

# WESTPEAK RESEARCH ASSOCIATION

## Dave & Buster's Entertainment, Inc.

(NASDAQ: PLAY)

Consumer Services – Arcade, Food and Entertainment

### PLAYtime's Not Over

March 17, 2022

*Dave and Buster's Entertainment, Inc. ("Dave and Buster's") is an American arcade, food and entertainment complex company, headquartered in Dallas, Texas with operations mainly across the United States. The company has 141 locations across North America that delivers a variety of products to its customers.*

#### Thesis

Dave and Buster's is the largest player in the arcade, food and entertainment complexes industry, but was heavily impacted by the fallout of the COVID-19 pandemic and are still feeling the lingering effects. However, with constant innovations to their entertainment and food options, as well as a new format for optimizing revenues per square foot for their store locations, Dave and Buster's looks to be getting prepared for a bullish run in 2022. Dave and Buster's beat earnings estimates all of 2021, with an upwards trend heading into 2022 and beyond.

#### Drivers

Dave and Buster's holds a massive 37.5% market share giving them the benefit of brand recognition against their competitors. Due to this, they are expected to exceed industry averages in almost every aspect. A driver of their success will be the increased demand for "going out" activities from consumers, caused by COVID-19 restrictions. As the surge of the Omicron variant of COVID-19 pulls the market down as it did in 2020, it will be crucial for Dave and Buster's to earn the trust of investors.

#### Valuation

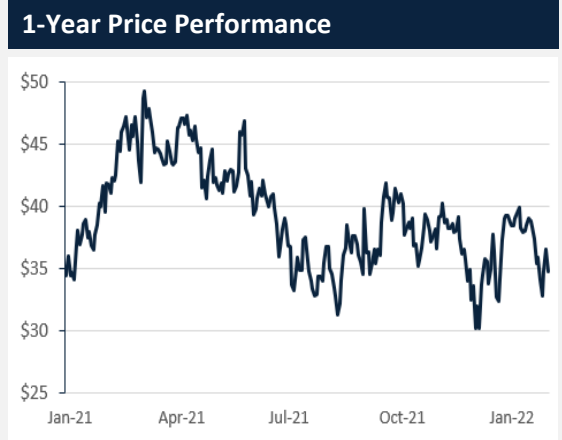
Using a weighted valuation of our discounted cash flow analysis and comparable companies analysis, we reached a target share price of \$50.03, for a gain of 43.6% from \$34.85 as of March 7. A combination of perpetuity growth method, exit multiple, comparable EV/EBITDA, and comparable PE\*Diluted EPS methods were used with equal weights of 25% each.

Analyst: Harry Jeong, BCom. '24  
contact@westpeakresearch.com

Equity Research	US
Price Target	USD\$ 50.03
Rating	Buy
Share Price (Mar.7 Close)	USD\$ 34.85
Total Return	43.6%

Key Statistics	
52 Week H/L	\$51.73/\$28.26
Market Capitalization	\$1856M
Average Daily Trading Volume	1.281M
Net Debt	\$1728.6M
Enterprise Value	\$3699.7M
Net Debt/EBITDA	29.4x
Diluted Shares Outstanding	49.3M
Free Float	87.32%
Dividend Yield	N/A

WestPeak's Forecast			
	2021E	2022E	2023E
Revenue	\$1.39B	\$1.81B	\$2.12B
EBITDA	\$333M	\$397M	\$493M
Net Income	\$114M	\$192M	\$255M
EPS	\$2.32	\$3.89	\$5.16
P/E	17.4x	8.8x	6.6x
EV/EBITDA	10.8x	8.0x	6.1x

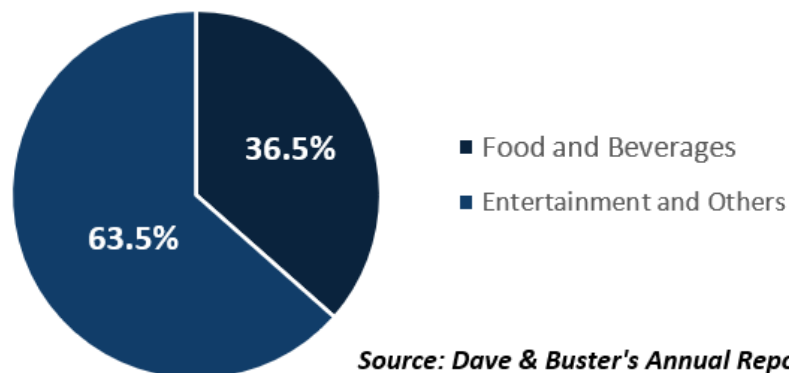


## Business Overview/Fundamentals

### Company Overview

Dave and Buster's is an American arcade, food and entertainment company founded in 1982 in Dallas, Texas. They are the largest player in the arcade, food and entertainment industry in the United States of America, with a market share of 37.5%. The company is known for their all-in-one experience that caters to a wider range of demographics than the typical arcade. They provide the opportunity to "Eat Drink Play and Watch" all in one location. The nature of their business results in multiple revenue segments that blend different industries together. Their two primary revenue streams combine traditionally independent segments of Food and Beverages, and Entertainment. Their true point of attraction comes from being an all-inclusive experience on a scale far above their competition, while also providing flexibility to their customers on what they want to do at their locations.

### Revenues by Business Segments, FY 2020



### Segment 1: Food and Beverages

Although Dave and Buster's is better known for the entertainment and arcade segment of its business, the restaurant segment has been growing and accounts for a significant portion of its revenues. Accounting for around 30-40% of total revenues, the food and beverage segment has decreased in the percentage of total revenue throughout the years, as the entertainment segment has seen more innovation. However, the two different segments of the business work in tandem, increasing the total revenue of the business. The success of their restaurant segment can be attributed to the convenience that an all-inclusive experience offers, as customers don't have to leave the location to get food if they get hungry. The reverse also applies, as customers who go to the locations to eat are given activities that they can do while they wait or after they have finished their meals. The concerns with all-inclusive experiences are that the different segments could be subpar due to the business trying to handle multiple consumer needs, where neither activity is particularly satisfying. However, Dave and Buster's has committed to delivering quality across their segments, being comparable to stand-alone restaurants.

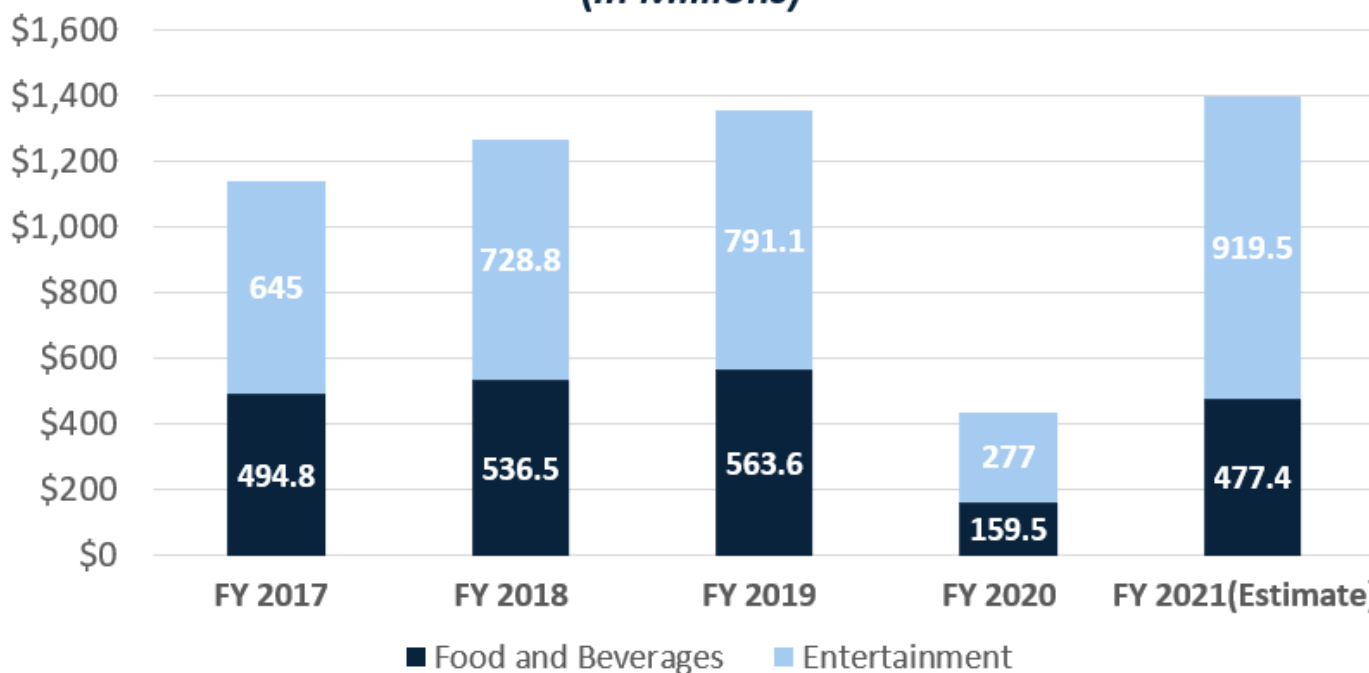
### Beverages

Beverages have become a key point of differentiation for Dave and Buster's, with their early adoption of selling alcoholic beverages at their locations. Traditionally, arcade and restaurant complexes are catered heavily towards young children, such as Chuck E Cheese, which has a cartoon-inspired theme at their locations. However, Dave and Buster's ventured into an older demographic by offering alcoholic beverages, which has proven to be beneficial for the business. Revenues from alcoholic beverages, as the per capita expenditure on alcohol, have risen 0.12% in 2013 to 2.91% in 2021 (Source: IBIS World). Additionally, spending from the young adolescent demographics has risen, being a strong driver of growth and success.

