Trading Under the Symbol: ISDR

Transcript of
RCI Hospitality Holdings, Inc.
4Q19 & FY19 Earnings Call and Webcast
February 13, 2020

Participants

Gary Fishman – Investor Relations
Eric Langan – President and Chief Executive Officer
Phillip Marshall – Chief Financial Officer
Bradley Chhay – Comptroller

Analysts

Marco Rodriguez – Stonegate Capital Partners
Darren McCammon – Cash Flow Kingdom
Yaron Naymark – 1 Main Capital
Adam Mikkelson – Cooper Capital
Steven Martin – Slater Capital

Presentation

Operator
Greetings, and welcome to RCI Hospitality Holdings conference call and webcast. At this time, all participants are in a listen-only mode. A question and answer session will follow the formal presentation. [Operator Instructions]. As a reminder, this conference is being recorded.

It is now my pleasure to introduce Gary Fishman, who handles Investor Relations for RCI. Please go ahead, sir.

Gary Fishman – Investor Relations
Thank you. For those of you listening to this call on the phone, you can find our presentation on the RCI website. Click Company Investor information just under the RCI logo. That will take you to the Company and Investor info page. Scroll down a little, and you'll find all the necessary links for this call.

Please turn to slide 2. I want to remind everybody of our Safe Harbor statement. It's posted at the beginning of our conference call presentation. It reminds you that you may hear or see forward-looking statements that involve risks and uncertainties. I urge you to read it. Actual results may differ materially from those currently anticipated. We disclaim any obligation to update information disclosed in this call as a result of developments that occur afterwards.

Please turn to slide 3. I also direct you to the explanation of non-GAAP measurements that we use and are included in our presentation and news release.

Please turn to slide 4. Here are comparable GAPP versions of four charts and tables that we'll be using in today's presentation.

Finally, investors can meet management tonight at Rick's Cabaret New York from six p.m. to eight p.m. The address is 50 West 33rd Street between 5th and Broadway. Ask for me at the coat check.

Now I'm pleased to introduce Eric Langan, President and CEO of RCI Hospitality. Eric?

Eric Langan – President and Chief Executive Officer

Thanks, Gary. Thanks for joining us today. Also, on the call is our CFO, Phil Marshall, and our Comptroller, Bradley Chhay. Before we start the call, I'd like to thank our staff for their hard work and effort they put in to make fiscal 2019 a great year. I'd especially like to thank our financial team and our new auditors for the long hours they worked including nights and weekends to get our filing done, and all our shareholders who have continued to believe in us.

Please turn to slide 5. After the market closed, we filed our 10-K as we had expected to do in February. We reported $181.1 million in total revenue for fiscal 2019. That's up 9.2% year over year and right in line with what we indicated in December. We reported free cash flow of $33.3 million. That's up 43.3% year over year. EPS for the year came in at $1.99 GAAP and $2.31 non-GAAP. For the quarter, it came in at $0.05 GAAP and $0.48 non-GAAP. We had fiscal '17 and fiscal '18 reaudited in conjunction with the fiscal '19 audit. Our auditors issued an unqualified opinion for those financial statements. We also resolved four out of five internal control issues and are now preparing our first quarter 10-Q for filing later this month.

Looking ahead, we anticipate a strong fiscal '20. We already reported total club and restaurant sales were up 10% in the first quarter. In the second quarter, many of our clubs benefited from added business associated with the big MMA fight in January. Our two South Florida clubs benefited from additional business associated with the pro-football championship in February. We look forward to a good college basketball championship March in New York and Houston, and we continue to expect to close our Northeast Corridor acquisition this quarter. The new Bombshells are doing well, and that includes our newest, which opened in January, and we expect same-store sales and margins to continue to rebound. In addition, we have about $6.7 million in excess properties under contract to sell and even more that we are in the process of marketing.

