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FORM 10-Q

CHIPOTLE MEXICAN GRILL INC - CMG

Filed: April 25, 2019 (period: March 31, 2019)

Quarterly report with a continuing view of a company's financial position

**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.)**

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

92660
(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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

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PART I

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2019	December 31, 2018
	(unaudited)	
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	-	-
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	361	360
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.

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	88,770	85,256
Other operating costs	174,743	148,069
General and administrative expenses	102,671	77,063
Depreciation and amortization	53,781	46,915
Pre-opening costs	940	2,649
Impairment, closure costs, and asset disposals	6,942	4,859
Total operating expenses	<u>1,198,056</u>	<u>1,055,589</u>
Income from operations	110,161	92,808
Interest and other income, net	3,129	1,394
Income before income taxes	113,290	94,202
Provision for income taxes	(25,158)	(34,756)
Net income	<u>\$ 88,132</u>	<u>\$ 59,446</u>
Earnings per share:		
Basic	\$ 3.18	\$ 2.13
Diluted	<u>\$ 3.13</u>	<u>\$ 2.13</u>
Weighted-average common shares outstanding:		
Basic	27,696	27,911
Diluted	<u>28,118</u>	<u>27,950</u>

Condensed Consolidated Statement of Comprehensive Income
(unaudited)
(in thousands)

	Three months ended	
	March 31,	
	2019	2018
Net income	\$ 88,132	\$ 59,446
Other comprehensive income (loss), net of income taxes:		
Foreign currency translation adjustments	278	132
Unrealized gain (loss) on available-for-sale securities, net of tax	100	(101)
Other comprehensive income, net of income taxes	378	31
Comprehensive income	<u>\$ 88,510</u>	<u>\$ 59,477</u>

See accompanying notes to condensed consolidated financial statements.

Chipotle Mexican Grill, Inc.
Condensed Consolidated Statement of Shareholders' Equity
(unaudited)
(in thousands)

	Common Stock			Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)		Total
	Shares	Amount	Additional Paid-In Capital	Shares	Amount		Available-for-Sale Securities	Foreign Currency Translation	
Balance, December 31, 2017	35,852	\$ 359	\$ 1,305,090	7,826	\$ (2,334,409)	\$ 2,397,064	\$ (306)	\$ (3,353)	\$ 1,364,445
Stock-based compensation	-	-	12,376	-	-	-	-	-	12,376
Stock plan transactions and other	31	-	(228)	-	-	-	-	-	(228)
Acquisition of treasury stock	-	-	-	231	(72,025)	-	-	-	(72,025)
Net income	-	-	-	-	-	59,446	-	-	59,446
Other comprehensive income (loss), net of income tax	-	-	-	-	-	-	(101)	132	31
Balance, March 31, 2018	35,883	\$ 359	\$ 1,317,238	8,057	\$ (2,406,434)	\$ 2,456,510	\$ (407)	\$ (3,221)	\$ 1,364,045
Balance, December 31, 2018	35,973	\$ 360	\$ 1,374,154	8,276	\$ (2,500,556)	\$ 2,573,617	\$ (147)	\$ (6,089)	\$ 1,441,339
Adoption of ASU No. 2016-02, <i>Leases (Topic 842)</i>	-	-	-	-	-	(2,327)	-	-	(2,327)
Stock-based compensation	-	-	19,342	-	-	-	-	-	19,342
Stock plan transactions and other	135	1	(212)	-	-	-	-	-	(211)
Acquisition of treasury stock	-	-	-	110	(62,854)	-	-	-	(62,854)
Net income	-	-	-	-	-	88,132	-	-	88,132
Other comprehensive income, net of income tax	-	-	-	-	-	-	100	278	378
Balance, March 31, 2019	36,108	\$ 361	\$ 1,393,284	8,386	\$ (2,563,410)	\$ 2,659,422	\$ (47)	\$ (5,811)	\$ 1,483,799

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended	
	March 31,	
	2019	2018
Operating activities		
Net income	\$ 88,132	\$ 59,446
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	53,781	46,915
Amortization of operating lease assets	38,105	-
Deferred income tax provision	1,772	5,683
Impairment, closure costs, and asset disposals	4,085	4,859
Bad debt allowance	206	-
Stock-based compensation expense	19,154	12,097
Other	(1,269)	(320)
Changes in operating assets and liabilities:		
Accounts receivable	15,946	13,767
Inventory	2,781	2,451
Prepaid expenses and other current assets	(3,712)	(4,793)
Other assets	242	3,855
Accounts payable	(4,256)	17,242
Accrued payroll and benefits	5,853	27,700
Accrued liabilities	(4,773)	6,407
Unearned revenue	(13,386)	(15,276)
Income tax payable/receivable	16,054	18,012
Deferred rent	-	5,420
Operating lease liabilities	(36,492)	-
Other long-term liabilities	358	(2,349)
Net cash provided by operating activities	<u>182,581</u>	<u>201,116</u>
Investing activities		
Purchases of leasehold improvements, property and equipment	(64,226)	(57,524)
Purchases of investments	(89,111)	(168,749)
Maturities of investments	60,000	145,000
Net cash used in investing activities	<u>(93,337)</u>	<u>(81,273)</u>
Financing activities		
Acquisition of treasury stock	(52,886)	(68,638)
Tax withholding on share-based compensation awards	(10,368)	(3,988)
Stock plan transactions and other financing activities	(277)	(22)
Net cash used in financing activities	<u>(63,531)</u>	<u>(72,648)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	178	(24)
Net change in cash, cash equivalents, and restricted cash	25,891	47,171
Cash, cash equivalents, and restricted cash at beginning of period	<u>280,152</u>	<u>214,170</u>
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 306,043</u>	<u>\$ 261,341</u>

See accompanying notes to condensed consolidated financial statements.

Chipotle Mexican Grill, Inc.
Notes to Condensed Consolidated Financial Statements
(unaudited)
(dollar and share amounts in thousands, unless otherwise specified)

1. Basis of Presentation

In this quarterly report on Form 10-Q, Chipotle Mexican Grill, Inc., a Delaware corporation, together with its subsidiaries, is collectively referred to as “Chipotle,” “we,” “us,” or “our.”

We develop and operate restaurants that serve a focused menu of burritos, burrito bowls, tacos and salads, made using fresh, high-quality ingredients. As of March 31, 2019, we operated 2,464 Chipotle restaurants throughout the United States as well as 38 international Chipotle restaurants. We are also an investor in a consolidated entity that owns and operates two Pizzeria Locale restaurants, a fast-casual pizza concept. We managed our operations based on eight regions during the first quarter 2019 and have aggregated our operations to one reportable segment.

Certain prior year amounts have been reclassified for consistency with the current year presentation.

We have prepared the accompanying unaudited condensed consolidated financial statements in accordance with U.S. generally accepted accounting principles for interim financial statements and pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments consisting of normal recurring adjustments necessary for a fair presentation of our financial position and results of operations. Interim results of operations are not necessarily indicative of the results that may be achieved for the full year. The financial statements and related notes do not include all information and footnotes required by U.S. generally accepted accounting principles for annual reports. This quarterly report should be read in conjunction with the consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2018.

2. Recent Accounting Standards

Recently Issued Accounting Standards

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-15, “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract”, which clarifies the accounting for implementation costs in cloud computing arrangements. ASU 2018-15 is effective for us in the first quarter of fiscal 2020, and early adoption is permitted. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

We reviewed all other recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact on the condensed consolidated financial statements.

Recently Adopted Accounting Standards

On January 1, 2019, we adopted ASU 2016-02, “Leases (Topic 842),” along with related clarifications and improvements. This pronouncement requires lessees to recognize a liability for lease obligations, which represents the discounted obligation to make future lease payments, and a corresponding right-of-use asset on the balance sheet. The guidance requires disclosure of key information about leasing arrangements that is intended to give financial statement users the ability to assess the amount, timing, and potential uncertainty of cash flows related to leases. We elected the optional transition method to apply the standard as of the effective date and therefore, we have not applied the standard to the comparative periods presented on our condensed financial statements.

Our practical expedients were as follows:

Implications as of January 1, 2019

Practical expedient package	We have not reassessed whether any expired or existing contracts are, or contain, leases. We have not reassessed the lease classification for any expired or existing leases.
	We have not reassessed initial direct costs for any expired or existing leases.
Hindsight practical expedient	We have not elected the hindsight practical expedient, which permits the use of hindsight when determining lease term and impairment of operating lease assets.

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The impact on the consolidated balance sheet is as follows:

	December 31, 2018	Adjustments Due to the Adoption of Topic 842	January 1, 2019
Assets			
Current assets:			
Cash and cash equivalents	\$ 249,953	\$ -	\$ 249,953
Accounts receivable	62,312	-	62,312
Inventory	21,555	-	21,555
Prepaid expenses and other current assets	54,129	(23,653)	30,476
Investments	426,845	-	426,845
Total current assets	814,794	(23,653)	791,141
Leasehold improvements, property and equipment, net	1,379,254	(15,167)	1,364,087
Restricted cash	30,199	-	30,199
Operating lease assets	-	2,363,020	2,363,020
Other assets	19,332	-	19,332
Goodwill	21,939	-	21,939
Total assets	<u>\$ 2,265,518</u>	<u>\$ 2,324,200</u>	<u>\$ 4,589,718</u>
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable	\$ 113,071	\$ -	\$ 113,071
Accrued payroll and benefits	113,467	-	113,467
Accrued liabilities	147,849	(23,860)	123,989
Unearned revenue	70,474	-	70,474
Income tax payable	5,129	-	5,129
Total current liabilities	449,990	(23,860)	426,130
Commitments and contingencies			
Deferred rent	330,985	(330,985)	-
Current and long-term operating lease liabilities	-	2,682,203	2,682,203
Deferred income tax liabilities	11,566	(831)	10,735
Other liabilities	31,638	-	31,638
Total liabilities	824,179	2,326,527	3,150,706
Shareholders' equity:			
Preferred stock, \$0.01 par value, 600,000 shares authorized, no shares issued as of December 31, 2018 and 2017, respectively	-	-	-
Common stock, \$0.01 par value, 230,000 shares authorized, 35,973 and 35,852 shares issued as of December 31, 2018 and 2017, respectively	360	-	360
Additional paid-in capital	1,374,154	-	1,374,154
Treasury stock, at cost, 8,276 and 7,826 common shares at December 31, 2018 and 2017, respectively	(2,500,556)	-	(2,500,556)
Accumulated other comprehensive loss	(6,236)	-	(6,236)
Retained earnings	2,573,617	(2,327)	2,571,290
Total shareholders' equity	1,441,339	(2,327)	1,439,012
Total liabilities and shareholders' equity	<u>\$ 2,265,518</u>	<u>\$ 2,324,200</u>	<u>\$ 4,589,718</u>

3. Revenue Recognition

We recognize revenue, net of discounts and incentives, when payment is tendered at the point of sale. We report revenue net of sales-related taxes collected from customers and remitted to governmental taxing authorities.

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We sell gift cards which do not have expiration dates and we do not deduct non-usage fees from outstanding gift card balances. We recognize revenue from gift cards when: (i) the gift card is redeemed by the customer; or (ii) we determine the likelihood of the gift card being redeemed by the customer is remote (gift card breakage) and there is not a legal obligation to remit the unredeemed gift cards to the relevant jurisdiction. Gift card breakage is recognized in revenue as the gift cards are used on a pro rata basis over an eight-month period beginning at the date of the gift card sale and is included in revenue on the condensed consolidated statement of income. We have determined that 4% of gift card sales will not be redeemed and will be retained by us. Gift card liability balances are typically highest at the end of each calendar year following increased gift card sales during the holiday season; accordingly, revenue recognized from gift card liability balances is highest in the first quarter of each calendar year.

During the first quarter of 2019 we launched a national loyalty program called Chipotle Rewards. Eligible customers who enroll in the program generally earn points for every dollar spent. After accumulating a certain number of points, the customer earns a reward that can be redeemed for a free entrée. We may also periodically offer promotions, which provide the customer with the opportunity to earn bonus points or free food vouchers ("Bonus Vouchers"). Earned rewards generally expire one to two months after they are issued, and points generally expire if an account is inactive for a period of six months.

