Date: April 7, 2014
Analyst Name: Todd Mehrkens

CIF Stock Recommendation Report (Spring 2014)
Company Name and Ticker: Chipotle Mexican Grill Inc. (CMG)

Section (A) Investment Summary

Recommendation Buy: Yes		Target Price: $631.70 (+14%)	Stop-Loss Price: $487.62 (-12%)
Sector: Consumer Discretionary	**Industry:** Restaurants	**Market Cap (in Billions):** 17.66	**# of Shrs. O/S (in Millions):** 31.087
Current Price: $554.12 (4/4/2014)	**52 WK Hi:** 622.90	**52 WK Low:** 316.87	**EBO Valuation:** $334.97
Morningstar (MS) Fair Value Est.: $410.00	**MS FV Uncertainty:** High	**MS Consider Buying:** $246.00	**MS Consider Selling:** $635.50
EPS (TTM): 10.47	**EPS (FY1):** **12.93**	**EPS (FY2):** **16.05**	**MS Star Rating:** 2 Stars
Next Fiscal Yr. End December 31, 2014	**Last Fiscal Qtr. End: Less Than 8 WK:** No	**If Less Than 8 WK, next Earnings Ann. Date:** N/A	**Analyst Consensus Recommendation:** Buy or Hold
Forward P/E: 36.07	**Mean LT Growth:** 21.85%	**PEG:** 1.65	**Beta:** 0.73 (Reuters)
% Inst. Ownership: 94.29%	**Inst. Ownership- Net Buy:** No	**Short Interest Ratio:** 3.30 (4/1/14)	**Short as % of Float:** 5.80% (4/1/14)

Ratio Analysis	**Company**	**Industry**	**Sector**
P/E (TTM)	54.25 (Reuters)	124.91 (Reuters)	17.23 (Reuters)
P/S (TTM)	5.49 (Reuters)	2.11 (Reuters)	290.60 (Reuters)
P/B (MRQ)	11.46 (Reuters)	6.14 (Reuters)	2.92 (Reuters)
P/CF (TTM)	41.70 (Reuters)	19.03 (Reuters)	10.81 (Reuters)
Dividend Yield	N/A (Reuters)	1.06 (Reuters)	2.32 (Reuters)
Total Debt/Equity (MRQ)	0.00 (Reuters)	61.30 (Reuters)	74.021 (Reuters)
Net Profit Margin (TTM)	10.19 (Reuters)	4.43 (Reuters)	11.00 (Reuters)
ROA (TTM)	17.81 (Reuters)	6.67 (Reuters)	9.66 (Reuters)
ROE (TTM)	23.52 (Reuters)	12.84 (Reuters)	20.61 (Reuters)

Investment Thesis	SUMMARY
Chipotle is one of the fast growing companies in the restaurant industry. The company has consistently been outperforming estimations and benchmarks for the past 5 years; with the most recent success the past year. There is a strong two year outlook for growth as well as for the long term. This company is in the fastest growing restaurant industry and is the biggest company for that specific restaurant style. The summer has a pattern of producing the highest EPS and revenue growth and this would be a great time to buy. Cons: • High uncertainty • Company has been buying their stock back, but some analyst think the company is overvalued • High stock price • Supplier problems could make food prices volatile • Going International is risky as well as branching out into different types of cuisine restaurants	**Company Profile:** Chipotle Mexican Grill, Inc. operates Chipotle Mexican Grill restaurants, which serve a focused menu of burritos, tacos, and burrito bowls (a burrito without the tortilla) and salads, made using fresh ingredients" (Morningstar). The company has the philosophy and image on having dairy and meat products that are naturally raised and are local.
	Fundamental Valuation: The EBO valuation, $334.97, does fall within the 52-week range of $316.87 - $622.90. This valuation is on the low spectrum of the 52-week range and implies that the current stock price of $555.16 is highly overvalued.
	Relative Valuation: Two of the six valuation matrix produced a median value that was within the 52 week price range, those being PEG and P/B. The competitors for comparison are McDonalds, Starbucks, Yum! Brands, and Darden Restaurants.
	Revenue and Earnings Estimates: Revenue estimates have been increasing every quarter and Chipotle has been outperforming. Chipotle's EPS has been going down the last 3 quarters and in general hard to predict an accurate estimate.
	Analyst Recommendations: Analysts have a bullish sentiment about the stock and have been moving their recommendations up. Most recommendations are to buy, outperform, or hold.
	Institutional Ownership: Recently there have been a negative net buyers for this term by % of shares being sold off at -3.33%. The major ownership of the company is by T. Rowe Price who has 12.68% stake in the company.
	Short Interest: Recently Chipotle's short interest has been going down as well as their days to cover which signals stronger bullish sentiment for the stock. Also their 10 day average volume is significantly higher than their 3 month average meaning the company is becoming more liquid.
	Stock Price Chart: The company has been greatly outperforming the S&P 500, Consumer Discretionary Sector, and their closest rival, McDonalds, for the past 5 years. Currently the 10 day moving average is beating the 50 day moving average.

Section (B) Company Profile

(B-1) Profile

"Chipotle Mexican Grill, Inc. operates Chipotle Mexican Grill restaurants, which serve a focused menu of burritos, tacos, and burrito bowls (a burrito without the tortilla) and salads, made using fresh ingredients" (Morningstar). The company has the philosophy and image on having dairy and meat products that are naturally raised and are local. By having this scheme they have many suppliers based on location and have high purchasing power over them. On the other side, there is a select few of naturally raised dairy and meet farmers which has the potential to make volatile prices. Currently Chipotle has a strong, loyal customer base which allows them to be able to be somewhat flexible with raising their prices. A concern is that if they raise prices too high, consumers may see eating at Chipotle to expensive based on the quality and type of good they are consuming.

