Transcript of
RCI Hospitality Holdings, Inc.
1Q21 Earnings Call and Webcast
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**Participants**

Gary Fishman - Investor Relations, Anreder & Company
Eric Langan - Chairman of the Board, Chief Executive Officer & President
Bradley Chhay - Chief Financial Officer

**Analysts**

Greg Pendy - Sidoti & Company, LLC
Adam Wyden - ADW Capital Management LLC
Steven Martin - Slater Capital Management LLC
Peter Siris - Private Investor
Alex Hardman - Private Investor

**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.

**Gary Fishman - Investor Relations, Anreder & Company**
Thank you. For those of you listening to this call on the phone, you can find our presentation on the RCI website. Click Company and 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. 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 now, I'm pleased to introduce Eric Langan, President and CEO of RCI Hospitality. Eric?

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**

Thank for joining us today. I'm here with our CFO, Bradley Chhay. After the market closed, we reported our first quarter results for the period ended December 31. The company and nightclubs generated their best performance since the pandemic began. We also continued to produce strong Bombshells results. This enabled us to keep our teams employed, generate free cash flow, build cash, and achieve operating and net profitability on a GAAP and non-GAAP basis. Once again, we thank our loyal customers, dedicated team members, and steadfast investors.

Looking ahead, we are continuing to work on all fronts to grow free cash flow. Beginning with our Nightclubs segment, we are evaluating a number of potential acquisitions and looking for that right fit. With Bombshells, we recently acquired a great site in the Dallas area and are conducting due diligence on three more locations. We are also closely collaborating with our initial franchisee on their first location in San Antonio and talking to additional parties in search of potential franchisees for other areas. We are awaiting results of appraisals as part of our effort to refinance the majority of our debt into a long-term real estate backed loan in an effort to lower overall interest rates, reduce principal reduction payments, and eliminate all short-term balloons.

Our outlook is more positive than on our last call. State and local governments seem to be a little more comfortable with letting people go back to restaurants. The holiday COVID wave is subsiding, and vaccinations are increasing. We are happy to have opened our Chicago and other Illinois clubs this past weekend and are excited about reopening New York City on the 12th. While there are occupancy and time restrictions at many locations, it is nice to have our teams back to work.

Now here is Bradley to review the financials, and then I'll return to wrap up with the question-and-answer session.

**Bradley Chhay - Chief Financial Officer**

Thanks, Eric. And good afternoon to those who tuned in on the call.

We reported total revenues of $38.4 million for the first fiscal quarter. That is up 33% sequentially from the prior quarter. GAAP EPS was $1.07 and non-GAAP EPS was $0.39 cents. The difference came from a gain on its debt extinguishment and reversal of prior quarter's tax allowance. Weighted average shares outstanding went down 3% year-over-year. Looking at cash, we had $17 million at December 31. First quarter net cash from operating activities was $6.3 million and free cash flow was $5.7 million.

Please turn to Page 5. The Nightclubs segments continued to rebound sequentially with more locations open on a more consistent basis. Revenues totaled $25.2 million. That's down from a year ago, but more importantly, it is up 92% from the prior quarter. 24 clubs were open through the first quarter and 26 by quarter end.

To give you some color, our biggest two clubs, which are in the South Florida market, were open the entire quarter for the first time since the pandemic started. Keep in mind, however, that we still have clubs that are not operating at full capacity or normal operating hours. Even so, clubs that are open are doing well in this environment. On a year-over-year basis, same-store sales were only off by 6.4%. As a result of all this, operating margin was 33.7% and operating income totaled $8.5 million.

For the Bombshells segment, please turn to Page 6. The Bombshells segment turned in another strong performance. And that's without the prior quarter's benefit of a strong sports lineup and warmer weather.

Total sales of $13 million were up 26% year-over-year and 12% on a same-store sales basis. All 10 locations were open during the quarter and continue to be open today. To give you some color, all 10 performed well, in particular, our newer locations. Meal delivery services added $380,000 in sales.

Operating margin was in line with expectations at 20.9%. As a result, operating profit totaled $2.7 million, up 73% year-over-year. Margin and income benefited from a higher level of sales and more consistent traffic throughout the day as we continue to follow indoor restrictions.

We believe that we have built a lot of momentum in the business and expect Bombshells will continue to be a strong performer for us, particularly now as the weather starts to get warmer.

Please turn to Page 7 for a review of the few remaining items in our first quarter statement of operations.

Cost of goods sold, as a percentage of revenues, stayed in the 16% of revenue range compared to the 14% range last year. This was due to the change in sales mix, mainly more food and less service revenues. Salaries and wages were 29.9% of revenues compared to 27.3%. This reflected the impact of fixed salaries compared to lower sales.

SG&A as a percentage of revenues at 31.6% was lower than last year at 34.2%. This was mainly due to cost savings initiatives mentioned in previous calls, and lower variable expenses partially offset by fixed costs. In the Nightclubs and Bombshells segment, we've reduced advertising and marketing spend about $1.2 million. In the Corporate segment, we've reduced audit and related legal fees about $800,000. Depreciation and amortization were 5.3% of revenues compared to 4.6% into lower revenues. Interest expense was down 2.1% due to debt paid down prior to and during the first quarter.

There was a non-operating gain of $4.9 million pre-tax from debt extinguishment. This reflected the forgiveness of 10 of our 12 SBA loans during the quarter as was discussed on the last call. There was also a tax benefit of $384,000. This was caused primarily by the reversal of the tax valuation allowance in Q4 2020, and the impact of the loan forgiveness.

Please turn to Page 8. We ended the quarter with $17 million of cash on hand, a two-year high. During the first quarter, free cash flow continued to rebound sequentially to $5.7 million. We have continued to stay free cash flow positive since the pandemic began. As a percentage of revenues free cash flow also improved sequentially from 12% to 14.8%. We use our free cash flow as a percentage of revenue as a measure of how well we're doing converting revenue dollars to cash.

