



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

***Fourth Quarter and Full Year 2021
Earnings Presentation***

-- March 3, 2022 --

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, including 2024 growth and profitability targets, (ii) business strategy, including investments in G&A growth, the refranchising of shops, expansion, deployment of high-return strategic marketing, increasing engagement with our Perks loyalty members and new food and beverage innovation, (iii) ability to achieve future growth and deliver value for our shareholders, (iv) guidance for Q1 2022 sales and shop level margins, (v) outlook for 2022, including sales, average unit volumes, same store sales, shop level margins and cash flow and (vi) ability to strengthen and effectively manage our supply chain.. 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. 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.

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.

Q4'21 and FY'21 Financial Highlights: Momentum Continues



- Strong top-line recovery sustained throughout the year, and accelerated into the fourth quarter
 - Supported by strong SSS and SST results throughout 2021
- Achieved positive EBITDA and Adj. EBITDA in Q4 and 2021, as well as a full year of shop-level profitability
- FY'21 shop level margins expanded 990 bps year over year, despite inflationary pressures
- Achieved annualized AUV of \$1.05 million in Q4'21, the second sequential quarter at this level
- Improved volume across all channels, led by Dine-In sales and continued strength in Digital, which represented ~36% of total sales for the full year
- Strong performance across all shop types with notable increases in Airport, CBD and University locations in Q4'21

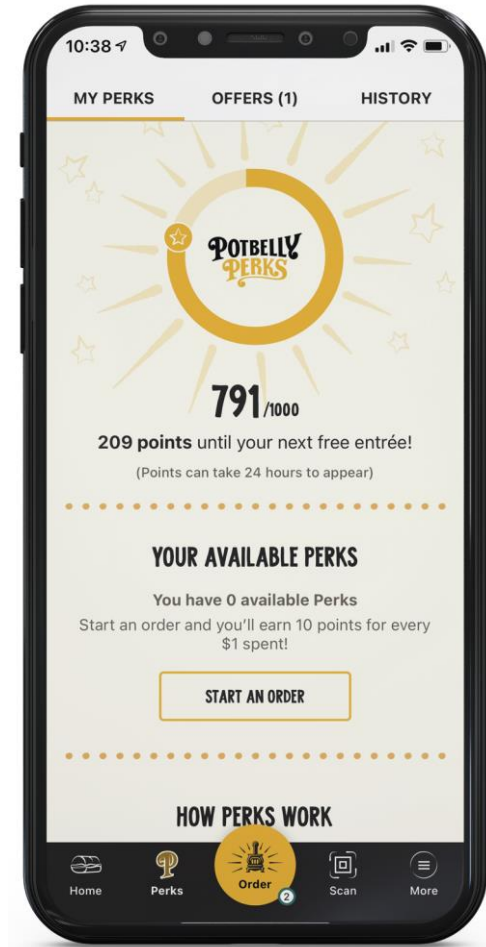
Q4 and Full Year 2021 Results <small>(\$s in millions)</small>			
Revenue		Net Loss	
\$102.8 Q4 2021 ▲ 37%	\$380.1 FY 2021 ▲ 30%	(\$2.5) Q4 2021 ▲ \$13.9 million	(\$23.8) FY 2021 ▲ \$41.6 million
SSS vs. 2020		Adj. EBITDA*	
+33.8% Q4 2021	+30.3% FY 2021	\$2.6 Q4 2021 ▲ \$9.4 million	\$0.5 FY 2021 ▲ \$33.2 million

