



Stock Rating

Hold

Target Price: \$58-63 | Current Price: \$58.63

Company Overview

Chipotle Mexican Grill, Inc. engages in the business of developing and operating restaurants that serve a wide menu of burritos, burrito bowls, quesadillas, tacos and salads made using fresh, high-quality ingredients. The company was founded by Steve Eells in 1993 and is head quartered in Newport Beach, CA.

Valuation Summary

DCF/EP	\$61.28
DDM	\$39.12
Relative PE	\$24.87-\$88.21

Price Data

Current Price	\$58.63
52-week Low – High	\$43.20-\$69.26
Beta Value	0.99
WACC	9.27%
Current P/E	\$24.87

Share Highlights

Market Capitalization	\$79.889 B
Shares Outstanding	1.371 B
EPS (FY23)	0.90

Financial Metrics

2023 Revenue	\$9,871.6M
2024E Revenue	\$11,382.2M
2023 Net Income	\$1,228.7M
2024E Net Income	\$1,345.6M
2023 Profit Margin	12.45%
2024E Profit Margin	11.76%

Financial Ratios

2023 Quick Ratio	1.53
2023 ROA	15.27%
2023 Operating Margin	16.42%

Investment Thesis

We recommend a **HOLD** for Chipotle because of its strong relative positioning, overall positive industry outlook, and continued store growth opportunities.

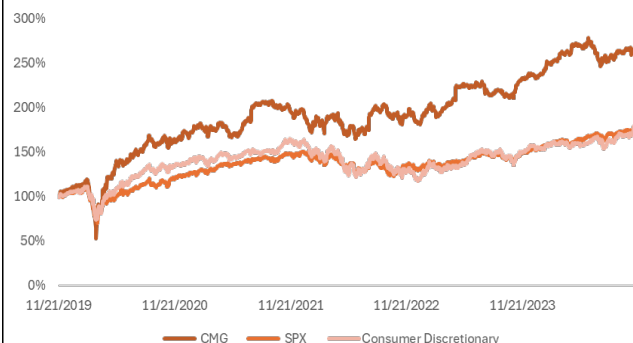
Drivers of Thesis

- **Strong Brand:** Chipotle is dominant in the quick-service restaurant space specializing in healthier food options. Chipotle has strong brand positioning and for many is the top quick-service food option with Mexican food.
- **Technological Innovation:** Technology is creating opportunities for innovation within the restaurant space as AI and technology can increase operational efficiency within these companies. Chipotle is embracing robots and tech to improve in-store operations, reduce labor costs, and improve the efficiency and speed of its stores.
- **Store Growth and Expansion:** Chipotle management has outlined ambitious expansion plans in the next few years and a new focus on expanding overseas operations.

Risks to Thesis

- **Competition:** Chipotle operates in a highly competitive environment with consumers having many different quick-service options and easily available substitutes. This means consumers can be highly elastic to changes in prices or Chipotle's overall experience.
- **Public Scrutiny:** Chipotle recently came under public scrutiny for suspicions of shrinking portion sizes. An internal survey found that about 10% of meals were too small. Scrutiny over portion sizes, ingredients, and food quality/quantity could present a risk to Chipotle.

CMG Relative to S&P and Consumer Industry



Earnings Estimates (\$bn)

2024	2025	2026	2027
\$1.35	\$1.58	\$1.87	\$2.2

Executive Summary

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

We recommend a **HOLD** rating as Chipotle is a strong performing and young company with a great growth profile. Its ability to operate without debt, embrace technology to improve operations, expand rapidly, and its prioritization of quality and fresh ingredients will drive this growth.

Company Analysis

Business Profile & Corporate Strategy:

Chipotle Mexican Grill distinguishes itself by serving high-quality and sustainably sourced ingredients. Their goal is to provide customers with great-tasting sizeable, and customizable meals using fresh, organic, and responsibly sourced ingredients. The quality of their ingredients and the highly customizable nature of their food is what sets them apart from other quick-service restaurants. Chipotle aims to use technology to enhance its operations and drive growth and productivity to best serve their customers delicious and healthy meals in a quick and efficient manner.

It currently has over 3,600 restaurants throughout the United States and 70 international stores. Chipotle executives have said the company expects to open 285 to 315 stores by the end of 2024 which would be about a 10% increase from opening 271 in 2023. The company owns all of its stores and does not operate in a franchise model like some of its competitors. Chipotle strategically prioritizes full-price sales and believes the quality of its food encourages consumers to get Chipotle without relying on discounts to attract customers showcasing strong brand position and loyalty. By focusing on the quality and consistency of its food over all else it differentiates itself from the competition.

Catalysts for Growth:

There are several potential catalysts and opportunities for growth for Chipotle including amplifying and incorporating new technology to improve operational efficiency and reduce costs, investing into its digital and mobile ordering service, along with restaurant expansions, particularly internationally. Chipotle has recently started using robots as a test in a couple of its stores for making and seasoning tortilla chips, prepping avocados for guacamole, and making bowls. If this is successful and sees significant expansion it could help improve speed of service and reduce labor costs for Chipotle. This is one of many potential technological innovations Chipotle could incorporate to improve its operations.

Along with technological change is the potential for further expansion. Currently about 98% of Chipotle's 3600 locations are in the United States. The company has historically experienced slow growth outside of the United States, but this is intentional from a management perspective to ensure that their international growth while slow, is thought out and successful. Just this year, they opened their first location in Kuwait which displays their ambition for international growth. Chipotle plans to open between 315 and 345 stores in 2025 which would be a company record and several of those are expected to be in locations outside of the United States.

A further growth catalyst could be digital orders. In 2023, Chipotle received around 37% of its revenue from mobile/digital orders, this number has increased YOY for the past 3 years and will likely continue to do so. This could continue to be a significant growth focus for the company.

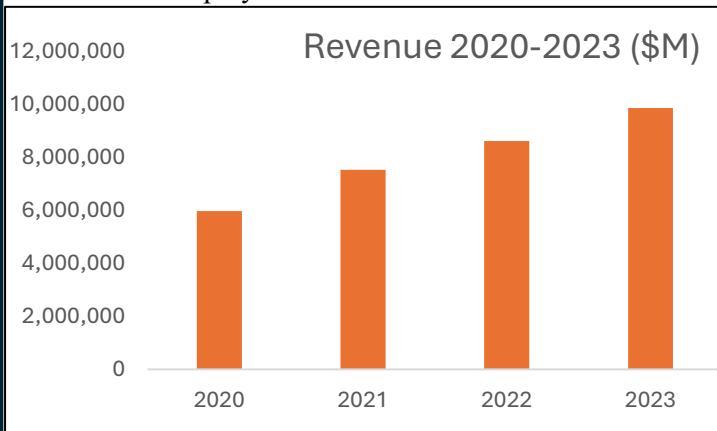


Source: Chipotle Investor Room

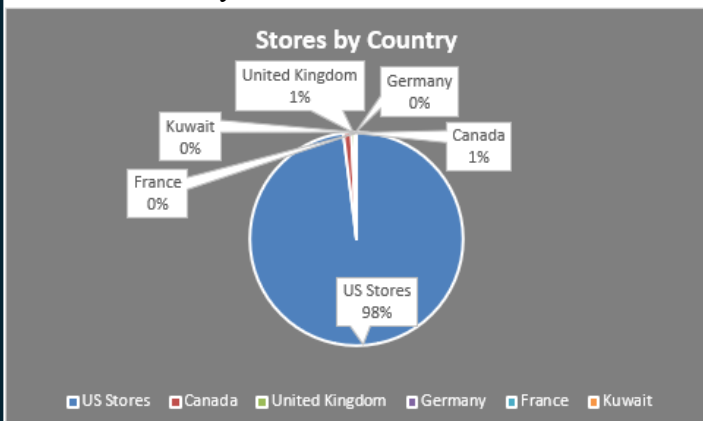
Revenue Analysis:

Chipotle's main source of revenue is from food and beverage sales with the second source being from delivery sales through third party apps like DoorDash. Common purchases include items such as burritos, tacos, burrito bowls, chips and queso, quesadillas, and salad. In the third quarter of 2024, approximately 99.4% of Chipotle's revenue came through food and beverage with delivery being responsible for 0.6% of revenue. We believe the delivery service revenue will continue to decline in revenue share as it has since the country began to open back up after Covid-19 and have forecasted a decline of 7% for 2024 and a continuous decline of 4% per year in delivery revenue after 2026. Delivery service revenue experiences negative growth in both 2022 and 2023. A significant portion of food and beverage revenue comes through digital sales which made up 37.4% of that revenue in 2023. Unlike some of its competitors in the quick-service industry, Chipotle does not invest much in promotions or discounts. It prioritizes full-price

sales and believes that it has the required brand positioning to leverage strong sales growth without the heavy use of discounts that competitors such as McDonalds employ.



Chipotle has experienced steady revenue growth since 2017, and we expect this to continue fueled by an increase in both same-store sales and store expansions. The above chart displays sales growth from 2020-2023. While some of their revenue growth has come through post-Covid inflation, it is still a sign of strong growth for the company. In 2022 and 2023 revenue by store experienced growth of between 6 and 7%, prices were increased about 10-15% between 2020 and 2023 driving a lot of this revenue growth. An increase in prices goes straight to the bottom line and is healthy for profitability if it can be pulled off without losing sales. Revenue by store has increased in each of the last 9 years and we forecast it to continue to increase at around a 7.5% rate in the next years.



We expect store growth to remain strong as Chipotle management has cited store growth as a strong priority in the coming years. As mentioned earlier, Chipotle plans on opening between 315 to 345 new stores in 2025 which would represent a growth of around 9-10%. International expansion is seen as an opportunity for growth and the opening of a store in Kuwait this year, the company's first in Asia, displays their intentions for growth both domestically in the U.S. and abroad. New store growth will help to drive strong overall revenue growth for

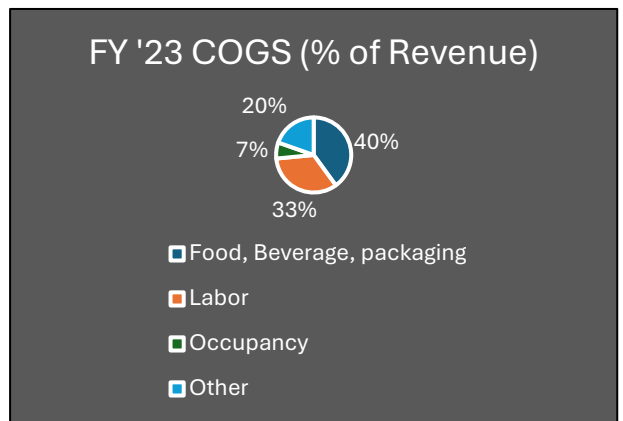
Chipotle. We are forecasting total revenue growth hovering around 15% for the next several years with it reaching around 16.5% growth in 2025.

