

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 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 June 30, 2024**

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: 001-40951

**Portillo's**

**PORTILLO'S INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**87-1104304**

(I.R.S. Employer Identification No.)

**2001 Spring Road, Suite 400, Oak Brook, Illinois 60523**

(Address of principal executive offices)

**(630) 954-3773**

(Registrant's telephone number, including area code)

**N/A**

(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	PTLO	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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

As of July 30, 2024, there were 61,794,622 shares of the registrant's Class A common stock, par value \$0.01 per share, issued and outstanding.

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## Cautionary Note Regarding Forward-Looking Information



This Quarterly Report on Form 10-Q ("Form 10-Q") contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"), which are subject to known and unknown risks, uncertainties and other important factors that may cause actual results to be materially different from the statements made herein. All statements other than statements of historical fact are forward-looking statements. Many of the forward-looking statements are located in Part I, Item 2 of this Form 10-Q under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements discuss our current expectations and projections relating to our financial position, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "future," "outlook," "potential," "project," "projection," "plan," "intend," "seek," "may," "could," "would," "will," "should," "can," "can have," "likely," the negatives thereof and other similar expressions.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that we may not predict. As a result, our actual results may differ materially from those contemplated by the forward-looking statements, and you should not unduly rely on these statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- risks related to or arising from our organizational structure;
- risks of food-borne illness and food safety and other health concerns about our food;
- risks relating to the economy and financial markets, including inflation, fluctuating interest rates, stock market activity, or other factors;
- the impact of unionization activities of our Team Members on our reputation, operations and profitability;
- risks associated with our reliance on certain information technology systems, including our new enterprise resource planning system, and potential failures or interruptions;
- privacy and cyber security risks related to our digital ordering and payment platforms for our delivery business;
- the impact of competition, including from our competitors in the restaurant industry or our own restaurants;
- the increasingly competitive labor market and our ability to attract and retain the best talent and qualified employees;
- the impact of federal, state or local government regulations relating to privacy, data protection, advertising and consumer protection, building and zoning requirements, costs or ability to open new restaurants, or sale of food and alcoholic beverage control regulations;
- inability to achieve our growth strategy, such as the availability of suitable new restaurant sites in existing and new markets and opening of new restaurants at the anticipated rate and on the anticipated timeline;
- the impact of consumer sentiment and other economic factors on our sales;
- increases in food and other operating costs, tariffs and import taxes, and supply shortages; and
- other risks identified in our filings with the Securities and Exchange Commission (the "SEC").

All forward-looking statements are expressly qualified in their entirety by these cautionary statements. You should evaluate all forward-looking statements made in this Form 10-Q in the context of the risks and uncertainties disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the SEC on February 27, 2024, which is available on the SEC's website at [www.sec.gov](http://www.sec.gov).

The forward-looking statements included in this Form 10-Q are made only as of the date hereof. The Company undertakes no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

## PART I – FINANCIAL INFORMATION



### Item 1. Financial Statements (Unaudited)

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**PORTILLO'S INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

(In thousands, except share and per share data)

	June 30, 2024	December 31, 2023
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents and restricted cash	\$ 12,357	\$ 10,438
Accounts and tenant improvement receivables	15,326	14,183
Inventory	8,755	8,733
Prepaid expenses	5,507	8,565
Total current assets	41,945	41,919
Property and equipment, net	314,617	295,793
Operating lease assets	213,757	193,825
Goodwill	394,298	394,298
Trade names	223,925	223,925
Other intangible assets, net	27,467	28,911
Equity method investment	15,940	16,684
Deferred tax assets	200,119	184,701
Other assets	6,850	5,485
Total other assets	868,599	854,004
<b>TOTAL ASSETS</b>	<b>\$ 1,438,918</b>	<b>\$ 1,385,541</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 37,584	\$ 33,189
Current portion of long-term debt	9,375	7,500
Current portion of Tax Receivable Agreement liability	7,230	4,428
Short-term debt	17,000	15,000
Deferred revenue	4,712	7,180
Short-term operating lease liability	5,791	5,577
Accrued expenses	27,573	32,039
Total current liabilities	109,265	104,913
<b>LONG-TERM LIABILITIES:</b>		
Long-term debt, net of current portion	278,679	283,923
Tax Receivable Agreement liability	320,849	295,390
Long-term operating lease liability	263,229	238,414
Other long-term liabilities	2,774	2,791
Total long-term liabilities	865,531	820,518
Total liabilities	974,796	925,431
<b>COMMITMENTS AND CONTINGENCIES (NOTE 14)</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, \$0.01 par value per share, 10,000,000 shares authorized, none issued or outstanding	—	—
Class A common stock, \$0.01 par value per share, 380,000,000 shares authorized, and 61,739,874 and 55,502,375 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively.	617	555
Class B common stock, \$0.00001 par value per share, 50,000,000 shares authorized, and 11,640,555 and 17,472,926 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively.	—	—
Additional paid-in-capital	344,937	308,212
Retained earnings	24,644	13,612
Total stockholders' equity attributable to Portillo's Inc.	370,198	322,379
Non-controlling interest	93,924	137,731
Total stockholders' equity	464,122	460,110
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,438,918</b>	<b>\$ 1,385,541</b>

See accompanying notes to unaudited condensed consolidated financial statements.

**PORTILLO'S INC**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**(UNAUDITED)**

(In thousands, except share and per share data)

	Quarter Ended		Two Quarters Ended	
	June 30, 2024	June 25, 2023	June 30, 2024	June 25, 2023
<b>REVENUES, NET</b>	\$ 181,862	\$ 169,182	\$ 347,693	\$ 325,242
<b>COST AND EXPENSES:</b>				
Restaurant operating expenses:				
Food, beverage and packaging costs	61,712	56,229	118,673	109,856
Labor	46,412	43,153	89,714	83,612
Occupancy	9,211	8,237	18,551	16,688
Other operating expenses	19,958	18,832	39,815	37,536
<b>Total restaurant operating expenses</b>	<b>137,293</b>	<b>126,451</b>	<b>266,753</b>	<b>247,692</b>
General and administrative expenses	17,941	19,609	36,481	38,387
Pre-opening expenses	2,100	275	3,523	2,619
Depreciation and amortization	7,106	5,941	14,050	11,610
Net income attributable to equity method investment	(335)	(381)	(540)	(588)
Other income, net	(358)	(97)	(786)	(354)
<b>OPERATING INCOME</b>	<b>18,115</b>	<b>17,384</b>	<b>28,212</b>	<b>25,876</b>
Interest expense	6,603	6,523	13,133	13,966
Interest income	(75)	—	(154)	—
Tax Receivable Agreement liability adjustment	(439)	(579)	(1,000)	(1,163)
Loss on debt extinguishment	—	—	—	3,465
<b>INCOME BEFORE INCOME TAXES</b>	<b>12,026</b>	<b>11,440</b>	<b>16,233</b>	<b>9,608</b>
Income tax expense	3,496	1,542	2,359	983
<b>NET INCOME</b>	<b>8,530</b>	<b>9,898</b>	<b>13,874</b>	<b>8,625</b>
Net income attributable to non-controlling interests	2,060	3,110	2,842	2,351
<b>NET INCOME ATTRIBUTABLE TO PORTILLO'S INC.</b>	<b>\$ 6,470</b>	<b>\$ 6,788</b>	<b>\$ 11,032</b>	<b>\$ 6,274</b>
Net income per common share attributable to Portillo's Inc.:				
Basic	\$ 0.10	\$ 0.12	\$ 0.19	\$ 0.12
Diluted	\$ 0.10	\$ 0.12	\$ 0.18	\$ 0.11
Weighted-average common shares outstanding:				
Basic	61,650,118	54,964,649	59,543,950	52,252,053
Diluted	64,608,698	58,550,057	62,577,748	55,806,455

See accompanying notes to unaudited condensed consolidated financial statements.

**PORTILLO'S INC**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

(In thousands, except share data)

	<u>Class A Common</u>		<u>Class B Common</u>		<u>Additional</u>	<u>Retained</u>	<u>Non-</u>	<u>Total</u>
	<u>Stock</u>		<u>Stock</u>					
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>(Accumulated</u>	<u>Interest</u>	<u>Equity</u>
<b>Balance at March 26, 2023</b>	54,467,951	\$ 545	17,943,562	\$ —	\$ 294,984	\$ (5,326)	\$ 132,783	\$ 422,986
Net income	—	—	—	—	—	6,788	3,110	9,898
Equity-based compensation	—	—	—	—	3,146	—	1,037	4,183
Activity under equity-based compensation plans	135,406	1	—	—	577	—	—	578
Redemption of LLC Interests	470,636	5	(470,636)	—	(5)	—	—	—
Non-controlling interest adjustment	—	—	—	—	4,109	—	(4,109)	—
Establishment of liabilities under Tax Receivable Agreement and related changes to deferred tax assets associated with increases in tax basis	—	—	—	—	(1,189)	—	—	(1,189)
<b>Balance at June 25, 2023</b>	55,073,993	551	17,472,926	—	301,622	1,462	132,821	436,456
<b>Balance at March 31, 2024</b>	61,561,592	615	11,640,555	—	341,750	18,174	91,806	452,345
Net income	—	—	—	—	—	6,470	2,060	8,530
Equity-based compensation	—	—	—	—	2,429	—	461	2,890
Activity under equity-based compensation plans	178,282	2	—	—	355	—	—	357
Non-controlling interest adjustment	—	—	—	—	403	—	(403)	—
<b>Balance at June 30, 2024</b>	61,739,874	\$ 617	11,640,555	\$ —	\$ 344,937	\$ 24,644	\$ 93,924	\$ 464,122

See accompanying notes to unaudited condensed consolidated financial statements.

**PORTILLO'S INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

(In thousands, except share data)

	<b>Two Quarters Ended June 30, 2024 and June 25, 2023</b>							
	<b>Class A Common Stock</b>		<b>Class B Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Retained Earnings (Accumulated Deficit)</b>	<b>Non-Controlling Interest</b>	<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>				
<b>Balance at December 25, 2022</b>	48,420,723	\$ 484	23,837,162	\$ —	\$ 260,664	\$ (4,812)	\$ 176,565	\$ 432,901
Net income	—	—	—	—	—	6,274	2,351	8,625
Equity-based compensation	—	—	—	—	5,571	—	2,149	7,720
Activity under equity-based compensation plans	289,034	3	—	—	1,288	—	—	1,291
Redemption of LLC Units	6,364,236	64	(6,364,236)	—	(64)	—	—	—
Non-controlling interest adjustment	—	—	—	—	47,845	—	(47,845)	—
Distributions paid to non-controlling interest holders	—	—	—	—	—	—	(399)	(399)
Establishment of liabilities under Tax Receivable Agreement and related changes to deferred tax assets associated with increases in tax basis	—	—	—	—	(13,682)	—	—	(13,682)
<b>Balance at June 25, 2023</b>	55,073,993	551	17,472,926	—	301,622	1,462	132,821	436,456
<b>Balance at December 31, 2023</b>	55,502,375	555	17,472,926	—	308,212	13,612	137,731	460,110
Net income	—	—	—	—	—	11,032	2,842	13,874
Equity-based compensation	—	—	—	—	4,650	—	1,067	5,717
Activity under equity-based compensation plans	405,128	4	—	—	1,168	—	—	1,172
Redemption of LLC Interests	5,832,371	58	(5,832,371)	—	(58)	—	—	—
Non-controlling interest adjustment	—	—	—	—	46,878	—	(46,878)	—
Distributions paid to non-controlling interest holders	—	—	—	—	—	—	(838)	(838)
Establishment of liabilities under Tax Receivable Agreement and related changes to deferred tax assets associated with increases in tax basis	—	—	—	—	(15,913)	—	—	(15,913)
<b>Balance at June 30, 2024</b>	61,739,874	\$ 617	11,640,555	\$ —	\$ 344,937	\$ 24,644	\$ 93,924	\$ 464,122

See accompanying notes to unaudited condensed consolidated financial statements.



**PORTILLO'S INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**  
*(In thousands)*

	<b>Two Quarters Ended</b>	
	<b>June 30, 2024</b>	<b>June 25, 2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 13,874	\$ 8,625
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,050	11,610
Amortization of debt issuance costs and discount	380	620
Loss on sales of assets	66	496
Equity-based compensation	5,717	7,720
Deferred income tax expense	2,359	983
Tax Receivable Agreement liability adjustment	(1,000)	(1,163)
Gift card breakage	(502)	(528)
Loss on debt extinguishment	—	3,465
Changes in operating assets and liabilities:		
Accounts receivable	(681)	(906)
Receivables from related parties	(158)	(141)
Inventory	(22)	894
Other current assets	1,916	(218)
Operating lease assets	4,461	3,880
Accounts payable	6,833	(2,779)
Accrued expenses and other liabilities	(6,365)	(559)
Operating lease liabilities	(1,908)	(1,359)
Deferred lease incentives	2,101	850
Other assets and liabilities	507	(181)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>41,628</b>	<b>31,309</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(33,905)	(37,359)
Proceeds from the sale of property and equipment	77	33
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(33,828)</b>	<b>(37,326)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from short-term debt, net	2,000	10,000
Proceeds from long-term debt	—	300,000
Payments of long-term debt	(3,750)	(322,428)
Proceeds from equity offering, net of underwriting discounts	114,960	179,306
Repurchase of outstanding equity / Portillo's OpCo units	(114,960)	(179,306)
Distributions paid to non-controlling interest holders	(838)	(399)
Proceeds from stock option exercises	1,109	1,015
Employee withholding taxes related to net settled equity awards	(279)	(56)
Proceeds from Employee Stock Purchase Plan purchases	306	297
Payments of Tax Receivable Agreement liability	(4,429)	(813)
Payment of deferred financing costs	—	(3,569)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(5,881)</b>	<b>(15,953)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>1,919</b>	<b>(21,970)</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF THE PERIOD</b>	<b>10,438</b>	<b>44,427</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF THE PERIOD</b>	<b>\$ 12,357</b>	<b>\$ 22,457</b>

See accompanying notes to unaudited condensed consolidated financial statements.

**PORTILLO'S INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**  
*(In thousands)*

	Two Quarters Ended	
	June 30, 2024	June 25, 2023
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 12,792	\$ 13,447
Income tax paid	—	—
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Accrued capital expenditures	\$ 10,397	\$ 6,537
Establishment of liabilities under Tax Receivable Agreement	33,690	51,165

See accompanying notes to unaudited condensed consolidated financial statements.

## NOTE 1. DESCRIPTION OF BUSINESS

Portillo's Inc. ("Inc.") was formed and incorporated as a Delaware corporation on June 8, 2021. Inc. was formed for the purpose of completing an initial public offering ("IPO") and related reorganization transactions (collectively, the "Transactions") in order to carry on the business of PHD Group Holdings LLC and its subsidiaries ("Portillo's OpCo"). Portillo's Inc. is the sole managing member of Portillo's OpCo, and as sole managing member, Inc. operates and controls all of the business and affairs of Portillo's OpCo and reports a non-controlling interest representing the economic interest in Portillo's OpCo held by the other members of Portillo's OpCo (the "pre-IPO LLC Members"). Unless the context otherwise requires, references to "we," "us," "our," "Portillo's," and the "Company" refer to Portillo's Inc. and its subsidiaries, including Portillo's OpCo.

