

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

- Quarterly report pursuant Section to 13 or 15(d) of the Securities Act of 1934 for the quarterly period ended JUNE 30, 1996.
- Transition report pursuant to Section 13 or 15(d) of the Securities Act of 1934 for the transition period from _____ to _____.

Commission File Number 1-3189

NATHAN'S FAMOUS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

11-3166443

(IRS employer
identification number)

1400 OLD COUNTRY ROAD, WESTBURY, NEW YORK 11590

(Address of principal executive offices including zip code)

(516) 338-8500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /x/ No / /

At June 30, 1996, an aggregate of 4,722,216 shares of the registrant's common stock, par value of \$.01, were outstanding.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	June 30, 1996 ----- (Unaudited)	March 31, 1996 -----
Current assets:		
Cash and cash equivalents including restricted cash of \$280 and \$280, respectively	\$ 682	\$ 801
Marketable investment securities	6,040	6,128
Franchise and other receivables, net	1,166	1,108
Inventory	228	226
Prepaid income taxes	834	746
Prepaid expenses and other current assets	47	331
Deferred income taxes	571	571
	-----	-----
Total current assets	9,568	9,911
Property and equipment, net	5,782	5,615
Intangible assets, net	11,929	12,025
Other assets, net	234	214
	-----	-----
	\$ 27,513	\$ 27,765
	=====	=====
Current liabilities:		
Current installments of obligations under capital leases	\$ 21	\$ 23
Accounts payable	366	1,003
Accrued expenses and other current liabilities	4,707	4,671
Deferred franchise fees	314	277
	-----	-----
Total current liabilities	5,408	5,974
Obligations under capital leases, net of current installments	29	35
Deferred area development fees	131	200
Other liabilities	397	414
	-----	-----
Total liabilities	5,965	6,623
	-----	-----
Stockholders' equity:		
Common stock, \$.01 par value - 20,000,000 shares authorized, 4,722,216 issued and outstanding	47	47
Additional paid-in-capital	32,272	32,261
Accumulated deficit	(10,771)	(11,166)
	-----	-----
Total stockholders' equity	21,548	21,142
	-----	-----
	\$ 27,513	\$ 27,765
	=====	=====

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF EARNINGS
 THIRTEEN WEEKS ENDED JUNE 30, 1996 AND JUNE 25, 1995
 (In thousands, except per share amounts)
 (Unaudited)

	1996	1995
	-----	-----
Sales	\$5,773	\$5,375
Franchise fees and royalties	813	805
License royalties	254	358
Investment and other income	132	285
	-----	-----
Total revenues	6,972	6,823
	-----	-----
Costs and expenses:		
Cost of restaurant sales	3,313	3,066
Restaurant operating expenses	1,665	1,544
Depreciation and amortization	261	421
Amortization of intangible assets	96	141
General and administrative	976	1,206
Interest expense	2	5
	-----	-----
Total costs and expenses	6,313	6,383
	-----	-----
Earnings before income taxes	659	440
Provision for income taxes	264	207
	-----	-----
Net earnings	\$ 395	\$ 233
	=====	=====
Net earnings per common share	\$ 0.08	\$ 0.05
	=====	=====
Weighted average number of common and common equivalent shares outstanding	4,722	4,722
	=====	=====

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 THIRTEEN WEEKS ENDED JUNE 30, 1996
 (In thousands, except share amounts)
 (Unaudited)

	Common Shares -----	Common Stock -----	Additional Paid in- Capital -----	Deferred Compen- sation -----	Accum- ulated Deficit -----	Total Stock- holders' Equity -----
Balance, March 31, 1996	4,722,216	\$ 47	\$ 32,388	\$ (127)	\$ (11,166)	\$ 21,142
Amortization of deferred compensation relating to restricted stock				11		11
Net earnings					395	395
Balance, June 30, 1996	4,722,216 =====	\$ 47 =====	\$ 32,388 =====	\$ (116) =====	\$ (10,771) =====	\$ 21,548 =====

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 THIRTEEN WEEKS ENDED JUNE 30, 1996 AND JUNE 25, 1995
 (In thousands)
 (Unaudited)

