SHAKE SHACK®

SECOND QUARTER 2020 EARNINGS SUPPLEMENTAL
JULY 30, 2020






CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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

All statements other than statements of historical fact included in this presentation are forward-looking statements, including, but not limited to, expected financial outlook for fiscal 2020, expected operating performance for fiscal 2020, expected Shack construction and openings, expected same-Shack sales growth and trends in Shake Shack Inc.'s (the "Company's") operations including statements relating to the effects of COVID-19 and the Company's mitigation efforts.

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," "outlook," "potential," "project," "projection," "plan," "intend," "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. 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 25, 2019, and the Quarterly Reports on Forms 10-Q for the periods ended March 25 and June 24, 2020 as filed with the Securities and Exchange Commission ("SEC"). All of the Company's SEC filings are available online at **www.sec.gov**, **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.

COMMITMENT TO LOOK AFTER OUR TEAM, GUESTS AND COMMUNITIES

SUPPORTING SHACK TEAMS:

- Enhanced safety procedures to protect the health of all Shack teams
- 10% premium pay to all hourly team members continues into third quarter
- Guaranteed bonuses for Shack managers also continues into third quarter
- 100% health benefits paid for furloughed team members
- Combination of premium pay, guaranteed bonuses and scheduling related premiums in Q2 resulted in $2.4M incremental payroll costs

SUPPORTING SHACK GUESTS:

- Safety and adherence to CDC regulations top priority across all locations
- All orders packaged in sealed bags with additional internal packaging for security
- In-Shack dining capacities limited to support social distancing

SUPPORTING SHACK COMMUNITIES:

- $100k donation made to the Equal Justice Initiative
- Continue to provide free meals to healthcare workers across the globe
- Collective $75k pledge with partners to The Fresh Air Fund









Q2 2020 FINANCIAL HIGHLIGHTS

-49% YoY

Decrease in same-Shack sales[1]



$91.8M

Total revenue
-40% YoY



$123.8M

Shack system-wide sales[2]
-45% YoY



-$8.8M

Adjusted EBITDA[3]
-134% YoY



5

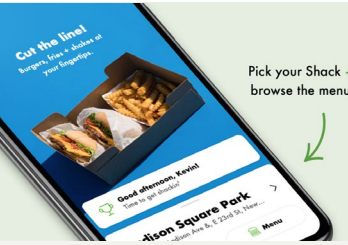
New domestic company-operated and licensed Shacks opened in Q2

$1.9M

Shack-level operating profit[4]
2.2% of Shack sales

1. "Same-Shack sales" 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 days that Shacks were temporarily closed, the comparative 2019 period was also adjusted.
2. “Shack 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 Shack sales from domestic company-operated Shacks and licensing revenue based on a percentage of sales from domestic and international licensed Shacks.
3. “Adjusted EBITDA,” a non-GAAP measure, a non-GAAP measure, is defined as EBITDA excluding equity-based compensation expense, deferred lease costs, impairment and loss on disposal of assets, amortization of cloud-based software implementation assets, 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. See appendix for definition and reconciliation to most comparable GAAP measure.
4. "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. See appendix for definition and reconciliation to most comparable GAAP measure.

BUSINESS HIGHLIGHTS



Total digital sales more than doubled in Q2 versus Q1; Q2 sales in company digital channels (web and app combined) tripled versus the same quarter last year



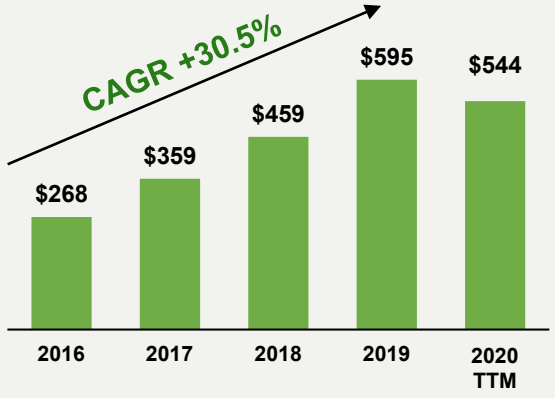
Average weekly sales in fiscal July increased more than **2.3x** the lowest weekly levels in fiscal March



The company has opened **9** company-operated Shacks and **11** net licensed Shacks so far in 2020[2]

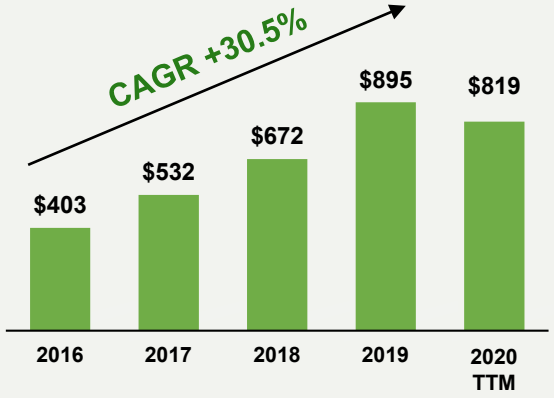
Total Revenue (TTM)

$544 Million



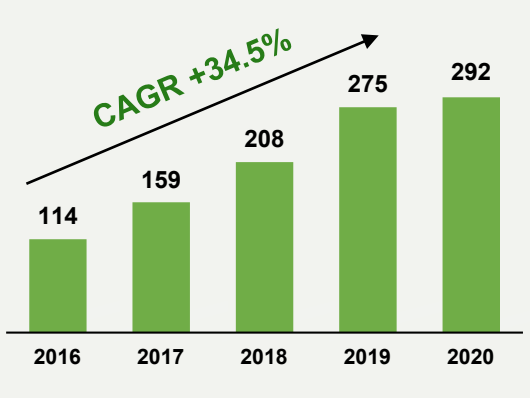
System-wide Sales[1] (TTM)

$819 Million



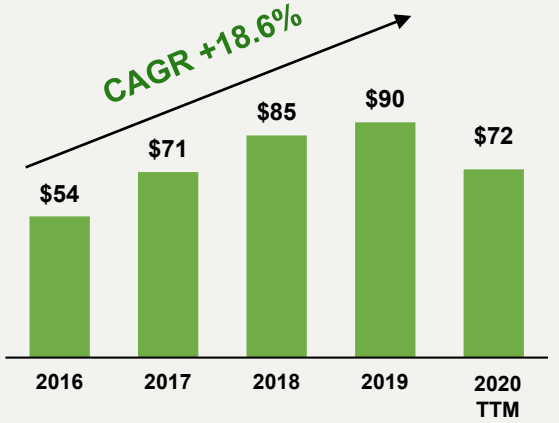
System-wide Shack Count

292 as of quarter end



Cash Flow from Operations (TTM)

$72 Million



1. "Shack 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 Shack sales from domestic company-operated Shacks and licensing revenue based on a percentage of sales from domestic and international licensed Shacks.
2. Number of Shacks open as of 7/30/2020.