Our debt declined $6.6 million from our September 30th year-end due to debt extinguishment and scheduled pay downs. We are now at our lowest debt level in almost two years. We continue to be current on all of our debt. Current liabilities are also in good shape. At $34 million, they are down about $3 million from September 30, and only up about $600,000 from a year ago.

Please turn to Page 9 for a debt pie chart. We saw decreases in all categories since September 30. Secured debt now consists of the 63.4% of debt secured by real estate, the 18.5% listed as seller financing that is secured by the respective clubs to which it applies, the 6.2% secured by other assets, and finally the 1.4% represented by the Texas Comptroller settlement. This is secured by business and assets with clubs related to the settlement.

Now moving on to our unsecured debt, and what that consists of, there is 10.1% that is listed as unsecured, and 0.4% is represented by our two remaining SBA loans as of December 31. Last week, another one of these loans totaling $378,000 was also forgiven.

Please turn to Page 10 to review our debt manageability. As we reported on our last call, we moved and partially paid down a small non-realty balloon during the first quarter. In the second quarter, we added about $2.17 million in real estate bank debt. Eric can elaborate more on that in a little bit.

Now, let me turn the call back over to Eric. Thank you.

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
Great. Thanks, Bradley.

Turning to Slide 11. Last call, we announced plans for Bombshells "The next 10," our effort to double the number of company-owned locations over the next three years. We believe the pandemic has created a unique and compelling opportunity, we have proved the viability of the concept, bombshells can easily self-fund new units, and we can access prime locations not previously available, and in some cases, we can buy or lease them at significantly lower prices.

We are pleased to announce we have acquired a great site at a great price in Arlington, Texas. Arlington is a suburb of Dallas that is the home to AT&T Stadium and the Dallas Cowboys, and the site is just blocks from where the Texas Rangers play. We paid $2.9 million, of which $726,000 was in cash and $2.175 million bank debt at 3.99%, fixed for 5 years, with a 20-year amortization. This is the best rate on debt we have ever received.

We also are conducting due diligence on three other sites: one in Texas and two in South Florida. In addition, we are actively working on Bombshells "the franchise". In late December, we announced our first franchisee, a well-established local private group that includes franchise restaurants in their holdings. Terms call for their opening of three locations in San Antonio, and an option to open three more outside of the city. We are collaborating with them to ensure the success of their first location. News that we have signed our first franchisee has generated a lot of new leads. Many appear to be well qualified, and we are in the process of fielding these inquiries.

Please turn to Page 12. We have continued to talk to a lot of new investors, so I'd like to review our capital allocation strategy. Our goal is to drive shareholder value by increasing free cash flow per share at 10% to 15% on a compounded annual basis. Our strategy is similar to those outlined in the book, The Outsiders. The author, William Thorndike, studied companies that focused on generating cash flow per share and allocating that cash to generate more cash. We have been applying these strategies since fiscal 2016 with three different actions subject of course to whether there's other strategic rationale.

The first is mergers and acquisitions, specifically buying the right clubs in the right markets. We look to buy good solid cash flowing clubs at 3 to 4 times adjusted EBITDA, using seller financing when acquiring the real estate at market value. Our goal is to generate annual cash on cash returns of at least 25% to 33%.

Since we can't always buy clubs when we want, our second strategy is using cash to grow organically, specifically expanding Bombshells to develop critical mass and market awareness to sell franchises. Similar to acquiring clubs, we seek to earn at least 25% to 33% cash on cash returns.

The third is buying back shares when the yield on our free cash flow per share is more than 10%. During the pandemic, our plan is to acquire shares using the same formula, but only when cash on hand exceeds approximately $16 million to provide us with significant reserves. That's $2 million less than we said in our last call, but we are also much more comfortable with our current locations open. Under our buyback strategy, during the first quarter, we purchased about 75,000 shares of our common stock at an average price of $24.03 for a total of about $1.8 million.

Please turn to Page 13. To sum up our accomplishments to date, our business is recovering. We've continued to achieve sequential rebound in Nightclubs, produced strong year-over-year performance with Bombshells, generated a growing amount of cash, and we are increasingly optimistic as more clubs are reopening.

We are also executing on our capital allocation strategy on all fronts. We are planning discussions with a lot of club owners at our Expo in May, we are developing the first of our next 10 Bombshells with more on the way, and Bombshells is increasingly being recognized as a sports bar restaurant franchise concept.

I'd like to let everybody know that I am very, very proud and excited for our teams, especially our operations teams. Nightclubs did an unbelievable job this quarter. Thanks to Ed Anakar and Dean Reardon, and all of our regional managers, really stepping up, getting locations open, and capitalizing on every opportunity, to increase our business when we can, and to control our costs.

And I really like to say thanks to all of them for I know a lot of extra effort went in to making all that happen. And with that, let's open the call to questions, operator.

**Operator**
Thank you. Ladies and gentlemen, at this time, we will be conducting a question-and-answer session. [Operator Instructions] Our first question comes from the line of Greg Pendy with Sidoti. Please proceed with your question.

**Q:** Hey, guys. Thanks for taking my questions. Just on New York reopening on the 12th, any – is that all three locations in New York? And then, are there any restrictions that are notable, that you're aware of, that we should be thinking about, just in terms of how much you can ramp up from the reopening?

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
We're opening with the same restrictions we opened with last time. Of course, last time, we were only open for about 3 or 4 weeks. Hopefully, this time, we will stay open. We still have to close it by midnight. So, we won't see full operations.

To give you an idea, around the country, we have some places where we have occupancy restrictions, but we don't have hour restrictions. Some places have hour restrictions, but not so much occupancy restrictions, just social distancing restrictions. Some have both.

I believe we're starting to see some of those restrictions lessen. I think we'll continue to see that as we get through March and April. I'm hoping that by the end of May the majority of the restrictions should be lifted.

It's hard to tell, obviously, because it's very political, still. Different politicians in different states have different people advising them on when to open and how to open. Unfortunately, there's no straightforward science to it. So I think everybody is kind of guessing, and we will just have to deal with that.

