



**Rick's Cabaret International, Inc.  
(NASDAQ: RICK)**

**2Q14 Earnings Call**

May 12, 2014

# Forward Looking Statements

Certain statements contained in this presentation regarding Rick's Cabaret future operating results or performance or business plans or prospects and any other statements not constituting historical fact are "forward-looking statements" subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. Where possible, the words "believe," "expect," "anticipate," "intent," "would," "will," "planned," "estimated," "potential," "goal," "outlook," and similar expressions, as they relate to the company or its management have been used to identify such forward-looking statements.

All forward-looking statements reflect only current beliefs and assumptions with respect to future business plans, prospects, decisions and results, and are based on information currently available to the company.

Accordingly, the statements are subject to significant risks, uncertainties and contingencies, which could cause the company's actual operating results, performance or business plans or prospects to differ materially from those expressed in, or implied by, these statements.

Such risks, uncertainties and contingencies include, but are not limited to, risks and uncertainties associated with (i) operating and managing an adult business, (ii) the business climates in cities where the company operates, (iii) the success or lack thereof in launching and building the company's businesses, (iv) the operational and financial results of the company's adult nightclubs, (v) conditions relevant to real estate transactions, (vi) the loss of key personnel, (vii) laws governing the operation of adult entertainment businesses, and (viii) the inability to open and operate our restaurants at a profit.

Additional factors that could cause the company's results to differ materially from those described in the forward-looking statements are described in forms filed with the SEC from time to time and available at [www.ricksinvestor.com](http://www.ricksinvestor.com) or on the SEC's internet website at [www.sec.gov](http://www.sec.gov).

Unless required by law, Rick's Cabaret does not undertake any obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

# Explanation of Non-GAAP Terms

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 some recurring charges that are included in 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 exclude from non-GAAP operating income and non-GAAP operating margin amortization of intangibles, patron taxes, pre-opening costs, gains and losses from asset sales, stock-based compensation charges, litigation and other one-time legal settlements and acquisition costs. 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 Basic Share and per Diluted Share.** We exclude from non-GAAP net income and non-GAAP net income per diluted share and per basic share amortization of intangibles, patron taxes, pre-opening costs, income tax expense, impairment charges, gains and losses from asset sales, stock-based compensation, litigation and other one-time legal settlements and acquisition costs, and include the Non-GAAP provision for income taxes, calculated as the tax-effect at 35% effective tax rate of the pre-tax non-GAAP income before taxes less stock-based compensation, because we believe that excluding such measures helps management and investors better understand our operating activities.

**Adjusted EBITDA.** We exclude from Adjusted EBITDA depreciation expense, amortization of intangibles, income tax, interest expense, interest income, gains and losses from asset sales, acquisition costs, litigation and other one-time legal settlements and impairment charges because we believe that adjusting for such items helps management and investors better understand 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. Also, we exclude interest cost in our calculation of Adjusted EBITDA. 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.

Our Form 10-K for the year ended September 30, 2013 and our press release dated May 12, 2014 contain additional details relative to the non-GAAP financial measures and are posted on our website at [www.ricksinvestor.com](http://www.ricksinvestor.com).

# Overview (\$ in millions, except per share)

## 2Q14 Highlights (vs. 2Q13)

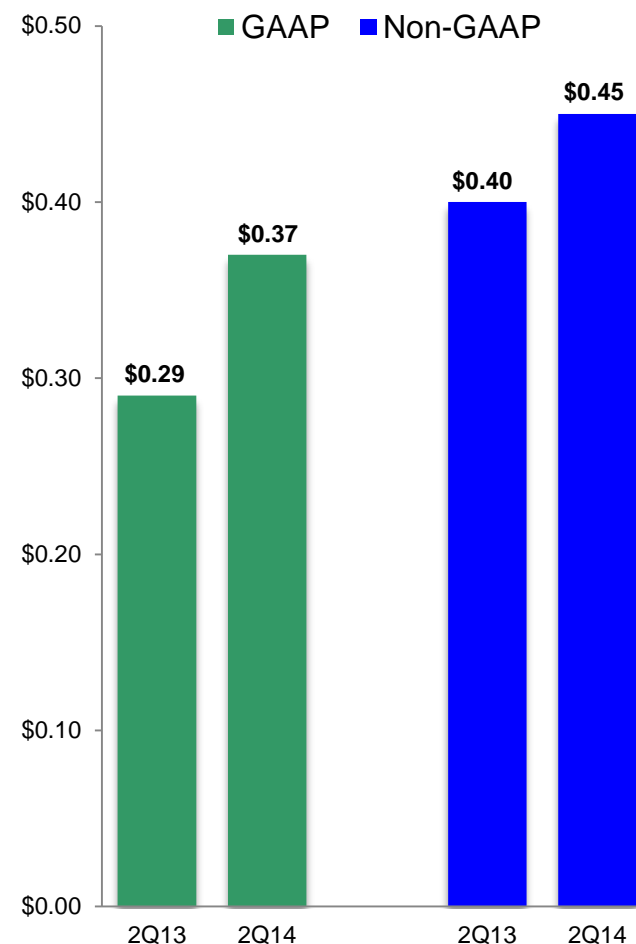
- Record EPS diluted
  - \$0.37 GAAP (up 27.6%)
  - \$0.45 Non-GAAP (up 12.5%)
- Higher level of revenues and operating margin
  - Revenues of \$32.9 (up 14.4%)
  - Operating margin of 22.7% vs. 21.5%
- Record cash generating power
  - Adjusted EBITDA of \$9.2 (up 23.1%)
- New disclosure item – pre-opening costs

