
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): August 8, 2019

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 August 9, 2019, we issued a press release announcing preliminary unaudited financial results for the third fiscal quarter ended June 30, 2019. The preliminary financial information presented in the press release was not reviewed by an independent registered public accounting firm. A copy of the press release is furnished as Exhibit 99.2 to this Current Report on Form 8-K.

ITEM 5.02 DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS .

On August 8, 2019, Steven Jenkins provided notice to the Board of Directors of his resignation, effective immediately. He has confirmed that his decision was not due to a disagreement with us on any matter relating to our operations, policies or practices.

Also on August 8, 2019, the Board of Directors expanded the size of the Board by one seat, upon which there were two open seats on the Board. The Board concurrently appointed Elaine J. Martin and Arthur Allan Priaux to fill those vacancies on the Board. The Board also appointed both Ms. Martin and Mr. Priaux to the Audit Committee, Nominating Committee and Compensation Committee of the Board. It is anticipated that Ms. Martin and Mr. Priaux will each receive the standard compensation we pay our independent directors, \$20,000 in cash for the fiscal year (prorated in fiscal 2019), unless the Board resolves to change the amount of such compensation at the upcoming annual board meeting that is held immediately subsequent to the annual meeting of stockholders scheduled for September 30, 2019.

A copy of the press release announcing the appointment of the new directors is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information in Exhibit 99.1 and 99.2 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	Press release of RCI Hospitality Holdings, Inc. dated August 8, 2019
99.2	Press release of RCI Hospitality Holdings, Inc. dated August 9, 2019

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

RCI HOSPITALITY HOLDINGS, INC .

Date: August 9, 2019

By: /s/ Eric Langan

Eric Langan

President and Chief Executive Officer



RCI Appoints Elaine Martin and Allan Priaulx to Board of Directors

HOUSTON—August 8, 2019—RCI Hospitality Holdings, Inc. (Nasdaq: RICK) today announced Elaine J. Martin and Allan Priaulx have been named as independent members of the Board of Directors and to its Audit Committee. This expands Board membership to seven following the resignation of Steve L. Jenkins from the Board.

“We are pleased to welcome Elaine Martin, a highly successful Houston entrepreneur, and Allan Priaulx, an experienced communications industry executive, as we continue to implement a strong corporate and accounting governance program,” said Eric Langan, Chairman, President and CEO.

Elaine J. Martin

Ms. Martin is co-founder and general partner of two privately-held Houston area enterprises for which she provides a broad array of management and accounting functions on a day-to-day basis.

In 1993, she co-founded Medco Manufacturing LLC, which develops, manufactures and sells, under Food and Drug Administration (FDA) guidelines, equipment and disposable products used by plastic surgeons in domestic and international markets. In 1989, she co-founded Aero Tech Aviation LLC, which trains foreign nationals for the Federal Aviation Administration (FAA) Air Frame and Power Plant examination, for their license to repair US-origin aircraft.

Earlier in her career, Ms. Martin was a Registered Nurse specializing in cosmetic surgery. She received her BS in Biology and Chemistry and her MS in Nursing from Houston Baptist University. Her volunteer activities have included serving as a member of the Board of Directors of Texas A&M University Mothers’ Club (Aggie Moms).

Allan Priaulx

Mr. Priaulx has more than 45 years of experience in the communications industry.

Earlier in his career, Mr. Priaulx was Vice President and General Manager of King Features Division of Hearst Corporation, in charge of worldwide newspaper activities and product licensing. He was also publisher of *American Banker*, a leading trade publication in the financial services industry, when it was owned by Thomson Financial. In 1993, he founded Resource Media Group, a New York-based financial media and investor relations firm. His clients included a wide range of companies, including RCI Hospitality Holdings, Inc., for which he provided public and investor relations services from 1994 to 2013.

Mr. Priaulx has been retired since 2014. He attended Dartmouth College and University of Southampton in the U.K. He has also completed graduate-level courses at INSEAD Business School in France and the Wharton School of the University of Pennsylvania. His volunteer activities have included serving as national vice president of United Cerebral Palsy.

