September 17, 2015

CHANTICLEER HOLDINGS, INC.

(NASDAQ – HOTR - $1.31)

Price Target: $5.00 Rating: Speculative Buy

(Note: little big burger under definitive agreement)

CHANTICLEER HOLDINGS, INC.

Fast-Growing, Undervalued Restaurant Player Poised for Strong 2016

Rob Goldman
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COMPANY SNAPSHOT

Headquartered in Charlotte, NC, Chanticleer Holdings, together with its subsidiaries, owns and operates restaurant brands in the United States and internationally. The Company is a franchisee owner of Hooters® restaurants in international markets including Australia, South Africa, and Europe, and two Hooters restaurants in the United States. The Company also owns and operates American Burger Co., BGR the Burger Joint, BT's Burger Joint, and owns a majority interest in Just Fresh restaurants in the U.S.

KEY STATISTICS

Price as of 9/16/15	$1.31
52 Week High – Low	$4.18 - $1.16
Est. Shares Outstanding*	12.5M
Market Capitalization*	$15.3M
3 Mo Avg. Vol.	275,400
Exchange	NASDAQ

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

Chanticleer Holdings, Inc. is one of the fastest-growing and most attractively priced companies in the fast casual dining space. Total sales for both the second quarter of 2015 and the first half of the year exceeded 60%.

The Company owns and operates over 50 restaurant brands in the U.S,, South Africa, Australia, and Europe. Chanticleer is a franchisee owner of 15 Hooters and dozens of restaurants in the wildly popular "better burger" segment.

A peer group analysis indicates that HOTR trades at a huge discount to its peers on a price/sales basis despite its much higher expected growth rate. Plus, the Company's year-to-date same-store-sales through August were substantially higher than the overall restaurant average, according to Black Box Intelligence.

Following the completion of a rights offering, the Company is due to close the acquisition of a "better burger" chain that generates $6M in revenue and an enviable 25% EBITDA margin. As a result, HOTR could generate $3M in restaurant EBITDA this year and 2016 could see $6M-8M in restaurant EBITDA and trigger company EBITDA for the first time.

There are a number of reasons why HOTR is such a compelling play at current levels, including valuation, exposure to Hooters and the international market, among others. The stock trades at a price/sales ratio of 0.3x versus the industry average 1.6x on projected 2016 revenue, despite growing at a much faster rate. Plus, HOTR is the only way to play the growth of Hooters through its 3% ownership stake. While we believe that the Company's standing can warrant a P/S ratio of anywhere from 1.0-1.5, our $5 price target reflects a P/S of 1.0x on next year's sales. We rate these shares Speculative Buy.

COMPANY OVERVIEW

Tracing its current roots to 2006, Chanticleer Holdings, Inc. is one of the fast casual dining industry's fastest-growing companies. During its formative years in the dining segment, Chanticleer and a group of noteworthy private equity investors, which included H.I.G. Capital, KarpReilly, LLC and Kelly Hall, president of Texas Wings Inc., the largest *Hooters* franchisee in the United States, acquired Hooters of America (HOA), a privately held company. Today, HOA is an operator and the franchisor of over 412 Hooters® restaurants in 28 countries. Chanticleer now controls a 3% ownership stake in HOA, and its CEO and President, Michael Pruitt, serves as a member of HOA's Board of Directors.

Chanticleer owns and operates various fast casual dining restaurant brands in the U.S. and internationally. As of July 1, 2015, the Company boasted over 50 system-wide locations, up from just 1 in 2009, and includes both company-owned and franchised fast casual dining concepts. Chanticleer has successfully executed its operational and M&A strategy resulting in enviable organic and inorganic growth over the past few years and appears to be on the verge of reaching a key inflection point with respect to critical revenue mass and EBITDA. Following the closing of a pending acquisition, Chanticleer will have more than 60 locations throughout its system as of year-end 2015.

The Company owns and operates fifteen *Hooters* franchises, of which all but two are outside of the U.S., as well as several domestic "better burger" focused fast casual restaurant brands, and a majority interest in a fresh, nutritional food concept chain. Based on 2Q15 results, the *Hooters* segment represented 55% of total company-wide revenue, but this figure continues to decline as more burger chains are acquired and new existing brand stores are opened. As a result, the Company benefits from a diverse revenue stream via concept, style, and geography.

