



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



NASDAQ: RICK
2Q21 Conference Call
May 10, 2021
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”).

This document may contain forward-looking statements that involve a number of risks and uncertainties that could cause the company’s actual results to differ materially from those indicated in this press release, including, but 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) the impact of the COVID-19 pandemic, and (vii) numerous other factors such as laws governing the operation of adult entertainment businesses, competition and dependence on key personnel.

For more detailed discussion of such factors and certain risks and uncertainties, see RCI’s annual report on Form 10-K for the year ended September 30, 2020 as well as its other filings with the U.S. Securities and Exchange Commission. The company has no obligation to update or revise the forward-looking statements to reflect the occurrence of future events or circumstances.

As of the release of this report, we do not know the future extent and duration of the COVID-19 pandemic on our businesses. Lower sales caused by social distancing guidelines could lead to adverse financial results. We are continually monitoring and evaluating the situation and will determine any further measures to be instituted, which could include refinancing several of our debt obligations.

As used herein, the “Company,” “we,” “our,” and similar terms include RCI Hospitality Holdings, Inc. (RCIHH) 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) gains or losses on sale of businesses and assets, (c) gains or losses on insurance, (d) impairment of assets, 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) gains or losses on sale of businesses and assets, (c) gains or losses on insurance, (d) unrealized gains or losses on equity securities, (e) impairment of assets, (f) settlement of lawsuits, (g) gain on debt extinguishment, 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 24.2% and 7.6% effective tax rate of the pre-tax non-GAAP income before taxes for the six months ended March 31, 2021 and 2020, 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 and amortization, (b) income tax expense (benefit), (c) net interest expense, (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) impairment of assets, (h) settlement of lawsuits, and (i) gain on debt extinguishment. 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 May 10, 2021 news release and financial tables contain additional details and reconciliation of non-GAAP financial measures for the quarter ended March 31, 2021 and are posted on our website at www.rcihospitality.com. Our 2Q21 10-Q contains additional details and reconciliation of non-GAAP financial measures for the quarter ended March 31, 2021 and is similarly posted on our website.

Today's News

2Q21 Highlights

- Best performance since the pandemic began
- Total revenues of \$44.1M (+9.0% YoY)
- GAAP EPS of \$0.68 and non-GAAP EPS of \$0.75
- Net cash from operating activities of \$11.0M and free cash flow of \$9.0M
- \$20.2M cash as of March 31, 2021

3Q21 Update

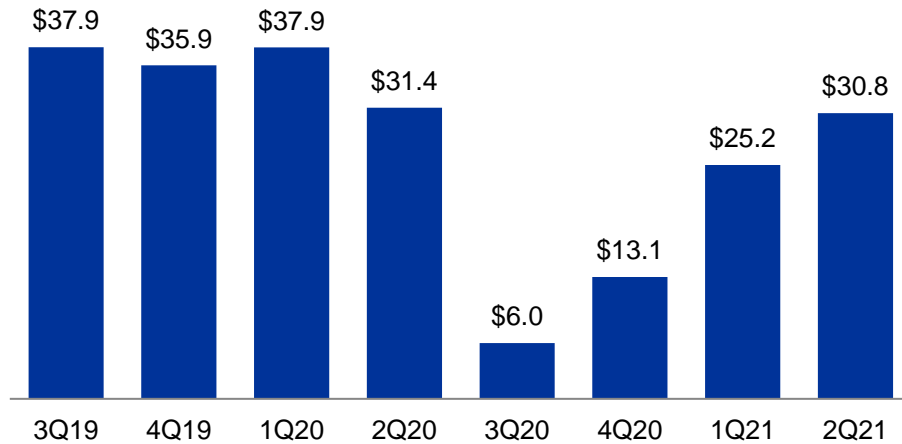
- 36 of 38 clubs and all 10 Bombshells open
- Nightclub and Bombshells sales exceeded \$18M in April
- Restrictive curfews, which have affected many northern clubs, beginning to end
- Working on all our initiatives to grow free cash flow

