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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED November 4, 2018

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	**35-2382255**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

2481 Mañana Drive

Dallas, Texas 75220

(Address of principal executive offices)

(Zip Code)

(214) 357-9588

(Registrant s telephone number, including area code)

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 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, 2018, there were 38,643,826 shares of the Issuer s common stock outstanding.

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DAVE & BUSTER S ENTERTAINMENT, INC.

FORM 10-Q FOR QUARTERLY PERIOD ENDED NOVEMBER 4, 2018

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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 4, 2018 (unaudited)	February 4, 2018 (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,717	$ 18,795
Inventories	27,730	27,560
Prepaid expenses	20,488	19,052
Income taxes receivable	2,927	4,867
Other current assets	31,329	24,633
Total current assets	102,191	94,907
Property and equipment (net of $552,563 and $474,330 accumulated depreciation as of November 4, 2018 and February 4, 2018, respectively)	800,724	726,455
Deferred tax assets	6,917	7,789
Tradenames	79,000	79,000
Goodwill	272,625	272,566
Other assets and deferred charges	16,807	16,313
Total assets	$ 1,278,264	$ 1,197,030
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current installments of long-term debt	$ 15,000	$ 15,000
Accounts payable	59,665	54,627
Accrued liabilities	149,603	135,161
Income taxes payable	4,118	3,037
Total current liabilities	228,386	207,825
Deferred income taxes	17,408	10,213
Deferred occupancy costs	215,967	184,994
Other liabilities	23,028	21,103
Long-term debt, net	368,164	351,249
Commitments and contingencies		
Stockholders equity:		

Common stock, par value $0.01; authorized: 400,000,000 shares; issued: 43,137,976 shares at November 4, 2018 and 42,660,806 shares at February 4, 2018; outstanding: 38,791,237 shares at November 4, 2018 and 40,102,085 shares at February 4, 2018	431	427
Preferred stock, 50,000,000 authorized; none issued		
Paid-in capital	329,394	320,488
Treasury stock, 4,346,739 and 2,558,721 shares as of November 4, 2018 and February 4, 2018, respectively	(234,081)	(147,331)
Accumulated other comprehensive loss	(687)	(249)
Retained earnings	330,254	248,311
Total stockholders equity	425,311	421,646
Total liabilities and stockholders equity	$ 1,278,264	$ 1,197,030

See accompanying notes to consolidated financial statements.

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DAVE & BUSTER S ENTERTAINMENT, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands, except share and per share amounts)

	Thirteen Weeks Ended November 4, 2018		Thirteen Weeks Ended October 29, 2017	
Food and beverage revenues	$	118,807	$	107,690
Amusement and other revenues		163,332		142,289
Total revenues		282,139		249,979
Cost of food and beverage		31,163		28,387
Cost of amusement and other		17,571		16,220
Total cost of products		48,734		44,607
Operating payroll and benefits		71,309		57,967
Other store operating expenses		96,267		82,766
General and administrative expenses		15,043		13,432
Depreciation and amortization expense		30,574		25,672
Pre-opening costs		4,740		5,609
Total operating costs		266,667		230,053
Operating income		15,472		19,926
Interest expense, net		3,321		2,156
Loss on debt refinancing				718
Income before provision for income taxes		12,151		17,052
Provision for income taxes		295		4,895
Net income		11,856		12,157
Unrealized foreign currency translation loss		(76)		(225)
Total comprehensive income	$	11,780	$	11,932
Net income per share:				
Basic	$	0.30	$	0.30
Diluted	$	0.30	$	0.29
Weighted average shares used in per share calculations:				
Basic		38,892,288		41,077,206
Diluted		39,855,648		42,250,611
Cash dividends declared per share	$	0.15	$	

See accompanying notes to consolidated financial statements.