Note: CAGR for total revenue, system-wide sales , system-wide Shack count and cash flow from operations, is the compounded annual growth rate between 2015 and the end of 2019.

FISCAL JULY 2020 SNAPSHOT

-39% YoY

Decrease in same-Shack sales[1]



+2.3X

Increase of licensed weekly sales[2] compared to fiscal April



+2.3X

Increase of average weekly sales versus lowest AWS point in fiscal March



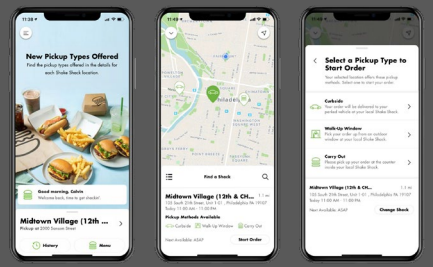
+800K

First time app & web purchasers since early March. Nearly 4x compared to same period last year



+90%

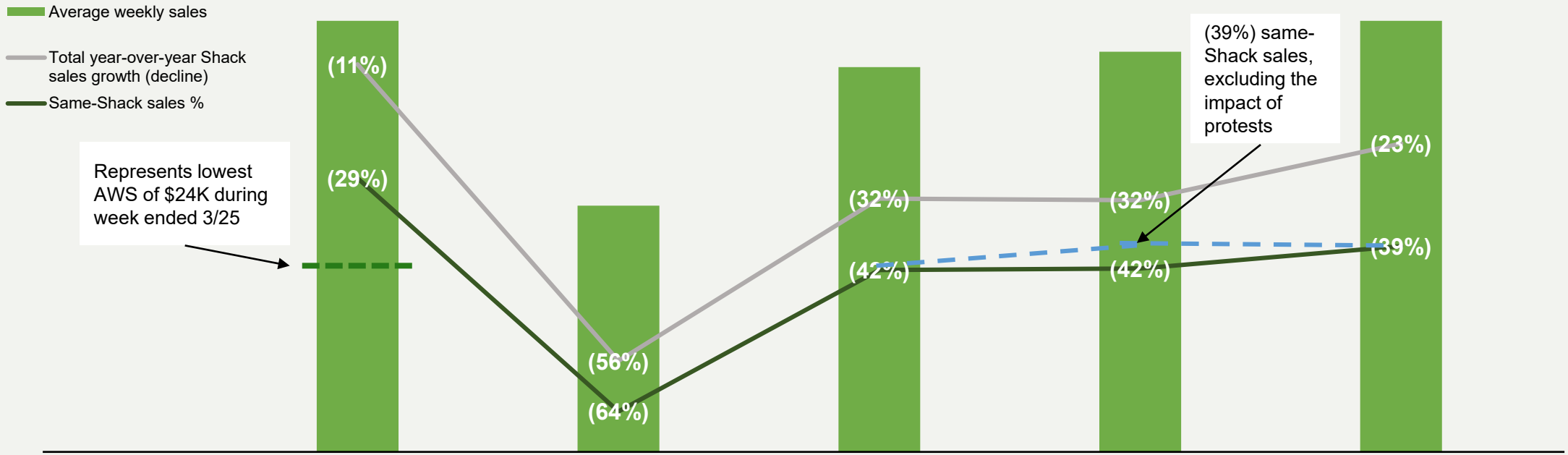
Of digital sales[3] retained from peak level reached in fiscal May



1. "Same-Shack sales" 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 days that Shacks were temporarily closed, the comparative 2019 period was also adjusted.
2. Weekly 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.
3. Digital sales includes sales made through the Shake Shack Mobile Application, Shake Shack Website, and Delivery Partners. Does not include sales through Kiosks that are located inside Shacks.

AVERAGE WEEKLY SALES INCREASED TO 2.3X COVID-19 LOW POINT

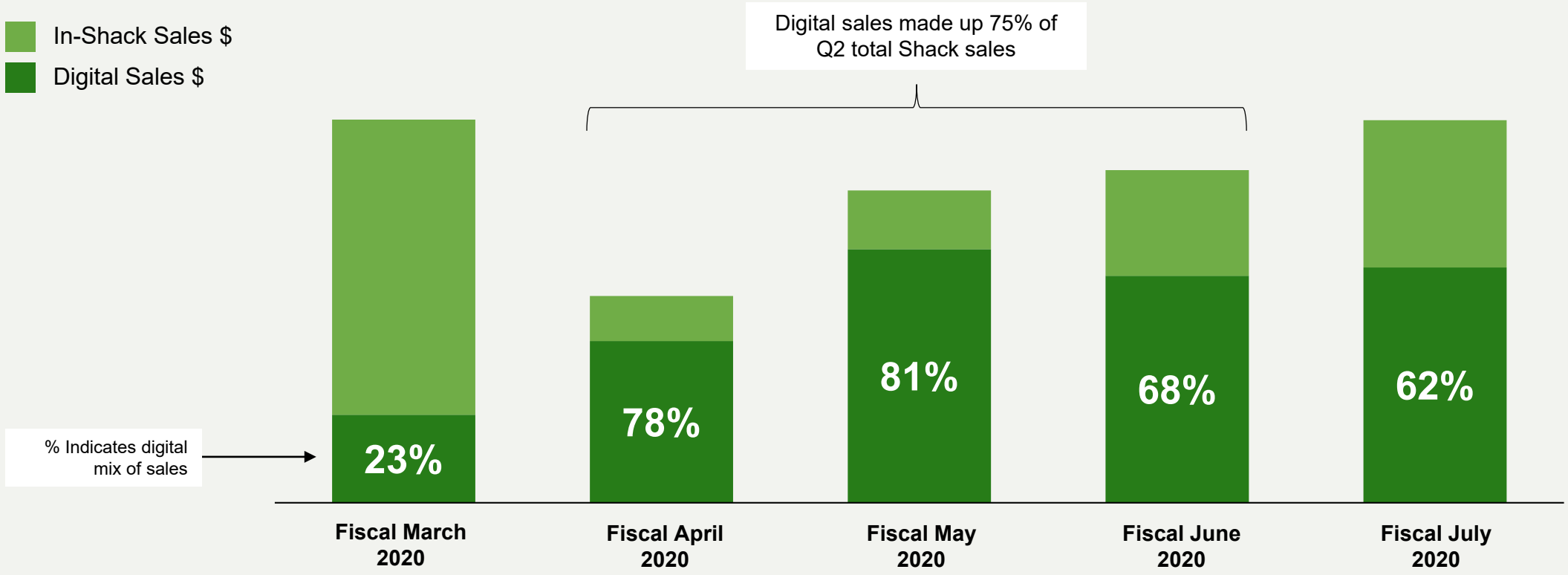
Average weekly sales[1] continue to improve sequentially since fiscal April and have returned to levels consistent with fiscal March as digital sales remain strong and in-Shack ordering gradually resumes



