

# NEWS BULLETIN

RE:NOBLE ROMAN'S, INC.

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## Noble Roman's Announces 2016 Third Quarter Results; Provides Updates on Other Strategic Developments

(Indianapolis, Indiana) – November 14, 2016 -- Noble Roman's, Inc. (OTCQB: NROM), the Indianapolis based franchisor and licensor of Noble Roman's Pizza and Tuscano's Italian Style Subs, today provided a review of the third quarter operational results and strategic developments.

### Financial Results & Strategic Developments

Operating income increased to \$856,000 from \$735,000 and to \$2.4 million from \$2.3 million for the three-month and nine-month periods ended September 30, 2016 compared to the corresponding periods in 2015. Operating margins improved to 42.4% from 38.3% and to 41.8% from 40.2% for the three-month and nine-month periods ended September 30, 2016 compared to the corresponding periods in 2015.

The company made significant progress on a key strategy of revenue expansion through franchising/licensing of non-traditional locations and believes it is well positioned for future growth with its non-traditional franchising/licensing opportunities. Those opportunities include grocery store delis, convenience stores including Circle K franchise stores, travel plazas, Walmart stores and entertainment facilities.

As previously announced near the end of the quarter, the company signed an agreement with TMC Franchise Corporation ("TMC") to become a Preferred Supplier for their system of franchised Circle K®, Kangaroo Express® and On the Run® convenience store brands in the United States, which today totals nearly 1,000 locations. TMC is part of the Alimentation Couche-Tard, Inc. group, one of the largest operators and franchisors of convenience stores in North America. Pursuant to the agreement, TMC will communicate Noble Roman's preferred status for pizza-focused foodservice to its existing franchisees as well as to all new franchise prospects. Since signing the agreement, the company has signed license agreements for three Circle K units pursuant to the Agreement. However, TMC, with the company's assistance, recently prepared and distributed a detailed presentation on Noble Roman's to their entire franchise base. As a result of these developments, the company is currently in discussions with TMC franchisees representing approximately 135 locations.

Also, during the quarter the company continued to make progress with its previously announced expansion into Walmart stores and has now signed franchise agreements for five locations, with expectations of having four open prior to year-end. Additionally, the company is currently in discussions regarding several additional potential Walmart locations.

During the last week of September and the first week of October, the company signed and stocked two additional grocery store distributors with the ingredients for its grocery deli take-n-bake pizza program. So far this year the company has signed license agreements for 402 additional grocery deli locations.

The company is on track with its other key strategy for revenue expansion, the franchising of traditional locations. The company has now completed its two-year re-design process for the next generation stand-alone prototype, Noble Roman's Craft Pizza & Pub, which features two styles of crust. First is the company's popular, traditional hand-tossed style pizza with a thinner crust, crispy exterior and a flavorful and chewy interior. Second is the company's signature Deep-Dish Sicilian pizza baked in real olive oil. Both crust styles feature traditional topping selections plus several fun, new toppings and new specialty pizza combinations. The menu

also includes Noble Roman's famous breadsticks with spicy cheese sauce, an assortment of new specialty salads and four new pasta dishes, all designed to be fast, easy to prepare and delicious to eat. The new prototype utilizes new oven technology which reduces traditional style pizza oven speeds to two minutes and 30 seconds. The prototype dining room will feature relaxed modern decor with seating for 140-plus guests. Also showcased is a glass enclosed room where all dough and breadsticks are made fresh daily in view of customers, highlighting the hand-crafted and fresh nature of the menu as well as providing entertainment for guests. The company anticipates opening the first two locations as company-owned and -operated locations followed by an aggressive plan to promote franchising in concentric circles from those locations. The first company-owned location is now under construction in Westfield, Indiana, a suburb of Indianapolis, and is expected to open in mid January.

Noble Roman's Craft Pizza & Pub is a modernization and re-design of the original Noble Roman's pizzeria concept which originated in 1972 and was at that time called "Pizza Pub." The original concept was popular with customers then and remains so now with the legacy units still in operation today. However, operationally, the concept became unsatisfactory as a growth vehicle beginning in the mid-1990's because pizza bake times were too slow, labor requirements became too specialized and the overall format was too inefficient and expensive. With the new prototype development, the modernization and re-design uses new technology that was not available in the 1990's, as well as numerous company directed R&D enhancements to equipment and product formulations. For example, as previously stated, the oven speed for traditional pizzas in the prototype unit are reduced to only 2 minutes and 30 seconds, and the bake times are reduced by approximately 60% for both styles of pizza versus bake times from the previous generation technology. These technical enhancements are being combined with an emphasis on hand-crafted freshness, great taste, speed of service and a fun atmosphere. All factors considered, Noble Roman's Craft Pizza & Pub will be much faster and considerably more efficient to operate while still featuring the always popular style of Noble Roman's pizza.

