

NEWS BULLETIN

RE: NOBLE ROMAN'S, INC.

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Noble Roman's Announces 2nd Quarter 2020 Results

(Indianapolis, Indiana) – August 5, 2020 - Noble Roman's, Inc. (OTCQB: NROM), the Indianapolis based franchisor and licensor of Noble Roman's Pizza and Noble Roman's Craft Pizza & Pub, today announced results for the three-month and six-month periods ended June 30, 2020 along with other strategic highlights for the company.

For the three-month and six-month periods ended June 30, 2020, the company reported total revenues of \$2.6 million and \$5.3 million and an operating income of \$1.0 million and \$1.6 million, respectively. Interest cost was \$300,000 and \$1.2 million for the three-month and six-month periods which included \$832,000 non-cash interest. Most of the non-cash interest was a one-time expense related to unamortized loan costs from previous debt which was charged off upon the successful completion of the company's new financing package. After interest and taxes, the company had a net income of \$696,000, or \$.03 per share, and \$441,000, or \$.02 per share, for the three-month and six-month periods ended June 30, 2020. This compared to \$441,000, or .02 per share, and \$917,000, or \$.04 per share, for the same periods in 2019.

Some of the highlights so far this year are:

- The refinancing of the company's debt with an \$8 million financing package in February
- Successfully coping with the ever-changing governmental responses for dealing with the COVID-19 pandemic
- The obtaining of a \$715,000 loan under the Paycheck Protection Program ("PPP"). Since the company met all of the eligibility requirements to participate in the PPP and it was probable from the beginning that the borrowing will be forgiven, it was accounted for as a governmental grant
- The opening of the 5th company-owned and operated Craft Pizza and Pub to record opening sales and which continues to be the leading sales volume unit despite the opening occurring in the midst of the pandemic
- The signing of a lease for the 6th company-owned Craft Pizza and Pub location in Greenwood, IN which is expected to be open by approximately the end of the third quarter
- The avoidance of major financial catastrophe which could have resulted from the shutdown of the economy due to the COVID-19 pandemic

The Noble Roman's Craft Pizza & Pub concept was designed to compete primarily in the dine-in segment of the industry and secondarily in the carry-out segment. Craft Pizza & Pub does not operate in the commoditized and specialized delivery segment of the industry (apart from some participation in 3rd party delivery services). Immediately prior to the coronavirus (COVID-19) pandemic, the company-operated Craft Pizza & Pub locations did approximately 80% of their business in dine-in sales. The pandemic and the governmental response have had a significant adverse impact on the company due to, among other things, governmental restrictions, reduced customer traffic, staffing challenges, commodity pricing disruptions and supply difficulties.

All company-owned Craft Pizza & Pub restaurants are located in the State of Indiana. On March 16, 2020, by order of the Governor of the State of Indiana (the “Governor”), all restaurants within Indiana were ordered to close for inside dining. Due to the order, all Craft Pizza & Pub restaurants were open for carry-out only through April 30, 2020, primarily through the company’s “Pizza Valet” curbside carry-out system and third-party delivery providers. On May 1, 2020, the Governor issued another order allowing restaurants to be open for inside dining for up to 50% of capacity as of May 11, 2020, and on June 14, 2020 up to 75% of capacity, plus bars may open up to 50% of capacity. On July 4, 2020 restaurants and bars were to have been allowed to resume at 100% capacity, however, the Governor issued another order delaying the increase in capacity to at least July 31, 2020. On July 27, 2020, the Governor then further delayed the increase in capacity until at least August 27, 2020.

As the duration and scope of the pandemic is uncertain, these orders are subject to further modification, which could adversely affect the company. Further, the company can provide no assurance the phase-out of restrictions will have a positive impact on the company’s business. For example, the various Boards of Health in the markets in which the company operates Craft Pizza & Pub locations have tended to interpret the 6’ social distancing requirement as superseding the percentage capacity allowance, thus in effect holding capacity closer to 50% regardless of the Governor’s executive orders on capacity. Furthermore, the willingness of the public to resume dine-out patterns is heavily influenced by many additional factors, including local reports of the spread of the virus, economic conditions, general consumer attitudes, etc.