We defer revenue associated with the estimated selling price of points or Bonus Vouchers earned by program members as each point or Bonus Voucher is earned. The estimated selling price of each point or Bonus Voucher earned is based on the estimated value of product for which the reward is expected to be redeemed, net of points we do not expect to be redeemed. Our estimate of points and Bonus Vouchers we expect to be redeemed is based on historical company specific data. We recognize loyalty revenue when a customer redeems an earned reward. Deferred revenue associated with Chipotle Rewards is included in unearned revenue on our condensed consolidated balance sheets.

The gift card and Chipotle Rewards loyalty liabilities included in unearned revenue on the condensed consolidated balance sheets are as follows:

	March 31,	December 31,
	2019	2018
Gift card liability	\$ 53,622	\$ 70,474
Chipotle Rewards liability	3,466	-
Total unearned revenue	<u>\$ 57,088</u>	<u>\$ 70,474</u>

Revenue recognized on the condensed consolidated statements of income for the redemption of gift cards that were included in accrued liabilities at the beginning of the year is as follows:

	Three months ended	
	March 31,	
	2019	2018
Revenue recognized from gift card liability balance at the beginning of the year	<u>\$ 24,703</u>	<u>\$ 24,239</u>

4. Fair Value of Financial Instruments

The carrying value of our cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of their short-term nature.

Our investments consist of U.S. treasury notes with maturities of up to one year. Fair value of investments is measured using Level 1 inputs (quoted prices for identical assets in active markets). We designate the appropriate classification of our investments at the time of purchase based upon the intended holding period.

Investments, all of which are classified as held-to-maturity, are carried at amortized cost and approximated fair value as of March 31, 2019. We recognize impairment charges when management believes the decline in the fair value of the investment is other-than-temporary. No impairment charges were recognized on our investments for the three months ended March 31, 2019.

As of September 30, 2018, we transferred the classification of our investments from available-for-sale to held-to-maturity. The unrealized holding loss and offsetting discount, created as a result of this reclassification, will be amortized to interest and other income on the condensed consolidated statement of income over the remaining life of the securities and will be fully amortized by September 30, 2019.

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We also maintain a rabbi trust to fund obligations under a deferred compensation plan. Amounts in the rabbi trust are invested in mutual funds, which are designated as trading securities carried at fair value, are included in other assets on the condensed consolidated balance sheet. Fair value of mutual funds is measured using Level 1 inputs. The fair value of the investments in the rabbi trust was \$12,531 and \$10,872 as of March 31, 2019, and December 31, 2018, respectively. We record trading gains and losses in general and administrative expenses on the condensed consolidated statement of income, along with the offsetting amount related to the increase or decrease in deferred compensation to reflect our exposure to liabilities for payment under the deferred plan.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets recognized or disclosed at fair value on the consolidated financial statements on a nonrecurring basis include items such as leasehold improvements, property and equipment, operating lease assets, goodwill, and other intangible assets. These assets are measured at fair value if determined to be impaired.

Other than as disclosed in Note 5. "Corporate Restructuring Costs" as of March 31, 2019 and December 31, 2018, we had no non-financial assets or liabilities that were measured using Level 3 inputs.

5. Corporate Restructuring Costs

In May 2018, we announced that we would open a headquarters office in Newport Beach, California, consolidate certain corporate administrative functions into our existing office in Columbus, Ohio, and close our existing headquarters offices in Denver, Colorado, as well as additional corporate offices in New York, New York. All affected employees were either offered an opportunity to continue in the new organization or were offered a severance package. We record severance as a one-time termination benefit and recognize the expense ratably over the employees' required future service period. We evaluate our operating lease assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the operating lease asset (or asset group that includes the operating lease asset, referred to interchangeably throughout as an operating lease asset) may not be recoverable. We first compare the carrying value of the operating lease asset to the operating lease asset's estimated future undiscounted cash flows. If the estimated undiscounted future cash flows are less than the carrying value of the operating lease asset, we determine if we have an impairment loss by comparing the carrying value of the operating lease asset to the operating lease asset's estimated fair value. The estimated fair value of the operating lease asset is generally determined using a discounted cash flow projection model, using Level 3 inputs. The impairment charges represent the excess of each operating lease asset's carrying amount over its estimated fair value. All other costs, including other employee transition costs, recruitment and relocation costs, other office closure costs, and third-party costs, are recognized in the period incurred.

Corporate restructuring costs consist of the following:

	Three months ended	
	March 31,	
	2019	2018
Employee severance and other employee transition costs ⁽¹⁾	\$ 1,046	\$ -
Recruitment and relocation costs ⁽¹⁾	2,093	-
Operating lease impairment and other office closure costs ⁽²⁾	1,395	-
Third-party and other costs ⁽¹⁾	1,007	-
Stock-based compensation ⁽¹⁾	134	-
Total restructuring costs	<u>\$ 5,675</u>	<u>\$ -</u>

(1) Recorded in general and administrative expenses on the condensed consolidated statement of income.

(2) Recorded in impairment, closure costs, and asset disposals on the condensed consolidated statement of income.

Changes in our corporate restructuring liability which are included in accrued liabilities on the condensed consolidated balance sheet were as follows:

	December 31,	Charges	Payments	March 31, 2019
	2018			
Employee severance and other employee transition costs	\$ 2,722	\$ 1,046	\$ (3,557)	\$ 211
Recruitment and relocation costs	224	2,093	(2,242)	75
Third-party and other costs	554	1,007	(1,561)	-
Total restructuring liability	<u>\$ 3,500</u>	<u>\$ 4,146</u>	<u>\$ (7,360)</u>	<u>\$ 286</u>

6. Shareholders' Equity

Through March 31, 2019, we had announced authorizations by our Board of Directors of repurchases of shares of common stock, which in the aggregate, authorized expenditures of up to \$2.6 billion. Under the remaining repurchase authorizations, shares may be purchased from time to time in open market transactions, subject to market conditions.

As of March 31, 2019, \$105,068 was available to repurchase shares under the announced repurchase authorizations. Shares repurchased are being held in treasury stock until they are reissued or retired at the discretion of the Board of Directors.

During the three months ended March 31, 2019, 17 shares of common stock at a total cost of \$10,368 were netted and surrendered as payment for minimum statutory withholding obligations in connection with the vesting of outstanding stock awards. Shares surrendered by the participants in accordance with the applicable award agreements and plan are deemed repurchased by us but are not part of publicly announced share repurchase programs.

7. Stock-Based Compensation

During the three months ended March 31, 2019, we granted stock only stock appreciation rights ("SOSARs") on 179 shares of our common stock to eligible employees. The weighted-average grant date fair value of the SOSARs was \$172.28 per share with a weighted-average exercise price of \$584.90 per share. The SOSARs vest in two equal installments on the second and third anniversary of the grant date. During the three months ended March 31, 2019, 412 SOSARs were exercised, 15 SOSARs were forfeited, and 45 SOSARs expired.

During the three months ended March 31, 2019, we granted restricted stock units ("RSUs") on 21 shares of our common stock to eligible employees. The weighted-average grant date fair value of the RSUs was \$585.62 per share. The RSUs generally vest in two equal installments on the second and third anniversary of the grant date. During the three months ended March 31, 2019, 42 RSUs vested and 6 RSUs were forfeited.

During the three months ended March 31, 2019, we awarded a total of 46 performance shares ("PSUs") that are subject to service and performance vesting conditions. The weighted-average grant date fair value of the PSUs was \$582.77 per share, and the quantity of shares that will vest range from 0% to 300% of the targeted number of shares. If the defined minimum targets are not met, then no shares will vest. During the three months ended March 31, 2019, there were two different PSU awards granted with different terms.

The first award, consisting of 33 PSUs, will vest based on our growth in comparable restaurant sales and average restaurant margin over defined periods. These PSU awards will vest fully on the third anniversary of the grant date.

The second award, consisting of 13 PSUs, will vest based on achievement of certain targets related to digital sales volume, general and administrative expenses as a percentage of revenue, and successful completion of a defined number of strategic initiatives. These PSU awards will vest 40% on the third anniversary of the grant date and 60% on the fourth anniversary of the grant date.

During the three months ended March 31, 2019, 12 PSUs that were subject to service and market conditions were forfeited for failure to meet the specified performance levels or service requirements.

The following table sets forth total stock-based compensation expense:

	Three months ended March 31,	
	2019	2018
Stock-based compensation expense	\$ 19,342	\$ 12,376
Stock-based compensation expense, net of tax	\$ 14,402	\$ 8,931
Stock-based compensation expense recognized as capitalized development	\$ 188	\$ 279
Excess tax deficit on stock-based compensation recognized in provision for income taxes	\$ (5,434)	\$ (5,542)

8. Income Taxes

The effective income tax rate for income taxes as a percentage of income before income taxes was 22.2% and 36.9% for the three months ended March 31, 2019 and 2018, respectively. The decrease was primarily due to unfavorable discrete tax items in the first quarter of 2018 including equity vesting at an amount less than original book value and negative impacts from tax reform, and favorable discrete tax items in the first quarter of 2019 related to stock option exercises.

9. Leases

We determine if a contract contains a lease at inception. Our material operating leases consist of restaurant locations as well as office space. Our leases generally have remaining terms of 1- 20 years, most of which include options to extend the leases for additional 5-year periods. Generally, the lease term is the minimum of the noncancelable period of the lease or the lease term inclusive of reasonably certain renewal periods up to a term of 20 years.

Operating lease assets and liabilities are recognized at the lease commencement date. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent our right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets. To determine the present value of lease payments not yet paid, we estimate incremental secured borrowing rates corresponding to the maturities of the leases. As we have no outstanding debt nor committed credit facilities, secured or otherwise, we estimate this rate based on prevailing financial market conditions, comparable company and credit analysis, and management judgment.

Our leases typically contain rent escalations over the lease term. We recognize expense for these leases on a straight-line basis over the lease term. Additionally, tenant incentives used to fund leasehold improvements are recognized when earned and reduce our right-of-use asset related to the lease. These are amortized through the right-of-use asset as reductions of expense over the lease term.

Some of our leases include rent escalations based on inflation indexes and fair market value adjustments. Certain leases contain contingent rental provisions that include a fixed base rent plus an additional percentage of the restaurant's sales in excess of stipulated amounts. Operating lease liabilities are calculated using the prevailing index or rate at lease commencement. Subsequent escalations in the index or rate and contingent rental payments are recognized as variable lease expenses. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Related to the adoption of Topic 842, our policy elections were as follows:

Separation of lease and non-lease components	We elected this expedient to account for lease and non-lease components as a single component for our entire population of operating lease assets.
Short-term policy	We have elected the short-term lease recognition exemption for all applicable classes of underlying assets. Short-term disclosures include only those leases with a term greater than one month and 12 months or less, and expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that we are reasonably certain to exercise, are not recorded on the balance sheet.

Supplemental balance sheet information related to leases was as follows:

Operating Leases	Classification	March 31, 2019
Right-of-use assets	Operating lease assets	\$ 2,349,993
Current lease liabilities	Current operating lease liabilities	157,665
Non-current lease liabilities	Long-term operating lease liabilities	2,513,901
Total lease liabilities		\$ 2,671,566

Lease term and discount rate were as follows:

	March 31, 2019
Weighted average remaining lease term (years)	13.5
Weighted average discount rate	5.27%

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The components of lease cost were as follows:

	Classification	Three months ended March 31, 2019
Operating lease cost	Occupancy and General and administrative expenses	\$ 76,805
Short-term lease cost	Other operating costs	737
Variable lease cost	Occupancy	9,104
Sublease income	General and administrative expenses	(766)
Total lease cost		\$ 85,880

Supplemental disclosures of cash flow information related to leases were as follows:

	Three months ended March 31, 2019
Cash paid for operating lease liabilities	\$ 71,832
Operating lease assets obtained in exchange for operating lease liabilities ⁽¹⁾	2,401,239

(1) Amounts for the three months ended March 31, 2019 include the transition adjustment for the adoption of Topic 842 discussed in Note

2. "Accounting Policies."

