



**Third Quarter 2022
Earnings Presentation**
-- November 3, 2022 --

Cautionary Statements

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 targets for growth, same-store sales growth, profitability, average unit volumes, shop-level margins, franchise unit growth and long-term unit potential, (ii) business strategy, including investments in G&A growth, the refranchising of shops, expansion and deployment of high-return strategic marketing, (iii) ability to successfully execute against our Five-Pillar Strategy, (iv) outlook for Q4, including sales, average unit volumes, same store sales and shop-level margins, (v) ability to successfully capitalize on strong margin trends through Q4 and into 2023, (vi) the expected benefits of implementing the Potbelly Digital Kitchen, (vii) ability to strengthen sales and expand through the use of promotional campaigns, digital advertising and marketing initiatives and Perks, (viii) ability to sign additional Shop Development Area Agreements in support of our Franchise Growth Acceleration Initiative, (ix) ability to recruit and retain employees, (x) expectations regarding the recovery of Airport and CBD locations, (xi) ability to successfully grow our digital channels, increase guest acquisition and brand loyalty and accelerate our franchise development pipeline. 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.

Executive Summary: Unlocking Brand's Full Potential

Q3 Executive Review

- Achieved record AUVs driven by higher sales and traffic momentum during the final weeks of the quarter which has continued into the fourth quarter
- Expanded margins year-over-year, despite sizable unforeseen inflationary pressures, particularly within food costs
- Marketing initiatives and LTOs including The Gyro Sandwich, S'mores Cookie, Pumpkin Shake, select targeted digital advertising, and special offerings continue to meaningfully support top-line expansion
- Increased labor leverage as a result of improved operational efficiencies
- Expanded Potbelly Digital Kitchen (PDK) testing across both franchised and Company-owned shops
- Completed three franchising deals bringing 25 new shops to the Tampa and Central Orlando, Florida and Central Illinois regions over the next 7-8 years
- Strong progress towards the Company's 2024 and long-term growth objectives

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.

Q3'22 Financials Highlights: Strong Quarter

Financial Review

- Achieved record revenue of \$117.6 million and AUVs of \$23,383 during the quarter, annualized level of approximately \$1.2 million
- Meaningful shop-level margin expansion to 10.6% from 8.7% year-over-year, resulting from increased sales leverage, disciplined cost management, and operational efficiencies
- Q3'22 SSS +15.0% versus Q3'21
 - Elevated performance at CBD (38.2%) and Airport (23.2%) shops continues to drive SSS improvement
- Improved Adj. EBITDA to \$4.7 million compared to \$2.7 million in the prior year period largely driven by revenue expansion and disciplined G&A spending
- Digital business continues to significantly contribute to top-line performance, accounting for ~36% of revenue

Third Quarter 2022 Results	
Revenue	Net Income
\$117.6	\$9.0
SSS vs. 2021	Adj. EBITDA*
+15.0%	\$4.7

