



The Innovator in Bar-Restaurant-Entertainment Themed Hospitality

NASDAQ: RICK

4Q16 Update Conference Call Presentation

October 13, 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 applicable, words such as "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 our future operational and financial results, operating and managing adult businesses, competitive factors, conditions relevant to real estate transactions, cybersecurity, the timing of the openings of other clubs, the availability of acceptable financing to fund corporate expansion efforts, our dependence on key personnel, the ability to manage operations and the future operational strength of management, and the laws governing the operation of adult entertainment businesses.

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, including adjustments that enhance comparability, 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:

Free Cash Flow. We define Free Cash Flow as cash flows from operating activities less maintenance capex. Free Cash Flow provides a core operational performance measurement of the cash the company generates after expenses required to maintain its asset base. It also enables the company to calculate the Free Cash Flow return related to its market capitalization. Free Cash Flow allows the company to pursue opportunities to enhance shareholder value. This could include, but is not limited to, buying back shares, paying dividends, making acquisitions, opening new units, or reducing debt.

Overview

Aggressively Implementing Capital Allocation Strategy

- Nightclubs: Sold two units, moving/converting two others, will improve profitability
- Bombshells: Closed Webster, building first two prototype sites with bank financing, will expand profitability
- Robust: Sold majority of our interest
- Debt Management: Refinanced debt at lower rates, moved all non-realty balloons to 2021
- Continued share buybacks, paid off last of the convertibles debentures that had warrants

Other Updates

- 4Q16 Sales: Continued upward trend in total and same store sales
- Legal: Most serious cases from Indemnity period now resolved
- Freeing Up Capital: Negotiating to sell some of our non-income producing properties
- Operations: Building a stronger “plug and play” infrastructure

Outlook

- Expanded revenues and profitability in FY17, and increased base FCF run rate in the years ahead

Disciplined Capital Allocation Strategy

1. Use FCF to buy back shares

- Compelling after tax yield of 15-17% with shares in \$11-12 range

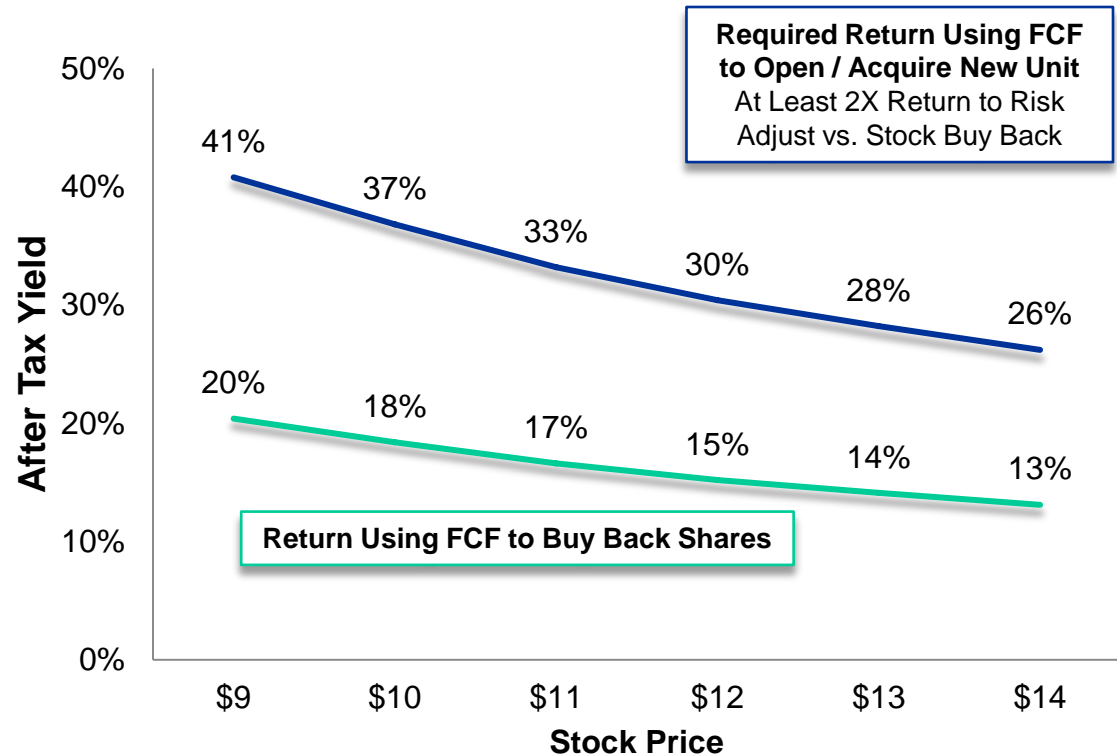
2. Buy / open new units only if:

- Risk adjusted return rivals buying our assets in the market
- There is a significant strategic rationale

3. Take action if units not performing in line with strategy

4. Higher after tax yield buying back stock vs. paying off debt

- Only at much higher stock prices does it make sense on a tax adjusted basis to pay down our most expensive (currently 12%) debt at an accelerated rate (assuming no pre-payment penalty)



Notes

- Based on annual FCF of \$18M
- Based on fully diluted shares outstanding of 9.8M at 9/30/16

Nightclubs: Improving Profitability of the Portfolio

Action	Details
Sold Cabaret North (Fort Worth)	<ul style="list-style-type: none"> • Money losing club with little hope for change with freeway construction • Sold land and business for \$4.5M (\$3.5M in cash and \$1.0M promissory note @ 9%) • \$1.0M used to payoff related 11% property debt • Anticipate \$300K gain (cash) • Had \$1.9M in revenue and \$200K operating loss in FY16
Sold Rick's Cabaret Indianapolis	<ul style="list-style-type: none"> • Break-even club too far from other operations to manage effectively • Sold land and business for \$1.8M promissory note @ 6.0% • Anticipate gain of \$300K (deferred) • Had \$900K in revenue in FY16
Moving Club Onyx Dallas To Club Dulce location	<ul style="list-style-type: none"> • Club Onyx is good business, but in too large a space • Locations half mile apart; need to move signage, but no remodeling required • Should provide greater contribution to segment operating profit
Converting Club Onyx Dallas Into Foxy's Cabaret	<ul style="list-style-type: none"> • Will create largest BYOB club in Texas (28,000 square feet) • Foxy's very profitable in Austin; BYOB can be 18 and up • Small expense to reformat and launch marketing • Should provide greater contribution to segment operating profit
Rationalizing Club Geographic Markets	<ul style="list-style-type: none"> • South Central: 27 → Texas (25), Sulphur, LA (1), and Phoenix (1) • Northeast: 4 → Ricks, Vivid, and Hoops in NYC, Club Onyx in Philadelphia • Minneapolis: 3 → Rick's, Downtown Cabaret, The Seville • Southeast: 2 → Tootsie's in N. Miami, Club Onyx in Charlotte

Bombshells: Using Leverage to Improve Profitability

Action	Details
Closed Webster (SW Houston)	<ul style="list-style-type: none">• Our 2nd and a “B” location; thought it could be destination, learned “A” locations better• Had \$1.7M revenue (smallest unit) and ~\$400K operating loss in FY16• Only Bombshells not profitable• Anticipate non-cash loss to write off leasehold improvements• Majority of equipment to be moved to new locations to reduce costs
Highway 290 (NW Houston)	<ul style="list-style-type: none">• Our 5th location• Awaiting approval of construction plans• Targeting opening in 2Q17• Location and demographics similar to top Fuqua location
Pearland (S Houston) & Interstate 10 (E Houston)	<ul style="list-style-type: none">• Our 6th and 7th locations• First prototype units• First units using banks to finance acquisition of property (75%) and construction of building (75-85%)• Should reduce cash outlay from \$1.5M-\$3.0M to ~\$1M per unit to increase returns in line with Capital Allocation Strategy• Standardized units should improve revenues, profitability and franchise potential
Franchising	<ul style="list-style-type: none">• Working on building the franchise marketing operation

Robust Resolution & Legal Settlements

Robust

- Sold majority of our interest back to David King for \$2M promissory note @ 4.00%
- Retained discount pricing, but no obligation to purchase product
- Non-cash loss on sale and impairment of about \$2.5M in 4Q16

Legal

- 8 active cases out of 62 left from Indemnity insolvency
- Most serious cases now resolved
- \$1.2M in settlements in 4Q16

