



**Potbelly Corporation**  
*Investor Presentation: June 2020*

# Cautionary Statements



## Forward-Looking Statements

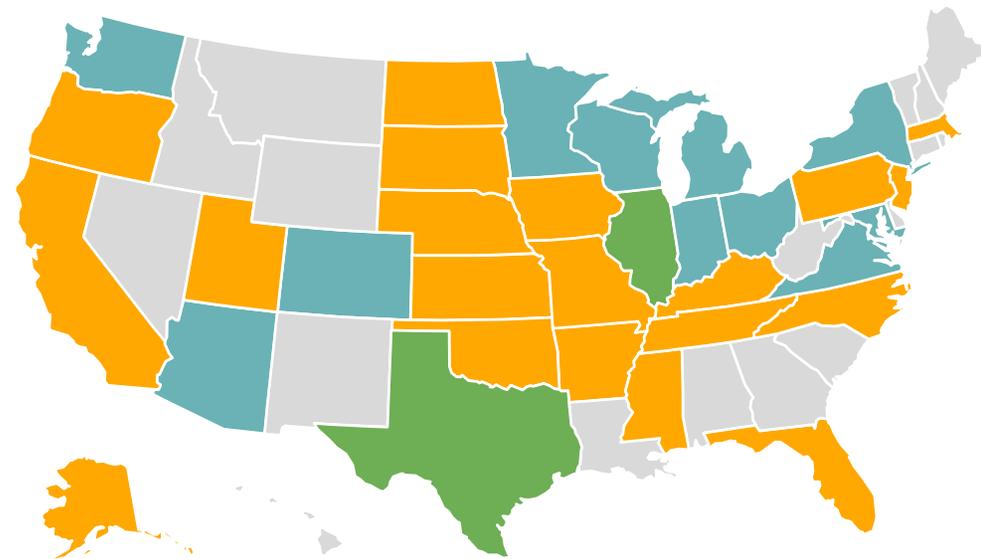
In addition to historical information, this press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended and the Private Securities Litigation Reform Act of 1995. Forward-looking 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.

## Potbelly is a differentiated fast casual restaurant concept specializing in sandwiches, salads, soups, shakes & cookies

- Strong heritage – founded in Chicago in 1977
- 470 locations today, including 44 franchise shops
- Delicious, craveable food made-to-order with fresh, high quality ingredients
- Authentic concept:
  - Inviting neighborhood feel
  - Driven by fast but friendly service
  - Engaging brand personality



■ <10 Shops

■ 10-50 Shops

■ 50+ Shops

01



## Proactive Response

- Ensuring health and safety of employees and customers
- Aggressive action to support/fortify business
- Materially streamlined cost structure
- Business conditions improving rapidly as local areas reopen
- Weekly cash burn reduction of 75% since April

02



## Unique Concept

- Authentic fast casual concept started in 1977
- 470 locations, including 44 franchise shops
- Strong brand with differentiation experience and craveable, toasted sandwiches
- Potbelly Perks loyalty base grew by 34% over the last twelve months
- Perks registrants now total 1.9 million and account for 17% of sales

03



## Turnaround Building Momentum

- Strategy focused on product, enhancing digital presence, menu optimization, operational improvements, brand awareness, and franchising
- Turnaround gaining momentum through 2019 and into 2020
  - Nearly flat comps in Q4'19
  - Comps of +2.5% in January, accelerating to +4.1% in February

04



## Poised to Win

- Aurora tests focused on culinary improvements, enhanced customer experience, and brand awareness
- Post-COVID-19 adjustments to create relaxed convenience, improved access, and new occasions
- These initiatives keep us relevant, make us stronger, and position us to gain market share in the new competitive environment



## Ensuring Health and Safety of Employees and Customers

- ✓ Required all employees to wear masks
- ✓ Implemented acrylic barriers
- ✓ Added social distancing markers
- ✓ Enhanced cleaning protocols