Maturities of lease liabilities were as follows as of March 31, 2019:

	Operating Leases
Remainder of 2019	\$ 194,583
2020	295,326
2021	292,860
2022	292,670
2023	288,138
Thereafter	2,442,438
Total lease payments	3,806,015
Less: imputed interest	1,134,449
Present value of lease liabilities	\$ 2,671,566

As of March 31, 2019, operating lease payments include \$2,082,123 related to options to extend lease terms that are reasonably certain of being exercised and exclude approximately \$87,500 of legally binding minimum lease payments for leases signed but not yet commenced and \$9,672 of future sublease income.

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As previously disclosed in our 2018 Annual Report on Form 10-K and under the previous lease accounting, maturities of lease liabilities were as follows as of December 31, 2018:

	Operating Leases
2019	\$ 294,191
2020	296,579
2021	294,941
2022	295,290
2023	290,980
Thereafter	2,478,397
Total minimum lease payments	\$ 3,950,378

As of December 31, 2018, maturity of lease liabilities have not been reduced by minimum sublease rentals of \$11,790 due in the future under our subleases. As of December 31, 2018, we have \$90,484 of legally binding minimum lease payments related to restaurant leases that have not yet commenced.

We have six sale and leaseback transactions, which do not qualify for sale leaseback accounting due to fixed price renewal options prohibiting sale accounting. These transactions are accounted for under the financing method. Under the financing method, the assets remain on the condensed consolidated balance sheet and the proceeds from the transactions are recorded as a financing liability. A portion of lease payments are applied as payments of deemed principal and imputed interest. The deemed landlord financing liability was \$2,327 and \$2,390 as of March 31, 2019 and December 31, 2018, respectively, with the current portion of the liability included in accrued liabilities, and the remaining portion included in other liabilities on the condensed consolidated balance sheet.

10. Earnings Per Share

The following table sets forth the computations of basic and diluted earnings per share:

	Three months ended March 31,	
	2019	2018
Net income	\$ 88,132	\$ 59,446
Shares:		
Weighted-average number of common shares outstanding	27,696	27,911
Dilutive stock awards	422	39
Diluted weighted-average number of common shares outstanding	28,118	27,950
Basic earnings per share	\$ 3.18	\$ 2.13
Diluted earnings per share	\$ 3.13	\$ 2.13

The following stock awards were excluded from the calculation of diluted earnings per share:

	Three months ended March 31,	
	2019	2018
Stock awards subject to performance conditions	81	111
Stock awards that were antidilutive	343	2,226
Total stock awards excluded from diluted earnings per share	424	2,337

11. Commitments and Contingencies

Purchase Obligations

We enter into various purchase obligations in the ordinary course of business, generally of a short-term nature. Those that are binding primarily relate to commitments for food purchases and supplies, amounts owed under contractor and subcontractor agreements, orders submitted for equipment for restaurants under construction, and marketing initiatives and corporate sponsorships.

Litigation

Data Security Incident

In April 2017, our information security team detected unauthorized activity on the network that supports payment processing for our restaurants, and immediately began an investigation with the help of leading computer security firms. We also self-reported the issue to payment card processors and law enforcement. Our investigation detected malware designed to access payment card data from cards used at point-of-sale devices at most Chipotle restaurants, primarily in the period from March 24, 2017 through April 18, 2017. The malware searched for track data, which may include cardholder name, card number, expiration date, and internal verification codes; however, no other customer information was affected. We removed the malware from our systems and continue to work to enhance our security measures. Substantially all of our investigation costs have been covered by insurance; however, we may incur legal and other expenses in excess of our insurance coverage limits associated with the data security incident in future periods. We will recognize these expenses as services are received.

As of March 31, 2019, we had a balance of \$24,701 included in accrued liabilities on the condensed consolidated balance sheet which represents an estimate of potential liabilities associated with anticipated claims and assessments by payment card networks in connection with the data security incident. We may ultimately be subject to liabilities greater than or less than the amount accrued.

Litigation Arising from Data Security Incident

During the three months ended March 31, 2019, we reached agreements to settle the consolidated action captioned Bellwether Community Credit Union, et. al. v. Chipotle Mexican Grill, Inc., as well as the consolidated action captioned Todd Gordon, et. al. v. Chipotle Mexican Grill, Inc., each of which was pending in the United States District Court for the District of Colorado. Settlement of the Bellwether matter has been finalized and a stipulation of dismissal was filed with the court on March 28, 2019. Court approval of the Gordon settlement is pending. We do not expect that the settlements will exceed applicable insurance coverages or will have a material financial impact on us, although the total liabilities arising from the Gordon settlement will be dependent in part on the number of claims filed, and may exceed our expectations and applicable insurance coverage.

Receipt of Grand Jury Subpoenas

On January 28, 2016, we were served with a Federal Grand Jury Subpoena from the U.S. District Court for the Central District of California in connection with an official criminal investigation being conducted by the U.S. Attorney's Office for the Central District of California, in conjunction with the U.S. Food and Drug Administration's Office of Criminal Investigations. The subpoena required the production of documents and information related to company-wide food safety matters dating back to January 1, 2013. Since then we have received two other subpoenas on the following dates requesting information related to illness incidents associated with the following specific restaurants: July 19, 2017, requesting information about a single Chipotle restaurant in Sterling, Virginia; and February 14, 2018, requesting information about a single Chipotle restaurant in Los Angeles, California. On April 18, 2019, we received a new subpoena requesting information related to illness incidents associated with the specific restaurants in Simi Valley, California, Boston, Massachusetts, Sterling, Virginia, and Los Angeles, California that were covered under the previous subpoenas, plus one additional restaurant in Powell, Ohio. We have fully cooperated and intend to continue to fully cooperate in the investigation. It is not possible at this time to determine whether we will incur, or to reasonably estimate the amount of, any fines or penalties in connection with the investigation pursuant to which the subpoenas were issued.

Shareholder Class Actions

On January 8, 2016, Susie Ong filed a complaint in the U.S. District Court for the Southern District of New York on behalf of a purported class of purchasers of shares of our common stock between February 4, 2015 and January 5, 2016. The complaint purports to state claims against us, each of the co-Chief Executive Officers serving during the claimed class period and the Chief Financial Officer under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and related rules, based on our alleged failure during the claimed class period to disclose material information about our quality controls and safeguards in relation to consumer and employee health. The complaint asserts that those failures and related public statements were false and misleading and that, as a result, the market price of our stock was artificially inflated during the claimed class period. The complaint seeks damages on behalf of the purported class in an unspecified amount, interest, and an award of reasonable attorneys' fees, expert fees and other costs. On March 8, 2017, the court granted our motion to dismiss the complaint, with leave to amend. The plaintiff filed an amended complaint on April 7, 2017. On March 22, 2018, the court granted our motion to dismiss, with prejudice. On April 20, 2018, the plaintiffs filed a motion for relief from the judgment and seeking leave to file a third amended complaint, and on

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November 20, 2018, the court denied the motion. On December 20, 2018, the plaintiff initiated an appeal to the U.S. Court of Appeals for the Second Circuit.

Additionally, on July 20, 2017, Elizabeth Kelley filed a complaint in the U.S. District Court for the District of Colorado on behalf of a purported class of purchasers of shares of our common stock between February 5, 2016 and July 19, 2017, with claims and factual allegations similar to the Ong complaint, based primarily on media reports regarding illnesses associated with a Chipotle restaurant in Sterling, Virginia. On March 29, 2019, the court granted our motion to dismiss, with prejudice.

We intend to continue to vigorously defend the Ong and Kelley cases through any further appeals, but it is not possible at this time to reasonably estimate the outcome of or any potential liability from either of these cases.

Miscellaneous

We are involved in various other claims and legal actions that arise in the ordinary course of business. We do not believe that the ultimate resolution of these actions will have a material adverse effect on our financial position, results of operations, liquidity or capital resources. However, a significant increase in the number of these claims, or one or more successful claims under which we incur greater liabilities than we currently anticipate, could materially and adversely affect our business, financial condition, results of operations and cash flows.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Note Regarding Forward-Looking Statements

Certain statements in this report, including projections of our expected comparable restaurant sales increases for 2019, estimates of restructuring-related costs, projected restaurant closures and the resulting financial impacts, projected new restaurant openings for 2019, 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. These forward-looking statements 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 risk factors described in our annual report on Form 10-K for the year ended December 31, 2018, as updated in Part II, Item 1A. of this report.

Overview

As of March 31, 2019, we operated 2,504 restaurants in the United States, Canada, the United Kingdom, France and Germany. We are committed to making our food more accessible to everyone while continuing to be a brand with a demonstrated purpose. Steve Eells, our founder and executive chairman, first opened Chipotle with a single restaurant in Denver, Colorado in 1993.

2019 Highlights

Sales Trends. Average restaurant sales were \$2.048 million as of March 31, 2019, an increase from \$1.941 million as of March 31, 2018. We define average restaurant sales as the average trailing 12-month sales for restaurants in operation for at least 12 full calendar months.

Comparable restaurant sales increased 9.9% for the three months ended March 31, 2019, including the adverse impact of 0.3% as a result of deferred revenue associated with the new Chipotle Rewards loyalty program. We expect full year 2019 comparable restaurant sales increases to be in the mid to high single digits, including the impact of revenue deferral associated with Chipotle Rewards. Comparable restaurant sales and transactions represent the change in period-over-period sales or transactions for restaurants in operation for at least 13 full calendar months.

We continue to invest in improving our digital platforms and equipping select restaurants with an upgraded second make line dedicated to fulfilling out-of-restaurant orders. Sales from out-of-restaurant orders increased 690 basis points to 15.7% of revenue during the three months ended March 31, 2019, an increase from 8.8% of revenue during the three months ended March 31, 2018.

Restaurant Operating Costs. Our restaurant operating costs (food, beverage and packaging; labor; occupancy; and other operating costs) as a percentage of revenue decreased 150 basis points to 79.0% in the three months ended March 31, 2019, as compared to 80.5% in the three months ended March 31, 2018. The decrease was primarily due to comparable restaurant sales increases.

Corporate Restructuring. During 2018, we opened a new headquarters office in Newport Beach, California, consolidated certain corporate administrative functions into our existing office in Columbus, Ohio, closed a corporate office in New York, New York, and commenced the closure of our previous headquarters office in Denver, Colorado. All affected employees were either offered an opportunity to continue in the new organization or were offered a severance package. We expect to incur corporate restructuring costs, including costs already incurred, aggregating approximately \$49 million to \$58 million including (i) employee severance and other employee transition costs of approximately \$9 million to \$11 million; (ii) recruitment and relocation costs of approximately \$12 million to \$14 million; (iii) operating lease impairment and other office closure costs of approximately \$17 million to \$21 million; and (iv) third-party and other costs of approximately \$11 million to \$12 million. We recognized a total of \$5.7 million during the three months ended March 31, 2019, and \$48 million in total since the restructuring activities commenced in 2018. We expect to incur additional restructuring charges of \$1 million to \$9 million during the remainder of 2019. For additional information, please see Note 5. "Corporate Restructuring Costs" in the notes to the consolidated financial statements included in Item 1. "Financial Statements."

Planned Restaurant Closures. In June 2018, we announced planned restaurant closures of approximately 55 to 65 restaurants beginning in the second quarter of 2018 and continuing over the next several quarters. As a result, we expect to incur total restaurant exits costs aggregating approximately \$37.0 million to \$43.0 million, of which \$35.9 million has been incurred to date. We have closed 47 Chipotle restaurants and five Pizzeria Locale restaurants in connection with this initiative since the initiative commenced in 2018.

Restaurant Development. During the three months ended March 31, 2019, we opened 15 new restaurants, and closed 2 restaurants. For the full year 2019 we expect to open approximately 140 to 155 new restaurants.

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Restaurant Activity

The following table details restaurant unit data for the periods indicated:

	Three months ended March 31,	
	2019	2018
Beginning of period	2,491	2,408
Openings	15	35
Chipotle closures	(2)	(1)
Tasty Made closures	-	(1)
Total restaurants at end of period	2,504	2,441

Results of Operations

Our results of operations as a percentage of revenue and period-over-period changes are discussed in the following section.

