

# NEWS BULLETIN

RE: NOBLE ROMAN'S, INC.

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**Noble Roman's Highlights Third Quarter Events;  
Announces First Eight Month Operating Results for Craft Pizza & Pub;  
Announces Full Financial Results for the Third Quarter and Year-to-Date.**

**(Indianapolis, Indiana)** – November 14, 2017-- Noble Roman's, Inc. (OTCQB: NROM), the Indianapolis based franchisor and licensor of Noble Roman's Pizza, today announced highlights from the most recent three-month and nine-month periods ended September 30, 2017.

On September 13, 2017, the company entered into a loan agreement with First Financial Bank which provides a senior credit facility consisting of: (i) a term loan in the amount of \$4.5 million; and (ii) a development line of credit of up to \$1.6 million. Borrowings under the credit facility bear interest at a variable annual rate equal to LIBOR plus 4.25%. All outstanding amounts owed under the agreement are to be repaid monthly on a seven-year amortization schedule with the balance due on September 13, 2022. Proceeds of the term loan were used to repay all existing indebtedness of the company, except for its subordinated convertibles notes, to pay certain expenses related to the credit facility and with the remainder used for general corporate purposes. The company may draw on the development line of credit in three tranches of up to \$550,000 each for eligible costs incurred to build-out three new Noble Roman's Craft Pizza & Pub locations. Repayment of advances under each tranche of the development loan will begin four months following the draw of each tranche based on a seven-year principal amortization schedule plus interest at the rate of LIBOR plus 4.25%, with the balance due on September 13, 2022. The recently completed refinancing will substantially lower the company's monthly debt service requirement and cash interest expense. As currently structured, including interest on the subordinated debt, based on today's interest rates and the anticipated drawdown on the development loan, the company's cash interest expense will be lowered to approximately \$539,000 for the next 12 months compared to cash interest of \$1.2 million for the last twelve months.

The first unit of the company's Craft Pizza & Pub ("CPP") concept continues to exceed management's pre-opening expectations. For the eight months that the unit has been open (February through September), sales were \$1.22 million net of discounts and promotions, with a net income of \$321,000. The company reiterated that the second CPP location is on schedule to open on November 17, 2017 and the third CPP is scheduled to open mid-January, 2018. In addition, the company is considering a variety of locations for its fourth location to open in early spring, 2018. The first franchised CPP location is now under construction to open in the first quarter of 2018 as well. As previously announced, the company has engaged a search firm to assist in recruiting an experienced vice president of development for the CPP concept as well as another proven sales person to add to the sales capacity for the company's non-traditional franchises.

The CPP 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 in personal,

medium and large sizes 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.

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 self-serve 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 Three-Month Period ended September 30, 2017 Compared to the Comparable Period Ended in 2016**

- Total revenue was \$2.5 million compared to \$2.0 million (a 24.3% increase).
- Operating income was \$761,000 compared to \$856,000.
- Expense from change in fair value of derivatives was \$930,000 compared to none. Management believes that the requirement to treat its convertible notes as derivatives results in significant and arbitrary quarterly adjustments, which are not a reflection of operating results, but such treatment is currently required under generally accepted accounting principles. The accounting treatment of derivative financial instruments require that the company record these instruments at their 'fair value' as of the inception date and at a 'fair value' on each substantive balance sheet date. Any change in 'fair value' is recorded as non-operating, non-cash income or expense which goes away upon conversion of the convertible note or exercise of the warrant.
- Interest expense was \$601,000 compared to \$154,000. As explained above, as a result of the refinancing, interest expense will be significantly reduced in future quarters.
- Net loss before taxes from continuing operations was \$1.1 million compared to income of \$702,000.
- Loss from discontinued operations net of tax benefit was \$129,000 compared to \$1.4 million. This expense is expected to be minimal in future periods.
- Net loss was \$1.2 million, or \$.06 per basic share, compared to a net loss of \$993,000, or \$.05 per basic share.
- Upfront franchise fees and commissions were \$58,000 compared to \$83,000.
- Royalties and fees less upfront fees were \$1.7 million compared to \$1.9 million. The decrease was primarily the result of retiring the stand-alone take-n-bake concept. This loss in revenue was more than offset by the additional revenue of \$457,000 from the new Craft Pizza & Pub location.
- Royalties and fees from non-traditional locations other than grocery stores were \$1.2 million compared to \$1.2 million. The recruitment of an additional sales person could increase this revenue in the future.
- Royalties and fees from grocery store take-n-bake locations were \$425,000 compared to \$530,000.
- Royalties and fees from stand-alone take-n-bake locations were \$2,000 compared to \$65,000, as a result of discontinuing franchising in the stand-alone take-n-bake venue.

