



## **Second Quarter 2022 Shareholder Letter**





# Q2 2022 HIGHLIGHTS

## BUSINESS OVERVIEW

---

### System-wide Sales

**\$351.7m**

24.8% growth year-over-year.

### Same-Shack Sales (SSS) Growth

**+10.1%**

Strong traffic growth led by urban recovery, resiliency in suburban Shacks.

### Shack-level Operating Profit Margin<sup>1</sup>

**18.8%**

Despite double-digit inflationary pressures across our business.

“The team delivered Total revenue growth of 23.1% year-over-year to \$230.8 million, against a backdrop of persistent inflation and uncertain consumer mobility and spending. Average weekly sales rose 12% quarter-over-quarter to \$76,000. Our same-Shack sales grew 10.1% year-over-year with 7.8% traffic growth. Shack-level operating profit margin was 18.8%, one of our strongest profit quarters since the onset of COVID. Despite macro challenges, we opened 13 new Company-operated and licensed Shacks this quarter, including two drive-thrus, a key component of our ongoing development strategy. Our early read on our new drive-thru format is positive and we are building our pipeline,” said Chief Executive Officer, Randy Garutti.

“Our strategic investments have helped us address persistent operating challenges and build our long-term growth. We plan to take additional price in mid-Q4 to help offset ongoing inflationary pressures,” said Chief Financial Officer, Katherine Fogertey.

### Second quarter 2022 highlights, year-over-year:

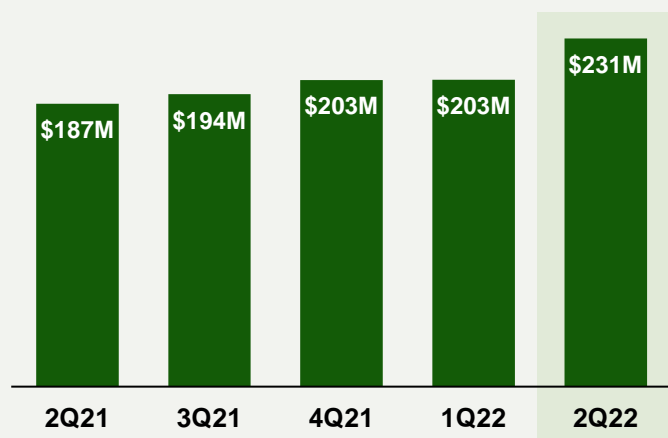
- Total revenue grew 23.1% to \$230.8m.
  - Shack sales grew 22.9% to \$223.1m.
  - Licensing revenue grew 28.5% to \$7.7m.
- System-wide sales grew 24.8% to \$351.7m.
- Average weekly sales (AWS) of \$76k, up 12% quarter-over-quarter.
- Same-Shack sales (SSS) grew 10.1%.
  - Urban SSS grew 19.4% and suburban SSS grew 2.6%.
- Operating loss of \$0.8m.
  - Shack-level operating profit margin<sup>1</sup> of 18.8% of Shack sales.
- Net loss of \$1.3m.
  - Adjusted EBITDA<sup>1</sup> of \$22.1m, up 7.1%.
- Net loss attributable to Shake Shack Inc. of \$1.2m, or a loss of \$0.03 per share.
  - Adjusted pro forma net income<sup>1</sup> of \$0.1m, or \$0.00 per fully exchanged and diluted share.
- Opened five new domestic Company-operated Shacks, including drive-thru locations in Castle Rock, CO and Chesterfield, MO. Opened eight new licensed Shacks, including locations in Mexico, South Korea, Turkey, Hong Kong and our first in Guangzhou.

1. Shack-level operating profit, Adjusted EBITDA and Adjusted pro forma net income (loss) are non-GAAP measures. A reconciliation to the most directly comparable financial measures presented in accordance with GAAP is set forth in the financial details section of this Shareholder Letter.

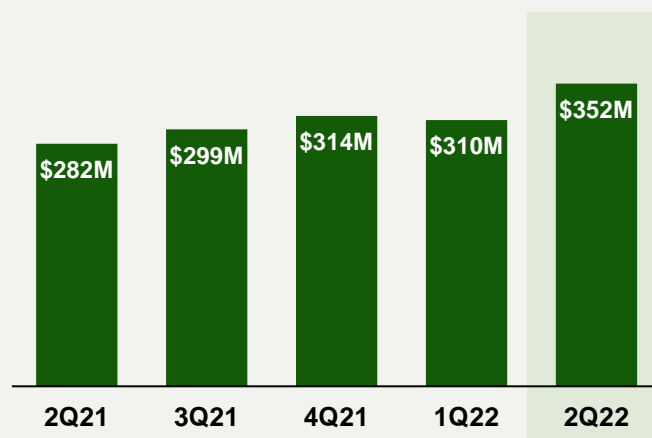
# Q2 2022 HIGHLIGHTS

RECORD HIGH SALES AND SHACK-LEVEL OPERATING PROFIT<sup>1</sup>

## Total Revenue

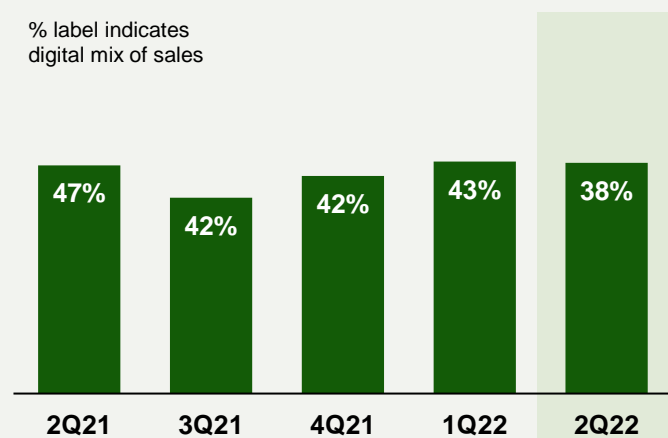


## System-wide Sales

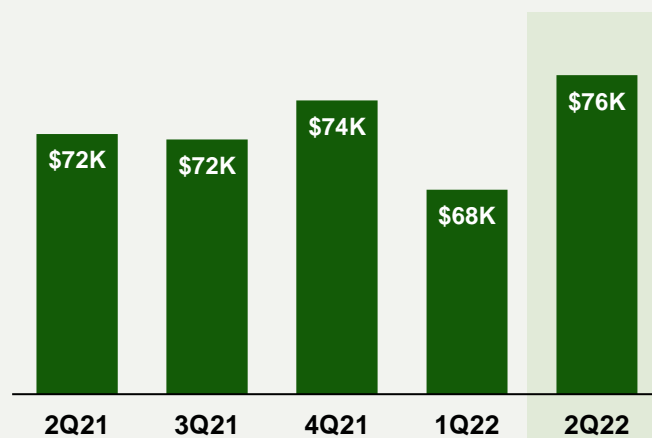


## Digital Sales<sup>2</sup> \$

% label indicates digital mix of sales

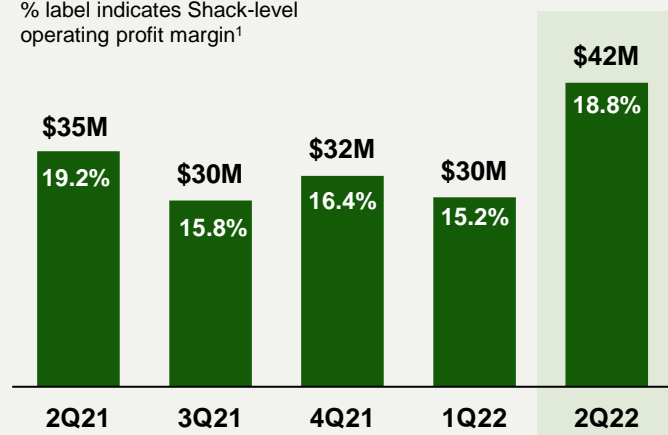


## Average Weekly Sales (AWS)

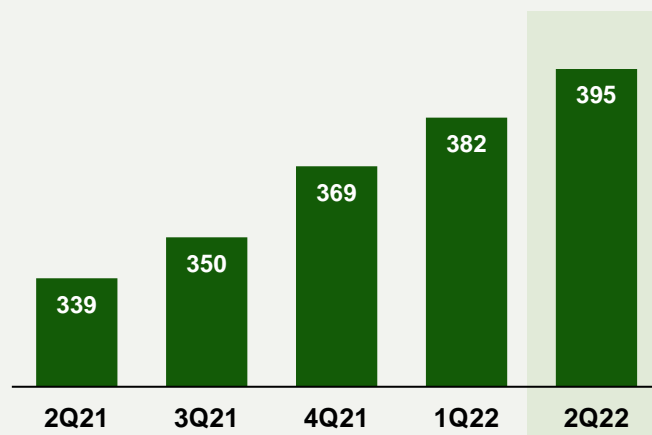


## Shack-level Operating Profit

% label indicates Shack-level operating profit margin<sup>1</sup>



## System-wide Shack Count



1. Shack-level operating profit and Shack-level operating profit margin are non-GAAP measures. A reconciliation to the most directly comparable financial measures presented in accordance with GAAP is set forth in the financial details section of this Shareholder Letter.
2. Digital sales include sales made through the Shake Shack mobile application, Shake Shack website, and delivery partners. It does not include sales through Kiosks that are located inside Shacks. Digital sales and digital sales mix are key metrics and in 1Q22 exclude the \$1.3m cumulative catch-up of gift card breakage, recognized in Shack sales in 1Q22.



## TO OUR SHAREHOLDERS

---

**August 4,  
2022**

While the environment remains challenging, our teams generated the highest Total revenue and Shack-level operating profit on record. We are investing in our strategic initiatives essential to drive our long-term growth and we retained our strong digital sales even as we grew in-Shack sales by more than 20% quarter-over-quarter.

We are committed to investing in our valued team members and building our bright future together. We recently gathered more than 1,000 leaders across our Shacks and home office along with our partners and suppliers at our biannual leadership retreat.

Our early results on drive-thru are encouraging, with six open so far delivering on average >\$80k in AWS over the past four months. We plan to have at least 20-25 Shake Shack drive-thrus open by the end of 2023 and view this new format as a compelling way to expand our total addressable market.

Over the past two years, we have generally outperformed seasonality and show strong recovery when consumer mobility metrics improve, but experience headwinds when these factors reverse.

While our sales were tracking in-line with our expectations for April and May, June sales were below our expectations. We felt some impact of shifts in consumer patterns amidst elevated inflationary pressures. Additionally, key urban recovery trends broadly held, but in some cases reversed.

Despite this, our deeply impacted urban markets such as New York City, Boston and Washington, D.C. all grew SSS by more than 25%. We expect our recovery would have been stronger had mobility metrics in urban locations - including return to office - incrementally improved.

Development delays negatively impacted sales in the quarter as we struggled to source equipment and achieve timely permitting and inspections that we need to open restaurants on time.

While we cannot be certain how consumer spending and mobility patterns evolve throughout the rest of the year, we remain focused on delivering a great guest experience in digital and in-Shack channels with elevated offerings reflective of our fine dining culinary roots.

Shake Shack will host a conference call at 8:00 a.m. ET, accessible live over the phone by dialing (877) 407-0792, or for international callers by dialing (201) 689-8263. A replay of the call will be available until August 11, 2022 by dialing (844) 512-2921 or for international callers by dialing (412) 317-6671; the passcode is 13730378. The live audio webcast of the conference call will also be accessible in the Events & Presentations section on the Company's Investor Relations website at [investor.shakeshack.com](https://investor.shakeshack.com).

