

---

---

**United States  
Securities and Exchange Commission  
Washington, D.C. 20549**

**FORM 8-K**

Current Report

Pursuant to Section 13 or 15(d) of

The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 10, 2023

**RCI HOSPITALITY HOLDINGS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Texas  
(State or Other Jurisdiction  
of Incorporation)

001-13992  
(Commission  
File Number)

76-0458229  
(IRS Employer  
Identification No.)

10737 Cutten Road  
Houston, Texas 77066  
(Address of Principal Executive Offices, Including Zip Code)

(281) 397-6730  
(Issuer's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class            | Trading Symbol(s) | Name of each exchange on which registered |
|--------------------------------|-------------------|---|
| Common stock, \$0.01 par value | RICK              | The Nasdaq Global Market                  |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

---

---

**ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.**

On May 10, 2023, we issued a press release announcing results for the fiscal quarter ended March 31, 2023 and the filing of our quarterly report on Form 10-Q for that quarter. Also on May 10, 2023, we will hold a conference call to discuss these results and related matters. A copy of the press release is furnished as Exhibit 99.1 to this current report on Form 8-K.

This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS**

(d) Exhibits

| <u>Exhibit Number</u> | <u>Description</u>   |
|-----------------------|--|
| 99.1                  | <a href="#">Press release of RCI Hospitality Holdings, Inc. dated May 10, 2023</a> |
| 104                   | Cover Page Interactive Data File (embedded within the Inline XBRL document)        |

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.

RCI HOSPITALITY HOLDINGS, INC.

Date: May 10, 2023

By: /s/ Eric Langan

Eric Langan  
President and Chief Executive Officer



**RCI Reports 2Q23 Results: Total Revenues \$71.5M, GAAP EPS \$0.83, Non-GAAP EPS \$1.30**

**Twitter Spaces Conference Call at 4:30 PM ET Today; Meet Management at 7 PM ET Tonight**

HOUSTON—May 10, 2023—RCI Hospitality Holdings, Inc. (Nasdaq: RICK) today reported results and filed its Form 10-Q for the fiscal 2023 second quarter ended March 31, 2023.

| Summary Financials                                   | 2Q23    | Change YoY | 6M23     | Change YoY |
|--|---------|------------|----------|------------|
| Total Revenues                                       | \$71.5M | 12.3%      | \$141.5M | 12.7%      |
| EPS  | \$0.83  | -27.8%     | \$1.94   | -14.9%     |
| Non-GAAP EPS*  | \$1.30  | 9.2%       | \$2.50   | 9.2%       |
| Net Cash from Operating Activities                   | \$16.8M | 44.8%      | \$31.7M  | 13.7%      |
| Free Cash Flow*                                      | \$14.8M | 33.3%      | \$27.8M  | 5.5%       |
| Net Income Attributable to RCIHH Common Shareholders | \$7.7M  | -29.4%     | \$18.0M  | -16.5%     |
| Adjusted EBITDA*                                     | \$21.7M | 8.8%       | \$42.1M  | 11.2%      |
| Weighted Average Basic & Diluted Shares Outstanding  | 9.3M    | -2.4%      | 9.2M     | -2.1%      |

\* See “Non-GAAP Financial Measures” below.

**Eric Langan, President and CEO of RCI Hospitality Holdings, Inc., said:** “We moved ahead on a number of fronts during the second quarter. Revenues grew to \$71.5 million, an increase of 12.3% year over year, reflecting both same-store sales and acquisitions. Free cash flow grew 33.3% to \$14.8 million or 20.6% of revenues, and adjusted EBITDA rose 8.8% to \$21.7 million or 30.3% of revenues.”

“We completed our 5-club, Baby Dolls-Chicas Locas acquisition and look forward to optimizing their contribution. On a sequential quarter basis, our Bombshells turnaround program has started to produce results. We also advanced many of our projects involving club acquisition and development, Rick’s Cabaret Steakhouse & Casino in Colorado, and new Bombshells. As always, thanks to our loyal and dedicated teams for all their hard work and effort.”

