

# SHAKE SHACK®



Date: 4/20/2025

Ticker - NYSE: SHAK

Current Price: \$83.22 (4/19/25)

Headquarters: New York, NY

Recommendation: HOLD

Target Price: \$101.85 USD

SHAK Share Price Trend | 2020–2025



We recommend a **Hold** on Shake Shack (SHAK) with a one-year target price of **\$101.85**, suggesting the stock is **fairly valued** at current levels. While the company remains a compelling long-term growth story with a premium brand, unit expansion, and digital-first operations, we believe that upside is limited in the near term due to compressed margins and muted traffic growth.

## Company Snapshot

**Shake Shack operates within the U.S. fast-casual restaurant industry**, part of the broader *Consumer Discretionary* sector, which has shown resilience through digital adoption, premiumization, and experiential dining trends.

The company is classified under the **Restaurants sub-industry** and competes with peers such as Chipotle (CMG), Sweetgreen (SG), Wingstop (WING), and CAVA, all of which operate asset-light, high-growth models.

Shake Shack's NYSE listing (SHAK) and inclusion in the **Hotels, Restaurants & Leisure industry group** position it within a sector known for consumer-driven cyclical, margin sensitivity to input inflation, and growth tied to real estate expansion strategies.

## Valuation Highlights

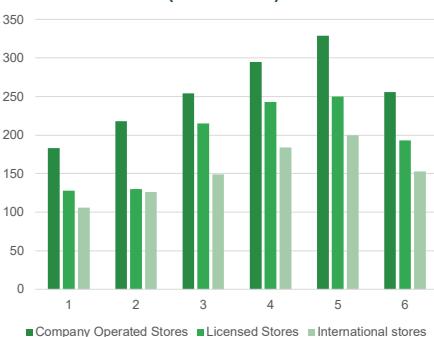
**Growth Strategy Intact but Priced In** - Shake Shack is executing a disciplined expansion plan, targeting 45 new openings in 2025. The strategy includes a mix of company-operated and licensed units across both U.S. and international markets. However, the pace of growth and expected unit economics appear largely baked into the current valuation.

**Tech-Enabled Customer Experience** - Digital adoption (app, kiosk, delivery) is driving higher average check sizes. Shake Shack is leveraging data to personalize marketing and optimize store throughput a key differentiator in the fast-casual segment.

**Valuation Converging with Intrinsic Value** - Our **blended 12-month target price of \$101.85** is derived from a weighted average of DCF (\$103.23), Monte Carlo simulation (mean output), and relative valuation, reflecting a valuation range of \$88–\$110 and supporting a Hold recommendation given the stock's current pricing near intrinsic value.

**Risk Factors Weighing on Upside** - Same-store sales growth remains reliant on pricing, while guest traffic trends are stagnant. Labor cost inflation, commodity volatility, and operational inefficiencies in early-stage stores continue to pressure EBITDA margins. The 0% convertible note due 2028 presents additional dilution risk if the stock materially outperforms.

Shake Shack Store Growth by Type (2019–2024)



## Weighted Target Price

Valuation Method	Per Share Value	Weights	
DCF	103.58	50%	51.78806
Relative Valuation	88.56176813	25%	22.14044
Monte Carlo	111.6888484	25%	27.92221
		Target Price	101.8507

## Business Description

Shake Shack Inc. (SHAK) is a leading fast-casual restaurant chain, renowned for its premium burgers, crinkle-cut fries, chicken sandwiches, frozen custards, and beverages. Headquartered in New York City, the company originated in 2001 as a hot dog cart in Madison Square Park and transitioned to a permanent kiosk in 2004. Shake Shack went public on January 30, 2015, with an initial goal of expanding to 450 locations. As of the end of fiscal year 2024, the company operates 329 company-owned Shacks across 34 U.S. states, along with approximately 200 licensed locations internationally, including in London, Hong Kong, Shanghai, Singapore, Mexico City, Istanbul, Dubai, Tokyo, and Seoul. Shake Shack positions itself in the fast-casual dining segment, offering elevated menu items made with high-quality, responsibly sourced ingredients, such as 100% Angus beef and cage-free eggs. The company emphasizes innovation, community engagement, and a commitment to "Enlightened Hospitality," aiming to provide a welcoming and personalized dining experience.

### Properties:

Shake Shack restaurants are located across a diverse range of high-traffic venues including urban centers, suburban communities, transportation hubs, and lifestyle centers. As of year-end 2024, Shake Shack operated 329 company-owned domestic Shacks and approximately 200 licensed Shacks in international markets, for a total global presence of over 525 locations. The company's licensed operations extend across more than 15 countries, with recent expansions into Canada, Israel, and Malaysia.