Chipotle specifically operates within the fast-casual industry. This market is seen to be the fast growing industry within the restaurant industry. MorningStar analyst estimate it to grow nearly 10% in the upcoming years. The reason for this is due to consumers wanting better quality of food that is seen in the dinning industry, but do not have the time to eat out. Because it is seen as being attractive, competitors in other restaurant industries are trying to adapt and gain some of the fast-casual market.

State	Count
Alabama	7
Arizona	63
Arkansas	2
California	288
Colorado	72
Connecticut	14
Delaware	3
District of Columbia	17
Florida	84
Georgia	25
Idaho	2
Illinois	104
Indiana	22
Iowa	6
Kansas	21
Kentucky	11
Louisiana	2
Maine	2
Maryland	59
Massachusetts	40
Michigan	18
Minnesota	55
Missouri	31
Nebraska	8
Nevada	13
New Hampshire	5
New Jersey	34
New Mexico	3
New York	84
North Carolina	23
Ohio	148
Oklahoma	8
Oregon	15
Pennsylvania	37
Rhode Island	5
South Carolina	11
Tennessee	11
Texas	119
Utah	4
Virginia	69
Vermont	1
Washington	17
Wisconsin	15
Wyoming	1
Canada	7
France	2
Germany	1
United Kingdom	6
Total	1,595

Revenue

	2013	2012	2011	% increase 2013 over 2012	% increase 2012 over 2011
		For the years ended December 31			
		(dollars in millions)			
Revenue	$ 3,214.6	$ 2,731.2	$ 2,269.5	17.7%	20.3%
Average restaurant sales	$ 2.169	$ 2.113	$ 2.103	2.7%	0.5%
Comparable restaurant sales increases	5.6%	7.1%	11.2%		
Number of restaurants as of the end of the period	1,595	1,410	1,230	13.1%	14.6%
Number of restaurants opened in the period, net of relocations	185	180	146		

(Chipotle's 2013 Annual Report)

	2013	2012	2011
	For the years ended December 31		
Beginning of year	1,410	1,230	1,084
Openings	185	183	150
Relocations	—	(3)	(4)
Total restaurants at end of year	1,595	1,410	1,230

Chipotle's main competitors are Yum! Brands Inc., McDonalds, Starbucks, and Darden Restaurants Inc. The largest restaurant in the market is McDonalds which has around 26% of the market weight. Many of their competitors are international. Chipotle in 2009 opened in the UK and have been slowly opening other international locations. Chipotle's restaurant location make up is 7 in Canada, 2 in France, 1 in Germany, 6 in U.K., and 1,579 in 43 states.

Last year Chipotle opened 185 new restaurants and had 0 relocations. They plan to open 200 more stores for 2014. Chipotle is smart in the way they open stores and make sure that a store will profitable in the long run when they open one. Last year after opening more stores, their average restaurant sales increased 5.6% from last year.

Chipotle's revenue breakdown is around 99% from in store sales and 1% from catering. Catering was just started in 2013 and is seen to grow in popularity, which has huge upsides to profit. Almost all of Chipotle's revenue is domestic. Chipotle's revenue and earnings react cyclically and seasonally. Chipotle's sees the highest revenue and earnings growth in the summer time when people tend to eat out more often.

Management at Chipotle has allowed them to have a high retention rate. The company has a culture to promote within and because the restaurant has an assembly line for the whole process, it simple and is low cost to train employees. This low cost management scheme along with the company's highly leveragable model has given Chipotle an advantage in the industry.

In the past couple of years there has been no significant mergers or acquisition for Chipotle. The company has started branching out into different types of cuisine restaurants. They have opened ShopHouse for Asian cuisine and Pizzeria Locale. This is seen to be risky, but has the potential to diversify the company and increase the company's market share in the restaurant industry. Currently there is not litigation or pending lawsuits against the company.

(B-2) Revenue and Earnings History
<u>**Revenue History Observations:**</u>

Revenue (in millions)			
Periods	**2011**	**2012**	**2013**
March	510	641	727
June	571	691	817
September	592	701	827
December	597	699	844
Total	2,270	2,732	3,215

There is a trend that the revenue has gone up almost every quarter for the past three years. There is a seasonal trend that between March and June there is the largest increase in quarterly revenue. The smallest revenue growth tends to be from September to December. Overall year over year revenue has been growing at an increasing rate.

<u>**Earnings History Observations:**</u>

Earnings Per Share			
Periods	**2011**	**2012**	**2013**
March	1.46	1.97	2.45
June	1.59	2.56	2.82
September	1.9	2.27	2.66
December	1.81	1.95	2.53
Total	6.76	8.75	10.46

Earnings per share has been increasing annually for the past three years. Comparing quarterly EPS, there is a trend that in EPS goes upward for the months of January through June then there is a downward trend for the months of July through December. Second quarter tends to have the highest EPS of the year except for the year 2011.

(B-3) Most Recent Quarterly Earnings Release

1) **When was the company's most recent earning release?**
   The most recent earning release for the company was on January 30, 2014.

2) **In that earnings report, was reported revenue a (1) beat, (2) match, or (3) miss from consensus estimate?**
   Revenue was $844.15 when it was estimated at $826.30; a surprise of 2.16%.

3) **Likewise, was reported earnings a (1) beat, (2) match, or (3) miss from consensus estimate?**
   Earnings estimate was a match at 2.53.

4) **What did the management attribute the beat/miss to?**
   The main attribute for beating the revenue estimate was they had more customers and meals bought than expected.

5) **Did the management provide guidance about their current quarter and their outlook for the year? What were the key points of the guidance?**
   Management expects to keep expanding in 2014 by opening 200 new restaurants. The focus is also to expand more internationally. With this plan they expect to keep growing every year in revenue and earnings.

