

# NEWS BULLETIN

RE: NOBLE ROMAN'S, INC.

1 Virginia Avenue, Suite 300  
Indianapolis, IN 46204

## FOR ADDITIONAL INFORMATION, CONTACT:

For Media Information: Scott Mobley, President & CEO 317/634-3377

For Investor Relations: Paul Mobley, Executive Chairman 317/634-3377

## **Noble Roman's Provides Strategic Review; Announces 2017 Annual Financial Summary**

(Indianapolis, Indiana) – March 29, 2018. Along with the announcement of its 2017 annual results, Noble Roman's, Inc. (OTCQB: NROM), the Indianapolis based franchisor of Noble Roman's Pizza, reviewed the strategic developments over the last year targeted at increasing the company's future revenues. Chief among the efforts cited was the continued development of company operated Craft Pizza & Pub locations and the favorable establishment of a senior credit facility with First Financial Bank.

Designed as a vehicle for accelerated revenue growth, Noble Roman's Craft Pizza & Pub is the company's new-generation, stand-alone pizzeria concept developed using the company's extensive experience with full-service pizzeria operations. The first Craft Pizza & Pub location opened in Westfield, Indiana as a company operated restaurant on January 31, 2017. A second location opened in November of 2017 in Whitestown, Indiana, and a third opened in Fishers, Indiana in January of 2018. A fourth company operated Craft Pizza & Pub restaurant was just announced for Carmel, Indiana, and is slated to open approximately late May of 2018.

The three locations that have opened so far all continue to exceed management's pre-opening sales expectations. The first location to open, which is currently the only one with a one-year operating history, had gross sales for the first twelve months of approximately \$1.8 million and an operating margin of 24.1%. Current trends are favorable for similarly strong performance from the other units as well. Noble Roman's also intends to add franchised Craft Pizza & Pub locations. General franchising is planned for Indiana and surrounding areas, plus a focus on multi-unit operators and development territories for other markets deemed suitable for the concept. As previously announced, the company is now in the beginning stages of this franchising effort.

To help position itself for this increased revenue growth, the company entered into a loan agreement in September, 2017 with First Financial Bank for a senior credit facility consisting of (i) a term loan in the amount of \$4.5 million, and (ii) a development line of credit of up to \$1.6 million. Borrowings under the credit facility bear interest at a variable annual rate equal to LIBOR plus 4.25%. All outstanding amounts owed under the agreement are to be repaid monthly on a seven-year amortization schedule with the balance due on September 13, 2022. Proceeds of the term loan were used to repay all existing indebtedness of the company, except for its subordinated convertibles notes, to pay certain expenses related to the credit facility and with the remainder used for general corporate purposes. The company has drawn \$1.1 million of the development line of credit to build out and equip the second and third Craft Pizza & Pub locations and plans to use the additional \$500,000 of the development line to open the fourth location now under development.

## **Financial Results for the Year Ended December 31, 2017 Compared to Year Ended December 31, 2016**

- Total revenue was \$9.8 million compared to \$7.8 million, an increase of 26%.
- Operating income from continuing operations was \$2.9 million compared to \$3.1 million. EBITDA was \$3.2 million for both years.
- Net income from continuing operations before taxes was \$855,000, or \$0.04 per basic share, compared to \$1.3 million, or \$0.06 per basic share for 2016. However, interest expense was \$1.5 million in 2017 compared to \$616,000 in 2016. The company had some very high interest debt prior to the refinancing in September 2017 and, in addition, the refinancing required the company to record additional interest expense as a result of early payment.

