UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 4, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-35987

NOODLES & COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**84-1303469**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
520 Zang Street, Suite D **Broomfield, CO**	**80021**
(Address of principal executive offices)	(Zip Code)

(720) 214-1900

(Registrant’s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, $0.01 par value per share	**NDLS**	**Nasdaq Global Select Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Class	**Outstanding at August 4, 2023**
Class A Common Stock, $0.01 par value per share	46,429,174 shares

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PART I

Item 1. Financial Statements

Noodles & Company
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)

	July 4, 2023	January 3, 2023
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 3,142	$ 1,523
Accounts receivable	4,920	6,443
Inventories	10,195	10,044
Prepaid expenses and other assets	5,259	3,450
Income tax receivable	308	176
Total current assets	23,824	21,636
Property and equipment, net	140,052	129,386
Operating lease assets, net	184,186	183,392
Goodwill	7,154	7,154
Intangibles, net	584	608
Other assets, net	1,774	1,667
Total long-term assets	333,750	322,207
Total assets	$ 357,574	$ 343,843
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 14,537	$ 15,308
Accrued payroll and benefits	8,572	9,219
Accrued expenses and other current liabilities	12,312	11,005
Current operating lease liabilities	29,123	28,581
Total current liabilities	64,544	64,113
Long-term debt, net	63,202	46,051
Long-term operating lease liabilities, net	186,897	187,320
Deferred tax liabilities, net	126	229
Other long-term liabilities	6,725	7,766
Total liabilities	321,494	305,479
Stockholders' equity:		
Preferred stock—$0.01 par value, 1,000,000 shares authorized and undesignated as of July 4, 2023 and January 3, 2023; no shares issued or outstanding	—	—
Common stock—$0.01 par value, 180,000,000 shares authorized as of July 4, 2023 and January 3, 2023; 48,853,045 issued and 46,429,174 outstanding as of July 4, 2023 and 48,464,298 issued and 46,040,427 outstanding as of January 3, 2023	489	485
Treasury stock, at cost, 2,423,871 shares as of July 4, 2023 and January 3, 2023	(35,000)	(35,000)
Additional paid-in capital	213,398	211,267
Accumulated deficit	(142,807)	(138,388)
Total stockholders' equity	36,080	38,364
Total liabilities and stockholders' equity	$ 357,574	$ 343,843

See accompanying notes to condensed consolidated financial statements.

Noodles & Company

Condensed Consolidated Statements of Operations

(in thousands, except share and per share data, unaudited)

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 4, 2023	June 28, 2022	July 4, 2023	June 28, 2022
Revenue:				
Restaurant revenue	$ 122,394	$ 128,274	$ 245,621	$ 238,235
Franchising royalties and fees, and other	2,760	2,793	5,610	5,394
Total revenue	125,154	131,067	251,231	243,629
Costs and expenses:				
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):				
Cost of sales	30,700	35,664	61,725	66,435
Labor	39,657	38,828	79,487	74,321
Occupancy	11,365	11,074	22,851	22,223
Other restaurant operating costs	22,594	22,792	46,605	44,658
General and administrative	12,463	12,744	26,104	24,584
Depreciation and amortization	6,437	5,763	12,687	11,484
Pre-opening	609	353	1,101	761
Restaurant impairments, closure costs and asset disposals	1,609	1,971	3,178	3,360
Total costs and expenses	125,434	129,189	253,738	247,826
(Loss) income from operations	(280)	1,878	(2,507)	(4,197)
Interest expense, net	1,054	489	2,015	926
(Loss) income before taxes	(1,334)	1,389	(4,522)	(5,123)
(Benefit from) provision for income taxes	(30)	44	(103)	(39)
Net (loss) income	$ (1,304)	$ 1,345	$ (4,419)	$ (5,084)
(Loss) earnings per Class A and Class B common stock, combined				
Basic	$ (0.03)	$ 0.03	$ (0.10)	$ (0.11)
Diluted	$ (0.03)	$ 0.03	$ (0.10)	$ (0.11)
Weighted average shares of Class A and Class B common stock outstanding, combined:				
Basic	46,363,208	45,881,354	46,239,357	45,803,927
Diluted	46,363,208	46,108,720	46,239,357	45,803,927

See accompanying notes to condensed consolidated financial statements.

Noodles & Company

Condensed Consolidated Statements of Stockholders' Equity

(in thousands, except share data, unaudited)

	Fiscal Quarter Ended						
	Common Stock(1)		Treasury				
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
Balance—April 4, 2023	48,781,701	$ 488	2,423,871	$ (35,000)	$ 211,946	$ (141,503)	$ 35,931
Stock plan transactions and other	71,344	1	—	—	(45)	—	(44)
Stock-based compensation expense	—	—	—	—	1,497	—	1,497
Net loss	—	—	—	—	—	(1,304)	(1,304)
Balance—July 4, 2023	48,853,045	$ 489	2,423,871	$ (35,000)	$ 213,398	$ (142,807)	$ 36,080
Balance—March 29, 2022	48,258,594	$ 483	2,423,871	$ (35,000)	$ 208,065	$ (141,503)	$ 32,045
Stock plan transactions and other	125,599	1	—	—	(19)	—	(18)
Stock-based compensation expense	—	—	—	—	1,515	—	1,515
Net income	—	—	—	—	—	1,345	1,345
Balance—June 28, 2022	48,384,193	$ 484	2,423,871	$ (35,000)	$ 209,561	$ (140,158)	$ 34,887

	Two Fiscal Quarters Ended						
	Common Stock(1)		Treasury				
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
Balance—January 3, 2023	48,464,298	$ 485	2,423,871	$ (35,000)	$ 211,267	$ (138,388)	$ 38,364
Stock plan transactions and other	388,747	4	—	—	(689)	—	(685)
Stock-based compensation expense	—	—	—	—	2,820	—	2,820
Net loss	—	—	—	—	—	(4,419)	(4,419)
Balance—July 4, 2023	48,853,045	$ 489	2,423,871	$ (35,000)	$ 213,398	$ (142,807)	$ 36,080
Balance—December 28, 2021	48,125,151	$ 481	2,423,871	$ (35,000)	$ 207,226	$ (135,074)	$ 37,633
Stock plan transactions and other	259,042	3	—	—	(320)	—	(317)
Stock-based compensation expense	—	—	—	—	2,655	—	2,655
Net loss	—	—	—	—	—	(5,084)	(5,084)
Balance—June 28, 2022	48,384,193	$ 484	2,423,871	$ (35,000)	$ 209,561	$ (140,158)	$ 34,887

(1) Unless otherwise noted, activity relates to Class A common stock.

See accompanying notes to condensed consolidated financial statements.

Noodles & Company
Condensed Consolidated Statements of Cash Flows
(in thousands, unaudited)

	Two Fiscal Quarters Ended	
	July 4, 2023	June 28, 2022
Operating activities		
Net loss	$ (4,419)	$ (5,084)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	12,687	11,484
Deferred income taxes	(103)	(40)
Restaurant impairments, closure costs and asset disposals	1,092	1,363
Amortization of debt issuance costs	180	223
Stock-based compensation	2,778	2,618
Gain on insurance proceeds for property damage	(62)	—
Changes in operating assets and liabilities:		
Accounts receivable	1,425	(55)
Inventories	(215)	(588)
Prepaid expenses and other assets	(1,947)	768
Accounts payable	(703)	(438)
Income taxes	(132)	(103)
Operating lease assets and liabilities	(394)	(1,741)
Accrued expenses and other liabilities	199	(2,364)
Net cash provided by operating activities	10,386	6,043
Investing activities		
Purchases of property and equipment	(23,913)	(16,724)
Insurance proceeds received for property damage	100	—
Proceeds from restaurant divestitures	—	1,577
Net cash used in investing activities	(23,813)	(15,147)
Financing activities		
Net borrowings from swing line loan	3,971	509
Proceeds from borrowings on long-term debt	13,000	10,600
Payments on long-term debt	—	(1,125)
Payments on finance leases	(1,240)	(1,002)
Debt issuance costs	—	(27)
Stock plan transactions and tax withholding on share-based compensation awards	(685)	(317)
Net cash provided by financing activities	15,046	8,638
Net increase (decrease) in cash and cash equivalents	1,619	(466)
Cash and cash equivalents		
Beginning of period	1,523	2,255
End of period	$ 3,142	$ 1,789

See accompanying notes to condensed consolidated financial statements.

