



RCI Hospitality Holdings, Inc. (RICK)

Fine-Tune F2022-F2023 EPS 2-3% To Reflect Debt Refinancing With Cash Liquidity Boosted By A More Material \$20 Million Bump Higher By F2023 Year-End; Raise Target To \$91 (From \$89)

	F2020		F2021E		F2022E		F2023E	
		OLD	NEW	OLD	NEW	OLD	NEW	
Dec.	\$0.62	\$0.39A		\$1.03	\$1.06	\$1.13	\$1.14	
Mar.	0.47	0.75A		1.04	1.08	1.14	1.17	
June	(0.74)	1.37A		1.13	1.16	1.21	1.24	
Sep.	0.15	0.67		0.69	0.71	0.76	0.78	
EPS (FY)	\$0.50	\$3.18		\$3.89	\$4.01	\$4.24	\$4.33	
EPS (Cal.)	\$0.27	\$3.82	\$3.85	\$3.99	\$4.09			
P/E (FY)					16.9x		15.7x	
P/E (Cal.)			17.7x		16.5x			

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. F2020 excludes \$0.82 in non-recurring charges. Estimates exclude all non-recurring expenses or gains. Sum of quarterly data may not equal full-year data due to rounding and/or changes in share count. NC = Not covered by Sidoti & company, LLC. * Includes operating leases

Year	F2014	F2015	F2016	F2017	F2018	F2019	F2020	F2021E	F2022E	F2023E
Rev.(Mil.)	\$121.4	\$135.4	\$134.9	\$144.9	\$165.8	\$181.1	\$132.0	\$195.7	\$232.5	\$242.9
GAAP EPS	\$1.13	\$0.87	\$1.10	\$0.85	\$2.23	\$1.99	(\$0.68)	\$3.68	\$4.01	\$4.33

Description: RCI Hospitality Holdings, Inc. (www.rcihospitality.com) owns and operates adult nightclubs under multiple brand names and an emerging military theme sports bar/restaurant concept named Bombshells. Headquarters are in Houston, TX.

- We fine tune our estimates to reflect yesterday's announced debt refinancing, which replaced \$85.7 million of existing bank and seller-financed real estate debt with a \$99.1 million fixed rate, 10-year commercial real estate loan.
- The impact is the key driver that bumps our F2022 EPS estimate up to \$4.01 (from \$3.89), followed by F2023 to \$4.33 (from \$4.24) given the \$1.4 million in pre-tax interest savings.
- The liquidity impact is more material as the interest savings are coupled with \$12.3 million in additional cash proceeds net of fees and \$3.8 million in annual reduced principal payments, leading to a projected F2023 year-end cash balance of \$105.8 million (prior \$84.9 million).
- While we project trends will likely normalize following the pent-up demand, the stronger balance sheet positioning fuels growth options, including club acquisitions, new Bombshell locations and a new social media platform venture.
- While the pending acquisition of 11 clubs is not included in our estimates as timing is still uncertain, once the transaction is fully closed, we estimate it would add \$0.68 to next twelve-month EPS based on \$14 million in EBITDA.
- We forecast free cash flow of \$23.0 million (\$2.55 per share) in F2021, \$40.3 million (\$4.48) in F2022 and \$44.4 million (\$4.93) in F2023.
- Excluding spend largely tied to new Bombshell units, we forecast adjusted free cash flow (operation cash – maintenance CAPEX) of \$29.6 million (\$3.29 per share) in F2021, \$41.9 million (\$4.66) in F2022 and \$46.0 million (\$5.11 per share) in F2023.
- We raise our price target to \$91, based on about 21x our raised F2023 EPS estimate of \$4.33, which equates to 17.8x our adjusted free cash flow estimate of \$5.11.
- While still early, we also note that the social media effort via Admire Me, which is expected to launch in F2022, could add a significant boost towards valuation.
- Additionally, we view the early September acquisition of Twin Peaks (private) by FAT Brands Inc. (NASDAQ; FAT, NC) for \$300 million or 10-12x (\$25-30 million) projected normalized EBITDA as supportive towards the long-term value of Bombshells where we forecast revenues to reach \$70.8 million by F2023.
- The Moderately Risky rating reflects uncertainty around the duration of COVID-19.

NR

Price Target: \$91

Price: \$68.51

Risk Rating: M

Gregory Pendy
 (212) 894-3344
 (gpendy@sidoti.com)

Key Statistics

Analysts Covering	1
Market Cap (Mil)	\$620
Enterprise Value	\$752
52-Week Range (NASDAQ)	82-119
5-Year EPS CAGR	12%
Avg. Daily Trading Volume	50,000
Shares Out (Mil)	9,000
Float Shares (Mil)	7,947
Insider Ownership	7%
Institutional Holdings	52%
Annualized Dividend	\$0.16
Dividend Yield	0.2%
FCF Per Share (F2023E)	\$4.93
FCF Yield (F2023E)	7.3%
Net Cash Per Share (F2023E)	\$3.41
Price to Book Value	3.5x
Return on Equity (F2023E)	29.2%
Total Debt to Capital	42%
Interest Coverage Ratio	8.1x
Short Interest %	2.6%
Short Interest Days To Cover	4.6
Russell 2000	2,204
Russell 2000 – Last 12 Months	47.9%
RICK – Last 12 Months	257.5%



