

RICKS CABARET INTERNATIONAL INC

FORM 10QSB

(Quarterly Report of Financial Condition)

Filed 2/10/2000 For Period Ending 12/31/1999

Address	505 NORTH BELT SUITE 630 HOUSTON, Texas 77060
Telephone	281-820-1181
CIK	0000935419
Industry	Restaurants
Sector	Services
Fiscal Year	09/30

**UNITED STATES SECURITIES AND EXCHANGE
COMMISSION**
Washington, D.C. 20549
FORM 10-QSB

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934; For the Quarterly Period Ended: December 31, 1999**

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

Commission File Number: 0-26958

RICK'S CABARET INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction
of incorporation or organization)

76-0037324
(IRS Employer
Identification No.)

505 North Belt Drive Suite 630
Houston, Texas 77060
(Address of principal executive offices, including zip code)

(281) 820-1181
(Registrant's telephone number, including area code)

Check whether the issuer (1) has filed all reports required to be filed by
Section 13 or 5(d) of the Exchange Act during the past 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
☐

APPLICABLE ONLY TO CORPORATE ISSUERS

On February 1, 2000, there were approximately 3,613,678 shares of common stock, \$.01 par value, outstanding.

Transitional Small Business Disclosure Format (check one); Yes ☐ No ☒

RICK'S CABARET INTERNATIONAL, INC.

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RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS - ASSETS

	12/31/99 (AUDITED)	9/30/99 (UNAUDITED)
CURRENT ASSETS		
Cash	\$ 414,333	\$ 378,161
Accounts receivable	229,623	225,565
Prepaid expenses	38,613	102,031
Inventories	131,636	115,773
Land held for sale	200,000	200,000
	-----	-----
Total current assets	1,014,205	1,021,530
	-----	-----
PROPERTY AND EQUIPMENT		
Buildings, lands and leasehold improvements	8,475,244	8,324,297
Furniture and equipment	1,620,565	1,569,767
	-----	-----
	10,095,809	9,894,064
	-----	-----
Accumulated depreciation	(1,432,357)	(1,340,343)
	-----	-----
	8,663,452	8,553,721
	-----	-----
OTHER ASSETS		
Goodwill less accumulated amortization	2,797,239	2,839,745
Other	218,468	223,141
	-----	-----
	3,015,707	3,062,886
	-----	-----
	\$12,693,364	\$12,638,137
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

	12/31/99	9/30/99
CURRENT LIABILITIES		
Current portion of long term debt	\$ 376,306	\$ 375,622
Accounts payable - trade	405,389	514,447
Accrued expenses	266,899	115,752
	-----	-----
Total current liabilities	1,048,594	1,005,821
LONG TERM DEBT, LESS CURRENT PORTION		
Long-term debts less current portion	4,190,512	4,282,777
	-----	-----
Total Liabilities	5,239,106	5,288,598
	-----	-----
COMMITMENTS AND CONTINGENCIES		
MINORITY INTERESTS	27,643	34,247
STOCKHOLDERS' EQUITY		
Preferred stock - \$.10 par, authorized 1,000,000 shares; none outstanding	---	---
Common stock - \$.01 par, authorized 15,000,000 shares issued 3,613,678 and 3,613,678	36,137	36,137
Additional paid in capital	9,754,606	9,727,309
Retained earnings (deficit)	(2,364,128)	(2,448,154)
	-----	-----
Total stockholder's equity	7,426,615	7,315,292
	-----	-----
	\$12,693,364	\$12,638,137
	=====	=====

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS - THREE MONTHS ENDED DECEMBER 31, 1999 AND
1998

	1999 (UNAUDITED)	1998 (UNAUDITED)
REVENUES		
Sales of alcoholic beverages	\$ 1,104,583	\$1,390,370
Sales of food	150,376	149,532
Service revenues	1,218,678	1,344,725
Other	244,538	433,342
	----- 2,718,175	----- 3,317,969
OPERATING EXPENSES		
Cost of goods sold	363,779	487,859
Salaries and wages	910,156	1,004,943
Other general and administrative		
Taxes and permits	405,501	288,696
Charge card fees	39,085	57,507
Rent	11,490	135,155
Legal and accounting	112,066	142,108
Advertising	197,405	198,423
Other	494,402	577,471
	----- 2,533,884	----- 2,892,162
INCOME (LOSS) FROM OPERATIONS	184,291	425,807
Interest income	8,412	511
Interest Expense	(108,677)	(143,244)
	-----	-----
Net Income	\$ 84,026	\$ 283,074
	=====	=====