**Q:** Got it. And then, last earnings call, when you mentioned the refinancing, I believe you put out maybe a $5 million run rate, once it took place. Rates have moved up a little. So maybe should we be thinking a little bit lower than that? Or are you guys feel kind of comfortable with that number?

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
I think we're probably between 5% and 5.5%. We haven't locked that in yet, because we don't have all the appraisals, so we don't have the full packages to present to their Board yet. I think the appraisals are due back by the 12th or the 16th, I can't remember off the top of my head here.

But basically, by the middle of February, we'll have all the appraisals in. They've been waiting for our cue. They had to have this quarter's financials, to show that we're getting better and better each quarter, which of course we have. So that won't be an issue.

I believe that all things right now, we're probably looking at a closing on the loan between mid-March and the end of March. And, so therefore, we're just going to have to see what rates are doing at that time.

**Q:** Yeah, got it. And then, I guess, pre-COVID, your expenses SG&A, were bracing, I believe, for some legal and audit expenses to roll off. But, I guess, throughout the pandemic, you did a good job rationalizing your expenses to the lower revenue run rate. Is there anything you think that could stick as we try and think like what is the normalized sort of SG&A run rate? Can it be a little bit better than pre-COVID? Or should we be thinking back to those levels?

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
I think we're going to be better than pre-COVID. We're definitely not going to pick up all of the legal and accounting expenses that we had prior. I think that among a lot of other things, we've really gotten big on negotiating national contracts and lowering costs every way we can.

We've cut marketing. I think our marketing was down about $1.2 million. Basically, we've eliminated billboards. We've eliminated radio advertising and really moved more towards social media. I think that trend will continue with us. And I think that'll help keep our costs down, at least for a while. I mean, at some point, as competition opens and continues and new places come and start reopening again, we will have to evaluate as we go.

But for the time being, at least the next 12 to 18 months, I think we're going to be in a very great location, very great spot. And hopefully, we can keep that between the 30% and 32%, which is where I think it's at the low end of over the last few years.

**Q:** Great. And then, just one final one, you put out the plan for 10 new Bombshells locations in 36 months if you can find the right locations. And then, you gave us a little bit of color on the Dallas site. What is your hurdle rate? I know you guys look at real estate pretty closely. I'm under the assumption that there are a lot of places that might be attractively priced, but are locations making it are a little bit scarce out there. Kind of what are you seeing in the environment as you kind of look at the real estate for these 10 locations?

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
What we're seeing is the prime A locations that we are wanting, aren't for sale. They are for lease, especially in the Florida market. In Florida, we are working on one lease now. We've just turned in an LOI on another property. They've accepted the concept. We're waiting for them now to counter our offer.

So hopefully that one may move a little quicker. And then, we have the other property. We're waiting. The developer bought 33.8 acres. We're buying two acres out of that site. And we're just waiting for them to re-flat the lands right now. That should be completed, hopefully, in the next 3 or 4 weeks. And we've already got the bank financing lined up for that property.

So we will get that property closed, get our plans turned into the city, get our building permits and get started on that one as well. So basically, right now with what we're looking at, two lease locations and three owned locations.

The other property in Dallas, we have a variance hearing coming up in the next couple of weeks. In Florida, we have a variance hearing in March. So everything is moving forward. Yeah, obviously, it will get a bit quicker as we start getting building permits and building plans. We'll start having a better idea of opening dates. Unfortunately, we can't control that process right now, especially with COVID in the cities and how quickly they move to get our building permits issued. But once these building permits are issued, then it becomes more in our control, through our general contractor to get everything moving pretty quickly.

**Q:** Right. That's very helpful. Thanks a lot, guys.

**Operator**
[Operator Instructions] Our next question comes from the line of Adam Wyden with ADW Capital. Please proceed with your question.

**Q:** Hey, guys, can you hear me?

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
Yes, sir. How are you?

**Q:** I'm doing well. I'm enjoying sunny Florida. The weather is beautiful. And I've been fortunate enough to drive by Tootsie's and Scarlett's. And it looks like standing room only. And, clearly getting New York back open is critical. Though, I never really underwrote that, but I wanted to kind of build on Greg's question.

He was a little coy. But when we talk about kind of where you were on free cash flow, right, coming out of 2020, call it, calendar 2019 or first Q 2020 pre-COVID, you guys were running, call it, $60 million of EBITDA and, call it, $40 million of free cash, right?

And Bombshells was not doing whatever it was doing. I haven't looked at it, 21% operating margin on $13 million. I know you did 30%. And I don't know if you're allocating corporate against that. But, I mean, when I just kind of do back-in-the-envelope math, and Bombshells got hit a little bit this quarter, I think because of closures and all the rest off and on.

But, I mean, when I kind of think about the business now, I say, okay, Bombshells, without the franchises, without the new locations, which you'll have, I think you'll do about $60 million of sales and 30% margin. That's $18 million of EBITDA that didn't exist before in the old paradigm. So if I just kind of take the $60 million you were doing before, add $5 million for kind of the legal and accounting, all the garbage from the SEC that isn't being duplicated, and maybe give yourself credit for the marketing and the billboards.

But I don't think that even does that. So I get to like a number that looks more like $65 million plus $18 million, is $83 million. And then, when I kind of do a 10% stack comp, and I mean, when you look at Australia, and what they're doing in terms of restaurants, if you do, call it, $150 million of sales in the Nightclubs and you have a 10% stack comp, I think I'm doing the math roughly, another $15 million in sales. And that's all to the bottom line. I mean, that's 90% margin.

So you're looking at a business that's doing close to a $100 million of EBITDA. And when you adjust for the refinance, I don't have my model open, but I think my back-of-the-envelope math is that's like about $8 a share, free cash about $70 million, right, because you got the depreciation shield, you got the corporate tax rate, all the rest.

And so, I guess my question to you is like, am I doing my math wrong? I mean, is it conceivable that you're doing $100 million of EBITDA and, call it, $60 million, $70 million of free cash. And, more importantly, right, like that does not give yourself credit for the allocation of the capital, right? And that's the second part of this stool or third part of this stool, right?