The Company operates fast-casual restaurants in 10 states, along with two food production commissaries in Illinois. As of June 30, 2024 and December 31, 2023, the Company had 85 and 83 restaurants in operation, respectively. The Company also had two non-traditional locations in operation as of June 30, 2024 and December 31, 2023. These non-traditional locations include a food truck and a ghost kitchen (small kitchen with no store-front presence, used to fill online orders). Portillo's additionally has a 50% interest in a single restaurant owned by C&O Chicago, L.L.C. ("C&O"), which is excluded from the Company's restaurant count noted above. The Company's principal corporate offices are located in Oak Brook, Illinois.

### Secondary Offerings

In the first quarter of 2024, the Company completed a secondary offering of 8,000,000 shares of the Company's Class A common stock at an offering price of \$14.37 per share ("Q1 2024 Secondary Offering"). The Company granted BofA Securities, Inc., the underwriter (the "Underwriter"), a 30-day option to purchase up to an additional 1,200,000 shares of Class A common stock. The underwriter did not exercise its overallotment option within the 30-day period. We used all of the net proceeds from the Q1 2024 Secondary Offering to purchase LLC Units and corresponding shares of Class B common stock from certain pre-IPO LLC Members and to repurchase shares of Class A common stock from the shareholders of the entities treated as corporations for U.S. tax purposes that held LLC Units prior to the Transactions ("Blocker Companies") at a price per LLC Unit or share of Class A common stock, as applicable, equal to the public offering price per share of Class A common stock, less the underwriting discounts and commissions. The proceeds from the Q1 2024 Secondary Offering were used to (i) purchase 2,167,629 existing shares of Class A common stock from the shareholders of the Blocker Companies and (ii) redeem 5,832,371 LLC Units held by the pre-IPO LLC Members. In connection with the redemption, 5,832,371 shares of Class B common stock were surrendered by the pre-IPO LLC Members and canceled and the Company received 5,832,371 newly-issued LLC Units, increasing the Company's total ownership interest in Portillo's OpCo. As a result, Portillo's did not receive any proceeds from the offering, and the total number of shares of Class A common stock and Class B common stock did not change; however, the number of outstanding shares of Class A common stock increased by the same number of the canceled shares of Class B common stock.

In the first quarter of 2023, the Company completed one secondary offering of 8,000,000 shares at an offering price of \$21.05 per share. On April 5, 2023, the Underwriter exercised its overallotment option in part, to purchase an additional 620,493 shares of the Company's Class A common stock at an offering price of \$21.05 per share.

As of June 30, 2024, the Company owns 84.1% of Portillo's OpCo and the pre-IPO LLC Members own the remaining 15.9% of Portillo's OpCo.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The Company has prepared the accompanying unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial statements and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments consisting of normal recurring adjustments necessary for a fair presentation of our financial position and results of operations. Interim results of operations are not necessarily indicative of the results that may be achieved for the full year. The financial statements and related notes do not include all information and footnotes required by GAAP for annual reports. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

All intercompany balances and transactions have been eliminated in consolidation.

The Company does not have any components of other comprehensive income (loss) recorded within its condensed consolidated financial statements, and therefore, does not separately present a statement of comprehensive income (loss).

### Segment Reporting

The Company owns and operates fast-casual restaurants in the United States, along with two food production commissaries in Illinois. The Company's chief operating decision maker (the "CODM") is its Chief Executive Officer ("CEO"). The CODM reviews financial performance and allocates resources at a consolidated level on a recurring basis. The Company has one operating segment and one reportable segment.

### Fiscal Year

The Company uses a 52- or 53-week fiscal year ending on the Sunday prior to or on December 31. In a 52-week fiscal year, each quarterly period is comprised of 13 weeks. The additional week in a 53-week fiscal year is added to the fourth quarter. Fiscal 2024 and 2023 consist of 52 and 53 weeks, respectively. The fiscal periods presented in this report are the quarters and two quarters ended June 30, 2024 and June 25, 2023, respectively.

### Use of Estimates

The preparation of these condensed consolidated 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 sales and expenses during the period. Actual results could differ from those estimates.

### Recently Issued Accounting Standards

In October 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative, which amends the disclosure or presentation requirements related to various subtopics in the FASB Accounting Standards Codification (the "Codification"). The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. If, by June 30, 2027, the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the Codification and will not become effective for any entity. The Company is currently evaluating the effect of adopting this ASU.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280) Improvements to Reportable Segment Disclosures, which requires public entities to disclose information about their reportable segments' significant expenses on an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the effect of adopting this ASU.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740) Improvements to Income Tax Disclosures, which requires public entities to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold on an annual basis. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the effect of adopting this ASU.

The Company reviewed all other recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact to its condensed consolidated financial statements.

### **NOTE 3. REVENUE RECOGNITION**

Revenues from retail restaurants are presented net of discounts and recognized when food and beverage products are sold to the end customer. Sales taxes collected from customers are excluded from revenues and the obligation is included in accrued liabilities until the taxes are remitted to the appropriate taxing authorities.

Delivery sales are generally fulfilled by third-party delivery partners whether ordered through the Portillo's app and website ("Dispatch Sales") or through third-party delivery partners ("Marketplace Sales"). Dispatch Sales include delivery and service fees as the Company controls the delivery. Revenue from Dispatch Sales is recognized when food is delivered to the customer. For these sales, the Company receives payment directly from the customer at the time of sale. Revenue for Marketplace Sales is recognized in the amount paid to the delivery partner by the customer for food and excludes delivery and service fees charged by the third-party delivery partner as the Company does not control the delivery. Revenue from Marketplace Sales is recognized when food is delivered to the customer. For these sales, the Company receives payment from the delivery partner subsequent to the transfer of order, which is generally paid one week in arrears. For all delivery sales of food, the Company is considered the principal and recognizes revenue on a gross basis.

The Company sells gift cards which do not have expiration dates. The Company records the sale of the gift card as a contract liability and recognizes revenue from gift cards when: (i) the gift card is redeemed by the customer; or (ii) in the event a gift card is not expected to be redeemed, in proportion to the pattern of rights exercised by the customer (gift card breakage). The Company has determined that 11% of gift card sales will not be redeemed and will be retained by us based on a portfolio assessment of historical data on gift card redemption patterns. Gift card breakage is recorded within revenues, net in the condensed consolidated statements of operations. The Company recognized gift card breakage of \$0.2 million and \$0.5 million for the quarter and two quarters ended June 30, 2024 and June 25, 2023, respectively.

The Company's revenue related to performance obligations not yet satisfied is revenue from gift cards sold but not yet redeemed. The gift card liability included in current deferred revenue on the condensed consolidated balance sheets is as follows (in thousands):

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Gift card liability	\$ 4,635	\$ 6,981

Revenue recognized in the condensed consolidated statement of operations for the redemption of gift cards that were included in their respective liability balances at the beginning of the year is as follows (in thousands):

	<b>Quarter Ended</b>		<b>Two Quarters Ended</b>	
	<b>June 30, 2024</b>	<b>June 25, 2023</b>	<b>June 30, 2024</b>	<b>June 25, 2023</b>
Revenue recognized from gift card liability balance at the beginning of the year	\$ 912	\$ 900	\$ 2,982	\$ 2,837

## NOTE 4. INVENTORIES

Inventories consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Raw materials	\$ 6,490	\$ 6,737
Work in progress	165	157
Finished goods	1,461	912
Consigned inventory	639	927
	<u>\$ 8,755</u>	<u>\$ 8,733</u>

## NOTE 5. PROPERTY & EQUIPMENT, NET

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

	June 30, 2024	December 31, 2023
Land improvements	\$ 19,504	\$ 19,000
Furniture, fixtures, and equipment	161,255	155,871
Leasehold improvements	240,805	227,080
Transportation equipment	2,802	2,881
Construction-in-progress	28,296	16,808
	452,662	421,640
Less accumulated depreciation	(138,045)	(125,847)
	<u>\$ 314,617</u>	<u>\$ 295,793</u>

Depreciation expense was \$6.4 million and \$12.6 million for the quarter and two quarters ended June 30, 2024, respectively, and \$5.2 million and \$10.2 million for the quarter and two quarters ended June 25, 2023, respectively, and is included in depreciation and amortization in the condensed consolidated statements of operations.

## NOTE 6. GOODWILL & INTANGIBLE ASSETS

The Company has one reporting unit for goodwill which is evaluated for impairment annually in the fourth quarter of each fiscal year.

Intangible assets, net consisted of the following (in thousands):

	June 30, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:			
Trade names	\$ 223,925	\$ —	\$ 223,925
Intangible subject to amortization:			
Recipes	56,117	(28,650)	27,467
	<u>\$ 280,042</u>	<u>\$ (28,650)</u>	<u>\$ 251,392</u>

	December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:			
Trade names	\$ 223,925	\$ —	\$ 223,925
Intangible subject to amortization:			
Recipes	56,117	(27,206)	28,911
	<u>\$ 280,042</u>	<u>\$ (27,206)</u>	<u>\$ 252,836</u>

Amortization expense was \$0.7 million and \$1.4 million for the quarter and two quarters ended June 30, 2024, respectively, and \$0.7 million and \$1.4 million for the quarter and two quarters ended June 25, 2023, respectively, and is included in depreciation and amortization in the condensed consolidated statements of operations.

The estimated aggregate amortization expense related to intangible assets held at June 30, 2024 for the remainder of this year and the succeeding five years and thereafter is as follows (in thousands):

	Estimated Amortization
2024 (excluding the two quarters ended June 30, 2024)	\$ 1,369
2025	2,707
2026	2,707
2027	2,707
2028	2,707
2029	2,150
2030 and thereafter	13,120
	<u>\$ 27,467</u>

## NOTE 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

### Assets and Liabilities Measured at Fair Value on a Recurring Basis

The carrying value of the Company's cash and cash equivalents, restricted cash, accounts and tenant improvement receivables, accounts payable and all other current assets and liabilities approximate fair values due to the short-term nature of these financial instruments.

Other assets consist of a deferred compensation plan with related assets held in a rabbi trust.

**Deferred Compensation Plan** - The Company maintains a rabbi trust to fund obligations under a deferred compensation plan. Amounts in the rabbi trust are invested in mutual funds, which are designated as trading securities carried at fair value. The fair value measurement of these trading securities is considered Level 1 of the fair value hierarchy as they are measured using quoted market prices.

As of June 30, 2024 and December 31, 2023, the fair value of the mutual fund investments and deferred compensation obligations were as follows (in thousands):

	June 30, 2024	December 31, 2023
	Level 1	Level 1
<b>Assets</b> - Investments designated for deferred compensation plan		
Cash accounts	\$ 996	\$ 1,083
Mutual funds	2,519	2,181
Total assets	<u>\$ 3,515</u>	<u>\$ 3,264</u>

As of June 30, 2024 and December 31, 2023, we had no Level 2 or Level 3 assets.

The deferred compensation investments and obligations are included in other assets, accrued expenses and other long-term liabilities in the consolidated balance sheets. Changes in the fair value of securities held in the rabbi trust are recognized as trading gains and losses and included in other income in the consolidated statements of operations and offsetting increases or decreases in the deferred compensation obligation are recorded in other long-term liabilities in the consolidated balance sheets.

Refer to Note 8. Debt for additional information relating to the fair value of the Company's outstanding debt instruments.

### Assets Measured at Fair Value on a Non-Recurring Basis

Assets that are measured at fair value on a non-recurring basis include property and equipment, net, operating lease assets, equity-method investment, goodwill and indefinite-lived intangible assets. These assets are measured at fair value whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There were no impairment charges recognized during the quarter and two quarters ended June 30, 2024 and June 25, 2023.



## NOTE 8. DEBT

Debt consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
2023 Term Loan	\$ 290,625	\$ 294,375
2023 Revolver Facility	17,000	15,000
Unamortized discount and debt issuance costs	(2,571)	(2,952)
Total debt, net	305,054	306,423
Less: Short-term debt	(17,000)	(15,000)
Less: Current portion of long-term debt	(9,375)	(7,500)
Long-term debt, net	\$ 278,679	\$ 283,923

### 2023 Credit Agreement

On February 2, 2023 (the "Closing Date"), PHD Intermediate LLC ("Holdings"), Portillo's Holdings LLC (the "Borrower"), the other Guarantors party thereto from time to time, each lender party thereto from time to time and Fifth Third Bank, National Association, as Administrative Agent, L/C Issuer and Swing Line Lender entered into a credit agreement ("2023 Credit Agreement") which provides for a term A loan (the "2023 Term Loan") in an initial aggregate principal amount of \$300.0 million and revolving credit commitments in an initial aggregate principal amount of \$100.0 million (the "2023 Revolver Facility"). The 2023 Term Loan and 2023 Revolver Facility are scheduled to mature on February 2, 2028.

The 2023 Term Loan and the 2023 Revolver Facility will accrue interest at the forward-looking secured overnight financing rate ("SOFR") plus an applicable rate determined upon the consolidated total net rent adjusted leverage ratio, subject to a floor of 0.00% (plus a credit spread adjustment of 0.10% per annum for 1-month interest periods and 0.15% for 3-month interest periods).

As of June 30, 2024, the interest rates on the 2023 Term Loan and 2023 Revolver Facility were 7.98% and 7.94%, respectively. Pursuant to the 2023 Credit Agreement, as of June 30, 2024, the commitment fees to maintain the 2023 Revolver Facility were 0.20% and letter of credit fees were 2.50%. Commitment fees and letter of credit fees are recorded as interest expense in the condensed consolidated statements of operations. As of June 30, 2024, the effective interest rate was 8.31%.

As of June 25, 2023, the interest rate on both the 2023 Term Loan and 2023 Revolver Facility was 8.00%. Pursuant to the 2023 Credit Agreement, as of June 25, 2023, the commitment fees to maintain the 2023 Revolver Facility were 0.25%, letter of credit fees were 2.75%, and letter of credit fronting fees were 0.125%. As of June 25, 2023, the effective interest rate was 8.16%.

The 2023 Term Loan will amortize in quarterly installments equaling an aggregate annual amount of \$7.5 million for the first two (2) years following the Closing Date, (b) \$15.0 million for the third (3rd) and fourth (4th) years following the Closing Date, and (c) \$30.0 million for the fifth (5th) year following the Closing Date, commencing on the last day of the first full fiscal quarter ended after the Closing Date, with the balance payable on the final maturity date.

As of June 30, 2024, outstanding borrowings under the 2023 Credit Agreement totaled \$307.6 million, comprised of \$290.6 million under the 2023 Term Loan, and \$17.0 million under the 2023 Revolver Facility. Letters of credit issued under the 2023 Revolver Facility totaled \$4.2 million. As a result, as of June 30, 2024, the Company had \$78.8 million available under the 2023 Revolver Facility.

As of December 31, 2023, outstanding borrowings under the 2023 Credit Agreement totaled \$309.4 million, comprised of \$294.4 million under the 2023 Term Loan, and \$15.0 million under the 2023 Revolver Facility. Letters of credit issued under the 2023 Revolver Facility totaled \$4.3 million. As a result, as of December 31, 2023, the Company had \$80.7 million available under the 2023 Revolver Facility.

