



RCI HOSPITALITY
HOLDINGS INC

NASDAQ: RICK

3Q14 Earnings Call

August 11, 2014

www.rcihospitality.com

Forward Looking Statements

Certain statements contained in this presentation regarding RCI Hospitality 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.rcihospitality.com or on the SEC's internet website at www.sec.gov.

Unless required by law, RCI Hospitality 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 August 11, 2014 contain additional details relative to the non-GAAP financial measures and are posted on our website at www.rcihospitality.com.

Overview

- Name Change
- Legal Settlements
- Record Revenues
- Increased Core Performance
- Strong Cash Generation
- Reaffirming FY14 Guidance
- Updating Capital Allocation Strategy
- Stepped Up Share Repurchases



“RCI Hospitality Holdings reflects how we have evolved into a substantial, more diverse enterprise. Since becoming a publicly traded company in 1995, when we had only one adult club, we have become an owner / operator of 43 adult clubs and sports bars / restaurants with multiple brand / formats across the US.”

– Eric Langan, President & CEO

Increased Core Performance

\$ in 000s except per share	GAAP EPS	Non-GAAP EPS	Operating Margin	Adjusted EBITDA
3Q14	\$0.07	\$0.35	8.7%	\$7,741
Add Back: Litigation and other one-time legal settlements	\$0.21	Already Added Back	9.7%	Already Added Back
Add Back: Loss on sale of property	\$0.02	\$0.02	1.0%	\$334
3Q14 Core Performance	\$0.30	\$0.37	19.4%	\$8,075
3Q13	\$0.23	\$0.36	19.3%	\$6,936
YoY Change	+31%	+11%	+10 bps	16%

Legal Settlements

- **\$3.2 million as announced 7/8/14, covered five cases**
 - Two injury
 - Two tax (Las Vegas, Philadelphia)
 - One copyright
- **Other pending cases**

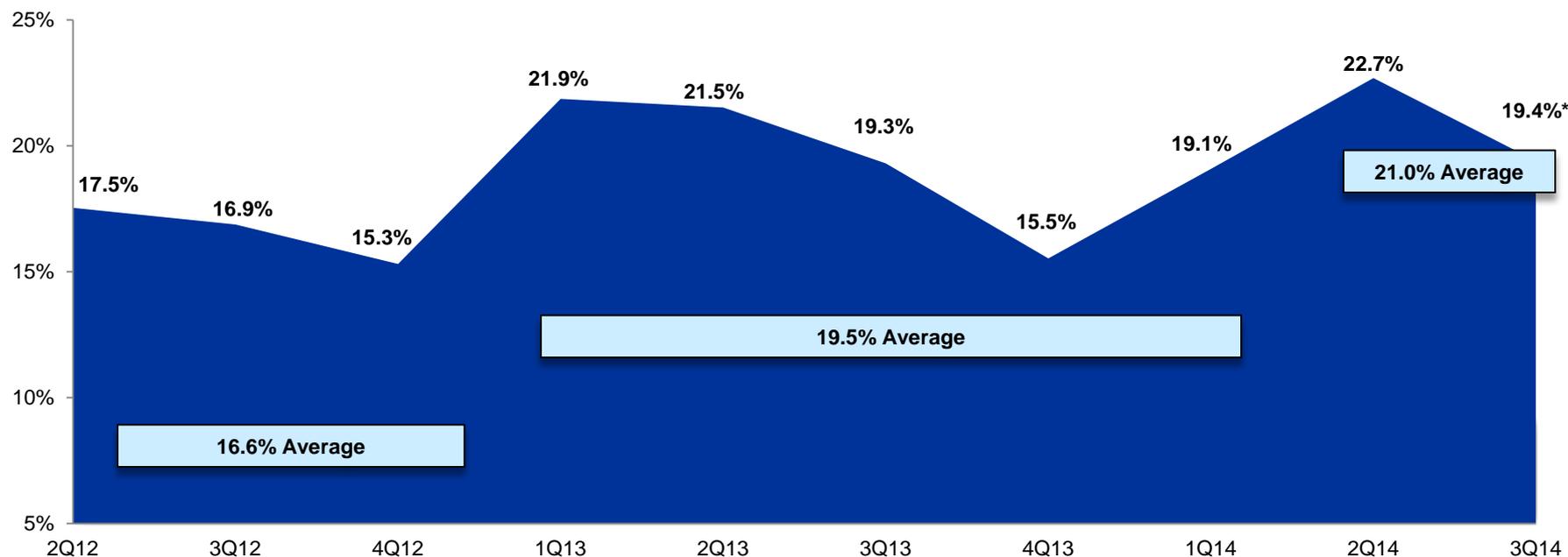
Record Revenues (\$ in millions)



3Q14 Highlights

- \$3.7 in revenues from new clubs and restaurants
- Includes full quarter of Vivid NYC and Bombshells Webster, TX , and initial Bombshells Austin
- Same store sales of \$28.7 up 5.1%, benefitting from post-recession pricing strategy
- Continued organic performance and sales momentum country wide

Operating Margin (\$ in millions)



3Q14 Highlights (vs. 3Q13 as % of revenues)

