

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

FORM 10-K

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

For the fiscal year ended January 2, 2024

or

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

For the transition period from _____ to _____

Commission File Number: 001-35987

NOODLES & COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

84-1303469

(IRS Employer Identification No.)

**520 Zang Street, Suite D
Broomfield, CO**

(Address of principal executive offices)

80021

(Zip Code)

Registrant's telephone number, including area code: (720) 214-1900

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A common stock, par value \$0.01 per share	NDLS	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common stock held by non-affiliates as of July 4, 2023, the last business day of the registrant's most recently completed second fiscal quarter, was \$133.1 million. This amount was calculated based on the closing price of the common stock on July 4, 2023

on the Nasdaq Global Select Market. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be “affiliates” of the registrant. As of March 1, 2024, there were 44,989,714 shares of the registrant’s Class A common stock, par value of \$0.01 per share outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s proxy statement relating to its 2024 Annual Meeting of Stockholders, to be held on or about May 15, 2024, are incorporated by reference into Part III of this Annual Report on Form 10-K, where so indicated. Such proxy statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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PART I

ITEM 1. Business

General

Noodles & Company is a restaurant concept offering lunch and dinner within the fast-casual segment of the restaurant industry. Our core offerings include noodle and pasta dishes, staples of many different cuisines, with the goal of delivering fresh ingredients and flavors from around the world under one roof. Today, our globally-inspired menu includes a wide variety of high quality, cooked-to-order dishes, including noodles and pasta, salads, soups and appetizers. As of January 2, 2024, we operated 470 restaurants in 31 states, which included 380 company locations and 90 franchise locations.

Noodles & Company is a Delaware corporation that was organized in 2002. Noodles & Company and its subsidiaries are sometimes referred to as “Noodles,” “we,” “us,” “our,” and the “Company” in this report. We refer to our Class A Common Stock, par value \$0.01 per share, as our “common stock.”

Our Concept and Business Strategy

We believe Noodles is a broadly appealing concept in the national fast-casual dining space. We are focused on offering customers flavorful, cooked-to-order dishes in a warm and welcoming environment at an attractive value. We offer approximately 20 globally-inspired and highly customizable dishes that can be enjoyed inside our restaurants, taken to-go, or delivered to our customers.

Our customers experience the Noodles brand through our company-owned and franchise operated locations, and digitally through our mobile app, website www.noodles.com and third-party delivery services. In 2023, approximately 54% of our sales were derived from digital ordering, where guests have the opportunity to select in restaurant quick pick-up or delivery to their home or office. We believe that the breadth of ways that consumers can access our brand, the variety inherent in our menu, and how well our food travels is a business strength in relation to consumer trends towards convenience.

We have purposefully chosen a range of healthy to indulgent dishes to satisfy multiple dietary and lifestyle preferences. All of our dishes are cooked-to-order with fresh, high quality ingredients sourced from our carefully selected suppliers. Our culinary team strives to develop new dishes and limited time offerings to further reinforce our brand positioning and regularly provide our customers with additional options. Choice and customization have always been a great strength of the brand, and we continue to innovate in ways that allow guests to enjoy the world flavors they know and love, as well as discover new ones. This focus on culinary innovation allows us to prepare and serve high quality food and meet changing consumer trends. We’ve recently engaged a third-party culinary expert to evaluate our menu architecture and offerings, with anticipated rollout of our updated menu in late 2024 and 2025.

Consistent with our culture of enhanced customer service, we seek to hire, develop and retain individuals who will deliver prompt, attentive service by engaging customers the moment they enter our restaurants. Our training philosophy empowers both our restaurant managers and team members, also referred to as employees, to add a personal touch when engaging with our customers. Our restaurant managers are critical to our success, as we believe that their entrepreneurial spirit and outreach efforts build our brand in our communities.

Restaurant Portfolio and Franchising

Restaurant Portfolio. As of January 2, 2024, we had 380 company-owned restaurants and 90 franchise restaurants in 31 states. Our restaurants are typically between 2,000 and 2,600 square feet and are located in end-cap, in-line or free-standing locations across a variety of suburban, collegiate and urban markets. We are currently researching a smaller square footage restaurant prototype design. We anticipate that this design will better facilitate future expansion and better meet the needs of the changing consumer experience.

Restaurant Development. In 2023, we opened 18 new company-owned restaurants. In 2024, we plan to open 10-12 new company-owned restaurants. Due to increased construction and development costs and lower than expected returns on investment on recent new restaurant openings, we have reduced our new restaurant development pipeline for 2024 and 2025.

Certain Restaurant Closures. We closed six company-owned restaurants in 2023, most of which were at or approaching the expiration of their leases or in trade areas that are not as well positioned for current consumer trends. We currently do not anticipate a significant number of restaurant closures for the foreseeable future; however, we may from time to time close or relocate certain restaurants, that are at, or near, the expiration of their leases or in trade areas that are not as well positioned for current consumer trends.

Franchising. As of January 2, 2024, we had 90 franchise units in 18 states operated by 10 franchisees. In 2023, our franchisees did not open any restaurants and closed three restaurants. We have 10 area developers who have signed development agreements providing for the opening of 121 restaurants in their respective territories. In January of 2022, we completed the sale of 15 restaurants in California to a new franchise partner (the “Warner Sale”). We expect franchising to be a part of our growth strategy in future years. We look for experienced, well-capitalized franchise partners who are able to leverage their existing infrastructure and local knowledge in a manner that benefits both our franchisees and us. We expect to continue to offer development rights in markets where we do not intend to build company-owned restaurants. We may offer such rights to larger developers who commit to open 10 or more units, or to smaller developers who may commit to open fewer restaurants. We do not currently intend to offer single-unit franchises. We believe the strength and attractiveness of our brand will attract experienced and well-capitalized area developers.

Site Development and Expansion

We consider our site selection and development process critical to our long-term success. We have used a combination of our own internal team and outside real estate consultants to locate, evaluate and negotiate new sites using various criteria. In making site selection decisions, we use several analytical tools designed to uncover the key site, demographic, business, retail, competitive and traffic characteristics that drive successful locations. We utilize third-party resources to assist with evaluating potential new sites. Once a location has been approved by our executive-level selection committee, we begin a design process to match the characteristics and feel of the location to the trade area.

Restaurant Management and Operations

Friendly Team Members. We believe our genuine, friendly team members separate us from our competitors. We value the individuality of our team members, which we believe results in a management, operations and training philosophy distinct from that of our competitors. We strive to hire team members who share our values, a passion for food, have a competitive spirit and will operate our restaurants in a way that is consistent with our high standards. We seek to hire individuals who will deliver prompt, attentive service by engaging customers at all points during the Noodles brand experience. We empower our team members to enrich the experience of our customers and directly address any concerns that may arise in a manner that contributes to the success of our business.

Restaurant Management and Employees. Each restaurant typically has a general manager, an assistant general manager, multiple shift managers and team members. We cross-train our employees in an effort to create a depth of competency in our critical restaurant functions. To lead our restaurant management teams, we have area managers (each of whom is responsible for approximately five to 10 restaurants), as well as regional directors (each of whom is responsible for approximately 50 to 60 restaurants).

Training and Career Development. We believe that our training efforts create a culture of continuous learning and professional growth that allows our team members to continue their career development with us. Within each restaurant, two to four team members are designated to lead the training efforts and ensure a consistent approach to team member development. We produce training materials that encourage individual contributions and participation from our team members while also requiring adherence to certain guidelines and procedures.

Food Preparation and Quality. Our teams use classic professional cooking methods, including sautéing many of our vegetables, in full kitchens resembling those of full-service restaurants. All team members, including our restaurant managers, spend their first several days working solely with food and learning these techniques, and we spend a significant amount of time ensuring that each team member learns how to prepare and cook our food properly.

The majority of our restaurants have exhibition-style kitchens. This design demonstrates our commitment to cooking fresh food in an accessible manner. We provide each customer with individual attention and make every effort to respond to customer suggestions and concerns in a personal and hospitable way.

We require all of our dishes to be cooked to order at food safe temperatures or, in the case of salads, subject to our produce washing protocols, which helps to ensure that the food we serve to our customers is safe as food safety is a top priority for us. We have designed our food safety and quality assurance programs to maintain high standards for our food and food preparation procedures. Our director of quality assurance oversees robust restaurant and supplier audits based upon the potential food safety risk of each food. We also consider food safety and quality assurance when selecting our distributors and suppliers. Our suppliers are inspected by federal, state and local regulators or other reputable, qualified inspection services, which promotes compliance with all federal food safety and quality guidelines. We regularly inspect our suppliers to confirm that the ingredients we buy conform to our quality standards and that the prices we pay are competitive. We train our employees to pay detailed attention to food quality at every stage of the food preparation cycle, and we have developed a daily checklist that our employees are required to use to assess the freshness and quality of food supplies. Finally, we encourage our customers to provide feedback regarding our food quality so that we can identify and resolve problems or concerns as quickly as possible.

Restaurant Marketing

Our strategic marketing efforts seek to drive sales and increase brand loyalty by highlighting our competitive strengths through a variety of channels including digital marketing, social media, public relations, guest engagement and local marketing. We focus on attributes that set us apart including the breadth and customization of our menu and our best-in-class convenience offerings, and ultimately use a data-driven approach to guide our strategy.

- *Our Contemporary Menu Offerings.* At the heart of our marketing is our food. We focus some of our marketing efforts on new menu offerings to broaden our appeal to our customers. At the same time, we showcase the dishes that continue to be loved by many. For instance, in 2023, our focus on new menu offering efforts centered around the launch of our baked chicken parmesan.
- *Brand Platform.* In 2022, we launched a new brand platform called *Uncommon Goodness*, under the tagline “we infuse Uncommon Goodness into everything we do.” This platform serves to enhance our brand awareness, introduce the Noodles to new guests and remind existing guests what sets Noodles apart. Uncommon Goodness continues to be a key differentiator, and we will continue to leverage this platform to showcase the distinctive qualities of our brand.
- *Loyalty Program.* Our *Noodles Rewards* program grew 13.4% during 2023 to approximately 5.2 million members. The Rewards program provides us with guest data that can be used to target and personalize offers and communications. The program allows guests to accumulate reward points associated with each purchase that can be redeemed for offers such as free bowls, free shareables, discounts, and free delivery. Rewards members are typically the first to learn about new offerings, and in some cases are provided exclusive access to certain menu items for a limited time.
- *Digital Business.* We continue to make strategic investments in our digital capabilities to improve the overall guest experience and increase our digital sales. Our digital platforms, inclusive of our website and our app, offer guests a differentiated and seamless ordering experience and make it convenient for guests to purchase their favorites. We use our digital platforms to increase brand engagement and usage of the Rewards program. Additionally, we have expanded our third-party partnerships to increase our brand’s reach among guests who primarily place orders through these delivery providers; We invest in digital advertising to advertise specific product categories, highlight convenient off-premise channel offerings, communicate rewards and encourage guest action and long-term guest loyalty. We leverage zero-party, first-party and third-party data to drive effective and efficient advertising spend, helping us to improve the return on our investment. In 2022, we began the rollout of digital menu boards across our locations, which was completed in 2023. Digital menu boards allow us to showcase key menu features, target guest communication, enhance our pricing capabilities and increase flexibility for culinary testing.

Human Capital Management

We believe the strength of our workforce is one of the significant contributors to our success as a brand. This is largely attributed to our team members who strive every day to create an environment for our guests where they feel welcomed and cared for. Therefore, one of our strategic priorities is to develop people as a differentiator, including investing in the following areas of focus:

Oversight and Management. We recognize the diversity of our team members, guests and communities, and believe in creating an inclusive and equitable environment that represents a broad spectrum of backgrounds and cultures. Working under these

principles, our Human Resources department is tasked with managing employment-related matters, including recruiting and hiring, onboarding and training, compensation and benefit planning, organizational design, performance management, succession planning and talent development. Our management and cross-functional teams also work closely to evaluate human capital management issues such as team member retention, workplace safety, harassment and bullying, as well as to implement measures to mitigate these risks.

Our Board of Directors and Board committees provide oversight on certain human capital matters as part of their overall engagement in our Environmental, Social and Governance practices. Our Compensation Committee, with input from members of our management and a third-party compensation consultant who provides benchmarked data, has responsibility for approving annually certain elements of compensation, including our incentive compensation plans and equity-based plans. Management provides input into the design of our incentive compensation programs to confirm that these programs support the Company's business objectives and strategic priorities. The annual business plan initially established by our management, but approved by our Board, is an important element of our Compensation Committee's decision-making process for performance measures and goals.

Total Rewards. We have demonstrated a history of investing in our workforce by offering competitive salaries and wages. To foster a stronger sense of ownership and align the interests of our team members with shareholders, restricted stock units are provided to eligible team members under our stock incentive programs. Additionally, we provide incentive compensation through annual bonus plans for all eligible team members. Furthermore, we offer competitive, targeted and innovative benefits to all eligible team members. This includes health, dental and vision insurance coverage, a 401(k) program and paid time off.

We continue to offer a comprehensive team member benefits program called LifeAtNoodles. The benefits include financial planning resources, GM equity partner program and Noodles Resource Groups. Our GM equity partner program is designed to reward and motivate our top performers. One of the most impactful programs we put in place is Noodles' versions of Employee Resource Groups, called NRGs ("Noodles Resource Groups"). These groups are designed to help elevate the voice of these underrepresented populations and increase recruiting and retention efforts.

We continue to focus on how we can offer the best workplace in our industry and we are proud of these benefits that honor our commitment to inclusion and diversity. In 2023, we were named one of America's Great Places to Work for Diversity and Great Places to Work for Women by Newsweek, and one of the Top 500 Franchises by Franchise Times. Noodles has been recognized by Forbes as one of America's Best Employers for Diversity in 2021, 2022 and 2023 and one of America's Best Employers for Women in 2021. Additionally, in 2022 and 2023, QSR named Noodles one of the Best Brands to Work For. In 2023 the National Restaurant Association Educational Foundation ("NRAEF") awarded Noodles with the 2023 Restaurants Advance Leadership Award for our DEI Leadership. This award included a grant that NRAEF would donate to a non-profit organization of our choice. This has led us to a partnership with Momentum Advisory Council / Café Momentum, an organization committed to helping juveniles who have been involved in the judicial system back into society, building life skills that will help them stay out of the judicial system.

As of January 2, 2024, we had approximately 7,600 employees, including approximately 600 salaried employees and approximately 7,000 hourly employees. None of our employees are unionized or covered by a collective bargaining agreement, and we consider our current employee relations to be good.

Suppliers

Maintaining a high degree of quality in our restaurants depends in part on our ability to acquire fresh ingredients and other necessary supplies that meet our specifications from reliable suppliers. We carefully select suppliers based on quality and their understanding of our brand, and we seek to develop mutually beneficial long-term relationships with them. We work closely with our suppliers and use a mix of forward, fixed and formula pricing protocols. In some cases, we have made efforts to increase the number of suppliers for our ingredients, which we believe can help mitigate pricing volatility. We monitor industry news, trade issues, weather, crises and other world events that may affect supply prices.

Seasonality/Quarterly Financial Information

Seasonal factors and the timing of holidays cause our revenue to fluctuate from quarter to quarter. Our revenue per restaurant is typically lower in the first and fourth quarters, due to reduced winter and holiday traffic, and higher in the second and third quarters. Other factors also have a seasonal effect on our results. For example, restaurants located near colleges and universities

generally do more business during the academic year. Seasonal factors, however, might be moderated or outweighed by other factors that may influence our quarterly results, such as worldwide health pandemics, fluctuations in food or packaging costs, or the timing of menu price increases or promotional activities and other marketing initiatives.

Our quarterly results are also affected by other factors such as the amount and timing of incentive-based compensation expense and related tax rate impacts, impairment charges and non-operating costs, timing of marketing or promotional expenses, the number and timing of new restaurants opened in a quarter, and closure of restaurants. New restaurants typically have higher operating costs following opening because of the expenses associated with their opening and operating inefficiencies in the months immediately following opening. Accordingly, results for a particular quarter are not necessarily indicative of results to be expected for any other quarter or for any year.

Competition

We face competition from the casual dining, quick-service and fast-casual segments of the restaurant industry. These segments are highly competitive with respect to taste, price, food quality and presentation, service, location and the ambiance and condition of each restaurant, among other things. Our competition includes a variety of locally owned restaurants and national and regional chains who offer dine-in, carry-out and delivery services. Many of our competitors have existed longer and have a more established market presence with substantially greater financial, marketing, personnel and other resources than we have. Among our competitors are a number of multi-unit, multi-market fast-casual restaurant concepts, some of which are expanding nationally. As we expand, we will face competition from these concepts and new competitors that strive to compete with our market segments.

We also face competition from firms outside the restaurant industry, such as grocery stores and home meal replacement services, who sell prepared meals for takeout and in some cases, offer delivery service.

Intellectual Property and Trademarks

We own a number of trademarks and service marks registered or pending with the U.S. Patent and Trademark Office. We also have certain trademarks registered in certain foreign countries. In addition, we own the internet domain name *www.noodles.com*. The information on, or that can be accessed through, our website is not part of this report. We believe that our trademarks, service marks and other intellectual property rights have significant value and are important to the marketing of our brand, and it is our policy to protect and defend vigorously our rights to such intellectual property.

Governmental Regulation and Environmental Matters

We are subject to extensive and varied federal, state and local government regulation, including regulations relating to public and occupational health and safety, sanitation and fire prevention. We operate each of our restaurants in accordance with standards and procedures designed to comply with applicable codes and regulations. However, an inability to obtain or retain health department or other licenses could adversely affect our operations. Although we have not experienced, and do not anticipate, any significant difficulties, delays or failures in obtaining required licenses, permits or approvals, any such problem could delay or prevent the opening of, or adversely impact the viability of, a particular restaurant or group of restaurants.

In addition, in order to develop and construct restaurants, we need to comply with applicable zoning, land use and environmental regulations. Federal and state environmental regulations have not had a material effect on our operations to date, but more stringent and varied requirements of local governmental bodies with respect to zoning, land use and environmental factors could delay or even prevent construction and increase development costs for new restaurants. We are also required to comply with the accessibility standards mandated by the U.S. Americans with Disabilities Act (“ADA”), which generally prohibits discrimination in accommodation or employment based on disability. We may in the future have to modify restaurants, for example by adding access ramps or redesigning certain architectural fixtures, to provide service to or make reasonable accommodations for disabled persons. While these expenses could be material, our current expectation is that any such actions will not require us to expend substantial funds.

In addition, we are subject to the U.S. Fair Labor Standards Act, the U.S. Immigration Reform and Control Act of 1986, the Occupational Safety and Health Act and various other federal and state laws governing similar matters including minimum wages, overtime, workplace safety and other working conditions. Our failure to fully comply with these laws could subject us to potential

litigation and liability. We are also subject to various laws and regulations relating to our current and any future franchise operations.

We are also subject to the Patient Protection and Affordable Care Act of 2010 (the “PPACA”), which requires health care coverage for many previously uninsured individuals and expands coverage for those already insured. We began offering such benefits in 2015.

We are subject to federal, state and local environmental laws and regulations concerning waste disposal, pollution, protection of the environment and the presence, discharge, storage, handling, release and disposal of, or exposure to, hazardous or toxic substances (“environmental laws”). These environmental laws can provide for significant fines and penalties for non-compliance and liabilities for remediation, sometimes without regard to whether the owner or operator of the property knew of, or was responsible for, the release or presence of the hazardous or toxic substances. Third parties may also make claims against owners or operators of properties for personal injuries and property damage associated with releases of, or actual or alleged exposure to, such substances. We are not aware of any environmental laws that will materially affect our earnings or competitive position, or result in material capital expenditures relating to our restaurants. However, we cannot predict what environmental laws will be enacted in the future, how existing or future environmental laws will be administered, interpreted or enforced, or the amount of future expenditures that we may need to make to comply with, or to satisfy claims relating to, environmental laws. It is possible that we will become subject to environmental liabilities at our properties, and any such liabilities could materially affect our business, financial condition or results of operations.

Management Information Systems

We use a variety of applications and systems to securely manage the flow of information within each restaurant, and within our central support office infrastructure. All of our restaurants use computerized management information systems, which we believe are scalable to support any future growth plans. We use point-of-sale (“POS”) computers designed specifically for the restaurant industry. Our POS system provides a touch screen interface, a graphical order confirmation display and integrated, high-speed credit card and gift card processing. Our online ordering system allows customers to place orders online or through our mobile app. Orders taken remotely are routed to the point-of-sale system based on the time of customer order pickup. The POS system is used to collect daily transaction data, which generates information about daily sales, product mix and average check that we actively analyze. All products sold and prices at our company-owned restaurants are programmed into the system from our central support office. We also continue to modernize and make investments in our information technology networks and infrastructure, specifically in our physical and technological security measures, to anticipate cyber-attacks and defend against breaches and to provide improved control, security and scalability. Enhancing the security of our financial data, customer information and other personal information is a high priority for us.

Our in-restaurant back office computer system is designed to assist in the management of our restaurants and provide labor and food cost management tools. These tools provide restaurant operations management and our central support office quick access to detailed business data and reduces restaurant managers’ administrative time. The system provides our restaurant managers the ability to submit orders electronically with our distribution network. The system also supplies sales, bank deposit and variance data to our finance department on a daily basis. We use this data to generate daily sales information and weekly consolidated reports regarding sales and other key measures.

Franchisees use similar point of sale systems and are required to report sales on a daily basis through an online reporting network and submit their restaurant-level financial statements on a quarterly and annual basis. We also offer certain restaurant technology support services to our franchisees.

Financial Information About Segments

We operate as a single accounting segment. Financial information related to our business is included in Item 8 of this Annual Report on Form 10-K.

Available Information

We maintain a website at www.noodles.com, including an investor relations section at investor.noodles.com, on which we routinely post important information, such as webcasts of quarterly earnings calls, and any related materials. You may access our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports and

other reports relating to us that are filed with or furnished to the SEC, free of charge in the investor relations section of our website as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC.

The contents of the websites mentioned herein are not incorporated into and should not be considered a part of this report. The references to the URLs for these websites are intended to be inactive textual references only.

ITEM 1A. Risk Factors

Special Note Regarding Forward-Looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, including but not limited to the risks and uncertainties discussed under this Item 1A. “Risk Factors,” Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 1. “Business.” In some cases, you can identify forward-looking statements by terms such as “may,” “might,” “will,” “objective,” “intend,” “should,” “could,” “can,” “would,” “expect,” “believe,” “design,” “estimate,” “predict,” “potential,” “plan” or the negative of these terms and similar expressions intended to identify forward-looking statements. Forward-looking statements may relate to, among other things: (i) our business objectives and strategic plans, including projected or anticipated growth rates, including in guest traffic, digital orders, and new restaurants, revenues, planned improvements in operational efficiencies, gross margins, and cost management, and enhancements to our restaurant environments and guest engagement, including the anticipated impacts of innovations, improvements, and marketing efforts; (ii) our expectations about pricing strategy; (iii) our expectations about the competitiveness of the labor market and our ability to hire, train, and retain qualified personnel; (iv) anticipated capital investments and the results of such investments, including in new restaurant openings, local marketing, our digital capabilities, and information technology systems, and the anticipated related benefits; (v) our expectations about restaurant operating costs, including commodity and food prices, occupancy costs, and labor and energy costs; and our ability to offset higher costs with menu price increases and related impacts on consumer behavior; (vi) anticipated legislation and other regulation of our business, the expected impacts of government regulations on our operations and financial condition, and changes in such regulation, including in relation to our franchise operations; (vii) our ability to attract and build relationships with experienced franchise partners; (viii) our expectations about anticipated uses of, and risks associated with, future cash flows, liquidity, future capital expenditures, and other capital deployment opportunities, and taxes; (ix) our expectations regarding competition; (x) our expectations regarding demand and business recovery, consumer preferences, and consumer discretionary spending; (xi) our ability to successfully implement our food safety programs; (xii) our ability to successfully implement our health and safety initiatives; (xiii) anticipated impacts of future pandemics; (xiv) the seasonality of our business; (xv) our expectations and other statements regarding interest rates, commodity prices, and other factors; (xvi) the other risks discussed under Risk Factors below. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. We discuss these risks, uncertainties and other factors in greater detail below. These statements reflect our current views with respect to future events and are based on currently available operating, financial and competitive information. Unless required by United States federal securities laws, we do not intend to update any of these forward-looking statements to reflect circumstances or events that occur after the statement is made.

