

# 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 Highlights Third Quarter Events; Announces Financial Results for the Third Quarter and Year-to-Date.**

**(Indianapolis, Indiana)** – November 13, 2018-- Noble Roman's, Inc. (OTCQB: NROM), the Indianapolis based franchisor and licensor of Noble Roman's Pizza, today announced highlights from the three-month and nine-month periods ended September 30, 2018.

During the third quarter, the company-owned and operated Craft Pizza & Pub locations continued to out-perform pre-opening expectations. During the three-month and nine-month periods ended September 30, 2018, total revenues from those four locations were \$1.3 million and \$3.7 million, respectively. Total expenses for the Craft Pizza & Pub locations for the three-month and nine-month periods ended September 30, 2018 were \$1.0 million and \$2.9 million, for an operating profit of \$260,000 and \$785,000. Management anticipates that the operating profit will continue to increase as the staff for the new Craft Pizza & Pub locations gain additional experience. Two of the four Craft Pizza & Pub restaurants were open during the entire nine-month period, and only one was open for more than a full year.

During the first nine months of this year, the company has invested significant time, effort and expense in systems and concept development, including necessary additional corporate personnel and infrastructure, to help create the conditions for future growth of both the Craft Pizza & Pub venue as well as the company's non-traditional venue. As a result of those efforts, the company recently announced the signing of a franchise agreement for a Craft Pizza & Pub restaurant with Patrick and Holly O'Neil, who are currently Dairy Queen's largest Indiana franchisee with 19 locations in the state of Indiana. The O'Neil's first location will be in Tippecanoe County, Indiana, home of Purdue University. The O'Neil's have tremendous multi-unit operating experience and a commendable history of success, and they are committed to the kind of "WOW" operations that sets Craft Pizza & Pub apart from its competition. The O'Neil's are looking at this to be the first of many more units to come. The company has also sold a Craft Pizza & Pub franchise for Evansville, Indiana, with their first location currently under development. In addition, the company has signed 31 franchise locations thus far in 2018 for its non-traditional franchise venue.

As stated previously, the company continues to develop and enhance the Craft Pizza & Pub concept, and several initiatives are underway or in various stages of development. Among those areas where the company sees opportunities for further sales development, initiatives include (in order from fully implemented to R&D only):

- The implementation of catering and large order efforts, including the hiring of a Catering & Special Events Manager serving all 4 Craft Pizza & Pub locations
- Enhancements of the beer & wine bar revenue center, including:
  - Branding and signing the space as 'The Piazza Bar' in Noble Roman's Craft Pizza & Pub
  - The introduction of 6 new mixology drinks (including a special '\$5 Sunday Mimosa') incorporating existing beer and wine along with garnishes and non-alcoholic mixers
  - The introduction of bar-only food specials from 2 pm to 5 pm and from 8 pm to close
  - Special uniform design for bartenders

- Increased training and implementation of bartender showmanship
- The development of a new “Pizza Valet®” curbside carry-out service to relieve interior congestion and increase customer convenience and WOW factor
- The enhancement of the current lunch menu offering, including:
  - A lunch-sized version of each of the current 5 dinner salads
  - 5-6 new Panini Sandwich Platters
  - Additional side item add-ons
  - Enhanced value pricing through lunch menu management and cost structuring
- The roll-out of online ordering via standard website and mobile device-optimized platforms
- The research and development of additional menu items to replace existing menu items on a permanent or promotional basis, such as:
  - Baked pastas
  - An additional salad featuring Chicken Salad, fresh greens, pesto sauce and other ingredients
  - New Specialty pizzas such as “She’s No Sour Grape” topped with Gorgonzola cheese, red seedless grapes and Italian sausage

During the nine-month period ending September 30, the company had a net operating profit of \$2.1 million for both 2018 and 2017. However, during the first nine months of 2018, the company incurred additional operating expenses of \$275,000 on concept development and franchising infrastructure for the Craft Pizza & Pub concept where the company believes the prospects for long-term growth are significant. Furthermore, depreciation expense was greater for the 2018 period by \$165,000 since all preopening and training costs for the four Craft Pizza & Pub locations are expensed during the first year of operation.

