

To Our Shareholders

On November 6, 2020, we reported results for the second quarter of our 2021 fiscal year that ended September 27, 2020.

For the thirteen-week period ended September 27, 2020 (“second quarter fiscal 2021”):

- Revenues were \$21,839,000 as compared to \$29,726,000 during the thirteen weeks ended September 29, 2019;
- Income from operations was \$7,584,000 as compared to \$7,366,000 during the thirteen weeks ended September 29, 2019;
- Adjusted EBITDA¹, a non-GAAP financial measure, was \$8,040,000 as compared to \$8,123,000 for the thirteen weeks ended September 29, 2019;
- Income before provision for income taxes was \$5,058,000 as compared to \$5,103,000 for the thirteen weeks ended September 29, 2019;
- Net income was \$3,655,000 as compared to \$3,658,000 for the thirteen weeks ended September 29, 2019; and
- Earnings per diluted share was \$0.89 per share, as compared to \$0.87 per share for the thirteen weeks ended September 29, 2019.

For the twenty-six weeks ended September 27, 2020:

- Revenues were \$39,525,000, as compared to \$60,244,000 during the twenty-six weeks ended September 29, 2019;
- Income from operations was \$15,678,000, as compared to \$16,814,000 during the twenty-six weeks ended September 29, 2019;
- Adjusted EBITDA¹, a non-GAAP financial measure, was \$16,590,000, as compared to \$18,296,000 for the twenty-six weeks ended September 29, 2019;
- Income before provision for income taxes was \$10,619,000, as compared to \$12,288,000 for the twenty-six weeks ended September 29, 2019;
- Net income was \$7,655,000, as compared to \$9,027,000 for the twenty-six weeks ended September 29, 2019; and
- Earnings per diluted share was \$1.86 per share, as compared to \$2.14 per share for the twenty-six weeks ended September 29, 2019.

License royalties increased to \$18,791,000 during the twenty-six weeks ended September 27, 2020, (“fiscal 2021 period”), as compared to \$14,147,000 during the twenty-six weeks ended September 29, 2019. During the fiscal 2021 period, royalties earned under the retail agreement, including the foodservice program, from John Morrell & Co., increased 33% to \$17,460,000, as compared to \$13,092,000 of royalties earned during the twenty-six weeks ended September 29, 2019. As consumers continue to shelter at home as a result of the COVID-19 pandemic, our licensing business continues to show strong consumer demand.

In the Branded Product Program, which features the sale of Nathan’s hot dogs to the foodservice industry, income from operations declined by approximately \$2,803,000 to \$1,524,000 during the fiscal 2021 period, as compared to \$4,327,000 for the twenty-six weeks ended September 29, 2019. Sales were \$14,447,000 during the fiscal 2021 period, compared to sales of \$32,295,000 during the twenty-six weeks ended September 29, 2019, while the volume of hot dogs sold by the Company decreased 57%. As a result of the COVID-19 pandemic, sales and income from operations for the Branded Product Program continue to be negatively impacted as many of our

¹ EBITDA and Adjusted EBITDA are non-GAAP financial measures. Please see the definitions of EBITDA and Adjusted EBITDA on page 2 of this letter and the reconciliation of EBITDA and Adjusted EBITDA to net income in the table at the end of this release.

customers operate in venues that are either currently closed, such as movie theaters, or venues operating at reduced capacity, such as professional sports arenas, amusement parks, and shopping malls.

Sales from Company-operated restaurants were \$4,928,000 during the fiscal 2021 period compared to \$10,048,000 during the twenty-six weeks ended September 29, 2019. The decrease was primarily due to a decline in customer traffic related to the impact of the COVID-19 pandemic. Additionally, as stipulated under government orders, our Company-operated restaurants with dining rooms are operating at reduced capacity and maintaining social distancing protocols.

Revenues from franchise operations were \$667,000 during the fiscal 2021 period, compared to \$2,575,000 during the twenty-six weeks ended September 29, 2019. Total royalties were \$519,000 during the fiscal 2021 period as compared to \$2,027,000 during the twenty-six weeks ended September 29, 2019. Total franchise fee income was \$148,000 during the fiscal 2021 period compared to \$548,000 during the twenty-six weeks ended September 29, 2019. As a result of the COVID-19 pandemic, a number of our franchised locations have been temporarily closed due to their locations being in venues which are closed, such as movie theaters, or venues operating at reduced traffic, such as airport and highway travel plazas. Despite the challenging operating environment, 6 new franchised outlets opened during the fiscal 2021 period.

