



**RCI Reports Record Fourth Quarter Revenues, Annual Revenues, and Cash Generation**

HOUSTON—December 14, 2021—RCI Hospitality Holdings, Inc. (Nasdaq: RICK) today reported results for the fiscal 2021 fourth quarter and year ended September 30, 2021, and filed its Form 10-K.

| 4Q21 Highlights  | FY21 Highlights  |
|--|--|
| <ul style="list-style-type: none"> <li>• Total revenues of \$54.9 million vs. \$28.8 million in 4Q20</li> <li>• EPS of \$0.26 vs. loss per share of \$0.31 in 4Q20</li> <li>• Non-GAAP EPS* of \$1.58 vs. \$0.15 in 4Q20</li> <li>• Net cash from operating activities of \$9.8 million and free cash flow* of \$8.5 million</li> <li>• Net income of \$2.3 million vs. net loss of \$2.9 million in 4Q20</li> <li>• Adjusted EBITDA* of \$17.6 million vs. \$4.4 million in 4Q20</li> <li>• \$35.7 million cash and equivalents at 9/30/21</li> </ul> | <ul style="list-style-type: none"> <li>• Total revenues of \$195.3 million vs. \$132.3 million in FY20</li> <li>• EPS of \$3.37 vs. loss per share of \$0.66 in FY20</li> <li>• Non-GAAP EPS* of \$4.08 vs. \$0.51 in FY20</li> <li>• Net cash from operating activities of \$42.0 million and free cash flow* of \$36.1 million</li> <li>• Net income of \$30.2 million vs. net loss of \$6.3 million in FY20</li> <li>• Adjusted EBITDA* of \$60.2 million vs. \$22.4 million in FY20</li> </ul> |

4Q21 and FY21 included non-cash impairments of \$11.9 million and \$13.6 million, respectively. While most clubs rebounded significantly throughout the year, the full year contribution from clubs in certain locations with more stringent COVID-19 restrictions did not recover as fast as previously projected.

**Eric Langan, President and CEO of RCI Hospitality Holdings, Inc., stated:** “We ended FY21 with record fourth quarter revenues, annual revenues, and cash generation. A special thanks to our teams for their outstanding performance managing COVID-19 restrictions, reopening challenges earlier in the year, the Delta variant, inflation, and labor issues in the fourth quarter. We’re working full steam ahead on executing our plan for FY22. This includes improving the customer experience at our new club acquisitions, scouting for new clubs to buy, the recent opening of our new company-owned Bombshells Arlington, the upcoming opening of our franchisee-owned Bombshells San Antonio, developing new company-owned and franchised Bombshells locations, and launching our AdmireMe mobile friendly site.”

**Conference Call Today at 4:30 PM ET**

- Live Participant Phone: Toll Free 888-506-0062, International 973-528-0011, Passcode: 484746
- Live webcast, slides or replay link: <https://www.webcaster4.com/Webcast/Page/2209/43856>
- Phone replay: Toll Free 877-481-4010, International 919-882-2331, Passcode: 43856

**Meet Management Tonight at 6:00 PM ET**

- Investors are invited to meet management at one of RCI’s top revenue generating clubs
- Rick’s Cabaret New York, 50 W. 33rd Street, New York, NY, between Fifth Avenue and Broadway
- RSVP your contact information to [gary.fishman@anreder.com](mailto:gary.fishman@anreder.com) by 5:00 PM ET today

## 4Q21 Segments

- Nightclubs: 4Q21 revenues of \$40.3 million, operating margin of 16.1% (43.2% non-GAAP), and income from operations of \$6.5 million (\$17.4 million non-GAAP), with 36 clubs open the full quarter. Florida clubs did particularly well. Higher-margin service revenues continued to grow. GAAP results included the previously mentioned \$11.9 million impairment and a \$1.0 million gain on insurance. 4Q21 improved significantly compared to 4Q20 when 16 clubs were open the full quarter and 34 by quarter end, reflecting COVID restrictions. Compared to pre-COVID 4Q19, 4Q21 revenues increased 12% and income from operations increased 4% (58% non-GAAP).
- Bombshells: 4Q21 revenues of \$14.4 million, operating margin of 20.8%, and income from operations of \$3.0 million. All 10 locations were open the full quarter. This compares to 4Q20 revenues of \$15.5 million, operating margin of 33.0%, and income from operations of \$5.1 million, when sales benefitted from an unusually strong sports schedule and Bombshells being one of the few venues open in its markets. Compared to pre-COVID 4Q19, revenues increased 69% on 25% more units and operating margin expanded 11.9 percentage points.