## Updates

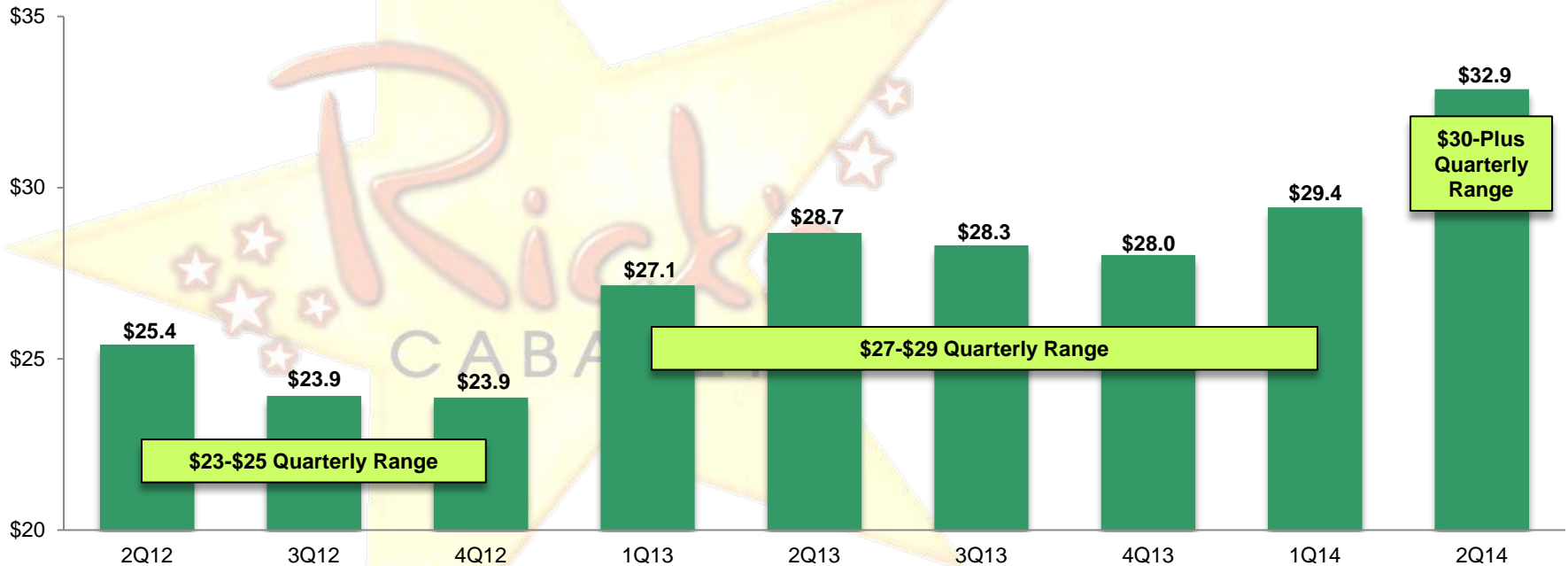
- New clubs and restaurants
- Club O acquisition
- REIT
- BOD explores buyback and dividend
- FY14 guidance



