

# Business Review

Annual Shareholder's Meeting  
July 7, 2016

**Noble Roman's<sup>®</sup> Inc.**

# Presentation Overview

---

An examination of the historical context and anticipated developments in the company's business strategy.

- A Quick Overview of the Company's Business Model
- Developments in Primary Business Venues
- R&D Venue Update: Stand-Alone & Grocery Venues
- Brief Look at Relevant Commodity Prices

# Business Model

---

- ◎ Three Growth Venues
  - Grocery Take-n-Bake Licensing
  - Non-Traditional Franchising
  - Stand-Alone Franchising

---

# Grocery Take-n-Bake Venue

# Grocery Take-n-Bake Licensing

---

- ◉ Licensing of Individual Groceries to Sell Noble Roman's Pizza
- ◉ Made Fresh Daily in the Grocery Deli
- ◉ Component Program Using Noble Roman's Ingredients
  - Does not come pre-assembled – delis assemble pizzas from standard Noble Roman's ingredients

# Grocery Take-n-Bake Licensing

---

- ◎ Take-n-Bake Pizzas are Merchandised in Customer Accessible Coolers in the Deli Area
- ◎ Hot Program Add-On
  - Bake Full-Sized Pizzas On Site
  - Serve Hot Pizza by the SuperSlice
- ◎ Custom Pizzeria Add-On
  - Make Custom Pizzas to Order at the Deli Counter
  - Either for Take-n-Bake or Baked in Store

