



2015 – 20th Anniversary of RCI's IPO

Two decades of innovation in the adult club segment of the hospitality industry

NASDAQ: RICK
3Q15 Earnings Call
August 10, 2015
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, gain on settlement of patron tax case, 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. While we were in litigation in the patron tax case, we also included patron taxes as an exclusion, but after settlement of the case, we no longer exclude patron taxes from operating income.
- *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, gain on settlement of patron tax case, 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. While we were in litigation in the patron tax case, we also included patron taxes as an exclusion, but after settlement of the case, we no longer exclude patron taxes from net income.
- *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, gain on settlement of patron tax case 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-Q for the fiscal second quarter ended June 30, 2015 and our August 10, 2015 news release contain additional details relative to the non-GAAP financial measures and are posted on our website at www.rcihospitality.com.

3Q15 Overview (vs. 3Q14)

- Total revenues of \$35.8 million – up 7.3%
- GAAP EPS of \$0.78 – includes Texas Patron Tax settlement gain
- Non-GAAP EPS of \$0.32 – up 6.7%
- Nightclubs sales and margins affected by bad weather in Texas
- Bombshells sales and margins continued to demonstrate YoY improvement
- Adjusted EBITDA of \$8.2 million – up 6.1%
- Bought back shares worth \$2.3 million in the open market in 9M FY15



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On Track for a Solid FY15

\$ in millions except per share	9M15	9M14	\$ Change	% Change
Total Revenues	\$109.7	\$95.6	\$14.0	14.7%
Adjusted EBITDA	\$28.3	\$24.2	\$4.1	16.9%
GAAP EPS	\$0.85	\$0.69	\$0.16	23.2%
Non-GAAP EPS	\$1.22	\$0.99	\$0.23	23.2%

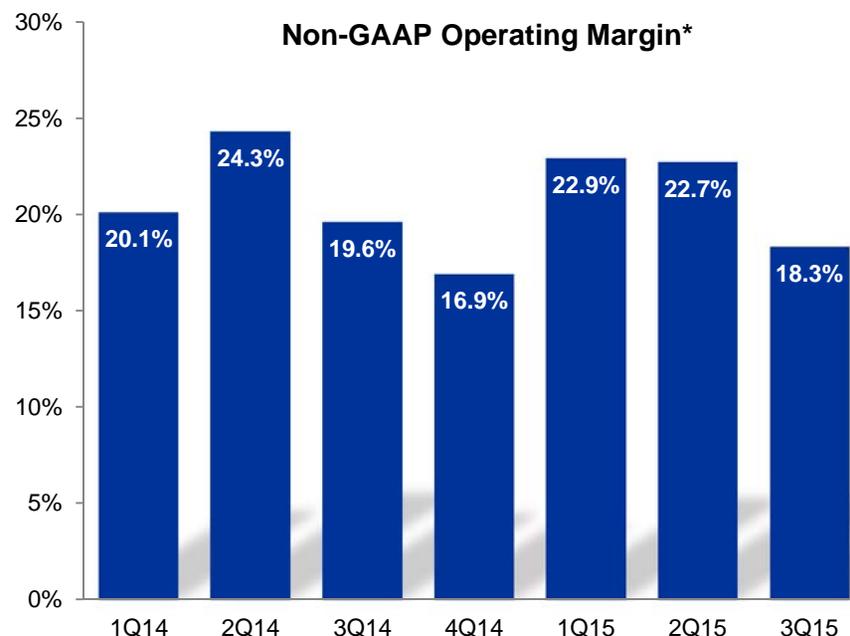
Continued YoY Revenue Growth (\$ in millions)

- Overview (3Q15 vs. 3Q14)
 - ✓ Total revenues up 7.3%
 - ✓ Total units (46 vs. 43) up 7.0%
- \$5.2 from new clubs and restaurants
 - ✓ Full quarter of Rick's Odessa and Down in Texas Saloon in Austin, partial quarter of The Seville Club of Minneapolis
 - ✓ Full quarter of Bombshells in Austin, Spring and Houston vs. only Dallas and Webster in 3Q14
- Same Store Sales down 5.3%
 - ✓ Severe rain and flooding in Texas affected nightclub segment sales in particular
 - ✓ Absence of geographically relevant teams in major sporting events
- Same Store Sales starting to rebound in 4Q15



