

# NEWS BULLETIN

**RE: NOBLE ROMAN'S, INC.**

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## **Noble Roman's Announces 3rd Quarter 2020 Results**

**(Indianapolis, Indiana)** – November 10, 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 nine-month periods ended September 30, 2020 along with other strategic highlights for the company.

For the three-month and nine-month periods ended September 30, 2020, the company reported total revenues of \$2.9 million and \$8.3 million and an operating income of \$411,000 and \$2.0 million, respectively, compared to revenue of \$3.1 million and \$9.1 million for the corresponding periods in 2019. Interest cost was \$328,000 and \$1.6 million for the three-month and nine-month periods which included \$105,000 and \$903,000 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 \$83,000 and \$524,000, or \$.02 per share, for the three-month and nine-month periods ended September 30, 2020. This compared to \$468,000 and \$1.4 million, or \$.06 per share, for the corresponding periods in 2019.

Despite the pandemic, the company-owned Craft Pizza & Pub restaurants total revenue was \$1.6 million and \$4.1 million for the three-month and nine-month periods ended September 30, 2020 compared to \$1.2 million and \$3.7 million for the corresponding periods in 2019. Margin contribution from the Craft Pizza & Pub restaurants was \$207,000 and \$930,000 for the three-month and nine-month periods ended September 30, 2020 compared to \$144,000 and \$484,000 for the corresponding periods in 2019. That is a margin percentage of 13.2% and 22.8% for the three-month and nine-month periods ended September 30, 2020 compared to 11.8% and 13.2% for the corresponding periods in 2019.

Despite the conditions relating to COVID-19, same store sales at the company-operated Craft Pizza & Pub restaurants continue to improve from the start of the pandemic. In January and February, prior to the pandemic, same store sales were positive by 6.4%. However, in March when the pandemic lockdowns first became effective, same store sales were negative by 31.9%. During the three-month period ended June 30, 2020 same store sales were negative by 28.1%. However, during the three-month period ended September 30, 2020, same store sales were negative by only 6%. Continuing the positive trend, same store sales for the month of October 2020 were only negative by 2%.

Based on results thus far for the Craft Pizza & Pub location that opened in Brownsburg, IN during March 2020, it appears this location is potentially on track to have an annual revenue of approximately \$1.7 million with an operating margin of \$383,000, or a return on investment of approximately 59% in year one.

To achieve the above results in improved dollar margin increases and percentage margin increases, the company has had to overcome some significant challenges. Included in these is a 1% cost of sales

increase due to fluctuating ingredient prices resulting from shortages and inefficiencies in several commodity markets related to the company's supply chain due to the pandemic. Also, as a direct result of the pandemic, the company had to incur approximately 2% in additional operating expenses due to restrictions and requirements as a result of government regulations on various safety precautions in an attempt to minimize the spread of COVID-19.

The company's franchising venue did not perform as well as the Craft Pizza & Pub segment as a result of a significant number of non-traditional franchises being closed at least temporarily as a direct result of various states' restrictions and lockdowns relating to the pandemic. Total royalties and fees from that venue were \$1.3 million and \$3.8 million for the three-month and nine-month periods ended September 30, 2020 compared to \$1.7 million and \$4.9 million for the corresponding periods in 2019. The margin contribution for this venue was \$770,000, or 61.5%, and \$2.6 million, or 67.4%, for the three-month and nine-month periods ended September 30, 2020 compared to \$1.2 million, or 70.1%, and \$3.3 million, or 68.4%, for the corresponding periods in 2019. Most of the expenses for this venue are fixed, therefore the decrease in revenue from the temporary closure of locations results in less margin. Because of the uncertainty of the pandemic and its duration, as well as the unknown ability of individual franchisees to sustain their underlying businesses given protracted economic hardship, it is unclear when or if all of these franchised locations will be reopened.

The company-owned non-traditional venue consists of one hospital location, and the access to and within the hospital has been severely limited to prevent the spread of COVID-19. As a result of these restrictions revenue decreased from \$169,000 to \$92,000 and from \$500,000 to \$365,000 for the three-month and nine-month periods ended September 30, 2020 compared to the corresponding periods in 2019.

The company's general and administrative expense remained nearly constant at \$460,000 and \$1.3 million for the three-month and nine-month periods ended September 30, 2020 compared to the corresponding periods in 2019. Depreciation and amortization expense increased from \$67,000 to \$98,000 and from \$237,000 to \$263,000 for the three-month and nine-month periods ended September 30, 2020 compared to the corresponding periods in 2019. This increase was due to the addition of another Craft Pizza & Pub restaurant opening March 25, 2020.

Some of the additional 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, employee, consumer, commodity and distribution issues pertaining to the ongoing 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 5<sup>th</sup> 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 opening of the 6<sup>th</sup> company-owned Craft Pizza and Pub location in Greenwood, IN on October 12, 2020
- The signing of a lease and construction agreement for the 7<sup>th</sup> company-owned Craft Pizza & Pub location in McCordsville, Indiana which is planned to open near the end of November 2020

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 third-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 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, and on July 4, 2020 restaurants and bars were to be allowed to resume at 100% capacity. The Governor delayed the increase in capacity for a portion of the third quarter. Ultimately the Governor issued another order to allow 100% capacity for restaurants and bars but required certain social distancing rules which effectively limit capacity to much less than 100%. 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 restrictions will have a positive effect on the company's business.

