



RCI HOSPITALITY HOLDINGS INC

The Innovator in Bar-Restaurant-Entertainment Themed Hospitality

NASDAQ: RICK
2Q18 Conference Call
May 10, 2018
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 applicable, words such as "anticipate," "approximate," "believe," "estimated," "expect," "goal," "intent," "outlook," "planned," "potential," "will," "would," 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 our future operational and financial results, operating and managing adult businesses, competitive factors, conditions relevant to real estate transactions, cybersecurity, the timing of the openings of other clubs, the availability of acceptable financing to fund corporate expansion efforts, our dependence on key personnel, the ability to manage operations and the future operational strength of management, and the laws governing the operation of adult entertainment businesses.

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.

Non-GAAP Financial Measures

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 items that management believes are not representative of the ongoing business operations of the Company, but 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, impairment of assets, gains or losses on sale of assets, gain on insurance, and settlement of lawsuits. 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 Diluted Share. We exclude from non-GAAP net income and non-GAAP net income per diluted share amortization of intangibles, impairment of assets, costs and charges related to debt refinancing, income tax expense (benefit), gains or losses on sale of assets, gain on insurance, and settlement of lawsuits, and include the non-GAAP provision for current and deferred income taxes, calculated at 26.5% and 33% effective tax rate of the pre-tax non-GAAP income before taxes for the three and six months ended March 31, 2018 and 2017, respectively, because we believe that excluding and including such items help management and investors better understand our operating activities.

Adjusted EBITDA. We exclude from adjusted EBITDA depreciation expense, amortization of intangibles, income tax expense (benefit), net interest expense, impairment of assets, gains or losses on sale of assets, gain on insurance, and settlement of lawsuits 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. 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.

Management also uses non-GAAP cash flow measures such as free cash flow. Free cash flow is derived from net cash provided by operating activities less maintenance capital expenditures. We use free cash flow as the baseline for the implementation of our capital allocation strategy.

Our Form 10-Q for the quarter ended March 31, 2018 and our May 10, 2018 news release contain additional details relative to the non-GAAP financial measures and are posted on our website at www.rcihospitality.com.

Today's News

Headlines

- Continued strong core results for 2Q18
- New Bombshells Pearland doing well
- 4 new Bombshells currently in development
- Reactivated discussions to acquire multiple nightclubs

GAAP Results (vs. 2Q17)

- 2Q18 EPS: \$0.48 – up 23%
- Includes \$1.6M non-cash impairment and \$800K in legal settlements

Core Results (vs. 2Q17)

- 2Q18 Non-GAAP EPS: \$0.65 – up 59%
- 2Q18 Free Cash Flow (FCF): \$5.3M – up 9%

FY18 Outlook

- Favorable trends continuing
- Reiterating FCF \$23M target

Strong Core 2Q18 Results

(\$ in millions)	2Q18	2Q17	Δ	Comment
<i>Revenue by Segment</i>				%
Nightclubs	\$35.4	\$30.0	18.3	• 16% increase from new units and 5% from same-store sales
Bombshells	5.6	4.4	28.0	• Higher margin service, beverage and food revenues all up
Other	0.2	0.2	2.8	• Wide range of other growth factors
Total	\$41.2	\$34.5	19.4%	
<i>GAAP Operating Income</i>				\$
Nightclubs	\$11.9	\$10.5	\$1.4	• Clubs & Restaurants: Improved portfolio & operating leverage
Bombshells	1.0	0.8	0.2	• Clubs & Restaurants: Included \$800K in legal settlements
Other	(0.1)	(0.2)	0.1	• Corporate: Included \$1.6M impairment
Corporate	(4.5)	(3.6)	(0.9)	
Total	\$8.2	\$7.5	\$0.7	
<i>Non-GAAP Operating Income*</i>				\$ <i>Margin 2Q18 vs. 2Q17</i>
Nightclubs	\$12.5	\$10.5	\$1.9	• Nightclubs: 35.1% vs. 35.2% of segment revenue
Bombshells	1.2	0.8	0.3	• Bombshells: 20.8% vs. 18.8% of segment revenue
Other	(0.1)	(0.1)	0.1	• Other: -45.3% vs. -75.6% of segment revenue
Corporate	(3.0)	(3.6)	0.6	• Corporate: -7.2% vs. -10.3% of total revenue
Total	\$10.6	\$7.7	\$2.9	• Income up 38.2% on margin of 25.7% vs. 22.2% of total revenue