About RCI Hospitality Holdings, Inc. (Nasdaq: RICK)

With more than 40 units, RCI Hospitality Holdings, Inc., through its subsidiaries, is the country's leading company in gentlemen's clubs and sports bars/restaurants. Clubs in New York City, Chicago, Dallas/Ft. Worth, Houston, Miami, Minneapolis, St. Louis, Charlotte, Pittsburgh, and other markets operate under brand names, such as Rick's Cabaret, XTC, Club Onyx, Vivid Cabaret, Jaguars, Tootsie's Cabaret, and Scarlett's Cabaret. Sports bars/restaurants operate under the brand name Bombshells Restaurant & Bar. Please visit <http://www.rcihospitality.com>

Media & Investor Contacts

Gary Fishman and Steven Anreder at 212-532-3232 or gary.fishman@anreder.com and steven.anreder@anreder.com



RCI Reports Preliminary 3Q19 Financial Results

HOUSTON – August 9, 2019 – RCI Hospitality Holdings, Inc. (Nasdaq: RICK) today reported preliminary unaudited financial results for the Fiscal 2019 third quarter ended June 30, 2019.

The preliminary financial information presented in this news release has not been reviewed by an independent registered public accounting firm. See “Financial Information Is Preliminary and Subject to Change” below. All comparisons in this news release are to year-ago periods, unless otherwise noted.

RCI noted it will file a Form 12b-25 with the Securities and Exchange Commission today reporting that it will not be able to timely file its Form 10-Q for the FY19 third quarter ended June 30, 2019 as it is still in the process of selecting a new independent registered public accounting firm.

3Q19 vs. 3Q18

- Diluted EPS of \$0.59 compared to \$0.55
- Diluted non-GAAP* EPS of \$0.59 compared to \$0.58
- 3Q19 GAAP included net pre-tax gains of \$172K vs. net pre-tax charges of \$440K in 3Q18
- Total revenues of \$47.0 million compared to \$42.6 million on 46 and 44 units, respectively
- Repurchased 17,302 shares in April 2019 for \$0.4 million (\$23.36 average per share)
- Free cash flow for the first nine months of FY19 ended June 30, 2019 totaled \$26.3 million based on net cash provided by operating activities of \$28.4 million, less maintenance capital expenditures of \$2.1 million.

CEO Comment

“Third quarter total revenues grew 10.3% primarily due to our Nightclubs and Bombshells segments, operating income increased 5.1%, and EPS totaled \$0.59,” said Eric Langan, President and CEO. “Nightclubs revenues benefitted from our solid club lineup and Bombshells from the strong performance of new locations. In July, Bombshells same-store sales were up year-over-year for the second month in a row.”

“We continued to achieve progress with part of our Bombshells development strategy through the sale of a second excess parcel for a gain of more than 40% of cost. We also continued the liquidation of other non-income producing assets. During and subsequent to the quarter, this resulted in cash proceeds of \$2.5 million and the pay down of \$2.2 million in related debt. We hope to conclude the sale or lease of remaining non-income-producing properties by year-end FY19 or early FY20.”

“3Q19 free cash flow totaled \$6.5 million, enabling us to generate FCF of \$26.3 million for the first nine months of FY19, hitting our initial FY19 FCF run rate. Adjusted EBITDA increased 2.6% to \$12.2 million. Looking at the June 30, 2019 balance sheet compared to March 31, 2019, cash increased \$2.7 million to \$11.0 million, long-term debt fell \$3.2 million, and total stockholder’s equity reached \$168.9 million.”

