



The innovator in the adult club segment of the hospitality industry



NASDAQ: RICK
1Q16 Earnings Conference Call
February 9, 2016
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 "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 (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 non-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, gain on settlement of patron tax case, pre-opening costs, gains and losses from asset sales, gain on settlement of patron tax issue, impairment of assets, pre-opening costs, stock-based compensation charges, litigation and other one-time legal settlements 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. While we were in litigation in the patron tax case, we also included patron taxes as an exclusion, but after settlement of the case, we no longer exclude patron taxes from operating income.

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, gain on settlement of patron tax case, 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. While we were in litigation in the patron tax case, we also included patron taxes as an exclusion, but after settlement of the case, we no longer exclude patron taxes from net income.

Adjusted EBITDA. We exclude from Adjusted EBITDA depreciation expense, amortization of intangibles, income tax, interest expense, interest income, gains and losses from asset sales, pre-opening costs, acquisition costs, litigation and other one-time legal settlements, gain on settlement of patron tax case, 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-Q for the fiscal quarter ended December 31, 2015 and our February 9, 2016 news release contain additional details relative to the non-GAAP financial measures and are posted on our website at www.rcihospitality.com.

Overview

1Q16 Results

- EPS of \$0.25 rebounds from 4Q15, but below 1Q15's record quarter
- FCF on track for \$15-\$18 million in FY16
- Transition quarter: More work needed to expand margins and restore SSS growth

New Developments

- Opening third gentlemen's club in Manhattan
- Declaring \$0.12 per common share annual cash dividend, payable \$0.03 quarterly

Share Buybacks

- Aggressive buybacks have cut shares outstanding to 9.948 million at 1/31/16 from 10.295 million a year ago



New Revenue Reporting Standard

- Starting 1Q16, revenues (including prior periods) reported net of sales taxes and other revenue related taxes

Driving Shareholder Value

Near Term

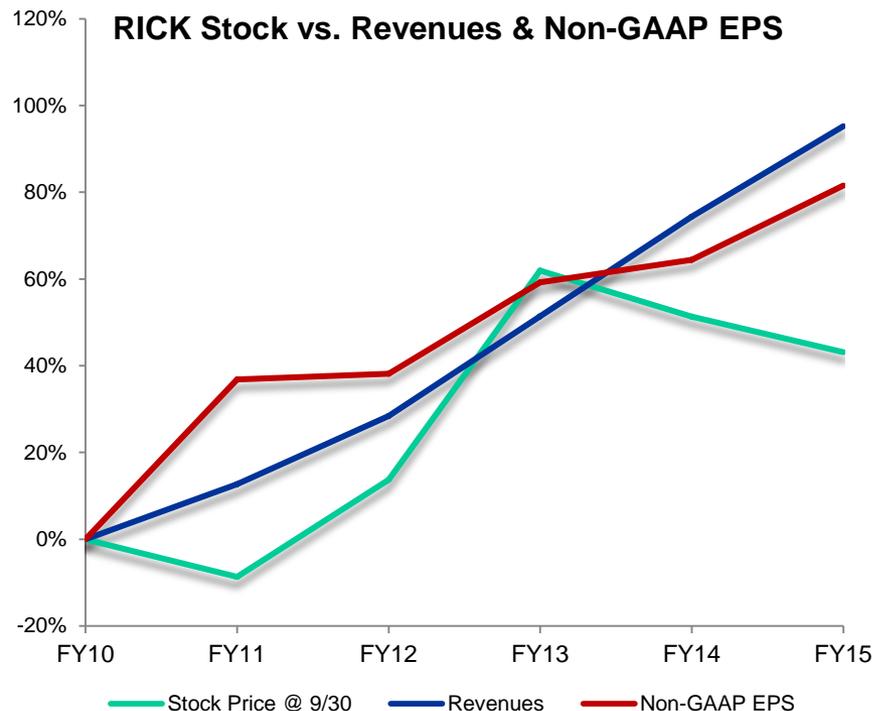
- Expect flattish revenues in FY16 with maybe 1-2 new units and no acquisitions
- Implementing measures to expand margins, EPS and cash flow in FY16 and beyond
- Using strong FCF to reward long-term shareholders with dividends and stock buybacks

Longer Term

- Roll up the adult club industry via acquisition of quality clubs in the right markets, at the right price
- Develop Bombshells sports bar/restaurant chain into a national franchise with 100 or more units

Goal: Improve Valuation

- FY10-15, RICK stock increased 43% vs. 95% for revenues and 82% for non-GAAP EPS
- With margin expansion, dividends and buybacks, we want to close the gap and rise above it



What's Special about RICK?

