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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**Form 8-K**

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**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (Date of earliest event reported): November 3, 2017**

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**Potbelly Corporation**

(Exact name of registrant as specified in its charter)

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Commission File Number: 001-36104

**Delaware**  
(State or other jurisdiction  
of incorporation)

**36-4466837**  
(IRS Employer  
Identification No.)

**111 N. Canal Street, Suite 850  
Chicago, Illinois 60606**  
(Address of principal executive offices, including zip code)

**(312) 951-0600**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 2.02. Results of Operations and Financial Condition.**

On November 3, 2017, Potbelly Corporation ("Potbelly") issued a press release disclosing earnings and other financial results for its third fiscal quarter ended September 24, 2017, and that as previously announced, its management would review these results in a conference call at 8:00 a.m. Eastern Time on November 3, 2017. The full text of the press release is furnished hereto as Exhibit 99.1.

The information furnished with this report, including Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any other filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| 99.1               | <a href="#">Potbelly Corporation Press Release dated November 3, 2017</a> |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: November 3, 2017

**Potbelly Corporation**

By: /s/ Michael Coyne  
Name: Michael Coyne  
Title: Interim Chief Executive Officer and Chief Financial Officer  
(Principal Executive Officer and Principal Financial Officer)



**POTBELLY CORPORATION REPORTS RESULTS**

**FOR THIRD FISCAL QUARTER 2017**

Chicago, IL, November 3, 2017 – Potbelly Corporation (NASDAQ: PBPP) today reported financial results for the third fiscal quarter ended September 24, 2017.

**Key highlights for the thirteen weeks ended September 24, 2017 compared to the thirteen weeks ended September 25, 2016 include:**

- Total revenues increased 2.3% to \$106.1 million from \$103.8 million.
- Company-operated comparable store sales decreased 4.8%.
- Eight new shops opened, including two franchised shops and six company-operated shops.
- GAAP net loss attributable to Potbelly Corporation was \$0.2 million, inclusive of a \$1.5 million impairment charge compared to net income of \$1.8 million, inclusive of a \$1.9 million impairment charge. GAAP diluted loss per share was \$0.01 compared to diluted EPS of \$0.07.
- Adjusted net income<sup>1</sup> attributable to Potbelly Corporation decreased 37.5% to \$1.9 million from adjusted net income of \$3.0 million. Adjusted diluted EPS decreased 41.7% to \$0.07 from \$0.12.
- EBITDA<sup>1</sup> decreased 33.4% to \$5.6 million from \$8.4 million.
- Adjusted EBITDA<sup>1</sup> decreased 13.5% to \$9.6 million from \$11.1 million.

**Key highlights for the thirty-nine weeks ended September 24, 2017 compared to the thirty-nine weeks ended September 25, 2016 include:**

- Total revenues increased 3.7% to \$316.0 million from \$304.8 million.
- Company-operated comparable store sales decreased 4.3%.
- Thirty-five new shops opened, including thirteen franchised shops and twenty-two company-operated shops.
- GAAP net income attributable to Potbelly Corporation decreased 95.1% to \$0.3 million, inclusive of a \$5.8 million impairment charge compared to net income of \$6.3 million, inclusive of a \$2.9 million impairment charge. GAAP diluted EPS decreased 95.8% to \$0.01 from \$0.24.
- Adjusted net income<sup>1</sup> attributable to Potbelly Corporation decreased 27.3% to \$5.9 million from adjusted net income of \$8.1 million. Adjusted diluted EPS decreased 25.8% to \$0.23 from \$0.31.
- EBITDA<sup>1</sup> decreased 27.6% to \$19.6 million from \$27.1 million.
- Adjusted EBITDA<sup>1</sup> decreased 5.0% to \$30.6 million from \$32.2 million.

Mike Coyne, Chief Financial Officer and interim Chief Executive Officer of Potbelly Corporation, commented, "During the third quarter, we generated revenue of \$106 million, an increase of 2%, driven by new unit growth, offset by the impact of our comparable store sales, which decreased 4.8%. We continue to operate in a challenging environment, and we remain focused on driving initiatives designed to improve traffic and grow sales in the near term, while managing costs and optimizing our capital spend. We are

encouraged by the progress we have made with our near-term initiatives and with our ongoing strategic review. We believe our strategic initiatives will leave the Potbelly brand well-positioned to deliver sustainable shareholder value creation over the long term.”

