



***Second Quarter 2021 Earnings  
Presentation***

**August 5, 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 expectations concerning continued revenue growth through the end of 2021, our ability to generate the majority of Adjusted EBITDA during the second half of 2021 and achieve enterprise-level profitability, our ability to roll out a new menu and whether the new menu will improve traffic, the customer experience or perspectives concerning value, our ability to execute on our plans to scale media and local marketing and whether our media efforts will grow customer traffic and increase customer visit frequency and our ability to grow shop presence across markets. 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 and adjusted net income, 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.

## Q2 2021 Results

(\$s in millions)

Revenue  
**\$97.5**

Operating Loss  
**(\$3.5)**

Net Loss  
**(\$3.9)**

Adj. EBITDA\*  
**\$1.9**

SSS vs. 2020  
**+70%**

### Key Highlights:

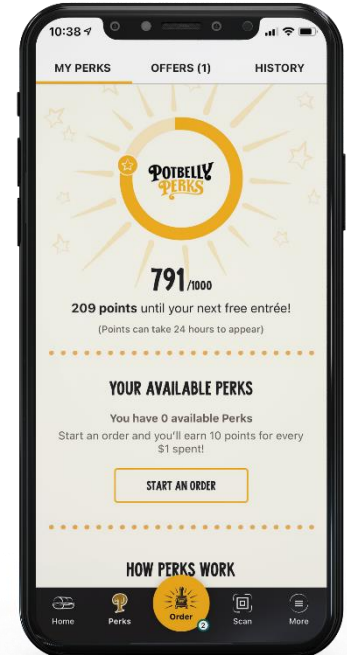
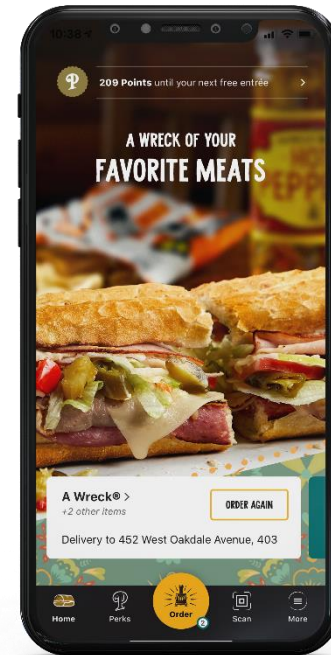
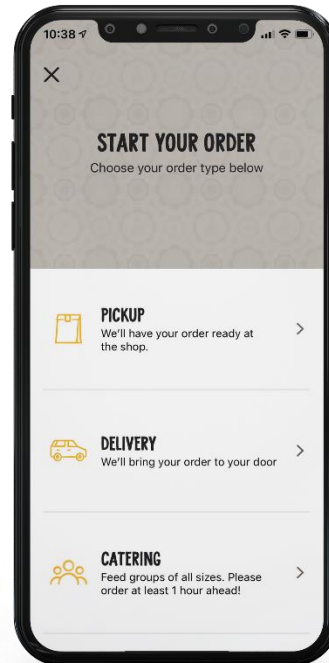
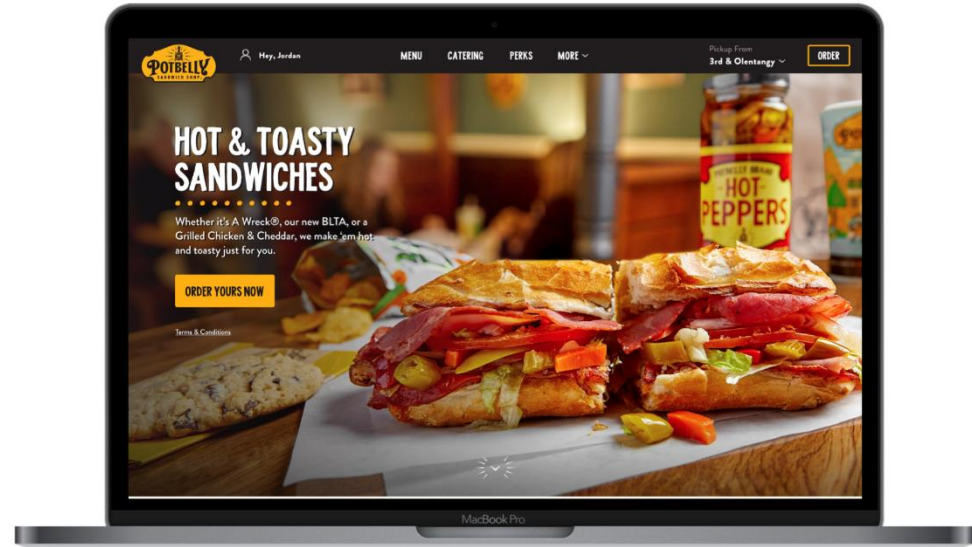
- ✓ Second quarter same-store sales improved to +70.0% vs (3.1%) in the first quarter of 2021; SSS approached 2019 levels, at (-0.7%) compared to the second quarter of 2019.
- ✓ Improved volume across all channels, led by Dine-In sales which were up 5% sequentially, and Average Unit Volume (AUV) up approximately 24% sequentially.
- ✓ Suburban and Drive-thru shops continue to show strength, with CBD and airport locations yet to fully recover.
- ✓ Achieved positive EBITDA and Adj. EBITDA and second consecutive quarter of shop-level profitability.
- ✓ Expanded net cash position by approximately \$2 million, further strengthening balance sheet.
- ✓ Further strengthened leadership team with appointment of Larry Strain as Chief Development Officer.
- ✓ Continued progress on five pillar strategic initiatives with successful completion of new menu testing and nationwide launch expecting in coming weeks.
- ✓ Subsequent to quarter end, launched new tech stack including the new mobile app, website, digital order integration, and Perks loyalty program.