In the second quarter ended June 30, 2016, the company recorded a valuation allowance of \$750,659. This valuation allowance reflected the charge off of certain receivables from the operations discontinued in 2008 and represents the remaining receivable from the various plaintiffs in the Heyser lawsuit which the company won by summary judgment, dismissing the company from any liability. Through numerous appeals, including an appeal to the Indiana Supreme Court by the Heyser plaintiffs, the summary judgment was continuously upheld. The company also won summary judgment on its counterclaims against the various plaintiffs and was awarded a judgment against the plaintiffs in excess of \$2 million, which included damages and attorneys' fees. The company has been pursuing collection since that time. During the second quarter the company made the decision that it was in its best interest to cease incurring additional legal fees and the diversion of management's focus and time, and to settle its pending claims for \$350,000, which is evidenced by a promissory note secured by a mortgage on two pieces of real estate. This final settlement is in addition to \$550,000 received earlier as partial settlement.

Given the successfully completed development of the company's next generation stand-alone prototype, Noble Roman's Craft Pizza & Pub, the company made the decision during the quarter ended September 30, 2016 to discontinue expansion of its stand-alone take-n-bake concept so that management's efforts could be fully focused on the modernized Craft Pizza & Pub. As a result of that decision, the company charged off all assets related to those discontinued operations, including \$504,000 after-tax benefit invested in three franchised locations which had been used to support research and development by the company. In addition, \$883,000 after-tax benefit reflected the charge-off of various receivables due from other unrelated former franchisees of the stand-alone take-n-bake concept. That loss also included \$39,000, after tax benefit, for settlement of rent on a former location that was part of the discontinued operations in 2008. This resulted in the total net loss on discontinued operations of \$1,426,289, net of tax benefit of \$881,902.

The company is currently engaged in a private placement to secure up to a maximum of \$2 million through the issuance of convertible, subordinated, unsecured promissory notes and warrants exercisable at \$1.00 per share up to two million shares. As a part of this private placement, on November 2, 2016 and November 8, 2016, the company issued notes in the amount of \$950,000 and warrants to purchase 950,000 shares of the company's common stock. The offering is ongoing.

Interest on the notes accrues at the annual rate of 10% and is payable quarterly in arrears. Principal of the notes matures three years after issuance unless previously converted. Each holder of the notes may convert them at any time into common stock of the company at a conversion price of \$0.50 per share (subject to anti-dilution adjustment). Subject to certain limitations, upon 30 days' notice the company may require the notes to be converted into common stock if the daily average weighted trading price of the common stock equals or exceeds \$1.50 per share for a period of 30 consecutive trading days. The notes provide for customary events of default.

The warrants expire three years from the date of issuance and provide for an exercise price of \$1.00 per share of common stock (subject to anti-dilution adjustment). Subject to certain limitations, the company may redeem the warrants at a price of \$0.001 per share of common stock subject to the warrant upon 30 days' notice if the daily average weighted trading price of the common stock equals or exceeds \$2.00 per share for a period of 30 consecutive trading days.

In connection with the issuance of the notes and warrants, the company granted the Investors certain registration rights with respect to the shares of common stock into which the notes are convertible and for which the warrants are exercisable.

Divine Capital Markets LLC is serving as the placement agent for the offering of the notes and warrants. Pursuant to its arrangement with Divine Capital Markets, LLC, the company may issue notes in an aggregate principal amount of up to an additional \$1,050,000 and warrants to purchase up to an additional 1,050,000 shares of the common stock. The company intends to use the net proceeds of the notes to fund the opening of a Noble Roman's Craft Pizza & Pub restaurant and for general working capital needs.

### **Financial Results for Third Quarter 2016 Compared to Third Quarter 2015**

- Total revenue was \$2.0 million compared to \$1.9 million
- Operating income was \$856,000, or \$.04 per share, compared to \$735,000, or \$.04 per share
- Operating margin was 42.4% compared to 38.3%
- Net income before income taxes from continuing operations was \$702,000, or \$.03 per share, compared to \$389,000, or \$.02 per share. The company will pay no income taxes on approximately the next \$22 million in income.
- Net income from continuing operations was \$434,000, or \$.02 per share, compared to \$226,000, or \$.01 per share.
- Loss from discontinued operations net of tax benefit, as discussed above, was \$1.4 million compared to none.
- Net income (loss) was \$(1.1 million), or \$(.05) per share, compared to \$226,000, or \$.01 per share.
- Royalties and fees less upfront fees were \$1.9 million compared to \$1.7 million
- Royalties and fees from non-traditional franchises other than grocery stores were \$1.2 million compared to \$1.1 million
- Royalties and fees from grocery store take-n-bake were \$531,000 compared to \$486,000
- Royalties and fees from stand-alone take-n-bake were \$65,000 compared to \$131,000
- Royalties and fees from traditional locations were \$60,000 compared to \$67,000