1. The adult club business generates significant cash flow
2. Obtaining traditional bank financing starting mid-2015 has fundamentally changed RICK
3. We bring a level of professionalism and systems rarely seen in the adult club industry
4. Combined with access to bank financing, we are the acquirer of choice in the adult club industry
5. Bombshells exploits an opportunity in the sports bar / casual dining / theme restaurant business



Margin & Cash Flow Expansion Program

Item	Details (\$ in millions, % of revenues)
Legal Costs	<ul style="list-style-type: none"> • Grown from 1.4% in 2Q14 to as high as 5.0% in 4Q15 • Settling Texas Patron Tax, NYS FLSA and insurance claims is reducing the need for outside counsel
Insurance Costs	<ul style="list-style-type: none"> • Fell from high of 3.9% in 4Q14 to 2.7% in 4Q15 • Reflects better experience rating with our new carriers
Occupancy Costs (Rent+Interest)	<ul style="list-style-type: none"> • Rent+interest fell from high of 11.2% in 3Q14 to 8.2% in 4Q15 • Growing cash flow and new access to bank financing enabling us to: <ul style="list-style-type: none"> ✓ Pay down high cost debt and lower interest costs on other debt ✓ Extend amortizations and expand free cash flow ✓ Buy properties and reduce occupancy costs
Non-Performing Clubs	<ul style="list-style-type: none"> • Eliminated 6 clubs in FY14-FY15 not meeting expectations • Cost a total of \$2.2M in operating profit the last year each were in operation
Restaurants	<ul style="list-style-type: none"> • Initial five Bombshells off to a great start • Concept has created excitement, balanced out revenues, improved RCI's image • Rolling out franchise marketing program in FY16

Disciplined Capital Allocation Strategy

- Higher after tax yield buying back stock vs. paying down debt until stock price is higher
- Buying back stock and paying down debt are risk free returns vs. risk adjusted return of acquiring a club/opening a restaurant
- We do not plan to buy a club / open a restaurant unless the risk adjusted return rivals buying our own assets in the market or there is a compelling strategic rationale

After Tax Free Cash Flow (FCF) Yield of Buying Back Shares ⁽¹⁾						
Annual Free Cash Flow (mm)	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0	\$15.0
Stock Price	\$8.00	\$9.00	\$10.00	\$11.00	\$12.00	\$13.00
FD Shares at 12/31/15 with expected dilution from convertible securities as stock price rises (mm) ⁽²⁾	10.023	10.023	10.023	10.216	10.216	10.397
Market Capitalization (mm)	\$80.2	\$90.2	\$100.2	\$112.4	\$122.6	\$135.2
After Tax Yield (FCF/Market Cap)	18.7%	16.6%	15.0%	13.3%	12.2%	11.1%

After Tax Free Cash Flow (FCF) Yield of Paying Down Debt						
Interest Rate on Debt (interest is tax deductible)	13.0%	12.0%	11.0%	10.0%	9.0%	8.0%
After Tax Yield (assuming 35% tax rate)	8.5%	7.8%	7.2%	6.5%	5.9%	5.2%

