SHAKE SHACK®

FOURTH QUARTER EARNINGS SUPPLEMENTAL
FEBRUARY 25, 2021









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, expected financial results and operating performance for fiscal 2020 and fiscal 2021, including expected 2021 key financial drivers, expected development targets for fiscal 2021 and fiscal 2022, including expected Shack construction and openings, expected same-Shack sales growth and trends in the Company's operations, the expansion of the Company's delivery services, the Company's digital investments and strategies, and 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 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. Some of the factors which could cause results to differ materially from the Company's expectations include the impact of the COVID-19 pandemic, our ability to develop and open new Shacks on a timely basis, the management of our digital capabilities and expansion into delivery, 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 25, 2019 and Quarterly Report on Form 10-Q for the quarterly 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.

FULL YEAR 2020 RESULTS

$523M

FY 2020 Total Revenue



$779M

Shack system-wide sales[1]



(27.8%)

Decrease in FY same-Shack sales[2]



$71.4M

Shack-level operating profit[3]

14.1% of Shack sales



$22.7M

Adjusted EBITDA[4]

4.3% of Total Revenue



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.
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3. "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.
4. “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.

Q4 2020 RESULTS

$158M

Q4 Total Revenue



$238M

Shack system-wide sales[1]



(17.4%)

Decrease in Q4 same-Shack sales[3], compared to (31.7%) in Q3



$24.4M

Shack-level operating profit[4]

16.0% of Shack sales



$9.2M

Adjusted EBITDA[3]

5.8% of Total Revenue



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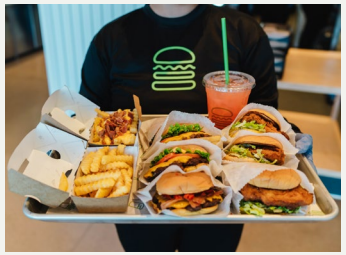
BUSINESS HIGHLIGHTS



Sequential comp sales improvement continued through fiscal January 2021; all regions improving with suburban Shacks delivering positive growth as urban Shacks lag



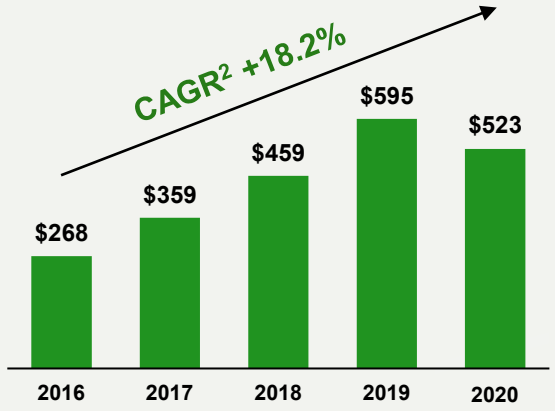
Fiscal year to date through third week in February 2021 company owned app and web channels grew ~300% YoY; over 2 million new purchasers acquired in those channels between mid-March 2020 and end of fiscal January 2021



Company-operated development schedule accelerating with 35-40 openings planned for 2021 and 45-50 openings in 2022, with a focus on top-tier real estate and new formats in both urban and suburban markets

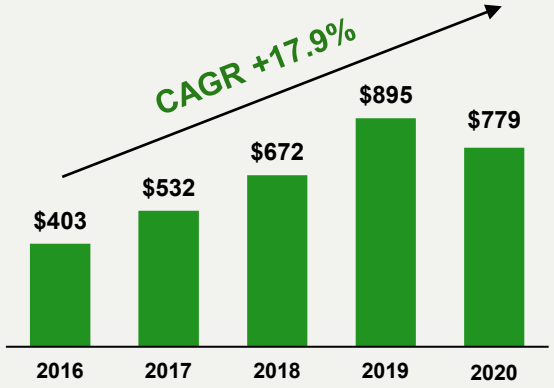
Total Revenue (TTM)

$523 Million



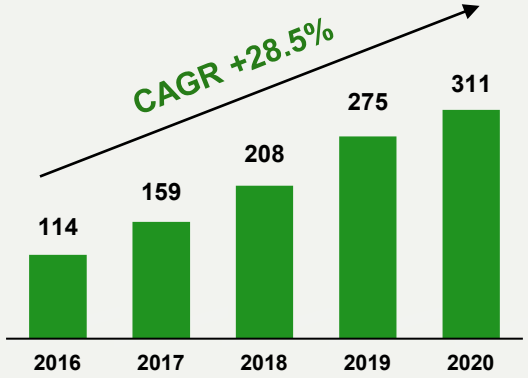
System-wide Sales[1] (TTM)

$779 Million



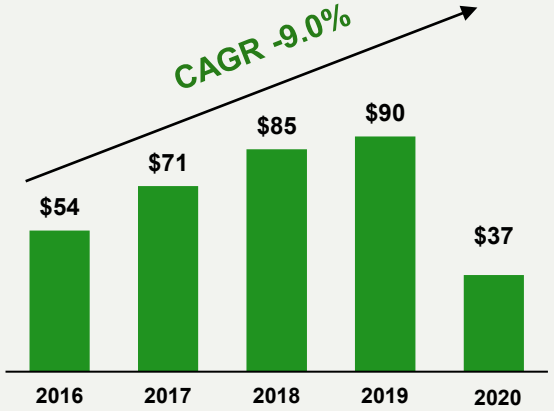
System-wide Shack Count

311 as of quarter end



Cash Flow from Operations (TTM)