# Grocery Take-n-Bake Licensing



Newport News, VA

Andover, MN



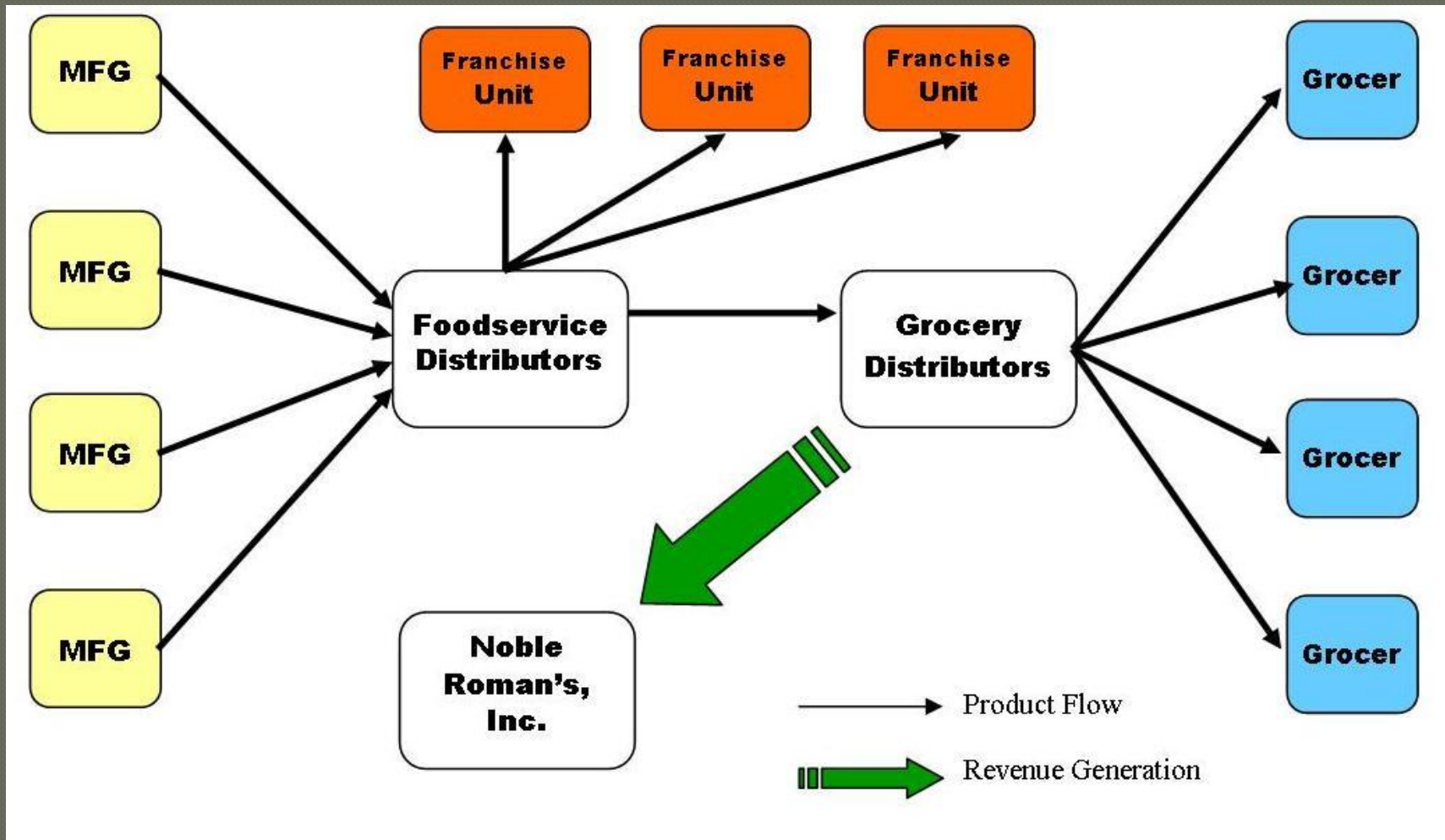
# Revenue Generation – Grocery Venue

---

- ◉ NRI Cannot Use the Royalty System it Uses in Non-Traditional and Stand-Alone Franchises
  - No On-Going Direct Relationship with Grocers
- ◉ Grocery Distributors Pay a Product Premium When they Purchase Noble Roman's Ingredients
- ◉ This Product Premium is Forwarded Through the System to NRI
- ◉ Referred to as “Fee in Lieu of Royalty”



# Revenue Generation – Grocery Venue



---

# Non-Traditional Venue

# Non-Traditional Units

---

- ◉ Typically Located in a Host Facility Whose Principal Business is Other than Foodservice
- ◉ Adding Pizza-Focused Foodservice
  - As a Revenue Center
  - As a Facility Draw
  - As an Employee Benefit
- ◉ Usually the Host Facility Owner is also the Franchisee, but not Always

