RCI HOSPITALITY HOLDINGS INC

The innovator in bar-restaurant-entertainment hospitality

NASDAQ: RICK
2Q16 Conference Call Presentation
May 10, 2016
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.

Explanation of Non-GAAP Terms

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 some non-recurring charges that 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, gain on settlement of patron tax case, pre-opening costs, gains and losses from asset sales, gain on settlement of patron tax issue, impairment of assets, pre-opening costs, stock-based compensation charges, litigation and other one-time legal settlements and acquisition costs. 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. While we were in litigation in the patron tax case, we also included patron taxes as an exclusion, but after settlement of the case, we no longer exclude patron taxes from operating income.

Non-GAAP Net Income and Non-GAAP Net Income per Basic Share and per Diluted Share. We exclude from non-GAAP net income and non-GAAP net income per diluted share and per basic share amortization of intangibles, gain on settlement of patron tax case, pre-opening costs, income tax expense, impairment charges, gains and losses from asset sales, stock-based compensation, litigation and other one-time legal settlements, gain on contractual debt reduction and acquisition costs, and include the Non-GAAP provision for income taxes, calculated as the tax-effect at 35% effective tax rate of the pre-tax non-GAAP income before taxes less stock-based compensation, because we believe that excluding such measures helps management and investors better understand our operating activities. While we were in litigation in the patron tax case, we also included patron taxes as an exclusion, but after settlement of the case, we no longer exclude patron taxes from net income.

Adjusted EBITDA. We exclude from Adjusted EBITDA depreciation expense, amortization of intangibles, income tax, interest expense, interest income, gains and losses from asset sales, pre-opening costs, acquisition costs, litigation and other one-time legal settlements, gain on settlement of patron tax case, gain on contractual debt reduction and impairment charges 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. Also, we exclude interest cost in our calculation of Adjusted EBITDA. 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.

Our Form 10-Q for the fiscal quarter ended March 31, 2016 and our May 10, 2016 news release contain additional details relative to the non-GAAP financial measures and are posted on our website at www.rcihospitality.com.

2Q16: The Rebound Continues

EPS Diluted

- GAAP EPS of $0.54
- GAAP includes benefit from tax credits
- Non-GAAP EPS of $0.40

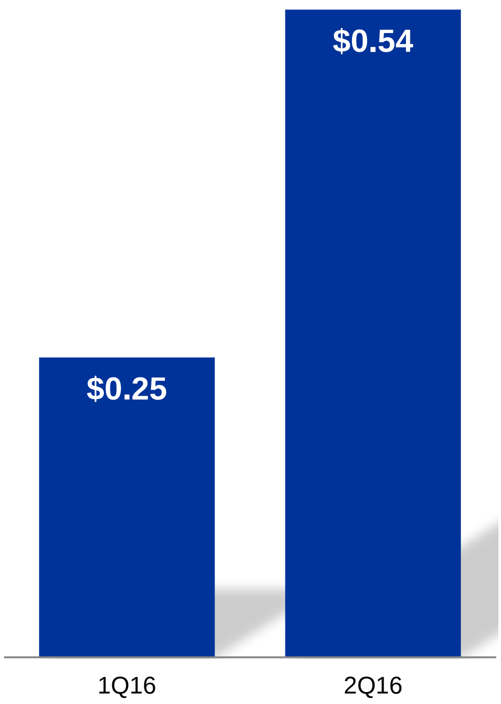
Free Cash Flow

- 2Q16: $6.4 million (2nd best quarter)
- 6M16: $10.3 million

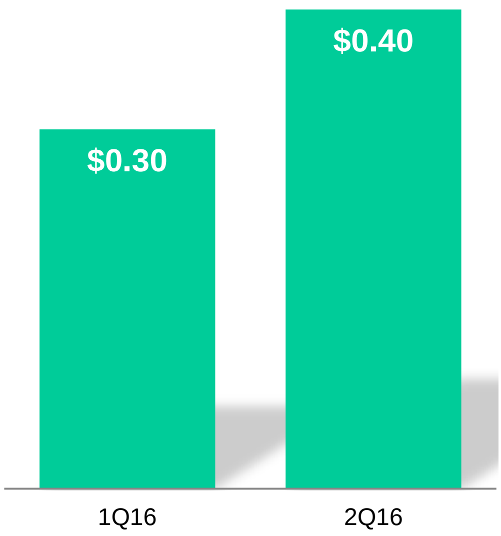
Share Buybacks

- Since end of 1Q16, bought 284,159 more shares as of 4/30/16
- Board made $5.0 million more available

