SHAKE SHACK®

THIRD QUARTER 2020 EARNINGS SUPPLEMENTAL
OCTOBER 29, 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," "future," "intend," "outlook," "potential," "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. 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 Quarterly Report on Form 10-Q for the period ended 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.

Q3 2020 FINANCIAL HIGHLIGHTS

(31.7%) YoY

Decrease in same-Shack sales[1]
Fiscal September improved to (23%)



$130.4M

Total revenue
-17% YoY



$195.1M

Shack system-wide sales[2]
-18% YoY



$8.2M

Adjusted EBITDA[3]
6.3% of Total Revenue



10

New domestic
company-operated and licensed
Shacks opened in Q3

$18.7M

Shack-level operating profit[4]
14.8% 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 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. 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



Sales improvement continued through the quarter and into fiscal October with all regions showing positive trajectory and suburban outpacing urban recovery



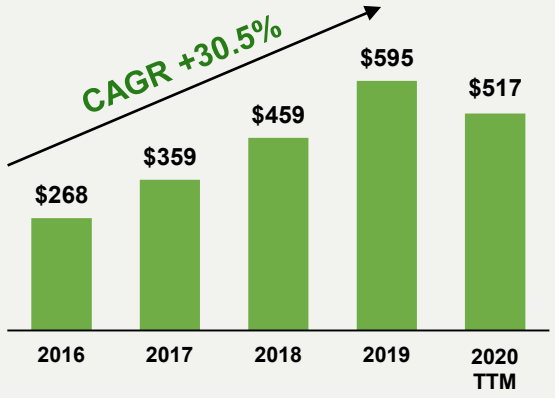
Digital sales remained strong at 60% in third quarter, with company's own channels (app and web combined) tripling YoY and new purchasers of 1.4 million since early March



Development has restarted with a focus on expanded formats including drive-thru, integration with digital ordering, and a focus on experience, convenience and accessibility

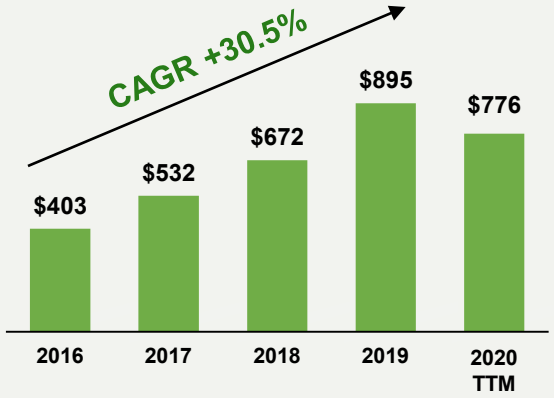
Total Revenue (TTM)

$517 Million



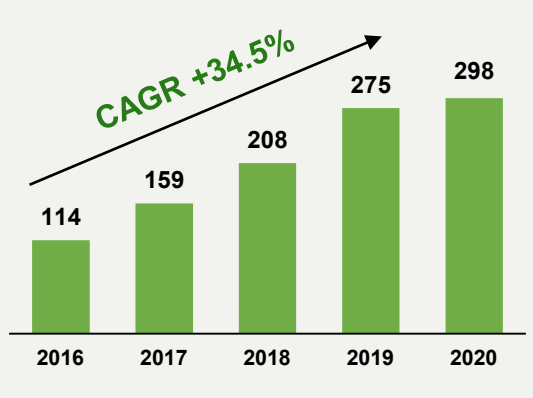
System-wide Sales[1] (TTM)

$776 Million



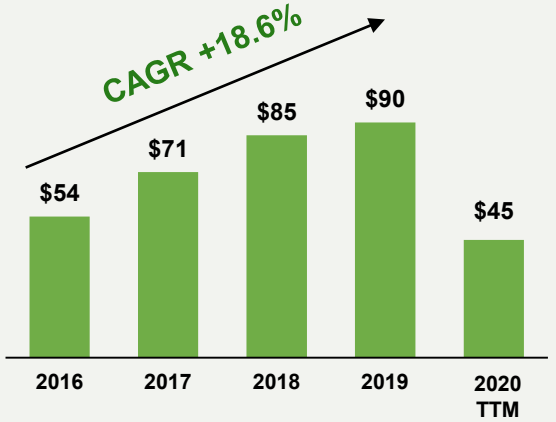
System-wide Shack Count

298 as of quarter end



Cash Flow from Operations (TTM)

$45 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.

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 OCTOBER 2020 SNAPSHOT

(21%) YoY

Decrease in same-Shack sales[1], showing continued improvement from Q3



(4%)

Decrease in suburban same-Shack sales with suburban locations recovering faster than urban [2]



