



RCI HOSPITALITY HOLDINGS INC

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

NASDAQ: RICK
1Q20 Conference Call
February 27, 2020
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”).

Important factors that in our view could cause material adverse effects on our financial condition and results of operations include, but are 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) our ability to regain and maintain compliance with the filing requirements of the SEC and the Nasdaq Stock Market, and (vii) numerous other factors such as laws governing the operation of adult entertainment businesses, competition and dependence on key personnel. The company has no obligation to update or revise the forward-looking statements to reflect the occurrence of future events or circumstances.

As used herein, the “Company,” “we,” “our,” and similar terms include RCI Hospitality Holdings, Inc. 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:

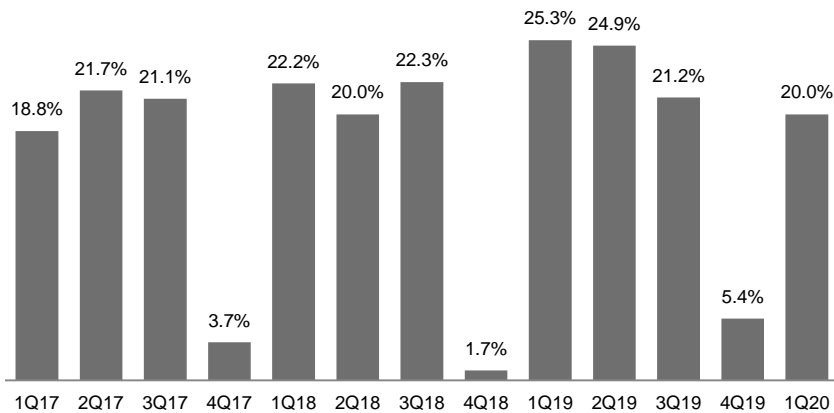
- *Non-GAAP Operating Income and Non-GAAP Operating Margin.* We calculate non-GAAP operating income and non-GAAP operating margin by excluding the following items from income from operations and operating margin: (a) amortization of intangibles, (b) gains or losses on sale of businesses and assets, (c) 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) gains or losses on sale of businesses and assets, (c) gains or losses on insurance, (d) unrealized gains or losses on equity securities, (e) settlement of lawsuits, and (f) 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 22.2% effective tax rate of the pre-tax non-GAAP income before taxes for the quarter ended December 31, 2019 and 2018, 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, and (g) settlement of lawsuits. 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 February 27, 2020 news release and financial tables and 1Q20 10-Q contain additional details and reconciliation of non-GAAP financial measures for the quarter ended December 31, 2019 and are posted on our website at www.rcihospitality.com.

GAAP Charts & Tables

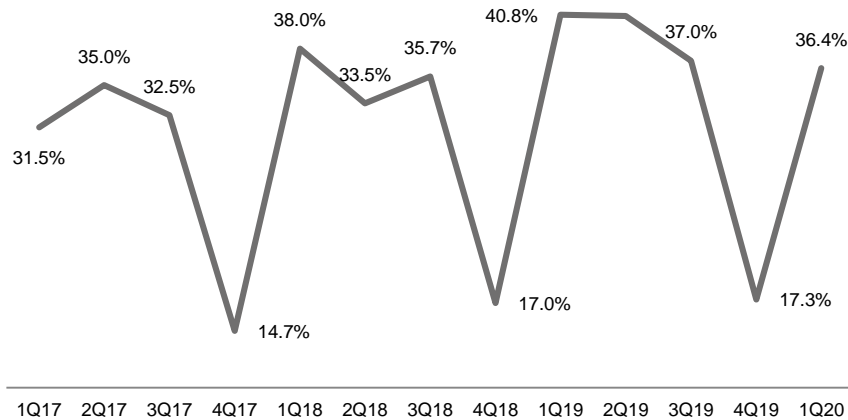
GAAP Operating Margin

As % of Total Revenues



Nightclubs GAAP Operating Margin

As % of Total Revenues

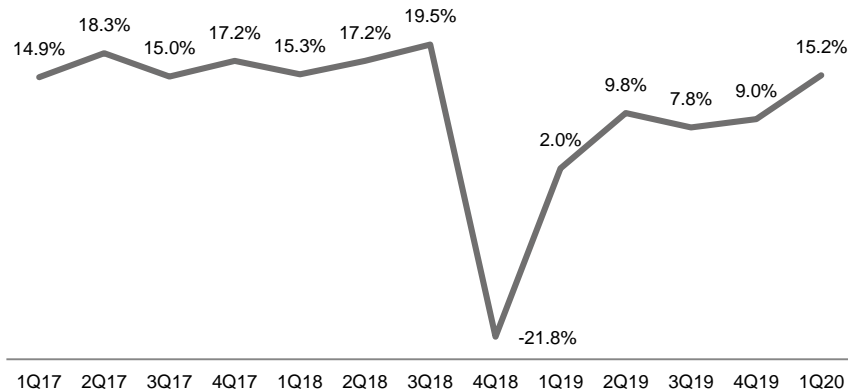


Leverage Ratios

Quarter	Long-Term Debt (\$K)	TTM Adjusted EBITDA (\$K)	Ratio	TTM Net Income (\$K)	Ratio
1Q19	\$153,095	\$45,321	3.38x	\$12,912	11.86x
2Q19	\$149,818	\$45,272	3.31x	\$14,962	10.01x
3Q19	\$146,579	\$45,586	3.22x	\$15,211	9.64x
4Q19	\$143,528	\$46,242	3.10x	\$19,175	7.49x
1Q20	\$141,826	\$46,078	3.08x	\$18,465	7.68x

