



RCI HOSPITALITY HOLDINGS INC

The Innovator in Bar-Restaurant-Entertainment Themed Hospitality

NASDAQ: RICK
1Q19 Conference Call
February 11, 2019
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) 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: amortization of intangibles, 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 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 shareholders and diluted earnings per share. Excluded items are: amortization of intangibles, 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. Included item is the non-GAAP provision for current and deferred income taxes, calculated at 22.2% and 26.5% effective tax rate of the pre-tax non-GAAP income before taxes for the quarter ended December 31, 2018 and 2017, respectively. 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 shareholders: depreciation expense, amortization of intangibles, income tax expense (benefit), net interest expense, gains or losses on sale of assets, gain on insurance, and 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-Q for the quarter ended December 31, 2018 and our February 11, 2019 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

1Q19 GAAP (vs. year ago)

- Total Revenues of \$44.0M – Up 6.8%
- Diluted EPS of \$0.65 vs. \$1.47
- 1Q19 included \$1.2M pre-tax gain on sale of non-income producing assets and \$447K pre-tax non-operating loss reflecting new accounting standard
- 1Q18 included \$9.7M deferred tax credit and \$827K debt issuance cost write-off and prepayment penalties

1Q19 Non-GAAP (vs. year ago)*

- Diluted EPS of \$0.61 – Up 15.1%
- FCF of \$11.1M – Up 47.0%

Capital Allocation

- 1Q19-January 2019: Bought back 28,211 shares for \$660K

FY19 Outlook

- Benefit from Chicago and Pittsburgh club acquisitions, new Bombshells locations, sale/lease of non-income producing properties, other factors
- FCF target of \$26M – Up 13% vs. original FY18 target

1Q19 Operating Results

(\$ in millions)	1Q19	1Q18	Δ	Comment (1Q19 vs. 1Q18)
<i>Revenue by Segment</i>				%
Nightclubs	\$37.7	\$35.2	7.1	• Nightclubs: SSS up 4.3% plus contribution from acquisitions
Bombshells	6.0	5.8	3.2	• Bombshells: New units more than offset SSS decline
Other	0.3	0.2	69.9	• Other: Revitalization of Robust business
Total	\$44.0	\$41.2	6.8%	
<i>GAAP Operating Income</i>				\$
Nightclubs	\$15.4	\$13.4	\$2.0	• Nightclubs: Higher revenues, higher legal, \$1.2M gain on sale
Bombshells	0.1	0.9	(0.8)	• Bombshells: Lower same-store operating leverage
Other	(0.1)	(0.1)	0.0	• Other: Small quarter for this segment
Corporate	(4.3)	(5.0)	0.7	• Corporate: Reduced professional fees
Total	\$11.1	\$9.1	\$2.0	
<i>Non-GAAP Operating Income*</i>				\$
Nightclubs	\$14.3	\$13.4	\$0.9	• Nightclubs: 37.8% vs. 38.0% of segment revenues
Bombshells	0.1	0.9	(0.8)	• Bombshells: 2.0% vs. 15.3% of segment revenues
Other	(0.1)	(0.1)	0.0	• Other: -44.0% vs. -82.5% of segment revenues
Corporate	(4.1)	(4.9)	0.8	• Corporate: -9.3% vs. -11.8% of total revenues
Total	\$10.2	\$9.3	\$0.9	• Operating margin of 23.1% vs. 22.5%

Sale of Non-Income Producing Assets

1Q19

- Sold:
 - Former Club Onyx Philadelphia business (not real estate)
 - RCI's former offices and real estate
 - Small parcel in San Antonio
- \$1.9M total received (\$1.2M cash, \$625K in 9%, 10-year note)
- Cash used to pay down \$945K in related bank real estate debt
- \$1.2M pre-tax gain