You are franchising new Bombshells. You are opening up new Bombshells. You are buying more Nightclubs. I mean, conceivably in 2022, if you guys get $100 million on organic, and you guys buy in another $25 million EBITDA, this could easily be a business that is, call it, $125 million, $150 million of EBITDA.

And, I mean, look, that to me is a real public company. I mean, it feels like we're on the precipice of being a real public company. And I do the math of $150 million of EBITDA. All your debts are property-level debt.

I mean, if you – I mean, I look at Del Frisco's and all these other – look at Chipotle, 40 times EBITDA. I mean, if you even trade at a modest multiple of 10 times, that's $1.5 billion company. I mean, that's several multiples of where we're trading, and that's on 2022 numbers. I mean, what am I missing? I mean, why are people shorting the stock here?

I know you've had a run, but, I mean, look, at the end of the day you can't anchor the stock price, you got to anchor to numbers. I mean, am I doing my math wrong? I mean, are we about to become a multibillion dollar company?

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
I think we're on the cusp of that ledge there, so to speak. As we open everything up, we're fully open and we have no restrictions, which I'm hoping to see. Hopefully, June or July 1, we get July, August, September, maybe our first real quarter of everything open, everything, and being able to operate, what I call, pre-COVID normal.

Maybe we'll still have masks on, but I think we'll at least be over 25% and 50% occupancies. We will be open till 4:00 or 6:00 in the morning like we're supposed to be, to be able to do the things that we do.

I think we're probably on a run rate of $50 million to $55 million a quarter to be $200 million and $220 million in revenues. And so, you can do the math on the margins from there, which is basically what you've done.

If you're ahead of us, you're not far ahead of us. If we see the increase in other locations, like we are seeing in Texas, like we're seeing in Florida right now, you might be being conservative. It's hard to know for sure. But, yes, I'm as optimistic, as you are, if that's what you're asking me.

**Q:** Well, I look at the Street number in Bloomberg. Now, I get it, there's one analyst here. But why is there only one analyst? Why – if this thing is $100 million EBITDA company, why don't we have Dana Telsey from Telsey Advisory Group? Why don't we have the who's who of consumers? I mean, people say Nightclubs and…

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
Because we're not looking to raise money, Adam. If we're not giving banking business, they don't want to write reports on us.

**Q:** Well, that's fine. And I appreciate that. We shouldn't raise any money. I mean, at $46 a share or whatever it is we shouldn't be raising money, especially if we're going to do $8 a share of free cash flow, we should be buying back shares. I mean, the irony is, is that…

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
And we have been.

**Q:** Yeah, this is a $160 stock. So, I guess, my question to you is like, here you are sweating in the desert, delivering God's work, and people are spitting in your face. And you got 600,000 shares short, right?

Like how do you see us converging to the right cost of capital, because when I see us at the right cost of capital, and we are trading at a yield substantially lower than what we are buying, then the flywheel accelerates? I mean, there are big assets out there. I mean everybody who follows this industry knows that Troy Lowrie at VCG, he took and did a private in 2008. There is another guy I found out about in Canada, who's huge. There is another guy that we have talked about in Minnesota.

I mean, there are some big players out there. And the reality is, is that private equity isn't buying them, and you have the right cost of capital on a basis of $150 million, right, let's say you get to $100 million to $150 million of EBITDA, right, and you are trading at the right multiple, I mean, you can be buying companies that are doing at $20 million, $30 million, $40 million or $50 million of EBITDA, and then this becomes a real company.

I mean, I see a path to hundreds of millions of dollars of EBITDA. I think the only thing that is getting in our way right now is cost of capital. I'm just curious how you are thinking about that.

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
I think we are on the verge of where the casinos were. We are in the final phase, right? I call it the acceptance phase. We are pushing into that phase right now, but we are still at the very beginning of it. If you look at, what do they say, the first 10% takes the longest time. Then the next 40, it happens in about half of that time. And then that last 50% happens overnight.

So right now, we are on the verge of, I think reaching right towards the end of that 10% and hope we would go from 10% to that 50% acceptance level much, much quicker. We've just got to keep performing. We just got to keep performing, Adam. That is the name of the game. We've got to keep performing.

We've got to keep putting out these numbers. We've got to keep generating some cash, because no matter what, at the end of the day, no matter what everybody thinks, what anybody says about the business or the company, the cash can't be denied.

And if we are generating that type of cash, and we are putting that cash back to work at 25% to 33% returns, then our 10% to 15% annual growth rate is going to be dwarfed, right, where it's going to…

**Q:** Well, if you look at your Bombshells' returns, you are doing much better on ROIC basis than 25% to 30%. I mean, look, if you just start doing Bombshells in lease locations, your return on invested capital is 60%. And remember, if you do a franchise Bombshells, you are not out of any capital that is infinite return on invested capital. So when I look at your metrics…

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
I agree. That is why we have moved in those directions.

**Q:** Yeah, yeah, now, when I look at the metrics of your kind of incremental capital opportunities, they are freaking incredible. So, I mean, look, I am so excited about what you have built. You should really be proud. And I'm not patting you on the back, and you shouldn't be patting on your back. But it's just – it feels like the performance is so good, it shouldn't be ignored anymore.

So look, I am happy to be the largest shareholder in this company. I think you are building a multibillion dollar company. And look, I really look forward to seeing the growth. And look, obviously, you don't want to go out and raise capital, and we live that, and we are not going to do that again.

But I would say, on the margin, I think more exposure through additional research analysts and all the rest. I mean, look, I think this is an opportunity that is still very much misunderstood by the public market. And I will say that the sooner you get your cost of capital in line, the sooner we start enjoying the vicious cycle that is the public capital markets.

I mean, the only reason why a company like this would be public is to have access to capital. And you have never had access to capital. So look, call me a blind optimist, but I believe that if you turn over enough rocks and get in front of the right sell-side guys or buy-side guys, you will get that cost of capital, and this will not just be a $1 billion company, it will be a multibillion-dollar company.

