

Krause Fund Research  
Fall 2022

Analysts

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Consumer Discretionary

Stock rating: **HOLD**

December 5<sup>th</sup>, 2022



## Chipotle Mexican Grill (CMG)

### Company Overview

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

### Investment Strategy

We recommend a **HOLD** rating of Chipotle Mexican Grill. We give this rating due to the prospect of high growth opportunities in the near future. As well as the flexibility of the capital structure with Chipotle Mexican Grill having no debt, we believe that will be the differentiator between their competition as this will free up capital to invest into projects and new endeavors spurring on growth.

Although Chipotle has found success in the delivery service area, we do see potential risk to Chipotle Mexican Grill in delivery fees from food delivery companies. Companies like Uber Eats and Grub Hub eat into the profits of Chipotle Mexican grill as stated in their financial statements. We also believe that there are downsides within the fast-food/casual dining industry. It is a highly competitive market and dominated by long-lasting companies like McDonald's and Starbucks. Delays in the supply chain and food safety and health concerns are additional areas that have hurt Chipotle in the past.

### Pricing

Current Price:	\$1552
52 Week High:	\$1893
52 Week Low:	\$1196
Target Price:	\$1693-\$1856
DCF/EP:	\$1856
DDM:	\$1021
Relative Valuation:	\$895-\$1693

### EPS Estimates

2022:	\$35
2023:	\$41
2024:	\$48
2025:	\$57
2026:	\$67

### Stock Performance Relative to S&P 500 (1Y)



### Key Statistics

MKT Capitalization:	\$42.263B
Shares Outstanding:	27.72M
Beta:	1.15
WACC:	9.32%
2021 EPS:	\$23
2022 EPS:	\$35

## Executive Summary

We believe that Chipotle is a strong company with great upside and high growth potential. There are opportunities to be excited about as a Chipotle investor right now and in the future. One of the driving factors that is influencing Chipotle's growth in the future is the addition of Chipotlanes, which is a new offering from Chipotle. These are drive through lanes that you can see at traditional fast-food restaurants. We believe these are going to boost revenue across the board and is one of the many reasons our continuing value figure is 5%. We also see growth opportunities in the digital space, this was shown in 2021 by 45.6% of total revenue being derived from digital orders. Chipotle operates their business with no long term or short-term debt, which we believe gives them a distinct advantage in the restaurant industry to fuel investments into projects and additional drivers of growth.

## Economic Analysis

There are many economic variables that contribute to the failure or success of Chipotle and any other consumer discretionary business. A decrease in unemployment correlates to an overall increase in consumer spending. Similarly, when inflation rates decrease, prices decrease creating a higher affordability for consumers. Another key variable is wages/income. Simply, the more money people are making, the more they will spend. Along with several other variables, these important areas can have a lasting impact on a business.

## Unemployment

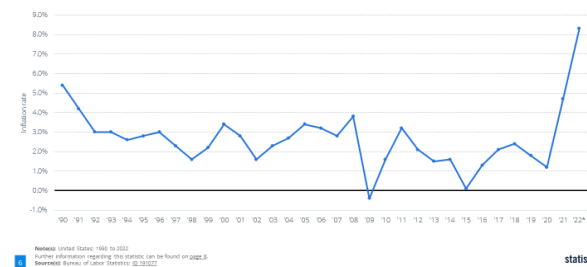
The official unemployment rate as the percentage of the total labor force indicates the number of people jobless, actively seeking work and can work. The unemployment rate weighs heavily on the consumer discretionary industry. The more people that are employed, the more people with excess funds to spend on consumer discretionary goods and services. During the 2020 pandemic, unemployment rates spiked. Since then, the rate has returned to normal levels. It is currently at 3.7% according to FRED. This rate will most likely stay steady for the next couple of years as most people have already returned to work as consumer discretionary businesses have opened back up.

## Inflation

The inflation rate in the past three years has risen dramatically. The June 2022 inflation rate was 9.1%, the highest since 1980. However, the following month we saw a drop to 8.5% and has remained steady since. This, along with a predicted increase in interest rates, suggests that the inflation rate will eventually begin to decline and return to an average rate. When inflation rates are lower, there is a direct increase in consumer spending as prices drop. This is beneficial for Chipotle and other consumer discretionary businesses as more people will be able to afford more goods and services.

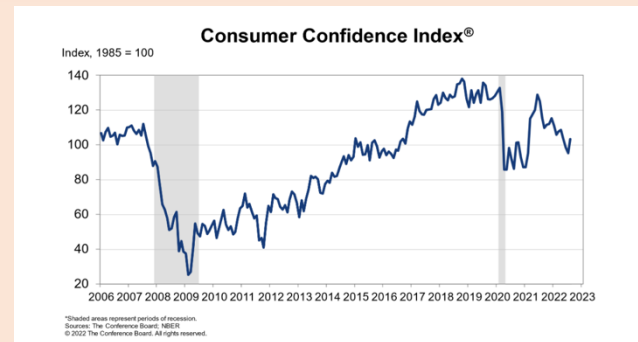
United States: Inflation rate from 1990 to 2022

U.S. inflation rate 1990-2022



## Consumer Confidence Index

The consumer Confidence Index (CCI) is a survey that measure optimism versus pessimism given their financial circumstance. It is useful in determining how willing people are to spend their money on consumer goods and services. This survey reports consumer attitudes, buying intentions, and consumer expectations for inflation, stock prices, and interest rates. So as the CCI increases, we expect an increase in more consumer discretionary goods and services purchased, ultimately increasing revenue for consumer discretionary companies. Below is the historical CCI from 2006-2022.



**Consumer Discretionary Rating: Positive**

### Industry Analysis

Chipotle Mexican grill operates in the consumer discretionary sector and specifically the restaurants sub industry within consumer discretionary. The main way companies in this industry generate revenue is through the sale of food. Companies within the restaurant industry can vary between sit-down restaurants and quick serve restaurants where customers do not necessarily dine in. In the United States the restaurant segment is made up of mostly large multi-unit restaurant companies. They range from fast food companies like McDonald's Corp, Burger King, and Wendy's Co. to companies that run full-service restaurants like Olive Garden and Applebee's. Through our research we noticed three main strategies for how companies generate revenue and go to market in the restaurant industry, fast food, fast casual, and full service. Fast food chains have meals to eat in or take out, very quick service, and low prices. These chains usually focus on a few menu items that they can produce very quickly and at a cheap cost. Fast casual is a midpoint between fast food and full service. Companies that are fast casual attempt to produce higher quality food than fast food, while keeping their prices lower than a full-service restaurant. A typical meal at a fast casual restaurant is \$8-12. Full service offers table ordering where a customer will eat at the restaurant for their meal and will be waited on and expect full service. Chipotle is most closely to the fast casual category.

### Industry Trends

Overall, the restaurant industry is projected to do 898 billion in sales in 2022 exceeding 2019 sales. The restaurant industry will continue seeing increasing demand as Covid-19 restrictions are lifted and we return to pre-pandemic levels of demand. However, we believe the benefit of increasing demand from the lifting of Covid restrictions will be short lived as inflationary pressures will begin to play a significant role. One trend over the past year has been an increase in commodity prices, primarily affecting restaurants when purchasing food. We have also seen bottlenecks in the supply chain. Both developments have recently eased, however they will still affect the margins that restaurant operators see. Restaurant operators have responded to these pressures in different ways including, reducing operating hours, closing

### Industry Trends Cont.

locations, and increasing prices. As these trends unfold, we believe that as customer become more cost sensitive demand will shift around in the industry. As prices increase and customers lose their willingness to spend, full-service restaurants will lose pricing power.

One of the largest growing revenue sources for consumer discretionary companies is mobile ordering and third-party delivery. This trend really began to grow during the pandemic as it was the only way to generate revenue at the time. Since then, the online ordering and delivery has grown even more. Chipotle reported a 40% increase in delivery service revenue from 2020 to 2021. This shift in consumer behavior has had a dramatic impact on the consumer discretionary industry. It has changed the way some companies operate and has completely transferred some company's focus to mobile ordering.

### Competition

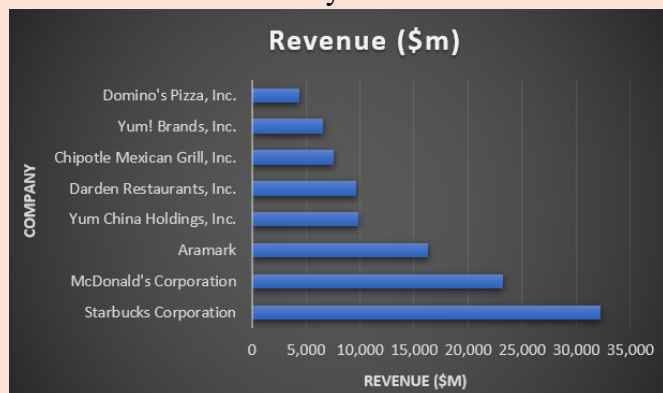
Many of Chipotle's direct competitors are private companies like Qdoba and Moe's Southwest Grill. However, companies like McDonald's and Starbucks are in the S&P and compete with Chipotle in the fast-food market. These are firms that have dominated the fast-food industry.

