



**First Quarter 2023  
Earnings Presentation**  
-- May 4, 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 and 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) ability to drive shareholder returns; 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 refranchising our company-owned shops and new shop development deals; (ix) expectations regarding inflation rates and ability to exercise discipline on price increases; and (x) second quarter and fiscal year 2023 outlook including our projections regarding AUVs, same-store sales, and shop-level margin and adjusted EBITDA. 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

## Q1'23 Review

- Traffic strength across portfolio drove significant SSS growth, including continued recovery of CBD and Airport locations; Absolute traffic exceeded 2019 levels
- Marketing momentum builds with compelling LTOs, digital-focused campaigns, and increased Perks Loyalty penetration
- Signed Shop Development Area Agreements (SDAAs) totaling 30 new shop commitments and inked first refranchising deal for eight shops in New York City
- Operations focus on the fundamentals yields a notable improvement in associate and manager staffing and turnover leading to increased throughput and customer satisfaction results
- PDK (Potbelly Digital Kitchen) continues to deliver associate & customer experience improvements and increased throughput

## Traffic-Driven Profitability and Unit Growth



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.**

# Q1'23 Financials Highlights: Strong Performance

## Financial Review

- Achieved AUVs of \$23,881 and total revenue of \$118.3 million driven by continued consumer demand
- Shop-level margins meaningfully increased by 700 bps year-over-year to 12.0%
- Same-store sales increased by 22.2% primarily due to significant traffic gains
- Continued improvement in profitability with Adj. net income of \$0.6 million and AEBITDA of \$5.6 million, an increase of \$7.8M versus the prior year period's Adj. EBITDA.

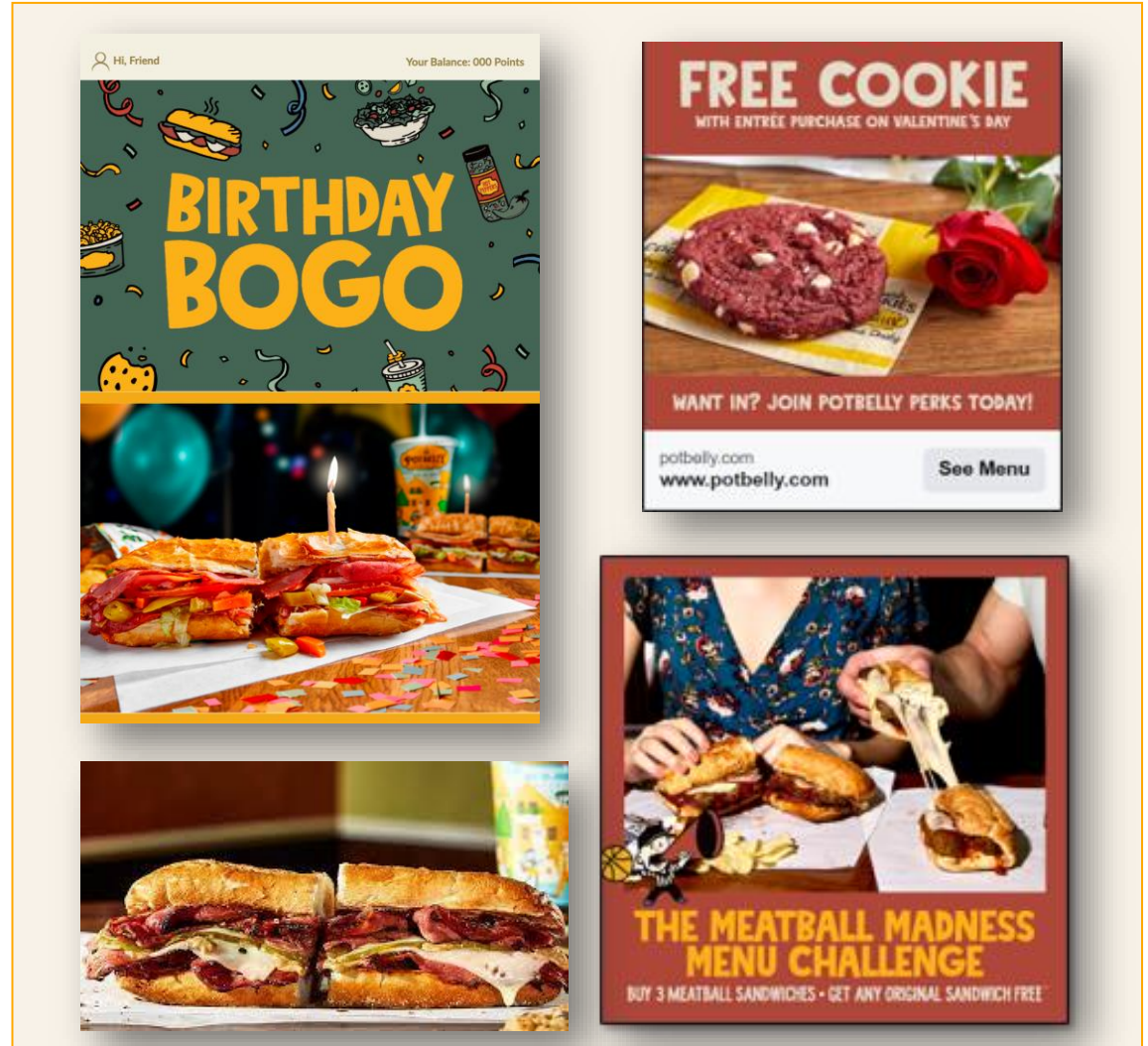
Revenue (\$M)	Net Loss (\$M)
\$118.3	(\$1.3)
SSS vs. 2022	Adj. EBITDA <sup>1</sup> (\$M)
+22.2%	\$5.6

