



FAT BRANDS INC. REPORTS THIRD QUARTER 2022 FINANCIAL RESULTS

10/20/2022

Conference call and webcast today at 5:00 p.m. ET

LOS ANGELES, Oct. 20, 2022 (GLOBE NEWSWIRE) -- FAT (Fresh. Authentic. Tasty.) Brands Inc. (NASDAQ: FAT) ("FAT Brands" or the "Company") today reported fiscal third quarter 2022 financial results for the 13-week period ending September 25, 2022.

Andy Wiederhorn, President and CEO of FAT Brands, commented, "We are impressed with the strong performance FAT Brands experienced in the third quarter as evidenced by our robust unit development and profitable revenue growth. Our sales resilience is a testament to our diverse portfolio of brands with average checks ranging from approximately \$8 to \$37."

"Our organic growth strategy remains strong with 38 store openings in the third quarter. This week, we are set to surpass 100 openings for the year and remain on track to open 125 new restaurants in 2022, a new milestone for FAT Brands. Looking ahead to 2023, we plan to continue this robust unit growth with over 130 units slated to open. Additionally, during the third quarter, we signed 180 new franchise agreements bringing our total pipeline to over 1,000 new locations which is expected to represent a 60% increase in EBITDA over the next several years."

"We are also extremely impressed with how our 2021 acquisitions have seamlessly fit into our portfolio and the demand we are experiencing for them from our franchisee base. We will continue to evaluate strategic acquisitions, particularly, brands that fit within our current operations that have a proven track record of long-term, sustainable and profitable operating performance or that provide us with the opportunity to expand our factory business."

"We also continue to work on reducing our cost of capital. To that end, we expect to redeem shares of our Series B Cumulative Preferred Stock in the coming weeks. This will yield significant cash flow savings as our securitization facility, which will fund the transaction, has a lower cost of capital than the preferred share dividend rate."

Fiscal Third Quarter 2022 Highlights

- Total revenue improved 247% to \$103.2 million compared to \$29.8 million in the third quarter of 2021
 - System-wide sales growth of 57% in the third quarter of 2022 compared to the prior year quarter
 - Year-to-date system-wide same-store sales growth of 7.0% in the third quarter of 2022 compared to the prior year
 - 38 new store openings during the third quarter of 2022
- Net loss of \$23.4 million, or \$1.42 per diluted share, compared to \$3.6 million, or \$0.26 per diluted share, in the third quarter of 2021
- Adjusted EBITDA(1) of \$24.6 million compared to \$7.2 million in the third quarter of 2021
- Adjusted net loss(1) of \$16.3 million, or \$0.98 per diluted share, compared to \$2.3 million, or \$0.16 per diluted share, in the third quarter of 2021

(1) EBITDA, Adjusted EBITDA and adjusted net loss are non-GAAP measures defined below, under "Non-GAAP Measures". Reconciliation of GAAP net loss to EBITDA, adjusted EBITDA and adjusted net loss are included in the accompanying financial tables.

Summary of Third Quarter 2022 Financial Results

Total revenue increased \$73.5 million, or 247%, in the third quarter of 2022, to \$103.2 million compared to \$29.8 million in the same period of 2021. The increase reflects revenue from the acquisition of Global Franchise Group in July 2021, the acquisition of Twin Peaks in October 2021, the acquisitions of Fazoli's and Native Grill & Wings in December 2021 (collectively, the "2021 Acquisitions") and the continuing recovery from the negative effects of the COVID-19 pandemic on royalties from restaurant sales.

Costs and expenses increased \$74.8 million, or 273%, in the third quarter of 2022 to \$102.2 million compared to the same period in the prior year, primarily due to the 2021 Acquisitions.

General and administrative expense increased \$18.2 million, or 172%, in the third quarter of 2022 compared to the same period in the prior year, primarily due to the 2021 Acquisitions, increased compensation costs, professional fees related to pending litigation and government investigations, and travel, reflecting the significant expansion of the organization.