Risks Related to Our Business and Industry

We may not achieve our operational, strategic or financial goals.

We continue to pursue a number of financial, operational and strategic goals and we may be unsuccessful in achieving some or all of them. Our strategies are designed to, among other objectives, improve restaurant operations and increase our restaurant revenue, comparable restaurant sales, net income and adjusted EBITDA, as defined in management’s discussion and analysis. However, these strategies may not be successful in achieving our goals in part or at all. Further, we may encounter difficulty in executing these strategies. Failing to execute our operational strategies could materially adversely affect our business, financial condition, results of operations or cash flows.

Our strategies include innovating our menu offerings, enhancing our menu structure and layout, improving operational effectiveness, optimizing our catering offerings, analyzing our pricing strategies, better understanding and tailoring communications to customers through the implementation of a customer data platform, introducing new technology and equipment, and continued focus on manager selection, training and development of our teams. However, customers may not favor new menu offerings or may not find initiatives aimed at off-premise dining appealing, and our efforts to increase our sales growth and improve our offerings may be unsuccessful. Additionally, our operational initiatives may be ineffective at reducing costs or may reduce the quality of the customer experience. Any failure of our new initiatives could materially adversely affect our business, financial condition, results of operations or cash flows.

Further, we have had, and expect to continue to have, initiatives in various stages of testing, evaluation and implementation, upon which we expect to rely to improve our results of operations and financial condition. Failure to achieve successful implementation of our initiatives could materially adversely affect our business, financial condition, results of operations or cash flows.

We believe our culture, from the restaurant level up through management, is an important contributor to our success. As time passes, however, we may have difficulty adapting our culture sufficiently to meet the needs of our business. Among other important factors, our culture depends on our ability to attract, retain and motivate employees who share our enthusiasm and dedication to our concept. Our comparable restaurant sales, and more broadly, our business, financial condition, results of operations or cash flows, could be materially adversely affected if we do not maintain our infrastructure and culture.

Our strategic and operational goals are designed to improve our results of operations, including restaurant revenue and profitability. The level of comparable restaurant sales, which represent the change in year-over-year sales for restaurants open for at least 18 full periods, affects our restaurant revenue growth and will continue to be a critical factor affecting profitability. Our ability to increase comparable restaurant sales depends in part on our ability to successfully implement our initiatives, including increasing guest traffic. It is possible that such initiatives will not be successful, that we will not achieve our target comparable restaurant sales growth or that the change in comparable restaurant sales could be negative, which may cause a decrease in restaurant revenue and profitability that could materially adversely affect our business, financial condition, results of operations or cash flows. For example, in 2023 we experienced a decline in same store sales, as well as an increased loss from operations.

Changes in economic conditions, including higher inflationary pressures and continued elevated interest rates, may reduce customer demand and increase our costs.

Our business, and the restaurant industry in general, depends on consumer discretionary spending. Changes in market conditions, including negative economic conditions resulting from inflation, increased interest rates, recessionary economic cycles, stock market volatility, war, terrorist activities, global economic occurrences or trends or other geo-political events, may result in decreased consumer confidence, increased cost of consumer credit and ultimately reduced consumer disposable income. In turn, consumers may make changes to their discretionary spending behavior in a way that negatively affects our business, including dining out less frequently, reducing the amount they spend while dining out, or choosing to eat at other lower priced restaurants. Additionally, these changes in market conditions may impact our development pipeline, including the availability of new sites, increased construction costs and availability of contract labor.

Changes in economic conditions, particularly with respect to inflationary pressures, may result in increased interest rates persisting for longer than expected and/or further increases in interest rates, labor shortages, and supply chain disruptions. These inflationary pressures may also increase our costs including our labor and raw material costs, utilities, and our cost of borrowing, and we may not be able to fully offset such higher costs through price increases. For example, in 2023, we executed an amendment to our credit agreement which resulted in increased borrowing rates. Also in 2022, the cost of several of our food ingredients increased as a result of inflation in many commodities, particularly our cost of chicken. As a result, we implemented a temporary chicken-price surcharge of \$1.00 for several months while chicken was at its peak of the commodity cycle and made certain other menu price increases throughout 2022.

If customer demand were to decrease or our costs were to increase without a corresponding increase in our prices, our profitability would decline. Moreover, as a result of such economic conditions, we may record additional asset impairment charges, implement additional restaurant closures, or slow our planned growth. Any of these economic factors may materially adversely affect our business, financial condition, results of operations or cash flows.

Competition from other restaurant companies could adversely affect us.

We face competition from the casual dining, fast-casual and quick-service segments of the restaurant industry. These segments are highly competitive with respect to taste, price, food quality and presentation, service, location and the ambiance and condition of each restaurant, among other things. Our competition includes a variety of locally owned restaurants and national and regional chains who offer dine-in, carry-out and delivery services. Many of our competitors have existed longer and have a more established market presence with substantially greater financial, marketing, personnel and other resources than we have. Among our competitors are a number of multi-unit, multi-market fast-casual restaurant concepts, some of which are expanding nationally. We continually face competition from these concepts and new competitors that strive to compete with our market segments. For example, additional competitive pressures come from the deli sections and in-store cafés of grocery store chains, as well as from convenience stores and online meal preparation sites. These competitors may have, among other things, lower operating costs,

food offerings more responsive to consumer preferences, better locations and facilities, more experienced management, more effective marketing and more efficient operations.

Several of our competitors compete by offering menu items that are specifically identified as low in carbohydrates, gluten-free, or rich in protein. In addition, many of our competitors emphasize lower-cost value options or meal packages, or strategies we do not currently pursue. Any of these competitive factors may materially adversely affect our business, financial condition, results of operations or cash flows.

Our marketing programs may not be successful.

We incur costs and expend other resources in our marketing efforts to attract and retain customers. These initiatives may not be successful, resulting in expenses incurred without the benefit of higher revenues. Additionally, many of our competitors have more marketing resources and we may not be able to successfully compete. If our competitors increase spending on marketing, or if our marketing funds decrease for any reason, or if our advertising and promotions are less effective than those of our competitors, our financial performance could be materially affected.

Many of our competitors are devoting increased resources to their social media marketing programs. Social media can be challenging because it reaches a broad audience with an ability to respond or react, in near real time. In addition, social media can facilitate the improper disclosure of proprietary information, personally identifiable information, or inaccurate information. As a result, if we do not appropriately manage our social media strategies, our marketing efforts in this area may not be successful and could damage our reputation, negatively impacting our restaurant sales and financial performance.

Negative publicity relating to one or more of our restaurants, including our franchised restaurants, could reduce sales at some or all of our other restaurants.

Our success is dependent in part upon our ability to maintain and enhance the value of our brand, consumers' connection to our brand and positive relationships with our franchisees. We may be faced with negative publicity relating to food quality, restaurant facilities, customer complaints or litigation alleging illness or injury, health inspection scores, integrity of our or our suppliers' food processing, employee relationships or other matters, regardless of whether the allegations are valid or whether we are held to be responsible. The negative impact of adverse publicity relating to one restaurant may extend far beyond the restaurant or franchise involved to affect some or all of our other restaurants. The risk of negative publicity is particularly great with respect to our franchised restaurants because we are limited in the manner in which we can regulate them, especially on a real-time basis. Negative publicity generated by such incidents may be amplified by the use of social media. A similar risk exists with respect to unrelated food service businesses, if consumers associate those businesses with our own operations or are concerned with the food safety of the broader restaurant industry.

Additionally, employee claims against us based on, among other things, wage and hour violations, discrimination, harassment or wrongful termination may also create negative publicity that could materially adversely affect us and divert our financial and management resources that would otherwise be used to benefit the future performance of our operations. A significant increase in the number of these claims or an increase in the number or scope of successful claims could materially adversely affect our business, financial condition, results of operations or cash flows. Consumer demand for our products and our brand's value could diminish significantly if any such incidents or other matters create negative publicity or otherwise erode consumer confidence in us or our products, or in the restaurant industry as a whole, which would likely result in lower sales and could materially adversely affect our business, financial condition, results of operations or cash flows.

Food safety and foodborne illness concerns could have an adverse effect on our business.

We cannot guarantee that our internal controls and training will be fully effective in preventing all food safety issues at our restaurants, including any occurrences of foodborne illnesses such as E. coli, Hepatitis A, listeria, norovirus and salmonella. The risk of illnesses associated with our food might also increase in connection with the expansion of our catering and delivery businesses or other situations in which our food is served or delivered in conditions that we cannot control. Furthermore, we and our franchisees rely on third-party vendors throughout our supply chain, making it difficult to monitor food safety compliance and increasing the risk that foodborne illness would affect multiple locations rather than a single restaurant. Some foodborne illness incidents could be caused by third-party vendors and transporters outside of our control. New illnesses resistant to our current precautions may develop in the future, or diseases with long incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. One or more instances of foodborne illness in any of our restaurants or markets or related to

food products we sell could negatively affect our restaurant sales nationwide if highly publicized on national media outlets or through social media. This risk exists even if it were later determined that the illness was wrongly attributed to us or one of our restaurants.

A number of other restaurant chains have experienced incidents related to foodborne illnesses that have had a material adverse effect on their operations, including E. coli, listeria and norovirus outbreaks at other fast-casual concepts. These incidents at other restaurants could cause some customers to have a negative perception of fast-casual concepts generally, which can negatively affect our restaurants. The occurrence of a similar incident at one or more of our restaurants, or negative publicity or public speculation about an incident, could materially adversely affect our business, financial condition, results of operations or cash flows.

We may raise menu prices or revise our pricing structure, which may not be sufficient to offset rising costs or which could decrease customer demand.

We have historically, and expect to continue to, utilize menu price increases to help offset cost increases, including increased cost for food ingredients and supplies, wages, employee benefits, insurance costs, construction, utilities and other key operating costs. If our selection and amount of menu price increases are not accepted by consumers and reduce guest traffic, or are insufficient to counter increased costs, our financial results could be negatively affected. For example, in 2022 and in the first quarter of 2023, primarily in response to inflationary food and labor costs, we made certain menu price increases, which we believe negatively affected our traffic.

Unexpected events have impacted and may in the future impact our business, financial condition and results of operations.

The occurrence of one or more unexpected events, including war, acts of terrorism, epidemics and pandemics (such as the COVID-19 pandemic), civil unrest, fires, tornadoes, tsunamis, hurricanes, earthquakes, floods, and other forms of severe weather (including those caused or exacerbated by climate change) in the United States or in other locations in which our suppliers are located, have affected and could in the future affect our operations and financial performance. It is possible that weather conditions may impact our business more than other businesses in our industry because of the significant concentration of our restaurants in the Upper Midwest, Rocky Mountain and Mid-Atlantic states. Such events could affect our guest traffic, sales and operating costs and/or cause complete or partial closure of one or more distribution centers, cause temporary or long-term disruption or inoperability of our information technology systems (including our digital platform), temporary or long-term disruptions in our delivery channel or the supply of products from suppliers, and disruption and delay in the transport of products, any of which may have a material adverse effect on our business, financial condition, and results of operations. Existing insurance coverage may not provide protection from all the costs that may arise from such events.

We are subject to risks associated with long-term non-cancellable leases and the costs of exiting leases at restaurants we have closed or may close in the future may be greater than we estimate or could be greater than the funds we raise to address closure costs.

We do not own any real property. Payments under our operating leases account for a significant portion of our operating expenses and we expect the new restaurants we open in the future will similarly be leased. Our leases generally have an initial term of ten years and generally can be extended only in five-year increments (at increased rates). All of our leases require a fixed annual rent, although some require the payment of additional rent if restaurant sales exceed a negotiated amount. Generally, our leases are “net” leases, which require us to pay all of the cost of insurance, taxes, maintenance and utilities. We generally cannot cancel these leases. Additional sites that we lease are likely to be subject to similar long-term non-cancelable leases. In connection with closing restaurants, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. In addition, as each of our leases expires, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to pay increased occupancy costs or to close restaurants in desirable locations.

Opening and operating new restaurants entails numerous risks and uncertainties.

One element of our operational strategy is the opening of new restaurants and operating those restaurants on a profitable basis. In 2023, we opened eighteen company-owned restaurants and closed six company-owned restaurants. Our franchisees did not open any new restaurants and closed three restaurants. We expect future annual unit growth rate of approximately 1-3% in the next few years.

Opening new restaurants presents numerous risks and uncertainties. We may not be able to open new restaurants as quickly as planned. In the past, we have experienced delays in opening some restaurants due to adverse weather and permitting delays. Delays or failures in opening new restaurants could occur in the future and could materially adversely affect our business strategy and our expected results.

Our ability to open new restaurants also depends on other factors, including: site selection; negotiating leases with acceptable terms; identifying, hiring and training qualified employees; the state of the labor market in each local market; timely delivery of leased premises to use; managing construction and development costs; avoiding the impact of inclement weather, natural disasters and other calamities; obtaining construction materials and labor at acceptable costs; securing required governmental approvals, permits and licenses; generating sufficient returns on our new restaurant investments; and accessing capital. Our new restaurant growth will decrease from 18 new restaurants in 2023 to 10-12 in 2024 due to lower than expected rates of return on investment for our recently opened restaurants as well as increased construction and development costs. As a result, we have reduced our new restaurant development pipeline for 2024 and 2025. We are enhancing our operating model and researching a new prototype.

We anticipate our new restaurants may be smaller in terms of square footage and seating than our current restaurants, in accordance with our increased focus on off-premise dining opportunities. Customers may react negatively to these features and our re-designed, smaller stores, which could materially adversely affect our business, financial condition, results of operations or cash flows.

Our long-term success is partially dependent on our ability to effectively identify appropriate target markets and secure appropriate sites for new restaurants.

In order to build new restaurants, we must first identify target markets where we can expand our footprint, taking into account numerous factors, including the location of our current restaurants, local economic trends, population density, area demographics and geography. The selection of target markets for expansion is challenging. We also must locate and secure appropriate sites for new restaurants, which is one of our biggest challenges. There are numerous factors involved in identifying and securing an appropriate site, including, among others: identification and availability of locations; competition; financial conditions affecting developers and potential landlords; developers and potential landlords obtaining licenses or permits for development projects on a timely basis; proximity of potential development sites to an existing location; anticipated development near our new restaurants; and availability of acceptable lease arrangements. If we are unable to fully implement our development plan, our business, financial condition, results of operations or cash flows could be materially adversely affected.

New restaurants, once opened, may not be profitable.

New restaurants may not be profitable, their sales performance may not follow historical patterns, or our average restaurant sales and comparable restaurant sales may underperform our expectations. In addition, the construction costs supporting the new restaurant openings may be higher than historical averages, placing a higher profitability threshold to generate an attractive cash-on-cash return. Our ability to operate new restaurants profitably, maintain an attractive cash-on-cash return, and increase average restaurant sales and comparable restaurant sales will depend on many factors, some of which are beyond our control, including: consumer awareness, understanding and support of our brand; general economic conditions, construction cost inflation, local labor costs and availability and prices we pay for the food products and other supplies we use; changes in consumer preferences; competition; temporary and permanent site characteristics of new restaurants; and changes in government regulation.

If our new restaurants do not perform as planned, our business and future prospects could be harmed. In addition, if we are unable to achieve our expected average restaurant sales, our business, financial condition, results of operations or cash flows could be materially adversely affected. The return on investment on our recent new restaurant openings have not been as expected. As a result, we have reduced our new restaurant development pipeline for 2024 and 2025.

Opening new restaurants in existing markets may negatively affect sales at our existing restaurants.

The consumer target area of our restaurants varies by location, depending on a number of factors, including population density, other local retail and business attractions, area demographics and geography. As a result, opening a new restaurant in or near markets in which we already have restaurants could materially adversely affect the sales of these existing restaurants. Existing restaurants could also make it more difficult to build our consumer base for a new restaurant in the same market. Our core business strategy does not entail opening new restaurants that we believe will materially affect sales at our existing restaurants,

but we may selectively open new restaurants in and around areas of existing restaurants that are operating at or near capacity to effectively serve our customers. Sales cannibalization between our restaurants may become significant in the future as we continue to expand our operations and could affect our sales growth, which could, in turn, materially adversely affect our business, financial condition, results of operations or cash flows.

Risks Related to Our Employees, Executives and Franchisees

Our business could be adversely affected by difficulties in hiring and retaining top-performing employees.

Our success depends on the efforts of our employees and our ability to hire, motivate and retain qualified employees. During 2022, we experienced a higher level of turnover driven by conditions during the novel coronavirus pandemic (the “COVID-19 Pandemic”) and a more competitive labor market and wage inflation, which had an impact on our ability to retain and hire qualified employees. We have taken strategic steps to improve the retention of our labor force, which has improved sequentially since peak levels in mid-2022 and turnover levels are now at lower levels and wage inflation is moderating. There may be a small supply of qualified individuals in some of the communities in which we operate, and competition in these communities for qualified individuals could require us to pay higher wages and provide greater benefits. We devote significant resources to training our employees and strive to reduce turnover in order to keep top performing employees and better realize our investment in training new employees. However, turnover among our restaurant employees may increase. Failure to hire and retain top-performing employees could impact our financial performance by increasing our training and labor costs and reducing the quality of our customers’ experiences.

A failure to recruit, develop and retain effective leaders or the loss or shortage of personnel with key capacities and skills could impact our strategic growth plans and jeopardize our ability to meet our business performance expectations and growth targets.

Our ability to continue to grow our business depends substantially on the contributions and abilities of our executive leadership team and other key management personnel. Changes in senior management could expose us to significant changes in strategic direction and initiatives. In 2023, we hired a new Chief Financial Officer and appointed an interim Chief Executive Officer while we conduct a comprehensive search process to identify a permanent replacement. A failure to maintain appropriate organizational capacity and capability to support our strategic initiatives or to build adequate bench strength with key skill sets required for seamless succession of leadership, could jeopardize our ability to meet our business performance expectations and growth targets. If we are unable to attract, develop, retain and incentivize sufficiently experienced and capable management personnel, our business and financial results may suffer.

If we or our franchisees face labor shortages or increased labor costs, our operating results could be adversely affected.

Labor is a primary component in the cost of operating our restaurants and our success depends in part upon our and our franchisees’ ability to control labor costs and attract, motivate and retain a sufficient number of well-qualified restaurant operators and management personnel, as well as a sufficient number of other qualified employees. Qualified individuals needed to fill these positions has been and may continue to be in short supply in some geographic areas. In addition, restaurants have traditionally experienced relatively high employee turnover rates relative to other industries. If we encounter labor shortages, we have and may continue to be forced to temporarily close restaurants or reduce store hours, which could result in reduced revenue. In addition, failure to recruit and retain qualified individuals has and may continue to delay the planned openings of new restaurants. If we increased labor costs, whether because of increased competition for employees, higher employee turnover rates, increases in the federal, state or local minimum wage or other employee benefits costs (including costs associated with workers’ compensation and health insurance coverage), our operating expenses could increase. In addition, the implementation of our GM equity program to improve retention levels has increased our stock-based compensation expense during 2023 and we expect it will continue in future years.

We may be unable to increase our menu prices in order to pass these increased labor costs on to consumers, in which case our margins would be negatively affected, which could materially and adversely affect our business, financial condition, results of operations or cash flows. We have taken strategic steps to attempt to make our restaurant operations more labor-efficient, including reconfigured restaurant operations, increased off-premise offerings, and new technology and equipment, but in certain instances these may require initial investment costs and there can be no assurances that these strategies will succeed.

We may not be successful in executing our franchise strategy.

To the extent we are able to attract and identify franchisees for the franchising of existing restaurants or the development of new restaurants, our success is dependent on the performance of our franchisees in successfully operating the restaurants. Our franchisees may not achieve financial and operational objectives, and they may close existing restaurants due to underperformance or they may ultimately be unsuccessful in developing new restaurants. We may also not be able to manage our franchise system effectively. Failure to provide our franchisees with adequate support and resources could materially adversely affect these franchisees, as well as cause disputes between us and them and potentially lead to material liabilities.

When we sell restaurants to franchisees, we frequently remain liable on the related restaurant facility leases. If franchise owners default on leases that the Company remains liable on, it could result in material liabilities and negatively impact our results from operations and cash flows.

Franchisees' new unit growth is dependent in part upon borrowing incremental capital to develop new units. A high inflationary environment, and in particular continued elevated interest rates and cost of borrowings, in addition to construction cost inflation, may cause our prospective franchisees to experience high financing costs and move more deliberately than our expectations, as was the case in 2022 and 2023.

We rely in part on our franchisees, and if our franchisees cannot develop or finance new restaurants, build them on suitable sites or open them on schedule, our success may be affected.

We rely in part on our franchisees and the manner in which they operate their locations to develop and promote our business. Although we have developed criteria to evaluate and screen prospective franchisees, we cannot be certain that our franchisees will have the business acumen or financial resources necessary to operate successful franchises in their franchise areas and state franchise laws may limit our ability to terminate or modify these franchise arrangements. Moreover, despite our training, support and monitoring, franchisees may not successfully operate restaurants in a manner consistent with our standards and requirements or may not hire and train qualified managers and other restaurant personnel. The failure of our franchisees to operate their franchises successfully could have a material adverse effect on us, our reputation, our brand and our ability to attract prospective franchisees and could materially adversely affect our business, financial condition, results of operations or cash flows.

Franchisees may not have access to the financial or management resources that they need to open the restaurants contemplated by their agreements with us or be able to find suitable sites on which to develop them, or they may elect to cease development for other reasons. Franchisees may not be able to negotiate an acceptable lease or purchase terms for the sites, obtain the necessary permits and government approvals or meet construction schedules. Given the present inflationary environment, prospective franchisees may face high financing costs to develop new restaurants and may move more deliberately than our expectations, as was the case in 2022 and 2023. Any of these problems could reduce our franchise revenues.

Risks Related to Our Supply Chain and Technology

We rely heavily on information technology, and any material failure, weakness, interruption or breach of security could prevent us from effectively operating our business.

We rely heavily on information systems, including point-of-sale processing in our restaurants, for management of our supply chain, payment of obligations, collection of cash, credit and debit card transactions and other processes and procedures. We also rely on third-party vendors to provide information technology systems and to securely process and store related information, especially as it relates to credit and debit card transactions and online ordering. Our franchisees also rely on information systems and third-party vendors. In 2023, we introduced a product recommendation engine on our website and app, driven by machine learning, and rolled out digital menu boards in our restaurants, which will enable us to implement strategic pricing decisions based on our recently implemented customer data platform and third-party research. Our ability to efficiently and effectively manage our business depends significantly on the reliability and capacity of these systems. Our operations depend upon our and our franchisees', and our vendors', ability to protect computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive problems. Avoiding such incidents in the future will require us and our franchisees and vendors to continue to enhance information systems, procedures and controls and to hire, train and retain employees. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, or a breach in security of these systems could result in delays in customer service and reduce efficiency in our operations. Remediation of such problems could result in significant, unplanned capital investments and harm our business, financial condition, results of operations or cash flows.

We may be harmed by breaches of security of information technology systems or our confidential consumer, employee, financial, or other proprietary data.

We are part of an industry that is vulnerable to cyberattacks and other cybersecurity incidents. In response, we have implemented cybersecurity processes, technologies, and controls to aid in our efforts to assess, identify, and manage cybersecurity risks. Our enterprise risk management framework considers cybersecurity risk alongside other company risks as part of our overall risk assessment process. Our enterprise risk management team includes information technology and digital security functions to gather insights for assessing, identifying and managing cybersecurity threat risks, their severity, and potential mitigations.