Summary

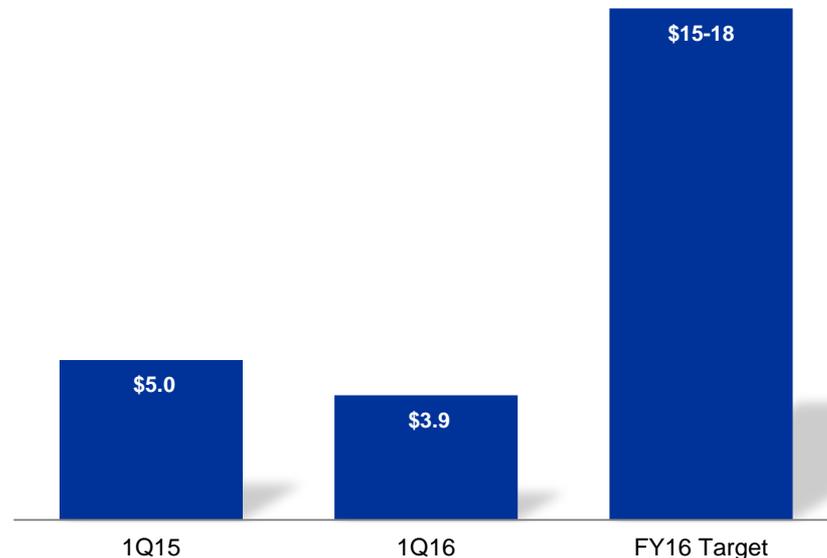
- 11.1%-18.7% after tax yield on FCF buying back shares \$8-\$13 range
- Only at ~\$17 does it make sense to pay down 13% debt at an accelerated rate (assuming no pre-payment penalty)

Adjusted EBITDA* & Free Cash Flow (\$ in millions)

Adjusted EBITDA



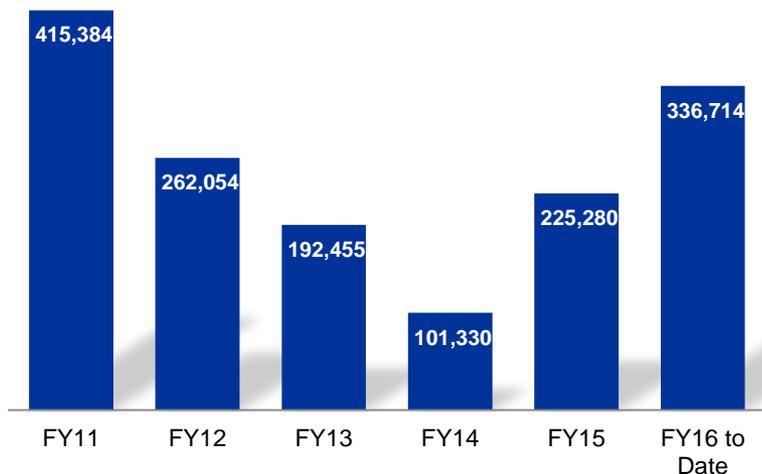
Free Cash Flow



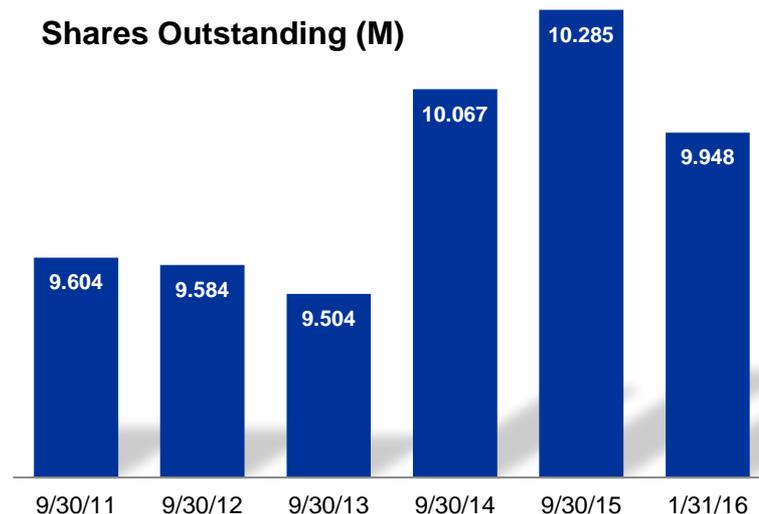
- Adjusted EBITDA reflects cash generating power to pay dividends, buy back stock, finance growth
- FCF on track for \$15-\$18 million in FY16