Below is a chart depicting the number of stores, number of employees, ROIC, Asset Turnover, and Inventory Turnover between Chipotle, McDonald's, and Starbucks.

Company	Chipotle	McDonald's	Starbucks
Number of stores (US)	3,002	13,337	15,149
Number of employees	97,660	100,000	191,000
ROIC (TTM)	10.90%	17.07%	14.04%
Asset Turnover (FY)	1.2	0.5	1
Inventory Turnover (FY)	156.7	231.6	13.1

## Industry Revenues

Consumer Discretionary Revenue Chart 2021



The above graph highlights the revenue leaders within the consumer discretionary industry. McDonald's and Starbucks have proven to be leaders in the industry year in and year out. Chipotle finds itself as the 6<sup>th</sup> highest company in revenue in 2021. This is impressive as Chipotle is the youngest solo company in the 8 listed. The consumer discretionary industry has been stable for the past years in part to the demand for fast food and low prices offered.

**Consumer Discretionary Rating: Positive**

## Company Analysis

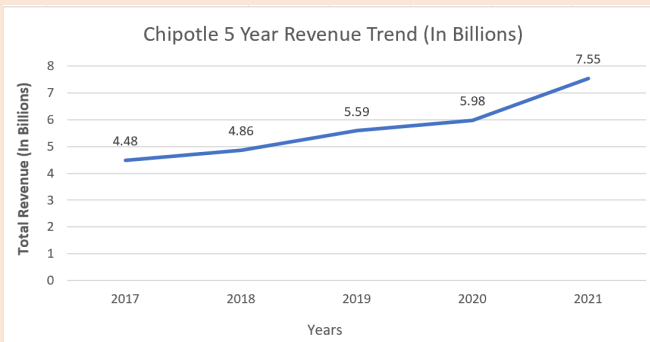
Chipotle Mexican Grill is a restaurant chain in the casual dining/fast-food industry. They offer a variety of Tex-Mex meals from burritos and tacos to bowls and salads. Chipotle ultimately strives to have every location run successfully and sustain world class leadership by hiring and retaining diverse talent. They also push the Chipotle brand to gain audience attention. With fresh ingredients and affordable prices, Chipotle has established itself as a recognizable company across the United States.

## Revenue Analysis

Chipotle currently has two categories of revenue: food & beverage revenue and delivery service revenue. The food and beverage revenue currently make up for about 99% of total revenue. The delivery service revenue category was first established in 2020 during Covid when many locations offered pick up or delivery only. While many businesses struggled during the shutdown, Chipotle increased revenue from the previous year. Part of this is due to Chipotle's partnerships with delivery companies such as Door dash and

## Revenue Analysis Cont.

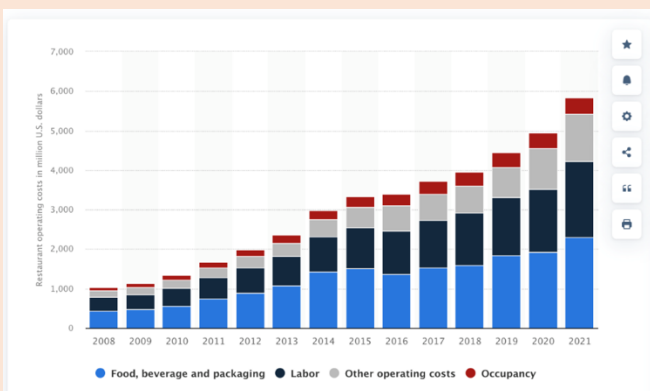
Grub Hub. This allowed them to continue operations.



Chipotle has had steady revenue growth over the last 5 years. They have increased yearly revenue by over 3 billion in that time frame. There is no doubt that Chipotle is expanding at a large rate.

## Expense Analysis

The main operating expenses that affect Chipotle are costs directly to serving food, including food, beverage, & packaging expense, labor costs, and occupancy costs, as well as other operating costs.



There are a few expenses that are vital to Chipotle's operations. The first one is Food, beverage, and packaging. This expense makes up just under 35% of their total annual operation expenses (2021). The second most significant expense is labor. This expense was just under 2 million for the year 2021. Chipotle had 97,660 employees for the year 2021. This was an 11% increase from the previous year. Additional smaller expenses include occupancy (leases/rent) and other operating costs like general and administrative expenses.

Although Food, beverage, and packaging expenses decreased from 2020 to 2021, there was a direct increase in the price of beef, avocados, and freight. Chipotle was able to handle these



### Expense Analysis Cont.

increases and decrease this expense as a percentage of total revenue by increasing menu prices. The same decrease as a percentage of total revenue from 2020 to 2021 can be seen with the labor expense. This was offset by a national minimum wage increase to \$15 an hour halfway through the year. The sensitivity table below highlights the impact that these expenses have on the price.

The sensitivity analysis, shown below, demonstrates how small increases in these expenses can have a large impact on the potential price. So, it is very important for Chipotle to make a conscious effort to keep their costs low.

Food, Beverage, and Packaging Costs as a % of Sales								
Labor Costs as a % of Sales	1,854.06	27.00%	28.00%	29.00%	30.00%	31.00%	32.00%	33.00%
21.00%	2,558	2,441	2,323	2,206	2,089	1,971	1,854	1,737
22.00%	2,441	2,323	2,206	2,089	1,971	1,854	1,737	1,619
23.00%	2,323	2,206	2,089	1,971	1,854	1,737	1,619	1,502
24.00%	2,206	2,089	1,971	1,854	1,737	1,619	1,502	1,385
25.00%	2,089	1,971	1,854	1,737	1,619	1,502	1,385	1,268
26.00%	1,971	1,854	1,737	1,619	1,502	1,385	1,268	1,150
27.00%	1,854	1,737	1,619	1,502	1,385	1,268	1,150	

### Opportunity for Growth Cont.

Chipotle's largest recent development is Chipotlanes. These drive-thru lanes allow people to order Chipotle without having to leave their vehicle. This could help Chipotle compete with companies that dominate the Consumer Discretionary industry like McDonald's. McDonald's drive-thru account for roughly 70% of McDonald's annual sales. Chipotle currently has 174 restaurants with Chipotlanes and is looking to have around 80% of future restaurants include Chipotlanes.

**Consumer Discretionary Rating: Neutral**

### Valuation Analysis

Within our valuation analysis we took a deep look into the historical performance of Chipotle, and the current economic landscape. Through this in-depth research we forecasted Chipotle's future performance from 2022-2030. We retrieved historical data going back 5 years (2017-2021). Using our valuation model and the economic, industrial, and company analysis discussed above, we have projected Chipotle's financials statements from 2022-2030.

### Opportunity for Growth

One catalyst for growth is increasing restaurant popularity and overall total open locations. Chipotle has a substantial amount of cash on hand and no debt to be paid back. This creates a great opportunity for Chipotle to really expand. Chipotle has a goal of about 8-10% annual growth. This is around 200-300 new restaurants every year. By opening these new locations with the cash or investment funds Chipotle has, it creates more revenue streams for the company.

Another area for growth is consumer convenience. In today's day and age, improving consumers' convenience is an area most fast-food companies focus on in their corporate strategic planning. Online partnerships with Door Dash, Grub Hub, Uber Eats, and Chipotle's own mobile ordering app are what helped Chipotle succeed during the Covid Pandemic. However, many consumers still choose to order this way. Online orders accounted for almost half of Chipotle's sales in 2021. By developing a more efficient ordering app and increasing delivery company partnerships, Chipotle can create a competitive advantage in online ordering.

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

Share price: \$1856

This is the Model that we feel gives the most accurate representation of where this company should be valued at. These models use free cash flows to determine a target price based off assumptions that we make regarding, inflation and our own projections. One of the biggest and most important components of projecting these future cash flows are the revenue projections. Our revenue forecasts consisted of getting an average of the new stores that Chipotle has opened over the last 5 years applying a 7% growth rate to that, that is a large growth rate, but we believe it is justified as stated in Chipotle's financial statement, that new locations will be the primary use of capital expenditures. Once we were able to get that number, we forecasted how many stores there will be for the forecast period (2022-2030) and we then multiplied that number by the food and beverage per store that is identified in Chipotle's financial statements.