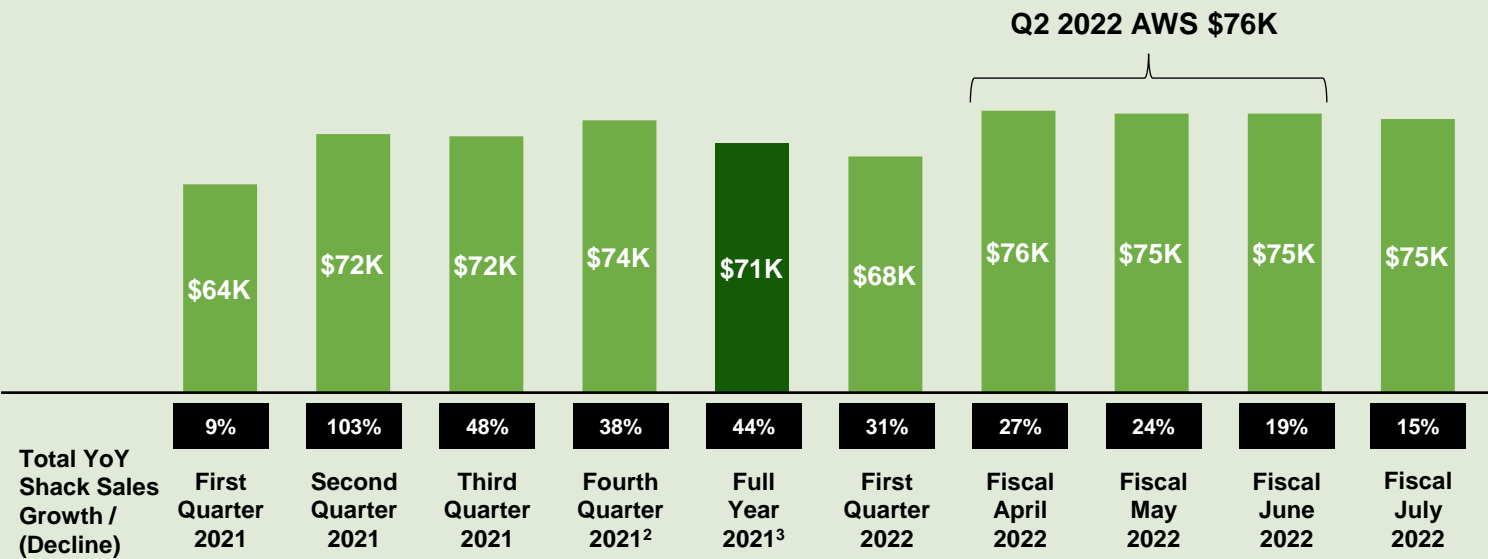


# AWS DRIVEN BY TRAFFIC GROWTH

Second quarter AWS<sup>1</sup> of \$76k rose from \$68k in the first quarter, marking the highest quarterly AWS generated since the onset of COVID. As our results have shown over the past two years, we generally have stronger recovery when consumer mobility metrics also improve. Consistent with consumer mobility trends softening from May to June, AWS trends went from \$76,000 in April to \$75,000 in May and June.

July AWS of \$75k held flat with June, in-line with normal seasonality patterns. Macro pressures in July were broadly consistent with June, and AWS reflected typical seasonality.

## AVERAGE WEEKLY SALES (AWS) REFLECTED NORMAL SEASONALITY IN JULY



Fishers, IN

1. Average weekly sales (AWS) is a key metric. First quarter 2022 AWS excludes the \$1.3m cumulative catch-up of gift card breakage income.  
2. Fourth Quarter 2021 total YoY Shack sales increase excludes the impact of the 53<sup>rd</sup> fiscal accounting week in 2020 and compares the thirteen weeks from September 30, 2021 through December 29, 2021 to the thirteen weeks from September 24, 2020 through December 23, 2020.  
3. Full Year 2021 total YoY Shack sales increase excludes the impact of the 53<sup>rd</sup> fiscal accounting week in 2020 and compares the fifty-two weeks from December 31, 2020 through December 29, 2021 to the fifty-two weeks from December 26, 2019 through December 23, 2020.

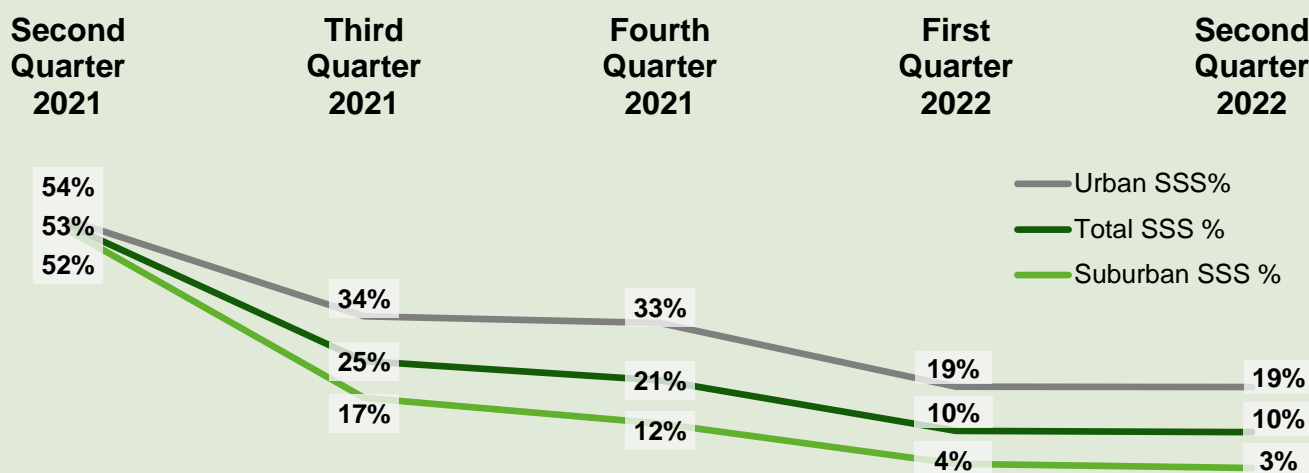
# URBAN & SUBURBAN SAME-SHACK SALES

**Same-Shack sales (SSS) grew 10.1% in the second quarter versus 2021, driven by 7.8% traffic growth.** In-Shack traffic grew more than 20% year-over-year, resulting in a 2.3% positive price mix. Items per check was flat across our channels compared to the first quarter and performed in-line with historical seasonality.

**Later in the quarter and into July, we realized pressures from consumer mobility. July SSS rose 4.8% versus 2021, with performance led by our urban markets.** The outsized growth of our in-Shack sales relative to our digital sales continued to pressure our price mix growth in the quarter.

Our operators continue to manage through a challenging staffing environment while prioritizing providing a great guest experience. As a reminder, SSS excludes the impact of closures that are two days or more, but one day closures and the impact of operating with fewer hours are not excluded.

## URBAN & SUBURBAN SSS<sup>1</sup> % VS PRIOR YEAR



**Urban SSS grew 19% year-over-year and was the strongest contributor to overall SSS growth.** All urban dayparts were positive in the quarter versus 2021, led by weekday lunch and dinner. Urban markets remain broadly affected by lower office occupancy, travel, tourism, commuting, and entertainment traffic compared to pre-COVID levels. In the quarter, we had less of a benefit from these metrics recovering, and our urban performance was more reflective of our operational execution. July urban SSS remained positive driven by both traffic and price mix but continued to be affected by similar pressures seen throughout the second quarter.

**Suburban SSS grew 3% year-over-year, even as urban Shacks posted strong growth.** We remain encouraged by our opportunity in suburban markets as we expand development and evolve formats like drive-thru. Suburban traffic was flat year-over-year.

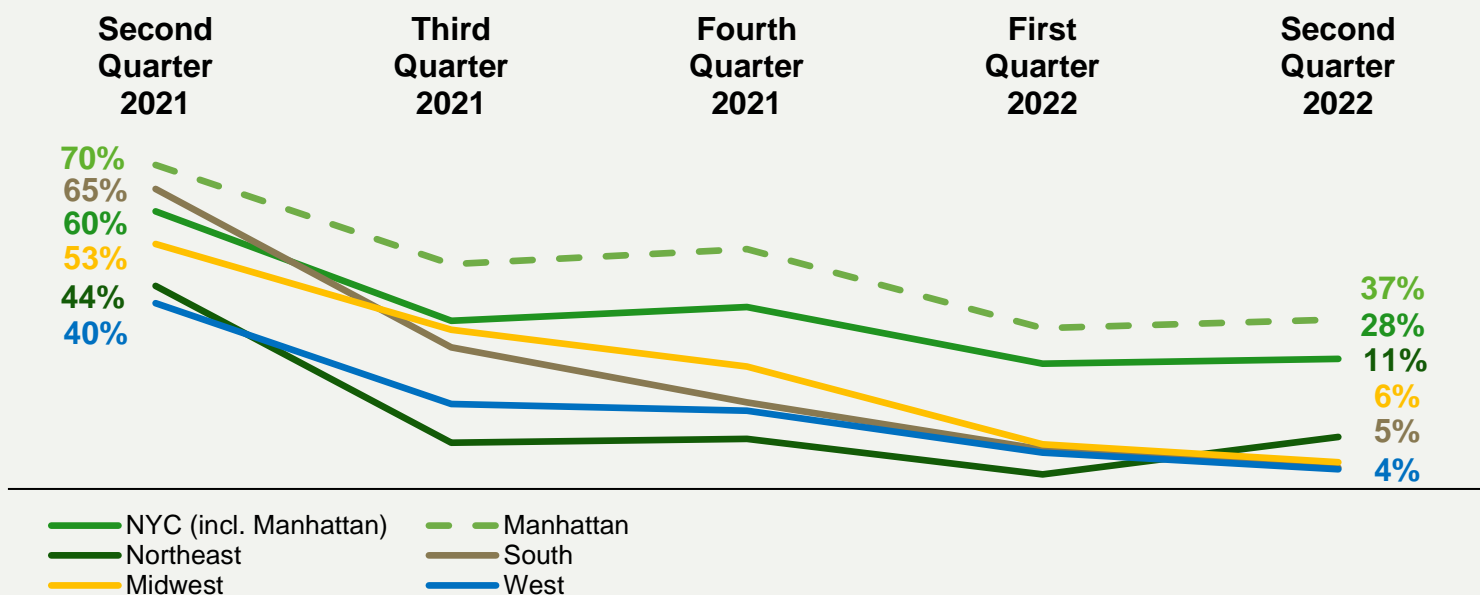


1. Same-Shack sales, or "SSS", and same-Shack sales growth are key metrics. 1Q2022 excludes the \$1.3m cumulative catch-up adjustment for gift card breakage income, recognized in Shack sales in 1Q22.



# REGIONAL SAME-SHACK SALES

## REGIONAL SSS<sup>1</sup> % VERSUS PRIOR YEAR



All regions had positive SSS growth, lapping high double-digit SSS growth last year - driven by stronger traffic especially in Manhattan, NYC, and the Northeast region.

Despite urban recovery metrics moderating in the quarter, New York City teams delivered on the largest sales volume since COVID. Still, our urban and New York City sales - urban weekday lunch and dinner in particular – remain well below 2019 levels. Boston and Washington, D.C. also grew SSS by more than 25% year-over-year. We expect our urban recovery would have been even stronger had mobility metrics improved.

Beyond the Northeast, we also benefited from strong performance in other markets including Las Vegas, Chicago and Austin where SSS grew by 15% or more year-over-year.

**Our traffic improved year-over-year even as recovery metrics moderated in June.**



1. Same-Shack sales, or "SSS", and same-Shack sales growth are key metrics. 1Q2022 excludes the \$1.3m cumulative catch-up adjustment for gift card breakage income, recognized in Shack sales in 1Q22.

