 2021 and May 3, 2020, excess tax expense (benefit) of $(1,135) and $140, 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. We accelerated tax depreciation expense due to the technical amendments made by the CARES Act to qualified improvement property and carried back tax net operating losses from fiscal 2020 and fiscal 2019 to years with a higher federal corporate income tax rate. We expect to file fiscal 2020 carryback claims during fiscal 2021, and we expect that these claims will generate cash refunds of approximately $57,400. The effects of these claims were included in our provision for income taxes based on the best information available at the time we prepared or consolidated financial statements. Legislative and judicial developments relating to these provisions may evolve and the actual effect of these claims may differ, which, in turn, may result in adjustments to our effective tax rate.

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 first quarter of fiscal 2021 and the first quarter of fiscal 2020. The effective tax rate for the thirteen weeks ended May 2, 2021, was 11.5%, compared to a benefit of 35.5% for the thirteen weeks ended May 3, 2020. The current quarter 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 before income tax and the impact of the tax provisions within the CARES Act.

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 guarantees 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 of 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. Many of these stores that were re-opened in limited capacity were required to temporarily close again in areas more severely impacted by the COVID-19 pandemic, particularly during the fourth quarter holiday season. 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.

The Company continues to be subject to risks and uncertainties as a result of the COVID-19 pandemic. These include state and local restrictions on our stores, some of which have limited capacity in the dining rooms and arcade areas while others have allowed To-Go or curbside service only. At the end of our first quarter of fiscal 2021, our two Canadian stores continued to remain closed to in-person customers as a result of provincial COVID-19 restrictions. Additionally, one store in the United States was required to temporarily reclose as the result of a local increase in COVID-19 cases.

The re-opening process has been a gradual one with the safety of our team members and customers as our top priority. All of our re-opened stores are operating with some combination of streamlined menus, reduced games, new seating and game configurations, reduced operating hours, and reduced staff levels. As dining room and midway restrictions continue to ease and sales begin to improve, some labor inefficiencies and increased cleaning and supply costs are anticipated as stores adjust to improved sales volumes and enhanced health and safety protocols. On an ongoing basis, we will also continue to pursue long-term operating efficiencies and other cost savings initiatives.

We expect our operating results to continue to be severely impacted until such time that state and local restrictions are completely lifted, and our dining rooms and midways can re-open at full capacity. We cannot predict how long the COVID-19 pandemic will last or when the state and local restrictions will be lifted or potentially re-imposed. In addition, we cannot predict with certainty how quickly our customers will return to our stores once such restrictions have been lifted or the impact this will have on consumer spending habits.

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. Prior to the COVID-19 pandemic, our stores were 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 May 2, 2021, our comparable store base consisted of 114 stores, of which three stores were closed (two stores in Canada and one temporary closure in the United States).

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 May 3, 2020 and May 2, 2021, we opened six new stores (five in fiscal 2020 and one in fiscal 2021).

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 first quarter of 2021 relate to the 13-week period ended May 2, 2021. All references to the first quarter of 2020 relate to the 13-week period ended May 3, 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 May 2, 2021 Compared to Thirteen Weeks Ended May 3, 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 May 2, 2021		Thirteen Weeks Ended May 3, 2020	
Food and beverage revenues	$ 85,758	32.3%	$ 63,920	40.0%
Amusement and other revenues	179,582	67.7	95,886	60.0
Total revenues	265,340	100.0	159,806	100.0
Cost of food and beverage (as a percentage of food and beverage revenues)	23,157	27.0	17,344	27.1
Cost of amusement and other (as a percentage of amusement and other revenues)	16,614	9.3	10,728	11.2
Total cost of products	39,771	15.0	28,072	17.6
Operating payroll and benefits	50,279	18.9	43,737	27.4
Other store operating expenses	84,445	31.9	95,672	59.8
General and administrative expenses	17,091	6.4	14,563	9.1
Depreciation and amortization expense	35,099	13.2	35,352	22.1
Pre-opening costs	1,659	0.6	3,823	2.4
Total operating costs	228,344	86.0	221,219	138.4
Operating income (loss)	36,996	14.0	(61,413)	(38.4)
Interest expense, net	14,820	5.6	6,115	3.9
Income (loss) before provision (benefit) for income taxes	22,176	8.4	(67,528)	(42.3)
Provision (benefit) for income taxes	2,541	1.0	(23,984)	(15.1)
Net income (loss)	$ 19,635	7.4%	$ (43,544)	(27.2)%
Change in comparable store sales (1)		56.5%		(58.6)%
Company-owned stores at end of period (1)		141		137
Comparable stores at end of period (1)		114		116

