



*First Quarter 2021 Earnings
Presentation*

May 6, 2021



Cautionary Statements



Forward-Looking Statements

In addition to historical information, this press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended and the Private Securities Litigation Reform Act of 1995. 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," "might," "will," "should," "seeks," "intends," "plans," "strives," "goal," "estimates," "forecasts," "projects" or "anticipates" or the negative of these terms and similar expressions are intended to identify forward-looking statements. Forward-looking statements included in this press release may include, among others, statements relating to our future financial position and results of operations, business strategy, budgets, projected costs and plans and objectives of management for future operations, our expectations regarding improvements in top-line results throughout each fiscal quarter in 2021, our expectation that the majority of our operating earnings and Adjusted EBITDA will be generated in the second half of 2021, our expectation that we will deliver enterprise-level profitability and positive cash flow during the second half of 2021, the strengthening of our liquidity position throughout 2021 and our intention to stay disciplined in controlling costs and balanced in investing in our strategic initiatives. 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, due to reasons including, but not limited to, risks related to the COVID-19 outbreak; compliance with our Credit Agreement covenants; competition; general economic conditions; our ability to successfully implement our business strategy; the success of our initiatives to increase sales and traffic; changes in commodity, energy and other costs; our ability to attract and retain management and employees; consumer reaction to industry-related public health issues and perceptions of food safety; our ability to manage our growth; reputational and brand issues; price and availability of commodities; consumer confidence and spending patterns; and weather conditions. In addition, there may be other factors of which we are presently unaware or that we currently deem immaterial that could cause our actual results to be materially different from the results referenced in the forward-looking statements. All forward-looking statements contained in this press release are qualified in their entirety by this cautionary statement. Although we believe that our plans, intentions and expectations are reasonable, we may not achieve our plans, intentions or expectations. 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 or other subsequent filings, all of which are available on our website at www.potbelly.com. The Company undertakes no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by 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. In addition, our non-GAAP financial measures may be different from non-GAAP measures used by other companies, limiting their usefulness for comparison purposes. Reconciliations of these measures to the GAAP measures we consider most comparable are included in the Financial Appendix.



Q1 2021 Highlights: Sales Momentum Accelerating

Q1 2021 Results

(\$s in millions)

Revenue
\$78.1

Operating Loss
(\$14.1)

Adj. EBITDA*
(\$6.6)

SSS vs. 2020
(3.1%)

