

CHIPOTLE MEXICAN GRILL, INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The following table provides a reconciliation of non-GAAP financial measures presented in the text above 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, transformation expenses, restaurant closure costs and certain other costs. 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
(in thousands, except per share amounts)
(unaudited)

	Three months ended		Year ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Net income	\$ 190,959	\$ 72,416	\$ 355,766	\$ 350,158
<i>Non-GAAP adjustments:</i>				
Restaurant costs:				
Operating lease asset impairment and other restaurant costs ⁽¹⁾	3,587	2,523	14,802	3,285
Accelerated depreciation ⁽²⁾	-	-	-	109
Duplicate rent expense ⁽³⁾	69	229	329	1,270
Corporate Restructuring:				
Operating lease asset impairment and other office closure costs ⁽⁴⁾	-	-	-	1,719
Accelerated depreciation ⁽²⁾	-	-	-	83
Duplicate rent expense ⁽³⁾	1,496	944	5,301	4,045
Employee related restructuring costs ⁽⁵⁾	138	1,176	1,097	8,552
Legal proceedings ⁽⁶⁾	6,778	3,635	35,478	30,785
Other adjustments ⁽⁷⁾	1,965	1,431	9,165	4,469
Total non-GAAP adjustments	\$ 14,033	\$ 9,938	\$ 66,172	\$ 54,317
Tax effect of non-GAAP adjustments above	2,063	(1,332)	(9,229)	(6,810)
Other tax non-GAAP adjustments ⁽⁸⁾	(107,728)	-	(107,728)	-
After tax impact of non-GAAP adjustments	\$ (91,632)	\$ 8,606	\$ (50,785)	\$ 47,507
Adjusted net income	\$ 99,327	\$ 81,022	\$ 304,981	\$ 397,665
Diluted weighted-average number of common shares outstanding				
	28,552	28,372	28,416	28,295
Diluted earnings per share	\$ 6.69	\$ 2.55	\$ 12.52	\$ 12.38
Adjusted diluted earnings per share	\$ 3.48	\$ 2.86	\$ 10.73	\$ 14.05

(1) Operating lease asset impairment charges, and other expenses for restaurants 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 rent expense for closed restaurants announced in June 2018.

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

(7) For the three months ended December 31, 2020, other adjustments consist of an asset impairment charge related to digital technology of \$833, performance share modification charges of \$466 and consulting fees of \$666 for assistance with the calculation of our non-recurring tax benefit. For the three months ended December 31, 2019, other adjustments consist of interest expense related to an uncertain tax position for the 2017 data breach. For the year ended December 31, 2020, other adjustments consist of an asset impairment charge related to digital technology of \$2,708, performance share modification charges of \$466, consulting fees of \$666 for the assistance with the calculation of our non-recurring tax benefit, and stock modification charges associated with the departure of our former Executive Chairman primarily related to his 2017 agreement of \$5,791. For the year ended December 31, 2019, other adjustments consist of an asset impairment charge related to our company-owned aircraft and interest expense related to an uncertain tax position for the 2017 data breach.

(8) Primarily relates to the tax benefit from the federal net operating loss generated in the current year that will be carried back to tax years 2015-2017. The tax benefit is due to the federal income tax rate differential between the 2020 rate of 21% and the 2015-2017 rate of 35%.

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(in thousands)
(unaudited)

	Three months ended December 31, 2020	Year ended December 31, 2020
General and administrative expenses	\$ 124,024	\$ 466,291
<i>Non-GAAP adjustments:</i>		
Legal proceedings ⁽¹⁾	(6,778)	(35,478)
Transformation expenses ⁽²⁾	(1,703)	(6,727)
Other adjustments ⁽³⁾	(1,132)	(6,457)
Total non-GAAP adjustments	\$ (9,613)	\$ (48,662)
Adjusted general and administrative expenses	\$ 114,411	\$ 417,629

(1) For the three months and year ended December 31, 2020, charges relate to settlements for several distinct legal matters. These settlements exceeded or 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 \$1,565 and \$5,630 for the three months and year ended December 31, 2020, respectively, and employee related restructuring costs of \$138 and \$1,097 for the three months and year ended December 31, 2020, respectively.

(3) For the three months ended December 31, 2020, other adjustments consist of performance share modification charges of \$466 and consulting fees of \$666 for the assistance with the calculation of our non-recurring tax benefit. For the year ended December 31, 2020, other adjustments consist of \$5,325 in severance and stock modification charges associated with the departure of our former Executive Chairman primarily related to his 2017 agreement, performance share modification charges of \$466, and consulting fees of \$666 for the assistance with the calculation of our non-recurring tax benefit

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	Three months ended		Year ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Effective income tax rate	(62.2)%	28.3 %	(21.1)%	23.6 %
Tax effect of non-GAAP adjustments	86.8	(1.3)	36.4	(1.2)
Adjusted income tax rate	24.6 %	27.0 %	15.3 %	22.4 %