



RCI HOSPITALITY HOLDINGS INC

The Innovator in Bar-Restaurant-Entertainment Themed Hospitality

NASDAQ: RICK
4Q18 & FY18 Conference Call
December 31, 2018
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, gain on settlement of patron tax case, gains or losses on sale of assets, impairment of assets, stock-based compensation, settlement of lawsuits, and gain on insurance. 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, gain on settlement of patron tax case, income tax expense (benefit), impairment charges, gains or losses on sale of assets, stock-based compensation, settlement of lawsuits, costs and charges related to debt refinancing, and gain on insurance. Included item is the non-GAAP provision for current and deferred income taxes, calculated as the tax effect at 24.5%, 37%, and 35% in 2018, 2017, and 2016, respectively, effective tax rate of the pre-tax non-GAAP income before taxes. 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, impairment of assets, income tax expense (benefit), interest expense, interest income, gains or losses on sale of assets, settlement of lawsuits, gain on settlement of patron tax case, and gain on insurance. 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 the 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-K for the year ended September 30, 2018 and our December 31, 2018 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

10-K Filed

- Filed on time within 15-day extension period

4Q18 GAAP (vs. year ago)

- Total Revenues of \$40.7M – Up 3.7%
- EPS Loss of \$0.27 vs. loss of \$0.23
- Included \$5.5M pre-tax of other charges (mostly non-cash)

Non-GAAP (vs. year ago)*

- 4Q18 EPS Profit of \$0.41 – Up 13.9%
- FY18 FCF: \$23.2M – Up 20.5%

FY19 Outlook

- Benefit from Chicago and Pittsburgh nightclub acquisitions, new Bombshells locations, sale/lease of non-income producing properties, other factors
- FY19 FCF target of \$26M – Up 13% vs. original FY18 target

4Q18 Operating Results

(\$ in millions)	4Q18	4Q17	Δ	Comment (4Q18 vs. 4Q17)
<i>Revenue by Segment</i>			%	
Nightclubs	\$34.1	\$32.9	3.9	• Nightclubs: SSS up 6.1% plus contribution from acquisitions
Bombshells	5.5	5.5	-0.1	• Bombshells: Contribution from new units offset SSS down 21.3%
Other	1.0	0.8	23.6	• Other: Revitalization of Robust business, strong Gentlemen's Expo
Total	\$40.7	\$39.2	3.7%	
<i>GAAP Operating Income</i>			\$	
Nightclubs	\$6.6	\$4.8	\$1.8	• Nightclubs: Higher revenues & margins, \$1.0M lower other charges
Bombshells	(1.2)	1.0	(2.2)	• Bombshells: Includes \$1.4M in impairments and other charges
Other	0.3	0.2	0.1	• Other: Higher revenues & margins
Corporate	(4.2)	(4.5)	0.4	• Corporate: Included \$1.0M in state sales tax settlements
Total	\$1.5	\$1.4	\$0.1	
<i>Non-GAAP Operating Income*</i>			\$	
Nightclubs	\$10.8	\$9.9	\$0.8	• Nightclubs: 31.6% vs. 30.2% of segment revenue
Bombshells	0.2	0.9	(0.8)	• Bombshells: 3.3% vs. 16.8% of segment revenue
Other	0.2	0.2	0.1	• Other: 23.5% vs. 21.3% of segment revenue
Corporate	(4.1)	(3.3)	(0.7)	• Corporate: 4Q18 level with 3Q18
Total	\$7.1	\$7.7	\$(0.6)	• Operating margin of 17.6% vs. 19.7%

Items Impacting 4Q18 Results

Other Charges

- \$5.5M (\$5.1M non-cash)
 - Nightclubs: Impairments and other charges of \$3.8M (Rick's Fort Worth & Austin, Silver City, Foxy's Dallas)
 - Bombshells: Impairments and other charges of \$1.4M (Austin, Willowbrook)
 - Lawsuit Settlement of \$0.4M (Nightclubs)

State Sales Tax Settlements

- \$1.0M from three states (NYS the largest at more than \$800K)
- Retroactive collection of sales tax on Dance Dollars

