

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 25, 2018

CHIPOTLE MEXICAN GRILL, INC.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other  
jurisdiction of  
incorporation)

1-32731  
(Commission File Number)

84-1219301  
(I.R.S. Employer  
Identification No.)

1401 Wynkoop Street, Suite 500  
Denver, CO 80202  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (303) 595-4000

Not Applicable  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 2.02 Results of Operations and Financial Condition.**

On April 25, 2018, we issued a press release announcing earnings and other financial results for our fiscal quarter ended March 31, 2018, and that management would review these results in a conference call at 4:30 pm Eastern time on April 25, 2018.

**Item 8.01 Other Events.**

On April 25, 2018, we announced our Board authorized repurchases of our common stock with a total aggregate purchase price of \$100 million, exclusive of commissions. This repurchase authorization is in addition to previously-announced repurchase authorizations totaling \$2.4 billion. The Board's authorization of the repurchase program may be modified, suspended, or discontinued at any time.

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**Item 9.01 Financial Statements and Exhibits.**

**Exhibit Index**

Exhibit 99.1 [Chipotle Mexican Grill, Inc. Press Release, dated April 25, 2018](#)

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Chipotle Mexican Grill, Inc.

*April 25, 2018*

*By: /s/ John R. Hartung*

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*Name: John R. Hartung*

*Title: Chief Financial Officer*

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## EARNINGS RELEASE

Contact: Coralie Witter  
 (303) 605-1087  
 cwitter@chipotle.com

# CHIPOTLE FIRST QUARTER EARNINGS PER SHARE INCREASES 33% TO \$2.13 ON REVENUE INCREASE OF 7.4%

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Denver, Colorado – (PR Newswire) – April 25, 2018– Chipotle Mexican Grill, Inc. (NYSE: CMG) today reported financial results for its first quarter ended March 31, 2018.

### Overview for the three months ended March 31, 2018 as compared to the three months ended March 31, 2017:

- Revenue increased 7.4% to \$1.1 billion
- Comparable restaurant sales increased 2.2% (net of 50 basis points related to Chiptopia revenue deferral from 2017)
- Restaurant level operating margin increased to 19.5% from 17.7%
- Net income was \$59.4 million, an increase from \$46.1 million
- Diluted earnings per share was \$2.13, a 33.1% increase from \$1.60
- Opened 35 new restaurants and closed 2 restaurants

"Chipotle is a purpose driven brand with loyal customers, passionate employees, industry-leading economic potential, along with incredible brand equity, and craveable food with integrity, all built over the last 25 years," said Brian Niccol, chief executive officer. "While the company made notable progress during the quarter, I firmly believe we can accelerate that progress in the future. We are in the process of forming a path to greater performance in sales, transactions, margins and new restaurants. This path to performance will be grounded in a strategy of executing the fundamentals while introducing consumer-meaningful innovation across the business. It will also require a structure and organization built for creativity, action and accountability. Finally, Chipotle will have a culture that is centered on running great restaurants, putting the customer first, innovating for today and tomorrow, supporting each other, and delivering on commitments. The future will be meaningful at Chipotle."

### Results for the three months ended March 31, 2018

Revenue for the quarter was \$1.1 billion, up 7.4% from the first quarter of 2017. The increase in revenue was driven by new restaurant openings and to a lesser extent from an increase in comparable restaurant sales. Comparable restaurant sales increases were attributable to an increase in average check, including a 4.9% benefit from menu price increases that have been taken in almost all our restaurants over the past twelve months, partially offset by fewer transactions in our restaurants. We opened 35 new restaurants during the quarter, and closed two restaurants, bringing the total restaurant count to 2,441.

Food costs were 32.4% of revenue, a decrease of 140 basis points as compared to the first quarter of 2017. The benefit from menu price increases and decreased paper cost and usage were partially offset by higher costs associated with preservative-free tortillas.