## 4Q21 Consolidated (comparisons to 4Q20 and % are of total revenues unless indicated otherwise)

- Margin improvements in cost of goods sold (14.9% vs. 15.6%), salaries and wages (25.6% vs. 28.5%), and SG&A (27.6% vs. 41.0%) primarily reflected higher Nightclubs sales and cost-saving initiatives.
- Other charges of \$11.9 million included the previously mentioned impairment and \$1.0 million from settlement of lawsuits, partially offset by other gains of \$1.0 million from insurance.
- Operating margin was 6.6% vs. 0.7%. Non-GAAP operating margin was 28.4% vs. 8.0%.
- Interest expense increased \$0.5 million due to costs and charges related to the previously announced debt refinancing, but declined as a percentage of revenues, to 5.3% from 8.4%.
- Income taxes were a benefit of \$1.6 million compared to an expense of \$0.8 million. Both periods adjusted for the full year tax rate. 4Q21 also included \$0.6 million benefit from a change in deferred tax asset valuation allowance.
- Debt was \$125.2 million at 9/30/21 compared to \$127.6 million at 6/30/21. This reflected scheduled paydowns and a \$1.2 million paydown related to a sold property.

## FY21 vs. FY20

- Total revenues increased 48% to \$195.3 million, primarily due to a 55% increase in Nightclubs to \$137.3 million and a 31% increase in Bombshells to a record \$56.6 million.
- Compared to FY20, which was more severely affected by COVID-19 restrictions, most clubs opened to their full capacity and operating hours over the course of FY21, while Bombshells restaurants opened to their full capacity and operating hours as of the first half of March 2021.
- As a result, operating margin expanded to 19.7% from 2.1% of revenues. On a non-GAAP basis, which excludes the previously-mentioned \$13.6 million impairment and other charges (gains), operating margin expanded to 26.7% from 10.5% of revenues.

## Note

- As of the release of this report, we do not know the future extent and duration of the impact of COVID-19 on our businesses. We will continually monitor and evaluate our cash flow situation to determine whether any measures need to be instituted.
- All references to the “company,” “we,” “our,” and similar terms include RCI Hospitality Holdings, Inc., and its subsidiaries, unless the context indicates otherwise.

## \*Non-GAAP Financial Measures

In addition to our financial information presented in accordance with GAAP, management uses certain non-GAAP financial measures, within the meaning of the SEC Regulation G, to clarify and enhance understanding of past performance and prospects for the future. Generally, a non-GAAP financial measure is a numerical measure of a company's operating performance, financial position or cash flows that excludes or includes amounts that are included in or excluded from the most directly comparable measure calculated and presented in accordance with GAAP. We monitor non-GAAP financial measures because it describes the operating performance of the Company and helps management and investors gauge our ability to generate cash flow, excluding (or including) some items that management believes are not representative of the ongoing business operations of the Company, but are included in (or excluded from) the most directly comparable measures calculated and presented in accordance with GAAP. Relative to each of the non-GAAP financial measures, we further set forth our rationale as follows:

- *Non-GAAP Operating Income and Non-GAAP Operating Margin.* We calculate non-GAAP operating income and non-GAAP operating margin by excluding the following items from income from operations and operating margin: (a) amortization of intangibles, (b) impairment of assets, (c) gains or losses on sale of businesses and assets, (d) gains or losses on insurance, and (e) settlement of lawsuits. We believe that excluding these items assists investors in evaluating period-over-period changes in our operating income and operating margin without the impact of items that are not a result of our day-to-day business and operations.
- *Non-GAAP Net Income and Non-GAAP Net Income per Diluted Share.* We calculate non-GAAP net income and non-GAAP net income per diluted share by excluding or including certain items to net income attributable to RCIHH common stockholders and diluted earnings per share. Adjustment items are: (a) amortization of intangibles, (b) impairment of assets, (c) costs and charges related to debt refinancing, (d) gains or losses on sale of businesses and assets, (e) gains or losses on insurance, (f) unrealized loss on equity securities, (g) settlement of lawsuits, (h) gain on debt extinguishment, (i) the income tax effect of the above-described adjustments, and (j) change in deferred tax asset valuation allowance. Included in the income tax effect of the above adjustments is the net effect of the non-GAAP provision for income taxes, calculated at 13.5%, 26.0%, and 15.5% effective tax rate of the pre-tax non-GAAP income before taxes for the 2021, 2020, and 2019, respectively, and the GAAP income tax expense (benefit). We believe that excluding and including such items help management and investors better understand our operating activities.
- *Adjusted EBITDA.* We calculate adjusted EBITDA by excluding the following items from net income attributable to RCIHH common stockholders: (a) depreciation and amortization, (b) income tax expense (benefit), (c) net interest expense, (d) gains or losses on sale of businesses and assets, (e) gains or losses on insurance (f) unrealized gains or losses on equity securities, (g) impairment of assets, (h) settlement of lawsuits, and (i) gain on debt extinguishment. We believe that adjusting for such items helps management and investors better understand our operating activities. Adjusted EBITDA provides a core operational performance measurement that compares results without the need to adjust for federal, state and local taxes which have considerable variation between domestic jurisdictions. The results are, therefore, without consideration of financing alternatives of capital employed. We use adjusted EBITDA as one guideline to assess the unleveraged performance return on our investments. Adjusted EBITDA multiple is also used as a target benchmark for our acquisitions of nightclubs.
- *Management also uses non-GAAP cash flow measures such as free cash flow.* Free cash flow is derived from net cash provided by operating activities less maintenance capital expenditures. We use free cash flow as the baseline for the implementation of our capital allocation strategy.