1. "Average Weekly Sales" 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

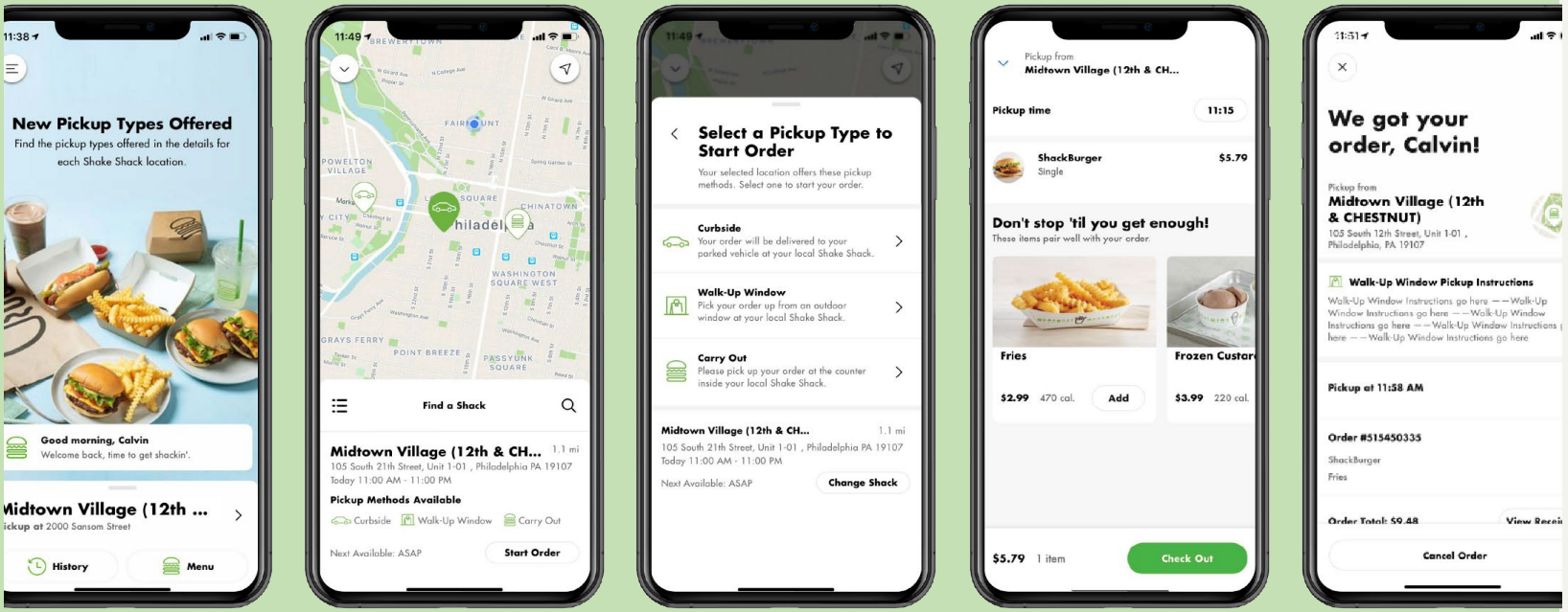
OVER 90% OF DIGITAL SALES RETAINED AS IN-SHACK SALES GRADUALLY RETURN[1]

Q2 2020 digital sales[2] more than doubled compared to Q1 2020; native channels (app and web) sales more than tripled compared to the same period last year



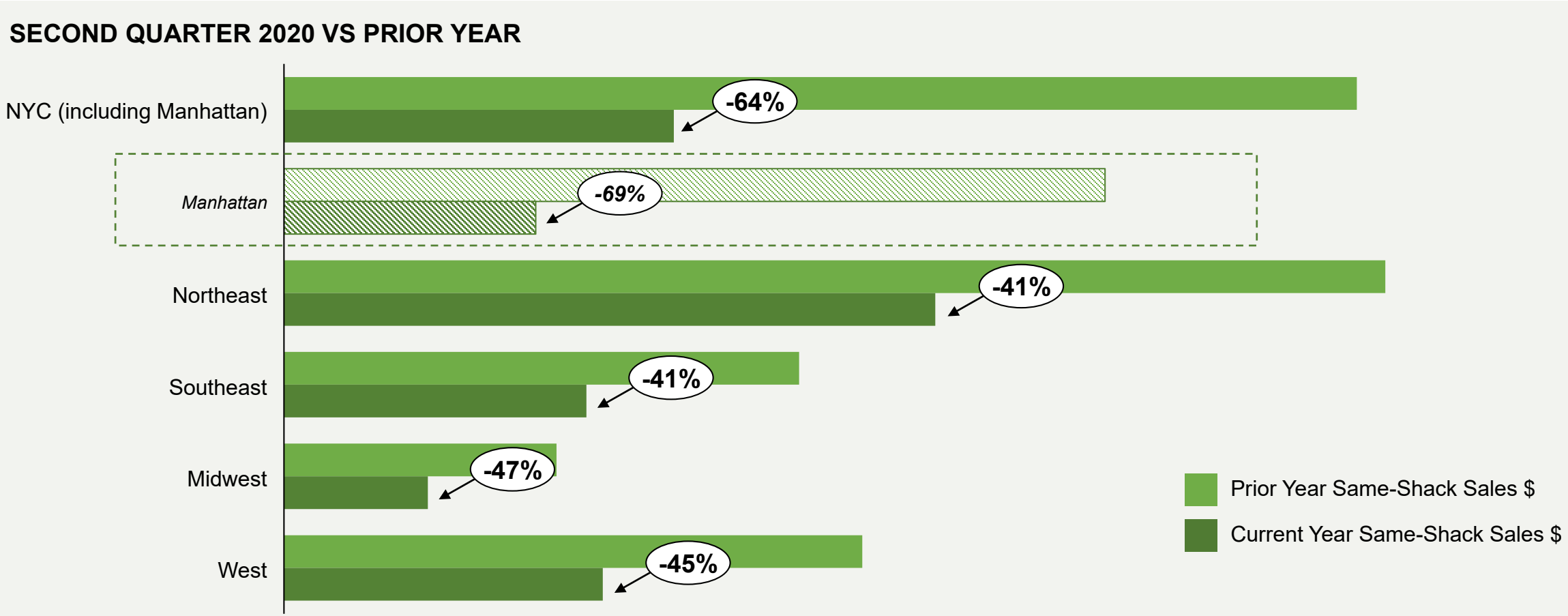
1. Measures fiscal July digital sales levels relative to fiscal May levels
2. Digital sales includes sales made through the Shake Shack Mobile Application, Shake Shack Website, and Delivery Partners. Does not include sales through Kiosks that are located inside Shacks.