NOODLES & COMPANY
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Business Summary and Basis of Presentation

Business

Noodles & Company (the "Company"), a Delaware corporation, develops and operates fast casual restaurants that serve globally inspired noodle and pasta dishes, soups, salads and appetizers. As of July 4, 2023, the Company had 465 restaurants system-wide in 31 states, comprised of 373 company-owned restaurants and 92 franchise restaurants. The Company operates its business as one operating and reportable segment.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Noodles & Company and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The accompanying interim unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. In the opinion of the Company, all adjustments considered necessary for the fair presentation of the Company's results of operations, financial position and cash flows for the periods presented have been included and are of a normal, recurring nature. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The results of operations for any interim period are not necessarily indicative of results for the full year. Certain information and footnote disclosures normally included in the Company's annual consolidated financial statements on Form 10-K have been condensed or omitted. The condensed consolidated balance sheet as of January 3, 2023 was derived from audited financial statements. These financial statements should be read in conjunction with the audited financial statements and the related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2023.

Fiscal Year

The Company operates on a 52- or 53-week fiscal year ending on the Tuesday closest to December 31. The Company's fiscal quarters each contain 13 operating weeks, with the exception of the fourth quarter of a 53-week fiscal year, which contains 14 operating weeks. Fiscal year 2023, which ends on January 2, 2024 contains 52 weeks and fiscal year 2022, which ended on January 3, 2023, contained 53 weeks. The Company's fiscal quarter that ended July 4, 2023 is referred to as the second quarter of 2023, and the fiscal quarter ended June 28, 2022 is referred to as the second quarter of 2022.

2. Supplemental Financial Information

Accounts receivable consist of the following (in thousands):

	July 4, 2023	January 3, 2023
Delivery program receivables	$ 2,118	$ 2,027
Vendor rebate receivables	650	801
Franchise receivables	1,436	2,050
Other receivables	716	1,565
Accounts receivable	$ 4,920	$ 6,443

Prepaid expenses and other assets consist of the following (in thousands):

	July 4, 2023	January 3, 2023
Prepaid insurance	$ 1,902	$ 882
Prepaid occupancy related costs	742	711
Prepaid expenses	2,572	1,802
Other current assets	43	55
Prepaid expenses and other assets	$ 5,259	$ 3,450

Property and equipment, net, consists of the following (in thousands):

	July 4, 2023	January 3, 2023
Leasehold improvements	$ 222,306	$ 212,319
Furniture, fixtures and equipment	157,441	152,786
Construction in progress	12,404	6,738
	392,151	371,843
Accumulated depreciation and amortization	(252,099)	(242,457)
Property and equipment, net	$ 140,052	$ 129,386

Accrued payroll and benefits consist of the following (in thousands):

	July 4, 2023	January 3, 2023
Accrued payroll and related liabilities	$ 5,053	$ 5,004
Accrued bonus	1,819	2,007
Insurance liabilities	1,700	2,208
Accrued payroll and benefits	$ 8,572	$ 9,219

Accrued expenses and other current liabilities consist of the following (in thousands):

	July 4, 2023	January 3, 2023
Gift card liability	$ 1,957	$ 2,430
Occupancy related	1,210	1,001
Utilities	1,250	1,612
Current portion of finance lease liability	2,261	2,210
Accrued interest	144	70
Insurance liabilities	202	415
Other restaurant expense accruals	1,994	1,128
Other corporate expense accruals	3,294	2,139
Accrued expenses and other current liabilities	$ 12,312	$ 11,005

3. Long-Term Debt

On May 9, 2018, the Company entered into a credit facility with U.S. Bank National Association (the “2018 Credit Facility”). The 2018 Credit Facility was subsequently amended on November 20, 2019 and again on June 16, 2020, (as amended, the “Second Amended Credit Facility”).

On July 27, 2022, the Company amended and restated its Second Amended Credit Facility by entering into the Third Amendment to the Credit Agreement (as amended and restated, the “Third Amended Credit Facility”) which matures on July 27, 2027. Among other things, the Third Amended Credit Facility: (i) increased the credit facility from $100.0 million to $125.0 million; (ii) eliminated the term loan and principal amortization components of the credit facility; (iii) removed the Company’s capital expenditure covenant; (iv) enhanced flexibility for certain covenants and restrictions; and (v) lowered the spread of the Company’s cost of borrowing and transitioned from the London Interbank Offered Rate (LIBOR) to the Secured Overnight Financing Rate (“SOFR”) plus a margin of 1.50% to 2.50% per annum, based upon the consolidated total lease-adjusted leverage ratio.

As of July 4, 2023, the Company had $64.7 million of indebtedness (excluding $1.5 million of unamortized debt issuance costs) and $3.0 million of letters of credit outstanding under the Third Amended Credit Facility. As of July 4, 2023, the Company had cash on hand of $3.1 million.

The Company’s revolver, which had a balance of $55.9 million as of July 4, 2023, bore interest at rates between 7.20% and 7.50%. The Company’s swingline, which had a balance of $8.8 million as of July 4, 2023, bore interest at rates between 9.25% and 9.50%.

The Company also maintains outstanding letters of credit to secure obligations under its workers’ compensation program and certain lease obligations. The Company was in compliance with all of its debt covenants as of July 4, 2023.

4. Fair Value Measurements

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and all other current liabilities approximate their fair values due to their short-term nature. The carrying amounts of borrowings approximate fair value as the line of credit and borrowings vary with market interest rates and negotiated terms and conditions are consistent with current market rates. The fair value of the Company’s line of credit and borrowings are measured using Level 2 inputs.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets recognized or disclosed at fair value in the condensed consolidated financial statements on a non-recurring basis include items such as leasehold improvements, property and equipment, operating lease assets, goodwill and other intangible assets. These assets are measured at fair value if determined to be impaired.

Adjustments to the fair value of assets measured at fair value on a non-recurring basis as of July 4, 2023 and June 28, 2022 are discussed in Note 7, Restaurant Impairments, Closure Costs and Asset Disposals.

5. Income Taxes

The following table presents the Company’s provision for income taxes (in thousands):

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 4, 2023	June 28, 2022	July 4, 2023	June 28, 2022
(Benefit from) provision for income taxes	$ (30)	$ 44	$ (103)	$ (39)
Effective tax rate	2.2 %	3.2 %	2.3 %	0.8 %

The effective tax rate for the second quarter and the first two quarters of 2023 and 2022, respectively, reflects the impact of the previously recorded valuation allowance. For the remainder of fiscal 2023, the Company does not anticipate material income tax expense or benefit as a result of the valuation allowance recorded. The Company will maintain the valuation allowance against deferred tax assets until there is sufficient evidence to support a full or partial reversal. The reversal of a previously recorded valuation allowance will generally result in a benefit from income tax.

6. Stock-Based Compensation

In May of 2023, the Company's Board of Directors adopted the 2023 Stock Incentive Plan, which was approved at the annual meeting of stockholders on May 16, 2023 (the "2023 Plan"). The 2023 Plan authorizes the grant of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), performance share units and incentive bonuses to employees, officers, non-employee directors and other service providers, as applicable. The Company's 2013 Stock Incentive Plan, as amended and restated in May of 2013 was terminated. As of July 4, 2023, approximately 2.9 million share-based awards were available to be granted under the 2023 Plan.

The following table shows total stock-based compensation expense (in thousands):

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 4, 2023	June 28, 2022	July 4, 2023	June 28, 2022
Stock-based compensation expense	$ 1,496	$ 1,499	$ 2,886	$ 2,668
Capitalized stock-based compensation expense	$ 20	$ 18	$ 42	$ 38

7. Restaurant Impairments, Closure Costs and Asset Disposals

The following table presents restaurant impairments, closure costs and asset disposals (in thousands):

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 4, 2023	June 28, 2022	July 4, 2023	June 28, 2022
Restaurant impairments (1)	$ 423	$ 668	$ 509	$ 774
Closure costs (1)	249	465	807	855
Loss on disposal of assets and other	937	838	1,862	1,731
	$ 1,609	$ 1,971	$ 3,178	$ 3,360

(1) Restaurant impairments and closure costs in all periods presented above include amounts related to restaurants previously impaired or closed.

Impairment is based on management's current assessment of the expected future cash flows of a restaurant based on recent results and other specific market factors. Impairment expense is a Level 3 fair value measure and is determined by comparing the carrying value of restaurant assets to the estimated fair value of the restaurant assets at resale value and the right-of-use asset based on a discounted cash flow analysis utilizing market lease rates. There was one restaurant impairment during the second quarter of 2023 and the first two quarters of 2023. Two restaurants were identified as impaired in the second quarter of 2022 and the first two quarters of 2022.

