



RCI Hospitality Holdings, Inc. (RICK)

Maintain Moderately Risky Rating And \$120 Price Target As RICK Delivers A Solid Start To F2022 With 1Q:F22 Revenue Above Our Estimates

	F2020		F2021		F2022E		F2023E	
	OLD	NEW	OLD	NEW	OLD	NEW	OLD	NEW
Dec.	\$0.62	\$0.39			\$1.03		\$1.28	
Mar.	0.47	0.75			1.32		1.48	
June	(0.74)	1.37			1.37		1.57	
Sep.	0.15	1.58			1.26		1.39	
EPS (FY)	\$0.50	\$4.08			\$4.98		\$5.72	
EPS (Cal.)	\$0.27	\$4.72E			\$5.23			
P/E (FY)					17.8x		15.5x	
P/E (Cal.)		18.8x			17.0x			

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. F2020 excludes \$0.82 in non-recurring charges. 4Q:F21 excludes a net charge of \$1.32, mostly for asset impairment. 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. * Free Cash Flow per share presented on an adjusted basis which equals cash from operations less maintenance capex. ** Includes operating leases

Year	F2014	F2015	F2016	F2017	F2018	F2019	F2020	F2021	F2022E	F2023E
Rev.(Mil.)	\$121.4	\$135.4	\$134.9	\$144.9	\$165.8	\$181.1	\$132.3	\$195.3	\$263.1	\$289.8
GAAP EPS	\$1.13	\$0.87	\$1.10	\$0.85	\$2.23	\$2.10	(\$0.66)	\$3.37	\$4.98	\$5.72

Description: RCI Hospitality Holdings, Inc. (www.rcihospitality.com) owns and operates about 50 adult nightclubs under multiple brand names and an emerging military theme sports bar/restaurant concept named Bombshells (11 units as of December 2021). Headquarters are in Houston, TX.

- **This morning, RCI Hospitality reported that its 1Q:F22 nightclubs revenue totaled \$46.3 million versus our estimate of \$45.1 million. Bombshells revenue was \$14.8 million, compared with our forecast of \$15.2 million.**
- **Hence, on a combined basis, nightclubs and Bombshells revenue was \$61.1 million versus our projection of \$60.3 million.**
- **As we expect operating margin expansion to 25.5% in 1Q:F22 from 17.2% in 1Q:F21, we maintain our 1Q:F22 EPS estimate of \$1.03, which implies year-over-year growth of 163%.**
- **While the Omicron variant has resulted in temporary staffing shortages and moderation in customer traffic in some markets, we think these issues will be relatively short-lived given generally (though not always) milder symptoms associated with the latest variant of COVID-19.**
- **Looking forward, we anticipate RCI Hospitality to benefit from additional same-store sales gains along with recent acquisitions of 12 nightclubs (which increased this segment's unit count by more than 30%).**
- **In addition, we think there is potential for RICK to further consolidate the fragmented nightclub market, though no future acquisitions are included in our EPS estimates.**
- **Furthermore, we expect RICK to profit from the planned acceleration of the Bombshells concept to 26 units by the end of F2024, up from 11 currently.**
- **All in, we anticipate EPS of \$4.98 in F2022 and \$5.72 in F2023, which implies a two-year CAGR of 18%.**
- **As we expect the company's maintenance capex to remain modest, we expect RICK to generate adjusted free cash flow (cash from operations less maintenance capex) per share of \$5.47 in F2022 and \$6.06 in F2023.**
- **We maintain our price target of \$120, based on 21x our unchanged F2023 EPS estimate of \$5.72.**
- **Given the upside potential to this price target, we argue that RICK shares remain undervalued. We maintain our Moderately Risky rating.**