Revenue

	Three months ended March 31,		Percentage change
	2019	2018	
	(dollars in millions)		
Revenue	\$ 1,308.2	\$ 1,148.4	13.9%
Average restaurant sales	\$ 2,048	\$ 1,941	5.5%
Comparable restaurant sales increases	9.9%	2.2%	

Comparable restaurant sales increased for the three months ended March 31, 2019. The significant factors contributing to the increase in revenue were comparable restaurant sales increases of \$102.4 million and revenue from restaurants not yet in the comparable base of \$61.5 million, of which \$57.6 million was attributable to restaurants opened in 2018. For the three months ended March 31, 2019, the increase in comparable restaurant sales was attributable to a 5.8% increase in comparable restaurant transactions, and a 4.5% increase in the average check which includes a 2.5% benefit from menu price increases that were implemented during 2018.

Food, Beverage and Packaging Costs

	Three months ended March 31,		Percentage change
	2019	2018	
	(dollars in millions)		
Food, beverage and packaging	\$ 421.4	\$ 371.9	13.3%
As a percentage of revenue	32.2%	32.4%	(0.2%)

Food, beverage and packaging costs decreased as a percentage of revenue for the three months ended March 31, 2019, primarily due to the benefit of menu price increases nationwide at the end of 2018, partially offset by an increased demand for steak (a higher priced ingredient), and higher paper cost.

Labor Costs

	Three months ended March 31,		Percentage change
	2019	2018	
	(dollars in millions)		
Labor costs	\$ 348.8	\$ 318.9	9.4%
As a percentage of revenue	26.7%	27.8%	(1.1%)

Labor costs decreased as a percentage of revenue for the three months ended March 31, 2019, primarily due to sales leverage, and to a lesser extent, improved workers' compensation claim management and lower unemployment expense, partially offset by wage inflation.

Occupancy Costs

	Three months ended March 31,		Percentage change
	2019	2018	
	(dollars in millions)		
Occupancy costs	\$ 88.8	\$ 85.3	4.1%
As a percentage of revenue	6.8%	7.4%	(0.6%)

Occupancy costs decreased as a percentage of revenue for the three months ended March 31, 2019, primarily due to sales leverage on a partially fixed-cost base.

Other Operating Costs

	Three months ended March 31,		Percentage change
	2019	2018	
	(dollars in millions)		
Other operating costs	\$ 174.7	\$ 148.1	18.0%
As a percentage of revenue	13.4%	12.9%	0.5%

Other operating costs include, among other items, marketing and promotional costs, bank and credit card fees, and restaurant utilities and maintenance costs. Other operating costs increased as a percentage of revenue for the three months ended March 31, 2019, primarily due to increased marketing and promotional expenses and, to a lesser extent, increased delivery expense associated with increased delivery sales, partially offset by sales leverage and elevated spend on repairs and maintenance in the comparative 2018 period.

General and Administrative Expenses

	Three months ended March 31,		Percentage change
	2019	2018	
	(dollars in millions)		
General and administrative expense	\$ 102.7	\$ 77.1	33.2%
As a percentage of revenue	7.8%	6.7%	1.1%

General and administrative expenses increased in dollar terms for the three months ended March 31, 2019, primarily due to \$13.1 million in increased performance based compensation expense including non-cash stock-based compensation, bonus expense, and associated taxes; \$4.3 million related to corporate restructuring; \$3.4 million in outside service expense to support restaurant growth, and digitizing and modernizing the restaurant experience; and \$1.3 million in increased other expense.

Depreciation and Amortization

	Three months ended March 31,		Percentage change
	2019	2018	
	(dollars in millions)		
Depreciation and amortization	\$ 53.8	\$ 46.9	14.6%
As a percentage of revenue	4.1%	4.1%	0.0%

Depreciation and amortization remained flat as a percent of revenue for the three months ended March 31, 2019, as sales leverage was offset by an increase in depreciation expense from multiple administrative offices with short-term leases, new stores in the base, and new projects such as the installation of second make lines.

Impairment, Closure Costs, and Asset Disposals

	Three months ended March 31,		Percentage change
	2019	2018	
	(dollars in millions)		
Impairment, closure costs, and asset disposals	\$ 6.9	\$ 4.9	42.9%
As a percentage of revenue	0.5%	0.4%	0.1%

Impairment, closure costs and asset disposals increased in dollar terms during the three months ended March 31, 2019, primarily as a result of asset retirements associated with our restaurant refresh project.

Provision for Income Taxes

	Three months ended March 31,		Percentage change
	2019	2018	
	(dollars in millions)		
Provision for income taxes	\$ 25.2	\$ 34.8	(27.6%)
Effective tax rate	22.2%	36.9%	(14.7%)

The effective income tax rate for income taxes as a percentage of income before income taxes was 22.2% and 36.9% for the three months ended March 31, 2019 and 2018, respectively. The decrease in the effective income tax rate for the three months ended March 31, 2019, when compared to 2018, was primarily due to unfavorable discrete tax items in the first quarter of 2018 including equity vesting at an amount less than original book value and negative impacts from tax reform, and favorable discrete tax items in the first quarter of 2019 related to stock option exercises.

Seasonality

Seasonal factors cause our profitability to fluctuate from quarter to quarter. Historically, our average daily restaurant sales are lower and net income has generally been lower in the first and fourth quarters due, in part, to the holiday season and because fewer people eat out during periods of inclement weather (the winter months) than during periods of mild or warm weather (the spring, summer and fall months). Other factors also have a seasonal effect on our results. For example, restaurants located near colleges and universities generally do more business during the academic year. Seasonal factors, however, might be moderated or outweighed by other factors that may influence our quarterly results, such as unexpected publicity impacting our business in a positive or negative way, fluctuations in food or packaging costs, or the timing of menu price increases. The number of trading days in a quarter can also affect our results, although, on an overall annual basis, changes in trading days do not have a significant impact.

Our quarterly results are also affected by other factors such as the amount and timing of non-cash stock-based compensation expense and related tax rate impacts, the number and timing of new restaurants opened in a quarter, closure of restaurants, and anticipated and unanticipated events. New restaurants typically have lower margins following opening as a result of the expenses associated with their opening and operating inefficiencies in the months immediately following opening. Accordingly, results for a particular quarter are not necessarily indicative of results to be expected for any other quarter or for any year.

Liquidity and Capital Resources

Our primary liquidity and capital requirements are for new restaurant construction, initiatives to improve the guest experience in our restaurants, working capital and general corporate needs. As of March 31, 2019, we had a cash and short-term investment balance of \$735.0 million that we expect to utilize, along with cash flow from operations, to provide capital in support of the growth of our business and to invest in, maintain, and refurbish our existing restaurants, to repurchase additional shares of our common stock subject to market conditions, and for general corporate purposes. As of March 31, 2019, \$105.1 million remained available for repurchases of shares of our common stock under previously-announced repurchase authorizations. Under the remaining repurchase authorizations, shares may be purchased from time to time in open market transactions, subject to market conditions. We believe that cash from operations, together with our cash and investment balances, will be enough to meet ongoing capital expenditures, working capital requirements and other cash needs for the foreseeable future.

We have not required significant working capital because customers generally pay using cash or credit and debit cards and because our operations do not require significant receivables, nor do they require significant inventories due, in part, to our use of various fresh ingredients. In addition, we generally have the right to pay for the purchase of food, beverage and supplies sometime after the receipt of those items, generally within ten days, thereby reducing the need for incremental working capital to support our growth.

Off-Balance Sheet Arrangements

As of March 31, 2019, we had no off-balance sheet arrangements or obligations.

Critical Accounting Estimates

Critical accounting estimates are those that we believe are both significant and that require us to make difficult, subjective or complex judgments, often because we need to estimate the effect of inherently uncertain matters. We base our estimates and judgments on historical experiences and various other factors that we believe to be appropriate under the circumstances. Actual results may differ from these estimates, and we might obtain different estimates if we used different assumptions or factors. We had no significant changes in our critical accounting estimates since our last annual report. Our critical accounting estimates are identified and described in our annual report on Form 10-K for the year ended December 31, 2018.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risks

We are exposed to commodity price risks. Many of the ingredients we use to prepare our food, as well as our packaging materials and utilities to run our restaurants, are ingredients or commodities that are affected by the price of other commodities, exchange rates, foreign demand, weather, seasonality, production, availability and other factors outside our control. We work closely with our suppliers and use a mix of forward pricing protocols under which we agree with our supplier on fixed prices for deliveries at some time in the future, fixed pricing protocols under which we agree on a fixed price with our supplier for the duration of that protocol, formula pricing protocols under which the prices we pay are based on a specified formula related to the prices of the goods, such as spot prices, and range forward protocols under which we agree on a price range for the duration of that protocol. However, a majority of the dollar value of our purchases is effectively at spot prices. Generally, our pricing protocols with suppliers can remain in effect for periods ranging from one to 36 months, depending on the outlook for prices of the particular ingredient. In several cases, we have minimum purchase obligations. We have tried to increase, where practical, the number of suppliers for our ingredients, which we believe can help mitigate pricing volatility, and we follow industry news, trade issues, exchange rates, foreign demand, weather, crises and other world events that may affect our ingredient prices. Increases in ingredient prices could adversely affect our results if we choose for competitive or other reasons not to increase menu prices at the same rate at which ingredient costs increase, or if menu price increases are met with customer resistance.

Changing Interest Rates

We are also exposed to interest rate risk through fluctuations of interest rates on our investments. Changes in interest rates affect the interest income we earn, and therefore impact our cash flows and results of operations. As of March 31, 2019, we had \$693.5 million in investments and interest-bearing cash accounts, including insurance-related restricted trust accounts classified in restricted cash, and \$11.0 million in accounts with an earnings credit we classify as interest and other income, which combined earned a weighted-average interest rate of 2.29%.

Foreign Currency Exchange Risk

A portion of our operations consist of activities outside of the U.S. and we have currency risk on the transactions in other currencies and translation adjustments resulting from the conversion of our international financial results into the U.S. dollar. However, a substantial majority of our operations and investment activities are transacted in the U.S. and therefore our foreign currency risk is not material at this date.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

During the quarter ended March 31, 2019, we implemented controls to ensure we adequately evaluated our contracts and properly assessed the impact of the new lease accounting standard on our financial statements to facilitate adoption of the standard on January 1, 2019. We further completed upgrades to our lease administration software to support our accounting for leases and have integrated the new software functionality with our processes, systems and controls.

There were no other changes during the fiscal quarter ended March 31, 2019, in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings, see Note 11. "Commitments and Contingencies" in the notes to the condensed consolidated financial statements included in Item 1. "Financial Statements."

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors since our annual report on Form 10-K for the year ended December 31, 2018.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer

The table below reflects shares of common stock we repurchased during the first quarter of 2019.

		Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs⁽²⁾
January	<i>Purchased 1/1 through 1/31</i>	39,025	\$ 499.56	39,025	\$ 138,055,805
February	<i>Purchased 2/1 through 2/28</i>	23,777	\$ 580.17	23,777	\$ 124,261,186
March	<i>Purchased 3/1 through 3/31</i>	29,743	\$ 645.30	29,743	\$ 105,067,943
Total		92,545	\$ 567.11	92,545	\$ 105,067,943

(1) Shares were repurchased pursuant to a \$100 million repurchase program announced on April 25, 2018.

(2) This column includes an additional \$100 million in authorized repurchases announced on February 6, 2019. Each repurchase program has no expiration date. Authorization of repurchase programs may be modified, suspended or discontinued at any time.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Description of Exhibit Incorporated Herein by Reference				
		Form	File No.	Filing Date	Exhibit Number	Filed Herewith
10.1	Form of 2019 Performance Share Unit Agreement	-	-	-	-	X
10.2	Form of 2019 Transformation Performance Share Unit Agreement (1)	-	-	-	-	X
31.1	Certification of Chief Executive Officer of Chipotle Mexican Grill, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	-	-	-	-	X
31.2	Certificate of Chief Financial Officer of Chipotle Mexican Grill, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	-	-	-	-	X
32.1	Certification of Chief Executive Officer and Chief Financial Officer of Chipotle Mexican Grill, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	-	-	-	-	X
101	The following financial statements, formatted in XBRL: (i) Condensed Consolidated Balance Sheet as of March 31, 2019 and December 31, 2018, (ii) Condensed Consolidated Statement of Income for the three months ended March 31, 2019 and 2018, (iii) Condensed Consolidated Statement of Comprehensive Income for the three months ended March 31, 2019 and 2018, (iv) Condensed Consolidated Statement of Shareholders' Equity for the three months ended March 31, 2019 and 2018, (v) Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2019 and 2018; and (vi) Notes to the Condensed Consolidated Financial Statements	-	-	-	-	X

(1) Portions of this exhibit have been omitted as permitted by applicable regulations.