Bombshells GAAP Operating Margin

As % of Total Revenues



Today's News (1Q20 vs. 1Q19 unless otherwise noted)

Financial Highlights

- Filed 10-Q as announced in February
- Total revenues of \$48.4M (+9.9%) on 47 vs. 46 units
- EPS: \$0.60 vs. \$0.65 (1Q19 included \$1.1M in pre-tax net gains)
- Non-GAAP EPS: \$0.62 vs. \$0.61*

Bombshells

- Quarterly revenues hit a record \$10.4M, up 72%
- Segment operating margin rebounded to 15.2%
- Performance should continue to expand

Nightclubs

- Maintained strong contribution with one less holiday sales week
- Performance already picking up with great 2Q20 sports calendar
- To close on Northeast Corridor acquisition in 2Q20

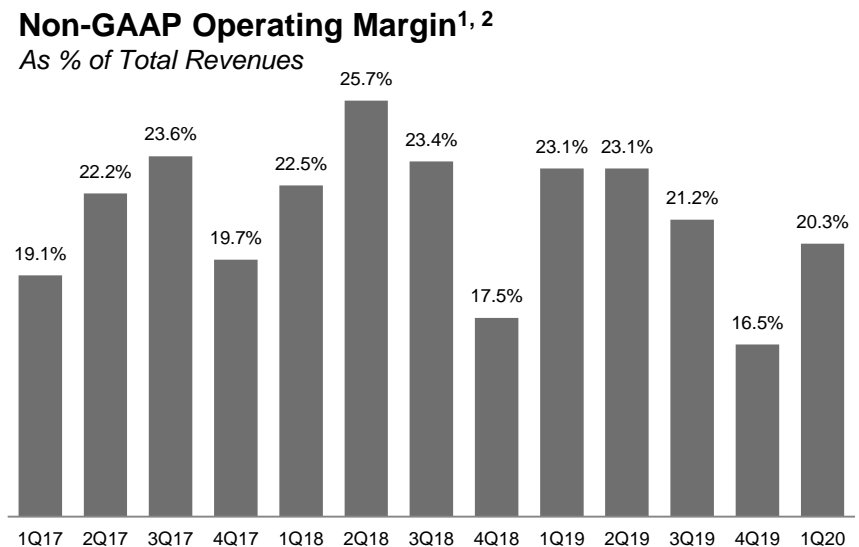
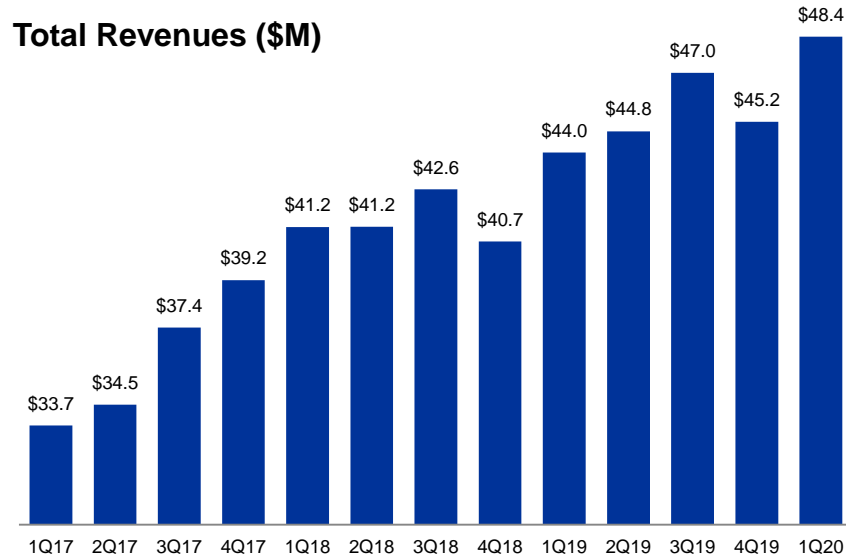
Capital Allocation Strategy

- FCF of \$9.3M* in line with a \$30M run rate
- Bought 333K shares for \$6.4M, reducing shares outstanding 4%, \$13.2M cash at 12/31/19
- 1Q20 & 2Q20, eliminated \$10.8M of near-term balloon debt
- After 1Q20, increased buyback authorization and raised annual dividend

1Q20 Operating Results

(\$M)	1Q20	1Q19	Δ	Comment		
<i>Revenue by Segment</i>						
Nightclubs	\$37.9	\$37.7	0.3%	2 new clubs, 2 clubs closed part of quarter, one less holiday sales week		
Bombshells	10.4	6.0	72.1%	Revenue from new units, 19.2% SSS rebound		
Other	0.2	0.3	-34.4%	Small quarter		
Total	\$48.4	\$44.0	9.9%			
<i>GAAP Operating Income</i>						
Nightclubs	\$13.8	\$15.4	(\$1.6)	1Q19 included \$1.2M in gains on sale of non-core businesses and assets		
Bombshells	1.6	0.1	1.5	Improved revenues and margin despite pre-opening costs		
Other	(0.2)	(0.1)	(0.1)	Small quarter		
Corporate	(5.5)	(4.3)	(1.2)	Higher audit (+\$531K), legal and overtime costs related to 10-K filing		
Total	\$9.7	\$11.1	(\$1.4)			
<i>Non-GAAP Operating Income*</i>						
Nightclubs	\$13.8	\$14.3	(\$0.4)	36.6%	vs.	37.8% of segment revenues
Bombshells	1.6	0.1	1.5	15.2%	vs.	2.0% of segment revenues
Other	(0.1)	(0.1)	0.0	-60.5%	vs.	-44.0% of segment revenues
Corporate	(5.5)	(4.1)	(1.4)	-11.3%	vs.	-9.3% of total revenues
Total	\$9.8	\$10.2	(\$0.4)	20.3%	vs.	23.1% of total revenues