NR

Price Target: \$120

Price: \$88.69

Risk Rating: M

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Key Statistics

Analysts Covering	1
Market Cap (Mil)	\$840
Enterprise Value	\$935
52-Week Range (NASDAQ)	94-36
5-Year EPS CAGR	12%
Avg. Daily Trading Volume	51,000
Shares Out (Mil)	9.500
Float Shares (Mil)	8.336
Insider Ownership	16%
Institutional Holdings	47%
Annualized Dividend	\$0.16
Dividend Yield	0.2%
FCF Per Share (F2023E) *	\$6.06
FCF Yield (F2023E) *	6.8%
Net Cash Per Share (F2023E) **	(\$9.65)
Price to Book Value	4.6x
Return on Equity (F2023E)	21.1%
Total Debt to Capital	46%
Interest Coverage Ratio	5.3x
Short Interest %	2.1%
Short Interest Days To Cover	2.9
Russell 2000	2,140
Russell 2000 – Last 12 Months	4.0%
RICK – Last 12 Months	131.4%



Valuation	<p>We maintain our Moderately Risky rating on RICK shares with a \$120 price target. Our price target of \$120 is based on 21x our F2023 EPS estimate of \$5.72 and equates to about 20x our adjusted F2023 free cash flow estimate of \$6.06 and about 13x EV/estimated F2023 EBITDA. According to FactSet, during the last three years, RICK shares traded in a range of 3x-23x consensus two-year EPS estimates with an average P/E multiple of 11x. We view the 21x P/E as justified, given the organic growth potential from Bombshells, external growth opportunities through accretive nightclub acquisitions and robust operating margins that we expect to further increase from F2021's operating margin of 26.7%. We also argue that the pending launch of AdmireMe, a mobile friendly website aimed at connecting entertainers with consumers (expected to launch in 2Q:F22), could also benefit the valuation multiple for RICK.</p>		
Key Risks	Consumer spending	Zoning laws	COVID-19 uncertainty

RCI HOSPITALITY HOLDINGS, INC.

Table 1: RCI Hospitality Holdings, Inc. Income Statement
 (\$ in thousands, except per share data)
 Fiscal year ends on September 30