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

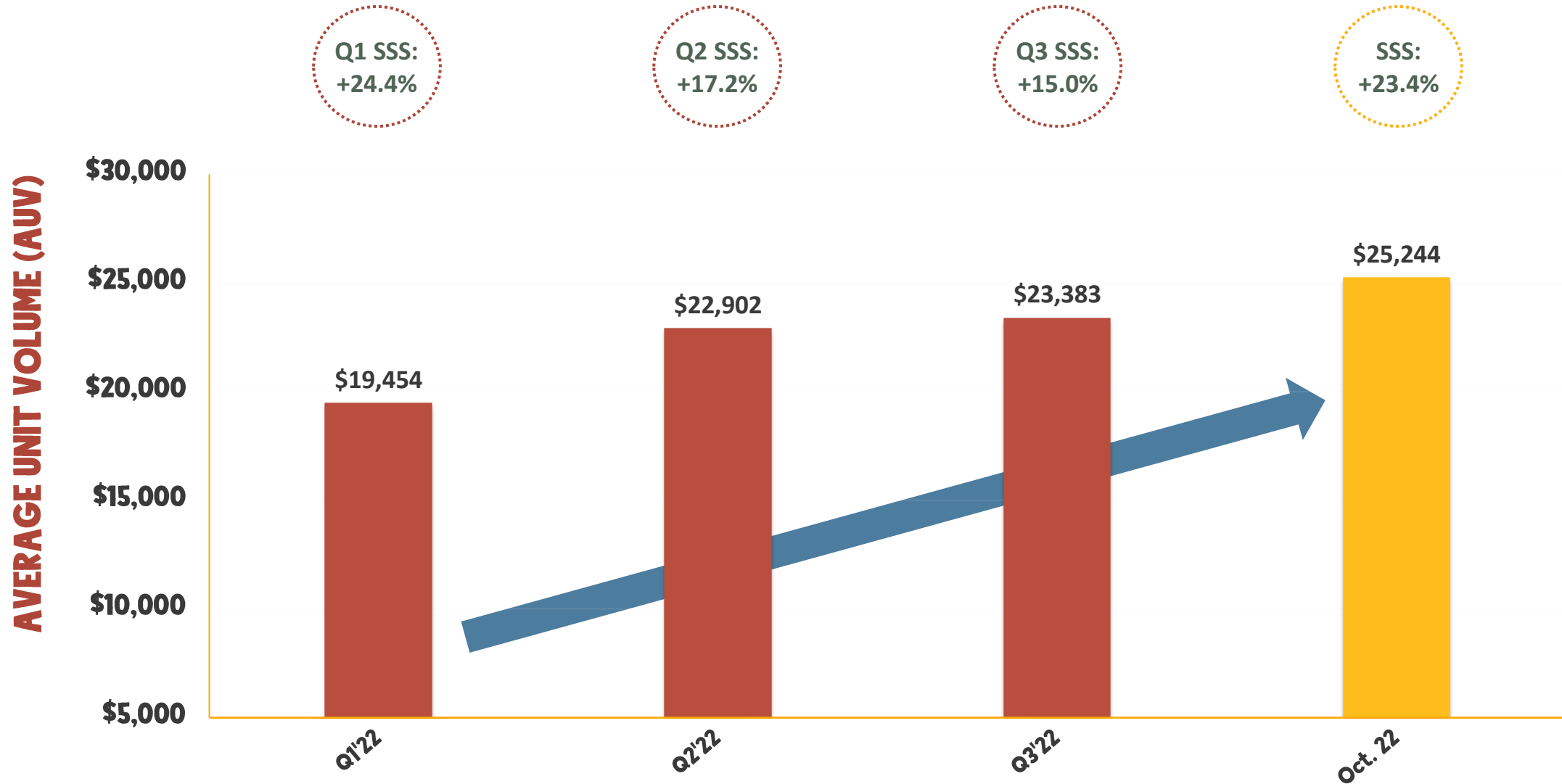
Q3'22 Marketing Highlights: Innovation Focused

Q3 Marketing Highlights

- Continued marketing initiatives and select digital advertising campaigns, investing approximately 2% of system-wide sales, led to increased consumer engagement from Perks Loyalty Members, as well as incremental contribution to revenue
- Perks Loyalty Program continued to gain traction with 115K new members added during the quarter
- Catering business continues to expand driven by increases in both office and social occasions
- New LTOs such as the Gyro Sandwich, S'mores Cookie, and Pumpkin Shake were well-received and accretive to top-line expansion
- Successfully launched new corporate branding across all shop locations, website, and app, which reflects the Company's heritage as Potbelly Sandwich Works



