

To Our Shareholders

On August 5, 2016, today reported results for the first quarter of its 2017 fiscal year that ended June 26, 2016.

For the fiscal quarter ended June 26, 2016:

- Income from operations increased by 15.9% to \$8,824,000, as compared to \$7,616,000 during the thirteen weeks ended June 28, 2015;
- Adjusted EBITDA, as subsequently defined, increased by 13.4% to \$9,366,000 as compared to \$8,257,000 for the thirteen weeks ended June 28, 2015;
- Net income increased by 53.7% to \$3,550,000, as compared to \$2,310,000 for the thirteen weeks ended June 28, 2015;
- Earnings per diluted share increased by 70.0% to \$0.85 per share, as compared to \$0.50 per share for the thirteen weeks ended June 28, 2015; and
- Revenues were \$29,416,000, as compared to \$30,654,000 during the thirteen weeks ended June 28, 2015.

License royalties increased by 4.4% to \$6,824,000 during the thirteen weeks ended June 26, 2016, as compared to \$6,536,000 during the thirteen weeks ended June 28, 2015. During the thirteen weeks ended June 26, 2016, royalties earned under the John Morrell & Co., agreement increased by 4.4% to \$6,362,000 as compared to \$6,095,000 of royalties earned during the thirteen weeks ended June 28, 2015. The increase is substantially attributable to significant volume growth in our consumer packaged hot dog business compared to the thirteen weeks ended June 28, 2015, as a result of the ongoing sales, marketing and promotional strategies tied to lower beef costs.

Sales from the Branded Product Program, featuring the sale of Nathan's hot dogs to the foodservice industry, were \$16,254,000 during the thirteen weeks ended June 26, 2016, as compared to sales of \$17,415,000 during the thirteen weeks ended June 28, 2015. This change was attributable to a 2.7% increase in the volume of products sold, which was more than offset by lower average selling prices of 9.6% due to the impact of lower beef prices on that portion of our business that is priced using formulas tied to the cost of beef.

Sales from the Company-operated restaurants were \$4,843,000 during the thirteen weeks ended June 26, 2016 as compared to \$5,299,000 during the thirteen weeks ended June 28, 2015. Sales at our Company-owned restaurants were unfavorably affected during the quarter due primarily to the amount of rain and unseasonably cool weather during April and May 2016 that hurt our Coney Island locations.

Revenues from franchise operations increased to \$1,330,000 during the thirteen weeks ended June 26, 2016, as compared to \$1,227,000 during the thirteen weeks ended June 28, 2015. Total franchise fee income was \$178,000 during the thirteen weeks ended June 26, 2016 as compared to \$41,000 during the thirteen weeks ended June 28, 2015, primarily due to the difference in fees earned from our international franchising program. Eight new franchised units were opened during the thirteen weeks ended June 26, 2016, including four Branded Menu Program outlets. Fifteen new franchised units were opened during the thirteen weeks ended June 28, 2015, including ten Branded Menu Program outlets.

Nathan's tax rate was reduced by 12.0 percentage points as a result of early adopting the provisions of Financial Accounting Standards Board ASU 2016-09, "Stock Compensation", which now reduces the Company's tax provision for the excess tax benefits associated with stock compensation instead of increasing Additional paid-in-capital, as was past practice.

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 has provided EBITDA excluding (i) interest expense; (ii) provision for income taxes and (iii) depreciation and amortization expense. The Company has also provided Adjusted EBITDA excluding (i) stock-based compensation and (ii) amortization of bond premium on the Company's available-for sale investments 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 (loss) 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.

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 eleven foreign countries through its restaurant system, foodservice sales programs and product licensing activities. Last year, over 550 million Nathan's Famous hot dogs were sold. Nathan's was ranked #22 on the Forbes 2014 list of the Best Small Companies in America and was listed as the Best Small Company in New York State in October 2013. For additional information about Nathan's please visit our website at www.nathansfamous.com.

Sincerely,

Eric Gatoff
Chief Executive Officer

Nathan's Famous, Inc. and Subsidiaries
Financial Highlights

	<u>Thirteen weeks ended</u>	
	<u>June 26, 2016</u>	<u>June 28, 2015</u>
	(unaudited)	
Total revenues	<u>\$ 29,416,000</u>	<u>\$ 30,654,000</u>
Income from operations (a)	<u>\$ 8,824,000</u>	<u>\$ 7,616,000</u>
Net income	<u>\$ 3,550,000</u>	<u>\$ 2,310,000</u>
PER SHARE INFORMATION		
Income per share:		
Basic	<u>\$ 0.85</u>	<u>\$ 0.50</u>
Diluted	<u>\$ 0.85</u>	<u>\$ 0.50</u>
Weighted-average shares used in computing income per share:		
Basic	<u>4,166,000</u>	<u>4,584,000</u>
Diluted	<u>4,191,000</u>	<u>4,621,000</u>

(a) Excludes interest expense, interest income and other income, net.

Nathan's Famous, Inc. and Subsidiaries
Reconciliation of Net Income to EBITDA and Adjusted EBITDA

	<u>Thirteen weeks ended</u>	
	<u>June 26, 2016</u>	<u>June 28, 2015</u>
	(unaudited)	
<u>EBITDA</u>	\$ 3,550,000	\$ 2,310,000
Net Income	3,676,000	3,709,000
Interest expense	1,620,000	1,628,000
Depreciation and amortization	<u>347,000</u>	<u>339,000</u>
EBITDA	<u>\$ 9,193,000</u>	<u>\$ 7,986,000</u>
 <u>Adjusted EBITDA</u>		
EBITDA	\$ 9,193,000	\$ 7,986,000
Stock-based compensation	173,000	203,000
Amortization of bond premium (b)	<u>-0-</u>	<u>68,000</u>
Adjusted EBITDA	<u>\$ 9,366,000</u>	<u>\$ 8,257,000</u>

(b) Represents the premiums paid on our purchase of available-for-sale securities.

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

	<u>June. 26, 2016</u> (Unaudited)	<u>March 27, 2017</u>
Assets		
Current assets	\$ 67,176,000	\$ 60,979,000
Property and equipment, net of accumulated depreciation	8,943,000	9,013,000
Intangible assets	1,448,000	1,448,000
Other assets	<u>94,000</u>	<u>109,000</u>
Total assets	<u>\$ 77,661,000</u>	<u>\$ 71,549,000</u>
Liabilities and Stockholders' (Deficit)		
Current liabilities	\$ 15,260,000	\$ 11,200,000
Long-term debt, net of unamortized debt discounts and issuance costs	130,577,000	130,266,000
Other long-term obligations	1,486,000	1,706,000
Deferred income taxes	884,000	713,000
Stockholders' (deficit)	<u>(70,546,000)</u>	<u>(72,336,000)</u>
Total liabilities and stockholders' (deficit)	<u>\$ 77,661,000</u>	<u>\$ 71,549,000</u>