



CHIPOTLE

Situational Analysis



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Marketing Management



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Business Analytics



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Management



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Accounting



Toby Fan
Management



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Financial Planning





Timeline



**Ells
1998**



**Nicoll
2018**



1998
Ells



**2006
Ells**



**Present
Day
Boatwright**



Vision, Mission, and Values

Vision: Transform the fast-food industry by providing a fast-casual experience focused on high-quality, and sustainable ingredients.

Mission: "Cultivate a Better World" by offering food made from real, fresh ingredients without artificial additives and supporting sustainable food practices.

Values: Prioritize sustainability, responsibility, and transparency, ensuring humane treatment of animals, ethical farming, and food with integrity.





External Analysis

Fast Casual (LSR: Limited Service Restaurant)

- **Fast-casual sales in 2023 grew by 11.2%** (Technomic)
- **Global fast-casual restaurant segment valued at \$124.5 billion in 2022** (Allied Market Research)
- **Has a projected compound annual growth rate of 10.4%** (Allied Market Research)

Target Market:

- **Gen-Z and Millennials living in urban environments looking for fast and healthy options.**





External Analysis

Direct Competition



Indirect Competition





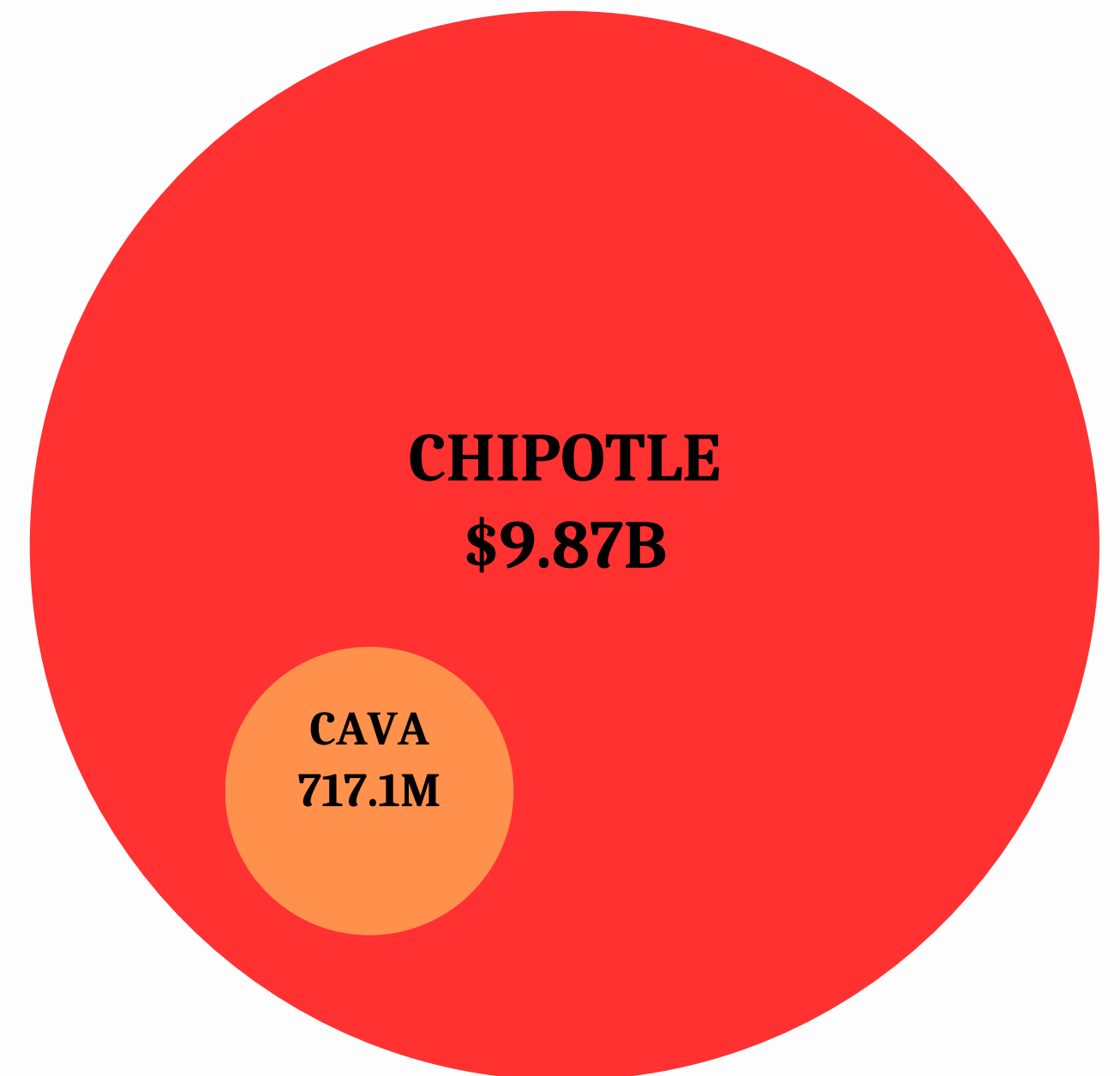
External Analysis

10.39% Market Share (CSI Market)

- \$102.64 billion total industry revenue in 2023 (SIC: 5812)
- Strong market share position

Industry Technology

- Online ordering
- Kiosks
- Robotic process automation



Location: Newport Beach, CA

Industry: Fast-Food/Restaurants

SIC: 5812

Revenue:
\$10.66 B

Members:
40 M

Customers:
750,000

Chipotle
Rewards
subscribers:
30 million



The fast-food industry is made up of well-known restaurants (McDonalds, Chick-Fil-A, etc.) that offer take-out and drive-thru services.

**Chipotle offers a variety of Mexican food, including burritos, tacos, and customizable salads and bowls
Mission burritos!**