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
From your mouth to God's ears, I hope so. We are pushing for it. We just got our cheapest loan ever at 3.99%. Once we get our appraisals back, we'll close this loan with Centennial on our refi, which will free up $4.9 million in cash, saving us over $1.8 million in interest expense a year. I mean, that is as big or bigger than we did when we did our $80 million loan and had the savings in 2017 that really started this run.

Everything is coming together. Everything just reinforces the previous move and then the next move. And so, it is actually getting easier and easier to make the maneuvers we need to make, to find the properties we need, close the transactions. We got the prototype store down. So they are getting easier to build and cheaper to build for us. And I think as we continue to move forward, the returns are going to be better and better.

**Q:** Great. Well, look, I'm very, very pleased with the performance, and I look forward to fighting the good fight.

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
Yeah, me too. Thanks, Adam.

**Gary Fishman - Investor Relations, Anreder & Company**
This is Gary. I received a question via e-mail. Somebody was asking, "Among the people that have franchise, multiunit franchise operators, what parts of the country are they interested in? Is it the southern area or is it all over?"

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
We talk to people from all over the country right now. It's just finding the right qualified people is our biggest concern right now. Geographically, it's been very scattered, is the way people are calling about.

**Operator**
Our next question comes from the line of Peter Siris, a private investor. Please proceed with your question.

**Q:** Hey, Eric. How are you?

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
Hey, pretty good. Come a long way since the first day I met you in your office and got yelled at for three hours for being 30 minutes late. How are you, sir? I've never been late to a Friday appointment since in New York City, I'll tell you that.

**Q:** That's so funny. I wanted to ask, and I'd just say I'm glad this is back to 160. Thank you, Adam. I wanted to ask about the club business. With all the clubs that have been closed for such a long period of time, are you seeing really motivated sellers at lower prices than you have seen before or not?

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
Not really. The big guys are surviving in their way. They know what their business is worth. They know what their license is worth. A lot of the big guys own their real estate, so they are not in those situations. We have gotten calls from I would call small- to mid-sized clubs where they are very behind on their rent and their landlord is trying to throw them out, stuff like that. And we have been talking with them and trying to figure out if something makes sense.

But we are still being a little picky. We are swinging for the fences. We want to do the big type acquisitions like Scarlett's in Miami, Rick's in Chicago, Rick's in Pittsburgh, the Boston type transactions. Those are the transactions we are looking for. Those are the clubs we love. They are the clubs we know. I call them ATM machines. All we do is plug them in and just collect our cash. Those are the kind we're looking for.

**Q:** Okay. So it's not the small places that you could pick up on the sheet. It's the big places that also generate cash quickly?

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**

Those are the ones we are looking for. And the owners that are just tired of it. You are tired of the hassle, you are tired of the call at 3 o'clock in the morning, you are tired – those type of things. Those owners are 60, 70 years old. The problem is they love the cash flow. They are not so much in love with the business anymore. And those are the transactions we are looking for and we are trying to convince them. If they take paper, they basically create an annuity for themselves. They can collect payments from us for 5 years, 10 years, 20 years.

We can structure a deal however they want, they can defer their taxes. There is just a lot of options that we offer them as a publicly traded company. What's crazy is we are starting to get a lot of requests for equity. Hey, let's do a stock-for-stock deal. Give me some stock and take my club, because stock-for-stock deals aren't taxable, they can sell the stock. But I'm just not comfortable even at $46, $48, I think, the stock is still cheap. I just don't see with what we are seeing in our numbers with what is open. Without getting into too much detail, Tootsie's incredible right now, 50% occupancy and killing numbers from previous years. Scarlett's in Miami, oh my gosh, I think, 70% year-over-year numbers, with 50% occupancy.

Let me open it up and pack it out again and let me see what I can do. That is why I said, when Adam starts talking about, hey, you are going to do this. Are you going to do that? It is not crazy if New York opens to those types of trends. The problem is we don't know. In Chicago, we don't know in New York, because we are not open at night. We are closing at 10 o'clock. We are closing at 11 o'clock. We're closing at 12 o'clock at night. When we are open our normal hours, I think those clubs are going to do unbelievable numbers.

**Q:** So I just want to go back to what Adam spoke about cost of capital. Are you ruling out an acquisition that would include some equity?

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**

We are not ruling it out. No. We are definitely not ruling that out. What we would value our paper at in that acquisition would have to be negotiated. So in other words, if you took paper and you are going to roll your club in or whatever, and you said, look, I know your stock is trading for 46 today, but I will give you some of the upside, because I'm going to roll in an acquisition. I will take stock at for $54 a share or $56 a share. We will just have to price the whole deal in. I don't know what the number is at this point, because we are not that far along on any of these transactions yet, but they will be, and we are getting people that are asking for equity now.

So we will look at it. We will consider it. But it just it's got to make sense. We are not going to make the mistakes of 2008. We are not going to make those mistakes again. We will have Lock-Up/Leak-Out agreement. If we give up equity, it's going to be a very tight controlled way that they are going to orderly put that stock into the market at some day in the future. Because for us, it is about long-term shareholder value, and we are not going to do anything that could possibly jeopardize that.

**Q:** Great. Well, thanks and congratulations for managing through this pandemic the way you have. Thanks a lot.

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
Thank you. Our team has been unbelievable, and I really appreciate them all. We have been great.

**Operator**
[Operator Instructions] Our next question comes from the line of Alex Hardman, a private investor. Please proceed with your question.

**Q:** Hey, Eric, this is Alex. I had a quick two questions around the capital allocation strategy. One, I mean, first off, I mean, it has been a while since I ever had to think about this, but I mean, finally, the stock price is up there and above your free cash flow of a 10% level. I was wondering on the bottom side, I mean, have you guys looked at possibly – you pretty much are assuming a 10% to 15% growth rate. Have you thought about pumping that threshold up to like assuming a 5% growth rate over 5 years at your threshold for buybacks instead of just using current free cash flow?