SIGNATURES

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 thereunto duly authorized.

CHIPOTLE MEXICAN GRILL, INC.

By: /s/ JOHN R. HARTUNG

Name: John R. Hartung

Title: Chief Financial Officer (principal financial officer and duly authorized signatory for the registrant)

Date: April 24, 2019

Performance Share Agreement

Name of Participant:	Participant Name
Target Number of Performance Shares:	# of Shares
Grant Date:	February 8, 2019
Performance Period:	January 1, 2019 – December 31, 2021

This Performance Share Agreement (“Agreement”) evidences the grant to the Participant by Chipotle Mexican Grill, Inc. (the “Company”) of the right to receive shares of Common Stock of the Company, \$.01 par value per share (“Common Stock”), on the terms and conditions provided for herein pursuant to the Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan (the “Plan”). Except as specifically set forth herein, this Agreement and the rights granted hereunder are expressly subject to all of the terms, definitions and provisions of the Plan as it may be amended and restated from time to time. Capitalized terms used in this Agreement and not defined herein shall have the meanings attributed to them in the Plan.

1. *Grant of Performance Shares.* Subject to the terms and provisions of this Agreement and the Plan, the Company hereby grants to Participant the right to be issued shares of Common Stock as provided in this Agreement, including Appendix A hereto (the “Performance Shares”), subject to the following conditions:

(a) Certification by the Committee of the extent to which the Performance Goals set forth on Appendix A have been achieved;

(b) Participant being continuously employed (subject to the provisions of Section 2) with the Company (as defined in the Plan) from the Grant Date through the final day of the Performance Period; and

(c) The satisfaction or occurrence of any additional conditions to vesting set forth on Appendix A.

The date on which all of the conditions set forth above are satisfied is the “Vesting Date,” and the Company will issue one share of Common Stock for each Performance Share earned and vested to the Participant on the March 15th immediately following the Performance Period, subject to (i) earlier payment in connection with a Change in Control under Section 3(c) or to the extent administratively practicable following the Vesting Date, or (ii) later payment as permitted without resulting in tax under Section 409A of the Code (the date of such issuance of shares following the Vesting Date, the “Payout Date”).

This Agreement represents the Company’s unfunded and unsecured promise to issue Common Stock at a future date, subject to the terms of this Agreement and the Plan. Participant has no rights under this Agreement other than the rights of a general unsecured creditor of the Company.

Subject to the satisfaction of any tax withholding obligations described in Section 6 below, Participant may elect to defer the receipt of any of the shares of Common Stock underlying the Performance Shares by submitting to the Company a deferral election in the form provided by the Company. In the event Participant intends to defer the receipt of Performance Shares, Participant must submit to the Company a completed deferral election form no later than the Final Election Date (as defined below). By submitting such deferral election, Participant represents that he/she understands the effect of any such deferral under relevant federal, state and local tax and social security laws, including, but not limited to, the fact that social security contributions may be due upon the Vesting Date notwithstanding the deferral election. Any deferral election may be amended or terminated prior to the Final Election Date. A deferral election shall become irrevocable on the Final Election Date and any deferral election or revision of a deferral election submitted after the Final Election Date shall be void and of no force or effect. The “Final Election Date” shall be the last business day occurring on or before the date that is six months prior to the final day of the Performance Period, provided that in no circumstances will the Final Election Date be later than the date Participant ceases to provide services to the Company or the date that the making of such election causes the Performance Shares to become subject to the excise tax pursuant to Code Section 409A.

2. *Termination of Employment.* Subject to the provisions that follow in this Section 2 and Section 3, if at any time prior to the expiration of the Performance Period Participant’s service with the Company terminates, then notwithstanding any contrary provision of this Agreement, the Performance Shares subject to this Agreement will be forfeited and cancelled automatically as of the date of such termination, and no shares of Common Stock will be issued hereunder.

Notwithstanding the foregoing or any contrary provision in the Plan, if Participant’s employment terminates prior to the Vesting Date as a result of Participant’s death, or the Committee determines that such termination is in connection with Participant’s Retirement (as defined below), or is as a result of Participant’s medically diagnosed permanent physical or mental inability to perform his or her job duties, then the award evidenced by this Agreement will continue in force following the date of such termination, and, subject to any then effective deferral election, a pro-rata portion of the shares of Common Stock underlying the Performance Shares will be issued to Participant (or if applicable his or her estate, heirs or beneficiaries) on the Payout Date, in an amount reflecting the period of Participant’s continued service to the Company from and after the Grant Date through the date of termination of Participant’s service. The Committee will determine the pro-rata portion of the Performance Shares to be paid out under the following formula: Total number of shares of Common Stock issuable on account of attaining the Performance Goals based upon the actual performance results during the Performance Period multiplied by a fraction, the numerator of which is the number of days of service following the Grant Date and occurring during the Performance Period and the denominator of which is the total number of days following the Grant Date through the final day of the Performance Period.

For purposes of this Section 2, “Retirement” means that a Participant having a combined Age and Years of Service (as those terms are defined below) of at least 70 (a) has given the Chief Executive Officer of the Company or his or her designee at least six months prior written notice of such Participant’s retirement; (b) has signed and delivered to the Company an agreement

providing for such restrictive covenants, for a period of two years after such retirement, as may be determined from time to time by the Committee, based on individual facts and circumstances, to be reasonably necessary to protect the Company's interests, (c) has signed and delivered to the Company, within 21 days of the Executive's date of employment termination (or such later time as required under applicable law) a general release agreement of claims against the Company and its affiliates in a form reasonably acceptable to the Committee, which is not later revoked, and (d) voluntarily terminates from service with the Company. The term "Age" of a Participant means (as of a particular date of determination), the Participant's age on that date in whole years and any fractions thereof, and the term "Years of Service" means the number of years and fractions thereof during the period beginning on a Participant's most recent commencement of employment with the Company or a subsidiary or parent of the Company (or such other Company-associated entity as the Committee may determine from time to time) and ending on the date of such Participant's termination of service with the Company or a subsidiary or parent of the Company. The Participant's refusal to meet any of the conditions set forth in (a), (b), (c) or (d) above, or breach of any agreement entered into pursuant to (b) or (c) above, shall constitute a waiver by the Participant of the benefits attributable to Retirement under this Agreement.

Notwithstanding the foregoing, if at any time prior to the Payout Date Participant's service with the Company terminates for Cause, then notwithstanding any contrary provision of this Agreement, the Performance Shares subject to this Agreement will be forfeited and cancelled automatically as of the date of such termination, and no shares of Common Stock will be issued hereunder.

3. *Change in Control.*

(a) In the event of a Change in Control that does not also constitute a "change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation" under Treas. Reg. § 1.409A-3(i)(5), then (i) the Performance Shares subject to this Agreement shall remain outstanding, (ii) the Performance Shares shall continue to be subject to the terms of this Agreement, and (iii) the provisions of the first paragraph of Section 7(b) of the Plan (regarding rights upon a Qualifying Termination) shall not apply to such Performance Shares.

(b) In the event of a Change in Control that is also a "change in the effective control of a corporation" under Treas. Reg. § 1.409A-3(i)(5)(vi), then (i) the Performance Shares subject to this Agreement shall remain outstanding, (ii) the Performance Shares shall continue to be subject to the terms of this Agreement, (iii) the provisions of the first paragraph of Section 7(b) of the Plan shall apply to such Performance Shares, and (iv) such Performance Shares shall be paid out upon the Payout Date based upon the actual level of performance.

(c) In the event of a Change in Control that is also a "change in the ownership of a corporation" under Treas. Reg. § 1.409A-3(i)(5)(v) or a "change in the ownership of a substantial portion of a corporation's assets" under Treas. Reg. § 1.409A-3(i)(5)(vii) (a "Special CIC"), the Performance Shares subject to

this Agreement shall immediately vest and the Participant shall receive, within 10 days of such Special CIC, the consideration (including all stock, other securities or assets, including cash) payable in respect of the Target Number of Performance Shares (or, if greater, the number of Performance Shares based on actual performance from the beginning of the Performance Period until the Special CIC, as reasonably determined by the Committee based on available information) as if they were vested, issued and outstanding at the time of such Special CIC; provided, however, that with respect to Performance Shares that are otherwise subject to a “substantial risk of forfeiture” under Treas. Reg. § 1.409A-1(d) and to the extent permitted by Treas. Reg. § 1.409-3, the Committee may arrange for the substitution for the Performance Shares with the grant of a replacement award (the “Replacement Award”) to Participant of shares of restricted stock of the surviving or successor entity (or the ultimate parent thereof) in such Change in Control, but only if all of the following criteria are met:

(i) Such Replacement Award shall consist of securities listed for trading following such Change in Control on a national securities exchange;

(ii) Such Replacement Award shall have a value as of the date of such Change in Control equal to the value of the Target Number of Performance Shares (or, if greater, the number of Performance Shares based on actual performance from the beginning of the Performance Period until the Special CIC, as reasonably determined by the Committee based on available information), calculated as if the Performance Shares were exchanged for the consideration (including all stock, other securities or assets, including cash) payable for shares of Common Stock in such Change in Control transaction;

(iii) Such Replacement Award shall become vested and the securities underlying the Replacement Award shall be issued to the Participant on the second anniversary of the commencement of the Performance Period or if such Change in Control occurs following that date shall become vested and shall be issued on third anniversary of the commencement of the Performance Period, in either case subject to Participant’s continued employment with the surviving or successor entity (or a direct or indirect subsidiary thereof) through such date, provided, however, that such Replacement Award will vest immediately upon and the securities underlying the Replacement Award shall be issued within 60 days after the date that (i) Participant’s employment is terminated by the surviving or successor entity Without Cause, (ii) Participant’s employment is terminated for Good Reason, (iii) Participant’s death or (iv) Participant’s medically diagnosed permanent physical or mental inability to perform his or her job duties;

(iv) Notwithstanding Section 3(c), such Replacement Award shall vest immediately prior to and the securities underlying the

Replacement Award shall be issued to Participant upon (A) any transaction with respect to the surviving or successor entity (or parent or subsidiary company thereof) of substantially similar character to a Change in Control, or (B) the securities constituting such Replacement Award ceasing to be listed on a national securities exchange, in each case so long as Participant remains continuously employed until such time; and

(v) The Replacement Award or the right to such Replacement Award does not cause the Performance Shares to become subject to tax under Code Section 409A.

Upon such substitution the Performance Shares shall terminate and be of no further force and effect.

4. *Rights as Shareholder.* Participant shall not have any of the rights of a shareholder with respect to the Performance Shares except to the extent that shares of Common Stock on account of such Performance Shares are issued to Participant in accordance with the terms and conditions of this Agreement and the Plan.

5. *No Right to Continued Employment.* Nothing contained in this Agreement shall be deemed to grant Participant any right to continue in the employ of the Company for any period of time or to any right to continue his or her present or any other rate of compensation, nor shall this Agreement be construed as giving Participant, Participant's beneficiaries or any other person any equity or interests of any kind in the assets of the Company or creating a trust of any kind or a fiduciary relationship of any kind between the Company and any such person.

