



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

**Shop-Level Margin Reclassification for Q1'21 - Q4'21
May 5, 2022**

Summary of Shop-Level Margin Reclassification



- Potbelly adjusted its internal controls and expenses to align with the shift to a franchised-focused organization
- Shop-level margins now include advertising and marketing expenses, including fees to support social media and digital spend, which are allocated to company and franchise-operated shops based on percentage of sales
- Company-operated expenses are now presented in Other Operating Expenses in the income statement



Q1'21 – Q4'21 Shop-Level Margin After Reclassifications (unaudited)



| <i>(\$s in millions)</i> | Q4 2021 | | Q3 2021 | | Q2 2021 | | Q1 2021 | |
|-----------------------------------|----------------|---------------|----------------|---------------|---------------|---------------|----------------|---------------|
| Sandwich Shop Sales | \$102.0 | 99.2% | \$101.0 | 99.3% | \$96.8 | 99.3% | \$77.5 | 99.3% |
| Franchise Revenue | \$0.8 | 0.8% | \$0.7 | 0.7% | \$0.7 | 0.7% | \$0.6 | 0.7% |
| Total Revenue | \$102.8 | 100.0% | \$101.7 | 100.0% | \$97.5 | 100.0% | \$78.1 | 100.0% |
| Food, Beverage, & Packaging Costs | \$29.0 | 28.4% | \$28.2 | 27.9% | \$26.3 | 27.2% | \$21.5 | 27.7% |
| Shop Labor | \$33.4 | 32.8% | \$33.1 | 32.8% | \$32.0 | 33.0% | \$28.6 | 36.9% |
| Occupancy | \$13.2 | 13.0% | \$13.4 | 13.3% | \$13.6 | 14.0% | \$13.6 | 17.5% |
| Other Operating Expenses | \$16.5 | 16.2% | \$17.5 | 17.3% | \$15.6 | 16.1% | \$14.0 | 18.1% |
| Total Shop Expenses | \$92.1 | 90.3% | \$92.2 | 91.3% | \$87.4 | 90.3% | \$77.7 | 100.2% |
| Shop Profit | \$9.9 | 9.7% | \$8.8 | 8.7% | \$9.3 | 9.7% | (\$0.2) | (0.2%) |
| General and Administrative | \$8.6 | 8.4% | \$7.3 | 7.1% | \$8.7 | 8.9% | \$7.2 | 9.2% |
| Advertising <i>(now removed)</i> | - | - | - | - | - | - | - | - |
| Franchise Marketing Expense | \$0.1 | 0.1% | \$0.1 | 0.1% | \$0.1 | 0.1% | \$0.04 | 0.1% |

Percentages for Shop Expenses and Shop Profit are stated as a percent of Sandwich Shop Sales. All other percentages are stated as a percent of Total Revenue.



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