During the fiscal 2021 period, we recorded Advertising Fund revenue and expense in the amount of \$692,000.

During the fiscal 2021 period, the Board of Directors declared two quarterly cash dividends of \$0.35 per share totaling \$2,880,000.

Effective November 6, 2020, the Board of Directors declared its quarterly cash dividend of \$0.35 per share payable on December 4, 2020 to shareholders of record at the close of business on November 23, 2020.

Certain Non-GAAP Financial Information:

In addition to disclosing results that are determined in accordance with Generally Accepted Accounting Principles in the United States of America ("US GAAP"), the Company is disclosing EBITDA, a non-GAAP financial measure which is defined as net income, excluding (i) interest expense; (ii) provision for income taxes and (iii) depreciation and amortization expense. The Company is also disclosing Adjusted EBITDA, a non-GAAP financial measure which is defined as EBITDA, excluding (i) share-based compensation and (ii) loss on disposal of property and equipment that the Company believes will impact the comparability of its results of operations.

The Company believes that EBITDA and Adjusted EBITDA are useful to investors to assist in assessing and understanding the Company's operating performance and underlying trends in the Company's business because EBITDA and Adjusted EBITDA are (i) among the measures used by management in evaluating performance and (ii) are frequently used by securities analysts, investors and other interested parties as a common performance measure.

EBITDA and Adjusted EBITDA are not recognized terms under US GAAP and should not be viewed as alternatives to net income or other measures of financial performance or liquidity in conformity with US GAAP. Additionally, our definitions of EBITDA and Adjusted EBITDA may differ from other companies. Analysis of results and outlook on a non-US GAAP basis should be used as a complement to, and in conjunction with, data presented in accordance with US GAAP. Please see the table at the end of this press release for a reconciliation of EBITDA and Adjusted EBITDA to net income.

About Nathan's Famous

Nathan's is a Russell 2000 Company that currently distributes its products in 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and eleven foreign countries through its restaurant system, foodservice sales programs and product licensing activities. Last year, over 700 million Nathan's Famous hot dogs were sold. Nathan's was ranked #22 on the Forbes 2014 list of the Best Small Companies in America and was listed as the Best Small Company in New York State in October 2013. For additional information about Nathan's, please visit our website at www.nathansfamous.com.

Sincerely,

Eric Gatoff
Chief Executive Officer

Nathan's Famous, Inc.
(unaudited)

	<u>Thirteen weeks ended</u>		<u>Twenty-six weeks ended</u>	
	<u>Sept. 27, 2020</u>	<u>Sept. 29, 2019</u>	<u>Sept. 27, 2020</u>	<u>Sept. 29, 2019</u>
<u>Financial Highlights</u>				
Total revenues	\$ <u>21,839,000</u>	\$ <u>29,726,000</u>	\$ <u>39,525,000</u>	\$ <u>60,244,000</u>
Income from operations (a)	\$ <u>7,584,000</u>	\$ <u>7,366,000</u>	\$ <u>15,678,000</u>	\$ <u>16,814,000</u>
Net income	\$ <u>3,655,000</u>	\$ <u>3,658,000</u>	\$ <u>7,655,000</u>	\$ <u>9,027,000</u>
Income per share:				
Basic	\$ <u>0.89</u>	\$ <u>0.87</u>	\$ <u>1.86</u>	\$ <u>2.14</u>
Diluted	\$ <u>0.89</u>	\$ <u>0.87</u>	\$ <u>1.86</u>	\$ <u>2.14</u>
Weighted-average shares used in computing income per share:				
Basic	<u>4,115,000</u>	<u>4,227,000</u>	<u>4,118,000</u>	<u>4,216,000</u>
Diluted	<u>4,115,000</u>	<u>4,227,000</u>	<u>4,118,000</u>	<u>4,216,000</u>

