

Chipotle Mexican Grill, Inc.
Reconciliation of Non-GAAP Financial Measures
(in thousands, except per share amounts)

The following provides a reconciliation of non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP.

Adjusted net income is net income excluding restaurant asset impairment, corporate restructuring, distinct legal proceedings, and certain other costs. Adjusted general and administrative expense is general and administrative expense excluding distinct legal proceedings and transformation expenses. We present these non-GAAP measures in order to facilitate meaningful evaluation of our operating performance across periods. These adjustments are intended to provide greater transparency of underlying performance and to allow investors to evaluate our business on the same basis as our management, which uses these non-GAAP measures in evaluating the company's performance. Our adjusted net income, adjusted diluted earnings per share, and adjusted general and administrative expenses measures may not be comparable to other companies' adjusted measures. These adjustments are not necessarily indicative of what our actual financial performance would have been during the periods presented and should be viewed in addition to, and not as an alternative to, our results prepared in accordance with GAAP. Further details regarding these adjustments are included in the tables below.

Adjusted Net Income and Adjusted Diluted Earnings Per Share

	Three months ended	
	September 30,	
	2019	2018
Net income	\$ 98,582	\$ 38,204
<i>Non-GAAP adjustments:</i>		
Restaurant closure costs:		
Operating lease asset impairment and other restaurant closure costs ⁽¹⁾	182	4,656
Accelerated depreciation ⁽²⁾	-	437
Duplicate rent expense ⁽³⁾	214	-
Corporate Restructuring:		
Operating lease asset impairment and other office closure costs ⁽⁴⁾	-	(1,076)
Accelerated depreciation ⁽²⁾	-	5,543
Duplicate rent expense ⁽³⁾	942	953
Employee related restructuring costs ⁽⁵⁾	1,515	14,882
Legal Proceedings ⁽⁶⁾	7,550	-
Other Adjustments ⁽⁷⁾	2,110	644
Total non-GAAP adjustments	\$ 12,513	\$ 26,039
Tax effect of non-GAAP adjustments	(2,791)	(3,590)
After tax impact of non-GAAP adjustments	\$ 9,722	\$ 22,449
Adjusted net income	<u>\$ 108,304</u>	<u>\$ 60,653</u>
Diluted weighted-average number of common shares outstanding	28,388	28,017
Diluted earnings per share	\$ 3.47	\$ 1.36
Adjusted diluted earnings per share	\$ 3.82	\$ 2.16

(1) Operating lease asset impairment charges, and other closure expenses for restaurant closures announced in June 2018 due to underperformance.

(2) Accelerated depreciation for restaurant and office closures announced in June 2018 due to underperformance and the corporate restructuring.

(3) Duplicate rent expense for the corporate headquarter relocation and office consolidation announced in May 2018 and for closed restaurants.

(4) Operating lease asset impairment charges and other closure expenses for the corporate headquarter relocation and office consolidation announced in May 2018.

- (5) Costs for employee severance, stock modifications, transition expenses, recruitment, relocation costs, third party and other employee-related costs.
- (6) For the three months ended September 30, 2019, charges relate to settlements for several distinct legal matters. These amounts are expected to exceed typical costs for these types of legal proceedings.
- (7) For the three months ended September 30, 2019, consists of an asset impairment charge related to our jet.

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	Three months ended September 30, 2019
General and administrative expenses	\$ 115.1
<i>Non-GAAP adjustments:</i>	
Legal Proceedings ⁽¹⁾	(7.6)
Transformation expenses ⁽²⁾	(2.7)
Total non-GAAP adjustments	<u>\$ (10.3)</u>
Adjusted general and administrative expenses	<u>\$ 104.8</u>

(1) Charges relate to settlements for several distinct legal matters. These amounts are expected to exceed typical costs for these types of legal proceedings.

(2) Transformation expenses include duplicate rent expense of \$1,156 and employee related restructuring costs of \$1,515 for office and restaurant closures announced in June 2018 due to the corporate restructuring and underperformance.

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	Three months ended September 30, 2019
Effective income tax rate	17.9 %
Tax effect of non-GAAP adjustments	0.4
Adjusted income tax rate	18.3 %