Outlook

- Continued positive outlook as the COVID-19 situation continues to improve

Nightclubs Segment

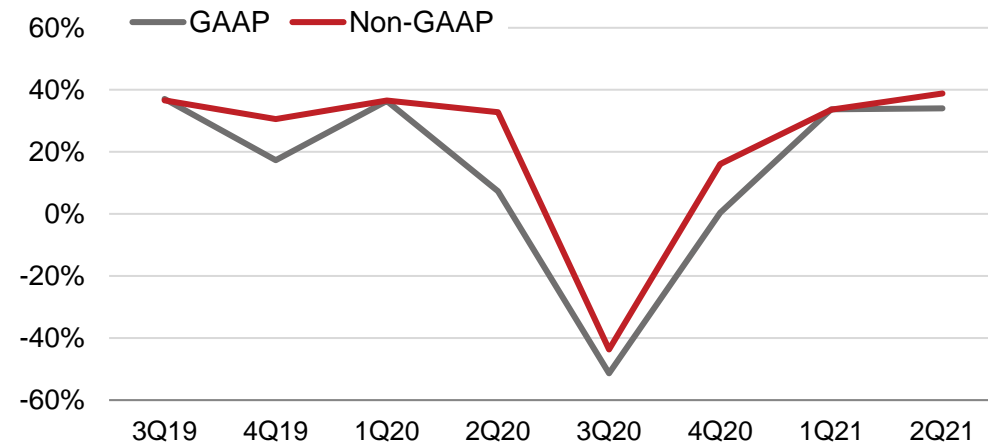
Revenues (\$M)



2Q21 vs. 2Q20

- Continued rebound – more locations open on more consistent basis
- Revenues -1.8% (+22.2% QoQ)
- SSS +3.6%
- Operating income of \$10.5M vs. \$2.3M (\$12.0M vs. \$10.3M non-GAAP)
- Operating margin 34.0% vs. 7.3% (38.8% vs. 32.8% non-GAAP)

Operating Margin As % of Segment Revenues

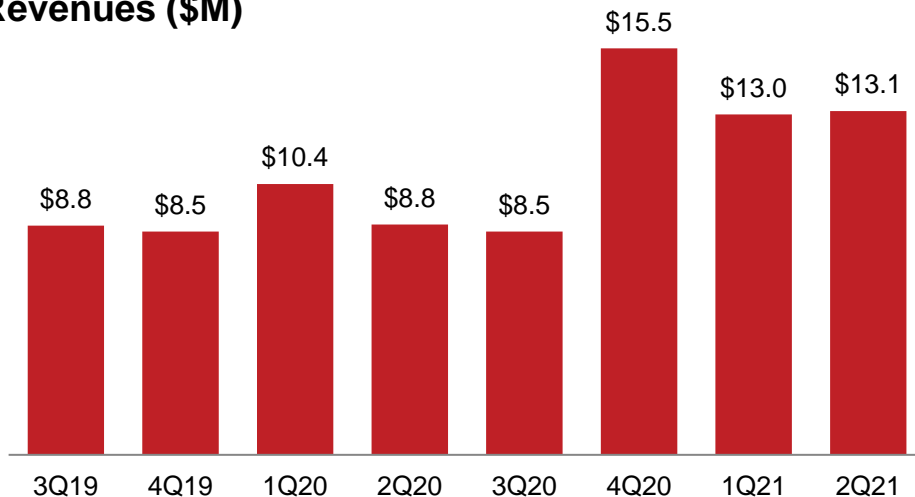


Period	Location Status
3Q19	38 clubs open (St. Louis closed May 2019 for remodeling)
4Q19	37 clubs open (Studio 80 Webster closed July 2019)
1Q20	38 clubs open (St. Louis reopened December 2019)
2Q20	All 38 clubs closed mid-March
3Q20	Reopenings started May 2020, 29 open at quarter end
4Q20	16 open through most of 4Q20, 34 open by quarter end
1Q21	24 open through most of 1Q21, 26 open by quarter end
2Q21	29 open through most of 2Q21, 37 open by quarter end*