### 2014 Credit Agreement

Holdings, the Borrower and certain of its subsidiaries entered into a credit agreement ("2014 Credit Agreement"), dated as of August 1, 2014 and as amended October 25, 2016, May 18, 2018 and December 6, 2019, with UBS AG, Stamford Branch, as the administrative agent and collateral agent, and other lenders from time to time party thereto (the "2014 Lenders"). The 2014 Lenders extended credit in the form of (i) first lien initial term loans in an initial aggregate principal amount of \$335.0 million and (ii) a revolving credit facility in an original principal amount

equal to \$30.0 million, including a letter of credit sub-facility with a \$7.5 million sublimit (the "2014 Revolving Facility" and the loans thereunder, the "2014 Revolving Loans").

On December 6, 2019, the Borrower entered into a third amendment to the 2014 Credit Agreement (the "Third Amendment to 2014 Credit Agreement") whereby the aggregate principal amount of the term loans as of the effective date of the Third Amendment to 2014 Credit Agreement was \$332.4 million (the "2014 Term B-3 Loans"), and the 2014 Revolving Facility was increased to \$50.0 million. The maturity date with respect to the 2014 Term B-3 Loans was extended to September 6, 2024, and the maturity date with respect to the 2014 Revolving Loans was extended to June 6, 2024.

On February 2, 2023, the Company used proceeds from the 2023 Term Loan and 2023 Revolver Facility, along with cash on hand, to pay off the 2014 Credit Agreement in full in the amount of \$321.8 million. The 2023 Revolver Facility under the 2023 Credit Agreement replaces the \$50.0 million 2014 Revolving Facility under the 2014 Credit Agreement.

### **Discount, Debt Issuance Costs and Interest Expense**

Pursuant to the 2023 Credit Agreement, the Company capitalized deferred financing costs and issuance discounts of \$3.6 million which will be amortized over the term of the 2023 Credit Agreement.

The Company amortized an immaterial amount and \$0.1 million of deferred financing costs during the quarter and two quarters ended June 30, 2024, respectively, and an immaterial amount and \$0.3 million for the quarter and two quarters ended June 25, 2023, respectively, which is included in interest expense in the condensed consolidated statements of operations. In addition, the Company amortized \$0.2 million and \$0.3 million in original issue discount related to the long-term debt during the quarter and two quarters ended June 30, 2024, respectively, and \$0.2 million and \$0.3 million in the quarter and two quarters ended June 25, 2023, respectively, which is included in interest expense in the condensed consolidated statements of operations.

Total interest expense was \$6.6 million and \$13.1 million for the quarter and two quarters ended June 30, 2024, respectively, and \$6.5 million and \$14.0 million for the quarter and two quarters ended June 25, 2023, respectively.

### **Fair Value of Debt**

As of June 30, 2024 and December 31, 2023, the fair value of long-term debt approximates the carrying value as it is variable rate debt. The fair value measurement of this debt is considered Level 2 of the fair value hierarchy as inputs to interest are observable, unadjusted quoted prices in active markets for similar assets or liabilities.

### **Guarantees and Covenants**

The 2023 Credit Agreement is guaranteed by all domestic subsidiaries of the Borrower (subject to customary exceptions) and secured by liens on substantially all of the assets of Holdings, the Borrower and the subsidiary guarantors (subject to customary exceptions).

The 2023 Credit Agreement also includes certain financial covenants with respect to cash interest coverage and total net rent adjusted leverage. As of June 30, 2024, the Company was in compliance with financial covenants in the 2023 Credit Agreement.

## **NOTE 9. NON-CONTROLLING INTERESTS**

We are the sole managing member of Portillo's OpCo, and as a result, consolidate the financial results of Portillo's OpCo. We report a non-controlling interest representing the LLC Units in Portillo's OpCo held by pre-IPO LLC Members. Changes in our ownership interest in Portillo's OpCo while we retain our controlling interest in Portillo's OpCo will be accounted for as equity transactions. As such, future redemptions or direct exchanges of LLC Units in Portillo's OpCo by the pre-IPO LLC members will result in a change in ownership and reduce the amount recorded as non-controlling interest and increase additional paid-in capital.

In the first quarter of 2024, in connection with the secondary offering described in Note 1. Description Of Business, 5,832,371 of LLC Units and corresponding shares of Class B common stock were redeemed by the pre-IPO LLC Members for newly-issued shares of Class A common stock and we received a total of 5,832,371 newly-issued LLC Units, increasing our total ownership interest in Portillo's OpCo.

The following table summarizes the LLC interest ownership by Portillo's Inc. and pre-IPO LLC members:

	June 30, 2024		December 31, 2023	
	LLC Units	Ownership %	LLC Units	Ownership %
Portillo's Inc.	61,739,874	84.1 %	55,502,375	76.1 %
pre-IPO LLC Members	11,640,555	15.9 %	17,472,926	23.9 %
<b>Total</b>	<b>73,380,429</b>	<b>100.0 %</b>	<b>72,975,301</b>	<b>100.0 %</b>

The weighted average ownership percentages for the applicable reporting periods are used to attribute net income to Portillo's Inc. and the pre-IPO LLC Members. The pre-IPO LLC Members' weighted average ownership percentage for the quarter and two quarters ended June 30, 2024 was 15.9% and 18.7%, respectively. The pre-IPO LLC Members' weighted average ownership percentage for the quarter and two quarters ended June 25, 2023 was 24.2% and 27.8%, respectively.

The following table summarizes the effects of changes in ownership in Portillo's OpCo on the Company's equity (in thousands):

	Quarter Ended		Two Quarters Ended	
	June 30, 2024	June 25, 2023	June 30, 2024	June 25, 2023
Net income attributable to Portillo's Inc.	\$ 6,470	\$ 6,788	\$ 11,032	\$ 6,274
Activity under equity-based compensation plans	355	577	1,168	1,288
Non-controlling interest adjustment	403	4,109	46,878	47,845
Redemption of LLC Units	—	(5)	(58)	(64)
Establishment of liabilities under Tax Receivable Agreement and related changes to deferred tax assets associated with increases in tax basis	—	(1,189)	(15,913)	(13,682)
<b>Total effect of changes in ownership interest on equity attributable to Portillo's Inc.</b>	<b>\$ 7,228</b>	<b>\$ 10,280</b>	<b>\$ 43,107</b>	<b>\$ 41,661</b>

## NOTE 10. EQUITY-BASED COMPENSATION

Equity-based compensation expense is calculated based on equity awards ultimately expected to vest and is reduced for estimated forfeitures. Forfeitures are revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates and an adjustment to equity-based compensation expense will be recognized at that time.

Equity-based compensation expense included in the Company's consolidated statements of operations is as follows (in thousands):

	Quarter Ended		Two Quarters Ended	
	June 30, 2024	June 25, 2023	June 30, 2024	June 25, 2023
Labor	\$ 546	\$ 440	\$ 954	\$ 785
General and administrative expenses	2,344	3,744	4,763	6,935
<b>Total equity-based compensation expense</b>	<b>\$ 2,890</b>	<b>\$ 4,184</b>	<b>\$ 5,717</b>	<b>\$ 7,720</b>

The Company's Chief Operating Officer departed from his role, effective June 30, 2024. In accordance with the Company's Senior Executive Severance Plan, Mr. Pratt's pre-IPO nonqualified stock options and his Restricted Stock Units ("RSUs"), both of which were scheduled to vest later in 2024, vested on June 30, 2024. The pre-IPO Options will remain exercisable through the 10th anniversary of the original grant date of September 14, 2020. The primary modification was to extend the permitted time for which the options could be exercised subsequent to termination, from 90 days to September 14, 2030, which is the 10th anniversary of the original awards. All other equity grants were forfeited. The Company recorded a \$0.2 million charge to equity-based compensation expense during the quarter and two quarters ended June 30, 2024, to reflect the incremental value related to the modifications described herein.

## Restricted Stock Units

During the two quarters ended June 30, 2024, we granted 615,061 RSUs, under the Portillo's Inc. 2021 Equity Incentive Plan (the "2021 Plan") to certain employees. During the two quarters ended June 30, 2024, we also granted 54,856 RSUs to non-employee directors under the 2021 Plan. The weighted average fair value of these awards was determined using the Company's closing stock price on the applicable grant dates, which was \$12.42. The RSUs granted to employees will generally vest one-third on each of the first three anniversaries of the date of grant subject to continued service on such date. The RSUs granted to non-employee directors will vest at the end of this fiscal year.

## Stock Options

During the quarter and two quarters ended June 30, 2024, the Company granted 311,042 stock options under the 2021 Plan, to its President and Chief Executive Officer. The stock options vest on the fourth anniversary of the award and are exercisable within a 10-year period from the date of grant. The Company estimated the fair value of stock options on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires estimates of highly subjective assumptions, which greatly affect the fair value of each stock option. The assumptions used to estimate the fair value of stock options granted during the quarter and two quarters ended June 30, 2024 were as follows:

	<b>2024</b>
Fair value of stock option	\$6.43
Stock Price	\$11.94
Risk-free interest rate	4.58%
Expected life (years)	6.3
Expected dividend yield	—
Volatility	49.4%

## Performance Stock Units

During the quarter and two quarters ended June 30, 2024, the Company granted 322,443 performance stock units ("PSUs") to its executive officers under the 2021 Plan. These PSUs will vest after the fiscal year ending December 27, 2026 based on continued service and the achievement of performance metrics tied to the cumulative growth of revenue and Adjusted EBITDA from fiscal year 2024 to fiscal year 2026. The fair value of these awards was determined using the Company's closing stock price on the date of grant of \$11.94. Equity-based compensation costs associated with these PSUs are reassessed each reporting period based on estimated performance achievement. The cumulative effect on current and prior periods of a change in attainment is recognized in general and administrative expenses in the consolidated statements of operations in the period of change.

## Performance Stock Options

During the quarter and two quarters ended June 30, 2024, the Company granted 625,000 performance stock options ("PSOs") under the 2021 Plan to a certain executive officer. The grant date fair value of these awards of \$0.12 was determined using a Monte Carlo simulation model. The awards are eligible to vest in three (3) tranches based on stock performance conditions: (i) one-third (1/3rd) of the PSOs will vest on the third anniversary of the IPO if the 20-day volume-weighted average price ("VWAP") for a share of common stock is \$30.00 per share (1.5 times the IPO price) measured over any twenty (20) consecutive trading day period commencing on the second anniversary of the IPO and ending on the last trading day immediately preceding the third anniversary IPO; (ii) one-third (1/3) of the PSOs will vest on the fourth anniversary of the IPO if the 20-day VWAP for a share of common stock is \$40.00 per share (2 times the IPO price) measured over any twenty (20) consecutive trading day period commencing on the third anniversary of the IPO and ending on the last trading day immediately preceding the fourth anniversary of the IPO; and (iii) one-third (1/3) of the PSOs will vest on the fifth anniversary of the IPO if the 20-day VWAP for a share of common stock is \$50.00 per share (2.5 times the IPO price) measured over any twenty (20) consecutive trading day period commencing on the fourth anniversary of the IPO and ending on the last trading day immediately preceding the fifth anniversary of the IPO. All PSOs are subject to continued service on the vesting date of each tranche date and if any tranches fail to vest, the unvested portion of such PSOs will be forfeited and will not be eligible to vest in subsequent years. Once vested, the PSOs are exercisable within a 10-year period from the date of grant.

## NOTE 11. INCOME TAXES

We are the sole managing member of Portillo's OpCo, and as a result, consolidate the financial results of Portillo's OpCo. Portillo's OpCo is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, Portillo's OpCo is generally not subject to U.S. federal and state and local income taxes. Any taxable income or loss generated by Portillo's OpCo is passed through to and included in the taxable income or loss of its members, including us, based upon the respective member's ownership percentage in Portillo's OpCo. We are subject to U.S. federal income taxes, in addition to state and local income taxes with respect to our allocable share of any taxable income or loss of Portillo's OpCo, as well as any stand-alone income or loss generated by Portillo's Inc.

### Income Tax Expense

The effective income tax rate for the quarter and two quarters ended June 30, 2024 was 29.1% and 14.5%, respectively, and 13.5% and 10.2% for the quarter and two quarters ended June 25, 2023, respectively. The increase in our effective income tax rate for the quarter ended June 30, 2024 compared to the quarter ended June 25, 2023 was primarily driven by an increase in the Company's ownership interest in Portillo's OpCo, which increases its share of taxable income (loss) of Portillo's OpCo, and recording of net operating loss carryforwards in the prior year. The increase in our effective income tax rate for the two quarters ended June 30, 2024 compared to the two quarters ended June 25, 2023 was primarily driven by an increase in the Company's ownership interest in Portillo's OpCo, which increases its share of taxable income (loss) of Portillo's OpCo, and recording of net operating loss carryforwards in the prior year, partially offset by a decrease in the valuation allowance recorded against a portion of the Company's deferred tax assets as a result of the Secondary Offering. The Company's annual effective tax rate differs from the statutory rate of 21% primarily because the Company is not liable for federal or state income taxes on the portion of Portillo's OpCo's earnings that are attributable to non-controlling interests, deferred tax adjustments and impacts from equity-based award activity.

We evaluate the realizability of our deferred tax assets on a quarterly basis and establish valuation allowances when it is more likely than not that all or a portion of a deferred tax asset may not be realized. As of June 30, 2024, the Company concluded, based on the weight of all available positive and negative evidence, that all of its deferred tax assets (except for those deferred tax assets relating to the basis difference in its investment in Portillo's OpCo that will never be realizable or only reverse upon the eventual sale of its interest in Portillo's OpCo, which we expect would result in a capital loss which we do not expect to be able to utilize) are more likely than not to be realized.

### Secondary Offerings

In the first quarter of 2024, in connection with the Q1 2024 Secondary Offering previously discussed in Note 1. Description Of Business, 5,832,371 LLC Units were redeemed by the pre-IPO LLC Members for newly-issued shares of Class A common stock. As a result, an increase in the tax basis of net assets of Portillo's OpCo subject to the provisions of the Tax Receivable Agreement (the "Tax Receivable Agreement" or "TRA") was recorded. The Company recorded a deferred tax asset of \$17.8 million and an additional TRA liability of \$33.7 million. As of June 30, 2024, we estimated that our obligation for future payments under the TRA liability totaled \$328.1 million. For the two quarters ended June 30, 2024 and June 25, 2023, the Company made TRA payments of \$4.4 million relating to tax year 2022 and \$0.8 million relating to tax year 2021, respectively. There were no amounts paid under the TRA during the quarters ended June 30, 2024 and June 25, 2023. We expect a payment of \$7.2 million relating to tax year 2023 to be paid within the next 12 months.

## NOTE 12. EARNINGS PER SHARE

Basic net earnings per share of Class A common stock is computed by dividing net income attributable to Portillo's Inc. by the weighted-average number of Class A common stock outstanding.

Diluted net earnings per share is computed by dividing net income attributable to Portillo's Inc. by the weighted-average number of dilutive securities, using the treasury stock method.

