RCI HOSPITALITY HOLDINGS INC

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

Today’s Speakers

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X Spaces Instructions

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- **Go To:** @RicksCEO on X: **https://x.com/RicksCEO**
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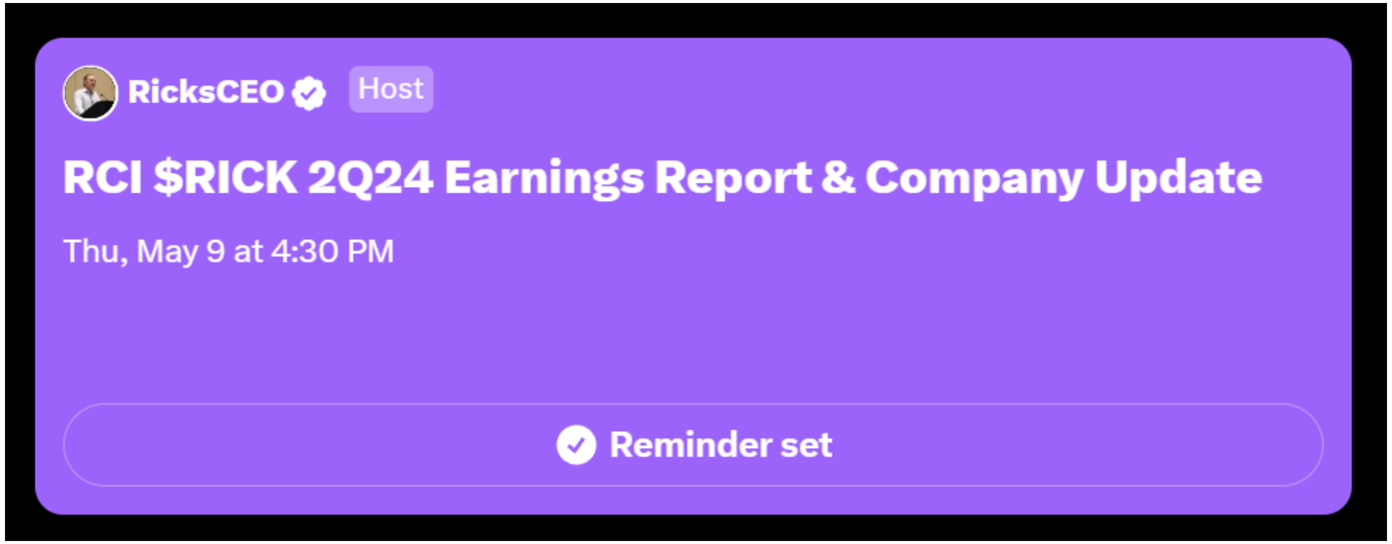

Or

- **To ask a question during Q&A:** You will need to join the Space with a mobile phone
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- **Note:** You can also use traditional phone and webcast for **listen-only** access – see our earnings news release for details

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 U.S. Securities and Exchange Commission (“SEC”).

This presentation 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 presentation, including, but not limited to, the risks and uncertainties associated with (i) operating and managing an adult entertainment or restaurant business, (ii) the business climates in cities where we operate, (iii) the success or lack thereof in launching and building our businesses, (iv) cyber security, (v) conditions relevant to real estate transactions, (vi) the impact of the COVID-19 pandemic, and (vii) numerous other factors such as laws governing the operation of adult entertainment or restaurant businesses, competition and dependence on key personnel.

For more detailed discussion of such factors and certain risks and uncertainties, see RCI’s annual report on Form 10-K for the year ended September 30, 2023, as well as its other filings with the U.S. Securities and Exchange Commission. The company has no obligation to update or revise the forward-looking statements to reflect the occurrence of future events or circumstances.

The novel coronavirus (COVID-19) pandemic has disrupted and may continue to disrupt our business, which has and could continue to materially affect our operations, financial condition, and results of operations for an extended period of time.

As used herein, the “Company,” “we,” “our,” and similar terms include RCI Hospitality Holdings, Inc. (RCIHH) and its subsidiaries, unless the context indicates otherwise.

Trademarks

Except as otherwise indicated, all trademarks, service marks, logos, and trade names in this presentation are property of RCI Hospitality Holdings, Inc., its subsidiaries or affiliates.

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) impairment of assets, (c) settlement of lawsuits, (d) gains or losses on sale of businesses and assets, (e) gains or losses on insurance, and (f) stock-based compensation. 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) impairment of assets, (c) settlement of lawsuits, (d) gains or losses on sale of businesses and assets, (e) gains or losses on insurance, (f) stock-based compensation, and (g) 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 18.4% and 22.3% effective tax rate of the pre-tax non-GAAP income before taxes for the six months ended March 31, 2024 and 2023, 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) impairment of assets, (c) income tax expense (benefit), (d) net interest expense, (e) settlement of lawsuits, (f) gains or losses on sale of businesses and assets, (g) gains or losses on insurance, and (h) stock-based compensation. 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.
- *We also use certain 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 2Q24 10-Q and our May 9, 2024 earnings news release and financial tables contain additional details and reconciliation of non-GAAP financial measures for the quarter ended March 31, 2024, and are posted on our website at www.rcihospitality.com and filed with the US Securities and Exchange Commission.

Summary Results

In Millions Except EPS	2Q24	2Q23	6M24	6M23
Total revenues	$72.3	$71.5	$146.2	$141.5
EPS	$0.08	$0.83	$0.85	$1.94
Non-GAAP EPS*	$0.90	$1.30	$1.76	$2.50
Other charges, net	$8.2	$3.8	$8.2	$3.1
Net cash from operating activities	$10.8	$16.8	$24.5	$31.7
Free cash flow*	$8.8	$14.8	$21.5	$27.8
Net income attributable to RCIHH common shareholders	$0.8	$7.7	$8.0	$18.0
Adjusted EBITDA*	$17.2	$21.7	$34.7	$42.1
Weighted average shares used in computing EPS basic and diluted	9.35	9.27	9.36	9.25

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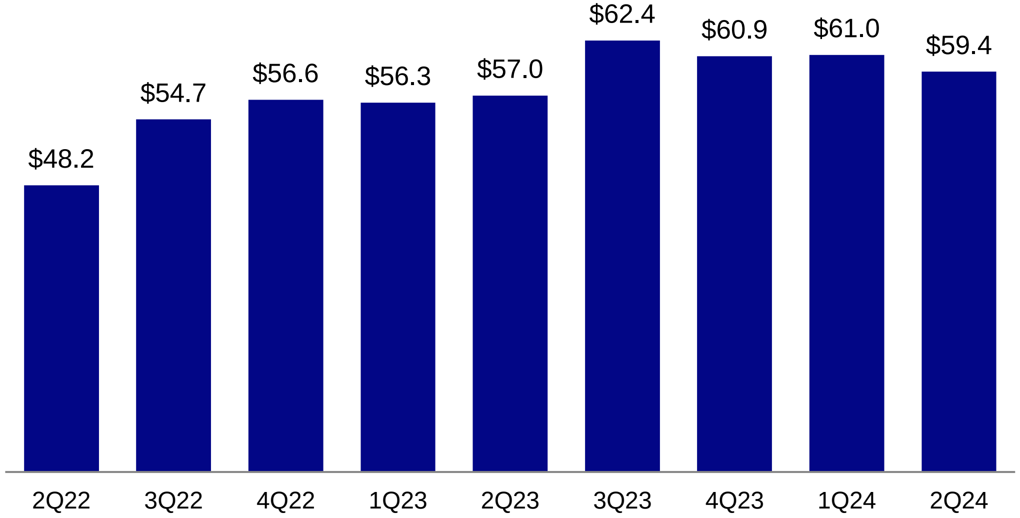
* See “Non-GAAP Financial Measures” on page 5 and the Appendix for “Reconciliation of Non-GAAP Measures”