Margin Analysis

- Additional Detail (% of revenues, 3Q15 vs. 3Q14)
 - ✓ CoGs (14.1% vs. 12.9%) – More restaurant food sales
 - ✓ D&A (5.4% vs. 4.6%) – New acquisitions and restaurant openings
 - ✓ Rent+Interest (7.9% vs. 10.1%) – 4Q14 reduction of debt and lower average rates on current debt
 - ✓ Legal (2.6% vs. 3.6%) – Lower costs with settlements
 - ✓ Insurance (2.4% vs. 3.0%) – New contract
- Patron Tax Settlement
 - ✓ Paying \$10.0 million in taxes owed over 84 months without interest
 - ✓ Paying current tax at \$5/head rate
 - ✓ Resulted in \$8.2 million pre-tax gain



*GAAP Operating Margin
 1Q14: 19.1%
 2Q14: 22.7%
 3Q14: 8.7%
 4Q14: 8.7%
 1Q15: 16.8%
 2Q15: (7.0%)
 3Q15: 39.6%

Adjusted EBITDA* Growth (\$ in millions)

- 3Q15: Up 6.1% YoY
- 9M15: Up 16.9% YoY
- Reflects RCI's cash generating power



*GAAP Net Income (\$ in millions)

1Q14: \$2.404

2Q14: \$3.722

3Q14: \$0.691

4Q14: \$4.423

1Q15: \$3.360

2Q15: (\$2.841)

3Q15: \$8.267

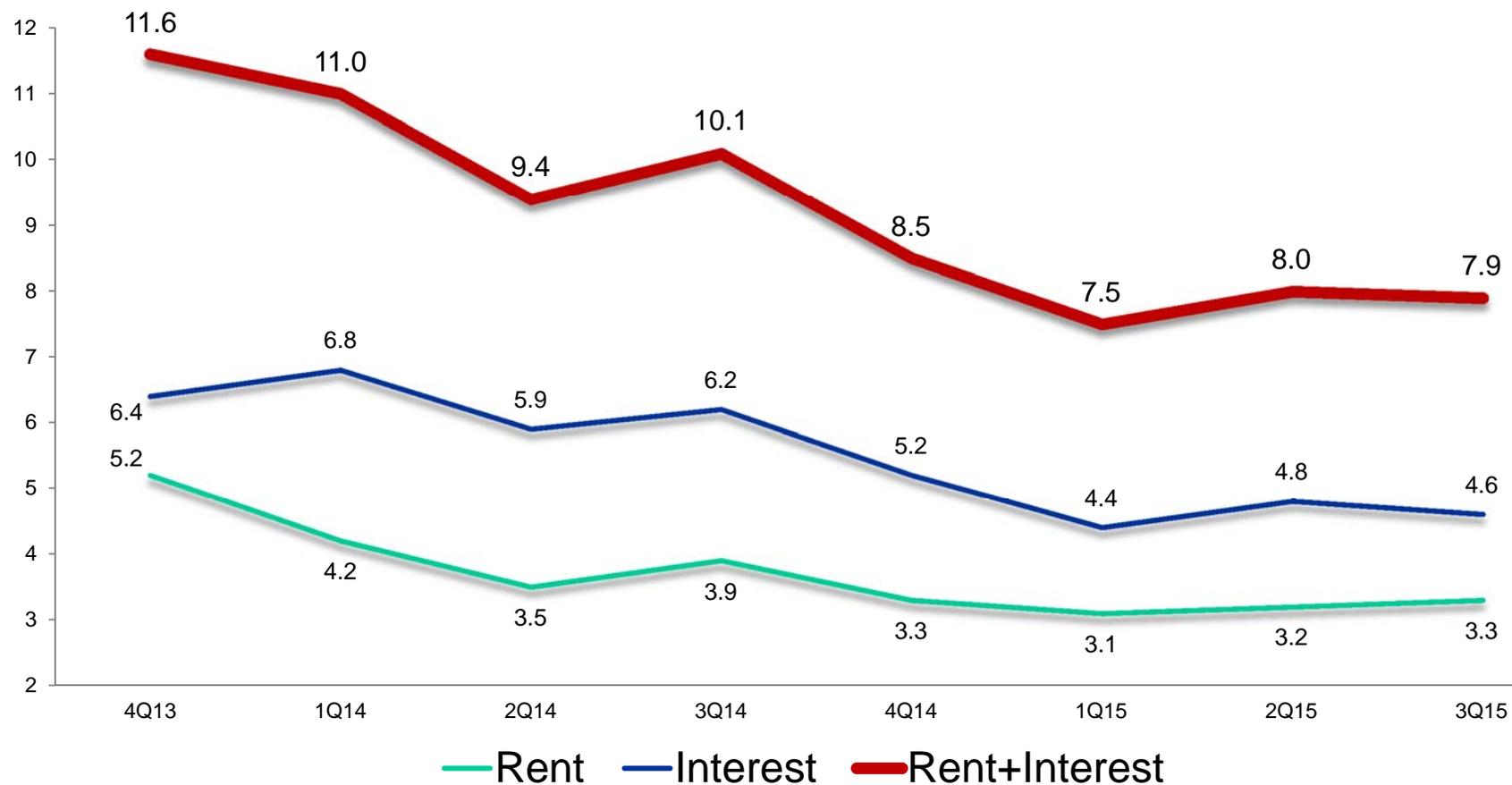
Solid Balance Sheet (\$ in millions)