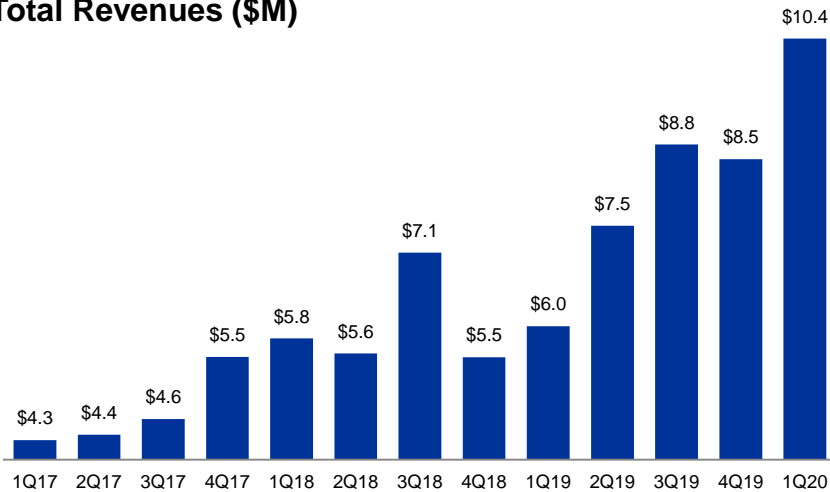
Sales & Margin Trends



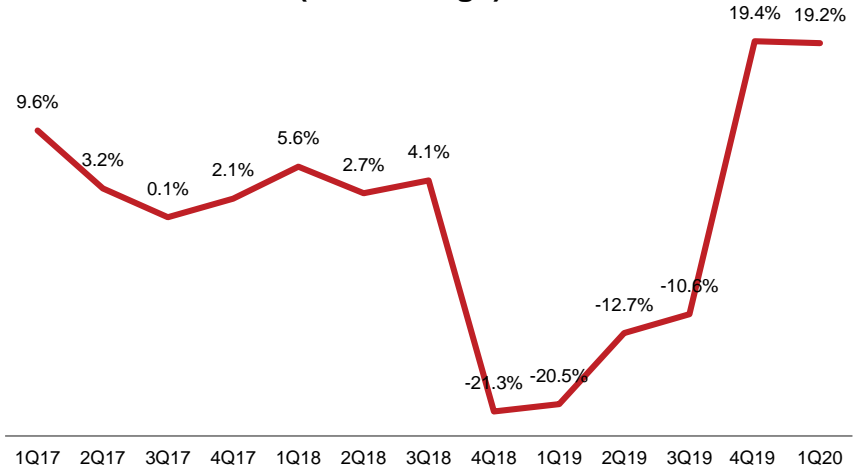
- Record 1Q20 total revenues from new Bombshells and SSS rebound
- 1Q20 Bombshells increase contribution offset higher corporate expenses
- Total operating margin should begin to improve year over year
 - Bombshells segment margin should continue to expand with all new units open and assuming continued SSS rebound
 - Nightclubs segment margin should expand with all clubs open and strong 2Q20 sporting events near some of our largest clubs
 - Corporate overhead as % of revenues should decline in second half with reduction in auditing and related legal fees

Bombshells: Turnaround is Happening

Total Revenues (\$M)



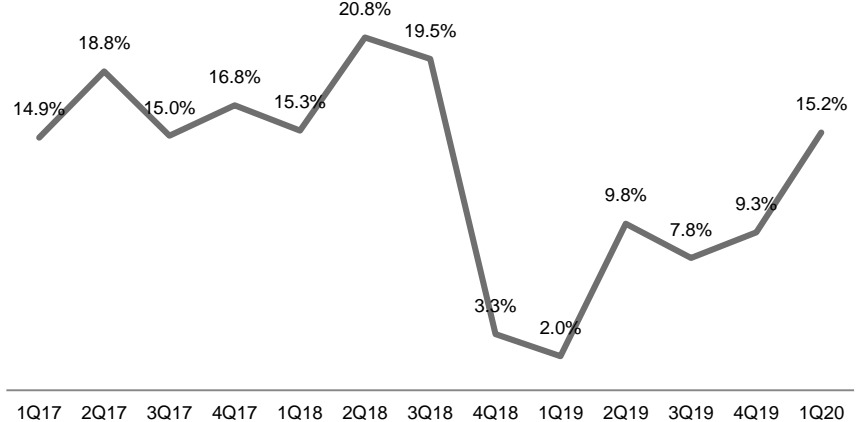
Same-Store Sales (YoY Change)¹



- Six new Houston locations doing well
- Latest (US 59) opened January 30, 2020
- Remodeled Dallas (1st location) for today's look and feel
- All 10 units should generate \$40-\$50M annualized (average per unit ~\$1.15M in 1Q20, up +30% YoY)
- Operating margin should continue to recover with SSS rebound and elimination of pre-opening costs in Feb. 2020
- Past and pending sale of excess parcels around new units should further enhance cash on cash return