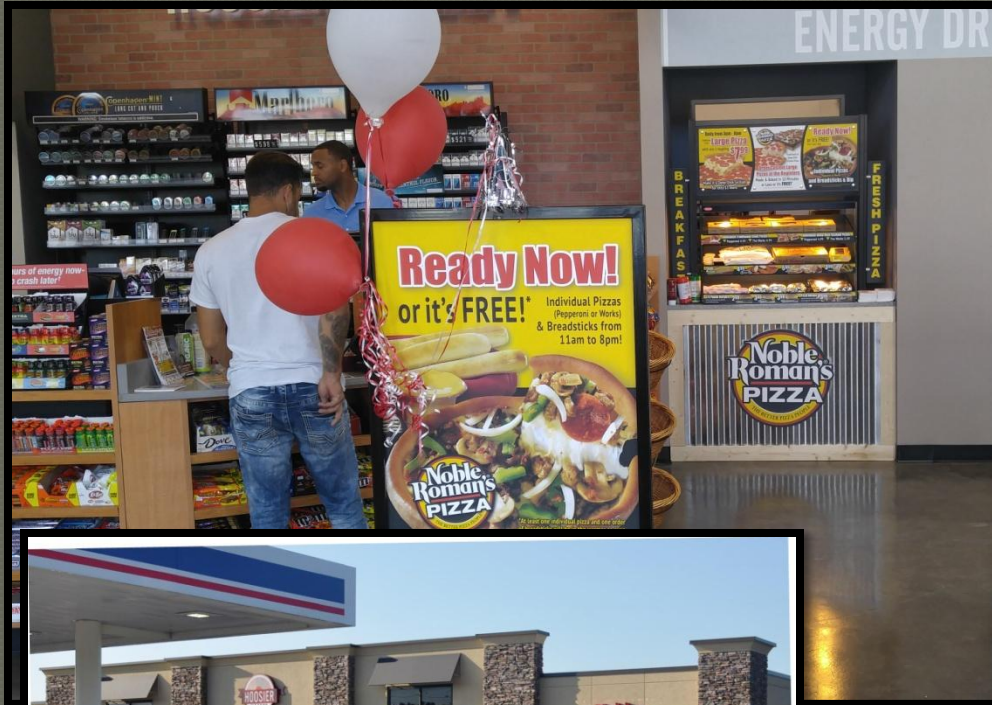
# Non-Traditional Units

---

## ◎ Example Types of Locations

- Convenience Stores
- Walmart® / Retail Centers
- Entertainment Facilities
- Bowling Centers
- Hospitals
- Military Bases

# Non-Traditional Units



Carmel, IN



Indianapolis, IN

# Non-Traditional Units



Walmart, Myrtle Beach, SC

# Revenue Generation – Non-Traditional Venue

---

- ◎ In the Majority of Situations the Franchisee Pays Weekly Royalty Based on Sales
- ◎ Sometimes a Franchisee Pays a Fee in Lieu of Royalty Based on Ingredient Purchases Instead of Royalty
  - Franchisee Opts for this Arrangement Based on Situation or Structure
  - NRI Sometimes Insists on Arrangement if Previous Royalty Collection Issues
- ◎ Never Pays Both Fee in Lieu of Royalty & Royalty

---

# Stand-Alone Venue



# Stand-Alone Units

---

- ◎ Traditional Pizzeria Locations
- ◎ Take-n-Bake Locations
- ◎ Convergence Over Time Between the Types of Stand-Alone Units
  - Live Yeast Dough
  - Hand-Rolled Breadsticks
  - Baking Services

# Stand-Alone Units

---

A great deal of time and R&D has been expended in certain units as well as extensive lab work on developing a new prototype stand-alone unit which consolidates the venue.

# Revenue Generation – Stand-Alone Venue

---

- ◎ This Venue Always Utilizes Standard Weekly Royalty Based on Sales
- ◎ This Venue Never Utilizes Fee in Lieu of Royalty

