



The Innovator in Bar-Restaurant-Entertainment Themed Hospitality

NASDAQ: RICK

3Q17 Conference Call Presentation

August 9, 2017

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 (or including) items that management believes are not representative of the ongoing business operations of the Company, but are included (or excluded) 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 impairment of assets, amortization of intangibles, gains or losses on sale of assets, stock-based compensation, gain on patron tax settlement, 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 impairment of assets, amortization of intangibles, income tax expense, gains or losses on sale of assets, stock-based compensation, gain on patron tax settlement, and settlement of lawsuits, and include the non-GAAP provision for current and deferred income taxes, calculated as the tax effect at 33% and 35% year-to-date effective tax rate of the pre-tax non-GAAP income before taxes for the three and nine months ended June 30, 2017 and 2016, 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, impairment of assets, income tax expense, interest expense, interest income, gains or losses on sale of assets, gain on patron tax settlement, 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 June 30, 2017 and our August 9, 2017 news release contain additional details relative to the non-GAAP financial measures and are posted on our website at www.rcihospitality.com.

3Q17 Highlights

Comparisons to year ago periods unless otherwise noted

EPS

- GAAP: \$0.40 vs. \$0.27 – up 48.1%
- Non-GAAP*: \$0.47 vs. \$0.34 – up 38.2%
- Basic and diluted share counts: Down 1.9% and 3.3%, respectively

Revenues

- \$37.4M – up 10.2%
- Same store sales: +6.8%
- Acquisitions: Added \$2.2M

Other Significant Events

- RICK added to Russell 3000® and 2000® indexes June 26th
- BDO named auditor effective July 13th

Margins

- Gross Profit: 85.9% +148 bps
- GAAP Operating Margin: 21.1% +145 bps
- Non-GAAP Operating Margin*: 23.6% +283 bps

Free Cash Flow*

- YTD: \$16.6M
- FY17: On track to exceed initial \$18M target
- FY18: Initial target of \$21M

Business Strategies

Nightclubs

Overview

- Acquire more of the industry's best, develop our own properties where/when possible
- VIP spend, high inventory turns, low capex enable clubs to generate high cash flow
- 3,500 clubs in the US / 500 meet our qualifications
- While we are one of the largest entities in the industry, our market share is less than 2%

The Opportunity

- Many long-term owners interested in selling
- The only public company in the space and access to bank financing makes us acquirer of choice
- We target earnings accretive properties to acquire for 3-4x adjusted EBITDA
- We have great track record with seller financing funded from acquisition cash flow

Bombshells

Overview

- Access to bank financing has significantly increased potential cash on cash return
- Potential: Develop 80-100 units, 80% franchised / 20% company owned

The Opportunity

- Wider appeal than competitive brands: attracts men, women, singles, couples and families
- Strong lunch, dinner and late night business: High beverage/food ratio of ~60/40

Goal

- Increase free cash flow per share at least 10-15% annually, expand multiple

Disciplined Capital Allocation Strategy

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

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

2. Use FCF to buy back shares

- 9.4% after tax yield with shares in \$23 range

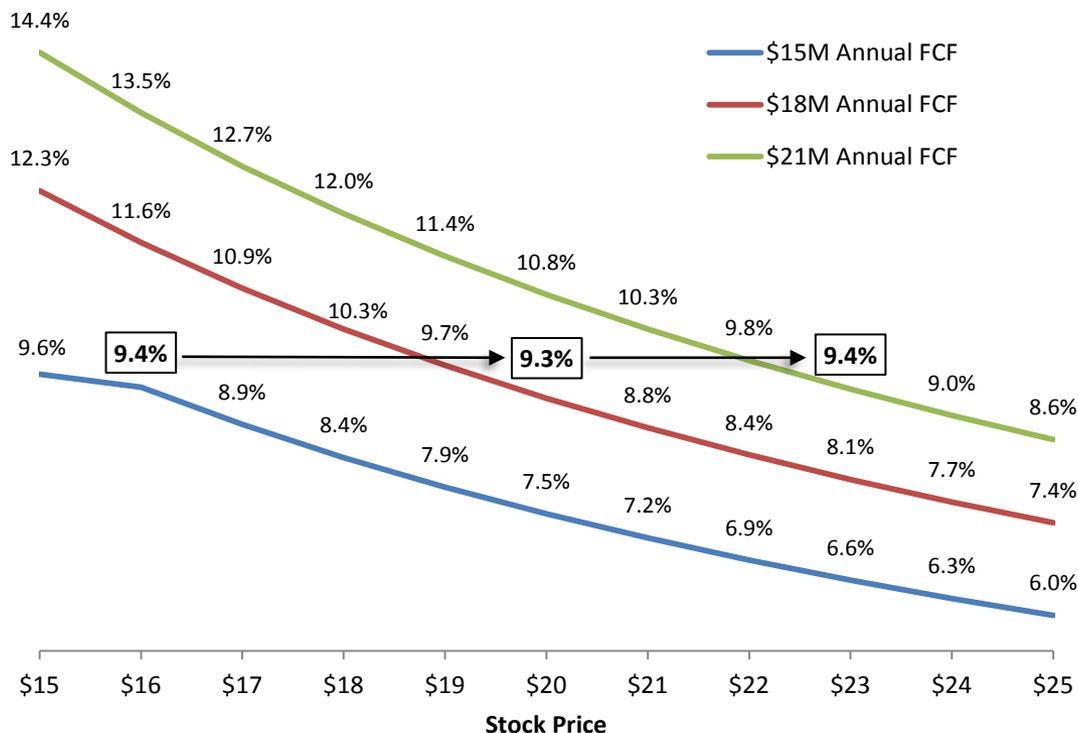
3. Take action if units not performing in line with strategy

