
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

Form 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): May 3, 2016

Potbelly Corporation

(Exact name of registrant as specified in its charter)

Commission File Number: 001-36104

Delaware
(State or other jurisdiction
of incorporation)

36-4466837
(IRS Employer
Identification No.)

**111 N. Canal Street, Suite 850
Chicago, Illinois 60606**
(Address of principal executive offices, including zip code)

(312) 951-0600
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On May 3, 2016, Potbelly Corporation ("Potbelly") issued a press release disclosing earnings and other financial results for its first fiscal quarter ended March 27, 2016, and that as previously announced, its management would review these results in a conference call at 5:00 p.m. Eastern time on May 3, 2016. The full text of the press release is furnished hereto as Exhibit 99.1.

The information furnished with this report, including Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any other filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit No. | Description |
|--------------------|--|
| 99.1 | Potbelly Corporation Press Release dated May 3, 2016 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 3, 2016

Potbelly Corporation

By: /s/ Michael Coyne

Name: Michael Coyne

Title: Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

| Exhibit No. | Description |
|------------------------|--|
| 99.1 | Potbelly Corporation Press Release dated May 3, 2016 |



POTBELLY CORPORATION REPORTS RESULTS

FOR FIRST FISCAL QUARTER 2016

Chicago, IL, May 3, 2016 – Potbelly Corporation (NASDAQ: PBPB) today reported financial results for the first fiscal quarter ended March 27, 2016.

Key highlights for the thirteen weeks ended March 27, 2016 compared to the thirteen weeks ended March 29, 2015 include:

- Total revenues increased 11.9% to \$96.0 million from \$85.8 million.
- Company-operated comparable store sales increased 3.7%.
- Seven new shops opened, including five company-operated shops and two franchised shops.
- Adjusted EBITDA increased 9.2% to \$9.0 million from \$8.2 million.
- Adjusted net income attributable to Potbelly Corporation increased 33.7% to \$1.1 million, or \$0.04 per diluted share, from adjusted net income of \$0.8 million, or \$0.03 per diluted share.
- GAAP net income attributable to Potbelly Corporation was \$1.1 million, or \$0.04 per diluted share, compared to net income of \$0.5 million, or \$0.02 per diluted share.

Aylwin Lewis, Chairman and Chief Executive Officer of Potbelly Corporation commented, “We had a good start to the year, as the positive momentum we experienced throughout 2015 continued into the first quarter. We delivered revenue growth of 11.9% and adjusted net income of \$1.1 million, driven by company-operated comparable sales increase of 3.7% and new corporate shop development.”

Lewis continued, “Our strong business fundamentals are reflected in the results. The results trajectory is excellent over the long term. We will continue to leverage our culture to drive sales, increase our flow-through and improve shareholder value.”

2016 Outlook

For the full fiscal year of 2016, management currently expects:

- Company-operated comparable store sales growth of approximately 3.5% to 4.0%;
- 55 – 65 total new shop openings, including 45 – 50 company-operated shop openings;
- An effective tax rate that is expected to range from 39% to 40%;
- Adjusted net income of at least 20% growth;
- Full year adjusted diluted earnings per share to range from \$0.36 to \$0.38; and
- Comparable adjustments to net income as discussed in the “Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures.”

Conference Call

A conference call and audio webcast has been scheduled for 5:00 p.m. Eastern time today to discuss these results. Details of the conference call are as follows:

Date: Tuesday, May 3, 2016
Time: 5:00 p.m. Eastern time
Dial-In #: 877-407-0784 U.S. & Canada
201-689-8560 International
Confirmation code: 13634634

Alternatively, the conference call will be webcast at www.potbelly.com on the "Investor Relations" webpage. For those unable to participate, an audio replay will be available from 8:00 p.m. Eastern time on Tuesday, May 3, 2016 through midnight Tuesday, May 10, 2016. To access the replay, please call 877-870-5176 (U.S. & Canada) or 858-384-5517 (International) and enter confirmation code 13634634. A web-based archive of the conference call will also be available at the above website.

About Potbelly

Potbelly Corporation is a fast-growing neighborhood sandwich concept offering toasty warm sandwiches, signature salads and other fresh menu items served by engaging people in an environment that reflects the Potbelly brand. Our Vision is for our customers to feel that we are their "Neighborhood Sandwich Shop" and to tell others about their great experience. Our Mission is to make people really happy and to improve every day. Our Passion is to be "The Best Place for Lunch." The Company owns and operates over 350 shops in the United States and our franchisees operate over 30 shops domestically, in the Middle East and in the United Kingdom. For more information, please visit our website at www.potbelly.com.