**About RCI Hospitality Holdings, Inc. (Nasdaq: RICK) [www.rcihospitality.com](http://www.rcihospitality.com)**

With more than 50 units, RCI Hospitality Holdings, Inc., through its subsidiaries, is the country's leading company in gentlemen's clubs and sports bars/restaurants. Clubs in New York City, Chicago, Dallas-Fort Worth, Houston, Miami, Minneapolis, Denver, St. Louis, Charlotte, Pittsburgh, Raleigh, Louisville, and other markets operate under brand names such as Rick's Cabaret, XTC, Club Onyx, Vivid Cabaret, Jaguars Club, Tootsie's Cabaret, and Scarlett's Cabaret. Sports bars/restaurants operate under the brand name Bombshells Restaurant & Bar.

## **Forward-Looking Statements**

This press release may contain forward-looking statements that involve a number of risks and uncertainties that could cause the company's actual results to differ materially from those indicated, including, but not limited to, the risks and uncertainties associated with (i) operating and managing an adult business, (ii) the business climates in cities where it operates, (iii) the success or lack thereof in launching and building the company's businesses, (iv) cyber security, (v) conditions relevant to real estate transactions, (vi) the impact of the COVID-19 pandemic, and (vii) numerous other factors such as laws governing the operation of adult entertainment businesses, competition and dependence on key personnel. For more detailed discussion of such factors and certain risks and uncertainties, see RCI's annual report on Form 10-K for the year ended September 30, 2021, as well as its other filings with the U.S. Securities and Exchange Commission. The company has no obligation to update or revise the forward-looking statements to reflect the occurrence of future events or circumstances.

## **Media & Investor Contacts**

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**RCI HOSPITALITY HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share and percentage data)