- Free up capital for better use

4. Pay off most expensive debt (12%) at accelerated rate only if:

- Makes sense on tax adjusted basis, or
- There is a strategic rationale

FCF Yield on Stock Price



- \$18M and \$21M FCF yield based on FD shares outstanding of 9.719M at 3/31/17 and 6/30/17
- \$15M FCF yield based on FD shares outstanding of 10.023M at 12/31/15 with expected dilution from convertible securities at that time

Nightclubs Update



Property	Highlights	Status
Scarlett's Cabaret Miami	<ul style="list-style-type: none"> Acquired May 8th 	<ul style="list-style-type: none"> Performed in line with expectations
Hollywood Showclub Greater St. Louis	<ul style="list-style-type: none"> Acquired April 25th 	<ul style="list-style-type: none"> Performed in line with expectations in 3Q17 Relaunched July 27th as a Scarlett's Cabaret Minimal additional capital required
Unused Club Location Greater St. Louis	<ul style="list-style-type: none"> Acquired April 25th 	<ul style="list-style-type: none"> Opened August 3rd as Hollywood Hunt Club 51% joint venture Minimal additional capital required
Studio 80 Webster (Houston)	<ul style="list-style-type: none"> Dance club Uses existing lease Opened April 27th 	<ul style="list-style-type: none"> Performed in line with expectations
10557 Wireway Dallas	<ul style="list-style-type: none"> Closed June 30th After 2nd reformat attempts 	<ul style="list-style-type: none"> \$1.4M impairment charge Selling land and building
Non-Income Producing Property	<ul style="list-style-type: none"> Sold 2nd parcel in 3Q17 	<ul style="list-style-type: none"> \$1.5M proceeds in line with expectations Used to pay down related 9.5% debt \$0.9M gain on sale

Bombshells Update

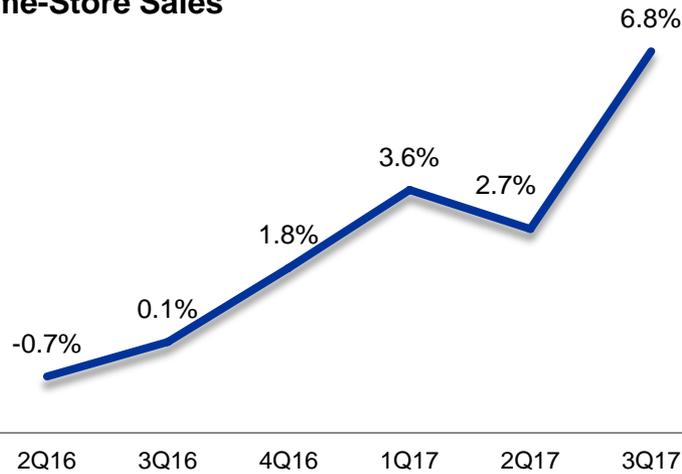


Property	Highlights	Status*
Bombshells 5 Highway 290 (Houston)	<ul style="list-style-type: none"> • Demographics similar to top Houston unit • First prototype build 	<ul style="list-style-type: none"> • Opened July 17th • Performing well • 3 back to back \$100,000+ weeks
Bombshells 6 Pearland (Houston)	<ul style="list-style-type: none"> • All but \$1M financed by banks 	<ul style="list-style-type: none"> • Broke ground • Entered into 5% \$4.8M loan agreement with bank to finance construction and RE acquisition • Targeted to open 1Q18
Bombshells 7 I-10 (Houston)	<ul style="list-style-type: none"> • All but \$1M financed by banks 	<ul style="list-style-type: none"> • Targeted to open 3Q18
Three more units Houston and other possible Texas locations	<ul style="list-style-type: none"> • Will give us total of 10 company owned stores 	<ul style="list-style-type: none"> • Currently looking at properties • Possible openings FY18-FY19

