

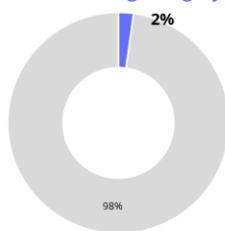
Placer's Tenant Insights for CRE Executives



Chipotle: *Evidence that Execution Can Help to Navigate Industry Headwinds*

Key Chipotle Metrics

Category Foot Traffic Share (Mar 2022)
Total Dining Category



Annual Foot Traffic Per Location Trend

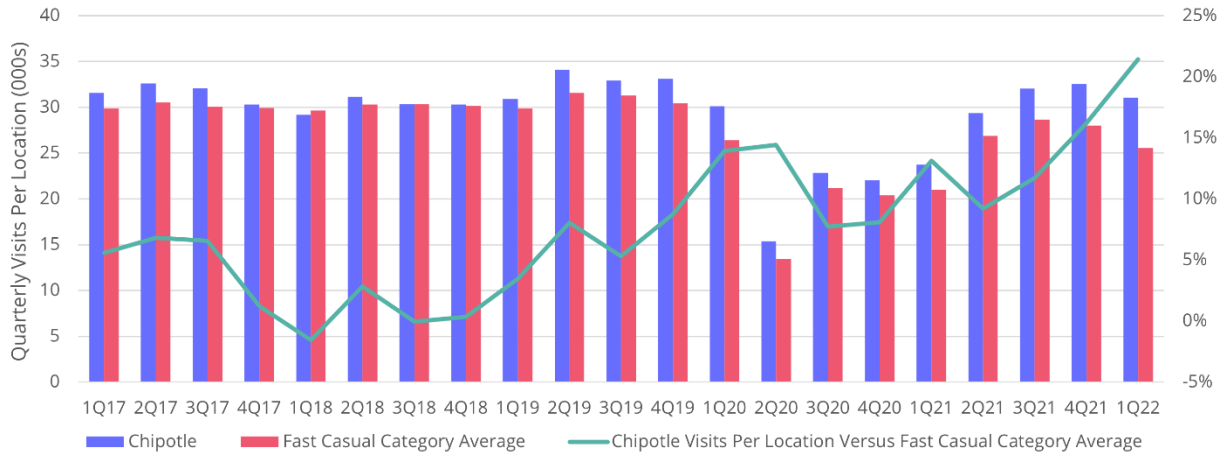


Long-Term Credit Risk

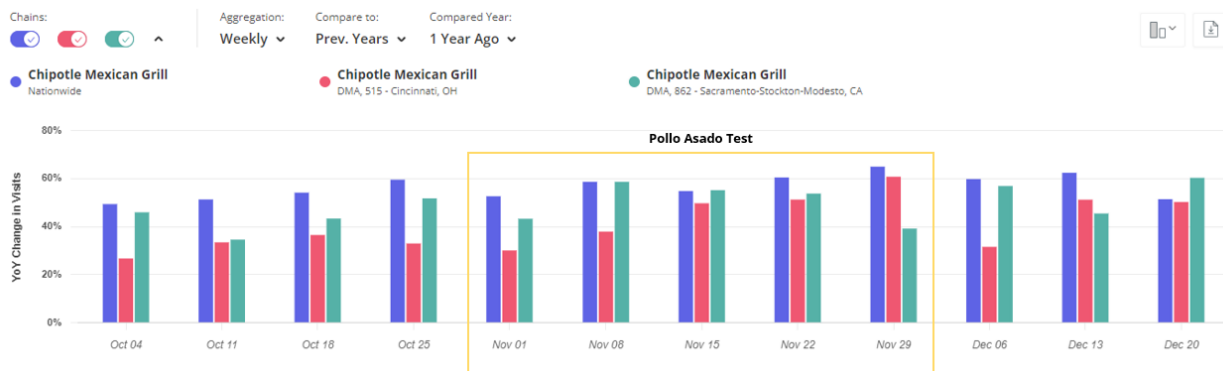
No Credit Ratings Available

Chipotle has not been immune to the many issues facing restaurant operators thus far in 2022, including labor staffing shortages, supply chain constraints, and food cost inflation. Nevertheless, Placer data offers evidence that **Chipotle has handled these issues better than many of its fast casual peers**. Chipotle's quarterly visits per location outperformed the fast casual category average by roughly 4% from 2017-2019 (below) but has been running 14% above the rest of the category the past five quarters (**including 21% outperformance in 1Q22**). Chipotle's success is the result of several factors, including improved television and direct marketing campaigns, digital ordering enhancements, and "Chipotlane" pick-up window format stores (where visitations continue to outpace the rest of the chain). We've previously discussed the [importance of smaller markets](#) to its future growth plans, but we also think it's worth calling out some of the other reasons why Chipotle is putting distance between itself and its competitors.