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DAVE & BUSTER S ENTERTAINMENT, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in thousands, except share and per share amounts)

	Thirty-Nine Weeks Ended November 4, 2018		Thirty-Nine Weeks Ended October 29, 2017	
Food and beverage revenues	$	388,804	$	356,190
Amusement and other revenues		544,713		478,688
Total revenues		933,517		834,878
Cost of food and beverage		101,181		91,562
Cost of amusement and other		60,248		50,481
Total cost of products		161,429		142,043
Operating payroll and benefits		217,939		187,610
Other store operating expenses		284,432		247,663
General and administrative expenses		45,461		45,172
Depreciation and amortization expense		87,129		74,447
Pre-opening costs		17,121		14,626
Total operating costs		813,511		711,561
Operating income		120,006		123,317
Interest expense, net		9,406		6,073
Loss on debt refinancing				718
Income before provision for income taxes		110,600		116,526
Provision for income taxes		22,815		31,217
Net income		87,785		85,309
Unrealized foreign currency translation gain (loss)		(438)		203
Total comprehensive income	$	87,347	$	85,512
Net income per share:				
Basic	$	2.23	$	2.05
Diluted	$	2.18	$	1.99
Weighted average shares used in per share calculations:				
Basic		39,314,271		41,521,802
Diluted		40,257,231		42,888,659
Cash dividends declared per share	$	0.15	$	

See accompanying notes to consolidated financial statements.

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DAVE & BUSTER S ENTERTAINMENT, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

(in thousands, except share amounts)

	Common Stock Shares	Common Stock Amt.	Paid-In Capital	Treasury Stock At Cost Shares	Treasury Stock At Cost Amt.	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance February 4, 2018 (audited)	42,660,806	$ 427	$ 320,488	2,558,721	$ (147,331)	$ (249)	$ 248,311	$ 421,646
Net income							87,785	87,785
Unrealized foreign currency translation loss						(438)		(438)
Share-based compensation			5,771					5,771
Issuance of common stock	477,170	4	3,135					3,139
Repurchase of common stock				1,788,018	(86,750)			(86,750)
Dividends declared ($0.15 per share)							(5,842)	(5,842)
Balance November 4, 2018 (unaudited)	43,137,976	$ 431	$ 329,394	4,346,739	$ (234,081)	$ (687)	$ 330,254	$ 425,311

See accompanying notes to consolidated financial statements.

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DAVE & BUSTER S ENTERTAINMENT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Thirty-Nine Weeks Ended November 4, 2018	Thirty-Nine Weeks Ended October 29, 2017
Cash flows from operating activities:		
Net income	$ 87,785	$ 85,309
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	87,129	74,447
Deferred taxes	8,067	(2,217)
Loss on debt refinancing		718
Loss on disposal of fixed assets	813	1,205
Share-based compensation	5,771	7,006
Other, net	847	1,034
Changes in assets and liabilities:		
Inventories	(170)	(4,247)
Prepaid expenses	(1,436)	(2,393)
Income tax receivable	1,940	4,290
Other current assets	(6,610)	(6,647)
Other assets and deferred charges	(1,020)	(119)
Accounts payable	5,512	2,007
Accrued liabilities	14,260	17,088
Income taxes payable	1,081	(2,296)
Deferred occupancy costs	31,155	23,249
Other liabilities	1,876	2,629
Net cash provided by operating activities	237,000	201,063
Cash flows from investing activities:		
Capital expenditures	(163,745)	(150,278)
Proceeds from sales of property and equipment	263	52
Proceeds from insurance	107	
Collections of notes receivable		3,200
Net cash used in investing activities	(163,375)	(147,026)
Cash flows from financing activities:		
Proceeds from debt	191,000	431,000
Payments of debt	(174,250)	(379,750)
Payment of debt issuance costs		(2,910)

Proceeds from the exercise of stock options		3,139		1,144
Proceeds from issuance of treasury stock				1,642
Repurchase of common stock under share repurchase program		(86,077)		(109,988)
Dividends paid		(5,842)		
Repurchases of common stock to satisfy employee withholding tax obligations		(673)		
Net cash used in financing activities		(72,703)		(58,862)
Increase (decrease) in cash and cash equivalents		922		(4,825)
Beginning cash and cash equivalents		18,795		20,083
Ending cash and cash equivalents	$	19,717	$	15,258
Supplemental disclosures of cash flow information:				
Increase (decrease) in fixed asset accounts payable	$	(474)	$	5,159
Cash paid for income taxes, net	$	11,661	$	31,439
Cash paid for interest, net	$	8,853	$	5,319

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

Basis of presentation Dave & Buster s Entertainment, Inc. (D&B Entertainment) is a Delaware corporation formed in June 2010. References to the Company , we , us , and our refer to D&B Entertainment, any predecessor companies, a its wholly-owned subsidiaries, Dave & Buster s Holdings, Inc. (D&B Holdings), a holding company which owns 100% of the outstanding common stock of Dave & Buster s, Inc. (D&B Inc), the operating company. 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. As of November 4, 2018, we owned and operated 118 stores located in 38 states, Puerto Rico and one Canadian province.