6) **How did the stock react to that earnings release?**
   The stock went up 11.74% after the earnings release. On January 30, 2014 the stock was $493.96 and after the release, the stock was $551.96 on January 31, 2014.

Section (C) Fundamental Valuation (EBO)

CMG Fundamental Valuation (EBO) Spreadsheet

CMG	PARAMETERS	FY1	FY2	Ltg
	EPS Forecasts	12.93	16.05	21.85%
	Total Equity	1583.30		
	Preferred Stock	0.00		
	Book Value (end of last fye)	1583.30		
	Common Equity Shr. O/S	31.03		
	Book value/share (last fye)	51.025		
	30- Year T-Bond Rate	3.56%		
	$E(r_m)$	9.00%		
	Beta	0.73		
	Discount Rate	7.53%		
	Dividend Payout Ratio (POR)	0.00%		
	Next Fsc Year end	2014		
	Current Fsc Mth (1 to 12)	4		
	Target ROE (industry avg.)	12.11%		

	Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Long-term EPS Growth Rate (Ltg)			0.2185	0.2185	0.2185	0.2185	0.2185					
	Forecasted EPS	12.93	16.05	19.56	23.83	29.04	35.38	43.11					
	Beg. of year BV/Shr	51.025	63.955	80.005	99.562	123.392	152.429	187.810					
	Implied ROE		0.251	0.244	0.239	0.235	0.232	0.230					
ROE	(Beg. ROE, from EPS forecasts)	0.253	0.251	0.244	0.239	0.235	0.232	0.230	0.208	0.186	0.164	0.143	0.121
Abnormal ROE	(ROE-k)	0.178	0.176	0.169	0.164	0.160	0.157	0.154	0.133	0.111	0.089	0.067	0.046
growth rate for B	(1-POR)*(ROEt-1)	0.000	0.253	0.251	0.244	0.239	0.235	0.232	0.230	0.208	0.186	0.164	0.143
Compounded growth		1.000	1.253	1.568	1.951	2.418	2.987	3.681	4.526	5.466	6.484	7.551	8.629
growth*AROE		**0.178**	**0.220**	**0.265**	**0.320**	**0.387**	**0.468**	**0.568**	**0.600**	**0.606**	**0.578**	**0.510**	**0.395**
required rate (k)	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075
Compound discount rate		1.075	1.156	1.243	1.337	1.438	1.546	1.662	1.788	1.922	2.067	2.223	2.390
div. payout rate (k)	0.000												
Add to P/B	PV(growth*AROE)	0.17	0.19	0.21	0.24	0.27	0.30	0.34	0.34	0.32	0.28	0.23	0.17
Cum P/B		1.17	1.36	1.57	1.81	2.08	2.38	2.72	3.06	3.37	3.65	3.88	4.05
Add: Perpetuity													
beyond current yr	(Assume this yr's AROE forever)	2.20	2.53	2.83	3.18	3.57	4.02	4.53	4.46	4.19	3.71	3.04	2.19
Total P/B	(P/B if we stop est. this period)	3.36	3.88	4.40	4.99	5.65	6.40	7.26	7.51	7.56	7.37	6.93	6.24
Implied price		**176.00**	**203.16**	**230.22**	**260.87**	**295.61**	**334.97**	**379.58**	**393.01**	**395.39**	**385.34**	**362.26**	**326.51**
Check:													
Beg. BV/Shr		51.025	63.955	80.005	99.562	123.392	152.429	187.810	230.923	278.923	330.851	385.269	440.282
Implied EPS		12.930	16.050	19.557	23.830	29.037	35.382	43.112	48.000	51.928	54.419	55.013	53.318
Implied EPS growth			0.241	0.219	0.219	0.219	0.219	0.219	0.113	0.082	0.048	0.011	-0.031

Inputs

EPS forecasts (FY1 & FY2):	12.93, 16.05
Long-term growth rate:	21.85%

Book value /share (along with book value and number of shares outstanding):

Book value:	1583.30 Million
# of shares outstanding:	31.03 Million
Book value / share:	51.025
Dividend payout ratio:	0.00%
Next fiscal year end:	December 31, 2014
Current fiscal month:	4, April
Target ROE:	12.11%

Discount rate

Input for discount rate:	7.53%
Risk-free rate:	3.56%
Beta:	0.73
Market risk premium:	9.00%

Output

Above normal growth period chosen: 2019, 5 Years

The growth expectations are based on a 5 year trend and this stock is expected to see long term growth which is why a 5 year outlook is chosen.

EBO valuation (Implied price from the spreadsheet): $334.97

The EBO valuation, $334.97, does fall within the 52-week range of $316.87 - $622.90. This valuation is on the low spectrum of the 52-week range and implies that the current stock price of $555.16 is highly overvalued. In my opinion, the fundamental valuation is not a great fit with the stock. The stock has been performing above expected for growth and revenue. The soft spots of the inputs for this valuation are the high beta and low LTG %. The beta should be lower based on how the company is gaining more market share within the fast-casual restaurant category as well as outperforming growth expectations on a constant basis for the past 5 years.

Sensitivity Analysis

1) **Explain the input values used in sensitivity analysis. Compare the fundamental values obtained here in relation to the value from the base case**

   All of the input values used in the sensitivity analysis seemed to be a good representation, so there were no alterations to the original numbers.