ACCELERATED DIGITAL INVESTMENT LAYS THE FOUNDATION FOR ENHANCED GUEST EXPERIENCE



- Acquired over 800,000 first time purchasers via app and web channels since early March; nearly four times higher than the same period last year
- Curbside pickup pilot tests in 10 Shacks seeing strong adoption with no promotion; rollout targeted for approximately 50 Shacks by the end of the third quarter
- Additional app enhancements in development and planned to launch in next 6-12 months, including delivery through the app and additional pickup and payment functionality
- Improved marketing technology to optimize conversion through stronger segmentation and delivery of more targeted communications to guests

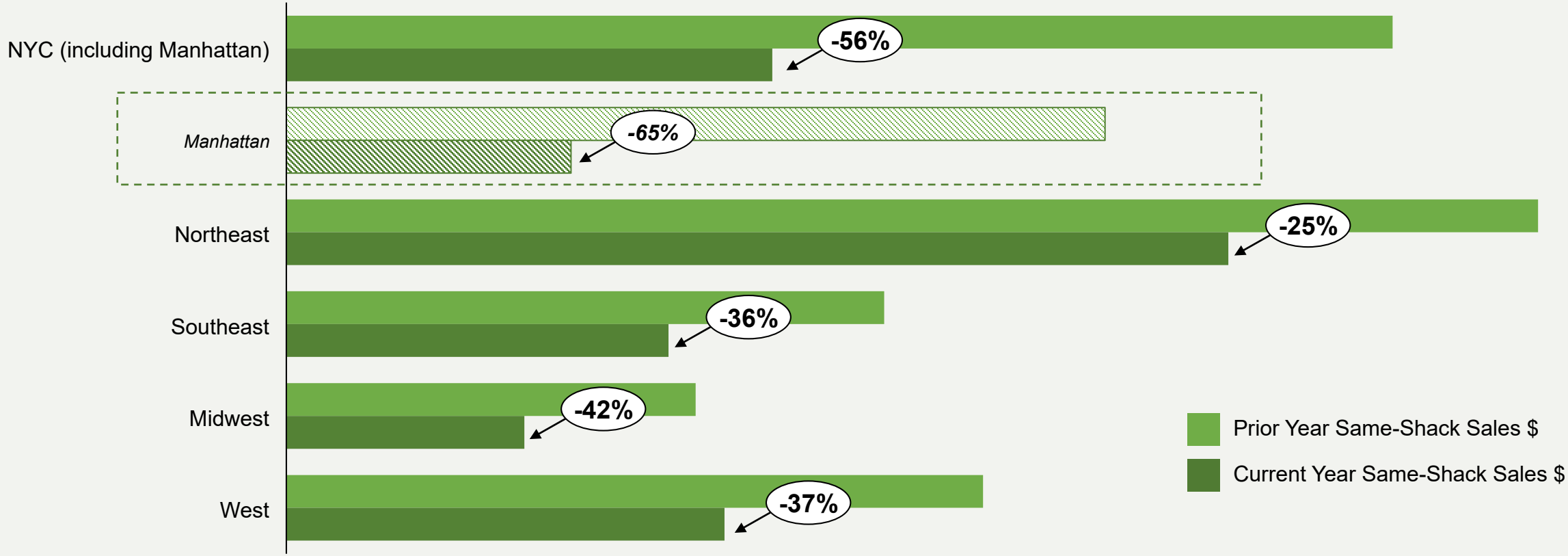
Q2 SAME-SHACK SALES: NYC, PARTICULARLY MANHATTAN, HAD OUTSIZED IMPACT ON OVERALL PERFORMANCE



1. The regions of domestic company-operated Shacks are defined as: NYC, which represents 5 boroughs; Northeast, which represents non-NYC NY, CT, DC, DE, MA, MD, NJ, PA, RI, VA; Southeast, which represents AL, FL, GA, LA, NC, TN, TX; Midwest, which represents IL, KS, KY, MI, MN, MO, OH, WI; and West, which represents AZ, CA, CO, NV, UT, WA.

