

Krause Fund Research

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Consumer Discretionary

Stock Rating **HOLD**

April 12, 2023

Chipotle Mexican Grill (NYSE:CMG)



Company Overview

Chipotle Mexican Grill, Inc. engages in the development and operation of classically-cooked, real food with wholesome ingredients without artificial colors, flavors, or preservatives. It offers a focused menu of burritos, tacos, burrito bowls, and salads prepared using classic cooking methods. The company was founded by Steve Ells in 1993 and is headquartered in Newport Beach, CA.

Source 9: FactSet

Investment Thesis

We Recommend a **HOLD** rating for Chipotle Mexican Grill with a 3.4% upside. We believe this upside is driven by location expansion, efficient operations, and a strong balance sheet.

Thesis Drivers

- **Strong Balance Sheet:** Chipotle efficiently grows due to a large cash balance and no debt. This is an advantage as the cost of capital is increasingly expensive. We believe Chipotle's balance sheet will remain healthy with cash growing to 53.0% of revenue in 2032.
- **Efficient Operations:** Chipotle owns 100% of its locations, allowing leadership to properly run every store rather than cutting corners. Customer experience is crucial to restaurant success, and this allows quality and taste to be premium at every store.
- **Location Expansion:** Expanding stores across the country and internationally is a large catalyst for growth, as Chipotle generates a large amount of revenue per store. We believe Chipotle will have over 6800 worldwide locations by 2032 and continue to grow.

Risks to Thesis

- **Competitive Atmosphere:** A large risk to Chipotle's growth is a lack of customer loyalty and low barriers to entry into the restaurant industry. We believe that Chipotle must continue to operate well with high-quality products to keep its market share.
- **Safety Concerns:** Another risk presented is food safety concerns. Chipotle experienced an E. Coli outbreak in 2015 which made over 1,000 customers ill. We believe because of their fresh produce and other ingredients. Chipotle is inherently at risk for other food contamination. This would be detrimental to the company's performance.

Pricing

Current Price: \$1,717.89
52 Week Range: \$1,196.28 - \$1,754.56
Current P/E: + \$54.18

DCF/EP: \$1,776.21
Upside: 3.4%
DDM: \$943.22
Relative Valuation: \$933-\$1769

Key Statistics

MKT Cap: \$49.01B
Beta: 1.28
WACC: 9.2%
2022 EPS: \$32.28
2023E EPS: \$38.79

Financial Metrics

2022 Revenue: \$8,634.7
2023E Revenue: \$10,054.4
2022 Net Income: \$899.1
2023E Net Income: \$1070.5
2022 Profit Margin: 10.4%
2023E Profit Margin: 10.6%

Financial Ratios

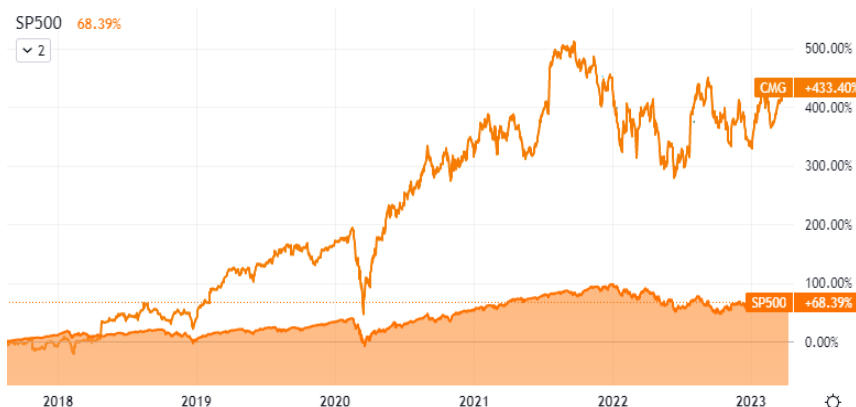
2022 ROE: 38.0%
2022 ROA: 13.0%
2022 EBITDA Margin: 14.7%

Earnings Estimates

2023 2024 2025 2026 2027

\$38.79 \$45.72 \$53.25 \$61.86 \$71.55

5 Year Stock Performance Relative to S&P 500



Executive Summary

Chipotle Mexican Grill (NYSE: CMG) is a Mexican restaurant in the consumer discretionary sector operating within the quick-service restaurant industry.

We recommend a **HOLD** rating as Chipotle is a strong company with a great growth profile. Its ability to operate without debt, maintain tight operations at every location, expansion possibilities, and its integral use of quality ingredients will drive this growth. Our discounted cash flow model projects a \$1,776.21 share price, yielding a 3.4% upside to the current stock price of \$1,717.89. Chipotle's healthy, organic, and local ingredients also satisfy the dietary-conscious evolution of consumer preferences.

Economic Analysis

Outlook for Consumer Discretionary: *Neutral-to-Positive*

Even as interest rates remain high, consumer sentiment is rising, unemployment is historically low, and the consumer price index is falling. Because of these economic conditions, consumers will continue to have the income to spend on discretionary goods through 2023 and into 2024.

Real Gross Domestic Product (GDP)

The real gross domestic product is an inflation-adjusted measure of the value of all goods and services produced by an economy each year. Real GDP is an important measure because it allows the tracking of the overall growth of the economy. GDP and the consumer discretionary sector follow similar trends, as the consumer drives 70.0% of the spending in the US economy²⁸. Real GDP is a preferable measure to nominal GDP, which does not account for inflation, especially in an economic environment with elevated inflation. US real GDP increased at an annual rate of 2.6% in the fourth quarter of 2022. This is an important indication that the US economy is growing.

GDP numbers are important as two consecutive quarters of negative GDP growth is often a leading indicator of a

recession. We do not forecast GDP to drop into the negative level and predict that it will continue to grow at a 2.0-3.0% year-over-year level into 2024. We believe that this GDP growth will be driven by consumer spending, with quick-service restaurant sales making up a healthy portion of the spending. This will be a positive sign for Chipotle's growth.

University of Michigan Consumer Sentiment Index

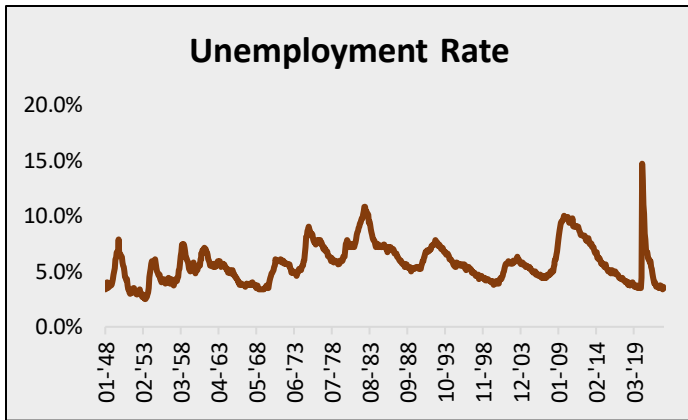
The University of Michigan Consumer Sentiment Index measures how individuals feel about their expected household finances. Consumer sentiment is similar to Consumer Confidence, which is a measure of the consumer's assessment of the overall health of the economy. Higher confidence will enable consumers to spend a sizable percentage of their income on discretionary goods.



Source 1: University of Michigan

Consumer sentiment is 17.0% below its historical average, with a 20.0% jump off its low in the middle of 2022. As the Federal Reserve gets inflation under control and down to the 2.0% level, consumers will grow more confident in their finances and the conditions of the economy. We believe consumer sentiment will reach a level of seventy-five by the beginning of 2024. We forecast this with the belief that inflation affects consumer sentiment more than other variables, which the Federal Reserve is continuing to bring down. As consumer sentiment rises, individuals will be more willing to spend on discretionary goods. This will be a catalyst for revenue growth for the consumer discretionary sector and a positive sign for Chipotle.

U.S. Unemployment Rate



Source 2: US Bureau of Labor Statistic

The US unemployment rate measures the percentage of Americans in the labor force that are jobless. The US unemployment rate is a good indicator of US economic well-being because unemployment claims are easy to track and regularly reported on.

The current US unemployment rate is at 3.5%, the lowest historic level since 1969. Although layoffs have begun to affect the technology sector, we believe that unemployment will remain low across all industries in the United States hovering around the 3.5% level for the next 1-2 years.

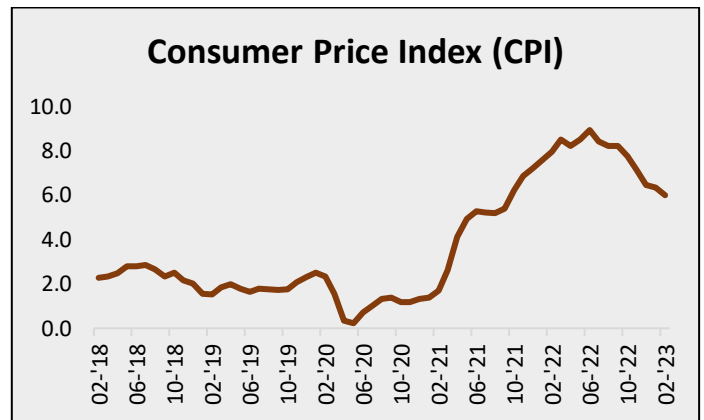
A low unemployment rate is crucial to consumer spending, if many Americans are without jobs, then they are less likely to spend money on discretionary goods and services. We believe that with a continuous low unemployment rate, households will have money to spend on discretionary goods. This will drive sales, and lead to continuous growth in the sector.

Consumer Price Index (CPI)

The Consumer Price Index (CPI) is an important economic indicator that measures the average change in the prices of goods and services that consumers buy. A higher CPI can cause consumers to shift the types of products they purchase from premium to cheaper alternatives. According to common economic theory, CPI should stay at the 2.0% level to promote economic growth.

CPI reached an unprecedented level of 9.0% in June 2022 and has since fallen to 5.0% in March 2023. We believe that as the Federal Reserve continues to raise interest rates, CPI will fall back down to its 2.0% target level by June

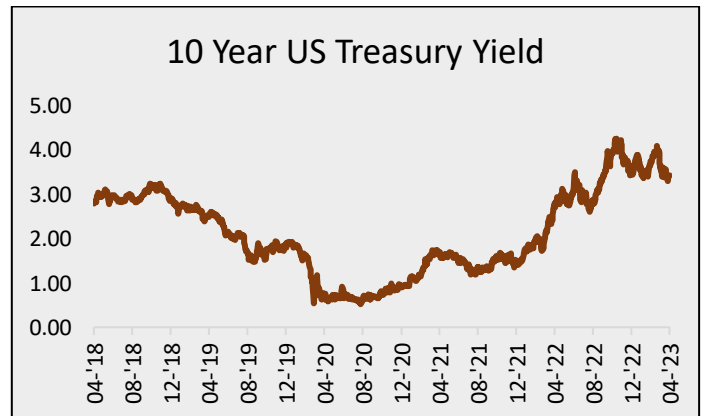
2024. We believe that CPI is one of the leading economic indicators currently tracked by consumers. As CPI continues to fall and inflation eases, consumers will become more comfortable and confident about the overall economy and their household finances. This will lead to consumers becoming more comfortable spending money on discretionary goods. This will inhibit growth within the sector and be a positive sign for Chipotle.



Source 3: US Bureau of Labor Statistics

Interest Rates

An interest rate is defined as the cost of borrowing money, expressed as a percentage of an outstanding loan balance⁵. Interest rates are extremely important for the entire economy. When interest rates are elevated, we believe that consumers are less likely to borrow money to purchase goods and services. Furthermore, consumers are even less likely to purchase non-essential goods and services. These goods include dining out, new clothes, and other luxuries. A low-interest rate environment is optimal for growth within the consumer discretionary sector.



Source 4: Board of Governors of the Federal Reserve System

The 10-year US treasury yield is used as a proxy across the broader economy⁴. The yield signals US investors' confidence in the broader market. The US 10-year treasury yield currently is 3.45%, which is the highest level since April 2011. The Federal Reserve has continued to raise interest rates to combat inflation, with the first hike in March of 2022. Since then, the federal reserve has had eight more rate hikes spanning from 25-bps to 75-bps with the last coming on March 17th, 2023, with a 25-bps rate hike. We believe that the federal reserve will hike rates one more time in March 2023 by 25-bps and keep interest rates high until the end of 2023, when they will begin lowering interest rates back down. We forecast the 10-year US treasury yield to reach 3.2% by June 2024.

The cost of borrowing does not only affect consumer behavior but also businesses. With increasing costs, companies are less likely to make new investments which are catalysts for economic growth. Chipotle, unlike its competitors, operates without any debt. This gives Chipotle a large competitive advantage in an increased interest rate market.