# Recent Venue Enhancements and R&D Projects

---

Current & Anticipated  
Program Updates

# Revamped Non-Traditional Kiosks

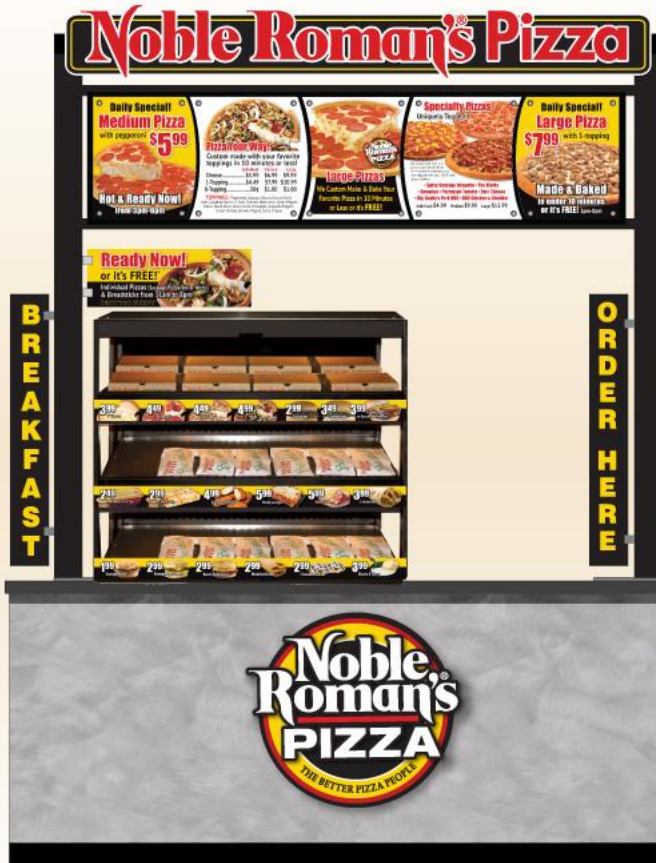
## Previous Kiosk Design



# Revamped Non-Traditional Kiosks

New Kiosk Design Featuring 3 Program Levels

## Kiosk Options



# Non-Traditional Program Levels

---

- ◎ **Full Program:** Up to a full pizzeria menu, functioning as a traditional pizzeria inside the host facility
- ◎ **Limited Program:** Reduced menu and equipment investment while maintaining ability to sell larger pizzas
- ◎ **Basic Program:** Minimal investment concentrating largely on grab-n-go menu items

# Program Level Investment

---

- ◎ Full Program: \$29,579
- ◎ Limited Program: \$23,259
- ◎ Basic Program: \$14,979

Based on estimated equipment and other costs as of 6/25/16, not including such items as internal remodeling or counter costs, etc.



# Next Generation Stand-Alone Unit

## R&D Stage 3: Implementation

---

- ◉ Next Generation Stand-Alone Unit Progressing in R&D
- ◉ Preliminary Target of First Unit to Open in 4<sup>th</sup> Quarter of 2016
- ◉ First 1-2 Units Projected to Initially be Company Owned and Operated

# New Dough Recipe

---

- ◉ R&D Includes Addition of an All New, Thinner Traditional Dough
- ◉ Designed with Current Thinner Preferences in Mind
- ◉ Unlike Many New Versions from Competitors, Maintains Great, Buttery Flavor
- ◉ Designed to Have Crispy Exterior & Chewy Interior

# New Oven Technology

---

- ◎ Starts with New Base Oven Unit from Manufacturer
- ◎ Systemically Incorporates Many Previous NRI Advances
- ◎ All New Oven Mechanicals Bakes Faster, Quieter and More Cost Efficiently
- ◎ Adds New Noble Roman's Adjustments:
  - Higher Velocity Impingement
  - Compensates Airflow for Proper Caramelization

# New Super Fast Bake Time!

---

- New Dough R&D Combined with New Oven R&D Intended to Substantially Decrease Bake Time

**2 Minutes 30 Seconds**

Oven Belt Speed for New Pizza Crust

- Current Oven Belt Speed for Traditional Crust Pizza Ranges from 7 to 10 Minutes

# Fast Total Service Time!

---

## ◎ From Order to Customer, Total Service Time is Only About 5 Minutes:

- Pizza Make Time – Approximately 1m 30s
- Pizza Bake Time – Approximately 3m
- Post Bake Handling – Approximately 30s

**5** minutes

# New Dough & Oven Advantages

---

- ◉ Substantial Increased Marketing Opportunity
- ◉ Ability to Create Custom-Topped Pizzas on the Fly
- ◉ To be Shown Next, Flexibility Extends to Both Primary Dayparts:
  - Lunch
  - Dinner

# R&D Advances Allow 3 Sizes

---

## ◎ Traditional Crust Sizes

- 9" Individual – Serves 1
- 12" Medium – Serves 2-3
- 14" Large – Serves 3-4

# Benefits of Larger Pizza Sizes

---

- ◉ Other Quick Service Pizzerias Tend to Focus Only on Individual Pizzas
- ◉ Larger Pizzas Fit Customer Experience with Food Category
- ◉ Pizza for Dinner Traditionally a Social, “Family Style” Shared Event
- ◉ Availability of Larger Sizes Could Significantly Enhance Dinner Segment