1. See Appendix to this presentation for GAAP to Non-GAAP reconciliations. NOTE: All delta comparisons represent year-over-year figures.

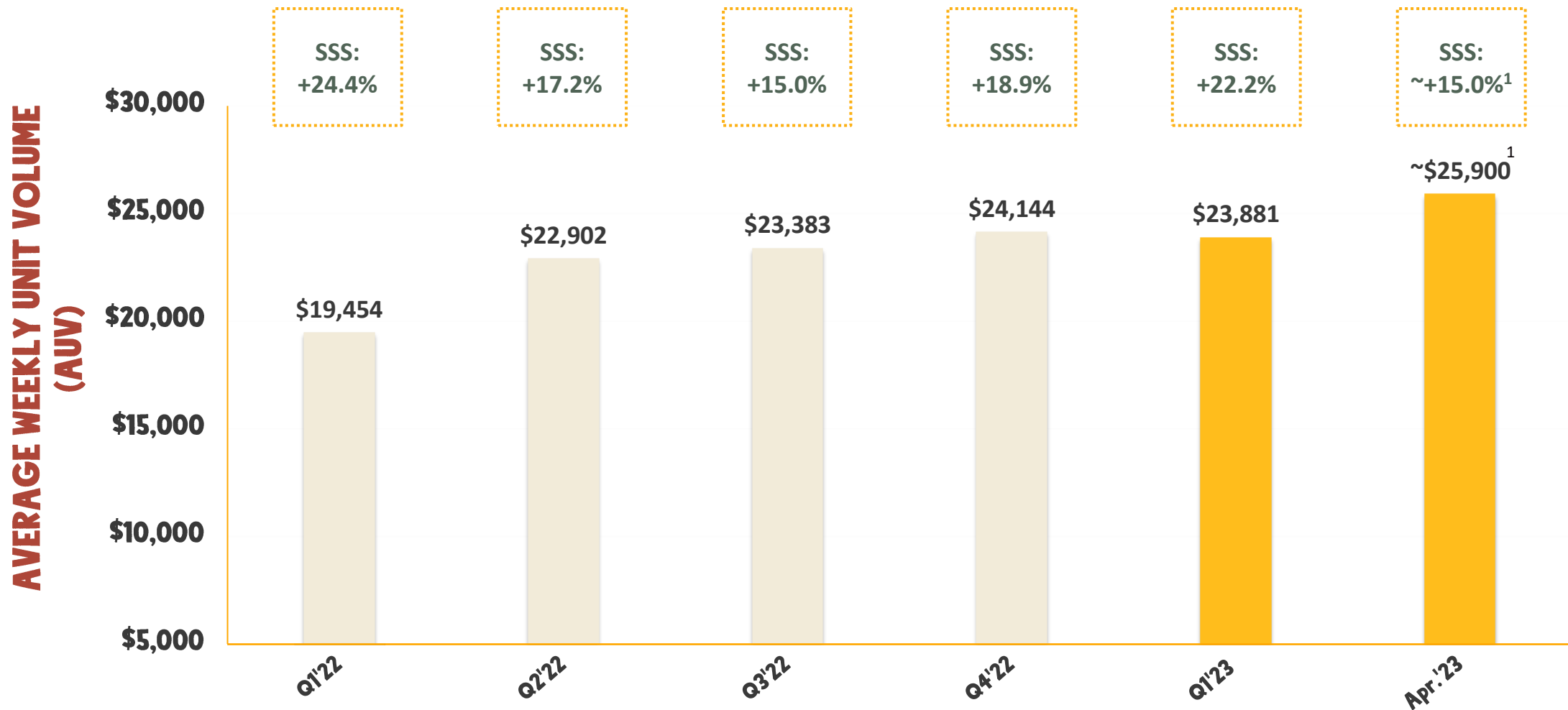
# Q1'23 Marketing Highlights

## Enhanced Digital Engagement

- Continued growth in digital results, representing 39% of revenue in Q1'23, and Perks Loyalty Program activations, supporting traffic
- Digital engagement driven by a combination of increased digital advertising activity and digital-only promotions
- Announced the return of Potbelly's Underground Menu, promoting three unique meatball sandwiches not on the traditional menu for the Meatball Madness Menu Challenge
- Launched LTOs such as the Birthday BOGO, National Pizza Day and Red Velvet Cookie, which built customer excitement and sales performance