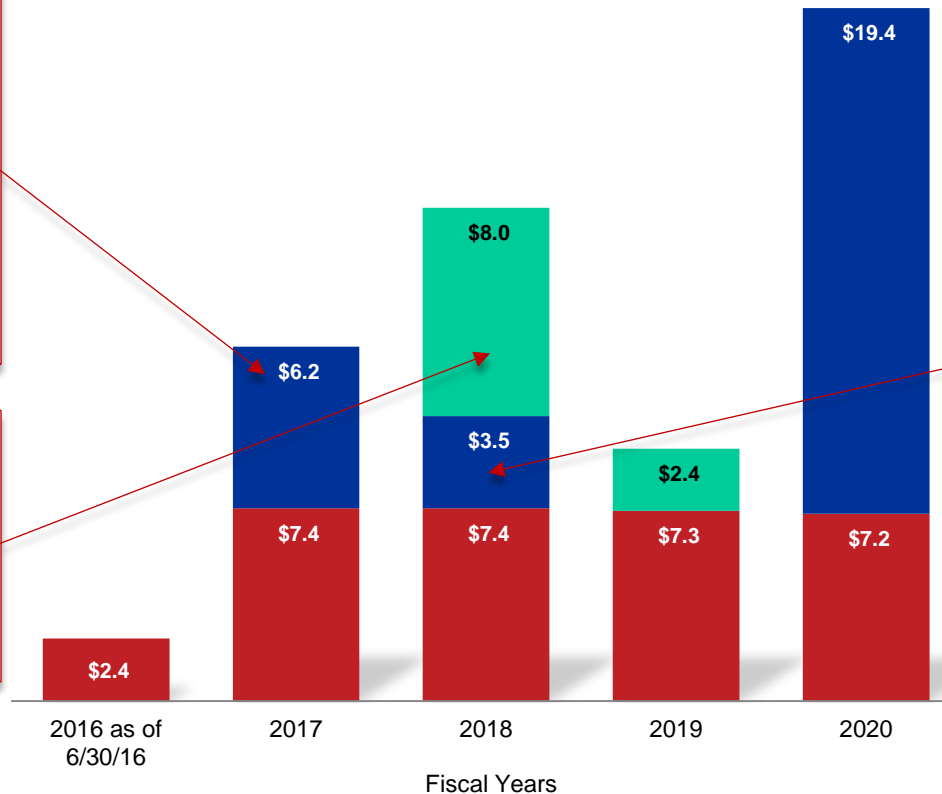
Debt Management: Restructured Debt Balloon Payments

■ Amortization Schedule ■ Realty Balloon ■ Non-Realty Balloon

- Commercial mortgages on four properties (\$6.2M @ 7.2%)
- Refi for \$9.0M @ 5.95%, 10 year amortization, 5 year balloon (2021)
- Converted \$2.7M in equity into cash

- Unsecured loans of \$8M @ average of 12.5%
- Refi @ 12.0%, 15 year amortization, 5 year balloon (2021)

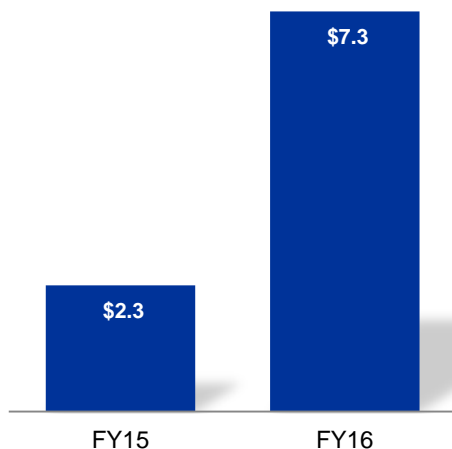
- \$3.5M in realty balloons
- \$1.0M paid w/closing of Cabaret North
- \$2.5M related to non-income producing properties in Texas we plan to sell



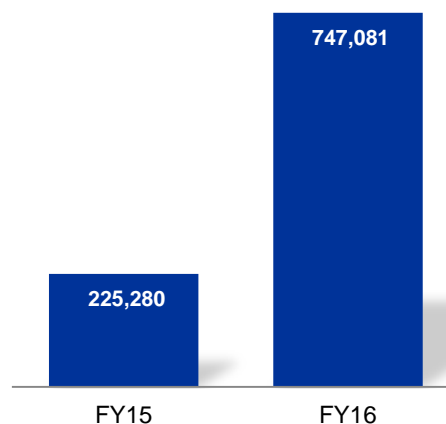
- Above transactions refinance all major balloons through 2020 and all non-realty balloons to 2021
- Also paid down \$1.15M of convertible debentures (\$750K in 4Q16 and \$400K in 1Q17), eliminating all share overhang from related notes and warrants

Share Buy Backs: Continued in 4Q16

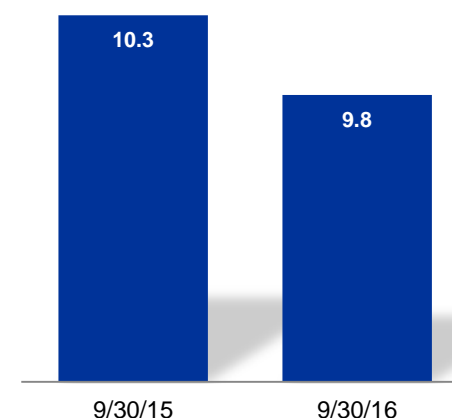
Capital Returned via Buy Backs (\$M)