### Food

Aside from offering alcoholic beverages, Dave and Buster's has a wide range of food options on their menu. Their menu is similar to typical event hosting restaurants like Red Robin, with items like pizzas, burgers, and wings. However, they also offer entree-level dishes like pasta, steak, ribs, bowls, and salads. Their menu has options to accommodate dietary restrictions, which has become an increasingly important aspect for restaurants with the rise of vegetarianism and different diets. A survey from Statista revealed that more than 40% of Americans follow some type of nutritional rule in 2021 (Source: Statista). The company is constantly improving their menu to stay relevant as a restaurant to ensure that they do not develop a reliance on the convenience factor of their business.

**Total Revenues by Segment (2017-2021)**  
(In Millions)



Source: Dave & Buster's Annual Report

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## Segment 2: Entertainment

The other half of Dave and Buster's main business segments are their numerous entertainment options. Their percentage of revenues from the entertainment segment has been growing, ranging from 55%-65%. Although they are known as an arcade, they are also a sports bar, billiards hall, and bowling alley. The scale of their locations is significantly greater than their competition, covering so many different options for entertainment, becoming the ideal location for groups, as the commitment to a single activity is removed at Dave and Buster's locations.

### **Arcade**

Over the past decades, traditional arcades have been losing popularity as home consoles have replaced the need for numerous arcade machines. To combat the rise of home consoles, Dave and Buster's offers unique games that can only be experienced at their locations, by either building large physical games like a life-sized Hungry Hungry Hippos game or licencing arcade-only games. They also offer the classic arcade formula to earn tickets which can be traded in for various rewards. The recent addition of virtual reality experiences has also kept Dave and Buster's up to date, showing a commitment to stay relevant with the trends.

### **Sports Bar**

Dave and Buster's locations also include a dedicated sports bar that shows various sports, ensuring that there is a screen playing any sport that the customers want to see. They also host special events for anticipated sports games. The sports bar attracts a more mature audience, with alcoholic beverages being served to fully deliver the sports bar experience.

### **Pool Hall / Bowling Alley**

The pool hall is available at most Dave and Buster's locations, using their own, handcrafted tables which delivers a professional-grade experience. Some locations also have a bowling alley, in a dedicated area with full-sized lanes, full-menu service and black lights for atmospheric effect.

## Company Strategy

Dave and Buster's company strategy is composed of multiple measures that play into each other to drive the success of the overall business in its various business segments. Due to the nature of the business requiring customers to be physically present at their locations, the company strategy emphasizes attracting customers. During the fiscal year 2020, most of Dave and Buster's efforts were placed on re-opening their stores after the mandated shutdowns caused by COVID-19. The growth of Dave and Buster's depends on successful openings of new locations while increasing profit margins at existing locations. Being the largest player in the arcade, food, and entertainment complexes industry, Dave and Buster's has a distinct advantage of brand recognition. However, Dave and Buster's receives indirect competition from external industries like, the home console industry due to the overarching nature of an all-in-one business model. To ensure future growth, Dave and Buster's have refreshed their strategy to combat the concerns of a growth ceiling from operating in a declining industry.

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## Driving Existing Store Sales

### **Differentiate Food and Drinks**

In March of 2021, Dave and Buster's introduced a new menu to deliver differentiated food and beverage options, while staying true to their American-styled identity. The development of differentiated food and drink options will allow Dave and Buster's to stand as a competitive alternative to stand-alone restaurants. Customer research is routinely done to keep the menu up to date with the changing demands of consumers. With the wide range of demographics that Dave and Buster's must accommodate, inclusivity is key to customer retention.

### **Offering the Latest Entertainment to Enjoy Together**

With the growing competition from the home console industry, offering the latest entertainment options is crucial to the success of Dave and Buster's. They have taken initiatives to ensure a unique experience that can not be replicated with home consoles. Understanding that customers mostly come in groups, they have designed games to embrace the multiplayer aspect. Dave and Buster's continues to update their games every year by developing proprietary games and through the purchase of the latest games. Utilizing the large scale of their locations, they can deliver eye-catching, unique experiences, such as their virtual reality features that utilize proprietary equipment and software. They also plan to extend their range of programming capabilities with more curated content, as well as limited events throughout the calendar year.

### **Driving Customer Engagement**

Dave and Buster's intends to provide service excellence, with the integration of technology to provide greater efficiency and customer control in their experience. The implementation of their mobile application in replacement of a physical card has led to more efficient transactions for the customers. Their app allows customers to add game credits straight from their phone, without the need to line up to ask a store representative. Using Near-Field Communication (NFC) technology, the app allows for credits and coins to be updated by placing the phone near an arcade machine. The biggest advantage of the mobile app replacing a physical card is that customers will not have to actively remember their rewards card to go to Dave and Buster's. It allows customers to come and go if they are near a Dave and Buster's location, even if they did not actively plan to.

## Investing In New Stores

The primary growth of Dave and Buster's is tied to successful expansions into new locations, so they have taken the necessary measures to ensure continued growth. From internal studies and third-party research that Dave and Buster's conducted, they saw a potential for 230 locations, including the 141 they have currently. Assuming the potential locations are correct, there is a significant upside for future sustained growth, as there are possibilities for almost 100 new locations internationally. They aim to open new locations at a moderate pace continuing forward, with implications from COVID-19 continuing to affect the predictability to existing locations. Although taking precautions, Dave and Buster's will continue diligently exploring new openings, as new openings are crucial to their business model.

### Process of Filtering Potential Locations

Since Dave and Buster's store locations are operated on a long-term, non-cancelable lease, Dave and Buster's have an extensive process in determining potential sites for new openings. Dave and Buster's rely a significant amount of expansion costs on the potential cash flow that would be generated from the new location to fund the lease and other operating costs. This allows Dave and Buster's to expand while reducing their upfront cost, as the biggest use of capital on new locations is for the construction of the store. Although their strategy does incur more risk, it has allowed them to continually open more locations and increase their revenues. With the increased risk of expansions, a thorough filtering system is required to assure a high probability of success. Some of the factors that are taken into consideration when choosing expansions are site visibility, traffic volume and accessibility, area demographics, and overall fit with surrounding buildings.

### Classifications of Locations

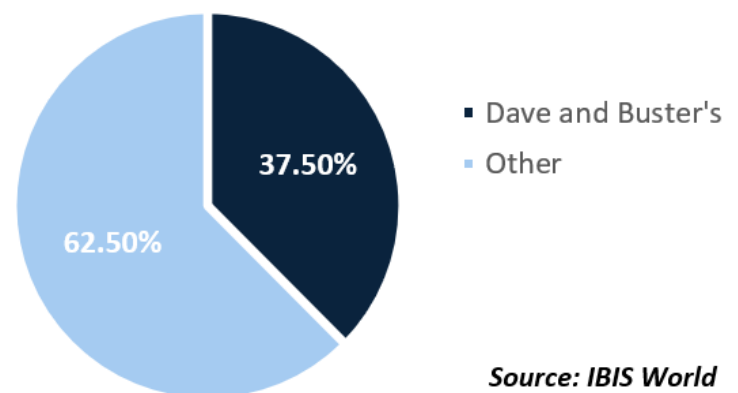
Not all locations are appropriate for Dave and Buster's larger locations, so they have developed a classification system composed of three different sizes. Currently, their locations vary from 16,000 to 70,000 square feet. Although the larger locations produce a factor of attraction from the sheer size, there are downsides to economic efficiency. To maximize their revenues per square foot, Dave and Buster's is targeting a smaller store format while maintaining the customer experience. Reducing the backspace for storage can maximize customer space while reducing overall store space. Their new stores are expected to be between 30,001 to 45,000 square feet for large format stores 25,001 to 30,000 square feet for medium format stores, and less than 25,001 for small-format stores. Currently, they have 110 large format stores, 20 medium stores, and 10 small stores, showing a skewed distribution of the types of stores. With new store openings, the number of medium and small stores is expected to grow while many large stores will be closed or resized when their leases are completed. This in turn will reduce the capital investment risk that Dave and Buster's incurs when opening new stores.

