Carrols Restaurant Group, Inc. (TAST)

Third Quarter Earnings Call

November 2021

Safe Harbor Statement

Under the Private Securities Litigation Reform Act of 1995

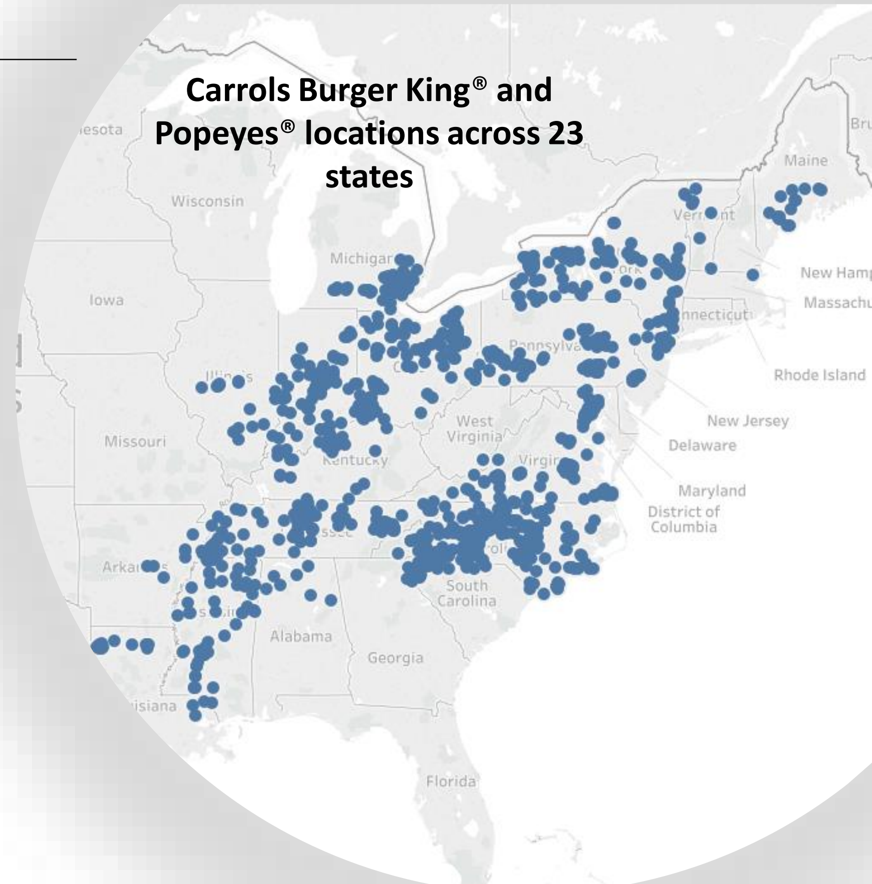
- Our presentation includes, and our response to various questions may include, forward-looking statements. Statements that are predictive in nature or that depend upon or refer to future events or conditions are forward-looking statements. These statements are often identified by the words “may”, “might", “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. 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.
- 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.
- 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 1,093 restaurants across the Burger King® and Popeyes® brands
- With 1,028 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 21 of the last 23 quarters
- Carrols recently added 65 Popeyes® restaurants to its portfolio, one of the fastest growing QSR operators in the U.S.
- 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



Carrols Restaurant Group Q3 2021 Highlights

3.6% Revenue Increase

- Total Restaurant Sales increased 3.6% to $421.7M compared to $407.0M in Q3 2020
- Burger King Q3 SSS ↑ 2.7% and Popeyes Q3 SSS ↓3.2%
- Outperformed BK US System by 430bps, PLK US System by 140bps
- *We estimate a loss of about 1% of same store sales growth due to COVID and staffing-related challenges that reduced operating hours in the quarter*

$18.6M of Adjusted EBITDA

- Adjusted EBITDA[(a)] was $18.6M, reflecting a margin decrease of 400bps compared to the same period a year ago. This decrease was driven by labor and commodity cost pressures this year, as well as labor efficiencies reflected in the prior year quarter