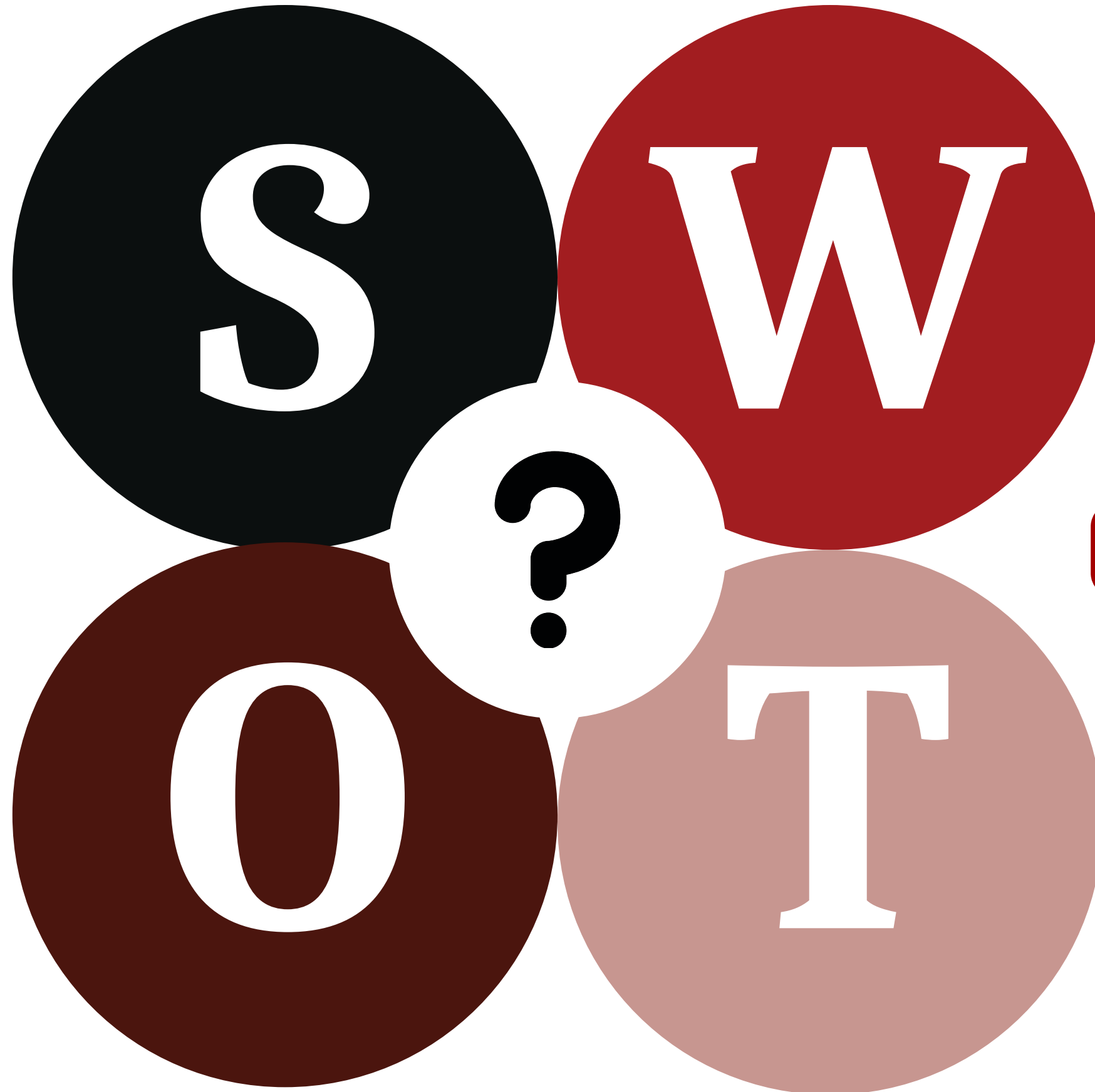
TRENDING NOW

Creative menus

Consumer demand for healthier options

Expanding breakfast menus

Fast-food fine dining



Analysis





Strengths



**High Quality
Ingredients**



**Order Ahead
Chipotlanes**



**Sustainability
Efforts**



Weaknesses



Limited Menu



**Overdependence
on the U.S
Market**



**Food Safety
Concerns**



Opportunities



**More
Collaborations**



**Improving
Specific Food
Items**



**Expanding into
International
Markets**





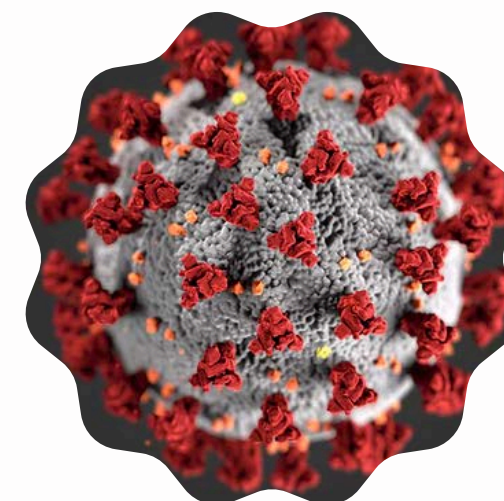
Threats



**Increasing
Food Costs**



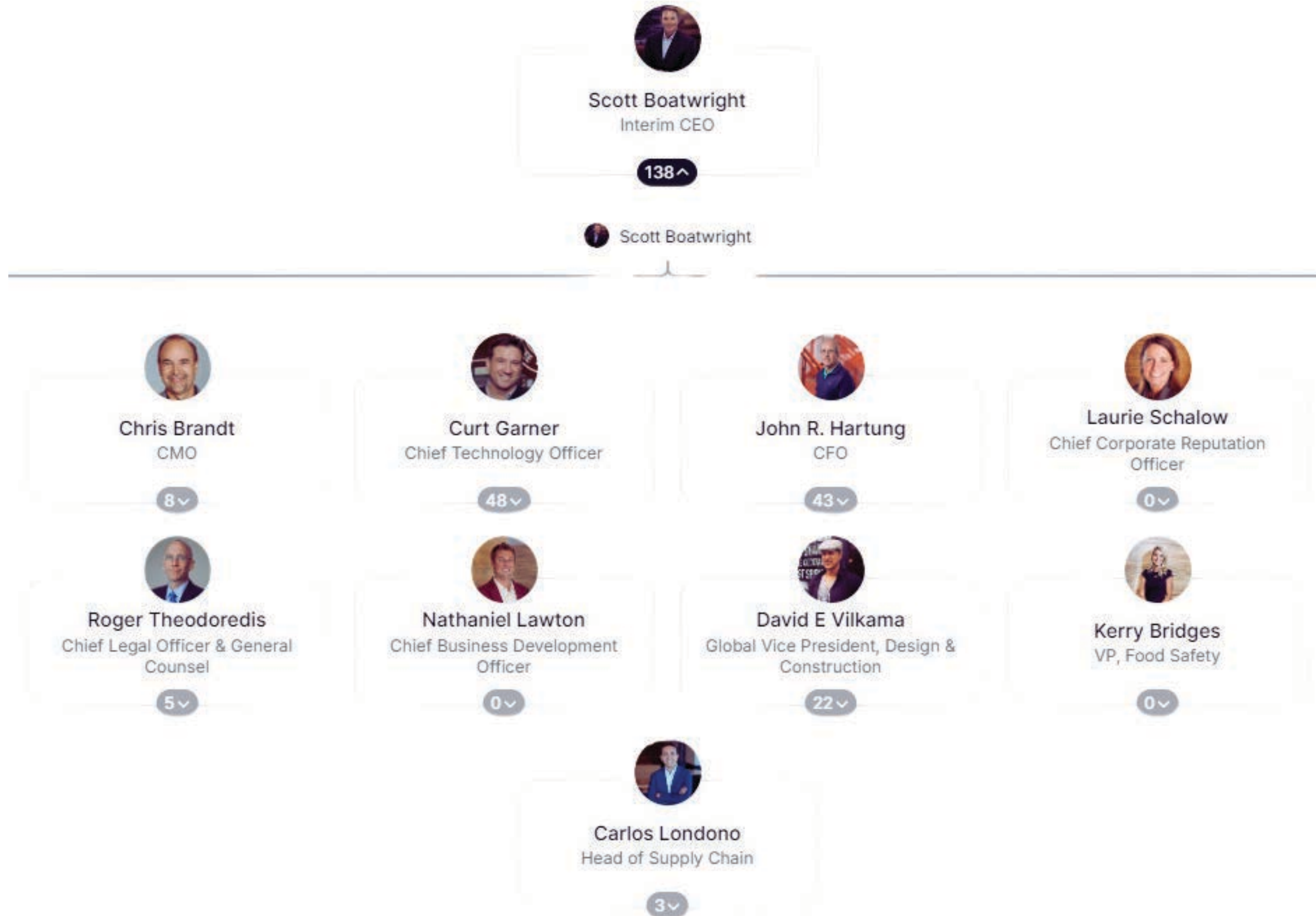
**Economic
Instability**



**Global
Pandemics**



Leadership (Management Team)



Corporate Culture

- Employee Benefits
- 401(K) Retirement Savings
- Quarterly Bonus
- Mental Health Counseling



“Our vision for people is to cultivate an environment where you can thrive and pursue your passion. We believe in creating an inclusive, diverse environment and treating everyone with respect at all times.”



