



***Third Quarter 2021 Earnings  
Presentation***

**November 4, 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," "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 press release may include, among others, statements relating to our expectations concerning our future financial position and results of operations and our ability to successfully execute on our Q4 priorities, traffic-driven profitability strategy and three-year strategic growth plan. 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 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.

## Q3 2021 Results

(\$s in millions)

Revenue  
**\$101.7**

Net Loss  
**(\$2.9)**

Adj. EBITDA\*  
**\$2.7**

SSS vs. 2020  
**+33.7%**

### Key Highlights:

- ✓ Third quarter same-store sales improved to +33.7% compared to Q3'20
- ✓ Same-Store Traffic (SST) improved +21.3% compared to Q3'20
- ✓ Sales and Traffic growth driven by new menu rollout, new tech stack and digital media and marketing.
- ✓ Improved volume across all channels, led by Dine-In sales which were up 15% sequentially, and Average Unit Volumes (AUV) up approximately 4% sequentially
- ✓ Annualized Q3'21 AUV of \$1.05 million
- ✓ Continued strength across Urban, Suburban, Drive-Thru, and University locations, while CBD and Airport shops make solid progress towards recovery
- ✓ Achieved positive EBITDA and Adj. EBITDA as well as third consecutive quarter of shop-level profitability, keeping inflationary impact to only 80 basis points of shop profit degradation quarter over quarter
- ✓ Finalized staffing of executive leadership team with appointment of David Daniels as Chief Marketing Officer

# Nationwide Menu Roll Out



- National rollout of simplified menu was successfully implemented during Q3'21
- New menu drove sales through a balance of traffic and average check during the quarter
- Re-defined sandwich sizes which improved value for consumers
- Increased pick your pair combination options
- Newly introduced items including Chicken Club, Avo Turkey, and Steakhouse Beef sandwiches

**What'll it be? SIZE**

SKINNY  
ORIGINAL  
BIG

**BREAD**  
WHITE or MULTIGRAIN  
For less bread, try it Thin-Cut  
FLAT (Crisp Flatbread)  
70 cal less, Original size only

**PICK your PAIR**

Skinny Sandwich ONLY 8.29  
Cup of Soup

Half Salad + Cup of Soup 8.99  
Skinny Sandwich + Half Salad 9.49

**MEAL DEAL** ONLY 2.99  
Chips + Reg. Fountain Drink cal 140-510  
or a Large Drink for 20¢ more (cals 0-190-240)

**Kids Combo** ONLY 4.99  
Pick 12 and under. Cheese only.  
Turkey & Swiss 330 cal  
Ham & Swiss 370 cal  
Grilled Cheese XXX cal  
P.F. & J. 550 cal  
Panc. & Cheese 310 cal  
\*All combos with:  
Bottled Water 0 cal, Apple Sauce 50 cal  
Mini Oatmeal Chocolate Chip Cookie 100 cal

**TOASTY SANDWICHES** CAN BE MADE VEGETARIAN

**A Wreck**  
A meaty fan favorite!  
Turkey breast, hickory smoked ham, Angus roast beef, salami, swiss  
SKINNY ORIGINAL BIG  
5.29 400 cal 7.29 660 cal 10.49 980 cal

**Avo Turkey** FRESH SLICED  
Hand-sliced turkey breast, swiss, fresh-sliced avocado, cucumber  
SKINNY ORIGINAL BIG  
5.49 390 cal 8.29 640 cal 11.49 950 cal

**Steakhouse Beef**  
Angus roast beef, crumbled blue cheese, provolone, horseradish aioli  
SKINNY ORIGINAL BIG  
5.49 470 cal 8.29 790 cal 11.49 1180 cal

**Pizza Melt**  
Pepperoni, old-world capicola, crumbled meatball, marinara sauce, provolone, mushrooms, Italian seasoning  
SKINNY ORIGINAL BIG  
5.29 450 cal 7.49 750 cal 10.49 1120 cal

**BLTA** FRESH SLICED  
Applewood smoked bacon, lettuce, tomato, and fresh-sliced avocado  
SKINNY ORIGINAL BIG  
5.49 410 cal 8.29 680 cal 11.49 1000 cal