Key Takeaways

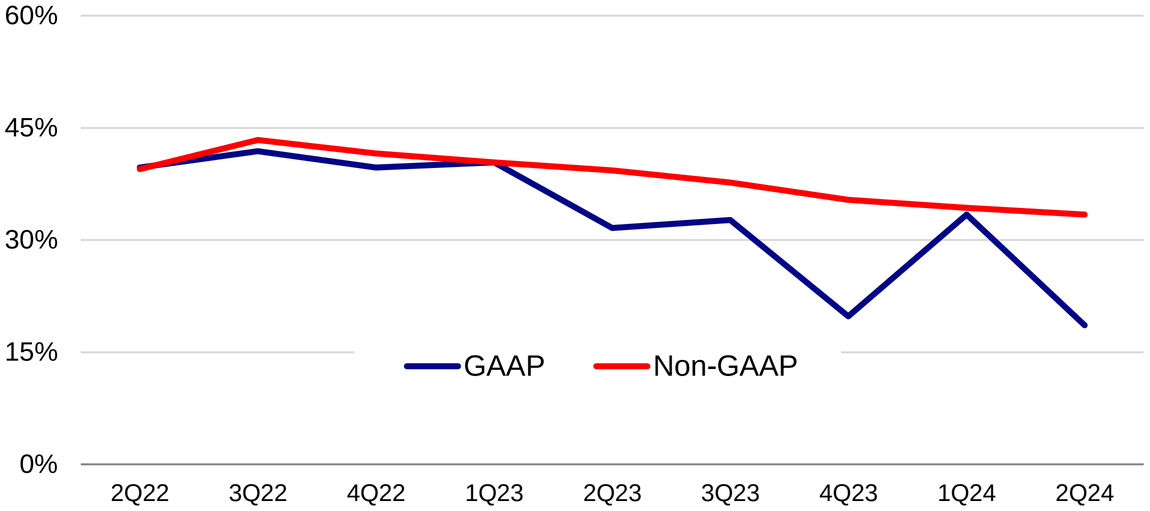
2Q24 Results	• Core business enabled RCI to generate revenues of $72.3M vs. $71.5M (2Q24 vs. 2Q23) • GAAP EPS of $0.08 primarily due to non-cash impairments; non-GAAP EPS $0.90 • Nightclubs revenues $59.4M vs. $57.0M (2Q24 vs. 2Q23) • Effort begun mid-February resulted in steady sales and better margins for Bombshells (2Q24 vs. 1Q24)
New Project Development	• Continued to make progress with new project development • These efforts focused on developing new locations and upgrading existing ones
Capital Allocation Strategy	• Committed to capital allocation strategy concentrating on nightclubs, acquisition and stock buyback • Added to our war chest by closing on a previously discussed $20 million bank loan in April 2024

Nightclubs Segment

Total Revenues ($M)



Operating Margin *As % of Segment Revenues*



2Q24 vs. 2Q23 ($M)

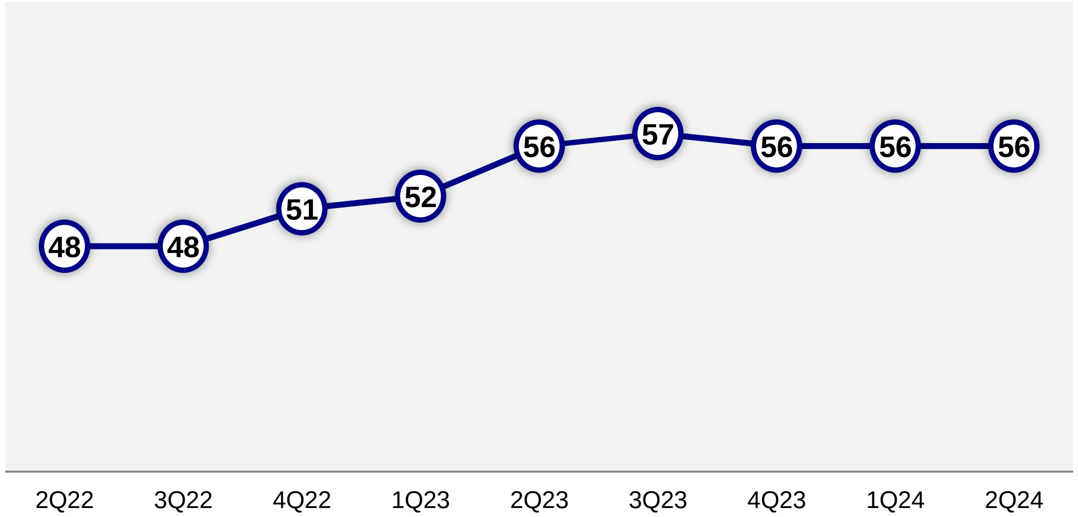
- Revenues: +$7.4 from acquisitions not in SSS, -$2.9 in SSS, -$2.1 from clubs in transition

Sales	2Q24	Δ $	Δ%
Alcohol	$26.0	3.8	+16.9
Service	23.6	(2.1)	-8.3
Food	5.3	0.5	+10.8
Other	4.5	0.2	+4.3

Club Vintage	2Q24	Δ $	Δ%
Legacy	$36.5	(3.7)	-9.3
Acquired in FY22	13.7	(1.3)	-8.9
Acquired in FY23	9.2	7.4	420.5

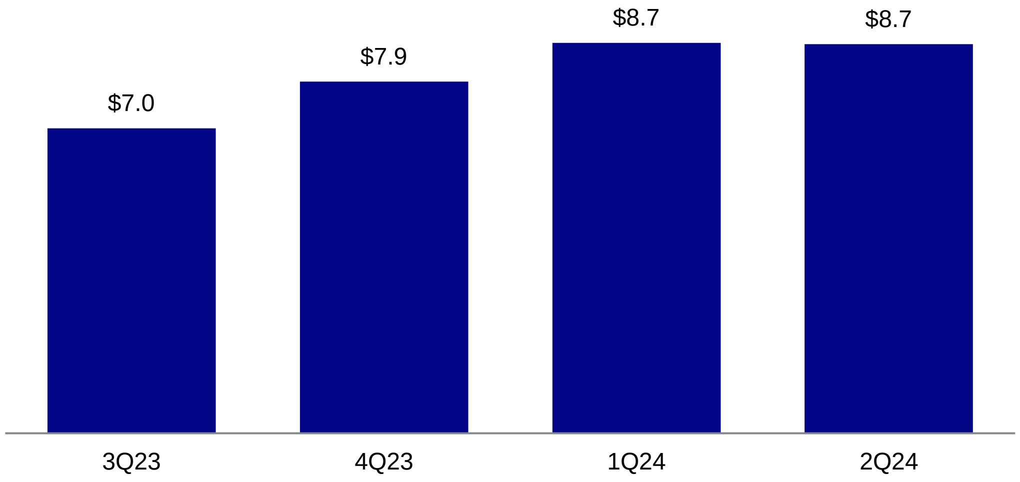
- GAAP Operating Income: $11.0 vs. $18.0 (18.6% of revenues vs. 31.6%)
- Non-GAAP Operating Income: $19.8 vs. $22.4 (33.4% of revenues vs. 39.3%)
- Non-GAAP Operating Margin affected by lower service revenues, higher insurance, Texas patron tax increase, and wage inflation

