

## Ramius Sends Letter to CKE Restaurants, Inc.

2008-06-18

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### Urges Company to Significantly Reduce Operating Costs and Shrink Capital Spending Plan

Ramius LLC ("Ramius") announced that it sent the following letter to Andrew Puzder, President and Chief Executive Officer, CKE Restaurants, Inc. ("CKE" or the "Company") (NYSE: CKR) in which Ramius expressed disappointment in the Company's fundamental performance and the ongoing commitment to an aggressive capital expenditure program.

Ramius Partner Jeffrey C. Smith stated, 'CKE faces significant macroeconomic headwinds and it is unacceptable for the Board and management to remain ambivalent on the issue. Given the difficult inflationary pressures on the Company, it is imperative that the Board and management of CKE adjust their business strategy to adapt to this difficult environment. We are publicly recommending that the Company aggressively evaluate its cost structure and capital spending plan because the Company seems unwilling to take the necessary steps to improve its business and develop a more conservative stance on capital spending. These recommendations are fully within the Company's control and can significantly enhance shareholder value while maintaining a solid position for future success should the macroeconomic environment improve.'

The full text of the letter follows:

June 17, 2008

Andrew Puzder, President and CEO

CKE Restaurants, Inc

6307 Carpinteria Avenue Suite A

Carpinteria, CA 93013

CC: Board of Directors

Dear Andrew,

Ramius LLC and certain of its affiliates have been shareholders of CKE Restaurants, Inc. ('CKE' or the 'Company') for over two years. We currently own 1,876,593 shares, representing approximately 3.6% of the Company. We are writing to you today to express our disappointment in the clear lack of urgency on the part of the Board and senior management in addressing the Company's suboptimal performance. To that end, we feel it is appropriate at this time to share our views publicly in order to encourage other shareholders to also voice their opinions regarding the Company's operating performance and the real opportunities to improve shareholder value.

As we have repeatedly stated in conversations with you and with the senior management team, we believe there is currently a substantial opportunity to improve shareholder value at CKE. Please understand that we recognize the difficulties of operating in today's economic environment, however, we feel it is unacceptable for management and the Board to stay the course and continue to blame the Company's poor operating performance on economic issues out of its control. Shareholders deserve better. They deserve a management team and Board that are prepared to adjust the Company's business strategy to adapt to this difficult environment. Specifically, we believe there are two key initiatives that, if implemented, could significantly enhance shareholder value, even in a period of continued economic pressure. We believe that the Company should aggressively explore and execute on the following initiatives:

1. Significantly Reduce Operating Costs
2. Shrink the Capital Spending Plan to Improve Free Cash Flow

#### Significantly Reduce Operating Costs

There is substantial opportunity to drastically reduce overhead costs at CKE. The Company currently operates three headquarter facilities, one of which occupies some of the most valuable real estate in the U.S., west of the Pacific Coast Highway in Carpinteria, California. Two of the three facilities are located less than 100 miles apart. Given the close proximity of the Company's two offices in California, one in Carpinteria and one in Anaheim, it is prudent for CKE to consolidate both offices into a lower cost facility as well as to simultaneously explore the feasibility of combining all locations into one facility. In addition to consolidating offices, there is an opportunity to meaningfully reduce general and administrative expenses ('G&A') per store. As you can see in the table below, since 2001 the absolute level of G&A has remained almost unchanged yet the store count has been reduced by almost 20%. This has created a substantial increase in G&A per store from \$38,400 in 2001 to \$46,700 in 2008, an increase of 22%.

FY00 FY01 FY02 FY03 FY04 FY05 FY06 FY07 FY08

# of stores 3,865 3,783 3,359 3,348 3,250 3,166 3,160 3,105 3,083

G&A (mm\$) 147.3 145.4 112.2 114.9 107.5 138.7 138.1 146.9 144.1

G&A / store 38.1 38.4 33.4 34.3 33.1 43.8 43.7 47.3 46.7

Source: Company public filings

The Company was able to maintain a positive trend in lowering G&A in proportion to store count from FY2000 to FY2004 with G&A being reduced by \$39.8 million and store count decreasing by 16%. However, since FY2004, while store count dropped by an additional 5%, G&A actually rose by \$36.6 million.

From FY2000 to FY2004, the Company on average reduced G&A by \$2.5 million for every 1% reduction in store count. The average G&A per store achieved by FY2004 was \$33,100. By applying the FY2004 average G&A cost per store to the current store count, excluding any additional necessary public costs such as FAS123, the Company would operate at a G&A of \$102.0 million, or \$42.1 million lower than the current amount.

Our analysis indicates that CKE's G&A costs as a percentage of total revenues, company owned revenues, and on a per employee basis are out of line with competitors in the QSR industry and clearly demonstrate an opportunity for improvement.

#### Shrink the Capital Spending Plan to Improve Free Cash Flow

In light of the current economic outlook, the Company's \$145 million capital spending plan for FY2009 is too aggressive and unwarranted. The Company is expected to generate \$155 million of EBITDA based on analysts' 2009 consensus estimates and has roughly \$50 million in annual interest expense and cash taxes, thereby producing \$105 million in cash flow from operations excluding working capital adjustments. A capital plan of \$145 million would yield a \$40 million free cash flow deficit which we believe is unacceptable given the current environment and balance sheet leverage. Furthermore, we fail to see the rationale for such a large capital spending plan since the Company has failed to achieve a measurable increase in returns on investment from past spending.

Since the current capital spending plan was presented to the Board and subsequently to shareholders, both the economic climate and CKE's balance sheet leverage have changed materially for the worse. Well-managed companies quickly adapt to the realities of the current environments in which they operate. In periods of weak fundamentals, it is critical to adjust investment plans in order to ensure an appropriate rate of return on investment. Unfortunately for shareholders, CKE has continued to implement its aggressive spending plan regardless of the declining returns realized to date. To that end, we urge the Board to re-evaluate the capital spending budget and immediately take action to reduce capital spending, which we believe will greatly improve free cash flow.

Executing on these two initiatives would greatly improve value for shareholders of CKE and best position the Company for future success. Given the 47% decline in the stock price over the last 12 months, shareholders deserve a greater sense of urgency from management and the Board regarding steps to improve shareholder value. However, the Board has done little to address and mitigate shareholder value destruction. Our concerns regarding the level of governance and oversight have recently been confirmed by ISS' recommendation to vote against two of the four directors up for re-election at this year's annual meeting based on questionable compensation policies. To that end, we are voting against the re-election of Peter Churm, Janet E. Kerr, Daniel D. Lane and yourself at this year's annual meeting.

We hope and expect that management and the Board will evaluate our recommendations and take the appropriate and necessary actions to improve shareholder value. We would be happy to meet and discuss our views with you and the Board in a constructive manner. Our objective is to ensure that the Company is run with the best interests of its shareholders in mind.

Best Regards,

/s/

Robert M. Kaynor

Jeffrey C. Smith

Ramius LLC

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