

To Our Shareholders

On November 5, 2021, we reported results for the second quarter of our 2022 fiscal year that ended September 26, 2021.

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

- Revenues were \$32,878,000, as compared to \$21,839,000 during the thirteen weeks ended September 27, 2020;
- Income from operations was \$7,439,000, as compared to \$7,584,000 during the thirteen weeks ended September 27, 2020;
- Adjusted EBITDA¹, a non-GAAP financial measure, was \$7,771,000 as compared to \$8,040,000 for the thirteen weeks ended September 27, 2020;
- Income before provision for income taxes was \$4,821,000, as compared to \$5,058,000 during the thirteen weeks ended September 27, 2020;
- Net income was \$3,545,000, as compared to \$3,655,000 for the thirteen weeks ended September 27, 2020; and
- Earnings per diluted share was \$0.86 per share, as compared to \$0.89 per share for the thirteen weeks ended September 27, 2020.

For the twenty-six weeks ended September 26, 2021 (“fiscal 2022”):

- Revenues were \$64,197,000, as compared to \$39,525,000 during the twenty-six weeks ended September 27, 2020;
- Income from operations was \$18,141,000, as compared to \$15,678,000 during the twenty-six weeks ended September 27, 2020;
- Adjusted EBITDA¹, a non-GAAP financial measure, was \$18,832,000 as compared to \$16,590,000 for the twenty-six weeks ended September 27, 2020;
- Income before provision for income taxes was \$12,925,000 as compared to \$10,619,000 for the twenty-six weeks ended September 27, 2020;
- Net income was \$9,308,000, as compared to \$7,655,000 for the twenty-six weeks ended September 27, 2020; and
- Earnings per diluted share was \$2.26 per share, as compared to \$1.86 per share for the twenty-six weeks ended September 27, 2020.

License royalties were \$18,340,000 during the twenty-six weeks ended September 26, 2021, (“fiscal 2022 period”), as compared to \$18,791,000 during the twenty-six weeks ended September 27, 2020. During the fiscal 2022 period, royalties earned under the retail agreement, including the foodservice program, from John Morrell & Co., decreased 3% to \$16,922,000, as compared to \$17,460,000 of royalties earned during the twenty-six weeks ended September 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 \$1,891,000 to \$3,415,000 during the fiscal 2022 period, as compared to \$1,524,000 for the twenty-six weeks ended September 27, 2020. Sales were \$35,059,000 during the fiscal 2022 period, compared to sales of \$14,447,000 during the twenty-six weeks ended September 27, 2020, while the volume of hot dogs sold by the Company increased 140%. Sales and income from operations for the Branded Product Program have increased as certain government mandated restrictions associated with the COVID-19 pandemic continued to ease with approved vaccines being more widely distributed and administered. As a result, most of our customers have reopened adhering to state and local guidelines, such as professional sports venues, amusement parks, shopping malls and movie theaters.

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.

Our average selling price, which is partially correlated to the beef markets, decreased by approximately 0.3% compared to the prior year period.

Sales from Company-operated restaurants were \$7,766,000 during the fiscal 2022 period compared to \$4,928,000 during the twenty-six weeks ended September 27, 2020. The increase was primarily due to 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 \$2,074,000 during the fiscal 2022 period, compared to \$667,000 during the twenty-six weeks ended September 27, 2020. Total royalties were \$1,837,000 during the fiscal 2022 period as compared to \$519,000 during the twenty-six weeks ended September 27, 2020. Total franchise fee income was \$237,000 during the fiscal 2022 period compared to \$148,000 during the twenty-six weeks ended September 27, 2020. The increase in franchise fees and royalties during the fiscal 2022 period was primarily due to an increase in franchise restaurant sales of \$19,441,000 to \$28,629,000 as compared to \$9,188,000 for the twenty-six weeks ended September 27, 2020 as we continue to lap the significant impact of COVID-19.² Three new franchised outlets and eighteen new branded menu program outlets opened during the fiscal 2022 period.

During the fiscal 2022 period, we recorded Advertising Fund revenue and expense in the amount of \$958,000 as compared to \$692,000 during the twenty-six weeks ended September 27, 2020.

During the fiscal 2022 period, the Board of Directors declared two quarterly cash dividends of \$0.35 per share totaling \$2,880,000.

Effective November 5, 2021, the Board of Directors declared its quarterly cash dividend of \$0.35 per share payable on December 3, 2021 to shareholders of record at the close of business on November 22, 2021.

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.