### Discounted Cash Flow (DCF) and Economic Profit (EP) Analysis Cont.

For other income statement items like the major operating expense, we decided to take historical averages from the past five years and calculate our estimates as a percentage of revenue. We believe this was an accurate way to forecast our revenue and expense accounts.

For most of our balance sheet accounts we forecasted using a similar method to the expense accounts using historical averages then taking those averages as a percentage of total revenue. Not all accounts could be forecasted using this method one outliers included capital expenditures, for CAPEX we used company guidance provided in the financial statements.

Once we had completed our financial statements, we calculated each forecasted year net operating profit less adjusted taxes (NOPLAT), invested capital (IC), and free cash flow (FCF), as well as economic profit (EP). Once we had these figures, we were able to move forward and calculate our DCF and EP models.

We then calculated our **Cost of Equity**, which we did by using the CAPM formula using the yield on a 10-year treasury bond as our risk-free rate. We used a historical geometric average of the difference between the return on the market and a US T-bond from 1928-2021, which was 5.17%. For our beta value we pulled the raw beta directly from Bloomberg. Our final cost of equity was 10.06%.

We calculated our **WACC** (weighted average cost of capital) by calculating the market weight of equity (90.93%) and multiplying that by our cost of equity and the market value of debt (9.07%) and multiplying that by our after-tax cost of debt. Our WACC calculation was an integral part of the valuation since this is the discount factor used to discount the free cash flow figures to present value.

The economic profit model was a similar process of forecasting Chipotle's economic profit and discounting those values back using the cost of equity. After making the proper adjustments we got to our economic value and finally we divided that by our total shares outstanding and received our share price.

### Dividend Discount Model Analysis

Share price: \$1,021

Chipotle does not currently pay a dividend; they have never paid a dividend and it does not seem likely that in the future Chipotle will pay a dividend. For that reason, we do not believe that the DDM should be taken into consideration.

### Relative Valuation Analysis

Share price: \$895-1,693

Comparable Included: McDonalds, Starbucks, Yum Brands! Wendy's, Domino's Pizza, Restaurant Brands International.

Since Chipotle has a unique capital structure carrying no debt, we do not believe the relative valuation model is the best picture of value for the company. It is also very difficult to find direct public competitors that compete directly with Chipotle.

### Sensitivity Analysis

The purpose of conducting sensitivity analysis in this case was to see the impact on our stock price when we slightly varied our assumptions that affect the model.

Risk-Free and Beta:

We decided to test the effects of altering the risk-free rate and Chipotle's beta together since they are both integral parts of our model. Both variables go into the cost of equity calculation as well as the weighted average cost of capital. The risk-free rate is especially valuable to see considering the interest rate landscape that we are in currently with multiple hikes in the recent months.

Risk-free rate and CV Growth of NOPLAT:

Some of the most impactful inputs into our model as the Risk-free rate affects multiple important calculations in our model. CV growth of NOPLAT is probably one of the most important figures in the DCF model and can also be one of the most ambiguous since we are projecting for such a long time.

## Sensitivity Analysis Cont.

CV Growth of NOPLAT	Risk Free Rate							
	1,854.06	3.53%	3.73%	3.93%	4.13%	4.33%	4.53%	4.73%
	2.00%	1,229	1,229	1,229	1,229	1,228	1,228	1,228
	3.00%	1,371	1,371	1,371	1,371	1,371	1,371	1,371
	4.00%	1,567	1,567	1,567	1,567	1,567	1,567	1,567
	5.00%	1,854	1,854	1,854	1,854	1,854	1,854	1,854
	6.00%	2,316	2,315	2,315	2,315	2,315	2,315	2,315
	7.00%	3,178	3,178	3,178	3,178	3,178	3,177	3,177
	8.00%	5,367	5,367	5,367	5,367	5,367	5,366	5,366

### WACC and CV Growth of NOPLAT:

Observing what different WACC's would look like will be very beneficial since the WACC is such a key part of the DCF model and small changes can have a big impact on price. We wanted to see WACC and CV growth of NOPLAT together since they both have direct correlation to share price.

CV Growth of NOPLAT	WACC							
	1,854.06	9.00%	9.10%	9.20%	9.30%	9.40%	9.50%	9.60%
	2.00%	1,295	1,272	1,250	1,229	1,208	1,187	1,167
	3.00%	1,455	1,426	1,398	1,371	1,345	1,319	1,295
	4.00%	1,678	1,640	1,603	1,567	1,533	1,499	1,468
	5.00%	2,014	1,958	1,905	1,854	1,806	1,760	1,716
	6.00%	2,572	2,481	2,396	2,315	2,240	2,169	2,102
	7.00%	3,689	3,503	3,333	3,178	3,036	2,905	2,784
	8.00%	7,041	6,381	5,832	5,367	4,968	4,623	4,321

### General and Admin Expense as a % of sales and Other Operating Expenses as a % of sales:

We observed that in our model just as important as the correct revenue projections the expense projections were just as important to have accurately as they have a significant role in determining price. These two expenses were both large % of sales and therefore have a lot of impact.

Other Operating Expenses as a % of Sales	General and Administrative Expense as a % of Sales							
	1,854.06	3.69%	4.69%	5.69%	6.69%	7.69%	8.69%	9.69%
	11%	2,558	2,441	2,323	2,206	2,089	1,971	1,854
	12%	2,441	2,323	2,206	2,089	1,971	1,854	1,737
	13%	2,323	2,206	2,089	1,971	1,854	1,737	1,619
	14%	2,206	2,089	1,971	1,854	1,737	1,619	1,502
	15%	2,089	1,971	1,854	1,737	1,619	1,502	1,385
	16%	1,971	1,854	1,737	1,619	1,502	1,385	1,268
	17%	1,854	1,737	1,619	1,502	1,385	1,268	1,150

### Average # of Store Sales Growth and CV growth of NOPLAT:

The average number of store sales was a forecast that we needed to get right to properly forecast revenue and has a direct impact to our revenue estimates. We wanted to see # of store sales compared to CV growth of NOPLAT since they both relate to future growth.

## Sensitivity Analysis Cont.

CV Growth of NOPLAT	Average # of Store Sales Growth							
	1,854.06	4.00%	5.00%	6.00%	7.00%	8.00%	9.00%	10.00%
	2.00%	1,904	1,929	1,954	1,980	2,005	2,030	2,056
	3.00%	1,903	1,929	1,954	1,979	2,005	2,030	2,055
	4.00%	1,903	1,928	1,954	1,979	2,004	2,030	2,055
	5.00%	1,902	1,928	1,953	1,979	2,004	2,029	2,055
	6.00%	1,902	1,927	1,953	1,978	2,004	2,029	2,054
	7.00%	1,902	1,927	1,953	1,978	2,003	2,029	2,054
	8.00%	1,901	1,927	1,952	1,978	2,003	2,028	2,054

### Food, Beverage, and Packaging Costs as a % of Sales and Labor Costs as a % of sales:

These are the largest portion of expenses within operating expenses and therefore will have the largest impact on our net income. These expenses could vary depending on technology in the future, so we wanted to see multiple possibilities and see how this affected share price.

Labor Costs as a % of Sales	Food, Beverage, and Packaging Costs as a % of Sales							
	1,854.06	27.00%	28.00%	29.00%	30.00%	31.00%	32.00%	33.00%
	21.00%	2,558	2,441	2,323	2,206	2,089	1,971	1,854
	22.00%	2,441	2,323	2,206	2,089	1,971	1,854	1,737
	23.00%	2,323	2,206	2,089	1,971	1,854	1,737	1,619
	24.00%	2,206	2,089	1,971	1,854	1,737	1,619	1,502
	25.00%	2,089	1,971	1,854	1,737	1,619	1,502	1,385
	26.00%	1,971	1,854	1,737	1,619	1,502	1,385	1,268
	27.00%	1,854	1,737	1,619	1,502	1,385	1,268	1,150

## **Sources**

Stock Performance:

[https://subscriptions.seekingalpha.com/lp\\_premium\\_acq\\_b/?source=acquisition\\_campaign\\_bing\\_premium&utm\\_source=bing&utm\\_medium=cpc&utm\\_campaign=416452075&utm\\_term=1166582757495499^kwd-72912045469327:loc-190^e^^&mclkid=7b15d99709fb153afbbcbac033c823c3&utm\\_content=seeking\\_alpha\\_oka\\_exact](https://subscriptions.seekingalpha.com/lp_premium_acq_b/?source=acquisition_campaign_bing_premium&utm_source=bing&utm_medium=cpc&utm_campaign=416452075&utm_term=1166582757495499^kwd-72912045469327:loc-190^e^^&mclkid=7b15d99709fb153afbbcbac033c823c3&utm_content=seeking_alpha_oka_exact)