FISCAL JULY SAME-SHACK SALES: ALL REGIONS IMPROVED YET NYC, DRIVEN BY MANHATTAN, CONTINUED TO LAG REST OF THE BUSINESS

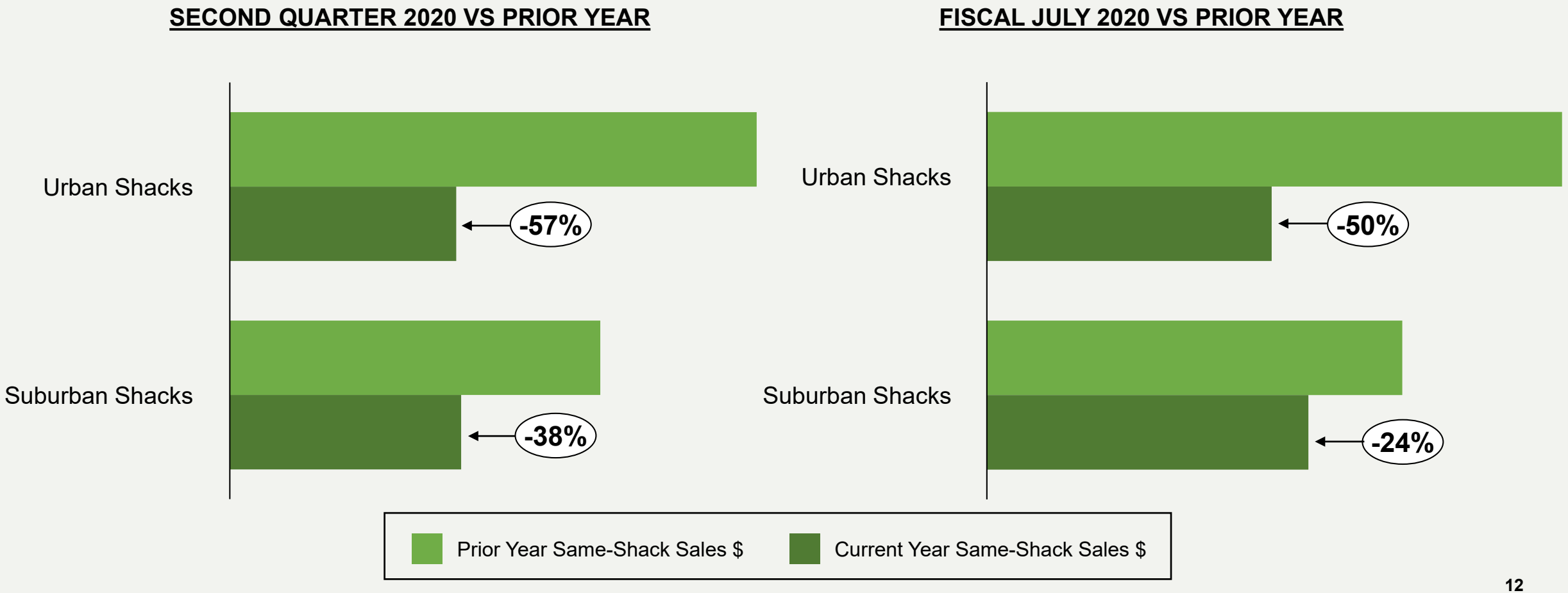
FISCAL JULY 2020 VS PRIOR YEAR



1. The regions of domestic company-operated Shacks are defined as: NYC, which represents 5 boroughs; Northeast, which represents non-NYC NY, CT, DC, DE, MA, MD, NJ, PA, RI, VA; Southeast, which represents AL, FL, GA, LA, NC, TN, TX; Midwest, which represents IL, KS, KY, MI, MN, MO, OH, WI; and West, which represents AZ, CA, CO, NV, UT, WA.

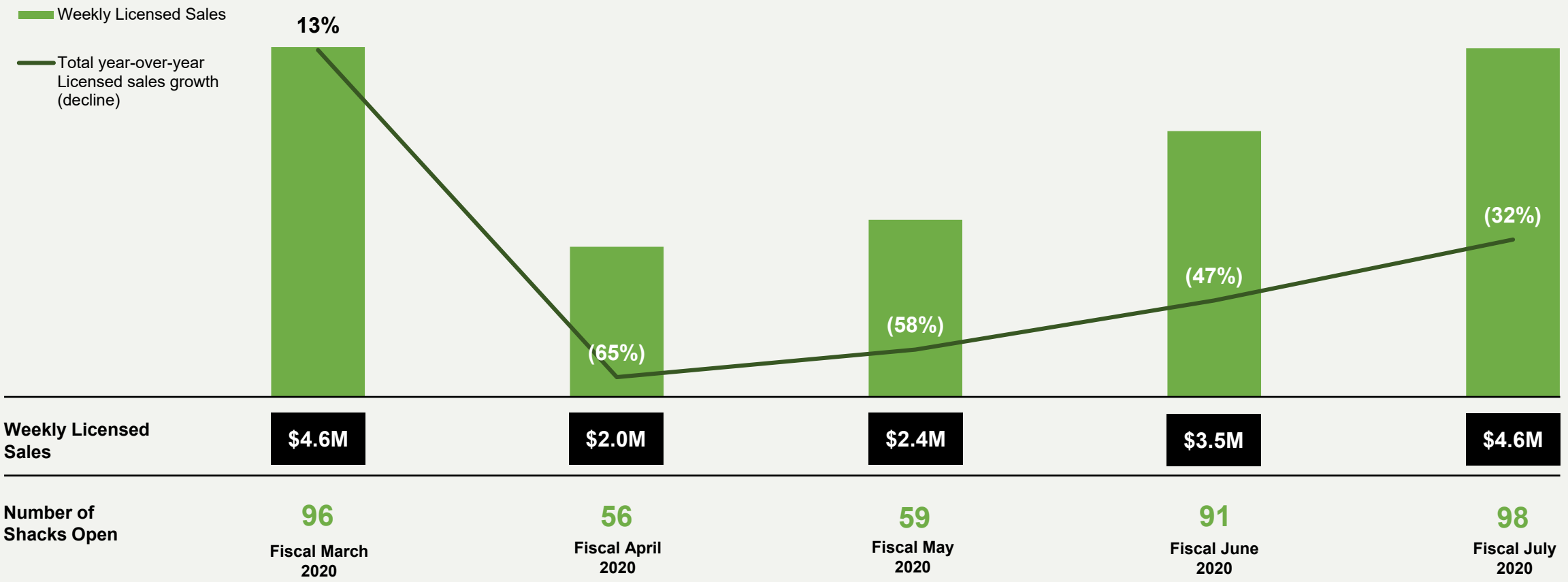
SUBURBAN LOCATIONS OUTPERFORMING URBAN AND RECOVERING FASTER

Urban footprint impacting overall performance given significant impact of COVID-19 on dense office, tourist, and high-traffic locations. Urban Shacks make up half of the units in comp base but ~60% of comp base sales pre-COVID-19



Note: Urban refers to a Shack that is located in a very densely populated city area. These locations tend to be very walkable, close to lots of traffic, shopping, tourism and/or office buildings. Suburban is any Shack that's not classified as Urban.

