Carrols Restaurant Group, Inc. (TAST)

First Quarter Earnings Call

May 2021

Safe Harbor Statement

Under the Private Securities Litigation Reform Act of 1995

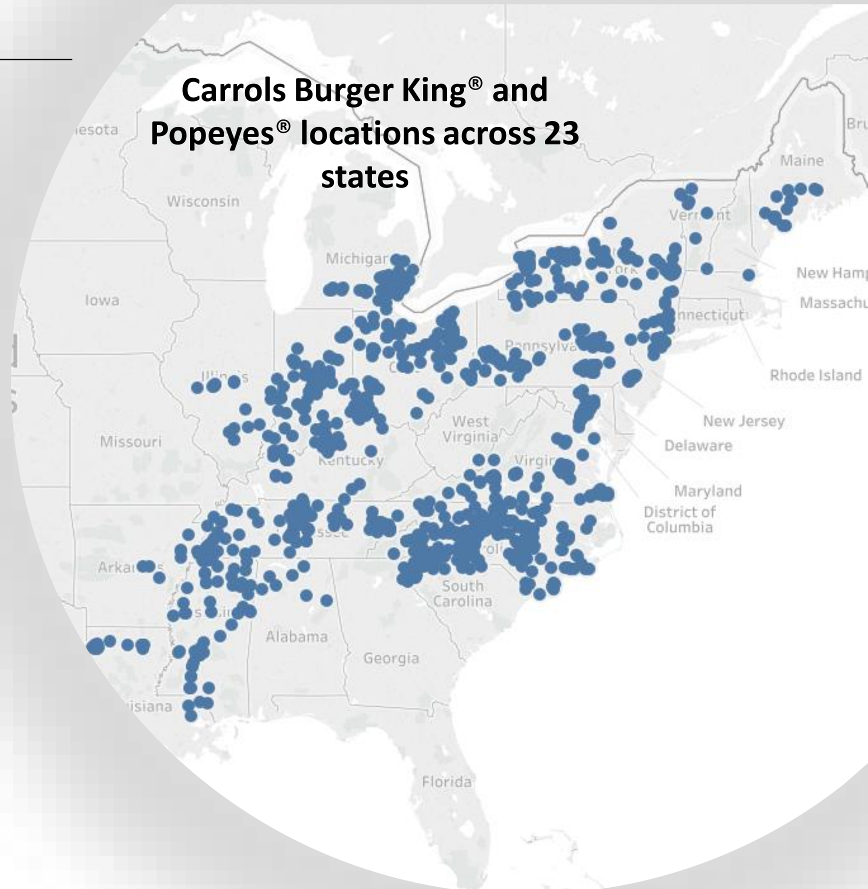
- Our presentation includes, and our response to various questions may include, forward-looking statements. Statements that are predictive in nature or that depend upon or refer to future events or conditions are forward-looking statements. These statements are often identified by the words “may”, “might", “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. 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

- 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 than EBITDA and net income 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.
- Free Cash Flow is a non-GAAP financial measure and may not necessarily be comparable to other similarly titled captions of other companies due to differences in methods of calculation. We believe that Free Cash Flow, when viewed with the Company's results of operations in accordance with GAAP and the accompanying reconciliation set forth in the Appendix, provide useful information about the Company's cash flow for liquidity purposes and to service the Company's debt. However, Free Cash Flow is not a measure of liquidity under GAAP and, accordingly, should not be considered as an alternative to the Company's consolidated statements of cash flows and net cash provided by operating activities, net cash used for investing activities and net cash provided by financing activities as indicators of liquidity or cash flow.

About the Company

- Carrols is one of the largest restaurant franchisees in the United States, operating 1,075 restaurants across the Burger King® and Popeyes® brands
- With 1,010 Burger King® restaurants, Carrols is the largest Burger King® franchisee in the country, operating 14% of all U.S. Burger Kings®
- Carrols generally outperforms the same store sales in the U.S. Burger King® restaurant base
- Carrols recently added and has now integrated Popeyes, one of the fastest growing QSR operators in the U.S. to our portfolio and now operates 65 Popeyes® restaurants
- Carrols' two largest shareholders are invested in our long-term success:
  - RBI, 15.5% fully diluted – franchisor partner
  - Cambridge Franchise Holdings, 24% fully diluted – affiliate of Garnett Station Partners, engaged board members, strong record of generating returns



Please note store count is as of May 04, 2021.