The computations of basic and diluted earnings per share for the quarter and two quarters ended June 30, 2024 and June 25, 2023 are as follows (in thousands):

	Quarter Ended		Two Quarters Ended	
	June 30, 2024	June 25, 2023	June 30, 2024	June 25, 2023
Net income	\$ 8,530	\$ 9,898	\$ 13,874	\$ 8,625
Net income attributable to non-controlling interests	2,060	3,110	2,842	2,351
Net income attributable to Portillo's Inc.	\$ 6,470	\$ 6,788	\$ 11,032	\$ 6,274
<b>Shares:</b>				
Weighted-average number of common shares outstanding-basic	61,650	54,965	59,544	52,252
Dilutive share awards	2,959	3,585	3,034	3,554
Weighted-average number of common shares outstanding-diluted	64,609	58,550	62,578	55,806
Basic net income per share	\$ 0.10	\$ 0.12	\$ 0.19	\$ 0.12
Diluted net income per share	\$ 0.10	\$ 0.12	\$ 0.18	\$ 0.11

Shares of the Company's Class B Common Stock do not participate in the earnings or losses of Portillo's Inc. and are therefore not participating securities. As such, separate presentation of basic and diluted earnings per share of Class B Common Stock under the two-class method has not been presented.

The following shares were excluded from the calculation of diluted earnings per share because they would be antidilutive (in thousands):

	Quarter Ended		Two Quarters Ended	
	June 30, 2024	June 25, 2023	June 30, 2024	June 25, 2023
Shares subject to market performance conditions	2,109	1,807	2,109	1,807
Shares that were antidilutive	1,331	22	480	14
Total shares excluded from diluted net income per share	3,440	1,829	2,589	1,821

## NOTE 13. CONTINGENCIES

The Company is party to legal proceedings and potential claims arising in the normal conduct of business, including claims related to employment matters, contractual disputes, customer injuries, and property damage. Although the ultimate outcome of these claims and lawsuits cannot be predicted with certainty, management believes that the resulting liability, if any, will not have a material effect on the Company's condensed consolidated financial statements.

## NOTE 14. RELATED PARTY TRANSACTIONS

As of June 30, 2024 and December 31, 2023 the related parties' receivables balance consisted of \$0.5 million and \$0.3 million, respectively, due from C&O, which is included in accounts and tenant improvement receivables in the condensed consolidated balance sheets.

### Olo, Inc.

Noah Glass, a member of the Company's Board, is the founder and CEO of Olo, Inc. ("Olo"), a platform the Company uses in connection with our mobile ordering application and delivery.

The Company incurred the following Olo-related costs for the quarter and two quarters ended June 30, 2024 and June 25, 2023 (in thousands):

	Quarter Ended		Two Quarters Ended	
	June 30, 2024	June 25, 2023	June 30, 2024	June 25, 2023
Food, beverage and packaging costs	\$ 512	\$ 478	\$ 1,014	\$ 1,063
Other operating expenses	138	112	240	226
Net Olo-related costs	<u>\$ 650</u>	<u>\$ 590</u>	<u>\$ 1,254</u>	<u>\$ 1,289</u>

As of June 30, 2024 and December 31, 2023, \$0.3 million and \$0.4 million, respectively, were payable to Olo and were included in accounts payable in the condensed consolidated balance sheets.

### **Tax Receivable Agreement**

We are party to a TRA with certain members of Portillo's OpCo that provides for the payment by us of 85% of the amount of tax benefits, if any, that Portillo's Inc. actually realizes or in some cases is deemed to realize as a result of certain transactions. For the two quarters ended June 30, 2024 and June 25, 2023, the Company made TRA payments of \$4.4 million relating to tax year 2022 and \$0.8 million relating to tax year 2021, respectively. There were no amounts paid under the TRA during the quarters ended June 30, 2024 and June 25, 2023. We expect a payment of \$7.2 million relating to tax year 2023 to be paid within the next 12 months.

(in thousands)	June 30, 2024	December 31, 2023
Current portion of Tax Receivable Agreement liability	\$ 7,230	\$ 4,428
Tax receivable agreement liability	320,849	295,390

### **Secondary Offerings**

In connection with the secondary offerings previously discussed in Note 1. Description Of Business, we purchased LLC Units and corresponding shares of Class B common stock and shares of Class A common stock using the proceeds of the secondary offerings at a price equal to the public offering price less the underwriting discounts and commissions from certain pre-IPO LLC Members and shareholders of the Blocker Companies, including from funds affiliated with Berkshire Partners LLC, which is our largest shareholder that beneficially owns approximately 19.3% of the Company as of June 30, 2024.

## **NOTE 15. SUBSEQUENT EVENTS**

The Company opened two new restaurants subsequent to June 30, 2024 in Livonia, Michigan and in Mansfield, Texas for a total of 87 restaurants, excluding a restaurant owned by C&O, of which Portillo's owns 50% of the equity.

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



The following discussion contains, in addition to historical information, forward-looking statements that include risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the heading "Cautionary Statements Concerning Forward-Looking Statements" in this report and under the heading "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and Part II, Item 1A of this Form 10-Q. The following discussion should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and the condensed consolidated financial statements and notes thereto included in Part I, Item 1 of this Form 10-Q. All information presented herein is based on our fiscal calendar. Unless otherwise stated, references to particular years, quarters, months or periods refer to our fiscal years and the associated quarters, months and periods of those fiscal years.

Although we believe that the expectations reflected in the forward-looking statements are reasonable based on our current knowledge of our business and operations, we cannot guarantee future results, levels of activity, performance or achievements. We assume no obligation to provide revisions to any forward-looking statements should circumstances change.

The following discussion summarizes the significant factors affecting the condensed consolidated operating results, financial condition, liquidity and cash flows of our Company as of and for the periods presented below.

We have prepared the unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial statements and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC").

### Overview

Portillo's serves iconic Chicago street food through high-energy, multichannel restaurants designed to ignite the senses and create a memorable dining experience. Since our founding in 1963 in a small trailer which Dick Portillo called "The Dog House," we have grown to become a treasured brand with a passionate (some might say obsessed) nationwide following. Our diverse menu features all-American favorites such as Chicago-style hot dogs and sausages, Italian beef sandwiches, char-broiled burgers, chopped salads, crinkle-cut fries, homemade chocolate cake and our signature chocolate cake shake. We create a consumer experience like no other by combining the best attributes of fast casual and quick service concepts with an exciting, energy-filled atmosphere and restaurant model capable of generating tremendous volumes. Nearly all of our restaurants were built with double lane drive-thrus and have been thoughtfully designed with a layout that accommodates a variety of access modes including dine-in, carryout, delivery, and catering in order to quickly and efficiently serve our guests. No matter how our guests order from us, our highly productive kitchens and team members consistently serve high quality food and deliver a memorable guest experience. We believe the combination of our craveable food, multichannel sales model, dedication to operational excellence, and distinctive culture driven by our team members gives us a competitive advantage.

As of June 30, 2024, we owned and operated 86 Portillo's restaurants across ten states, including a restaurant owned by C&O Chicago, L.L.C. ("C&O") of which Portillo's owns 50% of the equity.



## Financial Highlights for the Quarter Ended June 30, 2024 vs. Quarter Ended June 25, 2023:

- Total revenue increased 7.5% or \$12.7 million to \$181.9 million;
- Same restaurant sales\* decreased 0.6%;
- Operating income increased \$0.7 million to \$18.1 million;
- Net income decreased \$1.4 million to \$8.5 million;
- Restaurant-Level Adjusted EBITDA\*\* increased \$1.8 million to \$44.6 million; and
- Adjusted EBITDA\*\* increased \$0.6 million to \$29.9 million.

## Financial Highlights for the Two Quarters Ended June 30, 2024 vs. Two Quarters Ended June 25, 2023:

- Total revenue increased 6.9% or \$22.5 million to \$347.7 million;
- Same restaurant sales\* decreased 0.9%;
- Operating income increased \$2.3 million to \$28.2 million;
- Net income increased \$5.2 million to \$13.9 million;
- Restaurant-Level Adjusted EBITDA\*\* increased \$3.4 million to \$80.9 million; and
- Adjusted EBITDA\*\* increased \$2.8 million to \$51.6 million.

\* For the quarter ended June 30, 2024, same-restaurant sales compares the 13 weeks from April 1, 2024 through June 30, 2024 to the 13 weeks from April 3, 2023 through July 2, 2023. For the two quarters ended June 30, 2024, same-restaurant sales compares the 26 weeks from January 1, 2024 through June 30, 2024 to the 26 weeks from January 2, 2023 through July 2, 2023.

\*\* Adjusted EBITDA and Restaurant-Level Adjusted EBITDA are non-GAAP measures. Definitions and reconciliations of Adjusted EBITDA to net income (loss) and Restaurant-Level Adjusted EBITDA to operating income the most directly comparable financial measures presented in accordance with GAAP, are set forth under the section "Key Performance Indicators and Non-GAAP Financial Measures".

## Recent Developments and Trends

In the quarter and two quarters ended June 30, 2024, total revenue grew 7.5% or \$12.7 million and 6.9% or \$22.5 million, respectively, primarily due to new restaurant openings in 2023 and 2024. Same-restaurant sales declined 0.6% during the quarter ended June 30, 2024, compared to 5.9% same-restaurant sales growth during the same quarter in 2023. Same-restaurant sales declined 0.9% during the two quarters ended June 30, 2024, compared to 7.4% same-restaurant sales growth during the two quarters ended June 25, 2023. Refer to "Selected Operating Data" section below for definition of Same-Restaurant Sales.

In June, we re-tiered some of our restaurants in higher-cost areas, contributing to an effective price increase of approximately 1%. We will keep a close eye on cost pressures, market competition, and consumer sentiment to guide our pricing decisions in the coming quarters.

In the quarter and two quarters ended June 30, 2024, commodity inflation was 6.9% and 5.9%, respectively, compared to 5.5% and 7.1% for the quarter and two quarters ended June 25, 2023. Labor, as a percentage of revenue, net was flat during the quarter ended June 30, 2024 compared to the quarter ended June 25, 2023 primarily due to an increase in our average check and lower variable-based compensation, offset by lower transactions and incremental wage rate increases to support our team members. For the two quarters ended June 30, 2024, labor as a percent of revenues, net increased 0.1% compared to the two quarters ended June 25, 2023, primarily due to lower transactions and incremental wage rate increases, partially offset by an increase in our average check and lower variable-based compensation.

We recently unveiled the details of our strategic pillars, which were already in progress during the second quarter of 2024. These four key strategic pillars guide our short-term objectives and form the basis for growth.

- **Running world class operations:** flex our multi-channel muscle, greatness in the drive thru and unrivaled value in fast casual
- **Innovating and amplifying the Portillo's experience:** craveable and fresh for everyone, local & experiential, digitally engage guests
- **Building restaurants with industry leading returns:** best in class AUVs, optimize capital investments, scale quickly, replicable processes
- **Taking great care of our teams:** meaningful work environment, total rewards that matter, igniting talents and careers, enhanced digital workplace experience

In the quarter and two quarters ended June 30, 2024, total revenue, operating income, Restaurant-Level Adjusted EBITDA, and Adjusted EBITDA all improved, while net income decreased, versus the prior year. We believe this improvement stemmed from concentrating on the four strategic pillars previously mentioned. For the full year 2024, we expect to achieve flat to slightly positive comparable sales and restaurant-level margins between 23% and 24%.

## Development Highlights

During the two quarters ended June 30, 2024, we opened two restaurants in the Texas and Arizona markets. Subsequent to June 30, 2024, we opened two additional restaurants, bringing our total restaurant count to 88, including a restaurant owned by C&O of which Portillo's owns 50% of the equity. In the second half of 2024 we aim to open at least six more restaurants for a total of at least 10 new restaurants opened in the fiscal year 2024, including further expansion into the Houston and Dallas-Fort Worth markets in Texas.

Below are the restaurants opened since the beginning of fiscal 2024:

Location	Opening Date	Fiscal Quarter Opened
Denton, Texas	March 2024	Q1 2024
Surprise, Arizona	May 2024	Q2 2024
Livonia, Michigan	July 2024	Q3 2024
Mansfield, Texas	August 2024	Q3 2024

## Consolidated Results of Operations

The following table summarizes our results of operations for the quarter and two quarters ended June 30, 2024 and June 25, 2023 (in thousands):

	Quarter Ended				Two Quarters Ended			
	June 30, 2024		June 25, 2023		June 30, 2024		June 25, 2023	
<b>REVENUES, NET</b>	\$ 181,862	100.0 %	\$ 169,182	100.0 %	\$ 347,693	100.0 %	\$ 325,242	100.0 %
<b>COST AND EXPENSES:</b>								
Restaurant operating expenses:								
Food, beverage and packaging costs	61,712	33.9 %	56,229	33.2 %	118,673	34.1 %	109,856	33.8 %
Labor	46,412	25.5 %	43,153	25.5 %	89,714	25.8 %	83,612	25.7 %
Occupancy	9,211	5.1 %	8,237	4.9 %	18,551	5.3 %	16,688	5.1 %
Other operating expenses	19,958	11.0 %	18,832	11.1 %	39,815	11.5 %	37,536	11.5 %
<b>Total restaurant operating expenses</b>	<b>137,293</b>	<b>75.5 %</b>	<b>126,451</b>	<b>74.7 %</b>	<b>266,753</b>	<b>76.7 %</b>	<b>247,692</b>	<b>76.2 %</b>
General and administrative expenses	17,941	9.9 %	19,609	11.6 %	36,481	10.5 %	38,387	11.8 %
Pre-opening expenses	2,100	1.2 %	275	0.2 %	3,523	1.0 %	2,619	0.8 %
Depreciation and amortization	7,106	3.9 %	5,941	3.5 %	14,050	4.0 %	11,610	3.6 %
Net income attributable to equity method investment	(335)	(0.2)%	(381)	(0.2)%	(540)	(0.2)%	(588)	(0.2)%
Other income, net	(358)	(0.2)%	(97)	(0.1)%	(786)	(0.2)%	(354)	(0.1)%
<b>OPERATING INCOME</b>	<b>18,115</b>	<b>10.0 %</b>	<b>17,384</b>	<b>10.3 %</b>	<b>28,212</b>	<b>8.1 %</b>	<b>25,876</b>	<b>8.0 %</b>
Interest expense	6,603	3.6 %	6,523	3.9 %	13,133	3.8 %	13,966	4.3 %
Interest income	(75)	— %	—	— %	(154)	— %	—	— %
Tax Receivable Agreement liability adjustment	(439)	(0.2)%	(579)	(0.3)%	(1,000)	(0.3)%	(1,163)	(0.4)%
Loss on debt extinguishment	—	— %	—	— %	—	— %	3,465	1.1 %
<b>INCOME BEFORE INCOME TAXES</b>	<b>12,026</b>	<b>6.6 %</b>	<b>11,440</b>	<b>6.8 %</b>	<b>16,233</b>	<b>4.7 %</b>	<b>9,608</b>	<b>3.0 %</b>
Income tax expense	3,496	1.9 %	1,542	0.9 %	2,359	0.7 %	983	0.3 %
<b>NET INCOME</b>	<b>8,530</b>	<b>4.7 %</b>	<b>9,898</b>	<b>5.9 %</b>	<b>13,874</b>	<b>4.0 %</b>	<b>8,625</b>	<b>2.7 %</b>
Net income attributable to non-controlling interests	2,060	1.1 %	3,110	1.8 %	2,842	0.8 %	2,351	0.7 %
<b>NET INCOME ATTRIBUTABLE TO PORTILLO'S INC.</b>	<b>\$ 6,470</b>	<b>3.6 %</b>	<b>\$ 6,788</b>	<b>4.0 %</b>	<b>\$ 11,032</b>	<b>3.2 %</b>	<b>\$ 6,274</b>	<b>1.9 %</b>

### Revenues, Net

Revenues primarily represent the aggregate sales of food and beverages, net of discounts. Sales taxes collected from customers are excluded from revenues. Revenues in any period are directly influenced by, among other factors, the number of operating weeks in the period, the number of open restaurants, restaurant traffic, our menu prices, third-party delivery platform prices and product mix.

