
**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): December 16, 2024

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 December 16, 2024, we issued a press release announcing results for the fiscal quarter and year ended September 30, 2024, and the filing of our annual report on Form 10-K for the fiscal year ended September 30, 2024. Also on December 16, 2024, 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 the 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 | Press release of RCI Hospitality Holdings, Inc. dated December 16, 2024 |
| 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: December 16, 2024

By: /s/ Eric Langan

Eric Langan
President and Chief Executive Officer



RCI Reports 4Q24 & FY24 Results, Launches 5-Year Capital Allocation Plan, Hosts 4:30 PM ET X Spaces Call Today

HOUSTON—December 16, 2024—RCI Hospitality Holdings, Inc. (Nasdaq: RICK) today reported results for the fiscal 2024 fourth quarter and year ended September 30, 2024. The company also filed its Form 10-K today and announced details of its "Back to Basics" Five-Year Capital Allocation Plan.

| Summary Financials (in millions except EPS) | 4Q24 | 4Q23 | FY24 | FY23 |
|---|--------|--------|---------|---------|
| Total revenues | \$73.2 | \$75.3 | \$295.6 | \$293.8 |
| EPS | \$0.03 | \$0.23 | \$0.33 | \$3.13 |
| Non-GAAP EPS ¹ | \$1.63 | \$1.11 | \$4.72 | \$4.90 |
| Impairments and other charges, net | \$10.1 | \$9.9 | \$36.6 | \$15.6 |
| Net cash provided by operating activities | \$15.7 | \$12.1 | \$55.9 | \$59.1 |
| Free cash flow ¹ | \$13.2 | \$11.1 | \$48.4 | \$53.2 |
| Net income attributable to RCIHH common stockholders | \$0.2 | \$2.2 | \$3.0 | \$29.2 |
| Adjusted EBITDA ¹ | \$17.9 | \$20.2 | \$72.6 | \$85.0 |
| Weighted average shares used in computing EPS – basic and diluted | 9.01 | 9.42 | 9.25 | 9.34 |

¹ See "Non-GAAP Financial Measures" below

4Q24 Summary (Comparisons are to the year-ago period unless indicated otherwise)

Eric Langan, President and CEO, said: "Nightclubs same-store sales increased for the second quarter in a row, the first time since the first half of FY23, but total company sales declined due to a hurricane and fire, resulting in a lower EPS. However, non-GAAP EPS, net cash provided by operating activities, and free cash flow all increased. We ended FY24 with 8.955 million shares outstanding, down 4.7% year over year, and have continued to buy back shares in the market."

"Back to Basics" FY25-29 Capital Allocation Plan

Mr. Langan continued: "RCI has grown significantly since we initiated our Capital Allocation Strategy at year-end FY15. Revenue has more than doubled, from \$135 million to \$296 million, a CAGR of 9%. More importantly, free cash flow has more than tripled, from \$15 million to \$48 million, a CAGR of 14%, while our share count fell by 13%. We are proud of this achievement and thank all employees, entertainers, and partners who made this possible."

"Looking ahead, we plan to build on this track record through a 'Back-to-Basics' strategy. Operationally, this means focusing on our Nightclub business and improving Bombshells. For capital allocation, this means focusing on club acquisitions and returning more capital to shareholders, mainly through buybacks."

| Operational Priorities | Capital Allocation Priorities (% of FCF) | FY29 Financial Targets |
|------------------------------|---|--------------------------|
| Focus on Existing Nightclubs | Nightclub Acquisitions: 50% (includes debt repayment) | Total Revenues: \$400M |
| Improve Bombshells | | Free Cash Flow: \$75M |
| Acquire New Nightclubs | Share Buybacks & Dividends: 50% | Shares Outstanding: 7.5M |

X-Spaces Conference Call at 4:30 PM ET Today

- Hosted by [RCI President & CEO Eric Langan](#), [CFO Bradley Chhay](#), and [Mark Moran](#) of [Equity Animal](#)
- Call link: <https://x.com/i/spaces/1DXGydpRRRLKM> (X log in required)
- Presentation link: <https://www.rcihospitality.com/investor-relations/>
- To ask questions: Participants must join the X Space using a mobile device
- To listen only: Participants can access the X Space from a computer
- There will be no other types of telephone or webcast access