Carrols Restaurant Group Q1 2021 Highlights

10.9% Revenue Increase	Total Restaurant Sales increased 10.9% to $390.0M compared to $351.5 million in Q1 2020 Burger King Q1 SSS ↑ 14.7% and Popeyes Q1 SSS ↑ 0.5%
$19.9M of Adjusted EBITDA	Adjusted EBITDA[a] was $19.9M, reflecting a margin improvement of 400bps compared to the same period a year ago. This margin improvement was driven by labor efficiencies (220bps), plus the impact of fixed operating costs on higher sales
Improved Cash Flow	Seasonal cash use in the first quarter improved $22.2M to a use of $3.6M compared to Q1 2020[b]
Increased Liquidity and Upsized Revolver	Ended the quarter with more than $195M of liquidity[c] and an Adjusted Leverage Ratio of 3.40x (as defined in our senior credit facility). The Sixth Amendment (dated April 6, 2021, a Q2 event) upsized the Revolver by $29.2M to $175M, extended maturity to 2026 and increased liquidity to over $225M

(a) Please see Appendix for Reconciliation of EBITDA and Adjusted EBITDA.
(b) Please see Appendix for Reconciliation of Free Cash Flow.
(c) Liquidity equals borrowing availability under our Revolving Credit Facility plus cash and cash equivalents.

Q1 2021 Financial Summary

Q1 2021		
Total Restaurant Sales:	$390.0 million	Up 10.9% compared to $351.5 million in Q1 2020
Adjusted Restaurant-Level EBITDA (a):	$39.5 million	Up 73.2% compared to $22.8 million in Q1 2020
Adjusted EBITDA (a):	$19.9 million	Up 400.2% compared to $4.0 million in Q1 2020
Loss from Operations:	$3.1 million	Compared to a loss of $22.0 million in Q1 2020
Net Loss:	$7.2 million	Compared to a net loss of $22.2 million in Q1 2020
Net Loss Per Share:	$0.14 per diluted share	$0.44 per diluted share in Q1 2020
Adjusted Net Loss (a):	$6.5 million	Compared to an adjusted net loss of $19.3 million in Q1 2020
Adjusted Diluted Net Loss Per Share (a):	$0.13 per diluted share	$0.38 per diluted share in Q1 2020

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

Q1 2021 Adjusted EBITDA

($ in millions)	Three Months Ended	
(unaudited)	**Apr 04, 2021**	**Mar 29, 2020**
Total Restaurant Revenue	**390.0**	**351.5**
Cost of Sales	113.8	102.9
Cost of Sales %	*29.2%*	*29.3%*
Restaurant Labor	129.6	124.6
Restaurant Labor %	*33.2%*	*35.4%*
Advertising & Royalties	32.4	29.0
Other Operating Expenses	44.3	42.8
Rent	30.3	29.5
Adjusted Restaurant-Level EBITDA (a)	**39.5**	**22.8**
Adjusted Restaurant-Level EBITDA margin	*10.1%*	*6.5%*
G&A Expense (excl stock comp)	19.9	19.7
Less: Acquisition and integration, abandoned development costs, pre-opening costs, litigation and other professional expenses	(0.3)	(0.8)
Adjusted G&A Expense	19.6	18.8
Adjusted EBITDA (a)	**$ 19.9**	**$ 4.0**
Adjusted EBITDA margin	*5.1%*	*1.1%*

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

Capitalization Overview

($ in millions) *As of:*	**Apr 04, 2021**	**Jan 03, 2021**	**Sept 27, 2020**	**June 28, 2020**
Cash & Cash Equivalents	**$ 59.9**	**$ 65.0**	**$ 67.8**	**$ 46.0**
Revolver (a)	$ -	$ -	$ -	$ -
Term Loan B due 2026 (b)	418.3	419.4	419.7	420.8
Term Loan B-1 due 2026 (c)	73.7	73.9	75.0	75.0
Finance Lease Liabilities	1.3	0.9	1.1	1.4
Total Debt	$ 493.3	$ 494.2	$ 495.7	$ 497.1
Total Funded Net Debt *(per Credit Agreement)*	***$ 433.4***	***$ 429.2***	***$ 428.0***	***$ 451.2***
TTM Covenant EBITDA *(per Credit Agreement)*	***127.5***	***112.4***	***105.3***	***107.8***
Total Net Leverage Ratio	***3.40x***	***3.82x***	***4.06x***	***4.18x***
Total Liquidity Available (d)	$ 196.7	$ 201.1	$ 204.0	$ 182.2