## **2017 Outlook**

For the full fiscal year of 2017, management currently expects:

- 45-50 total new shop openings, including 30-35 company-operated shop openings;
- A mid-single digit decrease in company-operated comparable store sales;
- An effective tax rate to range from 36% to 38%, excluding the impact of Accounting Standard Update 2016-09 Compensation-Stock Compensation, which could significantly impact our tax rate for 2017;
- Full year adjusted diluted earnings per share at the lower end of the range of \$0.30 to \$0.33, excluding the income tax impact of Accounting Standard Update 2016-09 Compensation-Stock Compensation, which could significantly impact our earnings per share;
- Comparable categories of adjustments to net income as discussed in the “Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures.”

Projected adjusted diluted earnings per share set forth above are measures not recognized under GAAP. Please see “Non-GAAP Financial Measures” below.

## **Conference Call**

A conference call and audio webcast has been scheduled for 8:00 a.m. Eastern Time today to discuss these results. Details of the conference call are as follows:

Date: Friday, November 3, 2017  
Time: 8:00 a.m. Eastern Time  
Dial-In #: 877-407-0784 U.S. & Canada  
201-689-8560 International  
Confirmation code: 13672309

Alternatively, the conference call will be webcast at [www.potbelly.com](http://www.potbelly.com) on the “Investor Relations” webpage. For those unable to participate, an audio replay will be available from 11:00 a.m. Eastern Time on Friday, November 3, 2017 through midnight Friday, November 10, 2017. To access the replay, please call 844-512-2921 (U.S. & Canada) or 412-317-6671 (International) and enter confirmation code 13672309. A web-based archive of the conference call will also be available at the above website.

## **About Potbelly**

Potbelly Corporation is a fast-growing neighborhood sandwich concept offering toasty warm sandwiches, signature salads and other fresh menu items served by engaging people in an environment that reflects the Potbelly brand. Our Vision is for our customers to feel that we are their “Neighborhood Sandwich Shop” and to tell others about their great experience. Our Mission is to make people really happy and to improve every day. Our Passion is to be “The Best Place for Lunch.” The Company owns and operates over 400 shops in the United States and our franchisees operate over 50 shops domestically, in the Middle East, the United Kingdom and Canada. For more information, please visit our website at [www.potbelly.com](http://www.potbelly.com).

## **Definitions**

The following definitions apply to these terms as used throughout this press release:

- **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.
- **Company-operated comparable store sales** – represents the change in year-over-year sales for the comparable company-operated store base open for 15 months or longer.

- **EBITDA** – represents net income before depreciation and amortization expense, interest expense and the provision for income taxes.
- **Adjusted EBITDA** – represents net 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.
- **Adjusted net income** – represents net income, excluding impairment, gain or loss on the disposal of property and equipment and store closure expense, as well as other items that we do not consider representative of our ongoing operating performance.
- **Shop-level profit** – represents income from operations less franchise royalties and fees, general and administrative expenses, depreciation expense, pre-opening costs and impairment and loss on the disposal of property and equipment.
- **Shop-level profit margin** – represents shop-level profit expressed as a percentage of net company-operated sandwich shop sales.
- **Adjusted diluted earnings per share** – represents net income, excluding impairment, gain or loss on the disposal of property and equipment and store closure expense on a fully diluted per share basis as well as other items that we do not consider representative of our ongoing operating performance.

### **1Non-GAAP Financial 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 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. Beginning in the first quarter of 2017, the Company modified its definition of adjusted EBITDA to eliminate the adjustments of pre-opening and public company costs from its definition. The Company believes these refinements improve the usefulness and comparability of adjusted EBITDA. Prior period adjusted EBITDA financial measures have been restated to reflect this change within this press release.

Management uses adjusted EBITDA and adjusted net income 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 and adjusted net income 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.”

This press release includes certain non-GAAP forward-looking information (including, but not limited to under the heading “2017 Outlook”), namely adjusted net income and adjusted diluted earnings per share. The Company believes that a quantitative reconciliation of such forward-looking information to the most comparable financial measure calculated and presented in accordance with GAAP cannot be made available without unreasonable efforts. A reconciliation of these non-GAAP financial measures would require the Company to predict the timing and likelihood of outcomes that determine future impairments and the tax benefit of any such future impairments. Neither of these measures, nor their probable significance, can be reliably quantified due to the inability to forecast future impairments.

