RCI HOSPITALITY HOLDINGS INC

The Innovator in Bar-Restaurant-Entertainment Themed Hospitality

NASDAQ: RICK

4Q16 Conference Call Presentation

December 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.

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 some non-recurring items 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, gains and losses from asset sales, impairment of assets, stock-based compensation charges, and litigation and other one-time legal settlements. 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 Diluted Share*. We exclude from non-GAAP net income and non-GAAP net income per diluted share amortization of intangibles, gain on settlement of patron tax case, income tax expense, impairment charges, gain/loss on acquisition of controlling interest in subsidiary, gains and losses from asset sales, stock-based compensation, litigation and other one-time legal settlements, and gain on contractual debt reductions, and include the non-GAAP provision for current and deferred income taxes, calculated as the tax effect at 35% effective tax rate of the pre-tax non-GAAP income before taxes, 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, litigation and other one-time legal settlements, gain on settlement of patron tax case, gain/loss on acquisition of controlling interest in subsidiary, 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. 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.
- *Non-GAAP Cash Flow Measure.* We believe our ability to generate cash from operating activities is one of our fundamental financial strengths. As a consequence, management also uses certain non-GAAP cash flow measures such as free cash flows. Free cash flows is derived from net cash provided by operating activities less maintenance capital expenditures.

Our Form 10-K for the year ended September 30, 2016 and our December 13, 2016 news release contain additional details relative to the non-GAAP financial measures and are posted on our website at www.rcihospitality.com.

4Q16 & FY16 Summary

Comparisons to year ago periods unless otherwise noted

GAAP EPS

- Reflects 4Q16 items
- 4Q16: $0.04 vs. $0.05
- FY16: $1.10 vs. $0.90

Non-GAAP* EPS

- Strengthening 2nd half performance
- 4Q16: $0.31 vs. $0.21
- FY16: $1.32 vs. $1.35

Free Cash Flow*

- High end of target range
- 4Q16: $3.8M vs. ($2.1)M
- FY16: $20.5M vs. $14.9M

FY17 Outlook

- Entering the year in great shape
- On track for improved revenue, margins, profit, and baseline FCF of $18M*
- Continued approach to capital allocation

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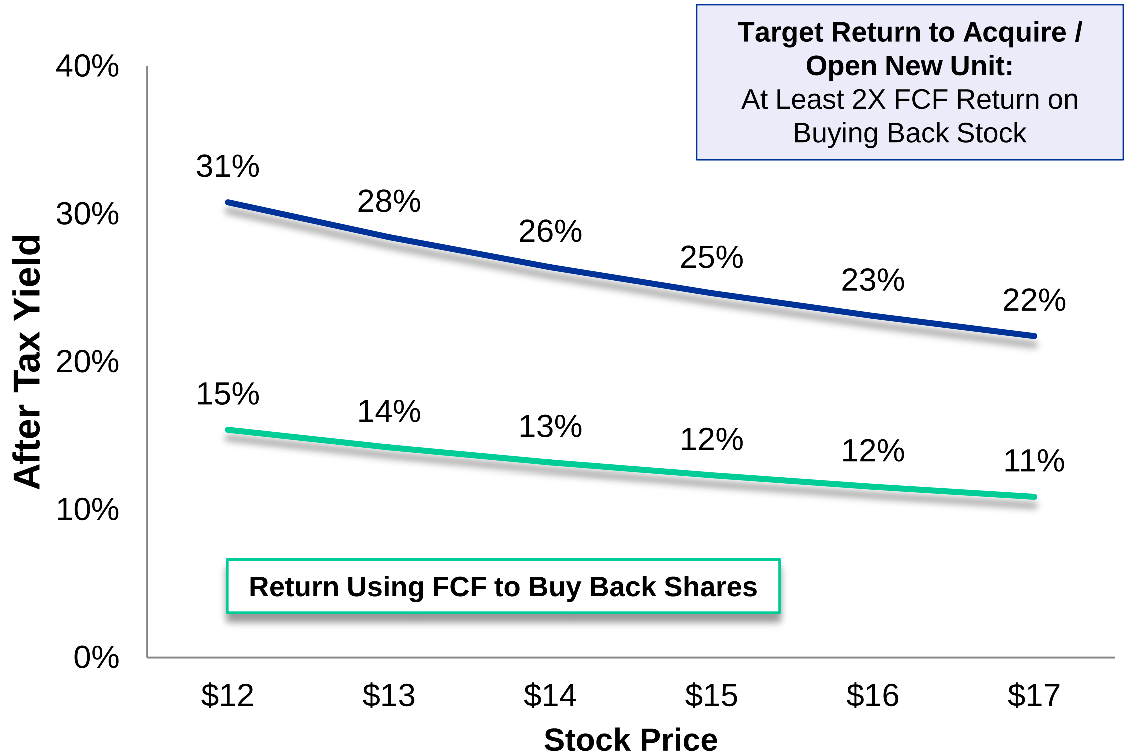
* For GAAP reconciliation, see the company's 4Q16 and FY16 results news release dated December 13, 2016 on the company's website at www.rcihospitality.com