	6/30/15	3/31/15	\$ Change	Comment
ASSETS				
Current Assets	\$27.0	\$30.5	(\$3.5)	• Decrease in DTA due to decrease in Patron Tax accrual
PP&E	121.2	117.6	3.6	• Seville Club Acquisition RE
Other Assets	116.8	112.4	4.4	• Seville Club Acquisition License
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities	28.8	46.2	(17.4)	• Patron Tax Settlement • Will come down \$10.2 more when NY FLSA settlement paid
Long-Term Debt	73.0	63.0	10.0	• Patron Tax Settlement
Total Permanent Stockholders' Equity	129.0	120.8	8.2	• Patron Tax Settlement • Core earnings

New Commercial Financings at Lower Rates

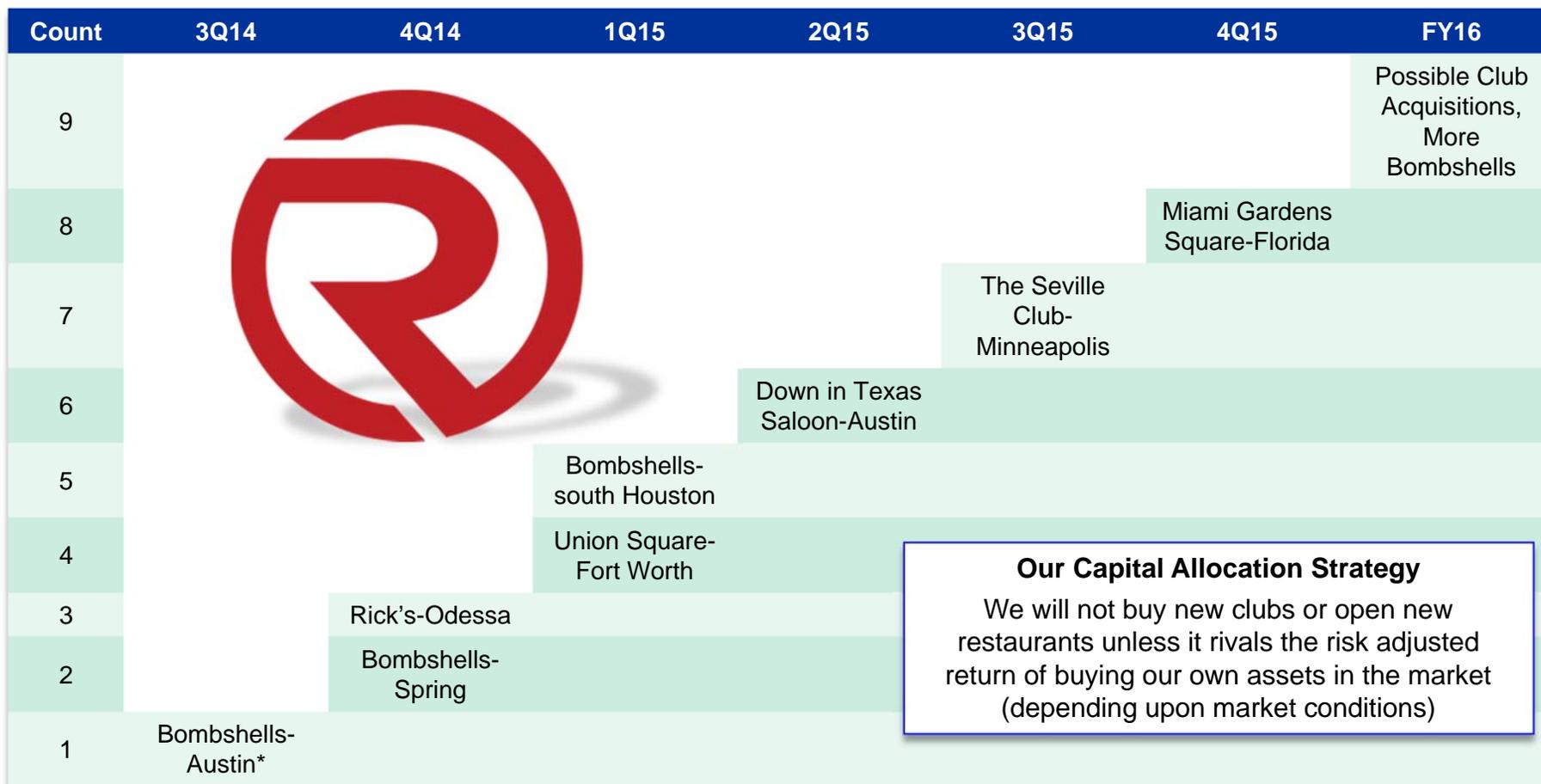
Overview	<ul style="list-style-type: none"> • Banks and other lenders offering rates significantly lower than previously
Miami Gardens Square Mall Acquisition	<ul style="list-style-type: none"> • Tootsie's Cabaret is the largest tenant • Paid \$15.3 M (\$4.0 M cash, \$11.3 M bank loan at 5.45%) • 100% occupied, income producing, good management, 2nd largest tenant re-upped • Expect \$600 K pre-tax profit for 15% cash on cash return
Pending Rick's Cabaret New York RE Acquisition	<ul style="list-style-type: none"> • Paying \$1.2 M in rent • We owe \$9.1 M under agreement to buy • Expect \$10 M bank loan at 5% • Reduces effective rate paid from 13.15% and frees up \$700 K in cash flow
Re-Financing on Selected DFW Properties	<ul style="list-style-type: none"> • \$2.5 M balance at 8% • Expect to refinance at 5%
The Future	<ul style="list-style-type: none"> • Continuing to look for other opportunities to refinance higher priced debt • Will finance future acquisitions with cash and debt, no equity • Excess cash will be used to buy back stock