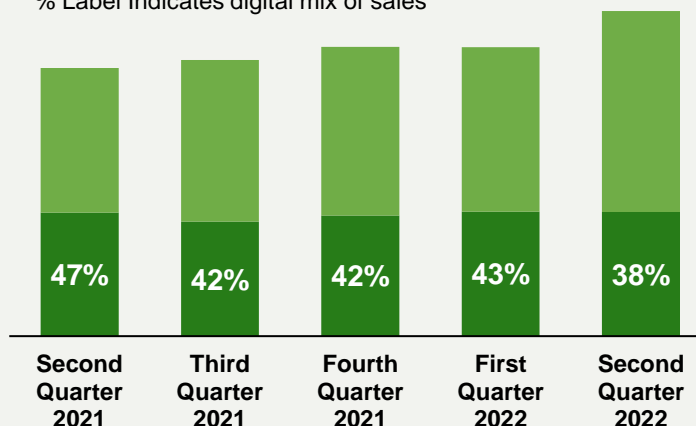
# DIGITAL RETENTION REMAINS HIGH

**Our Digital Transformation is driving higher guest acquisition, retention, and spend:**

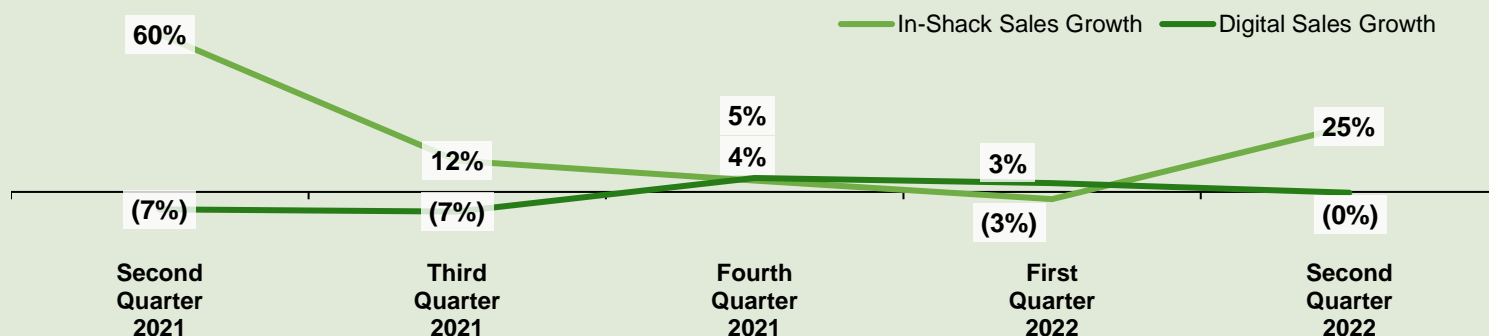
- Second quarter digital sales held stable quarter-over-quarter, with resilience in our owned digital channels (Shack app and web).
- As of June 2022, we have 4.2m guests that made a first-time purchase in our owned digital channels, up about 75% since first quarter 2021 and more than 7% since last quarter.
- Digital mix of 38%<sup>1</sup> decreased slightly quarter-over-quarter due to strong recovery of in-Shack sales.
- Our app and web digital guest frequency is higher than that of our non-digital guests.
- We have seen 1 million app installs since the beginning of the year.
- Our app exclusive offers and promotions are a key part of our limited time offers (LTO) launch strategy and driving frequency.
- Our digital guest average check was over 25% higher than non-digital check in the second quarter.

## DIGITAL SALES<sup>1</sup> MIX

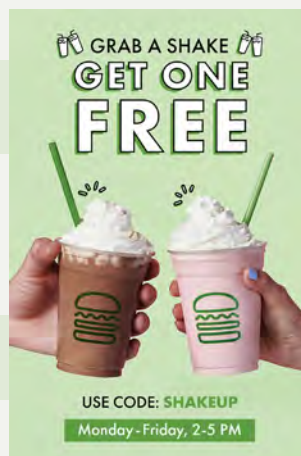
■ In-Shack Sales \$ ■ Digital Sales \$  
% Label Indicates digital mix of sales



## DIGITAL SALES QUARTER-OVER-QUARTER GROWTH<sup>1</sup>



**Introduced tipping:** over the years, guests have asked for the opportunity to tip our teams. In response to this ask, we have launched tipping functionality in certain channels to allow guests the option to appreciate our team members and their commitment to Enlightened Hospitality.



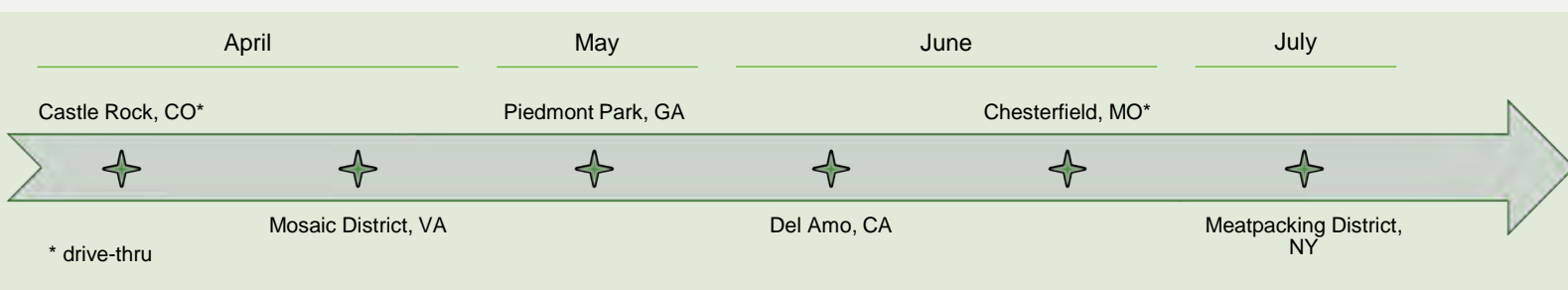
**App exclusive offers provide exciting incentives for digital guests.**

1. Digital sales includes sales made through the Shake Shack mobile application, Shake Shack website, and delivery partners. It does not include sales through Kiosks that are located inside Shacks. Digital sales and digital sales mix are key metrics and in 1Q22 exclude the \$1.3m cumulative catch-up of gift card breakage, recognized in Shack sales in 1Q22.



# DEVELOPMENT & DRIVE-THRU UPDATES

We opened five domestic Company-operated Shacks in the second quarter and one more in July. We expect further delays in some of our openings in Q3 and Q4 as we continue to experience permitting, inspection, and construction postponements, as well as equipment availability including HVAC, custard machines and other critical components. Our updated expectation is to open about three Shacks in Q3 and about 20-25 in Q4.



We remain disciplined in our growth strategy, given the sharp inflationary backdrop. We continue to anticipate build costs to rise by 10 to 15% this year, with continued pressure into 2023, driven by inflation and the higher cost of drive-thru formats. We are actively building our pipeline, targeting to increase our development schedule for 2023.

> \$80k

AWS on average for the six drive-thrus open as of July 2022, measured over past four months.

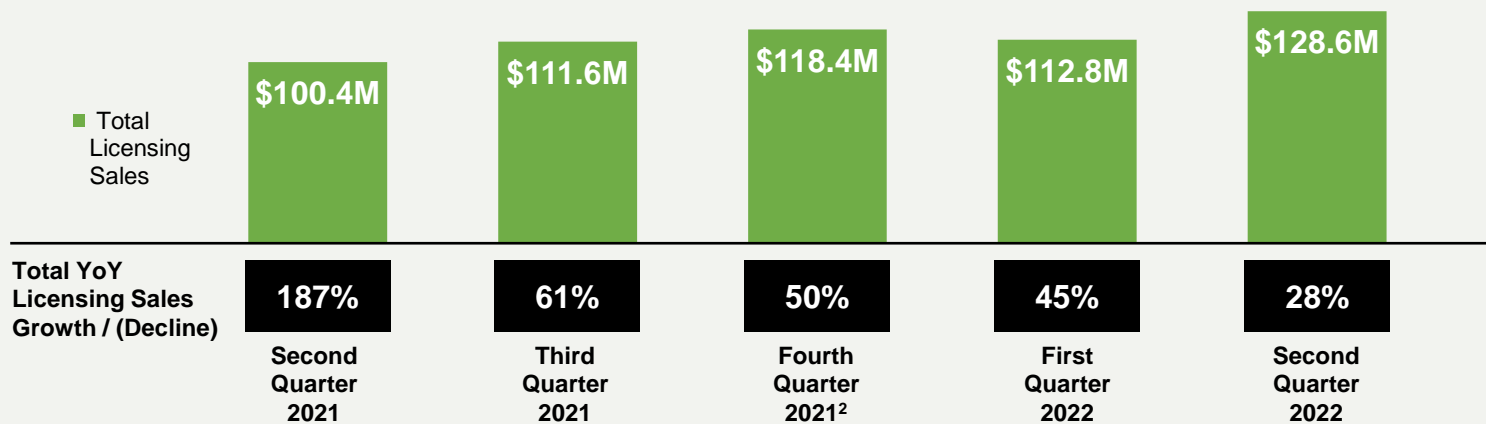


**Early read on drive-thru | The first six Shake Shack drive-thrus are generating higher AWS than our Company-operated average** and like-for-like suburban formats over the past four months. While still early, we are seeing higher frequency from our drive-thru guests as we are aiming to be part of their normal routine.

We are making large investments in this new format. Drive-thrus are going to make up about 20% of our 2022 class, and we plan to open at least 10 to 15 more Shake Shack drive-thrus in 2023. We are gaining confidence that this format holds potential to expand our total addressable market opportunity.

# LICENSED BUSINESS GROWTH

## TOTAL LICENSING SALES<sup>1</sup> ROSE 28% YOY



Our second quarter Licensing revenue grew 28.5% year-over-year, reaching \$7.7m this quarter. Licensing sales grew 28.1% year-over-year to \$128.6m. Our Licensing business benefited from strong performance across domestic Shacks and in select international markets, as well as strong performance from the class of 2022 and 2021. We continue to be impacted by ongoing COVID volatility in Mainland China, Hong Kong, and travel-impacted locations.

As of fiscal July end we have 167 licensed Shacks globally, including 8 openings in the second quarter and 2 more in fiscal July. We expect to open a total of 25 to 30 licensed Shacks in 2022. We have continued to expand our footprint further in China, with new market openings in cities like Guangzhou and most recently Chengdu in August.

The stronger USD presented a headwind to our second quarter sales. In the second quarter, around 85% of our licensing sales were in foreign currencies. We have factored moderate USD appreciation into our third quarter licensing guidance range.



1. Total licensed sales is an operating measure and consists of sales from domestic licensed Shacks and international licensed Shacks. The Company does not recognize the sales from licensed Shacks as revenue. Of these amounts, revenue is limited to licensing revenue based on a percentage of sales from domestic and international licensed Shacks, as well as certain up-front fees, such as territory fees and opening fees.

2. Fourth Quarter 2021 total Licensing sales YoY growth excludes the favorable \$7.0m impact of the 53rd fiscal accounting week in Fourth Quarter 2020.



# SHACK-LEVEL OPERATING PROFIT

Shack-level operating profit<sup>1</sup> of \$42.0m grew 20.8% year-over-year and represents an 18.8% margin, despite the traffic impact from ongoing inflationary and COVID pressures. We realized strong flow through on the additional sales in the quarter in our urban and suburban Shacks.

We plan for continued investments in our teams and expect double-digit blended food and paper inflation to persist in the second half of 2022. While the impact from beef inflation is expected to moderate in coming quarters, we expect to see a larger headwind from added inflationary pressures in fries as well as dairy and chicken.

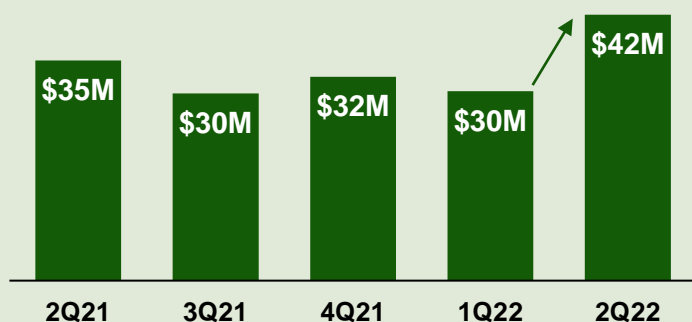
To help address the ongoing inflationary pressures in our business, we plan to implement a 5% to 7% price increase mid-Q4 across price tiers and channels to maintain a blended high single-digit pricing across channels for the remainder of the year.