# Oven R&D Benefits Sicilian Pizza

---

- New Oven Technology and Baking R&D Greatly Accelerates Cook Time on the Company's Signature Deep-Dish Sicilian Pizza

**7 Minutes 15 Seconds**

Oven Belt Speed for Sicilian Crust Pizza

- Currently Requires Oven Belt Speed of 15-18 Minutes

# Multiple Deep-Dish Sicilian Sizes

---

- ◎ Deep Dish Sicilian Pizza Will be Available in 3 Sizes as Well:
  - 6"x6" Individual
  - 8"x10" Medium
  - 10"x14" Large



Sample:

# Fun New Toppings

---

## ◎ Sample of New Topping Additions:

- Garlic-Basil Pesto Sauce
- Spicy Chorizo Sausage
- Sweet Peruvian Pepper Drops
- Dried Cranberries
- Diced Apples
- Cured Dry Salami
- Italian Meatball Crumbles
- Gorgonzola Cheese

Sample:

# Fun New Specialty Pizzas

- ◎ **Yucatan Sunset**
  - Wild Mushroom Mix
  - Spicy Chorizo Sausage
  - Sweet Peruvian Pepper Drops
- ◎ **Pig in the Apple Tree**
  - Bacon
  - Diced Apple
  - Crushed Candied Walnuts
  - Gorgonzola Cheese
- ◎ **Tangy Chicken Pesto**
  - Pesto Sauce
  - Grilled Chicken
  - Fresh Sliced Tomato
  - Sweet Red Onion
- ◎ **Hawaiian Luau**
  - BBQ Sauce
  - Canadian Bacon
  - Pineapple Tidbits
  - Crushed Macadamia Nuts
- ◎ **Ode to Mushrooms**
  - Mixed Wild Mushrooms
  - Fresh Spinach
  - Dried Cranberries
  - Parmesan Cheese
- ◎ **Fire in the Hole**
  - Spicy Chorizo Sausage
  - Tri-Colored Jalapeños
  - Sweet Red Onion
  - Cheddar Cheese

Anticipating 8-10 Total Specialty Pizzas

Sample:

# Fun New Specialty Salads

---

## ◎ Avocado Chicken Caesar

- Romaine Lettuce, Grilled Chicken, Avocado, Croutons, Shredded Parmesan
- Recommended: Royal Caesar Dressing

## ◎ Chop-Chop Italian

- Romaine Lettuce, Pepperoni, Dry Cured Salami, Cucumbers, Tomatoes, Black Olives, Parmesan Cheese
- Recommended: Olde Venice Italian Vinaigrette

## ◎ Boar & Shrooms

- Spring Lettuce Mix, Diced Prosciutto, Wild Mushroom Mix, Crushed Walnuts, Dried Cranberries, Shredded Parmesan
- Recommended: Olive Oil & Balsamic Vinegar

Anticipating 6 Total Specialty Salads

# Additional New Menu Items

---

## ◎ Traditional Pasta

- Choice of 3 Noodles: Spaghetti, Fettuccine, Penne
- Choice of 3 Sauces: Marinara, Alfredo, Pesto
- Choice of Add-ons: Meatballs, Chicken, Bacon, Italian Sausage

## ◎ Great Balls of Fire

- Meatballs simmered in Marinara with Crushed Red Pepper and Parmesan Cheese

## ◎ Dessert

- Tiramisu, Flourless Chocolate Cake, Cheesecake
- All Pre-Made and Pre-Sliced, Ready-to-Go

# New Stand-Alone Basic Features

---

- ◎ Approximately 3,000 Square Feet
- ◎ Dining Room to Seat About 100
- ◎ Counter Service Designed for Speed
- ◎ Large Screen TVs
  - Featuring sports
  - Also one screen with old time movies and cartoons – nostalgia
- ◎ Country Italian Décor with a Touch of Noble Roman's Nostalgia