Valuation	<p>We raise our price target to \$91 (from \$89) and maintain our Moderately Risky rating on RICK shares. Our price target of \$91 is based on about 21x our raised F2023 EPS estimate of \$4.33 and equates to 17.8x our adjusted free cash flow estimate of \$5.11 (our prior target of \$89 was based on about 21x our previous EPS estimate of \$4.24). Our price target and estimates do not include the agreement to acquire 11 clubs as the timing of the closings may vary, but we estimate the transaction would add up to \$0.68 in EPS on a go forward run rate basis if closed. We view the 21x multiple as warranted, given the organic growth opportunities from new Bombshell units (the concept could support up to 80 locations) coupled with inorganic growth potential via accretive night club acquisitions. While still early, we also note that the social media effort via Admire Me, which is expected to launch in F2022, could add a significant boost towards valuation. Additionally, we view the early September acquisition of Twin Peaks (private) by FAT Brands Inc. (NASDAQ; FAT, NC) for \$300 million or 10-12x (\$25-30 million) projected normalized EBITDA as supportive towards the long-term value of Bombshells where we forecast revenues to reach \$70.8 million and pre-corporate expense operating income at \$16.8 million by F2023. The Moderately Risky rating reflects the uncertain duration of COVID-19 pressures on operations.</p>		
Key Risks	Consumer spending	Zoning laws	COVID-19 Closures

RCI HOSPITALITY HOLDINGS, INC.

Table 1: RCI Hospitality Holdings, Inc. Income Statement
(\$ in thousands, except per share data)