With a strong economy, the company continues to face counter-cyclical economic headwinds in its grocery store take-n-bake segment, which was initiated during the Great Recession, with revenue from that venue declining by \$200,000 during the first nine months of 2018 compared to 2017. Management believes periods of economic growth favor food fully-prepared away from home versus home replacement meals baked at home. Additionally, management believes the grocery industry itself has become more unstable as mergers and exits due to financial pressures impact grocery distributors and independent operators. The company has strategically determined that for now it is more cost effective and profitable to focus sales efforts and investment on its non-traditional and Craft Pizza & Pub venues.

The net loss before tax benefit for the three-month period ended September 30, 2018 of \$755,000 and the net income before tax expense for the nine-month period of \$334,000 is after a write-off of \$1.3 million of receivables (of which approximately 70% were legal fees) associated with two receivables which had been the subject of court cases pending for over two years. Even though the company believes those receivables and collection costs may ultimately have been collectable, the company entered into settlement agreements to stop the ongoing cash outlays which have been, and would continue to be, required to litigate the claims, which management concluded would potentially not be resolved for a lengthy period. These settlements were a strategic decision to preserve cash flow now rather than risk the long-term collectivity of any uncertain, potential future judgment in the company’s favor.

### **Financial Results for the Three-Month Period ended September 30, 2018 Compared to the Comparable Period Ended in 2017**

- Total revenue was \$3.3 million compared to \$2.5 million (a 30% increase).
- Operating income was \$714,000 compared to \$761,000 as a result of incurring additional operating expenses including sales and operating personnel and other costs to initiate the plan to increase growth in the number of franchise locations for the Craft Pizza & Pub and non-traditional venues as explained above.

- Interest expense was \$173,000 compared to \$601,000 as a result of the refinancing of all the company's debt in September 2017 at a much lower effective interest rate, although partially offset by the borrowing of the development loans to increase the number of company-owned Craft Pizza & Pub locations from one to four.
- Net loss before income tax benefit was \$755,000 compared to a loss of \$1.1 million. The comparable period in 2017 incurred a non-cash non-operating expense of \$930,000 from the change in fair value of derivatives and \$350,000 for adjustment for valuation of receivables. In addition, the three-month period in 2018 incurred additional operating expenses to prepare for the planned growth in the number of franchise locations and the write-off of \$1.3 million of receivables to prevent further cash outlays which would have been required to litigate those claims, as explained above.
- Net loss was \$562,000, or \$.03 per basic share, compared to a net loss of \$1.2 million or \$.06 per basic share. The comparable period in 2017 contained a non-cash non-operating loss of \$930,000 from the change in fair value of derivatives and \$350,000 from change in valuation of receivables. The current three-month period ended September 30, 2018 incurred additional operating expenses to prepare for the planned growth in the number of franchise locations and the write-off of \$1.3 million of receivables to prevent future cash outlays which would have been required to litigate those claims, as explained above.
- Upfront franchise fees and commissions were \$119,000 compared to \$58,000.
- Royalties and fees less upfront fees were approximately \$1.5 million compared to \$1.7 million.
- Royalties and fees from non-traditional locations other than grocery stores were \$1.2 million in both three-month periods in 2018 and 2017.
- Royalties and fees from grocery store take-n-bake locations were \$311,000 compared to \$425,000. This reflects the company's decision to focus on franchising of both non-traditional locations and Craft Pizza & Pub locations due to the strong economic environment, which management believes favors food fully-prepared away from home versus home replacement meals baked at home.