Rent+Interest (as % of total revenues)



RCI views Rent+Interest as our cost of occupancy

New Locations / Acquisitions



* Opened 6/25/14

Nightclubs Segment

\$ in millions	3Q15	3Q14	Change
Revenues	\$30.6	\$31.5	(\$0.9)
Units	41	41	--
Operating Income	\$17.3	\$8.5	\$8.7
Adjusted Operating Income	\$9.1	\$11.8	(\$2.6)
Adjusted Operating Margin	29.8%	37.3%	(7.5%)

YTD: Adjusted Operating Margin is 31.8% compared to 32.3%



Bombshells Restaurant & Bar Segment

\$ in millions	3Q15	3Q14	Change
Revenues	\$4.8	\$1.6	3.0x
Units	5	2	2.5x
Operating Income	\$0.369	(\$0.170)	+\$0.539
Operating Margin	7.7%	(10.7%)	+1843 bps

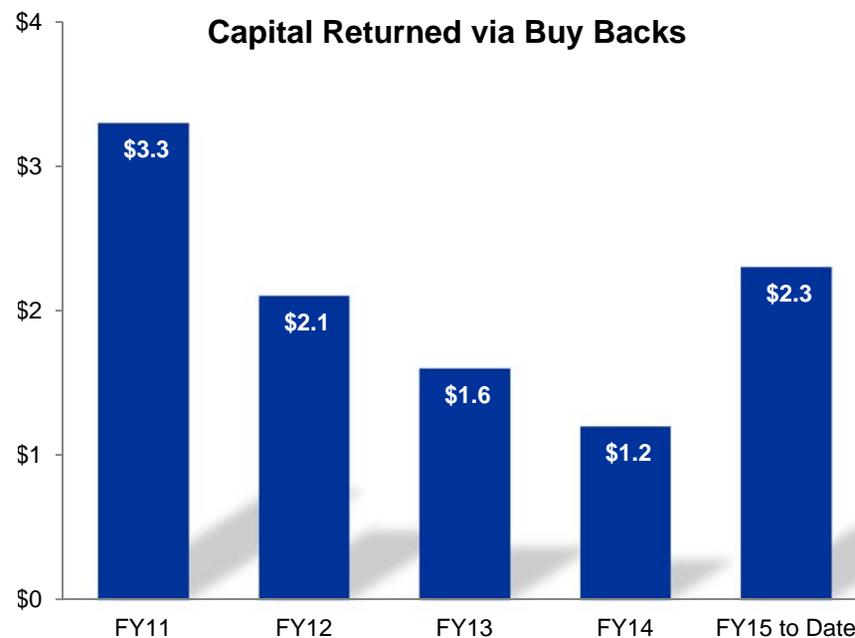
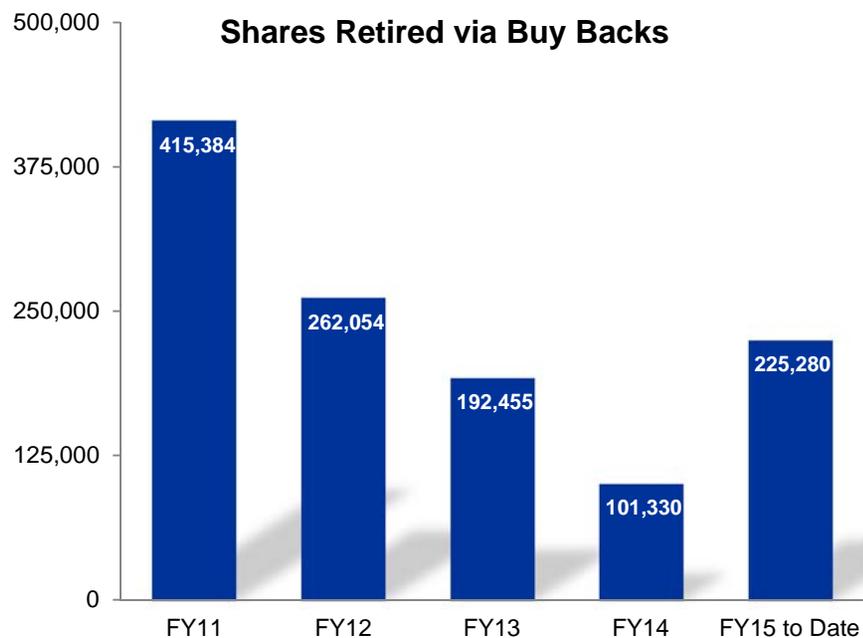
YTD: Operating Margin is 10.2% compared to (7.3%)

Highlights

- Military themed, fast casual, restaurant/bar
- Performance continues to improve
- Operating margin expected to grow as revenues continue to build and training costs subside
- Exploring franchising



Undervaluation Spurs Buy Backs (\$ in millions)



- FY buyback spend now exceeds FY12
- \$6.6 million of remaining Board authorization
- At this point, our own assets represent a highly attractive acquisition
- Stock currently has 13% free cash flow (FCF) yield (\$15 million FCF divided by market cap)

Outlook

