

Krause Fund Research

Fall 2023

Analysts

Maddy Montalbano | madeline-montalbano@uiowa.edu

Luis Aguirre | luis-a-aguirre@uiowa.edu

Stock Rating

HOLD

November 8, 2023



Chipotle Mexican Grill (NYSE: CMG)

Consumer Discretionary Sector – Quick-Service Restaurants

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 7: FactSet

Target Price: \$2,203-\$2,250

Investment Thesis

DCF/EP: \$2,203-\$2,250

DDM: \$1,444

Relative Valuation: \$736-\$1,686

We recommend a **HOLD** rating for Chipotle Mexican Grill with a 5.42% - 8.50% upside. We believe this upside is driven by geographical expansion, consistent brand image, and a healthy financial position.

Statistical Highlights

Thesis Drivers

Price Data

Current Price: \$2,084

52-week range: \$1,344 - \$2,175

Current P/E: \$50.70

- **Geographical Expansion:** Chipotle has announced a target growth rate of 8 to 10% per year with at least 80% of locations including “Chipotlanes.” Additionally, they have a long-term target of 7,000 locations in North America.
- **Consistent Brand Image:** All restaurants are owned and managed exclusively by Chipotle which provides enhanced brand protection and control. We believe this ownership structure significantly contributes to the notable customer loyalty at Chipotle.
- **Healthy Financial Position:** Chipotle operated with no debt, which is a very uncommon advantage in the industry. In the current environment, defined by high capital costs, they are expanding rapidly with a strong cash balance.

Key Statistics

Market Capitalization: \$58.20 B

Shares Outstanding: 27.85 M

Beta: 1.11

WACC: 9.71%

ROE: 44.90%

Risks to Thesis

Financial Metrics

2022 Revenue: \$8,634.65 M

2023E Revenue: \$10,184.28 M

2022 Net Income: \$899.10 M

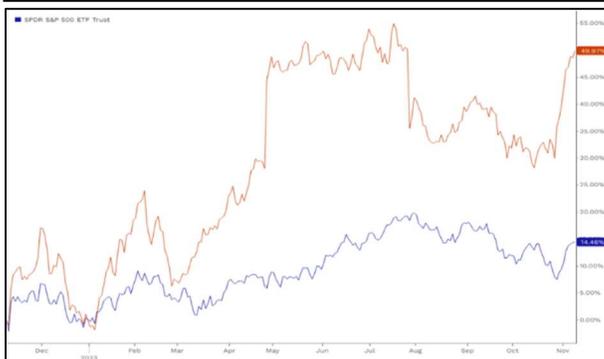
2023E Net Income: \$1,142.24 M

2022 Profit Margin: 10.41%

2023E Profit Margin: 11.22%

- **Third-Party Delivery Costs:** Chipotle reported that the delivery fees charged by third-party platforms are occasionally lower than the actual delivery cost. As the delivery industry expands, these platforms could utilize their control by increasing fees. Chipotle’s projected revenue growth may be impacted, given the anticipated 3.4% year-over-year increase in delivery service revenues.
- **Rivalrous Industry:** The market for quick-service restaurants is highly competitive. Chipotle has increased menu prices 4 times in the past 2 years to combat increased operating costs. These elevated menu prices may prompt customers to explore alternative dining options. We believe Chipotle’s use of high-quality ingredients will persuade customers to remain loyal.

1 Year Stock Performance Relative to S&P 500



Source 7: FactSet

Earnings Estimates

	2023	2024	2025	2026
Assumptions:	44.14	53.13	63.82	76.54

Executive Summary

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

We recommend a **HOLD** rating as Chipotle Mexican Grill is a strong company with ample opportunities for future expansion. We believe that its commitment to substantial location growth, a consistent brand image in relation to company-owned stores, and a sound financial position without any debt will advance this expansion. From now on we will refer to Chipotle as “Chipotle” or “CMG.”

Economic Analysis

Outlook for Consumer Discretionary: **NEUTRAL**

Facing some of the highest interest rates witnessed in years, a rising GDP, a stagnant but lower unemployment rate, and an increasing CPI, we maintain a neutral outlook on the economic environment. We anticipate interest rates will decline over the next 6-8 months, which should have a positive impact on the CPI and many other economic variables.

Real Gross Domestic Product (GDP)

Real gross domestic product (GDP) is an inflation-adjusted measure of the value of all goods and services produced by the economy each year. GDP plays a crucial role in predicting economic shifts within the consumer discretionary sector and serves as a strong indicator of the overall supply of goods and consumer spending. Real GDP offers a more precise overview of annual economic growth compared to nominal GDP, as it accounts for the impact of inflation. In the third quarter of 2023, personal consumption expenditures represented about 68% of the United States' GDP.¹

According to U.S. Bureau of Economic Analysis, “real GDP increased at an annual rate of 4.9% in the third quarter of 2023 after increasing 2.1% in the second quarter.”² Consumer spending was a key driver of this strong second and third quarter growth. The BEA states “the increase in consumer spending reflected increases in both services and goods. Within goods, the leading contributor to the increase were other nondurable goods.”² This is a highly encouraging indication for Chipotle’s expansion, as consumers are consistently spending more of their income on nondurable and durable goods. The consumer discretionary sector is part of the private goods-producing industries, including the manufacturing of these types of goods.

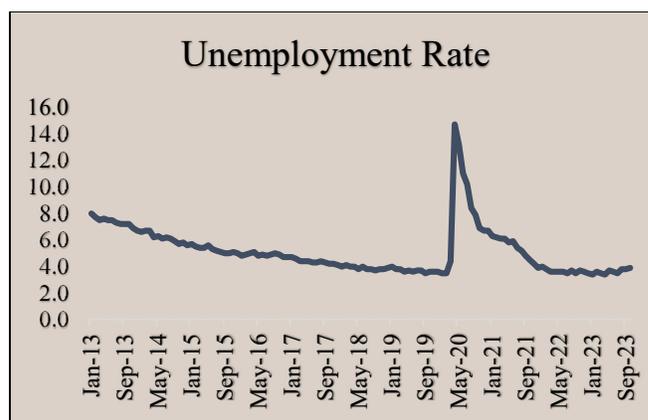
The U.S. recorded a 2.2% GDP growth in the first quarter of 2023 and a 2.1% growth in the second quarter.² Despite the

upward path of GDP and consumer spending, the U.S. still has high interest rates, elevated inflation, and diminishing pandemic savings. Given these factors, our projection anticipates that U.S. real GDP will maintain a steady 2% growth rate over the next 1-2 years.

U.S. Unemployment Rate

The U.S. Unemployment Rate measures the percentage of the labor force within the U.S. that is currently unemployed and actively seeking employment. An increase in unemployment leads to a decreased foot traffic and revenue for the consumer discretionary industry.

The current unemployment rate is at 3.9% as of October 2023.¹⁸ The unemployment rate increased 0.1 percentage points from August to October, yet we expect unemployment rates to remain stagnant for the next 1-2 years.¹⁸ The economy has seen an average monthly job creation of over 250,000 jobs in the last three months.¹⁹ In 2023, unemployment rates reached a historic low of 3.5% since 1969.¹⁹ Therefore, we see a continuous positive indicator for the consumer discretionary sector. With stagnant lower rates of unemployment, we are implying that households will have discretionary funds to spend on goods, driving higher revenues.



Source 16: FRED

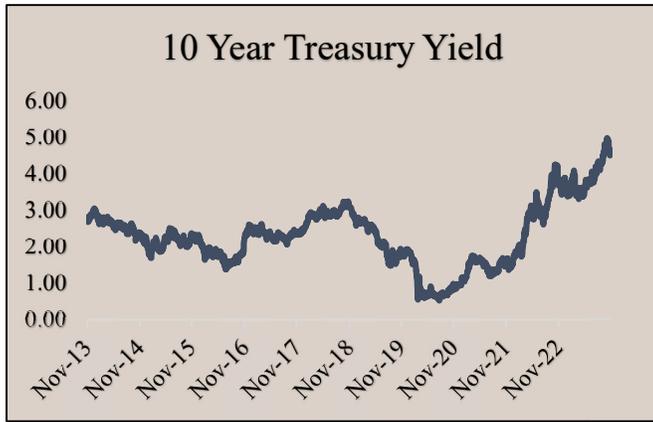
Interest Rates

Interest rates are the percentage at which a lender charges a borrower for the use of money or assets over a specific period. The consumer discretionary sector is sensitive to changes in interest rates that influence consumer behavior and spending patterns by affecting borrowing costs. The sector is more likely to perform better when interest rates are low.

The 10-year U.S. Treasury Yield is a key benchmark for interest rates and is often used as an indicator of the overall health of the economy. At the end of October 2023, the long-term 10-year government yield reached 5% for the first time since 2007.⁶ The Federal Reserve raised its benchmark rate 11 times, taking it to a targeted range of 5.25% - 5.50%, in an

effort to fall back to their 2% inflation target.⁶ In September 2023, the Federal Reserve announced they are keeping rates unchanged. We anticipate a reduction in interest rates around mid-2024 and a target range of 4.00% - 4.25% within the next 12 months.

High interest rates raise borrowing costs, limiting businesses' ability to fund operations and dampening consumer spending.



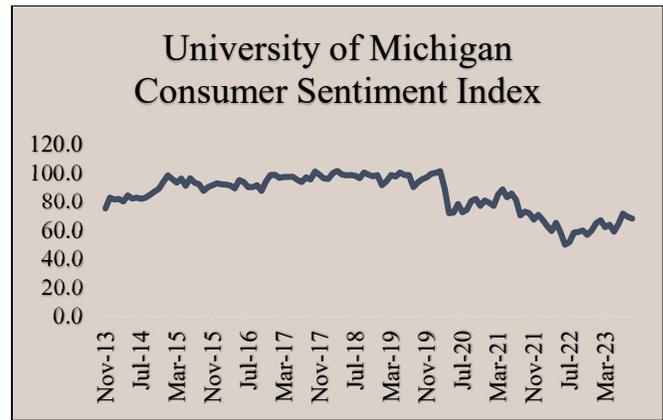
Source 16: FRED

Capital intensity, competitive pressures, and growth and expansion are a few reasons many companies in the consumer discretionary sector strongly rely on debt. However, for Chipotle, a company operating without debt, the recent increase in interest rates minimally affects its capital utilization. We believe this is a significant advantage for Chipotle relative to its peers.

University of Michigan Consumer Sentiment Index

The University of Michigan Consumer Sentiment Index is an economic indicator that measures the optimism and confidence of consumers regarding their views on their personal finances, the current economic environment, and expectations for future economic conditions. This index holds significant relevance for the consumer discretionary sector as it forecasts whether consumers have the capacity or inclination to spend money on non-essential items, such as discretionary goods.

Consumer sentiment fell for the fourth month straight, decreasing 5% in November 2023.⁴ This month saw modest improvements in both current and anticipated personal finances. However, consumers being affected by high interest rates and the ongoing wars in Gaza and Ukraine have caused the long-run economic outlook to decrease 12%.⁴ As the Federal Reserve manages inflation, bringing it down to the optimal 2.00% level, consumers are likely to gain greater confidence in both the overall economy outlook and their personal finances. Consequently, we project an increase in consumer sentiment to reach around seventy-five by November 2024.