- Salaries, wages, stock-based comp 21.7% vs. 23.7%
- Settlement of lawsuits 9.8% vs. 0.6%
- Legal and professional 3.6% vs. 2.8%
- Insurance 3.0% vs. 2.0%

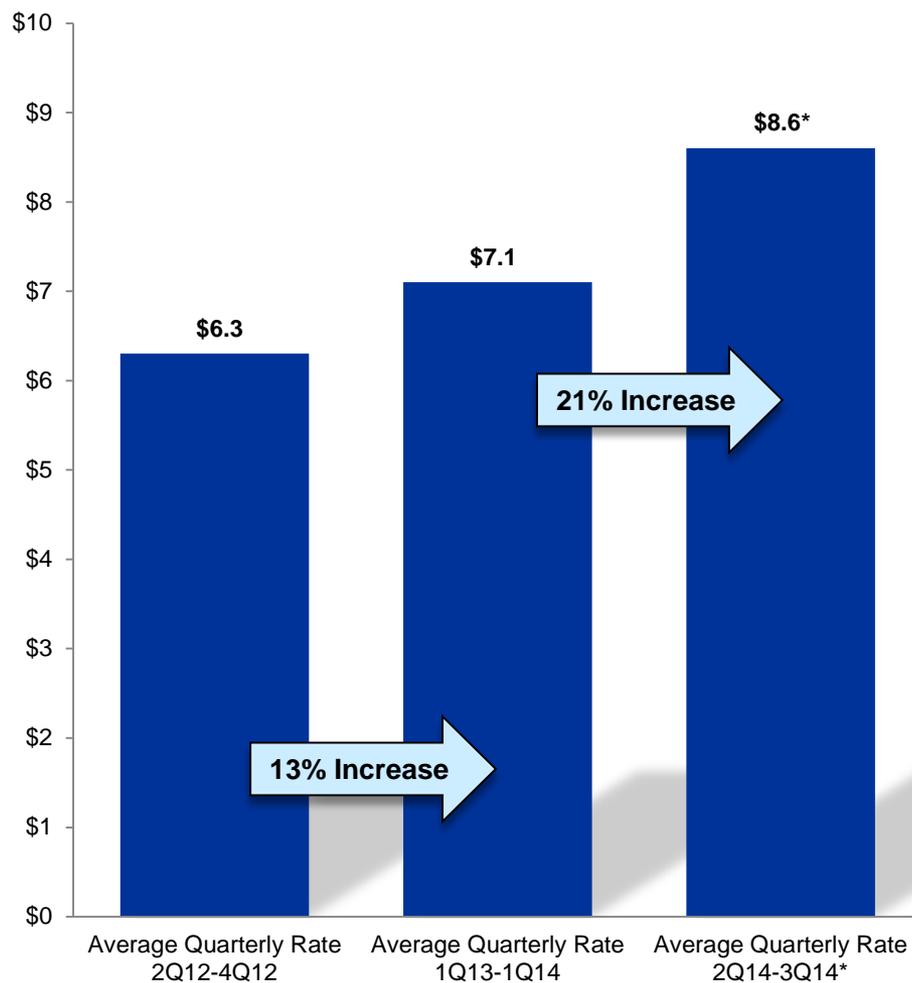
Other 3Q14 Costs

- Rent+Interest 10.1% vs. 9.6%
- Pre-opening costs \$306K vs. \$185K
- Loss on sale of property \$334K

* See slide 5 for calculation of 3Q14 Core Operating Margin

Adjusted EBITDA* (\$ in millions)

- Reflects RCI's cash generating power



* See slide 5 for calculation of core 3Q14 Adjusted EBITDA

Balance Sheet (6/30/14 vs. 3/31/14, \$ in millions)