## Preserving Cash

- ✓ Drew \$25M of credit facility
- ✓ Streamlined cost structure
- ✓ Temporarily closed 53 shops
- ✓ Reduced/reprioritized marketing spend
- ✓ CapEx: maintenance & safety only
- ✓ Exec/Corp. salaries reduced 25%
- ✓ Board deferred compensation 1H'20
- ✓ Furloughed one-third of corporate employees; suspended some benefits
- ✓ Paused development of company-owned shops

## Leveraging Digital & Innovation

- ✓ 2019 Digital investment paying off
- ✓ National partnerships expanded with DoorDash, Grubhub, Uber Eats, and Postmates
- ✓ Curbside pick-up for contact-less offering
- ✓ Launched Potbelly Pantry
- ✓ New Family Meal Deals

## Improving Long-Term Structure/Profitability Profile

- ✓ Learning to operate even leaner than before
- ✓ Evaluating closure of up to 100 stores
- ✓ Continuing to have proactive conversations with landlords

# Proactive Response: Cash/Liquidity Position Improving



## As of May 31, 2020:

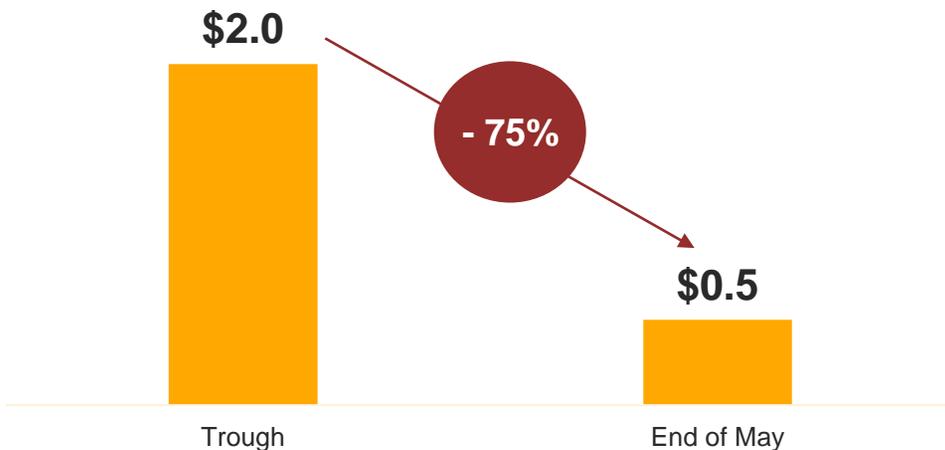
- Cash preservation actions proving significant as weekly cash burn cut by 75% since early April
- Company cash-neutral at store-level as of May 31, 2020
- Cash on hand of \$29.7M (after paying down \$15M of credit facility) and debt of \$24.8M; Compares to cash of \$45.8M and debt of \$39.8M at March 29, 2020
- Retains access to additional \$15M on revolving credit line, for total liquidity of \$44.7M
- In constructive conversations with landlords on permanent closures and/or lease restructurings

## Initial Reopening Results:

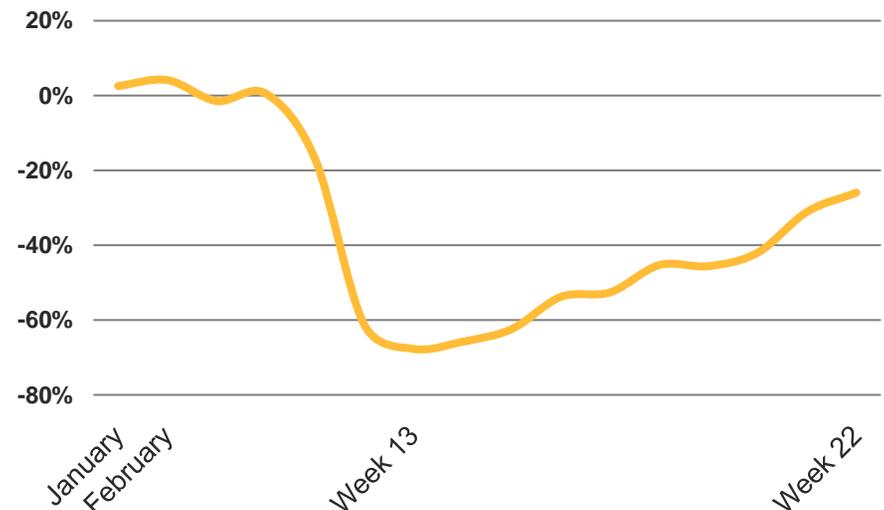
- From April to last week of May, in markets where dining rooms opened at 25-50% capacity, same-store sales saw rapid and substantial improvement:
  - Austin from -50.1% to +16.2%
  - Dallas from -52.4% to -6.9%
  - Wisconsin from -45.7% to -1.5%
  - Phoenix from -42.1% to +8.2%