**Italian**  
Salami, old-world capicola, pepperoni, mortadella, provolone  
SKINNY ORIGINAL BIG  
5.29 440 cal 7.29 730 cal 10.49 1070 cal

**Chicken Club**  
All-natural grilled chicken, applewood smoked bacon, cheddar  
SKINNY ORIGINAL BIG  
5.49 420 cal 8.29 690 cal 11.49 1030 cal

**Veggie Melt** FRESH SLICED  
Fresh-sliced avocado, mushrooms, swiss, cheddar, provolone  
SKINNY ORIGINAL BIG  
4.99 440 cal 7.29 750 cal 10.49 1110 cal

**Mediterranean**  
All-natural grilled chicken, feta, hummus, artichoke hearts, roasted red peppers, cucumbers  
SKINNY ORIGINAL BIG  
5.49 410 cal 7.49 670 cal 10.99 1000 cal

**Mama's Meatball**  
Homestyle beef + pork meatballs, marinara sauce, provolone, Italian seasoning  
SKINNY ORIGINAL BIG  
5.49 530 cal 7.49 910 cal 10.99 1360 cal

**...or keep it simple**

SKINNY ORIGINAL BIG  
4.49 6.59 9.49

**Turkey Breast & Swiss**  
cal 330 | 520 | 770

**Smoked Ham & Swiss**  
cal 370 | 590 | 880

**Roast Beef & Provolone**  
cal 380 | 610 | 910

**Grilled Chicken & Cheddar**  
cal 360 | 570 | 850

**Tuna Salad & Swiss**  
cal 440 | 730 | 1080

**Chicken Salad & Provolone**  
cal 440 | 740 | 1110

**FREE TOPPINGS**  
MATO cal 50-80  
DELI MUSTARD cal 10-25  
HOT PEPPERS cal 15-40  
LETTUCE cal 0-10  
ONION cal 0-5  
TOMATO cal 0-10  
PICKLE cal 0  
OIL cal 20-60  
ITALIAN SEASONING cal 0

**EXTRAS** PRICE VARIES BY SIZE  
BACON cal 60-180  
AVOCADO cal 60-180  
MUSHROOMS cal 0-10  
DOUBLE CHEESE cal 35-470  
DOUBLE MEAT cal 60-720  
Colorize range varies by sandwich size

**SOUPS** +M&C CUP BOWL  
5.89 5.29

**Broccoli Cheddar** cal 230 | 350  
**Garden Vegetable** cal 70 | 110  
**Loaded Baked Potato** cal 210 | 310  
**Chicken Pot Pie** cal 420 | 560  
**Chili** cal 250 | 370  
**Mac & Cheese** cal 310 | 480

**SALADS** HALF WHOLE  
5.99 7.99

**Farmhouse** cal 400 | 790  
All-natural grilled chicken, avo, crumbled blue cheese, egg, cucumbers, tomatoes, field greens, buttermilk ranch

**Apple Walnut** cal 430 | 850  
All-natural grilled chicken, crumbled blue cheese, grapes, apples, dried cranberries, candied walnuts, field greens, balsamic vinaigrette

**Powerhouse** cal 280 | 560  
All-natural grilled chicken, avocado, hummus, egg, cucumbers, tomatoes, field greens, fat free vinaigrette

**Chicken Salad Salad** cal 230 | 460  
Chicken salad, provolone, dried cranberries, cucumbers, tomatoes, field greens, balsamic vinaigrette

**SHAKES** REGULAR 4.29

**Oreo Cookie** 770 cal  
**Chocolate** 770 cal  
**Strawberry** 710 cal  
**Vanilla** 700 cal  
ALWAYS HAND-SCORCHED TO PERFECTION

2,000 calories a day (0,200 to 1,400 for children ages 4 to 8 years) is used for general nutrition advice, but calorie needs vary. Additional nutrition information available upon request.