Please turn to slide 6. Nightclub segment sales were up almost 6% due to our Pittsburgh and Chicago acquisitions. We also had some same-store sale growth on top of a very strong fiscal 2018. Bombshells total sales were up close to 28%. New units more than offset same-store sale declines during the first nine months. GAAP operating profit increased $7 million. This was due to improved performance in Nightclubs and Bombshells and lower other charges. This was partially offset by higher Bombshells pre-opening costs and higher audit and related legal costs. On a non-GAAP basis, operating profit increased about $1 million. The key factor was the improved performance in Nightclubs.

Turning to slide 7 for our fourth quarter results, the key thing I'd like to point out is the rebound of Bombshells same-store sales at 19.4% year over year and segment operating margins at 9.3% non-GAAP, versus 3.3% a year ago.

Turning to slide 8, as part of our efforts to sell off excess assets, we generated total proceeds of more than $8 million in 2019, most of it in cash. We used that to pay down $5.2 million in related debt and record $2.9 million in gains. As I mentioned earlier, we have approximately $6.7 million in three excess properties under contract to sell, and we have five remaining properties with about $9 million in market value that we plan to either sell or lease. When we close on them, this should conclude the effort we started a few years ago to monetize all of our excess assets and the excess property we bought around some of our new Bombshells.

Please turn to slide 9. We're pleased with what we have been seeing in the Nightclubs and the turnaround that is beginning to happen with Bombshells. We still must work on corporate costs to get the operating leverage we had anticipated several years ago. That was when we installed our new enterprise resource planning or ERP system. We should begin to see some progress on this front in the second half of fiscal ’20. That’s when auditing and related legal costs should begin to fall on a year-over-year basis.

Please turn to slide 10. I’ve covered most of this already, but regarding acquisitions for fiscal ’20, we are focused on closing and then integrating our Northeast Corridor acquisition. We’ve seen a few club opportunities that look promising, but the club and the deal must fit our well-established parameters to make it attractive enough for us to pursue.

Please turn to slide 11. I’m pleased to report that with the opening of Bombshells 59 in late January, we have completed our three-year plan to open six new locations in greater Houston; giving us a total of eight stores in and around the city. As you can see from this map, we have four locations in the populous areas between the inner and outer loops and four locations in the fastest growing suburbs. All our stores have a good 20 minutes of freeway driving time between them.

Turning to slide 12, in addition to what we’ve accomplished in Houston, we have also remodeled our first Bombshells in Dallas, giving it more of today’s refined look and feel and more square footage. Based on the 10 locations we now have, we continue to believe Bombshells should have annualized revenue run rate in the $40 million to $50 million range by the end of fiscal ’20. Our internal target is margins in the 18% to 21% range. As we sell our lease out excess property around some of our newer Bombshells, that should generate additional increases in store traffic as the property is developed. We haven’t currently picked out any new locations, and we are waiting to build-up our management teams after opening six locations in such a short time. We want to evaluate the ROI on our investments as well.

Please turn to slide 13. We ended fiscal 2019 with $14 million in cash on hand. As I discussed earlier, free cash flow performed well. The conversion rate of 18.4% of revenue compared to 14% the year before we started our focus on free cash flow and capital allocation. That means we generated $0.18 in cash we can use for every $1 we took in. We also outperformed our stated goal of 10% to 15% annual growth of free cash flow per share. We used some of that added cash in fiscal ’19 and the first quarter of fiscal ’20 to reduce our diluted weighted-average shares outstanding more than 4% since fiscal 2018. Altogether since fiscal 2015, we have spent approximately $20 million buying back shares.

Turning to slide 14 for our capital allocation strategy, we are currently operating at a $30 million free cash flow run rate. It represents a 15% increase from our target rate of $26 million in fiscal 2019; 15% growth being more in line with our stated free cash flow goals. As a result, we’ve calculated our free cash flow yield graph to show $30 million against our current 9,258,000 share count. Our breakeven price point between buying back shares and focusing all our excess cash on expansion is now about $32. In other words, based on where we are today, we would be comfortable buying back shares up to $32. To further that effort, we announced on Monday that our Board of Directors, based on our Q1 ’20 financial performance, authorized the repurchase of an additional $10 million of common stock. That brings our total available funds to approximately $13.8 million, and that includes the funds remaining from the previous authorization.