(1) Our total and comparable store counts as of the end of the first quarter of fiscal 2021 exclude a store in Chicago, Illinois and a store in Houston, Texas that have reached or are near the end of their respective lease terms which the Company has 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 May 2, 2021		Thirteen Weeks Ended May 3, 2020	
Net income (loss)	$19,635	7.4%	$(43,544)	-27.2%
Interest expense, net	14,820		6,115	
Provision (benefit) for income taxes	2,541		(23,984)	
Depreciation and amortization expense	35,099		35,352	
EBITDA	72,095	27.2%	(26,061)	-16.3%
Loss on asset disposal	145		153	
Impairment of long-lived assets and lease termination costs	—		11,549	
Share-based compensation	2,971		(389)	
Pre-opening costs	1,659		3,823	
Other costs (1)	(165)		147	
Adjusted EBITDA	$76,705	28.9%	$(10,778)	-6.7%

(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 May 2, 2021		Thirteen Weeks Ended May 3, 2020	
Operating income (loss)	$36,996	14.0%	$(61,413)	-38.4%
General and administrative expenses	17,091		14,563	
Depreciation and amortization expense	35,099		35,352	
Pre-opening costs	1,659		3,823	
Store Operating Income Before Depreciation and Amortization	$90,845	34.2%	$ (7,675)	-4.8%

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 May 2, 2021	Thirteen Weeks Ended May 3, 2020
New store and operating initiatives	$ 7,145	$ 37,046
Games	3,171	7,908
Maintenance capital	1,888	2,497
Total capital additions	$ 12,204	$ 47,451
Payments from landlords	$ —	$ —

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 of 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 fiscal 2020, 107 of our 140 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 107 open stores, 84 were comparable stores. As of May 2, 2021, 138 of our 141 stores (including our one new store that opened on February 8, 2021), were operating in some capacity. Of these 138 open stores, 111 were comparable stores.

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

	13 weeks ended May 2, 2021	13 weeks ended May 3, 2020	Change
Total revenues	$ 265,340	$ 159,806	$105,534
Total store operating weeks	1,633	833	800
Comparable store revenues	$ 216,945	$ 138,636	$ 78,309
Comparable store operating weeks	1,303	697	606
Noncomparable store revenues	$ 56,959	24,234	$ 32,725
Noncomparable store operating weeks	330	136	194
Other revenues	$ (8,564)	$ (3,064)	$ (5,500)

Total revenues increased $105,534, or 66.0%, to $265,340 in the first quarter of fiscal 2021 compared to total revenues of $159,806 in the first quarter of fiscal 2020. The increase in revenue is attributable primarily to more store operating weeks in the first quarter of fiscal 2021 compared to the prior year as a result of temporary store closures in the first quarter of fiscal 2020, as a result of the COVID-19 pandemic. For the thirteen weeks ended May 2, 2021, we derived 22.2% of our total revenue from food sales, 10.1% from beverage sales, 67.5% from amusement sales and 0.2% from other sources. For the thirteen weeks ended May 3, 2020, we derived 26.3% of our total revenue from food sales, 13.7% from beverage sales, 59.3% from amusement sales and 0.7% from other sources. The shift in mix from food and beverage sales to amusement sales of 820 basis points is due, in part, to significantly reduced special events, less discounting of amusements, reduced food and beverage menu offerings and greater capacity restrictions in our dining area due to the impacts of the COVID-19 pandemic.