6. *Withholding Taxes.* No later than the date as of which an amount first becomes includible in the gross income of Participant for federal income or employment tax purposes with respect to the Performance Shares, Participant shall pay to the Company or make arrangements satisfactory to the Committee regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. To the extent approved in writing by the Committee, a Participant shall have the right to direct the Company to satisfy the minimum amount (or an amount up to a Participant's highest marginal tax rate as may be permitted under the Plan from time to time provided such withholding does not trigger liability accounting under FASB ASC Topic 718 or its successor) required for federal, state and local tax withholding with Shares, including without limitation Shares otherwise delivered upon exercise of the SARs. The obligations of the Company under the Plan and this Agreement shall be conditional on such payment, and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Participant.

7. *No Fractional Shares.* If any terms of this Agreement call for payment of a fractional Performance Share, the number of Performance Shares issuable hereunder will be rounded down to the nearest whole number.

8. *Non-Transferability of Award.* The Common Stock underlying the Performance Shares shall not be assignable or transferable by Participant prior to their vesting and issuance in accordance with this Agreement, except by will or by the laws of descent and distribution. In

addition, no Performance Shares shall be subject to attachment, execution or other similar process prior to vesting.

9. *Applicability of the Plan.* Except as specifically set forth herein, the Performance Shares are subject to all provisions of the Plan and all determinations of the Committee made in accordance with the terms of the Plan. By executing this Agreement, the Participant expressly acknowledges (i) receipt of the Plan and any current Plan prospectus and (ii) the applicability of the provisions of the Plan to the Performance Shares.

10. *Additional Conditions to Issuance of Performance Shares.* Notwithstanding the occurrence of the Vesting Date or Payout Date, the Company shall not be required to issue any Common Stock underlying the Performance Shares hereunder so long as the Company reasonably anticipates that such issuance will violate federal or state securities law or other applicable law; provided however, that in such event the Company shall issue such Performance Shares at the earliest possible date at which the Company reasonably anticipates that the issuance of the shares will not cause such violation.

11. *Modification; Waiver.* Except as provided in the Plan or this Agreement, no provision of this Agreement may be amended, modified, or waived unless such amendment or modification is agreed to in writing and signed by Participant and by a duly authorized officer of the Company, and such waiver is set forth in writing and signed by the party to be charged, provided that any change that is advantageous to Participant may be made by the Committee without Participant's consent or written signature or acknowledgement. No waiver by either party hereto at any time of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. Participant acknowledges and agrees that the Committee has the right to amend this Agreement in whole or in part from time-to-time if the Committee believes, in its sole and absolute discretion, such amendment is required or appropriate in order to conform the award evidenced hereby to, or otherwise satisfy any legal requirement (including without limitation the provisions of Section 409A of the Code). Such amendments may be made retroactively or prospectively and without the approval or consent of Participant to the extent permitted by applicable law, provided that the Committee shall not have any such authority to the extent that the grant or exercise of such authority would cause any tax to become due under Section 409A of the Code.

12. *Notices.* Except as the Committee may otherwise prescribe or allow in connection with communications procedures developed in coordination with any third party administrator engaged by the Company, all notices, including notices of exercise, requests, demands or other communications required or permitted with respect to the Plan, shall be in writing addressed or delivered to the parties. Such communications shall be deemed to have been duly given to any party when delivered by hand, by messenger, by a nationally recognized overnight delivery company, by facsimile, or by first-class mail, postage prepaid and return receipt requested, in each case to the applicable addresses set forth below:

If to Participant:

to Participant's most recent address on the records of the Company

If to the Company:

Chipotle Mexican Grill, Inc.
610 Newport Center Drive, Suite 1300
Newport Beach, CA 92660
Attn: Sr. Director – Total Rewards

(or to such other address as the party in question shall from time to time designate by written notice to the other parties).

13. *Compensation Recovery.* The Company may cancel, forfeit or recoup any rights or benefits of, or payments to, the Participant hereunder, including but not limited to any Shares issued by the Company following vesting of the Performance Shares under this Agreement or the proceeds from the sale of any such Shares, under any future compensation recovery policy that it may establish and maintain from time to time, to meet listing requirements that may be imposed in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise. The Company shall delay the exercise of its rights under this Section for the period as may be required to preserve equity accounting treatment.

14. *Governing Law.* Except to the extent that provisions of the Plan are governed by applicable provisions of the Code or other substantive provisions of federal law, this Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to the principles of conflicts of law thereof.

CHIPOTLE MEXICAN GRILL, INC.

By: /s/ Neil Flanzraich

By: Neil Flanzraich

Chairman, Compensation Committee

Participant Name

Appendix A to 2019 Performance Share Agreement

Name of Participant: **Participant Name**

Performance Criteria

The performance criteria under this Incentive Award shall be 3 Year CRS Growth (for the period from January 1, 2019 to December 31, 2021) and 3 Year Average RCF Margin (for the period from January 1, 2019 to December 31, 2021), as such terms are defined below.

Performance Goal Table

The number of shares that can be earned under this Incentive Award is equal to the Target Number of Performance Shares multiplied by the percentage determined under the Performance Goal Table set forth below (the “Payout Percentage”).

3 Year Average RCF Margin	3 Year CRS Growth							
	3.50%	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%
19.00%	0%	25%	50%	75%	100%	150%	150%	175%
20.00%	50%	75%	100%	125%	150%	200%	200%	250%
21.00%	75%	100%	125%	150%	200%	250%	250%	300%
22.00%	75%	125%	150%	200%	250%	275%	300%	300%

In no event will any Performance Shares be earned under this Appendix A if either (a) the 3 Year Average RCF Margin is less than 19.0%, or (b) 3 Year CRS Growth is less than 3.5%. In no event may more than 300% of the Target Number of Performance Shares be earned under this Appendix A. If the level of performance for either 3 Year CRS Growth, 3 Year Average RCF Margin or both falls between two stated performance levels in the Performance Goal Table, the Payout Percentage shall be determined under the heading “Interpolation” below.

3 Year CRS Growth

For purposes of the Performance Goal Table under this Appendix A, “3-Year CRS Growth” shall be determined with respect to the three year period beginning on January 1, 2019 using the following formula:

$$[(1+X)*(1+Y)*(1+Z)]^{(1/3)}-1$$

Where:

“X” = the annual percentage change in the Comparable Restaurant Sales for the fiscal year ending December 31, 2019

“Y” = the annual percentage change in Comparable Restaurant Sales for the fiscal year ending December 31, 2020

“Z” = the annual percentage change in Comparable Restaurant Sales for the fiscal year ending December 31, 2021

The following terms shall have the respective meanings set forth below when determining 3-Year CRS Growth:

“Comparable Restaurant” means a restaurant operated under the Chipotle Mexican Grill and/or Pizzeria Locale brands by the Company or its direct or indirect Subsidiaries, beginning in such restaurant’s 13th full calendar month of operations.

“CRS” or “Comparable Restaurant Sales”, with respect to a fiscal year, means the net sales attributable to Comparable Restaurants that are realized during such year, as determined in accordance with generally accepted accounting principles. For avoidance of doubt, net sales from a restaurant shall only be counted after it has become a Comparable Restaurant.

3 Year Average RCF Margin

For purposes of the Performance Goal Table under this Appendix A, “3 Year Average RCF Margin” shall be determined under the following formula:

$$\frac{X + Y + Z}{3}$$

Where:

“X” = the Company’s RCF Margin from restaurant operations for the fiscal year ending December 31, 2019

“Y” = the Company’s RCF Margin from restaurant operations for the fiscal year ending December 31, 2020.

“Z” = the Company’s RCF Margin from restaurant operations for the fiscal year ending December 31, 2021.

“RCF Margin” represents the Company’s total revenue less restaurant operating costs (exclusive of depreciation and amortization), expressed as a percentage of the Company’s total revenue, for the applicable Company fiscal year. RCF Margin shall be determined in accordance with generally accepted accounting principles as in effect on the first day of the applicable Performance Period.

Interpolation

The following rules shall be used to determine the Payout Percentage when the level of performance for either 3 Year CRS Growth, 3 Year Average RCF Margin or both falls between two stated performance levels in the Performance Goal Table:

(1) Determine what the Payout Percentage would have been without interpolation based on the highest actual results achieved and reflected in the Performance Goal Table for 3 Year CRS Growth and 3 Year Average RCF Margin. For example, assume that 3 Year Average RCF Margin is 19.25% and 3-Year CRS Growth is 3.75%. The Payout Percentage with no interpolation would be zero, as the highest achieved level of performance under the Performance Goal Table is 19% for 3 Year Average RCF Margin and 3.5% for 3 Year CRS Growth (with respect to each Performance Criteria, the “Base Achieved Level”).

(2) Calculate the CRS Adjustment Factor as follows:

(a) Determine what the Payout Percentage would have been had positive results in excess of the Base Achieved Level for 3 Year CRS Growth been rounded up to the next highest level of stated performance in the Performance Goal Table (the “CRS Rounded Up Level”). In the example noted in paragraph (1) above, the CRS Rounded Up Level would be 4.0% for 3 Year CRS Growth (3.75% rounded up to 4.0%), and the Payout Percentage based on the CRS Rounded Up Level would be 25% under the Performance Goal Table.

(b) Determine, as a percentage, the extent to which the Company achieved results for 3 Year CRS Growth greater than its Base Achieved Level as compared to its CRS Rounded Up Level, assuming that 3 Year Average RCF Margin equals its Base Achieved Level. In the example noted in Paragraph (1) above, the extent to which 3 Year CRS Growth was attained between its Base Achieved Level and CRS Rounded Up Level was 50%, assuming a Base Achieved Level of 19% for 3 Year Average RCF Margin (3.75% is halfway in between the Base Achieved Level and the CRS Rounded Up Level).

(c) Calculate the CRS Adjustment Factor by (A) multiplying the difference between the percentages in paragraphs (2)(a) and (1) above by the percentage determined in paragraph (2)(b) above, rounded to the nearest tenth of a percent. In the example noted in paragraph (1) above, the CRS Adjustment Factor is 12.5% (i.e., (25% - 0%) multiplied by 50%).

(3) Calculate the RCF Adjustment Factor as follows:

(a) Determine what the Payout Percentage would have been had positive results in excess of the Base Achieved Level for 3 Year Average RCF Margin been rounded up to the next highest level of stated performance in the Performance Goal Table (the “RCF Rounded Up Level”). In the example noted in paragraph (1) above, the RCF Rounded Up Level would be 20% for 3 Year Average RCF Margin (19.25% rounded up to 20%), and the Payout Percentage based on the RCF Rounded Up Level would be 50% under the Performance Goal Table.

(b) Determine, as a percentage, the extent to which the Company achieved results for 3 Year Average RCF Margin greater than its Base Achieved Level as compared to its RCF Rounded Up Level, assuming that 3 Year CRS Growth equals its Base Achieved Level. In the example noted in Paragraph (1) above, the extent to which 3 Year Average RCF Margin was attained between its Base Achieved Level and Rounded Up Level was 25%, assuming a Base Achieved Level of 3.5% for 3 Year CRS Growth.

(c) Calculate the RCF Adjustment Factor by (A) multiplying the difference between the percentages in paragraphs (3)(a) and (1) above by the percentage determined in paragraph (3)(b) above, rounded to the nearest tenth of a percent. In the example noted in paragraph (1) above, the RCF Adjustment Factor is 12.5% (i.e., $(50\% - 0\%)$ multiplied by 25%).

(4) Calculate the Payout Percentage by adding the CRS Adjustment Factor and the RCF Adjustment Factor to the Base Achieved Level from Paragraph (1). In the example noted in paragraph (1) above, the interpolated Payout Percentage would be 25% (i.e. $12.5\% + 12.5\% + 0\%$).

See [Appendix B](#) for additional examples of the interpolation method used to determine Payout Percentages when the level of performance for either 3 Year CRS Growth, 3 Year Average RCF Margin or both falls between two stated performance levels in the Performance Goal Table.

Other Provisions

If the Committee determines after granting an Incentive Award that there has been a change in law or accounting rules, that impacts CRS and/or Restaurant-level Cash Flow Margin as set forth in this Appendix A, the Committee shall modify these measures, in whole or in part, as it deems appropriate and equitable in its discretion for such events that were not determinable or considered at the Grant Date. For the avoidance of doubt, no adjustments otherwise authorized under Section 8 of the Plan shall be made with respect to the Performance Shares except as specifically provided in this [Appendix A](#).