**Brett Vinzant**  
@Bveezy1

Replying to @thepublicfader @SchaeffDaddy and @Joe\_Bayne

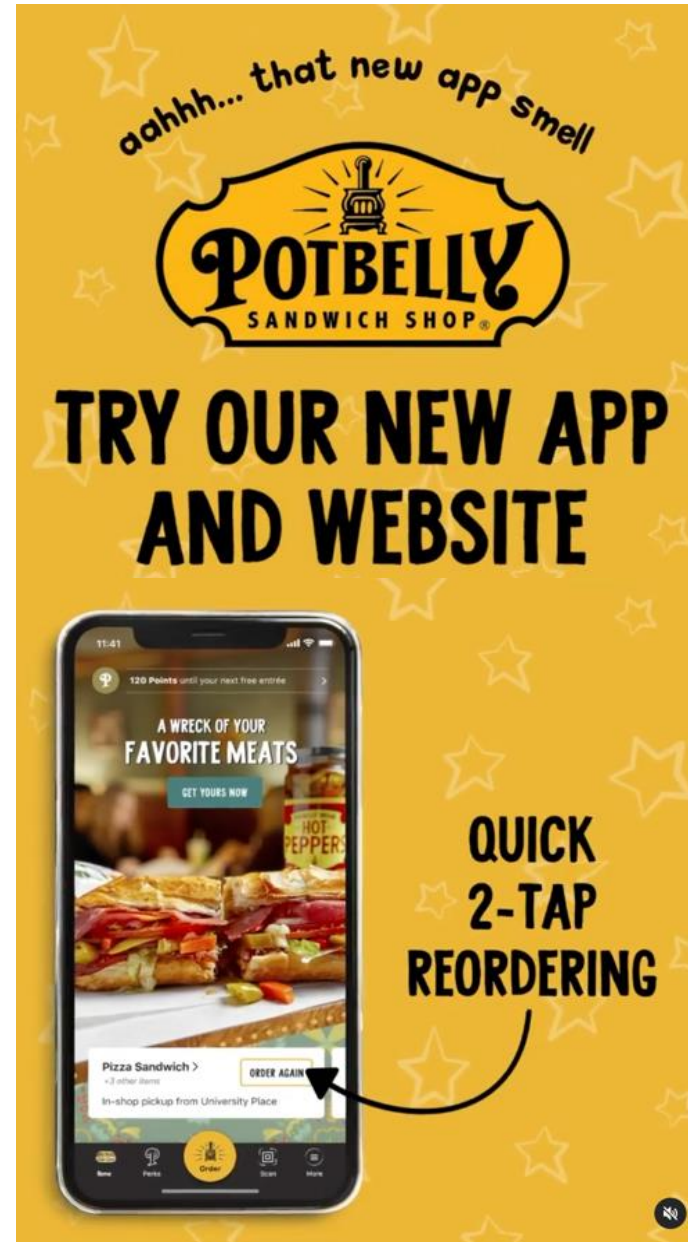
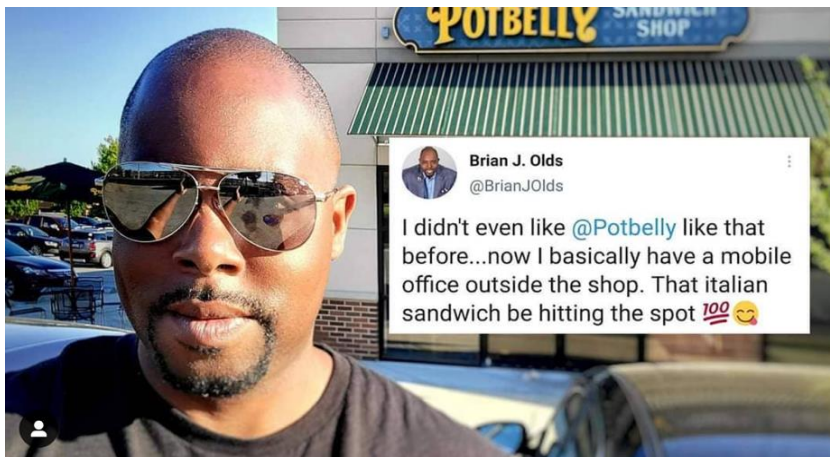
Fader have you been to @Potbelly recently? The bigs are now larger in size. Let's grab lunch this week...on my dime. Only 1 question remains - #WreckOrItalian

