

To Our Shareholders

On February 2, 2023, we reported results for the third quarter of our fiscal year 2023 that ended December 25, 2022.

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

- Revenues increased by 1% to \$26,154,000 as compared to \$25,913,000 during the thirteen weeks ended December 26, 2021;
- Income from operations was \$6,332,000 as compared to \$5,613,000 during the thirteen weeks ended December 26, 2021;
- Adjusted EBITDA¹, a non-GAAP financial measure, was \$6,899,000 as compared to \$5,907,000 for the thirteen weeks ended December 26, 2021;
- Income before provision for income taxes was \$4,486,000 as compared to \$2,990,000 during the thirteen weeks ended December 26, 2021;
- Net income was \$3,263,000 as compared to \$2,130,000 for the thirteen weeks ended December 26, 2021; and
- Earnings per diluted share was \$0.79 per share as compared to \$0.52 per share for the thirteen weeks ended December 26, 2021.

For the thirty-nine weeks ended December 25, 2022 (“fiscal 2023”):

- Revenues increased by 15% to \$103,371,000 as compared to \$90,110,000 during the thirty-nine weeks ended December 26, 2021;
- Income from operations was \$28,026,000 as compared to \$23,754,000 during the thirty-nine weeks ended December 26, 2021;
- Adjusted EBITDA¹, a non-GAAP financial measure, was \$29,287,000 as compared to \$24,739,000 for the thirty-nine weeks ended December 26, 2021;
- Income before provision for income taxes was \$22,451,000 as compared to \$15,915,000 for the thirty-nine weeks ended December 26, 2021;
- Net income was \$16,358,000 as compared to \$11,438,000 for the thirty-nine weeks ended December 26, 2021; and
- Earnings per diluted share was \$3.99 per share as compared to \$2.78 per share for the thirty-nine weeks ended December 26, 2021.

During the fiscal 2023 period, the Board of Directors declared three quarterly cash dividends of \$0.45 per share totaling \$5,524,000.

Effective February 2, 2023, the Board of Directors increased the quarterly cash dividend by 11% and declared a quarterly cash dividend of \$0.50 per share payable on March 3, 2023 to shareholders of record at the close of business on February 21, 2023.

License royalties were \$26,064,000 during the thirty-nine weeks ended December 25, 2022, (“fiscal 2023 period”), as compared to \$24,218,000 during the thirty-nine weeks ended December 26, 2021. During the fiscal 2023 period, royalties earned under the retail agreement, including the foodservice program, from Smithfield Foods, Inc., increased 6% to \$23,594,000, as compared to \$22,161,000 of royalties earned during the thirty-nine weeks ended December 26, 2021.

In the Branded Product Program, which features the sale of Nathan’s hot dogs to the foodservice industry, sales increased by approximately \$9,902,000 to \$61,862,000 during the fiscal 2023 period as compared to

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.

\$51,960,000 during the thirty-nine weeks ended December 26, 2021. The volume of hot dogs sold by the Company increased by approximately 14%. 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 increased by approximately \$1,907,000 to \$7,003,000 during the fiscal 2023 period as compared to \$5,096,000 for the thirty-nine weeks ended December 26, 2021. Our Branded Product Program customers, including 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 \$10,673,000 during the fiscal 2023 period compared to \$9,502,000 during the thirty-nine weeks ended December 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 \$3,268,000 during the fiscal 2023 period as compared to \$2,993,000 during the thirty-nine weeks ended December 26, 2021. Total royalties were \$2,785,000 during the fiscal 2023 period as compared to \$2,581,000 during the thirty-nine weeks ended December 26, 2021. Total franchise fee income was \$483,000 during the fiscal 2023 period as compared to \$412,000 during the thirty-nine weeks ended December 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 \$8,392,000 to \$49,302,000 as compared to \$40,910,000 for the thirty-nine weeks ended December 26, 2021.² Six new franchised outlets and two Branded Menu Program units opened during the fiscal 2023 period.

During the fiscal 2023 period, we recorded Advertising Fund revenue of \$1,504,000 and Advertising Fund expense of \$1,679,000.

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.