We assess Noodles & Company's Cybersecurity program using several frameworks including the cybersecurity framework from the National Institute of Standards and Technology (NIST-CSF). This program includes policies, processes and procedures that help assess and identify our cybersecurity risks and inform how security measures and controls are developed, implemented and maintained. The risk assessment along with risk-based analysis and judgment are used to prioritize our cybersecurity initiatives. During this process, the following factors, among others, are considered: likelihood and severity of risk, impact on the Company and others if a risk materializes, feasibility and cost of controls and impact of controls on operations.

We maintain internal resources to perform penetration testing designed to simulate evolving tactics and techniques of real-world threat actors, engage with industry partners and law enforcement and intelligence communities and conduct tabletop exercises and periodic risk interviews across our business. We also engage several independent third-parties to perform internal and external penetration testing of our technology environment periodically and engage other third-parties to periodically conduct assessments of our cybersecurity processes and capabilities. In addition, we continue to expand training and awareness practices to mitigate risk from human error, including mandatory computer-based training and internal communications for employees. Our employees undergo cybersecurity awareness training and regular phishing awareness campaigns that are based upon and designed to emulate real-world contemporary threats. We provide prompt feedback (and, if necessary, additional training or remedial action) based on the results of such exercises.

We use many information technology systems throughout our operations, including systems that record and process customer sales, manage human resources and generate accounting and financial reports. For example, our restaurants use computerized management information systems, including point-of-sale computers that process customer credit card, debit card and gift card payments, and in-restaurant back office computer systems designed to assist in the management of our restaurants and provide labor and food cost management tools. Our franchisees use similar point of sale systems and are required to report business and operational data through an online reporting network. Through these systems, we have access to and store a variety of consumer, employee, financial and other types of information related to our business. We also rely on third-party vendors to provide information technology systems and to securely process and store related information. Our franchisees also use information technology systems and rely on third-party vendors. If our technology systems, or those of third-party vendors we or our franchisees rely upon, are compromised as a result of a cyber-attack (including from circumvention of security systems, denial-of-service attacks, hacking, "phishing" attacks, computer viruses, ransomware, malware, or social engineering) or other external or

internal methods, it could materially adversely affect our reputation, business, financial condition, results of operations or cash flows.

The cyber risks we face range from cyber-attacks common to most industries to attacks that target us due to the confidential consumer information we obtain through our electronic processing of credit and debit card transactions. Like others in our industry, we have experienced many attempts to compromise our information technology and data, including a successful attempt in 2016 that we have discussed in previous filings, and we may experience more attempts in the future. In addition to property and casualty insurance, which may cover restoration of data, certain physical damage or third-party injuries, we have cybersecurity insurance related to a breach event. However, damage and claims arising from such incidents may not be covered or may exceed the amount of any available insurance.

Because cyber-attacks take many forms, change frequently, are becoming increasingly sophisticated, and may be difficult to detect for significant periods of time, we may not be able to respond adequately or timely to future cyber-attacks. If we or our franchisees, or third-party vendors, were to experience a material breach resulting in the unauthorized access, use, or destruction of our information technology systems or confidential consumer, employee, financial, or other proprietary data, it could negatively impact our reputation, reduce our ability to attract and retain customers and employees and disrupt the implementation and execution of our strategic goals. Moreover, such breaches could result in a violation of various privacy-related laws, including the various state specific privacy laws and subject us to investigations or private litigation, which, in turn, could expose us to civil or criminal liability, fines and penalties imposed by state and federal regulators, claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, compromised security and information systems, failure of our employees to comply with applicable laws, the unauthorized acquisition or use of such information by third parties, or other similar claims, and various costs associated with such matters.

We rely heavily on certain vendors, suppliers and distributors, which could adversely affect our business.

Our ability to maintain consistent price, quality and safety throughout our restaurants depends in part upon our ability to acquire specified food products and supplies in sufficient quantities from third-party vendors, suppliers and distributors at a reasonable cost. We do not control the businesses of our vendors, suppliers and distributors and our efforts to specify and monitor the standards under which they perform may not be successful. Furthermore, certain food items are perishable, and we have limited control over whether these items will be delivered to us in appropriate condition for use in our restaurants. If any of our distributors or suppliers perform inadequately, or our distribution or supply relationships are disrupted for any reason, our business, financial condition, results of operations or cash flows could be materially adversely affected. If we cannot replace or engage distributors or suppliers who meet our specifications in a short period of time, including any suppliers who are a sole source of supply of a particular ingredient, that could increase our expenses and cause shortages of food and other items at our restaurants, which could cause a restaurant to remove items from its menu. If that were to happen, affected restaurants could experience significant reductions in sales during the shortage or thereafter, especially if customers change their dining habits as a result. Our focus on a limited menu would make the consequences of a shortage of a key ingredient more severe. In addition, because we provide moderately priced food, we may choose not to, or may be unable to, pass along commodity price increases to consumers. These potential changes in food and supply costs could materially adversely affect our business, financial condition, results of operations or cash flows.

During 2022, certain vendors experienced staffing pressures and raw material availability that impacted their ability to supply and distribute our food ingredients in a timely and cost-effective manner. Despite the disruption within our vendor base, we did not experience a significant impact in our ability to supply the necessary food ingredients to our restaurants. However, several food ingredients, including chicken, experienced significant inflation predominantly in the second and third quarters of 2022, resulting in higher cost of food. We did not experience any significant supply chain disruptions in 2023.

In addition, we use various third-party vendors to provide, support and maintain most of our management information systems. We also outsource certain accounting, payroll and human resource functions to business process service providers. The failure of such vendors to fulfill their obligations could disrupt our operations. Any changes we may make to the services we obtain from our vendors, or new vendors we employ, may disrupt our operations. These disruptions could materially adversely affect our business, financial condition, results of operations or cash flows. For example, during 2023 our point of sale provider and food ordering vendors experienced temporary system outages. Future outages could lead to greater disruption to our operations.

We also partner with various third-party vendors to deliver our food. If any of our delivery vendors perform inadequately, or our delivery relationships are disrupted for any reason, our business, financial condition, results of operations or cash flows could be materially adversely affected.

Our ability to continue to expand our digital business, delivery orders, and catering is uncertain, and these business lines are subject to risks.

Our revenue from digital orders increased significantly during 2020, especially in response to changing customer habits resulting from the COVID-19 Pandemic. Digital orders as a percentage of total revenue have remained fairly consistent at over 50% throughout 2022 and 2023. We experienced 37% growth in our catering business from 2022 to 2023. In response to these trends, we have promoted our digital business through our rewards program, partnered with third-party delivery companies, and have developed new-store concepts with reduced indoor-seating, pick-up shelves, and order-ahead drive-thru windows. However, this growth rate may not be sustainable, or our digital business may decline, especially as safety concerns regarding the COVID-19 Pandemic have lessened and consumer preferences may eventually shift back to in-person dining. If our digital business does not continue to expand it may be difficult for us to achieve our planned sales growth and utilize our digital-order focused assets.

We rely on third-party providers to fulfill delivery orders, and the ordering and payment platforms used by these third parties, or our mobile app or online ordering system, could be damaged or interrupted by technological failures, user errors, cyber-attacks or other factors, which may materially adversely impact our sales through these channels and could negatively impact our brand. Additionally, our delivery partners are responsible for order fulfillment and may make errors or fail to make timely deliveries, leading to customer disappointment that may negatively impact our brand. We also incur additional costs associated with using third-party service providers to fulfill these digital orders and the costs of delivery may have a material adverse impact on restaurant level margins. Moreover, the third-party restaurant delivery business is intensely competitive, with a number of players competing for market share, online traffic, capital, and delivery drivers and other people resources. The third-party delivery services with which we work may struggle to compete effectively, and if they were to cease or curtail operations, or fail to provide timely delivery services in a cost-effective manner, or if they give greater priority on their platforms to our competitors, our delivery business may be negatively impacted. Delivery and catering offerings also increase the risk of illnesses associated with our food because the food is transported and/or served by third parties in conditions we cannot control.

Changes in food and supply costs could adversely affect our results of operations.

Our profitability depends in part on our ability to anticipate and react to changes in food and supply costs. Shortages or interruptions in the availability of certain supplies caused by seasonal fluctuations, unanticipated demand, problems in production or distribution, food contamination, product recalls, government regulations, inclement weather or other conditions could materially adversely affect the availability, quality and cost of our ingredients, which could harm our operations. Weather related issues, such as freezes, heavy rains or drought, may also lead to temporary spikes in the prices of some ingredients such as produce or meats. Increasing weather volatility or other long-term changes in global weather patterns, including any changes associated with global climate change, could have a significant impact on the price, availability and timing of delivery of some of our ingredients. In addition, at certain times of the year a substantial volume of our produce items is imported from Mexico and other countries. Any new or increased import duties, tariffs or taxes, or other changes in U.S. trade or tax policy, could result in higher food and supply costs. Any increase in the prices of the food products most critical to our menu, such as pasta, beef, chicken, wheat flour, cheese and other dairy products, tofu and vegetables, could materially adversely affect our operating results, especially if we are unable to increase our menu prices in order to pass these increased costs on to consumers.

In 2022, the cost of several of our food ingredients increased as a result of inflation in many commodities, particularly chicken. As a result, specifically for our chicken purchases, we entered into temporary formula pricing contracts with our vendors and were susceptible to fluctuations in the commodities markets. While we saw material market improvement in chicken and other food ingredients in 2023, if food inflation in the chicken market or any other food ingredient were to persist, our financial condition and business operations could be severely impacted. We have, and expect to continue to, enter into fixed-based pricing agreements for certain food ingredients to reduce our exposure to cost increases, but there can be no guarantee that we will be able to do so on favorable terms or at all.

Our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media could have an adverse effect on our business.

There has been a widespread and dramatic increase in the use of social media platforms that allow users to access a broad audience of consumers and other interested persons. The availability of information on social media can be virtually immediate, as can its impact, and users of many social media platforms can post information without filters or checks on the accuracy of the content posted. Adverse information concerning our restaurants or brand, including user reviews, whether accurate or inaccurate, may be posted on such platforms at any time and can quickly reach a wide audience. The resulting harm to our reputation may be immediate, without affording us an opportunity to correct or otherwise respond to the information, and it is challenging to monitor and anticipate developments on social media in order to respond in an effective and timely manner.

In addition, although search engine marketing, social media and other new technological platforms offer great opportunities to increase awareness of and engagement with our restaurants and brand, our failure to use social media effectively in our marketing efforts may further expose us to the risks associated with the accelerated impact of social media. Many of our competitors are expanding their use of social media and the social media landscape is rapidly evolving, potentially making more traditional social media platforms obsolete. As a result, we need to continuously innovate and develop our social media strategies in order to maintain broad appeal with guests and brand relevance, and we may not do so effectively. A variety of additional risks associated with our use of social media include the possibility of improper disclosure of proprietary information, exposure of personally identifiable information of our employees or guests, fraud, or the publication of out-of-date information, any of which may result in material liabilities or reputational damage. Furthermore, any inappropriate use of social media platforms by our employees could also result in negative publicity that could materially damage our reputation or lead to litigation that materially increases our costs.

New technologies or changes in consumer behavior facilitated by these technologies could negatively affect our business.

Advances in technologies or certain changes in consumer behavior driven by such technologies could impact the manner in which meals are marketed, prepared, ordered and delivered. We may pursue certain of those technologies, but consumers may not accept them, or we may fail to successfully integrate them into our operations, thereby harming our financial performance. In addition, our competitors, some of whom have more resources than us, may be more effective at responding to such advances in technologies and erode our competitive position.

Legal, Accounting, and Regulatory Risks

Changes to estimates related to our property, fixtures and equipment or operating results that are lower than our current estimates at certain restaurant locations may cause us to incur impairment charges on certain long-lived assets, which may materially adversely affect our results of operations.

In accordance with accounting guidance as it relates to the impairment of long-lived assets, we make certain estimates and projections with regard to individual restaurant operations, as well as our overall performance, in connection with our impairment analyses for long-lived assets. When impairment triggers are deemed to exist for any location, the estimated undiscounted future cash flows are compared to its carrying value. If the carrying value exceeds the undiscounted cash flows, an impairment charge equal to the difference between the carrying value and the fair value is recorded. The projections of future cash flows used in these analyses require the use of judgment and a number of estimates and projections of future operating results. If actual results differ from our estimates, additional charges for asset impairments may be required in the future. Over the past several years we have recognized significant impairment charges and if future impairment charges continue to be significant, this could have a material adverse effect on our business or results of operations.

Failure of our internal control over financial reporting could adversely affect our business and financial results.

Our management is responsible for establishing and maintaining effective internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a material misstatement of our financial statements or fraud. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud. The identification of a material weakness could indicate a

lack of controls adequate to generate accurate financial statements that, in turn, could cause a loss of investor confidence and decline in the market price of our common stock. We may not be able to timely remediate any material weaknesses that may be identified in future periods or maintain all of the controls necessary for continued compliance. Likewise, we cannot assure you that we will be able to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly traded companies.

Governmental regulation may adversely affect our ability to open new restaurants or otherwise adversely affect our business, financial condition, results of operations or cash flows.

We are subject to various federal, state and local regulations, including those relating to building and zoning requirements and those relating to the preparation and sale of food. Our restaurants are also subject to state and local licensing and regulation by health, sanitation, food and occupational safety and other agencies. We may experience material difficulties or failures in obtaining the necessary licenses, approvals or permits for our restaurants, which could delay planned restaurant openings or affect the operations at our existing restaurants. In addition, stringent and varied requirements of local regulators with respect to zoning, land use and environmental factors could delay or prevent development of new restaurants in particular locations.

We are subject to the Americans with Disabilities Act and similar state laws that give civil rights protections to individuals with disabilities in the context of employment, public accommodations and other areas, including our restaurants. We may in the future have to modify restaurants, for example, by adding access ramps or redesigning certain architectural fixtures, to provide service to or make reasonable accommodations for disabled persons. The expenses associated with these modifications could be material.

Our operations are also subject to the U.S. Occupational Safety and Health Act, which governs worker health and safety, the U.S. Fair Labor Standards Act, which governs such matters as minimum wages and overtime and a variety of similar federal, state and local laws that govern these and other employment law matters. In addition, federal, state and local proposals have been made related to paid sick leave and similar matters. Changes in these laws or implementation of new proposals could materially adversely affect our business, financial condition, results of operations or cash flows.

Our franchising activities are subject to federal rules and regulations administered by the U.S. Federal Trade Commission and laws enacted by a number of states. In particular, we are subject to federal and state laws regulating the offer and sale of franchises, as well as judicial and administrative interpretations of such laws. Such laws impose registration and disclosure requirements on franchisors in the offer and sale of franchises and may also apply substantive standards to the relationship between franchisor and franchisee, including limitations on the ability of franchisors to terminate franchises and alter franchise arrangements. Failure to comply with new or existing franchise laws, rules, and regulations in any jurisdiction or to obtain required government approvals could negatively affect our ability to grow or expand our franchise business and sell franchises.

Changes in employment laws may adversely affect our business.

Various federal and state labor laws govern the relationship with our employees and affect labor and operating costs. These laws include employee classification as exempt/non-exempt for overtime and other purposes, minimum wage requirements, unemployment tax rates, workers' compensation rates, mandatory health benefits, immigration status and other wage and benefit requirements. Some jurisdictions, including some of those in which we operate, have recently increased their minimum wage by a significant amount, and other jurisdictions are considering similar actions, which may increase our labor costs. Significant additional government-imposed increases in the following areas could materially affect our business, financial condition, operating results or cash flow: overtime rules; mandatory health benefits; vacation accruals; paid leaves of absence, including paid sick leave; and tax reporting.

Immigration laws have recently been an area of considerable focus by the Department of Homeland Security, with enforcement operations taking place across the country, resulting in arrests, detentions and deportation of unauthorized workers. Some of these changes and enforcement programs may increase our obligations for compliance and oversight, which could subject us to additional costs and make our hiring process more cumbersome or reduce the availability of potential employees. Although we require all workers to provide us with government-specified documentation evidencing their employment eligibility, some of our employees may, without our knowledge, be unauthorized workers. Unauthorized workers are subject to deportation and may subject us to fines or penalties, and if any of our workers are found to be unauthorized we could experience adverse publicity that negatively impacts our brand and may make it more difficult to hire and keep qualified employees. Termination of a significant number of employees who were unauthorized employees may disrupt our operations, cause temporary increases in our labor costs as we train new employees and result in additional adverse publicity. We could also become subject to fines, penalties and other

costs related to claims that we did not fully comply with all recordkeeping obligations of federal and state immigration compliance laws. These factors could materially adversely affect our business, financial condition, results of operations or cash flows.

New information or attitudes regarding diet and health could result in changes in regulations and consumer consumption habits that could adversely affect our results of operations.

Regulations and consumer eating habits may change as a result of new information or attitudes regarding diet, health and safety. Such changes may include federal, state and local regulations and recommendations from medical and diet professionals pertaining to the ingredients and nutritional content of the food and beverages we offer. The success of our restaurant operations is dependent, in part, upon our ability to effectively respond to changes in any consumer health regulations and our ability to adapt our menu offerings to trends in food consumption. If consumer health regulations or consumer eating habits change significantly, we may choose or be required to modify or remove certain menu items, which may cause us to incur costs to implement those changes and may materially adversely affect the appeal of our menu to new or returning customers. To the extent we are unwilling or unable to respond with appropriate changes to our menu offerings, it could materially affect consumer demand and could have a material adverse impact on our business, financial condition, results of operations or cash flows.

Government regulation and consumer eating habits may impact our business as a result of changes in attitudes regarding diet and health or new information regarding the adverse health effects of consuming certain menu offerings. As discussed in Part I, “Business-Governmental Regulation and Environmental Matters” of this 10-K, these changes have resulted in, and may continue to result in, laws and regulations requiring us to disclose the nutritional content of our food offerings, and they have resulted, and may continue to result in, laws and regulations affecting permissible ingredients and menu offerings. Inconsistencies among state laws with respect to presentation of nutritional content could be challenging for us to comply with in an efficient manner. The Patient Protection and Affordable Care Act also requires covered restaurants to provide to consumers, upon request, a written summary of detailed nutritional information for each standard menu item, and to provide a statement on menus and menu boards about the availability of this information upon request. An unfavorable report on, or reaction to, our menu ingredients, the size of our portions or the nutritional content of our menu items could negatively influence the demand for our offerings.

Compliance with current and future laws and regulations regarding the ingredients and nutritional content of our menu items may be costly and time-consuming. The risks and costs associated with nutritional disclosures on our menus could also impact our operations, particularly given differences among applicable legal requirements and practices within the restaurant industry with respect to testing and disclosure, ordinary variations in food preparation among our own restaurants and the need to rely on the accuracy and completeness of nutritional information obtained from third-party suppliers.

We may not be able to effectively respond to changes in consumer health and safety perceptions or to successfully implement the nutrient content disclosure requirements and adapt our menu offerings to trends in eating habits. The imposition of additional menu labeling laws could materially adversely affect our business, financial condition, results of operations or cash flows, as well as our position within the restaurant industry in general.

We may not be able to adequately protect our intellectual property, which could harm the value of our brand and could adversely affect our business.

Our intellectual property is material to the conduct of our business and our marketing efforts. Our ability to implement our business plan successfully depends in part on our ability to further build brand recognition using our trademarks, service marks, trade dress and other proprietary intellectual property, including our name and logos and the unique ambiance of our restaurants. While it is our policy to protect and defend vigorously our rights to our intellectual property, we cannot predict whether steps taken by us to protect our intellectual property rights will be adequate to prevent misappropriation of these rights or the use by others of restaurant features based upon, or otherwise similar to, our concept. It may be difficult for us to prevent others from copying elements of our concept and any litigation to enforce our rights will likely be costly and may not be successful. Although we believe that we have sufficient rights to all of our trademarks and service marks, we may face claims of infringement that could interfere with our ability to market our restaurants and promote our brand. Any such litigation may be costly and divert resources from our business. Moreover, if we are unable to successfully defend against such claims, we may be prevented from using our trademarks or service marks in the future, may be liable for damages and may have to change our marketing efforts, which in turn could materially adversely affect our business, financial condition, results of operations or cash flows.

We could be party to litigation that could adversely affect us by distracting management, increasing our expenses or subjecting us to material money damages and other remedies.

Our customers occasionally file complaints or lawsuits against us alleging we caused an illness or injury they suffered at or after a visit to our restaurants, or that we have problems with food quality or operations. These kinds of complaints or lawsuits may be more common in a period in which the public is focused on health safety issues, or may attract more attention due to publication on various social media outlets. We are also subject to a variety of other claims arising in the ordinary course of our business, including personal injury claims, contract claims and claims alleging violations of federal and state law regarding workplace and employment matters, equal opportunity, discrimination and similar matters and we could become subject to class action or other lawsuits related to these or different matters in the future. In addition, the restaurant industry has from time to time been subject to claims based on the nutritional content of food products sold and disclosure and advertising practices. We may also become subject to various employee and workplace litigation, including claims related to discrimination, harassment, workplace safety, medical and family leave, and wage-and-hour issues.

Regardless of whether any claims against us are valid, or whether we are ultimately held liable, claims may be expensive to defend and may divert time and money away from our operations and hurt our performance. A judgment in excess of our insurance coverage for any claims could materially adversely affect our financial condition or results of operations. Any adverse publicity resulting from these allegations, even if proven to be false, may also materially adversely affect our reputation or prospects, which in turn could materially adversely affect our business, financial condition, results of operations or cash flows.

Our business is subject to evolving corporate governance and public disclosure regulations and expectations, including with respect to environmental, social and governance matters, that could expose us to numerous risks.

We are subject to changing rules and regulations promulgated by a number of governmental and self-regulatory organizations, including the SEC, the Nasdaq Stock Market and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity and many new requirements have been created in response to recently enacted laws, making compliance more difficult and uncertain. In addition, increasingly regulators, customers, investors, employees and other stakeholders are focusing on environmental, social and governance (“ESG”) matters and related disclosures. Within our industry, concerns have been expressed regarding energy management, water management, food and packaging waste management, food safety, nutritional content, labor practices and supply chain and management of food sourcing. These changing rules, regulations and stakeholder expectations have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting such regulations and expectations. For example, developing and acting on initiatives within the scope of ESG, and collecting, measuring and reporting ESG related information and metrics can be costly, difficult and time consuming and is subject to evolving reporting standards, including the SEC’s recently proposed climate-related reporting requirements. We may also communicate certain initiatives and goals, regarding environmental matters, diversity, responsible sourcing and social investments and other ESG related matters, in our SEC filings or in other public disclosures. These initiatives and goals within the scope of ESG could be difficult and expensive to implement, the technologies needed to implement them may not be cost effective and may not advance at a sufficient pace, and we could be criticized for the accuracy, adequacy or completeness of the disclosure. In addition, we could be criticized for the scope or nature of such initiatives or goals, or for any revisions to these goals. If our ESG-related data, processes and reporting are incomplete or inaccurate, or if we fail to achieve progress with respect to our goals within the scope of ESG on a timely basis, or at all, our reputation, business, financial performance and growth could be adversely affected.

Risks Related to Our Common Stock and Debt Financing

Our quarterly operating results may fluctuate significantly and could fall below the expectations of securities analysts and investors due to seasonality and other factors, some of which are beyond our control, resulting in a decline in our stock price.

Our quarterly operating results may fluctuate significantly because of several factors, including but not limited to: increases and decreases in average unit volumes and comparable restaurant sales; profitability of our restaurants; labor availability and costs for hourly and management personnel; changes in interest rates; macroeconomic conditions, both nationally and locally; negative publicity relating to the consumption of products we serve; changes in consumer preferences and competitive conditions; impairment of long-lived assets and any loss on and exit costs associated with restaurant closures; expansion to new markets; the timing of new restaurant openings and related expense; restaurant operating costs for our newly-opened restaurants; increases in infrastructure costs; and fluctuations in commodity prices. During 2023, we experienced lower comparable sales, lower operating income and a decline in our stock price.