# SSS and AUV Trends Exhibit Continued Strength



1. Reflects preliminary figures

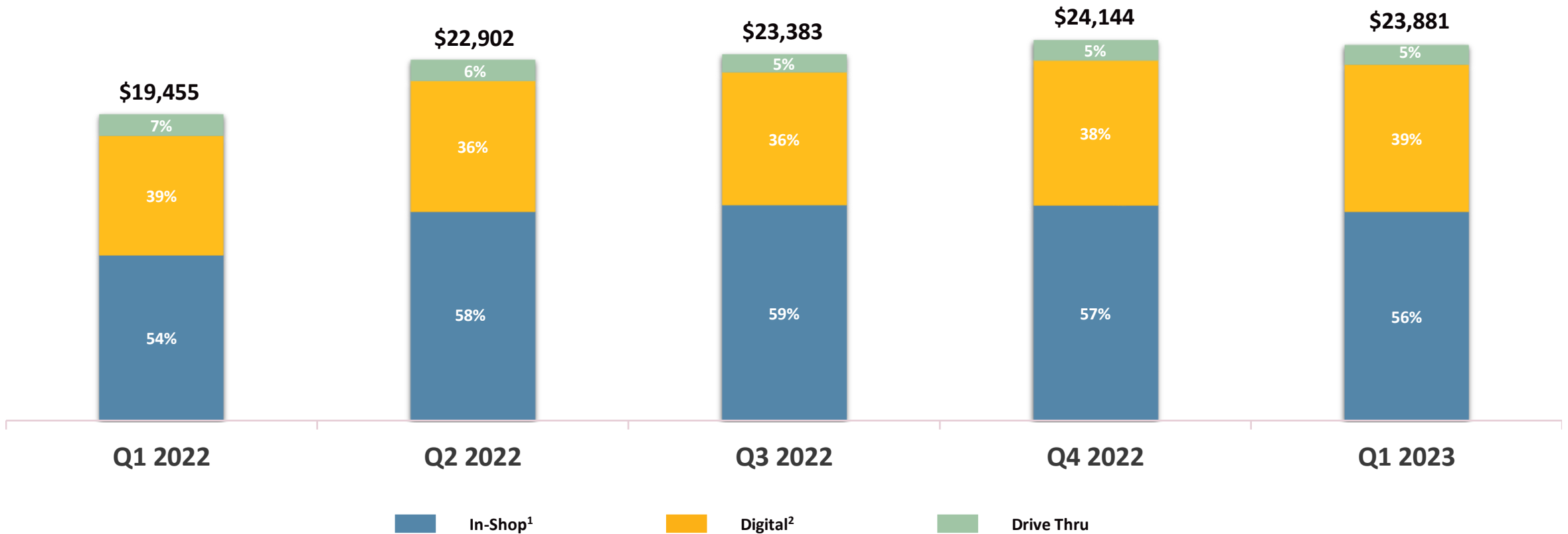
# Q1'23 Performance Review: Y/Y

<i>In Millions</i>	Q1 2023	Q1 2022
Revenue	\$118.3	\$98.2
Same Store Sales (SSS)	22.2%	24.4%
GAAP Net Income (Loss)	(\$1.3)	(\$7.9)
Adjusted Net Income (Loss) <sup>1</sup>	\$0.6	(\$4.4)
Adjusted EBITDA <sup>1</sup>	\$5.6	(\$2.3)
Shop-level Profit <sup>1</sup>	\$14.0	\$4.9
G&A/Sales	8.4%	8.7%
Food, Beverage, & Packaging Costs/Sales	27.9%	28.0%
Labor/Sales	31.2%	34.1%
Other Operating Expenses/Sales	17.5%	18.6%
Shop-level Margin <sup>1</sup>	12.0%	5.0%

1. See Appendix to this presentation for GAAP to Non-GAAP reconciliations.