We permanently closed two company-owned restaurants in the second quarter of 2023, one of which was an early lease termination. The Company did not close any restaurants in the second quarter of 2022. Closure costs in the second quarter of 2023 and 2022 also included ongoing expenses from restaurant closures in prior years.

We permanently closed four company-owned restaurants in the first two quarters of 2023, two of which were early lease terminations. The Company closed two restaurants in the first two quarters of 2022. Closure costs in the first two quarters of 20223 and 2022 also included ongoing expenses from restaurant closures in prior years.

Both periods include asset disposals in the normal course of business and lease related costs and expenses in connection with the divestiture of company-owned restaurants in previous years.

8. Earnings (Loss) Per Share

Basic earnings (loss) per share ("EPS") is calculated by dividing net income (loss) available to common stockholders by the weighted-average number of shares of common stock outstanding during each period. Diluted EPS is calculated using net income (loss) available to common stockholders divided by diluted weighted-average shares of common stock outstanding during each period. Potentially dilutive securities include shares of common stock underlying stock options, warrants and RSUs. Diluted EPS considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an anti-dilutive effect.

The following table sets forth the computations of basic and diluted EPS (in thousands, except share and per share data):

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 4, 2023	June 28, 2022	July 4, 2023	June 28, 2022
Net (loss) income	$ (1,304)	$ 1,345	$ (4,419)	$ (5,084)
Shares:				
Basic weighted average shares outstanding	46,363,208	45,881,354	46,239,357	45,803,927
Effect of dilutive securities	—	227,366	—	—
Diluted weighted average shares outstanding	46,363,208	46,108,720	46,239,357	45,803,927
(Loss) earnings per share:				
Basic (loss) earnings per share	$ (0.03)	$ 0.03	$ (0.10)	$ (0.11)
Diluted (loss) earnings per share	$ (0.03)	$ 0.03	$ (0.10)	$ (0.11)

The Company computes the effect of dilutive securities using the treasury stock method and average market prices during the period. Potential common shares are excluded from the computation of diluted loss per share when the effect would be anti-dilutive. The shares issuable on the vesting or exercise of share-based awards that were excluded from the calculation of diluted earnings per share because the effect of their inclusion would have been anti-dilutive totaled 3,896,910 and 1,798,409 for the second quarters of 2023 and 2022, respectively, and totaled 3,466,704 and 2,278,371 for the first two quarters of 2023 and 2022, respectively.

9. Leases

Supplemental balance sheet information related to leases is as follows (in thousands):

	Classification	July 4, 2023	January 3, 2023
Assets			
Operating	Operating lease assets, net	$ 184,186	$ 183,392
Finance	Property and equipment	4,285	5,258
Total leased assets		$ 188,471	$ 188,650
Liabilities			
Current lease liabilities			
Operating	Current operating lease liabilities	$ 29,123	$ 28,581
Finance	Accrued expenses and other current liabilities	2,261	2,210
Long-term lease liabilities			
Operating	Long-term operating lease liabilities	186,897	187,320
Finance	Other long-term liabilities	2,405	3,520
Total lease liabilities		$ 220,686	$ 221,631

Sublease income recognized in the Condensed Consolidated Statements of Operations was $0.8 million and $1.6 million for both of the second quarters of 2023 and 2022 and the first two quarters of 2023 and 2022, respectively.

Supplemental disclosures of cash flow information related to leases are as follows (in thousands):

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 4, 2023	June 28, 2022	July 4, 2023	June 28, 2022
Cash paid for lease liabilities:				
Operating leases	$ 10,565	$ 10,415	$ 21,087	$ 20,859
Finance leases	638	599	1,402	1,213
	$ 11,203	$ 11,014	$ 22,489	$ 22,072
Right-of-use assets obtained in exchange for lease liabilities:				
Operating leases	$ 6,759	$ 4,275	$ 13,774	$ 8,107
Finance leases	35	121	177	843
	$ 6,794	$ 4,396	$ 13,951	$ 8,950

10. Supplemental Disclosures to Condensed Consolidated Statements of Cash Flows

The following table presents the supplemental disclosures to the Condensed Consolidated Statements of Cash Flows for the two quarters ended July 4, 2023 and June 28, 2022 (in thousands):

	July 4, 2023	June 28, 2022
Interest paid (net of amounts capitalized)	$ 1,594	$ 461
Income taxes paid	132	106
Purchases of property and equipment accrued in accounts payable	5,609	5,504

11. Revenue Recognition

Revenue

Revenue consists of sales from restaurant operations, franchise royalties and fees, and sublease income. Revenue from the operation of company-owned restaurants is recognized when sales occur. The Company reports revenue net of sales tax collected from customers and remitted to governmental taxing authorities.

Gift Cards

The Company sells gift cards which do not have an expiration date, and it does not deduct non-usage fees from outstanding gift card balances. The Company recognizes revenue from gift cards when the gift card is redeemed by the customer or the Company determines the likelihood of the gift card being redeemed by the customer is remote ("gift card breakage"). The determination of the gift card breakage rate is based upon Company-specific historical redemption patterns. The Company has determined that approximately 13% of gift cards will not be redeemed, and recognizes gift card breakage ratably over the estimated redemption period of the gift card, which is approximately 24 months. Gift card liability balances are typically highest at the end of each calendar year following increased gift card purchases during the holiday season.

As of July 4, 2023 and January 3, 2023, the current portion of the gift card liability, $2.0 million and $2.4 million, respectively, was included in accrued expenses and other current liabilities, and the long-term portion amounting to $0.7 million at each quarter end, was included in other long-term liabilities in the Condensed Consolidated Balance Sheets.

Revenue recognized in the Condensed Consolidated Statements of Operations for the redemption of gift cards was $0.6 million and $0.8 million for the second quarters of 2023 and 2022, respectively, and $1.6 million and $1.8 million for the first two quarters of 2023 and 2022, respectively.

Franchise Fees

Royalties from franchise restaurants are based on a percentage of restaurant revenues and are recognized in the period the related franchised restaurants' sales occur. Development and franchise fees, portions of which are collected in advance, are nonrefundable and are recognized in income ratably over the term of the related franchise agreement or recognized upon the termination of the agreement between the Company and the franchisee. The Company has determined that the initial franchise services are not distinct from the continuing rights or services offered during the term of the franchise agreement and should be treated as a single performance obligation; therefore, initial fees received from franchisees are recognized as revenue over the term of each respective franchise agreement, which is typically 20 years.

Loyalty Program

The Company operates the Noodles Rewards program, which is primarily a spend-based loyalty program. With each purchase, Noodles Rewards members earn loyalty points that can be redeemed for rewards, including free products. Using an estimate of the value of reward redemptions, we defer revenue associated with points earned, net of estimated points that will not be redeemed based upon the Company's historical redemption patterns. Points generally expire after six months. Revenue is recognized in a future period when the reward points are redeemed. As of July 4, 2023 and January 3, 2023, the deferred revenue related to the rewards was \$0.9 million and \$0.3 million, respectively and is included in accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheets.

12. Commitments and Contingencies

In the normal course of business, the Company is subject to other proceedings, lawsuits and claims. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, the Company is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of July 4, 2023. These matters could affect the operating results of any one financial reporting period when resolved in future periods. The Company believes that an unfavorable outcome with respect to these matters is remote or a potential range of loss is not material to its consolidated financial statements. Significant increases in the number of these claims, or one or more successful claims that result in greater liabilities than the Company currently anticipates, could materially and adversely affect its business, financial condition, results of operations or cash flows.

13. Subsequent Event

On July 26, 2023, the Company's Board of Directors authorized a share repurchase program (the "2023 Share Repurchase Program") pursuant to which the Company may repurchase up to \$5.0 million of the Company's common stock. The 2023 Share Repurchase Program expires after 12 months.

NOODLES & COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Noodles & Company is a Delaware corporation that was organized in 2002. Noodles & Company and its subsidiaries are sometimes referred to as "we," "us," "our" and the "Company" in this report. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes in Item 1 and with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for our fiscal year ended January 3, 2023. We operate on a 52- or 53-week fiscal year ending on the Tuesday closest to December 31. Our fiscal quarters each contain 13 operating weeks, with the exception of the fourth quarter of a 53-week fiscal year, which contains 14 operating weeks. Fiscal year 2023 contains 52 weeks and fiscal year 2022 contains 53 weeks.