$37 Million



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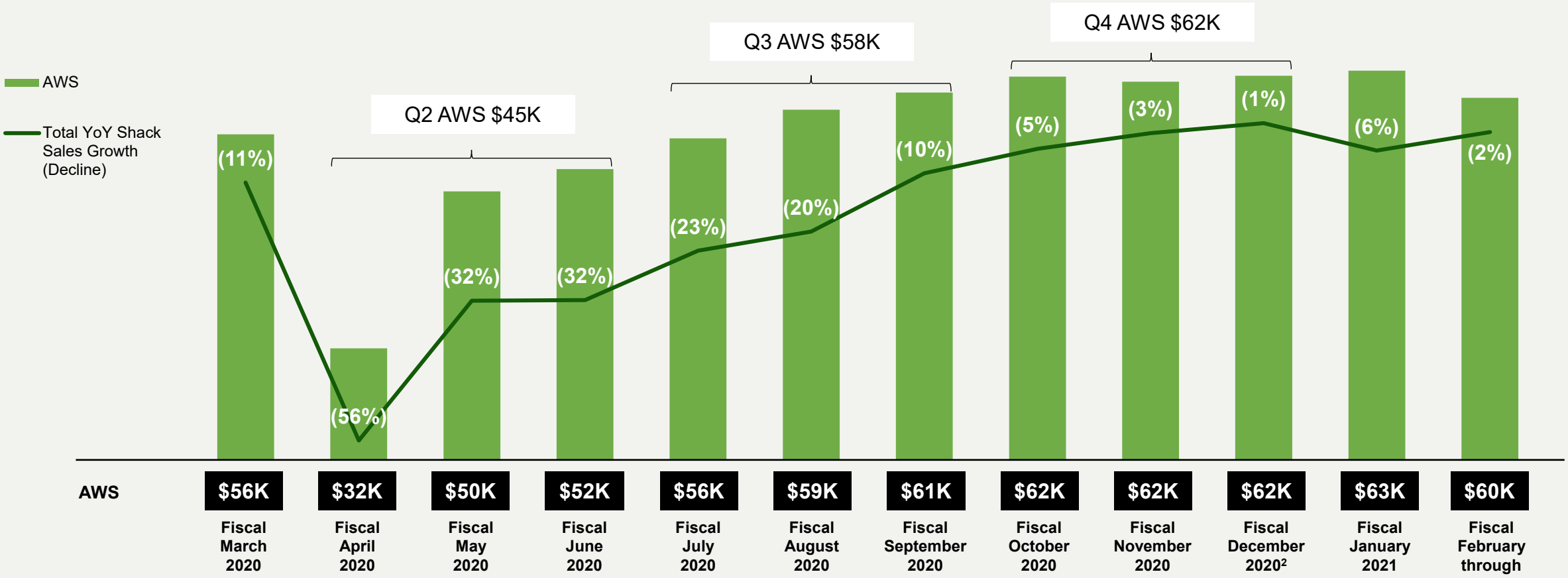
2. CAGR for total revenue, system-wide sales, system-wide Shack count and cash flow from operations, is the compounded annual growth rate between 2016 and the end of 2020.

AVERAGE WEEKLY SALES[1] (AWS) TREND

JANUARY MOMENTUM CONTINUED; FEBRUARY SALES SIGNIFICANTLY IMPACTED BY SEVERE WINTER WEATHER ACROSS THE COUNTRY RESULTING IN REDUCED OPERATING HOURS AND CLOSURES

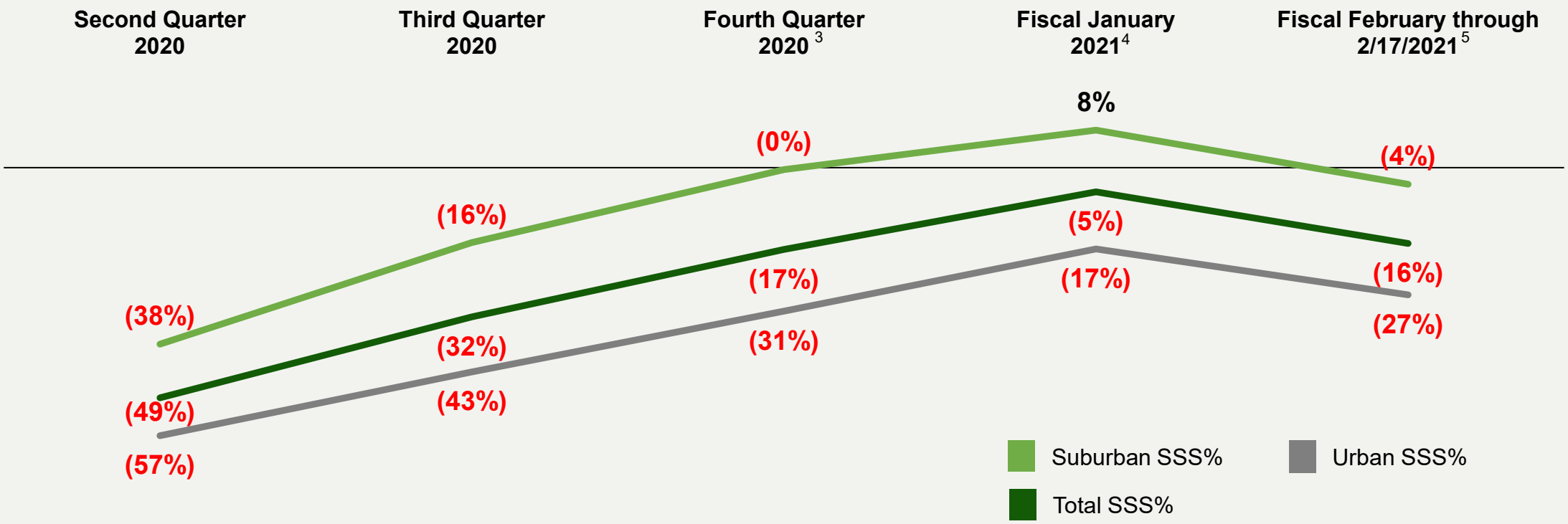


1. Average Weekly Sales ("AWS") is calculated by dividing total Shack sales by the number of operating weeks for all Shacks in operation during the period. For Shacks that are not open for the entire period, fractional adjustments are made to the number of operating weeks open such that it corresponds to the period of associated sales
2. Fiscal December 2020 total YoY Shack sales decline excludes impact of the 53rd fiscal accounting week and compares the five weeks from November 19, 2020 through December 23, 2020 to the five weeks from November 21, 2019 through December 25, 2020.. The favorable impact of the 53rd week in fiscal 2020 was an incremental Shack sales of $10.7 million.
3. For Fiscal January 2021, the Total YoY Shack Sales decline compares the four weeks from December 31, 2020 through January 27, 2021 to the four weeks from December 26, 2019 to January 22, 2020.
4. For Fiscal February 2021, the Total YoY Shack Sales decline compares the three weeks from January 28, 2020 through February 17, 2021 to the three weeks from January 23, 2020 to February 12, 2020.

