



RCI HOSPITALITY HOLDINGS INC

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

NASDAQ: RICK
2Q22 Conference Call
May 9, 2022
www.rcihospitality.com

Today's Speakers



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Twitter Spaces Instructions

- Go to @RicksCEO
- Select this Twitter Space



- To ask a question during the Q&A, you will need to join the Space with a mobile phone
- If you want to listen only, you can join the Space with a personal computer
- The call is also available through traditional phone and webcast – see our earnings news release for details

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 press release 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, 2021, 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, and (d) 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) impairment of assets, (c) gains or losses on sale of businesses and assets, (d) gains or losses on insurance, (e) unrealized gains or losses on equity securities, (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 21.8% and 24.2% effective tax rate of the pre-tax non-GAAP income before taxes for the six months ended March 31, 2022 and 2021, 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 2Q22 10-Q and our May 9, 2022 earnings news release and financial tables contain additional details and reconciliation of non-GAAP financial measures for the quarter ended March 31, 2022, and are posted on our website at www.rcihospitality.com and filed with the US Securities and Exchange Commission.

Today's News¹

2Q22: Outstanding Quarter Across the Board

2Q22 Financial Highlights

- **Total Revenues:** \$63.7M +44.6%
- **EPS:** \$1.15 +69.1% / **Non-GAAP EPS²:** \$1.19 +58.0%
- **Net Cash from Operating Activities:** \$11.6M +5.7%
- **Free Cash Flow²:** \$11.1M +23.3%
- **Net Income³:** \$11.0M +79.8%
- **Adjusted EBITDA²:** \$19.9M +46.8%

2Q22 Operational Highlights

- Nightclubs and Bombshells performed well (including acquired clubs and Bombshells Arlington)
- High margin service revenues up 86.9% (33.8% of revenues vs. 26.1%)
- Omicron and cold weather affected January and February, respectively, but March was a record month

Growth Initiatives

- Nightclubs: Purchased one club in May 2022 and one under contract to purchase
- Bombshells: Acquired real estate for 12th location in March 2022 and two under contract to purchase
- Bombshells: First franchisee to open first unit in 3Q22, just signed a second franchisee
- Bitcoin acceptance, AdmireMe.com, Tip-N-Strip all moving ahead as planned

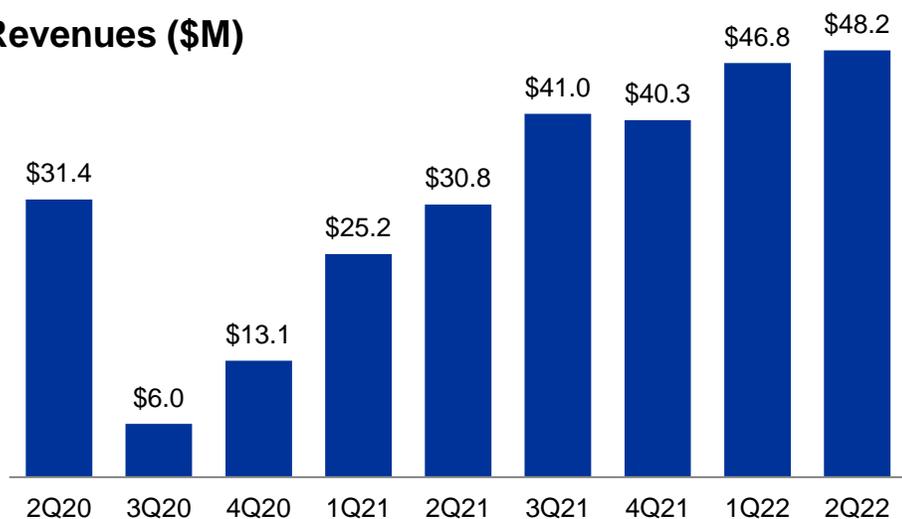
1) Comparisons are 2Q22 vs. 2Q21 unless indicated otherwise

2) See slide 5, "Non-GAAP Financial Measures"

3) Net Income Attributable to RCIHH Common Stockholders

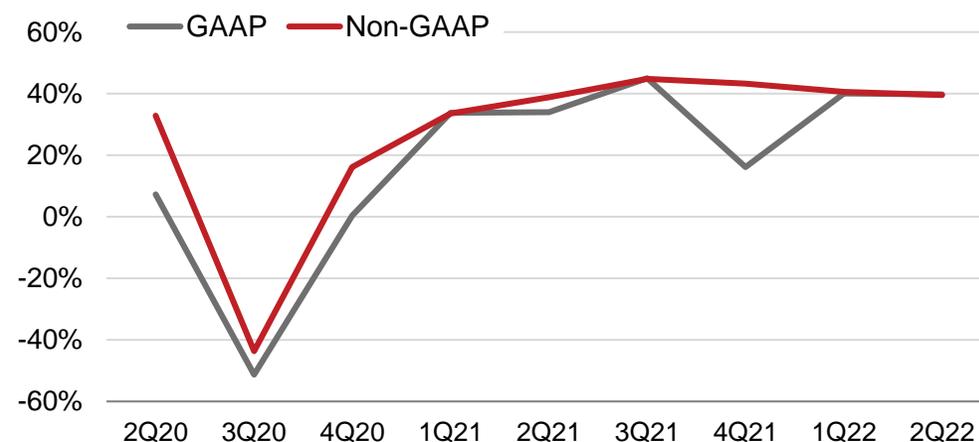
Nightclubs Segment

Revenues (\$M)



