

# Chanticleer Holdings Reports Operating Results for Fourth Quarter and Year Ended December 31, 2017

## Reports Positive Full Year Adjusted EBITDA with G&A at Historic Lows

CHARLOTTE, N.C., March 28, 2018 (GLOBE NEWSWIRE) -- [Chanticleer Holdings, Inc.](#) (NASDAQ:BURG) ("Chanticleer," or the "Company"), owner, operator and franchisor of multiple branded restaurants in the U.S. and abroad, today announced financial results for the fourth quarter and year ended December 31, 2017.

### **Annual Financial Highlights for the Year ended December 31, 2017**

- | Revenue for the year was \$41.4 million compared with \$41.7 million in 2016
- | Cost of sales as a percentage of restaurant sales was 33.8% in 2017, compared to 33.0% in 2016, on higher beef, chicken and distribution costs, which are expected to moderate in future periods.
- | General and administrative expenses as a percentage of total revenue improved to 11.0% in 2017 from 13.9% in 2016
  - | *G&A levels have been reduced over the past 2 years as a result of integration and efficiency initiatives*
- | Operating loss from continuing operations was \$5.2 million (\$2.8 million excluding non-cash asset impairment charges) in 2017 compared to \$2.6 million in 2016.
- | Net loss attributable to Common Shareholders was \$6.9 million, (\$2.73) per share in 2017, compared to \$9.1 million, (\$4.18) per share in 2016.
- | Non-GAAP Restaurant EBITDA was \$4.2 million in 2017 compared to \$5.0 million in 2016
- | Non-GAAP Adjusted EBITDA was \$234 thousand in 2017 compared to \$82 thousand in 2016
- | Cash used in operating activities was negative \$0.7 million in 2017 compared to negative \$0.5 million in 2016.
- | During 2017, the Company initiated its growth phase opening 4 new Little Big Burger locations, 1 new BGR location and expects to open 8 to 12 new locations annually. The Company also closed 4 underperforming company locations in 2017 which resulted in non-cash impairment charges and is expected to contribute to improved operating performance in future periods.

Mike Pruitt, Chairman and CEO of Chanticleer commented, "In 2017 we solidified our foundation by closing underperforming units, opening four Little Big Burger units, executing multiple franchise agreements and signing five leases under our financial partner joint venture that will open in 2018. We believe the Company has reached an inflection point as we continue to accelerate growth of our Little Big Burger concept with new locations generating above average unit economics and outperforming our expectations. This growth phase consists of a robust pipeline of locations to support future growth, currently expecting to open 8-12 new Little Big Burger stores annually going forward, with upside to those expectations as new franchisees come on line."

Pruitt continued, "Chanticleer is in process of evolving and narrowing its strategic focus and allocation of resources to the domestic better burger segment where we generate the highest margins and rates of return. As we increase focus on the domestic burger business, we are continuing to evaluate the potential sale of our domestic non-burger and international operations which would streamline the Company's operations and significantly increase operating margins going forward."

Lastly, I'm thankful to our financial partners, both JV & franchise, that will allow us to double our Little Big Burger locations and continue BGR on a successful path. We shortly hope to announce new relationships that will allow us visibility on executing on our plan."

### **Conference Call**

The Company will host a webcast and conference call on Wednesday, March 28, 2018 at 4:30 p.m. ET.

To access the call, dial 1-877-407-0784 approximately five minutes prior to the scheduled start time. International callers please dial 1-201-689-8560. To access the webcast, log into the following link: <http://public.viavid.com/index.php?id=128878>.

A replay of the teleconference will be available until April 28, 2018 and may be accessed by dialing 1-844-512-2921. International callers may dial 1-412-317-6671. Callers should use conference PIN: 13677861.

### **Use of Non-GAAP Measures**

Chanticleer Holdings, Inc. prepares its condensed consolidated financial statements in accordance with United States generally accepted accounting principles ("GAAP"). In addition to disclosing financial results prepared in accordance with GAAP, the Company discloses information regarding Adjusted EBITDA and Restaurant EBITDA, which differ from the term EBITDA as it is commonly used. In addition to adjusting net income (loss) from continuing operations to exclude taxes, interest, and depreciation and amortization, Adjusted EBITDA also excludes pre-opening and closing costs for our restaurants, non-cash expenses, transaction and severance related expenses, change in fair value of derivative liability and other income and expenses.