4Q24 Results (Comparisons are to the year-ago period unless indicated otherwise)

Nightclubs segment: Revenues of \$60.6 million decreased by 0.5%. Sales reflected 2.2% same-store sales growth, which was negatively impacted by 10 closure days at three Houston area clubs due to the July hurricane. Sales also reflected three new and reformatted clubs, the temporary closing of two clubs, and the transition of two clubs to new formats and/or hours.²

By type of revenue, alcoholic beverages increased by 0.3%; food, merchandise and other increased by 0.9%; and service decreased by 1.7%. The differing growth rates primarily reflected higher alcohol and food, and lower service sales from clubs acquired last year.

The quarter included total impairments and other charges of \$6.9 million compared to \$8.9 million, resulting in operating income of \$13.1 million (21.5% of segment revenues) compared to \$12.1 million (19.8%). Non-GAAP operating income was \$20.5 million (33.8% of segment revenues) compared to \$21.6 million (35.4%). The difference in non-GAAP operating margin reflected minimum wage increases that took effect in July and September 2024 in various locations.

Bombshells segment: Revenues of \$11.9 million declined 12.1%. Sales reflected a 16.2% SSS decline, which was negatively impacted by 26 closure days at five Houston area locations due to the July hurricane. New sales from the Stafford location, which opened in November 2023, partially offset the early September 2024 divestiture of the San Antonio location.²

The quarter included total impairments and other charges of \$3.2 million compared to \$0.2 million, resulting in an operating loss of \$2.5 million (-21.1% of segment revenues) compared to income of \$1.2 million (8.7%). Non-GAAP operating income was \$0.7 million (5.9% of segment revenues) compared to \$1.4 million (10.4%). The difference in non-GAAP operating margin reflects lower SSS and weather related closures.

Corporate segment: Expenses totaled \$7.1 million (9.7% of total revenues) compared to \$6.8 million (9.0%). Non-GAAP expenses totaled \$6.6 million (9.0% of total revenues) compared to \$6.3 million (8.4%).

Impairments and other charges, net of \$10.1 million within consolidated operations mainly included impairment of \$7.0 million related to nine clubs and \$5.5 million related to six Bombshells and the food hall, and a \$2.3 million net gain from the elimination of debt from the sale of Bombshells San Antonio.

Income tax was a benefit of \$0.8 million compared to \$0.6 million. The effective tax rate was a benefit of 15.7% in FY24 compared to an expense of 19.0% in FY23.

Weighted average shares outstanding of 9.01 million decreased 4.4% due to share buybacks partially offset by shares issued in the 2Q23 Baby Dolls-Chicas Locas acquisition.

Share Repurchases: In 4Q24, RCI repurchased 174,790 common shares for \$7.8 million (\$44.81 average per share), resulting in 8,955,000 shares of common stock outstanding and \$21.0 million in remaining purchase authorization. For all of FY24, RCI repurchased 442,639 shares for \$20.6 million (\$46.55 average per share).

Debt was \$238.2 million at September 30, 2024 compared to \$245.4 million at June 30, 2024 and \$239.8 million at September 30, 2023. The June-September 2024 decline primarily reflected elimination of Bombshells San Antonio debt and scheduled pay downs.

² See our October 8, 2024, news release on 4Q24 sales for more details

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) settlement of lawsuits, (f) gain on debt extinguishment, (g) stock-based compensation, (h) the income tax effect of the above-described adjustments, and (i) 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 0.0%, 20.6%, and 22.8% effective tax rate of the pre-tax non-GAAP income before taxes for 2024, 2023, and 2022, respectively, and the GAAP income tax expense. 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, (c) net interest expense, (d) gains or losses on sale of businesses and assets, (e) gains or losses on insurance, (f) impairment of assets, (g) settlement of lawsuits, (h) gain on debt extinguishment, and (i) 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 the unleveraged performance return on our investments. Adjusted EBITDA multiple is also used as a 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) (X: [@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.