	F2019	F2020	Dec	Mar	Jun	Sep	F2021	Dec E	Mar E	Jun E	Sep E	F2022 E	Dec E	Mar E	Jun E	Sep E	F2023 E
Business segment revenues:																	
Nightclubs	148,606	88,373	25,197	30,787	41,031	40,333	137,348	46,297	49,462	51,479	50,413	197,651	49,047	50,698	52,766	51,825	204,336
<i>same store growth</i>	0.6%	-10.0%	-43.0%	3.6%	NM	31.5%	-2.1%	30.6%	29.8%	-5.0%	-6.0%	12.4%	2.7%	2.5%	2.5%	2.8%	2.6%
<i>yoy growth</i>	6.1%	-40.5%	-33.4%	-1.8%	582.4%	207.1%	55.4%	79.0%	60.7%	25.5%	25.0%	43.9%	79.0%	2.5%	2.5%	2.8%	3.4%
Bombshells	30,828	43,215	13,006	13,135	16,077	14,403	56,621	14,794	15,686	16,707	16,167	63,355	18,576	20,578	22,376	21,814	83,343
<i>same store growth</i>	-6.1%	18.6%	16.0%	48.7%	NM	-14.6%	7.7%	7.6%	8.0%	0.5%	1.0%	4.3%	1.9%	2.5%	4.0%	4.0%	3.1%
<i>yoy growth</i>	27.9%	40.2%	25.7%	49.2%	88.5%	-7.3%	31.0%	13.8%	19.4%	3.9%	12.2%	11.9%	25.6%	31.2%	33.9%	34.9%	31.5%
Other	1,625	739	195	137	752	205	1,289	195	350	350	1,000	1,895	210	300	350	1,020	1,880
Total revenue	\$ 181,059	\$ 132,327	\$ 38,398	\$ 44,059	\$ 57,860	\$ 54,941	\$ 195,258	\$ 61,287	\$ 65,567	\$ 68,607	\$ 67,650	\$ 263,111	\$ 67,905	\$ 71,648	\$ 75,564	\$ 74,730	\$ 289,847
Operating income (adjusted):																	
Nightclubs	53,301	23,625	8,463	11,958	18,279	17,417	56,117	18,061	20,675	21,107	20,417	80,259	19,913	21,293	22,162	20,574	83,943
<i>operating margin</i>	35.9%	26.7%	33.6%	38.8%	44.5%	43.2%	40.9%	39.0%	41.8%	41.0%	40.5%	40.6%	40.6%	42.0%	42.0%	39.7%	41.1%
Bombshells	2,337	9,515	2,755	3,192	4,421	3,041	13,409	2,849	3,137	3,492	3,233	12,712	3,697	4,527	4,923	4,581	17,727
<i>operating margin</i>	7.6%	22.0%	21.2%	24.3%	27.5%	21.1%	23.7%	19.3%	20.0%	20.9%	20.0%	20.1%	19.9%	22.0%	22.0%	21.0%	21.3%
Other	(309)	(253)	(47)	(105)	321	(72)	97	(125)	(100)	(50)	(150)	(425)	(125)	(75)	(50)	(75)	(325)
General corporate	(17,384)	(18,984)	(4,559)	(3,644)	(4,606)	(4,765)	(17,574)	(5,140)	(4,850)	(5,000)	(5,244)	(20,234)	(5,040)	(4,950)	(5,150)	(5,445)	(20,585)
Total operating income (adjusted)	37,945	13,903	6,612	11,401	18,415	15,621	52,049	15,645	18,862	19,548	18,257	72,312	18,445	20,795	21,885	19,635	80,760
Interest and other income (expense), net:	(9,900)	(9,549)	(2,374)	(2,292)	(2,209)	(2,217)	(9,092)	(2,713)	(2,443)	(2,510)	(2,552)	(10,218)	(2,445)	(2,368)	(2,292)	(2,275)	(9,380)
Pre-tax income	27,838	4,354	4,238	9,109	16,206	13,404	42,957	12,932	16,419	17,039	15,705	62,095	16,000	18,427	19,592	17,361	71,380
Income tax expense (benefit)	4,151	(128)	835	2,385	3,947	(776)	6,391	3,155	3,940	4,089	3,769	14,954	3,840	4,423	4,702	4,167	17,131