Cautionary Note Regarding Forward-Looking Statements

In addition to historical information, this discussion and analysis contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties such as the number of restaurants we intend to open, projected capital expenditures and estimates of our effective tax rates. 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 expectations with respect to unit growth and planned restaurant openings, projected capital expenditures, and potential volatility through 2023 due to the current high inflationary environment and economic uncertainties, including the affects on consumer sentiment and behavior. 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 sustain our overall growth, including, our digital sales growth; our ability to open new restaurants on schedule and cause those newly opened restaurants to be successful; 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 to improve the performance of our restaurant portfolio; the success of our marketing efforts, including our ability to introduce new products; current economic conditions including any impact from inflation, an economic recession or a rising interest rate environment; price and availability of commodities and other supply chain challenges; our ability to adequately staff our restaurants; changes in labor costs; other conditions beyond our control such as weather, natural disasters, disease outbreaks, epidemics or pandemics impacting our customer or food supplies; and consumer reaction to industry related public health issues and health pandemics, including perceptions of food safety and those discussed in "Special Note Regarding Forward-Looking Statements" and "Risk Factors" as filed in our Annual Report on Form 10-K for our fiscal year ended January 3, 2023.

Recent Trends, Risks and Uncertainties

Revenue. During 2022 and the first quarter of 2023, we implemented greater menu price increases relative to historical years as a result of ongoing inflation in our cost of food, wages and general restaurant expenses. In addition, our third-party delivery channel remains at a pricing premium to our owned channels. Our revenue is highly dependent on our customers' future willingness to order from restaurants given consumer inflationary pressures and recessionary market dynamics. During the second quarter of 2023, we saw a decline in restaurant level traffic, and correspondingly in total revenue, that we believe was at least partially due to consumer response to our recent price increases. The Company has taken actions to address this response but cannot predict the extent and duration of this decline.

Cost of Sales. During 2022, we incurred incremental costs of sales driven by volatility in the commodity and food ingredients markets, particularly with our chicken products, in addition to an increase in packaging costs and distribution. During the first two quarters of 2023, we saw improvement in our cost of food relative to 2022 driven by favorable commodity costs across the majority of our food basket, including the benefit of fixed price contracts at lower costs for our chicken products. Throughout these periods of volatility, we have continued to work with our suppliers for ongoing supply chain efficiencies, including managing food waste and adding additional suppliers as necessary, and engaging in fixed pricing contracts when advantageous. To date, there has been minimal disruption in maintaining adequate food supply, packaging and other ingredients to our restaurants, though it is possible that more significant disruptions could occur if volatility in the labor and commodity markets continue.

Labor Costs. Similar to much of the restaurant industry, our base labor costs have risen in recent years driven in part by high competition for restaurant workers in many trade areas in which we operate. During the first two quarters of 2023, we saw modest deceleration in wage inflation growth although total wage inflation remains above historical averages. We were able to partially mitigate the impact of these market factors through a continued focus on our hiring process and retaining existing employees, in addition to maximizing efficiencies of labor hour usage per restaurant. Significant government-imposed wage increases and continued market factors could materially affect our labor costs.

Other Restaurant Operating Costs. We have incurred and expect to continue to incur third-party delivery fees resulting from significant usage of third-party delivery services.

Restaurant Development. We have continued to experience select new restaurant development delays, including utility installations, permitting and inspection, and construction and labor challenges in 2023. We anticipate these challenges will persist further into 2023. Notwithstanding these delays, we anticipate an annual unit system-wide growth rate of approximately 5.0% in 2023 and in the near future.

In the first two quarters of 2023, we opened nine new company-owned restaurants. As of July 4, 2023, we had 373 company-owned restaurants and 92 franchise restaurants in 31 states.

Certain Restaurant Closures. We permanently closed four company-owned restaurants in the first two quarters of 2023, two of which were early lease termination settlements. We currently do not anticipate a significant number of permanent restaurant closures in the foreseeable future; however, we may from time to time permanently close certain restaurants, including permanent closures at, or near, the expiration of the leases for these restaurants.

Key Measures We Use to Evaluate Our Performance

To evaluate the performance of our business, we utilize a variety of financial and performance measures. These key measures include revenue, average unit volumes ("AUVs"), comparable restaurant sales, restaurant contribution, restaurant contribution margin, EBITDA and adjusted EBITDA.

Revenue

Revenue includes both restaurant revenue and franchise royalties and fees. Restaurant revenue represents sales of food and beverages in company-owned restaurants. Several factors affect our restaurant revenue in any period, including the number of restaurants in operation and per-restaurant sales. Franchise royalties and fees represent royalty income and initial franchise fees. While we expect that the majority of our revenue and net income growth will be driven by company-owned restaurants, our franchise restaurants remain an important factor impacting our revenue and financial performance.

Seasonal factors cause our revenue to fluctuate from quarter to quarter. Our revenue per restaurant is typically lower in the first and fourth quarters, due to reduced winter and holiday traffic, and is typically higher in the second and third quarters. As a result of these factors, our quarterly operating results and comparable restaurant sales may fluctuate significantly.

Comparable Restaurant Sales

Comparable restaurant sales refer to year-over-year sales comparisons for the comparable restaurant base. We define the comparable restaurant base to include restaurants open for at least 18 full periods. This measure highlights performance of existing restaurants, as the impact of new restaurant openings is excluded. Changes in comparable restaurant sales are generated by changes in traffic, which we calculate as the number of entrées sold and changes in per-person spend, calculated as sales divided by traffic. Per-person spend can be influenced by changes in menu prices and the mix and number of items sold per person. Restaurants that were temporarily closed or operating at reduced hours remained in comparable restaurant sales.

Measuring our comparable restaurant sales allows us to evaluate the performance of our existing restaurant base. Various factors impact comparable restaurant sales, including:

- consumer recognition of our brand and our ability to respond to changing consumer preferences;
- overall economic trends, particularly those related to consumer spending;
- our ability to operate restaurants effectively and efficiently to meet consumer expectations;

- pricing;
- the number of restaurant transactions, per-person spend and average check amount;
- marketing and promotional efforts;
- abnormal weather patterns;
- food safety and foodborne illness concerns;
- local competition;
- trade area dynamics;
- introduction of new and seasonal menu items and limited time offerings; and
- opening new restaurants in the vicinity of existing locations.

Consistent with common industry practice, we present comparable restaurant sales on a calendar-adjusted basis that aligns current year sales weeks with comparable periods in the prior year, regardless of whether they belong to the same fiscal period or not. Since opening new company-owned and franchise restaurants is a part of our long-term growth strategy and we anticipate new restaurants will be a component of our long-term revenue growth, comparable restaurant sales is only one measure of how we evaluate our performance.

Average Unit Volumes

AUVs consist of the average annualized sales of all company-owned restaurants for a given time period. AUVs are calculated by dividing restaurant revenue by the number of operating days within each time period and multiplying by the number of operating days we have in a typical year. Based on this calculation, temporarily closed restaurants are excluded from the definition of AUV, however restaurants with temporarily reduced operating hours are included. This measurement allows management to assess changes in consumer traffic and per person spending patterns at our restaurants. In addition to the factors that impact comparable restaurant sales, AUVs can be further impacted by effective real estate site selection and maturity and trends within new markets.

Restaurant Contribution and Restaurant Contribution Margin

Restaurant contribution represents restaurant revenue less restaurant operating costs which are cost of sales, labor, occupancy and other restaurant operating costs. Restaurant contribution margin represents restaurant contribution as a percentage of restaurant revenue. We expect restaurant contribution to increase in proportion to the number of new restaurants we open, our comparable restaurant sales growth and cost reduction initiatives.

We believe that restaurant contribution and restaurant contribution margin are important tools for investors and other interested parties because they are widely-used metrics within the restaurant industry to evaluate restaurant-level productivity, efficiency and performance. We also use restaurant contribution and restaurant contribution margin as metrics to evaluate the profitability of incremental sales at our restaurants, restaurant performance across periods and restaurant financial performance compared with competitors. Restaurant contribution and restaurant contribution margin are supplemental measures of the operating performance of our restaurants and are not reflective of the underlying performance of our business because corporate-level expenses are excluded from these measures.

EBITDA and Adjusted EBITDA

We define EBITDA as net income (loss) before interest expense, net, provision (benefit) for income taxes and depreciation and amortization. We define adjusted EBITDA as net income (loss) before interest expense, net, provision (benefit) for income taxes, depreciation and amortization, restaurant impairments, closure costs and asset disposals, costs related to corporate matters and stock-based compensation.