Non-GAAP Operating Margin^{2, 3}

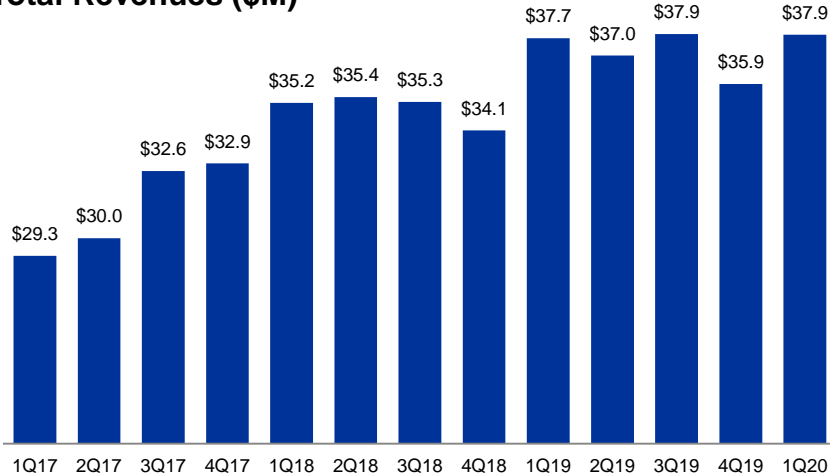
As % of Total Revenues



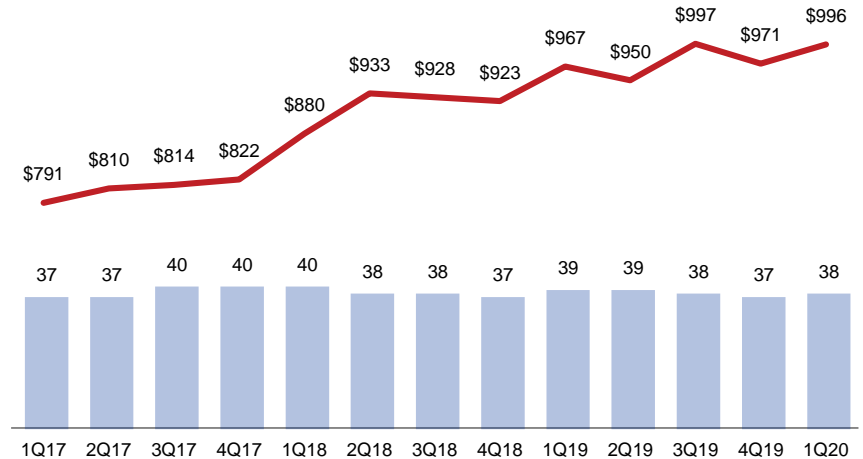
- 1) Effective 3Q19, Bombshells same-store sales now include locations open at least 18 months versus 12 months so the calculation is not affected by the "honeymoon" period experienced in the first six months of a new unit when revenues are higher compared to more normalized subsequent rates.
- 2) For GAAP reconciliation, see the company's earnings news releases and SEC filings on RCI's website at www.rcihh.com
- 3) For comparable GAAP data, see "Bombshells GAAP Operating Margin" on page 4

Nightclubs: Improving Portfolio

Total Revenues (\$M)



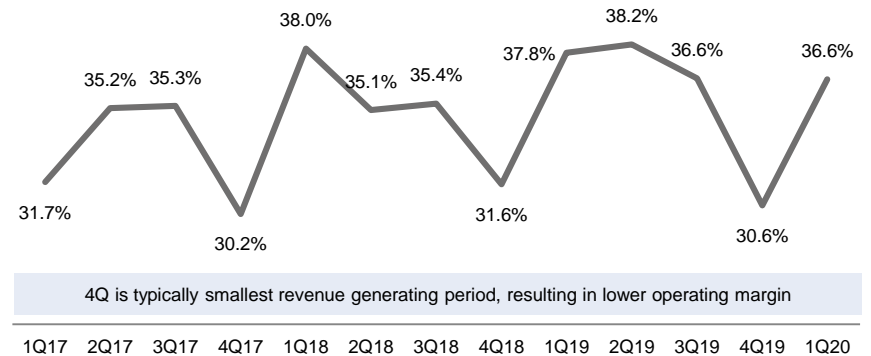
Average Revenue / Location (\$K)



- Growth driven by higher average revenue per location and expanded operating margin
- Reflects implementation of capital allocation strategy
 - Replaced poor performers with premier acquisitions
 - Continual improvement at “keeper” clubs
- Acquisition focus on larger, FCF generating clubs in major metro markets
 - Based on recent successes in Chicago, Pittsburgh, St. Louis, and South Florida
 - Not ruling out smaller acquisitions that fit our expertise and capital allocation strategy

