

# NEWS BULLETIN

RE: NOBLE ROMAN'S, INC.

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## FOR ADDITIONAL INFORMATION, CONTACT:

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## Noble Roman's Announces Second Quarter 2019 Results

(Indianapolis, Indiana) – August 14, 2019 - Noble Roman's, Inc. (OTCQB: NROM), the Indianapolis based franchisor and licensor of Noble Roman's Pizza and Craft Pizza & Pub, today announced results for the three-month and six-month periods ended June 30, 2019 along with other strategic highlights for the company.

Net income before taxes increased to \$580,000, or \$.03 per share from \$550,000, or \$.03 per share, and \$1.21 million, or \$.06 per share, from \$1.09 million, or \$.05 per share, for the three-month and six-month periods ended June 30, 2019 compared to the comparable periods in 2018. Net income before tax is significant because the company will not pay any income taxes for approximately the next \$15 million in taxable income.

Net income increased to \$441,000, or \$.02 per share, from \$412,000, or \$.02 per share, and increased to \$917,000, or \$.04 per share, from \$815,000, or \$.04 per share, for the three-month and six-month periods ended June 30, 2019 compared to the comparable periods in 2018. The six-month results were achieved despite the highly unusual, extreme winter weather conditions this year in Indiana during January and February, which significantly curtailed revenue and margins during those months. In addition, the results are after a \$21,000 non-cash expense in the six months ended June 30, 2019 from the adoption of the new accounting rules regarding accounting for leases, which became effective January 1, 2019 for publicly reporting entities.

The company also announced that it is continuing its focus on growing its well-established, non-traditional venue as well as its newer Craft Pizza & Pub venue. From January 1, 2019 through August 14, 2019, the company opened 21 new non-traditional franchise locations compared to 17 new non-traditional locations opened during the comparable time period in 2018. In addition, the first two weeks' sales of all non-traditional franchise openings in 2019 have averaged 32.8% higher than openings from previous years. This reflects improvements the company made in kiosk design, operating systems and marketing. During 2019, the company also opened its first franchised Craft Pizza & Pub location with record opening sales, and it currently has two more franchised Craft Pizza & Pub locations under development. The company is in the planning stages for additional company-owned Craft Pizza & Pub locations as well.

**The following table sets forth the revenue, expense and margin contribution of the Company's franchising venue and the percent relationship to its revenue:**

Description	Three Months ended June 30,				Six Months ended June 30,			
	2018		2019		2018		2019	
Royalties and fees franchising	\$1,276,978	78.2%	\$1,335,297	82.4%	\$2,387,636	75.2%	\$2,622,475	81.6%
Royalties and fees grocery	356,374	21.8	284,911	17.6	789,595	24.8	590,747	18.4
Total royalties and fees revenue	1,633,352	100.0	1,620,208	100.0	3,175,231	100.0	3,213,222	100.0
Salaries and wages	260,848	16.0	175,789	10.8	528,816	16.7	371,415	11.6
Trade show expense	119,228	7.3	104,906	6.5	240,000	7.5	210,000	6.5
Insurance	74,273	4.5	65,768	4.0	149,022	4.7	175,692	5.5
Travel and auto	56,412	3.4	27,129	1.7	104,245	3.3	54,678	1.7

All other operating expenses	<u>174,381</u>	<u>10.7</u>	<u>171,222</u>	<u>10.6</u>	<u>312,155</u>	<u>9.8</u>	<u>227,741</u>	<u>7.1</u>
Total expenses	<u>685,142</u>	<u>41.9</u>	<u>544,814</u>	<u>33.6</u>	<u>1,334,238</u>	<u>42.0</u>	<u>1,039,526</u>	<u>32.4</u>
Margin contribution	\$ 948,210	58.1%	\$1,075,394	66.4%	\$1,840,993	58.0%	\$2,173,696	67.6%

**For the three-month period ended June 30, 2019 compared to the three-month period ended June 30, 2018:**

- Total revenue from this venue was \$1.6 million compared to approximately the same for the comparable period in 2018. Royalties and fees from franchising grew to \$1.34 million compared to \$1.28 million for the comparable period in 2018. This increase was partially offset by a decrease in royalties and fees from grocery store take-n-bake, which decreased to \$285,000 from \$356,000 compared to the comparable period in 2018. The increase in franchise fees and decrease in license fees from grocery stores reflects the change in emphasis on franchising versus licensing to grocery stores to sell take-n-bake pizza because of the stronger economic conditions that exist today.
- Salaries and wages, trade show expense and other operating costs decreased to \$545,000 from \$685,000. In January the company undertook an in-depth review of this venue to find ways to further reduce its costs while still accomplishing its objectives. These efforts resulted in the reduction of various operating expenses. It is anticipated that this reduction in operating cost will continue to benefit future quarters as well.
- Gross margin increased to 66.4% from 58.1% for a margin increasing to \$1.1 million from \$950,000.

