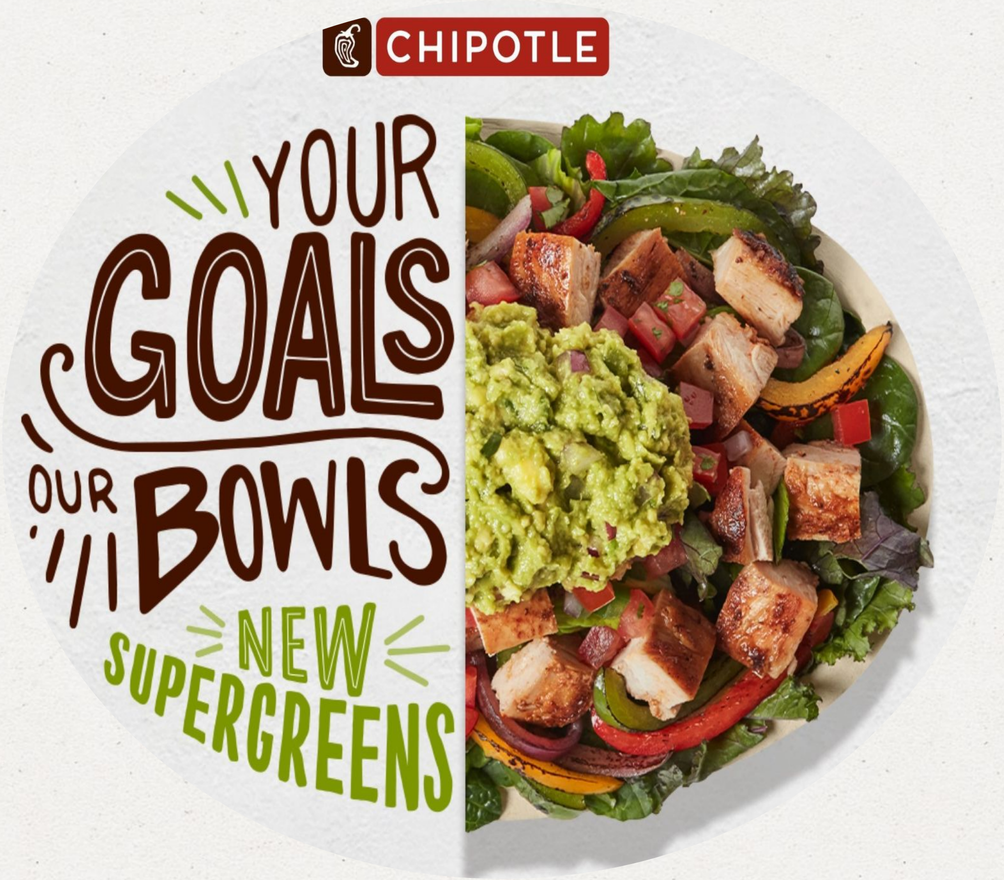
Corporate Analysis & Equity Valuation



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Company Selection & Rationale

➔ A leading fast-casual restaurant brand with strong growth.

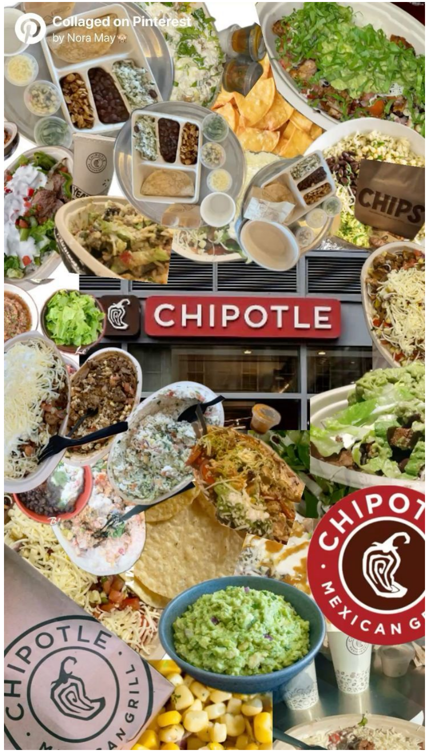
➔ It has a clear and stable business model makes it ideal for ratio and performance analysis.

➔ Has consistent revenue and margin growth (meaningful trends to evaluate).

➔ Its competitive position provides useful qualitative insights.

➔ Its Publicly available financial data makes it a suitable choice for valuation.