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 loss 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>Thirty-nine weeks ended</u>	
	<u>Dec. 25, 2022</u>	<u>Dec. 26, 2021</u>	<u>Dec. 25, 2022</u>	<u>Dec. 26, 2021</u>
Total revenues	\$ <u>26,154,000</u>	\$ <u>25,913,000</u>	\$ <u>103,371,000</u>	\$ <u>90,110,000</u>
Income from operations (a)	\$ <u>6,332,000</u>	\$ <u>5,613,000</u>	\$ <u>28,026,000</u>	\$ <u>23,754,000</u>
Net income	\$ <u>3,263,000</u>	\$ <u>2,130,000</u>	\$ <u>16,358,000</u>	\$ <u>11,438,000</u>
Income per share:				
Basic	\$ <u>0.80</u>	\$ <u>0.52</u>	\$ <u>4.00</u>	\$ <u>2.78</u>
Diluted	\$ <u>0.79</u>	\$ <u>0.52</u>	\$ <u>3.99</u>	\$ <u>2.78</u>
Weighted-average shares used in computing income per share:				
Basic	<u>4,080,000</u>	<u>4,115,000</u>	<u>4,092,000</u>	<u>4,115,000</u>
Diluted	<u>4,116,000</u>	<u>4,115,000</u>	<u>4,104,000</u>	<u>4,115,000</u>
<u>Select Segment Information</u>				
<u>Revenues</u>				
Branded product program	\$16,661,000	\$16,901,000	\$61,862,000	\$51,960,000
Product licensing	6,337,000	5,878,000	26,064,000	24,218,000
Restaurant operations	2,655,000	2,655,000	13,941,000	12,495,000
Corporate (b)	<u>501,000</u>	<u>479,000</u>	<u>1,504,000</u>	<u>1,437,000</u>
Total Revenues	<u>\$26,154,000</u>	<u>\$25,913,000</u>	<u>\$103,371,000</u>	<u>\$90,110,000</u>
<u>Income from operations (c)</u>				
Branded product program	\$ 2,451,000	\$ 1,681,000	\$ 7,003,000	\$ 5,096,000
Product licensing	6,292,000	5,832,000	25,928,000	24,081,000
Restaurant operations	(238,000)	(69,000)	1,879,000	623,000
Corporate (d)	<u>(2,173,000)</u>	<u>(1,831,000)</u>	<u>(6,784,000)</u>	<u>(6,046,000)</u>
Income from operations (c)	<u>\$ 6,332,000</u>	<u>\$ 5,613,000</u>	<u>\$28,026,000</u>	<u>\$23,754,000</u>

- (a) Excludes interest expense, interest income, and other income (expense), net.
- (b) Represents Advertising Fund revenue.
- (c) Excludes 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, 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. 25, 2022</u>	<u>Dec. 26, 2021</u>	<u>Dec. 25, 2022</u>	<u>Dec. 26, 2021</u>
	(unaudited)		(unaudited)	
EBITDA				
Net Income	\$ 3,263,000	\$ 2,130,000	\$ 16,358,000	\$ 11,438,000
Interest Expense	1,944,000	2,650,000	5,831,000	7,951,000
Provision for income taxes	1,223,000	860,000	6,093,000	4,477,000
Depreciation and amortization	<u>303,000</u>	<u>259,000</u>	<u>837,000</u>	<u>807,000</u>
EBITDA	<u>\$ 6,733,000</u>	<u>\$ 5,899,000</u>	<u>\$ 29,119,000</u>	<u>\$ 24,673,000</u>
<u>Adjusted EBITDA</u>				
EBITDA	\$ 6,733,000	\$ 5,899,000	\$ 29,119,000	\$ 24,673,000
Loss on disposal of property and equipment	101,000	-	87,000	-
Share-based compensation	<u>65,000</u>	<u>8,000</u>	<u>81,000</u>	<u>66,000</u>
Adjusted EBITDA	<u>\$ 6,899,000</u>	<u>\$ 5,907,000</u>	<u>\$ 29,287,000</u>	<u>\$ 24,739,000</u>

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

	<u>Dec 25, 2022</u>	<u>March 27, 2022</u>
	Unaudited	
Assets		
Current assets	\$ 69,941,000	\$ 65,400,000
Property and equipment, net of accumulated depreciation	3,513,000	3,785,000
Operating lease assets	6,604,000	7,416,000
Intangible assets and goodwill	1,008,000	1,138,000
Deferred income taxes	584,000	582,000
Other assets	<u>175,000</u>	<u>195,000</u>
Total assets	<u>\$ 81,825,000</u>	<u>\$ 78,516,000</u>
Liabilities and Stockholders' Deficit		
Current liabilities	\$ 11,528,000	\$ 16,412,000
Long-term debt, net of unamortized debt issuance costs	108,564,000	108,183,000
Long-term operating lease liabilities	5,583,000	6,487,000
Other liabilities	737,000	674,000
Deferred franchise fees	1,378,000	1,748,000
Stockholders' deficit	<u>(45,965,000)</u>	<u>(54,988,000)</u>
Total liabilities and stockholders' deficit	<u>\$ 81,825,000</u>	<u>\$ 78,516,000</u>