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

Participants need to use Twitter Spaces on their mobile phones to ask questions during the Q&A

| Twitter Spaces  | Telephone   | Webcast, Slides & Replay  |
|---|---|---|
| <ul style="list-style-type: none"> <li><a href="https://twitter.com/i/spaces/1kvJpmEEwjgxE">https://twitter.com/i/spaces/1kvJpmEEwjgxE</a></li> <li>Hosted by: <a href="#">@RicksCEO</a>, <a href="#">@BradleyChhay</a>, and <a href="#">@itsmarkmoran</a></li> </ul> | <ul style="list-style-type: none"> <li>Toll Free 877-545-0523</li> <li>International: 973-528-0016</li> <li>Passcode: 368166</li> </ul> | <ul style="list-style-type: none"> <li><a href="https://www.webcaster4.com/Webcast/Page/2209/48295">https://www.webcaster4.com/Webcast/Page/2209/48295</a></li> </ul> |

**Meet Management at 7:00 PM ET Tonight**

- Investors are invited to Meet Management at one of RCI’s top revenue generating clubs
- Rick’s Cabaret New York, 50 W 33rd St, New York, NY 10001
- RSVP your contact information to [gary.fishman@anreder.com](mailto:gary.fishman@anreder.com) by 5:00 PM ET today

## 2Q23 Segments (Comparisons are to 2Q22 unless indicated otherwise)

- **Nightclubs:** Revenues were \$57.0 million, an increase of 18.4% compared to \$48.2 million. The increase was driven by \$6.9 million from acquired and remodeled clubs, and same store sales growth.<sup>1</sup> Operating income was \$18.0 million or 31.6% of revenues compared to \$19.1 million or 39.7%. 2Q23 operating income included \$3.1 million legal settlement accrual and \$0.7 million non-cash impairment. Non-GAAP operating income was \$22.4 million or 39.3% of revenues compared to \$19.0 million or 39.5%. On a sequential quarter basis, revenues increased 1.3%, primarily driven by acquisitions, and non-GAAP operating margin declined 1.1 percentage points, primarily reflecting the Baby Dolls and Chicas Locas acquisition, which in two weeks of ownership did not allow for enough time for full operating optimization.
- **Bombshells:** Revenues were \$14.3 million, a decline of 6.6% compared to \$15.3 million in 2Q22, which was the segment's last major peak stimulus/post-Covid quarter. Revenues included \$1.3 million from Bombshells San Antonio (acquired February 2023) and Grange Food Hall (acquired December 2022). Same-store sales declined.<sup>1</sup> Operating profit was \$1.8 million or 12.4% of revenues compared to \$3.5 million or 22.6%. 2Q23 operating profit included \$0.4 million of accelerated non-cash amortization of Grange food stall leases. Non-GAAP operating profit was \$2.2 million or 15.4% of revenues compared to \$3.5 million or 22.7%. On a sequential quarter basis, revenues increased 6.6%, primarily driven by acquisitions, and non-GAAP operating margin increased 1.6 percentage points, reflecting the segment's turnaround plan.

## 2Q23 Consolidated (Comparisons are to 2Q22 and % are of total revenues unless indicated otherwise)

- **Cost of goods sold:** 12.7% compared to 13.8% and 12.9% in 1Q23. The year-over-year decline primarily reflected a 19.5% increase in high-margin service revenues.
- **Salaries and wages:** 27.2% compared to 26.0% and 26.7% in 1Q23. 2Q23 primarily reflected higher minimum wage in many states where RCI clubs operate as well as higher labor costs relating to the newly acquired clubs.
- **SG&A:** 30.8% compared to 28.9% and 32.5% in 1Q23. The year-over-year increase reflected FY23 acquisitions that have yet to be fully optimized. The sequential decline reflected the absence of year-end audit expenses in 2Q23.
- **Depreciation and amortization:** 5.3% compared to 4.5% and 4.7% in 1Q23. 2Q23 reflected \$0.4 million in accelerated one-time, non-cash amortization of Grange food stall leases.
- **Other charges (gains), net:** Charges of \$3.8 million compared to \$7 thousand and a \$0.7 million gain in 1Q23. 2Q23 included \$3.1 million legal settlement accrual and \$0.7 million non-cash impairment charge.
- **Operating margin:** 18.8% compared to 26.8% and 24.2% in 1Q23 (non-GAAP of 26.6% compared to 26.9% and 25.6% in 1Q23).
- **Interest expense:** 5.1% compared to 4.5% and 5.3% in 1Q23. 2Q23 included the cost of \$35.5 million in new debt associated with the mid-March Baby Dolls-Chicas Locas acquisition.
- **Income tax expense:** \$2.1 million compared to \$3.4 million and \$3.0 million in 1Q23. The effective tax rate was 21.8% compared to 23.4% and 22.8% in 1Q23.
- **Weighted average shares outstanding:** Decreased 2.4% year-over-year due to prior period repurchases. They increased 0.4% sequentially due to 200,000 restricted shares of RCI common stock valued at \$16.0 million used in the Baby Dolls-Chicas Locas acquisition.
- **Debt:** \$245.8 million at 3/31/23 compared to \$211.2 million at 12/31/22. The increase primarily reflected \$35.5 million in financing for the 5-club Baby Dolls-Chicas Locas acquisition, partially offset by regular paydowns of other debt.