**January
2019**

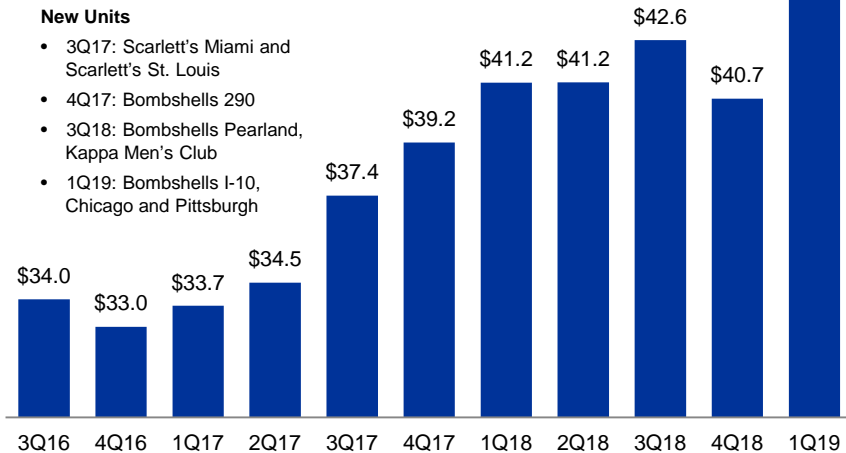
- Sold excess parking lot near former Club Onyx Dallas
- \$1.4M total received (\$250K cash, \$1.15M in 8%, 3-year note)
- \$383K estimated pre-tax gain

**Assets Held
for Sale**

- Current: Two excess parcels near Bombshells I-10 and US 249 sites
- Later: Expect additional contracts to sell more Bombshells excess parcels

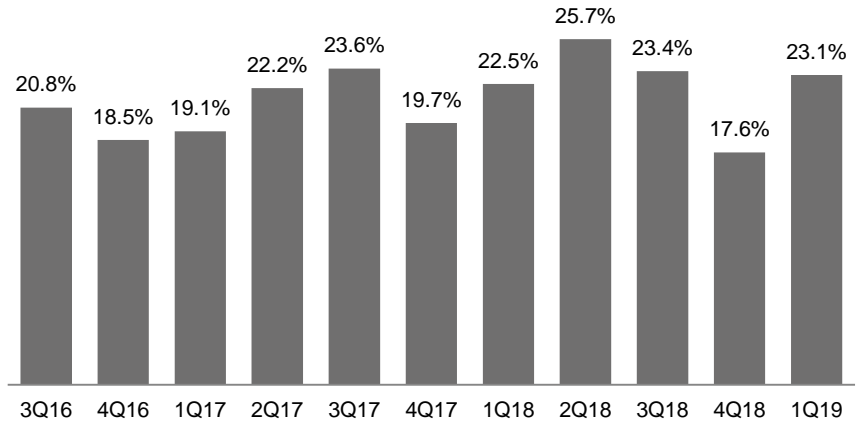
Sales & Margin Trends

Total Revenues (\$M)



Non-GAAP Operating Margin*

As % of Total Revenues



Highlights

- Same-Store Sales up 11 quarters in a row as of 1Q19
- 1Q19 Non-GAAP Operating Margin includes legal, advertising and marketing costs related to Chicago and Pittsburgh club acquisitions

Cash Generation

Cash

- \$9.4M at 12/31/18
- \$17.7M at 9/30/18 (included proceeds from debt used to finance two November club and related real estate acquisitions)