SUBURBAN RECOVERY CONTINUES TO OUTPACE URBAN

SUBURBAN SHACKS DELIVERED GROWTH IN FISCAL JANUARY; FISCAL FEBRUARY WAS NEGATIVELY IMPACTED BY SEVERE WINTER WEATHER

URBAN/SUBURBAN[1] SAME-SHACK SALES[2] VS PRIOR YEAR



1. 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 is not classified as urban. As of the end of FY 2020, there were 61 suburban Shacks and 53 urban Shacks in the comp base.
2. "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 days that Shacks were temporarily closed, the comparative previous year period was also adjusted.
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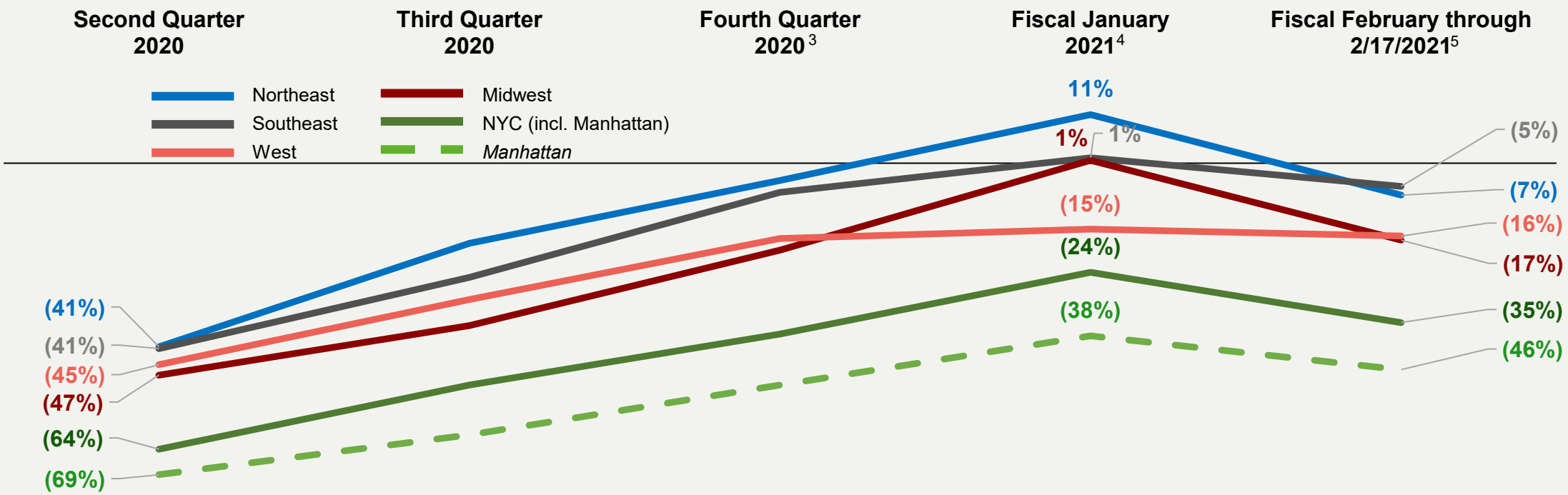
5. For Fiscal February, same-Shack sales compares the three weeks from January 28, 2021 to February 17, 2021 to the three weeks from January 30, 2020 to February 19, 2020.

REGIONAL IMPROVEMENTS CONTINUED THROUGH JANUARY

CALIFORNIA IMPACTED BY STAY-AT-HOME ORDERS IN FISCAL JANUARY; ALL REGIONS IMPACTED BY CLOSURES DUE TO CHALLENGING WEATHER CONDITIONS IN FISCAL FEBRUARY

REGIONAL[1] SAME-SHACK SALES[2] 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.
2. "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 days that Shacks were temporarily closed, the comparative previous year period was also adjusted.
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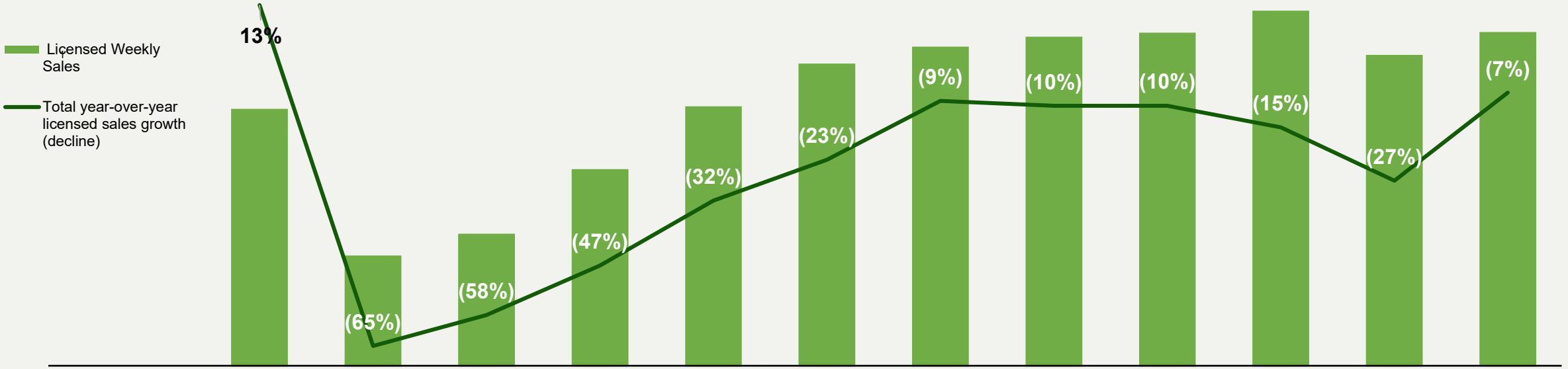
LICENSED RECOVERY SLOWED IN JANUARY DUE TO INCREASED COVID RESTRICTIONS IN THE UK, ASIA & THE MIDDLE EAST