The components of our Shack-level costs (covered in more detail in the following pages) are as follows:

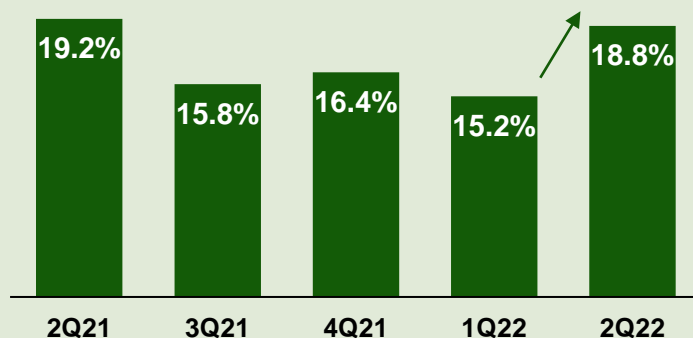
- Food and paper costs were 29.6% of Shack sales.
- Labor and related expenses were 29.5% of Shack sales.
- Other operating expenses were 14.6% of Shack sales.
- Occupancy and related expenses were 7.5% of Shack sales.

## Shack-level Operating Profit<sup>1</sup> (\$)

Shack-level Operating Profit grew 20.8% year-over-year



## Shack-level Operating Margin<sup>1</sup> (%)



1. Shack-level operating profit is a non-GAAP measure. A reconciliation to the most directly comparable financial measure presented in accordance with GAAP is set forth in the financial details section of this Shareholder Letter. First quarter 2022 Shack-level operating profit includes the \$1.3m gift card breakage income cumulative catch-up. The benefit from the cumulative catch-up resulted in a 0.5% increase to first quarter 2022 Shack-level operating profit margin.

# SHACK-LEVEL OPERATING PROFIT

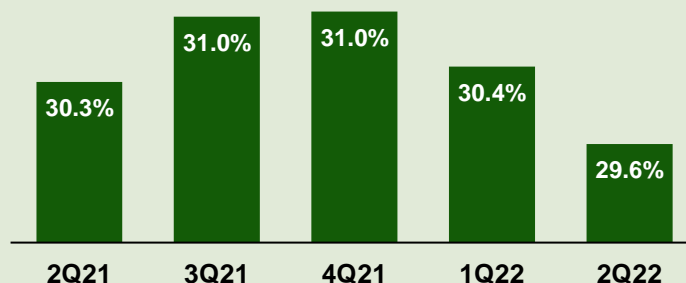
## FOOD & PAPER COSTS

Food and paper costs were 29.6% of Shack sales in the second quarter, down 70 bps year-over-year. The impact from our March 2022 price increase and 38 bps benefit from credits related to our biannual leadership retreat helped offset inflationary pressures. Blended food and paper prices rose low double-digits year-over-year, led by dairy, paper & packaging, chicken and fries. Our beef costs were below expectations in the quarter.

**We expect food and paper costs to rise by low double-digits % year-over-year in 3Q.** While we expect the impact from beef prices to lessen in 3Q, we expect higher inflationary pressures on dairy, potatoes used in our crinkle cut fries, as well as paper & packaging.

**We expect blended food and paper inflation of high single to low double-digits in FY2022.** As we have few contracts in place, there are unknowns around the inflationary pressures we will face over the coming months. However, we are focused on improving our profitability and plan to implement an additional 5% to 7% price increase across menu, channel and tiers in mid-Q4.

### COGS as a % of Shack Sales



### Food and Paper Inflationary Pressures

| Commodities                     | Basket Range | Q2 2022 YoY Inflation | Q3 2022 YoY Inflation Outlook* | FY2022 YoY Inflation Outlook* |
|---------------------------------|--------------|-----------------------|--------------------------------|-------------------------------|
| Beef                            | 25% – 30%    | - MSD %               | - HSD – MSD %                  | Flat to + LSD %               |
| Total Food <sup>1</sup>         | ~ 90%        | + HSD %               | + HSD – LDD %                  | + HSD – LDD %                 |
| Paper and Packaging             | ~ 10%        | + ~20%                | + Mid Teens %                  | + Mid Teens %                 |
| <b>Blended Food &amp; Paper</b> | <b>100%</b>  | <b>+ LDD %</b>        | <b>+ LDD %</b>                 | <b>+ HSD – LDD %</b>          |

We take the time and effort to find and use only the best ingredients – from fresh and antibiotic-free meat to cage-free eggs and real cane sugar. Our basket can change due to product and sales channel mix. Additionally, we do not contract many components of our basket, and those that we do have different contracted periods throughout the year. We are providing our current expectations on commodity outlook for our basket as we see today; however, the blended weight and the individual components are subject to change for a variety of reasons.

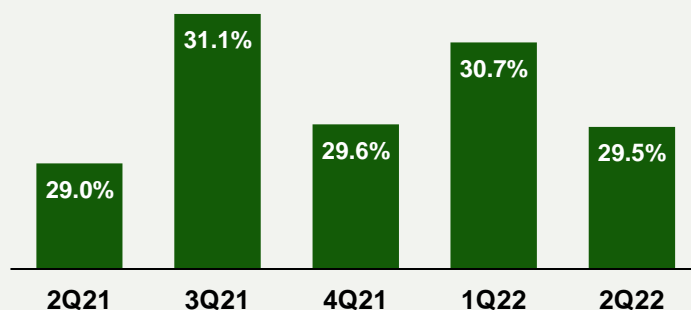




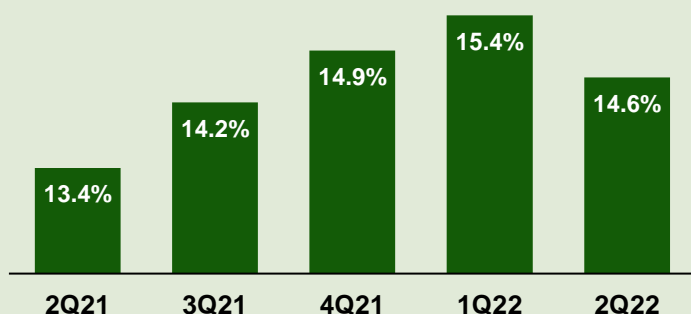
# SHACK-LEVEL OPERATING PROFIT LABOR, OTHER OPEX & OCCUPANCY

Labor and related expenses (“Labor”) was **29.5% of Shack sales in the second quarter, up 50 bps year-over-year**. We continue to invest in our Shack team members as we staff for growth and sales recovery. We raised our starting wages by high single-digit percentage year-over-year in the second quarter as we proudly invest in our team members. We are raising our starting wages by mid to high single-digit percent in 2022.

## Labor as a % of Shack Sales



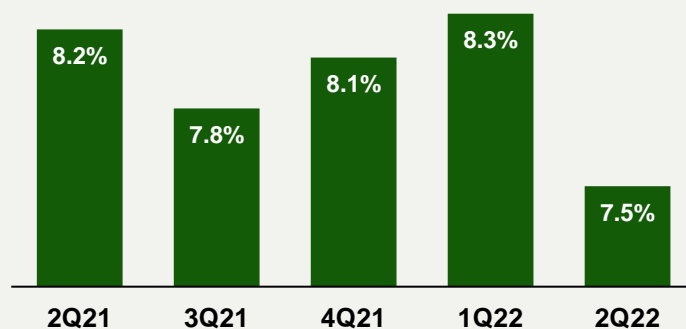
## Other Opex as a % of Shack Sales



Other operating expenses (“Other opex”) was **14.6% of Shack sales in the second quarter, up 120 bps year-over-year**. Other opex % increased year-over-year primarily driven by increased costs to operate our dining rooms. Other opex % decreased quarter-over-quarter primarily driven by sales leverage and lower delivery mix for delivery commissions.

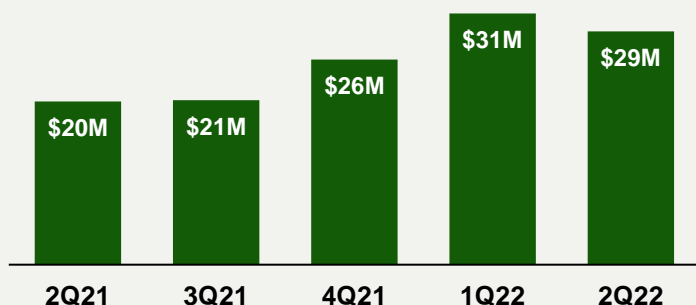
Occupancy and related expenses (“Occupancy”) was **7.5% of Shack sales in the second quarter, down 70 bps year-over-year**. Occupancy % decreased quarter-over-quarter and year-over-year primarily driven by sales leverage.

## Occupancy as a % of Shack Sales



# ADDITIONAL EXPENSES & ADJUSTED EBITDA<sup>1</sup>

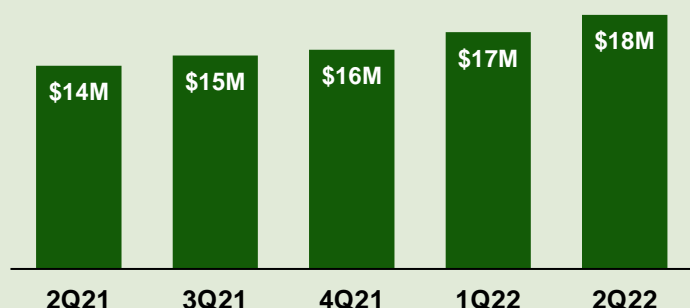
## G&A Expenses



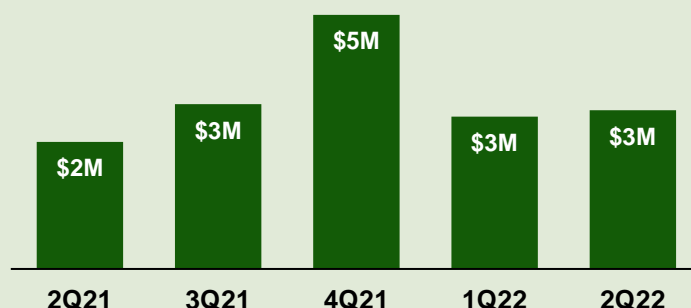
Second quarter General and administrative (“G&A”) expenses were \$29.1m, or \$28.3m excluding legal expense of \$750k. G&A increased year-over-year to support Shake Shack development and digital initiatives, including marketing and technology, however is being managed to our reduced unit opening schedule.

Depreciation and amortization expense and Pre-opening costs are reflective of inflationary pressures and our development schedule.

## Depreciation and Amortization Expense

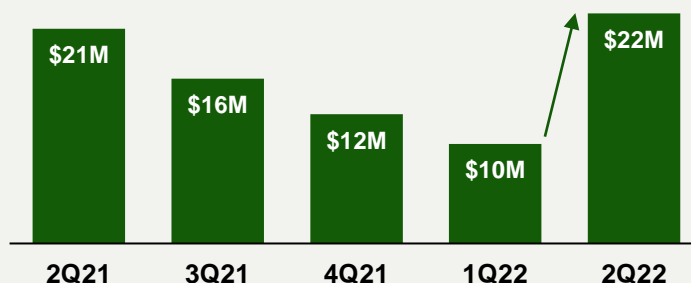


## Pre-opening Costs



Adjusted EBITDA was \$22.1m, or 9.6% of Total revenue, in the second quarter, increasing 7.1% year-over-year and 131.1% quarter-over-quarter. EBITDA adjustments for Q2 2022 totaled \$4.3m, primarily consisting of (i) equity-based compensation of \$3.5m, (ii) deferred lease costs of (\$0.8m), (iii) impairments & disposals of \$0.5m and (iv) legal expense of \$0.75m.