Revenues for the quarter ended June 30, 2024 were \$181.9 million compared to \$169.2 million for the quarter ended June 25, 2023, an increase of \$12.7 million or 7.5%. The increase in revenues was primarily attributed to the opening of nine restaurants in 2023 and two restaurants during the two quarters ended June 30, 2024, partially offset by a decrease in our same-restaurant sales. Restaurants not in our comparable restaurant base contributed \$12.6 million of the total year-over-year increase. This increase in revenues was offset by a same-restaurant sales decrease of 0.6%, or \$1.0 million in the quarter. The same-restaurant sales decline was attributable to a 2.3% decrease in transactions, partially offset by an increase in average check of 1.7%. The higher average check was driven by an approximate 4.3% increase in certain menu prices partially offset by product mix. To address inflationary cost pressures, we increased select menu prices by approximately 1.5% in January 2024 and again at the end of March 2024. In June 2024, we implemented a 1% price increase primarily by re-iterating some of our restaurants in higher-cost areas. Revenue also benefited \$1.2 million in the second quarter due to the shifting of comparable weeks. For the purpose of calculating same-restaurant sales for the quarter ended June 30, 2024, sales for 70 restaurants that were open for at least 24 full fiscal periods were included in the Comparable Restaurant Base (as defined in "Selected Operating Data" below).

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The following table summarizes the Company's revenue for the quarter ended June 30, 2024 and June 25, 2023 (in thousands):

	Quarter Ended		\$ Change	% Change
	June 30, 2024	June 25, 2023		
Same-restaurant sales (70 restaurants) <sup>(1) (3)</sup>	\$ 154,646	\$ 155,631	\$ (985)	(0.6)%
Same-restaurant sales comparable week shift impact <sup>(2)</sup>	—	(1,209)	1,209	nm
<sup>(3)</sup> Restaurants not yet in comparable base opened in fiscal 2024 (2 restaurants)	2,834	—	2,834	nm
Restaurants not yet in comparable base opened in fiscal 2023 (12 restaurants) <sup>(3)</sup>	19,095	9,193	9,902	107.7 %
<sup>(3)</sup> Restaurants not yet in comparable base opened in fiscal 2022 (1 restaurant)	2,591	2,714	(123)	(4.5)%
Other <sup>(4)</sup>	2,696	2,853	(157)	(5.5)%
Revenues, net	\$ 181,862	\$ 169,182	\$ 12,680	7.5 %

<sup>(1)</sup> We use a 52- or 53-week fiscal year ending on the Sunday on or prior to December 31. Fiscal 2024 consists of 52 weeks and fiscal 2023 consisted of 53 weeks. In order to compare like-for-like periods for the quarter ended June 30, 2024, same-restaurant sales compares the 13 weeks from April 1, 2024 through June 30, 2024 to the 13 weeks from April 3, 2023 through July 2, 2023.

<sup>(2)</sup> Represents the impact from shifting comparable weeks for all periods in fiscal 2023 to compare like-for-like periods. For the quarter ended June 25, 2023, same-restaurant sales includes sales from the 13 weeks from April 3, 2023 through July 2, 2023 rather than the 13 weeks from March 27, 2023 through June 25, 2023.

<sup>(3)</sup> Total restaurants indicated are as of June 30, 2024. Excludes a restaurant that is owned by C&O of which Portillo's owns 50% of the equity.

<sup>(4)</sup> Includes revenue from direct shipping sales and non-traditional locations.

\*nm - not meaningful

Revenues for the two quarters ended June 30, 2024 were \$347.7 million compared to \$325.2 million for the two quarters ended June 25, 2023, an increase of \$22.5 million or 6.9%. The increase in revenues was primarily attributed to the opening of twelve restaurants in 2023 and two restaurants during the two quarters ended June 30, 2024, partially offset by a decrease in our same-restaurant sales. Restaurants not in our comparable restaurant base contributed \$26.5 million of the total year-over-year increase. This increase in revenues was offset by a same-restaurant sales decrease of 0.9%, or \$2.6 million in the quarter. The same-restaurant sales decline was attributable to a 2.7% decrease in transactions, partially offset by an increase in average check of 1.8%. The higher average check was primarily driven by an approximate 4.7% increase in menu prices partially offset by product mix. To address inflationary cost pressures, we increased select menu prices by approximately 1.5% in January 2024 and again at the end of March 2024. In June 2024, we implemented a 1% price increase primarily by re-tiering some of our restaurants in higher-cost areas. Revenue was negatively impacted by \$0.8 million in the second quarter due to the shifting of comparable weeks. For the purpose of calculating same-restaurant sales for the two quarters ended June 30, 2024, sales for 70 restaurants that were open for at least 24 full fiscal periods were included in the Comparable Restaurant Base.

The following table summarizes the Company's revenue for the two quarters ended June 30, 2024 and June 25, 2023 (in thousands):

	Two Quarters Ended		\$ Change	% Change
	June 30, 2024	June 25, 2023		
Same-restaurant sales (70 restaurants) <sup>(1) (3)</sup>	\$ 292,812	\$ 295,406	\$ (2,594)	(0.9)%
Same-restaurant sales comparable week shift Impact <sup>(2)</sup>	—	829	(829)	nm
<sup>(3)</sup> Restaurants not yet in comparable base opened in fiscal 2024 (2 restaurants)	3,413	—	3,413	nm
Restaurants not yet in comparable base opened in fiscal 2023 (12 restaurants) <sup>(3)</sup>	39,483	15,719	23,764	151.2 %
<sup>(3)</sup> Restaurants not yet in comparable base opened in fiscal 2022 (1 restaurant)	6,292	6,955	(663)	(9.5)%
Other <sup>(4)</sup>	5,693	6,333	(640)	(10.1)%
Revenues, net	\$ 347,693	\$ 325,242	\$ 22,451	6.9 %

<sup>(1)</sup> We use a 52- or 53-week fiscal year ending on the Sunday on or prior to December 31. Fiscal 2024 consists of 52 weeks and fiscal 2023 consisted of 53 weeks. In order to compare like-for-like periods for the for the two quarters ended June 30, 2024, same-restaurant sales compares the 26 weeks from January 1, 2024 through June 30, 2024 to the 26 weeks from January 2, 2023 through July 2, 2023.

<sup>(2)</sup> Represents the impact from shifting comparable weeks for all periods in fiscal 2023 to compare like-for-like periods. For the two quarters ended June 25, 2023, same-restaurant sales includes sales from the 26 weeks from January 2, 2023 through July 2, 2023 rather than the 13 weeks from December 26, 2022 through June 25, 2023.

<sup>(3)</sup> Total restaurants indicated are as of June 30, 2024. Excludes a restaurant that is owned by C&O of which Portillo's owns 50% of the equity.

<sup>(4)</sup> Includes revenue from direct shipping sales and non-traditional locations.

\*nm - not meaningful

## Food, Beverage and Packaging Costs

Food, beverage and packaging costs include the direct costs associated with food and beverages, including paper products and third-party delivery commissions. The components of food, beverage and packaging costs are variable by nature, change with sales volume, are impacted by product mix and are subject to increases or decreases in commodity costs.

Food, beverage and packaging costs for the quarter ended June 30, 2024 were \$61.7 million compared to \$56.2 million for the quarter ended June 25, 2023, an increase of \$5.5 million or 9.8%. This increase was primarily driven by the opening of nine restaurants in 2023 and two restaurants during the two quarters ended June 30, 2024 and a 6.9% increase in commodity prices. As a percentage of revenues, net, food, beverage and packaging costs increased 0.7% during the quarter ended June 30, 2024. The increase was primarily due to an increase in certain commodity prices, partially offset by an increase in average check.

Food, beverage and packaging costs for the two quarters ended June 30, 2024 was \$118.7 million compared to \$109.9 million for the two quarters ended June 25, 2023, an increase of \$8.8 million or 8.0%. This increase was primarily driven by the opening of twelve restaurants in 2023 and two restaurants during the two quarters ended June 30, 2024 and a 5.9% increase in commodity prices, partially offset by lower third-party delivery commissions. As a percentage of revenues, net, food, beverage and packaging costs increased 0.3% during the two quarters ended June 30, 2024. The increase was primarily due to an increase in certain commodity prices, partially offset by an increase in average check and lower third-party delivery commissions.

## Labor Expenses

Labor expenses include hourly and management wages, bonuses and equity-based compensation, payroll taxes, workers' compensation expense, and team member benefits. Factors that influence labor costs include wage inflation and payroll tax legislation, health care costs and the staffing needs of our restaurants.

Labor expenses for the quarter ended June 30, 2024 were \$46.4 million compared to \$43.2 million for the quarter ended June 25, 2023, an increase of \$3.3 million or 7.6%. This increase was primarily driven by the opening of nine restaurants in 2023 and two restaurants during the two quarters ended June 30, 2024 and incremental investments to support our team members, partially offset by lower variable-based compensation. As a percentage of revenues, net, labor was flat primarily due to an increase in our average check and lower variable-based compensation, offset by lower transactions and incremental wage rate increases.

Labor expenses for the two quarters ended June 30, 2024 were \$89.7 million compared to \$83.6 million for the two quarters ended June 25, 2023, an increase of \$6.1 million or 7.3%. This increase was primarily driven by the opening of twelve restaurants in 2023 and two restaurants during the two quarters ended June 30, 2024 and incremental investments to support our team members, partially offset by lower variable-based compensation. As a percentage of revenues, net, labor increased 0.1% primarily due to lower transactions and incremental wage rate increases, partially offset by an increase in our average check and lower variable-based compensation.

## Occupancy Expenses

Occupancy expenses primarily consist of rent, property insurance and property taxes.

Occupancy expenses for the quarter ended June 30, 2024 were \$9.2 million compared to \$8.2 million for the quarter ended June 25, 2023, an increase of \$1.0 million or 11.8%, primarily driven by the opening of nine restaurants in 2023 and two restaurants during the two quarters ended June 30, 2024. As a percentage of revenues, net, occupancy expenses increased 0.2%.

Occupancy expenses for the two quarters ended June 30, 2024 were \$18.6 million compared to \$16.7 million for the two quarters ended June 25, 2023, an increase of \$1.9 million or 11.2%, primarily driven by the opening of twelve restaurants in 2023 and two restaurants during the two quarters ended June 30, 2024. As a percentage of revenues, net, occupancy expenses increased 0.2%.

## Other Operating Expenses

Other operating expenses consist of direct marketing expenses, utilities and other operating expenses incidental to operating our restaurants, such as credit card fees and repairs and maintenance.

Other operating expenses for the quarter ended June 30, 2024 were \$20.0 million compared to \$18.8 million for the quarter ended June 25, 2023, an increase of \$1.1 million or 6.0%, primarily due to the opening of nine restaurants in 2023 and two restaurants during the two quarters ended June 30, 2024, partially offset by a decrease in utilities, travel and other miscellaneous expenses. As a percentage of revenues, net, operating expenses decreased 0.1%.

Other operating expenses for the two quarters ended June 30, 2024 were \$39.8 million compared to \$37.5 million for the two quarters ended June 25, 2023, an increase of \$2.3 million or 6.1%, primarily due to the opening of twelve restaurants in 2023 and two restaurants during the two quarters ended June 30, 2024, partially offset by a decrease in travel, operating supplies, and other miscellaneous expenses. As a percentage of revenues, net, operating expenses was consistent with the comparable prior period.

## General and Administrative Expenses

General and administrative expenses primarily consist of costs associated with our corporate and administrative functions that support restaurant development and operations, including marketing and advertising costs incurred as well as legal and professional fees. General and administrative expenses also include equity-based compensation expense. General and administrative expenses are impacted by changes in our team member count and costs related to strategic and growth initiatives.

General and administrative expenses for the quarter ended June 30, 2024 were \$17.9 million compared to \$19.6 million for the quarter ended June 25, 2023, a decrease of \$1.7 million or 8.5%. This decrease was primarily driven by lower equity and variable-based compensation, partially offset by an increase in professional fees related to our ERP implementation, and advertising expenses.

General and administrative expenses for the two quarters ended June 30, 2024 were \$36.5 million compared to \$38.4 million for the two quarters ended June 25, 2023, a decrease of \$1.9 million or 5.0%. This decrease was primarily driven by lower equity and variable-based compensation, partially offset by an increase in professional fees related to our ERP implementation, and advertising expenses.

## Pre-Opening Expenses

Pre-opening expenses consist primarily of wages, occupancy expenses, which represent rent expense recognized during the period between the date of possession of the restaurant facility and the restaurant opening date, travel for the opening team and other supporting team members, food, beverage, and the initial stocking of operating supplies. All such costs incurred prior to the opening are expensed in the period in which the expense was incurred. Pre-opening expenses can fluctuate significantly from period to period, based on the number and timing of openings and the specific pre-opening expenses incurred for each restaurant. Additionally, restaurant openings in new geographic market areas will experience higher pre-opening expenses than our established geographic market areas, such as the Chicagoland area, where we have greater economies of scale and incur lower travel and lodging costs for our training team.

Pre-opening expenses for the quarter ended June 30, 2024 were \$2.1 million compared to \$0.3 million for the quarter ended June 25, 2023, an increase of \$1.8 million or 663.6%. The increase was due to the number and timing of activities related to our planned restaurant openings for the quarter ended June 30, 2024 as compared to the quarter ended June 25, 2023.

Pre-opening expenses for the two quarters ended June 30, 2024 were \$3.5 million compared to \$2.6 million for the two quarters ended June 25, 2023, an increase of \$0.9 million or 34.5%. This increase was due to the number and timing of activities related to our planned restaurant openings for the two quarters ended June 30, 2024 as compared to the two quarters ended June 25, 2023.

## Depreciation and Amortization

Depreciation and amortization expenses consist of the depreciation of fixed assets, including leasehold improvements, fixtures and equipment and the amortization of definite-lived intangible assets, which are primarily comprised of recipes.

Depreciation and amortization expense for the quarter ended June 30, 2024 was \$7.1 million compared to \$5.9 million for the quarter ended June 25, 2023, an increase of \$1.2 million or 19.6%. This increase was primarily attributable to incremental depreciation of capital expenditures related to the opening of nine restaurants in 2023 and two restaurants during the two quarters ended June 30, 2024.

