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RCI Hospitality Holdings, Inc. (RICK) Q2 2024 Earnings Call Transcript

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Q2: 2024-05-09 Earnings Summary

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Press Release

10-Q

EPS of \$0.90 **beats by \$0.02** | Revenue of \$72.28M (1.07% Y/Y) **beats by \$297.33K**

RCI Hospitality Holdings, Inc. (NASDAQ:[RICK](#)) Q2 2024 Results Conference Call May 9, 2024 4:30 PM ET

Company Participants

Mark Moran - Equity Animal

Eric Langan - President and CEO

Bradley Chhay - CFO

Conference Call Participants

Scott Buck - HC Wainwright

Anthony Lebiezinski - Sidoti & Company

Rob McGuire - Granite Research

Steven Martin - Slater Capital

[Call Started Abruptly] Now I'm pleased to introduce Eric Langan, President and CEO of RCI Hospitality. Eric, to take it away.

Eric Langan

Thank you, Mark, and thanks, everyone, for joining us today. Please turn to Slide 6. Despite the uncertain economy, the core strength of our business enabled us to generate \$72.3 million in revenue in the second quarter compared to \$71.5 million last year. While GAAP EPS of \$0.08 primarily reflected noncash impairment, non-GAAP EPS totaled \$0.90 near the high end of analyst expectations. The nightclub segment generated \$59.4 million in revenue in 2Q '24 compared with \$57 million last year. Separately, the effort began in mid-February to improve Bombshells segment, resulting in steady sales and better margins on a sequential quarter basis. Please turn to Slide 7. We also continue to make progress with our new project developments. These efforts are focused on developing new locations and upgrading existing ones to further grow the company. In doing this, we are committed to following our capital allocation strategy, concentrating on our core nightclub business, evaluating potential acquisitions and buying back stock. To that end, subsequent to the end of the quarter, we increased our cash position \$20 million by closing our planned bank loan. Now here is Bradley to go into more details on our results.

Bradley Chhay

Thanks, Eric. Please turn to Slide 8 to review our Nightclubs segment. Second quarter revenues increased \$2.4 million year-over-year. This was primarily due to a \$7.4 million increase from acquisitions, which partially offset declines of \$2.9 million in same-store sales and \$2.1 million from clubs in transition. By revenue type, alcoholic beverages increased 16.9% and food, 10.8% and other by 4.3%. However, service declined 8.3%. The sales mix reflected higher alcohol and food sales from newly acquired clubs and same-store sales declined due to lower service revenues. As we mentioned in the second quarter sales call, PT's Centerfold in Lubbock, a new club they're not open until late in the quarter. Baby Dolls Abilene, our reformatted Liquor Club didn't open until early April. A BYOB club in El Paso temporarily closed during the quarter to start reformatting into a Chicas Locas liquor Club. Although we didn't talk about it on the sales call, severe cold and rainy weather in Texas did have an impact in January as it had for other hospitality companies. We had to partially close partially or fully closed clubs and Bombshells for a number of days during that period. Impairment resulted in operating income of \$11 million or \$18.6 million of revenues compared to \$8 million or 31.6%. On a non-GAAP basis, operating income was \$19.8 million or 33.4% of revenues compared to \$22.4 million or 39.3%. The non-GAAP margin decline primarily reflected lower [surplus] revenues, higher insurance and increase in Texas patron tax and wage inflation. One of the reasons why insurance is higher is because we received a refund in the year ago quarter.

Now please turn to Slide 9. The Duncan Barch acquisition has continued to perform well. We closed on the acquisition in mid-March in 2023 with four clubs open. We finished remodeling and opened the fifth club in mid-June 2023. As of fiscal '24 second quarter, revenues have grown 23.9% from a year ago third quarter, which was the first full quarter post acquisition, and operating margin has expanded 394 basis points. Locations have benefited from increased credit card transactions, reduced management costs and more effective RCI marketing management and purchasing methods, partially offset by the increase in patron tax, which started in September of 2023. Please turn to Slide 10 to review our Bombshells segment. Revenues declined \$1.5 million year-over-year. This primarily reflected a \$2.7 million decline in same-store sales and a \$1.2 million increase from acquired or new locations. Operating income was \$0.7 million or 5.5% of revenues compared to \$1.8 million or 12.4%. On a non-GAAP basis, operating income was \$0.8 million or 5.9% of revenues compared to \$2.2 million or 15.4%. The year-over-year decline in profitability primarily reflected lower same-store sales. On a sequential basis, however, revenues were approximately level and GAAP and operating margin expanded 480 basis points and 470 on a non-GAAP basis. As Eric mentioned earlier, this reflected the effort by upper management to return the brand to its core focus on being a sports bar. This began in mid-February to improve results. Some key changes included replacing management, cost cutting and going back to the basics, touching tables, make sure wait staff is attentive among others.

