Transcript of
RCI Hospitality Holdings, Inc.
3Q21 Earnings Call and Webcast
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Participants

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Eric Langan - Chief Executive Officer
Bradley Chhay - Chief Financial Officer

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Darren McCammon - Cash Flow Kingdom
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Presentation

Operator

Greetings and welcome to the 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. 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

Thank you. For those of you listening 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 Information page. Scroll down and you will find all the necessary links.

Please turn to Page 2 of our presentation. 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 Page 3. I also direct you to the explanation of non-GAAP measurements that we use.

Lastly, I'd like to invite everyone listening in the New York City area to join us tonight at 7 o'clock, to meet management at Rick's Cabaret New York, Manhattan's number one gentlemen's club. You can also tour its sister club, Hoops Cabaret and Sports Bar, next door. Rick's is located at 50

West 33rd Street, between Fifth Avenue and Broadway, around the corner from the Empire State Building. If you haven't RSVP'd, ask for Eric Langan or me at the door.

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

Eric Langan - Chief Executive Officer

Thanks, Gary. Everyone, please turn to Page 4. Thanks for joining us today. I'm here with our CFO, Bradley Chhay. After the market closed, we reported our third quarter numbers. We had an outstanding performance.

We reported record total revenues based on Nightclubs and Bombshells segment revenue. We also reported record free cash flow, strong earnings per share, and a high cash balance. As always, we thank our loyal customers, dedicated team members, and steadfast investors for their support.

We are working to continue these trends in the future. Currently, 36 of our clubs and all 10 of our Bombshells are open. We are also continuing to work on all fronts on our growth initiatives. Last week, we announced a major agreement to acquire 11 clubs in 6 states and 6 related real estate properties. We are now in the process of closing and preparing to integrate these new units. Bradley and I will talk more about growth later.

Now, here's Bradley to review the financials.

Bradley Chhay - Chief Financial Officer

Thanks, Eric. And good afternoon to all those who tuned into the call. We reported total revenues of $57.9 million for the third quarter. That is up tremendously from a year ago quarter, but also 31% from the second quarter of the current fiscal year and 23% from the pre-pandemic third quarter 2 years ago in 2019.

Consolidated operating margin was 32%. EPS was $1.37 compared to a year ago loss of $0.60. And we had $29.1 million in cash and equivalents at June 30. Net cash from operating activities was $15 million and free cash flow was a record $13 million, the highest quarter in the company's history, even after we paid roughly $4 million in income taxes.

Please turn to Page 5. Nightclubs segment revenues, operating margin, and operating income were all up significantly year-over-year. These increases reflect the fact we had 36 clubs open the whole quarter, compared to the June 2020 quarter, when we were closed in April and then a limited number of locations began to reopen in May and June with restrictions. As a result, third quarter revenues this year rose to $41 million, operating margin expanded to 44.7%, and operating income increased to $18.4 million.

Looking at the results from the second to the third quarters of this current year, revenue rose 33%, operating margin expanded an additional 10.7 percentage points, and operating income increased 75%. We believe this reflected 36 clubs open the whole quarter versus 29 in the second quarter, the elimination of restrictions on our northern clubs by the beginning of June, a 46.5% increase in the higher margin service revenue primarily from our northern clubs, the ongoing return of our loyal customer base, and overall general consumer confidence.

Please turn to Page 6. Similar to Nightclubs, Bombshells segment revenues, operating margin and operating income were all up significantly year-over-year. The increase reflects the fact that we had 10 locations open the whole quarter compared to the June 2020 quarter, when all Bombshells were closed in April and began to reopen in May with restrictions. As a result, third quarter revenues this year rose to $16.1 million, operating margin expanded to 27.4%, and operating income increased to $4.4 million.

Looking at the results from the second to the third quarters of this current year, revenues rose 22.4%, operating margin expanded an additional 3.5 percentage points, and operating income increased 40.2%. We believe this reflected 3 things: greater brand recognition in our markets, more sporting events that attracted guests, and overall consumer confidence.

Please turn to page 7 to review items in our third quarter consolidated statement of operations. Note that we elected to showcase the change from 2019 as opposed to 2020, since 2020 was an atypical year due to COVID.

Cost of sales increased slightly due to the change in sales mix, particularly a higher sales mix coming from the Bombshells segment, and a lower proportion of service revenues within the Nightclubs segment.

Major line items such as salaries and wages, SG&A, and depreciation and amortization, all improved as a percentage of sales, compared to the third quarter in 2019. This primarily reflected much higher sales and reduced accounting and legal expenses. Interest expense decreased slightly primarily due to lower debt balances.

And lastly, income taxes as a percentage of sales were higher due to the significant increase in pre-tax income or income before taxes. The effective tax rate was similar in both periods.

Please turn to Page 8. We included this slide to highlight our record-setting quarter.

In total, during the third quarter, we achieved a record level in 18 of our 13 key performance indicators. These are marked by the green cells. They are revenues on a consolidated basis and for our revenues for our Nightclubs segment and revenues for our Bombshells segment, income from operations on a consolidated basis and for our Nightclubs segment, and non-GAAP EPS, net cash provided by operating activities, and free cash flow.

Please note that we've included a more expanded matrix of these metrics for the third quarter of 2020 and 2019 on Slide 17 towards the end of the presentation.

Please turn to Page 9. We ended the quarter with $29.1 million of cash on hand almost twice as much as we did in this December 2019 quarter before the pandemic began.

During the third quarter, free cash flow continued to grow sequentially to $13 million. As a percentage of sales, free cash flow also improved sequentially. Our free cash flow to sales ratio was 12% in the fourth quarter of last fiscal year, 14.8% in the first quarter of this fiscal year, 20.4%

in the second quarter, and 22.4% in the third quarter. We use free cash flow as a percentage of sales to measure how well we're doing at converting sales dollars to cash.

Debt declined $4.8 million from March 31 this year. This reflected scheduled paydowns and a $2 million paydown related to a sold property. We are now at our lowest debt level in almost 2 years. Current liabilities, at $32.1 million, continued to be in the general range for the last 2 years.

Please turn to Page 10 for a debt pie chart.

Our secured debt now consists of 65.1% of debt secured by the real estate; 17.2% listed as seller financing secured by the respective clubs to which it applies; 6.4% secured by other assets; and less than 1% represented by the Texas Comptroller Settlement secured by the businesses and assets related to the settlement, and the total dollar amount is $1.1 million roughly.

Our unsecured debt consists of 10.3% that is listed as unsecured and 0.1% represented by our one remaining SBA loan of $124,000.

Please turn to Page 11 to review debt manageability.

Occupancy costs continued to trend in the right direction. As a percentage of revenue, they were 5.7% in the third quarter compared to 23.6% in the year ago quarter, and 7.5% in the third quarter of 2019. This is primarily due to higher sales in the current quarter.

