

## To Our Shareholders

On August 9, 2019, we reported results for the first quarter of our 2020 fiscal year that ended June 30, 2019.

For the thirteen-week period ended June 30, 2019 (“first quarter fiscal 2020”):

- Revenues were \$30,518,000, as compared to \$30,168,000 during the thirteen weeks ended June 24, 2018;
- Income from operations was \$9,448,000, as compared to \$9,087,000 during the thirteen weeks ended June 24, 2018;
- Adjusted EBITDA<sup>1</sup>, a non-GAAP financial measure, was \$10,173,000 as compared to \$9,595,000 for the thirteen weeks ended June 24, 2018;
- Income before provision for income taxes was \$7,185,000, as compared to \$6,519,000 during the thirteen weeks ended June 24, 2018;
- Net income was \$5,369,000, as compared to \$4,795,000 for the thirteen weeks ended June 24, 2018; and
- Earnings per diluted share was \$1.28 per share, as compared to \$1.13 per share for the thirteen weeks ended June 24, 2018.

License royalties increased to \$8,722,000 during the first quarter fiscal 2020, as compared to \$8,098,000 during the thirteen weeks ended June 24, 2018. During the first quarter fiscal 2020, royalties earned under the retail agreement, including the foodservice program, from John Morrell & Co., increased 8.2% to \$8,157,000, as compared to \$7,538,000 of royalties earned during the thirteen weeks ended June 24, 2018.

In the Branded Product Program, which features the sale of Nathan’s hot dogs to the foodservice industry, income from operations declined by approximately \$328,000 to \$2,203,000 for the thirteen weeks ended June 30, 2019, as compared to \$2,531,000 for the thirteen weeks ended June 24, 2018. Sales were \$16,113,000 in the current period, compared to sales of \$16,445,000 during the prior-year period, while the volume of hot dogs sold by the Company decreased 0.9%. However, the sales and volume declines were partially related to winding down the new re-distributor’s temporary service to certain of our regular distributor customers. Our average selling price, which is partially correlated to the beef markets, decreased by approximately 0.5% compared to the year-earlier period.

Sales from Company-operated restaurants were \$4,124,000 during the thirteen weeks ended June 30, 2019 compared to \$4,026,000 during the thirteen weeks ended June 24, 2018. Sales were positively affected, especially at our two Coney Island locations, by favorable weather conditions during the first quarter fiscal 2020. Excluding the effect of the restaurant that was sold, sales at the four comparable Company-owned restaurants increased by \$506,000 or 14.0% during the first quarter fiscal 2020.

Revenues from franchise operations were \$1,077,000 during the thirteen weeks ended June 30, 2019, compared to \$1,104,000 during the thirteen weeks ended June 24, 2018. Total royalties were \$980,000 in the first quarter fiscal 2020 period as compared to \$997,000 in the fiscal 2019 period. Total franchise fee income was \$97,000 during the thirteen weeks ended June 30, 2019 compared to \$107,000 during the thirteen weeks ended June 24, 2018. Four new domestic franchised outlets opened during the thirteen weeks ended June 30, 2019.

During the thirteen weeks ended June 30, 2019, we recorded Advertising Fund revenue and expense in the amount of \$482,000 as compared to \$495,000 during the thirteen weeks ended June 24, 2018.

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<sup>1</sup> EBITDA and Adjusted EBITDA are non-GAAP financial measures. Please see the definitions of EBITDA and Adjusted EBITDA on page 3 of this letter and the reconciliation of EBITDA and Adjusted EBITDA to net income in the table at the end of this release.

On June 28, 2019, we paid the \$0.35 per share quarterly cash dividend that was declared by the Board of Directors on June 14, 2019 to shareholders of record at the close of business on June 24, 2019.

Effective August 9, 2019, the Board of Directors declared its quarterly cash dividend of \$0.35 per share payable on September 6, 2019 to shareholders of record at the close of business on August 26, 2019.

