



INVESTOR PRESENTATION

JUNE 2018



Cautionary Statements



Forward-Looking Statements

This presentation includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, “forward-looking statements.” These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms “believes,” “estimates,” “anticipates,” “expects,” “strives,” “goal,” “seeks,” “projects,” “intends,” “forecasts,” “plans,” “may,” “will” or “should” or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this presentation and include statements regarding our intentions, beliefs, goals or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate. Our forward-looking statements are subject to risks and uncertainties, including those highlighted under “Risk Factors” and “Cautionary Statement on Forward-Looking Statements” in our most recent annual report on Form 10-K and other risk factors described from time to time in subsequent quarterly reports on Form 10-Q, which may cause actual results to differ materially from those projected or implied by the forward-looking statement.

Forward-looking statements are based on current expectations and assumptions and currently available data and are neither predictions nor guarantees of future events or performance. You should not place undue reliance on forward-looking statements, which only speak as of the date hereof. We do not undertake to update or revise any forward-looking statements after they are made, whether as a result of new information, future events, or otherwise, except as required by applicable law.

Note Regarding Non-GAAP Measures

This presentation includes financial measures, including adjusted EBITDA, adjusted net income, and shop-level profit margin, that are derived on the basis of methodologies other than generally accepted accounting principles (“GAAP”). We offer these measures to assist the users of our financial statements in assessing our financial performance under GAAP, but these measures are non-GAAP measures and investors should not rely on these measures as a substitute for any GAAP measure. Reconciliations of these measures to the GAAP measures we consider most comparable are included in the Financial Appendix.

Welcome to Potbelly



Potbelly is a differentiated fast casual restaurant concept specializing in sandwiches, salads, soups, shakes, & cookies

Our Concept

- Strong heritage – founded in Chicago in 1977
- 495 locations worldwide today
- Delicious, craveable food made-to-order with fresh, high quality ingredients
- Offers a great value
- Authentic concept:
 - Inviting neighborhood feel
 - Driven by fast but friendly service
 - Live music
 - Engaging brand personality



Shop Overview



438 company-owned shops
40 domestic franchise locations
17 international franchise locations¹
495 world-wide

What Makes Potbelly Different?



How Potbelly Differentiates & Wins

Product

- Simple, high-quality, customizable
- Prepared fresh every day
- Craveable product that travels well

Price

- Excellent value proposition
- Average entrée cost ~\$6.00
- Average per person spend of \$8.40

People

- “Hire nice people and teach them the Potbelly way”
- Potbelly’s culture is the foundation of our success
- Fast, yet personal service

Place

- Neighborhood décor – Hang out, leave happy!
- Live music – elevated unique quirky experience
- Part of the Community



Broad Customer Appeal



Potbelly is well-positioned for future success

52%

of customers earn household incomes > \$75k

More affluent customer base

49%

millennial customers, over-indexed
compared to competitors

Younger-skewing customer

16x

customers visits per year

Frequency potential

50% / 50%

male / female customers

Broad appeal across genders

\$8.40

average per person spend¹

Low price compared to competition



\$11.40

average transaction total

*High-quality food for a better
value than peers*

2018 will be a transition year for Potbelly as we execute our turnaround strategy to deliver sustainable profitable growth over the long term

- Invest in the Right Team
- Drive Positive Same Store Sales Comps
- Potbelly Story & Brand Differentiation
- Path to Profitable Shop Growth
- Right Box and Investment
- Productivity

Invest in the Right Team



Building the right team required to execute the turnaround strategy



Alan Johnson
President &
Chief Executive Officer



Michael Coyne
SVP, Chief Financial
Officer



Julie Younglove-Webb
SVP, Operations



Matthew Revord
SVP, General Counsel &
Chief People Officer



Brandon Rhoten
SVP, Chief Marketing
Officer



Jeff Welch
SVP, Franchise
Development



Debbie White
VP, Off-Premise



Chef Ryan LaRoche
VP, Culinary Innovation

Blue boxes and fonts denote new leaders and/or responsibilities added since December 1, 2017