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Expense Revenues:

<https://www.statista.com/statistics/221467/chipotle-restaurant-operating-costs/>

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## Chipotle Mexican Grill

### *Key Assumptions of Valuation Model*

Ticker Symbol	CMG
Current Share Price	\$1,541.72
Current Model Date	11/29/2022
FY End (month/day)	Dec. 31
Last FYE Date	12/31/2021
Next FYE Date	12/31/2022
Pre-Tax Cost of Debt	2.08%
After-Tax Cost of Debt	1.62%
Beta	1.15
Risk-Free Rate	4.13%
Equity Risk Premium	5.17%
CV Growth of NOPLAT	5.00%
CV Growth of EPS	5.00%
Current Dividend Yield	0.00%
Forecasted Marginal Tax Rate	22.00%
Forecasted Effective Tax Rate	25.00%
Cost of Equity	10.06%
WACC	9.30%
Normal Cash Estimate (% sales)	2.00%
Current Yield on 1 YR Treasury Bond	4.19%

Chipotle Mexican Grill  
Revenue Decomposition  
In Millions

<i>Fiscal Years Ending Dec. 31</i>	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Food and beverage revenue	4476.4	4865.0	5586.4	5920.5	7457.2	8619.3	9962.5	11515.1	13309.6	15383.7	17781.1	20552.0	23754.8	27456.7
Delivery service revenue				64.1	89.9	125.9	176.3	246.9	345.8	484.4	678.3	950.0	1330.5	1863.3
<b>Total revenue</b>	<b>4476.4</b>	<b>4865.0</b>	<b>5586.4</b>	<b>5984.6</b>	<b>7547.1</b>	<b>8745.2</b>	<b>10138.9</b>	<b>11762.0</b>	<b>13655.4</b>	<b>15868.0</b>	<b>18459.4</b>	<b>21502.0</b>	<b>25085.3</b>	<b>29320.0</b>
<b>Total revenue growth %</b>		<b>8.68%</b>	<b>14.83%</b>	<b>7.13%</b>	<b>26.11%</b>	<b>15.88%</b>	<b>15.94%</b>	<b>16.01%</b>	<b>16.10%</b>	<b>16.20%</b>	<b>16.33%</b>	<b>16.48%</b>	<b>16.66%</b>	<b>16.88%</b>
Food and beverage revenue per store	1.86	1.95	2.13	2.14	2.51	2.72	2.93	3.17	3.42	3.70	3.99	4.32	4.66	5.04
Delivery service revenue per store	0.00	0.00	0.00	0.02	0.03	0.04	0.05	0.07	0.09	0.12	0.15	0.20	0.26	0.34
<b>Restaurant sales per store</b>	<b>1.86</b>	<b>1.95</b>	<b>2.13</b>	<b>2.16</b>	<b>2.54</b>	<b>2.76</b>	<b>2.99</b>	<b>3.24</b>	<b>3.51</b>	<b>3.81</b>	<b>4.15</b>	<b>4.51</b>	<b>4.92</b>	<b>5.38</b>
Total number of stores	2408	2491	2622	2768	2966	3174	3396	3633	3888	4160	4451	4763	5096	5453
Sales per store	1.9	2.0	2.1	2.2	2.5	2.8	3.0	3.2	3.5	3.8	4.1	4.5	4.9	5.4

In Millions

[illegible]

**Chipotle Mexican Grill***Balance Sheet*

In millions

<i>Fiscal Years Ending Dec. 31</i>	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Assets</b>														
Cash & cash equivalents	184.57	249.95	480.63	607.99	815.37	1631.88	2529.39	3641.66	5006.22	6648.09	8639.72	11044.42	13938.31	17413.41
Accounts receivable, net	40.45	62.31	80.55	104.50	99.60	117.05	135.70	157.43	182.77	212.38	247.07	287.79	335.75	392.43
Inventory	19.86	21.56	26.10	26.45	32.83	39.02	45.23	52.47	60.92	70.79	82.35	95.93	111.92	130.81
Prepaid expenses & other current assets	50.92	54.13	57.08	54.91	78.76	91.52	106.11	123.10	142.91	166.07	193.19	225.03	262.53	306.85
Income tax receivable	9.35	-	27.71	282.78	94.06	56.88	65.94	76.50	88.82	103.21	120.06	139.85	163.16	190.70
Investments - available for sale	324.38	426.85	400.16	343.62	260.95	271.88	283.27	295.14	307.51	320.39	333.81	347.80	362.37	377.56
<b>Total current assets</b>	<b>629.54</b>	<b>814.79</b>	<b>1072.20</b>	<b>1420.24</b>	<b>1381.56</b>	<b>2208.22</b>	<b>3165.64</b>	<b>4346.30</b>	<b>5789.14</b>	<b>7520.94</b>	<b>9616.21</b>	<b>12140.83</b>	<b>15174.04</b>	<b>18811.76</b>
Leasehold improvements, property & equipment, gross	2317.29	2462.76	2660.13	2964.02	3305.60	3755.60	4223.60	4710.32	5216.51	5742.95	6290.44	6859.83	7452.00	8067.86
Less: accumulated depreciation	978.92	1083.51	1201.44	1379.71	1536.32	1787.15	2066.22	2372.08	2703.57	3059.83	3440.22	3844.30	4271.81	4722.67
Leasehold improvements, property & equipment, net	1338.37	1379.25	1458.69	1584.31	1769.28	1968.45	2157.38	2338.25	2512.94	2683.12	2850.22	3015.54	3180.19	3345.19
Long term investments	-	-	-	102.33	274.31	285.80	297.78	310.26	323.26	336.80	350.91	365.62	380.94	396.90
Other assets	55.85	19.33	18.45	59.05	56.72	59.09	61.57	64.15	66.84	69.64	72.55	75.59	78.76	82.06
Restricted cash	-	30.20	27.86	27.85	30.86	32.15	32.15	32.15	32.15	32.15	32.15	32.15	32.15	32.15
Operating lease assets	-	-	2505.47	2767.19	3118.29	3469.32	3802.31	4121.08	4428.97	4728.90	5023.42	5314.79	5604.98	5895.79
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	21.94
<b>Total assets</b>	<b>2045.69</b>	<b>2265.52</b>	<b>5104.60</b>	<b>5982.90</b>	<b>6652.96</b>	<b>8044.98</b>	<b>9538.77</b>	<b>11234.11</b>	<b>13175.24</b>	<b>15393.48</b>	<b>17967.40</b>	<b>20966.45</b>	<b>24473.00</b>	<b>28585.78</b>
<b>Liabilities</b>														
Accounts payable	82.03	113.07	115.82	121.99	163.16	182.43	211.50	245.36	284.85	331.01	385.07	448.54	523.28	611.62
Accrued payroll & benefits	<b>82.54</b>	<b>113.47</b>	<b>126.60</b>	<b>203.05</b>	<b>162.41</b>	209.66	243.07	281.99	327.38	380.43	442.56	515.50	601.41	702.93
Accrued liabilities	159.32	147.85	155.84	164.65	173.05	252.42	292.65	339.50	394.15	458.02	532.82	620.64	724.07	846.30
Unearned revenue	-	70.47	95.20	127.75	156.35	160.89	186.53	216.39	251.22	291.93	339.61	395.58	461.50	539.41
Current operating lease liabilities	-	-	173.14	204.76	218.71	246.60	270.26	292.92	314.81	336.13	357.06	377.77	398.40	419.07
<b>Total current liabilities</b>	<b>323.89</b>	<b>449.99</b>	<b>666.59</b>	<b>822.20</b>	<b>873.68</b>	<b>1052.00</b>	<b>1204.02</b>	<b>1376.16</b>	<b>1572.42</b>	<b>1797.52</b>	<b>2057.10</b>	<b>2358.03</b>	<b>2708.66</b>	<b>3119.34</b>
Long-term operating lease liabilities			2678.37	2952.30	3301.60	3694.47	4049.07	4388.53	4716.40	5035.79	5349.43	5659.70	5968.73	6278.41
Deferred rent	316.50	330.99												
Deferred income tax liability	0.81	11.57	37.81	149.42	141.77	143.45	145.13	146.81	148.49	150.17	151.85	153.53	155.21	156.89
Other liabilities	40.04	31.64	38.80	38.84	38.54	40.15	41.83	43.59	45.41	47.31	49.30	51.36	53.51	55.76
<b>Total liabilities</b>	<b>681.25</b>	<b>824.18</b>	<b>3421.58</b>	<b>3962.76</b>	<b>4355.58</b>	<b>4930.07</b>	<b>5440.05</b>	<b>5955.08</b>	<b>6482.72</b>	<b>7030.80</b>	<b>7607.68</b>	<b>8222.62</b>	<b>8886.12</b>	<b>9610.39</b>
<b>Stockholders equity</b>														
Treasury stock, at cost	(2334.41)	(2500.56)	(2699.12)	(2802.08)	(3356.10)	(3587.77)	(3819.44)	(4051.10)	(4282.77)	(4514.44)	(4746.11)	(4977.77)	(5209.44)	(5441.11)
Accumulated other comprehensive income (loss)	(3.66)	(6.24)	(5.36)	(4.23)	(5.35)	(6.64)	(6.64)	(6.64)	(6.64)	(6.64)	(6.64)	(6.64)	(6.64)	(6.64)
Retained earnings (accumulated deficit)	2397.06	2573.62	2921.45	3276.16	3929.15	4914.69	6065.22	7412.25	8992.45	10848.82	13032.07	15602.37	18631.63	22206.34
<b>Total shareholders' equity</b>	<b>1364.45</b>	<b>1441.34</b>	<b>1683.03</b>	<b>2020.14</b>	<b>2297.37</b>	<b>3114.91</b>	<b>4098.72</b>	<b>5279.03</b>	<b>6692.51</b>	<b>8362.68</b>	<b>10359.72</b>	<b>12743.82</b>	<b>15586.88</b>	<b>18975.39</b>