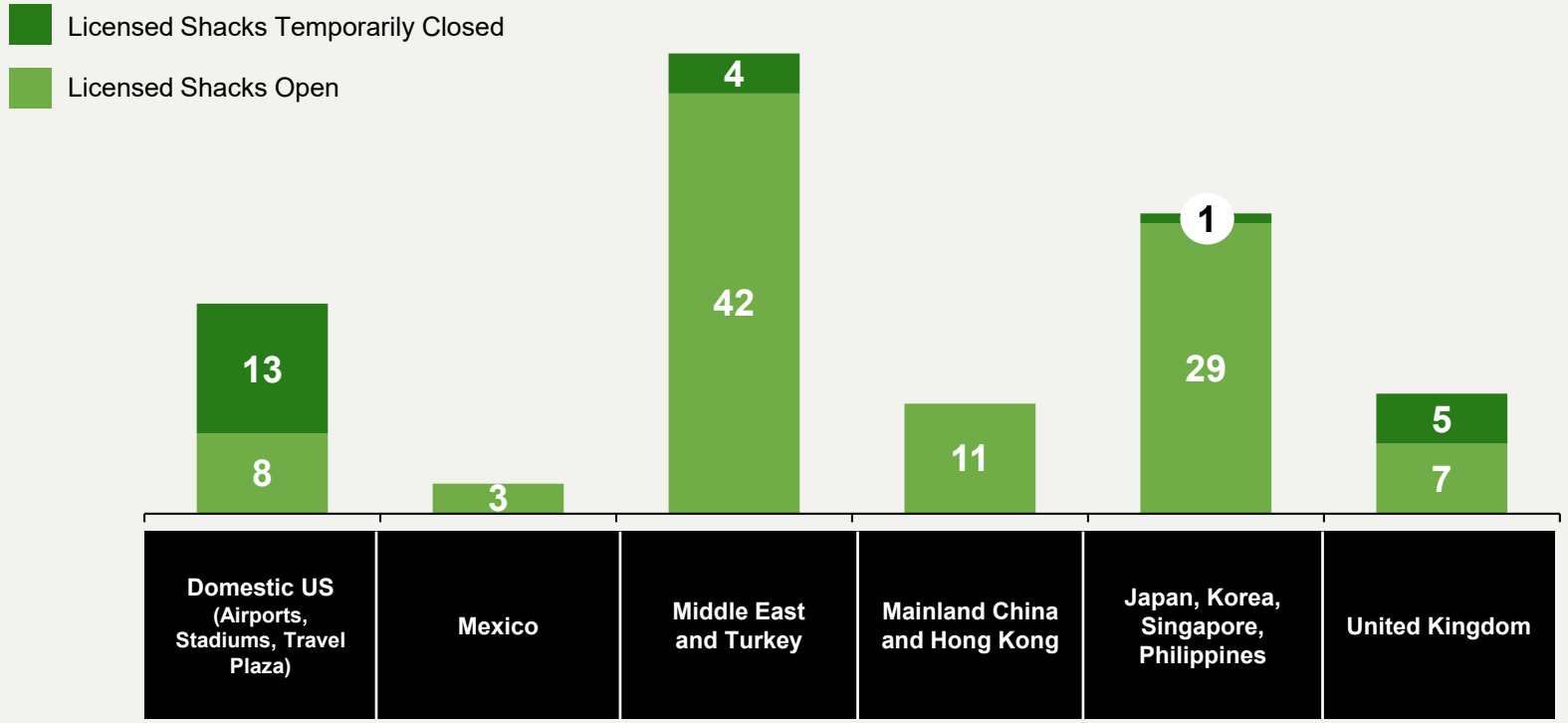
WEEKLY LICENSED SHACK SALES INCREASED TO 2.3X OF COVID-19 LOW POINT



1 Weekly 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.

OVER 80% OF LICENSED SHACKS CURRENTLY OPEN

Domestic licensed Shacks remain heavily affected by COVID-19 impact on airports, stadiums and travel plazas



	Domestic US (Airports, Stadiums, Travel Plaza)	Mexico	Middle East and Turkey	Mainland China and Hong Kong	Japan, Korea, Singapore, Philippines	United Kingdom
Total Licensed Shacks	**21**	**3**	**46**	**11**	**30**	**12**

Note: Number of Shacks Open as of 7/30/2020.

Nearly all of Asia has now reopened aside from one airport location in Korea; Hong Kong is now facing recent closures subject to city ordinances

UK Shacks are progressively opening with seven open compared to one at the beginning of May

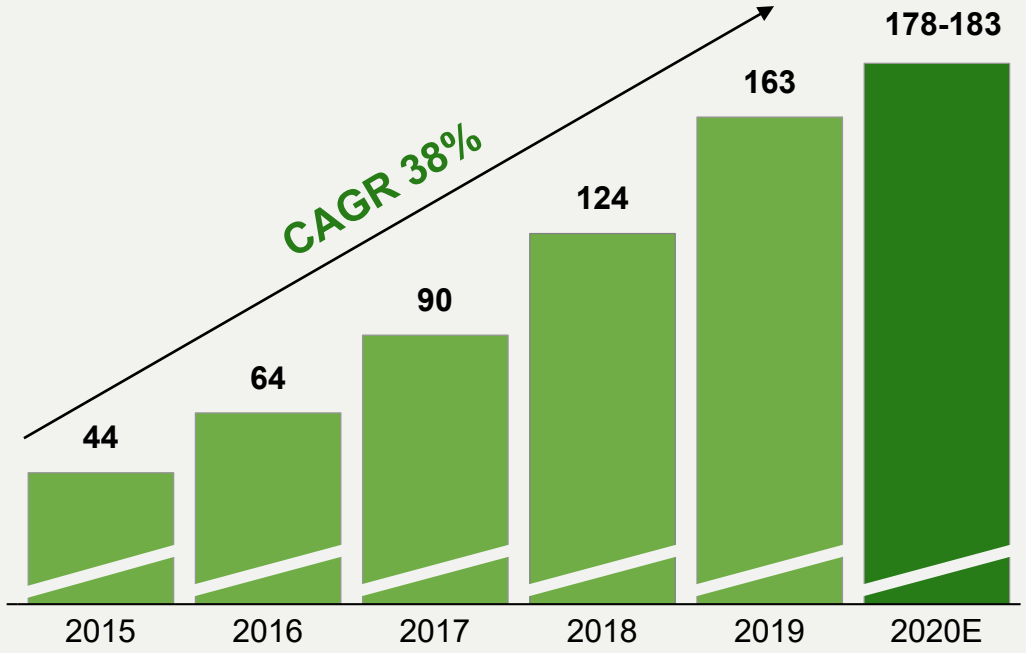
The Middle East and Turkey, one of the largest regions internationally, is slowly reopening in modified takeout/ delivery formats

Domestically, eight of 14 airports/roadside locations remain closed, in addition to the majority of stadium/event venues; Los Angeles airport Shack was permanently closed subsequent to the second quarter due to terminal construction

2020 DOMESTIC DEVELOPMENT RESTARTING AFTER PAUSE DUE TO COVID-19

Domestic company-operated Shacks

(At Fiscal Year End)



Note: CAGR company-operated Shack count is the compounded annual growth rate between 2015 and the end of 2019.