Locations Contributing to Revenues

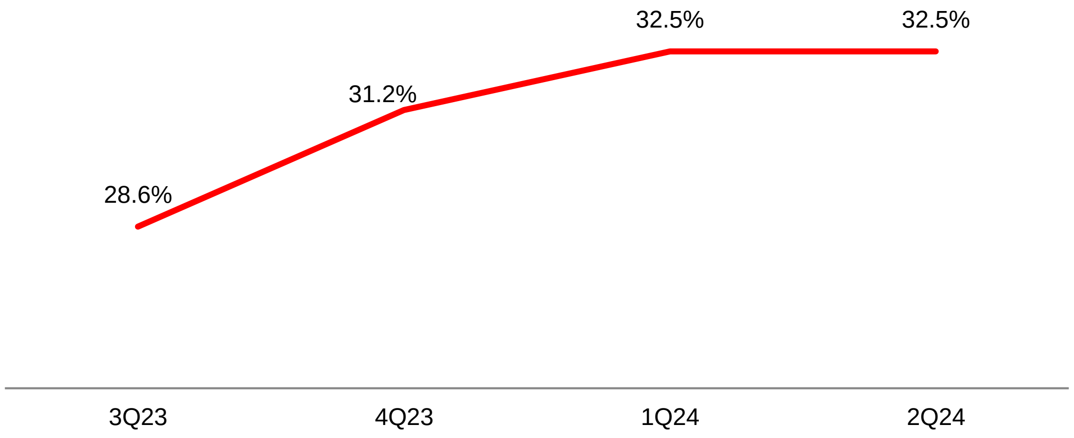


Duncan Burch Acquisition

Revenues Have Grown ($M)



Operating Margin Has Expanded *As % of Revenues*



- Acquired mid-March 2023 (2Q23) with 4 of 5 locations open
- 5th location opened mid June 2023 (3Q23)
- 2Q24 revenues have grown 23.7% from 3Q23
- 2Q24 operating margin has expanded 394 bps from 3Q23
- Locations have collectively benefitted from increased credit card processing, lower management costs, and RCI marketing-management-purchasing methods, partially offset by 50% increase in Texas patron tax per customer implemented September 2023

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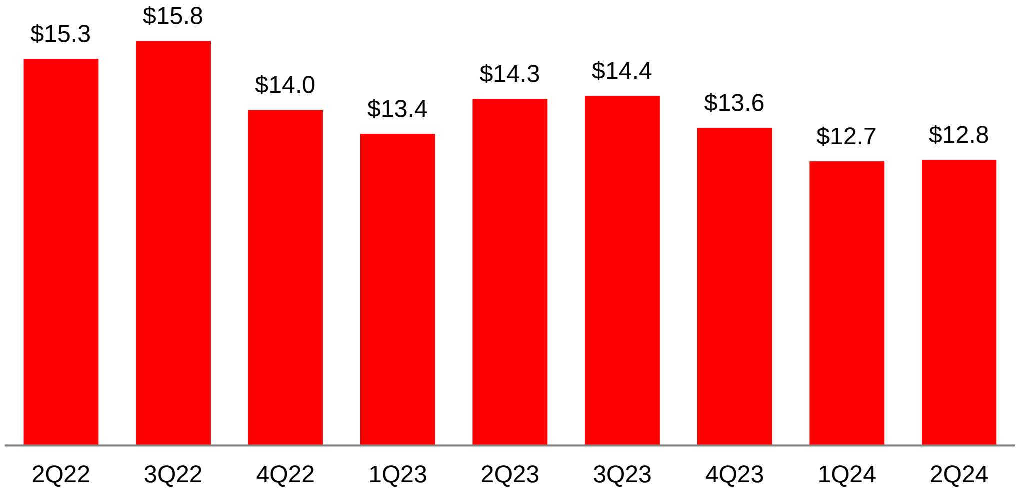
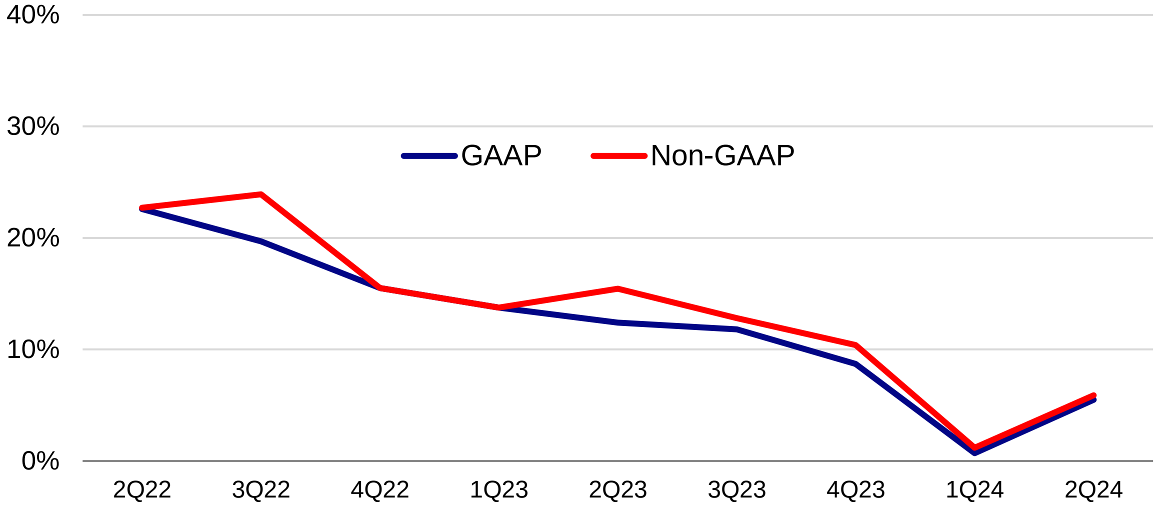
Bombshells Segment

Total Revenues ($M)



Operating Margin *As % of Segment Revenues*



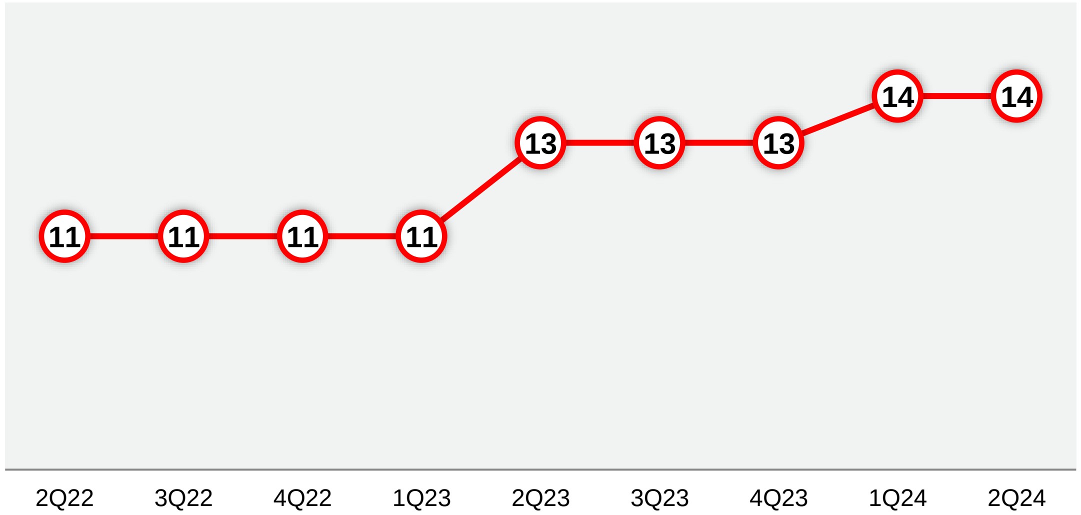
2Q24 vs. 2Q23 ($M)

