

To Our Shareholders

On February 1, 2024, we reported results for the third quarter of our fiscal year 2024 that ended December 24, 2023.

For the thirteen-week period ended December 24, 2023:

- Revenues were \$28,890,000 as compared to \$26,154,000 during the thirteen weeks ended December 25, 2022;
- Income from operations was \$5,137,000 as compared to \$6,332,000 during the thirteen weeks ended December 25, 2022;
- Adjusted EBITDA¹, a non-GAAP financial measure, was \$5,751,000 as compared to \$6,899,000 for the thirteen weeks ended December 25, 2022;
- In connection with the redemption of \$20,000,000 in aggregate principal amount of our 6.625% Senior Secured Notes due 2025 on December 19, 2023, the Company recorded a loss on debt extinguishment of \$169,000, or \$118,000, net of tax, or \$0.03 per diluted share. As a result of the redemption, the Company expects to reduce its future cash interest expense by \$1,325,000 per annum;
- Income before provision for income taxes was \$3,735,000 as compared to \$4,486,000 during the thirteen weeks ended December 25, 2022;
- Net income was \$2,607,000 as compared to \$3,263,000 for the thirteen weeks ended December 25, 2022; and
- Earnings per diluted share was \$0.64 per share as compared to \$0.79 per share for the thirteen weeks ended December 25, 2022.

For the thirty-nine weeks ended December 24, 2023:

- Revenues were \$109,619,000 as compared to \$103,371,000 during the thirty-nine weeks ended December 25, 2022;
- Income from operations was \$25,704,000 as compared to \$28,026,000 during the thirty-nine weeks ended December 25, 2022;
- Adjusted EBITDA¹, a non-GAAP financial measure, was \$27,561,000 as compared to \$29,287,000 for the thirty-nine weeks ended December 25, 2022;
- Income before provision for income taxes was \$21,731,000 as compared to \$22,451,000 for the thirty-nine weeks ended December 25, 2022;
- Net income was \$15,706,000 as compared to \$16,358,000 for the thirty-nine weeks ended December 25, 2022; and
- Earnings per diluted share was \$3.84 per share as compared to \$3.99 per share for the thirty-nine weeks ended December 25, 2022.

License royalties were \$26,075,000 during the thirty-nine weeks ended December 24, 2023, (“fiscal 2024 period”), as compared to \$26,064,000 during the thirty-nine weeks ended December 25, 2022. During the fiscal 2024 period, royalties earned under the retail agreement, including the foodservice program, from Smithfield Foods, Inc., were \$23,582,000, as compared to \$23,594,000 of royalties earned during the thirty-nine weeks ended December 25, 2022.

In the Branded Product Program, which features the sale of Nathan’s hot dogs to the foodservice industry, sales increased by approximately \$6,348,000 to \$68,210,000 during the fiscal 2024 period as compared to \$61,862,000 during the thirty-nine weeks ended December 25, 2022. The volume of hot dogs sold by the Company increased by approximately 2%. Our average selling price, which is partially correlated to the beef

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.

markets, increased by approximately 8% compared to the prior year period. Income from operations decreased by approximately \$1,234,000 to \$5,769,000 during the fiscal 2024 period as compared to \$7,003,000 for the thirty-nine weeks ended December 25, 2022, due to a 12% increase in the cost of beef and beef trimmings.

Sales from Company-owned restaurants were \$10,512,000 during the fiscal 2024 period compared to \$10,673,000 during the thirty-nine weeks ended December 25, 2022. Sales were negatively impacted by reduced traffic at our Coney Island locations as a result of unfavorable weather conditions during the summer season.

Revenues from franchise operations were \$3,321,000 during the fiscal 2024 period as compared to \$3,268,000 during the thirty-nine weeks ended December 25, 2022. Total royalties were \$2,996,000 during the fiscal 2024 period as compared to \$2,785,000 during the thirty-nine weeks ended December 25, 2022. The increase in franchise royalties during the fiscal 2024 period was primarily due to an increase in franchise restaurant sales of \$2,766,000 to \$52,068,000 as compared to \$49,302,000 for the thirty-nine weeks ended December 25, 2022.² Total franchise fee income, including cancellation fees, was \$325,000 during the fiscal 2024 period as compared to \$483,000 during the thirty-nine weeks ended December 25, 2022. Seventeen franchised locations opened during the fiscal 2024 period.

During the fiscal 2024 period, we recorded Advertising Fund revenue of \$1,501,000 as compared to \$1,504,000 during the thirty-nine weeks ended December 25, 2022.

During the fiscal 2024 period, the Board of Directors declared and paid three quarterly cash dividends of \$0.50 per share totaling \$6,120,000.

Effective February 1, 2024, the Board of Directors declared its quarterly cash dividend of \$0.50 per share payable on March 1, 2024 to shareholders of record at the close of business on February 20, 2024.

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) loss on debt extinguishment, (ii) the loss on disposal of property and equipment and (iii) share-based compensation 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.

² Franchise restaurant sales are not revenues of the Company and are not included in the Company's Consolidated Financial Statements.

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 nineteen foreign countries through its restaurant system, foodservice sales programs and product licensing activities. For additional information about Nathan's, please visit our website at www.nathansfamous.com.

