

**NOODLES & COMPANY<sup>®</sup>**

**World Kitchen**

**Investor Presentation**

February 2017

# Forward Looking Statements

## Forward-Looking Statements

This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. 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. These statements reflect our current views with respect to future events and are based on currently available operating, financial and competitive information. Examples of forward-looking statements include all matters that are not historical facts, such as statements regarding costs associated with our closure of underperforming restaurants, the implementation and results of strategic initiatives, costs associated with our data security incident, the use of proceeds of the private placement, our future financial performance and any potential future equity issuances. Our actual results may differ materially from those anticipated in these forward-looking statements due to reasons including, but not limited to: our ability to execute our strategies to close underperforming restaurants, reduce restaurant growth and rebrand restaurants in certain of our markets; our ability to improve the operational and financial performance of our restaurant portfolio; costs associated with our data security incident, including legal fees, investigative fees, other professional fees and the cost of communications with customers, as well as potential losses associated with settling payment card networks’ expected claims and litigation associated with the data security breach; our ability to achieve and maintain increases in comparable restaurant sales and to successfully execute our business strategy, including new restaurant initiatives and operational strategies; the success of our efforts to obtain additional sources of liquidity; the success of our marketing efforts; our ability to open new restaurants on schedule; current economic conditions; price and availability of commodities; our ability to adequately staff our restaurants; changes in labor costs; consumer confidence and spending patterns; consumer reaction to public health issues and perceptions of food safety; seasonal factors; weather; and those discussed in our filings with the Securities and Exchange Commission, including in our Annual Report on Form 10-K for the year ended December 29, 2015. These forward-looking 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 statements. Also, the forward-looking statements contained herein represent our estimates and assumptions only as of the date hereof. 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.

## Purpose of Presentation

The presentation is being made for informational purposes only and does not constitute an offer to sell or solicitation of a purchase or offer to purchase any securities of Noodles & Company.

# A World of Flavors Under One Roof

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Differentiated Restaurant Concept



Globally-Inspired Flavors From Near to Far



Attractive Value Proposition in Fast Casual



Warm and Inviting Dining Experience



Unique Product Offering Resonates with Consumers



Engaging Team Members Deliver a Personal Touch

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# Financial Update

- **Key highlights for the fourth quarter of 2016<sup>(1)</sup> include:**

- Total revenue increased 10.0% - 11.0% to \$129.0 - \$130.0 million
- Comparable restaurant sales decreased approximately 1.3% systemwide, including a 1.8% decline at company-owned restaurants and a 2.0% increase at franchised locations
- Restaurant Contribution margin of 11.5% - 12.0%

- **Key highlights for the fiscal year of 2016<sup>(1)</sup> include:**

- Total revenue increased 6.9% - 7.2% to \$487.1 - \$488.1 million
- Comparable restaurant sales decreased approximately 0.8% systemwide, including a 0.9% decline at company-owned restaurants and a 0.1% increase at franchised locations
- Restaurant Contribution margin of 12.5% - 13.0%

- **Update on Data Security Incident:**

- We are recording a one-time charge of approximately \$11.0 million in Q4 for estimated losses associated with the previously disclosed data security incident
- We have since implemented additional security procedures to further secure customers' debit and credit card information



# Recent Momentum

## Corporate Reorganization

Expected to generate ~\$2.5 million in annual G&A savings

## Comparable Restaurant Sales Improvement

Performance improved relative to industry average and franchise restaurants recorded positive comparable restaurant sales in Q3 and Q4

## Continued Strength in Core Fleet

Our restaurant base has continued to perform, while some newer units have struggled

## Streamlined Menu

Smaller core menu improved labor efficiency and speed of service

## Robust SMG Guest Satisfaction Trends

Recent performance continues to set Company guest satisfaction records

## Investing in Team Members

Updated in-store support and training have reduced manager turnover

## Developing Noodles Rewards

Building deeper connections and providing more convenient service to our customers

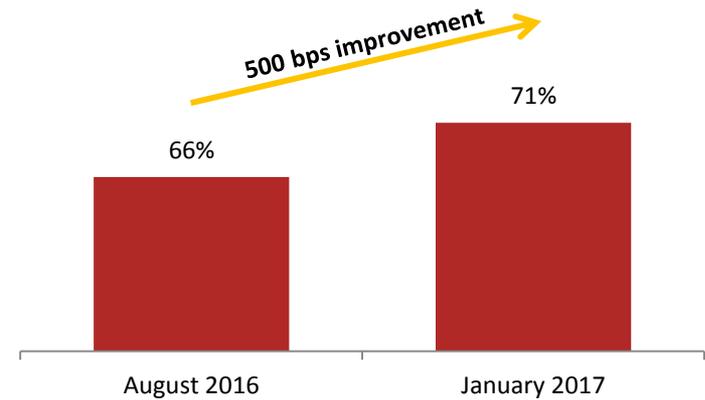
## Restaurant Initiative Testing

Promising initial results in Kansas City and Colorado Springs restaurants

# Enhancing the Customer Experience

- Our focus on improving execution, increasing labor productivity and regaining the brand's culinary prowess has resonated with customers
- Guest satisfaction scores have increased by 500 bps since August
  - Includes a 400 bps expansion in our speed of service scores