The Target Number of Performance Shares shall be adjusted to prevent the enlargement or dilution of rights under this Award Agreement due to any increase or decrease in issued shares of the Company's Common Stock without consideration consistent with the terms of the Plan.

Performance Shares that are earned under this [Appendix A](#) shall only be issued to the Participant to the extent that the continued employment conditions set forth in the Performance Share Agreement have been satisfied.

Appendix B to 2019 Performance Share Agreement

Set forth below are additional examples illustrating the interpolation method used to determine Payout Percentages when the level of performance for either 3 Year CRS Growth, 3 Year Average RCF Margin or both falls between two stated performance levels in the Performance Goal Table in Appendix A. The numbered steps below refer to the steps described in detail in Appendix A, above.

Example 1

Assume that 3 Year Average RCF Margin is 19.5% and 3-Year CRS Growth is 4.75%.

- (1) The Base Achieved Level is 50%.
- (2) The CRS Adjustment Factor is calculated as follows:
 - (a) The CRS Rounded Up Level would be 5% (4.75% rounded up to 5%), and the Payout Percentage based on the CRS Rounded Up Level would be 75% under the Performance Goal Table.
 - (b) The percentage reflecting the extent to which 3 Year CRS Growth was attained between its Base Achieved Level and CRS Rounded Up Level is 50% (4.75% is halfway in between 4.5% and 5%).
 - (c) The CRS Adjustment Factor is 12.5% (i.e., (75% - 50%) multiplied by 50%).
- (3) The RCF Adjustment Factor is calculated as follows:
 - (a) The RCF Rounded Up Level would be 20% (19.5% rounded up to 20%), and the Payout Percentage based on the RCF Rounded Up Level would be 100% under the Performance Goal Table.
 - (b) The percentage reflecting the extent to which 3 Year Average RCF Margin was attained between its Base Achieved Level and Rounded Up Level was 50% (19.5% is halfway in between 19% and 20%).
 - (c) The RCF Adjustment Factor is 25% (i.e., (100% - 50%) multiplied by 50%).
- (4) The interpolated Payout Percentage would be 87.5% (i.e. 12.5% + 25% + 50%).

Example 2

Assume that 3 Year Average RCF Margin is 20.5% and 3-Year CRS Growth is 6.75%.

- (1) The Base Achieved Level is 200%.
- (2) The CRS Adjustment Factor is calculated as follows:
 - (a) The CRS Rounded Up Level would be 7% (6.75% rounded up to 7%), and the Payout Percentage based on the CRS Rounded Up Level would be 250% under the Performance Goal Table.
 - (b) The percentage reflecting the extent to which 3 Year CRS Growth was attained between its Base Achieved Level and CRS Rounded Up Level is 50% (6.75% is halfway in between 6.5% and 7%).
 - (c) The CRS Adjustment Factor is 25% (i.e., (250% - 200%) multiplied by 50%).
- (3) The RCF Adjustment Factor is calculated as follows:
 - (a) The RCF Rounded Up Level would be 21% (20.5% rounded up to 21%), and the Payout Percentage based on the RCF Rounded Up Level would be 250% under the Performance Goal Table.
 - (b) The percentage reflecting the extent to which 3 Year Average RCF Margin was attained between its Base Achieved Level and Rounded Up Level was 50% (20.5% is halfway in between 20% and 21%).
 - (c) The RCF Adjustment Factor is 25% (i.e., (250% - 200%) multiplied by 50%).
- (4) The interpolated Payout Percentage would be 250% (i.e. 25% + 25% + 200%).

Example 3

Assume that 3 Year Average RCF Margin is 20.9% and 3-Year CRS Growth is 4.9%.

- (1) The Base Achieved Level is 100%.
- (2) The CRS Adjustment Factor is calculated as follows:
 - (a) The CRS Rounded Up Level would be 5% (4.9% rounded up to 5%), and the Payout Percentage based on the CRS Rounded Up Level would be 125% under the Performance Goal Table.
 - (b) The percentage reflecting the extent to which 3 Year CRS Growth was attained between its Base Achieved Level and CRS Rounded Up Level is 80% (4.9% is four-fifths in between 4.5% and 5%).
 - (c) The CRS Adjustment Factor is 20% (i.e., (125% - 100%) multiplied by 80%).
- (3) The RCF Adjustment Factor is calculated as follows:
 - (a) The RCF Rounded Up Level would be 21% (20.9% rounded up to 21%), and the Payout Percentage based on the RCF Rounded Up Level would be 125% under the Performance Goal Table.
 - (b) The percentage reflecting the extent to which 3 Year Average RCF Margin was attained between its Base Achieved Level and Rounded Up Level was 90% (20.9% is nine-tenths in between 20% and 21%).
 - (c) The RCF Adjustment Factor is 22.5% (i.e., (125% - 100%) multiplied by 90%).
- (4) The interpolated Payout Percentage would be 142.5% (i.e. 20% +22.5% + 100%).

Certain information has been excluded from this exhibit because it is not material and would likely cause competitive harm to the company if publicly disclosed. Redacted information is indicated by brackets.

Form of Transformation Incentive PSU Award Agreement

Name of Participant:	Participant Name
Target Number of Performance Shares:	# of Shares
Grant Date:	February 8, 2019
Performance Period:	January 1, 2019 – December 31, 2020

This Performance Share Agreement (“Agreement”) evidences the grant to the Participant by Chipotle Mexican Grill, Inc. (the “Company”) of the right to receive shares of Common Stock of the Company, \$.01 par value per share (“Common Stock”), on the terms and conditions provided for herein pursuant to the Amended and Restated Chipotle Mexican Grill, Inc. 2011 Stock Incentive Plan (the “Plan”). Except as specifically set forth herein, this Agreement and the rights granted hereunder are expressly subject to all of the terms, definitions and provisions of the Plan as it may be amended and restated from time to time. Capitalized terms used in this Agreement and not defined herein shall have the meanings attributed to them in the Plan.

1. *Grant of Performance Shares.* Subject to the terms and provisions of this Agreement and the Plan, the Company hereby grants to Participant the right to be issued shares of Common Stock as provided in this Agreement, including Appendix A hereto (the “Performance Shares”), subject to the following conditions:

(a) Certification by the Committee of the extent to which the Performance Goals set forth on Appendix A have been achieved;

(b) Participant being continuously employed (subject to the provisions of Section 2) with the Company (as defined in the Plan) from the Grant Date through February 8, 2022 (as to 40% of the Performance Shares) and February 8, 2023 (as to the remaining 60% of the Performance Shares); and

(c) The satisfaction or occurrence of any additional conditions to vesting set forth on Appendix A.

The date on which all of the conditions set forth above are satisfied is a “Vesting Date,” and the Company will issue one share of Common Stock for each Performance Share earned and vested to the Participant on the March 15th immediately following each Vesting Date, subject to (i) earlier payment in connection with a Change in Control under Section 3(c) or to the extent administratively practicable following a Vesting Date, or (ii) later payment as permitted without resulting in tax under Section 409A of the Code (the date of such issuance of shares following a Vesting Date, the “Payout Date”).

This Agreement represents the Company's unfunded and unsecured promise to issue Common Stock at a future date, subject to the terms of this Agreement and the Plan. Participant has no rights under this Agreement other than the rights of a general unsecured creditor of the Company.

Subject to the satisfaction of any tax withholding obligations described in Section 6 below, Participant may elect to defer the receipt of any of the shares of Common Stock underlying the Performance Shares by submitting to the Company a deferral election in the form provided by the Company. In the event Participant intends to defer the receipt of Performance Shares, Participant must submit to the Company a completed deferral election form no later than the Final Election Date (as defined below). By submitting such deferral election, Participant represents that he/she understands the effect of any such deferral under relevant federal, state and local tax and social security laws, including, but not limited to, the fact that social security contributions may be due upon a Vesting Date notwithstanding the deferral election. Any deferral election may be amended or terminated prior to the Final Election Date. A deferral election shall become irrevocable on the Final Election Date and any deferral election or revision of a deferral election submitted after the Final Election Date shall be void and of no force or effect. The "Final Election Date" shall be June 30, 2020, provided that in no circumstances will the Final Election Date be later than the date Participant ceases to provide services to the Company or the date that the making of such election causes the Performance Shares to become subject to the tax pursuant to Code Section 409A.

2. *Termination of Employment.* Subject to the provisions that follow in this Section 2 and Section 3, if at any time prior to a Vesting Date Participant's service with the Company terminates, then notwithstanding any contrary provision of this Agreement, the Performance Shares subject to this Agreement will be forfeited and cancelled automatically as of the date of such termination, and no shares of Common Stock will be issued hereunder.

Notwithstanding the foregoing or any contrary provision in the Plan, if Participant's employment terminates prior to the Vesting Date as a result of Participant's death, or the Committee determines that such termination is in connection with Participant's Retirement (as defined below), or is as a result of Participant's medically diagnosed permanent physical or mental inability to perform his or her job duties, then the award evidenced by this Agreement will continue in force following the date of such termination, and, subject to any then effective deferral election, a pro-rata portion of the shares of Common Stock underlying the Performance Shares will be issued to Participant (or if applicable his or her estate, heirs or beneficiaries) on the Payout Date, in an amount reflecting the period of Participant's continued service to the Company from and after the Grant Date through the date of termination of Participant's service. The Committee will determine the pro-rata portion of the Performance Shares to be paid out under the following formula: Total number of shares of Common Stock issuable on account of attaining the Performance Goals based upon the actual performance results during the Performance Period multiplied by a fraction, the numerator of which is the number of days of service following the Grant Date and the denominator of which is the total number of days following the Grant Date through the Vesting Date.

For purposes of this Section 2, "Retirement" means that a Participant having a combined Age and Years of Service (as those terms are defined below) of at least 70 (a) has given the

Chief Executive Officer of the Company or his or her designee at least six months prior written notice of such Participant's retirement, (b) has signed and delivered to the Company an agreement providing for such restrictive covenants, for a period of two years after such retirement, as may be determined from time to time by the Committee, based on individual facts and circumstances, to be reasonably necessary to protect the Company's interests, (c) has signed and delivered to the Company, within 21 days of the Executive's date of employment termination (or such later time as required under applicable law) a general release agreement of claims against the Company and its affiliates in a form reasonably acceptable to the Committee, which is not later revoked, and (d) voluntarily terminates from service with the Company. The term "Age" of a Participant means (as of a particular date of determination), the Participant's age on that date in whole years and any fractions thereof, and the term "Years of Service" means the number of years and fractions thereof during the period beginning on a Participant's most recent commencement of employment with the Company or a subsidiary or parent of the Company (or such other Company-associated entity as the Committee may determine from time to time) and ending on the date of such Participant's termination of service with the Company or a subsidiary or parent of the Company. The Participant's refusal to meet any of the conditions set forth in (a), (b), (c) or (d) above, or breach of any agreement entered into pursuant to (b) or (c) above, shall constitute a waiver by the Participant of the benefits attributable to Retirement under this Agreement.

Notwithstanding the foregoing, if at any time prior to the Payout Date Participant's service with the Company terminates for Cause, then notwithstanding any contrary provision of this Agreement, the Performance Shares subject to this Agreement will be forfeited and cancelled automatically as of the date of such termination, and no shares of Common Stock will be issued hereunder.

3. *Change in Control.*

(a) In the event of a Change in Control that does not also constitute a "change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation" under Treas. Reg. § 1.409A-3(i)(5), then (i) the Performance Shares subject to this Agreement shall remain outstanding, (ii) the Performance Shares shall continue to be subject to the terms of this Agreement, and (iii) the provisions of the first paragraph of Section 7(b) of the Plan (regarding rights upon a Qualifying Termination) shall not apply to such Performance Shares.

(b) In the event of a Change in Control that is also a "change in the effective control of a corporation" under Treas. Reg. § 1.409A-3(i)(5)(vi), then (i) the Performance Shares subject to this Agreement shall remain outstanding, (ii) the Performance Shares shall continue to be subject to the terms of this Agreement, (iii) the provisions of the first paragraph of Section 7(b) of the Plan shall apply to such Performance Shares, and (iv) such Performance Shares shall be paid out upon the Payout Date based upon the actual level of performance.