Depreciation and amortization expense for the two quarters ended June 30, 2024 was \$14.1 million compared to \$11.6 million for the two quarters ended June 25, 2023, an increase of \$2.4 million or 21.0%. This increase was primarily attributable to incremental depreciation of capital expenditures related to the opening of twelve restaurants in 2023 and two restaurants during the two quarters ended June 30, 2024.

## Net Income Attributable to Equity Method Investment

Net income attributable to equity method investment consists of a 50% interest in C&O, which runs a single restaurant located within the Chicagoland market. We account for the investment and financial results in the condensed consolidated financial statements under the equity method of accounting as we have significant influence but do not have control.

Net income attributable to equity method investment for the quarter ended June 30, 2024 was \$0.3 million compared to \$0.4 million for the quarter ended June 25, 2023, a decrease of \$0.05 million or 12.1%. This decrease was primarily driven by an increase in restaurant-level operating expenses, partially offset by an increase in sales.

Net income attributable to equity method investment for the two quarters ended June 30, 2024 was \$0.5 million compared to \$0.6 million for the two quarters ended June 25, 2023, a decrease of \$0.05 million or 8.2%. This decrease was primarily driven by an increase in restaurant-level operating expenses, partially offset by an increase in sales.

## Other Income, Net

Other income, net, includes among other items, income resulting from discounts received for timely filing of sales tax returns, management fee income associated with our investment in C&O, trading gains or losses on our deferred compensation plan and gains or losses on asset disposals.

Other income, net, for the quarter ended June 30, 2024 was \$0.4 million compared to \$0.1 million for the quarter ended June 25, 2023, an increase of \$0.3 million or 269.1%. This increase was primarily due to a gain on sale of assets, partially offset by a decrease in trading gains in the rabbi trust used to fund our deferred compensation plan.

Other income, net, for the two quarters ended June 30, 2024 was \$0.8 million compared to \$0.4 million for the two quarters ended June 25, 2023, an increase of \$0.4 million or 122.0%. This increase was primarily due to a decrease in loss on sale of assets, partially offset by a decrease in trading gains in the rabbi trust used to fund our deferred compensation plan.

## Interest Expense

Interest expense primarily consists of interest and fees on our credit facilities and the amortization expense for debt discount and deferred issuance costs.

Interest expense for the quarter ended June 30, 2024 was \$6.6 million compared to \$6.5 million for the quarter ended June 25, 2023, an increase of \$0.1 million or 1.2%. This increase was primarily driven by a higher effective interest rate due to additional borrowings on the 2023 Revolver Facility.

Interest expense for the two quarters ended June 30, 2024 was \$13.1 million compared to \$14.0 million for the two quarters ended June 25, 2023, a decrease of \$0.8 million or 6.0%. This decrease was primarily driven by the improved lending terms associated with our 2023 Term Loan and 2023 Revolver Facility.

Our effective interest rate on the 2023 Term Loan and 2023 Revolver Facility was 8.31% and 8.16% as of June 30, 2024 and June 25, 2023,

respectively.

### **Interest Income**

Interest income primarily consists of interest earned on our cash and cash equivalents.

Interest income for the quarter and two quarters ended June 30, 2024 was \$0.1 million and \$0.2 million, respectively. There was no interest income in the quarter and two quarters ended June 25, 2023.

### **Tax Receivable Agreement Liability Adjustment**

We are party to a Tax Receivable Agreement liability with certain members of Portillo's OpCo that provides for the payment by us of 85% of the amount of tax benefits, if any, that Portillo's Inc. actually realizes or in some cases is deemed to realize as a result of certain transactions.

The tax receivable agreement liability adjustment was \$0.4 million for the quarter ended June 30, 2024 and \$1.0 million for the two quarters ended June 30, 2024 related to a remeasurement primarily due to activity under equity-based compensation plans. The tax receivable agreement liability adjustment was \$0.6 million and \$1.2 million for the quarter and two quarters ended June 25, 2023, respectively.

### **Loss on Debt Extinguishment**

There was no loss on debt extinguishment for the quarter and two quarters ended June 30, 2024 and quarter ended June 25, 2023. Loss on debt extinguishment for the two quarters ended June 25, 2023 was \$3.5 million due to the write-off of debt discount and deferred issuance costs associated with the payoff of the 2014 Credit Agreement as described in Note 8. Debt.

### **Income Tax Expense**

Portillo's OpCo is treated as a partnership for U.S. federal, as well as state and local income tax purposes and is not subject to taxes. Rather, any taxable income or loss generated by Portillo's OpCo is allocated to its members in relation to their respective ownership percentage of Portillo's OpCo. We are subject to U.S. federal, as well as state and local, income taxes with respect to our allocable share of any taxable income or loss of Portillo's OpCo, as well as any stand-alone income or loss generated by Portillo's Inc.

Income tax expense for the quarter ended June 30, 2024 was \$3.5 million compared to \$1.5 million for the quarter ended June 25, 2023, an increase of \$2.0 million or 126.7%. Our effective income tax rate for the quarter ended June 30, 2024 was 29.1%, compared to 13.5% for the quarter ended June 25, 2023. The increase in our effective income tax rate for the quarter ended June 30, 2024 compared to the quarter ended June 25, 2023 was primarily driven by an increase in the Company's ownership interest in Portillo's OpCo, which increases its share of taxable income (loss) of Portillo's OpCo, and recording of net operating loss carryforwards in the prior year.

Income tax expense for the two quarters ended June 30, 2024 was \$2.4 million compared to income tax expense of \$1.0 million for the two quarters ended June 25, 2023, an increase of \$1.4 million or 140.0%. Our effective income tax rate for the two quarters ended June 30, 2024 was 14.5%, compared to 10.2% for the two quarters ended June 25, 2023. The increase in our effective income tax rate for the two quarters ended June 30, 2024 compared to the two quarters ended June 25, 2023 was driven by an increase in the Company's ownership interest in Portillo's OpCo, which increases its share of taxable income (loss) of Portillo's OpCo, and recording of net operating loss carryforwards in the prior year, partially offset by a decrease in the valuation allowance recorded against a portion of the Company's deferred tax assets as a result of the Secondary Offering.

### **Net Income Attributable to Non-controlling Interests**

We are the sole managing member of Portillo's OpCo. We manage and operate the business and control the strategic decisions and day-to-day operations of Portillo's OpCo and we also have a substantial financial interest in Portillo's OpCo. Accordingly, we consolidate the financial results of Portillo's OpCo, and a portion of our net income is allocated to non-controlling interests to reflect the entitlement of the pre-IPO LLC Members who retained their equity ownership in Portillo's OpCo (the "pre-IPO LLC Members"). The weighted average ownership percentages for the applicable reporting periods are used to attribute net income (loss) to Portillo's Inc. and the non-controlling interest holders.



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Net income attributable to non-controlling interests for the quarter ended June 30, 2024 was \$2.1 million, compared to net income attributable to non-controlling interests of \$3.1 million for the quarter ended June 25, 2023, a decrease of \$1.1 million or 33.8%. The decrease in net income attributable to non-controlling interests for the quarter ended June 30, 2024 was primarily due to a decrease in the non-controlling interest holders' weighted average ownership, from 24.2% for the quarter ended June 25, 2023 to 15.9% for the quarter ended June 30, 2024.

Net income attributable to non-controlling interests for the two quarters ended June 30, 2024 was \$2.8 million, compared to net income attributable to non-controlling interest of \$2.4 million for the two quarters ended June 25, 2023, an increase of \$0.5 million or 20.9%. The increase in net income attributable to non-controlling interests for the two quarters ended June 30, 2024 was primarily due to an increase in net income for the two quarters ended June 30, 2024 compared to the two quarters ended June 25, 2023, partially offset by a decrease in the non-controlling interest holders' weighted average ownership, from 27.8% for the two quarters ended June 25, 2023 to 18.7% for the two quarters ended June 30, 2024.

## Selected Operating Data and Non-GAAP Financial Measures

In addition to the GAAP measures presented in our financial statements, we use the following selected operating data and non-GAAP financial measures to evaluate our business, measure our performance, develop financial forecasts and make strategic decisions. These key measures include restaurant openings, average unit volume ("AUV"), same-restaurant sales, Adjusted EBITDA, Adjusted EBITDA Margin, Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin. The Company includes these measures because management believes that they are important to day-to-day operations and overall strategy and are useful to investors in that they provide for greater transparency with respect to supplemental information used by management in its financial and operational decision-making.

	Quarter Ended		Two Quarters Ended	
	June 30, 2024	June 25, 2023	June 30, 2024	June 25, 2023
Total Restaurants (a)	86	76	86	76
AUV (in millions) (a)	N/A	N/A	\$ 9.0	\$ 8.8
Change in same-restaurant sales (b) (c)	(0.6)%	5.9 %	(0.9)%	7.4%
Adjusted EBITDA (in thousands) (b)	\$ 29,866	\$ 29,223	\$ 51,643	\$ 48,856
Adjusted EBITDA Margin (b)	16.4 %	17.3 %	14.9%	15.0%
Restaurant-Level Adjusted EBITDA (in thousands) (b)	\$ 44,569	\$ 42,731	\$ 80,940	\$ 77,550
Restaurant-Level Adjusted EBITDA Margin (b)	24.5 %	25.3 %	23.3%	23.8%

(a) Includes a restaurant that is owned by C&O, of which Portillo's owns 50% of the equity. AUVs for the quarters ended June 30, 2024 and June 25, 2023 represent AUVs for the twelve months ended June 30, 2024 and June 25, 2023, respectively. Total restaurants indicated are as of June 30, 2024.

(b) Excludes a restaurant that is owned by C&O of which Portillo's owns 50% of the equity.

(c) For the quarter ended June 30, 2024, same-restaurant sales compares the 13 weeks from April 1, 2024 through June 30, 2024 to the 13 weeks from April 3, 2023 through July 2, 2023. For the two quarters ended June 30, 2024, same-restaurant sales compares the 26 weeks from January 1, 2024 through June 30, 2024 to the 26 weeks from January 2, 2023 through July 2, 2023.

### Change in Same-Restaurant Sales

The change in same-restaurant sales is the percentage change in year-over-year revenue (excluding gift card breakage) for the comparable restaurant base, which is defined as the number of restaurants open for at least 24 full fiscal periods (the "Comparable Restaurant Base"). For the two quarters ended June 30, 2024 and June 25, 2023, there were 70 and 66 restaurants in our Comparable Restaurant Base, respectively. The Comparable Restaurant Base excludes a restaurant that is owned by C&O, of which Portillo's owns 50% of the equity.

A change in same-restaurant sales is the result of a change in restaurant transactions, average guest check, or a combination of the two. We gather daily sales data and regularly analyze the guest transaction counts and the mix of menu items sold to strategically evaluate menu pricing and demand. Measuring our change in same-restaurant sales allows management to evaluate the performance of our existing restaurant base. We believe this measure provides a consistent comparison of restaurant sales results and trends across periods within our core, established restaurant base, unaffected by results of restaurant openings and enables investors to better understand and evaluate the Company's historical and prospective operating performance.

## Average Unit Volume ("AUV")

AUV is the total revenue (excluding gift card breakage) recognized in the Comparable Restaurant Base, including C&O, divided by the number of restaurants in the Comparable Restaurant Base, including C&O, by period.

This key performance indicator allows management to assess changes in consumer spending patterns at our restaurants and the overall performance of our restaurant base.

## Non-GAAP Financial Measures

To supplement the condensed consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: Adjusted EBITDA and Adjusted EBITDA Margin, and Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin. Accordingly, these measures are not required by, nor presented in accordance with, GAAP, but rather are supplemental measures of operating performance of our restaurants. You should be aware that these measures are not indicative of overall results for the Company and that Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin do not accrue directly to the benefit of stockholders because of corporate-level expenses excluded from such measures. These measures are supplemental measures of operating performance and our calculations thereof may not be comparable to similar measures reported by other companies. These measures are important measures to evaluate the performance and profitability of our restaurants, individually and in the aggregate, but also have important limitations as analytical tools and should not be considered in isolation as substitutes for analysis of our results as reported under GAAP.

## Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA represents net income before depreciation and amortization, interest expense, interest income and income taxes, adjusted for the impact of certain non-cash and other items that we do not consider in our evaluation of ongoing core operating performance as identified in the reconciliation of net income, the most directly comparable GAAP measure to Adjusted EBITDA. Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of revenues, net.

We use Adjusted EBITDA and Adjusted EBITDA Margin (i) to evaluate our operating results and the effectiveness of our business strategies, (ii) internally as benchmarks to compare our performance to that of our competitors and (iii) as factors in evaluating management's performance when determining incentive compensation.

We believe that Adjusted EBITDA and Adjusted EBITDA Margin are important measures of operating performance because they eliminate the impact of expenses that do not relate to our core operating performance.

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The following table reconciles net income to Adjusted EBITDA and Adjusted EBITDA margin (in thousands):

	Quarter Ended		Two Quarters Ended	
	June 30, 2024	June 25, 2023	June 30, 2024	June 25, 2023
Net income	\$ 8,530	\$ 9,898	\$ 13,874	\$ 8,625
<i>Net income margin</i>	4.7 %	5.9 %	4.0 %	2.7 %
Depreciation and amortization	7,106	5,941	14,050	11,610
Interest expense	6,603	6,523	13,133	13,966
Interest income	(75)	—	(154)	—
Loss on debt extinguishment	—	—	—	3,465
Income tax expense	3,496	1,542	2,359	983
EBITDA	25,660	23,904	43,262	38,649
Deferred rent (1)	1,296	1,169	2,466	2,393
Equity-based compensation	2,890	4,184	5,717	7,720
ERP implementation costs (2)	325	—	450	—
Amortization of cloud-based software implementation costs (3)	146	—	146	—
Other (income) loss (4)	(9)	377	66	496
Transaction-related fees and expenses (5)	(3)	168	536	761
Tax Receivable Agreement liability adjustment (6)	(439)	(579)	(1,000)	(1,163)
Adjusted EBITDA	\$ 29,866	\$ 29,223	\$ 51,643	\$ 48,856
<i>Adjusted EBITDA Margin (7)</i>	16.4 %	17.3 %	14.9 %	15.0 %

(1) Represents the difference between cash rent payments and the recognition of straight-line rent expense recognized over the lease term.

(2) Represents non-capitalized third party consulting and software licensing costs incurred in connection with the implementation of a new ERP system.

(3) Represents amortization of capitalized cloud-based ERP system implementation costs that are included within general and administrative expenses.

(4) Represents (gain) loss on disposal of property and equipment.

(5) Represents certain expenses that management believes are not indicative of ongoing operations, consisting primarily of certain professional fees.

(6) Represents remeasurement of the Tax Receivable Agreement liability.

(7) Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by Revenues, net.

### Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin

Restaurant-Level Adjusted EBITDA is defined as revenue, less restaurant operating expenses, which include food, beverage and packaging costs, labor expenses, occupancy expenses and other operating expenses. Restaurant-Level Adjusted EBITDA excludes corporate level expenses and depreciation and amortization on restaurant property and equipment. Restaurant-Level Adjusted EBITDA Margin represents Restaurant-Level Adjusted EBITDA as a percentage of revenues, net.

We believe that Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin are important measures to evaluate the performance and profitability of our restaurants, individually and in the aggregate.