Non-GAAP Operating Margin^{1, 2}

As % of Total Revenues



Cash Generation

Cash at End of 1Q20

- \$13.2M

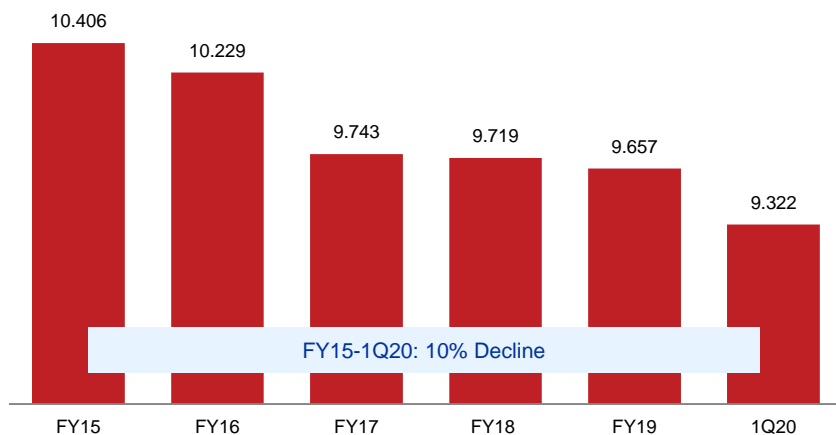
Adjusted EBITDA* 1Q20 vs. 1Q19

- \$11.9M vs. \$12.0M
- 24.5% of revenues vs. 27.3%

Free Cash Flow* FY19 vs. FY18

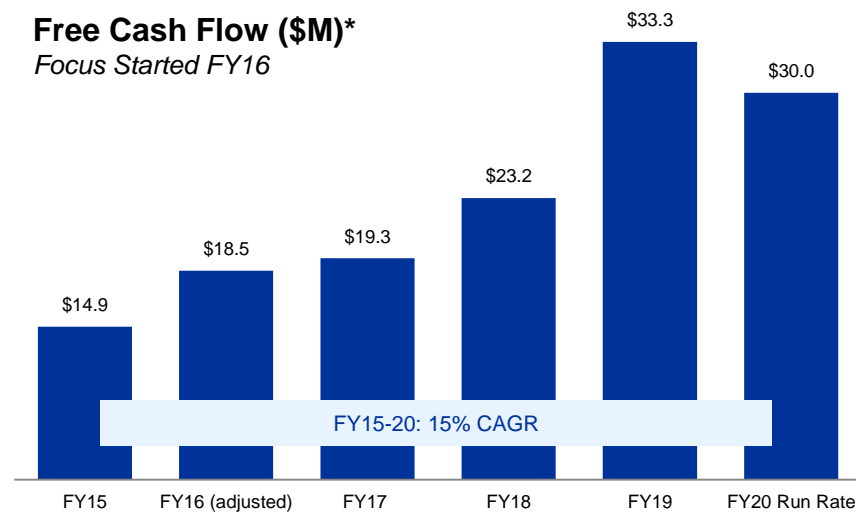
- \$9.3M vs. \$11.1M
- Maintenance Capex \$1.0M vs. \$376K
- 19.1% of revenues vs. 25.2%

Diluted Weighted Average Shares Outstanding (M)



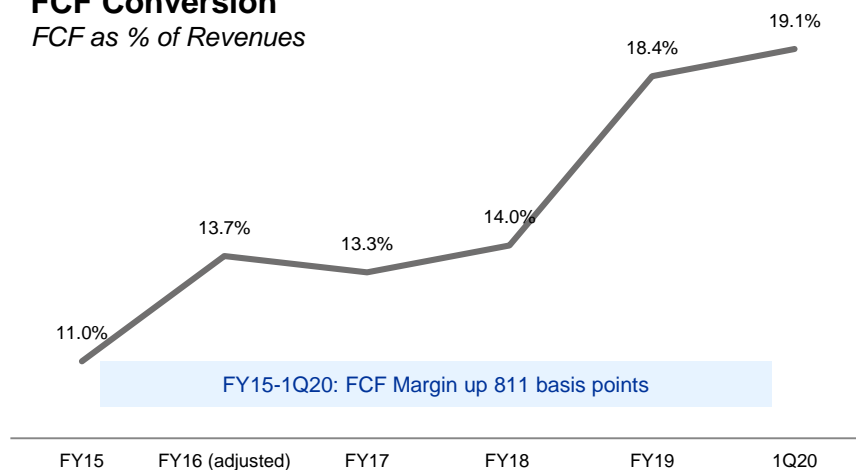
Free Cash Flow (\$M)*

Focus Started FY16



FCF Conversion

FCF as % of Revenues



Capital Allocation Strategy

Key Metric

- After-tax yield on Free cash flow (FCF) 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

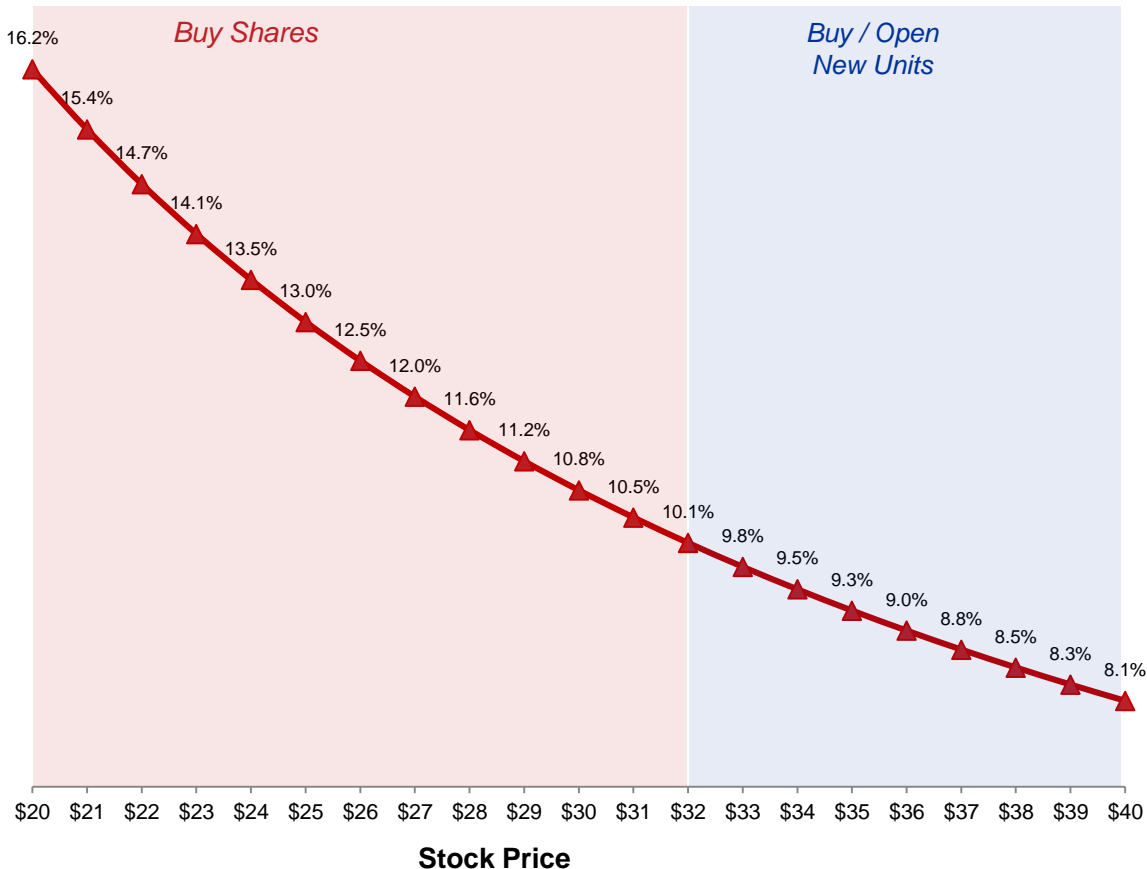
Buy Back Shares If FCF Yield...

