

# Financial Health:

## Unlocking The Power Of Your Financial Statements

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And.....

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**Warning! Financial Statements May Cause Stress!**



# Financial Statements Include:

- Balance Sheet Statement
- Income Statement
- Statement of Cash Flows
- Supporting Expense Schedule
- Notes To Financial Statements

# Preparation Method

- Cash Basis



- Accrual Basis



# When To Prepare

- Daily - internal
- Weekly - internal
- Monthly - internal
- Quarterly – internal
- Semi-Annual – internal and external
- Annually – internal and external

# Why Are Financials Important?

- Necessary To Obtain Financing
- Establish Trade Credit
- Secure Insurance Coverage
- Lease or Purchase Property



No Financials =



**Without**





# Helpful Tips In Creating Financials

- Break Out Revenues for:
  - Gate entry, if appropriate
  - Package Selection – Parties, Corp Events
  - Food and Beverage Concessions
  - Entertainment Attractions
  - Games

# ● Segregate Cost of Goods Sold For:

- Food and Beverage
- Merchandise Sales
- Redemption Prizes
- Group Sales

# ● Establish A Series of Line Item Expenses:

- Management Payroll
  - Staff Payroll
  - Utilities
  - Attraction Supplies
  - Postage
  - Security and Trash Service
  - Telecommunications
  - On and Off Site Training
  - Operating Supplies
  - Insurance
  - State and Local Licensing
- Payroll Taxes
  - Bank Charges
  - Medical Supplies
  - Printing
  - Advertising and Promotion
  - Uniforms
  - On and Off Site Training
  - Maintenance and Repairs
  - Legal/Accounting Services
  - Real Estate/ CAM Charges

**Tailor To Your Specs!**

# Key Financial Indicators

- Current Ratio
- Net Working Capital Ratio
- Debt-to-Worth Ratio
- Return on Assets
- Return on Equity
- Net Profit Margin
- Debt Coverage Ratio



# Current Ratio



$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

## What This Means:

- Measures the Company's liquidity and its ability to meet day-to-day expenses.
- Goal: a ratio of 1.5 or better

# Net Working Capital

$$\text{Net Working Capital Ratio} \\ = \\ \text{current assets} - \text{current liabilities}$$

## What This Ratio Means:

- Identifies how much of the owners' equity is held in a working capital position
- Goal: the larger positive value, the better!



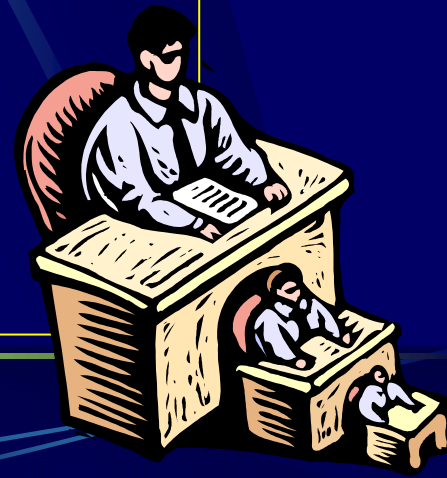
# Debt To Worth Ratio

$$\text{Debt to Worth Ratio} = \frac{\text{Total Debt}}{\text{Total Liabilities}}$$

## What This Ratio Means:

This ratio measures the amount of leverage in use within the business.

Goal: 2.5:1 or less!



# Return On Assets

$$\text{Return on Assets} = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

## What This Ratio Means:

- Measures the rate of return on the Company's
- asset investments
- Goal: 10 - 20%





# Return On Equity

$$\text{Return on Equity} = \frac{\text{Net Profits After Tax}}{\text{Stockholders Equity}}$$

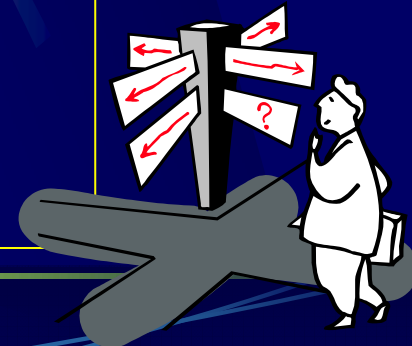
## What This Ratio Means:

