

## CKE Restaurants, Inc.

Restaurants July 12, 2010

Company Description: CKE Restaurants, Inc. owns, operates, and franchises over 3,100 quick-service restaurants in 42 states and 14 countries. The company operates four brands, Hardee's, Carl's Jr., Green Burrito and Red Burrito. Hardee's and Carl's Jr. menus focus on large burgers, chicken sandwiches, fries, desserts and breakfast, while Green and Red Burritos' menus focus on Mexican food. The company is highly franchised (approximately 71%) and we expect most growth to come through franchisees. The company's headquarters are in Carpinteria, CA.

### Dropping coverage of CKR due to acquisition (CKR - \$12.54)

#### Key Points

- CKE Restaurants (CKR) has been successfully acquired by an affiliate of Apollo Management VII for \$12.55. Due to the acquisition and delisting, we are dropping coverage of CKR. Our previous rating was HOLD with a \$12.50 price target.

#### Financial Summary

Rev(mil)	2009A	2010A	2011E
May	\$466	\$447A	\$435A
Aug	\$352	\$336A	N/A
Nov	\$337	\$324A	N/A
Jan	\$327	\$312A	N/A
FY	\$1,483	\$1,419A	N/A
P/Sales	0.46x	0.48x	nm

EPS	2009A	2010A	2011E
May	\$0.28	\$0.29A	\$0.16A
Aug	\$0.21	\$0.21A	N/A
Nov	\$0.15	\$0.15A	N/A
Jan	\$0.14	\$0.11A	N/A
FY	\$0.78	\$0.76A	N/A
P/E	15.8x	16.2x	nm

Price:	\$12.54
52-Week Range:	\$12.90-\$8.00
Target:	N/A
Rating:	N/A
Shares Outstanding:	54 mil
Mkt. Capitalization:	\$693 mil
Ave. Volume:	1,483,800
Instit. Ownership:	73%
BV / Share:	\$4.32
Debt / Tot. Cap.:	58%
Est. LT EPS Growth:	N/A

### Analyst Certification

I, **Mark E. Smith**, certify that the views expressed in this research report accurately reflect my personal views about the subject company and its securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation related to the specific recommendations expressed in this report.

### Important Disclosures:

The analyst or a member of his/her household **does not** hold a long or short position, options, warrants, rights or futures of this security in their personal account(s).

As of the end of the month preceding the date of publication of this report, Feltl and Company **did not** beneficially own 1% or more of any class of common equity securities of the subject company.

There **is not** any actual material conflict of interest that either the analyst or Feltl and Company is aware of.

The analyst **has not** received any compensation for any investment banking business with this company in the past twelve months and **does not** expect to receive any in the next three months.

Feltl and Company **has not** been engaged for investment banking services with the subject company during the past twelve months and **does not** anticipate receiving compensation for such services in the next three months.

Feltl and Company **has not** served as a broker, either as agent or principal, buying back stock for the subject company's account as part of the company's authorized stock buy-back program in the last twelve months.

**No** director, officer or employee of Feltl and Company serves as a director, officer or advisory board member to the subject company.

**Feltl and Company Rating System:** Feltl and Company utilizes a four tier rating system for potential total returns over the next 12 months.

**Strong Buy:** The stock is expected to have total return potential of at least 30%. Catalysts exist to generate higher valuations, and positions should be initiated at current levels.

**Buy:** The stock is expected to have total return potential of at least 15%. Near term catalysts may not exist and the common stock needs further time to develop. Investors requiring time to build positions may consider current levels attractive.

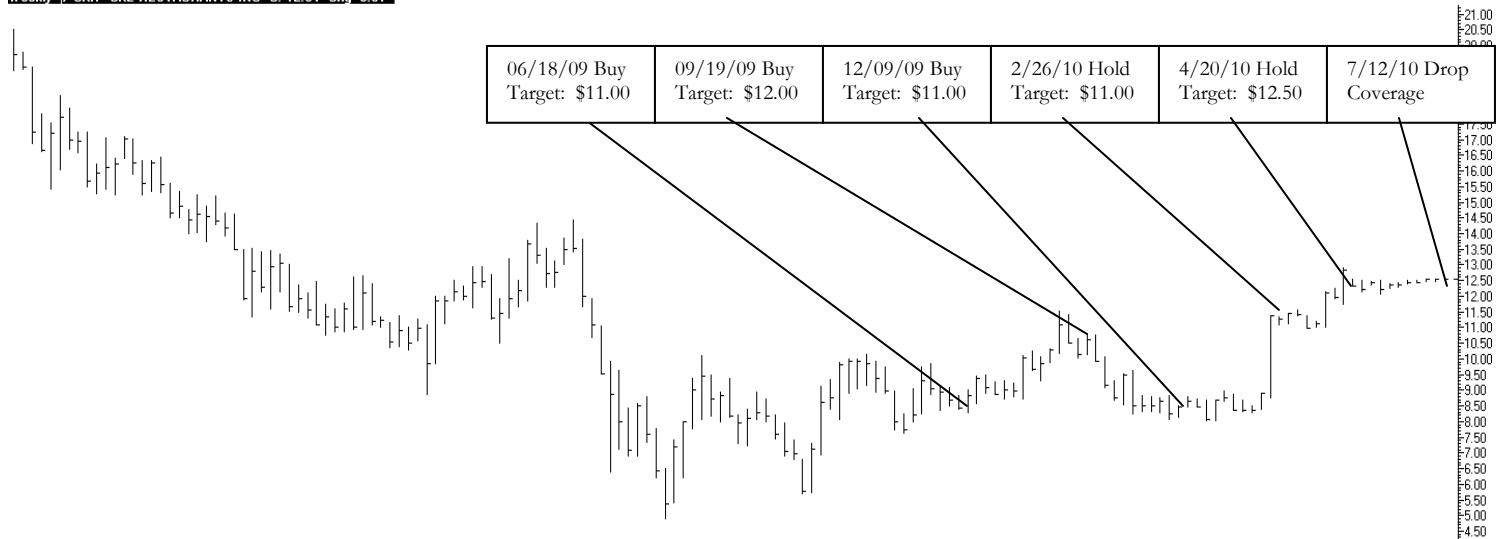
**Hold:** The stock is expected to have total return potential of less than 15%. Fundamental events are not present to make it either a Buy or a Sell. The stock is an acceptable longer-term holding.

