



***Fourth Quarter and Full Year 2020
Earnings Presentation***

March 11, 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," "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 such as the expected run-rate savings from lease renegotiations, our believe that we will emerge from the pandemic with a stronger platform, the rate of recovery of our business and dining room re-openings, our expectation that our strategic initiatives will build momentum, the expected sequential improvement in top-line growth during 2021 and our expectation that majority of our operating earnings and Adjusted EBITDA will come during the second half of 2021, 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. 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.

2020 Review: Overcame Challenges, Repositioned Platform



- ✓ Team showed resiliency, persistence, dedication and creativity in navigating 2020
- ✓ Right team, strategy and balance sheet to support faster, more profitable growth

2020 Results

(\$s in millions)

Revenue: **\$291.3**

Op. Income (Loss): **(\$71.1)**
or (24.4%)**

Adj. EBITDA*: **(\$32.7)**
or (11.2%)**

SSS: **(24.7%)**



**Aggressively
Control Cost**



**Prioritized
Safety**



**Pivoted to
Off-Premise**



**Leveraged Digital
Investments**



**Protected
Cash/Capital**



**Built Stronger
Foundation**



**Rebuilt
Leadership Team**



**Developed New
Strategic Plan**

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

** As % of total revenue

Where We Stand Today: Strategic Successes



Proactive, deliberate actions to drive profitable growth



- Exited 2020 with sequential improvement in SSS over 7 of the last 8 months
- Back half 2020 weekly cash burn reduced to \$440k/week
- Leveraged suburban locations, and saw positive comps at drive-thru and digital channels
- Reopened nearly all closed non-CBD locations and expanded hours of operation to pre-COVID levels

- Strengthened shop base with 28 permanent shop closures and 321 leases renegotiated to date
- Completed restructuring to reduce \$3.5 million in annual corporate expenses
- New CEO, CFO, COO, CLO, and 2 new Board members

- Grew Perks membership and Perks-related sales
- Executing against new Five-Pillar Strategy focused on 'Traffic-Driven Profitability'
- Numerous initiatives across all five pillars currently in various phases of testing and/or execution

- Completed \$16 million private placement in early 2021
- Amended credit facility to create additional flexibility in early 2021
- Supports last steps of the pandemic-related recovery including outstanding deferred expenses
- Provides growth capital to support new strategic initiatives

Potbelly Focus

- Continued testing, development and implementation of multiple traffic-focused strategic initiatives
- Finish building team and talent
- Preserving cash and driving operating efficiencies paramount

- Scale achieved on several Traffic-Driven Profitability strategic initiatives
- Senior Leadership & field teams at full strength
- Shop-type gaps still present, but overall unit-level economics strengthen significantly
- Ability to leverage 90% company-owned shop portfolio