In addition, Restaurant EBITDA also excludes management fee income, franchise revenue and general and administrative expenses. Adjusted EBITDA and restaurant EBITDA are not measures of performance defined in accordance with GAAP. However, adjusted EBITDA and restaurant EBITDA are used internally in planning and evaluating the company's operating performance and by the Company's creditors. Accordingly, management believes that disclosure of these metrics offers investors, bankers and other stakeholders an additional view of the company's operations that, when coupled with the GAAP results, provides a more complete understanding of the Company's financial results.

Adjusted EBITDA and Restaurant EBITDA should not be considered as alternatives to net loss or to net cash used in operating activities as a measure of operating results or of liquidity. It may not be comparable to similarly titled measures used by other companies, and it excludes financial information that some may consider important in evaluating the company's performance. A reconciliation of GAAP net income (loss) to Adjusted EBITDA and Restaurant EBITDA is included in the accompanying financial schedules.

For further information, please refer to Chanticleer's Annual Report on Form 10-K to be filed with the SEC on or about March 28, 2018, available online at [www.sec.gov](http://www.sec.gov).

### **About Chanticleer Holdings, Inc.**

Headquartered in Charlotte, NC, Chanticleer Holdings (BURG), owns, operates and franchises fast casual and full service restaurant brands, including American Burger Company, BGR – Burgers Grilled Right, Little Big Burger, Just Fresh and Hooters.

## Forward-Looking Statements

This press release contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. These statements include projections, predictions, expectations or statements as to beliefs or future events or results or refer to other matters that are not historical facts. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by these statements. The forward-looking statements contained in this press release are based on various factors and were derived using numerous assumptions. In some cases, you can identify these forward-looking statements by the words “anticipate”, “estimate”, “plan”, “project”, “continuing”, “ongoing”, “target”, “aim”, “expect”, “believe”, “intend”, “may”, “will”, “should”, “could”, or the negative of those words and other comparable words.

Our operations involve risks and uncertainties, many of which are outside our control, and any one of which, or a combination of which, could materially affect our results of operations and whether the forward-looking statements ultimately prove to be correct. Forward-looking statements in this press release include, without limitation, statements reflecting management’s expectations for future financial performance and operating expenditures, expected growth, profitability and business outlook, increased sales and marketing expenses, and the expected results from the integration of our acquisitions.

Forward-looking statements are only current predictions and are subject to known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from those anticipated by such statements. These factors include, but are not limited to, the Company’s ability to manage growth; integrate acquisitions; manage debt; meet development goals; and other important risks and uncertainties referenced and discussed under the heading titled “Risk Factors” in the Company’s filings with the Securities and Exchange Commission. Although we believe that the expectations reflected in the forward-looking statements contained in this press release are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements.

The statements in this press release are made as of the date of this press release, even if subsequently made available by the Company on its website or otherwise. The Company does not assume any obligations to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

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## Chanticleer Holdings, Inc. and Subsidiaries Consolidated Balance Sheets

|  | <u>December 31, 2017</u> | <u>December 31, 2016</u> |
|--|--------------------------|--------------------------|
| <b>ASSETS</b>  |                          |                          |
| Current assets:  |                          |                          |
| Cash   | \$ 272,976               | \$ 268,575               |
| Restricted cash  | 165,517                  | -                        |
| Accounts and other receivables, net  | 475,988                  | 524,481                  |
| Inventories  | 460,756                  | 539,550                  |
| Prepaid expenses and other current assets  | 324,324                  | 461,074                  |
| Assets held for sale, net  | 100,000                  | -                        |
| <b>TOTAL CURRENT ASSETS</b>  | <b>1,799,561</b>         | <b>1,793,680</b>         |
| Property and equipment, net  | 8,548,592                | 11,513,693               |
| Goodwill   | 12,647,806               | 12,405,770               |
| Intangible assets, net   | 5,896,732                | 6,530,243                |
| Investments  | 800,000                  | 800,000                  |
| Deposits and other assets  | 490,328                  | 442,737                  |
| <b>TOTAL ASSETS</b>  | <b>\$ 30,183,019</b>     | <b>\$ 33,486,123</b>     |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                          |                          |
| Current liabilities:   |                          |                          |
| Accounts payable and accrued expenses  | \$ 5,972,252             | \$ 5,553,068             |
| Current maturities of long-term debt and notes payable   | 5,741,911                | 6,171,649                |
| Current maturities of convertible notes payable  | 3,000,000                | -                        |
| Current maturities of capital leases payable   | -                        | 18,449                   |
| Due to related parties   | 191,850                  | 194,350                  |
| <b>TOTAL CURRENT LIABILITIES</b>   | <b>14,906,013</b>        | <b>11,937,516</b>        |
| Long-term debt, less current portion, net of discount and deferred financing costs of \$1,173,190 and \$0, respectively  | -                        | 287,445                  |
| Convertible notes payable, net of debt discount (premium) of (\$12,256) and \$46,936, respectively   | 212,256                  | 3,678,064                |
| Redeemable preferred stock: no par value; authorized 5,000,000 shares; 62,876 and 19,050 shares issued and outstanding, net of discount of \$208,697 and \$0, respectively | 640,129                  | 257,175                  |
| Deferred rent  | 2,156,378                | 2,135,526                |
| Deferred tax liabilities   | 779,359                  | 1,485,554                |
| <b>TOTAL LIABILITIES</b>   | <b>18,694,135</b>        | <b>19,781,280</b>        |
| Commitments and contingencies  |                          |                          |
| Common stock subject to repurchase obligation; 0 and 56,290 shares issued and outstanding, respectively  | -                        | 349,000                  |
| Stockholders' equity:  |                          |                          |
| Common stock: \$0.0001 par value; authorized 45,000,000 shares; issued and outstanding 3,045,809 and 2,139,424 shares, respectively  | 305                      | 213                      |
| Additional paid-in capital   | 60,750,330               | 55,926,196               |