Net income (loss) - adjusted	23,687	4,482	3,403	6,724	12,259	14,180	36,566	9,777	12,478	12,949	11,936	47,140	12,160	14,005	14,890	13,194	54,249
Less: minority interest	117	(227)	(134)	(59)	19	(12)	(186)	(20)	(45)	(25)	(45)	(135)	(25)	(35)	(10)	(15)	(85)
Net income attributable to RICK (adjusted)	23,570	4,709	3,537	6,783	12,240	14,192	36,752	9,797	12,523	12,974	11,981	47,275	12,185	14,040	14,900	13,209	54,334
EBITDA	46,465	23,616	8,635	13,518	20,472	17,662	60,287	18,245	21,462	22,148	20,957	82,812	21,145	23,495	24,585	22,535	91,760
Adjusted EPS	\$ 2.44	\$ 0.51	\$ 0.39	\$ 0.75	\$ 1.36	\$ 1.58	\$ 4.08	\$ 1.03	\$ 1.32	\$ 1.37	\$ 1.26	\$ 4.98	\$ 1.28	\$ 1.48	\$ 1.57	\$ 1.39	\$ 5.72
Adjustments	\$ (0.34)	\$ (1.16)	\$ 0.68	\$ (0.07)	\$ 0.01	\$ (1.32)	\$ (0.71)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GAAP EPS	\$ 2.10	\$ (0.66)	\$ 1.07	\$ 0.68	\$ 1.37	\$ 0.26	\$ 3.37	\$ 1.03	\$ 1.32	\$ 1.37	\$ 1.26	\$ 4.98	\$ 1.28	\$ 1.48	\$ 1.57	\$ 1.39	\$ 5.72
Shares Outstanding	9,657	9,199	9,019	9,000	9,000	9,000	9,005	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500	9,500
% of Revenue:																	
Nightclubs	13.8%	66.8%	65.6%	69.9%	70.9%	73.4%	70.3%	75.5%	75.4%	75.0%	74.5%	75.1%	72.2%	70.8%	69.8%	69.3%	70.5%
Bombshells	27.5%	32.7%	33.9%	29.8%	27.8%	26.2%	29.0%	24.1%	23.9%	24.4%	23.9%	24.1%	27.4%	28.7%	29.6%	29.2%	28.8%
Operating income	20.8%	10.5%	17.2%	25.9%	31.8%	28.4%	26.7%	25.5%	28.8%	28.5%	27.0%	27.5%	27.2%	29.0%	29.0%	26.3%	27.9%
EBITDA	25.7%	17.8%	22.5%	30.7%	35.4%	32.1%	30.9%	29.8%	32.7%	32.3%	31.0%	31.5%	31.1%	32.8%	32.5%	30.2%	31.7%
Tax	14.9%	-2.9%	19.7%	26.2%	24.4%	-5.8%	14.9%	24.4%	24.0%	24.0%	24.0%	24.1%	24.0%	24.0%	24.0%	24.0%	24.0%
Net income	13.1%	3.4%	8.9%	15.3%	21.2%	25.8%	18.7%	16.0%	19.0%	18.9%	17.6%	17.9%	17.9%	19.5%	19.7%	17.7%	18.7%
YoY Growth:																	
Revenue	9.2%	-26.9%	-20.7%	9.0%	293.0%	90.9%	47.6%	59.6%	48.8%	18.6%	23.1%	34.8%	10.8%	9.3%	10.1%	10.5%	10.2%
Operating income	2.3%	-59.9%	-31.2%	65.8%	NM	1.3%	156.2%	107.4%	47.5%	-22.9%	165.8%	35.2%	14.1%	13.1%	13.4%	12.1%	13.2%
EBITDA	4.7%	-49.2%	-27.4%	65.0%	NM	217.4%	155.3%	111.3%	58.8%	8.2%	18.7%	37.4%	15.9%	9.5%	11.0%	7.5%	10.8%
Net Income	12.8%	-81.1%	-41.4%	57.0%	NM	1029.9%	715.8%	187.3%	85.6%	5.6%	-15.8%	28.9%	24.4%	12.2%	15.0%	10.5%	15.1%
Adjusted EPS	12.5%	-79.0%	-37.1%	60.8%	NM	968.1%	697.3%	163.0%	74.9%	0.4%	-20.0%	21.9%	24.4%	12.1%	14.8%	10.3%	14.9%
GAAP EPS	-5.8%	-131.6%	76.8%	NM	NM	NM	NM	-3.5%	93.4%	-0.2%	392.8%	47.5%	24.4%	12.1%	14.8%	10.3%	14.9%