## Cash Burn Per Week

(Millions)



## Comparable Same-Store Sales



# Unique Concept: Strong Brand, Differentiated Concept



# Turnaround Building Momentum: +SSS Most of Q1'20



## Menu Optimization



+410  
bps<sup>1</sup>

## Digital Presence



49% of  
sales<sup>2</sup>

## Franchising



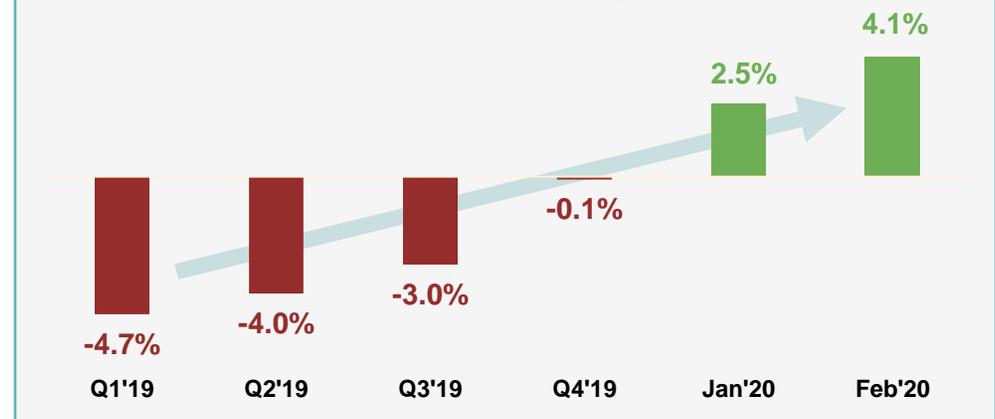
42 new  
units<sup>3</sup>

## Operational Improvements



Enhanced  
measurement  
& training

## Comparable Same-Store Sales Trending Up

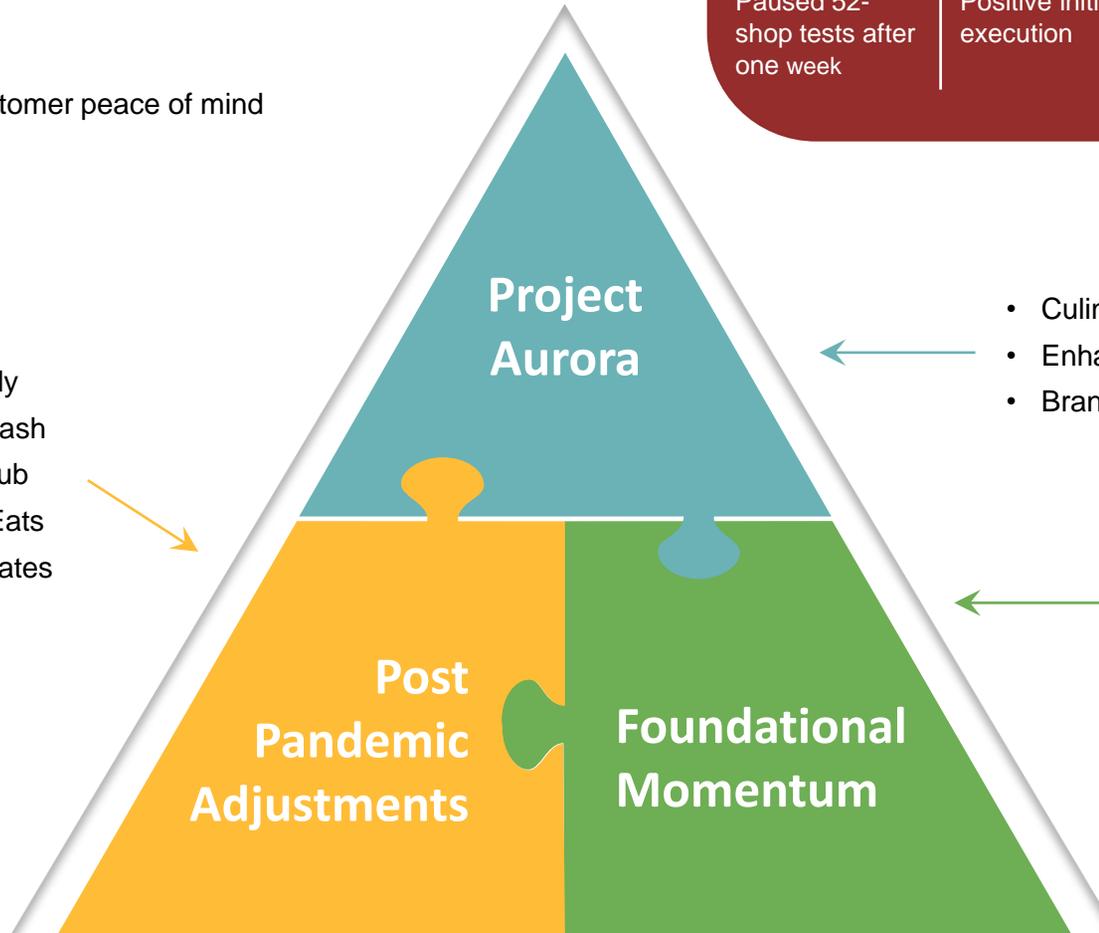


1. Menu optimization efforts improved average check by 410 basis points from Q4'18 to Q4'19  
 2. Digital revenue accounted for 49% of sales since the first week of April 2020  
 3. Signed deals for 42 new franchise units over the last 18 months

# Poised to Win: Project Aurora & COVID-19 Adjustments



- Cleanliness & safety = customer peace of mind
- “Relaxed” convenience
  - Contactless
  - Accurate
  - On Time
- Enhanced access
  - Delivery
  - Pick-Up
  - Curbside
  - Dine-In
  - Catering
  - Potbelly
  - DoorDash
  - Grubhub
  - Uber Eats
  - Postmates
- New occasions
  - Pantry
  - Meal Deal
- Agile and leaner



### Aurora Update

Paused 52-shop tests after one week	Positive initial execution	Will rollout specific components	Restart when makes strategic sense
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- Culinary/ingredient improvements
- Enhanced experience
- Brand awareness

- Operational improvements
- Focus on food quality
- Digital baseline
- Franchising
- Menu optimization

*Confident that while the pandemic impacted the speed of our turnaround, we have the right strategy in place. It will be complemented by the components of Project Aurora, which will be further updated to the new customer and competitive environment that emerges post-crisis. This strategic platform will help us improve long-term traffic trends and set us up well to thrive in the future.*