## Adjusted EBITDA



1. Adjusted EBITDA is a non-GAAP measure. A reconciliation to the most directly comparable financial measures presented in accordance with GAAP are set forth in the financial details section of this Shareholder Letter.



# FINANCIAL OUTLOOK

Fiscal third quarter and fiscal year 2022 guidance is derived from preliminary, unaudited results, based on information currently available to the Company. While the Company believes these estimates are meaningful, they could differ from the actual results that the Company ultimately reports in its Annual Report on Form 10-K for the fiscal year ended December 28, 2022.

## Q3 2022 Guidance

|                                     |                     |
|-------------------------------------|---------------------|
| Total revenue                       | \$221.0m-\$226.5m   |
| Shack sales                         | \$213.0m-\$218.0m   |
| Licensing revenue                   | \$8.0m-\$8.5m       |
| Same-Shack sales versus 2021        | Mid single-digits % |
| Shack-level operating profit margin | 16.0%-18.0%         |

## FY 2022 Guidance

|                                       |                                 |
|---------------------------------------|---------------------------------|
| Domestic Company-operated openings    | 35-40                           |
| Licensed openings                     | 25-30                           |
| General and administrative expenses   | \$111m to \$113m <sup>1,2</sup> |
| Equity-based compensation             | Approximately \$13m             |
| Depreciation and amortization expense | \$70m to \$75m                  |
| Pre-opening costs                     | \$14m to \$17.5m                |
| Adjusted Pro Forma Tax Rate           | 28%-30%                         |

1. Excludes a \$6.0m legal expense in the first quarter and a \$750k legal expense in the second quarter. Including the legal expense, our guidance is \$117.8m-\$119.8m.
2. Guidance includes approximately \$12m of the approximately \$13m total Equity-based compensation.

These forward-looking projections are subject to known and unknown risks, uncertainties and other important factors that may cause actual results to be materially different from these projections. Factors that may cause such differences include those discussed in the Company's Form 10-K for the fiscal year ended December 29, 2021, and our Cautionary Note On Forward-Looking Statements herein.

These forward-looking projections should be reviewed in conjunction with the condensed consolidated financial statements and the section titled "Cautionary Note Regarding Forward-Looking Statements" which form the basis of our assumptions used to prepare these forward-looking projections. You should not attribute undue certainty to these projections, and we undertake no obligation to revise or update any forward-looking information, except as required by law.



# STRATEGIC FOCUS

## FOUR PILLARS OF OUR STRATEGIC PLAN



### Elevating Our People

**We Stand For Something Good.** We are committed to doing the right thing for our teams, guests, and communities.

We strive to be market-leading employers and will continue to invest in our people to drive Company growth, value, and culture to meet both current and future business needs.

### Digital Transformation

We are leveraging our digital channels to transform the way that we deliver Enlightened Hospitality to our guests.

Our omnichannel experience with personalized digital marketing offers more connections and exceptional guest experience. This, we believe, is a key to our long-term frequency.



### Format Evolution & Expansion

We continue to expand our domestic and global footprint to provide access to unreached markets, with an eye on convenience and experience. We are particularly focused on learnings from new drive-thru Shacks and expect to add more to the pipeline.

### Guest Experience Rules

Our food is always freshly made to order. We pride ourselves in providing our guests with food that raises the bar, from the ingredients we source to the moment they take their first bite.

We prioritize guest experience through unmatched hospitality, elevated culinary innovations, limited time offers and marketing campaigns.





# WORKING AT SHAKE SHACK








## Our secret to leading the way in hospitality? We put our people first!

At Shake Shack, our mission is to Stand For Something Good in all that we do. Our team members learn lifelong skills and are empowered to make a positive impact on our business, restaurants, and communities.



We strive to be an **industry-leading employer**, attracting the best talent at all levels. Our future growth is reliant on **diversity in all forms**, and all team members have access to opportunities. **We are proud to make big investments to help build careers here at Shake Shack.**

Our Shift Up program supports hourly team members' skills development and prepares them for promotion into management positions. Our General Managers can earn six figure incomes and receive equity bonuses. Our Cross Trainers can travel the world for new Shack openings and are key to ensuring successful opens in our Company-operated and licensed locations. We support work balance with **expanded parental leave, shift scheduling flexibility and other competitive benefits.**

-  We hosted our biannual Leadership Retreat in May to develop, inspire and connect with more than 1,000 of our Shake Shack leaders.
-  We provide ongoing development with our leadership competency training, MentorShack program and women's leadership initiatives.
-  We raised starting wages by more than 15% since the start of 2020. Our average hourly starting wage is approximately \$15/hour.
-  We rolled out our new tipping program, allowing our hourly team members the opportunity to earn more.
-  We leverage diversity as a strength. Last year, more than 50% of all our promotions were women and over 70% were underrepresented minorities.
-  We earned an 100% score on Human Rights Campaign's Corporate Equality Index for the fourth year in a row, underscoring our support of the LGBTQ+ community in the workplace.
-  We lend helping hands in times of need. Last year, we increased our HUG Fund quick financial assistance to team members by over 30%.





# OUR GUEST EXPERIENCE RULES!

## COOKING UP SOME SUMMER FUN

We have been busy in our Innovation Kitchen cooking up exciting culinary treats for our guests. We are always innovating our menu offerings to improve the guest experience. This quarter, we began market tests of **caffeinated lemonades**, **frozen lemonades**, and **non-dairy shakes** at select Shacks. We also tested a **menu of Vodka Parm sandwiches and fries** and continue to evolve our work on **plant-based protein offerings**.

We are uplifting our culinary program with **Limited Time Offerings (LTOs)** and buzz-worthy collaborations that drive engagement with new and existing guests. This quarter, our LTOs featured:

- **Maker's Mark™ Bourbon Bacon Jam:** Burger & Chicken Shack.
- **LTO Shakes:** Oreo® Funnel Cake, Chocolate Churro and Sprinkle Cookie (In Pride month, 3% of sales benefited The Trevor Project).
- **Summer Lemonade Trio:** Cherry Hibiscus Lemonade, Mango Passionade & Strawberry Lemonade. Additionally, the Summer Lemonade Trio is our strongest performing lemonade trio LTO to date.

We collaborated with partners at local events and select Shacks to develop exclusive experiences:

- **Tacos y Birria La Unica** at EEEEEATSCON: Birria Shack, a Jack cheeseburger featuring Birria de rez.
- **Red Bull & Formula 1 Miami:** Peach Orange Pit Stop, Peach Red Bull and our Blood Orange Citrusade.
- **Una Pizza Napoletana:** Three-course menu paired with wine & live music at Madison Square Park.
- **Apotheke candle collaboration in NYC:** Burger in the Park scent and Shake & Fries scent.







# GUEST QUOTES!!

BOURBON  
**BACON  
CHEDDAR**  
BURGER

"That new bacon  
bourbon burger is  
killer. Gets better  
every time. Perfect  
when partnered with  
my son and a shake."

Via Twitter

"I need a drive thru  
@shakeshack in my  
life!! 😍😍"

Via Instagram

"Upset because the  
@shakeshack near me  
doesn't have a drive-  
thru like Minnesota  
😞😞😞"

Via Twitter

"IMPORTANT  
ANNOUNCEMENT:  
@shakeshack Bourbon  
Bacon Cheddar Burger is  
the #GOAT of fast food  
burgers. Had to be said"

Via Twitter

"Shake shack's  
bourbon bacon  
cheddar is the best  
burger I've ever  
eaten — and I eat \*a  
lot\* of burgers."

Via Twitter

"Once again  
reiterating my  
endorsement of shake  
shack's bourbon  
cheddar bacon burger  
being extremely  
good."

Via Twitter

"WHY IS NO ONE  
TALKING ABOUT  
DRIVE THRU SHAKE  
SHACK"

Via TikTok



# Financial Details





# CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

---

**This presentation contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"), which are subject to known and unknown risks, uncertainties and other important factors that may cause actual results to be materially different from the statements made herein.**

All statements other than statements of historical fact included in this presentation are forward-looking statements, including, but not limited to, the Company's strategic initiatives, expected financial results and operating performance for fiscal 2022, expected development targets for fiscal 2022, including expected Shack construction and openings, expected same-Shack sales growth, average weekly sales and trends in the Company's operations, the expansion of the Company's delivery services and store format evolution and expansion, the Company's digital investments and strategies, 2022 guidance, and statements relating to the impact of COVID-19.

Forward-looking statements discuss the Company's current expectations and projections relating to its financial position, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "future," "intend," "outlook," "potential," "preliminary," "project," "projection," "plan," "seek," "may," "could," "would," "will," "should," "can," "can have," "likely," the negatives thereof and other similar expressions. All forward-looking statements are expressly qualified in their entirety by these cautionary statements. Some of the factors which could cause results to differ materially from the Company's expectations include the continuing impact of the COVID-19 pandemic, the Company's ability to develop and open new Shacks on a timely basis, increased costs or shortages or interruptions in the supply and delivery of the Company's products, increased labor costs or shortages, inflationary pressures, the Company's management of its digital capabilities and expansion into new channels including drive-thru, the Company's ability to maintain and grow sales at its existing Shacks, and risks relating to the restaurant industry generally. You should evaluate all forward-looking statements made in this presentation in the context of the risks and uncertainties disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2021 as filed with the Securities and Exchange Commission ("SEC"). All of the Company's SEC filings are available online at [www.sec.gov](http://www.sec.gov), [www.shakeshack.com](http://www.shakeshack.com) or upon request from Shake Shack Inc. The forward-looking statements included in this presentation are made only as of the date hereof. The Company undertakes no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

# DEFINITIONS

---

The following definitions, and definitions on the subsequent pages, apply to terms as used in this shareholder letter:

"Shack sales" is defined as the aggregate sales of food, beverages, gift card breakage income, and Shake Shack branded merchandise at domestic Company-operated Shacks and excludes sales from licensed Shacks.

"System-wide sales" is an operating measure and consists of sales from the Company's domestic Company-operated Shacks, domestic licensed Shacks and international licensed Shacks. The Company does not recognize the sales from licensed Shacks as revenue. Of these amounts, revenue is limited to licensing revenue based on a percentage of sales from domestic and international licensed Shacks, as well as certain up-front fees, such as territory fees and opening fees.

"Same-Shack sales" or "SSS" represents Shack sales for the comparable Shack base, which is defined as the number of domestic Company-operated Shacks open for 24 full fiscal months or longer. For consecutive days that Shacks were temporarily closed, the comparative period was also adjusted.

"Average weekly sales" or "AWS" is calculated by dividing total Shack sales by the number of operating weeks for all Shacks in operation during the period. For Shacks that are not open for the entire period, fractional adjustments are made to the number of operating weeks open such that it corresponds to the period of associated sales.

"Adjusted pro forma net income," a non-GAAP measure, represents Net income (loss) attributable to Shake Shack Inc. assuming the full exchange of all outstanding SSE Holdings, LLC membership interests ("LLC Interests") for shares of Class A common stock, adjusted for certain non-recurring and other items that the Company does not believe directly reflect its core operations and may not be indicative of the Company's recurring business operations.

"EBITDA," a non-GAAP measure, is defined as Net income (loss) before interest expense (net of interest income), Income tax expense (benefit), and Depreciation and amortization expense.

"Adjusted EBITDA," a non-GAAP measure, is defined as EBITDA (as defined above), excluding equity-based compensation expense, deferred lease costs, Impairment and loss on disposal of assets, amortization of cloud-based software implementation costs, as well as certain non-recurring items that the Company does not believe directly reflect its core operations and may not be indicative of the Company's recurring business operations.