# Launched New Tech Stack with New App, Website & Upgraded Perks Program



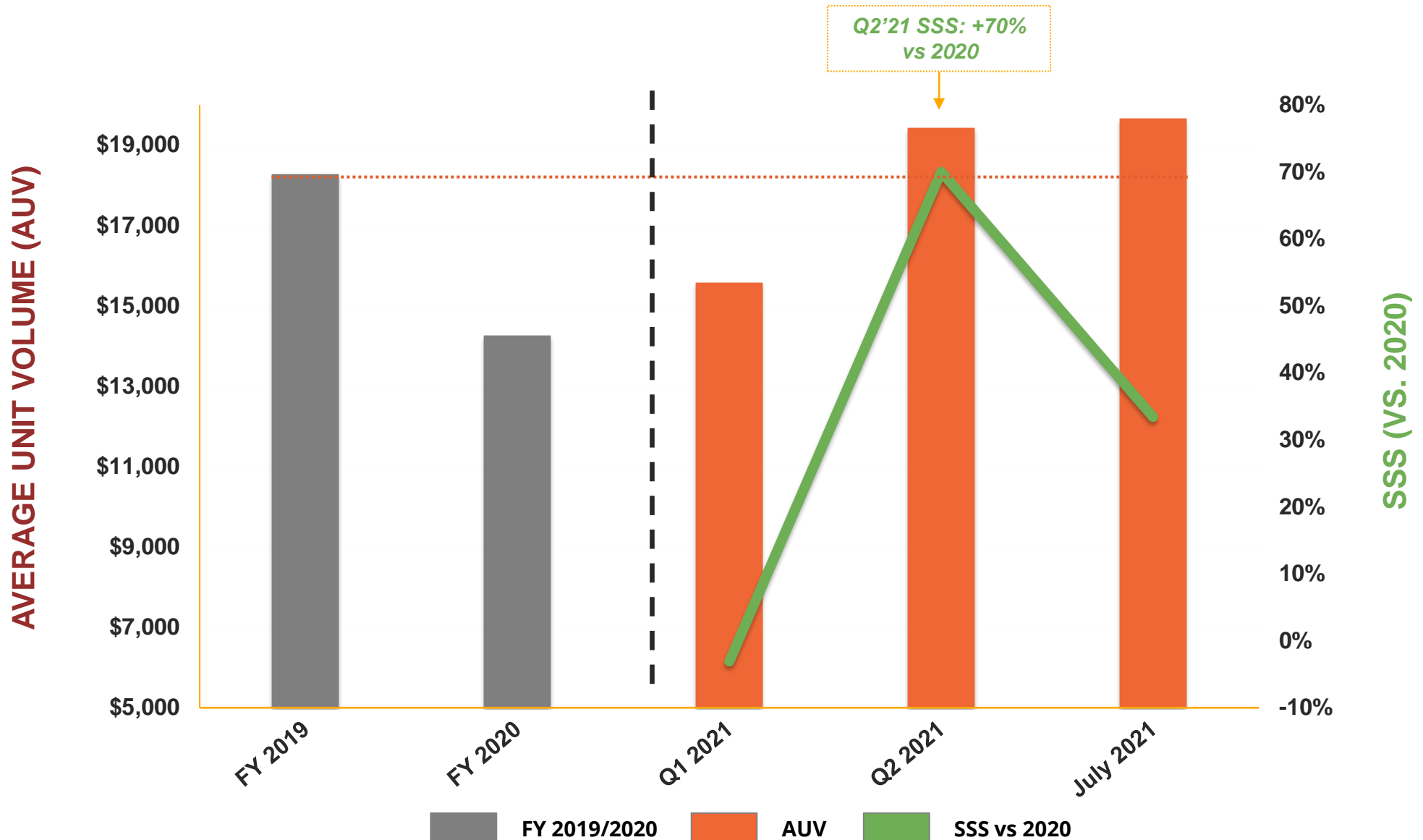
- Tech stack launched July 7, 2021
- New website, app and digital order integration
- Upgraded Perks loyalty program allowing for more personalization and targeted offers
- Focus on Scale Media and enhance Local Shop Marketing (LSM) to grow traffic and frequency
- Creative approach leverages Potbelly user with customer-generated content