Expecting to open **15 to 20 total new company-operated Shacks** in 2020 as construction and development restarts; COVID-19 effectively cut 2020 development plan in half from earlier guidance

Shacks are opening with strong levels of sales. **Average weekly sales for the five most recently opened Shacks were nearly 40% above current company average in fiscal July**

“SHACK TRACK” ADDITIONS PLANNED FOR AT LEAST EIGHT EXISTING SHACKS IN 2020

The “Shack Track” experience is an enhanced digital order and pickup solution that includes the ability to order via app or web and pick up via drive-up window, curbside, walk-up window, or in-Shack pickup shelves







Drive-up windows will allow guests to collect app or web pre-orders from a designated window without leaving their vehicle

The launch of **curbside** pickup for app orders now allows guests to pre-order on the app and have it brought out to their car for contactless pay and hand-off

Walk-up windows will allow guests to pick up pre-orders without stepping in-Shack, improving the pickup experience for app, web, delivery orders

Note: Renderings for illustration purposes only. Actual Shack designs expected to evolve as sites are finalized

LAUNCHING NEW DRIVE-THRU EXPERIENCE IN 2021; PLAN TO ACTIVELY TARGET ADDITIONAL SITES



Goal is to increase the addressable market opportunity for Shake Shack, while driving strong AUVs and investment returns



Design will retain the experience of the great community gathering place that has led the brand for 16 years, while adding the convenience of pre-order "Shack Track" pickup or in-person drive-thru ordering

Note: Renderings for illustration purposes only. Actual Shack designs expected to evolve as sites are finalized

DRIVE-THRU DESIGN MAINTAINS EXPERIENCE OF COMMUNITY GATHERING PLACE



Opportunistically looking to test drive-thru locations in suburban high-traffic areas



Experience meets convenience however guests want their Shack

Note: Renderings for illustration purposes only. Actual Shack designs expected to evolve as sites are finalized

FINANCIAL DETAILS



DEFINITIONS

“Adjusted EBITDA,” a non-GAAP measure”, is defined as EBITDA (as defined below), excluding equity-based compensation expense, deferred lease costs, impairment and loss on disposal of assets, amortization of cloud-based software implementation assets, 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 net interest, taxes, depreciation and amortization, which also excludes equity-based compensation expense, deferred lease costs, impairment and loss on disposal of assets, amortization of cloud-based software implementation assets, as well as certain non-recurring and other items that the Company does not believe directly reflect its core operations, as a percentage of revenue.

"Same-Shack Sales" 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 days that Shacks were temporarily closed, the comparative 2019 period was also adjusted.

“Licensed weekly sales” is calculated by dividing the total sales for the period for all licensed Shacks by the number of weeks in the period.

“EBITDA,” a non-GAAP measure, is defined as net income (loss) before interest expense (net of interest income), income tax expense, and depreciation and amortization expense.

"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.

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

“Shack system-wide sales” is an operating measure and consists of sales from 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 Shack sales from domestic company-operated Shacks and 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.

INCOME STATEMENT

	Thirteen Weeks Ended				Twenty-Seven Weeks Ended			
	June 24, 2020		June 26, 2019		June 24, 2020		June 26, 2019	
Shack sales	$ 89,519	97.5%	$ 147,876	96.8%	$ 227,567	96.9%	$ 276,445	96.9%
Licensing revenue	2,267	2.5%	4,837	3.2%	7,389	3.1%	8,877	3.1%
TOTAL REVENUE	91,786	100.0%	152,713	100.0%	234,956	100.0%	285,322	100.0%
Shack-level operating expenses[(1)]:								
Food and paper costs	30,027	33.5%	42,899	29.0%	69,591	30.6%	80,890	29.3%
Labor and related expenses	30,933	34.6%	40,197	27.2%	72,699	31.9%	77,290	28.0%
Other operating expenses	14,304	16.0%	16,755	11.3%	32,083	14.1%	32,323	11.7%
Occupancy and related expenses	12,323	13.8%	11,873	8.0%	24,881	10.9%	22,772	8.2%
General and administrative expenses	14,017	15.3%	15,393	10.1%	30,208	12.9%	29,330	10.3%
Depreciation expense	12,089	13.2%	9,799	6.4%	23,857	10.2%	18,765	6.6%
Pre-opening costs	1,734	1.9%	3,549	2.3%	3,977	1.7%	6,191	2.2%
Impairment and loss on disposal of property and equipment	434	0.5%	377	0.2%	2,522	1.1%	728	0.3%
TOTAL EXPENSES	115,861	126.2%	140,842	92.2%	259,818	110.6%	268,289	94.0%
OPERATING INCOME (LOSS)	(24,075)	-26.2%	11,871	7.8%	(24,862)	-10.6%	17,033	6.0%
Other income, net	394	0.4%	447	0.3%	301	0.1%	1,011	0.4%
Interest expense	(442)	-0.5%	(97)	-0.1%	(554)	-0.2%	(169)	-0.1%
INCOME (LOSS) BEFORE INCOME TAXES	(24,123)	-26.3%	12,221	8.0%	(25,115)	-10.7%	17,875	6.3%
Income tax expense (benefit)	(6,092)	-6.6%	1,050	0.7%	(6,005)	-2.6%	3,097	1.1%
NET INCOME (LOSS)	(18,031)	-19.6%	11,171	7.3%	(19,110)	-8.1%	14,778	5.2%
Less: net income (loss) attributable to non-controlling interests	(1,820)	-2.0%	2,141	1.4%	(1,939)	-0.8%	3,202	1.1%
NET INCOME (LOSS) ATTRIBUTABLE TO SHAKE SHACK INC.	$ (16,211)	-17.7%	$ 9,030	5.9%	$ (17,171)	-7.3%	$ 11,576	4.1%
Earnings (loss) per share of Class A common stock:								
Basic	($0.43)		$0.30		($0.48)		$0.39	
Diluted	($0.43)		$0.29		($0.48)		$0.38	
Weighted-average shares of Class A common stock outstanding:								
Basic	37,309		30,122		35,876		29,842	
Diluted	37,309		31,015		35,876		30,703	

(1) As a percentage of Shack sales.

SHACK-LEVEL OPERATING PROFIT DEFINITIONS

Shack-Level Operating Profit

Shack-level operating profit 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.

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, the most directly comparable GAAP financial measure, is set forth on next slide.