|  |                      |                      |
|--|----------------------|----------------------|
| Accumulated other comprehensive loss                         | (934,901)            | (1,155,658)          |
| Accumulated deficit  | (49,109,303)         | (42,206,325)         |
| <b>Total Chanticleer Holdings, Inc, Stockholders' Equity</b> | <b>10,706,431</b>    | <b>12,564,426</b>    |
| Non-Controlling Interests                                    | 782,453              | 791,417              |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>                            | <b>11,488,884</b>    | <b>13,355,843</b>    |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>            | <b>\$ 30,183,019</b> | <b>\$ 33,486,123</b> |

**Chanticleer Holdings, Inc. and Subsidiaries**  
**Consolidated Statements of Operations**

|   | Three Months Ended    |                       | Year Ended            |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | December 31, 2017     | December 31, 2016     | December 31, 2017     | December 31, 2016     |
| <b>Revenue:</b>   |                       |                       |                       |                       |
| Restaurant sales, net   | \$ 9,837,950          | \$ 9,571,878          | \$ 40,495,166         | \$ 40,640,159         |
| Gaming income, net  | 113,665               | 125,973               | 442,521               | 441,620               |
| Management fee income   | 25,018                | 25,000                | 100,000               | 100,000               |
| Franchise income  | 105,550               | 138,741               | 395,176               | 520,222               |
| <b>Total revenue</b>  | <b>10,082,183</b>     | <b>9,861,592</b>      | <b>41,432,863</b>     | <b>41,702,001</b>     |
| <b>Expenses:</b>  |                       |                       |                       |                       |
| Restaurant cost of sales  | 3,316,761             | 3,143,308             | 13,692,921            | 13,392,078            |
| Restaurant operating expenses   | 5,782,594             | 5,501,259             | 23,432,124            | 22,641,951            |
| Restaurant pre-opening and closing expenses   | 179,737               | 27,143                | 319,282               | 145,130               |
| General and administrative expenses   | 1,132,494             | 1,400,207             | 4,545,496             | 5,801,033             |
| Asset impairment charge   | 922,726               | -                     | 2,395,616             | -                     |
| Depreciation and amortization   | 513,963               | 602,882               | 2,282,801             | 2,341,697             |
| <b>Total expenses</b>   | <b>11,848,275</b>     | <b>10,674,799</b>     | <b>46,668,240</b>     | <b>44,321,889</b>     |
| <b>Operating loss from continuing operations</b>  | <b>(1,766,092)</b>    | <b>(813,207)</b>      | <b>(5,235,377)</b>    | <b>(2,619,888)</b>    |
| <b>Other (expense) income</b>   |                       |                       |                       |                       |
| Interest expense  | (646,248)             | (642,463)             | (2,592,961)           | (2,347,019)           |
| Change in fair value of derivative liabilities  | -                     | -                     | -                     | 1,231,608             |
| Gain (loss) on debt refinancing   | -                     | -                     | (95,310)              | -                     |
| Other income (expense)  | 62,935                | (424,660)             | 112,984               | (412,272)             |
| Total other expense   | (583,313)             | (1,067,123)           | (2,575,287)           | (1,527,683)           |
