

To Our Shareholders

On August 3, 2018, we reported results for the first quarter of our 2019 fiscal year that ended June 24, 2018.

For the fiscal quarter ended June 24, 2018:

- Revenues were \$30,168,000, as compared to \$30,803,000 during the thirteen weeks ended June 25, 2017;
- Income from operations was \$9,087,000, as compared to \$8,450,000 during the thirteen weeks ended June 25, 2017;
- Adjusted EBITDA, as subsequently defined, was \$9,595,000 as compared to \$8,973,000 for the thirteen weeks ended June 25, 2017;
- Net income was \$4,795,000, as compared to \$2,922,000 for the thirteen weeks ended June 25, 2017;
- Earnings per diluted share was \$1.13 per share, as compared to \$0.69 per share for the thirteen weeks ended June 25, 2017; and

License royalties increased to \$8,098,000 during the thirteen weeks ended June 24, 2018, as compared to \$7,401,000 during the thirteen weeks ended June 25, 2017. During the thirteen weeks ended June 24, 2018, royalties earned under the retail agreement with John Morrell & Co., increased 12.2% to \$7,298,000, as compared to \$6,502,000 of royalties earned during the thirteen weeks ended June 25, 2017.

In the Branded Product Program, which features the sale of Nathan's hot dogs to the foodservice industry, income from operations increased by approximately \$259,000 to \$2,531,000 for the thirteen weeks ended June 24, 2018, as compared to \$2,272,000 for the thirteen weeks ended June 25, 2017. Sales were \$16,445,000 in the current period, compared to sales of \$17,937,000 during the prior-year period, while the volume of hot dogs sold by the Company decreased 4.1%. However, the sales and volume declines were entirely related to the use of a new re-distributor to service certain of our regular distributor customers. We estimate that excluding the effects of the re-distributors' purchases in both years, our sales volume to our normal distributors, increased by approximately 8% during the quarter. Our average selling price, which is partially correlated to the beef markets, decreased by approximately 5.0% compared to the year-earlier period.

Sales from Company-operated restaurants were \$4,026,000 during the thirteen weeks ended June 24, 2018 compared to \$4,293,000 during the thirteen weeks ended June 25, 2017. Sales were negatively affected, especially at our two Coney Island locations, by exceptionally unfavorable weather conditions in the Northeastern United States, during April 2018.

Revenues from franchise operations were \$1,104,000 during the thirteen weeks ended June 24, 2018, compared to \$1,172,000 during the thirteen weeks ended June 25, 2017. Total royalties were \$997,000 in the fiscal 2019 period as compared to \$1,112,000 in the fiscal 2018 period. Total franchise fee income was \$107,000 during the thirteen weeks ended June 24, 2018 compared to \$60,000 during the thirteen weeks ended June 25, 2017. Four new franchised outlets opened during the thirteen weeks ended June 24, 2018, including two international locations, and one Branded Menu Program outlet.

During the thirteen weeks ended June 24, 2018, we recorded Advertising Fund revenue and expense in the amount of \$495,000 in connection with the adoption of ASC 606.

In November 2017, Nathan's refinanced its then-outstanding \$135.0 million 10.000% Senior Secured Notes due 2020 by issuing \$150.0 million 6.625% Senior Secured Notes due 2025. Nathan's lowered its interest expense by approximately \$1,013,000 during the thirteen weeks ended June 24, 2018 as compared to the thirteen weeks ended June 25, 2017.

On June 22, 2018, we paid the \$0.25 per share regular cash dividend that was declared by the Board of Directors on May 31, 2018 to shareholders of record at the close of business on June 18, 2018.

Effective August 3, 2018, the Board of Directors declared its quarterly cash dividend of \$0.25 per share payable on September 21, 2018 to shareholders of record at the close of business on September 10, 2018.

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 has provided EBITDA excluding (i) interest expense; (ii) provision for income taxes and (iii) depreciation and amortization expense. The Company has also provided Adjusted EBITDA excluding stock-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.