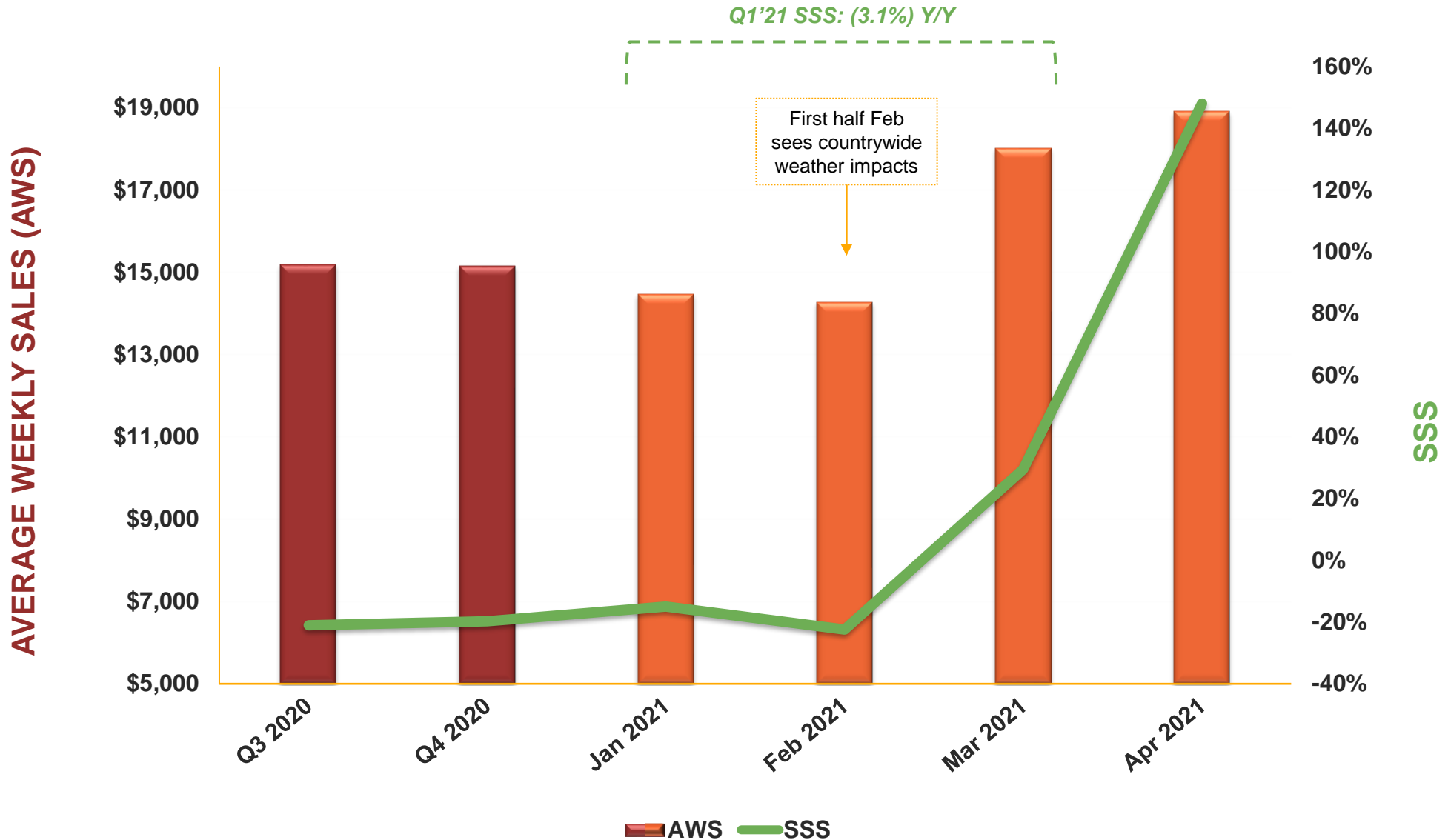
Key Highlights:

- ✓ First quarter same-store sales improved by 16.6 percentage points on a sequential basis to (3.1%), compared to (19.7%) in Q4 2020
- ✓ Early returns of new 'Traffic-Driven Profitability' (TDP) strategic initiatives, operational improvements and better macro-economic environment drove better performance
- ✓ Digital business remains strong along with building recovery of In-Shop sales
- ✓ Returned to shop-level profitability during the quarter, ahead of plan
- ✓ Appointed Scott Swayne as the Company's Chief People Officer
- ✓ Continuing to test, refine and implement multiple initiatives associated with TDP plan
- ✓ Solidified balance sheet through successful capital raise, amended credit facility, and significantly improved cash flow dynamics
- ✓ Based on the progress made during the first quarter, the Company expects to be cash flow positive by the end of the third quarter, ahead of plan