## Forward-Looking Statements

Except for the historical information contained in this press release, the matters addressed are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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" and similar expressions are intended to identify forward-looking statements. 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. 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, all of which are available on our website at [www.potbelly.com](http://www.potbelly.com).

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Contact: **Investor Relations**

[Investors@Potbelly.com](mailto:Investors@Potbelly.com)

312-428-2950

**Potbelly Corporation**  
**Consolidated Statements of Operations and Margin Analysis – Unaudited**  
**(Amounts in thousands, except share and per share data)**

|  | For the 13 Weeks Ended |                 |                       |                 | For the 39 Weeks Ended |                 |                       |                 |
|--|------------------------|-----------------|-----------------------|-----------------|------------------------|-----------------|-----------------------|-----------------|
|  | September 24,<br>2017  | % of<br>Revenue | September 25,<br>2016 | % of<br>Revenue | September 24,<br>2017  | % of<br>Revenue | September 25,<br>2016 | % of<br>Revenue |
| <b>Revenues</b>  |                        |                 |                       |                 |                        |                 |                       |                 |
| Sandwich shop sales, net   | \$ 105,327             | 99.2%           | \$ 103,224            | 99.5%           | \$ 313,568             | 99.2%           | \$ 303,116            | 99.5%           |
| Franchise royalties and fees   | 800                    | 0.8             | 558                   | 0.5             | 2,394                  | 0.8             | 1,657                 | 0.5             |
| <b>Total revenues</b>  | <b>106,127</b>         | <b>100.0</b>    | <b>103,782</b>        | <b>100.0</b>    | <b>315,962</b>         | <b>100.0</b>    | <b>304,773</b>        | <b>100.0</b>    |
| <b>Expenses</b>  |                        |                 |                       |                 |                        |                 |                       |                 |
| Sandwich shop operating expenses   |                        |                 |                       |                 |                        |                 |                       |                 |
| Cost of goods sold, excluding depreciation                                     | 28,405                 | 26.8            | 28,478                | 27.4            | 83,703                 | 26.5            | 83,224                | 27.3            |
| Labor and related expenses   | 31,187                 | 29.4            | 30,163                | 29.1            | 93,213                 | 29.5            | 88,260                | 29.0            |
| Occupancy expenses   | 14,354                 | 13.5            | 13,111                | 12.6            | 42,792                 | 13.5            | 39,042                | 12.8            |
| Other operating expenses   | 12,464                 | 11.7            | 11,338                | 10.9            | 36,349                 | 11.5            | 32,570                | 10.7            |
| General and administrative expenses  |                        |                 |                       |                 |                        |                 |                       |                 |
| Depreciation expense   | 6,315                  | 6.0             | 5,656                 | 5.4             | 18,960                 | 6.0             | 16,996                | 5.6             |
| Pre-opening costs  | 336                    | 0.3             | 340                   | 0.3             | 955                    | 0.3             | 731                   | 0.2             |
| Impairment and loss on disposal of property and equipment                      | 1,536                  | 1.4             | 1,855                 | 1.8             | 5,762                  | 1.8             | 2,880                 | 0.9             |
| <b>Total expenses</b>  | <b>106,701</b>         | <b>100.5</b>    | <b>100,940</b>        | <b>97.3</b>     | <b>315,109</b>         | <b>99.7</b>     | <b>294,530</b>        | <b>96.6</b>     |
| <b>Income (loss) from operations</b>   | <b>(574)</b>           | <b>(0.5)</b>    | <b>2,842</b>          | <b>2.7</b>      | <b>853</b>             | <b>0.3</b>      | <b>10,243</b>         | <b>3.4</b>      |
| Interest expense   | 32                     | *               | 33                    | *               | 101                    | *               | 102                   | *               |
| <b>Income (loss) before income taxes</b>                                       | <b>(606)</b>           | <b>(0.6)</b>    | <b>2,809</b>          | <b>2.7</b>      | <b>752</b>             | <b>0.2</b>      | <b>10,141</b>         | <b>3.3</b>      |
| Income tax expense (benefit)   | (487)                  | (0.5)           | 960                   | 0.9             | 252                    | *               | 3,732                 | 1.2             |
| <b>Net income (loss)</b>   | <b>(119)</b>           | <b>*</b>        | <b>1,849</b>          | <b>1.8</b>      | <b>500</b>             | <b>0.2</b>      | <b>6,409</b>          | <b>2.1</b>      |
| Net income attributable to non-controlling interest                            | 121                    | 0.1             | 54                    | *               | 195                    | *               | 153                   | *               |
| <b>Net income (loss) attributable to Potbelly Corporation</b>                  | <b>\$ (240)</b>        | <b>(0.2)%</b>   | <b>\$ 1,795</b>       | <b>1.7%</b>     | <b>\$ 305</b>          | <b>*</b>        | <b>\$ 6,256</b>       | <b>2.1%</b>     |
| <b>Net income (loss) per common share attributable to common shareholders:</b> |                        |                 |                       |                 |                        |                 |                       |                 |
| Basic  | \$ (0.01)              |                 | \$ 0.07               |                 | \$ 0.01                |                 | \$ 0.24               |                 |
| Diluted  | \$ (0.01)              |                 | \$ 0.07               |                 | \$ 0.01                |                 | \$ 0.24               |                 |
| <b>Weighted average common shares outstanding:</b>                             |                        |                 |                       |                 |                        |                 |                       |                 |
| Basic  | 24,959,023             |                 | 25,240,374            |                 | 25,030,951             |                 | 25,772,846            |                 |
| Diluted  | 24,959,023             |                 | 25,829,970            |                 | 25,857,083             |                 | 26,341,913            |                 |

