



RCI HOSPITALITY
HOLDINGS INC

NASDAQ: RICK

4Q14 & FY14 Earnings Call

December 15, 2014

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 possible, the words "believe," "expect," "anticipate," "intent," "would," "will," "planned," "estimated," "potential," "goal," "outlook," 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 (i) operating and managing an adult business, (ii) the business climates in cities where the company operates, (iii) the success or lack thereof in launching and building the company's businesses, (iv) the operational and financial results of the company's adult nightclubs, (v) conditions relevant to real estate transactions, (vi) the loss of key personnel, (vii) laws governing the operation of adult entertainment businesses, and (viii) the inability to open and operate our restaurants at a profit.

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 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, patron taxes, pre-opening costs, gains and losses from asset sales, stock-based compensation charges, litigation and other one-time legal settlements, gain on contractual debt reduction 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.

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, patron taxes, 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.

Adjusted EBITDA. We exclude from earnings before interest, taxes, depreciation and amortization (EBITDA) depreciation expense, amortization of intangibles, income tax, interest expense, interest income, gains and losses from asset sales, acquisition costs, litigation and other one-time legal settlements, 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-K for the fiscal year ended September 30, 2014 and our press release dated December 15, 2014 contain additional details relative to the non-GAAP financial measures and are posted on our website at www.rcihospitality.com.

Overview

- 4Q14 & FY14 results
- Capital allocation strategy
- Legal
- Robust energy drink distribution
- REIT
- New locations and acquisitions
- Sports bars/restaurants and bars/nightclubs
- FY15 outlook



Results Summary

\$ in millions except per share	4Q14	4Q13	FY14	FY13
Total Revenues	\$33.5	\$28.0	\$129.2	\$112.2
GAAP Operating Margin	8.7%	15.5%	14.6%	19.5%
GAAP EPS	\$0.42	\$0.17	\$1.13	\$0.96
Non-GAAP Operating Margin	19.2%	21.4%	22.9%	24.9%
Non-GAAP EPS	\$0.28	\$0.28	\$1.44	\$1.43
Adjusted EBITDA	\$7.4	\$6.5	\$32.5	\$28.5

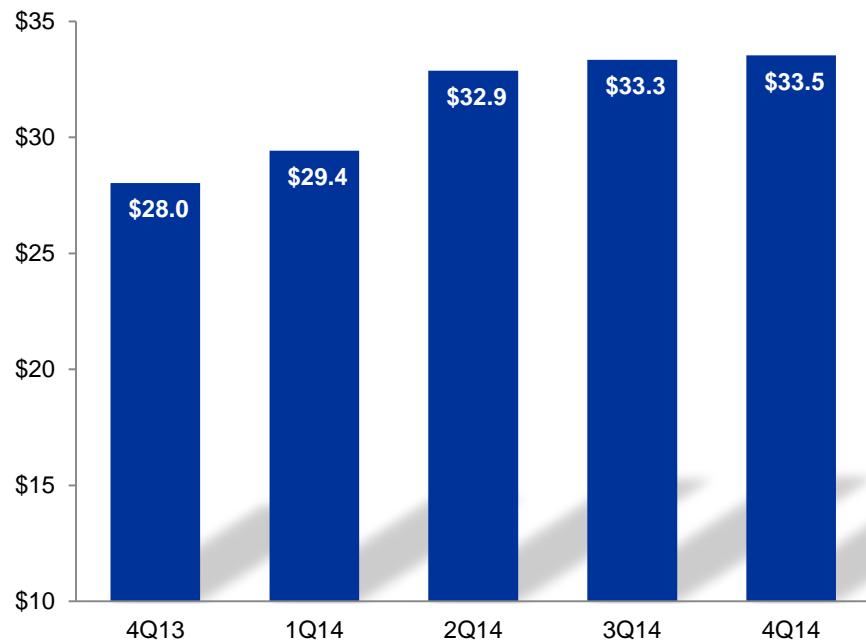
- GAAP EPS for 4Q14 & FY14 included gain from contractual reduction of debt partially offset by an asset impairment charge related to disposition of two adult clubs
- GAAP EPS for FY14 included major legal settlements in 3Q14
- Excluding above items, GAAP operating margin would have been level versus year ago periods
- Non-GAAP operating margin fell about 2 percentage points in both periods due to higher insurance costs
- We have signed new insurance contract with major carrier to reduce costs in FY15