**For the six-month period ended June 30, 2019 compared to the six-month period ended June 30, 2018:**

- Total revenue from this venue was \$3.21 million compared \$3.18 million for the comparable period in 2018. Royalties and fees from franchising grew to \$2.62 million compared to \$2.39 million for the comparable period in 2018. This increase was partially offset by a decrease in royalties and fees from grocery store take-n-bake, which decreased to \$591,000 from \$790,000 compared to the comparable period in 2018. The increase in franchise fees and decrease in license fees from grocery stores reflects the change in emphasis on franchising versus licensing to grocery stores to sell take-n-bake pizza because of the stronger economic conditions that exist today.
- Salaries and wages, trade show expense and other operating costs decreased to \$1.04 million from \$1.33 million. In January the company undertook an in-depth review of this venue to find ways to further reduce its costs while still accomplishing its objectives. These efforts resulted in the reduction of various operating expenses. This reduction in operating cost is expected to continue to benefit future quarters as well.
- Gross margin increased to 67.6% from 58.0% or to \$2.17 million from \$1.84 million.

**The following table sets forth the revenue, expense and margin contribution of the company's Craft Pizza & Pub venue and the percent relationship to its revenue:**

Description	Three Months ended June 30,				Six Months ended June 30,			
	2018		2019		2018		2019	
Revenue	\$1,245,942	100%	\$1,329,465	100%	\$2,354,365	100%	\$2,472,079	100%
Cost of sales	277,609	22.3	278,048	20.9	522,578	22.2	515,723	20.8
Salaries and wages	377,074	30.2	379,695	28.6	726,198	30.8	745,676	30.2

Facility cost including rent, common area and utilities	156,804	12.6	209,093	15.7	282,340	12.0	409,700	16.6
Packaging	34,642	2.8	35,473	2.7	60,742	2.6	66,790	2.7
All other operating expenses	117,763	9.5	218,625	16.4	237,533	10.1	393,964	15.9
Total expenses	963,892	77.4	1,120,934	84.3	1,829,391	77.7	2,131,853	86.2
Margin contribution	\$ 282,050	22.6%	\$ 208,531	15.7%	\$ 524,974	22.3%	\$ 340,226	13.8%

*Margin contribution from this venue was decreased \$9,331 in the three-month period ended June 30, 2019 and \$21,228 in the six-month period ended June 30, 2019, for non-cash expense related to the adoption of ASU 2016-02 accounting for lease which became effective after January 1, 2019 for publicly reporting companies.*

**For the three-month period ended June 30, 2019 compared to the three-month period ended June 30, 2018:**

- Revenue from this venue increased to \$1.33 million from \$1.25 million.
- Cost of sales improved significantly to 20.9% of revenue compared to 22.3% as a result of careful but intensive supervisory focus and as the restaurants gained experience over time.
- Salaries and wages improved significantly to 28.6% from 30.2% as a result of careful but intensive supervisory focus and as the restaurants gained experience over time.
- Facility costs, including rent, common area maintenance and utilities, increased to 15.7% from 12.6% primarily because of non-discretionary increases in common area charges by the shopping centers. In 2018, all four locations were operating in new strip centers where common area maintenance fees were based on the landlord's estimate of what those fees were going to be. When the actual costs were known for 2018, the company had to pay common area expenses in 2019 based on the actual for 2018. In two of the locations the common area maintenance costs were more than double the landlord's estimate. In addition, per the note following the chart above, there was additional non-cash rent expense related to the adoption of ASU 2016-02.
- All other costs and expenses increased to 19.1% from 12.3%. These increases came from insurance costs, advertising costs and delivery costs from starting third-party delivery.
- Gross margin contribution from this venue decreased to 15.7% from 22.6% as a result of the above mentioned primarily fixed cost increases which more than offset the improvement in controllable variable costs (mainly cost of sales and labor).

**For the six-month period ended June 30, 2019 compared to the six-month period ended June 30, 2018:**

- Revenue from this venue increased to \$2.47 million from \$2.35 million despite the highly unusual extreme weather conditions in Indiana during the months of January and February.
- Cost of sales improved to 20.8% of revenue compared to 22.2% as a result of supervisory focus and as the restaurants gained experience and efficiency over time.
- Salaries and wages improved to 30.2% from 30.8% as a result of supervisory focus and as the restaurants gained experience over time, however that efficiency gained was partially offset by the fixed cost of salaries against lower sales in January and February due to the highly unusual extreme weather conditions in Indiana during those months.
- Facility costs, including rent, common area maintenance and utilities, increased to 16.6% from 12.0% primarily because of non-discretionary increases in common area charges by the shopping centers. In 2018, all four locations were operating in new strip centers where common area maintenance fees were based on the landlord's estimate of what those fees were going to be. When the actual costs were known for 2018, the company had to pay common area expenses in 2019 based on the actual for 2018. In two of the locations the common area maintenance costs were

more than double the landlord's estimate. In addition, per the note following the chart above, there was additional non-cash rent expense related to the adoption of ASU 2016-02.