Human Resources

Employee Satisfaction

Chipotle reviews

3.4 ★★☆☆

53% would recommend to a friend
(18914 total reviews)

Pros

- A lot of training programs for the development of employees
- Get 50% discounts for food when it is not your shift and free meals during shifts
- Puts emphasis on teamwork and collaboration

Cons

- Overworking and oftentimes underpaid
- Disconnect from upper management



Operations

- **3500 Restaurants Worldwide**
- **Chipotle locally source their produce from 54 local farmers**
- **Chipotle uses the “assembly line” approach where customers can customize their own food**



Organizational Structure

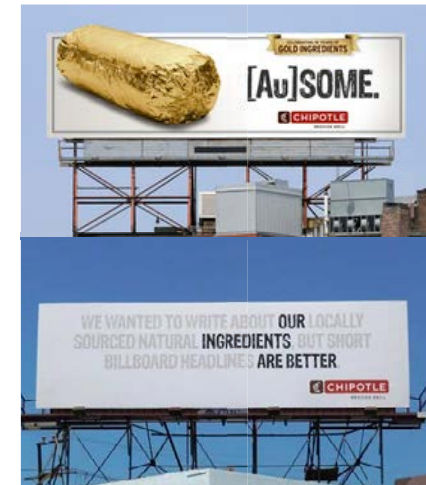
- **Chipotle implements a functional organizational structure where the company is divided into different departments, each having its own role. For example, operations, marketing, supply chain, and human resources. Each department focuses on managing its area of expertise.**
- **Chipotle also has a centralized structure, meaning that all of its restaurants have to follow a set of rules that is created by the corporate headquarters.**



Marketing 4P's

Product

- Customizable menu focusing on burritos, bowls, tacos, and salad.
- Using naturally sourced ingredients from local farms



Price

- Uses value-based pricing strategy as a premium fast-casual option
- Priced above its fast-food competitors but has better quality

Place

- Locations are usually near college campuses, urban centers, and malls
- Available in online delivery services some Chipotles also offer a drive-thru service

- Promotion
- Digital advertising in social media and TV advertisements
- Occasionally runs promotions like discounts or a seasonal menu
- Use influencers to promote Chipotle's products

Financial Analysis



Financial Analysis: Assets





Fiscal year is January-December. All values USD Millions.

	2023	2022	2021	2020	2019	5-year trend
Total Accounts Receivable	168	155	194	387	108	
Accounts Receivables, Net	116	107	100	105	81	
Total Assets	9,202	7,990	7,644	6,886	5,918	
Assets - Total - Growth	15.16%	4.53%	11.01%	16.35%	-	
Asset Turnover	1.15	-	-	-	-	
Return On Average Assets	14.29%	-	-	-	-	



Financial Analysis: Liabilities & Equity


Fiscal year is January-December. All values USD Millions.

	2023	2022	2021	2020	2019	5-year trend
Total Liabilities	6,140	5,622	5,347	4,866	4,235	
Total Liabilities / Total Assets	66.72%	70.36%	69.95%	70.66%	71.56%	
Total Equity	3,062	2,368	2,297	2,020	1,683	
Liabilities & Shareholders' Equity	9,202	7,990	7,644	6,886	5,918	



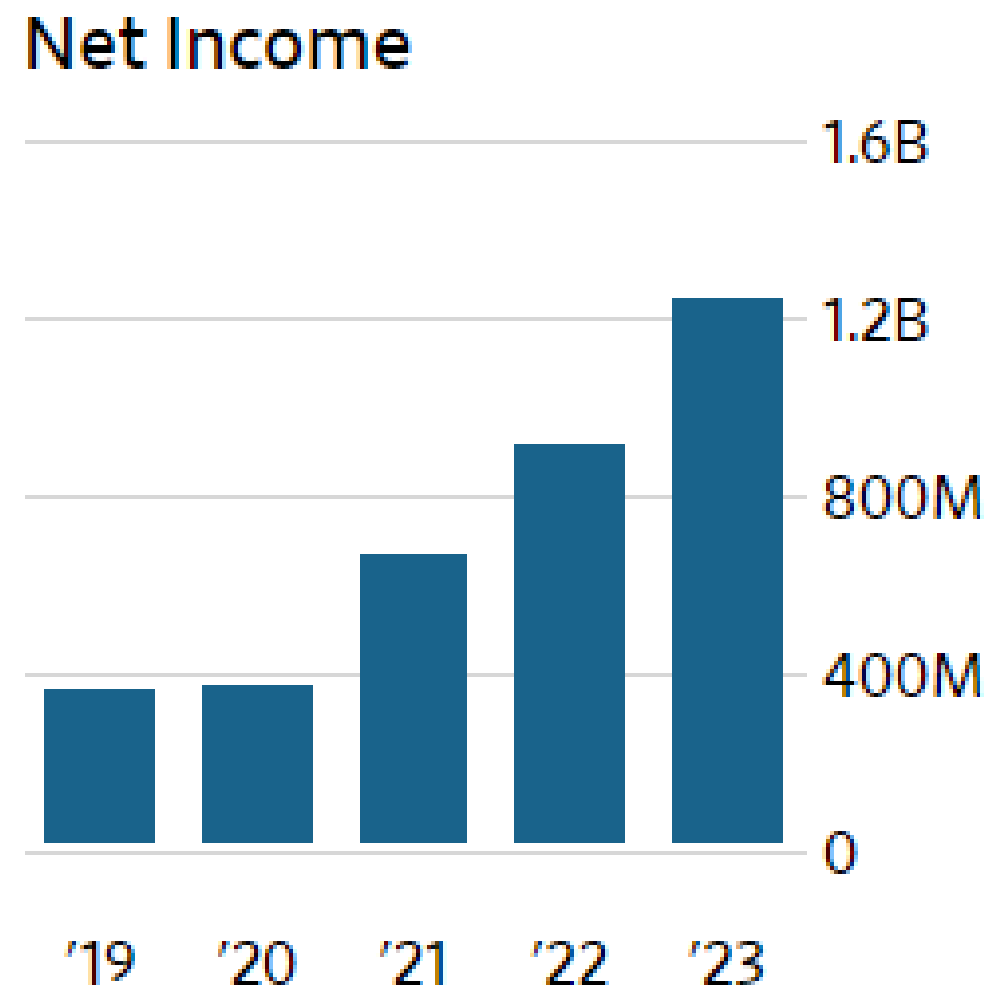
Financial Analysis: Income Statement

Fiscal year is January-December. All values USD
Millions.