Disciplined Capital Allocation Strategy

1. **Use FCF to buy back shares**
   – Compelling after tax yield of 13% with shares in $14 range
2. **Buy / open new units only if:**
   – Risk adjusted return rivals buying our assets in the market
   – There is a 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 9.74M at 11/30/16

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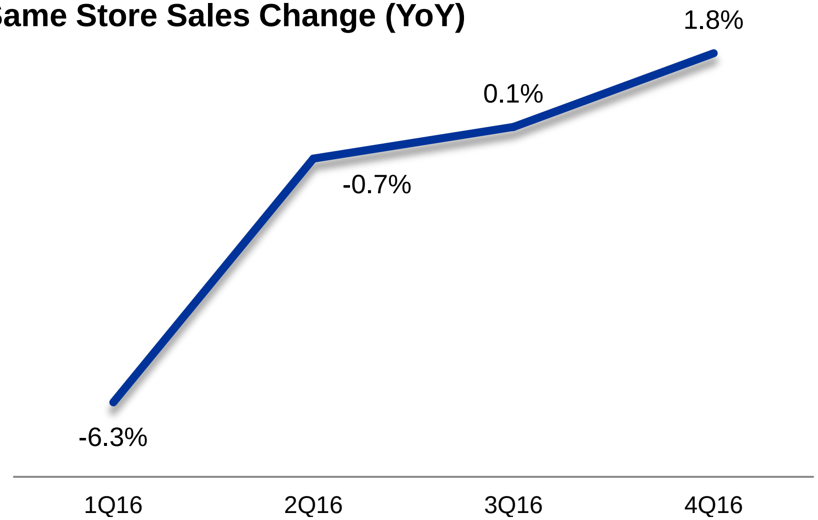
FY16 Major Accomplishments

1. Improved overall performance
2. Largest stock buyback in RCI history
3. Further strengthened the balance sheet
4. Actions to enhance near-term FCF growth
5. Investments for longer-term FCF growth

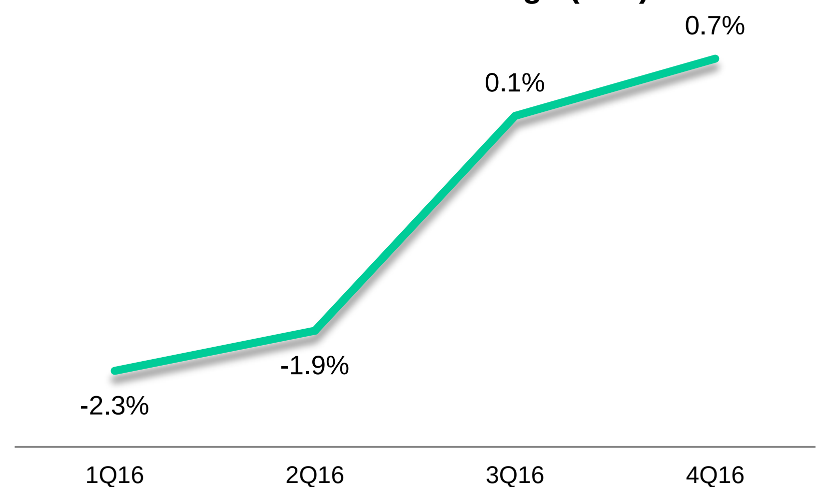
Entrance to Rick’s Cabaret New York in Midtown Manhattan

