

First Cut Stock Study Report

Please complete this form for your First Cut stock study.

Click on each grayed area and enter your information.

Fields will expand as you type.

Save file as FC<yyyymmdd><ticker>.doc (i.e. FC20200516AAPL.doc).

Create a PDF of the SSG (see instructions on last page).

Please return this completed form as a Word doc and the SSG in PDF format to:

FirstCut@betterinvesting.net

<input type="checkbox"/> Check here to grant BetterInvesting the right to post this First Cut Stock Study Report and associated SSG on the BetterInvesting website.

Company Name:	Chipotle Mexican Grill	Ticker:	CMG
Date of Study:	10/15/2024	Price:	\$ 59.28
Your Name:	Kweli Lewis		
Email address:	nbk7mbs@gmail.com	<input type="checkbox"/> Consent to post email on web	
City:	Albany	State:	CA
Chapter Name (if applicable):	San Francisco Bay Area		

Discuss why you consider this to be a high quality, growth company that should be investigated further. Please include comments on historical sales and EPS growth, pre-tax profit margin, return on equity, and debt.

Chipotle has historical same store sales of 10% and Earnings Per Share (EPS) growth rate of 14%. The pre-tax profit margin has a growth rate of 8% and Return on Equity (ROE) is currently at 29.7%. Chipotle also has a debt to capital rate of 60%, which is high for Better Investing standards. They started to take on debt in 2019, right before the pandemic.

Briefly describe how the company makes money:

Chipotle Mexican Grill, Inc. mainly develops and operates fast-casual, fresh Mexican food restaurants throughout the United States. As of 3/31/24, it operated 3,479 domestic units. The company also has 44 locations outside of the United States, and 4 Pizzeria Locale restaurants. It closed its 15 ShopHouse Southeast Asian Kitchens 3/17. Closed five Pizzeria Locale restaurants 6/18. (Valueline 8/16/24)

Projected growth rate for sales: ?%

Why did you select this rate? Discuss from where future growth will come.

Valueline has projected revenues of \$8B for the rest of 2024. They also have 2025 revenue projections of \$9B. Yahoo finance has 2024 revenue of \$9B (14%) and 2025 revenue projections of \$11B (13%). I recommend removing the 2016 earnings from the SSG (see explanation below). Management also expects same stores sales to increase in the single digits going forward.

Projected growth rate for earnings per share: ?%

Why did you select this rate?

Valueline has a projected growth rate of 1.5 (20%), Yahoo finance has 1.9 for 2024 and 1.3 for 2025

Projected High P/E: ?

Why did you select this value?

CMG has maintained an average high P/E of 75.4, with 2020 being the year with the highest P/E 114.8. You can also see a Current TTM of 67.9. I recommend we take this year out. Which number would you choose?

Projected Low P/E: ?

Why did you select this value?

CMG has maintained an average low P/E of 38, with 2021 being the year with the highest PE of 54.9. You can also see a Current TTM of 34.7. I recommend we take this year out. Which number will you choose?

Projected Low Price: \$?

Why did you select this value?

This number will show up when you choose your High & Low P/E.

At the current price, the stock is a (check one):

Buy or Hold or Sell

At the current price, the upside-downside ratio is: to 1

Compound Annual Return – Using Forecast High P/E: %

Your final recommendation (check one):

Buy or Hold or Sell

Explain:

2016 Earnings Dip: Chipotle fairly famously had a major food safety crisis in late 2015, where hundreds of customers came down with E.Coli and Norovirus infections as a result of contaminated food or unhealthy food handling processes. 2016 sales figures for the chain were staggeringly

weak. Profits plummeted 95%, from nearly \$476 million in 2015 to just \$23 million.

New CEO: Brian Niccol, Chairman and CEO, Accepted the chairman and CEO of Starbucks and left the company as of August 31st. HE served as CEO since 2018 and served as chairman since 2020. Chipotle's Board of Directors has appointed Scott Boatwright, Chief Operating Officer, as Interim CEO. Boatwright joined Chipotle in 2017 and has been instrumental in driving restaurant operations for the company's more than 120,000 employees and over 3,500 restaurants.

Q3 Earnings Release date is scheduled for October 29th, 2024.

Chipotle will also have Burrito event on 10/31/24. Rewards members will get a burrito for \$6 thru the app.

Instructions to Create PDF of SSG

If using **CoreSSG** or **SSGPlus**:

- Select **Print** from menu at top of page.
- Check “Two Page Stock Selection Guide (SSG).”
- Click **Generate PDF** button.
 - Open the PDF file.
 - Save the file to your selected folder on your computer.
 - Go to that folder to find your PDF file.

If using desktop stock analysis software, such as **Toolkit**, install a program to create PDF files from any printable document.

- Many current operating systems have a built-in PDF printer (for example, “Microsoft Print to PDF”).
- If you do not have a built-in PDF printer, do an internet search to find a PDF printer for you to install. There are many free options.
- When printing the SSG from Toolkit, select your PDF printer in the printer setup.
 - You will get a Save PDF File As dialog box prompt to save the PDF file. Select a folder to Save in and enter a File name, then click on Save.
 - Go to that folder to find your PDF file.