## 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, (e) settlement of lawsuits, and (f) stock-based compensation. 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) gains or losses on sale of businesses and assets, (d) gains or losses on insurance, (e) unrealized gains or losses on equity securities, (f) settlement of lawsuits, (g) gain on debt extinguishment, (h) stock-based compensation, and (i) the

<sup>1</sup> See our April 11, 2023 news release on 2Q23 sales for more details.

income tax effect of the above-described adjustments. Included in the income tax effect of the above adjustments is the net effect of the non-GAAP provision for income taxes, calculated at 22.3% and 21.8% effective tax rate of the pre-tax non-GAAP income before taxes for the six months ended March 31, 2023 and 2022, 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, (i) gain on debt extinguishment, and (j) stock-based compensation. 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 our unleveraged performance return on our investments. Adjusted EBITDA is also the target benchmark for our acquisitions of nightclubs.
- *We also use certain 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) (Twitter: [@RCIHHinc](#))**

With more than 60 locations, RCI Hospitality Holdings, Inc., through its subsidiaries, is the country's leading company in adult nightclubs and sports bars/restaurants. See all our brands at [www.rcihospitality.com](http://www.rcihospitality.com).

#### **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 entertainment or restaurant 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 or restaurant 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, 2022, 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**

Gary Fishman and Steven Anreder at 212-532-3232 or [gary.fishman@anreder.com](mailto:gary.fishman@anreder.com) and [steven.anreder@anreder.com](mailto:steven.anreder@anreder.com)

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

|  | For the Three Months Ended |              |                  |              | For the Six Months Ended |              |                  |              |
|--|----------------------------|--------------|------------------|--------------|--------------------------|--------------|------------------|--------------|
|  | March 31, 2023             |              | March 31, 2022   |              | March 31, 2023           |              | March 31, 2022   |              |
|  | Amount                     | % of Revenue | Amount           | % of Revenue | Amount                   | % of Revenue | Amount           | % of Revenue |
| <b>Revenues</b>  |                            |              |                  |              |                          |              |                  |              |
| Sales of alcoholic beverages                                 | \$ 30,136                  | 42.1 %       | \$ 27,335        | 42.9 %       | \$ 59,786                | 42.3 %       | \$ 53,766        | 42.8 %       |
| Sales of food and merchandise                                | 11,005                     | 15.4 %       | 11,160           | 17.5 %       | 21,352                   | 15.1 %       | 22,054           | 17.6 %       |
| Service revenues   | 25,690                     | 35.9 %       | 21,501           | 33.8 %       | 51,253                   | 36.2 %       | 42,377           | 33.8 %       |
| Other  | 4,686                      | 6.6 %        | 3,696            | 5.8 %        | 9,094                    | 6.4 %        | 7,331            | 5.8 %        |
| Total revenues   | <u>71,517</u>              | 100.0 %      | <u>63,692</u>    | 100.0 %      | <u>141,485</u>           | 100.0 %      | <u>125,528</u>   | 100.0 %      |
| <b>Operating expenses</b>                                    |                            |              |                  |              |                          |              |                  |              |
| <b>Cost of goods sold</b>                                    |                            |              |                  |              |                          |              |                  |              |