BEGINNING TO REBOUND IN FEBRUARY AS ASIA LAPS INITIAL COVID IMPACTS

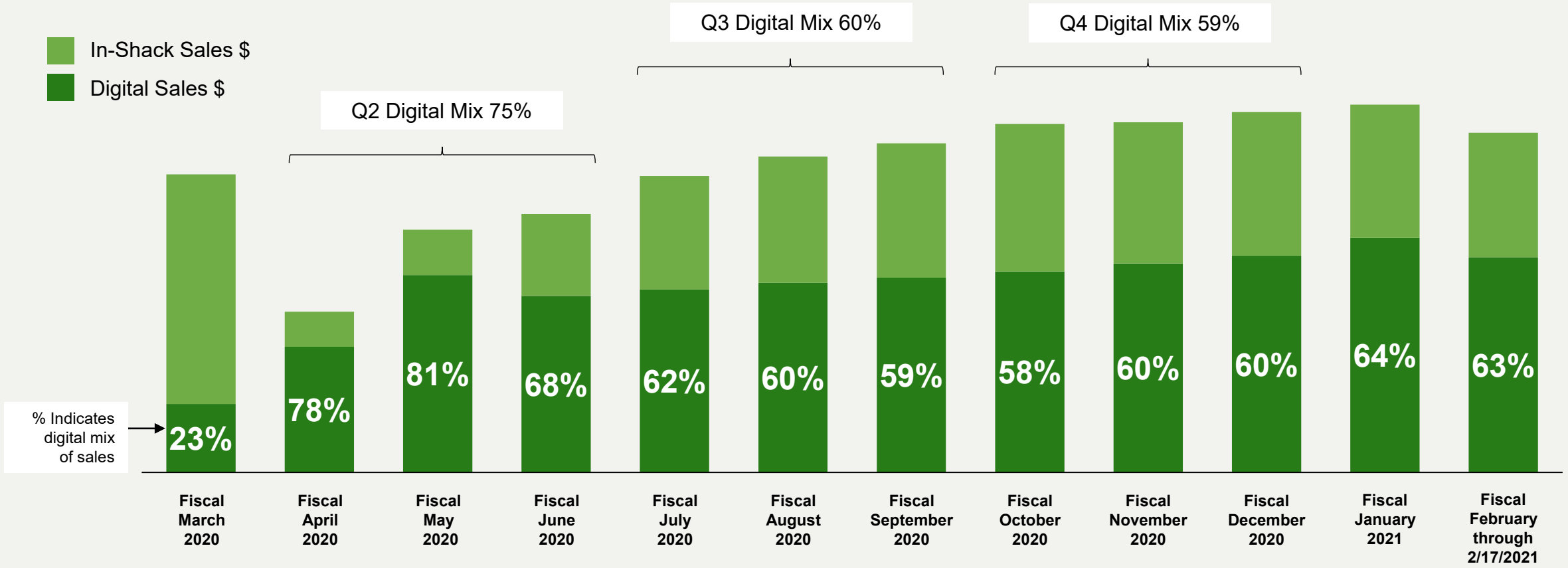


	Fiscal March 2020	Fiscal April 2020	Fiscal May 2020	Fiscal June 2020	Fiscal July 2020	Fiscal August 2020	Fiscal September 2020	Fiscal October 2020	Fiscal November 2020	Fiscal December 2020[3]	Fiscal January 2021	Fiscal February through 2/17/2021
Licensed Weekly Sales[1]	$4.6M	$2.0M	$2.4M	$3.5M	$4.6M	$5.4M	$5.7M	$5.9M	$5.9M	$6.4M	$5.6M	$6.0M
Number of Shacks Open[2]	96	56	59	91	98	104	105	107	106	106	107	108

1. Licensed weekly 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. "Number of Shacks Open" excludes temporarily closed Shacks, and Shacks in stadiums that are closed due to COVID.
3. Fiscal December 2020 total YoY licensed sales decline excludes impact of the 53rd fiscal accounting week. The favorable impact of the 53rd week in fiscal 2020 was an incremental licensed sales of $7.0 million.

DIGITAL SALES[1] MIX CONTINUES TO BE STRONG WITH COMPANY-OWNED CHANNELS UP ~300% QTD VS PRIOR YEAR

WINTER WEATHER LED TO HIGHER DELIVERY SALES IN Q4/EARLY Q1; COMPANY-OWNED APP & WEB ACQUIRED >2 MILLION NEW PURCHASERS SINCE MARCH 2020



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 sales are normalized to reflect a consistent four-week period.

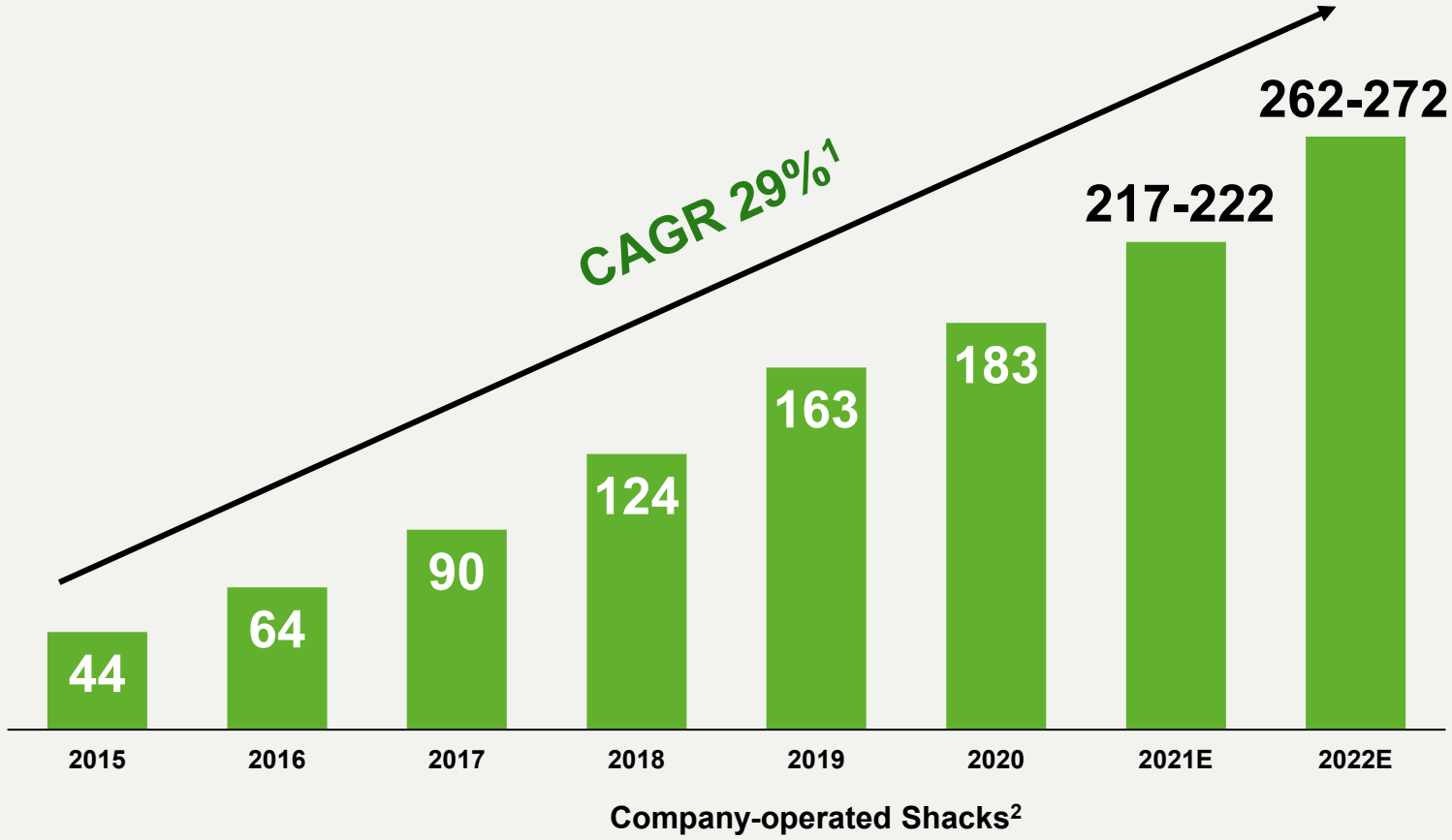
ACCELERATED DEVELOPMENT PLANS UNDERWAY; ~45% DOMESTIC COMPANY-OPERATED UNIT GROWTH PLANNED OVER THE NEXT TWO YEARS