a) The current Revolver capacity is $175.0M after the Sixth Amendment dated April 6, 2021. The Revolver now has an interest rate of LIBOR plus 3.25% and a maturity date of January 29, 2026.
b) Term Loan B has an interest rate of LIBOR plus 3.25% and a maturity date of April 30, 2026.
c) Term Loan B-1 has an interest rate of LIBOR (with 1.00% floor) plus 6.25% and a maturity date of April 30, 2026.
d) Liquidity equals borrowing availability under our Revolving Credit Facility plus cash and cash equivalents. As of April 4, 2021, there were $9.0M of letters of credit issued under the Revolving Credit Facility. Our Sixth Amendment dated April 6, 2021 increased the Revolver $29.2M, resulting in available liquidity of over $225M.

Appendix

Consolidated Statements of Operations

(in thousands, except share and per share amounts)	**Three Months Ended (a)**	
(unaudited)	**Apr 04, 2021**	**Mar 29, 2020**
Restaurant Sales	$ 389,993	$ 351,518
Costs and Expenses:		
Cost of Sales	113,790	102,927
Restaurant wages and related expenses	129,646	124,575
Restaurant rent expense	30,314	29,454
Other restaurant operating expenses	61,419	57,978
Advertising expense	15,369	13,876
General and administrative expenses (b) (c)	21,369	20,787
Depreciation and amortization	20,609	21,031
Impairment and other lease charges	353	2,881
Other expense, net (d)	227	56
Total Costs and Expenses	**393,096**	**373,565**
Loss from operations	(3,103)	(22,047)
Interest expense	6,726	7,140
Loss before income taxes	(9,829)	(29,187)
Benefit from income taxes	(2,661)	(6,978)
Net Loss	$ (7,168)	$ (22,209)
Basic and diluted net loss per share (e) (f)	$ (0.14)	$ (0.44)
Basic weighted average common shares outstanding	49,824	50,821

(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 4, 2021 and March 29, 2020 each included thirteen weeks.

(b) General and administrative expenses include acquisition and integration costs of $0.1 million for the three months ended March 29, 2020.

(c) General and administrative expenses include stock-based compensation expense of $1.5 million and $1.1 million for the three months ended April 4, 2021 and March 29, 2020, respectively.

(d) Other expense, net, for the three months ended April 4, 2021, included a loss on disposal of assets of $0.2 million. Other expense, net, for the three months ended March 29, 2020 included a loss on sale-leaseback transactions of $0.2 million, a loss on disposal of assets of $0.1 million and a gain on insurance recoveries from property damage at our restaurants of $0.3 million.

(e) 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.

(f) 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)

(in thousands, except share and per share amounts)	**Three Months Ended (a)**	
(unaudited)	**Apr 04, 2021**	**Mar 29, 2020**
Net loss	$ (7,168)	$ (22,209)
Benefit for income taxes	(2,661)	(6,978)
Interest expense	6,726	7,140
Depreciation and amortization	20,609	21,031
EBITDA	**17,506**	**(1,016)**
Impairment and other lease charges	353	2,881
Acquisition and integration costs (c)	-	81
Abandoned development costs (d)	-	688
Pre-opening costs (e)	29	89
Litigation and other professional expenses (f)	282	61
Other expense, net (g)	227	56
Stock-based compensation expense	1,469	1,132
Adjusted EBITDA	**$ 19,866**	**$ 3,972**

Please see slide 13 for footnotes

Reconciliation of Adjusted Restaurant-Level EBITDA (b)

(in thousands, except share and per share amounts)	**Three Months Ended (a)**	
(unaudited)	**Apr 04, 2021**	**Mar 29, 2020**
Loss from operations	**$ (3,103)**	**$ (22,047)**
Add:		
General and administrative expenses	21,369	20,787
Pre-opening costs (e)	29	89
Depreciation and amortization	20,609	21,031
Impairment and other lease charges	353	2,881
Other expense, net (g)	227	56
Adjusted Restaurant-Level EBITDA	**$ 39,484**	**$ 22,797**

Please see slide 13 for footnotes

Reconciliation of Adjusted Net Loss (b)

(in thousands, except share and per share amounts)	**Three Months Ended (a)**	
(unaudited)	**Apr 04, 2021**	**Mar 29, 2020**
Net loss	**$ (7,168)**	**$ (22,209)**
Add:		
Impairment and other lease charges	353	2,881
Acquisition and integration costs (c)	-	81
Abandoned development costs (d)	-	688
Pre-opening costs (e)	29	89
Litigation and other professional expenses (f)	282	61
Other expense, net (g)	227	56
Income tax effect on above adjustments (h)	(223)	(964)
Adjusted Net Loss	**$ (6,500)**	**$ (19,317)**
Adjusted diluted net loss per share (i)	$ (0.13)	$ (0.38)
Adjusted diluted weighted average common shares outstanding	49,824	50,821

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 4, 2021 and March 29, 2020 both included thirteen weeks.