Shares Retired via Buy Backs



Shares Outstanding (M)

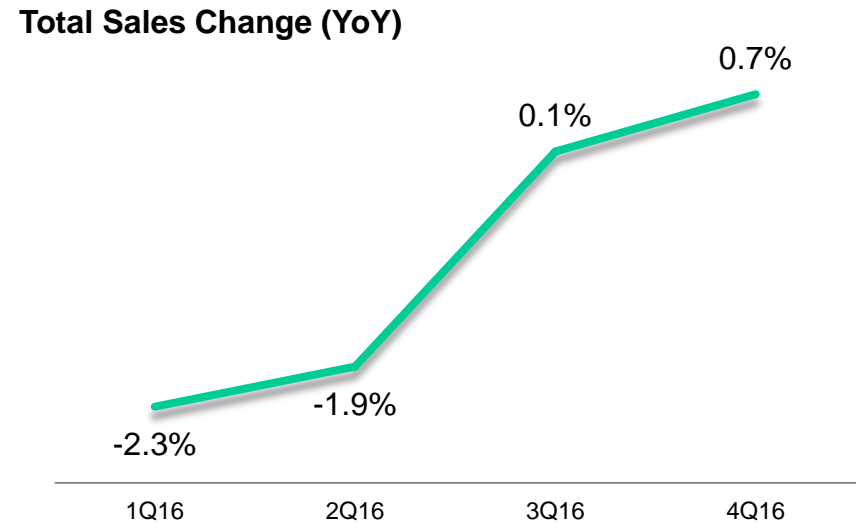
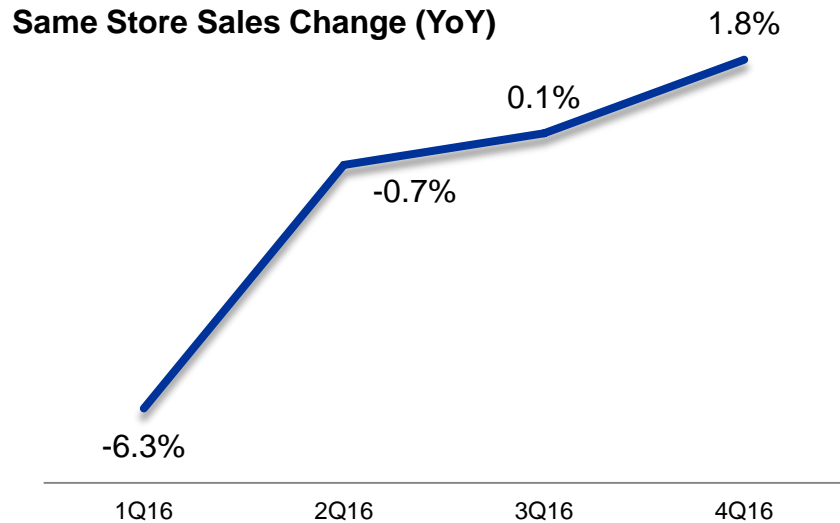


Highlights

- FY16: Largest annual buy back in RCI's history
- Reduced shares outstanding ~5% year over year
- Remaining authorization of \$4.7M @ 9/30/16
- Total capital return: \$7.3M buy backs+\$890K dividends=\$8.2M

Quarter	Shares Bought	Average Price	Total (\$M)
1Q16	282,762	\$9.88	\$2.8
2Q16	218,140	\$8.76	1.9
3Q16	106,093	\$10.14	1.1
4Q16	140,086	\$10.92	1.5
Total	747,081	\$9.79	\$7.3

4Q16 Club & Restaurant Sales: Positive Trends Continue



4Q16 vs. 4Q15

- Same store sales increased 1.8%; total sales increased 0.7%
- July up, August down, September up strong
- Due to disposition, Cabaret North and Rick's Indianapolis excluded from 4Q16 SSS calculations
- Nightclub segment virtually level
- Bombshells segment sales up 10.5% (excluding Webster, sales up 15.7%)

Other Updates

Properties for Sale

- Expect to complete sales in FY17 of about \$7M in real estate no longer needed
- Net proceeds would be used to buy back stock, finance growth

New Corporate HQ Complete

- Office (21,000 sq. ft.)
- Club/restaurant warehousing, corporate and subsidiary document warehousing (18,000 sq. ft.)
- Expect to move in this weekend