Shake Shack's domestic Shacks are strategically positioned in high-volume real estate corridors, including major cities such as New York, Los Angeles, Miami, Chicago, and Dallas. Non-traditional venues, including airports, stadiums, and roadside travel centers, are also key to the brand's growth. These locations typically operate through licensing agreements and contribute meaningfully to revenue and global brand exposure.

In terms of technological integration, many Shacks are now equipped with self-service ordering kiosks, which have become the highest-volume ordering channel. The kiosks allow for streamlined ordering, reduced waiting times, and increased average check sizes. Additionally, most locations support mobile ordering, in-app loyalty integration, and third-party delivery services.

### Strategy:

Shake Shack's strategy is focused on long-term value creation through disciplined growth, operational excellence, and innovation in digital and hospitality experiences. The company's key growth pillars include:

- Expansion:** Shake Shack continues to grow both company-operated and licensed stores globally. In 2024, it opened 76 new restaurants (43 company-operated, 33 licensed), with plans for more in 2025. The long-term goal is 1,500+ company-operated locations, alongside licensed growth through strategic partnerships in high-traffic areas, airports, and international markets.

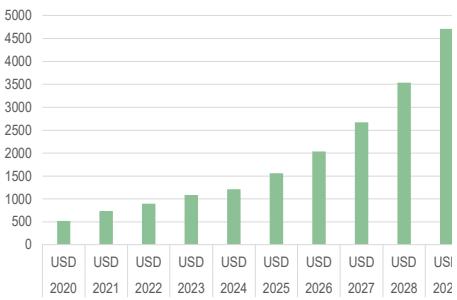
- Digital Innovation:** With over 35% of 2024 sales from digital channels, technology is central to Shake Shack's growth. Key initiatives include:
  - Widespread rollout of in-Shack kiosks (now the largest order channel)
  - Enhancements to the mobile app with loyalty features
  - Integrated delivery systems to streamline operations and improve margins

These tools increase convenience, boost order size, and drive customer retention.

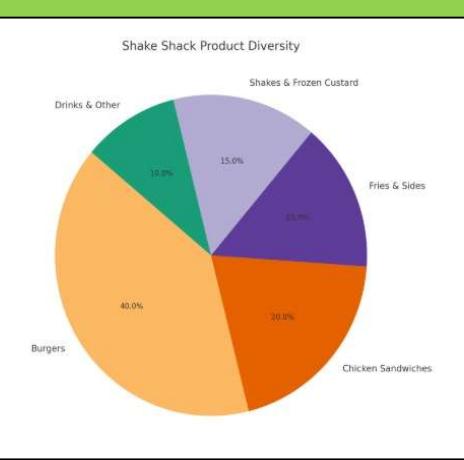
- Culture & Talent:** Shake Shack's "Enlightened Hospitality" approach emphasizes employee development and engagement. The company promotes from within, invests in team incentives, and sees talent as key to delivering best-in-class guest experience.

- Menu Innovation & Brand Differentiation:** Shake Shack boosts traffic and loyalty through seasonal LTOs, premium ingredients, and localized menu innovation. Unique offerings and chef collaborations reinforce its upscale brand in a competitive fast-casual space.

Total Revenue



Shake Shack Product Diversity



## Management & Governance

Shake Shack's executive leadership has played a critical role in guiding the company's transformation from a single hot dog cart in Madison Square Park into a globally recognized fast-casual restaurant brand. The company is led by CEO Randy Garutti, who has served in the role since 2012 and has been with Shake Shack since its earliest days under Union Square Hospitality Group. Garutti brings over 20 years of industry experience and has been instrumental in scaling Shake Shack's domestic footprint, entering international markets, and pioneering digital and drive-thru formats.

Shake Shack's management team is complemented by a diverse group of seasoned executives with deep experience in operations, finance, technology, and brand development. Key members include Katie Fogertey (CFO) and Jay Livingston (CMO), who bring strategic oversight and executional rigor to the company's expansion, financial planning, and brand positioning initiatives. The team has demonstrated strong crisis management, as evidenced by its agile response during the COVID-19 pandemic through rapid deployment of digital channels and operational restructuring.

### Corporate Governance

Shake Shack, a Delaware-incorporated company, maintains a governance structure in line with public market best practices and is compliant with NYSE listing standards. The company emphasizes transparency, board independence, and long-term shareholder value creation.