## Industry Analysis

### Overview

Dave & Buster's (PLAY: NASDAQ) is an all-in-one arcade, food, and entertainment (AF&E) business. They are leaders in their market, with a 37.5% market share of the AF&E industry. They are primarily located in the United States of America but have some locations in Puerto Rico and Canada as well. Dave & Buster's is the only major player in the industry as all other players hold less than 5.0% market share. Companies in the AF&E industry have multiple revenue streams, usually composed of food & drinks as well as game credits. Due to the nature of the business relying on customers coming into the locations, the AF&E industry was/are heavily affected by COVID-19 protocols.

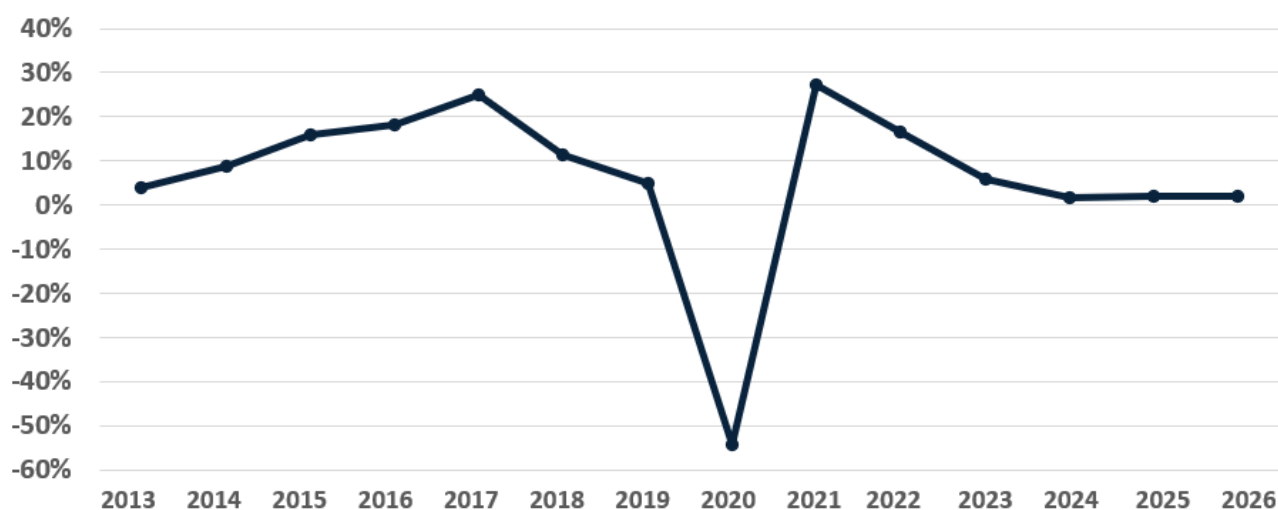
### Major Player's of Arcade, Food and Entertainment Complexes in the USA



## COVID-19 Impacts

In the past year from 2020 to 2021, the AF&E industry was hit by COVID-19, resulting in lower-than-average returns in every major statistical category. The compounded annual growth rate (CAGR) of revenue of the industry from 2016-2021 has been -3.2%, mainly being held down by the outlier of 2020, which had a return of -54.3% (CAGR). However, with vaccines being distributed and covid restrictions lightening in North America, the AF&E industry saw significant revenue growth of 27.2%(CAGR) in 2021 alone. With over a year of lockdowns and restrictions, consumers seem to be excited to get back out to AF&E locations. In line with the overall industry, Dave & Buster's has seen a great recovery with year-over-year revenue growth going from -68.0% in 2020 to 131.6% in 2021. Looking forward, the AF&E industry is projected to have a compounded annual revenue growth rate of 5.5% over the next five years from 2021 to 2026.

### Arcade, Food & Entertainment Industry Growth Rate (CAGR) 2013-2026



Source: IBIS World

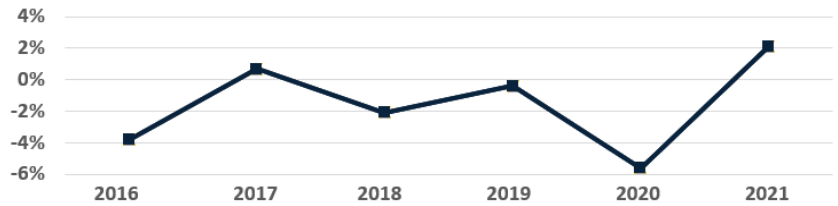
## Key Trends

The arcade, restaurant & entertainment industry has seen many trends develop in the past few years. The biggest dictator of current industry success relies on **public health mandates** which are causing the AF&E industry to be volatile, with the possibility of another lockdown in the near future. Although the industry is expected to recover from the COVID repercussions and have increased revenue growth, the **long-term room for growth** is expected to be limited. **Competition from home console systems** has been a growing concern for the AF&E industry, as it is an indirect substitution that has seen increasing growth over the past decade. During the lockdowns caused by COVID-19, many customers of the AF&E industry turned to home consoles and PC gaming as an alternative. With the rise of more interactive gaming options such as virtual reality, the unique experiences of AF&E companies are being replicated online. **Spending on entertainment from young adults has been strong**, which has positively impacted the industry. Although most AF&E businesses were targeted to be family-friendly, the growing demand from young adults may require companies to make accommodating changes to capture the opportunity to grow and retain an older audience. The increased spending of young adults has also increased the importance of **alcoholic beverage and food sales** to the industry, as companies like Dave & Buster's have seen a sizable portion of their revenue come from alcohol-related sales.

## Industry Outlook

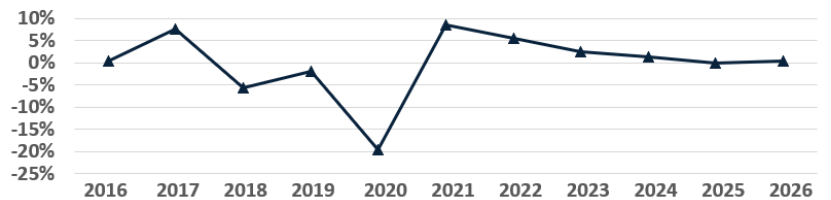
COVID-19 has put a major toll on the arcade, restaurant & entertainment industry, but as the economy recovers from the pandemic, the AF&E industry is expected to recover, riding on the pent-up demand of consumers. Industry players are expected to shift business models to accommodate for rising trends such as the rising popularity of AF&E businesses amongst young adults. The success seen from Dave & Buster’s will likely introduce new players that cater to young adults with the inclusion of alcoholic beverages. As health protocols are still active and most likely will continue into the end of 2021 and beyond, profit margins are expected to be limited in growth. However, profit margins for the average industry player are expected to be positive with a 7.8% CAGR in 2021. Along with profits, industry revenue is also expected to grow, but due to the significant setbacks from the pandemic, the compounded annual growth rate of revenue is expected to taper down from the high 27.2% of 2021. Although revenue and profit levels are expected to taper down. However, given that the levels are expected to be positive, the number of businesses is expected to grow at 1.9% per year to 2026; industry employment is also expected to grow 4.8% (Source: IBIS World).

**Profit Margin Growth Rate (CAGR) 2016-2021**



Source: IBIS World

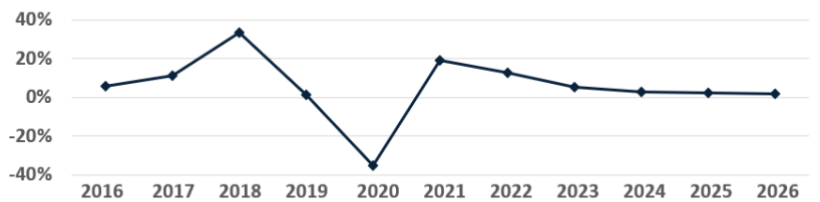
**# of Businesses Growth Rate (CAGR) 2016-2026**



**5,334 Businesses (Currently)**

Source: IBIS World

**Industry Employment Growth Rate (CAGR) 2016-2026**



**54,594 Employment (Currently)**

Source: IBIS World

## Investment Thesis

### Market View

The market view of Dave and Buster’s has been subject to the uncertainties of the COVID-19 pandemic, as fears of new variants and mandated closures of stores loom in the minds of investors. Due to the nature of Dave and Buster’s business model requiring customers to be present in-store locations, the impacts of COVID-19 have significantly affected their stability as a business. Furthermore, due to the high reliance on cash flows to pay off lease payments, the impact of another mandated shutdown is even greater for Dave and Buster’s in comparison to other businesses. However, due to this mass fearmongering, the stock price of Dave and Buster’s has traded relatively sideways for the better part of 2021 even though



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they have beat earnings estimates for the entirety of 2021. How Dave and Buster's react to the new Omicron variant of COVID-19 in the first quarter of 2022 will be crucial in the future success of the company. The reasons for Dave and Buster's being undervalued currently can be mostly attributed to the skepticism from investors about the possibility of another lockdown. Additionally, there are concerns about how sustainable the growth of the company can be as Dave and Buster's is a part of a declining industry.