Adjusted EBITDA*

- 1Q19: \$12.0M vs. \$11.1M in 1Q18

Free Cash Flow*

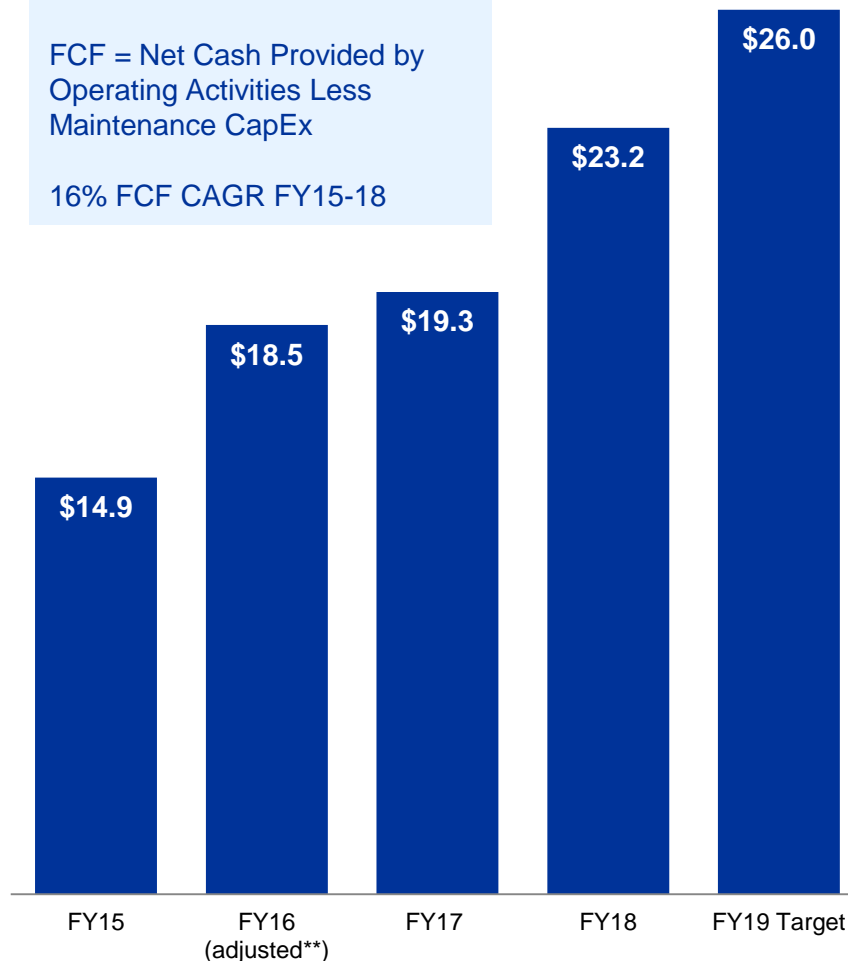
- 1Q19: \$11.1M vs. \$7.5M in 1Q18
- FY19 Target: \$26.0M

Free Cash Flow (\$M)

RCI focus on FCF started FY16

FCF = Net Cash Provided by Operating Activities Less Maintenance CapEx

16% FCF CAGR FY15-18



Capital Allocation Strategy

Key Metric

- Free cash flow (FCF) after-tax yield 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

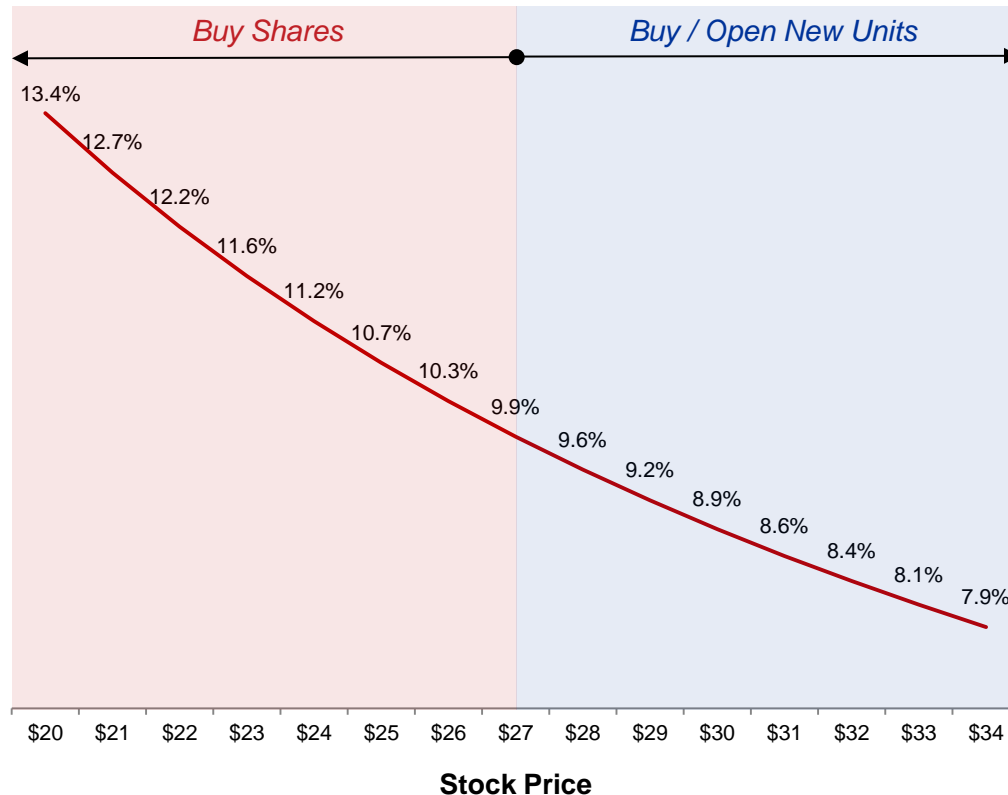
Buy Back Shares If FCF Yield...