SHACK-LEVEL OPERATING PROFIT

(dollar amount in thousands)	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 24, 2020	June 26, 2019	June 24, 2020	June 26, 2019
Operating income (loss)	$ (24,075)	$ 11,871	$ (24,862)	$ 17,033
Less:				
Licensing revenue	2,267	4,837	7,389	8,877
Add:				
General and administrative expenses	14,017	15,393	30,208	29,330
Depreciation expense	12,089	9,799	23,857	18,765
Pre-opening costs	1,734	3,549	3,977	6,191
Impairment and loss on disposal of property and equipment	434	377	2,522	728
Shack-level operating profit	$ 1,932	$ 36,152	$ 28,313	$ 63,170
Total revenue	$ 91,786	$ 152,713	$ 234,956	$ 285,322
Less: licensing revenue	2,267	4,837	7,389	8,877
Shack sales	$ 89,519	$ 147,876	$ 227,567	$ 276,445
Shack-level operating profit margin	2.2%	24.4%	12.4%	22.9%

ADJUSTED EBITDA DEFINITIONS

EBITDA and Adjusted EBITDA

EBITDA is defined as net income (loss) before interest expense (net of interest income), income tax expense and depreciation and amortization expense. Adjusted EBITDA 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.

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, the most directly comparable GAAP measure, is set forth on next slide.

ADJUSTED EBITDA

(dollar amounts in thousands)	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 24, 2020	June 26, 2019	June 24, 2020	June 26, 2019
Net income (loss)	$ (18,031)	$ 11,171	$ (19,110)	$ 14,778
Depreciation expense	12,089	9,799	23,857	18,765
Interest expense, net	442	97	554	169
Income tax expense	(6,092)	1,050	(6,005)	3,097
EBITDA	**(11,592)**	**22,117**	**(704)**	**36,809**
Equity-based compensation	1,419	2,235	2,719	3,955
Amortization of cloud-based software implementation costs[1]	368	—	628	—
Deferred lease costs[2]	479	715	149	1,300
Impairment and loss on disposal of property and equipment[3]	434	377	2,522	728
Other income related to adjustment of liabilities under tax receivable agreement	—	—	—	(14)
Executive transition costs[4]	34	88	68	126
Project Concrete[5]	24	213	(237)	685
Hong Kong Office[6]	—	171	—	171
Other[7]	—	—	285	—
Adjusted EBITDA	**$ (8,834)**	**$ 25,916**	**$ 5,430**	**$ 43,760**
Adjusted EBITDA margin[8]	(9.6)%	17.0%	2.3%	15.3%

(1) Represents amortization of capitalized implementation costs related to cloud-based software arrangements that are included within general and administrative expenses.

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

(3) For the twenty-six weeks ended June 24, 2020, this amount includes a non-cash impairment charge of $1.1 million related to one Shack.

(4) Represents fees paid in connection with the search and hiring of certain executive and key management positions.

(5) Represents consulting and advisory fees related to the Company's enterprise-wide system upgrade initiative called Project Concrete.

(6) Represents costs associated with establishing the Company's first international office in Hong Kong.

(7) Represents incremental expenses incurred related to an inventory adjustment and certain employee-related expenses.

(8) Calculated as a percentage of total revenue, which was $91,786 and $234,956 for the thirteen and twenty-six weeks ended June 24, 2020, respectively, and $152,713 and $285,322 for the thirteen and twenty-six weeks ended June 26, 2019, respectively.

CARES ACT AND TAX IMPACT

During the fiscal second quarter, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was enacted, which provides for a number of favorable tax provisions, among other stimulus measures

Technical Correction of Qualified Improvement Property ("QIP")

- Allows for the immediate full expensing of certain costs associated with improving facilities.
- Includes the majority of the Company's leasehold improvement costs, which previously had a 39-year tax depreciable life.
- Retroactive effect through December 2017.

Significant Cash Tax Savings Expected

- The Company expects to benefit from the technical correction of QIP, with resulting taxable losses in the future, commensurate with expected future capital expenditures.
- No tax receivable agreement ("TRA") payments are expected for the remainder of the year.

2020 ADJUSTED PRO FORMA EFFECTIVE TAX RATE

(Dollar amounts in thousands)	Thirteed Weeks Ended June 24, 2020			Twenty Six Weeks Ended June 24, 2020		
	Income Tax Expense	Income Before Income Taxes	Effective Tax Rate	Income Tax Expense	Income Before Income Taxes	Effective Tax Rate
As reported	$ (6,092)	$ (24,123)	25.3%	$ (6,005)	$ (25,115)	23.9%
Non-GAAP adjustments (before tax):						
Executive transition costs		34			68	
Project Concrete		24			(237)	
COVID-19 related expenses					285	
Tax effect of non-GAAP adjustments and assumed exchange of outstanding LLC Interests	286			(1,533)		
Adjusted pro forma	$ (5,806)	$ (24,065)	24.1%	$ (7,538)	$ (24,999)	30.2%
Less:						
Net tax impact from stock-based compensation	(876)			593		
Adjusted pro forma (excluding windfall tax benefits)	$ (6,682)	$ (24,065)	27.8%	$ (6,945)	$ (24,999)	27.8%

2019 ADJUSTED PRO FORMA EFFECTIVE TAX RATE

(Dollar amounts in thousands)	Thirteen Weeks Ended June 26, 2019			Twenty-Six Weeks Ended June 26, 2019		
	Income Tax Expense	Income Before Income Taxes	Effective Tax Rate	Income Tax Expense	Income Before Income Taxes	Effective Tax Rate
As reported	**$ 1,050**	**$ 12,221**	**8.6%**	**$ 3,097**	**$ 17,875**	**17.3%**
Non-GAAP adjustments (before tax):						
Executive transition costs		88			126	
Project Concrete		213			685	
Hong Kong Office		171			171	
Other income related to the adjustment of liaibilities under tax receivable agreement					(14)	
Tax effect of change in basis related to the adoption of ASC 842				(1,161)		
Tax effect of non-GAAP adjustments and assumed exchange of outstanding LLC Interests	1,397			1,712		
Adjusted pro forma	**$ 2,447**	**$ 12,693**	**19.3%**	**$ 3,648**	**$ 18,843**	**19.4%**
Less:						
Net tax impact from stock-based compensation	958			1,417		
Adjusted pro forma (excluding windfall tax benefits)	**$ 3,405**	**$ 12,693**	**26.8%**	**$ 5,065**	**$ 18,843**	**26.9%**

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