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

2021 Strategic Highlights: Positioned for Future Growth



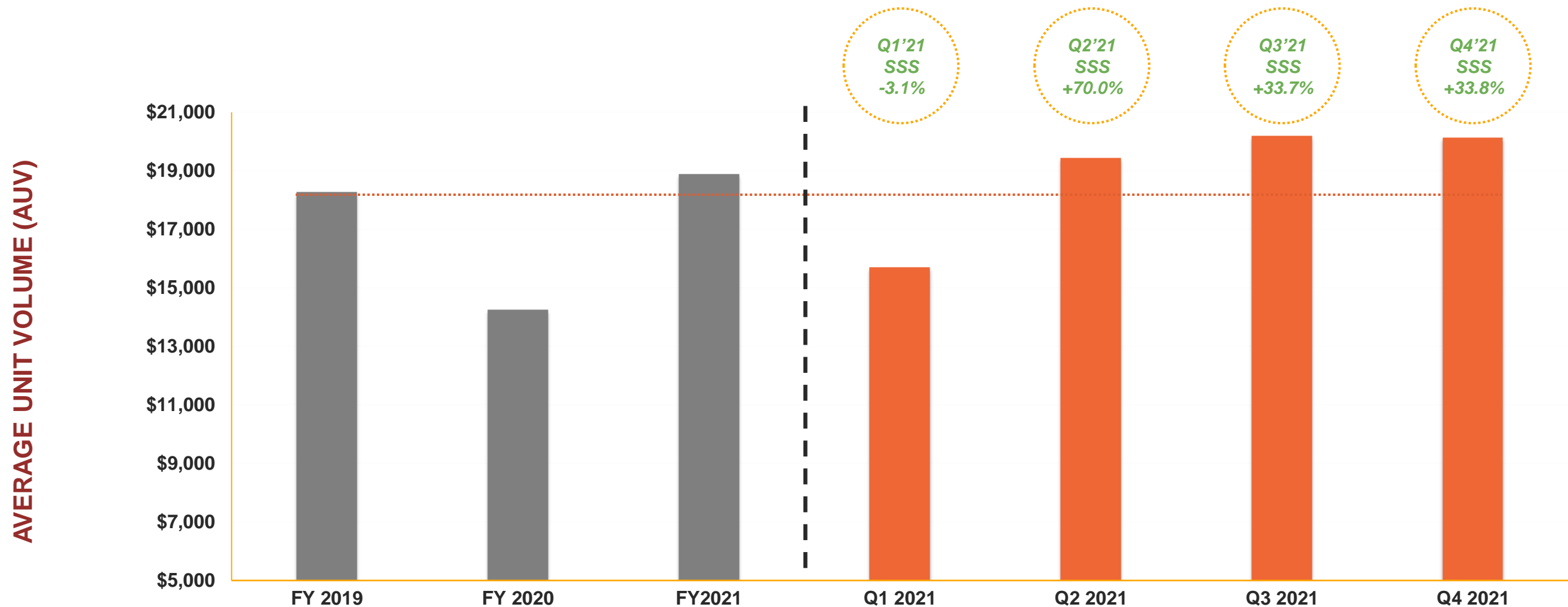
- Successful national rollout of the simplified, value-enhancing menu, driving sales through higher traffic and average check size
- Delivered ROI on strengthened digital marketing presence, focusing on a balance of awareness, traffic and sales
- Completed the leadership team with the additions of new CMO, CDO and CPO
- Commitment to quality workplace environment for employees with programs in place to align incentives around driving traffic and profitable growth
- Upgraded Potbelly's full tech stack including app, website, digital ordering integration and upgraded Perks loyalty program for more personalization and targeted offers
- Maintained G&A discipline and cost saving efforts implemented with COVID in 2020




Continued Strength in AUV; Healthy SSS



Average Unit Volume (AUV) and SSS



Q4 2021 Performance Review: Y/Y



(\$s in millions)

	Q4 2021	Q4 2020
Revenue	\$102.8	\$74.9
Same Store Sales (SSS)	33.8%	(19.7%)
GAAP Net Income (Loss)	(\$2.5)	(\$16.4)
Adjusted Net Income (Loss)*	(\$1.6)	(\$13.7)
Adjusted EBITDA*	\$2.6	(\$6.9)
Shop-level Profit (Loss)	\$11.4	(\$0.5)
G&A/Sales	8.8%	8.9%
Food, Beverage, & Packaging Costs/Sales	28.4%	28.5%
Labor/Sales	32.8%	36.5%
Other Operating Expenses/Sales	14.6%	17.7%
Shop-level Margin*	11.2%	(0.6%)

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

FY 2021 Performance Review: Y/Y



(\$s in millions)