$62K

Average weekly sales representing sixth month of sequential improvement



+1.4 Million

First time app & web purchasers since early March



300

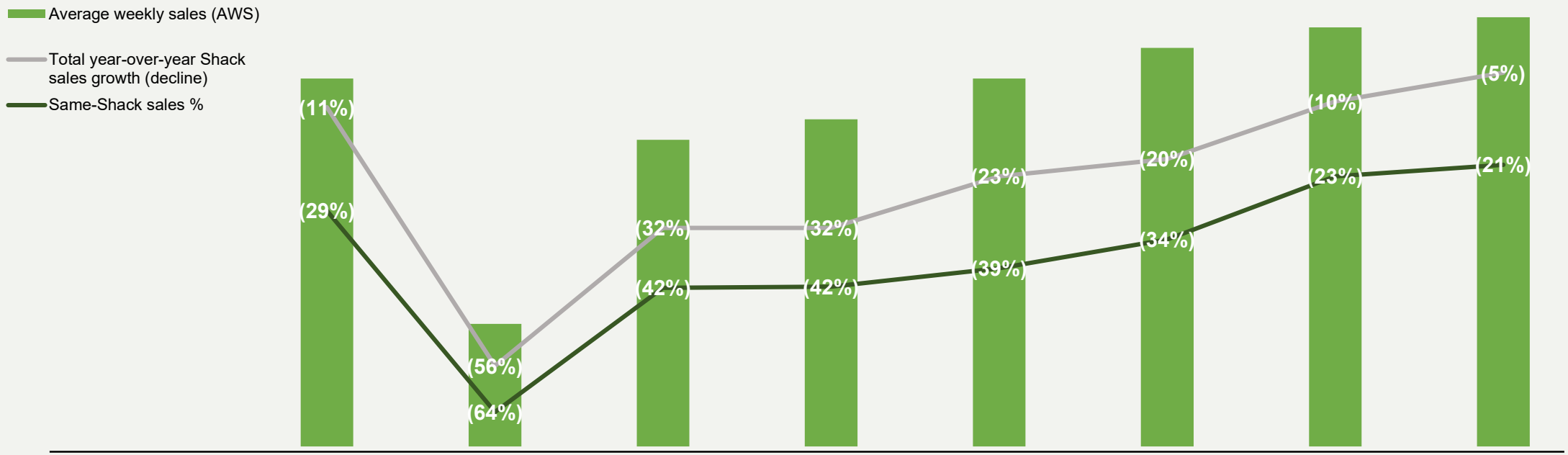
Total system-wide Shacks milestone reached in fiscal October



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. 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.

AVERAGE WEEKLY SALES CONTINUE STEADY RECOVERY

Average weekly sales[1] sequentially improved throughout the third quarter and into fiscal October; same-Shack sales also continue to improve significantly. Recovery supported by gradual return of in-Shack sales and high levels of digital sales retention

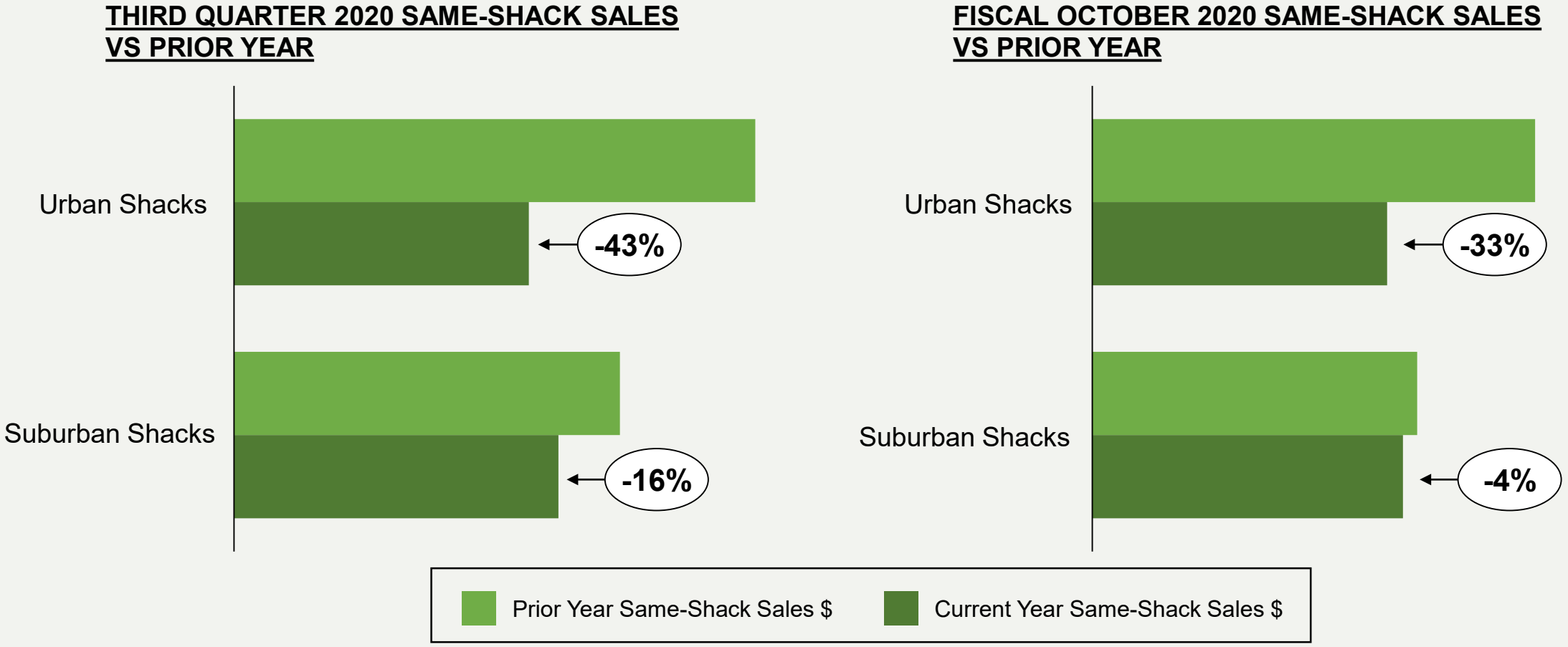


AWS	$56K	$32K	$50K	$52K	$56K	$59K	$61K	$62K
	Fiscal March 2020	Fiscal April 2020	Fiscal May 2020	Fiscal June 2020	Fiscal July 2020	Fiscal August 2020	Fiscal September 2020	Fiscal October 2020
Period over Period AWS Growth		(43%)	56%	4%	8%	5%	3%	2%