Many other states and municipalities in the United States have also temporarily restricted travel and suspended the operation of dine-in restaurants in light of COVID-19, which has negatively affected our franchised operations. Host facilities for our non-traditional franchises have also been adversely impacted by these developments. The uncertainty and disruption in the U.S. economy caused by the pandemic are likely to continue to adversely impact the volume and resources of potential franchisees for both our Craft Pizza & Pub and non-traditional venues.

On April 25, 2020, the company borrowed \$715,000 under the Payroll Protection Program. The company anticipates this note will be forgiven as provided for in the program. The funds, according to the provision in the Coronavirus Aid, Relief, and Economic Security Act (“CARES”), may be used for payroll costs including payroll benefits, interest on mortgage obligations incurred before February 15, 2020, rent under lease agreements in force before February 15, 2020 and utilities for which service began before February 15, 2020.

Summary of Financial Results:

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,			
	2019		2020		2019		2020	
Revenue	\$1,329,465	100%	\$1,406,865	100%	\$2,472,079	100%	\$2,499,813	100%
Cost of sales	278,048	20.9	279,037	19.8	515,723	20.8	514,629	20.6
Salaries and wages	379,695	28.6	36,781	2.6	745,676	30.2	355,305	14.2
Facility cost including rent, common area and utilities	209,093	15.7	185,576	13.2	409,700	16.6	388,356	15.5
Packaging	35,473	2.7	45,126	3.2	66,790	2.7	75,379	3.0
Delivery fees	21,392	1.6	73,131	5.2	35,457	1.4	108,330	4.3
All other operating expenses	<u>197,233</u>	<u>14.8</u>	<u>184,689</u>	<u>11.0</u>	<u>358,507</u>	<u>14.5</u>	<u>334,370</u>	<u>13.4</u>

Total expenses	<u>1,120,934</u>	<u>84.3</u>	<u>804,340</u>	<u>57.2</u>	<u>2,131,853</u>	<u>86.2</u>	<u>1,776,369</u>	<u>71.1</u>
Margin contribution	<u>\$ 208,531</u>	<u>15.7%</u>	<u>602,525</u>	<u>42.8</u>	<u>\$ 340,226</u>	<u>13.8%</u>	<u>\$ 723,444</u>	<u>28.9</u>

Margin contribution from this venue was decreased \$5,873 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.

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,			
	2019		2020		2019		2020	
Royalties and fees franchising	\$1,335,297	82.4%	\$ 914,831	84.1%	\$2,622,475	81.6%	\$2,192,932	85.8%
Royalties and fees grocery	<u>284,911</u>	<u>17.6</u>	<u>173,513</u>	<u>15.9</u>	<u>590,747</u>	<u>18.4</u>	<u>362,791</u>	<u>14.2</u>
Total royalties and fees revenue	<u>1,620,208</u>	<u>100.0</u>	<u>1,088,344</u>	<u>100.0</u>	<u>3,213,222</u>	<u>100.0</u>	<u>2,555,723</u>	<u>100.0</u>
Salaries and wages	175,789	10.8	19,147	1.8	371,415	11.6	215,196	8.4
Trade show expense	104,906	6.5	105,000	9.6	210,000	6.5	210,000	8.2
Insurance	65,768	4.0	37,551	3.5	175,692	5.5	123,977	4.9
Travel and auto	27,129	1.7	18,322	1.7	54,678	1.7	46,770	1.9
All other operating expenses	<u>171,222</u>	<u>10.6</u>	<u>87,608</u>	<u>8.0</u>	<u>227,741</u>	<u>7.1</u>	<u>162,041</u>	<u>6.3</u>
Total expenses	<u>544,814</u>	<u>33.6</u>	<u>267,628</u>	<u>24.6</u>	<u>1,039,526</u>	<u>32.4</u>	<u>757,984</u>	<u>29.7</u>
Margin contribution	<u>\$1,075,394</u>	<u>66.4%</u>	<u>\$ 820,716</u>	<u>75.4%</u>	<u>\$2,173,696</u>	<u>67.6%</u>	<u>\$1,797,739</u>	<u>70.3%</u>