- On track for a solid FY15 and another year of growth in FY16
- All major issues behind us
 - ✓ Settled Texas Patron Tax
 - ✓ Settled NYS FLSA case
 - ✓ Reducing legal and other costs
 - ✓ Paid down high-priced Tootsies debt
 - ✓ Obtaining conventional financing at lower rates
 - ✓ Mitigating need for using equity in acquisitions
 - ✓ Improved insurance coverage
- October
 - ✓ 20th anniversary of IPO
 - ✓ 10th anniversary of Rick's Cabaret New York



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Calendar

Date / Time	Event
Tonight, 6:00 PM-8:00 PM ET	Due Diligence Ball Vivid Cabaret New York 61 W 37th Street (bet. 5th and 6th) New York, NY 10018
August 23-26	ED Publication's Annual Gentlemen's Club EXPO in New Orleans
August 24, 10:00 AM CT	Annual Meeting Rick's Cabaret New Orleans 315 Bourbon Street New Orleans, LA 70130
October 7, 4:00 PM ET	Bell Ringing at NASDAQ MarketSite in Times Square in Celebration of 20 th Anniversary of RCI's IPO (not open to the public)
October 7, 5:00-8:00 PM ET	Celebration at Rick's Cabaret New York marking 20th Anniversary of RCI's IPO Shareholders invited: RSVP with name and phone to IR@Ricks.com
October 8, 9:00 AM ET	4Q15 Sales News Release
December 14, 4:30 PM ET	4Q15 Conference Call

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