- All other costs and expenses increased to 18.6% from 12.7%. These increases came from insurance costs increasing by 1.4% of sales, advertising costs increasing by 1.9% of sales and delivery costs from starting third-party delivery increasing by 1.5% of sales. The insurance increase was a combination of price increases magnified by lower sales in January and February. The increase in advertising was to a more normal level from the reduced level in 2018 during the honeymoon period of new openings. The delivery fees were the result of adding delivery service by use of outside vendors, which was started to help compensate for the impact on sales from unusual weather conditions and to stay current with consumer purchasing trends.
- Gross margin contribution from this venue decreased to 13.8% from 22.3%, which was significantly impacted by the highly unusual extreme weather conditions in January and February. The margin decrease was also the result of the above mentioned primarily fixed cost increases, which more than offset the improvement in controllable variable costs (mainly cost of sales and labor).

The following table sets forth the revenue, expense and margin contribution of the Company-owned non-traditional venue and the percent relationship to its revenue:

Description	Three Months ended June 30,				Six Months ended June 30,			
	2018		2019		2018		2019	
Revenue	\$ 291,526	100%	\$ 160,020	100%	\$ 579,642	100%	\$ 330,522	100%
Cost of sales	100,831	34.6	62,741	39.2	199,596	34.4	126,688	38.3
Salaries and wages	78,699	27.0	54,041	33.8	200,387	34.6	107,833	32.6
Rent	29,595	10.1	15,163	9.5	58,594	10.1	31,329	9.5
Packaging	9,965	3.4	4,629	2.9	19,165	3.3	9,508	2.9
All other operating expenses	69,741	23.9	16,535	10.3	94,945	16.4	31,460	9.5
Total expenses	288,831	99.0	153,109	95.7	572,687	98.8	306,818	92.8
Margin contribution	\$ 2,695	1.0%	\$ 6,911	4.3%	\$ 6,955	1.2%	\$ 23,704	7.2%

Gross revenue from this venue decreased to \$160,000 and \$331,000 from \$292,000 and \$580,000 for the respective three-month and six-month periods ended June 30, 2019 compared to the comparable periods in 2018. The primary reason for this decrease was the company operating three non-traditional locations in the three-month and six-month periods ended June 30, 2018 compared to one location in the three-month and six-month periods ended June 30, 2019. The two locations vacated in December 2018 were locations that the company was only operating to the end of their contract terms. The company does not intend to operate any more company-owned non-traditional locations except the one location that it is currently operating.

**The following bullet points discuss other financial highlights from the quarter:**

- Operating income increased to \$801,000 from \$703,000 and \$1.55 million from \$1.40 million for the three-month and six-month periods ended June 30, 2019. This increase was primarily a result of increased margin contribution on the franchising venue to \$1.08 million from \$948,000 and to \$2.17 million from \$1.84 million for the three-month and six-month periods ended June 30, 2019. This increase was partially offset by the decrease in margin contribution from the company-owned Craft Pizza & Pub locations as a result of the highly unusual severe winter weather conditions for Indiana during the months of January and February 2019, plus fixed cost increases as discussed above.

- General and administrative expenses decreased to \$425,000 from \$436,000 and increased to \$841,000 from \$818,000 for the three-month and six-month periods ended June 30, 2019.
- Interest expense increased to \$220,000 from \$153,000 and to \$347,000 from \$314,000 for the three-month and six-month periods ended June 30, 2019. The increase was the result of increased rate of interest on the company's bank debt, partially offset by the decreased balance of the loans from continued monthly amortization of principal.

With a focus on development in the company's non-traditional venue combined with the new catalyst for growth represented by Craft Pizza & Pub, the company believes it is potentially entering the most exciting expansion phase it has experienced in its 47-year history. In support of this growth opportunity, the company believes it may soon have financing in place to repay all existing debt and have additional capital for the development of another five company-owned Craft Pizza & Pub locations, all at considerably lower rates of interest than is currently being paid.