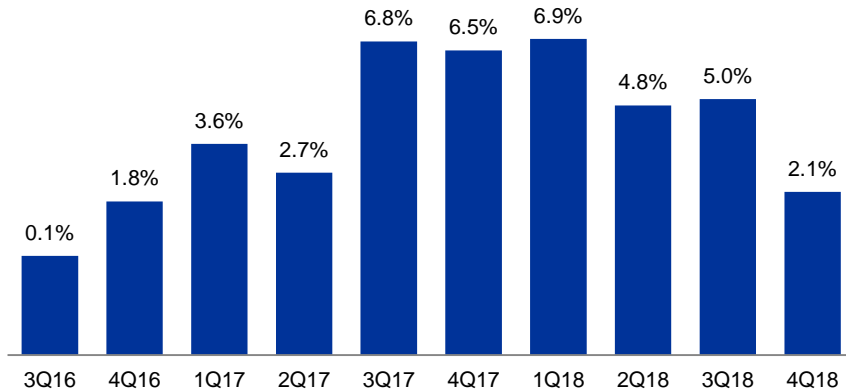
Income Taxes

- FY18 GAAP ETR was benefit of 16.7%
 - Included \$8.8M benefit from final calculation of deferred tax liability reduction due to Tax Cuts and Jobs Act
 - Resulted in a 4Q18 income tax increase to adjust for the year
- FY18 Non-GAAP ETR was expense of 24.5%
 - Resulted in a 4Q18 income tax reduction to adjust for the year

Sales & Margin Trends

Same-Store Sales

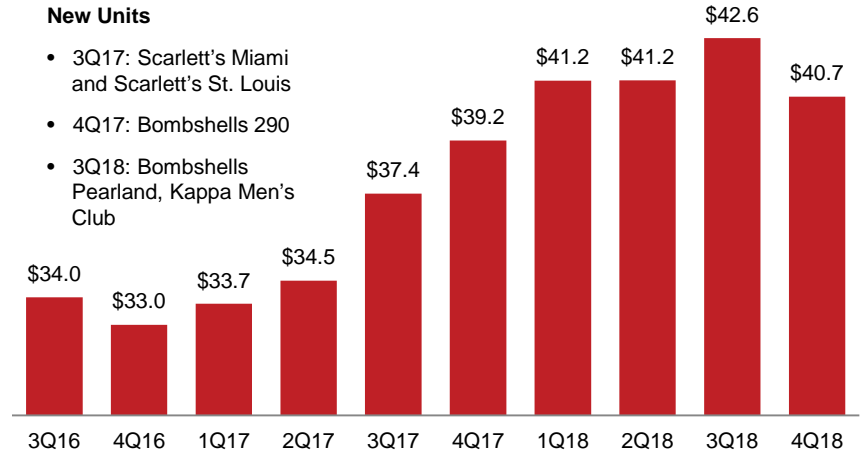
YoY Change



Total Revenues (\$M)

New Units

- 3Q17: Scarlett's Miami and Scarlett's St. Louis
- 4Q17: Bombshells 290
- 3Q18: Bombshells Pearland, Kappa Men's Club

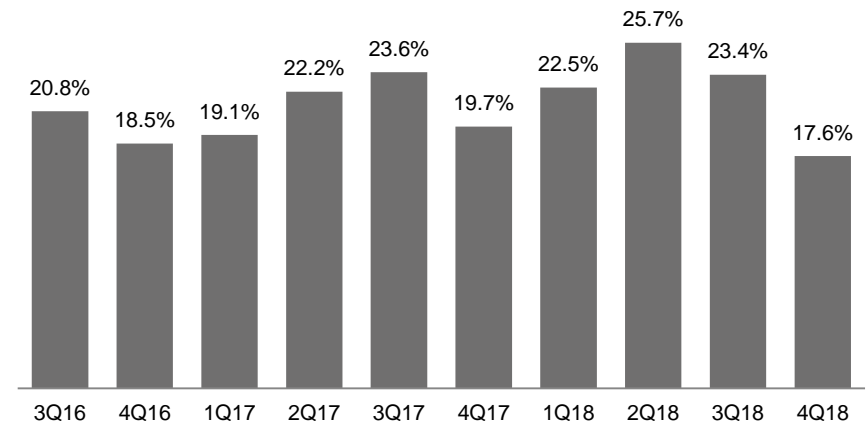


Highlights

- 4Q is typically our seasonally weakest period for sales and margins
- Same-Store Sales up 10 quarters in a row as of 4Q18
- 4Q18 Non-GAAP Operating Margin includes \$1M in sales tax settlements