| Alcoholic beverages sold                                     | 5,365                      | 17.8 %       | 4,896            | 17.9 %       | 10,739                   | 18.0 %       | 9,730            | 18.1 %       |
| Food and merchandise sold                                    | 3,737                      | 34.0 %       | 3,840            | 34.4 %       | 7,323                    | 34.3 %       | 7,797            | 35.4 %       |
| Service and other  | 16                         | 0.1 %        | 24               | 0.1 %        | 65                       | 0.1 %        | 124              | 0.2 %        |
| Total cost of goods sold<br>(exclusive of items shown below) | 9,118                      | 12.7 %       | 8,760            | 13.8 %       | 18,127                   | 12.8 %       | 17,651           | 14.1 %       |
| Salaries and wages   | 19,428                     | 27.2 %       | 16,530           | 26.0 %       | 38,104                   | 26.9 %       | 33,035           | 26.3 %       |
| Selling, general and administrative                          | 22,026                     | 30.8 %       | 18,437           | 28.9 %       | 44,758                   | 31.6 %       | 36,923           | 29.4 %       |
| Depreciation and amortization                                | 3,760                      | 5.3 %        | 2,877            | 4.5 %        | 7,067                    | 5.0 %        | 5,071            | 4.0 %        |
| Other charges (gains), net                                   | 3,758                      | 5.3 %        | 7                | — %          | 3,104                    | 2.2 %        | (144)            | (0.1) %      |
| Total operating expenses                                     | <u>58,090</u>              | 81.2 %       | <u>46,611</u>    | 73.2 %       | <u>111,160</u>           | 78.6 %       | <u>92,536</u>    | 73.7 %       |
| Income from operations                                       | 13,427                     | 18.8 %       | 17,081           | 26.8 %       | 30,325                   | 21.4 %       | 32,992           | 26.3 %       |
| <b>Other income (expenses)</b>                               |                            |              |                  |              |                          |              |                  |              |
| Interest expense   | (3,677)                    | (5.1) %      | (2,864)          | (4.5) %      | (7,364)                  | (5.2) %      | (5,468)          | (4.4) %      |
| Interest income  | 90                         | 0.1 %        | 112              | 0.2 %        | 181                      | 0.1 %        | 218              | 0.2 %        |
| Non-operating gains, net                                     | —                          | — %          | —                | — %          | —                        | — %          | 84               | 0.1 %        |
| Income before income taxes                                   | 9,840                      | 13.8 %       | 14,329           | 22.5 %       | 23,142                   | 16.4 %       | 27,826           | 22.2 %       |
| Income tax expense   | 2,147                      | 3.0 %        | 3,356            | 5.3 %        | 5,178                    | 3.7 %        | 6,289            | 5.0 %        |
| Net income   | <u>7,693</u>               | 10.8 %       | <u>10,973</u>    | 17.2 %       | <u>17,964</u>            | 12.7 %       | <u>21,537</u>    | 17.2 %       |
| Net loss (income) attributable to noncontrolling interests   | 39                         | 0.1 %        | (21)             | — %          | 6                        | — %          | (10)             | — %          |
| Net income attributable to RCIHH common shareholders         | <u>\$ 7,732</u>            | 10.8 %       | <u>\$ 10,952</u> | 17.2 %       | <u>\$ 17,970</u>         | 12.7 %       | <u>\$ 21,527</u> | 17.1 %       |
| <b>Earnings per share</b>                                    |                            |              |                  |              |                          |              |                  |              |
| Basic and diluted  | \$ 0.83                    |              | \$ 1.15          |              | \$ 1.94                  |              | \$ 2.28          |              |