EBO valuation would be (you can include more than one scenario in each of the following):

$334.97 **if changing above normal growth period to *2019*.**

$350.07 **if changing growth rate from mean (consensus) to the highest estimate 23.2%**

$320.05 **if changing growth rate from mean (consensus) to the lowest estimate 20.47%**

$227.01 if changing discount rate to 10%

$319.70 if changing target ROE to 36.2% (Ind. Average from MorningStar)

Section (D) Relative Valuation

Cougar Investment Fund Relative Valuation Template

CMG

	Ticker	Name	Mkt Cap	Current Price	Mean FY2 Earnings Estimate (next fiscal year)	Forward P/E	Mean LT Growth Rate	PEG	P/B (MRQ)	ROE 5 yr ave	Value Ratio	P/S TTM	P/CF TTM
1	MCD	McDonald's Corporation	$ 97,038.07	$ 97.90	$ 6.32	15.49	8.15%	1.90	6.06	35.66%	0.17	3.45	13.53
2	SBUX	Starbucks Corporation	$ 55,467.94	$ 74.01	$ 3.17	23.35	19.81%	1.18	11.36	20.17%	0.56	3.62	69.68
3	YUM	Yum Brands Inc.	$ 33,317.93	$ 76.06	$ 4.17	18.24	12.32%	1.48	15.42	81.98%	0.19	2.55	18.67
4	DRI	Darden Restaurants, Inc.	$ 6,662.98	$ 51.48	$ 2.82	18.26	-0.90%	-20.28	3.14	23.82%	0.13	0.76	8.8
	CMG	Chipotle Mexican Grill	$ 17,660.21	$ 578.97	$ 16.05	36.07	21.85%	1.65	11.46	23.05%	0.50	5.49	41.7

		Implied Price based on:				P/E		PEG	P/B		Value	P/S	P/CF
1	MCD	McDonald's Corporation				$248.62		$666.55	$306.16		$197.89	$363.83	$187.85
2	SBUX	Starbucks Corporation				$374.72		$413.31	$573.92		$655.87	$381.76	$967.45
3	YUM	Yum Brands Inc.				$292.75		$519.20	$779.03		$219.04	$268.92	$259.22
4	DRI	Darden Restaurants, Inc.				$293.00		$7,113.34	$158.64		$153.51	$80.15	$122.18
		High				$374.72		$666.55	$779.03		$655.87	$381.76	$967.45
		Low				$248.62		- $7,113.34	$158.64		$153.51	$80.15	$122.18
		Median				$292.87		$466.25	$440.04		$208.47	$316.38	$223.54

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McDonald's Corporation franchises and operated restaurants that are in the fast food service industry. They are similar to Chipotle in being a large fast food service and the company is trying to get more of the market for fast-casual service which Chipotle is the leader in.

Starbucks Corporation is in the same fast-casual service industry. Starbucks focuses on quality of goods, which is similar to Chipotle and both companies offer goods around the same price of $4 to $10 per single order.

Yum! Brands Inc. is in both the fast food service industry and the fast-casual industry. The company operates KFC, Pizza Hut and Taco Bell.

Darden Restaurants "owns and operates dining restaurants under the trade names Red Lobster®, Olive Garden®, LongHorn Steakhouse®, Bahama Breeze®, Seasons 52®, Eddie V's Prime Seafood®, Wildfish Seafood Grille® and Yard House®." (MorningStar)

*The strongest correlation between these companies is they are the leaders in the restaurant industry and compete against each other for sales and customers.

1) **Discuss various valuation multiples of your stock and its peers. Comment if any of these stocks have multiples far off from the others and explain whether it makes sense.**

The forward P/E ratio are relatively similar around 18, except for Chipotle which is almost twice the ratio as their competitors. The reason for this is due to the fact that Chipotle's stock price is highly expensive around $578, while the other companies' are around $50 to $100. The PEG for each company are almost the same, except for Darden which is the outlier at -20.28. Having a lower Peg ratio is a signal that the stock will be more undervalued given its earnings performance. When comparing the PEG to the other competitors, Chipotle is in the upper middle range.

2) **Discuss the various implied prices of your stock derived from peers' ("Comparables") multiples. Compare these implied prices to current price and 52-week high and low. How different are the prices derived from the various valuation metrics?**

The implied prices that are set from the P/E range between $248.62 and $374.72 with the median being $292.87. The current price is $555.16 which is not within the range, but Chipotle is within that range for their 52-week range of $312.87-622.90. The P/B, Value, P/S, and P/CF ranges were all within Chipotle's 52-week range. The PEG ratio was not within the 52-week range of Chipotle.

3) **Compare your findings with comments from analysts from *Morningstar Direct* and other online resources.**

The findings more or less fell in line with analyst estimates. The hardest part for estimating is how Chipotle has been the outlier against competitors with their extreme growth in the last five years.

Section (E) Revenue and Earnings Estimates
(E-1)
HISTORICAL SURPRISES
Sales and Profit Figures in US Dollar (USD)
Earnings and Dividend Figures in US Dollar (USD)

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
SALES (in millions)				
Quarter Ending Dec-13	826.30	844.15	+17.84	+2.16
Quarter Ending Sep-13	820.13	826.91	+6.78	+0.83
Quarter Ending Jun-13	802.78	816.79	+14.01	+1.74
Quarter Ending Mar-13	725.13	726.75	+1.62	+0.22
Quarter Ending Dec-12	698.89	699.16	+0.27	+0.04
Earnings (per share)				
Quarter Ending Dec-13	2.53	2.53	0.00	0.00
Quarter Ending Sep-13	2.78	2.66	-0.12	-4.32
Quarter Ending Jun-13	2.81	2.82	+0.01	+0.29
Quarter Ending Mar-13	2.13	2.35	+0.22	+10.11
Quarter Ending Dec-12	1.96	1.95	-0.01	-0.26

Overall Chipotle has been surprising the estimates for sales, the biggest surprises has been the past 3 quarters with the largest surprise of +2.16% being last quarter. Chipotle's earnings last quarter had no surprise. Looking farther out, Chipotle varies in positive and negative surprises for the previous quarters. The largest negative surprise was -4.32% and the largest positive surprise was +10.11%. In general the company is more volatile in surprises for earning than sales because there is no trend for EPS surprises and they are larger percentages.

