



**Potbelly Corporation**

***Second Quarter Earnings: August 5, 2020***

# 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," "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 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. 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](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

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.

# Our New President and CEO



- 30+ years of experience in the restaurant industry
- Most recently EVP & COO of The Wendy's Company
- Additional corporate roles with Charley's Philly Steaks, Checker's Drive-In Restaurants, Inc., and Domino's Pizza, Inc.
- Strong track record of business transformation, and has leveraged brand strengths to revitalize top-line sales and profit growth through marketing, system-wide service standardization, and quality initiatives

## **Potbelly made significant progress stabilizing the business in the second quarter, which included solidifying its new management team and improving the platform for long-term success**

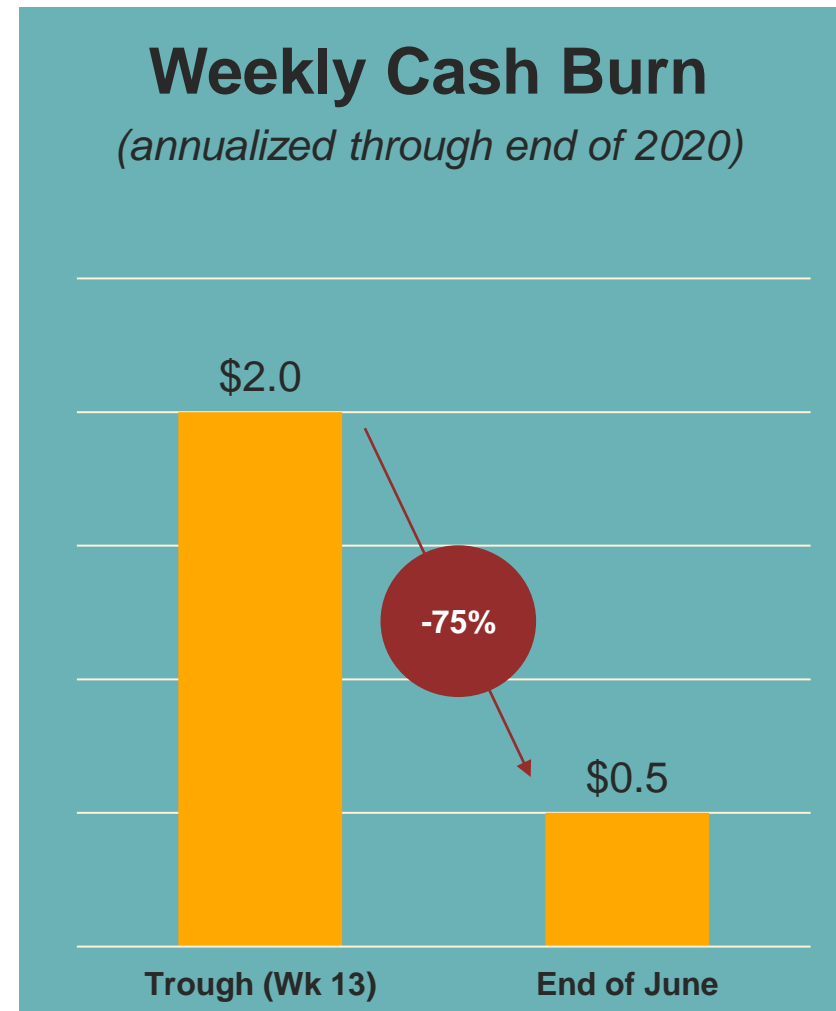
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- ✓ Same-store sales steadily improved throughout the quarter
- ✓ Cash-positive at the store-level since May 31, 2020
- ✓ Weekly cash burn down approximately 75% from early in the pandemic
- ✓ Cash on hand was \$29.1 million as of June 28, 2020, and total liquidity of \$45.8 million was flat vs. Q1'20
- ✓ The factors that led to the going concern disclosure in Q1'20 financial statements have been resolved
- ✓ Constructive landlord discussions ongoing
- ✓ Improving future platform with 16 permanent shop closures and 187 leases renegotiated to date
- ✓ Reduced potential permanent store closure target to less than 50 (vs. “up to 100” prior)
- ✓ Amended credit facility resulted in lowered borrowing costs