- 2Q22 vs. 2Q21
 - Revenues + 56.5%
 - Operating margin 39.7% vs. 34.0% (39.5% vs. 38.8% non-GAAP)
 - Income from operations +82.7% (+58.9% non-GAAP)
 - High margin service revenues +87.8%
- Revenues Grew \$17.4M
 - 50% from 1Q22 acquisitions
 - 30% from 8 clubs not included in same-store sales
 - 20% from same-store sales

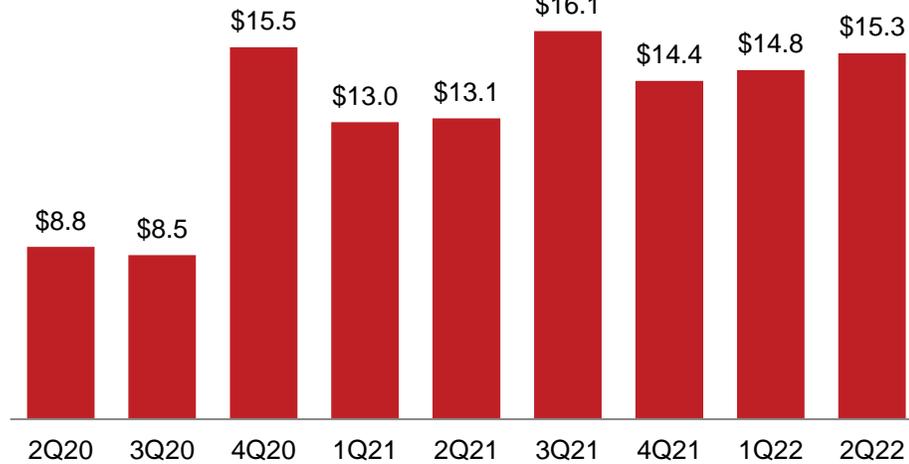
Operating Margin As % of Segment Revenues



Period	Location Status
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
3Q21	36 open throughout 3Q21 (2 temporarily closed)
4Q21	36 open throughout 4Q21 (2 temporarily closed)
1Q22	47 open (12 acquired mid-quarter and 2 temporarily closed)
2Q22	48 open (1 temporarily closed)

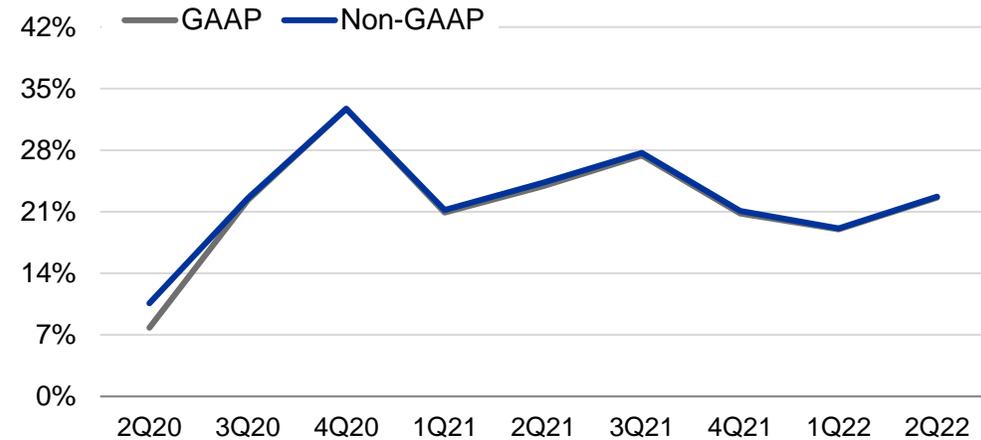
Bombshells Segment

Revenues (\$M)



- 2Q22 vs. 2Q21
 - Revenues +16.7%
 - Operating margin: 22.6% vs. 2Q21's 23.9% and 1Q22's 19.0%
 - Operating margin benefitted sequentially from absence of Arlington pre-opening costs
 - Income from operations +10.4% (+8.8% non-GAAP)
- Revenues Grew \$2.2M
 - 85% from Bombshells Arlington
 - 14% from same-store sales