1H'21



2H'21



Business Environment

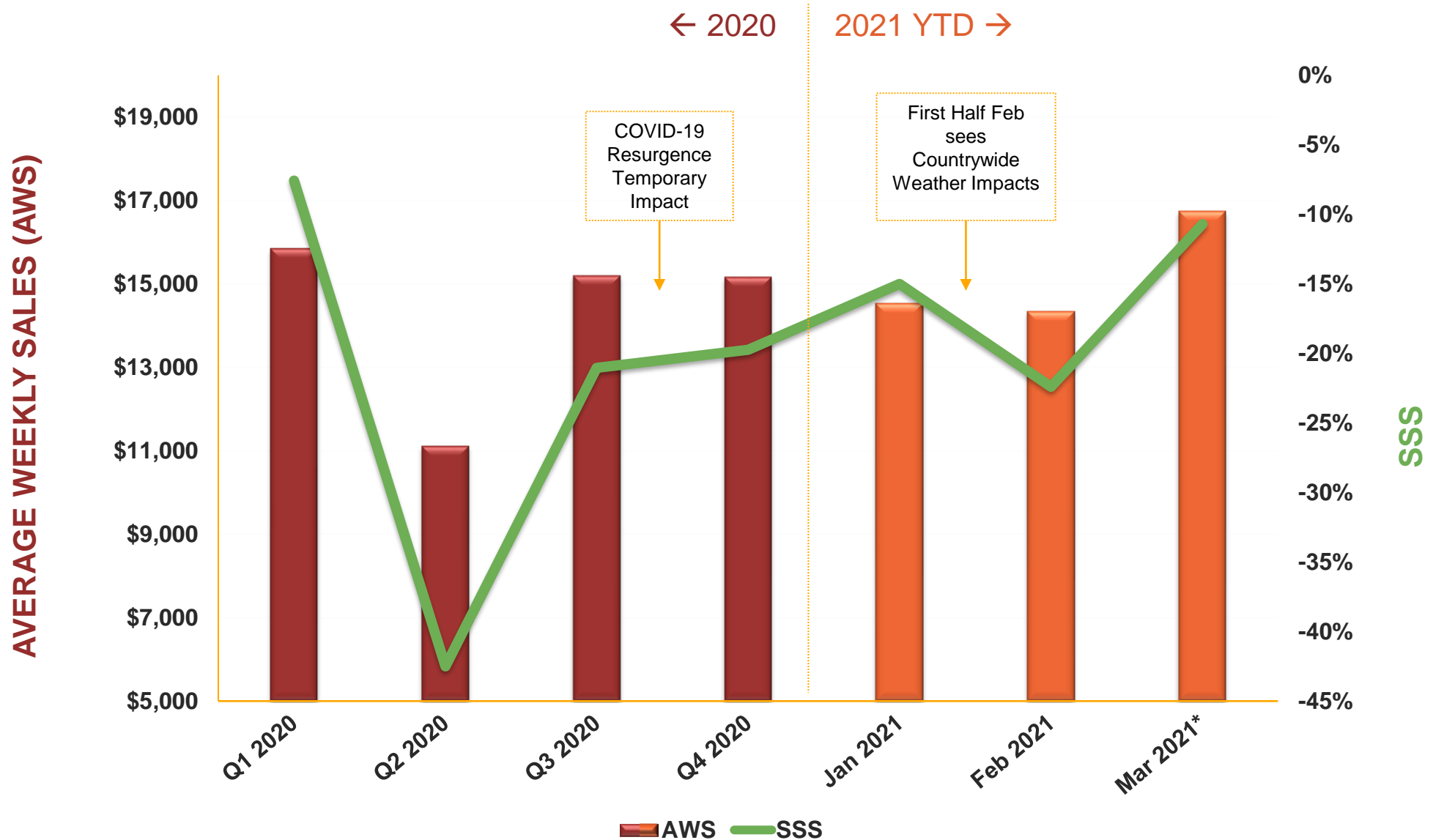
- Virus wanes
- Vaccinations expand/progress
- Weather improves
- Restrictions slowly lifted and return to work slowly improves

- Vaccinations scale, moving to herd immunity
- Accelerated reduction of restrictions or eliminated altogether
- Consumer dining patterns approach more historical patterns with significantly fewer restaurants to choose from

Volume Trend Summary and SSS Improvement



Average Weekly Sales by Shop and SSS Comps



* Mar 2021 includes period 3 data through March 7, 2021

Q4 2020 Performance Review: Q/Q



(\$s in millions)

	Q4 2020	Q3 2020
Revenue	\$74.9	\$72.7
Same Store Sales (SSS)	(19.7%)	(21.0%)
GAAP Net Income (Loss)	(\$16.4)	(\$13.4)
Adjusted Net Income (Loss)*	(\$13.7)	(\$10.0)
Adjusted EBITDA*	(\$6.9)	(\$7.3)
G&A/Sales	9.2%	13.5%
COGS/Sales	28.5%	28.7%
Labor/Sales	36.5%	35.8%
Other Operating Expenses/Sales	17.7%	16.8%

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

FY 2020 Performance Review: Y/Y



(\$s in millions)