SSS and AUV Trends Sustain Positive Momentum



Q3'22 Performance Review: Y/Y

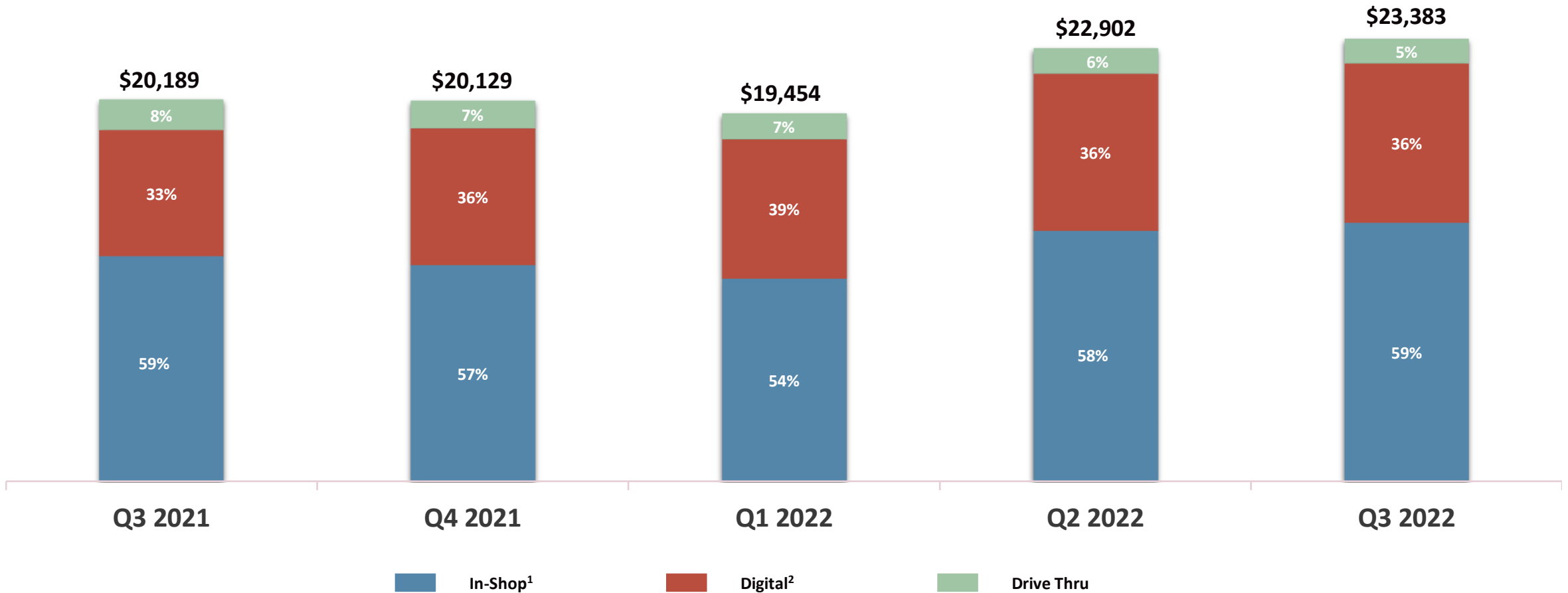
<i>In Millions</i>	Q3 2022	Q3 2021
Revenue	\$117.6	\$101.7
Same Store Sales (SSS)	15.0%	33.7%
GAAP Net Income (Loss)	\$9.0	(\$2.9)
Adjusted Net Income (Loss) ¹	\$0.3	(\$1.5)
Adjusted EBITDA ¹	\$4.7	\$2.7
Shop-level Profit ¹	\$12.3	\$8.8 ²
G&A/Sales	8.1%	7.1% ²
Food, Beverage, & Packaging Costs/Sales	29.9%	27.9%
Labor/Sales	30.9%	32.8%
Other Operating Expenses/Sales	17.0%	17.3% ²
Shop-level Margin ¹	10.6%	8.7%

1. See Appendix to this presentation for GAAP to Non-GAAP reconciliations; Shop-level margins now include allocation of marketing and advertising expenses.

2. Q3'21 includes reclassification of marketing and advertising expenses from Advertising and G&A to other operating expenses, which is a component of shop-level profit.