Source 16: FRED

Consumer Price Index (CPI)

The consumer price index (CPI) is a measure of the average change over time in the prices paid by consumers for a basket of goods and services. Elevated CPI may lead consumers to switch from premium to more affordable product alternatives. According to common economic theory, CPI should stay at the 2% level to promote economic growth.



Source 16: FRED

In September 2023, the CPI increased 0.4% and has risen 3.7% over the last 12 months.³ The food index increased 0.2% in September, as it did in the previous two months. The index for meats, poultry, fish, and eggs rose 0.5% in September as the index for pork increased 1.6%.⁵ We believe inflation is a primary driver of the CPI. With interest rates potentially decreasing over the next year, causing inflation to return to normal levels, we predict the CPI to fall at around 0.3% per month over the next year. This will cause consumers to feel more at ease with spending on discretionary goods, fostering growth within the sector and contributing a positive outlook for Chipotle.

Industry Analysis

Outlook for Consumer Discretionary: *POSITIVE*

Overall, we have a positive outlook for the quick-service restaurant industry. Following the pandemic, the quick-service restaurant sector demonstrated to be robust with adaptability, leveraging innovative technologies and consumer tastes. The dynamic industry presents multiple opportunities for sustained growth and stability. Key drivers of this evaluation include innovative improvements with digital ordering and third-party delivery services; areas where the industry has previously shown innovation and consumer engagement. Chipotle, specifically, stands out in this regard with its commitment to keep pace at the forefront with innovative industry shifts and leading new innovations. This proactive approach embraces changes with capitalization on new consumer preferences, and with Chipotle showcasing potential for market leadership and continued strong growth.

Industry Description

We will be concentrating on the restaurant industry, which encompasses four distinct business segments: quick-service restaurants, fast-casual restaurants, casual dining, and fine dining restaurants. Specifically, our analysis will focus on the quick-service restaurant sub-sector, focusing on companies based in the United States.

Quick-service restaurants typically operate with a promise of higher quality assortments in comparison to traditional fast-food restaurants. As of 2023, there are more than 201,000 fast-food restaurants in the United States, with a number primarily consisting of massive quick-service restaurant franchises¹¹. The major product lines include food, beverages, and promotional items, with the pricing of these lines being lower than alternative full-service restaurants. The core business segments include delivery, in-house dining, drive-thru, and curbside delivery.

Revenue streams are primarily generated through the sale of products from operating restaurant locations¹⁵. Sources also include franchise-related income, encompassing fees and contributions to advertising funds from franchised restaurants, drive-thru sales, delivery sales, digital and mobile ordering, and supply chain control.

The main differentiators of the quick-service restaurant industry are implementing price strategies, prioritizing a focus on the quality of ingredients, emphasizing customer service efficiency with speed, drive thru services, and ease of global expansion.

Industry Trends

Technological Innovations and Services

Technology is a primary driver of innovation in the quick-service restaurant industry. The quick-service restaurant industry prioritizes customer convenience, and robotics are at the forefront. Point-of-sale services like Toast POS have made it easier than ever to operate a restaurant, cutting other unnecessary costs.¹¹ With the best POS systems being cloud-based software mixed intuitive hardware, restaurants can manage orders, sales, and payments in a single place- turning kitchens into productive well-oiled machines.

When customers can order for themselves, it frees up an employee to prepare food, and gives management the ability to prioritize them to handle a throttled task. Additionally, contactless ordering solutions make it extremely convenient for customers to order online and pick up their food without having to speak to anyone. Following the COVID-19 pandemic, this has proven to allow restaurants to process more orders, driving more quality and efficient sales transactions.

Robotic Improvements

The shift towards integrating robotic automation in the quick-service restaurant industry has become increasingly important. Industry leaders are trying to reduce costs by implementing robotic automations, and the quick service restaurant consumer base is very dynamic due a necessity to optimize convenience. This is because unlike human workers, robots are significantly less susceptible to variable change such as not being able to work, not requiring breaks, and being more cost and supply chain effective.

Chipotle stands out as an industry leader in the quick-service restaurant industry with its persistence to improving not only its automation with software solutions, but with robotic automation. In July of 2023, they had a robotic implementation in a store location of an automated “digital makeline” for preparing salads and bowls, which account for around 65% of their orders.¹² When an order comes in via the Chipotle app, any bowls or salads are sent to the robotic system, dispensing the required ingredients. Given that Chipotle has been testing innovative robotic solutions since CEO Brian Niccol was appointed in 2018, we believe that they will continue to be an industry pioneer with technology.

Digital Ordering and Third-Party Delivery Services

Quick-service restaurants are increasingly adopting ordering methods, which include their proprietary platforms as well as services such as Door Dash and Grubhub. Many quick-service restaurants use a mixture of both services to have a diverse mixture of external delivery services, paired with their in-house delivery service. The growth in popularity of online ordering and third-party delivery services has grown particularly after the pandemic. With the addition of third-

party incentives, this gives companies leeway to add more promotional incentives, such as free delivery or individualized rewards programs, driving sales.

Chipotle has been staying in tune with this trend by advancing their mobile ordering and Chipotle app while maintaining partnerships with third-party delivery services. As stated in Chipotle's 2022 10-K, management classifies this as a potential profitability risk factor since the delivery fees collected from guests may be less than the actual delivery cost.¹⁵ For the year 2022, Chipotle had to raise menu prices to offset delivery fee costs and continue stable revenue growth. We believe that Chipotle will continue to raise menu items to partially offset delivery, labor and other costs, with them raising prices another 4.00% in 2024, with hopes of not decreasing customer engagement.¹⁵

Health-Conscious Food Choices

Quick-service restaurants often have limited product diversity to accommodate dietary requirements compared to full-scale restaurants. Since the COVID-19 pandemic, consumers have started to prioritize healthier food choices when selecting restaurants. Since 2018, the percentage of people who identify as health-conscious has nearly doubled, with 65% of consumers seeking functional benefits from food and drinks.¹⁴ Restaurants that already have a health-conscious menu showcasing menu items such as vegan alternatives, gluten-free, or alternative proteins have a higher chance of capitalizing on sale edges and gaining a wider range of customers.

Chipotle's mission statement drives off the marketability of promoting a healthier lifestyle. The core of their business model is focused around purchasing real food without artificial ingredients, flavors or preservatives.¹⁴ We believe that with the core business values that Chipotle operates through, they will continue to stay at the top of the food chain in the quick-service restaurant industry.

Porter's Five Forces

Degree of Competition – High

A greater number of competitors in the quick-service restaurant sub industry intensifies the competitive rivalry. The competitors work diligently to secure a substantial market share, enrich business growth, and sustain profitability. Consequently, the industry adjusts to a significant threat which makes it more difficult for smaller companies to compete. Customer loyalty is also scarce due to the significantly profitable companies with greater marketing budgets.

Supplier Power – Low

The number of suppliers in the quick-service restaurant industry plays a crucial role and is impacted by the concentration in specific regions. In regions with a greater

abundance of similar raw material suppliers, these suppliers have less leverage compared to regions with fewer options. Additionally, small-scale restaurants, due to their limited volumes, empower suppliers to negotiate for higher prices. Furthermore, suppliers face a weaker negotiation position when dealing with large-scale restaurants that place substantial bulk orders.

Buyer Power – Moderate

Restaurants are susceptible to many ways in which buyers can affect them including menu offerings, item quality, and price adjustments. It is crucial for restaurants to strike a balance because setting prices too high can discourage potential customers. Pricing should be tailored to the target market and its affordability within that specific market segment.

Threat of Substitution – High

Within the restaurant industry, customers have a variety of options, simplifying their decision-making process when switching between restaurants. The affordability of switching plays a significant role, permitting customers to transition their loyalty from one establishment to another without significant cost. Restaurants have flexibility to charge premium prices for those seeking quality dining experiences, while others looking for more cost-effective options can find suitable options. The ease of transitioning between restaurants contributes to the high presence of substitute products in the industry.

Threat of New Entry – Moderate

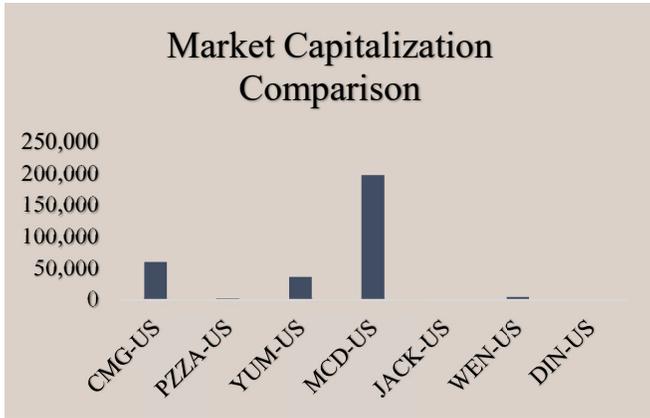
Entering the restaurant industry is relatively easy due to the moderate investment required. Additionally, the ability to achieve economies of scale, as operations become more efficient, affects the case of entry for newcomers. New companies must carefully consider both fixed and operating costs to establish a cost advantage. One strategy for newcomers to gain a cost advantage is by optimizing purchases and securing discounted prices. However, managing fixed costs can be challenging, especially when profitability is low during the initial stages of the business. Taking these factors into account, the restaurant industry faces a moderate threat of new entrants.

Peer Comparisons

Market Capitalization Comparison

The top competitors we see potentially effecting Chipotle's success in the quick-service restaurant industry are Papa John's (PZZA), Yum Brands (YUM), McDonald's (MCD), The Wendy's Company (WEN), and Dine Brands (DIN). Above, we have included a graph of the market capitalizations of each of these companies. CMG holds the second-largest market capitalization at \$59,130 million, trailing behind McDonald's, which has a market cap of

\$195,610. While CMG’s market capitalization currently surpasses that of many competitors, we foresee future growth in their market cap with ongoing international expansion.



Source 7: FactSet

Company Analysis

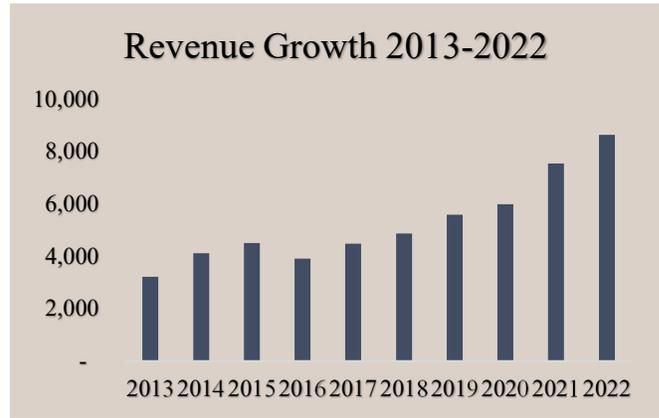
Chipotle Mexican Grill, Inc. engages in the development and operation of classically cooked, real food with wholesome ingredients without artificial colors, flavors or preservatives. It offers a focused menu of burritos, tacos, burrito bowls, and salads prepared using classic cooking methods. The company was founded by Steve Eells in 1993 and is headquartered in Newport Beach, CA.⁷

Business Profile

Chipotle places high importance on preparing its food with real ingredients. Their commitment extends to using only 53 total ingredients, devoid of artificial flavors, colors, and preservatives. They are dedicated to sourcing local and organic produce without added hormones. This characteristic distinguishes Chipotle from numerous establishments in the quick-service industry.