Industry Analysis

Outlook for Quick-Service Restaurants: *Positive*

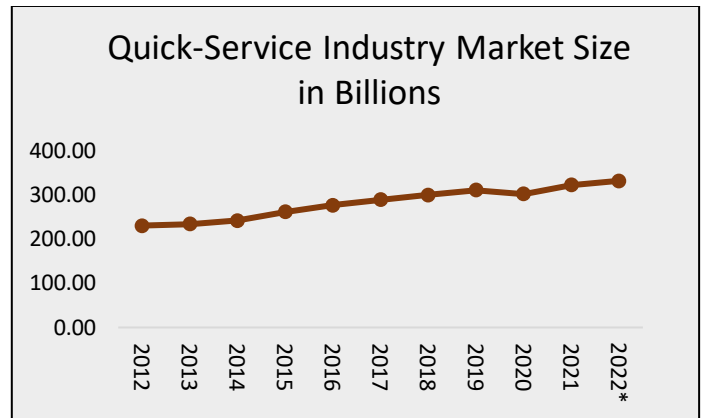
With innovative technologies and changing consumer preferences, there are many trends to capitalize on within the quick-service restaurant industry. Based on these factors we foresee continued growth within the industry.

Industry Description

The restaurant industry has four main segments: quick-service, casual dining, fast-casual, and fine-dining restaurants. Chipotle is focused on the quick-service segment of restaurants.

Product lines in this industry include food and beverages. The core business segments include delivery, in-house dining, drive-thru, and curbside delivery. Revenue in the restaurant industry is generated from selling food and beverages to customers.

Industry Growth



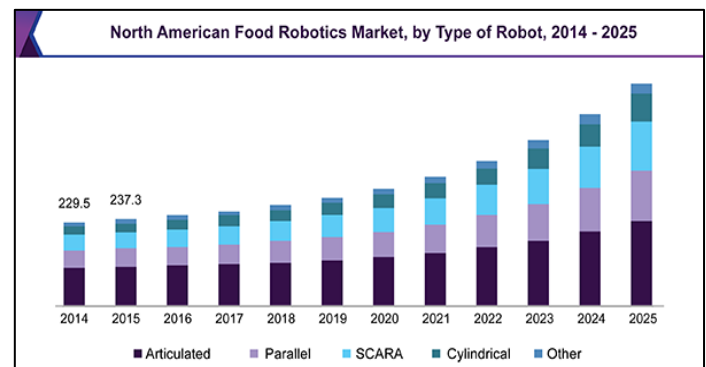
Source 6: Statista

The quick-service industry market has continued to grow over time. With a 42.0% increase from \$230.25 billion in 2021 to \$331.41 billion in 2022. We project the quick service sub-industry to continue growing to \$400.00 billion in 2027. This market growth will provide ample opportunity for Chipotle to grow its consumer base and capitalize on its simple but effective initiative.

Industry Trends

Robotic technology in fast food

New technologies have grown increasingly prevalent in the restaurant industry as robots replace cooks, servers, and cashiers. Unlike humans, robots do not need breaks, days off, an hourly wage, or calls in sick. Because of this, robots offer a more efficient and cost-effective alternative to human workers. As robot use grows so will margins, which will drive profits for restaurants.



Source 7: Market Research Reports

This graph highlights the food robotics market in millions of dollars over time, with a 13.1% CAGR and \$3.50 billion

value in 2025. We agree with this assumption and forecast a growing prevalence of robotic technology in the quick-service industry. We believe that Chipotle will begin incorporating robotic technology to increase ordering efficiency. This will have a positive impact on Chipotle’s margins and profitability.

Health-Conscious Consumers

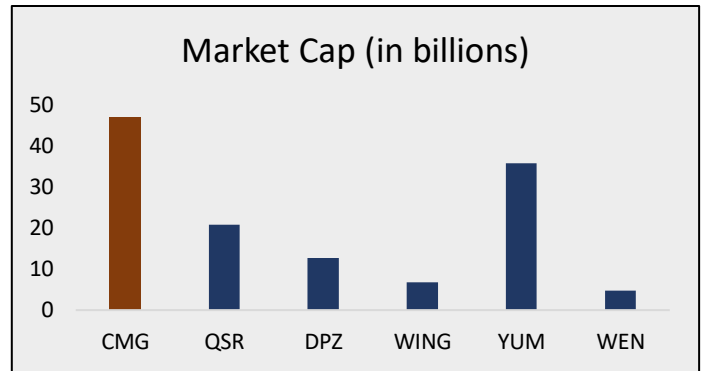
In the past five years, there has been a large uptick in the number of people who identify as health-conscious⁸. Additionally, 64.0% of people consider the health benefits when buying food and beverages.

As consumers begin to seek health benefits from food, the quick-service restaurant industry needs to adapt. Restaurants that adhere to these ever-changing preferences will begin winning over customers and experience growth.

Chipotle prides itself on purchasing fresh, quality, local, and organic products. As Chipotle continues to build this reputation for quality and healthy ingredients, it will grow as a major player in the quick service industry.

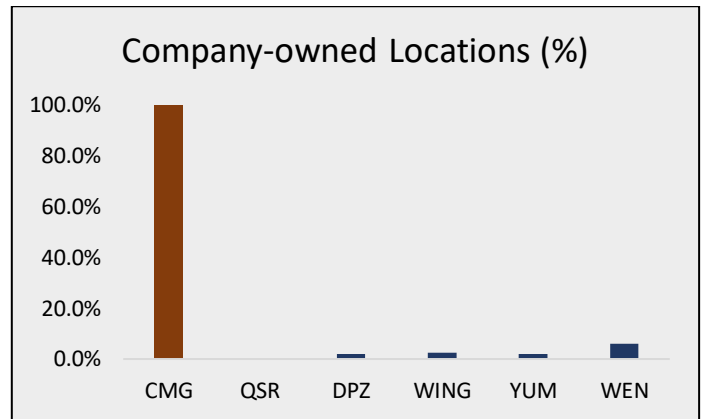
Peer Comparisons

The main competitors in the quick-service restaurant industry are Chipotle (CMG), Yum! Brands (YUM), Domino’s Pizza (DPZ), Wingstop (WING), Restaurant Brands International (QSR), and Wendy’s (WEN). We have included a graph of the market capitalization of each of these companies. Chipotle has the largest market cap at \$46.80 billion. The second largest is Yum! Brands with a market cap of \$36.97 billion. We believe that Chipotle’s market cap will grow as they continue to gather market share and expand with new locations.



Source 9: FactSet

Company-Owned Locations



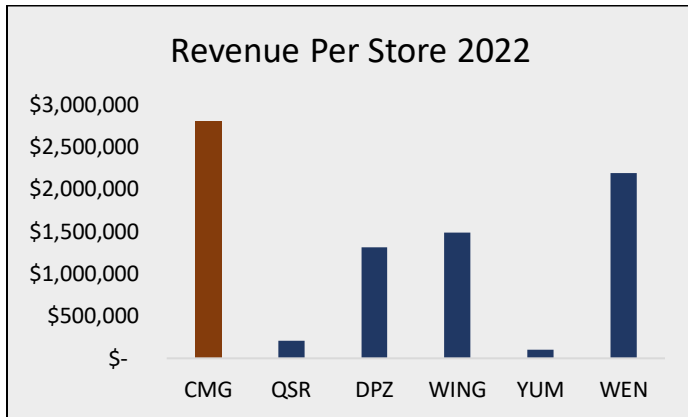
Source 9: FactSet

Most companies in the quick service industry operate as a franchising business model where individuals own the store locations, paying the company a royalty fee for using their name. Chipotle’s stores are 100.0% owned by the corporation, while its competitor’s stores are vastly franchised. Wendy’s is the second most, with only 5.8% of locations being franchise owned¹³.

Chipotle has a large competitive advantage by owning all its locations¹¹. Without franchisees, they can ensure that all locations contribute to the goals of the broader business model. All aspects of Chipotle’s operations are tightly controlled by corporate including their preparation of food, suppliers, and any other often looked-over details. Franchisees often dilute the image of a brand by cutting costs at the customer’s expense. They will often buy cheaper ingredients, cut employees, and participate in other unethical activities to improve margins. Chipotle can ensure that its motto “food with integrity” is followed to a tee by keeping such a tight company-owned model.

We predict that because it is such a large competitive advantage, Chipotle will continue to own all its locations through the near future. Chipotle’s management has also stated that they have no plans to move into a franchising business model¹⁰.

Average Revenue Per Store

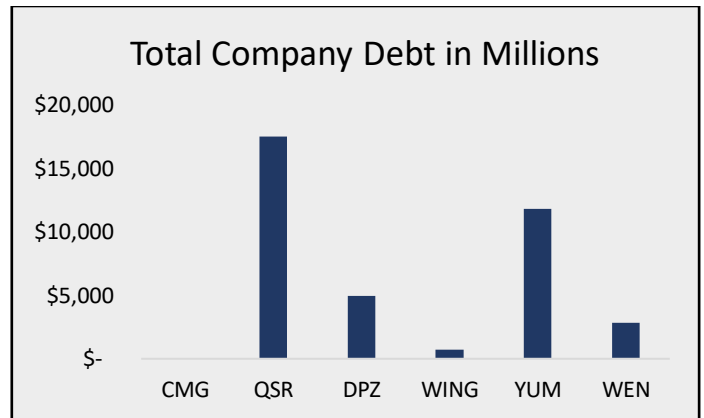


Source 9: FactSet

Chipotle has the largest amount of revenue per store with \$2.8 million in 2022 compared to its competitors. This is a large advantage, as they can produce more revenue with fewer locations to worry about. As Chipotle opens more locations, it can earn a larger return on its initial investments because of each location’s ability to generate such a large amount of revenue. This metric is important as we forecasted revenue in our model using store locations as a major variable for growth.

We predict that Chipotle’s revenue per restaurant will remain high, especially compared to its peers. We believe that revenue per restaurant will continue to grow steadily reaching above \$4.00 million in 2028.

Debt Levels



Source 9: FactSet Portal

Chipotle has a unique competitive advantage as they have no debt. This allows Chipotle to operate with a high level of liquidity that it can use to fuel new developments which, in turn, yields growth and expansion. Chipotle’s lack of debt also gives an advantage in a high-interest rate environment as it is not subject to the rising borrowing costs that its competitors are exposed to. This allows Chipotle to continue to deploy cash and invest in new opportunities, while other companies are slowed down by their need to take on more, expensive debt to develop. Because of these advantages and the heightened costs of borrowing, we believe that Chipotle will continue to operate without debt for the foreseeable future.

Porter’s Five Forces

Porter’s Five Forces is a model used to analyze the fundamentals of a company. We found the model useful to detect the five competitive forces that shape and determine the quick-service restaurant industry’s strengths and weaknesses. This yielded a better understanding of the industry, as well as Chipotle’s competitive landscape and long-term profitability.

Competitive Rivalry – High

As the number of restaurants increases, the intensity of competition in the quick-service restaurant industry grows. Little customer loyalty, strenuous margins, and larger brands having greater budgets for marketing and innovation lead to greater competition. Changing consumer preferences and a low margin of error for food also increase fierce competitiveness.

Company Analysis

Business Profile

Chipotle Mexican Grill is a fast-food restaurant that features relevant menu items such as burritos, burrito bowls, quesadillas, tacos, and salads. Chipotle prides itself on serving responsibly sourced, classically-cooked, real food with non-artificial ingredients or flavors. Chipotle's goal is to serve high-quality food while still charging reasonable prices.

As they brand itself as a quick, quality fast-food business, it helps them stand out from competitors and keep loyal customers. Even during the pandemic, Chipotle was able to see growth in its sales. 45.0% of sales come through the Chipotle website/app which helped them compete during the pandemic.

As of December 31, 2022, Chipotle owns 3,129 Chipotle restaurants in the United States and fifty-three international Chipotle restaurants. They report their revenue based on food and beverage sales, and delivery service revenue¹⁰.

Revenue Analysis

Chipotle's main source of revenue comes from food and beverage sales. They offer only a limited number of meal items as well as tortilla chips and beverages. Food and beverage revenue makes up approximately 99.0% of their total revenue stream while delivery service revenue makes up the other 1.0%. The delivery service was established during COVID, in 2020, to stay in business and make a profit. With that being said, we see delivery service revenue increasing as a percentage of total revenue due to how successful the Chipotle website/app has been in the last two years (making up 39.4% of sales in 2021 and 45.0% in 2022).

Total revenue growth has been steady over the last 8 years, and we are projecting that this trend will continue to be driven by the expansion of new locations.

Supplier Power – Low

With many suppliers in the quick-service restaurant industry, the amount of power these suppliers hold is minimal. The scale of restaurant size is also a large factor in supplier power¹⁴. Small-scale restaurants have limited negotiating power with smaller order sizes, while larger restaurants can place bigger and more profitable orders for suppliers. Because the quick-service restaurant industry is controlled by large players, suppliers have low negotiating power.

