Coverage Initiation Report

Adult Hospitality & Entertainment
Adult Nightlife Consolidation

July 14, 2026

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Tradewinds Universal (OTC: TRWD)

STRONG SPECULATIVE BUY

Revenue Surged 36% to $35.2M in FY2025 While EBITDA More Than Doubled — Building the First National Lifestyle Brand in Adult Nightlife

Market Data (July 14, 2026)

Market Capitalization	**$2.9M**
Target Near Term EV	**$67-88M**
Exchange	**OTCID | SEC REPORTING**
Avg. Volume (30-day)	**280,449**
Institutional Ownership	**UKN**
Insider Ownership	**~60%+**

Key Financial Data*

FY2025 Revenue	**$35.2M**
FY2025 EBITDA	**$6.2M**
EBITDA Margin	**17.7%**
YoY Rev Growth	**+36.4%**
YoY EBITDA Growth	**+137.5%**
Operating Clubs	**10 (12+ targeted)**

**Data based on Peppermint Hippo and affiliate club assets to be acquired by TRWD*

Company / Investor Contact

Andrew Read — CEO
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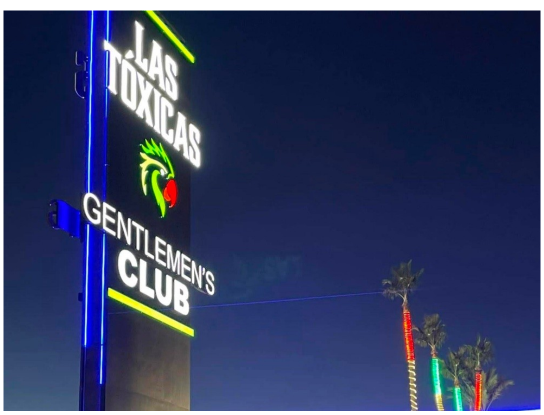
- **Revenue surged 36% to $35.2M in FY2025, with EBITDA more than doubling to $6.2M** — margins expanded 750 basis points to 17.7%, driven by genuine operating leverage across the 10-club platform.
- **Peppermint Hippo is the only gentlemen's club on the Las Vegas Strip** — a unique brand anchor generating national marketing halo across the entire portfolio at no incremental cost.
- **Las Tóxicas: a breakout unit hidden inside the portfolio** — one club delivered $8.1M in revenue and a 33.9% EBITDA margin in FY2025, exceeding even RICK's mature consolidated margins. Additional locations are under negotiation.
- **The RICK roadmap validates the thesis.** RCI Hospitality scaled from a handful of clubs to $295.6M in revenue and ~$500M market cap through disciplined consolidation. TRWD is executing the same playbook with a stronger consumer brand and faster growth trajectory.
- **TRWD's current market capitalization is less than 1x the combined target platform's FY2025 EBITDA.** Applying RICK's peer multiple range of 10–13x yields an illustrative enterprise value of $62.2M–$80.9M—**a substantial premium to the current market capitalization.**

Conclusion and Valuation Analysis

Tradewinds Universal has the potential to replicate and ultimately surpass the RCI Hospitality consolidation story — with a stronger brand identity, demonstrated margin expansion, and a breakout second concept in Las Tóxicas. The near-term enterprise value target is **$67–88M** (10–13x FY2025 EBITDA), with long-term potential of **$350–520M EV** at 100+ clubs. We initiate coverage with a rating of **Strong Speculative Buy.**

Peppermint Hippo — A Premium Immersive Experience

Peppermint Hippo Las Vegas — The only gentleman's club on the Las Vegas Strip



Las Tóxicas Gentlemen's Club

Peppermint Hippo secondary market location

Combined Target - Platform P&L Snapshot — FY2024 vs FY2025

Consolidated P&L ($000s)	FY2024 (A)	FY2025 (A)	YoY Change	EBITDA %
Total Revenue	$25,826	$35,219	+36.4%	—
Total Gross Profit	$22,956	$31,615	+37.7%	—
Gross Profit %	88.9%	89.8%	+90 bps	—
Total Expenses	$20,336	$25,392	+24.9%	—
EBITDA	$2,620	$6,223	+137.5%	17.7%
Pro Forma (Next Yr Est.)	**—**	**~$45,000**	**—**	**~12–15%**

Source: Company management accounts. FY2025 full-year actuals. Pro forma based on management estimates. Figures in $000s.