Operating Margin As % of Segment Revenues

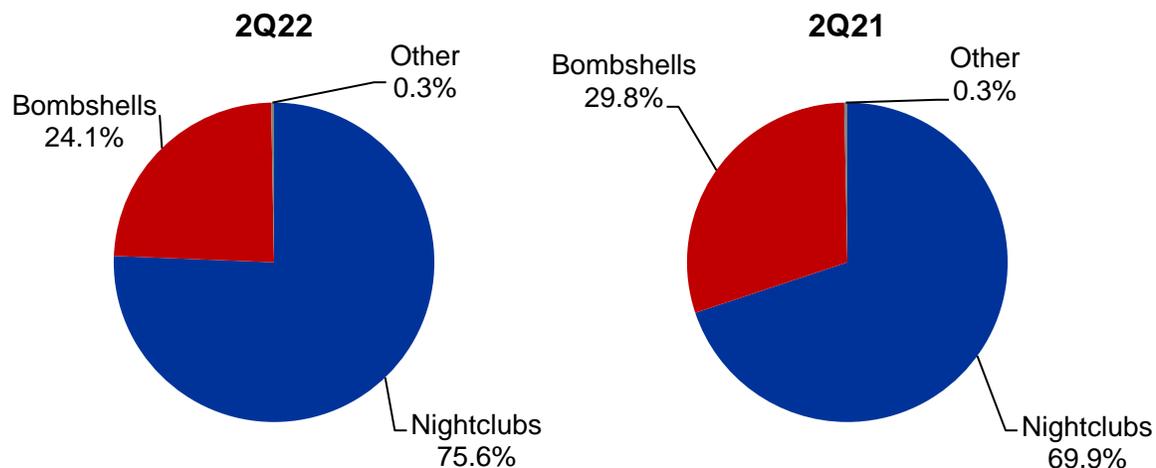


Period	Location Status
2Q20	10 th store opened January 2020, all 10 closed mid-March
3Q20	Reopenings started May 2020, all 10 open by quarter end
4Q20	Austin & Fuqua closed part of 4Q20, all 10 open by quarter end
1Q21	All 10 stores open (50% to 75% capacity mid-October)
2Q21	All 10 stores open (75% to 100% capacity mid-March)
3Q21	All 10 stores open at 100% capacity throughout 3Q21
4Q21	All 10 stores open
1Q22	11 th store opened December 2021
2Q22	All 11 stores open (except for a few frozen days in February)

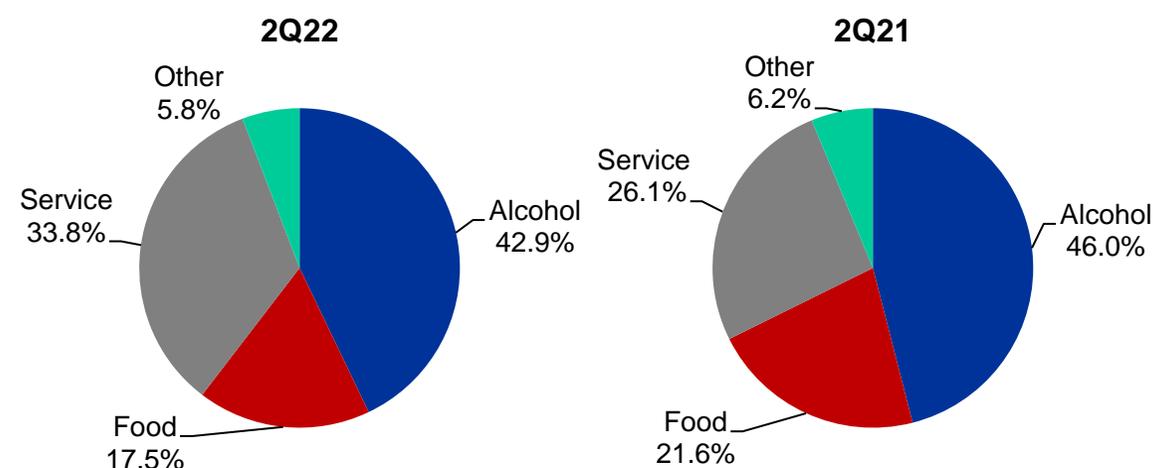
Analysis of Consolidated Statement of Operations

Line Item	2Q22 vs. 2Q21 (% of sales)	2Q22 Comment
Cost of Goods	13.8% vs. 15.4%	Increase in sales mix of higher margin service revenues
Salaries & Wages	26.0% vs. 25.4%	Increased minimum wage in some states
SG&A	28.9% vs. 28.6%	Increased variable expenses related to acquired units
Operating Margin	26.8% vs. 22.3%	26.9% vs. 25.9% non-GAAP
Interest Expense	4.5% vs. 5.4%	Higher sales and lower weighted average interest rate, partially offset by higher debt