Long-term debt is on slide 15. Even with the acquisition of clubs in Pittsburgh and Chicago and our buildout of new Bombshells, long-term debt was down $3.1 million from June 30th and up only $2.6 million from September 30, 2018. Please note that going forward due to new accounting regulations, we have to capitalize leases and present them as long-term debt. That will start in the first fiscal quarter of 2020.

Please turn to slide 16. As we mentioned on the last call, our Centennial Bank amortization drops $8 million in fiscal ’20. This gives us plenty of room for the new $11 million unsecured Centennial loan that we anticipate using for the Northeast Corridor acquisition; making that a 100% financed acquisition. Looking at the three major metrics we use to monitor debt, our maturity schedule continues to be manageable. Total long-term debt to adjusted EBITDA fell to 3.1 times at September 30, 2019 from a high of 3.38 times on December 31, 2018. Occupancy costs for fiscal '19 were 7.8 %, up a minor amount for the year before mainly due to interest expense on two new Bombshells that were substantially complete but didn't open until fiscal '20.

Please turn to slide 17. Going forward, we continue to be focused on running the business. Looking at Nightclubs, our priorities are continuing to improve operations, finalizing and then integrating our Northeast Corridor acquisition, and ensuring that any acquisition opportunities fit our parameters. Regarding Bombshells, our priorities are guiding all the new locations to ensure their success and continuing to grow thanks to our sales and margins at our older units. In terms of asset management, we would like to close on all our pending opportunities. And we continue to be focused, and we have the financial strength to grow free cash flow per share at least 10% to 15% per share through a combination of buying back shares, buying the right clubs in the right markets, and of course internal growth. Now that we have filed our 10-K, we are focused on filing our first quarter 10-Q later this month. With a regard to that, I'm pleased to report the Audit Committee has appointed Friedman LLP as the company's independent registered public accounting firm for fiscal 2020.

Operator, let's start the Q&A, and as always, I'm happy to talk about all aspects of the business, but I'd appreciate if you'd understand I'm limited in what I can say when it comes to certain legal matters.

Operator
Thank you. [Operator instructions]. Our first question comes from Marco Rodriguez with Stonegate Capital Partners. Please go ahead.

Q: Good afternoon. Thanks for taking my questions. I was wondering if you could start off on the nightclubs. When you were wrapping up here in your prepared comments you were talking about improving operations there for the existing clubs, maybe if you can provide a little extra color as far as what improvements you're looking at, and are those improvements revenue-generating type improvements, or are there some sort of operational aspects that might be able to drive margins a little bit higher with the same revenue base?

Eric Langan – President and CEO
It's a little bit of both. Obviously depending on which markets we're in, some markets are more competitive than others. We're working on those things. We're also always working to put more people in more seats. The new St. Louis club after the fire, the remodel, we made some improvements there. We're also looking at some of our, I wouldn't say underperforming clubs, but just clubs that we think can perform a little bit better. The nice thing about our industry is once all the fixed costs are paid, every dollar we do on top of that has very large incremental margins to those dollars, and so that's really what we're focused on as we move forward.

Q: Got it. In terms the acquisition landscape for the nightclub sector, obviously it sounds like the tuck-in acquisitions are a little bit more in your lane at least in the near term. Maybe if you can talk a little bit about the valuations that you see out there right now; anything interesting that might be a little on the front burner versus the back burner in fiscal '20?

Eric Langan – President and Chief Executive Officer
To be honest, we're not out looking for stuff right now; they're coming to us. Sellers are calling us, brokers are calling us, and we're looking at the deals on a deal-by-deal basis and seeing what fits best for us. We're sticking pretty close to our three times EBITDA unless it's a special situation, special license club or limited competition market or very special market where we might expand closer to four times. Like I said, we're just playing it tight right now.

We have our growth in for this fiscal year over last year on our target growth rate of 10% to 15%, so we're not taking big chances, but we're looking, and there's a lot of stuff. I'm really amazed at the amount of stuff we're seeing and people we're talking to right now that are at least kicking the tires. I don't think they're all serious sellers right now, but I think they're kicking the tires trying to evaluate and plan for their futures. So, it's looking very good for us on a go-forward basis.