- Exceeds double-digit range or exceeds yield of accelerated payment on our highest interest debt (currently a 9.2% after tax yield)

Current Status

- FY20 current run rate is \$30M (\$34M in net cash from operating activities less \$4M maintenance capex)
- FY20's current run rate represents 15% growth from FY19's target rate of \$26M
- \$32 share is the point between buying/opening units and buying shares

FCF Yield on Stock Price @ FY20 \$30M Current Run Rate



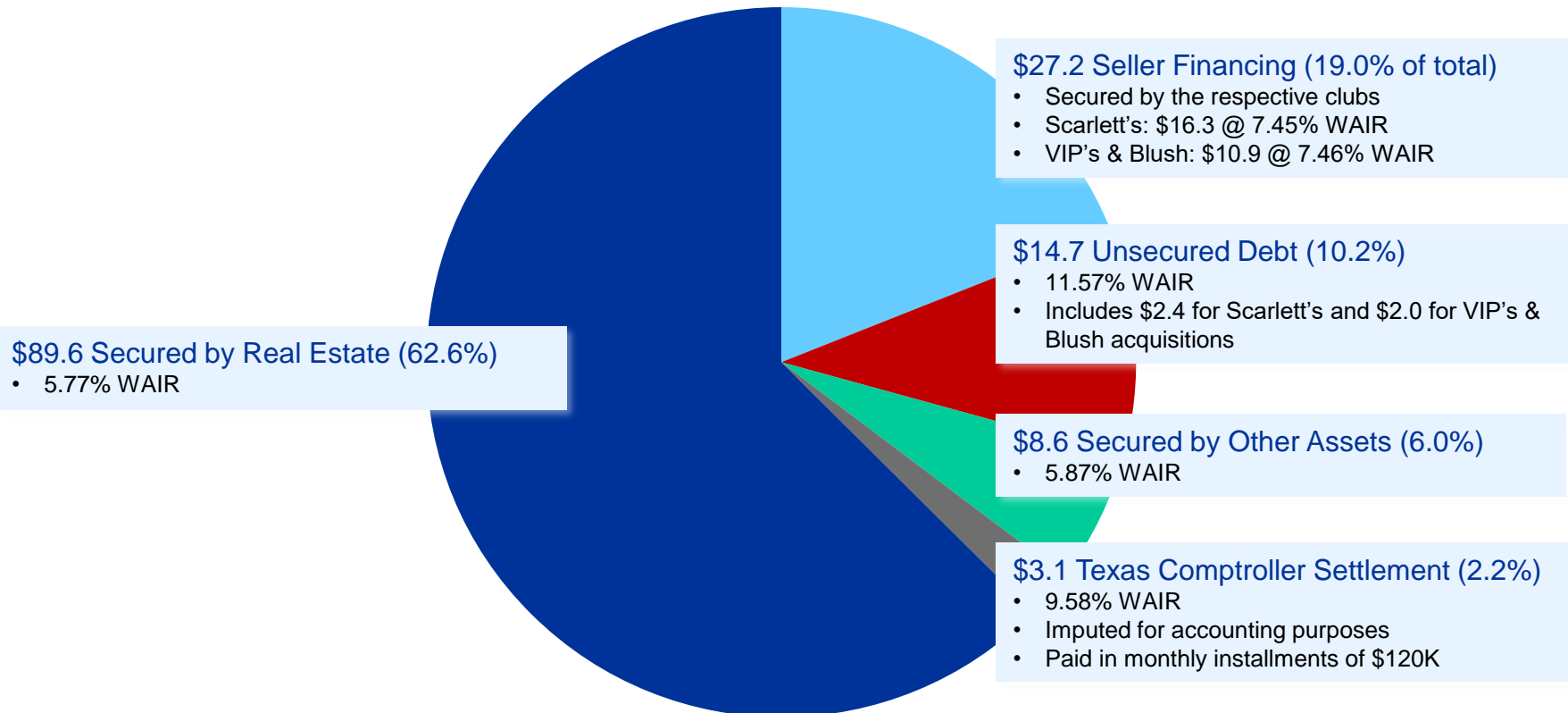
Capital Allocation Strategy: FY15-19 Progress

In 000's Except Units	2015	2016	2017	2018	2019	FY15-19 Change
Total Revenues	\$135,449	\$134,860	\$144,896	\$165,748	\$181,059	33.7%
Units (at year end)	43	40	45	43	46	7.0%
Average Revenue Per Unit	\$3,150	\$3,372	\$3,220	\$3,855	\$3,936	25.0%
Free Cash Flow*	\$14,889	\$20,513	\$19,281	\$23,242	\$33,316	123.8%
Common Shares Outstanding	10,285	9,808	9,719	9,719	9,591	-6.7%

