



RCI HOSPITALITY HOLDINGS INC

*Building a portfolio of well-managed, high cash-flowing
nightclubs and restaurants*

NASDAQ: RICK
2Q19-3Q19 Conference Call
September 24, 2019
www.rcihospitality.com

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, among other things, statements regarding plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements, which are other than statements of historical facts. Forward-looking statements generally can be identified by words such as “anticipates,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “projects,” “will be,” “will continue,” “will likely result,” and similar expressions.

These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties, which could cause our actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this presentation and those discussed in other documents we file with the Securities and Exchange Commission (“SEC”).

Important factors that in our view could cause material adverse effects on our financial condition and results of operations include, but are not limited to, the risks and uncertainties associated with (i) operating and managing an adult business, (ii) the business climates in cities where it operates, (iii) the success or lack thereof in launching and building the company’s businesses, (iv) cyber security, (v) conditions relevant to real estate transactions, (vi) our ability to regain and maintain compliance with the filing requirements of the SEC and the Nasdaq Stock Market, and (vii) numerous other factors such as laws governing the operation of adult entertainment businesses, competition and dependence on key personnel. We undertake no obligation to revise or publicly release the results of any revision to any forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

As used herein, the “Company,” “we,” “our,” and similar terms include RCI Hospitality Holdings, Inc. and its subsidiaries, unless the context indicates 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 (or including) some items that management believes are not representative of the ongoing business operations of the Company, but are included in (or excluded from) 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:

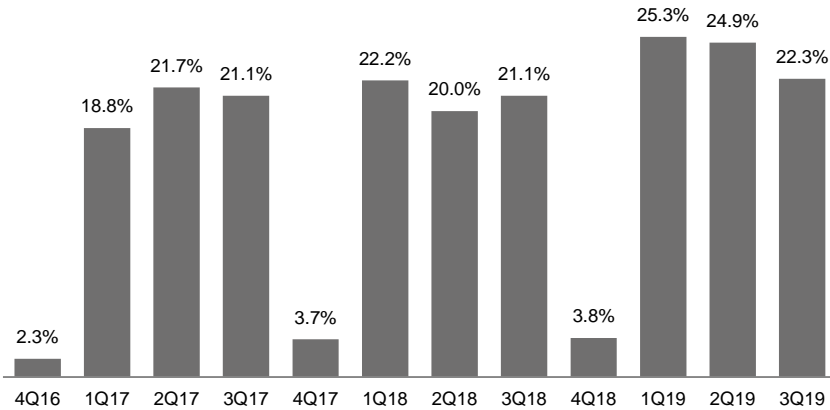
- *Non-GAAP Operating Income and Non-GAAP Operating Margin.* We calculate non-GAAP operating income and non-GAAP operating margin by excluding the following items from income from operations and operating margin: (a) amortization of intangibles, (b) impairment of assets, (c) gains or losses on sale of businesses and assets, (d) gains or losses on insurance, and (e) 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 calculate non-GAAP net income and non-GAAP net income per diluted share by excluding or including certain items to net income attributable to RCIHH common stockholders and diluted earnings per share. Adjustment items are: (a) amortization of intangibles, (b) impairment of assets, (c) costs and charges related to debt refinancing, (d) gains or losses on sale of businesses and assets, (e) gains or losses on insurance, (f) unrealized gains or losses on equity securities, (g) settlement of lawsuits, and (h) the income tax effect of the above described adjustments. Included in the income tax effect of the above adjustments is the net effect of the non-GAAP provision for income taxes, calculated at 22.8% and 26.5% effective tax rate of the pre-tax non-GAAP income before taxes for the nine months ended June 30, 2019 and 2018, respectively, and the GAAP income tax expense (benefit). Included in the income tax effect of the above adjustments is the net effect of the non-GAAP provision for income taxes, calculated at 22.1% and 26.5% effective tax rate of the pre-tax non-GAAP income before taxes for the six months ended March 31, 2019 and 2018, respectively, and the GAAP income tax expense (benefit). We believe that excluding and including such items help management and investors better understand our operating activities.
- *Adjusted EBITDA.* We calculate adjusted EBITDA by excluding the following items from net income attributable to RCIHH common stockholders: (a) depreciation expense, (b) amortization of intangibles, (c) income tax expense (benefit), (d) net interest expense, (e) gains or losses on sale of businesses and assets, (f) gains or losses on insurance, (g) unrealized gains or losses on equity securities, and (h) settlement of lawsuits. We believe that adjusting for such items helps management and investors better understand our 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-Qs for the quarters ended March 31, 2019 and June 30, 2019 contain additional details relative to the non-GAAP financial measures and are posted on our website at www.rcihospitality.com.

