



**Second Quarter 2023  
Earnings Presentation**  
-- August 3, 2023 --

# Cautionary Statements

## Forward-Looking Statements

In addition to historical information, this presentation 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 presentation may include, among others, statements relating to our (i) future financial position and results of operations, (ii) business strategy, short-term and long-term goals (iii) growth potential, including franchise unit growth, (iv) ability to sustain progress made towards our profitability targets and long-term strategic growth through fiscal year 2024, (v) intention to build further on our growth momentum in the coming quarters, (vi) expectation that we will make meaningful progress in Potbelly's next phase of growth, (vii) anticipated revenue and profitability growth in 2023, (viii) expectations and plans for new shop development deals; (ix) expectations regarding digital business growth and opportunities for digital innovation; and (x) plans for food and marketing innovations; (xi) intention to build further on our growth momentum in the coming quarters; (xii) third quarter and fiscal year 2023 outlook including our projections regarding AUVs, same-store sales, shop-level margin and adjusted EBITDA; and (xiii) expectations regarding wages.

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 presentation 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](http://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

We prepare our financial statements in accordance with Generally Accepted Accounting Principles ("GAAP"). Within this presentation, we make reference to EBITDA, adjusted EBITDA, adjusted diluted EPS, 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, 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 items that affect the comparability of results in past quarters and which we do not believe are reflective of underlying business performance. 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 presentation, 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 presentation may be different from the methods used by other companies.

# Executive Summary: Building Strategic Momentum

## Q2'23 Review

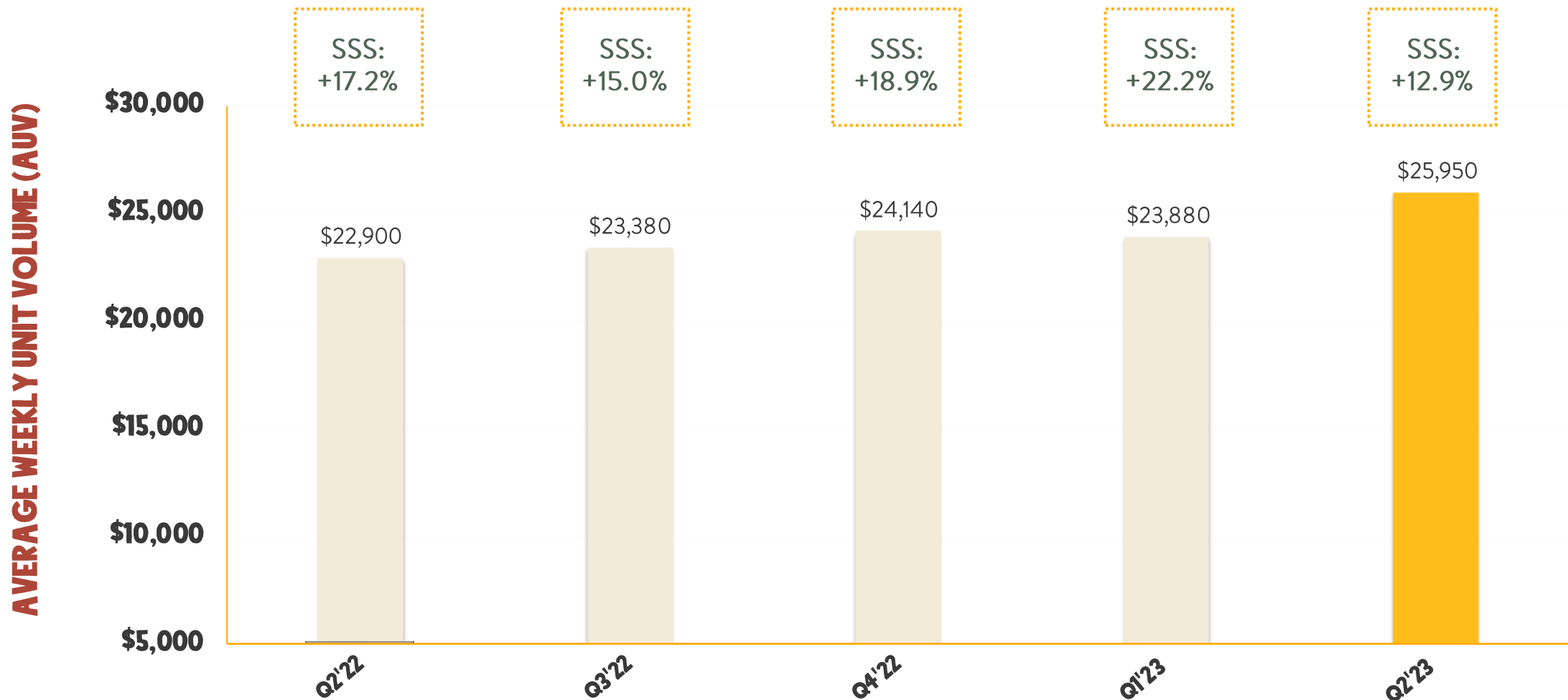
- Traffic strength across portfolio drove significant same-store sales (SSS) growth and average unit volumes (AUV) above internal expectations
- Exceeded guidance across AUVs, SSS, shop-level margin and adjusted EBITDA
- Shop-level margins surpassed 14%, an improvement of 300 basis points versus last year
- Signed Shop Development Area Agreements (SDAAs) totaling 106 new shop commitments to-date for the Franchise Growth Acceleration Initiative with additional deals in the pipeline
- Development efforts advanced with the hire of Lynette McKee to lead franchising and the return of our founder, Bryant Keil, as a franchisee in Maryland