#### **Financial Results for the Nine-Month Period ended September 30, 2018 Compared to the Comparable Period Ended in 2017**

- Total revenue was \$9.4 million compared to \$7.2 million (a 31% increase).
- Operating income was \$2.1 million for the nine-month periods in both 2018 and 2017 despite incurring additional operating expenses of \$275,000 including sales and operating personnel and other costs in 2018 to initiate the plan to increase growth in the number of franchise locations for the Craft Pizza & Pub and non-traditional venues as explained above.
- Interest expense was \$486,000 compared to \$1.2 million. This was a result of the refinancing of all the company's debt, except its convertible debt, in September 2017 which significantly reduced interest expense but that was partially offset by interest incurred on the development loans to increase the number of company-owned Craft Pizza & Pub locations from one to four.
- Net income before income taxes was \$334,000 compared to a net loss of \$54,000. The nine-month period in 2017 included a non-cash, non-operating expense of \$633,000 for the change in fair value of derivatives and \$350,000 to adjust the valuation of receivables, and the nine-month period in 2018 was reduced by incurring additional operating expenses of \$275,000 to prepare for the plan to increase growth in the number of franchise locations and the write-off of \$1.3 million of receivables to prevent future cash outlays which would have been required to litigate certain claims, as explained above.
- Net income was \$252,000, or \$.01 per basic share, compared to a loss of \$403,000, or \$.04 per basic share. As explained above, the 2018 period was reduced by additional operating expenses of \$275,000 to prepare for the plan to increase growth in the number of franchise locations and the write-off of \$1.3 million of receivables to prevent future cash outlays which would have been required to litigate certain claims as explained above. The 2017 period recorded a non-cash, non-operating expense of \$633,000 for the change in fair value of derivatives and \$350,000 for an adjustment in the valuation of receivables.
- Upfront franchisee fees and commissions were \$279,000 compared to \$198,000.
- Royalties and fees less upfront fees were \$4.5 million compared to \$4.9 million.

- Royalties and fees from non-traditional franchises other than grocery stores were approximately \$3.3 million for both nine-month periods in 2018 and 2017.
- Royalties and fees from grocery store take-n-bake locations were \$1.1 million compared to \$1.3 million. This reflects the company's decision to focus on franchising of both non-traditional locations and Craft Pizza & Pub locations due to the strong economic environment, which management believes favors food fully-prepared away from home versus home replacement meals baked at home.

### **Balance Sheet Summary**

Current assets totaled \$3.7 million and current liabilities totaled \$1.5 million as of September 30, 2018 compared to total current assets of \$3.7 million and current liabilities of \$1.4 million as of December 31, 2017. Total stockholders' equity as of September 30, 2018 was \$11.5 million compared to \$10.6 million as of December 31, 2017.

*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 reliability and continued performance of third party manufacturers and distributors, 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, the success or failure of the company's focus on franchise sales, changes in prices or supplies of food ingredients and labor, the ability to refinance its convertible debt into 2019 if any remains outstanding 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.*

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**Noble Roman's, Inc. and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

<b>Assets</b>	December 31, <u>2017</u>	September 30, <u>2018</u>
Current assets:		
Cash	\$ 461,068	\$ 232,399
Accounts receivable - net	1,796,757	1,847,683
Inventories	779,989	836,468
Prepaid expenses	<u>680,326</u>	<u>743,658</u>
Total current assets	<u>3,718,140</u>	<u>3,660,208</u>
Property and equipment:		
Equipment	2,533,848	3,066,711
Leasehold improvements	581,197	1,268,769
Construction and equipment in progress	<u>558,602</u>	<u>90,691</u>
	3,673,647	4,426,171
Less accumulated depreciation and amortization	<u>1,372,821</u>	<u>1,530,183</u>
Net property and equipment	2,300,826	2,895,988
Deferred tax asset	5,735,504	5,653,872
Deferred contract cost	-	592,160
Goodwill	278,466	278,466
Other assets including long-term portion of receivables-net	<u>6,851,697</u>	<u>6,055,630</u>
Total assets	<u>\$ 18,884,633</u>	<u>\$ 19,136,323</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current portion of term loan payable to bank	\$ 754,173	\$ 871,429
Accounts payable and accrued expenses	<u>674,600</u>	<u>589,380</u>
Total current liabilities	<u>1,428,773</u>	<u>1,460,809</u>
Long-term obligations:		
Term loans payable to bank (net of current portion)	4,246,375	4,091,887
Convertible notes payable	1,131,982	1,531,502
Deferred contract income	-	592,160
Derivative warrant liability	503,851	-
Derivative conversion liability	<u>925,561</u>	<u>-</u>
Total long-term liabilities	<u>6,807,769</u>	<u>6,215,549</u>
Stockholders' equity:		
Common stock – no par value (40,000,000 shares authorized, 20,783,032 issued and outstanding as of December 31, 2017 and 21,583,032 issued and outstanding as of September 30, 2018)	24,322,885	24,739,482
Accumulated deficit	<u>(13,674,794)</u>	<u>(13,279,517)</u>
Total stockholders' equity	<u>10,648,091</u>	<u>11,459,965</u>
Total liabilities and stockholders' equity	<u>\$ 18,884,633</u>	<u>\$ 19,136,323</u>