Seasonal factors, particularly weather disruptions, and the timing of holidays also cause our revenue to fluctuate from quarter to quarter. Our revenue per restaurant is typically lower in the first and fourth quarters due to reduced winter and holiday traffic and higher in the second and third quarters. As a result of these factors, our quarterly and annual operating results and comparable restaurant sales may fluctuate significantly. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year and comparable restaurant sales for any particular future period may decrease. In the future, operating results may fall below the expectations of securities analysts and investors. In that event, the price of our common stock would likely decrease.

Future sales of our common stock, or the perception that such sales may occur, could depress our common stock price.

Sales of a substantial number of shares of our common stock in the public market, or the perception that such sales may occur, could depress the market price of our common stock. Our amended and restated certificate of incorporation authorizes us to issue up to 180,000,000 shares of Class A common stock and Class B common stock. As of January 2, 2024, we have 44,989,714 outstanding shares of Class A common stock and no outstanding shares of Class B common stock. In addition, as of such date, approximately 3,500,591 shares of Class A common stock are issuable upon the exercise of outstanding stock options and the vesting of restricted stock units. Moreover, as of that date, approximately 3.8 million shares of our common stock are available for future grants under our stock incentive plan and for future purchase under our employee stock purchase plan.

Provisions in our organizational documents and Delaware law may delay or prevent our acquisition by a third party.

Our amended and restated certificate of incorporation, our second amended and restated bylaws and Delaware law each contain several provisions that may make it more difficult for a third party to acquire control of us without the approval of our Board of Directors. For example, we have a classified Board of Directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our Board of Directors. These provisions may make it more difficult or expensive for a third party to acquire a majority of our outstanding equity interests. These provisions also may delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the market price for their common stock.

Our credit facility has variable interest rates and increases in or sustained high interest rates could continue to result in high borrowing costs.

Our Amended and Restated Credit Facility has a variable interest rate equal to the Secured Overnight Financing Rate (“SOFR”) plus a margin of 1.75% to 3.00% per annum, based upon the consolidated total lease adjusted leverage ratio. Interest rates may rise in the future due to inflation or other causes. Interest rates have remained high during 2022 and 2023. As a result, the costs of servicing our variable interest rate debt have and could increase again even if the amount borrowed under such credit facility remains the same. Increased servicing costs could adversely affect our business, financial condition, results of operations or cash flows. During 2023, we amended our credit agreement which resulted in, among other things, an increase in our borrowing rates.

We may be unable to negotiate favorable borrowing terms, and any additional capital we may require could be senior to existing equity holders, dilute existing equity holders or include unfavorable restrictions.

As a general matter, operating and developing our business requires significant capital. Our credit agreement ends in 2027 and securing access to credit on reasonable terms thereafter will require us to extend or refinance such agreement. In addition, in order to pursue our business and operational strategies, we may need additional sources of liquidity in the future and it may be difficult or impossible at such time to increase our liquidity. Our lenders may not agree to amend our credit agreement at such time to increase our borrowing capacity. Further, our requirements for additional liquidity may coincide with periods during which we are not in compliance with covenants under our credit agreement and our lenders may not agree to further amend our credit agreement to accommodate such non-compliance. Even if we are able to access additional liquidity, agreements governing any borrowing arrangement could contain covenants restricting our operations. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing we secure in the future could involve higher interest rates, especially given the current inflationary environment, and restrictive covenants relating to our capital-raising activities and other financial and operational matters, which might make it more difficult for us to obtain additional capital and to pursue business opportunities. Moreover, if we issue new debt securities, the debt holders would have rights senior to common stockholders to make claims on our assets. In the fourth quarter of 2023, we amended our credit agreement which resulted in an increase in our borrowing rates and modifications to both the Fixed Charge and Consolidated Total Lease Adjusted Leverage ratios and restrictions related to new restaurant growth.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 1C. Cybersecurity

In the ordinary course of our business, we collect, store and transmit sensitive information including intellectual property, proprietary business information and personal information in connection with business operations. Additionally, we leverage our third-party vendors to collect, use, store, and transmit confidential, sensitive, proprietary, personal, and health-related information. The secure maintenance of this information and our information technology systems is important to our operations and business strategy. To this end, we have implemented processes designed to assess, identify, and manage risks from potential unauthorized occurrences on or through our information technology systems that may result in adverse effects on the confidentiality, integrity, and availability of these systems and the data residing therein. These processes are managed and monitored by a dedicated information technology team, which is led by our Executive Vice President of Technology, and include mechanisms, controls, technologies, systems, and other processes designed to prevent or mitigate data loss, theft, misuse, or other security incidents or vulnerabilities affecting the data and maintain a stable information technology environment. For example, we constantly monitor our information technology environment for abnormal behavior, conduct penetration and vulnerability testing, data recovery testing, security audits, and ongoing risk assessments, including due diligence on our key technology vendors and other third-party service providers that have access to the personal information we collect, use, store, and transmit. We leverage standard industry tools from a software and hardware perspective and maintain a cybersecurity risk insurance policy. We also conduct periodic employee trainings on cyber and information security, among other topics. In addition, we consult with outside advisors and experts on a regular basis to assist with assessing, identifying, and managing cybersecurity risks, including to anticipate future threats and trends, and their impact on the Company's risk environment.

Our Executive Vice President of Technology, who reports directly to the Chief Executive Officer and has over 16 years of experience managing information technology and cybersecurity matters, together with our senior leadership team, is responsible for assessing and managing cybersecurity risks. We consider cybersecurity, along with other significant risks that we face, within our overall enterprise risk management framework. In the last fiscal year, we have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected us, but we face certain ongoing cybersecurity risks threats that, if realized, are reasonably likely to materially affect us. Additional information on cybersecurity risks we face is discussed in Part I, Item 1A, "Risk Factors," under the heading "We may be harmed by breaches of security of information technology systems or our confidential consumer, employee, financial, or other proprietary data."

The Board of Directors, as a whole and at the committee level, has oversight for the most significant risks facing us and for our processes to identify, prioritize, assess, manage, and mitigate those risks. The Audit Committee, which is comprised solely of independent directors, has been designated by our Board to oversee cybersecurity risks. The Audit Committee receives periodic updates on cybersecurity, including immediate notification of any material cybersecurity events, and information technology matters and related risk exposures from our Executive Vice President of Technology as well as other members of the senior leadership team. The Board receives updates from management and the Audit Committee on cybersecurity risks.

ITEM 2. Properties

As of January 2, 2024, we and our franchisees operated 470 restaurants in 31 states. Our restaurants are typically between 2,000 and 2,600 square feet and are located in a variety of suburban, collegiate and urban markets. We lease the property for our central support office and all of the properties on which we operate restaurants. The chart below shows the locations of our company-owned and franchised restaurants as of January 2, 2024.

<u>State</u>	<u>Company-owned</u>	<u>Franchised</u>	<u>Total</u>
Arizona	7	—	7
California	—	14	14
Colorado	57	—	57
Connecticut	—	5	5
Florida	—	6	6
Idaho	6	—	6
Illinois	53	5	58
Indiana	23	1	24
Iowa	9	1	10
Kansas	9	—	9
Kentucky	1	4	5
Maryland	22	—	22
Michigan	—	21	21
Minnesota	45	1	46
Missouri	3	6	9
Montana	—	2	2
Nebraska	—	5	5
Nevada	1	—	1
New York	2	—	2
North Carolina	8	4	12
North Dakota	—	5	5
Ohio	19	—	19
Oregon	6	—	6
Pennsylvania	10	—	10
South Carolina	—	1	1
South Dakota	—	2	2
Tennessee	—	4	4
Utah	17	—	17
Virginia	27	—	27
Washington	1	—	1
Wisconsin	54	3	57
	380	90	470

We are obligated under non-cancelable leases for our restaurants and our central support office. Our restaurant leases generally have initial terms of 10 years with two or more five-year renewal options. Our restaurant leases may require us to pay a proportionate share of real estate taxes, insurance, common area maintenance charges and other operating costs.

ITEM 3. Legal Proceedings

In the normal course of business, the Company is subject to other proceedings, lawsuits and claims. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, the Company is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of January 2, 2024. These matters could affect the operating results of any one financial reporting period when resolved in future periods. The Company believes that an unfavorable outcome with respect to these matters is remote or a potential range of loss is not material to its consolidated financial statements. Significant increases in the number of these claims, or one or more successful claims that result in greater liabilities than the Company currently anticipates, could materially and adversely affect its business, financial condition, results of operations or cash flows.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Class A common stock trades on the Nasdaq Global Select Market under the symbol NDLS. As of March 1, 2024, there were approximately 168 holders of record of our common stock. The number of holders of record is based upon the actual numbers of holders registered at such date and does not include holders of shares in “street name” or persons, partnerships, associates, corporations or other entities in security position listings maintained by depositories.

Purchases of Equity Securities by the Issuer

We had no share repurchases during the fourth quarter of 2023.

Sales of Unregistered Securities by the Issuer

We sold no unregistered securities that have not been previously included in a Quarterly Report on Form 10-Q or in a Current Report on Form 8-K.

Dividends

No dividends have been declared or paid on our shares of common stock. We do not anticipate paying any cash dividends on any of our shares of common stock in the foreseeable future. We currently intend to retain any earnings to reduce outstanding debt and finance the development and expansion of our business. Any future determination to pay dividends will be at the discretion of our Board of Directors and will be dependent upon then-existing conditions, including our earnings, capital requirements, results of operations, financial condition, business prospects and other factors that our Board of Directors considers relevant. Further, our credit facility and warrants each contain provisions that limit our ability to pay dividends on our common stock. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Certain Relationships and Related Transactions, and Director Independence” for additional information regarding our financial condition.

ITEM 6. [Reserved]

ITEM 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included in Item 8. “Financial Statements and Supplementary Data.” This section of the Form 10-K generally discusses 2023 and 2022 items and year-to-year comparisons of 2023 to 2022. Discussions of 2021 items and year-to-year comparisons of 2022 and 2021 that are not included in this Form 10-K can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 on our Annual Report on Form 10-K for the year ended January 3, 2023. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those discussed in Item 1A. “Risk Factors” and elsewhere in this report.

We operate on a 52- or 53-week fiscal year ending on the Tuesday closest to December 31. Fiscal year 2023, which ended on January 2, 2024 contained 52 weeks. Fiscal year 2022, which ended on January 3, 2023 contained 53 weeks. We refer to our fiscal years as 2023 and 2022. Our fiscal quarters each contained 13 operating weeks, with the exception of the fourth fiscal quarter of 2022 which contained 14 operating weeks.

Overview

Noodles & Company is a restaurant concept offering lunch and dinner within the fast-casual segment of the restaurant industry. We opened our first location in 1995, offering noodle and pasta dishes, staples of many different cuisines, with the goal of delivering fresh ingredients and flavors from around the world under one roof. Today, our globally-inspired menu includes a wide variety of high quality, cooked-to-order dishes, including noodles and pasta, soups, salads and appetizers. We believe we offer our customers value with per person spend of \$13.21 in 2023.

Recent Trends, Risks and Uncertainties

Comparable Restaurant Sales. In fiscal 2023, system-wide comparable restaurant sales decreased 1.9%, comprised of a 2.0% decrease for company-owned restaurants and a 1.1% decrease for franchise restaurants. During 2022 and in the beginning of 2023, we implemented greater menu price increases relative to historical years as a result of meaningful inflation in our cost of food, wages and general restaurant expenses. During 2023, we saw a decline in restaurant level traffic, and correspondingly in total revenue, that we believe was at least partially due to consumer response to our recent price increases. We have taken actions to address this response including moderating the level of price increases and offering value oriented options, but there is no guarantee these actions will ultimately be successful and we cannot predict the extent and duration of this decline.

Cost of Sales. In recent years, we incurred incremental costs of sales driven by volatility in the commodity and food ingredients markets, particularly with our chicken products, in addition to an increase in packaging costs and distribution. However, in 2023, the commodity markets underlying our cost of food improved substantially, particularly in regards to the price of chicken. Throughout these periods of volatility, we have continued to work with our suppliers for ongoing supply chain efficiencies, including managing food waste and adding additional suppliers as necessary.

Labor Costs. Similar to much of the restaurant industry, our base labor costs have risen in recent years. In 2023, wage inflation decelerated as we progressed throughout the year. However, we continue to see a highly competitive environment for restaurant workers. We have been able to partially mitigate the impact of these market factors through a continued focus on our hiring process and retaining existing employees, in addition to maximizing efficiencies of labor hour usage per restaurant.

Other Restaurant Operating Costs. We have and expect to continue to incur additional third-party delivery fees resulting from a significant expansion of our use of third-party delivery services. In addition, during 2023 we increased marketing expenses related primarily to digital advertising.

Restaurant Development. In 2023, we opened eighteen company-owned restaurants. As of January 2, 2024, we had 380 company-owned restaurants and 90 franchise restaurants in 31 states. In 2024, we plan to open 10-12 new company-owned restaurants.

Certain Restaurant Closures. We closed six and five company-owned restaurants in 2023 and 2022, respectively, most of which were at or approaching the expiration of their leases. We currently do not anticipate significant restaurant closures for the

foreseeable future; however, we may from time to time close certain restaurants, including closures at, or near, the expiration of their leases.

Impairment of Long-lived Assets. We impaired two restaurants in 2023 and four restaurants in 2022. Impairment is based on our current assessment of the expected future cash flows of various restaurants based on recent results and other specific market factors.

Key Measures We Use to Evaluate Our Performance

To evaluate the performance of our business, we utilize a variety of financial and performance measures. These key measures include revenue, comparable restaurant sales, average unit volumes (“AUVs”), EBITDA and adjusted EBITDA. EBITDA and adjusted EBITDA are non-GAAP financial measures.

Revenue

Revenue includes both restaurant revenue and franchise royalties and fees. Restaurant revenue represents sales of food and beverages in company-owned restaurants. Several factors affect our restaurant revenue in any period, including the number of restaurants in operation and per-restaurant sales.

Franchise royalties and fees represent royalty income and initial franchise fees. While we expect that the majority of our revenue and net income growth will be driven by company-owned restaurants, our franchise restaurants remain an important factor impacting our revenue and financial performance.

Seasonal factors cause our revenue to fluctuate from quarter to quarter. Our revenue per restaurant is typically lower in the first and fourth quarters due to reduced winter and holiday traffic and is typically higher in the second and third quarters. As a result of these factors, our quarterly and annual operating results and comparable restaurant sales may fluctuate.

Comparable Restaurant Sales

Comparable restaurant sales refer to year-over-year sales comparisons for the comparable restaurant base. We define the comparable restaurant base to include restaurants open for at least 18 full periods. As of the end of 2023, 2022 and 2021, there were 355, 347 and 359 restaurants, respectively, in our comparable restaurant base for company-owned locations. This measure highlights performance of existing restaurants, as the impact of new restaurant openings is excluded. Restaurants that were temporarily closed or operating at reduced hours and dining capacity due to the COVID-19 Pandemic remained in comparable restaurant sales. Changes in comparable restaurant sales are generated by changes in traffic, which we calculate as the number of entrées sold, and changes in per-person spend, calculated as sales divided by traffic. Per-person spend can be influenced by changes in menu prices and the mix and number of items sold per person.

Measuring our comparable restaurant sales allows us to evaluate the performance of our existing restaurant base. Various factors impact comparable restaurant sales, including, but not limited to:

- consumer recognition of our brand and our ability to respond to changing consumer preferences;
- overall economic trends, particularly those related to consumer spending;
- our ability to operate restaurants effectively and efficiently to meet consumer expectations;
- pricing;
- the number of restaurant transactions, per-person spend and average check amount;
- marketing and promotional efforts;
- abnormal weather patterns;
- food safety and foodborne illness concerns;
- the impact of health pandemics;

- competition;
- trade area dynamics;
- introduction of new and seasonal menu items and limited time offerings; and
- opening new restaurants in the vicinity of existing locations.

Consistent with common industry practice, we present comparable restaurant sales on a calendar-adjusted basis that aligns current year sales weeks with comparable periods in the prior year, regardless of whether they belong to the same fiscal period or not. Since opening new company-owned and franchise restaurants is a part of our long-term growth strategy and we anticipate new restaurants will be a component of our long-term revenue growth, comparable restaurant sales is only one measure of how we evaluate our performance.

Average Unit Volumes

AUVs consist of the average annualized sales of all company-owned restaurants for a given time period. AUVs are calculated by dividing restaurant revenue by the number of operating days within each time period and multiplying by the number of operating days we have in a typical year. Based on this calculation, temporarily closed restaurants are excluded from the definition of AUV, however restaurants with temporarily reduced operating hours are included. This measurement allows management to assess changes in consumer traffic and per person spending patterns at our restaurants. In addition to the factors that impact comparable restaurant sales, AUVs can be further impacted by effective real estate site selection and maturity and trends within new markets.

EBITDA and Adjusted EBITDA

We define EBITDA as net income (loss) before net interest expense, provision (benefit) for income taxes and depreciation and amortization. We define adjusted EBITDA as net income (loss) before net interest expense, provision (benefit) for income taxes, depreciation and amortization, restaurant impairments, loss on disposal of assets, net lease exit costs (benefits), loss on sale of restaurants, severance and executive transition costs and stock-based compensation.

We believe that EBITDA and adjusted EBITDA provide clear pictures of our operating results by eliminating certain non-recurring and non-cash expenses that may vary widely from period to period and are not reflective of the underlying business performance.

The presentation of EBITDA and adjusted EBITDA, which may not be comparable to similarly titled financial measures used by other companies, is not intended to be considered in isolation or as a substitute for, or to be superior to, the financial information prepared and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). We use these non-GAAP financial measures for financial and operational decision making and as a means to evaluate period-to-period comparisons. We believe that they provide useful information to management and investors about operating results, enhance the overall understanding of past financial performance and future prospects and allow for greater transparency with respect to key metrics used by management in its financial and operational decision making.

The following table presents a reconciliation of net loss to EBITDA and adjusted EBITDA:

	Fiscal Year	
	2023	2022 ⁽¹⁾
	(in thousands)	
Net loss	\$ (9,856)	\$ (3,314)
Depreciation and amortization	26,792	23,268
Interest expense, net	4,803	2,445
Provision for income taxes	24	37
EBITDA	\$ 21,763	\$ 22,436
Restaurant impairments ⁽²⁾	2,987	1,362
Loss on disposal of assets	1,979	946
Lease exit costs (benefits), net	396	267
Loss on sale of restaurants	—	263
Severance and executive transition costs	1,559	—
Stock-based compensation expense	4,346	4,395
Adjusted EBITDA	\$ 33,030	\$ 29,669

(1) Amounts for fiscal year 2022 include modifications to the adjusted EBITDA calculation to remove adjustments for non-cash rent expense related to sub-leases, certain costs associated with closed restaurants and costs related to corporate matters to conform to the current year presentation.

(2) Restaurant impairments in all periods presented above include amounts related to restaurants previously impaired. See Note 6, Restaurant Impairments, Closure Costs and Asset Disposals.

Key Financial Definitions

Cost of Sales

Cost of sales includes the direct costs associated with the food, beverage and packaging of our menu items. Cost of sales also includes any costs related to discounted menu items. Cost of sales is a substantial expense and can be expected to change proportionally as our restaurant revenue changes. Fluctuations in cost of sales are caused primarily by volatility in the cost of commodity food items and related contracts for such items. Other important factors causing fluctuations in cost of sales include seasonality, discounting activity, distribution costs and restaurant level management of food waste.

Labor Costs

Labor costs include wages, payroll taxes, workers' compensation expense, benefits and incentives paid to our restaurant teams. Similar to certain other expense items, we expect hourly labor costs to change proportionally as our restaurant revenue changes. Factors that influence fluctuations in our labor costs include minimum wage and payroll tax legislation, wage inflation, the frequency and severity of workers' compensation claims, health care costs and the performance of our restaurants.

Occupancy Costs

Occupancy costs include rent, common area maintenance charges and real estate tax expense related to our restaurants and are expected to grow proportionally as we open new restaurants.

Other Restaurant Operating Costs

Other restaurant operating costs include the costs of repairs and maintenance, utilities, restaurant-level marketing, credit card processing fees, third-party delivery fees, restaurant supplies and other restaurant operating costs. Similar to certain other costs, they are expected to grow proportionally as restaurant revenue grows.

General and Administrative Expense

General and administrative expense is composed of payroll, other compensation, travel, marketing, accounting and legal fees, insurance and other expenses related to the infrastructure required to support our restaurants. General and administrative expense also includes the non-cash stock compensation expense related to our stock incentive plan.

Depreciation and Amortization

Our principal depreciation and amortization charges relate to depreciation of long-lived assets, such as property, equipment and leasehold improvements, from restaurant construction and ongoing maintenance.

Pre-Opening Costs

Pre-opening costs relate to the costs incurred prior to the opening of a restaurant. These include management labor costs, staff labor costs during training, food and supplies utilized during training, marketing costs and other pre-opening related costs. Pre-opening costs also include rent recorded between the date of possession and the opening date for our restaurants.

Restaurant Impairments, Closure Costs and Asset Disposals

Restaurant impairments, closure costs and asset disposals include the net gain or loss on disposal of long-lived assets related to retirements and replacement of equipment or leasehold improvements, lease expenses that the Company is still obligated for, franchising gains or losses, gains or losses on lease terminations, other restaurant closure costs and impairment charges. Each quarter we evaluate possible impairment of property and equipment at the restaurant level and record an impairment loss whenever we determine that the fair value of these assets is less than their carrying value. There can be no assurance that such evaluations will not result in additional impairment costs in future periods.

Interest Expense

Interest expense consists primarily of interest on our outstanding indebtedness and amortization of debt issuance costs over the life of the related debt reduced by capitalized interest.

Provision for Income Taxes

Provision for income taxes consists of federal, state and local taxes on our income.

Restaurant Openings, Closures and Relocations

The following table shows restaurants opened or closed in the years indicated:

	Fiscal Year	
	2023	2022
Company-Owned Restaurants		
Beginning of period	368	372
Openings	18	16
Divestitures ⁽¹⁾	—	(15)
Closures and relocations	(6)	(5)
End of period	380	368
Franchise Restaurants		
Beginning of period	93	76
Openings	—	3
Acquisitions ⁽¹⁾	—	15
Closures	(3)	(1)
End of period	90	93
Total restaurants	470	461

(1) During 2022, we sold fifteen company-owned restaurants to a franchisee.

Results of Operations

The following table summarizes key components of our results of operations for the periods indicated as a percentage of our total revenue, except for the components of restaurant operating costs, which are expressed as a percentage of restaurant revenue. Fiscal year 2023 contained 52 operating weeks and fiscal year 2022 contained 53 operating weeks.