Restaurant level operating margin was 19.5% in the first quarter of 2018, a 180 basis point improvement from 17.7% in the first quarter of 2017. The improvement was driven by lower marketing and promotional expense, and comparable restaurant sales increases, partially offset by wage inflation at the crew and manager level.

General and administrative expenses were 6.7% of revenue for the first quarter of 2018, an increase of 20 basis points over the first quarter of 2017 primarily due to increased headcount and higher bonus expenses. These increases were partially offset by lower stock-based compensation expense as a result of forfeitures of stock during the quarter and making our annual stock grant later in the quarter than we did in the first quarter of 2017.

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Our effective tax rate was 36.9% for the first quarter of 2018, which includes 810 basis points related to discrete items in the first quarter, including 700 basis points for the write-off of deferred tax assets related to prior years' equity grants, which either expired without vesting, or vested at a lower value.

Net income for the first quarter of 2018 was \$59.4 million, or \$2.13 per diluted share, compared to net income of \$46.1 million, or \$1.60 per diluted share in the first quarter of 2017.

Our Board of Directors has also approved the investment of up to an additional \$100 million, exclusive of commissions, to repurchase shares of our common stock. This repurchase authorization, in addition to up to approximately \$50.2 million available as of March 31, 2018 for repurchases under a previously announced repurchase authorization, may be modified, suspended, or discontinued at any time.

## **Outlook**

For the full year 2018, management expects:

- Comparable restaurant sales increases in the low-single digits
- 130 to 150 new restaurant openings
- An estimated effective full year tax rate of approximately 32.5% - 33.5%, with quarterly tax rates of around 29% in the second and third quarters and up to as high as 38.5% in the fourth quarter as a result of an additional anticipated write-off of deferred tax assets associated with stock-based compensation awards.

## **Definitions**

The following definitions apply to these terms as used throughout this release:

**Comparable restaurant sales, or sales comps**, represent the change in period-over-period sales for restaurants in operation for at least 13 full calendar months.

**Restaurant level operating margin** represents total revenue less restaurant operating costs, expressed as a percent of total revenue.

## **Conference Call**

Chipotle will host a conference call to discuss its first quarter 2018 financial results on Wednesday, April 25, 2018, at 4:30 PM Eastern time.

The conference call can be accessed live over the phone by dialing 1-877-451-6152 or for international callers by dialing 1-201-389-0879. The call will be webcast live from the company's website at [chipotle.com](http://chipotle.com) under the investor relations section. An archived webcast will be available approximately one hour after the end of the call.

## **About Chipotle**

Steve Eells, founder and executive chairman, started Chipotle with the idea that food served fast did not have to be a typical fast food experience. Today, Chipotle continues to offer a focused menu of burritos, tacos, burrito bowls, and salads made from fresh, high-quality ingredients, prepared using classic cooking methods and served in an interactive style allowing people to get exactly what they want. Chipotle seeks out extraordinary ingredients that are not only fresh, but that are raised responsibly, with respect for the animals, the land, and the people who produce them. Chipotle prepares its food using real, wholesome ingredients and without the use of added colors, flavors or other additives typically found in fast food. Chipotle opened with a single restaurant in Denver in 1993 and as of March 31, 2018, operated more than 2,400 restaurants. For more information, visit [Chipotle.com](http://Chipotle.com).

## **Forward-Looking Statements**

*Certain statements in this press release, including statements of our ability to improve financial performance as well as statements under the heading "Outlook" of our expected comparable restaurant sales, number of new restaurant openings, and effective tax rate for 2018, are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. We use words such as "anticipate", "believe", "could", "should", "estimate", "expect", "intend", "may", "predict", "project", "target", and similar terms and phrases, including references to assumptions, to identify forward-looking statements. The forward-looking*