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, entertainment facilities and other businesses in light of COVID-19, which has negatively affected our franchised operations. Host facilities for our non-traditional franchises have 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.

*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>	September 30, <u>2020</u>
Current assets:		
Cash	\$ 218,132	\$ 1,645,073
Accounts receivable - net	978,408	992,633
Inventories	880,660	862,880
Prepaid expenses	<u>784,650</u>	<u>499,505</u>
Total current assets	<u>2,861,850</u>	<u>4,000,090</u>
Property and equipment:		
Equipment	2,899,611	3,159,093
Leasehold improvements	1,187,100	1,571,542
Construction and equipment in progress	<u>374,525</u>	<u>676,042</u>
	4,461,236	5,406,677
Less accumulated depreciation and amortization	<u>1,689,520</u>	<u>1,906,858</u>
Net property and equipment	2,771,716	3,499,819
Deferred tax asset	3,900,221	4,026,815
Deferred contract cost	817,763	813,262
Goodwill	278,466	278,466
Operating lease right of use assets	4,242,416	4,804,507
Other assets including long-term portion of receivables - net	<u>4,232,655</u>	<u>5,135,400</u>
Total assets	<u>\$ 19,105,087</u>	<u>\$ 22,558,359</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current portion of term loan payable to bank	\$ 871,429	\$ -
Accounts payable and accrued expenses	731,059	544,630
Current portion of operating lease liability	<u>333,763</u>	<u>342,763</u>
Total current liabilities	<u>1,936,251</u>	<u>887,393</u>
Long-term obligations:		
Term loans payable to bank (net of current portion)	2,999,275	-
Term loan payable to Corbel	-	7,365,434
Warrant value	-	29,037
Convertible notes payable	1,501,282	568,417
Operating lease liabilities - net of short-term portion	4,016,728	4,638,062
Deferred contract income	<u>817,763</u>	<u>813,262</u>
Total long-term liabilities	<u>9,335,048</u>	<u>13,414,212</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 September 30, 2020)	24,858,311	24,757,079
Accumulated deficit	<u>(17,024,523)</u>	<u>(16,500,325)</u>
Total stockholders' equity	<u>7,833,788</u>	<u>8,256,753</u>
Total liabilities and stockholders' equity	<u>\$ 19,105,087</u>	<u>\$ 22,558,359</u>

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
<b>Revenue:</b>				
Restaurant revenue - company-owned restaurants	\$1,221,843	\$1,583,251	\$3,693,922	\$4,083,064
Restaurant revenue - company-owned non-traditional	169,422	99,255	499,944	365,372
Franchising revenue	1,681,951	1,252,503	4,895,173	3,808,226
Administrative fees and other	<u>6,059</u>	<u>3,073</u>	<u>33,789</u>	<u>11,191</u>
Total revenue	3,079,275	2,938,082	9,122,828	8,267,853
<b>Operating expenses:</b>				
Restaurant expenses - company-owned restaurants	1,077,856	1,376,754	3,209,709	3,153,123
Restaurant expenses - company-owned non-traditional	157,652	108,935	464,470	338,161
Franchising expenses	<u>509,029</u>	<u>482,394</u>	<u>1,548,555</u>	<u>1,240,379</u>
Total operating expenses	1,744,537	1,968,083	5,222,734	4,731,662
Depreciation and amortization	66,872	98,279	236,918	262,505
General and administrative expenses	<u>432,920</u>	<u>460,392</u>	<u>1,273,960</u>	<u>1,254,186</u>
Total expenses	<u>2,244,329</u>	<u>2,526,753</u>	<u>6,733,612</u>	<u>6,248,353</u>
Operating income	<u>834,946</u>	<u>411,329</u>	<u>2,389,217</u>	<u>2,019,500</u>
Interest expense	219,674	327,831	566,845	1,577,285
Income before income taxes	<u>615,272</u>	<u>83,498</u>	<u>1,822,369</u>	<u>442,215</u>
Income tax expense (benefit)	<u>147,665</u>	<u>-</u>	<u>437,369</u>	<u>(81,983)</u>
Net income	<u>\$ 467,607</u>	<u>\$ 83,498</u>	<u>\$ 1,385,003</u>	<u>\$ 524,198</u>

**Earnings per share – basic:**

Net income before income tax	\$ .03	\$ .00	\$ .08	\$ .02
Net income	\$ .02	\$ .00	\$ .06	\$ .02
Weighted average number of common shares outstanding	21,976,283	22,215,512	21,797,946	22,215,512

**Diluted earnings per share:**

Net income before income tax	\$ .03	\$ .00	\$ .08	\$ .02
Net income	\$ .02	\$ .00	\$ .06	\$ .03
Weighted average number of common shares outstanding	23,547,037	23,765,512	23,368,701	23,765,512