|                                     |           |           |           |           |
|-------------------------------------|-----------|-----------|-----------|-----------|
| Weighted average shares outstanding |           |           |           |           |
| Basic and diluted                   | 9,265,781 | 9,489,085 | 9,247,824 | 9,447,854 |
| Dividends per share                 | \$ 0.06   | \$ 0.05   | \$ 0.11   | \$ 0.09   |



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

|   | For the Three Months Ended |                   | For the Six Months Ended |                   |
|---|----------------------------|-------------------|--------------------------|-------------------|
|   | March 31,<br>2023          | March 31,<br>2022 | March 31,<br>2023        | March 31,<br>2022 |
| <b>Reconciliation of GAAP net income to Adjusted EBITDA</b>                                     |                            |                   |                          |                   |
| Net income attributable to RCIHH common stockholders  | \$ 7,732                   | \$ 10,952         | \$ 17,970                | \$ 21,527         |
| Income tax expense  | 2,147                      | 3,356             | 5,178                    | 6,289             |
| Interest expense, net   | 3,587                      | 2,752             | 7,183                    | 5,250             |
| Settlement of lawsuits  | 3,120                      | 385               | 3,120                    | 577               |
| Impairment of assets  | 662                        | —                 | 662                      | —                 |
| Loss (gain) on sale of businesses and assets  | 3                          | (58)              | (587)                    | (400)             |
| Gain on debt extinguishment   | —                          | —                 | —                        | (85)              |
| Unrealized loss on equity securities  | —                          | —                 | —                        | 1                 |
| Gain on insurance   | (27)                       | (320)             | (91)                     | (321)             |
| Stock-based compensation  | 706                        | —                 | 1,647                    | —                 |
| Depreciation and amortization   | 3,760                      | 2,877             | 7,067                    | 5,071             |
| Adjusted EBITDA   | \$ 21,690                  | \$ 19,944         | \$ 42,149                | \$ 37,909         |
| <b>Reconciliation of GAAP net income to non-GAAP net income</b>                                 |                            |                   |                          |                   |
| Net income attributable to RCIHH common stockholders  | \$ 7,732                   | \$ 10,952         | \$ 17,970                | \$ 21,527         |
| Amortization of intangibles   | 1,109                      | 49                | 1,804                    | 99                |
| Settlement of lawsuits  | 3,120                      | 385               | 3,120                    | 577               |
| Impairment of assets  | 662                        | —                 | 662                      | —                 |
| Loss (gain) on sale of businesses and assets  | 3                          | (58)              | (587)                    | (400)             |
| Gain on debt extinguishment   | —                          | —                 | —                        | (85)              |
| Unrealized loss on equity securities  | —                          | —                 | —                        | 1                 |
| Gain on insurance   | (27)                       | (320)             | (91)                     | (321)             |
| Stock-based compensation  | 706                        | —                 | 1,647                    | —                 |
| Net income tax effect   | (1,246)                    | 291               | (1,446)                  | 253               |
| Non-GAAP net income   | \$ 12,059                  | \$ 11,299         | \$ 23,079                | \$ 21,651         |
| <b>Reconciliation of GAAP diluted earnings per share to non-GAAP diluted earnings per share</b> |                            |                   |                          |                   |
| Diluted shares  | 9,265,781                  | 9,489,085         | 9,247,824                | 9,447,854         |
| GAAP diluted earnings per share   | \$ 0.83                    | \$ 1.15           | \$ 1.94                  | \$ 2.28           |
| Amortization of intangibles   | 0.12                       | 0.01              | 0.20                     | 0.01              |
| Settlement of lawsuits  | 0.34                       | 0.04              | 0.34                     | 0.06              |
| Impairment of assets  | 0.07                       | —                 | 0.07                     | —                 |

|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| Loss (gain) on sale of businesses and assets | —              | (0.01)         | (0.06)         | (0.04)         |
| Gain on debt extinguishment                  | —              | —              | —              | (0.01)         |
| Unrealized loss on equity securities         | —              | —              | —              | —              |
| Gain on insurance                            | —              | (0.03)         | (0.01)         | (0.03)         |
| Stock-based compensation                     | 0.08           | —              | 0.18           | —              |
| Net income tax effect                        | (0.13)         | 0.03           | (0.16)         | 0.03           |
| Non-GAAP diluted earnings per share          | <u>\$ 1.30</u> | <u>\$ 1.19</u> | <u>\$ 2.50</u> | <u>\$ 2.29</u> |

**Reconciliation of GAAP operating income to non-GAAP operating income**

|  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
| Income from operations                       | \$ 13,427        | \$ 17,081        | \$ 30,325        | \$ 32,992        |
| Amortization of intangibles                  | 1,109            | 49               | 1,804            | 99               |
| Settlement of lawsuits                       | 3,120            | 385              | 3,120            | 577              |
| Impairment of assets                         | 662              | —                | 662              | —                |
| Loss (gain) on sale of businesses and assets | 3                | (58)             | (587)            | (400)            |
| Gain on insurance                            | (27)             | (320)            | (91)             | (321)            |
| Stock-based compensation                     | 706              | —                | 1,647            | —                |
| Non-GAAP operating income                    | <u>\$ 19,000</u> | <u>\$ 17,137</u> | <u>\$ 36,880</u> | <u>\$ 32,947</u> |

**Reconciliation of GAAP operating margin to non-GAAP operating margin**

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| GAAP operating margin                        | 18.8 %        | 26.8 %        | 21.4 %        | 26.3 %        |
| Amortization of intangibles                  | 1.6 %         | 0.1 %         | 1.3 %         | 0.1 %         |
| Settlement of lawsuits                       | 4.4 %         | 0.6 %         | 2.2 %         | 0.5 %         |
| Impairment of assets                         | 0.9 %         | — %           | 0.5 %         | — %           |
| Loss (gain) on sale of businesses and assets | — %           | (0.1)%        | (0.4)%        | (0.3)%        |
| Gain on insurance                            | — %           | (0.5)%        | (0.1)%        | (0.3)%        |
| Stock-based compensation                     | 1.0 %         | — %           | 1.2 %         | — %           |
| Non-GAAP operating margin                    | <u>26.6 %</u> | <u>26.9 %</u> | <u>26.1 %</u> | <u>26.2 %</u> |