"Adjusted EBITDA margin," a non-GAAP measure, is defined as Net income (loss) before interest expense (net of interest income), Income tax expense (benefit) and Depreciation and amortization expense, which also excludes equity-based compensation expense, deferred lease costs, Impairment and loss on disposal of assets, amortization of cloud-based software implementation costs, as well as certain non-recurring items that the Company does not believe directly reflect its core operations and may not be indicative of the Company's recurring business operations, as a percentage of Total revenue.



## DEFINITIONS (CONT.)

---

"Shack-level operating profit," a non-GAAP measure, is defined as Shack sales less Shack-level operating expenses, including Food and paper costs, Labor and related expenses, Other operating expenses and Occupancy and related expenses.

"Shack-level operating profit margin," a non-GAAP measure, is defined as Shack sales less Shack-level operating expenses, including Food and paper costs, Labor and related expenses, Other operating expenses and Occupancy and related expenses as a percentage of Shack sales.

# DEVELOPMENT HIGHLIGHTS

|                                  | Thirteen Weeks Ended |               |
|----------------------------------|----------------------|---------------|
|                                  | June 29, 2022        | June 30, 2021 |
| Shacks in the comparable base    | 165                  | 130           |
| Shack Counts (at end of period): |                      |               |
| System Wide                      | 395                  | 339           |
| Domestic Company-Operated        | 230                  | 200           |
| Licensed                         | 165                  | 139           |
| Domestic Licensed                | 27                   | 23            |
| International Licensed           | 138                  | 116           |

## Development Highlights

During the second quarter of 2022, the Company opened five new domestic Company-operated Shacks and eight new licensed Shacks.

| Location                               | Type                      | Opening Date |
|--|---------------------------|--------------|
| Monterrey, Mexico — Galerías Monterrey | International Licensed    | 3/31/2022    |
| Guangzhou, China — Parc Central        | International Licensed    | 4/6/2022     |
| Castle Rock, CO — Castle Rock          | Domestic Company-operated | 4/15/2022    |
| Fairfax, VA — Mosaic District          | Domestic Company-operated | 4/18/2022    |
| Atlanta, GA — Piedmont Park            | Domestic Company-operated | 4/28/2022    |
| Hangzhou, China — Kerry Centre         | International Licensed    | 4/28/2022    |
| Seoul, South Korea — Gangnam Square    | International Licensed    | 4/29/2022    |
| Hong Kong, China — Citygate Outlets    | International Licensed    | 5/9/2022     |
| Seoul, South Korea — Suyu              | International Licensed    | 5/20/2022    |
| Torrance, CA — Del Amo Fashion Center  | Domestic Company-operated | 6/17/2022    |
| Istanbul, Turkey — Bahçeşehir          | International Licensed    | 6/17/2022    |
| Shenzhen, China — UniWalk              | International Licensed    | 6/18/2022    |
| Chesterfield, MO — Chesterfield        | Domestic Company-operated | 6/24/2022    |

In fiscal July 2022, the Company opened one additional domestic Company-operated Shack and two additional domestic licensed Shacks.



# BALANCE SHEETS

## (UNAUDITED)

(in thousands, except share and per share amounts)

|  | June 29,<br>2022    | December 29,<br>2021 |
|--|---------------------|----------------------|
| <b>ASSETS</b>  |                     |                      |
| Current assets:  |                     |                      |
| Cash and cash equivalents  | \$ 278,332          | \$ 302,406           |
| Marketable securities  | 79,625              | 80,000               |
| Accounts receivable, net   | 11,936              | 13,657               |
| Inventories  | 3,955               | 3,850                |
| Prepaid expenses and other current assets  | 13,727              | 9,763                |
| Total current assets   | 387,575             | 409,676              |
| Property and equipment, net of accumulated depreciation of \$254,291 and \$222,768 respectively  | 411,018             | 389,386              |
| Operating lease assets   | 361,522             | 347,277              |
| Deferred income taxes, net   | 305,230             | 298,668              |
| Other assets   | 14,735              | 12,563               |
| <b>TOTAL ASSETS</b>  | <b>\$ 1,480,080</b> | <b>\$ 1,457,570</b>  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                     |                      |
| Current liabilities:   |                     |                      |
| Accounts payable   | \$ 16,420           | \$ 19,947            |
| Accrued expenses   | 40,013              | 36,892               |
| Accrued wages and related liabilities  | 18,440              | 14,638               |
| Operating lease liabilities, current   | 38,775              | 35,519               |
| Other current liabilities  | 20,261              | 14,501               |
| Total current liabilities  | 133,909             | 121,497              |
| Long-term debt   | 244,066             | 243,542              |
| Long-term operating lease liabilities  | 418,010             | 400,113              |
| Liabilities under tax receivable agreement, net of current portion   | 234,862             | 234,045              |
| Other long-term liabilities  | 21,597              | 22,773               |
| Total liabilities  | 1,052,444           | 1,021,970            |
| Commitments and contingencies  |                     |                      |
| Stockholders' equity:  |                     |                      |
| Preferred stock, no par value—10,000,000 shares authorized; none issued and outstanding as of June 29, 2022 and December 29, 2021.¶  | -                   | -                    |
| Class A common stock, \$0.001 par value—200,000,000 shares authorized; 39,266,670 and 39,142,397 shares issued and outstanding as of June 29, 2022 and December 29, 2021, respectively.¶ | 39                  | 39                   |
| Class B common stock, \$0.001 par value—35,000,000 shares authorized; 2,871,513 and 2,921,587 shares issued and outstanding as of June 29, 2022 and December 29, 2021, respectively.¶    | 3                   | 3                    |
| Additional paid-in capital   | 410,520             | 405,940              |
| Retained earnings (accumulated deficit)  | (7,796)             | 3,554                |
| Accumulated other comprehensive income (loss)  | (1)                 | 1                    |
| Total stockholders' equity attributable to Shake Shack, Inc.   | 402,765             | 409,537              |
| Non-controlling interests  | 24,871              | 26,063               |
| Total equity   | 427,636             | 435,600              |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>  | <b>\$ 1,480,080</b> | <b>\$ 1,457,570</b>  |

# INCOME STATEMENTS

## (UNAUDITED)

|   | Thirteen Weeks Ended |               |                   |               | Twenty-Six Weeks Ended |               |                   |               |
|---|----------------------|---------------|-------------------|---------------|------------------------|---------------|-------------------|---------------|
|   | June 29, 2022        |               | June 30, 2021     |               | June 29, 2022          |               | June 30, 2021     |               |
| <i>(in thousands, except per share amounts)</i>                   |                      |               |                   |               |                        |               |                   |               |
| Shack sales   | \$ 223,054           | 96.7%         | \$ 181,470        | 96.8%         | \$ 419,845             | 96.7%         | \$ 332,138        | 96.9%         |
| Licensing revenue   | 7,698                | 3.3%          | 5,990             | 3.2%          | 14,298                 | 3.3%          | 10,604            | 3.1%          |
| <b>TOTAL REVENUE</b>  | <b>\$ 230,752</b>    | <b>100.0%</b> | <b>\$ 187,460</b> | <b>100.0%</b> | <b>\$ 434,143</b>      | <b>100.0%</b> | <b>\$ 342,742</b> | <b>100.0%</b> |
| Shack-level operating expenses <sup>(1)</sup> :                   |                      |               |                   |               |                        |               |                   |               |
| Food and paper costs  | 65,987               | 29.6%         | 54,917            | 30.3%         | 125,871                | 30.0%         | 99,547            | 30.0%         |
| Labor and related expenses  | 65,851               | 29.5%         | 52,631            | 29.0%         | 126,316                | 30.1%         | 99,013            | 29.8%         |
| Other operating expenses  | 32,563               | 14.6%         | 24,275            | 13.4%         | 62,800                 | 15.0%         | 47,419            | 14.3%         |
| Occupancy and related expenses                                    | 16,657               | 7.5%          | 14,876            | 8.2%          | 32,933                 | 7.8%          | 28,787            | 8.7%          |
| General and administrative expenses                               | 29,075               | 12.6%         | 20,366            | 10.9%         | 60,395                 | 13.9%         | 39,931            | 11.7%         |
| Depreciation and amortization expense                             | 18,087               | 7.8%          | 14,472            | 7.7%          | 34,942                 | 8.0%          | 28,198            | 8.2%          |
| Pre-opening costs   | 2,823                | 1.2%          | 2,258             | 1.2%          | 5,535                  | 1.3%          | 5,834             | 1.7%          |
| Impairment and loss on disposal of assets                         | 528                  | 0.2%          | 358               | 0.2%          | 1,105                  | 0.3%          | 727               | 0.2%          |
| <b>TOTAL EXPENSES</b>   | <b>\$ 231,571</b>    | <b>100.4%</b> | <b>\$ 184,153</b> | <b>98.2%</b>  | <b>\$ 449,897</b>      | <b>103.6%</b> | <b>\$ 349,456</b> | <b>102.0%</b> |
| <b>INCOME (LOSS) FROM OPERATIONS</b>                              | <b>(819)</b>         | <b>(0.4)%</b> | <b>3,307</b>      | <b>1.8%</b>   | <b>(15,754)</b>        | <b>(3.6)%</b> | <b>(6,714)</b>    | <b>(2.0)%</b> |
| Other income, net   | 538                  | 0.2%          | 108               | 0.1%          | 249                    | 0.1%          | 139               | – %           |
| Interest expense  | (315)                | (0.1)%        | (359)             | (0.2)%        | (670)                  | (0.2)%        | (874)             | (0.3)%        |
| <b>INCOME (LOSS) BEFORE INCOME TAXES</b>                          | <b>\$ (596)</b>      | <b>(0.3)%</b> | <b>\$ 3,056</b>   | <b>1.6%</b>   | <b>\$ (16,175)</b>     | <b>(3.7)%</b> | <b>\$ (7,449)</b> | <b>(2.2)%</b> |
| Income tax expense (benefit)                                      | 707                  | 0.3%          | 991               | 0.5%          | (3,590)                | (0.8)%        | (10,089)          | (2.9)%        |
| <b>NET INCOME (LOSS)</b>  | <b>\$ (1,303)</b>    | <b>(0.6)%</b> | <b>\$ 2,065</b>   | <b>1.1%</b>   | <b>\$ (12,585)</b>     | <b>(2.9)%</b> | <b>\$ 2,640</b>   | <b>0.8%</b>   |
| Less: Net income (loss) attributable to non-controlling interests | (115)                | – %           | 121               | 0.1%          | (1,235)                | (0.3)%        | (613)             | (0.2)%        |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO SHAKE SHACK INC.</b>         | <b>\$ (1,188)</b>    | <b>(0.5)%</b> | <b>\$ 1,944</b>   | <b>1.0%</b>   | <b>\$ (11,350)</b>     | <b>(2.6)%</b> | <b>\$ 3,253</b>   | <b>0.9%</b>   |
| Earnings (loss) per share of Class A common stock:                |                      |               |                   |               |                        |               |                   |               |
| Basic   | \$ (0.03)            |               | \$ 0.05           |               | \$ (0.29)              |               | \$ 0.08           |               |
| Diluted   | \$ (0.03)            |               | \$ 0.05           |               | \$ (0.29)              |               | \$ 0.06           |               |
| Weighted-average shares of Class A common stock outstanding:      |                      |               |                   |               |                        |               |                   |               |
| Basic   | 39,227               |               | 39,114            |               | 39,195                 |               | 39,031            |               |
| Diluted   | 39,227               |               | 43,789            |               | 39,195                 |               | 43,289            |               |

(1) As a percentage of Shack sales.