3Q19 Review

- **Total Revenues:** Total revenues of \$47.0 million grew \$4.4 million with increases of \$1.9 million (+10.8%) in alcoholic beverages, \$983K (+6.0%) in service, \$871K (+14.1%) in food, and \$627K (+25.2%) in other. Revenues increased primarily due to the addition of Rick's Cabarets in Chicago and Pittsburgh in Nightclubs and two new Bombshells (I-10 and 249).
- **Operating Income:** Operating income of \$10.0 million (21.2% of revenues) increased \$482K from \$9.5 million (22.3%). Non-GAAP operating income of \$10.0 million was level in dollars compared to 3Q18, with margin of 21.2% compared to 23.4%. This primarily reflected greater contribution from Nightclubs offset by reduced contribution from Bombshells and higher corporate overhead due to legal fees associated with the previously-announced inquiry.
- **Nightclubs Segment:** Revenues of \$37.9 million increased \$2.6 million or 7.5%, with 38 units in both periods. Operating income increased 11.5% to \$14.0 million (37.0% of revenues) from \$12.6 million (35.7%). On a non-GAAP basis, segment income increased 11.2% to \$13.9 million from \$12.5 million with margin expanding to 36.6% from 35.4%.
- **Bombshells Segment:** Revenues of \$8.8 million increased \$1.6 million or 23.0%, with 8 units compared to 6. Operating income was \$686K (7.8% of revenues) compared to \$1.4 million (19.5%). This reflected reduced operating leverage due to the previously reported decline in same-store sales as well as expenses without the benefit of corresponding revenues from two locations expected to open in 4Q19. While down from 3Q18, same-store sales continued their sequential quarterly improvement in FY19.
- **Interest & Taxes:** Interest expense of \$2.5 million (5.4% of revenues) increased \$235K from \$2.3 million (5.4%) due to higher debt related to the Pittsburgh and Chicago club acquisitions and new debt on acquired real estate for Bombshells development, and a lower weighted average interest rate. Income tax expense was level with 3Q18 as the effective tax rate fell to 24.1% from 25.3% with the full effect in FY19 of the federal Tax Cuts and Jobs Act.
- **Asset Management:** There were two real estate sales: (i) a portion of excess land around newly opened Bombshells I-10 in Houston sold for \$1.1 million cash and a \$331K pre-tax gain after closing costs with proceeds used in part to pay down \$942K in debt on the entire Bombshells I-10 property; and (ii) a small property in Lubbock, TX sold for \$350K cash and a \$376K loss after closing costs with proceeds used in part to pay down \$331K remaining debt on the property. During and subsequent to 3Q19, both excess aircraft were sold for a total of \$1.1 million in cash and a small gain after closing costs with proceeds used to pay down \$883K in remaining debt on the assets. Also during 3Q19, both the former Club Onyx and Foxy's Cabaret locations in Dallas were leased out.
- **Balance Sheet Highlights (June 30, 2019 compared to March 31, 2019):** Cash and cash equivalents of \$11.0 million increased \$2.7 million. Total stockholder's equity of \$168.9 million increased \$5.0 million due to retained earnings. Total debt of \$146.6 million declined \$3.2 million.

Financial Information Is Preliminary and Subject to Change

The unaudited interim financial information presented in this news release is preliminary and has not been reviewed by an independent registered public accounting firm. When RCI files its Quarterly Report on Form 10-Q for the March 31, 2019 and June 30, 2019 periods, the financial statements for the three and nine months ended June 30, 2019 may differ from the results disclosed in this news release and the differences may be material. The final financial results reported for the three and nine months ended June 30, 2019 may also differ from the results reported in this release as a result of review procedures to be performed by an independent registered public accounting firm.

*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: amortization of intangibles, gains or losses on sale of assets, gain on insurance, and settlement of lawsuits. We believe that excluding these items assists investors in evaluating period-over-period changes in our operating income and operating margin without the impact of items that are not a result of our day-to-day business and operations.
- *Non-GAAP Net Income and Non-GAAP Net Income per Diluted Share.* We calculate non-GAAP net income and non-GAAP net income per diluted share by excluding or including certain items to net income attributable to RCIHH common shareholders and diluted earnings per share. Excluded items are: amortization of intangibles, costs and charges related to debt refinancing, income tax expense (benefit), gains or losses on sale of assets, gain on insurance, and settlement of lawsuits. Included item is the non-GAAP provision for current and deferred income taxes, calculated at 22.8% and 26.5% effective tax rate of the pre-tax non-GAAP income before taxes for the nine months ended June 30, 2019 and 2018, respectively. 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 shareholders: depreciation expense, amortization of intangibles, income tax expense (benefit), net interest expense, gains or losses on sale of assets, gain on insurance, and settlement of lawsuits. 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.
- *Management also uses non-GAAP cash flow measures such as free cash flow.* Free cash flow is derived from net cash provided by operating activities less maintenance capital expenditures. We use free cash flow as the baseline for the implementation of our capital allocation strategy.