1. "Average Weekly Sales" (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

SALES RECOVERING ACROSS THE SYSTEM WITH SUBURBAN SHACKS AT A FASTER PACE

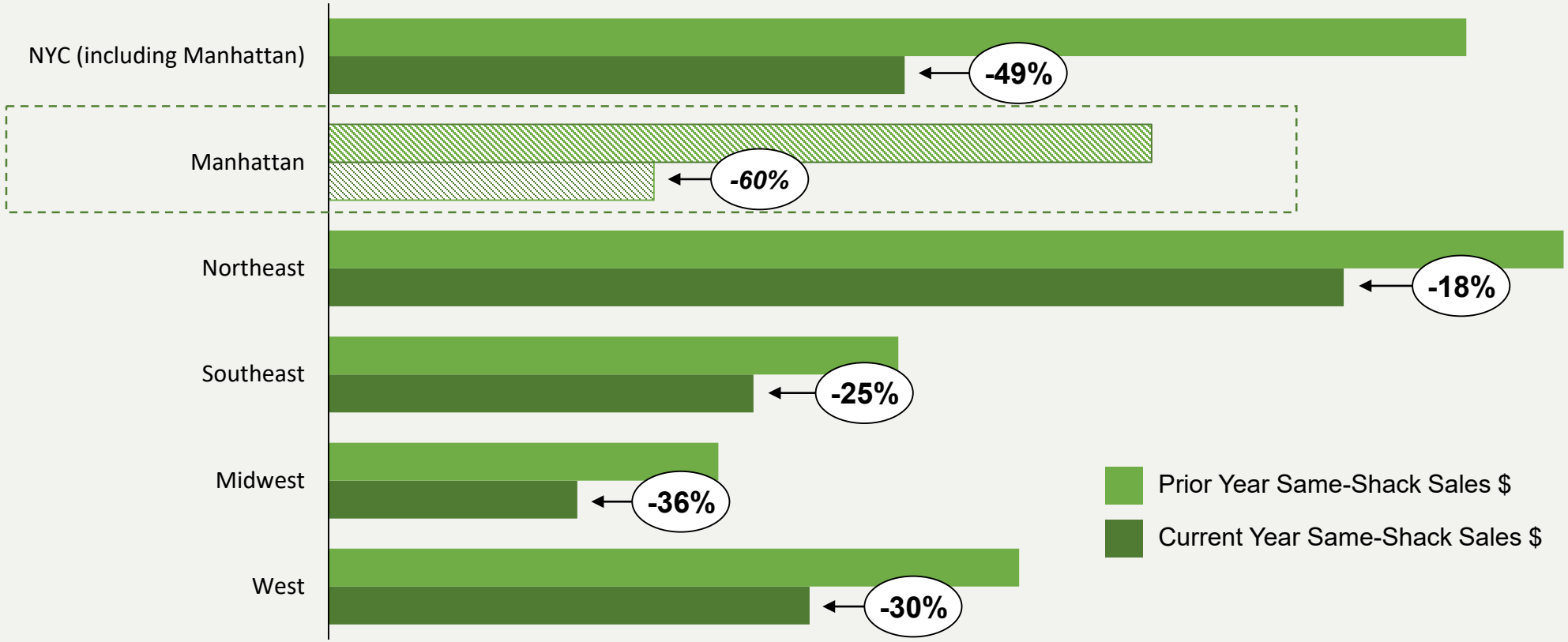
Suburban Shacks continue to recover more quickly than their urban counterparts which are more acutely impacted by the pandemic, but both have shown strong improvements in recent months



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.