	Dec	Mar	Jun	Sep	F2020	Dec A	Mar A	Jun A	Sep E	F2021 E	Dec E	Mar E	Jun E	Sep E	F2022 E	F2023 E
Business segment revenues:																
Nightclubs	37,859	31,367	5,600	13,134	87,960	25,197	30,787	41,031	38,745	135,760	41,575	40,947	42,672	40,295	165,489	170,036
same store growth	-1.8%	-14.8%	NM	-13.4%	-10.0%	-43.0%	3.6%	645.0%	195.0%	200.2%	65.0%	33.0%	4.0%	4.0%	26.5%	2.8%
yoy growth	0.3%	-15.3%	-85.2%	-63.5%	-40.8%	-33.4%	-1.8%	632.7%	195.0%	198.1%	79.0%	33.0%	4.0%	4.0%	30.0%	21.8%
Bombshells	10,350	8,803	8,500	15,531	43,184	13,006	13,135	16,077	16,286	58,504	16,157	15,386	16,838	16,649	65,030	70,831
same store growth	19.2%	-13.8%	NM	50.4%	18.6%	16.0%	49.5%	50.0%	1.0%	29.1%	15.0%	8.0%	1.0%	1.0%	6.3%	4.0%
yoy growth	72.1%	17.0%	-2.9%	82.0%	40.1%	25.7%	49.2%	89.1%	4.9%	35.5%	24.2%	28.0%	4.7%	2.2%	11.2%	8.9%
Other	185	256	300	121	862	195	137	752	400	1484	200	300	350	900	1750	1750
Revenue	\$ 48,394	\$ 40,426	\$ 14,721	\$ 28,786	\$ 132,327	\$ 38,398	\$ 44,059	\$ 57,860	\$ 55,432	\$ 195,749	\$ 58,002	\$ 56,703	\$ 59,930	\$ 57,914	\$ 232,549	\$ 242,905
Operating income:																
Nightclubs	13,776	2,314	(3,088)	116	13,118	8,495	11,955	18,350	10,074	48,874	15,632	15,314	15,959	10,348	57,253	58,995
operating margin	36.4%	7.4%	-55.1%	0.9%	14.9%	33.7%	38.8%	44.7%	26.0%	36.0%	37.6%	37.4%	37.4%	25.7%	34.6%	34.7%
Bombshells	1,573	690	1,903	5,079	9,245	2,717	3,200	4,404	4,886	15,207	3,399	3,539	3,873	4,662	15,473	16,807
operating margin	15.2%	7.8%	22.4%	32.7%	21.4%	20.9%	24.4%	27.4%	30.0%	26.0%	21.0%	23.0%	23.0%	28.0%	23.8%	23.7%
Other	(207)	(178)	(95)	(204)	(684)	(75)	(139)	321	(204)	(97)	(75)	(100)	(50)	(150)	(375)	(275)
General corporate	(5,456)	(5,301)	(3,377)	(4,799)	(18,933)	(4,554)	(3,630)	(4,568)	(4,900)	(17,652)	(4,900)	(4,400)	(4,550)	(4,900)	(18,750)	(18,790)
Total operating income	9,686	(2,475)	(4,657)	192	2,746	6,667	11,386	18,507	9,856	46,332	14,057	14,353	15,232	9,960	53,601	56,737
Net other income (expense):	(2,459)	(2,436)	(2,349)	(2,347)	(9,591)	(2,176)	(2,292)	(2,200)	(1,907)	(8,575)	(1,591)	(1,601)	(1,564)	(1,555)	(6,312)	(5,605)
Pre-tax income	7,227	3,498	(6,464)	1,225	5,486	4,491	9,094	16,307	7,949	37,757	12,465	12,752	13,668	8,405	47,289	51,132
Income taxes	1,417	(785)	403	(30)	1,005	1,088	2,370	3,986	1,908	9,352	2,992	3,060	3,280	2,017	11,349	12,272
Net income	5,810	4,283	(6,867)	1,255	4,481	3,403	6,724	12,321	6,041	28,489	9,474	9,691	10,387	6,388	35,940	38,860