Drive Positive Same Store Sales Comps



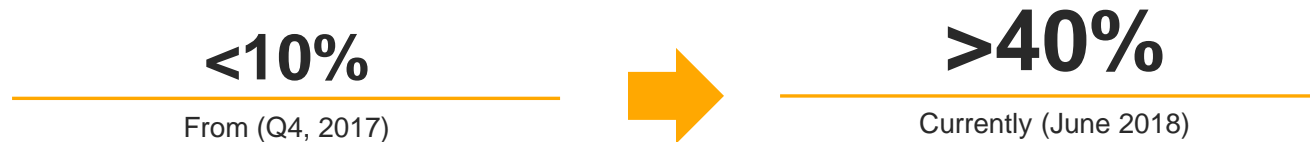
Has the potential to profoundly impact Comps – with minimal incremental investment

■ OneMore!

- OneMore! - Add-on item
- OneMore! - \$1
- OneMore! - Visit per year

■ Increased Focus on Suggestive Selling

- Over the past few months, we have increased the percentage of time Potbelly associates are suggestive selling in shops:



- Encouraged by early results – have seen a measurable increase in units per transaction

■ Test, Learn and Roll

- 100+ unique market promotion tests deployed across all markets over the last 4+ months
- Critically important to know what works at the shop level
- Be bold – not afraid to “Fail Fast”

Invest in technology to gain actionable insights to drive customer engagement

■ Potbelly Perks and Mobile APP

- Continue to see positive customer feedback
- Accelerating pace of Perk Member acquisition
- Now over 800,000 Members vs. ~500,000 in Q4 2017



■ Upgraded Customer Feedback Program

- 12x more feedback at 60% of the cost
- Customer experience focus vs “auditor”
- Greater actionable customer insights
- Real-time feedback
- Benchmarking against competitive set
- Easier to share “best practice” between shops
- Incentivize and reward behavior



Invest in people and technology to provide a differentiated Off-Premise experience

- **Tremendous Market Opportunity** – with a craveable product that travels well
- **Potbelly Off-Premise** – vastly under-penetrated at 15% of sales
- **Complete Top-to-Bottom Review** – to redefine the customer experience
- **Investments Include:**
 - Leadership – hired Debbie White as VP, Off-Premise, who brings 25+ years of sales and marketing leadership roles across PepsiCo, Taco Bell and Domino's Pizza. Her primary focus will be to capture the significant growth potential in catering, delivery, grab & go and curbside pick-up, across all day parts
 - Support team (i.e. delivery drivers and catering sales managers)
 - Tools to support the growth opportunity – order and customer tracking, driver optimization
 - Partners – 3rd party delivery services
- **Critically Important** – accuracy and consistency of the customer experience

With a rich history spanning over 40 years, Potbelly's fun "quirky" brand voice and differentiated customer experience has created a cult of passionate customers

- **Focused on connecting our customers with this great brand through improved storytelling and customer engagement to dramatically improve unaided awareness and consideration**
 - Remind cult followers why they love Potbelly
 - Attract the attention of lapsed customers
 - Acquire and retain new customers
- **Recently hired Brandon Rhoten as SVP, Chief Marketing Officer**
 - 15+ years of restaurant industry and agency experience across well-known consumer brands such as Papa John's and Wendy's International
 - Was at the forefront of the Wendy's turnaround that began in 2011 – rebranding, new advertising, industry leading digital/social team and award-winning campaigns
 - Oversight of all aspects of Potbelly's marketing, including brand strategy, digital marketing, social media, research, loyalty, direct marketing and advertising

2018 will be a foundational year to lay the groundwork to accelerate growth in a strategic and disciplined manner

- **Hired Jeff Welch to Lead Franchise Development**

- 30+ years of franchise, real estate and operations experience across organizations such as Krispy Kreme, Pizza Hut, Taco Bell, and KFC
- Full responsibility for franchising, including developing and executing the vision, strategy, and tactical plan to deliver long term profitable and sustainable growth
- His efforts will build a stronger foundation for franchise expansion, allowing for accelerated growth and increased mix of franchised units