**Reconciliation of net cash provided by operating activities to free cash flow**

|   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| Net cash provided by operating activities | \$ 16,789        | \$ 11,597        | \$ 31,684        | \$ 27,861        |
| Less: Maintenance capital expenditures    | 2,021            | 518              | 3,885            | 1,516            |
| Free cash flow                            | <u>\$ 14,768</u> | <u>\$ 11,079</u> | <u>\$ 27,799</u> | <u>\$ 26,345</u> |

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

|                                      | For the Three Months Ended |                   | For the Six Months Ended |                   |
|--------------------------------------|----------------------------|-------------------|--------------------------|-------------------|
|                                      | March 31,<br>2023          | March 31,<br>2022 | March 31,<br>2023        | March 31,<br>2022 |
| <b>Revenues</b>                      |                            |                   |                          |                   |
| Nightclubs                           | \$ 57,031                  | \$ 48,174         | \$ 113,356               | \$ 94,955         |
| Bombshells                           | 14,315                     | 15,333            | 27,746                   | 30,104            |
| Other                                | 171                        | 185               | 383                      | 469               |
|                                      | \$ 71,517                  | \$ 63,692         | \$ 141,485               | \$ 125,528        |
| <b>Income (loss) from operations</b> |                            |                   |                          |                   |
| Nightclubs                           | \$ 17,995                  | \$ 19,126         | \$ 40,735                | \$ 37,862         |
| Bombshells                           | 1,775                      | 3,468             | 3,622                    | 6,270             |
| Other                                | (168)                      | (34)              | (353)                    | (77)              |
| Corporate                            | (6,175)                    | (5,479)           | (13,679)                 | (11,063)          |
|                                      | \$ 13,427                  | \$ 17,081         | \$ 30,325                | \$ 32,992         |

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

|  | For the Three Months Ended March 31, 2023 |                 |                 |                   |                  | For the Three Months Ended March 31, 2022 |                 |                |                   |                  |
|--|---|-----------------|-----------------|-------------------|------------------|---|-----------------|----------------|-------------------|------------------|
|  | Nightclubs                                | Bombshells      | Other           | Corporate         | Total            | Nightclubs                                | Bombshells      | Other          | Corporate         | Total            |
| Income (loss) from operations                | \$ 17,995                                 | \$ 1,775        | \$ (168)        | \$ (6,175)        | \$ 13,427        | \$ 19,126                                 | \$ 3,468        | \$ (34)        | \$ (5,479)        | \$ 17,081        |
| Amortization of intangibles                  | 628                                       | 417             | 60              | 4                 | 1,109            | 47  | 1               | —              | 1                 | 49               |
| Settlement of lawsuits                       | 3,117                                     | 3               | —               | —                 | 3,120            | 277                                       | —               | —              | 108               | 385              |
| Impairment of assets                         | 662                                       | —               | —               | —                 | 662              | —   | —               | —              | —                 | —                |
| Loss (gain) on sale of businesses and assets | (12)                                      | 16              | —               | (1)               | 3                | (125)                                     | 4               | —              | 63                | (58)             |
| Gain on insurance                            | —   | —               | —               | (27)              | (27)             | (320)                                     | —               | —              | —                 | (320)            |
| Stock-based compensation                     | —   | —               | —               | 706               | 706              | —   | —               | —              | —                 | —                |
| Non-GAAP operating income (loss)             | <u>\$ 22,390</u>                          | <u>\$ 2,211</u> | <u>\$ (108)</u> | <u>\$ (5,493)</u> | <u>\$ 19,000</u> | <u>\$ 19,005</u>                          | <u>\$ 3,473</u> | <u>\$ (34)</u> | <u>\$ (5,307)</u> | <u>\$ 17,137</u> |
| GAAP operating margin                        | 31.6 %                                    | 12.4 %          | (98.2)%         | (8.6)%            | 18.8 %           | 39.7 %                                    | 22.6 %          | (18.4)%        | (8.6)%            | 26.8 %           |
| Non-GAAP operating margin                    | 39.3 %                                    | 15.4 %          | (63.2)%         | (7.7)%            | 26.6 %           | 39.5 %                                    | 22.7 %          | (18.4)%        | (8.3)%            | 26.9 %           |