And then on the top side, you guys have like a hardened pass like we are definitely not going to do equity deals below a certain threshold, maybe like the cost of after tax debt or something like that?

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
Oh, for sure. I mean, we just brought money at 3.99%. Our cash flow yield on our equity is nowhere near 3.99% yet. We definitely have cheaper capital than equity at this point. Even with the big loan, if it's 5%, 5.5%, the after tax yield on that is still pretty low. The stock would have to be another $20 higher to be anywhere near that. That is kind of basing on 2019 numbers. But I think we are going to exit 2021 at a much, much higher free cash flow run rate than we were in 2019. That's a definite.

We have more Bombshells open. I think the clubs are going to be performing better. And the Bombshells are performing better. A lot of places are not reopening. I mean it's sad, but COVID put a lot of businesses out. We also have the benefit of the tax deductibility of meals and entertainment now at 100%. So that's going to make a big difference in spending as we go forward for the next two years. There's just a lot of pluses that make me say, I'm going to hold this equity really, really close to the vest, not in a hurry to go out. I have had two investment bankers that have already called me trying to get me to do converts at $60. Trying to get me to –

hey, would I sell equity at an 8% discount to the current price, market price. No, I won't, it's not going to happen.

**Q:** Definitely not do that again.

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
No. I would say, we have been there done that, got the bloody t-shirt. We are going to continue with the plan. It's been working very, very well for five years for us. Are we excited about stock price? Sure. We get excited like everybody else. But I always tell all my friends, because I get friends coming, wow, man, you made so much money. Then I say, hey, it's monopoly money, okay. I can't do anything with it. It just looks good stacked up under my side of the board. But it's really kind of an afterthought to the business. We really are focused on the business side of things. We are focused on generating more and more free cash flow every year and doing the right deals, just finding the right deals, we are not in a hurry for them.

If we had 10 of them tomorrow, and they were all right, yes, we would do 10 deals tomorrow. If we don't find a deal in the next 6 months, that's right, we won't do a deal in the next 6 months. I mean that's just the reality of it. We are not starved for deals, but we are not scared of them either. If the right stuff comes along, we are going to make moves. And there is stuff coming up. We are kicking a lot of tires right now, looking to a lot of windows. And I'm seeing a lot of stuff that I like.

Where at the used car lot, we are digging under the hood, right. We are doing the inspections. We are checking things out, and I think, we are going to start having quite a few possibilities as we progress through the next few months, and it's going to be a very exciting summer for us.

**Q:** Sounds good. I mean, I'm looking forward to it.

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
Yeah, me too. Thanks, Alex.

**Operator**
Our next question is a follow-up question from the line of Greg Pendy with Sidoti. Please proceed with your question.

**Q:** Hi, guys. Just flipping on to Slide 5. Can you just give us a little bit of color on just the operating margins at the Nightclubs segment, how you got them kind of at 33.7% that looks like a pretty big jump. And then also, should that come down in 2Q, given the New York re-openings at reduced capacity, will that actually weigh on it, albeit it will be positive for the top-line? Thanks.

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
I will say one thing, it won't weigh on anything because we are paying all the expenses now. We have kept our general managers on payroll through all of this. Other key personnel in certain locations we've kept on payroll, some of them since March of last year. We have paid our rents. We have paid our property taxes, our insurance, our electric bills, gas bills, and water bills.

So when a location reopens, I have to have Bradley verify for me, but I don't believe we have had locations that have opened that we have kept open for more than three weeks if they are not generating more cash than they were costing closed. So basically, everything that's closed is an anchor. And as soon as it opens, it's wind in the sail. So it's all a plus. I think that's what's helped keep the margin so high. And then just keeping our costs down. Our guys are watching costs like they have never watched cost before. And they have always watched costs very well.

We are questioning every dollar spent through this whole COVID process. We were forced to. And the beauty is, it teaches you a really, really good lesson in that when you have to struggle and scrutinize everything, as the cash flow starts coming back in, once you have created that habit, it's a hard habit to break. So we keep questioning, if this bill goes up or that bill goes up or this item, they are charging us more for, why. Why are you raising our prices? Why are you doing these things? Everything is questioned now. And I think that's just going to be part of our internal culture at this point. So I don't think we will get a lot of creep.

Obviously, as things get better and better, every business has a creep. But if it's one point, it's one thing, but I think, you are going to see us back on those high numbers, I mean, of cost, we are going to keep those down. And every time something else opens, I think we are just going to do better at this point.

**Q:** Got it. And then just any color, how is attendance looking for the Expo?

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
I don't know yet. I haven't talked to Don, who is the President of ED Publications and manages the Expo and runs everything. I know that it was not looking good for Vegas, which is why we ended up canceling and moving it to Miami in May. I have talked to club owners, so I know a lot of guys are coming. I don't know if they are going to come themselves, if they are going to bring a bunch of people with them that I just don't know yet.

We probably won't have more color on that. Most people plan Expo. I think this year, everybody is going to do it last minute. I think everybody's going in a wait and see mode, what's it going to be like, how is COVID going to be affecting it? What are the numbers look like? Am I going to be vaccinated by then? Those types of things are going to have a lot of effect on Expo turnout.

But I do have several meetings in May with some groups that I have been looking to talk to. We have all agreed we will meet at Expo in May. I know those people will be there. I think we are going to get about an average or above-average turnout is what I think will happen.

**Q:** Got it. Thanks.

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
Yeah.

**<u>Operator</u>**
[Operator Instructions] Our next question is a follow-up question from the line of Adam Wyden with ADW Capital. Please proceed with your question.

**Q:** Yes. Eric, do me a favor, can you stop taking questions from your guy, Alex Hardman? I mean I think the guy's got COVID or he's got on hallucinogens, because I don't know what math he is doing to have a free cash flow yield lower than 10%. I just bridged you to $8 a share of free cash flow, that doesn't include any new Bombshells openings or any incremental M&A. I think it's highly likely that your free cash flow is higher than $8 a share, and last time I checked the stock was $46 less. So if I open up my TI-83 and I do 8 divided by 46, it's about a 17% free cash flow yield. So I don't know what he is smoking.

