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 November 1, 2020

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
Preferred Stock Purchase Rights	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 December 4, 2020, the registrant had 47,642,029 shares of common stock, $0.01 par value per share, outstanding.

DAVE & BUSTER'S ENTERTAINMENT, INC.
FORM 10-Q FOR QUARTERLY PERIOD ENDED NOVEMBER 1, 2020
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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)

	November 1, 2020 (unaudited)	February 2, 2020 (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,341	$ 24,655
Inventories	26,732	34,477
Prepaid expenses	12,080	14,269
Income taxes receivable	44,574	2,331
Other current assets	665	3,245
Total current assets	92,392	78,977
Property and equipment (net of $767,510 and $686,824 accumulated depreciation as of November 1, 2020 and February 2, 2020, respectively)	846,056	900,637
Operating lease right of use assets	1,050,878	1,011,568
Deferred tax assets	20,451	7,639
Tradenames	79,000	79,000
Goodwill	272,643	272,636
Other assets and deferred charges	23,641	19,682
Total assets	$ 2,385,061	$ 2,370,139
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt	$ —	$ 15,000
Accounts payable	42,849	65,359
Accrued liabilities	244,163	207,452
Income taxes payable	415	3,054
Total current liabilities	287,427	290,865
Deferred income taxes	13,355	19,102
Operating lease liabilities	1,277,794	1,222,054
Other liabilities	37,896	35,779
Long-term debt, net	561,815	632,689
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $0.01; authorized: 400,000,000 shares; issued: 60,483,730 shares at November 1, 2020 and 43,386,852 shares at February 2, 2020; outstanding: 47,642,029 shares at November 1, 2020 and 30,603,340 shares at February 2, 2020	605	434
Preferred stock, 50,000,000 authorized; none issued	—	—
Paid-in capital	529,523	339,161
Treasury stock, 12,841,701 and 12,783,512 shares as of November 1, 2020 and February 2, 2020, respectively	(595,957)	(595,041)
Accumulated other comprehensive loss	(10,673)	(8,369)
Retained earnings	283,276	433,465
Total stockholders' equity	206,774	169,650
Total liabilities and stockholders' equity	$ 2,385,061	$ 2,370,139

See accompanying notes to consolidated financial statements.

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

	Thirteen Weeks Ended November 1, 2020	Thirteen Weeks Ended November 3, 2019
Food and beverage revenues	$ 38,346	$ 124,637
Amusement and other revenues	70,706	174,715
Total revenues	109,052	299,352
Cost of food and beverage	10,664	33,384
Cost of amusement and other	7,244	18,796
Total cost of products	17,908	52,180
Operating payroll and benefits	27,704	76,165
Other store operating expenses	70,783	110,713
General and administrative expenses	11,746	16,210
Depreciation and amortization expense	34,384	33,340
Pre-opening costs	2,570	4,245
Total operating costs	165,095	292,853
Operating income (loss)	(56,043)	6,499
Interest expense, net	8,213	6,110
Loss on debt refinance	904	—
Income (loss) before benefit for income taxes	(65,160)	389
Benefit for income taxes	(17,117)	(93)
Net income (loss)	(48,043)	482
Unrealized foreign currency translation gain	34	59
Unrealized gain (loss) on derivatives, net of tax	1,370	(1,568)
Total other comprehensive income (loss)	1,404	(1,509)
Total comprehensive loss	$ (46,639)	$ (1,027)
Net income (loss) per share:		
Basic	$ (1.01)	$ 0.02
Diluted	$ (1.01)	$ 0.02
Weighted average shares used in per share calculations:		
Basic	47,613,741	30,980,878
Diluted	47,613,741	31,515,454

See accompanying notes to consolidated financial statements.

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

	Thirty-Nine Weeks Ended November 1, 2020	Thirty-Nine Weeks Ended November 3, 2019
Food and beverage revenues	$ 119,268	$ 410,779
Amusement and other revenues	200,423	596,754
Total revenues	319,691	1,007,533
Cost of food and beverage	32,667	109,072
Cost of amusement and other	21,997	64,456
Total cost of products	54,664	173,528
Operating payroll and benefits	85,197	239,965
Other store operating expenses	229,137	321,334
General and administrative expenses	35,587	49,047
Depreciation and amortization expense	104,896	97,226
Pre-opening costs	8,781	15,970
Total operating costs	518,262	897,070
Operating income (loss)	(198,571)	110,463
Interest expense, net	22,491	14,771
Loss on debt refinance	904	—
Income (loss) before provision (benefit) for income taxes	(221,966)	95,692
Provision (benefit) for income taxes	(71,777)	20,411
Net income (loss)	(150,189)	75,281
Unrealized foreign currency translation gain (loss)	(97)	2
Unrealized loss on derivatives, net of tax	(2,207)	(7,475)
Total other comprehensive loss	(2,304)	(7,473)
Total comprehensive income (loss)	$ (152,493)	$ 67,808
Net income (loss) per share:		
Basic	$ (3.56)	$ 2.19
Diluted	$ (3.56)	$ 2.15
Weighted average shares used in per share calculations:		
Basic	42,185,163	34,405,503
Diluted	42,185,163	35,042,311

See accompanying notes to consolidated financial statements.

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

	Thirteen Weeks Ended November 1, 2020							
	Common Stock		Paid-In Capital	Treasury Stock At Cost		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amt.		Shares	Amt.			
Balance August 2, 2020	60,422,212	$604	$526,253	12,827,300	$(595,728)	$ (12,077)	$331,319	$250,371
Net loss	—	—	—	—	—	—	(48,043)	(48,043)
Unrealized foreign currency translation gain	—	—	—	—	—	34	—	34
Unrealized gain on derivatives, net of tax	—	—	—	—	—	1,370	—	1,370
Share-based compensation	—	—	2,999	—	—	—	—	2,999
Issuance of common stock	61,518	1	271	—	—	—	—	272
Repurchase of common stock	—	—	—	14,401	(229)	—	—	(229)
Balance November 1, 2020	60,483,730	$605	$529,523	12,841,701	$(595,957)	$ (10,673)	$283,276	$206,774

	Thirteen Weeks Ended November 3, 2019							
	Common Stock		Paid-In Capital	Treasury Stock At Cost		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amt.		Shares	Amt.			
Balance August 4, 2019	43,337,125	$433	$335,599	10,358,291	$(497,862)	$ (6,647)	$417,779	$249,302
Net income	—	—	—	—	—	—	482	482
Unrealized foreign currency translation gain	—	—	—	—	—	59	—	59
Unrealized loss on derivatives, net of tax	—	—	—	—	—	(1,568)	—	(1,568)
Share-based compensation	—	—	1,747	—	—	—	—	1,747
Issuance of common stock	13,360	1	164	—	—	—	—	165
Repurchase of common stock	—	—		2,425,221	(97,179)	—	—	(97,179)
Dividends declared ($0.16 per share)	—	—	—	—	—	—	(4,887)	(4,887)
Balance November 3, 2019	43,350,485	$434	$337,510	12,783,512	$(595,041)	$ (8,156)	$413,374	$148,121

See accompanying notes to consolidated financial statements.

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

	Thirty-Nine Weeks Ended November 1, 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	—	—	—	—	—	—	(150,189)	(150,189)
Unrealized foreign currency translation loss	—	—	—	—	—	(97)	—	(97)
Unrealized loss on derivatives, net of tax	—	—	—	—	—	(2,207)	—	(2,207)
Share-based compensation	—	—	5,344	—	—	—	—	5,344
Issuance of common stock	17,096,878	171	185,018	—	—	—	—	185,189
Repurchase of common stock	—	—	—	58,189	(916)	—	—	(916)
Balance November 1, 2020	60,483,730	$605	$529,523	12,841,701	$(595,957)	$ (10,673)	$ 283,276	$ 206,774

	Thirty-Nine Weeks Ended November 3, 2019							
	Common Stock		Paid-In Capital	Treasury Stock At Cost		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amt.		Shares	Amt.			
Balance February 3, 2019	43,177,476	$432	$331,255	5,655,391	$(297,129)	$ (683)	$ 353,962	$ 387,837
Cumulative effect of a change in accounting principle, net of tax	—	—	—	—	—	—	(145)	(145)
Net income	—	—	—	—	—	—	75,281	75,281
Unrealized foreign currency translation gain	—	—	—	—	—	2	—	2
Unrealized loss on derivatives, net of tax	—	—	—	—	—	(7,475)	—	(7,475)
Share-based compensation	—	—	5,479	—	—	—	—	5,479
Issuance of common stock	173,009	2	776	—	—	—	—	778
Repurchase of common stock	—	—		7,128,121	(297,912)	—	—	(297,912)
Dividends declared ($0.46 per share)	—	—	—	—	—	—	(15,724)	(15,724)
Balance November 3, 2019	43,350,485	$434	$337,510	12,783,512	$(595,041)	$ (8,156)	$ 413,374	$ 148,121

See accompanying notes to consolidated financial statements.

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

	November 1, 2020	November 3, 2019
Cash flows from operating activities:		
Net income (loss)	$ (150,189)	$ 75,281
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	104,896	97,226
Non-cash interest expense	4,088	—
Impairment of long-lived assets	13,727	—
Deferred taxes	(17,730)	5,309
Loss on disposal of fixed assets	541	1,284
Loss on debt refinance	904	—
Share-based compensation	5,344	5,479
Other, net	1,292	928
Changes in assets and liabilities:		
Inventories	7,745	(5,305)
Prepaid expenses	2,761	(615)
Income tax receivable	(42,243)	(996)
Other current assets	2,580	6,050
Other assets and deferred charges	(3)	(1,775)
Accounts payable	(11,945)	5,422
Accrued liabilities	44,742	37,671
Income taxes payable	(2,639)	(10,079)
Other liabilities	4,375	1,909
Net cash provided by (used in) operating activities	(31,754)	217,789
Cash flows from investing activities:		
Capital expenditures	(72,604)	(172,888)
Proceeds from sales of property and equipment	234	615
Net cash used in investing activities	(72,370)	(172,273)
Cash flows from financing activities:		
Proceeds from debt	688,000	366,000
Payments of debt	(760,250)	(104,250)
Net proceeds from the issuance of common stock	182,207	—
Proceeds from the exercise of stock options	465	778
Repurchase of common stock under share repurchase program	—	(297,317)
Dividends paid	(4,891)	(10,837)
Debt issuance costs	(16,805)	—
Repurchases of common stock to satisfy employee withholding tax obligations	(916)	(595)
Net cash provided by (used in) financing activities	87,810	(46,221)
Decrease in cash and cash equivalents	(16,314)	(705)
Beginning cash and cash equivalents	24,655	21,585
Ending cash and cash equivalents	$ 8,341	$ 20,880
Supplemental disclosures of cash flow information:		
Decrease in fixed asset accounts payable	$ (12,315)	$ (311)
Cash paid (refund received) for income taxes, net	$ (9,281)	$ 26,086
Cash paid for interest, net	$ 17,306	$ 13,920
Dividend declared, not paid	$ —	$ 4,887

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 thirty-nine weeks ended November 1, 2020, management made the decision to not re-open two stores located in the Chicago, Illinois area and Houston, Texas area, which are near the end of their respective lease terms, and we opened two new stores located in Manchester, New Hampshire and Lehigh, Pennsylvania. As of November 1, 2020, we owned and operated 137 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 2020 and 2019, which end on January 31, 2021 and February 2, 2020, 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 February 2, 2020, 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 (including our one new store that opened on March 16). During our first quarter, one store re-opened to the public with limited food and beverage offerings and two additional stores offered off-premise dining options. During our second and third quarters, we have progressively re-opened limited operations in an additional 101 stores and one new store in Manchester, New Hampshire and one new store in Lehigh Valley, Pennsylvania. Two stores that re-opened during the second quarter were re-closed during the third quarter (one of which re-opened on November 14, 2020). As of November 1, 2020, 104 of our 137 stores were open, in limited capacity, in 36 states, Puerto Rico and Canada.

As of November 1, 2020, 33 of the Company's stores were closed to in-person guests as a result of local COVID-19 restrictions (31 of which have been closed since March 20, 2020). Subsequent to the third quarter, some local and state governments began to roll back their re-opening plans in light of climbing COVID-19 case counts. As of December 4, 2020, 48 stores were closed due to jurisdictional restrictions.