	2023	2022	2021	2020	2019	5-year trend
Sales/Revenue	9,872	8,635	7,547	5,985	5,586	
Sales Growth	14.33%	14.41%	26.11%	7.13%	-	
Net Income	1,229	899	653	356	350	
Net Income Growth	36.66%	37.69%	83.54%	1.60%	-	
Net Margin	12.45%	-	-	-	-	



Financial Analysis: Yearly Net Income



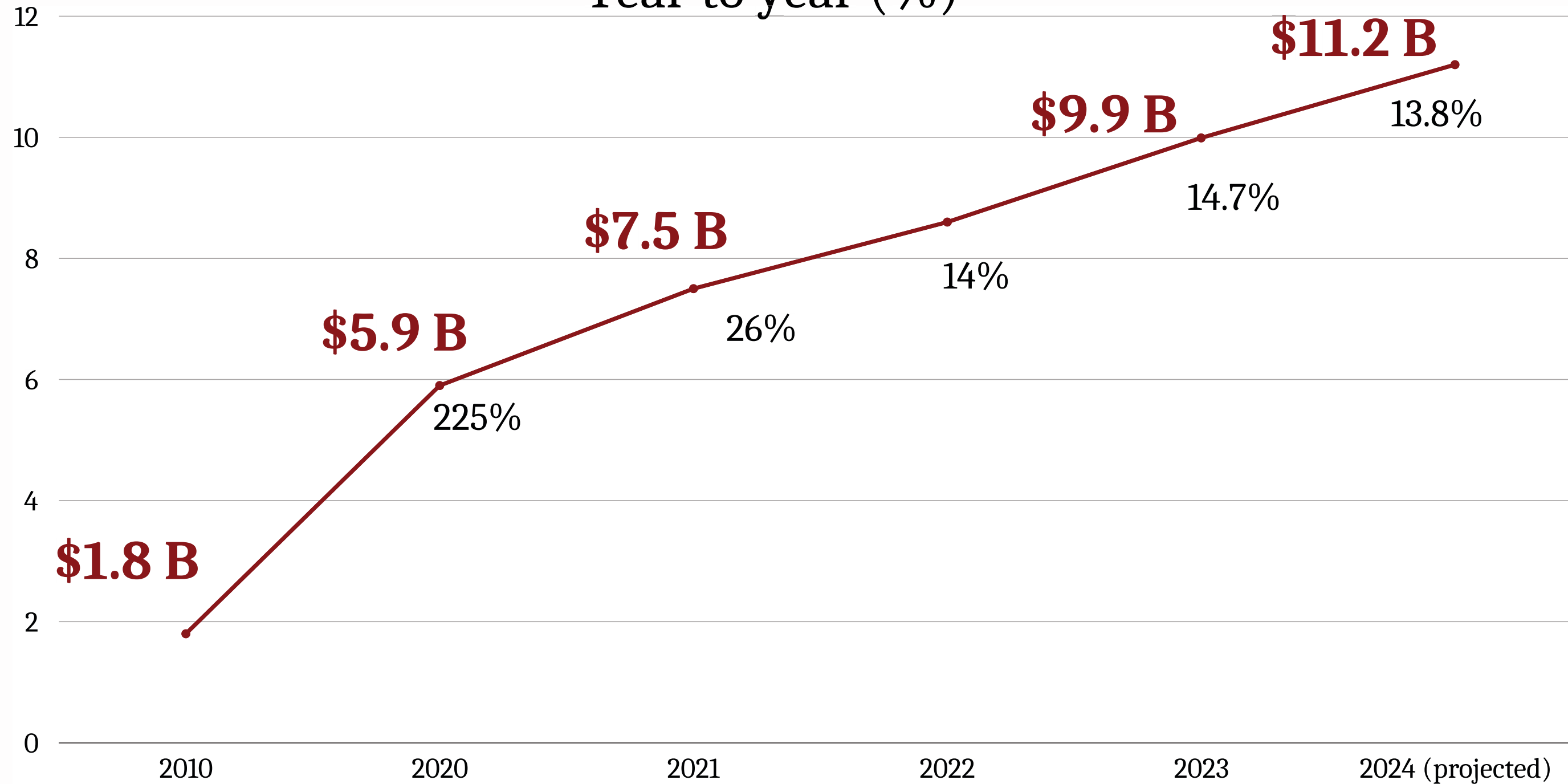
	2023	5-year trend
Net Income Growth	+36.66%	
Sales or Revenue	9.87 B	
Sales or Revenue Growth	+14.33%	
EBITDA	+1.95 B	



Financial Analysis: Revenue Growth

Revenue Growth (in billions)

Year to year (%)



Revenue Growth (from 2010-2024) was 513%



Financial Analysis: Revenue & Profitability

Revenue:

- Revenue growth by 14.3%, (\$8.6-\$9.9 bil. from 2022-2023)
- Food and beverage sales increased by 14.6%, (\$8.56-\$9.80 bil. from 2022-2023)
- Cause: higher food/bev sales and improved pricing strategies

Profitability:

- Net income surged by 36%, from \$903 to \$1.23 billion (from 2022-2023)
- 38% increase in operating income (from \$1.16 billion in 2022 to \$1.6 billion).



Financial Analysis: Expenses

Increase in Operating Expenses:

- **Food/beverage/packaging costs increased by 12% (from \$2.6 billion in 2022 to \$2.91 billion in 2023)**
- **Labor costs grew by 11.1% (from \$2.2 billion in 2022 to \$2.44 billion in 2023)**



Financial Analysis: Margins and Liquidity

- **Operating margin:**
- **From 13.4% to 15.8% (2022-2023)**
- **Operational efficiencies and the integration of digital technology**
- **Gross margin:**
- **Modest increase, reaching 41% in 2023 (compared to 40.67% in 2022)**



Financial Analysis: Liquidity and Solvency

- **Liquidity:**
- **Strong liquidity, free cash flow improving to \$1.3 billion in 2023**
- **Adequate cash for expansion plans and to cover any rising costs**
- **Solvency:**
- **Low debt levels with negligible interest expenses**



Financial Analysis: Stock Information

Per Share Data Chipotle Mexican Grill Inc.