Industry Background and Analysis

Introduction

The U.S. adult nightlife market generates in excess of $10 billion in annual revenue across more than 3,000 independent clubs. The vast majority are single-owner operations — under-branded, under-invested in technology and aesthetics, and facing succession challenges as operators age out of the business. This is the classic roll-up opportunity: a deeply fragmented industry where brand, capital, and standardized systems can displace independents at scale, exactly as seen in casual dining, fitness, and pet retail.

RCI Hospitality — The Proof of Concept

Two decades ago, RCI Hospitality Holdings (NASDAQ: RICK) proved this playbook works in adult nightlife. Starting with a handful of clubs, RICK methodically consolidated the market to 56 nightclubs and 13 Bombshells sports-bar restaurants. In FY2024, RICK generated $295.6 million in revenue, sustaining EBITDA margins near 28% and trading at approximately 20x P/E on Nasdaq as the sole scaled public operator. Its Nightclubs segment carries approximately 88% gross margins on a revenue mix of ~40% service, ~43% alcohol, and ~16% food and other — validating the high-cash-flow economics of disciplined club operations.

In its most recent reported period, RICK generated $279.4 million in annual revenue and $46.8 million in adjusted EBITDA despite same-store sales softness of -1.3% in nightclubs and -11.5% in Bombshells. This demonstrates the durability of the platform model: even in a challenging consumer environment, consolidated operators maintain strong cash flow.

Consolidation Conditions Are Ideal

Today, the conditions for a second scaled consolidator are more favourable than at any time in the industry's history:

- **No second consolidator exists.** Outside of RICK, no national brand is executing this strategy. TRWD is moving into an open field.
- **Regulatory moat.** Liquor and adult entertainment licenses embedded in target acquisitions transfer to the acquirer at no incremental cost.
- **Demographic tailwind.** Consumers aged 21–40 are shifting discretionary spending from goods to experiences. Peppermint Hippo's immersive format is designed precisely for this audience.
- **Digital amplification.** The Las Vegas Strip flagship generates a continuous stream of social media content — celebrity visits, events, influencer appearances — functioning as free national advertising for every club in the portfolio.

Company Overview — Tradewinds Universal (TRWD)

Tradewinds Universal (OTC: TRWD) is a publicly traded holding company building a national platform in adult hospitality and nightlife through two brands: Peppermint Hippo and Las Tóxicas, co-founded by Alan Chang, whose Las Vegas entertainment background shaped the brand's DNA: immersive lighting and sound, bold interior design, VIP-centric layouts, and curated entertainment programming resonant with experience-seeking millennials and Gen Z.

Peppermint Hippo

Peppermint Hippo operates clubs across the USA in cities including Las Vegas, New Orleans, Pompano Beach, Toledo, Reno, Little Rock, and additional markets, with further locations under negotiation. The Las Vegas Strip flagship — opened April 2022 and the only gentleman's club directly on the Strip — is both the highest-revenue individual unit and the brand's national marketing engine. Secondary-market performance in Toledo, Reno, and Neenah demonstrates the brand is not confined to tourist destinations.

Every acquisition follows a standardized 90-day rebrand playbook: Days 0–30 cover compliance hardening, POS integration, and licensing; Days 31–60 deliver the Hippo rebrand through signage, lighting, and celebrity-seeded events; Days 61–90 optimize pricing, VIP room configuration, and floor productivity.

Peppermint Hippo — Premium bar experience and beverage service

Las Tóxicas

The Las Tóxicas concept is an emerging high-margin adult entertainment brand with exceptional unit economics. A single Las Tóxicas location generated $8.1M in FY2025 revenue with a 33.9% EBITDA margin — dramatically exceeding both industry norms and RICK's mature 28% consolidated figure. Additional locations are currently under negotiation. With unit economics at this level, Las Tóxicas alone has the potential to become a material driver of enterprise value within 12–18 months.

Financial Analysis — FY2024 vs. FY2025 Actuals

Financial data drawn from company-provided management accounts reflecting full-year FY2025 actuals.

Peppermint Hippo Clubs

Metric	FY2024 (A)	FY2025 (A)	Change
Total Revenue	$25,251,130	$27,112,782	+7.4%
Total Gross Profit	$22,443,305	$24,457,452	+9.0%
Gross Profit %	88.9%	90.2%	+130 bps
Total Expenses	$19,893,663	$20,980,244	+5.5%
EBITDA	$2,549,642	$3,477,208	+36.4%
EBITDA Margin	**10.1%**	**12.8%**	**+273 bps**

The Peppermint Hippo core delivered solid organic improvement. Revenue grew 7.4% while operating expenses increased only 5.5%, driving a 36.4% increase in EBITDA. EBITDA margin expanded from 10.1% to 12.8%, an improvement of approximately 270 basis points—the hallmark of a maturing platform achieving operating leverage through shared marketing, infrastructure, and G&A.