## Traffic-Driven Profitability and Unit Growth



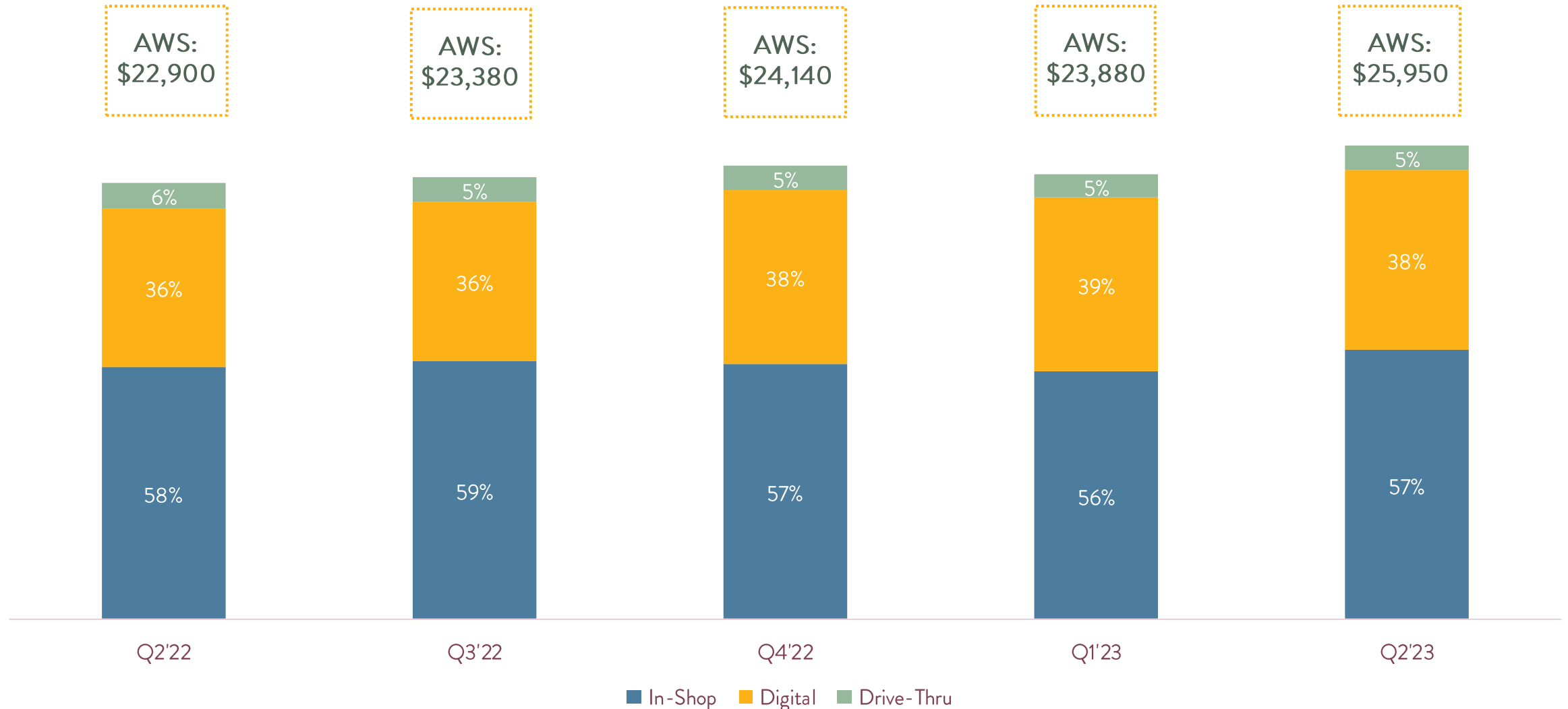
**Potbelly is the sandwich shop with the craveable quality and good vibes of a first-class dive.**

