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

(in thousands, except per share amounts)

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 certain legal proceedings, restaurant asset impairment, corporate restructuring, and certain other costs. Adjusted general and administrative expense is general and administrative expense excluding certain other costs and transformation expenses. 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

	 Three months ended September 30,		
	2020		2019
Net income	\$ 80,244	\$	98,582
Non-GAAP adjustments:			
Restaurant costs:			
Operating lease asset impairment and other restaurant costs ⁽¹⁾	2,954		182
Duplicate rent expense ⁽²⁾	74		214
Corporate Restructuring:			
Duplicate rent expense ⁽²⁾	1,638		942
Employee related restructuring costs ⁽³⁾	275		1,515
Legal proceedings(4)	28,700		7,550
Other adjustments ⁽⁵⁾	2,007		2,110
Total non-GAAP adjustments	\$ 35,648	\$	12,513
Tax effect of non-GAAP adjustments	(8,844)		(2,791)
After tax impact of non-GAAP adjustments	\$ 26,804	\$	9,722
Adjusted net income	\$ 107,048	\$	108,304
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Diluted weighted-average number of common shares outstanding	28,454		28,388
Diluted earnings per share	\$ 2.82	\$	3.47
Adjusted diluted earnings per share	\$ 3.76	\$	3.82

- (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 for the announced restaurant closures in June 2018.
- (3) Costs for employee severance, stock modifications, transition expenses, recruitment, relocation costs, third party and other employee-related costs.
- (4) For the three months ended September 30, 2020 and 2019, charges relate to settlements for several distinct legal matters. These amounts are expected to exceed typical costs for these types of legal proceedings.
- (5) For the three months ended September 30, 2020, other adjustments consist of an asset impairment charge related to digital technology of \$1,875 and stock modification charges associated with the departure of our former Executive Chairman primarily related to his 2017 agreement of \$132. For the three months ended September 30, 2019, other adjustments consist of an asset impairment charge related to our corporate aircraft, which was sold.

CHIPOTLE MEXICAN GRILL, INC. RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (in thousands)

Adjusted General and Administrative Expenses

	 September 30,			
	2020		2019	
General and administrative expenses	\$ 133,150	\$	115,070	
Non-GAAP adjustments:				
Legal proceedings ⁽¹⁾	(28,700)		(7,550)	
Transformation expenses ⁽²⁾	(1,987)		(2,671)	
Other adjustments ⁽³⁾	(132)		-	
Total non-GAAP adjustments	\$ (30,819)	\$	(10,221)	
Adjusted general and administrative expenses	\$ 102,331	\$	104,849	

⁽¹⁾ For the three months ended September 30, 2020 and 2019, charges relate to settlements for several distinct legal matters. These amounts 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 \$1,712 and \$1,156 for the three months ended September 30, 2020 and 2019, respectively, and employee related restructuring costs of \$275 and \$1,515 for the three months ended September 30, 2020 and 2019, respectively.

⁽³⁾ For the three months ended September 30, 2020, other adjustments include charges associated with the departure of our former Executive Chairman primarily related to his 2017 agreement of \$132.