Please turn to Slide 11. Corporate expenses totaled \$6.8 million, an increase of \$0.6 million on a GAAP basis. On a non-GAAP basis, expenses totaled \$6.3 million, an increase of \$0.8 million. Both GAAP and non-GAAP results primarily reflected more corporate level management from the Duncan Burch acquisition, casino preopening operations and accounting and professional services due to the recently acquired clubs and new projects along with the timing of billing. Now on a sequential quarter basis, expenses declined \$0.3 million. Please turn to Slide 12. This puts together consolidated operating income on a segment basis. Please turn to Slide 13. We have a couple of slides coming up that discuss free cash flow and adjusted EBITDA, which is on a non-GAAP basis. And at that of that, we wanted to present the closest GAAP equivalent on this slide, which are operating and net income. Please turn to Slide 14 to look at some of our other key metrics. We ended the quarter with cash and cash equivalents of \$20 million. During the second quarter, we used \$1.5 million to buy back shares. Second quarter free cash flow was \$8.8 million or 12% of revenues. Adjusted EBITDA was \$17.2 million or 24% of revenues. Recent free cash flow and adjusted EBITDA conversion rates reflect the combination of lower percentage of service revenue and higher costs.

Please turn to Slide 15 to review our debt metrics. Debt as of March 31 declined \$2.2 million from December 31 due to scheduled paydowns. The weighted average interest rate remained at 6.61%. Total occupancy costs at 8% decline on a sequential quarter basis. At 2.99 times debt-to-trailing 12-month adjusted EBITDA inched up just a bit, but continues to be in our comfort level of less than 3. Occupancy costs and debt to adjusted EBITDA reflect the fact that we were developing a number of projects as they open and we begin generating revenue and EBITDA, both metrics should improve. Debt maturities continue to remain reasonable and manageable. Please turn to Slide 16 for our debt pie chart. We continue to pay down all slices of our debt. The percentage share of the difference license remain largely the same as the first quarter. As Eric mentioned, subsequent to the quarter, we completed our \$20 million cash out bank loan. Now let me turn the presentation back to Eric.

Eric Langan

Thank you, Bradley. I want to reiterate -- I'm sorry, please turn to Slide 17. I want to reiterate that everything we do is centered around our capital allocation strategy. We employ three different approaches subject to whether there is compelling rationale to do otherwise. Mainly mergers and acquisitions, organic growth and buying back shares when the yield on free cash flow per share is more than 10%. Since refocusing myself on Bombshells in mid-February, I am starting to have our teams question everything like we did in 2016. This has caused us to rebrand some club locations, and we are currently evaluating several of our nonincome and underperforming assets. We are doing performance reviews throughout our operations to ensure we are getting ROI from our team members and making sure we are awarding those members probably for great performance and fixing or removing others. We had a little complacent during the post covid times when times are easy, and I believe we must return our focus on the basics of our capital allocation strategy. Please turn to Slide 18. We continue to make progress with new projects since our April 9 call. We have received our liquor license for XTC Dallas, which is being renamed and repositioned as Dallas Show Club. We received our liquor license for the planned conversion of BYOB club in Harlingen, Texas into a Chicas Locas Liquor club, this should open this quarter. We also farmed up our plans to open Rick's Cabaret Steakhouse in Central City without gaining in our fourth quarter. Please turn to Slide 19. By sticking to our capital allocation since the end of fiscal 2015, we have generated compound annual growth rates of 10.2% for total revenues, 12.1% for adjusted EBITDA and 17.2% for free cash flow. We also reduced our fully diluted share count even after shares issued for acquisitions. I'd like to say thanks to our local and dedicated teams for all their hard work and efforts and all our shareholders who believe in us and make our success possible. Now here's Mark to start the Q&A session.