Q: Very helpful. And then in terms of again the nightclubs, just give us your thoughts here as far as same-store sales expectations as we look into fiscal '20.

Eric Langan – President and Chief Executive Officer
So '20 is going to be a little better than '19, because we have the Super Bowl in Miami this year. We have some other sporting events that I think are going to be pretty good for us including the NBA All-Star game in Chicago which is going to help that location. There are a couple big MMA fights that have happened that I think are helping sales, and hopefully there will be some more of those as well. As we get through the basketball season, we'll see how some of our local teams are doing there for playoffs, but overall, we're very excited about the prospects of 2020 for the clubs.

Q: Got it. And last quick question if I might, on the Bombshell side, just wondering if you could talk a little bit more as far as framing that opportunity there. There's obviously been quite a lot of different strategic direction changes if you will from a potential franchise model to a regional model to just a focus on Texas at the moment, and I understand in your prepared comments you're looking to add some more people, some more headcount to that, just kind of give us your thoughts as far as what you're expecting for that particular business in the fiscal '20; what might be the plans longer term; and then any sort of expectations that you might be able to talk about in terms of same-store sales for Bombshells would be helpful.

Eric Langan – President and Chief Executive Officer
Sure. It's been a learning curve for us with Bombshells. We knew the bar side of the business. We weren't as familiar with the food side of the business. We had some learning curves with our location choosing in the beginning where we did a store in Webster that didn't work out for us as a real location. I think we've learned from all those things. We've been studying and learning the market better. We put the buggy in front of the horse, and we worked on franchising. We started a little too soon.

Now it's the time I think we'll start seeing franchise interest. From what I've seen, most franchises start out when their base companies are between $50 million and $100 million in revenues. I think we're pretty close to that right now, but we may need to add a few more locations maybe in '21 or '22 even to get the franchising really going.

We have been talking with more franchisees than we have in the past, so we're getting more interest as it continues to grow, so that is definitely going to be part of our plan in the future to franchise locations, but I don't think it will stop us from company-owned stores, either. If we can hit the margins that we think we're going to hit and with the bank financing that we're doing, the cash-on-cash returns are just too high on these Bombshells. But we're going to wait.

We're going to prove it all out over probably the next two quarters. You'll see it as we move through the end of March, and then through the June quarter I think we're going to see some pretty impressive numbers coming out of the Bombshells based on the new stores opening and some of the numbers the new stores are doing. We've figured out the prime A locations. We're getting the traffic counts. We're realizing what complimentary other restaurants we like to have around us that basically complement our business and add to our business, and I think we're getting pretty good at it.

I think that will start to show in the numbers as we report our October/December numbers here at the end of this month and then in May when we report the January to March numbers, and then definitely by August I think you're going to see the trends in a much more positive light for the Bombshells.

Q: Got it. Thanks a lot. I really appreciate your time.

Operator
[Operator instructions]. Our next question is from Darren McCammon with Cash Flow Kingdom. Please go ahead.

Q: Hi, guys. You're not going to be able to answer this, but I have to ask it. Anything you can tell us about the SEC investigation?

Eric Langan – President and Chief Executive Officer
We're continuing to cooperate. That's what I can tell you.

Q: Okay.

Eric Langan – President and Chief Executive Officer
It's ongoing. We're continuing to cooperate. We've cooperated from day one, and we'll continue to cooperate.

Q: Fair enough. On your free cash flow guidance, I'm kind of curious why you're using the $30 million for your free cash flow on your buyback chart when you actually did $33 million already.

Eric Langan – President and Chief Executive Officer
We had some tailwinds last year, including some tax benefit from last year that I don't know for sure we're going to have this year. So, what we did — and we're not really giving guidance — what we're telling you is this is our run rate. Currently, the $30 million is our current run rate. Based on all things being the same from today forward, we figure we'll do about $30 million in free cash flow for the year.