Sources: Company reports and Sidoti & Company, LLC estimates; NM = Not Meaningful

RCI HOSPITALITY HOLDINGS, INC.

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

Fiscal year ends on September 30

	F2019	Dec	Mar	Jun	Sep	F2020	Dec	Mar	Jun	Sep	F2021	Dec E	Mar E	Jun E	Sep E	F2022 E	F2023 E
Cash flows from operating activities:																	
Net income	\$ 19,326	\$ 5,634	\$ (3,493)	\$ (5,568)	\$ (2,885)	\$ (6,312)	\$ 9,509	\$ 6,032	\$ 12,321	\$ 2,288	\$ 30,150	\$ 9,797	\$ 12,523	\$ 12,974	\$ 11,981	\$ 47,275	\$ 54,334
Adjustments:																	
Depreciation and amortization	9,072	2,204	2,257	2,235	2,140	8,836	2,023	2,117	2,057	2,041	8,238	2,600	2,600	2,600	2,700	10,500	11,000
Deferred taxes	821	(150)	(1,005)	(362)	249	(1,268)	-	-	(430)	(823)	(1,253)	1,454	77	(608)	0	923	802
Amortization of note discount	334	61	68	65	42	236	51	50	59	151	311	-	-	-	-	0	0
Gain on insurance	-	(20)	(19)	6	-	-	(250)	-	-	(1,087)	(1,337)	-	-	-	-	-	-
Gain on debt extinguishment	-	-	-	-	-	-	(4,920)	(378)	-	-	(5,298)	-	-	-	-	-	-
Loss (Gain) on sale of property and other	(2,966)	42	-	(791)	(28)	(262)	28	125	(712)	(155)	(714)	-	-	-	-	0	0
Doubtful accounts reversal	-	-	-	-	-	-	(93)	35	-	(22)	(80)	-	-	-	-	-	-
Impairment of assets	6,040	-	8,210	982	1,423	10,615	-	1,401	271	11,940	13,612	-	-	-	-	-	-
Gain on sale of marketable securities / insurance	324	-	62	41	-	0	-	(44)	(9)	137	84	-	-	-	-	0	0
Deferred rents and non cash lease expense	282	329	496	914	1,113	2,922	421	427	470	411	1,729	-	-	-	-	0	0
Changes in operating assets and liabilities:																	
Accounts receivable	1,576	2,345	(428)	(1,970)	(241)	(294)	1,433	1,704	1,172	(5,078)	(769)	3,386	(412)	(206)	(2,406)	361	(733)
Inventory	(216)	(141)	4	108	255	226	(22)	(9)	(76)	(180)	(287)	(978)	(301)	(173)	(295)	(1,746)	(466)
Prepaid expenses and other assets	(681)	1,565	1,275	2,102	(3,309)	1,633	1,125	369	852	1,774	4,120	(3,172)	(2,080)	4,323	235	(693)	(4,575)
Accounts payable, accrued liabilities and other, net	3,262	(1,596)	(5,719)	2,404	4,726	(185)	(3,031)	(857)	(1,004)	(1,623)	(6,515)	(671)	1,139	2,790	(369)	2,889	2,163
Cash provided by operating activities	37,174	10,273	1,708	166	3,485	15,632	6,274	10,972	14,971	9,774	41,991	12,416	13,546	21,701	11,846	59,509	62,525
Additions to property and equipment	(20,708)	(4,058)	(1,265)	(242)	(171)	(5,736)	(1,289)	(5,429)	(4,070)	(2,723)	(13,511)	(6,200)	(3,200)	(2,200)	(10,200)	(21,800)	(23,500)
Proceeds from sale of assets	7,223	51	54	1,936	180	2,221	-	8	3,205	2,202	5,415	-	-	-	-	-	-
Purchase of investments / insurance proceeds	(320)	932	13	-	21	966	250	44	34	824	1,152	-	-	-	-	-	-