	FY 2021	FY 2020
Revenue	\$380.1	\$291.3
Same Store Sales (SSS)	30.3%	(24.7%)
GAAP Net Income (Loss)	(\$23.8)	(\$65.4)
Adjusted Net Income (Loss)*	(\$14.4)	(\$46.3)
Adjusted EBITDA*	\$0.5	(\$32.7)
Shop-level Profit (Loss)	\$32.1	(\$4.0)
G&A/Sales	8.8%	11.7%
Food, Beverage, & Packaging Costs/Sales	27.8%	28.4%
Labor/Sales	33.7%	36.4%
Other Operating Expenses/Sales	15.7%	17.0%
Shop-level Margin*	8.5%	(1.4%)

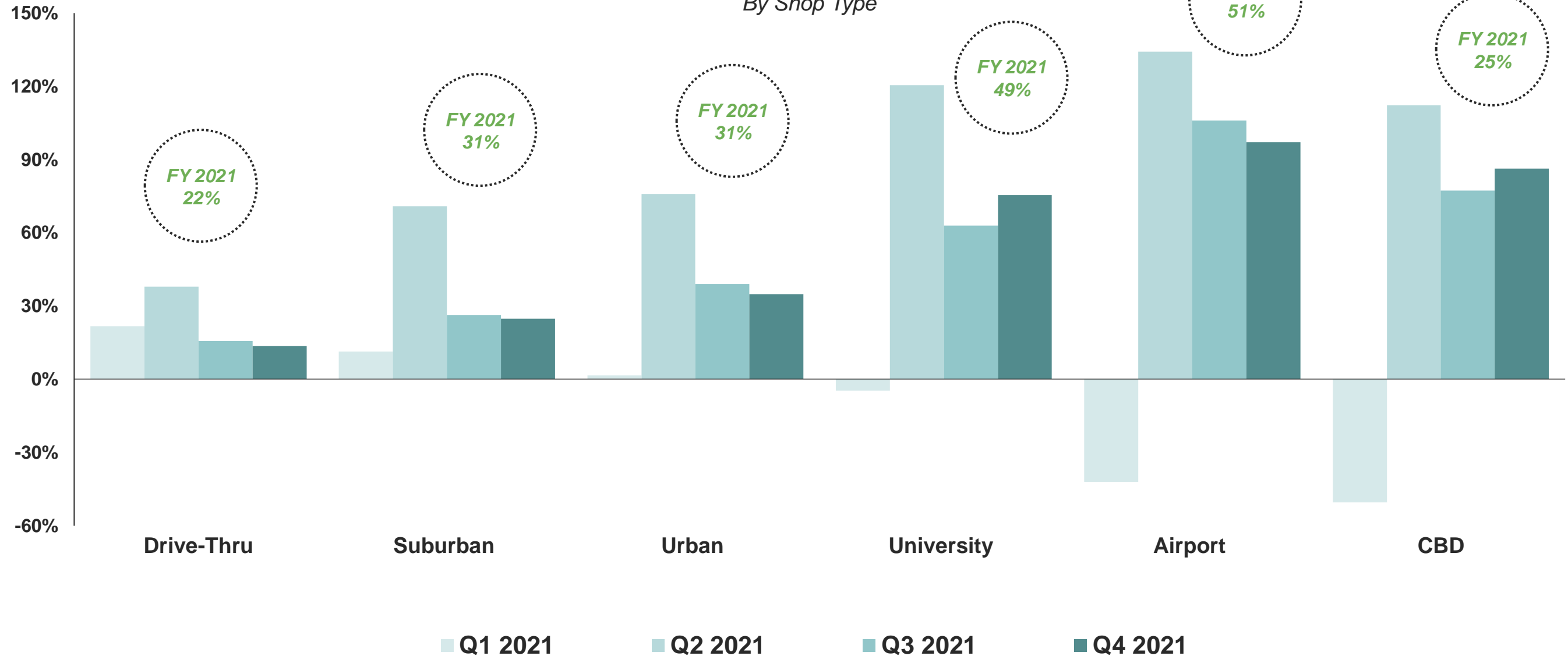
* See Appendix to this presentation for GAAP to Non-GAAP reconciliations