# Consistent Order Mode Mix, Growing Digital Presence

Average Unit Volume and Order Mode Mix



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

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



# Q2'23 Guidance & FY'23 Outlook



## Q2'23 Guidance

<b>Average Unit Volumes:</b>	\$25,250 - \$25,750
<b>Same-store sales:</b>	10.0% - 12.0%
<b>Shop-level margin:</b>	12.7% - 14.2%
<b>Adj. EBITDA:</b>	\$6.0 million - \$7.0 million

## FY'23 Outlook<sup>1</sup>

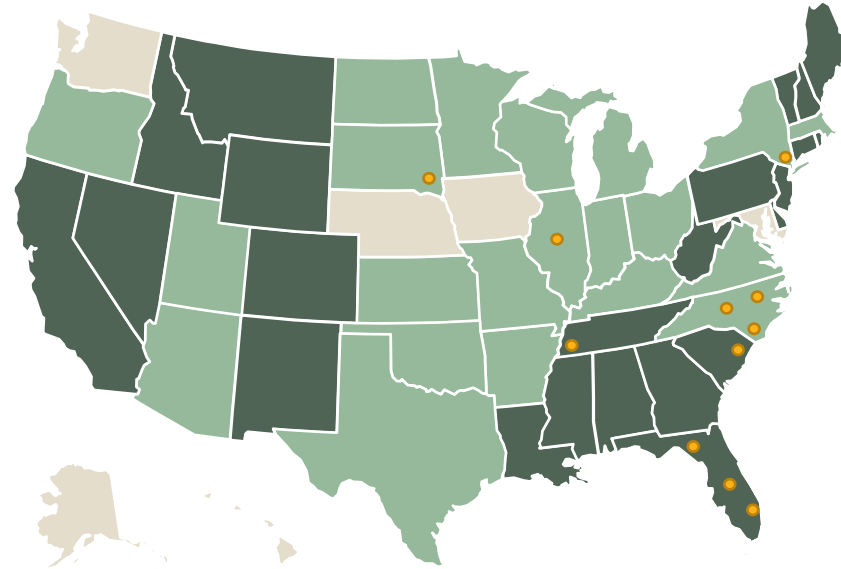
<b>Average Unit Volumes:</b>	Record levels
<b>Same-store sales:</b>	High single-digit to low double-digit growth
<b>Shop-level margin:</b>	Low teens