Restored Sales Growth

Same Store Sales Change (YoY)



Total Club & Restaurant Sales Change (YoY)



Major Revenue Lines (FY16 vs. FY15 change)	1Q	2Q	3Q	4Q
Beverage	4.2%	1.9%	3.0%	0.7%
Service	-6.6%	-4.6%	-2.9%	1.4%
Food	-10.3%	-4.7%	-1.2%	-0.7%

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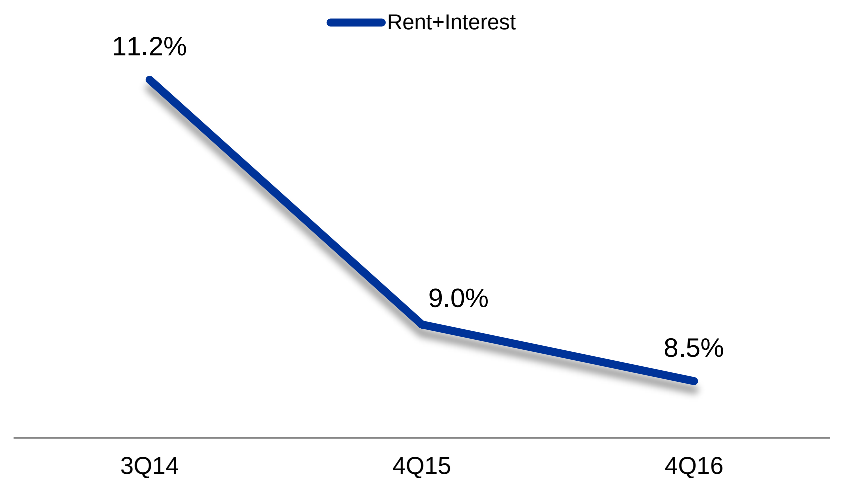
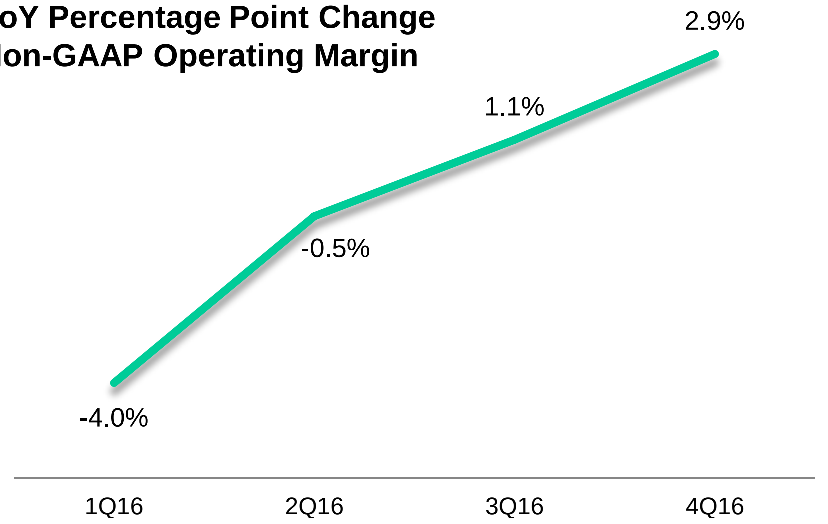
Reduced Costs & Expanded Margins