GAAP EPS Diluted



Non-GAAP EPS Diluted



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Disciplined Capital Allocation Strategy

Use FCF to Buy Back Shares

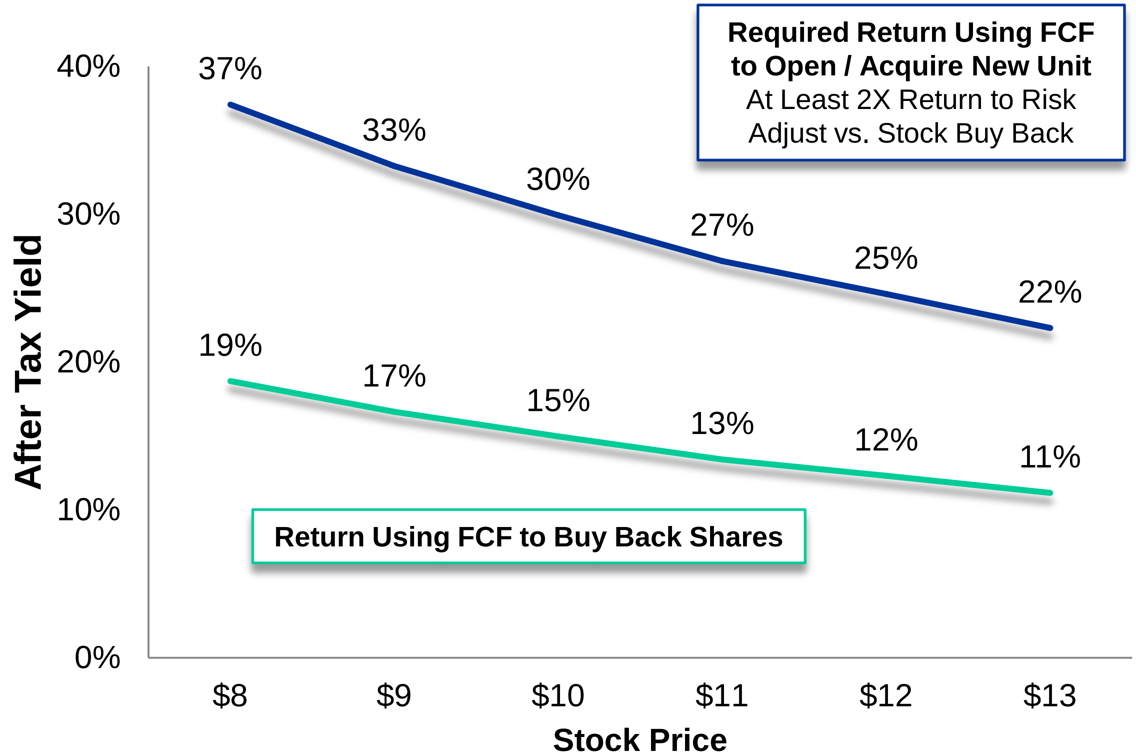
- Compelling after tax yield of 15% with shares in $10 range

Buy / Open New Units Only If:

- Risk adjusted return rivals buying our assets in the market
- There is a significant strategic rationale

Higher After Tax Yield Buying Back Stock vs. Paying Down Debt

- Only at ~$17 does it make sense to pay down 13% debt at an accelerated rate (assuming no pre-payment penalty)



Notes

- Based on annual FCF of $15M
- Based on fully diluted share count at 3/31/16 incorporating expected dilution from convertible securities as stock price rises
- Conversion of these securities would reduce debt $2.3M

