Carrols Restaurant Group, Inc. (TAST)

First Quarter Earnings Call

May 2022

Safe Harbor Statement

Under the Private Securities Litigation Reform Act of 1995

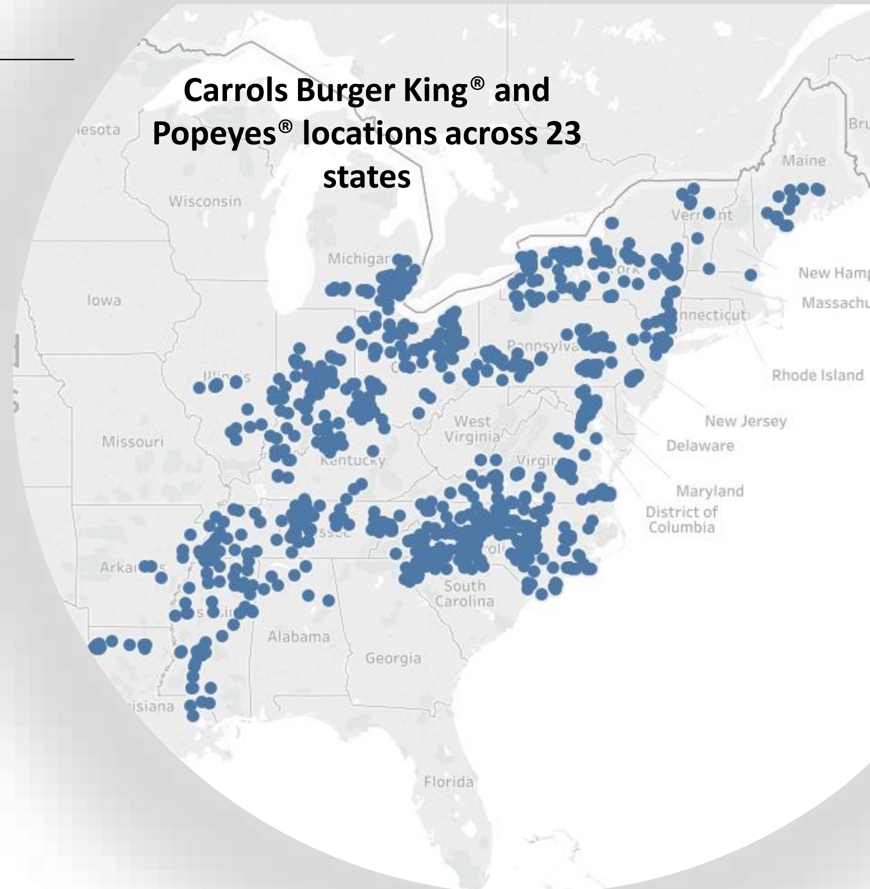
- Our presentation includes, and our response to various questions may include, forward-looking statements. Statements that are predictive in nature or that depend upon or refer to future events or conditions are forward-looking statements. These statements are often identified by the words “may”, “might", “will”, “should”, “anticipate”, “believe”, “expect”, “intend”, “estimate”, “hope”, “plan” or similar expressions. In addition, expressions of our strategies, intentions or plans are also forward looking statements. These statements reflect management’s current views with respect to future events and are subject to risks and uncertainties, both known and unknown. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their date. There are important factors that could cause actual results to differ materially from those in forward-looking statements, many of which are beyond our control. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected or implied in the forward-looking statements. We have identified significant factors that could cause actual results to differ materially from those stated or implied in the forward-looking statements. Such factors include the impact of the COVID-19 pandemic and our initiatives designed to respond to the COVID-19 pandemic, effectiveness of the Burger King and Popeyes advertising programs and the overall success of the Burger King and Popeyes brands, increases in food costs and other commodity costs, our ability to hire and retain employees at current or increased wage rates, competitive conditions, including pricing pressures, discounting, aggressive marketing and the potential impact of competitors’ new unit openings and promotions on sales of our restaurants, our ability to integrate any restaurants we acquire, regulatory factors, environmental conditions and regulations, general economic conditions, particularly in the retail sector, weather conditions, fuel prices, significant disruptions in service or supply by any of our suppliers or distributors, changes in consumer perception of dietary health and food safety, labor and employment benefit costs, including the effects of minimum wage increases, healthcare reform and changes in the Fair Labor Standards Act, the outcome of pending or future legal claims or proceedings, our ability to manage our growth and successfully implement our business strategy, our inability to service our indebtedness, our borrowing costs and credit ratings, which may be influenced by the credit ratings of our competitors, the availability and terms of necessary or desirable financing or refinancing and other related risks and uncertainties, and factors that affect the restaurant industry generally, including recalls if products become adulterated or misbranded, liability if our products cause injury, ingredient disclosure and labeling laws and regulations, reports of cases of foodborne illnesses, and the possibility that consumers could lose confidence in the safety and quality of certain food products as well as negative publicity regarding food quality, illness, injury, or other health concerns. Investors are referred to the full discussion of risks and uncertainties, including the impact of COVID-19 on our business, as included in Carrols Restaurant Group, Inc.’s filings with the Securities and Exchange Commission (SEC) including, without limitation, its Annual Report on Form 10-K.