	FY 2020	FY 2019
Revenue	\$291.3	\$409.7
Same Store Sales (SSS)	(24.7%)	(3.0%)
GAAP Net Income (Loss)	(\$65.4)	(\$24.0)
Adjusted Net Income (Loss)*	(\$46.3)	\$2.8
Adjusted EBITDA*	(\$32.7)	\$25.5
G&A/Sales	12.0%	10.9%
COGS/Sales	28.4%	26.6%
Labor/Sales	36.4%	31.6%
Other Operating Expenses/Sales	17.0%	12.3%
Liquidity Position**	\$44.6	\$58.6

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

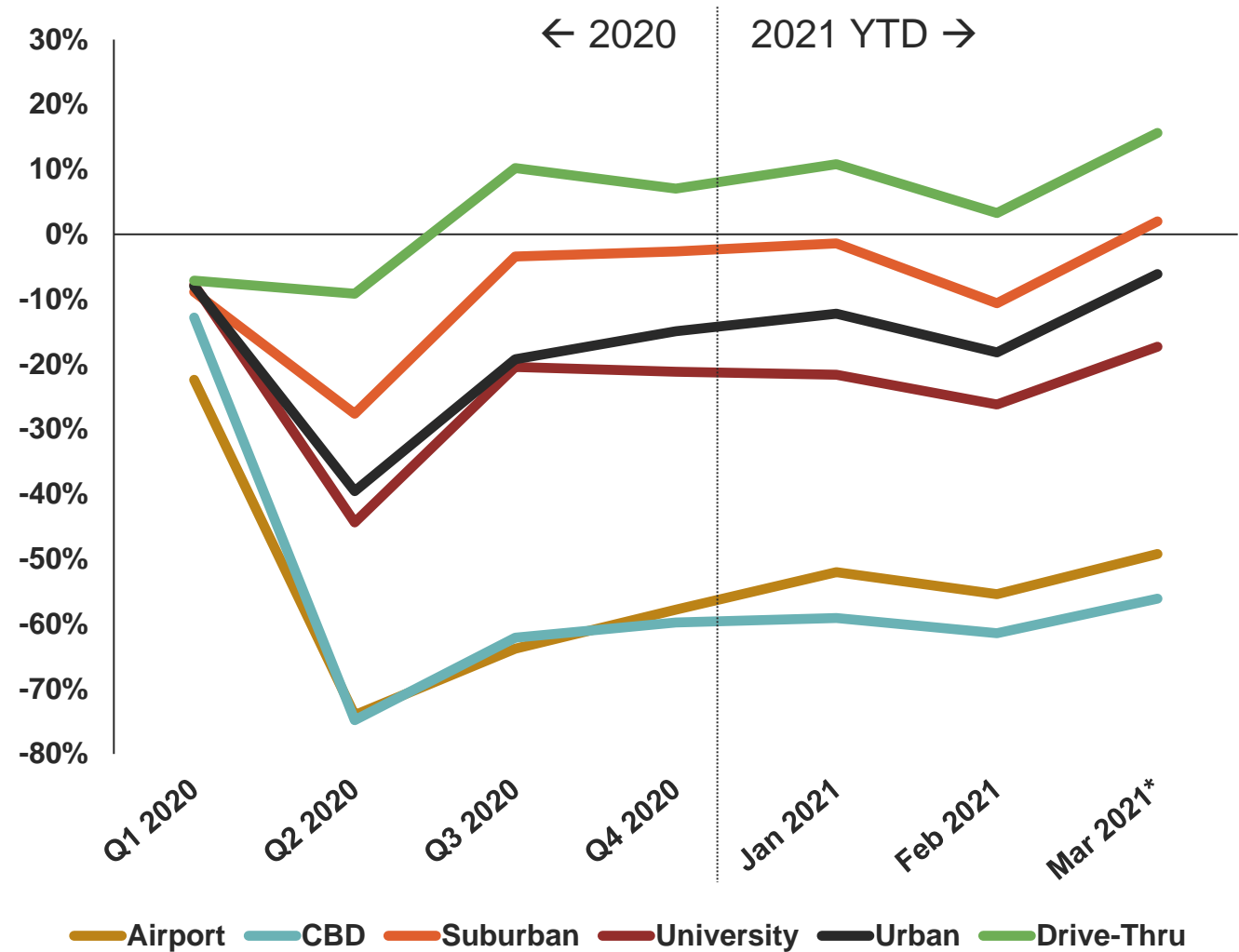
** Liquidity Position is defined as cash on hand and availability under the revolving credit facility