(E-2)

CONSENSUS ESTIMATES ANALYSIS

Sales and Profit Figures in US Dollar (USD)

Earnings and Dividend Figures in US Dollar (USD)

	# of Estimate	Mean	High	Low	1 Year Ago	% Difference of High and Mean	% Difference of Low and Mean
SALES (In Millions)							
Quarter Ending Jun-14	24	958.28	989.80	935.30	925.01	3.289%	-2.398%
Quarter Ending Sep-14	24	977.32	1,005.33	948.90	936.89	2.866%	-2.908%
Year Ending Dec-14	27	3,797.54	3,898.20	3,681.90	3,644.74	2.651%	-3.045%
Year Ending Dec-15	25	4,406.44	4,602.80	4,217.00	4,240.17	4.456%	-4.299%
EARNINGS (Per Share)							
Quarter Ending Jun-14	28	3.35	3.54	3.11	3.45	5.672%	-7.164%
Quarter Ending Sep-14	28	3.40	3.68	3.04	3.29	8.235%	-10.588%
Year Ending Dec-14	30	12.93	13.54	12.21	12.38	4.718%	-5.568%
Year Ending Dec-15	28	16.05	17.25	15.04	15.06	7.477%	-6.293%
LT Growth Rate (%)	4	21.85	23.20	20.00	20.47	6.178%	-8.467%

There are more divergence with earnings compared to revenue. For the most part the divergence percentage is higher for time periods that are farther out. There is a huge discrepancy when comparing the number of analysts that provide revenue and earnings to the ones that provide the LT Growth Rate. LT Growth Rate analyst are 4 compared to around 24-30 analysts for revenue and earnings.

(E-3)

Sales and Profit Figures in US Dollar (USD)
Earnings and Dividend Figures in US Dollar (USD)

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
SALES (in millions)					
Quarter Ending Jun-14	958.28	957.89	957.80	956.65	925.01
Quarter Ending Sep-14	977.32	976.94	976.69	976.52	936.89
Year Ending Dec-14	3,797.54	3,796.50	3,793.91	3,789.84	3,644.74
Year Ending Dec-15	4,406.44	4,402.14	4,398.62	4,396.29	4,240.17
Earnings (per share)					
Quarter Ending Jun-14	3.35	3.35	3.35	3.35	3.45
Quarter Ending Sep-14	3.40	3.39	3.40	3.40	3.29
Quarter Ending Dec-14	12.93	12.92	12.91	12.92	12.38
Quarter Ending Dec-15	16.05	16.03	15.98	15.94	15.06

The consensus estimates are trending upwards for both earnings and sales. This trend was more notable farther out. In recent weeks there is still a slight upward trend, but not to the extent as farther out.

(E-4)

ESTIMATES REVISIONS SUMMARY

	Last Week		Last 4 Weeks	
Number Of Revisions:	**Up**	**Down**	**Up**	**Down**
Revenue				
Quarter Ending Jun-14	1	0	2	0
Quarter Ending Sep-14	1	0	2	0
Year Ending Dec-14	1	0	3	0
Year Ending Dec-15	1	0	2	0
Earnings				
Quarter Ending Jun-14	0	2	1	3
Quarter Ending Sep-14	2	0	3	0
Year Ending Dec-14	2	0	4	0
Year Ending Dec-15	2	0	4	0

Overall there tend to be more upward revisions than downward revisions for earnings and revenue. All revisions for revenue have been upward. The earnings revisions have been mostly upward, but has only downward revisions for the most the recent quarter that is ending in June 2014. There are no notable revisions of last week compared to those of the last 4 weeks.

(E-5) *"Consensus Earnings Revisions"* from *CNBC*

Revision Date	Revision Type	Revision Up/Down	Current	Previous	% Change	# of Analysts Reporting
3/21/2014	Up	2/0	$2.85	$2.85	+0.14%	28
3/20/2014	Up	2/0	$2.85	$2.85	+0.04%	27
3/6/2014	Up	3/0	$2.85	$2.85	+0.11%	27

The most recent earnings date was on February 5, 2014. The next earning reporting date is April 17, 2014. The revisions tend to not be clustered. The changes of the earnings revisions were not very significant by being less than 0.15% of a change. All the revisions in the last month were only upward.

Section (F) Analysts' Recommendations
(F-1) Reuters Most Recent Three Months Analysts Recommendations
ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	10	8	8	8
(2) OUTPERFORM	6	6	5	4
(3) HOLD	12	12	15	12
(4) UNDERPERFORM	1	1	0	0
(5) SELL	0	0	1	1
No Opinion	0	0	0	0
Mean Rating	2.14	2.22	2.34	2.28

Over the past 3 months there has been a bullish trend and becoming more bullish. Each month had 4 different recommendations. The 2 and 3 month one had buy, outperform, hold, and sell. Those changed to being buy, outperform, hold, and underperform for the 1 month ago and current. In general there is a convergence of moving closer to buy with all the recommendations going up and none down. Reuters' recommendations are somewhat similar to Morningstar's except that morning stars has more of a bearish view which is turning bullish. Morningstar has a 3.3 rating, suggesting it has a hold view.

(F-2) Most Recent One Month Analysts Upgrades/Downgrades from CNBC
There have been no Upgrades or Downgrades in the past 30 days for the company.