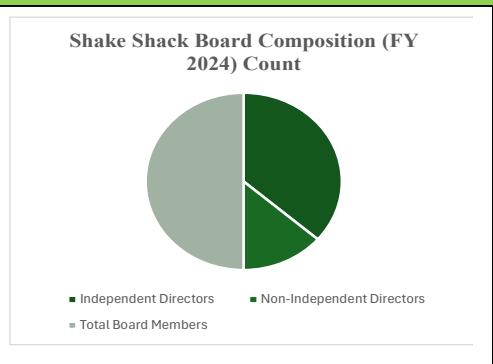
#### Key strengths in Shake Shack's corporate governance include:

- Committees:** Shake Shack has established independent Audit, Compensation, and Nominating & Governance Committees, each comprised entirely of independent directors tasked with overseeing financial integrity, executive compensation, and board structure.
- Board Independence:** A majority of Shake Shack's board members are independent, with directors offering experience across retail, finance, and public markets. The board is chaired by founder Danny Meyer, who continues to serve in a non-executive capacity.
- Shareholder Rights:** Shake Shack follows a "one share, one vote" policy, ensuring equal voting rights for all shareholders. The company also provides regular shareholder communications and engages in proxy voting transparency.
- Code of Ethics:** Shake Shack maintains a published Code of Business Conduct and Ethics that governs all employees and senior executives. It includes guidelines on financial integrity, workplace conduct, and conflict-of-interest mitigation.
- SEC and ISS Governance Assessment:** Using U.S. SEC criteria and ISS Governance QualityScore methodology, Shake Shack receives a "Low Governance Risk" rating. The company maintains board independence, open shareholder rights, and no material takeover defenses. ISS scoring highlights Shake Shack's strong disclosure practices and shareholder protections, with only modest concerns in board tenure and refreshment.

Overall, Shake Shack's leadership team and governance framework reflect a commitment to strategic growth, operational integrity, and shareholder accountability. These structures are designed to support long-term value creation while maintaining transparency and stakeholder trust.

Committee	Responsibility	Members
Audit Committee	Oversees the company's financial reporting and internal controls	Sumaiya Balbale, Jeff Flug, Jeffrey Lawrence, Josh Silverman
Compensation Committee	Responsible for executive officer compensation	Sumaiya Balbale, Chuck Chapman, Anna Fiebler, Jeff Flug, Lori George
Nominating & Corporate Governance	Handles board nominations and oversees corporate governance practices	Chuck Chapman, Lori George, Josh Silverman, Tristan Walker

Criteria	Risk Level
Board Structure	Medium
Shareholder Rights	Low
Compensation	Low
Audit & Risk Oversight	Low



Category	Count
Independent Directors	8
Non-Independent Directors	3
Total Board Members	11

## Industry Overview and Competitive Positioning

### Demand Drivers

Demand for Shake Shack primarily comes from four key customer segments: Urban Professionals, Families, Students, and Tourists. Urban Professionals represent the largest portion, attracted by convenience, premium quality, and digitally enhanced service experiences. Multiple economic factors, such as disposable income levels, consumer spending patterns, urban population growth, and tourism trends, significantly influence Shake Shack's customer base and sales performance (Figure 5). These factors collectively drive consumption in both dine-in and delivery segments, shaping the company's strategic decisions in location selection and menu innovation.

- **Strong U.S. Economic Growth:**

Overall, the U.S. economy continues to show resilience, with GDP growth projected to be around 2.2% for 2024, supported by steady consumer spending despite persistent inflation pressures. Unemployment rates have stabilized at approximately 3.7%, near historic lows, indicating a robust labor market. This positive economic environment typically benefits discretionary spending sectors such as restaurants, especially fast-casual chains like Shake Shack, which cater to higher-income consumers willing to pay premiums for quality ingredients and convenience.

- **Job Growth:**

The strength of the U.S. labor market remains a critical driver of demand for the fast-casual dining industry, including Shake Shack. Job growth continues at a steady pace, with significant gains seen particularly in urban and suburban regions, the primary markets for Shake Shack locations. An increase in employment and wages boosts disposable income, driving consumer confidence and higher spending at restaurants. However, continued labor shortages and wage pressures could pose a challenge, potentially increasing operational costs across the industry, highlighting the importance of Shake Shack's investments in technology-driven efficiencies and employee retention programs.

- **Demographics:**

Population density and growth in metropolitan areas strongly influence demand for Shake Shack. Millennials and Gen Z, who value convenience, quality food, and digital experiences, comprise the core customer base. Rising disposable incomes and urban lifestyle trends further support growth opportunities.