Definitions

The following definitions apply to these terms as used throughout this press release:

- **Revenues** – represent net company-operated sandwich shop sales and our franchise operations. Net company-operated shop sales consist of food and beverage sales, net of promotional allowances and employee meals. Franchise royalties and fees consist of an initial franchise fee, a franchise development agreement fee and royalty income from the franchisee.
- **Company-operated comparable store sales** – represents the change in year-over-year sales for the comparable company-operated store base open for 15 months or longer.
- **Adjusted EBITDA** – represents net income before depreciation and amortization expense, interest expense, provision for income taxes and pre-opening costs, adjusted to eliminate the impact of other items, including certain non-cash as well as certain other items that we do not consider representative of our on-going operating performance.
- **Adjusted net income** – represents net income, excluding impairment, gain or loss on disposal of property and equipment and store closure expense as well as costs associated with moving our corporate headquarters.
- **Shop-level profit** – represents income from operations less franchise royalties and fees, general and administrative expenses, depreciation expense, pre-opening costs and impairment and loss on disposal of property and equipment.
- **Shop-level profit margin** – represents shop-level profit expressed as a percentage of net company-operated sandwich shop sales.

Non-GAAP Financial Measures

We prepare our financial statements in accordance with Generally Accepted Accounting Principles ("GAAP"). Within this press release, we make reference to adjusted EBITDA, adjusted net income, shop-level profit and shop-level profit margin, which are non-GAAP financial measures. The Company includes these non-GAAP financial measures because management believes they are useful to investors in that they provide for greater transparency with respect to supplemental information used by management in its financial and operational decision making.

Management uses adjusted EBITDA and adjusted net income to evaluate the Company's performance excluding the impact of certain non-cash charges and other special items that affect the comparability of results in past quarters, are expected in future quarters and in order to have comparable financial results to analyze changes in our underlying business from quarter to quarter. Management uses

shop-level profit and shop-level profit margin as key metrics to evaluate the profitability of incremental sales at our shops, to evaluate our shop performance across periods and to evaluate our shop financial performance against our competitors.

Accordingly, the Company believes the presentation of these non-GAAP financial measures, when used in conjunction with GAAP financial measures, is a useful financial analysis tool that can assist investors in assessing the Company's operating performance and underlying prospects. This analysis should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. This analysis, as well as the other information in this press release, should be read in conjunction with the Company's financial statements and footnotes contained in the documents that the Company files with the U.S. Securities and Exchange Commission ("SEC"). The non-GAAP financial measures used by the Company in this press release may be different from the methods used by other companies. For more information on the non-GAAP financial measures, please refer to the table, "Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures."

Forward-Looking Statements

Except for the historical information contained in this press release, the matters addressed are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements, written, oral or otherwise made, represent the Company's expectation or belief concerning future events. Without limiting the foregoing, the words "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "strives," "goal," "estimates," "forecasts," "projects" or "anticipates" and similar expressions are intended to identify forward-looking statements. By nature, forward-looking statements involve risks and uncertainties that could 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 speak only as of the date hereof. See "Risk Factors" and "Cautionary Statement on Forward-Looking Statements" included 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, all of which are available on our website at www.potbelly.com.

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Contact: **Investor Relations**

Investors@Potbelly.com

312-428-2950

Potbelly Corporation
Consolidated Statements of Operations and Margin Analysis – Unaudited
(Amounts in thousands, except share and per share data)

| | For the 13 Weeks Ended | | | |
|---|------------------------|--------------|-------------------|--------------|
| | March 27, 2016 | | March 29, 2015 | |
| Revenues | | | | |
| Sandwich shop sales, net | \$ 95,426 | 99.4% | \$ 85,397 | 99.6% |
| Franchise royalties and fees | 529 | 0.6 | 371 | 0.4 |
| Total revenues | 95,955 | 100.0 | 85,768 | 100.0 |
| Expenses | | | | |
| Sandwich shop operating expenses | | | | |
| Cost of goods sold, excluding depreciation | 26,246 | 27.4 | 24,345 | 28.4 |
| Labor and related expenses | 28,162 | 29.3 | 24,600 | 28.7 |
| Occupancy expenses | 12,757 | 13.3 | 11,347 | 13.2 |
| Other operating expenses | 10,545 | 11.0 | 9,657 | 11.3 |
| General and administrative expenses | | | | |
| Depreciation expense | 10,523 | 11.0 | 8,831 | 10.3 |
| Pre-opening costs | 5,664 | 5.9 | 5,151 | 6.0 |
| Impairment and loss on disposal of property and equipment | 152 | 0.2 | 541 | 0.6 |
| Impairment and loss on disposal of property and equipment | 17 | 0.0 | 348 | 0.4 |
| Total expenses | 94,066 | 98.0 | 84,820 | 98.9 |
| Income from operations | 1,889 | 2.0 | 948 | 1.1 |
| Interest expense, net | 28 | 0.0 | 61 | 0.1 |
| Income before income taxes | 1,861 | 1.9 | 887 | 1.0 |
| Income tax expense | 733 | 0.8 | 351 | 0.4 |
| Net income | 1,128 | 1.2 | 536 | 0.6 |
| Net income attributable to non-controlling interests | 40 | 0.0 | 5 | 0.0 |
| Net income attributable to Potbelly Corporation | \$ 1,088 | 1.1% | \$ 531 | 0.6% |