Notes

- Unit counts above are at period end.
- All references to the "company," "we," "our," and similar terms include RCI Hospitality Holdings, Inc. and its subsidiaries, unless the context indicates otherwise.
- Planned opening dates are subject to change due to weather, which could affect construction schedules, and scheduling of final municipal inspections.

About RCI Hospitality Holdings, Inc. (Nasdaq: RICK)

With more than 40 units, RCI Hospitality Holdings, Inc., through its subsidiaries, is the country's leading company in gentlemen's clubs and sports bars/restaurants. Clubs in New York City, Chicago, Dallas/Ft. Worth, Houston, Miami, Minneapolis, St. Louis, Charlotte, Pittsburgh, and other markets operate under brand names, such as Rick's Cabaret, XTC, Club Onyx, Vivid Cabaret, Jaguars, Tootsie's Cabaret, and Scarlett's Cabaret. Sports bars/restaurants operate under the brand name Bombshells Restaurant & Bar. Please visit <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 in this press release, including the risks and uncertainties associated with operating and managing an adult business, the business climates in cities where it operates, the success or lack thereof in launching and building the company's businesses, risks and uncertainties related to cybersecurity, conditions relevant to real estate transactions, and numerous other factors such as laws governing the operation of adult entertainment businesses, competition and dependence on key personnel. 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.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	For the Three Months Ended June 30,				For the Nine Months Ended June 30,			
	2019(a)		2018		2019(a)		2018	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Revenues								
Sales of alcoholic beverages	\$ 19,570	41.6%	\$ 17,658	41.4%	\$ 56,366	41.5%	\$ 52,835	42.2%
Sales of food and merchandise	7,046	15.0%	6,175	14.5%	19,175	14.1%	16,906	13.5%
Service revenues	17,299	36.8%	16,316	38.3%	51,609	38.0%	48,338	38.6%
Other	3,112	6.6%	2,485	5.8%	8,726	6.4%	6,993	5.6%
Total revenues	<u>47,027</u>	100.0%	<u>42,634</u>	100.0%	<u>135,876</u>	100.0%	<u>125,072</u>	100.0%
Operating expenses								
Cost of goods sold								
Alcoholic beverages sold	4,015	20.5%	3,632	20.6%	11,541	20.5%	10,976	20.8%
Food and merchandise sold	2,565	36.4%	2,140	34.7%	6,857	35.8%	6,198	36.7%
Service and other	121	0.6%	94	0.5%	307	0.5%	173	0.3%
Total cost of goods sold (exclusive of items shown below)	6,701	14.2%	5,866	13.8%	18,705	13.8%	17,347	13.9%
Salaries and wages	13,164	28.0%	11,362	26.7%	37,168	27.4%	33,086	26.5%
Selling, general and administrative	14,895	31.7%	13,476	31.6%	43,263	31.8%	39,136	31.3%
Depreciation and amortization	2,465	5.2%	1,998	4.7%	6,718	4.9%	5,806	4.6%
Other charges (gains), net	(172)	-0.4%	440	1.0%	(2,250)	-1.7%	2,834	2.3%
Total operating expenses	<u>37,053</u>	78.8%	<u>33,142</u>	77.7%	<u>103,604</u>	76.2%	<u>98,209</u>	78.5%
Income from operations	9,974	21.2%	9,492	22.3%	32,272	23.8%	26,863	21.5%
Other income (expenses)								
Interest expense	(2,543)	-5.4%	(2,308)	-5.4%	(7,709)	-5.7%	(7,493)	-6.0%
Interest income	92	0.2%	52	0.1%	218	0.2%	187	0.1%
Non-operating loss	(38)	-0.1%	-	0.0%	(408)	-0.3%	-	0.0%
Income before income taxes	7,485	15.9%	7,236	17.0%	24,373	17.9%	19,557	15.6%
Income tax expense (benefit)	1,806	3.8%	1,829	4.3%	5,547	4.1%	(4,899)	-3.9%
Net income	<u>5,679</u>	12.1%	<u>5,407</u>	12.7%	<u>18,826</u>	13.9%	<u>24,456</u>	19.6%
Net income attributable to noncontrolling interests	(41)	-0.1%	(18)	0.0%	(109)	-0.1%	(71)	-0.1%
Net income attributable to RCIHH common shareholders	<u>\$ 5,638</u>	12.0%	<u>\$ 5,389</u>	12.6%	<u>\$ 18,717</u>	13.8%	<u>\$ 24,385</u>	19.5%
Earnings per share								
Basic and diluted	\$ 0.59		\$ 0.55		\$ 1.94		\$ 2.51	
Weighted average shares outstanding								
Basic and diluted	9,620		9,719		9,671		9,719	
Dividends per share	\$ 0.03		\$ 0.03		\$ 0.09		\$ 0.09	