# Strong Recovery in Both SSS and AUV



## Average Unit Volume (AUV) and SSS



# Q2 2021 Performance Review: Q/Q



(\$s in millions)

	Q2 2021	Q1 2021
Revenue	\$97.5	\$78.1
Same Store Sales (SSS)	70.0%	(3.1%)
GAAP Net Income (Loss)	(\$3.9)	(\$14.5)
Adjusted Net Income (Loss)*	(\$2.9)	(\$8.5)
Adjusted EBITDA*	\$1.9	(\$6.6)
G&A/Sales	9.5%	9.5%
COGS/Sales	27.2%	27.7%
Labor/Sales	33.0%	36.9%
Other Operating Expenses/Sales	15.2%	17.2%
Liquidity Position**	\$35.3	\$33.5

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

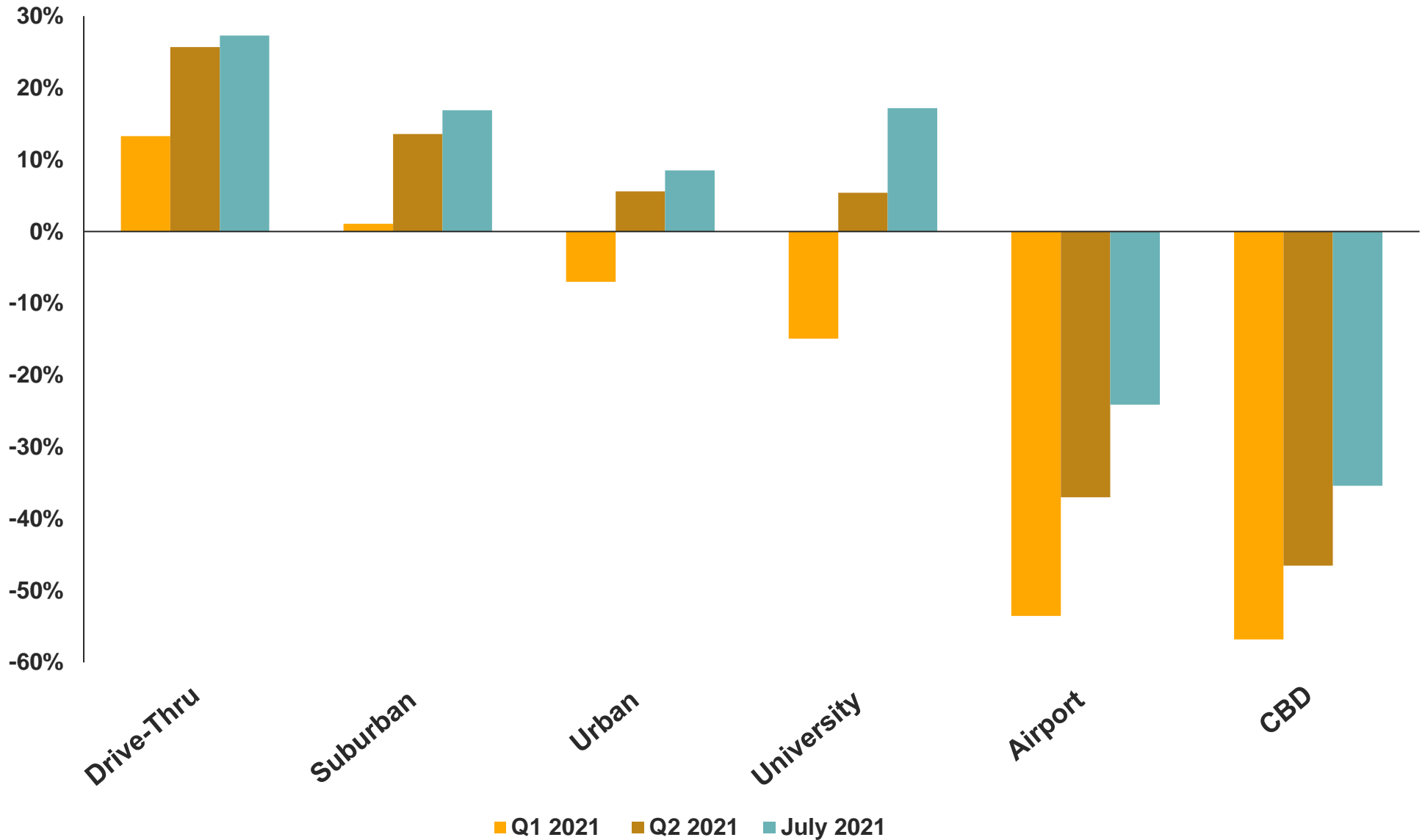
\*\* Liquidity Position is defined as cash on hand and availability under the revolving credit facility