Cost of restaurant and factory revenues totaled \$55.3 million in the third quarter of 2022 and was related to the operations of the company-owned restaurant locations and the dough factory operated by Global Franchise Group

associated with the 2021 Acquisitions.

Depreciation and amortization increased \$4.5 million, or 190% in the third quarter of 2022 compared to the same period in the prior year, primarily due to depreciation of company-owned restaurant property and equipment and amortizing intangible assets related to the 2021 Acquisitions.

Refranchising losses in the third quarter of 2022 were \$0.1 million and were comprised of restaurant costs and expenses, net of food sales. Refranchising gains in the third quarter of 2021 were \$0.3 million and were comprised of \$0.5 million in net gains related to refranchised restaurants, partially offset by \$0.2 million in restaurant operating costs, net of food sales.

Advertising expenses increased \$5.7 million in the third quarter of 2022 compared to the prior year period. These expenses vary in relation to advertising revenues and reflect advertising expenses related to the 2021 Acquisitions and the increase in customer activity as the recovery from COVID continues.

Total other expense, net for the third quarters of 2022 and 2021 was \$23.9 million and \$7.2 million, respectively, primarily comprised of net interest expense of \$24.5 million and \$7.2 million, respectively.

Adjusted net loss was \$16.3 million, or \$0.98 per diluted share, in the third quarter of 2022 compared to \$2.3 million, or \$0.16 per diluted share, in the third quarter of 2021.

Key Financial Definitions

New store openings - The number of new store openings reflects the number of stores opened during a particular reporting period. The total number of new stores per reporting period and the timing of stores openings has, and will continue to have, an impact on our results.

Same-store sales growth - Same-store sales growth reflects the change in year-over-year sales for the comparable store base, which we define as the number of stores open and in the FAT Brands system for at least one full fiscal year. For stores that were temporarily closed, sales in the current and prior period are adjusted accordingly. Given our focused marketing efforts and public excitement surrounding each opening, new stores often experience an initial start-up period with considerably higher than average sales volumes, which subsequently decrease to stabilized levels after three to six months. Additionally, when we acquire a brand, it may take several months to integrate fully each location of said brand into the FAT Brands platform. Thus, we do not include stores in the comparable base until they have been open and in the FAT Brands system for at least one full fiscal year. For 2022, the comparable store base does not include concepts acquired during fiscal 2021.

System-wide sales growth - System wide sales growth reflects the percentage change in sales in any given fiscal period compared to the prior fiscal period for all stores in that brand only when the brand is owned by FAT Brands. Because of acquisitions, new store openings and store closures, the stores open throughout both fiscal periods being compared may be different from period to period.

Conference Call and Webcast

FAT Brands will host a conference call and webcast to discuss its fiscal third quarter 2022 financial results today at 5:00 PM ET. Hosting the conference call and webcast will be Andy Wiederhorn, President and Chief Executive Officer, and Ken Kuick, Chief Financial Officer.

The conference call can be accessed live over the phone by dialing 1-877-704-4453 from the U.S. or 1-201-389-0920 internationally. A replay will be available after the call until Thursday, October 27, 2022, and can be accessed by dialing 1-844-512-2921 from the U.S. or 1-412-317-6671 internationally. The passcode is 13733381. The webcast will be available at www.fatbrands.com under the "Investors" section and will be archived on the site shortly after the call has concluded.