* Planned opening dates subject to change due to weather, which could affect construction schedules, and when final municipal inspections can be scheduled

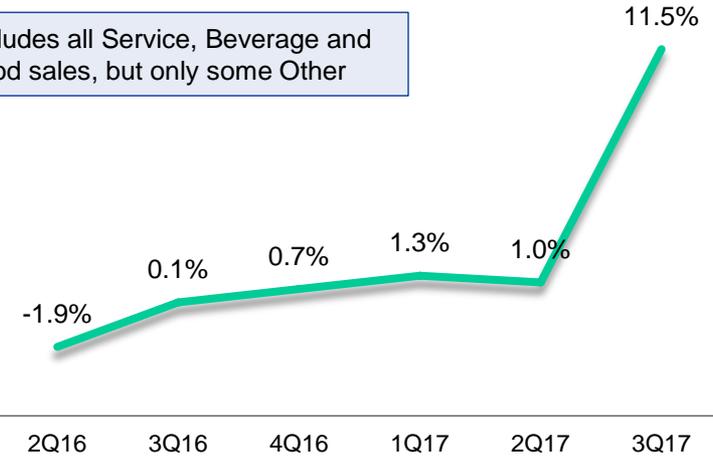
Continued Sales Growth (year over year)

Same-Store Sales



Club & Restaurant Sales

Includes all Service, Beverage and Food sales, but only some Other



3Q17 Highlights

- +6.8% in same-store sales
- +10.3% from new units, including acquisitions
- All core lines (service, beverage and food) increased YoY and sequentially
- Continued rebound of higher margin service revenues

Service Revenues

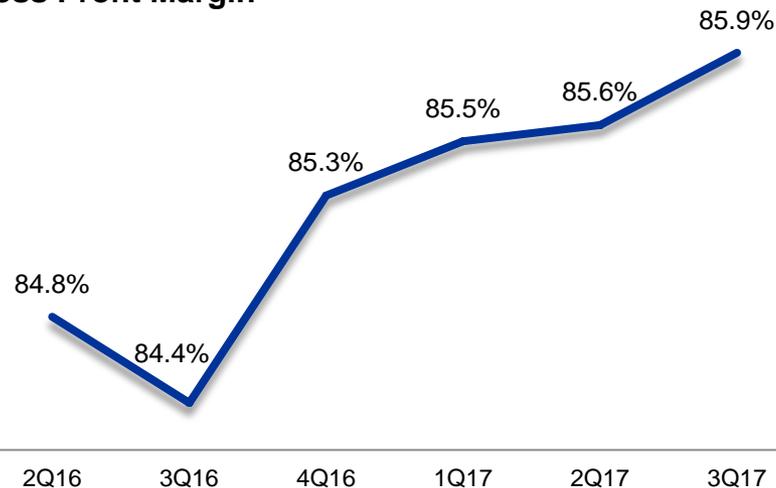


Margin Expansion (year over year)

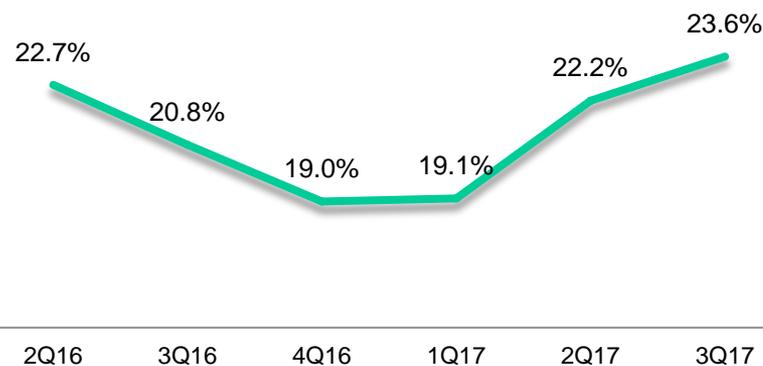
3Q17 Highlights

- Gross profit margin higher with hike in service revenues
- Operating margin up due to increased operating leverage
- Expenses up 8.2% in \$, but fell to 78.9% of revenues from 80.4%
 - New acquisitions and pre-opening costs
 - Lower depreciation and amortization
 - Goodwill impairment partially offset by gain