Las Tóxicas Clubs

Metric	FY2024 (A)	FY2025 (A)	Change
Total Revenue	$574,443	$8,106,066	+1,311%
Total Gross Profit	$512,331	$7,157,429	+1,297%
Gross Profit %	89.2%	88.3%	−90 bps
Total Expenses	$442,404	$4,412,136	+897%
EBITDA	$69,926	$2,745,293	+3,826%
EBITDA Margin	**12.2%**	**33.9%**	**+2,170 bps**

Las Tóxicas is the standout of the portfolio. Revenue multiplied more than 14x in a single year, and the 33.9% EBITDA margin comfortably exceeds even RICK's mature 28% figure. Additional locations are under negotiation.

Consolidated Clubs

Metric	FY2024 (A)	FY2025 (A)	Change
Total Revenue	$25,776,469	$35,218,848	+36.6%
Total Gross Profit	$22,922,695	$31,614,880	+37.9%
Gross Profit %	88.9%	89.8%	+90 bps
Total Expenses	$20,336,068	$25,392,380	+24.9%
EBITDA	$2,619,568	$6,222,500	+137.6%
EBITDA Margin	**10.2%**	**17.7%**	**+750 bps**

EBITDA more than doubled, increasing 137.5% on revenue growth of 36.4%, while operating expenses increased only 24.9%. This asymmetry—revenue growing faster than expenses and EBITDA growing faster still—is the defining characteristic of a platform achieving genuine operating leverage.

Brand Comparison: Peppermint Hippo vs. RCI Hospitality

The most relevant public comparable for TRWD is RCI Hospitality Holdings (NASDAQ: RICK). In FY2024, RICK generated $295.6 million in revenue with consolidated EBITDA margins near 28%, trading at approximately 9–11x EBITDA and ~$500M market cap.

Metric	RICK (RCI Hospitality)	TRWD (Peppermint Hippo & Affiliates)
Exchange	Nasdaq	OTCID | SEC Reporting
FY Revenue	$279.4M (FY2025)	$35.2M (FY2025 A)
EBITDA Margin	~18.8%	17.7% (and rising)
Gross Margin	~88.6%	~89.8%
Number of Clubs	59 nightclubs	10+ clubs (12+ targeted)
Market Cap	~$220M**	~$2.9M
EBITDA Multiple	~9–11x	<1x current EBITDA
Brand Positioning	Operationally excellent	Lifestyle / immersive / celebrity
Growth Stage	**Mature / stable**	**Early scaling — high upside**

** RICK has historically commanded a market capitalization approaching $500 million. Current investigations into RICK have had a negative effect on its value.

The Valuation Disconnect

At a 10x EBITDA multiple applied to the combined target platform's FY2025 EBITDA, the platform would support an enterprise value of approximately $62.2M, compared with TRWD's current market capitalization of approximately $2.9M—a 21.5x difference. The valuation gap reflects factors including the OTC listing, limited institutional coverage, micro-cap liquidity, and the pending acquisition structure.

Premium VIP bottle service — driving above-industry check averages

Why Hippo Could Ultimately Trade at a Premium to RICK

- **Younger demographics (21–40):** This core audience spends more per visit and amplifies the brand organically through social media.
- **Las Vegas Strip halo:** RICK has no equivalent to a Strip flagship. The location generates celebrity appearances and viral content that benefits every Hippo club nationally.
- **Immersive format premium:** Cover charges, VIP rooms, and bottle service drive check averages well above the industry norm.
- **Digital nativity:** Hippo feels native to Instagram and TikTok. Traditional operators — including RICK — do not, creating a compounding marketing advantage.
- **No restaurant drag:** RICK diversified into the restaurant space with Bombshells, which has generated same-store sales declines of -11.5% and distracted from its core nightlife operations. TRWD remains focused exclusively on its adult entertainment platform.
- **Pending governmental action:** RICK and several executives face a New York state indictment involving alleged tax fraud and bribery. This legal overhang may be weighing on RICK’s current valuation.

Company Outlook — Phased Acquisition and Integration Strategy

TRWD's roadmap unfolds in clearly defined stages, each building on the last to create compounding operational and financial leverage.

Phase 1: Initial Regional Roll-In

The first phase centers on the proposed acquisition and integration of the Toledo or Neenah location. This initial transaction is intended to establish the structure through which TRWD can acquire operating club assets, implement public-company financial controls, and begin reporting acquired operating revenue.