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

- Total revenue was \$7.2 million compared to \$5.7 million (a 25.3% increase).
- Operating income was \$2.1 million compared to \$2.4 million.
- Expense from change in fair value of derivatives was \$633,000 compared to none. Management believes that the requirement to treat its convertible notes as derivatives results in significant and arbitrary quarterly adjustments, which are not a reflection of operating results, but such treatment is currently required under

generally accepted accounting principles. The accounting treatment of derivative financial instruments require that the company record these instruments at their 'fair value' as of the inception date and at a 'fair value' on each substantive balance sheet date. Any change in 'fair value' is recorded as non-operating, non-cash income or expense which goes away upon conversion of the convertible note or exercise of the warrant.

- Interest expense was \$1.2 million compared to \$292,000. As explained above, as a result of the refinancing, interest expense will be significantly reduced in future periods.
- Net loss before taxes from continuing operations was \$54,000 compared to income of \$1.3 million.
- Loss from discontinued operations net of tax benefit was \$129,000 compared to \$1.4 million. This expense is expected to be minimal in future periods.
- Net loss was \$403,000, or \$.02 per basic share, compared to a net loss of \$611,000, or \$.03 per basic share.
- Upfront franchisee fees and commissions were \$198,000 compared to \$222,000.
- Royalties and fees less upfront fees were \$4.9 million compared to \$5.3 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 \$1.2 million from the new Craft Pizza & Pub location.
- Royalties and fees from non-traditional franchises other than grocery stores were \$3.3 million compared to \$3.3 million. The recruitment of an additional sales person could increase this revenue in the future.
- Royalties and fees from grocery store take-n-bake locations were \$1.3 million compared to \$1.5 million.
- Royalties and fees from stand-alone take-n-bake locations were \$65,000 compared to \$276,000, as a result of discontinuing franchising in the stand-alone take-n-bake venue.

## **Balance Sheet Summary**

Current assets totaled \$4.3 million and current liabilities totaled \$1.1 million as of September 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 the change was refinancing all of the Company's debt except the subordinated convertible notes on a seven-year amortization with a five-year due date. That improvement was partially offset by reclassifying the current portion of deferred tax asset to long-term in accordance with the Financial Accounting Standards Board (the "FASB") recently issued Accounting Standards Update ("ASU") 2015-17 as part of its Simplification Initiative. Total stockholders' equity as of September 30, 2017 was \$13.6 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 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, 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>2016</u>	September 30, <u>2017</u>
Current assets:		
Cash	\$ 477,928	\$ 381,814
Accounts receivable - net	1,828,534	2,376,922
Inventories	754,418	726,883
Prepaid expenses	568,386	810,575
Deferred tax asset - current portion	<u>925,000</u>	<u>-</u>
Total current assets	<u>4,554,266</u>	<u>4,296,194</u>
Property and equipment:		
Equipment	1,963,957	2,239,267
Leasehold improvements	88,718	271,697
Construction and equipment in progress	<u>351,533</u>	<u>131,032</u>
	2,404,208	2,641,996
Less accumulated depreciation and amortization	<u>1,194,888</u>	<u>1,323,934</u>
Net property and equipment	1,209,320	1,318,062
Deferred tax asset (net of current portion)	8,696,870	9,481,008
Goodwill	278,466	278,466
Other assets including long-term portion of receivables - net	<u>5,159,937</u>	<u>5,717,465</u>
Total assets	<u>\$ 19,898,859</u>	<u>\$ 21,091,195</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current portion of term loan payable to bank	\$ 655,725	\$ 642,857
Current portion of loan payable to Super G	1,130,765	-
Accounts payable and accrued expenses	<u>339,125</u>	<u>422,251</u>
Total current liabilities	<u>2,125,615</u>	<u>1,065,108</u>
Long-term obligations:		
Term loan payable to bank (net of current portion)	710,729	3,471,932
Loan payable to Super G (net of current portion)	718,175	-
Notes payable to officers	310,000	-
Notes payable to Kingsway America	600,000	-
Convertible notes payable	769,835	1,037,050
Derivative warrant liability	210,404	685,154
Derivative conversion liability	<u>435,671</u>	<u>1,202,058</u>
Total long-term liabilities	<u>3,754,814</u>	<u>6,396,194</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 September 30, 2017)	24,308,297	24,322,885
Accumulated deficit	<u>(10,289,867)</u>	<u>(10,692,992)</u>
Total stockholders' equity	<u>14,018,430</u>	<u>13,629,893</u>
Total liabilities and stockholders' equity	<u>\$ 19,898,859</u>	<u>\$ 21,091,195</u>