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, 2024, 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 INCOME

(in thousands, except per share, number of shares, and percentage data)

| | For the Three Months Ended | | | | For the Twelve Months Ended | | | |
|---|----------------------------|--------------|--------------------|--------------|-----------------------------|--------------|--------------------|--------------|
| | September 30, 2024 | | September 30, 2023 | | September 30, 2024 | | September 30, 2023 | |
| | Amount | % of Revenue | Amount | % of Revenue | Amount | % of Revenue | Amount | % of Revenue |
| Revenues | | | | | | | | |
| Sales of alcoholic beverages | \$ 32,459 | 44.3 % | \$ 33,325 | 44.3 % | \$ 133,124 | 45.0 % | \$ 127,262 | 43.3 % |
| Sales of food and merchandise | 11,000 | 15.0 % | 11,149 | 14.8 % | 44,606 | 15.1 % | 43,906 | 14.9 % |
| Service revenues | 24,504 | 33.5 % | 25,661 | 34.1 % | 98,455 | 33.3 % | 103,577 | 35.3 % |
| Other | 5,271 | 7.2 % | 5,115 | 6.8 % | 19,419 | 6.6 % | 19,045 | 6.5 % |
| Total revenues | <u>73,234</u> | 100.0 % | <u>75,250</u> | 100.0 % | <u>295,604</u> | 100.0 % | <u>293,790</u> | 100.0 % |
| Operating expenses | | | | | | | | |
| Cost of goods sold | | | | | | | | |
| Alcoholic beverages sold | 5,783 | 17.8 % | 6,155 | 18.5 % | 24,228 | 18.2 % | 23,291 | 18.3 % |
| Food and merchandise sold | 4,132 | 37.6 % | 4,000 | 35.9 % | 16,360 | 36.7 % | 15,429 | 35.1 % |
| Service and other | 286 | 1.0 % | 191 | 0.6 % | 397 | 0.3 % | 282 | 0.2 % |
| Total cost of goods sold (exclusive of items shown below) | 10,201 | 13.9 % | 10,346 | 13.7 % | 40,985 | 13.9 % | 39,002 | 13.3 % |
| Salaries and wages | 20,878 | 28.5 % | 20,818 | 27.7 % | 84,177 | 28.5 % | 79,500 | 27.1 % |
| Selling, general and administrative | 24,761 | 33.8 % | 24,463 | 32.5 % | 99,672 | 33.7 % | 93,024 | 31.7 % |
| Depreciation and amortization | 3,757 | 5.1 % | 4,043 | 5.4 % | 15,395 | 5.2 % | 15,151 | 5.2 % |
| Impairments and other charges, net | 10,118 | 13.8 % | 9,936 | 13.2 % | 36,570 | 12.4 % | 15,629 | 5.3 % |
| Total operating expenses | <u>69,715</u> | 95.2 % | <u>69,606</u> | 92.5 % | <u>276,799</u> | 93.6 % | <u>242,306</u> | 82.5 % |
| Income from operations | 3,519 | 4.8 % | 5,644 | 7.5 % | 18,805 | 6.4 % | 51,484 | 17.5 % |
| Other income (expenses) | | | | | | | | |
| Interest expense | (4,224) | (5.8)% | (4,246) | (5.6)% | (16,679) | (5.6)% | (15,926) | (5.4)% |
| Interest income | 162 | 0.2 % | 120 | 0.2 % | 482 | 0.2 % | 388 | 0.1 % |
| Income before income taxes | (543) | (0.7)% | 1,518 | 2.0 % | 2,608 | 0.9 % | 35,946 | 12.2 % |
| Income tax expense (benefit) | (788) | (1.1)% | (601) | (0.8)% | (410) | (0.1)% | 6,846 | 2.3 % |
| Net income | 245 | 0.3 % | 2,119 | 2.8 % | 3,018 | 1.0 % | 29,100 | 9.9 % |
| Net loss (income) attributable to noncontrolling interests | (1) | — % | 72 | 0.1 % | (7) | — % | 146 | — % |
| Net income attributable to RCIHH common shareholders | <u>\$ 244</u> | 0.3 % | <u>\$ 2,191</u> | 2.9 % | <u>\$ 3,011</u> | 1.0 % | <u>\$ 29,246</u> | 10.0 % |
| Earnings per share | | | | | | | | |
| Basic and diluted | \$ 0.03 | | \$ 0.23 | | \$ 0.33 | | \$ 3.13 | |
| Weighted average shares used in computing earnings per share | | | | | | | | |
| Basic and diluted | 9,006,014 | | 9,417,166 | | 9,250,245 | | 9,335,983 | |

RCI HOSPITALITY HOLDINGS, INC.