In 000's Except Per Share	2015	2016	2017	2018	2019	FY15-19 Total
Share Repurchases	225	747	90	--	128	1,190
Amount Paid	\$2,296	\$7,311	\$1,099	--	\$2,901	\$13,607
Average Price Per Share	\$10.19	\$9.79	\$12.25	--	\$22.66	\$11.43

Long-Term Debt (as of 12/31/19, \$ in millions)

Total of \$143.2*
Weighted Average Interest Rate (WAIR): 6.77%



*Long-Term Debt Net of Loan Costs: \$141.8

- Down \$1.7 from 9/30/19
- Down \$11.3 from 12/31/18

Operating Lease Total Liabilities: \$28.3

- Adoption of ASC 842, Leases, starting FY20

Debt Manageability

Eliminated \$10.8M of Near-Term Non-Realty Balloons

- Increases financial flexibility by mitigating large cash needs
- 1Q20: Moved \$3.0M payment due May 2020 to FY23
- Subsequent to 1Q20 and not included on maturities chart
 - Converted \$4.0M payment due FY21 into 10-year note
 - Converted \$3.8M payment due FY22 into 10-year note

Total LT Debt / TTM Adjusted EBITDA*

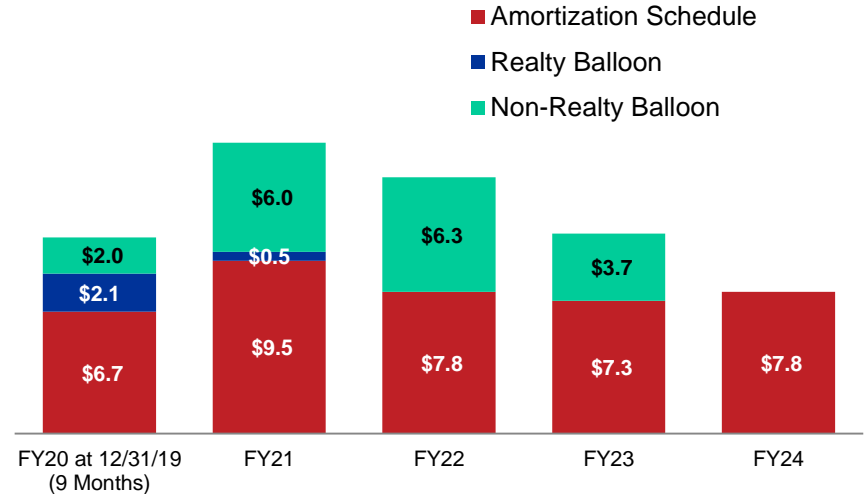
- 1Q20 decline with debt decline

Quarter	Long-Term Debt (\$K)	TTM Adjusted EBITDA (\$K)	Ratio
1Q19	\$153,095	\$45,321	3.38x
2Q19	\$149,818	\$45,272	3.31x
3Q19	\$146,579	\$45,586	3.22x
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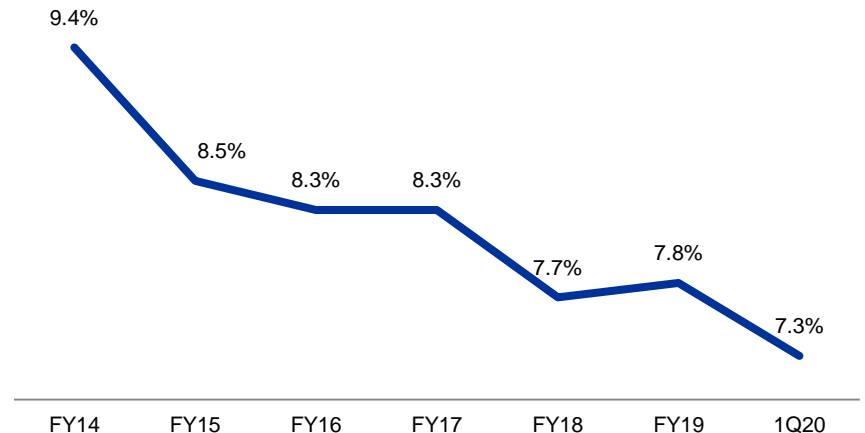
Occupancy Costs

- One of our single largest expenses
- Interest (ex-refinancing-related costs) and rent as % of revenue
- 1Q20 decline with opening of Bombshells Katy

Debt Maturities (\$M)



Occupancy Costs As % of Total Revenues



FY20 Focus on Our Core Business

Nightclubs

- Continue to improve operations
- Finalize and then integrate NE Corridor acquisition
- Ensure acquisition opportunities fit our parameters

Bombshells

- Guide new locations to success
- Continue SSS and margin rebound of older units

Asset Management

- Close on properties under contract
- Seek buyers or tenants for remaining properties held