Comparable store revenue increased $78,309 or 56.5%, in the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020, due primarily to an 86.9% increase in comparable store operating weeks. During the first quarter of fiscal 2021, the number of comparable stores operating in some capacity increased by 32.1%, from 84 stores at the beginning of the current quarter to 111 stores at the end of the current quarter. Comparable store sales and comparable store weeks in the first quarter of fiscal 2021 were approximately 64.8% and 87.9%, respectively, of the levels achieved pre-pandemic during the thirteen week period ended May 5, 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 $11,104, or 31.0%, to $46,956 in the first quarter of fiscal 2021 from $35,852 in the first quarter of fiscal 2020. Beverage sales at comparable stores increased by $2,832, or 15.0%, to $21,732 in the first quarter of fiscal 2021 from $18,900 in the 2020 comparison period. Comparable store amusement and other revenues in the first quarter of fiscal 2021 increased by $64,373, or 76.7%, to $148,257 from $83,884 in the comparable thirteen weeks of fiscal 2020.

Non-comparable store revenue increased $32,725 in the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020, for the same reasons noted above, including 194 more store operating weeks.

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Cost of products

The total cost of products was $39,771 for the first quarter of fiscal 2021 and $28,072 for the first quarter of fiscal 2020. The total cost of products as a percentage of total revenues decreased 260 basis points to 15.0% for the first quarter of fiscal 2021 compared to 17.6% for the first quarter of fiscal 2020.

Cost of food and beverage products increased to $23,157 compared to $17,344 for the first quarter of fiscal 2020. Cost of food and beverage products, as a percentage of food and beverage revenues, decreased 10 basis points to 27.0% for the first quarter of fiscal 2021 from 27.1% for the first quarter of fiscal 2020. Cost of food and beverage products during the first quarter of 2021 was favorably impacted by lower closure-related spoilage costs in the current year partially offset by an increase in the cost of poultry.

Cost of amusement and other increased to $16,614 in the first quarter of fiscal 2021 compared to $10,728 in the first quarter of fiscal 2020. The costs of amusement and other, as a percentage of amusement and other revenues, decreased 190 basis points to 9.3% for the first quarter of fiscal 2021 from 11.2% in the first quarter of fiscal 2020. This decrease was driven primarily by lower ticket redemption activity in the first quarter of fiscal 2021.

Operating payroll and benefits

Total operating payroll and benefits increased by $6,542, or 15.0%, to $50,279 in the first quarter of fiscal 2021 compared to $43,737 in the first 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 returned only as stores re-opened and at reduced staffing levels. The total cost of operating payroll and benefits as a percentage of total revenues was 18.9% in the first quarter of fiscal 2021 compared to 27.4% in the first quarter of fiscal 2020. This decrease is primarily due to favorable leveraging on management labor in the first quarter of fiscal 2021 compared to the same period of fiscal 2020, and in part due to a leaner operating model while stores continued with limited operations and the geographic mix of our stores.

Other store operating expenses

Other store operating expenses decreased by $11,227, or 11.7%, to $84,445 in the first quarter of fiscal 2021 compared to $95,672 in the first quarter of fiscal 2020. The decrease is primarily due to a $11,549 charge for impairment of long-lived assets and lease termination costs incurred during the first quarter of fiscal 2020. Slightly reduced spend on marketing was offset by increased spend of maintenance and other services as our stores continued to re-open in some capacity throughout the current quarter. Other store operating expense as a percentage of total revenues decreased to 31.9% in the first quarter of fiscal 2021 compared to 59.8% in the first quarter of fiscal 2020. This decrease was due primarily to favorable sales leveraging on occupancy costs and utilities, lower marketing spend and the $11,549 impairment charge in the first quarter of fiscal 2020.