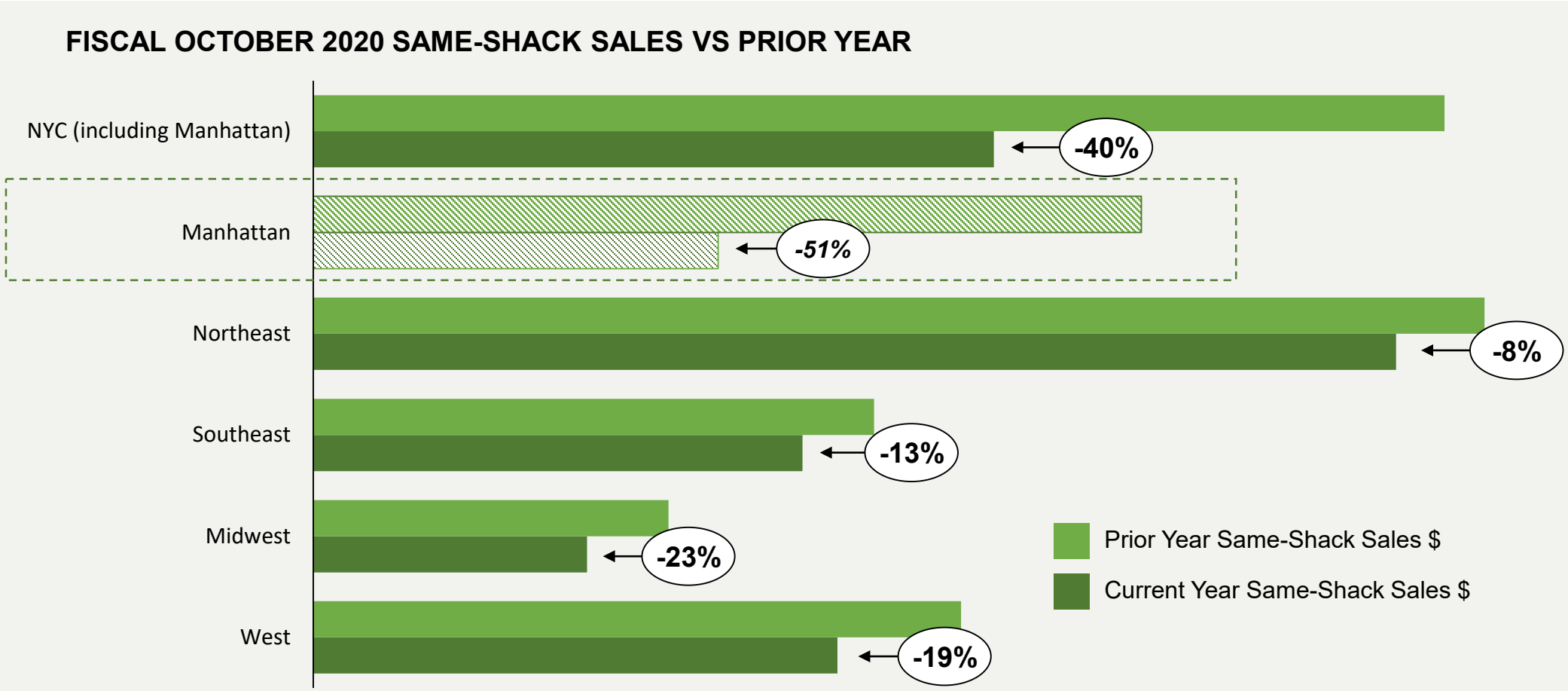
STRONG RECOVERY CONTINUES REGIONALLY FROM Q2; NYC REMAINS DRAG ON OVERALL PERFORMANCE

THIRD QUARTER 2020 SAME-SHACK SALES VS PRIOR YEAR



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.

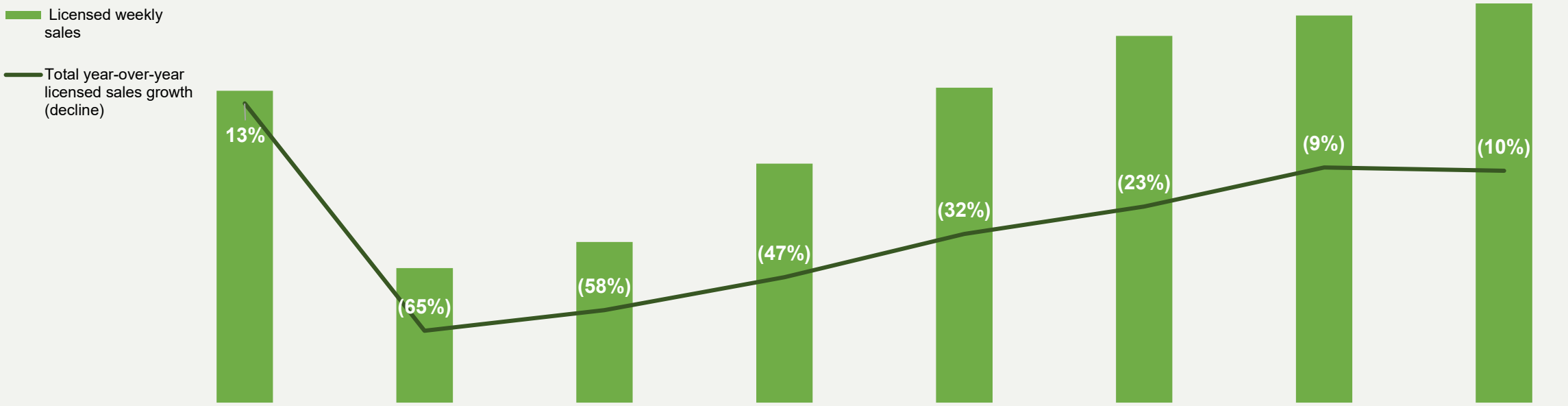
ALL REGIONS SHOWING SEQUENTIAL IMPROVEMENT COMPARED TO Q3



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.