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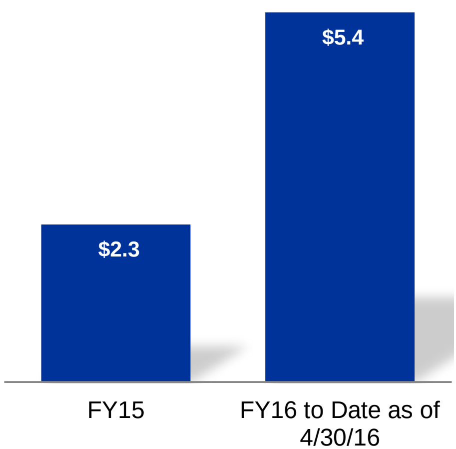
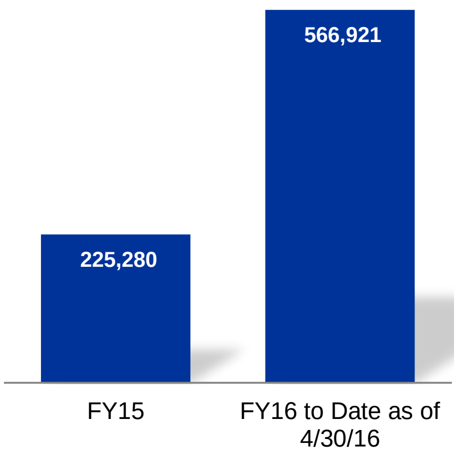
Share Buy Backs & Cash Dividend

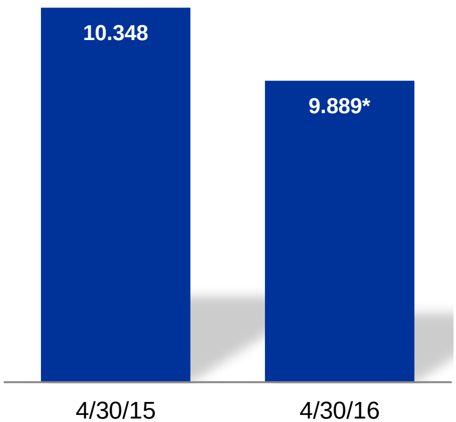
Capital Returned via Buybacks ($M)



Shares Retired via Buybacks



Shares Outstanding (M)



Increased Share Buybacks in FY16

- $6.2 million available for buybacks as of 5/9/16

Initiated Annual Cash Dividend in 2Q16

- $0.12 per common share (payable $0.03 quarterly)
- 3Q16's $0.03 to be paid 6/27/16
- 1.2% yield on $10 per share

	Shares Bought	Cost ($M)
1Q16	282,762	$2.8
2Q16	218,140	$1.9
April 2016	66,019	$0.7
Total	**566,921**	**$5.4**

* Includes 75,000 shares issued 2Q16 in exchange for 750K in debt for an outstanding debenture

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Revenues Growing ($ in millions)

2Q16 vs. 1Q16

- Revenues increased 2.8%
- Two clubs closed undergoing reformatting
- 2Q16 club/restaurant sales grew sequentially month to month
- High margin service revenues up 4.5%
  - Club customers spending more per visit
  - New marketing proving effective
- Food sales up 6.3% due to Bombshells

Same Store Sales

- 2Q16 declined only 0.9% vs. 2Q15
- 2Q15 was a record quarter

$ in millions	2Q16	1Q16	Change
Alcohol	$14.6	$14.6	$–
Service	13.2	12.6	0.6
Food	4.6	4.3	0.3
Other	2.0	2.0	–
Total	**$34.4**	**$33.5**	**$0.9**
Units open at period end	41	43	-5%

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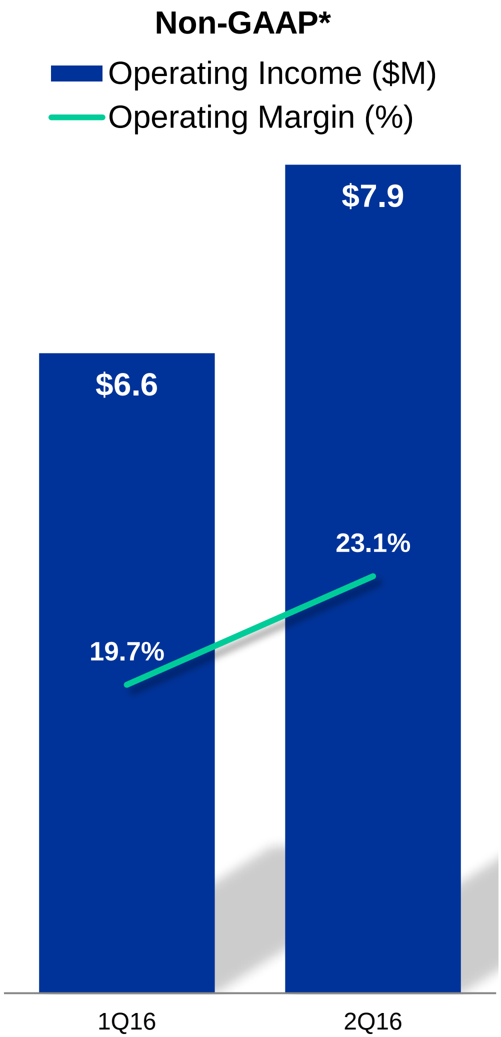
Margins Expanding ($ in millions)