Cash Dividend & Share Buy Backs

Shares Retired via Buybacks

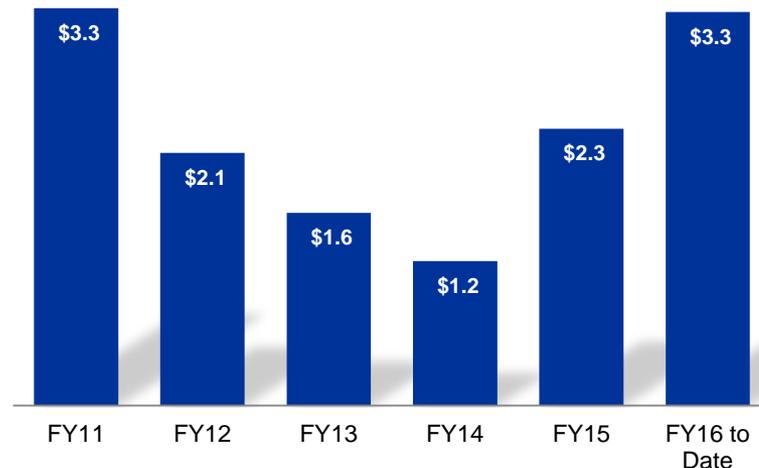


Shares Outstanding (M)



- Declaring annual cash dividend of \$0.12 per common share, payable \$0.03 quarterly
- Equals 1.5% yield on \$8 per share
- Reward shareholders who stick with us during our transition from the high growth of the past to our new allocation of capital
- Significantly increased buybacks in FY16

Capital Returned via Buybacks (\$M)



Results Summary

\$ in millions (except per share)	1Q16	4Q15	1Q15
Total Revenues	\$33.5	\$32.3	\$34.2
GAAP Operating Income	\$5.7	\$3.2	\$6.1
GAAP Operating Margin	17.1%	9.9%	18.0%
GAAP EPS	\$0.25	\$0.05	\$0.32
Non-GAAP Operating Income	\$6.6	\$5.3	\$7.8
Non-GAAP Operating Margin	19.7%	16.5%	22.7%
Non-GAAP EPS	\$0.30	\$0.17	\$0.42

- 1Q16 GAAP & non-GAAP results rebounded from 4Q15, but below year ago record quarter
- Operating income lower due to reduced high-margin service revenues and slightly higher costs
- Legal expenses increased due to work related to settlements leftover from prior insurance company
- Actual settlement costs of \$0.54 million compared to \$0.25 million in 1Q15
- 1Q15 GAAP results included \$1.4 million impairment related to the elimination of underperforming units

Revenues (\$ in millions)

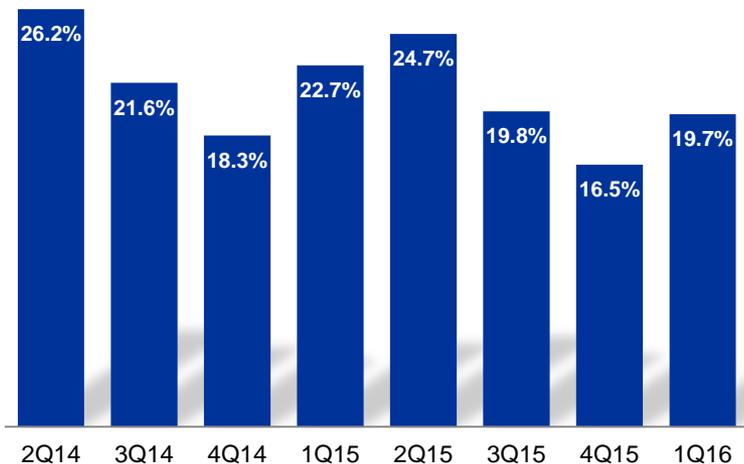


\$ in millions	1Q16	1Q15	Change
Alcohol	\$14.6	\$14.0	\$0.6
Food	4.3	4.8	(0.5)
Service	12.6	13.5	(0.9)
Other	1.9	1.8	0.1
	\$33.5	\$34.2	(\$0.7)
Units open at period end	43	43	–

- Same store sales of \$30.0 million down 6.3% or \$2.0 million from \$32.0 million
 - ✓ Big spenders spending less per visit at some adult clubs
 - ✓ Adult clubs located in energy producing areas in Texas coming down off their peak
 - ✓ Tough comparisons in the Bombshells segment due to strong initial sales at two units opened in late 4Q14 and in 1Q15
- Units opened less than a year added approximately \$2.3 million in revenues
 - ✓ November 2014 opening of Bombshells Houston-South
 - ✓ January 2015 acquisition of Down in Texas Saloon in Austin
 - ✓ May 2015 acquisition of The Seville Club of Minneapolis

