
**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 5, 2015

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.)

222 Merchandise Mart Plaza, 23rd Floor
Chicago, Illinois 60654
(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 5, 2015, Potbelly Corporation issued a press release disclosing earnings and other financial results for its first fiscal quarter ended March 29, 2015, and that as previously announced, its management would review these results in a conference call at 5:00 p.m. Eastern time on May 5, 2015. 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.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Potbelly Corporation Press Release dated May 5, 2015

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 5, 2015

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 5, 2015



POTBELLY CORPORATION

REPORTS RESULTS FOR FIRST FISCAL QUARTER 2015

Chicago, IL May 5, 2015 – Potbelly Corporation (NASDAQ: PBPE) today reported financial results for the first fiscal quarter ended March 29, 2015.

Key highlights for the thirteen weeks ended March 29, 2015 compared to the thirteen weeks ended March 30, 2014 include:

- Seven new company-operated shops opened.
- Total revenues increased 16.1% to \$85.8 million from \$73.9 million.
- Company-operated comparable store sales increased 5.4%.
- Adjusted net income attributable to Potbelly Corporation increased to \$0.8 million, or \$0.03 per diluted share, from adjusted net income of \$0.2 million, or \$0.01 per diluted share.
- GAAP net income attributable to Potbelly Corporation was \$0.5 million, compared to net loss of \$0.3 million during the same fiscal period of 2014.
- Adjusted EBITDA increased 30.3% to \$8.2 million from \$6.3 million.

Aylwin Lewis, Chairman and Chief Executive Officer of Potbelly Corporation, commented, “We are very pleased with our results in the first quarter, where we delivered revenue growth of over 16% and adjusted EBITDA growth of over 30% driven by comparable shop sales of 5.4% and new corporate shop development. We will continue to grow using our strong balance sheet and self-funded model and we remain confident in the long term fundamentals of our business.”

2015 Outlook

For the full fiscal year of 2015, management currently expects at least 20% annual adjusted net income growth. This guidance is based, in part, on the following assumptions for fiscal year 2015:

- 48 – 55 total new shop openings, including 40 – 45 company-operated shop openings;
- Low single-digit company-operated comparable store sales growth;
- An effective tax rate that is not expected to exceed approximately 40.0%; 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 5, 2015
Time: 5:00 p.m. Eastern time
Dial-In #: 877-407-0784 U.S. & Canada
201-689-8560 International
Confirmation code: 13607418

Alternatively, the conference call will be available via 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 5, 2015 through midnight Tuesday, May 12, 2015. To access the replay, please call 877-870-5176 (U.S. & Canada) or 858-384-5517 (International) and enter confirmation code 13607418. 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 300 shops in the United States and the District of Columbia and our franchisees operate over twenty shops domestically and in the Middle East. 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 (loss) 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 (loss), excluding impairment, gain or loss on disposal of property and equipment and store closure expense as well as costs associated with our plans to move our corporate headquarters.

- **Shop-level profit** – represents income (loss) 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 29, 2015		March 30, 2014	
Revenues				
Sandwich shop sales, net	\$ 85,397	99.6%	\$ 73,523	99.5%
Franchise royalties and fees	371	0.4%	358	0.5%
Total revenues	<u>85,768</u>	100.0%	<u>73,881</u>	100.0%
Expenses				
Sandwich shop operating expenses				
Cost of goods sold, excluding depreciation	24,345	28.4%	21,086	28.5%
Labor and related expenses	24,600	28.7%	21,460	29.0%
Occupancy expenses	11,347	13.2%	9,979	13.5%
Other operating expenses	9,657	11.3%	8,158	11.0%
General and administrative expenses	8,831	10.3%	7,822	10.6%
Depreciation expense	5,151	6.0%	4,717	6.4%
Pre-opening costs	541	0.6%	252	0.3%
Impairment and loss on disposal of property and equipment	348	0.4%	848	1.1%
Total expenses	<u>84,820</u>	98.9%	<u>74,322</u>	100.6%
Income (loss) from operations	948	1.1%	(441)	-0.6%
Interest expense, net	61	0.1%	42	0.1%
Income (loss) before income taxes	887	1.0%	(483)	-0.7%
Income tax (benefit) expense	351	0.4%	(191)	-0.3%
Net income (loss)	536	0.6%	(292)	-0.4%
Net income attributable to non-controlling interest	5	0.0%	9	0.0%
Net income (loss) attributable to Potbelly Corporation	<u>\$ 531</u>	0.6%	<u>\$ (301)</u>	-0.4%
Net income (loss) per common share attributable to common stockholders:				
Basic	\$ 0.02		\$ (0.01)	
Diluted	\$ 0.02		\$ (0.01)	
Weighted average common shares outstanding:				
Basic	28,905,084		29,150,824	
Diluted	29,675,032		29,150,824	

