

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, and certain other costs. Adjusted general and administrative expense is general and administrative expense excluding certain other costs 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	
	June 30,	
	2020	2019
Net income	\$ 8,175	\$ 91,028
<i>Non-GAAP adjustments:</i>		
Restaurant costs:		
Operating lease asset impairment and other restaurant costs ⁽¹⁾	2,107	480
Duplicate rent expense ⁽²⁾	80	305
Corporate Restructuring:		
Operating lease asset impairment and other office closure costs ⁽³⁾	-	325
Accelerated depreciation ⁽⁴⁾	-	27
Duplicate rent expense ⁽²⁾	1,216	961
Employee related restructuring costs ⁽⁵⁾	295	2,638
Legal expenses, net	-	19,600
Total non-GAAP adjustments	\$ 3,698	\$ 24,336
Tax effect of non-GAAP adjustments ⁽⁶⁾	(425)	(2,514)
After tax impact of non-GAAP adjustments	\$ 3,273	\$ 21,822
Adjusted net income	\$ 11,448	\$ 112,850
Diluted weighted-average number of common shares outstanding	28,333	28,300
Diluted earnings per share	\$ 0.29	\$ 3.22
Adjusted diluted earnings per share	\$ 0.40	\$ 3.99

(1) Operating lease asset impairment charges, and other expenses for restaurants due to underperformance.

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

(3) Asset impairment charges and other closure expenses for the corporate headquarter relocation and office consolidation announced in May 2018.

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

(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 June 30, 2019, includes a \$3,843 adjustment for non-tax deductible costs related to litigation matters.

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(in thousands)

	Three months ended	
	June 30,	
	2020	2019
General and administrative expenses	\$ 102,647	\$ 121,395
<i>Non-GAAP adjustments:</i>		
Legal Proceedings ⁽¹⁾	-	(19,600)
Transformation expenses ⁽²⁾	(1,591)	(3,904)
Total non-GAAP adjustments	\$ (1,591)	\$ (23,504)
Adjusted general and administrative expenses	<u>\$ 101,056</u>	<u>\$ 97,891</u>

(1) The three months ended June 30, 2019 relates to estimated costs for several existing legal proceedings. These amounts are expected to exceed typical costs for these types of legal proceedings.

(2) Transformation expenses include duplicate rent expense for office and restaurant closures announced in June 2018 due to the corporate restructuring and underperformance of \$1,296 and \$1,266 for the three months ended June 30, 2020 and 2019, respectively, and employee related restructuring costs of \$295 and \$2,638 for the three months ended June 30, 2020 and 2019, respectively.