  

|  | For the Six Months Ended March 31, 2023 |                 |                 |                    |                  | For the Six Months Ended March 31, 2022 |                 |                |                    |                  |
|--|---|-----------------|-----------------|--------------------|------------------|---|-----------------|----------------|--------------------|------------------|
|  | Nightclubs                              | Bombshells      | Other           | Corporate          | Total            | Nightclubs                              | Bombshells      | Other          | Corporate          | Total            |
| Income (loss) from operations                | \$ 40,735                               | \$ 3,622        | \$ (353)        | \$ (13,679)        | \$ 30,325        | \$ 37,862                               | \$ 6,270        | \$ (77)        | \$ (11,063)        | \$ 32,992        |
| Amortization of intangibles                  | 1,256                                   | 419             | 121             | 8                  | 1,804            | 94                                      | 4               | —              | 1                  | 99               |
| Settlement of lawsuits                       | 3,117                                   | 3               | —               | —                  | 3,120            | 454                                     | 10              | —              | 113                | 577              |
| Impairment of assets                         | 662                                     | —               | —               | —                  | 662              | —                                       | —               | —              | —                  | —                |
| Loss (gain) on sale of businesses and assets | (581)                                   | 16              | —               | (22)               | (587)            | (80)                                    | 17              | —              | (337)              | (400)            |
| Gain on insurance                            | (48)                                    | —               | —               | (43)               | (91)             | (321)                                   | —               | —              | —                  | (321)            |
| Stock-based compensation                     | —                                       | —               | —               | 1,647              | 1,647            | —                                       | —               | —              | —                  | —                |
| Non-GAAP operating income (loss)             | <u>\$ 45,141</u>                        | <u>\$ 4,060</u> | <u>\$ (232)</u> | <u>\$ (12,089)</u> | <u>\$ 36,880</u> | <u>\$ 38,009</u>                        | <u>\$ 6,301</u> | <u>\$ (77)</u> | <u>\$ (11,286)</u> | <u>\$ 32,947</u> |
| GAAP operating margin                        | 35.9 %                                  | 13.1 %          | (92.2)%         | (9.7)%             | 21.4 %           | 39.9 %                                  | 20.8 %          | (16.4)%        | (8.8)%             | 26.3 %           |
| Non-GAAP operating margin                    | 39.8 %                                  | 14.6 %          | (60.6)%         | (8.5)%             | 26.1 %           | 40.0 %                                  | 20.9 %          | (16.4)%        | (9.0)%             | 26.2 %           |

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

|   | For the Three Months Ended |                  | For the Six Months Ended |                  |
|---|----------------------------|------------------|--------------------------|------------------|
|   | March 31, 2023             | March 31, 2022   | March 31, 2023           | March 31, 2022   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                            |                  |                          |                  |
| Net income  | \$ 7,693                   | \$ 10,973        | \$ 17,964                | \$ 21,537        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                            |                  |                          |                  |
| Depreciation and amortization   | 3,760                      | 2,877            | 7,067                    | 5,071            |
| Stock-based compensation  | 706                        | —                | 1,647                    | —                |
| Gain on sale of businesses and assets   | (3)                        | (185)            | (689)                    | (708)            |
| Impairment of assets  | 662                        | —                | 662                      | —                |
| Unrealized loss on equity securities  | —                          | —                | —                        | 1                |
| Amortization of debt discount and issuance costs                                  | 147                        | 85               | 291                      | 136              |
| Gain on debt extinguishment   | —                          | —                | —                        | (83)             |
| Noncash lease expense   | 744                        | 609              | 1,463                    | 1,238            |
| Gain on insurance   | (27)                       | (321)            | (91)                     | (321)            |
| Doubtful accounts expense on notes receivable                                     | —                          | 36               | —                        | 53               |
| Changes in operating assets and liabilities:                                      |                            |                  |                          |                  |
| Accounts receivable   | (739)                      | (279)            | 708                      | 1,065            |
| Inventories   | 173                        | 169              | 79                       | (276)            |
| Prepaid expenses, other current assets and other assets                           | 1,503                      | 1,159            | (5,705)                  | (5,360)          |
| Accounts payable, accrued and other liabilities                                   | 2,170                      | (3,526)          | 8,288                    | 5,508            |
| Net cash provided by operating activities   | <u>16,789</u>              | <u>11,597</u>    | <u>31,684</u>            | <u>27,861</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                            |                  |                          |                  |
| Proceeds from sale of businesses and assets                                       | 26                         | 2,107            | 2,810                    | 2,910            |
| Proceeds from insurance   | 27                         | 300              | 91                       | 485              |
| Proceeds from notes receivable  | 58                         | 48               | 113                      | 82               |
| Payments for property and equipment and intangible assets                         | (8,337)                    | (4,140)          | (20,890)                 | (13,990)         |
| Acquisition of businesses, net of cash acquired                                   | (26,200)                   | —                | (30,200)                 | (39,302)         |
| Net cash used in investing activities   | <u>(34,426)</u>            | <u>(1,685)</u>   | <u>(48,076)</u>          | <u>(49,815)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |                            |                  |                          |                  |
| Proceeds from debt obligations  | 10,095                     | 18,740           | 11,595                   | 35,742           |
| Payments on debt obligations  | (3,120)                    | (4,802)          | (6,481)                  | (7,290)          |
| Purchase of treasury stock  | —                          | (2,845)          | (98)                     | (2,845)          |
| Payment of dividends  | (553)                      | (474)            | (1,015)                  | (854)            |
| Payment of loan origination costs   | (109)                      | (418)            | (205)                    | (418)            |
| Share in return of investment by noncontrolling partner                           | —                          | —                | (600)                    | —                |
| Net cash provided by financing activities   | <u>6,313</u>               | <u>10,201</u>    | <u>3,196</u>             | <u>24,335</u>    |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS                              | (11,324)                   | 20,113           | (13,196)                 | 2,381            |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD                                  | 34,108                     | 17,954           | 35,980                   | 35,686           |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD  | <u>\$ 22,784</u>           | <u>\$ 38,067</u> | <u>\$ 22,784</u>         | <u>\$ 38,067</u> |

