

To Our Shareholders

On November 3, 2022, we reported results for the second quarter of our 2023 fiscal year that ended September 25, 2022.

For the thirteen-week period ended September 25, 2022 (“second quarter fiscal 2023”):

- Revenues were \$37,497,000 as compared to \$32,878,000 during the thirteen weeks ended September 26, 2021;
- Income from operations was \$9,914,000 as compared to \$7,439,000 during the thirteen weeks ended September 26, 2021;
- Adjusted EBITDA¹, a non-GAAP financial measure, was \$10,323,000 as compared to \$7,771,000 during the thirteen weeks ended September 26, 2021;
- Income before provision for income taxes was \$8,085,000 as compared to \$4,821,000 during the thirteen weeks ended September 26, 2021;
- Net income was \$5,958,000, as compared to \$3,545,000 during the thirteen weeks ended September 26, 2021; and
- Earnings per diluted share was \$1.46 per share as compared to \$0.86 per share during the thirteen weeks ended September 26, 2021.

For the twenty-six weeks ended September 25, 2022 (“fiscal 2023”):

- Revenues were \$77,217,000, as compared to \$64,197,000 during the twenty-six weeks ended September 26, 2021;
- Income from operations was \$21,694,000, as compared to \$18,141,000 during the twenty-six weeks ended September 26, 2021;
- Adjusted EBITDA¹, a non-GAAP financial measure, was \$22,388,000 as compared to \$18,832,000 during the twenty-six weeks ended September 26, 2021;
- Income before provision for income taxes was \$17,965,000 as compared to \$12,925,000 during the twenty-six weeks ended September 26, 2021;
- Net income was \$13,095,000 as compared to \$9,308,000 during the twenty-six weeks ended September 26, 2021; and
- Earnings per diluted share was \$3.20 per share as compared to \$2.26 per share during the twenty-six weeks ended September 26, 2021.

License royalties were \$19,727,000 during the twenty-six weeks ended September 25, 2022, (“fiscal 2023 period”), as compared to \$18,340,000 during the twenty-six weeks ended September 26, 2021. During the fiscal 2023 period, royalties earned under the retail agreement, including the foodservice program, with John Morrell & Co., increased 7% to \$18,105,000 as compared to \$16,922,000 of royalties earned during the twenty-six weeks ended September 26, 2021.

In the Branded Product Program, which features the sale of Nathan’s hot dogs to the foodservice industry, sales increased by approximately \$10,142,000 to \$45,201,000 during the fiscal 2023 period as compared to \$35,059,000 during the twenty-six weeks ended September 26, 2021. The volume of hot dogs sold by the Company increased by 19%. Our average selling price, which is partially correlated to the beef markets, increased by approximately 9% compared to the prior year period. Income from operations increased by approximately \$1,137,000 to \$4,552,000 during the fiscal 2023 period as compared to \$3,415,000 for the twenty-six weeks ended September 26, 2021. As the level of comfort of consumers gathering in social settings increases and travel continues to increase, our Branded Product Program customers, including

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.

professional sports arenas, amusement parks, shopping malls and movie theaters have experienced stronger attendance contributing to an increase in sales over the prior year comparable period.

Sales from Company-operated restaurants were \$8,994,000 during the fiscal 2023 period compared to \$7,766,000 during the twenty-six weeks ended September 26, 2021. The increase was primarily due to an increase in customer traffic especially at our two Coney Island locations.

Revenues from franchise operations were \$2,292,000 during the fiscal 2023 period as compared to \$2,074,000 during the twenty-six weeks ended September 26, 2021. Total royalties were \$1,956,000 during the fiscal 2023 period as compared to \$1,837,000 during the twenty-six weeks ended September 26, 2021. Total franchise fee income was \$336,000 during the fiscal 2023 period as compared to \$237,000 during the twenty-six weeks ended September 26, 2021. The increase in franchise fees and royalties during the fiscal 2023 period was primarily due to an increase in franchise restaurant sales of \$5,911,000 to \$34,541,000 as compared to \$28,630,000 for the twenty-six weeks ended September 26, 2021.² Four new franchised outlets opened during the fiscal 2023 period.

During the fiscal 2023 period, we recorded Advertising Fund revenue of \$1,003,000 and Advertising Fund expense of \$1,178,000.

During the fiscal 2023 period, the Company repurchased 35,434 shares of its common stock for \$1,892,000 pursuant to a 10b5-1 plan which expired on September 13, 2022.

During the fiscal 2023 period, the Board of Directors declared two quarterly cash dividends of \$0.45 per share totaling \$3,688,000.

Effective November 3, 2022, the Board of Directors declared its quarterly cash dividend of \$0.45 per share payable on December 2, 2022 to shareholders of record at the close of business on November 21, 2022.