| Loss from continuing operations before income taxes   | <b>(2,349,405)</b>    | <b>(1,880,330)</b>    | <b>(7,810,664)</b>    | <b>(4,147,571)</b>    |
| <b>Income tax benefit (expense)</b>   | <b>813,826</b>        | <b>(60,596)</b>       | <b>644,429</b>        | <b>(198,463)</b>      |
| <b>Loss from continuing operations</b>  | <b>(1,535,579)</b>    | <b>(1,940,926)</b>    | <b>(7,166,235)</b>    | <b>(4,346,034)</b>    |
| <b>Discontinued operations</b>  |                       |                       |                       |                       |
| Loss from discontinued operations, net of tax   | -                     | -                     | -                     | (1,304,627)           |
| Loss on write down of net assets  | -                     | 113,908               | -                     | (3,762,253)           |
| <b>Consolidated net loss</b>  | <b>(1,535,579)</b>    | <b>(1,827,018)</b>    | <b>(7,166,235)</b>    | <b>(9,412,914)</b>    |
| Less net loss attributable to non-controlling interest:   |                       |                       |                       |                       |
| Continuing operations   | 125,521               | 21,805                | 371,464               | 75,417                |
| Discontinued operations   | -                     | -                     | -                     | 260,925               |
| <b>Net loss attributable to Chanticleer Holdings, Inc.</b>                                      | <b>\$ (1,410,058)</b> | <b>\$ (1,805,213)</b> | <b>\$ (6,794,771)</b> | <b>\$ (9,076,572)</b> |
| <b>Net loss attributable to Chanticleer Holdings, Inc.:</b>                                     |                       |                       |                       |                       |
| Loss from continuing operations   | \$ (1,410,058)        | \$ (1,919,121)        | \$ (6,794,771)        | \$ (4,270,617)        |
| Loss from discontinued operations   | -                     | 113,908               | -                     | (4,805,955)           |
| <b>Net loss attributable to Chanticleer Holdings, Inc.</b>                                      | <b>\$ (1,410,058)</b> | <b>\$ (1,805,213)</b> | <b>\$ (6,794,771)</b> | <b>\$ (9,076,572)</b> |
| Dividends on redeemable preferred stock   | (28,219)              | -                     | (108,206)             | -                     |
| <b>Net loss attributable to common shareholders of Chanticleer Holdings, Inc.</b>               | <b>\$ (1,438,277)</b> | <b>\$ (1,805,213)</b> | <b>\$ (6,902,978)</b> | <b>\$ (9,076,572)</b> |
| <b>Net loss attributable to Chanticleer Holdings, Inc. per common share, basic and diluted:</b> |                       |                       |                       |                       |
| Continuing operations attributable to common stockholders, basic and diluted                    | <b>\$ (0.49)</b>      | <b>\$ (0.82)</b>      | <b>\$ (2.73)</b>      | <b>\$ (4.18)</b>      |
| Discontinued operations attributable to common stockholders, basic and diluted                  | <b>\$ (0.49)</b>      | <b>\$ (0.87)</b>      | <b>\$ (2.73)</b>      | <b>\$ (1.97)</b>      |
| <b>Net loss attributable to common stockholders, basic and diluted</b>                          | <b>\$ -</b>           | <b>\$ 0.05</b>        | <b>\$ -</b>           | <b>\$ (2.22)</b>      |
| Weighted average shares outstanding, basic and diluted  | 2,959,284             | 2,195,715             | 2,525,037             | 2,169,503             |

**Chanticleer Holdings, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**

|  | Year Ended        |                   |
|--|-------------------|-------------------|
|  | December 31, 2017 | December 31, 2016 |
| <b>Cash flows from operating activities:</b> |                   |                   |
| Net loss                                     | \$ (7,166,235)    | \$ (9,412,914)    |