- Nears double-digit range
- Exceeds yield of accelerated payment of our highest interest debt (currently a 9.24% after tax yield)

Current Status

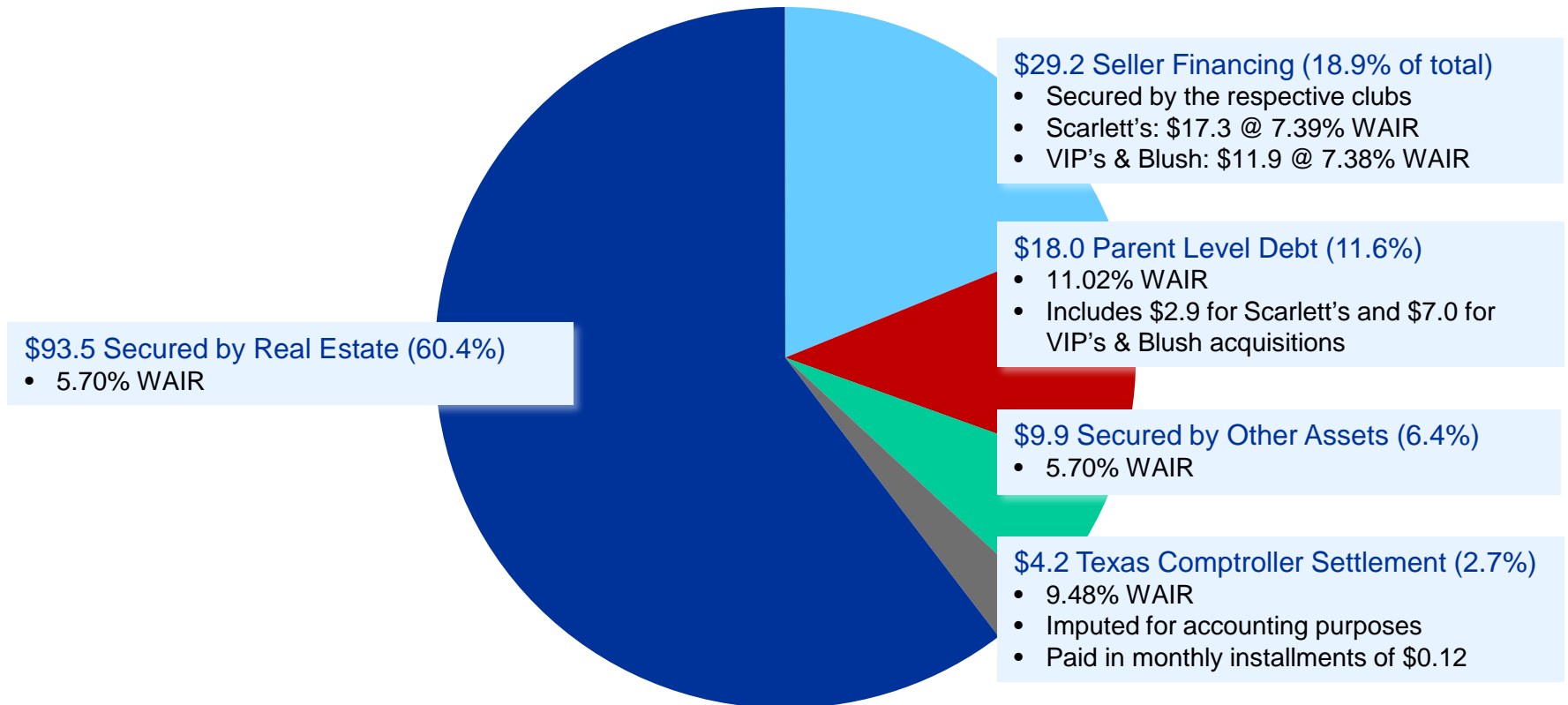
- Initial FY19 FCF target of \$26.0M, up 13% from initial FY18 target
- \$27 share is the point between buying/opening units and buying shares
- 1Q19-January 2019: Bought back 28,211 shares for \$660K or average of \$23.39 each