We have continued to reduce our weighted average interest rate. Over the last 5 years, it has come down from 7.53% in the third quarter of fiscal 2016 to 6.68% in the third quarter of this current fiscal year.

Our weighted average interest rate is 2 basis points higher than in the second quarter of this year, primarily due to the fact that of the debt paid down in the third quarter that was lower rate real estate debt.

As we've discussed, one of our strategic initiatives is refinancing our debt. We continue to work with our bank to refinance higher interest rate debt and increase the length of our amortization.

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

Eric Langan - Chief Executive Officer

Thank you, Bradley. If everyone will turn to Page 12, we continue to talk to 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 10% to 15% on a compounded annual basis. Our strategy is similar to those outlined in the book The Outsiders by William Thorndike. He studied companies that focused on generating cash per share and allocating that cash effectively to generate more cash.

We have been applying these strategies since fiscal 2016 with 3 different actions, subject of course to whether there's other strategic rationale to do otherwise.

One is mergers and acquisitions, specifically buying the right clubs in the right markets. We like to buy good, solid, cash flowing clubs at 3 to 5 times adjusted EBITDA, using seller-financing, and acquire the real estate at market value.

Another strategy is to use cash to grow organically, specifically expanding our successful Bombshells concept to develop critical mass, market awareness, and sell franchises.

Our goal in M&A and organic growth is to generate annual cash-on-cash returns of at least 25% to 33%.

The third action is buying back our shares when the yield on free cash flow per share is more than 10%. During the first quarter ended in December, we purchased and retired approximately 75,000 shares at a cost of $1.8 million.

Please turn to Slide 13. To further our M&A strategy, last week we announced definitive agreements to acquire 11 clubs in 6 states. The collective acquisition will be our largest and is anticipated to be accretive in year 1.

The locations expand our geographic footprint. They provide us with a major position in Denver with 5 clubs. They expand our position in the St. Louis market with 2 additional clubs, and they provide entry into 4 new markets: Indianapolis, Louisville, Raleigh, and Portland, Maine.

All the clubs are opened and are well established proven cash generators. Pre-pandemic in 2019, they did a combined $40 million in revenue and $14 million in adjusted EBITDA. We're paying $57 million for the clubs and $13 million for the intellectual property. That results in valuation of 5 times the clubs' 2019 adjusted EBITDA. We're also paying $18 million for the 6 related real estate properties.

Payment will be in the form of $30 million in restricted stock valued at $60 per share; $26 million in cash, a good portion of which is likely to be borrowed; $21.2 million in 6% seller financing; and $10.8 million in a 5.25% real estate commercial bank loan that we are working on.

Multiple closing dates are anticipated. Based on our past successes, we believe our seasoned management team will be able to integrate the club's using our time-tested industry best practices.

As I said on our news release, this is exactly the type of sizable transaction we were looking for. We believe the quality of the club's licenses and locations enhance the value of the collective acquisition to us.

Please turn to Slide 14. There are 2 other developments we want to tell you about.

The first is AdmireMe, a new social media platform we plan to launch that enables creators to post content and receive payment from their admirers, it's comparable to OnlyFans and we are looking to formally launch in the next fiscal year.

The second is we have a number of properties for sale and under development. We have 3 properties under contract for sale in the Dallas/Ft. Worth and Austin areas. The total sales price is approximately $7 million. We're also working on other real estate land/property developments.

Please turn to Page 15. We are continuing to execute on our growth initiatives.

We continue to make progress on our efforts to refinance our real estate debt. We are just waiting on 3 surveys and a few final title commitments and zoning letters on the 46 properties that will be collateral on this loan. We are hopeful we will be able to close this loan relatively soon.

Construction is underway in Arlington, Texas at the first of our planned Next 10 Bombshells and at our first franchise location in San Antonio. We're continuing to find other potential Bombshells locations. We are currently in negotiations on several other properties in the Dallas and Austin markets. Our goal is to build 10 new locations over the next 30 months. We also want to sign additional franchises and are in negotiation with several groups.

Lastly, we continue to talk to other club-owners interested in exploring opportunities with us. And we look forward to telling you about some of our single club acquisitions soon.

Management and accounting, and especially our employees at all the clubs and restaurants, from our kitchen staff to our bartenders and waitstaff, and especially our entertainers who perform, all of you are what make our company one of the best hospitality companies in the business, as well as our great investors, who are sticking with us as we continue to grow into a much larger and professionally-run publicly-traded company, especially those that have been with us through all the growing pains and continue to believe in our incredible team.

I truly believe the best is yet to come.

And with that, let's open the line to questions. Operator?

Operator
Absolutely. Thank you. Ladies and gentlemen, the floor is now open for questions. [Operator Instructions] Okay. It looks like your first question is coming from Adam Wyden from ADW Capital. Your line is live.

Q: Hey, guys, congratulations on the great quarter and congratulations on getting Lowrie. I think I may have mentioned to you, I remember when Troy took his company private many years ago coming out of the recession. And I remember, it was actually my first – it was my first kind of foray into the adult entertainment industry.

And I was always fascinated by the unit economics. So I'm glad you guys were able to finally find a way to do business together. He's obviously built a wonderful business, and you've built a wonderful business. And it's great when 2 professionally managed organizations can get together and drive economic value. So, that's super exciting. And, obviously, we saw that you issued shares at $60.

And, obviously, the transaction is very accretive. We have it at like 4 to 4.5 times EBITDA's performance. So, obviously, that can make sense. But, I guess, my bigger issue is I think there is a little bit of a prevailing sentiment, that these numbers are not sustainable, and that there aren't more clubs to buy and that you aren't going to open up more Bombshells. And somehow this, call it $110 million of EBITDA that you're doing now is going to like get cut in half or something.

Now, obviously, we're in unchartered territory. We don't know whether some of this stuff comes down a little bit. But, I mean, can you speak to kind of what you think, how you think about valuation and how you think about getting your cost of capital right, because obviously as you continue to kind of do these multi-club acquisitions, you're going to want to have that equity in your arsenal.

So, can you talk a little bit about how you see business going today? And, why you are confident that this company, I mean, you made a comment on the conference call, you said, "Look, we want to be a real public company, we've gone through the growing pains," I mean, what gives you the confidence that this company is going to trade with the normal cost of capital? Clearly, you put all the systems in place and it looks and smells like a public company, and it just doesn't have that public company cost of capital.

And I think your ability to grow will largely be augmented by the fact if you haven't. So, I mean, I'm just curious kind of how you think about that from here.

Eric Langan - Chief Executive Officer
We did a very large acquisition. We paid top dollar for it, but we're getting some top locations. Remember, VCG used to have 20 locations. These are the ones they have left, the 11 they have left, because they've sold off the locations that were underperforming, to service debt or get rid of debt and do the things they needed to do, to focus on their top locations. So we come in, we're buying some of their top locations, top cash generating, which was important to us.