- Loss on discontinued operations in 2017 was \$93,000 compared to \$1.7 million in 2016. The company believes losses on discontinued operations have mostly been recorded and further expenses related to discontinued operations are not anticipated to be material.
- Non-cash income tax expense was \$4.1 million in 2017 compared to \$488,000 in 2016. The primary reason for the large increase in non-cash income tax expense was the result of the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act") which lowered the highest corporate tax rate from 34% to 21% which reduced the carrying value of the tax deferred asset, due to operating loss carry-forward, to \$5.7 million at December 31, 2017 compared to \$9.6 million at December 31, 2016.
- Net loss was \$3.4 million, or \$0.16 per basic share, compared to a net loss of \$871,000, or \$0.04 per basic share. The net loss in 2017 was the result of the significant increase in interest cost from the early payment of the Super G loan from the company's refinancing, which was undertaken to properly capitalize the company for future growth and to reduce the interest cost significantly in the future. Primarily, the net loss was a result of the \$4.1 million non-cash interest expense to lower the carrying value of its deferred tax asset from operating loss carry-forwards as a result of the highest corporate tax rate being lowered to 21% from 34%. Additionally, the net loss was a result of non-cash expenses of change in fair value of derivatives of \$175,000.
- Operating margin was 30.0% of revenue compared to 39.3%. The decrease in percentage operating margin is the result of adding company-owned restaurants which increased revenue and contributed \$431,000 to actual margin. However, this was on a smaller percentage basis of total revenue versus a primarily fee-based structure in the past.
- Upfront franchisee fees and commissions ("Upfront Fees") were \$286,000 compared to \$299,000.
- Royalties and fees less Upfront Fees were \$6.5 million compared to \$7.0 million. The decrease was a result of the decrease in stand-alone take-n-bake revenue and fees from grocery store take-n-bake partially offset by an increase in royalties and fees from non-traditional locations.
- Royalties and fees from non-traditional franchises other than grocery stores were \$4.5 million compared to \$4.4 million.
- Royalties and fees from grocery store take-n-bake locations were \$1.8 million compared to \$2.1 million.
- Royalties and fees from stand-alone take-n-bake locations were none compared to \$318,000. The company made the decision to discontinue the stand-alone take-n-bake venue.
- Royalties and fees from traditional locations were \$231,000 compared to \$238,000. The reason for the slight decrease was a result of a fire in the highest volume franchise location, which required it to be closed for approximately 60 days. The store was repaired and reopened during the third quarter 2017.

#### **Financial Results for Fourth Quarter 2017 Compared to Fourth Quarter 2016**

- Total revenue was \$2.6 million compared to \$2.1 million, an increase of 24%.
- Operating income was \$794,000 compared to \$679,000.
- Net income before taxes from continuing operations was \$909,000 compared to net loss of \$42,000. In the fourth quarter 2017 the company recorded income from change in fair value of derivatives of \$459,000 compared to an expense of \$44,000 from change in fair value of derivatives in 2016.
- Net loss was \$3.0 million compared to net loss of \$26,000. The reason for the net loss in the quarter ended December 31, 2017 was the recording of income tax expense of \$4.0 million as a result of the 2017 Tax Act. The carrying value of the tax deferred asset reflects the tax value of its net operating loss carry-forwards. The 2017 Tax Act lowered the highest corporate tax rates from 34% to 21% and the recording of the income tax expense was a result of reducing the tax deferred asset.
- Upfront Fees were \$88,000 compared to \$78,000.
- Royalties and fees less Upfront Fees were \$1.7 million in both periods. The increase in fees and royalties for the non-traditional franchises offset the decline in fees and royalties from the stand-alone take-n-bake and grocery store take-n-bake.
- Royalties and fees from non-traditional franchises other than grocery stores were \$1.14 million compared to \$1.08 million.
- Royalties and fees from grocery store take-n-bake locations were \$450,000 compared to \$551,000.

- Royalties and fees from stand-alone take-n-bake locations were none compared to \$42,000. The company made the decision to discontinue the stand-alone take-n-bake venue.
- Royalties and fees from traditional locations were \$61,000 compared to \$58,000. The increase was the result of same store sales increases.
- Operating margin was 30.0% compared to 32.4%. The decrease in operating margin is the result of adding company-owned restaurants which increased revenue, but the margin was a smaller percentage of total revenue than a primarily fee-based structure in the past.

### **Craft Pizza & Pub**

Noble Roman's Craft Pizza & Pub is intended to provide a fun, pleasant atmosphere serving pizza and other related menu items, all made fresh in customer view. In January, 2017, Noble Roman's opened its first company-owned Craft Pizza & Pub restaurant in Westfield, Indiana, a prosperous and growing community on the northwest side of Indianapolis. Since that time, two additional Craft Pizza & Pubs have been opened as company-owned restaurants with a fourth location now under development and expected to open approximately late May, 2018. Noble Roman's Craft Pizza & Pub is designed to harken back to the company's early history when it was known simply as "Pizza Pub." Like then, and like the new full-service pizza concepts today, ordering takes place at the counter and food runners deliver orders to the dining room for dine-in guests. The company believes that Noble Roman's Craft Pizza & Pub features many enhancements over the current competitive landscape. The restaurant features two styles of hand-crafted, made-from-scratch pizzas with a selection of 40 different toppings, cheeses and sauces from which to choose. Beer and wine also are featured, with 16 different beers on tap including both national and local craft selections. Wines include 16 high quality, affordably priced options by the bottle or glass in a range of varietals. Beer and wine service is provided at the bar and throughout the dining room.