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



Long-Term Debt (as of 12/31/18, \$ in millions)

Total of \$154.8*
Weighted Average Interest Rate (WAIR): 6.82%



Debt Manageability

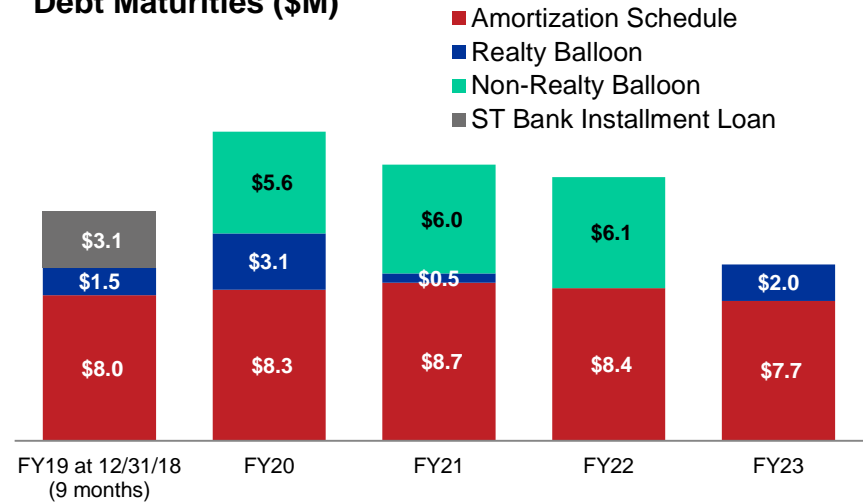
Maturities

- Most debt is real estate amortizing until ballooned
- Centennial Loans
 - FY19 amortization includes \$3.1M of original \$5.0M installment loan (used for two recent club acquisitions) to be paid off by 4/30/19
 - Centennial real estate loan should be 65% or less LTV by 9/30/19, which will drop amortization on the loan by \$3.0M annualized

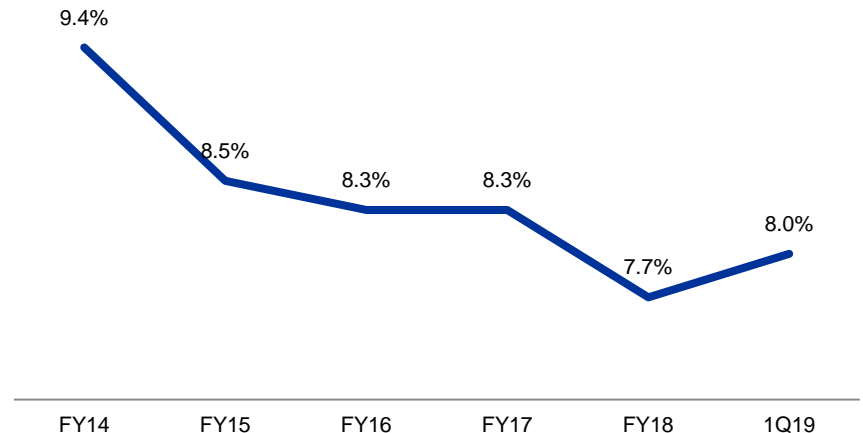
Occupancy Costs & Debt / EBITDA

- 1Q19: Both metrics increased
 - Reflects debt raised in advance of two recent club acquisitions and debt to finance Bombshells under construction
 - Should decline with full quarter of the two clubs and as new Bombshells open
- Occupancy Costs:
 - One of our single largest expenses: Interest (ex-refinancing-related costs) and rent as % of revenue
- Total Debt / TTM Adjusted EBITDA = 3.38x
 - We like to stay below 3x