## Technical Analysis View

From a technical analysis point of view, the price of Dave and Buster's has traded sideways for most of 2021 and early 2022, testing multiple support and resistance points. In 2021, the major support line has been around \$30.00-\$31.50, being tested in early August, mid-August, early December, and mid to late December. If Dave and Buster's share price falls below \$30, that will sign to a breakout into a bearish trajectory. On the other hand, the major resistance line during 2021 has been \$40.00-\$42.00, being tested in early February, mid-September, early October, early November, and early January. Investors can look for a potential entry point either with a retest of \$30, or when the \$40 resistance is broken. The Relative Strength Index is also hovering around 45-50 for the last two weeks of February 2022, meaning that Dave and Buster's is neither oversold nor overbought and not signalling momentum in either direction. In the long run, there is a major resistance line at \$50.00 which is right around where our target price is, so investors will have to be attentive for exit points, as the price could quickly fall if the \$50 line is not broken.

## Thesis 1 – Continued Differentiation of Entertainment

To ensure future growth, Dave and Buster's must continue to develop unique group experiences that allow customers to make memories with their friends and family. No longer are arcades just a place to play games, as the primary appeal has become group experiences. Dave and Buster's has been the industry leader in understanding the importance of change, tackling the changes promptly and effectively. With the rising threat of home consoles paired with the development of increasingly immersive technology, a full commitment to embrace changes and utilize the latest technology is required to stay relevant. Actions have already been taken by the management of Dave and Buster's to counteract this threat, such as introducing unique virtual reality experiences at their locations. Virtual reality experiences look to be the future of arcade games, as they deliver an unparalleled level of immersion. However, they can not implement any type of virtual reality experience and expect it to be successful. Dave and Buster's needs to utilize their massive location sizes, as that is what will differentiate their games from normal at-home VR games. For example, creating a room with modular interactive objects that feed into a virtual reality experience would allow them to offer a multitude of different games while using minimal space. Dave and Buster's have stated their commitment to continue to use the latest technology to deliver their customers the best experiences possible. The leadership of Mr. Kevin Bachus (Senior VP of Entertainment and Games Strategy) has led to advancements of different entertainment options with no signs of slowing down. However, they must not become stagnant with their continual development of unique experiences.

## Thesis 2 – Market Share Growth

Although Dave and Buster's operates in a declining industry, they are well above the industry average in almost every aspect. With their unparalleled market share, they have the investment capital and brand recognition that allow their

locations to succeed. Even with their already large market share, their market share is expected to grow for the foreseeable future. A snowball effect is likely to take effect as they grow larger and increasingly benefit from economies of scale in their development of new games. The potential expansion into Canada is also an option that is being explored, with locations in Ontario. If Dave and Buster's can expand into Canada, their dominant presence over their industry would no longer be restricted to the United States, but all of North America.

### Thesis 3 – Shifts to Optimized Store Formats

Dave and Buster's locations require a large amount of space and are usually in highly desirable locations, resulting in lease costs accounting for a significant portion of their costs. As stated in their business strategy, the company is aiming to optimize their locations and shift to smaller locations. If they can effectively reduce the size of their locations while maintaining the customer's experience, they will dramatically increase their profit margins. Size changes are not logical for existing locations, meaning the transition will take years, as their lease agreements are non-cancelable. However, with new locations taking advantage of an optimized format will result in higher growth margins compared to the old format.

## Management Team

### Kevin M. Sheehan – Chair of the Board, Interim Chief Executive Officer

Kevin M. Sheehan is the Chairman of the board and Interim Chief Executive Officer of Dave and Buster's Entertainment, Inc. He has been the Interim CEO since October 2021 and has been the Chair of the Board since April 2021, as well as a Director since October 2011. Before his time at Dave and Buster's, Mr. Sheehan served as the President and CEO of Scientific Games Corporation as well as the CEO of Norwegian Cruise Line Corporation Ltd. He also worked as a consultant to private equity firms, showing his talents in understanding businesses at a fundamental level and laying successful action plans. Mr. Kevin M. Sheehan graduated from Hunter College and New York University Graduate School of Business and is a Certified Public Accountant. With multiple top positions across different industries, there is no doubt that Mr. Kevin M. Sheehan can lead a company to success.



### Michael Quartieri – Chief Financial Officer

Michael Quartieri is the Chief Financial Officer of Dave and Buster's Entertainment, Inc. He is a new addition to the management team of Dave and Buster's, joining in January 2022. Before becoming the CFO of Dave and Buster's, Mr. Michael Quartieri was the Executive Vice President and Secretary of LiveOne, Inc. from November 2020 to December 2021. Along with Mr. Kevin M. Sheehan, Mr. Michael Quartieri also worked at Scientific Games as their Executive Vice President, Chief Financial Officer, Treasurer and Secretary from November 2015 until June 2020. He has also served as the Senior Vice President, Chief Accounting Officer, and Global Controller for Las Vegas Corp. The previously established connection between Mr. Quartieri and Mr. Sheehan will be beneficial for the future of Dave and Buster's.



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## Margo L. Manning – Senior Vice President, Chief Operating Officer

Margo L. Manning is the Senior Vice President and Chief Operating Officer of Dave and Buster's Entertainment, Inc. She has an extensive history with Dave and Buster's, climbing up from lower positions. She has served as the Senior Vice President and COO since December 2016. Before her current position, she was the Senior Vice President of Human Resources of Dave and Buster's from November 2010 until December 2016. Before this, she was the Senior Vice President of Training and Special Events from September 2006 until November 2010, Vice President of Training and Sales from June 2005 to September 2006, Vice President of Management Development from September 2001 to June 2005, and from December 1999 to September 2001, she was the Assistant Vice President of Team Development. Her history with Dave and Buster's exceeds four decades, showing loyalty and unmatched knowledge of Dave and Buster's.



## Kevin Bachus – Senior Vice President of Entertainment and Games Strategy

Kevin Bachus is the Senior Vice President of Entertainment and Games Strategy of Dave and Buster's Entertainment, Inc. Although his position is not a typical one for most companies, his contributions are crucial to the relevance of the entertainment segment of Dave and Buster's. He has been the Senior Vice President of Entertainment and Games Strategy since November 2012. Prior to his position at Dave and Buster's, he served as the Chief Product Officer for Bebo, Inc. from September 2010 to November 2012. Preceding this, he was the Executive Vice President and Chief Product Officer for IMO Entertainment LLC, from May 2009 until August 2010; Senior Vice President and Chief Architect for Virrata Games, Inc. from March 2008 until April 2009; Chief Executive Officer of Uprising Studios from November 2006 until March 2008. Other positions he has held are CEO of Nival Interactive, Inc., CEO and President of Infinium Labs, Inc., VP Publishing of Capital Entertainment Group, Inc., Director of Third-Party Relations-Xbox of Microsoft Corporation and Group Product Manager-DirectX of Microsoft Corporation.



## Summary of Management Team

Dave and Buster's executive officer's total compensation is comprised of base salary, cash bonuses, other non-equity incentives, stock awards, and option awards. For most of the executive officer's, the main compensation is through stock awards, ranging from \$600,000 - \$2,500,000 a year. The emphasis on stock awards is aimed towards promoting the long-term commitment of the officers and awards driving long-term growth. The focus on long-term growth aligns with shareholder interests, as the management team has incentives that are parallel with shareholders. The management team of Dave and Buster's is well balanced with well-experienced officers. The recent addition of Michael Quartieri will bring fresh insights into their plans of optimizing revenues per square foot. They also have plenty of veteran officers with over a decade of history with Dave and Buster's. Overall, the future of Dave and Buster's appears to be in good hands, with a management team who believes in the company and are motivated to sustain long-term growth, even in a declining market.

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## Catalysts

### COVID-19 Omicron Variant Restrictions Are Lifted

With the prolonged effects of COVID-19 restricting consumers' ability to experience entertainment options, the demand for "going out" has been pent up since 2020. Evidently, during times of lowered restrictions, Dave and Buster's saw spikes in revenues that were comparable or even surpassed pre-COVID-19 numbers. With the stock price of the company being heavily tied to the health orders associated with COVID-19, we have seen spikes and drops that coincide with the outlook on COVID-19. With the most recent Omicron variant of COVID-19, there has been another wave of mandated health restrictions. However, the severity of Omicron is significantly less deadly, with the lowest hospitalization rates out of all the variants. The symptoms of the Omicron variant are also less severe, being compared to a "cold". With the lower fear levels of consumers about the Omicron variant, there will likely be a strong rebound for Dave and Buster's once health restrictions are lifted. Additionally, many health officials believe that the Omicron variant of COVID-19 is the final mutation, signalling a future where Dave and Buster's can operate without the concerns of a possible relapse into COVID-19 restrictions. Any announcement from health officials that signal the end of COVID-19 will likely result in an immediate 5-10% jump in Dave and Buster's stock price. The pent-up demand of the consumers shows that if the restrictions and fears from COVID-19 subside, Dave and Buster's will see a significant increase in their revenues as well as their stock price.