Performance Drivers

General

- Improved portfolio of nightclubs and restaurants
- Increased operating leverage with higher revenues
- Increased customer counts in both nightclubs and restaurants
- Strong marketing around pro football (Feb) & pro/college basketball (March)

Nightclubs

- Higher spend per customer

Bombshells

- Continued success of Houston Rockets
- Updated menu featuring new items

Corporate

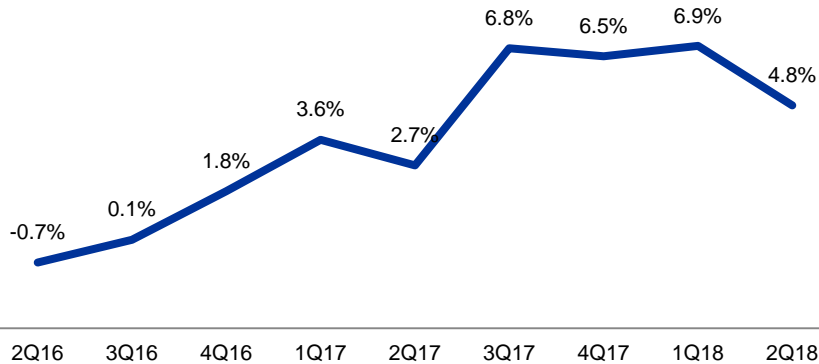
- Reduced expenses with completion of FY17 audit
- Reduced expenses after transition to new financial IT system

Also

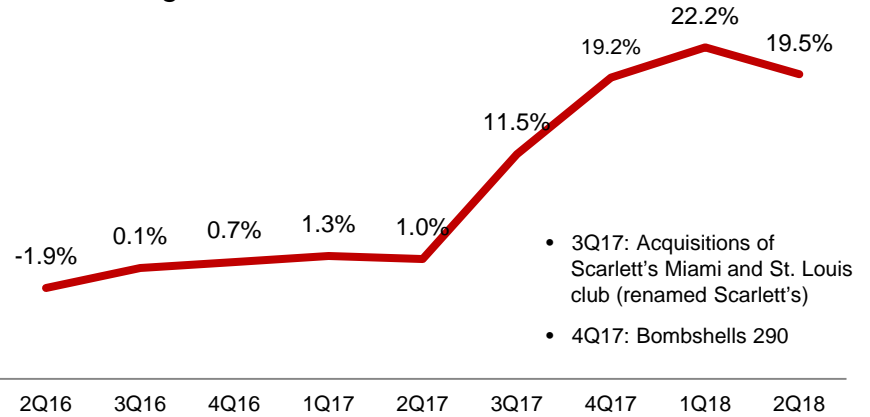
- Reduced cost of occupancy as % of revenues
- Reduced tax rate

Sales & Margin Trends

Same-Store Sales
YoY Change



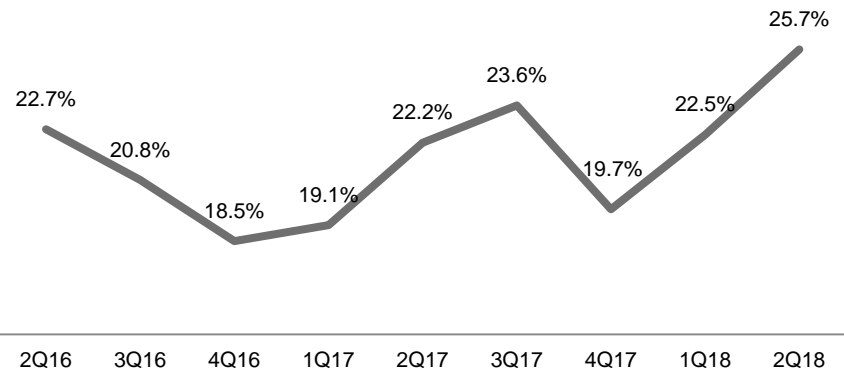
Total Revenues: Nightclubs & Bombshells Segments
YoY Change



Highlights

- Same-store and total Nightclubs and Bombshells sales up 8 quarters in a row
- Highest level in two years of non-GAAP operating margin

Non-GAAP Operating Margin*
As % of Total Revenues



Cash Generation

Adjusted EBITDA*

- 2Q18 up 34.7% YoY to \$12.4M
- Highest quarterly level in the last two years
- 6M18 up 36.5% YoY to \$23.5M