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The following table reconciles operating income to Restaurant-Level Adjusted EBITDA and Restaurant-Level Adjusted EBITDA Margin (in thousands):

	Quarter Ended		Two Quarters Ended	
	June 30, 2024	June 25, 2023	June 30, 2024	June 25, 2023
Operating income	\$ 18,115	\$ 17,384	\$ 28,212	\$ 25,876
Operating income margin	10.0 %	10.3 %	8.1 %	8.0 %
Plus:				
General and administrative expenses	17,941	19,609	36,481	38,387
Pre-opening expenses	2,100	275	3,523	2,619
Depreciation and amortization	7,106	5,941	14,050	11,610
Net income attributable to equity method investment	(335)	(381)	(540)	(588)
Other income, net	(358)	(97)	(786)	(354)
Restaurant-Level Adjusted EBITDA	\$ 44,569	\$ 42,731	\$ 80,940	\$ 77,550
Restaurant-Level Adjusted EBITDA Margin (1)	24.5 %	25.3 %	23.3 %	23.8 %

(1) Restaurant-Level Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by Revenues, net

## Liquidity and Capital Resources

Our primary sources of liquidity are cash from operations, cash and cash equivalents on hand, and availability under our 2023 Revolver Facility. As of June 30, 2024, we maintained a cash and cash equivalents and restricted cash balance of \$12.4 million and had \$78.8 million of availability under our 2023 Revolver Facility, after giving effect to \$4.2 million in outstanding letters of credit.

Our primary requirements for liquidity are to fund our working capital needs, operating lease obligations, capital expenditures, and general restaurant support center needs. Our requirements for working capital are not significant because our guests pay for their food and beverage purchases in cash or on debit or credit cards at the time of the sale and we are able to sell many of our inventory items before payment is due to the supplier of such items. Our ongoing capital expenditures are principally related to opening of new restaurants, existing capital investments (both for remodels and maintenance), as well as investments in our restaurant support center infrastructure.

Based upon current levels of operations and anticipated growth, we expect that cash flows from operations will be sufficient to meet our needs for at least the next twelve months, and the foreseeable future.

## Tax Receivable Agreement

In connection with the IPO, we entered into a Tax Receivable Agreement ("TRA") with certain of our pre-IPO LLC Members, pursuant to which we will generally be required to pay 85% of the amount of cash savings, if any, in U.S. federal, state, and local income tax that we actually realize or are deemed to realize, as a result of (i) our allocable share of existing tax basis in depreciable or amortizable assets relating to LLC Units acquired in the IPO, (ii) certain favorable tax attributes acquired by the Company from entities treated as corporations for U.S. tax purposes that held LLC Units prior to the Transactions ("Blocker Companies") (including net operating losses and the Blocker Companies' allocable share of existing tax basis), (iii) increases in our allocable share of then existing tax basis in depreciable or amortizable assets, and adjustments to the tax basis of the tangible and intangible assets, of Portillo's OpCo and its subsidiaries, as a result of (x) sales or exchanges of interests in Portillo's OpCo (including the repayment of the redeemable preferred units) in connection with the IPO and (y) future redemptions or exchanges of LLC Units by pre-IPO LLC Members for Class A common stock and (iv) certain other tax benefits related to entering into the TRA, including payments made under the TRA.

As of June 30, 2024, we estimate that our obligation for future payments under the TRA totaled \$328.1 million. Amounts payable under the TRA are contingent upon, among other things, (i) generation of future taxable income over the term of the TRA and (ii) future changes in tax laws. If we do not generate sufficient taxable income in the aggregate over the term of the TRA to utilize the tax benefits, then we would not be required to make the related TRA payments. The payments that we are required to make will generally reduce the amount of overall cash flow that might have otherwise been available to us, but we expect the cash tax savings we will realize to fund the required payments. Assuming no material changes in relevant tax law and that we earn sufficient taxable income to realize all tax benefits that are subject to the TRA, we estimate that the tax savings associated with all tax attributes described above would aggregate to approximately \$386.0 million as of June 30, 2024. Under this scenario, we would be required to pay the TRA Parties approximately 85% of such amount, or \$328.1 million, primarily over the next 15 years, substantially declining in year 16 through year 47. In the two quarters ended June 30, 2024 and June 25, 2023, we made TRA payments

of \$4.4 million relating to tax year 2022 and \$0.8 million relating to tax year 2021, respectively. We expect a payment of \$7.2 million relating to tax year 2023 to be paid within the next 12 months.

## Summary of Cash Flows

The following table presents a summary of our cash flows from operating, investing and financing activities (in thousands):

	Two Quarters Ended	
	June 30, 2024	June 25, 2023
Net cash provided by operating activities	\$ 41,628	\$ 31,309
Net cash used in investing activities	(33,828)	(37,326)
Net cash used in financing activities	(5,881)	(15,953)
Net increase (decrease) in cash and cash equivalents and restricted cash	1,919	(21,970)
Cash and cash equivalents and restricted cash at beginning of period	10,438	44,427
Cash and cash equivalents and restricted cash at end of period	\$ 12,357	\$ 22,457

### Operating Activities

Net cash provided by operating activities for the two quarters ended June 30, 2024 was \$41.6 million compared to net cash provided by operating activities of \$31.3 million for the two quarters ended June 25, 2023, an increase of \$10.3 million or 33.0%. This increase was primarily driven by the increase in net income of \$5.2 million and the change in operating assets and liabilities of \$7.2 million, partially offset by the change in non-cash items of \$2.1 million.

The \$7.2 million change in our operating assets and liabilities balances was primarily driven by operating assets and liabilities being a source of net cash of \$6.7 million in the two quarters ended June 30, 2024, compared to a use of net cash of \$0.5 million in two quarters ended June 25, 2023 driven by the change in accounts payable, accrued expenses and other liabilities, other current assets and deferred lease incentives in the two quarters ended June 30, 2024. The \$2.1 million change from the two quarters ended June 30, 2024 in non-cash charges is primarily driven by the loss on debt extinguishment in the prior year, lower equity-based compensation expense, and higher income tax benefit, partially offset by higher depreciation and amortization in the current year. The increase in net income for the two quarters ended June 30, 2024 was primarily due to the factors driving the aforementioned change in revenues and expenses as described in the condensed consolidated results of operations in the two quarters ended June 30, 2024 compared to the two quarters ended June 25, 2023.

### Investing Activities

Net cash used in investing activities was \$33.8 million for the two quarters ended June 30, 2024 compared to \$37.3 million for the two quarters ended June 25, 2023, a decrease of \$3.5 million or 9.4%. This decrease was primarily due to the number and timing of restaurant openings and buildings in process during the two quarters ended June 30, 2024 compared to the two quarters ended June 25, 2023.

### Financing Activities

Net cash used in financing activities was \$5.9 million for the two quarters ended June 30, 2024 compared to net cash used in financing activities of \$16.0 million for the two quarters ended June 25, 2023, a decrease of \$10.1 million or 63.1%. This decrease is primarily due to a decrease in cash flow from borrowings of short-term debt of \$8.0 million for the two quarters ended June 30, 2024 as compared to the two quarters ended June 25, 2023. The two quarters ended June 25, 2023 included the payment of long-term debt in connection with our refinancing, as described in Note 8. Debt.

## 2023 Revolver Facility and Liens

On February 2, 2023, Holdings, the Borrower, the other Guarantors party thereto from time to time, each lender party thereto from time to time and Fifth Third Bank, National Association, as Administrative Agent, L/C Issuer and Swing Line Lender entered into the 2023 Credit Agreement which provides for the 2023 Term Loan in an initial aggregate principal amount of \$300.0 million and the 2023 Revolver Facility in an initial aggregate principal amount of \$100.0 million. The proceeds under the 2023 Term Loan and 2023 Revolver Facility, along with cash on hand, were used to repay outstanding indebtedness under the 2014 Credit Agreement and to pay related transaction expenses. The 2023 Term Loan and 2023 Revolver Facility are scheduled to mature on February 2, 2028.

As of June 30, 2024, we had \$17.0 million of borrowings under the 2023 Revolver Facility, and letters of credit issued under the 2023 Revolver Facility totaled \$4.2 million. As a result, as of June 30, 2024, the Company had \$78.8 million available under the 2023 Revolver Facility.

The 2023 Credit Agreement also includes certain financial covenants with respect to cash interest coverage and total net rent adjusted leverage. As of June 30, 2024, the Company was in compliance with financial covenants in the 2023 Credit Agreement.

## Material Cash Requirements

There have been no material changes to the material cash requirements as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, other than those payments made in the ordinary course of business.

Refer to Note 8. Debt for a description of a Credit Agreement and the repayment of borrowings.

## Critical Accounting Estimates

This discussion and analysis of financial condition and results of operations is based upon the Company's condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires the Company to make estimates, judgments, and assumptions that can have a meaningful effect on the reporting of condensed consolidated financial statements. There have been no significant changes to our critical accounting estimates or significant accounting policies as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

The Company reviewed all other recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact to its condensed consolidated financial statements. Refer to Note 2. Summary Of Significant Accounting Policies for additional detail.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes to our exposure to market risks as described in Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

### Item 4. Controls and Procedures.

#### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

#### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the quarter ended June 30, 2024, we implemented a new enterprise resource planning ("ERP") system. The new ERP system replaced a legacy system in which a significant portion of our business transactions originated, were processed, or were recorded. As a result, we modified and removed certain existing internal controls as well as implemented new controls and procedures impacted by the implementation of the new ERP system. Our new ERP system is intended to provide us with enhanced transactional processing, security and management tools and is intended to enhance internal controls over financial reporting.

There were no other changes in our internal control over financial reporting during the quarter ended June 30, 2024 identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION



### Item 1. Legal Proceedings.

Information regarding certain legal proceedings to which the Company is a party are discussed in Note 13. Contingencies in the notes to the unaudited condensed consolidated financial statements and is incorporated herein by reference.

### Item 1A. Risk Factors.

There have been no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, except as updated in the Company's last Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, and as set forth below.

***Matters relating to employment and labor law could have a material adverse effect, result in litigation or union activities, add significant costs and divert management attention.***

Various federal and state labor laws govern our relationships with our team members and affect our operating costs, including the U.S. Occupational Safety and Health Act, which governs worker health and safety, the U.S. Fair Labor Standards Act, which governs such matters as minimum wages and overtime, and a variety of federal, state and local laws that govern employment law matters like employee classifications, unemployment tax rates, workers' compensation rates, family leave, working conditions, safety standards, immigration status, payroll taxes, discrimination, and citizenship requirements. In addition, under the U.S. Patient Protection and Affordable Care Act ("ACA"), we must provide affordable coverage, as defined in ACA, to eligible team members, or make a payment per team member based on ACA's affordability criteria. Additionally, some state and local laws mandate certain levels of health benefits by some employers. Significant additional government regulations and new laws, including mandated increases in minimum wages, changes in exempt and non-exempt status, paid leave, or increased mandated benefits such as health care and insurance costs could have a material adverse effect on our business, financial condition and results of operations. In addition, changes in federal or state workplace regulations could adversely affect our ability to meet our financial targets.

Federal law requires that we verify that our team members have the proper documentation and authorization to work in the U.S. Although we require all workers to provide us with government-specified documentation evidencing their employment eligibility, some of our team members may, without our knowledge, be unauthorized workers. We currently participate in the "E-Verify" program, an Internet-based, free program run by the U.S. government to verify employment eligibility, in Arizona and Florida, which are the only states in which we operate where participation is required. However, use of the "E-Verify" program does not guarantee that we will properly identify all applicants who are ineligible for employment. Unauthorized workers are subject to deportation and we may be subject to fines or penalties if any of our workers are found to be unauthorized. Termination of a significant number of team members who lack work authorization may disrupt our operations, cause temporary increases in our labor costs as we train new team members and result in adverse publicity. We could also become subject to fines, penalties and other costs related to claims that we did not fully comply with all recordkeeping obligations of federal and state immigration compliance laws. As a result of such events, we could experience adverse publicity that may negatively impact our brand and may make it more difficult to hire and keep qualified team members. These factors could materially adversely affect our Results.

Our business is subject to the risk of litigation by team members, consumers, suppliers, shareholders or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation, particularly class action and regulatory actions, is difficult to assess or quantify. In recent years, restaurant companies, including us, have been subject to lawsuits, including class actions, alleging violations of federal and state laws regarding workplace and employment conditions, discrimination and similar matters. Some lawsuits have resulted in substantial damage awards. Similar lawsuits have been instituted from time to time alleging violations of various federal and state wage and hour laws regarding, among other things, employee meal deductions, overtime eligibility of managers and failure to pay for all hours worked. Whether or not claims against us are valid or whether we are found liable, claims may be expensive to defend and may divert time and money away from our operations and result in increases in our insurance premiums. In addition, they may generate negative publicity, which could reduce guest traffic and sales. Although we believe we maintain adequate levels of insurance, insurance may not be available at all or in sufficient amounts to cover all potential liabilities with respect to these or other matters. A judgment or other liability in excess of our insurance coverage or any adverse publicity resulting from claims could have a material adverse effect on our Results.



Certain of our team members at our commissaries in Addison, IL and Aurora, IL voted on April 13, 2023 and April 30, 2024, respectively, in favor of being represented by a union. We filed objections to the 2023 election with the National Labor Relations Board ("NLRB") on April 19, 2023, asserting that the promises made by the union and its agent prevented a free and fair election. We have appealed to the NLRB to set aside the election results. We filed an objection to the 2024 election with the NLRB on May 7, 2024, asserting that the promises made by the union and its agents prevented a free and fair election. Although we have not received other petitions to unionize, it is possible that additional team members may seek to be represented by labor unions in the future. If a significant number of our team members were to become unionized and collective bargaining agreement terms were significantly different from our current compensation arrangements, it could have a material adverse effect on our Results. In addition, a labor dispute involving some or all our team members may harm our reputation, disrupt our operations and reduce our revenues, and resolution of labor disputes could increase our costs. Further, if we enter into a new market with unionized construction companies, or the construction companies in our current markets become unionized, construction and build-out costs for new restaurants in such markets could materially increase.

***Security breaches, system interruptions, material failure of our system, or complications with the implementation or usage of our new enterprise resource planning system could disrupt our operations, compromise confidential personally identifying information, subject us to loss, harm our business, and have a material adverse impact on our business, financial condition and results of operations.***

Our information technology systems, which in some cases rely on third-party providers, have in the past, and may in the future experience service interruptions, degradation or other performance problems because of hardware and software defects or malfunctions, distributed denial-of-service and other cyberattacks, infrastructure changes, human error, earthquakes, hurricanes, floods, fires, natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks, computer viruses, ransomware, malware, or other events. Our systems also may be subject to break-ins, sabotage, theft, and intentional acts of vandalism perpetrated by criminal third parties, third parties we do business with, or team members. Our reliance on third parties increases our exposure to such risks as we exercise less control over such persons.