Performance Improves Across All Shop Types



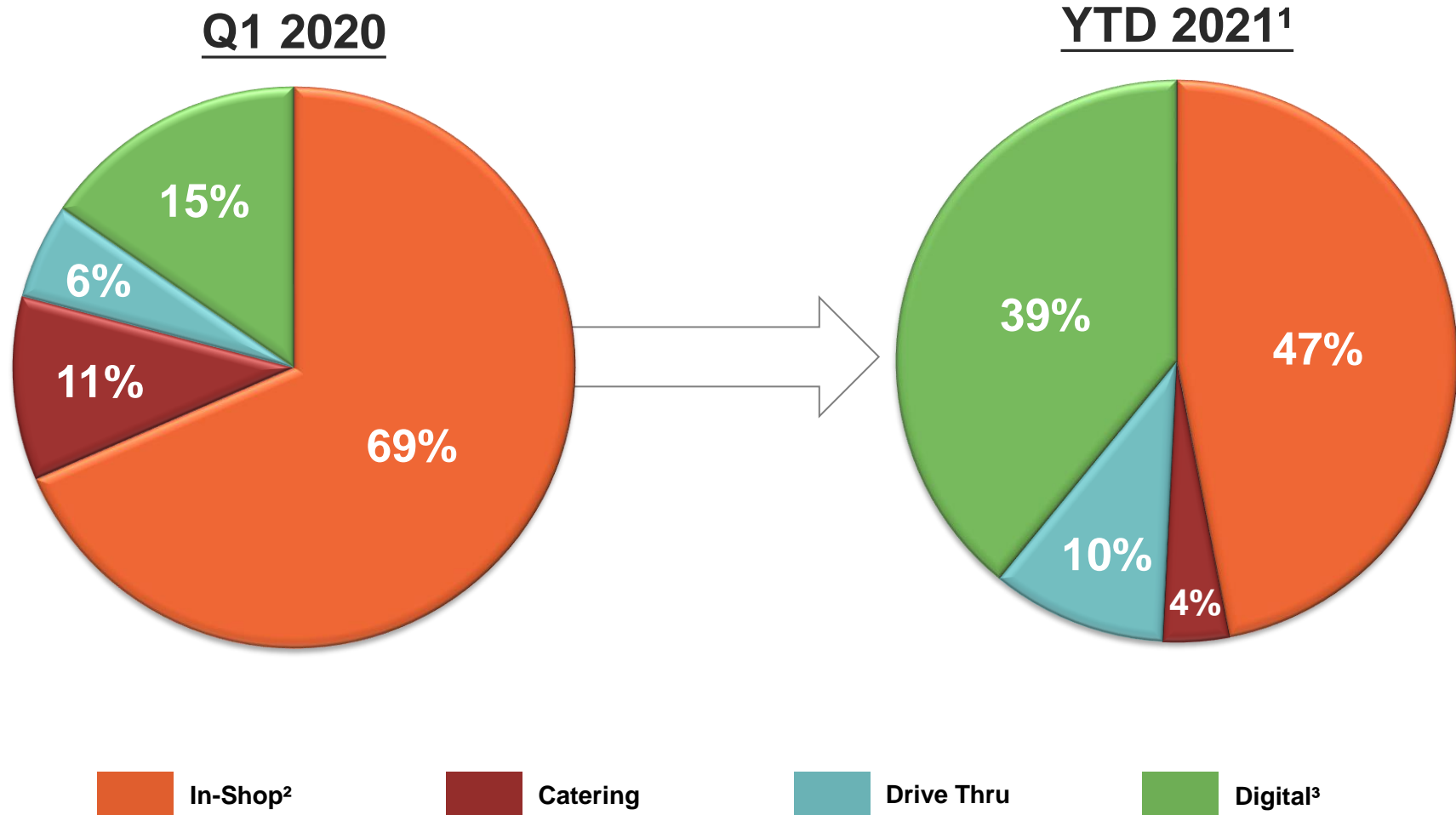
- 15 shops remain temporarily closed, with most expected to re-open in Q2
- Expect to see solid improvement throughout 2021 as vaccine distribution accelerates and as shop dine-in restrictions are lifted