Section (G) Institutional Ownership

CMG Institutional Ownership spreadsheet

You only need to input values to cells highlighted in "yellow"

The rest of the spreadsheet is calculated automatically

Please read "Stock Recommendation Report Guidelines" document carefully

CMG

Ownership Activity	# of Holders	% Beg. Holders	Shares	% Shares
Shares Outstanding			31,087,917	100.00%
# of Holders/Total Shares Held/% Shares	576	102.86%	29,312,797	94.29%
# New Positions	67	11.96%		
# Closed Positions	51	9.11%		
# Increased Positions	212	37.86%		
# Decreased Positions	286	51.07%		
Beg. Total Inst. Positions	560	100.00%	30,347,034	97.62%
# Net Buyers/3 Mo. Net Chg	-74	42.57%	-1,034,237	-3.33%

Ownership Information	% Outstanding
% Institutional Ownership	NA
Top 10 Institutions % Ownership	55.03%
Mutual Fund % Ownership	54.83%
5%/Insider Ownership	2.18%
Float %	86.00%

| > 5% Ownership			
Holder Name	**% Change**	**% Outstanding**	**Report Date**
T. Rowe Price Associates, Inc.	2.78%	12.68/%	12/31/2013
FMR LLC	-2.58%	9.43%	12/31/2013
Sands Capital Management, LLC	-16.38%	7.49%	12/31/2013
The Vanguard Group, Inc.	2.14%	6.61%	12/31/2013

1. On a net basis, institutions have been selling off their ownership in Chipotle. Overall the number of buyers in Chipotle have decreased by 74 this term. Ownership has been decreasing at a substantial rate for >5% owners, which could be a signal to not invest in Chipotle. The major change which happened at the end of last year was Sands Capital Management selling off -16.38% of their shares and they have 7.49% invested in the company.
2. Chipotle does not have sizeable institution interest, but does have sizeable interest from mutual funds at 54.83%.
3. T. Rowe Price Associates has a huge role in the company by owning 12.68% of the shares outstanding and at the end of last year they invested more in the company with a 2.78% change for institutional ownership. Fidelity has the largest mutual fund ownership at 5.63% and is the only one above 5% for mutual funds. Overall >5% owners make up for 36.21% of the shares outstanding.

Section (H) Short Interest

(H-1) Short Interest Data from http://www.nasdaq.com/ (NASDAQ's website)

CMG: Chipotle Mexican Grill

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
3/14/2014	1,385,582	458,760	3.020276
2/28/2014	1,307,126	398,321	3.281589
2/14/2014	1,346,321	517,537	2.601400
1/31/2014	1,404,090	787,902	1.782062
1/15/2014	1,753,313	403,645	4.343701
12/31/2013	1,786,021	321,612	5.553341
12/13/2013	1,773,500	264,130	6.714497
11/29/2013	2,064,574	271,134	7.614589
11/15/2013	2,258,896	351,945	6.418321
10/31/2013	2,646,515	703,076	3.764195
10/15/2013	2,564,408	430,403	5.958155
9/30/2013	2,474,652	288,661	8.572866
9/13/2013	2,723,802	256,799	10.606747
8/30/2013	2,595,445	240,853	10.776054
8/15/2013	2,646,106	219,528	12.053615
7/31/2013	2,752,138	626,157	4.395284
7/15/2013	2,829,140	384,528	7.357436
6/28/2013	2,759,212	382,776	7.208425
6/14/2013	2,809,995	358,392	7.840563
5/31/2013	2,801,919	306,922	9.129091
5/15/2013	2,977,639	481,409	6.185258
4/30/2013	3,138,958	724,173	4.334542
4/15/2013	3,863,231	663,048	5.826473
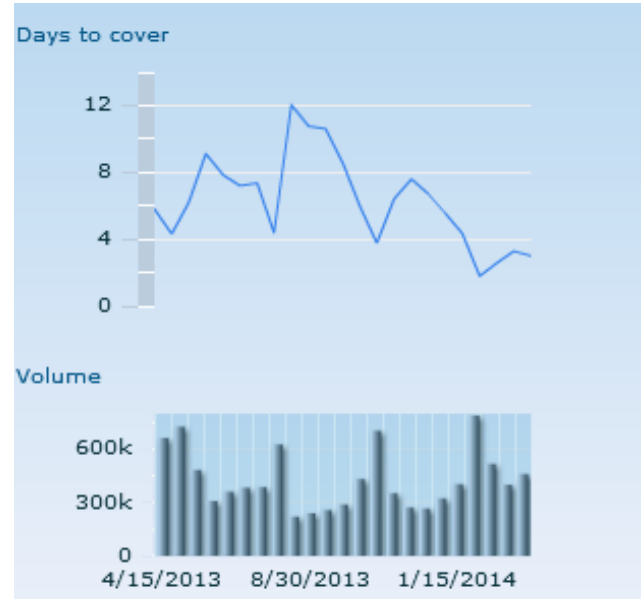
MCD: McDonald's Corp

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
3/14/2014	13,820,382	6,027,251	2.292983
2/28/2014	12,592,073	4,500,905	2.797676
2/14/2014	12,667,700	5,413,685	2.339940
1/31/2014	13,482,695	6,002,438	2.246203
1/15/2014	13,546,510	4,990,882	2.714252
12/31/2013	12,510,909	3,786,306	3.304252
12/13/2013	12,087,260	4,894,134	2.469744
11/29/2013	14,382,238	8,264,618	1.740218
11/15/2013	14,394,574	4,829,770	2.980385
10/31/2013	12,748,077	4,744,884	2.686699
10/15/2013	10,782,324	4,386,165	2.458258
9/30/2013	10,622,537	4,479,814	2.371200
9/13/2013	11,393,590	3,858,943	2.952516
8/30/2013	11,380,252	5,655,042	2.012408
8/15/2013	9,228,824	4,026,335	2.292115
7/31/2013	9,179,669	5,411,565	1.696306
7/15/2013	8,836,019	3,855,038	2.292071
6/28/2013	9,127,065	4,545,454	2.007955
6/14/2013	9,147,745	4,667,647	1.959819
5/31/2013	9,539,282	7,497,292	1.272364
5/15/2013	9,614,116	4,503,139	2.134981
4/30/2013	11,176,849	4,687,304	2.384494
4/15/2013	10,995,937	4,611,640	2.384388
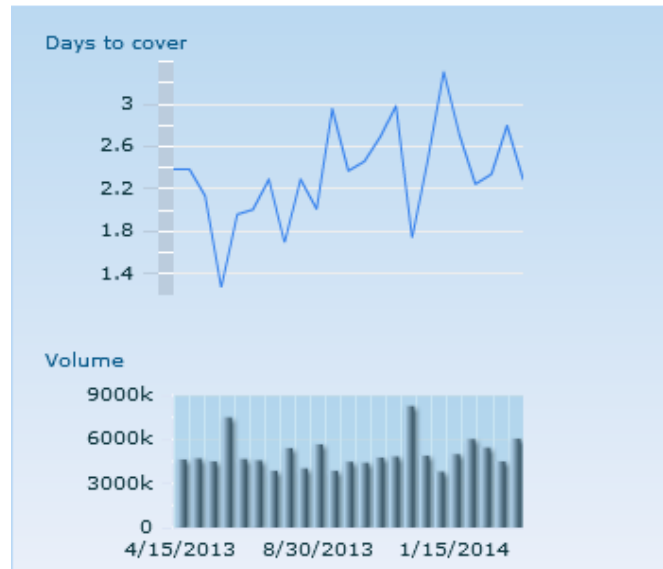
YUM: Yum! Brands, Inc.