We believe that EBITDA and adjusted EBITDA provide clear pictures of our operating results by eliminating certain non-recurring and non-cash expenses that may vary widely from period to period and are not reflective of the underlying business performance.

The presentation of restaurant contribution, restaurant contribution margin, EBITDA and adjusted EBITDA is not intended to be considered in isolation or as a substitute for, or to be superior to, the financial information prepared and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). We use these non-GAAP financial measures for financial and operational decision making and as a means to evaluate period-to-period comparisons. We believe that they provide useful information to management and investors about operating results, enhance the overall understanding of past financial performance and future prospects and allow for greater transparency with respect to key metrics used by management in its financial and operational decision making.

Results of Operations

The following table presents a reconciliation of net (loss) income to EBITDA and adjusted EBITDA:

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 4, 2023	June 28, 2022	July 4, 2023	June 28, 2022
	(in thousands, unaudited)			
Net (loss) income	$ (1,304)	$ 1,345	$ (4,419)	$ (5,084)
Depreciation and amortization	6,437	5,763	12,687	11,484
Interest expense, net	1,054	489	2,015	926
(Benefit from) provision for income taxes	(30)	44	(103)	(39)
EBITDA	$ 6,157	$ 7,641	$ 10,180	$ 7,287
Restaurant impairments, closure costs and asset disposals [1]	1,609	1,971	3,178	3,360
Stock-based compensation expense	1,496	1,499	2,886	2,668
Costs related to corporate matters	28	63	58	63
Adjusted EBITDA	$ 9,290	$ 11,174	$ 16,302	$ 13,378

(1) Restaurant impairments and closure costs in all periods presented above include amounts related to restaurants previously impaired or closed. See Note 7, Restaurant Impairments, Closure Costs and Asset Disposals.

The following table presents a reconciliation of (loss) income from operations to restaurant contribution:

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 4, 2023	June 28, 2022	July 4, 2023	June 28, 2022
(Loss) income from operations	$ (280)	$ 1,878	$ (2,507)	$ (4,
Less: Franchising royalties and fees, and other	2,760	2,793	5,610	5
Plus: General and administrative	12,463	12,744	26,104	24
Depreciation and amortization	6,437	5,763	12,687	11
Pre-opening	609	353	1,101	
Restaurant impairments, closure costs and asset disposals	1,609	1,971	3,178	3
Restaurant contribution	$ 18,078	$ 19,916	$ 34,953	$ 30
Restaurant contribution margin	14.8 %	15.5 %	14.2 %	

Restaurant Openings, Closures and Relocations

The following table shows restaurants opened or closed during the periods indicated:

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 4, 2023	June 28, 2022	July 4, 2023	June 28, 2022
Company-Owned Restaurant Activity				
Beginning of period	369	360	368	372
Openings	6	3	9	8
Closures	(2)	—	(4)	(2)
Divestitures [1]	—	—	—	(15)
Restaurants at end of period	373	363	373	363
Franchise Restaurant Activity				
Beginning of period	92	93	93	76
Openings	—	—	—	2
Acquisitions [1]	—	—	—	15
Closures	—	—	(1)	—
Restaurants at end of period	92	93	92	93
Total restaurants	465	456	465	456

(1) Represents fifteen company-owned restaurants sold to a franchisee in 2022.

Statement of Operations as a Percentage of Revenue

The following table summarizes key components of our results of operations for the periods indicated as a percentage of our total revenue, except for the components of restaurant operating costs, which are expressed as a percentage of restaurant revenue.

	Fiscal Quarter Ended		Two Fiscal Quarters Ended	
	July 4, 2023	June 28, 2022	July 4, 2023	June 28, 2022
	(unaudited)			
Revenue:				
Restaurant revenue	97.8 %	97.9 %	97.8 %	97.8 %
Franchising royalties and fees, and other	2.2 %	2.1 %	2.2 %	2.2 %
Total revenue	100.0 %	100.0 %	100.0 %	100.0 %
Costs and expenses:				
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):				
Cost of sales	25.1 %	27.8 %	25.1 %	27.9 %
Labor	32.4 %	30.3 %	32.4 %	31.2 %
Occupancy	9.3 %	8.6 %	9.3 %	9.3 %
Other restaurant operating costs	18.5 %	17.8 %	19.0 %	18.7 %
General and administrative	10.0 %	9.7 %	10.4 %	10.1 %
Depreciation and amortization	5.1 %	4.4 %	5.0 %	4.7 %
Pre-opening	0.5 %	0.3 %	0.4 %	0.3 %
Restaurant impairments, closure costs and asset disposals	1.3 %	1.5 %	1.3 %	1.4 %
Total costs and expenses	100.2 %	98.6 %	101.0 %	101.7 %
(Loss) income from operations	(0.2)%	1.4 %	(1.0)%	(1.7)%
Interest expense, net	0.8 %	0.4 %	0.8 %	0.4 %
(Loss) income before taxes	(1.1)%	1.1 %	(1.8)%	(2.1)%
(Benefit from) provision for income taxes	(0.1)%	— %	— %	— %
Net (loss) income	(1.0)%	1.0 %	(1.8)%	(2.1)%

Second Quarter Ended July 4, 2023 Compared to Second Quarter Ended June 28, 2022

The table below presents our unaudited operating results for the second quarters of 2023 and 2022, and the related quarter-over-quarter changes.

	Fiscal Quarter Ended		Increase / (Decrease)	
	July 4, 2023	June 28, 2022	$	%
	(in thousands, unaudited)			
Revenue:				
Restaurant revenue	$ 122,394	$ 128,274	$ (5,880)	(4.6)%
Franchising royalties and fees, and other	2,760	2,793	(33)	(1.2)%
Total revenue	125,154	131,067	(5,913)	(4.5)%
Costs and expenses:				
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):				
Cost of sales	30,700	35,664	(4,964)	(13.9)%
Labor	39,657	38,828	829	2.1 %
Occupancy	11,365	11,074	291	2.6 %
Other restaurant operating costs	22,594	22,792	(198)	(0.9)%
General and administrative	12,463	12,744	(281)	(2.2)%
Depreciation and amortization	6,437	5,763	674	11.7 %
Pre-opening	609	353	256	72.5 %
Restaurant impairments, closure costs and asset disposals	1,609	1,971	(362)	(18.4)%
Total costs and expenses	125,434	129,189	(3,755)	(2.9)%
(Loss) income from operations	(280)	1,878	(2,158)	(114.9)%
Interest expense, net	1,054	489	565	115.5 %
(Loss) income before taxes	(1,334)	1,389	(2,723)	(196.0)%
(Benefit) provision for income taxes	(30)	44	(74)	(168.2)%
Net (loss) income	$ (1,304)	$ 1,345	$ (2,649)	(197.0)%
Company-owned:				
Average unit volume	$ 1,327	$ 1,421	$ (94)	(6.6)%
Comparable restaurant sales	(5.9)%	5.1 %		

* Not meaningful.

Revenue

Total revenue decreased $5.9 million in the second quarter of 2023, or 4.5%, to $125.2 million, compared to $131.1 million in the second quarter of 2022. This decrease was primarily due to a decline in comparable restaurant sales due to lower guest count, partially offset by growth in new restaurant openings net of closures as well as menu price increases. System-wide comparable restaurant sales decreased 5.5% in the second quarter of 2023 compared to the same period of 2022, comprised of a 5.9% decrease at company-owned restaurants and a 3.4% decrease at franchise-owned restaurants.

Cost of Sales

Cost of sales decreased by $5.0 million, or 13.9%, in the second quarter of 2023 compared to the same period of 2022, due to the decrease in restaurant revenue. As a percentage of restaurant revenue, cost of sales decreased to 25.1% in the second quarter of 2023 compared to 27.8% in second quarter of 2022 primarily due to increased menu pricing and overall lower food and ingredient commodity pricing, particularly with our protein costs, partially offset by higher promotional discounts.

Labor Costs

Labor costs increased by $0.8 million, or 2.1%, in the second quarter of 2023 compared to the same period of 2022, due primarily to wage inflation and higher benefits costs. As a percentage of restaurant revenue, labor costs increased to 32.4% in the second quarter of 2023 from 30.3% in the second quarter of 2022 due to wage inflation and the impact of sales deleverage.

Occupancy Costs

Occupancy costs increased by $0.3 million, or 2.6%, in the second quarter of 2023 compared to the second quarter of 2022, primarily due to six new restaurants opened, net of closures since the beginning of the second quarter of 2022. As a percentage of revenue, occupancy costs increased to 9.3% in the second quarter of 2023, compared to 8.6% in the second quarter of 2022 as a result of sales deleverage.