### Consumer & Demand Trends

Evolving consumer preferences are also shaping Shake Shack's competitive strategy:

- **Health & Transparency:**

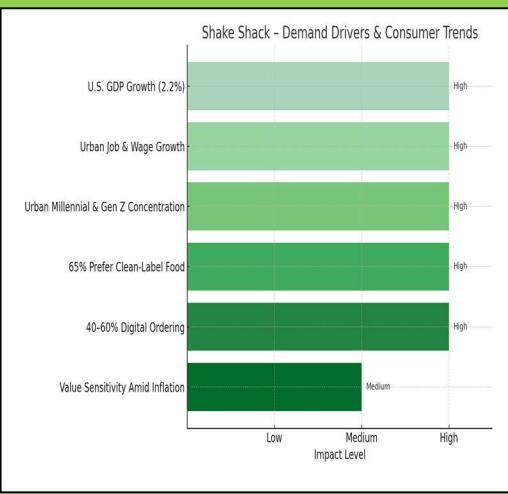
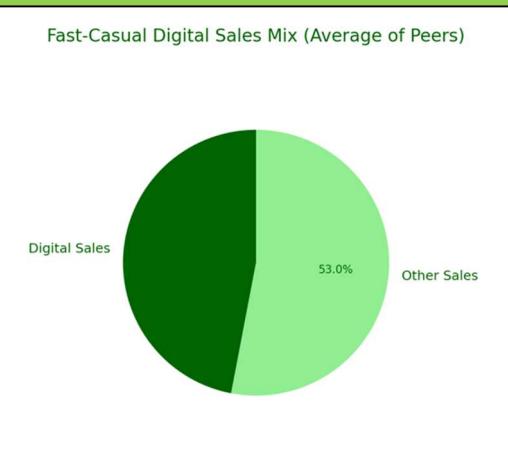
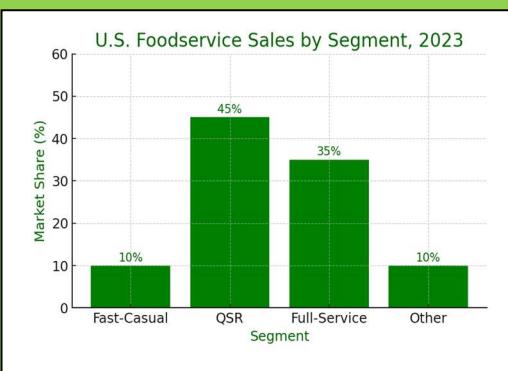
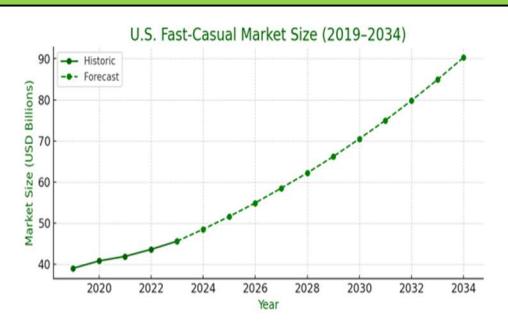
A growing number of consumers nearly 65% are willing to pay a premium for "clean-label" food with transparent nutritional information. Shake Shack's focus on high-quality, responsibly sourced ingredients positions it well within this trend.

- **Digital & Delivery Acceleration:**

Fast-casual brands are seeing 40–60% digital penetration, with mobile ordering, in-store kiosks, and loyalty apps driving higher average order values (AOVs) and repeat purchases. Shake Shack has been an early leader in this space.

- **Value Consciousness:**

Amid sustained inflation, consumers are increasingly value-focused. Brands that effectively balance price, quality, and convenience are gaining market share. Shake Shack's value proposition—premium food with efficient service—positions it competitively in this environment.



Company	Details
Shake Shack (SHAK)	2023 Revenue: 1,252.6M USD Units: ~450 Premium burgers & shakes; seamless digital-first + dine-in
Chipotle Mexican Grill (CMG)	2023 Revenue: 11,313.9M USD Units: ~3,300 Customizable burritos & bowls; industry-leading loyalty program
Wingstop Inc. (WING)	2023 Revenue: 771.0M USD Units: ~2,300 Delivery-heavy chicken wings; franchise-light capex model
Wendy's (WEN)	2023 Revenue: 2,246.5M USD Units: ~7,500 Fresh-never-frozen burgers; value-focused OSR
Cava Group, Inc. (CAVA)	2023 Revenue: 694.2M USD Units: ~230 Mediterranean bowls; rapid unit growth
Sweetgreen Inc. (SG)	2023 Revenue: 839.0M USD Units: ~280 Digitally native salads & grain bowls; sustainability focus

## Competitive Positioning

### Shake Shack (SHAK):

Shake Shack is a fast-casual chain known for its premium burgers, hand-spun shakes, and modern dining experience. With approximately 450 locations in 2023, it blends seamless digital ordering and in-store dining to cater to urban and suburban customers who value quality ingredients and convenience.