The accompanying unaudited consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. 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 of the information and footnotes 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. The preparation of consolidated financial statements in conformity with GAAP requires us to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the thirteen and thirty-nine weeks ended November 4, 2018 are not necessarily indicative of results that may be expected for any other interim period or for the fiscal year ending February 3, 2019. Our quarterly financial data should be read in conjunction with the audited financial statements and notes thereto for the year ended February 4, 2018, included in our Annual Report on Form 10-K as filed with the SEC.

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. Fiscal 2018 and 2017, which end on February 3, 2019 and February 4, 2018, contain 52 and 53 weeks, respectively.

Cash and cash equivalents We consider transaction settlements in process from credit card companies and all highly liquid temporary investments with original maturities of three months or less to be cash equivalents. Our cash management system provides for the funding of all major bank disbursement accounts on a daily basis as checks are presented for payment. Under this system, outstanding checks are in excess of the cash balances at certain banks, which creates book overdrafts. Book overdrafts of $7,047 and $3,416 are presented in Accounts payable in the Consolidated Balance Sheets as of November 4, 2018 and February 4, 2018, respectively. Changes in the book overdraft position are presented within Net cash provided by operating activities within the Consolidated Statements of Cash Flows. As of November 4, 2018, the Company had no restricted cash.

Other current assets Other current assets includes construction allowance receivables of $19,875 and $14,941 as of November 4, 2018 and February 4, 2018, respectively, related to our new store openings. We consider the concentration of credit risk for tenant improvement allowance receivables from landlords to be minimal due to the payment histories and general financial condition of our landlords.

Fair value of financial instruments Fair value is defined as the price we would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. 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 and liabilities in active markets; Level Two inputs are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data; and Level Three inputs are less observable and reflect our own assumptions.

Our financial instruments consist of cash and cash equivalents, accounts and notes receivable, accounts payable, and our credit facility. The carrying amount of cash and cash equivalents, accounts and notes receivable and accounts payable approximates fair value because of their short maturities. We believe that the carrying amount of our credit facility approximates its fair value because the interest rates are adjusted regularly based on current market conditions. The fair value of the Company s credit facility was determined to be a Level Two instrument as defined by GAAP.

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, goodwill, tradenames and other assets. These assets are measured at fair value when they were evaluated for impairment. During the thirty-nine weeks ended November 4, 2018, there were no impairments recognized.

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Revenue recognition The Company adopted Revenue from Contracts with Customers (Topic 606) in the first quarter of fiscal 2018 using the modified retrospective method. Based on our evaluation of our revenue streams, the Company has determined that there was not a material impact as of the date of adoption between the new revenue standard and how we previously recognized revenue, and therefore, the adoption did not have a material effect on our consolidated financial statements, and there was no cumulative effect to our retained earnings.

Certain of our promotional programs include multiple performance obligations that include both a delivered and undelivered component and are discounted from the standalone selling prices of the deliverables. We allocate the entire discount to the amusement deliverable. Revenues are presented net of sales taxes. Sales tax collected is included in Accrued liabilities until the taxes are remitted to the appropriate taxing authorities.

Food and beverage revenues are recognized when payment is tendered at the point of sale. Amusement revenues are primarily recognized upon utilization of game play credits on Power Cards purchased and used by customers to activate most of the video and redemption games. We have recognized a liability for the estimated amount of unused game play credits which we believe our customers will utilize in the future based on credits remaining on Power Cards, historic utilization patterns and revenue per game play credit sold. Total deferred amusement revenue is included in Accrued liabilities in our Consolidated Balance Sheets. During the thirteen and thirty-nine weeks ended November 4, 2018, we recognized revenue of approximately $2,200 and $16,800, respectively, related to the amount in deferred amusement revenue as of the end of fiscal 2017.