The pizza offerings feature Noble Roman's traditional hand-crafted thinner crust as well as its signature deep-dish Sicilian crust. After extensive research and development, the system has been designed to enable fast cook times, with oven speeds running approximately 2.5 minutes for traditional pies and 5.75 minutes for Sicilian pies. Traditional pizza favorites such as pepperoni are options on the menu, but also offered is a selection of Craft Pizza & Pub original pizza creations like "Swims with the Fishes" and "Pizza Margherita". The menu also features a selection of contemporary and fresh, made-to-order salads and fresh-cooked pasta. The menu also includes baked subs, hand-sauced wings and a selection of desserts, as well as Noble Roman's famous Breadsticks with Spicy Cheese Sauce.

Additional enhancements include a glass enclosed "Dough Room" where Noble Roman's Dough Masters hand make all pizza and breadstick dough from scratch in customer view. Also in the dining room is a "Dusting & Drizzle Station" where guests can customize their pizzas after they are baked with a variety of toppings and drizzles, such as rosemary-infused olive oil, honey and Italian spices. Kids and adults enjoy Noble Roman's self-serve root beer tap, which is also part of a special menu for customers 12 and younger. Throughout the dining room and the bar area there are many giant screen television monitors for sports and the nostalgic black and white shorts featured in Noble Roman's earlier days.

As Scott Mobley, president and CEO, previously stated, "Noble Roman's Craft Pizza & Pub is the most exciting development for the company since it pioneered the non-traditional pizza venue. This stand-alone pizzeria concept is the culmination of some of the best of our history combined with all-new, leading edge technology and recipes to produce what we think will be a terrific growth vehicle for the future."

### **Balance Sheet Summary**

Current assets totaled \$3.7 million and current liabilities totaled \$1.4 million as of December 31, 2017 compared to total current assets of \$4.6 million and current liabilities of \$2.1 million as of December 31, 2016. Total debt was \$7.4 million as of December 31, 2017 compared to \$5.7 million as of December 31, 2016. Total stockholders' equity as of December 31, 2017 was \$10.6 million compared to \$14.0 million as of December 31, 2016.

*The statements contained in this press release concerning the company's future revenues, profitability, financial resources, market demand and product development are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) relating to the company that are based on the beliefs of the management of the company, as well as assumptions and estimates made by and information currently available to the company's management. The company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the company's operations and business environment, including, but not limited to, competitive factors and pricing pressures, non-renewal of franchise agreements, shifts in market demand, the success of new franchise programs, including the new Noble Roman's Craft Pizza & Pub format, the company's ability to successfully operate an increased number of company-owned restaurants, general economic conditions, changes in purchases of or demand for the company's products, licenses or franchises, the success or failure of individual franchisees and licensees, changes in prices or supplies of food ingredients and labor, and dependence on continued involvement of current management. Should one or more of these risks or uncertainties materialize, or should underlying assumptions or estimates prove incorrect, actual results may differ materially from those described herein as anticipated, believed, estimated, expected or intended. The company undertakes no obligations to update the information in this press release for subsequent events.*