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 fourteen foreign countries through its restaurant system, foodservice sales programs and product licensing activities. Last year, over 600 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. and Subsidiaries
Financial Highlights

	<u>Thirteen weeks ended</u>	
	<u>June 24, 2018</u>	<u>June 25, 2017</u>
	(unaudited)	
Total revenues	<u>\$ 30,168,000</u>	<u>\$ 30,803,000</u>
Income from operations (a)	<u>\$ 9,087,000</u>	<u>\$ 8,450,000</u>
Net income	<u>\$ 4,795,000</u>	<u>\$ 2,922,000</u>
Income per share:		
Basic	<u>\$ 1.15</u>	<u>\$ 0.70</u>
Diluted	<u>\$ 1.13</u>	<u>\$ 0.69</u>
Weighted-average shares used in computing income per share:		
Basic	<u>4,185,000</u>	<u>4,177,000</u>
Diluted	<u>4,226,000</u>	<u>4,215,000</u>

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

	<u>Thirteen weeks ended</u>	
	<u>June 24, 2018</u>	<u>June 25, 2017</u>
	(unaudited)	
<u>Revenues</u>		
Branded product program	\$ 16,445,000	\$ 17,937,000
Product licensing	8,098,000	7,401,000
Restaurant operations	5,130,000	5,465,000
Corporate (b)	495,000	-
Revenues	<u>\$ 30,168,000</u>	<u>\$ 30,803,000</u>
<u>Income from operations (c)</u>		
Branded product program	\$ 2,531,000	\$ 2,272,000
Product licensing	8,053,000	7,356,000
Restaurant operations	750,000	895,000
Corporate (d)	<u>(2,247,000)</u>	<u>(2,073,000)</u>
Income from operations (c)	<u>\$ 9,087,000</u>	<u>\$ 8,450,000</u>

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

(b) Represents Advertising Fund revenue in 2018.

(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 of \$495,000 in 2018.

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

	<u>Thirteen weeks ended</u>	
	<u>June 24, 2018</u>	<u>June 25, 2017</u>
	(unaudited)	
<u>EBITDA</u>		
Net Income	\$ 4,795,000	\$ 2,922,000
Interest expense	2,650,000	3,663,000
Provision for income taxes	1,724,000	1,921,000
Depreciation and amortization	<u>345,000</u>	<u>368,000</u>
EBITDA	<u>\$ 9,514,000</u>	<u>\$ 8,874,000</u>
<u>Adjusted EBITDA</u>		
EBITDA	\$ 9,514,000	\$ 8,874,000
Stock-based compensation	<u>81,000</u>	<u>99,000</u>
Adjusted EBITDA	<u>\$ 9,595,000</u>	<u>\$ 8,973,000</u>

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

	<u>June 24, 2018</u>	<u>March 25, 2018</u>
	<u>Unaudited</u>	
Assets		
Current assets	\$ 71,742,000	\$ 71,708,000
Property and equipment, net of accumulated depreciation	5,435,000	6,642,000
Intangible assets	1,448,000	1,448,000
Deferred income taxes	450,000	-
Other assets	<u>345,000</u>	<u>293,000</u>
Total assets	<u>\$ 79,420,000</u>	<u>\$ 80,091,000</u>
Liabilities and Stockholders' (Deficit)		
Current liabilities	\$ 13,420,000	\$ 18,006,000
Long-term debt, net of unamortized debt issuance costs	144,931,000	144,758,000
Other liabilities	1,352,000	1,355,000
Deferred franchise fees	2,634,000	238,000
Deferred income taxes	-	302,000
Stockholders' (deficit)	<u>(82,917,000)</u>	<u>(84,568,000)</u>
Total liabilities and stockholders' (deficit)	<u>\$ 79,420,000</u>	<u>\$ 80,091,000</u>