Buyer Power – Moderate

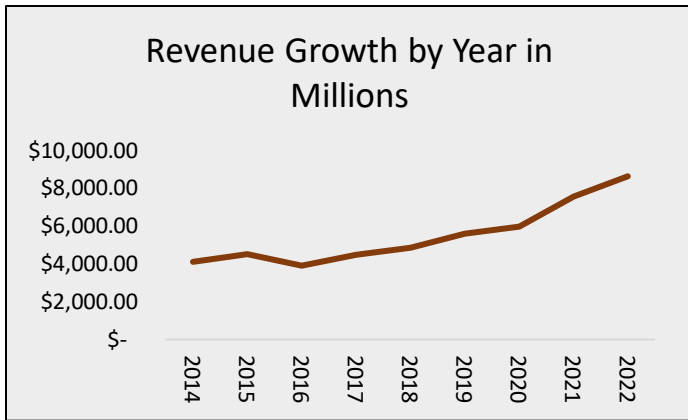
Buyers hold a modest amount of influence over pricing decisions for quick-service restaurants. Overpriced items offered by restaurants will not bring in sales, while buyers also value quality and the type of items at restaurants. Because of this, buyers have a moderate level of power in the quick-service restaurant industry.

Threat of Substitute Products – High

With a plethora of players in the quick-service restaurant industry, it is extremely easy for customers to switch to different restaurants. With no cost to the customer for changing their preferences, brand loyalty is low. This allows for a high threat of substitute products in the quick-service restaurant industry.

Threat of New Entrants – Moderate

Creating new quick-service restaurants requires an ordinary amount of investment compared to other industries. Economies of scale, which is the saving of costs by an increased level of production, increase the case for entrants into the field. New entrants also face an elevated level of fixed costs with low profitability and margins, this causes managing operations in the initial stages to be difficult. These variables lead to the threat of new entrants in the quick-service restaurant industry being moderate.

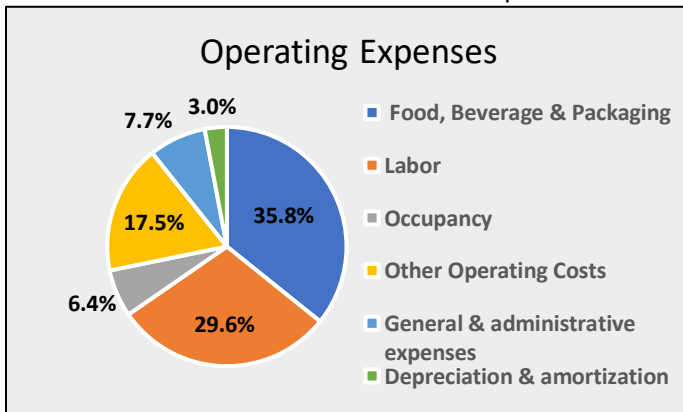


Source 9: FactSet

Revenue growth has also been affected by inflation. High inflation rates since the pandemic have pushed Chipotle to raise prices on its menu. Chipotle has not taken losses from the input price increases since they simply raised their own menu prices. One caution we have is consumers not willing to buy Chipotle as the prices rise. This has not been a problem thus far as seen with high revenue growth, but a potential future risk.

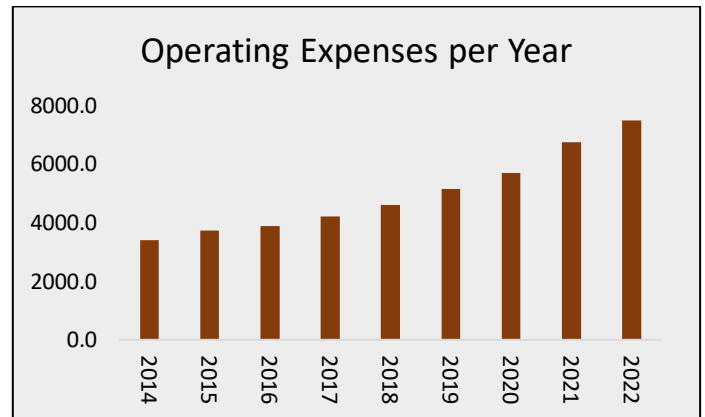
Expense Analysis

Chipotle’s expenses are related directly to food, beverage, packaging, labor, and “other operating costs.” The “other operating costs” are made up of marketing costs, promotional costs, delivery expenses, bank and credit card processing fees, restaurant utilities, technology costs, and other maintenance costs. With most expenses coming from commodity and input prices, Chipotle uses pricing protocols with their suppliers. Pricing protocols allow them to formulate fixed prices that they pay for a duration of time with their suppliers. This allows them to decrease the future risk that could come from price increases.



Source 9: FactSet

Since the pandemic, we have seen elevated levels of inflation affect major input items along with labor prices. We expect inflation to reach normal levels by June 2024, but until then, Chipotle must successfully keep fixed prices with their suppliers as low as possible. Regardless, with the continued expansion of restaurants and the continuation of a loyal customer base, we predict similar growth in expenses as we do in revenues. Since the majority of Chipotle’s expenses are operating, we are confident that our growth projections are accurate when predicting they will follow the same trend as our revenue projections.



Source 9: FactSet

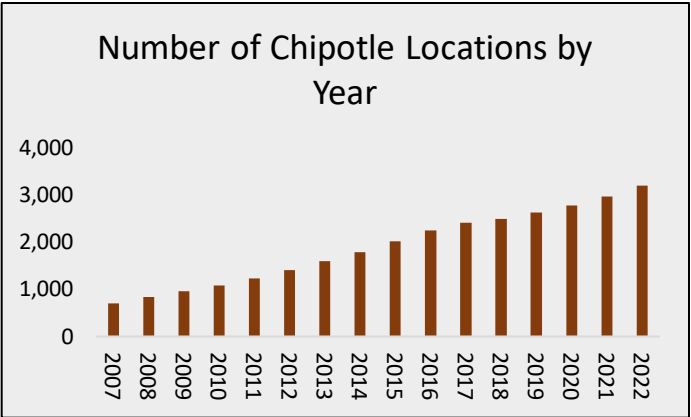
Historically since 2014, Chipotle has had an average operating profit margin of 9.6%, which has been growing every year. In 2022, Chipotle had an operating profit margin of 13.4%. This number is impressive, especially for a restaurant that prides itself on fresh, quality food. With a fast-food industry average of 6.0-9.0%, Chipotle is ahead of its competition²⁰.

Capital Expenditures

Chipotle was able to open 202 new restaurants in 2022, with one hundred new locations in the 4th quarter alone. We saw approximately \$479.00 million worth of capital expenditures in 2022, and this number has been growing year over year. We expect to continue to see restaurant and capital expenditure growth.

In Chipotle’s case, they operate with no debt on their balance sheet. This gives Chipotle extreme flexibility when opening new locations and can achieve this expansion at a faster rate based on using free cash flow from other restaurants¹⁹. This also makes opening new stores less

risky due to the fact they have no debt to pay after opening a store.



Source 9: FactSet

SWOT Analysis

A SWOT (strengths, weakness, opportunities, and threats) analysis is a fundamental model used to assess internal, external, current, and potential risks and opportunities. We found a SWOT analysis useful to determine the framework of Chipotle’s position relative to the competition.

Strengths

Chipotle’s mission statement is “food with integrity”²⁴, and it is prevalent in their provision of tasty food, the classic method of cooking, fresh ingredients, and reasonable prices. Chipotle provides a simple menu consisting of salads, burrito bowls, burritos, tacos, and chips. A small selection of items allows Chipotle to focus on quality. Chipotle’s ingredients are not only fresh but of the highest quality available for purchase²³. The vegetables are all organically and locally grown, meat is properly raised without antibiotics, and food is DNA tested before entering the store.

Weaknesses

One event that has had a substantial impact on Chipotle is serving food contaminated with Escherichia coli, E. coli, in 2015¹⁵. E. Coli is often transmitted through contaminated raw materials such as vegetables, sprouts, and fruits. Because Chipotle serves fresh and organic produce, they are at a heightened risk of having their ingredients adulterated with E. Coli.

In 2020, Chipotle paid \$25 million for serving tainted food from 2015 to 2018¹⁵. Chipotle was charged with two counts of violating the Federal, Food, Drug, and Cosmetic Act. Chipotle has taken multiple measures to reduce risks including DNA testing meats, boiling food to kill bacteria, and tracking where all fresh produce comes from. We believe the inherent hazard of another outbreak, along with the consumer’s connotation of Chipotle with E. Coli is a weakness for Chipotle. We do not think this risk is as prevalent as before due to the safety measures that were instated.

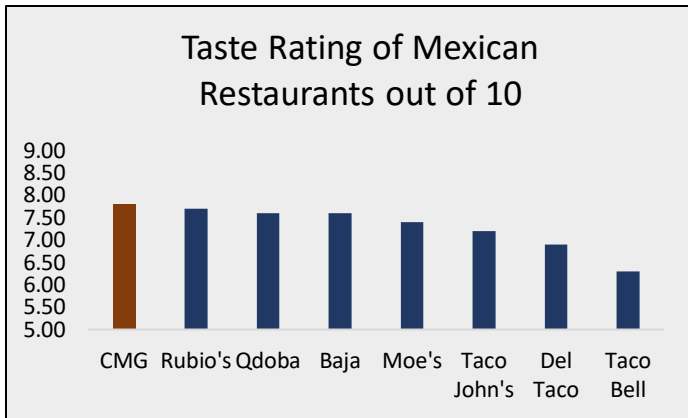
Opportunities

With only 1.0% of Chipotle’s locations operating outside the United States, international markets are a huge opportunity for growth in the future. With an efficient, well-planned, and proper strategy, Chipotle can see significant growth through expansion internationally, namely in Europe and Asia. The worldwide expansion of Mexican restaurants did not work in the past, namely with Taco Bell in the 1980s¹⁸. We believe that Chipotle can be successful because of its higher-quality ingredients.

A large opportunity for Chipotle is growing its delivery platform. Chipotle’s delivery sales have grown immensely recently, with almost 50.0% of orders being completed via delivery¹⁷. We believe there is a large opportunity for Chipotle to begin offering its own delivery service, rather than outsourcing from Doordash, Grubhub, and Uber Eats. With proper execution, Chipotle’s delivery service will increase margins by skipping the fees paid to the third-party delivery service.

Threats

A large threat in the quick-service restaurant industry is the competitive atmosphere. Customers’ preferences can easily change, with little loyalty to specific brands. Reputation plays a key role in retaining market share, and one bad customer experience can lose a customer.



Source 25: Statista

The Mexican food industry is also extremely competitive with an exceptionally low margin of error. The graph above displays consumer ratings of food at various Mexican cuisine restaurants. We believe that Chipotle's tight operations and fresh ingredients play an integral role in making their food the best tasting in the field. We believe the similar level of taste combined with the low barriers for entry into the industry is a weakness for all quick-service restaurants.

Valuation Analysis

Methodologies

We used three different methodologies to value Chipotle including a Discounted Cash Flow Analysis (DCF), Dividend Discount Model (DDM), and Relative Valuation in comparable companies.

We found the DCF as the most accurate valuation technique, for forecasting Chipotle's cash flows into 2032. The DDM model and comparable companies' analysis were not accurate given that Chipotle does not pay out a dividend and the universe of comparable companies was not extremely accurate.

Discounted Cash Flow & Economic Profit Analysis

Share Price Result: \$1,776

Projection Period: 2023 – 2032

Our discounted cash flow analysis and economic profit analysis are the most accurate representation of Chipotle's value. Chipotle's special brand and business model separate it from other competitors. On top of the business model, Chipotle's lack of debt also sets them apart. In calculating free cash flow and economic profit for the company, we were able to consider factors such as growth projections, lack of debt, inflation, and intuitive projection methods. We can confidently say that the DCF & EP analysis model is the most accurate way to value Chipotle's business.

Major Income Statement Items

Revenue

When projecting our revenue, we first started by projecting how many restaurants Chipotle is planning to open in the coming years. We knew that in 2023, Chipotle is planning to open 255-285 new restaurants, which is where we started. From there we made estimates on future store openings and calculated how much revenue each store would be making on average, while excluding outlier years (2015, E-Coli outbreak). This was the basis of our revenue projections.

Expenses

From the expense perspective (all operating), we were able to grow them by a percentage of that year's revenue. This will be accurate since each expense that Chipotle incurs is directly related to the products they sell. The only exceptions to this are the Depreciation & Amortization and the Gain (loss) on Disposal & Impairment of Assets line items. For these line items, we were able to use assumptions to project them out based on historical averages of their depreciation rate (for D&A), and on historical averages of their gain (loss) compared to their PPE numbers (for Gain (loss) on Sale).

Balance Sheet Items

For many of our operating accounts, we were able to project them out based on a percentage of revenue over the period of 2014-2022. This kept our projections growing at a consistent rate similar to the historical growth of each account. Since all the line items relate directly to our revenue-generating products, we are confident that these projections are accurate.

The account "Leasehold Improvements, Property & Equipment, and Gross" was projected by a calculation based on new store openings. We were able to find the average gross value of each new store, and then apply that number to grow our Gross PPE account based on the projected number of new stores through the years 2023E –2032E. The yearly change in the "Leasehold Improvements, Property & Equipment, Gross" account then flowed to the cash flow statement as a form of capital expenditures to keep our balance sheet in balance.

From a debt perspective, the only projection we had to make was for operating leases. We took the growth of our Net PPE account from the previous year and applied it to the operating leases. We are confident that these two accounts will grow at the same rate based on the projected openings of new stores.