# Stand-Alone Special Features

---

## ◎ Dough Cage!

- A Glassed-In Room in the Dining Room Where All Dough and Breadsticks are Made from Scratch Daily
- Completely Visible to Customers
  - Stresses Hand-Crafted Nature of Our Product
  - Provides Potential for Entertaining Activity



# Stand-Alone Special Features

---

## ◎ Dusting & Drizzle Station

- Bar Counter in Dining Room where Patrons May Personalize their Pizzas with a Variety of Sprinkles and Drizzles:- for example:
  - Parmesan Cheese
  - Crushed Red Pepper
  - Pine Nuts
  - Mixed Italian Spices
  - Basil Infused Olive Oil
  - Honey
  - Sriracha Sauce
  - BBQ Sauce

# Stand-Alone Special Features

---

## ◎ Beer & Wine Bar

- Bar Service or Table Service
- Selection of Craft Beers and Standards
  - Draft and Bottled
- 6 Varieties Each of Red & White Wine
  - 3 Standard Level & 3 House Level
  - 2 Each Light-, Medium- and Full-Bodied

## ◎ Fresh Root Beer Tap for Kids

# Stand-Alone POS System

---

- ◎ Smart POS System to Connect with Alternative Ordering & Marketing Systems
  - Web-Based Internet Ordering
  - Mobile App-Based Ordering
  - Loyalty Club

# Preliminary Design Work

---



The Company is Engaging a Marketing Firm to Assist in Interior Design and Marketing Signage, Logos and Materials.

# Grocery Venue Pre-Topped Pizza R&D Stage 2: Project Feasibility Study

---

- ◎ **Current Program for Grocers Entirely Component Based**
  - Pizza Ingredients Bought Separately
  - Grocer uses Labor to Assemble and package
- ◎ **Pre-Topped Program Alternative Would Have Pizzas Assembled by an External Production Facility**
  - Grocer Would buy Pre-Assembled, Pre-Boxed Pizzas and Display for Sale

# Grocery Venue Pre-Topped Pizza

## R&D Stage 2: Project Feasibility Study

---

- ◎ Pre-Topped Pizza Advantages for Grocery Venue
  - Does Not Require Grocer Labor
  - Product Made Consistently
  - Easier to Track Sales at the Grocer Level
  - Much Less Expensive for NRI to Sell, Train and Administer
- ◎ Pre-Topped Pizza Disadvantages
  - No Longer “Made Fresh Here Daily”
  - Less Differentiation with Other Programs
  - Production & Distribution Logistics
  - Economic Questions
- ◎ Overall: Being Carefully Considered as a Faster More Reliable Way to Grow and Monitor the Venue

# External Commodity Factors

---

Commodity Pricing Update

# Sample Commodity Prices

	Last 12 Months	Year-to-Date	Last Month
Beef	-9.9 %	+12.8%	+1.4%
Pork	-4.3%	+36.4%	+14.2%
Wheat	-18.4%	-4.3%	-3.6%
Crude Oil	-20.9%	+47.8%	+14.4%