# SSS and AUV Trends Exhibit Continued Strength



Note: AUV figures rounded to nearest \$10

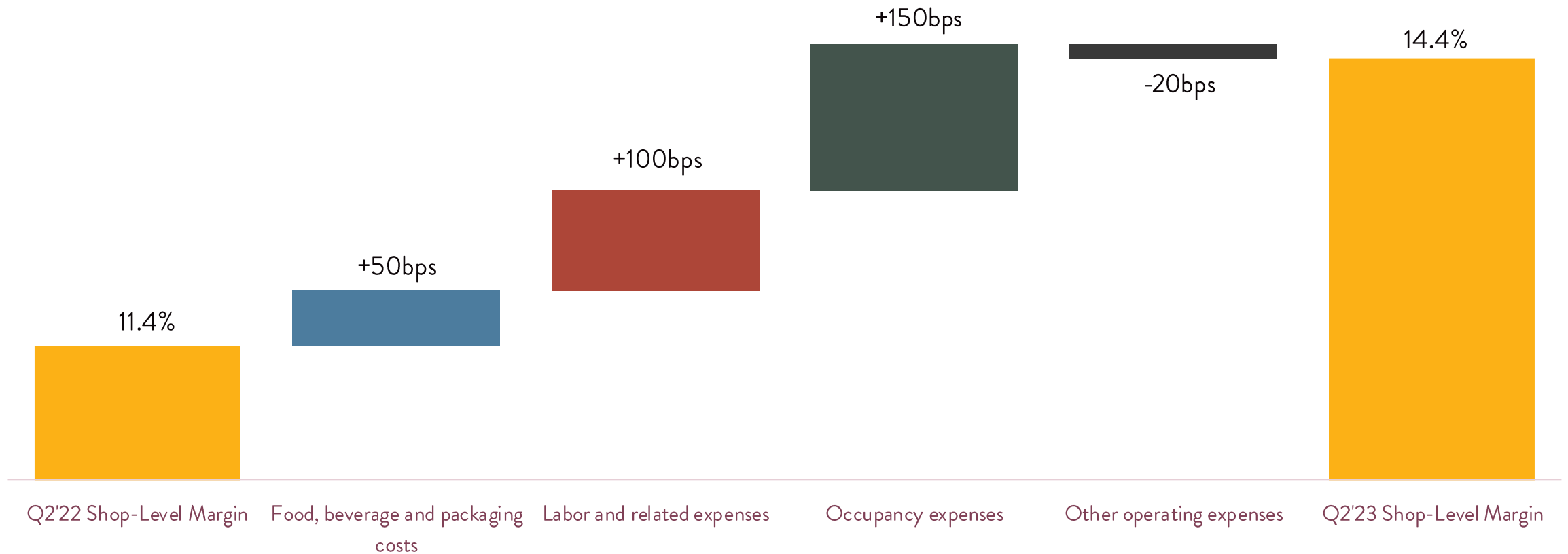
# Consistent Order Mode Mix, Growing Digital Presence