Occupancy Costs (as % of total revenues)



YoY Percentage Point Change Non-GAAP Operating Margin



Non-GAAP Operating Margin*	1Q	2Q	3Q	4Q
FY16	19.7%	22.7%	20.8%	19.0%
FY15	23.7%	23.2%	19.7%	16.1%
Change	**-4.0%**	**-0.5%**	**1.1%**	**2.9%**

* For GAAP reconciliation, see slide 18

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Improved Segment Performance ($ in millions)

Nightclubs	4Q16	4Q15	*Change*	FY16	FY15	*Change*
Revenues	$27.7	$27.7	*-0.1%*	$113.9	$115.5	*-1.3%*
Units	38	38	*0%*			
Non-GAAP Operating Income*	$8.4	$6.2	*34.2%*	$36.8	$36.1	*1.8%*
Non-GAAP Operating Margin*	30.2%	22.5%	*772bps*	32.3%	31.3%	*99bps*

Bombshells	4Q16	4Q15	*Change*	FY16	FY15	*Change*
Revenues	$4.7	$4.2	*10.5%*	$18.7	$17.6	*6.0%*
Units	5	5	*0%*			
Non-GAAP Operating Income*	$0.5	$0.6	*(18.1%)*	$2.7	$2.1	*26.4%*
Non-GAAP Operating Margin*	11.0%	14.9%	*(385bps)*	14.3%	12.0%	*230bps*

Nightclubs

- Reflects more profitable portfolio of clubs and rising trend in service revenues

Bombshells

- Greater operating leverage and increased proportion of beverage sales
- 4Q16 & FY16 includes non-performing Webster unit closed at the end of the quarter

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* For GAAP reconciliation, see the company's news release announcing 4Q16 & FY16 results dated December 13, 2016 on the company's website at www.rcihospitality.com

Adjusted EBITDA, Free Cash Flow & Cash

Adjusted EBITDA*
- 4Q16: Up 25.7% YoY
- FY16: Up 1.2% YoY

Free Cash Flow*
- 4Q16: $3.8 vs. ($2.1) in 4Q15
- FY16: Up 37.8% YoY
- FY16: Includes ~$2.0 in tax benefits

Cash
- $11.3M at 9/30/16
- Highest year end level in last five years

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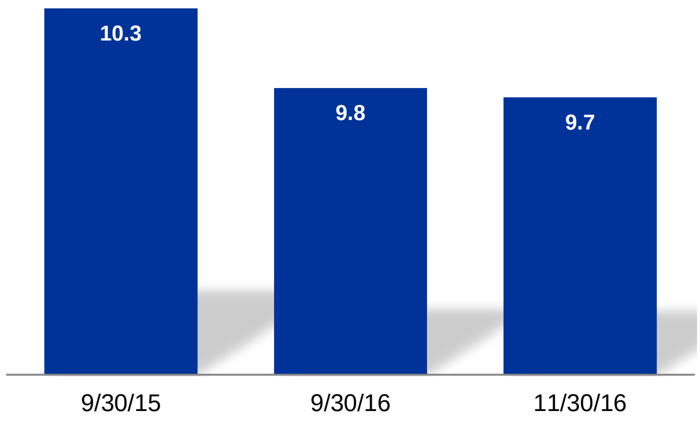
Increased Share Buybacks, New Dividend, Eliminated Potential Shares

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
1Q17 (as of 11/30)	68,269	$11.98	0.8
Total	**815,350**	**$9.97**	**$8.1**

Shares Outstanding (M)