# Impact of Our Response To The Crisis



- Over \$25M in cost removed from the business through the end of 2020:
  - G&A
  - Headcount
  - CapEx
  - Rent (not including triple net)
- Reduced burn rate to \$0.5 million per week projected for 2H20, down from \$2 million per week early in the pandemic
- Given current forecasts\*, projected total cash usage is roughly \$14 million through the end of 2020, inclusive of budgeted lease termination expenses



\* Assumptions include no significant improvement in SSS comp performance until the fourth quarter, full rent payments in 2H20 and no material change in current expense levels.

# Successfully Stabilized Business in Q2 2020



## Prioritizing Safety

- Plexiglass barriers
- New employee health screening software
- Masks required for all employees
- Enhanced cleaning procedures

## Leveraging Digital Investments

- Digital infrastructure investment made in 2019
- National partnerships expanded with DoorDash, Grubhub, Uber Eats, and Postmates

## Innovation & New Offerings

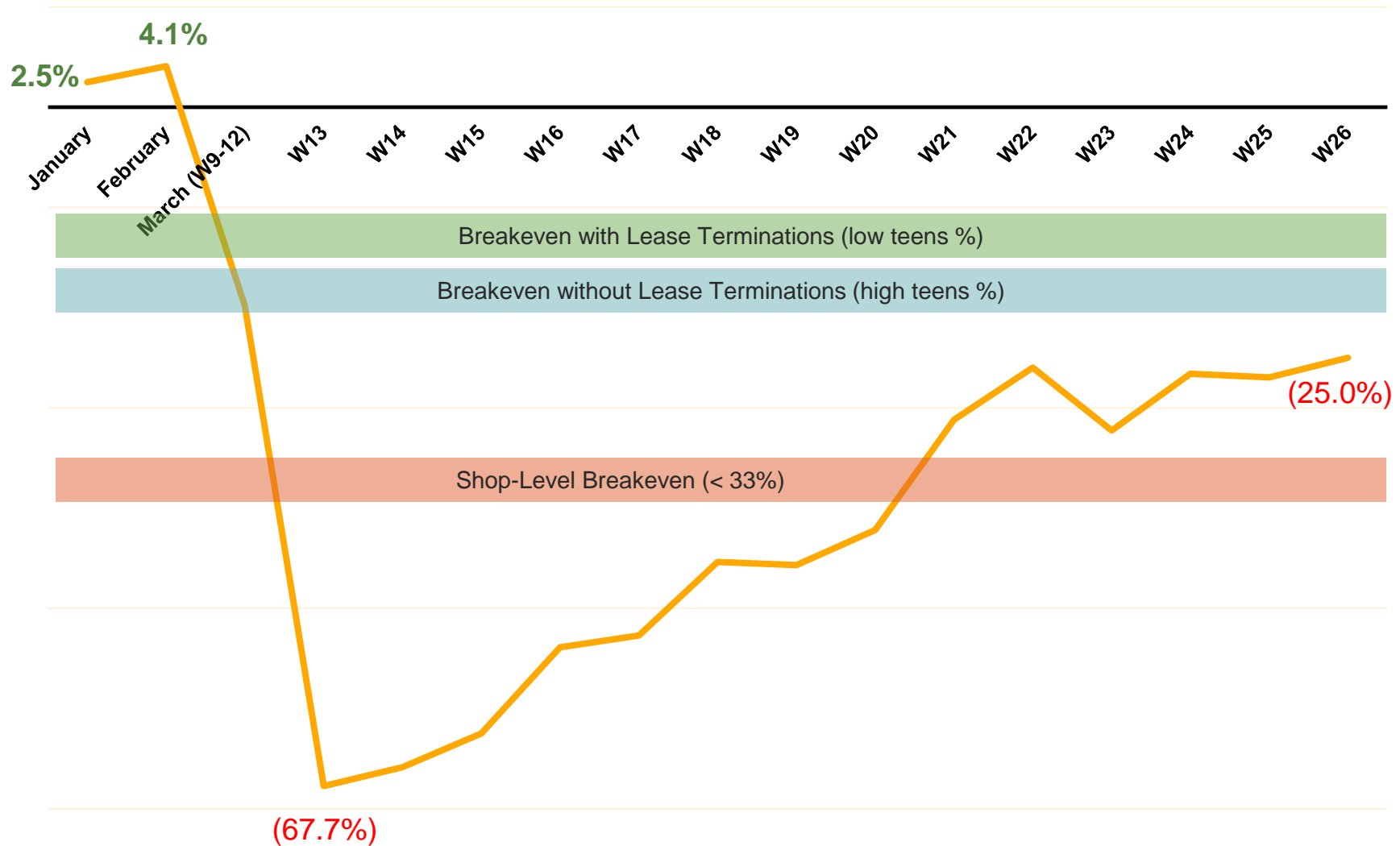
- Multiple new offerings:
  - Potbelly Pantry
  - Family Meal Deals
  - Curbside
- Relunched Potbelly Perks as platform for enhanced data analytics