Company Background



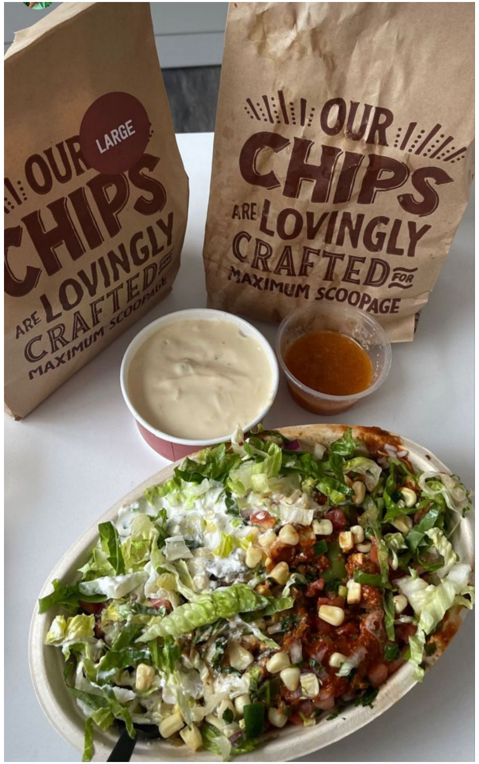
What Chipotle Does

- Fast-casual restaurant chain specializing in customizable bowls, burritos, tacos, and salads.
- “Food With Integrity” brand positioning.
- 3,400+ company-owned restaurants.

How It Operates

- Assembly-line service model for speed and consistency.
- Standardized restaurant design.
- Strong digital platform (app, loyalty program, Chipotlanes).

Market & Operating Environment



Industry

- Fast-casual dining segment between fast food and full-service.
- Driven by convenience, speed, and food quality.

Lifecycle Stage

- Industry entering maturity.
- Chipotle in late-growth phase.

Geographic Footprint

- Primarily U.S, expanding in Canada and Europe.
- Continued domestic expansion.

Revenue Model

- Restaurant sales: in-store + digital.
- Delivery partnerships.
- No franchise revenue (corporate-owned stores).

SWOT Analysis

S W O T

Strength

- Strong brand and customer loyalty.
- High digital adoption.
- Consistent revenue and margin growth.

Weakness

- Premium menu pricing.
- Past food-safety incidents.
- Limited menu variety.

Opportunities

- Expanding Chipotlanes.
- International growth.
- Menu innovation.

Threats

- Commodity cost inflation
- Intense competition from other fast-casual brands.
- Labor cost increases and staffing shortages.

Ratio Analysis Summary

CMG (2024)

Growing Gross Margin

- 24%
- Nearly double 5 Y ago

Growing Net Margin

- 14%
- More than double 5 Y ago

Growing Asset Turnover

- 1.08
- About 25% Growth over 5 Ys
- Total Sales > Total Assets

Inventory Turnover

- 176.15
- Not a relevant measure in Fast-Food

Strong Current Ratio

- 1.52
- Solvent and able to meet its obligations

Shrinking Debt-to-Equity Ratio

- 0.88
- Moving towards minimal debt-usage
- Further strengthening their solvency.

DuPont Analysis

CMG

Growing Net Margin

- Y2024: 13.56%.

Growing Asset Turnover

- Y2024: 1.076

Shrinking Equity Multiplier

- Y2024: 2.88

Net Effect: Growing ROE

- Y2024: 41.96%.

Competitors

Weak and stagnant Net Margin

- SHAK is barely profitable: 0.82%
- YUM little growth in Net margin in 5 years

Low Asset Turnover

- SHAK is less efficient: 0.74, WING is inconsistent

Negative or Weak Equity Multiplier

- WING and YUM are negative. SHAK is higher.

Net Effect: Negative or Low ROE

- SHAK: 2.07%, WING: -16.09%, YUM: -19.43%

Valuation

CMG

Forward EPS : $1.16

Forward Sales per Share: 9

Forward Book Value per Share: 2.44

Peer Averages

Forward P/E: 51.47

Forward P/S: 5.87

Forward P/B: 6.9

Valuation Methods

Forward P/E: $59.70 = Forward EPS x Peer Avg. Forward P/E

Forward P/S: $52.80 = Forward Sales per Share x Peer Avg. Forward P/S

Forward P/B: $16.84 = Forward Book Value per Share x Peer Avg. Forward P/B

Average: **$43.11** = Avg(Forward P/E, Forward P/S, Forward P/B)

Investment Thesis

$31.63 37% $43.11

- Potential for Growth
- Company Owned
- Strong Fundamentals
- Longevity

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