Debt Maturities (\$M)



Occupancy Costs As % of Total Revenues



FY19 Plan

Nightclubs

- Complete integration of our new clubs in Chicago and Pittsburgh
- Keep an eye open for the right acquisitions

Bombshells

- Opening remaining three units in development
 - US 249 (just north Houston) -- February 2019
 - Katy (just west of Houston) -- May 2019
 - US 59 (SW Houston) -- June 2019
- Improve comparable same-store sales

Balance Sheet

- Sell excess land developed around several of the new Bombshells
- Pay down Centennial real estate loan to 65% or less LTV

Margins

- Further reduce costs

Capital Allocation

- Continue all aspects of our strategy

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 remaining three in development



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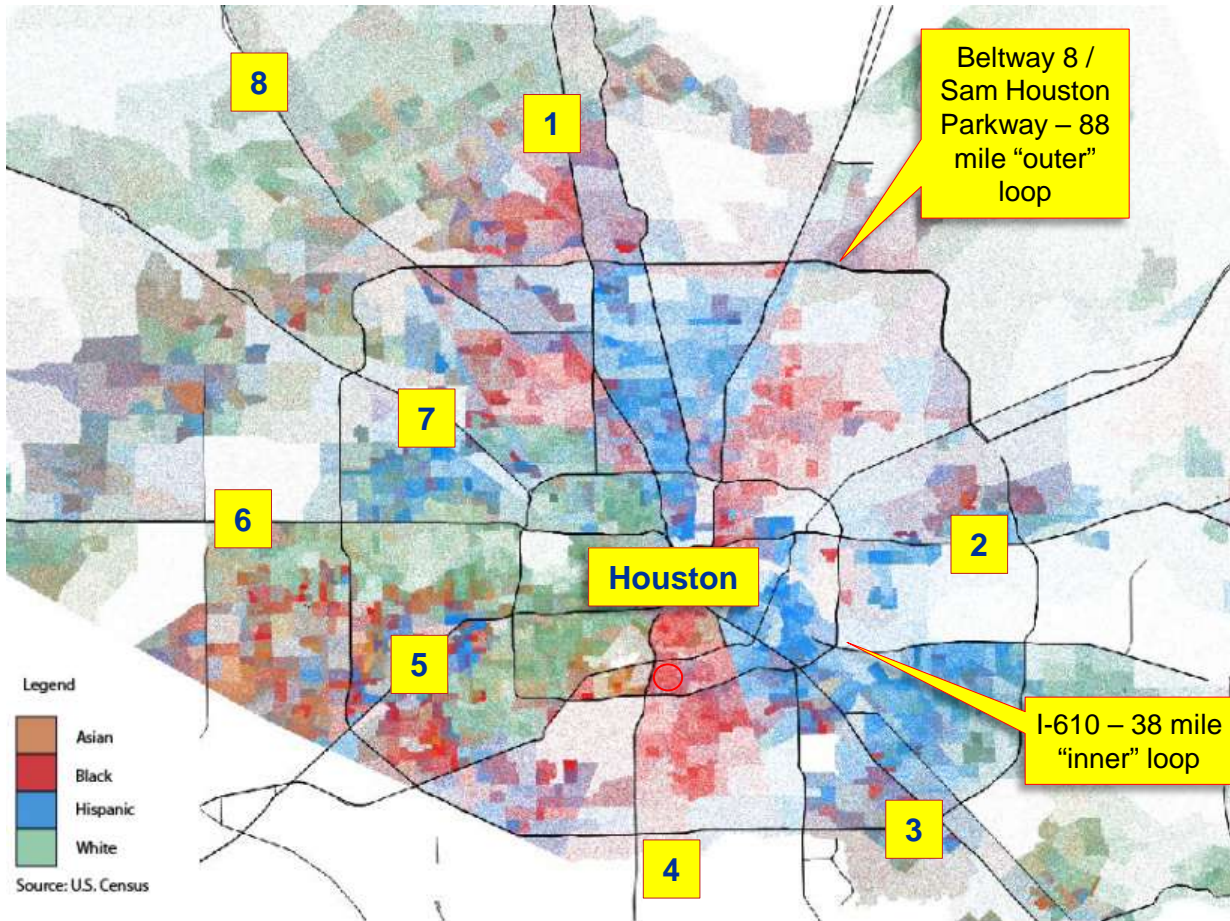
Nightclub Locations