While we endeavor to keep all systems current, there can be no guarantee that we can update and maintain our systems at all times. In instances where we are unable to do so, our risk mitigation efforts may fail. Any such failure could lead to website downtime, disruptions to our information technology systems, or malicious behavior by threat actors. In Q2 2024, we completed the implementation of our new ERP system, designed to accurately maintain the Company's financial records, enhance operational functionality, and provide timely information to the Company's management team related to the operation of the business. The ERP system implementation process has required, and will continue to require, the investment of personnel and financial resources as we support post-implementation efforts and system functionality. These post-implementation efforts could result in delays, increased costs, and other difficulties, and disruptions or difficulties in using our ERP system could result in harm to our business. Additionally, if the ERP system does not operate as intended, the effectiveness of our internal controls over financial reporting could be adversely affected or our ability to adequately assess those controls could be further delayed.

Our business requires the collection, transmission, and retention of large volumes of guest and team member data, including personally identifiable information, through information technology systems maintained by us or vendors retained by us. In particular, our omni-channel approach relies in large part on our information technology systems to operate successfully and allow for capabilities like mobile order and pay, third-party delivery, and digital menu boards. Like many other companies, we have experienced, and will continue to experience, attempts to compromise our information technology systems. As we expand our business channels, our risk exposure will increase proportionately. The techniques and sophistication used to conduct cyberattacks, as well as the sources and targets of these attacks, change frequently and are often not recognized until such attacks have occurred. While we continue to make significant investment in physical and technological security measures, team member training, and third-party services to anticipate cyberattacks and prevent breaches, protect our information technology networks and infrastructure, and to identify vendors and service providers that could be vulnerable to damage, disruptions, shutdowns, data loss, or breaches due to criminal conduct, team member error, negligence or malfeasance, utility failures, natural disasters or other catastrophic events, we cannot guarantee that we will be successful in preventing every possible instance of cyberattacks, breach, or data loss, any of which could disrupt our operations, resulting in inefficiencies and a loss of profits.

Additionally, the cybersecurity and privacy requirements imposed by governmental regulations are evolving. Our systems may not be able to immediately satisfy applicable requirements, and may require significant additional investment and time to do so. A significant theft, loss or misappropriation of, or unauthorized access to, our guests' data or other proprietary data could result in fines, legal claims or proceedings, regulatory investigations and actions, or liability for failure to comply with privacy and information security laws, which could disrupt our operations, damage our reputation and expose us to claims from guests and team members, any of which could have a material adverse effect on our Results. Our cyber insurance and business interruption insurance may not be sufficient to cover all losses that may result from a cybersecurity incident. As a result, if we experience any outsized material impacts from a failure of our systems, our Results could be materially

and adversely affected. Our reputation as a brand or as an employer could be adversely affected, which could impair our ability to attract and retain guests and qualified employees.

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

Not applicable.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

During the quarter ended June 30, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K.

**Item 6. Exhibits.**

Exhibit Number	Description	Filed Herewith
<u>3.1</u>	<u>Amended and Restated Certificate of Incorporation of Portillo's Inc. (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q filed on November 18, 2021)</u>	
<u>3.2</u>	<u>Amended and Restated Bylaws of Portillo's Inc. (incorporated by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q filed on November 18, 2021)</u>	
<u>10.1</u>	† <u>Derrick Pratt Separation Agreement and Release</u>	*
<u>31.1</u>	<u>Certification of the Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	*
<u>31.2</u>	<u>Certification of the Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	*
<u>32.1</u>	<u>Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	#
101.INS	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	XBRL Taxonomy Extension Schema Document	*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	*
104	Cover page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	*

\* *Filed Herewith*

# *Furnished Herewith*

† *Indicates a management contract or compensatory plan or agreement*

**SIGNATURE**

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

**Portillo's Inc.**  
(Registrant)

Date: August 6, 2024

By: /s/ Michael Osanloo

Michael Osanloo  
President, Chief Executive Officer and Director  
(Principal Executive Officer)

Date: August 6, 2024

By: /s/ Michelle Hook

Michelle Hook  
Chief Financial Officer and Treasurer  
(Principal Financial Officer and Principal Accounting Officer)



Portillo's Hot Dogs, LLC • 2001 Spring Road, Suite 400, Oak Brook, IL 60523-3930 • (630) 954-3773 • www.portillos.com

June 30, 2024

**VIA EMAIL AND UPS**

Derrick Pratt



Re: Separation Agreement and Release

Dear Derrick:

The purpose of this Separation Agreement and Release (this "Agreement") is to confirm the understanding and agreement by and between Portillo's Inc. and all of its affiliates (collectively referred to as "Portillo's" or the "Company") and you, in your individual capacity (referred to as "You" or "Your"), concerning Your termination of employment with Portillo's. Capitalized terms used herein without definition have the meanings ascribed to such terms in the Portillo's Inc. Senior Executive Severance Plan (the "Plan").

**Termination Date**

You agree that Your employment relationship with Portillo's will terminate on June 30, 2024 (the "Termination Date").

**Severance Benefits**

Subject to the terms and conditions of the Plan, as well as Your continued compliance with the restrictive covenants set forth herein and as described in the Departing Officer Memorandum provided to You on June 20, 2024 (copy enclosed), which include confidentiality; non-solicitation of employees; non-solicitation of business; non-disparagement; and cooperation with legal and regulatory matters and/or litigation, Portillo's will provide You with the following severance benefits:

- Salary: six (6) months' base salary continued pay;
- 2024 Bonus: prorated based on a separation date of June 30, 2024 and based on actual performance; to be paid at the time 2024 annual bonuses are paid to similarly situated employees of the Company;

- Benefits: Medical, Dental, Vision – if requested, Portillo’s will reimburse You for the difference between what You pay for the cost of COBRA coverage in excess of what active employees pay for coverage until the earlier of (a) the date You are no longer eligible for COBRA continuation coverage, and (b) the date You obtain comparable alternative insurance coverage;
- Outplacement services: if requested, the Company will provide and pay for outplacement services through a nationally recognized firm selected by the Company, which specializes in outplacement services for up to twelve months and a maximum value of \$25,000; and
- Equity: 24,334 Pre-IPO non-qualified stock options (the “Pre-IPO Options”), and 20,834 restricted stock units, which are scheduled to vest later in 2024, will vest effective as of June 30, 2024. The Pre-IPO Options will remain exercisable until the 10<sup>th</sup> anniversary of the original grant date of September 14, 2020 (subject to the terms and conditions of the applicable equity plan and award agreement that permit earlier termination (e.g., in connection with certain corporate transactions)). Any other equity grants will be forfeited.

The salary continuation and COBRA reimbursements will commence on the 60<sup>th</sup> day following June 30, 2024, and the first such payment will include any payments that would have otherwise been paid between June 30, 2024, and the date of such first payment.

#### **Release**

You hereby release Portillo’s and all of its affiliates and related entities, predecessors, successors, and assigns (whether to all or any part of such entities’ businesses), and all of such entities’ officers, directors, agents, representatives, attorneys, and employees (current and former) and their employee benefit plans and programs and their administrators and fiduciaries, from any and all claims and causes of action that may exist, whether known or unknown, as of the date of Your execution of this Agreement, with the exception of any unemployment compensation or workers’ compensation benefits claim You may have and any other claims that cannot be waived by law. The scope of claims being released includes all causes of action to the extent permitted by law, including, but not limited to, claims under Portillo’s policies or practices; claims for breach of any term or condition of an agreement, employee handbook or policy manual, including any claims for breach of any promise of specific treatment in specific situations; federal, state, local and common law fair employment practices or discrimination laws; claims alleging breach of contract or wrongful termination or any other tort or violation of public policy, including invasion of privacy, intentional interference, negligence, or fraud, including any claim for damages, including compensatory damages, punitive damages, attorney’s fees, costs, expenses, and any other type of damage or relief;

claims arising under any whistleblowing, harassment, or retaliation laws; age discrimination claims under the Age Discrimination in Employment Act, as amended, and/or the Older Workers Benefit Protection Act; any claim under the Uniformed Services Employment and Reemployment Rights Act, as amended, Title VII of the Civil Rights Act of 1964, as amended, the Equal Pay Act, the Genetic Information Nondiscrimination Act of 2008, the Americans with Disabilities Act, as amended, the Employee Retirement Income Security Act of 1974, as amended (excluding claims for accrued, vested benefits), the Family and Medical Leave Act, as amended, Section 806 of the Sarbanes Oxley Act of 2002, as amended, the Worker Adjustment and Retraining Notification Act, as amended, or the Illinois Human Rights Act, as amended; and any other state, federal, and/or local law, statute, regulation, rule, ordinance, order or decision relating to employment or termination of employment.

This release does not apply to any claims arising after Your execution of this Agreement.

#### **Claims Not Released and Other Protected Conduct**

You are not waiving any rights You may have to: (a) Your own vested accrued employee benefits under the Company's health, welfare, or retirement benefit plans as of the Termination Date; (b) benefits and/or the right to seek benefits under applicable workers' compensation and/or unemployment compensation statutes; (c) pursue claims that by law cannot be waived by signing this Agreement; (d) enforce this Agreement (including rights under Section 5.1 or 5.2 of the Plan, as applicable); (e) any rights to indemnification in respect of service as an employee or director and/or (f) challenge the validity of this Agreement.

Further, nothing in this Agreement, the Plan, or the Departing Officer Memorandum shall restrict You from: (a) filing a charge with the U.S. Equal Employment Opportunity Commission or similar state or local administrative agency; provided, however, You release Your right to obtain damages or other relief in connection with such charge; (b) reporting any allegations of unlawful conduct to, participating in any proceeding conducted by, or cooperating with any federal, state or local government agency or official, including, but not limited to, the U.S. Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission, or the U.S. Department of Justice; (c) truthfully testifying in any administrative, legislative, or judicial proceeding if You have been required or requested to attend pursuant to a court order, subpoena, or written request from an administrative agency or the legislature; or (d) requesting or receiving confidential legal advice. Further, nothing herein shall restrict the Company or its personnel from engaging in any conduct set forth in subparts (b) through (d) or from having internal discussions within the Company based on business needs.

## **Restrictive Covenants**

You acknowledge and agree that Your receipt of the Severance Benefits under this Agreement and the Plan is subject to Your execution, delivery, and non-revocation of this Agreement and Your continued compliance with the restrictive covenants set forth in Article VI of the Plan and any other pre-existing restrictive covenants already in effect as of the date of this Agreement, including but not limited to those described in the Departing Officer Memorandum, except as may be protected herein above. Please carefully read the terms and conditions of the Plan, including the restrictive covenants set forth in Article VI of the Plan. By signing this Agreement, You are agreeing to be bound by the terms and conditions of the Plan, including the restrictive covenants set forth in Article VI of the Plan. You are also confirming that the supply chain data referenced in the Departing Officer Memorandum is Company confidential information. By signing this Agreement, you confirm and agree that you have destroyed any copies of the supply chain data in your possession, and that you have not shared or disclosed that information with anyone outside of the Company.

Further, except as protected above, each party agrees that this Agreement shall be kept confidential. You and the Company acknowledge and agree that confidentiality of this Agreement is the documented preference of each party and is mutually beneficial to both parties.

## **Written Affirmation of No Present Violation**

You certify and warrant that: (a) You are not presently aware of any unreported violation of Portillo's Code of Business Conduct; (b) You are not presently aware of any work-related injury not properly disclosed to Portillo's; (c) upon receiving the payments and other entitlements outlined in this Agreement, You will have received all medical and other leave time and pay to which You are entitled; (d) You will have been paid for all hours worked; and (e) You have not exercised any actual or apparent authority by or on behalf of Portillo's that You have not specifically disclosed to Portillo's.

## **Review of Agreement**

You agree and represent that You have the right to and have been advised to consult with an attorney or representative of Your choice prior to executing this Agreement and You fully understand Your right to discuss all aspects of this Agreement with such attorney or representative. Your execution of this Agreement establishes that, if You wish the advice of an attorney, You have done so by the date You signed the Agreement, and that You were given at least twenty-one (21) days to consider whether to sign and You agree that if You decide to shorten this time period for signing, Your decision was knowing and voluntary. You may sign this Agreement and then revoke Your signature before the end of the seven-day period following signature. The parties agree that a change, whether material or immaterial, does not



restart the running of said period. Provided You timely sign this Agreement and do not revoke this Agreement as provided herein, this Agreement shall be effective, enforceable and irrevocable on the eighth (8<sup>th</sup>) day after You sign this Agreement.

### **Full Compliance**

You acknowledge and agree that Portillo's agreement to provide benefits under this Agreement (other than the Accrued Obligations) is expressly contingent upon, and is consideration for, Your full compliance with the provisions of this Agreement and the Plan.

### **Successors**

You and anyone who succeeds to Your rights and responsibilities are bound by this Agreement and this Agreement will accrue to the benefit of and may be enforced by either party and their successors and assigns. In the event of Your death after the Termination Date and while any payment or entitlement remains due to You hereunder, such payment or entitlement shall be paid or provided to Your designated beneficiary or beneficiaries (or if You have not designated a beneficiary, to Your estate).

### **Severability**

You agree that the validity or unenforceability of any provision of this Agreement shall not affect the validity or unenforceability of any remaining provisions.

### **Non-Mitigation; No Offset**

Consistent with Section 4.2 of the Plan, upon termination of Your employment, You shall have no obligation to mitigate damages or to seek other employment and there shall be no offset by the Company against any amounts or entitlements due under this Agreement on account of any compensation or entitlements that You may receive from subsequent employment or on account of any claim that Company may have against You.

### **Governing Law**

This Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed by the parties to this Agreement. It is not, and shall not, be interpreted or construed as an admission or indication that the Company has engaged in any wrongful or unlawful conduct of any kind.

You agree that all questions concerning the intention, validity, or meaning of this Confidential Severance Agreement and Release shall be construed and resolved according to the laws of the State of Delaware. You also designate the federal and state courts of Delaware County, Delaware as the courts of competent jurisdiction and venue for any actions or

proceedings related to this Confidential Severance Agreement and Release, and hereby irrevocably consent to such designation, jurisdiction and venue.

\* \* \* \*

I believe the foregoing accurately reflects the terms of Your severance from Portillo's and ask that You sign an extra copy of this letter to confirm Your agreement. You must return the signed Agreement to me by the expiration of the twenty-first (21<sup>st</sup>) day following Your receipt of this Agreement; otherwise, I will assume that You reject this offer and it will no longer be available to You.

Sincerely,

PORTILLO'S INC.

By: /s/ Kelly M. Kaiser

\_\_\_\_\_  
Name: Kelly M. Kaiser

Title: Vice President, General Counsel & Secretary

Agreed to:

/s/ Derrick Pratt

\_\_\_\_\_  
Derrick Pratt

July 15, 2024

\_\_\_\_\_  
Date

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Osanloo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 of Portillo's Inc.;
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;
  - 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. 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 6, 2024

By: /s/ Michael Osanloo

Michael Osanloo  
President, Chief Executive Officer and Director  
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michelle Hook, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 of Portillo's Inc.;
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;
  - 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. 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 6, 2024

By: /s/ Michelle Hook

Michelle Hook

Chief Financial Officer and Treasurer

(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Portillo's Inc. (the "Company"), for the quarterly period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of such officer's knowledge:

- 1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2024

By: /s/ Michael Osanloo  
Michael Osanloo  
President, Chief Executive Officer and Director  
(Principal Executive Officer)

Date: August 6, 2024

By: /s/ Michelle Hook  
Michelle Hook  
Chief Financial Officer and Treasurer  
(Principal Financial Officer and Principal Accounting Officer)