Other Restaurant Operating Costs

Other restaurant operating costs decreased by $0.2 million, or 0.9%, in the second quarter of 2023 compared to the second quarter of 2022, due to the decrease in restaurant revenue. As a percentage of restaurant revenue, other restaurant operating costs increased to 18.5% in the second quarter of 2023 compared to 17.8% in the second quarter of 2022 due to sales deleverage. Third-party delivery fees were 5.5% and 5.4% of total revenue for the second quarter of 2023 and 2022, respectively.

General and Administrative Expense

General and administrative expense decreased by $0.3 million, or 2.2%, in the second quarter of 2023 compared to the second quarter of 2022, due primarily to a decrease in employee related costs, including incentive-related costs. As a percentage of revenue, general and administrative expense increased to 10.0% in the second quarter of 2023 from 9.7% in the second quarter of 2022 due to sales deleverage.

Depreciation and Amortization

Depreciation and amortization increased by $0.7 million, or 11.7%, in the second quarter of 2023 compared to the second quarter of 2022, due primarily to new asset additions for restaurants opened, partially offset by restaurant closures since the second quarter of 2022.

Restaurant Impairments, Closure Costs and Asset Disposals

Restaurant impairments, closure costs and asset disposals decreased $0.4 million in the second quarter of 2023 compared to the second quarter of 2022 due primarily to a decrease in impairment charges. One restaurant was impaired in the second quarter of 2023 compared to two restaurants impaired in the second quarter of 2022.

Interest Expense, Net

Interest expense, net increased $0.6 million in the second quarter of 2023 compared to the second quarter of 2022, due to higher interest rates and higher debt balances in the second quarter of 2023 as compared to the second quarter of 2022 driven primarily by higher capital costs due to new store openings since the second quarter of 2022.

Provision for Income Taxes

The effective tax rate for the second quarter of 2023 and for the second quarter of 2022 reflect the impact of the previously recorded valuation allowance. For the remainder of fiscal 2023, we do not anticipate material income tax expense or benefit as a result of the valuation allowance recorded. We will maintain a valuation allowance against deferred tax assets until there is sufficient evidence to support a full or partial reversal. The reversal of a previously recorded valuation allowance will generally result in a benefit from income tax.

Two Quarters Ended July 4, 2023 Compared to Two Quarters Ended June 28, 2022

The table below presents our unaudited operating results for the first two quarters of 2023 and 2022, and the related period-over-period changes.

	Two Fiscal Quarters Ended		Increase / (Decrease)	
	July 4, 2023	June 28, 2022	$	%
	(in thousands, except percentages)			
Revenue:				
Restaurant revenue	$ 245,621	$ 238,235	$ 7,386	3.1 %
Franchising royalties and fees, and other	5,610	5,394	216	4.0 %
Total revenue	251,231	243,629	7,602	3.1 %
Costs and expenses:				
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):				
Cost of sales	61,725	66,435	(4,710)	(7.1)%
Labor	79,487	74,321	5,166	7.0 %
Occupancy	22,851	22,223	628	2.8 %
Other restaurant operating costs	46,605	44,658	1,947	4.4 %
General and administrative	26,104	24,584	1,520	6.2 %
Depreciation and amortization	12,687	11,484	1,203	10.5 %
Pre-opening	1,101	761	340	44.7 %
Restaurant impairments, closure costs and asset disposals	3,178	3,360	(182)	(5.4)%
Total costs and expenses	253,738	247,826	5,912	2.4 %
Loss from operations	(2,507)	(4,197)	1,690	(40.3)%
Interest expense, net	2,015	926	1,089	117.6 %
Loss before taxes	(4,522)	(5,123)	601	(11.7)%
(Benefit from) provision for income taxes	(103)	(39)	(64)	164.1 %
Net loss	$ (4,419)	$ (5,084)	$ 665	(13.1)%
Company-owned:				
Average unit volumes	$ 1,335	$ 1,337	$ (2)	(0.1)%
Comparable restaurant sales	0.1 %	5.2 %		

* Not meaningful.

Revenue

Total revenue increased by $7.6 million, or 3.1%, in the first two quarters of 2023, to $251.2 million compared to $243.6 million in the same period of 2022. This increase was primarily due to growth in new restaurant openings of $8.1 million and an increase in comparable restaurant sales of $1.1 million. This was partially offset by restaurant closures and the impact of refranchising 15 company-owned restaurants in 2022.

Comparable restaurant sales increased 0.1% at company-owned restaurants, increased 0.3% at franchise-owned restaurants and increased 0.2% system-wide in the first two quarters of 2023. The increase in comparable restaurant sales was primarily due to increased menu prices, mostly offset by a decline in guest traffic.

Cost of Sales

Cost of sales decreased by $4.7 million, or 7.1%, in the first two quarters of 2023 compared to the same period of 2022, due primarily to lower commodity costs. As a percentage of restaurant revenue, cost of sales decreased to 25.1% in the first two quarters of 2023 compared to 27.9% in the first two quarters of 2022, primarily due to increased menu pricing and decreases in certain commodity costs, particularly with our protein costs.

Labor Costs

Labor costs increased by $5.2 million, or 7.0%, in the first two quarters of 2023 compared to the same period of 2022, due primarily to the increase in restaurant sales in addition to wage inflation. As a percentage of restaurant revenue, labor costs increased to 32.4% in the first two quarters of 2023 compared to 31.2% in the first two quarters of 2022. The increase as a percentage of restaurant revenue was primarily due to accelerating wage inflation partially offset by labor initiatives.

Occupancy Costs

Occupancy costs increased by $0.6 million, or 2.8%, in the first two quarters of 2023 compared to the first two quarters of 2022, due primarily to nine new restaurant openings, partially offset by restaurant closures. As a percentage of revenue, occupancy costs remained flat at 9.3%.

Other Restaurant Operating Costs

Other restaurant operating costs increased by $1.9 million, or 4.4%, in the first two quarters of 2023 compared to the first two quarters of 2022. As a percentage of restaurant revenue, other restaurant operating costs increased to 19.0% in the first two quarters of 2023, compared to 18.7% in the first two quarters of 2022, due primarily to increased marketing and credit card fee expense. Third-party delivery fees were 5.8% of total revenue for the first two quarters of 2023 and 2022.

General and Administrative Expense

General and administrative expense increased by $1.5 million, or 6.2%, in the first two quarters of 2023 compared to the first two quarters of 2022, primarily due to increases in employee related expenses, obsolete inventory related to menu optimization and software maintenance. As a percentage of revenue, general and administrative expense increased to 10.4% in the first two quarters of 2023 from 10.1% in the first two quarters of 2022.

Depreciation and Amortization

Depreciation and amortization increased by $1.2 million, or 10.5%, in the first two quarters of 2023 compared to the first two quarters of 2022, primarily due to new asset additions partially offset by restaurant closures.

Restaurant Impairments, Closure Costs and Asset Disposals

Restaurant impairments, closure costs and asset disposals decreased by $0.2 million in the first two quarters of 2023 compared to the first two quarters of 2022. The decrease was largely due to lower impairment charges with only one restaurant impaired in the first two quarters of 2023 compared to two restaurants impaired in the first two quarters of 2022.

Interest Expense

Interest expense increased by $1.1 million in the first two quarters of 2023 compared to the same period of 2022. The increase was mainly due to higher average borrowings and higher interest rates in the first two quarters of 2023 compared to the first two quarters of 2022.

Provision for Income Taxes

The effective tax rate for the first two quarters of 2023 and for the first two quarters of 2022 reflect the impact of the previously recorded valuation allowance. For the remainder of fiscal 2023, we do not anticipate material income tax expense or benefit as a result of the valuation allowance recorded. We will maintain a valuation allowance against deferred tax assets until there is sufficient evidence to support a full or partial reversal. The reversal of a previously recorded valuation allowance will generally result in a benefit from income tax. We estimate the annual effective tax rate for 2023 to be between 2.0% and 2.5%.

Liquidity and Capital Resources

Summary of Cash Flows

We have historically used cash and our revolving credit facility to fund capital expenditures for new restaurant openings, reinvest in our existing restaurants, invest in infrastructure and information technology and maintain working capital. Our working capital position benefits from the fact that we generally collect cash from sales to customers the same day, or in the case of credit or debit card transactions, within several days of the related sale, and we typically have up to 30 days to pay our vendors.

We believe that we will be in compliance with our debt covenants and have sufficient sources of cash to meet our liquidity needs and capital resource requirements for at least the next twelve months, through currently available cash and cash equivalents, availability under our revolving credit facility and cash flows from operations.