**Chipotle Mexican Grill***Forecasted Cash Flow Statement*

In Millions

<b><i>Fiscal Years Ending Dec. 31</i></b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>
Net income (loss)	985.5	1150.5	1347.0	1580.2	1856.4	2183.2	2570.3	3029.3	3574.7
Depreciation & amortization	250.8	279.1	305.9	331.5	356.3	380.4	404.1	427.5	450.9
Deferred income tax provision (benefit)	37.2	(9.1)	(10.6)	(12.3)	(14.4)	(16.9)	(19.8)	(23.3)	(27.5)
Accounts receivable	(17.5)	(18.7)	(21.7)	(25.3)	(29.6)	(34.7)	(40.7)	(48.0)	(56.7)
Inventory	(6.2)	(6.2)	(7.2)	(8.4)	(9.9)	(11.6)	(13.6)	(16.0)	(18.9)
Prepaid expenses & other current assets	(12.8)	(14.6)	(17.0)	(19.8)	(23.2)	(27.1)	(31.8)	(37.5)	(44.3)
Operating lease assets	(351.0)	(333.0)	(318.8)	(307.9)	(299.9)	(294.5)	(291.4)	(290.2)	(290.8)
Other assets	(2.4)	(2.5)	(2.6)	(2.7)	(2.8)	(2.9)	(3.0)	(3.2)	(3.3)
Accounts payable	19.3	29.1	33.9	39.5	46.2	54.1	63.5	74.7	88.3
Accrued payroll & benefits	47.3	33.4	38.9	45.4	53.0	62.1	72.9	85.9	101.5
Accrued liabilities	79.4	40.2	46.9	54.7	63.9	74.8	87.8	103.4	122.2
Unearned revenue	4.5	25.6	29.9	34.8	40.7	47.7	56.0	65.9	77.9
Deferred income tax liabilities	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Other long-term liabilities	1.6	1.7	1.8	1.8	1.9	2.0	2.1	2.2	2.2
<b>Net cash flows from operating activities</b>	<b>1037.5</b>	<b>1177.3</b>	<b>1427.9</b>	<b>1713.1</b>	<b>2040.2</b>	<b>2418.3</b>	<b>2858.0</b>	<b>3372.5</b>	<b>3978.0</b>
Purchases of leasehold improvements, property & equipment	(450.0)	(468.0)	(486.7)	(506.2)	(526.4)	(547.5)	(569.4)	(592.2)	(615.9)
Purchases of investments	(22.4)	(23.4)	(24.3)	(25.4)	(26.4)	(27.5)	(28.7)	(29.9)	(31.1)
Proceeds from sale of equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated and other comprehensive income (loss)	(1.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions of equity method investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net cash flows from investing activities</b>	<b>(473.7)</b>	<b>(491.4)</b>	<b>(511.1)</b>	<b>(531.6)</b>	<b>(552.9)</b>	<b>(575.0)</b>	<b>(598.1)</b>	<b>(622.1)</b>	<b>(647.0)</b>
Acquisition of common stock	64.9	64.9	64.9	64.9	45.5	45.5	45.5	45.5	45.5
Acquisition of treasury stock	(231.7)	(231.7)	(231.7)	(231.7)	(231.7)	(231.7)	(231.7)	(231.7)	(231.7)
Lease Liabilities	420.8	378.3	362.1	349.8	340.7	334.6	331.0	329.7	330.3
Restricted cash	(1.29)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net cash flows from financing activities</b>	<b>252.7</b>	<b>211.5</b>	<b>195.4</b>	<b>183.0</b>	<b>154.5</b>	<b>148.4</b>	<b>144.8</b>	<b>143.5</b>	<b>144.1</b>
Net change in cash, cash equivalents, & restricted cash	816.5	897.5	1112.3	1364.6	1641.9	1991.6	2404.7	2893.9	3475.1
Cash, cash equivalents, & restricted cash at beginning of period	815.4	1631.9	2529.4	3641.7	5006.2	6648.1	8639.7	11044.4	13938.3
<b>Cash, cash equivalents, &amp; restricted cash at end of period</b>	<b>1631.9</b>	<b>2529.4</b>	<b>3641.7</b>	<b>5006.2</b>	<b>6648.1</b>	<b>8639.7</b>	<b>11044.4</b>	<b>13938.3</b>	<b>17413.4</b>



**Chipotle Mexican Grill***Historical Cash Flow Statement*

In Millions

<b>Fiscal Years Ending Dec. 31</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Net income (loss)	176.3	176.6	350.2	355.8	653.0
Depreciation & amortization	163.3	202.0	212.8	238.5	254.7
Amortization of operating lease assets	-	-	164.0	184.5	-
Deferred income tax provision (benefit)	(18.0)	10.6	30.0	108.4	(12.4)
Loss on disposal & impairment of assets	13.3	62.0	15.4	28.9	17.1
Provision for credit losses	-	-	-	0.2	0.5
Stock-based compensation expense	65.3	69.2	91.4	82.6	176.4
Other adjustments	(0.2)	(2.9)	(10.6)	3.6	(4.6)
Accounts receivable	(0.1)	(8.3)	(2.6)	3.0	(1.7)
Inventory	(5.3)	(1.7)	(4.5)	(0.4)	(6.4)
Prepaid expenses & other current assets	(6.7)	(3.8)	(23.1)	(11.4)	(26.8)
Operating lease assets	-	-	-	-	223.8
Other assets	(2.6)	(2.0)	2.8	(26.6)	4.0
Accounts payable	10.9	32.1	(1.0)	(3.9)	21.4
Accrued payroll & benefits	-	29.6	11.8	76.7	(44.6)
Accrued liabilities	38.6	14.8	36.5	5.6	11.0
Unearned revenue	-	6.8	30.4	37.0	34.4
Income tax payable/receivable	(4.2)	14.4	(32.1)	(255.3)	193.4
Operating lease liabilities	-	-	(151.6)	(165.2)	(207.2)
Other long-term liabilities	6.3	0.9	1.9	1.8	(4.0)
<b>Net cash flows from operating activities</b>	<b>467.1</b>	<b>621.6</b>	<b>721.6</b>	<b>663.8</b>	<b>1282.1</b>
Purchases of leasehold improvements, property & equipment	(216.8)	(287.4)	(333.9)	(373.4)	(442.5)
Purchases of investments	(199.8)	(485.2)	(448.8)	(468.4)	(429.4)
Maturities of investments	330.0	385.0	476.7	419.1	345.7
Proceeds from sale of equipment	-	-	14.0	-	4.0
Acquisitions of equity method investments	-	-	-	(10.0)	-
<b>Net cash flows from investing activities</b>	<b>(86.6)</b>	<b>(387.6)</b>	<b>(292.0)</b>	<b>(432.7)</b>	<b>(522.0)</b>
Acquisition of treasury stock	(285.9)	(160.9)	(190.6)	(54.4)	(466.5)
Tax withholding on stock-based compensation awards	-	(5.4)	(10.4)	(48.6)	(79.9)
Other financing payments	-	-	-	(1.9)	(2.3)
<b>Net cash flows from financing activities</b>	<b>(285.9)</b>	<b>(166.5)</b>	<b>(201.7)</b>	<b>(104.9)</b>	<b>(548.6)</b>
Effect of exchange rate changes on cash, cash equivalents & restricted cash	2.1	(1.5)	0.4	1.1	(1.0)
Net change in cash, cash equivalents, & restricted cash	96.7	66.0	228.3	127.4	210.4
Cash, cash equivalents, & restricted cash at beginning of period	87.9	214.2	280.2	508.5	635.8
<b>Cash, cash equivalents, &amp; restricted cash at end of period</b>	<b>184.6</b>	<b>280.2</b>	<b>508.5</b>	<b>635.8</b>	<b>846.2</b>