- **Improve Potbelly Financial Performance to Create Compelling Franchise Growth Story**

- **Determine Long-Term Mix of Company vs. Franchised Shops**

- **Prioritize Markets for Future Development**

- **Re-design the Potbelly Box and Investment from the Ground Up**

Focused on building the foundation to go to market with the right processes, tools, people and mindset to be competitive in the franchise marketplace

Scope of comprehensive review of franchise development strategy includes:

- Opportunities for franchisee consolidation
- Refranchising on a selective basis
- Re-evaluate franchisee candidate criteria – for optimized growth and performance
- Prioritize Domestic and International franchise growth
- Reminder: It will take time!

The Potbelly Shop of the Future



Re-design the Potbelly shop and customer experience from the ground up. Update the look and feel, focused on customer convenience, leveraging technology, and highlighting core brand elements, while significantly reducing shop investment costs

Brand Differentiation

- *Hot & Toasty and Unique Atmosphere*
- *Warm & Inviting Environment*

Transparency

- *Open view of preparation and operations*
- *Signaling freshness and customization*

Innovation

- *Enhance service experience*
- *On and Off Premise*

Design Flexibility

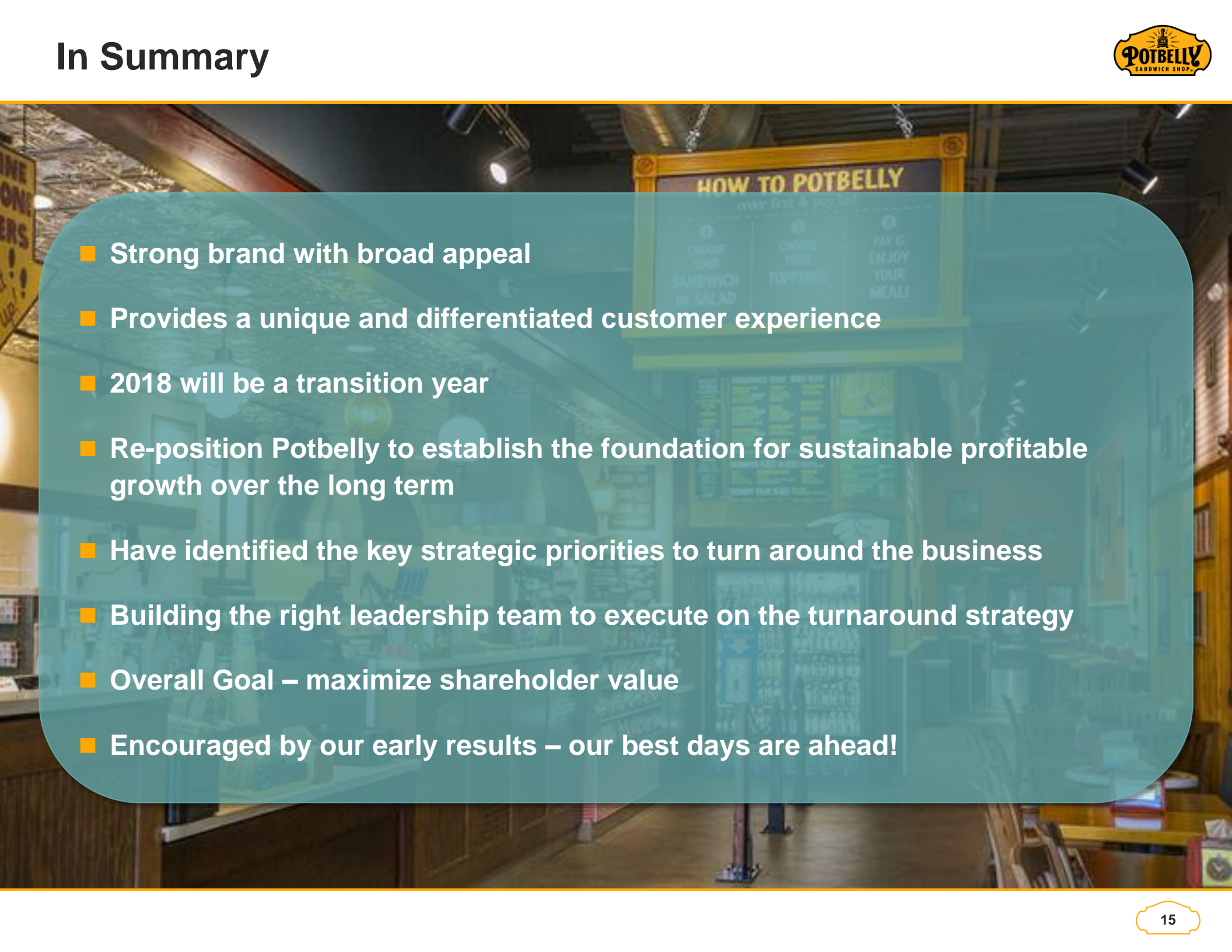
- *Fit most spaces that make sense*
- *Increase productivity*
- *Optimize for sales*
- *Leverage Technology*