(a) The unaudited condensed consolidated Statements of Income for the three and nine months ended June 30, 2019 are preliminary and therefore subject to adjustments in connection with subsequent events arising through the date of the company's filing of its Quarterly Report on Form 10-Q. The filing of the Form 10-Q will be completed as soon as practicable after the appointment of an independent registered public accounting firm and the completion of review procedures by such firm. The final financial results reported for these periods may differ from the results reported in this release as a result of review procedures to be performed by an independent registered public accounting firm.

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

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2019(a)	2018	2019(a)	2018
Reconciliation of GAAP net income to Adjusted EBITDA				
Net income attributable to RCIHH common shareholders	\$ 5,638	\$ 5,389	\$ 18,717	\$ 24,385
Income tax expense (benefit)	1,806	1,829	5,547	(4,899)
Interest expense, net	2,451	2,256	7,491	7,306
Settlement of lawsuits	-	474	144	1,274
Impairment of assets	-	-	-	1,550
Loss (gain) on sale of assets	(265)	(34)	(2,487)	30
Unrealized loss (gain) on equity securities	38	-	408	-
Loss (gain) on insurance	93	-	93	(20)
Depreciation and amortization	2,465	1,998	6,718	5,806
Adjusted EBITDA	<u>\$ 12,226</u>	<u>\$ 11,912</u>	<u>\$ 36,631</u>	<u>\$ 35,432</u>
Reconciliation of GAAP net income to non-GAAP net income				
Net income attributable to RCIHH common shareholders	\$ 5,638	\$ 5,389	\$ 18,717	\$ 24,385
Amortization of intangibles	165	65	474	161
Settlement of lawsuits	-	474	144	1,274
Impairment of assets	-	-	-	1,550
Loss (gain) on sale of assets	(265)	(34)	(2,487)	30
Unrealized loss (gain) on equity securities	38	-	408	-
Loss (gain) on insurance	93	-	93	(20)
Costs and charges related to debt refinancing	-	-	-	827
Income tax effect of adjustments above	(6)	(218)	327	(11,076)
Non-GAAP net income	<u>\$ 5,663</u>	<u>\$ 5,676</u>	<u>\$ 17,676</u>	<u>\$ 17,131</u>
Reconciliation of GAAP diluted earnings per share to non-GAAP diluted earnings per share				
Diluted shares	9,620	9,719	9,671	9,719
GAAP diluted earnings per share	\$ 0.59	\$ 0.55	\$ 1.94	\$ 2.51
Amortization of intangibles	0.02	0.01	0.05	0.02
Settlement of lawsuits	-	0.05	0.01	0.13
Impairment of assets	-	-	-	0.16
Loss (gain) on sale of assets	(0.03)	(0.00)	(0.26)	0.00
Unrealized loss (gain) on equity securities	0.00	-	0.04	-
Loss (gain) on insurance	0.01	-	0.01	(0.00)
Costs and charges related to debt refinancing	-	-	-	0.09
Income tax effect of adjustments above	(0.00)	(0.02)	0.03	(1.14)
Non-GAAP diluted earnings per share	<u>\$ 0.59</u>	<u>\$ 0.58</u>	<u>\$ 1.83</u>	<u>\$ 1.76</u>
Reconciliation of GAAP operating income to non-GAAP operating income				
Income from operations	\$ 9,974	\$ 9,492	\$ 32,272	\$ 26,863
Amortization of intangibles	165	65	474	161
Settlement of lawsuits	-	474	144	1,274
Impairment of assets	-	-	-	1,550
Loss (gain) on sale of assets	(265)	(34)	(2,487)	30
Loss (gain) on insurance	93	-	93	(20)
Non-GAAP operating income	<u>\$ 9,967</u>	<u>\$ 9,997</u>	<u>\$ 30,496</u>	<u>\$ 29,858</u>
Reconciliation of GAAP operating margin to non-GAAP operating margin				
GAAP operating margin	21.2%	22.3%	23.8%	21.5%
Amortization of intangibles	0.4%	0.2%	0.3%	0.1%
Settlement of lawsuits	0.0%	1.1%	0.1%	1.0%
Impairment of assets	0.0%	0.0%	0.0%	1.2%
Loss (gain) on sale of assets	-0.6%	-0.1%	-1.8%	0.0%
Loss (gain) on insurance	0.2%	0.0%	0.1%	0.0%
Non-GAAP operating margin	<u>21.2%</u>	<u>23.4%</u>	<u>22.4%</u>	<u>23.9%</u>