Chipotle Mexican Grill

Common Size Income Statement

Fiscal Years Ending Dec. 31	2017	2018	2019	2020	2021	Average	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Food & beverage revenue				98.9%	98.8%		98.56%	98.26%	97.90%	97.47%	96.95%	96.33%	95.58%	94.70%	93.64%
Delivery service revenue				1.1%	1.2%		1.44%	1.74%	2.10%	2.53%	3.05%	3.67%	4.42%	5.30%	6.36%
Total revenue	100.0%	100.0%	100.0%	100.0%	100.0%		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Restaurant Operating Costs															
Restaurant operating costs - food, beverage & packaging	34.3%	32.9%	33.1%	32.3%	30.6%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Restaurant operating costs - labor	26.9%	27.3%	26.4%	26.6%	25.4%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%	24.00%
Restaurant operating costs - occupancy	7.3%	7.1%	6.5%	6.5%	5.5%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Restaurant operating costs - other operating costs	14.6%	14.0%	13.6%	17.2%	15.9%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
General & administrative expenses	6.6%	7.7%	8.1%	7.8%	8.0%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%
Depreciation & amortization	3.6%	4.2%	3.8%	4.0%	3.4%	3.79%	2.87%	2.75%	2.60%	2.43%	2.25%	2.06%	1.88%	1.70%	1.54%
Pre-opening costs	0.3%	0.2%	0.2%	0.3%	0.3%	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%	0.24%
Gain (loss) on disposal & impairment of assets	0.3%	1.4%	0.4%	0.5%	0.3%	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%
Total operating expenses	94.0%	94.7%	92.1%	95.2%	89.3%		84.37%	84.25%	84.10%	83.93%	83.74%	83.56%	83.38%	83.20%	83.04%
Income (loss) from operations	6.0%	5.3%	7.9%	4.8%	10.7%	6.96%	15.63%	15.75%	15.90%	16.07%	16.26%	16.44%	16.62%	16.80%	16.96%
Interest & other income (expense), net	0.1%	0.2%	0.3%	0.1%	0.1%	0.15%	0.10%	0.09%	0.08%	0.08%	0.07%	0.07%	0.06%	0.06%	0.05%
Provision (benefit) for income taxes	2.2%	1.9%	1.9%	-1.0%	2.1%	1.43%	4.46%	4.49%	4.53%	4.58%	4.63%	4.68%	4.73%	4.78%	4.83%
Net income (loss)	3.9%	3.6%	6.3%	5.9%	8.7%		11.27%	11.35%	11.45%	11.57%	11.70%	11.83%	11.95%	12.08%	12.19%

Chipotle Mexican Grill

Common Size Balance Sheet

Fiscal Years Ending Dec. 31	2017	2018	2019	2020	2021	Average	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Assets															
Cash & cash equivalents	4.1%	5.1%	8.6%	10.2%	10.8%	18.7%	18.7%	24.9%	31.0%	36.7%	41.9%	46.8%	51.4%	55.6%	59.4%
Accounts receivable, gross	0.9%	1.3%	1.4%	1.8%	0.0%	1.1%									
Less: allowance for credit losses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%									
Less: allowance for doubtful accounts	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%									
Accounts receivable, net	0.9%	1.3%	1.4%	1.7%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Inventory	0.4%	0.4%	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Prepaid expenses & other current assets	1.1%	1.1%	1.0%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Income tax receivable	0.2%	-	0.5%	4.7%	1.2%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Investments - available for sale	7.2%	8.8%	7.2%	5.7%	3.5%	6.5%	3.1%	2.8%	2.5%	2.3%	2.0%	1.8%	1.6%	1.4%	1.3%
Total current assets	14.1%	16.7%	19.2%	23.7%	18.3%	18.4%	25.3%	31.2%	37.0%	42.4%	47.4%	52.1%	56.5%	60.5%	64.2%
Leasehold improvements, property & equipment, net	29.9%	28.4%	26.1%	26.5%	23.4%	26.9%	22.5%	21.3%	19.9%	18.4%	16.9%	15.4%	14.0%	12.7%	11.4%
Long term investments	-	-	-	1.7%	3.6%	2.7%	3.3%	2.9%	2.6%	2.4%	2.1%	1.9%	1.7%	1.5%	1.4%
Other assets	1.2%	0.4%	0.3%	1.0%	0.8%	0.7%	0.7%	0.6%	0.5%	0.5%	0.4%	0.4%	0.4%	0.3%	0.3%
Restricted cash	-	0.6%	0.5%	0.5%	0.4%	0.5%	0.4%	0.3%	0.3%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%
Operating lease assets	-	-	44.8%	46.2%	41.3%	44.1%	39.7%	37.5%	35.0%	32.4%	29.8%	27.2%	24.7%	22.3%	20.1%
Goodwill	0.5%	0.5%	0.4%	0.4%	0.3%	0.4%	0.3%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%
Total Assets	45.7%	46.6%	91.4%	100.0%	88.2%	92.0%	92.0%	94.1%	95.5%	96.5%	97.0%	97.3%	97.5%	97.6%	97.5%
Liabilities															
Accounts payable	1.8%	2.3%	2.1%	2.0%	2.2%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Worker's compensation liability	0.8%	0.6%	0.5%	0.5%	0.4%	0.6%									
Accrued payroll	0.4%	0.7%	0.6%	0.7%	0.0%	0.5%									
Accrued payroll & bonuses	0.0%	0.0%	0.0%	0.0%	1.4%	0.3%									
Accrued employer payroll taxes, deferred pursuant to the CARES Act	0.0%	0.0%	0.0%	1.2%	0.0%	0.2%									
Other accrued payroll & benefits	0.6%	1.0%	1.2%	1.0%	0.4%	0.8%									
Accrued payroll & benefits	1.8%	2.3%	2.3%	3.4%	2.2%	2.4%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Accrued liabilities	3.6%	3.0%	2.8%	2.8%	2.3%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Unearned revenue	-	1.4%	1.7%	2.1%	2.1%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Current operating lease liabilities	-	-	3.1%	3.4%	2.9%	3.1%	2.8%	2.7%	2.5%	2.3%	2.1%	1.9%	1.8%	1.6%	1.4%
Income tax payable	-	0.1%	-	-	-	0.1%	-	-	-	-	-	-	-	-	-
Total current liabilities	7.2%	9.2%	11.9%	13.7%	11.6%	10.7%	12.0%	11.9%	11.7%	11.5%	11.3%	11.1%	11.0%	10.8%	10.6%
Long-term operating lease liabilities	-	-	47.9%	49.3%	43.7%	47.0%	42.2%	39.9%	37.3%	34.5%	31.7%	29.0%	26.3%	23.8%	21.4%
Deferred rent	7.1%	6.8%	-	-	-	6.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred income tax liability	0.0%	0.2%	0.7%	2.5%	1.9%	1.1%	1.6%	1.4%	1.2%	1.1%	0.9%	0.8%	0.7%	0.6%	0.5%
Other liabilities	0.9%	0.7%	0.7%	0.6%	0.5%	0.7%	0.5%	0.4%	0.4%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%
Total liabilities	15.2%	16.9%	61.2%	66.2%	57.7%	56.4%	56.4%	53.7%	50.6%	47.5%	44.3%	41.2%	38.2%	35.4%	32.8%
Stockholders equity															
Common stock	29.2%	28.2%	26.2%	25.9%	22.9%	26.5%	20.5%	18.3%	16.4%	14.6%	12.8%	11.3%	9.9%	8.7%	7.6%
Treasury stock, at cost	-52.1%	-51.4%	-48.3%	-46.8%	-44.5%	-41.0%	-41.0%	-37.7%	-34.4%	-31.4%	-28.4%	-25.7%	-23.2%	-20.8%	-18.6%
Accumulated other comprehensive income (loss)	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Retained earnings (accumulated deficit)	53.5%	52.9%	52.3%	54.7%	52.1%	53.1%	56.2%	59.8%	63.0%	65.9%	68.4%	70.6%	72.6%	74.3%	75.7%
Total shareholders' equity	30.5%	29.6%	30.1%	33.8%	30.4%	35.6%	35.6%	40.4%	44.9%	49.0%	52.7%	56.1%	59.3%	62.1%	64.7%