LICENSED SHACK SALES SHOWING CONTINUED SEQUENTIAL IMPROVEMENT

Licensed Shack Sales showing improvement with markets such as China recovering to above pre-COVID sales levels. Domestic airport & stadium licensed Shacks remain heavily impacted with only 9 of 22 Shacks open as of fiscal October



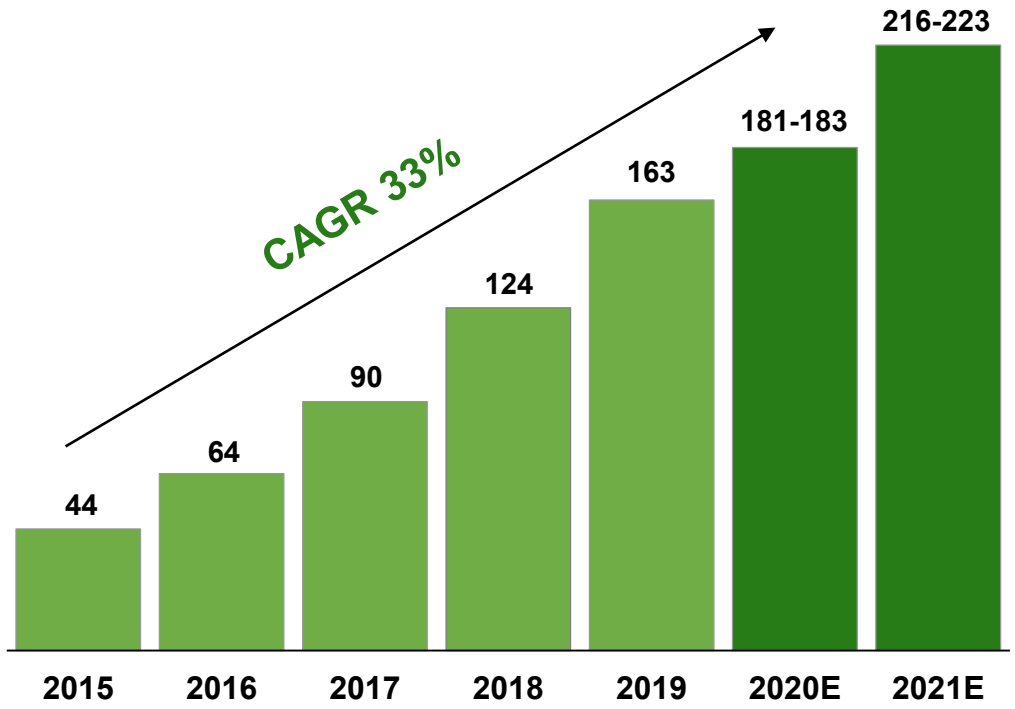
	Fiscal March 2020	Fiscal April 2020	Fiscal May 2020	Fiscal June 2020	Fiscal July 2020	Fiscal August 2020	Fiscal September 2020	Fiscal October 2020
Weekly Licensed Sales[1]	$4.6M	$2.0M	$2.4M	$3.5M	$4.6M	$5.4M	$5.7M	$5.9M
Number of Shacks Open	96	56	59	91	98	104	105	107

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.

DOMESTIC DEVELOPMENT RETURNING TO FULL SCHEDULE IN 2021 WITH 35 TO 40 OPENINGS PLANNED

Domestic company-operated Shacks

(At Fiscal Year End)



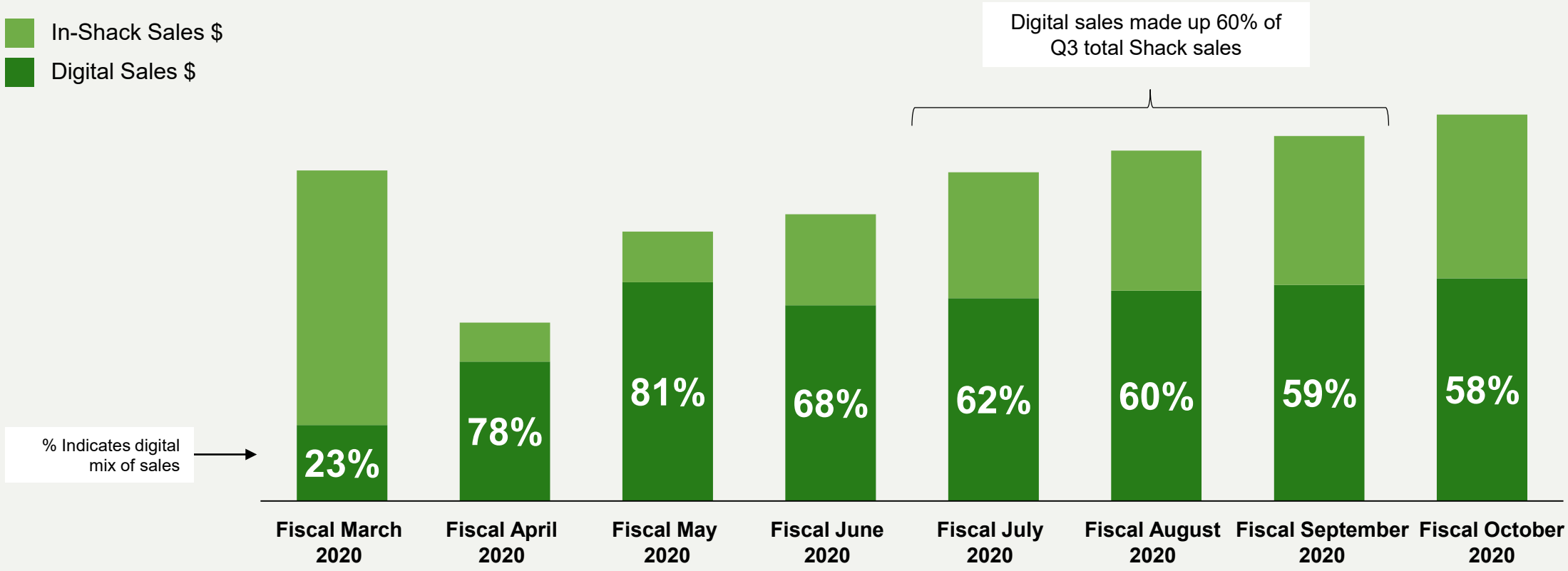
Note: CAGR company-operated Shack count is the compounded annual growth rate between 2015 and the mid-point of 2020E