Non-GAAP Financial Measures

- EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA, Adjusted Net Loss, Adjusted EBITDA Margin, and Adjusted Restaurant-Level EBITDA Margin are non-GAAP financial measures. We are presenting these financial measures because we believe that they provide a more meaningful comparison of our core business operating results, as well as with those of other similar companies. Additionally, we present Adjusted Restaurant-Level EBITDA because it excludes restaurant integration costs, restaurant pre-opening costs, other income and expense, and the impact of general and administrative expenses such as salaries and expenses associated with corporate and administrative functions that support the development and operations of our restaurants, legal, auditing and other professional fees. Management believes that Adjusted EBITDA and Adjusted Restaurant-Level EBITDA, when viewed with our results of operations in accordance with GAAP and the accompanying reconciliations within the appendix and our filings with the SEC, provide useful information about operating performance and period-over-period growth, and provide additional information that is useful for evaluating the operating performance of our core business without regard to potential distortions. Additionally, management believes that Adjusted EBITDA and Adjusted Restaurant-Level EBITDA permit investors to gain an understanding of the factors and trends affecting our ongoing cash earnings, from which capital investments are made and debt is serviced. However, EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted Net Loss are not measures of financial performance or liquidity under GAAP and, accordingly, should not be considered as alternatives to net income, income from operations or cash flow from operating activities as indicators of operating performance or liquidity. Also, these measures may not be comparable to similarly titled captions of other companies. For the reconciliation between Net Loss to EBITDA, Adjusted EBITDA and Adjusted Net Loss and the reconciliation of income from operations to Adjusted Restaurant-Level EBITDA, see the appendix and our filings with the SEC.
- We direct you to the Appendix to this presentation and to our filings with the SEC for a reconciliation of these non-GAAP financial measures to the appropriate GAAP financial measures.

About the Company

- Carrols is one of the largest restaurant franchisees in the United States, operating 1,091 restaurants across the Burger King® and Popeyes® brands
- With 1,026 Burger King® restaurants, Carrols is the largest Burger King® franchisee in the country, operating 14% of all U.S. Burger Kings®
- Carrols has a history of outperforming same store sales in the U.S. Burger King® restaurant base, including in 23 of the last 25 quarters
- Carrols added 65 Popeyes® restaurants to its portfolio in 2019, one of the fastest growing QSR brands in the U.S.
- Carrols' two largest shareholders are invested in our long-term success:
  - Burger King® Corporation, 15.0% fully diluted – franchisor partner
  - Cambridge Franchise Holdings, 23.6% fully diluted – affiliate of Garnett Station Partners, engaged board members, strong record of generating returns



Carrols Restaurant Group Q1 2022 Highlights

2.4% Revenue Increase

- Total Restaurant Sales increased 2.4% to $399.5M compared to $390.0M in Q1 2021
- Burger King Q1 SSS ↑ 1.6% and Popeyes Q1 SSS ↑ 2.2%
- Outperformed BK US System by 160bps, PLK US System by 610bps

$4.3M of Adjusted EBITDA

- Adjusted EBITDA[(a)] was $4.3M, reflecting a margin decrease of 400bps compared to the same period a year ago. This decrease was driven by the continuation of labor and commodity cost pressures that began last year, as well as labor efficiencies reflected in the prior year quarter

Avg Check ↑ 9.9% Year over Year

- Average BK check of $9.69 for the quarter, resulting in a 9.9% increase year over year mainly due to menu price increases of approximately 7.7% for the quarter, inclusive of actions taken late in 2021 and earlier this year
- Partially offset by a reduction in restaurant traffic of 7.5%
- *We estimate a loss of about 2% in operating hours from the year earlier due to lingering staffing shortages*