Proceeds from sale of marketable securities	158	357	46	1,152	-	1,555	26	35	-	69	130	-	-	-	-	-	-
Acquisition of businesses, net of cash acquired	(13,500)	-	-	-	-	-	-	-	-	-	-	(61,500)	-	-	-	(61,500)	-
Cash used in investing activities	(27,147)	(2,718)	(1,152)	2,846	30	(994)	(1,013)	(5,342)	(831)	372	(6,814)	(67,700)	(3,200)	(2,200)	(10,200)	(83,300)	(23,500)
Payments on long-term debt	(22,924)	(2,081)	(2,016)	(3,392)	(1,343)	(8,832)	(1,745)	(4,232)	(4,868)	(38,333)	(49,178)	(4,200)	(1,450)	(1,450)	(1,450)	(8,550)	(9,350)
Proceeds from long-term debt	13,511	318	562	5,623	-	6,503	-	2,176	-	36,314	38,490	68,700	-	-	-	68,700	-
Payments of dividends	(1,252)	(279)	(368)	(273)	(366)	(1,286)	(360)	(360)	(360)	(360)	(1,440)	(380)	(380)	(380)	(380)	(1,520)	(1,520)
Purchase of treasury stock	(2,901)	(6,441)	(2,047)	-	(996)	(9,484)	(1,794)	-	-	-	(1,794)	-	-	-	-	-	-
Payment of loan origination costs	(20)	-	-	-	-	-	(25)	-	(1,149)	-	(1,174)	-	-	-	-	-	-
Distribution to minority interests	(70)	(10)	(21)	-	-	(31)	-	-	-	-	-	-	-	-	-	-	-
Cash used in financing activities	(13,656)	(8,493)	(3,890)	1,958	(2,705)	(13,130)	(3,899)	(2,441)	(5,228)	(3,528)	(15,096)	64,120	(1,830)	(1,830)	(1,830)	58,630	(10,870)
Net increase in cash	(3,629)	(938)	(3,334)	4,970	810	1,508	1,362	3,189	8,912	6,618	20,081	8,836	8,516	17,671	(184)	34,839	28,155
Cash at beginning of period	17,726	14,097	13,159	9,825	14,795	14,097	15,605	16,967	20,156	29,068	15,605	35,686	44,522	53,038	70,709	35,686	70,525
Cash at end of period	14,097	13,159	9,825	14,795	15,605	15,605	16,967	20,156	29,068	35,686	35,686	44,522	53,038	70,709	70,525	70,525	98,681
Free cash flow (cash from operations - capex)	16,466	6,215	443	(76)	3,314	9,896	4,985	5,543	10,901	7,051	28,480	6,216	10,346	19,501	1,646	37,709	39,025
Free cash flow per share	\$1.71	\$0.67	\$0.05	(\$0.01)	\$0.36	\$1.08	\$0.55	\$0.62	\$1.21	\$0.78	\$3.16	\$0.65	\$1.09	\$2.05	\$0.17	\$3.97	\$4.11
FCF as a % of revenue	9.1%	12.8%	1.1%	-0.5%	11.5%	7.5%	13.0%	12.6%	18.8%	12.8%	14.6%	10.1%	15.8%	28.4%	2.4%	14.3%	13.5%
Maintenance capital expenditures	3,858	1,021	1,090	-	40	2,151	605	1,986	2,017	1,299	5,907	2,500	2,500	1,250	1,250	7,500	5,000
Adjusted free cash flow (cash from operations - maintenance capex)	33,316	9,252	618	166	3,445	13,481	5,669	8,986	12,954	8,475	36,084	9,916	11,046	20,451	10,596	52,009	57,525
Adjusted free cash flow per share	\$3.45	\$0.99	\$0.07	\$0.02	\$0.38	\$1.47	\$0.63	\$1.00	\$1.44	\$0.94	\$4.01	\$1.04	\$1.16	\$2.15	\$1.12	\$5.47	\$6.06
Adjusted FCF as a % of revenue	18.4%	19.1%	1.5%	1.1%	12.0%	10.2%	14.8%	20.4%	22.4%	15.4%	18.5%	16.2%	16.8%	29.8%	15.7%	19.8%	19.8%