## SMG Guest Satisfaction Top-Box



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# Our Path Forward

- Our operating performance has been challenged by a small subset of restaurants that has significantly underperformed systemwide averages, as measured by AUV, Restaurant Contribution margin and cash flow
- Many of these underperforming restaurants opened recently in newer markets, where brand awareness is not as strong and finding quality team members is particularly challenging

## Our Plan to Reposition the Business:



- Close approximately 55 restaurants in markets throughout the system
- Refranchise restaurants in underpenetrated markets
- Reduce future company-owned restaurant growth with a focus on well-established markets; will continually evaluate the rate of company-owned restaurant growth going forward



- Focus on what has made our brand successful: offering great food and delivering an outstanding customer experience
- Craft an elevated, globally-flavored menu to create a distinctive customer experience and increase average check
- Leverage operational initiatives to improve labor efficiencies, profitability and unit-level economics

# Closing Underperforming Restaurants

## Closure Strategy

- We intend to close approximately 55 restaurants, the majority of which are located in newer markets with lower brand awareness
- Closures anticipated to occur in Q1 and Q2 2017
- We currently anticipate taking a non-cash impairment charge of \$30.5 to \$31.5 million in Q4<sup>(2)</sup> associated with these near-term restaurant closures as well as certain other restaurants

## Closure Rationale

- Performance at these restaurants has trailed systemwide averages across metrics
- If the restaurants had not been in operation during the LTM 9/27/16 period:
  - Restaurant Contribution would have been \$7.3 million higher<sup>(3)</sup>
  - Restaurant Contribution margin would have been approximately 280 bps higher

### Key Closure Stats<sup>(1)</sup>

**\$0.7**

Average Unit Volume

**~(20%)**

Restaurant Contribution Margin

**\$24.0 - \$29.0**

Associated Cash Closure Costs  
over the Next 12 to 18 Months

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Note: \$ in millions.

(1) Reflect statistics over the LTM 9/27/16 period.

(2) Preliminary range expectations based on information available to date and are not final audited results. Final audited results may differ from these expectations, which remain subject to financial closing procedures, final adjustments and other developments that may arise between now and the time the financial results are finalized.

(3) 13 of the 55 restaurant closures were open for less than 12 months as of 9/27/16. Only reflects restaurant-level contribution impact and no other potential savings.

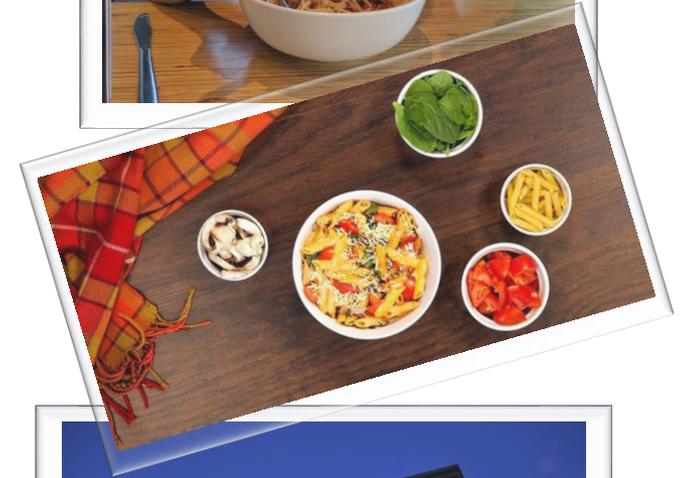
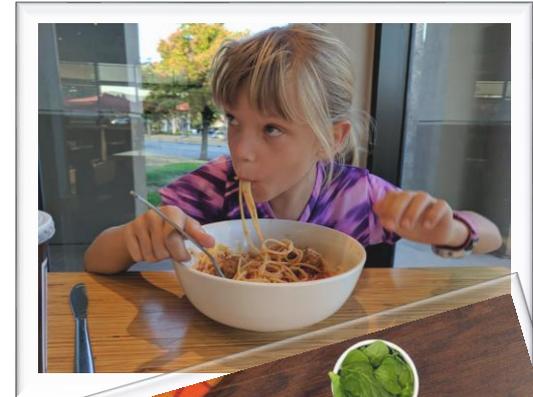
# Optimize Go-Forward Restaurant Portfolio

## Reduce Company-Owned Restaurant Growth

- We plan on opening 12 to 15 company-owned restaurants in 2017
  - Front-loaded, with eight openings anticipated in Q1
- Most new restaurant openings are in well-established markets with existing brand awareness and above average historical restaurant-level financial performance
- No new markets will be entered

## Refranchise Select Restaurants

- We have identified restaurants for potential refranchising to new and existing franchisees
- We have retained a third party to assist our refranchising efforts
- In the future, we expect franchise restaurants will occupy a larger proportion of our restaurant portfolio
  - Franchising requires lower capital investment by us and generates more predictable revenue streams