“In-Shop” includes all revenue for orders placed at the counter or via phone/fax.

“Digital” includes all revenue for orders placed through the mobile app, website, and third-party delivery partners.

# Growth in Shop-Level Profit Margin

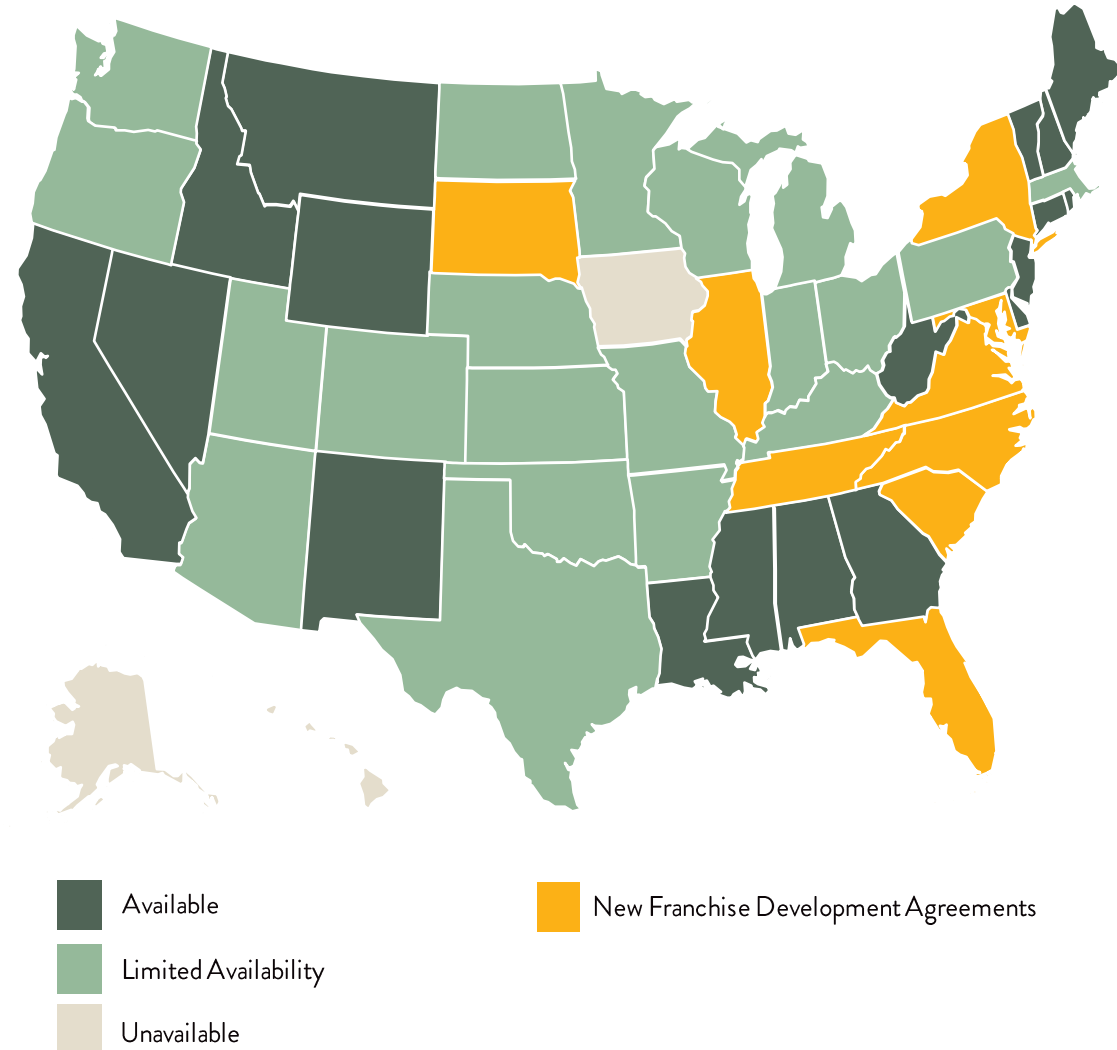


Note: Bridged incremental figures rounded to nearest 10 basis points

# Franchise Growth Acceleration (FGA) Initiative

## FGA Update

- Signed multiple new franchise development agreements from October 2022 to date totaling 106 new shop commitments including agreements for:
  - **New York:** 13 shop agreement in New York City
  - **Florida:** 46 shop commitments from (6) agreements in Tampa, Orlando, Panama City, Fort Myers, Naples, Broward County and Gainesville.
  - **Maryland:** 15 shop agreement across 7 counties
- Refranchised 20 shops as part of aforementioned agreements



# Q3'23 Guidance & FY'23 Outlook



## Q3'23 Guidance

<b>Average Weekly Sales:</b>	\$25,000 - \$25,500
<b>Same-store sales:</b>	7.0% - 9.0%
<b>Shop-level margin:</b>	12.0% - 14.0%
<b>Adj. EBITDA:</b>	\$5.0 million - \$6.0 million

## FY'23 Outlook

<b>Average Unit Volumes:</b>	Record levels
<b>Same-store sales:</b>	High single-digit to low double-digit growth
<b>Shop-level margin:</b>	Low teens



# Strong Platform to Achieve Growth Targets



## Strong Brand, Differentiated Experience

Authentic fast casual concept, with fresh, fast, & friendly service and high brand recognition across 400+ locations