Non-GAAP Operating Margin*

As % of Total Revenues



Cash Generation

Adjusted EBITDA*

- 4Q18: \$9.0M vs. \$9.6M in 4Q17
- FY18: \$44.4M, up 18.8% YoY

Cash

- \$17.7M at 9/30/18
- Up 34.6% from 6/30/18
- Up 78.7% from 9/30/17

Free Cash Flow*

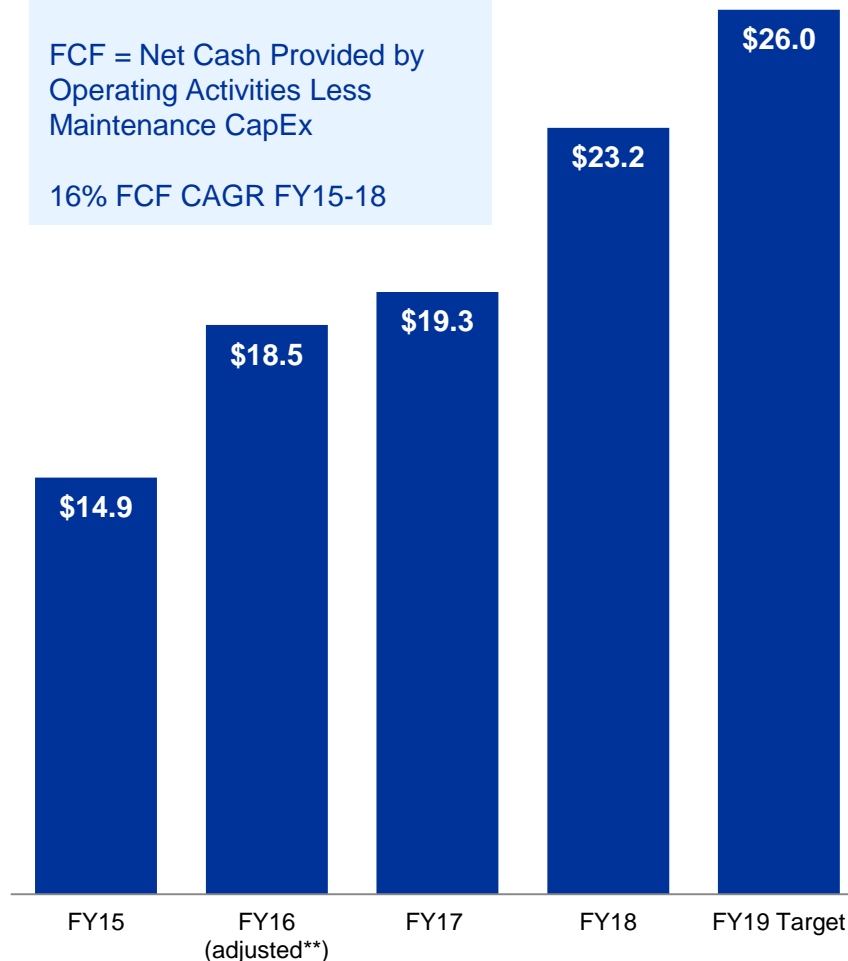
- 4Q18: \$2.7M, level YoY
- FY18: \$23.2M, up 20.5% YoY
- FY19 Target: \$26.0M

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



Recent Developments

Houston (December)

- Opened Bombshells Restaurant & Bar on I-10 East in Houston
- 3 more units are in the works for total of 10 by end of FY19

Chicago (November)

- Acquired VIP's Gentlemen's Club for \$2M cash and \$4.5M in seller financing
- \$2M annually in adjusted EBITDA
- Acquired real estate for \$4M cash

Pittsburgh (November)

- Acquired Blush Gentlemen's Club for \$2.5M cash and \$7.5M in seller financing
- +\$3M annually in adjusted EBITDA
- Acquired real estate for \$5M cash

Philadelphia (October)

- Sold Club Onyx club business for \$1M (\$375K cash and 10-year note at 9%)
- Entered into a 10-year triple net lease with the new club's owners

New Debt (4Q18)

- \$3.1M from banks to acquire club real estate in Philadelphia and finance new Bombshells in Houston
- \$7.8M from bank and third parties to complete Pittsburgh and Chicago acquisitions

Long-Term Debt (as of 9/30/18, \$ in millions)

Total of \$142.4*
Average Weighted Interest Rate: 6.72%

\$94.5 Secured by Real Estate (68.4%)
• Average weighted rate: 5.70%

\$18.1 Parent Level Debt (12.7% of total)
• Average weighted rate: 10.5%
• Includes \$5.4M for Scarlett's acquisition
• Includes \$7.8M raised for VIP's & Blush acquisitions