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 nineteen 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)

	Thirteen weeks ended		Twenty-six weeks ended	
	Sept. 26, 2021	Sept. 27, 2020	Sept. 26, 2021	Sept. 27, 2020
<u>Financial Highlights</u>				
Total revenues	\$ <u>32,878,000</u>	\$ <u>21,839,000</u>	\$ <u>64,197,000</u>	\$ <u>39,525,000</u>
Income from operations (a)	\$ <u>7,439,000</u>	\$ <u>7,584,000</u>	\$ <u>18,141,000</u>	\$ <u>15,678,000</u>
Net income	\$ <u>3,545,000</u>	\$ <u>3,655,000</u>	\$ <u>9,308,000</u>	\$ <u>7,655,000</u>
Income per share:				
Basic	\$ <u>0.86</u>	\$ <u>0.89</u>	\$ <u>2.26</u>	\$ <u>1.86</u>
Diluted	\$ <u>0.86</u>	\$ <u>0.89</u>	\$ <u>2.26</u>	\$ <u>1.86</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>4,118,000</u>
Diluted	<u>4,115,000</u>	<u>4,115,000</u>	<u>4,115,000</u>	<u>4,118,000</u>
<u>Select Segment Information</u>				
<u>Revenues</u>				
Branded product program	\$19,063,000	\$9,698,000	\$35,059,000	\$14,447,000
Product licensing	7,658,000	8,268,000	18,340,000	18,791,000
Restaurant operations	5,604,000	3,470,000	9,840,000	5,595,000
Corporate (b)	<u>553,000</u>	<u>403,000</u>	<u>958,000</u>	<u>692,000</u>
Total Revenues	<u>\$32,878,000</u>	<u>\$21,839,000</u>	<u>\$64,197,000</u>	<u>\$39,525,000</u>
<u>Income from operations (c)</u>				
Branded product program	\$ 1,161,000	\$ 1,252,000	\$ 3,415,000	\$ 1,524,000
Product licensing	7,612,000	8,223,000	18,249,000	18,700,000
Restaurant operations	694,000	(138,000)	692,000	(1,031,000)
Corporate (d)	<u>(2,028,000)</u>	<u>(1,753,000)</u>	<u>(4,215,000)</u>	<u>(3,515,000)</u>
Income from operations (c)	<u>\$ 7,439,000</u>	<u>\$ 7,584,000</u>	<u>\$18,141,000</u>	<u>\$15,678,000</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. 26, 2021</u>	<u>Sept. 27, 2020</u>	<u>Sept. 26, 2021</u>	<u>Sept. 27, 2020</u>
	(unaudited)		(unaudited)	
EBITDA				
Net Income	\$ 3,545,000	\$ 3,655,000	\$ 9,308,000	\$ 7,655,000
Interest Expense	2,651,000	2,651,000	5,301,000	5,301,000
Provision for income taxes	1,276,000	1,403,000	3,617,000	2,964,000
Depreciation and amortization	<u>270,000</u>	<u>302,000</u>	<u>548,000</u>	<u>612,000</u>
EBITDA	<u>\$ 7,742,000</u>	<u>\$ 8,011,000</u>	<u>\$ 18,774,000</u>	<u>\$ 16,532,000</u>
<u>Adjusted EBITDA</u>				
EBITDA	\$ 7,742,000	\$ 8,011,000	\$ 18,774,000	\$ 16,532,000
Share-based compensation	<u>29,000</u>	<u>29,000</u>	<u>58,000</u>	<u>58,000</u>
Adjusted EBITDA	<u>\$ 7,771,000</u>	<u>\$ 8,040,000</u>	<u>\$ 18,832,000</u>	<u>\$ 16,590,000</u>

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

	<u>Sept 26, 2021</u>	<u>March 28, 2021</u>
	<u>Unaudited</u>	
Assets		
Current assets	\$ 103,133,000	\$ 94,665,000
Property and equipment, net of accumulated depreciation	3,942,000	4,090,000
Operating lease assets	7,772,000	8,337,000
Intangible assets	1,194,000	1,251,000
Deferred income taxes	154,000	138,000
Other assets	<u>318,000</u>	<u>328,000</u>
Total assets	<u>\$116,513,000</u>	<u>\$ 108,809,000</u>
Liabilities and Stockholders' Deficit		
Current liabilities	\$ 15,866,000	\$ 14,593,000
Long-term debt, net of unamortized debt issuance costs	147,177,000	146,831,000
Long-term operating lease liabilities	6,867,000	7,553,000
Other liabilities	834,000	774,000
Deferred franchise fees	1,768,000	1,536,000
Stockholders' deficit	<u>(55,999,000)</u>	<u>(62,478,000)</u>
Total liabilities and stockholders' deficit	<u>\$ 116,513,000</u>	<u>\$ 108,809,000</u>