## Franchise Focused Development

2024 target of 10% unit growth; Long-term goal of 2,000 shops



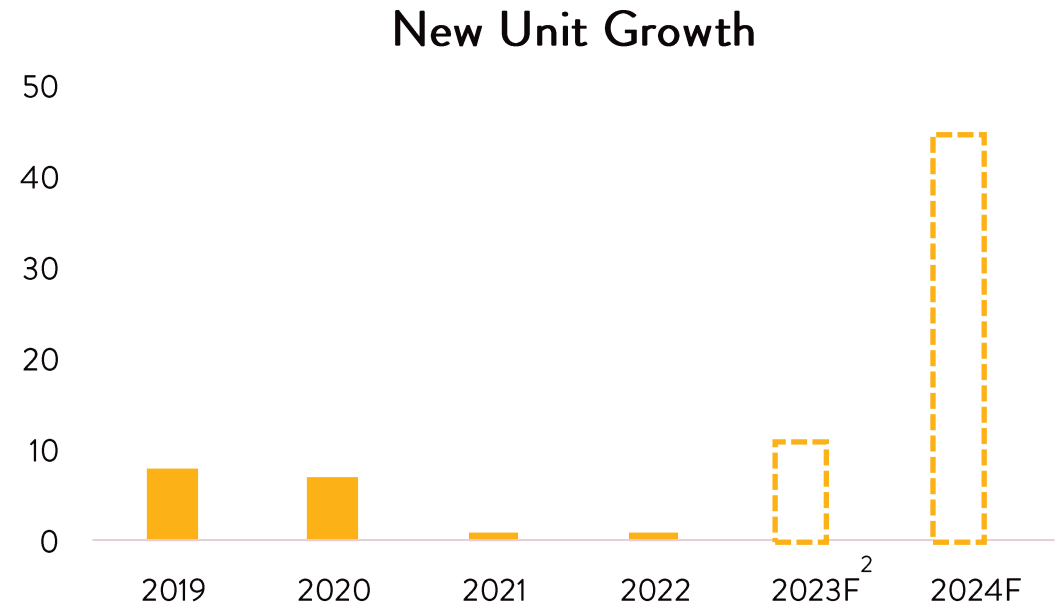
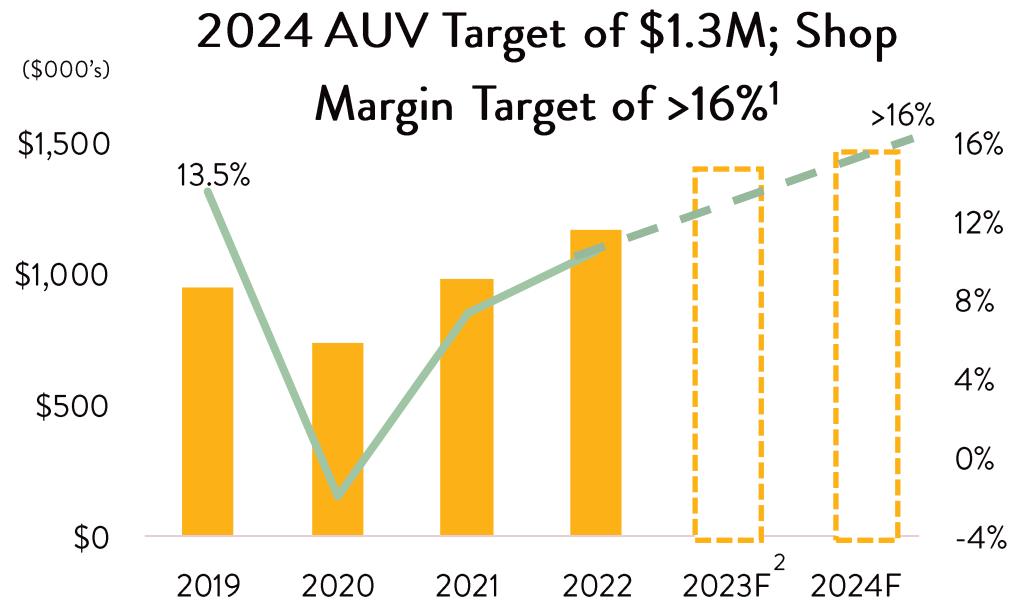
## Renewed Focus of Strategic Marketing

Positive momentum with Scale digital media and Perks loyalty program integration



## Executing Five-Pillar Strategic Plan

'Traffic-Driven Profitability' underpinned by five key pillars to achieve sustainable long-term growth



1. All margin levels for historical years reflect new margin reporting structure.  
2. The Company did not provide nominal 2023 guidance; for illustrative purpose only.



# **APPENDIX:**

## **GAAP TO NON-GAAP RECONCILIATIONS**



# Q2'23 Performance Review: Adjusted Net Income

<i>In Millions</i>	Q2 2023	Q2 2022
Net Income	\$2.2	\$0.6
Impairment, Disposals & Closures	\$0.7	\$1.0
Loss on FGA Initiative	\$0.0	--
Income Tax Adjustments	(\$0.9)	(\$0.2)
<b>Adjusted Net Income</b>	<b>\$2.0</b>	<b>\$1.5</b>

# Q2'23 Performance Review: Adjusted EBITDA

<i>In Millions</i>	Q2 2023	Q2 2022
Net Income	\$2.2	\$0.6
Depreciation Expense	\$2.9	\$3.0
Interest Expense	\$1.0	\$0.4
Income Tax Expense	(\$0.0)	(\$0.0)
EBITDA	\$6.1	\$3.9
Impairment, Disposals & Closures	\$0.7	\$1.0
Stock Compensation	\$1.3	\$0.8
Loss on FGA Initiative	\$0.0	--
<b>Adjusted EBITDA</b>	<b>\$8.0</b>	<b>\$5.8</b>