Strong Recovery from Pandemic-Induced Low Levels



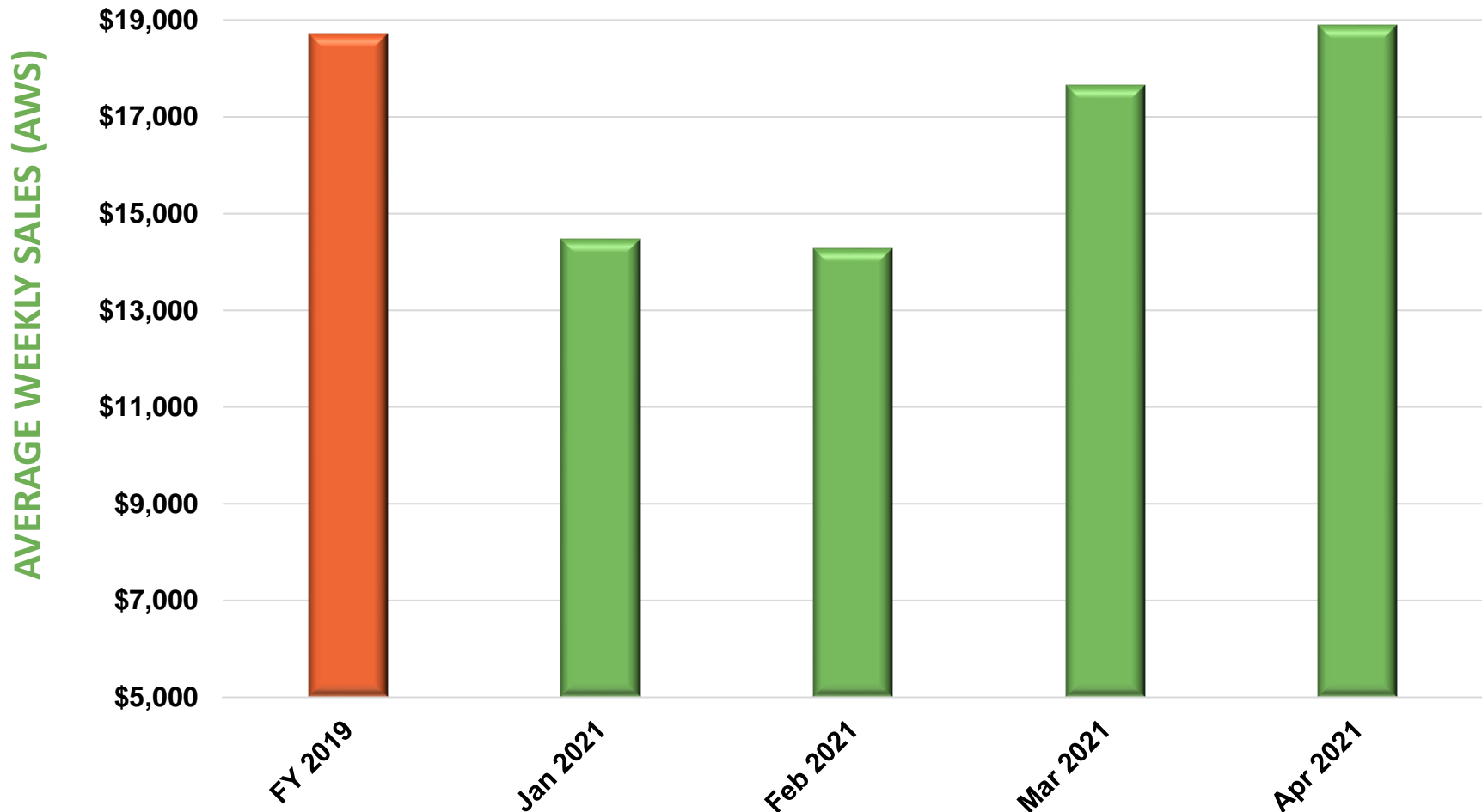
Average Weekly Sales by Shop and SSS Comps



Volumes Rapidly Approaching 2019 Levels



AWS Fiscal 2019 vs. Monthly 2021



Q1 2021 Performance Review: Q/Q



(\$s in millions)

	Q1 2021	Q4 2020
Revenue	\$78.1	\$74.9
Same Store Sales (SSS)	(3.1%)	(19.7%)
GAAP Net Income (Loss)	(\$14.5)	(\$16.4)
Adjusted Net Income (Loss)*	(\$8.5)	(\$13.7)
Adjusted EBITDA*	(\$6.6)	(\$6.9)
G&A/Sales	9.5%	8.9%
COGS/Sales	27.7%	28.5%
Labor/Sales	36.9%	36.5%
Other Operating Expenses/Sales	17.2%	17.7%
Liquidity Position**	\$33.5	\$44.6