# Continued Recovery Across All Shop Types

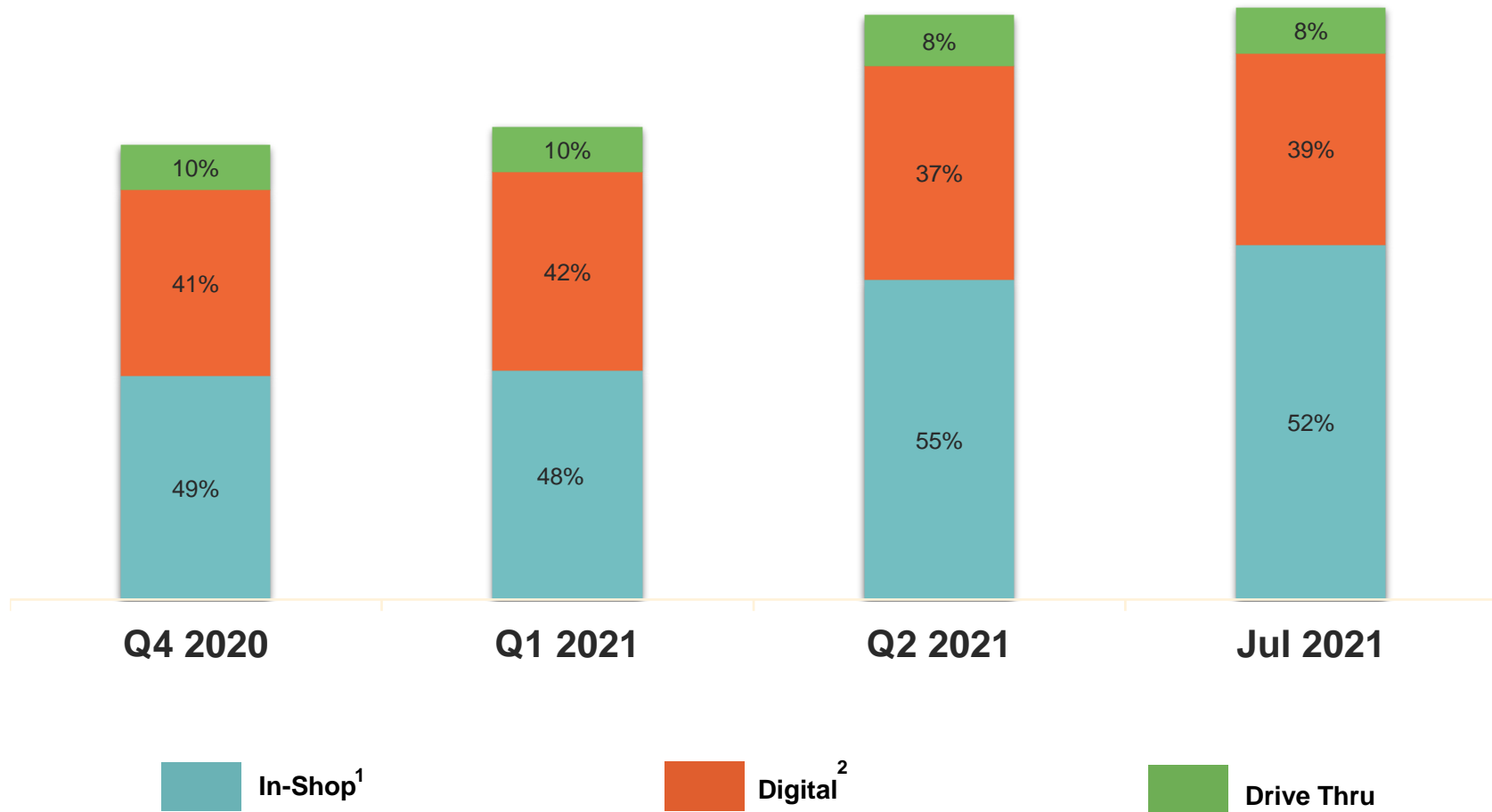


## Same-Store Net Sales vs 2019

*By Shop Type*



## Average Unit Volume and Service Mode Mix

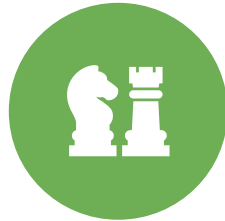


(1) In-Shop includes all revenue for dine-in and take out services

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



## *Growth expected to continue throughout the remainder of the year*



### 1H'21 Successes

- ✓ Demonstrated sequential revenue growth for the past four quarters and building momentum throughout 2021
- ✓ 1H'21 tracked above 2H'20, and returned to positive shop-level margins far sooner than forecasted
- ✓ Achieved shop-level profitability and positive Adj. EBITDA and EBITDA driven by strong margins within Suburban and Drive-thru shops
- ✓ Advanced “Traffic Driven Profitability” strategy substantially during 1H'21



### 2H'21 Priorities

- Strengthening unit level economics across portfolio mix
  - Continued strength in comparable sales growth expected for Q3'21 and Q4'21
  - Look to accelerate shop-level profitability throughout 2H'21
- Will generate the majority Adjusted EBITDA during 2H'21 and expect enterprise-level profitability
- Expects continued positive cash flow from operations through the second half of the year
  - Supports paying \$5.3 million of remaining deferred cash expense in 2H'21 and continued investment in business
- Executing franchise growth plan with 3-5 franchise openings



***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
<b>Simplified Menu</b> to improve traffic, customer experience & value perceptions	<ul style="list-style-type: none"> <li>✓ <b>Completed successful menu testing</b></li> <li>■ National roll out in coming weeks</li> </ul>
<b>Tech Stack</b> including new website, App and improved online ordering	<ul style="list-style-type: none"> <li>✓ <b>Launched new tech stack in earnest with new app and website</b></li> <li>✓ <b>Creative app approach leverages Potbelly user with customer-generated content</b></li> </ul>