### Chipotle Mexican Grill (CMG):

Chipotle is the leading fast-casual burrito chain, offering customizable burritos, bowls, and tacos made from responsibly sourced ingredients. In 2023 it generated \$11.3 billion in revenue across 3,300 units, leveraging an industry-leading loyalty program and a strong digital sales mix.

### Wingstop Inc. (WING):

Wingstop focuses on a delivery-heavy chicken wing concept, with limited menu complexity and high unit economics. In 2023 it reported \$771 million in revenue from ~2,300 locations, benefiting from a franchise-light capex model that accelerates network growth.

### Wendy's (WEN):

Wendy's is a quick-service restaurant (QSR) famous for its "fresh-never-frozen" beef and value-priced menu. Operating roughly 7,500 restaurants in 2023, it achieved \$2.25 billion in revenue by emphasizing value and convenience, making it a direct competitor in the broader burger segment.

### Cava Group, Inc. (CAVA)

Cava is a Mediterranean fast-casual chain offering customizable bowls with premium proteins, dips, and spreads. In 2023, it generated \$694.2 million in revenue across ~230 units, riding a wave of rapid unit growth fueled by its health-focused positioning.

### Sweetgreen Inc. (SG):

Sweetgreen is a digitally native salad chain emphasizing health, sustainability, and tech-enabled service. With ~280 locations and \$839 million in revenue in 2023, it stands out for its farm-to-table supply chain and strong digital penetration.

## Porter's Five Forces

- **Threat of New Entrants – Medium**

While opening a single location requires moderate capital (~\$1M), strong brand equity and prime site selection remain significant barriers to entry.

- **Bargaining Power of Suppliers – Medium-High**

Shake Shack's reliance on premium ingredients gives some pricing power to suppliers, especially in beef. However, long-term contracts help mitigate volatility.

- **Bargaining Power of Buyers – High**

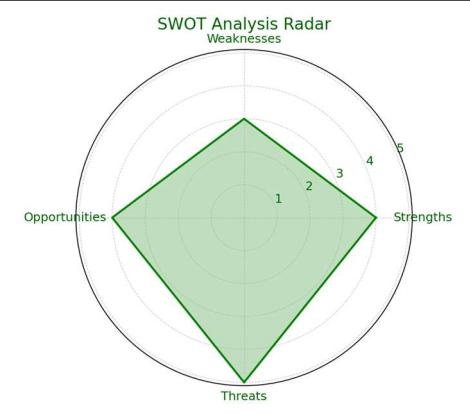
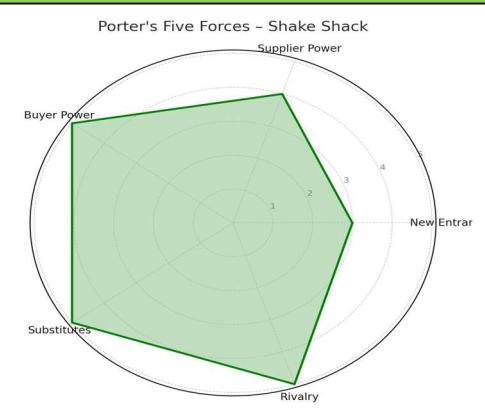
Customers face low switching costs and have easy access to alternative dining options, increasing price sensitivity and brand competition.

- **Threat of Substitutes – High**

Meal kits, grocery prepared foods, and QSR value menus offer convenient, lower-cost alternatives competing for the same wallet share.

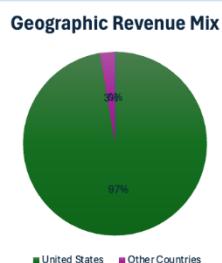
- **Competitive Rivalry – Very High**

The fast-casual space is saturated, with numerous burger and bowl concepts competing for share in Shake Shack's core urban and suburban markets.



