



Chipotle Bulls See Leadership Position Expanding

Ticker/Price: CMG (\$870)

Analysis:

Chipotle (CMG) with 485 September \$1060 calls bought to open this afternoon \$25 to \$26.90 and also with 250 June \$875 calls trading to open, a name with little notable open interest, the September \$875/\$850 bull put spreads in OI from a 3/11 trade and seen some OTM January 2021 call buys, volumes tend to be low and come with very steeply priced contracts. CMG shares have been flagging tightly the last few weeks in a very narrow range with an explosive look, and recovering sharply from March weakness back near record highs. The \$24.5B restaurant trades 47.55X Earnings, 4.3X Sales and 65.55X FCF and one of the stronger growth names in the industry where we are likely to see a lot of closures among peers. CMG growth estimates have come down for 2020 seen as a flat year while 2021 seen at 16.8% growth Y/Y. CMG is more resilient to many peers with its takeout/delivery model and its investments in digital the last few years left it better strategically positioned and could lead to further share gains. CMG has around 100 restaurants closed that are mainly inside malls and shopping centers as well as 17 Europe locations. Q1 digital sales grew 81% year-over-year to \$372 million, a record level, and reached 26.3% of total sales. CMG announced a successful national delivery partnership with Uber Eats that is helping drive new customers and greater frequency. CMG was running at +14% comps through February. Since the beginning of April, in-store ordering is down around 75%, while delivery is up about 150%, and order ahead is up nearly 120%, highlighting the importance of its digital platform. BMO raised to Perform with a \$780 target on 4/23 seeing the brand emerging strongly in a reopen scenario. Cowen on 4/22 raised its target to \$950 saying the story is firmly on track and remains a top pick. SunTrust raised its target to \$946 citing strong comps, a healthy balance sheet, and potential to find dislocations in the real estate market. RW Baird raised its target to \$950 noting Q2 comps running ahead of estimates and confident in the underlying story. Piper called it the highest conviction long in the industry and CSFB moved its target to \$940 as the best growth story along with strong EPS growth and margin expansion opportunities. Hedge Fund ownership declined 5.15% in Q4 filings.

Hawk Vision:



Hawk's Perspective: CMG alert is set for a range breakout and see this heading above \$1000, best story in Restaurants.

Confidence Ranking: \$\$