2Q16 vs. 1Q16

- Reflects increased sales, in particular, service revenues
- Also reflects reduced costs as a % of revenues

Tax Credit

- $1.75 million deducted from income tax expense
- Non-recurring benefit of FICA credits not previously claimed
- Added to net income



* See Slide 20 for GAAP Operating Income and Margin Data

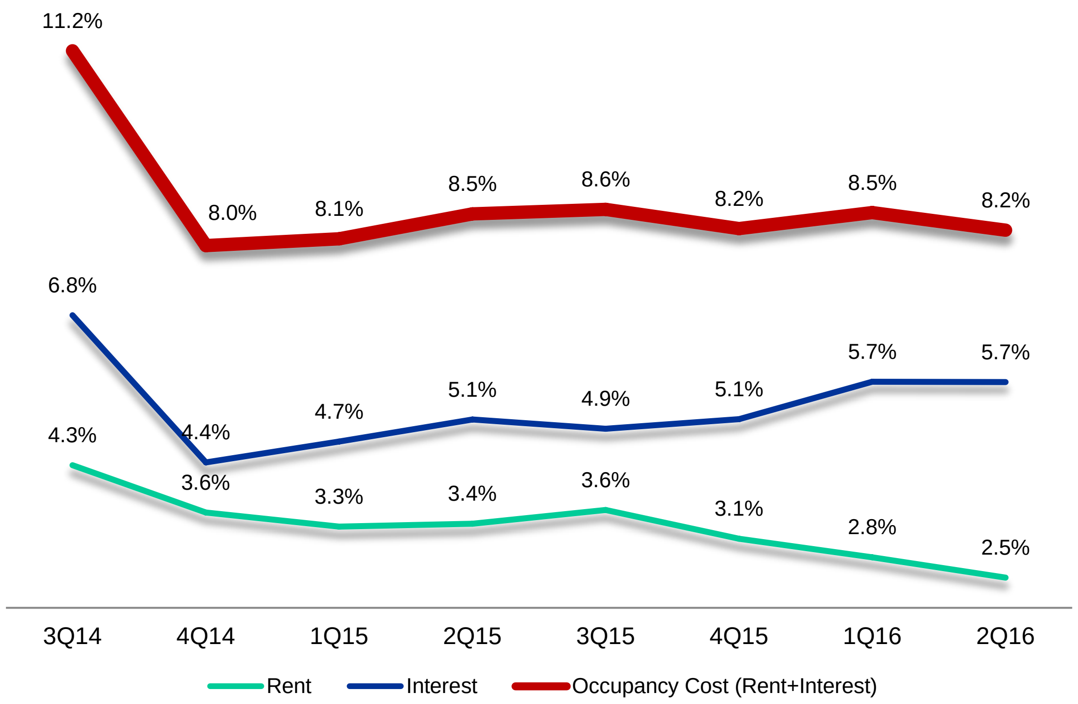
Occupancy Costs Declining (as % of revenues)

2Q16

- Partial benefit from Rick's Cabaret New York real estate acquisition
  - Acquired with $10.0 million 5.00% bank loan
  - Declining $0.5 million in interest instead of fixed $1.2 million annual rent

Looking Ahead

- Occupancy costs as % of revenues should decline moving forward
  - Full benefit of Rick's NYC RE acquisition in 3Q16
  - Anticipated refinancings should reduce interest as % of revenues
  - Occupancy costs fixed; as revenues grow they should fall as % of revenues



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Adjusted EBITDA* & Free Cash Flow ($ in millions)