- Revenues: +$1.2 from acquisitions and new location not in SSS, -$2.7 in SSS
- GAAP Operating Income: $0.7 vs. $1.8 (5.5% of revenues vs.12.4%)
- Non-GAAP Operating Income: $0.8 vs. $2.2 (5.9% of revenues vs.15.4%)
- Profitability primarily affected by lower SSS

2Q24 vs. 1Q24 ($M)

- Revenues: Approximately level
- GAAP Operating Margin: +480 bps
- Non-GAAP Operating Margin: +470 bps
- Profitability primarily affected by initial cost-cutting implemented mid-February

Locations Contributing to Revenues



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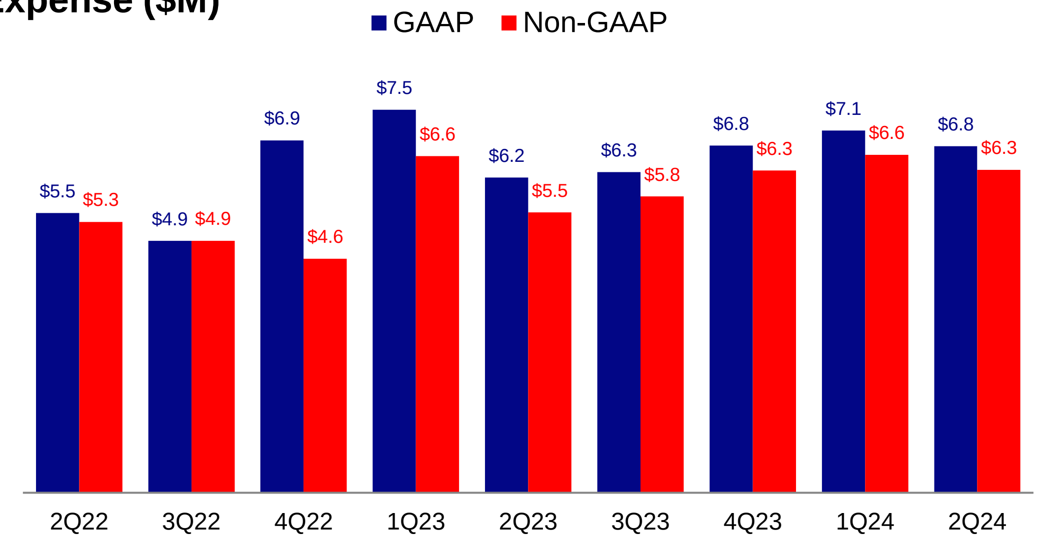
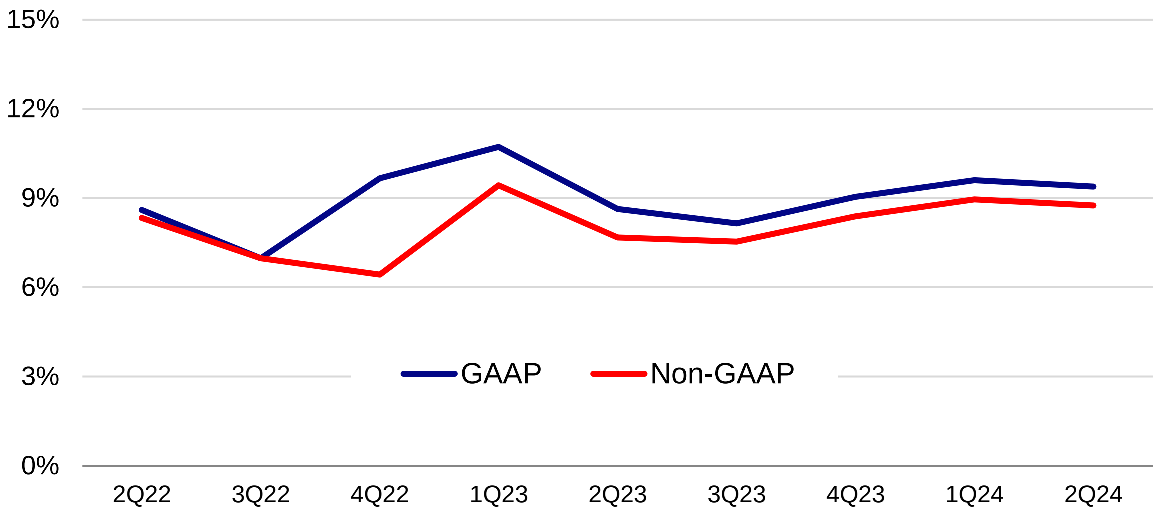
Corporate Segment

Expense ($M)



Expense Margin *As % of Total Revenues*



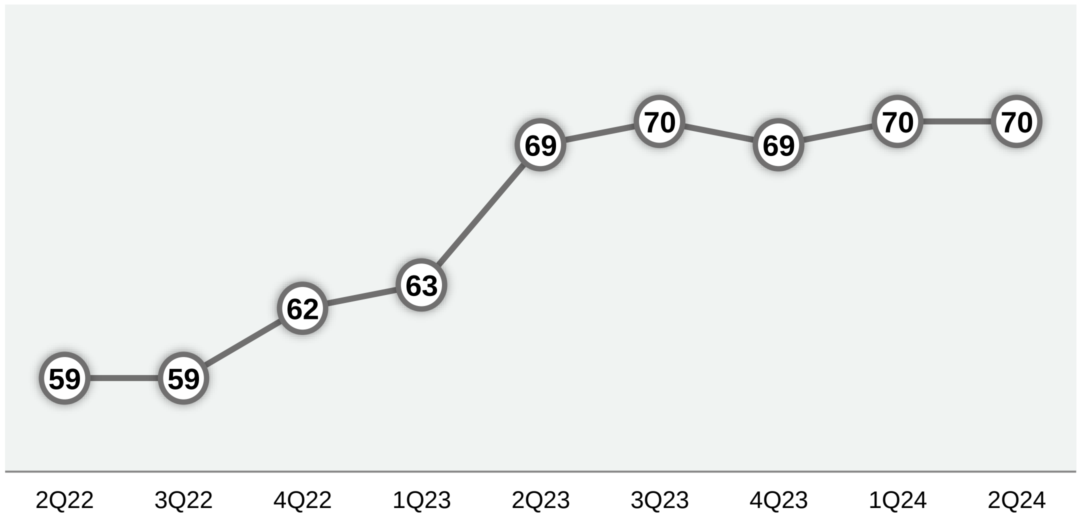
2Q24 vs. 2Q23 ($M)

- Expenses: +$0.6 GAAP, +$0.8 Non-GAAP
- GAAP Expense Margin: 9.4% vs. 8.6% (+75 bps)
- Non-GAAP Expense Margin: 8.8% vs. 7.7% (+107 bps)
- Increase reflected more corporate level management from the Duncan Burch acquisition and casino preopening operations, accounting and professional services due to recently acquired clubs and new projects, and timing of billing

2Q24 vs. 1Q24 ($M)

- Expenses: -$0.3 GAAP, -$0.3 Non-GAAP
- GAAP Expense Margin: 9.4% vs. 9.6% (-21 bps)
- Non-GAAP Expense Margin: 8.8% vs. 9.0% (-21 bps)