Look, I think what you said, and which was right, is that there is a high probability that that number is actually higher than that because what will happen is that everybody will come out of their house. And you are seeing what Tootsie's and all these guys are doing with 50% occupancy. I mean how do we know that EBITDA is not $150 million organically, because all these things are comping up 60? And remember, you have 100% incremental margin on the Nightclubs once you get over fixed cost because remember, you can just take the cover fee from $50 to $100 and just charge and make people do $2,000 minimums in New York. I mean, remember – I mean, I think you talked about it – they even freaking made a movie about it with J. Lo in 2007 pre-Lehman Brothers. I mean there were strippers in New York making $1 million a year. I mean, look, they made a freaking movie about this. I mean, I believe that when we get out of this thing, you are going to see with capacity restraints taken down. You're going to have you can see that my $100 million of EBITDA is predicated on a 10% stack comp. What if it is $50? What if it is $100? I mean the problem with this is you get people idiots on the conference call, basically saying you are trading at lower than a 10% free cash flow yield. I mean I literally want to hang up the phone and jump out my window.

**<u>Eric Langan - Chairman of the Board, Chief Executive Officer & President</u>**
He is looking at 2019. He is looking trailing. We are looking forward. And I think we got…

**Q:** Last time, the stock market looks forward. Remember, you had Bombshells making no profit, okay? We know that Bombshells are making a ton of profit. Guess what? Share count is lower. Interest expense is lower, G&A and marketing is lower. You don't have the SEC, you don't have the accounting.

I mean, it's like saying, Google made $1 a share two years ago, and now it is making $10. You want to do the dollar share, you want to do $10. I mean it's literally, I want to hang up the phone, I'm so angry. Maybe that's the opportunity, and maybe that's why the stock is still trading at 47. But I think the better answer is that we need to get people to actually peel back the onion and do math. I mean I went to Wharton and Columbia Business School, but this is fifth grade math, okay? You don't have to go to Wharton or the Columbia Business School to do the math, right? You have fixed costs, you own the real estate, you have really, really high incrementals on the Nightclubs, right? Franchises are 100% margin, right? Like, it's not a rocket science…

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
We just got to keep it everything open, keep doing it, keep showing it, and we are going to get there. Each quarter seems to be getting better and better. I don't think this quarter is going to be any different. I think January, February, March is going to be better than October, November, December.

I can only go back seven years when I went looked, and I didn't find one single January that ever beat a December. This was the first time ever that at January beat December. Our total revenues in January were higher than our total revenues in December.

**Q:** It is not logical, Eric. I mean, the reality is...

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
I know. I understand the fact. As we get more things open, more people are getting comfortable, and the spend is going up. That is what we are really seeing. But if look our service revenues are still down 40%. When those service revenues come back, that is that late night VIP spend that we are not getting because we are closing at 10 o'clock, we are closing at 11 o'clock. That's 95% margin money that we are, 92% margin money that we are missing. Imagine doing 40% more revenues with 92% margins on it. That's when the Nightclubs are going to be really cranking. And I think we are there by May. I'm not 100% positive today that May is it, but I project out on what I have seen and how I have watched things through this COVID crisis or whatever we have suffered through, that's when I see the restrictions the majority of these restrictions being lifted as we get through the end of May.

And if it is the end of July, it is the end of July, I mean, another 60 days isn't going to be the end of the world. They are slowly being re-lifted, right? So we are getting incremental growth and incremental growth, incremental growth, sequential quarter-over-quarter growth through COVID, and I think we are looking at 12-18 months run of this. I can't see three years out right now, because I don't know what the world would look like then, right? I mean it's too hard to gauge exactly we are going to be. But even if we grow like that for 18 months and then we have a 12 months or 18 months decline of 3% or 4%, 5%, who cares? We are going to be an astronomical number compared to where we are today, and our stock price is dirt cheap. In our free cash flow, like you said, the free cash flow you are looking at for 2019 is chump change compared to where we are going to be by the end of 2022.

**Q:** You are going to be double. And the reality is this is like the Forrest Gump thing you talked about. We talked about Forrest Gump, right? Like all the other ships are crashed into the dock. You stayed alive, and look I'm just telling you that you stayed alive. And the reality is that when the reality is when everybody else has their boat crash, and you got your boat, well, you are going to catch all the shrimp. And so my point is everybody wants shrimp, and you are going to have it. Because remember, if you ask, you look at, listen to Stan Druckenmiller, he's saying it's going to be like the Roaring 20s. There is going to be inflation, people are going to spend money. So you are going into that environment that could identify like the Roaring 20s, and you are the only bar open, but everybody wants to stop in for.

So like I don't – I mean, look, 100, 120, 150-ish, you are going to be doing numbers that you have never seen before. And all I'm saying is, the sooner you are able to get people to recognize that, the sooner you will be able to get your cost of capital, right, to take out your competition **a**nd make it even quicker.

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
It's self-fulfilling. As we do better, doing better, gets easier. As our cost of capital goes down, it gets easier and easier to do better.

**Q:** Right. And you can take advantage of the opportunity, right? I mean, a guy that you would normally pay 6 times EBITDA for. If your stock is not there, you'll tell them, hey, my stock is cheap I will pay you 3.5 times EBITDA. The same thing is saying, hey, I will pay you lower on your EBITDA, right, if you want equity, fine, I normally pay you 6, I will pay you 4, I will pay you 3.5. I mean, it doesn't mean you have to – there is all these different ways around it that is my point.

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
Exactly. At the end of the day, it's going to boil down to free cash flow for share generation and making sure the deal is accretive to that. And as long as every deal is accretive to our free cash flow per share, the structure is secondary to that principle of generating additional free cash flow per share from every deal.