Consistent Order Mode Mix with Ongoing Digital Strength

Average Unit Volume and Order Mode Mix



1. "In-Shop" includes all revenue for orders placed at the counter or via phone/fax.

2. "Digital" includes all revenue for orders placed through the mobile app, website, and third-party delivery partners.

Year-to-Go Focus Areas and Q4/FY 2022 Outlook

Q4'22 Focus Areas

- Maintain record level AUV performance
- Capitalize on strong margin trends through the rest of the fourth quarter and into 2023 through operational discipline
- Drive operational performance and enhance customer experience through PDK implementation
- Continue expansion of digital marketing initiatives, catering business and Perks success
- Accelerate franchise development deals to support Franchise Growth Acceleration Initiative



Q4 & FY 2022 Outlook

Q4 2022

- Revenue of between \$114 million to \$119 million
- Shop-level margins of between 10% to 13%

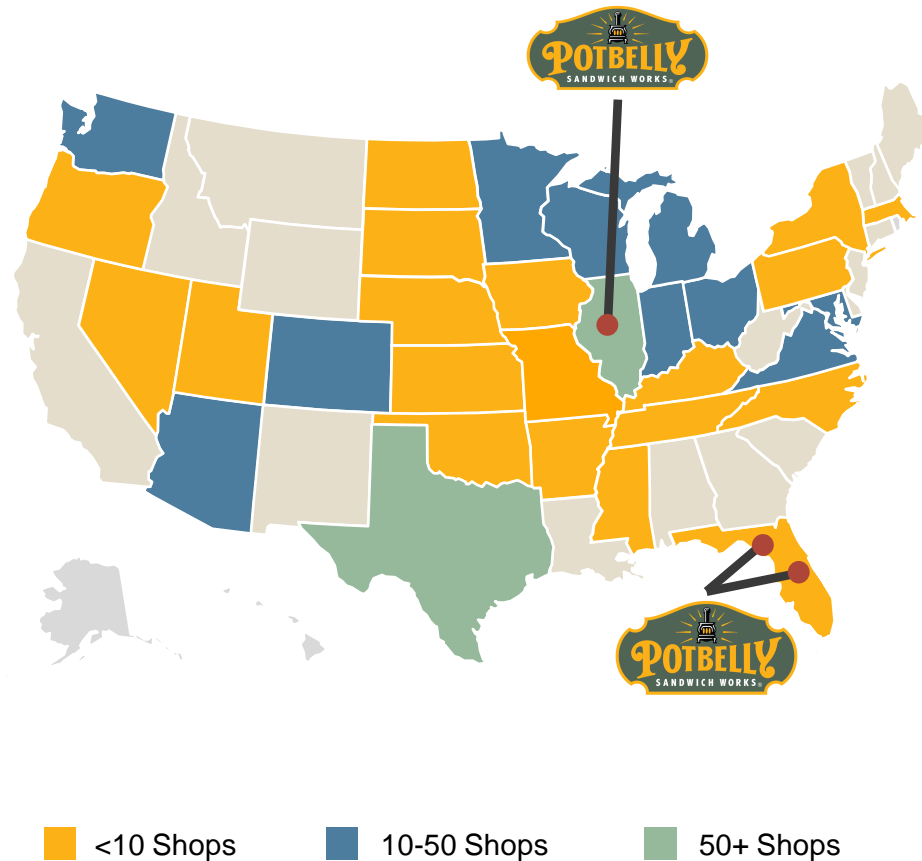
FY 2022

- Record AUVs of between \$1.14 million to \$1.16 million
- Same-store sales of between 16% to 18%
- Shop-level margins of approximately 10%

Franchise Growth Acceleration (FGA) Initiative

FGA Update

- Signed three franchise development agreements, bringing 25 new shops to the Tampa and Central Orlando, Florida and Central Illinois regions over the next 7-8 years
- Completed a fourth Discovery Day event which allowed potential franchisees to establish relationships with management and gain deeper exposure to the brand
- Highly active and fluid pipeline of engagements and relationships with quality Potbelly franchisee candidates



THE POTBELLY DIFFERENCE
With the Highest AUV in its Category*

*According to Nation's Restaurant News

400+ Shops	32 States	45 Year History
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WHY FRANCHISE WITH POTBELLY?