Gross Profit Margin



Non-GAAP Operating Margin*



* For GAAP reconciliation, see the company's 3Q17 news release dated August 9, 2017, 2Q17 news release dated May 9, 2017, 1Q17 news release dated February 9, 2017 and the 4Q16 conference call presentation dated December 13, 2016, all on the company's website at www.rcihospitality.com

Nightclubs Segment

(\$ in millions)	3Q17	3Q16	Change
Revenues	\$32.6	\$28.3	+15.0%
Units	40	38	+5.3%
Non-GAAP Operating Income*	\$11.5	\$9.3	+23.4%
Non-GAAP Operating Margin*	35.3%	32.9%	+241bps

Highlights

- Same-store sales up 8.0%
- Broad based recovery in VIP spend and in customer count, enhanced by 3Q17 acquisitions

Bombshells Segment

(\$ in millions)	3Q17	3Q16	Change
Revenues	\$4.6	\$5.0	-7.9%
Units	4	5	-20.0%
Operating Income	\$0.692	\$0.905	-23.5%
Operating Margin	15.0%	18.1%	-307bps

Highlights

- Average sales per unit \$1.15M vs. \$1.0M – up 15.2%
- 3Q17 operating margin decline reflected Bombshells 290 pre-opening costs
- Included cost of developing and implementing new training programs
- Otherwise, margin would have been comparable to 2Q17 and 3Q16
- Not rushing franchise sales—we want to do it right

Free Cash Flow, Adjusted EBITDA & Cash (\$ in millions)

Adjusted EBITDA*

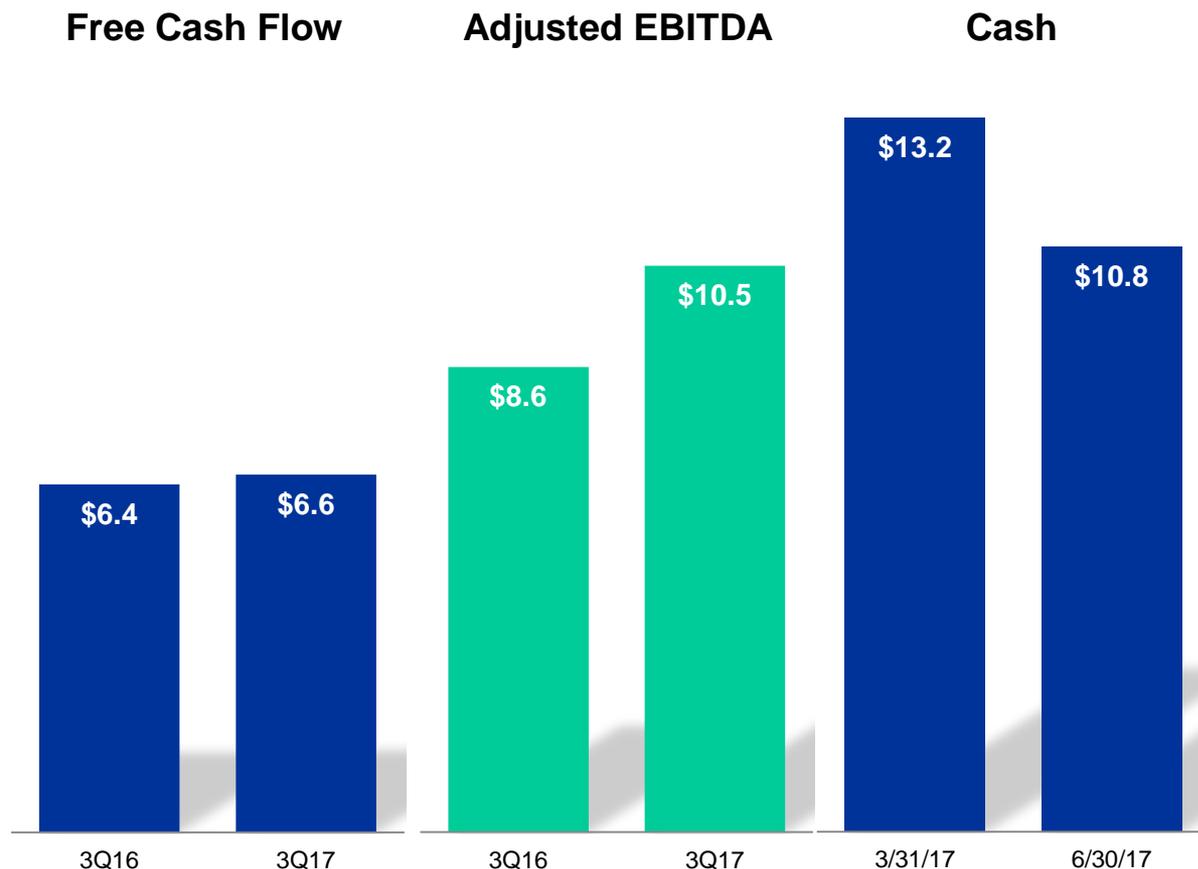
- Up 21.8%
- Highest level in trailing 7 quarters