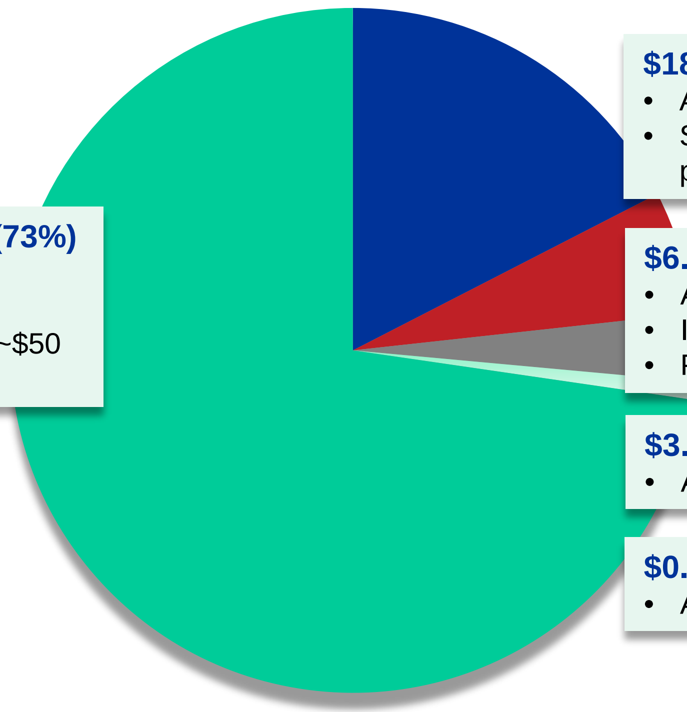


Highlights

- FY16: Largest annual buy back in RCI's history reduced shares outstanding: ~5% YoY
- 2Q16: Initiated cash dividend of $0.12 per common annually ($0.03 per quarter)
- FY16-1Q17: Paid off $2.8M convertible debt, eliminating 230,000 possible new shares
- 1Q17: 49,000 warrants expired October 2016
- 1Q17: Continuing to buyback shares
- 11/30/16: $3.4M remaining buyback authorization

Long-Term Debt ($ in millions, as of 9/30/16)

Total of $106.6*
Average Weighted Rate: 7.23%



$77.5 Secured by Real Estate (73%)
- Average weighted rate: 6.15%
- Estimated market value ~$120
- Estimated net real estate equity ~$50
- Book equity is only ~$30

$18.6 Secured by Subsidiary Stock (17%)
- Average weighted rate: 10.74%
- Secured by three of the company's more profitable groups of subsidiaries

$6.2 Texas Comptroller Settlement (6%)
- Average weighted rate: 9.53%
- Imputed for accounting purposes
- Paid in monthly installments of $0.12

$3.4 Secured by Other Assets (3%)
- Average weighted rate: 7.27%

$0.9 Convertible Debt (1%)
- Average weighted rate: 7.54%

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* Long-Term Debt is $106.1 million net of loan costs

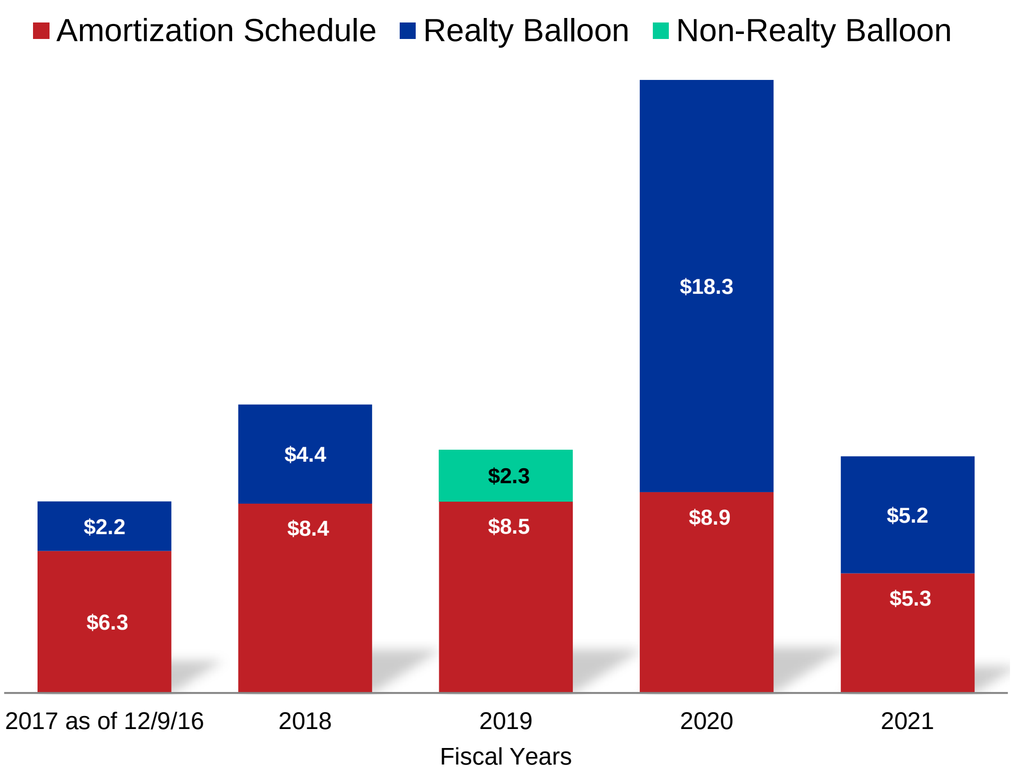
Debt Maturities ($ in millions)