SEGMENT INFORMATION

(in thousands)

| | For the Three Months Ended | | For the Twelve Months Ended | |
|--------------------------------------|----------------------------|--------------------|-----------------------------|--------------------|
| | September 30, 2024 | September 30, 2023 | September 30, 2024 | September 30, 2023 |
| Revenues | | | | |
| Nightclubs | \$ 60,636 | \$ 60,943 | \$ 243,864 | \$ 236,748 |
| Bombshells | 11,937 | 13,580 | 50,578 | 55,723 |
| Other | 661 | 727 | 1,162 | 1,319 |
| | <u>\$ 73,234</u> | <u>\$ 75,250</u> | <u>\$ 295,604</u> | <u>\$ 293,790</u> |
| Income (loss) from operations | | | | |
| Nightclubs | \$ 13,064 | \$ 12,060 | \$ 58,094 | \$ 73,187 |
| Bombshells | (2,517) | 1,179 | (10,646) | 6,502 |
| Other | 58 | (793) | (523) | (1,446) |
| Corporate | (7,086) | (6,802) | (28,120) | (26,759) |
| | <u>\$ 3,519</u> | <u>\$ 5,644</u> | <u>\$ 18,805</u> | <u>\$ 51,484</u> |

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

| | For the Three Months Ended | | For the Twelve Months Ended | |
|---|----------------------------|--------------------|-----------------------------|--------------------|
| | September 30, 2024 | September 30, 2023 | September 30, 2024 | September 30, 2023 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income | \$ 245 | \$ 2,119 | \$ 3,018 | \$ 29,100 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 3,757 | 4,043 | 15,395 | 15,151 |
| Impairment of assets | 12,553 | 9,336 | 38,517 | 12,629 |
| Deferred income tax benefit | (31) | (991) | (6,450) | (1,781) |
| Loss (gain) on sale of businesses and assets | (2,331) | 2 | (2,215) | (870) |
| Amortization and writeoff of debt discount and issuance costs | 146 | 162 | 608 | 615 |
| Doubtful accounts expense on notes receivable | (22) | — | — | — |
| Loss (gain) on insurance | (522) | 14 | (522) | (77) |
| Noncash lease expense | 662 | 752 | 2,980 | 2,978 |
| Stock-based compensation | 470 | 471 | 1,882 | 2,588 |
| Changes in operating assets and liabilities, net of business acquisitions: | | | | |
| Receivables | 1,231 | (3,863) | 4,283 | (2,383) |
| Inventories | (97) | 98 | (309) | 177 |
| Prepaid expenses, other current, and other assets | 1,063 | 3,236 | (2,421) | (366) |
| Accounts payable, accrued, and other liabilities | (1,473) | (3,253) | 1,118 | 1,369 |
| Net cash provided by operating activities | <u>15,651</u> | <u>12,126</u> | <u>55,884</u> | <u>59,130</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from sale of businesses and assets | 19 | 1,434 | 1,969 | 4,245 |
| Proceeds from insurance | 1,367 | (5) | 1,367 | 86 |
| Proceeds from notes receivable | 70 | 59 | 249 | 229 |
| Payments for property and equipment and intangible assets | (5,381) | (9,265) | (24,600) | (40,384) |
| Acquisition of businesses, net of cash acquired | — | — | — | (29,000) |
| Net cash used in investing activities | <u>(3,925)</u> | <u>(7,777)</u> | <u>(21,015)</u> | <u>(64,824)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from debt obligations | — | — | 22,657 | 11,595 |
| Payments on debt obligations | (5,864) | (4,219) | (23,001) | (15,650) |
| Purchase of treasury stock | (7,831) | (2,125) | (20,606) | (2,223) |
| Payment of dividends | (628) | (566) | (2,302) | (2,146) |
| Payment of loan origination costs | — | — | (290) | (239) |
| Share in return of investment by noncontrolling partner | — | — | — | (600) |
| Net cash used in financing activities | <u>(14,323)</u> | <u>(6,910)</u> | <u>(23,542)</u> | <u>(9,263)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (2,597) | (2,561) | 11,327 | (14,957) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 34,947 | 23,584 | 21,023 | 35,980 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u>\$ 32,350</u> | <u>\$ 21,023</u> | <u>\$ 32,350</u> | <u>\$ 21,023</u> |

