

To Our Shareholders

On February 4, 2022, we reported results for the third quarter of our fiscal year 2022 that ended December 26, 2021.

For the thirteen-week period ended December 26, 2021 (“third quarter fiscal 2022”):

- Revenues increased by 43.7% to \$25,913,000 as compared to \$18,030,000 during the thirteen weeks ended December 27, 2020;
- Income from operations was \$5,613,000 as compared to \$4,403,000 during the thirteen weeks ended December 27, 2020;
- Adjusted EBITDA¹, a non-GAAP financial measure, was \$5,907,000 as compared to \$4,818,000 for the thirteen weeks ended December 27, 2020;
- Income before provision for income taxes was \$2,990,000 as compared to \$1,851,000 during the thirteen weeks ended December 27, 2020;
- Net income was \$2,130,000 as compared to \$1,359,000 for the thirteen weeks ended December 27, 2020; and
- Earnings per diluted share was \$0.52 per share as compared to \$0.33 per share for the thirteen weeks ended December 27, 2020.

For the thirty-nine weeks ended December 26, 2021 (“fiscal 2022”):

- Revenues increased by 56.6% to \$90,110,000 as compared to \$57,555,000 during the thirty-nine weeks ended December 27, 2020;
- Income from operations was \$23,754,000 as compared to \$20,081,000 during the thirty-nine weeks ended December 27, 2020;
- Adjusted EBITDA¹, a non-GAAP financial measure, was \$24,739,000 as compared to \$21,408,000 for the thirty-nine weeks ended December 27, 2020;
- Income before provision for income taxes was \$15,915,000 as compared to \$12,470,000 for the thirty-nine weeks ended December 27, 2020;
- Net income was \$11,438,000 as compared to \$9,014,000 for the thirty-nine weeks ended December 27, 2020; and
- Earnings per diluted share was \$2.78 per share as compared to \$2.19 per share for the thirty-nine weeks ended December 27, 2020.

On January 26, 2022, the Company redeemed \$40,000,000 in aggregate principal amount of its outstanding \$150,000,000 6.625% Senior Secured Notes due 2025. As a result, the Company expects to reduce its future cash annual interest expense by \$2,650,000.

During the fiscal 2022 period, the Board of Directors declared three quarterly cash dividends of \$0.35 per share totaling \$4,320,000.

Effective February 4, 2022, the Board of Directors increased the quarterly cash dividend by 29% and declared a quarterly cash dividend of \$0.45 per share payable on March 4, 2022 to shareholders of record at the close of business on February 21, 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.

License royalties were \$24,218,000 during the thirty-nine weeks ended December 26, 2021, (“fiscal 2022 period”), as compared to \$24,689,000 during the thirty-nine weeks ended December 27, 2020. During the fiscal 2022 period, royalties earned under the retail agreement, including the foodservice program, from John Morrell & Co., decreased 3% to \$22,161,000, as compared to \$22,743,000 of royalties earned during the thirty-nine weeks ended December 27, 2020.

In the Branded Product Program, which features the sale of Nathan’s hot dogs to the foodservice industry, income from operations increased by approximately \$2,022,000 to \$5,096,000 during the fiscal 2022 period, as compared to \$3,074,000 for the thirty-nine weeks ended December 27, 2020. Sales were \$51,960,000 during the fiscal 2022 period, compared to sales of \$24,450,000 during the thirty-nine weeks ended December 27, 2020, while the volume of hot dogs sold by the Company increased 98%. Sales and income from operations for the Branded Product Program have increased as certain government mandated restrictions associated with the COVID-19 pandemic have eased with approved vaccines being more widely distributed and administered. Most of our Branded Product Program customers have reopened adhering to state and local guidelines, such as professional sports venues, amusement parks, shopping malls and movie theaters. Our average selling price, which is partially correlated to the beef markets, increased by approximately 7% compared to the prior year period.

Sales from Company-operated restaurants were \$9,502,000 during the fiscal 2022 period compared to \$6,247,000 during the thirty-nine weeks ended December 27, 2020. The increase was primarily due to an increase in our average check and an increase in customer traffic especially at our two Coney Island locations as a result of the easing of certain government mandated restrictions attributed to public health measures taken to reduce exposure to the COVID-19 virus.

Revenues from franchise operations were \$2,993,000 during the fiscal 2022 period, compared to \$1,087,000 during the thirty-nine weeks ended December 27, 2020. Total royalties were \$2,581,000 during the fiscal 2022 period as compared to \$880,000 during the thirty-nine weeks ended December 27, 2020. Total franchise fee income was \$412,000 during the fiscal 2022 period compared to \$207,000 during the thirty-nine weeks ended December 27, 2020. The increase in franchise royalties during the fiscal 2022 period was primarily due to an increase in franchise restaurant sales of \$25,544,000 to \$40,910,000 as compared to \$15,366,000 for the thirty-nine weeks ended December 27, 2020 as we continue to lap the significant impact of COVID-19.² Fifteen new franchised outlets, thirty-two new branded menu program outlets and 164 ghost kitchens opened during the fiscal 2022 period.

During the fiscal 2022 period, we recorded Advertising Fund revenue and expense in the amount of \$1,437,000 as compared to \$1,082,000 during the thirty-nine weeks ended December 27, 2020.

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) 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.