GAAP Charts / Tables

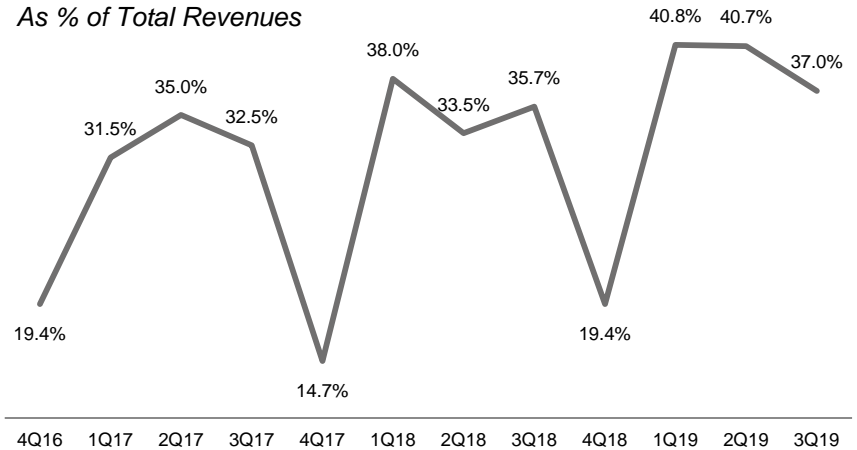
GAAP Operating Margin

As % of Total Revenues



Nightclubs GAAP Operating Margin

As % of Total Revenues

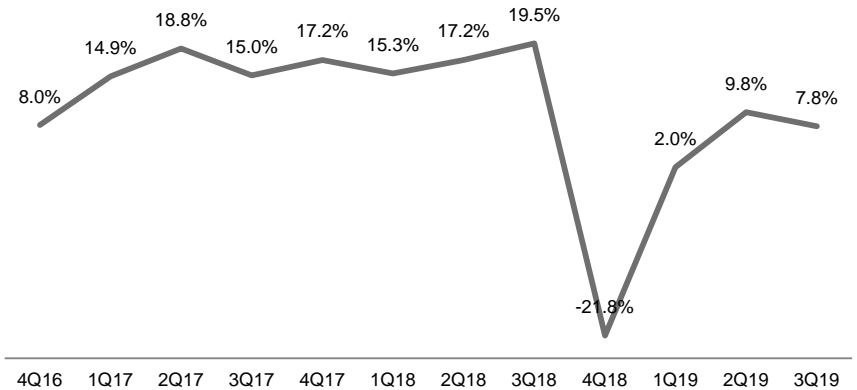


Leverage Ratios

Quarter	Long-Term Debt (\$K)	TTM Adjusted EBITDA (\$K)	Ratio	TTM Net Income (\$K)	Ratio
4Q18	\$140,627	\$44,387	3.17x	\$21,713	6.48
1Q19	\$153,095	\$45,321	3.38x	\$13,746	11.14
2Q19	\$149,818	\$45,272	3.31x	\$15,796	9.48
3Q19	\$146,579	\$45,586	3.22x	\$16,045	9.14

Bombshells GAAP Operating Margin

As % of Total Revenues



Today's News – Financial

2Q19-3Q19

- Filed both 10-Qs today
- No changes to previously reported preliminary income and cash flow statements
- ~\$1.1M in long-term notes receivables on the prelim balance sheets moved to current assets

4Q19 Update

- Nightclubs business strong
- Bombshells same-store sales rebound continues
- New clubs and Bombshells doing well
- Marketing properties with asking prices totaling ~\$14M (~\$6M under contract or LOI)

FCF & Dividends

- Hit FY19 target of \$26M (+13.3% vs. FY18) as of 9M19
- FY19 cash dividend increased 8.3%

Today's News – Corporate

Corporate Governance

- Internal review completed
- Board of Directors and Audit Committee implementing more robust corporate and accounting governance program
- To date, we have named two new independent members to Board of Directors and Audit Committee
- Company has cooperated and is continuing to cooperate with SEC

Friedman Appointment

- Named RCI's independent registered public accounting firm August 12
- We filed our 2Q19 and 3Q19 10-Qs
- Next: Audit for 2019 Form 10-K

9M19 Operating Results

(\$ in millions)	9Q19	9Q18	Δ	Comment
<i>Revenue by Segment</i>				<u>%</u>
Nightclubs	\$112.7	\$105.9	6.4	• Club acquisitions and SSS growth
Bombshells	22.3	18.6	20.2	• New locations more than offset SSS decline
Other	0.9	0.6	50.8	• Revitalization of Robust Energy Drink business
Total	\$135.9	\$125.1	8.6%	
<i>GAAP Operating Income</i>				<u>\$</u>
Nightclubs	\$44.5	\$37.8	\$6.7	• Higher revs and margin, higher asset sales gains, lower legal settlements
Bombshells	1.5	3.2	(1.7)	• Lower same-store operating leverage and development expenses
Other	(0.4)	(0.5)	0.1	• Improved Robust management
Corporate	(13.3)	(13.7)	0.3	• Higher auditing and related legal costs offset by \$1.6M lower impairment
Total	\$32.3	\$26.9	\$5.4	
<i>Non-GAAP Operating Income*</i>				<u>\$</u>
Nightclubs	\$42.3	\$38.3	\$4.0	• 37.6% vs. 36.2% of segment revenues
Bombshells	1.5	3.4	(1.9)	• 6.9% vs. 18.6% of segment revenues
Other	(0.4)	(0.5)	0.1	• -44.3% vs. -79.6% of segment revenues
Corporate	(13.0)	(11.4)	(1.5)	• -9.5% vs. -9.1% of total revenues
Total	\$30.5	\$29.9	\$0.6	• Operating margin of 22.4% vs. 23.9%

FY19 Sale/Lease of Non-Income Producing Assets

Quarter	Type	Details	Proceeds	Debt Reduction	Pre-Tax Gain (Loss)*
1Q19	Sold	<ul style="list-style-type: none"> Former Club Onyx Philadelphia business RCI's former corporate office and associated real estate Small San Antonio parcel 	\$1.9M (cash & debt)	\$945K	\$1.2M
2Q19	Sold	<ul style="list-style-type: none"> Excess parcel around newly opened Bombshells 249 	\$1.4M (cash)	\$980K	\$628K
2Q19	Sold	<ul style="list-style-type: none"> Parking lot near former Club Onyx Dallas 	\$1.4M (cash & debt)		\$383K
3Q19	Sold	<ul style="list-style-type: none"> Excess parcel around newly opened Bombshells I-10 	\$1.1M (cash)	\$942K	\$331K
3Q19	Sold	<ul style="list-style-type: none"> Small property in Lubbock, TX, and one aircraft 	\$1M (cash)	\$997K	(\$376K)
3Q19	Leased	<ul style="list-style-type: none"> Former Club Onyx and Foxy's Cabaret locations in Dallas 			
Total Sold			\$6.8M	\$3.9M	\$2.2M

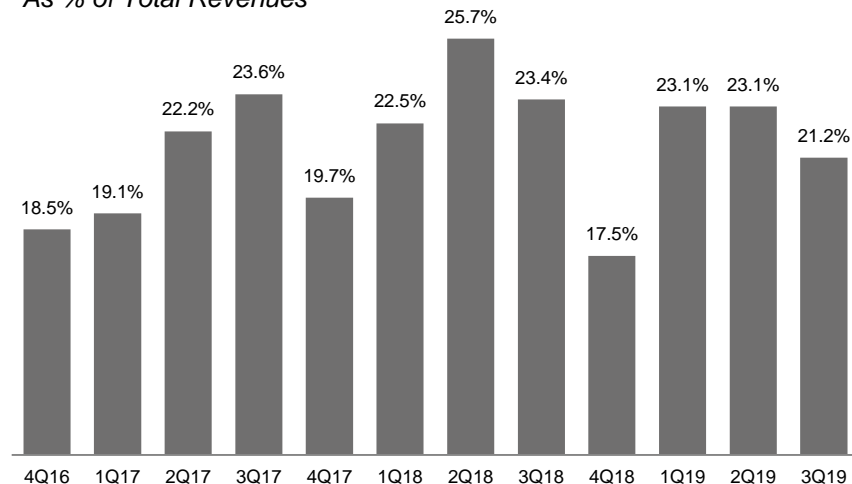
Sales & Margin Trends

Total Revenues (\$M)