Cash

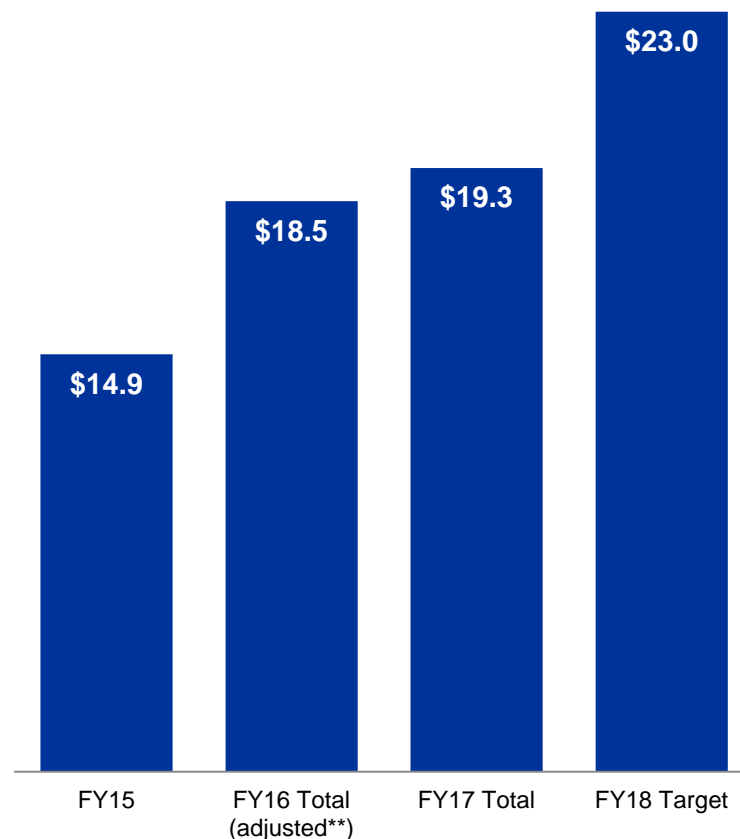
- \$12.5M at 3/31/18
- Up 4.6% from 12/31/17
- Up 26.0% from 9/30/17

Free Cash Flow*

- 6M18 up 28.4% YoY to \$12.8M
- On track for FY18 \$23M target

Free Cash Flow (\$ in millions)