## EPS Diluted



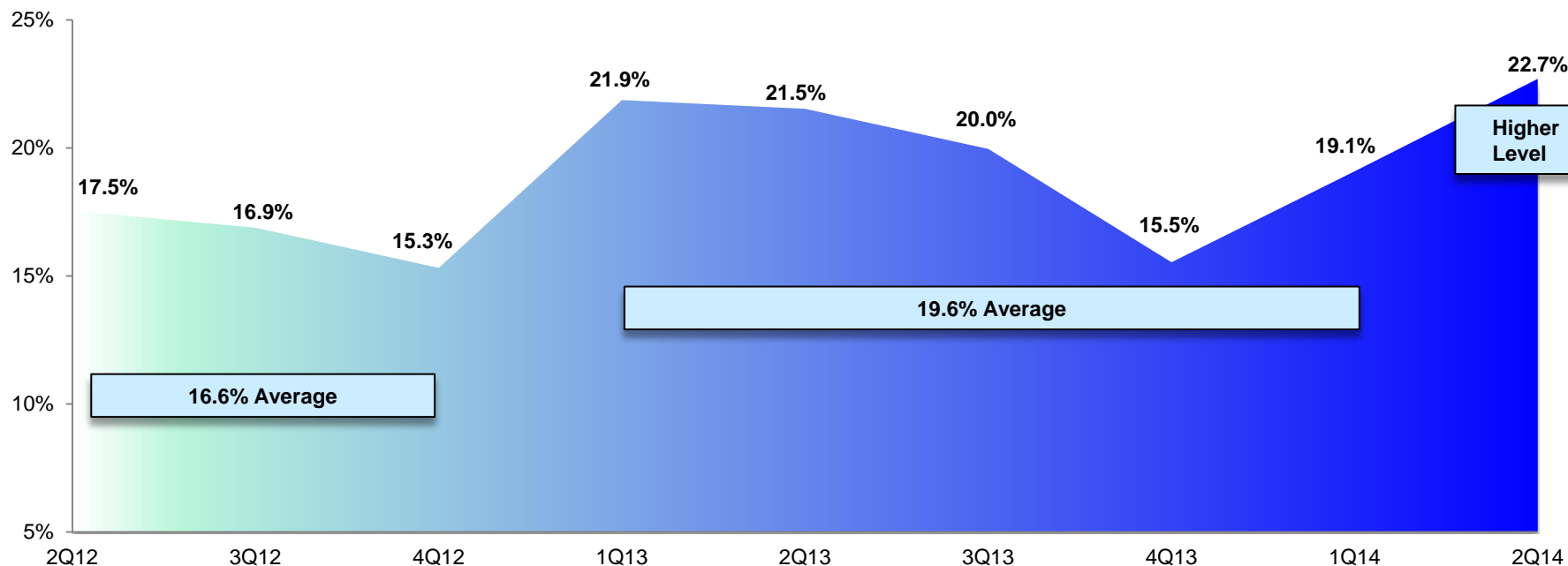
# Higher Level of Revenues (\$ in millions)



## 2Q14 Highlights

- \$5.6 in revenues from new clubs and restaurants (2 months Vivid NYC and Bombshells Webster, TX)
- Excluding Onyx, SSS up 3.8%, reflecting post-recession pricing strategy, despite a tough winter
- Pro-football championship (February), Big East Championship (March) benefitted NYC clubs
- However, organic performance and sales momentum country wide was more significant

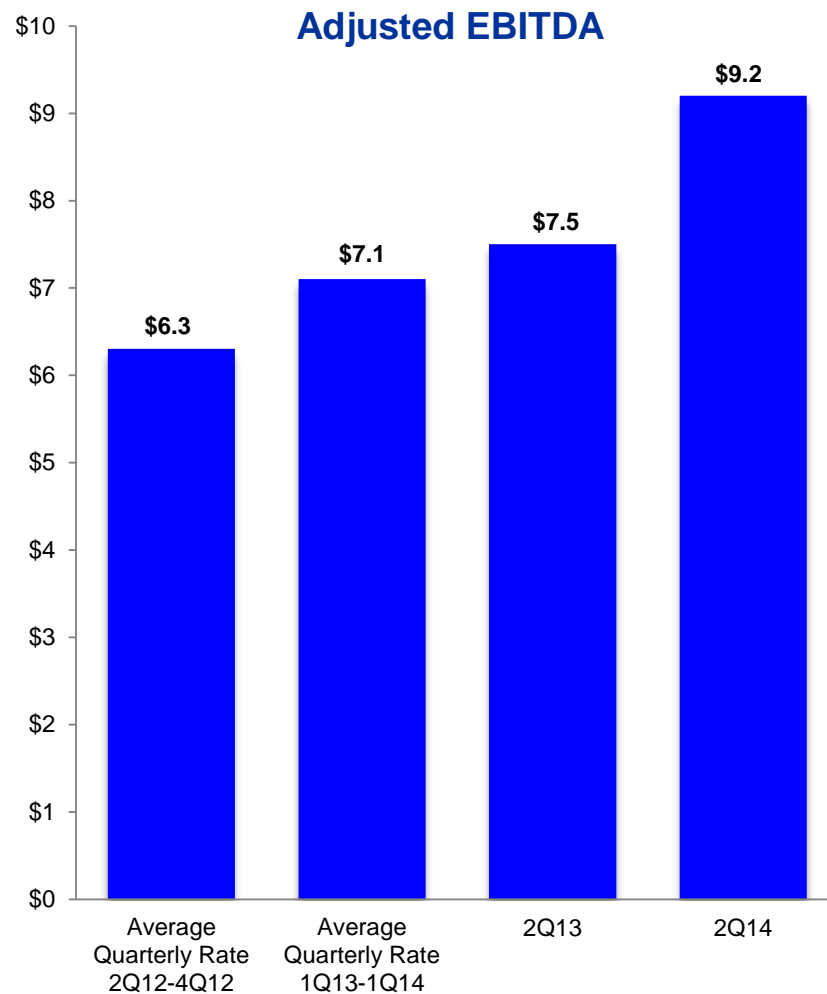
# Operating Margin (\$ in millions)



