

# 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 Reiterates Growth Priorities; Announces Results for the First Six Months Operation of Craft Pizza & Pub; Announces Full Financial Results for the Second Quarter**

**(Indianapolis, Indiana)** –August 14, 2017-- Noble Roman's, Inc. (OTCQB: NROM), the Indianapolis based franchisor and licensor of Noble Roman's Pizza, today issued an important reiteration of its primary opportunities for future revenue growth. Additionally, the company announced the first six-months operating results for its initial Noble Roman's Craft Pizza & Pub location, as well as overall corporate financial results for the quarterly and six-month periods ended June 30, 2017.

### **Strategic Overview of Growth Opportunities**

In a brief statement outlining the company's growth strategy, A. Scott Mobley, the company's president and chief executive officer, said:

“As everyone has an opportunity to study the results of the initial six months of operation of our first flagship Noble Roman's Craft Pizza & Pub (CPP), it will become apparent that this is potentially the company's most valuable growth opportunity. Accordingly, CPP will take a priority position in management's long-term strategic development planning. Initially, this will take the form of constructing three additional CPP units to be company owned and operated, for a total of four company units. Additionally, the company is initializing an effort to franchise CPP with experienced operators in and around the state of Indiana to exploit the marketing synergies of concentric development. One such franchised location is already approaching potential construction stage. At the same time, the company will continue to grow its franchised non-traditional segment, concentrating on growth in convenience stores and entertainment facilities. The non-traditional segment of the company has been a tremendously valuable and reliable producer and, with the recent modernization in kiosk design, stands to be a critically important, on-going growth opportunity as well. Lastly, the company will continue to exploit current opportunities in the grocery segment. The grocery take-n-bake market, which was originally targeted during the Great Recession, presents not only a valuable current revenue source, but as a home meal replacement alternative to dining out, it represents potential additional opportunity in any future economic contraction.”

### **Noble Roman's Craft Pizza & Pub**

The first unit of the company's CPP concept continues to exceed management's pre-opening expectations by over 50%. For the six months that the unit has been open (February thru July), sales were \$935,492 net of discounts and promotions, with a net income from operations of \$259,558, representing an operating margin of 27.7%. According to Mr. Mobley, “Outside of Easter and spring break weekends, the CPP sales have maintained or exceeded grand opening levels throughout the six months.”

The first CPP unit opened in 4,200 square feet of the newly constructed Monon Marketplace on Main Street/Highway 32 in Westfield, Indiana, a prosperous and growing community on the northwest side of

Indianapolis. The pizzeria concept has a hint of nostalgia with a modern flair and substantial new innovations. The CPP harkens back to the company's early history when it was known simply as "Pizza Pub." Like then, for fast and efficient service that is easy to staff and manage, ordering takes place at the counter and food runners deliver orders to the dining room for dine-in guests. The CPP features many exciting enhancements over the current competitive landscape, particularly when compared to the fast-casual segment from which it differs greatly. As the name implies, the restaurant features two styles of hand-crafted, made-from-scratch pizzas with a selection of over 40 different toppings, cheeses and sauces from which to choose. The pizza offerings feature Noble Roman's traditional hand-crafted thinner crust as well as its signature deep-dish Sicilian crust. Beer and wine is also featured, with 16 different beers on tap including both national and local craft selections.

CPP features fast and efficient service, but it is a full-featured, family-friendly pizzeria rather than a more limited, fast-casual concept. New technology and extensive R&D are bringing amazingly fast cook times, with oven speeds running only 2.5 minutes for traditional pies and 5.75 minutes for Sicilian pies. And not just individual pizzas, as with the more menu-limited fast casual chains, but medium and full-sized large pizzas as well – an essential component, the company believes, to offer that full-fledged pizzeria experience where dinner time meals are a shared experience. Traditional pizza favorites such as pepperoni are obvious options on the menu, but also offered is a fun selection of original creations such as "Pig in the Apple Tree," a pizza featuring bacon, diced apples, candied walnuts and gorgonzola cheese. The menu also features a selection of contemporary and fresh, made-to-order salads such as "Avocado Chicken Caesar," and fresh-cooked pasta like "Chicken Fettuccine Alfredo." Baked subs, hand-sauced wings, a selection of desserts and, of course, Noble Roman's famous Breadsticks with Spicy Cheese Sauce also make the menu.