Total Locations Contributing to Revenues



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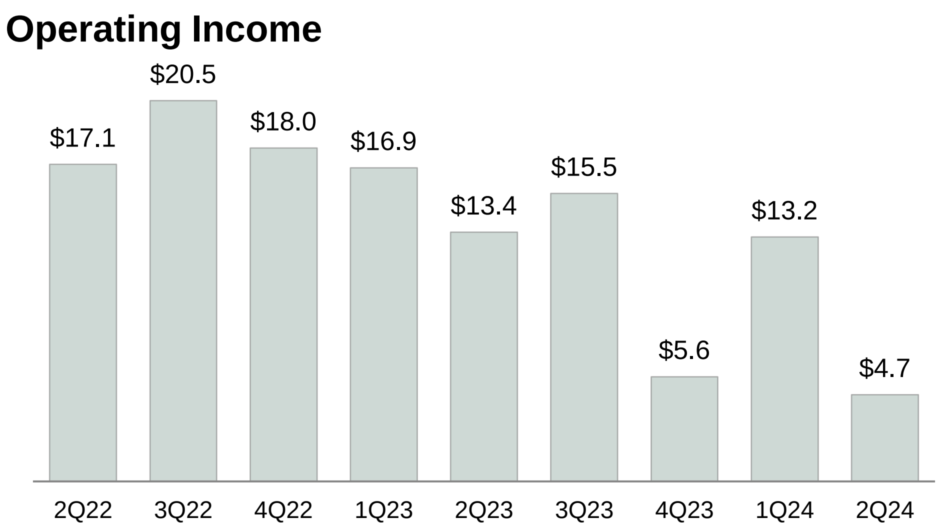
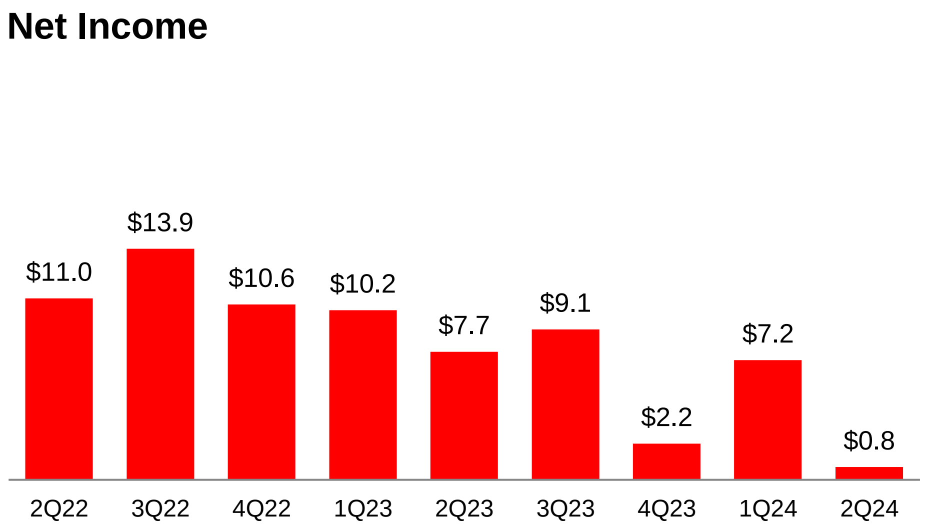
Consolidated Operating Income

$M*	2Q24	2Q23	Change	Comment
Revenues				
Nightclubs	$59.4	$57.0	$2.4	• $7.4 increase from acquisitions not in SSS • $2.9 decrease in SSS • $2.1 decrease from clubs in transition
Bombshells	12.8	14.3	(1.5)	• $1.2 increase from acquisitions and new location not in SSS • $2.7 decrease in SSS
Other	0.1	0.2	(0.1)	
	72.3	**71.5**	**0.8**	
GAAP Income (loss) from operations				
Nightclubs	11.0	18.0	(7.0)	• Includes $8.8 in items excluded in Non-GAAP calculations in 2Q24
Bombshells	0.7	1.8	(1.1)	• Includes $0.05 in items excluded in Non-GAAP calculations in 2Q24
Other	(0.3)	(0.2)	(0.1)	
Corporate	(6.8)	(6.2)	(0.6)	• Includes $0.5 in items excluded in Non-GAAP calculations in 2Q24
	4.7	**13.4**	**(8.8)**	• Includes total of $9.3 of items excluded in Non-GAAP calculations in 2Q24
Non-GAAP Income (loss) from operations				
Nightclubs	19.8	22.4	(2.6)	
Bombshells	0.8	2.2	(1.4)	
Other	(0.3)	(0.1)	(0.2)	
Corporate	(6.3)	(5.5)	(0.8)	
	$14.0	**$19.0**	**($5.0)**	

* Amounts may not foot due to rounding

GAAP Disclosure ($M)





Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	*8- Year CAGR*
Total Revenues	$135.4	$134.9	$144.9	$165.7	$181.1	$132.3	$195.3	$267.6	$293.8	***10.2%***
Operating Income	$20.7	$20.7	$23.1	$27.6	$34.7	$2.7	$38.5	$71.5	$51.5	***12.0%***
% of Revenues	*15.3%*	*15.3%*	*16.0%*	*16.6%*	*19.2%*	*2.1%*	*19.7%*	*26.7%*	*17.5%*	
Net Income	$9.2	$11.2	$8.3	$20.9	$20.3	$(6.1)	$30.3	$46.0	$29.2	***15.5%***
% of Revenues	*6.8%*	*8.3%*	*5.7%*	*12.6%*	*11.2%*	*(4.6)%*	*15.5%*	*17.2%*	*10.0%*	

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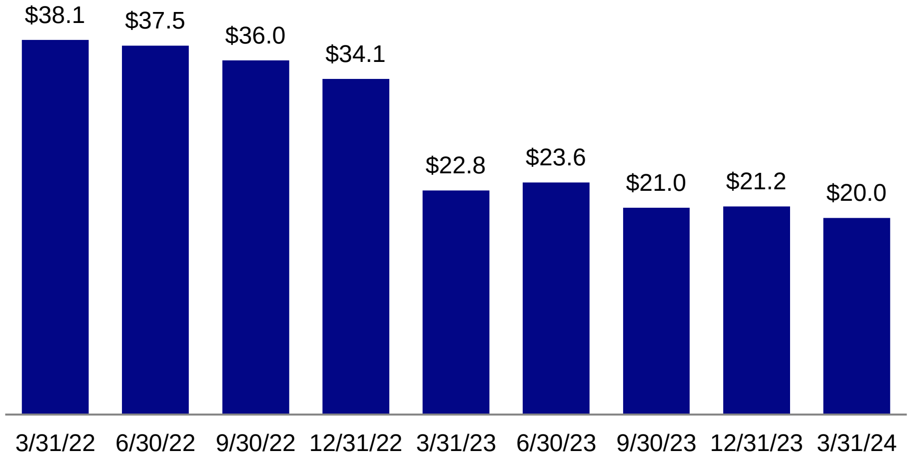
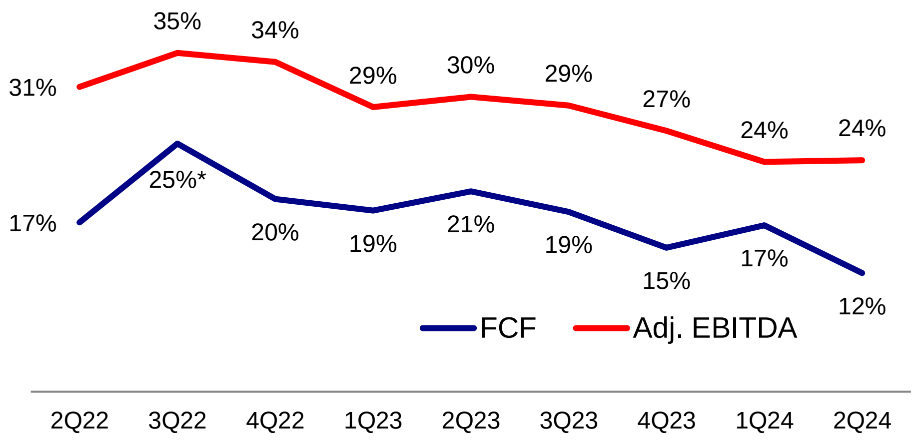
Cash, FCF & Adjusted EBITDA ($M)