Expense and Earnings Analysis:

The largest expense item for Chipotle is food, beverage, and packaging costs which made up approximately 29.5% of sales in 2023. The net largest is labor which made up 24.7% of sales in 2023. Other operating costs made up approximately 20% of sales including occupancy and other costs. At the end of fiscal year 2023, Chipotle experienced a profit margin of 12.4% which was a 2% increase from the previous year. We forecast a profit margin around 12-13% for the next several years until 2029 where we expect it to reach around 13.2%.

We are forecasting that as Chipotle expands it will successfully lower operating costs as a % of sales and improve its margins. We used a 3-year historical average to forecast operating costs as a % of sales. We believe this timespan offers the most accurate representation of future costs for Chipotle along with small decreases to adjust for improvements in operations to reduce costs such as technology helping lower labor costs and inflation lowering to improve product costs.

We have forecasted operating costs such as food, beverage, and packaging cost to make up approximately 29% of sales in the future using a 3-year historical average and expectations about lowering food inflation and technological innovation helping to improve operational efficiency. We have forecasted future labor costs to make up about 25.2% of sales using a 3-year historical average. These are by far the most significant operating cost categories for Chipotle.



We believe labor costs will not increase significantly for Chipotle. They have piloted a couple of new technologies in California stores that could help improve operational efficiency and cut labor costs. While wage growth is still outpacing inflation, the rapid rate at which it was occurring post-Covid is

slowing down which should allow Chipotle to keep it at a steady rate and help keep overall costs from growing to protect their margins. The current job market favors employers which also helps to keep wage costs lower. We have forecasted future labor costs to make up approximately 25.2% of sales using recent historical averages and management guidance.

Capital Expenditures:

In 2024, Chipotle will likely open between 285 and 315 new stores followed by a projected 315 to 345 new stores in 2025 which would represent around a 9-10% increase in store count each year. Chipotle spent approximately \$561 million in capital expenditures in 2023 which represents a 17% YOY increase from 2022. We project capital expenditures to continue to increase as Chipotle pursues expansion and store growth. We used historical averages of CapEx along with management guidance on future store openings to forecast future capital expenditures. We have a forecasted CapEx of \$660m for 2025 which would represent about a 18% increase from the previous year. This is driven by the previously mentioned growth in new store openings as Chipotle is expected to add more stores in 2024 and 2025 than in 2023 to pursue aggressive growth.

Capital Structure:

Chipotle is rare among the restaurant industry in that it does not carry any debt on their balance sheet apart from lease liabilities which are just rent payments on their stores. Chipotle sources its capital for operations from equity and reinvestment of profits and has not taken on any loans or issued any bonds for debt-sourced capital. Due to this, the company has a strong credit profile with not having debt and operating with strong margins and positive growth. Chipotle underwent a 50/1 stock split in June 2024 making their shares more affordable for their average investor with typical prices hovering around \$43-\$69 this past year instead of being around \$2400 previously. The company does not pay out any dividends to shareholders and we do not see this changing in the near future. They do however engage in share repurchases to boost shareholder value.

that they have been the main driver of growth in chain restaurants over the past 50 years.

Firms in this industry typically make money through food and beverage sales. Drinks represent a low-cost and high margin opportunity for restaurants across classifications to make money. However, there are many different possible revenue streams for restaurants including: food and beverage sales, alcohol sales, online ordering and delivering services, loyalty programs, catering services, special events and private dining, and merchandise sales. Most restaurants buy their ingredients wholesale and for reduced prices since they are not buying from expensive grocery stores for the most part. They then cook and sell their products at a marked-up price to make a profit all while dealing with high overhead costs. There are several cost sources for restaurants but some of the major ones include ingredients (COGS), rent/property costs, insurance, and labor. This industry is a crucial aspect of the American economy.

U.S. - ECONOMIC CONTRIBUTIONS								
BY TYPE OF FOODSERVICES AND DRINKING PLACES, 2024								
	OUTPUT		EMPLOYMENT		LABOR INCOME		TAXES	
FULL-SERVICE RESTAURANTS	Direct	\$545.12B	Direct	5.65M	Direct	\$198.78B	Direct	\$86.92B
	Total	\$1.45T	Total	9.40M	Total	\$468.70B	Total	\$198.54B
LIMITED-SERVICE RESTAURANTS	Direct	\$568.27B	Direct	5.56M	Direct	\$160.79B	Direct	\$84.43B
	Total	\$1.60T	Total	9.76M	Total	\$458.92B	Total	\$208.48B
ALL OTHER FOOD AND DRINKING PLACES	Direct	\$254.86B	Direct	2.96M	Direct	\$112.83B	Direct	\$45.32B
	Total	\$657.29B	Total	4.76M	Total	\$244.00B	Total	\$97.56B

Source: restaurant.org

Recent Developments and Industry Trends:

Currently there have been some changes and developments in the restaurant industry in 2024. Owners and operators are benefiting from declining inflation, recovering supply chains, and easing labor shortages. For a while high inflation had caused food and wage prices to drastically increase but that inflationary setting seems to be ending. Prices had been challenging restaurant sales, but overall consumer enthusiasm seems strong according to a Bank of America analyst report. A KPMG industry report also offered a perspective of "cautious optimism" for the restaurant industry even with headwinds from labor, interest rates, and inflation. The post-pandemic restaurant industry has faced significant challenges with less consumers going out to eat and the following inflation causing price challenges on both the sales side and the supply chain side. Delivery times and freight rates have recently

Industry Analysis

Industry Description

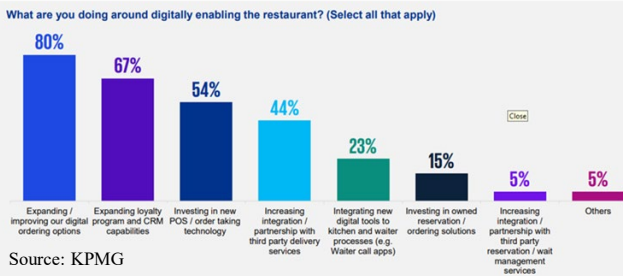
The restaurant industry is typically segmented according to the level of service customers receive. This results in 4 general segments: quick service, fast casual, casual dining, and fine dining. The quicker the service tends to be, the cheaper the products that the restaurants sell also tend to be. Industry revenue is measured across several product and service lines which would include American, Italian/pizza, Seafood, Asian (Chinese, Japanese, Tai), and more. American chains tend to appeal to the broadest market in the United States. American chains tend to sell food items such as burgers, steaks, salads, fries, and more. These foods are so pervasive in American culture

improved, easing some cost pressures. Most of the industry experienced positive unit growth in 2023. Since 2023 consumers have displayed a notable preference towards spending on experiences rather than things and restaurants can fall into the experience category in some cases. Restaurants are also trying to do things differently themselves. Some notable overall trends for restaurants include expanding digital ordering options, improving loyalty programs and CRM capabilities, and investing in new point of sale technologies to streamline operations. Some are identifying future investment opportunities in AI and are using technology to actively transform their accounting, FP&A, and HR functions.

Technological Innovation

The restaurants likely to benefit the most from these trends and changes would be quick service restaurants who rely on the speed and convenience of their operations to attract customers. New technological innovation that can continue to improve speed of service will continue to benefit restaurants whose primary offering to customers is the speed at which they can order and receive their food. Quick service restaurants have also seemed to be the first to start embracing AI with a KPMG report stating that about 30% of QSR's in a piloting and adopting stage. Fast casuals seem to be far behind in this category with almost none at the piloting stage and still exploring options.

Executives are focused on expanding digital capabilities



Quick-Service Restaurant Porter's Five Forces

Threat of New Entrants: Low-Moderate

Compared to other industries, the upfront capital required to start a restaurant is not too intensive. Oftentimes it is made easier by franchises. In that case, a franchisee would need to come up with the money but would have a lot of help in knowing how to set up the restaurant after putting up the capital if they are opening a franchise. There is an existing standardized business model already in place. Many competitors in the quick-service category are franchises so this constitutes a threat. Strong brand identity and loyalty of existing competitors can provide a barrier to entry for new competitors.

It would be difficult for a new Mexican restaurant to take customers away from Chipotle which has such a high level of brand recognition already. Regulatory requirements can also pose a challenge as health and safety standards are high in this industry.

Bargaining Power of Suppliers: Low

There are many suppliers available for quick service restaurants. While quality is still an important consideration, price is often #1 for quick-service restaurants because they tend to sell food cheaper than restaurants that have a higher level of service. Suppliers are numerous for many standard ingredients and provide low-cost products which reduces bargaining power. This can be different for unique or specialized ingredients, but oftentimes large restaurant chains will vertically integrate their suppliers for those rendering that challenge redundant. Large chains will also often negotiate bulk deals to keep prices low.

Bargaining Power of Buyers: Moderate-High

Bargaining power of consumers in this industry is relatively high due to high competition, abundance of substitutes, and the importance of price. Customers are highly price-sensitive in this industry and even minor changes in price can cause significant changes in customer retention and acquisition. Convenience is also important; customers choose restaurants based on how quickly they get their food. Quicker service can lead to more customers.

Threat of Substitute Products: High

The threat of substitutes is high in this industry because many chain and quick-service restaurants already offer similar menus. There are a plurality of quick-service restaurants that offer items such as burgers, fries, shakes, and sandwiches. Customers can easily switch between different restaurants products according to their preferences. There is also always a risk of competitors expanding their menus to include the same products as each other if they do not do so already.

Industry Rivalry Among Competitors: High

There is intense competition among competitors in this industry. Chipotle has competitors such as Starbucks, McDonalds, and more that offer quick-service food at a similar price point. These rivalries force company's to continuously improve their operations to deliver the best value to consumers. New companies enter the industry each year and there is constant jousting in terms of price, speed, and service to beat each other.

