

CHANTICLEER HOLDINGS, INC. Is HOTR Getting Closer to Operating Profit?

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CHANTICLEER HOLDINGS, INC. (NASDAQ – HOTR - \$0.44)	
NT Price Target \$2.00, LT Target \$5.00	Rating: Speculative Buy

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 South Africa, and Europe, and two Hooters restaurants in the United States. The Company also owns and operates Little Big Burger, 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 8/5/16	\$0.44
52 Week High – Low	\$2.16 - \$0.40
Est. Shares Outstanding	21.4M
Market Capitalization	\$9,6M
3 Mo Avg. Vol.	79,190
Exchange	NASDAQ

COMPANY INFORMATION

Chanticleer Holdings, Inc.

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 Charlotte NC 28226

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INVESTMENT HIGHLIGHTS

In early 3Q16, HOTR announced it is exiting some international properties that have been a drag on results in recent quarters, in favor of focusing on its high growth, high performance *Better Burger* concept stores in the U.S. By removing this burden, and streamlining costs, we believe that management has executed a critical step toward achieving future operating profit at the store level in the U.S.

The third quarter of 2015 was a watershed period for HOTR with the closing of the Little Big Burger acquisition which provided it with critical mass of sales and favorable operating margin. In our view, 3Q16 will also be viewed as transformational for the HOTR, given its renewed focus and reduced opex.

HOTR will release 2Q16 results on August 11th, after the close. In general, we expect top-line sales trends to be solid, especially with the aid of newly opened BGR the Burger Joint locations in the Mid-Atlantic. Continued solid U.S. performance combined with the cessation of bearing hundreds of thousands in quarterly losses from poor performers (beginning in 3Q16) lead us to believe that U.S. business operating profit at the store level could be just a couple of quarters away.

A peer group analysis indicates that HOTR trades at a huge discount to its peers on a price/sales basis and price/book ratio. We believe this spread will narrow in the coming months.

In our view, the difference between HOTR trading at \$2 and trading at \$0.44 is simply the Street seeing HOTR execute at the operating level. Making the right moves and riding the right trends should make this a reality in the coming quarters. At the \$2 level, HOTR would still trade at a valuation similar to just the lower end of the price/sales ratio afforded its comps. Therefore, we reiterate our Speculative Buy rating.

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*.

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