Expecting to open **18 to 20 total new company-operated Shacks** in 2020 following a Q2/Q3 pause due to COVID-19. 2021 development plan targets 35 to 40 openings across both new and existing markets

Current real estate market allows for aggressive pursuit of premier sites including those that can incorporate new drive-thru and Shack Track models in both urban and suburban markets

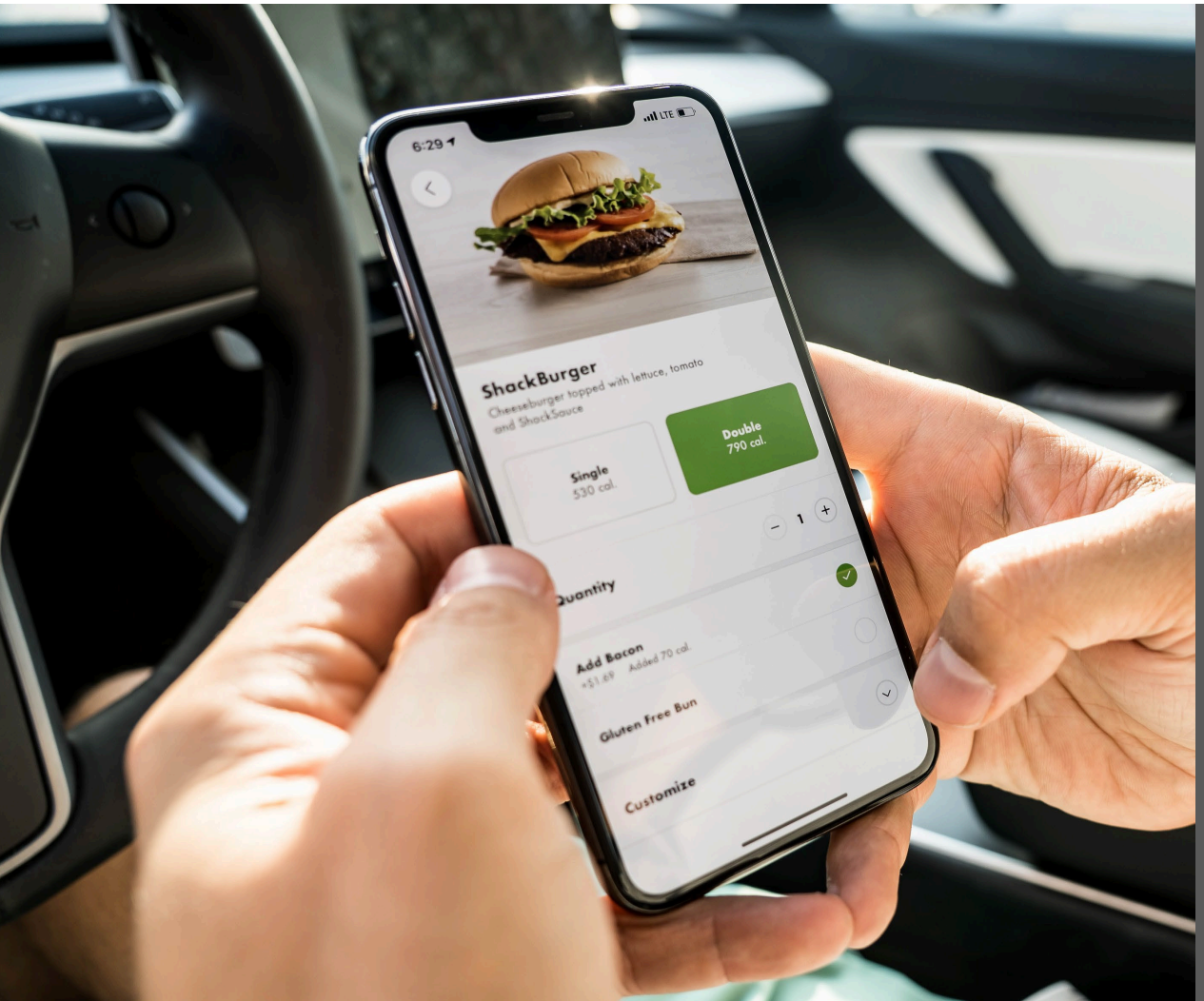
DIGITAL SALES REMAIN STRONG WITH OVER 90% RETENTION SINCE FISCAL MAY

Digital sales[1] continue to represent the majority of total sales through the third quarter and into fiscal October with over 90% retention since May; 1.4M first time app & web purchasers since early March



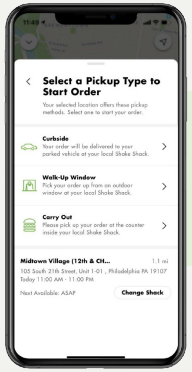
1. Digital sales includes sales made through the Shake Shack Mobile Application, Shake Shack Website, and Delivery Partners. Does not include sales through Kiosks that are located inside Shacks.

