



FOR IMMEDIATE RELEASE

RICK'S CABARET INTERNATIONAL, INC. SECOND QUARTER REVENUE RISES 17.8% TO \$25.4 MILLION; INCOME FROM CONTINUING OPERATIONS \$4.5 MILLION, IMPACTED BY ONE-TIME LEGAL EXPENSE

Settlement of Lawsuit Adds \$1.8 Million to Expenses

HOUSTON – (May 10, 2012) – **Rick's Cabaret International, Inc.** (NASDAQ:RICK), the nation's only publicly traded group of gentlemen's clubs, reported revenues of \$25.4 million for the quarter ended March 31, 2012, a 17.8 percent increase over the same period last year. Operating income was \$4.5 million, compared with \$5.6 million in the same period last year, a decrease primarily due to one-time legal expenses of \$1.8 million.

Fully diluted earnings per share for the quarter were 22 cents, compared with 29 cents in the same quarter a year ago. The one-time legal expense reduced per share earnings by 12 cents.

"Our new clubs are adding revenues as expected. We are continuing to tighten cost controls and will maintain that pressure throughout our operations," said **Eric Langan**, President and CEO of Rick's Cabaret International. Mr. Langan will discuss the results at 4:30 pm ET today during a conference call for investors. The participant dial-in number is 877-407-8033 (domestic) or 201-689-8033 (international).

The increase in total revenues was primarily attributable to clubs acquired during the last year and an increase in same-store sales. Revenues improved as a result of pricing plans and marketing programs implemented at the club level.

Total operating expenses during the quarter increased to \$20.9 million from \$16 million, primarily due to increases in cost of goods sold and payroll costs for the increased employee headcount at new clubs acquired in the past year. Payroll for same-location-same-period of club operations was \$3.8 million compared to \$3.6 million for the same period a year ago. Without the legal settlement, the operating margin would have been 24.7 percent, compared with 25.9 percent last year. Margins were also impacted by an increase in higher-end "bottle sales" revenues that carry a lower gross margin compared with single drink sales.

Adjusted EBITDA* for the three months ended March 31, 2012, without the lawsuit settlement would have been \$7.5 million versus \$6.9 million last year,

*Adjusted EBITDA is a financial statement measure not derived in accordance with GAAP. We use adjusted EBITDA (earnings before interest expense, income taxes, depreciation, amortization and impairment charges) as a non-GAAP performance measure. In calculating adjusted EBITDA, we exclude our largest recurring non-cash charge, depreciation, and amortization, and impairment charges. 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.

RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

<u>(in thousands, except per share data)</u>	FOR THE THREE MONTHS ENDED MARCH 31,		FOR THE SIX MONTHS ENDED MARCH 31,	
	2012	2011	2012	2011
	(UNAUDITED)		(UNAUDITED)	
Revenues:				
Sales of alcoholic beverages	\$ 10,406	\$ 8,405	\$ 19,322	\$ 16,163
Sales of food and merchandise	2,335	1,879	4,333	3,578
Service revenues	11,281	10,076	21,167	19,084
Internet revenues	100	120	201	245
Media revenues	176	192	359	409
Other	1,116	907	2,050	1,768
Total revenues	<u>25,414</u>	<u>21,579</u>	<u>47,432</u>	<u>41,247</u>
Operating expenses:				
Cost of goods sold	3,390	2,665	6,322	5,083
Salaries and wages	5,204	4,460	10,130	8,821
Stock compensation	12	-	21	-
Other general and administrative:				
Taxes and permits	3,953	3,306	7,404	6,221
Charge card fees	373	321	681	642
Rent	721	773	1,424	1,549
Legal and professional	741	472	1,441	912
Advertising and marketing	1,040	842	2,035	1,813
Insurance	347	280	638	549
Utilities	406	380	807	745
Depreciation and amortization	1,190	949	2,310	1,854
Settlement of lawsuit	1,831	-	1,831	-
Other	1,750	1,541	3,568	3,021
Total operating expenses	<u>20,958</u>	<u>15,989</u>	<u>38,612</u>	<u>31,210</u>
Operating income	4,456	5,590	8,820	10,037
Other income (expense):				
Interest income	1	44	3	56
Interest expense	(1,106)	(1,110)	(2,079)	(2,234)
Gain on change in fair value of derivative instruments	40	333	138	481
Income from continuing operations before income taxes	3,391	4,857	6,882	8,340
Income taxes	1,134	1,573	2,342	2,709
Income from continuing operations	<u>2,257</u>	<u>3,284</u>	<u>4,540</u>	<u>5,631</u>
Loss from discontinued operations, net of income taxes	<u>(87)</u>	<u>(308)</u>	<u>(133)</u>	<u>(526)</u>
Net income	2,170	2,976	4,407	5,105
Less: net income attributable to noncontrolling interests	<u>(53)</u>	<u>(53)</u>	<u>(106)</u>	<u>(107)</u>
Net income attributable to Rick's Cabaret International, Inc.	<u>\$ 2,117</u>	<u>\$ 2,923</u>	<u>\$ 4,301</u>	<u>\$ 4,998</u>
Basic earnings (loss) per share attributable to Rick's shareholders:				
Income from continuing operations	\$ 0.23	\$ 0.33	\$ 0.46	\$ 0.55
Loss from discontinued operations	\$ (0.01)	\$ (0.03)	\$ (0.01)	\$ (0.05)
Net income	\$ 0.22	\$ 0.29	\$ 0.44	\$ 0.50

Diluted earnings (loss) per share
attributable to Rick's shareholders:

Income from continuing operations	\$	0.23	\$	0.32	\$	0.46	\$	0.55
Loss from discontinued operations	\$	(0.01)	\$	(0.03)	\$	(0.01)	\$	(0.05)
Net income	\$	0.22	\$	0.29	\$	0.44	\$	0.50

Weighted average number of common
shares outstanding:

Basic	9,720	9,937	9,703	9,990
Diluted	9,731	10,771	9,710	10,004

About Rick's Cabaret: Rick's Cabaret International, Inc. (NASDAQ: RICK) is home to upscale adult nightclubs serving primarily businessmen and professionals that offer live entertainment, dining and bar operations. Nightclubs in New York City, Miami, Philadelphia, Charlotte, Dallas/Ft. Worth, Houston, Minneapolis, Indianapolis and other cities as "Rick's Cabaret," "XTC," "Club Onyx" and "Tootsie's Cabaret" and other brand names. Sexual contact is not permitted at any locations. Rick's Cabaret also operates a media division, ED Publications, and owns the adult Internet membership Website couplestouch.com as well as a network of online adult auction sites under the flagship URL naughtybids.com. Rick's Cabaret common stock is traded on NASDAQ under the symbol RICK. For further information contact ir@ricks.com or visit www.ricksinvestor.com. Twitter: [@rickscabaret](https://twitter.com/rickscabaret); Facebook: <http://www.facebook.com/rickscabaretintl>.

Forward-looking Statements: This document 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 document, including the risks and uncertainties associated with operating and managing an adult business, the business climates in cities where it operates, the success or lack thereof in launching and building the company's businesses, risks and uncertainties related to the operational and financial results of our Web sites, conditions relevant to real estate transactions, and numerous other factors such as laws governing the operation of adult entertainment businesses, competition and dependence on key personnel. Rick's has no obligation to update or revise the forward-looking statements to reflect the occurrence of future events or circumstances. For further information visit www.ricksinvestor.com.

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