Table I. Chanticleer Holdings, Inc.
The Brands, The Stores

Brand	Number	Locations	Type	Earliest Store Open Under HOTR
Hooters	15			
	6	South Africa	Owned	2009
	5	Australia	60%-owned	2012
	2	Europe	Owned	2012
	2	U.S.	Owned	2014
American Burger Co.	5	NC, NY, SC	Owned	2013
The Burger Joint	22	MD, VA, TN, TX, Kuwait	9 Corp- Owned, 13 Franchise	2015
BT's Burger Joint	5	NC, SC	Owned	Owned
Just Fresh	7	NC	56%-owned	2014
Little Big Burger	8	OR	Under Agreement	2015

Source: Chanticleer Holdings, Goldman Small Cap Research

Clearly, Chanticleer Holdings is an emerging, high-growth player in the fast casual dining market. As of the end of 2Q15, Chanticleer had 47 stores opened around the world, with plans to have as many as 64 by the end of the year. The Company reported 2Q15 revenue growth of $10.8M, a 65% jump from 2Q14, and recorded restaurant EBITDA of nearly $1M. For 1H15 total revenue of $19.5M was a 64% rise from a year earlier with restaurant EBITDA of $1.7M.

The Company's same-store-sales growth figures are as equally impressive. Chanticleer recently announced that year-to-date same-store-sales for stores open for at least a year through August were up 7.8%, which compares with the overall industry average of just 2.2%. The American Burger chain notably rose by 11%. The domestic Hooters stores also have enjoyed spectacular same-store-sales growth of 12% for the month of August, and HOA ranked the Company's stores as top two domestic Hooters franchise restaurants out of 117 stores, based on specific criteria.

It should be noted that in August 2015 the Company signed a definitive agreement to acquire a very popular better-burger-themed chain in Oregon, *Little Big Burger*. Management believes that this transaction will close in the coming weeks and would bring $6M in revenue and $1.2M in annual EBITDA into the fold for a purchase price of $3.6M in cash and shares.

In part to help fund this transaction, the Company launched a rights offering of up to $10M that closes on Friday, September 18, 2015 at 5:00 PM EST. This rights offering, made through a dividend in the form of non-transferable basic subscription rights allows shareholders of record (as of September 8, 2015) to acquire additional shares of common stock (the "rights offering") for $1.35 per common share.

This raise will provide capital to acquire Little Big Burger and to increase the Company's financial interest in its Australia operations to 80%, up from 60%. These and other initiatives can provide meaningful scale and could enable the Company to generate more than $60M in revenue next year, with a 50% or greater increase in restaurant EBITDA on tap as well.

Based on management's strategy and action plan as outlined in a recent investor call, we believe that the Company can generate $46.4M in revenue this year, a 55% jump from 2014, and could reach $64.4M in sales next year. Plus, restaurant EBITDA could rise from around $3M in 2015 to $6M-8M in 2016, with first time company EBITDA to potentially occur sometime next year as well, which would serve as a key inflection point.

In our view, Chanticleer's shares offer emerging growth investors with a compelling and unusual opportunity to buy a fast-growing, diverse, casual and fast casual stock that trades at a significant discount to its peer group on a price/sales basis despite growing sales at a rate higher than these peers. Even when excluding the peer with the highest price/sales ratio, the group trades 1.6x 2016 Wall Street-projected revenue. In contrast, HOTR trades at 0.3x our 2016 revenue estimate. Even if one were to take into account an undetermined but higher share count and market value following the rights offering, the discount will likely still be immense, as we believe the stock could trade between 1.0 – 1.5x 2016 projected sales. Clearly, these shares can trade at a much higher valuation once critical mass and greater EBITDA are achieved. Moreover, as an international proprietor, HOTR gives investors exposure to growth abroad, which offer huge upside, in terms of new locations. Separately, we note that with a 3% stake in privately held Hooters of America, HOTR is the best way to play the growth of this highly successful chain, which provided a $500K distribution to HOTR in 2014.