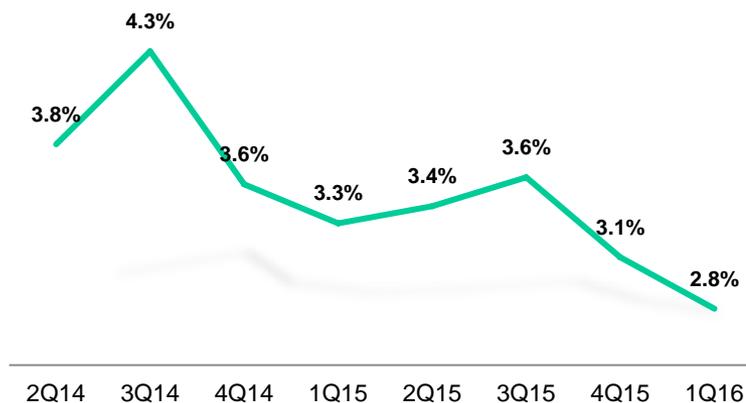
Margins (as % of revenues)

Non-GAAP Operating Margin*

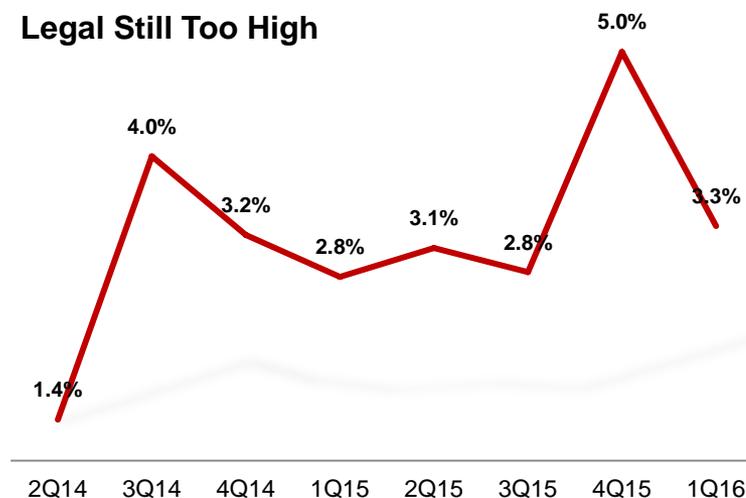


- Rent declined due to August 2015 acquisition of Miami Gardens Square (Tootsie’s Cabaret)
- Partially offset by increase in related D&A
- Legal should decline, particularly in second half, as open cases are closed