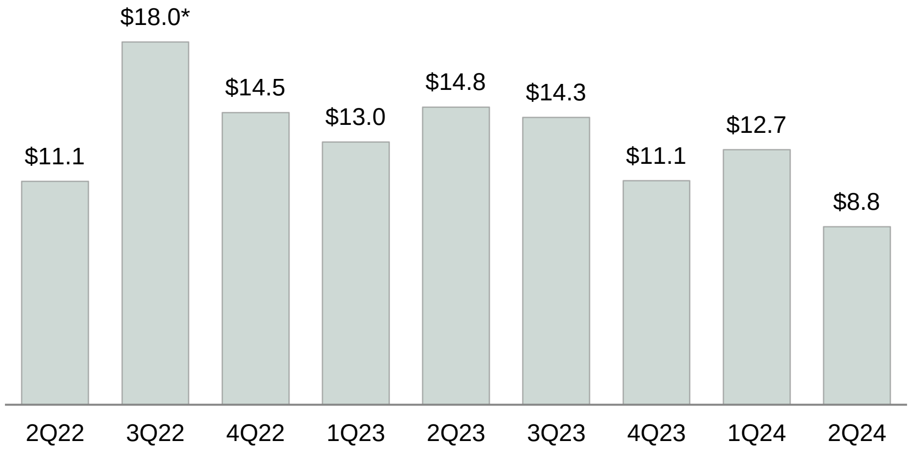
Cash



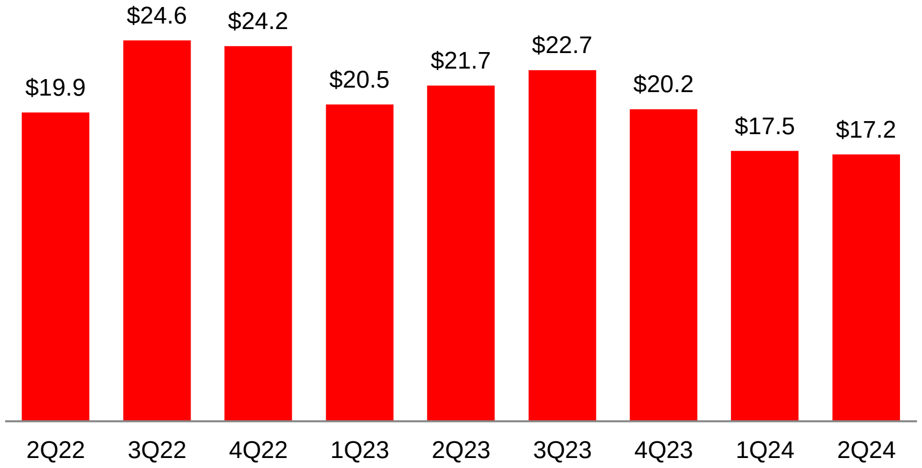
As% of Total Revenues



Free Cash Flow



Adjusted EBITDA



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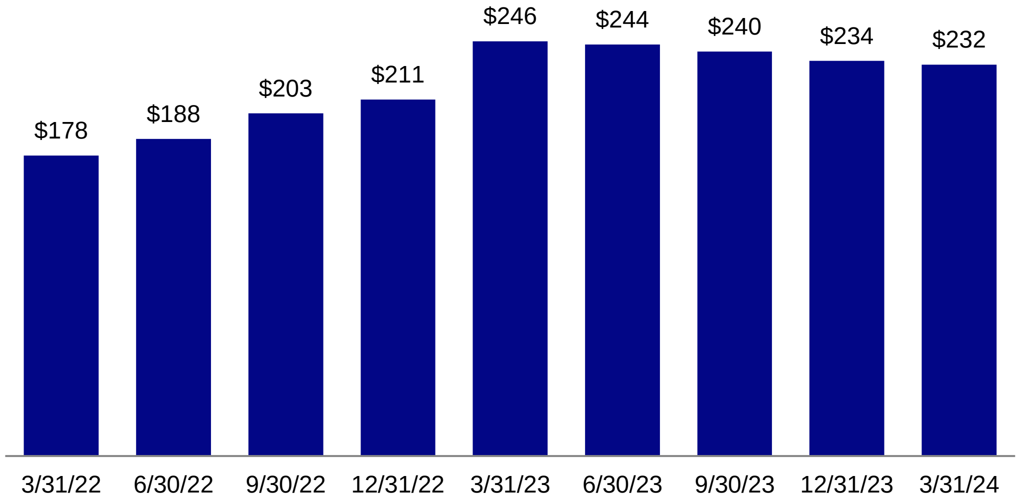
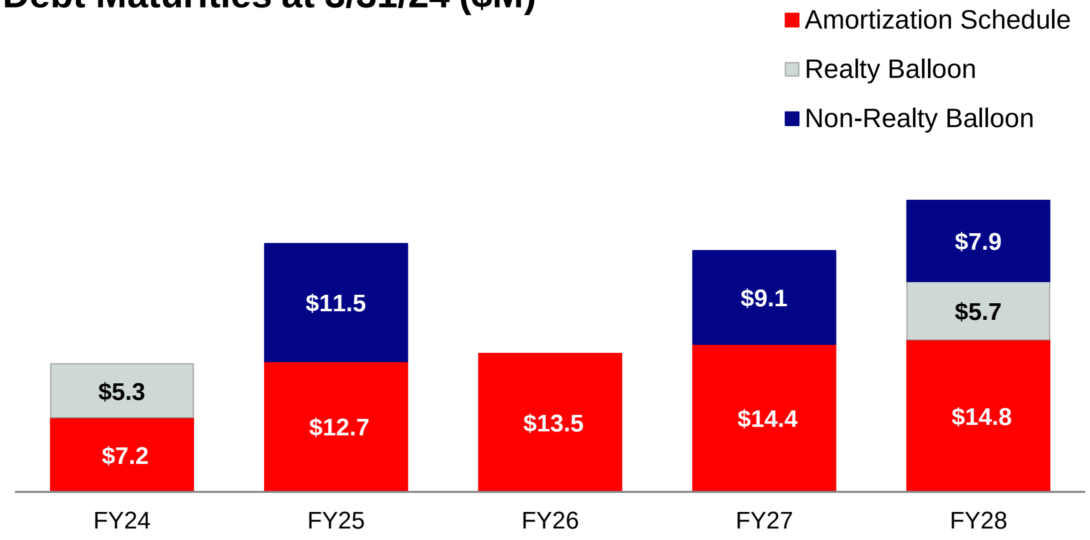
* 3Q22 FCF includes receipt of $2.2M previously discussed tax refund

Debt Metrics

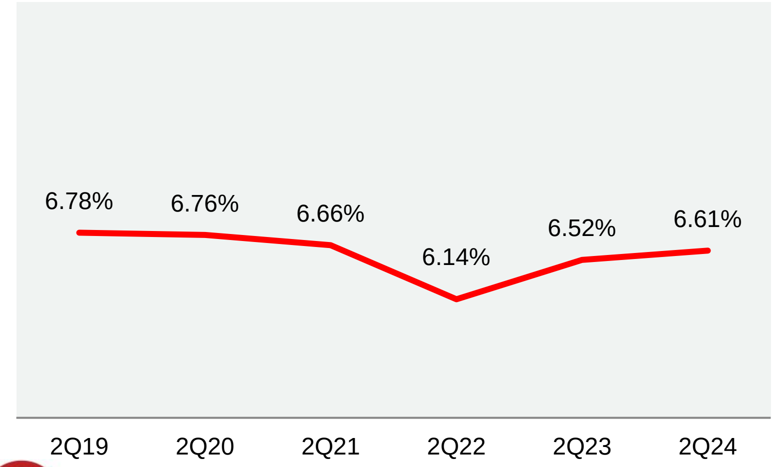
Debt, Net of Loan Costs ($M)