|   | For the Three Months Ended September 30, |              |                   |              | For the Twelve Months Ended September 30, |              |                   |              |
|---|--|--------------|-------------------|--------------|---|--------------|-------------------|--------------|
|   | 2021                                     |              | 2020              |              | 2021                                      |              | 2020              |              |
|   | Amount                                   | % of Revenue | Amount            | % of Revenue | Amount                                    | % of Revenue | Amount            | % of Revenue |
| <b>Revenues</b>   |  |              |                   |              |   |              |                   |              |
| Sales of alcoholic beverages                                | \$ 23,960                                | 43.6%        | \$ 13,795         | 47.9%        | \$ 86,685                                 | 44.4%        | \$ 59,080         | 44.6%        |
| Sales of food and merchandise                               | 10,906                                   | 19.9%        | 7,082             | 24.6%        | 41,111                                    | 21.1%        | 24,460            | 18.5%        |
| Service revenues  | 17,019                                   | 31.0%        | 6,714             | 23.3%        | 55,461                                    | 28.4%        | 41,162            | 31.1%        |
| Other   | 3,056                                    | 5.6%         | 1,195             | 4.2%         | 12,001                                    | 6.1%         | 7,625             | 5.8%         |
| Total revenues  | <u>54,941</u>                            | 100.0%       | <u>28,786</u>     | 100.0%       | <u>195,258</u>                            | 100.0%       | <u>132,327</u>    | 100.0%       |
| <b>Operating expenses</b>                                   |  |              |                   |              |   |              |                   |              |
| Cost of goods sold  |  |              |                   |              |   |              |                   |              |
| Alcoholic beverages sold                                    | 4,270                                    | 17.8%        | 2,271             | 16.5%        | 15,883                                    | 18.3%        | 11,097            | 18.8%        |
| Food and merchandise sold                                   | 3,833                                    | 35.1%        | 2,167             | 30.6%        | 13,794                                    | 33.6%        | 8,141             | 33.3%        |
| Service and other   | 70                                       | 0.3%         | 49                | 0.6%         | 374                                       | 0.6%         | 197               | 0.4%         |
| Total cost of goods sold (exclusive of items shown below)   | 8,173                                    | 14.9%        | 4,487             | 15.6%        | 30,051                                    | 15.4%        | 19,435            | 14.7%        |
| Salaries and wages  | 14,071                                   | 25.6%        | 8,204             | 28.5%        | 50,627                                    | 25.9%        | 39,070            | 29.5%        |
| Selling, general and administrative                         | 15,141                                   | 27.6%        | 11,803            | 41.0%        | 54,608                                    | 28.0%        | 51,692            | 39.1%        |
| Depreciation and amortization                               | 2,041                                    | 3.7%         | 2,140             | 7.4%         | 8,238                                     | 4.2%         | 8,836             | 6.7%         |
| Other charges (gains), net                                  | 11,898                                   | 21.7%        | 1,960             | 6.8%         | 13,186                                    | 6.8%         | 10,548            | 8.0%         |
| Total operating expenses                                    | <u>51,324</u>                            | 93.4%        | <u>28,594</u>     | 99.3%        | <u>156,710</u>                            | 80.3%        | <u>129,581</u>    | 97.9%        |
| Income from operations                                      | 3,617                                    | 6.6%         | 192               | 0.7%         | 38,548                                    | 19.7%        | 2,746             | 2.1%         |
| <b>Other income (expenses)</b>                              |  |              |                   |              |   |              |                   |              |
| Interest expense  | (2,913)                                  | -5.3%        | (2,408)           | -8.4%        | (9,992)                                   | -5.1%        | (9,811)           | -7.4%        |
| Interest income   | 59                                       | 0.1%         | 61                | 0.2%         | 253                                       | 0.1%         | 324               | 0.2%         |
| Non-operating gains (losses), net                           | (26)                                     | 0.0%         | 39                | 0.1%         | 5,330                                     | 2.7%         | (64)              | 0.0%         |
| Income (loss) before income taxes                           | 737                                      | 1.3%         | (2,116)           | -7.4%        | 34,139                                    | 17.5%        | (6,805)           | -5.1%        |
| Income tax expense (benefit)                                | (1,551)                                  | -2.8%        | 769               | 2.7%         | 3,989                                     | 2.0%         | (493)             | -0.4%        |
| Net income (loss)   | 2,288                                    | 4.2%         | (2,885)           | -10.0%       | 30,150                                    | 15.4%        | (6,312)           | -4.8%        |
| Net loss attributable to noncontrolling interests           | 12                                       | 0.0%         | 92                | 0.3%         | 186                                       | 0.1%         | 227               | 0.2%         |
| Net income (loss) attributable to RCIHH common shareholders | <u>\$ 2,300</u>                          | 4.2%         | <u>\$ (2,793)</u> | -9.7%        | <u>\$ 30,336</u>                          | 15.5%        | <u>\$ (6,085)</u> | -4.6%        |
| <b>Earnings (loss) per share</b>                            |  |              |                   |              |   |              |                   |              |
| Basic and diluted   | \$ 0.26                                  |              | \$ (0.31)         |              | \$ 3.37                                   |              | \$ (0.66)         |              |
| <b>Weighted average shares outstanding</b>                  |  |              |                   |              |   |              |                   |              |
| Basic and diluted   | 9,000                                    |              | 9,124             |              | 9,005                                     |              | 9,199             |              |
| Dividends per share   | \$ 0.04                                  |              | \$ 0.03           |              | \$ 0.16                                   |              | \$ 0.14           |              |

**RCI HOSPITALITY HOLDINGS, INC.**  
**NON-GAAP FINANCIAL MEASURES**  
(in thousands, except per share and percentage data)