Net income per common share attributable to common shareholders:

| | | |
|--|------------|------------|
| Basic | \$ 0.04 | \$ 0.02 |
| Diluted | \$ 0.04 | \$ 0.02 |
| Weighted average common shares outstanding: | | |
| Basic | 26,259,593 | 28,905,084 |
| Diluted | 26,733,055 | 29,675,032 |

Potbelly Corporation
Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures – Unaudited
(Amounts in thousands, except share and per share data)

| | For the 13 Weeks Ended | |
|--|------------------------|-------------------|
| | March 27, 2016 | March 29, 2015 |
| Net income attributable to Potbelly Corporation, as reported | \$ 1,088 | \$ 531 |
| Impairment and closures ⁽¹⁾ | 17 | 480 |
| Tax benefit of impairment and closures ⁽²⁾ | (7) | (190) |
| Adjusted net income attributable to Potbelly Corporation | <u>\$ 1,098</u> | <u>\$ 821</u> |
| Net income attributable to Potbelly Corporation per share, basic | \$ 0.04 | \$ 0.02 |
| Net income attributable to Potbelly Corporation per share, diluted | \$ 0.04 | \$ 0.02 |
| Adjusted net income attributable to Potbelly Corporation per share, basic | \$ 0.04 | \$ 0.03 |
| Adjusted net income attributable to Potbelly Corporation per share, diluted | \$ 0.04 | \$ 0.03 |
| Shares used in computing adjusted net income attributable to Potbelly Corporation: | | |
| Basic | 26,259,593 | 28,905,084 |
| Diluted | 26,733,055 | 29,675,032 |

| | For the 13 Weeks Ended | |
|--|------------------------|-------------------|
| | March 27, 2016 | March 29, 2015 |
| Net income attributable to Potbelly Corporation, as reported | \$ 1,088 | \$ 531 |
| Depreciation expense | 5,664 | 5,151 |
| Interest expense, net | 28 | 61 |
| Income tax expense | 733 | 351 |
| Impairment and closures ⁽³⁾ | 17 | 400 |
| Pre-opening costs ⁽⁴⁾ | 152 | 541 |
| Stock-based compensation | 677 | 538 |
| Public company costs ⁽⁵⁾ | 635 | 661 |
| Adjusted EBITDA | <u>\$ 8,994</u> | <u>\$ 8,234</u> |

Potbelly Corporation
Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures – Unaudited
(Amounts in thousands, except selected operating data)

| | For the 13 Weeks Ended | |
|---|------------------------|-------------------|
| | March 27, 2016 | March 29, 2015 |
| Income from operations | \$ 1,889 | \$ 948 |
| Less: Franchise royalties and fees | 529 | 371 |
| General and administrative expenses | 10,523 | 8,831 |
| Depreciation expense | 5,664 | 5,151 |
| Pre-opening costs | 152 | 541 |
| Impairment and loss on disposal of property and equipment | 17 | 348 |
| Shop-level profit [Y] | <u>\$ 17,716</u> | <u>\$ 15,448</u> |
| Total revenues | \$ 95,955 | \$ 85,768 |
| Less: Franchise royalties and fees | 529 | 371 |
| Sandwich shop sales, net [X] | <u>\$ 95,426</u> | <u>\$ 85,397</u> |
| Shop-level profit margin [Y÷X] | 18.6% | 18.1% |

| | For the 13 Weeks Ended | |
|---|------------------------|-------------------|
| | March 27, 2016 | March 29, 2015 |
| Selected Operating Data | | |
| Shop Activity: | | |
| Company-operated shops, end of period | 377 | 339 |
| Franchise shops, end of period | 38 | 29 |
| Revenue Data: | | |
| Company-operated comparable store sales | 3.7% | 5.4% |

**Footnotes to the Press Release, Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures
& Selected Operating Data**

- (1) This adjustment includes costs related to impairment of long-lived assets, gain or loss on disposal of property and equipment and shop closure expenses. Shop closure expenses are recorded in general and administrative expenses in the consolidated statement of operations. Additionally, the thirteen weeks ended March 29, 2015 include costs associated with the Company moving its corporate headquarters, which are recorded in the consolidated statement of operations in general and administrative expenses, as well as pre-opening for the occupancy-related costs.
- (2) The tax benefit associated with impairment and closures is based on the Company's annual pro-forma effective tax rate of 39.4% for the thirteen weeks ended March 27, 2016 and an annual pro-forma effective tax rate of 39.6% for the thirteen weeks ended March 29, 2015.
- (3) This adjustment includes costs related to impairment of long-lived assets, gain or loss on disposal of property and equipment and shop closure expenses. Shop closure expenses are recorded in general and administrative expenses in the consolidated statement of operations.
- (4) Pre-opening costs are expensed as incurred and primarily consist of travel, employee payroll and training costs incurred prior to the opening of a shop, as well as occupancy costs incurred from the date the Company takes site possession to shop opening. Additionally, the thirteen weeks ended March 29, 2015 includes pre-opening rent for the new corporate office location of \$0.1 million.
- (5) This adjustment includes on-going public company costs, which primarily consist of legal and accounting fees.