

CHIPOTLE MEXICAN GRILL INC

Form 10-Q

October 22, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2010

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)

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Delaware
(State or other jurisdiction of
incorporation or organization)

84-1219301
(IRS Employer
Identification No.)

1401 Wynkoop St., Suite 500 Denver, CO
(Address of Principal Executive Offices)

80202
(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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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 October 19, 2010 there were 30,945,412 shares of the registrant's common stock, par value of \$0.01 per share outstanding.

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Table of Contents**PART I****ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**
Chipotle Mexican Grill, Inc.**Consolidated Balance Sheet****(in thousands, except per share data)**

	September 30, 2010 (unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 210,996	\$ 219,566
Accounts receivable, net of allowance for doubtful accounts of \$99 and \$339 as of September 30, 2010 and December 31, 2009, respectively	4,446	4,763
Inventory	7,175	5,614
Income tax receivable	10,091	
Current deferred tax asset	3,758	3,134
Prepaid expenses	18,933	14,377
Available-for-sale securities	90,000	50,000
Total current assets	345,399	297,454
Leasehold improvements, property and equipment, net	658,423	636,411
Other assets	6,610	5,701
Goodwill	21,939	21,939
Total assets	\$ 1,032,371	\$ 961,505
Liabilities and shareholders equity		
Current liabilities:		
Accounts payable	\$ 35,641	\$ 25,230
Accrued payroll and benefits	39,085	41,404
Accrued liabilities	28,590	31,216
Current portion of deemed landlord financing	117	96
Income tax payable		4,207
Total current liabilities	103,433	102,153
Deferred rent	118,394	106,395
Deemed landlord financing	3,693	3,782
Deferred income tax liability	36,448	38,863
Other liabilities	9,374	6,851
Total liabilities	271,342	258,044
Shareholders equity:		

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Preferred stock, \$0.01 par value, 600,000 shares authorized, no shares issued as of September 30, 2010 and December 31, 2009		
Common stock, \$0.01 par value, 230,000 shares authorized, and 33,749 and 33,473 shares issued as of September 30, 2010 and December 31, 2009, respectively	338	335
Additional paid-in capital	575,554	539,880
Treasury stock, at cost, 2,810 and 1,990 common shares at September 30, 2010 and December 31, 2009, respectively	(225,796)	(114,316)
Accumulated other comprehensive income	864	29
Retained earnings	410,069	277,533
Total shareholders equity	761,029	703,461
Total liabilities and shareholders equity	\$ 1,032,371	\$ 961,505

See accompanying notes to consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Revenue	\$ 476,874	\$ 387,581	\$ 1,353,401	\$ 1,130,873
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):				
Food, beverage and packaging	145,688	119,473	411,518	349,564
Labor	115,234	96,419	334,041	285,375
Occupancy	32,096	28,677	94,956	83,801
Other operating costs	51,977	44,118	148,623	128,626
General and administrative expenses	33,522	24,555	89,857	74,071
Depreciation and amortization	17,319	15,451	51,106	45,368
Pre-opening costs	1,943	2,535	5,169	5,996
Loss on disposal of assets	1,511	1,544	4,292	4,752
Total operating expenses	399,290	332,772	1,139,562	977,553
Income from operations	77,584	54,809	213,839	153,320
Interest and other income	395	132	1,097	623
Interest and other expense	(14)	(74)	(178)	(333)
Income before income taxes	77,965	54,867	214,758	153,610
Provision for income taxes	(29,737)	(20,403)	(82,222)	(58,361)
Net income	\$ 48,228	\$ 34,464	\$ 132,536	\$ 95,249
Earnings per share:				
Basic	\$ 1.55	\$ 1.09	\$ 4.24	\$ 2.99
Diluted	\$ 1.52	\$ 1.08	\$ 4.18	\$ 2.96
Weighted average common shares outstanding:				
Basic	31,031	31,625	31,278	31,827
Diluted	31,629	31,949	31,731	32,168

See accompanying notes to consolidated financial statements.

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

	Nine months ended September 30,	
	2010	2009
Operating activities		
Net income	\$ 132,536	\$ 95,249
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	51,106	45,368
Deferred income tax (benefit) provision	(3,039)	10,381
Loss on disposal of assets	4,292	4,752
Bad debt allowance	(228)	(245)
Stock-based compensation	17,846	11,479
Other		172
Changes in operating assets and liabilities:		
Accounts receivable	545	755
Inventory	(1,560)	(1,069)
Prepaid expenses	(4,553)	(1,594)
Other assets	(903)	(637)
Accounts payable	4,883	3,230
Accrued liabilities	(4,948)	1,676
Income tax receivable/payable	(14,298)	(4,691)
Deferred rent	11,994	12,497
Other long-term liabilities	2,523	1,770
Net cash provided by operating activities	196,196	179,093
Investing activities		
Purchases of leasehold improvements, property and equipment, net	(71,179)	(80,282)
Purchases of available-for-sale securities	(90,000)	
Maturity of available-for-sale securities	50,000	99,990