RCI began focusing on FCF in FY16
15.6% FCF CAGR anticipated FY15-18

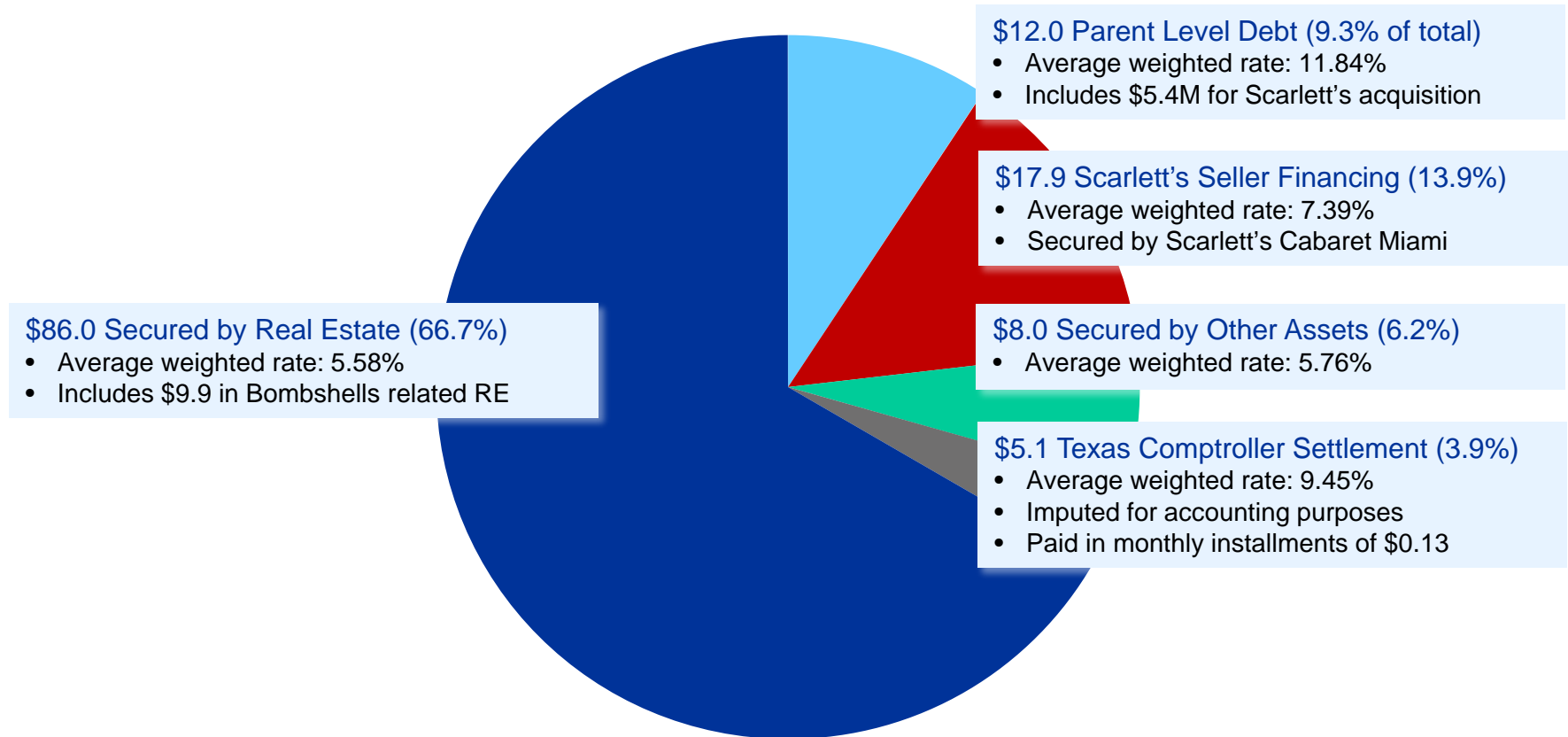


* For GAAP reconciliation, see the company's 2Q18 Earnings News Release, dated 5/10/18

** \$18.5M for FY16 in the chart reflects FCF of \$20.5M less \$2.0M in tax credits.

Long-Term Debt *(as of 3/31/18, \$ in millions)*

Total of \$128.9*
Average Weighted Interest Rate: 6.66%



Debt Manageability *(\$ in millions)*

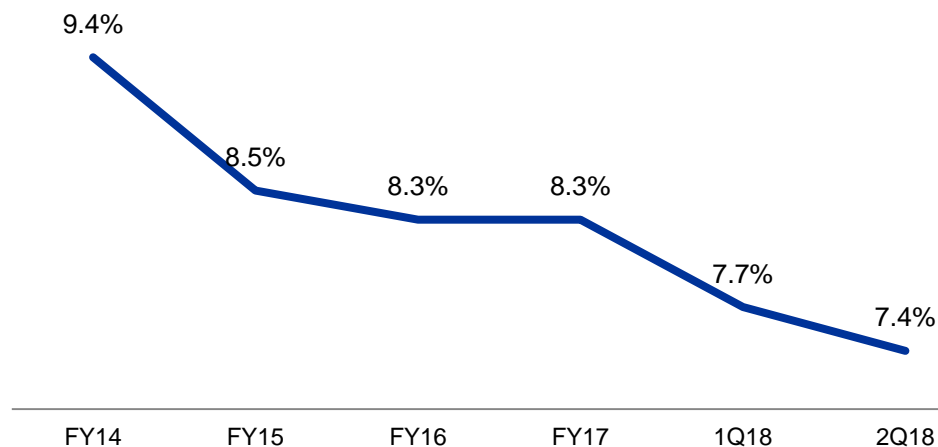
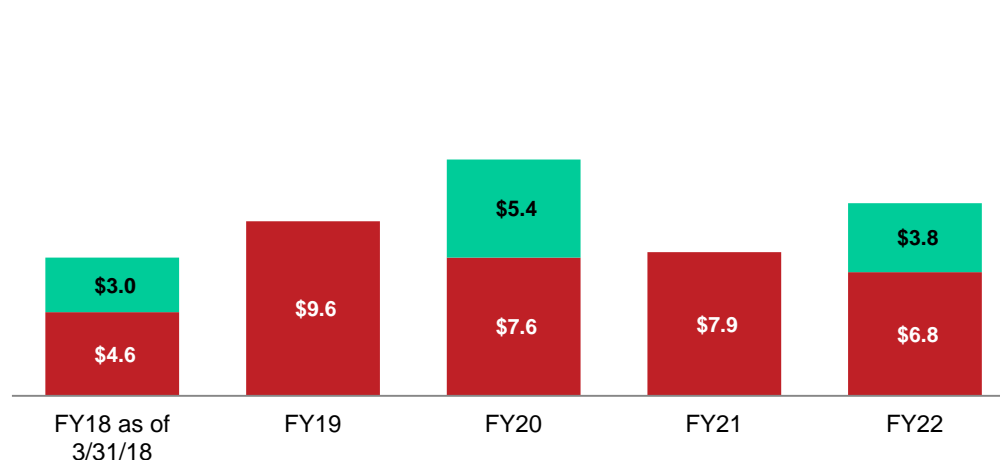
Debt Maturities