Non-GAAP Operating Margin*

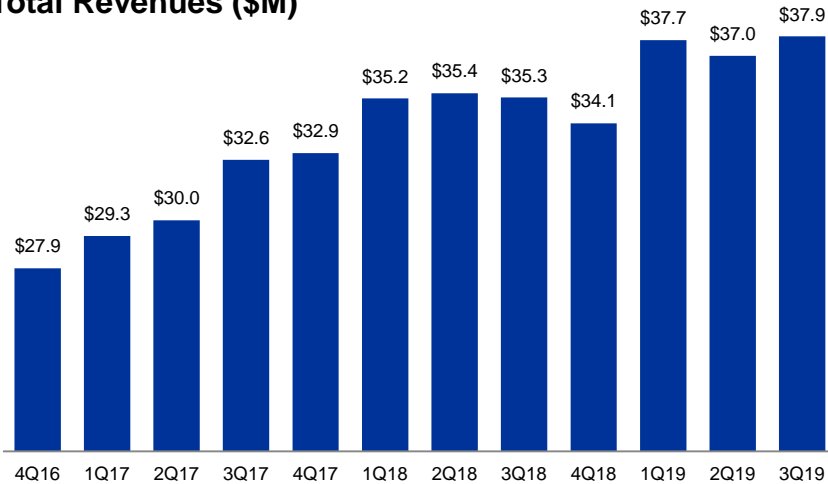
As % of Total Revenues



- Record total revenues from improved club portfolio and new Bombshells despite lower restaurant SSS
- Nightclubs margin expanding, more than offsetting reduced Bombshells contribution from lower SSS and newly constructed but not yet opened locations
- Have not achieved anticipated increase in operating leverage in FY18-19 due to higher auditing costs and costs related to internal review
- Scenario should start to change
 - 4Q19 thru August revenues: Nightclubs total sales up +6% with small improvement in SSS and Bombshells total sales up +50% with SSS up +20%
 - FY20 Bombshells margin should increase with all new units open and assuming continued SSS rebound
 - FY20 corporate overhead as % of revenues should decline in second half with new auditing firm and reduction in legal fees related to internal review

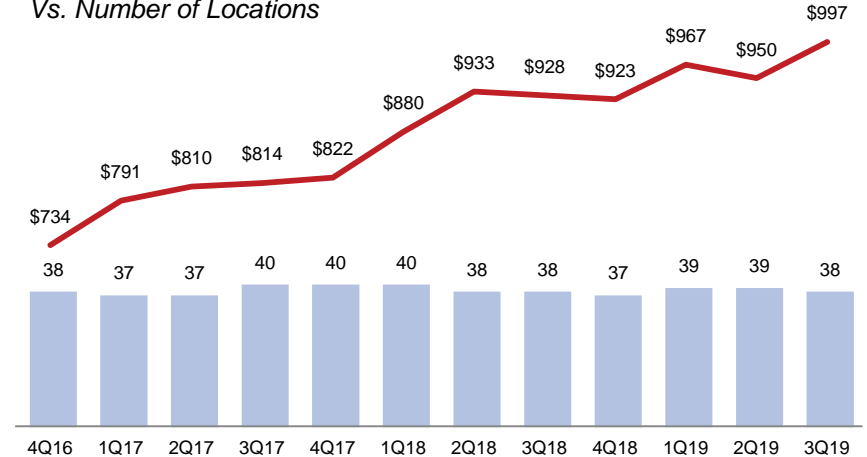
Nightclubs: Improved Portfolio

Total Revenues (\$M)



Average Revenue Per Location (\$K)

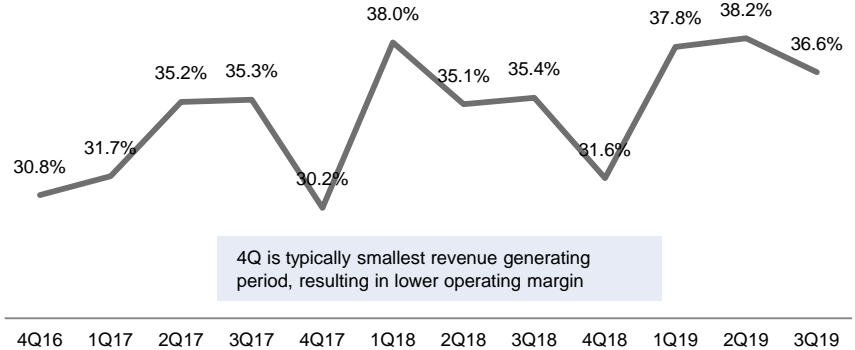
Vs. Number of Locations



- Profit growth driven by higher revenue per location and expanded operating margin
- Reflects implementation of capital allocation strategy
 - Replaced poor performers with premier acquisitions
 - Focus on continual improvement at “keeper” clubs
- Acquisition focus going forward on larger, FCF flowing clubs in major metro markets
 - Based on recent successes in Chicago, Pittsburgh, St. Louis, and South Florida
 - Not ruling out smaller acquisitions that fit our expertise and capital allocation strategy