Revenues

Chipotle divides its revenue streams into two classifications, food and beverage revenue and delivery service revenue. Delivery and service revenues are divided into three different categories: “digital sales”, “third-party delivery”, and “other”. Food and beverage sales increased 14.8% from \$7,457 to \$8,558 (in millions) from 2021 to 2022. Delivery service revenue decreased 14.7% from \$89.9 to \$76.7 (in millions) from 2021 to 2022. Overall total revenues increased 14.4% from \$7,745 to \$8,634.¹⁷ The significant factors that lead to total revenue increasing can be attributed to comparable sales increasing from \$589.6 million and restaurants not in the comparable base of \$519.4 million (\$210.5 was opened in 2022).¹⁵

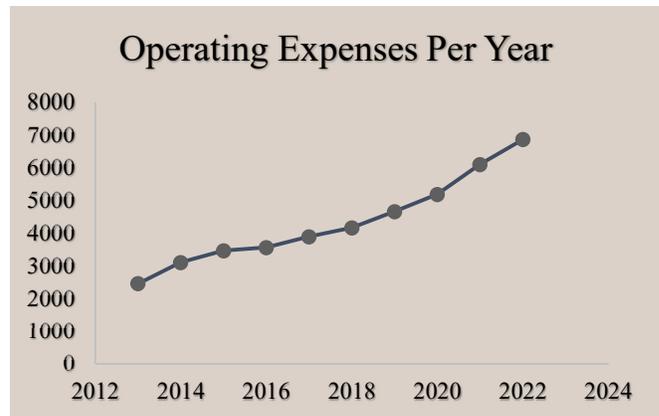


Source 7: FactSet

Total revenue growth has consistently increased for the past nine years, with our forecast showing strong a strong correlation between steady increased store expansion, and in recent years- high inflation rates. Chipotle has continuously increased menu prices to combat inflation and volatility with their main food drivers and is expected to continue to increase prices to combat food, beverage & packaging costs, labor costs, and occupancy costs. As of 2022, Chipotle has not taken consumer engagement losses with regards to revenue, but we are worried that this could be a future potential risk.⁵

Expenses

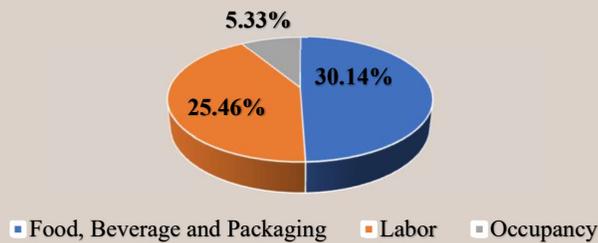
By December 2022, Chipotle’s restaurant operating costs constituted 76.1% of total revenue, reflecting a 1.3% reduction from the previous year. These operating costs include expenses related to food, beverage, packaging, labor, occupancy, and other operational expenditures. At the end of 2022, Chipotle showcased an operating margin of 13.68%, a remarkable figure considering that the typical profit margin for fast-food establishments is around 4-7%.¹⁰



Source 7: FactSet

In 2022, Chipotle experienced an uptick in “other operating costs,” because of elevated expenditures in utilities. This was mainly influenced by inflation in natural gas and electricity, along with increased maintenance costs. We anticipate a decline in interest rates by the end of 2024, serving as a measure to counteract inflation. This, ideally, will alleviate these unexpectedly high costs for Chipotle in the future.

Major Operating Expenses as a % of Total Revenue

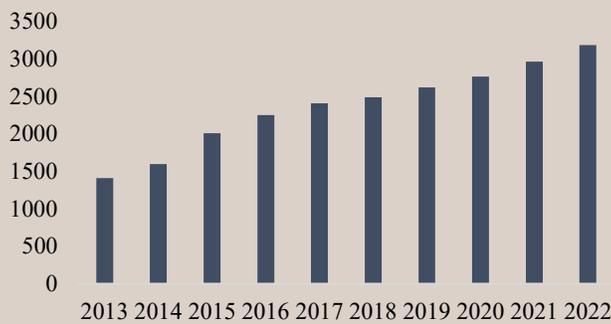


Source 7: FactSet

Capital Expenditures

Chipotle opened 236 restaurants in 2022 and has opened an additional 149 restaurants as of 2023 quarter three. We expect Chipotle to open 270 restaurants with 80% including a “Chipotlane” by the end of 2023 with utility, construction, and material costs continuing to remain low.¹⁵

Total Restaurant Growth



Source 13: Chipotle Mexican Grill, Inc.

Chipotle can easily expand restaurant locations since they operate with no debt on their balance sheet. Since Chipotle operates with no debt, expanding openings comes at ease by using their free cash flow from existing restaurant locations. We based our store growth at 8.50% for 2023, since Chipotle has continuously outperformed expectations for store openings in 2023.

SWOT Analysis

A SWOT (strengths, weaknesses, opportunities, and threats) analysis is a structured framework designed to evaluate and comprehend the internal and external factors that could either present or pose risks to a company.

Strengths

The mission statement of “food with integrity” at Chipotle stems from the founder, Steve Ells’, insights into American

food production. His dedication to servicing ethically and naturally produced foods enables Chipotle to maintain a concise menu, minimizing the variety of ingredients required and reducing waste. A simplified menu contributes to swift service, lowers the likelihood of order mistakes by employees, and provides customers with consistent offerings, eliminating potential disappointment when seasonal items are unavailable.⁹

Building off this strength, Chipotle exhibits significantly higher customer loyalty compared to its industry peers. In 2022, Market Force, a survey-based company, conducted a survey involving 5,173 Americans, focusing on their fast-food habits.¹⁷ The study identified food quality, restaurant atmosphere, service time, employee friendliness, and cost as the key drivers of customer loyalty. The survey’s highest possible loyalty score was a 5.0. McDonald’s scored between 3.6 and 3.8 and Jack in the Box scored slightly above 3.8. Chipotle achieved a score of approximately 4.3¹⁷.

Weaknesses

The largest weakness to the nature of Chipotle’s business is food safety. Chipotle is more susceptible to have a negative impact on sales than its competitors to negative food safety incidents such as the E. coli, C. breakouts in 2015 to 2018.⁵ Due to consumer perceptions following the events because of negative media publicity, it’s possible that future negative events could drive another potential decrease in sales. With conviction, we believe that Chipotle is better equipped to handle a food hazard incident than its competitors since the negative publicity of their previous outbreak slowed down sales but didn’t negatively decrease year-over-year. This is due to consumers understanding the potential risks with eating higher quality and healthier, non- frozen or preserved foods.

Opportunities

To address the mentions weakness of high third-party delivery fees, we believe that Chipotle could achieve substantial growth by establishing their own delivery service. Given the increasing popularity of delivery services in recent years, a well-executed in-house delivery system has potential to significantly reduce unnecessary costs and increase profitability margins.

Our vision is that Chipotle’s future phases of growth will primarily focus on establishing new outlets across primarily Asia as well as Europe. This international expansion presents a substantial opportunity for revenue growth. With Chipotle offering more store locations with “Chipotlanes” this will serve as a key competitive edge over its peers. By offering more drive-through options, Chipotle is going to reach a broader customer base.

Threats

Considering the ease of entry into the quick-service restaurant industry, Chipotle’s prominent threat is restaurant competition.¹⁷ Chipotle’s main sub-industry rivals include

Qdoba Eats, Moe's Southwest Grill, Baja Fresh Mexican Grill, and Rubio's Coastal Grill. Chipotle's main head-to-head competitor is Taco Bell, which is the market leader in the Mexican-style sub sector. Out of each of these companies, we believe Chipotle sets itself apart with a higher quality food menu and will continue to do so.

Additionally, in 2022, 39.4% of Chipotle's food and beverage revenue originated from digital orders, including third-party delivery services like Door Dash and Grubhub, in-store customer pickups, and orders through Chipotlanes. Depending on the third-party platform chosen by the customer, the delivery fee they charge might be lower than the actual delivery cost. To counter rising delivery expenses, Chipotle adjusted by implementing several menu price increases in 2022. However, relying on third-party platforms for deliveries poses risks, such as potential delays that could lead to customer dissatisfaction. As the delivery business grows, third-party platforms may gain more influence and control, potentially resulting in higher fees.

Valuation Analysis

Methodologies

In evaluating Chipotle, we analyzed company trends using historical, current and projected future company and economic conditions that have been significant drivers of performance. To properly evaluate Chipotle, we took into consideration its performance from FY 2013 to FY 2022. We projected Chipotle's financial statements until 2032E using our growth assumptions and used three different methodologies to value Chipotle including a Discounted Cash Flow Analysis (DCF), Economic Profit Analysis (EP), Dividend Discount Model (DDM), and Relative Valuation with peer comparisons. With consideration that Chipotle does not pay a dividend, we concluded that the DCF and EP analyses were the most accurate valuation techniques.

Valuation Models

Discounted Cash Flow (DCF) & Economic Profit (EP) Analyses

Historical Period: 2013-2022
Projection Period: 2023E- 2032E
Implied Share Price: **\$2,203**

Our Discounted Cash Flow and Economic Profit intrinsic valuation models depict the most accurate representation of Chipotle's implied share price. In our assumptions, we took into consideration Chipotle's business operations with no debt on their balance sheet, realistic growth expectations accounting for its current year performance, and our projected base economic outlook for the next six months to two years.

Major Income Statement Items

We first began to analyze the main catalysts of revenue growth for Chipotle. Following Chipotle's expectations for store growth openings in 2023 in the 10-K along with factoring how many stores have opened for the past three quarters, we assumed an 8.50% store growth rate as a base for managements expected 255-280 new restaurant openings. Leaving out outlier historical years such as 2015, where Chipotle experienced an E-Coli outbreak, we emphasized our main revenue assumptions following 2018 where store growth significantly increased following the appointment of CEO Brian Niccol.¹⁸

For most of our operating expenses we projected them as a percentage of that year's revenue. We used this approach taking while looking at Chipotle's historical operating structure, as we do not believe it will change it for the foreseeable future. In our breakdown, the only exceptions were depreciation and amortization expense and pre-opening costs. We projected depreciation and amortization expense as an average percentage of net PPE, and pre-opening costs based on annual increase of new restaurant openings.

Balance Sheet Elements

We calculated most of the operating balance sheet items for our forecast period as a proportion of total revenues, using a moving average calculation excluding outlier years. Our methodology behind this was based off the assumption of how these line items relate to our revenue assumptions and projections. For the line item "Leasehold improvements, property & equipment, gross" we forecasted a calculation based on our assumption of store openings growing at a base of 8.50%. Capital expenditures were forecasted based off our fiscal year 2022 projections. For following years, we derived our estimates by considering the rate of growth in annual restaurant openings and anticipating a yearly increase in pre-opening expenses per restaurant opening growth.