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 alike enjoy Noble Roman's root beer tap, which is also part of a special menu for customers 12 and younger. Throughout the dining room and the bar area are thirteen large and giant screen TV monitors for sports and the nostalgic black & white shorts featured in Noble Roman's earlier days.

### **Financial Results for the Six-Month Period ended June 30, 2017 Compared to the Comparable Period Ended in 2016**

- Total revenue was \$4.7 million compared to \$3.7 million (a 27.0% increase).
- Operating income was \$1.4 million compared to \$1.5 million.
- Net income before taxes was \$1.1 million compared to \$617,000.
- Net income was \$774,000, or \$.04 per basic share, compared to a net income of \$381,000, or \$.02 per basic share.
- Upfront franchisee fees and commissions were \$140,000 compared to \$139,000.
- Royalties and fees less upfront fees were \$3.2 million compared to \$3.5 million. The decrease was a result of retiring the stand-alone take-n-bake concept. This loss in revenue was more than offset by the additional revenue of \$776,000 from the new Craft Pizza & Pub location.
- Royalties and fees from non-traditional franchises other than grocery stores were \$2.15 million compared to \$2.11 million.
- Royalties and fees from grocery store take-n-bake locations were \$891,000 compared to \$1.0 million.
- Royalties and fees from stand-alone take-n-bake locations were \$32,000 compared to \$211,000, as a result of discontinuing franchising in the stand-alone take-n-bake venue.

## Financial Results for the Three-Month Period ended June 30, 2017 Compared to the Comparable Period Ended in 2016

- Total revenue was \$2.5 million compared to \$1.9 million (a 31.6% increase).
- Operating income was \$740,000 compared to \$880,000.
- Net income before taxes was \$755,000 compared to \$47,000.
- Net income was \$581,000, or \$.03 per basic share, compared to a net income of \$31,000, or \$.00 per basic share.
- Upfront franchise fees and commissions were \$76,000 compared to \$83,000.
- Royalties and fees less upfront fees were \$1.6 million compared to \$1.8 million. The decrease was a result of retiring the stand-alone take-n-bake concept. This loss in revenue was more than offset by the additional revenue of \$460,000 from the new Craft Pizza & Pub location.
- Royalties and fees from non-traditional franchises other than grocery stores were \$1.13 million compared to \$1.11 million.
- Royalties and fees from grocery store take-n-bake locations were \$429,000 compared to \$530,000.
- Royalties and fees from stand-alone take-n-bake locations were \$15,000 compared to \$88,000, as a result of discontinuing franchising in the stand-alone take-n-bake venue.

### Balance Sheet Summary

Current assets totaled \$3.9 million and current liabilities totaled \$2.9 million as of June 30, 2017 compared to total current assets of \$4.6 million and current liabilities of \$2.1 million as of December 31, 2016. The primary reason for this decrease in the company's current ratio was from reclassifying the current portion of the deferred tax assets to long-term assets in accordance with the Financial Accounting Standards Board's recently issued Accounting Standards Update as a part of its Simplification Initiative. In addition, since the company's term loan with the bank matures on March 31, 2018, it was reclassified to current liabilities. Total stockholders' equity as of June 30, 2017 was \$14.8 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 completion of its proposed refinancing, 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.*