**Noble Roman's, Inc. and Subsidiaries**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

	Three-Months Ended		Nine-Months Ended	
	September 30,		September 30,	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Revenue:				
Royalties and fees	\$1,733,956	\$1,656,074	\$5,062,549	\$4,831,305
Administrative fees and other	10,992	26,548	34,933	47,177
Restaurant revenue - Craft Pizza & Pub	457,133	1,308,890	1,223,351	3,663,255
Restaurant revenue - non-traditional	<u>310,840</u>	<u>283,135</u>	<u>871,192</u>	<u>862,777</u>
Total revenue	2,512,921	3,274,647	7,192,025	9,404,514
Operating expenses:				
Salaries and wages	216,432	245,581	698,326	774,397
Trade show expense	126,361	121,200	371,472	365,739
Travel expense	37,589	23,945	146,017	76,515
Other operating expenses	222,045	282,742	649,778	791,055
Restaurant expenses - Craft Pizza & Pub	347,342	1,048,566	902,459	2,877,957
Restaurant expenses - non-traditional	307,583	279,079	855,980	851,766
Depreciation and amortization	60,127	125,399	171,890	298,155
General and administrative	<u>434,532</u>	<u>434,458</u>	<u>1,246,620</u>	<u>1,252,781</u>
Total expenses	<u>1,757,011</u>	<u>2,560,970</u>	<u>5,042,542</u>	<u>7,288,365</u>
Operating income	760,910	713,676	2,149,483	2,116,149
Interest	601,192	172,639	1,220,945	486,292
Adjust valuation of receivables	350,000	1,295,805	350,000	1,295,805
Change in fair value of derivatives	<u>929,810</u>	<u>-</u>	<u>632,537</u>	<u>-</u>
Income (loss) before income taxes from continuing operations	(1,120,092)	(754,768)	(53,999)	334,052
Income tax expense (benefit)	<u>(72,388)</u>	<u>(192,489)</u>	<u>220,089</u>	<u>81,632</u>
Net income (loss) from continuing operations	(1,047,704)	(562,279)	(274,088)	252,420
Loss from discontinued operations net of tax benefits \$79,228 for 2017	<u>(129,037)</u>	<u>-</u>	<u>(129,037)</u>	<u>-</u>
Net income(loss)	<u>\$(1,176,741)</u>	<u>\$(562,279)</u>	<u>\$(403,125)</u>	<u>\$ 252,420</u>
<b>Earnings per share - basic</b>				
Net income (loss) from continuing operations	\$ (.05)	\$ (.03)	\$ (.01)	\$ .01
Net loss from discontinued operations net of tax benefit	(.01)		(.01)	
Net income (loss)	(.06)	(.03)	(.02)	.01
Weighted average number of common shares outstanding	20,783,032	21,428,684	20,783,032	21,153,728
<b>Diluted earnings per share:</b>				
Net income (loss) from continuing operations	\$ (.04)	\$ (.02)	\$ (.01)	\$ .01
Net loss from discontinued operations net of tax benefit	(.01)		(.01)	
Net income (loss)	(.05)	(.02)	(.02)	.02
Weighted average number of common shares outstanding	25,792,995	26,294,754	25,657,464	26,294,754