Targeting 35-40 openings in fiscal 2021 and 45-50 openings in fiscal 2022

4 new Shacks opened to date in 2021; majority of 2021 openings expected to be heavily back-half weighted, impacted by ongoing COVID challenges

Aggressive pursuit of top-tier real estate in both urban and suburban markets with a focus on breadth of diverse formats

First drive-thru targeted for Q4 2021 in Orlando, Florida; five to eight additional planned through fiscal 2022



1. CAGR measures 2015 through mid point of 2022 range.
2. 2021 Shack count range is net of one Shack closure. Subsequent to the end of the fiscal year 2020, the Company was notified by its Landlord of their early termination of the Company's lease at Penn Station, NY due to its plans to redevelop the Long Island Rail Road Concourse following the successful completion of the East End Gateway and opening of the Moynihan Train Hall. This closure is expected to be effective by February 2021. 2022 Shack range assumes no Shack closures.

TARGETING >170 TOTAL LICENSED SHACKS BY END OF 2022

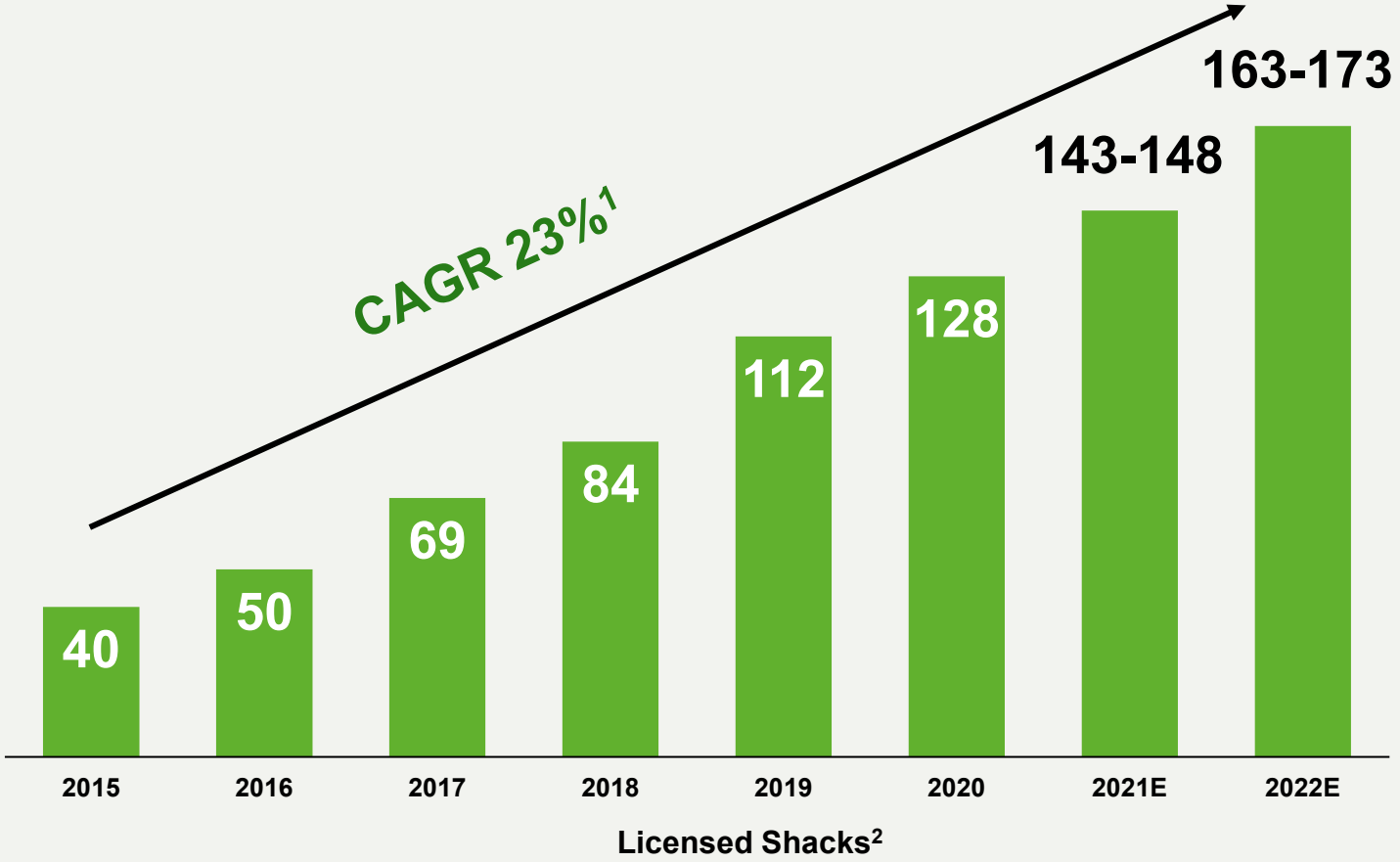
FOCUS ON ASIA; EVOLVING DESIGN INCORPORATES SHACK TRACK CONVENIENCE

Targeting 15-20 openings in 2021 and 20-25 in 2022 across mainland China, Mexico and other markets