\$17.5 Scarlett's Seller Financing (12.3%)
• Average weighted rate: 7.4%
• Secured by Scarlett's Cabaret Miami

\$7.8 Secured by Other Assets (5.5%)
• Average weighted rate: 5.76%

\$4.5 Texas Comptroller Settlement (3.1%)
• Average weighted rate: 9.46%
• Imputed for accounting purposes
• Paid in monthly installments of \$0.13

Debt Manageability

Maturities

- Most debt is real estate amortizing until ballooned
- FY19 amortization includes \$5.0M bank line of credit installment loan to be paid off by 4/30/19
- By year-end FY19, Centennial real estate loan will be 65% or less LTV, which will drop amortization on the loan by \$3.0M annualized

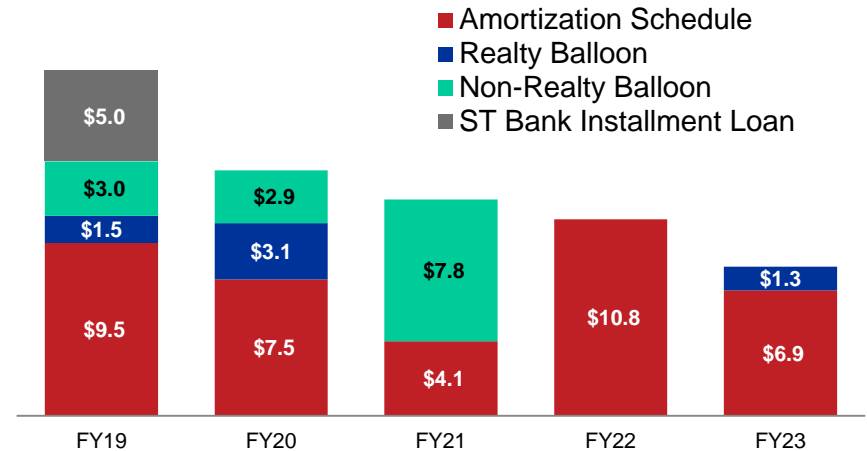
Occupancy Costs

- One of our single largest expenses: Interest (ex-refinancing-related costs) and rent as % of revenue
- Declining trend even with acquisition of more clubs and underlying club and Bombshells real estate with debt

Debt / EBITDA

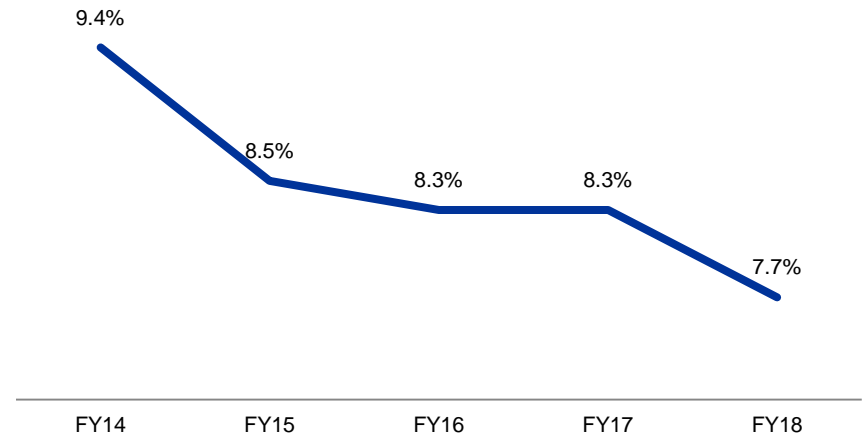
- Total Debt / TTM Adjusted EBITDA = 3.17x
- We like to stay below 3x
- Higher because of borrowings in anticipation of VIP's and Blush acquisitions in 1Q19

Debt Maturities (\$M)



Occupancy Costs

As % of Total Revenues



1Q19 Update

Nightclubs (First 2 Months of 1Q19)

- Total sales up year over year
- SSS up year over year

Nightclub Acquisitions

- Pittsburgh and Chicago performing in line with expectations
- Plan to rebrand both as Rick's Cabaret

Bombshells (First 2 Months of 1Q19)

- Total sales up compared to first two months of 4Q18
- Challenging SSS YoY: Houston Astros played significantly fewer post-season games in 1Q19 vs. 1Q18 when they won the pro baseball championship