Net income	5,810	4,283	(6,867)	1,255	4,481	3,403	6,724	12,321	6,041	28,489	9,474	9,691	10,387	6,388	35,940	38,860
Less: minority interest	-	(41)	(94)	(92)	(227)	(134)	(59)	(19)	(25)	(237)	(25)	(25)	(25)	(25)	(100)	(100)
Net income attributable to RICK	5,810	4,324	(6,773)	1,347	4,708	3,537	6,783	12,302	6,066	28,726	9,499	9,716	10,412	6,413	36,040	38,960
EBITDA	11,890	8,013	(2,029)	5,564	23,616	8,690	13,503	20,709	12,057	54,875	16,557	16,853	17,732	12,460	63,601	67,037
Adjusted EPS	\$ 0.62	\$ 0.47	\$ (0.74)	\$ 0.15	\$ 0.50	\$ 0.39	\$ 0.75	\$ 1.37	\$ 0.67	\$ 3.18	\$ 1.06	\$ 1.08	\$ 1.16	\$ 0.71	\$ 4.01	\$ 4.33
Adjustments	\$ 0.02	\$ (0.84)	\$ 0.14	\$ (0.46)	\$ (1.14)	\$ 0.68	\$ (0.07)	\$ -	\$ (0.12)	\$ 0.49	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GAAP EPS	\$ 0.60	\$ (0.37)	\$ (0.60)	\$ (0.31)	\$ (0.68)	\$ 1.07	\$ 0.68	\$ 1.37	\$ 0.55	\$ 3.68	\$ 1.06	\$ 1.08	\$ 1.16	\$ 0.71	\$ 4.01	\$ 4.33
Shares Outstanding	9,322	9,225	9,125	9,124	9,124	9,019	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
% of Revenue:																
Nightclubs	78.2%	77.6%	38.0%	45.6%	66.5%	65.6%	69.9%	70.9%	69.9%	69.4%	71.7%	72.2%	71.2%	69.6%	71.2%	70.0%
Bombshells	21.4%	21.8%	57.7%	54.0%	32.6%	33.9%	29.8%	27.8%	29.4%	29.9%	27.9%	27.1%	28.1%	28.7%	28.0%	29.2%
Operating income	20.0%	-6.1%	-31.6%	0.7%	2.1%	17.4%	25.8%	32.0%	17.8%	23.7%	24.2%	25.3%	25.4%	17.2%	23.0%	23.4%
EBITDA	24.6%	19.8%	-13.8%	19.3%	17.8%	22.6%	30.6%	35.8%	21.8%	28.0%	28.5%	29.7%	29.6%	21.5%	27.3%	27.6%
Tax	19.6%	-22.4%	-6.2%	-2.4%	18.3%	24.2%	26.1%	24.4%	24.0%	24.8%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Net income	12.0%	10.6%	-46.6%	4.4%	3.4%	8.9%	15.3%	21.3%	10.9%	14.6%	16.3%	17.1%	17.3%	11.0%	15.5%	16.0%
YoY Growth:																
Operating income	-3.5%	-42.1%	-141.2%	-51.1%	-59.9%	-31.2%	90.8%	-400.8%	111.5%	151.5%	95.7%	8.6%	-1.1%	6.4%	20.3%	6.8%
EBITDA	-1.6%	-35.7%	-116.5%	-42.4%	-49.2%	-26.9%	68.5%	-1120.6%	116.7%	132.4%	90.5%	24.8%	-14.4%	3.3%	15.9%	5.4%
Net Income	-3.5%	-29.3%	-220.3%	-72.8%	-80.0%	-41.4%	57.0%	-279.4%	381.4%	535.8%	178.4%	44.1%	-15.7%	5.7%	26.2%	8.1%
Adjusted EPS	1.6%	-25.6%	-226.0%	-69.2%	-78.4%	-37.1%	60.8%	-284.2%	356.6%	536.0%	169.1%	43.2%	-15.4%	5.7%	26.1%	8.0%
GAAP EPS	-7.7%	-153.0%	-202.1%	NM	-134.2%	78.7%	-284.1%	-327.0%	-277.4%	-640.7%	-1.6%	57.9%	-15.4%	28.6%	9.1%	8.0%

Sources: Company reports and Sidoti & Company, LLC estimates

RCI HOSPITALITY HOLDINGS, INC.