*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 indicated by the forward-looking statements due to risks and uncertainties that exist in the company's operations and business environment, including, but not limited to: the ability of the company to refinance its debt as currently planned, competitive factors, pricing pressures, non-renewal of franchise agreements, shifts in market demand, the success of new franchise programs, including Noble Roman's Craft Pizza & Pub format, the company's ability to successfully operate and manage costs of an increased number of company-owned restaurants, general economic conditions, changes in demand for the company's products 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.*

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

<b>Assets</b>	December 31, <u>2018</u>	June 30, <u>2019</u>
Current assets:		
Cash	\$ 76,194	\$ 231,824
Accounts receivable - net	1,573,600	1,784,207
Inventories	962,783	909,173
Prepaid expenses	<u>688,259</u>	<u>680,409</u>
Total current assets	<u>3,300,836</u>	<u>3,605,613</u>
Property and equipment:		
Equipment	2,872,494	2,884,824
Leasehold improvements	1,180,050	1,180,637
Construction and equipment in progress	<u>119,340</u>	<u>150,564</u>
	4,171,844	4,216,025
Less accumulated depreciation and amortization	<u>1,399,435</u>	<u>1,540,817</u>
Net property and equipment	<u>2,772,449</u>	<u>2,675,208</u>
Deferred tax asset	4,817,309	4,527,604
Deferred contract cost	698,935	698,936
Goodwill	278,466	278,466
Operating lease right of use assets	-	4,384,022
Other assets including long-term portion of receivables - net	<u>3,808,957</u>	<u>4,130,173</u>
Total assets	<u>\$15,676,952</u>	<u>\$20,300,022</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current portion of term loan payable to bank	\$ 871,429	\$ 871,429
Accounts payable and accrued expenses	523,315	108,824
Current portion of operating lease liability	-	<u>333,763</u>
Total current liabilities	<u>1,394,744</u>	<u>1,314,016</u>
Long-term obligations:		
Term loans payable to bank (net of current portion)	3,898,733	3,512,425
Convertible notes payable	1,539,204	1,529,270
Operating lease liabilities - net of short-term portion	-	4,176,871
Deferred contract income	<u>698,935</u>	<u>698,936</u>
Total long-term liabilities	<u>6,136,872</u>	<u>9,917,502</u>
Stockholders' equity:		
Common stock – no par value (40,000,000 shares authorized, 21,583,032 issued and outstanding as of December 31, 2018 and 21,915,413 as of June 30, 2019)	24,739,482	24,797,569
Accumulated deficit	<u>(16,594,146)</u>	<u>(15,729,065)</u>
Total stockholders' equity	<u>8,145,336</u>	<u>9,068,504</u>
Total liabilities and stockholders' equity	<u>\$15,676,952</u>	<u>\$20,300,022</u>

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>
<b>Revenue:</b>				
Restaurant revenue - company-owned Craft Pizza & Pub	\$1,245,942	\$1,329,465	\$2,354,365	\$2,472,079
Restaurant revenue - company-owned non-traditional	291,526	160,020	579,642	330,522
Franchising revenue	1,633,352	1,620,208	3,175,231	3,213,222
Administrative fees and other	<u>6,384</u>	<u>11,112</u>	<u>20,629</u>	<u>27,731</u>
Total revenue	3,177,204	3,120,805	6,129,867	6,043,554
<b>Operating expenses:</b>				
Restaurant expenses - company-owned Craft Pizza & Pub	963,892	1,120,934	1,829,391	2,131,853
Restaurant expenses - company-owned non-traditional	288,831	153,109	572,687	306,818
Franchising expenses	<u>685,142</u>	<u>544,814</u>	<u>1,334,238</u>	<u>1,039,526</u>
Total operating expenses	1,937,865	1,818,857	3,736,316	3,478,197
Depreciation and amortization	100,253	76,446	172,756	170,045
General and administrative expenses	<u>436,044</u>	<u>424,793</u>	<u>818,324</u>	<u>841,042</u>
Total expenses	<u>2,474,162</u>	<u>2,298,869</u>	<u>4,727,396</u>	<u>4,489,284</u>
Operating income	<u>703,042</u>	<u>800,709</u>	<u>1,402,471</u>	<u>1,554,270</u>
Interest expense	<u>153,365</u>	<u>220,268</u>	<u>313,653</u>	<u>347,171</u>
Income before income taxes	549,677	580,441	1,088,818	1,207,099
Income tax expense	<u>137,529</u>	<u>139,305</u>	<u>274,121</u>	<u>289,703</u>
Net income	<u>\$ 412,148</u>	<u>\$ 441,136</u>	<u>\$ 814,697</u>	<u>\$ 917,396</u>

**Earnings per share – basic:**

Net income before income tax	\$ .03	\$ .03	\$ .05	\$ .06
Net income	\$ .02	\$ .02	\$ .04	\$ .04
Weighted average number of common shares outstanding	21,156,658	21,742,291	21,013,971	21,707,300

**Diluted earnings per share:**

Net income before income tax	\$ .02	\$ .02	\$ .04	\$ .05
Net income	\$ .02	\$ .02	\$ .03	\$ .04
Weighted average number of common shares outstanding	26,377,773	25,663,140	26,377,773	25,633,674