General and administrative expenses

General and administrative expenses increased by $2,528, or 17.4%, to $17,091 in the first quarter of fiscal 2021 compared to $14,563 in the first quarter of fiscal 2020. The increase in general and administrative expenses was primarily driven by higher share-based compensation cost and incentive compensation. These increases were partially offset by slightly lower labor costs due to the reduction of a number of positions at our corporate office and lower professional services.

Depreciation and amortization expense

Depreciation and amortization expense decreased by $253 or 0.7%, to $35,099 in the first quarter of fiscal 2021 compared to $35,352 in the first 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 $2,164 to $1,659 in the first quarter of fiscal 2021 compared to $3,823 in the first 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 $8,705 to $14,820 in the first quarter of fiscal 2021 compared to $6,115 in the first 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 thirteen weeks ended May 2, 2021, was 11.5%, compared to a benefit of 35.5% for the thirteen weeks ended May 3, 2020. The current quarter 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 before income tax 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 first quarter of fiscal 2021, the Company had executed 86 of these additional rent relief agreements.

Although uncertainty surrounds the timing of re-opening of our remaining stores and lifting of capacity restrictions and other requirements, as well as how quickly customers will return to our stores, due to continued concerns over safety and/or depressed consumer sentiment due to adverse economic conditions, including job losses, 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 from the issuance of the financial statements.

We expect to spend between $65,000 and $70,000 net of payments from landlord in capital additions during fiscal 2021.

Debt and Derivatives

Effective April 14, 2020, we amended our existing credit facility, which provided 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. 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. 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 fiscal 2021 and fiscal 2020, the Company's weighted average interest rate on outstanding borrowings was 10.15% and 3.59%, respectively. The rate has increased as a result of the issuance of the Notes and the second amendment to the credit facility. As of May 2, 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

At May 2, 2021, we had cash and cash equivalents of $20,154.

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 $60,379 in the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020 driven primarily by the impact of approximately 800 more store weeks.

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

During the first quarter of fiscal 2021, the Company spent approximately $7,600 for new store construction and operating improvement initiatives, $2,100 for game refreshment and $700 for maintenance capital.

During the first quarter of fiscal 2020, the Company spent approximately $41,400 for new store construction and operating improvement initiatives, $7,800 for game refreshment and $6,000 for maintenance capital.

Financing Activities — During the first quarter of fiscal 2021, the Company had net repayments of $60,000 of its revolving credit facility. During the first quarter of fiscal year 2020, the Company drew down substantially all the available credit under our revolving credit facility, or approximately $100,000 and received net proceeds of approximately $72,000 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 May 2, 2021, one-month LIBOR is below 1.00%.

Inflation

The primary inflationary factors affecting our operations are food, 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 menu prices, 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 first quarter ended May 2, 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 May 2, 2021.

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Item 6. Exhibits

Exhibit Number	Description
4.3*	Amended and Restated Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
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.INS	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

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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: June 10, 2021	By: /s/ Brian A. Jenkins Brian A. Jenkins Chief Executive Officer
Date: June 10, 2021	By: /s/ Scott J. Bowman Scott J. Bowman Chief Financial Officer

AMENDED AND RESTATED DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Dave & Buster's Entertainment, Inc. ("we," "our," "us" or the "Company") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): our common stock.

General

The following description is based upon our amended and restated certificate of incorporation and our amended and restated bylaws. This summary does not purport to be complete and is subject to, and is qualified in its entirety by express reference to, the applicable provisions of our amended and restated certificate of incorporation and our amended and restated bylaws, which are filed as exhibits to our Annual Report on Form 10-K, of which this Exhibit 4.1 is a part, and are incorporated by reference herein. We encourage you to read our amended and restated certificate of incorporation, our amended and restated bylaws and the applicable provisions of the Delaware General Corporation Law (the "DGCL") for more information.

Classes of Stock

The total number of shares of all classes of capital stock that we are authorized to issue is 450,000,000 shares, which is divided into two classes of stock designated "common stock" and "preferred stock." The total number of shares of common stock that we are authorized to issue is 400,000,000 shares, par value $0.01 per share. The total number of shares of preferred stock that we are authorized to issue is 50,000,000 shares, par value $0.01 per share.