Overview

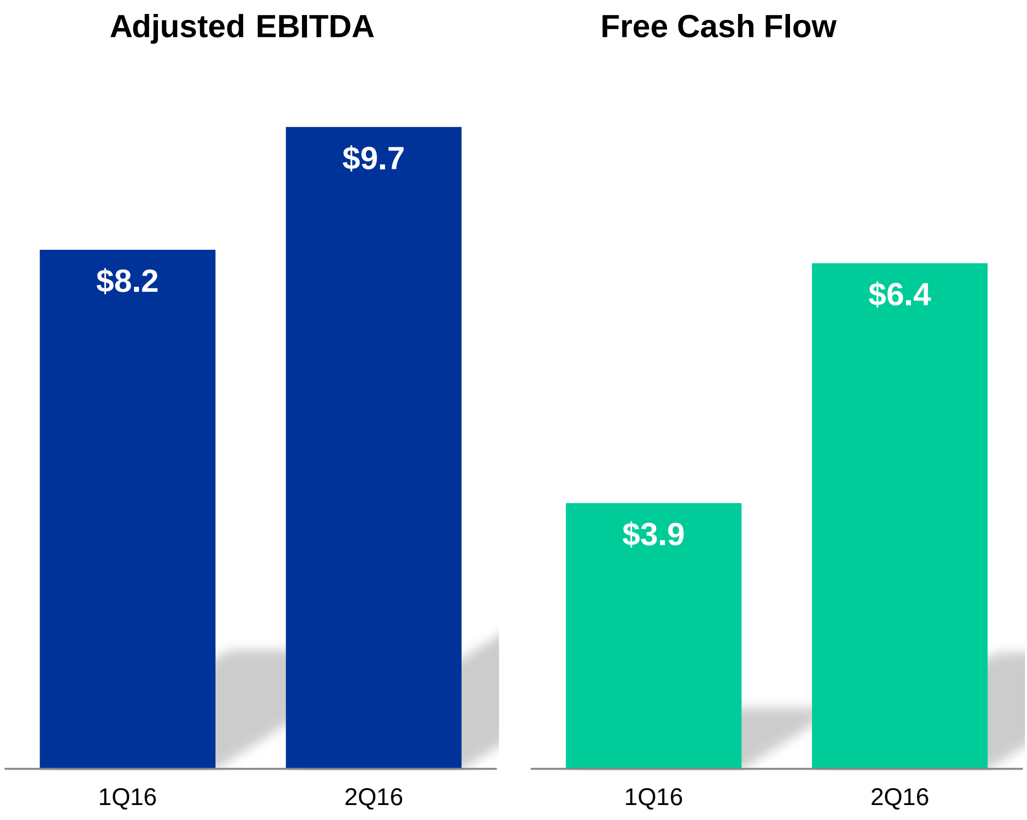
- Reflects cash generating power

Adjusted EBITDA (2Q16 vs. 1Q16)

- Increased 18%

Free Cash Flow (2Q16 vs. 1Q16)

- Increased 67%
- Reflected 64% increase in net cash provided by operating activities, partially offset by increase in maintenance capex ($485K vs. $351K)
- FCF FY16 target increased to $16-19 million



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* See Slide 20 for GAAP Net Income Data

Nightclubs Segment

$ in millions except units	2Q16	2Q15	Change
Revenues	$29.1	$29.9	*($0.854)*
Units (at period end)	36	40	*-4*
Adjusted Operating Income*	$9.8	$9.5	*$0.311*
Adjusted Operating Margin*	33.7%	31.7%	*+200 bps*

- 2Q16 results affected by two clubs undergoing remodeling and reformatting
- New advertising and marketing programs beginning to improve sales
- Improved model beginning to expand margins

* See Slide 20 for GAAP Segment Data

Bombshells Segment

$ in millions except units	2Q16	2Q15	Change
Revenues	$4.6	$4.4	*$0.181*
Units (at period end)	5	5	--
Operating Income	$0.643	$0.457	*$0.186*
Operating Margin	13.9%	10.3%	*+362 bps*

- Sales growing as anticipated
- Margin expanding as anticipated as sales grow
- Rolling out franchise marketing program with first appearance at Franchise Expo, May 14-15, Dallas

Financial Management

Convertible Debt (average weighted rate 8.6%)

- 2Q16: Paid off $716K in cash as scheduled
- 2Q16: $750K converted into 75,000 common shares
- 4Q16 & 1Q17: $1.9M of remaining $2.3M to be paid off as scheduled, eliminating most share overhang

New Debt

- $10.0 million 5.00% bank loan used to finance acquisition of Rick's Cabaret New York RE
- Less than $1.0 million drawn related to new corporate offices

Anticipated Bank Refinancing

- Refinance commercial mortgages on four properties
- Rollover mortgages ($6.2 million @ 7.2%)
- Pay off unsecured loan ($4.0 million @ 13.0%)
- Reduce combined interest costs

Property for Sale

- Expect to complete sales in FY17 of real estate no longer needed
- Proceeds would be used to buy back stock, finance growth

New Corporate Headquarters

Expect Move by End of FY16

- We have outgrown existing facility
- Replaces existing company owned building (built 2004; 9,000 sq. ft. total)
- Will contain offices (21,000 sq. ft.) and club/restaurant warehousing, corporate and subsidiary document warehousing (18,000 sq. ft.)