Chipotle's total debt consists exclusively of only operating leases. To calculate this, we projected the balance of the operating lease assets from the growth of the previous years "Leasehold improvements, property & equipment, net" account and forecasted it to the previous year's account. Using our methodology, we are confident that Chipotle will continue to grow at the same average rate considering its use of reinvesting its cash.

To properly project our valuation analysis, we used our financial adjustments to calculate our forecasted years Net Operating Profit Less Adjusted Taxes (NOPLAT), the Invested Capital (IC), the Free Cash Flow (FCF), the Return on Invested Capital (ROIC), and the Economic Profit (EP), to calculate our DCF and EP valuation models.

Cost of Equity

For the cost of equity for Chipotle, we used the Capital Asset Pricing Model (CAPM) formula with valued assumptions. We first started by using the 10-Year US Treasury bond of 4.62%. We then pulled Chipotle’s raw beta based on a weekly average of 1.11 and an equity risk premium of 4.88% using Damodaran’s Trailing 12-Month Cash Yield. Based on these calculations, we determined Chipotle’s cost of equity of 10.06%.

Cost of Debt

For the cost of debt for Chipotle, we used to the pre-tax cost of debt of 4.65% and multiplied it by the one minus the marginal tax rate of 22% to obtain an after-tax cost of debt of 3.63%.

Weighted Average Cost of Capital (WACC)

Following our calculations for the cost of equity and cost of debt, we concluded that Chipotle’s capital structure was equivalent to 94.58% equity and 5.42% debt. Using the 10-Year U.S. treasury rate of 4.62%, a raw beta of 1.11, and a pre-tax cost of debt of 4.65% we concluded that the estimated WACC was 9.71%.

Discounted Cash Flow (DCF) and Economic Profit (EP)

We conducted our discounted cash flow analysis by projecting Chipotle’s free cash flows for the periods 2023E to 2032E and then discounted these using the WACC. For our economic profit model, we forecasted the company’s economic profit over the same period as our DCF, except we discounted these values to their present worth using the cost of equity.

For both our DCF and EP models, we summed the FCF and EP projections and made the necessary adjustments to reach an implied enterprise value to equity value. We then divided the equity value by the total number of shares outstanding to calculate our implied share price of **\$2,203.38**.

Dividend Discount Model (DDM)

Historical Period: 2013-2022
 Projection Period: 2023E- 2032E
Implied Share Price: \$1,444

In our analysis, we noted that Chipotle has consistently refrained from issuing dividends, a position they have reaffirmed in their financial statements with no plans for future distributions. Given this stance, we placed limited emphasis on the dividend-related considerations when calculating our implied share price.

Relative Valuation

Historical Period: 2013-2022
 Projection Period: 2023E- 2032E
Implied Relative Value: \$736 - \$1686

For our comparable competitors in the quick-service restaurant industry, we used McDonald’s Corporation (MCD), Jack in the Box Inc. (JACK), The Wendy’s Company (WEN), Dine Brands Global, Inc. (DIN), Yum! Brands (YUM), and Papa John’s International Inc. (PZZA).

When looking at Chipotle’s capital structure and operational patterns compared to its competitors, we have concluded the relative valuation does not depict an accurate representation of the Chipotle’s implied value due to its extremely widespread range.

Sensitivity Analysis

We conducted a series of tests which allowed us to analyze how changes in specific variables affect the outcome of our model. The tables helped identify key drivers, which are presented below.

Risk Free Rate & Beta

Testing the impact of altering the risk-free rate and beta was essential for assessing Chipotle’s weighted average cost of capital, sensitivity to market risk, and cost of equity. These variables were crucial for our DCF and EP models as they can be very volatile at times. In the current environment of significantly high interest rates, it comes crucial to assess the impact of these variables. Also, due to prevailing macroeconomic conditions, beta can be particularly susceptible to changes.

These variables resulted in an estimated stock price of \$1,670 – \$2,827.

		Risk-Free Rate							
		2,203.48	3.87%	4.12%	4.37%	4.62%	4.87%	5.12%	5.37%
Beta	1.00	2,827.18	2,681.95	2,550.87	2,431.97	2,323.67	2,224.64	2,133.74	
	1.05	2,685.27	2,553.86	2,434.69	2,326.16	2,226.91	2,135.84	2,051.98	
	1.08	2,606.73	2,482.70	2,369.94	2,266.99	2,172.65	2,085.91	2,005.90	
	1.11	2,532.64	2,415.40	2,308.54	2,210.77	2,120.99	2,038.29	1,961.87	
	1.20	2,333.65	2,233.77	2,142.14	2,057.79	1,979.91	1,907.79	1,840.84	
	1.27	2,199.30	2,110.44	2,028.55	1,952.85	1,882.69	1,817.49	1,756.77	
	1.35	2,063.64	1,985.32	1,912.81	1,845.50	1,782.87	1,724.45	1,669.86	

WACC & CV Growth Rate of NOPLAT

In the DCF model, the weighted average cost of capital is vital for determining the appropriate discount rate, conveying the average cost of financing Chipotle’s operations. The WACC is dependent on factors such as the risk-free rate, beta, and equity risk premium which are subject to change frequently. When either of these three variables are altered, the WACC will change.

Also, a change in our pre-tax cost of debt will also cause fluctuations in the WACC. Simultaneously, the continuing value (CV) of the NOPLAT is crucial for capturing long-

term, sustainable earnings. Our model begins forecasts from 2023 and extends projections for a decade until 2032. With a CV growth rate set at 4.0%, it becomes imperative to evaluate its impact against the WACC, particularly given the difficulty in predicting values over such an extended time frame.

These variables resulted in an estimated stock price of \$2,198 – \$3,053.

		WACC							
		2,203.48	9.41%	9.51%	9.61%	9.71%	9.81%	9.91%	10.01%
CV Growth NOPLAT	3.50%	2,198.35	2,159.03	2,121.04	2,084.32	2,048.79	2,014.41	1,981.12	
	4.00%	2,332.81	2,287.75	2,244.33	2,202.48	2,162.10	2,123.13	2,085.50	
	4.50%	2,494.66	2,442.15	2,391.74	2,343.31	2,296.75	2,251.95	2,208.81	
	5.00%	2,693.20	2,630.79	2,571.13	2,514.06	2,459.39	2,407.00	2,356.74	
	5.50%	2,942.53	2,866.47	2,794.17	2,725.35	2,659.77	2,597.21	2,537.47	
	6.00%	3,264.96	3,169.30	3,078.99	2,993.60	2,912.74	2,836.07	2,763.26	
	6.50%	3,698.21	3,572.74	3,455.39	3,345.42	3,242.14	3,144.97	3,053.39	

After-Tax Cost of Debt & Cost of Equity

With us anticipating a decline in interest rates by the close of 2024, we expect Chipotle’s after-tax cost of debt to decrease. Testing this variable is significant for both the EP and DCF models, given that a substantial portion of Chipotle’s capital structure is comprised of equity. Also, we foresee changes in beta and the risk-free rate, underscoring the important of assessing the after-tax cost of debt in collaboration with the cost of equity.

These variables resulted in an estimated stock price of \$2,821-\$2,784.

		After-Tax Cost of Debt							
		2,203.48	2.13%	2.63%	3.13%	3.63%	3.68%	3.73%	3.78%
Cost of Equity	8.00%	2,821.45	2,806.37	2,791.30	2,776.23	2,774.72	2,773.22	2,771.71	
	9.00%	2,823.76	2,808.83	2,793.90	2,778.98	2,777.49	2,776.00	2,774.50	
	9.50%	2,824.89	2,810.03	2,795.17	2,780.33	2,778.84	2,777.36	2,775.87	
	10.04%	2,826.09	2,811.31	2,796.53	2,781.76	2,780.29	2,778.81	2,777.33	
	11.75%	2,829.77	2,815.24	2,800.70	2,786.18	2,784.72	2,783.27	2,781.82	
	12.25%	2,830.81	2,816.35	2,801.89	2,787.43	2,785.98	2,784.54	2,783.09	
	12.75%	2,831.84	2,817.45	2,803.06	2,788.67	2,787.23	2,785.79	2,784.35	

Store Opening Growth & WACC

Testing store opening growth against the WACC for our EP and DCF models was crucial for evaluating how effectively capital is allocated for new store openings. The relationship helps review the risk and return of our predicted expansion plans for Chipotle. As previously mentioned, numerous variables continually change and factor into the computation of WACC. Predicting store opening growth over an extended period can also pose challenges.

This analysis helps facilitate an understanding of both growth from new stores and the underlying cost of financing that growth.

These variables resulted in an estimated stock price of \$2,107 – \$2,322.

		Store Opening Growth							
		2,203.48	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%
WACC	9.39%	2,106.84	2,182.29	2,260.65	2,342.03	2,426.53	2,514.27	2,605.35	
	9.49%	2,067.03	2,140.69	2,217.19	2,296.63	2,379.10	2,464.74	2,553.63	
	9.59%	2,028.68	2,100.62	2,175.32	2,252.89	2,333.42	2,417.03	2,503.81	
	9.69%	1,991.72	2,061.99	2,134.96	2,210.73	2,289.38	2,371.04	2,455.80	
	9.79%	1,956.05	2,024.73	2,096.03	2,170.06	2,246.91	2,326.69	2,409.49	
	9.89%	1,921.63	1,988.76	2,058.46	2,130.82	2,205.93	2,283.89	2,364.81	
	9.99%	1,888.39	1,954.03	2,022.18	2,092.92	2,166.35	2,242.57	2,321.67	

Marginal Tax Rate & Pre-Tax Cost of Debt

Assessing the marginal tax rate and the pre-tax cost of debt is essential to understand the effects they can have on our predicted share price.

The marginal tax rate plays a pivotal role in calculating the tax shield associated with debt. A higher tax rate typically reduces the after-tax cost of debt, influencing overall financial performance. As seen in the table below, our predicted share price did not change much. This is since Chipotle’s sole debt obligation exists in the form of operating leases, which is only 5.42% of their capital structure.

These variables resulted in an estimated stock price of \$2,291 – \$2,117.