Cost of Equity

When calculating the cost of equity for Chipotle, we used the CAPM formula. We had to be very accurate when calculating this metric since 93.5% of their capital structure is equity (6.5% operating lease debt). We used a 3.4% risk-free rate based on the 10-year treasury bond. We then used a beta of 1.28 based on a 5-year monthly average and a 4.9% equity risk premium based on Damodaran's new April 1st projection. Based on these assumptions, we determined a cost of equity of 9.7%.

Cost of Debt

When calculating the cost of equity for Chipotle, we found the pretax cost of debt as 3.4%³⁰. We then took those times one minus the marginal tax rate of 22.0%. This made our after-tax cost of debt 2.6%.

WACC

Chipotle's capital structure equated to 93.9% equity and 6.1% debt (Operating Leases). When using the 10-year treasury rate, a beta of 1.28 (5-year monthly average), and a 3.4% Pre-Tax cost of debt³⁰, we ultimately conclude that Chipotle has a 9.2% Weighted Average Cost of Capital.

Using this 9.2% WACC, we discounted back our projected free cash flows from 2023-2032 to get the cash flows to their present values.

Relative Valuation

Share Price Result: \$933 - \$1,769

The most comparable competitors in the fast-food industry are Yum! Brands, Starbucks, Domino's Pizza, McDonalds, Restaurant Brands Int., and Darden Restaurants.

We used relative valuation metrics including P/E (2023 & 2024), PEG (2023 & 2024), a revenue multiple (2022), and an EBIT multiple (2022).

When looking at Chipotle's capital structure, we have concluded that relative valuations are not an accurate metric when predicting a share price. With such an extreme share price range, this shows that we cannot rely on this type of valuation method.

Dividend Discount Model:

Share Price Result: \$910

Projection Period: 2023E – 2032E (10 Years)

Chipotle does not pay dividends, nor do they plan to pay dividends in the near future¹⁰. We do not predict that Chipotle will pay dividends and do not believe a Dividend Discount Model is an accurate valuation method. We do see this as a strength for Chipotle's future growth. Instead of paying out cash to shareholders, Chipotle can reinvest that cash into development, capital expenditures, and more.

Sensitivity Analysis

We put our model through a series of tests using a sensitivity table, which enabled us to observe the stock price generated by the model under two distinct assumptions that were altered simultaneously. The following assumptions were selected for testing and the corresponding outcomes are displayed below.

Sensitivity Table 1

Risk-free Rate x Beta

The risk-free rate and beta assumptions are extremely important in our valuation. These are two assumptions that are both direct factors in our cost of equity and, in turn, our weighted average cost of capital. Fluctuations in these assumptions will change our DCF and EP model outputs by a wide margin. With ever-changing interest rates in our current economy, it is important to show the changes that might affect our final predicted share price.

We also need to look at changes in Chipotle's beta. Current market conditions for the fast-food sector are changing rapidly due to macroeconomic factors which will ultimately affect the beta and cost of equity. As markets continue to be unpredictable, it is important to look at different changes in beta.

Based on the fluctuation of these two variables we see a predicted share price between \$1,309 – \$2,163.46.

		Risk-Free Rate							
		1,776.21	3.00%	3.25%	3.50%	3.45%	4.00%	4.25%	4.50%
Beta	1.17	2,163.46	2,050.23	1,948.25	1,967.82	1,771.97	1,695.31	1,625.05	
	1.22	2,052.81	1,950.57	1,858.03	1,875.83	1,697.07	1,626.67	1,561.93	
	1.25	1,991.68	1,895.29	1,807.81	1,824.66	1,655.12	1,588.12	1,526.39	
	1.28	1,934.08	1,843.06	1,760.25	1,776.21	1,615.20	1,551.37	1,492.45	
	1.37	1,779.69	1,702.38	1,631.54	1,645.23	1,506.35	1,450.80	1,399.26	
	1.42	1,704.15	1,633.17	1,567.92	1,580.54	1,452.08	1,400.45	1,352.45	
	1.47	1,634.81	1,569.42	1,509.13	1,520.81	1,401.65	1,353.56	1,308.75	

Sensitivity Table 2

WACC x CV Growth Rate of NOPLAT

The weighted average cost of capital and CV Growth Rate of NOPLAT are the two most important variables when looking at our DCF valuation model. It is important to look at variations of our WACC since it is based on ever-changing variables like the risk-free rate, equity risk

premium, and beta. When any of these variables change, it is ultimately going to change our WACC. On the debt side of things, we will also see fluctuations in our pre-tax cost of debt, which will also change our WACC. Recognizing these slight changes is important when determining an estimated share price.

Our continuing value growth rate of NOPLAT is also a crucial factor in our DCF valuation model. Since our growth rate is in the year 2032E, it is extremely hard to accurately predict this number as it is so far in the future. With a steady CV growth rate of 4.0%, it is important to test values around our assumption based on possible changes in store growth over the next 10-year period.

Based on the fluctuation of these two variables we see a predicted share price between \$1,449 - \$2,075.

		WACC							
		1,776.21	8.94%	9.04%	9.14%	9.24%	9.34%	9.44%	9.54%
CV Growth Rate of NoI	2.50%	1,593.10	1,567.30	1,542.30	1,517.83	1,494.57	1,471.78	1,449.65	
	3.00%	1,674.83	1,645.73	1,617.61	1,590.15	1,564.12	1,538.65	1,513.99	
	3.50%	1,771.57	1,738.32	1,706.28	1,675.08	1,645.57	1,616.79	1,588.99	
	4.00%	1,887.90	1,849.29	1,812.20	1,776.21	1,742.28	1,709.29	1,677.52	
	4.50%	2,030.44	1,984.69	1,940.95	1,898.67	1,858.98	1,820.52	1,783.62	
	5.00%	2,209.14	2,153.61	2,100.79	2,050.00	2,002.55	1,956.80	1,913.09	
	5.50%	2,439.80	2,370.25	2,304.55	2,241.79	2,183.52	2,127.66	2,074.60	

Sensitivity Table 3

Labor Cost as a % of Sales x Food, Beverage, and Packaging Costs as a % of Sales

We decided to look at labor costs as a percentage of sales against FBP costs as a percentage of sales for a couple of reasons. In our current economy, we have seen inflation reach unprecedented levels of around 9.0%. With the unpredictability of inflation, we need to vary our FBP costs percentage to see different prices based on this type of inflation fluctuation.

We also think labor costs as % of sales is an important metric to see vary due to the changing labor market. Employment costs increased 5.1% for the 12-month period ending in December 2022 and increased 4.0% in December 2021. This is a market-driven metric that is important for us to keep into account.

Using the combination of these two variables, we can see the worst-case and best-case scenarios on what it would hypothetically do to Chipotle's share price.

Based on the fluctuation of these two variables we see a predicted share price between \$1,677 – \$1,871.

		Labor Cost as a % of Sales							
		1,776.21	24.98%	25.13%	25.28%	25.43%	25.58%	25.73%	25.88%
FBP costs as a % of sales	29.91%	1,870.83	1,854.66	1,838.49	1,822.32	1,806.15	1,789.98	1,773.81	1,757.65
	30.06%	1,854.66	1,838.49	1,822.32	1,806.15	1,789.98	1,773.81	1,757.65	1,741.48
	30.21%	1,838.49	1,822.32	1,806.15	1,789.98	1,773.81	1,757.65	1,741.48	1,725.31
	30.36%	1,822.32	1,806.15	1,789.98	1,773.81	1,757.65	1,741.48	1,725.31	1,709.14
	30.51%	1,806.15	1,789.98	1,773.81	1,757.65	1,741.48	1,725.31	1,709.14	1,692.97
	30.66%	1,789.98	1,773.81	1,757.65	1,741.48	1,725.31	1,709.14	1,692.97	1,676.80
	30.81%	1,773.81	1,757.65	1,741.48	1,725.31	1,709.14	1,692.97	1,676.80	

Sensitivity Table 4

Store Opening Growth x WACC

Store opening growth and the weighted average cost of capital are both unpredictable variables in our model. Store opening growth is hard to predict over the next 10 years. We want to see how different values of opening growth change our model and overall, per-share price.

As we mentioned earlier, many of the metrics that make up our WACC calculation change based on interest rates, equity risk premium, beta, pre-tax cost of debt, and our marginal tax rate. Over time, these numbers change, and looking at a variety of similar values for our WACC is extremely helpful.

The combination of these two assumptions tells us how different revenue growths and market conditions affect our predictions. Taking the market into account when looking at our weighted average cost of capital while also looking at how our growth might fluctuate over time is particularly important.

Based on the fluctuation of these two variables we see a predicted share price between \$1,536 – \$2,073.

		Store Opening Growth							
		1,776.21	6.50%	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%
WACC	8.94%	1,722.37	1,775.51	1,830.67	1,887.90	1,947.30	2,008.94	2,072.89	
	9.04%	1,688.21	1,739.92	1,793.59	1,849.29	1,907.08	1,967.05	2,029.26	
	9.14%	1,655.40	1,705.74	1,757.99	1,812.20	1,868.46	1,926.82	1,987.37	
	9.24%	1,623.87	1,672.89	1,723.77	1,776.56	1,831.34	1,888.17	1,947.12	
	9.34%	1,593.53	1,641.30	1,690.86	1,742.28	1,795.64	1,850.99	1,908.41	
	9.44%	1,564.33	1,610.88	1,659.18	1,709.29	1,761.28	1,815.22	1,871.17	
	9.54%	1,536.21	1,581.59	1,628.67	1,677.52	1,728.20	1,780.77	1,835.30	

Sensitivity Table 5

Marginal Tax Rate x Pre-Tax Cost of Debt

Marginal tax rate and a pre-tax cost of debt have a direct relationship with each other. It is important to know how each of these variables affects our predicted share price based on changes in each.

A fluctuating marginal tax rate will change the cost of debt which, in turn, affects our final weighted average cost of capital. Same with the pre-tax cost of debt. We found the pre-tax cost of debt through Bloomberg and were able to apply that to our WACC calculation. Any change to this number will also change our final weighted average cost of capital.

These changes did not affect our predicted share price by much, since Chipotle only has debt in the form of operating leases, which equates to only 6.5% of their Capital Structure.

Based on the fluctuation of these two variables we see a predicted share price between \$1,761 – \$1,774.

		Marginal Tax Rate							
		1,776.21	19.00%	20.00%	21.00%	22.00%	23.00%	24.00%	25.00%
Pre-Tax Cost of Debt	2.38%	1,769.72	1,769.35	1,768.98	1,768.60	1,768.23	1,767.86	1,767.49	
	2.48%	1,770.47	1,770.09	1,769.71	1,769.33	1,768.95	1,768.57	1,768.18	
	2.58%	1,771.22	1,770.83	1,770.44	1,770.05	1,769.66	1,769.27	1,768.88	
	2.68%	1,771.97	1,771.57	1,771.17	1,770.77	1,770.38	1,769.98	1,769.58	
	2.78%	1,772.71	1,772.31	1,771.90	1,771.49	1,771.09	1,770.68	1,770.27	
	2.88%	1,773.46	1,773.04	1,772.63	1,772.21	1,771.80	1,771.38	1,770.97	
	2.98%	1,774.20	1,773.78	1,773.35	1,772.93	1,772.51	1,772.08	1,771.66	

Important Disclaimer

This report was created by students enrolled in the Applied Equity Valuation class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties an example of the students' skills, knowledge and abilities. Members of the Krause Fund are not registered investment advisors, brokers or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is a complete compilation of data, and its accuracy is guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this report.