The Company has been in ongoing discussions with landlords and other vendors to negotiate relief from cash payments under existing lease and trade payable obligations. As of November 1, 2020, a total of 123 rent relief agreements related to our operating locations and corporate headquarters were 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. We have also been successful in negotiating extended and reduced payment terms with several vendors. In addition to reducing expenses, including capital expenditures and discretionary spending, the Company obtained additional liquidity through the sale of common stock during our first and second quarters, which resulted in net proceeds of $182,207. On October 27, 2020, D&B Inc, a wholly owned subsidiary, 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 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.

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 and thirty-nine weeks ended November 1, 2020 are not necessarily indicative of results that may be expected for any other interim period or for the fiscal year ending January 31, 2021.

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. There was no book overdraft as of November 1, 2020. A book overdraft of $14,026 is presented in “Accounts payable” in the Consolidated Balance Sheets as of February 2, 2020. 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. We believe that the carrying amount of our debt, which was refinanced during the third quarter, approximates its fair value because the interest rates reflect current market conditions. The fair value of the Company’s debt was determined to be a Level Two instrument as defined by GAAP. 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. These valuation models are based on the present value of expected cash flows using forward rate curves.

Non-financial assets and liabilities recognized or disclosed at fair value in the consolidated financial statements on a nonrecurring basis include such items as property and equipment, right-of-use (“ROU”) assets, goodwill, tradenames and other assets.

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 second and third quarters of fiscal 2020, the Company did not identify additional triggering events which would require a change in management’s estimate regarding the recoverability of store asset values, and no additional impairment related to our operating stores was recognized. The Company has determined no events and circumstances existed during the thirty-nine weeks ended November 1, 2020 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.

Additionally, the Company is continuing discussions to terminate or delay possession on several executed lease contracts that have not yet commenced. The Company has also curtailed several potential new store projects that were in the early stage of development. During the thirteen and thirty-nine weeks ended November 1, 2020, we recorded an impairment loss and related contract termination costs of $0 and $6,981, respectively, related to these projects, which is included in “Other store operating expenses” in the Consolidated Statements of Comprehensive Income (Loss).

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

The Company initially designated its interest rate swap agreements as a cash flow hedge and accounted for the underlying activity in accordance with hedge accounting. Effective April 14, 2020, the Company amended its existing credit facility agreement to obtain relief from its financial covenants, and as a result, the variable interest rate terms were modified to create an interest rate floor of 1.00%. Accordingly, and as a result of the 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 subsequent to the de-designation date was $1,886 and $4,088 for the thirteen and thirty-nine weeks ended November 1, 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 and thirty-nine weeks ended November 1, 2020, a gain of $218 and a loss of $1,578 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	**November 1, 2020**	**February 2, 2020**
Interest rate swaps	Accrued liabilities	$ (8,191)	$ (3,518)
Interest rate swaps	Other liabilities	(6,479)	(6,967)
Total derivatives (1)		$ (14,670)	$ (10,485)

(1) The balance at November 1, 2020 relates to our swap agreements after hedge accounting was discontinued, effective April 14, 2020.

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 1, 2020	**November 3, 2019**	**November 1, 2020**	**November 3, 2019**
Amount of loss recorded in accumulated other comprehensive income	$ —	2,483	$ 7,602	10,623
Amount of loss reclassified into income (1)	$ (1,886)	(326)	$ (4,566)	(338)
Income tax expense (benefit) in accumulated other comprehensive income	$ 516	(589)	$ (829)	(2,810)

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

Revenue recognition — Amusement revenues are primarily recognized upon utilization of game play credits on power cards purchased and used by customers to activate video and redemption games. Redemption games allow customers to earn tickets, which may be redeemed for prizes in our WIN! area. We have deferred a portion of amusement revenues for the estimated unfulfilled performance obligations based on an estimated rate of future use by customers of unused game play credits and the material right provided to customers to redeem tickets in the future for prizes. During the thirteen and thirty-nine weeks ended November 1, 2020, we recognized revenue of approximately $3,300 and $15,400, respectively, related to the amount in deferred amusement revenue as of the end of fiscal 2019.

In jurisdictions where we do not have a legal obligation to remit unredeemed gift card balances to a legal authority, we recognize revenue on unredeemed gift cards in proportion to the pattern of redemption by the customers. During the thirteen and thirty-nine weeks ended November 1, 2020, we recognized revenue of approximately $640 and $2,080, respectively, related to the amount in deferred gift card revenue as of the end of fiscal 2019, of which approximately $380 and $590 was breakage revenue.

Stockholders' equity — Our Board of Directors has approved a share repurchase program under which the Company may repurchase shares on the open market, through privately negotiated transactions and through trading plans. The total share repurchase authorization is $800,000 and the share repurchase authorization expires at the end of fiscal 2020. During the first quarter of fiscal 2020, the Company indefinitely suspended all share repurchase activity. As of August 2, 2020, we have approximately $172,820 of share repurchase authorization remaining under the current plan.

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. These withheld shares of common stock are not considered common stock repurchases under our authorized common stock repurchase plan. During the thirty-nine weeks ended November 1, 2020 and November 3, 2019, we withheld 58,189 and 11,536 shares of common stock to satisfy $916 and $595 of employees' tax obligations, respectively. The share activity in the thirty-nine weeks ended November 1, 2020 includes the settlements of $2,517 cash obligations through the issuance of 160,540 shares of common stock.

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-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.

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. On May 4, 2020, the Company entered into an underwriting agreement, pursuant to which it sold 9,578,545 shares of its common stock at a price of $10.44 per share, and on May 18, 2020, the underwriter exercised its over-allotment option for an additional 1,014,871 shares at $10.44 per share, resulting in additional proceeds of $110,600 prior to deducting offering costs.

On June 23, 2020, shareholders approved a proposal to amend our 2014 Omnibus Incentive Plan ("Plan") to increase the number of shares available for awards under the Plan by 3,000,000 shares.

Recently adopted accounting guidance — In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13*, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which requires measurement and recognition of expected versus incurred losses for financial assets held. The guidance primarily relates to our credit card and tenant incentive receivables. The Company adopted this standard as of the beginning of fiscal year 2020, and the adoption did not have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04*, Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,* which eliminates the requirement to calculate the implied fair value of goodwill if the fair value of a reporting unit is less than the carrying amount of the reporting unit. Instead, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The Company adopted this standard as of the beginning of fiscal year 2020, and the adoption did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which eliminates, modifies and adds disclosure requirements for fair value measurements. The Company adopted this standard as of the beginning of fiscal year 2020, and the adoption did not have a material impact on our consolidated financial statements.

Recent accounting pronouncements — In December 2019, the FASB issued 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 guidance is effective for fiscal years beginning after December 15, 2020 and for interim periods within those years, with early adoption permitted. The Company is currently assessing the impact of this new standard on our consolidated financial statements.

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. As of the end of the third quarter of fiscal 2020, the Company's exposure to LIBOR rates included its credit facility and swap agreements. The Company is currently evaluating the impact of this new standard on our consolidated financial statements.

Note 2: Accrued Liabilities

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

	November 1, 2020	February 2, 2020
Deferred amusement revenue	$ 79,210	$ 75,113
Current portion of operating lease liabilities, net (1)	51,850	45,611
Rent payable (Note 4)	40,542	—
Variable rent liabilities (Note 4)	7,559	1,331
Deferred gift card revenue	10,330	11,253
Property taxes	10,285	7,226
Compensation and benefits	9,914	23,421
Current portion of derivatives	8,191	3,518
Current portion of long-term insurance	5,100	6,500
Utilities	4,111	4,442
Customer deposits	1,594	4,324
Inventory liabilities	1,948	2,179
Sales and use taxes	1,160	4,000
Dividend payable	—	4,891
Other	12,369	13,643
Total accrued liabilities	$ 244,163	$ 207,452

(1) The balance of leasehold incentive receivables of $5,434 and $6,339 at November 1, 2020 and February 2, 2020, respectively, is reflected as a reduction of the current portion of operating lease liabilities.

Note 3: Debt

Long-term debt consists of the following as of:

	November 1, 2020	February 2, 2020
Senior Secured Notes	$ 550,000	$ —
Credit facility - term	—	266,250
Credit facility - revolver	26,000	382,000
Total debt outstanding	576,000	648,250
Current installments	—	(15,000)
Debt issuance costs	(14,185)	(561)
Long-term debt, net	$ 561,815	$ 632,689

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 increased to LIBOR plus 2.00% with 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 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, and the interest rate spread increased from 2.00% to 4.00% during the financial covenant suspension period, with an additional 1.00% utilization fee 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 costs of $18,200, which are being amortized over the terms of the respective Notes and revolving credit facility. As of November 1, 2020, approximately $3,300 of these debt costs had not been paid. The Company also recorded a loss of $904 related to the unamortized debt costs associated with the term portion of the credit facility.

For the thirty-nine weeks ended November 1, 2020, and November 3, 2019, the Company's weighted average interest rate on outstanding borrowings was 4.17% and 4.03%, respectively. As of November 1, 2020, we had letters of credit outstanding of $9,686 and an unused commitment balance of $464,314 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.

Interest expense, net — The following table sets forth our recorded interest expense, net for the periods indicated:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 1, 2020	November 3, 2019	November 1, 2020	November 3, 2019
Interest expense on debt	$ 6,092	5,769	$ 17,255	14,672
Interest associated with swap agreements	1,886	326	4,566	338
Amortization of issuance cost	427	198	1,081	594
Interest income	—	(24)	(22)	(75)
Capitalized interest	(192)	(159)	(389)	(758)
Total interest expense, net	$ 8,213	$ 6,110	$ 22,491	$ 14,771

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		Thirty-Nine Weeks Ended	
	November 1, 2020	November 3, 2019	November 1, 2020	November 3, 2019
Operating lease cost	$ 33,278	31,489	$ 100,162	91,729
Variable lease cost	5,351	7,692	18,405	22,335
Short-term lease cost	102	108	329	324
Total	$ 38,731	$ 39,289	$ 118,896	$ 114,388

During the thirty-nine weeks ended November 1, 2020, the Company entered into 123 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. The Company has elected to account for lease concessions and deferrals resulting directly from COVID-19 as though the enforceable rights and obligations to the deferrals existed in the respective contracts at lease inception and will not account for the concessions as lease modifications, unless the concession results in a substantial increase in the Company's obligations. During the thirty-nine weeks ended November 1, 2020, 113 of our 123 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. Further, as a result of the COVID-19 pandemic and its impact on our financial condition, the Company has chosen not to pay rent or to pay a portion of operating lease obligations as they become due for eight properties without rent relief agreements as of the end of the third quarter. As of November 1, 2020, we have 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.

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 guest-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 currently 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. With respect to a portion of the California Cases, the Company has estimated and accrued for the most likely amount of loss. Where the Company has determined that a loss is reasonably possible but not probable, the Company is unable to estimate the amount or range of the reasonably possible loss due to the inherent difficulties of predicting the outcome of uncertainties regarding legal proceedings. 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 is aggressively defending these cases.

Note 6: Earnings per share

Potential dilutive shares consist of the incremental common shares issuable upon the exercise of outstanding stock options (both vested and unvested), unvested time-based restricted stock units (RSU's) and unvested performance RSU's to the extent performance measures were attained as of the end of the reporting period, calculated using the treasury-stock method. Potential dilutive shares are excluded from the computation of earnings per share ("EPS") if their effect is anti-dilutive. Stock options for which the exercise price exceeds the average market price over the period are anti-dilutive and, accordingly, are excluded from the calculation. The weighted average anti-dilutive options excluded from the calculation of common equivalent shares were 235,368 and 134,450 in the thirteen and thirty-nine weeks ended November 3, 2019.