**micbear64** Had lunch there today, LOVE the new menu! Your salads, and sandwiches are SO good!

# Continued Tech Stack Exposure



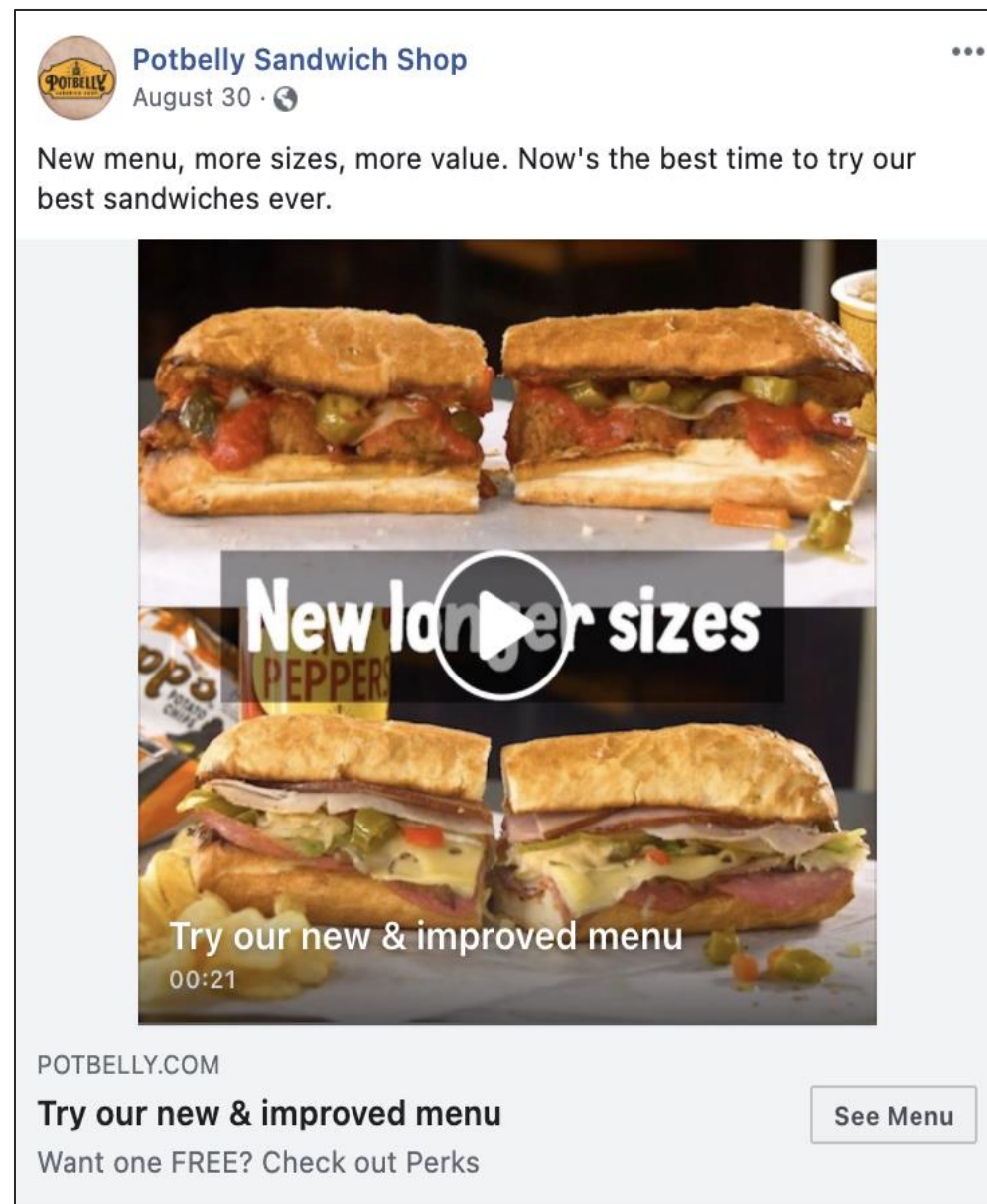
- New app, website and digital order integration
- Upgraded Perks loyalty program allowing for more personalization and targeted offers
- All-new food photography celebrates Potbelly high quality menu
- Better, more user-friendly customer experience for new and loyal Perks customers
- Easy re-ordering capability