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Chipotle Mexican Grill

Key Assumptions of Valuation Model

Ticker Symbol	CMG
Current Share Price	\$1,721.38
Current Model Date	4/12/2023
FY End (month/day)	Dec. 31
Last FYE Date	12/31/2022
Next FYE Date	12/31/2023
CV Growth of ROIC	146.04%
Pre-Tax Cost of Debt	3.44%
Beta	1.28
Risk-Free Rate	3.45%
Equity Risk Premium	4.88%
CV Growth of NOPLAT	4.00%
CV Growth of EPS	4.00%
Current Dividend Yield	0.00%
Forecasted Marginal Tax Rate	22.00%
Forecasted Effective Tax Rate	23.90%
Cost of Equity	9.70%
WACC	9.24%
Normal Cash Estimate (% sales)	2.25%
After-Tax Cost of Debt	2.68%
Average D&A	14.11%
SGA Estimate	
Inflation Rate	2%
Share Repurchase Growth	13.0%
PPE Gross Growth per New Store	9.1%
Store openings growth	8%
Percentage of Gain on Sale vs Net PPE	1.7%
Predicted Average of Treasury Rate	2.0%
Amount of cash Cash making a return:	5%
Long Term Treasury Yield ROI	3%
Short Term Treasury Yield ROI	4%
Inflation Rate	2%
Average Cost Per Store	6.50
Labor Cost as a % of Sales	25.41%
Food, Beverage, and Packaging cost as a % of sales	30.36%

Chipotle Mexican Grill
Revenue Decomposition

<i>Fiscal Years Ending Dec. 31</i>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
(Numbers in Millions)																			
Food and Beverage							5921	7457	8558	9853.33	11301.04	12836.27	14701.32	16786.65	19119.24	21720.96	24638.05	27850.05	31326.46
Food and Beverage as a %							99%	99%	99%	98%	97%	96%	96%	96%	96%	96%	96%	96%	96%
Delivery Service							64	90	77	201.09	349.52	534.84	612.56	699.44	796.63	905.04	1026.59	1160.42	1305.27
Delivery Service as a %							1%	1%	1%	2%	3%	4%	4%	4%	4%	4%	4%	4%	4%
Total	4108	4501	3904	4476	4865	5586	5985	7547	8635	10054.42	11650.55	13371.11	15313.88	17486.09	19915.87	22626.00	25664.64	29010.47	32631.73
Revenue Growth		10%	-13%	15%	9%	15%	7%	26%	14%	16%	16%	15%	15%	14%	14%	14%	13%	13%	12%
Digital revenue as a % of Food and Beverage						18%	46%	46%	39%	39%	39%	39%	39%	39%	39%	39%	39%	39%	39%
Digital Revenue						1006	2735	3400	3372	3882.21	4452.61	5057.49	5792.32	6613.94	7532.98	8558.06	9707.39	10972.92	12342.63
Food and Beverage Revenue						5586	5921	7457	8558	9853.33	11301.04	12836.27	14701.32	16786.65	19119.24	21720.96	24638.05	27850.05	31326.46
New Restaurants		415	240	158	83	109	168	198	221	255	275	297	321	347	375	405	437	472	510
Number of Restaurants Worldwide (not in millions)	1595	2010	2250	2408	2491	2600	2768	2966	3187	3442	3717	4015	4336	4683	5057	5462	5899	6371	6880
Restaurant Growth		21%	11%	7%	3%	4%	6%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Revenue Per Restaurant (in Millions)	0.66	0.90	0.88	1.08	1.21	1.45	1.66	2.24	2.75	3.46	4.33	5.37	6.64	8.19	10.07	12.36	15.14	18.48	22.45
Revenue Per Restaurant Growth		38%	-3%	23%	12%	20%	14%	35%	23%	26%	25%	24%	24%	23%	23%	23%	23%	22%	21%

Chipotle Mexican Grill
Balance Sheet

<i>Fiscal Years Ending 45291</i>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Cash & cash equivalents	419.5	248.0	87.9	184.6	250.0	480.6	608.0	815.4	384.0	1105.93	1843.25	2777.15	3939.76	5358.47	7065.45	9095.90	11491.83	14288.02	17514.13
Accounts receivable, net	34.8	38.3	40.5	40.5	62.3	80.5	104.5	99.6	106.9	141.3	163.7	187.9	215.2	245.7	279.9	318.0	360.7	407.7	458.6
Inventory	15.3	15.0	15.0	19.9	21.6	26.1	26.4	32.8	35.7	44.2	51.3	58.8	67.4	76.9	87.6	99.6	112.9	127.7	143.6
Current deferred tax asset	19.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses & other current assets	34.8	40.0	44.1	50.9	54.1	57.1	54.9	78.8	86.4	102.5	118.7	136.3	156.1	178.2	203.0	230.6	261.6	295.7	332.6
Income tax receivable	16.5	58.2	5.1	9.4	-	27.7	282.8	94.1	47.7	19.8	23.2	26.9	31.0	35.8	41.1	47.0	53.7	61.1	69.1
Investments	338.6	415.2	329.8	324.4	426.8	400.2	343.6	260.9	515.1	534.6	554.8	575.8	597.5	620.1	643.5	667.9	693.1	719.3	746.5
Total current assets	878.5	814.6	522.4	629.5	814.8	1072.2	1420.2	1381.6	1175.8	1948.3	2754.9	3762.8	5007.0	6515.2	8320.5	10458.9	12973.8	15899.4	19264.4
Leasehold improvements, property & equipment, gross	1720.7	1938.1	2149.0	2317.3	2462.8	2660.1	2964.0	3305.6	3685.7	4135.4	4620.9	5145.4	5711.8	6323.5	6984.1	7697.6	8468.2	9300.4	10199.2
Less: accumulated depreciation	613.7	720.9	845.5	978.9	1083.5	1201.4	1379.7	1536.3	1734.6	2009.8	2309.7	2635.7	2989.7	3373.7	3789.9	4240.5	4728.1	5255.7	5826.3
Leasehold improvements, property & equipment, net	1107.0	1217.2	1303.6	1338.4	1379.3	1458.7	1584.3	1769.3	1951.1	2125.5	2311.3	2509.7	2722.0	2949.7	3194.3	3457.2	3740.0	4044.6	4372.9
Long term investments	496.1	622.9	125.1	-	-	0.0	102.3	274.3	388.1	401.4	415.3	429.6	444.4	459.8	475.6	492.0	509.0	526.6	544.8
Other assets	42.8	48.3	53.2	55.9	19.3	18.5	59.0	56.7	63.0	64.2	74.4	85.4	97.9	111.7	127.3	144.6	164.0	185.4	208.5
Restricted cash	-	-	-	-	30.2	27.9	27.8	30.9	25.0	6.4	7.5	8.7	10.1	11.6	13.3	15.3	17.5	19.9	22.5
Operating lease assets	-	-	-	-	-	2505.5	2767.2	3118.3	3302.4	3597.5	3911.9	4247.7	4607.1	4992.6	5406.4	5851.4	6330.2	6845.7	7401.3
Goodwill	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9
Total assets	2546.3	2725.1	2026.1	2045.7	2265.5	5104.6	5982.9	6653.0	6927.3	8165.4	9497.4	11065.9	12910.5	15062.6	17559.4	20441.3	23756.4	27543.5	31836.2
Accounts payable	69.6	85.7	78.4	82.0	113.1	115.8	122.0	163.2	184.6	215.9	250.1	287.1	328.8	375.4	427.6	485.8	551.0	622.9	700.6
Accrued payroll & benefits	73.9	65.0	76.3	82.5	113.5	126.6	203.1	162.4	170.5	243.7	282.4	324.0	371.1	423.8	482.7	548.3	622.0	703.1	790.8
Accrued liabilities	102.2	129.3	127.1	159.3	147.8	155.8	164.6	173.1	147.5	253.0	293.2	336.5	385.3	440.0	501.1	569.3	645.8	730.0	821.1
Unearned revenue	-	-	-	-	70.5	95.2	127.8	156.4	183.1	190.6	220.9	253.5	290.3	331.5	377.6	429.0	486.6	550.0	618.6
Current operating lease liabilities	-	-	-	-	-	173.1	204.8	218.7	236.2	257.4	279.9	303.9	329.6	357.2	386.8	418.6	452.8	489.7	529.5
Total current liabilities	245.7	279.9	281.8	323.9	450.0	666.6	822.2	873.7	921.9	1160.5	1326.4	1505.0	1705.2	1927.9	2175.7	2451.0	2758.2	3095.6	3460.7
Long-term operating lease liabilities	0.0	0.0	0.0	0.0	0.0	2678.4	2952.3	3301.6	3495.2	3807.5	4140.3	4495.7	4876.1	5284.0	5722.0	6192.9	6699.7	7245.3	7833.3
Deferred income tax liability	40.5	32.3	18.9	0.8	11.6	37.8	149.4	141.8	98.6	140.0	150.0	160.4	171.5	183.3	195.9	209.5	224.0	239.4	255.8
Other liabilities	28.3	32.9	33.9	40.0	31.6	38.8	38.8	38.5	43.8	60.6	70.2	80.5	92.2	105.3	120.0	136.3	154.6	174.8	196.6
Total liabilities	533.9	597.1	623.6	681.2	824.2	3421.6	3962.8	4355.6	4559.5	5168.6	5686.8	6241.5	6845.0	7500.5	8213.7	8989.7	9836.4	10755.2	11746.3
Common Equity	1039.3	1173.0	1239.2	1305.4	1374.5	1466.1	1550.3	1729.7	1829.7	1829.8	1829.8	1829.9	1830.0	1830.1	1830.1	1830.2	1830.3	1830.4	1830.5
Treasury stock, at cost	748.8	1234.6	2049.4	2334.4	2500.6	2699.1	2802.1	3356.1	4282.0	4723.7	5165.3	5607.0	6048.6	6490.3	6932.0	7373.6	7815.3	8256.9	8698.6
Accumulated other comprehensive income (loss)	-0.4	-8.3	-8.2	-3.7	-6.2	-5.4	-4.2	-5.4	-7.9	-7.9	-7.9	-7.9	-7.9	-7.9	-7.9	-7.9	-7.9	-7.9	-7.9
Retained earnings (accumulated deficit)	1722.3	2197.9	2220.8	2397.1	2573.6	2921.4	3276.2	3929.1	4828.0	5898.5	7153.9	8609.3	10292.0	12230.2	14455.4	17002.8	19912.7	23222.7	26965.8
Total shareholders' equity (deficit)	2012.1	1930.2	1402.5	1364.4	1441.3	1683.0	2020.1	2297.4	2368.0	2996.8	3810.5	4824.3	6065.5	7562.1	9345.7	11451.5	13919.9	16788.3	20089.8

Chipotle Mexican Grill
Forecasted Cash Flow Statement

<i>Fiscal Years Ending Dec. 31</i>	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Net income (loss)	1070.5	1255.3	1455.4	1682.7	1938.2	2225.2	2547.4	2910.0	3310.0	3743.1
OPERATING ACTIVITIES										
+Depreciation and Amortization	275.2	299.8	326.0	354.0	384.0	416.1	450.6	487.7	527.6	570.6
Accounts Receivables	-34.4	-22.4	-24.2	-27.3	-30.5	-34.1	-38.1	-42.7	-47.0	-50.9
Operating Lease Assets	-295.1	-314.4	-335.8	-359.4	-385.4	-413.9	-444.9	-478.8	-515.6	-555.5
Restricted Cash	18.5	-1.1	-1.2	-1.4	-1.5	-1.7	-1.9	-2.2	-2.4	-2.6
Inventory	-8.6	-7.0	-7.6	-8.5	-9.6	-10.7	-11.9	-13.4	-14.7	-15.9
Prepaid Expenses and other current assets	-16.1	-16.3	-17.5	-19.8	-22.1	-24.8	-27.6	-31.0	-34.1	-36.9
Income tax recievables	28.0	-3.4	-3.7	-4.2	-4.7	-5.3	-5.9	-6.7	-7.4	-8.0
Operating Lease Liabilities	21.1	22.5	24.0	25.7	27.6	29.6	31.8	34.3	36.9	39.7
Accounts Payable	31.3	34.3	36.9	41.7	46.6	52.2	58.2	65.2	71.8	77.7
Accrued payroll and benefits	73.2	38.7	41.7	47.1	52.6	58.9	65.7	73.6	81.1	87.8
Accrued Liabilities	105.5	40.2	43.3	48.9	54.7	61.1	68.2	76.5	84.2	91.1
Unearned Revenue	7.5	30.3	32.6	36.8	41.2	46.1	51.4	57.6	63.4	68.7
Deferred Income Tax Liability	41.4	10.0	10.4	11.1	11.8	12.6	13.5	14.5	15.5	16.4
Other Liabilities	16.8	9.6	10.4	11.7	13.1	14.6	16.3	18.3	20.2	21.8
Net Cash Provided by Operating Activities:	1334.9	1376.0	1590.8	1839.2	2115.9	2426.0	2772.6	3163.0	3589.4	4047.0
INVESTING ACTIVITIES										
long Term Investments	-13.4	-13.8	-14.3	-14.8	-15.3	-15.9	-16.4	-17.0	-17.6	-18.2
Long Term Lease Liability	312.4	332.7	355.4	380.4	407.9	438.0	470.9	506.7	545.7	588.0
Short Term Investments	-19.5	-20.2	-21.0	-21.8	-22.6	-23.4	-24.3	-25.2	-26.2	-27.2
Capital Expenditures	-449.6	-485.6	-524.4	-566.4	-611.7	-660.6	-713.5	-770.6	-832.2	-898.8
Other Assets	-1.3	-10.2	-11.0	-12.4	-13.9	-15.5	-17.3	-19.4	-21.4	-23.1
Net Cash Provided by Investing Activities:	-171.4	-197.1	-215.3	-235.0	-255.6	-277.4	-300.6	-325.5	-351.7	-379.3
FINANCING ACTIVITIES										
Acquisition of Treasury Stock	-441.7	-441.7	-441.7	-441.7	-441.7	-441.7	-441.7	-441.7	-441.7	-441.7
Common Equity	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Net Cash Provided by Financing Activities:	-441.6	-441.6	-441.6	-441.6	-441.6	-441.6	-441.6	-441.6	-441.6	-441.6
Net Change in Cash	721.9	737.3	933.9	1162.6	1418.7	1707.0	2030.4	2395.9	2796.2	3226.1