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)

Fiscal year ends on September 30

	F2019	Dec	Mar	Jun	F2020	Dec	Mar	Jun	F2021	Dec E	Mar E	Jun E	F2022 E	F2023 E
Assets														
Cash and equivalents	\$ 14,097	\$ 13,159	\$ 9,825	\$ 14,795	\$ 15,605	\$ 16,967	\$ 20,156	\$ 29,068	\$ 35,686	\$ 44,522	\$ 53,038	\$ 70,709	\$ 70,525	\$ 98,681
Accounts receivable	6,289	3,131	3,559	5,529	6,767	5,334	3,630	2,458	7,570	4,184	4,596	4,802	7,209	7,941
Inventory	2,598	2,739	2,735	2,627	2,372	2,394	2,403	2,479	2,659	3,637	3,938	4,111	4,405	4,871
Prepaid expenses and other current assets	11,787	11,870	10,648	5,399	6,689	5,559	12,616	9,166	7,035	6,323	7,551	7,311	7,311	9,864
Total current assets	34,771	30,899	26,767	28,350	31,433	30,254	38,805	43,171	52,950	58,667	69,124	86,933	89,450	121,357
Property and equipment, net	183,956	183,657	182,234	181,960	181,383	180,548	175,153	178,087	175,952	197,552	198,152	197,752	205,252	217,752
Notes receivable	4,211	4,149	4,087	2,896	2,908	2,965	2,892	2,819	2,839	2,814	2,792	2,767	2,745	2,651
Goodwill	53,630	53,630	47,109	47,109	45,686	45,686	45,686	45,440	39,379	59,945	59,945	59,945	59,945	59,945
Intangibles, net	75,951	75,795	74,251	73,224	73,077	73,149	73,070	73,019	67,824	84,674	84,674	84,674	84,674	84,674
Other	1,118	28,043	27,448	26,835	26,446	26,007	25,504	25,403	25,675	29,583	30,457	26,399	26,399	27,455
Total assets	353,637	376,173	361,896	360,374	360,933	358,609	361,110	367,939	364,619	433,235	445,143	458,470	468,465	513,834
Liabilities and Stockholders' Equity														
Accounts payable	\$ 3,810	3,202	2,805	3,955	\$ 4,799	3,601	4,021	4,909	\$ 4,408	2,946	3,189	5,919	\$ 5,550	\$ 6,138
Accrued liabilities	14,644	13,759	8,671	10,286	14,573	13,100	12,321	11,738	10,403	11,194	12,089	12,150	12,150	13,198
Current portion of long-term debt and lease liabilities	15,754	16,419	16,323	18,835	17,932	17,343	18,072	15,415	8,214	6,600	6,600	6,600	6,600	8,500
Total current liabilities	34,208	33,380	27,799	33,076	37,304	34,044	34,414	32,062	23,025	20,740	21,879	24,669	24,300	27,835
Deferred tax liability	21,658	21,508	20,503	20,141	20,390	20,390	20,390	19,960	19,137	20,591	20,668	20,060	20,060	20,862
Operating lease and other long-term liabilities	1,696	27,152	26,649	26,235	25,801	25,377	24,940	24,714	24,500	25,700	25,700	25,700	25,700	25,950
Long-term debt	127,774	126,928	125,669	125,487	125,131	119,136	116,032	113,908	118,734	176,634	175,184	173,734	165,684	155,884
Total liabilities	185,336	208,968	200,620	204,939	208,626	198,947	195,776	190,644	185,396	243,665	243,431	244,163	235,744	230,531
Total stockholders' equity	168,301	167,205	161,276	155,435	152,307	159,662	165,334	177,295	179,223	189,570	201,713	214,307	232,721	283,303
Total Liabilities and stockholders' equity	353,637	376,173	361,896	360,374	360,933	358,609	361,110	367,939	364,619	433,235	445,143	458,470	468,465	513,834
Other Metrics														
DSO	7	7	7	7	7	12	13	7	10	7	7	7	10	10
Inventory turnover	7.5x	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	6.8%	6.6%	5.7%	3.0%	3.6%	4.2%	9.5%	7.5%	5.3%	3.2%	3.9%	3.4%	3.7%	3.7%
Accounts pay % of COGS	9.0%	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	131,127	157,340	158,816	155,762	127,458	144,889	138,888	124,969	115,762	164,412	154,446	135,325	127,459	91,653
Book value per share	\$17.43	\$17.94	\$17.48	\$17.03	\$16.56	\$17.36	\$18.33	\$19.70	\$19.91	\$21.05	\$21.23	\$22.56	\$24.50	\$29.82
Average ROE	14.6%	14.4%	13.4%	5.7%	2.9%	1.5%	3.0%	14.4%	22.2%	24.6%	26.6%	25.3%	40.6%	21.1%
Total Debt to total capital	46.0%	46.2%	46.8%	48.1%	48.4%	46.1%	44.8%	42.2%	41.5%	49.2%	47.4%	45.7%	42.5%	36.7%
Cash per share	\$1.47	\$1.36	\$1.05	\$1.60	\$1.71	\$1.86	\$2.19	\$3.22	\$3.97	\$4.95	\$5.89	\$7.44	\$7.42	\$10.39
Net debt including operating lease liabilities *	\$167,327	\$157,340	\$158,816	\$155,762	\$153,259	\$144,889	\$138,888	\$124,969	\$115,762	\$164,412	\$154,446	\$135,325	\$127,459	\$91,653
Total Debt and operating lease liabilities to total capital	51.6%	50.5%	51.1%	52.3%	52.6%	50.3%	49.0%	46.5%	45.8%	52.4%	50.7%	49.0%	46.0%	40.2%
Net cash (debt and operating lease liabilities) per share	(\$17.39)	(\$16.39)	(\$16.45)	(\$16.71)	(\$16.61)	(\$15.88)	(\$15.22)	(\$13.59)	(\$12.84)	(\$18.27)	(\$17.16)	(\$15.03)	(\$13.42)	(\$9.65)