|  | For the Three Months<br>Ended September 30, |                 | For the Twelve Months<br>Ended September 30, |                  |
|--|---|-----------------|--|------------------|
|  | 2021  | 2020            | 2021   | 2020             |
| <b>Reconciliation of GAAP net income (loss) to Adjusted EBITDA</b>                                     |   |                 |  |                  |
| Net income (loss) attributable to RCIHH common stockholders  | \$ 2,300                                    | \$ (2,793)      | \$ 30,336                                    | \$ (6,085)       |
| Income tax expense (benefit)   | (1,551)                                     | 769             | 3,989  | (493)            |
| Interest expense, net  | 2,854                                       | 2,347           | 9,739  | 9,487            |
| Settlement of lawsuits   | 1,069                                       | 100             | 1,349  | 174              |
| Impairment of assets   | 11,940                                      | 1,423           | 13,612                                       | 10,615           |
| Gain on sale of businesses and assets  | (67)  | (16)            | (522)  | (661)            |
| Gain on debt extinguishment  | -   | -               | (5,329)                                      | -                |
| Unrealized loss (gain) on equity securities  | 26  | (39)            | 84   | 64               |
| Loss (gain) on insurance   | (1,044)                                     | 453             | (1,253)                                      | 420              |
| Depreciation and amortization  | 2,041                                       | 2,140           | 8,238  | 8,836            |
| Adjusted EBITDA  | <u>\$ 17,568</u>                            | <u>\$ 4,384</u> | <u>\$ 60,243</u>                             | <u>\$ 22,357</u> |
| <b>Reconciliation of GAAP net income (loss) to non-GAAP net income</b>                                 |   |                 |  |                  |
| Net income (loss) attributable to RCIHH common stockholders  | \$ 2,300                                    | \$ (2,793)      | \$ 30,336                                    | \$ (6,085)       |
| Amortization of intangibles  | 49  | 147             | 258  | 609              |
| Settlement of lawsuits   | 1,069                                       | 100             | 1,349  | 174              |
| Impairment of assets   | 11,940                                      | 1,423           | 13,612                                       | 10,615           |
| Gain on sale of businesses and assets  | (67)  | (16)            | (522)  | (661)            |
| Gain on debt extinguishment  | -   | -               | (5,329)                                      | -                |
| Unrealized loss (gain) on equity securities  | 26  | (39)            | 84   | 64               |
| Loss (gain) on insurance   | (1,044)                                     | 453             | (1,253)                                      | 420              |
| Costs and charges related to debt refinancing  | 694   | -               | 694  | -                |
| Change in deferred tax asset valuation allowance   | (632)                                       | 1,273           | (632)  | 1,273            |
| Net income tax effect  | (143)                                       | 799             | (1,845)                                      | (1,700)          |
| Non-GAAP net income  | <u>\$ 14,192</u>                            | <u>\$ 1,347</u> | <u>\$ 36,752</u>                             | <u>\$ 4,709</u>  |
| <b>Reconciliation of GAAP diluted earnings (loss) per share to non-GAAP diluted earnings per share</b> |   |                 |  |                  |
| Diluted shares   | 9,000                                       | 9,124           | 9,005  | 9,199            |
| GAAP diluted earnings (loss) per share   | \$ 0.26                                     | \$ (0.31)       | \$ 3.37                                      | \$ (0.66)        |
| Amortization of intangibles  | 0.01  | 0.02            | 0.03   | 0.07             |
| Settlement of lawsuits   | 0.12  | 0.01            | 0.15   | 0.02             |
| Impairment of assets   | 1.33  | 0.16            | 1.51   | 1.15             |
| Gain on sale of businesses and assets  | (0.01)                                      | (0.00)          | (0.06)                                       | (0.07)           |
| Gain on debt extinguishment  | -   | -               | (0.59)                                       | -                |
| Unrealized loss (gain) on equity securities  | 0.00  | (0.00)          | 0.01   | 0.01             |
| Loss (gain) on insurance   | (0.12)                                      | 0.05            | (0.14)                                       | 0.05             |
| Costs and charges related to debt refinancing  | 0.08  | -               | 0.08   | -                |
| Change in deferred tax asset valuation allowance   | (0.07)                                      | 0.14            | (0.07)                                       | 0.14             |
| Net income tax effect  | (0.02)                                      | 0.09            | (0.20)                                       | (0.18)           |
| Non-GAAP diluted earnings per share  | <u>\$ 1.58</u>                              | <u>\$ 0.15</u>  | <u>\$ 4.08</u>                               | <u>\$ 0.51</u>   |
| <b>Reconciliation of GAAP operating income to non-GAAP operating income</b>                            |   |                 |  |                  |
| Income (loss) from operations  | \$ 3,617                                    | \$ 192          | \$ 38,548                                    | \$ 2,746         |
| Amortization of intangibles  | 49  | 147             | 258  | 609              |
| Settlement of lawsuits   | 1,069                                       | 100             | 1,349  | 174              |
| Impairment of assets   | 11,940                                      | 1,423           | 13,612                                       | 10,615           |
| Gain on sale of businesses and assets  | (67)  | (16)            | (522)  | (661)            |
| Costs and charges related to debt refinancing  | 57  | -               | 57   | -                |
| Loss (gain) on insurance   | (1,044)                                     | 453             | (1,253)                                      | 420              |
| Non-GAAP operating income  | <u>\$ 15,621</u>                            | <u>\$ 2,299</u> | <u>\$ 52,049</u>                             | <u>\$ 13,903</u> |
| <b>Reconciliation of GAAP operating margin to non-GAAP operating margin</b>                            |   |                 |  |                  |
| GAAP operating margin  | 6.6%  | 0.7%            | 19.7%  | 2.1%             |
| Amortization of intangibles  | 0.1%  | 0.5%            | 0.1%   | 0.5%             |
| Settlement of lawsuits   | 1.9%  | 0.3%            | 0.7%   | 0.1%             |
| Impairment of assets   | 21.7%                                       | 4.9%            | 7.0%   | 8.0%             |
| Gain on sale of businesses and assets  | -0.1%                                       | -0.1%           | -0.3%  | -0.5%            |
| Costs and charges related to debt refinancing  | 0.1%  | 0.0%            | 0.0%   | 0.0%             |
| Loss (gain) on insurance   | -1.9%                                       | 1.6%            | -0.6%  | 0.3%             |
| Non-GAAP operating margin  | <u>28.4%</u>                                | <u>8.0%</u>     | <u>26.7%</u>                                 | <u>10.5%</u>     |
| <b>Reconciliation of net cash provided by operating activities to free cash flow</b>                   |   |                 |  |                  |
| Net cash provided by operating activities  | \$ 9,774                                    | \$ 3,485        | \$ 41,991                                    | \$ 15,632        |
| Less: Maintenance capital expenditures   | 1,299                                       | 40              | 5,907  | 2,151            |
| Free cash flow   | <u>\$ 8,475</u>                             | <u>\$ 3,445</u> | <u>\$ 36,084</u>                             | <u>\$ 13,481</u> |