Avg Check ↑ 7.8% Year over Year

- Average BK check of $9.23 for the quarter, resulting in a 7.8% increase year over year mainly due to menu price increases taken in March, July, and August of this year
- Partially offset by a reduction in restaurant traffic of 4.7%

Generated Free Cash Flow

- Generated $13.5M of Free Cash Flow in the third quarter

Upsized Revolver/Strong Liquidity

- The Eighth Amendment (dated September 30, 2021) upsized the Revolver by $40.0M to $215.0M
- Ended Q3 2021 with $248.3M of liquidity[(b)]

Return Capital to Shareholders

- Declared a special cash dividend of $0.41 per share, paid October 5, 2021

(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.

Q3 2021 Financial Summary

Q3 2021		
Total Restaurant Sales:	$421.7 million	Up 3.6% compared to $407.0 million in Q3 2020
Adjusted Restaurant-Level EBITDA (a):	$35.4 million	Compared to $52.8 million in Q3 2020
Adjusted EBITDA (a):	$18.6 million	Compared to $34.1 million in Q3 2020
Income (Loss) from Operations:	$(3.6) million	Compared to $10.2 million in Q3 2020
Net Income (Loss):	$(9.9) million	Compared to $3.5 million in Q3 2020
Net Income (Loss) Per Share:	$(0.20) per diluted share	$0.06 per diluted share in Q3 2020
Adjusted Net Income (Loss) (a):	$(7.8) million	Compared to $5.7 million in Q3 2020
Adjusted Diluted Net Income (Loss) Per Share (a):	$(0.16) per diluted share	$0.09 per diluted share in Q3 2020

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

Q3 2021 Adjusted EBITDA

($ in millions)	Three Months Ended	
(unaudited)	**Oct 03, 2021**	**Sep 27, 2020**
Restaurant Revenue	$ 421.7	$ 407.0
Food, Beverage and Packaging Costs	131.1	121.2
Food, Beverage and Packaging Costs %	*31.1%*	*29.8%*
Restaurant Labor	141.3	126.0
Restaurant Labor %	*33.5%*	*31.0%*
Advertising & Royalties	35.2	33.8
Other Operating Expenses	48.2	42.7
Rent	30.6	30.5
Adjusted Restaurant-Level EBITDA (a)	**35.4**	**52.8**
Adjusted Restaurant-Level EBITDA margin	*8.4%*	*13.0%*
G&A Expense (excl stock comp)	17.8	19.1
Less: Acquisition costs, abandoned development costs, pre-opening costs, litigation and other professional expenses	(0.9)	(0.5)
Adjusted G&A Expense	16.8	18.6
Adjusted EBITDA (a)	**$ 18.6**	**$ 34.1**
Adjusted EBITDA margin	*4.4%*	*8.4%*

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

Capitalization Overview

($ in millions) *As of:*	Oct 03, 2021	Jul 04, 2021	Apr 04, 2021	Sep 27, 2020
Cash & Cash Equivalents	**$ 89.4**	**$ 56.2**	**$ 59.9**	**$ 67.8**
Revolver (a)	47.1	46.0	-	-
Term B Loans due 2026 (b)	172.9	174.0	418.3	419.7
Term B-1 Loans due 2026 (c)	-	-	73.7	75.0
Senior Notes Due 2029 (d)	300.0	300.0		
Finance Lease Liabilities	3.3	1.5	1.3	1.1
Total Debt	$ 523.3	$ 521.5	$ 493.3	$ 495.7
Total Funded Net Debt (per Credit Agreement)	***$ 433.9***	***$ 465.3***	***$ 433.4***	***$ 428.0***
TTM Covenant EBITDA (per Credit Agreement)	***107.7***	***121.9***	***127.5***	***105.3***
Total Net Leverage Ratio	***4.03x***	***3.82x***	***3.40x***	***4.06x***
Senior Secured Net Leverage Ratio	1.24x	1.36x	3.40x	4.06x
Total Liquidity Available (e)	$ 248.3	$ 176.2	$ 196.7	$ 204.0

(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. This rate is fixed for up to $220.0M of borrowings under our senior credit facility.