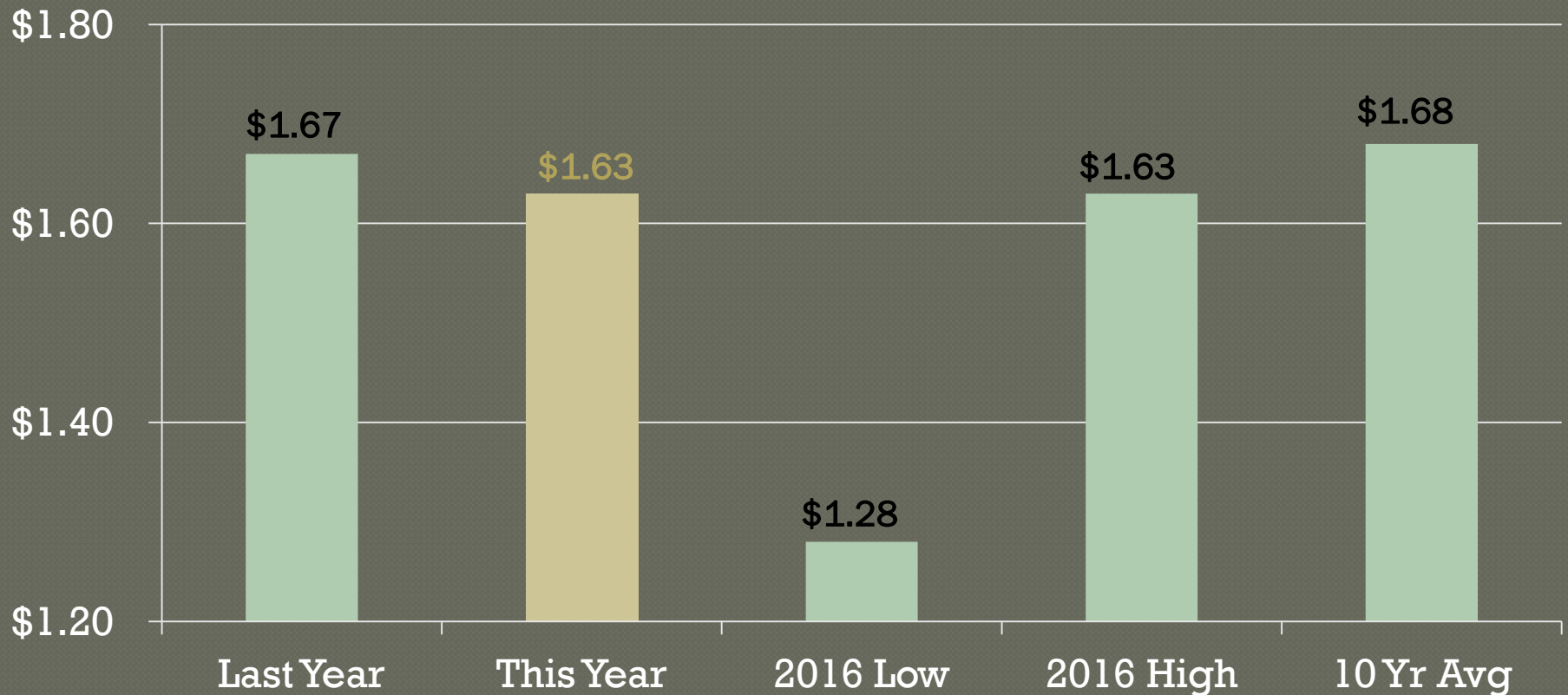
# Convenience Store Gas Margins

	Year Average Margin per Gallon	Year Average Price per Gallon
Last Year	\$.10	\$2.46
This Year	\$.15	\$2.06

- **Retail Gas Volumes Expected Down in 2016 vs 2015 by .8%**
- **Retail Gas Volumes Up 2.6% vs 2014**
- **Retail Gas Volumes Down Slightly from Peak in 2007**

# Cheese Market Pricing

## Current & Historical \$ per #



# Impact of Cheese Prices

## Cost of 14" Pepperoni Pizza



Traditional Venue Estimates Using Indianapolis-Based Distributed Costs; Assumes Use of Fully-Prepared Crust.

# End of Presentation

---

The statements contained in this presentation concerning the company's future revenues, profitability, financial resources, market demand and product & venue 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, market acceptance of current or future products, venues and brands (including envisaged new dough formulation and stand-alone venue format), competitive factors and pricing pressures, non-renewal of franchise agreements, shifts in market demand, general economic conditions and other factors including, but not limited to, changes in demand for the company's products, franchises or licenses, the success or failure of individual franchisees and licensees, and changes in prices or supplies of food ingredients and labor as well. In addition, the company had no previous experience selling its products through retail grocery channels or stand-alone take-n-bake locations and there can be no assurance that grocers will continue to stock the company's pizzas or that customers will continue to buy them. 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. The company undertakes no obligations to update the information in this presentation for subsequent events.