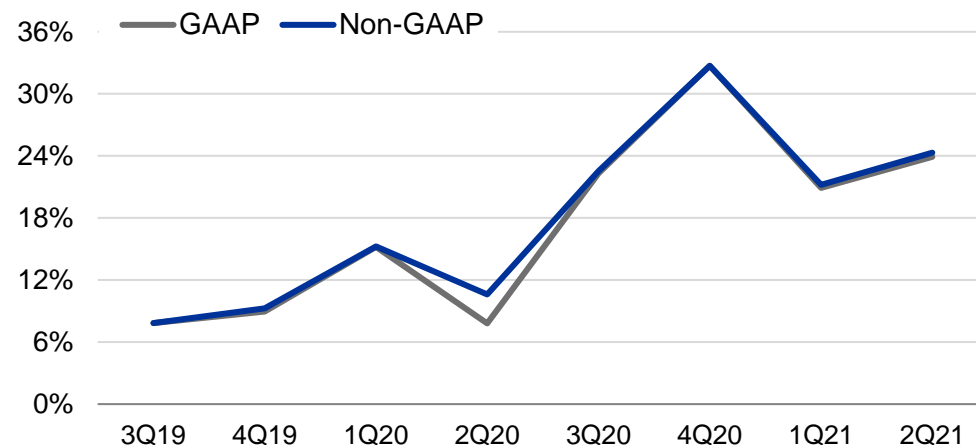
* Texas Freeze caused 21 clubs to close several days in mid-February 2021

Bombshells Segment

Revenues (\$M)



Operating Margin As % of Segment Revenues



2Q21 vs. 2Q20

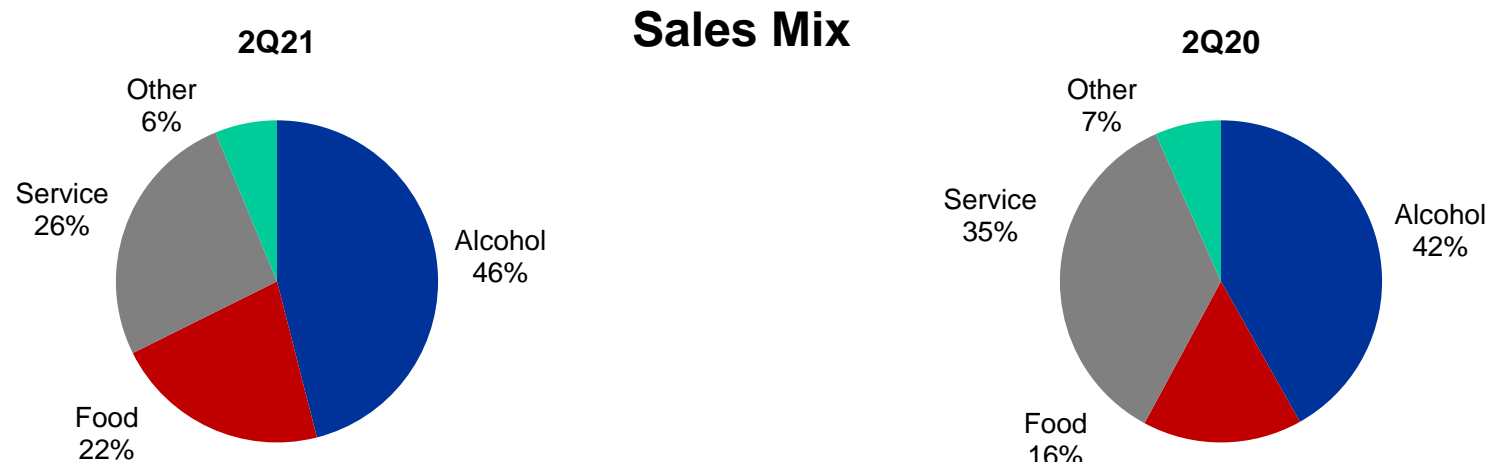
- Continued strong performance and popularity
- Revenues +49.2%
- SSS +48.7%
- Operating margin 23.9% vs. 7.8% (24.3% vs. 10.6% non-GAAP)
- Operating profit \$3.1M vs. \$0.7M (\$3.2M vs. \$0.9M non-GAAP)