New Bombshells Locations

- Good sales at recently opened I-10 location
- Updated opening schedule for three units in development
 - US 249 (just north Houston) -- February 2019
 - Katy (just west of Houston) -- April-May 2019
 - US 59 (SW Houston) -- May-June 2019

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

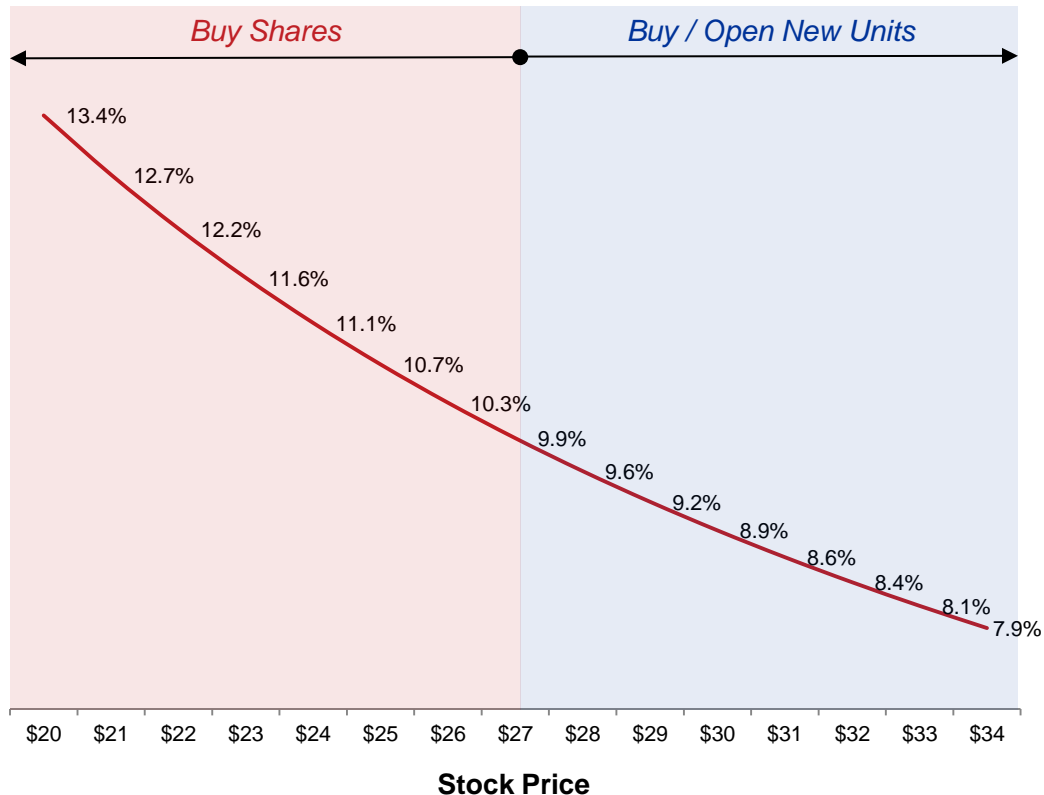
Buy Back Shares If FCF Yield...