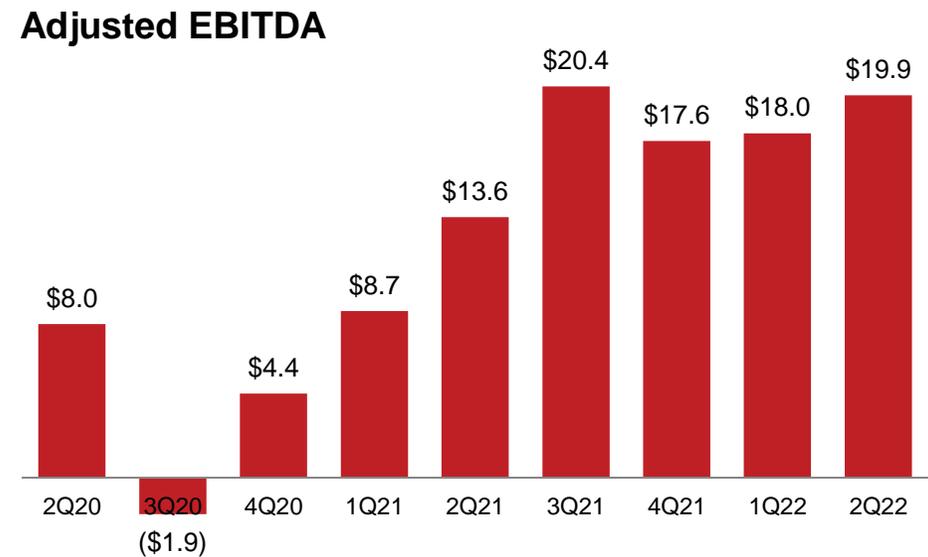
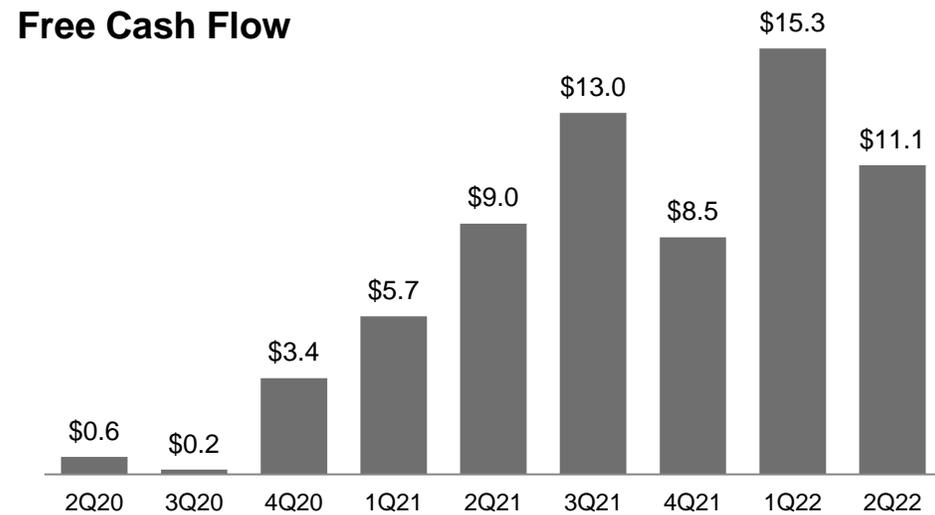
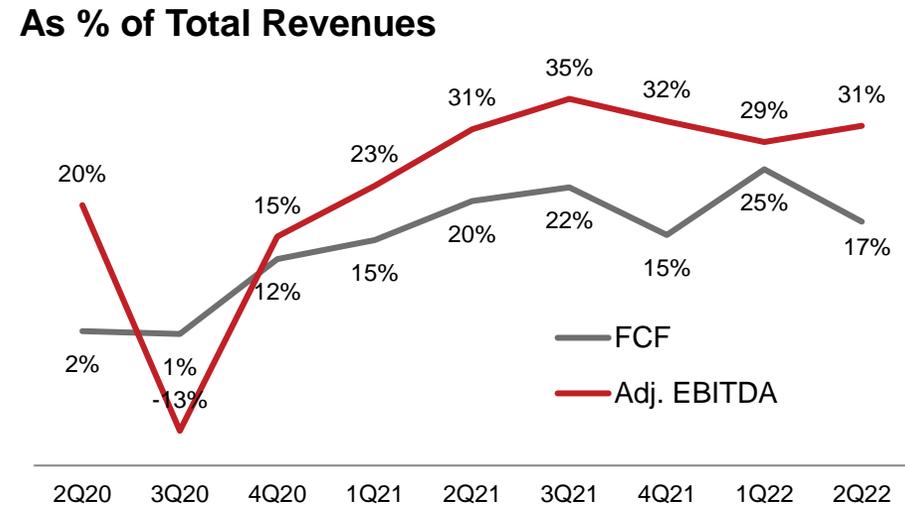
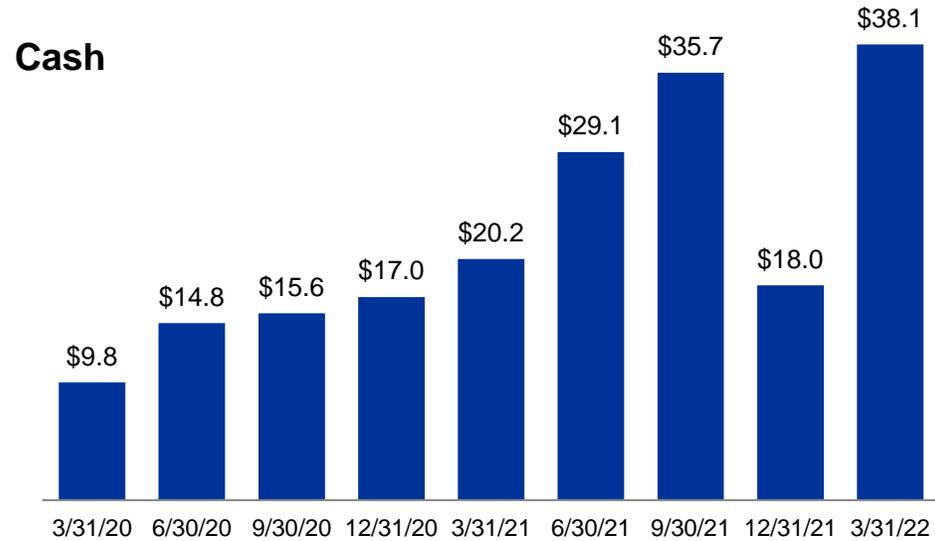
Sales Mix By Segment