# Q2'23 Performance Review: Shop Margin

<i>In Millions</i>	Q2 2023	Q2 2022
Income from Operations	\$3.3	\$1.0
Less: Franchise Revenue	\$1.9	\$1.0
Franchise Support, Rent & Marketing	\$1.2	\$0.1
G&A Expense	\$11.7	\$8.8
Pre-opening Costs	\$0.0	--
Loss on FGA Initiative	\$0.0	--
Depreciation Expense	\$2.9	\$3.0
Impairment, Disposals & Closures	\$0.7	\$1.0
<b>Shop-level Profit</b>	<b>\$17.9</b>	<b>\$13.1</b>
Total Revenues	\$126.6	\$116.0
Less: Franchise Revenue	\$1.9	\$1.0
<b>Sandwich Shop Sales, Net</b>	<b>\$124.7</b>	<b>\$115.0</b>
<b>Shop-level Margin</b>	<b>14.4%</b>	<b>11.4%</b>

# 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 items that affect the comparability of results in past quarters and which we do not believe are reflective of underlying business performance. 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 presentation may be different from the methods used by other companies. For more information on the non-GAAP financial measures, please refer to the tables in *Appendix: GAAP To Non-GAAP Reconciliations*.

Information reconciling forward-looking shop-level profit margin to GAAP financial measures is unavailable to the Company without unreasonable effort. The Company is not able to provide reconciliations of shop-level profit margins and Adjusted EBITDA to GAAP financial measures because certain items required for such reconciliations are outside of the Company’s control and/or cannot be reasonably predicted. These items include but are not limited to impairment charges, gain or loss on asset disposals, shop closure costs, and restructuring costs that are difficult to predict in advance in order to include in a GAAP estimate and may be significant.

## Definitions

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

- **Revenues** – represents net company-operated sandwich shop sales and our franchise royalties and fees. Net company-operated shop sales consist of food and beverage sales, net of promotional allowances and employee meals. Franchise royalties and fees consist of royalty income, franchise fees, and other fees collected from franchisees including advertising and rent.
- **Company-operated comparable store sales or same-store traffic** – an operating measure that represents the change in year-over-year sales or transactions for the comparable company-operated store base open for 15 months or longer.
- **Average Unit Volumes (AUV)** – an operating measure that represents the average sales of all company-operated shops which reported sales during the associated time period.
- **System-wide sales** – an operating measure that represents the sum of sales generated by company-operated shops and sales generated by franchised shops, net of all promotional allowances, discounts, and employee meals. Net sales from franchised shops are not included in total revenues. Rather, revenues are limited to the royalties, fees and other income collected from franchisees.
- **EBITDA** – a non-GAAP measure that represents income before depreciation and amortization expense, interest expense and the provision for income taxes.
- **Adjusted EBITDA** – a non-GAAP measure that 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 and other items that we do not consider representative of our ongoing operating performance.
- **Shop-level profit (loss)** – a non-GAAP measure that represents income (loss) from operations excluding franchise royalties and fees, franchise support, marketing and rent expenses, general and administrative expenses, depreciation expense, pre-opening costs, restructuring costs, loss on Franchise Growth Acceleration Initiative activities and impairment, loss on the disposal of property and equipment and shop closures.
- **Shop-level profit (loss) margin** – a non-GAAP measure that represents shop-level profit expressed as a percentage of net company-operated sandwich shop sales.
- **Adjusted net income (loss)** – a non-GAAP measure that represents net income (loss), adjusted to eliminate the impact of restructuring costs, impairment, loss on the disposal of property and equipment, shop closures, and other items we do not consider representative of our ongoing operating performance, including the income tax effects of those adjustments.
- **Adjusted diluted EPS** – a non-GAAP measure that represents adjusted net income (loss) divided by the weighted average number of fully dilutive common shares outstanding.

# Investor Relations Contacts



## Investor Relations Contacts:

Jeff Priester

ICR

[investor@potbelly.com](mailto:investor@potbelly.com)