All values updated annually at fiscal year end

Earnings Per Share	+0.89	Sales	7.12
Tangible Book Value	2.22	Operating Profit	1.18
Working Capital	0.43	Long Term Liabilities	3.73
Capital Expenditure	0.40	Capital Expenditure TTM	0.43

Current Stock Price:

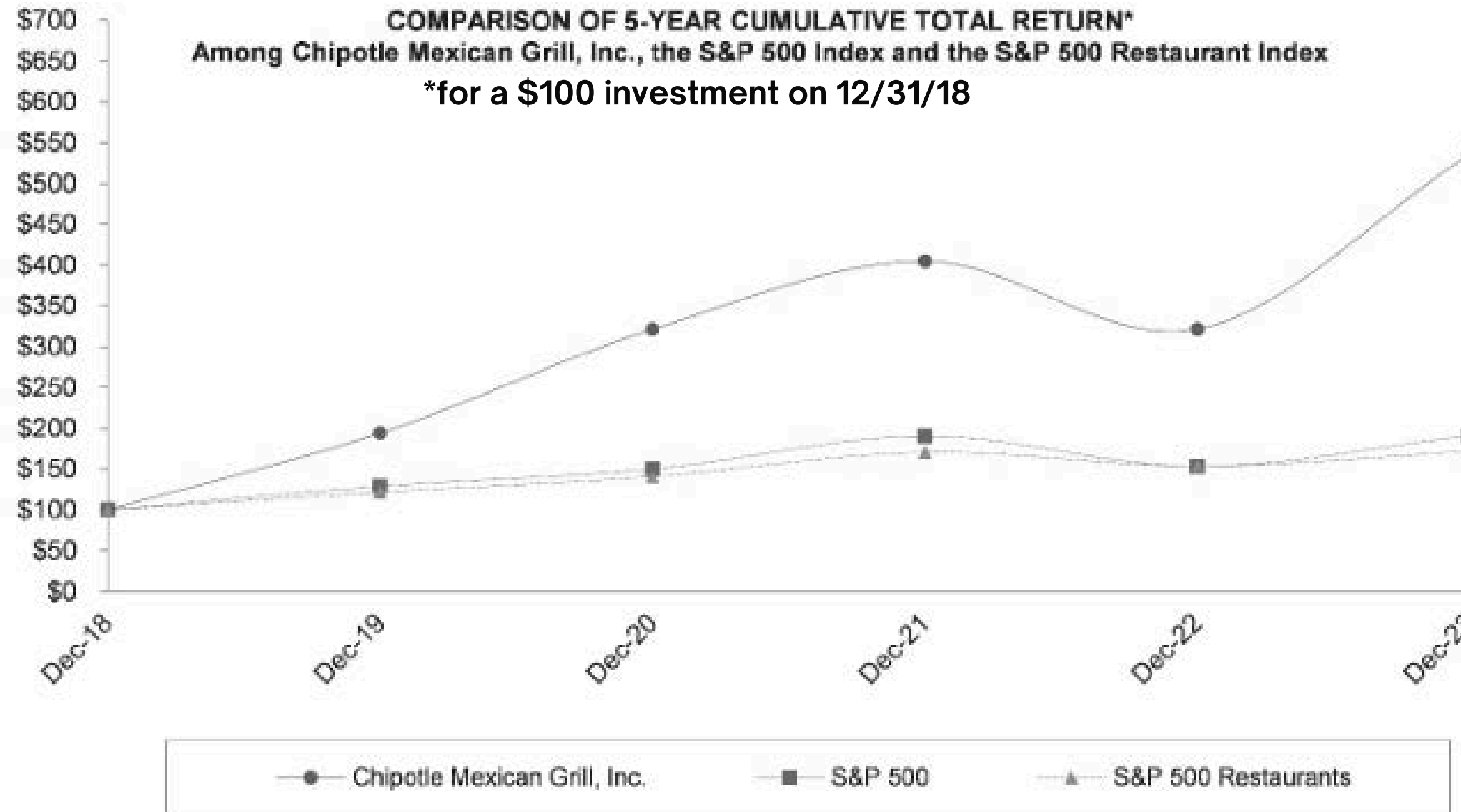
AT CLOSE 4:00 PM EST 11/21/24

\$59.98 USD

1.10 1.87% ▲



Financial Analysis: Return on Common Stock



**436% ROI (to \$536)
at Dec 2023**



Financial Analysis: Trends and Outlook

Between 2022 and 2023, Chipotle demonstrated consistent financial growth:

- **Revenue growth of 14.3%, driven by consumer demand and strategic price increases**
- **Improved margins, despite rising operational costs, enhanced profitability**
- **Net Income increase of 36%, signaling strong financial health**



The Humanization of Chipotle



How do people see Chipotle?

- **Chipotle emphasizes a "people-first" approach, which includes offering competitive wages, growth opportunities, and benefits such as educational assistance. Chipotle's efforts to create a positive workplace culture have earned it recognition on several lists, including Fortune's World's Most Admired Companies**
- **"As a people-first company, Chipotle amplified its support for causes that matter to its employees and community. In 2023, Chipotle hosted 33,000 restaurant fundraisers to support local community organizations, bringing the company's total lifetime contribution to \$99 million." (Chipotle Newsroom)**



How do investors see Chipotle?

- **For investors, Chipotle's stock performance and growth in recent years have been strong, backed by aggressive expansion and digital innovation, leading to higher returns.**
- **“As of 1998, five years after its establishment, Chipotle only ran 16 restaurants, all situated in Colorado. That same year, fast-food behemoth McDonald's Corporation (MCD) became a major investor. By 2006, when McDonald's completed a divestiture from Chipotle, the Mexican-style dining chain had mushroomed to 500 locations. By 2023, the publicly traded Chipotle owned and operated over 3,200 restaurants.” (Investopedia)**



The Failing of Chipotle

- **Chipotle has had multiple food safety incidents over the years. These include outbreaks of E. coli, norovirus, and salmonella linked to its restaurants, which have not only hurt consumer confidence but also affected local economies where these incidents occurred. Health scares can lead to temporary store closures, negatively impacting employees and the surrounding community's economy**
- **In 2015 after the first E. Coli outbreak “Profits fell 44 percent and shares were down by 40 percent in 2018 as consumers reeled from the foodborne illness scandal, which ran counter to the company’s mantra of sourcing fresh, high-quality ingredients.” (CCW Cooper 2019)**



How does a Company solve the issue of losing the trust of their customer?

- Using entirely new and innovative measures Chipotle managed to win back the respect of their customers.
- “Chipotle launched an enhanced food safety program, which included DNA-testing ingredients before they’re shipped to restaurants, changes to food prep and handling practices, and offering paid sick leave to disincentivize sick employees from working.” (CCW Cooper 2019)
- Regaining the trust of consumers is a difficult and antagonizing venture but team at chipotle managed to complete such a large undertaking without damaging the foundation of what make chipotle special.



How is Chipotle affecting Communities?

- **Chipotle has made a significant commitment to reducing its environmental footprint. It has set ambitious goals to reduce greenhouse gas emissions by 50% by 2030 and has already implemented programs to source more sustainable ingredients, reduce food waste, and transition to renewable energy**
- **“In 2020, Chipotle partnered with HowGood, an industry-leading agency with the world's largest sustainability database to further its transparency efforts and better understand the carbon footprint associated with its menu items. Chipotle launched Real Foodprint on the Chipotle app and Chipotle.com, which compares average values for each of its real ingredients to their conventional counterparts against five key metrics: Less Carbon in the Atmosphere, Gallons of Water Saver, Improved Soil Health, Organic Land Supported, and Antibiotics Avoided.” (Chipotle Newsroom)**



Is it worth it to Buy/Invest in Chipotle?