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*statements in this press release are based on information available to us as of the date any such statements are made and we assume no obligation to update these forward-looking statements. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those described in the statements. These risks and uncertainties include, but are not limited to, the following: the uncertainty of our ability to achieve expected levels of comparable restaurant sales due to factors such as changes in consumers' perceptions of our brand, including as a result of actual or rumored food-borne illness incidents or other negative publicity, the impact of competition, including from sources outside the restaurant industry, decreased overall consumer spending, or our possible inability to increase menu prices or realize the benefits of menu price increases; the risk of food-borne illnesses and other health concerns about our food or dining out generally; factors that could affect our ability to achieve and manage our planned expansion, such as the availability of a sufficient number of suitable new restaurant sites and the availability of qualified employees; the performance of new restaurants and their impact on existing restaurant sales; the potential for increased labor costs or difficulty training and retaining qualified employees, including as a result of market pressures, enhanced food safety procedures in our restaurants, or new regulatory requirements; increases in the cost of food ingredients and other key supplies or higher food costs due to changes in supply chain protocols; risks related to our marketing and advertising strategies, which may not be successful and may expose us to liabilities; supply chain risks; risks relating to our expansion into new markets, including outside the U.S., or non-traditional restaurant sites; the impact of federal, state or local government regulations relating to our employees, our restaurant design, or the sale of food or alcoholic beverages; risks associated with our Food With Integrity philosophy, including supply shortages and potential liabilities from advertising claims and other marketing activities related to Food With Integrity; security risks associated with the acceptance of electronic payment cards or electronic storage and processing of confidential customer or employee information; risks relating to litigation, including possible governmental actions related to food-borne illness incidents, as well as class action litigation regarding employment laws, advertising claims or other matters; risks relating to our insurance coverage and self-insurance; risks regarding our ability to protect our brand and reputation; risks associated with our reliance on certain information technology systems; risks related to our ability to effectively manage our growth; risks associated with our recent leadership changes and our dependence on key personnel; and other risk factors described from time to time in our SEC reports, including our most recent annual report on Form 10-K and subsequent quarterly reports on Form 10-Q, all of which are available on the investor relations page of our website at [ir.Chipotle.com](http://ir.Chipotle.com).*

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**Chipotle Mexican Grill, Inc.**  
**Condensed Consolidated Statement of Income**  
**(unaudited)**  
**(in thousands, except per share data)**

|   | <b>Three months ended March 31,</b> |              |                  |              |
|---|-------------------------------------|--------------|------------------|--------------|
|   | <b>2018</b>                         |              | <b>2017</b>      |              |
| Revenue   | \$ 1,148,397                        | 100.0 %      | \$ 1,068,829     | 100.0 %      |
| Restaurant operating costs (exclusive of depreciation and amortization shown separately below): |                                     |              |                  |              |
| Food, beverage and packaging  | 371,915                             | 32.4         | 361,795          | 33.8         |
| Labor   | 318,863                             | 27.8         | 287,851          | 26.9         |
| Occupancy   | 85,256                              | 7.4          | 78,962           | 7.4          |
| Other operating costs   | 148,069                             | 12.9         | 150,609          | 14.1         |
| General and administrative expenses   | 77,063                              | 6.7          | 69,441           | 6.5          |
| Depreciation and amortization   | 46,915                              | 4.1          | 39,279           | 3.7          |
| Pre-opening costs   | 2,649                               | 0.2          | 4,069            | 0.4          |
| Loss on disposal and impairment of assets   | 4,859                               | 0.4          | 3,650            | 0.3          |
| Total operating expenses  | <u>1,055,589</u>                    | <u>91.9</u>  | <u>995,656</u>   | <u>93.2</u>  |
| Income from operations  | 92,808                              | 8.1          | 73,173           | 6.8          |
| Interest and other income, net  | 1,394                               | 0.1          | 1,188            | 0.1          |
| Income before income taxes  | 94,202                              | 8.2          | 74,361           | 7.0          |
| Provision for income taxes  | <u>(34,756)</u>                     | <u>(3.0)</u> | <u>(28,241)</u>  | <u>(2.6)</u> |
| Net income  | <u>\$ 59,446</u>                    | <u>5.2 %</u> | <u>\$ 46,120</u> | <u>4.3 %</u> |
| Earnings per share:   |                                     |              |                  |              |
| Basic   | <u>\$ 2.13</u>                      |              | <u>\$ 1.60</u>   |              |
| Diluted   | <u>\$ 2.13</u>                      |              | <u>\$ 1.60</u>   |              |
| Weighted-average common shares outstanding:   |                                     |              |                  |              |
| Basic   | <u>27,911</u>                       |              | <u>28,750</u>    |              |
| Diluted   | <u>27,950</u>                       |              | <u>28,850</u>    |              |