Paid Down \$2.3 in Debt

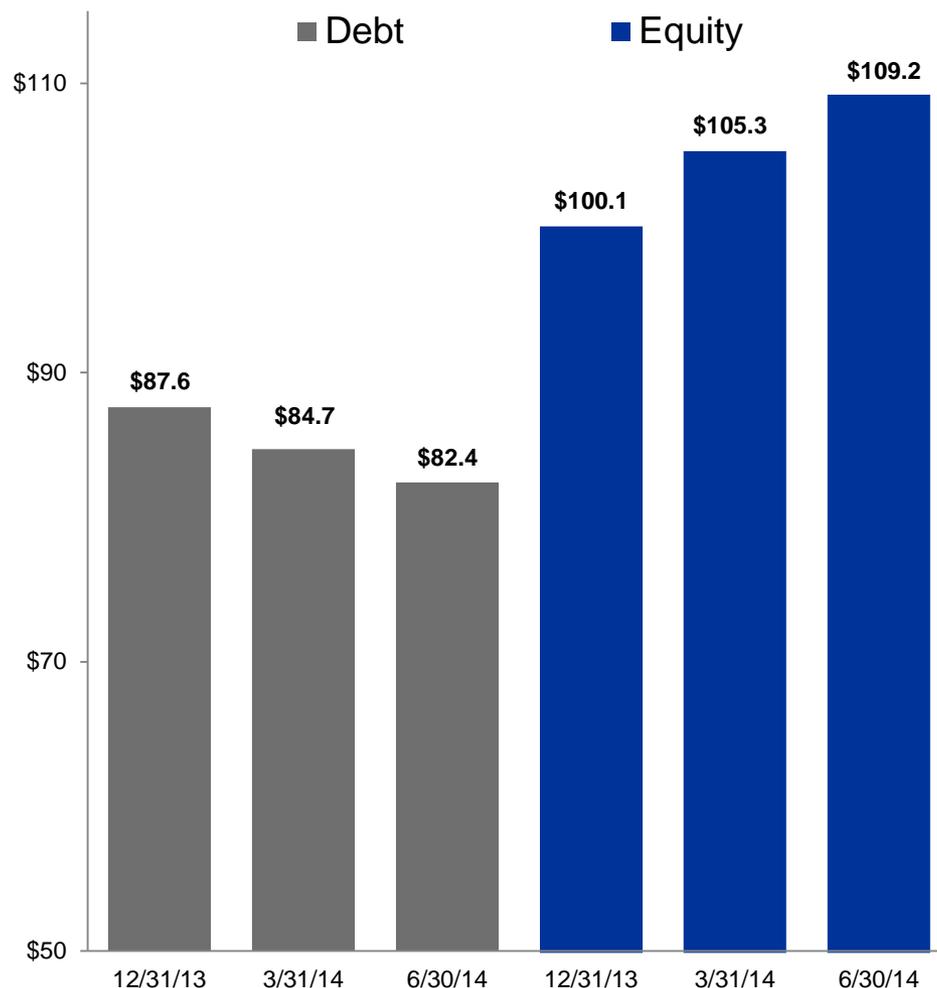
- \$1.6 in cash
- \$0.75 converted to stock
- Paid down \$0.9 Tootsies notes
- Only \$2.8 Tootsies debt remains (our highest priced debt)

Equity Up \$3.9

- Primarily reflects exercise of options

Assets Approximately Level

- \$243.7 vs. \$243.2



New Locations: More Growth Ahead

Count	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	
13						Rick's-Odessa	
12						Bombshells-South Houston	
10							Bombshells-Spring
9						Bombshells-Austin	
8					Vivid-NYC		
7					Bombshells-Webster		
6				Jaguars-Houston			
5				Black Orchid-Dallas			
4			Temptations-Beaumont				
3			Vivid-LA				
2			Pole Position-Fort Worth				
1		Temptations-Sulphur, LA					

- **Adult Clubs:** Decided not to proceed with acquisition of Club O
- **Restaurants:** After South Houston and Spring, will focus on siting four more Bombshells by 12/31/14

Restaurant Update (\$ in millions)

- **Four restaurants open**
 - Bombshells-Austin (opened late June)
 - Bombshells-Webster
 - Bombshells-Dallas
 - Pole Position-Fort Worth
- **Two planned to open in 4Q14**
 - Bombshells-North Houston
 - Bombshells-Spring



Reaffirm FY14 Guidance

\$ 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%

REIT: Unlocking Real Estate Value

Status

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

Potential Benefits

- Major liquidity event
- Make RCI more comparable to other publicly-traded restaurant-bar chains



Entrance to Rick's Cabaret New York in Midtown Manhattan

Capital Allocation Strategy

Period / Topic	Strategies
FY12-14	<ul style="list-style-type: none"> • Focus on top line growth • Used cash to finance acquisitions, new adult clubs and restaurants • Growth helped offset lower recessionary pricing strategy
Post Recession	<ul style="list-style-type: none"> • Prices are back up • Generating substantial amount of cash • Costs are up, too, affecting performance
Going Forward	<ul style="list-style-type: none"> • Deploy cash to generate maximum returns – Not wedded to any one activity • Focus on bottom line – Revenue growth target 15-20% vs. 20-30%
Possible Activities	<ul style="list-style-type: none"> • Buy back stock – Stepped up in 4Q14, \$10 million in authorization • Review underperforming assets – Implementation begun • Acquire adult clubs – Nothing pending • Develop restaurants – Open two more in 4Q14, then focus on siting four more • Expedite debt pay down – Not the highest rate of return • Pay dividend – Concern about tax inefficiency

Summary

- Came through the recession as larger, more diverse company
- Established sports bars / restaurants business capable of generating significant added revenues
- New company name reflects our broader scope
- Established REIT to unlock real estate value
- REIT will also help make our financial profile similar to other bar/restaurant companies
- Using growing cash to maximize return to shareholders
- Reviewing all operations to ensure maximum cash generation



Due Diligence Ball

Please Join Us

- Rick's Cabaret New York
50 W 33rd St
New York, NY 10001
Between 5th and Broadway
- 6:00 pm-8:00 pm
- "Behind the Scenes" tour

For more information

- Email: gary.fishman@anreder.com



Contact Information

Corporate Office

10959 Cutten Road
Houston, TX 77066
Phone: (281) 397-6730

Investor Relations

Gary Fishman
Steven Anreder
Phone: (212) 532-3232

IR Website

www.rcihospitality.com
NasdaqGM: RICK