### Inflation Rates Decrease

Due to the USA's stimulus checks and other relief plans, money was artificially injected into the market while many expenditure options were unavailable. There were scepticisms of hyperinflation when trillions of dollars were being pumped into the market, but the United States government worked for the past year to mitigate this risk. As a result, many companies reached all-time high stock prices, even though inflation rates were going up. However, the repercussions of their actions have led to the entire market experiencing a decline in the early months of 2022. Most companies have seen significant pullbacks in their share prices, including Dave and Buster's. The US federal reserve has stated that inflation rates are likely not to stop rising until at least March of 2022. However, the outlook for the later months of 2022 is that inflation will slow down and decrease, with the consensus being that the CPI inflation will decrease compared to 2021. Paired with the increased demand for entertainment options, consumers are eager to and willing to spend more money on entertainment options. Per capita expenditures on alcohol have also increased, especially for young adults, which will benefit Dave and Buster's as they have a large demographic with young adults. An announcement from the US federal reserve that signals a tapering of inflation rate will likely result in the entire market bouncing and returning to a bullish trajectory.

### Q1 & Q2 Earnings Reports

For all four quarters of 2021, Dave and Buster's exceeded earnings expectations, but their stock prices have not reflected the same amount of positive outlook. This is likely due to the effects of COVID-19 news, as news of COVID-19 affected the stock price more and for longer periods of time. However, the continued success of Dave and Buster's in their earnings reports has led analysts to raise their earnings targets, showing an increased belief in the success of the company. With the recent Omicron variant of COVID-19 introducing restrictions once again in many parts around the world, the performance

of Dave and Buster’s in the first two quarters will be imperative to their success. The main doubt from many investors on Dave and Buster’s have been the uncertainty of their ability to sustain growth with the effects of COVID-19. However, if Dave and Buster’s can beat earnings estimates again at the beginning of 2022, it will signal to investors that Dave and Buster’s can effectively combat troubling situations.

## Shareholder Base, Liquidity, Market Depth

### Shareholder Base

Dave and Buster’s shareholder base is heavily owned by institutions, accounting for over 94% of shares outstanding. The top 10 owners account for over 58% of ownership with BlackRock, Inc. having the highest stake with over 12% ownership. With over 270 institutions holding shares, Dave and Buster’s is predominantly traded by institutional traders. Insider ownership only accounts for 2.28% of shares outstanding, lower than most companies.

Stockholder	Stake	Shares Owned	Total value (\$)
BlackRock Fund Advisors	11.85%	5,737,817	220,332,173
Hill Path Capital LP	10.36%	5,018,004	192,691,354
The Vanguard Group, Inc.	9.85%	4,767,906	183,087,590
KKR Credit Advisors (US) LLC	6.62%	3,203,469	123,013,210
American Century Investment Management	4.01%	1,941,975	74,571,840
Morgan Stanley & Co. LLC	3.27%	1,582,049	60,750,682
SSgA Funds Management, Inc.	2.79%	1,348,414	51,779,098
Citadel Advisors LLC	2.68%	1,295,936	49,763,942
Barclays Bank Plc (Private Bankin...	2.67%	1,291,665	49,599,936
Candlestick Capital Management LP	2.49%	1,205,744	46,300,570
<b>Top 10 Shareholders</b>	<b>56.59%</b>	<b>27,392,979</b>	

### Liquidity

Dave and Buster’s has an average daily trading volume of 1,272,377 over the last year, with spikes associated with COVID-19 news and earnings reports. With a relatively high average trading volume, shareholders should not have any concerns regarding liquidity for entering and exiting positions.

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## Valuation

### Discounted Cash Flow Analysis

#### Revenue

We projected revenues by splitting them into two main segments: **1. Food and Beverages, 2. Amusement and Other Revenues**. We expect Dave and Buster's to have a strong year in 2022 with revenue growth of 33.9%, utilizing the pent-up demand and spending income of consumers. The trend of young adolescents spending more money on entertainment and alcohol will be a strong driver of Dave and Buster's growth. By 2023, COVID-19 implications are expected to be a concern of the past. With COVID-19 concerns out of the way, Dave and Buster's can ramp up expansions, utilizing the capital acquired from 2022. However, the built-up demand will also start to diminish, resulting in revenue growths of 9.4%. In 2024 and continuing forward, revenue growth rates are expected to decline, but being the only major player in their industry, they will decline slower than the industry average, reaching a 7.4% revenue growth by 2026.

#### Costs

One of the largest costs that Dave and Buster's incur in their business model is from their operating leases. We believe that Dave and Buster's will implement their new store formats that are looking to reduce the size of their locations. Paired with the assumption that Dave and Buster's will continue to expand while using the smaller format will increase the profit margins by decreasing their operating costs. We projected that Dave and Buster's operating expenses (OPEX) as a percentage of revenues to drop from the average range of 52-55% down to 47% by 2026. Although the average OPEX as a percentage of revenues for the last 3 years was significantly higher, we dismissed the 95.5% from 2020 as an outlier.

#### Weighted Average Cost of Capital (WACC)

From our calculations, we concluded that the weighted average cost of capital (WACC) is 12.3%. We utilized figures from Bloomberg to make our calculations. Firstly, we calculated the cost of equity of 24.4% by deriving the risk-free rate from the 5-year U.S.A Treasury Yield of 1.25%, the expected market return from the average return from the S&P 500 of 10% and a levered beta value of 2.65, taken from Bloomberg. Then we calculated the cost of debt by using the pre-tax cost of debt of 1.5%, debt adjustment factor of 1.38, and an effective tax rate of 19.4%. The percentages were taken from Bloomberg, resulting in a cost of debt of 1.6%. Finally using both values, we calculated Dave and Buster's WACC to be 12.4%

#### Capital Expenditures (CAPEX)

In the next few years, we expect Dave and Buster's to resume the expansion of their locations and increase investments in their existing locations. Therefore, we have projected that capital expenditures (CAPEX) will rise steadily for the next 5 years, peaking at 26.3% for CAPEX as a percentage of beginning plant and equipment in 2023 and then tapering down.

#### Effective Tax rate

For our calculations, we have assumed that Dave and Buster's long-term tax rate will be 19.4% derived from Bloomberg.

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## Perpetuity Growth Method

From our discounted cash flow analysis, we calculated an implied share price using the perpetuity growth method. We used a perpetuity growth rate of 5%, indicating that we believe that Dave and Buster's will grow with the economy for the foreseeable future. Using the 5% growth rate, we arrived at an implied share price of \$40.10.

## Terminal EV/EBITDA Multiple Method

From our discounted cash flow analysis, we calculated an implied share price using the EV/EBITDA multiple method. Using a terminal EV/EBITDA multiple of 8.0, we got an implied share price of \$51.17.

## Comparable Company Analysis

For our comparable company analysis, we chose companies that are in similar industries to Dave and Buster's, as there are no other companies in the arcade, food, and entertainment complexes industries that can compare to Dave and Buster's. With the lack of direct industry competition, we chose companies that act as competition to either the food or entertainment segment of Dave and Buster's.

**Madison Square Garden Entertainment Corp. (NYSE: MSGE)** is a North American entertainment business. The company was founded in 2006 and is based in New York. Most associated with the Madison Square Garden Arena, they host a variety of live events such as concerts, professional sports and esports. They also operate 61 entertainment venues in 23 markets across 5 different continents.

**Six Flags Entertainment Corporation (NYSE: SIX)** is a regional theme and waterpark company. They offer a variety of rides, themed areas, shows, concerts, restaurants, game venues and retail outlets. As of March 2021, they operate 26 theme parks around the United States, Mexico, and Canada.

**The Cheesecake Factory Incorporated (NASDAQGS: CAKE)** is an American restaurant company that specializes in cheesecakes. They offer various types of cheesecakes, as well as other baked goods. They operate 294 restaurants around the United States and Canada, as well as 27 restaurants internationally.

**Jack in the Box Inc. (NASDAQGS: JACK)** is an American quick-service restaurant company. They offer a variety of fast foods, ranging from tacos, burgers, and fried chicken. As of November 2021, they operate 2,200 restaurants across the United States.

**Cedar Fair, L.P. (NYSE: FUN)** is an amusement/waterpark and resort business. They were founded in 1983 and are headquartered in Sandusky, Ohio. Some of the amusement parks they operate include Cedar Point in Sandusky, Ohio, Knott's Berry Farms near Los Angeles, California, Canada's Wonderland, in Toronto Ontario, and many more. As of February 17, 2021, they operated 11 amusement parks, 4 water parks, resorts totalling 2,300 rooms and 600 RV sites.

**Brinker International, Inc. (NYSE: EAT)** is an American casual dining restraint business. Founded in 1975 and headquartered in Dallas, Texas, they operate and franchise restaurants mainly in the United States, but also have an international presence.

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They run their business through two segments, Chili's and Maggiano's. As of June 30, 2021, they have operated or franchised 1594 Chili's Grill & Bar, and 54 Maggiano's Little Italy restaurants.