2 new licensed Shacks opened to date in 2021; Kuwait and Dubai

Strength of brand continues to reinforce opportunity for global expansion

Licensed partners are strong, proven operators with previous success expanding global brands



1. CAGR measures 2015 through mid point of 2022 range.
2. 2015-2020 is net of closures. 2021-2022 Shack count assumes no Shack closures.

LICENSED DEVELOPMENT TARGETING 15-20 OPENINGS IN 2021

NEW SHACKS WILL INCREASINGLY INCORPORATE SHACK TRACK FEATURES



Motor City, Dubai opened Feb 2021 with both curbside and a walk-up window

2021 OUTLOOK

GIVEN THE SUBSTANTIAL UNCERTAINTY AND RESULTING MATERIAL ECONOMIC IMPACT CAUSED BY THE COVID-19 PANDEMIC, FULL GUIDANCE FOR THE FISCAL YEAR ENDING DECEMBER 29, 2021 WILL NOT BE PROVIDED

Domestic Company-operated openings	35 to 40
Licensed openings	15 to 20
General and administrative expenses	$83M to $86M[1]
Equity-based compensation	Approximately $10M
Depreciation expense	$60M to $63M
Pre-opening costs	$14M to $15M

1. Includes approximately $9M of the approximately $10M 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. Factors that might cause such differences include, but are not limited to, those discussed in the Company's Form 10-K for the fiscal year ended December 25, 2019 and the Form 10-Q for the quarterly period ended June 24, 2020.

These forward-looking projections should be reviewed in conjunction with the consolidated financial statements and the section titled “Trends in Our Business” which forms 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.

- Operating environment continues to be volatile and timing of full recovery uncertain with dining room restrictions in place and varying states of open markets
- No major inflationary changes across food costs expected at the current time and packaging levels staying high due to digital mix, although continue to monitor closely given uncertain and changing operating environment
- Labor inflation expected to be in the mid-single digit range compared to last year. Potential inefficiencies in the short term while increasing hiring and training new team members to support sales return
- Operating expenses expected to be elevated in the near term due to a higher delivery mix, COVID-specific safety supplies for the teams, and the gradual return of certain other costs in preparation for an expected sales recovery
- Commitment to G&A investments to meet ramped up development schedule. Continued focus on scalable growth, Shack format evolution, including drive-thru, Shack Track, and the digital guest experience
- Given the uncertainty caused by the COVID-19 pandemic in terms of the timing of a full sales recovery – and the resulting impact on taxable income – specific 2021 tax rate guidance will not be issued at this time. In a normal operating environment, the adjusted pro forma tax rate, excluding the impact of stock-based compensation is expected to be between 26% and 28%, in line with 2020

SHACK TRACK CONVENIENCE BEING INTEGRATED INTO BOTH NEW AND EXISTING SHACKS

Pre-order digitally and pickup your shack…

…inside, contact-free



SHACKS WILL CONTINUE TO ENHANCE PICKUP EXPERIENCE

…outside, at a window



13 SHACK TRACK WALK-UP WINDOWS TODAY; 10-15 MORE NEW AND RETROFITS IN 2021

…in your car, through a drive-up lane



1 SHACK TRACK DRIVE-UP WINDOW TODAY; 5-6 MORE NEW IN 2021

DIGITAL PRODUCTS EVOLVING TO FURTHER SUPPORT AND ENHANCE THE GUEST EXPERIENCE

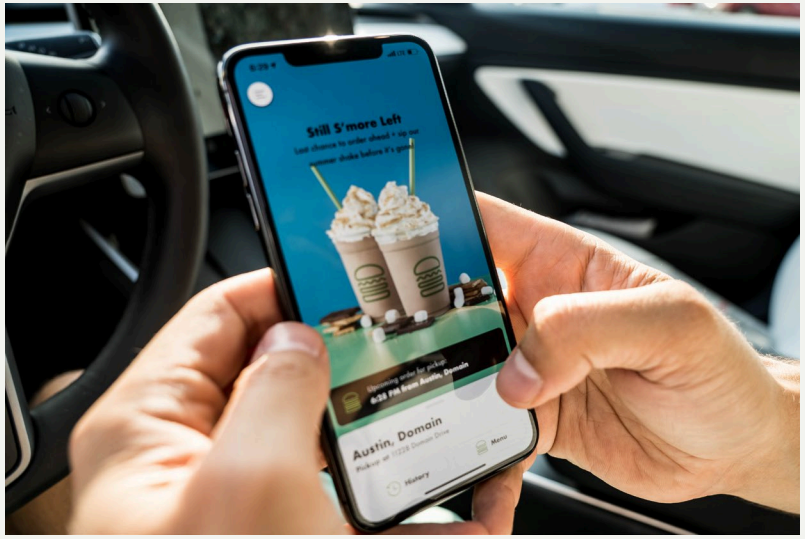
CURBSIDE PICKUP
ENABLED AT ~70 SHACKS TODAY
NEARLY 50% OF GUESTS CHOOSE CURBSIDE WHEN GIVEN THE OPTION; AVERAGE CHECKS OVER 20% GREATER THAN IN-SHACK



IN-APP DELIVERY IN PLACE
ACROSS MORE THAN 100 SHACKS;
FULL ROLLOUT THROUGH SECOND QUARTER



MOBILE-FIRST WEB REDESIGN IN H2 2021 FOR ENHANCED USER EXPERIENCE & GREATER MARKETING OPPORTUNITIES



LTO'S TO DRIVE ENGAGEMENT IN 2021

CONTINUED FOCUS ON ELEVATED, MODERN, FUN VERSIONS OF THE CLASSICS







INVESTING IN OUR TEAMS TO DRIVE GROWTH







Culture

Awarded 100% score for third year in a row on Human Rights Campaign's Corporate Equality Index, for support of the LGBTQ+ community in the workplace