Same-Store Net Sales By Shop Type



* Mar 2021 includes period 3 data through March 7, 2021

Percentage of Revenue by Service Mode



(1) YTD 2021 includes all 2021 revenues through March 7
(2) In-Shop includes all revenue for in-shop and take out services
(3) Digital includes all revenue for delivery and pick up services through mobile ordering

2021 Outlook: 1H Recovery, 2H Acceleration



Strategic initiatives and economic recovery expected to support sequential quarterly improvement in performance and return to positive cash flow and enterprise profitability in second half of 2021

1H'21



- Consumer mobility trends expected to improve as COVID-19 infections reduce and vaccinations increase
- 1H'21 expected to track slightly above 2H'20, with recovery accelerating mid-year
- Enter year with roughly \$11-12 million in deferred cash expenses that will be paid throughout 2021, but weighted to 1H'21
- Project shop-level profitability for 1H'21

2021



- Expect sequential improvement in top-line results throughout each quarter of fiscal 2021
- Planning 3-5 franchise openings and no new corporate openings/closures at this time
- Will generate the majority of operating earnings and Adjusted EBITDA during 2H'21
- Expect to deliver both shop-level and enterprise-level profitability, as well as positive cash flow, in 2H'21



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 in low-risk, high-return areas that will help us drive traffic, reward loyal customer following and further develop franchise pipeline

Craveable Food



- ✓ Simplified menu and pricing
- ✓ Sandwich size & fill test
- ✓ Increased value

People & Good Vibes



- ✓ Modern labor model
- ✓ Reduce labor costs
- ✓ Optimize incentive pay opportunities

Experiences & Traffic



- ✓ Improved customer experience and speed
- ✓ Off premise operations enhancements
- ✓ Local Shop Marketing (LSM)

Digital Connections



- ✓ Tech stack investments
- ✓ Grow Perks members & frequency
- ✓ Utilize digital & social media

Franchise Development



- ✓ Improve shop-level margins
- ✓ Develop new refreshed shop image
- ✓ Set foundation for franchisee growth

APPENDIX:
GAAP to Non-GAAP Reconciliations



Q4 & FY 2020 Performance Review: Adjusted Net Income



(\$s in millions)

	Q4 2020	FY 2020
Net Loss	(\$16.4)	(\$65.4)
Disposals, Impairment & Closures	\$2.7	\$12.3
CEO Transition Costs	-	\$0.8
Proxy Costs	-	\$1.0
Restructuring Costs	\$1.7	\$1.7
Income Tax Adjustments	(\$1.7)	\$3.3
Adjusted Net Loss	(\$13.7)	(\$46.3)

Q4 & FY 2020 Performance Review: Adjusted EBITDA



(\$s in millions)

	Q4 2020	FY 2020
Net Loss	(\$16.4)	(\$65.4)
Depreciation Expense	\$4.7	\$19.8
Interest Expense	\$0.3	\$1.1
Income Tax Expense (Benefit)	\$0.05	(\$6.5)
EBITDA	(\$11.3)	(\$51.0)
Disposals, Impairment & Closures	\$2.7	\$12.3
Stock Compensation	\$0.03	\$2.5
CEO Transition Costs	-	\$0.8
Proxy Costs	-	\$1.0
Restructuring Costs	\$1.7	\$1.7
Adjusted EBITDA	(\$6.9)	(\$32.7)

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.
- **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 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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