So instead of paying, typically, we've been paying 3 and 4 times on our recent deals, this is a 5 times transaction. But it had the size for us, and we were able to use some equity. I think that if you look at our valuation or evaluation, we're getting a little premium. We're paying them 5. I think we're creating probably closer to 6 on our trailing basis. So we will also get upside when we take over some of their clubs with our synergies and some of the things I think we'll be able to do to improve results at those locations.

And I think at the end of the day, this is going to look much closer to a 4 times. A year from now we'll look back and go, "Oh, we only paid 4 times for the EBITDA that we picked up." So that's my thoughts on it. As far as how we are becoming a real public company, I think we're out of the crazy days of trading. I think we've gotten through the shorts. I think we've gotten through the growing pains in audit issues, now with Friedman with us, for this year and moving forward from 2018 and 2019. Our corporate office staff is in the best shape it's been in. We're ready to grow. Our ERP system is, there won't be any stress on the system at all. We'll barely even notice that there are more clubs, the way that Bradley set things up in the office. And as far as our management team goes, I mean, we've attracted some of the best in the business. Everybody's calling us right now. Everybody is—

Q: Well, let me ask you question though. Sorry to interrupt you. But I mean, if you think about how your lenders are financing you, you're able to buy real estate, effectively financing it at, depending on the property, anywhere from 3% to 5%.

Now, realistically, these real estate assets have operating businesses on adult entertainment. So the extent that you're able to collect rent from yourself, basically the lender is effectively saying, "We're lending you money to buy real estate, that's lending to an adult entertainment." So like by that stretch of the imagination, if a debt investor is smart enough to say, "Okay, this is the quality of the cash flow," why do you think the equity investors are not able to underwrite to a similar cost of capital?

I mean, all they're doing effectively is buying these operating businesses with the real estate, right? I mean, if the debt is going to trade at 5, why shouldn't we trade at 5? Am I thinking about it right?

Eric Langan - Chief Executive Officer
I think they're having a hard time understanding. Like you said, people think this is a fluke, but I'm telling you, our July was better than our June. We're continuing to see improvements. Our northern clubs in July had great sales. New York is still off a little bit. Chicago hit almost an all-time high. The Minneapolis market is strengthening. We're off in the south, up 2, 3 points, which is typical summer decline. There's no slowdown from COVID. There's no slowdown from people spending. And I think the reason why is, I just don't think that other operators have the employees, the staff. We retained almost 86% of our management staff and almost 60% of our total staff from 2019. In the industry, that's normal. If we didn't have COVID, we have about those same percentage of retention, because that's—

Q: So let me ask a few questions. So let me ask a question. So let's say you get Lowrie done, you get your synergies and you get the rest, you basically did $20.4 million in the quarter, and you didn't have everything open. If I do the incremental economics, I feel like I'm a broken record. I feel like I've been saying this since even before COVID. But if I kind of run the numbers out, you're probably running at 90-plus before Lowrie.

So then you kind of run Lowrie through the machine. And you're basically another $20 million of EBITDA, obviously, you get the refinance, you'll save money on free cash flow. But, I mean, if you think about it, starting calendar 2022, you're looking at a business that's run-rating about 110 of EBITDA. I mean, do you see a path to getting to 500? I mean, I guess at $110 million it's kind of like, okay, it's public, but at $500 million it's kind of like a corporation.

I mean, is it your plans to build a corporation, because, I mean, to me, you put all the building blocks, you put all the systems in place you're not really getting the public company cost of capital. I mean, is it your goal or intent, I mean, to really build this thing into a multi-$100 million cash flow business?

Eric Langan - Chief Executive Officer
I think this acquisition shows that we can do that, right? Our goal is to grow at a 10% to 15% clip compounded. So average—

Q: That's organic. But that's organic without a deal.

Eric Langan - Chief Executive Officer
No. We want free cash flow per share growth. To do 15% free cash share growth when you're doing $1.00, you need $1.15 the next year, but when you're doing $100 million, you need $115 million next year—

Q: Okay, but you guys – but, I mean, look, you've historically been growing 15% to 20% without [indiscernible] amount of M&A.

Eric Langan - Chief Executive Officer
Yeah, over 20% pre-COVID, we were just over 20%.

Q: Let's just say, you've been compounding free cash flow. I mean, look, Lowrie effectively is the first big deal you've done in a long time. I mean, I know you bought Tootsie's and Scarlett's.

Eric Langan - Chief Executive Officer
2012, yeah, 2012—

Q: Yeah, but understandably, you guys have basically been CAGRing without the acquisition. So presumably with Bombshells and acquisitions, this 15% to 20% is going to prove conservative, right? I mean, that's your baseline. But, I mean, you could even double or triple that.

Eric Langan - Chief Executive Officer
That's our minimum goal. You know what they say, "under promise, over deliver." That's what we try to do. If I tell you 20% and do 19%, everybody wants to cut my head off. So I'll stick with our 10% to 15% growth target. We're going to keep pushing it, and if I keep doing 20%, then everybody's happy.

I don't see any snags in the plan, at least not in the foreseeable future. People are getting vaccinated. Things are getting back to normal. Yeah, there are new scares here and there. But, I mean, we're not really seeing any results of it. People that are vaccinated are not scared. I don't know if they should be or shouldn't be, but they're not worried about coming out to the clubs or dying or even worried about getting COVID for the most part from the people that I see every day and talk to everyday. We're ready to live our lives.

That's what we're seeing in our clubs. That's what we're seeing in our restaurants. I think we'll continue to see that for the foreseeable future, unless something major changes that's unforeseen. But based on all the foreseeable data that I have, we're going to continue to build and continue to grow.

Q: Great, well, look, obviously, we own 10% of the company plus or minus. We're obviously on board, I mean, I would not have taken a position in this company, if I didn't think that the combination of the acquisition strategy with the nightclubs, the organic growth strategy in franchising at Bombshells. And now, obviously, this is what we were playing for is, obviously, if there's something that comes out, this AdmireMe, which you guys haven't talked much about.

But, I mean, obviously, we've seen the conflagration that is OnlyFans. And by definition, you have all of your adult entertainers, if they can have another venue to go and you can work it and not to mention, it also serves as lead generation marketing for your in-person, there's an enormous amount of synergies between AdmireMe and your kind of traditional nightclub business.

So, obviously, unlocking that value and intangible value you have in your enterprise, I think, is super exciting. So, look, I am still of the belief that this is a $500 million EBITDA business. It can be $8 billion, $9 billion, $10 billion of market cap. So, look, it's Rome was not built in a day. But obviously, you guys are taking the right steps to build the corporation. So, hopefully, we don't have other people on the conference call asking stupid questions about liquidity when our cash flow doubled through COVID and we bought stuff.