Excellent Sales to Investment Ratio

- Double-digit comp growth
- Flexible shop formats that include:
 - Inline, Endcap, Drive-thru and Non-traditional
- Diverse menu with multiple dayparts
- Seasoned leadership team with 100+ years combined experience

2024 Strategic Growth Targets & Long-Term Unit Potential

Volume & Profitability Targets



AUVs → \$1.3 Million

- Continued customer experience enhancements and refreshed corporate branding
- Increased digital marketing and targeted loyalty engagement
- Support continued catering sales growth
- Food innovation and LTOs

Shop-Level Margins → > 16%

- Sales leverage through execution of Five-Pillar Strategy
- Effective management of supply chain and food costs
- Continue roll-out of Potbelly Digital Kitchen, improving operations
- Lower labor and shop operating costs through efficiency and technology

Franchise Growth Acceleration Initiative



Refranchise ~ 25% of Shops

- Focuses company capital and resources
- Appeals to high quality franchisees
- Provides catalyst for franchise unit growth
- Drives new shop development in market – refranchising delivers 2-5:1 new shops: existing shops

Franchise Unit Growth → 10%

- Franchise First organizational mindset
- Market and trade area planning in existing and new markets
- Shop Development Area Agreements (SDAAs) of 10-20 shops
- Franchisees attracted to Potbelly brand and economics

Long-term goal of 2,000 total shops



APPENDIX:

GAAP TO NON-GAAP RECONCILIATIONS



Q3'22 Performance Review: Adjusted Net Income (Y/Y)

<i>In Millions</i>	Q3 2022	Q3 2021
Net Income (Loss)	\$9.0	(\$2.9)
Impairment, Disposals & Closures	\$1.6	\$1.1
Gain on Debt Extinguishment	(\$10.2)	\$0.0
Income Tax Adjustments	(\$0.2)	\$0.3
Adjusted Net Income (Loss)	\$0.3	(\$1.5)

Q3'22 Performance Review: Adjusted EBITDA (Y/Y)

<i>In Millions</i>	Q3 2022	Q3 2021
Net Income/(Loss)	\$9.0	(\$2.9)
Depreciation Expense	\$2.9	\$3.6
Interest Expense	\$0.4	\$0.2
Income Tax Expense	(\$0.0)*	\$0.02
EBITDA	\$12.3	\$0.9
Impairment, Disposals & Closures	\$1.6	\$1.1
Stock Compensation	\$1.0	\$0.6
Gain on Debt Extinguishment	(\$10.2)	\$0.0
Adjusted EBITDA	\$4.7	\$2.7

Income Tax Expense was (\$4,000) for the third quarter of 2022

Q3'22 Performance Review: Shop Margin (Y/Y)

<i>In Millions</i>	Q3 2022	Q3 2021
Income/(Loss) from Operations	(\$0.7)	(\$2.6)
Less: Franchise Revenue	\$1.2	\$0.7
Franchise Marketing	\$0.1	\$0.1
G&A Expense	\$9.6	\$7.3
Depreciation Expense	\$2.9	\$3.6
Impairment, Disposals & Closures	\$1.6	\$1.1
Shop-level Profit	\$12.3	\$8.8
Total Revenues	\$117.6	\$101.7
Less: Franchise Revenue	\$1.2	\$0.7
Sandwich Shop Sales, Net	\$116.4	\$101.0
Shop-level Margin	10.6%	8.7%

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 items that affect the comparability of results in past quarters and which we do not believe are reflective of underlying business performance. 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.”

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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 and 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, franchise marketing expenses, 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.
- **Adjusted diluted EPS** – represents adjusted net income (loss) divided by the weighted average number of fully dilutive common shares outstanding.

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