INDUSTRY OVERVIEW

Chanticleer Holdings is a diverse entity, with restaurants that operate in the more mature casual dining space, (Hooters) and the smaller, fast-growing fast casual segment (the rest of the chains). The casual dining segment includes venerable names such as **The Cheesecake Factory (NASDAQ – CAKE)** and **Darden Restaurants (NYSE – DRI)**, while fast casual includes **Shake Shack (NASDAQ – SHAK), Chipotle (NYSE – CMG), Panera Bread (NASDAQ – PNRA)**, and others.

Industry estimates suggest that the fast casual space was a $34.5B market in 2014, growing by 11%. The fast casual segment sits between casual dining (typical sit down service) and the fast food industry, and has been growing by leaps and bounds in recent years by crushing the traditional fast food industry, as consumers seek a higher quality of food than that offered in a fast food restaurant. Interestingly, the demographics of consumers tend to trend younger and are very loyal---almost cult-like with the leading national and regional chains.

In our view, given the Company's focus on "better burgers", some of the most accurate comparables for Chanticleer include fast casual restaurants with an emphasis on burgers such as Shake Shack, and Habit Restaurants (NASDAQ – HABT), as well as smaller fast casual players **Zoe's Kitchen (NASDAQ – ZOES)**, and **Rave Restaurants (NASDAQ – RAVE).** Since there is no apples to apples peer for Hooters, we elected to include **Red Robin Gourmet Burgers (NASDAQ – RRGB)**, a casual dining chain that specializes in burgers.

According to the NPD Group, the "better burger" category already represents a $2.4B market. With huge premiums associated with Shake Shack and Habit, despite the strong SSS numbers, it is easy to see Chanticleer valued in the same sandbox as these firms once a critical mass of revenue is achieved next year.

Table II. Restaurant Same-Store-Sales Figures

Company Name	Symbol	Aug 2015 SSS Growth	15E - 16E Revs Growth	2015E Price/Revs	2016E Price/Revs	HOTR @ 1.0x 2016 Revs
Shake Shack	SHAK	12.9%	25.6%	11.1	8.8	
Habit Restaurants	HABT	8.9%	26.6%	1.6	1.3	
Red Robin Gourmet Burgers	RRGB	2.9%	8.6%	0.9	0.8	
Restaurant Average*		1.7%				
Chanticleer (domestic Hooters)	HOTR	12.0%	39.1%	0.4	0.3	$5.00
Restaurant Average YTD*		2.2%				
Chanticleer (entire system)		7.8%				

** According to Black Box Intelligence*

Sources: www.YahooFinance.com, Company websites, Goldman Small Cap Research

THE BRANDS: AT A GLANCE

Hooters:

Chanticleer currently owns in whole or part of the exclusive franchise rights to develop and operate Hooters restaurants in South Africa, Australia, Europe, and Oregon and Washington in the U.S., while evaluating several additional international opportunities. The Company currently owns and operates in whole or part of 15 Hooters restaurants in all of its territories.

With 15 restaurants on four continents, management ensures that there is a "local flavor" to the menu while maintaining the Hooters image and brand in each location. The Company acquired the exclusive franchise rights to South Africa in 2008 and it has worked well for Chanticleer. This segment now includes 6 locations with the potential to open 15 more. Hooters South Africa has been generally in a narrow range of around $1.6M in revenue per quarter, thanks to the highest mix of beverages/food in the system.

The Company currently owns a 60% stake in Hooters Australia and that should rise to 80% soon. These 5 locations could also grow to 15.

Hooters Europe includes a location in England and one in Hungary. The Nottingham England store is one of the largest of the Hooters international sites and many new locations (up to 18) are under consideration for future growth.

The U.S. locations are kicking butt revenue-wise, and customer-satisfaction-wise. It is no surprise that management sees opportunity in the Pacific Northwest, since it owns rights in Oregon and Washington.

<u>Better Burgers:</u>

American Burger is a five location chain, with a 10 year track record with a "Made in America" menu including beef burger, shakes, etc. Four of the five locations are in the southeastern U.S. It should be noted that the President and CEO of ABC played a big role in the success of the Bojangles chain.

