

RICKS CABARET INTERNATIONAL INC
Form 10-Q
February 09, 2011
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2010

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

Commission File Number: 001-13992

RICK'S CABARET INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

76-0458229
(I.R.S. Employer Identification No.)

10959 Cutten Road
Houston, Texas 77066
(Address of principal executive offices) (Zip Code)

(281) 397-6730
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No NOT APPLICABLE

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

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

As of January 31, 2011, 9,970,020 shares of the Registrant's Common Stock were outstanding.

RICK'S CABARET INTERNATIONAL, INC.

TABLE OF CONTENTS

PART I	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Consolidated Balance Sheets as of December 31, 2010 and September 30, 2010	1
	Consolidated Statements of Income for the three months ended December 31, 2010 and 2009	3
	Consolidated Statements of Cash Flows for the three months ended December 31, 2010 and 2009	4
	Notes to Consolidated Financial Statements	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	24
Item 4.	Controls and Procedures	24
PART II	OTHER INFORMATION	
Item 1.	Legal Proceedings	25
Item 1A.	Risk Factors	25
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	25
Item 6.	Exhibits	26
	Signatures	27

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

(in thousands, except per share data)	December 31, 2010 (UNAUDITED)	September 30, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 18,719	\$ 19,168
Accounts receivable:		
Trade, net	830	888
Other, net	278	204
Marketable securities	479	-
Inventories	1,481	1,264
Deferred tax asset	1,753	1,504
Prepaid expenses and other current assets	716	951
Assets of discontinued operations	133	148
Total current assets	24,389	24,127
Property and equipment, net	59,262	59,559
Other assets:		
Goodwill and indefinite lived intangibles, net	62,076	62,076
Definite lived intangibles, net	1,080	1,197
Other	1,520	1,412
Total other assets	64,676	64,685
Total assets	\$ 148,327	\$ 148,371

See accompanying notes to consolidated financial statements.

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

(in thousands, except per share data)	December 31, 2010 (UNAUDITED)	September 30, 2010
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 629	\$ 731
Accrued liabilities	4,106	4,529
Texas patron tax liability	4,650	3,955
Current portion of derivative liabilities	1,236	1,276
Current portion of long-term debt	8,663	7,883
Liabilities of discontinued operations	53	47
Total current liabilities	19,337	18,421
Deferred tax liability	15,456	15,566
Other long-term liabilities	736	719
Long-term debt	33,446	34,803
Derivative liabilities at fair value, less current portion	816	1,243
Total liabilities	69,791	70,752
Commitments and contingencies		
Temporary equity - Common stock, subject to put rights 183 and 293 shares, respectively	4,020	4,366
PERMANENT STOCKHOLDERS' EQUITY:		
Preferred stock, \$.10 par, 1,000 shares authorized; none issued and outstanding	-	-
Common stock, \$.01 par, 20,000 shares authorized; 9,676 and 9,766 shares issued and outstanding, respectively	97	98
Additional paid-in capital	61,542	62,326
Accumulated other comprehensive loss	(26)	-
Retained earnings	9,590	7,515
Total Rick's permanent stockholders' equity	71,203	69,939
Noncontrolling interests	3,313	3,314
Total permanent stockholders' equity	74,516	73,253
Total liabilities and stockholders' equity	\$ 148,327	\$ 148,371

See accompanying notes to consolidated financial statements.

RICK'S CABARET INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	Three Months Ended December 31, 2010 2009 (UNAUDITED)	
Revenues:		
Sales of alcoholic beverages	\$ 8,359	\$ 8,050
Sales of food and merchandise	1,784	1,590
Service revenues	9,412	9,292
Internet revenues	125	145
Media revenues	216	257
Other	962	671
Total revenues	20,858	20,005
Operating expenses:		
Cost of goods sold	2,518	2,456
Salaries and wages	4,676	4,310
Stock-based compensation	-	44
Other general and administrative:		
Taxes and permits	3,063	2,836
Charge card fees	364	346
Rent	1,079	993
Legal and professional	485	650
Advertising and marketing	1,183	2,938
Depreciation and amortization	1,072	842
Insurance	303	262
Utilities	406	406
Other	1,579	1,536
Total operating expenses	16,728	17,619
Income from operations	4,130	2,386
Other income (expense):		
Interest income	12	4
Interest expense	(1,124)	(1,029)
Gain on change in fair value of derivative instruments	148	44
Income from continuing operations before income taxes	3,166	1,405
Income taxes	1,026	514
Income from continuing operations	2,140	891
Loss from discontinued operations, net of income taxes	(11)	(35)
Net income	2,129	856
Less: net income attributable to noncontrolling interests	(53)	(73)
Net income attributable to Rick's Cabaret International, Inc.	\$ 2,076	\$ 783

Edgar Filing: RICKS CABARET INTERNATIONAL INC - Form 10-Q

Basic earnings (loss) per share attributable to Rick's shareholders:			
Income from continuing operations	\$	0.21	\$ 0.09
Loss from discontinued operations		(0.00)	(0.00)
Net income	\$	0.21	\$ 0.08
Diluted earnings (loss) per share attributable to Rick's shareholders:			
Income from continuing operations	\$	0.21	\$ 0.09
Loss from discontinued operations		(0.00)	(0.00)
Net income	\$	0.21	\$ 0.08
Weighted average number of common shares outstanding:			
Basic		10,043	9,370
Diluted		10,045	9,385

Comprehensive income amounted to \$2,049 and \$783 for the three months ended December 31, 2010 and 2009, respectively. This includes the changes in available-for-sale securities and net income.

See accompanying notes to consolidated financial statements.

RICK'S CABARET INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands, except per share data)

FOR THE THREE MONTHS
ENDED DECEMBER 31,
2010 2009
(UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$	2,076	\$ 783
Loss from discontinued operations		11	35
Income from continuing operations		2,087	818
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization		1,072	842
Deferred taxes		(24)	63