Debt Maturities at 3/31/24 ($M)

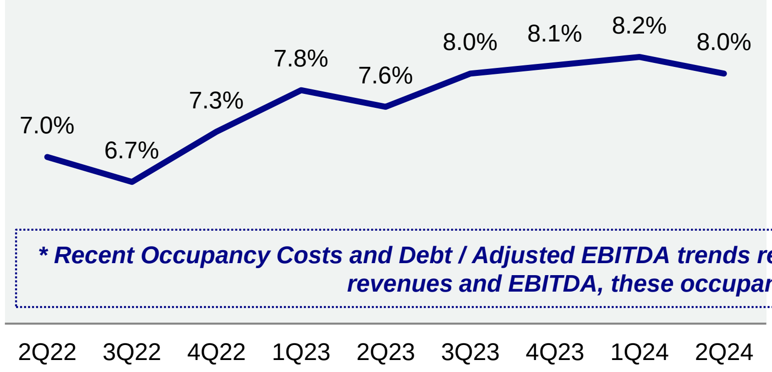


Weighted Average Interest Rate on Debt

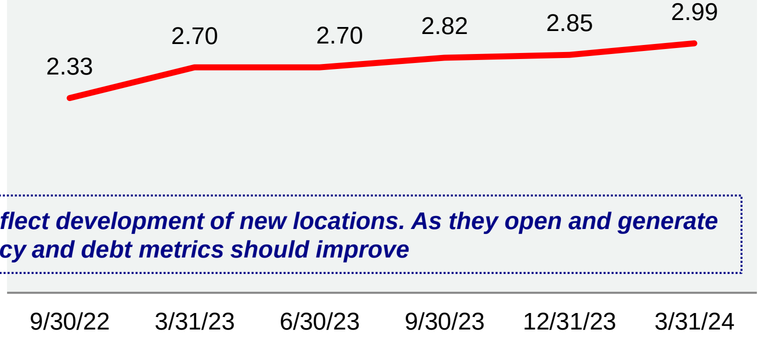


Total Occupancy Costs*

Lease & Interest Expense as% of Total Revenues



Debt / Adjusted EBITDA (TTM)*



**** Recent Occupancy Costs and Debt / Adjusted EBITDA trends reflect development of new locations. As they open and generate revenues and EBITDA, these occupancy and debt metrics should improve***

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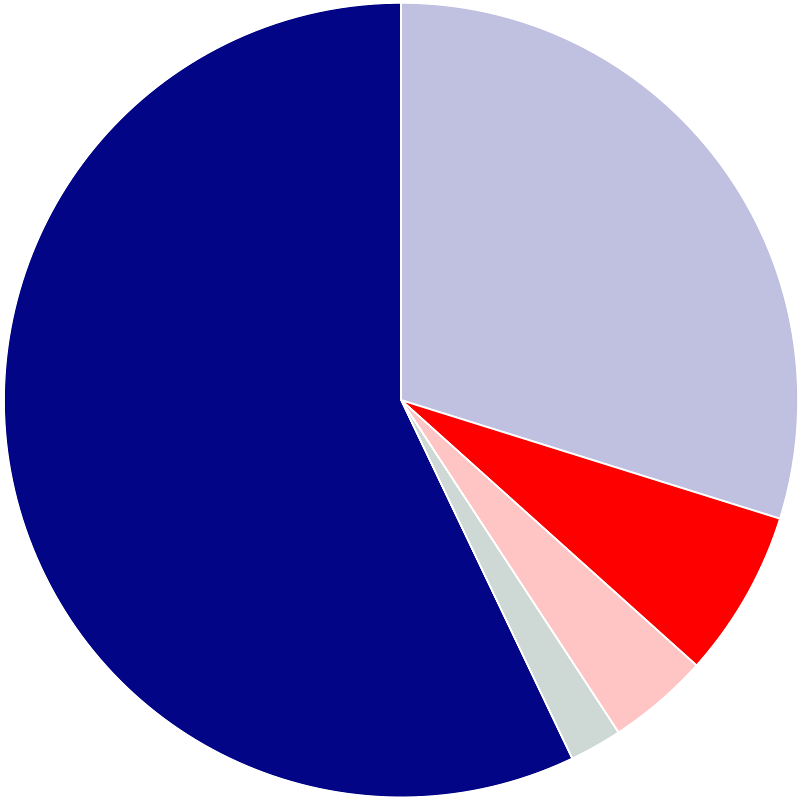
Debt Analysis *(at 3/31/24, $M)*

Total of $234.7*
Weighted Average Interest Rate (WAIR): 6.61%



$134.0 Secured by Real Estate (57.1% of total)
- 5.63% WAIR

$70.0 Seller Financing (29.8% of total)
- Secured by the respective clubs and real estate to which it applies
- 5 Baby Dolls-Chicas Locas: $19.0 @ 7.0% WAIR
- 11 Clubs: $17.4 @ 6.0% WAIR
- Scarlett's: $11.6 @ 8.0% WAIR
- Playmates: $10.3 @ 10.0% WAIR
- Cheetah: $8.7 @ 6.0% WAIR
- Other: $3.0 @ 6.1% WAIR

$16.0 Unsecured Debt (6.8% of total)
- 12.0% WAIR

$9.7 Secured by Other Assets (4.2% of total)
- 5.56% WAIR

$10.0 Bank Line of Credit (2.1% of total)
- Secured by business and assets of a subsidiary
- $5.0 balance @ 9.5% WAIR

*Long-Term Debt Net of Loan Costs: $231.9
- -$7.9 from 9/30/23
- -$2.2 from 12/31/23

Operating Lease Total Liabilities: $36.7
- Adoption of ASC 842, Leases, starting FY20

* See box titled "Long-Term Debt Net of Loan Costs" on this page

*Capital Allocation Strategy Guides Our Growth**

- Repurchase shares when FCF yield is more than 10%

Share Buybacks

Mergers & Acquisitions

- Buy good, solid, cash flowing clubs at 3-5x adjusted EBITDA
- Use seller-financing
- Buy the real estate for market value
- Structure deals to generate annual cash on cash return of at least 25-33%

Drive Value with 10-15% Compound Annual FCF/Share Growth

Organic Growth

- Structure investments in new units to generate annual cash on cash return of at least 25-33%

See more on our redesigned website:
www.rcihospitality.com

* We may deviate from this strategy if other strategic rationale warrants

Development Update

Items highlighted in **bold** indicate update from April 9, 2024 conference call

Project	Location	Status
PT's Centerfold	Lubbock, TX	• Opened late March 2024
Baby Dolls Abilene	Tye, TX	• Opened early April 2024
Scarlett's Cabaret Denver	Glendale, CO	• 4 AM liquor license approved late March 2024
XTC Cabaret Dallas	Dallas, TX	• **Liquor license approved** • **Becoming Dallas Showclub**
Former BYOB club	Harlingen, TX	• Being converted to Chicas Locas • **Liquor license approved** • **Target opening this quarter**
Former BYOB club	El Paso, TX	• Being converted to Chicas Locas • Awaiting liquor license
Baby Dolls West Fort Worth	Fort Worth, TX	• Awaiting construction permits
Rick's and Bombshells casinos	Central City, CO	• 24-hour liquor licenses approved • Still waiting on gaming licenses • **Plan to open the Rick's cabaret and steakhouse in 4Q24 even if no gaming**
Bombshells Sapphire Bay	Rowlett, TX	• Building permits approved • Target opening late summer 2024
Bombshells Lubbock	Lubbock, TX	• Building permits approved • Target opening late summer 2024
Bombshells Denver	Denver, TX	• Waiting on building permits • Target opening late summer 2024

