

RCI HOSPITALITY HOLDINGS, INC.
Form 10-Q
February 11, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2018

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-13992

RCI HOSPITALITY HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Texas **76-0458229**
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

10737 Cutten Road

Houston, Texas 77066

(Address of principal executive offices) (Zip Code)

(281) 397-6730

(Registrant's telephone number, including area code)

Indicate by check mark 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 check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. 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 check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of February 1, 2019, 9,690,500 shares of the registrant's common stock were outstanding.

NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, among other things, statements regarding plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements, which are other than statements of historical facts. Forward-looking statements may appear throughout this report, including, without limitation, the following sections: Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Forward-looking statements generally can be identified by words such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “projects,” “will be,” “will continue,” “will likely result,” and similar expressions. These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Quarterly Report on Form 10-Q and those discussed in other documents we file with the Securities and Exchange Commission (“SEC”). Important factors that in our view could cause material adverse effects on our financial condition and results of operations include, but are not limited to, the risks and uncertainties associated with operating and managing an adult business, the business climates in cities where it operates, the success or lack thereof in launching and building the company’s businesses, risks and uncertainties related to cyber security, conditions relevant to real estate transactions, and numerous other factors such as laws governing the operation of adult entertainment businesses, competition and dependence on key personnel. We undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

As used herein, the “Company,” “we,” “our,” and similar terms include RCI Hospitality Holdings, Inc. and its subsidiaries, unless the context indicates otherwise.

RCI HOSPITALITY HOLDINGS, INC.

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PART I FINANCIAL INFORMATION**Item 1. Financial Statements.****RCI HOSPITALITY HOLDINGS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands, except par value)**

	December 31, 2018 (unaudited)	September 30, 2018 (As Revised)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9,387	\$ 17,726
Accounts receivable, net	5,583	7,320
Inventories	2,578	2,353
Prepaid insurance	3,603	4,910
Other current assets	1,560	1,591
Assets held for sale	2,356	2,902
Total current assets	25,067	36,802
Property and equipment, net	187,502	172,403
Notes receivable	3,467	2,874
Goodwill	54,731	43,591
Intangibles, net	77,289	71,532
Other assets	1,466	2,530
Total assets	\$ 349,522	\$ 329,732
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 2,357	\$ 2,825
Accrued liabilities	11,940	11,973
Current portion of long-term debt	14,898	19,047
Total current liabilities	29,195	33,845
Deferred tax liability, net	21,473	19,552
Long-term debt, net of current portion	138,197	121,580
Other long-term liabilities	1,567	1,423
Total liabilities	190,432	176,400

Commitments and contingencies (Note 10)

Stockholders' equity

Preferred stock, \$0.10 par value per share; 1,000 shares authorized; none issued and outstanding	-	-
Common stock, \$0.01 par value per share; 20,000 shares authorized; 9,705 and 9,719 shares issued and outstanding as of December 31, 2018 and September 30, 2018, respectively	97	97
Additional paid-in capital	63,857	64,212
Retained earnings	95,179	88,906
Accumulated other comprehensive income	-	220
Total RCIHH stockholders' equity	159,133	153,435
Noncontrolling interests	(43)	(103)
Total stockholders' equity	159,090	153,332
Total liabilities and stockholders' equity	\$ 349,522	\$ 329,732

See accompanying notes to condensed consolidated financial statements.

RCI HOSPITALITY HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

(unaudited)

	For the Three Months Ended December 31,	
	2018	2017
Revenues		
Sales of alcoholic beverages	\$ 18,310	\$ 17,805
Sales of food and merchandise	5,690	5,307
Service revenues	17,331	15,889
Other	2,692	2,211
Total revenues	44,023	41,212
Operating expenses		
Cost of goods sold		
Alcoholic beverages sold	3,736	3,755
Food and merchandise sold	1,984	2,094
Service and other	92	36
Total cost of goods sold (exclusive of items shown separately below)	5,812	