DIGITAL INNOVATION REMAINS KEY COMPONENT OF ONGOING GROWTH STRATEGY



- Digital experience elevation remains a priority with focus on convenience, speed and accessibility
- Digital ordering tools becoming a more integrated part of physical Shack design with increased pre-order and pickup formats rolling out
- Delivery capability will be integrated within native app and web ordering channels; initial app testing planned by end of year with broader rollout over the first half of 2021
- Integration of multi-channel guest data progressing well; better enabling key strategic decision-making and one-on-one marketing opportunities

CURBSIDE PICKUP CAPABILITY ROLLED OUT IN NEARLY 70 SHACKS ACROSS THE COUNTRY



The curbside pickup model was created and executed in less than three months to solve the need for contactless pickup

Since launch, Shacks offering curbside have a third of all their app orders being ordered in that format

This model will continue to evolve and improve and will be added to future Shacks wherever the layout allows for it









SHACK TRACK DEVELOPMENT GAINING MOMENTUM

Shack Track provides convenience in digital pre-ordering, combined with a fast and frictionless experience at pickup. The models aid in-Shack social distancing, but also serve guests looking for speed and convenience on the go in a post-COVID environment



Through the end of 2020, plan to retrofit 7-9 existing Shacks for Shack Track windows, as well as opening new Shacks with this format, such as University Village in Seattle

In 2021, almost all new Shacks will have some version of a Shack Track, either through curbside, an enhanced interior pickup model, or an exterior walk-up or drive-up window



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

FIVE TO EIGHT SHAKE SHACK DRIVE-THRUS PLANNED TO OPEN IN NEXT 24 MONTHS



- First drive-thru location planned to open in late 2021. Targeting five to eight drive-thrus over next 24 months
- The Shake Shack drive-thru will be a modern version of the traditional drive lane experience, supported by technology-enabled hospitality and innovative design – all while maintaining our core tradition of building community gathering places
- The drive-thru model is an important step towards increasing Shake Shack's addressable market opportunity

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

CULINARY INNOVATION

After an initial focus on menu-simplification in response to COVID, a rotating LTO calendar recommenced in the third quarter, with a culinary calendar that includes bold new chicken flavors, further testing of the VeggieShack burger, and planned innovation around beverage and custard



The Pumpkin shake launched in September and is made with real pumpkin, cinnamon, nutmeg, and topped with toasted pumpkin seeds



Launched Hot Chick'n in September with three spice levels (hottest available only in the app) and new Hot Spicy Fries & Hot Chick'n Bites options



The VeggieShack, packed with greens, grains and herbs, served on a wheat bun topped with avocado and tangy lemon mayo, is currently in test at four Shacks and expanding to 20+ Shacks towards the end of Q4

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				Thirty-Nine Weeks Ended			
	September 23, 2020		September 25, 2019		September 23, 2020		September 25, 2019	
Shack sales	$ 126,288	96.8%	$ 152,366	96.6%	$ 353,855	96.9%	$ 428,811	96.8%
Licensing revenue	4,113	3.2%	5,396	3.4%	11,502	3.1%	14,273	3.2%
TOTAL REVENUE	130,401	100.0%	157,762	100.0%	365,357	100.0%	443,084	100.0%
Shack-level operating expenses[1]:								
Food and paper costs	37,903	30.0%	44,159	29.0%	107,494	30.4%	125,049	29.2%
Labor and related expenses	37,898	30.0%	41,601	27.3%	110,597	31.3%	118,891	27.7%
Other operating expenses	18,743	14.8%	18,947	12.4%	50,826	14.4%	51,270	12.0%
Occupancy and related expenses	13,093	10.4%	12,537	8.2%	37,974	10.7%	35,309	8.2%
General and administrative expenses	14,962	11.5%	17,090	10.8%	45,170	12.4%	46,420	10.5%
Depreciation expense	12,376	9.5%	10,474	6.6%	36,233	9.9%	29,239	6.6%
Pre-opening costs	1,822	1.4%	4,487	2.8%	5,799	1.6%	10,678	2.4%
Impairment and loss on disposal of assets	402	0.3%	303	0.2%	2,924	0.8%	1,031	0.2%
TOTAL EXPENSES	137,199	105.2%	149,598	94.8%	397,017	108.7%	417,887	94.3%
OPERATING INCOME (LOSS)	(6,798)	(5.2)%	8,164	5.2%	(31,660)	(8.7)%	25,197	5.7%
Other income, net	34	0.0%	248	0.2%	335	0.1%	1,259	0.3%
Interest expense	(143)	(0.1)%	(133)	(0.1)%	(697)	(0.2)%	(302)	(0.1)%
INCOME (LOSS) BEFORE INCOME TAXES	(6,907)	(5.3)%	8,279	5.2%	(32,022)	(8.8)%	26,154	5.9%
Income tax expense (benefit)	(797)	(0.6)%	(3,144)	(2.0)%	(6,802)	(1.9)%	(47)	—%
NET INCOME (LOSS)	(6,110)	(4.7)%	11,423	7.2%	(25,220)	(6.9)%	26,201	5.9%
Less: net income (loss) attributable to non-controlling interests	(551)	(0.4)%	1,079	0.7%	(2,490)	(0.7)%	4,281	1.0%
NET INCOME (LOSS) ATTRIBUTABLE TO SHAKE SHACK INC.	$ (5,559)	(4.3)%	$ 10,344	6.6%	$ (22,730)	(6.2)%	$ 21,920	4.9%
Earnings (loss) per share of Class A common stock:								
Basic	($0.15)		$0.32		($0.62)		$0.72	
Diluted	($0.15)		$0.31		($0.62)		$0.70	
Weighted-average shares of Class A common stock outstanding:								
Basic	38,251		31,961		36,668		30,549	
Diluted	38,251		32,916		36,668		31,441	