	1999	1998
	(UNAUDITED)	(UNAUDITED)
NET INCOME (LOSS) PER COMMON SHARE	\$ 0.03	\$ 0.09
	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING	3,613,678	3,253,702
	=====	=====

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
THREE MONTHS ENDED DECEMBER 31, 1999 AND 1998

(UNAUDITED)	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:	(UNAUDITED)	
NET INCOME (LOSS)	\$ 84,026	\$ 283,074
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	92,015	94,708
Amortization of goodwill	39,928	62,360
Minority interests	(6,604)	(7,186)
Changes in assets and liabilities:		
Accounts receivable	(4,058)	(52,229)
Prepaid expenses	63,418	(173,133)
Inventories	(15,863)	(1,541)
Accounts payable and accrued expenses	42,772	392,514
	-----	-----
Cash provided by operating activities	295,634	598,567
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property equipment	(201,745)	(330,490)
Increase in other assets	34,548	(12,946)
	-----	-----
Cash used by investing activities	(167,197)	(343,436)
	-----	-----

	12/31/99	9/30/99
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in long term debt	---	(96,703)
Payments on long term debt	(92,265)	(243,852)
	-----	-----
Cash used by financing activities	(92,265)	(340,555)
	-----	-----
 NET (DECREASE) IN CASH	 36,172	 (85,424)
 CASH AT BEGINNING OF PERIOD	 378,161	 597,644
	=====	=====
CASH AT END OF PERIOD	\$ 414,333	\$ 512,220
	=====	=====
CASH PAID DURING PERIOD FOR:		
Interest	\$ 108,677	\$ 143,244

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1999

1. BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-QSB of Regulation S-B. They do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to the financial statements for the year ended September 30, 1999 included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. The interim unaudited financial statements should be read in conjunction with those financial statements included in the Form 10-KSB. In the opinion of Management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the three months ended December 31, 1999 are not necessarily indicative of the results that may be expected for the year ending September 30, 2000.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Company's unaudited consolidated financial statements and related notes thereto included in this quarterly report and in the audited consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's 10-KSB for the year ended September 30, 1999.

FORWARD LOOKING STATEMENT AND INFORMATION

The Company is including the following cautionary statement in this Form 10-QSB to make applicable and take advantage of the safe harbor provision of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are other than statements of historical facts. Certain statements in this Form 10-QSB are forward-looking statements. Words such as "expects", "anticipates" and "estimates" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties are set forth below. The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties, but there can be no assurance that management's expectation, beliefs or projections will result, be achieved, or be accomplished. In addition to other factors and matters discussed elsewhere herein, the following are important factors that, in the view of the Company, could cause material adverse affects on the Company's financial condition and results of operations: the risks and uncertainties relating to our Internet operations, the impact and implementation of the sexually oriented business ordinance in the City of Houston, competitive factors, the timing of the openings of other clubs, the integration of operations of Taurus Entertainment Companies, Inc with our operations and management, the availability of acceptable financing to fund corporate expansion efforts, competitive factors, and the dependence on key personnel. The Company has no obligation to update or revise these forward-looking statements to reflect the occurrence of future events or circumstances.

GENERAL

We currently own and operate two premiere Internet web sites at www.DancerDorm.com and www.AmateurDan.com. These web sites were launched in October, 1999. We also own and operate adult nightclubs under the name "Rick's Cabaret" and "XTC" which offer live adult entertainment and restaurant and bar operations. We own and operate our Internet content production studio and web site operations center, and two adult nightclubs in Houston, Texas. We also own and operate adult nightclubs in Austin and San Antonio, Texas, and Minneapolis, Minnesota. We also operate another adult nightclub in Houston, Texas through a management agreement.

In July, 1999, we opened a nightclub in San Antonio. In March, 1999, we sold our New Orleans location and closed the location of XTC in Houston.

Our revenues are derived from the sale of liquor, beer, wine and food, cover charges and other income. We anticipate significant revenue from Internet operations to begin during fiscal 2000. Our fiscal year end is September 30.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31,1999 AS COMPARED TO THE THREE MONTHS ENDED DECEMBER 31, 1998.

For the quarter ended December 31, 1999, the Company had consolidated total revenues of \$2,718,175 a decrease of \$599,794 from the fiscal quarter ended December 31, 1998 of \$3,317,969. The decrease in revenues compared to the first quarter ended December 31, 1998 was due to the sales of Company's location in New Orleans, Louisiana.