Chipotle Visits Per Location History Versus Fast Casual Category Average

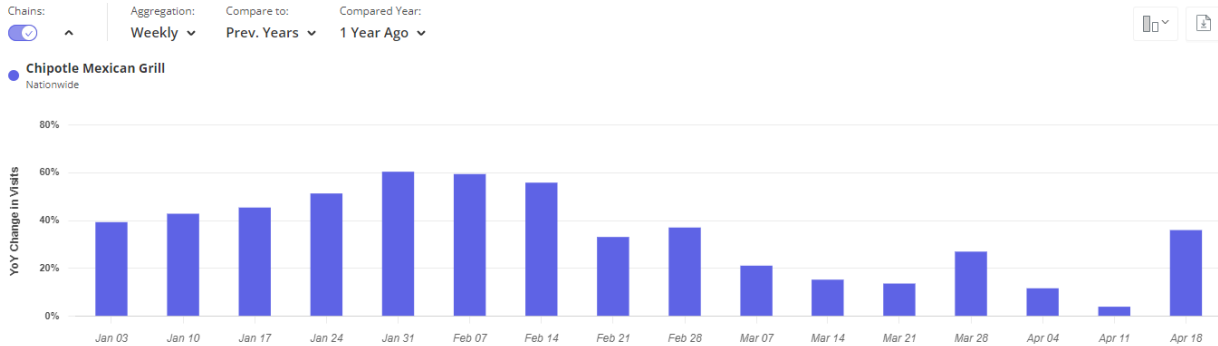


- Chipotle's approach to new product innovation has been an important driver of visitation trends.** Chipotle deploys an innovative "stage gate" process to "test, listen, learn, and iterate on guest feedback before deciding on a national launch strategy for new menu innovations". While most restaurant chains utilize some sort of test market pilot before launching products nationwide, Chipotle has had a high success rate with its approach the past several years, including the launch of carne asada in September 2019 and smoked brisket in September 2021. In March, Chipotle launched pollo asado nationwide following a successful test in the Sacramento and Cincinnati markets last November. While there is some COVID-related noise in the numbers, Chipotle saw improved visitation trends in both test markets after launching in November (below).



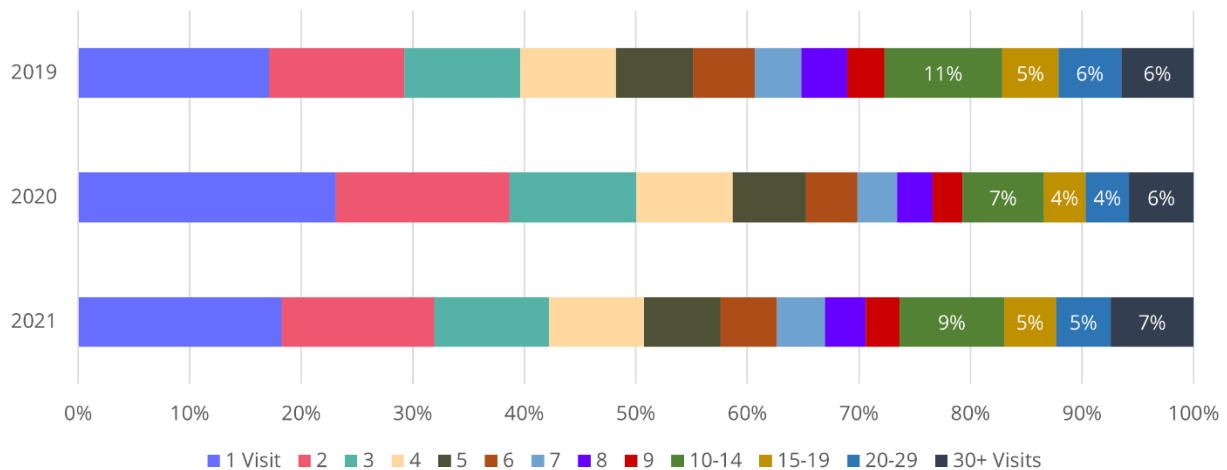
- Pollo Asado driving improved strong comp trends.** Based on the success of its test markets for Pollo Asado, it shouldn't come as a surprise that the new product is also having a positive impact on recent visitation trends (below). According to management, comps in April so far have continued right around the same 9.0%

growth the company posted in 1Q22 (with management noting that Pollo Asado is its most popular new protein to date). Despite inflationary headwinds—management has noted "very little resistance" to its year-to-date price increases—Chipotle expects comps to accelerate as the quarter continues with 2Q22 comps expected to be in the 10%-12% range.



- Rewards program driving increased visitation frequency.** Most QSR and fast casual restaurant chains have unveiled some sort of loyalty program during COVID as a way to increase visitation frequency and improve one-to-one marketing capabilities. Chipotle Rewards program, which now has nearly 28 million members, has been effective in driving repeat visits. Similar to McDonald's, Chipotle's rewards program (in conjunction with new product innovations and restaurant layouts) appears to be having a positive impact on visitor frequency trends (below).

Chipotle Visitation Frequency Mix (2019-2021)



- **Chipotle format outperformance persists.** Although there is some week-to-week variance (potentially weather related), Chipotle's "Chipotle" format stores opened during 2019-2020 continue to outperform non-Chipotle locations (below). This is a positive for the chain, as digital order pick-up represents its highest margin transaction. Looking forward, management plans to accelerate new-unit growth in the range of 8%-10% per year (implying 250-300 locations per year) with more than 80% of new restaurants featuring a Chipotle.