Chipotle Mexican Grill  
Value Driver Estimation

Fiscal Years Ending Dec. 31	2019	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
NOPLAT Calculation:												
Operating revenue	5586.37	5984.63	7547.06	8745.22	10138.86	11762.02	13655.40	15868.04	18459.39	21502.01	25085.26	29320.00
COGS	4443.88	4943.55	5840.05	6471.46	7502.76	8703.89	10105.00	11742.35	13659.95	15911.49	18563.10	21696.80
SG&A	451.55	466.29	606.85	585.06	678.29	786.88	913.55	1061.57	1234.93	1438.48	1678.20	1961.51
Depreciation & Amortization	212.78	238.53	254.66	250.83	279.07	305.85	331.49	356.26	380.39	404.08	427.51	450.86
Pre-opening costs	11.11	15.52	21.26	20.83	24.15	28.02	32.53	37.80	43.98	51.23	59.76	69.85
Gain (loss) on disposal & impairment of assets	23.09	30.58	19.29	49.81	57.75	66.99	77.78	90.38	105.14	122.47	142.88	167.00
Implied Interest on Op. Leases	71.02	72.27	77.82	72.16	79.09	85.72	92.12	98.36	104.49	110.55	116.58	122.63
EBITA	514.98	362.44	882.76	1439.39	1675.93	1956.10	2287.18	2678.04	3139.49	3684.81	4330.39	5096.62
Income Tax Provision	108.13	(61.99)	159.78	390.14	455.46	533.25	625.55	734.88	864.28	1017.50	1199.19	1415.11
PLUS: Tax on lease interest	17.83	18.21	19.07	20.47	22.43	24.31	26.13	27.90	29.63	31.35	33.06	34.78
LESS: Tax on non-operating income	3.60	0.91	1.92	2.40	2.59	2.81	3.03	3.28	3.55	3.84	4.15	4.49
Adjusted Taxes	122.36	(44.68)	176.93	408.21	475.29	554.75	648.64	759.49	890.36	1045.01	1228.10	1445.40
Change in Deferred Taxes	26.25	111.61	(7.66)	1.68	1.68	1.68	1.68	1.68	1.68	1.68	1.68	1.68
NOPLAT:	418.87	518.73	698.18	1032.86	1202.32	1403.03	1640.21	1920.23	2250.81	2641.48	3103.98	3652.90
Invested Capital Calculation:												
PLUS: Normal Cash	111.73	119.69	150.94	174.90	202.78	235.24	273.11	317.36	369.19	430.04	501.71	586.40
PLUS: Accounts Receivable, net	80.55	104.50	99.60	117.05	135.70	157.43	182.77	212.38	247.07	287.79	335.75	392.43
PLUS: Inventory	26.10	26.45	32.83	39.02	45.23	52.47	60.92	70.79	82.35	95.93	111.92	130.81
PLUS: Prepaid expenses & other current assets	57.08	54.91	78.76	91.52	106.11	123.10	142.91	166.07	193.19	225.03	262.53	306.85
PLUS: Operating lease assets	2505.47	2767.19	3118.29	3469.32	3802.31	4121.08	4428.97	4728.90	5023.42	5314.79	5604.98	5895.79
LESS: Accounts payable	115.82	121.99	163.16	182.43	211.50	245.36	284.85	331.01	385.07	448.54	523.28	611.62
LESS: Accrued liabilities	155.84	164.65	173.05	252.42	292.65	339.50	394.15	458.02	532.82	620.64	724.07	846.30
LESS: Unearned revenue	95.20	127.75	156.35	160.89	186.53	216.39	251.22	291.93	339.61	395.58	461.50	539.41
Operating Working Capital	2414.06	2658.34	2987.85	3296.07	3601.45	3888.07	4158.45	4414.55	4657.73	4888.82	5108.03	5314.94
Net PPE	1458.69	1584.31	1769.28	1968.45	2157.38	2338.25	2512.94	2683.12	2850.22	3015.54	3180.19	3345.19
Other Assets	18.45	59.05	56.72	59.09	61.57	64.15	66.84	69.64	72.55	75.59	78.76	82.06
Restricted cash	27.86	27.85	30.86	32.15	32.15	32.15	32.15	32.15	32.15	32.15	32.15	32.15
Other Long-Term Op. Assets	46.31	86.90	87.57	91.24	93.72	96.30	98.98	101.79	104.70	107.74	110.91	114.21
Deferred rent	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	2754.99	3140.56	3481.90	3878.07	4236.03	4578.92	4910.30	5233.28	5550.58	5864.59	6177.46	6491.06
Other Long-Term Op. Liabilities	2754.99	3140.56	3481.90	3878.07	4236.03	4578.92	4910.30	5233.28	5550.58	5864.59	6177.46	6491.06
Invested Capital (IC):	1164.07	1188.99	1362.80	1477.69	1616.52	1743.69	1860.07	1966.17	2062.08	2147.50	2221.67	2283.28
Free Cash Flow (FCF):												
NOPLAT	418.87	518.73	698.18	1032.86	1202.32	1403.03	1640.21	1920.23	2250.81	2641.48	3103.98	3652.90
Change in IC	194.00	24.92	173.81	114.89	138.83	127.17	116.38	106.09	95.91	85.42	74.17	61.61
FCF	224.87	493.81	524.37	917.96	1063.49	1275.86	1523.83	1814.13	2154.90	2556.06	3029.81	3591.29
Return on Invested Capital (ROIC):												
NOPLAT	418.87	518.73	698.18	1032.86	1202.32	1403.03	1640.21	1920.23	2250.81	2641.48	3103.98	3652.90
Beginning IC	970.06	1164.07	1188.99	1362.80	1477.69	1616.52	1743.69	1860.07	1966.17	2062.08	2147.50	2221.67
ROIC	43.18%	44.56%	58.72%	75.79%	81.36%	86.79%	94.07%	103.23%	114.48%	128.10%	144.54%	164.42%
Economic Profit (EP):												
Beginning IC	970.06	1164.07	1188.99	1362.80	1477.69	1616.52	1743.69	1860.07	1966.17	2062.08	2147.50	2221.67
x (ROIC - WACC)	33.88%	35.26%	49.42%	66.46%	72.04%	77.47%	84.74%	93.91%	105.15%	118.77%	135.21%	155.10%
EP	328.65	410.47	587.60	905.78	1064.53	1252.30	1477.62	1746.78	2067.48	2449.20	2903.73	3445.74

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

Key Inputs:

CV Growth of NOPLAT	5.00%
CV Year ROIC	164.42%
WACC	9.32%
Cost of Equity	10.06%

<i>Fiscal Years Ending Dec. 31</i>	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
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<b>DCF Model:</b>									
Free Cash Flow (FCF)	918.0	1063.5	1275.9	1523.8	1814.1	2154.9	2556.1	3029.8	3591.3
Continuing Value (CV)									81900.4
PV of FCF	839.7	889.8	976.4	1066.8	1161.7	1262.2	1369.5	1484.8	40137.0
Value of Operating Assets:	49187.8								
Non-Operating Adjustments									
Excess Cash	1599.2								
Investments - available for sale	271.9								
Long-term Investments	285.8								
Restricted Cash	32.1								
Other Assets	59.1								
(Less) PV of operating leases	3469.3								
(Less) PV of employee stock options	326.4								
Value of Equity	47640.2								
Shares Outstanding	28.0								
Intrinsic Value of Last FYE	\$ 1,701.00								
<b>Implied Price as of Today</b>	<b>\$ 1,856</b>								

<b>EP Model:</b>									
Economic Profit (EP)	905.8	1064.5	1252.3	1477.6	1746.8	2067.5	2449.2	2903.7	3445.7
Continuing Value (CV)									79678.7
PV of EP	828.5	890.7	958.4	1034.4	1118.5	1211.0	1312.2	1423.0	39048.2
Total PV of EP	47825.0								
Invested Capital (last FYE)	1362.8								
Value of Operating Assets:	49187.8								
Non-Operating Adjustments									
Excess Cash	1599.2								
Investments - available for sale	271.9								
Long-term Investments	285.8								
Restricted Cash	32.1								
Other Assets	59.1								
(Less) PV of operating leases	3469.3								
(Less) PV of employee stock options	326.4								
Value of Equity	47640.2								
Shares Outstanding	28.0								
Intrinsic Value of Last FYE	\$ 1,701.00								
<b>Implied Price as of Today</b>	<b>\$ 1,856</b>								



## Chipotle Mexican Grill

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

Fundamental P/E Valuation Model

<b><i>Fiscal Years Ending Dec. 31</i></b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
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EPS	\$ 35.14	\$ 41.12	\$ 48.24	\$ 56.67	\$ 66.67
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### ***Key Assumptions***