		Marginal Tax Rate							
		2,203.48	19.00%	20.00%	21.00%	22.00%	23.00%	24.00%	25.00%
Pre-Tax Cost of Debt	4.20%	2,291.08	2,260.70	2,230.38	2,200.11	2,169.90	2,139.74	2,109.65	
	4.35%	2,292.12	2,261.77	2,231.48	2,201.24	2,171.05	2,140.92	2,110.85	
	4.50%	2,293.17	2,262.84	2,232.58	2,202.36	2,172.20	2,142.10	2,112.04	
	4.65%	2,294.20	2,263.91	2,233.67	2,203.48	2,173.35	2,143.27	2,113.24	
	4.80%	2,295.24	2,264.98	2,234.76	2,204.60	2,174.49	2,144.44	2,114.43	
	4.95%	2,296.27	2,266.04	2,235.85	2,205.72	2,175.64	2,145.60	2,115.62	
	5.10%	2,297.30	2,267.10	2,236.94	2,206.83	2,176.77	2,146.77	2,116.81	

Important Disclaimer

This report was created by students enrolled in 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 not a complete compilation of data, and its accuracy is not 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
Revenue Decomposition

<i>Fiscal Years Ending Dec. 31</i>	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
(Numbers in Millions)													
Food and Beverage revenue	5,921	7,457	8,558	9,977.66	11,643.30	13,552.66	15,937.73	18,697.39	21,882.12	25,547.73	29,755.71	34,573.55	40,168.83
Food and Beverage revenue %	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	64.09	89.89	76.65	203.63	420.12	564.69	664.07	779.06	911.75	1,064.49	1,239.82	1,440.56	1,673.70
Delivery Service as a %	1.07%	1.19%	0.89%	2.00%	3.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Total revenue	\$ 5,984.63	\$ 7,547.06	\$ 8,634.65	\$ 10,181.28	\$ 12,003.40	\$ 14,117.36	\$ 16,601.81	\$ 19,476.45	\$ 22,793.87	\$ 26,612.21	\$ 30,995.53	\$ 36,014.11	\$ 41,842.53
Total revenue growth %	7.13%	26.11%	14.41%	17.91%	17.90%	17.61%	17.60%	17.32%	17.03%	16.75%	16.47%	16.19%	16.18%
New Restaurants	146.00	198.00	221.00	270.90	293.92	318.90	346.01	375.42	407.33	441.96	479.52	520.28	564.51
Total number of stores	2,768.00	2,966.00	3,187.00	3,457.90	3,751.82	4,070.72	4,416.73	4,792.15	5,199.49	5,641.44	6,120.97	6,641.25	7,205.75
Restaurant growth %	5.57%	7.15%	7.45%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
Food and beverage revenue per restaurant	2.14	2.51	2.69	2.89	3.10	3.33	3.61	3.90	4.21	4.53	4.86	5.21	5.57
Delivery service revenue per restaurant	0.02	0.03	0.02	0.06	0.10	0.14	0.15	0.16	0.18	0.19	0.20	0.22	0.23
Revenue Per Restaurant	2.16	2.54	2.71	2.94	3.20	3.47	3.76	4.06	4.38	4.72	5.06	5.42	5.81
Restaurant revenue per store	1.48%	17.69%	6.48%	8.67%	8.66%	8.40%	8.39%	8.12%	7.86%	7.61%	7.35%	7.09%	7.08%

Chipotle Mexican Grill

Balance Sheet

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Assets													
Cash & cash equivalents	607.99	815.37	384.00	1,198.50	2,518.84	4,130.77	6,091.49	8,456.47	11,292.85	14,676.09	18,691.62	23,435.77	29,037.72
Accounts receivable, net	104.50	99.60	106.88	143.07	168.68	198.39	233.30	273.69	320.31	373.97	435.57	506.09	588.00
Inventory	26.45	32.83	35.67	44.80	52.82	62.12	73.05	85.70	100.30	117.10	136.39	158.47	184.12
Current deferred tax asset	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses & other current assets	54.91	78.76	86.41	103.77	122.34	143.89	169.21	198.51	232.32	271.24	315.91	367.06	426.46
Income tax receivable	282.78	94.06	47.74	20.56	24.83	29.91	35.95	43.01	51.21	60.73	71.73	84.40	99.20
Investments	343.62	260.95	515.14	534.60	554.81	575.77	597.53	620.11	643.54	667.86	693.10	719.30	746.48
Total current assets	1,420.24	1,381.56	1,175.84	2,045.30	3,442.31	5,140.85	7,200.53	9,677.49	12,640.53	16,166.99	20,344.32	25,271.08	31,081.97
Leasehold improvements, property & equipment, gross	2,964.02	3,305.60	3,685.73	4,142.01	4,637.07	5,174.22	5,757.01	6,389.35	7,075.44	7,819.84	8,627.52	9,503.85	10,454.66
Less: accumulated depreciation	1,379.71	1,536.32	1,734.59	2,003.92	2,299.07	2,621.81	2,974.14	3,358.29	3,776.70	4,232.06	4,727.32	5,265.70	5,850.74
Leasehold improvements, property & equipment, net	1,584.31	1,769.28	1,951.15	2,138.09	2,338.01	2,552.41	2,782.87	3,031.06	3,298.74	3,587.78	3,900.20	4,238.14	4,603.92
Long term investments	102.33	274.31	388.06	401.44	415.29	429.62	444.44	459.78	475.64	492.05	509.02	526.58	544.75
Other assets	59.05	56.72	63.16	55.21	65.10	76.76	90.27	106.16	124.54	145.75	170.17	198.20	230.29
Restricted cash	27.85	30.86	24.97	5.39	6.69	8.07	9.73	11.69	13.98	16.65	19.75	23.32	27.44
Operating lease assets	2,767.19	3,118.29	3,302.40	3,618.81	3,957.18	4,320.06	4,710.13	5,130.20	5,583.26	6,072.47	6,601.26	7,173.24	7,792.34
Goodwill	21.94	21.94	21.94	21.94	21.94	21.94	21.94	21.94	21.94	21.94	21.94	21.94	21.94
Total assets	5,982.90	6,652.96	6,927.50	8,286.19	10,246.52	12,549.71	15,259.92	18,438.31	22,158.63	26,503.64	31,566.65	37,452.51	44,302.67
Liabilities													
Accounts payable	121.99	163.16	184.57	218.60	257.72	303.10	356.45	418.17	489.39	571.37	665.48	773.24	898.37
Accrued payroll & benefits	203.05	162.41	170.46	246.74	290.90	342.13	402.34	472.01	552.41	644.95	751.17	872.80	1,014.05
Accrued liabilities	164.65	173.05	147.54	256.19	302.04	355.24	417.75	490.09	573.57	669.65	779.95	906.23	1,052.89
Unearned revenue	127.75	156.35	183.07	193.02	227.56	267.64	314.74	369.24	432.13	504.52	587.62	682.77	793.26
Current operating lease liabilities	204.76	218.71	236.25	258.88	283.09	309.05	336.95	367.01	399.42	434.41	472.24	513.16	557.45
Total current liabilities	822.20	873.68	921.88	1,173.43	1,361.32	1,577.17	1,828.24	2,116.51	2,446.92	2,824.90	3,256.47	3,748.19	4,316.03
Long-term operating lease liabilities	2,952.30	3,301.60	3,495.16	3,830.04	4,188.16	4,572.22	4,985.06	5,429.65	5,909.15	6,426.92	6,986.57	7,591.94	8,247.18
Deferred income tax liability	149.42	141.77	98.62	112.67	136.04	163.92	197.02	235.68	280.65	332.79	393.06	462.50	543.57
Other liabilities	38.84	38.54	43.82	61.33	72.31	85.04	100.01	117.32	137.31	160.31	186.71	216.94	252.05
Total liabilities	3,962.76	4,355.58	4,559.48	5,177.47	5,757.82	6,398.35	7,110.33	7,899.16	8,774.02	9,744.93	10,822.81	12,019.58	13,358.83
Stockholders equity													
Common Equity	1,549.91	1,729.31	1,829.68	1,830.53	1,831.38	1,832.23	1,833.08	1,833.42	1,833.76	1,834.10	1,834.44	1,834.78	1,835.12
Treasury stock, at cost	2,802.08	3,356.10	4,282.01	4,684.41	4,684.41	4,684.41	4,684.41	4,684.41	4,684.41	4,684.41	4,684.41	4,684.41	4,684.41
Accumulated other comprehensive income (loss)	(4.23)	(5.35)	(7.89)	(7.89)	(7.89)	(7.89)	(7.89)	(7.89)	(7.89)	(7.89)	(7.89)	(7.89)	(7.89)
Retained earnings (accumulated deficit)	3,276.16	3,929.15	4,828.25	5,970.49	7,349.62	9,011.43	11,008.81	13,398.03	16,243.15	19,616.92	23,601.70	28,290.46	33,801.02
Total shareholders' equity (deficit)	2,020.14	2,297.37	2,368.02	3,108.71	4,488.70	6,151.35	8,149.59	10,539.15	13,384.61	16,758.72	20,743.83	25,432.93	30,943.83

Chipotle Mexican Grill
Historical Cash Flow Statement

Fiscal Years Ending Dec. 31	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating Activities:										
Net income (loss)	327.44	445.37	475.60	22.94	176.25	176.55	350.16	355.77	652.98	899.10
Depreciation & amortization	96.05	110.47	130.37	146.37	163.35	201.98	212.78	238.53	254.66	286.83
Deferred income tax provision (benefit)	2.10	(20.67)	11.67	(14.21)	(18.03)	10.59	29.96	108.35	(12.36)	(43.20)
Loss on disposal of assets	6.75	6.98	13.19	-	-	-	-	-	-	-
Loss on disposal & impairment of assets	-	-	-	23.88	13.35	61.99	15.40	28.87	17.09	20.74
Provision for credit losses	-	-	-	-	-	-	-	0.16	0.49	(0.76)
Stock-based compensation expense	63.66	96.44	57.91	64.17	65.26	69.16	91.40	82.63	176.39	98.03
Other adjustments	0.51	0.10	0.58	(0.60)	(0.22)	(2.92)	(10.59)	3.64	(4.60)	(16.20)
Changes in Operating Assets and Liabilities:										
Accounts receivable	(7.24)	(10.97)	(3.50)	(1.92)	(0.14)	(8.30)	(2.63)	3.01	(1.69)	(14.03)
Inventory	(1.95)	(2.31)	0.26	(0.09)	(5.25)	(1.72)	(4.53)	(0.39)	(6.39)	(3.01)
Prepaid expenses & other current assets	(6.81)	(0.66)	(5.26)	(4.26)	(6.71)	(3.81)	(23.07)	(11.44)	(26.83)	(14.66)
Operating lease assets	-	-	-	-	-	-	-	-	223.84	234.27
Other assets	(1.35)	1.07	(5.62)	(4.86)	(2.59)	(2.01)	2.82	(26.58)	3.99	(0.35)
Accounts payable	2.05	2.17	19.53	(6.73)	10.91	32.08	(0.97)	(3.86)	21.44	18.21
Accrued payroll & benefits	-	-	-	-	-	29.57	11.76	76.68	(44.56)	9.86
Accrued liabilities	12.02	35.02	(7.44)	33.49	38.57	14.83	36.54	5.60	11.00	(27.96)
Unearned revenue	-	-	-	-	-	6.83	30.40	36.96	34.39	33.37
Income tax payable or receivable	44.33	8.83	32.76	54.34	(4.17)	14.44	(32.08)	(255.25)	193.38	46.26
Operating lease liabilities	-	-	-	-	-	-	(151.56)	(165.15)	(207.16)	(207.19)
Other long-term liabilities	3.86	4.85	4.83	1.29	6.32	0.87	1.86	1.78	(3.98)	3.85
Net cash flows from operating activities	528.78	682.07	683.32	349.24	467.11	621.55	721.63	663.85	1,282.08	1,323.18
Investing Activities:										
Purchases of leasehold improvements, property & equipment	(199.93)	(252.59)	(257.42)	(258.84)	(216.78)	(287.39)	(333.91)	(373.35)	(442.48)	(479.16)
Purchases of investments	(387.64)	(521.00)	(559.37)	-	(199.80)	(485.19)	(448.75)	(468.42)	(429.35)	(614.42)
Maturities of investments	159.25	254.75	352.65	45.00	330.00	385.00	476.72	419.08	345.75	263.55
Proceeds from sale of equipment	-	-	-	-	-	-	13.97	-	4.04	-
Acquisitions of equity method investments	-	-	-	-	-	-	-	(10.03)	-	-
Net cash flows from investing activities	(428.32)	(518.84)	(464.14)	326.81	(86.58)	(387.58)	(291.97)	(432.72)	(522.04)	(830.03)
Financing Activities:										
Acquisition of treasury stock	(138.90)	(88.34)	(460.68)	(837.66)	(285.92)	(160.94)	(190.62)	(54.40)	(466.46)	(830.14)
Tax withholding on stock-based compensation awards	38.38	21.67	74.44	1.32	-	(5.41)	(10.42)	(48.56)	(79.87)	(98.97)
Other financing payments	(0.14)	-	-	-	-	-	-	(1.90)	(2.27)	(0.29)
Net cash flows from financing activities	(100.35)	(66.74)	(386.44)	(836.28)	(285.89)	(166.54)	(201.74)	(104.85)	(548.61)	(929.40)
Effect of exchange rate changes on cash, cash equivalents & restricted cash	0.54	(0.22)	(4.20)	0.11	2.06	(1.46)	0.41	1.08	(1.04)	(1.01)
Cash, cash equivalents, & restricted cash at beginning of year	-	323.20	419.47	248.01	87.88	-	-	-	-	-
Cash, cash equivalents, & restricted cash at end of year	-	419.47	248.01	87.88	184.57	-	-	-	-	-
Net change in cash & cash equivalents	0.65	96.26	(171.46)	(160.13)	96.69	-	228.33	127.36	210.39	(437.26)