\* Amount is less than 0.1%

**Potbelly Corporation**  
**Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures – Unaudited**  
**(Amounts in thousands, except share and per share data)**

|   | <u>For the 13 Weeks Ended</u> |                               | <u>For the 39 Weeks Ended</u> |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | <u>September 24,<br/>2017</u> | <u>September 25,<br/>2016</u> | <u>September 24,<br/>2017</u> | <u>September 25,<br/>2016</u> |
| Net income (loss) attributable to Potbelly Corporation, as reported                 | \$ (240)                      | \$ 1,795                      | \$ 305                        | \$ 6,256                      |
| Impairment, loss on disposal of property and equipment, and closures <sup>(1)</sup> | 2,016                         | 1,869                         | 6,392                         | 2,897                         |
| CEO transition costs <sup>(2)</sup>   | 1,219                         | —                             | 2,193                         | —                             |
| Tax impact <sup>(3)</sup>   | (1,129)                       | (677)                         | (3,007)                       | (1,066)                       |
| Adjusted net income attributable to Potbelly Corporation                            | <u>\$ 1,866</u>               | <u>\$ 2,987</u>               | <u>\$ 5,883</u>               | <u>\$ 8,087</u>               |
| Net income (loss) attributable to Potbelly Corporation per share, basic             | \$ (0.01)                     | \$ 0.07                       | \$ 0.01                       | \$ 0.24                       |
| Net income (loss) attributable to Potbelly Corporation per share, diluted           | \$ (0.01)                     | \$ 0.07                       | \$ 0.01                       | \$ 0.24                       |
| Adjusted net income attributable to Potbelly Corporation per share, basic           | \$ 0.07                       | \$ 0.12                       | \$ 0.24                       | \$ 0.31                       |
| Adjusted net income attributable to Potbelly Corporation per share, diluted         | \$ 0.07                       | \$ 0.12                       | \$ 0.23                       | \$ 0.31                       |
| Shares used in computing adjusted net income attributable to Potbelly Corporation:  |                               |                               |                               |                               |
| Basic   | 24,959,023                    | 25,240,374                    | 25,030,951                    | 25,772,846                    |
| Diluted   | 25,608,065                    | 25,829,970                    | 25,857,083                    | 26,341,913                    |