Table 2: RCI Hospitality Holdings, Inc. Cash Flow
(\$ in thousands, except per share data)

	Dec	Mar	Jun	Sep	F2020	Dec A	Mar A	Jun A	Sep E	F2021 E	Dec E	Mar E	Jun E	Sep E	F2022 E	F2023 E
Cash flows from operating activities:																
Net income	\$ 5,634	\$ (3,493)	\$ (5,568)	\$ (2,885)	\$ (6,312)	\$ 9,509	\$ 6,032	\$ 12,321	\$ 4,966	\$ 32,828	\$ 9,499	\$ 9,716	\$ 10,412	\$ 6,413	\$ 36,040	\$ 38,960
Adjustments:																
Depreciation and amortization	2,204	2,257	2,235	2,140	8,836	2,023	2,117	2,057	2,202	8,399	2,500	2,500	2,500	2,500	10,000	10,300
Deferred taxes	(150)	(1,005)	(362)	249	(1,268)	-	-	(430)	-	-	-	-	-	-	-	-
Amortization of note discount	61	68	65	42	236	51	50	59	-	-	-	-	-	-	-	-
Gain on insurance	(20)	(19)	6	-	-	(250)	-	-	-	-	-	-	-	-	-	-
Gain on debt extinguishment	-	-	-	-	-	(4,920)	(378)	-	-	-	-	-	-	-	-	-
Loss or Gain on sale of property and other	42	-	(791)	(28)	(262)	28	125	(712)	-	-	-	-	-	-	-	-
Doubtful accounts reversal	-	-	-	-	-	(93)	35	-	-	-	-	-	-	-	-	-
Impairment of assets	-	8,210	982	1,423	10,615	-	1,401	271	-	-	-	-	-	-	-	-
Gain on sale of marketable securities / insurance	-	62	41	-	-	-	(44)	(9)	-	-	-	-	-	-	-	-
Deferred rents and non cash lease expense	329	496	914	1,113	2,922	421	427	470	-	-	-	-	-	-	-	-
Changes in operating assets and liabilities:																
Accounts receivable	2,345	(428)	(1,970)	(241)	(294)	1,433	1,704	1,172	(2,905)	1,404	1,233	(242)	(40)	(1,959)	(1,008)	1,623
Inventory	(141)	4	108	255	226	(22)	(9)	(76)	(1,081)	(1,188)	(245)	(158)	68	5	(330)	(170)
Prepaid expenses and other assets	1,565	1,275	2,102	(3,309)	1,633	1,125	369	852	0	2,346	0	0	0	0	0	0
Accounts payable and accrued liabilities	(1,596)	(5,719)	2,404	4,726	(185)	(3,031)	(857)	(1,004)	(424)	(5,316)	(1,403)	128	2,399	(708)	416	(1,529)
Net cash provided by operating activities	10,273	1,708	166	3,485	15,632	6,274	10,972	14,971	2,758	34,975	11,583	11,944	15,339	6,251	45,117	49,185
Additions to property and equipment	(4,058)	(1,265)	(242)	(171)	(5,736)	(1,289)	(5,429)	(4,070)	(1,200)	(11,988)	(1,200)	(1,200)	(1,200)	(1,200)	(4,800)	(4,800)
Proceeds from sale of assets	51	54	1,936	180	2,221	-	8	3,205	-	3,213	-	-	-	-	-	-
Purchase of investments / insurance proceeds	932	13	-	21	966	250	44	34	-	328	-	-	-	-	-	-
Proceeds from sale of marketable securities	357	46	1,152	-	1,555	26	35	-	-	61	-	-	-	-	-	-
Acquisition of businesses, net of cash acquired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash used in investing activities	(2,718)	(1,152)	2,846	30	(994)	(1,013)	(5,342)	(831)	(1,200)	(8,386)	(1,200)	(1,200)	(1,200)	(1,200)	(4,800)	(4,800)
Payments on long-term debt	(2,081)	(2,016)	(3,392)	(1,343)	(8,832)	(1,745)	(4,232)	(4,868)	(1,500)	(12,345)	(4,200)	(1,450)	(1,450)	(1,450)	(8,550)	(8,550)
Proceeds from long-term debt	318	562	5,623	-	6,503	-	2,176	-	-	2,176	12,300	-	-	-	12,300	-
Payments of dividends	(279)	(368)	(273)	(366)	(1,286)	(360)	(360)	(360)	(360)	(1,440)	(360)	(360)	(360)	(360)	(1,440)	(1,440)
Purchase of treasury stock	(6,441)	(2,047)	-	(996)	(9,484)	(1,794)	-	-	-	(1,794)	-	-	-	-	-	-
Payment of loan origination costs	-	-	-	-	-	-	(25)	-	-	(25)	-	-	-	-	-	-
Distribution to minority interests	(10)	(21)	-	-	(31)	-	-	-	-	-	-	-	-	-	-	-
Cash used in financing activities	(8,493)	(3,890)	1,958	(2,705)	(13,130)	(3,899)	(2,441)	(5,228)	(1,860)	(13,428)	7,740	(1,810)	(1,810)	(1,810)	2,310	(9,990)
Net increase in cash	(938)	(3,334)	4,970	810	1,508	1,362	3,189	8,912	(302)	13,161	18,123	8,934	12,329	3,241	42,627	34,395
Cash at beginning of period	14,097	13,159	9,825	14,795	14,097	15,605	16,967	20,156	29,068	15,605	28,766	46,890	55,823	68,153	28,766	71,394
Cash at end of period	13,159	9,825	14,795	15,605	15,605	16,967	20,156	29,068	28,766	28,766	46,890	55,823	68,153	71,394	71,394	105,789
Free cash flow	6,215	443	(76)	3,314	9,896	4,985	5,543	10,901	1,558	22,987	10,383	10,744	14,139	5,051	40,317	44,385
Free cash flow per share	\$0.67	\$0.05	(\$0.01)	\$0.36	\$1.08	\$0.55	\$0.62	\$1.21	\$0.17	\$2.55	\$1.15	\$1.19	\$1.57	\$0.56	\$4.48	\$4.93
FCF as a % of revenue	12.8%	1.1%	-0.5%	11.5%	7.5%	13.0%	12.6%	18.8%	2.8%	11.7%	17.9%	18.9%	23.6%	8.7%	17.3%	18.3%
Maintenance capital expenditures	1,021	1,090	-	40	2,151	605	1,986	2,017	800	5,408	800	800	800	800	3,200	3,200
Adjusted free cash flow (operation cash - maintenance CAPEX)	9,252	618	166	3,445	13,481	5,669	8,986	12,954	1,958	29,567	10,783	11,144	14,539	5,451	41,917	45,985
Adjusted free cash flow per share	\$0.99	\$0.07	\$0.02	\$0.38	\$1.48	\$0.63	\$1.00	\$1.44	\$0.22	\$3.29	\$1.20	\$1.24	\$1.62	\$0.61	\$4.66	\$5.11
Adjusted FCF as a % of revenue	19.1%	1.5%	1.1%	12.0%	10.2%	14.8%	20.4%	22.4%	3.5%	15.1%	18.6%	19.7%	24.3%	9.4%	18.0%	18.9%