**Q:** So why – let me ask question, why do you think that we have these bonehead investors on this conference call like this guy, Alex Hardman. I mean the guys shouldn't be allowed on the call. I mean, at some point, I can't be the only person on the conference call doing math. We have to have other people math and we will stay here forever. I mean that's the reality.

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
Everybody values their own way. I understand that. We just have to keep educating and keep showing and keep increasing the free cash flow. That's the name of the game. Eventually, their math will catch up with ours. In the meantime, you got in at the right time, right? You think better than other people, they're not doing the math right.

**Q:** It's a better investment at 48 coming out of COVID than it was when I was buying it at 20 and 10 and 15 and up…

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
Certainly, a lot less risk. Yeah, there is a lot less things that can go wrong today than there were in May and June and July when you were buying, that's for sure. We are on the back side of it.

**Q:** I would argue that like in May, June and July, it wasn't clear on how the economy was going to rebound. Now I think it's abundantly clear to me that we are going to be the Roaring 20s. Bubba Gump Shrimp is open for business. You've got all your boats. Everybody else has crashed into the shore. And you've got your nets open, and hopefully yet your cost of capital. So you are not just catching shrimp, but you are buying other people's boats, right? You got to catch your own shrimp, and then you got to buy other people's boats, right? That's what we got to do it.

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
Yeah. For sure, if they get their boats working, the hardest part right now is a lot of their boats aren't working. So they get their boats working again.

**Q:** Good. All right. I'm done. I don't have any other. I hope we have no more Alex Hardmans on the call. I hope that just everybody should go to sleep.

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
All right, well, I got to go soon. So I appreciate the call. Thanks, Adam.

**Operator**
Our next question comes from the line of Steve Martin with Slater. Please proceed with your question.

**Q:** Hey, guys, congratulations. I have some more mundane questions. What do you think the timing is on the next couple of Bombshells getting opened?

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
I think we are looking at sometime between August and November. It's really hard to tell. These cities are, you would think they would be, with not very many people doing growth and building right now, that they would be very quick on turning stuff. But with COVID, I think they are not in the offices. They are working from home. So I think the building permit process is as slow as it's ever been. Even though there is not as many people trying to get the permits, I think they are just slow turning them.

But I think we have got the permits in Arlington. They have been filed last week. I believe the San Antonio franchisee is filing his permits in the next two weeks. So, basically, it is really going to depend on how quickly they are turned, how quickly we get the building permits, both are basic remodels.

So both are – I believe the construction time on both will be 3 to 5 months. And so, if we get the permits turned in the next 60-days instead of 90-days or 120-days, I mean, that is the real unknown. Are we going to start building in two months or are we going to start building in four months? And we will be open 4 to 5 months after we start building.

The good news is by the next call I should know what permits have been issued, where we are at in the construction phase. And I would be able to give you a better timeline in August and November. I mean, that is a four month timeline. I understand that. And so, hopefully, I will be able to get you a much better window.

**Q:** Another mundane question, you had some properties for sale both real estate and buildings. Where do you stand on those?

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
We have a couple of contracts that I'm expecting in, we have been negotiating on. Hopefully, we'll get some earnest money contracts signed soon and get those processes started. I have got a group that is looking at two properties in Dallas that we have leased to third-parties that they are now thinking about buying from us. So, we may go ahead and sell those. They were looking for a 1031 tax-free exchange. We would rather have the capital right now to do other things with than the return we are making on those leases.

We have a property, a group bought an option on to close sometime between August and November. So we'll see what they do. They're paying us $10,000 a month to basically keep the property off the market, while they decide if they are going to buy it or not.

We just signed the lease. I signed today, the tenant should sign tomorrow. We should have the tenants on that lease on the property behind the Bombshells on 59. We got a group that is taking the entire building of the 12,400 square foot shopping center we built there. They are going to rent the entire center.

So that is a very favorable lease for us. We are excited about that. And they are an operator that only operates till 7:00 PM. So that will leave all the parking for the entire shopping center for Bombshells at night, like we wanted. So that is a win-win for us.

I'm excited. I think that the business world is waking up again. The political climate has changed. The uncertainty is gone. We know, what do you say, as they say, the devil we know. And we will know that devil for the next four years and businesses are planned accordingly. And people are growing again. Especially in Texas, Florida, I'm hoping that as the northern markets awaken, they will see very similar growth patterns that we are seeing here.

**Q:** All right. One last question, you talked a little bit about some of the northern markets. What do you see in the competition in terms of, are a lot of you going to never open again, and New York as an example?

**Eric Langan - Chairman of the Board, Chief Executive Officer & President**
Obviously, we don't know. I'm hearing there is a couple of clubs in New York that are not going to reopen. They are repurposing the properties. And so, hopefully, we will see. We don't have a lot of competition in a lot of our markets. Some of our Texas markets, we have competition. I have seen some smaller clubs that have gone away.

I noticed that like the Bombshells on 290 has a Hooters right down the street. I noticed the Hooters was all boarded up and had for-sale sign on the building. So that location is gone for Hooters. Whether they are going to build a new one someplace else or what they are doing, I don't have any clue, but that is kind of stuff we are seeing. A lot of small restaurants have gone out of business, especially the little mom and pop restaurants that just aren't reopening. Most of the restaurants that are reopening are the big chain restaurants.

But I think that will only last for a brief period of time. I'm guessing 12 to 18 months. We have a nice 12 month to 18 months run. And then, I think you will see new entrepreneurs awaken, new places start to open, and competition will start returning to a more normalized deal. But I do think we have a very nice window of opportunity here over the next 12-months to 18-months.

**Q:** All right. Thanks a lot. And like Adam, I appreciate the stock at this price, although I don't quite have the target he does.

**Operator**
[Operator Instructions] I'd like to hand the call back to Gary Fishman for closing remarks.

**Gary Fishman - Investor Relations, Anreder & Company**
Thank you, everybody. And thank you, Eric and Bradley. And on behalf of the company, our subsidiaries, thank you for listening and good night. Stay safe, stay healthy. And as always, please visit one of our clubs or the restaurants. Thank you.

**Operator**
Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time and have a wonderful day.