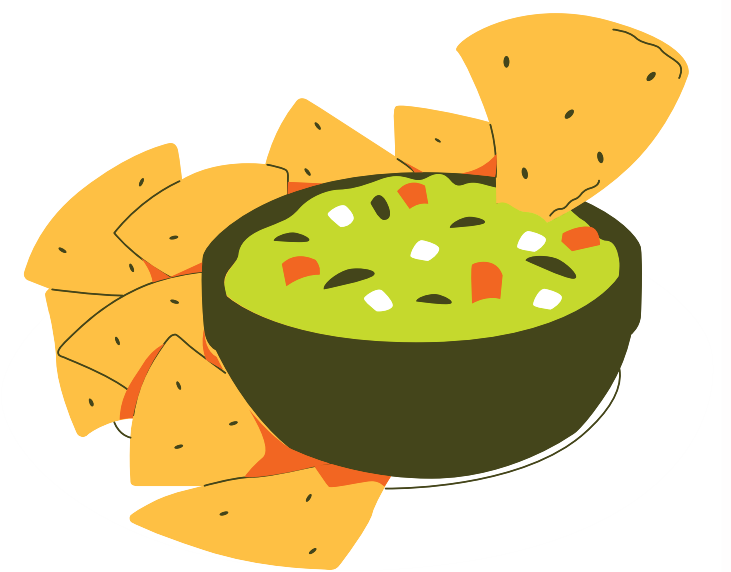
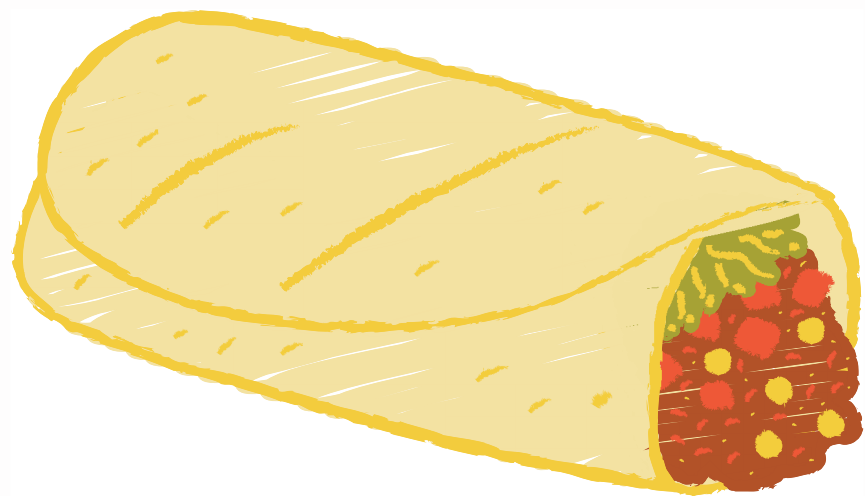
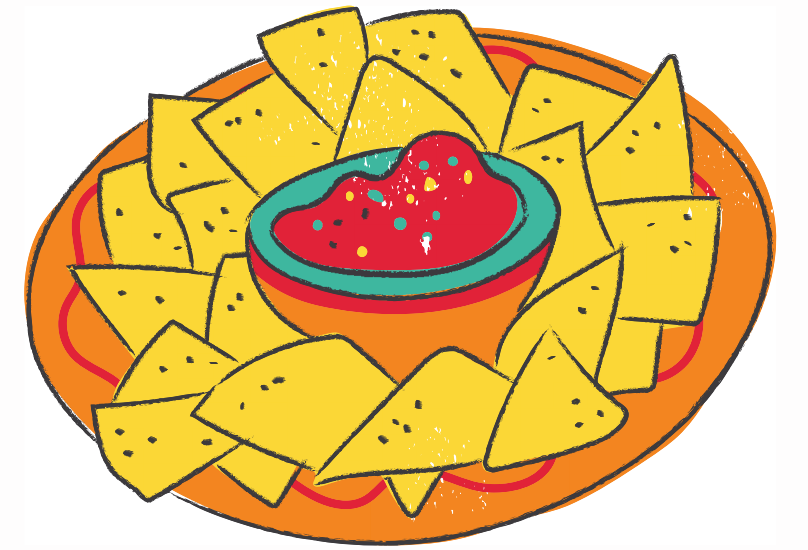
YES!

- 1. Strong Financial Performance- Chipotle has consistently posted strong financial results. In 2023, its revenue grew by 14.3%, reaching nearly \$9.87 billion**
- 2. Sustainability and ESG Focus- Chipotle ties executive compensation to ESG goals, showing its long-term commitment to sustainable business practices**
- 3. (Personal Opinion) It tastes great and is relatively health for no matter what you order**





Thank you!





CHIPOTLE

Appendex a: Financial Statements





CHIPOTLE MEXICAN GRILL, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	December 31,	
	2023	2022
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 560,609	\$ 384,000
Accounts receivable, net	115,535	106,880
Inventory	39,309	35,668
Prepaid expenses and other current assets	117,462	86,412
Income tax receivable	52,960	47,741
Investments	734,838	515,136
Total current assets	<u>1,620,713</u>	<u>1,175,837</u>
Leasehold improvements, property and equipment, net	2,170,038	1,951,147
Long-term investments	564,488	388,055
Restricted cash	25,554	24,966
Operating lease assets	3,578,548	3,302,402
Other assets	63,082	63,158
Goodwill	21,939	21,939
Total assets	<u><u>\$ 8,044,362</u></u>	<u><u>\$ 6,927,504</u></u>



Liabilities and shareholders' equity

Current liabilities:

Accounts payable	\$ 197,646	\$ 184,566
Accrued payroll and benefits	227,537	170,456
Accrued liabilities	147,688	147,539
Unearned revenue	209,680	183,071
Current operating lease liabilities	248,074	236,248
Total current liabilities	1,030,625	921,880
Long-term operating lease liabilities	3,803,551	3,495,162
Deferred income tax liabilities	89,109	98,623
Other liabilities	58,870	43,816
Total liabilities	4,982,155	4,559,481

Shareholders' equity:

Preferred stock, \$0.01 par value, 600,000 shares authorized, no shares issued as of December 31, 2023 and December 31, 2022, respectively	-	-
Common stock, \$0.01 par value, 230,000 shares authorized, 37,483 and 37,320 shares issued as of December 31, 2023 and December 31, 2022, respectively	375	373
Additional paid-in capital	1,956,160	1,829,304
Treasury stock, at cost, 10,057 and 9,693 common shares as of December 31, 2023 and December 31, 2022, respectively	(4,944,656)	(4,282,014)
Accumulated other comprehensive loss	(6,657)	(7,888)
Retained earnings	6,056,985	4,828,248
Total shareholders' equity	3,062,207	2,368,023
Total liabilities and shareholders' equity	\$ 8,044,362	\$ 6,927,504