CV growth of EPS	5.00%
CV Year ROE	22.20%
Cost of Equity	10.06%

### ***Future Cash Flows***

P/E Multiple (CV Year)	15.31
EPS (CV Year)	\$ 66.67
Future Stock Price	<u>\$ 1,020.89</u>

**Chipotle Mexican Grill**  
*Relative Valuation Models*

Ticker	Company	Price	EPS		P/E 22	P/E 23	Est. 5yr		
			2022E	2023E			EPS gr.	PEG 22	PEG 23
MCD	McDonald's	\$272.40	\$10.04	\$10.47	27.13	26.02	6.7	4.07	3.90
SBUX	Starbucks	\$86.80	\$3.54	\$4.00	24.52	21.70	16.5	1.49	1.32
YUM	Yum Brands!	\$122.62	\$4.44	\$5.09	27.62	24.09	9.7	2.84	2.48
WEN	Wendy's	\$20.50	\$0.85	\$0.98	24.12	20.92	9.9	2.44	2.12
DPZ	Domino's Pizza	\$370.48	\$12.15	\$14.17	30.49	26.15	8.8	3.47	2.97
QSR	Reasturant Brand International	\$59.87	\$3.15	\$3.01	19.01	19.89	7.6	2.50	2.62
Average					25.48	23.13		2.80	2.57

CMG	Chipotle Mexican Grill	\$1,541.72	\$	35.14	\$	41.12	43.9	37.5	16.0	2.7	2.3
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**Implied Relative Value:**

P/E (EPS22)	\$ 895.47
P/E (EPS23)	\$ 951.06
PEG (EPS22)	\$ 1,578.23
PEG (EPS23)	\$ 1,692.66

<i>Fiscal Years Ending Dec. 31</i>	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
<b>Liquidity Ratios:</b>										
<i>Quick Ratio (CA-inv/CL)</i>	1.88	1.76	1.57	1.70	1.54	2.06	2.59	3.12	3.64	4.14
<i>Current Ratio (CA/CL)</i>	1.94	1.81	1.61	1.73	1.58	2.10	2.63	3.16	3.68	4.18
<i>Cash Ratio (Cash/CL)</i>	0.57	0.56	0.72	0.74	0.93	1.55	2.10	2.65	3.18	3.70
<b>Asset-Management Ratios:</b>										
<i>Total Asset Turnover (Sales/ Total Assets)</i>	2.19	2.15	1.09	1.00	1.13	1.09	1.06	1.05	1.04	1.03
<i>Inventory Turnover Ratio (Revenue/Inventory)</i>	225.40	225.70	214.07	226.30	229.91	224.15	224.15	224.15	224.15	224.15
<i>Days Sales Inventory (365/Inv Turnover Ratio)</i>	1.62	1.62	1.71	1.61	1.59	1.63	1.63	1.63	1.63	1.63
<i>Accounts Receivable Turnover Ratio (Revenue/ AR)</i>	110.66	78.07	69.36	57.27	75.77	74.71	74.71	74.71	74.71	74.71
<i>Average Collection Period (365/Recieveable Turnover Ratio)</i>	3.30	4.68	5.26	6.37	4.82	4.89	4.89	4.89	4.89	4.89
<b>Financial Leverage Ratios:</b>										
<i>Debt-to-Equity Ratio (Debt/Equity)</i>	0.50	0.57	2.03	1.96	1.90	1.58	1.33	1.13	0.97	0.84
<i>Debt-to-Asset Ratio (Debt/Assets)</i>	0.33	0.36	0.67	0.66	0.65	0.61	0.57	0.53	0.49	0.46
<b>Profitability Ratios:</b>										
<i>Return on Equity (NI/Equity)</i>	12.92%	12.25%	20.81%	17.61%	28.42%	31.64%	28.07%	25.52%	23.61%	22.20%
<i>Net Profit Margin (NI/Revenue)</i>	3.94%	3.63%	6.27%	5.94%	8.65%	11.27%	11.35%	11.45%	11.57%	11.70%
<i>Return on Assets (NI/Assets)</i>	8.62%	7.79%	6.86%	5.95%	9.81%	12.25%	12.06%	11.99%	11.99%	12.06%

**Payout Policy Ratios:**  
\*No Dividends

**Chipotle Mexican Grill**  
*Present Value of Operating Lease Obligations*  
**In Millions**

<b>Fiscal Years Ending Dec. 31</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Year 1	281.46	294.19	294.19	318.99	347.40
Year 2	285.26	296.58	313.73	344.90	377.06
Year 3	283.93	294.94	313.58	340.33	367.62
Year 4	279.82	295.29	309.07	329.82	359.69
Year 5	278.62	290.98	297.46	321.44	351.39
Thereafter	2497.16	2478.40	2483.60	2660.36	2973.14
Total Minimum Payments	3906.25	3950.38	4011.62	4315.84	4776.30
Less: Cumulative Interest	434.07	426.90	427.51	457.44	512.74
<b>PV of Minimum Payments</b>	<b>3472.19</b>	<b>3414.43</b>	<b>3474.62</b>	<b>3741.35</b>	<b>4132.51</b>
 <b>Implied Interest in Year 1 Payment</b>	 <b>65.837</b>	 <b>72.221</b>	 <b>71.020</b>	 <b>72.272</b>	 <b>77.820</b>
 Pre-Tax Cost of Debt	 2.08%	 2.08%	 2.08%	 2.08%	 2.08%
Years Implied by Year 6 Payment	9.0	8.5	8.3	8.3	8.5
Expected Obligation in Year 6 & Beyond	278.615	290.98	297.457	321.444	351.393
 <b>Present Value of Lease Payments</b>					
PV of Year 1	275.7	288.2	288.2	312.5	340.3
PV of Year 2	273.8	284.6	301.1	331.0	361.9
PV of Year 3	266.9	277.3	294.8	319.9	345.6
PV of Year 4	257.7	271.9	284.6	303.7	331.3
PV of Year 5	251.4	262.5	268.4	290.0	317.0
PV of 6 & beyond	2036.2	2029.9	2037.6	2184.2	2436.5
Capitalized PV of Payments	3361.6	3414.4	3474.6	3741.3	4132.5

**Chipotle Mexican Grill***Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding*

Number of Options Outstanding (shares):	364
Average Time to Maturity (years):	4.70
Expected Annual Number of Options Exercised:	77

Current Average Strike Price:	\$ 838.62
Cost of Equity:	10.06%
Current Stock Price:	\$1,541.72

<b>Fiscal Years Ending Dec. 31</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>	<b>2028E</b>	<b>2029E</b>	<b>2030E</b>
Increase in Shares Outstanding:	77	77	77	77	54	54	54	54	54
Average Strike Price:	\$ 838.62	\$ 838.62	\$ 838.62	\$ 838.62	\$ 838.62	\$ 838.62	\$ 838.62	\$ 838.62	\$ 838.62
<b>Increase in Common Stock Account:</b>	<b>64,948</b>	<b>64,948</b>	<b>64,948</b>	<b>64,948</b>	<b>45,464</b>	<b>45,464</b>	<b>45,464</b>	<b>45,464</b>	<b>45,464</b>
Share Repurchases (\$)	231,667	231,667	231,667	231,667	231,667	231,667	231,667	231,667	231,667
Expected Price of Repurchased Shares:	\$ 1,541.72	\$ 1,696.82	\$ 1,867.52	\$ 2,055.39	\$ 2,262.16	\$ 2,489.73	\$ 2,740.20	\$ 3,015.87	\$ 3,319.26
<b>Number of Shares Repurchased:</b>	<b>150</b>	<b>137</b>	<b>124</b>	<b>113</b>	<b>102</b>	<b>93</b>	<b>85</b>	<b>77</b>	<b>70</b>
Shares Outstanding (beginning of the year)	28,080	28,007	27,948	27,901	27,866	27,818	27,779	27,749	27,726
Plus: Shares Issued Through ESOP	77	77	77	77	54	54	54	54	54
Less: Shares Repurchased in Treasury	150	137	124	113	102	93	85	77	70
<b>Shares Outstanding (end of the year)</b>	<b>28,007</b>	<b>27,948</b>	<b>27,901</b>	<b>27,866</b>	<b>27,818</b>	<b>27,779</b>	<b>27,749</b>	<b>27,726</b>	<b>27,711</b>



Chipotle Mexican Grill

Valuation of Options Granted under ESOP

Current Stock Price	\$1,541.72
Risk Free Rate	4.13%
Current Dividend Yield	0.00%
Annualized St. Dev. of Stock Returns	32.87%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	364	838.62	4.70	\$ 896.83	\$ 326,446
Total	364	\$ 838.62	4.70	\$ 896.83	\$ 326,446