Proceeds from the sale of gift cards are deferred and recognized as revenue when the holder redeems the card or its likelihood of redemption becomes remote (breakage) and the Company determines that there is not a legal obligation to remit the unredeemed gift card balances to the relevant jurisdictions. The determination of the gift card breakage is based on the Company s specific historical redemption patterns. Recognized gift card breakage revenue is included in Amusements and other revenues in the Consolidated Statements of Comprehensive Income. Total deferred revenue related to our gift cards is included in Accrued liabilities in our Consolidated Balance Sheets. During the thirteen and thirty-nine weeks ended November 4, 2018, we recognized revenue of approximately $800 and $3,500, respectively, related to the amount in deferred revenue as of the end of fiscal 2017, of which approximately $240 and $630 was gift card 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 designed to comply with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. The share repurchase program may be modified, suspended or discontinued at any time. The Company has a total share repurchase authorization of $400,000 which expires at the end of fiscal 2020. During the thirteen and thirty-nine weeks ended November 4, 2018, the Company purchased 436,706 and 1,771,767 shares of common stock at an average cost of $57.24 and $48.58 per share, respectively. Since the inception of the repurchase program, the Company has purchased 4,975,139 shares of common stock at an average cost of $53.63 per share. As of November 4, 2018, we have approximately $133,186 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 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 4, 2018, we withheld 16,251 shares of common stock to satisfy $673 of employees tax obligations.

During the third quarter of fiscal 2018, we declared and paid dividends of $5,842 to common stock shareholders.

Recent accounting pronouncements In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02, Leases (Topic 842). The new guidance requires the recognition of lease liabilities, representing future minimum lease payments, on a discounted basis, and corresponding right-of-use assets on a balance sheet for most leases, along with requirements for enhanced disclosures to give financial statement users the ability to assess the amount, timing and uncertainty of cash flows arising from leasing arrangements. In July 2018, the FASB issued an alternative method that permits application of the new guidance at the beginning of the year of adoption, recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, in addition to the method of applying the new guidance retrospectively to each prior reporting period presented. The guidance will be effective for us at the beginning of our first quarter of fiscal 2019, using the new transition method, with optional practical expedients. We are currently evaluating the impact of the updated guidance on our consolidated financial statements, and we expect the adoption of this guidance will likely have an insignificant impact on our Consolidated Statements of Comprehensive Income and will result in a material increase in the assets and liabilities on our Consolidated Balance Sheets. As of November 4, 2018, the Company had an estimated $1,756,886 in undiscounted future minimum lease commitments. The discounted minimum remaining rental payments will be the starting point for determining the right-of-use asset and lease liability. We are substantially complete with our preliminary assessment of the impact of the new standard on equipment leases and do not believe they will have a material impact on our consolidated financial statements. Additionally, we have reviewed most of our current facility leases and extracted the relevant data needed to apply the new guidance. We continue to evaluate the impact of the new standard on our facility leases, and we plan to take advantage of the transition package of practical expedients permitted within the new standard, which will allow us to carry forward the historical lease classification, to not reassess whether any existing contracts are or contain leases and to not reassess initial direct costs for any existing leases. We also plan to make policy elections not to apply the balance sheet recognition requirements for qualifying short-term leases and not to separate non-lease components from lease components, as applicable, to our facility leases. We are currently assessing whether to elect the hindsight practical expedient to determine the reasonably certain lease term for existing leases. Recognition of a lease liability related to operating leases will not impact any covenants related to the Company s long-term debt because the debt agreements specify that covenant ratios be calculated using GAAP in effect at the time the debt agreements were entered into.

In January 2017, the FASB issued ASU 2017-04, Intangibles Goodwill and Other (Topic 350), 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 guidance is effective for goodwill impairment tests in fiscal years beginning after December 15, 2019 and should be applied on a prospective basis. The Company does not expect the adoption will have a material impact on our consolidated financial statements when we perform future annual impairment tests.