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

| | September 30, 2024 | September 30, 2023 |
|---|--------------------|--------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 32,350 | \$ 21,023 |
| Receivables, net | 5,563 | 9,846 |
| Current portion of notes receivable | 269 | 249 |
| Inventories | 4,676 | 4,412 |
| Prepaid expenses and other current assets | 4,427 | 1,943 |
| Total current assets | 47,285 | 37,473 |
| Property and equipment, net | 280,075 | 282,705 |
| Operating lease right-of-use assets, net | 26,231 | 34,931 |
| Notes receivable, net of current portion | 4,174 | 4,443 |
| Goodwill | 61,911 | 70,772 |
| Intangibles, net | 163,461 | 179,145 |
| Other assets | 1,227 | 1,415 |
| Total assets | <u>\$ 584,364</u> | <u>\$ 610,884</u> |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 5,637 | \$ 6,111 |
| Accrued liabilities | 20,280 | 16,051 |
| Current portion of debt obligations, net | 18,871 | 22,843 |
| Current portion of operating lease liabilities | 3,290 | 2,977 |
| Total current liabilities | 48,078 | 47,982 |
| Deferred tax liability, net | 22,693 | 29,143 |
| Debt, net of current portion and debt discount and issuance costs | 219,326 | 216,908 |
| Operating lease liabilities, net of current portion | 30,759 | 35,175 |
| Other long-term liabilities | 398 | 352 |
| Total liabilities | <u>321,254</u> | <u>329,560</u> |
| Commitments and contingencies | | |
| Equity | | |
| Preferred stock | — | — |
| Common stock | 90 | 94 |
| Additional paid-in capital | 61,511 | 80,437 |
| Retained earnings | 201,759 | 201,050 |
| Total RCIHH stockholders' equity | 263,360 | 281,581 |
| Noncontrolling interests | (250) | (257) |
| Total equity | <u>263,110</u> | <u>281,324</u> |
| Total liabilities and equity | <u>\$ 584,364</u> | <u>\$ 610,884</u> |

RCI HOSPITALITY HOLDINGS, INC.

NON-GAAP FINANCIAL MEASURES

(in thousands, except per share and percentage data)