As we get more financial data through the first quarter and second quarter that may be subject to change, and at some point we may actually give guidance or a target of some kind, but at this point we're just not in a position really to give any type of target or guidance or anything. We just wanted to make sure that our investors understood our current run rate.

Q: Okay. So, when you say run rate, are you mostly taking Q4 numbers?

Eric Langan – President and Chief Executive Officer
We're taking 2019 numbers and taking our projections for 2020 a little bit with some of the new stores that are opening, and saying all things being equal without the tailwinds, without the tax benefits, the tailwinds from the AP changes in working capital and whatnot that our run rate is about $30 million.

Q: Okay. I saw your SG&A was up about $1.5 million this quarter over last quarter. Is that something I should expect to continue, or is that one time because of audit, etc.?

Eric Langan – President and Chief Executive Officer
I think we'll see a little of it in the first and second quarter of this year, and then it will start declining in the second half of 2020 as we're through with some of the legal expenses regarding the internal investigation, the SEC stuff, the reaudit three years of financials, those types of things. There's a lot of additional legal and accounting costs in our numbers that I think hopefully will start winding down as we get into the second half of the year.

Q: Okay. You gave us $14 million in cash in September. Can you give us an update on that?

Eric Langan – President and Chief Executive Officer
I don't have it today. Sorry.

Q: Can't blame me for trying. The last question is blackout. Are you guys in blackout until you report the December quarter?

Eric Langan – President and Chief Executive Officer
I don't know if we're in "blackout", but we will not be buying any stock in the open market until at least three days after we get our financials out.

Q: So, the December quarter financials?

Eric Langan – President and Chief Executive Officer
Yes, which will be later this month.

Q: Okay. That's all I have. Thanks, guys.

Operator
Our next question is from Yaron Naymark with 1 Main Capital. Please go ahead.

Q: Hi, guys. Congrats on getting the 10-K filed. The first question I have is since you guys are pulling back on some of the Bombshells locations, should we see reported capex this year step down closer to what you'd define as maintenance capex? And if you're run rating $30 million of free cash flow, should we actually see $30 million of cash flow from capex this year if that's the case?

Eric Langan – President and Chief Executive Officer
I think you're going to see the numbers get closer, but keep in mind as we buy new acquisitions some of that investing capex, we may have some investing capex that will go in there. If we were to towards the end of the year buy additional properties or make some additional investment, of course depending on what our stock price is doing, that would affect it, but all things being if we did no expansion, yes, they would be the same number right, because we'd have no investment capex. We'd only have basically stock buybacks, or our cash would continue to build on the balance sheet. Then the two numbers would be the same.

I don't look at investment capex as a cost to the company. That's redeployment of the free cash flow that we generated for the year, and that's why we only use the maintenance capex as a deduction from free cash flow. Because if we did no further investment, the cash would just build up in the company and therefore we've generated that free cash flow, but maintenance capex is money we spent on maintenance or repairs of existing assets. That's why we deduct that from our operating income.

Q: Right. Okay. That makes sense. And then the other question I had was how's the relationship with your new auditor, and given all the changes in technology and procedures you guys have implemented recently, do you feel like you have enough checks in place now to catch any of these future disclosure requirements before they pop in I guess again?

Eric Langan – President and Chief Executive Officer
On the disclosure stuff, absolutely. I mean there were no financial, nothing significantly financial or material on any kind of financial numbers. Our financials have always been solid. Some of the disclosure stuff was we didn't know what we didn't know. We hired what we thought was a Big 6 firm, top firm, that was going to bring us into 2020 and grow with us. Unfortunately, that's not what happened.

I will say with Friedman, they're tough. They're hard, but they're fair, and we've been able to I think create a very good working relationship between their staff and our staff and their management team and our management team. I look forward to getting through fiscal 2020 now and continuing to see the relationship evolve.

We hired a third-party internal review company who really helped us get all our systems in place and put everything to get rid of four out of the five material weaknesses. The remaining material weakness is in financial controls and reporting is because we had some disclosure issues that we missed as you know from the August 8-K. We're still working through most of that. In order to remove a material weakness, you have to have 12 full months of no issues.