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
Studio80 (dance club)	Webster	TX	2017

Bombshells Existing & New Houston Units

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	June-19	15	10
6	Katy	May-19	10	10
7	US 290	Jun-17	28	22
8	US 249	Feb-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

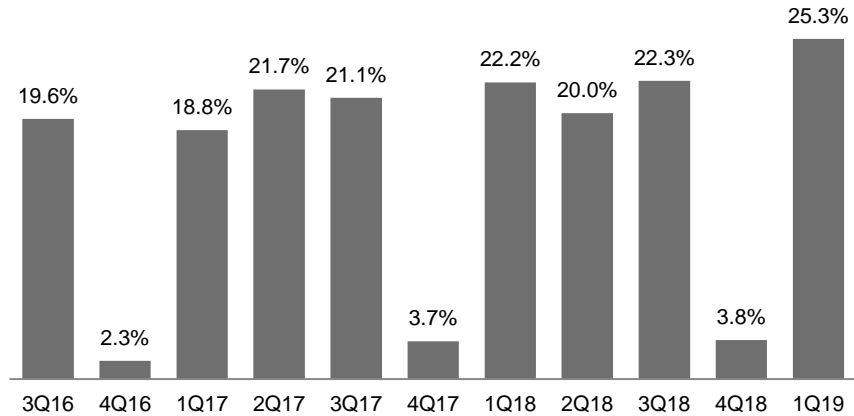
	3Q18 (6/30/18)	4Q18 (9/30/18)	1Q19 (12/31/18)	2Q19 (3/31/19)
Full Quarter New Unit Benefit	<ul style="list-style-type: none"> Bombshells 5 (290) Bombshells 6 (Pearland) Opens 	<ul style="list-style-type: none"> Bombshells 6 (Pearland) Kappa Men's Club 	<ul style="list-style-type: none"> Bombshells 6 (Pearland) Kappa Men's Club 	<ul style="list-style-type: none"> 3 club acquisitions: Chicago, Pittsburgh and Central Illinois 2 Bombshells: 6 (Pearland) and 7 (I-10)
Partial Quarter New Unit Benefit	<ul style="list-style-type: none"> Kappa Men's Club 		<ul style="list-style-type: none"> VIP's Chicago Blush Pittsburgh Bombshells 7 (I-10) 	<ul style="list-style-type: none"> Bombshells 8 (249)
Events	<ul style="list-style-type: none"> Bombshells benefits from Houston Rockets in playoffs 			
Year Ago Events	<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 Bombshells one of the first restaurant chains to open after Hurricane Harvey hits Houston 	<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

Preliminary Calendar

Date	Event	<i>Subject to change</i>
March 28, 2019	Sidoti & Company Spring Investor Conference in New York City	
April 9, 2019	2Q19 Club & Restaurant Sales	
May 9, 2019	2Q19 & 6M19 Financial Results	
June 25, 2019	5 th Anniversary of Bombshells Austin followed by the Spring and Fuqua Locations	
July 9, 2019	3Q19 Club & Restaurant Sales	
August 12, 2019	3Q19 & 9M19 Financial Results	
August 11-14, 2019	Annual Gentlemen's Club Expo in Las Vegas	
August 2019 (TBA)	Annual Meeting at Corporate Headquarters in Houston	
October 8, 2019	4Q19 Club & Restaurant Sales	
December 3-4, 2019	LD Micro Investor Conference in Los Angeles	
December 16, 2019	4Q19 & FY19 Financial Results	

GAAP Operating Margin

GAAP Operating Margin
As % of Total Revenues



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