Rent Going Down



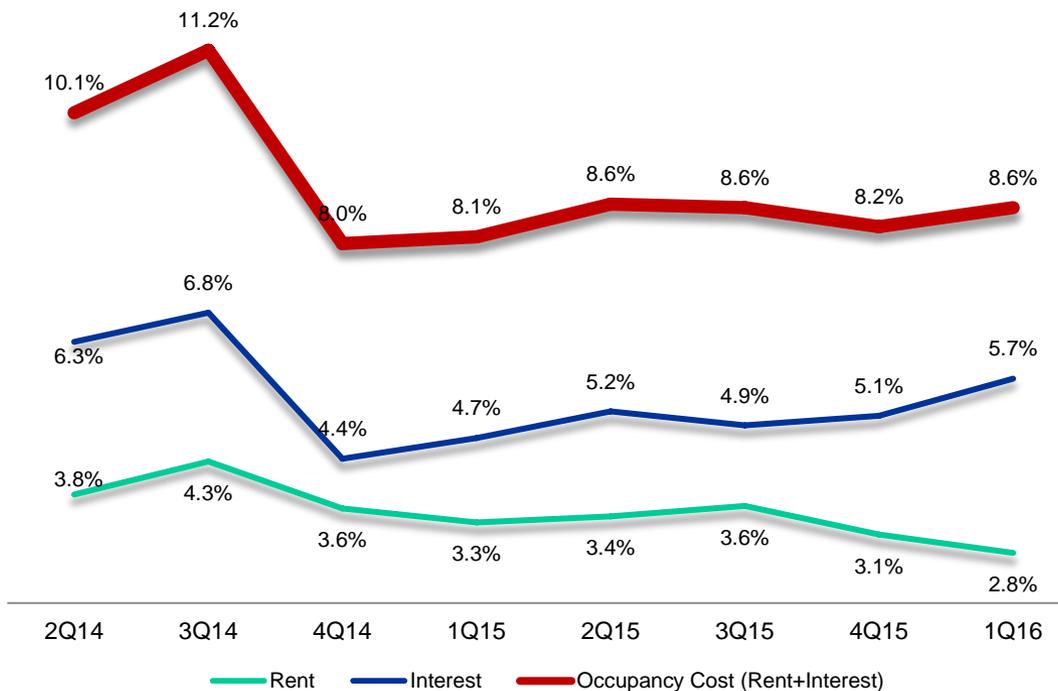
Legal Still Too High



* See Slide 23 for GAAP Operating Margin Data

Occupancy Costs (as % of revenues)

- Occupancy costs expected to decline again starting in 2Q16
- Will benefit from the acquisition of Rick’s Cabaret New York real estate
 - ✓ Acquired for \$10.0 million, financed through a 5.00% bank loan
 - ✓ \$0.5 million in interest instead of \$1.2 million annual rent for initial \$0.7 million cash savings
- Rent as % of revenues should decline, partially offset increase in interest



Nightclubs Segment Results

\$ in millions except units	1Q16	1Q15	Change
Revenues	\$28.2	\$29.2	(\$1.0)
Units (at 12/31/15 and 12/31/14)	38	38	--
Adjusted Operating Income*	\$9.0	\$9.9	(\$0.8)
Adjusted Operating Margin*	32.1%	33.9%	(18 bps)

- Implementing new advertising and marketing programs to improve same store sales
- Expect to see results sometime in the second half of FY16
- 2Q16 results to be affected by two clubs undergoing remodeling and reformatting



New Club in New York City

The Concept

- Sports themed gentlemen's club
- Madison Square Garden area
- First club of its kind in Manhattan
- Will complement the elegant Rick's Cabaret New York and cutting edge Vivid Cabaret New York
- To open 2nd half of FY16

Financials

- Developed through 50-50 joint venture with landlord who is contributing adult license and building improvements
- RCI subsidiary will be investing \$1.5 million
- Enables RCI to leverage strong management team and resources already in place in New York City
- Risk-adjusted after tax return should be better than share buyback

More Details to be Announced...