**Chipotle Mexican Grill, Inc.**  
**Condensed Consolidated Balance Sheet**  
(in thousands, except per share data)

|  | <b>March 31,</b>    | <b>December 31,</b> |
|--|---------------------|---------------------|
|  | <b>2018</b>         | <b>2017</b>         |
|  | <b>(unaudited)</b>  |                     |
| <b>Assets</b>  |                     |                     |
| Current assets:  |                     |                     |
| Cash and cash equivalents  | \$ 231,838          | \$ 184,569          |
| Accounts receivable, net   | 26,691              | 40,453              |
| Inventory  | 17,404              | 19,860              |
| Prepaid expenses and other current assets  | 55,742              | 50,918              |
| Income tax receivable  | -                   | 9,353               |
| Investments  | 298,764             | 324,382             |
| <b>Total current assets</b>  | <b>630,439</b>      | <b>629,535</b>      |
| Leasehold improvements, property and equipment, net  | 1,343,717           | 1,338,366           |
| Long term investments  | 49,375              | -                   |
| Other assets   | 51,974              | 55,852              |
| Goodwill   | 21,939              | 21,939              |
| <b>Total assets</b>  | <b>\$ 2,097,444</b> | <b>\$ 2,045,692</b> |
| <b>Liabilities and shareholders' equity</b>  |                     |                     |
| Current liabilities:   |                     |                     |
| Accounts payable   | \$ 99,001           | \$ 82,028           |
| Accrued payroll and benefits   | 110,268             | 82,541              |
| Accrued liabilities  | 149,409             | 159,324             |
| Income tax payable   | 8,642               | -                   |
| <b>Total current liabilities</b>   | <b>367,320</b>      | <b>323,893</b>      |
| Deferred rent  | 321,900             | 316,498             |
| Deferred income tax liability  | 6,549               | 814                 |
| Other liabilities  | 37,630              | 40,042              |
| <b>Total liabilities</b>   | <b>733,399</b>      | <b>681,247</b>      |
| Shareholders' equity:  |                     |                     |
| Preferred stock, \$0.01 par value, 600,000 shares authorized, no shares issued as of March 31, 2018 and December 31, 2017, respectively            | -                   | -                   |
| Common stock \$0.01 par value, 230,000 shares authorized, 35,883 and 35,852 shares issued as of March 31, 2018 and December 31, 2017, respectively | 359                 | 359                 |
| Additional paid-in capital   | 1,317,238           | 1,305,090           |
| Treasury stock, at cost, 8,057 and 7,826 common shares at March 31, 2018 and December 31, 2017, respectively                                       | (2,406,434)         | (2,334,409)         |
| Accumulated other comprehensive income (loss)  | (3,628)             | (3,659)             |
| Retained earnings  | 2,456,510           | 2,397,064           |
| <b>Total shareholders' equity</b>  | <b>1,364,045</b>    | <b>1,364,445</b>    |
| <b>Total liabilities and shareholders' equity</b>  | <b>\$ 2,097,444</b> | <b>\$ 2,045,692</b> |