Eric Langan - Chief Executive Officer
I think we're going to get there. We just got to stay the course and just keep pushing our way on it.

Q: All right, I'm going to hop off the call. If someone else jumps in and ask something stupid, I'll be back. Thank you.

Eric Langan - Chief Executive Officer
Bye, Adam.

Bradley Chhay - Chief Financial Officer
Thanks, Adam.

Operator
Okay. Your next question is coming from Jason Scheurer of Orchard Wealth & Legacy Management. Your line is live.

Q: Hey, guys, how are you doing?

Eric Langan - Chief Executive Officer
Very good. How are you?

Q: Just want to say I'm blown away by the numbers that you guys just posted on the Board. Didn't expect anything that high. Congratulations. Absolutely took my breath away. A couple of quick things. First of all, debt restructuring, what do you think the timeframe is going to be on this?

Eric Langan - Chief Executive Officer
We've been working on it. Unfortunately, we added a bunch of out-of-state deals. The title companies have all been overwhelmed. And they're very slow. We turned this over to the title company on June 3rd. We got our first title commitments back 2 weeks ago. We're down to 3

survey requests, which if they had told us in June, we needed, and we would have already had them done. But like I said, we just started finding out about this stuff about 2 weeks ago.

There were actually 5 surveys. We got 2 of them completed. We've got 3 to go. It should be wrapped up here soon. I'm hoping to close by the end of August. Worst case, the second week of September. First week will be hard, because of Labor Day. So, I guess, we get into the second week of September, but definitely before the end of this quarter, I'd like to get this $104 million refi done.

Q: The other question is with the new club that you guys are making the acquisition on, of the employee mix that you have independent contractors, can you give us an idea of what that is, W-2 to 1099?

Eric Langan - Chief Executive Officer
I have no idea. We can run it, but we have a lot of entertainers. Some are employees in certain markets. Some are not. It depends on the markets and states and whatnot. So, I mean, I'd probably – if I had to guess, I'd say we probably have in a given period, pre-COVID 10,000-plus contract entertainers. Today, I don't know what the number is.

Bradley Chhay - Chief Financial Officer
I think he is asking about the 11 clubs. Or is there any that are on the employee model? Is that right?

Q: Yeah, that's right.

Eric Langan - Chief Executive Officer
I think that based on the markets they're in, no, I'd say they're all independent contractors.

Q: Okay, next question being, this is going to be 11 clubs that you guys are going to start to chew through here. How long do you think this process would probably take to get closed the transactions and integrate them?

Eric Langan - Chief Executive Officer
We could start closing the first deal. First deal could close as early as, I'd say, mid-September, maybe a little earlier. There are 7 clubs where licensing will be very quick. There's one state that could take up to 90 days. So, we could be looking November to close on the final transaction. So I'm going to guess it's going to be a series of transactions starting sometime in September and running through November to close on all 11 properties.

Q: I got it. So by January, February, March, they'll all be on the books, probably.

Eric Langan - Chief Executive Officer
I think they'll all be on the books in our first quarter of 2022, maybe not for the whole quarter, but in that quarter for sure.

Q: Okay, and then, with this, such a purchase like this in the integration, do you guys think you can handle another big purchase or other club purchases, if somebody came along?

<u>Eric Langan - Chief Executive Officer</u>
Sure. We're picking up some great management with this. The clubs are doing $40 million in revenue. We don't buy businesses because we want to go in and change all the management. We go in and buy them because they already have strong management, they're already making strong cash flow. We want to come in and take our systems, teach their management to put in our best practices, put in our POS systems, bring our cost control systems in, lower their cost of operating and increase the EBITDA from $14 million to, say, $17 million. That's our goal. You can't do that if we're rebuilding management teams at every location. That's not going to happen. So we need current management teams. That's why we buy strong management teams.

Q: Okay. Can you tell me a little bit about the AdmireMe? How long have you guys like had this concept out or how long it's been in the works?

<u>Eric Langan - Chief Executive Officer</u>
For several months, we had people contacting us, wanting to invest and invest with them, do stuff with them. We kind of looked at the process. One of the groups that we talked to was pretty near and had a very similar concept to what we wanted, which is basically, see a girl on the Internet and come meet her in real life at the clubs. Or meet her in the clubs but be able to learn more about her or talk more on the Internet basically.

And so, we think it was just a nice integration. And the other thing is, I look at some of these other websites and, other than like the big stars that are, I call them the circuit stars, that are coming around and hitting all the clubs and have big followings, those people are real. I just think there is a lot of untapped material, right?

I wanted something that is much realer for the customer. And like I said, it takes the fantasy world and the real world, and gives you a safe place to meet. And the girls can continue to build their business at the club level. And the club girls can build an Internet business as well. It's kind of a cross between the Internet and the brick-and-mortar businesses that I think we'll do very well with.

It's a relatively inexpensive venture for us. We're going to own about 65% of it. A lot of the setup and programing was done. We're going to be hopefully launching beta here in the next quarter. And hopefully launch full live sometime in early 2022. And we'll see how it goes. One of the things that we can add, a value add, is to these big circuit stars that we can – we're going to own 50 some clubs around the country – where we can go, "We'll give you 20 weeks of featuring to our top influencers on our website," which is something other people can't do for the girls and the big stars, to draw more of them in.

I think we just have a lot of synergies that made sense, as we started talking about it and looking at it. I think, our total investment from now to go live is probably under $1 million. Currently, I think, we've invested about $25,000 in programming, making some changes, but these are changes we wanted to integrate our ideas. And like I said, we'll start the beta testing. We're in the process of getting the credit card processing to go live here soon. Once we reach those milestones, the rest of is just put it out there and see what happens.

Q: Thank you very much. I got everything. Fantastic.

Eric Langan - Chief Executive Officer
Yeah. Thank you.

Operator
Okay. The next question is coming from Darren McCammon from Cash Flow Kingdom. Jared, your line is live.

Q: Hi, guys.

Eric Langan - Chief Executive Officer
Hey, Darren. How are you doing buddy?

Q: Doing good. Hey, cash on hand, what are you comfortable with given COVID delta going forward?

Eric Langan - Chief Executive Officer
We're keeping $15 million-$20 million cash on hand more than likely. We're sitting with $29 million at the end of the period. I think we're a little over $30 million something now, $32 million maybe, or so $33 million, I have to go back and look. When it gets that high, I don't have to look at it every day like I used to. I'm too busy out trying to invest it.