Question-and-Answer Session

A - Mark Moran

Thank you, Eric, and Bradley [Operator Instructions]. To start things off, we'd like to take questions from Rick's analysts and then some of its largest shareholders. First up, we have Scott Buck of HC Wainwright.

Scott Buck

Bradley, apologies if I missed it, but could you give a little color on what the increase in other charges was in the income statement this quarter?

Bradley Chhay

You're talking about the impairment. We had \$8 million worth of impairment charge.

Scott Buck

And then just I was hoping we could get a bit of an update on M&A. The call a quarter ago, it sounded like you guys were close to announcing something. I don't remember seeing it. Kind of curious what -- if there's a hold up or if the situation has changed there?

Eric Langan

Basically, we had two LOIs. We have told one and the other one is in kind of a negotiation lock at the moment due to the potential of unknown liabilities and the indemnification clauses that the company would require of the seller. I don't know if that's going to move forward or not at this time. I wouldn't say it's very promising. We are looking at several other acquisitions right now as well, though. And I think eventually, these people will figure it out and come back to us because no one is going to buy known liabilities from anyone. So they're going to have to figure that out. And unfortunately, the way the licensing works in that particular market, their existing corporation has to be bought in order to keep the license valid. So we'll see if that one goes on. I'm looking at other locations around the country. And I think you're at some point here, I'd say sellers are getting more reasonable. Now we just got to get some of the terms worked out with cash and carry of notes and whatnot. So we'll figure that out shortly.

Scott Buck

And second, I was wondering, we're about halfway through the second quarter now, I mean, second calendar quarter anyway. Curious if you could give us a little update on the trends you're seeing. I'm guessing it probably looks fairly similar to the first quarter or the first calendar quarter?

Eric Langan

Well, April January, which was very important to me, we now need a May to beat March and then our June numbers to beat February so that we can be up sequentially on the quarter. The first week of May was very well. I don't know if you follow sports, but for those that do, you should know that we have four NHL teams and four NBA teams that are all in playoff modes right now. We've got some great games out there, being a lot of traveling customers from our markets to our markets, for example, in Colorado right now. We have the Dallas stars playing the Avalanche. So we're getting Colorado fans in Dallas and Dallas fans in Colorado, which is great for us. We have clubs in both markets as well as the Denver Nuggets and the Timberwolves, plan in Colorado and Minnesota. So our Colorado locations are basically doing very well from both the NHL and the NBA. And so it's Dallas because you have the Mavericks as well. So the mix and the ranges are both in. So we get hockey and basketball in New York, which has been great for New York as well. And then of course, we have the Panthers down in Florida. So all in all, very solid sports lineup. Last year, Mother's Day weekend was very weak weekend, one of the weakest of the quarter. This year, I think we should have much better Mother's Day weekend because we basically have 4 games that will affect us between hockey and basketball basically starting tonight all the way through Monday, I believe. So very excited about that.

Scott Buck

And then last, if there's any update you can give us on timing in Central City, that would be helpful.

Eric Langan

Well, timing is just unknown. Other than we're going to do everything we can do to get the club open in this quarter. So we'll have the club and the steakhouse will be opened in this quarter. I've gotten some news from gaming, where they've requested a very large amount of money to continue our investigation through a third party and gave us a very long time line from where we are today. And I'm currently basically evaluating that time line with our new refocus on capital allocation, doing a lot of math right now and calculating whether or not we want to even continue to focus on that at all or take our money and energy and focus instead of casino operations back us back on our core business. If so, we would probably divest a property or 2 of the properties, obviously, we'll keep the Rick's location and the Steakhouse up there, but we may end up with actually withdrawing the gaming license at some point instead of paying all this money for the investigation and waiting the time line they want, I just don't know yet. When I know we'll get that information out, that's what decision has been made. But there's just a lot of new information that's coming in in the last week or so, and we're evaluating all of that at this time, and we'll have a better understanding where we're going with that as we move forward.

Mark Moran

Next up, we have Anthony of Sidoti.

Anthony Lebieczinski

So first, as far as the quarter, your services revenue were down a little over 8%. Can you share more details in regards to this decline? And what is your strategy to improve services as a proportion of your revenue mix?