The following table sets forth the computation of EPS, basic and diluted for the periods indicated:

	Thirteen Weeks Ended November 1, 2020	Thirteen Weeks Ended November 3, 2019
Numerator:		
Net income (loss)	$ (48,043)	$ 482
Denominator:		
Weighted average number of common shares outstanding (basic)	47,613,741	30,980,878
Weighted average dilutive impact of equity-based awards (1)	—	534,576
Weighted average number of common and common equivalent shares outstanding (diluted)	47,613,741	31,515,454
Net income (loss) per share:		
Basic	$ (1.01)	$ 0.02
Diluted	$ (1.01)	$ 0.02

	Thirty-Nine Weeks Ended November 1, 2020	Thirty-Nine Weeks Ended November 3, 2019
Numerator:		
Net income (loss)	$ (150,189)	$ 75,281
Denominator:		
Weighted average number of common shares outstanding (basic)	42,185,163	34,405,503
Weighted average dilutive impact of equity-based awards (1)	—	636,808
Weighted average number of common and common equivalent shares outstanding (diluted)	42,185,163	35,042,311
Net income (loss) per share:		
Basic	$ (3.56)	$ 2.19
Diluted	$ (3.56)	$ 2.15

(1) Due to the net loss for the thirteen and thirty-nine weeks ended November 1, 2020, no incremental shares are included because the effect would be anti-dilutive.

Note 7: Share-Based Compensation

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 1, 2020	November 3, 2019	November 1, 2020	November 3, 2019
Stock options	$ 269	731	$ 1,099	2,294
RSU's	2,730	1,016	4,245	3,185
Share-based compensation expense	$ 2,999	$ 1,747	$ 5,344	$ 5,479

Transactions related to stock option awards during the thirty-nine weeks ended November 1, 2020 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 February 2, 2020	1,323,495	$ 36.97	266,900	$ 6.72
Granted	—	—	—	—
Exercised	—	—	(90,391)	5.14
Forfeited	(84,395)	38.79	—	—
Outstanding at November 1, 2020	1,239,100	$ 36.84	176,509	$ 7.54
Exercisable at November 1, 2020	1,047,124	$ 34.64	176,509	$ 7.54

The total intrinsic value of options exercised during the thirty-nine weeks ended November 1, 2020 was $904. The unrecognized expense related to our stock option plan totaled approximately $869 as of November 1, 2020 and will be expensed over a weighted average period of 1.2 years.

Transactions related to RSU’s during the thirty-nine weeks ended November 1, 2020, were as follows:

	Shares	Wtd. Avg. Fair Value
Outstanding at February 2, 2020	216,815	$ 51.58
Granted	1,063,209	12.74
Change in performance units	4,352	59.67
Vested	(102,595)	38.11
Forfeited	(50,736)	27.72
Outstanding at November 1, 2020	1,131,045	$ 17.39

Fair value of our RSU’s is based on our closing stock price on the date of grant. The unrecognized expense related to the RSU’s was $9,919 as of November 1, 2020 and will be expensed over a weighted average period of 2.2 years.

During the thirty-nine weeks ended November 1, 2020 and November 3, 2019, excess tax expense (benefit) of $431 and ($912), respectively, were recognized as an expense (benefit) 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 8: Income Taxes

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). Intended to provide economic relief to those impacted by the COVID-19 pandemic, the CARES Act includes provisions, among others, addressing the carryback of net operating losses for specific periods, temporary modifications to the limitations placed on the tax deductibility of net interest expenses, and technical amendments for qualified improvement property. Additionally, the CARES Act, in efforts to enhance business’ liquidity, provides for the deferral of the employer-paid portion of social security taxes. As of November 1, 2020, we have elected to defer employer-paid portion of social security taxes of $3,398, which is included in “Other liabilities” in the Consolidated Balance Sheets.

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 benefit for the thirty-nine weeks ended November 1, 2020. The effective tax rate for the thirty-nine weeks ended November 1, 2020, was a benefit of 32.3%, compared to an expense of 21.3% for the thirty-nine weeks ended November 3, 2019, primarily due to the impact of a decrease in operating earnings before income tax and the impact of the tax provisions within the CARES Act. As a result of the impact of the technical amendments for qualified improvement property within the CARES Act, the Company generated a taxable loss in 2019, which together with the taxable loss in 2020, can be carried back to prior years when the statutory federal tax rate was approximately 35.0%. As of November 1, 2020, the Company has recognized a current benefit of $34,090 related to estimated fiscal year 2019 and 2020 tax net operating losses that will be carried back to recover taxes paid in prior periods. The estimated tax benefit from the net operating losses is included in “Income taxes receivable” in the Consolidated Balance Sheets.

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 April 3, 2020. 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 April 3, 2020. 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 (including our one new store that opened on March 16). During our first quarter, one store re-opened to the public with limited food and beverage offerings and two additional stores offered off-premise dining options. During our second and third quarters, we have progressively re-opened limited operations in an additional 101 stores and one new store in Manchester, New Hampshire and one new store in Lehigh Valley, Pennsylvania. Two stores that re-opened during the second quarter were re-closed during the third quarter (one of which re-opened on November 14, 2020). As of November 1, 2020, 104 of our 137 stores were open, in limited capacity, in 36 states, Puerto Rico and Canada. Our current scaled-down operating model includes a limited 15-item menu, reduced dining capacity and suspended use of some games in our midway for social distancing, reduced operating hours and reduced staffing levels designed to be responsive to restrictions imposed by various jurisdictions related to COVID-19 re-openings.

As of November 1, 2020, 33 of the Company's stores were closed to in-person guests as a result of local COVID-19 restrictions (31 of which have been closed since March 20, 2020). Subsequent to the third quarter, some local and state governments began to roll back their re-opening plans in light of climbing COVID-19 case counts. As of December 4, 2020, 48 stores were closed due to jurisdictional restrictions.

As a result of these developments, the Company is experiencing a significant decrease in traffic which has impacted the Company's operating results during the thirteen and thirty-nine weeks ended November 1, 2020. We expect our operating results to continue to be severely impacted until such time that state and local restrictions are lifted, and our dining rooms and midways can re-open at full capacity. We cannot predict how long the pandemic will last or when the state and local restrictions will be lifted or potentially re-imposed. In addition, we cannot predict how quickly our guests will return to our stores once such restrictions have been lifted or the impact this will have on consumer spending habits.

In response to the ongoing pandemic, the Company and its Board of Directors implemented the following measures to enhance financial flexibility:

- reduced expenses broadly, including by furloughing all of our hourly store team members and approximately 94% of store management personnel, on or about March 19, 2020, while enacting 12-week salary reductions for remaining managers. In addition, effective March 24, 2020, the Company furloughed all but a small team of essential corporate and administrative staff, enacted 12-week salary reductions ranging from 10% to 50%, and suspended all cash board fees through the remainder of fiscal 2020. As stores reopen with a reduced workforce a portion of the furloughed personnel at our stores and corporate office have returned to work;

- canceled or delayed all non-essential planned capital spending for the remainder of fiscal 2020;
- halted or delayed planned store openings after our one store opening in Chattanooga, TN, on March 16, 2020, with the exception of two new stores that opened during the third quarter and several planned store openings, all of which commenced construction prior to the pandemic;
- stopped work on future planned sites and commenced negotiations to terminate related contracts, as applicable;
- suspended our share repurchase program and declaration of dividends;
- negotiated amendments to our credit facility resulting in an extension of the maturity date of our revolving credit facility to August 17, 2024;
- issued $550,000 of senior secured notes, maturing November 1, 2025;
- sold shares of our common stock, which generated gross proceeds of approximately $185,600; and
- negotiated with our landlords, vendors, and other business partners to temporarily reduce our lease and contract payments and obtain other concessions. As of November 1, 2020, a total of 123 rent relief agreements related to our operating locations and corporate headquarters were 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.

The re-opening process has been a gradual one with the safety of our employees and guests as our top priority. All of our re-opened stores are operating with 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 fixed cost restructuring opportunities.

Given the level of volatility and uncertainty surrounding the future impact of the pandemic, we have not provided a full year financial outlook for fiscal 2020.

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, in low to middle-income households.

Our stores average 40,000 square feet, range in size between 16,000 and 70,000 square feet and are 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 year-over-year comparison of sales at stores open at the end of the period which have been open for at least 18 months as of the beginning of each of the fiscal years. It is a key performance indicator used within the industry and is indicative of acceptance of our initiatives as well as local economic and consumer trends. As of November 1, 2020, our comparable store base consisted of 114 stores, of which 30 stores were closed.

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 November 3, 2019 and November 1, 2020, we opened five new stores (two in fiscal 2019 and three in fiscal 2020).

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 third quarter of 2020 relate to the 13-week period ended November 1, 2020. All references to the third quarter of 2019 relate to the 13-week period ended November 3, 2019. Fiscal 2020 and fiscal 2019 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 November 1, 2020 Compared to Thirteen Weeks Ended November 3, 2019

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 November 1, 2020		Thirteen Weeks Ended November 3, 2019	
Food and beverage revenues	$ 38,346	35.2%	$124,637	41.6%
Amusement and other revenues	70,706	64.8	174,715	58.4
Total revenues	109,052	100.0	299,352	100.0
Cost of food and beverage (as a percentage of food and beverage revenues)	10,664	27.8	33,384	26.8
Cost of amusement and other (as a percentage of amusement and other revenues)	7,244	10.2	18,796	10.8
Total cost of products	17,908	16.4	52,180	17.4
Operating payroll and benefits	27,704	25.4	76,165	25.4
Other store operating expenses	70,783	64.9	110,713	37.1
General and administrative expenses	11,746	10.8	16,210	5.4
Depreciation and amortization expense	34,384	31.5	33,340	11.1
Pre-opening costs	2,570	2.4	4,245	1.4
Total operating costs	165,095	151.4	292,853	97.8
Operating income (loss)	(56,043)	(51.4)	6,499	2.2
Interest expense, net	8,213	7.6	6,110	2.1
Loss on debt refinance	904	0.8	—	—
Income (loss) before benefit for income taxes	(65,160)	(59.8)	389	0.1
Benefit for income taxes	(17,117)	(15.7)	(93)	(0.1)
Net income (loss)	$ (48,043)	(44.1)%	$ 482	0.2%
Change in comparable store sales [1]		(65.6)%		(4.1)%
Company-owned stores at end of period [1]		137		134
Comparable stores at end of period [1]		114		99

[1] As of the end of the third quarter of fiscal 2020, 104 of our 137 stores were open and 84 of our 114 comparable stores were open. Our total and comparable store counts as of the end of the third quarter of fiscal 2020 exclude a store in Chicago, Illinois and a store in Houston, Texas which are near the end of their respective lease terms which the Company has decided not to re-open. Our store in Duluth (Atlanta), Georgia permanently closed on March 3, 2019 as we did not exercise the renewal option and is excluded from fiscal 2019 store counts and comparable store sales.

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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 November 1, 2020		Thirteen Weeks Ended November 3, 2019	
Net income (loss)	$(48,043)	-44.1%	$ 482	0.2%
Interest expense, net	8,213		6,110	
Loss on debt refinance	904		—	
Benefit for income taxes	(17,117)		(93)	
Depreciation and amortization expense	34,384		33,340	
EBITDA	(21,659)	-19.9%	39,839	13.3%
Loss on asset disposal	124		458	
Share-based compensation	2,999		1,747	
Pre-opening costs	2,570		4,245	
Other costs (1)	(5)		1	
Adjusted EBITDA	$(15,971)	-14.6%	$46,290	15.5%

(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 November 1, 2020		Thirteen Weeks Ended November 3, 2019	
Operating income (loss)	$(56,043)	-51.4%	$ 6,499	2.2%
General and administrative expenses	11,746		16,210	
Depreciation and amortization expense	34,384		33,340	
Pre-opening costs	2,570		4,245	
Store Operating Income Before Depreciation and Amortization	$ (7,343)	-6.7%	$60,294	20.1%

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 November 1, 2020	Thirteen Weeks Ended November 3, 2019
New store and operating initiatives	$ 7,700	$ 52,147
Games	361	2,825
Maintenance capital	1,208	5,831
Total capital additions	$ 9,269	$ 60,803
Payments from landlords	$ 4,709	$ 7,240

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, the Company temporarily closed of all of our 137 stores by March 20, 2020 (including our one new store opening March 16). On April 30, 2020, the Company re-opened the first store to the public, and an additional 83 stores were re-opened during the second quarter.

During the third quarter of fiscal year 2020, the Company re-opened an additional 20 stores and one new store in Manchester, New Hampshire and one new store in Lehigh Valley, Pennsylvania. Two stores that re-opened during the second quarter were re-closed during the third quarter.

As of November 1, 2020, 104 of our 137 stores were open. Of these 104 open stores, 84 are comparable stores. These stores are operating with limited menus, reduced dining room seating, reduced games in the midway, reduced operating hours and other restrictions referred to as “limited operations”.