Convenience

- *Create easy and obvious pick-up experience*

Shop Cost

- *Bottom-up re-design*
- *Standardize Equipment and layout*
- *Review material cost and durability*

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- A background image of a Potbelly restaurant interior. A wooden sign hangs from the ceiling that reads "HOW TO POTBELLY" with the instruction "order first & pay last". Below the sign, there are three columns of instructions: "1. CHOOSE YOUR SANDWICH OR SALAD", "2. CHOOSE YOUR TOPPINGS", and "3. PAY & ENJOY YOUR MEAL!". The restaurant has a rustic feel with wooden walls and a counter in the foreground.
- Strong brand with broad appeal
 - Provides a unique and differentiated customer experience
 - 2018 will be a transition year
 - Re-position Potbelly to establish the foundation for sustainable profitable growth over the long term
 - Have identified the key strategic priorities to turn around the business
 - Building the right leadership team to execute on the turnaround strategy
 - Overall Goal – maximize shareholder value
 - Encouraged by our early results – our best days are ahead!

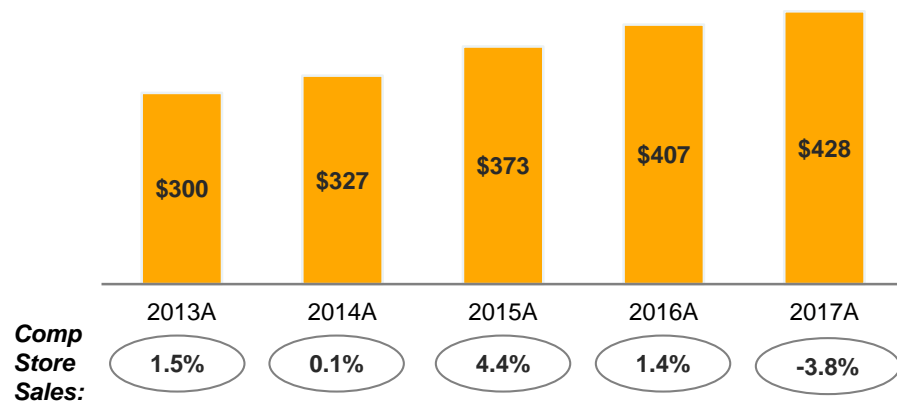
APPENDIX



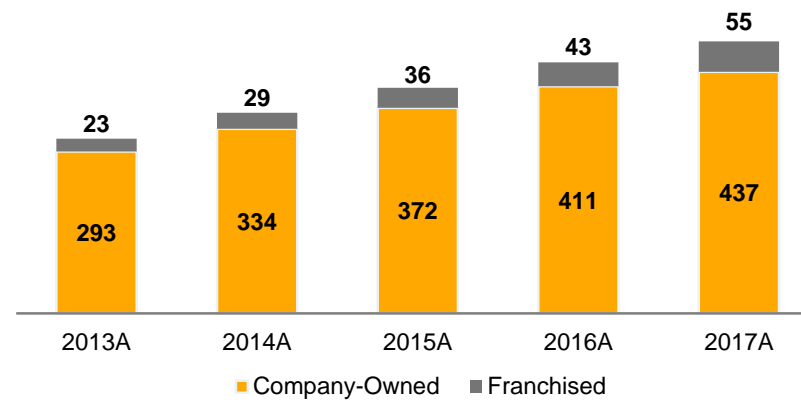
Historical Financial Performance



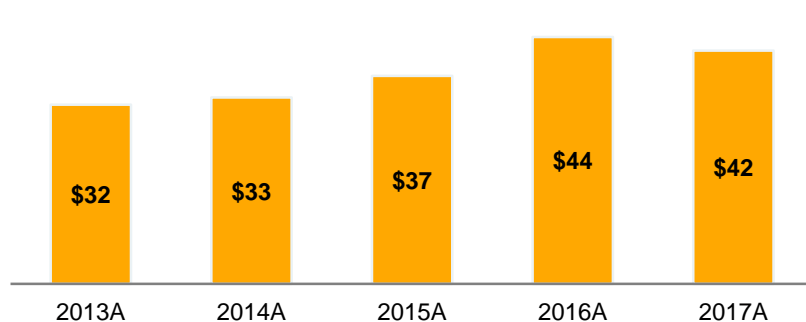
Total Revenues (\$mm)



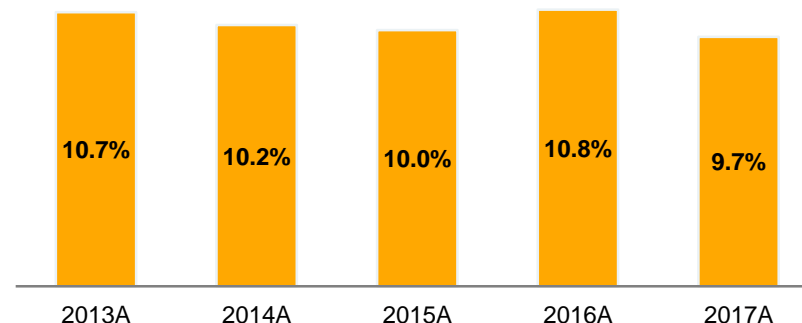
Shop Count (end of period)



Adjusted EBITDA (\$mm) ¹