Period	Location Status
3Q19	8 stores
4Q19	8 stores
1Q20	9 th store opened October 2019
2Q20	10 th store opened January 2020, all 10 closed mid-March
3Q20	Reopenings started May 2020, all 10 open by quarter end
4Q20	Austin & Fuqua closed part of 4Q20, all 10 open by quarter end
1Q21	All 10 stores open (50% to 75% capacity mid-October)
2Q21	All 10 stores open (75% to 100% capacity mid-March)*

* Texas Freeze caused all 10 stores to close several days in mid-February 2021

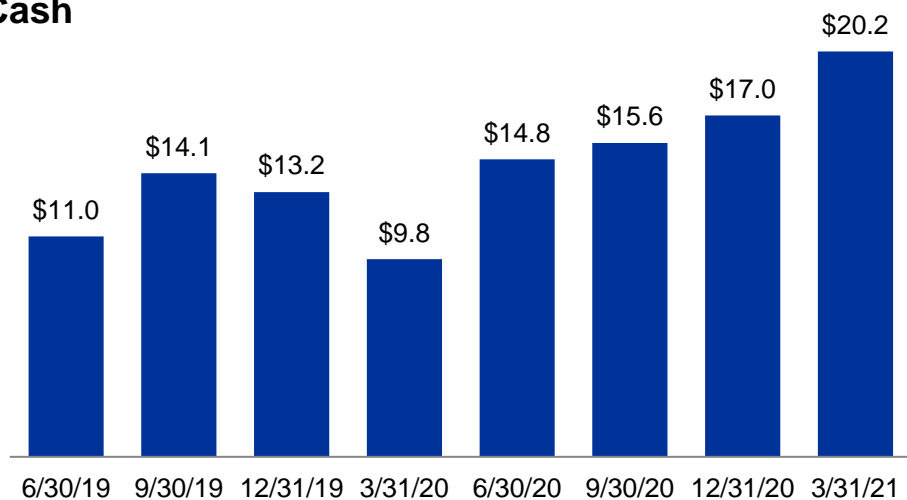
Analysis of 2Q21 Consolidated Statement of Operations

Item	2Q21 vs. 2Q20	Explanation
Cost of Goods Sold	15.4% of revenues vs. 14.3%	Nightclubs higher due to sales mix, Bombshells lower due to higher revenues and lower cost of goods
Salaries & Wages	25.4% of revenues vs. 30.2%	Improved Nightclubs and Bombshells segment margins, cost-saving initiatives, and lower audit and legal fees vs. 2Q20
SG&A	28.6% of revenues vs. 35.7%	
Depreciation & Amortization	4.8% of revenues vs. 5.6%	2Q21 lower due to fully depreciated real estate and software
Other Charges, Net	\$1.5M vs. \$8.2M	Primarily reflects impairment on one property held for sale in 2Q21 vs. pandemic-related impairments in 2Q20
Interest Expense	3.9% lower	Debt paydowns prior to and during 2Q21
Non-Operating Gains (Losses), Net	\$431K vs. (\$62K)	2Q21 gain primarily from debt extinguishment
Tax Expense (Benefit)	\$1.9M vs. (\$1.4M)	24.3% expense in 2Q21 vs. 28.9% benefit in 2Q20