CHIPOTLE MEXICAN GRILL, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Year ended December 31,			
	2023		2022	
	(unaudited)			
Food and beverage revenue	\$ 9,804,124	99.3 %	\$ 8,558,001	99.1 %
Delivery service revenue	67,525	0.7	76,651	0.9
Total revenue	9,871,649	100.0	8,634,652	100.0
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):				
Food, beverage and packaging	2,912,564	29.5	2,602,245	30.1
Labor	2,440,982	24.7	2,197,958	25.5
Occupancy	503,264	5.1	460,425	5.3
Other operating costs	1,428,747	14.5	1,311,905	15.2
General and administrative expenses	633,584	6.4	564,191	6.5
Depreciation and amortization	319,394	3.2	286,826	3.3
Pre-opening costs	36,931	0.4	29,560	0.3
Impairment, closure costs, and asset disposals	38,370	0.4	21,139	0.2
Total operating expenses	8,313,836	84.2	7,474,249	86.6
Income from operations	1,557,813	15.8	1,160,403	13.4
Interest and other income, net	62,693	0.6	21,128	0.2
Income before income taxes	1,620,506	16.4	1,181,531	13.7
Provision for income taxes	(391,769)	(4.0)	(282,430)	(3.3)
Net income	\$ 1,228,737	12.4 %	\$ 899,101	10.4 %



CHIPOTLE MEXICAN GRILL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year ended December 31,	
	2023	2022
	(unaudited)	
Operating activities		
Net income	\$ 1,228,737	\$ 899,101
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	319,394	286,826
Deferred income tax provision	(9,505)	(43,195)
Impairment, closure costs, and asset disposals	37,025	20,738
Provision for credit losses	1,570	(760)
Stock-based compensation expense	124,016	98,030
Other	(13,080)	(16,202)
Changes in operating assets and liabilities:		
Accounts receivable	(11,216)	(14,026)
Inventory	(3,649)	(3,011)
Prepaid expenses and other current assets	(39,211)	(14,660)
Operating lease assets	254,241	234,273
Other assets	4,204	(346)
Accounts payable	5,313	18,208
Accrued payroll and benefits	57,048	9,864
Accrued liabilities	3,188	(27,964)
Unearned revenue	35,685	33,374
Income tax payable/receivable	(5,237)	46,262
Operating lease liabilities	(214,477)	(207,186)
Other long-term liabilities	9,431	3,853
Net cash provided by operating activities	<u>1,783,477</u>	<u>1,323,179</u>



Investing activities

Purchases of leasehold improvements, property and equipment	(560,731)	(479,164)
Purchases of investments	(1,115,131)	(614,416)
Maturities of investments	729,853	263,548
Net cash used in investing activities	<u>(946,009)</u>	<u>(830,032)</u>

Financing activities

Acquisition of treasury stock	(592,349)	(830,140)
Tax withholding on stock-based compensation awards	(69,146)	(98,970)
Other financing activities	843	(294)
Net cash used in financing activities	<u>(660,652)</u>	<u>(929,404)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	381	(1,007)
Net change in cash, cash equivalents, and restricted cash	177,197	(437,264)
Cash, cash equivalents, and restricted cash at beginning of year	408,966	846,230
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 586,163</u>	<u>\$ 408,966</u>

Supplemental disclosures of cash flow information

Income taxes paid	\$ 400,229	\$ 275,796
Purchases of leasehold improvements, property and equipment accrued in accounts payable and accrued liabilities	\$ 76,415	\$ 72,021
Acquisition of treasury stock accrued in accounts payable and accrued liabilities	\$ 5,643	\$ 4,497





CHIPOTLE MEXICAN GRILL, INC.
SUPPLEMENTAL FINANCIAL AND OTHER DATA
(dollars in thousands)
(unaudited)

	For the three months ended				
	Dec. 31, 2023	Sep. 30, 2023	Jun. 30, 2023	Mar. 31, 2023	Dec. 31, 2022
Number of restaurants opened	121	62	47	41	100
Chipotle permanent closures	(2)	(1)	-	-	-
Chipotle relocations	(3)	(2)	(3)	(4)	(3)
Non-Chipotle permanent closures	-	(6)	-	-	-
Number of restaurants at end of period	3,437	3,321	3,268	3,224	3,187
Average restaurant sales	\$ 3,018	\$ 2,972	\$ 2,941	\$ 2,892	\$ 2,824
Comparable restaurant sales increase	8.4 %	5.0 %	7.4 %	10.9 %	5.6 %