Chipotle Mexican Grill
Forecasted Cash Flow Statement

Fiscal Years Ending Dec. 31	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Net income (loss)	1,142.24	1,379.13	1,661.81	1,997.38	2,389.23	2,845.12	3,373.76	3,984.78	4,688.76	5,510.56
OPERATING ACTIVITIES										
Plus: depreciation and amortization	269.34	295.14	322.74	352.34	384.15	418.41	455.36	495.26	538.39	585.04
Accounts receivable	(36.19)	(25.61)	(29.71)	(34.91)	(40.40)	(46.62)	(53.66)	(61.60)	(70.52)	(81.90)
Operating lease assets	(316.41)	(338.37)	(362.89)	(390.07)	(420.07)	(453.05)	(489.22)	(528.78)	(571.99)	(619.10)
Restricted cash	19.57	(1.29)	(1.39)	(1.65)	(1.96)	(2.29)	(2.67)	(3.09)	(3.58)	(4.12)
Inventory	(9.13)	(8.02)	(9.30)	(10.93)	(12.65)	(14.60)	(16.80)	(19.29)	(22.08)	(25.65)
Prepaid expenses and other current assets	(17.36)	(18.57)	(21.55)	(25.32)	(29.30)	(33.81)	(38.92)	(44.68)	(51.15)	(59.40)
Income tax receivables	27.18	(4.26)	(5.09)	(6.04)	(7.05)	(8.21)	(9.52)	(11.00)	(12.67)	(14.79)
Operating lease liabilities	22.64	24.21	25.96	27.90	30.05	32.41	35.00	37.83	40.92	44.29
Accounts payable	34.03	39.12	45.39	53.34	61.72	71.23	81.98	94.11	107.75	125.14
Accrued payroll and benefits	76.29	44.16	51.23	60.21	69.67	80.40	92.54	106.23	121.62	141.25
Accrued liabilities	108.65	45.85	53.19	62.52	72.34	83.48	96.08	110.30	126.28	146.66
Unearned revenue	9.95	34.54	40.08	47.10	54.50	62.89	72.39	83.10	95.14	110.50
Deferred income tax liability	14.05	23.37	27.88	33.10	38.65	44.97	52.15	60.27	69.44	81.06
Other liabilities	17.51	10.98	12.73	14.97	17.32	19.98	23.00	26.40	30.23	35.11
Net cash provided by operating activities:	1,362.36	1,500.38	1,811.10	2,179.93	2,606.18	3,100.30	3,671.48	4,329.85	5,086.55	5,974.64
INVESTING ACTIVITIES										
Long-term investments	(13.39)	(13.85)	(14.33)	(14.82)	(15.33)	(15.86)	(16.41)	(16.98)	(17.56)	(18.17)
Long-term lease liability	334.87	358.12	384.07	412.84	444.59	479.50	517.77	559.65	605.37	655.24
Short-term investments	(19.47)	(20.20)	(20.97)	(21.76)	(22.58)	(23.43)	(24.32)	(25.24)	(26.19)	(27.18)
Capital expenditures	(456.28)	(495.06)	(537.14)	(582.80)	(632.34)	(686.09)	(744.40)	(807.68)	(876.33)	(950.82)
Other Assets	7.94	(9.89)	(11.65)	(13.52)	(15.89)	(18.38)	(21.21)	(24.42)	(28.03)	(32.09)
Net cash provided by investing activities:	(146.32)	(180.88)	(200.02)	(220.06)	(241.55)	(264.26)	(288.57)	(314.66)	(342.74)	(373.02)
FINANCING ACTIVITIES										
Acquisition of Treasury Stock	(402.40)	-	-	-	-	-	-	-	-	-
Common Equity	0.85	0.85	0.85	0.85	0.34	0.34	0.34	0.34	0.34	0.34
Net cash provided by financing activities:	(401.55)	0.85	0.85	0.85	0.34	0.34	0.34	0.34	0.34	0.34
Net change in cash	814.50	1,320.35	1,611.93	1,960.72	2,364.97	2,836.38	3,383.25	4,015.52	4,744.15	5,601.96

Chipotle Mexican Grill
Common Size Income Statement

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Food & beverage revenue	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	1.07%	1.19%	0.89%	2.00%	3.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Total revenue	100.00%												
Restaurant Operating Costs													
Restaurant operating costs - food, beverage & packaging	32.30%	30.59%	30.14%	30.14%	30.14%	30.14%	30.14%	30.14%	30.14%	30.14%	30.14%	30.14%	30.14%
Restaurant operating costs - labor	26.62%	25.41%	25.46%	25.46%	25.46%	25.46%	25.46%	25.46%	25.46%	25.46%	25.46%	25.46%	25.46%
Restaurant operating costs - occupancy	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	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	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	3.99%	3.37%	3.32%	2.65%	2.46%	2.29%	2.12%	1.97%	1.84%	1.71%	1.60%	1.49%	1.40%
Pre-opening costs	0.26%	0.28%	0.34%	0.36%	0.33%	0.30%	0.28%	0.26%	0.24%	0.22%	0.21%	0.19%	0.18%
Gain (loss) on disposal & impairment of assets	0.51%	0.26%	0.24%	0.21%	0.18%	0.16%	0.14%	0.12%	0.10%	0.09%	0.08%	0.07%	0.06%
Total operating expenses	95.15%	89.33%	86.56%	85.87%	85.63%	85.40%	85.19%	85.01%	84.83%	84.68%	84.54%	84.41%	84.30%
Income (loss) from operations	4.85%	10.67%	13.44%	14.13%	14.37%	14.60%	14.81%	14.99%	15.17%	15.32%	15.46%	15.59%	15.70%
Interest & other income (expense), net	0.06%	0.10%	0.24%	0.25%	0.36%	0.49%	0.62%	0.73%	0.84%	0.93%	1.02%	1.10%	1.18%
Income (loss) before income taxes	4.91%	10.77%	13.68%	14.38%	14.73%	15.09%	15.42%	15.73%	16.00%	16.25%	16.48%	16.69%	16.88%
Total provision (benefit) for current income taxes	-1.02%	2.11%	3.27%	3.16%	3.24%	3.32%	3.39%	3.46%	3.52%	3.58%	3.63%	3.67%	3.71%
Net income (loss)	5.94%	8.65%	10.41%	11.22%	11.49%	11.77%	12.03%	12.27%	12.48%	12.68%	12.86%	13.02%	13.17%

Chipotle Mexican Grill
Common Size Balance Sheet

<i>Fiscal Years Ending Dec. 31</i>	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Assets													
Cash & cash equivalents	10.16%	10.80%	4.45%	11.77%	20.98%	29.26%	36.69%	43.42%	49.54%	55.15%	60.30%	65.07%	69.40%
Accounts receivable, net	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	0.44%	0.43%	0.41%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%
Current deferred tax asset	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%
Prepaid expenses & other current assets	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	4.73%	1.25%	0.55%	0.20%	0.21%	0.21%	0.22%	0.22%	0.22%	0.23%	0.23%	0.23%	0.24%
Investments	5.74%	3.46%	5.97%	5.25%	4.62%	4.08%	3.60%	3.18%	2.82%	2.51%	2.24%	2.00%	1.78%
Total current assets	23.73%	18.31%	13.62%	20.09%	28.68%	36.42%	43.37%	49.69%	55.46%	60.75%	65.64%	70.17%	74.28%
Leasehold improvements, property & equipment, net	26.47%	23.44%	22.60%	21.00%	19.48%	18.08%	16.76%	15.56%	14.47%	13.48%	12.58%	11.77%	11.00%
Long term investments	1.71%	3.63%	4.49%	3.94%	3.46%	3.04%	2.68%	2.36%	2.09%	1.85%	1.64%	1.46%	1.30%
Other assets	0.99%	0.75%	0.73%	0.54%	0.54%	0.54%	0.54%	0.55%	0.55%	0.55%	0.55%	0.55%	0.55%
Restricted cash	0.47%	0.41%	0.29%	0.05%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.07%
Operating lease assets	46.24%	41.32%	38.25%	35.54%	32.97%	30.60%	28.37%	26.34%	24.49%	22.82%	21.30%	19.92%	18.62%
Goodwill	0.37%	0.29%	0.25%	0.22%	0.18%	0.16%	0.13%	0.11%	0.10%	0.08%	0.07%	0.06%	0.05%
Total assets	99.97%	88.15%	80.23%	81.39%	56.69%	52.48%	48.55%	44.98%	41.76%	38.84%	36.21%	33.82%	31.60%
Liabilities													
Accounts payable	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	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	2.75%	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	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	3.42%	2.90%	2.74%	2.54%	2.36%	2.19%	2.03%	1.88%	1.75%	1.63%	1.52%	1.42%	1.33%
Total current liabilities	13.74%	11.58%	10.68%	11.53%	11.34%	11.17%	11.01%	10.87%	10.73%	10.62%	10.51%	10.41%	10.31%
Long-term operating lease liabilities	49.33%	43.75%	40.48%	37.62%	34.89%	32.39%	30.03%	27.88%	25.92%	24.15%	22.54%	21.08%	19.71%
Deferred income tax liability	2.50%	1.88%	1.14%	1.11%	1.13%	1.16%	1.19%	1.21%	1.23%	1.25%	1.27%	1.28%	1.30%
Other liabilities	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	66.22%	57.71%	52.80%	50.85%	47.97%	45.32%	42.83%	40.56%	38.49%	36.62%	34.92%	33.37%	31.93%
Stockholders equity													
Common Equity	25.90%	22.91%	21.19%	17.98%	15.26%	12.98%	11.04%	9.41%	8.04%	6.89%	5.92%	5.09%	4.39%
Treasury stock, at cost	46.82%	44.47%	49.59%	46.01%	39.03%	33.18%	28.22%	24.05%	20.55%	17.60%	15.11%	13.01%	11.20%
Accumulated other comprehensive income (loss)	-0.07%	-0.07%	-0.09%	-0.08%	-0.07%	-0.06%	-0.05%	-0.04%	-0.03%	-0.03%	-0.03%	-0.02%	-0.02%
Retained earnings (accumulated deficit)	54.74%	52.06%	55.92%	58.64%	61.23%	63.83%	66.31%	68.79%	71.26%	73.71%	76.15%	78.55%	80.78%
Total shareholders' equity (deficit)	127.39%	119.37%	126.61%	122.55%	115.45%	109.94%	105.52%	102.22%	99.82%	98.18%	97.15%	96.63%	96.34%
Total Liabilities and Equity	193.61%	177.09%	179.41%	173.41%	163.41%	155.26%	148.35%	142.77%	138.32%	134.80%	132.07%	130.01%	128.27%