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

	Thirteen weeks ended November 1, 2020	Thirteen weeks ended November 3, 2019	Change
Total revenues	$ 109,052	$ 299,352	$(190,300)
Total store operating weeks	1,221	1,722	(501)
Comparable store revenues	$ 89,592	$ 260,131	$(170,539)
Comparable store operating weeks	993	1,482	(489)
Noncomparable store revenues	$ 20,092	40,131	$ (20,039)
Noncomparable store operating weeks	228	240	(12)
Other revenues	$ (632)	$ (910)	$ 278

Total revenues decreased $190,300, or 63.6%, to $109,052 in the third quarter of fiscal 2020 compared to total revenues of $299,352 in the third quarter of fiscal 2019. The decline in revenue is attributable primarily to fewer store operating weeks in the third quarter of fiscal 2020 as a result of temporary store closures, lower customer volumes due to limited food and beverage and amusement operations and the canceling or postponement of special events as a result of the COVID-19 pandemic. For the thirteen weeks ended November 1, 2020, we derived 23.2% of our total revenue from food sales, 12.0% from beverage sales, 64.4% from amusement sales and 0.4% from other sources. For the thirteen weeks ended November 3, 2019, we derived 27.9% of our total revenue from food sales, 13.7% from beverage sales, 57.4% from amusement sales and 1.0% from other sources.

Comparable store revenue decreased $170,539 or 65.6%, in the third quarter of fiscal 2020 compared to the third quarter of fiscal 2019, due primarily to a 33.0% reduction in comparable store operating weeks and lower customer volumes as stores re-opened with limited operations. During the third quarter of fiscal 2020, the number of comparable stores operating increased from 68 at the beginning of the quarter to 84 at the end of the quarter. 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 decreased by $51,838, or 71.4%, to $20,793 in the third quarter of fiscal 2020 from $72,631 in the third quarter of fiscal 2019. Beverage sales at comparable stores decreased by $24,936, or 69.7%, to $10,830 in the third quarter of fiscal 2020 from $35,766 in the 2019 comparison period. Comparable store amusement and other revenues in the third quarter of fiscal 2020 decreased by $93,765, or 61.8%, to $57,969 from $151,734 in the comparable thirteen weeks of fiscal 2019. The COVID-19 pandemic driven reduction in operating hours and product offerings contributed to a shift in our comparable store revenue mix away from food and beverage revenues to amusements and other revenues of approximately 630 basis points when compared to the third quarter of fiscal 2019.

Non-comparable store revenue decreased $20,039 in the third quarter of fiscal 2020 compared to the third quarter of fiscal 2019, for the same reasons noted above, including 12 net fewer store operating weeks.

Cost of products

The total cost of products was $17,908 for the third quarter of fiscal 2020 and $52,180 for the third quarter of fiscal 2019. The total cost of products as a percentage of total revenues decreased 100 basis points to 16.4% for the third quarter of fiscal 2020 compared to 17.4% for the third quarter of fiscal 2019.

Cost of food and beverage products decreased to $10,664 compared to $33,384 for the third quarter of fiscal 2019. Cost of food and beverage products, as a percentage of food and beverage revenues, increased 100 basis points to 27.8% for the third quarter of fiscal 2020 from 26.8% for the third quarter of fiscal 2019. Cost of food and beverage products during the third quarter of 2020 was negatively impacted by food and beverage spoilage costs of approximately $550 associated with store closures.

Cost of amusement and other decreased to $7,244 in the third quarter of fiscal 2020 compared to $18,796 in the third quarter of fiscal 2019. The costs of amusement and other, as a percentage of amusement and other revenues, decreased 60 basis points to 10.2% for the third quarter of fiscal 2020 from 10.8% in the third quarter of fiscal 2019. This decrease was driven by lower freight costs, lower cost per ticket and higher revenue per game play credit sold as a result of less discounting of amusement revenues, partially offset by an unfavorable shift in ticket redemption patterns.

Operating payroll and benefits

Total operating payroll and benefits decreased by $48,461, or 63.6%, to $27,704 in the third quarter of fiscal 2020 compared to $76,165 in the third quarter of fiscal 2019. Nearly all of our store workforce, with the exception of a small team of essential personnel, were furloughed in mid-March. 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 remained unchanged at 25.4% in both the third quarter of fiscal 2020 and the third quarter of fiscal 2019. Favorable results in hourly labor were offset by the deleveraging impact of management labor as a result of the temporary store closures and continued benefit coverage for furloughed employees. Additionally, late in the third quarter, we recalled a core group of store managers at unopened stores.

Other store operating expenses

Other store operating expenses decreased by $39,930, or 36.1%, to $70,783 in the third quarter of fiscal 2020 compared to $110,713 in the third quarter of fiscal 2019. The decrease is primarily due to reduced spend on marketing, maintenance and other services due to temporary store closures. Other store operating expense as a percentage of total revenues increased to 64.9% in the third quarter of fiscal 2020 compared to 37.1% in the third quarter of fiscal 2019. This increase was due primarily to sales deleveraging on occupancy costs and utilities as a result of the temporary store closures.

General and administrative expenses

General and administrative expenses decreased by $4,464, or 27.5%, to $11,746 in the third quarter of fiscal 2020 compared to $16,210 in the third quarter of fiscal 2019. The decrease in general and administrative expenses was primarily driven by lower labor costs due to continued furloughs and elimination of a significant number of positions at our corporate office, lower professional services, reduced travel expenses and board of director fees. These cost reductions were partially offset by increased share-based compensation as a result of new grants issued during the second quarter.

Depreciation and amortization expense

Depreciation and amortization expense increased by $1,044 or 3.1%, to $34,384 in the third quarter of fiscal 2020 compared to $33,340 in the third quarter of fiscal 2019. Increased depreciation due to our 2020 and 2019 capital expenditures for new stores, operating initiatives, games and maintenance capital, was partially offset by other assets reaching the end of their depreciable lives.

Pre-opening costs

Pre-opening costs decreased by $1,675 to $2,570 in the third quarter of fiscal 2020 compared to $4,245 in the third quarter of fiscal 2019 due to a decrease in the number of new store openings in the current year, as construction was put on hold, with pre-opening costs being primarily limited to pre-opening rent expense after the disruption of our business as a result of the COVID-19 pandemic.

Interest expense, net & Loss on debt refinance

Interest expense, net increased by $2,103 to $8,213 in the third quarter of fiscal 2020 compared to $6,110 in the third quarter of fiscal 2019 due to an increase in the average outstanding debt and an increase in the weighted average effective interest rate. In connection with the October 27, 2020 debt refinancing, which is explained in Note 3 to the Unaudited Consolidated Financial Statements, the Company recorded a charge of $904 during the third quarter of fiscal 2020.

Provision (benefit) for income taxes

The effective tax rate for the thirteen weeks ended November 1, 2020, was a benefit of 26.3%, compared to 24.1% in the third quarter of fiscal 2019, primarily due to the impact of a decrease in operating earnings before income tax as well as the impact of provisions of the CARES Act, including technical amendments to qualified improvement property and the impact of carrying back tax net operating losses from fiscal years 2020 and 2019 to years with a higher federal corporate income tax rate. The prior year effective tax rate was also impacted by lower projected state tax expense and the favorable impact of tax credits.

Thirty-Nine Weeks Ended November 1, 2020 Compared to Thirty-Nine Weeks Ended November 3, 2019

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).

	Thirty-Nine Weeks Ended November 1, 2020		Thirty-Nine Weeks Ended November 3, 2019	
Food and beverage revenues	$ 119,268	37.3%	$ 410,779	40.8%
Amusement and other revenues	200,423	62.7	596,754	59.2
Total revenues	319,691	100.0	1,007,533	100.0
Cost of food and beverage (as a percentage of food and beverage revenues)	32,667	27.4	109,072	26.6
Cost of amusement and other (as a percentage of amusement and other revenues)	21,997	11.0	64,456	10.8
Total cost of products	54,664	17.1	173,528	17.2
Operating payroll and benefits	85,197	26.6	239,965	23.8
Other store operating expenses	229,137	71.8	321,334	31.9
General and administrative expenses	35,587	11.1	49,047	4.9
Depreciation and amortization expense	104,896	32.8	97,226	9.6
Pre-opening costs	8,781	2.7	15,970	1.6
Total operating costs	518,262	162.1	897,070	89.0
Operating income (loss)	(198,571)	(62.1)	110,463	11.0
Interest expense, net	22,491	7.0	14,771	1.5
Loss on debt refinance	904	0.3	—	—
Income (loss) before provision (benefit) for income taxes	(221,966)	(69.4)	95,692	9.5
Provision (benefit) for income taxes	(71,777)	(22.4)	20,411	2.0
Net income (loss)	$(150,189)	(47.0)	$ 75,281	7.5%
Change in comparable store sales [(1)]		(70.2)%		(1.9)%
Company-owned stores at end of period [(1)]		137		134
Comparable stores at end of period [(1)]		114		99

(1) As of the end of the third quarter of fiscal 2020, 104 of our 137 stores were open and 84 of our 114 comparable stores were open. Our total and comparable store counts as of the end of the third quarter of fiscal 2020 exclude a store in Chicago, Illinois and a store in Houston, Texas which are near the end of their respective lease terms which the Company has decided not to re-open. Our store in Duluth (Atlanta), Georgia permanently closed on March 3, 2019 as we did not exercise the renewal option and has been excluded from fiscal 2019 store counts and comparable store sales.

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:

	Thirty-Nine Weeks Ended November 1, 2020		Thirty-Nine Weeks Ended November 3, 2019	
Net income (loss)	$(150,189)	-47.0%	$ 75,281	7.5%
Interest expense, net	22,491		14,771	
Loss on debt refinance	904		—	
Provision (benefit) for income taxes	(71,777)		20,411	
Depreciation and amortization expense	104,896		97,226	
EBITDA	(93,675)	-29.3%	207,689	20.6%
Loss on asset disposal	541		1,284	
Impairment of long-lived assets	13,727		—	
Share-based compensation	5,344		5,479	
Pre-opening costs	8,781		15,970	
Other costs (1)	54		34	
Adjusted EBITDA	$ (65,228)	-20.4%	$230,456	22.9%

(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:

	Thirty-Nine Weeks Ended November 1, 2020		Thirty-Nine Weeks Ended November 3, 2019	
Operating income (loss)	$(198,571)	-62.1%	$ 110,463	11.0%
General and administrative expenses	35,587		49,047	
Depreciation and amortization expense	104,896		97,226	
Pre-opening costs	8,781		15,970	
Store Operating Income Before Depreciation and Amortization	$ (49,307)	-15.4%	$272,706	27.1%

Capital Additions

The table below reflects accrual-based capital additions. Capital additions do not include any reductions for Payments from landlords.

	Thirty-Nine Weeks Ended November 1, 2020	Thirty-Nine Weeks Ended November 3, 2019
New store and operating initiatives	$ 48,222	$ 143,594
Games	9,079	12,667
Maintenance capital	2,988	16,316
Total capital additions	$ 60,289	$ 172,577
Payments from landlords	$ 8,723	$ 28,581

Results of Operations

Revenues

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

	Thirty-nine weeks ended November 1, 2020	Thirty-nine weeks ended November 3, 2019	Change
Total revenues	$ 319,691	$ 1,007,533	$(687,842)
Total store operating weeks	2,682	5,012	(2,330)
Comparable store revenues	$ 268,426	$ 901,837	$(633,411)
Comparable store operating weeks	2,184	4,446	(2,262)
Noncomparable store revenues	$ 54,763	$ 110,231	$ (55,468)
Noncomparable store operating weeks	498	566	(68)
Other revenues	$ (3,498)	$ (4,535)	$ 1,037

Total revenues decreased $687,842, or 68.3%, to $319,691 in the thirty-nine weeks ended November 1, 2020 compared to total revenues of $1,007,533 in the thirty-nine weeks ended November 3, 2019. The decline in revenue is attributable to fewer store operating weeks in fiscal 2020 as a result of temporary store closures, lower customer volumes due to limited food and beverage and amusement operations and the canceling or postponement of special events as a result of the COVID-19 pandemic. For the thirty-nine weeks ended November 1, 2020, we derived 24.6% of our total revenue from food sales, 12.7% from beverage sales, 62.2% from amusement sales and 0.5% from other sources. For the thirty-nine weeks ended November 3, 2019, we derived 27.9% of our total revenue from food sales, 12.9% from beverage sales, 58.4% from amusement sales and 0.8% from other sources.