	1996	1995
Cash flows from operating activities:		
Net earnings	\$ 395	\$ 233
Adjustments to reconcile net earnings to net cash provided by / (used in) operating activities:		
Depreciation	261	410
Amortization of intangible assets	96	152
Provision for doubtful accounts	15	38
Other	11	12
Changes in assets and liabilities:		
Marketable investment securities	88	(2,459)
Franchise and other receivables	(73)	(586)
Inventory	(2)	(95)
Prepaid income taxes	(88)	385
Prepaid and other current assets	284	165
Deferred income taxes	—	51
Accounts payable and accrued expenses	(601)	(274)
Deferred franchise fees	37	85
Other assets	(20)	36
Deferred area development fees	(69)	(52)
Other non current liabilities	(16)	(21)
Net cash provided by / (used in) operating activities	318	(1,920)
Cash flows from investing activities:		
Purchase of property and equipment	(429)	(715)
Purchase of franchise restaurant	—	(150)
Net cash used in investing activities	(429)	(865)
Cash flows from financing activities:		
Principal repayment of obligations under capital leases	(8)	(5)
Net cash used in financing activities	(8)	(5)
Net decrease in cash and cash equivalents	(119)	(2,790)
Cash and cash equivalents, beginning of period	801	4,086
Cash and cash equivalents, end of period	\$ 682	\$ 1,296
Cash paid during the period for:		
Interest	\$ 2	\$ 6
Income taxes	31	31

See accompanying notes to consolidated financial statements.

NATHAN'S FAMOUS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE A - BASIS OF PRESENTATION

The accompanying consolidated financial statements of Nathan's Famous, Inc. and subsidiaries (the "Company") for the thirteen week periods ended June 30, 1996 and June 25, 1995 have been prepared in accordance with generally accepted accounting principles. The unaudited financial statements include all adjustments (consisting of normal recurring adjustments) which, in the opinion of management, were necessary for a fair presentation of financial condition, results of operations and cash flows for such periods presented. However, these results are not necessarily indicative of results for any other interim period or the full year.

Certain information and footnote disclosures normally included in financial statements in accordance with generally accepted accounting principles have been omitted pursuant to the requirements of the Securities and Exchange Commission. Management believes that the disclosures included in the accompanying interim financial statements and footnotes are adequate to make the information not misleading, but should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1996.

NOTE B - RECLASSIFICATIONS

Certain reclassifications of prior period balances have been made to conform to the June 30, 1996 presentation.

NOTE C - EARNINGS PER SHARE

Weighted average common shares outstanding for the thirteen weeks ended June 30, 1996 and June 25, 1995 were 4,722,216. There were no common stock equivalents for the thirteen weeks ended June 30, 1996 and June 25, 1995.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

Thirteen weeks ended June 30, 1996 compared to June 25, 1995

Revenues

Company-owned restaurant sales increased 7.4% or \$398,000 to \$5,773,000 for the thirteen weeks ended June 30, 1996 ("first quarter fiscal 1997") from \$5,375,000 for the thirteen weeks ended June 25, 1995 ("first quarter fiscal 1996"). Sales from non comparable units were \$444,000 higher during the first quarter fiscal 1997 than the first quarter fiscal 1996 due primarily to the units opened subsequent to the first quarter fiscal 1996. Comparable unit sales (units operating for 18 months or longer as of the beginning of the fiscal year), declined by \$46,000 or 1.0% in the first quarter fiscal 1997 versus the first quarter fiscal 1996. The Company has recently renovated two of its larger restaurants and has experienced satisfactory sales increases thus far. Plans are currently being developed to renovate and modernize the appearance and design of certain other units. The Company has also implemented a more aggressive local store marketing campaign and value pricing strategy in order to address the sales softness. At June 30, 1996 and June 25, 1995, there were 25 and 27 Company-owned units, respectively.

Franchise fees and royalties increased by \$8,000 or 1.0% to \$813,000 in the first quarter fiscal 1997 compared to \$805,000 in the first quarter fiscal 1996. Franchise royalties decreased by \$39,000 or 5.8% to \$623,000 in the first quarter fiscal 1997 as compared to \$662,000 in the first quarter fiscal 1996. Franchise restaurant sales, upon which royalties are based, decreased to \$15,853,000 in the first quarter fiscal 1997 as compared to \$16,937,000 in the first quarter fiscal 1996 due primarily to lower comparable store sales. At June 30, 1996 there were 175 franchise restaurants as compared to 163 at June 25, 1995. Franchise fee income increased to \$190,000 in the first quarter fiscal 1997 as compared to \$143,000 in the first quarter fiscal 1996. During the first quarter fiscal 1997, franchisees opened 7 new units versus the first quarter fiscal 1996 in which 9 new units were opened. Higher franchise fees were earned during the first quarter fiscal 1997 than during the first quarter fiscal 1996 due primarily to the higher recognition of fees associated with expired development agreements.

License royalties decreased by \$104,000 or 29.1% to \$254,000 in the first quarter fiscal 1997 as compared to \$358,000 in the first quarter fiscal 1996. The majority of this decrease results from the Company no longer amortizing the deferred fee received from SMG, Inc., in connection with their license agreement for the sale of Nathan's frankfurters in supermarkets. The amortization period concluded in February 1996.