- Most debt is real estate amortizing until ballooned
- 2Q18: \$1.9M realty balloon refinanced into Bombshells I-10 construction loan
- 3Q18: \$3.0M Scarlett's seller-financing balloon refinanced
- FY20: \$5.4M Scarlett's non-realty balloon

Occupancy Costs

- One of our single largest expenses
- Interest expense (ex-refinancing-related costs) and rent expense as % of revenue
- Steady decline even though we have acquired more clubs and underlying real estate with debt

■ Amortization Schedule ■ Realty Balloon ■ Non-Realty Balloon



Bombshells Expansion

- \$4.5M average unit annual run rate with 20% segment operating margin (based on 2Q18 results)
- Bombshells Pearland sales first three weeks averaged +\$160,000/week
- Four locations now in various stages of development



Location	Status	Target Opening
Interstate 10 (East Houston)	Under construction	September 2018
US 59 (Southwest Houston)	Under construction	December 2018
US 249 (Tomball, just north of Houston)	Recently closed on a property	March 2019
New: Katy (fast-growing West Houston suburb)	Finalizing site selection	June 2019

- Using established team of architects, contractors, and vendors to open units on a regular schedule
- Will bring count to 10 Bombshells – 8 in the Houston area and 1 each in Dallas and Austin
- Next target markets: San Antonio and Miami

Capital Allocation Strategy

1. Buy/open new units or expand existing ones if:

- We can achieve target cash on cash return of at least 25-33% or
- There is a strategic rationale

2. Take action if units not performing in line with strategy

- Free up capital for better use

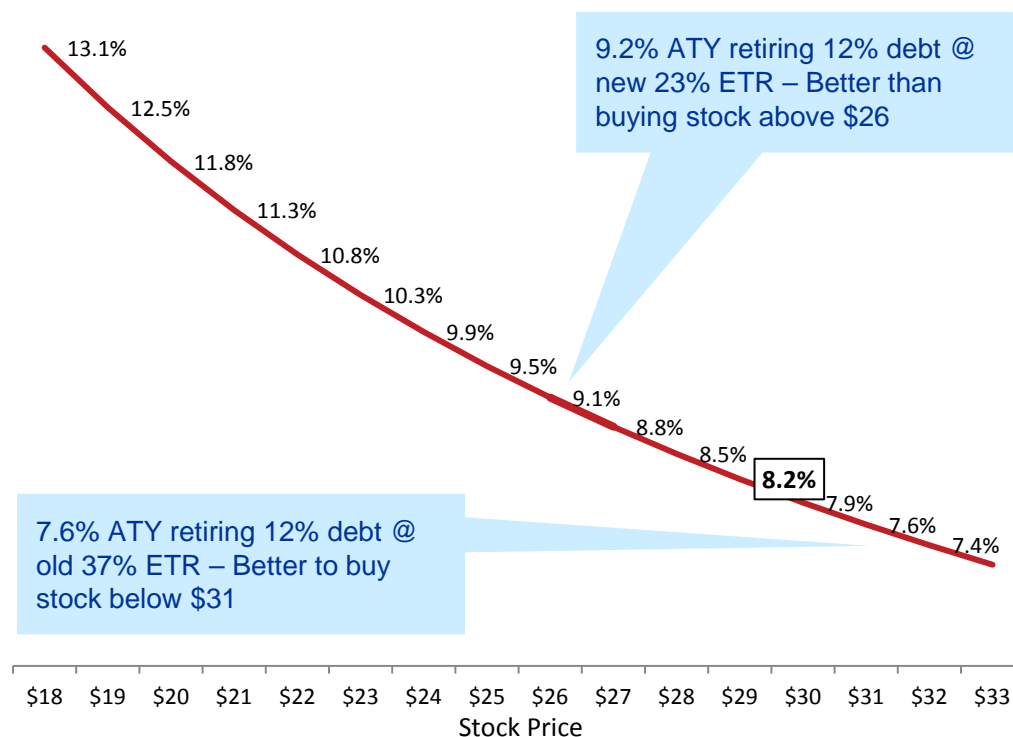
3. Use FCF to buy back shares if yield enters double-digits