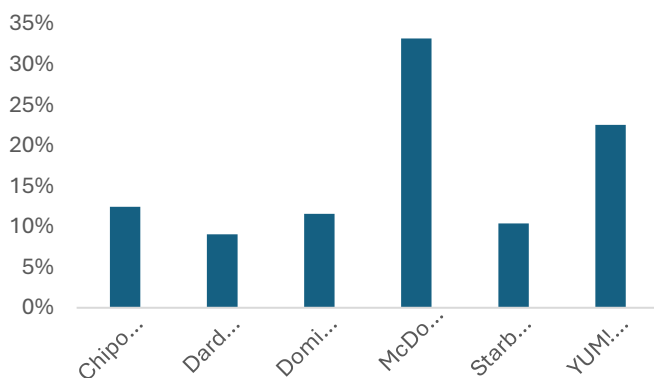
Peer Comparisons

Corporation Ticker	Market Cap	Revenue	Net Income
Chipotle CMG	79,888.83	9,871.60	1,228.70
Darden Restaurant DRI	19,596.70	11,390.00	1,030.50
Domino's Pizza DPZ	14,865.00	4,479.40	519.10
McDonald's MCD	209,704.40	25,493.70	8,468.80
Starbucks SBUX	111,529.50	36,176.20	3,763.70
YUM! Brands YUM	37,281.20	7,076.00	1,597.00

Source: FactSet, Smm

Chipotle has many competitors in the quick-service restaurant industry, notable competitors are listed in the table above along with their market cap, revenue, and net income. Chipotle ranks 4th in net income and 3rd in market cap and revenue. All dollar amounts are in millions.

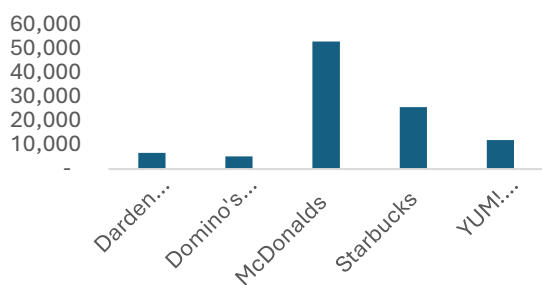
Net Income as % of Sales



Source: Bloomberg

Chipotle ranks 3rd amongst its competitors in net income % of sales. This ratio is effectively measuring how well each company retains their sales at profit. The quick-service restaurant industry has tight margins due to high labor costs and inputs, turning sales into profit is an important measure for the industry.

Debt Outstanding (\$mn)



Source: Bloomberg

Many of Chipotle's competitors have debt as a major source of capital. Chipotle does not carry any debt on the balance sheet which allows them to retain a larger portion of sales since they do not pay interest expense.

Operational Metrics	Chipotle	Darden	Domino's	McDonald's	Starbucks	YUM! Brands, Inc.
Total # of Stores	3437	1914	20591	13457	17810	63789
Corporate Owned Stores	3437	1914	6854	685	10628	1962
Franchised Stores	0	0	13737	12772	7182	61827
Revenue per store (Corporate)	2.87	5.95	0.22	37.22	3.40	3.61
Revenue per store (Franchise)	-	-	0.65	2.00	5.04	0.11

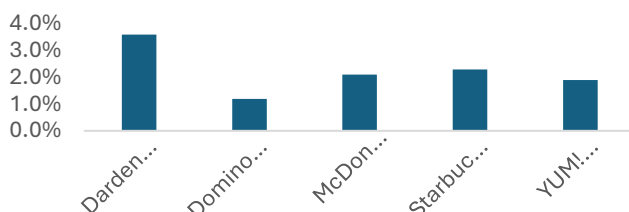
Source: Bloomberg

Operational Metrics

Comparing the currently opened store locations of each of Chipotle's competitors along with comparing revenue per store shows how effectively their operations are performing. Chipotle is unique compared to its competitors, 98% of the locations are located in the United States and almost all the stores are in North America. Chipotle also does not franchise their stores; the corporation retains 100% control over all active store. The only other competitor with no franchisees is Darden. Retaining ownership over stores can increase COGS expense for the corporation, however we argue that it is a benefit for Chipotle since they can deliver better value to consumers.

Chipotle ranks 5th in revenue per store compared to its peers while also ranking 5th in store locations. We expect Chipotle to keep growing moving forward and invest in opening more store locations in both the U.S and venturing into the international market.

Current Dividend Yield



Source: Bloomberg

A key part in any valuation model is analyzing the dividend yield and factoring dividends into the expected return. Chipotle does not pay out a dividend yet, it is not uncommon for a young corporation like Chipotle to not pay out a dividend since they are still investing in their operations. However, competitors in the quick-service restaurant industry have a relatively high dividend yield. The five competitors above have a 2.2% average dividend yield which is considerably larger than the S&P 500 average of 1.6%.

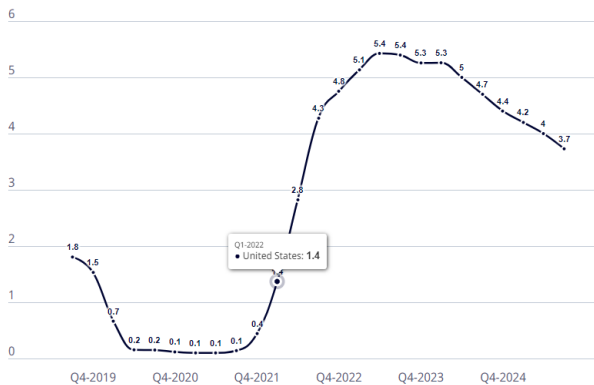
Given Chipotle's recent 50-1 stock split, it is foreseeable that valuation, Chipotle will begin to payout a dividend. It is not factored into our valuation, but given the high average yield in the industry we believe that chipotle will eventually pay out a significant dividend.

Macroeconomic Analysis

Interest Rates:

Federal funds interest rates are essentially the cost of borrowing money. They are important to the consumer discretionary industry because consumer discretionary spending depends heavily on how much money consumers have available to spend on things they do not need. In general, when interest rates are high there is less consumer discretionary spending because the cost of borrowing money is much higher, and the general population tends to be more cautious with spending. Federal funds rates impact consumers as they influence the money supply beginning with banks which trickles down to consumers. The fed lowers them to stimulate economic growth and increases them to slow it. When interest rates are low, and money is cheaper to borrow, discretionary spending tends to increase as consumers feel more comfortable with borrowing money at lower rates. It also affects companies by increasing their cost of debt and can impact financing decisions.

Short-term interest rates forecast
% per annum

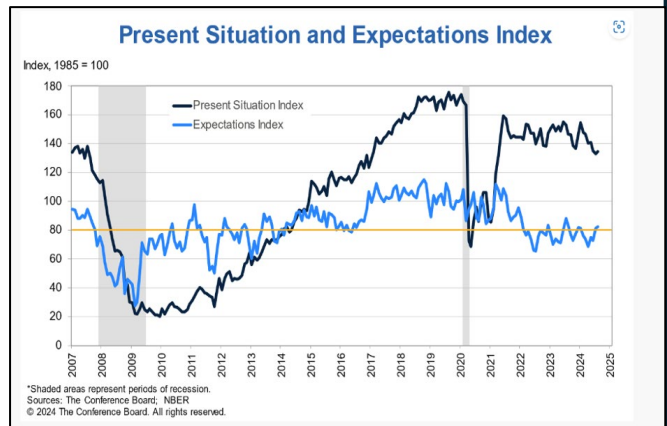


Source: OECD

In the short-term we are forecasting that interest rates will decrease by about .25%-.5% from the current 4.75-5% in the next 6 months or so as the fed looks to continue to stimulate the economy without increasing inflation. In the long-term (2 years) we are forecasting that interest rates will fall closer to or below their long-term average of around 4% as the Fed tries to balance economic growth with inflation concerns. The above forecast displays interest rates reaching 4% by the end of 2024. This is slightly more ambitious than our forecast. As interest rates continue to fall, consumers should begin to feel more comfortable again with discretionary spending. We foresee a growth in spending in this sector as money becomes cheaper and borrowing increases and should help Chipotle as consumers have more disposable income after treasury and corporate yields fall to follow the fed rate.

Consumer Confidence Sentiment:

Aside from hard economic factors like interest rates and unemployment, how consumers feel about the economy regardless of its factual performance is just as important. If consumer confidence is strong, then consumer discretionary spending can persist at high levels regardless of other factors. Recessions typically occur when consumer confidence is low and spending falls. Oftentimes when this happens, the consumer discretionary sector is one of the first to be affected because, the sector is made up of things that consumers do not strictly need. The public is likelier to feel comfortable spending money to go out to eat in a restaurant if they are confident in the economy and comfortable spending their income.



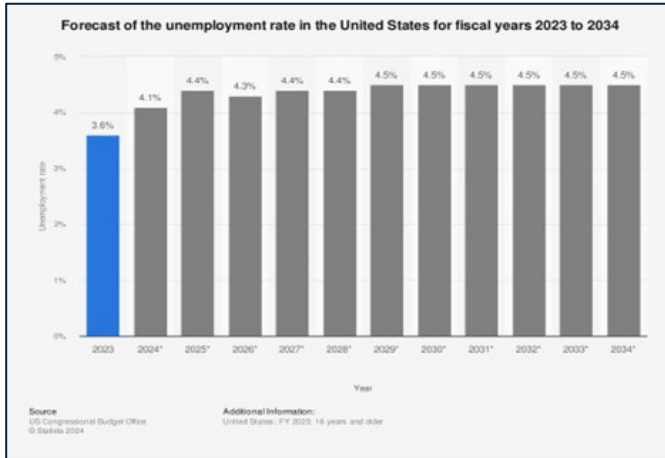
Source: Conference Board

We forecast a slight improvement in consumer confidence in the near future. The above chart displays a rise in consumer expectations for the future in the coming years. This is driven by growing confidence in the labor market and in the avoidance of a recession as inflation continues to fall and interest rates are expected to be cut. In the long-term we are forecasting an increase as well. Our group expects consumer confidence to continue to slowly rise if inflation continues to come down and the labor market recovers.

This could easily change however if the labor market does not heat up or if inflation rises. A growth in consumer confidence should result in a growth in consumer spending and an increase in restaurant visitation. For a restaurant chain like Chipotle that relies heavily on consumers being able to afford to eat out rather than buying on a budget, this bodes well for the future.