(c) In the event of a Change in Control that is also a "change in the ownership of a corporation" under Treas. Reg. § 1.409A-3(i)(5)(v) or a "change in the

ownership of a substantial portion of a corporation's assets" under Treas. Reg. § 1.409A-3(i)(5) (vii) (a "Special CIC"), the Performance Shares subject to this Agreement shall immediately vest and the Participant shall receive, within 10 days of such Special CIC, the consideration (including all stock, other securities or assets, including cash) payable in respect of (i) in the event of a Special CIC that occurs prior to the end of the Performance Period, the Target Number of Performance Shares (or, if greater, the number of Performance Shares based on actual performance from the beginning of the Performance Period until the Special CIC, as reasonably determined by the Committee based on available information) or (ii) in the event of a Special CIC that occurs after the end of the Performance Period, the number of Performance Shares based on actual performance, in each case, as if they were vested, issued and outstanding at the time of such Special CIC; provided, however, that with respect to Performance Shares that are otherwise subject to a "substantial risk of forfeiture" under Treas. Reg. § 1.409A-1(d) and to the extent permitted by Treas. Reg. § 1.409-3, the Committee may arrange for the substitution for the Performance Shares with the grant of a replacement award (the "Replacement Award") to Participant of shares of restricted stock of the surviving or successor entity (or the ultimate parent thereof) in such Change in Control, but only if all of the following criteria are met:

(i) Such Replacement Award shall consist of securities listed for trading following such Change in Control on a national securities exchange;

(ii) Such Replacement Award shall have a value as of the date of such Change in Control equal to (i) in the event of a Change in Control that occurs prior to the end of the Performance Period, the value of the Target Number of Performance Shares (or, if greater, the number of Performance Shares based on actual performance from the beginning of the Performance Period until the Special CIC, as reasonably determined by the Committee based on available information) or (ii) in the event of a Change in Control that occurs after the end of the Performance Period, the number of Performance Shares based on actual performance, in each case, calculated as if the Performance Shares were exchanged for the consideration (including all stock, other securities or assets, including cash) payable for shares of Common Stock in such Change in Control transaction;

(iii) Such Replacement Award shall become vested and the securities underlying the Replacement Award shall be issued to the Participant on the applicable Vesting Date, subject to Participant's continued employment with the surviving or successor entity (or a direct or indirect subsidiary thereof) through such date, provided, however, that such Replacement Award will vest immediately upon and the securities underlying the Replacement Award shall be issued within 60 days after the date that (i) Participant's employment is terminated by the surviving or successor entity Without Cause, (ii) Participant's employment is terminated for Good Reason, (iii) Participant's death or (iv) Participant's medically diagnosed permanent physical or mental inability to perform his or her job duties;

(iv) Notwithstanding Section 3(c), such Replacement Award shall vest immediately prior to and the securities underlying the Replacement Award shall be issued to Participant upon (A) any transaction with respect to the surviving or successor entity (or parent or subsidiary company thereof) of substantially similar character to a Change in Control, or (B) the securities constituting such Replacement Award ceasing to be listed on a national securities exchange, in each case so long as Participant remains continuously employed until such time; and

(v) The Replacement Award or the right to such Replacement Award does not cause the Performance Shares to become subject to tax under Code Section 409A.

Upon such substitution the Performance Shares shall terminate and be of no further force and effect.

4. *Rights as Shareholder.* Participant shall not have any of the rights of a shareholder with respect to the Performance Shares except to the extent that shares of Common Stock on account of such Performance Shares are issued to Participant in accordance with the terms and conditions of this Agreement and the Plan.

5. *No Right to Continued Employment.* Nothing contained in this Agreement shall be deemed to grant Participant any right to continue in the employ of the Company for any period of time or to any right to continue his or her present or any other rate of compensation, nor shall this Agreement be construed as giving Participant, Participant's beneficiaries or any other person any equity or interests of any kind in the assets of the Company or creating a trust of any kind or a fiduciary relationship of any kind between the Company and any such person.

6. *Withholding Taxes.* No later than the date as of which an amount first becomes includible in the gross income of Participant for federal income or employment tax purposes with respect to the Performance Shares, Participant shall pay to the Company or make arrangements satisfactory to the Committee regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. To the extent approved in writing by the Committee, a Participant shall have the right to direct the Company to satisfy the minimum amount (or an amount up to a Participant's highest marginal tax rate as may be permitted under the Plan from time to time provided such withholding does not trigger liability accounting under FASB ASC Topic 718 or its successor) required for federal, state and local tax withholding with Shares, including without limitation Shares otherwise delivered upon exercise of the SARs. The obligations of the Company under the Plan and this Agreement shall be conditional on such payment, and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Participant.

7. *No Fractional Shares.* If any terms of this Agreement call for payment of a fractional Performance Share, the number of Performance Shares issuable hereunder will be rounded down to the nearest whole number.

8. *Non-Transferability of Award.* The Common Stock underlying the Performance Shares shall not be assignable or transferable by Participant prior to their vesting and issuance in accordance with this Agreement, except by will or by the laws of descent and distribution. In addition, no Performance Shares shall be subject to attachment, execution or other similar process prior to vesting.

9. *Applicability of the Plan.* Except as specifically set forth herein, the Performance Shares are subject to all provisions of the Plan and all determinations of the Committee made in accordance with the terms of the Plan. By executing this Agreement, the Participant expressly acknowledges (i) receipt of the Plan and any current Plan prospectus and (ii) the applicability of the provisions of the Plan to the Performance Shares.

10. *Additional Conditions to Issuance of Performance Shares.* Notwithstanding the occurrence of the Vesting Date or Payout Date, the Company shall not be required to issue any Common Stock underlying the Performance Shares hereunder so long as the Company reasonably anticipates that such issuance will violate federal or state securities law or other applicable law; provided however, that in such event the Company shall issue such Performance Shares at the earliest possible date at which the Company reasonably anticipates that the issuance of the shares will not cause such violation.

11. *Modification; Waiver.* Except as provided in the Plan or this Agreement, no provision of this Agreement may be amended, modified, or waived unless such amendment or modification is agreed to in writing and signed by Participant and by a duly authorized officer of the Company, and such waiver is set forth in writing and signed by the party to be charged, provided that any change that is advantageous to Participant may be made by the Committee without Participant's consent or written signature or acknowledgement. No waiver by either party hereto at any time of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. Participant acknowledges and agrees that the Committee has the right to amend this Agreement in whole or in part from time-to-time if the Committee believes, in its sole and absolute discretion, such amendment is required or appropriate in order to conform the award evidenced hereby to, or otherwise satisfy any legal requirement (including without limitation the provisions of Section 409A of the Code). Such amendments may be made retroactively or prospectively and without the approval or consent of Participant to the extent permitted by applicable law, provided that the Committee shall not have any such authority to the extent that the grant or exercise of such authority would cause any tax to become due under Section 409A of the Code.

12. *Notices.* Except as the Committee may otherwise prescribe or allow in connection with communications procedures developed in coordination with any third-party administrator engaged by the Company, all notices, including notices of exercise, requests, demands or other communications required or permitted with respect to the Plan, shall be in writing addressed or delivered to the parties. Such communications shall be deemed to have been duly given to any party when delivered by hand, by messenger, by a nationally recognized overnight delivery company, by facsimile, or by first-class mail, postage prepaid and return receipt requested, in each case to the applicable addresses set forth below:

If to Participant:

to Participant's most recent address on the records of the Company

If to the Company:

Chipotle Mexican Grill, Inc.
610 Newport Center Drive, Suite 1300
Newport Beach, CA 92660
Attn: Sr. Director – Total Rewards

(or to such other address as the party in question shall from time to time designate by written notice to the other parties).

13. *Compensation Recovery.* The Company may cancel, forfeit or recoup any rights or benefits of, or payments to, the Participant hereunder, including but not limited to any Shares issued by the Company following vesting of the Performance Shares under this Agreement or the proceeds from the sale of any such Shares, under any future compensation recovery policy that it may establish and maintain from time to time, to meet listing requirements that may be imposed in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act or otherwise. The Company shall delay the exercise of its rights under this Section for the period as may be required to preserve equity accounting treatment.

14. *Governing Law.* Except to the extent that provisions of the Plan are governed by applicable provisions of the Code or other substantive provisions of federal law, this Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to the principles of conflicts of law thereof.

CHIPOTLE MEXICAN GRILL, INC.

By: /s/ Neil Flanzraich

By: Neil Flanzraich

Chairman, Compensation Committee

Participant Name

Appendix A to Transformation Incentive PSU Award Agreement

Performance Criteria

The performance criteria under this Incentive Award are Digital Sales, G&A Expense as a Percentage of Revenue, and the successful completion of 2 initiatives through the stage gate process, as such terms are defined below.

Performance Goals

Target Payout: In order to earn the Target Number of Shares under this Agreement, each of the following goals must be achieved by the end of the Performance Period (as defined in the Performance Share Agreement), on an all or nothing basis:

- **Digital Sales:** Annual Digital Sales for the fiscal year ending December 31, 2020 of at least [_____]
- **G&A Expense (excluding stock compensation expense) as Percentage of Revenue:** [_____] for the fiscal year ending December 31, 2020
- **Strategic Initiatives:** Successful completion [_____] prior to December 31, 2020

For the avoidance of doubt, all three goals outlined above must be achieved for the Performance Goals to be deemed satisfied. If any of the goals is not achieved, the Performance Goals will not be met and no Performance Shares will be earned.

Performance Modifier: If all the goals described above are achieved, then the Participant will have the opportunity to earn an above target payout according to the Performance Goal table below:

2020 Digital Sales	Payout Percentage
<\$[]M (threshold)	0%
\$[]M	100%
\$[]M	200%
≥\$[]M (maximum)	300%

Straight-line interpolation shall be used to determine the Payout Percentage when Digital Sales is between two stated levels in the table.

The following terms shall have the respective means set forth below when determining achievement of the Performance Goals:

- Digital Sales: with respect to a fiscal year, means the net sales, as determined in accordance with generally accepted accounting principles, from digital order ahead, delivery and catering.
- G&A Expense: with respect to a fiscal year, means the general and administrative expenses of the Company, as determined in accordance with generally accepted accounting principles
- Revenue: with respect to a fiscal year, means the net sales attributable to the Company including deferred revenue, as determined in accordance with generally accepted accounting principles.

Other Provisions

If the Committee determines after granting an Incentive Award that there has been a change in law or accounting rules, that impacts Digital Sales and/or G&A Expense as set forth in this Appendix A, the Committee shall modify these measures, in whole or in part, as it deems appropriate and equitable in its discretion for such events that were not determinable or considered at the Grant Date. For the avoidance of doubt, no adjustments otherwise authorized under Section 8 of the Plan shall be made with respect to the Performance Shares except as specifically provided in this Appendix A.

The Target Number of Performance Shares shall be adjusted to prevent the enlargement or dilution of rights under this Award Agreement due to any increase or decrease in issued shares of the Company's Common Stock without consideration consistent with the terms of the Plan.

Performance Shares that are earned under this Appendix A shall only be issued to the Participant to the extent that the continued employment conditions set forth in this Award Agreement have been satisfied.

CERTIFICATION

I, Brian R. Niccol, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chipotle Mexican Grill, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 24, 2019

/s/ Brian R. Niccol

Brian R. Niccol
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, John R. Hartung, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Chipotle Mexican Grill, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 24, 2019

/s/ John R. Hartung

John R. Hartung
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Brian R. Niccol, the Chief Executive Officer of Chipotle Mexican Grill, Inc. (the "Registrant") and John R. Hartung, the Chief Financial Officer of the Registrant, each hereby certifies that, to the best of his knowledge:

1. The Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2019, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition of the Registrant at the end of the period covered by the Periodic Report and results of operations of the Registrant for the periods covered by the Periodic Report.

Date: April 24, 2019

/s/ Brian R. Niccol

Brian R. Niccol
Chief Executive Officer
(Principal Executive Officer)

/s/ John R. Hartung

John R. Hartung
Chief Financial Officer
(Principal Financial Officer)