(b) Within our 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, acquisition and integration costs, stock-based compensation expense, abandoned development costs, restaurant pre-opening costs, non-recurring litigation and other professional expenses and other income and expense. Adjusted Restaurant-Level EBITDA represents loss from operations as adjusted to exclude general and administrative expenses, depreciation and amortization, impairment and other lease charges, restaurant-level integration costs, pre-opening costs, and other income and expense. Adjusted Net Loss represents net loss as adjusted, net of tax, to exclude impairment and other lease charges, acquisition costs and integration costs, abandoned development costs, pre-opening costs, non-recurring litigation and other professional expenses and other income and expense.

We are presenting Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted Net Loss because we believe that they provide a more meaningful comparison than EBITDA and net loss of the Company's 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. 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 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 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) Acquisition and integration costs for the three months ended March 29, 2020 mostly include legal and professional fees incurred in connection with the acquisition of 165 Burger King and 55 Popeyes restaurants from Cambridge Franchise Holdings, LLC in 2019 which were included in general and administrative expense.

(d) Abandoned development costs for the three months ended March 29, 2020 represents the write-off of capitalized costs due to the abandoned development in 2020 of previously planned new restaurant locations.

(e) Pre-opening costs for the three months ended April 4, 2021 and March 29, 2020 include training, labor and occupancy costs incurred during the construction of new restaurants.

(f) Litigation and other professional expenses for the three months ended April 4, 2021 and March 29, 2020 include costs pertaining to an ongoing lawsuit with one of the Company's former vendors, as well as other non-recurring professional service expenses.

(g) Other expense, net, for the three months ended April 4, 2021, included a loss on disposal of assets of $0.2 million. Other expense, net, for the three months ended March 29, 2020 included a loss on sale-leaseback transactions of $0.2 million, a loss on disposal of assets of $0.1 million and a gain on insurance recoveries from property damage at our restaurants of $0.3 million.

(h) The income tax effect related to the adjustments to Adjusted Net Loss during the periods presented was calculated using an incremental income tax rate of 25% for the three months ended April 4, 2021 and March 29, 2020.

(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.

Reconciliation of Free Cash Flow (b)

(in thousands, except share and per share amounts)	**Three Months Ended (a)**	
(unaudited)	**Apr 04, 2021**	**Mar 29, 2020**
Net cash provided by (used in) operating activities	**$ 7,036**	**$ (3,790)**
Net cash used for investing activities	(10,627)	(21,968)
Add: cash paid for acquisitions	-	-
Total Free Cash Flow	**$ (3,591)**	**$ (25,758)**

(a) The Company uses a 52 or 53 week fiscal year that ends the Sunday closest to December 31. The three months ended April 4, 2021 and March 29, 2020 both included thirteen weeks.

(b) Free Cash Flow is a non-GAAP financial measure and may not necessarily be comparable to other similarly titled captions of other companies due to differences in methods of calculation. Free Cash Flow is defined as cash provided by operating activities less cash used for investing activities, adjusted to add back cash paid for acquisitions. Management believes that Free Cash Flow, when viewed with the Company's results of operations in accordance with GAAP and the accompanying reconciliations in the table above, provides useful information about the Company's cash flow for liquidity purposes and to service the Company's debt. However, Free Cash Flow is not a measure of liquidity under GAAP, and, accordingly should not be considered as an alternative to the Company's consolidated statements of cash flows and net cash provided by operating activities, net cash used for investing activities and net cash provided by financing activities as indicators of liquidity or cash flow. Free Cash Flow for the three months ended April 4, 2021 and March 29, 2020 is derived from the Company's consolidated statements of cash flows for the respective three month periods to be presented in the Company’s Interim Condensed Consolidated Financial Statements in its Form 10-Q for the period ended April 4, 2021.