Financing

- Bought the land (across the street from current HQ) for $707K (May 2014)
- $4.7 million construction loan with a commercial bank (October 2015)
- 5.25% rate, 20 year amortization, less than $1.0 million drawn (as of 3/31/16)

Accounting Software Upgrade to Be Implemented in FY17

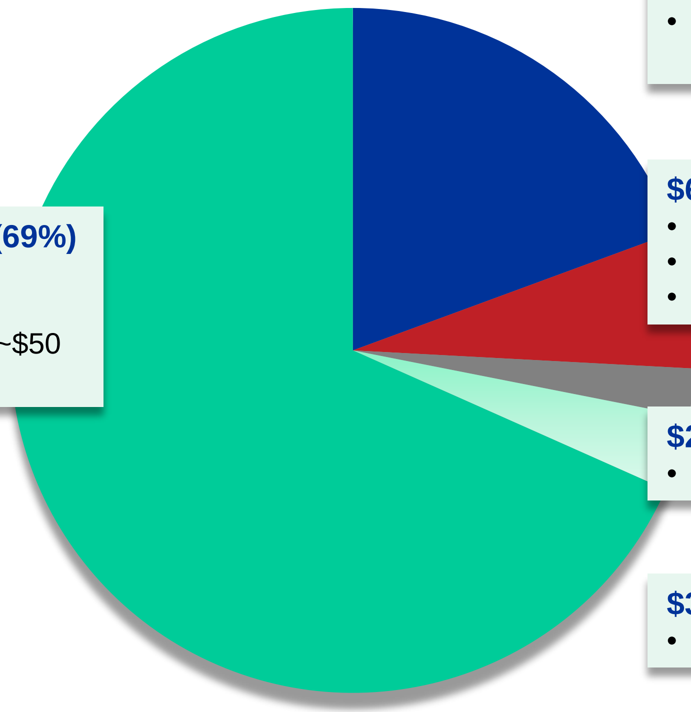
- Significant modernization will enable greater scalability
- Automatically connects accounting, POS, and banking systems
- After transition, anticipate major reduction in overtime and related costs

Why Build or Own Office Space?

- New FASB rule
- Real estate, equipment and other leases to be accounted for as debt
- Effective for publicly traded companies in less than 3 years
- WSJ (2/25/16): “May make many firms look much more leveraged”

Long-Term Debt ($ in millions, as of 3/31/16)

Total of $102.1*
Average Weighted Rate: 7.58%



$19.8 Secured by Subsidiary Stock (19%)
- Average weighted rate: 10.64%
- Secured by three of the company's more profitable groups of subsidiaries

$6.6 Texas Comptroller Settlement (6%)
- Average weighted rate: 9.58%
- Imputed for accounting purposes
- Paid in monthly installments of $0.12

$2.3 Convertible Debt (2%)
- Average weighted rate: 8.62%

$3.6 Secured by Other Assets (4%)
- Average weighted rate: 7.31%

$69.8 Secured by Real Estate (69%)
- Average weighted rate: 6.51%
- Estimated market value ~$125
- Estimated net real estate equity ~$50
- Book equity is only ~$30