**Consolidated Balance Sheets**  
**Noble Roman's, Inc. and Subsidiaries**

	December 31,	
<b>Assets</b>	<u>2016</u>	<u>2017</u>
<b>Current assets:</b>		
Cash	\$ 477,928	\$ 461,068
Accounts receivable - net	1,828,534	1,796,757
Inventories	754,418	779,989
Prepaid expenses	568,386	680,326
Deferred tax asset - current portion	<u>925,000</u>	<u>-</u>
Total current assets	<u>4,554,266</u>	<u>3,718,140</u>
<b>Property and equipment:</b>		
Equipment	1,963,957	2,533,848
Leasehold improvements	88,718	581,197
Construction and equipment in progress	<u>351,533</u>	<u>558,602</u>
	2,404,208	3,673,647
Less accumulated depreciation and amortization	<u>1,194,888</u>	<u>1,372,821</u>
Net property and equipment	1,209,320	2,300,826
Deferred tax asset (net of current portion)	8,696,870	5,735,504
Goodwill	278,466	278,466
Other assets including long-term portion of accounts receivable - net	<u>5,159,937</u>	<u>6,851,697</u>
Total assets	<u>\$ 19,898,859</u>	<u>\$ 18,884,633</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Current portion of long-term notes payable to bank	\$ 655,725	\$ 754,173
Current portion of loan payable to Super G	1,130,765	-
Accounts payable and accrued expenses	<u>339,125</u>	<u>674,600</u>
Total current liabilities	<u>2,125,615</u>	<u>1,428,773</u>
<b>Long-term obligations:</b>		
Notes payable to bank (net of current portion)	710,729	3,257,691
Development loans (net of current portion)	-	988,684
Loan payable to Super G (net of current portion)	718,175	-
Notes payable to officers	310,000	-
Note payable to Kingsway America	600,000	-
Convertible notes payable	769,835	1,131,982
Derivative warrant liability	210,404	503,851
Derivative conversion liability	<u>435,671</u>	<u>925,561</u>
Total long-term liabilities	<u>3,754,814</u>	<u>6,807,769</u>
<b>Stockholders' equity:</b>		
Common stock – no par value (40,000,000 shares authorized, 20,783,032 outstanding as of December 31, 2016 and 2017)	24,308,297	24,322,885
Accumulated deficit	<u>(10,289,867)</u>	<u>(13,674,794)</u>
Total stockholders' equity	<u>14,018,430</u>	<u>10,648,091</u>
Total liabilities and stockholders' equity	<u>\$ 19,898,859</u>	<u>\$ 18,884,633</u>

**Consolidated Statements of Operations**  
**Noble Roman's, Inc. and Subsidiaries**

	Year Ended December 31,		
	2015	2016	2017
Royalties and fees	\$ 7,464,963	\$ 7,350,692	\$ 6,798,213
Administrative fees and other	56,520	42,402	45,730
Restaurant revenue-Craft Pizza & Pub	-	-	1,820,737
Restaurant revenue-non-traditional	<u>207,803</u>	<u>443,391</u>	<u>1,173,728</u>
Total revenue	7,729,286	7,836,485	9,838,408
Operating expenses:			
Salaries and wages	1,141,562	996,303	925,648
Trade show expense	543,354	520,691	493,803
Travel expense	255,125	230,091	170,978
Broker commissions	-	32,241	-
Other operating expenses	834,320	769,791	852,930
Restaurant expenses - Craft Pizza & Pub	-	-	1,389,410
Restaurant expenses - non-traditional	248,139	443,389	1,155,073
Depreciation and amortization	105,843	124,773	240,854
General and administrative	<u>1,659,966</u>	<u>1,641,853</u>	<u>1,665,980</u>
Total expenses	<u>4,788,309</u>	<u>4,759,132</u>	<u>6,894,676</u>
Operating income	2,940,977	3,077,353	2,943,732
Interest	186,414	615,685	1,474,027
Loss on restaurant discontinued	191,390	36,776	-
Change in fair value of derivatives	-	44,464	174,737
Adjust valuation of receivables - including Heyser case	<u>1,230,000</u>	<u>1,103,521</u>	<u>440,000</u>
Income before income taxes from continuing operations	1,333,173	1,276,907	854,968
Income tax expense	<u>512,671</u>	<u>487,880</u>	<u>4,146,459</u>
Net income (loss) from continuing operations	820,502	789,027	(3,291,491)
Loss from discontinued operations net of tax benefit of \$21,697 for 2015. \$1,026,277 for 2016 and \$57,431 for 2017	<u>(34,724)</u>	<u>(1,659,867)</u>	<u>(93,436)</u>
Net income (loss)	<u>\$ 785,778</u>	<u>\$ (870,840)</u>	<u>\$ (3,384,927)</u>
Earnings (loss) per share - basic:			
Net income (loss) from continuing operations	\$ .04	\$ .04	\$ (.16)
Net loss from discontinued operations net of tax benefit	\$ (.00)	\$ (.08)	\$ (.00)
Net income (loss)	\$ .04	\$ (.04)	\$ (.16)
Weighted average number of common shares outstanding	20,517,846	20,781,886	20,783,032
Diluted earnings (loss) per share:			
Net income (loss) from continuing operations (1)	\$ .04	\$ .04	\$ (.16)
Net loss from discontinued operations net of tax benefit	\$ (.00)	\$ (.08)	\$ (.00)
Net income (loss) (1)	\$ .04	\$ (.04)	\$ (.16)
Weighted average number of common shares outstanding	21,439,242	21,208,173	25,704,286

(1) In 2017, net loss per share is shown the same as basic loss per share because the underlying dilutive securities have an anti-dilutive effect.