Chipotle Mexican Grill
Common Size Balance Sheet (Total Assets)

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Assets													
Cash & cash equivalents	10.16%	12.26%	5.54%	14.46%	24.58%	32.92%	39.92%	45.86%	50.96%	55.37%	59.21%	62.57%	65.54%
Accounts receivable, net	1.75%	1.50%	1.54%	1.73%	1.65%	1.58%	1.53%	1.48%	1.45%	1.41%	1.38%	1.35%	1.33%
Inventory	0.44%	0.49%	0.51%	0.54%	0.52%	0.49%	0.48%	0.46%	0.45%	0.44%	0.43%	0.42%	0.42%
Current deferred tax asset	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%
Prepaid expenses & other current assets	0.92%	1.18%	1.25%	1.25%	1.19%	1.15%	1.11%	1.08%	1.05%	1.02%	1.00%	0.98%	0.96%
Income tax receivable	4.73%	1.41%	0.69%	0.25%	0.24%	0.24%	0.24%	0.23%	0.23%	0.23%	0.23%	0.23%	0.22%
Investments	5.74%	3.92%	7.44%	6.45%	5.41%	4.59%	3.92%	3.36%	2.90%	2.52%	2.20%	1.92%	1.68%
Total current assets	23.74%	20.77%	16.97%	24.68%	33.59%	40.96%	47.19%	52.49%	57.05%	61.00%	64.45%	67.48%	70.16%
Leasehold improvements, property & equipment, net	26.48%	26.59%	28.17%	25.80%	22.82%	20.34%	18.24%	16.44%	14.89%	13.54%	12.36%	11.32%	10.39%
Long term investments	0.00%	0.00%	5.60%	4.84%	4.05%	3.42%	2.91%	2.49%	2.15%	1.86%	1.61%	1.41%	1.23%
Other assets	0.99%	0.85%	0.91%	0.67%	0.64%	0.61%	0.59%	0.58%	0.56%	0.55%	0.54%	0.53%	0.52%
Restricted cash	0.47%	0.46%	0.36%	0.07%	0.07%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%	0.06%
Operating lease assets	46.25%	46.87%	47.67%	43.67%	38.62%	34.42%	30.87%	27.82%	25.20%	22.91%	20.91%	19.15%	17.59%
Goodwill	0.37%	0.33%	0.32%	0.26%	0.21%	0.17%	0.14%	0.12%	0.10%	0.08%	0.07%	0.06%	0.05%
Total assets	100%												
Liabilities													
Accounts payable	2.04%	2.45%	2.66%	2.64%	2.52%	2.42%	2.34%	2.27%	2.21%	2.16%	2.11%	2.06%	2.03%
Accrued payroll & benefits	3.39%	2.44%	2.46%	2.98%	2.84%	2.73%	2.64%	2.56%	2.49%	2.43%	2.38%	2.33%	2.29%
Accrued liabilities	2.75%	2.60%	2.13%	3.09%	2.95%	2.83%	2.74%	2.66%	2.59%	2.53%	2.47%	2.42%	2.38%
Unearned revenue	2.14%	2.35%	2.64%	2.33%	2.22%	2.13%	2.06%	2.00%	1.95%	1.90%	1.86%	1.82%	1.79%
Current operating lease liabilities	3.42%	3.29%	3.41%	3.12%	2.76%	2.46%	2.21%	1.99%	1.80%	1.64%	1.50%	1.37%	1.26%
Total current liabilities	13.74%	13.13%	13.31%	14.16%	13.29%	12.57%	11.98%	11.48%	11.04%	10.66%	10.32%	10.01%	9.74%
Long-term operating lease liabilities	49.35%	49.63%	50.45%	46.22%	40.87%	36.43%	32.67%	29.45%	26.67%	24.25%	22.13%	20.27%	18.62%
Deferred income tax liability	2.50%	2.13%	1.42%	1.36%	1.33%	1.31%	1.29%	1.28%	1.27%	1.26%	1.25%	1.23%	1.23%
Other liabilities	0.65%	0.58%	0.63%	0.74%	0.71%	0.68%	0.66%	0.64%	0.62%	0.60%	0.59%	0.58%	0.57%
Total liabilities	66.23%	65.47%	65.82%	62.48%	56.19%	50.98%	46.59%	42.84%	39.60%	36.77%	34.29%	32.09%	30.15%
Stockholders equity													
Common Equity	25.91%	25.99%	26.41%	22.09%	17.87%	14.60%	12.01%	9.94%	8.28%	6.92%	5.81%	4.90%	4.14%
Treasury stock, at cost	46.83%	50.45%	61.81%	56.53%	45.72%	37.33%	30.70%	25.41%	21.14%	17.67%	14.84%	12.51%	10.57%
Accumulated other comprehensive income (loss)	-0.07%	-0.08%	-0.11%	-0.10%	-0.08%	-0.06%	-0.05%	-0.04%	-0.04%	-0.03%	-0.02%	-0.02%	-0.02%
Retained earnings (accumulated deficit)	54.76%	59.06%	69.70%	72.05%	71.73%	71.81%	72.14%	72.66%	73.30%	74.02%	74.77%	75.54%	76.30%
Total shareholders' equity (deficit)	33.77%	34.53%	34.18%	37.52%	43.81%	49.02%	53.41%	57.16%	60.40%	63.23%	65.71%	67.91%	69.85%

Chipotle Mexican Grill
Value Driver Estimation

Fiscal Years Ending Dec. 31	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
NOPLAT:													
Total revenue	5,984.63	7,547.06	8,634.65	10,181.28	12,003.40	14,117.36	16,601.81	19,476.45	22,793.87	26,612.21	30,995.53	36,014.11	41,842.53
Less: Food, beverage & packaging	1,932.77	2,308.63	2,602.25	3,068.36	3,617.49	4,254.58	5,003.32	5,869.66	6,869.44	8,020.18	9,341.20	10,853.66	12,610.18
Less: Labor	1,593.01	1,917.76	2,197.96	2,592.15	3,056.07	3,594.28	4,226.82	4,958.70	5,803.32	6,775.47	7,891.46	9,169.19	10,653.11
Less: Occupancy	387.76	416.61	460.43	542.90	640.06	752.78	885.26	1,038.54	1,215.44	1,419.04	1,652.77	1,920.38	2,231.17
Less Other operating costs	1,030.01	1,197.05	1,311.91	1,546.89	1,823.74	2,144.92	2,522.39	2,959.15	3,463.18	4,043.32	4,709.30	5,471.80	6,357.34
Less: General & administrative expenses	466.29	606.85	564.19	665.25	784.31	922.43	1,084.77	1,272.60	1,489.36	1,738.85	2,025.26	2,353.17	2,734.00
Less: Depreciation & amortization	238.53	254.66	286.83	269.34	295.14	322.74	352.34	384.15	418.41	455.36	495.26	538.39	585.04
Less: Pre-opening costs	15.52	21.26	29.56	36.23	39.31	42.66	46.28	50.21	54.48	59.11	64.14	69.59	75.51
Less: Gain (loss) on disposal & impairment of assets	30.58	19.29	21.14	21.50	21.86	22.23	22.61	22.99	23.38	23.77	24.17	24.58	25.00
Plus: Implied Interest on operating leases	116.50	128.67	145.00	153.56	168.27	184.01	200.88	219.02	238.55	259.62	282.37	306.96	333.56
EBITA	406.67	933.62	1305.40	1592.23	1893.70	2244.75	2658.90	3139.46	3695.42	4336.72	5074.34	5920.31	6904.75
Total income tax provision (benefit)	(61.00)	159.00	282.00	322.17	388.99	468.71	563.36	673.88	802.47	951.57	1,123.91	1,322.47	1,554.26
Plus: Tax shield on operating lease interest	25.63	28.31	31.90	33.78	37.02	40.48	44.19	48.18	52.48	57.12	62.12	67.53	73.38
Less: Tax shield on interest and other expense (income)	0.80	1.72	4.65	5.66	9.39	15.35	22.60	31.39	41.96	54.61	69.68	87.53	108.60
Adjusted taxes	(34.57)	189.03	318.55	361.62	435.40	524.55	630.16	753.46	896.91	1,063.30	1,255.71	1,477.53	1,736.24
Plus: Change in deferred tax liability	-111.61	7.66	43.14	-14.05	-23.37	-27.88	-33.10	-38.65	-44.97	-52.15	-60.27	-69.44	-81.06
NOPLAT	329.63	752.25	1,030.00	1,216.56	1,434.94	1,692.32	1,995.65	2,347.35	2,753.54	3,221.27	3,758.36	4,373.34	5,087.44
Invested Capital (IC):													
Operating Current Assets:													
Normal cash	134.65	169.81	194.28	229.08	270.08	317.64	373.54	438.22	512.86	598.77	697.40	810.32	941.46
Plus: Accounts receivable	104.50	99.60	106.88	143.07	168.68	198.39	233.30	273.69	320.31	373.97	435.57	506.09	588.00
Plus: Inventory	26.45	32.83	35.67	44.80	52.82	62.12	73.05	85.70	100.30	117.10	136.39	158.47	184.12
Plus: Prepaid expenses & other current assets	54.91	78.76	86.41	103.77	122.34	143.89	169.21	198.51	232.32	271.24	315.91	367.06	426.46
Plus: Income tax receivable	282.78	94.06	47.74	20.56	24.83	29.91	35.95	43.01	51.21	60.73	71.73	84.40	99.20
Plus: Operating lease assets	2,767.19	3,118.29	3,302.40	3,618.81	3,957.18	4,320.06	4,710.13	5,130.20	5,583.26	6,072.47	6,601.26	7,173.24	7,792.34
Operating Current Assets:	3,370.47	3,593.35	3,773.38	4,160.09	4,595.92	5,072.01	5,595.19	6,169.33	6,800.26	7,494.29	8,258.25	9,099.58	10,031.57
Operating Current Liabilities:													
Less: Accounts Payable	121.99	163.16	184.57	218.60	257.72	303.10	356.45	418.17	489.39	571.37	665.48	773.24	898.37
Less: Accrued liabilities	367.70	335.46	318.00	502.94	592.95	697.37	820.10	962.10	1,125.97	1,314.59	1,531.12	1,779.03	2,066.94
Less: Deferred revenue	127.75	156.35	183.07	193.02	227.56	267.64	314.74	369.24	432.13	504.52	587.62	682.77	793.26
Less: Income tax payable	7.00	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	18.00	19.00
Less: Non-interest bearing current liabilities	624.44	662.97	694.63	924.55	1,089.23	1,280.12	1,504.29	1,763.51	2,062.50	2,406.49	2,801.23	3,253.03	3,777.58
Plus: Net PP&E	1,584.31	1,769.28	1,951.15	2,138.09	2,338.01	2,552.41	2,782.87	3,031.06	3,298.74	3,587.78	3,900.20	4,238.14	4,603.92
Other operating liabilities	3,140.56	3,481.90	3,637.60	4,004.04	4,396.50	4,821.19	5,282.09	5,782.65	6,327.10	6,920.02	7,566.34	8,271.39	9,042.80
Total Invested Capital	1,189.78	1,217.75	1,392.30	1,369.59	1,448.19	1,523.11	1,591.68	1,654.24	1,709.40	1,755.55	1,790.87	1,813.30	1,815.12
Free Cash Flow (FCF):													
NOPLAT	329.63	752.25	1,030.00	1,216.56	1,434.94	1,692.32	1,995.65	2,347.35	2,753.54	3,221.27	3,758.36	4,373.34	5,087.44
Change in IC	162.95	27.98	174.54	(22.71)	78.61	74.92	68.57	62.56	55.16	46.16	35.32	22.43	1.81
FCF	166.69	724.27	855.46	1,239.27	1,356.33	1,617.40	1,927.08	2,284.80	2,698.37	3,175.11	3,723.04	4,350.91	5,085.63
Return on Invested Capital (ROIC):													
NOPLAT	329.63	752.25	1,030.00	1,216.56	1,434.94	1,692.32	1,995.65	2,347.35	2,753.54	3,221.27	3,758.36	4,373.34	5,087.44
Beginning IC	1,026.83	1,189.78	1,217.75	1,392.30	1,369.59	1,448.19	1,523.11	1,591.68	1,654.24	1,709.40	1,755.55	1,790.87	1,813.30
ROIC	0.32	0.63	0.85	0.87	1.05	1.17	1.31	1.47	1.66	1.88	2.14	2.44	2.81
Economic Profit (EP):													
Beginning IC	1026.83	1189.78	1217.75	1392.30	1369.59	1448.19	1523.11	1591.68	1654.24	1709.40	1755.55	1790.87	1813.30
x (ROIC - WACC)	0.22	0.54	0.75	0.78	0.95	1.07	1.21	1.38	1.57	1.79	2.04	2.34	2.71
EP	229.95	636.75	911.78	1081.40	1301.98	1551.74	1847.79	2192.84	2592.95	3055.33	3587.94	4199.49	4911.41