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) the gain on disposal of property and equipment and (ii) 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. 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 sixteen 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.

(unaudited)

<u>Financial Highlights</u>	<u>Thirteen weeks ended</u>		<u>Twenty-six weeks ended</u>	
	<u>Sept. 25, 2022</u>	<u>Sept. 26, 2021</u>	<u>Sept. 25, 2022</u>	<u>Sept. 26, 2021</u>
Total revenues	\$ 37,497,000	\$ 32,878,000	\$ 77,217,000	\$ 64,197,000
Income from operations (a)	\$ 9,914,000	\$ 7,439,000	\$ 21,694,000	\$ 18,141,000
Net income	\$ 5,958,000	\$ 3,545,000	\$ 13,095,000	\$ 9,308,000
Income per share:				
Basic	\$ 1.46	\$ 0.86	\$ 3.20	\$ 2.26
Diluted	\$ 1.46	\$ 0.86	\$ 3.20	\$ 2.26
Weighted-average shares used in computing income per share:				
Basic	4,083,000	4,115,000	4,098,000	4,115,000
Diluted	4,083,000	4,115,000	4,098,000	4,115,000

Select Segment Information

Revenues

Branded product program	\$ 22,030,000	\$ 19,063,000	\$ 45,201,000	\$ 35,059,000
Product licensing	8,413,000	7,658,000	19,727,000	18,340,000
Restaurant operations	6,470,000	5,604,000	11,286,000	9,840,000
Corporate (b)	584,000	553,000	1,003,000	958,000
Total Revenues	<u>\$ 37,497,000</u>	<u>\$ 32,878,000</u>	<u>\$ 77,217,000</u>	<u>\$ 64,197,000</u>

Income from operations (c)

Branded product program	\$ 2,485,000	\$ 1,161,000	\$ 4,552,000	\$ 3,415,000
Product licensing	8,367,000	7,612,000	19,636,000	18,249,000
Restaurant operations	1,476,000	694,000	2,117,000	692,000
Corporate (d)	(2,414,000)	(2,028,000)	(4,611,000)	(4,215,000)
Income from operations (c)	<u>\$ 9,914,000</u>	<u>\$ 7,439,000</u>	<u>\$ 21,694,000</u>	<u>\$ 18,141,000</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, 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. 25, 2022</u>	<u>Sept. 26, 2021</u>	<u>Sept. 25, 2022</u>	<u>Sept. 26, 2021</u>
	(unaudited)		(unaudited)	
<u>EBITDA</u>				
Net Income	\$ 5,958,000	\$ 3,545,000	\$ 13,095,000	\$ 9,308,000
Interest Expense	1,943,000	2,651,000	3,887,000	5,301,000
Provision for income taxes	2,127,000	1,276,000	4,870,000	3,617,000
Depreciation and amortization	<u>301,000</u>	<u>270,000</u>	<u>534,000</u>	<u>548,000</u>
EBITDA	<u>\$ 10,329,000</u>	<u>\$ 7,742,000</u>	<u>\$ 22,386,000</u>	<u>\$ 18,774,000</u>
<u>Adjusted EBITDA</u>				
EBITDA	\$ 10,329,000	\$ 7,742,000	\$ 22,386,000	\$ 18,774,000
Gain on disposal of property and equipment	(14,000)	-	(14,000)	-
Share-based compensation	<u>8,000</u>	<u>29,000</u>	<u>16,000</u>	<u>58,000</u>
Adjusted EBITDA	<u>\$ 10,323,000</u>	<u>\$ 7,771,000</u>	<u>\$ 22,388,000</u>	<u>\$ 18,832,000</u>

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

	<u>Sept. 25, 2022</u>	<u>March 27, 2022</u>
	<u>Unaudited</u>	
Assets		
Current assets	\$ 71,619,000	\$ 65,400,000
Property and equipment, net of accumulated depreciation	3,750,000	3,785,000
Operating lease assets	6,804,000	7,416,000
Intangible assets and goodwill	1,051,000	1,138,000
Deferred income taxes	567,000	582,000
Other assets	<u>182,000</u>	<u>195,000</u>
Total assets	\$ 83,973,000	\$ 78,516,000
Liabilities and Stockholders' Deficit		
Current liabilities	\$ 15,031,000	\$ 16,412,000
Long-term debt, net of unamortized debt		
Issuance costs	108,437,000	108,183,000
Long-term operating lease liabilities	5,752,000	6,487,000
Other liabilities	724,000	674,000
Deferred franchise fees	1,486,000	1,748,000
Stockholders' deficit	<u>(47,457,000)</u>	<u>(54,988,000)</u>
Total liabilities and stockholders' deficit	<u>\$ 83,973,000</u>	<u>\$ 78,516,000</u>