<b>Scale Media and Local Shop Marketing (LSM)</b> to grow traffic and frequency	<ul style="list-style-type: none"> <li>■ Successful execution of scaled media campaigns; ongoing push to drive additional sales – paid and unpaid social media and third-party activation showing solid returns including franchisees</li> <li>✓ <b>New brand creative celebrates our food to drive awareness and traffic</b></li> </ul>
<b>Perks Loyalty Program</b> to add members and drive additional revenue	<ul style="list-style-type: none"> <li>■ Rolled out numerous promotional programs</li> <li>✓ <b>Significant year-over-year improvement in sales and transactions of Perks Loyalty members</b></li> </ul>
<b>Franchised Focus Development</b> to grow shop presence across quality markets	<ul style="list-style-type: none"> <li>✓ <b>Appointment of Larry Strain as Chief Development Officer</b></li> <li>■ Accelerated franchise unit growth strategy development underway</li> </ul>



**APPENDIX:**  
*GAAP to Non-GAAP Reconciliations*





# Q2'21 & Q1'21 Performance Review: Adjusted Net Income



*(\$s in millions)*

	Q2 2021	Q1 2021
Net Loss	(\$3.9)	(\$14.5)
Disposals, Impairment & Closures	\$0.3	\$3.1
Income Tax Adjustments	\$0.7	\$2.9
<b>Adjusted Net Loss</b>	<b>(\$2.9)</b>	<b>(\$8.5)</b>

# Q2'21 & Q1'21 Performance Review: Adjusted EBITDA



*(\$s in millions)*

	Q2 2021	Q1 2021
Net Loss	(\$3.9)	(\$14.5)
Depreciation Expense	\$4.6	\$4.2
Interest Expense	\$0.2	\$0.3
Income Tax Expense (Benefit)	\$0.2	\$0.05
EBITDA	\$1.0	(\$10.0)
Disposals, Impairment & Closures	\$0.3	\$3.1
Stock Compensation	\$0.6	\$0.2
<b>Adjusted EBITDA</b>	<b>\$1.9</b>	<b>(\$6.6)</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 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.
- **Same-store-sales**– represents the change in year-over-year sales for the comparable company-operated store base open for 15 months or longer.
- **Average Unit Volumes (AUV)** – represents the average sales of all company-operated shops which reported sales during the associated time period.
- **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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