Sincerely,

Eric Gatoff
Chief Executive Officer

Nathan's Famous, Inc. and Subsidiaries

(unaudited)

	Thirteen weeks ended		Thirty-nine weeks ended	
	Dec. 24, 2023	Dec. 25, 2022	Dec. 24, 2023	Dec. 25, 2022
<u>Financial Highlights</u>				
Total revenues	\$ <u>28,890,000</u>	\$ <u>26,154,000</u>	\$ <u>109,619,000</u>	\$ <u>103,371,000</u>
Income from operations (a)	\$ <u>5,137,000</u>	\$ <u>6,332,000</u>	\$ <u>25,704,000</u>	\$ <u>28,026,000</u>
Net income	\$ <u>2,607,000</u>	\$ <u>3,263,000</u>	\$ <u>15,706,000</u>	\$ <u>16,358,000</u>
Income per share:				
Basic	\$ <u>0.64</u>	\$ <u>0.80</u>	\$ <u>3.85</u>	\$ <u>4.00</u>
Diluted	\$ <u>0.64</u>	\$ <u>0.79</u>	\$ <u>3.84</u>	\$ <u>3.99</u>
Weighted-average shares used in computing income per share:				
Basic	<u>4,080,000</u>	<u>4,080,000</u>	<u>4,080,000</u>	<u>4,092,000</u>
Diluted	<u>4,080,000</u>	<u>4,116,000</u>	<u>4,087,000</u>	<u>4,104,000</u>
<u>Select Segment Information</u>				
<u>Revenues</u>				
Branded product program	\$19,688,000	\$16,661,000	\$68,210,000	\$61,862,000
Product licensing	6,078,000	6,337,000	26,075,000	26,064,000
Restaurant operations	2,616,000	2,655,000	13,833,000	13,941,000
Corporate (b)	<u>508,000</u>	<u>501,000</u>	<u>1,501,000</u>	<u>1,504,000</u>
Total Revenues	<u>\$28,890,000</u>	<u>\$26,154,000</u>	<u>\$109,619,000</u>	<u>\$103,371,000</u>
<u>Income from operations (c)</u>				
Branded product program	\$ 2,421,000	\$ 2,451,000	\$ 5,769,000	\$ 7,003,000
Product licensing	6,033,000	6,292,000	25,939,000	25,928,000
Restaurant operations	(308,000)	(238,000)	2,000,000	1,879,000
Corporate (d)	<u>(3,009,000)</u>	<u>(2,173,000)</u>	<u>(8,004,000)</u>	<u>(6,784,000)</u>
Income from operations (c)	<u>\$ 5,137,000</u>	<u>\$ 6,332,000</u>	<u>\$25,704,000</u>	<u>\$28,026,000</u>

- (a) Excludes loss on debt extinguishment, interest expense, interest income, and other income (expense), net.
- (b) Represents Advertising Fund revenue.
- (c) Excludes loss on debt extinguishment, interest expense, interest income, and other income (expense), 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, corporate 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>Thirty-nine weeks ended</u>	
	<u>Dec. 24, 2023</u>	<u>Dec. 25, 2022</u>	<u>Dec. 24, 2023</u>	<u>Dec. 25, 2022</u>
	(unaudited)		(unaudited)	
EBITDA				
Net income	\$ 2,607,000	\$ 3,263,000	\$ 15,706,000	\$ 16,358,000
Interest expense	1,392,000	1,944,000	4,219,000	5,831,000
Provision for income taxes	1,128,000	1,223,000	6,025,000	6,093,000
Depreciation and amortization	<u>268,000</u>	<u>303,000</u>	<u>896,000</u>	<u>837,000</u>
EBITDA	<u>\$ 5,395,000</u>	<u>\$ 6,733,000</u>	<u>\$ 26,846,000</u>	<u>\$ 29,119,000</u>
<u>Adjusted EBITDA</u>				
EBITDA	\$ 5,395,000	\$ 6,733,000	\$ 26,846,000	\$ 29,119,000
Loss on debt extinguishment	169,000	-	169,000	-
Loss on disposal of property and equipment	-	101,000	-	87,000
Share-based compensation	<u>187,000</u>	<u>65,000</u>	<u>546,000</u>	<u>81,000</u>
Adjusted EBITDA	<u>\$ 5,751,000</u>	<u>\$ 6,899,000</u>	<u>\$ 27,561,000</u>	<u>\$ 29,287,000</u>

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

	<u>Dec 24, 2023</u>	<u>March 26, 2023</u>
	(unaudited)	
Assets		
Current assets	\$ 32,465,000	\$ 47,361,000
Property and equipment, net of accumulated depreciation	2,798,000	3,321,000
Operating lease assets	6,393,000	6,421,000
Intangible assets and goodwill	834,000	964,000
Deferred income taxes	268,000	375,000
Other assets	<u>148,000</u>	<u>168,000</u>
Total assets	<u>\$ 42,906,000</u>	<u>\$ 58,610,000</u>
Liabilities and Stockholders' Deficit		
Current liabilities	\$ 11,415,000	\$ 16,709,000
Long-term debt, net of unamortized debt issuance costs	59,493,000	79,048,000
Long-term operating lease liabilities	5,169,000	5,406,000
Other liabilities	794,000	737,000
Deferred franchise fees	1,014,000	1,272,000
Stockholders' deficit	<u>(34,979,000)</u>	<u>(44,562,000)</u>
Total liabilities and stockholders' deficit	<u>\$ 42,906,000</u>	<u>\$ 58,610,000</u>