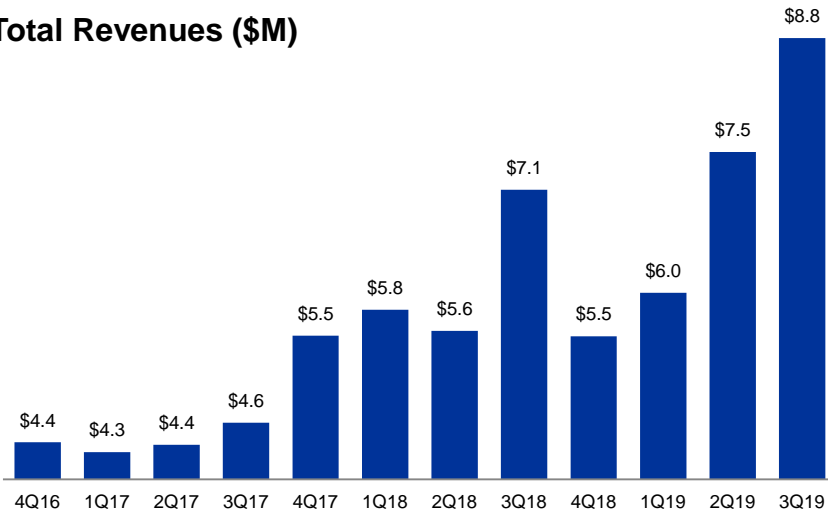
Non-GAAP Operating Margin*

As % of Total Revenues

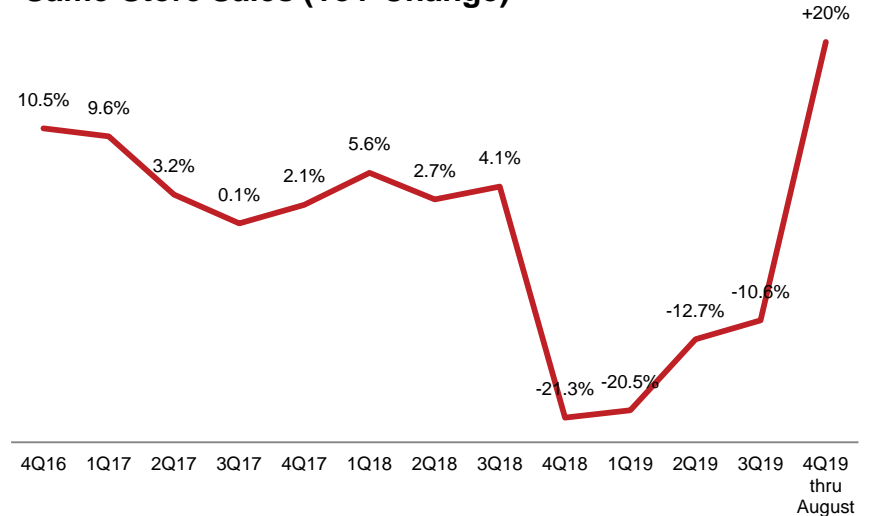


Bombshells: Turnaround Taking Shape

Total Revenues (\$M)



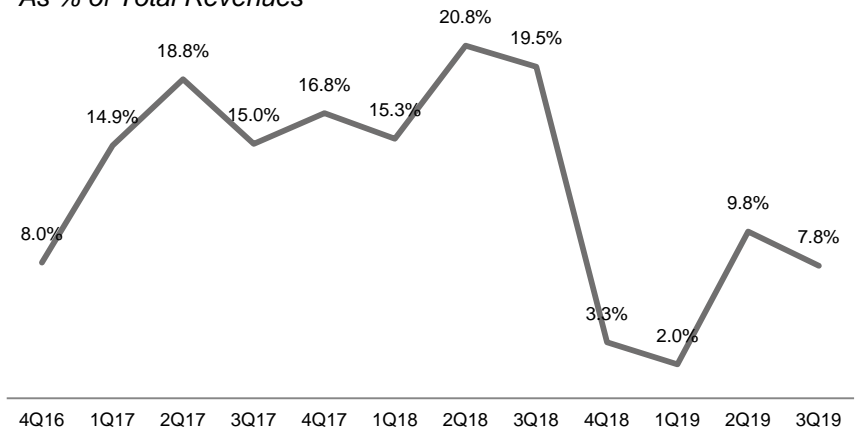
Same-Store Sales (YoY Change)*



- Four new Houston locations doing well
- Final two (Katy & US 59) opening early FY20 for total of 10
- June SSS rebound continuing in 4Q19 through August
- The 10 units should generate \$40-\$50M annualized
- Operating margin should recover with SSS rebound and minor pre-opening costs
- Past and pending sale of excess parcels around new units should increase cash on cash return

Non-GAAP Operating Margin**

As % of Total Revenues



* Effective 3Q19, Bombshells same-store sales now include locations open at least 18 months versus 12 months so the calculation is not affected by the "honeymoon" period experienced in the first six months of a new unit when revenues are higher compared to more normalized subsequent rates.

** For GAAP reconciliation, see prior period results news releases available on RCI's website. For comparable GAAP data, see "Bombshells GAAP Operating Margin" on 4.

Cash Generation

Cash at 6/30/19

- \$11.0M

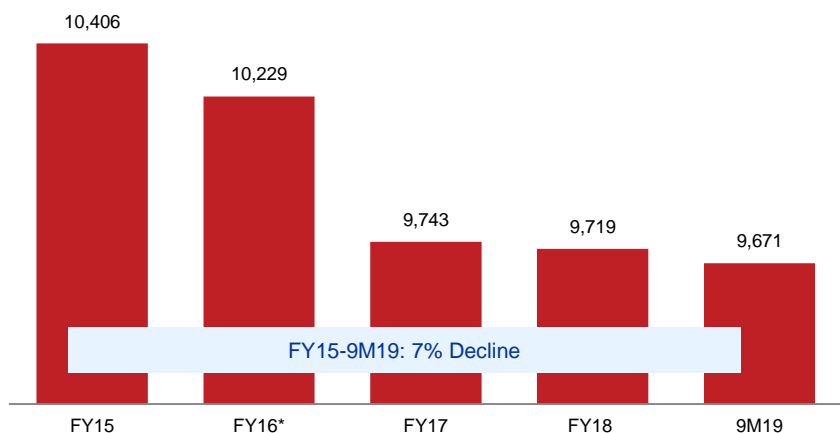
Adjusted EBITDA* 9M19 vs. 9M18

- \$36.6M vs. \$35.4M – up 3.4%
- 27.0% of revenues vs. 28.3%

Free Cash Flow* 9M19 vs. 9M18

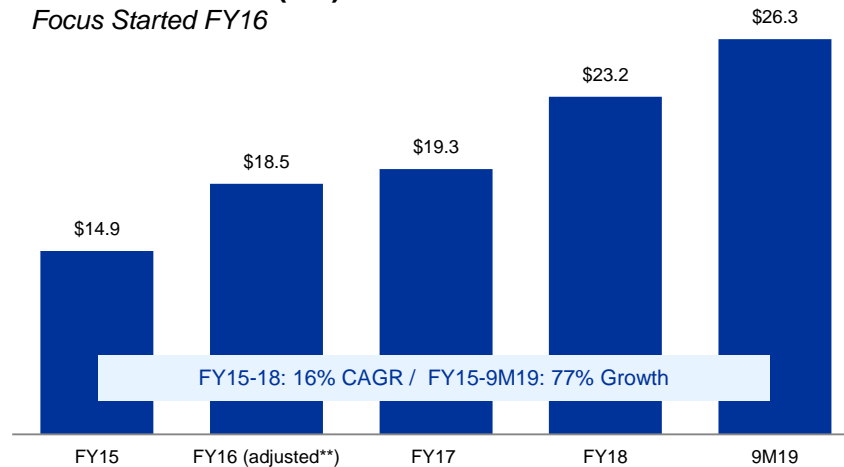
- \$26.3M vs. \$20.6M – up 28.1%
- 19.4% of revenues vs. 16.4%