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,			
	2019		2020		2019		2020	
Revenue	\$ 160,020	100%	\$ 111,433	100%	\$ 330,522	100%	\$ 266,117	100.0%
Cost of sales	62,741	39.2	44,786	40.2	126,688	38.3	104,348	39.2
Salaries and wages	54,041	33.8	4,118	3.7	107,833	32.6	60,374	22.7
Rent	15,163	9.5	10,707	9.6	31,329	9.5	25,417	9.6
Packaging	4,629	2.9	3,163	2.8	9,508	2.9	7,333	2.8
All other operating expenses	<u>16,535</u>	<u>10.3</u>	<u>14,209</u>	<u>12.8</u>	<u>31,460</u>	<u>9.5</u>	<u>31,754</u>	<u>11.9</u>
Total expenses	<u>153,109</u>	<u>95.7</u>	<u>76,983</u>	<u>69.1</u>	<u>306,818</u>	<u>92.8</u>	<u>229,226</u>	<u>86.1</u>
Margin contribution	<u>\$ 6,911</u>	<u>4.3%</u>	<u>\$ 34,450</u>	<u>30.9%</u>	<u>\$ 23,704</u>	<u>7.2%</u>	<u>\$ 36,891</u>	<u>13.9%</u>

Total revenue from the Craft Pizza & Pub grew from \$1.33 million to \$1.41 million and from \$2.47 million to \$2.50 million for the three-month and six-month periods ended June 30, 2020 compared to the comparable periods last year.

Gross margin contribution from the Craft Pizza & Pubs increased from 15.7% to 42.8% and from 13.8% to 28.9% for the three-month and six-month periods ended June 30, 2020 compared to the comparable periods last year. This significant increase is largely the result of the PPP grant offsetting a significant portion of salaries and wages.

Total revenue from franchising decreased to \$1.1 million and \$2.6 million for the three-month and six-month periods ended June 30, 2020 compared to \$1.6 million and \$3.2 million for the comparable periods in 2019.

Royalties and fees from franchising decreased to \$915,000 and \$2.2 million from \$1.3 million and \$2.6 million for the three-month and six-month periods ended June 30, 2020 compared to the same periods in

2019. These decreases also reflected decreases in fees from grocery store take-n-bake decreasing to \$173,000 and \$363,000 from \$285,000 and \$591,000 for the three-month and six-month periods ended June 30, 2020 compared to the same periods in 2019.

Revenue from franchising was down due to the impact of the COVID-19 pandemic across the country. Many units were temporarily closed under orders of various government bodies and some located near schools or factories were down significantly because those traffic drivers were closed. Take-n-bake sales in grocery stores were down due to the pandemic creating a rush on grocery stores with minimal staff and, therefore, did not have sufficient resources to maintain assembling pizzas for take-n-bake.

Gross margin from the franchising venue increased from 66.4% to 75.4% and from 67.6% to 70.3% for the three-month and six-month periods, respectively, compared to the comparable periods in 2019. As indicated in a previous paragraph, these increased margins reflect the partial reimbursement of the company's payroll costs through the PPP and partially as a result of the company's in-depth review of its operations to find ways to minimize costs and still accomplish its mission.

The statements contained above 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 effects of the COVID-19 pandemic, competitive factors and pricing pressures, non-renewal of franchise agreements, shifts in market demand, the success of new franchise programs, including the 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 demand for the Company's products or franchises, the Company's ability to service its loans, the impact of franchise regulation, the success or failure of individual franchisees and changes in prices or supplies of food ingredients and labor and dependent 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 vary materially from those described herein as anticipated, believed, estimated, expected or intended.