Sources: Company reports and Sidoti & Company, LLC estimates

RCI HOSPITALITY HOLDINGS, INC.

Table 3: RCI Hospitality Holdings, Inc. Balance Sheet
(\$ in thousands, except per share data)

	Dec	Mar	Jun	F2020	Dec A	Mar A	Jun A	F2021 E	Dec E	Mar E	Jun E	F2022 E	F2023 E
Assets													
Cash and equivalents	\$ 13,159	\$ 9,825	\$ 14,795	\$ 15,605	\$ 16,967	\$ 20,156	\$ 29,068	\$ 28,766	\$ 46,890	\$ 55,823	\$ 68,153	\$ 71,394	\$ 105,789
Accounts receivable	3,131	3,559	5,529	6,767	5,334	3,630	2,458	5,363	4,130	4,373	4,412	6,371	6,655
Marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory	2,739	2,735	2,627	2,372	2,394	2,403	2,479	3,560	3,805	3,963	3,895	3,890	4,077
Prepaid expenses and other current assets	11,870	10,648	5,399	6,689	5,559	12,616	9,166	9,166	9,166	9,166	9,166	9,166	9,166
Total current assets	30,899	26,767	28,350	31,433	30,254	38,805	43,171	46,855	63,991	73,325	85,626	90,821	125,687
Property and equipment, net	183,657	182,234	181,960	181,383	180,548	175,153	178,087	177,085	175,785	174,485	173,185	171,885	166,385
Notes receivable	4,149	4,087	2,896	2,908	2,965	2,892	2,819	0	0	0	0	0	0
Goodwill	53,630	47,109	47,109	45,686	45,686	45,686	45,440	45,440	45,440	45,440	45,440	45,440	45,440
Intangibles, net	75,795	74,251	73,224	73,077	73,149	73,070	73,019	73,019	73,019	73,019	73,019	73,019	73,019
Other	28,043	27,448	26,835	26,446	26,007	25,504	25,403	25,403	25,403	25,403	25,403	25,403	25,403
Total assets	376,173	361,896	360,374	360,933	358,609	361,110	367,939	367,803	383,638	391,672	402,673	406,568	435,934
Liabilities and Stockholders' Equity													
Accounts payable	3,202	2,805	3,955	4,799	3,601	4,021	4,909	4,485	3,082	3,210	5,609	4,901	5,137
Accrued liabilities	13,759	8,671	10,286	14,573	13,100	12,321	11,738	11,738	11,738	11,738	11,738	11,738	11,738
Current portion of long-term debt and lease liabilities	16,419	16,323	18,835	17,932	17,343	18,072	15,415	15,415	-	-	-	-	-
Total current liabilities	33,380	27,799	33,076	37,304	34,044	34,414	32,062	31,638	14,820	14,948	17,347	16,639	16,875
Deferred tax liability	21,508	20,503	20,141	20,390	20,390	20,390	19,960	19,960	19,960	19,960	19,960	19,960	19,960
Operating lease and other long-term liabilities	27,152	26,649	26,235	25,801	25,377	24,940	24,714	24,714	24,714	24,714	24,714	24,714	24,714
Long-term debt	126,928	125,669	125,487	125,131	119,136	116,032	113,908	112,408	123,208	121,758	120,308	118,858	111,758
Total liabilities	208,968	200,620	204,939	208,626	198,947	195,776	190,644	188,720	182,702	181,380	182,329	180,171	173,307
Total stockholders' equity	167,205	161,276	155,435	152,307	159,662	165,334	177,295	179,082	200,936	210,292	220,344	226,397	262,627
Total Liabilities and stockholders' equity	376,173	361,896	360,374	360,933	358,609	361,110	367,939	367,803	383,638	391,672	402,673	406,568	435,934
DSO	7	7	7	7	12	13	7	10	7	7	7	10	10
Inventory turnover	7.5x	7.5x	18.0x	7.5x	7.5x	7.5x	9.0x	9.0x	9.0x	9.0x	9.0x	9.0x	9.0x
Prepaid expenses as % sales	6.6%	5.7%	3.0%	3.6%	4.2%	9.5%	7.5%	6.9%	4.7%	4.7%	4.3%	4.7%	3.9%
Accounts pay % of COGS	12.8%	10.8%	15.5%	9.0%	9.0%	9.0%	16.0%	14.0%	9.0%	9.0%	16.0%	14.0%	14.0%
Net debt	157,340	158,816	155,762	\$127,458	144,889	138,888	124,969	123,771	101,032	90,649	76,869	72,178	30,683
Book value per share	\$17.94	\$17.48	\$17.03	\$16.69	\$17.50	\$18.33	\$19.70	\$19.90	\$22.33	\$23.37	\$24.48	\$25.16	\$29.18
Average ROE	13.7%	13.6%	12.6%	2.9%	2.9%	2.9%	1.5%	14.5%	15.7%	14.8%	17.3%	31.5%	29.2%
Total Debt to total capital	46.2%	46.8%	48.1%	48.4%	46.1%	44.8%	42.2%	41.6%	38.0%	36.7%	35.3%	34.4%	29.9%
Cash per share	\$1.37	\$1.05	\$1.60	\$1.71	\$1.86	\$2.21	\$3.22	\$3.20	\$5.21	\$6.20	\$7.57	\$7.93	\$11.75
Net debt including operating lease liabilities *	\$157,340	\$158,816	\$155,762	\$153,259	\$144,889	\$138,888	\$124,969	\$123,771	\$101,032	\$90,649	\$76,869	\$72,178	\$30,683
Total Debt and operating lease liabilities to total capital	50.5%	51.1%	52.3%	52.6%	50.3%	49.0%	46.5%	46.0%	42.4%	41.1%	39.7%	38.8%	34.2%
Net cash (debt and operating lease liabilities) per share	(\$16.39)	(\$16.55)	(\$16.71)	(\$16.61)	(\$15.88)	(\$15.22)	(\$13.70)	(\$13.72)	(\$11.23)	(\$10.07)	(\$8.54)	(\$8.02)	(\$3.41)

Sources: Company reports and Sidoti & Company, LLC estimates

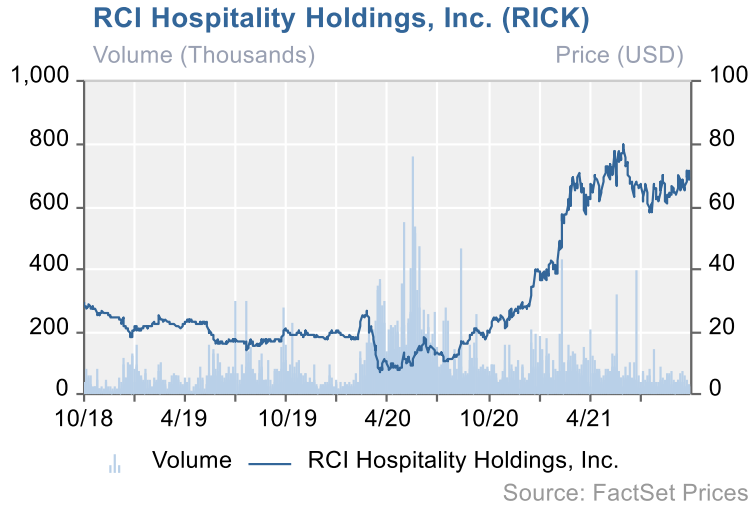
Appendix
Required Disclosures

Required Disclosures

RCI Hospitality Holdings, Inc. (RICK-\$68.51) NR Price Target: \$91 Risk Rating: M