Phase 2: Regional Scaling

Expansion into Toledo, Reno, and Neenah proved brand portability beyond tourist markets, contributing approximately $7M in consolidated revenue.

Phase 3: Inflection Point

Clubs generating $35.2M in FY2025 revenue at a 17.7% EBITDA margin. The trajectory — from 10.1% in FY2024 to 17.7% in FY2025 — confirms the operating leverage investors should expect to continue as the platform grows.

Phase 4: Integration (Near-Term)

Integration of additional affiliated clubs currently under negotiation would lift the platform toward 17+ clubs and $45M+ in revenue, with EBITDA of approximately $6–7M at 12–15% margins. At peer multiples of 10–13x, this implies a target EV of $67–88M.

Phase 5: Scale (Long-Term)

A 100+ club platform generating ~$275M in annual revenue at mid-teens EBITDA margins would support an enterprise value of $350–520M. Geographic clustering — acquiring 2–4 clubs within 90 minutes of each other — enables shared marketing, talent, and security costs that amplify margin expansion at scale.

Financial Roadmap & Acquisition Milestones

Funding Strategy

- Asset-backed term loans on club assets and FF&E.
- Sale-leaseback transactions at 8.5–10.5% cap rates to unlock acquisition cash.
- Equity raises (Reg A, PIPEs, ELOC) tied to specific acquisition clusters, not general use.
- Options to acquire real estate, reducing occupancy drag.

Acquisition Timeline

Round	Target Market(s)	Timing
First Round	Neenah or Toledo	Closing Q3 2026
Second Round	Fayetteville 1 & 2, Neenah	90 days after
Third Round	Akron, Pineville	+30–60 days
Fourth Round	Reno	+30–60 days
Fifth Round	Little Rock	+30–60 days
Sixth Round	**Las Vegas**	**+30–60 days**

Valuation Analysis

We value Tradewinds Universal using an EBITDA multiple approach benchmarked against RCI Hospitality's historical trading range of 10–13x EBITDA*.

Current Target Platform — PH & Affiliate Clubs (FY2025 Actuals)

Multiple	FY2025 EBITDA	Implied EV	vs. Current Mkt Cap (~$2.9M)
10x (Low)	$6.2M	$62.0M	21.5x
11x (Mid)	$6.2M	$68.4M	23.6x
13x (High)	**$6.2M**	**$80.9M**	**27.9x**

Near-Term Platform — PH & Affiliated Clubs (Pro Forma)

Integrating additional affiliated clubs could lift pro forma annual revenue toward $45 million. At a 15% EBITDA margin, the expanded platform would generate approximately $6.75 million in EBITDA.

Multiple	Pro Forma EBITDA	Implied EV	vs. Current Mkt Cap (~$2.9M)
10x (Low)	~$6.75M	~$67.5M	23.3x
11x (Mid)	~$6.75M	~$74.3M	25.6x
13x (High)	**~$6.75M**	**~$87.8M**	**30.3x**

The valuation applies a conservative target **EBITDA multiple range of **10x–13x** to account for current market volatility and the ongoing regulatory headwinds affecting **RICK**, which may be depressing its current valuation.*

Long-Term Scenario — 100+ Clubs

Multiple	LT EBITDA Estimate	Implied Enterprise Value
10x	$35–40M	$350–400M
11x	$35–40M	$385–440M
13x	**$35–40M**	**$455–520M**

At current prices, TRWD trades at less than 1x combined acquisiton FY2025 EBITDA. The OTC listing, limited institutional coverage, and micro-cap float all contribute to this dislocation. Catalysts that could close the gap include additional quarterly financial disclosures, continued club count growth, and progress toward a formal uplisting.

Near-term EV target: **$67–88M.** Long-term EV potential: **$350–520M.** Rating: **Strong Speculative Buy.**

Risks and Risk Mitigation

Tradewinds Universal confronts a multifaceted set of risks as it executes its consolidation strategy, evaluated across execution, financing, regulatory, cyclical, and competitive categories.

Execution Risk

Integrating clubs across multiple geographies requires discipline. Missteps in the 90-day playbook, talent management, or compliance could pressure margins and slow the acquisition cadence.

Financing / Dilution Risk

The growth strategy depends on access to debt and equity capital. Equity raises at below-market valuations would dilute existing shareholders. Sale-leaseback structures, while capital-efficient, reduce future real estate optionality.

Regulatory Risk

Regulatory risk is inherent in adult nightlife, with zoning and licensing varying widely by city. License renewals or regulatory changes in any key market could impair individual unit economics.