Accounting Software Upgrade Implementation in Early FY17

- Significant modernization will enable greater scalability
- Automatically connects accounting, POS, and banking systems
- After transition, anticipate major reduction in overtime and related costs

Summary of Anticipated Effects of Today's Announcements

Action	4Q16 Gains/Losses	9/30/16 Balance Sheet	FY17 Revenues	FY17 Profits
Sold: Cabaret North	+\$300K Gain	+\$2.5M net cash +\$1.0M receivable -\$1.0M debt	-\$1.9M	+\$200K
Sold: Rick's Indianapolis		+\$1.8M receivable	-\$900K	No Change
Move: Club Onyx Dallas			No change	Increase
Open: Foxy's Dallas			Increase	Increase
Close: Bombshells Webster	-\$ Loss TBD		-\$1.7M	+\$400K
Open: Bombshells 290			Increase	Increase
Open: Bombshells Pearland			Increase	Increase
Open: Bombshells I-10			Increase	Increase
End: Robust Majority Ownership	-\$2.5M Loss	+\$2.0M receivable	Decline Slightly	Increase Slightly
End: Most serious Indemnity cases	-\$1.1M Loss			
Refi: Commercial mortgages for \$9M		+2.7M cash +2.7M debt Reduced rate		+\$90K interest
Refi: \$8M in unsecured loans		Reduced rate Long term amortization		-\$40K interest
Paid: \$1.15M in convertible debentures		-\$1.15 debt (\$750K in 4Q16 & \$400K in 1Q17)		-\$90K interest
Total	-\$3.3 Loss (ex. Bombshells Webster)	+\$5.2M cash +\$4.8M receivables +0.6M debt Reduced rate	Increase	Increase with expanded margins

FY17 Outlook

Key Metrics

- Revenue, margin and EPS growth
- FCF initial target of \$18M*
- Continued implementation of Capital Allocation Strategy

New Units

- Hoops: 1Q17 first full quarter
- Foxy's Dallas: 2Q17 first full quarter
- 3 New Bombshells: To open 2H17

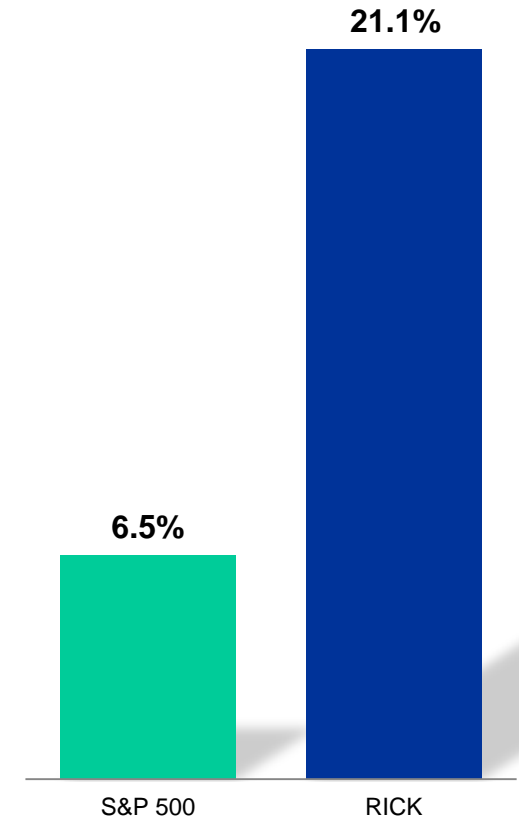
Strong Sports Line Up

- NFL: Vikings return to downtown Minneapolis (3 clubs)
- NFL: "Big Game" in Houston (5 restaurants and clubs)
- MMA: Comes to Madison Square Garden (3 clubs)

Margin Growth

- Sale of Cabaret North and Rick's Indianapolis
- Closure of Bombshells Webster and Club Dulce
- Moving Club Onyx Dallas to Club Dulce location

Total Return RICK vs. S&P
YTD 2016**



Calendar

Date	Event
Week of October 17, 2016	Institutional meetings in Florida
October 20, 2016	Dawson James 2 nd Annual Small Cap Growth Stock Conference, Jupiter, FL
December 6-8, 2016	LD Micro Investor Conference in Los Angeles (presentation 12/7/16 @ 2:00 PM PT)
December 14, 2016	4Q16 & FY16 Financial Results
January 10, 2017	1Q17 Club & Restaurant Sales
February 9, 2017	1Q17 Financial Results

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