Diluted Weighted Average Shares Outstanding (in 000s)



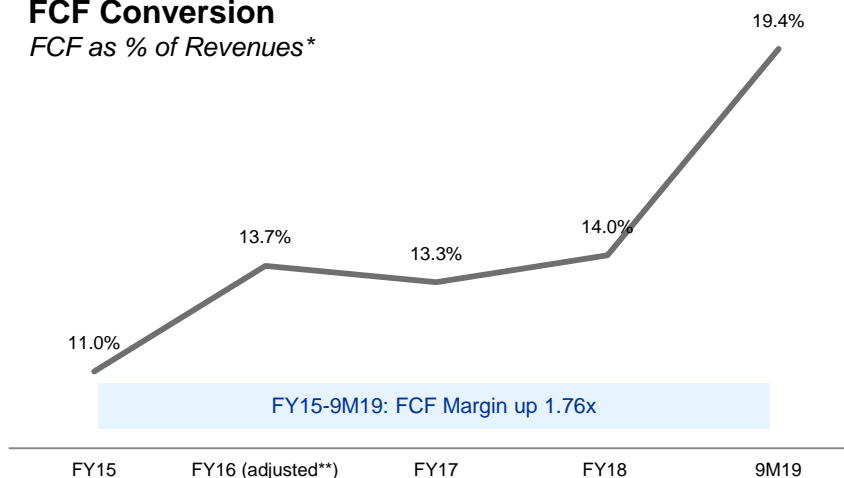
Free Cash Flow (\$M)

Focus Started FY16



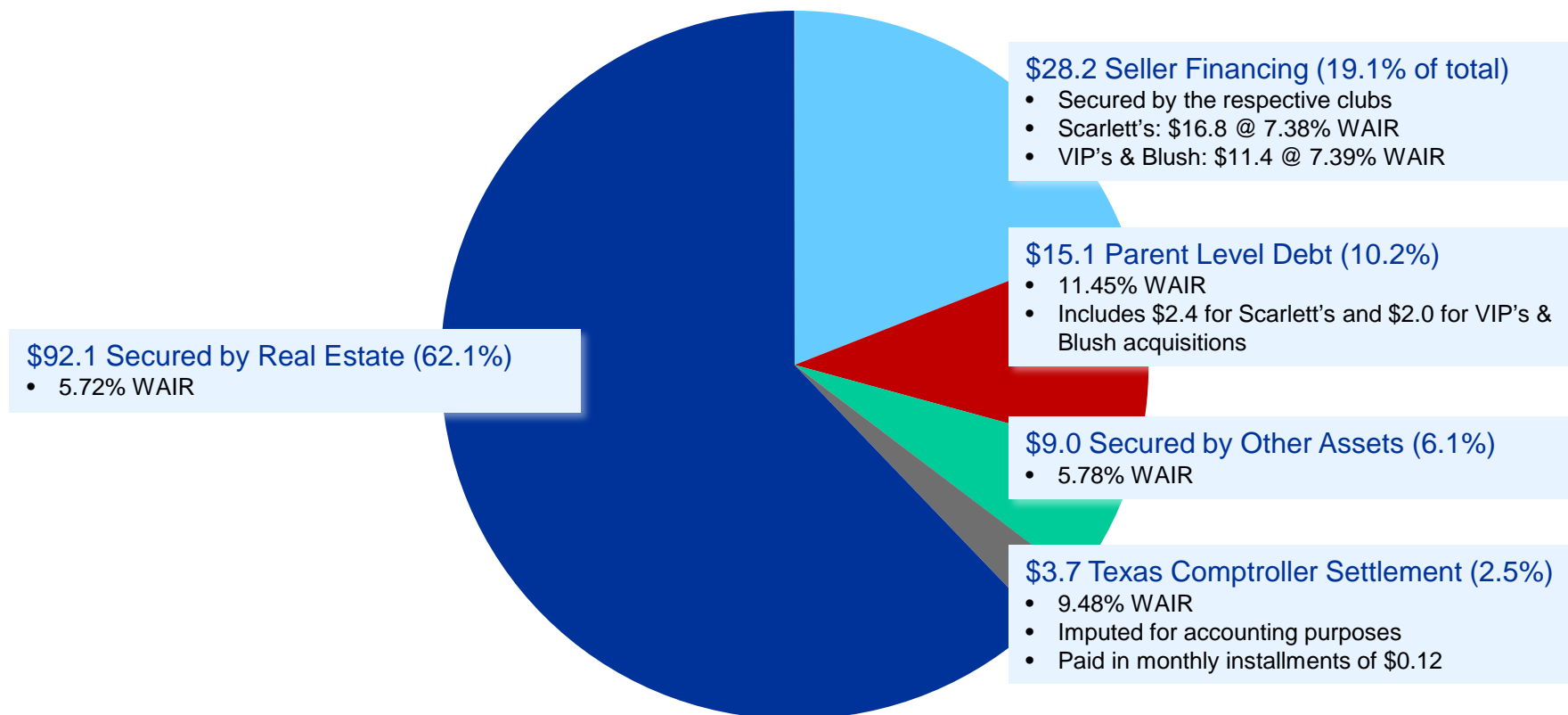
FCF Conversion

FCF as % of Revenues*



Long-Term Debt *(as of 6/30/19, \$ in millions)*

Total of \$148.1*
Weighted Average Interest Rate (WAIR): 6.79%



Debt Manageability

Centennial Loans

- \$5M installment loan (used for two recent club acquisitions) paid off as scheduled by 4/30/19
- \$82M real estate loan down to 65% LTV at 9/1/19
 - Amortization on this loans falls \$3M annualized
- FY20: Total Centennial loans amortization drops \$8M