- 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

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



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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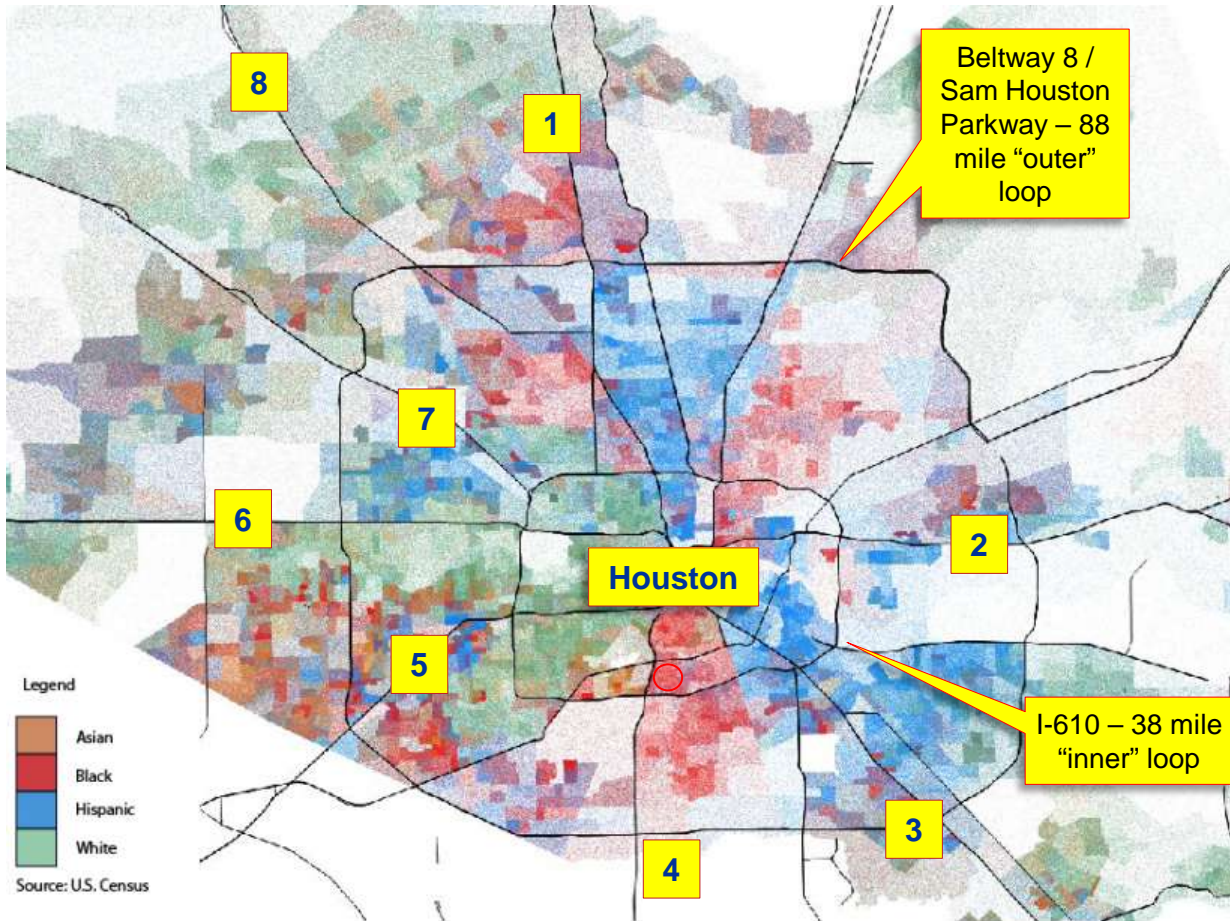
Nightclub Locations

Brand	City	State	Year*
Blush Gentlemen's Club	Pittsburgh	PA	2018
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	TX	2011
Rick's Cabaret	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	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	May-June-19	15	10
6	Katy	April-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

	2Q18 (3/31/18)	3Q18 (6/30/18)	4Q18 (9/30/18)	1Q19 (12/31/18)
Full Quarter New Unit Benefit	<ul style="list-style-type: none"> • Scarlett's Miami • Scarlett's St. Louis • Bombshells 5 (290) 	<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 	
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)
Events	<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 benefits from Houston Rockets in playoffs 		
Year Ago Events	<ul style="list-style-type: none"> • Houston hosts pro football championship (primarily benefitted one club) 	<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

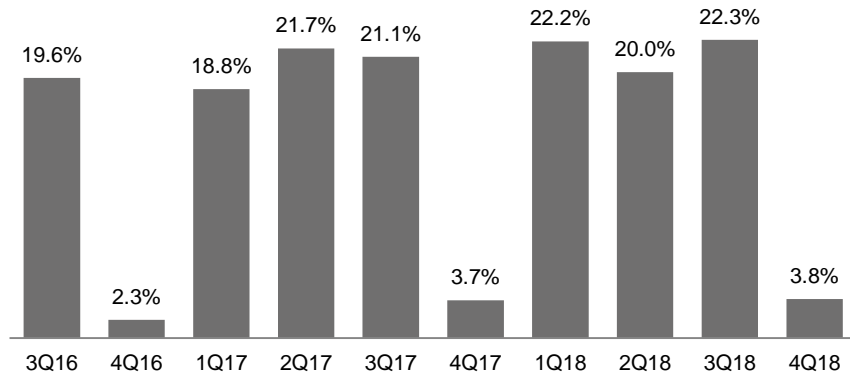
Preliminary Calendar

Date	Event	<i>Subject to change</i>
January 10, 2019	1Q19 Club & Restaurant Sales & Conference Call	
January 29, 2019	Vivid Cabaret New York 5 th Anniversary	
February 11, 2019	1Q19 Financial Results	
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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