| | For the Three Months Ended | | For the Twelve Months Ended | |
|---|----------------------------|--------------------|-----------------------------|--------------------|
| | September 30, 2024 | September 30, 2023 | September 30, 2024 | September 30, 2023 |
| Reconciliation of GAAP net income to Adjusted EBITDA | | | | |
| Net income attributable to RCIHH common stockholders | \$ 244 | \$ 2,191 | \$ 3,011 | \$ 29,246 |
| Income tax expense (benefit) | (788) | (601) | (410) | 6,846 |
| Interest expense, net | 4,062 | 4,126 | 16,197 | 15,538 |
| Depreciation and amortization | 3,757 | 4,043 | 15,395 | 15,151 |
| Impairment of assets | 12,553 | 9,336 | 38,517 | 12,629 |
| Settlement of lawsuits | 212 | 576 | 520 | 3,759 |
| Loss (gain) on sale of businesses and assets | (2,320) | 10 | (2,140) | (682) |
| Loss (gain) on insurance | (327) | 14 | (327) | (77) |
| Stock-based compensation | 470 | 471 | 1,882 | 2,588 |
| Adjusted EBITDA | \$ 17,863 | \$ 20,166 | \$ 72,645 | \$ 84,998 |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Reconciliation of GAAP net income to non-GAAP net income | | | | |
| Net income attributable to RCIHH common stockholders | \$ 244 | \$ 2,191 | \$ 3,011 | \$ 29,246 |
| Amortization of intangibles | 597 | 806 | 2,494 | 3,528 |
| Impairment of assets | 12,553 | 9,336 | 38,517 | 12,629 |
| Settlement of lawsuits | 212 | 576 | 520 | 3,759 |
| Stock-based compensation | 470 | 471 | 1,882 | 2,588 |
| Loss (gain) on sale of businesses and assets | (2,320) | 10 | (2,140) | (682) |
| Loss (gain) on insurance | (327) | 14 | (327) | (77) |
| Change in deferred tax asset valuation allowance | 143 | (176) | 143 | (176) |
| Net income tax effect | 3,065 | (2,810) | (410) | (5,068) |
| Non-GAAP net income | \$ 14,637 | \$ 10,418 | \$ 43,690 | \$ 45,747 |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Reconciliation of GAAP diluted earnings per share to non-GAAP diluted earnings per share | | | | |
| Diluted shares | 9,006,014 | 9,417,166 | 9,250,245 | 9,335,983 |
| GAAP diluted earnings per share | \$ 0.03 | \$ 0.23 | \$ 0.33 | \$ 3.13 |
| Amortization of intangibles | 0.07 | 0.09 | 0.27 | 0.38 |
| Impairment of assets | 1.39 | 0.99 | 4.16 | 1.35 |
| Settlement of lawsuits | 0.02 | 0.06 | 0.06 | 0.40 |
| Stock-based compensation | 0.05 | 0.05 | 0.20 | 0.28 |
| Loss (gain) on sale of businesses and assets | (0.26) | — | (0.23) | (0.07) |
| Loss (gain) on insurance | (0.04) | — | (0.04) | (0.01) |
| Change in deferred tax asset valuation allowance | 0.02 | (0.02) | 0.02 | (0.02) |
| Net income tax effect | 0.34 | (0.30) | (0.04) | (0.54) |
| Non-GAAP diluted earnings per share | \$ 1.63 | \$ 1.11 | \$ 4.72 | \$ 4.90 |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Reconciliation of GAAP operating income to non-GAAP operating income | | | | |
| Income from operations | \$ 3,519 | \$ 5,644 | \$ 18,805 | \$ 51,484 |
| Amortization of intangibles | 597 | 806 | 2,494 | 3,528 |
| Impairment of assets | 12,553 | 9,336 | 38,517 | 12,629 |
| Settlement of lawsuits | 212 | 576 | 520 | 3,759 |
| Loss (gain) on sale of businesses and assets | (2,320) | 10 | (2,140) | (682) |
| Loss (gain) on insurance | (327) | 14 | (327) | (77) |
| Stock-based compensation | 470 | 471 | 1,882 | 2,588 |
| Non-GAAP operating income | \$ 14,704 | \$ 16,857 | \$ 59,751 | \$ 73,229 |



| | For the Three Months Ended | | For the Twelve Months Ended | |
|--|----------------------------|--------------------|-----------------------------|--------------------|
| | September 30, 2024 | September 30, 2023 | September 30, 2024 | September 30, 2023 |
| Reconciliation of GAAP operating margin to non-GAAP operating margin | | | | |
| GAAP operating margin | 4.8 % | 7.5 % | 6.4 % | 17.5 % |
| Amortization of intangibles | 0.8 % | 1.1 % | 0.8 % | 1.2 % |
| Impairment of assets | 17.1 % | 12.4 % | 13.0 % | 4.3 % |
| Settlement of lawsuits | 0.3 % | 0.8 % | 0.2 % | 1.3 % |
| Loss (gain) on sale of businesses and assets | (3.2)% | — % | (0.7)% | (0.2)% |
| Loss (gain) on insurance | (0.4)% | — % | (0.1)% | — % |
| Stock-based compensation | 0.6 % | 0.6 % | 0.6 % | 0.9 % |
| Non-GAAP operating margin | 20.1 % | 22.4 % | 20.2 % | 24.9 % |
| Reconciliation of net cash provided by operating activities to free cash flow | | | | |
| Net cash provided by operating activities | \$ 15,651 | \$ 12,126 | \$ 55,884 | \$ 59,130 |
| Less: Maintenance capital expenditures | 2,483 | 1,005 | 7,463 | 5,954 |
| Free cash flow | \$ 13,168 | \$ 11,121 | \$ 48,421 | \$ 53,176 |