Sales Mix By Revenue Type

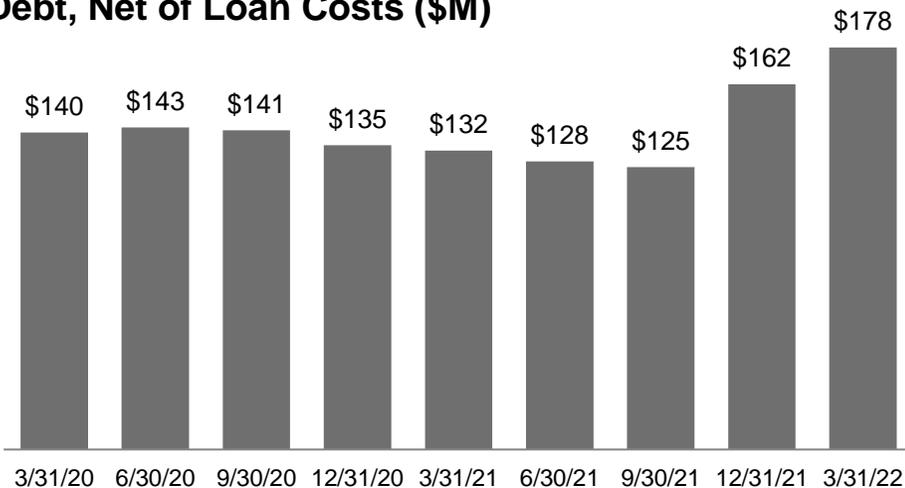


Cash, FCF & Adjusted EBITDA (\$M)