Free Cash Flow*

- Up 2.8%

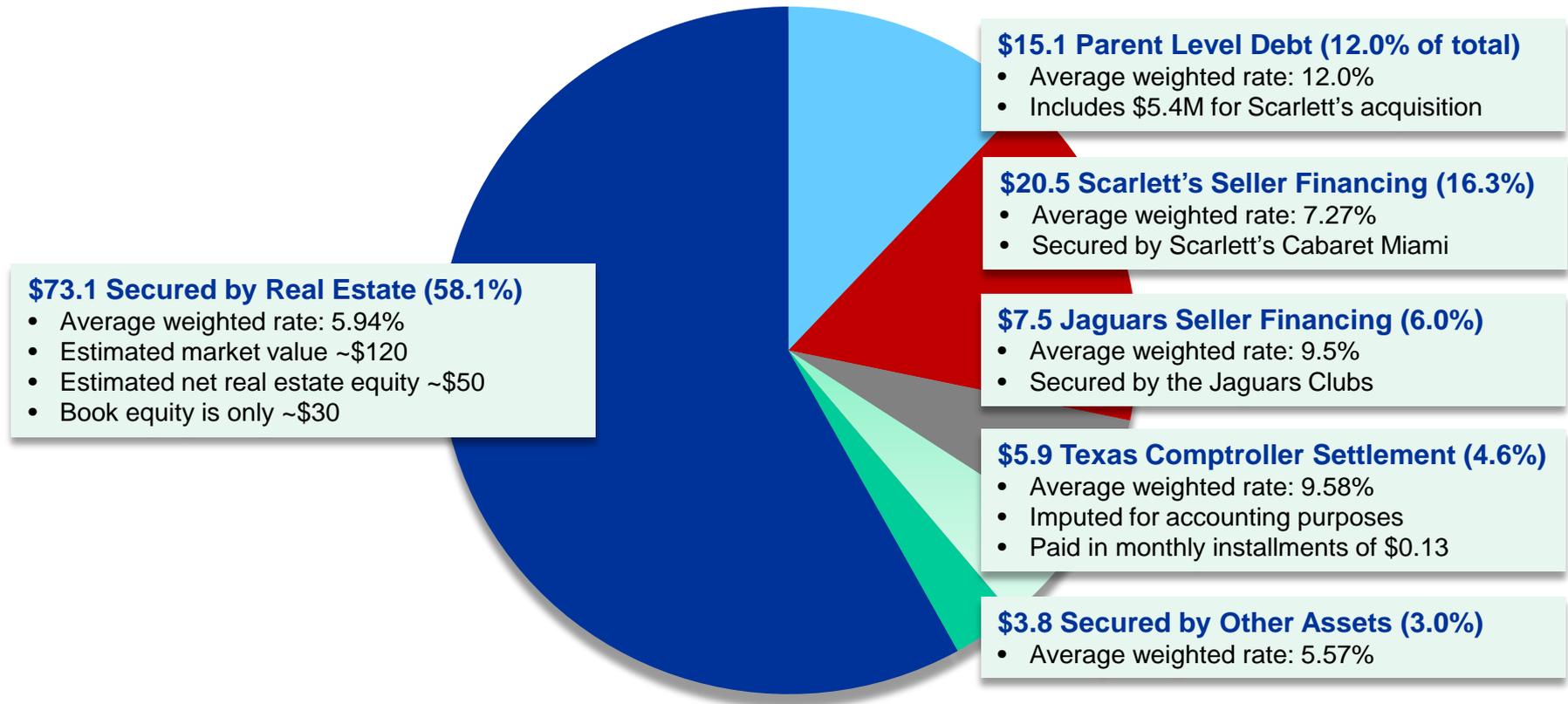
Cash

- Down \$2.4M from 3/31/17 due to \$4.2M all cash St. Louis acquisitions



Long-Term Debt (\$ in millions, as of 6/30/17)

