

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, certain legal proceedings, stock-based compensation modification expense, unrealized gains on equity investments, separation costs, and certain other costs. Adjusted general and administrative expense is general and administrative expense excluding transformation expenses, certain legal proceedings, stock-based compensation modification expense, separation costs, and certain other costs. The adjusted effective income tax rate is the effective income 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 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, adjusted effective income 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 first quarter 2023, 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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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,	
	2022	2021	2022	2021
Net income	\$ 223,727	\$ 133,475	\$ 899,101	\$ 652,984
<i>Non-GAAP adjustments:</i>				
Restaurant costs:				
Operating lease asset impairment and other restaurant costs ⁽¹⁾	-	1,090	1,738	3,722
Duplicate rent expense ⁽²⁾	-	12	-	152
Corporate Restructuring:				
Operating lease asset impairment and other office closure costs ⁽³⁾	-	-	-	332
Duplicate rent expense ⁽²⁾	881	1,237	3,937	4,964
Employee related restructuring costs ⁽⁴⁾	-	54	-	449
Legal proceedings ⁽⁵⁾	3,718	18,025	9,516	20,117
Stock-based compensation modification expense ⁽⁶⁾	1,117	7,619	7,411	63,077
Unrealized gain on equity investments ⁽⁷⁾	-	-	(10,410)	-
Separation costs ⁽⁸⁾	-	-	3,538	-
Other adjustments ⁽⁹⁾	-	-	961	897
Total non-GAAP adjustments	\$ 5,716	\$ 28,037	\$ 16,691	\$ 93,710
Tax effect of non-GAAP adjustments above ⁽¹⁰⁾	1,951	(2,434)	4,003	(6,492)
Other tax non-GAAP adjustments ⁽¹¹⁾	-	-	-	(15,423)
After tax impact of non-GAAP adjustments	\$ 7,667	\$ 25,603	\$ 20,694	\$ 71,795
Adjusted net income	<u>\$ 231,394</u>	<u>\$ 159,078</u>	<u>\$ 919,795</u>	<u>\$ 724,779</u>
Diluted weighted-average number of common shares outstanding	27,899	28,485	28,062	28,511
Diluted earnings per share	\$ 8.02	\$ 4.69	\$ 32.04	\$ 22.90
Adjusted diluted earnings per share	\$ 8.29	\$ 5.58	\$ 32.78	\$ 25.42

(1) Operating lease asset impairment charges and other expenses for restaurants due to closures, relocations, or 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) Charges relate to estimated settlements for distinct legal matters that exceeded or are expected to exceed typical costs for these types of legal proceedings.

(6) Charges for a COVID-19 related modification made in December 2020 to our 2018 performance shares.

(7) Unrealized gain on equity investments based on a subsequent investment by an unrelated party in one of our investees, which subsequent investment represents an observable price change in an orderly transaction for a similar investment of the same issuer.

(8) Expenses related to an employee separation, which consist of incremental compensation costs net of forfeitures of stock-based compensation.

(9) For the year ended December 31, 2022, other adjustments consist of impairment for charges for certain corporate assets of \$961. For the year ended December 31, 2021, other adjustments consist of asset impairment charges for equipment related to a discontinued restaurant initiative and certain corporate equipment of \$850 and consulting fees associated with the calculation of our non-recurring tax benefit of \$47.

(10) Adjustments relate to the tax effect of non-GAAP adjustments, which were determined based on the nature of the underlying non-GAAP adjustments and their relevant jurisdictional tax rates.

(11) Primarily relates to the tax benefit from the federal net operating loss generated on our federal income tax return and carried back to prior years. The tax benefit is due to the federal income tax rate differential between the 2021 and 2020 rate of 21% and the 2015-2017 rate of 35%.

CHIPOTLE MEXICAN GRILL, INC.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

**Adjusted General and Administrative Expenses
(in thousands)
(unaudited)**

	Three months ended		Year ended	
	December 31,		December 31,	
	2022	2021	2022	2021
General and administrative expenses	\$ 135,073	\$ 159,777	\$ 564,191	\$ 606,854
<i>Non-GAAP adjustments:</i>				
Restructuring expense ⁽¹⁾	(881)	(1,303)	(3,937)	(5,565)
Legal proceedings ⁽²⁾	(3,718)	(18,025)	(9,516)	(20,117)
Stock-based compensation modification expense ⁽³⁾	(1,117)	(7,619)	(7,411)	(63,077)
Separation costs ⁽⁴⁾	-	-	(3,538)	-
Other adjustments ⁽⁵⁾	-	-	-	(47)
Total non-GAAP adjustments	\$ (5,716)	\$ (26,947)	\$ (24,402)	\$ (88,806)
Adjusted general and administrative expenses	<u>\$ 129,357</u>	<u>\$ 132,830</u>	<u>\$ 539,789</u>	<u>\$ 518,048</u>

(1) Duplicate rent expense for office and restaurant closures announced in June 2018 due to the corporate restructuring and underperformance of \$881 and \$3,937 for the three months and year ended December 31, 2022, respectively.

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

(3) Charges for a COVID-19 related modification made in December 2020 to our 2018 performance shares.

(4) Expenses related to an employee separation, which consist of incremental compensation costs net of forfeitures of stock-based compensation.

(5) For the year ended December 31, 2021, other adjustments consist of consulting fees associated with the calculation of our non-recurring tax benefit.

CHIPOTLE MEXICAN GRILL, INC.
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Adjusted Effective Income Tax Rate
(unaudited)

	Three months ended		Year ended	
	December 31,		December 31,	
	2022	2021	2022	2021
Effective income tax rate	26.3%	20.3 %	23.9 %	19.7 %
Tax impact of non-GAAP adjustments ⁽¹⁾	(1.2)	(1.6)	(0.7)	0.3
Adjusted effective income tax rate	25.1%	18.7 %	23.2 %	20.0 %

(1) Adjustments relate to the tax effect of non-GAAP adjustments, which were determined based on the nature of the underlying non-GAAP adjustments and their relevant jurisdictional tax rates.

CHIPOTLE MEXICAN GRILL, INC.
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Restaurant Level Operating Margin
(in thousands)
(unaudited)

	Three months ended December 31,			
	2022	Percent of total revenue	2021	Percent of total revenue
Income from operations	\$ 296,331	13.6 %	\$ 158,296	8.1 %
<i>Non-GAAP Adjustments:</i>				
General and administrative expenses	135,073	6.2	159,777	8.1
Depreciation and amortization	74,012	3.4	66,262	3.4
Pre-opening costs	11,341	0.5	6,984	0.4
Impairment, closure costs, and asset disposals	5,785	0.3	4,699	0.2
Total non-GAAP Adjustments	\$ 226,211	10.4 %	\$ 237,722	12.1 %
Restaurant level operating margin	\$ 522,542	24.0 %	\$ 396,018	20.2 %

	Year ended December 31,			
	2022	Percent of total revenue	2021	Percent of total revenue
Income from operations	\$ 1,160,403	13.4 %	\$ 804,943	10.7 %
<i>Non-GAAP Adjustments:</i>				
General and administrative expenses	564,191	6.5	606,854	8.0
Depreciation and amortization	286,826	3.3	254,657	3.4
Pre-opening costs	29,560	0.3	21,264	0.3
Impairment, closure costs, and asset disposals	21,139	0.2	19,291	0.3
Total non-GAAP Adjustments	\$ 901,716	10.4 %	\$ 902,066	12.0 %
Restaurant level operating margin	\$ 2,062,119	23.9 %	\$ 1,707,009	22.6 %