In August 2018, the FASB issued ASU 2018-15, Intangibles Goodwill and Other Internal Use Software (Subtopic 350-40), which aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This update is effective in fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years, with early adoption permitted, including adoption in any interim period. The amendments in this update should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company does not expect the adoption will 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 update is effective for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years, with early adoption permitted. The Company is currently assessing the impact of this new standard on our consolidated financial statements.

In August 2018, the SEC adopted the final rule under SEC Release No. 33-10532, Disclosure Update and Simplification, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements on the analysis of stockholders equity for interim financial statements. Under the amendments, an analysis of change in each caption of stockholders equity presented in the consolidated balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of comprehensive income is required to be filed. The final rules are effective for all filings made on or after November 5, 2018, with the option for filer s first presentation of the changes in shareholders equity to be included in its Form 10-Q for the quarter that begins after the effective date of the amendments. The Company anticipates its first presentation of the expanded disclosure requirements of the changes in stockholders equity in its Form 10-Q for the first quarter of fiscal year 2019.

The adoption of ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash and ASU 2016-15, Statement of Cash Flows (Topic 230) during the current fiscal year did not have an impact on our consolidated financial statements.

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Note 2: Accrued Liabilities

Accrued liabilities consist of the following as of:

	November 4, 2018	February 4, 2018
Deferred amusement revenue	$ 40,840	$ 33,806
Amusement redemption liability	19,581	18,041
Compensation and benefits	19,212	19,959
Rent	18,172	16,478
Property taxes	9,041	6,054
Customer deposits	7,981	3,250
Deferred gift card revenue	6,751	7,583
Current portion of long-term insurance	4,600	4,600
Utilities	3,936	3,554
Sales and use taxes	3,775	5,191
Inventory liabilities	3,706	4,336
Other (refer to Note 4)	12,008	12,309
Total accrued liabilities	$ 149,603	$ 135,161

Note 3: Debt

Long-term debt consists of the following as of:

	November 4, 2018	February 4, 2018
Credit facility - term	$ 285,000	$ 296,250
Credit facility - revolver	99,000	71,000
Total debt outstanding	384,000	367,250
Less:		
Current installments - term	(15,000)	(15,000)
Debt issuance costs - term	(836)	(1,001)
Long-term debt, net	$ 368,164	$ 351,249

On August 17, 2017, we entered into a senior secured credit facility that provides a $300,000 term loan facility and a $500,000 revolving credit facility with a maturity date of August 17, 2022. The $500,000 revolving credit facility includes a $35,000 letter of credit sub-facility and a $15,000 swing loan sub-facility. The revolving credit facility is available to provide financing for general purposes. Principal payments on the term loan facility are $3,750 per quarter through maturity, when the remaining balance is due. Our current credit facility is secured by the assets of D&B Inc and is unconditionally guaranteed by D&B Holdings and each of its direct and indirect domestic wholly-owned subsidiaries. As of November 4, 2018, we had letters of credit outstanding of $5,047 and $395,953 of borrowing available under our credit facility.

The interest rates per annum applicable to loans, other than swing loans, under our existing credit facility are currently set based on a defined LIBOR rate plus an applicable margin. Swing loans bear interest at a base rate plus an applicable margin. The loans bear interest subject to a pricing grid based on a total leverage ratio, at LIBOR plus a spread ranging from 1.25% to 2.00% for the term loans and the revolving loans. The stated weighted average interest rate at November 4, 2018 was 3.55%. The year-to-date weighted average effective interest rate was 3.77%. The weighted average effective rate includes amortization of debt issuance costs, commitment and other fees.

Our credit facility contains 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. In addition, our credit facility requires us to maintain certain financial ratio covenants. As of November 4, 2018, we were in compliance with our restrictive and financial ratio covenants.