## Real Estate Right-Sizing

- Seeking renegotiation of every lease
- Reduced potential permanent store closure target to fewer than 50
- Select temporary closures/re-openings
- Franchisee openings



## 1H 2020 Same Store Sales Comp

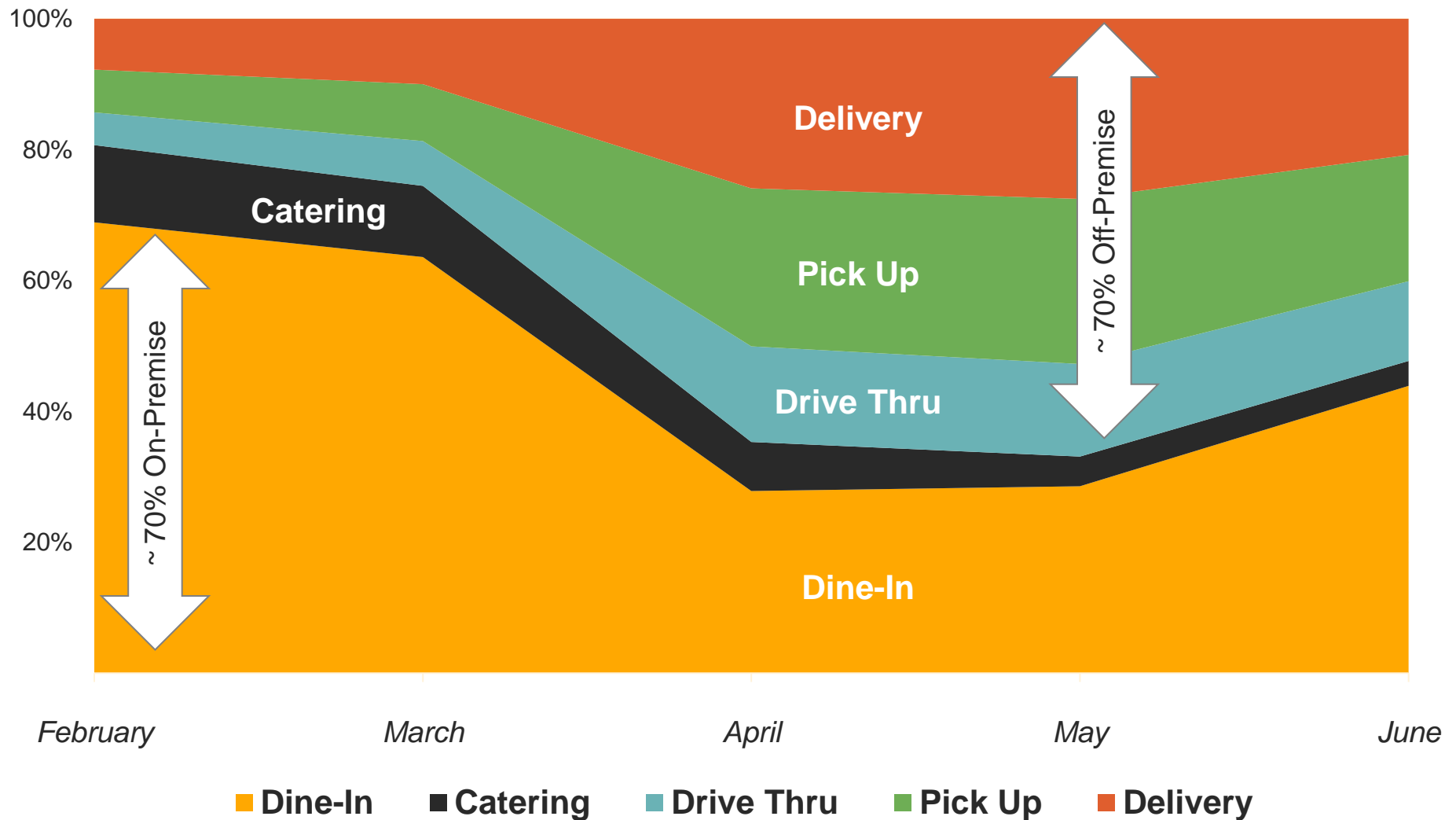


# Off-Premise Strong, In-Shop Dining Slowly Opening



## Percentage of Net Sales

*By Fiscal Period and Service Mode*





# Q2 2020 Performance Review



(\$s in millions)

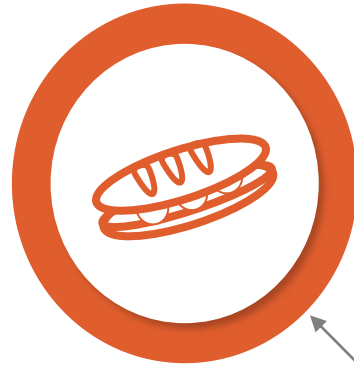
	Q2 2020	Q2 2019
Revenue	\$56,162	\$105,630
Same Store Sales (SSS)	(41.5%)	(4.0%)
GAAP Net Income (loss)	(\$22.2)	(\$1.9)
Adjusted Net Income (loss)	(\$14.9)	(\$0.0)
Adjusted EBITDA	(\$14.4)	\$6.8
G&A/Sales	14.5%	13.1%
COGS/Sales	28.8%	27.0%
Labor/Sales	39.2%	30.6%
Other Operating Expenses/Sales	19.7%	11.3%

# Confident We Will Build a Stronger Potbelly



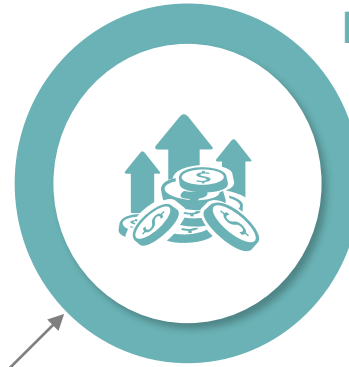
## Brand Strength

- Great Brand to leverage
- Extremely loyal customer base



## Prioritize Cash

- Continue to prioritize cash and cash flows
- Shift to funding future growth in time



## Invest in People

- Dedication and sacrifice through pandemic
- Most important asset moving forward



## Execution, Then Growth

- Must become best of the best
- 100% focused on returning to growth



## Investor Relations Contacts:

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