

## Jonathan Ruffalo

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**Sent:** Friday, August 16, 2013 12:03 AM  
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**Subject:** The only thing that matters...  
**Importance:** High

# ***ARE THE NUMBERS!!!***

So...lets jump on top of a company I have been tracing for the past month that; By the numbers is a huge winner in terms of the lo-moderate risk, and potential triple return.

First, I want you to take notice of items **circled in orange in the first picture.**

Second, take notice of items **circled in green in the second picture.**

**The calculation we will be doing will project the stock price at the end of Q4 in December.**

- Company
- Summary
- News
- Option chain
- Related companies
- Historical prices
- Financials

Rick's Cabaret Int'l, Inc (Public, NASDAQ:RICK) [Watch this stock](#)

[Find more results for RICK](#)

**9.35**  
**+0.06 (0.65%)**

Range	9.09 - 9.42	Div/yield	-
52 week	7.57 - 9.64	EPS	0.90
Open	9.37	Shares	9.50M
Vol / Avg	63,839.00 / 39,995.00	Beta	2.14
Mkt cap	88.86M	Inst. own	22%
P/E	10.36		

<a href="#">Dow Jones</a>	15,419.68	-0.04%	
<a href="#">Nasdaq</a>	3,669.95	0.27%	
<a href="#">Cyclical Co...</a>		0.11%	
<a href="#">RICK</a>	9.35	0.65%	

Aug 12 - Close  
 NASDAQ real-time data - [Disclaimer](#)  
 Currency in USD

- Markets
- News
- Portfolios
- Stock screener
- Google Domestic Trends

Recent Quotes (30 days)

	chg	%
ZLC	9.59	7.27%
BMJ	1.94	-9.35%
BAQ	3.28	4.13%
HPOL	2.04	5.15%
SLV	20.62	4.35%

1d 5d 1m 3m 6m 1y 5y Max



News Relevance Date

- F** [RICK'S CABARET INT'L INC : Rick's Cabaret Will Hold Third Quarte...](#)  
4-traders - Aug 1, 2013
  - G** [RICK'S CABARET INT'L INC : Ricky Bobby Sports Saloon Opens Thursday...](#)  
4-traders - Jul 23, 2013
  - H** [RICK'S CABARET INT'L INC : New L.A. county gentlemen's club...](#)  
4-traders - Jul 15, 2013
  - I** [Rick's Cabaret International Inc's Subsidiary Completes Acquisition O...](#)  
Reuters Key Development - Jun 3, 2013
  - J** [Rick's Cabaret International Inc Authorizes Inc. »](#)
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**RICK'S CABARET INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

<u>(in thousands, except per share data)</u>	<b>FOR THE THREE MONTHS ENDED JUNE 30,</b>		<b>FOR THE NINE MONTHS ENDED JUNE 30,</b>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(UNAUDITED)		(UNAUDITED)	
<b>Revenues:</b>				
Sales of alcoholic beverages	\$ 11,105	\$ 9,711	\$ 32,554	\$ 29,033
Sales of food and merchandise	3,288	2,286	8,744	6,619
Service revenues	12,382	10,576	38,089	31,743
Other	1,533	1,348	4,790	3,958
Total revenues	<u>28,308</u>	<u>23,921</u>	<u>84,177</u>	<u>71,353</u>
<b>Operating expenses:</b>				
Cost of goods sold	3,680	3,279	10,561	9,601
Salaries and wages	6,413	5,299	18,600	15,428
Stock compensation	282	12	845	33
<b>Other general and administrative:</b>				
Taxes and permits	4,275	3,618	13,069	11,018
Charge card fees	410	361	1,126	1,042
Rent	846	726	2,199	2,150
Legal and professional	642	992	2,263	2,433
Advertising and marketing	1,181	959	3,452	2,994
Insurance	573	387	1,642	1,027
Utilities	523	454	1,564	1,264
Depreciation and amortization	1,337	1,398	3,969	3,708
Settlement of lawsuits	160	200	160	2,031
Loss on sale of assets	-	332	-	332
Other	2,336	1,867	6,967	5,432
Total operating expenses	<u>22,658</u>	<u>19,884</u>	<u>66,417</u>	<u>58,493</u>
Operating income	5,650	4,037	17,760	12,860
<b>Other income (expense):</b>				
Interest income and other	(2)	(2)	6	2
Interest expense	(1,868)	(1,098)	(5,273)	(3,178)
Gain (loss) on change in fair value of derivative instruments	1	(17)	2	120
Income from continuing operations before income taxes	3,781	2,920	12,495	9,804
Income taxes	1,409	1,022	4,608	3,366
Income from continuing operations	2,372	1,898	7,887	6,438
Loss from discontinued operations, net of income taxes	(124)	(22)	(141)	(155)
Net income	2,248	1,876	7,746	6,283
Less: net income attributable to noncontrolling interests	(53)	(53)	(159)	(159)
Net income attributable to Rick's Cabaret International, Inc.	<u>\$ 2,195</u>	<u>\$ 1,823</u>	<u>\$ 7,587</u>	<u>\$ 6,124</u>

Like the way these pictures look? I do too!