(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		Thirty-Nine Weeks Ended	
	September 23, 2020	September 25, 2019	September 23, 2020	September 25, 2019
Operating income (loss)	$ (6,798)	$ 8,164	$ (31,660)	$ 25,197
Less:				
Licensing revenue	4,113	5,396	11,502	14,273
Add:				
General and administrative expenses	14,962	17,090	45,170	46,420
Depreciation expense	12,376	10,474	36,233	29,239
Pre-opening costs	1,822	4,487	5,799	10,678
Impairment and loss on disposal of assets	402	303	2,924	1,031
Shack-level operating profit	$ 18,651	$ 35,122	$ 46,964	$ 98,292
Total revenue	$ 130,401	$ 157,762	$ 365,357	$ 443,084
Less: licensing revenue	4,113	5,396	11,502	14,273
Shack sales	$ 126,288	$ 152,366	$ 353,855	$ 428,811
Shack-level operating profit margin	14.8%	23.1%	13.3%	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 benefit (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		Thirty-Nine Weeks Ended	
	September 23, 2020	**September 25, 2019**	**September 23, 2020**	**September 25, 2019**
Net income (loss)	$ (6,110)	$ 11,423	$ (25,220)	$ 26,201
Depreciation expense	12,376	10,474	36,233	29,239
Interest expense, net	143	133	697	302
Income tax benefit	(797)	(3,144)	(6,802)	(47)
EBITDA	**5,612**	**18,886**	**4,908**	**55,695**
Equity-based compensation	1,339	1,884	4,058	5,839
Amortization of cloud-based software implementation costs[(1)]	458	107	1,086	107
Deferred lease costs[(2)]	258	743	407	2,043
Impairment and loss on disposal of assets[(3)]	402	303	2,924	1,031
Other income related to adjustment of liabilities under tax receivable agreement	—	—	—	(14)
Executive transition costs[(4)]	82	—	150	126
Project Concrete[(5)]	8	1,346	(229)	2,031
Hong Kong Office[(6)]	—	13	—	184
Other[(7)]	—	—	285	—
Adjusted EBITDA	**$ 8,159**	**$ 23,282**	**$ 13,589**	**$ 67,042**
Adjusted EBITDA margin[(8)]	6.3%	14.8%	3.7%	15.1%

(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 thirty-nine weeks ended September 23, 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 $130,401 and $365,357 for the thirteen and thirty-nine weeks ended September 23, 2020, respectively, and $157,762 and $443,084 for the thirteen and thirty-nine weeks ended September 25, 2019, respectively.

2020 ADJUSTED PRO FORMA EFFECTIVE TAX RATE

(dollar amounts in thousands)	Thirteen Weeks Ended September 23, 2020			Thirty-Nine Weeks Ended September 23, 2020		
	Income Tax Expense	Income Before Income Taxes	Effective Tax Rate	Income Tax Expense	Income Before Income Taxes	Effective Tax Rate
As reported	$ (797)	$ (6,907)	11.5%	$ (6,802)	$ (32,022)	21.2%
Non-GAAP adjustments (before tax):						
Executive transition costs	-	82	-	-	150	-
Project Concrete	-	8	-	-	(229)	-
Hong Kong Office	-	-	-	-	-	-
Inventory Adjustment and certain employee-related expense	-	-	-	-	285	-
Other income related to the adjustment of liaibilities under tax receivable agreement	-	-	-	-	-	-
Tax effect of non-GAAP adjustments and assumed exchange of outstanding LLC Interests	(1,608)	-	-	(3,141)	-	-
Adjusted pro forma	$ (2,405)	$ (6,817)	35.3%	$ (9,943)	$ (31,816)	31.3%
Less:						
Net tax impact from stock-based compensation	405	-	-	997	-	-
Adjusted pro forma (excluding windfall tax benefits)	$ (2,000)	$ (6,817)	29.3%	$ (8,946)	$ (31,816)	28.1%

2019 ADJUSTED PRO FORMA EFFECTIVE TAX RATE

(dollar amounts in thousands)	Thirteen Weeks Ended September 25, 2019			Thirty-Nine Weeks Ended September 25, 2019		
	Income Tax Expense	Income Before Income Taxes	Effective Tax Rate	Income Tax Expense	Income Before Income Taxes	Effective Tax Rate
As reported	$ (3,144)	$ 8,279	-38.0%	$ (47)	$ 26,154	-0.2%
Non-GAAP adjustments (before tax):						
Executive transition costs	-	-	-	-	126	-
Project Concrete	-	1,346	-	-	2,031	-
Hong Kong Office	-	13	-	-	184	-
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	2,765	-	-	4,478	-	-
Adjusted pro forma	$ (379)	$ 9,638	-3.9%	$ 3,270	$ 28,481	11.5%
Less:						
Net tax impact from stock-based compensation	2,827	-	-	4,244	-	-
Adjusted pro forma (excluding windfall tax benefits)	$ 2,448	$ 9,638	25.4%	$ 7,514	$ 28,481	26.4%

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