Consumer Spending Risk

Consumer spending is cyclical, and discretionary outlays could soften in downturns. The adult nightlife platform model remains cash-flow positive even during periods of same-store sales decline.

Competition Risk

Competition — either from RICK or private equity entrants — could raise acquisition costs. No structural barrier prevents larger, well-capitalized operators from pursuing the same roll-up strategy.

OTC Liquidity Risk

TRWD is fully reporting but trades on OTCID with limited float and volume. Investors may encounter difficulty executing large trades without material price impact.

Risk Mitigation

- **Standardized Integration:** The 90-day rebrand playbook reduces execution variability and accelerates time-to-revenue for new acquisitions.
- **Diversified Funding:** Sale-leasebacks and asset-backed loans reduce reliance on dilutive equity during the growth phase.
- **Brand Portability:** Secondary-market performance demonstrates geographic diversification, reducing concentration risk.
- **Proven Model:** The industry's history confirms that consolidated platforms generate consistent cash flow even in softer consumer environments.
- **Regulatory Moat:** Embedded licenses in acquired assets represent barriers to entry for new competitors.

Investment Thesis

This is a sequel that investors already understand. RICK showed that disciplined acquisitions and standardized operations in adult nightlife can deliver durable cash flow and premium public market multiples. Peppermint Hippo brings a stronger cultural brand — anchored by the only Strip-located gentleman's club in the country, amplified by celebrity buzz and social media virality, and reinforced by a digital-native marketing playbook that did not exist when RICK was assembling its portfolio.

Valuation Opportunity

- At current club numbers, Hippo already generates $35.2M in revenue and $6.2M in EBITDA — with a market cap of only ~$2.9M.
- At approximately $45M in pro forma annual revenue and a 15% EBITDA margin, the near-term platform could generate approximately $6.75M in EBITDA and support an illustrative EV of $67.5–$87.8M at 10–13x EBITDA.
- At 100+ clubs, the long-term valuation range extends to approximately $350–520M EV, assuming $35–40M in EBITDA and continued operating leverage.

RATING	NEAR-TERM EV TARGET	LONG-TERM EV POTENTIAL
Strong Speculative Buy	**$67–88M**	**$350–520M**
Peer multiples: 10–13x EBITDA*	Post-integration platform	100+ club platform

The opportunity is simple: investors are being offered the ground floor of the next RICK — but with a fresher brand, a faster growth trajectory, and a broader lifestyle appeal anchored by the most iconic nightlife address in the world.

The valuation applies a conservative target EBITDA multiple range of 10x–13x to account for current market volatility and the ongoing regulatory headwinds affecting RICK, which may be depressing its current valuation.

Our Rating System

We rate covered companies based on the appreciation potential we believe their shares represent. The performance of companies rated “Speculative Buy” or “Strong Speculative Buy” is often highly dependent on a future event.

Rating	Definition
Strong Buy	Will appreciate more than 50% relative to the general market for U.S. equities during the next 12–24 months.
Buy	Will appreciate more than 30% relative to the general market during the next 12–24 months.
Strong Speculative Buy	**Could appreciate more than 50% relative to the general market during the next 12–24 months, if certain assumptions prove correct.**
Speculative Buy	Could appreciate more than 30% relative to the general market during the next 12–24 months, if certain assumptions prove correct.
Neutral	Expected to trade between −10% and +10% relative to the general market.
Sell	Expected to underperform the general market by more than 10%.

Analyst Certification

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Analyst Highlight — Nikhil Dhoot, Senior Research Analyst

SENIOR ANALYST: NIKHIL DHOOT

Nikhil Dhoot brings over 12 years of experience in corporate banking and credit analysis, with a strong track record in evaluating complex businesses and underwriting credit risk across sectors. He has held key roles on the asset side with leading financial institutions including SBI, Axis Bank, and CRISIL (an S&P company), where he specialized in financial analysis, risk assessment, and corporate credit evaluation.

Nikhil holds a Master’s degree in Finance from ICFAI University (India) and an MBA in Banking and Finance from NIBM, Pune. He has also cleared CFA (US) Level II, underscoring his rigorous training in investment analysis, valuation, and financial markets.

In 2021, Nikhil founded Simplified Office Services, a finance and accounting consultancy delivering institutional-quality solutions to clients. The firm operates with a focused team of professionals functioning as a mini Global Capability Center (GCC), providing services spanning financial analysis, accounting, and strategic advisory.

Leveraging his extensive experience in credit and financial evaluation, Nikhil applies a disciplined, risk-aware approach to equity research, with a focus on fundamental analysis and long-term value creation.