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

Net cash provided by operating activities	\$	7,443	\$	8,334	\$	28,414	\$	22,411
Less: Maintenance capital expenditures		955		585		2,072		1,847
Free cash flow	\$	<u>6,488</u>	\$	<u>7,749</u>	\$	<u>26,342</u>	\$	<u>20,564</u>

- (a) The condensed consolidated schedule of Non-GAAP Financial Measures for the three and nine months ended June 30, 2019 are preliminary and therefore subject to adjustments in connection with subsequent events arising through the date of the company's filing of its Quarterly Report on Form 10-Q. The filing of the Form 10-Q will be completed as soon as practicable after the appointment of an independent registered public accounting firm and the completion of review procedures by such firm. The final financial results reported for these periods may differ from the results reported in this release as a result of review procedures to be performed by an independent registered public accounting firm.

RCI HOSPITALITY HOLDINGS, INC.
UNAUDITED SEGMENT INFORMATION

(in thousands)

	For the Three Months Ended June 30,		For the Nine Months Ended June 30,	
	2019(a)	2018	2019(a)	2018
Revenues				
Nightclubs	\$ 37,889	\$ 35,253	\$ 112,664	\$ 105,914
Bombshells	8,755	7,120	22,295	18,550
Other	383	261	917	608
	<u>\$ 47,027</u>	<u>\$ 42,634</u>	<u>\$ 135,876</u>	<u>\$ 125,072</u>
Income (loss) from operations				
Nightclubs	\$ 14,034	\$ 12,584	\$ 44,499	\$ 37,835
Bombshells	686	1,391	1,543	3,247
Other	(111)	(328)	(406)	(547)
General corporate	(4,635)	(4,155)	(13,364)	(13,672)
	<u>\$ 9,974</u>	<u>\$ 9,492</u>	<u>\$ 32,272</u>	<u>\$ 26,863</u>

(a) The unaudited schedule of Segment Information for the three and nine months ended June 30, 2019 are preliminary and therefore subject to adjustments in connection with subsequent events arising through the date of the company's filing of its Quarterly Report on Form 10-Q. The filing of the Form 10-Q will be completed as soon as practicable after the appointment of an independent registered public accounting firm and the completion of review procedures by such firm. The final financial results reported for these periods may differ from the results reported in this release as a result of review procedures to be performed by an independent registered public accounting firm.