Also known as a 'return on investment' ratio

measures Company's ability to provide investment

Returns to its shareholders

Goal: 15-35%

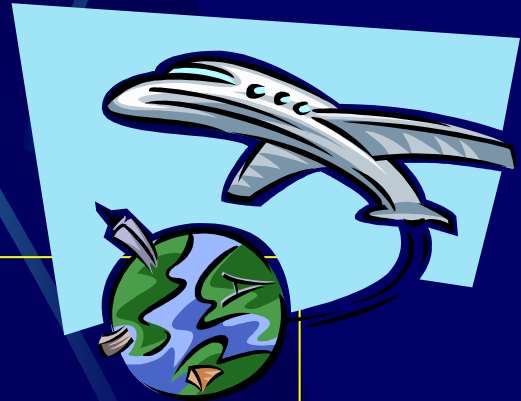


# Net Profit Margin

$$\text{Net Profit Margin} = \frac{\text{Net Profit After Taxes}}{\text{Total Assets}}$$

## What This Ratio Means:

- Measures Company's ability to generate margins on the sale of its services
- Measures a Company's efficiency levels



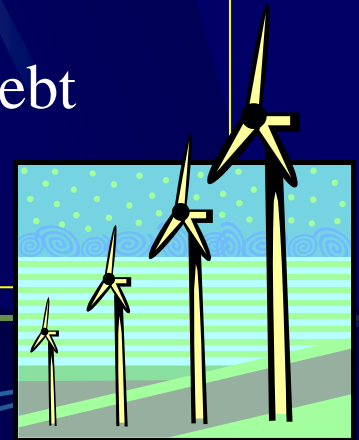
# Debt Coverage Ratio

$$\text{Debt Coverage Ratio} = \frac{\text{Total Annual Debt Service}}{\text{Free Cash Flow}}$$

$$\text{Free Cash Flow} = \text{Net Profits} + \text{Depreciation} + \text{Amortization} + \text{Current Interest Expense}$$

## What This Ratio Means:

- Measures the Company's ability to pay its annual debt service payments to lenders
- Goal: 1.25x or greater!



# Financials Provided By:



**DAVE & BUSTER'S, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	January 30, 2005	February 1, 2004
		(As restated, Note 2)
	(In thousands, except share amounts)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 7,624	\$ 3,897
Inventories	28,935	26,233
Prepaid expenses	3,034	2,709
Other current assets	<u>2,612</u>	<u>2,518</u>
Total current assets	42,205	35,357
Property and equipment, net (Note 4)	331,478	291,473
Other assets and deferred charges	<u>23,725</u>	<u>13,371</u>
Total assets	<u>\$ 397,408</u>	<u>\$ 340,201</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current installments of long-term debt (Note 6)	\$ 7,792	\$ 3,333
Accounts payable	12,146	13,346
Accrued liabilities (Note 5)	18,119	12,898
Income taxes payable (Note 7)	5,802	2,889
Deferred income taxes (Note 7)	<u>6,002</u>	<u>3,111</u>
Total current liabilities	49,861	35,577
Deferred income taxes (Note 7)	4,959	11,689
Deferred rent liability	63,113	60,959
Other liabilities	2,179	1,991
Long-term debt, less current installments (Note 6)	80,351	50,201
Commitments and contingencies (Notes 6, 8 and 13)		
Stockholders' equity (Note 9):		
Preferred stock, 10,000,000 authorized; none issued	—	—
Common stock, \$0.01 par value, 50,000,000 authorized; 13,452,267 and 13,181,284 shares issued and outstanding as of January 30, 2005 and February 1, 2004, respectively	135	132
Paid-in capital	122,173	118,669
Restricted stock awards	1,454	905
Accumulated comprehensive income	225	—
Retained earnings	<u>74,804</u>	<u>61,924</u>
Total stockholders' equity	198,791	181,630
Less treasury stock, at cost (175,000 shares)	<u>1,846</u>	<u>1,846</u>
Total stockholders' equity	<u>196,945</u>	<u>179,784</u>
Total liabilities and stockholders' equity	<u>\$ 397,408</u>	<u>\$ 340,201</u>

See accompanying notes to consolidated financial statements.