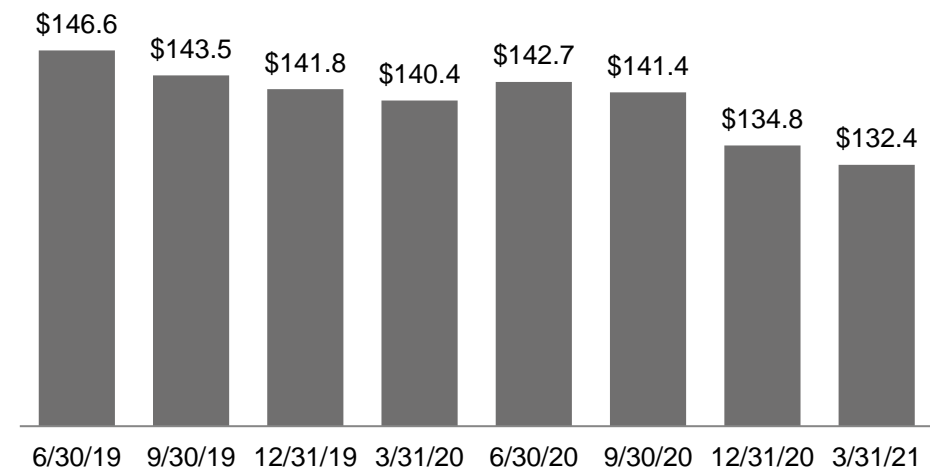


Cash, FCF & Balance Sheet Trends (\$M)