* See Appendix to this presentation for GAAP to Non-GAAP reconciliations

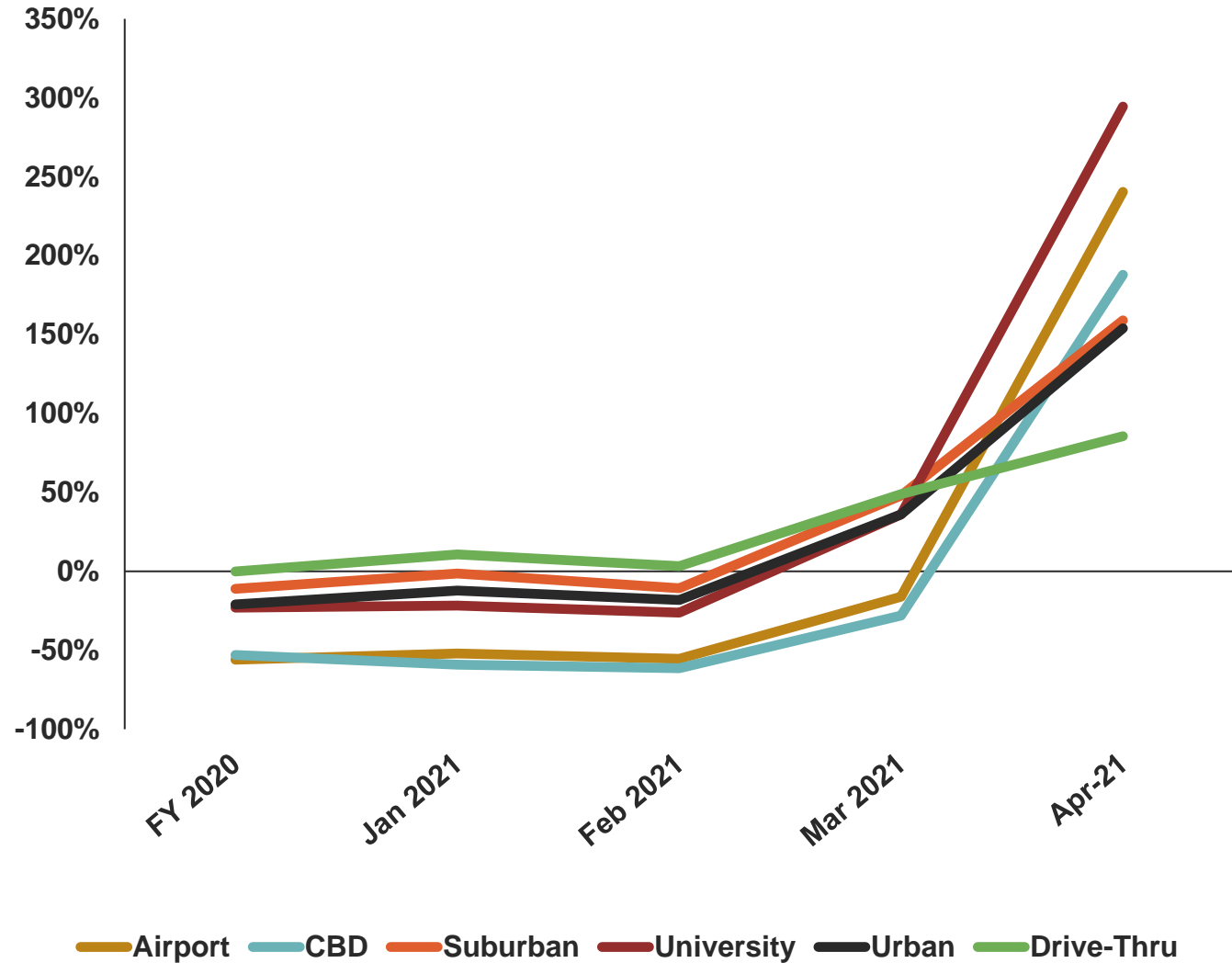
** Liquidity Position is defined as cash on hand and availability under the revolving credit facility

Strong Improvement Across All Shop Types



- 14 shops remain temporarily closed, with most expected to re-open in Q2
- Suburban, University, Urban and Drive-Thru shops approaching or above 2019 levels
- Continue to expect solid improvement throughout 2021 as vaccine distribution accelerates and shop dine-in restrictions are lifted