DAVE & BUSTER'S, INC.  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Fiscal Year Ended		
	January 30, 2005	February 1, 2004	February 2, 2003
	(As restated, Note 2)		(As restated, Note 2)
	(In thousands, except per share amounts)		
Food and beverage revenues	\$ 209,689	\$ 191,881	\$ 192,882
Amusement and other revenues	<u>180,578</u>	<u>170,941</u>	<u>180,870</u>
<b>Total revenues</b>	<b>390,267</b>	<b>362,822</b>	<b>373,752</b>
Cost of food and beverage	51,367	46,354	46,220
Cost of amusement and other	<u>21,704</u>	<u>21,788</u>	<u>22,532</u>
<b>Total cost of products</b>	<b>73,071</b>	<b>68,142</b>	<b>68,752</b>
Operating payroll and benefits	110,542	105,027	114,904
Other store operating expenses	119,509	108,413	114,957
General and administrative expenses	26,221	25,033	25,640
Depreciation and amortization expense	34,238	32,741	33,156
Preopening costs	<u>1,295</u>	<u>—</u>	<u>1,520</u>
<b>Total operating costs</b>	<b>364,876</b>	<b>339,356</b>	<b>358,929</b>
<b>Operating income</b>	<b>25,391</b>	<b>23,466</b>	<b>14,823</b>
Interest expense, net	<u>5,586</u>	<u>6,926</u>	<u>7,143</u>
<b>Income before provision for income taxes</b>	<b>19,805</b>	<b>16,540</b>	<b>7,680</b>
Provision for income taxes (Note 7)	<u>6,925</u>	<u>5,619</u>	<u>2,592</u>
<b>Income before cumulative effect of a change in an accounting principle</b>	<b>12,880</b>	<b>10,921</b>	<b>5,088</b>
Cumulative effect of a change in an accounting principle (Note 1)	<u>—</u>	<u>—</u>	<u>(7,096)</u>
<b>Net income (loss)</b>	<b>\$ 12,880</b>	<b>\$ 10,921</b>	<b>\$ (2,008)</b>
<b>Net income (loss) per share – basic: (Note 10)</b>			
Before cumulative effect of a change in an accounting principle	\$ 0.97	\$ 0.83	\$ 0.40
Cumulative effect of a change in an accounting principle	<u>—</u>	<u>—</u>	<u>(0.55)</u>
	<b>\$ 0.97</b>	<b>\$ 0.83</b>	<b>\$ (0.15)</b>
<b>Net income (loss) per share – diluted: (Note 10)</b>			
Before cumulative effect of a change in an accounting principle	\$ 0.87	\$ 0.79	\$ 0.38
Cumulative effect of a change in an accounting principle	<u>—</u>	<u>—</u>	<u>(0.53)</u>
	<b>\$ 0.87</b>	<b>\$ 0.79</b>	<b>\$ (0.15)</b>
<b>Weighted average shares outstanding:</b>			
Basic	13,331	13,128	12,997
Diluted	16,540	14,646	13,404

See accompanying notes to consolidated financial statements.

**DAVE & BUSTER'S, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<u>Fiscal Year Ended</u>		
	<u>January 30, 2005</u>	<u>February 1, 2004</u>	<u>February 2, 2003</u>
		(As restated, Note 2)	(As restated, Note 2)
		(In thousands)	
<b>Cash flows from operating activities:</b>			
Income before cumulative effect of a change in an accounting principle	\$ 12,880	\$ 10,921	\$ 5,088
Adjustments to reconcile income before cumulative change in an accounting principle to net cash provided by operating activities:			
Depreciation and amortization expense	34,238	32,741	33,156
Deferred income tax expense (benefit)	(3,820)	822	6,233
Tax benefit related to stock options	705	137	107
Restricted stock awards	549	297	226
Warrants related to convertible debt	254	107	—
Other, net	314	(256)	(222)
Changes in operating assets and liabilities, net of effect of business acquisitions			
Inventories	(2,069)	401	(670)
Prepaid expenses	(325)	(660)	(607)
Other current assets	(94)	(382)	309
Other assets and deferred charges	(1,884)	(502)	940
Accounts payable	(1,200)	(1,606)	(1,039)
Accrued liabilities	3,535	697	1,116
Income taxes payable	2,914	2,564	(4,729)
Deferred rent liability	2,154	(115)	1,066
Other liabilities	188	351	866
Net cash provided by operating activities	48,339	45,517	41,840
<b>Cash flows from investing activities:</b>			
Capital expenditures	(34,234)	(24,292)	(22,956)
Business acquisition, net of cash acquired	(47,876)	(3,600)	—
Proceeds from sales of property and equipment	338	471	750
Net cash used in investing activities	(81,772)	(27,421)	(22,206)
<b>Cash flows from financing activities:</b>			
Borrowings under long-term debt	78,446	44,825	12,000
Repayments of long-term debt	(43,250)	(57,789)	(34,602)
Debt costs	(841)	(4,469)	—
Proceeds from exercises of stock options	2,805	704	977
Net cash provided by (used in) financing activities	37,160	(16,729)	(21,625)
Increase (decrease) in cash and cash equivalents	3,727	1,367	(1,991)
Beginning cash and cash equivalents	3,897	2,530	4,521
<b>Ending cash and cash equivalents</b>	<b>\$ 7,624</b>	<b>\$ 3,897</b>	<b>\$ 2,530</b>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid for income taxes – net of refunds	\$ 7,146	\$ 1,798	\$ 679
Cash paid for interest, net of amounts capitalized	\$ 2,504	\$ 5,428	\$ 7,353

See accompanying notes to consolidated financial statements.

# Questions?

Just Call!

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