Building extensive diversity, equity and inclusion initiatives including mentoring programs, unconscious bias training, and employee resource groups

Created paid time off Vaccination and Voting Policy to encourage participation

Salary & Benefits

Paid out close to $6M in additional pay to our Shack team members in 2020, including bonuses, and continue to award equity grants to GMs

Rolled out a new formalized comp and incentive structure that ensures transparency and equity

Increased entry-level wages at a majority of Shacks, at beginning of 2021

Launching a dependent care FSA for all benefit-eligible employees, expanding parental leave to Shift Managers and extending the bonding leave benefit

Career Development

Launched the Shift Up Education Program to progress the careers of the future leaders of Shake Shack, covering training in professional, financial, and leadership skills, with the goal of promotion within the Company

More than 56% of internal promotions in 2020 were women, and 76% were underrepresented minorities

Created over 1,000 new jobs in 2020 across our business, including nearly 20% increase to home office employee count

STAND FOR SOMETHING GOOD & OUR COMMITMENT TO ESG

IN ALL AREAS OF THE BUSINESS INCLUDING MENU AND SOURCING, SUPPORTING OUR TEAM, COMMUNITY ENGAGEMENT, OPERATIONS AND CORPORATE GOVERNANCE

Environmental



Hormone- and antibiotic-free protein sourcing supported by robust animal welfare policies

Focus on evolution of food packaging where possible and lessening our impact within Shacks through design

Expanding menu with growing chicken category and additional vegetarian and vegan options

Developing partnerships with grass-fed and regenerative ranchers for premium local burgers

Social



Extensive diversity, equity & inclusion initiatives including mentoring programs, unconscious bias training, employee resource groups and targeted educational and development programs

Distributed 6,500 BLM uniform shirts to team members, and made donations to Equal Justice Initiative, Fresh Air Fund, ROAR, and other local non-profits

Provided over 11,000 meals to healthcare & frontline workers and non-profits

Governance



Board of Directors consists of majority independent seats, with a diverse board in terms of gender, race, and ethnicity, and separate CEO & Chairman positions

Robust oversight by committee in areas including executive compensation, Company-wide benefit programs, food safety, enterprise risk management and data security

Active outreach and engagement with major shareholders in relation to corporate governance and ESG priorities

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.

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“Adjusted pro forma effective tax rate,” a non-GAAP measure, 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.

INCOME STATEMENT

	Fiscal Quarter Ended				Fiscal Year Ended			
	December 30, 2020 [1]		December 25, 2019		December 30, 2020 [1]		December 25, 2019	
Shack sales	$ 152,484	96.8%	$ 145,814	96.3%	$ 506,339	96.8%	$ 574,625	96.7%
Licensing revenue	5,026	3.2%	5,621	3.7%	16,528	3.2%	19,894	3.3%
TOTAL REVENUE	157,510	100.0%	151,435	100.0%	522,867	100.0%	594,519	100.0%
Shack-level operating expenses[2]:								
Food and paper costs	45,841	30.1%	43,127	29.6%	153,335	30.3%	168,176	29.3%
Labor and related expenses	46,217	30.3%	41,920	28.7%	156,814	31.0%	160,811	28.0%
Other operating expenses	22,394	14.7%	17,899	12.3%	73,220	14.5%	69,169	12.0%
Occupancy and related expenses	13,618	8.9%	13,142	9.0%	51,592	10.2%	48,451	8.4%
General and administrative expenses	19,080	12.1%	19,229	12.7%	64,250	12.3%	65,649	11.0%
Depreciation expense	12,568	8.0%	11,153	7.4%	48,801	9.3%	40,392	6.8%
Pre-opening costs	2,781	1.8%	4,156	2.7%	8,580	1.6%	14,834	2.5%
Impairment and loss on disposal of assets	7,227	4.6%	321	0.2%	10,151	1.9%	1,352	0.2%
TOTAL EXPENSES	169,726	107.8%	150,947	99.7%	566,743	108.4%	568,834	95.7%
OPERATING INCOME (LOSS)	(12,216)	-7.8%	488	0.3%	(43,876)	-8.4%	25,685	4.3%
Other income (loss), net	(1,121)	-0.7%	1,004	0.7%	(786)	-0.2%	2,263	0.4%
Interest expense	(118)	-0.1%	(132)	-0.1%	(815)	-0.2%	(434)	-0.1%
INCOME (LOSS) BEFORE INCOME TAXES	(13,455)	-8.5%	1,360	0.9%	(45,477)	-8.7%	27,514	4.6%
Income tax expense	6,859	4.4%	3,433	2.3%	57	0.0%	3,386	0.6%
NET INCOME (LOSS)	(20,314)	-12.9%	(2,073)	-1.4%	(45,534)	-8.7%	24,128	4.1%
Less: net income (loss) attributable to non-controlling interests	(886)	-0.6%	20	—%	(3,376)	-0.6%	4,301	0.7%
NET INCOME (LOSS) ATTRIBUTABLE TO SHAKE SHACK INC.	$ (19,428)	-12.3%	$ (2,093)	-1.4%	$ (42,158)	-8.1%	$ 19,827	3.3%
Earnings (loss) per share of Class A common stock:								
Basic	($0.50)		($0.06)		($1.14)		$0.63	
Diluted	($0.50)		($0.06)		($1.14)		$0.61	
Weighted-average shares of Class A common stock outstanding:								
Basic	38,513		33,877		37,129		31,381	
Diluted	38,513		33,877		37,129		32,251	

(1) The Company operates on a 52/53 week fiscal year that ends on the last Wednesday of the calendar year. Fiscal year 2020 was a 53-week year. The fourth quarter and fiscal year 2020 each contained an extra operating week.