Long-Term Performance

Fiscal Year ($M)	2015	2016	2017	2018	2019	2020	2021	2022	2023	*8-Year CAGR*
Total Revenues	$135.4	$134.9	$144.9	$165.7	$181.1	$132.3	$195.3	$267.6	$293.8	***10.2%***
Adjusted EBITDA	$34.1	$34.5	$37.3	$44.4	$46.2	$22.4	$60.2	$86.7	$85.0	***12.1%***
% of Revenues	*25.2%*	*25.6%*	*25.8%*	*26.8%*	*25.5%*	*16.9%*	*30.9%*	*32.4%*	*28.9%*	
Free Cash Flow	$14.9	$20.5	$19.3	$23.2	$33.3	$13.5	$36.1	$58.9	$53.2	***17.2%***
% of Revenues	*11.0%*	*15.2%*	*13.3%*	*14.0%*	*18.4%*	*10.2%*	*18.5%*	*22.0%*	*18.1%*	
Share Count (FD)	10.41	10.23	9.74	9.72	9.66	9.20	9.00	9.38	9.34	

- FY20 reflects Covid pandemic, FY21 beginning of comeback, FY22 post-Covid bounce plus VCG acquisition
- Despite challenging FY23 vs. FY22 comps, we achieved strong performance since year-end FY15 initiation of Capital Allocation Strategy
- FY16 free cash flow benefitted from $2.0M tax credits
- FY22 free cash flow benefited from $2.2M tax refund
- 4Q23 retained earnings exceeded $200M ($201.1M) for the first time; 2Q19 retained earnings exceeded $100M ($101.6M) for the first time

Appendix

Reconciliation of Non-GAAP Measures

In 000s	2Q24	2Q23	6M24	6M23
Reconciliation of GAAP net income to Adjusted EBITDA				
Net income attributable to RCIHH common stockholders	$774	$7,732	$8,000	$17,970
Income tax expense	5	2,147	1,804	5,178
Interest expense, net	3,903	3,587	8,025	7,183
Depreciation and amortization	3,884	3,760	7,737	7,067
Impairment of assets	8,033	662	8,033	662
Settlement of lawsuits	167	3,120	167	3,120
Loss (gain) on sale of businesses and assets	(5)	3	(8)	(587)
Gain on insurance	—	(27)	—	(91)
Stock-based compensation	471	706	941	1,647
Adjusted EBITDA	**$17,232**	**$21,690**	**$34,699**	**$42,149**

Reconciliation of Non-GAAP Measures

In 000s	2Q24	2Q23	6M24	6M23
Reconciliation of GAAP net income to non-GAAP net income*				
Net income attributable to RCIHH common stockholders	$774	$7,732	$8,000	$17,970
Amortization of intangibles	640	1,109	1,299	1,804
Impairment of assets	8,033	662	8,033	662
Settlement of lawsuits	167	3,120	167	3,120
Stock-based compensation	471	706	941	1,647
Loss (gain) on sale of businesses and assets	(5)	3	(8)	(587)
Gain on insurance	—	(27)	—	(91)
Net income tax effect	(1,701)	(1,246)	(1,921)	(1,446)
Non-GAAP net income	**$8,379**	**$12,059**	**$16,511**	**$23,079**

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* Adjustments to reconcile net income attributable to RCIHH common stockholders to non-GAAP net income exclude the impact of adjustments related to noncontrolling interests, which is immaterial.

Reconciliation of Non-GAAP Measures

	2Q24	2Q23	6M24	6M23
Reconciliation of GAAP diluted earnings per share to non-GAAP diluted earnings per share*				
Diluted shares	9,350,292	9,265,781	9,358,768	9,247,824
GAAP diluted earnings per share	$0.08	$0.83	$0.85	$1.94
Amortization of intangibles	0.07	0.12	0.14	0.20
Impairment of assets	0.86	0.07	0.86	0.07
Settlement of lawsuits	0.02	0.34	0.02	0.34
Stock-based compensation	0.05	0.08	0.10	0.18
Loss (gain) on sale of businesses and assets	0.00	0.00	0.00	(0.06)
Gain on insurance	0.00	0.00	0.00	(0.01)
Net income tax effect	(0.18)	(0.13)	(0.21)	(0.16)
Non-GAAP diluted earnings per share	**$0.90**	**$1.30**	**$1.76**	**$2.50**

* Amounts may not foot due to rounding

Reconciliation of Non-GAAP Measures

In 000s	2Q24	2Q23	6M24	6M23
Reconciliation of GAAP operating income to non-GAAP operating income				
Income from operations	$4,657	$13,427	$17,822	$30,325
Amortization of intangibles	640	1,109	1,299	1,804
Impairment of assets	8,033	662	8,033	662
Settlement of lawsuits	167	3,120	167	3,120
Loss (gain) on sale of businesses and assets	(5)	3	(8)	(587)
Gain on insurance	—	(27)	—	(91)
Stock-based compensation	471	706	941	1,647
Non-GAAP operating income	**$13,963**	**$19,000**	**$28,254**	**$36,880**

Reconciliation of Non-GAAP Measures

Percentage of Total Revenues	2Q24	2Q23	6M24	6M23
Reconciliation of GAAP operating margin to non-GAAP operating margin*				
Income from operations	6.4%	18.8%	12.2%	21.4%
Amortization of intangibles	0.9%	1.6%	0.9%	1.3%
Impairment of assets	11.1%	0.9%	5.5%	0.5%
Settlement of lawsuits	0.2%	4.4%	0.1%	2.2%
Loss (gain) on sale of businesses and assets	(0.0)%	0.0%	(0.0)%	(0.4)%
Gain on insurance	0.0%	(0.0)%	0.0%	(0.1)%
Stock-based compensation	0.7%	1.0%	0.6%	1.2%
Non-GAAP operating margin	**19.3%**	**26.6%**	**19.3%**	**26.1%**

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* Amounts may not foot due to rounding

Reconciliation of Non-GAAP Measures

In 000s	2Q24	2Q23	6M24	6M23
Reconciliation of net cash provided by operating activities to free cash flow				
Net cash provided by operating activities	$10,836	$16,789	$24,469	$31,684
Less: Maintenance capital expenditures	2,011	2,021	2,994	3,885
Free cash flow	**$8,825**	**$14,768**	**$21,475**	**$27,799**

Reconciliation of Non-GAAP Measures

$ in 000s	Nightclubs	Bombshells	Other	Corporate	Total
2Q24 Non-GAAP Segment Information					
Income (loss) from operations	$11,021	$699	$(277)	$(6,786)	$4,657
Amortization of intangibles	589	47	--	4	640
Impairment of assets	8,033	--	--	--	8,033
Settlement of lawsuits	167	--	--	--	167
Stock-based compensation	--	--	--	471	471
Loss (gain) on sale of businesses and assets	7	4	--	(16)	(5)
Non-GAAP operating income (loss)	**$19,817**	**$750**	**$(277)**	**$(6,327)**	**$13,963**
GAAP operating margin	18.6%	5.5%	(197.9)%	(9.4)%	6.4%
Non-GAAP operating margin	33.4%	5.9%	(197.9)%	(8.8)%	19.3%

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