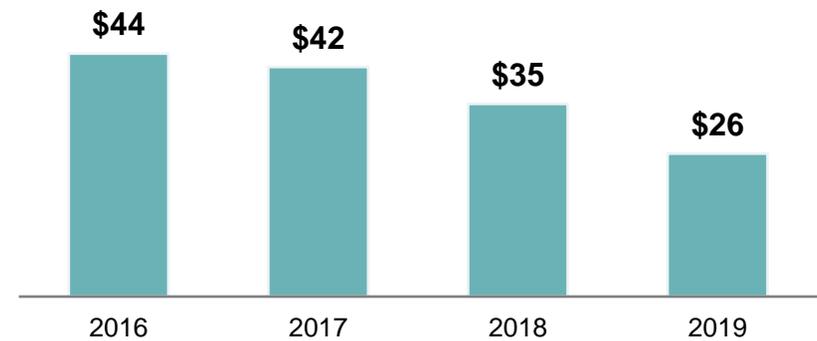
# Historical Financial Performance



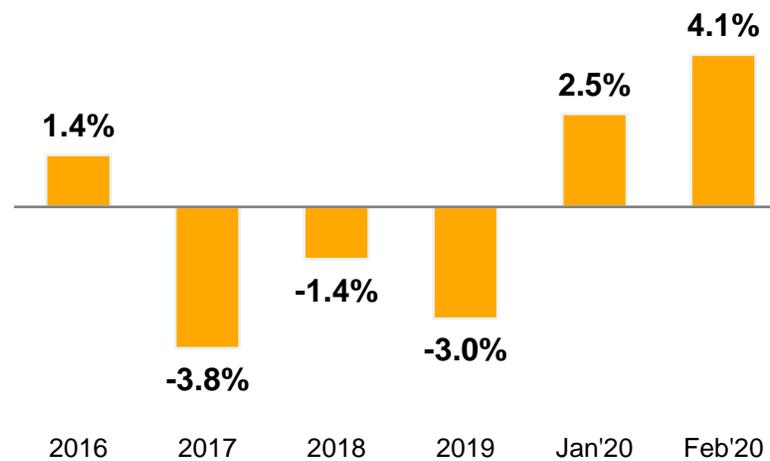
## Total Revenues (\$mm)



## Adjusted EBITDA (\$mm) <sup>1</sup>



## Comparable Same-Store Sales <sup>2</sup>



1. Adjusted to exclude impairments, gain or loss on disposal of property and equipment, store closure expense, and stock-based compensation expense  
 2. Company-operated stores.

# Why Invest in PBPB?



## Proactive Response: Fortified Business

Aggressive actions taken to streamline cost structure; business conditions appear to be rebounding rapidly as local areas reopen; liquidity appropriate



## Unique Concept: Strong Brand, Differentiated Experience

Authentic fast casual concept with fast, friendly service and high brand regard across 470 locations



## Strategic Turnaround Plan Building Momentum

Strategy focused on product, enhancing digital presence, menu optimization, operational improvements, and brand awareness was gaining traction and had turned SSS comps positive through first 10 weeks of Q1



## Poised to Win Post Pandemic

Foundational momentum from 2018/19 strategic initiatives, coupled with Project Aurora and post-COVID-19 adjustments, set us up to thrive in the future

# APPENDIX



# Reported Net Income to Adjusted EBITDA <sup>(1)</sup>



(amounts in thousands)

	52 Wks Ended 12/29/13	52 Wks Ended 12/28/14	52 Wks Ended 12/27/15	52 Wks Ended 12/25/16	53 Wks Ended 12/31/17	52 Wks Ended 12/30/18	52 Wks Ended 12/29/19
Net income attributable to Potbelly Corporation, as reported	\$1,258	\$4,358	\$5,628	\$8,212	\$(6,956)	\$(8,878)	\$(23,992)
Depreciation expense	17,875	19,615	21,476	22,734	25,680	23,142	22,103
Interest expense, net	387	179	221	134	124	142	199
Income tax expense (benefit)	(204)	2,748	3,466	4,443	4,643	(2,195)	14,190
Impairment, loss on disposal of property and equipment, and closures	1,132	3,885	4,006	4,265	11,659	15,603	6,050
Stock-based compensation	11,610	2,542	2,399	3,057	3,848	2,882	2,335
Nonrecurring professional services	---	---	---	---	---	---	3,070
Legal settlement	---	---	---	1,300	---	---	---
CEO transition costs	---	---	---	---	2,695	1,564	---
Proxy related costs	---	---	---	---	---	810	(127)
Restructuring costs	---	---	---	---	---	1,920	1,673
Adjusted EBITDA	\$32,058	\$33,327	\$37,196	\$44,145	\$41,693	\$34,990	\$25,501

1. Adjusted EBITDA as presented in the table titled, "Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures" in our earnings release filed with the SEC on February 25, 2020.

## Investor Relations Contacts:

Chris Hodges or Josh Littman

Alpha IR Group

312-445-2870

[PBPB@alpha-ir.com](mailto:PBPB@alpha-ir.com)