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
PT	7/9/19	17.1		34	
Rating	7/19/19	16.8	Suspd	N/A	
Risk	7/19/19	16.8			N/a
Rating					
Initiation	10/21/19	19.4	NR	33	M
Rating	11/27/19	19.4	Suspended	33	
Initiation	3/6/20	18.7	NR	29	M
PT	4/6/20	8.2		22	
PT	8/11/20	14.5		27	
PT	9/8/20	21.1		29	
PT	10/8/20	24.6		32	
PT	12/4/20	28.4		32	
PT	12/15/20	30.4		35	
PT	1/12/21	37.5		42	
PT	2/5/21	49.2		48	
PT	2/10/21	47.3		55	
PT	4/8/21	65.1		65	
PT	4/26/21	65.4		76	
PT	5/11/21	73		83	
PT	5/28/21	75		86	
PT	7/8/21	61.9		86	
PT	7/26/21	66		86	
PT	8/4/21	63.2		86	
PT	8/6/21	64.9		89	
PT	9/13/21	69		89	



Valuation

We raise our price target to \$91 (from \$89) and maintain our Moderately Risky rating on RICK shares. Our price target of \$91 is based on about 21x our raised F2023 EPS estimate of \$4.33 and equates to 17.8x our adjusted free cash flow estimate of \$5.11 (our prior target of \$89 was based on about 21x our previous EPS estimate of \$4.24). Our price target and estimates do not include the agreement to acquire 11 clubs as the timing of the closings may vary, but we estimate the transaction would add up to \$0.68 in EPS on a go forward run rate basis if closed. We view the 21x multiple as warranted, given the organic growth opportunities from new Bombshell units (the concept could support up to 80 locations) coupled with inorganic growth potential via accretive night club acquisitions. While still early, we also note that the social media effort via Admire Me, which is expected to launch in F2022, could add a significant boost towards valuation. Additionally, we view the early September acquisition of Twin Peaks (private) by FAT Brands Inc. (NASDAQ; FAT, NC) for \$300 million or 10-12x (\$25-30 million) projected normalized EBITDA as supportive towards the long-term value of Bombshells where we forecast revenues to reach \$70.8 million and pre-corporate expense operating income at \$16.8 million by F2023. The Moderately Risky rating reflects the uncertain duration of COVID-19 pressures on operations.

Key Risks

Consumer spending Zoning laws COVID-19 Closures

Sidoti & Company. Sidoti & Company, LLC is a licensed broker/dealer, and publishes research reports about some of the securities it follows. All research published by Sidoti & Company, LLC is based on public information, or on information from the company discussed in the report that that company is required to promptly make public. This report was prepared for market professionals and institutional investor customers. Market professionals and institutional investors should consider this report as only one factor in making their investment decisions. This report is for information purposes only and is not intended as an offer to sell or a solicitation to buy securities. This research report is not a substitute for the exercise of your independent judgment. Information contained herein is based on sources we believe to be reliable but we do not guarantee their accuracy. The stock rating on this report reflects the analyst's recommendation based on a 12-month period. It should be presumed that the analyst who authored this report has had discussions with the subject company to ensure factual accuracy prior to publication.

Sidoti does NOT own securities of the issuers described herein, and Sidoti does not make a market in any securities. Sidoti does not engage in, or receive compensation from, any investment banking or corporate finance-related activities with the company discussed in the report. Sidoti's contracts with issuers protect Sidoti's full editorial control of all research, timing of release of reports, and release from liability for negative reports. To ensure further independence, the company discussed in the report has

agreed to a minimum coverage term of one Initiation Report and three Update Reports, which that company cannot unilaterally terminate earlier. Sidoti & Company, LLC takes steps to ensure analyst independence including setting fees in advance and utilizing analysts who must abide by the CFA Institute Code of Ethics and Standards of Professional Conduct. Each Sidoti & Company, LLC analyst has full discretion on the rating and revenue target based on his or her own due diligence. Analysts are paid in part based on overall profitability of Sidoti & Company, LLC. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Sidoti & Company, LLC for services described below. No part of analyst compensation was, or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article. All issuers to be considered for research obtain the approval of a stock selection committee comprised of the Director of Research, the Chief Compliance Officer, and an independent outside person for screening applicants.