We've got access to debt financing still. Our debt is at a 2-year low. Even with this new acquisition, because of the EBITDA we're going to add, our debt-to-EBITDA ratio, actually, I think, drops even with this transaction. So I'm not overly concerned. Like I said, $20 million, $25 million is probably too much, so $15 million, $20 million, right now. We're generating over $1 million a week in cash. So—

Q: Okay, great. I'm going to reiterate the same question as the previous guy. I'm sorry, my system is going in and out. Are you still there?

Eric Langan - Chief Executive Officer
Yeah, I'm here. I'm sorry, I didn't hear what you were saying. Something about the question for the last guy or something?

Q: Yeah, I'm just going to reiterate kind of the same question. Given that this is a pretty big purchase for you, I'm kind of wondering how long do you need for integration before you can really consider buying another big purchase.

Eric Langan - Chief Executive Officer
I'd consider another big purchase today. You've got to remember, we started working on this acquisition in November. So it's taken 8 months to get where we are today to get definitive

documents. So if I start today on another acquisition, even if it goes faster, and it only takes 4 or 5 months to get definitive documents, with a larger acquisition, it's going to take time. There's a lot of due diligence process you have to go through and whatnot.

So by the time, I get to definitive documents, we'll have this one integrated. This acquisition is going to integrate in the first quarter. Maybe a little bit extra work in the second quarter. In 6 months the thing is fully integrated. It'll be like it was ours the whole time. Our systems are that basically transferable now. Everything is just plug and play, plug and play, plug and play. It's just a matter of training the current management teams to use our systems. In a pilot term, it is "differences training". We're going to upgrade their software and systems, and we're going to teach them how to use it. It's basically still all the same stuff. Except, I think, our systems are better for cash control handling, better for inventory controls, better for costs and tracking costs. And then our national buying power lowers costs. That's the value we add. And so when we buy these things, and we integrate them in, I think, it's a 3 to 6 month period, tops.

Q: Okay, thanks for the additional color. That's all the questions I really have. I just like to say, great quarter. And I really liked the purchase, too. I think it's a fantastic purchase.

Eric Langan - Chief Executive Officer
I'm very excited about the new locations. The Denver market is a fantastic market. Unbelievable growth in Denver right now. I think we'll be able to go out there and do some great things in that market. And in the other markets, some of them, they are the only club in the state of Maine. Raleigh, North Carolina's capital city, is just a great location as well. I think we'll do well there. Louisville is going to be a good market for us. We're excited about the management team there, and Indianapolis as well. When you put it all together, it's going to be a good acquisition for us, for sure.

And, I think, it lays out the path for other big owners to go, "I can do this." This seller wanted equity. We had a hard time doing deals in the past, because we just couldn't get them enough equity, because he wants to avoid the taxes with the stock, doing stock transfers and stuff. So it's about creating a tax benefit for the seller as well as an upside for RCI and our shareholders.

Q: Makes sense to me. I think it also opens up other big purchases. So I think it's a great deal. Congratulations.

Eric Langan - Chief Executive Officer
Thank you.

Operator
Okay. The next question is coming from Greg Pendy from Sidoti. Greg, your line is live.

Q: Hey, guys, thanks for taking my question. Just wanting to shift over to Bombshells per se. Before you've learned more and more about this concept over time and I get that, but I think in the past, and this was well over a year ago, you put out this 19% to 22% segment level margins, and just kind of given what you've learned, can you kind of – any comfort on saying even as things normalize, the higher add to that is more sustainable?

And then also when you're talking to franchisees, I mean, I'm assuming they're looking at probably using the concept, they're probably going to go the lease route versus owning the real estate. That's just my assumption. But, I mean, how are they thinking about it? And kind of how are you framing given the fact that the numbers are kind of all over the place right now?

Eric Langan - Chief Executive Officer

We were looking at both. As far as what are the Bombshells numbers, I just knew that that because of all the pre-opening costs, and that we based everything on $5 million units, but our new units are closer to $7 million or higher, so we had to rethink the margins on those higher units. So as we expand, I guess, it just depends on if we're opening more $5 million units, we have a couple of $3.5 million units, or $4 million units. At the end of the day, it's going to depend on the mix of units and whether we're highly successful in picking $7 million units, right? That's the real key right now. We've got to find the right locations.

I've looked at a lot of properties that I'm very comfortable we would do $4.5 million to $5 million. But it cost me the same amount of money to build a $4.5 million to $5 million unit versus those $7 million unit. So we're very focused on the demographics and the traffic needs of building these stores that will do $140,000 a week in sales. That's our focus right now. So that's what's changed. That's why the margins have gone from 22% to 27%. Is it sustainable? I don't see why not. I mean maybe 25% or 24% is a sustainable number over the long haul, if the sales mix changes for some reason.

Remember, Bombshells opened in May of 2020 during the pandemic with restrictions and did unbelievable numbers, and we all kept saying, "Well, gee, can I do this? How long can you do this or how long can do this for?" Well, I don't know, we're going on 18 months now. We're still doing the numbers. So I don't see a reason for a big drop off in the numbers at this point. I think that the brand is, especially in the Houston market, is an unbelievable brand in that market with name recognition. Anywhere I go, people know Bombshells in that town now. That was kind of the idea when we built them. We said, "Look, we're going to focus on one market. We're going to own that market. And then we're going to take the concept other places." I think we've done that.

And when people talk about, well, its Bombshells, anybody could build it, sure. Anybody with $6 million can go out and build a store. The problem is, how many people are going out and building restaurants to be of a competitive nature at that price range? And if they don't spend the money, they don't have what Bombshells has, because that's what it costs to build our concept and to do the things the way we do them.

While we don't have the moat of the adult clubs. I still think we have a cash moat. It costs people a considerable amount of money, and they're going to have to invent their concept. They're going to spend that kind of money and invent their concept. And so I think we've been very successful in our niche of what we do with Bombshells.

As we expand into the Dallas/Ft. Worth market, we're looking to expand in Austin as well, and we're still working in Florida. Everybody in New York moved to Florida, and the prices went crazy. I'm sorry, I just can't pay $8 a foot to lease a building, even if I think it's going to do

$200,000 a week in sales. At the end of the day, the rent starts becoming 9%, 10%, 11% of revenues, and it's like, "No, I can't do that."

We'll just go stick with the model that we know, and we know it works, and if those prices come back down to reality at some point, at $60, I think we can make it work, maybe. We were looking in the high-40s in that market when we first got down there, and we were getting LOIs out. We were getting close on negotiations. And I'm not kidding you. It literally seems like within a 2-week period, the prices went up 50%. They went from 40% to 60%, and then from 60% to 80%, probably within a month of that time. It was like, "Okay, let's just go back to Texas right now."

We're looking at Arizona real hard right now. And we're really talking with franchisees who know their markets and their demographics. And we're able to teach them what kind of demographics they need, and we're running all the traps, and I think, we'll sign up more franchisees here in the near future as well. And that's, really, we love that model, too.