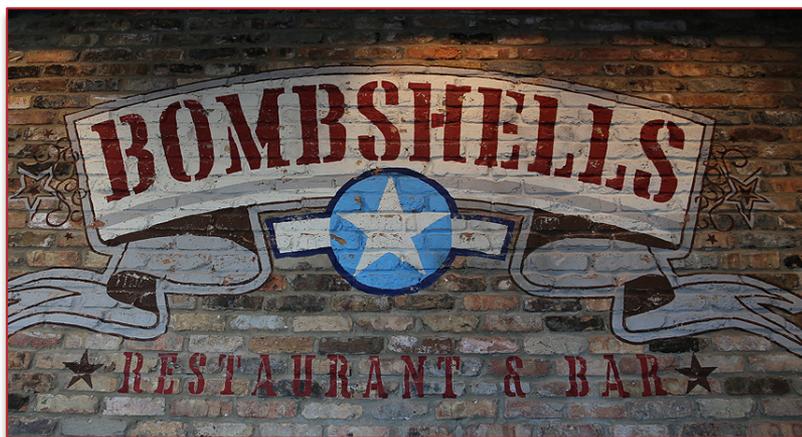


Stock photo, posed by model

Bombshells Segment Results

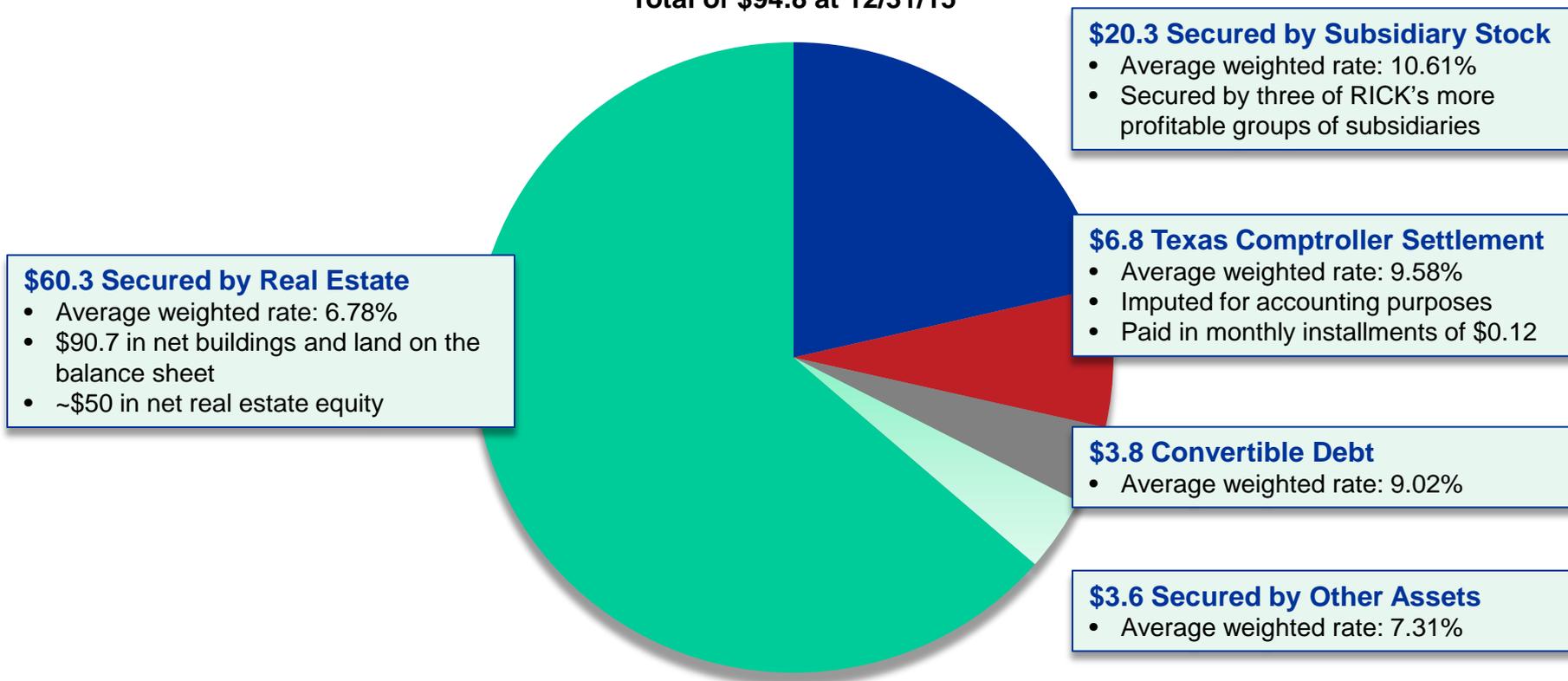
\$ in millions except units	1Q16	1Q15	Change
Revenues	\$4.4	\$4.5	(\$0.16)
Units (at 12/31/15 and 12/31/14)	5	5	--
Operating Income	\$0.487	\$0.539	(\$0.05)
Operating Margin	11.1%	11.9%	(8 bps)

- Some units having difficult comps in FY16 against large initial sales when they opened in FY15
- Preparing to roll out national franchise marketing program, looking for first high-margin franchise revenues in FY17