As Reported Annual Cash Flow

Fiscal Years Ending 0.04	2014	2015	2016	2017	2018	2019	2020	2021	2022
OPERATING ACTIVITIES									
Net income (loss)	445.4	475.6	22.9	176.3	176.6	350.2	355.8	653.0	899.1
Depreciation & amortization	110.5	130.4	146.4	163.3	202.0	212.8	238.5	254.7	286.8
Deferred income tax provision (benefit)	-20.7	11.7	-14.2	-18.0	10.6	30.0	108.4	-12.4	-43.2
Loss on disposal of assets	7.0	13.2	-	-	-	-	-	-	-
Loss on disposal & impairment of assets	-	-	23.9	13.3	62.0	15.4	28.9	17.1	20.7
Provision for credit losses	-	-	-	-	-	-	0.2	0.5	-0.8
Stock-based compensation expense	96.4	57.9	64.2	65.3	69.2	91.4	82.6	176.4	98.0
Other adjustments	0.1	0.6	-0.6	-0.2	-2.9	-10.6	3.6	-4.6	-16.2
Changes in Operating Assets and Liabilities:									
Accounts receivable	-11.0	-3.5	-1.9	-0.1	-8.3	-2.6	3.0	-1.7	-14.0
Inventory	-2.3	0.3	-0.1	-5.3	-1.7	-4.5	-0.4	-6.4	-3.0
Prepaid expenses & other current assets	-0.7	-5.3	-4.3	-6.7	-3.8	-23.1	-11.4	-26.8	-14.7
Operating lease assets	-	-	-	-	-	-	-	223.8	234.3
Other assets	1.1	-5.6	-4.9	-2.6	-2.0	2.8	-26.6	4.0	-0.3
Accounts payable	2.2	19.5	-6.7	10.9	32.1	-1.0	-3.9	21.4	18.2
Accrued payroll & benefits	-	-	-	-	29.6	11.8	76.7	-44.6	9.9
Accrued liabilities	35.0	-7.4	33.5	38.6	14.8	36.5	5.6	11.0	-28.0
Unearned revenue	-	-	-	-	6.8	30.4	37.0	34.4	33.4
Income tax payable or receivable	8.8	32.8	54.3	-4.2	14.4	-32.1	-255.3	193.4	46.3
Operating lease liabilities	-	-	-	-	-	-151.6	-165.2	-207.2	-207.2
Other long-term liabilities	4.8	4.8	1.3	6.3	0.9	1.9	1.8	-4.0	3.9
Net cash flows from operating activities	682.1	683.3	349.2	467.1	621.6	721.6	663.8	1282.1	1323.2
INVESTING ACTIVITIES									
Purchases of leasehold improvements, property & equipment	-252.6	-257.4	-258.8	-216.8	-287.4	-333.9	-373.4	-442.5	-479.2
Purchases of investments	-521.0	-559.4	-	-199.8	-485.2	-448.8	-468.4	-429.4	-614.4
Maturities of investments	254.8	352.7	45.0	330.0	385.0	476.7	419.1	345.7	263.5
Proceeds from sale of equipment	-	-	-	-	-	14.0	-	4.0	-
Acquisitions of equity method investments	-	-	-	-	-	-	-10.0	-	-
Net cash flows from investing activities	-518.8	-464.1	326.8	-86.6	-387.6	-292.0	-432.7	-522.0	-830.0
FINANCING ACTIVITIES									
Acquisition of treasury stock	-88.3	-460.7	-837.7	-285.9	-160.9	-190.6	-54.4	-466.5	-830.1
Tax withholding on stock-based compensation awards	21.7	74.4	1.3	-	-5.4	-10.4	-48.6	-79.9	-99.0
Other financing payments	-	-	-	-	-	-	-1.9	-2.3	-0.3
Net cash flows from financing activities	-66.7	-386.4	-836.3	-285.9	-166.5	-201.7	-104.9	-548.6	-929.4
Effect of exchange rate changes on cash & cash equivalents	-0.2	-4.2	0.1	2.1	-	-	-	-	-
Effect of exchange rate changes on cash, cash equivalents & restricted cash	-	-	-	-	-1.5	0.4	1.1	-1.0	-1.0
Net change in cash, cash equivalents, & restricted cash	-	-	-	-	66.0	228.3	127.4	210.4	-437.3
Cash, cash equivalents, & restricted cash at beginning of year	-	-	-	-	214.2	280.2	508.5	635.8	846.2
Cash, cash equivalents, & restricted cash at end of year	-	-	-	-	280.2	508.5	635.8	846.2	409.0
Net change in cash & cash equivalents	96.3	-171.5	-160.1	96.7	-	-	-	-	-
Cash & cash equivalents at beginning of year	323.2	419.5	248.0	87.9	-	-	-	-	-
Cash & cash equivalents at end of year	419.5	248.0	87.9	184.6	-	-	-	-	-

Chipotle Mexican Grill
Common Size Income Statement

<i>Fiscal Years Ending Dec. 31</i>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Food & beverage revenue	N/A	N/A	N/A	N/A	N/A	N/A	98.93%	98.81%	99.11%	98.00%	97.00%	96.00%	96.00%	96.00%	96.00%	96.00%	96.00%	96.00%	96.00%
Delivery service revenue	N/A	N/A	N/A	N/A	N/A	N/A	1.07%	1.19%	0.89%	2.00%	3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Total revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Restaurant Operating Costs																			
Restaurant operating costs - food, beverage & packaging	34.59%	33.41%	34.98%	34.30%	32.90%	33.08%	32.30%	30.59%	30.14%	30.36%	30.36%	30.36%	30.36%	30.36%	30.36%	30.36%	30.36%	30.36%	30.36%
Restaurant operating costs - labor	22.01%	23.23%	28.30%	26.94%	27.26%	26.35%	26.62%	25.41%	25.46%	25.41%	25.41%	25.41%	25.41%	25.41%	25.41%	25.41%	25.41%	25.41%	25.41%
Restaurant operating costs - occupancy	5.62%	5.83%	7.52%	7.31%	7.14%	6.50%	6.48%	5.52%	5.33%	5.33%	5.33%	5.33%	5.33%	5.33%	5.33%	5.33%	5.33%	5.33%	5.33%
Restaurant operating costs - other operating costs	10.57%	11.44%	16.44%	14.56%	13.98%	13.62%	17.21%	15.86%	15.19%	15.19%	15.19%	15.19%	15.19%	15.19%	15.19%	15.19%	15.19%	15.19%	15.19%
General & administrative expenses	6.67%	5.56%	7.08%	6.62%	7.72%	8.08%	7.79%	8.04%	6.53%	6.53%	6.53%	6.53%	6.53%	6.53%	6.53%	6.53%	6.53%	6.53%	6.53%
Depreciation & amortization	2.69%	2.90%	3.75%	3.65%	4.15%	3.81%	3.99%	3.37%	3.32%	2.74%	2.57%	2.44%	2.31%	2.20%	2.09%	1.99%	1.90%	1.82%	1.75%
Pre-opening costs	0.38%	0.38%	0.44%	0.28%	0.18%	0.20%	0.26%	0.28%	0.34%	0.34%	0.32%	0.30%	0.28%	0.27%	0.25%	0.24%	0.23%	0.22%	0.21%
Gain (loss) on disposal & impairment of assets	0.17%	0.29%	0.61%	0.30%	1.37%	0.41%	0.51%	0.26%	0.24%	0.35%	0.33%	0.31%	0.30%	0.28%	0.27%	0.26%	0.24%	0.23%	0.22%
Total operating expenses	82.70%	83.04%	99.11%	93.95%	94.69%	92.05%	95.15%	89.33%	86.56%	86.26%	86.06%	85.88%	85.72%	85.58%	85.44%	85.32%	85.21%	85.10%	85.02%
Income (loss) from operations	17.30%	16.96%	0.89%	6.05%	5.31%	7.95%	4.85%	10.67%	13.44%	13.74%	13.94%	14.12%	14.28%	14.42%	14.56%	14.68%	14.79%	14.90%	14.98%
Interest & other income (expense), net	0.09%	0.14%	0.11%	0.11%	0.21%	0.26%	0.06%	0.10%	0.24%	0.26%	0.21%	0.19%	0.16%	0.14%	0.13%	0.11%	0.11%	0.10%	0.09%
Income (loss) before income taxes	17.39%	17.10%	0.99%	6.16%	5.52%	8.20%	4.91%	10.77%	13.68%	13.99%	14.16%	14.30%	14.44%	14.57%	14.68%	14.79%	14.90%	14.99%	15.07%
Total provision (benefit) for current income taxes	6.52%	6.53%	0.38%	2.21%	1.87%	1.93%	-1.02%	2.11%	3.27%	3.34%	3.38%	3.42%	3.45%	3.48%	3.51%	3.54%	3.56%	3.58%	3.60%
Net income (loss)	10.84%	10.57%	0.59%	3.94%	3.63%	6.27%	5.94%	8.65%	10.41%	10.65%	10.77%	10.88%	10.99%	11.08%	11.17%	11.26%	11.34%	11.41%	11.47%

Chipotle Mexican Grill
Common Size Balance Sheet

<i>Fiscal Years Ending Dec. 31</i>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Cash & cash equivalents	10.21%	5.51%	2.25%	4.12%	5.14%	8.60%	10.16%	10.80%	4.45%	11.00%	15.82%	20.77%	25.73%	30.64%	35.48%	40.20%	44.78%	49.25%	53.67%
Accounts receivable, net	0.85%	0.85%	1.04%	0.90%	1.28%	1.44%	1.75%	1.32%	1.24%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%	1.41%
Inventory	0.37%	0.33%	0.38%	0.44%	0.44%	0.47%	0.44%	0.43%	0.41%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%
Prepaid expenses & other current assets	0.85%	0.89%	1.13%	1.14%	1.11%	1.02%	0.92%	1.04%	1.00%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%
Income tax receivable	0.40%	1.29%	0.13%	0.21%	0.00%	0.50%	4.73%	1.25%	0.55%	0.20%	0.20%	0.20%	0.20%	0.20%	0.21%	0.21%	0.21%	0.21%	0.21%
Investments - held to maturity	8.24%	9.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	200.00%	300.00%	400.00%	500.00%
Investments - available for sale	0.00%	0.00%	8.45%	7.25%	8.77%	7.16%	5.74%	3.46%	5.97%	18.32%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total current assets	21.38%	18.10%	13.38%	14.06%	16.75%	19.19%	23.73%	18.31%	13.62%	19.38%	23.65%	28.14%	32.70%	37.26%	41.78%	46.23%	50.55%	54.81%	59.04%
Leasehold improvements, property & equipment, net	26.95%	27.04%	33.39%	29.90%	28.35%	26.11%	26.47%	23.44%	22.60%	21.14%	19.84%	18.77%	17.77%	16.87%	16.04%	15.28%	14.57%	13.94%	13.40%
Investments	12.08%	13.84%	3.20%	0.00%	0.00%	0.00%	1.71%	3.63%	4.49%	3.99%	3.56%	3.21%	2.90%	2.63%	2.39%	2.17%	1.98%	1.82%	1.67%
Other assets	1.04%	1.07%	1.36%	1.25%	0.40%	0.33%	0.99%	0.75%	0.73%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%	0.64%
Restricted cash	0.00%	0.00%	0.00%	0.00%	0.62%	0.50%	0.47%	0.41%	0.29%	0.06%	0.06%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%
Operating lease assets	0.00%	0.00%	0.00%	0.00%	0.00%	44.85%	46.24%	41.32%	38.25%	35.78%	33.58%	31.77%	30.08%	28.55%	27.15%	25.86%	24.66%	23.60%	22.68%
Goodwill	0.53%	0.49%	0.56%	0.49%	0.45%	0.39%	0.37%	0.29%	0.25%	0.22%	0.19%	0.16%	0.14%	0.13%	0.11%	0.10%	0.09%	0.08%	0.07%
Total assets	61.98%	60.54%	51.89%	45.70%	46.57%	91.38%	99.97%	88.15%	80.23%	81.21%	81.52%	82.76%	84.31%	86.14%	88.17%	90.34%	92.56%	94.94%	97.56%
Accounts payable	1.69%	1.90%	2.01%	1.83%	2.32%	2.07%	2.04%	2.16%	2.14%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%
Accrued payroll & benefits	1.80%	1.44%	1.95%	1.84%	2.33%	2.27%	3.39%	2.15%	1.97%	2.42%	2.42%	2.42%	2.42%	2.42%	2.42%	2.42%	2.42%	2.42%	2.42%
Accrued liabilities	2.49%	2.87%	3.26%	3.56%	3.04%	2.79%	2.75%	2.29%	1.71%	2.52%	2.52%	2.52%	2.52%	2.52%	2.52%	2.52%	2.52%	2.52%	2.52%
Unearned revenue	0.00%	0.00%	0.00%	0.00%	1.45%	1.70%	2.13%	2.07%	2.12%	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%
Current operating lease liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	3.10%	3.42%	2.90%	2.74%	2.56%	2.40%	2.27%	2.15%	2.04%	1.94%	1.85%	1.76%	1.69%	1.62%
Total current liabilities	5.98%	6.22%	7.22%	7.24%	9.25%	11.93%	13.74%	11.58%	10.68%	11.54%	11.38%	11.26%	11.13%	11.03%	10.92%	10.83%	10.75%	10.67%	10.61%
Long-term operating lease liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	47.94%	49.33%	43.75%	40.48%	37.87%	35.54%	33.62%	31.84%	30.22%	28.73%	27.37%	26.10%	24.97%	24.01%
Deferred income tax liability	0.99%	0.72%	0.49%	0.02%	0.24%	0.68%	2.50%	1.88%	1.14%	1.39%	1.29%	1.20%	1.12%	1.05%	0.98%	0.93%	0.87%	0.83%	0.78%
Other liabilities	0.69%	0.73%	0.87%	0.89%	0.65%	0.69%	0.65%	0.51%	0.51%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%
Total liabilities	13.00%	13.27%	15.97%	15.22%	16.94%	61.25%	66.22%	57.71%	52.80%	51.41%	48.81%	46.68%	44.70%	42.89%	41.24%	39.73%	38.33%	37.07%	36.00%
Common stock	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Additional paid-in capital	25.29%	26.05%	31.73%	29.15%	28.25%	26.24%	25.90%	22.91%	21.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Treasury stock, at cost	18.23%	27.43%	52.49%	52.15%	51.40%	48.32%	46.82%	44.47%	49.59%	46.98%	44.34%	41.93%	39.50%	37.12%	34.81%	32.59%	30.45%	28.46%	26.66%
Accumulated other comprehensive income (loss)	-0.01%	-0.18%	-0.21%	-0.08%	-0.13%	-0.10%	-0.07%	-0.07%	-0.09%	-0.08%	-0.07%	-0.06%	-0.05%	-0.05%	-0.04%	-0.03%	-0.03%	-0.03%	-0.02%
Retained earnings (accumulated deficit)	41.92%	48.83%	56.88%	53.55%	52.90%	52.30%	54.74%	52.06%	55.91%	58.67%	61.40%	64.39%	67.21%	69.94%	72.58%	75.15%	77.59%	80.05%	82.64%
Total shareholders' equity (deficit)	48.98%	42.88%	35.92%	30.48%	29.63%	30.13%	33.76%	30.44%	27.42%	29.81%	32.71%	36.08%	39.61%	43.25%	46.93%	50.61%	54.24%	57.87%	61.57%