Subject to the rights of the holders of any series of preferred stock, the number of authorized shares of either the common stock or preferred stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Company entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the General Corporation Law of the State of Delaware, or DGCL, and no vote of the holders of either the common stock or preferred stock voting separately as a class shall be required therefor.

Common Stock

The holders of shares of our common stock are entitled to the following rights:

Voting Rights

Except as otherwise provided by law or by the resolution or resolutions providing for the issue of any series of preferred stock, the holders of outstanding shares of common stock shall have the exclusive right to vote for the election of directors and for all other purposes. Notwithstanding any other provision to the contrary included in our restated certificate of incorporation, the holders of shares of our common stock shall not be entitled to vote on any amendment to the certificate of incorporation that relates solely to the terms of one or more outstanding series of preferred stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon pursuant to the restated certificate of incorporation or the DGCL.

On each matter on which they are entitled to vote, the holders of the outstanding shares of common stock are entitled to one vote for each share of common stock held by such stockholder.

Dividend Rights

Subject to the rights of the holders of preferred stock, holders of shares of our common stock are entitled to receive such dividends and other distributions in cash, stock or property of the Company when, as and if declared thereon by the Board of Directors from time to time out of assets or funds of the Company legally available therefor.

Liquidation Rights

Subject to the rights of the holders of preferred stock, holders of shares of common stock shall be entitled to receive the assets and funds of the Company available for distribution to stockholders in the event of any liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary. A liquidation, dissolution or winding up of the affairs of the Company shall not be deemed to be occasioned by or to include any consolidation or merger of the Company with or into any other person or a sale, lease, exchange or conveyance of all or a part of its assets.

Other Rights

Our stockholders have no subscription, redemption or conversion privileges. Our common stock does not entitle its holders to preemptive rights for additional shares and does not have any sinking fund provisions. All of the outstanding shares of our common stock are fully paid and nonassessable. The rights, preferences and privileges of the holders of our common stock are subject to the rights of the holders of shares of any series of preferred stock which we may issue.

Preferred Stock

Shares of preferred stock may be issued from time to time in one or more series. The Board of Directors is authorized to provide by resolution or resolutions from time to time for the issuance, out of the unissued shares of preferred stock, of one or more series of preferred stock by filing a certificate pursuant to the DGCL, or the Preferred Stock Designation, setting forth such resolution or resolutions and, with respect to each such series, establishing the number of shares to be included in such series, and fixing the voting powers, full or limited, or no voting power of the shares of such series, and the designation, preferences and relative, participating, optional or other special rights, if any, of the shares of each such series and any qualifications, limitations or restrictions thereof. The powers, designation, preferences and relative, participating, optional and other special rights of each series of preferred stock, and the qualifications, limitations and restrictions thereof, if any, may differ from those of any and all other series at any time outstanding. The authority of the Board of Directors with respect to each series of preferred stock shall include, but not be limited to, the determination of the following:

- the designation of the series, which may be by distinguishing name, number, letter or title;
- the number of shares of the series, which number the Board of Directors may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding);
- the rights in respect of any dividends (or methods of determining the dividends), if any, payable to the holders of the shares of such series, any conditions upon which such dividends shall be paid, the amounts or rates at which dividends, if any, will be payable on, and the preferences, if any, of shares of such series in respect of dividends, whether such dividends, if any, shall be cumulative or noncumulative and the date or dates upon which such dividends shall be payable;
- the redemption rights and price or prices, if any, for shares of the series, the form of payment of such price or prices (which may be cash, property or rights, including securities of the Company or another corporation or entity) for which, the period or periods within which and the other

terms and conditions upon which the shares of such series may be redeemed, in whole or in part, at the option of the Company or at the option of the holder or holders thereof or upon the happening of a specified event or events, if any, including the obligation, if any, of the Company to purchase or redeem shares of such series pursuant to a sinking fund or otherwise;