Strong Liquidity

- Ended Q1 2022 with $194.5M of liquidity [(b)]
- There are no covenants or other restrictions that prohibit access to $186.0M available under our revolving credit facility
- No covenants in effect until $75.3M is drawn on the revolver, [(c)] compared to $20.0M drawn at the end of the first quarter, which we expect to repay in the back half of 2022

New CEO

- Paulo A. Pena joined Carrols in April of 2022, bringing over 20 years of operations and finance experience in the hospitality, QSR and beverage industries

(a) Please see Appendix for Reconciliation of EBITDA and Adjusted EBITDA.
(b) Liquidity equals borrowing availability under our Revolving Credit Facility plus cash and cash equivalents.
(c) Including the amount by outstanding letters of credit exceed $12.0M. Actual amount of letters of credit are currently $9.0M.

Q1 2022 Financial Summary

Q1 2022		
Total Restaurant Sales:	$399.5 million	Up 2.4% compared to $390.0 million in Q1 2021
Adjusted Restaurant-Level EBITDA (a):	$22.5 million	Compared to $39.5 million in Q1 2021
Adjusted EBITDA (a):	$4.3 million	Compared to $19.9 million in Q1 2021
Loss from Operations:	$(19.8) million	Compared to $(3.1) million in Q1 2021
Net Loss:	$(21.3) million	Compared to $(7.2) million in Q1 2021
Net Loss Per Share:	$(0.42) per diluted share	$(0.14) per diluted share in Q1 2021
Adjusted Net Loss (a):	$(17.1) million	Compared to $(6.5) million in Q1 2021
Adjusted Diluted Net Loss Per Share (a):	$(0.34) per diluted share	$(0.13) per diluted share in Q1 2021

(a) Please see Appendix for Reconciliation of Adjusted Restaurant-Level EBITDA, Adjusted EBITDA, Adjusted Net Loss and Adjusted Diluted Net Loss Per Share.

Q1 2022 Adjusted EBITDA

($ in millions)	Three Months Ended	
(unaudited)	Apr 03, 2022	Apr 04, 2021
Restaurant Revenue	$ 399.5	$ 390.0
Food, Beverage and Packaging Costs	123.1	113.8
Food, Beverage and Packaging Costs %	*30.8%*	*29.2%*
Restaurant Labor	141.6	129.6
Restaurant Labor %	*35.5%*	*33.2%*
Advertising & Royalties	33.7	32.4
Other Operating Expenses	47.7	44.3
Rent	31.0	30.3
Adjusted Restaurant-Level EBITDA (a)	**22.5**	**39.5**
Adjusted Restaurant-Level EBITDA margin	*5.6%*	*10.1%*
G&A Expense (excl stock comp)	20.1	19.9
Less: Executive transition, litigation and other professional expenses	(2.0)	(0.3)
Adjusted G&A Expense	18.1	19.6
Adjusted EBITDA (a)	**$ 4.3**	**$ 19.9**
Adjusted EBITDA margin	*1.1%*	*5.1%*

(a) Please see Appendix for Reconciliations of Adjusted Restaurant-Level EBITDA and Adjusted EBITDA.

Capitalization Overview

($ in millions) *As of:*	Apr 03, 2022	Jan 02, 2022	Jan 03, 2021	Dec 29, 2019
Cash & Cash Equivalents	**$ 8.5**	**$ 29.2**	**$ 65.0**	**$ 3.0**
Revolver due 2026 (a)	20.0	-	-	45.8
Term B Loans due 2026 (b)	170.8	171.9	418.6	422.9
Term B-1 Loans due 2026 (c)		-	74.6	-
Senior Notes Due 2029 (d)	300.0	300.0	-	-
Finance Lease Liabilities	8.9	6.3	0.9	2.5
Total Debt	$ 499.7	$ 478.2	$ 494.2	$ 471.2
Total Funded Net Debt (per Credit Agreement)	***491.2***	***$ 449.0***	***$ 429.2***	***$ 468.2***
TTM Covenant EBITDA (per Credit Agreement)	***73.7***	***89.4***	***112.4***	***114.0***
Total Net Leverage Ratio	*6.66x*	*5.02x*	*3.82x*	*4.11x*
Senior Secured Net Leverage Ratio	**2.59x**	**1.67x**	**3.82x**	**4.11x**
Total Liquidity Available (e)	$ 194.5	$ 235.2	$ 201.1	$ 60.6

(a) The current Revolver capacity is $215.0M after the Eighth Amendment dated September 30, 2021. The Revolver has an interest rate of LIBOR plus 3.25% and a maturity date of January 29, 2026.