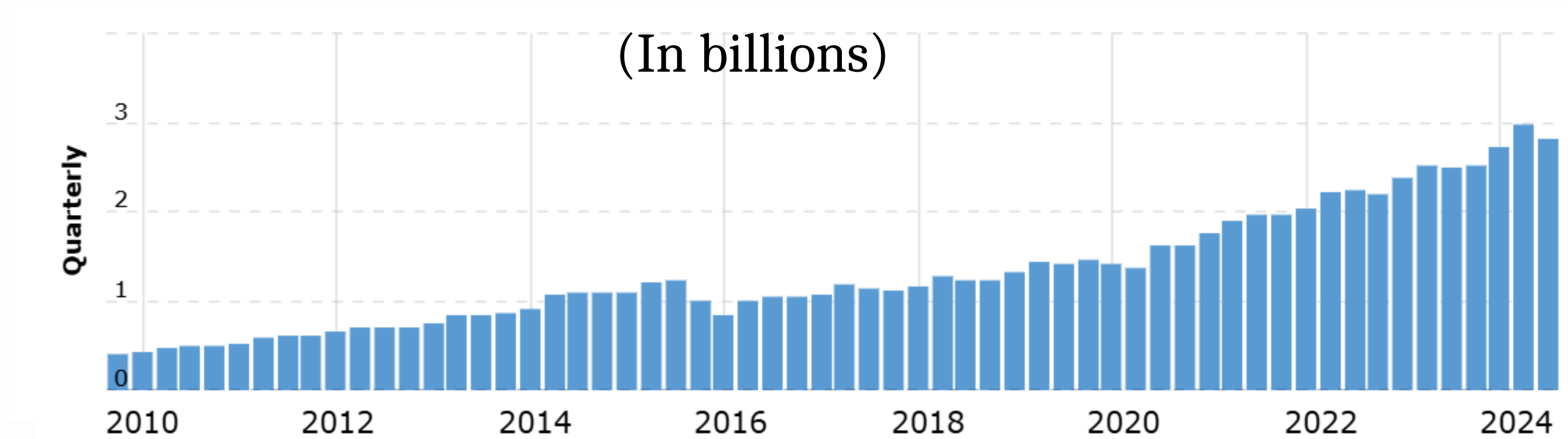
CHIPOTLE

Appendix b: Financial Analysis- Graphs & Ratios





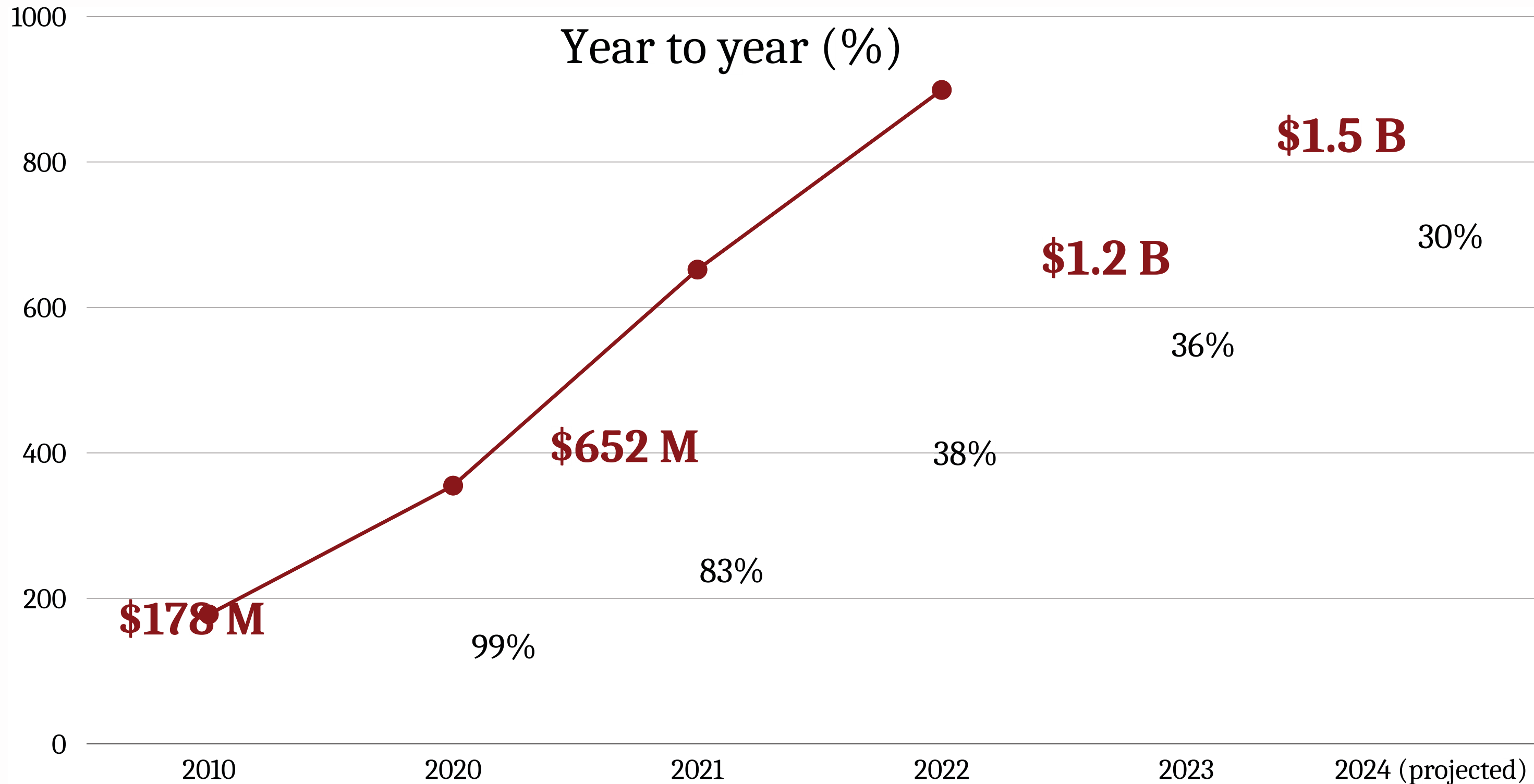
Quarterly Revenue Growth



Chipotle's current revenue as of 10/1/2024 is 10.9B



Net Income Growth (in millions)

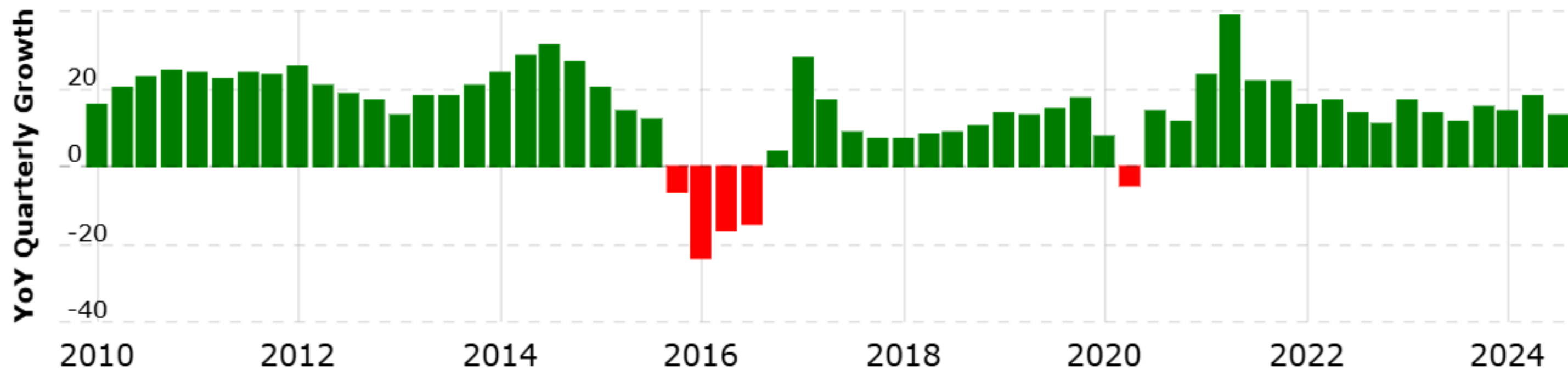


Net Income Growth (from 2010-2024) was 788%



YoY Quarterly Revenue Growth

(As a percentage)



Chipotle's current growth % as of 10/1/2024 is 13.3%



Short Term Ratios

Liquidity

Current Ratio	1.57
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Quick Ratio	1.53
-------------	------

Cash Ratio	1.26
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Long Term Ratios

Long-Term Debt to Equity	124.21
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Long-Term Debt to Total Capital	53.47
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Long-Term Debt to Assets	0.41
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Efficiency Ratios

Revenue/Employee	85,051
Income Per Employee	10,586
Receivables Turnover	61.10
Total Asset Turnover	1.15

Profit Ratios

Gross Margin	+22.96
Net Margin	+12.45
Return on Assets	14.29
Return on Equity	45.26
Return on Total Capital	24.65



Market Value

* P/E Ratio (TTM) 56.19

** P/E Ratio (including extraordinary items) 56.87





Stock Price

current stock price: \$59.98 USD

50-to-1 stock-split announced 6/26/24



Sources:

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<chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://app.quotemedia.com/data/downloadFiling?webmasterId=101533&ref=317397188&type=PDF&symbol=CMG&cdn=a46ebd0cd342970f7f06f15bbb8ff949&companyName=Chipotle+Mexican+Grill+Inc.&formType=ARS&dateFiled=2023-04-10>

<https://search.yahoo.com/search?fr=mcafee&type=E211US105G0&p=chipotle+year+to+year+growth>