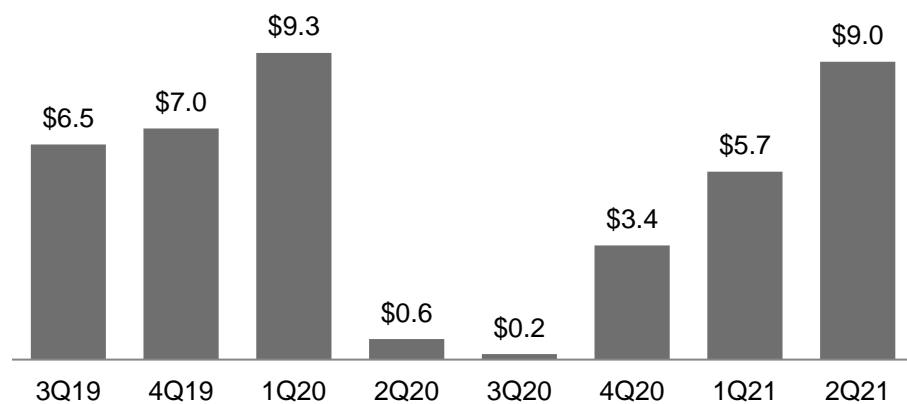
Cash



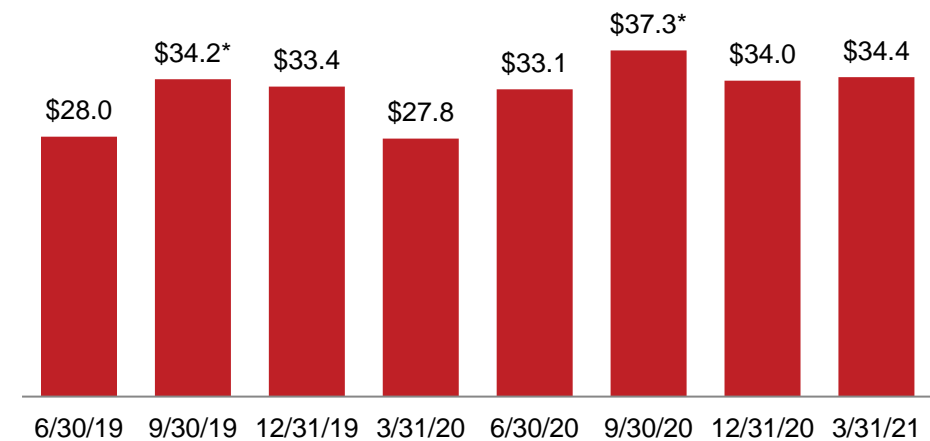
Debt



Free Cash Flow



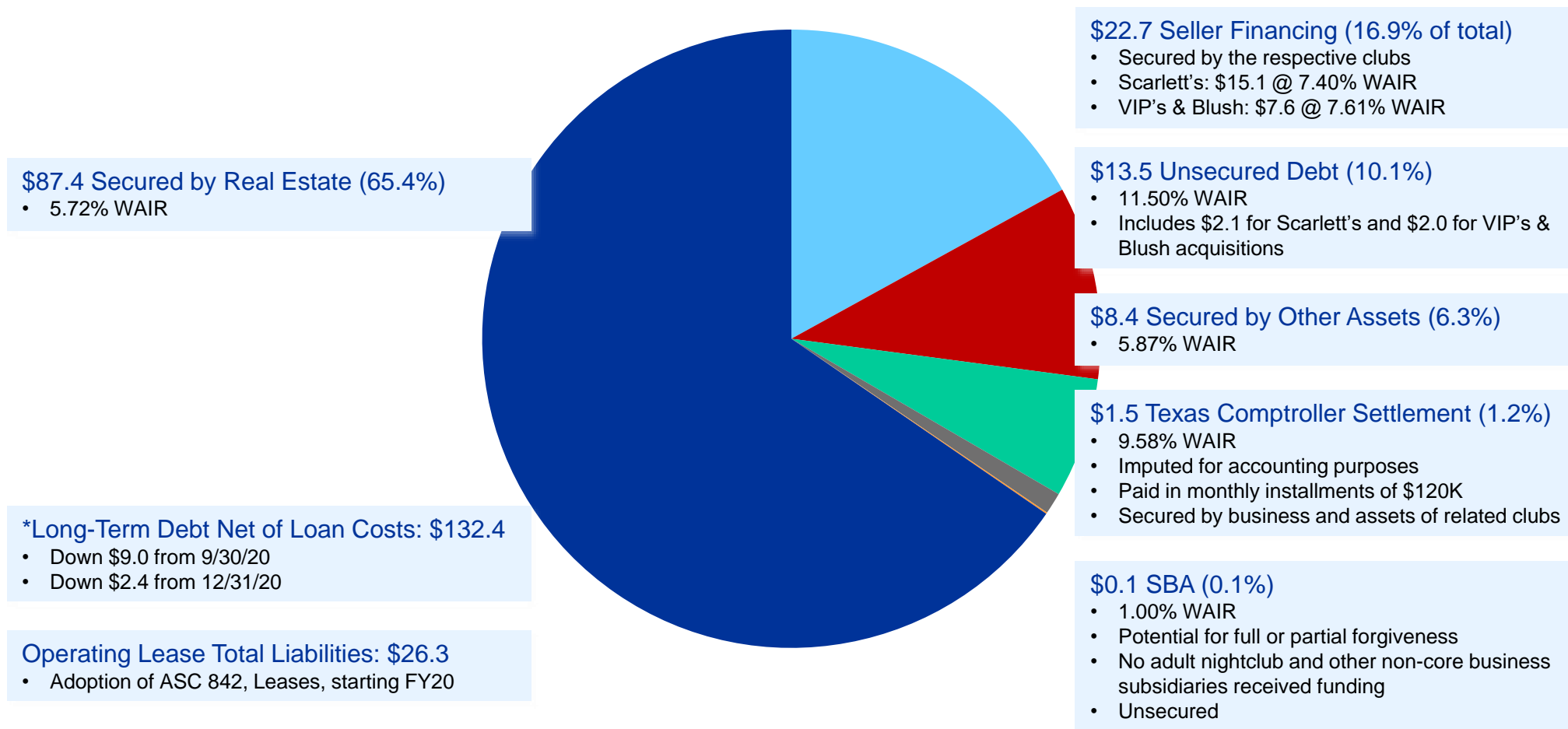
Current Liabilities



* ~\$4.0M increase reflects annual renewal of insurance

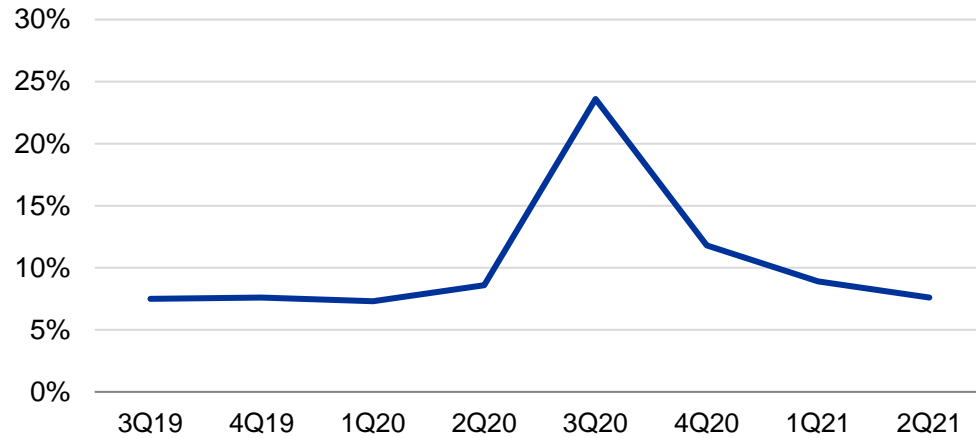
Debt (as of 3/31/21, \$ in millions)