Another chain with a regional focus (primarily Mid-Atlantic), **The Burger Joint** was acquired in March 2015 and is known for its high quality ingredients and prime, dry-aged burgers grilled over an open flame. There are 9 corporate owned and 13 franchise locations and the Company just opened its first Texas franchise in Dallas in July 2015, which is the first part of a potentially huge 25 unit franchising agreement. According to management, there are 80+ franchise locations under development in domestic and international markets.

A complementary deal from the product and geographic footprint perspective, **BT's BurgerJoint** and its 4 North Carolina locations were acquired in July 2015.

Once the deal is closed, **Little Big Burger** is expected to be accretive on an EBITDA basis to Chanticleer very quickly, considering its 25% EBITDA margin may even be healthier than its highly thought of products, for which there apparently is a cult-like following. With what appears to be footprints established in the Southeast and Northwest, it will be interesting to see how soon new locations are opened. Already a 9th location is slated to open in 4Q15 where they will be selling their signature quarter pound burgers of natural beef on brioche buns and truffle fries. It would not be a stretch to predict that this chain accounts for roughly 10% of Q4 revenue.

Nutritional:

The Company also owns a majority interest (56%) in **Just Fresh Restaurants**, a fresh food-focused casual dining establishment with 7 restaurant locations in Charlotte, NC. Management is currently exploring growing this concept via franchising opportunities.

MANAGEMENT

The Chanticleer executive team is impressive and seasoned and it starts with Chairman Michael Pruitt who has leveraged his financial and transactional expertise to build the company from 1 store in 2009 to an soon to be 64, six years later. Other key figures include COO Mark Roberson, who has considerable C-level public company experience and significant operational expertise with **Krispy Kreme (NYSE – KKD)**. As noted above, American Burger CEO's experience with Bojangles and Burger King could prove to be critical during this key growth phase.

Michael Pruitt, Chairman, Chief Executive Officer and President

Michael Pruitt, a long-time entrepreneur with a proven track record, possesses the expertise to evaluate potential investments, form key relationships and recognize a strong management team. Mr. Pruitt founded Avenel Financial Group, a boutique financial services firm concentrating on emerging technology company investments. The business succeeded immediately, and in order to grow Avenel Financial Group to its full potential and better represent the company's ongoing business model, he formed Avenel Ventures, an innovative technology investment and business development company. In the late 1980s, Mr. Pruitt owned Southern Cartridge, Inc., which he eventually sold to MicroMagnetic, Inc., where he continued working as Executive Vice President and a Board member until the company was sold to Carolina Ribbon in 1992. From 1992 to 1996, Mr. Pruitt worked in a trucking firm where he was instrumental in increasing revenues from $6 million to $30 million. Between 1997 and 2000, Mr. Pruitt assisted several public and private companies in raising capital, recruiting management and preparing companies to go public or be sold. He was the CEO and President of RCG Companies, Inc. (later changed to One Travel), a publicly traded holding company listed on the AMEX. Mr. Pruitt received a Bachelor of Arts degree from Coastal Carolina University in Conway, South Carolina, where he sits on the Board of Visitors of the Wall School of Business, the Coastal Education Foundation Board and the Athletic Committee of the Board of Trustees. He also sits on the Board of Chanticleer Holdings, Inc. (HOTR).

Eric Lederer, Chief Financial Officer

Eric joined Chanticleer Holdings in February 2011. Mr. Lederer has served as the Company's Controller since February, 2011 and was appointed CFO in June 2012. From December 2005 through January 2011, Eric was the Controller of PokerTek, Inc. (NASDAQ, PTEK), a licensed gaming company that develops and distributes electronic table games, where he was responsible for day-to-day accounting functions and preparing SEC filings. There is no written agreement or contract between Mr. Lederer and the Company.

Mark Roberson, Chief Operating Officer

Mark Roberson has more than 25 years of finance and operations experience with publicly-traded companies. Most recently, he was Chief Executive Officer of PokerTek, Inc., a NASDAQ-listed gaming technology company. Under Roberson's leadership, PokerTek developed innovative new products, expanded internationally and delivered profitable operating results, leading the company to be acquired at a significant market premium in late 2014. Roberson also served in financial and operational management roles with Krispy Kreme Doughnut Corporation, a NYSE-listed fast-casual restaurant franchisor and operator, LifeStyle Furnishings International, a $2 billion furniture manufacturer, and Curtiss-Wright, Inc. a NYSE-listed aerospace and defense contractor.