So, I'm hoping we get through 2020 with no issues. We do have a chief compliance officer. We have a disclosure committee now that is reviewing multitudes of transactions every quarter to make sure that we don't miss anything going forward. I think we're in a much better shape. We have a much better understanding of what's required. I think that was the biggest thing. We didn't know what we didn't know.

Q: Right. And I guess the last question I have actually is if you guys generate $30 million of free cash flow this year and before all these asset sales you have earmarked and if you end up selling not only the ones you have earmarked but the ones that I guess are for sale now, I mean in theory are you able to deploy — you have some debt amortization payments — but in theory you should be able to deploy either for debt paydown or for growth more than $30 million this year between debt paydown and either buybacks or growth capex. Is that the right way to think about it?

Eric Langan – President and Chief Executive Officer
I'd have to look at everything, but probably closer to the $24 million to $25 million range with the current sales. We do have to paydown debt. Some of the properties have debt against them. We have to pay down some of that debt.

Q: Right, but if you can debt paydown as capital deployment. I mean between debt paydown and growth investments.

Eric Langan – President and Chief Executive Officer
Oh yeah. I think we'd have more than $30 million if you include the debt paydown, yes for sure. We're going to have $30 million plus. You have to remember; all the other stuff shows up below the operating income line on the asset sales. That goes into other, so it's below the line, so that's not really included in our free cash flow numbers.

I know that out of the $6.7 million, one property is owned free and clear, which will net us about $2.16 million in cash. That's scheduled to close March 17th. One of the other properties, there's a small loan on. I know we're going to get some cash. I don't know how much; maybe $400,000 to $600,000. And the other property, I don't remember enough. I know there's a small loan on it as well. I just don't know what's left, because that was a property where we sold one of the pieces already, so I have to see what's left on that loan.

Q: Got it. Perfect. That's all I had. Thank you.

Operator
[Operator instructions]. Our next question is from Adam Mikkelson with Cooper Capital. Please go ahead.

Q: Hi, Eric.

Eric Langan – President and Chief Executive Officer

Hi, Adam.

Q: My question is really just a follow-up to that last one that if you use the proceeds from these asset sales and you have some mandated debt paydown, are you then able to redraw that under your existing bank facilities or your loans? If you're reducing debt, does that then increase your availability for other uses?

Eric Langan – President and Chief Executive Officer
I think certainly. I mean obviously we don't have an actual line of credit so to speak, but we've been able — so far anything we've asked the bank for we've been able to get. We do have some small regional banks in Texas that we basically have paid off in full with some of these refinances. I haven't really looked to borrow money other than when we need it, and so far, we've been able to get money any time we've needed it.

I think that the reality is we're back down to about three times debt to EBITDA. I think the reality is because we own so much of our real estate that as long as we don't go over four times, I think it's pretty safe borrowing for us, especially if we're borrowing to add additional EBITDA. That's kind of where we've — if you look, we went up to about 3.38 and even though that's up a little bit, the ratio is down now, and that's because we were able to add additional EBITDA that's bringing that down.

And as we move into the full year and we have the two new Bombshells contributing — both those Bombshells by the way were our most expensive units to date. They are both very, very prime A, they're probably — they always say the 1% of 1% — I think these are both in the top 10% of the 1% when it comes to locations. Both stores are performing very, very well; two of our best opening stores ever.

I think they're both going to continue to do very, very well. They're both in very, very high traffic areas. One's next to the top location for two other major chains as they're top performing in their chains. I think it's going to be our top performing in the Bombshells chain as well. The newest location that we just opened is on the busiest freeway in Houston in a super busy intersection. There is some construction going on north of us that may affect us for a little while, but it won't matter. It's actually helping us, because we'd be probably too busy at certain times without it right now. Very excited about them.

Q: And so, with this borrowing base, Eric, on this Northeast acquisition where you were able to just have no money down, are you able to go to a variety of banks and get this pricing from them? Do you just go to Centennial and ask them to increase the amount that you're borrowing? How does that work in terms of being able to structure these deals with zero money down?