Total of \$133.6*
Weighted Average Interest Rate (WAIR): 6.66%

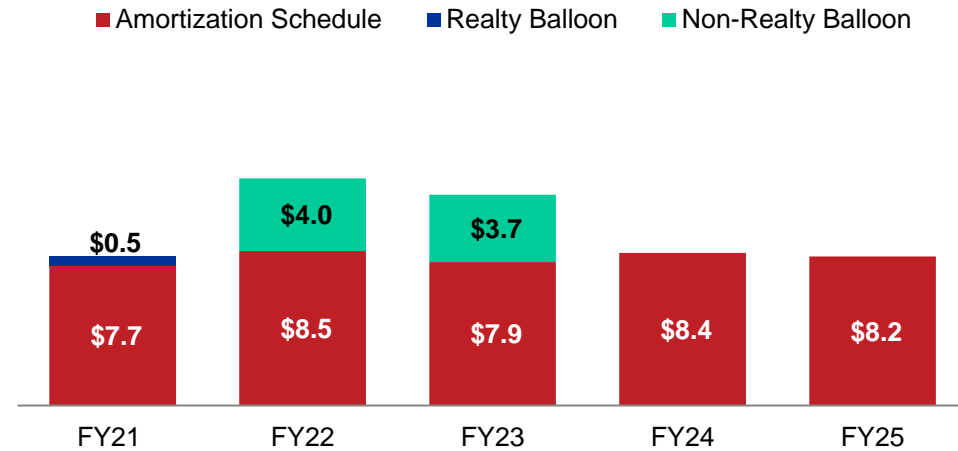


Debt Manageability

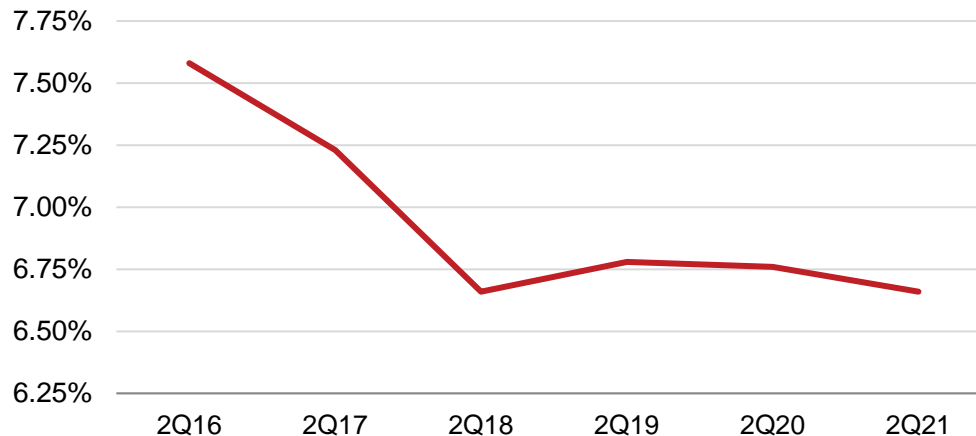
Total Occupancy Costs *As % of Total Revenues*