Overview

- Most debt maturing are real estate amortizations or real estate balloons
- Amortizations to be paid out of cash flow
- Realty and non-realty balloons to be paid off out of cash flow or refinanced

Update (4Q16 & 1Q17)

- Refinanced $14.2M at lower average rates
- Lowered our interest rate going forward
- Changed 2017 non-realty balloons into amortizing note that balloons in 2022
- All debt is now amortizing



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More Aggressive “Portfolio Management”

Develop Brands that Attract Millennials

- 3Q16: Foxy’s Cabaret
- 4Q16: Hoops Cabaret and Sports Bar

Open New Units with Higher Potential Return

- Late 4Q16: Hoops (Manhattan)
- 2H17: Three new Bombshells (Houston)

Sell / Close Under-Performing Units Faster

- 4Q16 Actions
  - Previously announced sales and closures (October 13)
  - Impaired two other properties
- 4Q16 Financial Impact
  - Received $8.3M in cash and interest paying notes
  - Net charges of $5.2 million pre-tax, most of which non-cash
  - Eliminate losses from under-performers going forward

Investments for the Future

New Corporate Offices

- 21,000-square foot corporate offices
- 18,000-square foot warehouse facility
- Completed move October 2016

New ERP System

- Phases in starting January 2017
- Automates integrations between internal POS systems, external banks and vendor systems to our core accounting system
- Expected to increase efficiency, data analysis, and scalability without increasing data entry personnel

Shannon Glaser

- Named VP of Bombshells Franchise & Concept Development in November 2016
- Sold 120 Twin Peaks franchises (50 open to date)
- Generated millions in upfront fees
- Made it a national brand

Strong FY17 Outlook

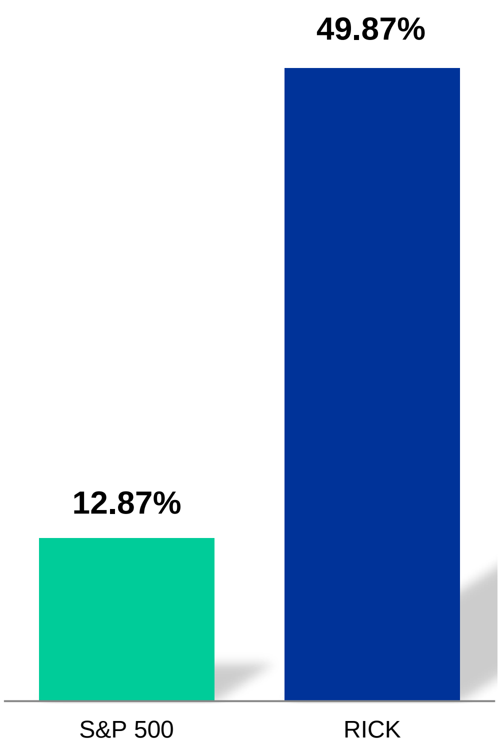
Key Metrics

- Revenue, margin and EPS growth
- FCF initial target of $18M*
- Continue to apply our capital allocation strategy

