



Southwest IDEAS Investor Conference 2015

November 18, 2015



SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. Matters discussed in this presentation that relate to events or developments which are expected to occur in the future, including any discussion, expressed or implied, of anticipated growth, new store openings, operating results or earnings, constitute forward-looking statements under the federal securities laws and not statements of historical fact. The words "believe," "may," "will," "should," "anticipate," "estimate," "expect," "intend," "objective," "seek," "plan," "strive," or similar words, or negatives of these words, identify forward-looking statements. We qualify any forward-looking statements entirely by these cautionary factors. Forward-looking statements are based on management's beliefs, assumptions and expectations of our future economic performance, taking into account the information currently available to management. Forward-looking statements involve risks and uncertainties that may cause our actual results, performance or financial condition to differ materially from the expectations of future results, performance or financial condition we express or imply in any forward-looking statements. Factors that could contribute to these differences include, but are not limited to:

- the cost of our principal food products and supply and delivery shortages and interruptions;
- labor shortages or increased labor costs;
- changes in demographic trends and consumer tastes and preferences, including changes resulting from concerns over nutritional or safety aspects of beef, poultry, produce, or other foods or the effects of food-borne illnesses, such as E. coli, "mad cow disease" and avian influenza or "bird flu"; competition in our markets, both in our business and in locating suitable restaurant sites;
- our operation and execution in new and existing markets;
- expansion into new markets, including foreign markets;
- our ability to attract and retain qualified franchisees and our franchisees' ability to open restaurants on a timely basis;
- our ability to locate suitable restaurant sites in new and existing markets and negotiate acceptable lease terms;
- the rate of our internal growth and our ability to generate increased revenue from our existing restaurants;
- our ability to generate positive cash flow from existing and new restaurants;
- fluctuations in our quarterly results due to seasonality;
- increased government regulation and our ability to secure required government approvals and permits;
- our ability to create customer awareness of our restaurants in new markets;
- the reliability of our customer and market studies;
- cost effective and timely planning, design and build out of restaurants;
- our ability to recruit, train and retain qualified corporate and restaurant personnel and management;
- market saturation due to new restaurant openings;
- inadequate protection of our intellectual property;
- our ability to obtain additional capital and financing;
- adverse weather conditions which impact customer traffic at our restaurants; and
- adverse economic conditions.

Further information regarding factors that could affect our results and the statements made herein are included in our filings with the Securities and Exchange Commission. Additional information is available on the Cosi, Inc. website at www.getcosi.com.

**Copies of this deck will be available
on the Cosi® Website at: www.ir.getcosi.com**



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Overview

- Fast Casual Restaurant Company
- Headquartered in Boston, MA
- Founded in 1989
- IPO in 2002
- Menu Offerings: Salads, sandwiches, melts, soups, flatbread pizzas, bowls, snacks, desserts and beverages
- Currently 79 Company-owned and 30 franchise-owned restaurants
 - Operating in 16 states, the District of Columbia, the United Arab Emirates, and Costa Rica



Investment Highlights

- Completed Hearthstone merger in April 2015
 - Implement and replicate Hearthstone’s model across our restaurants to drive revenue and cash flow growth
- Bold, decisive actions to:
 - Enhance operations to create more efficiencies and same store sales growth
 - Expand franchise system domestically and internationally
 - Drive significant brand awareness in major US markets
- Restaurant portfolio management plan underway to achieve positive EBITDA between Q2 and Q3 2016

An Operating Model that Works

- RJ Dourney establishes Hearthstone Associates
- Purchases 3 Cosi® restaurants in 2005 and becomes a franchisee
- The “Hearthstone Model” is born and becomes the foundation to grow a profitable business
 - Excels and grows a Cosi® economic model that works
 - 8 years of positive comparable restaurant sales growth
 - Consistently strong unit-level economics
 - Grows 13 profitable restaurants in Massachusetts

Turnaround Phase 1: Invest in Hearthstone Standards

- Disciplined investment in our restaurants
- Replicate the “Hearthstone Model”
 - Speed
 - Accuracy
 - Hospitality
 - Cleanliness
- Integrated Operating, Financial Management, and Culture standards

Turnaround Phase 2: Assess, React, and Grow

- Cash flow preservation and growth
- Assess the progress made to date
- Make the necessary corrections to stay the course
- Focus on driving new traffic
- Grow the franchise system

Assess: Economics of our Portfolio - Segmentation

Current 2015 Financial Performance by Quartile

		Total Portfolio	Hearthstone	1st Quartile	2nd Quartile	3rd Quartile	4th Quartile
1Q 2015	Annual Unit Volume	\$1,063	n/a	\$1,398	\$984	\$890	\$1,019
	Restaurant Cash Flow %	-8.0%	n/a	4.7%	-6.4%	-12.0%	-21.0%
2Q 2015	Annual Unit Volume	\$1,266	\$1,646	\$1,531	\$1,133	\$1,004	\$1,201
	Restaurant Cash Flow %	1.6%	13.6%	9.0%	2.7%	-3.4%	-14.2%
3Q 2015	Annual Unit Volume	\$1,216	\$1,648	\$1,488	\$1,078	\$947	\$1,126
	Restaurant Cash Flow %	0.8%	12.9%	11.2%	3.0%	-5.6%	-14.2%