Unemployment Rate:

Unemployment and the consumer discretionary sector are inextricably linked. The companies that supply consumer discretionary goods can see their sales drop suddenly in response to widespread decreases in consumers' incomes or increases in prices. Not surprisingly, their stocks' share prices usually follow on this pattern. When people lose their jobs, they lose much if not all of their discretionary demand, and the restaurant industry, including Chipotle, will lose revenue if customers stop visiting their stores due to unemployment.



Source: Statista

In the short-term (6 months), we are forecasting an unemployment rate of 4-4.5% driven by expected Federal Funds rate cuts, softened oil prices, and a resilient domestic jobs market as the economy aims for a “soft-landing”. It was currently at 4.1% in the latest jobs report in October 2024. In the long run (2-3 years) we forecast 4.5-5% driven by rising commodity prices, tariffs affecting companies bottom lines, and an increase in job redundancy due to technology. The above chart with a forecast from Statista displays a long-run projection of 4.5% through 2034 which agrees with our forecast. With UE rates projected to be relatively stable our team believes that it will not change Chipotle’s current situation significantly. If UE does rise, the other side of the equation is that labor costs may fall as there will be more competition for jobs as there will be more people looking for work. There will be less people looking to eat at restaurants, but lower labor costs could help balance those effects.

Producers Price Index:

The producers price index is the measure of the final selling prices producers get for their goods, useful in elucidating the trend for product costs in the restaurant industry and the leading indicator for consumer price inflation. We believe the Producers Price Index will remain relatively stable in the short term with a recent decrease in PPI for goods balanced out by an increase for services, a trend we expect to continue. In the long-term, we project the

United States producers price index to increase by around 1%. This is driven by easing disinflation and future tariff impositions that will make trade more expensive. PPI is an important metric for the consumer discretionary sector as it tracks the best with final inflation numbers, and any increases in producer costs especially in the restaurant or consumer discretionary industry tend to get passed down to consumers.

Inflation

Inflation is a key indicator of our industry because it plays a significant role in the pricing and profitability of consumer goods. Increasing inflation results in higher direct material and direct labor costs, which are two of the most important costs in the industry. As costs rise and prices reflect them, it also impacts customer traffic as an increase in prices may cause less customers to eat out at restaurants which could hurt Chipotle.

Country/Region	CY '21	CY '22	CY '23	CY '24	CY '25	CY '26
Canada	3.4	6.8	3.9	2.5	2.1	2.1
France	2.1	5.9	5.7	2.3	1.7	2.0
Germany	3.2	8.7	6.0	2.4	2.1	2.0
Italy	1.9	8.8	5.9	1.1	1.8	2.0
Japan	-0.2	2.5	3.3	2.5	2.0	1.7
United Kingdom	2.6	9.1	7.3	2.6	2.3	2.1
United States	4.7	8.0	4.1	2.9	2.3	2.3

Source: Factset

We forecast inflation will continue to cool off down to 2-2.5% in the short-run in the United States as the Fed continues to carefully monitor the money supply by making strategic minimal cuts (~25-50 bps) to the federal funds rate. Inflation had been high due to supply chain disruptions, rising labor costs, and pent-up consumer demand after the pandemic and Russia’s invasion of Ukraine. It has already been falling this fiscal year and is currently at 2.4%. We forecast inflation will return to normal levels of 2-2.5% in the long run as global supply chains recover, oil prices fall, and consumer demand continues to cool as a reaction to previous inflation. Potential new fiscal policy changes could affect this forecast though. With most of the the company’s revenue coming from the United States (a handful of operations in Canada, France, Germany, the UK, and Kuwait), cooling inflation in this country is a positive

outlook for Chipotle although it may come with consumer pressure to lower prices and upward pressure on wages if the labor market improves for workers. As a caveat however, if across-the-board tariffs are imposed by the U.S. than that would adjust our inflation forecasts to a rate of around 3% in the next couple of years, affecting product and labor costs.

Retail and Food Service Sales:

Retail trade sales and food service sales are correlated directly with the growth of our company Chipotle Mexican Grill Inc., and the consumer discretionary sector. If retail and food service sales are strong across the industry, it suggests that sales and revenue should be strong for Chipotle.

Restaurant and Foodservice Industry Food & Beverage Sales			
Year	Total Food & Beverage Sales	YoY Change in Sales	YoY % Change in Sales
2019	\$864 billion	-	-
2020	\$678 billion	- \$186 billion	-21.50%
2021	\$824 billion	+ \$146 billion	21.50%
2022	\$966 billion	+ \$142 billion	17.20%
2023	\$1.05 trillion	+ \$83 billion	8.60%
2024	\$1.11 trillion	+ \$57 billion	5.40%

Source: Escoffier

We forecast that retail trade sales and food service sales will increase 1.5-2% over the coming 6 months. Retail trade sales are up 2.6% from last year, and more specifically, food services and drinking places are up 2.9% from last year. Food service and drinking places have had higher growth than retail ad should continue to grow.

Over the next 2-3 years we're expecting growth rates to be 4.5-5% per year for the retail trade and food service sales industry. Lower inflation rates allow consumers to have more spending power and companies to have larger profit margins with lower product costs. Our forecast shows a healthy, growing retail trade and food service sales industry. We expect this trend to positively impact Chipotle and lead to revenue growth with increased same-store-sales and more new store openings.

Valuation Description

Discounted Cash Flow and Economic Profit Model

Estimated Share Price: **\$61.28**

Our DFC and EP model's are the best and most accurate projection of Chipotle's true value. These specific valuation methods best allow for incorporating Chipotle's

unique operating model and brand such as operating without debt. These models involve discounting the company's future cash flows and expected economic profit to derive a share price.

This model is a 7-year projection after which we anticipate steady state growth. During the process of forecasting the free cash flows and economic profits used in these valuations we were best able to consider important factors such as revenue growth, operating profit, invested capital, and potential risks to the business. We are confident in our assumptions used in these valuations and believe that the DCF and EP models are the most accurate way to value Chipotle using publicly available information. The reasoning and assumptions behind revenues and expenses forecasts are included in their respective decompositions in the company description section, however other major items and assumptions that went into these models are described below.

Balance Sheet

For most of our major balance sheet items we were able to forecast them using historical averages of their % of revenue on the income statement. Doing so allowed our forecasts to use growth rates similar to actual historical growth rates of those items. Specific balance sheet assumptions were also created for major accounts when forecasting them using historical averages of revenue % was not appropriate. For example, net Property Plant and Equipment (PPE) was forecasted as a function of projected Capital Expenditures less depreciation. Our CAPEX projection came from management notes for the 2024 expected CAPEX increasing year over year by inflation. Operating Lease assets increase year over year % growth of PPE, Chipotle participates in sale-leasebacks for a large portion of their PPE. Operating Lease liabilities are forecasted by the lease liability ratio, which is calculated as the historical average of lease liabilities divided by historical average of lease assets.

Cost of Equity and Debt

We calculated the cost of equity using the Capital Asset Pricing Model (CAPM). We used a 10-year treasury bond yield of 4.3% as the risk-free rate, a Bloomberg 5 year weekly average raw beta for beta, and used the 1928-2022 geometric average premium over the 10-year treasury bond for the equity risk premium. With these assumptions we calculated a 9.51% cost of equity.

Sensitivity Tables

For the cost of debt, we used the same 10-year treasury bond rate of 4.3% as the the risk-free rate and an implied default premium of 1.23%. We used the YTM on McDonald's 10-year treasury bond to find a pre-tax cost of debt of 5.53%. We used McDonalds as they are a peer of Chipotle and Chipotle does not issue their own bonds. After applying a marginal tax rate of 24.15% we calculated an after-tax cost of debt of 4.19%.

WACC

When calculating the WACC we found the weight of equity in Chipotle's capital structure to be 95.49% and the weight of debt to be 4.51%. We multiplied these weights by their respective costs of equity and after-tax cost of debt of 9.51% and 4.19% to arrive at a WACC of 9.27%. We then used this WACC to discount our forecasted free cash flows from 2024-2030 to arrive at a present value of future cash flows that would be used in our DCF and EP valuations.

Relative Valuation to Peers

Estimated Share Price Range: **\$24.87 - \$88.21**

We found the most comparable competitors to use as peer comparisons to be McDonalds, Starbucks, YUM! Brands, Restaurant Brands Int, Papa John's, Wendy's, and Domino's Pizza.

We used relative valuation ratios such as P/E for 2024 and 2025 along with PEG for 2024 and 2025. When examining Chipotle's operations and capital structure it is apparent that relative valuation is not a reliable or accurate method of valuing the company. Chipotle has significant differences from its industry peers such as operating without debt and focusing on different priorities. For example, competitor's such as McDonalds focus on speed of service, Domino's focuses on its delivery business, and Starbuck's main focus area is coffee and not food. These differences leave Chipotle with a very different P/E and PEG than many of its peers. We decided relative valuation is not a reliable method of valuing Chipotle due to these differences and the wide range of peer P/E and PEG ratios.

Dividend Discount Model

Estimated Share Price: **\$39.12**

As Chipotle does not pay out dividends to its shareholders we see the dividend discount model as the least reliable method of valuation for Chipotle. The DDM was just done through discounting a future stock price without intermediate dividends. We do not predict the company will pay dividends in the future.

Risk-Free Rate vs Beta

Beta	Risk-Free Rate							
	61.28	3.70%	3.90%	4.10%	4.30%	4.50%	4.70%	4.90%
0.69	721.03	368.29	246.10	184.76	147.87	122.96	105.12	
0.79	203.42	159.45	130.76	110.81	96.13	84.74	75.70	
0.89	117.41	101.00	88.46	78.68	70.84	64.34	58.89	
0.99	83.03	74.32	67.18	61.28	56.33	52.06	48.37	
1.09	62.73	57.53	53.06	49.24	45.93	42.99	40.39	
1.19	50.59	47.09	43.99	41.28	38.88	36.72	34.77	
1.29	42.25	39.73	37.46	35.44	33.62	31.96	30.44	

In this table we tested what effects changing the risk-free rate and the beta would have on the final DCF and EP valuation price. Changing the beta seemed to have a more significant effect on the final stock price than changing the risk-free rate with more drastic changes in the price. Both variables are used in calculating the WACC and it seems that changing the beta would have a greater effect on the final WACC than changing the risk-free rate. These variables could potentially be affected by interest rate changes by the federal reserve macroeconomic shocks.