### **Financial Highlights for the Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2015**

- Total revenue was \$5.7 million compared to \$5.8 million
- Operating income was \$2.4 million, or \$.12 per share, compared to \$2.3 million, or \$.11 per share
- Operating margin was 41.8% compared to 40.2%
- Net income before income taxes from continuing operations was \$1.3 million, or \$.06 per share, compared to \$1.2 million, or \$.06 per share. The company will pay no income taxes on approximately the next \$22 million in income.

- Net income from continuing operations was \$815,000, or \$.04 per share, compared to \$708,000, or \$.03 per share
- Loss from discontinued operations net of tax benefit, as discussed above, was \$1.4 million compared to none.
- Net income (loss) was \$(611,000), or \$(.03) per share compared to \$708,000, or \$.03 per share
- Royalties and fees less upfront fees were \$5.3 million compared to \$5.4 million
- Royalties and fees from non-traditional franchises other than grocery stores were \$3.3 million compared to \$3.3 million.
- Royalties and fees from grocery store take-n-bake were \$1.5 million compared to \$1.4 million
- Royalties and fees from stand-alone take-n-bake were \$276,000 compared to \$556,000
- Royalties and fees from traditional locations were \$180,000 compared to \$201,000

### **Balance Sheet Summary**

Current assets were \$5.0 million and current liabilities were \$3.7 million as of September 30, 2016 compared to total current assets of \$4.3 million and current liabilities of \$1.4 million as of December 31, 2015. The company's outstanding bank loan and the Kingsway America loan were moved from long-term liabilities at December 31, 2015 to short-term liabilities as of September 30, 2016 as they are due on March 31, 2017 and July 2, 2017, respectively. Total bank debt was \$1.5 million as of September 30, 2016 compared to \$2.0 million as of December 31, 2015. The Kingsway America loan was \$600,000 at both September 30, 2016 and December 31, 2015. Total stockholders' equity as of September 30, 2016 was \$14.3 million compared to \$14.9 million as of December 31, 2015.

### **Tactical Approach to the Company's Growth Strategy**

The company's overall approach to pursuing its growth strategy can be summarized in the following four points:

- Expand revenue through franchising and licensing for both non-traditional and traditional locations.
- Leveraging the results of and continuing the process of recent testing, design and development for both the non-traditional and traditional locations.
- Aggressively communicating and marketing the company's advantages to its target markets through a variety of means, including but not limited to: direct phone solicitation, internet advertising, direct mail, one-on-one product demonstrations and selective trade shows.
- Maintaining an extremely disciplined focus on cost controls while undertaking the effort of expanding revenues.

Significant investment of time and effort has taken place to create competitive advantages through the company's products and systems. The quality of the company's products created through simple production processes and service systems, offered at a reasonable price point, is a strategic strength and a key driver of further growth potential. The company strives to design each ingredient and system to support the company's diverse, modularized menu offerings and to deliver superior results with the minimum possible labor within those objectives.

With the company's strong product and system development comes communicating those advantages and conveying the high quality of products to prospective franchisees and licensees through various marketing efforts.

### **Investor Questions**

The company has chosen to substantially increase the scope and detail provided in the quarterly press release, which is also available on the investor relations section of the company's corporate website, [www.nobleromans.com](http://www.nobleromans.com). Additionally, the company's Executive Chairman and Chief Financial Officer, Paul Mobley, will be accepting teleconference appointments for any interested shareholder or potential investor to

schedule a personal, one-on-one question and answer session. Interested parties wishing to establish such an appointment may contact Mr. Mobley by e-mail at [pmobley@nobleromans.com](mailto:pmobley@nobleromans.com).