Eric Langan

I can nail it right on the head for you. About \$1.3 million of XTC and Dallas, as some people are aware and some are Dallas pass the new city ordinances, it's in current litigation. Forcing us to close the club at 2:00. That was a major after-hours club. Did most of its revenue between hours of 2 and 5 a.m. We have rebranded that to the Dallas Show Club now or in the process of our liquor license in. We are -- we have continued operations, I think we will close 1 night as we converted from BYOB into liquor. The rest of the conversion will happen as we're open. That's a big part of it. And then the rest is, of course, Miami's service revenues last year were much, much higher than they have been this year. And that's the majority of it. Obviously, there's a little bits here and there. There are success stories in some markets like New York and Minnesota and there's other clubs that are declining a little but most of those offsets. The major part of it was the XTC Dallas and the Miami clubs.

Anthony Lebie dzinski

And then what were the main factors that drove the sequential margin gains at the Bombshells -- and do you think that's sustainable?

Eric Langan

Well, my goal with Bombshells is to return us to \$60 million of revenue with 15% margins, which would put us about \$9 million in operating income on an annualized basis. At this point, we will probably work very hard at strategic options with that asset, whether it's a partnership, whether it's selling the assets outright, whether it's selling part of the assets or bringing in partners to expand the process at that time once we prove we can return it to those numbers. I think that's a six month process from now, at least I hope so. I think the 15% margins are maybe doable earlier. The revenues being a little more difficult because while part of it has been management issues, the other part of it is the economy and people are just not spending as much and not drinking as much. Yes, I believe that we will have that corrected. I think we've made some major changes. We've get lowered our cost. We've changed out a lot of the management teams in certain club or certain stores in certain markets. And we've been doing some hiring. We still have about three spots that we need to find the right people for, but the people that we're bringing in are motivated and excited to be part of our team. And I think that the concept is definitely head in the right direction.

Anthony Lebie dzinski

And then you also have fed a number of projects in the pipeline. So as you're looking to open the Rick's Cabaret and Steak...

Mark Moran

Anthony, you're on mute.

Anthony Lebie dzinski

So as I started saying, so you guys have a quite a number of projects in the pipeline, but I just wanted to focus more on the plans for the Central City location. So you are planning to open the Rick's Cabaret Steakhouse in 4Q, even if there is no gaming. So how should we think about the revenue contribution once that's up and running? And then if you do get gaming there, what could that contribute to revenue if you go ahead? I know there is uncertainty with that, but just hypothetically speaking, how should we think about that.

Eric Langan

I have not thought about the gaming at all anymore. My focus is on the club itself, I would like to -- I think the club can open up in the \$100,000 per week range, which was about \$5 million annual. We run our 40% margins. We make about \$2 million a year out of it. I'm only opening four days a week to start as we build up our clientele base and our entertainer base in that market, and we opened seven days a week, I think we can grow that to somewhere between \$8 million and \$10 million annually at 40% margins. So that's my focus right now. Like I said, with the gaming, I'm weighing a lot of things right now to see what makes sense or doesn't make sense for us as a company. I can tell you that from what we're being told, we're 18 months to two years away at a minimum. There are two other licenses that have been applied for in Central City they're now crossing the three year mark with without denial or approval. And so I just -- like I said, we've got a lot of information that's coming in the last week or so. We're going to weigh that out and probably within the next two weeks, maybe three weeks, we will have a plan of action, and we will let everyone know what our plan is there. To me, it's not really relevant or material to earnings this year or next year, obviously, if it's 18 to two years away -- 18 months years away, so we're going to focus on what we do know.

What we do know is we can open that club and the steakhouse and I think we'll do very well in that market with it. And we're going to continue to rebrand some of the cheapest -- some of the BYOB locations in the Chicos so that we don't face anything like we did in Dallas in the last 6 months. We're just getting ahead of everything just in case the loss don't change. And we think these underperforming assets and some of the BYOB are underperforming, and they will be much better under the new branded concept. So that's kind of where our focus is. I think we've got to -- one thing I'll say about being happy to focus on Bombshells for the last 2.5 months is that it's really brought the team, especially upper management focus back to what are we really doing? What is our cap lock to station I don't know. I guess really putting microscope to the existing assets. And that's why you've seen us change. I mean we've had 4 clubs now that we're going to close and rebrand I think that's going to be a big increase as we move forward to the end of this year. We've got the three Bombshells coming online by the end of this year as well, I believe, as well as sometime in the first quarter of fiscal '25. I think we can get the Baby Dolls the West location open. And then we have no more drag.