	Fiscal Year	
	2023	2022
Revenue:		
Restaurant revenue	97.9 %	97.8 %
Franchising royalties and fees, and other	2.1 %	2.2 %
Total revenue	100.0 %	100.0 %
Costs and expenses:		
Restaurant operating costs (exclusive of depreciation and amortization, shown separately below):		
Cost of sales	25.2 %	27.7 %
Labor	32.0 %	31.1 %
Occupancy	9.3 %	9.1 %
Other restaurant operating costs	18.6 %	18.3 %
General and administrative	10.3 %	9.8 %
Depreciation and amortization	5.3 %	4.6 %
Pre-opening	0.4 %	0.3 %
Restaurant impairments, closure costs and asset disposals	1.7 %	1.2 %
Total costs and expenses	101.0 %	100.2 %
Loss from operations	(1.0)%	(0.2)%
Interest expense, net	1.0 %	0.5 %
Loss before income taxes	(2.0)%	(0.6)%
Provision for income taxes	— %	0.1 %
Net loss	(2.0)%	(0.7)%

Fiscal Year 2023 compared to Fiscal Year 2022

Fiscal year 2023 contained 52 operating weeks and fiscal year 2022 contained 53 operating weeks. The table below presents our operating results for 2023 and 2022, and the related year-over-year changes:

	Fiscal Year		Increase / (Decrease)	
	2023	2022	\$	%
(in thousands)				
Revenue:				
Restaurant revenue	\$ 492,648	\$ 498,359	\$ (5,711)	(1.1)%
Franchising royalties and fees, and other	10,757	11,121	(364)	(3.3)%
Total revenue	503,405	509,480	(6,075)	(1.2)%
Costs and Expenses:				
Restaurant operating costs (exclusive of depreciation and amortization, shown separately below):				
Cost of sales	124,102	137,859	(13,757)	(10.0)%
Labor	157,608	155,023	2,585	1.7 %
Occupancy	45,925	45,213	712	1.6 %
Other restaurant operating costs	91,559	91,220	339	0.4 %
General and administrative	51,833	49,903	1,930	3.9 %
Depreciation and amortization	26,792	23,268	3,524	15.1 %
Pre-opening	2,215	1,662	553	33.3 %
Restaurant impairments, closure costs and asset disposals	8,400	6,164	2,236	36.3 %
Total costs and expenses	508,434	510,312	(1,878)	(0.4)%
Loss from operations	(5,029)	(832)	(4,197)	*
Interest expense, net	4,803	2,445	2,358	96.4 %
Loss before income taxes	(9,832)	(3,277)	(6,555)	(200.0)
Provision for income taxes	24	37	(13)	(35.1)%
Net loss	\$ (9,856)	\$ (3,314)	\$ (6,542)	(197.4)
Company-owned:				
Average unit volumes	\$ 1,329	\$ 1,360	\$ (31)	(2.3)%
Comparable restaurant sales	(2.0)%	6.0 %		

* Not meaningful.

Revenue

Total revenue decreased by \$6.1 million, or 1.2%, in 2023 compared to 2022. This decrease was primarily due to: \$10.0 million from a decline in company same store sales, \$9.1 million from overlapping the impact of an additional operating week in 2022, and \$3.1 million due to permanent restaurant closures, partially offset by \$17.0 million from growth in new restaurant revenue.

Average unit volumes decreased 2.3% to \$1.3 million in 2023 compared to \$1.4 million in 2022 primarily due to decreases in traffic. System-wide comparable restaurant sales decreased 1.9% in 2023, comprised of a 2.0% decrease at company-owned restaurants and a 1.1% decrease at franchise-owned restaurants.

Cost of Sales

Cost of sales decreased by \$13.8 million, or 10.0%, in 2023 compared to 2022. As a percentage of restaurant revenue, cost of sales decreased to 25.2% in 2023 from 27.7% in 2022, primarily due to a 1.8% impact from a combination of menu price increases and menu mix and a 0.7% impact from lower commodities prices.

Labor Costs

Labor costs increased by \$2.6 million, or 1.7%, in 2023 compared to 2022. As a percentage of restaurant revenue, labor costs increased to 32.0% in 2023 compared to 31.1% in 2022, primarily due to a 1.6% impact from wage and benefits inflation, partially offset by a 0.6% impact from labor productivity.

Occupancy Costs

Occupancy costs increased by \$0.7 million, or 1.6%, in 2023 compared to 2022, due primarily to new restaurant openings. As a percentage of restaurant revenue, occupancy costs increased to 9.3% in 2023 from 9.1% in 2022, due primarily to a decrease in restaurant revenue.

Other Restaurant Operating Costs

Other restaurant operating costs increased by \$0.3 million, or 0.4%, in 2023 compared to 2022, due primarily to planned increased marketing spend in 2023. As a percentage of restaurant revenue, other restaurant operating costs increased to 18.6% in 2023 from 18.3% in 2022.

General and Administrative Expense

General and administrative expense increased by \$1.9 million, or 3.9%, in 2023 compared to 2022, due primarily to increases in third party services of \$1.5 million, executive severance costs of \$1.1 million and bad debt expense of \$0.5 million, partially offset by a decrease in incentive-based compensation expense of \$1.2 million. As a percentage of revenue, general and administrative expense increased to 10.3% in 2023 compared to 9.8% in 2022, due primarily to a decline in revenue.

Depreciation and Amortization

Depreciation and amortization increased by \$3.5 million, or 15.1%, in 2023 compared to 2022, due primarily to new restaurant and technology investments, partially offset by restaurants impaired or closed. As a percentage of revenue, depreciation and amortization increased to 5.3% in 2023 compared to 4.6% in 2022.

Pre-Opening Costs

Pre-opening costs increased \$0.6 million in 2023 compared to 2022 due to timing of new restaurant openings in 2023 compared to 2022.

Restaurant Impairments, Closure Costs and Asset Disposals

Restaurant impairments, closure costs and asset disposals increased by \$2.2 million, or 36.3%, in 2023 compared to 2022. The increase was largely due to an increase in write-downs of lease related assets partially offset by lower fixed asset impairment charges with only two restaurants impaired in 2023 compared to four restaurants impaired in 2022. Both years include ongoing equipment costs for restaurants previously impaired and lease related costs and expenses in connection with the divestiture of company-owned restaurants in previous years.

Interest Expense

Interest expense increased by \$2.4 million, or 96.4% in 2023 compared to 2022. The increase was mainly due to higher average borrowings and a higher average interest rate in 2023 compared to 2022. Interest rates for all amounts outstanding are variable.

Provision for Income Taxes

The effective tax rate was (0.2)% in 2023 compared to (1.1)% in 2022. We will continue to maintain a valuation allowance against deferred tax assets until there is sufficient evidence to support a full or partial reversal. The reversal of a previously recorded valuation allowance will generally result in a benefit from income tax.

Liquidity and Capital Resources

Current Resources

As of January 2, 2024, our available cash and cash equivalents balance was \$3.0 million, and \$39.9 million was available for future borrowings under our A&R Credit Agreement (defined below).

On May 9, 2018, we entered into a Credit Agreement (the “Credit Agreement”) with each other Loan Party (as defined in the Credit Agreement) party thereto, each lender from time to time party thereto, and U.S. Bank National Association, as Administrative Agent, L/C Issuer and Swing Line Lender (each as defined in the Credit Agreement). The Credit Agreement consisted of a term loan facility in an aggregate principal amount of \$25.0 million and a revolving line of credit of \$65.0 million, which included a letter of credit subfacility in the amount of \$15.0 million and a swingline subfacility in the amount of \$10.0 million. The Credit Agreement was subsequently amended on November 20, 2019 and June 16, 2020.

On July 27, 2022, we amended and restated our Credit Agreement by entering into the Amended and Restated Credit Agreement as further amended, restated, extended, supplemented, modified and otherwise in effect from time to time, the (“A&R Credit Agreement”), with each other Loan Party (as defined in the A&R Credit Agreement) party thereto, each lender from time to time party thereto, and U.S. Bank National Association, as Administrative Agent, L/C Issuer and Swing Line Lender (each as defined in the A&R Credit Agreement). The A&R Credit Agreement matures on July 27, 2027. Among other things, the A&R Credit Agreement: (i) increased the credit facility from \$100.0 million to \$125.0 million; (ii) eliminated the term loan and principal amortization components of the credit facility; (iii) removed the capital expenditure covenant; (iv) enhanced flexibility for certain covenants and restrictions; and (v) lowered the spread within our cost of borrowing and transitioned from LIBOR to SOFR plus a margin of 1.50% to 2.50% per annum, based upon the consolidated total lease-adjusted leverage ratio. In connection with the entry into the A&R Credit Agreement, we wrote off a portion of the unamortized debt issuance costs related to the Credit Agreement in the amount of \$0.3 million in the third quarter of 2022. The A&R Credit Agreement is secured by a pledge of stock of substantially all of our subsidiaries and a lien on substantially all of our and our subsidiaries’ personal property assets.

On December 21, 2023, we amended our A&R Credit Agreement by entering into that certain First Amendment to Amended and Restated Credit Agreement (the “Amendment”). Among the modifications, the Amendment: (i) increased applicable rate ranges (A) with respect to SOFR loans, from 1.50% - 2.50% per annum to 1.75% - 3.00% per annum and (B) with respect to base rate loans, from 0.50% - 1.50% per annum to 0.75% - 2.00% per annum, in each case as determined by the Consolidated Total Lease Adjusted Leverage Ratio (as defined in the A&R Credit Agreement), (ii) amended the Consolidated Fixed Charge Coverage Ratio (as defined in the A&R Credit Agreement) in order to limit the deduction of capital expenditures to “Non-Growth Capital Expenditures”, (iii) added a defined term for “Non-Growth Capital Expenditures” (along with certain related definitions), (iv) added a new capital expenditures covenant governing entry into new lease agreements and (v) increased the Consolidated Total Lease Adjusted Leverage Ratio (as defined in the A&R Credit Agreement) to be no greater than (x) 4.50 to 1.00 for the period beginning on the last day of the fiscal quarter ending January 2, 2024 until and including the last day of the fiscal quarter ending December 30, 2025 and (y) 4.25 to 1.00 for the period beginning on the last day of the fiscal quarter ending March 31, 2026 until and including the last day of the fiscal quarter ending September 29, 2026.

As of January 2, 2024, we had \$82.2 million of indebtedness (excluding \$2.0 million of unamortized debt issuance costs) and \$3.0 million of letters of credit outstanding under the A&R Credit Agreement.

Availability of borrowings under the A&R Credit Agreement is conditioned upon our compliance with the terms of the A&R Credit Agreement, including the financial covenants and other customary affirmative and negative covenants, such as limitations on additional borrowings, acquisitions, dividend payments and lease commitments, and customary representations and warranties. As of January 2, 2024, we were in compliance with all of our debt covenants.

We expect that we will meet all applicable financial covenants in our A&R Credit Agreement through at least the next four fiscal quarters. However, there can be no assurance we will meet such financial covenants. If such covenants are not met, we would be required to seek a waiver or amendment from the banks participating in the credit facility. There can be no assurance that such waiver or amendment would be granted, which could have a material adverse impact on our liquidity.

Cash Flow Analysis

Cash flows from operating, investing and financing activities are shown in the following table:

	Fiscal Year Ended	
	January 2, 2024	January 3, 2023
	(in thousands)	
Net cash provided by operating activities	\$ 27,495	\$ 9,557
Net cash used in investing activities	(51,800)	(32,309)
Net cash provided by financing activities	25,795	22,020
Net increase (decrease) in cash and cash equivalents	\$ 1,490	\$ (732)

Operating Activities

Net cash provided by operating activities in 2023 was \$27.5 million compared to \$9.6 million in 2022. The change in operating cash flows resulted primarily from working capital changes. The working capital variance includes uses of cash related to payroll timing and normal changes in accounts payable and other accrued expenses.

Investing Activities

Net cash used in investing activities was primarily related to information technology expenses including digital menu boards, new restaurant capital expenditures for the opening of eighteen and sixteen company-owned restaurants in 2023 and 2022, respectively, as well as investments in restaurant equipment and restaurant upgrades.

Financing Activities

Net cash provided by financing activities was \$25.8 million in 2023 largely related to draws on our revolving credit facility and swingline to fund new restaurant openings, partially offset by the \$5.0 million repurchase of the Company's common stock in the open market, debt issuance costs and payments on finance leases.

Material Cash Requirements

Our short-term obligations consist primarily of certain lease and other contractual commitments related to our operations, normal recurring operating expenses, working capital needs, new store development, capital improvements and maintenance of our restaurants, regular interest payments on our debt obligations and certain non-recurring expenditures.

Our long-term obligations consist primarily of certain lease and other contractual commitments related to our operations and payment of our outstanding debt obligations. In addition, new store development will require capital each year which is expected to be funded by currently available cash and cash equivalents, cash flows from operations and our revolving credit facility.

Our capital expenditure requirements are primarily dependent upon the pace of our real estate development program and resulting new restaurant openings, costs for maintenance and remodeling of our existing restaurants, as well as information technology expenses and other general corporate capital expenditures.

Our total capital expenditures for 2023 were \$52.0 million, which includes amounts for restaurants that will be opening in 2024. We expect our 2024 capital expenditures to be in the range of \$28.0 million to \$32.0 million. Our capital expenditures in 2024 are expected to be primarily related to our construction of new restaurants, which excludes landlord reimbursements that we typically receive, in addition to reinvestment in existing restaurants.

Our contractual obligations consist of lease obligations, purchase obligations, long-term debt and other liabilities. See Note 4 Long-Term Debt and Note 12 Leases to our consolidated financial statements for further discussion. We are obligated under non-cancelable leases for our restaurants, administrative offices and equipment. In addition to those lease obligations, we have legally binding minimum lease payments for leases signed but not yet commenced amounting to \$14.0 million as of January 2, 2024. We enter into various purchase obligations in the ordinary course of business. As of January 2, 2024, all of our binding purchase obligations are short-term amounting to \$40.8 million. These amounts relate to volume commitments for beverage and food products, as well as binding commitments for the construction of new restaurants. Our other liabilities of \$2.1 million as of January 2, 2024 includes our commitment under our non-qualified deferred compensation plan and severance.

We believe that we have sufficient liquidity to meet our liquidity needs and capital resource requirements for at least the next twelve months primarily through currently available cash and cash equivalents, cash flows from operations, and borrowings under the A&R Credit Agreement. Our working capital position benefits from the fact that we generally collect cash from sales to customers the same day, or in the case of credit or debit card transactions, within several days of the related sale, and we typically have up to 30 days to pay our vendors. In addition, we receive trade credit for the purchase of food, beverages and supplies, therefore reducing the need for incremental working capital to support growth.

Critical Accounting Policies and Estimates

Our consolidated financial statements and accompanying notes are prepared in accordance with GAAP. Preparing consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by the application of our accounting policies. Our significant accounting policies are described in Note 1 Business and Summary of Significant Accounting Policies, to our consolidated financial statements. Critical accounting estimates are those that require application of management's most difficult, subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods. While we apply our judgment based on assumptions believed to be reasonable under the circumstances, actual results could vary from these assumptions. It is possible that materially different amounts would be reported using different assumptions. We believe the critical accounting policies described below affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Impairment of Long-Lived Assets

We review long-lived assets, such as property and equipment, right of use assets and intangibles, subject to amortization, for impairment when events or circumstances indicate the carrying value of the assets may not be recoverable. In determining the recoverability of the asset value, an analysis is performed at the individual restaurant level and primarily includes an assessment of historical cash flows and other relevant factors and circumstances. The other factors and circumstances include changes in the economic environment, changes in the manner in which assets are used, unfavorable changes in legal factors or business climate, incurring excess costs in construction of the asset, overall restaurant operating performance and projections for future performance. These estimates result in a wide range of variability on a year to year basis due to the nature of the criteria. Restaurant-level cash flow less than our internal threshold over the previous 12 periods is considered an indicator of potential impairment. In such situations, we evaluate future undiscounted cash flow projections in conjunction with qualitative factors and future operating plans. Our impairment assessment process requires the use of estimates and assumptions regarding the future undiscounted cash flows and operating outcomes, which are based upon a significant degree of management's judgment.

In performing our impairment testing, we forecast our future undiscounted cash flows by looking at recent restaurant level performance, restaurant level operating plans, sales trends and cost trends for cost of sales, labor and operating expenses. We believe that this combination of information gives us a fair benchmark to estimate future undiscounted cash flows. We compare this cash flow forecast, excluding occupancy rent expense, to the asset's carrying value, excluding lease liability, at the restaurant. Based on this analysis, if the carrying amount of the assets is greater than the estimated future undiscounted cash flows, an impairment charge is recognized, measured as the amount by which the carrying amount exceeds the fair value of the asset. If these projections are not achieved, we could realize future impairments.

Leases

We lease all restaurant facilities, office space and certain equipment. Pursuant to FASB Accounting Standards Codification ("ASC") Topic 842, all operating and finance lease assets and liabilities are recognized on our Consolidated Balance Sheets.

Right of use (“ROU”) assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make future lease payments arising from the lease. Operating lease ROU assets and liabilities are recorded at commencement date based on the present value of lease payments over the lease term, which includes options to extend lease terms that are reasonably certain of being exercised. To determine the present value of lease payments not yet paid, we estimate incremental borrowing rates corresponding to the reasonably certain lease term. As most of our leases do not provide an implicit rate, we use the incremental borrowing rate based on information available at commencement date in determining the present value of lease payments. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets. We recognize lease expense for these short-term leases on a straight-line basis over the lease term.

Our leases typically contain rent escalations over the lease term. We recognize expense for these leases on a straight-line basis over the lease term. Additionally, tenant incentives used to fund leasehold improvements are recognized when earned and reduce the right-of-use asset related to the lease. These are amortized through the right-of-use asset as reductions of expense over the lease term. Rent expense for the period prior to the restaurant opening is reported as pre-opening expense in the Consolidated Statements of Operations. If our estimates or underlying assumptions, including discount rate and sublease income change in the future, our operating results may be materially impacted.

ITEM 7A. Quantitative and Qualitative Disclosure about Market Risk

Interest Rate Risk

We are exposed to market risk from changes in interest rates on debt. Our exposure to interest rate fluctuations is limited to our outstanding borrowing under our A&R Credit Agreement, which bears interest at variable rates equal to SOFR plus a margin of 1.75% to 3.00% per annum, based upon the consolidated total lease-adjusted leverage ratio. As of January 2, 2024, \$82.2 million in borrowings were outstanding under our A&R Credit Agreement. An increase or decrease of 1.0% in the effective interest rate applied to our borrowings would have resulted in a pre-tax interest expense fluctuation of approximately \$0.8 million on an annualized basis.

Commodity Price Risk

We purchase certain products that are affected by commodity prices and are, therefore, subject to price volatility caused by weather, market conditions and other factors that are not considered predictable or within our control. Although these products are subject to changes in commodity prices, certain purchasing contracts or pricing arrangements contain risk management techniques designed to minimize price volatility. We use these types of purchasing techniques to control costs as an alternative to directly managing financial instruments to hedge commodity prices. In many cases, we believe we may be able to address material commodity cost increases by adjusting our menu pricing, but multiple price increases over a short period of time may negatively affect customer behavior, as we observed in 2023. During 2022, due to the volatility in several commodity markets and driven by vendor availability, many of our contracts were shorter duration than typical and, in some cases, were based on floating rate prices rather than fixed rate. As a result, we saw higher cost of food in 2022 than in prior years. In 2023, the commodity markets underlying our cost of food began to improve materially, particularly in regard to the price of chicken. However, increases in commodity prices, without adjustments to our menu prices, could increase restaurant operating costs as a percentage of restaurant revenue.

Inflation

The primary inflationary factors affecting our operations are food costs, labor costs, energy costs and materials used in the construction of new restaurants and maintenance of existing restaurants. Increases in federal, state or local minimum wages directly affect our labor costs. Many of our leases require us to pay taxes, maintenance, repairs, insurance and utilities, all of which are generally subject to inflationary increases. Additionally, the cost of constructing our restaurants is subject to inflationary increases in the costs of labor and material. During 2023, the degree of inflation moderated compared to 2022 although total inflation remains above historical averages. We expect inflation may continue to affect our results in the near future.

ITEM 8. Financial Statements and Supplementary Data

Noodles & Company

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See accompanying notes to consolidated financial statements.

Noodles & Company
Consolidated Balance Sheets
(in thousands, except share data)

	January 2, 2024	January 3, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,013	\$ 1,523
Accounts receivable	5,144	6,443
Inventories	10,251	10,044
Prepaid expenses and other assets	3,879	3,450
Income tax receivable	337	176
Total current assets	22,624	21,636
Property and equipment, net	152,176	129,386
Operating lease assets, net	183,857	183,392
Goodwill	7,154	7,154
Intangibles, net	538	608
Other assets, net	1,746	1,667
Total long-term assets	345,471	322,207
Total assets	\$ 368,095	\$ 343,843
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 16,691	\$ 15,308
Accrued payroll and benefits	7,769	9,219
Accrued expenses and other current liabilities	12,950	11,005
Current operating lease liabilities	30,104	28,581
Total current liabilities	67,514	64,113
Long-term debt, net	80,218	46,051
Long-term operating lease liabilities, net	186,285	187,320
Deferred tax liabilities, net	255	229
Other long-term liabilities	6,663	7,766
Total liabilities	340,935	305,479
Commitments and contingencies		
Stockholders' equity:		
Preferred stock—\$0.01 par value, 1,000,000 shares authorized and undesignated as of January 2, 2024 and January 3, 2023; no shares issued or outstanding	—	—
Common stock—\$0.01 par value, 180,000,000 shares authorized as of January 2, 2024 and January 3, 2023; 47,413,585 issued and 44,989,714 outstanding as of January 2, 2024; 48,464,298 issued and 46,040,427 outstanding as of January 3, 2023	474	485
Treasury stock, at cost, 2,423,871 shares as of January 2, 2024 and January 3, 2023, respectively	(35,000)	(35,000)
Additional paid-in capital	209,930	211,267
Accumulated deficit	(148,244)	(138,388)
Total stockholders' equity	27,160	38,364
Total liabilities and stockholders' equity	\$ 368,095	\$ 343,843

See accompanying notes to consolidated financial statements.

Noodles & Company
Consolidated Statements of Operations
(in thousands, except share and per share data)

	Fiscal Year Ended		
	January 2, 2024	January 3, 2023	December 28, 2021
<i>Revenue:</i>			
Restaurant revenue	\$ 492,648	\$ 498,359	\$ 467,336
Franchising royalties and fees, and other	10,757	11,121	7,816
Total revenue	<u>503,405</u>	<u>509,480</u>	<u>475,152</u>
<i>Costs and expenses:</i>			
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):			
Cost of sales	124,102	137,859	117,894
Labor	157,608	155,023	145,622
Occupancy	45,925	45,213	45,956
Other restaurant operating costs	91,559	91,220	83,603
General and administrative	51,833	49,903	47,535
Depreciation and amortization	26,792	23,268	22,333
Pre-opening	2,215	1,662	665
Restaurant impairments, closure costs and asset disposals	8,400	6,164	5,727
Total costs and expenses	<u>508,434</u>	<u>510,312</u>	<u>469,335</u>
(Loss) income from operations	(5,029)	(832)	5,817
Interest expense, net	4,803	2,445	2,082
(Loss) income before income taxes	(9,832)	(3,277)	3,735
Provision for income taxes	24	37	70
Net (loss) income	<u>\$ (9,856)</u>	<u>\$ (3,314)</u>	<u>\$ 3,665</u>
<i>(Loss) earnings per Class A and Class B common stock, combined</i>			
Basic	\$ (0.21)	\$ (0.07)	\$ 0.08
Diluted	\$ (0.21)	\$ (0.07)	\$ 0.08
<i>Weighted average Class A and Class B common stock outstanding, combined</i>			
Basic	45,863,719	45,913,787	45,483,029
Diluted	45,863,719	45,913,787	46,125,386

See accompanying notes to consolidated financial statements.