Cost of goods sold were 29.0% and 31.7% of sales of alcoholic beverages and food for the first quarters of fiscal 2000 and 1999, respectively. The decrease in fiscal 2000 was due primarily to the continuing efforts of management to achieve reductions in cost of goods sold through improved inventory management. The Company continues to aggressively decrease costs throughout all of its locations by improving menu offerings, reducing food inventory stocks and spoilage, and by modifying buying procedures.

Payroll and related costs were \$910,156 for the first quarter in 2000 compared to \$1,004,943 for the same fiscal period in 1999. The decrease was a reflection of the reduction in personnel experienced by the Company as it sold its location in New Orleans, Louisiana. Management currently believes that its labor and management staff levels are of appropriate levels.

Other selling, general and administrative expenses decreased 8.5% from the first quarter of fiscal 1999 to the first quarter of fiscal 2000. The decrease was due primarily to reductions in rent related to Company's location in New Orleans, Louisiana and in credit card fees.

Interest expense in the first quarter of fiscal 2000 was \$108,677.

Net income for the first quarter of fiscal 2000 was \$84,026 compared to income of \$283,074 for the first quarter of fiscal 1999.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1999 the Company has negative working capital of \$(34,389) compared to positive working capital of \$15,709 at September 30, 1999. The increase in working capital is due primarily to the expenditure of cash resources in building and opening the company's newest location in North Houston, which opened in mid-December, 1998.

Net cash provided by operating activities in the first quarter of fiscal 2000 was \$309,283 compared to \$598,567 for the same period in fiscal 1999. The decrease in cash provided by operating activities was due primarily to the sale of land in the FY 1998 quarter, which provided cash of \$815,162.

Net cash used in investing activities was \$(180,846), which resulted from additions to property and equipment.

The Company's new location in North Houston opened in December, 1998. The Minneapolis, Minnesota location opened in March, 1998 and the increase in revenues arose primarily from the sales for these new locations as well as increased sales at the company's location in New Orleans. In August, 1998, the Company acquired Taurus Entertainment Companies, Inc. The Company continues to study potential acquisition candidates, which would contribute to overall revenue growth and profitability.

Depreciation and Amortization was \$166,614 for the quarter ended December 31, 1999 compared to \$157,068 for the comparable quarter in the prior fiscal year.

In the opinion of management, working capital is not a true indicator of the financial status. Typically, the Company carries current liabilities in excess of current assets because the business receives substantially immediate payment for sales, with nominal receivables, while inventories and other current liabilities normally carry longer payment terms. Vendors and purveyors often remain flexible with payment terms providing the Company with opportunities to adjust to short term business down turns. The Company considers the primary indicators of financial status to be the long term trend and mix of sales revenues, overall cash flow and profitability from operations and the level of long term debt.

During the three months ended December 31, 1998, the Company provided \$598,567 cash from operations. Amortization and depreciation expense recorded during the period ended December 31, 1998 was \$157,068. Management believes that the cash provided by operation is a positive trend indicating the impact, which an additional location can have on overall overhead coverage and operating results. The Company continually reviews potential acquisition candidates for suitability.

SEASONALITY

The Company is significantly affected by seasonal factors. Typically, the Company has experienced reduced revenues from April through September with the strongest operating results occurring during October through March.

Year 2000 Issues

We have not had any Year 2000 deficiencies internally or externally. We do not expect to have any Year 2000 deficiencies internally or externally. If a Year 2000 deficiency occurs internally or externally, we will shift our internal and external resources to fix the deficiency. We do not expect any Year 2000 deficiency to require an expenditure of more than \$10,000.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(A) Exhibits

Exhibit 27.1 Financial Data Schedule

(B) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RICK'S CABARET INTERNATIONAL, INC.

Date: February 10, 2000

By: /s/ Eric S. Langan

Eric S. Langan, Chairman, President
and Chief Accounting Officer

ARTICLE 5

MULTIPLIER: 1

PERIOD TYPE	3 MOS
FISCAL YEAR END	SEP 30 2000
PERIOD START	OCT 01 1999
PERIOD END	DEC 31 2001
CASH	414333
SECURITIES	0
RECEIVABLES	229623
ALLOWANCES	0
INVENTORY	131636
CURRENT ASSETS	1014205
PP&E	10095809
DEPRECIATION	(1432357)
TOTAL ASSETS	12693364
CURRENT LIABILITIES	1048594
BONDS	4190512
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	31137
OTHER SE	7390478
TOTAL LIABILITY AND EQUITY	12693364
SALES	2718175
TOTAL REVENUES	2718175
CGS	363779
TOTAL COSTS	2533884
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	108677
INCOME PRETAX	84026
INCOME TAX	0
INCOME CONTINUING	84026
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	84026
EPS BASIC	.03
EPS DILUTED	.03

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