I mean to put it simply, we've had so much track. We've got to get rid of this drag. We've got to get focused on much quicker ROI that we get from acquisitions versus trying to build these new locations. I mean, I guess it was -- I think it's a great theory, and I think it was working, but the systems broke right now because governments just take forever, building permits taking forever, inspections take forever and it's adding six months' time, well when interest rates were 4% and 5%, that extra six months didn't cost us very much. But now the interest rates are 8.5%, 9.5% for corporate money, it's just -- the carrying costs become too much. And so we have to reevaluate that. We have to run all these -- we have to go back and do all the quick great math over again. And that's what we're in the process of doing, and you'll see us through the rest of this quarter. And I plan to have everything lined out in the next 6 months, which gets us everything on track running into fiscal 2025.

Anthony Lebiezinski

And then so as you rebrand some of the clubs, I mean, what's your expectation as to the lift in sales that you will get after you do such a rebranding?

Eric Langan

Liquor clubs tend to run -- some liquor clubs tend to run, obviously, more sales in the BYOB clubs. I'm assuming we can get those high enough that we'll also have better total margins. The margin rate may be about the same, but because the revenues are higher, obviously, the bottom line should be higher. We've ran some models, but we've really only converted one club so far. So in the course of the [Technical Difficulty] -- as we do El Paso and Harlingen and the FCC Dallas that's now been converted as of last week, I'll probably be able to give you more color on that as we get into the next call.

Mark Moran

Next up, we're going to have Rob McGuire of Granite Research.

Rob McGuire

So Eric, you've discussed what's happening or avoiding what happen in Dallas again. But if you move from a BYOB to a liquor club, do you work with the different total regulators?

Eric Langan

Well, you have alcohol, the TBC and Texas becomes a new regulator for, yes.

Rob McGuire

In general, do you find that, that creates an easier environment or you just -- I'm wondering if you could elaborate a little further about the strategy helping you avoid what happening with XTC.

Eric Langan

It's just irrelevant. They come in with time place manner and decided that all the clubs in Dallas seemed to close at 2:00 if they have an adult entertainment license I believe it's unconstitutional. If you close me, you need to close every business. So far, the judge has disagreed with us or they agreed with us, then they disagreed with us. And so now we're going back and forth with this. The litigation will take too long for us to sit there with that club, not making any money. And so we just converted it and to avoid that in other markets, not every market because some of BYOB because are still very successful, and we'll just take the chance on those. And what I consider the underperforming markets where we ran analysis like Harlingen, El Paso and Abilene as we believe that we will do much better. These clubs have been around since early 2000s. And some of the areas have changed, the market has changed and the club stayed the same. And so we've gone in and said, look, we believe these particular locations will do much better under this new concept that we acquired before we acquired the Duncan Burch's acquisition, we didn't have this concept. But now that we have this concept, we're able to take it and run its numbers and its demographics and against some of our BYOB clubs in those three particular clubs, especially Harlingen and El Paso and even the XTC in Dallas, I think we do very, very well with this new console.

Rob McGuire

And then with regards to the economic uncertainty, you talked about in the last call how you're starting to discount on Monday and Wednesday nights. Are you seeing an uplift in terms of traffic on that or in general, could you just comment about what you're seeing that's working in the clubs as you adjust in this environment?