Continued Recovery Across All Shop Types



Same-Store Net Sales vs 2020

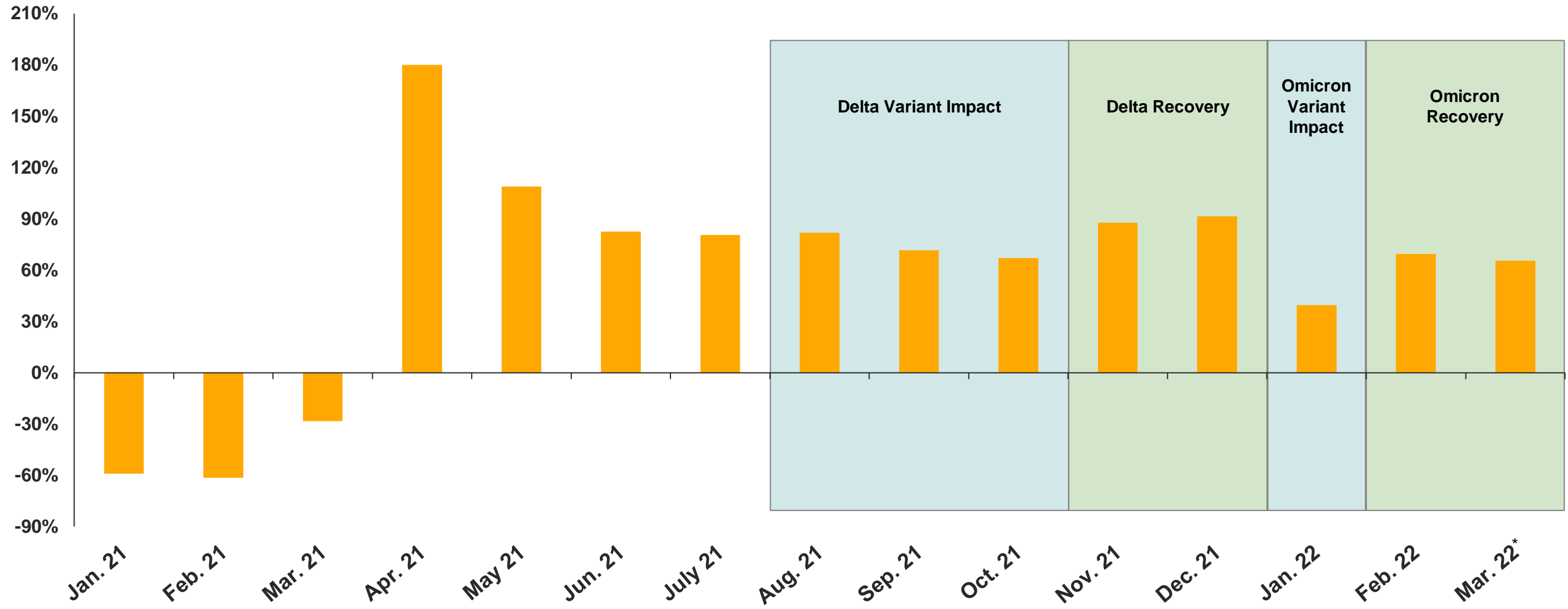
By Shop Type



CBD Shops: Significant COVID Impact Lessened with Recent Recovery Underway

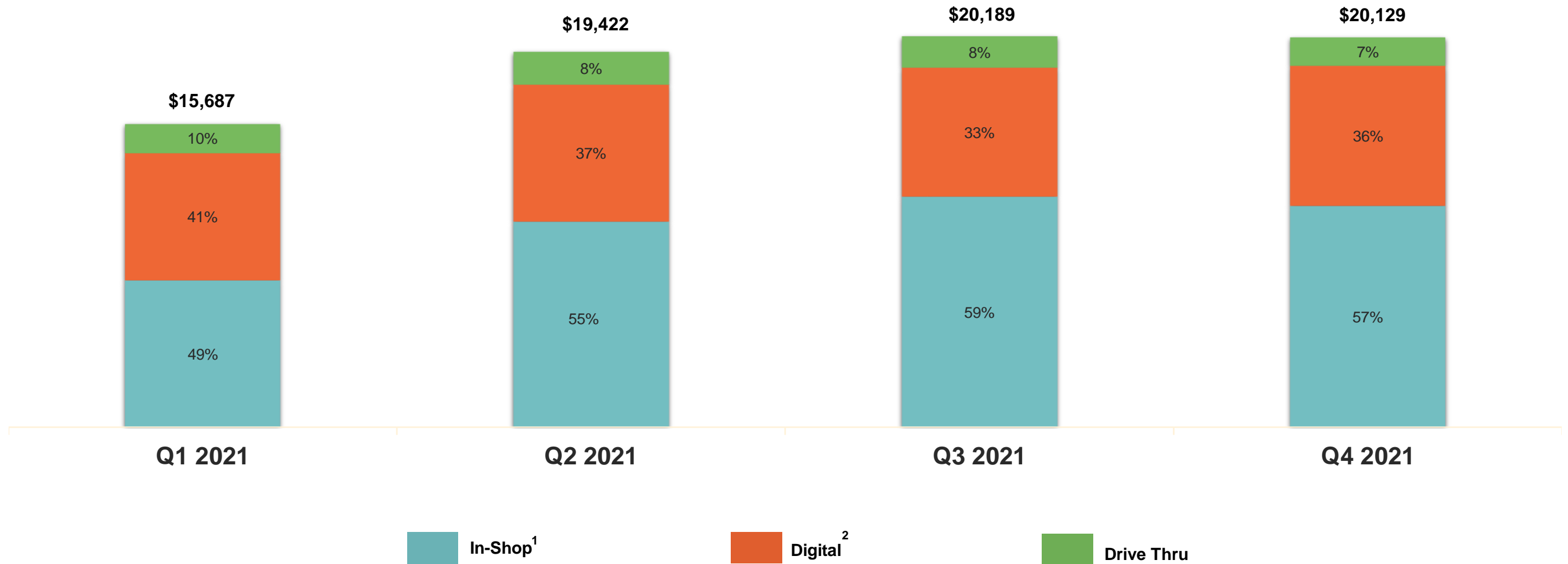


CBD Same-Store Net Sales Y/Y



* March reflective of one week of data

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

2022 Priorities



Q1 and Full Year Outlook

➤ Continue to Execute Against Five-Pillar Strategy

- Focus remains on Traffic-Driven Profitability

➤ Disciplined Investments in G&A Growth

- Investments in key growth enablers: marketing, development and operations

➤ Strengthen Marketing Presence to Drive Traffic

- Drive further growth of e-commerce conversions
- Further drive guest acquisition and loyalty
- Update brand positioning

➤ Initiating Long-Term Growth Driving Initiatives

- Refranchising is the catalyst for market penetration through multi-unit franchise growth

➤ Full Year 2022 (vs 2021)

- Sales – record AUVs
- SSS – double digit growth
- Shop Margin – low double-digit