Comparable store revenue decreased $633,411, or 70.2%, in the thirty-nine weeks ended November 1, 2020 compared to the thirty-nine weeks ended November 3, 2019, due primarily to a 50.9% reduction in comparable store operating weeks and lower customer volumes as stores re-opened with limited operations. As of March 20, 2020, all the Company’s 114 comparable stores were closed due to operating restrictions put in place by local jurisdictions in response to the COVID-19 pandemic. Beginning April 30, 2020, we began re-opening our stores based on changes in operating restrictions in the various jurisdictions. As of November 1, 2020, 84 of our comparable stores had re-opened under limited operating conditions. 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.

Comparable walk-in revenues, which accounted for 96.2% of comparable store revenue for the thirty-nine weeks ended November 1, 2020, decreased 68.6% compared to the similar period in fiscal 2019. Comparable store special events revenues, which accounted for 3.8% of comparable store revenue for the thirty-nine weeks ended November 1, 2020, decreased 87.1% compared to the similar period in fiscal 2019 as events were canceled or postponed due to local restrictions on group gathering size and operating restrictions on our business.

Food sales at comparable stores decreased by $185,463, or 73.9%, to $65,627 in the thirty-nine weeks ended November1, 2020 from $251,090 in the thirty-nine weeks ended November 3, 2019. Beverage sales at comparable stores decreased by $81,691, or 70.4%, to $34,381 in the thirty-nine weeks ended November 1, 2020 from $116,072 in the 2019 comparison period. Comparable store amusement and other revenues in the thirty-nine weeks ended November 1, 2020 decreased by $366,257, or 68.5%, to $168,418 from $534,675 in the comparable thirty-nine weeks of fiscal 2019.

Non-comparable store revenue decreased $55,468 in the thirty-nine weeks ended November 1, 2020 compared to the thirty-nine weeks ended November 3, 2019. During the first four-week period of fiscal 2020, non-comparable stores contributed an additional $9,668 of revenue and 54 additional operating weeks over the same period of fiscal 2019. During the remainder of the thirty-nine week period ended November 1, 2020, non-comparable store revenue decreased $65,136 for the same reasons noted above, including 122 fewer store operating weeks.

Cost of products

The total cost of products was $54,664 for the thirty-nine weeks ended November 1, 2020 and $173,528 for the thirty-nine weeks ended November 3, 2019. The total cost of products as a percentage of total revenues was 17.1% and 17.2% for the thirty-nine weeks November 1, 2020 and the thirty-nine weeks ended November 3, 2019, respectively.

Cost of food and beverage products decreased to $32,667 in the thirty-nine weeks ended November 1, 2020 compared to $109,072 for the thirty-nine weeks ended November 3, 2019. Cost of food and beverage products, as a percentage of food and beverage revenues, increased 80 basis points to 27.4% for the thirty-nine weeks ended November 1, 2020 from 26.6% for the thirty-nine weeks ended November 3, 2019. Cost of food and beverage products in the thirty-nine weeks ended November 1, 2020, was negatively impacted by food and beverage spoilage costs of approximately $1,572 associated with store closures, offset partially by cost reductions resulting from vendor payment negotiations.

Cost of amusement and other decreased to $21,997 in the thirty-nine weeks ended November 1, 2020 compared to $64,456 in the thirty-nine weeks ended November 3, 2019. The costs of amusement and other, as a percentage of amusement and other revenues, increased 20 basis points to 11.0% for the thirty-nine weeks ended November 1, 2020 from 10.8% for the thirty-nine weeks ended November 3, 2019, due primarily to a shift in ticket redemption patterns.

Operating payroll and benefits

Total operating payroll and benefits decreased by $154,768, or 64.5%, to $85,197 in the thirty-nine weeks ended November 1, 2020 compared to $239,965 in the thirty-nine weeks ended November 3, 2019. Nearly all of our store workforce, except a small team of essential personnel, were furloughed in mid-March. 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, increased 280 basis points to 26.6% in the thirty-nine week period ended November 1, 2020 compared to 23.8% in the thirty-nine week period ended November 3, 2019, due primarily to sales deleveraging of management labor as a result of the temporary store closures and partially attributable to continued benefit coverage for furloughed employees. Late in the third quarter, we recalled a core group of store managers at unopened stores.

Other store operating expenses

Other store operating expenses decreased by $92,197, or 28.7%, to $229,137 in the thirty-nine weeks ended November 1, 2020 compared to $321,334 in the thirty-nine weeks ended November 3, 2019. Decreased spend on marketing, maintenance and other services due to temporary store closures and $1,000 insurance proceeds related to the COVID-19 business disruptions were partially offset by a $13,727 charge for impairment of long-lived assets and a net loss on derivatives of $1,578. Other store operating expense as a percentage of total revenues increased to 71.8% in the thirty-nine weeks ended November 1, 2020 compared to 31.9% in the thirty-nine weeks ended November 3, 2019. This increase was due primarily to sales deleveraging on occupancy costs and utilities as a result of the temporary store closures and the charges for impairment.

General and administrative expenses

General and administrative expenses decreased by $13,460, or 27.4%, to $35,587 in the thirty-nine weeks ended November 1, 2020 compared to $49,047 in the thirty-nine weeks ended November 3, 2019. The decrease in general and administrative expenses was driven primarily by lower labor resulting from continued furloughs and elimination of a significant number of positions at the corporate office, temporarily reducing pay and benefits for employees that were not furloughed for a twelve-week period, lower professional services costs, and reduced travel expenses and board of director fees.

Depreciation and amortization expense

Depreciation and amortization expense increased by $7,670 or 7.9%, to $104,896 in the thirty-nine weeks ended November 1, 2020 compared to $97,226 in the thirty-nine weeks ended November 3, 2019. Increased depreciation due to our 2020 and 2019 capital expenditures for new stores, operating initiatives, games and maintenance capital, was partially offset by other assets reaching the end of their depreciable lives.

Pre-opening costs

Pre-opening costs decreased by $7,189 to $8,781 in the thirty-nine weeks ended November 1, 2020 compared to $15,970 in the thirty-nine weeks ended November 3, 2019, due to a decrease in the number of new store openings in the current year, as construction was put on hold or delayed, with pre-opening costs being primarily limited to pre-opening rent expense after the disruption of our business as a result of the COVID-19 pandemic.

Interest expense, net and Loss on debt refinance

Interest expense, net increased by $7,720 to $22,491 in the thirty-nine weeks ended November 1, 2020 compared to $14,771 in the thirty-nine weeks ended November 3, 2019, due primarily to an increase in average outstanding debt and a slightly higher weighted average effective interest rate. In connection with the October 27, 2020 debt refinancing, which is explained in Note 3 of the Unaudited Consolidated Financial Statements, the Company recorded a charge of $904 during the third quarter of fiscal 2020.

Provision (benefit) for income taxes

The effective tax rate for the thirty-nine weeks ended November 1, 2020, was a benefit of 32.3%, compared to an expense of 21.3% for the thirty-nine weeks ended November 3, 2019, primarily due to the impact of a decrease in operating earnings before income tax as well as the impact of provisions of the CARES Act, including technical amendments to qualified improvement property and the impact of carrying back tax net operating losses from fiscal years 2020 and 2019 to years with a higher federal corporate income tax rate.

Liquidity and Capital Resources

In response to the business disruption caused by the COVID-19 pandemic, the Company has taken the following actions to enable it to meet its obligations over the next twelve months:

During the first and second quarters of fiscal year 2020, we:

- reduced expenses broadly;
- canceled or delayed all non-essential planned capital spending for the remainder of fiscal 2020 and halted or delayed all planned store openings;
- suspended our share repurchase program and our dividend;
- drew down substantially all the remaining credit available under our $500,000 revolving credit facility;
- negotiated an amendment with our lenders, which included relief from compliance with financial covenants for the first, second and third quarterly periods of fiscal 2020;
- sold shares of our common stock, which generated gross proceeds of $185,600;
- initiated negotiations with our landlords, vendors, and other business partners to temporarily reduce our lease and contract payments and obtain other concessions; and
- submitted a proposal, approved by our shareholders, increasing the number of shares available for incentive awards, which enables management to maintain key talent while preserving the Company’s liquidity by minimizing cash outlays.

In addition, during the third quarter of fiscal 2020, we:

- continued discussions with our landlords, vendors and other business partners to reduce our lease and contract payments and obtain concessions. As of November 1, 2020, a total of 123 rent relief agreements relating to our operating locations and corporate headquarters were 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;
- negotiated a second amendment with our lenders, resulting in an extension of the maturity date of our revolving credit facility and extended relief from compliance with financial covenants until the first quarter of fiscal year 2022; and
- issued $550,000 of senior secured notes, maturing November 1, 2025.

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.

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 increased to LIBOR plus 2.00% with 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 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 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, and the interest rate spread increased from 2.00% to 4.00% during the financial covenant suspension period, with an additional 1.00% utilization fee 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 $18,200, which are being amortized over the terms of the respective Notes and revolving credit facility. As of November 1, 2020, approximately $3,300 of these debt costs had not been paid. The Company also recorded a loss of $904 related to the unamortized debt costs associated with the term portion of the credit facility.

For the thirty-nine weeks ended November 1, 2020, and November 3, 2019, the Company's weighted average interest rate on outstanding borrowings was 4.17% and 4.03%, respectively. We expect this rate to increase in future quarters as a result of the issuance of the Notes and the second amendment to the credit facility. As of November 1, 2020, we had letters of credit outstanding of $9,686 and an unused commitment balance of $464,314 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 Unaudited 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

The Company had previously established a share repurchase program, under which the Company may repurchase shares on the open market, through privately negotiated transactions, and through trading plans designed to comply with Rule 10b5-1 of the Exchange Act. At November 1, 2020, we had approximately $172,820 remaining of a total $800,000 share repurchase authorization. The existing share repurchase program expires at the end of fiscal 2020. As a result of the impacts to our business arising from the COVID -19 pandemic, share purchases and dividend payments have been indefinitely suspended.

Cash Flow Summary

At November 1, 2020, we had cash and cash equivalents of $8,341.

Operating Activities — Cash flow generated 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 provided by or used in 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.

Net cash provided by operating activities decreased $249,543 in the thirty-nine weeks ended November 1, 2020 compared to the thirty-nine weeks ended November 3, 2019 driven primarily by the closure of all of our 137 operating stores as of March 20, 2020. Operations ceased until April 30, 2020, when we re-opened our first store, followed by the progressive re-opening of 101 additional stores with limited operations through the end of our third quarter. The impact of approximately 2,330 fewer store weeks and limited operations was lessened somewhat by reduced income tax payments as well as our efforts to actively manage the Company's daily cash flows, including deferrals and short payments of rent and other payments to landlords.

Investing Activities — Cash used in investing activities primarily reflects capital expenditures.

During the thirty-nine weeks ended November 1, 2020, the Company spent approximately $55,800 for new store construction and operating improvement initiatives ($47,100 net of payments from landlords), $9,500 for game refreshment and $7,300 for maintenance capital.

During the thirty-nine weeks ended November 3, 2019, we spent approximately $145,700 ($117,100 net of payments from landlords) for new store construction and operating improvement initiatives, $12,400 for game refreshment and $14,800 for maintenance capital.

Financing Activities — 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. During the third quarter, the Company issued $550,000 of senior secured notes in a private offering and amended the existing credit facility. The proceeds from the offering, along with cash on hand, were used to pay debt issuance costs, the $255,000 balance of the term portion of the credit facility, and $463,000 of outstanding borrowings under the revolving portion of the credit facility. Additionally, the Company received net proceeds of approximately $182,200 from the issuance of shares of our common stock during the first and second quarter of fiscal year 2020. In the thirty-nine weeks ended November 3, 2019, cash used in financing activities primarily reflected approximately $297,300 of share repurchases and approximately $10,800 of cash dividends paid, partially offset by $261,800 of net proceeds from borrowings.