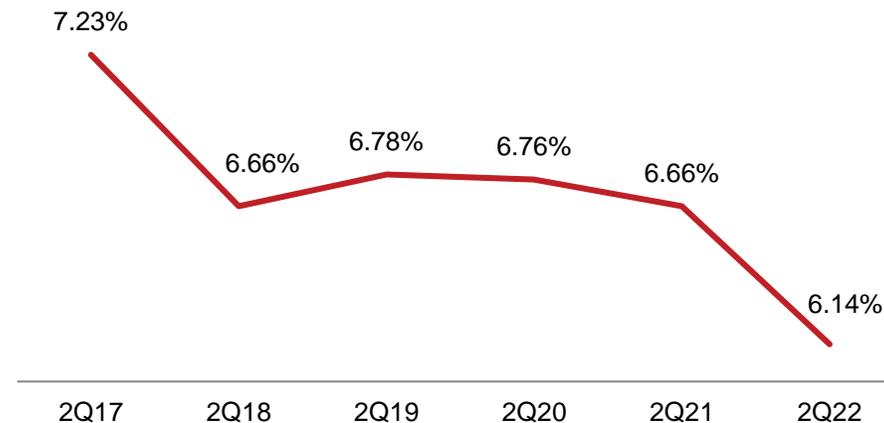


Debt & Related Metrics

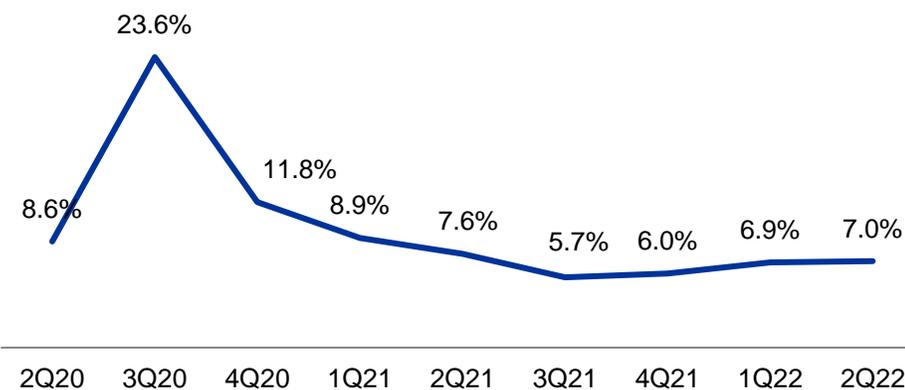
Debt, Net of Loan Costs (\$M)



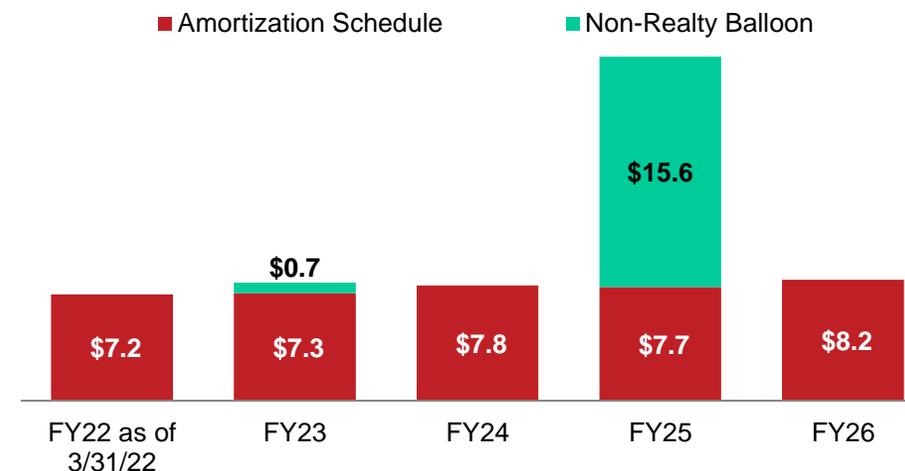
Weighted Average Interest Rate on Debt



Total Occupancy Costs As % of Total Revenues



Debt Maturities as of 3/31/22 (\$M)



Debt Analysis *(as of 3/31/22, \$ in millions)*

Total of \$180.0*
Weighted Average Interest Rate (WAIR): 6.14%

\$119.7 Secured by Real Estate (66.5% of total)
 • 4.32% WAIR

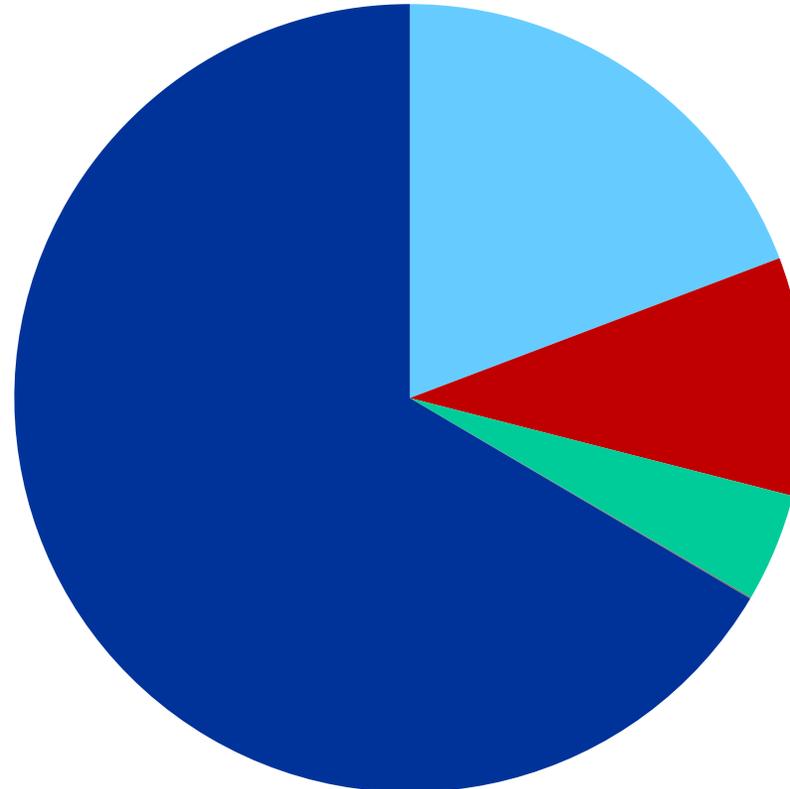
\$34.6 Seller Financing (19.3% of total)
 • Secured by the respective clubs
 • 11 Clubs: \$19.6 @ 6.0% WAIR
 • Scarlett's: \$14.0 @ 7.35% WAIR
 • Mansion: \$1.0 @ 4.00% WAIR