Noodles & Company
Consolidated Statements of Stockholders' Equity
(in thousands, except share data)

	Common Stock ⁽¹⁾		Treasury		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance—December 29, 2020	46,807,587	\$ 468	2,423,871	\$ (35,000)	\$ 202,970	\$ (138,739)	\$ 29,699
L Catterton warrants exercised ⁽²⁾	975,458	10	—	—	(10)	—	—
Stock plan transactions and other	342,106	3	—	—	98	—	101
Stock-based compensation expense	—	—	—	—	4,168	—	4,168
Net income	—	—	—	—	—	3,665	3,665
Balance—December 28, 2021	48,125,151	481	2,423,871	(35,000)	207,226	(135,074)	37,633
Stock plan transactions and other	339,147	4	—	—	(360)	—	(356)
Stock-based compensation expense	—	—	—	—	4,401	—	4,401
Net loss	—	—	—	—	—	(3,314)	(3,314)
Balance—January 3, 2023	48,464,298	485	2,423,871	(35,000)	211,267	(138,388)	38,364
Stock plan transactions and other	681,239	6	—	—	(655)	—	(649)
Shares repurchased and retired	(1,731,952)	(17)	—	—	(4,987)	—	(5,004)
Stock-based compensation expense	—	—	—	—	4,305	—	4,305
Net loss	—	—	—	—	—	(9,856)	(9,856)
Balance—January 2, 2024	47,413,585	\$ 474	2,423,871	\$ (35,000)	\$ 209,930	\$ (148,244)	\$ 27,160

- (1) Unless otherwise noted, activity relates to Class A common stock.
(2) Refer to Note 8 - Stockholders' Equity.

See accompanying notes to consolidated financial statements.

Noodles & Company
Consolidated Statements of Cash Flows
(in thousands)

	Fiscal Year Ended		
	January 2, 2024	January 3, 2023	December 28, 2021
Operating activities			
Net (loss) income	\$ (9,856)	\$ (3,314)	\$ 3,665
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	26,792	23,268	22,333
Deferred income taxes, net	26	(40)	29
Restaurant impairments, closure costs and asset disposals	3,981	2,261	3,538
Amortization of debt issuance costs	366	723	444
Stock-based compensation	4,235	4,328	4,110
Gain on insurance proceeds received for property damage	(205)	—	(406)
Changes in operating assets and liabilities:			
Accounts receivable	1,201	(2,576)	(491)
Inventories	(303)	(743)	(382)
Prepaid expenses and other assets	(520)	1,244	(492)
Accounts payable	2,206	(563)	4,689
Operating lease assets and liabilities	(1,025)	(5,417)	(1,759)
Income taxes	(161)	(68)	(64)
Accrued expenses and other liabilities	758	(9,546)	951
Net cash provided by operating activities	27,495	9,557	36,165
Investing activities			
Purchases of property and equipment	(52,043)	(33,886)	(18,776)
Proceeds from restaurant refranchising	—	1,577	—
Insurance proceeds received for property damage	243	—	406
Net cash used in investing activities	(51,800)	(32,309)	(18,370)
Financing activities			
Net borrowings from swing line loan	(9)	4,781	—
Proceeds from borrowings on long-term debt	34,500	53,512	—
Payments on long-term debt	—	(32,850)	(21,556)
Debt issuance costs	(690)	(1,077)	—
Payment of finance leases	(2,376)	(1,990)	(1,925)
Repurchase of common stock	(4,981)	—	—
Stock plan transactions and tax withholding on share-based compensation awards	(649)	(356)	101
Net cash provided by (used in) financing activities	25,795	22,020	(23,380)
Net increase (decrease) in cash and cash equivalents	1,490	(732)	(5,585)
Cash and cash equivalents			
Beginning of year	1,523	2,255	7,840
End of year	\$ 3,013	\$ 1,523	\$ 2,255

See accompanying notes to consolidated financial statements.

NOODLES & COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Summary of Significant Accounting Policies

Business

Noodles & Company (the “Company” or “Noodles & Company”), a Delaware corporation, develops and operates fast-casual restaurants that serve globally-inspired noodle and pasta dishes, soups, salads and appetizers. As of January 2, 2024, the Company had 380 company-owned restaurants and 90 franchise restaurants in 31 states. The Company operates its business as one operating and reportable segment.

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of Noodles & Company and its subsidiaries. All intercompany balances and transactions are eliminated in consolidation.

Fiscal Year

The Company operates on a 52- or 53-week fiscal year ending on the Tuesday closest to December 31. Fiscal years 2023 and 2021 which ended on January 2, 2024 and December 28, 2021, respectively, each contained 52 weeks. Fiscal year 2022 which ended on January 3, 2023 contained 53 weeks.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investment instruments with an initial maturity of three months or less when purchased to be cash equivalents. Amounts receivable from credit card processors are converted to cash shortly after the related sales transaction and are considered to be cash equivalents because they are both short-term and highly liquid in nature. Amounts receivable from credit card processors as of January 2, 2024 and January 3, 2023, which are included in cash and cash equivalents, were \$2.4 million and \$1.0 million, respectively. Additionally, the Company records “book overdrafts” when outstanding checks at year end are in excess of cash and cash equivalents. Such book overdrafts are recorded within accounts payable in the accompanying Consolidated Balance Sheets and within operating activities in the accompanying Consolidated Statements of Cash Flows.

Accounts Receivable

Accounts receivable consists primarily of franchise receivables and vendor rebates, as well as insurance receivables and other miscellaneous receivables arising from the normal course of business. The Company believes all amounts to be collectible, accordingly, no allowance for doubtful accounts has been recorded as of January 2, 2024 or January 3, 2023. In 2023, the Company recognized \$0.5 million of bad debt expense.

Inventories

Inventories consist of food, beverages, supplies and smallwares, and are stated at the lower of cost (first-in, first-out method) or net realizable value. Smallwares inventory, which consist of the plates, silverware and cooking utensils used in the restaurants, are frequently replaced and are therefore considered current assets. Replacement costs of smallwares inventory are recorded as other restaurant operating costs in the Consolidated Statements of Operations and are expensed as incurred. As of January 2, 2024 and January 3, 2023, smallwares inventory of \$6.7 million and \$6.5 million, was included in the accompanying Consolidated Balance Sheets.

NOODLES & COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Expenditures for major renewals and improvements are capitalized, while expenditures for minor replacements and maintenance and repairs are expensed as incurred. Upon retirement or disposal of assets, the accounts are relieved of cost and accumulated depreciation and the related gain or loss is reflected in earnings. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated useful life or the lease term, which generally includes option periods that are reasonably certain to be exercised. Depreciation and amortization expense on property and equipment, including assets recorded as finance leases, was \$26.7 million, \$23.2 million and \$22.3 million in 2023, 2022 and 2021, respectively.

The estimated useful lives for property and equipment are:

Property and Equipment	Estimated Useful Lives
Leasehold improvements	Shorter of lease term or estimated useful life, not to exceed 20 years
Furniture and fixtures	3 to 15 years
Equipment	3 to 7 years

The Company capitalizes internal payroll and payroll-related costs directly related to the successful acquisition, development, design and construction of its new restaurants. Capitalized internal costs were \$0.5 million, \$0.4 million and \$0.2 million in 2023, 2022 and 2021, respectively. Interest incurred on funds used to construct company-owned restaurants is capitalized and amortized over the estimated useful life of the related assets. Capitalized interest totaled \$0.9 million, \$0.6 million and \$0.3 million in 2023, 2022 and 2021, respectively.

Goodwill

Goodwill represents the excess of purchase price over the fair value of identifiable net assets acquired. Goodwill is not subject to amortization, but instead is tested for impairment at least annually (or more often, if necessary) as of the first day of the Company's fourth fiscal quarter.

Goodwill is evaluated at the level of the Company's single operating segment, which also represents the Company's only reporting unit. In 2023, 2022 and 2021, the Company performed a qualitative impairment assessment. Under this approach, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of its reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. If after performing the qualitative assessment, the Company determines there is less than a 50 percent chance that the fair value of its reporting unit is less than its carrying amount, then performing the two-step test is unnecessary. Based on the qualitative assessment performed, management did not believe that it is more likely than not that the Company's goodwill has been impaired.

Based on the Company's analysis, no impairment charges were recognized on goodwill in 2023, 2022 or 2021.

Intangibles, net

Intangibles, net consists primarily of reacquired franchise rights and trademarks. The Company amortizes the reacquired franchise rights over the remaining contractual terms of the reacquired franchise area development agreements at the time of acquisition, which ranged from approximately two years to nine years as of January 2, 2024. Trademark rights are considered indefinite-lived intangible assets, the carrying value of which are analyzed for impairment at least annually (or more often, if necessary).

NOODLES & COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment on a regular basis, in addition to whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the assets. Identifiable cash flows are measured at the lowest level for which they are largely independent of the cash flows of other groups of assets and liabilities, generally at the restaurant level. If the assets are determined to be impaired, the amount of impairment recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Estimates of future cash flows are based on the Company's experience and knowledge of local operations. During 2023, 2022 and 2021, the Company recorded impairment charges of certain long-lived assets which are included in restaurant impairments, closure costs and asset disposals in the Consolidated Statements of Operations. See Note 6, Restaurant Impairments, Closure Costs and Asset Disposals. Fair value of the restaurant assets was determined using Level 3 inputs (as described in Note 5, Fair Value Measurements).

Debt Issuance Costs

Certain fees and costs incurred to obtain long-term financing are capitalized and included as a reduction in the net carrying value of long-term debt, net of accumulated amortization. These costs are amortized to interest expense over the term of the related debt. When debt is extinguished prior to its maturity date, the amortization of the remaining unamortized debt issuance costs, or pro-rata portion thereof, is charged to loss on extinguishment of debt. Debt issuance costs of \$2.0 million and \$1.6 million, net of accumulated amortization, as of January 2, 2024 and January 3, 2023, respectively, are included as a reduction of long-term debt in the Consolidated Balance Sheets.

Self-Insurance Programs

The Company self-insures for health, workers' compensation, general liability and property damage. Predetermined loss limits have been arranged with insurance companies to limit the Company's per occurrence cash outlay. Estimated costs to settle reported claims and incurred but unreported claims for health and workers' compensation self-insured plans are recorded in accrued payroll and benefits and for general liability and property damage in accrued expenses and other liabilities in the Consolidated Balance Sheets.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company's cash balances may exceed federally insured limits. Credit card transactions at the Company's restaurants are processed by one service provider. Concentration of credit risk related to accounts receivable are limited, as the Company's receivables are primarily amounts due from franchisees and the Company directly pulls the amounts owed from the franchisees bank accounts.

Revenue Recognition

Revenue consists of sales from restaurant operations and franchise royalties and fees. Revenue from the operation of company-owned restaurants is recognized when sales occur. The Company reports revenue net of sales and use taxes collected from customers and remitted to governmental taxing authorities.

Gift Cards

The Company sells gift cards which do not have an expiration date, and it does not deduct non-usage fees from outstanding gift card balances. The Company recognizes revenue from gift cards when the gift card is redeemed by the customer or the Company determines the likelihood of the gift card being redeemed by the customer is remote ("gift card breakage"). The determination of the gift card breakage rate is based upon Company-specific historical redemption patterns. The Company has determined that approximately 14% of gift cards will not be redeemed, which is recognized ratably over the estimated redemption period of the gift card, approximately 24 months.

Loyalty Program

The Company operates the Noodles Rewards program, which is primarily a spend-based loyalty program. With each purchase, Noodles Rewards members earn loyalty points that can be redeemed for rewards, including free products. Using an estimate of the value of reward redemptions, we defer revenue associated with points earned, net of estimated points that will not be redeemed. Points generally expire after six months. Revenue is recognized in a future period when the reward points are redeemed.

NOODLES & COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Franchise Royalties

Royalties from franchise restaurants are based on a percentage of restaurant revenues and are recognized in the period the related franchised restaurants' sales occur. Development fees and franchise fees, portions of which are collected in advance, are nonrefundable. The Company has determined that the initial franchise services are not distinct from the continuing rights or services offered during the term of the franchise agreement and should be treated as a single performance obligation; therefore, such fees are recognized in income ratably over the term of the related franchise agreement or recognized upon the termination of the agreement between the Company and the franchisee.

As of January 2, 2024, January 3, 2023 and December 28, 2021, there were 90, 93 and 76 franchise restaurants in operation, respectively. Franchisees opened three restaurants in 2022 and one in 2021. There were no franchise restaurants opened in 2023. Also, three franchise restaurants closed in 2023, and one franchise restaurant closed in each of 2022 and 2021. In addition, there were fifteen company-owned locations acquired by a franchisee in 2022.

Sublease Income

The Company records sublease income related to leases for which the Company remains obligated. In previous years, the Company has entered into transactions to sell company-owned restaurants to franchisees. The lease agreements for those restaurants were assigned to the franchisee, but in some instances, the Company was not relieved of its primary obligations under the main lease, therefore these leases are treated as subleases. The lease income on these locations has been recorded in "Franchising royalties and fees, and other" and the offsetting lease expense has been recorded in "Restaurant impairments, closure costs and asset disposals" in the Consolidated Statement of Operations.

Pre-Opening Costs

Pre-opening costs, including rent, wages, benefits and travel for the training and opening teams, food, beverage and other restaurant operating costs, are expensed as incurred prior to a restaurant opening for business.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred and were \$10.8 million, \$9.3 million and \$7.7 million in 2023, 2022 and 2021, respectively. These costs are included in restaurant operating costs, general and administrative expenses and pre-opening costs based on the nature of the advertising and marketing costs incurred.

Rent

Rent expense for the Company's leases, which generally have escalating rentals over the term of the lease, is recorded on a straight-line basis over the lease term. Additionally, tenant incentives used to fund leasehold improvements are recognized when earned and reduce the right-of-use asset related to the lease. These are amortized through the right-of-use asset as reductions of expense over the lease term. Some of the Company's leases include rent escalations based on inflation indexes and fair market value adjustments. Certain leases contain contingent rental provisions that include a fixed base rent plus an additional percentage of the restaurant's sales in excess of stipulated amounts. Lease expense associated with rent escalation and contingent rental provisions is not material and is included within operating lease cost. Operating lease liabilities are calculated using the prevailing index or rate at lease commencement. Subsequent escalations in the index or rate and contingent rental payments are recognized as variable lease expenses. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As most of the Company's leases do not provide an implicit rate, the Company used its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

Provision (Benefit) for Income Taxes

Provision (benefit) for income taxes is accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those deferred amounts are expected to be recovered or settled. Valuation allowances are recorded for deferred tax assets that more likely than not will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company's policy is to recognize interest to be paid on an underpayment of income

NOODLES & COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

taxes in interest expense and any related statutory penalties in provision (benefit) for income taxes in the Consolidated Statements of Operations.

Stock-Based Compensation Expense

Stock-based compensation expense is measured at the grant date based upon the estimated fair value of the portion of the award that is ultimately expected to vest and is recognized as expense over the applicable vesting period of the award generally using the straight-line method (see Note 9, Stock-Based Compensation for more information).

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure.” The ASU updates reportable segment disclosure requirements, primarily through requiring enhanced disclosures about significant segment expenses and information used to assess segment performance. The ASU is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” The ASU includes amendments requiring enhanced income tax disclosures, primarily related to standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The guidance is effective for fiscal years beginning after December 15, 2024, with early adoption permitted, and should be applied either prospectively or retrospectively. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements and related disclosures.

2. Supplemental Financial Information

Accounts receivable consist of the following (in thousands):

	2023	2022
Delivery program receivables	\$ 1,869	\$ 2,027
Vendor rebate receivables	779	801
Franchise receivables ⁽¹⁾	1,043	2,050
Other receivables	1,453	1,565
Accounts receivable	<u>\$ 5,144</u>	<u>\$ 6,443</u>

⁽¹⁾ Franchise receivables in 2023 and 2022 include amounts related to equipment purchased in advance at a discount for franchisees.

Prepaid expenses and other assets consist of the following (in thousands):

	2023	2022
Prepaid occupancy related costs	\$ 800	\$ 711
Prepaid insurance	928	882
Prepaid expenses	2,127	1,802
Other current assets	24	55
Prepaid expenses and other assets	<u>\$ 3,879</u>	<u>\$ 3,450</u>

NOODLES & COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property and equipment, net, consist of the following (in thousands):

	2023	2022
Leasehold improvements	\$ 232,060	\$ 212,319
Furniture, fixtures and equipment	176,872	152,786
Construction in progress	6,426	6,738
	415,358	371,843
Accumulated depreciation and amortization	(263,182)	(242,457)
Property and equipment, net	<u>\$ 152,176</u>	<u>\$ 129,386</u>

Accrued payroll and benefits consist of the following (in thousands):

	2023	2022
Accrued payroll and related liabilities	\$ 5,205	\$ 5,004
Accrued bonus	698	2,007
Insurance liabilities	1,866	2,208
Accrued payroll and benefits	<u>\$ 7,769</u>	<u>\$ 9,219</u>

Accrued expenses and other current liabilities consist of the following (in thousands):

	2023	2022
Gift card liability	\$ 2,222	\$ 2,430
Occupancy related	1,066	1,001
Utilities	1,311	1,612
Current portion of finance lease liability	2,337	2,210
Other restaurant expense accruals	1,466	1,128
Other corporate expense accruals	4,548	2,624
Accrued expenses and other current liabilities	<u>\$ 12,950</u>	<u>\$ 11,005</u>

3. Goodwill and Intangible Assets

The Company had no goodwill impairment charges in 2023, 2022 or 2021. As of January 2, 2024 and January 3, 2023, the goodwill balance remained at \$7.2 million.

The following table presents intangible assets subject to amortization as of January 2, 2024 and January 3, 2023, (in thousands):

	2023	2022
Amortized intangible assets:		
Reacquired franchise rights	\$ 933	\$ 933
Accumulated amortization	(627)	(560)
Amortized intangible assets, net	306	373
Non-amortized intangible assets:		
Trademark rights	232	235
Intangibles, net	<u>\$ 538</u>	<u>\$ 608</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The estimated aggregate future amortization expense as of January 2, 2024 is as follows, (in thousands):

2024	\$	66
2025		66
2026		52
2027		40
2028		29
Thereafter		53
	\$	<u>306</u>

No impairment charges were recorded related to non-amortized intangible assets in 2023, 2022 or 2021.

4. Long-Term Debt

Credit Facility

On May 9, 2018, the Company entered into a Credit Agreement (the "Credit Agreement") with each other Loan Party (as defined in the Credit Agreement) party thereto, each lender from time to time party thereto, and U.S. Bank National Association as Administrative Agent, L/C Issuer and Swing Line Lender (each as defined in the Credit Agreement). The Credit Agreement consisted of a term loan facility in an aggregate principal amount of \$25.0 million and a revolving line of credit of \$65.0 million, which included a letter of credit subfacility in the amount of \$15.0 million and a swingline subfacility in the amount of \$10.0 million. The Credit Agreement was subsequently amended on November 20, 2019 and June 16, 2020.

On July 27, 2022, the Company amended and restated the Credit Agreement by entering into the Amended and Restated Credit Agreement (as further amended, restated, extended, supplemented, modified and otherwise in effect from time to time, the "A&R Credit Agreement"), with each other Loan Party (as defined in the A&R Credit Agreement) party thereto, each lender from time to time party thereto, and U.S. Bank National Association, as Administrative Agent, L/C Issuer and Swing Line Lender (each as defined in the A&R Credit Agreement). The A&R Credit Agreement matures on July 27, 2027. Among other things, the A&R Credit Agreement: (i) increased the credit facility from \$100.0 million to \$125.0 million; (ii) eliminated the term loan and principal amortization components of the credit facility; (iii) removed the capital expenditure covenant; (iv) enhanced flexibility for certain covenants and restrictions; and (v) lowered the spread within the Company's cost of borrowing and transitioned from LIBOR to SOFR plus a margin of 1.50% to 2.50% per annum, based upon the consolidated total lease-adjusted leverage ratio. In connection with the entry into the A&R Credit Agreement, the Company wrote off a portion of the unamortized debt issuance costs related to the Credit Agreement in the amount of \$0.3 million in 2022. The A&R Credit Agreement is secured by a pledge of stock of substantially all of the Company's subsidiaries and a lien on substantially all of the personal property assets of the Company and its subsidiaries.

On December 21, 2023, the Company amended its A&R Credit Agreement by entering into that certain First Amendment to Amended and Restated Credit Agreement (the "Amendment"). Among the modifications, the Amendment: (i) increased applicable rate ranges (A) with respect to SOFR loans, from 1.50% - 2.50% per annum to 1.75% - 3.00% per annum and (B) with respect to base rate loans, from 0.50% - 1.50% per annum to 0.75% - 2.00% per annum, in each case as determined by the Consolidated Total Lease Adjusted Leverage Ratio (as defined in the A&R Credit Agreement), (ii) amended the Consolidated Fixed Charge Coverage Ratio (as defined in the A&R Credit Agreement) in order to limit the deduction of capital expenditures to "Non-Growth Capital Expenditures", (iii) added a defined term for "Non-Growth Capital Expenditures" (along with certain related definitions), (iv) added a new capital expenditures covenant governing entry into new lease agreements and (v) increased the Consolidated Total Lease Adjusted Leverage Ratio (as defined in the A&R Credit Agreement) to be no greater than (x) 4.50 to 1.00 for the period beginning on the last day of the fiscal quarter ending January 2, 2024 until and including the last day of the fiscal quarter ending December 30, 2025 and (y) 4.25 to 1.00 for the period beginning on the last day of the fiscal quarter ending March 31, 2026 until and including the last day of the fiscal quarter ending September 29, 2026.

As of January 2, 2024, the Company had \$82.2 million of indebtedness (excluding \$2.0 million of unamortized debt issuance costs) and \$3.0 million of letters of credit outstanding under the A&R Credit Agreement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company also maintains outstanding letters of credit to secure obligations under its workers' compensation program and certain lease obligations. As of January 2, 2024, the Company was in compliance with all of its debt covenants.

The Company's revolver, which had a balance of \$77.4 million as of January 2, 2024, bore interest at rates between 6.63% to 10.5% during 2023. The Company's swingline, which had a balance of \$4.8 million as of January 2, 2024, bore interest at rates between 8.75% and 10.5% in 2023. The Company recorded interest expense of \$4.8 million, \$2.4 million and \$2.1 million for 2023, 2022 and 2021, respectively, of which each year included \$0.4 million of amortization of debt issuance costs.

5. Fair Value Measurements

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and all other current liabilities approximate fair values due to their short-term nature. The carrying amounts of borrowings approximate fair value as the line of credit and borrowings vary with market interest rates and negotiated terms and conditions are consistent with current market rates. The fair value of the Company's line of credit borrowings is measured using Level 2 inputs.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets recognized or disclosed at fair value in the consolidated financial statements on a non-recurring basis include items such as property and equipment, operating lease assets, goodwill and other intangible assets. These assets are measured at fair value if determined to be impaired or when acquired. Adjustments to the fair value of assets measured at fair value on a non-recurring basis as of January 2, 2024 and January 3, 2023, are discussed in Note 6, Restaurant Impairments, Closure Costs and Asset Disposals. Assets held for sale are measured at fair value on a non-recurring basis using Level 3 inputs.

The fair values are assigned a level within the fair value hierarchy, depending on the source of the inputs into the calculation.

Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2—Quoted prices in markets that are not active or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3—Prices or valuation techniques which require inputs that are both significant to the fair value measurement and unobservable (*i.e.*, supported by little or no market activity).

6. Restaurant Impairments, Closure Costs and Asset Disposals

The following table presents restaurant impairments, closure costs and asset disposals for fiscal years 2023, 2022 and 2021 (in thousands):

	2023	2022	2021
Restaurant impairments ⁽¹⁾	\$ 2,987	\$ 1,362	\$ 3,424
Closure costs ⁽¹⁾	1,198	1,285	1,239
Loss on disposal of assets and other	4,215	3,517	1,064
Total restaurant impairments, closure costs and asset disposals	<u>\$ 8,400</u>	<u>\$ 6,164</u>	<u>\$ 5,727</u>

(1) Restaurant impairments and closure costs in all periods presented above include amounts related to restaurants previously impaired or closed.