## 2Q14 Highlights (vs. 2Q13 as % of revenues)

- Reflects increased operating leverage
- Salaries and wages 20.9% vs. 21.4%
- Legal and professional 1.3% vs. 3.4%
- Insurance 3.0% vs. 2.0%
- Rent+interest 9.4% vs. 8.8%  
(rent= 3.5% vs. 2.7%, interest 5.9% vs. 6.1%)

# Record Op Inc & Adjusted EBITDA (\$ in millions)



*Rick's*

# Balance Sheet (3/31/14 vs. 12/31/13, \$ in millions)

## Paid Down \$4.7 in Debt

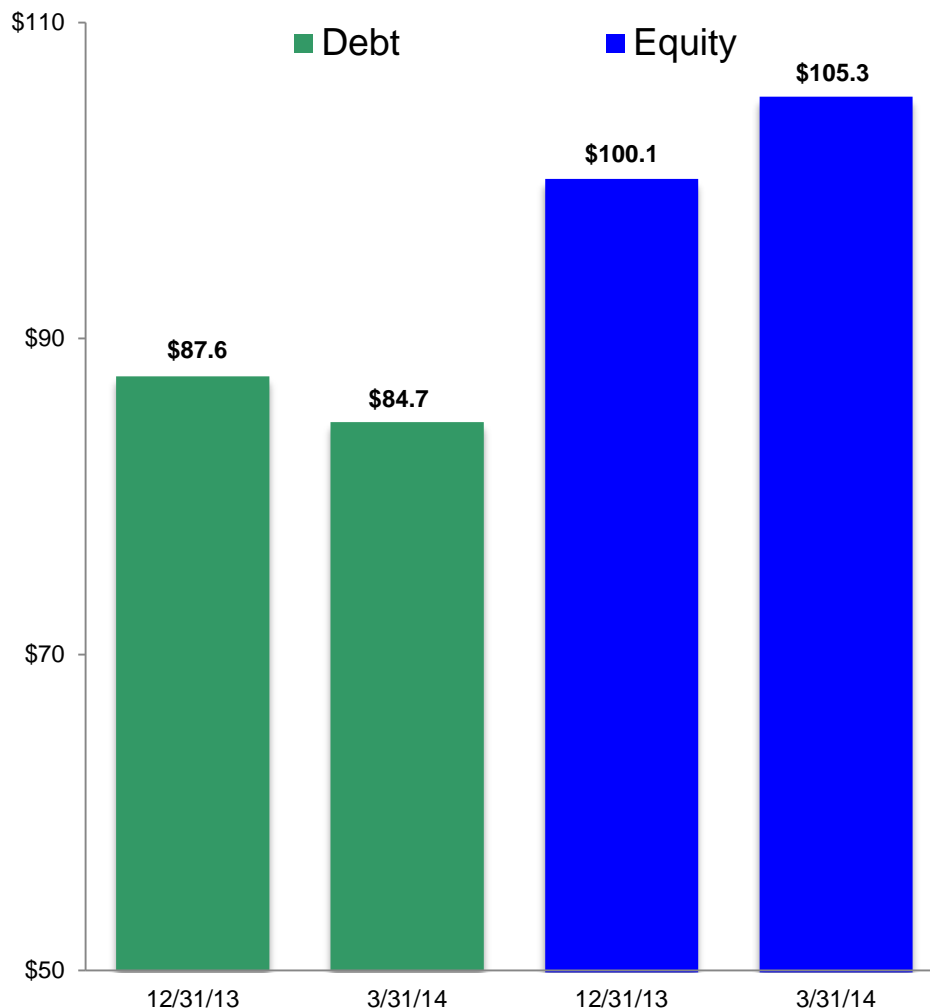
- \$3.6 in cash
- \$1.1 converted to stock
- Paid down \$0.8 Tootsies notes (\$1.6 1H14)
- Only \$3.7 Tootsies debt remains (our highest priced debt)