About FAT (Fresh. Authentic. Tasty.) Brands

FAT Brands (NASDAQ: FAT) is a leading global franchising company that strategically acquires, markets, and develops fast casual, quick-service, casual dining, and polished casual dining concepts around the world. The Company currently owns 17 restaurant brands: Round Table Pizza, Fatburger, Marble Slab Creamery, Johnny Rockets, Fazoli's, Twin Peaks, Great American Cookies, Hot Dog on a Stick, Buffalo's Cafe & Express, Hurricane Grill & Wings, Pretzelmaker, Elevation Burger, Native Grill & Wings, Yalla Mediterranean and Ponderosa and Bonanza Steakhouses and franchises and owns over 2,300 units worldwide. For more information, please visit www.fatbrands.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements relating to the future financial and operating results of the Company, estimates of future EBITDA, the timing and performance of new store openings, our expected redemption of Series B Cumulative Preferred Stock, our ability to conduct future accretive acquisitions, our pipeline of new store locations, and the recovery of our business from the COVID-19 pandemic. Forward-looking statements generally use words such as "expect," "foresee," "anticipate," "believe," "project," "should," "estimate," "will," "plans," "forecast," and similar expressions, and reflect our expectations concerning the future. Forward-looking statements are subject to significant business, economic and competitive risks, uncertainties and contingencies, many of which are

difficult to predict and beyond our control, which could cause our actual results to differ materially from the results expressed or implied in such forward-looking statements. We refer you to the documents that we file from time to time with the Securities and Exchange Commission, such as our reports on Form 10-K, Form 10-Q and Form 8-K, for a discussion of these and other risks and uncertainties that could cause our actual results to differ materially from our current expectations and from the forward-looking statements contained in this press release. We undertake no obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of this press release.

Non-GAAP Measures (Unaudited)

This press release includes the non-GAAP financial measures of EBITDA, adjusted EBITDA and adjusted net loss.

EBITDA is defined as earnings before interest, taxes, and depreciation and amortization. We use the term EBITDA, as opposed to income from operations, as it is widely used by analysts, investors, and other interested parties to evaluate companies in our industry. We believe that EBITDA is an appropriate measure of operating performance because it eliminates the impact of expenses that do not relate to business performance. EBITDA is not a measure of our financial performance or liquidity that is determined in accordance with generally accepted accounting principles ("GAAP"), and should not be considered as an alternative to net income (loss) as a measure of financial performance or cash flows from operations as measures of liquidity, or any other performance measure derived in accordance with GAAP.

Adjusted EBITDA is defined as EBITDA (as defined above), excluding expenses related to acquisitions, refranchising gain or losses, impairment charges, and certain non-recurring or non-cash items that the Company does not believe directly reflect its core operations and may not be indicative of the Company's recurring business operations.

Adjusted net loss is a supplemental measure of financial performance that is not required by or presented in accordance with GAAP. Adjusted net loss is defined as net loss plus the impact of adjustments and the tax effects of such adjustments. Adjusted net loss is presented because we believe it helps convey supplemental information to investors regarding our performance, excluding the impact of special items that affect the comparability of results in past quarters to expected results in future quarters. Adjusted net loss as presented may not be comparable to other similarly titled measures of other companies, and our presentation of adjusted net loss should not be construed as an inference that our future results will be unaffected by excluded or unusual items. Our management uses this non-GAAP financial measure to analyze changes in our underlying business from quarter to quarter based on comparable financial results.

Reconciliations of net loss attributable to FAT Brands Inc. presented in accordance with GAAP to EBITDA, adjusted

EBITDA, and adjusted net loss are set forth in the tables below.

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FAT Brands Inc. Consolidated Statements of Operations