- Low 8% after tax yield (ATY) with shares in \$28-29 range

4. Pay off most expensive debt at accelerated rate if:

- Lower effective tax rate (ETR) significantly increases ATY from paying off 12% debt
- There is a strategic rationale

FCF Yield on Stock Price @ FCF of \$23M



Financial Goals (3-5 Years)

Objective

- FCF: Grow +50% to +\$30M from \$19.3M in FY17

S T R A T E G I E S

1. Clubs

- Acquire more great clubs in the right markets

2. Bombshells

- Expand number of company-owned units 3 per year

3. Capital Allocation

- Build capital if we can't find right acquisitions or Bombshells locations – or buy back stock



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Calendar

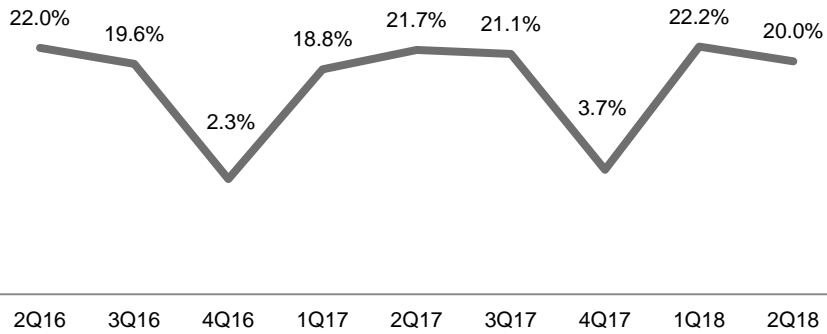
Date	Event	<i>Subject to change</i>
Week of May 14	Stonegate Investor Meetings – Chicago and Minneapolis	
Week of May 21	Seeking Alpha / Darren McCammon / Cash Flow Kingdom / Investor Call	
June 6, 2018	35 th Anniversary of the Opening of the first Rick's Cabaret	
July 10, 2018	3Q18 Club & Restaurant Sales	
August 9, 2018	3Q18 & 9M18 Financial Results	
August 2018	20 th Anniversary of acquisition of Taurus Entertainment Companies, Inc.	
August 19-22, 2018	Annual Gentlemen's Club Expo 2018 in Las Vegas	
September 2018	Annual Meeting at Corporate Headquarters in Houston	
October 9, 2018	4Q17 Club & Restaurant Sales	
September-October	LD Micro Investor Meetings – San Francisco	
December 3-5, 2018	LD Micro Investor Conference in Los Angeles	
December 13, 2018	4Q18 & FY18 Financial Results	

FY18 Roll Out

	1Q18 (12/31/17)	2Q18 (3/31/18)	3Q18 (6/30/18)	4Q18 (9/30/18)
Full Quarter New Unit Benefit	<ul style="list-style-type: none"> Scarlett's Miami Scarlett's St. Louis Bombshells 5 (290) 	<ul style="list-style-type: none"> Scarlett's Miami Scarlett's St. Louis Bombshells 5 (290) 	<ul style="list-style-type: none"> Bombshells 5 (290) Bombshells 6 (Pearland) Opens 	<ul style="list-style-type: none"> Bombshells 6 (Pearland)
Partial Quarter New Unit Benefit				<ul style="list-style-type: none"> Bombshells 7 (I 10) opens toward end of quarter
Events	<ul style="list-style-type: none"> Houston Astros win World Series 	<ul style="list-style-type: none"> Minneapolis hosts Pro Football Championship NYC and Charlotte host college basketball tournaments Houston Rockets in Playoffs 		
Year Ago Events	<ul style="list-style-type: none"> Vikings return to downtown Minneapolis in new stadium 	<ul style="list-style-type: none"> Houston hosts Pro Football Championship (primarily benefitted one club) 	<ul style="list-style-type: none"> Acquisition of Scarlett's Miami and Scarlett's St. Louis predecessor 	<ul style="list-style-type: none"> Bombshells 5 (290) opens Hurricane Harvey hits Houston and Hurricane Irma hits Florida

GAAP Operating Margin

GAAP Operating Margin
As % of Total Revenues



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