Key Factors

- New Units
  - Hoops: 1Q17 first full quarter
  - Foxy's Dallas: 2Q17 first full quarter
  - 3 New Bombshells: 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 and closure of under-performing businesses
  - Moving Club Onyx Dallas

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



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* For GAAP reconciliation, see the company's 4Q16 and FY16 results news release dated December 13, 2016 on the company's website at www.rcihospitality.com
** Bloomberg as of 12/09/16

Calendar

Subject to possible change

Date	Event
January 10, 2017	1Q17 Club & Restaurant Sales
February 9, 2017	1Q17 Financial Results
March 29, 2017	Sidoti & Company “Spring 2017 Convention” in New York City
April 11, 2017	2Q17 Club & Restaurant Sales
May 9, 2017	2Q17 & 6M17 Financial Results
July 11, 2017	3Q17 Club & Restaurant Sales
August 9, 2017	3Q17 & 9M17 Financial Results
August 27-30, 2017	25th Annual Gentlemen’s Club Expo in Las Vegas
October 10, 2017	4Q17 Club & Restaurant Sales
December 14, 2017	4Q17 & FY17 Financial Results

GAAP Reconciliation for Slide 8

($ in thousands)	1Q16	2Q16	3Q16	4Q16	1Q15	2Q15	3Q15	4Q15
Reconciliation of GAAP operating income to non-GAAP operating income								
GAAP operating income	$5,717	$7,550	$6,657	$924	$6,140	($2,616)	$14,152	$3,202
Amortization of intangibles	202	197	184	169	243	336	312	(154)
Stock-based compensation	120	120	120	-	120	120	120	120
Litigation and other one-time settlements	540	62	139	1,140	247	10,303	10	1,124
Gain on settlement of patron tax case	-	-	-	-	-	-	(8,167)	-
Impairment of assets	-	-	-	4,317	1,358	-	-	347
Loss on sale of property and other	-	(127)	(38)	(272)	-	(18)	178	648
Non-GAAP operating income	**$6,579**	**$7,802**	**$7,062**	**$6,278**	**$8,108**	**$8,125**	**$6,605**	**$5,287**
Reconciliation of GAAP operating margin to non-GAAP operating margin								
GAAP operating income	17.1%	22.0%	19.6%	2.8%	18.0%	-7.5%	42.3%	9.8%
Amortization of intangibles	0.6%	0.6%	0.5%	0.5%	0.7%	1.0%	0.9%	-0.5%
Stock-based compensation	0.4%	0.3%	0.4%	0.0%	0.4%	0.3%	0.4%	0.4%
Litigation and other one-time settlements	1.6%	0.2%	0.4%	3.5%	0.7%	29.4%	0.0%	3.4%
Gain on settlement of patron tax case	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-24.4%	0.0%
Impairment of assets	0.0%	0.0%	0.0%	13.1%	4.0%	0.0%	0.0%	1.1%
Loss on sale of property and other	0.0%	-0.4%	-0.1%	-0.8%	0.0%	-0.1%	0.5%	2.0%
Non-GAAP operating margin	**19.7%**	**22.7%**	**20.8%**	**19.0%**	**23.7%**	**23.2%**	**19.7%**	**16.1%**

For FY16 periods, we excluded pre-opening and acquisitions costs, which were previously included, and have included gain/loss on sale of controlling interest in subsidiary, which were previously excluded, in our adjustments for non-GAAP financial performance measures, since we believe that these are recurring cash operating expenses that are necessary to operate our business. We have appropriately included or excluded the same items from prior year comparable non-GAAP financial performance measures.

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