Eric Langan – President and Chief Executive Officer
As you know, I'm a relationship guy, and we have a great relationship with Centennial. As long as they're fair, and I believe when you start talking about 7% unsecured money and 5.5% 20-year amortizing real estate debt money, that's what we're getting quoted at other banks, so I wouldn't say we didn't officially shop it. I unofficially made some phone calls just to make sure their rates are in line with what I'm being offered from other banks, and they always have been. They're easy for us to work with, because we've done so many deals with them now.

We do have other banks that are interested right now in maybe doing a big refinance package for us. Our next big refinance pack will happen in November of '20 when the Chicago and Pittsburgh properties become two-years old, because we'll probably want to pay those owners off and refinance. Most of the Bombshells will have been operating for between 12 and 24 months, so we'll take all those properties and just combine them all into a single real estate loan like we did back in 2017.

We'll look to see what type of equity we can pull out at that point, which will give us another little war chest for acquisitions or stock buy backs depending on what the stock is doing, and then I think we'll be set again to basically rebuild over the next two years or three years and hopefully be able to reload and do it again.

Q: Great. Thanks. That's all from me.

Operator
Our next question is from Steven Martin with Slater Capital. Please go ahead.

Q: Hi, guys. I know earlier in the call you talked about the Super Bowl and the MMA fights that have occurred. Can you give us some idea of what those mean either to the clubs, the restaurants, or both, and does it matter where they're located or who the home team is or whatever?

Eric Langan – President and Chief Executive Officer
With the MMA, it doesn't matter where the MMA takes place, because people watch it on Pay-Per-View. And with the Pay-Per-View it was big for Bombshells. We show it — I want to say the McGregor fight was shown at 19 locations. I'd have to go back and check to make sure, but it's significant for us. And it's also significant for some of the locations we don't show it at, because they're after-hours clubs, so it wouldn't be any good to show the fight because nobody goes to that club until after the fight is over. But more people were out that night, so clubs get busier because people are already out, so that's been good for us.

With the football championship game, we had what I consider the two best possible teams based on the scenarios out there on fan bases and dollars. Kansas City sells out a 78,000-seat stadium when it's 40 below zero, so those are some dedicated fans. We've seen a nice bump at both Florida clubs; up a considerable amount over the previous year. That will definitely help our February numbers.

Q: Does Bombshells — so Houston didn't make it to the Super Bowl — did Bombshells — because you do have ten restaurants in Texas — did Bombshells see a good bump from the Super Bowl?

Eric Langan – President and Chief Executive Officer
We did from the Super Bowl and from the playoffs and are getting some interest from the XFL right now. Some people are coming in and watching the XFL games for the opening weekend, so that looks promising for us. That will be new revenue that brings people in on Saturdays and Sundays in the afternoons during the off-season that weren't coming last year, so hopefully that will help with our comps as well.

Q: Right. And I guess for the NCAA's, last year you had the finals, and this year you have two of the four regional finals.

Eric Langan – President and Chief Executive Officer
Yes. I think we might see a little drop in April, because remember finals lasts year were in April, and the games this year in New York and Houston will all be in March, so it should help our March numbers a little bit. We may see a little drop in April, but I'm not really concerned with it. It wasn't a huge bump. It definitely was a bump in Minneapolis, but other than that, it wasn't a huge bump any place else, so it shouldn't have that much effect in April.

Q: Okay. Thanks a lot.

Operator
Are there any final questions? This is the last chance for questions. Thank you. There are no further questions registered at this time. I would like to turn the conference back over to management for any closing remarks.

Gary Fishman – Investor Relations
This is Gary. Thank you, Eric. We've included a few supplemental slides in our appendix. For those who joined us late, investors can meet and talk to Eric tonight at Rick's Cabaret New York from six p.m. to eight p.m. at 50 West 33rd Street between 5th Avenue and Broadway. If you haven't RSVP'd, ask for me at the door.

On behalf of Eric, the company, and our subsidiaries, thank you and good night. As always, please visit one of our clubs or restaurants. Thank you.

Operator
This concludes today's conference call. You may disconnect your lines at this time. Thank you for participating, and have a pleasant day.