Total of \$125.9*
Average Weighted Rate: 7.37%



Debt Maturities (\$ in millions)

Overview

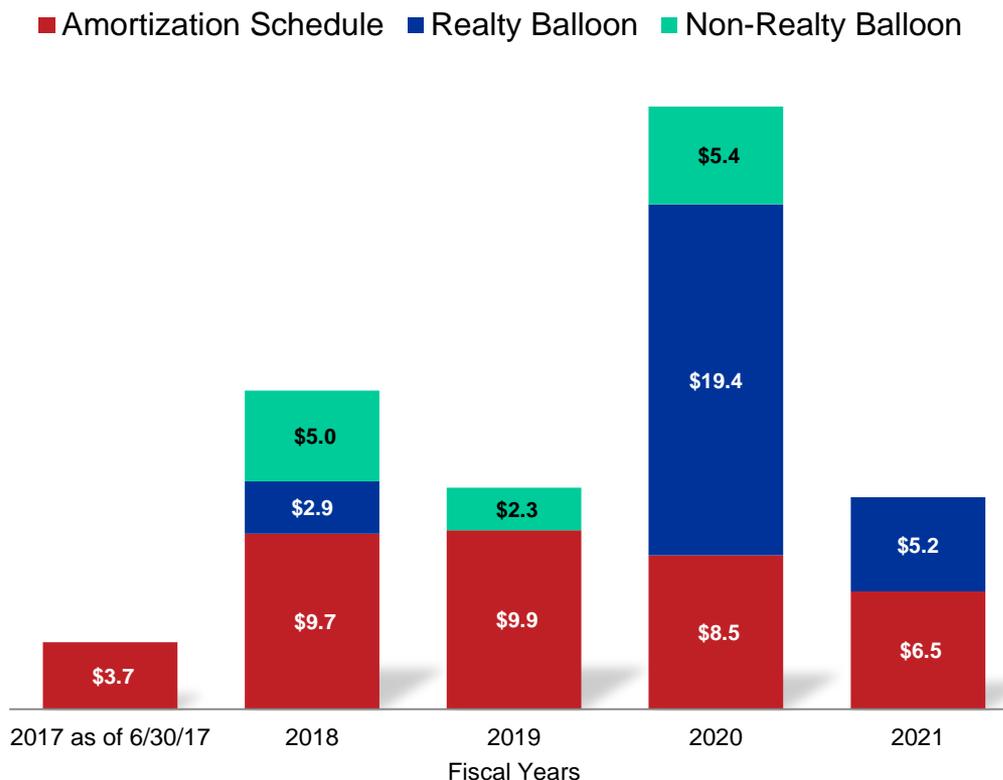
- Most debt is real estate that amortizes until ballooned
- Amortizations to be paid out of cash flow

Realty Balloons

- FY18: \$2.9M converts into construction loan for Bombshells I-10
- FY20: \$19.4M majority related to Tootsie's Cabaret Miami

Other Updates

- 3Q17: Proceeds from sale of property used to pay down 9.5% note
- Scarlett's Cabaret Miami non-realty debt
 - FY18: \$5.0M seller financing payment
 - FY20: \$5.4M related payment
 - \$15.6M balance of seller financing amortizes over 12 years



Strong Outlook Continues

Positioned Well

- 4Q17: Full quarter of Scarlett's Miami
- 1Q18: Full quarter of
 - Bombshells 290
 - Scarlett's St. Louis and Hollywood Hunt Club
- 2Q18, normally seasonally stronger, could also benefit from:
 - Music industry awards 1st time at MSG in NYC near our 3 clubs
 - Pro football championship 1st time in new Minneapolis stadium near our 3 clubs

Free Cash Flow*

- FY17: On track to exceed initial \$18M target
- FY18: Initial \$21M target



Recently Opened Bombshells off Highway 290 in NW Houston

Calendar

Subject to possible change

Date	Event
August 27-30, 2017	25 th Annual Gentlemen's Club Expo in Las Vegas
September 19, 2017	Annual Meeting at Corporate Headquarters in Houston
October 10, 2017	4Q17 Club & Restaurant Sales
December 5-7, 2017	LD Micro Investor Conference in Los Angeles
December 14, 2017	4Q17 & FY17 Financial Results

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