

CHIPOTLE MEXICAN GRILL, INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(in thousands, except per share amounts)
(unaudited)

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 expenses related to restaurant asset impairment, corporate restructuring, stock-based compensation modification expense, and certain other costs. Adjusted general and administrative expense is general and administrative expense excluding transformation expenses, stock-based compensation modification expense, and certain other costs. The non-GAAP effective tax rate is the effective tax rate adjusted to reflect the tax effect of non-GAAP adjustments. 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.

	Three months ended	
	March 31,	
	2021	2020
Net income	\$ 127,101	\$ 76,388
<i>Non-GAAP adjustments:</i>		
Restaurant costs:		
Operating lease asset impairment and other restaurant costs ⁽¹⁾	2,299	6,154
Duplicate rent expense ⁽²⁾	56	106
Corporate Restructuring:		
Operating lease asset impairment and other office closure costs ⁽³⁾	332	-
Duplicate rent expense ⁽²⁾	1,344	951
Employee related restructuring costs ⁽⁴⁾	153	389
Stock-based compensation modification expense ⁽⁵⁾	24,366	1,353
Other adjustments ⁽⁶⁾	-	3,840
Total non-GAAP adjustments	\$ 28,550	\$ 12,793
Tax effect of non-GAAP adjustments above	(2,518)	(2,024)
After tax impact of non-GAAP adjustments	\$ 26,032	\$ 10,769
Adjusted net income	<u>\$ 153,133</u>	<u>\$ 87,157</u>
Diluted weighted-average number of common shares outstanding	28,582	28,323
Diluted earnings per share	\$ 4.45	\$ 2.70
Adjusted diluted earnings per share	\$ 5.36	\$ 3.08

(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 announced in June 2018.

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

(4) Costs for recruitment, relocation costs, third party and other employee-related costs.

(5) For the three months ended March 31, 2021, stock-based compensation consists of a modification to 2018 performance shares. For the three months ended March 31, 2020, stock-based compensation consists of stock modification charges associated with the departure of our former Executive Chairman primarily related to his 2017 agreement.

(6) For the three months ended March 31, 2020, other adjustments consists of severance associated with the departure of our former Executive Chairman primarily related to his 2017 agreement.

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Adjusted General and Administrative Expenses

	Three months ended	
	March 31,	
	2021	2020
General and administrative expenses	\$ 155,103	\$ 106,470
<i>Non-GAAP adjustments:</i>		
Transformation expenses ⁽¹⁾	(1,553)	(1,446)
Stock-based compensation modification expense ⁽²⁾	(24,366)	(1,353)
Other adjustments ⁽³⁾	-	(3,840)
Total non-GAAP adjustments	\$ (25,919)	\$ (6,639)
Adjusted general and administrative expenses	<u>\$ 129,184</u>	<u>\$ 99,831</u>

(1) For the three months ended March 31, 2021, transformation expenses include duplicate rent expense for office and restaurant closures announced in June 2018 due to the corporate restructuring and underperformance of \$1,400 and employee related restructuring costs of \$153.

(2) For the three months ended March 31, 2021, stock-based compensation consists of a modification to 2018 performance shares. For the three months ended March 31, 2020, stock-based compensation consists of stock modification charges associated with the departure of our former Executive Chairman primarily related to his 2017 agreement.

(3) For the three months ended March 31, 2020, other adjustments consists of severance associated with the departure of our former Executive Chairman primarily related to his 2017 agreement.

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Non-GAAP Effective Tax Rate

	Three months ended	
	March 31,	
	2021	2020
Effective income tax rate	20.2 %	(3.4)%
Tax effect of non-GAAP adjustments	(1.7)	2.8
Adjusted income tax rate	18.5 %	(0.6)%