## Financial Analysis

For the Fiscal Period Ending	2020	2021	2022	2023	2024	Projected 2025	Projected 2026	Projected 2027	Projected 2028	Projected 2029
<b>Profitability</b>										
Return on Assets%	-3.68	-0.32	-1.40	1.26	0.52	1.63	3.12	4.47	5.83	7.18
Gross Margin %	<b>30.80</b>	<b>33.40</b>	<b>34.80</b>	<b>36.60</b>	<b>37.70</b>	<b>37.38</b>	<b>38.38</b>	<b>39.38</b>	<b>40.38</b>	<b>41.38</b>
EBITDA Margin %	2.90	6.10	5.40	9.50	10.60	11.03	13.53	15.78	18.03	20.28
Total Revenue	<b>-12.10%</b>	<b>41.50%</b>	<b>21.70%</b>	<b>20.80%</b>	<b>16.40%</b>	<b>29.24%</b>	<b>30.24%</b>	<b>31.24%</b>	<b>32.24%</b>	<b>33.24%</b>
<b>Gross Profit</b>										
EBITDA	-77.60%	198.50%	7.40%	114.30%	42.50%	35.13%	59.75%	53.06%	51.09%	49.86%
<b>Leverage ratio</b>										
Return on Equity %	-12.00	-1.40	-5.30	4.60	1.90	6.86	14.61	21.56	27.08	30.78
Current ratio	<b>1.9x</b>	<b>3.4x</b>	<b>2.3x</b>	<b>2.0x</b>	<b>2.0x</b>	<b>1.95x</b>	<b>1.89x</b>	<b>1.83x</b>	<b>1.78x</b>	<b>1.72x</b>
Quick Ratio	1.8x	3.3x	2.2x	1.9x	1.9x	1.87x	1.82x	1.76x	1.71x	



The ratios chart above reveals Shake Shack's prospects are certainly moving forward; they seem to have recovered from Covid 19 pandemic. A review of company's performance from 2020 to 2024 and presents a forward-looking forecast through 2029, reveals a successful implementation of the strategies to improve cost efficiency, track and forecast the expenses, maintain brand quality and enhance guest experience. Additionally, the company has developed a balanced portfolio of restaurant formats that allows them to maximize potential across markets. The analysis focuses on key financial ratios, revenue trends, margins, liquidity, and leverage, offering insights into the company's financial health and strategic direction.

The ratios chart above reveals Shake Shack's prospects are certainly moving forward; they seem to have recovered from Covid 19 pandemic. A review of company's performance from 2020 to 2024 and presents a forward-looking forecast through 2029, reveals a successful implementation of the strategies to improve cost efficiency, track and forecast the expenses, maintain brand quality and enhance guest experience. Additionally, the company has developed a balanced portfolio of restaurant formats that allows them to maximize potential across markets. The analysis focuses on key financial ratios, revenue trends, margins, liquidity, and leverage, offering insights into the company's financial health and strategic direction.

### Performance Highlights

The revenue trajectory showcases a robust recovery; forward projections estimate 29-33% annual revenue growth through 2029 which is driven by store expansion and improved digital sales. Growth can be seen in the gross margin of approximately 7.7% increase from 2020 till 2024, signaling better cost management and pricing strategy. EBITDA margin tripled, showcasing operational scalability. Current and Quick Ratio both metrics have improved gradually over the forecast horizon. Both the ratios have been more consistent since 2023, reflecting strong short term financial health of the company. Whereas return on equity showed improvement from negative percentage in 2020 to growth of 1.9% in 2024, with projections reaching to 5.24% in 2029 driven by margin expansion and net income recovery, also symbolizes strategic equity utilization as margins expand and earnings improve.

Moreover, return on assets showed a modest trend at the start, but transitioned from negative -3.68% to positive .52% by 2024, with projections of approximately 7.18% by 2029 indicating improvement in asset and profitability. The top line growth of Shake Shack has been outstanding with a sharp contraction of -12.1% in 2020 to 41.5% in 2024 and projections depict that it will maintain healthy double-digit growth thereafter. A notable growth level has been emphasized on digital and licensed channels, with strategic partnerships like Delta Airlines in FY2024. This alliance offers brand visibility to new consumer segments and aligns with their broader global brand recognition.

Shake Shack does not currently pay dividends and has never declared one since going public. They believe in retaining the earnings for reinvestment into high growth opportunities, particularly new store development, global expansion, technology upgrade and many more. Investors are primarily rewarded through capital appreciation rather than dividend income.



by margin expansion and net income recovery, also symbolizes strategic equity utilization as margins expand and earnings improve. Moreover, return on assets showed a modest trend at the start, but transitioned from negative -3.68% to positive .52% by 2024, with projections of approximately 7.18% by 2029 indicating improvement in asset and profitability. The top line growth of Shake Shack has been outstanding with a sharp contraction of -12.1% in 2020 to 41.5% in 2024 and projections depict that it will maintain healthy double-digit growth thereafter. A notable growth level has been emphasized on digital and licensed channels, with strategic partnerships like Delta Airlines in FY2024. This alliance offers brand visibility to new consumer segments and aligns with their broader global brand recognition.