(2) 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)	Fiscal Quarter Ended		Fiscal Year Ended	
	December 30, 2020 [1]	December 25, 2019	December 30, 2020 [1]	December 25, 2019
Operating income (loss)[2]	$ (12,216)	$ 488	$ (43,876)	$ 25,685
Less:				
Licensing revenue	5,026	5,621	16,528	19,894
Add:				
General and administrative expenses	19,080	19,229	64,250	65,649
Depreciation expense	12,568	11,153	48,801	40,392
Pre-opening costs	2,781	4,156	8,580	14,834
Impairment and loss on disposal of assets[3]	7,227	321	10,151	1,352
Shack-level operating profit	$ 24,414	$ 29,726	$ 71,378	$ 128,018
Total revenue	$ 157,510	$ 151,435	$ 522,867	$ 594,519
Less: licensing revenue	5,026	5,621	16,528	19,894
Shack sales	$ 152,484	$ 145,814	$ 506,339	$ 574,625
Shack-level operating profit margin[4]	16.0%	20.4%	14.1%	22.3%

(1) The Company operates on a 52/53 week fiscal year that ends on the last Wednesday of the calendar year. Fiscal year 2020 was a 53-week year and fiscal year 2019 was a 52-week year. The fourth quarter and fiscal year 2020 each contained an extra operating week.

(2) In fiscal 2020, Operating income (loss) included a $0.9 million reduction in Occupancy and related expenses due to the closure of the Company's Shack in Penn Station.

(3) For the fourth quarter of 2020, this amount includes a non-cash impairment charge of $6.5 million related to one Shack and the Company's home office. For the full year ended fiscal 2020, this amount includes a non-cash impairment charge of $7.6 million related to two Shacks and the Company's home office.

(4) As a percentage of Shack sales.

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)	Fiscal Quarter Ended		Fiscal Year Ended	
	December 30, 2020 [1]	December 25, 2019	December 30, 2020 [1]	December 25, 2019
Net income (loss)	$ (20,314)	$ (2,073)	$ (45,534)	$ 24,128
Depreciation expense	12,568	11,153	48,801	40,392
Interest expense, net	118	132	815	434
Income tax expense (benefit)	6,859	3,433	57	3,386
EBITDA	**(769)**	**12,645**	**4,139**	**68,340**
Equity-based compensation	1,502	1,761	5,560	7,600
Amortization of cloud-based software implementation costs[2]	358	205	1,444	312
Deferred lease costs[3]	(315)	565	92	2,608
Impairment and loss on disposal of assets[4]	7,227	321	10,151	1,352
Other income (loss) related to the adjustment of liabilities under tax receivable agreement	1,147	(794)	1,147	(808)
Executive transition costs[5]	—	—	150	126
Project Concrete[6]	—	80	(229)	2,111
Hong Kong office[7]	—	15	—	199
Other[8]	—	—	285	—
Adjusted EBITDA	**$ 9,150**	**$ 14,798**	**$ 22,739**	**$ 81,840**
Adjusted EBITDA margin[9]	5.8%	9.8%	4.3%	13.8%

(1) The Company operates on a 52/53 week fiscal year that ends on the last Wednesday of the calendar year. Fiscal year 2020 was a 53-week year and fiscal year 2019 was a 52-week year. The fourth quarter and fiscal year 2020 each contained an extra operating week.

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

(3) Reflects the extent to which lease expense is greater than or less than contractual fixed base rent. For the fourth quarter and full year of fiscal 2020, this amount included a $0.9 million reduction in Occupancy and related expenses related to the closing of the Company's Shack in Penn Station.

(4) For the fourth quarter of 2020, this amount includes a non-cash impairment charge of $6.5 million related to one Shack and the Company's home office. For the full year ended fiscal 2020, this amount includes a non-cash impairment charge of $7.6 million related to two Shacks and the Company's home office.

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

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

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

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

(9) Calculated as a percentage of total revenue, which was $157.5 million and $522.9 million for the fourth quarter and fiscal year ended December 30, 2020, respectively, and $151.4 million and $594.5 million for the fourth quarter and fiscal year ended December 25, 2019, respectively.

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.

2020 ADJUSTED PRO FORMA EFFECTIVE TAX RATE

(dollar amounts in thousands)	Fiscal Quarter Ended December 30, 2020			Fiscal Year Ended December 30, 2020		
	Income Tax Expense	Income Before Income Taxes	Effective Tax Rate	Income Tax Expense	Income Before Income Taxes	Effective Tax Rate
As reported	$ 6,859	$ (13,455)	-51.0%	$ 57	$ (45,477)	-0.1%
Non-GAAP adjustments (before tax):						
Executive transition costs	-	-	-	-	150	-
Project Concrete	-	-	-	-	(229)	-
Asset impairment charge	-	6,512	-	-	7,644	-
Reduction in Occupancy and related expenses due to Shack closure	-	(897)	-	-	(897)	-
Other[(1)]	-	-	-	-	285	-
Other loss related to the adjustment of liabilities under tax receivable agreement	-	1,147	-	-	1,147	-
Tax effect of non-GAAP adjustments and assumed exchange of outstanding LLC Interests	(12,262)	-	-	(15,089)	-	-
Adjusted pro forma	$ (5,403)	$ (6,693)	80.7%	$ (15,032)	$ (37,377)	40.2%
Less:						
Net tax impact from stock-based compensation	3,746			4,743		
Adjusted pro forma (excluding windfall tax benefits)	$ (1,657)	$ (6,693)	24.8%	$ (10,289)	$ (37,377)	27.5%

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

2019 ADJUSTED PRO FORMA EFFECTIVE TAX RATE

(dollar amounts in thousands)	Fiscal Quarter Ended December 25, 2019			Fiscal Year Ended December 25, 2019		
	Income Tax Expense	Income Before Income Taxes	Effective Tax Rate	Income Tax Expense	Income Before Income Taxes	Effective Tax Rate
As reported	$ 3,433	$ 1,360	252.4%	$ 3,386	$ 27,514.0	12.3%
Non-GAAP adjustments (before tax):						
Executive transition costs	-	-	-	-	126	-
Project Concrete	-	80	-	-	2,111	-
Hong Kong office	-	15	-	-	199	-
Other income related to the adjustment of liabilities under tax receivable agreement	-	(794)	-	-	(808)	-
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	(4,924)	-	-	(446)	-	-
Adjusted pro forma	$ (1,491)	$ 661	-225.6%	$ 1,779	$ 29,142.0	6.1%
Less:						
Windfall tax benefits from stock-based compensation	1,598			5,842		
Adjusted pro forma (excluding windfall tax benefits)	$ 107	$ 661	16.2%	$ 7,621	$ 29,142	26.2%

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