**Chipotle Mexican Grill, Inc.**  
**Condensed Consolidated Statement of Cash Flows**  
**(unaudited)**  
**(in thousands)**

|   | <b>Three months ended March 31,</b> |                                    |
|---|-------------------------------------|------------------------------------|
|   | <b>2018</b>                         | <b>2017</b>                        |
|   |                                     | <b>(as adjusted)<sup>(1)</sup></b> |
| <b>Operating activities</b>   |                                     |                                    |
| Net income  | \$ 59,446                           | \$ 46,120                          |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                     |                                    |
| Depreciation and amortization   | 46,915                              | 39,279                             |
| Deferred income tax (benefit) provision   | 5,683                               | (3,107)                            |
| Loss on disposal and impairment of assets   | 4,859                               | 3,650                              |
| Bad debt allowance  | -                                   | 180                                |
| Stock-based compensation expense  | 12,097                              | 16,456                             |
| Other   | (320)                               | (8)                                |
| Changes in operating assets and liabilities:                                      |                                     |                                    |
| Accounts receivable   | 13,767                              | 18,693                             |
| Inventory   | 2,451                               | (3,737)                            |
| Prepaid expenses and other current assets   | (4,793)                             | (2,928)                            |
| Other assets  | 3,855                               | (401)                              |
| Accounts payable  | 17,242                              | 708                                |
| Accrued liabilities   | 18,831                              | (3,693)                            |
| Income tax payable/receivable   | 18,012                              | 29,751                             |
| Deferred rent   | 5,420                               | 8,882                              |
| Other long-term liabilities   | (2,349)                             | 745                                |
| Net cash provided by operating activities   | <u>201,116</u>                      | <u>150,590</u>                     |
| <b>Investing activities</b>   |                                     |                                    |
| Purchases of leasehold improvements, property and equipment                       | (57,524)                            | (57,088)                           |
| Purchases of investments  | (168,749)                           | -                                  |
| Maturities of investments   | 145,000                             | -                                  |
| Net cash used in investing activities   | <u>(81,273)</u>                     | <u>(57,088)</u>                    |
| <b>Financing activities</b>   |                                     |                                    |
| Acquisition of treasury stock   | (72,626)                            | (59,137)                           |
| Stock plan transactions and other financing activities                            | (22)                                | 6                                  |
| Net cash used in financing activities   | <u>(72,648)</u>                     | <u>(59,131)</u>                    |
| Effect of exchange rate changes on cash and cash equivalents and restricted cash  | (24)                                | 173                                |
| Net change in cash, cash equivalents, and restricted cash                         | 47,171                              | 34,544                             |
| Cash, cash equivalents, and restricted cash at beginning of period                | 214,170                             | 116,370                            |
| Cash, cash equivalents, and restricted cash at end of period                      | <u>\$ 261,341</u>                   | <u>\$ 150,914</u>                  |

(1) Balances were adjusted due to the adoption of Financial Accounting Standards Board Accounting Standards Update No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" as discussed in further detail in Item 1. "Financial Statements," in our Form 10-Q.

**Chipotle Mexican Grill, Inc.**  
**Supplemental Financial and Other Data**  
(dollars in thousands)

|  | For the three months ended |                  |                 |                  |                  |
|--|----------------------------|------------------|-----------------|------------------|------------------|
|  | Mar. 31,<br>2018           | Dec. 31,<br>2017 | Sep. 30<br>2017 | Jun. 30,<br>2017 | Mar. 31,<br>2017 |
| Number of restaurants opened           | 35                         | 38               | 38              | 50               | 57               |
| Restaurant relocations/closures        | (2)                        | (4)              | (3)             | (2)              | (16)             |
| Number of restaurants at end of period | 2,441                      | 2,408            | 2,374           | 2,339            | 2,291            |
| Average restaurant sales               | \$ 1,941                   | \$ 1,940         | \$ 1,948        | \$ 1,957         | \$ 1,931         |
| Comparable restaurant sales increase   | 2.2%                       | 0.9%             | 1.0%            | 8.1%             | 17.8%            |

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