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

|   | March 31,<br>2023 | September 30,<br>2022 | March 31,<br>2022 |
|---|-------------------|-----------------------|-------------------|
| <b>ASSETS</b>   |                   |                       |                   |
| Current assets  |                   |                       |                   |
| Cash and cash equivalents   | \$ 22,784         | \$ 35,980             | \$ 38,067         |
| Accounts receivable, net  | 6,755             | 8,510                 | 6,262             |
| Current portion of notes receivable                               | 239               | 230                   | 292               |
| Inventories   | 4,571             | 3,893                 | 3,361             |
| Prepaid expenses and other current assets                         | 6,870             | 1,499                 | 6,880             |
| Assets held for sale  | —                 | 1,049                 | 6,126             |
| <b>Total current assets</b>                                       | <b>41,219</b>     | <b>51,161</b>         | <b>60,988</b>     |
| Property and equipment, net                                       | 295,861           | 224,615               | 203,434           |
| Operating lease right-of-use assets, net                          | 37,244            | 37,048                | 36,180            |
| Notes receivable, net of current portion                          | 4,569             | 4,691                 | 5,411             |
| Goodwill  | 84,051            | 67,767                | 54,484            |
| Intangibles, net  | 156,331           | 144,049               | 125,284           |
| Other assets  | 1,856             | 1,407                 | 1,771             |
| <b>Total assets</b>   | <b>\$ 621,131</b> | <b>\$ 530,738</b>     | <b>\$ 487,552</b> |
| <b>LIABILITIES AND EQUITY</b>                                     |                   |                       |                   |
| Current liabilities   |                   |                       |                   |
| Accounts payable  | \$ 7,743          | \$ 5,482              | \$ 6,255          |
| Accrued liabilities   | 20,958            | 11,328                | 15,576            |
| Current portion of debt, net                                      | 21,016            | 11,896                | 11,177            |
| Current portion of operating lease liabilities                    | 2,951             | 2,795                 | 2,306             |
| <b>Total current liabilities</b>                                  | <b>52,668</b>     | <b>31,501</b>         | <b>35,314</b>     |
| Deferred tax liability, net                                       | 30,936            | 30,562                | 22,040            |
| Debt, net of current portion and debt discount and issuance costs | 224,751           | 190,567               | 166,903           |
| Operating lease liabilities, net of current portion               | 36,429            | 36,001                | 35,517            |
| Other long-term liabilities                                       | 383               | 349                   | 355               |
| <b>Total liabilities</b>  | <b>345,167</b>    | <b>288,980</b>        | <b>260,129</b>    |
| Commitments and contingencies                                     |                   |                       |                   |
| <b>Equity</b>   |                   |                       |                   |
| Preferred stock   | —                 | —                     | —                 |
| Common stock  | 94                | 92                    | 94                |
| Additional paid-in capital  | 85,082            | 67,227                | 77,553            |
| Retained earnings   | 190,905           | 173,950               | 150,366           |
| <b>Total RCIHH stockholders' equity</b>                           | <b>276,081</b>    | <b>241,269</b>        | <b>228,013</b>    |
| Noncontrolling interests  | (117)             | 489                   | (590)             |
| <b>Total equity</b>   | <b>275,964</b>    | <b>241,758</b>        | <b>227,423</b>    |
| <b>Total liabilities and equity</b>                               | <b>\$ 621,131</b> | <b>\$ 530,738</b>     | <b>\$ 487,552</b> |