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 29, 2015	March 30, 2014
Net income (loss) attributable to Potbelly Corporation, as reported	\$ 531	\$ (301)
Impairment and closures (1)	480	833
Tax benefit of impairment and closures (2)	(190)	(329)
Adjusted net income attributable to Potbelly Corporation	<u>\$ 821</u>	<u>\$ 203</u>
Net income (loss) attributable to Potbelly Corporation per share, basic	\$ 0.02	\$ (0.01)
Net income (loss) attributable to Potbelly Corporation per share, diluted	\$ 0.02	\$ (0.01)
Adjusted net income attributable to Potbelly Corporation per share, basic	\$ 0.03	\$ 0.01
Adjusted net income attributable to Potbelly Corporation per share, diluted	\$ 0.03	\$ 0.01
Shares used in computing adjusted net income attributable to Potbelly Corporation:		
Basic	28,905,084	29,150,824
Diluted	29,675,032	30,816,460
	For the 13 Weeks Ended	
	March 29, 2015	March 30, 2014
Net income (loss) attributable to Potbelly Corporation, as reported	\$ 531	\$ (301)
Depreciation expense	5,151	4,717
Interest expense, net	61	42
Income tax expense (benefit)	351	(191)
Impairment and closures (3)	400	833
Pre-opening costs (4)	541	252
Stock-based compensation (5)	538	488
Public company costs (6)	661	481
Adjusted EBITDA	<u>\$ 8,234</u>	<u>\$ 6,321</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 29, 2015	March 30, 2014
Income (loss) from operations	\$ 948	\$ (441)
Less: Franchise royalties and fees	371	358
General and administrative expenses	8,831	7,822
Depreciation expense	5,151	4,717
Pre-opening costs	541	252
Impairment and loss on disposal of property and equipment	348	848
Shop - level profit [Y]	<u>\$ 15,448</u>	<u>\$ 12,840</u>
Total revenues	\$ 85,768	\$ 73,881
Less: Franchise royalties and fees	371	358
Sandwich shop sales, net [X]	<u>\$ 85,397</u>	<u>\$ 73,523</u>
Shop - level profit margin [Y÷X]	18.1%	17.5%

	For the 13 Weeks Ended	
	March 29, 2015	March 30, 2014
Selected Operating Data		
Shop Activity:		
Company-operated shops, end of period	339	305
Franchise shops, end of period	29	25
Revenue Data:		
Company-operated comparable store sales	5.4%	-2.2%

**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's plans to move 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 39.6% for the thirteen weeks ended March 29, 2015 and an annual pro-forma effective tax rate of 39.5% for the thirteen weeks ended March 30, 2014.
- (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.
- (5) The Company accounts for its stock-based employee compensation in accordance with ASC 718, *Stock Based Compensation*. Stock options granted without performance conditions are recorded in stock-based compensation expense on a straight-line basis over the vesting period based on the grant-date fair value of the option, determined using the Black-Scholes option pricing valuation model.
- (6) This adjustment includes on-going public company costs, which primarily consist of legal and accounting fees.