Mark is a Certified Public Accountant, starting his career in public accounting with Ernst & Young and PricewaterhouseCoopers. He received a Master's in Business Administration from Wake Forest University and a Bachelor of Science in Accounting from UNC-Greensboro. He was named Small Public Company CFO of the Year by the Charlotte Business Journal in 2010.

Alex Hemingway, Director of Chanticleer Europe

Alex brings domestic and international executive management experience to the team and a proven track record of success in the Central European QSR industry. Between 1999–2005, Alex was President and Chief Executive of Central European Franchise Group ("CEFG"), the owner and operator of the Pizza Hut and Kentucky Fried Chicken brands in Hungary as well as three local national brands. Both brands boasted the highest customer feedback scores in the region for YUM! Restaurants International. While managing CEFG, Mr. Hemingway was approached by Orient Rt., Central Europe's largest restaurant company with 130+ operating units based in Budapest, to be its Chief Executive Officer. Between the two companies Alex has had over 180 units and 5000 people under his employ. Alex founded and served as the Director of the Fast Food Association of Hungary. He currently serves on the Board of Supervisors of the Budapest Honved Football Club and local charitable foundations.

Brian O'Connell, Vice President of European Business Development

O'Connell has over 12 years of experience in the financial services and technology sectors. Prior to joining Chanticleer Holdings, he worked with J.P. Morgan on their Pan European sales desk in London and prior to that he worked at a number of investment firms in London including Prosdocimi, a boutique merchant bank, and Valiance Advisors where he was responsible for overseeing a $100 million portfolio of direct co-investments in natural resource, technology and life science companies.

Brian holds an undergraduate degree in Mechanical Engineering and a postgraduate diploma in Information Technology from the University of Limerick in Ireland.

April Miller, Director of Training

April Miller joined Chanticleer in September 2013. She has over thirteen years of experience specializing in employee hourly training, quality assurance, new store openings, Image and Hospitality Training, management development, as well as educating managers during Hooters University - Phase 1 for both HOA and Franchise locations. As Master Trainer for Hooters of America, LLC, her focus was Field Training for new management positions. April got her start with Hooters Restaurants in 2000 as a part-time Hooters Girl at Hooters of Columbia, SC. Since that time she has doggedly climbed through the ranks as a Certified Trainer, Regional Training Coordinator, Opening Training Coordinator, etc; she emerged as a role model and leader and continued to increase her passion through MIT Communication, Training and Tracking. April has led on-site training for over 50 new store openings, to include 9 international locations. She has also conducted FOH/HOH hourly training for over 100 Franchise stores as a Field Training Coordinator. She is a Certified Hospitality Trainer (CHT) and a member of the Counsel of Hotel and Restaurant Trainers (CHART). April is also a proctor and instructor for ServSafe Alcohol. April graduated Cum Laude from Newberry College with a major in Business Administration in 2000 and was recognized as President of SIFE (Students in Free Enterprise), a member of Phi Gamma Nu Business team, as well as being nominated for Who's Who among Universities and Colleges. She has shared the honor of being acknowledged as Department of the Year for the Hooters Corporate Office support in 2009.

Michelle Arcidiacono, Accountant / Corporate Secretary

Michelle joined Chanticleer Holdings in January 2008. She is a 2003 Magna Cum Laude graduate of Winthrop University earning a Bachelor degree in Business Administration with a concentration in Accounting. In May of 2011, Michelle received her Master of Business Administration in Accounting from Winthrop University. She is a member of the South Carolina Association of Public Accountants. Prior to Chanticleer, Michelle worked as an Accounting Manager for a real estate development company headquartered in Charlotte. Prior to this position, Michelle was employed as a Staff Accountant for a local CPA firm which she specialized in corporate taxation.