Investment and other income decreased to \$132,000 in the first quarter fiscal 1997 from \$285,000 in the first quarter fiscal 1996 due primarily to decreased earnings on the Company's marketable investment securities as a result of the change in performance of the financial markets.

Costs and Expenses

Cost of restaurant sales increased by \$247,000 from \$3,066,000 in the first quarter fiscal 1996 to \$3,313,000 in the first quarter fiscal 1997. As a percentage of restaurant sales, cost of restaurant sales increased to 57.4% in the first quarter fiscal 1997 as compared to 57.0% in the first quarter fiscal 1996. This increase is due primarily to the impact on food costs as a result of the expanded value pricing strategies employed during the first quarter fiscal 1997. The Company continues to take steps to offset this margin erosion which has become necessary to remain competitive in the current marketplace.

Restaurant operating expenses increased by \$121,000 from \$1,544,000 in the first quarter fiscal 1996 to \$1,665,000 in the first quarter fiscal 1997. This increase can be attributable to the number of operating weeks and type of Company-owned units operating during the first quarter fiscal 1997 as compared to the first quarter fiscal 1996. As a percentage of restaurant sales, restaurant operating expenses were 28.7% in the first quarter fiscal 1996 as compared to 28.8% in the first quarter fiscal 1997. In June 1996, the Company closed two unprofitable restaurants.

Depreciation and amortization decreased by \$160,000 or 38.0% from \$421,000 in the first quarter fiscal 1996 to \$261,000 in the first quarter fiscal 1997. Amortization of intangibles, debt issuance and pre-opening costs decreased by \$45,000 or 31.9% from \$141,000 in the first quarter fiscal 1996 to \$96,000 in the first quarter fiscal 1997. These decreases are primarily attributable to the reduced depreciation and amortization expense resulting from the implementation of Financial Accounting Standards Board Statement No. 121 during the fourth quarter of fiscal 1996.

General and administrative expenses decreased by \$230,000 or 19.1% to \$976,000 in the first quarter fiscal 1997 as compared to \$1,206,000 in the first quarter fiscal 1996. This decrease partially results from corporate staff reductions made during fiscal 1996 and the first quarter fiscal 1997. Additionally, certain one-time benefits and timing differences further lowered general and administrative expenses for the first quarter fiscal 1997. As a percentage of total revenues, general & administrative costs for the first quarter fiscal 1997 was 14.0% as compared to 17.7% in the first quarter fiscal 1996.

Income Tax Provision

In the first quarter fiscal 1997, the income tax provision was \$264,000 or 40.1% of income before income taxes. In the first quarter fiscal 1996, the income tax provision was \$207,000 or 47.0% of income before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at June 30, 1996 aggregated \$682,000, decreasing by \$119,000 during the fiscal 1997 period. At June 30, 1996, marketable investment securities totalled \$6,040,000 and net working capital increased slightly to \$4,160,000 from March 31, 1996.

Cash provided by operations of \$318,000 in the fiscal 1997 period is primarily attributable to net income of \$395,000, non-cash charges of \$383,000, including depreciation and amortization of \$357,000, decrease in prepaid and other current assets of \$284,000, decrease in accounts payable and accrued expenses of \$601,000, increase in franchise and other receivables of \$73,000 and decrease in deferred area development fees of \$69,000.

Cash used in investing activities of \$429,000 represents property and equipment purchases relating to the construction of a new Company-owned unit which opened in July 1996, and other fixed asset additions.

Management believes that available cash, marketable investment securities, and internally generated funds should provide sufficient capital for its planned operations and expansion program through fiscal 1997. The Company also maintains a \$5,000,000 uncommitted bank line of credit. The Company has not borrowed any funds to date under this line of credit.

PART II. OTHER INFORMATION

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None.

(b) No reports on Form 8-K were filed during the quarter ended June 30, 1996.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NATHAN'S FAMOUS, INC.

Date: August 12, 1996

By: /s/ Wayne Norbitz

Wayne Norbitz
President and Chief Operating Officer
(Principal Executive Officer)

Date: August 12, 1996

By: /s/ Ronald G. DeVos

Ronald G. DeVos
Vice President - Finance
and Chief Financial Officer
(Principal Financial and Accounting Officer)

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3-MOS

MAR-30-1997

APR-01-1996

JUN-30-1996

682

6,040

1,746

580

228

9,568

11,591

5,809

27,513

5,408

0

0

0

47

21,501

27,513

5,773

6,972

3,313

2,022

961

15

2

659

264

395

0

0

0

395

.08

0