Total LT Debt / TTM Adjusted EBITDA*

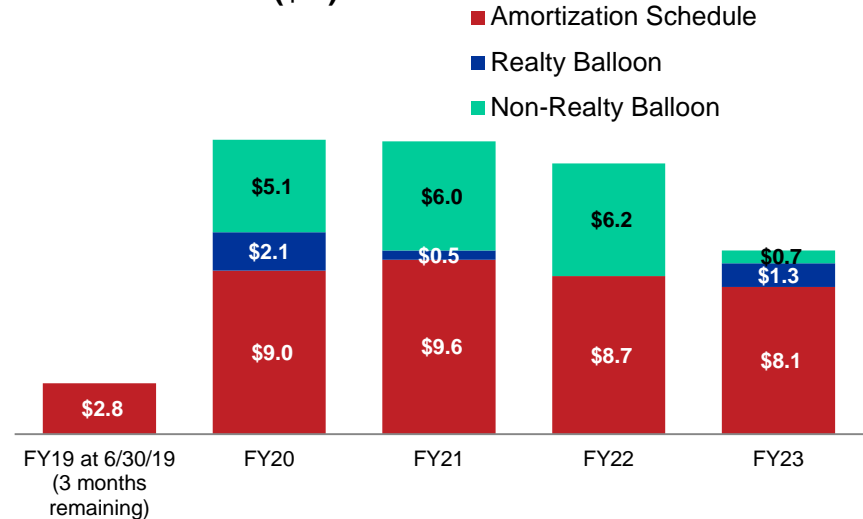
- We like to stay below 3.0x
- Starting to fall as debt declines and EBITDA increases

Quarter	Long-Term Debt (\$K)	TTM Adjusted EBITDA (\$K)	Ratio
4Q18	\$140,627	\$44,387	3.17x
1Q19	\$153,095	\$45,321	3.38x
2Q19	\$149,818	\$45,272	3.31x
3Q19	\$146,579	\$45,586	3.22x

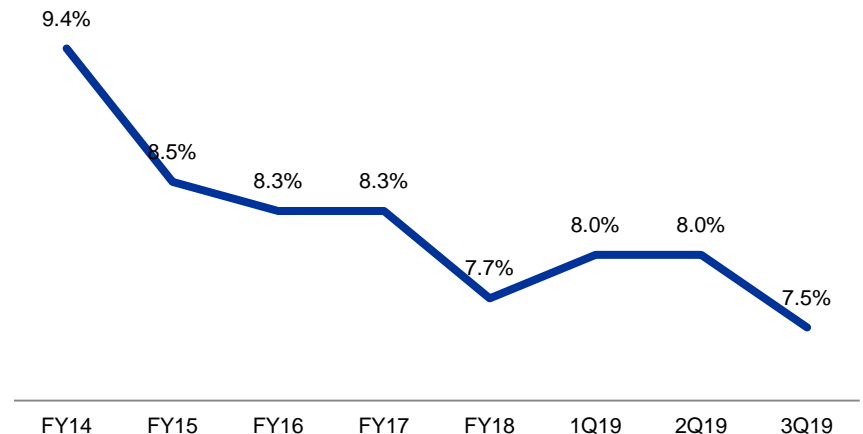
Occupancy Costs

- One of our single largest expenses
- Interest (ex-refinancing-related costs) and rent as % of revenue
- Starting to fall as new Bombshells open and generate revenues

Debt Maturities (\$M)



Occupancy Costs As % of Total Revenues



Capital Allocation Strategy (CAS)

Key Metric

- After-tax yield on Free cash flow (FCF) relative to our market cap

Buy/Open New Units If...

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

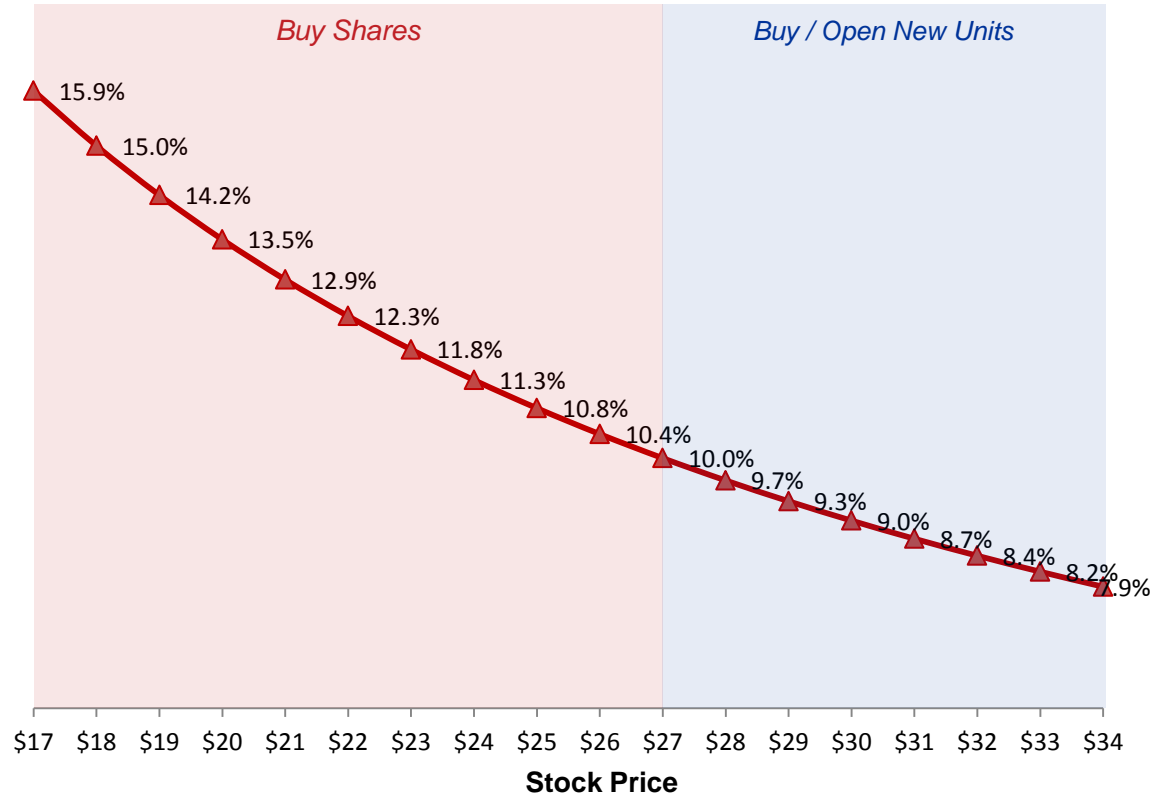
Buy Back Shares If FCF Yield...