# Strong Digital Presence



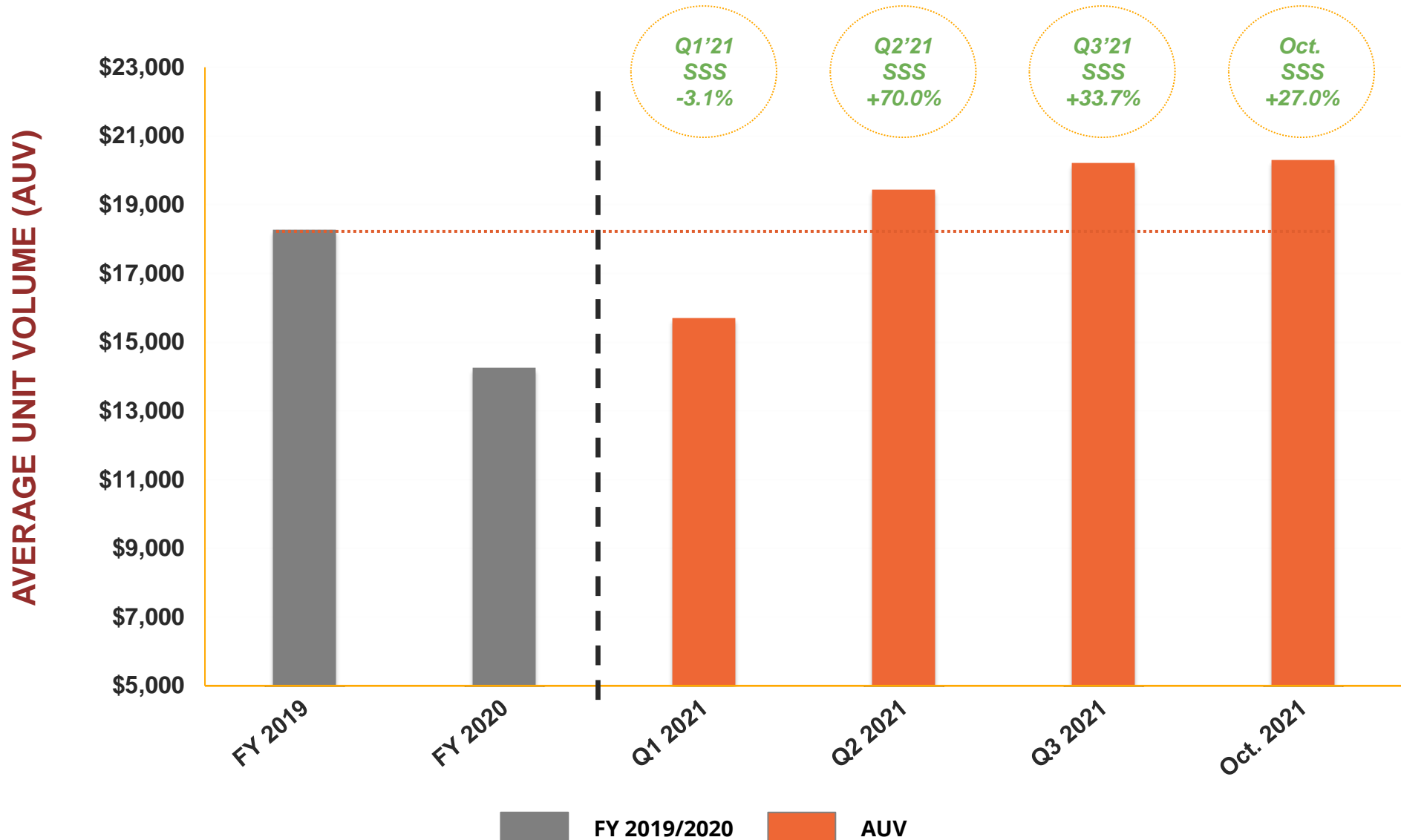
- Invested 0.9% of total sales in digital media and marketing
- Messaging celebrates Potbelly food and Good Vibes Experiences
- Drives a balance of awareness, traffic, and sales
- Test and control methodology measures positives returns on investment
- Continued strategic focus going forward



# Ongoing Acceleration in AUV; Healthy SSS



## Average Unit Volume (AUV) and SSS



# Q3 2021 Performance Review: Q/Q



(\$s in millions)