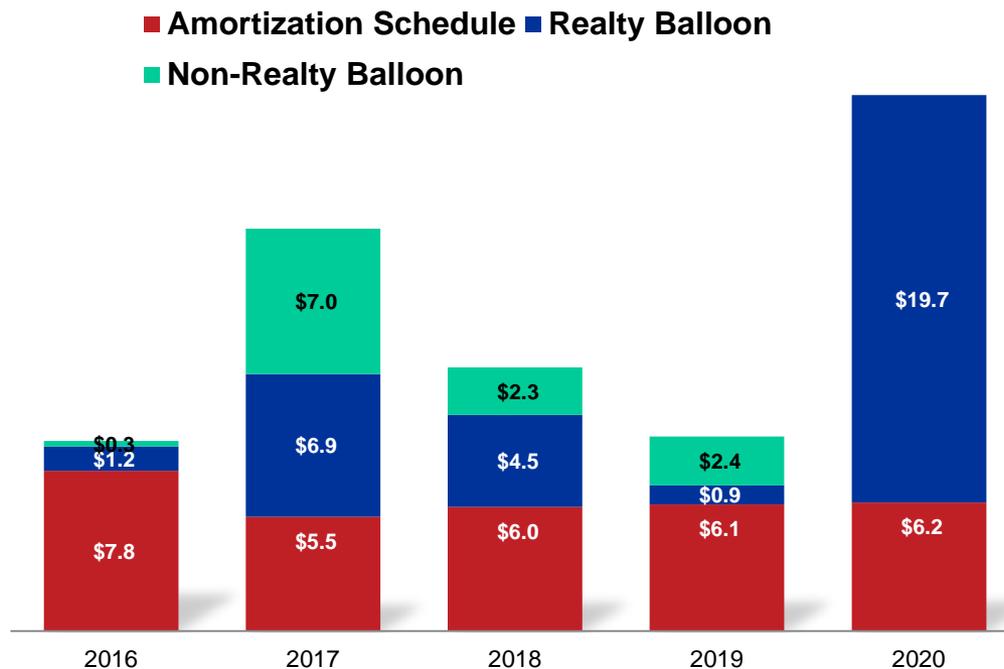
Long-Term Debt (\$ in millions)

Total of \$94.8 at 12/31/15



Debt Maturities (\$ in millions)

- Most debt maturing over next five years are real estate amortizations or real estate balloons
- Amortizations would be paid out of cash flow
- Realty and non-realty balloons would be paid off out of cash flow or refinanced in some manner



Outlook

FY16

- Off to good start for margin, EPS and FCF targets
- Look forward to announcing more details on third club in Manhattan

2Q16

- Another transition quarter before our new model takes shape in the second half FY16
- Comparisons to 2Q15 will be challenging – it was our biggest revenue quarter to date

Rewarding Shareholders

- Disappointed in recent share performance, but pleased to:
 - ✓ Declare cash dividend payable quarterly
 - ✓ Reduce share count to less than 10 million
 - ✓ Continue to buy back shares

Non-GAAP EPS Growth*



Calendar

Date / Time	Event
Tonight, 6:00 PM-8:00 PM ET	Meet Management Rick's Cabaret New York 50 W. 33rd Street Between Fifth and Broadway
February 10, 2016	1x1 meetings with institutional investors (New York City)
March 31, 2016	Sidoti Spring Emerging Growth Convention (New York City)*
April 12, 2016	2Q16 Club & Restaurant Sales
May 10, 2016	2Q16 & 6M16 Financial Results
July 12, 2016	3Q16 Club & Restaurant Sales
August 9, 2016 (tentative)	3Q16 & 9M16 Financial Results Date might be adjusted around 23rd Annual Gentlemen's Club EXPO in New Orleans (August 7-10)
October 11, 2016	4Q16 Club & Restaurant Sales
December 14, 2016	4Q16 & FY16 Financial Results

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Appendix

GAAP Performance (\$ in millions except per share)

Fiscal Year Ends September 30th

	2011	2012	2013	2014	2015
EPS Diluted (Slides 5 and 22)	\$0.79	\$0.78	\$0.96	\$1.13	\$0.90

	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
Operating Margin (Slide 13)	24.5%	9.6%	9.4%	18.0%	-7.6%	42.9%	9.9%	17.1%
Net Income (Slide 9)	\$3.7	\$0.7	\$4.4	\$3.4	(\$2.8)	\$8.3	\$0.5	\$2.6

	1Q16	1Q15
Nightclubs Segment (Slide 15)		
Operating Income	\$8.5	\$8.3
Operating Margin	30.2%	28.4%