Eric Langan

I mean running specials are helping for sure. Sports is helping tremendously right now. So that's been a big plus for us in this quarter and last quarter -- or I mean, this month and last month. We will see how that runs out through June being on who makes finals. Obviously, we end parties, PIP parties, just getting our teams much more involved and much less complacent, I think, is really helping. As you're trugging along, you don't realize sometimes that you get complacent. We hired some new management in the clubs as well as the Bombshells, and we're seeing results from that. So it's a lot of just getting everybody back on track. We're turning back to the basics. And that's what got me thinking. As we return to the basics and the restaurants, return basis in the clubs, I thought to myself, well, are we returning to the basics at a corporate level? And what are the basics at the corporate level? And I said, well, let's go back to 2015 and '16 when we adopted this capital allocation strategy and let's reevaluate our assets like its 2015 again. it was highly successful for us. It worked very, very well. And well, I think we've stayed true to the capital allocation strategy. I think we got a little complacent on existing assets, existing team members. And it was easy. We were making lots of money in '21 and '22. '23 was kind of a wake-up cost for us. And as we moved into the last quarter, especially with Bombshells, it kind of became a wake-up call, and then we've seen some decline in same-store sales at the club levels. And I say, we got to cut this off immediately at the club level. We can't go on as long as we did at Bombshells. And so that's where we're at today.

Mark Moran

[Operator Instructions] Next up, we'll have Steve Martin.

Steven Martin

So most of my questions have been addressed. What are you seeing from the competition? And do you think you're outperforming the competition on the club side?

Eric Langan

On the club side, in most of our markets where we're number one or number two, we are definitely outperforming our competition. We do have some lower brand clubs in certain markets that are probably similar to our competition. I talked to other club owners. I think overall, we're seeing 15% to 30% decline, probably an average of 20% declines from their peaks in '21, '22 and off again, down in '23 and now they're down again in '24 so far. It's a struggle for the mid-level consumer. The majority of clubs cater to that mid-level consumer. So I think it's just one of those things we're going to work through over the next few months. And it's not that we're -- I think a lot of the misunderstanding because I hear people -- especially in 2009 when everybody talked about us going out of business when we were still making \$6 million. We're still making \$60 million to \$50 million, right? It's not like we're not making a ton of money still. We're not going out of business. It's just we're not making the same type of easy revenue and easy money that we made in '21 and '22 when there was just tons of free money, and we were the -- and in '21, we were some of the only clubs open. Our only business is opened in '22. There was just so much free money left out there. Things tightened up, interest rates went up, the consumers being squeezed in multiple places with inflation. We're seeing wage inflation ourselves. And so it's changed and we've had to adopt to that and change with it.

Steven Martin

And you've put in a lot of cost containment measures. How long do you think that's going to take for those to show through into the earnings?

Eric Langan

Well, I mean I think you're seeing some of it right now because our revenues were down, but our EBITDA adjusted EBIT is not down as much, I think, on a same-store sales basis. And I think -- so we think we're seeing some of that. We made a decision about 1.5 weeks ago as we got through the end of April. And said, we're cutting off all future project costs that we -- that are controllable costs. We can't give it of carrying cost interest on that, but we're not going to hire any new employees. We're not going to continue the management training or any kind of training the -- through these new concepts until the day they're complete. So when we have a direct opening date, then we'll start all that. And then we'll carry those costs. But we're not going to have any preopening costs that we carry for -- we think we're going to open in three months, but it takes nine. So we end up carrying those costs for nine months. I said we're just going to wait from now on. If it takes us an extra month or two to get open. It cost me very little to have a store set they're ready to open and not open because they don't have the staff, then it costs me to carry that staff for nine or 10 months. And so we've cut all of that type of stuff. I mean, this is all going back to the capital strain strategy where we're not making any investment until we know exactly what the ROI is on it.

Mark Moran

Next up, we'll have Orchid Wealth. Orchid Wealth, I think you're on mute still.

Unidentified Analyst

Obviously, the main thing that I'm focusing on right now is just with the environment that you're in, have you noticed any significant impact from people calling you and are they still holding on to their prices or these people open to negotiation.

Eric Langan

We've been negotiating price pretty well. A lot of it right now has been terms and uncertainty. And people have been trying to hold on to their '21, '22 deals, but now they've got to '23, we're in '24. And I think people are starting to wake up to that '21 and '22 was kind of a fluke. There was, like I said, just a lot of free money out there and people are coming out of COVID and a lot of business is closed, things are normalizing. I mean, who would think we'd be thinking of normalization five years later, but that's really where we're at. I mean it was unprecedented to close so many businesses are closed down the country at one time like that. And then for such a long period of time when it was supposed to be two weeks. And so I just think there's been a lot of adjustment going on. We're getting back to that normalization. And like I said, I think a lot of -- I don't think it's just us. I think a lot of companies, a lot of people got complacent. I was talking with Mark today when I came into his office here in New York City. And I think last time we were here, there were 15 people in this office at most. And most of the time, we come over here, there'll be eight or nine. And I said, "You guys got 35, 45 people here, what's going on?" Everybody's back to work. And we're seeing that in our numbers in New York City as well as the clubs. So I think like I said, I think this is going to return back to normal. And I don't know what that means just yet, but I do know that we'll be staying on top and staying ahead of it instead of playing catch-up like we've done in 2023.