Equity Risk Premium vs Pre-Tax Cost of Debt

Equity Risk Premium	Pre-tax cost of debt							
	61.28	4.00%	4.50%	5.00%	5.53%	6.00%	6.50%	7.00%
4.00%	137.36	136.23	135.14	134.02	133.06	132.07	131.11	
4.50%	92.77	92.51	92.26	91.99	91.76	91.52	91.29	
5.00%	69.70	69.71	69.71	69.71	69.72	69.72	69.72	
5.28%	61.07	61.14	61.21	61.28	61.34	61.41	61.47	
6.00%	46.09	46.24	46.38	46.53	46.66	46.80	46.93	
6.50%	39.25	39.41	39.57	39.73	39.88	40.03	40.18	
7.00%	34.09	34.25	34.42	34.59	34.74	34.90	35.05	

In this table we tested what effects changing the equity risk premium and the pre-tax cost of debt would have on the final DCF and EP valuation price. Changing the equity risk premium seemed to affect the final stock price significantly more than the pre-tax cost of debt. This is because Chipotle's capital structure is so heavily weighted on the equity side that changes that affect the cost of equity will have a larger affect than changes that affect the cost of debt because Chipotle essentially operates without debt.

Food and Beverage Revenue Growth Rates (2024-2030) vs Delivery Revenue Growth (2024-2030)

Delivery Revenue Growth	Food and Beverage Revenue Growth Rates (2024-2030)							
	61.28	9.00%	11.00%	13.00%	15.10%	17.00%	19.00%	21.00%
-10.00%	35.29	42.91	51.37	61.23	71.11	82.56	95.19	
-8.00%	35.31	42.93	51.39	61.24	71.13	82.58	95.20	
-6.00%	35.33	42.95	51.41	61.26	71.15	82.60	95.22	
-4.00%	35.35	42.97	51.43	61.28	71.17	82.62	95.24	
-2.00%	35.37	43.00	51.45	61.31	71.19	82.64	95.27	
0.00%	35.40	43.02	51.48	61.33	71.22	82.67	95.30	
2.00%	35.43	43.05	51.51	61.36	71.25	82.70	95.33	

In this table we tested what effects changing the steady-state food and beverage revenue growth rate and the steady-state delivery revenue growth rate would have on the final valuation price. Changing the food and beverage revenue growth rate had a

much higher impact on the final stock price. This is because Chipotle gets less than 1% of it's revenue from deliveries. In-store and mobile order sales make up a much higher portion of Chipotle's revenue. These factors could be affected by price changes, shifts in consumer preferences, and menu changes among other things.

Food, Beverage, Packaging Costs as a % of Sales (2024-2030) vs Labor Costs as % of Sales (2024-2030)

	61.28	25.00%	26.00%	27.00%	29.00%	30.00%	31.00%	32.00%
Labor as % of Sales (2024-2030)	22.00%	95.40	90.66	85.92	76.44	71.70	66.96	62.22
	23.00%	90.66	85.92	81.18	71.70	66.96	62.22	57.48
	24.00%	85.92	81.18	76.44	66.96	62.22	57.48	52.74
	25.20%	80.24	75.50	70.76	61.28	56.54	51.80	47.06
	27.00%	71.70	66.96	62.22	52.74	48.00	43.25	38.51
	28.00%	66.96	62.22	57.48	48.00	43.25	38.51	33.77
	29.00%	62.22	57.48	52.74	43.25	38.51	33.77	29.03

In this table we tested what effects changing the food, beverage, and packaging costs as a % of sales and the labor costs as a % of sales would have on the final valuation stock price. The two variables seemed to have a similar affect to the final valuation price as they are both categories of Chipotle's COGS. However, food, beverage, and packaging costs seemed to have a slightly larger effect. This is because they make up a larger portion of Chipotle's costs than labor by a small amount. Inflation, wage growth, unemployment, and other factors could affect these variables.

Steady-State Store Growth (2028-2030) vs Revenue per Store Growth (2024-2030)

	61.28	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	8.50%
Revenue per store (2024-2030)	6.00%	53.95	55.11	56.27	57.46	58.65	59.87	61.09
	6.50%	55.16	56.33	57.52	58.71	59.93	61.15	62.40
	7.00%	56.39	57.57	58.77	59.99	61.22	62.46	63.72
	7.50%	57.63	58.83	60.05	61.28	62.52	63.79	65.06
	8.00%	58.89	60.11	61.34	62.59	63.85	65.13	66.42
	8.50%	60.17	61.40	62.65	63.91	65.19	66.49	67.80
	9.00%	61.46	62.71	63.98	65.26	66.55	67.86	69.19

In this table we tested what effects changing the steady-state new store growth and the revenue per store forecasts would have on the final valuations stock price. The two variables seemed to have nearly an identical effect on the final stock price. This is likely because total revenue growth forecasts were developed using a combination of the two growth rates, so both have a very similar effect on revenue growth. These factors could be affected by management ambitions, menu items, price changes, regulatory and geopolitical variables that could affect international expansion.

Conclusion

In conclusion, we recommend a HOLD rating for Chipotle as we expect continued growth driven by strong brand positioning, technological innovation,

and new store expansion and growth. Our analysis supports a hold rating on Chipotle as we expect to see a continued rise in their valuation supported by our DCF and EP target price of **\$61.28**

Important Disclaimer

This report was created by students enrolled in the Security Analysis (6F:112) 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

Balance Sheet

	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Fiscal Years Ending Dec. 31										
Leasehold improvements, property & equipment, net	1,769,278	1,951,147	2,170,038	2,512,107	2,825,840	3,116,107	3,387,088	3,642,376	3,885,063	4,117,812
Long term investments	274,311	388,055	564,488	588,084	612,665	638,275	664,955	692,750	721,707	751,874
Restricted cash	30,856	24,966	25,554	26,622	27,735	28,894	30,102	31,360	32,671	34,037
Operating lease assets	3,118,294	3,302,402	3,578,548	4,142,645	4,660,013	5,138,683	5,585,551	6,006,539	6,406,747	6,790,567
Other assets	56,716	63,158	63,082	65,719	68,466	71,328	74,309	77,415	80,651	84,023
Goodwill	21,939	21,939	21,939	21,939	21,939	21,939	21,939	21,939	21,939	21,939
Total assets	6,652,958	6,927,504	8,044,362	9,921,648	11,938,871	14,225,521	16,821,062	19,752,406	23,115,545	27,033,940
Current Liabilities:										
Accounts payable	163,161	184,566	197,646	233,205	270,460	313,753	360,898	415,169	477,641	549,552
Accrued payroll & benefits	162,405	170,456	227,537	250,379	290,377	336,858	387,474	445,742	512,815	590,022
Accrued liabilities	173,052	147,539	147,688	279,884	324,596	376,554	433,135	498,269	573,246	659,551
Unearned revenue	156,351	183,071	209,680	226,944	263,198	305,328	351,207	404,021	464,816	534,797
Current operating lease liabilities	218,713	236,248	248,074	293,212	329,831	363,711	395,340	425,137	453,463	480,630
Total current liabilities	873,682	921,880	1,030,625	1,283,623	1,478,462	1,696,204	1,928,055	2,188,338	2,481,981	2,814,552
Long-term operating lease liabilities	3,301,601	3,495,162	3,803,551	4,402,806	4,952,666	5,461,397	5,936,329	6,383,755	6,809,096	7,217,021
Deferred income tax liability	141,765	98,623	89,109	75,497	73,664	71,324	71,064	70,784	70,758	70,734
Other liabilities	38,536	43,816	58,870	61,331	63,894	66,565	69,348	72,246	75,266	78,412
Total liabilities	4,355,584	4,559,481	4,982,155	5,823,258	6,568,686	7,295,490	8,004,795	8,715,124	9,437,101	10,180,719
Stockholders Equity:										
Common Equity	1,729,683	1,829,677	1,956,535	2,043,868	2,131,202	2,218,535	2,305,869	2,340,802	2,340,802	2,340,802
Treasury stock, at cost	-3,356,102	-4,282,014	-4,944,656	(5,341,405)	(5,738,155)	(6,134,904)	(6,531,654)	(6,928,403)	(7,325,152)	(7,721,902)
Accumulated other comprehensive income (loss)	-5,354	-7,888	-6,657	(6,657)	(6,657)	(6,657)	(6,657)	(6,657)	(6,657)	(6,657)
Retained earnings (accumulated deficit)	3,929,147	4,828,248	6,056,985	7,402,584	8,983,795	10,853,058	13,048,709	15,631,541	18,669,452	22,240,977
Total shareholders' equity (deficit)	2,297,374	2,368,023	3,062,207	4,098,390	5,370,185	6,930,032	8,816,267	11,037,283	13,678,444	16,853,220
Total liabilities and shareholders' equity	6,652,958	6,927,504	8,044,362	9,921,648	11,938,871	14,225,521	16,821,062	19,752,406	23,115,545	27,033,940