Adjusted EBITDA Margin ²



(1) Adjusted to exclude impairments, gain or loss on disposal of property and equipment, store closure expense, and stock-based compensation expense.

(2) Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA by Total Revenues.

Reported Net Income to Adjusted EBITDA ⁽¹⁾



(amounts in thousands)

| | 52 Weeks Ended December 29, 2013 | 52 Weeks Ended December 28, 2014 | 52 Weeks Ended December 27, 2015 | 52 Weeks Ended December 25, 2016 | 53 Weeks Ended December 31, 2017 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Net income attributable to Potbelly Corporation, as reported | \$1,258 | \$4,358 | \$5,628 | \$8,212 | \$(6,956) |
| Depreciation expense | 17,875 | 19,615 | 21,476 | 22,734 | 25,680 |
| Interest expense, net | 387 | 179 | 221 | 134 | 124 |
| Income tax expense (benefit) | (204) | 2,748 | 3,466 | 4,443 | 4,643 |
| Impairment, loss on disposal of property and equipment, and closures | 1,132 | 3,885 | 4,006 | 4,265 | 11,659 |
| Stock-based compensation | 11,610 | 2,542 | 2,399 | 3,057 | 3,848 |
| Legal settlement | --- | --- | --- | 1,300 | --- |
| CEO transition costs | --- | --- | --- | --- | 2,695 |
| Adjusted EBITDA | \$32,058 | \$33,327 | \$37,196 | \$44,145 | \$41,693 |

(1) Adjusted EBITDA as presented in the table titled, "Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures" in our earnings release filed with the SEC on November 3, 2017.