1. Raised high-end of 2023 same store sales guidance in April

# Franchise Growth Acceleration (FGA) Initiative

## FGA Update

- Robust pipeline of qualified Potbelly franchisee candidates
- Escalating new shop development emphasizing franchising and building organization capability to support growth
  - Signed multiple new franchise development agreements to date totaling 81 new shop commitments
  - Refranchised NYC Market: Sold 8 company locations along with 13 shop SDAA (Shop Development Area Agreement)
  - Further expansion in Florida for 16 new shops
  - 2023 deal activity continues to build momentum



- Available
- Limited Availability
- Unavailable
- New Franchise Development Agreements



### EXCELLENT SALES-TO-INVESTMENT RATIO

- Double-digit comp growth
- Flexible shop formats that include:
  - In-line, Endcap, Drive-thru and Non-traditional
- Diverse menu with multiple dayparts
- Seasoned leadership team with 100+ years combined experience



### CRAVEABLE FOOD AND GOOD VIBES

- Iconic neighborhood sandwich shop, an atmosphere that sets us apart
- Toasty sandwiches, salads, cookies, shakes and soups sustain our loyal following
- Seasonal LTOs intrigue new consumers and keep existing fans coming back for more



400+  
Shops

32  
States

46  
Year History

### MULTI-UNIT GROWTH OPPORTUNITIES AVAILABLE



### AND WE'RE REFRANCHISING!

25 PERCENT OF CORPORATE-OWNED LOCATIONS; ONLY IN SELECT MARKETS

# 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; refranchise approximately 25% of Company-owned shops; Long-term goal of 2,000 shops



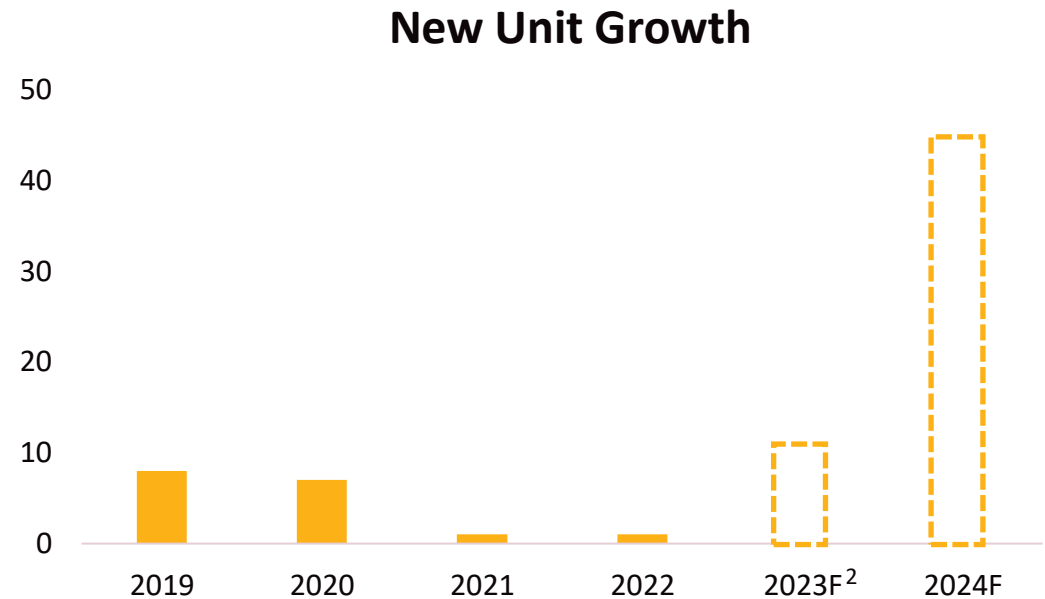
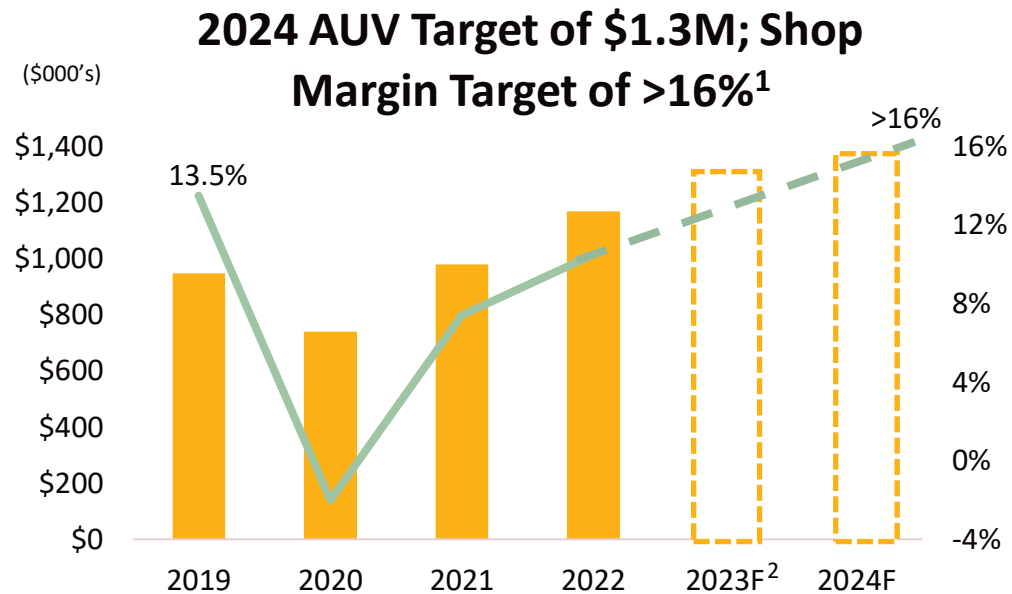
## Renewed Focus of Strategic Marketing