*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, its need to refinance its indebtedness that matures in March 2017, competitive factors and pricing pressures, non-renewal of franchise agreements, shifts in market demand, the success of new prototype locations, 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>	<b>December 31, 2015</b>	<b>September 30, 2016</b>
Current assets:		
Cash	\$ 194,021	\$ 175,235
Accounts receivable - net	2,007,751	2,323,301
Inventories	492,222	743,022
Prepaid expenses	634,016	869,853
Deferred tax asset - current portion	<u>925,000</u>	<u>925,000</u>
Total current assets	<u>4,253,010</u>	<u>5,036,411</u>
Property and equipment:		
Equipment	1,376,190	1,829,736
Leasehold improvements	<u>88,718</u>	<u>88,718</u>
	1,464,908	1,918,454
Less accumulated depreciation and amortization	<u>1,092,785</u>	<u>1,157,927</u>
Net property and equipment	372,123	760,527
Deferred tax asset (net of current portion)	8,158,523	8,536,518
Other assets including long-term portion of receivables - net	<u>5,681,272</u>	<u>4,545,092</u>
Total assets	<u>\$ 18,464,928</u>	<u>\$ 18,878,548</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current portion of term loan payable to bank	\$ 601,081	\$ 1,530,385
Current portion of loan payable to Super G Funding, LLC	-	1,250,000
Note payable to Kingsway America	-	600,000
Accounts payable and accrued expenses	<u>847,418</u>	<u>337,254</u>
Total current liabilities	<u>1,448,499</u>	<u>3,717,639</u>
Long-term obligations:		
Term loans payable to bank – net of current portion	1,366,454	-
Loan payable to Super G Funding, LLC (net of current portion)	-	576,418
Notes payable to officers	175,000	310,000
Note payable to Kingsway America	<u>600,000</u>	<u>-</u>
Total long-term liabilities	<u>2,141,454</u>	<u>886,418</u>
Stockholders' equity:		
Common stock – no par value (25,000,000 shares authorized, 20,775,921 issued and outstanding as of December 31, 2015 and 20,783,032 issued and outstanding as of September 30, 2016)	24,294,002	24,304,841
Accumulated deficit	<u>(9,419,027)</u>	<u>(10,030,350)</u>
Total stockholders' equity	<u>14,874,975</u>	<u>14,274,491</u>
Total liabilities and stockholders' equity	<u>\$ 18,464,928</u>	<u>\$ 18,878,548</u>

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

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2015	2016	2015	2016
Revenue:				
Royalties and fees	\$1,848,207	\$1,953,843	\$ 5,647,290	\$ 5,544,389
Administrative fees and other	18,544	12,459	45,178	34,168
Restaurant revenue	<u>51,689</u>	<u>55,691</u>	<u>148,763</u>	<u>162,737</u>
Total revenue	1,918,440	2,021,993	5,841,231	5,741,294
Operating expenses:				
Salaries and wages	287,972	275,694	859,846	759,603
Trade show expenses	143,016	124,209	405,601	383,086
Travel expenses	57,145	57,010	171,698	152,684
Broker commissions	-	10,421	-	32,241
Other operating expenses	202,624	200,367	604,215	575,651
Restaurant expenses	47,539	51,270	148,974	141,175
Depreciation and amortization	26,354	31,675	79,063	92,763
General and administrative	<u>418,784</u>	<u>415,487</u>	<u>1,228,611</u>	<u>1,205,961</u>
Total expenses	<u>1,183,434</u>	<u>1,166,133</u>	<u>3,498,008</u>	<u>3,343,164</u>
Operating income	735,006	855,860	2,343,223	2,398,130
Interest	50,412	153,882	138,641	291,822
Loss on restaurant closed	45,548	-	139,220	36,776
Adjust valuation of receivables	<u>250,000</u>	-	<u>850,000</u>	<u>750,659</u>
Income before income taxes from continuing operations	389,046	701,978	1,215,362	1,318,873
Income tax expense	<u>163,286</u>	<u>268,208</u>	<u>506,932</u>	<u>503,907</u>
Net income from continuing operations	225,760	433,770	708,430	814,966
Loss from discontinued operations net of tax benefit of \$881,902 for 2016	-	<u>(1,426,289)</u>	-	<u>(1,426,289)</u>
Net income (loss)	<u>\$ 225,760</u>	<u>\$ (992,519)</u>	<u>\$ 708,430</u>	<u>\$ (611,323)</u>
<b>Earnings per share – basic:</b>				
Operating income	\$ .04	\$ .04	\$ .11	\$ .12
Net income from continuing operations	.01	.02	.03	.04
Net loss from discontinued operations net of tax benefit	.00	(.07)	.00	(.07)
Net income (loss)	.01	(.05)	.03	(.03)
Weighted average number of common shares outstanding	20,722,497	20,783,032	20,436,846	20,781,501
<b>Diluted earnings per share:</b>				
Operating income	\$ .03	\$ .04	\$ .11	\$ .11
Net income from continuing operations	.01	.02	.03	.04
Net loss from discontinued operations net of tax benefit	.00	(.07)	.00	(.07)
Net income (loss)	.01	(.05)	.03	(.03)
Weighted average number of common shares outstanding	22,012,769	20,924,077	21,727,118	20,922,546