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
3/14/2014	8,850,946	2,780,015	3.183776
2/28/2014	8,576,169	2,269,778	3.778418
2/14/2014	8,529,901	4,867,444	1.752439
1/31/2014	9,448,963	4,347,418	2.173465
1/15/2014	8,022,442	3,194,957	2.510970
12/31/2013	7,289,025	2,012,055	3.622677
12/13/2013	8,410,095	3,073,996	2.735884
11/29/2013	10,500,468	3,591,428	2.923758
11/15/2013	10,016,556	3,560,281	2.813417
10/31/2013	8,142,174	3,884,556	2.096037
10/15/2013	8,031,663	5,548,288	1.447593
9/30/2013	8,693,395	1,832,329	4.744451
9/13/2013	7,775,728	2,850,453	2.727892
8/30/2013	8,447,266	1,989,232	4.246496
8/15/2013	8,358,853	2,434,409	3.433627
7/31/2013	7,044,905	2,373,648	2.967965
7/15/2013	7,238,879	3,139,638	2.305641
6/28/2013	6,713,179	2,591,917	2.590044
6/14/2013	7,078,029	3,616,858	1.956955
5/31/2013	7,120,782	2,341,872	3.040637
5/15/2013	8,345,713	2,853,105	2.925133
4/30/2013	7,727,426	4,821,783	1.602608
4/15/2013	6,837,077	5,225,347	1.308445
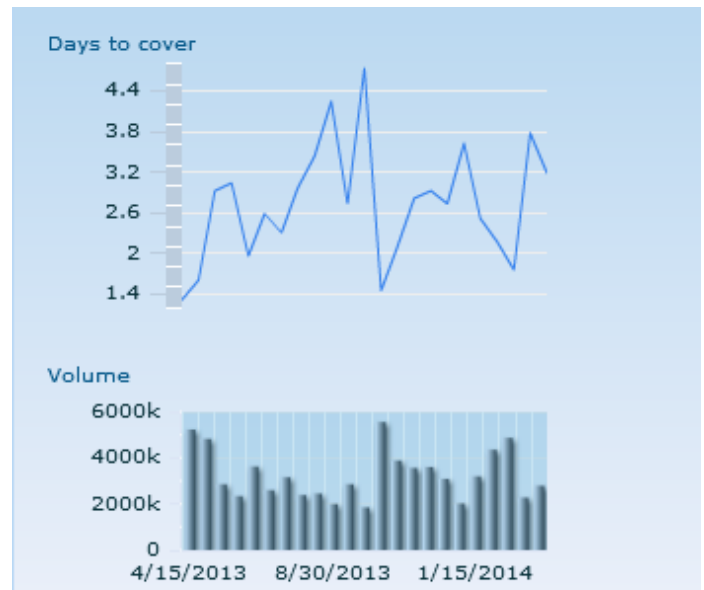
(H-2) Short Interest Data From http://finance.yahoo.com/

CMG: Chipotle Mexican Grill

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
534,600	604,400	31.02M	30.45M

Shares Short (March 14, 2014)	Short Ratio (March 14, 2014)	Short % of Float (March 14, 2014)	Shares Short (March 1, 2014)
1.39M	3.30	5.80%	1.31M

MCD: McDonald's Corp

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
5,430,940	4,699,600	989.88M	988.37M

Shares Short (March 14, 2014)	Short Ratio (March 14, 2014)	Short % of Float (March 14, 2014)	Shares Short (March 1, 2014)
13.82M	2.60	1.40%	12.59M

YUM: Yum! Brands, Inc.

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
3,373,230	2,936,090	442.93M	441.43M

Shares Short (March 14, 2014)	Short Ratio (March 14, 2014)	Short % of Float (March 14, 2014)	Shares Short (March 1, 2014)
8.85M	3.50	2.00%	8.58M

The last earnings report was on January 30, 2014 and the next earnings reporting date is on April 17, 2014. Based on the short interest statistics, on can infer that market sentiment is turning more bullish due to the days to recover and short interest falling over the past year. Days to cover was extremely high at 12 in August 2013 and is now around 3 days for March. After the last reporting date, short interest slightly fell by 54,000 while days to cover rose by from 1.78 to 2.6. Just before the last release the stock price was falling for a couple of weeks and then soared 12% after the release. When comparing Chipotle to their closest competitors, McDonalds has a bearish sentiment with rising short interest. Also Yum! has been constant with their numbers which signifies no major change in the sentiment of the stock.