(b) Term B loans have an interest rate of LIBOR plus 3.25% and a maturity date of April 30, 2026. This rate is fixed for up to $120.0M of borrowings under our senior credit facility.

(c) Term B-1 loans, which had an interest rate of 7.25%, were repaid in full on June 28, 2021 in connection with the issuance of the Senior Notes.

(d) On June 28, 2021, the Company issued $300.0M principal amount of 5.875% Senior Unsecured Notes due 2029 in a private placement and used the proceeds and $46.0M of revolving credit borrowings to repay $74.4M of outstanding term B-1 loans and $243.6M of outstanding term B loans, pay fees and expenses related to the offering and for working capital and general corporate purposes.

(e) Liquidity equals borrowing availability under our Revolving Credit Facility plus cash and cash equivalents. As of Apr 3, 2022, there were $9.0M of letters of credit issued under the Revolving Credit Facility.

Appendix

Consolidated Statements of Operations

Q1-2022 and Q1-2021

(in thousands)	Three Months Ended (a)	
(unaudited)	**Apr 03, 2022**	**Apr 04, 2021**
Restaurant Sales	$ 399,476	$ 389,993
Costs and Expenses:		
Food, beverage and packaging costs	123,057	113,790
Restaurant wages and related expenses	141,620	129,646
Restaurant rent expense	31,013	30,314
Other restaurant operating expenses	65,407	61,419
Advertising expense	15,964	15,369
General and administrative expenses (b)	22,017	21,369
Depreciation and amortization	19,542	20,609
Impairment and other lease charges	496	353
Other expense, net (c)	202	227
Total Costs and Expenses	**419,318**	**393,096**
Loss from operations	(19,842)	(3,103)
Interest expense	7,436	6,726
Loss before income taxes	(27,278)	(9,829)
Benefit from income taxes	(6,009)	(2,661)
Net loss	$ (21,269)	$ (7,168)
Basic and diluted net loss per share (d)(e)	$ (0.42)	$ (0.14)
Basic and diluted weighted average common shares outstanding	50,460	49,824

(a) The Company uses a 52 or 53 week fiscal year that ends on the Sunday closest to December 31. The three months ended April 3, 2022 and April 4, 2021 each included thirteen weeks.

(b) General and administrative expenses include stock-based compensation expense of $1.9 million and $1.5 million for the three months ended April 3, 2022 and April 4, 2021, respectively.

(c) Other expense, net, for the three months ended April 3, 2022 included a loss on disposal of assets of $0.3 million and additional gains on previous sale-leaseback transactions of $0.1 million. Other expense, net, for the three months ended April 4, 2021 included a loss on disposal of assets of $0.2 million.

(d) Basic net loss per share was computed without attributing any loss to preferred stock and non-vested restricted shares as losses are not allocated to participating securities under the two-class method.

(e) Diluted net loss per share was computed including shares issuable for convertible preferred stock and non-vested restricted shares unless their effect would have been anti-dilutive for the periods presented.

Reconciliation of EBITDA and Adjusted EBITDA (b)

Q1-2022 and Q1-2021

(in thousands)	Three Months Ended (a)	
(unaudited)	**Apr 03, 2022**	**Apr 04, 2021**
Net loss	$ (21,269)	$ (7,168)
Benefit from income taxes	(6,009)	(2,661)
Interest expense	7,436	6,726
Depreciation and amortization	19,542	20,609
EBITDA	**(300)**	**17,506**
Impairment and other lease charges	496	353
Stock-based compensation expense	1,941	1,469
Pre-opening costs (c)	45	29
Executive transition, litigation and other professional expenses (d)	1,918	282
Other expense, net (e)(f)	202	227
Adjusted EBITDA	**$ 4,302**	**$ 19,866**

Please see slide 13 for footnotes

Reconciliation of Adjusted Restaurant-Level EBITDA (b)

Q1-2022 and Q1-2021

(in thousands)	Three Months Ended (a)	
(unaudited)	**Apr 03, 2022**	**Apr 04, 2021**
Loss from operations	**$(19,842)**	**$ (3,103)**
Add:		
General and administrative expenses	22,017	21,369
Pre-opening costs (c)	45	29
Depreciation and amortization	19,542	20,609
Impairment and other lease charges	496	353
Other expense, net (e)(f)	202	227
Adjusted Restaurant-Level EBITDA	**$ 22,460**	**$ 39,484**

