

CHIPOTLE MEXICAN GRILL INC

Form 10-Q

April 25, 2019

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-32731

CHIPOTLE MEXICAN GRILL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

84-1219301
(IRS Employer
Identification No.)

Edgar Filing: CHIPOTLE MEXICAN GRILL INC - Form 10-Q

610 Newport Center Drive, Suite 1300 Newport Beach, CA 92660
(Address of Principal Executive Offices) (Zip Code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | |
|-------------------------|---------------------------|
| Large accelerated filer | Accelerated filer |
| Non-accelerated filer | Smaller reporting company |
| | 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 accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 22, 2019, there were 27,713,556 shares of the registrant's common stock, par value of \$0.01 per share outstanding.

Table of Contents

TABLE OF CONTENTS

| | | |
|----------|--|----|
| PART I | | |
| Item 1. | <u>Financial Statements</u> | 1 |
| Item 2. | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 14 |
| Item 3. | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 18 |
| Item 4. | <u>Controls and Procedures</u> | 19 |
| PART II | | |
| Item 1. | <u>Legal Proceedings</u> | 19 |
| Item 1A. | <u>Risk Factors</u> | 19 |
| Item 2. | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 20 |
| Item 3. | <u>Defaults Upon Senior Securities</u> | 20 |
| Item 4. | <u>Mine Safety Disclosures</u> | 20 |
| Item 5. | <u>Other Information</u> | 20 |
| Item 6. | <u>Exhibits</u> | 21 |
| | <u>Signatures</u> | 22 |

Table of Contents

PART I

ITEM 1. FINANCIAL STATEMENTS

Chipotle Mexican Grill, Inc.

Condensed Consolidated Balance Sheet

(in thousands, except per share data)

| | March 31, 2019 (unaudited) | December 31, 2018 |
|---|----------------------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 277,661 | \$ 249,953 |
| Accounts receivable, net of allowance for doubtful accounts of \$203 and \$0 as of March 31, 2019 and December 31, 2018, respectively | 49,725 | 62,312 |
| Inventory | 18,780 | 21,555 |
| Prepaid expenses and other current assets | 34,217 | 54,129 |
| Investments | 457,363 | 426,845 |
| Total current assets | 837,746 | 814,794 |
| Leasehold improvements, property and equipment, net | 1,366,684 | 1,379,254 |
| Restricted cash | 28,382 | 30,199 |
| Operating lease assets | 2,349,993 | - |
| Other assets | 20,738 | 19,332 |
| Goodwill | 21,939 | 21,939 |
| Total assets | \$ 4,625,482 | \$ 2,265,518 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 106,214 | \$ 113,071 |
| Accrued payroll and benefits | 119,689 | 113,467 |
| Accrued liabilities | 119,813 | 147,849 |
| Unearned revenue | 57,088 | 70,474 |
| Current operating lease liabilities | 157,665 | - |
| Income tax payable | 21,198 | 5,129 |
| Total current liabilities | 581,667 | 449,990 |
| Commitments and contingencies (Note 11) | | |
| Deferred rent | - | 330,985 |
| Long-term operating lease liabilities | 2,513,901 | - |
| Deferred income tax liabilities | 12,528 | 11,566 |
| Other liabilities | 33,587 | 31,638 |
| Total liabilities | 3,141,683 | 824,179 |
| Shareholders' equity: | | |
| Preferred stock, \$0.01 par value, 600,000 shares authorized, no shares issued as of March 31, 2019 and December 31, 2018, respectively | - | - |
| | 361 | 360 |

Edgar Filing: CHIPOTLE MEXICAN GRILL INC - Form 10-Q

| | | |
|---|--------------|--------------|
| Common stock, \$0.01 par value, 230,000 shares authorized, 36,108 and 35,973 shares issued as of March 31, 2019 and December 31, 2018, respectively | | |
| Additional paid-in capital | 1,393,284 | 1,374,154 |
| Treasury stock, at cost, 8,386 and 8,276 common shares at March 31, 2019 and December 31, 2018, respectively | (2,563,410) | (2,500,556) |
| Accumulated other comprehensive loss | (5,858) | (6,236) |
| Retained earnings | 2,659,422 | 2,573,617 |
| Total shareholders' equity | 1,483,799 | 1,441,339 |
| Total liabilities and shareholders' equity | \$ 4,625,482 | \$ 2,265,518 |

See accompanying notes to condensed consolidated financial statements.

1

Table of Contents

Chipotle Mexican Grill, Inc.

Condensed Consolidated Statement of Income

(unaudited)

(in thousands, except per share data)

| | Three months ended | |
|---|--------------------|--------------|
| | March 31, | |
| | 2019 | 2018 |
| Revenue | \$ 1,308,217 | \$ 1,148,397 |
| Restaurant operating costs (exclusive of depreciation and amortization shown separately below): | | |
| Food, beverage and packaging | 421,367 | 371,915 |
| Labor | 348,842 | 318,863 |
| Occupancy | | |