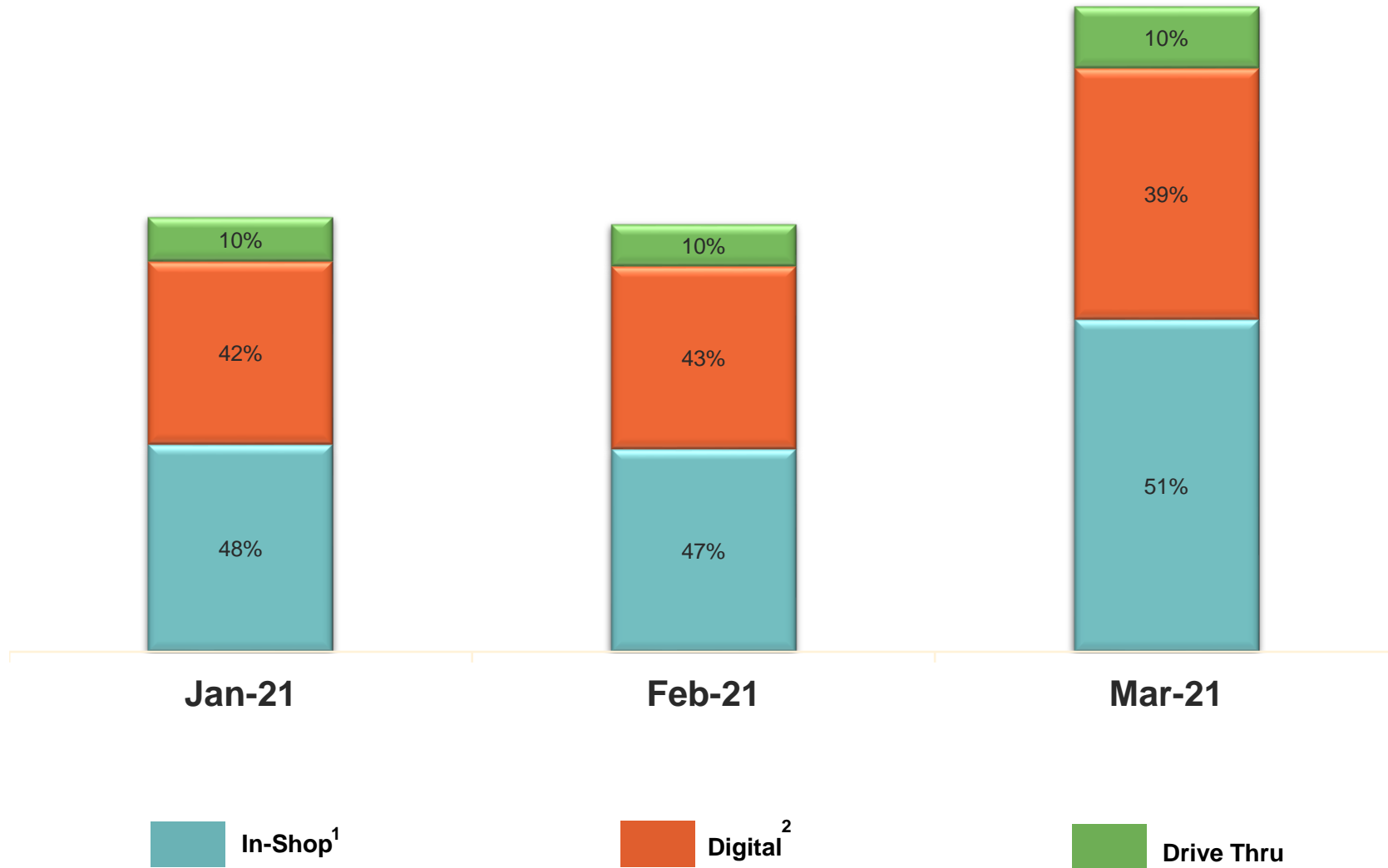
Same-Store Net Sales *By Shop Type*



Blending In-Shop and Digital Trends: Consistent Mix



Q1'21 Revenue by Service Mode



(1) In-Shop includes all revenue for in-shop and take out services

(2) Digital includes all revenue for delivery and pick up services through mobile ordering and catering

Reaffirming 2021 Outlook: 1H Recovery, 2H Acceleration



Strategic initiatives and economic recovery expected to support sequential quarterly improvement in performance and return to positive cash flow and enterprise profitability in second half of 2021

1H'21



- Consumer mobility trends expected to improve as COVID-19 infections decrease and vaccinations increase
- 1H'21 expected to track slightly above 2H'20, with recovery accelerating mid-year
- Enter year with roughly \$11.3 million in deferred cash expense, \$3.5 million of which was paid in Q1'21 with balance to be paid throughout 2021
- Project shop-level profitability for 1H'21
 - ✓ *Achieved in Q1'21 ahead of plan*

2021



- Expect sequential improvement in top-line results throughout each quarter of fiscal 2021
- Planning 3-5 franchise openings and no new corporate openings/closures at this time
- Will generate the majority of operating earnings and Adjusted EBITDA during 2H'21
- Expect to deliver enterprise-level profitability as well as positive cash flow in 2H'21
 - ✓ *Positive cash flow now projected Q3'21*



Potbelly is the sandwich shop with the craveable quality and good vibes of a first-class dive.