# CASH FLOW STATEMENTS

## (UNAUDITED)

| (in thousands)  | Twenty-Six Weeks Ended |                   |
|---|------------------------|-------------------|
|   | June 29,<br>2022       | June 30,<br>2021  |
| <b>OPERATING ACTIVITIES</b>   |                        |                   |
| Net income (loss) (including amounts attributable to non-controlling interests)         | \$ (12,585)            | \$ 2,640          |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities |                        |                   |
| Depreciation and amortization expense   | 34,942                 | 28,198            |
| Amortization of debt issuance costs   | 524                    | 344               |
| Amortization of cloud computing asset   | 683                    | 627               |
| Non-cash operating lease cost   | 28,010                 | 24,716            |
| Equity-based compensation   | 6,640                  | 3,639             |
| Deferred income taxes   | 8,392                  | 6,265             |
| Loss on sale of marketable securities   | —                      | 5                 |
| Non-cash interest expense   | 28                     | 343               |
| Impairment and loss on disposal of assets   | 1,105                  | 727               |
| Unrealized loss on equity securities  | 561                    | 37                |
| Other non-cash income   | (2)                    | (1)               |
| Changes in operating assets and liabilities:  |                        |                   |
| Accounts receivable   | 1,721                  | (2,239)           |
| Inventories   | (105)                  | (672)             |
| Prepaid expenses and other current assets   | (3,964)                | 4,384             |
| Other assets  | (4,090)                | (488)             |
| Accounts payable  | (1,104)                | 4,236             |
| Accrued expenses  | (13,208)               | (13,643)          |
| Accrued wages and related liabilities   | 3,802                  | 4,423             |
| Other current liabilities   | 4,929                  | (1,515)           |
| Long-term operating lease liabilities   | (21,102)               | (24,583)          |
| Other long-term liabilities   | (15)                   | (438)             |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <b>35,162</b>          | <b>37,005</b>     |
| <b>INVESTING ACTIVITIES</b>   |                        |                   |
| Purchases of property and equipment   | (55,268)               | (44,709)          |
| Purchases of marketable securities  | (186)                  | (47,264)          |
| Sales of marketable securities  | —                      | 4,004             |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>  | <b>(55,454)</b>        | <b>(87,969)</b>   |
| <b>FINANCING ACTIVITIES</b>   |                        |                   |
| Proceeds from issuance of convertible notes, net of discount                            | —                      | 243,750           |
| Deferred financing costs  | —                      | (101)             |
| Payments on principal of financing leases   | (1,513)                | (1,272)           |
| Distributions paid to non-controlling interest holders                                  | (324)                  | (706)             |
| Debt issuance costs   | —                      | (687)             |
| Proceeds from stock option exercises  | 175                    | 6,610             |
| Employee withholding taxes related to net settled equity awards                         | (2,120)                | (3,400)           |
| <b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>                              | <b>(3,782)</b>         | <b>244,194</b>    |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                             | <b>(24,074)</b>        | <b>193,230</b>    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>                                 | <b>302,406</b>         | <b>146,873</b>    |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                                       | <b>\$ 278,332</b>      | <b>\$ 340,103</b> |

# SHACK-LEVEL OPERATING PROFIT DEFINITIONS

---

## Shack-Level Operating Profit

Shack-level operating profit, a non-GAAP measure, is defined as Shack sales less Shack-level operating expenses, including Food and paper costs, Labor and related expenses, Other operating expenses and Occupancy and related expenses.

## Shack-level Operating Profit Margin

Shack-level operating profit margin, a non-GAAP measure, is defined as Shack sales less Shack-level operating expenses, including Food and paper costs, Labor and related expenses, Other operating expenses and Occupancy and related expenses as a percentage of Shack sales.

## How This Measure Is Useful

When used in conjunction with GAAP financial measures, Shack-level operating profit and Shack-level operating profit margin are supplemental measures of operating performance that the Company believes are useful measures to evaluate the performance and profitability of its Shacks. Additionally, Shack-level operating profit and Shack-level operating profit margin are key metrics used internally by management to develop internal budgets and forecasts, as well as assess the performance of its Shacks relative to budget and against prior periods. It is also used to evaluate employee compensation as it serves as a metric in certain performance-based employee bonus arrangements. The Company believes presentation of Shack-level operating profit and Shack-level operating profit margin provides investors with a supplemental view of its operating performance that can provide meaningful insights to the underlying operating performance of the Shacks, as these measures depict the operating results that are directly impacted by the Shacks and exclude items that may not be indicative of, or are unrelated to, the ongoing operations of the Shacks. It may also assist investors to evaluate the Company's performance relative to peers of various sizes and maturities and provides greater transparency with respect to how management evaluates the business, as well as the financial and operational decision-making.

## Limitations of the Usefulness of this Measure

Shack-level operating profit and Shack-level operating profit margin may differ from similarly titled measures used by other companies due to different methods of calculation. Presentation of Shack-level operating profit and Shack-level operating profit margin is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. Shack-level operating profit excludes certain costs, such as General and administrative expenses and Pre-opening costs, which are considered normal, recurring cash operating expenses and are essential to support the operation and development of the Company's Shacks. Therefore, this measure may not provide a complete understanding of the Company's operating results as a whole and Shack-level operating profit and Shack-level operating profit margin should be reviewed in conjunction with the Company's GAAP financial results. A reconciliation of Shack-level operating profit to operating income (loss), the most directly comparable GAAP financial measure, is set forth on next slide.

# SHACK-LEVEL OPERATING PROFIT

|  | Thirteen Weeks Ended |               | Twenty-Six Weeks Ended |               |
|--|----------------------|---------------|------------------------|---------------|
|  | June 29, 2022        | June 30, 2021 | June 29, 2022          | June 30, 2021 |
| <i>(dollar amounts in thousands)</i>                 |                      |               |                        |               |
| Income (loss) from operations                        | \$ (819)             | \$ 3,307      | \$ (15,754)            | \$ (6,714)    |
| Less:  |                      |               |                        |               |
| Licensing revenue                                    | 7,698                | 5,990         | 14,298                 | 10,604        |
| Add:   |                      |               |                        |               |
| General and administrative expenses                  | 29,075               | 20,366        | 60,395                 | 39,931        |
| Depreciation and amortization expense                | 18,087               | 14,472        | 34,942                 | 28,198        |
| Pre-opening costs                                    | 2,823                | 2,258         | 5,535                  | 5,834         |
| Impairment and loss on disposal of assets            | 528                  | 358           | 1,105                  | 727           |
| Shack-level operating profit                         | \$ 41,996            | \$ 34,771     | \$ 71,925              | \$ 57,372     |
| Total revenue  | 230,752              | 187,460       | 434,143                | 342,742       |
| Less: Licensing revenue                              | 7,698                | 5,990         | 14,298                 | 10,604        |
| Shack sales  | \$ 223,054           | \$ 181,470    | \$ 419,845             | \$ 332,138    |
| Shack-level operating profit margin <sup>(1,2)</sup> | 18.8%                | 19.2%         | 17.1%                  | 17.3%         |

(1) As a percentage of Shack sales.

(2) For the twenty-six weeks ended June 29, 2022, Shack-level operating profit margin includes the \$1,281 cumulative catch-up adjustment for gift card breakage income, recognized in Shack sales.



# ADJUSTED EBITDA DEFINITIONS

---

## EBITDA and Adjusted EBITDA

EBITDA, a non-GAAP measure, is defined as Net income (loss) before interest expense (net of interest income), Income tax expense (benefit) and Depreciation and amortization expense. Adjusted EBITDA, a non-GAAP measure, is defined as EBITDA (as defined above) excluding equity-based compensation expense, deferred lease cost, Impairment and loss on disposal of assets, amortization of cloud-based software implementation costs, as well as certain non-recurring items that the Company does not believe directly reflect its core operations and may not be indicative of the Company's recurring business operations.

## Adjusted EBITDA Margin

Adjusted EBITDA margin, a non-GAAP measure, is defined as Net income (loss) before interest expense (net of interest income), Income tax expense (benefit) and Depreciation and amortization expense, which also excludes equity-based compensation expense, deferred lease costs, Impairment and loss on disposal of assets, amortization of cloud-based software implementation costs, as well as certain non-recurring items that the Company does not believe directly reflect its core operations and may not be indicative of the Company's recurring business operations, as a percentage of Total revenue.

## How These Measures Are Useful

When used in conjunction with GAAP financial measures, EBITDA and adjusted EBITDA are supplemental measures of operating performance that the Company believes are useful measures to facilitate comparisons to historical performance and competitors' operating results. Adjusted EBITDA is a key metric used internally by management to develop internal budgets and forecasts and also serves as a metric in its performance-based equity incentive programs and certain bonus arrangements. The Company believes presentation of EBITDA and adjusted EBITDA provides investors with a supplemental view of the Company's operating performance that facilitates analysis and comparisons of its ongoing business operations because they exclude items that may not be indicative of the Company's ongoing operating performance.

## Limitations of the Usefulness of These Measures

EBITDA and adjusted EBITDA may differ from similarly titled measures used by other companies due to different methods of calculation. Presentation of EBITDA and adjusted EBITDA is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. EBITDA and adjusted EBITDA exclude certain normal recurring expenses. Therefore, these measures may not provide a complete understanding of the Company's performance and should be reviewed in conjunction with the GAAP financial measures. A reconciliation of EBITDA and adjusted EBITDA to Net income (loss), the most directly comparable GAAP measure, is set forth on next slide.

# ADJUSTED EBITDA

|   | Thirteen Weeks Ended |                  | Twenty-Six Weeks Ended |                  |
|---|----------------------|------------------|------------------------|------------------|
|   | June 29, 2022        | June 30, 2021    | June 29, 2022          | June 30, 2021    |
| <i>(dollar amounts in thousands)</i>                      |                      |                  |                        |                  |
| Net income (loss)   | \$ (1,303)           | \$ 2,065         | \$ (12,585)            | \$ 2,640         |
| Depreciation and amortization expense                     | 18,087               | 14,472           | 34,942                 | 28,198           |
| Interest expense, net                                     | 315                  | 359              | 670                    | 874              |
| Income tax expense (benefit)                              | 707                  | 991              | (3,590)                | (10,089)         |
| <b>EBITDA</b>   | <b>17,806</b>        | <b>17,887</b>    | <b>19,437</b>          | <b>21,623</b>    |
| Equity-based compensation                                 | 3,452                | 1,958            | 6,640                  | 3,639            |
| Amortization of cloud-based software implementation costs | 351                  | 314              | 683                    | 627              |
| Deferred lease costs <sup>(1)</sup>                       | (773)                | (75)             | (1,650)                | 129              |
| Impairment and loss on disposal of assets                 | 528                  | 358              | 1,105                  | 727              |
| Legal matters   | 750                  | 24               | 6,750                  | 619              |
| Gift card breakage cumulative catch-up adjustment         | -                    | -                | (1,281)                | -                |
| Debt offering related costs <sup>(2)</sup>                | -                    | -                | -                      | 236              |
| Executive transition costs                                | -                    | 179              | -                      | 179              |
| <b>Adjusted EBITDA</b>                                    | <b>\$ 22,114</b>     | <b>\$ 20,645</b> | <b>\$ 31,684</b>       | <b>\$ 27,779</b> |
| <b>Adjusted EBITDA margin<sup>(3)</sup></b>               | <b>9.6%</b>          | <b>11.0%</b>     | <b>7.3%</b>            | <b>8.1%</b>      |

(1) Reflects the extent to which lease expense is greater than or less than contractual fixed base rent.

(2) Costs incurred in connection with the Company's Convertible Notes, issued in March 2021, including consulting and advisory fees.

(3) Calculated as a percentage of Total revenue, which was \$230.8 million and \$434.1 million for the thirteen and twenty-six weeks ended June 29, 2022, respectively, and \$187.5 million and \$342.7 million for the thirteen and twenty-six weeks ended June 30, 2021, respectively.