Capital Allocation Strategy Update

Action	Comment
Disposition of 3 Under or Low Performing Adult Clubs	<ul style="list-style-type: none"> • Vivid Cabaret Los Angeles – Sold • Jaguars Houston – Closed • XTC Cabaret Fort Worth – Closed
New Insurance Contract	<ul style="list-style-type: none"> • Should reduce costs in FY15
Stock Buyback	<ul style="list-style-type: none"> • Purchased 101,330 shares in open market in 4Q14 • \$8.8 million authorization remaining at 9/30/14 • Purchases continuing in 1Q15
Robust Energy Drink Business	<ul style="list-style-type: none"> • \$200,000 in cash • 200,000 shares of common stock to the major principals

- Goal of strategy is to expand operating margin, generate more cash, and return capital to shareholders

Record Revenues (\$ in millions)



4Q14 Highlights

- Up 19.6% YoY
- \$4.8 in revenues from new clubs and restaurants
- Full quarter of Vivid NYC and Bombshells Webster and Austin; partial of Rick's Odessa
- SSS sales up 6.7%

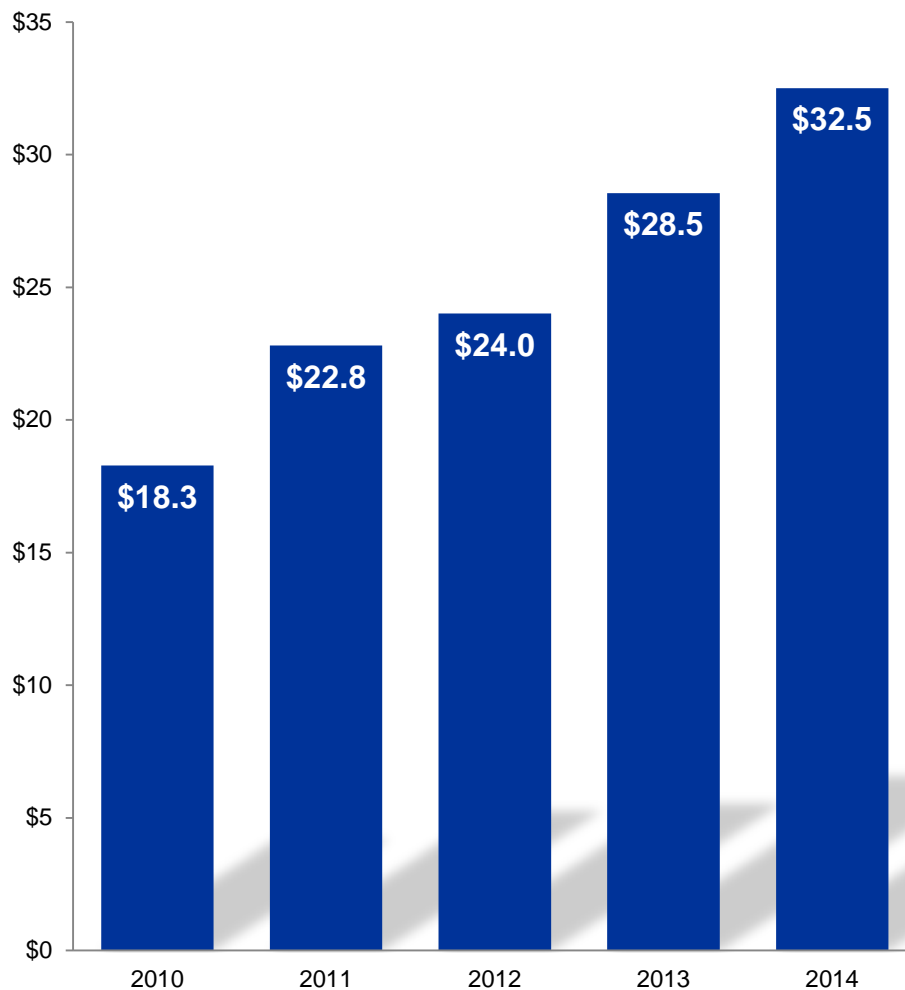


FY14 Highlights

- Up 15.1% YoY
- SSS +2.8% vs. -1.2% in FY13
- 14.9% CAGR 2010-2014
- Continued momentum into FY15

