

To Our Shareholders

On August 3, 2023, we reported results for the first quarter of our 2024 fiscal year that ended June 25, 2023.

For the thirteen-week period ended June 25, 2023 (“first quarter fiscal 2024”):

- Revenues were \$41,985,000 as compared to \$39,720,000 during the thirteen weeks ended June 26, 2022;
- Income from operations was \$11,463,000 as compared to \$11,780,000 during the thirteen weeks ended June 26, 2022;
- Adjusted EBITDA¹, a non-GAAP financial measure, was \$12,036,000 as compared to \$12,065,000 for the thirteen weeks ended June 26, 2022;
- Income before provision for income taxes was \$10,132,000 as compared to \$9,880,000 during the thirteen weeks ended June 26, 2022;
- Net income was \$7,388,000 as compared to \$7,137,000 during the thirteen weeks ended June 26, 2022; and
- Earnings per diluted share was \$1.81 per share as compared to \$1.74 per share during the thirteen weeks ended June 26, 2022.

License royalties increased to \$11,658,000 during the first quarter fiscal 2024 as compared to \$11,314,000 during the thirteen weeks ended June 26, 2022. During the first quarter fiscal 2024, royalties earned under the retail agreement, including the foodservice program, from Smithfield Foods, Inc., increased 3% to \$10,796,000 as compared to \$10,450,000 of royalties earned during the thirteen weeks ended June 26, 2022.

In the Branded Product Program, which features the sale of Nathan’s hot dogs to the foodservice industry, sales increased by \$1,999,000 to \$25,170,000 during the first quarter fiscal 2024 as compared to \$23,171,000 for the thirteen weeks ended June 26, 2022. The volume of hot dogs sold in the Branded Product Program increased by 2%. Our average selling price, which is partially correlated to the beef markets, increased by approximately 5% compared to the prior year period. Income from operations decreased by \$106,000 to \$1,961,000 during the first quarter fiscal 2024 as compared to \$2,067,000 for the thirteen weeks ended June 26, 2022, due to an increase in the cost of beef and beef trimmings.

Sales from Company-owned restaurants were \$3,658,000 during the first quarter fiscal 2024 as compared to \$3,723,000 during the thirteen weeks ended June 26, 2022. Sales were impacted by unfavorable weather conditions during June 2023.

Revenues from franchise operations were \$1,075,000 during the first quarter fiscal 2024 as compared to \$1,093,000 during the thirteen weeks ended June 26, 2022. Total royalties were \$980,000 in the first quarter fiscal 2024 period as compared to \$901,000 during the thirteen weeks ended June 26, 2022. The increase in franchise royalties during the first quarter fiscal 2024 was primarily due to an increase in franchise restaurant sales of \$1,317,000 to \$17,263,000 as compared to \$15,946,000 for the thirteen weeks ended June 26, 2022.² Total franchise fee income, including cancellation fees, was \$95,000 during the first quarter fiscal 2024 as compared to \$192,000 during the thirteen weeks ended June 26, 2022.

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.

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

Seven franchised locations opened during the first quarter fiscal 2024.

During the first quarter fiscal 2024, we recorded Advertising Fund revenue and expense in the amount of \$424,000 as compared to \$419,000 during the thirteen weeks ended June 26, 2022.

On June 28, 2023, we paid the \$0.50 per share quarterly cash dividend that was declared by the Board of Directors on June 8, 2023 to shareholders of record at the close of business on June 20, 2023.

Effective August 3, 2023, the Board of Directors declared its quarterly cash dividend of \$0.50 per share payable on September 1, 2023 to shareholders of record at the close of business on August 21, 2023.

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 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 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
Financial Highlights

	<u>Thirteen weeks ended</u>	
	<u>June 25, 2023</u>	<u>June 26, 2022</u>
	(Unaudited)	
Total revenues	<u>\$ 41,985,000</u>	<u>\$ 39,720,000</u>
Income from operations (a)	<u>\$ 11,463,000</u>	<u>\$ 11,780,000</u>
Income before provision for income taxes	<u>\$ 10,132,000</u>	<u>\$ 9,880,000</u>
Net income	<u>\$ 7,388,000</u>	<u>\$ 7,137,000</u>
Income per share:		
Basic	<u>\$ 1.81</u>	<u>\$ 1.74</u>
Diluted	<u>\$ 1.81</u>	<u>\$ 1.74</u>
Weighted-average shares used in computing income per share:		
Basic	<u>4,080,000</u>	<u>4,113,000</u>
Diluted	<u>4,088,000</u>	<u>4,113,000</u>

Nathan's Famous, Inc. and Subsidiaries
Select Segment Information

	<u>Thirteen weeks ended</u>	
	<u>June 25, 2023</u>	<u>June 26, 2022</u>
	(Unaudited)	
<u>Revenues</u>		
Branded product program	\$ 25,170,000	\$ 23,171,000
Product licensing	11,658,000	11,314,000
Restaurant operations	4,733,000	4,816,000
Corporate (b)	<u>424,000</u>	<u>419,000</u>
Revenues	<u>\$ 41,985,000</u>	<u>\$ 39,720,000</u>
<u>Income from operations (c)</u>		
Branded product program	\$ 1,961,000	\$ 2,067,000
Product licensing	11,613,000	11,269,000
Restaurant operations	669,000	641,000
Corporate (d)	<u>(2,780,000)</u>	<u>(2,197,000)</u>
Income from operations (c)	<u>\$ 11,463,000</u>	<u>\$ 11,780,000</u>

(a) Excludes interest expense, interest income and other income, net.

(b) Represents Advertising Fund revenue.

(c) Excludes interest expense, interest income 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 and compliance costs and Advertising Fund expense.

Nathan's Famous, Inc. and Subsidiaries
Reconciliation of Net Income to EBITDA and Adjusted EBITDA

	<u>Thirteen weeks ended</u>	
	<u>June 25, 2023</u>	<u>June 26, 2022</u>
	(Unaudited)	
<u>EBITDA</u>		
Net Income	\$ 7,388,000	\$ 7,137,000
Interest expense	1,414,000	1,944,000
Provision for income taxes	2,744,000	2,743,000
Depreciation and amortization	<u>313,000</u>	<u>233,000</u>
EBITDA	<u>\$11,859,000</u>	<u>\$ 12,057,000</u>
<u>Adjusted EBITDA</u>		
EBITDA	\$11,859,000	\$12,057,000
Share-based compensation	<u>177,000</u>	<u>8,000</u>
Adjusted EBITDA	<u>\$12,036,000</u>	<u>\$12,065,000</u>

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

	<u>June 25, 2023</u>	<u>March 26, 2023</u>
	Unaudited	
Assets		
Current assets	\$ 55,026,000	\$ 47,361,000
Property and equipment, net of accumulated depreciation	3,124,000	3,321,000
Operating lease assets	6,104,000	6,421,000
Intangible assets	921,000	964,000
Deferred income taxes	486,000	375,000
Other assets	<u>161,000</u>	<u>168,000</u>
Total assets	<u>\$65,822,000</u>	<u>\$ 58,610,000</u>
Liabilities and Stockholders' Deficit		
Current liabilities	\$ 18,869,000	\$ 16,709,000
Long-term debt, net of unamortized debt issuance costs	79,140,000	79,048,000
Long-term operating lease liabilities	5,058,000	5,406,000
Other liabilities	762,000	737,000
Deferred franchise fees	1,217,000	1,272,000
Stockholders' deficit	<u>(39,224,000)</u>	<u>(44,562,000)</u>
Total liabilities and stockholders' deficit	<u>\$ 65,822,000</u>	<u>\$ 58,610,000</u>