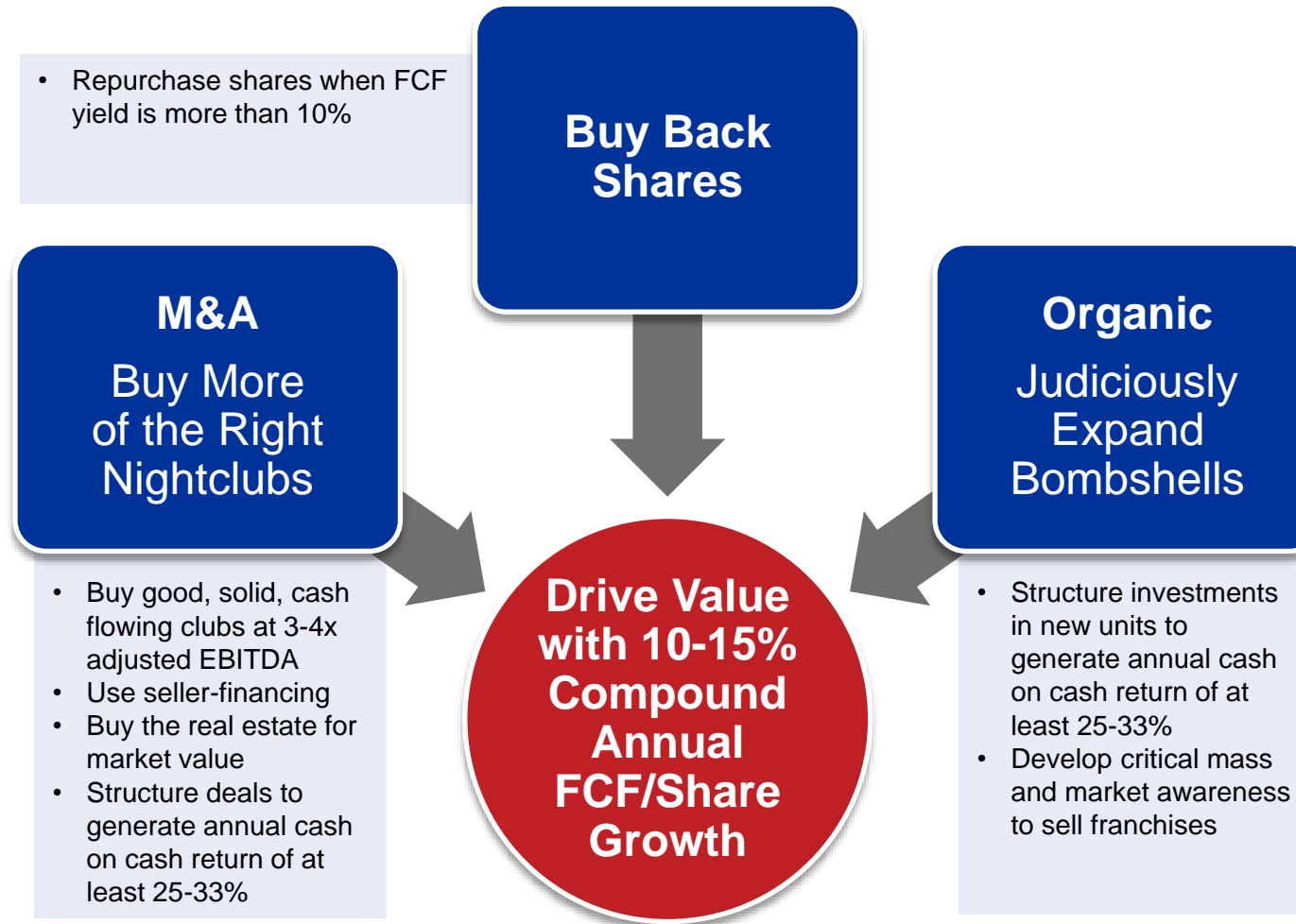
Debt Maturities as of 3/31/21 (\$M)



Weighted Average Interest Rate on Debt



Capital Allocation Strategy*



Capital Allocation / FCF Growth Initiatives

- Refinancing Real Estate Debt
 - Goal is to lower rate, increase term, and convert some higher-interest, unsecured debt into real estate debt
- Bombshells – “The Next 10” subsidiary owned
 - Arlington, TX under construction
 - Due diligence on other locations
- Bombshells – Franchisee owned
 - San Antonio, TX under construction
 - Due diligence on other potential franchisees
- Nightclub M&A
 - Looking forward to talking to club owners at Expo, May 23-26, in Miami



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