- Exceeds double-digit range
- Exceeds yield of accelerated payment on our highest interest debt (currently a 9.2% after tax yield)

Current Status

- \$27 share is the point between buying/opening units and buying shares

FCF Yield on Stock Price @ FCF of \$26M



CAS Has Noticeably Improved Returns

(\$ in 000s)	2016	2017	2018	9M19
Clubs				
# Locations	37	40	37	38
Revenue	\$ 113,941	\$ 124,687	\$ 140,060	\$ 112,664
Segment Operating Income	\$ 33,211	\$ 35,138	\$ 44,458	\$ 44,499
Assets	\$ 244,332	\$ 254,432	\$ 253,169	\$ 269,313
% margin	29.1%	28.2%	31.7%	39.5%
ROA (A/T Segment Operating Income)	8.7%	8.8%	13.2%	16.5%
Avg revenue per location (annualized)	\$ 3,079	\$ 3,117	\$ 3,785	\$ 3,953
Avg Segment Operating Income per location (annualized)	\$ 898	\$ 878	\$ 1,202	\$ 1,561
Restaurants				
# Locations	4	5	6	8
Revenue	\$ 18,690	\$ 18,830	\$ 24,094	\$ 22,295
Segment Operating Income	\$ 1,152	\$ 3,084	\$ 2,040	\$ 1,543
Assets	\$ 8,378	\$ 18,870	\$ 39,560	\$ 43,540
% margin	6.2%	16.4%	8.5%	6.9%
ROA (A/T Segment Operating Income)	8.8%	10.5%	3.9%	3.5%
Avg revenue per location (annualized)	\$ 4,673	\$ 3,766	\$ 4,016	\$ 3,716
Avg Segment Operating Income per location (annualized)	\$ 288	\$ 617	\$ 340	\$ 257
Total Company				
# Locations	41	45	43	46
Revenue	\$ 134,860	\$ 144,896	\$ 165,748	\$ 135,876
Operating Income	\$ 20,693	\$ 23,139	\$ 28,396	\$ 32,272
Assets	\$ 276,061	\$ 299,884	\$ 330,566	\$ 349,522
% margin	15.3%	16.0%	17.1%	23.8%
ROA (A/T Operating Income)	4.8%	4.9%	6.4%	9.2%
ROE (actual reported)	8.5%	6.1%	14.1%	15.2%
Leverage (assets/equity)	2.1x	2.2x	2.1x	2.1x
Leverage (debt/ LTM EBITDA)	3.1x	3.3x	3.2x	3.2x

Financial Goals

Objective

- FCF: Compounding annual growth of 10-15% per share

STRATEGIES

1. Capital Allocation

- Use capital to buy back shares

2. Clubs

- Acquire more great clubs in the right markets

3. Bombshells

- Review progress after opening all new locations



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HOLDINGS INC

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Appendix
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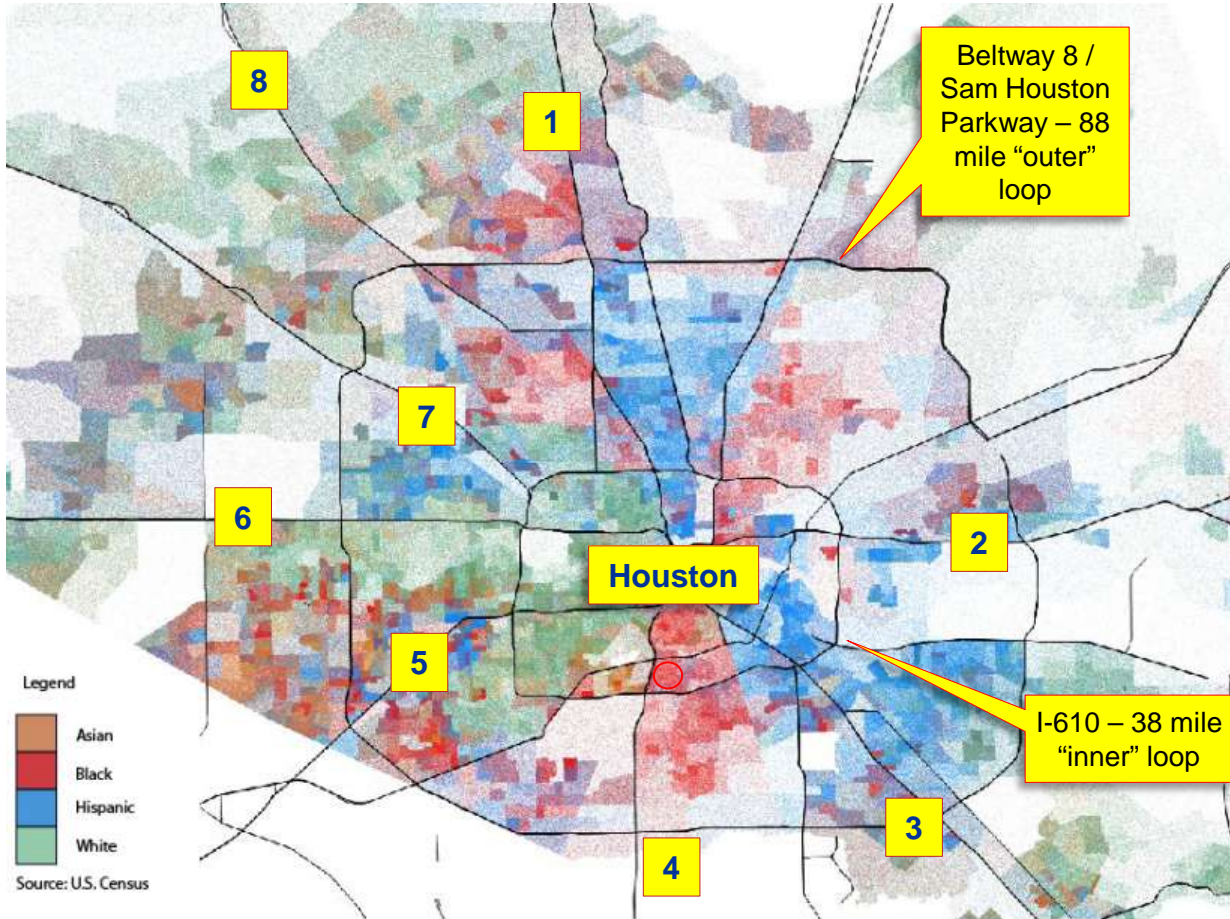
Nightclub Locations