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

	For the Three Months Ended June 30, 2019(a)					For the Three Months Ended June 30, 2018				
	Nightclubs	Bombshells	Other	Corporate	Total	Nightclubs	Bombshells	Other	Corporate	Total
Income (loss) from operations	\$ 14,034	\$ 686	\$ (111)	\$ (4,635)	\$ 9,974	\$ 12,584	\$ 1,391	\$ (328)	\$ (4,155)	\$ 9,492
Amortization of intangibles	-	-	-	165	165	-	-	-	65	65
Settlement of lawsuits	-	-	-	-	-	474	-	-	-	474
Impairment of assets	-	-	-	-	-	-	-	-	-	-
Loss (gain) on sale of assets	(260)	-	-	(5)	(265)	(588)	-	63	491	(34)
Loss (gain) on insurance	93	-	-	-	93	-	-	-	-	-
Non-GAAP operating income (loss)	<u>\$ 13,867</u>	<u>\$ 686</u>	<u>\$ (111)</u>	<u>\$ (4,475)</u>	<u>\$ 9,967</u>	<u>\$ 12,470</u>	<u>\$ 1,391</u>	<u>\$ (265)</u>	<u>\$ (3,599)</u>	<u>\$ 9,997</u>
GAAP operating margin	37.0%	7.8%	-29.0%	-9.9%	21.2%	35.7%	19.5%	-125.7%	-9.7%	22.3%
Non-GAAP operating margin	36.6%	7.8%	-29.0%	-9.5%	21.2%	35.4%	19.5%	-101.5%	-8.4%	23.4%

	For the Nine Months Ended June 30, 2019(a)					For the Nine Months Ended June 30, 2018				
	Nightclubs	Bombshells	Other	Corporate	Total	Nightclubs	Bombshells	Other	Corporate	Total
Income (loss) from operations	\$ 44,499	\$ 1,543	\$ (406)	\$ (13,364)	\$ 32,272	\$ 37,835	\$ 3,247	\$ (547)	\$ (13,672)	\$ 26,863
Amortization of intangibles	-	-	-	474	474	-	-	-	161	161
Settlement of lawsuits	129	3	-	12	144	1,074	200	-	-	1,274
Impairment of assets	-	-	-	-	-	-	-	-	1,550	1,550
Loss (gain) on sale of assets	(2,412)	1	-	(76)	(2,487)	(588)	-	63	555	30
Loss (gain) on insurance	93	-	-	-	93	-	-	-	(20)	(20)
Non-GAAP operating income (loss)	<u>\$ 42,309</u>	<u>\$ 1,547</u>	<u>\$ (406)</u>	<u>\$ (12,954)</u>	<u>\$ 30,496</u>	<u>\$ 38,321</u>	<u>\$ 3,447</u>	<u>\$ (484)</u>	<u>\$ (11,426)</u>	<u>\$ 29,858</u>
GAAP operating margin	39.5%	6.9%	-44.3%	-9.8%	23.8%	35.7%	17.5%	-90.0%	-10.9%	21.5%
Non-GAAP operating margin	37.6%	6.9%	-44.3%	-9.5%	22.4%	36.2%	18.6%	-79.6%	-9.1%	23.9%

(a) The condensed schedule of Non-GAAP Financial Segment Information for the three and nine months ended June 30, 2019 are preliminary and therefore subject to adjustments in connection with subsequent events arising through the date of the company's filing of its Quarterly Report on Form 10-Q. The filing of the Form 10-Q will be completed as soon as practicable after the appointment of an independent registered public accounting firm and the completion of review procedures by such firm. The final financial results reported for these periods may differ from the results reported in this release as a result of review procedures to be performed by an independent registered public accounting firm.