Chipotle Mexican Grill

Common Size (Total Assets) Balance Sheet

<i>Fiscal Years Ending Dec. 31</i>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
<i>Report Date</i>	12/31/2014	12/31/2015	12/31/2016																
Cash & cash equivalents	16.47%	9.10%	4.34%	9.02%	11.03%	9.42%	10.16%	12.26%	5.54%	13.54%	19.41%	25.10%	30.52%	35.57%	40.24%	44.50%	48.37%	51.87%	55.01%
Accounts receivable, net	1.37%	1.40%	2.00%	1.98%	2.75%	1.58%	1.75%	1.50%	1.54%	1.73%	1.72%	1.70%	1.67%	1.63%	1.59%	1.56%	1.52%	1.48%	1.44%
Inventory	0.60%	0.55%	0.74%	0.97%	0.95%	0.51%	0.44%	0.49%	0.51%	0.54%	0.54%	0.53%	0.52%	0.51%	0.50%	0.49%	0.48%	0.46%	0.45%
Prepaid expenses & other current assets	1.37%	1.47%	2.18%	2.49%	2.39%	1.12%	0.92%	1.18%	1.25%	1.26%	1.25%	1.23%	1.21%	1.18%	1.16%	1.13%	1.10%	1.07%	1.04%
Income tax receivable	0.65%	2.13%	0.25%	0.46%	0.00%	0.54%	4.73%	1.41%	0.69%	0.24%	0.24%	0.24%	0.24%	0.24%	0.23%	0.23%	0.23%	0.22%	0.22%
Investments - held to maturity	13.30%	15.24%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	200.00%	300.00%	400.00%	500.00%
Investments - available for sale	0.00%	0.00%	16.28%	15.86%	18.84%	7.84%	5.74%	3.92%	7.44%	22.56%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total current assets	34.50%	29.89%	25.78%	30.77%	35.97%	21.00%	23.74%	20.77%	16.97%	23.86%	29.01%	34.00%	38.78%	43.25%	47.39%	51.17%	54.61%	57.72%	60.51%
Leasehold improvements, property & equipment, gross	67.58%	71.12%	106.07%	113.28%	108.71%	52.11%	49.54%	49.69%	53.21%	50.64%	48.66%	46.50%	44.24%	41.98%	39.77%	37.66%	35.65%	33.77%	32.04%
Less: accumulated depreciation	24.10%	26.45%	41.73%	47.85%	47.83%	23.54%	23.06%	23.09%	25.04%	24.61%	24.32%	23.82%	23.16%	22.40%	21.58%	20.74%	19.90%	19.08%	18.30%
Leasehold improvements, property & equipment, net	43.47%	44.67%	64.34%	65.42%	60.88%	28.58%	26.48%	26.59%	28.17%	26.03%	24.34%	22.68%	21.08%	19.58%	18.19%	16.91%	15.74%	14.68%	13.74%
Long term investments	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.71%	4.12%	5.60%	4.92%	4.37%	3.88%	3.44%	3.05%	2.71%	2.41%	2.14%	1.91%	1.71%
Long term investments - held to maturity	19.48%	22.86%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Long term investments - available for sale	0.00%	0.00%	6.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other assets	1.68%	1.77%	2.62%	2.73%	0.85%	0.36%	0.99%	0.85%	0.91%	0.79%	0.78%	0.77%	0.76%	0.74%	0.72%	0.71%	0.69%	0.67%	0.65%
Restricted cash	0.00%	0.00%	0.00%	0.00%	1.33%	0.55%	0.47%	0.46%	0.36%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.07%	0.07%	0.07%	0.07%
Operating lease assets	0.00%	0.00%	0.00%	0.00%	0.00%	49.08%	46.25%	46.87%	47.67%	44.06%	41.19%	38.39%	35.69%	33.15%	30.79%	28.63%	26.65%	24.85%	23.25%
Goodwill	0.86%	0.81%	1.08%	1.07%	0.97%	0.43%	0.37%	0.33%	0.32%	0.27%	0.23%	0.20%	0.17%	0.15%	0.12%	0.11%	0.09%	0.08%	0.07%
Total assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Accounts payable	2.73%	3.15%	3.87%	4.01%	4.99%	2.27%	2.04%	2.45%	2.66%	2.64%	2.63%	2.59%	2.55%	2.49%	2.44%	2.38%	2.32%	2.26%	2.20%
Accrued payroll & benefits	2.90%	2.38%	3.77%	4.03%	5.01%	2.48%	3.39%	2.44%	2.46%	2.98%	2.97%	2.93%	2.87%	2.81%	2.75%	2.68%	2.62%	2.55%	2.48%
Accrued liabilities	4.01%	4.74%	6.27%	7.79%	6.53%	3.05%	2.75%	2.60%	2.13%	3.10%	3.09%	3.04%	2.98%	2.92%	2.85%	2.79%	2.72%	2.65%	2.58%
Unearned revenue	0.00%	0.00%	0.00%	0.00%	3.11%	1.86%	2.14%	2.35%	2.64%	2.33%	2.33%	2.29%	2.25%	2.20%	2.15%	2.10%	2.05%	2.00%	1.94%
Current operating lease liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	3.39%	3.42%	3.29%	3.41%	3.15%	2.95%	2.75%	2.55%	2.37%	2.20%	2.05%	1.91%	1.78%	1.66%
Total current liabilities	9.65%	10.27%	13.91%	15.83%	19.86%	13.06%	13.74%	13.13%	13.31%	14.21%	13.97%	13.60%	13.21%	12.80%	12.39%	11.99%	11.61%	11.24%	10.87%
Long-term operating lease liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	52.47%	49.35%	49.63%	50.45%	46.63%	43.59%	40.63%	37.77%	35.08%	32.59%	30.30%	28.20%	26.31%	24.60%
Deferred income tax liability	1.59%	1.19%	0.93%	0.04%	0.51%	0.74%	2.50%	2.13%	1.42%	1.71%	1.58%	1.45%	1.33%	1.22%	1.12%	1.02%	0.94%	0.87%	0.80%
Other liabilities	1.11%	1.21%	1.68%	1.96%	1.40%	0.76%	0.65%	0.58%	0.63%	0.74%	0.74%	0.73%	0.71%	0.70%	0.68%	0.67%	0.65%	0.63%	0.62%
Total liabilities	20.97%	21.91%	30.78%	33.30%	36.38%	67.03%	66.23%	65.47%	65.82%	63.30%	59.88%	56.40%	53.02%	49.80%	46.78%	43.98%	41.41%	39.05%	36.90%
Common stock	0.01%	0.01%	0.02%	0.02%	0.02%	0.01%	0.01%	0.01%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Additional paid-in capital	40.80%	43.03%	61.15%	63.80%	60.66%	28.71%	25.91%	25.99%	26.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Treasury stock, at cost	29.41%	45.31%	101.15%	114.11%	110.37%	52.88%	46.83%	50.45%	61.81%	57.85%	54.39%	50.67%	46.85%	43.09%	39.48%	36.07%	32.90%	29.98%	27.32%
Accumulated other comprehensive income (loss)	-0.02%	-0.30%	-0.40%	-0.18%	-0.28%	-0.11%	-0.07%	-0.08%	-0.11%	-0.10%	-0.08%	-0.07%	-0.06%	-0.05%	-0.04%	-0.04%	-0.03%	-0.03%	-0.02%
Retained earnings (accumulated deficit)	67.64%	80.65%	109.61%	117.18%	113.60%	57.23%	54.76%	59.06%	69.70%	72.24%	75.32%	77.80%	79.72%	81.20%	82.32%	83.18%	83.82%	84.31%	84.70%
Total shareholders' equity (deficit)	79.02%	70.83%	69.22%	66.70%	63.62%	32.97%	33.77%	34.53%	34.18%	36.70%	40.12%	43.60%	46.98%	50.20%	53.22%	56.02%	58.59%	60.95%	63.10%

Chipotle Mexican Grill

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	3.45%
Beta	1.28
Equity Risk Premium	4.88%
Cost of Equity	9.70%

ASSUMPTIONS:

10 Year Treasury Bond
5 year monthly average
Damodoran

Cost of Debt:

Risk-Free Rate	3.45%
Implied Default Premium	6.89%
Pre-Tax Cost of Debt	3.44%
Marginal Tax Rate	22%
After-Tax Cost of Debt	2.68%

10 Year Treasury Bond
Bloomberg

Market Value of Common Equity:

Total Shares Outstanding	27.627
Current Stock Price	\$1,721.38
MV of Equity	47,556.57

MV Weights

93.51%

Market Value of Debt:

PV of Operating Leases	\$ 3,302.40
MV of Total Debt	3,302.40

6.49%

Market Value of the Firm

50,858.97

100.00%

Estimated WACC

9.24%

Chipotle Mexican Grill*Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models*

Key Inputs:

CV Growth of NOPLAT	4.00%
CV Year ROIC	1.460388371
WACC	9.24%
Cost of Equity	9.70%

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
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DCF Model:

Free Cash Flow (FCF)	963.7	1211.1	1404.1	1635.0	1894.1	2185.1	2510.3	2876.9	3279.8	3713.8
Continuing Value (CV)										71911.2
PV of FCF	882.2	1014.8	1077.1	1148.1	1217.5	1285.8	1352.1	1418.5	1480.4	32458.3

Value of Operating Assets:	43334.9
Non-Operating Adjustments	
Excess Cash	189.7
Investments-Available for sale	515.1
Long-term investments	388.1
Restricted Cash	25.0
Other Assets	63.0
PV of Operating Leases	3302.4
PV of Employee Stock options	0.3
Value of Equity	47818.5
Shares Outstanding	27.6
Intrinsic Value of Last FYE	\$ 1,730.86
Implied Price as of Today	\$ 1,776.21

EP Model:

Economic Profit (EP)	946.9	1160.6	1359.4	1584.4	1837.7	2122.7	2441.7	2801.4	3198.9	3629.8
Continuing Value (CV)										69257.8
PV of EP	866.8	972.6	1042.8	1112.6	1181.3	1249.0	1315.2	1381.3	1443.9	31260.6

Total PV of EP	41826.0
Invested Capital (last FYE)	1508.9
Value of Operating Assets:	43334.9
Non-Operating Adjustments	
Excess Cash	189.7
Investments-Available for sale	515.1
Long-term investments	388.1
Restricted Cash	25.0
Other Assets	63.0
PV of Operating Leases	3302.4
PV of Employee Stock options	0.3
Value of Equity	47818.5
Shares Outstanding	27.6
Intrinsic Value of Last FYE	\$ 1,730.86
Implied Price as of Today	\$ 1,776.21

Chipotle Mexican Grill

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

<i>Fiscal Years Ending Dec. 31</i>	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
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EPS	\$ 38.68	\$ 45.61	\$ 53.14	\$ 61.69	\$ 71.44	\$ 82.26	\$ 94.41	\$ 108.06	\$ 123.10	\$ 139.37
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Key Assumptions

CV growth of EPS	4.00%
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CV Year ROE	29.43%
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Cost of Equity	9.70%
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Future Cash Flows