Adjusted EBITDA (\$ in millions)

- Reflects RCI's cash generating power
- CAGR of 15.5% 2010-2014 vs.14.9% for total revenues



Balance Sheet (\$ in millions)

Fiscal Year End	2012	2013	2014
Assets	\$192.4	\$223.1	\$239.1
Long-Term Debt	\$63.5	\$78.6	\$70.4
Equity	\$87.6	\$97.1	\$113.3

4Q14 Highlights

- Terms of Jaguars acquisition agreement enabled reduction of our debt to the seller—we recorded a \$5.6 gain and an equal reduction in debt
- Continued to reduce Tootsie's related notes (14% rate, our most expensive)—expect to completely pay this off in 2Q15

Legal Update

Texas Patron Tax

- November: Texas Supreme Court decided not to hear TEA's appeal
- TEA to take appeal to US Supreme Court
- Time before this could be fully resolved in the courts
- Tax has been fully expensed

New York Fair Labor Standards Act (FLSA)

- November: Partial summary judgment that entertainers are owed \$10.9 million as W-2 employees
- No current or near term obligation to pay any sums
- Case will be appealed once final judgment is reached after trial
- Involves only one club, class closed in 2012, and RCI has had agreements in place to protect the Company from class actions since 2010

Robust Energy Drink Business

The Opportunity

- Bars looking for energy drink with better margin
- Distributors losing major brands looking for an alternative

Robust: Tried & Tested

- Developed/manufactured by established UK drink company
- US distribution focused on the on premises bar market
- Existing distribution through Miller Coors to 8 southern states
- Costs 30-40% less than Red Bull
- Customer retention more than 90%
- Good performance in our own clubs since 2013

The Plan

- Open doors through our existing relationships with liquor and beer distributors around the US



REIT Update

Status

- Private REIT is moving forward expeditiously
- REIT to launch in the beginning of calendar year 2015
- We are in the process of recruiting a board and management team for the REIT


Potential Benefits

- Major liquidity event
- Make RCI more comparable to other publicly-traded restaurant-bar chains



Entrance to Rick's Cabaret New York in Midtown Manhattan

New Locations

Count	1Q14	2Q14	3Q14	4Q14	1Q15	FY15
9						Bombshells-Willowbrook
8						Bombshells-south Houston
7						Union Square-Fort Worth
6						Rick's-Odessa
5						Bombshells-Spring
4						Bombshells-Austin
3						Vivid-NYC
2						Bombshells-Webster
1						Black Orchid-Dallas

- **New Adult Clubs:** Continue to evaluate promising acquisition opportunities on a highly selective basis

Bombshells Update

Concept

- Military themed, fast casual, sports bar/restaurant
- Performance continues to improve
- Favorable reviews in *Houston Chronicle* and *Restaurant Development+Design*

5 Current Locations, 1 Coming

- Austin
- Dallas
- Webster (SE of Houston)
- Spring (north of Houston)
- Houston (south part of city)
- Willowbrook (NE of Houston, coming FY15)

Franchise Potential

- Have initiated the legal process



Entrance to Bombshells in Spring, TX

FY15 Outlook

- Came through the recession a much stronger company
- Successfully turned around same store sales growth
- With improved portfolio of clubs and Bombshells working, favorable outlook for Fiscal 2015
- Expect good growth in revenues, profit and cash generation
- Strong line-up of major sporting events in locations where we have clubs and restaurants
- Cheaper gas will enrich our customer base with more disposable income
- 1Q15 should be another record revenue quarter
- 2Q15 should be even better



Due Diligence Ball

Please Join Us

- Rick's Cabaret New York
50 W 33rd St
New York, NY 10001
Between 5th and Broadway
- 6:00 pm-8:00 pm
- "Behind the Scenes" tour

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