

CMG: MCD to Fully Divest Itself by EOY

Current Estimates

EPS Estimates (Before SFAS 123 & ex-one time items)

FY Date	1Q	2Q	3Q	4Q	EPS	EOY P/E
2005	\$0.00	\$0.00	\$0.00	\$0.00	\$1.15	38.4x
2006	\$0.28 E	\$0.18 E	\$0.17 E	\$0.17 E	\$0.81 E	61.4x

*2006FY with options \$0.64E

Source: Onboard Consulting Estimates

Highlights

- After the close Wednesday, Chipotle's largest shareholder, McDonald's, announced that it would sell the remainder of its Chipotle stock by the end of the year. Aside from possible supply pressure, the effect on CMG's stock from this sale is uncertain at this time, and the company has not released any formal statement.
- In our launch piece we noted several potential problems if McDonald's were to divest itself. First, the majority of the company's distribution centers (13 of 16) are owned by MCD. Secondly, though the company is now a tax paying entity, its tax relationship with McDonald's is complex. From our understanding, at deconsolidation (IPO date) the net tax situation will be netted, and the balance due to Chipotle will be due by the end of 2007. Now, this situation may be changed. Finally, McDonald's is providing back-office operations to Chipotle under contract. This event may entail Chipotle forming its own back-office faster than it otherwise would want to.
- Based on the lack of information, we maintain our Buy rating and \$53 price target. We hope that management will release more information on this situation before its earnings release, which it has yet to schedule.

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Rating	
New:	Buy
Old:	Buy
Price Target	
New:	\$53
Old:	\$53

Price	\$51.10
Market Cap.	1854.0m
52wk Range	\$39.51-\$58.00
Div. Yld.	0.0%

2006E	
ROA	6.7%
ROE	8.3%
ROIC	6.9%
BV Per Share	\$10.76
Debt to Cap	0.0%

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Information for Decision Makers

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Research Coverage Universe

Company	4.26.2006	Initiation Price	12-month Target Price
IHOP Corporation (IHOP)	\$47.10	\$47.35	\$46
Chipotle (CMG)	\$51.10	\$45.48	\$53

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Distribution of Rankings Breakdown

	Buy	Neutral	Sell
Companies	50 %	50%	0%

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Company Ranking Time Definition

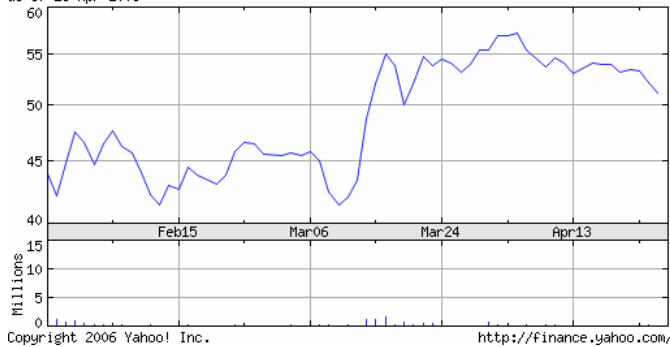
IHP



Initiation 12-26-2005	"Hold" 12-26-2005			
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CMG

CHIPOTLE MEXICAN GRILL INC
as of 26-Apr-2006



Initiation 3-3-2006	"Buy" 3-3-2006			
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