**Texas Roadhouse, Inc. (NASDAQGS: TXRH)** is an American casual dining business. They were founded in 1993 and are headquartered in Louisville, Kentucky. They operate and franchise Texas Roadhouse and Bubba's 33 restaurants across the United States as well as some internationally. As of December 29, 2020, they operated 537 domestic restaurants and 97 franchise restaurants.

## Comparable EV/EBITDA Method

Using the other companies' enterprise value (EV) and earnings before interest, taxes, depreciation, and amortization (EBITDA) estimates for the year 2022, we can calculate an implied share price. Using a mean EV/EBITDA multiple of 13.8 from the above-listed companies for 2022, we get an implied share price for Dave and Buster's of \$57.95.

## Comparable P/E Method

Using the other companies' estimated price-to-earnings ratio and Dave and Buster's diluted earnings per share for 2022, we can calculate an implied share price. Using a mean price to earnings ratio of 21.9 and diluted earnings per share of \$2.32, we get an implied share price of \$50.89 for Dave and Buster's.

## Weighted Valuation

Using the four different methods, we have implied share prices of \$40.10 (DCF perpetuity growth method), \$51.17 (DCF exit multiple method), \$57.95 (Comparable EV/EBITDA method), and \$50.89 (Comparable P/E method). Calculating the mean with even distribution, we get an implied share price of \$50.03.

## Recommendation – Buy

### Undervalued

We believe that Dave and Buster's is currently undervalued by the market. Mainly caused by the fears from investors regarding Dave and Buster's future, at its current share price, the company is undervalued. In the next year, we believe that Dave and Buster's will capitalize on the increased demand from consumers. Even in the long-term, we believe that Dave and Buster's will continue to grow as a company, with a dominant market share that will continue to grow. The new formats for their stores will also prove to be beneficial for their long-term growth. Our recommendation for Dave and Buster's at the current share price of \$34.85 is a buy with a target price of \$50.03, returning a gain of 43.6%. However, for longer-term investments of 5+ years, additional research will have to be done in the following years to assess how the company reacted to the catalysts that are in the foreseeable future.

## Risks

### COVID-19 Uncertainties



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Dave & Buster's operates in an industry that is dependent on the consumer's ability to get into store locations. Due to the fluctuations of COVID-19 cases and restrictions, Dave & Buster's ability to operate consistently has become uncertain, which raises concerns as future outbreaks are unpredictable. This uncertainty radiates out to all aspects of the business model, as projections of inventory and demand become increasingly more difficult to accurately predict. Losses due to abrupt shutdowns were already a major hindrance to the financials of the fiscal year 2021. The possible repeat of such losses is keeping new ventures and expansions limited, causing a cap on possible growth. Apart from mandated shutdowns, lighter restrictions are still negatively affecting the company's profit margins, as location capacities are being externally restricted by COVID-19 health protocols, as well as extra expenses being spent on meeting sanitation requirements. Other risks associated with COVID-19 are impacts to liquidity and overall level of debt, as the company now faces repercussions of built-up expenses from long periods of inactivity due to the pandemic.

### Limited Growth Potential

COVID-19 has put a halt on Dave & Buster's expansion plans, as opening a new location with the looming possibility of another government-mandated shutdown has significantly decreased the chances of a successful opening. If the company is not able to have successful openings of new locations, the future growth of the company becomes stagnant.

### Changes in Consumer Preference

As Dave & Buster's locations are typically located near high traffic retail areas, such as shopping malls, a large portion of their customer base are customers that are from these retail areas. With the rise of e-commerce, high-traffic retail areas are seeing less consumer traffic, which could negatively affect Dave & Buster's customer base. Changes in consumer preferences with food and dietary restrictions have been rising in recent years, with an emphasis on healthier alternatives. With pressures to constantly update menus to meet changing preferences, if Dave & Buster's is unable to offer new products that are adequate for consumers, they could potentially lose food-related sales to other businesses.

### Growing Home Entertainment and Food Industry

As developments of COVID-19 accelerated the adoption of online transitions, many companies filled the gap of entertainment and food options that were primarily "going out" activities by making them accessible from home. Since Dave & Buster's offers products that span across both the food and entertainment industries, they are indirectly in competition with both. Growing adoption from consumers of food delivery services and home entertainment like Uber Eats and PlayStation may cause Dave & Buster's to see a loss of customer base.

### Long-term Non-cancelable Leases

As Dave & Buster's do not own the property of their locations, they are subject to long-term operating lease contracts, which can cause complications if a store becomes unprofitable. The operating lease is a significant portion of their operating expenses which is primarily paid from their cash flows from operations. If a store becomes unprofitable to a point where the lease is cancelled and the store is closed, they will have to pay the base rent for the remainder of the lease term which would hinder their ability to pursue other expansions or fund other capital needs.

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## ESG

### Company Views

Dave & Buster's has committed themselves to a core value of serving their customers with a "You Got It!" attitude to their guests. At their core, they strive to create a place of fun and enjoyment in any way possible for their customer. They carry this stance in every part of their business model, doing what is right and following the highest ethical standard. Although Dave & Buster's is not a global power, they take measures to ensure that their practices are for the better of every party they interact with.

### Environmental Impacts

As their business model requires many facilities that use a large amount of energy, Dave & Buster's has committed to operating their business in a sustainable and environmentally responsible manner. All commercial businesses use a sizable amount of water, so Dave & Buster's have installed special plumbing fixtures that reduces their water consumption by 20%. For electricity, they have implemented lighting control systems that automatically lowers energy usage when areas are not in use as well as, an energy control program for HVAC (heating, ventilation, and air conditioning) systems that reduces overall energy consumption. In their kitchens, all appliances are Energy Star-certified, along with their water heaters using high efficiency, emitting low NOx. In relations with suppliers, they only source from suppliers that share their commitment to environmental, sustainability and overall ethical business practices.

### Social Impacts

A core value of Dave & Buster's is "Better Together" where they have stated to do business in a way that promotes respect for all people, refusing to associate with organizations that are not in line with their code of business conduct and ethics. Under their code of business conduct and ethics, they commit to protecting our environment, upholding safe and healthy work environments, sustainability, equal rights, and fair labour. They also hold their human rights policy up with no exceptions, stemming from their four culture pillars of "You Got It!", "Play Your Heart Out", "Better Together", and "Game Changers". They have a culture of inclusivity of all, helping others, and having a passion for fun while getting the job done.

### Governance Impacts

Dave & Buster's as a company encourages their employees to give back to their communities in any way they can. They partake in many charitable causes, with their focus being on Make-A-Wish and the H.E.A.R.T (Helping Employees at Rough Times) fund. Since 2012, Dave & Buster's has been supporting Make-A-Wish, raising over \$10 million and helping grant over 1,000 wishes to children with life-threatening conditions. The H.E.A.R.T fund is an independent non-profit that was created by Dave & Buster's to help their team members in times of need. They aim to provide immediate help to their team members who go through severe economic problems and severe medical or personal situations. Contributions from other team members, customers, and business partners in 2020 were around \$628,000.