## Equity Up \$5.2

- Primarily reflects increase in retained earnings

## Assets Up \$4.3

- \$243.2 vs. \$238.9





OBJECTIVE  
 10 Restaurants  
 Open / In Active  
 Development by  
 12/31/14

# New Locations: More Growth Ahead



Count	2Q13	3Q13	4Q13	1Q14	2Q14	2nd Half FY14
16						Rick's-Odessa
15						Club O-Chicago
14						Bombshells-Austin
13						Bombshells-South Houston
12						Bombshells-Spring?
11					Vivid-NYC	
10					Bombshells-Webster	
9				Jaguars-Houston		
8				Black Orchid-Dallas		
7			Temptations-Beaumont			
6			Vivid-LA			
5			Ricky Bobby-Fort Worth			
4		Temptations-Sulphur, LA				
3	Jaguars-Beaumont					
2	Bombshells-Dallas					
1	Vee Lounge-Fort Worth					

# Bombshells Update (\$ in millions)

## Model

- \$1.2-\$1.8 investment
- \$3-\$4 annual revenues
- 15-25% operating margin as number of units expand
- Multiple locations in a single market
- Lease vs. own



- Named No. 1 restaurant of its kind by top young men's site
- Refining the concept
- Webster (SE Houston suburb) unit performing strongly
  - Opened late January
  - 2Q14 revenues rivaled many of our adult clubs
- Warm weather to benefit DFW restaurants



*Bombshells Restaurant and Bar offers great food and live entertainment*

*Come in for lunch or dinner*

*Enjoy meals ready to eat, like southwest egg rolls, stealth bomber burritos and more*

*Exciting atmosphere, great food, live entertainment, convenient location, plenty of parking*

## Club O Acquisition (\$ in millions)

- Major entry into the Chicago market
- Process of transferring license; once complete, we can close
- Cost: \$11.06 (including \$2.0 in RE)
- Located in suburb just south of Chicago
- Highly visible off interstates 294 and 80
- Occupies only 25% of its 56,000 square foot building
- Plan to convert building to our highly successful Tootsie's Cabaret mega club format
- Club O expected to remain open during construction



# REIT: Unlocking Real Estate Value

## Status

- Private REIT has been legally formed
- Company is moving forward expeditiously with it

## Potential Benefits

- Major liquidity event for Rick's and war chest to make acquisitions
- Turn Rick's into operating company, more comparable to other publicly-traded restaurant-bar chains



Rick's

# Board Explores Shareholder Equity Matters

## BOD Actions

- Approved an increase in available repurchase authorization to \$10 million
- Has begun exploring a dividend

## Rationale

- The Company expects to generate a higher level of cash
- Cash will enable Rick's to pay off higher priced debt
- Only \$3.7 million of Tootsies debt remains



# Refined FY14 Guidance

## Big Sports Events 2014

Event	Location
Final Four (4/5-4/7)	DFW
MLB All-Star Game (7/15)	Minneapolis

### Revenues: \$130 million

- 2Q14 sales affected by adverse weather
- Potential upside from major sporting events
- Full quarters of Vivid NYC and Bombshells Webster
- April same store sales, including Onyx, up ~4% vs. year ago
- Improvements already underway at Onyx units
- Opening of Rick's Cabaret Odessa and at least 1-2 more Bombshells

### Operating & Adjusted EBITDA Margin

- Expect ~\$2-3 million in higher pre-opening and legal costs in 2H14

### Guidance Continues to Anticipate Strong YoY Growth

\$ in MM, except EPS	FY14 Guidance	FY13	Change
Total revenues	\$130.0	\$112.2	+15.9%
GAAP EPS	\$1.10	\$0.96	+14.6%
Non-GAAP EPS	\$1.60	\$1.40	+14.3%

- Guidance does not assume any acquisitions of adult clubs, although that is part of the longer term 20% to 30% annual revenue growth target

## Due Diligence Ball

- If you are in the New York area tonight, please join us at
  - Vivid Cabaret New York, 61 W 37th St, New York, NY 10018, between 5th and 6th avenues
  - 6:00 pm-8:00 pm
  - “Behind the Scenes” tour
- For more information
  - Email: [gary.fishman@anreder.com](mailto:gary.fishman@anreder.com)

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