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

Assets	December 31, <u>2019</u>	June 30, <u>2020</u>
Current assets:		
Cash	\$ 218,132	\$1,577,434
Accounts receivable - net	978,408	844,677
Inventories	880,660	852,423
Prepaid expenses	<u>784,650</u>	<u>587,529</u>
Total current assets	<u>2,861,850</u>	<u>3,862,063</u>
Property and equipment:		
Equipment	2,899,611	3,151,935
Leasehold improvements	1,187,100	1,571,542
Construction and equipment in progress	<u>374,525</u>	<u>468,476</u>
	4,461,236	5,191,953
Less accumulated depreciation and amortization	<u>1,689,520</u>	<u>1,831,162</u>
Net property and equipment	2,771,716	3,360,791
Deferred tax asset	3,900,221	4,026,815
Deferred contract cost	817,763	808,423
Goodwill	278,466	278,466
Operating lease right of use assets	4,242,416	4,911,306
Other assets including long-term portion of receivables - net	<u>4,232,655</u>	<u>5,068,422</u>
Total assets	<u>\$ 19,105,087</u>	<u>\$ 22,316,286</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of term loan payable to bank	\$ 871,429	\$ -
Accounts payable and accrued expenses	731,059	397,179
Current portion of operating lease liability	<u>333,763</u>	<u>342,763</u>
Total current liabilities	<u>1,936,251</u>	<u>739,942</u>
Long-term obligations:		
Term loans payable to bank (net of current portion)	2,999,275	-
Term loan payable to Corbel	-	7,272,599
Warrant value	-	29,037
Convertible notes payable	1,501,282	562,354
Operating lease liabilities - net of short-term portion	4,016,728	4,735,219
Deferred contract income	<u>817,763</u>	<u>808,423</u>
Total long-term liabilities	<u>9,335,048</u>	<u>13,407,632</u>
Stockholders' equity:		
Common stock – no par value (40,000,000 shares authorized, 22,215,512 issued and outstanding as of December 31, 2019 and as of June 30, 2020)	24,858,311	24,752,535
Accumulated deficit	<u>(17,024,523)</u>	<u>(16,583,823)</u>
Total stockholders' equity	<u>7,833,788</u>	<u>8,168,712</u>
Total liabilities and stockholders' equity	<u>\$ 19,105,087</u>	<u>\$ 22,316,286</u>

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

	Three months ended June 30,		Six months ended June 30,	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Revenue:				
Restaurant revenue - company-owned Craft Pizza & Pub	\$1,329,465	\$1,406,865	\$2,472,079	\$2,499,813
Restaurant revenue - company-owned non-traditional	160,020	111,433	330,522	266,117
Franchising revenue	1,620,208	1,088,344	3,213,222	2,555,723
Administrative fees and other	<u>11,112</u>	<u>3,867</u>	<u>27,731</u>	<u>8,118</u>
Total revenue	3,120,805	2,610,509	6,043,554	5,329,771
Operating expenses:				
Restaurant expenses - company-owned Craft Pizza & Pub	1,120,934	804,340	2,131,853	1,776,369
Restaurant expenses - company-owned non-traditional	153,109	76,983	306,818	229,226
Franchising expenses	<u>544,814</u>	<u>267,628</u>	<u>1,039,526</u>	<u>757,984</u>
Total operating expenses	1,818,857	1,148,951	3,478,197	2,763,579
Depreciation and amortization	76,446	98,279	170,045	164,226
General and administrative expenses	<u>424,793</u>	<u>344,374</u>	<u>841,042</u>	<u>793,795</u>
Total expenses	<u>2,320,096</u>	<u>1,591,604</u>	<u>4,489,284</u>	<u>3,721,600</u>
Operating income	<u>800,709</u>	<u>1,018,905</u>	<u>1,554,270</u>	<u>1,608,171</u>
Interest expense	<u>220,268</u>	<u>323,165</u>	<u>347,171</u>	<u>1,249,454</u>
Income before income taxes	580,441	695,740	1,207,099	358,717
Income tax expense (benefit)	<u>139,305</u>	-	<u>289,703</u>	<u>(81,983)</u>
Net income	<u>\$ 441,136</u>	<u>\$ 695,740</u>	<u>\$ 917,396</u>	<u>\$ 440,700</u>

Earnings per share – basic:

Net income before income tax	\$.03	\$.03	\$.06	\$.02
Net income	\$.02	\$.03	\$.04	\$.02
Weighted average number of common shares outstanding	21,742,291	22,215,512	21,707,300	22,215,512

Diluted earnings per share:

Net income before income tax	\$.02	\$.03	\$.05	\$.02
Net income	\$.02	\$.03	\$.04	\$.02
Weighted average number of common shares outstanding	25,663,140	23,465,512	25,633,674	23,465,512