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

| | For the Three Months Ended September 30, 2024 | | | | | For the Three Months Ended September 30, 2023 | | | | |
|--|---|------------|-------|------------|-----------|---|------------|----------|------------|-----------|
| | Nightclubs | Bombshells | Other | Corporate | Total | Nightclubs | Bombshells | Other | Corporate | Total |
| Income (loss) from operations | \$ 13,064 | \$ (2,517) | \$ 58 | \$ (7,086) | \$ 3,519 | \$ 12,060 | \$ 1,179 | \$ (793) | \$ (6,802) | \$ 5,644 |
| Amortization of intangibles | 576 | 11 | — | 10 | 597 | 617 | 30 | 155 | 4 | 806 |
| Impairment of assets | 7,039 | 5,514 | — | — | 12,553 | 8,522 | — | 814 | — | 9,336 |
| Settlement of lawsuits | 157 | 25 | — | 30 | 212 | 378 | 198 | — | — | 576 |
| Stock-based compensation | — | — | — | 470 | 470 | — | — | — | 471 | 471 |
| Loss (gain) on sale of businesses and assets | 14 | (2,332) | — | (2) | (2,320) | — | 11 | — | (1) | 10 |
| Loss (gain) on insurance | (327) | — | — | — | (327) | — | — | — | 14 | 14 |
| Non-GAAP operating income (loss) | \$ 20,523 | \$ 701 | \$ 58 | \$ (6,578) | \$ 14,704 | \$ 21,577 | \$ 1,418 | \$ 176 | \$ (6,314) | \$ 16,857 |
| GAAP operating margin | 21.5 % | (21.1)% | 8.8 % | (9.7)% | 4.8 % | 19.8 % | 8.7 % | (109.1)% | (9.0)% | 7.5 % |
| Non-GAAP operating margin | 33.8 % | 5.9 % | 8.8 % | (9.0)% | 20.1 % | 35.4 % | 10.4 % | 24.2 % | (8.4)% | 22.4 % |

| | For the Twelve Months Ended September 30, 2024 | | | | | For the Twelve Months Ended September 30, 2023 | | | | |
|--|--|-------------|----------|-------------|-----------|--|------------|------------|-------------|-----------|
| | Nightclubs | Bombshells | Other | Corporate | Total | Nightclubs | Bombshells | Other | Corporate | Total |
| Income (loss) from operations | \$ 58,094 | \$ (10,646) | \$ (523) | \$ (28,120) | \$ 18,805 | \$ 73,187 | \$ 6,502 | \$ (1,446) | \$ (26,759) | \$ 51,484 |
| Amortization of intangibles | 2,334 | 137 | — | 23 | 2,494 | 2,497 | 530 | 484 | 17 | 3,528 |
| Impairment of assets | 22,691 | 15,826 | — | — | 38,517 | 11,815 | — | 814 | — | 12,629 |
| Settlement of lawsuits | 465 | 25 | — | 30 | 520 | 3,552 | 207 | — | — | 3,759 |
| Stock-based compensation | — | — | — | 1,882 | 1,882 | — | — | — | 2,588 | 2,588 |
| Loss (gain) on sale of businesses and assets | (56) | (2,322) | — | 238 | (2,140) | (734) | 77 | — | (25) | (682) |
| Gain on insurance | (327) | — | — | — | (327) | (48) | — | — | (29) | (77) |
| Non-GAAP operating income (loss) | \$ 83,201 | \$ 3,020 | \$ (523) | \$ (25,947) | \$ 59,751 | \$ 90,269 | \$ 7,316 | \$ (148) | \$ (24,208) | \$ 73,229 |
| GAAP operating margin | 23.8 % | (21.0)% | (45.0)% | (9.5)% | 6.4 % | 30.9 % | 11.7 % | (109.6)% | (9.1)% | 17.5 % |
| Non-GAAP operating margin | 34.1 % | 6.0 % | (45.0)% | (8.8)% | 20.2 % | 38.1 % | 13.1 % | (11.2)% | (8.2)% | 24.9 % |