Cash flows from operating, investing and financing activities are shown in the following table (in thousands):

	Two Fiscal Quarters Ended	
	July 4, 2023	June 28, 2022
Net cash provided by operating activities	$ 10,386	$ 6,043
Net cash used in investing activities	(23,813)	(15,147)
Net cash provided by financing activities	15,046	8,638
Net increase (decrease) in cash and cash equivalents	$ 1,619	$ (466)

Operating Activities

Net cash provided by operating activities was $10.4 million in the first two quarters of 2023 compared to net cash provided by operating activities of $6.0 million in the first two quarters of 2022. The increase in operating cash flow resulted primarily from higher cash flows from a reduced net loss adjusted for non-cash items, as well as working capital changes. In the aggregate, net working capital items consumed cash of $1.8 million in 2023, compared to $4.5 million in 2022. This $2.7 million fluctuation was mainly driven by the timing of payroll, accrued liabilities and accounts receivable.

Investing Activities

Net cash used in investing activities increased $8.7 million to $23.8 million in the first two quarters of 2023 from $15.1 million in the first two quarters of 2022. This increase was primarily due to higher investments in new restaurant openings, as well as digital menu board technology in the first two quarters of 2023 compared to the first two quarters of 2022.

Financing Activities

Net cash provided by financing activities was $15.0 million in the first two quarters of 2023, compared to $8.6 million in the first two quarters of 2022. The increase from the first two quarters of 2022 was largely due to higher net borrowings on our revolving credit facility and swingline to fund new restaurant openings.

Capital Resources

Material Cash Requirements. Our short-term obligations consist primarily of certain lease and other contractual commitments related to our operations, normal recurring operating expenses, working capital needs, new store development, capital improvements and maintenance of our restaurants, regular interest payments on our debt obligations and certain non-recurring expenditures.

Our long-term obligations consist primarily of certain lease and other contractual commitments related to our operations and payment of our outstanding debt obligations. In addition, our growth target for new store development will require capital each year which is expected to be funded by currently available cash and cash equivalents, cash flows from operations and our revolving credit facility. Our capital expenditure requirements are primarily dependent upon the pace of our real estate development program and resulting new restaurant openings, costs for maintenance and remodeling of our existing restaurants as well as information technology expenses and other general corporate capital expenditures.

We estimate capital expenditures will be approximately $45.0 million to $50.0 million for fiscal year 2023, including $21.0 million to $25.0 million for the remainder of the year, primarily for the opening of company-owned restaurants before any reductions for landlord reimbursements, reinvestment in existing restaurants and investments in technology. We expect such capital expenditures to be funded by currently available cash and cash equivalents, cash flows from operations and if necessary, undrawn capacity under our revolving credit line.

Current Resources. Our operations have not historically required significant working capital and, like many restaurant companies, we operate with negative working capital. Restaurant sales are primarily paid for in cash or by credit or debit card, and restaurant operations do not require significant inventories or receivables. In addition, we receive trade credit for the purchase of food, beverages and supplies, therefore reducing the need for incremental working capital to support growth.

Liquidity. As of July 4, 2023, we had a cash balance of $3.1 million compared to $1.5 million as of January 3, 2023. The amount available for future borrowings under our Third Amended Credit Facility was $57.4 million as of July 4, 2023. We believe that our current cash and cash equivalents, the expected cash flows from company-owned restaurant operations, the expected franchise fees and royalties and available borrowings under the credit facility will be sufficient to fund our cash requirements for working capital needs, new restaurant openings, and capital improvements and maintenance of existing restaurants for at least the next twelve months.

Credit Facility

On May 9, 2018, we entered into a credit facility with U.S. Bank National Association (the “2018 Credit Facility”). The 2018 Credit Facility was subsequently amended on November 20, 2019 (as amended, the First Amended Credit Facility) and June 16, 2020, (as amended, the “Second Amended Credit Facility”).

On July 27, 2022, we amended and restated our Second Amended Credit Facility by entering into the Third Amendment to the Credit Agreement (as amended and restated, the “Third Amended Credit Facility”) which matures on July 27, 2027. Among other things, the Third Amended Credit Facility: (i) increased the credit facility from $100.0 million to $125.0 million; (ii) eliminated the term loan and principal amortization components of the credit facility; (iii) removed the our capital expenditure covenant; (iv) enhanced flexibility for certain covenants and restrictions; and (v) lowered the spread of our cost of borrowing and transitioned to the Secured Overnight Financing Rate plus a margin of 1.50% to 2.50% per annum, based upon the consolidated total lease-adjusted leverage ratio. Our Third Amended Credit Facility is secured by a pledge of stock of substantially all of our subsidiaries and a lien on substantially all of our and our subsidiaries’ personal property assets.

As of July 4, 2023, we had $64.7 million of indebtedness (excluding $1.5 million of unamortized debt issuance costs) and $3.0 million of letters of credit outstanding under the Third Amended Credit Facility.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements or obligations as of July 4, 2023.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements and accompanying notes are prepared in accordance with GAAP. Preparing consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by the application of our accounting policies. Our significant accounting policies are described in our Annual Report on Form 10-K for the year ended January 3, 2023. Critical accounting estimates are those that require application of management’s most difficult, subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods. While we apply our judgment based on assumptions believed to be reasonable under the circumstances, actual results could vary from these assumptions. It is possible that materially different amounts would be reported using different assumptions. Our critical accounting estimates are identified and described in our annual consolidated financial statements and the related notes included in our Annual Report on Form 10-K for our fiscal year ended January 3, 2023.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

We are exposed to market risk from changes in interest rates on outstanding debt. Our exposure to interest rate fluctuations is limited to our outstanding bank debt, which bears interest at variable rates. As of July 4, 2023, we had $64.7 million of outstanding borrowings under our credit facility with an average interest rate during the two quarters of 2023 of 7.75%, compared to 4.07% during the first two quarters of 2022, driven by an increase in market base rates. An increase or decrease of 1.0% in the effective interest rate applied on these loans would have resulted in a pre-tax interest expense fluctuation of approximately $0.6 million on an annualized basis.

Commodity Price Risk

We purchase certain products that are affected by commodity prices and are, therefore, subject to price volatility caused by weather, market conditions and other factors which are not considered predictable or within our control. Although these products are subject to changes in commodity prices, certain purchasing contracts or pricing arrangements contain risk management techniques designed to minimize price volatility. However, during 2022, due to the volatility in several commodity markets and driven by vendor availability, many of our contracts were shorter duration than typical and, in some cases, were based on floating rate prices rather than fixed rate. As a result, we saw higher cost of food in 2022 than in prior years. In the latter part of 2022 and continuing into the first two quarters of 2023, the commodity markets underlying our cost of food began to improve materially, particularly in regard to the price of chicken. However, increases in commodity prices, without adjustments to our menu prices, have and could continue to increase restaurant operating costs as a percentage of restaurant revenue.

Inflation

The primary inflationary factors affecting our operations are food, labor costs, energy costs and materials used in the construction of new restaurants. Increases in the minimum wage requirements directly affect our labor costs. Many of our leases require us to pay taxes, maintenance, repairs, insurance and utilities, all of which are generally subject to inflationary increases. During the first two quarters of 2023, the degree of inflation moderated compared to 2022 although total inflation remains above historical averages. Finally, the cost of constructing our restaurants is subject to inflationary increases in the costs of labor and material. We expect inflation may continue to affect our results in the near future.

Item 4. Controls and Procedures

Our management carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of July 4, 2023, pursuant to Rule 13a-15 under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

We are currently not a party to any material legal proceedings. From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. Regardless of outcome, litigation can have an adverse impact on us due to defense and settlement costs, diversion of management resources, negative publicity, reputational harm and other factors, and there can be no assurances that favorable outcomes will be obtained.