Positive momentum with scaled 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**



# Q1'23 Performance Review: Adjusted Net Income

<i>In Millions</i>	Q1 2023	Q1 2022
Net Loss	(\$1.3)	(\$7.9)
Impairment, Disposals & Closures	\$1.0	\$1.3
Loss on FGA Initiative	\$0.9	--
Loss on Debt Extinguishment	\$0.2	--
Income Tax Adjustments	(\$0.3)	\$2.2
<b>Adjusted Net Income (Loss)</b>	<b>\$0.6</b>	<b>(\$4.4)</b>

# Q1'23 Performance Review: Adjusted EBITDA

<i>In Millions</i>	Q1 2023	Q1 2022
Net Loss	(\$1.3)	(\$7.9)
Depreciation Expense	\$3.0	\$3.1
Interest Expense	\$0.7	\$0.3
Income Tax Expense	\$0.1	\$0.2
EBITDA	\$2.4	(\$4.3)
Impairment, Disposals & Closures	\$1.0	\$1.3
Stock Compensation	\$0.9	\$0.7
Loss on Debt Extinguishment	\$0.2	--
Loss on FGA Initiative Activities	\$0.9	--
<b>Adjusted EBITDA</b>	<b>\$5.6</b>	<b>(\$2.3)</b>

# Q1'23 Performance Review: Shop Margin

<i>In Millions</i>	Q1 2023	Q1 2022
Loss from Operations	(\$0.2)	(\$7.4)
Less: Franchise Revenue	\$1.3	\$0.8
Franchise Support, Rent & Marketing	\$0.6	\$0.1
G&A Expense	\$10.0	\$8.5
Depreciation Expense	\$3.0	\$3.1
Impairment, Disposals & Closures	\$1.0	\$1.3
<b>Shop-level Profit</b>	<b>\$14.0</b>	<b>\$4.9</b>
Total Revenues	\$118.3	\$98.2
Less: Franchise Revenue	\$1.3	\$0.8
<b>Sandwich Shop Sales, Net</b>	<b>\$116.9</b>	<b>\$97.4</b>
<b>Shop-level Margin</b>	<b>12.0%</b>	<b>5.0%</b>

# Use of Non-GAAP Measures

## Note Regarding Non-GAAP Measures

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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 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 Appendix.

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 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** – 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)** – 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 and other items that we do not consider representative of our ongoing operating performance.
- **Shop-level profit (loss)** – 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** – represents shop-level profit expressed as a percentage of net company-operated sandwich shop sales.
- **Adjusted net income (loss)** – 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** – represents adjusted net income (loss) divided by the weighted average number of fully dilutive common shares outstanding.



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