Unidentified Analyst

And my assumption is when I roll -- take out the numbers for all of the years, previous years before the, let's call it, the COVID bump. I kind of feel like you guys are still on trend line from what you were for the previous five years of what you had been doing. And just in terms of overall just you're growing -- you have this like we kind of have like a heat wave, you sell a lot of ice cream and you get back to normal temperatures, you're going to sell about a certain historical number of ice cream. I mean I'm assuming things are along those lines or are you noticing anything different?

Eric Langan

When we compare to '18 and '19, we're in pretty good shape. I mean, you have certain markets. Minnesota was dragging for a while, but I mean they not only had COVID, you had the Gergely issue up there, you have major changes in that market that had affected it for a while. But the TW are breathing life into downtown again. I'm seeing numbers that we hadn't seen in Rick's, Minneapolis in a long time. The Savill club is doing much better. So I'm optimistic that, that market is going to finally turn. New York is turning as people return back to the offices. So I'm very optimistic there. The biggest problem we have is Florida was just incredible, right? I mean you took to never -- the highest year ever was \$26.8 million or \$26.6 million in '18 or '19. And then in 2022, they did \$39.6 million gross. And then I think last year, 35 and change or 30 change. So that's a \$5 million change is a big swing on a quarterly basis for same-store sales.

Unidentified Analyst

When it comes to buybacks right now, obviously, you guys have your chart for when you should be aggressive or not. But obviously, with the influx of the cash that you're going to have on the balance sheet and stuff. It's -- I mean, because it sounds like you're not in any negotiations or anything close by where you're going to be doing any big deals at least at the present moment. Are you prepared to be aggressive and get back to those 130,000 shares that you put out at \$80 close to two years ago?

Eric Langan

I'm being thinking a little more aggressive terms on that. I would like to get us back under 9 million shares total outstanding. So I'd like to buy back a little over 300,000 shares at some price here depending on what the market opportunity is for us. I don't know when I that aggressively -- we closed the loan on made can remind what best -- today is Thursday, we closed on Tuesday, Bradley -- or 8K went out, whenever the 8K went out -- we closed last week, I can tell you that. I thought about getting pretty aggressive. I decided that after talking with our attorneys that I should wait until after this call, make sure all the relevant data is out there. Now with the casinos kind of in limbo, we'll probably stick to a -- for at least the next two weeks, we'll probably stick to a more moderate buyback if we start buying back stock. We may not -- I don't know. We may buy maximum under safe harbor. I can tell you we probably will never buy over a safe harbor amount in a single day. We will stick to the SEC safe harbor provision for our buybacks.

Unidentified Analyst

And what's that number approximately?

Eric Langan

25% of the average daily volume management so long as I had to worry about it because we actually we used to use a little local stock broker. Now we actually use an investment bank to do our buybacks. 25% of the average daily volume over a 25-day period. 30-day period or some 10 days, I don't know.

Unidentified Analyst

It's like 8,000 to 10,000 shares is what you could take to.

Eric Langan

I think it's a little higher than that, but I'd have to get to -- I mean I can ask I mean, it comes up to 14,000 shares, I think, last time I looked.

Unidentified Analyst

But you have more than enough cash to take back \$130,000.

Eric Langan

I mean we're setting out \$45 million in cash now will be closed the loan. I mean used the whole \$20 million to buy back stock. I well, I can use 13 of it -- so the Board would have approved for me to go over that amount. But yes, I mean we could do that. We'll see what the stock does. I just -- obviously, when it's super cheap, I get very aggressive. We've seen that before. And when it's -- at these prices, \$100,000 a day or \$200,000 a day I don't consider that too aggressive. I consider that just a nice casual buyback or cost average in and out, and we bought some stock at 48. We buy some stock at 56. It all was out in the wash for us. And over the long run, over a five year period, it won't matter -- when we bought it [Technical Difficulty] price and it will be five years from now.