**RCI HOSPITALITY HOLDINGS, INC.**  
**SEGMENT INFORMATION**  
(in thousands)

|                                      | For the Three Months |                  | For the Twelve Months |                   |
|--------------------------------------|----------------------|------------------|-----------------------|-------------------|
|                                      | Ended September 30,  |                  | Ended September 30,   |                   |
|                                      | 2021                 | 2020             | 2021                  | 2020              |
| <b>Revenues</b>                      |                      |                  |                       |                   |
| Nightclubs                           | \$ 40,333            | \$ 13,134        | \$ 137,348            | \$ 88,373         |
| Bombshells                           | 14,403               | 15,531           | 56,621                | 43,215            |
| Other                                | 205                  | 121              | 1,289                 | 739               |
|                                      | <u>\$ 54,941</u>     | <u>\$ 28,786</u> | <u>\$ 195,258</u>     | <u>\$ 132,327</u> |
| <b>Income (loss) from operations</b> |                      |                  |                       |                   |
| Nightclubs                           | \$ 6,502             | \$ 54            | \$ 43,815             | \$ 13,056         |
| Bombshells                           | 3,001                | 5,128            | 13,264                | 9,237             |
| Other                                | (72)                 | (191)            | 35                    | (614)             |
| General corporate                    | (5,814)              | (4,799)          | (18,566)              | (18,933)          |
|                                      | <u>\$ 3,617</u>      | <u>\$ 192</u>    | <u>\$ 38,548</u>      | <u>\$ 2,746</u>   |

**RCI HOSPITALITY HOLDINGS, INC.**  
**NON-GAAP SEGMENT INFORMATION**  
(\$ in thousands)

|   | For the Three Months Ended September 30, 2021 |                 |                |                   |                  | For the Three Months Ended September 30, 2020 |                 |                |                   |                 |
|---|---|-----------------|----------------|-------------------|------------------|---|-----------------|----------------|-------------------|-----------------|
|   | Nightclubs                                    | Bombshells      | Other          | Corporate         | Total            | Nightclubs                                    | Bombshells      | Other          | Corporate         | Total           |
| Income (loss) from operations                 | \$ 6,502                                      | \$ 3,001        | \$ (72)        | \$ (5,814)        | \$ 3,617         | \$ 54   | \$ 5,128        | \$ (191)       | \$ (4,799)        | \$ 192          |
| Amortization of intangibles                   | 46  | 3               | -              | -                 | 49               | 48  | 4               | 96             | -                 | 148             |
| Settlement of lawsuits                        | 38  | 21              | -              | 1,010             | 1,069            | 100   | -               | -              | -                 | 100             |
| Impairment of assets                          | 11,940  | -               | -              | -                 | 11,940           | 1,423   | -               | -              | -                 | 1,423           |
| Costs and charges related to debt refinancing | 17  | -               | -              | 40                | 57               | -   | -               | -              | -                 | -               |
| Loss (gain) on sale of businesses and assets  | (82)  | 16              | -              | (1)               | (67)             | (20)  | -               | -              | 3                 | (17)            |
| Loss (gain) on insurance                      | (1,044)                                       | -               | -              | -                 | (1,044)          | 453   | -               | -              | -                 | 453             |
| Non-GAAP operating income (loss)              | <u>\$ 17,417</u>                              | <u>\$ 3,041</u> | <u>\$ (72)</u> | <u>\$ (4,765)</u> | <u>\$ 15,621</u> | <u>\$ 2,058</u>                               | <u>\$ 5,132</u> | <u>\$ (95)</u> | <u>\$ (4,796)</u> | <u>\$ 2,299</u> |
| GAAP operating margin                         | 16.1%   | 20.8%           | -35.1%         | -10.6%            | 6.6%             | 0.4%  | 33.0%           | -157.9%        | -16.7%            | 0.7%            |
| Non-GAAP operating margin                     | 43.2%   | 21.1%           | -35.1%         | -8.7%             | 28.4%            | 15.7%   | 33.0%           | -78.5%         | -16.7%            | 8.0%            |