- the amounts payable out of the assets of the Company on, and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company;
- whether the shares of the series shall be convertible into or exchangeable for, shares of any other class or series, or any other security, of the Company or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion or exchange price or prices or rate or rates, any adjustments thereof, the date or dates at which such shares shall be convertible or exchangeable and all other terms and conditions upon which such conversion or exchange may be made;
- any restrictions on the issuance of shares of the same series or any other class or series;
- the voting rights, if any, of the holders of shares of the series generally or upon specified events; and
- any other powers, preferences and relative, participating, optional or other special rights of each series of preferred stock, and any qualifications, limitations or restrictions thereof, all as may be determined from time to time by the Board of Directors and stated in the resolution or resolutions providing for the issuance of such series of preferred stock.

Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of preferred stock may provide that such series shall be superior or rank equally or be junior to any other series of preferred stock to the extent permitted by law.

Anti-Takeover Effects of Certain Provisions of Delaware Law

We are subject to the provisions of Section 203 of the DGCL. Under Section 203, we would generally be prohibited from engaging in any business combination with any interested stockholder for a period of three years following the time that this stockholder became an interested stockholder unless:

- prior to such time, our Board of Directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, subject to exceptions; or
- at or subsequent to such time, the business combination is approved by the Board of Directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

Under Section 203, a “business combination” includes:

- any merger or consolidation involving the Company and the interested stockholder;
- any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 10% or more of the assets of the Company involving the interested stockholders;
- any transaction that results in the issuance or transfer by the Company of any stock of the Company to the interested stockholder, subject to limited exceptions;

- any transaction involving the Company that has the effect of increasing the proportionate share of the stock of any class or series of the Company beneficially owned by the interested stockholder; or
- any receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the Company.

In general, Section 203 defines an interested stockholder as an entity or person beneficially owning 15% or more of outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person.

Anti-Takeover Effects of our Constituent Documents

Our amended and restated certificate of incorporation and bylaws include a number of provisions that may discourage, delay or prevent a merger, acquisition or other change in control of the Company, even if such a change in control would be beneficial to our stockholders, including, among other things:

- restrictions on the ability of our stockholders to fill a vacancy on the Board of Directors;
- our ability to issue preferred stock with terms that the Board of Directors may determine, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the inability of our stockholders to call a special meeting of stockholders;
- a restriction to the effect that special meetings of our stockholders can be called only upon the request of a majority of our Board of Directors or our Chief Executive Officer;
- the absence of cumulative voting in the election of directors, which may limit the ability of minority stockholders to elect directors; and
- advance notice requirements for stockholder proposals and nominations, which may discourage or deter a potential acquirer from soliciting proxies to elect a particular slate of directors or otherwise attempting to obtain control of us.

We expect that these provisions will discourage coercive takeover practices or inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our Board of Directors, which we believe may result in an improvement of the terms of any such acquisition in favor of our stockholders. However, they also give our Board of Directors the power to discourage acquisitions that some stockholders may favor.

Choice of Forum

Our amended and restated certificate of incorporation provides that the Court of Chancery in the State of Delaware will be the sole and exclusive forum for:

- any derivative action or proceeding brought on behalf of the Company;
- any action asserting a claim of breach of a fiduciary duty owed by any director, officer or employee of the Company to the Company or the Company’s stockholders,
- any action asserting a claim arising pursuant to any provision of the DGCL, or
- any action asserting a claim governed by the internal affairs doctrine.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock and our Preferred Stock Purchase Rights is Computershare Trust Company, N.A. Following the expiration of the Preferred Stock Purchase Rights, the Rights Plan appointing Computershare Trust Company, N.A., as the transfer agent and registrar for the Preferred Stock Purchase Rights has terminated.

Securities Exchange

Our common stock is listed on The Nasdaq Global Select Market under the symbol "PLAY."

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 first 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: June 10, 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 first 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: June 10, 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 May 2, 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: June 10, 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 May 2, 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: June 10, 2021

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