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Interest expense, net The following tables set forth our recorded interest expense, net for the periods indicated:

	Thirteen Weeks Ended November 4, 2018		Thirteen Weeks Ended October 29, 2017	
Interest expense on credit facilities	$	3,358	$	2,252
Amortization of issuance cost		198		195
Interest income		(27)		(31)
Capitalized interest		(192)		(250)
Change in fair value of interest rate cap		(16)		(10)
Total interest expense, net	$	3,321	$	2,156

	Thirty-nine Weeks Ended November 4, 2018		Thirty-nine Weeks Ended October 29, 2017	
Interest expense on credit facility	$	9,637	$	5,959
Amortization of issuance cost		594		528
Interest income		(83)		(166)
Capitalized interest		(720)		(507)
Change in fair value of interest rate cap		(22)		259
Total interest expense, net	$	9,406	$	6,073

Note 4: 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 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.

On June 30, 2017, we agreed to settle litigation related to alleged violations of the Employee Retirement Income Security Act. The settlement agreement was preliminarily approved by the court on December 7, 2018, and the court has set a hearing concerning final approval for May 9, 2019. The settlement agreement is subject to court approval. To cover the estimated net costs of settlement, including estimated payment to any opt-in members and class attorneys, as well as related settlement administration costs, we recorded a net charge of $2,550 (representing $7,500 of gross settlement costs less $4,950 of insurance recoveries) during the thirteen-week period ended July 30, 2017. The charge was recorded in general and administrative expenses in our Consolidated Statements of Comprehensive Income. No additional settlement liabilities or recoveries related to this litigation were recorded in the thirty-nine week period ended November 4, 2018. The actual amount of any settlement payment could vary from our estimate and will be subject to many factors including approval by the court, the claims process and other matters typically associated with the settlement of litigation.

During the third quarter of fiscal 2017, three major hurricanes made landfall impacting areas where we operate our stores, which negatively impacted store revenues. During the first quarter and third quarter of fiscal 2018, we recognized business interruption insurance recoveries of approximately $500 and $2,195, respectively, related to the events, which are included in "Other store operating expenses" in the Consolidated Statements of Comprehensive Income. During the third quarter of fiscal 2018, we also recognized property insurance recoveries of approximately $540, related to the events, which resulted in a net gain on disposal of fixed assets of approximately $180, which is included in "Other store operating expenses" in the Consolidated Statements of Comprehensive Income. At November 4, 2018, "Other current assets" in our Consolidated Balance Sheets, includes a receivable from our insurance provider of approximately $2,625, which was collected subsequent to the end of our third quarter.

We lease certain property and equipment under various non-cancelable operating leases. Some of the leases include options for renewal or extension on various terms. Most of the leases require us to pay property taxes, insurance and maintenance of the leased assets. Certain leases also have provisions for additional contingent rentals based on revenues.

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The following table sets forth our lease commitments as of November 4, 2018:

1 year or less	$ 119,033
2 years	116,267
3 years	110,815
4 years	102,380
5 years	99,393
Thereafter	1,208,998
Total future payments	$ 1,756,886

As of November 4, 2018, we have signed operating lease agreements for eleven future sites which are expected to open in the fourth quarter of fiscal 2018 and early fiscal 2019. The landlord has fulfilled the obligations to commit us to the lease terms under these agreements and therefore, the future obligations related to these locations are included in the table above.

As of November 4, 2018, we have signed twelve additional operating lease agreements for future sites. Our commitments under these agreements are contingent upon, among other things, the landlord s delivery of access to the premises for construction. Future obligations related to these agreements are not included in the table above.

During the third quarter of fiscal 2018, we purchased land for a future site in Wichita, Kansas which is expected to open in fiscal 2019. The purchase price of $2,444 in included in property and equipment.

Note 5: Income Taxes

The effective income tax rate for the thirty-nine weeks ended November 4, 2018 was 20.6%, compared to 26.8% for the thirty-nine weeks ended October 29, 2017. This decrease in the effective tax rate primarily reflects a lower U.S. federal corporate tax rate established by the Tax Cuts and Jobs Act (the Tax Act) enacted on December 22, 2017, offset by a lower excess tax benefit associated with share-based compensation. Other differences from the statutory rate are due to the FICA tip credits, state income taxes and the impact of certain income and expense items which are not recognized for income tax purposes.