Reference the second picture with the numbers circled in green.

The important one is the \$7,587 which means the company has earned \$7,587,000 dollars in the first nine months of this year.

We are going to use this first number for the first part of this calculation... and then divide it by the total number of shares on the market for RICKS.

This function is basically the way to derive your: up to 3<sup>rd</sup> quarter EPS (Earnings Per Share)  
 $\$7,587,000 / 9,500,000 = \$.7986$

Next we are going to take this EPS and multiply it by the Price to Earnings Ratio aka the P/E (Price to Earnings Ratio) [# seen in 1<sup>st</sup> pic circled in orange on the left]

$$$.7986 \times 10.36 = \$8.27$$

[This would be the theoretical price of the stock if it earned no more money for the rest of the year]

Next we are going to make a profit projection for just the fourth quarter

RICKS has made 7,587,000 up to this point in the year... so lets project that it will make 1/3<sup>rd</sup> of this amount for the fourth Quarter

$$\$7,587,000 / 3 = \$2,529,000$$

Next we add that projection into the first three quarters, which gives us the projected total year profits

$$\$2,529,000 + \$7,587,000 = \$10,116,000$$

Now we are going to take this total profit and divide it by the # of shares to get us a new end of 2013 projected EPS

$$\$10,116,000 / 9,500,000 = \$1.064$$

Now lets assume in a perfect world the stock will trade at the same P/E ratio as it does now.

**So...by multiplying the EPS to the P/E we will arrive at a projected stock price at Q4**

$$\$1.064 * 10.36 = \$11.02$$

That is our projected stock price in mid-December of this year: \$11.02

It's a very basic projection technique that can really help you hone down your potential prospects and give you an idea of where the price should be with a couple of very conservative projections.

NOW FOR THE EXTENDED READING...

Why am I so excited about this company.

- 1) RICKS is under an REIT (Real Estate Investment Trust) negotiation with all of their properties in order to bring value to its shareholders. Now an REIT's rule is that a 90% payout needs to occur with all net profits.
  - a. THIS MEANS THAT RICKS WILL SOON BE A DIVIDEND STOCK ☺
    - i. Allowing more institutional ownership to occur based on some that are under dividend guidelines.
    - ii. More institutional buying means more demand for the companies shares, and the more buyer demand the higher the price goes
- 2) Notice the price pattern since 2007
  - a. Lower Highs meets Higher Lows. Based on the price movement I see it as a spring that is slowly being squeezed. Sooner rather than later the pressure will explode and bring us incredible profitability or losses. Either way volatility will soon occur, and the most amount of money is gained/losses in high volatility
- 3) Notice the red star in 2007, the price was around \$25 a share. Now for a little homework of your own. And I will lay it out for you.
  - a. Look at the net income of the company in 2007, the number of shares, and the P/E ratio
  - b. Do the same number crunching formula as we did above
  - c. Do you notice anything different? [Yep the income was 30% less and the price of the stock is 2.5x higher than it is today]
  - d. Now I want you to take this years EPS and multiply it by the P/E ratio of the stock in Q4 2007.

- e. What would your projected stock price be today? (Whoever emails me back the figure that's closest I will definitely congratulate with a prize of 2 free tickets to Pittsburg, the prize being that you don't have to go on the trip.)
- 4) The number found in the steps above clearly shows that stock prices have nothing to do with the earnings, or value of the company. Stocks only rise in price because there are more people demanding to buy it than people who want to sell it. THAT'S IT, that's the only thing that moves stock prices. So with that in mind if Ricks can continue to promote itself to investors, and drive more demand for buyers we are going to see a very health uptrend continue.
- 5) If anyone wants to do a field trip to one of their locations for some investor analysis, just let me know ;)

***Any new recipients to this journal, welcome! Great to have you!  
Anyone you know that might like to be added to this list, shoot me an email and I will add them!***

Happy Investing!

*I can help you!*

***Jonathan Ruffalo***

Loan Officer

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