(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 $220.0M 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 Oct 3, 2021, there were $9.0M of letters of credit issued under the Revolving Credit Facility.

Appendix

Consolidated Statements of Operations

Q3-2021 and Q3-2020

(in thousands)	Three Months Ended (a)	
(unaudited)	**Oct 03, 2021**	**Sept 27, 2020**
Restaurant Sales	$ 421,703	$ 407,036
Costs and Expenses:		
Food, beverage and packaging costs	131,103	121,228
Restaurant wages and related expenses	141,303	126,040
Restaurant rent expense	30,551	30,536
Other restaurant operating expenses	66,733	60,486
Advertising expense	16,619	15,989
General and administrative expenses (b) (c)	19,209	20,440
Depreciation and amortization	20,101	19,620
Impairment and other lease charges	784	1,954
Other expense (income), net (d)	(1,053)	515
Total Costs and Expenses	**425,350**	**396,808**
Income (loss) from operations	(3,647)	10,228
Interest expense	7,724	6,649
Income (loss) before income taxes	(11,371)	3,579
Provision (benefit) from income taxes	(1,469)	48
Net income (loss)	$ (9,902)	$ 3,531
Basic and diluted net income (loss) per share (e) (f)	$ (0.20)	$ 0.06
Basic weighted average common shares outstanding	49,928	50,924
Diluted weighted average common shares outstanding	49,928	60,543

(a) The Company uses a 52 or 53 week fiscal year that ends on the Sunday closest to December 31. The three months ended October 3, 2021 and September 27, 2020 each included thirteen weeks.

(b) General and administrative expenses include acquisition costs of $0.1 million for the three months ended October 3, 2021.

(c) General and administrative expenses include stock-based compensation expense of $1.5 million and $1.3 million for the three months ended October 3, 2021 and September 27, 2020, respectively.

(d) Other expense (income), net, for the three months ended October 3, 2021 included a gain from insurance recoveries of $1.1 million related to property damage at two of the Company's restaurants. Other expense (income), net, for the three months ended September 27, 2020 included a net gain of $0.2 million related to adjustments to insurance recoveries from previous property damage at the Company's restaurants, a loss on one sale-leaseback transaction of $0.4 million and a loss on disposal of assets of $0.3 million.

(e) Basic net income (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 income (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)

Q3-2021 and Q3-2020

(in thousands)	Three Months Ended (a)	
(unaudited)	**Oct 03, 2021**	**Sept 27, 2020**
Net income (loss)	$ (9,902)	$ 3,531
Provision (benefit) from income taxes	(1,469)	48
Interest expense	7,724	6,649
Depreciation and amortization	20,101	19,620
EBITDA	**16,454**	**29,848**
Impairment and other lease charges	784	1,954
Acquisition costs (c)	108	18
Stock-based compensation expense	1,458	1,303
Abandoned development costs (d)	-	189
Pre-opening costs (e)	30	5
Litigation and other professional expenses (f)	801	265
Other expense (income), net (g)(h)	(1,053)	515
Adjusted EBITDA	**$ 18,582**	**$ 34,097**

Please see slide 13 for footnotes

Reconciliation of Adjusted Restaurant-Level EBITDA (b)

Q3-2021 and Q3-2020

(in thousands)	Three Months Ended (a)	
(unaudited)	**Oct 03, 2021**	**Sept 27, 2020**
Income (loss) from operations	**$ (3,647)**	**$ 10,228**
Add:		
General and administrative expenses	19,209	20,440
Pre-opening costs (e)	30	5
Depreciation and amortization	20,101	19,620
Impairment and other lease charges	784	1,954
Other expense (income), net (g)(h)	(1,053)	515
Adjusted Restaurant-Level EBITDA	**$ 35,424**	**$ 52,762**

Please see slide 13 for footnotes

Reconciliation of Adjusted Net Income (Loss) (b)