We believe we have properly estimated our federal and state income tax liabilities for the impacts of the Tax Act, and our accounting for the income tax effects of the Tax Act related to the deferred tax rate change, the effects on executive compensation has been completed and utilization of bonus depreciation. However, given the amount and complexity of the changes in tax law resulting from the Tax Act, including technical amendments and interpretations of regulations by the Department of Treasury and Internal Revenue Service, we may make further refinements to our calculations considering technical guidance that may be published and will record those adjustments in the period the guidance is issued. As of November 4, 2018, we have not changed the provisional estimates recognized in fiscal 2017.

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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 11,222 and 60,154 in the thirteen and thirty-nine weeks ended November 4, 2018.

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

	Thirteen Weeks Ended November 4, 2018	Thirteen Weeks Ended October 29, 2017
Numerator:		
Net income	$ 11,856	$ 12,157
Denominator:		
Weighted average number of common shares outstanding (basic)	38,892,288	41,077,206
Weighted average dilutive impact of equity-based awards	963,360	1,173,405
Weighted average number of common and common equivalent shares outstanding (diluted)	39,855,648	42,250,611
Net income per share:		
Basic	$ 0.30	$ 0.30
Diluted	$ 0.30	$ 0.29

	Thirty-nine Weeks Ended November 4, 2018	Thirty-nine Weeks Ended October 29, 2017
Numerator:		
Net income	$ 87,785	$ 85,309
Denominator:		
Weighted average number of common shares outstanding (basic)	39,314,271	41,521,802
Weighted average dilutive impact of equity-based awards	942,960	1,366,857
Weighted average number of common and common equivalent shares outstanding (diluted)	40,257,231	42,888,659
Net income per share:		
Basic	$ 2.23	$ 2.05

Diluted	$	2.18	$	1.99

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Note 7: Share-Based Compensation

Compensation expense related to stock options, time-based and performance-based RSU s and restricted stock are included in general and administrative expenses and were as follows:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	November 4, 2018	October 29, 2017	November 4, 2018	October 29, 2017
Stock options	$ 631	1,584	$ 2,649	4,240
RSU s and restricted stock	1,126	973	3,122	2,766
Total share-based compensation expense	$ 1,757	$ 2,557	$ 5,771	$ 7,006

Transactions related to stock option awards during the thirty-nine weeks ended November 4, 2018 were as follows:

	2014 Stock Incentive Plan		2010 Stock Incentive Plan	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at February 4, 2018	1,001,403	$ 32.55	709,979	$ 5.88
Granted	205,646	41.65		
Exercised	(55,611)	27.94	(305,997)	5.18
Forfeited	(15,030)	46.31	(4,498)	9.34
Outstanding at November 4, 2018	1,136,408	$ 34.24	399,484	$ 6.37
Exercisable at November 4, 2018	745,267	$ 27.97	399,484	$ 6.37

The total intrinsic value of options exercised during the thirty-nine weeks ended November 4, 2018 was $10,667. The unrecognized expense related to our stock option plan totaled approximately $2,332 as of November 4, 2018 and will be expensed over a weighted average period of 2.2 years.

Transactions related to time-based and performance-based RSU s and restricted stock during the thirty-nine weeks ended November 4, 2018 were as follows:

	Shares	Weighted Average Fair Value
Outstanding at February 4, 2018	184,541	$ 44.96
Granted	112,574	46.50
Change in units based on performance	50,452	31.72

Vested	(115,562)		35.26
Forfeited	(10,405)		45.04
Outstanding at November 4, 2018	221,600	$	47.78

Fair value of our time-based and performance-based RSU s and restricted stock is based on our closing stock price on the date of grant. The unrecognized expense related to our time-based and performance-based RSU s and unvested restricted stock was $6,554 as of November 4, 2018 and will be expensed over a weighted average period of 2.5 years.

During the thirty-nine weeks ended November 4, 2018 and October 29, 2017, excess tax benefits of $4,555 and $11,419, respectively, were recognized as a benefit in the Provision for income taxes in the Consolidated Statement of Comprehensive Income and classified as a source in operating activities in the Consolidated Statement of Cash Flows.

Forfeitures are estimated at the time of grant and adjusted if necessary, in subsequent periods if actual forfeitures differ from those estimates. The forfeiture rate is based on historical experience.

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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, 2018. 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 negati 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 intentio