	Q3 2021	Q2 2021	Q3 2020
Revenue	\$101.7	\$97.5	\$72.7
Same Store Sales (SSS)	33.7%	70.0%	(21.0%)
GAAP Net Income (Loss)	(\$2.9)	(\$3.9)	(\$13.4)
Adjusted Net Income (Loss)*	(\$1.5)	(\$2.9)	(\$10.0)
Adjusted EBITDA*	\$2.7	\$1.9	(\$7.3)
G&A/Sales	7.5%	9.5%	13.2%
COGS/Sales	27.9%	27.2%	28.7%
Labor/Sales	32.8%	33.0%	35.8%
Other Operating Expenses/Sales	16.2%	15.2%	16.8%

\* 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

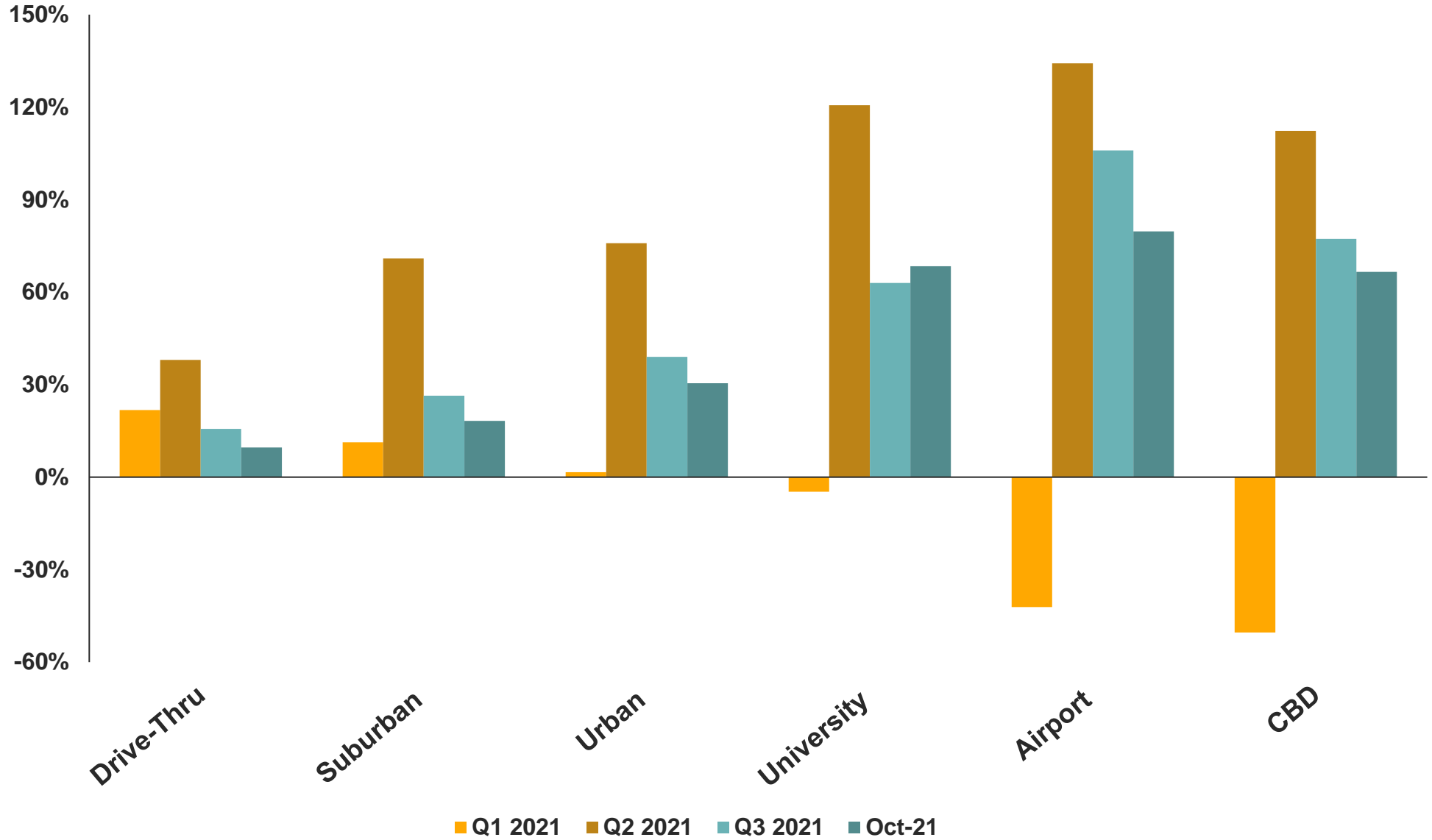


# Continued Recovery Across All Shop Types



## Same-Store Net Sales vs 2020

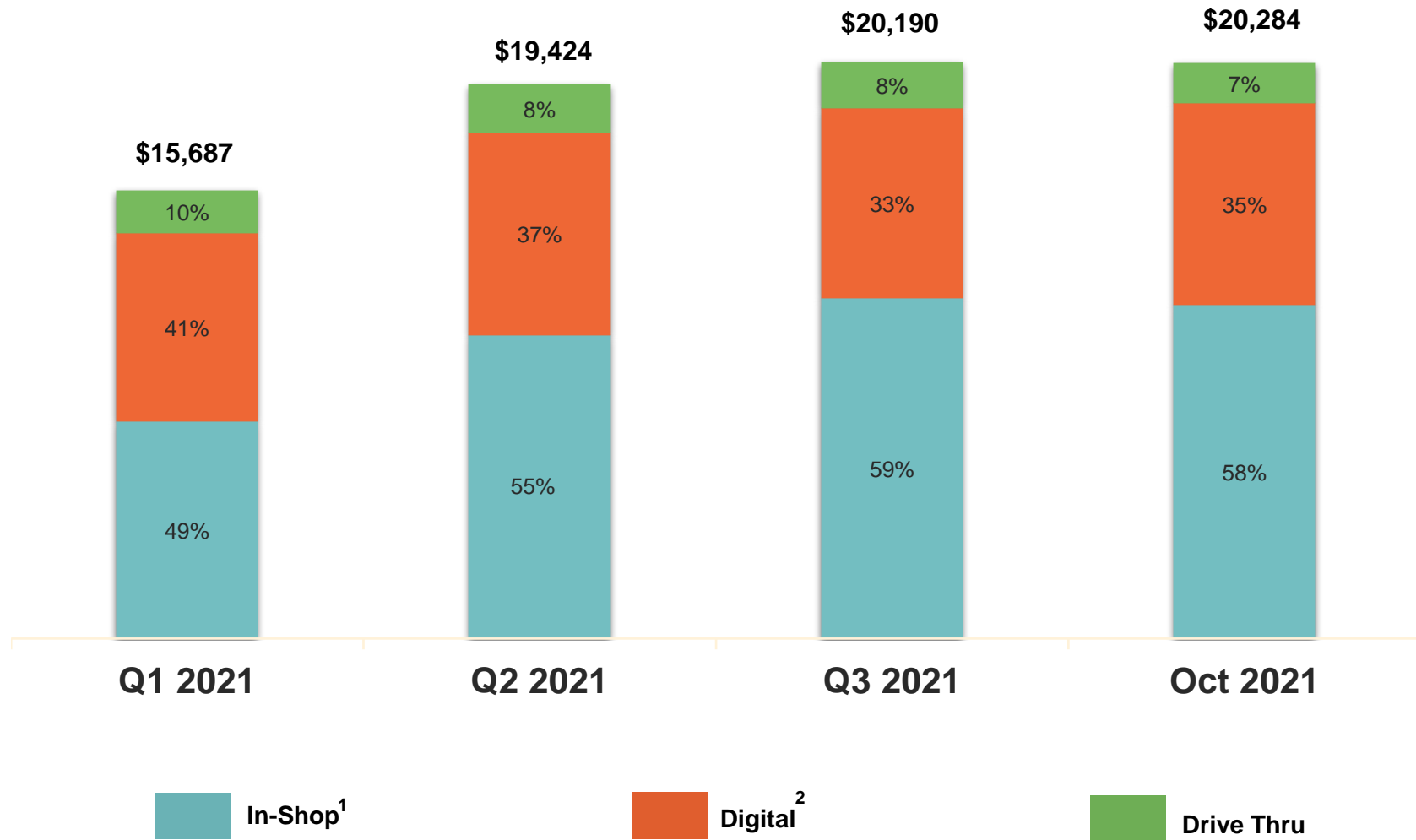
*By Shop Type*



# Significant Step Up Towards In-Shop Service



## 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



## YTD Achievements

- ✓ Achieved three consecutive quarters of shop-level profitability
- ✓ Suburban, Drive-thru, Urban, and University shops SSS above 2019 levels; Ongoing recovery of CBD and Airport locations
- ✓ Completed hiring of executive leadership team with additions of Scott Swayne, Larry Strain, and David Daniels
- ✓ Implementation of new tech stack including new app, website, digital and Perks integration
- ✓ Nationwide launch of new and improved menu