RISK FACTORS

Business Risk

There is always risk associated with the restaurant business ranging from the basic cost of goods expense variability, ability to attract and retain customers, cash flow, and others. Chanticleer's risk profile is enhanced by geography (businesses abroad) and the number of different brands it needs to maintain, versus a single brand. Given the Company's M&A and franchising strategy, execution risk at favorable terms certainly exists. Moreover, a larger player may enter the space or conduct a roll-up of other chains, thus negatively impacting the Company's model. Still, we believe that the diversity of the business is a strength rather than a risk and the other issues are commensurate with firms in the industry and of Chanticleer's size.

Capital Markets Risk

Volatility and liquidity are typical concerns for microcap stocks that trade on NASDAQ. Investors that track shorted stocks may notice that there are nearly 1 million shares short of these shares. Moreover, the shares outstanding could increase substantially due to the aforementioned rights offering. Finally, there are millions of shares that could be added to the share count down the road that are associated with warrants and convertible notes. To the uninformed, share dilution may be a major risk associated with these shares. In reality, management began shoring up the balance sheet and other securities to reduce the impact of dilution or conversion on shareholders. Most of these warrants are out of the money ($4-5 exercise price), so we do not view it as an issue at this time. In fact, they will likely be a source of funds for growth, serving to drive market value higher.

While there will soon be an undetermined share count increase from the rights offering, since the proceeds will be used in part to close a private transaction of a highly EBITDA profitable deal, we believe that any dilutive effect from the rights offering would be nullified by a related increase in overall market value. Separately, we are of the opinion that the short position could be comprised in reaction to a re-valuation of the company as management executes its model and the Street takes notice.

FINANCIALS

Chanticleer has a history of impressive top-line growth and recent results. Its 2Q15 financials and August 2015 same-store-sales growth confirm that this uptrend is continuing, and look especially strong when weighed against key peers. The Company reported 2Q15 revenue growth of $10.8M, a 65% jump from 2Q14, and recorded restaurant EBITDA of nearly $1M. For 1H15 total revenue of $19.5M was a 64% rise from a year earlier with restaurant EBITDA of $1.7M.

Chanticleer recently announced that year-to-date same-store-sales for stores open for at least a year through August were up 7.8%, which compares with the overall industry average of just 2.2%. The American Burger chain notably rose by 11%. The domestic Hooters stores also have enjoyed spectacular same-store-sales growth of 12% for the month of August, and HOA ranked the Company’s stores as top two domestic Hooters franchise restaurants out of 117 stores, based on specific criteria.

It should be noted that in August 2015 the Company signed a definitive agreement to acquire a very popular better-burger-themed chain in Oregon, *Little Big Burger*. Management believes that this transaction will close in the coming weeks and would bring $6M in revenue and $1.2M in annual EBITDA into the fold for a purchase price of $3.6M in cash and shares.

In part to help fund this transaction, the Company launched a rights offering of up to $10M that closes on Friday, September 18, 2015 at 5:00 PM EST. This rights offering, made through a dividend in the form of non-transferable basic subscription rights allows shareholders of record (as of September 8, 2015) to acquire additional shares of common stock (the "rights offering") for $1.35 per common share.

This raise will provide capital to acquire Little Big Burger and to increase the Company’s financial interest in its Australia operations to 80%, up from 60%. These and other initiatives can provide meaningful scale and could enable the Company to generate more than $60M in revenue next year, with a 50% or greater increase in restaurant EBITDA on tap as well.

Based on management’s strategy and action plan as outlined in a recent investor call, we believe that the Company can generate $46.4M in revenue this year, a 55% jump from 2014, and could reach $64.4M in sales next year. Plus, restaurant EBITDA could rise from around $3M in 2015 to $6M-8M in 2016, with first time company EBITDA to potentially occur sometime next year as well. These estimates are based upon a combination of the close of the Little Big Burger deal, new store openings, and other franchise initiatives later this year. In fact, we would not be surprised to see the Company end the year at an annual revenue run-rate of $60M, thus giving comfort to Chanticleer reaching critical mass in sales and restaurant EBITDA, which could serve as catalysts to assure investors that the Company has reached an inflection point and boost the stock price. Moreover, if management meets its goals and continues to successfully target new acquisitions, we could see a $100M annual revenue run rate in two years.