## Appendix 1: Model Summary

### Summary Page

	Jan-16	Jan-17	Jan-18	Jan-19	Jan-20	Apr-20	Jul-20	Oct-20	Jan-21	Jan-21	Jan-22	Jan-23	Jan-24	Jan-25	Jan-26
(Figures in mm USD)	FY2017	FY2018	FY2019	FY2020	FY2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Income Statement</b>															
Revenue	1,005.2	1,139.8	1,265.3	1,354.7	436.5	265.3	377.6	318.0	429.0	1,389.9	1,861.7	2,116.6	2,315.4	2,509.7	2,695.2
EBITDA	238.8	268.5	279.3	280.5	(113.8)	72.1	114.0	58.9	87.9	332.9	397.1	493.2	590.4	665.1	762.7
Net Income	90.8	120.9	117.2	100.3	(207.0)	19.6	52.8	10.6	31.3	114.3	191.8	254.5	326.4	379.9	456.3
Earnings Per Share	\$ 2.10	\$ 2.84	\$ 2.93	\$ 2.94	\$ (4.75)	\$ 0.40	\$ 1.07	\$ 0.21	\$ 0.64	\$ 2.32	\$ 3.89	\$ 5.16	\$ 6.62	\$ 7.71	\$ 9.26
<b>Cash Flow Statement</b>															
Capital Expenditures	(180.6)	(219.9)	(216.3)	(228.1)	(83.0)	(10.4)	(27.6)	(25.6)	(39.0)	(102.5)	(206.6)	(217.3)	(237.7)	(260.5)	(285.6)
Acquisitions	20.3	-	11.6	-	-	-	-	-	-	-	-	-	-	-	-
Divestitures	-	-	0.5	-	0.6	-	-	-	-	-	-	-	-	-	-
Dividend Payment	97.0	509.0	265.0	406.0	732.0	19.0	18.0	-	-	37.0	-	-	-	-	-
Dividend Per Share	\$ -	\$ -	\$ (0.30)	\$ (0.47)	\$ (0.11)	\$ -	\$ -	\$ 1.00	\$ -	\$ 1.00	\$ -	\$ -	\$ -	\$ -	\$ -
Dividend Payout to Earnings	-106.8%	-420.8%	-226.1%	-404.9%	-353.7%	-96.8%	-34.1%	-	-	-32.4%	-	-	-	-	-
Dividend Payout to Core FCF	-27.2%	-113.8%	-56.8%	-85.1%	-1821.5%	-28.7%	-14.8%	-	-	-10.0%	-	-	-	-	-
Dividend Yield	-	-	-0.6%	-1.0%	-0.4%	-	-	2.7%	-	2.5%	-	-	-	-	-
<b>Balance Sheet</b>															
Current Assets	75.6	94.9	91.1	79.0	118.9	111.4	196.0	146.4	275.8	275.8	406.2	592.6	831.8	1,166.4	1,533.9
Non-Current Assets	977.1	1,102.1	1,182.1	2,291.2	2,234.0	2,206.5	2,188.6	2,204.3	2,209.1	2,209.1	2,294.0	2,375.5	2,466.9	2,567.1	2,676.9
<b>Assets</b>	<b>1,052.7</b>	<b>1,197.0</b>	<b>1,273.2</b>	<b>2,370.1</b>	<b>2,352.8</b>	<b>2,318.0</b>	<b>2,384.5</b>	<b>2,350.7</b>	<b>2,484.9</b>	<b>2,484.9</b>	<b>2,700.2</b>	<b>2,968.1</b>	<b>3,298.7</b>	<b>3,733.5</b>	<b>4,210.8</b>
Current Liabilities	177.8	207.8	244.4	290.9	271.6	279.2	308.9	290.7	393.6	393.6	417.0	430.4	434.6	489.4	510.4
Non-Current Liabilities	435.5	567.6	641.0	1,909.6	1,928.0	1,860.1	1,845.7	1,813.5	1,813.5	1,813.5	1,813.5	1,813.5	1,813.5	1,813.5	1,813.5
<b>Liabilities</b>	<b>613.3</b>	<b>775.4</b>	<b>885.4</b>	<b>2,200.5</b>	<b>2,199.6</b>	<b>2,139.3</b>	<b>2,154.6</b>	<b>2,104.2</b>	<b>2,207.0</b>	<b>2,207.0</b>	<b>2,230.5</b>	<b>2,243.9</b>	<b>2,248.1</b>	<b>2,302.9</b>	<b>2,323.9</b>
Shareholders' Equity	439.5	421.6	387.8	169.7	153.2	178.6	229.9	246.6	277.9	277.9	469.7	724.2	1,050.6	1,430.6	1,886.9
Cash	20.1	18.8	21.6	24.7	11.9	20.2	107.8	27.0	147.7	147.7	260.9	434.7	666.3	997.4	1,356.6
Debt	264.1	366.2	393.5	1,869.7	1,864.2	1,795.3	1,785.9	1,755.6	1,755.6	1,755.6	1,755.6	1,755.6	1,755.6	1,755.6	1,755.6
Net Debt	244.0	347.5	371.9	1,845.1	1,852.3	1,775.1	1,678.1	1,728.6	1,607.9	1,607.9	1,494.7	1,320.9	1,089.3	758.2	399.0
Minority Interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt/EBITDA	1.0 x	1.3 x	1.3 x	6.6 x	n/a	24.6 x	14.7 x	29.4 x	18.3 x	4.8 x	3.8 x	2.7 x	1.8 x	1.1 x	0.5 x
<b>Operating Metrics</b>															
Return on Equity (ROE)	20.7%	28.7%	30.2%	59.1%	-135.1%	-	-	-	-	41.1%	40.8%	35.1%	31.1%	26.6%	24.2%
Return on Assets (ROA)	8.6%	10.1%	9.2%	4.2%	-8.8%	-	-	-	-	4.6%	7.1%	8.6%	9.9%	10.2%	10.8%
Return on Invested Capital (ROIC)	12.9%	15.4%	16.5%	5.7%	-10.0%	-	-	-	-	5.6%	8.6%	10.3%	11.6%	11.9%	12.5%
<b>Valuation Metrics</b>															
Stock Price (High)	\$ 57.31	\$ 72.89	\$ 66.22	\$ 59.22	\$ 47.37	\$ 49.10	\$ 46.34	\$ 41.58	\$ 34.12	\$ 49.10	\$ 34.12	\$ 34.12	\$ 34.12	\$ 34.12	\$ 34.12
Stock Price (Low)	\$ 31.08	\$ 43.99	\$ 38.05	\$ 37.34	\$ 4.87	\$ 34.02	\$ 32.86	\$ 31.48	\$ 34.12	\$ 31.48	\$ 34.12	\$ 34.12	\$ 34.12	\$ 34.12	\$ 34.12
Stock Price (Average)	\$ 44.20	\$ 58.44	\$ 52.14	\$ 48.28	\$ 26.12	\$ 41.56	\$ 39.60	\$ 36.53	\$ 34.12	\$ 40.29	\$ 34.12	\$ 34.12	\$ 34.12	\$ 34.12	\$ 34.12
Diluted Shares Outstanding (Average)	43.3	42.6	40.0	34.1	43.5	49.3	49.2	49.3	49.3	49.3	49.3	49.3	49.3	49.3	49.3
Market Capitalization (Average)	1,913.1	2,488.6	2,084.1	1,646.3	1,137.5	2,050.2	1,949.5	1,800.3	1,681.6	1,985.6	1,681.6	1,681.6	1,681.6	1,681.6	1,681.6
Enterprise Value (Average)	2,157.2	2,836.0	2,456.0	3,491.4	2,989.8	3,825.3	3,627.6	3,528.9	3,289.4	3,593.5	3,176.2	3,002.5	2,770.8	2,439.7	2,080.6
P/E	21.1 x	20.6 x	17.8 x	16.4 x	n/a	104.4 x	36.9 x	170.1 x	53.7 x	17.4 x	8.8 x	6.6 x	5.2 x	4.4 x	3.7 x
EV/EBITDA	9.0 x	10.6 x	8.8 x	12.4 x	n/a	53.1 x	31.8 x	60.0 x	37.4 x	10.8 x	8.0 x	6.1 x	4.7 x	3.7 x	2.7 x
FCF Yield to Market Capitalization	3.2%	2.0%	5.7%	4.0%	-10.5%	3.9%	5.2%	-1.0%	7.9%	14.2%	8.5%	12.3%	15.7%	21.3%	22.4%
FCF Yield to Enterprise Value	2.8%	1.8%	4.9%	1.9%	-4.0%	2.1%	2.8%	-0.5%	4.0%	7.8%	4.5%	6.9%	9.5%	14.7%	18.1%
<b>Free Cash Flow</b>															
EBIT	150.5	165.8	161.0	148.1	(252.6)	37.0	79.2	24.5	53.8	194.4	275.3	357.4	444.2	504.7	587.0
Tax Expense	(52.7)	(35.4)	(30.7)	(26.9)	83.4	(2.5)	(12.7)	2.4	(10.4)	(37.6)	(53.3)	(69.2)	(86.0)	(97.7)	(113.6)
D&A	88.3	102.8	118.3	132.5	138.8	35.1	34.9	34.4	34.2	138.5	121.7	135.8	146.3	160.3	175.7
Capital Expenditures	(180.6)	(219.9)	(216.3)	(228.1)	(83.0)	(10.4)	(27.6)	(25.6)	(39.0)	(102.5)	(206.6)	(217.3)	(237.7)	(260.5)	(285.6)
Changes in NWC	55.7	37.4	87.1	40.0	(6.4)	21.3	26.8	(53.1)	94.2	89.2	6.3	0.7	(3.4)	51.4	12.6
<b>Unlevered Free Cash Flow</b>	<b>61.3</b>	<b>50.6</b>	<b>119.4</b>	<b>65.6</b>	<b>(119.8)</b>	<b>80.5</b>	<b>100.6</b>	<b>(17.5)</b>	<b>132.7</b>	<b>282.0</b>	<b>143.4</b>	<b>207.4</b>	<b>263.4</b>	<b>358.2</b>	<b>376.1</b>
<b>Valuation Summary</b>															
Current Price	\$ 34.12														
Target Price	\$ 50.03														
Total Return	46.6%														
Recommendation	BUY														
<b>DCF Valuation</b>															
Perpetuity Growth Implied Price	\$ 40.10														
Exit Multiple Implied Price	\$ 51.17														
<b>Comps Valuation</b>															
Comps - EV/EBITDA Implied Price	\$ 57.95														
Comps - P/E Implied Price	\$ 50.89														

Current Price	\$ 34.12
Target Price	\$ 50.03
Total Return	46.6%
Recommendation	BUY

<b>DCF Valuation</b>	
Perpetuity Growth Implied Price	\$ 40.10
Exit Multiple Implied Price	\$ 51.17
<b>Comps Valuation</b>	
Comps - EV/EBITDA Implied Price	\$ 57.95
Comps - P/E Implied Price	\$ 50.89