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

	For the Three Months Ended		For the Nine Months Ended	
	June 30, 2019(a)	June 30, 2018	June 30, 2019(a)	June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 5,679	\$ 5,407	\$ 18,826	\$ 24,456
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	2,465	1,998	6,718	5,806
Deferred tax expense (credit)	106	-	1,237	(9,659)
Loss (gain) on sale of assets	(507)	(70)	(2,704)	70
Unrealized loss on equity securities	38	-	408	-
Amortization of debt discount and issuance costs	74	85	276	469
Deferred rent	47	75	236	224
Impairment of assets	-	-	-	1,550
Loss (gain) on insurance settlements	93	-	93	(20)
Debt prepayment penalty	-	-	-	543
Changes in operating assets and liabilities:				
Accounts receivable	578	245	2,305	(1,788)
Inventories	95	26	(87)	(257)
Prepaid expenses and other assets	649	560	4,199	1,264
Accounts payable and accrued liabilities	(1,874)	8	(3,093)	(247)
Net cash provided by operating activities	<u>7,443</u>	<u>8,334</u>	<u>28,414</u>	<u>22,411</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of assets	2,240	(3)	5,106	629
Proceeds from insurance	-	-	-	20
Proceeds from notes receivable	39	30	107	98
Issuance of note receivable	-	-	(420)	-
Additions to property and equipment	(2,999)	(9,816)	(16,901)	(18,827)
Acquisition of businesses, net of cash acquired	-	(484)	(13,500)	(484)
Net cash used in investing activities	<u>(720)</u>	<u>(10,273)</u>	<u>(25,608)</u>	<u>(18,564)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from long-term debt	2,034	9,934	12,330	72,387
Payments on long-term debt	(5,347)	(6,926)	(18,634)	(70,444)
Debt prepayment penalty	-	-	-	(543)
Purchase of treasury stock	(403)	-	(2,364)	-
Payment of dividends	(285)	(293)	(867)	(876)
Payment of loan origination costs	-	(51)	(20)	(960)
Distribution to noncontrolling interests	(21)	(54)	(21)	(162)
Net cash provided by (used in) financing activities	<u>(4,022)</u>	<u>2,610</u>	<u>(9,576)</u>	<u>(598)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
EQUIVALENTS	2,701	671	(6,770)	3,249
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>8,255</u>	<u>12,500</u>	<u>17,726</u>	<u>9,922</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 10,956</u>	<u>\$ 13,171</u>	<u>\$ 10,956</u>	<u>\$ 13,171</u>

(a) The unaudited condensed consolidated Statements of Cash Flows for the three and nine months ended June 30, 2019 are preliminary and therefore subject to adjustments in connection with subsequent events arising through the date of the company's filing of its Quarterly Reports on Form 10-Q. The filing of the Form 10-Q will be completed as soon as practicable after the appointment of an independent registered public accounting firm and the completion of review procedures by such firm. The final financial results reported for these periods may differ from the results reported in this release as a result of review procedures to be performed by an independent registered public accounting firm.

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

	June 30, 2019(a)	September 30, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,956	\$ 17,726
Accounts receivable, net	5,001	7,320
Inventories	2,502	2,353
Prepaid insurance	896	4,910
Other current assets	2,090	1,591
Assets held for sale	-	2,902
Total current assets	<u>21,445</u>	<u>36,802</u>
Property and equipment, net	191,493	172,403
Notes receivable	4,962	2,874
Goodwill	55,271	43,591
Intangibles, net	76,285	71,532
Other assets	1,422	2,530
Total assets	<u>\$ 350,878</u>	<u>\$ 329,732</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 2,544	\$ 2,825
Accrued liabilities	9,117	11,973
Current portion of long-term debt	16,374	19,047
Total current liabilities	<u>28,035</u>	<u>33,845</u>
Deferred tax liability, net	22,076	19,552
Long-term debt, net of current portion	130,205	121,580
Other long-term liabilities	1,656	1,423
Total liabilities	<u>181,972</u>	<u>176,400</u>
Commitments and contingencies		
Stockholders' equity		
Preferred stock	-	-
Common stock	96	97
Additional paid-in capital	61,849	64,212
Retained earnings	106,976	88,906
Accumulated other comprehensive income	-	220
Total RCIHH stockholders' equity	<u>168,921</u>	<u>153,435</u>
Noncontrolling interests	(15)	(103)
Total stockholders' equity	<u>168,906</u>	<u>153,332</u>
Total liabilities and stockholders' equity	<u>\$ 350,878</u>	<u>\$ 329,732</u>

(a) The unaudited condensed consolidated Balance Sheet at June 30, 2019 is preliminary and therefore subject to adjustments in connection with subsequent events arising through the date of the company's filing of its Quarterly Reports on Form 10-Q. The filing of the Form 10-Q will be completed as soon as practicable after the appointment of an independent registered public accounting firm and the completion of review procedures by such firm. The final financial results reported for this period may differ from the results reported in this release as a result of review procedures to be performed by an independent registered public accounting firm.