It should be noted that our pro forma income statement includes the combination of some expense line items for layout purposes. Plus, we believe that for the near term there will be variability in the items below the operating line. Therefore, investors should concentrate on operating results as a performance measure. Importantly we have used the Q2 share count for Q3 with a modest uptick in Q4 and next year, reflecting some initiatives in 3Q15. However, it does not reflect any change in share count from the rights offering. We will adjust the share count in the near future to reflect the Little Big Burger closing and the rights offering once all information is publicly available.

VALUATION AND CONCLUSION

Table III. Chanticleer Holdings Peer Group

Company Name	Symbol	Price (9/12/15)	Mkt Cap (mil)	FY15E Revs (mil)	FY16E Revs (mil)	15E - 16E Revs Growth	2015E Price/Revs	2016E Price/Revs	HOTR @ 1.0x 2016E Revs
Shake Shack	SHAK	$55.14	$1,999	$180	$226	25.6%	11.1	8.8	
Habit Restaurants	HABT	$26.62	$366	$229	$290	26.6%	1.6	1.3	
Red Robin Gour. Burg.	RRGB	$81.78	$1,160	$1,280	$1,390	8.6%	0.9	0.8	
Zoe's Kitchen	ZOES	$34.77	$647	$224	$274	22.3%	2.9	2.4	
Rave Restaurant	RAVE	$10.19	$104	$47	$54	14.9%	2.2	1.9	
Average			**$855**	**$392**	**$447**	**20%**	**3.7**	**3.0**	
Average w/o SHAK			**$569**	**$445**	**$502**	**18%**	**1.9**	**1.6**	
Chanticleer Holdings	HOTR	$1.34	$16	$46	$64	39.1%	0.35	0.25	$5.00

Sources: www.Yahoo!Finance.com, Company websites, Goldman Small Cap Research

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The Company owns and operates over 50 restaurants brands in the U.S,, South Africa, Australia, and Europe. Chanticleer is a franchisee owner of 15 Hooters and dozens of restaurants in the wildly popular “better burger” segment.

The peer group analysis in Table III indicates that Chanticleer trades at a huge discount to its peers on a price/sales basis despite its much higher expected growth rate. Plus, the Company’s year-to-date same-store-sales through August were substantially higher than the overall restaurant average, according to Black Box Intelligence.

Following the completion of a rights offering, the Company is due to close the acquisition of a “better burger” chain that generates $6M in revenue and an enviable 25% EBITDA margin. As a result, HOTR could generate $3M in restaurant EBITDA this year and 2016 could see $6M-8M in restaurant EBITDA and help trigger Company EBITDA for the first time.

In our view, there are a number of reasons why HOTR is such a compelling play at current levels, including valuation, exposure to Hooters and the international market, among others. The stock trades at a price/sales ratio of 0.3x versus the industry average 1.6x on projected 2016 revenue, despite growing at a much faster rate. Plus, HOTR is the only way to play the ownership and growth of Hooters through its 3% ownership stake. While we believe that the Company’s standing can warrant a P/S ratio of anywhere from 1.0-1.5, our $5 price target reflects a P/S of 1.0x on next year’s sales. We rate these shares Speculative Buy.

Chanticleer Holdings, Inc.

Historical and Projected Income Statement

($, thousands)