  

|   | For the Twelve Months Ended September 30, 2021 |                  |              |                    |                  | For the Twelve Months Ended September 30, 2020 |                 |                 |                    |                  |
|---|--|------------------|--------------|--------------------|------------------|--|-----------------|-----------------|--------------------|------------------|
|   | Nightclubs                                     | Bombshells       | Other        | Corporate          | Total            | Nightclubs                                     | Bombshells      | Other           | Corporate          | Total            |
| Income (loss) from operations                 | \$ 43,815                                      | \$ 13,264        | \$ 35        | \$ (18,566)        | \$ 38,548        | \$ 13,056                                      | \$ 9,237        | \$ (614)        | \$ (18,933)        | \$ 2,746         |
| Amortization of intangibles                   | 187  | 14               | 57           | -                  | 258              | 211  | 15              | 383             | -                  | 609              |
| Settlement of lawsuits                        | 275  | 59               | 5            | 1,010              | 1,349            | 174  | -               | -               | -                  | 174              |
| Impairment of assets                          | 13,612   | -                | -            | -                  | 13,612           | 10,370   | 245             | -               | -                  | 10,615           |
| Costs and charges related to debt refinancing | 17   | -                | -            | 40                 | 57               | -  | -               | -               | -                  | -                |
| Loss (gain) on sale of businesses and assets  | (580)  | 72               | -            | (14)               | (522)            | (639)  | 16              | -               | (38)               | (661)            |
| Loss (gain) on insurance                      | (1,209)  | -                | -            | (44)               | (1,253)          | 433  | -               | -               | (13)               | 420              |
| Non-GAAP operating income (loss)              | <u>\$ 56,117</u>                               | <u>\$ 13,409</u> | <u>\$ 97</u> | <u>\$ (17,574)</u> | <u>\$ 52,049</u> | <u>\$ 23,605</u>                               | <u>\$ 9,513</u> | <u>\$ (231)</u> | <u>\$ (18,984)</u> | <u>\$ 13,903</u> |
| GAAP operating margin                         | 31.9%  | 23.4%            | 2.7%         | -9.5%              | 19.7%            | 14.8%  | 21.4%           | -83.1%          | -14.3%             | 2.1%             |
| Non-GAAP operating margin                     | 40.9%  | 23.7%            | 7.5%         | -9.0%              | 26.7%            | 26.7%  | 22.0%           | -31.3%          | -14.3%             | 10.5%            |