**Sell:** Expect a negative total return. Current positions may be used as a source of funds.

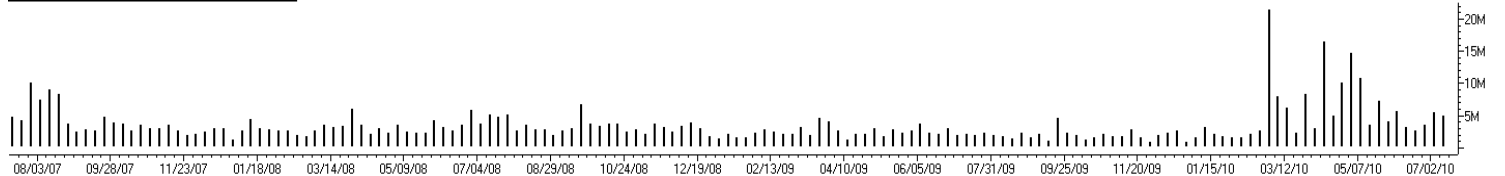
7/12/2010				
Ratings Distribution for Feltl and Company				
Rating	Number of Stocks	Percent of Total	----- Investment Banking -----	
			Number of Stocks	Percent of Rating category
SB/Buy	38	67%	2	5%
Hold	18	32%	0	0%
Sell	1	2%	0	0%
	57	100%	2	4%

The above represents our ratings distribution on the stocks in the Feltl and Company research universe, together with the number in (and percentage of) each category for which Feltl and Company provided investment-banking services in the previous twelve months.

Weekly > CKR CKE RESTAURANTS INC. C: 12.54 Chn -0.01



> CKR CKE RESTAURANTS INC. V: 120.324K



Date	Nature of Report	Rating	Price Target
06/18/09	Initiation @ \$8.59	Buy	\$11.00
09/17/09	Raise Price Target	Buy	\$12.00
12/09/09	Reduce Price Target	Buy	\$11.00
2/26/10	Downgrade to HOLD	Hold	\$11.00
4/20/10	Raise Price Target	Hold	\$12.50
7/12/10	Drop Coverage	N/A	N/A

Feltl and Company **does** make a market in the subject security at the date of publication of this report. As a market maker, Feltl and Company could act as principal or agent with respect to the purchase or sale of those securities.

**Valuation and Price Target Methodology:**

We are dropping coverage.

**Risks to Achievement of Estimates and Price Target:**

- CKR's business may be impacted by consumers' discretionary spending and confidence. Macroeconomic factors such as increasing gasoline prices, unemployment and generally tough economic times may negatively impact consumers' restaurant spending. Changing customer tastes or health trends could also have a negative impact on sales.
- Severe weather may slow sales at the restaurants as customers and staff may not be able to travel to the restaurant, or customers may choose not to eat out due to inclement weather.
- Volatile commodity prices may affect earnings. Volatile protein prices (beef, dairy and chicken) have historically had a substantial impact on the company's operating results.
- There is no guarantee that CKR's restaurants will be successful in new markets. Restaurants are currently operated in only 42 states, and the company will experience growth in new international markets over the next five years. In our view, this risk is lowered through growth in new markets from franchisees.
- The restaurant business is extremely competitive and competition for customers through lower prices may negatively impact CKR's results. Discounted prices at CKR's largest competitors may cause the company to lower prices to maintain its market share.
- Our growth projections are dependent on CKR's ability to recruit, sign and retain competent franchisees. Lower demand for franchised restaurants could slow restaurant development and expected returns. Franchised restaurant growth may be negatively impacted by a tight credit market. We view CKR's relationship with its franchisees as favorable.
- CKR is highly leveraged with approximately \$315 million in debt. Results have been negatively impacted by high interest expense, and inability to maintain certain debt requirements could impact results. No debt maturities are immediately pending.
- Readers should recognize that the risks noted here do not represent a comprehensive list of all risk factors or potential issues, nor all factors that may preclude achievement of our forecast or price target. Additional risk factors exist and are outlined in the Company's SEC filings

**Other Disclosures:**

The information contained in this report is based on sources considered to be reliable, but not guaranteed, to be accurate or complete. Any opinions or estimates expressed herein reflect a judgment made as of this date, and are subject to change without notice. This report has been prepared solely for informative purposes and is not a solicitation or an offer to buy or sell any security. The securities described may not be qualified for purchase in all jurisdictions. Because of individual requirements, advice regarding securities mentioned in this report should not be construed as suitable for all accounts. This report does not take into account the investment objectives, financial situation and needs of any particular client of Feltl and Company. Some securities mentioned herein relate to small speculative companies that may not be suitable for some accounts. Feltl and Company suggests that prior to acting on any of the recommendations herein, the recipient should consider whether such a recommendation is appropriate given their investment objectives and current financial circumstances. Past performance does not guarantee future results. Additional information is available upon request.

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