## Appendix 2: Discounted Cash Flows Analysis

Discounted Cash Flow Analysis															
	Jan-16	Jan-17	Jan-18	Jan-19	Jan-20	Apr-20	Jul-20	Oct-20	Jan-21	Jan-21	Jan-22	Jan-23	Jan-24	Jan-25	Jan-26
(Figures in mm USD)	FY2017	FY2018	FY2019	FY2020	FY2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
<b>WACC Calculations</b>															
<b>Cost of Equity</b>															
Risk-free rate	1.3%														
Expected market return	10.0%														
<b>Market Risk Premium</b>	<b>8.8%</b>														
Beta	2.65														
<b>Cost of Equity</b>	<b>24.4%</b>														
<b>Cost of Debt</b>															
Pre-tax cost of debt	1.5%														
Debt adjustment factor	1.38														
Effective tax rate	19.4%														
<b>Cost of Debt</b>	<b>1.6%</b>														
<b>WACC</b>															
Market value of equity	1,681.6														
Market value of debt	1,755.6														
<b>Total Capitalization</b>	<b>3,437.2</b>														
Cost of equity	24.4%														
Cost of debt	1.6%														
<b>WACC</b>	<b>12.8%</b>														
<b>Free Cash Flow</b>															
EBIT	150.5	165.8	161.0	148.1	(252.6)	37.0	79.2	24.5	53.8	194.4	275.3	357.4	444.2	504.7	587.0
Less: Tax expense	(52.7)	(35.4)	(30.7)	(26.9)	83.4	(2.5)	(12.7)	2.4	(10.4)	(37.6)	(53.3)	(69.2)	(86.0)	(97.7)	(113.6)
Add: Depreciation and amortization	88.3	102.8	118.3	132.5	138.8	35.1	34.9	34.4	34.2	138.5	121.7	135.8	146.3	160.3	175.7
Less: Capital expenditures	(180.6)	(219.9)	(216.3)	(228.1)	(83.0)	(10.4)	(27.6)	(25.6)	(39.0)	(102.5)	(206.6)	(217.3)	(237.7)	(260.5)	(285.6)
Less: Change in net working capital	55.7	37.4	87.1	40.0	(6.4)	21.3	26.8	(53.1)	94.2	89.2	6.3	0.7	(3.4)	51.4	12.6
<b>Unlevered Free Cash Flow</b>	<b>61.3</b>	<b>50.6</b>	<b>119.4</b>	<b>65.6</b>	<b>(119.8)</b>	<b>80.5</b>	<b>100.6</b>	<b>(17.5)</b>	<b>132.7</b>	<b>282.0</b>	<b>143.4</b>	<b>207.4</b>	<b>263.4</b>	<b>358.2</b>	<b>376.1</b>
Discount factor	0.25														
<b>Present Value of Unlevered Free Cash Flow</b>	<b>128.8</b>	<b>128.8</b>	<b>124.9</b>	<b>158.2</b>	<b>178.2</b>	<b>214.9</b>	<b>200.0</b>								
<b>Discounted Cash Flow Valuations</b>															
<b>Perpetuity Growth Method</b>															
<b>Perpetuity Growth Rate</b>	<b>5.0%</b>														
PV sum of unlevered FCF	1,005.1														
Terminal value	2,700.0														
<b>Enterprise Value</b>	<b>3,705.1</b>														
Add: Cash	27.0														
Less: Debt	1,755.6														
Less: Other EV adjustments															
<b>Equity Value</b>	<b>1,976.5</b>														
Shares outstanding	49.3														
<b>Implied Share Price</b>	<b>\$ 40.1</b>														
<b>Exit Multiple Method</b>															
<b>Terminal EV/EBITDA Multiple</b>	<b>8.0 x</b>														
PV sum of unlevered FCF	1,005.1														
Terminal value	3,245.321														
<b>Enterprise Value</b>	<b>4,250.4</b>														
Add: Cash	27.0														
Less: Debt	1,755.6														
Less: Other EV adjustments															
<b>Equity Value</b>	<b>2,521.8</b>														
Shares outstanding	49.3														
<b>Implied Share Price</b>	<b>\$ 51.17</b>														
<b>WACC</b>															
		<b>13.80%</b>	<b>13.30%</b>	<b>12.80%</b>	<b>12.30%</b>	<b>11.80%</b>									
Perpetuity Growth Rate	4.00%	\$ 25.85	\$ 29.34	\$ 33.23	\$ 37.60	\$ 42.53									
	4.50%	\$ 28.27	\$ 32.09	\$ 36.37	\$ 41.20	\$ 46.70									
	5.00%	\$ 30.96	\$ 35.16	\$ 39.90	\$ 45.29	\$ 51.49									
	5.50%	\$ 33.98	\$ 38.63	\$ 43.92	\$ 49.99	\$ 57.03									
	6.00%	\$ 37.38	\$ 42.57	\$ 48.52	\$ 55.43	\$ 63.53									
<b>WACC</b>															
		<b>13.80%</b>	<b>13.30%</b>	<b>12.80%</b>	<b>12.30%</b>	<b>11.80%</b>									
Terminal EV/EBITDA Multiple	8.8 x	\$ 53.86	\$ 55.74	\$ 57.67	\$ 59.66	\$ 61.70									
	9.8 x	\$ 61.71	\$ 63.78	\$ 65.90	\$ 68.08	\$ 70.32									
	10.8 x	\$ 69.56	\$ 71.81	\$ 74.12	\$ 76.50	\$ 78.94									
	11.8 x	\$ 77.41	\$ 79.84	\$ 82.34	\$ 84.91	\$ 87.55									
	12.8 x	\$ 85.26	\$ 87.88	\$ 90.57	\$ 93.33	\$ 96.17									
<b>Current Price</b>															
Current Price	\$ 34.12														
<b>Implied Price</b>															
Implied Price	\$ 51.17														
<b>Total Return</b>															
Total Return	17.5%														

### Appendix 3: Comparable Companies Analysis

#### Comparable Company Analysis

(Figures in mm USD)

Company	Ticker	Equity Value	Enterprise Value	EV/EBITDA Multiple			P/E Multiple		
				2021A EV/EBITDA	2022E EV/EBITDA	2023E EV/EBITDA	2021A P/E	2022E P/E	2023E P/E
Comp 1	(NYSE: MSGE)	2,265.8	3,214.5	n/a	16.3 x	12.3 x	(4.1 x)	127.4 x	37.9 x
Comp 2	(NYSE: SIX)	2,961.0	5,386.6	n/a	11.4 x	9.6 x	(7.4 x)	24.1 x	15.7 x
Comp 3	(NASDAQGS: CAKE)	1,788.9	3,483.7	36.5 x	15.6 x	12.3 x	(13.6 x)	15.4 x	11.1 x
Comp 4	(NASDAQGS: JACK)	1,879.5	4,058.3	8.0 x	13.3 x	12.6 x	13.7 x	13.3 x	11.8 x
Comp 5	(NYSE: FUN)	2,651.4	5,063.9	n/a	16.5 x	8.7 x	(5.4 x)	(59.1 x)	15.3 x
Comp 6	(NYSE: EAT)	1,444.6	3,559.6	6.7 x	8.9 x	8.0 x	10.3 x	9.1 x	7.1 x
Comp 7	(NASDAQGS: TXRH)	5,584.4	5,978.5	29.1 x	14.4 x	13.5 x	157.1 x	23.4 x	22.3 x
Comp 8	(XCH: TCK)	-	-	-	-	-	-	-	-
Comp 9	(XCH: TCK)	-	-	-	-	-	-	-	-
Comp 10	(XCH: TCK)	-	-	-	-	-	-	-	-
<b>Dave &amp; Busters</b>	<b>(NASDAQGS: PLAY)</b>	<b>1,681.6</b>	<b>3,410.2</b>	<b>(30.0 x)</b>	<b>10.2 x</b>	<b>8.6 x</b>	<b>(7.2 x)</b>	<b>14.7 x</b>	<b>8.8 x</b>
<b>Median</b>					<b>14.4 x</b>	<b>12.3 x</b>		<b>15.4 x</b>	<b>15.3 x</b>
<b>Mean</b>					<b>13.8 x</b>	<b>11.0 x</b>		<b>21.9 x</b>	<b>17.3 x</b>
<b>High</b>					<b>16.5 x</b>	<b>13.5 x</b>		<b>127.4 x</b>	<b>37.9 x</b>
<b>Low</b>					<b>11.4 x</b>	<b>9.6 x</b>		<b>13.3 x</b>	<b>11.1 x</b>
					EV/EBITDA Implied Price		P/E Implied Price		
Median					\$ 62.06	\$ 63.88	\$ 35.77	\$ 59.58	
<b>Mean</b>					<b>\$ 57.95</b>	<b>\$ 53.56</b>	<b>\$ 50.89</b>	<b>\$ 67.41</b>	
High					\$ 76.43	\$ 73.80	\$ 295.53	\$ 147.36	
Low					\$ 42.25	\$ 41.95	\$ 30.80	\$ 43.39	

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Harry Jeong  
Junior Analyst

WestPeak Research Association  
[contact@westpeakresearch.com](mailto:contact@westpeakresearch.com)