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

Eric Langan - Chief Executive Officer
Yeah. Thank you.

Operator
The next question is coming from Peter Siris, a private investor. Peter, your line is live.

Q: Well, I'm very disappointed that you've made me pull out 12-year old spreadsheets.

Eric Langan - Chief Executive Officer
I didn't make you do it. Yeah, it's been a long time since they were public. I know, you guys were pretty big and instrumental in building their public company. Unfortunately, it's not the same company that it was when we tried to buy it in 2012. But the reality is, I think, we're getting to cherry-pick it now.

Q: Yeah. And what that – and I just wanted to make a comment, because I know all these clubs very well with what I agree with you completely, when you said it's going to be 4, not 5. When I'm looking over my model, and seeing what leverage is there, and you have a whole bunch of really strong clubs, Denver market and some of these other markets. They have good clubs, it should be very good. The question I wanted to ask is, when I look at similar kinds of industries, and a good example would be the automobile dealer industry. And I'll tell you why I'm saying it's a similar thing. You'll have a lot of independence, a few small – you'll have 5 or 6 in the automobile industry public companies in your industry of one.

You now have discussions of potentially new taxes coming that will make it less attractive if they pass for people to pass these kinds of assets on to their heirs. So one of the things I'm seeing in the automobile dealer industry is lots of deals, and I am thinking that there has to be a lot of people in your industry, who are calling you on a daily basis, saying, I want to make the same kind of deal you made with Troy. Am I wrong?

Eric Langan - Chief Executive Officer

We're getting calls. Yes. I don't know if I'm taking them every day, but they're probably making them every day. We're getting lots of e-mails, texts. We're talking with brokers. Obviously, we want to get this one in. We're lining them up, so to speak, down the road. "Let me call in 2 weeks, let me call in 3 weeks" type deal. We're talking with people. We're looking at some of the – I'm calling them cherry-pick -- some of the one-off stuff. It's easy for us to operate, close to our existing clubs, and that's very appealing to us.

Or if we can find a deal where you can buy a whole market like we did with Denver and St. Louis. Of the big clubs, we now own 3 of the 4. That's appealing to us, to get that type of market presence makes things a lot easier for us as far as we don't have to deal with what I call rogue operators, doing crazy things that put the industry in a bad light or cause problems with local officials and stuff. We're not perfect in every market, but in most of them we try to be. So—

Q: But going back to where Adam started, and I hope I'm not asking a stupid question that's going to get Adam on my case. It looks to me that you could have the opportunity now using a combination of equity and debt – I'm leaving out Bombshells – but in gentlemen's club segment, to grow significantly faster than people are thinking. Is that a reasonable point?

Eric Langan - Chief Executive Officer

Oh, yeah, absolutely, if we get the stock multiple, then we can start getting the arbitrage. You remember in 2008? I did 11 acquisitions in 2008. And that's because we had $25 stock. The equivalent of $25 stock in 2008 would be like $175 today, yeah, right? So, if the stock was right, we will absolutely move much quicker. The ability is out there if the cost of capital becomes cheap enough. At that point, I think our cost of capital was like 3% or 2%, or something like that, but using our equity. So there's times when equity makes a lot of sense for us.

This deal, it was border line for me. Here's the way I looked at the equity. I said, well, if we do this big deal and the stock runs up, okay, everybody comes out ahead, everybody's a winner. If the stock stays at $60, we look at as a 5-year interest free loan. We buy that 500,000 shares back at 100,000 shares a year for the next 5 years, and the stock comes back. We're back down to 9 million shares and whatever. So there was no downside in issuing equity here. I don't know that there's a lot of upside, but we'll find out, right? The market is going to tell us over the next 3 months what it thinks of this deals. As we integrate it in, as the numbers start coming out, I think, we'll know by February for sure. And then we can decide either it was a home run for us or the market isn't rewarding us for it. And okay, then we'll just buy the shares back and it's interest free debt.

Q: Well, my guess is, it's going to be a home run and congratulations. Thanks.

Eric Langan - Chief Executive Officer

Thank you. Yeah, I mean, we'd certainly hope so. I mean, we would love the ability to have the capital and be able to use equity and have that equity arbitrage. Going forward, we'll still have some seller financing and deals. We'll still have some cash components and deals, but if we could use a little bit of equity to sweeten it up for the sellers, I think it sweetens it for the sellers. I know

Troy is very excited. He thinks the combined companies are going to be worth a whole lot more than the 2 of us were separate, and that his $60 stock will trade much higher.

When I talk to him, he really wants to be a long-term shareholder with us and grow with us. He's got enough cash in the deal to take care of the things he wants to do. The debt is going to give him a monthly cash flow, and the equity component is a long-term create-wealth plan. So, hopefully, he becomes basically the poster-boy for everybody going forward, saying, "Look guys, this is how you do it."

Q: I think, you will. Thank you, Eric.

Eric Langan - Chief Executive Officer
Thank you.

Operator
Okay. The next question is coming from Douglas Weiss from DSW Investment. Douglas. Your line is live.

Q: Hey, nice quarter. Let's see a couple of questions. So I'm kind of thinking about these larger deals, how many of these large club groups are there theoretically, that you could over the next 5 years, would theoretically be fit your—

Eric Langan - Chief Executive Officer
Well, when you put on a timeframe, it's hard to say how quickly guys will come around and want to sell. But there's multiple deals out there to be had. There's definitely lots of operators we'd love to buy, or merge, or whatever. Someone we'd love to have join our team and grow the company with us. I think it's going to be an evolution. We're going to know over the next 3 years. We're going to see a lot of it. We're back in the driver seat of what we're able to do. And if the equity continues to respond favorably, and we start getting the value for what we're doing, and for the cash flow that we're generating, I think you're going to see more people join us. That's my honest opinion of it.

Q: Yeah. And you've been really careful, I think about which markets geographically and legally you've entered. I mean, what how many states are there sort of work for you from a legal and—

Eric Langan - Chief Executive Officer
I think all of them could work for us if the operators in those states, who know the state and know how to operate there, are willing to stay on with us, at least until we figure it out with them. California is a scary state for me. We went out there once. It was a little more intense out there, I would say. Regulatory takes months to do anything. We're not used to that. We have much more business friendly environments in the majority of the markets that we operate in.

But at the same time, we're doing business in Illinois. We're doing business in New York, where it takes longer to get things done, but we just keep pushing forward and get it done. So I'm not afraid of any market, especially as we continue to grow and we get the size. But I don't want to buy lawsuits, either. It's not fun for me. I hate lawsuits. I hate being in court. I'd rather just run my businesses.