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# Restaurant Initiatives

## Streamline and Upgrade Menu

Taking bold, deliberate steps to strengthen culinary relevance and create fresher, more on-trend offerings

## Increase Guest Check

Including protein in entrees increases per person spend and reduces customer “sticker shock”

## Introduce Equipment and Labor Initiatives

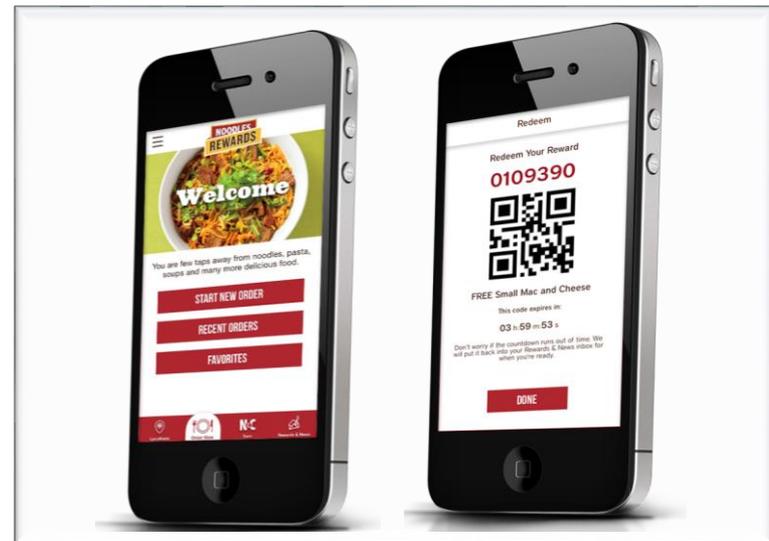
Vegetable choppers, steamers and self bussing to reduce preparation times and labor costs

## Develop Noodles Rewards

Drives frequency by creating a deeper relationship with guests and increased marketing opportunities

## Upgrade In-Restaurant Support

Helps develop our Noodles team members and reduces restaurant-level turnover



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# Funding the Plan

## **Private Placement of Preferred Stock and Warrants**

\$18.5 million issued to L Catterton on February 8, 2017

## **Amendment to the Company's Credit Agreement**

Increases financial and operational flexibility

## **Additional Capital Raise**

We are currently pursuing additional paths to raise funding for lease termination payments, payments for the expenses from the data security incident and investments in our restaurant portfolio

# Our Goals for Repositioning the Business



Improving Restaurant-Level Cash Flow and Profitability



Refocusing Management's Attention on the Core Restaurant Base



Building a Stronger Unit Base in Core Markets



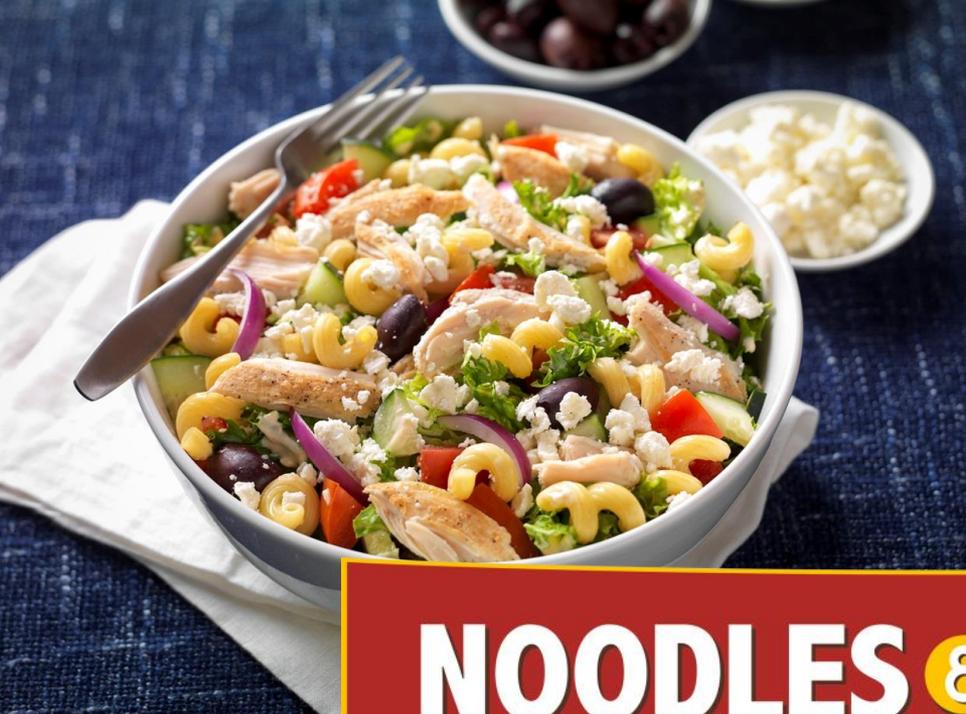
Realizing Superior Restaurant-Level Execution with Significant Labor Savings



Increasing Average Guest Check



Creating an Enhanced Customer Experience



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