(In thousands)	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
Revenue				
Royalties	\$ 22,833	\$ 13,742	\$ 65,396	\$ 24,800
Restaurant sales	61,352	3,879	179,473	4,113
Advertising fees	9,479	5,483	28,408	8,043
Factory revenues	7,839	5,480	24,588	5,480
Franchise fees	754	1,087	2,763	2,109
Management fees and other income	965	90	2,782	148
Total revenue	<u>103,222</u>	<u>29,761</u>	<u>303,410</u>	<u>44,693</u>
Costs and expenses				
General and administrative expense	28,751	10,589	74,188	20,214
Cost of restaurant and factory revenues	55,257	7,133	159,901	7,377
Depreciation and amortization	6,895	2,377	20,076	3,161
Refranchising loss (gain)	122	(250)	1,123	(679)
Acquisition costs	—	2,053	383	2,985
Advertising fees	11,185	5,483	33,038	8,043
Total costs and expenses	<u>102,210</u>	<u>27,385</u>	<u>288,709</u>	<u>41,101</u>
Income from operations	<u>1,012</u>	<u>2,376</u>	<u>14,701</u>	<u>3,592</u>
Other (expense) income, net				
Interest expense	(19,504)	(7,072)	(57,530)	(11,939)
Interest expense related to preferred shares	(4,967)	(173)	(11,681)	(725)
Net loss on extinguishment of debt	—	(13)	—	(6,418)
Other income, net	538	64	3,919	189
Total other expense, net	<u>(23,933)</u>	<u>(7,194)</u>	<u>(65,292)</u>	<u>(18,893)</u>
Loss before income tax expense	(22,921)	(4,818)	(50,591)	(15,301)
Income tax provision (benefit)	<u>516</u>	<u>(1,183)</u>	<u>4,789</u>	<u>(3,303)</u>
Net loss	(23,437)	(3,635)	\$ (55,380)	(11,998)
Less: Net loss attributable to noncontrolling interest	—	(14)	—	(19)
Net loss attributable to FAT Brands Inc.	\$ (23,437)	\$ (3,621)	\$ (55,380)	\$ (11,979)
Basic and diluted loss per common share	\$ (1.42)	\$ (0.26)	\$ (3.37)	\$ (0.85)

Basic and diluted weighted average shares outstanding	\$	16,528,327	\$	14,144,857	\$	16,441,555	\$	14,094,772
Cash dividends declared per common share		0.14		0.13		0.40		0.39

FAT Brands Inc. Consolidated EBITDA and Adjusted EBITDA Reconciliation

(In thousands)	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
Net loss attributable to FAT Brands Inc.	\$ (23,437)	\$ (3,621)	\$ (55,380)	\$ (11,979)
Interest expense, net	24,471	7,245	69,211	12,664
Income tax provision (benefit)	516	(1,183)	4,789	(3,303)
Depreciation and amortization	6,895	2,377	20,076	3,161
EBITDA	8,445	4,818	38,696	543
Provision for bad debts	5,520	202	5,943	225
Share-based compensation expenses	2,035	258	6,081	488
Non-cash lease expenses	929	127	1,670	404
Acquisition costs	—	2,053	383	2,985
Refranchising loss (gain)	122	(250)	1,123	(679)
Litigation costs	6,906	—	14,170	—
Severance	—	—	526	—
Net loss related to advertising fund deficit	(7)	—	3	—
Net loss on extinguishment of debt	—	13	—	6,418
Pre-opening expenses	602	—	602	—
Adjusted EBITDA	\$ 24,552	\$ 7,221	\$ 69,197	\$ 10,384

FAT Brands Inc. Adjusted Net Loss Reconciliation

(In thousands, except share and per share data)	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 25, 2022	September 26, 2021	September 25, 2022	September 26, 2021
Net loss attributable to FAT Brands Inc.	\$ (23,437)	\$ (3,621)	\$ (55,380)	\$ (11,979)
Refranchising loss (gain)	122	(250)	1,123	(679)
Acquisition costs	—	2,053	383	2,985
Litigation costs	6,906	—	14,170	—
Severance	—	—	526	—
Net loss on extinguishment of debt	—	13	—	6,418
Tax adjustments, net	158	(446)	1,534	(1,883)
Adjusted net loss	\$ (16,251)	\$ (2,251)	\$ (37,644)	\$ (5,138)
Loss per basic and diluted share	\$ (1.42)	\$ (0.26)	\$ (3.37)	\$ (0.85)
Adjusted loss per basic and diluted share	\$ (0.98)	\$ (0.16)	\$ (2.29)	\$ (0.36)
Weighted average basic and diluted shares outstanding	16,528,327	14,144,857	16,441,555	14,094,772

(1) Reflects the tax impact of the adjustments using the effective tax rate for the respective periods

Source: FAT Brands Inc.