

# Chipotle Mexican Grill Inc.

Long | August 25<sup>th</sup>, 2025 | PT: \$58.24 | 18-24 Months

## Shelke Global Research

Shelke Global Research has initiated coverage on Chipotle (CMG), we believe with high conviction the firm is favorably mispriced with an asymmetrical opportunity to the upside due to the firm's latest product innovation initiatives and programs coupled with favorable consumer spending trends seen in most recent credit card data.

**Chipotlane:** Chipotle is entering a new phase of structural growth driven by the aggressive rollout of its Chipotlane format. Roughly 80% of new stores will include drive-thru lanes, and historical evidence is unequivocal: adding a Chipotlane drives a 5–6% uplift in sales, and average Chipotlane stores outperform legacy formats by 11.5%. This isn't just incremental convenience—it's an architectural change to the unit model that enhances throughput, integrates seamlessly with digital ordering, and expands accessibility in suburban markets. As this format becomes the standard, the comp and store-level margin trajectory for the business should step higher, making Chipotlanes the single most material growth lever in Chipotle's story over the next five years.

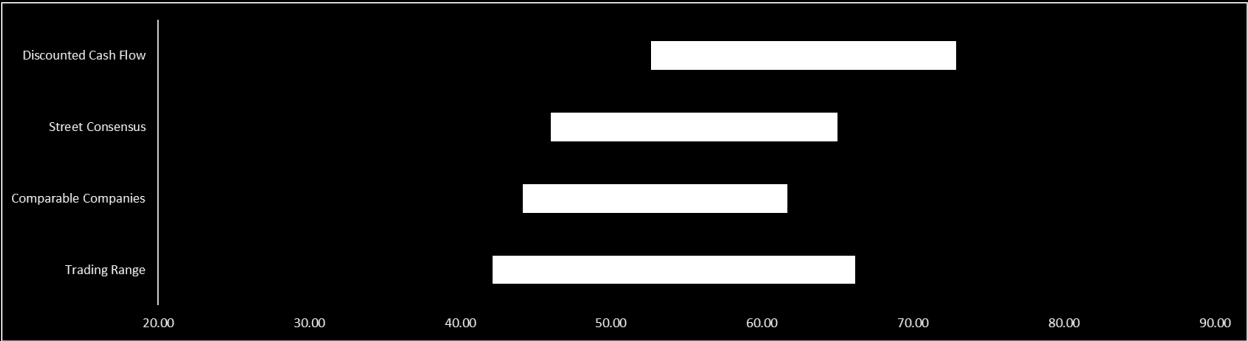
**ChipotleU:** Alongside this structural driver, Chipotle is layering targeted initiatives that deepen customer loyalty and unlock overlooked end-markets. *Chipotle U*, launched earlier this year, tailors perks to college students—an underappreciated segment given ~15% of Chipotle's stores are in college towns, where management has already flagged above-system performance. With faster point accrual (20% faster than traditional loyalty members) and additional promotional "food drops," we estimate a 20% uplift in these college stores translates into a 3% systemwide sales boost. While loyalty promotions can modestly compress margins, the long-term lifetime value of capturing young consumers at scale outweighs the near-term trade-off, reinforcing Chipotle's ability to compound traffic and engagement in a highly defensible way.

**Groupotle:** The firm is also innovating on the digital side through *Groupotle*, a mid-size catering option announced August 25. The market dismissed the news (-2% stock reaction), but it opens a new revenue pool between individual bowls and large catering orders. Groupotle enables social ordering occasions, expands menu flexibility (e.g., nachos), and directly addresses competitor dynamics: brands like Panda Express and Shake Shack have seen improved retention through group-oriented promotions such as family meals. Because Groupotle is digital-only, Chipotle can leverage it to offset loyalty promo spend under Chipotle U, driving higher ROI on marketing dollars. Taken together, Chipotle's initiatives are not isolated pilots—they are interlocking levers designed to scale top-line growth while reinforcing digital and loyalty ecosystems.

**Macro:** Finally, the macro backdrop tilts in Chipotle's favor. KeyBanc credit card data show consumers pulling back from sit-down casual dining in favor of fast food and fast casual, while simultaneously trading down to value channels like Dollar General, Dollar Tree, and Five Below. Chipotle's positioning—value-per-dollar perception, convenience through Chipotlanes, and digital integration—directly aligns with these spending shifts. With multiple incremental drivers (Chipotlanes, Chipotle U, Groupotle) hitting against a consumer environment that rewards value and convenience, we see meaningful upside risk to consensus SSS and EPS. In our view, Chipotle is set up not just as a relative outperformer but as an earnings beat candidate through the back half of 2025, making CMG a high-conviction long within the consumer discretionary space.

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		Historical			Forecast				
Line Items	Units	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Corporate Revenues	\$	8634.65	9871.65	11313.85	12129.46	13896.54	15831.23	17934.21	20195.62
% change	%								
Total Revenues	\$	8634.65	9871.65	11313.85	12129.46	13896.54	15831.23	17934.21	20195.62
Cost of Goods Sold	\$	6859.36	7604.95	8631.19	9192.76	10462.52	11839.97	13323.09	14902.09
% revenue	%								
Gross Profit	\$	1775.29	2266.70	2682.66	2936.70	3434.01	3991.26	4611.12	5293.54
gross margin(%)	%								
YoY bps change									
SG&A	\$	552.64	638.35	701.04	746.73	849.96	961.96	1082.57	1210.99
% revenue	%								
EBITDA	\$	1509.48	1947.74	2316.65	2549.15	2995.57	3498.10	4059.63	4680.58
D&A	\$	286.83	319.39	335.03	359.18	411.51	468.80	531.07	598.04
% revenue	%								
EBIT	\$	1222.65	1628.35	1981.62	2189.97	2584.06	3029.30	3528.56	4082.54
operating margin(%)	%								
Effective Tax Rate		23.90%	24.17%	23.68%	26.00%	26.00%	26.00%	26.00%	26.00%
NOPAT	\$				1620.58	1912.20	2241.68	2611.13	3021.08
Incremental Working Capital and Capex									
(-) Increase in NWC					134.89	154.54	176.05	199.44	224.59
(-) Capex					833.86	956.34	1088.34	1232.92	1388.38
FCF					1011.01	1213.83	1446.09	1709.85	2006.15
WACC									8.60%
Period					1	2	3	4	5
Discount					0.92	0.85	0.78	0.72	0.66
Present Value of Free Cash Flow					\$ 930.95	\$1,029.20	\$1,129.03	\$ 1,229.24	\$ 1,328.05

Exit Multiple	
Terminal Year EBITDA	4680.58
Exit Multiple	24.7
Terminal Value	115479.53
Present Value of TV	76446.195
Present Value of Cash Flows	5646.4756
Implied Enterprise Value	82092.671

Enterprise to Equity Value Bridge	
Implied Enterprise Value	82092.67
(+) Cash and Cash Equivalents	1546.49
(+) Investments in Unconsolidated Subs	26.68
(-) Total Debt	0
(-) Non-Controlling Interest	0
Equity Value	83665.8408
Fully Diluted Shares Outstanding	1348.56
Implied Share Price	\$ 62.04