And so we're looking for very business friendly environments, where we can do what we do. Grandfathered locked-in locations. And, of course, we all love limited competition. The problem is we have limited competition in our exact industry, but our industry still competes with multiple other facets of entertainment. Rock concerts, sporting events. While some are complimentary, some are also competitive. People only have so much money to spend, and they choose where they're going to spend their money. So we have those competitive issues as well.

Q: Can you just remind me what the 2 clubs that are closed are currently and whether those are going to reopen?

Eric Langan - Chief Executive Officer
One is in San Antonio, Texas. We have, I believe, reached a settlement with San Antonio. We're waiting for the actual settlement papers. We had a lawsuit with them. We believe they closed our club illegally during COVID. That we had the right to be open. They said we didn't. It was a big mess. We've been in court battles where we've won. We've lost. We've gone back and forth. At the end of the day, we're closed, and I want to be open. So we've structured a deal that I think is win-win for us and the city. I'm hoping that gets done. That club could be open as early as October under a new format, a new name.

The other one is the one that got hit by the hurricane in Lake Charles. It's actually in Sulphur, Louisiana. But it's the Lake Charles area right by the casinos. The hurricane basically took the building out. We've been in the process of rebuilding that building. We're probably 4 to 6 weeks from reopening that location as well. So—

Q: Are those kind of million dollar—

Eric Langan - Chief Executive Officer
San Antonio was probably about $600,000 in profit a year. Sulphur, I don't know off the top of my head, but probably the other one is in that same $500,000, $600,000 range. So the 2 of them together $1.2 million, call it $1.2 million for easy number purposes.

Q: Okay. Then on the operating margin on clubs, I think, were the highest you've ever had in the mid-40s? Is that the—

Eric Langan - Chief Executive Officer
The second highest. I think there was a quarter in 2018 that had higher margins, I believe. It's on Bradley's chart on Page 7.

Q: Yeah. I got it, December of 2018. Is that sustainable?

Eric Langan - Chief Executive Officer
We're not seeing a slowdown in July. I'm like you guys. I don't know. I don't see it dropping off overnight. I think if it drops, it'll be one of those gradual 3%-5%. But typically in our industry, we

run solid up for 6 quarters or 8 quarters, and then we have a 3 or 4 quarter decline, then we go back and beat the numbers again. If you go back all the way to 1995, you can kind of trace that pattern. A lot of it had to do with our size back then. A lot of had to do with sporting events. Was there a Super Bowl one year in one of our cities and not the next.

The thing of it is, with $57 million [in quarterly revenues], with a Super Bowl that brings in an extra $1 million in a week at a single club, that affects that club, but it doesn't change the whole company like it used to. We're just getting large enough now that the seasonality of it, the big sporting events don't affect the overall numbers like they used to. So, I think, we're just going to have to keep moving forward. We're all going to monitor it. Like I said, as of right now, we're not seeing much slip.

In the south, we're seeing our typical summer slowdown, 2% or 3% at some of the clubs. But overall, the northern clubs are up, 20%, 40%, 60%. So, it's becoming a zero-sum game. If we're losing here, we're gaining there. Unless the overall economy changes, or something that changes basically people's habit, I don't see a slowing down right now. I think we've gained market share coming out of COVID because we were prepared. Our management teams, our management staff, Ed and Dean, did an unbelievable job. Our regional managers, with their general managers, keeping their general managers, with their local teams, just did a great job of getting everybody back to work. We worked as hard as we could.

Our number one focus, when we start reopening wasn't making money. It was getting our staff back to work because people weren't paying their bills. Let's get our staff back to work with everybody taken care of, then we'll figure out how to make money, right? We just kind of double lucked out. We got all of our staff back to work, and everybody is starting to make money with these 25% occupancies and 50% occupancies. We went out and obviously did the right thing. We told our guys do the right thing. We want to do the right thing by our guys. Get our clubs open, get their guys back to work. How much business we can have, who knows? We'll make do with what business we have, and we'll figure out how to make money with the business that we get. And all of a sudden, we have lines out the door everywhere. It's like, "Whoa, where did all these people come from?"

But we've been excited about it. We hate seeing people wait in line. We want to get people in the building, because we're not making money from standing on the line. We want to get them in, we want them to have a good time, and it's not fun standing in line. We've all had to go places and stand in line. I think our staff has just done a fantastic job of meeting those needs. And turning that into revenue, as you've seen. If you ask me, people say, "Well, how do you do it?" Well, I say, "All I did was put my people back to work." My people, our staff, our companies that went out there and did what needed to be done to basically put the dollars in the cash register and keep the customers happy, keep the customers coming back.

I think as long as we're continuing to meet our customers' needs and keep our customers happy, and they continue to feel that we create value, entertainment value, for them, they're going to continue to come spend money in our businesses. I don't know why we would slow down right now unless our staff quit doing their jobs. I talk to them every day. Everybody's happy. Everybody's been pretty ecstatic about things we're doing. We're having a convention in New

Orleans next week. We're bringing about 200 of our staff members from around the country to do seminars. We have 2 days of seminars and training that we're going to be doing. I look so forward to it. I know every club I've been traveling around the country, talking to guys, and everybody's excited about coming to New Orleans and basically seeing everybody again. It's been a long time. We have our convention every August normally in Vegas, but the Expo was in May this year in Miami. We were too busy doing new things, opening new stuff, opening clubs back up, we couldn't really take our staff, so we decided to wait until August and just do our own, 2-day seminar. So—

Q: All right. Well, great. Well, congrats again and talk to you soon.

Eric Langan - Chief Executive Officer
Yeah. Thank you.

Q: All right.

Operator
[Operator Instructions] The next question is coming from Steven Martin from Slater. Steven, your line is live.

Q: Hi.

Eric Langan - Chief Executive Officer
Hey, Steve.

Q: I got on a little late. So if I'm asking a question you've already answered. Just tell me. Your corporate overhead, you're going to add 11 clubs, and another Bombshells in the near future. What is – how is that going to affect your corporate overhead and your ability to leverage?

Eric Langan - Chief Executive Officer
Probably raise our operating costs a little bit. But as far as internally, we've kind of known since we signed the LOI. We've had the corporate office staff already in house, already training, already working for us. Bradley can answer. I don't think we really have a need for more staff based on this acquisition. Basically, once our ERP system became fully integrated, we actually are overstaffed. But the people work for us, we don't want to let them go. We continue to build. We know we're going to buy more stuff, build more stuff. And we kept everybody on, and now they're going to have more work.

Q: So you're saying that you can grow for a while and not add a whole lot of staff?

Eric Langan - Chief Executive Officer
We may need a new AP person at some point. We may have to add another revenue account. Basically, you're talking about $60,000 a year employees. You add one here, one there, as we continue to add more locations. But I think as far as upper staff, upper management, we may add regional management, but most of that those clubs have already anyway, as we buy them. So it's not really a new added expense. The incremental margin increases from these acquisitions, that's what we bring to the table. It's the efficiencies and the cost savings.