* Long-Term Debt is $101.7 million net of loan costs

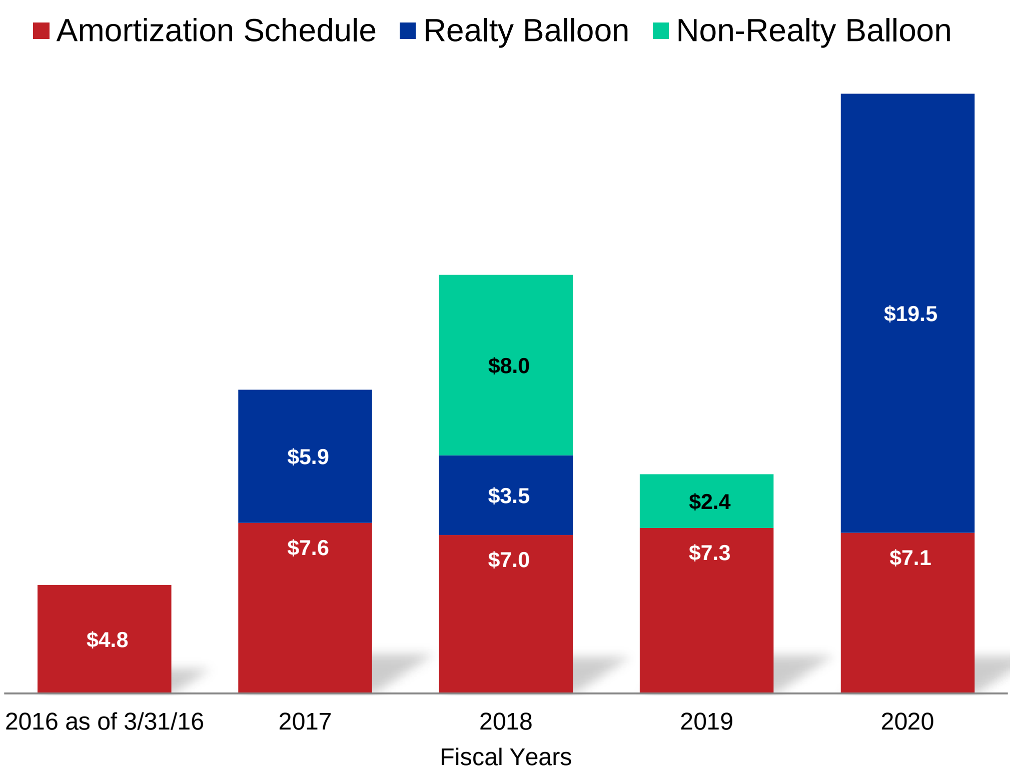
Debt Maturities ($ in millions)

Overview

- Most debt maturing are real estate amortizations or real estate balloons
- Amortizations to be paid out of cash flow
- Realty and non-realty balloons to be paid off out of cash flow or refinanced

Update

- We are working on refi/rolling over high interest debt
- See slide 13 for anticipated bank refinancing



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What's Coming

New Units in Line with Capital Allocation Policy

- 3Q16: Two clubs reopened in May under new formats
- 4Q16: Anticipate opening first sports-themed club in NYC
- 1Q17: 6th Bombshells scheduled to open

FY17—Strong Sports Lineup

- NFL: Vikings return to downtown Minneapolis (3 clubs)
- NFL: "Big Game" in Houston (7 restaurants and clubs)
- NBA: All Star Game in Charlotte (1 club)
- MMA: Comes to Madison Square Garden (3 clubs)

Outlook

FY16

- First Half: Revenues, margins, EPS and FCF moving in the right direction
- Second Half: YoY comparisons should be better (excluding 3Q15's $8.2 million pre-tax non-recurring gain)
- Goals for the Year
  - Revenues: Flattish for the year with increase in second half
  - Margins: Improvement vs. FY15 for increase in GAAP EPS
  - FCF Revised Upward: $16-$19 million

FY17

- Full year benefit of reopened clubs and new club and restaurant
- Strong sports lineup (traditionally enhances revenues)

Free Cash Flow Target ($M)

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Calendar

Date / Time	Event*
May 11, 2016	Meetings with Institutional Investors in New York City
Week of June 6, 2016	Meetings with Institutional Investors in Dallas
July 12, 2016	3Q16 Club & Restaurant Sales
August 4, 2016 (tentative)	3Q16 & 9M16 Financial Results
August 7-10, 2016	23rd Annual Gentlemen's Club EXPO in New Orleans
August 9, 2016 (tentative)	Annual Meeting in New Orleans
October 11, 2016	4Q16 Club & Restaurant Sales
December, 2016	LD Micro Investor Conference in Los Angeles
December 14, 2016	4Q16 & FY16 Financial Results

* RICK is looking at other investor conferences where we would like to present this year

GAAP Reconciliation Data

GAAP Performance ($ in millions, % of revenue)

Fiscal Year Ends September 30th

Slide	Item	1Q16	2Q16
8	Operating Income	$ 5.7	$ 7.6
8	Operating Margin	17.1%	22.0%

Slide	Item	1Q16	2Q16
10	Net Income	$ 2.6	$ 5.5

Slide	Item	2Q15	2Q16
11	Nightclubs Operating Income	$ (0.8)	$ 9.7
11	Nightclubs Operating Margin	-2.7%	33.5%

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