Q3-2021 and Q3-2020

(in thousands)	Three Months Ended (a)	
(unaudited)	**Oct 03, 2021**	**Sept 27, 2020**
Net income (loss)	**$ (9,902)**	**$ 3,531**
Add:		
Impairment and other lease charges	784	1,954
Acquisition costs (c)	108	18
Abandoned development costs (d)	-	189
Pre-opening costs (e)	30	5
Litigation and other professional expenses (f)	801	265
Other expense (income), net (g) (h)	(1,053)	515
Income tax effect on above adjustments (i)	(168)	(737)
Valuation allowance for deferred taxes (j)	1,641	-
Adjusted Net Income (Loss)	**$ (7,759)**	**$ 5,740**
Adjusted diluted net income per share (k)	$ (0.16)	$ 0.09
Adjusted diluted weighted average common shares outstanding	49,928	60,543

Please see slide 13 for footnotes

Footnotes Q3-2021 & Q3-2020

(a) The Company uses a 52 or 53 week fiscal year that ends the Sunday closest to December 31. The three months ended October 3, 2021 and September 27, 2020 both included thirteen weeks.

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

Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted Net Income (Loss) are presented because the Company believes that they provide a more meaningful comparison than EBITDA and net income (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 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 Income (Loss), when viewed with the Company's results of operations in accordance with US 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 Income (Loss) are not measures of financial performance or liquidity under U.S. GAAP and, accordingly, should not be considered as alternatives to net income (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 income (loss) and EBITDA, Adjusted EBITDA and Adjusted Net Income (Loss) and between income (loss) from operations and Adjusted Restaurant-Level EBITDA.

(c) Acquisition costs for the three months ended October 3, 2021 mostly include integration, travel, legal and professional fees incurred in connection with restaurant acquisitions during the second quarter of 2021, which were included in general and administrative expenses. Acquisition costs for the three months ended September 27, 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 September 27, 2020 represents the write-off of capitalized costs of previously planned new restaurant locations.

(e) Pre-opening costs for the three months ended October 3, 2021 and September 27, 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 October 3, 2021 and September 27, 2020 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.

(g) Other expense (income), net, for the three months ended October 3, 2021 included a gain from insurance recoveries of $1.1 million related to property damage at two of the Company's restaurants.

(h) Other expense (income), net, for the three months ended September 27, 2020 included a net gain of $0.2 million related to adjustments to insurance recoveries from previous property damage at the Company's restaurants, a loss on one sale-leaseback transaction of $0.4 million and a loss on disposal of assets of $0.3 million.

(i) The income tax effect related to the adjustments to Adjusted Net Income (Loss) was calculated using an incremental income tax rate of 25% for the three months ended October 3, 2021 and September 27, 2020.

(j) 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 October 3, 2021.

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

Reconciliation of Free Cash Flow (b)

(in thousands)	Three Months Ended (a)	
(unaudited)	**Oct 03, 2021**	**Sept 27, 2020**
Net cash provided by operating activities	**$ 23,612**	**$ 32,886**
Net cash provided by (used for) investing activities	10,091	(9,039)
Net cash paid for (proceeds received from) acquisitions, net of related sale-leasebacks	(20,186)	-
Total Free Cash Flow	**$ 13,517**	**$ 23,847**

(a) The Company uses a 52 or 53 week fiscal year that ends the Sunday closest to December 31. The three months ended October 3, 2021 and September 27, 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 net cash paid for acquisitions excluding proceeds from acquisition-related sale-leaseback transactions completed in the third quarter of 2021. Management believes that Free Cash Flow, when viewed with the Company's results of operations in accordance with U.S. 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 U.S 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 October 3, 2021 and September 27, 2020 is derived from the Company's consolidated statements of cash flows for the respective nine month periods to be presented in the Company’s Interim Condensed Consolidated Financial Statements in its Form 10-Q for the period ended October 3, 2021 and the Company's consolidated statements of cash flows for the previously reported six month periods ended July 4, 2021 and June 26, 2020 contained in the Company’s Form 10-Q for the period ended July 4, 2021.