Contractual Obligations and Commitments

Effective October 27, 2020, the Company issued $550,000 of senior secured notes and entered into the second amendment to its existing credit facility, which was first amended on April 14, 2020. There have been no other material changes outside the ordinary course of business to our contractual obligations since February 2, 2020, as reported on Form 10-K filed with the SEC on April 3, 2020. The following table sets forth the contractual obligations related to the Company's debt obligations as of November 1, 2020.

	Total	1 Year	2-3 Years	4-5 Years	After 5 Years
Senior Secured Notes	$550,000	$ —	$ —	$550,000	$ —
Credit Facility - Revolver (1)	26,000	—	—	26,000	—
Interest requirements (2)	225,395	46,328	91,087	87,980	—
Total	$801,395	$46,328	$91,087	$663,980	$ —

(1) Available commitments under the revolving credit facility were $464,314 as of November 1, 2020, subject to a $150,000 liquidity covenant.

(2) The cash obligations for the variable portion of the interest requirements on the outstanding balance of the revolving credit facility and the unused commitment are based on an interest rate of 6.00% and 0.50%, respectively, through the end of the first quarter of fiscal year 2022, reduced to 4.00% and 0.40%, respectively, for the remainder of the term of the credit facility. The interest requirement on the Notes is based on a fixed rate of 7.625%.

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 April 3, 2020.

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 the floating portion of the interest rate to a fixed interest rate of approximately 2.47% through August 17, 2022. As of November 1, 2020, 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 third quarter ended November 1, 2020, 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

The Company is supplementing the Risk Factors previously disclosed in Item 1A of the Annual Report on Form 10-K for the fiscal year ended February 2, 2020, (the "Annual Report"). The following risk factor should be read in conjunction with the Risk Factors disclosed in the Annual Report.

The COVID-19 pandemic has disrupted and is expected to continue to disrupt our business, which could have a material adverse impact on our business, results of operations, liquidity and financial condition for an extended period of time.

The recent outbreak of COVID-19, and any other outbreaks of contagious diseases or other adverse public health developments in the United States or worldwide, could have a material adverse effect on our business, results of operations, liquidity and financial condition. In 2020, the COVID-19 pandemic has significantly impacted the economy in general, and our business specifically, and it will continue to negatively affect our business in a number of ways. These effects could include, but are not limited to:

- the uncertain and unprecedented impact of the coronavirus and the disease it causes (COVID-19) on our business and operations and the related impact on our liquidity needs;
- our ability to continue as a going concern;
- our ability to obtain additional waivers or amendments, and thereafter continue to satisfy covenant requirements (even as they may be amended), under our amended credit agreement and derivative contract payables;
- our ability to access other funding sources;
- the duration of government-mandated and voluntary shutdowns, and the impact of ongoing mitigation restrictions on our operations once our stores can re-open;
- the speed with which our stores safely can be re-opened and the level of customer demand following re-opening;
- the economic impact of COVID-19 and related disruptions on the communities we serve; and
- our overall level of indebtedness.

The extent to which the COVID-19 pandemic, or other outbreaks of disease or similar public health threats, materially and adversely impacts our business, results of operations, liquidity and financial condition is highly uncertain and will depend on future developments. Such developments may include the geographic spread and duration of the virus, the severity of the disease and the actions that may be taken by various governmental authorities and other third parties in response to the outbreak. 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.

We face risks related to our substantial indebtedness and limitations on future sources of liquidity.

As of November 1, 2020, we had total borrowings of $576,000, which consisted of $550,000 of secured indebtedness represented by our Notes and $26,000 of senior secured borrowings under our revolving credit facility. Our substantial indebtedness could have important consequences to us, including:

- making it more difficult for us to satisfy our obligations with respect to our debt, and any failure to comply with the obligations under our debt instruments, including restrictive covenants, could result in an event of default under the agreements governing our indebtedness increasing our vulnerability to general economic and industry conditions, including as a result of disruption caused by the global COVID-19 pandemic;
- requiring a substantial portion of our cash flow from operations to be dedicated to the payment of obligations with respect to our debt, thereby reducing our ability to use our cash flow to fund our operations, lease payments, capital expenditures, selling and marketing efforts, product development, future business opportunities and other purposes;
- exposing us to the risk of increased interest rates as a substantial portion of our borrowings are at variable rates;
- restricting us from making strategic acquisitions;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions, and general corporate or other purposes; and
- limiting our ability to plan for, or adjust to, changing market conditions and placing us at a competitive disadvantage compared to our competitors who may be less highly leveraged.

Any of these risks could materially impact our ability to fund our operations or limit our ability to expand our business, which could have a material adverse effect on our business, financial condition and results of operations.

Covenants in our debt agreements restrict our business and could limit our ability to implement our business plan.

The credit facility and the indenture governing the Notes contain covenants that may restrict our ability to implement our business plan, finance future operations, respond to changing business and economic conditions, secure additional financing, and engage in opportunistic transactions, such as strategic acquisitions. In addition, if we fail to satisfy the covenants contained in the credit facility, our ability to borrow under the revolving credit loans portion of the credit facility may be restricted. The credit facility and the indenture governing the Notes include covenants restricting, among other things, our ability to do the following under certain circumstances:

- incur or guarantee additional indebtedness or issue certain disqualified or preferred stock;

- pay dividends or make other distributions on, or redeem or purchase, any equity interests or make other restricted payments;
- make certain acquisitions or investments;
- create or incur liens;
- transfer or sell assets;
- incur restrictions on the payments of dividends or other distributions from our restricted subsidiaries;
- alter the business that we conduct;
- enter into transactions with affiliates; and
- consummate a merger or consolidation or sell, assign, transfer, lease or otherwise dispose of all or substantially all of our assets.

The covenants in the credit facility are generally more restrictive than the covenants in the indenture governing the Notes and 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. In addition, other than during the second amendment suspension period, our credit facility requires us to comply with a total leverage ratio that is no greater than the applicable financial covenant level and a fixed charge ratio that is no greater than 1.25:1.00, respectively, which are each tested as of the last day of each fiscal quarter. During the second amendment suspension period, our credit facility requires us to maintain minimum liquidity of $150,000 at all times.

Events beyond our control, including the impact of COVID-19, may affect our ability to comply with our covenants, even after the cessation of the second amendment suspension period.

If we default under the credit facility or the indenture governing the Notes, because of a covenant breach or otherwise, all outstanding amounts thereunder could become immediately due and payable. We cannot assure you that we will be able to comply with our covenants under the credit facility, or the indenture governing the Notes or that any covenant violations will be waived in the future. Any violation that is not waived could result in an event of default, permitting our lenders to declare outstanding indebtedness and interest thereon due and payable, and permitting the lenders under the revolving credit loans provided under the credit facility to suspend commitments to make any advance, or require any outstanding letters of credit to be collateralized by an interest bearing cash account, any or all of which could have a material adverse effect on our business, financial condition and results of operations. In addition, if we fail to comply with our financial or other covenants under the credit facility or the indenture governing the Notes, we may need additional financing in order to service or extinguish our indebtedness. We may not be able to obtain financing or refinancing on commercially reasonable terms, or at all. We cannot assure you that we would have sufficient funds to repay outstanding amounts under the credit facility or the indenture governing the Notes and any acceleration of amounts due would have a material adverse effect on our liquidity and financial condition.

Changes in interest rates could adversely impact the price of our shares, our ability to issue equity or incur debt for acquisitions or other purposes.

Interest rates on future borrowings, credit facilities and debt offerings could be higher than current levels, causing our financing costs to increase accordingly. In addition, LIBOR and other "benchmark" rates are subject to ongoing national and international regulatory scrutiny and reform. On July 27, 2017, the U.K. Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR rates after 2021 (the "FCA Announcement"). The Alternative Reference Rate Committee, a committee convened by the Federal Reserve that includes major market participants, has proposed an alternative rate to replace U.S. Dollar LIBOR: the Secured Overnight Financing Rate, or "SOFR." We are unable to predict the effect of the FCA Announcement or other reforms, whether currently enacted or enacted in the future. The outcome of reforms may result in increased interest expense to us. Changes in interest rates, either positive or negative, may affect the yield requirements of investors who invest in our shares, and a rising interest rate environment could have an adverse impact on the price of our shares, our ability to issue equity or incur debt for acquisitions or other purposes.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There has been no material change in the use of proceeds disclosed in our prospectus supplement to our registration statement on Form S-3, filed with the SEC on April 14, 2020.

There were no repurchases of our common stock under our share repurchase plan during the thirteen weeks ended November 1, 2020.

Item 6. Exhibits

Exhibit Number	Description
10.1*	Dave & Buster's Select Executive Retirement Plan as amended and restated by Dave & Buster's Management Corporation, Inc., effective as of January 1, 2017.
31.1*	Certification of Brian A. Jenkins, Chief Executive Officer of the Registrant, pursuant to 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a).
31.2*	Certification of Scott J. Bowman, Chief Financial Officer of the Registrant, pursuant to 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a).
32.1*	Certification of Brian A. Jenkins, Chief Executive Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Scott J. Bowman, Chief Financial Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	XBRL Interactive Data files
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: December 10, 2020	By: /s/ Brian A. Jenkins Brian A. Jenkins Chief Executive Officer
Date: December 10, 2020	By: /s/ Scott J. Bowman Scott J. Bowman Chief Financial Officer

DAVE & BUSTER'S SELECT EXECUTIVE RETIREMENT PLAN

This Select Executive Retirement Plan (the "Plan") is amended and restated by Dave & Buster's Management Corporation, Inc., effective, unless otherwise provided for herein, as of January 1, 2017.

ARTICLE I

PURPOSE; FINANCING PLAN BENEFITS

1.1 Purpose. The purpose of this Plan is to provide a select group of management or highly compensated Employees of the Employer with certain deferred compensation benefits as described herein. The Employer intends that the Plan shall constitute an "unfunded plan" for purposes of the Code and Title I of ERISA, as amended, and that any Participant or Beneficiary shall have the status of an unsecured general creditor of the Employer as to the Plan and any trust fund that may be established by the Employer, or asset identified specifically by the Employer, as a reserve for the discharge of its obligations under the Plan.

1.2 Financing Plan Benefits. All Benefits under this Plan shall be paid or provided directly by the Employer. Such Benefits shall be general obligations of the Employer which shall not require the segregation of any funds or property therefor. Notwithstanding the foregoing, in the discretion of the Employer, the Employer's obligations hereunder may be satisfied from a grantor trust established by the Employer, the terms of which will be substantially similar to the terms of the model trust issued by the Internal Revenue Service in Revenue Procedure 92-64, or from an insurance contract or contracts owned by the Employer. The assets of any such trust and any such insurance policy shall continue for all purposes to be a part of the general funds of the Employer, shall be considered solely a means to assist the Employer to meet its contractual obligations under this Plan and shall not create a funded account or security interest for the benefit of any Participant under this Plan. All such assets shall be subject to the claims of the general creditors of the Employer in the event the Employer is Insolvent. To the extent that any person acquires a right to receive a payment from the Employer under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Employer. If a trust is established as provided for in this Section 1.2, earnings and/or losses of the trust attributable to amounts credited to a Participant's Account shall increase or, if applicable, decrease such Participant's Account for purposes of determining the Participant's Benefits payable hereunder, and each Participant shall be given the opportunity to direct the investment of the trust's assets attributable to his Account among investment options selected by the Employer from time to time. Any such investment election by a Participant shall be subject to the terms of the trust and the approval of the trustee thereof.

ARTICLE II

DEFINITIONS

The following words and phrases when used in this Plan shall have the respective meanings set forth below unless the context clearly indicates otherwise:

2.1 "Account" means the separate bookkeeping account established with respect to each Participant to which his Benefits are credited in accordance with Article IV hereof.

2.2 "Administrator" means the Compensation Committee of Board of Directors for Dave & Buster's, Inc., except to the extent that the Compensation Committee of Board of Directors for Dave & Buster's, Inc. has appointed another person or persons to serve as the Administrator with respect to the Plan.

2.3 "Anniversary Date" means each December 31 during the term of this Plan.

2.4 "Beneficiary" means the person designated in writing by a Participant pursuant to Section 5.8 to receive his Benefits in the event of his death.