Chipotle Mexican Grill

Historical Cash Flow Statement

	Fiscal Years Ending Dec. 31										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Other adjustments	104	582	(604)	(218)	(2,918)	(10,592)	3,643	(4,599)	(16,202)	(13,080)	
Accounts receivable	(10,966)	(3,504)	(1,923)	(140)	(8,298)	(2,630)	3,010	(1,687)	(14,026)	(11,216)	
Inventory	(2,307)	262	(91)	(5,250)	(1,722)	(4,530)	(394)	(6,392)	(3,011)	(3,649)	
Prepaid expenses & other current assets	(658)	(5,259)	(4,259)	(6,710)	(3,811)	(23,066)	(11,442)	(26,826)	(14,660)	(39,211)	
Operating lease assets	-	-	-	-	-	-	-	223,837	234,273	254,241	
Other assets	1,071	(5,619)	(4,855)	(2,587)	(2,005)	2,818	(26,577)	3,993	(346)	4,204	
Accounts payable	2,168	19,525	(6,734)	10,908	32,080	(973)	(3,859)	21,440	18,208	5,313	
Accrued payroll & benefits	-	-	-	-	29,568	11,759	76,683	(44,555)	9,864	57,048	
Accrued liabilities	35,019	(7,440)	33,491	38,574	14,831	36,543	5,596	10,997	(27,964)	3,188	
Unearned revenue	-	-	-	-	6,829	30,400	36,958	34,387	33,374	35,685	
Income tax payable or receivable	8,831	32,756	54,340	(4,173)	14,439	(32,083)	(255,251)	193,379	46,262	(5,237)	
Operating lease liabilities	-	-	-	-	-	(151,557)	(165,154)	(207,164)	(207,186)	(214,477)	
Other long-term liabilities	4,845	4,826	1,287	6,316	869	1,862	1,782	(3,984)	3,853	9,431	
Net cash flows from operating activities	682,067	683,316	349,242	467,105	621,552	721,632	663,847	1,282,081	1,323,179	1,783,477	
Purchases of leasehold improvements, property & equipment	(252,590)	(257,418)	(258,842)	(216,777)	(287,390)	(333,912)	(373,352)	(442,475)	(479,164)	(560,731)	
Purchases of investments	(521,004)	(559,372)	-	(199,801)	(485,188)	(448,754)	(468,418)	(429,350)	(614,416)	(1,115,131)	
Maturities of investments	254,750	352,650	45,000	330,000	385,000	476,723	419,078	345,748	263,548	729,853	
Proceeds from sale of equipment	-	-	-	-	-	13,969	-	4,035	-	-	
Net cash flows from investing activities	(518,844)	(464,140)	326,806	(86,578)	(387,578)	(291,974)	(432,717)	(522,042)	(830,032)	(946,009)	
Acquisition of treasury stock	(88,338)	(460,675)	(837,655)	(285,920)	(160,937)	(190,617)	(54,401)	(466,462)	(830,140)	(592,349)	
Tax withholding on stock-based compensation awards	21,667	74,442	1,320	-	(5,411)	(10,420)	(48,555)	(79,870)	(98,970)	(69,146)	
Other financing payments	(66)	(207)	52	26	(187)	(698)	(1,895)	(2,274)	(294)	843	
Net cash flows from financing activities	(66,737)	(386,440)	(836,283)	(285,894)	(166,535)	(201,735)	(104,851)	(548,606)	(929,404)	(660,652)	
Effect of exchange rate changes on cash, cash equivalents & restricted cash	(224)	(4,196)	110	2,056	(1,457)	406	1,076	(1,039)	(1,007)	381	
Net change in cash, cash equivalents, & restricted cash	-	-	-	-	65,982	228,329	127,355	210,394	(437,264)	177,197	
Cash, cash equivalents, & restricted cash at beginning of year	323,203	419,465	248,005	87,880	214,170	280,152	508,481	635,836	846,230	408,966	
Cash, cash equivalents, & restricted cash at end of year	419,465	248,005	87,880	184,569	280,152	508,481	635,836	846,230	408,966	586,163	

Chipotle Mexican Grill

Forecasted Cash Flow Statement

	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Fiscal Years Ending Dec. 31							
Net income (loss)	1,345,599	1,581,211	1,869,263	2,195,652	2,582,831	3,037,911	3,571,526
Depreciation & amortization	317,931	368,047	414,012	456,539	496,240	533,642	569,198
Deferred income tax provision (benefit)	(13,612)	(1,833)	(2,340)	(260)	(279)	(26)	(24)
Other adjustments (Restricted cash)	(1,068)	(1,113)	(1,159)	(1,208)	(1,258)	(1,311)	(1,366)
Accounts receivable	(19,036)	(21,498)	(24,982)	(27,205)	(31,317)	(36,050)	(41,497)
Inventory	(8,248)	(7,597)	(8,829)	(9,614)	(11,067)	(12,740)	(14,665)
Prepaid expenses & other current assets	(1,549)	(19,012)	(22,093)	(24,059)	(27,696)	(31,881)	(36,698)
Operating lease assets	(564,097)	(517,368)	(478,671)	(446,867)	(420,988)	(400,207)	(383,821)
Other assets	(2,637)	(2,747)	(2,862)	(2,981)	(3,106)	(3,236)	(3,371)
Accounts payable	35,559	37,255	43,293	47,145	54,271	62,472	71,912
Accrued payroll & benefits	22,842	39,998	46,481	50,617	58,267	67,073	77,207
Accrued liabilities	132,196	44,712	51,958	56,581	65,134	74,977	86,305
Unearned revenue	17,264	36,255	42,130	45,879	52,814	60,795	69,981
Income tax payable or receivable	(118,462)	(30,016)	(36,696)	(41,580)	(49,325)	(57,975)	(67,980)
Operating lease liabilities	644,394	586,478	542,612	506,560	477,224	453,667	435,091
Other long-term liabilities	2,461	2,564	2,671	2,782	2,899	3,020	3,146
Net cash flows from operating activities	1,789,536	2,095,335	2,434,786	2,807,980	3,244,643	3,750,131	4,334,945
Purchases of leasehold improvements, property & equipment	(660,000)	(681,780)	(704,279)	(727,520)	(751,528)	(776,329)	(801,947)
Purchases of investments	(54,312)	(56,582)	(58,947)	(61,411)	(63,978)	(66,652)	(69,439)
Net cash flows from investing activities	(714,312)	(738,362)	(763,226)	(788,931)	(815,506)	(842,981)	(871,386)
Acquisition of treasury stock	(396,749)	(396,749)	(396,749)	(396,749)	(396,749)	(396,749)	(396,749)
Common Equity Issuance	87,333	87,333	87,333	87,333	34,933	-	-
Net cash flows from financing activities	(309,416)	(309,416)	(309,416)	(309,416)	(361,816)	(396,749)	(396,749)
Net change in cash, cash equivalents, & restricted cash	765,808	1,047,557	1,362,144	1,709,633	2,067,320	2,510,400	3,066,809
Cash, cash equivalents, & restricted cash at beginning of year	560,609	1,326,417	2,373,974	3,736,118	5,445,751	7,513,071	10,023,471
Cash, cash equivalents, & restricted cash at end of year	1,326,417	2,373,974	3,736,118	5,445,751	7,513,071	10,023,471	13,090,281

Chipotle Mexican Grill*Common Size Income Statement***Fiscal Years Ending Dec. 31**

	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Food & beverage revenue	98.81%	99.11%	99.32%	99.45%	99.56%	99.63%	99.69%	99.74%	99.79%	99.82%
Delivery service revenue	1.19%	0.89%	0.68%	0.55%	0.44%	0.37%	0.31%	0.26%	0.21%	0.18%
Total revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Restaurant operating costs - food, beverage & packaging	30.59%	30.14%	29.50%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%
Restaurant operating costs - labor	25.41%	25.46%	24.73%	25.20%	25.20%	25.20%	25.20%	25.20%	25.20%	25.20%
Restaurant operating costs - occupancy	5.52%	5.33%	5.10%	5.32%	5.32%	5.32%	5.32%	5.32%	5.32%	5.32%
Restaurant operating costs - other operating costs	15.86%	15.19%	14.47%	15.18%	15.18%	15.18%	15.18%	15.18%	15.18%	15.18%
General & administrative expenses	8.04%	6.53%	6.42%	7.05%	7.05%	7.05%	7.05%	7.05%	7.05%	7.05%
Depreciation & amortization	3.37%	3.32%	3.24%	2.78%	2.77%	2.69%	2.58%	2.44%	2.28%	2.11%
Pre-opening costs	0.28%	0.34%	0.37%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%	0.31%
Impairment, closure costs, and asset disposals	0.26%	0.24%	0.39%	0.35%	0.31%	0.28%	0.26%	0.23%	0.21%	0.19%
Total operating expenses	89.33%	86.56%	84.22%	85.18%	85.14%	85.02%	84.88%	84.72%	84.54%	84.35%
Income (loss) from operations	10.67%	13.44%	15.78%	14.82%	14.86%	14.98%	15.12%	15.28%	15.46%	15.65%
Interest & other income, net	0.10%	0.24%	0.64%	0.68%	0.84%	1.03%	1.23%	1.43%	1.62%	1.81%
Income (loss) before income taxes	10.77%	13.68%	16.42%	15.50%	15.71%	16.00%	16.34%	16.71%	17.09%	17.46%
Provision (benefit) for income taxes	2.12%	3.27%	3.97%	3.74%	3.79%	3.87%	3.95%	4.04%	4.13%	4.22%
Net income (loss)	8.65%	10.41%	12.45%	11.76%	11.91%	12.14%	12.40%	12.68%	12.96%	13.24%

Chipotle Mexican Grill
Common Size Balance Sheet

Fiscal Years Ending Dec. 31

	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Long term investments	4.58%	5.14%	7.48%	6.81%	6.21%	5.58%	5.01%	4.50%	4.07%	3.69%
Restricted cash	0.52%	0.33%	0.34%	0.31%	0.28%	0.25%	0.23%	0.20%	0.18%	0.17%
Operating lease assets	52.11%	43.76%	47.42%	47.98%	47.21%	44.90%	42.08%	39.01%	36.17%	33.33%
Other assets	0.95%	0.84%	0.84%	0.76%	0.69%	0.62%	0.56%	0.50%	0.46%	0.41%
Goodwill	0.37%	0.29%	0.29%	0.25%	0.22%	0.19%	0.17%	0.14%	0.12%	0.11%
Total assets	111.17%	91.79%	106.59%	114.91%	120.94%	124.29%	126.73%	128.28%	130.51%	132.68%
Current Liabilities:				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Accounts payable	2.73%	2.45%	2.62%	2.70%	2.74%	2.74%	2.72%	2.70%	2.70%	2.70%
Accrued payroll & benefits	2.71%	2.26%	3.01%	2.90%	2.94%	2.94%	2.92%	2.89%	2.90%	2.90%
Accrued liabilities	2.89%	1.95%	1.96%	3.24%	3.29%	3.29%	3.26%	3.24%	3.24%	3.24%
Unearned revenue	2.61%	2.43%	2.78%	2.63%	2.67%	2.67%	2.65%	2.62%	2.62%	2.62%
Current operating lease liabilities	3.65%	3.13%	3.29%	3.40%	3.34%	3.18%	2.98%	2.76%	2.56%	2.36%
Total current liabilities	14.60%	12.22%	13.66%	14.87%	14.98%	14.82%	14.53%	14.21%	14.01%	13.81%
Long-term operating lease liabilities	55.17%	46.31%	50.40%	50.99%	50.17%	47.72%	44.72%	41.46%	38.44%	35.42%
Deferred income tax liability	2.37%	1.31%	1.18%	0.87%	0.75%	0.62%	0.54%	0.46%	0.40%	0.35%
Other liabilities	0.64%	0.58%	0.78%	0.71%	0.65%	0.58%	0.52%	0.47%	0.42%	0.38%
Total liabilities	72.78%	60.41%	66.01%	67.44%	66.54%	63.74%	60.31%	56.60%	53.28%	49.97%
Shareholders Equity:				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Common Equity	26.00%	26.41%	24.32%	23.67%	21.59%	19.38%	17.37%	15.20%	13.22%	11.49%
Treasury stock, at cost	-56.08%	-56.74%	-65.52%	-61.86%	-58.13%	-53.60%	-49.21%	-45.00%	-41.36%	-37.90%
Accumulated other comprehensive income (loss)	-0.09%	-0.10%	-0.09%	-0.08%	-0.07%	-0.06%	-0.05%	-0.04%	-0.04%	-0.03%
Retained earnings (accumulated deficit)	65.65%	63.98%	80.26%	85.73%	91.01%	94.83%	98.31%	101.52%	105.41%	109.16%
Total shareholders' equity (deficit)	38.39%	31.38%	40.57%	47.46%	54.40%	60.55%	66.42%	71.68%	77.23%	82.71%
Total liabilities and shareholders' equity	111.17%	91.79%	106.59%	114.91%	120.94%	124.29%	126.73%	128.28%	130.51%	132.68%