## Q4 Priorities

- People Creating Good Vibes
  - End of year performance and referral bonuses to drive retention and staffing
- AUV Growth:
  - Increased investment in digital marketing.
  - Perks loyalty acquisition, traffic and frequency campaigns
  - Tech stack enhancements to drive convenience, conversion and check
- Mitigate Inflation and Margin Pressure:
  - Strategic price increases
  - Adjusted contracting to manage food inflation
  - Labor guide, overtime and wage control systems
- Build on 5 Pillar Strategy and Finalize 3-Year Value Driving Objectives

# 5-Pillar Strategy: Multiple Strategic Initiatives



*Focused investments to drive traffic, profitability, reward loyal customer following and further develop franchise pipeline*



Strategic Initiatives	Status
<b>Simplified Menu</b> to improve traffic, customer experience & value perceptions	<ul style="list-style-type: none"> <li>✓ Completed national roll out of new menu in August 2021</li> <li>✓ Received positive customer feedback from new menu</li> </ul>
<b>Tech Stack</b> including new website, App and improved online ordering	<ul style="list-style-type: none"> <li>✓ New tech stack received positive feedback from consumers and set the stage for future integrations</li> </ul>
<b>Scale Media and Local Shop Marketing (LSM)</b> to grow traffic and frequency	<ul style="list-style-type: none"> <li>■ Successful execution of scaled media campaigns; ongoing push to drive additional sales – paid and unpaid social media and third-party activation showing solid returns including franchisees</li> <li>✓ Appointment of David Daniels as Chief Marketing Officer</li> </ul>
<b>Perks Loyalty Program</b> to add members and drive additional revenue	<ul style="list-style-type: none"> <li>■ Implement engagement campaigns to drive customer acquisition and retention</li> <li>■ Review and refine Perks messaging to capture and accelerate growth</li> </ul>
<b>Franchised Focus Development</b> to grow shop presence across quality markets	<ul style="list-style-type: none"> <li>■ Finalizing growth plan focused on escalating new franchise unit development</li> <li>✓ Identification of substantial untapped market opportunities to expand and deepen national footprint</li> </ul>

## 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.



## Value Driving Growth Objectives:



**Accelerating AUVs  
Meaningfully Above  
Historic Levels**



**Margin Expansion Back to  
Previous High Ranges**



**Escalating New Unit  
Development as We  
Transition to More of a  
Franchised System**

# APPENDIX:

## *GAAP to Non-GAAP Reconciliations*





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



## Strategic Focus: Traffic-Driven Profitability



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Digitally-  
Driven  
Awareness,  
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Franchise  
Focused  
Development

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



# Q3'21 & Q2'21 Performance Review: Adjusted Net Income



*(\$s in millions)*

	Q3 2021	Q2 2021
Net Loss	(\$2.9)	(\$3.9)
Disposals, Impairment & Closures	\$1.1	\$0.3
Income Tax Adjustments	\$0.3	\$0.7
<b>Adjusted Net Loss</b>	<b>(\$1.5)</b>	<b>(\$2.9)</b>

# Q3'21 & Q2'21 Performance Review: Adjusted EBITDA



(\$s in millions)

	Q3 2021	Q2 2021
Net Loss	(\$2.9)	(\$3.9)
Depreciation Expense	\$3.6	\$4.6
Interest Expense	\$0.2	\$0.2
Income Tax Expense (Benefit)	\$0.0*	\$0.2
EBITDA	\$0.9	\$1.0
Disposals, Impairment & Closures	\$1.1	\$0.3
Stock Compensation	\$0.6	\$0.6
<b>Adjusted EBITDA</b>	<b>\$2.7</b>	<b>\$1.9</b>

\*Income Tax Expense is \$15.9K

# 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.
- **Same-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** – 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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