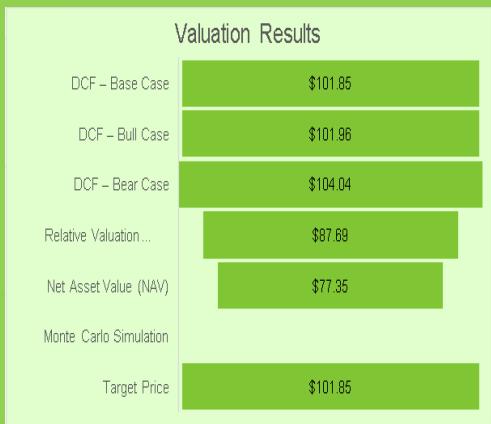
Shake Shack does not currently pay dividends and has never declared one since going public. They believe in retaining the earnings for reinvestment into high growth opportunities, particularly new store development, global expansion, technology upgrade and many more. Investors are primarily rewarded through capital appreciation rather than dividend income.

### Revenue by geography

The company has shown a significant growth both in U.S. and Internationally with a revenue from the United States of America being the dominant contributor. The breakdown as shown in graph, shows a strong increase in revenue from 2024 from U.S. operations and it will continue to do so, as per the reports, shack is about to open approximately 45 company operated and 35-40 licensed stores in 2025. Also, a significant portion of profits are derived from company operated business, while a smaller portion but meaningful contribution comes from licensed operations. Their expansion efforts align with their broader strategic vision of building a culture of leaders, optimize restaurant operations, increase guest frequency, achieve best-in-class returns, accelerated license business, also invest in long term strategic capabilities.

### Share price performance

The price has been considerably volatile but has trended positively, especially in 2024. The comparison in the graph shows the share price in 2024 has outperformed the S&P500 index, reflecting investor confidence in the company's recovery and future growth prospects. While, few years showed some volatility, 2024 marked a stronger recovery, which aligns with the company's solid financial



## Valuation

### Valuation Price Target: \$101.85

### Recommendation: Hold

We derive a target price for Shake Shack (SHAK) through a multi-pronged valuation approach, incorporating Discounted Cash Flow (DCF), Relative Valuation using peer multiples, a Net Asset Value (NAV) model, and a Monte Carlo Simulation to assess valuation sensitivity across a distribution of assumptions.

#### DCF Model

Our primary valuation methodology is a five-year DCF model, using projected unlevered free cash flows and terminal value derived via the Gordon Growth method. The model assumptions reflect Shake Shack's planned expansion, forecasted margin improvement, and strategic investments in digital channels and store format innovations.

- Base Case Assumptions: WACC of 13.26%, terminal growth rate of 2.00%.
- Bull Case: Upside in EBITDA margins and sustained growth momentum yield a WACC of 13.64%, maintaining the same terminal growth.
- Bear Case: Assumes pressure on margins and slower revenue growth, using a lower WACC of 13.15%.

A discounted cash flow analysis was used to estimate the intrinsic value of SHAK share price due to the predictability of cash flows in relation to growth and profitability.

The DCF is most sensitive to the following factors, the derivations of which are explained below:

## YTM: WACC Calculation

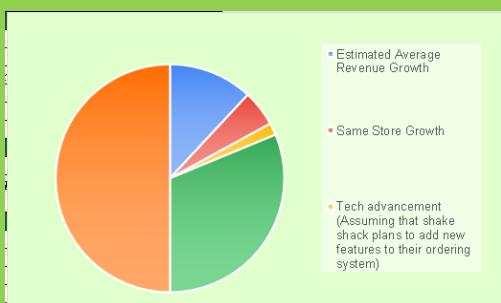
Risk Free Rate	3.50%
S&P 500 Adjusted Beta	1.81
ERP	5.91%
Cost of Equity	14.20%
Cost of Debt	1.49%
Weight of Debt	0.067683144
Weight of Equity	0.932316856
WACC	13.34%

Source: Team Calculations

## Bull: WACC Calculation

Risk Free Rate	3.50%
S&P 500 Adjusted Beta	1.81
ERP	5.91%
Cost of Equity	14.20%
Cost of Debt	6.66%
Weight of Debt	0.067683144
Weight of Equity	0.932316856
WACC	13.69%