**RCI HOSPITALITY HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

|  | For the Three Months Ended |                       | For the Twelve Months Ended |                       |
|--|----------------------------|-----------------------|-----------------------------|-----------------------|
|  | September 30,<br>2021      | September 30,<br>2020 | September 30,<br>2021       | September 30,<br>2020 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                            |                       |                             |                       |
| Net income (loss)  | \$ 2,288                   | \$ (2,885)            | \$ 30,150                   | \$ (6,312)            |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                            |                       |                             |                       |
| Depreciation and amortization  | 2,041                      | 2,140                 | 8,238                       | 8,836                 |
| Deferred income tax expense (benefit)  | (823)                      | 249                   | (1,253)                     | (1,268)               |
| Gain on sale of businesses and assets  | (88)                       | (28)                  | (714)                       | (777)                 |
| Impairment of assets   | 11,940                     | 1,423                 | 13,612                      | 10,615                |
| Unrealized loss (gain) on equity securities  | 26                         | (39)                  | 84                          | 64                    |
| Amortization and write-off of debt discount and issuance costs                           | 151                        | 42                    | 311                         | 236                   |
| Gain on debt extinguishment  | -                          | -                     | (5,298)                     | -                     |
| Noncash lease expense  | 447                        | 416                   | 1,729                       | 1,660                 |
| Loss (gain) on insurance   | (1,043)                    | 629                   | (1,337)                     | 596                   |
| Doubtful accounts expense (reversal) on notes receivable                                 | (58)                       | 107                   | (80)                        | 602                   |
| Changes in operating assets and liabilities:   |                            |                       |                             |                       |
| Accounts receivable  | (5,078)                    | (241)                 | (769)                       | (294)                 |
| Inventories  | (180)                      | 255                   | (287)                       | 226                   |
| Prepaid expenses, other current assets, and other assets                                 | 1,774                      | (3,309)               | 4,120                       | 1,633                 |
| Accounts payable, accrued, and other liabilities   | (1,623)                    | 4,726                 | (6,515)                     | (185)                 |
| Net cash provided by operating activities  | 9,774                      | 3,485                 | 41,991                      | 15,632                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                            |                       |                             |                       |
| Proceeds from sale of businesses and assets  | 2,202                      | 180                   | 5,415                       | 2,221                 |
| Proceeds from insurance  | 858                        | -                     | 1,152                       | 945                   |
| Proceeds from notes receivable   | 35                         | 21                    | 130                         | 1,576                 |
| Payments for property and equipment and intangible assets                                | (2,723)                    | (171)                 | (13,511)                    | (5,736)               |
| Net cash provided by (used in) investing activities                                      | 372                        | 30                    | (6,814)                     | (994)                 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                            |                       |                             |                       |
| Proceeds from debt obligations   | 36,314                     | -                     | 38,490                      | 6,503                 |
| Payments on debt obligations   | (38,333)                   | (1,343)               | (49,178)                    | (8,832)               |
| Purchase of treasury stock   | -                          | (996)                 | (1,794)                     | (9,484)               |
| Payment of dividends   | (360)                      | (366)                 | (1,440)                     | (1,286)               |
| Payment of loan origination costs  | (1,174)                    | -                     | (1,174)                     | -                     |
| Distribution to noncontrolling interests   | -                          | -                     | -                           | (31)                  |
| Net cash used in financing activities  | (3,553)                    | (2,705)               | (15,096)                    | (13,130)              |
| NET INCREASE IN CASH AND CASH EQUIVALENTS  | 6,593                      | 810                   | 20,081                      | 1,508                 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD   | 29,093                     | 14,795                | 15,605                      | 14,097                |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD   | \$ 35,686                  | \$ 15,605             | \$ 35,686                   | \$ 15,605             |

**RCI HOSPITALITY HOLDINGS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands)

|   | September 30,<br>2021 | September 30,<br>2020 |
|---|-----------------------|-----------------------|
| <b>ASSETS</b>   |                       |                       |
| Current assets  |                       |                       |
| Cash and cash equivalents   | \$ 35,686             | \$ 15,605             |
| Accounts receivable, net  | 7,570                 | 6,767                 |
| Current portion of notes receivable   | 220                   | 201                   |
| Inventories   | 2,659                 | 2,372                 |
| Prepaid expenses and other current assets                                   | 1,928                 | 6,488                 |
| Assets held for sale  | 4,887                 | -                     |
| Total current assets  | 52,950                | 31,433                |
| Property and equipment, net   | 175,952               | 181,383               |
| Operating lease right-of-use assets, net                                    | 24,308                | 25,546                |
| Notes receivable, net of current portion                                    | 2,839                 | 2,908                 |
| Goodwill  | 39,379                | 45,686                |
| Intangibles, net  | 67,824                | 73,077                |
| Other assets  | 1,367                 | 900                   |
| Total assets  | <u>\$ 364,619</u>     | <u>\$ 360,933</u>     |
| <b>LIABILITIES AND EQUITY</b>   |                       |                       |
| Current liabilities   |                       |                       |
| Accounts payable  | \$ 4,408              | \$ 4,799              |
| Accrued liabilities   | 10,403                | 14,573                |
| Current portion of long-term debt, net                                      | 6,434                 | 16,304                |
| Current portion of operating lease liabilities                              | 1,780                 | 1,628                 |
| Total current liabilities   | 23,025                | 37,304                |
| Deferred tax liability, net   | 19,137                | 20,390                |
| Long-term debt, net of current portion and debt discount and issuance costs | 118,734               | 125,131               |
| Operating lease liabilities, net of current portion                         | 24,150                | 25,439                |
| Other long-term liabilities   | 350                   | 362                   |
| Total liabilities   | <u>185,396</u>        | <u>208,626</u>        |
| Commitments and contingencies   |                       |                       |
| Equity  |                       |                       |
| Preferred stock   | -                     | -                     |
| Common stock  | 90                    | 91                    |
| Additional paid-in capital  | 50,040                | 51,833                |
| Retained earnings   | 129,693               | 100,797               |
| Total RCIHH stockholders' equity  | 179,823               | 152,721               |
| Noncontrolling interests  | (600)                 | (414)                 |
| Total equity  | 179,223               | 152,307               |
| Total liabilities and equity  | <u>\$ 364,619</u>     | <u>\$ 360,933</u>     |