Sources: Company reports and Sidoti & Company, LLC estimates

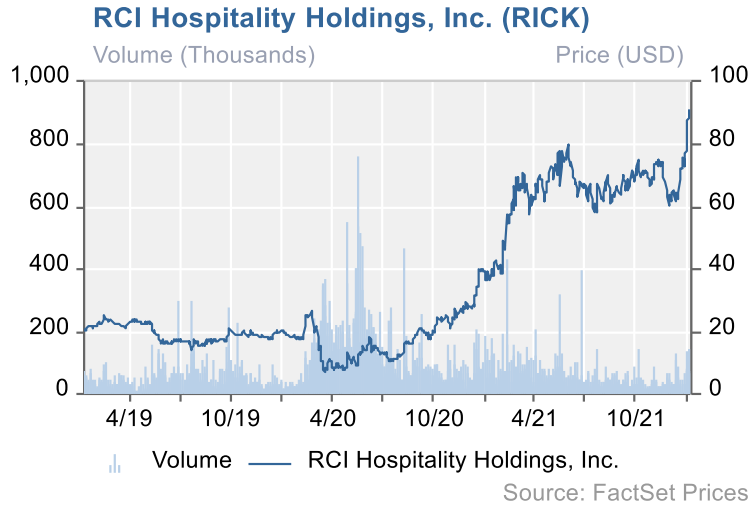
Appendix
Required Disclosures

Required Disclosures

RCI Hospitality Holdings, Inc. (RICK-\$88.69) NR Price Target: \$120 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 maintain our Moderately Risky rating on RICK shares with a \$120 price target. Our price target of \$120 is based on 21x our F2023 EPS estimate of \$5.72 and equates to about 20x our adjusted F2023 free cash flow estimate of \$6.06 and about 13x EV/estimated F2023 EBITDA. According to FactSet, during the last three years, RICK shares traded in a range of 3x-23x consensus two-year EPS estimates with an average P/E multiple of 11x. We view the 21x P/E as justified, given the organic growth potential from Bombshells, external growth opportunities through accretive nightclub acquisitions and robust operating margins that we expect to further increase from F2021's operating margin of 26.7%. We also argue that the pending launch of AdmireMe, a mobile friendly website aimed at connecting entertainers with consumers (expected to launch in 2Q:F22), could also benefit the valuation multiple for RICK.		
Key Risks	Consumer spending	Zoning laws	COVID-19 uncertainty

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