2.5 "Benefits" mean amounts representing Participant's Deferred Compensation Elections and, for Periods of Service prior to calendar year 2006, Special Deferred Compensation Elections described in Sections 4.2 and 4.3, and the vested portion of Employer Contributions described in Section 4.4 credited to each Participant's Account, plus earnings thereon and less losses allocable thereto, if any, attributable to the investment of such amounts, if applicable pursuant to Section 1.2 hereof.

2.6 "Change of Control" means (i) with respect to an Employer other than Dave & Buster's Management Corporation, Inc. the date on which (A) any one person, or more than one person acting as a group, acquires ownership of stock of the Employer that, together with stock held by such person or group, constitutes more than fifty percent (50%) of either the total fair market value or total voting power of the stock of the Employer; or (B) any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Employer that have a total gross fair market value equal to or more than eighty percent (80%) of the total gross fair market value of all of the assets of the Employer immediately prior to such acquisition or acquisitions, and (ii) with respect to Dave & Buster's Management Corporation, Inc. the date on which (A) any one person, or more than one person acting as a group, acquires a capital or profits interest in Dave & Buster's Management Corporation, Inc. that, together with the capital or profits interest held by such person or group, constitutes more than fifty percent (50%) of either the capital or profits interests of Dave & Buster's Management Corporation, Inc.; or (B) any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from Dave & Buster's Management Corporation, Inc. that have a total gross fair market value equal to or more than eighty percent (80%) of the total gross fair market value of all of the assets of Dave & Buster's Management Corporation, Inc. immediately prior to such acquisition or acquisitions; provided that in each case the foregoing shall only be deemed a Change of Control if such transaction is a permitted distribution event for purposes of Section 409A(a)(2)(A)(v) of the Code and the regulations promulgated thereunder. In addition, for purposes of applying any Change of Control provision under the Plan with respect to a Participant's Benefits, a Change of Control will be deemed to occur with respect to a particular Participant only if the Change of Control event affects the Employer for whom the Participant performs services or a corporate majority shareholder (owning more than fifty percent (50%) of the total fair market value and total voting power of that Employer) or any corporation in that chain of corporations in which each corporation is a majority shareholder of another corporation in the chain ending in the Employer for whom the Participant performs services or a corporate majority shareholder of the Employer. References in the preceding sentence to corporations and corporate majority shareholders shall be deemed to include partnerships and holders of a majority capital or profits interest to the extent permitted under Section 409A of the Code with respect to change of control events.

2.7 “Code” means the Internal Revenue Code of 1986, as amended.

2.8 “Committee” means the Benefits Management Committee, as constituted from time to time, appointed by the Administrator to perform the duties and responsibilities allocated to it pursuant to the terms hereof. The Committee shall consist of at least three members and shall be entitled to act with respect to any matter hereunder for which it is responsible in accordance with the decision of a majority of its members. Upon the occurrence of a Change of Control, the members of the Committee, as then constituted, may not be removed for a period of two years following such event without their written consent.

2.9 “Compensation” means, for Periods of Service beginning after calendar year 2005, amounts paid to a Participant by the Employer as base salary without regard to any bonus payments.

2.10 “Deferred Compensation” means the amount credited to a Participant’s Account pursuant to a Participant’s Deferred Compensation Elections in accordance with Section 4.2 hereof.

2.11 ‘Deferred Compensation Election” means the election by a Participant to defer his Compensation in accordance with Section 4.2.

2.12 “Deferred Compensation/Participation Agreement” means the individual agreement executed by each Participant under the Plan pursuant to which the Participant designates a Beneficiary and makes his Deferred Contribution Election and/or for Periods of Service prior to calendar year 2006, his Special Deferred Compensation Election. A Participant may direct the investment of assets credited to his Account on the Deferred Compensation/Participation Agreement, if permitted pursuant to Section 1.2 hereof.

2.13 “Designated Employee” means any Employee who has a job title with the Employer of “President,” “Chief Executive Officer,” “Senior Vice President,” “Vice President,” “Regional Operations Director,” “Assistant Vice President,” “Senior Director”, “Director” or “General Manager.”

2.14 “Disability” means that the Participant is (a) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (b) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Participant’s Employer.

2.15 “Eligible Employee” means each Designated Employee or any such other Employee who has been designated as eligible to participate in the Plan pursuant to Section 3.1 for a Period of Service.

2.16 “Employee” means any person employed by the Employer who is included on the Federal Insurance Contribution Act rolls of the Employer.

2.17 “Employer” means Dave & Buster’s Management Corporation, Inc. and any successor or successors thereto that adopts the Plan on behalf of its employees.

2.18 “Employer Contributions” means amounts credited to a Participant’s Account pursuant to Section 4.4 hereof.

2.19 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

2.20 “Insolvent” means the Employer being unable to pay its debts as they mature or being subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

2.21 “Normal Retirement Age” means the date a Participant attains age 65.

2.22 “Participant” means a Designated Employee and any other Employee who is selected by the Administrator to participate in the Plan, as provided in each case in Section 3.1 hereof and who has elected to participate in the Plan by executing a Deferred Compensation/Participation Agreement in accordance with Section 4.2 and/or for Periods of Service prior to calendar year 2006, Section 4.3 hereof.

2.23 “Period of Service” means the twelve-month period ending each December 31, or such portion thereof that an Employee has been designated as eligible to participate in the Plan.

2.24 “Special Deferred Compensation Election” means the election by a Participant for Periods of Service prior to calendar year 2006, to defer a percentage or stated dollar amount of his bonus as described in Section 4.3 hereof. No Special Deferred Compensation Elections may be under the Plan with respect to bonuses for services performed by a Participant after 2005.

ARTICLE III

ELIGIBILITY

3.1 Eligibility to Participate. Each Designated Employee shall be eligible to participate in the Plan. The Administrator shall, prior to each Period of Service during the term of this Plan, irrevocably specify the name of each other Employee who shall be entitled to participate in the Plan for the immediately following Period of Service. In addition, the Administrator may, during a Period of Service, designate an individual who has become an Employee during that Period of Service as eligible to participate in the Plan for the remaining portion of that Period of Service. An Employee who becomes a Designated Employee during a Period of Service shall be eligible to participate in the Plan as of the date such Employee becomes a Designated Employee for the remaining portion of that Period of Service. An Employee shall be eligible to receive a benefit hereunder if such Employee is a Designated Employee or has been designated as an eligible Employee pursuant to the preceding sentences of this Section 3.1 and has, in either case, entered into a Deferred Compensation/Participation Agreement with the Employer in accordance with Section 4.2 and/or for Periods of Service prior to calendar year 2006, Section 4.3 hereof. If the Administrator fails to designate an Employee, other than a Designated Employee, as eligible to participate in the Plan for a particular Period of Service and such Employee was eligible to participate in the Plan for the immediately preceding Period of Service, the Administrator shall notify the Employee in writing of his ineligibility to participate in the Plan as soon as administratively possible after making its decision regarding his eligibility.

3.2 Cessation of Participation. A Participant will cease to be a Participant as of the earlier of (i) the date on which the Plan terminates or (ii) the date on which he ceases to be an eligible Employee under Section 3.1.

ARTICLE IV

PARTICIPATION, PLAN BENEFITS AND VESTING

4.1 General. Subject to the vesting provisions of Section 4.5 hereof and the provisions of Article V, the Benefits to which a Participant and, if applicable, his Beneficiary shall be entitled under the Plan will consist of Deferred Compensation and Employer Contributions credited to such Participant's Account, plus earnings thereon and less losses allocable thereto, if any, attributable to the investment of such amounts pursuant to Section 1.2 hereof.

4.2 Participation Election; Deferred Compensation Elections. Unless the Administrator determines otherwise prior to a Period of Service, the maximum percentage of Compensation that an Eligible Employee may elect to defer for a Period of Service shall not exceed fifty percent (50%). Subject, for Periods of Service prior to calendar year 2006, to a Participant's Special Deferred Compensation Election with respect to bonuses as described in Section 4.3, before the beginning of each Period of Service for which Compensation is earned by an Eligible Employee, the Employee must elect in writing the percentage of his Compensation that will be deferred for such period by executing a Deferred Compensation/Participation Agreement in such form as the Administrator shall prescribe. Notwithstanding the preceding sentence, for the first Period of Service in which an Employee becomes Eligible to participate in the Plan, the Eligible Employee may elect within 30 days after the date the Employee becomes Eligible to participate in the Plan to defer Compensation with respect to Compensation for services performed subsequent to the election. From time to time during each Period of Service for which a Participant has executed a Deferred Compensation/Participation Agreement, the Employer will credit the amount of the Participant's Deferred Compensation to his Account. If an Eligible Employee does not execute a Deferred Compensation/Participation Agreement for a particular Period of Service in accordance with this Section 4.2, he may not participate in the Plan for that Period of Service with respect to a Deferred Compensation Election, but he may make a separate Special Deferred Compensation Election, for Periods of Service prior to calendar year 2006, with respect to a bonus in accordance with Section 4.3. Thereafter, he may elect to make a Deferred Compensation Election and participate in the Plan with respect to future Periods of Service, if he is then eligible to participate in the Plan pursuant to Section 3.1 hereof, by executing a Deferred Compensation/Participation Agreement and electing to defer a percentage of Compensation prior to any such future Period of Service.

4.3 Special Deferred Compensation Election for Bonuses. For Periods of Service prior to calendar year 2006, in addition to the Deferred Compensation Election described in Section 4.2, an Eligible Employee may make a Special Deferred Compensation Election with respect to a discretionary bonus payable to an Eligible Employee for any Period of Service, provided that an Eligible Employee makes such election prior to the date the discretionary bonus is declared by executing a Deferred Compensation/Participation Agreement setting forth his Special Deferred Compensation Election. An Eligible Employee may elect to defer a percentage or a stated dollar amount of a bonus as part of his Special Deferred Compensation Election or may elect not to defer any portion of his bonus. If a Special Deferred Compensation Election is not made by a Participant pursuant to this Section 4.3 and he has made a Deferred Compensation Election pursuant to Section 4.2 for a particular Period of Service, the rate a deferral elected in that Deferred Compensation Election shall determine the portion of his bonus to be deferred for that Period of Service. No Special Deferred Compensation Elections may be made for any Period of Service after calendar year 2005.

4.4 Employer Contributions. The Employer may credit each Participant's Account from time to time with amounts that represent Employer Contributions, which will be based on the Participant's Deferred Compensation Election. Whether Employer Contributions are credited to a Participant's Account for a particular Period of Service shall be determined in the sole discretion of the Employer based, among other things, on the Employer's profitability, and such contributions shall be credited only to Participants who are Employees on the last day of the particular Period of Service for which the contributions are credited. The value of such amounts (as determined under Section 4.1) will be used, along with the Participant's Deferred Compensation, to determine the Participant's Benefits as specified herein.

4.5 Vesting. In the event of a Participant's termination of employment, he will be entitled to receive:

(a) 100% of the portion of his Account attributable to his Deferred Compensation, including the earnings thereon if such amounts are invested pursuant to Section 1.2 hereof; and

(b) the vested portion of his Account attributable to Employer Contributions based on his years of service as determined below and as otherwise provided below, including the earnings thereon if such amounts are invested pursuant to Section 1.2 hereof.

Each Participant will vest in the portion of his Account attributable to Employer Contributions at the rate of 20% per year for each calendar year during which he performs 1,000 hours of service for the Employer beginning with the calendar year in which the Participant first becomes eligible to participate in the Plan. Notwithstanding the preceding sentence, a Participant will become fully vested in his Account (i) in the event of his termination of employment on or after his Normal Retirement Age, or by reason of his Disability or death and (ii) upon a Change of Control, subject to the conditions contained in Section 2.6 applicable to determining whether a Change of Control has occurred with respect to a Participant.

ARTICLE V

DISTRIBUTIONS

5.1 Payment of Benefits. The amount credited to a Participant's Account pursuant to Article IV hereof, to the extent vested pursuant to Section 4.5, shall be payable to the Participant or, if applicable, to his Beneficiary in accordance with the provisions of this Article V. Subject to the provisions of Section 5.8, payment of any Benefit under the Plan shall be made as soon as administratively practicable, following the occurrence of the event causing the Benefit to become payable as determined by the Administrator in its sole discretion, but not later than sixty (60) days following the occurrence of the event.