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

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Revenue:				
Royalties and fees	\$1,953,843	\$1,733,956	\$ 5,544,389	\$5,062,549
Administrative fees and other	12,459	10,992	34,168	34,933
Restaurant revenue - Craft Pizza & Pub	-	457,133	-	1,223,351
Restaurant revenue - non-traditional	<u>55,691</u>	<u>310,840</u>	<u>162,737</u>	<u>871,192</u>
Total revenue	2,021,993	2,512,921	5,741,294	7,192,025
Operating expenses:				
Salaries and wages	275,694	216,432	759,603	698,326
Trade show expense	124,209	126,361	383,086	371,472
Travel expense	57,010	37,589	152,684	146,017
Other operating expenses	210,787	222,045	607,893	649,778
Restaurant expenses - Craft Pizza & Pub	-	347,342	-	902,459
Restaurant expenses - non-traditional	51,270	307,583	141,175	855,980
Depreciation and amortization	31,675	60,127	92,763	171,890
General and administrative	<u>415,487</u>	<u>434,532</u>	<u>1,205,961</u>	<u>1,246,620</u>
Total expenses	<u>1,166,133</u>	<u>1,757,011</u>	<u>3,343,164</u>	<u>5,042,542</u>
Operating income	855,860	760,910	2,398,130	2,149,483
Interest	153,882	601,192	291,822	1,220,945
Loss on restaurant discontinued	-	-	36,776	-
Adjust valuation of receivables	-	350,000	750,659	350,000
Change in fair value of derivatives	<u>-</u>	<u>929,810</u>	<u>-</u>	<u>632,537</u>
Income (loss) before income taxes from continuing operations	701,978	(1,120,092)	1,318,873	(53,999)
Income tax expense (benefit)	<u>268,208</u>	<u>(72,388)</u>	<u>503,907</u>	<u>220,089</u>
Net income (loss) from continuing operations	433,770	(1,047,704)	814,966	(274,088)
Loss from discontinued operations net of tax benefits of \$881,902 for 2016 and \$79,228 for 2017	<u>(1,426,289)</u>	<u>(129,037)</u>	<u>(1,426,289)</u>	<u>(129,037)</u>
Net loss	<u>\$ (992,519)</u>	<u>\$ (1,176,741)</u>	<u>\$ (611,323)</u>	<u>\$ (403,125)</u>
<b>Earnings per share - basic</b>				
Net income (loss) from continuing operations	.02	(.05)	.04	(.01)
Net loss from discontinued operations net of tax benefit	(.07)	(.01)	(.07)	(.01)
Net loss	(.05)	(.06)	(.03)	(.02)
Weighted average number of common shares outstanding	20,783,032	20,783,032	20,781,501	20,783,032
<b>Diluted earnings per share:</b>				
Net income from continuing operations	.02	(.04)	.04	(.01)
Net loss from discontinued operations net of tax benefit	(.07)	(.01)	(.07)	(.01)
Net loss	(.05)	(.05)	(.03)	(.02)
Weighted average number of common shares outstanding	20,924,077	25,792,995	20,922,546	25,657,464