Free Cash Flow

- Deploy for optimal return according to our capital allocation strategy

SEC Filings

- Remain Up to Date



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Appendix
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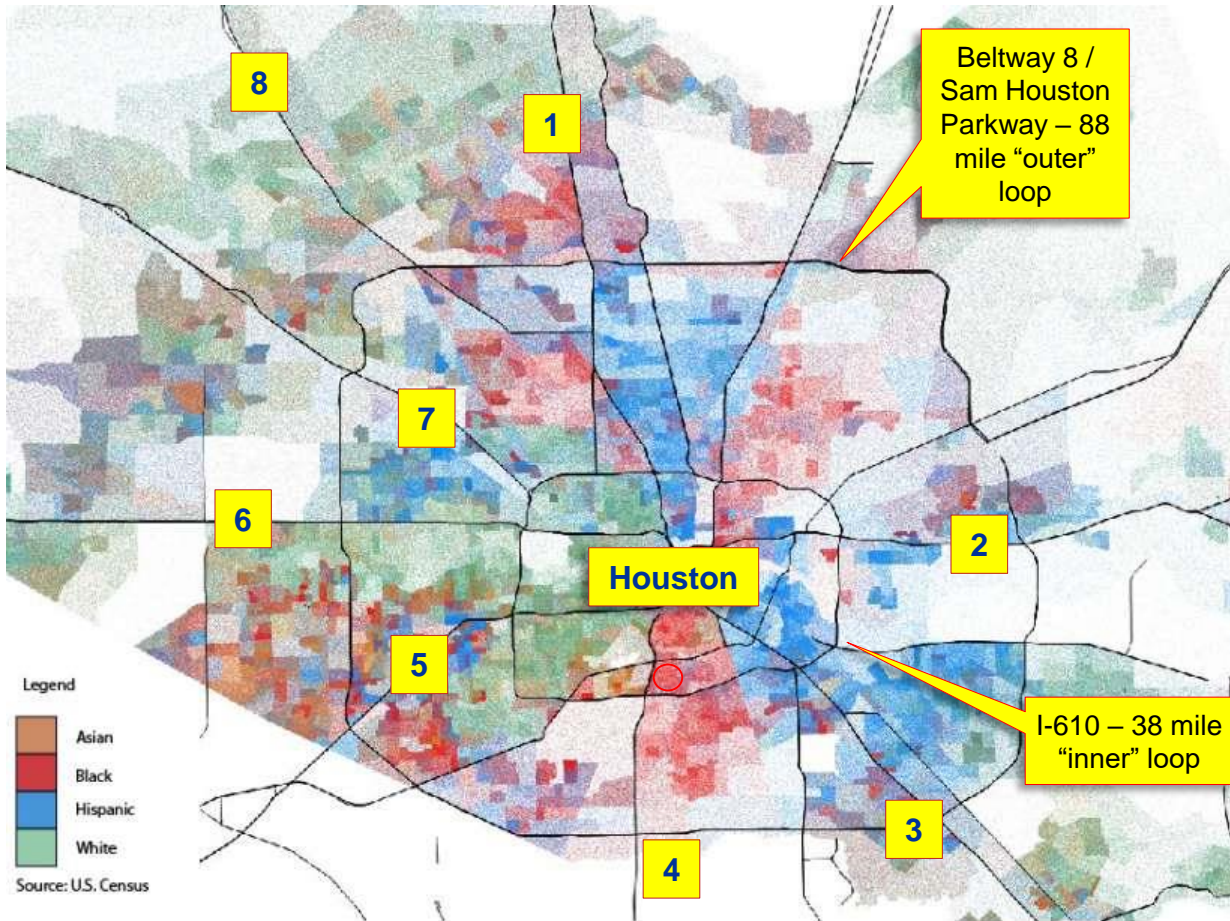
Nightclub Locations

Brand	City	State	Year*
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-Fort Worth	TX	2011
Rick's Cabaret	Dallas-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	Pittsburgh	PA	2018
Rick's Cabaret	San Antonio	TX	2006
Scarlett's Cabaret Miami	Pembroke Park	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

Bombshells: 3-Year Houston Plan Complete

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	Jan-20	15	10
6	Katy	Oct-20	10	10
7	US 290	Jun-17	28	22
8	US 249	Mar-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

	3Q19 (6/30/19)	4Q19 (9/30/19)	1Q20 (12/31/19)	2Q20 (3/31/20)	3Q20 (6/30/20)
Full Quarter New Unit Benefit	<ul style="list-style-type: none"> Club acquisitions in Chicago and Pittsburgh Bombshells 7 (I-10) Bombshells 8 (249) 	<ul style="list-style-type: none"> Club acquisitions in Chicago and Pittsburgh Bombshells 7 (I-10) Bombshells 8 (249) 	<ul style="list-style-type: none"> Bombshells 7 (I-10) Bombshells 8 (249) 	<ul style="list-style-type: none"> Bombshells 8 (249) Bombshells 9 (Katy) 	<ul style="list-style-type: none"> Bombshells 8 (249) Bombshells 9 (Katy) Bombshells 10 (59)
Partial Quarter New Unit Benefit			<ul style="list-style-type: none"> Bombshells 9 (Katy) opens October 2019 Club acquisitions in Chicago and Pittsburgh 	<ul style="list-style-type: none"> Bombshells 10 (59) opens January 2020 	
Events			<ul style="list-style-type: none"> Houston Astros in playoffs through final game of the fall classic One less sales week bet. Thanksgiving and Christmas Scarlett's Cabaret St. Louis and Rick's Cabaret Odessa closed part of quarter for repairs 	<ul style="list-style-type: none"> Big PPV fights in January and February S. Florida hosts pro football championship in February Chicago hosts pro basketball weekend in February NYC and Houston host college basketball tournament in March 	
Year Ago Events	<ul style="list-style-type: none"> Bombshells 6 (Pearland) opens April 2018 Club acquisition in Central Illinois 		<ul style="list-style-type: none"> Club acquisitions in Chicago and Pittsburgh (November 2018) Bombshells 7 (I-10) opens December 2018 		<ul style="list-style-type: none"> Scarlett's Cabaret St. Louis closed May 2019 for repairs

Contact Information

Corporate Office

10737 Cutten Road
Houston, TX 77066
Phone: (281) 397-6730

Investor Relations

Gary Fishman
Steven Anreder
Phone: (212) 532-3232

IR Website

www.rcihospitality.com
Nasdaq: RICK

