

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

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, legal proceedings, stock-based compensation modification expense, and certain other costs. The non-GAAP effective tax rate is the effective tax rate adjusted to reflect the after tax impact 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.

Certain non-GAAP measures presented on a forward-looking basis during our investor conference call, such as Restaurant Level Operating Margin for our fourth quarter, were not reconciled to the comparable GAAP financial measures because the reconciliation could not be performed without unreasonable efforts. The GAAP measures are not accessible on a forward-looking basis because we are currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact GAAP measures for these periods but would not impact the non-GAAP measures. Such items may include corporate initiatives, performance compensation expense, litigation expense, corporate restructuring expense, impairments on long lived assets, and other items. The unavailable information could have a significant impact on our GAAP financial results.

CHIPOTLE MEXICAN GRILL, INC.
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(in thousands, except per share amounts)
(unaudited)

Adjusted Net Income and Adjusted Diluted Earnings per Share

	Three months ended	
	September 30,	
	2021	2020
Net income	\$ 204,434	\$ 80,244
<i>Non-GAAP adjustments:</i>		
Restaurant costs:		
Operating lease asset impairment and other restaurant costs ⁽¹⁾	218	2,954
Duplicate rent expense ⁽²⁾	33	74
Corporate Restructuring:		
Duplicate rent expense ⁽²⁾	1,313	1,638
Employee related restructuring costs ⁽³⁾	113	275
Legal proceedings ⁽⁴⁾	-	28,700
Stock-based compensation modification expense ⁽⁵⁾	7,619	132
Other adjustments ⁽⁶⁾	47	1,875
Total non-GAAP adjustments	\$ 9,343	\$ 35,648
Tax effect of non-GAAP adjustments above	1,462	(8,844)
Other tax non-GAAP adjustments ⁽⁷⁾	(15,423)	-
After tax impact of non-GAAP adjustments	\$ (4,618)	\$ 26,804
Adjusted net income	\$ 199,816	\$ 107,048
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Diluted weighted-average number of common shares outstanding	28,475	28,454
Diluted earnings per share	\$ 7.18	\$ 2.82
Adjusted diluted earnings per share	\$ 7.02	\$ 3.76

(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 September 30, 2021, stock-based compensation consists of a COVID-19 related modification made in December 2020 to our 2018 performance shares. For the three months ended September 30, 2020, stock-based compensation consists of a March 2020 modification associated with the departure of our former Executive Chairman primarily related to his 2017 agreement.

(6) For the three months ended September 30, 2021, other adjustments consist of consulting fees associated with the calculation of our non-recurring tax benefit. For the three months ended September 30, 2020, other adjustments consist of asset impairment charge related to digital technology.

(7) For the tax benefit from the federal net operating loss generated on our 2020 federal income tax return and carried back to prior years. The tax benefit is due to the federal income tax rate differential between the 2020 rate of 21% and the 2017 rate of 35%.

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(in thousands)
(unaudited)

Adjusted General and Administrative Expenses

	Three months ended	
	September 30,	
	2021	2020
General and administrative expenses	\$ 145,930	\$ 133,150
<i>Non-GAAP adjustments:</i>		
Transformation expenses ⁽¹⁾	(1,459)	(1,987)
Legal proceedings ⁽²⁾	-	(28,700)
Stock-based compensation modification expense ⁽³⁾	(7,619)	(132)
Other adjustments ⁽⁴⁾	(47)	-
Total non-GAAP adjustments	\$ (9,125)	\$ (30,819)
Adjusted general and administrative expenses	\$ 136,805	\$ 102,331

(1) Transformation expenses include duplicate rent expense for office and restaurant closures announced in June 2018 due to the corporate restructuring and underperformance of \$1,346 and \$1,712 for the three months ended September 30, 2021 and 2020, respectively, and employee related restructuring costs of \$113 and \$275 for the three months ended September 30, 2021 and 2020, respectively.

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

(3) For the three months ended September 30, 2021, stock-based compensation consists of a COVID-19 related modification made in December 2020 to our 2018 performance shares. For the three months ended September 30, 2020, stock-based compensation consists of a March 2020 modification associated with the departure of our former Executive Chairman primarily related to his 2017 agreement.

(4) For the three months ended September 30, 2021, other adjustments consist of consulting fees associated with the calculation of our non-recurring tax benefit.

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Non-GAAP Effective Tax Rate

	Three months ended	
	September 30,	
	2021	2020
Effective income tax rate	14.7 %	24.7 %
Tax impact of non-GAAP adjustments	5.0	-
Adjusted income tax rate	19.7 %	24.7 %

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(in thousands)
(unaudited)

Restaurant Level Operating Margin

	Three months ended September 30,			
	2021		2020	
Income from operations	\$ 239,680	12.3 %	\$ 107,096	6.7%
<i>Non-GAAP Adjustments:</i>				
General and administrative expenses	145,930	7.5	133,150	8.3
Depreciation and amortization	63,191	3.2	60,180	3.8
Pre-opening costs	5,894	0.3	3,808	0.2
Impairment, closure costs, and asset disposals	4,658	0.2	7,991	0.5
Total Non-GAAP Adjustments	\$ 219,673	11.3 %	\$ 205,129	12.8 %
Restaurant level operating margin	\$ 459,353	23.5 %	\$ 312,225	19.5 %