Chipotle Mexican Grill
Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	4.62%
Beta	1.11
Equity Risk Premium	4.88%
Cost of Equity	10.06%

Cost of Debt:

Risk-Free Rate	4.62%
Implied Default Premium	0.03%
Pre-Tax Cost of Debt	4.65%
Marginal Tax Rate	22%
After-Tax Cost of Debt	3.63%

Market Value of Common Equity:

Total Shares Outstanding	27.63
Current Stock Price	\$ 2,084.00
MV of Equity	57,574.67

MV Weights

94.58%

Market Value of Debt:

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

5.42%

Market Value of the Firm

60,877.07

100.00%

Estimated WACC

9.71%

Chipotle Mexican Grill
Relative Valuation Models

Ticker	Company	Price	EPS		Est. 5yr					Revenue	EBIT
			2023E	2024E	P/E 23	P/E 24	EPS gr.	PEG 23	PEG 24	Multiple	Multiple
PZZA	Papa John's International Inc.	\$64.45	\$2.56	\$2.88	25.18	22.38	5.40	4.66	4.14	1.48	15.29
YUM	Yum! Brands	\$125.95	\$5.33	\$5.84	23.63	21.57	14.54	1.63	1.48	6.49	18.74
MCD	McDonald's Corporation	\$267.79	\$11.78	\$12.47	22.73	21.47	9.03	2.52	2.38	9.00	16.00
JACK	Jack in the Box Inc.	\$65.14	\$6.09	\$6.68	10.70	9.75	8.14	1.31	1.20	9.59	17.62
WEN	The Wendy's Company	\$18.65	\$1.00	\$0.93	18.65	20.05	13.91	1.34	1.44	3.41	13.80
DIN	Dine Brands Global, Inc.	\$42.55	\$6.42	\$6.46	6.63	6.59	8.20	0.81	0.80	2.59	10.44
					17.92	16.97		2.04	1.91	5.43	15.32

CMG	Chipotle Mexican Grill	\$2,084.00	\$44.14	\$53.13	47.21	39.23	10.00	4.72	3.92	6.57	33.48
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Implied Relative Value:

P/E (EPS23)	\$ 790.93
P/E (EPS24)	\$ 901.51
PEG (EPS23)	\$ 902.50
PEG (EPS24)	\$ 1,013.73
Revenue Multiple 2022	\$ 1,810.71
EBIT Multiple 2022	\$ 1,810.71

Chipotle Mexican Grill
Valuation of Options Granted under ESOP

Current Stock Price	\$2,084.00
Risk Free Rate	4.62%
Current Dividend Yield	0.00%
Annualized St. Dev. of Stock Returns	18.59%

<i>Range of</i>	<i>Number of Shares</i>	<i>Average Exercise Price</i>	<i>Average Remaining Life (yrs)</i>	<i>B-S Option Price</i>	<i>Value of Options Granted</i>
Range 1	0.355	1,053.84	4.40	\$ 1,226.07	\$ 313
Total	0.36	\$ 1,053.84	4.40	\$ 1,226.07	\$ 313

Chipotle Mexican Grill
Sensitivity Tables

		Risk-Free Rate							
		2,203.48	3.87%	4.12%	4.37%	4.62%	4.87%	5.12%	5.37%
Beta	1.00	2,827.18	2,681.95	2,550.87	2,431.97	2,323.67	2,224.64	2,133.74	
	1.05	2,685.27	2,553.86	2,434.69	2,326.16	2,226.91	2,135.84	2,051.98	
	1.08	2,606.73	2,482.70	2,369.94	2,266.99	2,172.65	2,085.91	2,005.90	
	1.11	2,532.64	2,415.40	2,308.54	2,210.77	2,120.99	2,038.29	1,961.87	
	1.20	2,333.65	2,233.77	2,142.14	2,057.79	1,979.91	1,907.79	1,840.84	
	1.27	2,199.30	2,110.44	2,028.55	1,952.85	1,882.69	1,817.49	1,756.77	
	1.35	2,063.64	1,985.32	1,912.81	1,845.50	1,782.87	1,724.45	1,669.86	

		After-Tax Cost of Debt							
		2,203.48	2.13%	2.63%	3.13%	3.63%	3.68%	3.73%	3.78%
Cost of Equity	8.00%	2,821.45	2,806.37	2,791.30	2,776.23	2,774.72	2,773.22	2,771.71	
	9.00%	2,823.76	2,808.83	2,793.90	2,778.98	2,777.49	2,776.00	2,774.50	
	9.50%	2,824.89	2,810.03	2,795.17	2,780.33	2,778.84	2,777.36	2,775.87	
	10.04%	2,826.09	2,811.31	2,796.53	2,781.76	2,780.29	2,778.81	2,777.33	
	11.75%	2,829.77	2,815.24	2,800.70	2,786.18	2,784.72	2,783.27	2,781.82	
	12.25%	2,830.81	2,816.35	2,801.89	2,787.43	2,785.98	2,784.54	2,783.09	
	12.75%	2,831.84	2,817.45	2,803.06	2,788.67	2,787.23	2,785.79	2,784.35	

		Marginal Tax Rate							
		2,203.48	19.00%	20.00%	21.00%	22.00%	23.00%	24.00%	25.00%
Pre-Tax Cost of Debt	4.20%	2,291.08	2,260.70	2,230.38	2,200.11	2,169.90	2,139.74	2,109.65	
	4.35%	2,292.12	2,261.77	2,231.48	2,201.24	2,171.05	2,140.92	2,110.85	
	4.50%	2,293.17	2,262.84	2,232.58	2,202.36	2,172.20	2,142.10	2,112.04	
	4.65%	2,294.20	2,263.91	2,233.67	2,203.48	2,173.35	2,143.27	2,113.24	
	4.80%	2,295.24	2,264.98	2,234.76	2,204.60	2,174.49	2,144.44	2,114.43	
	4.95%	2,296.27	2,266.04	2,235.85	2,205.72	2,175.64	2,145.60	2,115.62	
	5.10%	2,297.30	2,267.10	2,236.94	2,206.83	2,176.77	2,146.77	2,116.81	

		Store Opening Growth							
		2,203.48	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%
WACC	9.39%	2,106.84	2,182.29	2,260.65	2,342.03	2,426.53	2,514.27	2,605.35	
	9.49%	2,067.03	2,140.69	2,217.19	2,296.63	2,379.10	2,464.74	2,553.63	
	9.59%	2,028.68	2,100.62	2,175.32	2,252.89	2,333.42	2,417.03	2,503.81	
	9.69%	1,991.72	2,061.99	2,134.96	2,210.73	2,289.38	2,371.04	2,455.80	
	9.79%	1,956.05	2,024.73	2,096.03	2,170.06	2,246.91	2,326.69	2,409.49	
	9.89%	1,921.63	1,988.76	2,058.46	2,130.82	2,205.93	2,283.89	2,364.81	
	9.99%	1,888.39	1,954.03	2,022.18	2,092.92	2,166.35	2,242.57	2,321.67	

		WACC							
		2,203.48	9.41%	9.51%	9.61%	9.71%	9.81%	9.91%	10.01%
CV Growth NOPLA	3.50%	2,198.35	2,159.03	2,121.04	2,084.32	2,048.79	2,014.41	1,981.12	
	4.00%	2,332.81	2,287.75	2,244.33	2,202.48	2,162.10	2,123.13	2,085.50	
	4.50%	2,494.66	2,442.15	2,391.74	2,343.31	2,296.75	2,251.95	2,208.81	
	5.00%	2,693.20	2,630.79	2,571.13	2,514.06	2,459.39	2,407.00	2,356.74	
	5.50%	2,942.53	2,866.47	2,794.17	2,725.35	2,659.77	2,597.21	2,537.47	
	6.00%	3,264.96	3,169.30	3,078.99	2,993.60	2,912.74	2,836.07	2,763.26	
	6.50%	3,698.21	3,572.74	3,455.39	3,345.42	3,242.14	3,144.97	3,053.39	