Restaurant Impairments

Impairment is based on management's current assessment of the expected future cash flows of its company-owned restaurants based on recent results and other specific market factors. Impairment expense is a Level 3 fair value measure and is determined by comparing the carrying value of restaurant assets to the estimated fair market value of the restaurant assets at resale value.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During 2023, the Company recorded fixed asset impairment on two restaurants and wrote down lease related assets on four restaurants. Additionally, the Company wrote-off its lease related assets on two previously closed restaurants after determining abandonment of its lease on the retail space. In 2022, the Company recognized an impairment charge related to the fixed assets on four restaurants and a write-down of its lease related assets on two restaurants. In 2021, the Company impaired the fixed assets on six restaurants and the lease related asset on one restaurant, and wrote-off its lease related asset on one restaurant that closed in previous years. The Company also wrote down \$0.5 million of assets held in connection with a restaurant divestiture in January 2022. All periods include ongoing equipment costs for restaurants previously impaired.

Restaurant Closures

Closure costs during 2023, 2022 and 2021 pertain to ongoing costs of restaurants that closed in previous years, as well as costs related to the closure of six, five, and twelve restaurants, respectively. These closure costs were offset by gains of \$0.2 million in 2023, \$0.1 million in 2022 and \$0.2 million in 2021 resulting from the adjustments to liabilities as lease terminations occur. Closure costs can also include fees from real estate advisors and brokers related to terminations of the leases and charges resulting from final adjustments to liabilities as lease terminations occur.

Losses on Disposal of Assets and Other

All periods include asset disposals in the normal course of business and lease related costs and expenses that the Company is still obligated for. In 2022, the Company also recorded \$0.3 million loss from the sale of its fifteen company-owned restaurants to a franchisee. Losses on disposal of assets and other in 2023 and 2021 were partially offset by \$0.2 million and \$0.4 million gains on insurance proceeds from property damage.

Sublease Expense

The Company records sublease expense related to leases for which the Company remains obligated. In previous years, the Company has entered into transactions to sell company-owned restaurants to franchisees. The lease agreements for those restaurants were assigned to the franchisee, but in some instances, the Company was not relieved of its primary obligations under the lease, therefore these leases are treated as subleases. The lease income for these restaurants has been recorded in "Franchising royalties and fees, and other" and the offsetting lease expense has been recorded in "Restaurant impairments, closure costs and asset disposals" in the Consolidated Statement of Operations.

7. Income Taxes

The components of the provision (benefit) for income taxes are as follows for 2023, 2022 and 2021 (in thousands):

	2023	2022	2021
Current tax provision:			
Federal	\$ —	\$ —	\$ —
State	(2)	77	41
	(2)	77	41
Deferred tax (benefit) provision:			
Federal	21	(27)	23
State	5	(13)	6
	26	(40)	29
Total provision for income taxes	\$ 24	\$ 37	\$ 70

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The reconciliation of income tax provision (benefit) that would result from applying the federal statutory rate to pre-tax income as shown in the accompanying Consolidated Statements of Operations is as follows for 2023, 2022 and 2021 (in thousands):

	2023	2022	2021
Federal income tax (benefit) provision at federal rate	\$ (2,065)	\$ (688)	\$ 784
State income tax (benefit) provision, net of federal tax	(420)	(112)	162
Other permanent differences	629	368	(17)
Tax credits	(1,513)	(1,608)	(1,297)
Change in valuation allowance	3,352	1,558	244
Tax rate change	—	—	6
Deferred tax asset write-off	78	320	207
Other items, net	(37)	199	(19)
Provision for income taxes	<u>\$ 24</u>	<u>\$ 37</u>	<u>\$ 70</u>
Effective income tax rate	<u>(0.2)%</u>	<u>(1.1)%</u>	<u>1.9 %</u>

The Company's total deferred tax assets and liabilities are as follows (in thousands):

	2023	2022
Deferred tax assets	\$ 121,801	\$ 113,054
Deferred tax liabilities	(71,383)	(65,961)
Total deferred tax assets	50,418	47,093
Valuation allowance	(50,673)	(47,322)
Net deferred tax liabilities	<u>\$ (255)</u>	<u>\$ (229)</u>

Deferred income taxes arise because of the differences in the book and tax bases of certain assets and liabilities. Deferred income tax liabilities and assets consist of the following (in thousands):

	2023	2022
Deferred tax assets (liabilities):		
Loss carry forwards	\$ 45,547	\$ 39,339
Deferred franchise revenue	1,968	2,411
Property, equipment and intangible assets	(20,473)	(14,802)
Stock-based compensation	1,872	1,970
Tax credit carry forwards	8,744	7,231
Interest expense	1,935	617
Inventory smallwares	(1,772)	(1,700)
Other accrued expenses	518	391
Operating lease assets	(49,138)	(49,459)
Operating lease liabilities	59,611	59,747
Other	1,606	1,348
Total net deferred tax assets	50,418	47,093
Valuation allowance	(50,673)	(47,322)
Net deferred tax liabilities	<u>\$ (255)</u>	<u>\$ (229)</u>

For the year ended January 2, 2024, the Company determined that it was appropriate to maintain a valuation allowance of \$50.7 million against U.S. deferred tax assets due to uncertainty regarding the realizability of future tax benefits. The previously recorded valuation allowance increased during 2023 due to increases in deferred tax assets. The valuation allowance is recorded against net deferred tax assets, exclusive of indefinite-lived assets and liabilities. The Company will maintain the remaining

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

valuation allowance until there is sufficient evidence to support a full or partial reversal. The reversal of a previously recorded valuation allowance will generally result in a benefit to the effective tax rate.

As of January 2, 2024 and January 3, 2023, net operating loss (“NOL”) carry forwards for federal income tax purposes of approximately \$180.0 million and \$153.5 million, respectively, were available to offset future taxable income. Of these amounts, \$106.8 million is available to offset future taxable income through 2037. Federal NOLs of \$73.1 million created during the year ended January 1, 2019 and all subsequent years after can be carried forward indefinitely, but can only offset 80% of future taxable income. The Internal Revenue Code Section 382 generally limits the utilization of NOLs when there is an ownership change. The Company completed an analysis under Section 382 through January 2, 2024 and determined that there isn’t a current year limitation on utilization of tax attributes. Prior to the utilization of NOLs in the future, the Company will determine whether there are any limitations under Section 382. If such a limitation exists, it is possible that a portion of the NOLs may not be available for use before expiration.

Uncertain tax positions are recognized if it is more likely than not that the Company will be able to sustain the tax position taken, and the measurement of the benefit is calculated as the largest amount that is more than 50% likely to be realized upon resolution of the benefit. The Company has analyzed filing positions in all of the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions.

There were no uncertain tax positions for the years ended January 2, 2024 or January 3, 2023. For federal and state income tax purposes, the Company’s 2020 through 2022 tax years remain open for examination by the authorities under the normal three year statute of limitations. Should the Company utilize any of its U.S. or state NOLs, the tax year to which the original loss relates will remain open to examination.

8. Stockholders’ Equity

Common Stock

The Company has 181,000,000 shares of stock authorized, consisting of 150,000,000 shares of Class A common stock, par value \$0.01 per share; 30,000,000 shares of Class B common stock, par value \$0.01 and 1,000,000 shares of preferred stock, par value \$0.01 per share. Preferred stock rights are determined by the Company’s Board of Directors when preferred shares are issued. The following summarizes the rights of common stock:

Voting—Shares of Class A common stock and Class B common stock are entitled to one vote per share in all voting matters, with the exception that Class B common stock does not vote on the election or removal of directors.

Conversion—Each share of Class B common stock is convertible, at the option of the holder, into one share of Class A common stock.

Dividends—Class A common stock and Class B common stock share equally if a dividend is declared or paid to either class, but they do not have rights to any special dividend.

Liquidation, Dissolution or Winding Up—Class A common stock and Class B common stock share equally in distributions in liquidation, dissolution or winding up of the corporation.

Securities Purchase Agreement with L Catterton

On February 8, 2017, the Company entered into a securities purchase agreement with L Catterton, pursuant to which the Company agreed, in return for aggregate gross proceeds of \$18.5 million, to sell to L Catterton an aggregate of 18,500 shares of preferred stock convertible into 4,252,873 shares of the Company’s Class A common stock, par value \$0.01 per share, at a price per share of \$1,000, plus warrants exercisable for five years beginning six months following their issuance for the purchase of 1,913,793 shares of the Company’s Class A common stock, at a price per share of \$4.35. On January 6, 2021, L Catterton exercised their warrants and sold 837,948 shares of Class A Common Stock, pursuant to a private transaction. Upon completion of the transaction, L Catterton did not hold any shares of the Company’s Class A Common Stock.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Share Repurchases

On July 26, 2023, the Company announced a share repurchase program (the “2023 Share Repurchase Program”) of up to \$5.0 million of the Company’s Class A common stock. Under this program, the Company purchased shares of the Company’s Class A common stock in the open market. The Company conducted any open market share repurchase activities in compliance with the safe harbor provisions of Rule 10b-18 of the Exchange Act. During the third quarter ended October 3, 2023, the Company repurchased 1,731,952 shares of its common stock for approximately \$5.0 million in open market transactions at an average price of \$2.86 per share. Share repurchases were accounted for under the retirement method and all repurchased shares were retired and cancelled. The excess of the purchase price over the par value of the shares was recorded as a reduction in additional paid-in capital. The 2023 Share Repurchase Program and the remaining diminimus balance was cancelled by the Company’s Board of Directors in the fourth quarter of 2023.

9. Stock-Based Compensation

In May of 2023, the Company’s Board of Directors adopted the 2023 Stock Incentive Plan, which was approved at the annual meeting of stockholders on May 16, 2023 (the “2023 Plan”). The 2023 Plan authorizes the grant of non-qualified stock options, incentive stock options, stock appreciation rights (“SARs”), restricted stock, restricted stock units (“RSUs”), performance share units (“PSUs”) and incentive bonuses to employees, officers, non-employee directors and other service providers, as applicable. The Company’s 2013 Stock Incentive Plan, as amended and restated in May of 2013 was terminated. The 2023 Plan is administered by the Compensation Committee of the Company’s Board of Directors (the “Board”) or another committee designated by the Board, or in the absence of any such committee, the Board itself (the “administrator”). Stock options are granted at a price determined by the administrator at an exercise price that is not less than the fair market value of the underlying stock on the date of grant. The administrator may also grant SARs and RSUs with terms determined by the administrator in accordance with the 2023 Plan. All share-based awards (except for RSUs) granted under the 2023 Plan have a life of ten years. Most awards vest ratably over four years; however, some have been granted with different vesting schedules. Of the awards outstanding, none have been granted to non-employees (except those granted to non-employee members of the Board of Directors of the Company) under the 2023 Plan. In 2022, the Company launched the General Manager (“GM”) Equity program which granted RSUs to top performing general managers with a three year cliff vesting. At January 2, 2024, approximately 3.4 million share-based awards were available to be granted under the 2023 Plan.

Stock-based compensation expense is generally recognized on a straight-line basis over the service period of the awards. In 2023, 2022 and 2021, non-cash stock-based compensation expense of \$4.3 million, \$4.4 million and \$4.3 million, respectively, was included in general and administrative expense. As of January 2, 2024, there was \$7.2 million of unrecognized compensation costs related to non-vested share-based compensation arrangements granted under the Plan, which is expected to be recognized over 2.5 years.

The Company has estimated forfeiture rates that average 22% based upon the class of employees receiving stock-based compensation in its calculation of stock-based compensation expense for the year ended January 2, 2024. These estimates are based on historical forfeiture behavior exhibited by employees of the Company.

Stock Options

The estimated fair value of each option granted is calculated using the Black-Scholes option-pricing model. Expected volatilities are based on the Company’s historical data and implied volatility. The Company uses historical data to estimate expected employee forfeitures of stock options. The expected life of options granted is management’s best estimate using recent and expected transactions. The risk-free rate for periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The Company did not grant any options in 2023, 2022 or 2021.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of aggregate option award activity under the Plan as of January 2, 2024, and changes during the fiscal year then ended is presented below:

	Awards	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (1) (in thousands)
Outstanding—January 3, 2023	692,605	\$ 12.36		
Granted	—	—		
Forfeited or expired	(30,779)	12.72		
Exercised	—	—		
Outstanding—January 2, 2024	<u>661,826</u>	<u>\$ 12.36</u>	<u>2.99</u>	<u>\$ —</u>
Vested and expected to vest	661,826	\$ 12.36	2.99	\$ —
Exercisable as of January 2, 2024	661,826	\$ 12.36	2.99	\$ —

(1) Aggregate intrinsic value represents the amount by which fair value of the Company’s stock exceeds the exercise price of the option as of January 2, 2024.

There were no options granted in the years ended January 2, 2024, January 3, 2023 and December 28, 2021. The Company had 34,980, 57,147 and 90,590 options that vested during the years ended January 2, 2024, January 3, 2023 and December 28, 2021, respectively. These awards had a total estimated fair value of \$0.1 million, \$0.3 million, and \$1.1 million at the date of vesting for the years ended January 2, 2024, January 3, 2023 and December 28, 2021, respectively.

Performance Stock Units

The Company grants PSUs to its executive officers under the Plan. These PSU awards are earned over a three-year performance period subject to the achievement of certain target performance conditions. The number of shares eligible to vest ranges from 0% to 200%, however no share shall vest if the defined minimum targets are not met. During fiscal years 2019 to 2022, PSUs were granted based on target performance measures over the Company’s comparable sales growth and Adjusted EBITDA (“Financial PSU”). Additionally, during fiscal years 2021 to 2023, the Company also awarded PSUs based on a total shareholder return based metric (“TSR”), which compares the stock price of the Company’s shares to a group of peer companies.

Each share of the Financial PSUs has a fair value equal to the Company’s stock price at the date of grant while the fair value of each share of TSR is determined using a Monte Carlo valuation model. The Financial PSU stock-based compensation expense is recognized during the three-year period and is adjusted for the number of shares that are expected to vest based on the probability of achieving the targeted performance measures. Stock-based compensation expense for TSR awards is recognized straight-line over the term of the award. PSUs remain unvested until the end of the performance period and through the post-performance holding period of three to six months (“vest date”). For TSR awards, there is a mandatory post-vest holding period of one year. PSUs are forfeited in the event of termination prior to the vest date.

In 2023, the Company recorded a reversal of previously recognized compensation costs due to forfeitures of \$0.3 million related to executive officer departures and \$0.5 million reversal due to target performance measures not being met. The stock-based compensation expense recognized from the PSUs amounted to \$(0.6) million, \$0.9 million and \$1.5 million during 2023, 2022 and 2021, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restricted Stock Units

A summary of the status of the Company's non-vested restricted stock units as of January 2, 2024 and changes during the year then ended is presented below:

	Awards	Weighted- Average Grant Date Fair Value
Outstanding—January 3, 2023	2,323,674	\$ 6.45
Granted	2,222,280	4.52
Vested	(793,739)	5.47
Forfeited	(913,450)	6.39
Non-vested at January 2, 2024	2,838,765	\$ 5.24

The Company had 793,739 restricted stock units that vested during the year ended January 2, 2024. These units had a total estimated fair value of \$3.4 million at the date of vesting for the year ended January 2, 2024.

10. (Loss) Earnings Per Share

Basic (loss) earnings per share ("EPS") is calculated by dividing net (loss) income available to common shareholders by the weighted-average number of shares of common stock outstanding during each period. Diluted EPS is calculated using net (loss) income available to common stockholders divided by diluted weighted-average shares of common stock outstanding during each period. Potentially dilutive securities include shares of common stock underlying stock options and restricted common stock. Diluted EPS considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an anti-dilutive effect.

The following table sets forth the computations of basic and diluted EPS (in thousands, except share and per share data):

	2023	2022	2021
Net (loss) income attributable to common stockholders	\$ (9,856)	\$ (3,314)	\$ 3,665
Shares:			
Basic weighted average shares outstanding	45,863,719	45,913,787	45,483,029
Effect of dilutive securities	—	—	642,357
Diluted weighted average number of shares outstanding	45,863,719	45,913,787	46,125,386
(Loss) earnings per share:			
Basic (loss) earnings per share	\$ (0.21)	\$ (0.07)	\$ 0.08
Diluted (loss) earnings per share	\$ (0.21)	\$ (0.07)	\$ 0.08

The Company computes the effect of dilutive securities using the treasury stock method and average market prices during the period. Potential common shares are excluded from the computation of diluted earnings per share when the effect would be anti-dilutive. Shares issuable on the vesting or exercise of share-based awards or exercise of outstanding warrants were excluded from the calculation of diluted loss per share because the effect of their inclusion would have been anti-dilutive totaled 3,458,622, 2,402,238 and 503,142 for 2023, 2022 and 2021, respectively.

11. Employee Benefit Plans

Defined Contribution Plan

In October 2003, the Company adopted a defined contribution plan, The Noodles & Company 401(k) Plan (the "401(k) Plan"). Company employees aged 21 or older, are eligible to participate in the 401(k) Plan beginning on the first day of the calendar month following 30 days of employment. Under the provisions of the 401(k) Plan, the Company may, at its discretion, make contributions to the 401(k) Plan. Participants are 100% vested in their own contributions. In 2019, the board of directors authorized matching contributions equal to 25% of the first 4% of compensation that is deferred by the participant. The Company recognized matching contribution expense of \$0.4 million, \$0.4 million and \$0.3 million in 2023, 2022 and 2021, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred Compensation Plan

The Company's deferred compensation plan, under which compensation deferrals began in 2013, is a non-qualified deferred compensation plan which allows highly compensated employees to defer a portion of their base salary and variable compensation, including 401(k) refund, each plan year. To offset its obligation, the Company holds a portfolio of mutual funds in a Rabbi Trust. As of January 2, 2024 and January 3, 2023, \$1.2 million and \$0.7 million, respectively, were included in other assets, net, which represents the cash surrender value of the associated life insurance policies, and \$1.2 million and \$0.7 million, respectively, were included in accrued expenses and other current liabilities and other long-term liabilities, which represents the carrying value of the liability for deferred compensation.

Employee Stock Purchase Plan

In 2013, the Company adopted an Employee Stock Purchase Plan (the "ESPP") under which eligible team members may voluntarily contribute up to 15% of their salaries, subject to limitations, to purchase common stock at a price equal to 85% of the fair market value of a share of the Company's common stock on the first day of each offering period or 85% of the fair market value of a share of the Company's common stock on the last day of each offering period, whichever amount is less. In general, all non-highly compensated employees who have been employed by the Company for at least 30 days prior to the offering period and who are regularly scheduled to work more than 20 hours per week and for more than five months in any calendar year, are eligible to participate in the ESPP which operates in-line with the Company's fiscal quarters. A total of 750,000 shares of common stock are available for issuance under the ESPP. The Company has issued a total of 338,586 shares under this plan, of which 70,857 shares were issued during 2023. A total of 411,414 shares remain available for future issuance. For 2023, in accordance with the guidance for accounting for stock compensation, the Company estimated the fair value of the stock purchase plan using the Black-Scholes multiple-option pricing model. The average assumptions used in the model included a 5.05% risk-free interest rate; 0.25 years year expected life; expected volatility of 56.8%; and a zero percent dividend yield. The weighted average fair value per share at grant date was \$0.63. In 2023, the Company recognized \$47,000 of compensation expense related to the ESPP.

12. Leases

The Company leases restaurant facilities, office space and certain equipment that expire on various dates through September 2043. Lease terms for restaurants in traditional shopping centers generally include a base term of 10 years, with options to extend these leases for additional periods of five to 15 years.

The Company's leases typically contain rent escalations over the lease term. The Company recognizes expense for these leases on a straight-line basis over the lease term. Additionally, tenant incentives used to fund leasehold improvements are recognized when earned and reduce the right-of-use asset related to the lease. These are amortized through the right-of-use asset as reductions of expense over the lease term. Total rent expense for operating leases for 2023, 2022 and 2021 was approximately \$39.2 million, \$38.5 million and \$39.1 million, respectively.

Some of the Company's leases include rent escalations based on inflation indexes and fair market value adjustments. Certain leases contain contingent rental provisions that include a fixed base rent plus an additional percentage of the restaurant's sales in excess of stipulated amounts. Lease expense associated with rent escalation and contingent rental provisions is not material and is included within operating lease cost. Operating lease liabilities are calculated using the prevailing index or rate at lease commencement. Subsequent escalations in the index or rate and contingent rental payments are recognized as variable lease expenses. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company elected the practical expedient to account for lease and non-lease components as a single component for substantially all lease types.

As most of the Company's leases do not provide an implicit rate, the Company used its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

Changes in the market trend of the trade area affected certain of our restaurant operating results and the underlying asset values of the restaurant lease. The Company recorded right-of-use asset impairment charges, which reduced the carrying value of operating lease assets to their respective estimated fair value by \$1.6 million, \$0.2 million, and \$0.1 million in 2023, 2022 and 2021 respectively.

NOODLES & COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Supplemental balance sheet information related to leases is as follows (in thousands):

Classification	2023	2022
Assets		
Operating	\$ 183,857	\$ 183,392
Finance	3,440	5,258
Total leased assets	\$ 187,297	\$ 188,650
Liabilities		
Current lease liabilities		
Operating	\$ 30,104	\$ 28,581
Finance	2,337	2,210
Long-term lease liabilities		
Operating	186,285	187,320
Finance	1,469	3,520
Total lease liabilities	\$ 220,195	\$ 221,631

The components of lease costs are as follows (in thousands):

Classification	Year Ended January 2, 2024	Year Ended January 3, 2023	Year Ended December 28, 2021
Operating lease cost			
Occupancy, other restaurant operating costs, general and administrative expenses, and pre-opening costs	\$ 39,192	\$ 38,514	\$ 39,075
Closure costs, loss on disposals and other	2,929	3,071	1,598
Finance lease cost			
Amortization of lease assets	2,270	2,250	2,128
Interest on lease liabilities	297	401	487
	44,688	44,236	43,288
Sublease income			
Franchising royalties and fees, and other	(3,087)	(3,242)	(1,832)
Total lease cost, net	\$ 41,601	\$ 40,994	\$ 41,456

Future minimum lease payments required under existing leases as of January 2, 2024 are as follows (in thousands):

	Operating Leases	Finance Leases	Total
2024	\$ 39,683	\$ 2,494	\$ 42,177
2025	45,171	1,241	46,412
2026	41,377	139	41,516
2027	36,954	83	37,037
2028	30,995	45	31,040
Thereafter	100,080	46	100,126
Total lease payments	294,260	4,048	298,308
Less: Imputed interest	77,871	242	78,113
Present value of lease liabilities	\$ 216,389	\$ 3,806	\$ 220,195

NOODLES & COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Operating lease payments include \$93.1 million related to options to extend lease terms that are reasonably certain of being exercised and exclude \$14.0 million of legally binding minimum lease payments for leases signed but not yet commenced.

Lease term and discount rate are as follows:

	January 2, 2024	January 3, 2023
Weighted average remaining lease term (years):		
Operating	8.3	7.9
Finance	2.0	2.6
Weighted average discount rate:		
Operating	8.0 %	8.0 %
Finance	6.5 %	6.4 %

Supplemental disclosures of cash flow information related to leases are as follows (in thousands):

	2023	2022
Cash paid for lease liabilities:		
Operating leases	\$ 42,731	\$ 45,158
Finance leases	2,672	2,391
	<u>\$ 45,403</u>	<u>\$ 47,549</u>
Right-of-use assets obtained in exchange for new lease liabilities:		
Operating leases	\$ 27,385	\$ 19,584
Finance leases	462	1,346
	<u>\$ 27,847</u>	<u>\$ 20,930</u>

13. Supplemental Disclosures to Consolidated Statements of Cash Flows

The following table presents the supplemental disclosures to the Consolidated Statements of Cash Flows for 2023, 2022 and 2021 (in thousands):

	2023	2022	2021
Interest paid (net of amounts capitalized)	\$ 3,975	\$ 1,500	\$ 1,400
Income taxes paid (refunded)	158	123	106
Purchases of property and equipment accrued in accounts payable	4,853	5,640	5,335

14. Commitments and Contingencies

In the normal course of business, the Company is subject to other proceedings, lawsuits and claims. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, the Company is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of January 2, 2024. These matters could affect the operating results of any one financial reporting period when resolved in future periods. The Company believes that an unfavorable outcome with respect to these matters is remote or a potential range of loss is not material to its consolidated financial statements. Significant increases in the number of these claims, or one or more successful claims that result in greater liabilities than the Company currently anticipates, could materially and adversely affect its business, financial condition, results of operations or cash flows.