	1Q14	2Q14	3Q14	4Q14	**2014A**	1Q15A	2Q15A	3Q15E	4Q15E	**2015E**	**2016E**
Restaurant sales, net	$5,268	$6,444	$9,068	$7,965	$28,745	$8,422	$10,480	$11,800	$14,500	$45,202	$63,000
Gaming Sales, net	$56	$75	$141	$161	$433	$132	$100	$100	$125	$457	$500
Mgmt Fee Innc, non-affiliates	$25	$25	$418	$197	$665	$101	$78	$75	$80	$334	$500
Franchise Income						$16	$135	$100	$125	$376	$400
Total Revenue	**$5,349**	**$6,544**	**$9,627**	**$8,323**	**$29,843**	**$8,671**	**$10,793**	**$12,075**	**$14,830**	**$46,369**	**$64,400**
Restaurant cost of sales	**$1,877**	**$2,293**	**$3,063**	**$2,702**	**$9,935**	**$2,962**	**$3,617**	**$4,012**	**$4,930**	**$15,521**	**$20,475**
Restaurant opex	**$3,104**	**$3,766**	**$5,198**	**$5,297**	**$17,365**	**$5,068**	**$6,385**	**$7,080**	**$7,975**	**$26,508**	**$34,020**
Rest pre-open and close exp		**$261**	**$62**	**$201**	**$524**	**$207**	**$391**	**$300**	**$400**	**$1,298**	**$1,500**
Gen'l & Admin	**$1,608**	**$1,236**	**$1,426**	**$1,707**	**$5,977**	**$1,898**	**$2,082**	**$2,200**	**$2,300**	**$8,480**	**$9,000**
Depr & Amort	**$345**	**$382**	**$466**	**$394**	**$1,587**	**$438**	**$408**	**$450**	**$450**	**$1,746**	**$1,800**
Total Expenses	**$6,934**	**$7,938**	**$10,215**	**$10,301**	**$35,388**	**$10,573**	**$12,883**	**$14,042**	**$16,055**	**$53,553**	**$66,795**
Operating Inc (Loss)	**($1,585)**	**($1,394)**	**($588)**	**($1,978)**	**($5,545)**	**($1,902)**	**($2,090)**	**($1,967)**	**($1,225)**	**($7,184)**	**($2,395)**
Interest Exp	($337)	($351)	($581)	($1,012)	($2,281)	($705)	($1,374)	($800)	($850)	($3,729)	($3,200)
Total Gain (Loss) Inv, others	$151	($75)	($360)	($710)	($994)	($538)	($1,141)	($800)	($850)	($3,329)	($3,200)
Interest & other Inc	$59	$5	$438	($167)	$335	($1)	$77			$76	
*Total Other Inc (Exp), Gain/Loss**	$210	($70)	$78	($877)	($659)	($539)	($1,064)	($800)	($850)	($3,253)	($3,200)
Loss before cont ops before inc tax	($1,375)	($1,464)	($510)	($2,855)	($6,204)	($2,441)	($3,154)			($5,595)	
Income Taxes	($8)	$1	($19)	($449)	($475)	($33)	($4)	($10)	$20	($27)	($750)
Loss from cont ops	($1,367)	($1,465)	($491)	($2,406)	($5,729)	($2,408)	($3,150)	($2,777)	($2,055)	($10,390)	($6,345)
Gain (loss) from disc ops		($72)		($921)	($993)	($2)	$2				
Non-controlling interest	$2	$126	($61)	$54	$121	$142	$201	$75	$75	$493	$300
Net Loss, cont ops	($1,426)	($1,399)	($374)	($2,991)	($5,482)	($2,268)	($2,946)	($2,702)	($1,980)	($9,896)	($6,045)
Net Loss cont ops per share	($0.24)	($0.21)	($0.08)	($0.45)	($0.87)	($0.27)	($0.24)	($0.22)	($0.14)	($0.84)	($0.40)
Net Loss disc ops per share	($0.01)	($0.01)	$0.00	($0.14)	($0.15)	$0.00	$0.00	$0.00	$0.00		
Net Income (Loss)	**($1,426)**	**($1,399)**	**($374)**	**($2,991)**	**($5,482)**	**($2,268)**	**($2,946)**	**($2,702)**	**($1,980)**	**($9,896)**	**($6,045)**
Earnings (Loss) per share	($0.24)	($0.22)	($0.08)	($0.59)	($1.01)	($0.27)	($0.24)	($0.22)	($0.14)	($0.84)	($0.40)
Est. Shares Out	5,974,495	6,329,406	6,628,011	6,650,000	6,332,843	8,249,453	12,455,428	12,500,000	14,000,000	11,801,220	15,000,000

*denotes combination of gains/losses on investments, deriv liab, etc.

Source: HOTR Filings & Press Releases, GSCR Estimates

RECENT TRADING HISTORY FOR HOTR

(Source: www.Stockta.com)

Senior Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 25 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this research report or article, accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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