Q: Will the added volume of the new clubs change anything with respect to alcohol costs or food costs or insurance, et cetera?

Eric Langan - Chief Executive Officer
If it does, it'll lower it. We will use our cost savings on our national buying accounts from Coca Cola, from some of our large liquor and beer distributors, where we can. Some markets, you have to buy local. You have no choice. But some markets, those savings get passed on.

So part of our due diligence process is working through all that. I know Ed and our director of alcoholic services has been working in marketing, has been working with some of our providers, to discuss what they can do and can't do in certain markets for us. And we'll continue to work on that.

Q: All right, well, congratulations on a super quarter.

Eric Langan - Chief Executive Officer
Thank you.

Operator
Okay, the next question is coming from Adam Wyden from ADW.

Q: I knew I'd have to step in one last time. I know, last few conference call, I usually have to get a second in. So I don't know who that guy Steve was that you were having a dialogue with. I mean, look, I actually agree with him on one part and I vehemently disagree with another part, which is I definitely agree that prognosis for cap gains, in state taxes and such, that people are trying to settle their estate.

So I definitely think there's going to be a universe of guys who want to sell their business to you. But the flipside of that is, is for all intents and purposes, most people, A, don't have the shared services infrastructure to operate one in two clubs. And so, they're not – private equity is, A, maybe doesn't want the ESG component to it or, B, candid on the platform. I mean, there aren't really. It's almost like these guys want to sell it.

And, they should be less price conscious, because the reality is if their capital gains are going to go from 24 to 50, to ordinary income, then the multiple on today's earnings can be substantially lower. So, I actually think it puts you in a better spot from a negotiating perspective, the place where I do disagree with Steve, or whatever the hell his name was, is cost of capital.

I mean, obviously, I think your analogy on Troy was a good one, right? I mean, you paid $88 million, of which $30 million was equity, right? So if you think about it, $55 million or $58 million in debt. And like you said, if for whatever reason, you don't get your cost of capital and the stock is still sitting at, whatever, 6 times EBITDA, you could buy back 500,000 shares relatively easily or 100,000. It's basically a zero interest loan.

I love that analogy. I think maybe what Steve was getting at and what I'm concerned about is, I think that there – I don't know, we may have talked in the past about that guy in Michigan, who's got a huge business, I think there are some larger businesses than Troy and in order to acquire those you're not going to be able to finance them with all that debt and stock. And it's just the numbers are going to be larger.

I mean, larger businesses require higher multiples, and by definition, you're going to need more capital to begin with. And so, look, I do agree with Steve. I think the opportunity for buying these smaller clubs is right, but I actually think you have an enormous amount of negotiating leverage relative to the alternative, because really no one else can buy these things except for you. I mean, I just I don't care what anyone says, you guys are the only people that can really buy it and pay the price and integrate them and whatnot.

But I am a little concerned that, that we still, after all this time have not gotten our cost of capital. I mean, you made a comment about 2008. We went back and looked. I mean, I think you guys are trading at 30 or 40 times EBITDA. So in the event that you are trading at the multiple you're trading in 2008, I think the stock, we did the math, is about 350, not 175. But maybe at 175 you're 20 times EBITDA, so maybe you can start thinking about more equity at those prices.

I would be somewhat concerned about using substantial equity at these levels unless either, A, you're buying assets at 2 times EBITDA, which I find farfetched or we don't get a huge move upward. I mean, I understand Troy was kind of a – it was a kind of a deal killer not to have it. And, obviously, as a percentage of the transaction, I mean, it was only a third equity plus or minus. But I do think that the next 12 months, 24 months are going to be very, very instrumental and critical to the company, getting its right cost of capital.

I mean, actually someone who owns the stock said to me once, told me story, he said, the stock market is like a relay race, right? And so, people like me bought shares, under the auspices that this company is not going to go out of business, and it's worth a lot more. And we took risks relative to the perception.

I think now clearly you guys have performed during COVID and built a growth enterprise, promoted, Bradley did many things that we thought were kind of in tune with being a public company. And I think it's important that investors, that might demand lower returns, but have more sensitive risk profiles, can get comfortable that this company's cost of capital is substantially lower, higher/lower, however you want to define it, than what it is now.

And so, the one thing I'd leave you with is, I think it's very, very critical over the next 12 to 24 months that, A, you're hyper-attuned to your capital position. Obviously, you've got some cash. If the stock stays around here, obviously, you know what to do. You're paying back that zero interest loan…

Eric Langan - Chief Executive Officer
It's easy for us, right?

Q: What?

Eric Langan - Chief Executive Officer
I said, that's easy for us. Buying back our stock is easy for us. That's the easiest part of my job.

Q: Yeah, but we got – we do got to find a way. I mean, these conference calls are just, Adam, Eric, Steve, it's the same cast of characters, right? I mean, we got to get guys like Fidelity and T. Rowe Price and these large firms to know that RICK is one of these companies that consistently deliver results. I mean, if you think about it, your algorithm, your growth algorithm basically fits the profile of most of these large kind of clubby institutional asset managers get. It's the same people talking on the conference call.

So, my advice to you is, I mean, 90% of the time continue to do what you're doing, but I think part of your strategy going forward is to kind of continue to go elephant hunting. And so, I'd love to see you guys get it to a point where you've got that cost of capital in your arsenal. And maybe in the next conference call we have someone real on it.

But, obviously, wildly impressive results. Bombshells was a kind of knockout success. That was your brainchild. I have no reason to believe that AdmireMe can't follow suit. So, at some point, people are going to have to value these assets hopefully before I'm 90 years old. So thank you again for the time and I'll be done.

Eric Langan - Chief Executive Officer
All right, thanks, Adam.

Operator
This is the final call for questions. [Operator Instructions] Okay, we have no remaining questions in queue. I'd now like to turn the call back to Gary Fishman for closing remarks.

Gary Fishman - Investor Relations
Thank you, operator, and thank you, Eric and Bradley. For those who have joined us late, you can meet management tonight at Rick's Cabaret in New York, from 7 to 9 o'clock at 50 West 33rd Street between Fifth and Broadway. If you haven't RSVP'd ask for Eric or me at the door.

The next event on our calendar is our participation Thursday, August 19, at a Sidoti & Company virtual investor conference. We'll be doing virtual one-on-ones. Our presentation is at 12:15 PM Eastern Time. Registration is free for professional and retail investors. We'll issue a news release with the details.

On behalf of Eric, Bradley, the company and our subsidiaries, thank you. Good night. Stay safe, stay healthy. And as always, please visit one of our clubs or restaurants.

Operator
Thank you, ladies and gentlemen. This does conclude today's conference call. You may disconnect your phone lines at this time and have a wonderful day. Thank you for your participation.