Sidoti Company Sponsored Research Rating System The Sidoti & Company, LLC *Company Sponsored Research* rating system consists of “Moderately Risky” (M) and “Highly Risky” (H) ratings. “Moderately Risky” suggests companies, that while still subject to relatively high price volatility, are characterized by more stable and predictable cash flow, a more established operating history, and an operating environment that is somewhat less competitive with a potential for loss of principal. “Highly Risky” suggests high risk equities of companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, significant financial or legal issues, or a substantial risk/loss of principal. As of 10/01/21 and immediately prior to the publication of this report, Company Sponsored Research provides research on 30 companies, of which 25 (83.3%) are rated Moderately Risky and 5 (16.7%) are rated Highly Risky. *Earnings* targets and opinions concerning the composition of market sectors included in this report reflect analyst judgments as of this date and are subject to change without notice. A risk to our *earnings* targets is that the analyst’s estimates or forecasts may not be met. This report contains forward-looking statements, which involve risks and uncertainties. Actual results may differ significantly from such forward-looking statements. Factors that may cause such differences include, but are not limited to, those discussed in the “Risk Factors” section in the issuer’s SEC filings available in electronic format through SEC Edgar filings at www.sec.gov.

Every company in the Microcap sector bears certain inherent risks and Sidoti & Company, LLC will not provide any company subject to those risks with a rating below moderate because stock in the Microcap segment of the market have many risks that are not as prevalent in Large-Cap, Blue Chips, or even Small-Cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the Microcap segment of the market.

Sidoti & Company policy is to update research reports as and when the Research Analyst and Research Management deem appropriate, based on developments with the issuer, the sector, or the market that may have a material impact on the research views or opinions stated therein. In addition, certain Research publications are intended to be updated on a regular periodic basis (weekly/monthly/quarterly/annual) and will ordinarily be updated with that frequency, unless the Research Analyst and Research Management determine that a different publication schedule is appropriate based on current conditions.

Sidoti & Company Research does not provide individually tailored investment advice. Sidoti & Company Research has been prepared without regard to the circumstances and objectives of those who receive it. Sidoti & Company recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor’s circumstances and objectives. The securities, instruments, or strategies discussed in Sidoti & Company Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Sidoti & Company Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company’s securities/instruments.

These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations. The trademarks and service marks contained in Sidoti & Company Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data.

Investors should consider Sidoti & Company Research as only a single factor in making their investment decision. For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 212-453-7000. Alternatively you may contact your investment representative or Sidoti & Company Research at 1177 Avenue of the Americas 5th Floor, (Attention: Director of Research), New York, NY 10036 USA.

Compensation. Sidoti & Company, LLC receives a flat fee of \$40,000, renewable annually from the company discussed in Company Sponsored Research reports for the creation and dissemination of an Initiation Report and three Update Reports. The

purpose of the fee is to subsidize the high costs of research and monitoring. Sidoti holds multiple conferences a year and charges a fee of \$3,500 to \$5,500 per conference to presenting companies depending on the event. Sidoti does not currently have a current investment banking services relationship with companies discussed in Company Sponsored Research Reports, or contemporaneously with any other companies discussed in other (Sidoti) Company Sponsored Research reports. Investment banking services, as defined under FINRA Rule 2241, include, among other things, acting as an underwriter in, or as a member of the selling group in, a securities underwriting. Sidoti's role in any issuer's investment banking transaction can be viewed in that issuer's filings at www.sec.gov.

Sidoti has non-research employees who will seek compensation for brokerage commission revenue in connection with market trading the securities of this company. Sidoti & Company, LLC has received compensation for non-investment banking services on the Small-Cap Universe, and expects to receive additional compensation for non-investment banking services on the Small-Cap Universe, paid by issuers of securities covered by Sidoti & Company, LLC analysts. These non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, investment research, investment management, non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Sidoti & Company, LLC. RICK has paid a fee to Sidoti & Company, LLC to participate at the August 2021 Microcap Virtual Conference. RICK has paid a fee to Sidoti & Company, LLC to participate at the November 2020 Microcap Virtual Conference.

Sidoti Analysts. Sidoti policy does not allow an analyst or a member of their household (i) to own, trade, or have any beneficial interest in any securities of any company that analyst covers, or (ii) serve as an officer or director of a covered company. Sidoti employees, including research analysts, receive compensation that is based in part upon the overall performance of the firm, including revenues generated by Sidoti's investment banking and brokerage activities, but compensation is not directly related to investment banking or brokerage revenues.

Sidoti maintains and enforces written policies and procedures reasonably designed to prevent any controlling persons, officers (or persons performing similar functions), or employees of Sidoti from influencing the activities of research analysts and the content of research reports prepared by the research analyst. Sidoti research analysts seek to have management of their covered companies meet with investors during non-deal road shows. Analysts' compensation may be related to their success in scheduling non-deal road shows. This approach could be viewed as presenting potential conflicts of interest.

Reprints of Sidoti & Company, LLC reports are prohibited without permission. Additional information is available upon request. For any further questions, please contact the Chief Compliance Officer at Sidoti.

Analyst Certification. Gregory Pendency certifies that this report accurately reflects his/her personal views about the subject securities and issuers and that none of the research analyst's compensation was, is or will be, directly or indirectly, related to the analyst's specific recommendations or views contained in this research report.

Source

Key Statistics data is sourced from FactSet Research Systems