|  |             |             |
|--|-------------|-------------|
| Net loss from discontinued operations  | -           | 5,066,880   |
| Net loss from continuing operations  | (7,166,235) | (4,346,034) |
| Adjustments to reconcile net loss from continuing operations to net cash used in operating activities: |             |             |
| Depreciation and amortization  | 2,282,801   | 2,341,697   |
| Asset impairment charge  | 2,395,616   | -           |
| Loss on debt refinancing   | 95,310      | -           |
| Common stock and warrants issued for services  | 280,669     | 24,510      |
| Common stock and warrants issued for interest  | -           | 349,000     |
| Amortization of debt discount  | 788,187     | 1,039,656   |
| Change in assets and liabilities:  |             |             |
| Accounts and other receivables   | 35,154      | (336,546)   |
| Prepaid and other assets   | 22,157      | 113,633     |
| Inventory  | 23,062      | 33,217      |
| Accounts payable and accrued liabilities   | 1,039,179   | 1,540,463   |
| Change in amounts payable to related parties   | (2,500)     | 194,350     |
| Derivative liabilities   | -           | (1,231,608) |
| Deferred income taxes  | (706,195)   | 131,783     |
| Deferred rent  | 188,363     | (288,279)   |
| Net cash used in operating activities from continuing operations                                       | (724,432)   | (434,158)   |
| Net cash used in operating activities from discontinued operations                                     | -           | (75,000)    |
| Net cash used in operating activities  | (724,432)   | (509,158)   |
| <b>Cash flows from investing activities:</b>   |             |             |
| Purchase of property and equipment   | (1,625,460) | (1,191,174) |
| Proceeds from sale of property and equipment   | 461,158     | -           |
| Cash paid for acquisitions, net of cash acquired   | -           | (72,215)    |
| Proceeds from sale of investments  | -           | 8,902       |
| Net cash used in investing activities from continuing operations                                       | (1,164,302) | (1,254,487) |
| <b>Cash flows from financing activities:</b>   |             |             |
| Proceeds from sale of common stock and warrants  | 939,712     | -           |
| Proceeds from sale of preferred stock  | 591,651     | 257,175     |
| Payments related to sale of preferred stock  | (243,480)   | -           |
| Loan proceeds  | 6,578,090   | 275,000     |
| Payment of deferred financing costs  | (293,294)   | -           |
| Loan repayments  | (6,187,738) | (513,523)   |
| Capital lease payments   | (28,405)    | (40,636)    |
| Contribution of non-controlling interest   | 725,000     | 823,671     |
| Net cash provided by financing activities from continuing operations                                   | 2,081,536   | 801,687     |
| Effect of exchange rate changes on cash  | (22,884)    | 6,118       |
| <b>Net increase (decrease) in cash and restricted cash</b>   | 169,918     | (955,840)   |
| <b>Cash and restricted cash, beginning of period</b>   | 268,575     | 1,224,415   |
| <b>Cash and restricted cash, end of period</b>   | \$ 438,493  | \$ 268,575  |

**Chanticleer Holdings, Inc. and Subsidiaries**  
**Reconciliation of Net Loss to EBITDA**  
(Unaudited)

|   | Three Months Ended    |                     | Year Ended            |                     |
|---|-----------------------|---------------------|-----------------------|---------------------|
|   | December 31, 2017     | December 31, 2016   | December 31, 2017     | December 31, 2016   |
| <b>Consolidated net loss</b>                      | \$ (1,535,579)        | \$ (1,940,926)      | \$ (7,166,235)        | \$ (4,346,034)      |
| Interest expense                                  | 646,248               | 642,463             | 2,592,961             | 2,347,019           |
| Income tax  | (813,826)             | 60,596              | (644,429)             | 198,463             |
| Depreciation and amortization                     | 513,963               | 602,882             | 2,282,801             | 2,341,697           |
| <b>EBITDA</b>                                     | <b>\$ (1,189,194)</b> | <b>\$ (634,985)</b> | <b>\$ (2,934,902)</b> | <b>\$ 541,145</b>   |
| Restaurant pre-opening and closing expenses       | 179,737               | 27,143              | 319,282               | 145,130             |
| Operating results of restaurants closed in period | 69,896                | -                   | 369,011               | -                   |
| Change in fair value of derivative liabilities    | -                     | -                   | -                     | (1,231,608)         |
| (Gain) loss on debt refinancing                   | -                     | -                   | 95,310                | -                   |
| Asset impairment charge                           | 922,726               | -                   | 2,395,616             | -                   |
| Transaction and severance related expenses        | -                     | 68,292              | 102,750               | 214,905             |
| Other income (expense)                            | (62,935)              | 424,660             | (112,984)             | 412,272             |
| <b>Adjusted EBITDA</b>                            | <b>\$ (79,770)</b>    | <b>\$ (114,890)</b> | <b>\$ 234,083</b>     | <b>\$ 81,844</b>    |
| General and administrative expenses               | 1,132,494             | 1,331,915           | 4,442,746             | 5,586,128           |
| Franchise revenues                                | (105,550)             | (138,741)           | (395,176)             | (520,222)           |
| Management fee revenue                            | (25,018)              | (25,000)            | (100,000)             | (100,000)           |
| <b>Restaurant EBITDA</b>                          | <b>\$ 922,156</b>     | <b>\$ 1,053,284</b> | <b>\$ 4,181,653</b>   | <b>\$ 5,047,750</b> |

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**Attachment Preview:**

No attachments are included for this language.

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