NOODLES & COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Related Party Transactions***Securities Purchase Agreements***

Under the securities purchase agreement with Mill Road Capital II, L.P. (“Mill Road”), if at any time Mill Road owns 10.0% or more of our outstanding common stock, Mill Road has the right to designate one nominee for election to our Board of Directors. If Mill Road’s ownership level falls below 10.0% of our outstanding common stock, Mill Road will no longer have a right to designate a nominee. As of January 2, 2024, Thomas Lynch of Mill Road was a member of our Board of Directors. As of January 3, 2023, Mill Road did not hold a position on the Company’s Board of Directors.

16. Revenue Recognition***Gift Cards***

As of January 2, 2024 and January 3, 2023, the current portion of the gift card liability, \$2.2 million and \$2.4 million, respectively, is included in accrued expenses and other current liabilities, and the long-term portion, \$1.0 million and \$0.7 million, respectively, is included in other long-term liabilities in the Consolidated Balance Sheets.

Revenue recognized in the Consolidated Statements of Operations for the redemption of gift cards was \$2.8 million, \$3.4 million and \$3.2 million in 2023, 2022 and 2021, respectively. The Company recognized gift card breakage in restaurant revenue of approximately \$0.3 million, \$0.5 million and \$0.3 million in 2023, 2022 and 2021, respectively.

Franchise Fees

Initial fees received from franchisees are recognized as revenue over the term of each respective franchise agreement, which is typically 20 years. The Company recognized revenue of \$0.2 million, \$0.1 million and \$0.1 million in 2023, 2022 and 2021, respectively related to initial fees from franchisees that were included in the contract liability balance at the beginning of the year. The Company expects to recognize approximately \$0.1 million each fiscal year through fiscal 2028 and approximately \$0.8 million thereafter related to performance obligations that are unsatisfied as of January 2, 2024.

Loyalty Program

The Company operates the Noodles Rewards program, which is primarily a spend-based loyalty program. With each purchase, Noodles Rewards members earn loyalty points that can be redeemed for rewards, including free products. Using an estimate of the value of reward redemptions, we defer revenue associated with points earned, net of estimated points that will not be redeemed. Points generally expire after six months. Revenue is recognized in a future period when the reward points are redeemed. Deferred revenue related to the rewards was \$0.9 million and \$0.3 million as of January 2, 2024 and January 3, 2023, respectively, and was included in accrued expenses and other current liabilities in the Consolidated Balance Sheets.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Noodles & Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Noodles & Company (the Company) as of January 2, 2024 and January 3, 2023, the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended January 2, 2024, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 2, 2024 and January 3, 2023, and the results of its operations and its cash flows for each of the three years in the period ended January 2, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 2, 2024, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 7, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Description of the Matter

Impairment of long-lived assets

As more fully described in Note 1 and Note 6 to the consolidated financial statements, during the year ended January 2, 2024, the Company recorded impairment charges of \$3.0 million related to its restaurants. The Company evaluates its long-lived assets for impairment whenever events or changes indicate that the carrying amount of an asset may not be recoverable. Management groups and evaluates long-lived assets for impairment at the lowest level for which cash flows are largely independent of the cash flows of other groups of assets and liabilities, generally at the restaurant level. The Company estimates the future undiscounted cash flows expected to be generated by the assets and compares those estimates to the carrying value of the related assets. If the assets are determined to be impaired, they are written down to their fair values.

When indicators of impairment were identified, auditing the Company's long-lived asset impairment analyses involved subjective auditor judgment in evaluating the expected restaurant revenues included in the future undiscounted cash flows. This assumption is subjective in nature and is affected by expectations about future market conditions for a given store.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's assessment of the projected undiscounted cash flows to be generated by restaurants with indicators of impairment. This included testing controls over management's review of the significant assumption of future restaurant revenues described above.

To test the significant assumption described above, our audit procedures included, among others, comparing estimated revenue trends to historical results for similar restaurants and evaluating current trends by restaurant and testing the data used in the calculations for completeness and accuracy. We inquired of the Company's management to understand the business initiatives supporting the revenue assumption in the future cash flows. We performed a sensitivity analysis of the forecasted restaurant revenues to evaluate the change in future undiscounted cash flow estimates that would result from changes in the assumption.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2009.

Denver, Colorado

March 7, 2024

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

The management of Noodles & Company is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United State of America, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on our financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of our internal control over financial reporting as of January 2, 2024 based on the criteria in "Internal Control - Integrated Framework (the 2013 framework)" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of January 2, 2024.

Attestation Report of the Independent Registered Public Accounting Firm

Our independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the effectiveness of our internal control over financial reporting as of January 2, 2024. This report follows.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Noodles & Company

Opinion on Internal Control Over Financial Reporting

We have audited Noodles & Company's internal control over financial reporting as of January 2, 2024, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Noodles & Company (the Company) maintained, in all material respects, effective internal control over financial reporting as of January 2, 2024, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of January 2, 2024 and January 3, 2023, the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended January 2, 2024, and the related notes and our report dated March 7, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Denver, Colorado
March 7, 2024

ITEM 9B. Other Information

Director and Executive Officer Trading

During the quarter ended January 2, 2024, no director or officer adopted or terminated any Rule 10b5-1 or non-Rule 10b5-1 trading arrangements (as defined in Item 408 of Regulation S-K).

ITEM 9C. Disclosures Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

We have adopted a Code of Business Conduct and Ethics that applies to our directors and a Code of Business Conduct and Ethics that applies to our officers and employees (collectively, the “Codes”), including our principal executive, financial and accounting officers, and persons performing similar functions. These Codes are published on our corporate governance website located at investor.noodles.com/corporate-governance.cfm. We intend to disclose certain future amendments to provisions of our Codes, or waivers of provisions of the Codes granted to executive officers and directors, on the website within four business days following the date of such amendment or waiver.

The remaining information required by this item is incorporated herein by reference to the sections entitled “Proposal No. 1 - Election of Directors,” “Delinquent Section 16(a) Report,” “Executive Officers,” “Board Committees—Policy Regarding Stockholder Recommendations” and “Board Committees—Audit Committee” in our definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 15, 2024 (the “Proxy Statement”).

ITEM 11. Executive Compensation

The information required by this item is incorporated by reference to the sections entitled “Executive Compensation,” “Director Compensation” and “Board Committees—Compensation Committee Interlocks and Insider Participation” in the Proxy Statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to the sections entitled “Equity Compensation Plan Information” and “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to the sections entitled “Transactions with Related Persons” and “Directors and Corporate Governance—Board Independence” in the Proxy Statement.

ITEM 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to the section entitled “Proposal No. 3 - Ratification of Appointment of Independent Registered Public Accounting Firm for 2024” in the Proxy Statement.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

1. Our Consolidated Financial Statements and Notes thereto are included in Item 8, “Financial Statements and Supplementary Data,” of this Annual Report on Form 10-K.
2. All financial schedules have been omitted either because they are not applicable or because the required information is provided in our Consolidated Financial Statements and Notes thereto, included in Item 8 of this Annual Report on Form 10-K.
3. The Index to Exhibits is incorporated herein by reference and is filed as part of this 10-K.

EXHIBITS

Exhibit Number	Exhibit Description	Description of Exhibit Incorporated Herein by Reference				Exhibit Number	Filed Herewith
		Form	File No.	Filing Date			
3.1	Amended and Restated Certificate of Incorporation	S-1	333-192402	November 19, 2013	3.1		
3.2	Second Amended and Restated Bylaws	8-K	001-35987	August 24, 2015	3.1		
4.1	Specimen Stock Certificate	S-1/A	333-188783	June 17, 2013	4.1		
4.2	Certificate of Designations for Series A Convertible Preferred Stock	8-K	001-35987	February 9, 2017	4.1		
4.3	Form of Warrant to Purchase Class A Common Stock	8-K	001-35987	February 9, 2017	4.2		
4.4	Description of Securities	10-K	001-35987	February 26, 2021	4.4		
10.1	Noodles & Company Amended and Restated 2010 Stock Incentive Plan	S-1/A	333-188783	June 17, 2013	10.1		
10.2	Noodles & Company 2013 Employee Stock Purchase Plan	S-1/A	333-188783	June 17, 2013	10.2		
10.3	Amended and Restated Credit Agreement dated July 27, 2022, by and among Noodles & Company, each of the Guarantors signatory thereto, U.S. Bank National Association, as Administrative Agent, L/C Issuer and Swing Line Issuer and the lenders signatory thereto	8-K	001-35987	July 27, 2022	10.1		
10.4	First Amendment to Amended and Restated Credit Agreement, dated as of December 21, 2023, by and among Noodles & Company, each of the Guarantors signatory thereto, U.S. Bank National Association, as Administrative Agent, L/C Issuer and Swing Line Issuer and the lenders signatory thereto	8-K	001-35987	December 26, 2023	10.1		
10.5	Security Agreement, dated May 9, 2018, by and between Noodles & Company and U.S. Bank National Association, as administrative agent	10-Q	001-35987	May 11, 2018	10.2		
10.6	Pledge Agreement, dated May 9, 2018, by and between Noodles & Company and U.S. Bank National Association, as administrative agent	10-Q	001-35987	May 11, 2018	10.3		
10.7	Form of Indemnification Agreement by and between Noodles & Company and each of its directors	S-1/A	333-188783	June 17, 2013	10.15		
10.8	Form of Area Development Agreement	10-K	001-35987	February 24, 2015	10.9		
10.9	Form of Franchise Agreement	10-K	001-35987	February 24, 2015	10.10		
10.10*	Form of Stock Option Agreement (Nonqualified Stock Options)	10-Q	001-35987	November 9, 2017	10.7		
10.11*	Form of Restricted Stock Unit Agreement	10-Q	001-35987	November 9, 2017	10.8		
10.12*	Form of Restricted Stock Unit Agreement for Nonemployee Directors	10-Q	001-35987	November 9, 2017	10.9		

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10.13*	The Executive Nonqualified "Excess" Plan Adoption Agreement, adopted by Noodles & Company on May 16, 2013	S-1/A	333-188783	June 17, 2013	10.22
10.14*	Employment Agreement, dated September 21, 2017, between Noodles & Company and Dave Boennighausen	8-K	001-35987	September 25, 2017	10.1
10.15	Letter Agreement, dated February 15, 2017, between Noodles & Company and Mill Road Capital Management LLC	8-K	001-35987	March 14, 2017	10.2
10.16	Securities Purchase Agreement, dated March 13, 2017, between Noodles & Company and Mill Road Capital Management LLC	8-K	001-35987	March 14, 2017	10.1
10.17*	Stock Option Agreement (Nonqualified Stock Options), dated September 21, 2017, between Noodles & Company and Dave Boennighausen	10-Q	001-35987	November 9, 2017	10.4
10.18*	Restricted Stock Unit Agreement, dated September 21, 2017, between Noodles & Company and Dave Boennighausen	10-Q	001-35987	November 9, 2017	10.5
10.19*	Restricted Stock Unit Agreement, dated September 21, 2017, between Noodles & Company and Dave Boennighausen	10-Q	001-35987	November 9, 2017	10.6
10.20*	Severance Agreement with Melissa Heidman, dated June 6, 2018	10-K	001-35987	March 15, 2019	10.32
10.21*	Amended and Restated Noodles & Company Compensation Plan for Non-Employee Directors, dated December 12, 2018	10-K	001-35987	March 15, 2019	10.34
10.22*	Compensation Plan for Non-Employee Directors Amended and Restated September 19, 2019	10-Q	001-35987	June 17, 2020	10.2
10.23*	Offer Letter, dated December 4, 2019, between Noodles & Company and Stacey Pool	10-K	001-35987	February 26, 2020	10.34
10.24*	Form of 2020 Performance Restricted Stock Unit Agreement	10-K	001-35987	February 26, 2020	10.35
10.25*	Employment Agreement, dated October 27, 2020, between Noodles & Company and Dave Boennighausen	10-Q	001-35987	October 29, 2020	10.1
10.26*	Employment Agreement, dated October 27, 2020, between Noodles & Company and Brad West	10-Q	001-35987	October 29, 2020	10.2
10.27*	Employment Agreement, dated October 27, 2020, between Noodles & Company and Stacey Pool	10-Q	001-35987	October 29, 2020	10.3
10.28*	Employment Agreement, dated October 27, 2020, between Noodles & Company and Melissa Heidman	10-Q	001-35987	October 29, 2020	10.4
10.29*	Form of 2021 Performance Restricted Stock Unit Agreement	10-Q	001-35987	April 30, 2021	10.1
10.30*	Employment Agreement, dated August 2, 2021, between Noodles & Company and Kathy Lockhart	10-Q	001-35987	August 4, 2021	10.1
10.31*	Employment Agreement, dated August 2, 2021, between Noodles & Company and Sue Petersen	10-Q	001-35987	August 4, 2021	10.2

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10.32*	Employment Agreement, dated July 30, 2021, between Noodles & Company and Corey Kline	10-Q	001-35987	August 4, 2021	10.3
10.33*	Form of 2019 Performance Restricted Stock Unit Agreement	10-K	001-35987	February 24, 2022	10.40
10.34*	Form of 2022 Performance Restricted Stock Unit Agreement	10-Q	001-35987	April 28, 2022	10.1
10.35*	Form of Restricted Stock Unit Agreement for General Manager Equity Partner Plan	10-Q	001-35987	November 4, 2022	10.1
10.36*	Form of 2023 Restricted Stock Unit Agreement	10-Q	001-35987	May 11, 2023	10.1
10.37*	Form of 2023 Performance Restricted Stock Unit Agreement	10-Q	001-35987	May 11, 2023	10.2
10.38*	Form of 2023 Restricted Stock Unit Agreement For General Manager Equity Partner Plan	10-Q	001-35987	May 11, 2023	10.3
10.39*	Compensation Plan for Non-employee Directors, Amended and Restated May 15, 2023	10-Q	001-35987	August 10, 2023	10.1
10.40*	Noodles & Company 2023 Stock Incentive Plan	S-8	333-272120	May 22, 2023	99.1
10.41*	Mike Hynes Employment Agreement	8-K	001-35987	June 26, 2023	10.1
10.42*	Mike Hynes Offer Letter	8-K	001-35987	June 26, 2023	10.2
10.43*	Drew Madsen Offer Letter	8-K	001-35987	November 13, 2023	10.1
10.44*	Restricted Stock Unit Agreement, dated November 9, 2023, between Noodles & Company and Drew Madsen	8-K	001-35987	November 13, 2023	10.2
21.1	List of Subsidiaries of Noodles & Company				X
23.1	Consent of Ernst & Young LLP				X
24.1	Power of Attorney (included on signature page of this report)				X
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1	Certification of Chief Executive Officer and Chief Financial Officer Section 906 of the Sarbanes-Oxley Act of 2002				X
97.1	Noodles & Company Dodd-Frank Clawback Policy				X
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X

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101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	X

* Management contract or compensatory plan or arrangement.

ITEM 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 8, 2024.

NOODLES & COMPANY

By: /s/ DREW MADSEN

Drew Madsen

Chief Executive Officer

POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Melissa M. Heidman as such person's true and lawful attorney-in-fact and agent, with full power of substitution and re-substitution, for such person and in such person's name, place and stead, in any and all capacities, to sign any and all amendments to this Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or their or such person's substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<hr/> <u>/s/ DREW MADSEN</u> Drew Madsen	Director, Chief Executive Officer <i>(principal executive officer)</i>	March 8, 2024
<hr/> <u>/s/ MIKE HYNES</u> Mike Hynes	Chief Financial Officer <i>(principal financial officer)</i>	March 8, 2024
<hr/> <u>/s/ KATHY LOCKHART</u> Kathy Lockhart	Chief Accounting Officer <i>(principal accounting officer)</i>	March 8, 2024
<hr/> <u>/s/ JEFFREY JONES</u> Jeffrey Jones	Chairman	March 8, 2024
<hr/> <u>/s/ ROBERT HARTNETT</u> Robert Hartnett	Director	March 8, 2024
<hr/> <u>/s/ MARY EGAN</u> Mary Egan	Director	March 8, 2024
<hr/> <u>/s/ THOMAS LYNCH</u> Thomas Lynch	Director	March 8, 2024
<hr/> <u>/s/ ELISA SCHREIBER</u> Elisa Schreiber	Director	March 8, 2024
<hr/> <u>/s/ SHAWN TAYLOR</u> Shawn Taylor	Director	March 8, 2024

<u>Subsidiaries of the Registrant</u>	<u>Jurisdiction of Incorporation</u>
TNSC, Inc.	Colorado, United States
The Noodle Shop, Co. - Colorado, Inc.	Colorado, United States
The Noodle Shop, Co. - Delaware, Inc.	Delaware, United States
The Noodle Shop, Co. - Illinois, Inc.	Illinois, United States
The Noodle Shop, Co. - Kansas, LLC	Kansas, United States
The Noodle Shop, Co. - Virginia, Inc.	Virginia, United States
The Noodle Shop, Co. - Wisconsin, Inc.	Wisconsin, United States

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-272120) pertaining to the Noodles & Company 2023 Stock Incentive Plan,
- (2) Registration Statement (Form S-8 No. 333-189877) pertaining to the Noodles & Company Employee Stock Purchase Plan,
- (3) Registration Statement (Form S-8 No. 333-189878) pertaining to the Noodles & Company Amended and Restated 2010 Stock Incentive Plan, and
- (4) Registration Statements (Form S-3 No. 333-217760 and No. 333-225238) of Noodles & Company;

of our reports dated March 7, 2024, with respect to the consolidated financial statements of Noodles & Company and the effectiveness of internal control over financial reporting of Noodles & Company included in this Annual Report (Form 10-K) of Noodles & Company for the year ended January 2, 2024.

/s/ Ernst & Young LLP

Denver, Colorado

March 7, 2024

CERTIFICATION

I, Drew Madsen, certify that:

1. I have reviewed this annual report on Form 10-K of Noodles and Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2024

/s/ DREW MADSEN

Drew Madsen

Interim Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Mike Hynes, certify that:

1. I have reviewed this annual report on Form 10-K of Noodles and Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2024

/s/ MIKE HYNES

Mike Hynes

Chief Financial Officer

(Principal Financial Officer)

CERTIFICATION OF INTERIM CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

I, Drew Madsen, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Noodles & Company on Form 10-K for the fiscal year ended January 2, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Noodles & Company.

Date: March 8, 2024

By: /s/ DREW MADSEN
Name: Drew Madsen
Title: Interim Chief Executive Officer

I, Mike Hynes, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Noodles & Company on Form 10-K for the fiscal year ended January 2, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Noodles & Company.

Date: March 8, 2024

By: /s/ MIKE HYNES
Name: Mike Hynes
Title: Chief Financial Officer

This certification accompanies this Annual Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

NOODLES & COMPANY DODD-FRANK CLAWBACK POLICY

Adopted as of November 8, 2023

Noodles & Company (“Company”) has adopted this clawback policy (the “Policy”) as a supplement to any other clawback policies in effect now or in the future at the Company. This Policy shall be interpreted to comply with the clawback rules found in 17 C.F.R. §240.10D and the related listing rules of the national securities exchange or national securities association (“Exchange”) on which the Company has listed securities, and, to the extent this Policy is any manner deemed inconsistent with such rules, this Policy shall be treated as retroactively amended to be compliant with such rules. Except as otherwise determined by the Compensation Committee of the Board of Directors (the “Committee”), the adoption of this Policy does not limit, and is intended to apply in addition to, any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based plan or award agreement thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the “Other Recoupment Arrangements”). The remedies provided for in this Policy are not exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company.

1. **Definitions.** 17 C.F.R. §240.10D-1(d) defines the terms “Executive Officer,” “Financial Reporting Measure,” “Incentive-Based Compensation,” and “Received.” As used herein, these terms shall have the same meaning as in that regulation.

2. **Application of the Policy.** This Policy shall only apply in the event that the issuer is required to prepare an accounting restatement due to the material noncompliance of the issuer with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

3. **Recovery Period.** The Incentive-Based Compensation subject to clawback is the Incentive-Based Compensation Received during the three completed fiscal years immediately preceding the date that the issuer is required to prepare an accounting restatement as described in section 2, provided that the person served as an Executive Officer at any time during the performance period applicable to the Incentive-Based Compensation in question. The date that the Company is required to prepare an accounting restatement shall be determined pursuant to 17 C.F.R. §240.10D-1(b)(1)(ii).

(a) Notwithstanding the foregoing, the Policy shall only apply if the Incentive-Based Compensation is Received (1) while the issuer has a class of securities listed on an Exchange and (2) on or after October 2, 2023.

(b) See 17 C.F.R. §240.10D-1(b)(1)(i) for certain circumstances under which the Policy will apply to Incentive-Based Compensation received during a transition period arising due to a change in the Company’s fiscal year.

4. **Erroneously Awarded Compensation.** The amount of Incentive-Based Compensation subject to the Policy (“Erroneously Awarded Compensation”) is the amount of Incentive-Based Compensation Received that exceeds the amount of Incentive Based-Compensation that otherwise would have been

Received had it been determined based on the restated amounts and shall be computed without regard to any taxes paid.

- (a) For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an accounting restatement: (1) the amount shall be based on a reasonable estimate of the effect of the accounting restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received; and (2) the Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to the Exchange.

5. The Company shall recover reasonably promptly any Erroneously Awarded Compensation except to the extent that the conditions of paragraphs (a), (b), or (c) below apply. The Committee shall determine the repayment schedule for each amount of Erroneously Awarded Compensation in a manner that complies with this “reasonably promptly” requirement. Such determination shall be consistent with any applicable legal guidance, by the SEC, judicial opinion, or otherwise. The determination of “reasonably promptly” may vary from case to case and the Committee is authorized to adopt additional rules to further describe what repayment schedules satisfy this requirement. The Committee will determine, in its sole discretion, the method for reimbursement and/or forfeiture, as the case may be, of any Erroneously Awarded Compensation hereunder, which may include, without limitation, any one or more of the following: requiring reimbursement of cash Erroneously Awarded Compensation previously paid; seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards; cancelling or rescinding some or all outstanding vested or unvested equity-based awards; adjusting or withholding from unpaid compensation or other set-off; cancelling or setting-off against planned future grants of equity-based awards; and/or any other method authorized by applicable law or contract. against other compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by applicable laws, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recoupment Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person. No recovery of compensation under this Policy will be an event giving rise to a right to resign for “good reason” or be deemed a “constructive termination” (or any similar terms) as such terms are used in any agreement between the Company and any Executive Officer covered by this Policy.

- (a) Erroneously Awarded Compensation need not be recovered if the direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered and the Committee has made a determination that recovery would be impracticable. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Company shall make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and provide that documentation to the Exchange.

(b) Erroneously Awarded Compensation need not be recovered if recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company shall obtain an opinion of home country counsel, acceptable to the Exchange, that recovery would result in such a violation and shall provide such opinion to the Exchange.

(c) Erroneously Awarded Compensation need not be recovered if recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the registrant, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

6. Committee Decisions. Decisions of the Committee with respect to this Policy shall be final, conclusive and binding on all Executive Officers subject to this policy, unless determined to be an abuse of discretion.

7. No Indemnification. Notwithstanding anything to the contrary in any other policy of the Company or any agreement between the Company and an Executive Officer, no Executive Officer shall be indemnified by the Company against the loss of any Erroneously Awarded Compensation.

8. Agreement to Policy by Executive Officers. The Committee shall take reasonable steps to inform Executive Officers of this Policy and obtain their agreement to this Policy, which steps may constitute the inclusion of this Policy as an attachment to any award that is accepted by the Executive Officer.