

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

The following tables provide 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, legal proceedings, 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. Restaurant Level Operating Margin, a non-GAAP financial measure, is equal to the revenues generated by our restaurants less their direct operating costs which consist of food, beverage and packaging, labor, occupancy and other operating costs. This performance measure primarily includes the costs that restaurant level managers can directly control and excludes other operating costs that are essential to conduct our business. Management uses restaurant level operating margin as a measure of restaurant performance. Management believes restaurant level operating margin is useful to investors in that it highlights trends in our core business that may not otherwise be apparent to investors when relying solely on GAAP financial measures. 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, adjusted general and administrative expenses, non-GAAP effective tax rate and restaurant level operating margin 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	
	June 30,	
	2021	2020
Net income	\$ 187,974	\$ 8,175
<i>Non-GAAP adjustments:</i>		
Restaurant costs:		
Operating lease asset impairment and other restaurant costs ⁽¹⁾	115	2,107
Duplicate rent expense ⁽²⁾	51	80
Corporate Restructuring:		
Duplicate rent expense ⁽²⁾	1,070	1,216
Employee related restructuring costs ⁽³⁾	129	295
Legal proceedings ⁽⁴⁾	2,092	-
Stock-based compensation modification expense ⁽⁵⁾	23,473	-
Other adjustments ⁽⁶⁾	850	-
Total non-GAAP adjustments	\$ 27,780	\$ 3,698
Tax effect of non-GAAP adjustments above	(3,002)	(425)
After tax impact of non-GAAP adjustments	\$ 24,778	\$ 3,273
Adjusted net income	<u>\$ 212,752</u>	<u>\$ 11,448</u>
Diluted weighted-average number of common shares outstanding	28,501	28,333
Diluted earnings per share	\$ 6.60	\$ 0.29
Adjusted diluted earnings per share	\$ 7.46	\$ 0.40

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

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

(5) For the three months ended June 30, 2021, stock-based compensation consists of a modification to 2018 performance shares.

(6) For the three months ended June 30, 2021, other adjustments consist of asset impairment charges for equipment related to a discontinued restaurant initiative, and certain corporate equipment.

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Adjusted General and Administrative Expenses

	Three months ended	
	June 30,	
	2021	2020
General and administrative expenses	\$ 146,044	\$ 102,647
<i>Non-GAAP adjustments:</i>		
Transformation expenses ⁽¹⁾	(1,250)	(1,591)
Stock-based compensation modification expense ⁽²⁾	(23,473)	-
Legal proceedings ⁽³⁾	(2,092)	-
Total non-GAAP adjustments	\$ (26,815)	\$ (1,591)
Adjusted general and administrative expenses	\$ 119,229	\$ 101,056

(1) Transformation expenses include duplicate rent expense for office and restaurant closures announced in June 2018 due to the corporate restructuring and underperformance of \$1,121 and \$1,296 for the three months ended June 30, 2021 and 2020, respectively, and employee related restructuring costs of \$129 and \$295 for the three months ended June 30, 2021 and 2020, respectively.

(2) For the three months ended June 30, 2021, stock-based compensation consists of a modification to 2018 performance shares.

(3) For the three months ended June 30, 2021, charges related to estimated settlements for distinct legal matters that exceeded or are expected to exceed typical costs for these types of legal proceedings.

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Non-GAAP Effective Tax Rate

	Three months ended	
	June 30,	
	2021	2020
Effective income tax rate	23.7 %	289.4 %
Tax effect of non-GAAP adjustments	(1.3)	1,663.0
Adjusted income tax rate	22.4 %	1,952.4 %

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Restaurant Level Operating Margin

	Three months ended June 30,			
	2021		2020	
Income from operations	\$ 245,525	13.0 %	\$ (4,939)	(0.4)%
<i>Non-GAAP Adjustments:</i>				
General and administrative expenses	146,044	7.7	102,647	7.5
Depreciation and amortization	62,082	3.3	60,024	4.4
Pre-opening costs	4,965	0.3	3,644	0.3
Impairment, closure costs, and asset disposals	4,266	0.2	5,386	0.4
Total Non-GAAP Adjustments	\$ 217,357	11.5 %	\$ 171,701	12.6 %
Restaurant level operating margin	\$ 462,882	24.5 %	\$ 166,762	12.2 %