\$17.6 Unsecured Debt (9.8% of total)
 • 11.73% WAIR

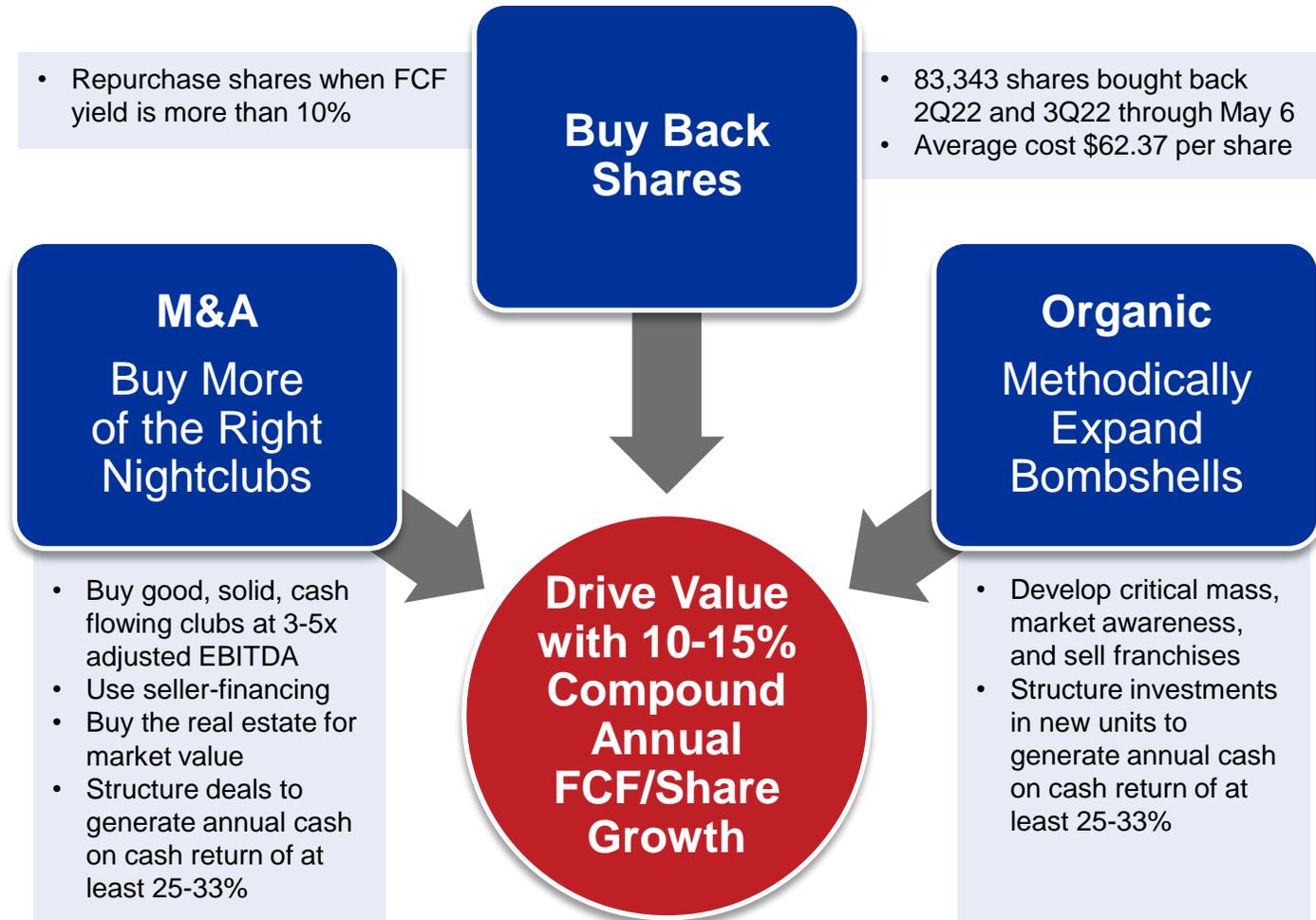
\$8.0 Secured by Other Assets (4.4% of total)
 • 5.8% WAIR