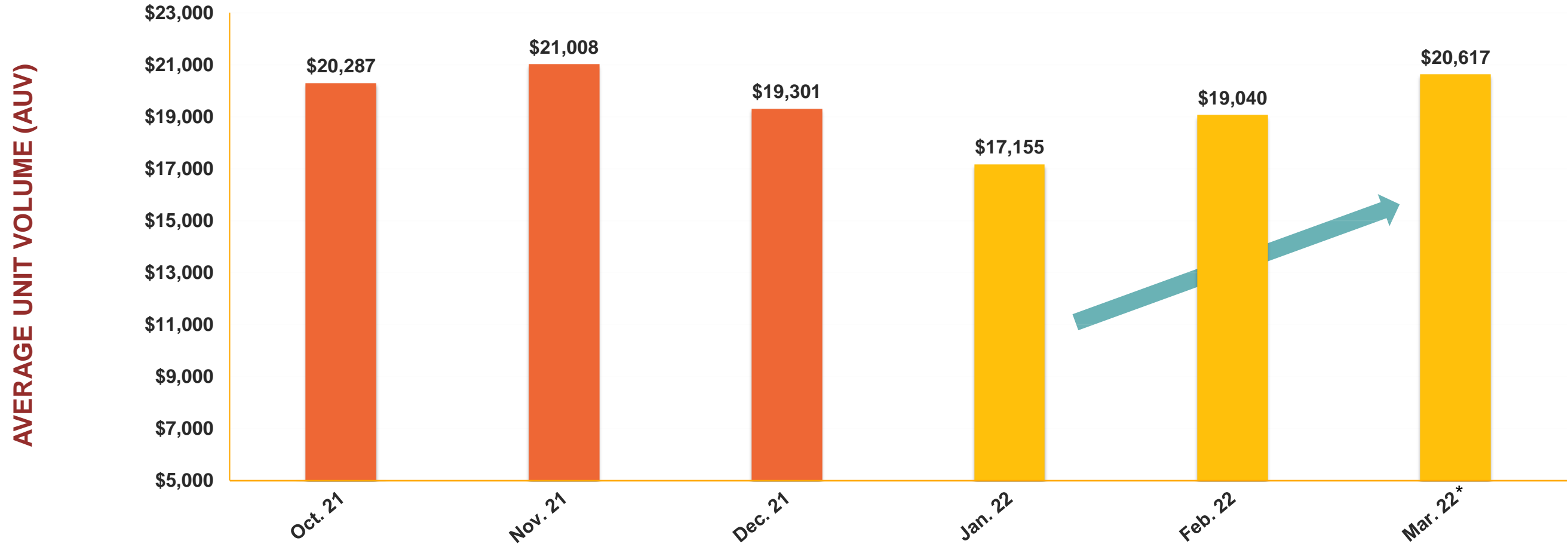
➤ Q1 Guidance

- Sales of \$95.0M to \$98.0M
- Shop Level Margins between 3.5% and 5.5%

Momentum Returning to the Business



Average Unit Volume (AUV)



* March reflective of one week of data

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.

Three-year Strategic Growth Targets and Long-Term Unit Potential



Volume & Profitability Targets



Franchise Growth Acceleration Initiative



AUVs → \$1.3 Million

- Continued recovery across shop portfolio, specifically CBDs
- Increased marketing, advertising, and loyalty engagement
- Food innovation and LTOs
- Shop technology enhancements

Shop Level Margins → > 16%

- Achieve sales leverage through execution of Five Pillar strategy
- Effective management of supply chain and food costs
- Labor cost and shop operating expense innovation and discipline
- Inclusive of marketing, advertising and tech expenses

Refranchise ~ 25% of Shops

- Provides catalyst for franchise unit growth
- Attracts high quality franchisees
- Requires commitment for new shop development in market
- Focuses company capital and resources

Franchise Unit Growth → 10%

- Market and trade area planning in existing and new markets
- High quality franchisees attracted to Potbelly's competitive advantages
- Execution of Shop Development Area Agreements (SDAAs)
- Shift focus to franchising across entire system

Long-term goal of 2,000 total shops

APPENDIX:

GAAP to Non-GAAP Reconciliations



Q4 & FY 21 Performance Review: Adjusted Net Income



(\$s in millions)

	Q4 2021	FY 2021
Net Loss	(\$2.5)	(\$23.8)
Impairment, Disposals & Closures	\$0.6	\$5.1
Income Tax Adjustments	\$0.3	\$4.2
Adjusted Net Loss	(\$1.6)	(\$14.4)

Q4 & FY 21 Performance Review: Adjusted EBITDA



(\$s in millions)

	Q4 2021	FY 2021
Net Loss	(\$2.5)	(\$23.8)
Depreciation Expense	\$3.6	\$15.9
Interest Expense	\$0.3	\$1.1
Income Tax Expense (Benefit)	(\$0.1)	\$0.2
EBITDA	\$1.3	(\$6.7)
Impairment, Disposals & Closures	\$0.6	\$5.1
Stock Compensation	\$0.6	\$2.1
Adjusted EBITDA	\$2.6	\$0.5

Q4 & FY 21 Performance Review: Shop Margin



(\$s in millions)

	Q4 2021	FY 2021
Loss from Operations	(\$2.2)	(\$22.5)
Less: Franchise Revenue	\$0.8	\$2.8
Advertising	\$1.3	\$3.0
G&A Expense	\$9.0	\$33.3
Depreciation Expense	\$3.6	\$15.9
Impairment, Disposals & Closures	\$0.6	\$5.1
Shop-level Profit (Loss)	\$11.4	\$32.1
Total Revenues	\$102.8	\$380.1
Less: Franchise Revenue	\$0.8	\$2.8
Sandwich Shop Sales, Net	\$102.0	\$377.3
Shop-level Margin	11.2%	8.5%

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.”

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 an initial franchise fee, a franchise development agreement fee and royalty income from the franchisee.
- **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 as well as 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, 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 (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.

Investor Relations Contacts:

Lisa Fortuna or Ashley Gruenberg

Alpha IR Group

312-445-2870

PBPB@alpha-ir.com