Fiscal Years Ending Dec. 31

	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
NOPLAT:	642,412	983,093	1,353,657	1,423,454	1,668,666	1,943,128	2,246,909	2,597,025	3,002,882	3,472,112
Revenue	7,547,061	8,634,652	9,871,649	11,445,034	13,273,398	15,398,076	17,711,811	20,375,270	23,441,231	26,970,441
Less COGS	2,308,631	2,602,245	2,912,564	3,319,060	3,849,285	4,465,442	5,136,425	5,908,828	6,797,957	7,821,428
Less Labor	1,917,761	2,197,958	2,440,982	2,883,881	3,344,586	3,879,955	4,462,962	5,134,091	5,906,642	6,795,920
Less Occupancy	416,606	460,425	503,264	608,513	705,723	818,689	941,706	1,083,318	1,246,329	1,433,971
Less Other	1,197,054	1,311,905	1,428,747	1,736,895	2,014,367	2,336,808	2,687,940	3,092,146	3,557,435	4,093,027
Less General and Administrative	606,854	564,191	633,584	806,959	935,872	1,085,678	1,248,813	1,436,606	1,652,779	1,901,614
Less Depreciation	254,657	286,826	319,394	317,931	368,047	414,012	456,539	496,240	533,642	569,198
Less Pre-opening costs	21,264	29,560	36,951	35,515	41,189	47,782	54,961	63,226	72,740	83,692
Less Impairment, Closure costs, and asset disposals	19,291	21,139	38,370	40,000	41,699	43,471	45,317	47,242	49,249	51,341
Add Implied lease interest	152,970	172,379	182,557	197,822	229,005	257,605	284,066	308,769	332,041	354,165
EBITA	957,913	1,332,782	1,740,370	1,894,103	2,201,635	2,563,846	2,961,214	3,422,342	3,956,499	4,574,415
Less: Adjusted Taxes	-	-	-	-	-	-	-	-	-	-
Total Income Tax Provision	159,779	282,430	391,769	428,427	503,444	595,157	699,077	822,352	967,245	1,137,144
ADD: Tax shield on implied lease interest	36,942	41,630	44,087	47,774	55,305	62,212	68,602	74,568	80,188	85,531
LESS: Tax on interest or investment income (int income * rate)	1,928	5,208	15,454	19,164	27,614	38,991	53,634	71,882	93,842	120,395
ADD: Tax shield on amortized goodwill (amort. * tax rate)	-	-	-	-	-	-	-	-	-	-
LESS: Tax on any non-operating income	-	-	-	-	-	-	-	-	-	-
ADD: Tax shield on any non-operating losses	-	-	-	-	-	-	-	-	-	-
Total adjusted taxes	194,794	318,852	420,403	457,037	531,135	618,378	714,045	825,037	953,591	1,102,279
ADD: Change in deferred Taxes	(120,707)	(30,838)	33,690	(13,612)	(1,833)	(2,340)	(260)	(279)	(26)	(24)
Invested Capital (IC):	4,698,375	5,129,614	5,607,093	6,281,786	7,041,086	7,717,053	8,327,358	8,872,488	9,357,896	9,787,090
Add Normal Cash (1.95%)	147,168	168,376	192,497	223,178	258,831	300,262	345,380	397,318	457,104	525,924
Add Accounts Receivable	99,599	106,880	115,535	134,571	156,069	181,051	208,256	239,573	275,622	317,119
Add Inventory	32,826	35,668	39,309	47,557	55,154	63,983	73,597	84,664	97,404	112,069
Add Prepaid Expenses	78,756	86,412	117,462	119,011	138,023	160,117	184,176	211,872	243,754	280,452
Less Income taxes receivable	94,064	47,741	52,960	171,422	201,438	238,134	279,715	329,039	387,014	454,994
Less Accounts Payable	163,161	184,566	197,646	233,205	270,460	313,753	360,898	415,169	477,641	549,552
Less Accrued Expenses	335,457	317,995	375,225	530,262	614,973	713,412	820,610	944,011	1,086,061	1,249,573
Less Deferred Revenue	156,351	183,071	209,680	226,944	263,198	305,328	351,207	404,021	464,816	534,797
Add Net PPE	1,769,278	1,951,147	2,170,038	2,512,107	2,825,840	3,116,107	3,387,088	3,642,376	3,885,063	4,117,812
Add Operating Leases	3,301,601	3,495,162	3,803,551	4,402,806	4,952,666	5,461,397	5,936,329	6,383,755	6,809,096	7,217,021
Add Other operating assets	56,716	63,158	63,082	65,719	68,466	71,328	74,309	77,415	80,651	84,023
Less Other liabilities	38,536	43,816	58,870	61,331	63,894	66,565	69,348	72,246	75,266	78,412
Free Cash Flow (FCF):	642,412	983,093	1,353,657	1,423,454	1,668,666	1,943,128	2,246,909	2,597,025	3,002,882	3,472,112
NOPLAT	739,239	431,239	477,479	674,692	759,300	875,967	1,000,305	1,145,130	1,308,409	1,489,194
Change in IC	(96,827)	551,854	876,178	748,762	909,366	1,267,161	1,636,604	2,051,895	2,517,473	3,042,917
Return on Invested Capital (ROIC):	642,412	983,093	1,353,657	1,423,454	1,668,666	1,943,128	2,246,909	2,597,025	3,002,882	3,472,112
NOPLAT	3,959,135	4,698,375	5,129,614	5,607,093	6,281,786	7,041,086	7,717,053	8,327,358	8,872,488	9,357,896
Beginning IC	16.23%	20.92%	26.39%	25.39%	26.56%	27.60%	29.12%	31.19%	33.84%	37.10%
Economic Profit (EP):	3,959,135	4,698,375	5,129,614	5,607,093	6,281,786	7,041,086	7,717,053	8,327,358	8,872,488	9,357,896
Beginning IC	6.96%	11.66%	17.12%	16.12%	17.30%	18.33%	19.85%	21.92%	24.58%	27.84%
x (ROIC - WACC)	275,498	547,669	878,268	903,815	1,086,500	1,290,593	1,531,729	1,825,284	2,180,621	2,604,865

Cost of Equity:		ASSUMPTIONS:
Risk-Free Rate	4.30%	10 year treasury bond
Beta	0.99	Bloomberg 5y weekly avg
Equity Risk Premium	5.28%	1928-2022 geometric average premium over 10 year treasury bond
Cost of Equity	9.51%	

Cost of Debt:		
Risk-Free Rate	4.30%	10 year treasury bond
Implied Default Premium	1.23%	
Pre-Tax Cost of Debt	5.53%	YTM on MCD 10 year bond
Marginal Tax Rate	24%	
After-Tax Cost of Debt	4.19%	

Market Value of Common Equity:		MV Weights
Total Shares Outstanding	1,371,300	
Current Stock Price	\$58.66	
MV of Equity	80,440,458	95.49%

Market Value of Debt:		
PV of Operating Leases	3,803,551	
MV of Total Debt	3,803,551	4.51%

Market Value of the Firm	84,244,009	100.00%
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Estimated WACC	9.27%
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Chipotle Mexican Grill
Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models
Key Inputs:

CV Growth of NOPLAT	7.00%
CV Year ROIC	37%
WACC	9.27%
Cost of Equity	9.51%

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

Free Cash Flow (FCF)	748,762	909,366	1,267,161	1,636,604	2,051,895	2,517,473	3,042,917
Continuing Value (CV)							124,234,420
PV of FCF	685,255	761,652	971,311	1,148,098	1,317,345	1,479,170	72,995,328
Value of Operating Assets:	79,358,159						
Non-Operating Adjustments							
ADD: Excess Cash	1,103,239						
ADD: Investments-Available for Sale	765,554						
ADD: Long-term investments	588,084						
ADD: Restricted Cash	26,622						
ADD: Other Assets	65,719						
LESS: PV Operating Lease	3,803,551						
LESS: PV of ESOP	564,167						
Value of Equity	77,539,659						
Shares Outstanding	1,371,300						
Intrinsic Value of Last FYE	\$ 56.54						
Implied Price as of Today	\$ 61.28						

EP Model:

Economic Profit (EP)	903,815	1,086,500	1,290,593	1,531,729	1,825,284	2,180,621	2,604,865
Continuing Value (CV)							114,876,524
PV of EP	827,158	910,013	989,272	1,074,527	1,171,857	1,281,248	67,496,991
Total PV of EP	73,751,066						
Invested Capital (last FYE)	5,607,093						
Value of Operating Assets:	79,358,159						
Non-Operating Adjustments							
ADD: Excess Cash	1,103,239						
ADD: Investments-Available for Sale	765,554						
ADD: Long-term investments	588,084						
ADD: Restricted Cash	26,622						
ADD: Other Assets	65,719						
LESS: PV Operating Lease	3,803,551						
LESS: PV of EPSO	564,167						
Value of Equity	77,539,659						
Shares Outstanding	1,371,300						
Intrinsic Value of Last FYE	\$ 56.54						
Implied Price as of Today	\$ 61.28						