React: Improving Cash Flows-Economic Model Optimization

Restated 2015 Financial Performance Excluding Current 4th Quartile

		Total Portfolio	Hearthstone	Restated 1st Quartile	Restated 2nd Quartile	Restated 3rd Quartile	Restated 4th Quartile
1Q 2015	Annual Unit Volume	\$1,092	n/a	\$1,496	\$982	\$949	\$992
	Restaurant Cash Flow %	-1.2%	n/a	4.6%	-3.7%	-9.1%	-14.6%
	AUV change	\$29	n/a	\$98	(\$3)	\$59	(\$27)
	RCF% change	6.8%	n/a	0.0%	2.7%	2.9%	6.4%
2Q 2015	Annual Unit Volume	\$1,302	\$1,646	\$1,639	\$1,119	\$1,099	\$1,034
	Restaurant Cash Flow %	5.5%	13.6%	9.3%	3.8%	0.3%	-4.2%
	AUV change	\$36	\$0	\$108	(\$14)	\$95	(\$167)
	RCF% change	3.9%	\$0	0.3%	1.1%	3.8%	10.0%
3Q 2015	Annual Unit Volume	\$1,257	\$1,648	\$1,594	\$1,153	\$1,010	\$988
	Restaurant Cash Flow %	6.0%	12.9%	11.5%	5.6%	-2.2%	-4.0%
	AUV change	\$42	\$0	\$106	\$74	\$63	(\$138)
	RCF% change	5.2%	0.0%	0.2%	2.6%	3.4%	10.1%

React: Improving Cash Flows - Managing Overhead Costs

General & Administrative Projected Cash Uses

	2015 Projected Cash	2016 Projected Cash
3Q 2015 YTD Actual	\$8,873	
<u>Non-Recurring</u>		
Merger Expense	(\$163)	
<u>Non-Cash</u>		
Stock compensation	(\$776)	
Bad Debt	(\$392)	
Total Adjustment	<u>(\$1,331)</u>	
Adjusted 3Q YTD Actual Cash	\$7,542	
Annualized Run Rate Cash	<u>\$10,056</u>	
Total Reductions		(\$2,301)
2016 Target (Ceiling)		\$7,755
Additional Right-Sizing		<u>(\$755)</u>
2016 Target (Floor)		\$7,000

Grow: Improving Cash Flows - Driving Traffic

Brand positioning & guest experience

- Intense focus on elevating guest experience and building relationships with guests
- Owning brand story and point of differentiation
- Creating appealing and relevant in-store creative
- Communicating message through all key touchpoints that resonate with guests

#feedthecity

- Reintroducing Cosi® to NYC guests
- Motivating trial by treating guests to signature Cosi® sandwiches
- Staying committed to giving back to community through donations to food bank

Media

- Leveraging non-traditional media to drive trial and repeat visits
- Strategic targeting
- Relevant brand messaging and compelling creative

Grow: Domestic & International Franchise Growth

Future Outlook

- Conversations with 1-4 potential new franchise partners are making progress
- Domestic potential of 500+ units in the next 5-7 years
- International potential of 100 units in Central & South America in the next 5-7 years

Projected Openings: 2016

- Domestic
 - 8-10 new units by current partners
 - 1 unit from new development agreement in Florida across 3 counties
- International
 - 1 unit in Panama from a new development agreement

Actual Openings: 2015

- Domestic
 - 3 new units: Boston (formerly Hearthstone), Virginia (Sodexo), DC (Compass)
- International
 - 2 new units in Costa Rica (Fast Casual)

3Q 2015 Financial Results

Financial Summary (\$'s in thousands)*

	Q3 2015				
	2015		2014		Margin Change
Restaurant Net Sales	\$23,113		\$18,574		
Cost of Food and Beverage	\$5,959	25.8%	\$5,087	27.4%	160 Basis points decrease
Gross Profit	\$17,154	74.2%	\$13,487	72.6%	160 Basis points increase
Labor and Related Benefits	\$8,843	38.3%	\$7,114	38.3%	No change
Other Operating Expenses	\$3,292	14.2%	\$2,773	14.9%	70 Basis point decrease
Controllable Contribution	\$5,019	21.7%	\$3,600	19.4%	230 Basis points increase
Occupancy Costs	\$4,835	20.9%	\$4,043	21.8%	80 Basis points decrease
Restaurant Cash Flow	\$184	0.8%	(\$443)	-2.4%	320 Basis points increase

* Results may be slightly affected by rounding differences

3Q 2015 Financial Results

Reconciliation of Non-GAAP Measures to Net Income (\$'s in thousands)*

	13 Weeks Ended September 28, 2015	13 Weeks Ended September 29, 2014
Restaurant Net Sales	\$ 23,113	\$ 18,574
Cost of Food and Beverage	\$ 5,959	\$ 5,087
Labor and Related Benefits	\$ 8,843	\$ 7,114
Occupancy and Other Operating Expenses	\$ 8,127	\$ 6,816
Restaurant Cash Flow	\$ 184	\$ (443)
Franchise Fees and Royalties	\$ 404	\$ 635
General and Administrative Expenses	\$ 3,073	\$ 3,110
Depreciation and Amortization	\$ 885	\$ 573
Restaurant Pre-Opening Expense	\$ 4	\$ -
Provision For Losses On Asset Impairments and Disposals	\$ -	\$ 217
Closed Store Costs	\$ 12	\$ 100
Lease Termination Expense	\$ 42	\$ 62
Loss On Sale of Fixed Assets	\$ 94	\$ -
Operating Loss	\$ (3,522)	\$ (3,870)
Interest Expense	\$ (228)	\$ (171)
Debt Issuance Amortization	\$ (165)	\$ (164)
Other Income, net	\$ 3	\$ 57
Net Loss	\$ (3,912)	\$ (4,148)
EPS	\$ (0.08)	\$ (0.20)

* Results may be slightly affected by rounding differences

Closing Comments and Q&A