Brand	City	State	Year*
Cabaret East	Fort Worth	TX	2010
Downtown Cabaret	Minneapolis	MN	2011
Foxy's Cabaret	Austin	TX	2015
Hoops Cabaret	New York City	NY	2016
Kappa Men's Club	Kappa	IL	2018
Silver City Cabaret	Dallas	TX	2012
The Seville	Minneapolis	MN	2015
Tootsie's Cabaret	Miami	FL	2008
Vivid Cabaret	New York City	NY	2014
Club Onyx	Charlotte	NC	2006
Club Onyx	Houston	TX	1995
Jaguars Club	Abilene	TX	2012
Jaguars Club	Edinburg	TX	2012
Jaguars Club	El Paso	TX	2012
Jaguars Club	Harlingen	TX	2012
Jaguars Club	Longview	TX	2012
Jaguars Club	Lubbock	TX	2012
Jaguars Club	Odessa	TX	2012
Jaguars Club	Phoenix	AZ	2012

Brand	City	State	Year*
Rick's Cabaret	Austin	TX	2009
Rick's Cabaret	Chicago	IL	2018
Rick's Cabaret	Dallas-Fort Worth	TX	2011
Rick's Cabaret	Dallas-Fort Worth	TX	2007
Rick's Cabaret	Minneapolis	MN	1998
Rick's Cabaret	New York City	NY	2005
Rick's Cabaret	Odessa	TX	2014
Rick's Cabaret	Pittsburgh	PA	2018
Rick's Cabaret	San Antonio	TX	2006
Scarlett's Cabaret Miami	Hallandale Beach	FL	2017
Scarlett's Cabaret St. Louis	Washington Park	IL	2017
Temptations	Beaumont	TX	2013
Temptations	Fort Worth	TX	2011
Temptations	Sulphur	LA	2013
XTC Cabaret	Austin	TX	1998
XTC Cabaret	Dallas	TX	2008
XTC Cabaret	Houston	TX	2006
XTC Cabaret	San Antonio	TX	1998
Studio80 (dance club)	Fort Worth	TX	2013

Bombshells Houston Locations

Locations in Completely Different Residential-Commercial Parts of the City



X-way driving clockwise to next location

Key	Location	Open	Miles	Mins
1	Spring	Sep-14	34	38
2	I-10 East	Dec-18	25	17
3	Fuqua	Nov-14	25	20
4	Pearland	Apr-18	23	18
5	US 59	Early FY20	15	10
6	Katy	Early FY20	10	10
7	US 290	Jun-17	28	22
8	US 249	March-19	23	18
Total			183	153
Average			23	19

Houston: The Place to Be for Dining Out

- Since 2000, no US major metro region except Dallas-Fort Worth has created more jobs and attracted more people than Houston¹
- With 2.3M residents, Houston is 4th most populous US city and largest in Texas and the South²
- Covering 627 square miles, Houston is larger than LA (502), NYC (302) and Chicago (234)³
- Houstonians dine out 7 times/week vs. 5.9 for US (Zagat 2018 Survey)⁴

Bombshells outside of Houston

- Dallas, opened March 2013
- Austin, opened June 2014

1. <https://www.forbes.com/sites/joelkotkin/2017/02/03/all-houston-does-economically-is-win/#5522a9d63647>
2. <https://theculturetrip.com/north-america/usa/texas/articles/10-unique-facts-about-houston-you-didnt-know/>
3. Google
4. <https://www.houstonpublicmedia.org/articles/news/2018/01/09/260570/houston-leads-nation-in-dining-out/>

Quarterly Roll

	1Q19 (12/31/18)	2Q19 (3/31/19)	3Q19 (6/30/19)	4Q19 (9/30/19)	1Q20 (12/31/19)
Full Quarter New Unit Benefit	<ul style="list-style-type: none"> Bombshells 6 (Pearland) Club acquisition in Central Illinois 	<ul style="list-style-type: none"> Club acquisitions in Chicago, Pittsburgh and Central Illinois Bombshells 6 (Pearland) and 7 (I-10) 	<ul style="list-style-type: none"> Club acquisitions in Chicago and Pittsburgh Bombshells 7 (I-10) and Bombshells 8 (249) 	<ul style="list-style-type: none"> Club acquisitions in Chicago and Pittsburgh Bombshells 7 (I-10) and Bombshells 8 (249) 	<ul style="list-style-type: none"> Bombshells 7 (I-10) and Bombshells 8 (249)
Partial Quarter New Unit Benefit	<ul style="list-style-type: none"> Club acquisitions in Chicago and Pittsburgh Bombshells 7 (I-10) 	<ul style="list-style-type: none"> Bombshells 8 (249) 			<ul style="list-style-type: none"> Bombshells 9 (Katy) and Bombshells 10 (US 59)
Events					<ul style="list-style-type: none"> Hard Rock Hotel & Casino Hollywood opens October 24 (near Tootsie's and Scarlett's)
Year Ago Events	<ul style="list-style-type: none"> Bombshells benefits from Houston Astros winning pro baseball championship 	<ul style="list-style-type: none"> Minneapolis hosts pro football championship NYC and Charlotte host college basketball tournaments 	<ul style="list-style-type: none"> Bombshells 6 (Pearland) Club acquisition in Central Illinois 		<ul style="list-style-type: none"> Club acquisitions in Chicago and Pittsburgh (November 2018) Bombshells 6 (Pearland)

2Q20: Pro football's "big game" scheduled for February 2, 2020 at Hard Rock Stadium near Tootsie's and Scarlett's

Contact Information

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