Select Segment Information

Revenues

Branded product program	\$ 9,698,000	\$16,182,000	\$14,447,000	\$32,295,000
Product licensing	8,268,000	5,425,000	18,791,000	14,147,000
Restaurant operations	3,470,000	7,422,000	5,595,000	12,623,000
Corporate (b)	<u>403,000</u>	<u>697,000</u>	<u>692,000</u>	<u>1,179,000</u>
Total Revenues	<u>\$21,839,000</u>	<u>\$29,726,000</u>	<u>\$39,525,000</u>	<u>\$60,244,000</u>

Income from operations (c)

Branded product program	\$ 1,252,000	\$ 2,124,000	\$ 1,524,000	\$ 4,327,000
Product licensing	8,223,000	5,380,000	18,700,000	14,056,000
Restaurant operations	(138,000)	2,103,000	(1,031,000)	2,853,000
Corporate (d)	<u>(1,753,000)</u>	<u>(2,241,000)</u>	<u>(3,515,000)</u>	<u>(4,422,000)</u>
Income from operations (c)	<u>\$ 7,584,000</u>	<u>\$ 7,366,000</u>	<u>\$15,678,000</u>	<u>\$16,814,000</u>

- (a) Excludes interest expense, interest income, loss on disposal of property and equipment and other income, net.
- (b) Represents Advertising Fund revenue.
- (c) Excludes interest expense, interest income, loss on disposal of property and equipment and other income, net which are managed centrally at the corporate level, and, accordingly, such items are not presented by segment since they are excluded from the measure of profitability reviewed by the Chief Operating Decision Maker.
- (d) Consists principally of administrative expenses not allocated to the operating segments such as executive management, finance, information technology, legal, insurance, corporate office costs, incentive compensation, compliance costs and the operating results of the advertising fund.

Nathan's Famous, Inc. and Subsidiaries

Reconciliation of Net Income to EBITDA and Adjusted EBITDA

	<u>Thirteen weeks ended</u>		<u>Twenty-six weeks ended</u>	
	<u>Sept. 27, 2020</u>	<u>Sept. 29, 2019</u>	<u>Sept. 27, 2020</u>	<u>Sept. 29, 2019</u>
	(unaudited)		(unaudited)	
EBITDA				
Net Income	\$ 3,655,000	\$ 3,658,000	\$ 7,655,000	\$ 9,027,000
Interest Expense	2,651,000	2,651,000	5,301,000	5,301,000
Provision for income taxes	1,403,000	1,445,000	2,964,000	3,261,000
Depreciation and amortization	<u>302,000</u>	<u>337,000</u>	<u>612,000</u>	<u>647,000</u>
EBITDA	<u>\$ 8,011,000</u>	<u>\$ 8,091,000</u>	<u>\$ 16,532,000</u>	<u>\$ 18,236,000</u>
<u>Adjusted EBITDA</u>				
EBITDA	\$ 8,011,000	\$ 8,091,000	\$ 16,532,000	\$ 18,236,000
Share-based compensation	29,000	30,000	58,000	58,000
Loss on disposal of property & equipment	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Adjusted EBITDA	<u>\$ 8,040,000</u>	<u>\$ 8,123,000</u>	<u>\$ 16,590,000</u>	<u>\$ 18,296,000</u>

Nathan's Famous, Inc. and Subsidiaries Summary Balance Sheet Data

	<u>Sept. 27, 2020</u>	<u>March 29, 2020</u>
	Unaudited	
Assets		
Current assets	\$ 91,664,000	\$ 89,784,000
Property and equipment, net of accumulated depreciation	4,372,000	4,610,000
Operating lease assets	8,648,000	9,181,000
Goodwill and intangible assets, net	1,307,000	1,364,000
Deferred income taxes	7,000	-
Other assets	<u>334,000</u>	<u>343,000</u>
Total assets	<u>\$106,332,000</u>	<u>\$ 105,282,000</u>
Liabilities and Stockholders' Deficit		
Current liabilities	\$ 12,686,000	\$ 14,619,000
Long-term debt, net of unamortized debt issuance costs	146,486,000	146,140,000
Long-term operating lease liabilities	7,887,000	8,532,000
Other liabilities	739,000	696,000
Deferred franchise fees	1,609,000	1,687,000
Deferred income taxes	-	9,000
Stockholders' deficit	<u>(63,075,000)</u>	<u>(66,401,000)</u>
Total liabilities and stockholders' (deficit)	<u>\$ 106,332,000</u>	<u>\$ 105,282,000</u>