P/E Multiple (CV Year)											15.16863737
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EPS (CV Year)											\$ 139.37
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Future Stock Price											\$ 2,114.05
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Dividends Per Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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Discounted Cash Flows	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 919.14
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Intrinsic Value as of Last FYE	\$ 919.14
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Implied Price as of Today	\$ 943.22
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Chipotle Mexican Grill

Relative Valuation Models

Ticker	Company	Price	EPS		P/E 23	P/E 24	Est. 5yr			Revenue Multiple	EBIT Multiple	
			2023E	2024E			EPS gr.	PEG 23	PEG 24			
YUM	Yum! Brands	\$132.08	\$5.16	\$5.93	25.60	22.30	11.4	2.24	1.95	7.15	22.66	
SBUX	Starbucks	\$104.13	\$3.37	\$4.08	30.90	25.52	17.3	1.78	1.47	4.32	33.42	
DPZ	Domino's Pizza	\$329.87	\$13.00	\$14.76	25.37	22.35	11.5	2.20	1.94	3.67	22.22	
MCD	McDonald's	\$279.61	\$10.57	\$11.77	26.45	23.76	7.8	3.41	3.07	10.97	24.55	
QSR	Restaurant Brands Int.	\$66.92	\$4.07	\$4.51	16.44	14.84	6.0	2.73	2.46	5.48	17.57	
DRI	Darden Restaurants	\$155.16	\$7.95	\$8.81	19.52	17.61	9.6	2.03	1.83	2.34	20.88	
			Average		24.05	21.06	Average	2.27	1.97	Average	5.66	23.55

CMG	Chipotle Mexican Grill	\$1,721.38	\$38.79	\$45.72	44.4	37.6	17.25	2.6	2.2	5.81	41.04
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Financials

CMG	Chipotle Mexican Grill									Sales (2022)	EBIT (2022)
										\$ 8,635.00	\$ 1,223.00

Implied Relative Value:

P/E (EPS23)	\$ 932.81
P/E (EPS24)	\$ 963.04
PEG (EPS23)	\$ 1,517.13
PEG (EPS24)	\$ 1,553.82
Revenue Multiple (2022)	\$ 1,769.33
EBIT Multiple (2022)	\$ 1,034.13

Chipotle Mexican Grill

Key Management Ratios

Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Liquidity Ratios:																			
Current Ratio (CA/CL)	3.58	2.91	1.85	1.94	1.81	1.61	1.73	1.58	1.28	1.68	2.08	2.50	2.94	3.38	3.82	4.27	4.70	5.14	5.57
Cash Ratio (Cash/CL)	1.71	0.89	0.31	0.57	0.56	0.72	0.74	0.93	0.42	0.95	1.39	1.85	2.31	2.78	3.25	3.71	4.17	4.62	5.06
SG&A to Sales (SGA/Sales)	0.79	0.79	0.94	0.90	0.89	0.88	0.90	0.85	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83
Asset-Management Ratios:																			
Inventory Turnover Ratio (Revenue/Inventory)	267.95	299.22	259.96	225.40	225.70	214.07	226.30	229.91	242.08	227.26	227.26	227.26	227.26	227.26	227.26	227.26	227.26	227.26	227.26
Total Asset Turnover (Sales/Total Assets)	1.61	1.65	1.93	2.19	2.15	1.09	1.00	1.13	1.25	1.23	1.23	1.21	1.19	1.16	1.13	1.11	1.08	1.05	1.02
Days Sales Inventory (365/ Inv Turnover Ratio)	1.36	1.22	1.40	1.62	1.62	1.71	1.61	1.59	1.51	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61
Accounts Recievable Turnover Ratio (Revenue/AR)	117.92	117.58	96.52	110.66	78.07	69.36	57.27	75.77	80.79	71.16	71.16	71.16	71.16	71.16	71.16	71.16	71.16	71.16	71.16
Average Collection Period (365/Recievable Turnover Rati	3.10	3.10	3.78	3.30	4.68	5.26	6.37	4.82	4.52	5.13	5.13	5.13	5.13	5.13	5.13	5.13	5.13	5.13	5.13
Financial Leverage Ratios:																			
Debt-to-Equity Ratio (Debt/Equity)	27%	31%	44%	50%	57%	203%	196%	190%	193%	172%	149%	129%	113%	99%	88%	79%	71%	64%	58%
Debt-to-Asset Ratio (Debt/Assets)	21%	22%	31%	33%	36%	67%	66%	65%	66%	63%	60%	56%	53%	50%	47%	44%	41%	39%	37%
Equity Ratio (Equity/Assets)	79%	71%	69%	67%	64%	33%	34%	35%	34%	37%	40%	44%	47%	50%	53%	56%	59%	61%	63%
Profitability Ratios:																			
Return on Equity (NI/Equity)	22%	25%	2%	13%	12%	21%	18%	28%	38%	36%	33%	30%	28%	26%	24%	22%	21%	20%	19%
Gross Margin (NI/Sales)	17%	17%	1%	6%	5%	8%	5%	11%	13%	14%	14%	14%	14%	14%	15%	15%	15%	15%	15%
Return on Assets (NI/Assets)	17%	17%	1%	9%	8%	7%	6%	10%	13%	13%	13%	13%	13%	13%	13%	12%	12%	12%	12%

Payout Policy Ratios:

*no dividends

Chipotle Mexican Grill*Present Value of Operating Lease Obligations*

Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018	2019	2020	2021	2022
Year 1	206.4	239.7	264.9	281.5	294.2	286.8	319.0	347.4	375.2
Year 2	208.3	241.4	268.9	285.3	296.6	313.7	344.9	377.1	404.1
Year 3	209.0	244.7	269.1	283.9	294.9	313.6	340.3	367.6	396.8
Year 4	211.8	245.3	263.7	279.8	295.3	309.1	329.8	359.7	389.3
Year 5	211.8	239.9	257.4	278.6	291.0	297.5	321.4	351.4	382.8
Thereafter	1996.9	2257.0	2358.9	2497.1	2478.4	2483.6	2660.4	2973.1	3213.0
Total Minimum Payments	3044.2	3468.0	3682.9	3906.2	3950.4	4004.3	4315.8	4776.3	5161.2
Less: Cumulative Interest	677.8	767.8	800.7	842.9	830.9	832.9	891.7	998.4	1076.7
PV of Minimum Payments	2366.4	2700.2	2882.2	3063.3	3119.5	3171.4	3424.1	3777.9	4084.5

Implied Interest in Year 1 Payment	81.4	92.9	99.1	105.4	107.3	109.1	117.8	130.0
Pre-Tax Cost of Debt	3.44%	3.44%	3.44%	3.44%	3.44%	3.44%	3.44%	3.44%
Years Implied by Year 6 Payment	9.4	9.4	9.2	9.0	8.5	8.3	8.3	8.5
Expected Obligation in Year 6 & Beyond	211.8	239.9	257.4	278.6	291	297.5	321.4	351.4

Present Value of Lease Payments

PV of Year 1	199.5	231.7	256.1	272.1	284.4	277.3	308.4	335.8	362.7
PV of Year 2	194.7	225.6	251.3	266.6	277.2	293.2	322.3	352.4	377.7
PV of Year 3	188.8	221.1	243.1	256.5	266.4	283.3	307.5	332.1	358.5
PV of Year 4	185.0	214.3	230.3	244.4	257.9	270.0	288.1	314.2	340.0
PV of Year 5	178.8	202.6	217.4	235.3	245.7	251.2	271.4	296.7	323.2
PV of 6 & beyond	1419.5	1604.9	1684.0	1788.4	1787.8	1796.4	1926.5	2146.6	2322.3
Capitalized PV of Payments	2366.4	2700.2	2882.2	3063.3	3119.5	3171.4	3424.1	3777.9	4084.5

Chipotle Mexican Grill

Valuation of Options Granted under ESOP

Current Stock Price	\$1,721.38
Risk Free Rate	4.00%
Current Dividend Yield	0.00%
Annualized St. Dev. of Stock Returns	27.62%

Monthly^

Range of Outstanding Options	(millions) Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	0.355	1053.84	4.40	\$ 880.56	\$ 313
Total	0.4	\$ 1,053.84	4.40	\$ 880.56	\$ 313

Chipotle Mexican Grill

Sensitivity Tables

		Risk-Free Rate						
		3.00%	3.25%	3.50%	3.45%	4.00%	4.25%	4.50%
Beta	1,776.21							
	1.17	2,163.46	2,050.23	1,948.25	1,967.82	1,771.97	1,695.31	1,625.05
	1.22	2,052.81	1,950.57	1,858.03	1,875.83	1,697.07	1,626.67	1,561.93
	1.25	1,991.68	1,895.29	1,807.81	1,824.66	1,655.12	1,588.12	1,526.39
	1.28	1,934.08	1,843.06	1,760.25	1,776.21	1,615.20	1,551.37	1,492.45
	1.37	1,779.69	1,702.38	1,631.54	1,645.23	1,506.35	1,450.80	1,399.26
	1.42	1,704.15	1,633.17	1,567.92	1,580.54	1,452.08	1,400.45	1,352.45
	1.47	1,634.81	1,569.42	1,509.13	1,520.81	1,401.65	1,353.56	1,308.75

		Store Opening Growth						
		6.50%	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%
WACC	1,776.21							
	8.94%	1,722.37	1,775.51	1,830.67	1,887.90	1,947.30	2,008.94	2,072.89
	9.04%	1,688.21	1,739.92	1,793.59	1,849.29	1,907.08	1,967.05	2,029.26
	9.14%	1,655.40	1,705.74	1,757.99	1,812.20	1,868.46	1,926.82	1,987.37
	9.24%	1,623.87	1,672.89	1,723.77	1,776.56	1,831.34	1,888.17	1,947.12
	9.34%	1,593.53	1,641.30	1,690.86	1,742.28	1,795.64	1,850.99	1,908.41
	9.44%	1,564.33	1,610.88	1,659.18	1,709.29	1,761.28	1,815.22	1,871.17
	9.54%	1,536.21	1,581.59	1,628.67	1,677.52	1,728.20	1,780.77	1,835.30

		WACC						
		8.94%	9.04%	9.14%	9.24%	9.34%	9.44%	9.54%
CV Growth Rate of Nc	1,776.21							
	2.50%	1,593.10	1,567.30	1,542.30	1,517.83	1,494.57	1,471.78	1,449.65
	3.00%	1,674.83	1,645.73	1,617.61	1,590.15	1,564.12	1,538.65	1,513.99
	3.50%	1,771.57	1,738.32	1,706.28	1,675.08	1,645.57	1,616.79	1,588.99
	4.00%	1,887.90	1,849.29	1,812.20	1,776.21	1,742.28	1,709.29	1,677.52
	4.50%	2,030.44	1,984.69	1,940.95	1,898.67	1,858.98	1,820.52	1,783.62
	5.00%	2,209.14	2,153.61	2,100.79	2,050.00	2,002.55	1,956.80	1,913.09
	5.50%	2,439.80	2,370.25	2,304.55	2,241.79	2,183.52	2,127.66	2,074.60

		Marginal Tax Rate						
		19.00%	20.00%	21.00%	22.00%	23.00%	24.00%	25.00%
Pre-Tax Cost of Debt	1,776.21							
	2.38%	1,769.72	1,769.35	1,768.98	1,768.60	1,768.23	1,767.86	1,767.49
	2.48%	1,770.47	1,770.09	1,769.71	1,769.33	1,768.95	1,768.57	1,768.18
	2.58%	1,771.22	1,770.83	1,770.44	1,770.05	1,769.66	1,769.27	1,768.88
	2.68%	1,771.97	1,771.57	1,771.17	1,770.77	1,770.38	1,769.98	1,769.58
	2.78%	1,772.71	1,772.31	1,771.90	1,771.49	1,771.09	1,770.68	1,770.27
	2.88%	1,773.46	1,773.04	1,772.63	1,772.21	1,771.80	1,771.38	1,770.97
	2.98%	1,774.20	1,773.78	1,773.35	1,772.93	1,772.51	1,772.08	1,771.66

		Labor Cost as a % of Sales						
		24.98%	25.13%	25.28%	25.43%	25.58%	25.73%	25.88%
FBP costs as a % of sales	1,776.21							
	29.91%	1,870.83	1,854.66	1,838.49	1,822.32	1,806.15	1,789.98	1,773.81
	30.06%	1,854.66	1,838.49	1,822.32	1,806.15	1,789.98	1,773.81	1,757.65
	30.21%	1,838.49	1,822.32	1,806.15	1,789.98	1,773.81	1,757.65	1,741.48
	30.36%	1,822.32	1,806.15	1,789.98	1,773.81	1,757.65	1,741.48	1,725.31
	30.51%	1,806.15	1,789.98	1,773.81	1,757.65	1,741.48	1,725.31	1,709.14
	30.66%	1,789.98	1,773.81	1,757.65	1,741.48	1,725.31	1,709.14	1,692.97
	30.81%	1,773.81	1,757.65	1,741.48	1,725.31	1,709.14	1,692.97	1,676.80