Unidentified Analyst

Well, I mean, you got two deals. You got shares at 80, you got shares at 60. So anything right now is net return on cash.

Eric Langan

Next 300,000 shares -- under 60, we're benefiting, right? I mean we bought real assets. The bought real estate, we bought cash flow. Both of those acquisitions are performing much better than they were on the price that we bought them on. So I mean you see the Duncan Burch changes of 23% increased revenues, margins up to 32%. I mean, that's a big change from where we bought it at 1.5 years ago, a year ago, right.

Unidentified Analyst

And then with like, obviously, over the last number of years here, you guys obviously have a huge amount of real estate portfolio right now. I'm assuming like on a lot of these things, when you did with the Bombshells, you had ancillary property and stuff. Do you still have parcels and stuff that you can sell off? And like what possibly could you sell off in terms of just land or places next to the clubs that could -- that doesn't do you any good, it'd be worth selling...

Eric Langan

On a cost base -- on a cost basis, about \$4 million on a cost basis. On a market basis, we have one property that we just turned down \$9 million for I believe it's worth.

Unidentified Analyst

And what did you pay for that?

Eric Langan

\$2.15 million about four years ago maybe. We've got -- basically, we have three parcels of land left. The Aurora property that we recently bought for Bombshells that we're not going to develop is Bombshells that property is up for sale. I expect to have a contract on that hopefully in the next 2 weeks, according to the broker that output on that. I said, I turned on \$9 million for our property in the Houston, Texas area. It's about 19 acres. I believe the property is worth about \$30 a foot if we got prime price for it. But in this market today, probably closer to \$14 a foot, which would be around \$12 million, \$14 million. I know I think the price we got offered for it was closer to \$10 a foot. If somebody came in at \$12 a foot today, I'd probably just take it and walk Friday was a fast closing. I talked about broker pretty regulators a lot of -- it's the largest contingent piece of land within about a 5-mile radius at an intersection of two major highways. There's a big giant Bass Pro shop on the opposite corner. It is a prime piece of real estate today. It wasn't when we bought it because it was zoned for in a special use zone. I petitioned the city about 1 year, 1.5 years ago to rezone that property into basically C1 commercial, which is basically any viable commercial use.

So that probably -- and that's where the value was created is when we changed the zone, and that probably became very valuable. And if all the other large pieces around us got bought up because we had originally planned to develop that property into basically a mini industrial park, light industrial park, and then, of course, I got a look, RCI really in the development business, let's just sell this property, and so started shopping it out there to sell it. So we'll get it sold, I think, at some point in the next -- the next six months really. I'd like to get everything -- I'd like to really -- or we're actually four months now because I'd like to get everything lined up by October 1, 2024 or 2024 to our fiscal 2025 and get everything back in line with our K strategy like we did in 2016 and '17.

Unidentified Analyst

And I'm assuming anything that you're buying at these current levels is meeting your capital allocation strategy?

Eric Langan

I think everything we bought period is met our capital allocation strategy. I don't think we have anything invested. I think some mistake, if we made any mistake was estimation of time to open. And so therefore, the carrying costs are increasing. And I think we'll still be I think we'll be within our capital case strategy with additional carrying costs on everything except for maybe these casino ropes because this time line is getting crazy. So we've got to weigh that math still. But on everything else, the Bombshells properties, unit, we hope six month, maybe the return on investment is 25% instead of 45%, but I still think the return on investment will be very fine. Cash on cash wise, we'll still fall within the ranges of our capital allocation strategy.

Unidentified Analyst

We can't buy clubs by stock.

Mark Moran

Thank you very much, Eric and Bradley as well as all those who ask questions. For those who joined us late, you can meet management tonight at 7:00 at Rick's Cabaret New York, one of RCI's top revenue-generating clubs. Rick's is at 50 West 33rd Street between Fifth ab and Broadway a little in from Herald Square. If you have an RSVPed, ask for Eric or me at the door. On behalf of Eric, Bradley, the company and our subsidiaries, thank you, and have a good night. As always, please visit one of our clubs or restaurants and have a great time.

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