



## Stock Story: Chipotle

### Real food, real growth

Steve Ells, a classically trained chef, founded Chipotle in 1993 with a vision to combine the speed and accessibility of fast food with the quality and integrity of higher-end dining.

His goal was to prove that serving delicious, affordable food made from real, responsibly sourced ingredients could be scalable. Mexican cuisine – naturally aligned with this desire for fresh, simple ingredients and supported by a highly efficient food assembly model – became the obvious choice to meet Ells's vision.

Three decades later, Chipotle has grown into the largest 'fast-casual' dining offering in North America, with over 3,700 stores that generate industry-leading average sales volumes and restaurant operating margins from a simple menu of Mexican burritos, bowls and tacos. Its growth is far from over, with the company targeting new store openings at a rate of between 8% and 10% per annum and seeing a long-term opportunity to nearly double its North American store base from its size today.

In a United States food industry that is increasingly bifurcating between those who embrace transparency, health and sustainability – and those who don't – Chipotle's brand values and industry positioning are more relevant than ever. Earlier this year, the United States Department of Health and Human Services released the 'Make America Healthy Again' (MAHA) report, which seeks to combat rising chronic diseases among children and modernise the US food industry to better align with the regulatory standards of other developed markets. Key actions include reducing ultra-processed foods, eliminating synthetic additives and promoting whole, nutrient-dense ingredients. With

just 53 ingredients on its approved list, Chipotle's food menu has long excluded artificial flavours, colours, preservatives, added hormones and food dyes. It was the first national restaurant chain to commit to using only responsibly raised meat and to set goals for sourcing organic and local produce. While not receiving a perfect score – some consumers still criticise the use of seed oils in cooking or the presence of genetically modified organisms (GMOs) in certain beverages or animal feed – its food quality efforts remain among the most credible and ambitious in the industry.


Chipotle also continues to benefit from the secular rise of Mexican cuisine, a category that offers freshness, flavour and customisability. Chipotle's menu allows for fully personalised meals and emphasises high-protein, minimally processed ingredients, making it attractive to a broad base of health-conscious consumers, including athletes and a new and growing demographic: GLP-1 medication users. These drugs, such as Ozempic and Wegovy, are reshaping American eating habits by curbing appetite and reducing caloric intake. As consumers shift towards fewer but higher-quality meals, Chipotle stands out as a preferred option, especially compared to brands dependent on highly processed, impulse purchases.

We view Chipotle as a high-conviction structural compounder, uniquely positioned as a well-loved brand at the intersection of the consumer preferences, policy trends and medical innovations that are reshaping the US food system. We expect Chipotle, stewarded by strong, forward-looking management, to continue delivering attractive, durable shareholder returns in a changing world as the company progresses towards its goal of 7,000 North America locations.

By Emma Henderson - Investment Analyst

Sources: Company filings

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