

RCI HOSPITALITY HOLDINGS, INC.
Form 10-Q
May 10, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2016

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

Commission File Number: 001-13992

RCI HOSPITALITY HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Texas **76-0458229**
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

10959 Cutten Road

Houston, Texas 77066

(Address of principal executive offices) (Zip Code)

(281) 397-6730

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 30, 2016, 9,889,166 shares of the registrant's Common Stock were outstanding.

NOTE ABOUT FORWARD-LOOKING STATEMENTS

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

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

RCI HOSPITALITY HOLDINGS, INC.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

RCI HOSPITALITY HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**ASSETS

(in thousands, except per share data)	March 31, 2016 (UNAUDITED)	September 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 9,055	\$ 8,020
Accounts receivable:		
Trade, net	2,091	1,578
Other, net	608	576
Marketable securities	-	614
Inventories	2,738	2,368
Prepaid expenses and other current assets	3,154	4,010
Total current assets	17,646	17,166
Property and equipment, net	144,454	134,150
Other assets:		
Goodwill	52,641	52,641
Indefinite lived intangibles, net	55,728	55,828
Definite lived intangibles, net	4,626	5,021
Other	1,375	2,224
Total other assets	114,370	115,714
Total assets	\$ 276,470	\$ 267,030

See accompanying notes to consolidated financial statements.

RCI HOSPITALITY HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS****LIABILITIES AND STOCKHOLDERS' EQUITY**

(in thousands, except per share data)	March 31, 2016 (UNAUDITED)	September 30, 2015
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,109	\$ 2,164
Accrued liabilities	8,301	9,626
Texas patron tax liability	1,254	1,364
Current portion of long-term debt	8,755	9,700
Total current liabilities	20,419	22,854
Deferred tax liability	28,897	28,087
Other long-term liabilities	2,279	2,723
Long-term debt	92,958	84,880
Total liabilities	144,553	138,544
Commitments and contingencies		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.10 par, 1,000 shares authorized; none issued and outstanding	-	-
Common stock, \$.01 par, 20,000 shares authorized; 9,858 and 10,285 shares issued and outstanding, respectively	99	103
Additional paid-in capital	66,019	69,729
Accumulated other comprehensive income	-	109
Retained earnings	60,443	52,682
Total RCIHH stockholders' equity	126,561	122,623
Noncontrolling interests	5,356	5,863
Total stockholders' equity	131,917	128,486
Total liabilities and stockholders' equity	\$ 276,470	\$ 267,030

See accompanying notes to consolidated financial statements.

RCI HOSPITALITY HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	FOR THE THREE MONTHS ENDED MARCH 31,		FOR THE SIX MONTHS ENDED MARCH 31,	
	2016	2015	2016	2015
	(UNAUDITED)		(UNAUDITED)	
Revenues:				
Sales of alcoholic beverages	\$14,581	\$14,311	\$29,178	\$28,316
Sales of food and merchandise	4,609	4,837	8,943	9,670
Service revenues	13,205	13,847	25,846	27,376
Other	2,001	1,994	3,904	3,832
Total revenues	34,396	34,989	67,871	69,194
Operating expenses:				
Cost of goods sold	5,227	5,381	10,411	10,492
Salaries and wages	7,917	8,115	16,052	16,147
Stock compensation	120	120	240	240
Other general and administrative:				
Taxes and permits	3,274	3,288	6,501	6,399
Charge card fees	557	544	1,170	1,091
Rent	859	1,184	1,807	2,325
Legal and professional	982	1,064	2,087	2,023
Advertising and marketing	1,225	1,312	2,530	2,679
Insurance	907	801	1,781	1,621
Utilities	694	708	1,404	1,442
Depreciation and amortization	1,826	1,886	3,643	3,531
(Gain) loss on sale of property and marketable securities	(127)	(18)	(127)	(18)
Impairment of assets	-	-	-	1,358
Settlement of lawsuits and other one-time costs	62	10,303	602	10,550
Other (Note 16)	3,323	2,917	6,503	5,790
Total operating expenses	26,846	37,605	54,604	65,670
Operating income (loss)	7,550	(2,616)	13,267	3,524
Other income (expense):				
Interest income	1	26	3	39
Interest expense	(1,965)	(1,783)	(3,878)	(3,402)
Gain from acquisition of controlling interest in subsidiary	-	-	-	577
Income (loss) before income taxes	5,586	(4,373)	9,392	738
Income taxes (benefit)	293	(1,265)	1,660	581
Net income (loss)	5,293	(3,108)	7,732	157

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Less: net loss attributable to noncontrolling interests	212	267	325	362
Net income (loss) attributable to RCI Hospitality Holdings, Inc.	\$5,505	\$(2,841)	\$8,057	\$519