Item 1A. Risk Factors

A description of the risk factors associated with our business is contained in the “Risk Factors” section of our Annual Report on Form 10-K for our fiscal year ended January 3, 2023. There have been no material changes to our Risk Factors as previously reported in our Annual Report on Form 10-K for our fiscal year ended January 3, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibit Index

Exhibit Number	Description of Exhibit
10.1	Compensation Plan for Non-employee Directors, Amended and Restated May 15, 2023
10.2	Noodles & Company 2023 Stock Incentive Plan (filed as Exhibit 99.1 with the Registrant's S-8 filed on May 22, 2023, File No. 333-272120)
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104.0	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NOODLES & COMPANY

By: /s/ MIKE HYNES

Mike Hynes
Chief Financial Officer (principal financial officer and duly authorized signatory for the registrant)

Date August 10, 2023

NOODLES & COMPANY

COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS
AMENDED AND RESTATED May 15, 2023

I. PURPOSE

1.1 The purpose of the Noodles & Company Compensation Plan for Non-Employee Directors (this "Plan") is to provide a comprehensive compensation program to attract and retain qualified individuals who are not employed by Noodles & Company (the "Company") or its subsidiaries to serve on the Company's Board of Directors. In particular, this Plan aligns the interests of such directors with those of the Company's shareholders by providing that a significant portion of such directors' compensation is directly linked to the value of the Company's common stock. This amendment and restatement of the Plan is effective beginning May 15, 2023.

1.2 Non-Covered Non-Employee Directors. This Plan shall not apply to any non-employee director serving on the Company's Board of Directors who formerly held a management position at the Company, and no such individual shall be eligible for any grants or payments hereunder. For purposes of this Plan a "management position" is defined to include the Company's Chief Executive Officer, Chief Financial Officer, General Counsel, Chief Operations Officer, Chief Marketing Officer, and equivalent positions thereto.

II. CASH RETAINERS

2.1 Annual Board Retainer. Except as provided in Section 2.2 of this Plan with regard to the Board Chair, each non-employee director shall be entitled to receive an annual cash retainer for his or her Board service, in such amount as determined by the Board of Directors from time to time, which shall be payable in quarterly installments. As of May 15, 2023, this amount is $50,000. This retainer is in addition to the retainers set forth in Sections 2.3 through 2.4 below.

2.2 Annual Retainer for Board Chair. A non-employee director appointed to act as Board Chair ("Chair") shall receive a cash retainer for his or her service as Chair, in such amount as determined by the Board of Directors from time to time, which shall be paid in quarterly installments. As of May 15, 2023, this amount is $100,000 per annum. This retainer is in addition to the retainers set forth in Sections 2.3 through 2.4 below.

2.3 Committee Retainer. A non-employee director appointed as a member of a standing committee of the Board of Directors shall receive an annual cash retainer, payable in quarterly installments, in such amount as determined by the Board of Directors from time to time. These committee retainers are in addition to the annual retainers set forth in Section 2.1 and 2.2 above. As of May 15, 2023, the retainer amounts are, as follows:

2.3.1 Audit Committee members shall receive an annual cash retainer in the total amount of $15,000.

2.3.2 Compensation Committee members shall receive an annual cash retainer in the total amount of $10,000.

2.3.3 Nominating and Governance Committee members shall receive an annual cash retainer in the total amount of $10,000.

2.4 Retainer for Committee Chairs. A non-employee director appointed to chair a standing committee of the Board of Directors shall be paid an annual cash retainer, payable in quarterly installments, in such amount as determined by the Board of Directors from time to time. These committee chair retainers are in addition to the retainers set forth in Sections 2.1 and 2.2 above. As of May 15, 2023, the retainer amounts are, as follows:

2.4.1 Audit Committee Chair shall receive an annual cash retainer of $10,000.

2.4.2 Compensation Committee Chair shall receive an annual cash retainer of $10,000.

2.4.3 Nominating and Governance Committee Chair shall receive an annual cash retainer of $10,000.

2.5 Pro-Rata Retainer. A non-employee director who commences service after the Annual Meeting of Shareholders shall be entitled to a pro-rated annual cash retainer as well as pro-rated annual committee and committee chair retainers, or an additional retainer for acting as Board Chair, as applicable, and as approved by the incumbent non-employee directors. The amount of the retainer(s) shall be determined based on the number of full months during the year period (which shall be measured from the date of the current calendar year Annual Meeting of Shareholders to the date of the following calendar year Annual Meeting of Shareholders) that a new non-employee director is in active service. The pro-rated portion of the annual retainer, if any, shall be payable in quarterly installments.

III. EQUITY AWARDS

3.1 Company's Stock Incentive Plan. Grants of equity awards made under this Plan shall be made under the Company's stock incentive plan that is in effect from time to time ("Stock Plan"). The terms "Fair Market Value" and "Stock" used in this Article III shall have the meanings set forth in the Stock Plan.

3.2 Annual Retainer Grants. At the close of business on the date of each Annual Meeting of Shareholders, other than the Board Chair, whose retainer is addressed in Section 3.2.1 below, each non-employee director who then continues as a member of the Board of Directors may be granted restricted stock units ("RSUs") in such amounts as determined by the Board of Directors from time to time. Notwithstanding the foregoing, the Board of Directors may grant any one or more of the awards set forth under the Stock Plan in such amounts and on such terms as determined by the Board of Directors from time to time. As of May 15, 2023, the Fair Market Value of the RSUs granted is $ 90,000.

3.2.1 Annual Retainer Grant for Board Chair. At the close of business on the date of each Annual Meeting of Shareholders, the Board Chair who then continues in his/her role as Board Chair may be granted restricted stock units ("RSUs") in such amounts as determined by the Board of Directors from time to time. Notwithstanding the foregoing, the Board of Directors may grant any one or more of the awards set forth under the Stock Plan in such amounts and on such terms as determined by the Board of Directors from time to time. As of May 15, 2023, the Fair Market Value of the RSUs granted to the Board Chair is $ 135,000.

3.3 Vesting of RSUs. A non-employee director's RSUs shall be fully vested upon grant.

3.4 Pro-Rata Awards. A non-employee director who commences service after the Annual Meeting of Shareholders will receive a pro-rated equity award upon the date of their appointment as director based upon the Fair Market Value of the equity award granted to the incumbent non-employee directors in the year in which such director was appointed or as otherwise approved by the incumbent non-employee directors. The amount of the award shall be determined based on the number of full months during the year period (which shall be measured from the date of the current calendar year Annual Meeting of Shareholders to the date of the following calendar year Annual Meeting of Shareholders) that a new non-employee director is in active service.

3.5 Settlement of RSUs. The RSUs shall be settled by delivering shares of Stock promptly following vesting. Notwithstanding the foregoing, at the election of the non-employee director, settlement of the Stock may be deferred until the earlier of the director’s separation from Board service or a change in control of the Company, provided that any such election shall comply with the requirements of Section 409A of the Internal Revenue Code.

IV. ADDITIONAL PROVISIONS

4.1 This Plan shall be administered by the Board of Directors, which shall have the power to interpret this Plan and amend it from time to time as it deems proper. To the fullest extent practicable, however, the terms and conditions of the Stock Plan shall be applicable to equity awards granted under this Plan.

4.2 This Plan may be suspended or terminated at any time by action of the Board of Directors. Notwithstanding any such suspension or termination, the Company shall remain obligated to pay cash retainer amounts earned but not yet paid and any outstanding equity awards under this Plan will continue to be governed by the terms of this Plan as in effect at the time of such suspension or termination, the Stock Plan or a prior stock plan, as applicable, and any applicable stock incentive award agreements.

4.3 Unless otherwise provided by the Board of Directors, the right to receive any compensation under this Plan, whether under new or outstanding equity awards, may not be transferred, assigned, or subject to attachment or other legal process.

4.4 To the extent any amounts paid under this Plan are subject to Section 409A of the Internal Revenue Code, this Plan will be interpreted in a manner to comply with the requirements of Section 409A of the Internal Revenue Code.

4.5 Subject to Sections 4.2 and 4.3 above, any outstanding equity awards under this Plan will continue to be governed by the terms of this Plan as in effect at the time such awards were granted.

4.6 This Plan shall be governed by and subject to the laws of the State of Delaware and applicable Federal laws.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Dave Boennighausen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Noodles and Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2023

/s/ DAVE BOENNIGHAUSEN

Dave Boennighausen
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Mike Hynes, certify that:

1. I have reviewed this annual report on Form 10-Q of Noodles and Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2023

/s/ MIKE HYNES

Mike Hynes
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

I, Dave Boennighausen, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Noodles & Company on Form 10-Q for the fiscal quarter ended July 4, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects the financial condition and results of operations of Noodles & Company.

Date: August 10, 2023

By:	/s/ DAVE BOENNIGHAUSEN
Name:	Dave Boennighausen
Title:	Chief Executive Officer

I, Mike Hynes, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Noodles & Company on Form 10-Q for the fiscal quarter ended July 4, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects the financial condition and results of operations of Noodles & Company.

Date: August 10, 2023

By:	/s/ MIKE HYNES
Name:	Mike Hynes
Title:	Chief Financial Officer

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.