Please see slide 13 for footnotes

Reconciliation of Adjusted Net Loss (b)

Q1-2022 and Q1-2021

(in thousands)	Three Months Ended (a)	
(unaudited)	**Apr 03, 2022**	**Apr 04, 2021**
Net loss	**$ (21,269)**	**$ (7,168)**
Add:		
Impairment and other lease charges	496	353
Pre-opening costs (c)	45	29
Executive transition, litigation and other professional expenses (d)	1,918	282
Other expense, net (e)(f)	202	227
Income tax effect on above adjustments (g)	(665)	(223)
Valuation allowance for deferred taxes (h)	2,207	—
Adjusted Net Loss	**$ (17,066)**	**$ (6,500)**
Adjusted diluted net loss per share (i)	$ (0.34)	$ (0.13)
Adjusted diluted weighted average common shares outstanding	50,460	49,824

Please see slide 13 for footnotes

Footnotes

(a) The Company uses a 52 or 53 week fiscal year that ends the Sunday closest to December 31. The three months ended April 3, 2022 and April 4, 2021 both included thirteen weeks.

(b) Within this presentation, we make reference to EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted Net Loss which are non-GAAP financial measures. EBITDA represents net loss before income taxes, interest expense and depreciation and amortization. Adjusted EBITDA represents EBITDA as adjusted to exclude impairment and other lease charges, stock-based compensation expense, restaurant pre-opening costs, non-recurring litigation and other professional expenses, and other expense. Adjusted Restaurant-Level EBITDA represents loss from operations as adjusted to exclude general and administrative expenses, pre- opening costs, depreciation and amortization, impairment and other lease charges and other income and expense. Adjusted Net Loss represents net loss as adjusted, net of tax, to exclude impairment and other lease charges, restaurant pre-opening costs, non-recurring litigation and other professional expenses, other expense and valuation allowance for deferred taxes.

Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted Net Loss are presented because the Company believes that they provide a more meaningful comparison than EBITDA and net loss of its core business operating results, as well as with those of other similar companies. Additionally, Adjusted Restaurant-Level EBITDA is presented because it excludes restaurant pre-opening costs, other expense, and the impact of general and administrative expenses such as salaries and expenses associated with corporate and administrative functions that support the development and operations of our restaurants, legal, auditing and other professional fees. Although these costs are not directly related to restaurant-level operations, these expenses are necessary for the profitability of our restaurants. Management believes that Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted Net Loss, when viewed with the Company's results of operations in accordance with U.S. GAAP and the accompanying reconciliations in the table above, provide useful information about operating performance and period-over-period growth, and provide additional information that is useful for evaluating the operating performance of the Company's core business without regard to potential distortions. Additionally, management believes that Adjusted EBITDA and Adjusted Restaurant-Level EBITDA permit investors to gain an understanding of the factors and trends affecting our ongoing cash earnings, from which capital investments are made and debt is serviced.

However, EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted Net Loss are not measures of financial performance or liquidity under U.S. GAAP and, accordingly, should not be considered as alternatives to net loss from operations or cash flow from operating activities as indicators of operating performance or liquidity. Also, these measures may not be comparable to similarly titled captions of other companies. The tables above provide reconciliations between net loss and EBITDA, Adjusted EBITDA and Adjusted Net Loss and between loss from operations and Adjusted Restaurant-Level EBITDA.

(c) Pre-opening costs for the three months ended April 3, 2022 and April 4, 2021 include training, labor and occupancy costs incurred during the construction of new restaurants.

(d) Executive transition, litigation and other professional expenses for the three months ended April 3, 2022 and April 4, 2021 include executive recruiting and severance costs, costs pertaining to an ongoing lawsuit with one of the Company's former vendors and other non-recurring professional service expenses.

(e) Other expense, net, for the three months ended April 3, 2022 included a loss on disposal of assets of $0.3 million and additional gains on previous sale-leaseback transactions of $0.1 million.

(f) Other expense, net, for the three months ended April 4, 2021 included a loss on disposal of assets of $0.2 million.

(g) The income tax effect related to the adjustments to Adjusted Net Loss was calculated using an incremental income tax rate of 25% for the three months ended April 3, 2022 and April 4, 2021.

(h) Reflects the removal of the income tax provision recorded for the establishment of a valuation allowance on all our net deferred income tax assets during the three months ended April 3, 2022.

(i) Adjusted diluted net loss per share is calculated based on Adjusted Net Loss and the dilutive weighted average common shares outstanding for the respective periods, where applicable.