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

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 eighteen 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. 26, 2021</u> | <u>Dec. 27, 2020</u> | <u>Dec. 26, 2021</u> | <u>Dec. 27, 2020</u> |
| Total revenues | \$ <u>25,913,000</u> | \$ <u>18,030,000</u> | \$ <u>90,110,000</u> | \$ <u>57,555,000</u> |
| Income from operations (a) | \$ <u>5,613,000</u> | \$ <u>4,403,000</u> | \$ <u>23,754,000</u> | \$ <u>20,081,000</u> |
| Net income | \$ <u>2,130,000</u> | \$ <u>1,359,000</u> | \$ <u>11,438,000</u> | \$ <u>9,014,000</u> |
| Income per share: | | | | |
| Basic | \$ <u>0.52</u> | \$ <u>0.33</u> | \$ <u>2.78</u> | \$ <u>2.19</u> |
| Diluted | \$ <u>0.52</u> | \$ <u>0.33</u> | \$ <u>2.78</u> | \$ <u>2.19</u> |
| Weighted-average shares used in computing income per share: | | | | |
| Basic | <u>4,115,000</u> | <u>4,115,000</u> | <u>4,115,000</u> | <u>4,117,000</u> |
| Diluted | <u>4,115,000</u> | <u>4,115,000</u> | <u>4,115,000</u> | <u>4,117,000</u> |
| <u>Select Segment Information</u> | | | | |
| <u>Revenues</u> | | | | |
| Branded product program | \$16,901,000 | \$10,003,000 | \$51,960,000 | \$24,450,000 |
| Product licensing | 5,878,000 | 5,898,000 | 24,218,000 | 24,689,000 |
| Restaurant operations | 2,655,000 | 1,739,000 | 12,495,000 | 7,334,000 |
| Corporate (b) | <u>479,000</u> | <u>390,000</u> | <u>1,437,000</u> | <u>1,082,000</u> |
| Total Revenues | <u>\$25,913,000</u> | <u>\$18,030,000</u> | <u>\$90,110,000</u> | <u>\$57,555,000</u> |
| <u>Income from operations (c)</u> | | | | |
| Branded product program | \$ 1,681,000 | \$ 1,550,000 | \$ 5,096,000 | \$ 3,074,000 |
| Product licensing | 5,832,000 | 5,852,000 | 24,081,000 | 24,552,000 |
| Restaurant operations | (69,000) | (1,162,000) | 623,000 | (2,193,000) |
| Corporate (d) | <u>(1,831,000)</u> | <u>(1,837,000)</u> | <u>(6,046,000)</u> | <u>(5,352,000)</u> |
| Income from operations (c) | <u>\$ 5,613,000</u> | <u>\$ 4,403,000</u> | <u>\$23,754,000</u> | <u>\$20,081,000</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>Thirty-nine weeks ended</u> | |
|-------------------------------|-----------------------------|----------------------|--------------------------------|----------------------|
| | <u>Dec. 26, 2021</u> | <u>Dec. 27, 2020</u> | <u>Dec. 26, 2021</u> | <u>Dec. 27, 2020</u> |
| | (unaudited) | | (unaudited) | |
| EBITDA | | | | |
| Net Income | \$ 2,130,000 | \$ 1,359,000 | \$ 11,438,000 | \$ 9,014,000 |
| Interest Expense | 2,650,000 | 2,650,000 | 7,951,000 | 7,951,000 |
| Provision for income taxes | 860,000 | 492,000 | 4,477,000 | 3,456,000 |
| Depreciation and amortization | <u>259,000</u> | <u>288,000</u> | <u>807,000</u> | <u>900,000</u> |
| EBITDA | <u>\$ 5,899,000</u> | <u>\$ 4,789,000</u> | <u>\$ 24,673,000</u> | <u>\$ 21,321,000</u> |
| <u>Adjusted EBITDA</u> | | | | |
| EBITDA | \$ 5,899,000 | \$ 4,789,000 | \$ 24,673,000 | \$ 21,321,000 |
| Share-based compensation | <u>8,000</u> | <u>29,000</u> | <u>66,000</u> | <u>87,000</u> |
| Adjusted EBITDA | <u>\$ 5,907,000</u> | <u>\$ 4,818,000</u> | <u>\$ 24,739,000</u> | <u>\$ 21,408,000</u> |

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

| | <u>Dec 26, 2021</u> | <u>March 28, 2021</u> |
|---|-----------------------|-----------------------|
| | Unaudited | |
| Assets | | |
| Current assets | \$ 101,535,000 | \$ 94,665,000 |
| Property and equipment, net of accumulated depreciation | 3,833,000 | 4,090,000 |
| Operating lease assets | 7,573,000 | 8,337,000 |
| Intangible assets | 1,166,000 | 1,251,000 |
| Deferred income taxes | 148,000 | 138,000 |
| Other assets | <u>200,000</u> | <u>328,000</u> |
| Total assets | <u>\$114,455,000</u> | <u>\$ 108,809,000</u> |
| Liabilities and Stockholders' Deficit | | |
| Current liabilities | \$ 53,331,000 | \$ 14,593,000 |
| Long-term debt, net of unamortized debt issuance costs | 107,349,000 | 146,831,000 |
| Long-term operating lease liabilities | 6,680,000 | 7,553,000 |
| Other liabilities | 733,000 | 774,000 |
| Deferred franchise fees | 1,663,000 | 1,536,000 |
| Stockholders' deficit | <u>(55,301,000)</u> | <u>(62,478,000)</u> |
| Total liabilities and stockholders' deficit | <u>\$ 114,455,000</u> | <u>\$ 108,809,000</u> |