***Long-Term Debt Net of Loan Costs: \$178.1**
 • Up \$52.9 from 9/30/21
 • Up \$16.3 from 12/31/21

Operating Lease Total Liabilities: \$37.8
 • Adoption of ASC 842, Leases, starting FY20



Capital Allocation Strategy*



Growth Initiatives

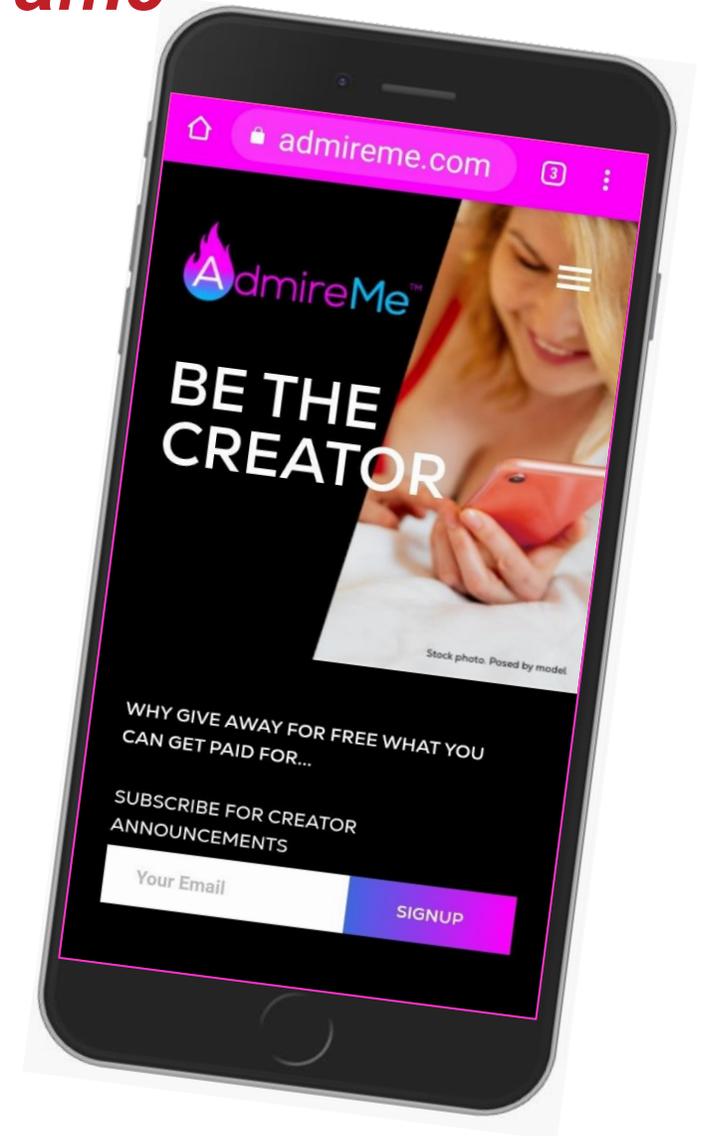
Nightclubs	Bombshells	Capital
<p>12 Club Acquisitions Purchased Oct-Nov 2021</p>	<p>Bombshells Arlington (11th location) Opened late 1Q22</p>	<p>\$7M Acquisition of Scarlett's Miami Property 1Q22</p>
<p>Scarlett's Cabaret Louisiana Rebuilt/rebranded club opened March 2022</p>	<p>Bombshells Stafford (12th) Acquired property 2Q22</p>	<p>\$18.7M Bank Real Estate Loan 2Q22</p>
<p>Rick's Steakhouse & Lounge Miami Opened May 2022</p>	<p>Bombshells Rowlett (13th) Under contract to purchase</p>	<p>\$2.1M Sale of Excess Parcel 2Q22</p>
<p>South Florida Club Acquisition Purchased May 2022</p>	<p>Bombshells Lubbock (14th) Under contract to purchase</p>	<p>2 Parcels Under Contract for Sale Expected \$7.7M proceeds to close by 9/30/22</p>
<p>Fort Worth, TX Club Acquisition Under contract to purchase</p>	<p>More Company-Owned Locations Targeting Dallas, Austin, Florida, Arizona</p>	
<p>San Antonio, TX Reformatted Club Expected to open 3Q22</p>	<p>1st Bombshells Franchisee Opening first location in San Antonio in 3Q22</p>	
<p>More Acquisitions Target: Addition of \$20M adjusted EBITDA in FY23</p>	<p>2nd Bombshells Franchisee First location will be Huntsville, Alabama</p>	
	<p>More Franchisees In talks with 3 groups</p>	

Harnessing New Technology to Drive Club Traffic

- Bitcoin Acceptance
- Tip-N-Strip NFT Guest Benefits Program
- AdmireMe.com Mobile Friendly Website



www.tip-n-strip.io



www.admireme.com

Q&A



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