Section (I)   Stock Charts
(I-1)   A three month price chart

The three month price chart shows that Chipotle started the year being slightly below the consumer discretionary sector until the announcement of their annual earning on January 30th. Also during that time period the S&P 500 was outperforming the sector and McDonalds was outperforming the market. After the earnings announcement, Chipotle's stock was outperforming the market, consumer discretionary sector, and McDonalds by about 4-8%. Over the 3 month period the sector has been underperforming compared to the S&P 500.

(I-2)   A one year price chart

Dec 23, 2013: ■ CMG 531.03 ■ MCD.MX 1236.70 ■ ^GSPC 1827.99 ■ XLY 65.95

When looking at the 1 year price chart, Chipotle has immensely outperformed the market, the consumer discretionary sector, and McDonalds as time progresses. Overall the sector has outperformed market while being around 25% growth compared to S&P 500's 20%. McDonalds compared to the market has been struggling to compete by having around 3% growth.

(I-3)   A five year price chart

Week of Mar 31, 2014: ■ CMG 576.21 ■ MCD.MX 1261.00   ■ ^GSPC 1890.90   ■ XLY 64.28

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2009   Oct   2010   Apr   Jul   Oct   2011   Apr   Jul   Oct   2012   Apr   Jul   Oct   2013   Apr   Jul   Oct   2014

■ Volume: 350,733

1D 5D 1M 3M YTD 6M 1Y 2Y 5Y Max   FROM: Apr 6 2009   TO: Mar 31 2014   +705.89%

Observing the 5 year chart, Chipotle has being outperforming the sector by having around 700% growth compared to the sector's 200%. Comparing the sector to the S&P, the sector has outperformed by almost 2 times the growth of the market. The 5 year chart also shows that McDonalds has been struggling to compete in growth; which suggests that Chipotle is growing at a faster rate and taking some of McDonald's market.

(I-4)   Technical Indicators

6 Month
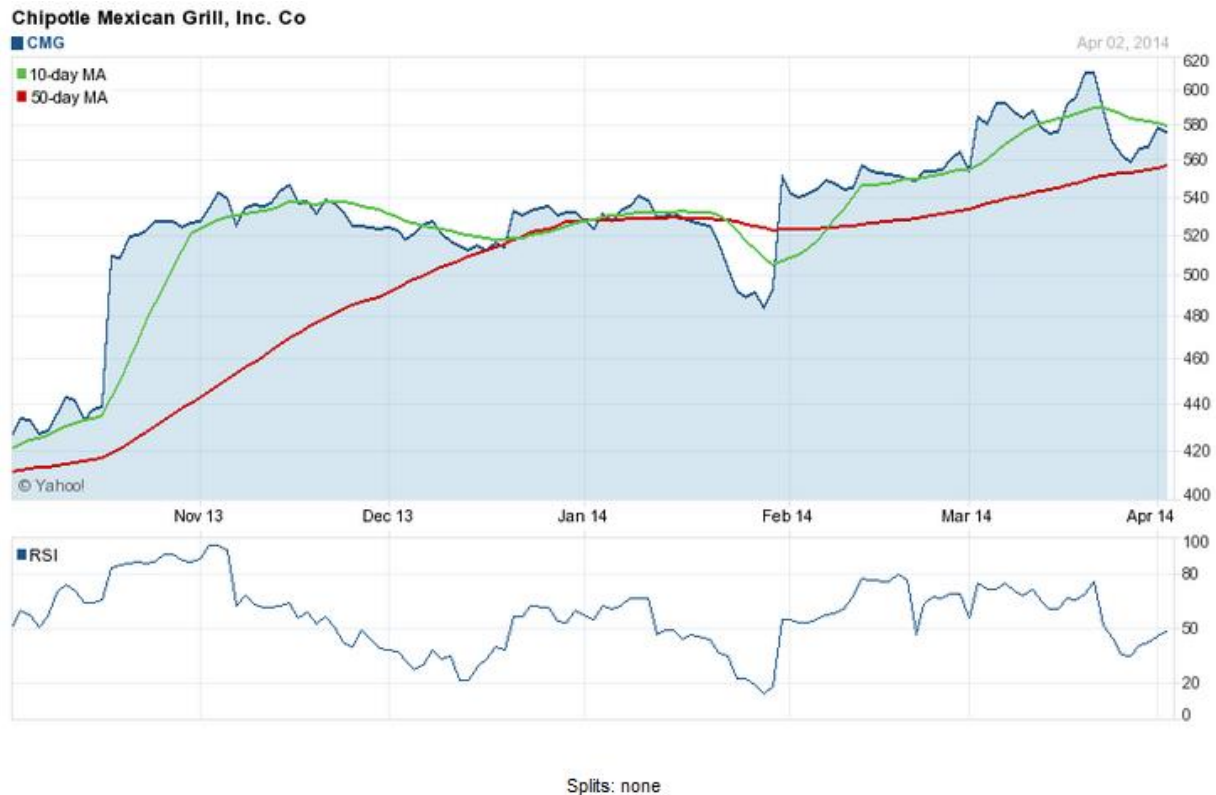
The 6 month moving average shows that Chipotle has had a couple of crosses and two distinct crosses that took place the week before and after the earnings announcement on January 30th. The current outlook suggests that there is a bullish outlook on the stock by having the 10 day above the 50 day for almost 2 months. Currently the 10 day and 50 day are approaching each other for a death cross which would signal that the market is turning more bearish.

2 Year

Chipotle Mexican Grill, Inc. Co

When looking at the 2 year moving average chart of Chipotle there has been one major death cross as well as one Golden cross. The death cross took place in July 2012 and the stock price stayed around the same before moving upward. The golden cross took place March 2013 where the stock price started rising after the cross. Currently the 50 day moving average is pushing away from the 200 day moving average which signifies the market has a bullish sentiment that is becoming even stronger.

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