**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 sixteen 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](http://www.nathansfamous.com).

Sincerely,

Eric Gatoff  
Chief Executive Officer

**Nathan's Famous, Inc. and Subsidiaries**  
**Financial Highlights**

	<u>Thirteen weeks ended</u>	
	<u>June 30, 2019</u>	<u>June 24, 2018</u>
	(Unaudited)	
Total revenues	<u>\$ 30,518,000</u>	<u>\$ 30,168,000</u>
Income from operations (a)	<u>\$ 9,448,000</u>	<u>\$ 9,087,000</u>
Income before provision for income taxes	<u>\$ 7,185,000</u>	<u>\$ 6,519,000</u>
Net income	<u>\$ 5,369,000</u>	<u>\$ 4,795,000</u>
Income per share:		
Basic	<u>\$ 1.28</u>	<u>\$ 1.15</u>
Diluted	<u>\$ 1.28</u>	<u>\$ 1.13</u>
Weighted-average shares used in computing income per share:		
Basic	<u>4,206,000</u>	<u>4,185,000</u>
Diluted	<u>4,206,000</u>	<u>4,226,000</u>

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

	<u>Thirteen weeks ended</u>	
	<u>June 30, 2019</u>	<u>June 24, 2018</u>
	(Unaudited)	
<u>Revenues</u>		
Branded product program	\$ 16,113,000	\$ 16,445,000
Product licensing	8,722,000	8,098,000
Restaurant operations	5,201,000	5,130,000
Corporate (b)	<u>482,000</u>	<u>495,000</u>
Revenues	<u>\$ 30,518,000</u>	<u>\$ 30,168,000</u>
<u>Income from operations (c)</u>		
Branded product program	\$ 2,203,000	\$ 2,531,000
Product licensing	8,676,000	8,053,000
Restaurant operations	750,000	750,000
Corporate (d)	<u>(2,181,000)</u>	<u>(2,247,000)</u>
Income from operations (c)	<u>\$ 9,448,000</u>	<u>\$ 9,087,000</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 30, 2019</u>	<u>June 24, 2018</u>
	(Unaudited)	
<u>EBITDA</u>		
Net Income	\$ 5,369,000	\$ 4,795,000
Interest expense	2,650,000	2,650,000
Provision for income taxes	1,816,000	1,724,000
Depreciation and amortization	<u>310,000</u>	<u>345,000</u>
EBITDA	<u>\$ 10,145,000</u>	<u>\$ 9,514,000</u>
<u>Adjusted EBITDA</u>		
EBITDA	\$ 10,145,000	\$ 9,514,000
Stock-based compensation	<u>28,000</u>	<u>81,000</u>
Adjusted EBITDA	<u>\$ 10,173,000</u>	<u>\$ 9,595,000</u>

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

	<u>June 30, 2019</u>	<u>March 31, 2019</u>
	Unaudited	
<u>Assets</u>		
Current assets	\$ 90,398,000	\$ 87,161,000
Property and equipment, net of accumulated depreciation	4,684,000	4,889,000
Operating lease assets	7,655,000	-
Intangible assets	1,448,000	1,448,000
Deferred income taxes	351,000	343,000
Other assets	<u>465,000</u>	<u>465,000</u>
Total assets	<u>\$105,001,000</u>	<u>\$ 94,306,000</u>
<u>Liabilities and Stockholders' (Deficit)</u>		
Current liabilities	\$ 13,854,000	\$ 14,924,000
Long-term debt, net of unamortized debt issuance costs	145,622,000	145,449,000
Long-term operating lease liabilities	7,308,000	-
Other liabilities	745,000	1,390,000
Deferred franchise fees	2,620,000	2,687,000
Stockholders' (deficit)	<u>(65,148,000)</u>	<u>(70,144,000)</u>
Total liabilities and stockholders' (deficit)	<u>\$ 105,001,000</u>	<u>\$ 94,306,000</u>