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

<b>Assets</b>	December 31, <u>2016</u>	June 30, <u>2017</u>
Current assets:		
Cash	\$ 477,928	\$ 223,192
Accounts receivable - net	1,828,534	2,191,043
Inventories	754,418	744,233
Prepaid expenses	568,386	765,108
Deferred tax asset - current portion	<u>925,000</u>	<u>-</u>
Total current assets	<u>4,554,266</u>	<u>3,923,576</u>
Property and equipment:		
Equipment	1,963,957	2,238,470
Leasehold improvements	88,718	271,697
Construction and equipment in progress	<u>351,533</u>	<u>-</u>
	2,404,208	2,510,167
Less accumulated depreciation and amortization	<u>1,194,888</u>	<u>1,280,116</u>
Net property and equipment	1,209,320	1,230,051
Deferred tax asset (net of current portion)	8,696,870	9,329,392
Goodwill	278,466	278,466
Other assets including long-term portion of receivables - net	<u>5,159,937</u>	<u>5,740,129</u>
Total assets	<u>\$ 19,898,859</u>	<u>\$ 20,501,614</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current portion of term loan payable to bank	\$ 655,725	\$ 1,038,591
Current portion of loan payable to Super G	1,130,765	1,483,270
Accounts payable and accrued expenses	<u>339,125</u>	<u>354,010</u>
Total current liabilities	<u>2,125,615</u>	<u>2,875,871</u>
Long-term obligations:		
Term loan payable to bank (net of current portion)	710,729	-
Loan payable to Super G (net of current portion)	718,175	-
Notes payable to officers	310,000	910,000
Notes payable to Kingsway America	600,000	-
Convertible notes payable	769,835	956,427
Derivative warrant liability	210,404	344,178
Derivative conversion liability	<u>435,671</u>	<u>613,224</u>
Total long-term liabilities	<u>3,754,814</u>	<u>2,823,829</u>
Stockholders' equity:		
Common stock – no par value (40,000,000 shares authorized, 20,783,032 issued and outstanding as of December 31, 2016 and June 30, 2017)	24,308,297	24,318,165
Accumulated deficit	<u>(10,289,867)</u>	<u>(9,516,251)</u>
Total stockholders' equity	<u>14,018,430</u>	<u>14,801,914</u>
Total liabilities and stockholders' equity	<u>\$ 19,898,859</u>	<u>\$ 20,501,614</u>

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

	Three-Months Ended		Six-Months Ended	
	June 30,		June 30,	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Revenue:				
Royalties and fees	\$ 1,874,235	\$ 1,715,674	\$ 3,590,546	\$ 3,328,594
Administrative fees and other	10,635	11,871	21,709	23,941
Restaurant revenue - Craft Pizza & Pub	-	459,907	-	766,217
Restaurant revenue - non-traditional	<u>55,554</u>	<u>279,034</u>	<u>107,047</u>	<u>560,352</u>
Total revenue	1,940,424	2,466,486	3,719,302	4,679,104
Operating expenses:				
Salaries and wages	232,601	242,187	483,909	481,894
Trade show expense	130,441	123,456	258,877	245,112
Travel expense	34,407	48,134	95,674	108,428
Broker commissions	21,821	-	21,821	-
Other operating expenses	179,971	229,044	375,284	427,734
Restaurant expenses - Craft Pizza & Pub	-	341,971	-	555,117
Restaurant expenses - non-traditional	44,173	275,023	89,905	548,396
Depreciation and amortization	31,675	59,870	61,087	111,763
General and administrative	<u>384,666</u>	<u>407,615</u>	<u>790,475</u>	<u>812,087</u>
Total expenses	<u>1,059,755</u>	<u>1,727,300</u>	<u>2,177,032</u>	<u>3,290,531</u>
Operating income	880,669	739,186	1,542,270	1,388,573
Interest	82,735	298,759	137,941	619,753
Loss on restaurant discontinued	-	-	36,776	-
Adjust valuation of receivables	750,659	-	750,659	-
Change in fair value of derivatives	<u>-</u>	<u>(314,900)</u>	<u>-</u>	<u>(297,273)</u>
Income before income taxes	47,275	755,327	616,894	1,066,093
Income tax expense	<u>15,877</u>	<u>174,255</u>	<u>235,699</u>	<u>292,477</u>
Net income	\$ 31,398	\$ 581,072	\$ 381,195	\$ 773,616
<b>Earnings per share – basic:</b>				
Net income	\$ .00	\$ .03	\$ .02	\$ .04
Weighted average number of common shares outstanding	20,483,091	20,783,032	20,780,727	20,783,032
<b>Diluted earnings per share:</b>				
Net income	\$ .00	\$ .02	\$ .02	\$ .03
Weighted average number of common shares outstanding	20,974,419	25,774,314	20,972,114	25,569,895