Strategic Focus: Traffic-Driven Profitability



Craveable
Quality
Food
at a Great
Value



People
Creating
Good
Vibes



Customer
Experiences
that Drive
Traffic
Growth



Digitally-
Driven
Awareness,
Connection
& Traffic



Franchise
Focused
Development

Potbelly is the sandwich shop with the craveable quality and good vibes of a first-class dive.

Traffic-Driven Profitability: Multiple Strategic Initiatives



Focused investments to drive traffic, reward loyal customer following and further develop franchise pipeline



Strategic Initiatives	Status
Simplified Menu to improve traffic, customer experience & value perceptions	<ul style="list-style-type: none"> ➤ Testing progressing as planned, expanded locations in early April
Tech Stack including new website, App and improved online ordering	<ul style="list-style-type: none"> ➤ Positive impact from differential pricing with third party delivery ➤ Additional progress with additional testing rollouts starting in Q2
Scale Media and Local Shop Marketing (LSM) to grow traffic and frequency	<ul style="list-style-type: none"> ➤ New campaigns prove ability to drive additional sales – social media testing and third-party activation showing solid returns; ongoing media push
Perks Loyalty Program to add members and drive additional revenue	<ul style="list-style-type: none"> ➤ Several loyalty campaigns in Q1 (Appreciation Week, Triple Points Days, Groundhog Day, etc.); continue to drive engagement until Tech Stack launch

APPENDIX:
GAAP to Non-GAAP Reconciliations



Q1'21 & Q4'20 Performance Review: Adjusted Net Income



(\$s in millions)

	Q1 2021	Q4 2020
Net Loss	(\$14.5)	(\$16.4)
Disposals, Impairment & Closures	\$3.1	\$2.7
Restructuring Costs	-	\$1.7
Income Tax Adjustments	\$2.9	(\$1.7)
Adjusted Net Loss	(\$8.5)	(\$13.7)

Q1'21 & Q4'20 Performance Review: Adjusted EBITDA



(\$s in millions)

	Q1 2021	Q4 2020
Net Loss	(\$14.5)	(\$16.4)
Depreciation Expense	\$4.2	\$4.7
Interest Expense	\$0.3	\$0.3
Income Tax Expense (Benefit)	\$0.05	\$0.05
EBITDA	(\$10.0)	(\$11.3)
Disposals, Impairment & Closures	\$3.1	\$2.7
Stock Compensation	\$0.2	\$0.03
Restructuring Costs	-	\$1.7
Adjusted EBITDA	(\$6.6)	(\$6.9)

Use of Non-GAAP Measures



Note Regarding Non-GAAP Measures

We prepare our financial statements in accordance with Generally Accepted Accounting Principles (“GAAP”). Within this press release, we make reference to EBITDA, adjusted EBITDA, adjusted diluted EPS, adjusted net loss, 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, adjusted net income and adjusted diluted EPS to evaluate the Company’s performance and in order to have comparable financial results to analyze changes in our underlying business from quarter to quarter. Adjusted EBITDA, adjusted net income and adjusted diluted EPS exclude the impact of certain non-cash charges and other special items that affect the comparability of results in past quarters. 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. 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.”

Definitions

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

- **Revenues** – represents 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.
- **EBITDA** – represents income before depreciation and amortization expense, interest expense and the provision for income taxes.
- **Adjusted EBITDA** – represents income before depreciation and amortization expense, interest expense and the provision for income taxes, adjusted to eliminate the impact of other items, including certain non-cash as well as other items that we do not consider representative of our ongoing operating performance.
- **Shop-level profit** – represents income (loss) from operations less franchise royalties and fees, general and administrative expenses, depreciation expense, pre-opening costs, restructuring costs and impairment, loss on the disposal of property and equipment and shop closures.
- **Shop-level profit margin** – represents shop-level profit expressed as a percentage of net company-operated sandwich shop sales.

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