5.2 Retirement, Disability, or Death. Upon termination of the Participant's employment with the Employer on or after his Normal Retirement Age, or by reason of his Disability or death, the Employer will pay the full value of his Account to him in the form of a single sum cash payment.

5.3 Other Termination of Employment. In the event the Participant's employment with the Employer terminates for any reason other than retirement on or after Normal Retirement Age, death, or Disability, the value of the vested portion of his Account will be paid in the form of a single sum cash payment.

5.4 Timing of Certain Payments. Notwithstanding any other provision of this Plan to the contrary, Benefits shall be paid to Participants prior to the time such Benefits otherwise would be payable hereunder if the Committee in good faith determines that either of the following conditions or events has occurred:

(a) A Change of Control of the Employer, subject to the conditions contains in Section 2.6 applicable to determining whether a Change of Control has occurred with respect to the payment of a Participant.

(b) An unforeseeable emergency of the Participant. An unforeseeable emergency is a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. An unforeseeable emergency will exist only if, as determined under regulations issued by the Internal Revenue Service under Code Section 409A, the amount distributed to a Participant on account of an unforeseeable emergency does not exceed the amount reasonably necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise, or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause a severe financial hardship).

5.5 Form of Payment. The Participant's Benefits shall be paid in the form of a single sum payment in cash, or for Periods of Service prior to calendar year 2006, in accordance with the installment form of payment, if applicable, elected by the Participant in his Deferred Compensation/Participation Agreement.

5.6 Designation of Beneficiary. Each Participant must designate a Beneficiary to receive his Benefits in the event of his death, by completing his Deferred Compensation/Participation Agreement and filing it with the Administrator. The Administrator will recognize the most recent written Beneficiary designation on file prior to a Participant's death. If a designated Beneficiary is not living at the time of the Participant's death, then the Administrator will pay Participant's Benefits to the Participant's personal representative, executor, or administrator, as specified by the appropriate legal jurisdiction. Any such payment to the Participant's Beneficiary or, if applicable, to his personal representative, executor or administrator shall operate as a complete discharge of all obligations of the Administrator, the Committee and the Employer to the extent of the payment so made.

5.7 Special Code Section 409A Related Election Rights for 2005. Notwithstanding any provision of the Plan to the contrary, each Participant may elect, during a reasonable period designated by the Employer for purposes of this Section 5.7 prior to December 31, 2005, to cancel his outstanding Deferred Compensation Election and/or Special Deferred Compensation Election for 2005 as provided for in Notice 2005-1, Q&A-20 issued by the Internal Revenue Service. All elections made by Participants pursuant to this Section 5.7, including earnings, if any on the amounts deferred under the Deferred Compensation Elections being cancelled, shall be in writing on a form authorized by the Company for such purpose and all Benefits payable as a result of the elections made by Participants pursuant to this Section 5.7 shall be paid in a single sum payment, in cash, as soon as administratively practicable following the date of such elections, but no later than December 31, 2005. If a Participant elects to cancel a deferred compensation election pursuant to this Section 5.7, no Employer Contributions will be credited to the Participant's Account with respect to the amounts associated with that election.

5.8 Deferred Payments for Certain Key Employees. Notwithstanding any other provision contained in the Plan to the contrary, if, upon the advice of its counsel, the Employer determines that (a) at the time of the Participant's separation from service with the Employer (as described in Section 5.9), he is a "specified employee" as defined in Section 409A of the Code and (b) that any payments to be provided to the Participant under the Plan are or may become subject to the additional tax under Section 409A(a)(l)(B) of the Code or any other taxes or penalties imposed under Section 409A of the Code ("409A Taxes") if paid at the time such payments are otherwise required under the Plan then such payments shall be delayed until the earlier of the date that is six months after the date of the Participant's separation from service or the Participant's death. The provisions of this Section 5.8 shall only apply to the minimum extent required to avoid the Participant's incurrence of any 409A Taxes.

5.9 Section 409A Separation from Service. Notwithstanding any provision contained in the Plan to the contrary, no amount shall be paid pursuant to the Plan relating to a Participant's termination of employment with the Employer unless such termination of employment constitutes a "separation from service" (as such term is defined under Section 409A of the Code).

ARTICLE VI

PLAN ADMINISTRATION

6.1 Authority of the Committee and the Administrator. The Committee shall have full power and authority to interpret, construe and administer the Plan. The Committee's interpretation and construction hereof, and actions hereunder, including any determination of the amount or recipient of any payment to be made under the Plan, shall be binding and conclusive on all persons and for all purposes. In addition, the Committee may employ attorneys, accountants, and other professional advisors to assist the Committee and the Administrator in their administration of the Plan. The Employer shall pay the reasonable fees of any such advisor employed by the Committee. The Administrator shall implement the actions and decisions of the Committee regarding the administration of the Plan. To the extent permitted by law, the Administrator, any member of the Committee and any employee of the Employer shall not be liable to any person for any action taken or omitted in connection with the interpretation and administration of the Plan unless attributable to his own willful misconduct or lack of good faith.

6.2 Claims Procedure. The Administrator and the Committee shall be responsible for administering claims for Benefits under the Plan pursuant to the procedures contained in this Section 6.2.

(a) In the event that Benefits are not paid to a Participant (or to his Beneficiary in the case of the Participant's death) and such claimant believes he is entitled to receive Benefits, then a written claim must be made to the Administrator within sixty days from the date payments are refused. The Administrator will review the written claim, and if the claim is denied in whole or in part, the Administrator will provide in writing within ninety days of receipt of the claim the specific reasons for such denial, reference to the pertinent provisions of the Plan upon which the denial is based, and a description of any additional material or information necessary to perfect the claim. Such written notice will further indicate the additional steps to be taken by the claimant if a further review of the claim denial is desired, including a statement that the claimant may (i) request a review upon written application to the Committee, (ii) review pertinent plan documents, and (iii) submit issues and comments in writing. If notice of the denial is not furnished in accordance with the above procedure, the claim shall be deemed denied and the claimant shall be permitted to proceed with the review procedure described in paragraph (b) below. A claim will be deemed denied if the Administrator fails to take any action with the said ninety-day period.

(b) A request by the claimant for a review of the denied claim must be delivered to the Committee within sixty days after receipt by such claimant of written notification of the denial of such claim (or the date that the claim is deemed denied). The Committee shall, not later than sixty days after receipt of a request for a review, decide concerning the claim. A written statement stating the decision on review, the specific reasons for the decision, and the specific provisions of the Plan on which the decision is based shall be mailed or delivered to the claimant within such sixty-day period. If the decision on review is not furnished within the appropriate time, the claim shall be deemed denied on review.

All communications from the Administrator and the Committee to the claimant shall be written in a manner calculated to be understood by the claimant. All interpretations, determinations and decisions by the Administrator and by the Committee in respect of any matter hereunder will be final, conclusive, and binding upon the Employer, Participants, Beneficiaries, and all other persons claiming an interest in the Plan.

6.3 Arbitration. If the claimant continues to dispute the denial of Benefits following the procedures described in Section 6.2, then the claimant may submit the dispute to a board of arbitration for final arbitration. Such board will consist of one member selected by the claimant, one member selected by the Committee, and a third member selected by the first two members. The board will operate under generally recognized arbitration rules. The claimant, the Committee, and their respective heirs, personal representatives, successors, and assigns will be bound by the decision of such board with respect to any controversy submitted to it for determination.

6.4 Cost of Administration. The cost of this Plan and the expenses of administering the Plan shall be paid by the Employer.

6.5 Limitations on Plan Administration. Neither the Administrator, the Committee, nor any other person to whom discretionary authority is granted hereunder shall vote or act upon any matter involving his own rights, benefits or participation in the Plan.

ARTICLE VII

AMENDMENT AND TERMINATION

7.1 Amendment. Dave & Buster's Management Corporation, Inc. shall have the right to amend this Plan at any time and from time to time, including, to the extent permitted by Section 409A of the Code, a retroactive amendment. Any such amendment shall become effective upon the date stated therein; provided, however, that no such action shall affect any Benefit adversely to which a Participant would be entitled had his employment been terminated immediately before such amendment was effective and no amendment may change the provisions of Section 5.4 for a period of two years following the occurrence of an event described in such Section.

7.2 Termination of the Plan. Dave & Buster's Management Corporation, Inc. has established this Plan with the bona fide intention and expectation that from year to year it will deem it advisable to continue it in effect. However, Dave & Buster's Management Corporation, Inc., in its sole discretion, reserves the right to terminate the Plan in its entirety at any time; provided, however, that no such action shall affect any Benefit adversely to which a Participant would be entitled had his employment been terminated immediately before such termination was effective and any such termination shall be accomplished in a manner intended to comply with the requirements of Section 409A of the Code.

ARTICLE VIII

GENERAL PROVISIONS

8.1 Rights Against Employer. The Plan shall not be deemed to be a consideration for, or an inducement for, the employment of any Employee by the Employer. Nothing contained in the Plan shall be deemed to give any Employee the right to be retained in the service of the Employer or to interfere with the right of the Employer to discharge any Employee at any time, without regard to the effect such discharge may have on any rights under the Plan.

8.2 Action Taken in Good Faith. To the extent permitted by ERISA, the Administrator, the members of the Committee and each employee and officer of the Employer who have duties and responsibilities with respect to the establishment or administration of the Plan shall be fully protected with respect to any action taken or omitted to be taken by them in good faith.

8.3 Indemnification of Employees and Directors. The Employer hereby indemnifies the Administrator, each member of the Committee and each other employee and officer of the Employer who are delegated responsibilities under the Plan against any and all liabilities and expenses, including attorney's fees, actually and reasonably incurred by them in connection with any threatened, pending or completed legal action or judicial or administrative proceeding to which they may be a party, or may be threatened to be made a party, by reason of membership on the Committee or other delegation of responsibilities, except with regard to any matters as to which they shall be adjudged in such action or proceeding to be liable for gross negligence or willful misconduct in connection therewith.

8.4 Payment Due an Incompetent. If the Administrator shall find that any person to whom any payment is payable under the Plan is unable to care for his affairs because of mental or physical illness, accident, or death, or is a minor, any payment due (unless a prior claim therefor shall have been made by a duly appointed guardian, committee or other legal representative) may be paid to the spouse, a child, a parent, a brother or sister or any person deemed by the Administrator, in its sole discretion, to have incurred expenses for such person otherwise entitled to payment, in such manner and proportions as the Administrator may determine. Any such payment shall be a complete discharge of the liabilities of the Employer under this Plan, and the Employer shall have no further obligation to see to the application of any money so paid.

8.5 Spendthrift Clause. No right, title or interest of any kind in the Plan shall be transferable or assignable by any Participant or Beneficiary or be subject to alienation, anticipation, encumbrance, garnishment, attachment, execution or levy of any kind, whether voluntary or involuntary, nor subject to the debts, contracts, liabilities, engagements, or torts of the Participant or Beneficiary. Any attempt to alienate, anticipate, encumber, sell, transfer, assign, pledge, garnish, attach or otherwise subject to legal or equitable process or encumber or dispose of any interest in the Plan shall be void.

8.6 Severability. In the event that any provision of this Plan shall be declared illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions of this Plan but shall be fully severable and this Plan shall be construed and enforced as if said illegal or invalid provision had never been inserted herein.

8.7 Construction. The article and section headings and numbers are included only for convenience of reference and are not to be taken as limiting or extending the meaning of any of the terms and provisions of this Plan. Whenever appropriate, words used in the singular shall include the plural or the plural may be read as the singular. When used herein, the masculine gender includes the feminine gender. The Plan shall be construed and interpreted by the Committee to the maximum extent possible in a manner to avoid any adverse tax consequences to Participants under Section 409A of the Code.

8.8 Governing Law. The validity and effect of this Plan, and the rights and obligations of all persons affected hereby, shall be construed and determined in accordance with the laws of the State of Texas unless superseded by federal law.

IN WITNESS WHEREOF, the Employer has caused the Plan to be amended and restated effective as of the day and year first above written.

DAVE & BUSTER'S MANAGEMENT CORPORATION, INC.

By: /s/ Jennifer Yarbrough

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 third 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: December 10, 2020

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

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 third 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: December 10, 2020

/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 November 1, 2020 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: December 10, 2020

/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 November 1, 2020 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: December 10, 2020

/s/ Scott J. Bowman

Scott J. Bowman
Chief Financial Officer