# ADJUSTED PRO FORMA NET INCOME (LOSS) AND INCOME (LOSS) PER SHARE DEFINITIONS

---

## Adjusted Pro Forma Net Income (Loss) and Adjusted Pro Forma Earnings (Loss) Per Fully Exchanged and Diluted Share

Adjusted pro forma net income (loss) represents Net income (loss) attributable to Shake Shack Inc. assuming the full exchange of all outstanding SSE Holdings, LLC membership interests ("LLC Interests") for shares of Class A common stock, adjusted for certain non-recurring items that the Company does not believe are directly related to its core operations and may not be indicative of recurring business operations. Adjusted pro forma earnings (loss) per fully exchanged and diluted share is calculated by dividing adjusted pro forma net income (loss) by the weighted-average shares of Class A common stock outstanding, assuming the full exchange of all outstanding LLC Interests, after giving effect to the dilutive effect of outstanding equity-based awards.

## How These Measures Are Useful

When used in conjunction with GAAP financial measures, adjusted pro forma net income (loss) and adjusted pro forma earnings (loss) per fully exchanged and diluted share are supplemental measures of operating performance that the Company believes are useful measures to evaluate performance period over period and relative to its competitors. By assuming the full exchange of all outstanding LLC Interests, the Company believes these measures facilitate comparisons with other companies that have different organizational and tax structures, as well as comparisons period over period because it eliminates the effect of any changes in Net income (loss) attributable to Shake Shack Inc. driven by increases in its ownership of SSE Holdings, which are unrelated to the Company's operating performance, and excludes items that are non-recurring or may not be indicative of ongoing operating performance.

## Limitations of the Usefulness of These Measures

Adjusted pro forma net income (loss) and adjusted pro forma earnings (loss) per fully exchanged and diluted share may differ from similarly titled measures used by other companies due to different methods of calculation. Presentation of adjusted pro forma net income (loss) and adjusted pro forma earnings (loss) per fully exchanged and diluted share should not be considered alternatives to Net income (loss) and earnings (loss) per share, as determined under GAAP. While these measures are useful in evaluating the Company's performance, it does not account for the earnings attributable to the non-controlling interest holders and therefore does not provide a complete understanding of the Net income (loss) attributable to Shake Shack Inc. Adjusted pro forma net income (loss) and adjusted pro forma earnings (loss) per fully exchanged and diluted share should be evaluated in conjunction with GAAP financial results.



# ADJUSTED PRO FORMA NET INCOME (LOSS) AND INCOME (LOSS) PER SHARE

| (in thousands, except per share amounts)  | Thirteen Weeks Ended |               | Twenty-Six Weeks Ended |               |
|---|----------------------|---------------|------------------------|---------------|
|   | June 29, 2022        | June 30, 2021 | June 29, 2022          | June 30, 2021 |
| Numerator:  |                      |               |                        |               |
| Net income (loss) attributable to Shake Shack Inc.  | \$ (1,188)           | \$ 1,944      | \$ (11,350)            | \$ 3,253      |
| Adjustments:  |                      |               |                        |               |
| Reallocation of Net income (loss) attributable to non-controlling interests from the assumed exchange of LLC Interests <sup>(1)</sup> | (115)                | 121           | (1,235)                | (613)         |
| Legal matters   | 750                  | 24            | 6,750                  | 619           |
| Gift card breakage cumulative catch-up adjustment   | -                    | -             | (1,281)                | -             |
| Debt offering related costs <sup>(2)</sup>  | -                    | -             | -                      | 236           |
| Executive transition costs  | -                    | 179           | -                      | 179           |
| Revolving Credit Facility amendments related costs <sup>(3)</sup>   | -                    | -             | -                      | 323           |
| Impact to income tax expense (benefit) <sup>(4)</sup>   | 684                  | 112           | (911)                  | 136           |
| Adjusted pro forma net income (loss)  | \$ 131               | \$ 2,380      | \$ (8,027)             | \$ 4,133      |
| Denominator:  |                      |               |                        |               |
| Weighted-average shares of Class A common stock outstanding—diluted   | 39,227               | 43,789        | 39,195                 | 43,289        |
| Adjustments:  |                      |               |                        |               |
| Assumed exchange of LLC Interests for shares of Class A common stock <sup>(1)</sup>   | 2,906                | -             | 2,913                  | -             |
| Dilutive effect of stock options  | 104                  | -             | -                      | -             |
| Dilutive effect of convertible notes  | 1,467                | -             | -                      | -             |
| Adjusted pro forma fully exchanged weighted-average shares of Class A common stock outstanding—diluted                                | 43,704               | 43,789        | 42,108                 | 43,289        |
| Adjusted proforma earnings (loss) per fully exchanged share—diluted   | \$ 0.00              | \$ 0.05       | \$ (0.19)              | \$ 0.10       |
|   |                      |               |                        |               |
|   | Thirteen Weeks Ended |               | Twenty-Six Weeks Ended |               |
|   | June 29, 2022        | June 30, 2021 | June 29, 2022          | June 30, 2021 |
| Earnings (loss) per share of Class A common stock—diluted   | \$ (0.03)            | \$ 0.05       | \$ (0.29)              | \$ 0.06       |
| Assumed exchange of LLC Interests for shares of Class A common stock <sup>(1)</sup>   | -                    | -             | (0.01)                 | -             |
| Non-GAAP adjustments <sup>(5)</sup>   | 0.03                 | -             | 0.11                   | 0.04          |
| Adjusted pro forma earnings (loss) per fully exchanged share—diluted  | \$ 0.00              | \$ 0.05       | \$ (0.19)              | \$ 0.10       |

(1) Assumes the exchange of all outstanding LLC Interests for shares of Class A common stock, resulting in the elimination of the non-controlling interest and recognition of the net income (loss) attributable to non-controlling interests.

(2) Costs incurred in connection with the Company's Convertible Notes, issued in March 2021, including consulting and advisory fees.

(3) Expense incurred in connection with the Company's amendments on the Revolving Credit Facility, including the write-off of previously capitalized costs on the Revolving Credit Facility.

(4) Represents the tax effect of the aforementioned adjustments and pro forma adjustments to reflect corporate income taxes at assumed effective tax rates of 14.9% and 25.0% for the thirteen and twenty-six weeks ended June 29, 2022, respectively, and 27.0% and 167.8% for the thirteen and twenty-six weeks ended June 30, 2021, respectively. Amounts include provisions for U.S. federal income taxes, certain LLC entity-level taxes and foreign withholding taxes, assuming the highest statutory rates apportioned to each applicable state, local and foreign jurisdiction.

(5) Represents the per share impact of non-GAAP adjustments for each period. Refer to the reconciliation of Adjusted Pro Forma Net Income (Loss) above, for additional information.

# ADJUSTED PRO FORMA EFFECTIVE TAX RATE DEFINITIONS

---

## Adjusted Pro Forma Effective Tax Rate

Adjusted pro forma effective tax rate represents the effective tax rate assuming the full exchange of all outstanding SSE Holdings, LLC membership interests ("LLC Interests") for shares of Class A common stock, adjusted for certain non-recurring items that the Company does not believe are directly related to its core operations and may not be indicative of its recurring business operations.

## How This Measure Is Useful

When used in conjunction with GAAP financial measures, adjusted pro forma effective tax rate is a supplemental measure of operating performance that the Company believes is useful to evaluate its performance period over period and relative to its competitors. By assuming the full exchange of all outstanding LLC Interests, the Company believes this measure facilitates comparisons with other companies that have different organizational and tax structures, as well as comparisons period over period because it eliminates the effect of any changes in effective tax rate driven by increases in its ownership of SSE Holdings, which are unrelated to the Company's operating performance, and excludes items that are non-recurring or may not be indicative of ongoing operating performance.

## Limitations of the Usefulness of this Measure

Adjusted pro forma effective tax rate may differ from similarly titled measures used by other companies due to different methods of calculation. Presentation of adjusted pro forma effective tax rate should not be considered an alternative to effective tax rate, as determined under GAAP. While this measure is useful in evaluating the Company's performance, it does not account for the effective tax rate attributable to the non-controlling interest holders and therefore does not provide a complete understanding of effective tax rate. Adjusted pro forma effective tax rate should be evaluated in conjunction with GAAP financial results. A reconciliation of adjusted pro forma effective tax rate, the most directly comparable GAAP measure, is set forth on next slide.

# 2022 ADJUSTED PRO FORMA EFFECTIVE TAX RATE

(dollar amounts in thousands)

As reported

Non-GAAP adjustments (before tax):

Legal matters

Gift Card Adjustment

Tax effect of non-GAAP adjustments and assumed exchange of outstanding LLC Interests

**Adjusted pro forma**

Less:

Net tax impact from stock-based compensation

**Adjusted pro forma (excluding windfall tax benefits)**

| Thirteen Weeks Ended<br>June 29, 2022 |   |                       | Twenty-Six Weeks Ended<br>June 29, 2022 |   |                       |
|---------------------------------------|---|-----------------------|---|---|-----------------------|
| Income Tax<br>Expense<br>(Benefit)    | Income (Loss)<br>Before Income<br>Taxes | Effective Tax<br>Rate | Income Tax<br>Expense<br>(Benefit)      | Income (Loss)<br>Before Income<br>Taxes | Effective Tax<br>Rate |
| \$ 707                                | \$ (596)                                | -118.6%               | \$ (3,590)                              | \$ (16,175)                             | 22.2%                 |
| -                                     | 750                                     |                       | -                                       | 6,750                                   |                       |
| -                                     | -                                       |                       | -                                       | (1,281)                                 |                       |
| (684)                                 | -                                       |                       | 911                                     | -                                       |                       |
| \$ 23                                 | \$ 154                                  | 14.9%                 | \$ (2,679)                              | \$ (10,706)                             | 25.0%                 |
| (4)                                   | -                                       |                       | (424)                                   | -                                       |                       |
| \$ 19                                 | \$ 154                                  | 12.0%                 | \$ (3,103)                              | \$ (10,706)                             | 29.0%                 |

# 2021 ADJUSTED PRO FORMA EFFECTIVE TAX RATE

(dollar amounts in thousands)

As reported

Non-GAAP adjustments (before tax):

Debt offering related costs

Revolving Credit Facility amendment-related costs

Legal matters

Executive transition costs

Tax effect of non-GAAP adjustments and assumed exchange of outstanding LLC Interests

**Adjusted pro forma**

Less:

Windfall tax benefits from stock-based compensation

**Adjusted pro forma (excluding windfall tax benefits)**

| Thirteen Weeks Ended<br>June 30, 2021 |   |                       | Twenty-Six Weeks Ended<br>June 30, 2021 |   |                       |
|---------------------------------------|---|-----------------------|---|---|-----------------------|
| Income Tax<br>Expense<br>(Benefit)    | Income (Loss)<br>Before Income<br>Taxes | Effective Tax<br>Rate | Income Tax<br>Expense<br>(Benefit)      | Income (Loss)<br>Before Income<br>Taxes | Effective Tax<br>Rate |
| \$ 991                                | \$ 3,056                                | 32.4%                 | \$ (10,089)                             | \$ (7,449)                              | 135.4%                |
| -                                     | -                                       |                       | -                                       | 236                                     |                       |
| -                                     | -                                       |                       | -                                       | 323                                     |                       |
| -                                     | 24                                      |                       | -                                       | 619                                     |                       |
| -                                     | 179                                     |                       | -                                       | 179                                     |                       |
| (112)                                 | -                                       |                       | (136)                                   | -                                       |                       |
| \$ 879                                | \$ 3,259                                | 27.0%                 | \$ (10,225)                             | \$ (6,092)                              | 167.8%                |
| 121                                   | -                                       |                       | 8,472                                   | -                                       |                       |
| \$ 1,000                              | \$ 3,259                                | 30.7%                 | \$ (1,753)                              | \$ (6,092)                              | 28.8%                 |



# CONTACT INFORMATION



## INVESTOR CONTACT

Melissa Calandruccio, ICR  
Michelle Michalski, ICR  
(844) Shack-04 (844-742-2504)  
[investor@shakeshack.com](mailto:investor@shakeshack.com)

## MEDIA CONTACT

Kristyn Clark, Shake Shack  
[kclark@shakeshack.com](mailto:kclark@shakeshack.com)