|   | <u>For the 13 Weeks Ended</u> |                               | <u>For the 39 Weeks Ended</u> |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | <u>September 24,<br/>2017</u> | <u>September 25,<br/>2016</u> | <u>September 24,<br/>2017</u> | <u>September 25,<br/>2016</u> |
| Net income (loss) attributable to Potbelly Corporation, as reported                 | \$ (240)                      | \$ 1,795                      | \$ 305                        | \$ 6,256                      |
| Depreciation expense  | 6,315                         | 5,656                         | 18,960                        | 16,996                        |
| Interest expense  | 32                            | 33                            | 101                           | 102                           |
| Income tax expense (benefit)  | (487)                         | 960                           | 252                           | 3,732                         |
| EBITDA  | <u>\$ 5,620</u>               | <u>\$ 8,444</u>               | <u>\$ 19,618</u>              | <u>\$ 27,086</u>              |
| Impairment, loss on disposal of property and equipment, and closures <sup>(1)</sup> | 2,016                         | 1,869                         | 6,392                         | 2,897                         |
| Stock-based compensation  | 759                           | 800                           | 2,435                         | 2,266                         |
| CEO transition costs <sup>(2)</sup>   | 1,219                         | —                             | 2,193                         | —                             |
| Adjusted EBITDA   | <u>\$ 9,614</u>               | <u>\$ 11,113</u>              | <u>\$ 30,638</u>              | <u>\$ 32,249</u>              |

**Potbelly Corporation**  
**Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures – Unaudited**  
**(Amounts in thousands, except selected operating data)**

|   | <u>For the 13 Weeks Ended</u> |                               | <u>For the 39 Weeks Ended</u> |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | <u>September 24,<br/>2017</u> | <u>September 25,<br/>2016</u> | <u>September 24,<br/>2017</u> | <u>September 25,<br/>2016</u> |
| Income (loss) from operations                             | \$ (574)                      | \$ 2,842                      | \$ 853                        | \$ 10,243                     |
| Less: Franchise royalties and fees                        | 800                           | 558                           | 2,394                         | 1,657                         |
| General and administrative expenses                       | 12,104                        | 9,999                         | 33,375                        | 30,827                        |
| Depreciation expense                                      | 6,315                         | 5,656                         | 18,960                        | 16,996                        |
| Pre-opening costs   | 336                           | 340                           | 955                           | 731                           |
| Impairment and loss on disposal of property and equipment | 1,536                         | 1,855                         | 5,762                         | 2,880                         |
| Shop-level profit [Y]                                     | <u>\$ 18,917</u>              | <u>\$ 20,134</u>              | <u>\$ 57,511</u>              | <u>\$ 60,020</u>              |
| Total revenues  | \$ 106,127                    | \$ 103,782                    | \$ 315,962                    | \$ 304,773                    |
| Less: Franchise royalties and fees                        | 800                           | 558                           | 2,394                         | 1,657                         |
| Sandwich shop sales, net [X]                              | <u>\$ 105,327</u>             | <u>\$ 103,224</u>             | <u>\$ 313,568</u>             | <u>\$ 303,116</u>             |
| Shop-level profit margin [Y÷X]                            | 18.0%                         | 19.5%                         | 18.3%                         | 19.8%                         |

|   | <u>For the 13 Weeks Ended</u> |                               | <u>For the 39 Weeks Ended</u> |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | <u>September 24,<br/>2017</u> | <u>September 25,<br/>2016</u> | <u>September 24,<br/>2017</u> | <u>September 25,<br/>2016</u> |
| <b>Selected Operating Data</b>          |                               |                               |                               |                               |
| Shop Activity:                          |                               |                               |                               |                               |
| Company-operated shops, end of period   | 426                           | 387                           | 426                           | 387                           |
| Franchise shops, end of period          | 56                            | 41                            | 56                            | 41                            |
| Revenue Data:                           |                               |                               |                               |                               |
| Company-operated comparable store sales | (4.8)%                        | 0.6%                          | (4.3)%                        | 1.9%                          |

**Footnotes to the Press Release, Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures  
& Selected Operating Data**

- (1) This adjustment includes costs related to impairment of long-lived assets, loss on disposal of property and equipment and shop closure expenses. Shop closure expenses are recorded in general and administrative expenses in the consolidated statement of operations.
- (2) As a result of the departure of the former CEO, the Company incurred certain costs related to the transition. Transition costs were included in general and administrative expenses in the condensed consolidated statements of operations and were related to the accelerated vesting of share-based compensation awards, salary related charges in accordance with the former CEO's employment agreement and various other transition costs.
- (3) For the thirteen weeks ended September 24, 2017 and September 25, 2016, the tax impact associated with impairment and closures is based on effective tax rates of 34.9% and 36.2%, respectively. For the thirty-nine weeks ended September 24, 2017 and September 25, 2016, the tax impact associated with impairment and closures is based on effective tax rates of 35.0% and 36.8%, respectively.