Chipotle Mexican Grill

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

Fiscal Years Ending	2024E	2025E	2026E	2027E	2028E	2029E	2030E
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EPS	\$ 0.98	\$ 1.16	\$ 1.37	\$ 1.61	\$ 1.90	\$ 2.24	\$ 2.65
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Key Assumptions

CV growth of EPS	6.50%
CV Year ROE	22.21%
Cost of Equity	9.51%

Future Cash Flows

P/E Multiple (CV Year)							23.52
EPS (CV Year)							\$ 2.65
Future Stock Price							\$ 62.25
Dividends Per Share	0	0	0	0	0	0	0
Discounted Cash Flows	0	0	0	0	0	0	\$ 36.10

Intrinsic Value as of Last FYE

\$ 36.10

Implied Price as of Today

\$ 39.12

Chipotle Mexican Grill

Relative Valuation Models

Ticker	Company	Price	EPS		P/E 24	P/E 25	Est. 5yr		
			2024E	2025E			EPS gr.	PEG 24	PEG 25
MCD	McDonalds	\$291.52	\$11.83	\$12.69	24.64	22.97	4.6	5.38	5.02
SBUX	Starbucks	\$97.32	\$3.55	\$3.67	27.41	26.52	6.6	4.17	4.04
YUM	YUM! Brands, Inc.	\$133.39	\$5.63	\$6.27	23.69	21.27	11.4	2.08	1.87
QSR	Restaurant Brands Int.	\$68.22	\$4.72	\$5.37	14.45	12.70	12.2	1.18	1.04
PZZA	Papa John's International,	\$59.51	\$2.28	\$2.57	26.10	23.16	1.3	20.55	18.23
WEN	The Wendy's Company	\$20.45	\$1.00	\$1.05	20.45	19.48	6.8	3.01	2.86
DPZ	Domino's Pizza	\$410.02	\$16.71	\$17.64	24.54	23.24	10.9	2.24	2.12
			Average		23.04	21.33			
CMG	Chipotle Mexican Grill	\$58.66	\$0.98	\$1.16	25.28	23.43	average w/o outlier (PZZA)	3.01	
					59.6	50.6	16.25247	3.7	3.1
			0.16252471						
Implied Relative Value:									
P/E (EPS24)		\$	24.87						
P/E (EPS25)		\$	27.14						
PEG (EPS24)		\$	88.21						
PEG (EPS25)		\$	80.36						

	Fiscal Years Ending Dec. 31									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Liquidity:										
Quick ratio	1.54	1.24	1.53	1.96	2.48	3.03	3.62	4.20	4.78	5.37
Current ratio	1.58	1.28	1.57	2.00	2.52	3.07	3.66	4.24	4.82	5.41
Cash Ratio	0.93	0.42	0.54	1.03	1.61	2.20	2.82	3.43	4.04	4.65
Asset Management:										
Inventory turnover	177.91	184.27	185.34	179.75	179.75	179.75	179.75	179.75	179.75	179.75
Debt Ratio	0.00	0.00	0.00	0.02	0.02	0.02	0.01	0.01	0.01	0.01
Total asset turnover:	1.13	1.25	1.23	1.15	1.11	1.08	1.05	1.03	1.01	1.00
Leverage:										
Debt to equity	0.10	0.10	0.08	0.07	0.06	0.05	0.04	0.04	0.03	0.03
Financial leverage ratio	2.90	2.93	2.63	2.42	2.22	2.05	1.91	1.79	1.69	1.60
Equity ratio	0.35	0.34	0.38	0.41	0.45	0.49	0.52	0.56	0.59	0.62
Profitability:										
Profit margin:	8.65%	10.41%	12.45%	11.76%	11.91%	12.14%	12.40%	12.68%	12.96%	13.24%
Operating margin:	10.77%	13.68%	16.42%	15.50%	15.71%	16.00%	16.34%	16.71%	17.09%	17.46%
ROA:	9.81%	12.98%	15.27%	13.56%	13.24%	13.14%	13.05%	13.08%	13.14%	13.21%
Payout:										
Total Payout Ratio	0.85	1.03	0.54	0.29	0.25	0.21	0.18	0.15	0.13	0.11
ROE	0.28	0.38	0.40	0.33	0.29	0.27	0.25	0.23	0.22	0.21

Chipotle Mexican Grill
Sensitivity Tables

	Risk-Free Rate									
	3.70%	3.90%	4.10%	4.30%	4.50%	4.70%	4.90%			
61.28	721.03	368.29	246.10	184.76	147.87	122.96	105.12			
0.69	203.42	159.45	130.76	110.81	96.13	84.74	75.70			
0.79	117.41	101.00	88.46	78.68	70.84	64.34	58.89			
0.89	83.03	74.32	67.18	61.28	56.33	52.06	48.37			
1.09	62.73	57.53	53.06	49.24	45.93	42.99	40.39			
1.19	50.59	47.09	43.99	41.28	38.88	36.72	34.77			
1.29	42.25	39.73	37.46	35.44	33.62	31.96	30.44			

Beta

Food and Beverage Revenue Growth Rates (2024-2030)

	9.00%	11.00%	13.00%	15.10%	17.00%	19.00%	21.00%
61.28	35.29	42.91	51.37	61.23	71.11	82.56	95.19
-10.00%	35.31	42.93	51.39	61.24	71.13	82.58	95.20
-8.00%	35.33	42.95	51.41	61.26	71.15	82.60	95.22
-6.00%	35.35	42.97	51.43	61.28	71.17	82.62	95.24
-4.00%	35.37	43.00	51.45	61.31	71.19	82.64	95.27
-2.00%	35.40	43.02	51.48	61.33	71.22	82.67	95.30
0.00%	35.43	43.05	51.51	61.36	71.25	82.70	95.33
2.00%							

Delivery Revenue Grow

Food, Beverage, Packing Costs as % of Sales (2024-2030)

	25.00%	26.00%	27.00%	29.00%	30.00%	31.00%	32.00%
61.28	95.40	90.66	85.92	76.44	71.70	66.96	62.22
22.00%	90.66	85.92	81.18	71.70	66.96	62.22	57.48
23.00%	85.92	81.18	76.44	66.96	62.22	57.48	52.74
24.00%	80.24	75.50	70.76	61.28	56.54	51.80	47.06
25.20%	71.70	66.96	62.22	52.74	48.00	43.25	38.51
27.00%	66.96	62.22	57.48	48.00	43.25	38.51	33.77
28.00%	62.22	57.48	52.74	43.25	38.51	33.77	29.03
29.00%							

Labor as % of Sales (2)

Pre-tax cost of debt

	4.00%	4.50%	5.00%	5.53%	6.00%	6.50%	7.00%
61.28	137.36	136.23	135.14	134.02	133.06	132.07	131.11
4.00%	92.77	92.51	92.26	91.99	91.76	91.52	91.29
4.50%	69.70	69.71	69.71	69.71	69.72	69.72	69.72
5.00%	61.07	61.14	61.21	61.28	61.34	61.41	61.47
5.28%	46.09	46.24	46.38	46.53	46.66	46.80	46.93
6.00%	39.25	39.41	39.57	39.73	39.88	40.03	40.18
6.50%	34.09	34.25	34.42	34.59	34.74	34.90	35.05
7.00%							

Equity Risk Premium

Steady-State Store Growth (2028-2030)

	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	8.50%
61.28	53.95	55.11	56.27	57.46	58.65	59.87	61.09
6.00%	55.16	56.33	57.52	58.71	59.93	61.15	62.40
6.50%	56.39	57.57	58.77	59.99	61.22	62.46	63.72
7.00%	57.63	58.83	60.05	61.28	62.52	63.79	65.06
7.50%	58.89	60.11	61.34	62.59	63.85	65.13	66.42
8.00%	60.17	61.40	62.65	63.91	65.19	66.49	67.80
8.50%	61.46	62.71	63.98	65.26	66.55	67.86	69.19
9.00%							

Revenue per store (20

Chipotle Mexican Grill

Valuation of Options Granted under ESOP

Current Stock Price	\$58.66
Risk Free Rate	4.30%
Current Dividend Yield	0.00%
Annualized St. Dev. of Stock Returns	36.40%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	14,750	26.05	4.40	\$ 38.25	\$ 564,167
Total	14,750	\$ 26.05	4.40	\$ 38.25	\$ 564,167

Chipotle Mexican Grill

Key Assumptions of Valuation Model

Ticker Symbol	CMG
Current Share Price	\$58.15
Current Model Date	11/19/2024
FY End (month/day)	Dec. 31
Last FYE Date	12/31/2023
Next FYE Date	12/31/2024
Pre-Tax Cost of Debt	5.53%
Beta	0.99
Risk-Free Rate	4.30%
Equity Risk Premium	5.28%
CV Growth of NOPLAT	7.00%
CV Growth of EPS	6.50%
Current Dividend Yield	0.00%
Forecasted Marginal Tax Rate	24.15%
Forecasted Effective Tax Rate	24.20%
Cost of Equity	9.51%
WACC	9.27%
Normal Cash Estimate (% sales)	2%
IS Assumptions:	
Revenue original growth assumi	12%
Food & Beverage	15.10%
Delivery service	-4%
Long-term Store growth	7%
Revenue by store	7.5%
Operating COGS% (food,beverag	29%
Operating Labor%	25.20%
Operating Occupancy%	5.32%
Operating Other %	15.18%
SG+A Expenses	7.05%
Depreciation and Amort.	14.65%
Pre-opening costs	0.31%
Impairment, asset disposals, clo	4.25%
beg. Investments	1,125,097
ROI on investments	19.20%
Weighted shares outstanding	1,425,185

Balance Sheet Assumptions

Marketable securities/interest income (1-year yield)	4.18%
A/R % of Revenue Average	1.18%
Inventory % of Revenue Average	0.42%
Prepaid Expense % of Revenue Average	1.04%
Average % Tax Receivable	40.01%
Average AP% Sales	2.04%
Average Accrued payroll Liability % of Sales	2.19%
Average Accrued Liability % of sales	2.45%
Average unearned revenue % of sales	1.98%
Average % of operating lease liabilities-current	6.66%
Lease Liability Ratio	1.06
Average Treasury Stock Repurchase	(396,749)
Management CAPEX Note + Inflation adj.	660,000