Source: Team Calculations



## Revenue Growth

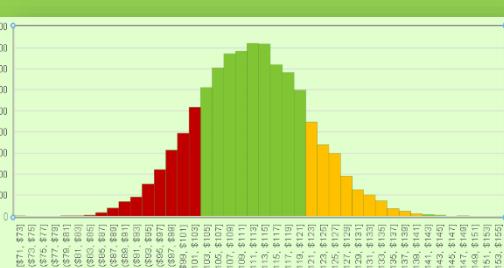
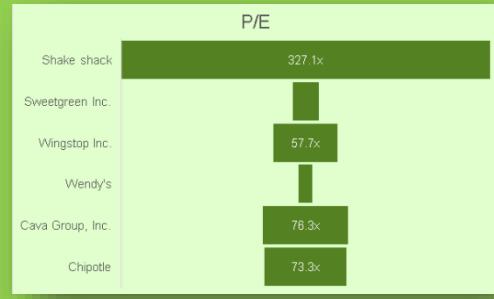
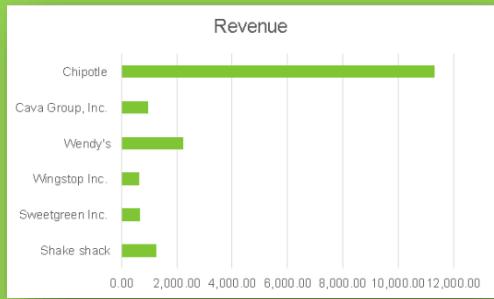
Revenue growth for Shake Shack is primarily driven by an expanding store footprint, increasing same-store sales, menu innovation, and enhanced digital channel monetization. SHAK has demonstrated consistent top-line growth over the past several years through a combination of new unit development and positive comp sales. Moving forward, with store count expected to exceed 600 by 2030 and average unit volumes (AUVs) rising due to operational efficiencies, the company is poised to sustain robust growth. Our base case assumes a 5-year compound annual revenue growth rate (CAGR) of 18.27%

Shake Shack's revenue expansion is underpinned by a multi-faceted growth strategy that includes aggressive new unit development, steady same-store sales growth, ongoing menu innovation, and continued digital and omnichannel integration. Historically, SHAK has demonstrated resilient top-line performance through a combination of organic growth and strategic footprint expansion.

Looking ahead, the company is targeting over 600 stores by 2030, with both domestic company-operated and international licensed formats contributing meaningfully. Our base case forecasts a 5-year revenue CAGR of 18.27%, supported by the following key assumptions:

- Store expansion: A blended unit growth rate of 6.7%, derived from company-operated, licensed, and international store development projections.
- Same-store sales growth: Modeled at 3%, consistent with historical performance and industry benchmarks.
- Digital and operational enhancements: Expected to contribute an additional 1% to growth, driven by continued investment in Shake Shack's app, kiosks, and drive-thru formats.

Taking together, these components yield a consolidated annual revenue growth estimate of 29.24%, which serves as the basis for our forward-looking free cash flow forecasts in the DCF model.



Variables	Mean	SD	Simulated
Revenue Growth %	33.24%	3.00%	30.54%
Operating margin	13.26%	2.50%	11.64%
D&A	7.43%	0.50%	6.70%
Capex	2.96%	1.25%	2.85%
WACC	13.34%	0.50%	13.12%
Terminal growth	2.00%	0.30%	2.64%

## Terminal Growth

As the business matures and store expansion slows, Shake Shack's long-term terminal growth is expected to normalize in line with broader economic indicators. We apply a terminal growth rate of 2.0% in our 10-year DCF model, in line with projected long-term U.S. inflation. This reflects a deceleration from the double-digit near-term growth profile and incorporates expectations of slowing unit expansion in out-years once core markets reach saturation.

## Relative valuation

We utilize a relative valuation framework centered on the EV/EBITDA multiple, which is a preferred metric in the restaurant industry due to its comparability across companies with differing capital structures and levels of leverage. This approach is particularly relevant for Shake Shack, which continues to reinvest a sizeable portion of its operating cash flow into high-growth expansion initiatives.

Our peer set includes a blend of fast-casual and quick-service restaurant (QSR) operators: Chipotle (CMG), Wingstop (WING), CAVA Group (CAVA), Sweetgreen (SG), and Wendy's (WEN). These companies were selected based on similarity in unit-level economics, growth trajectories, and brand

Shake Shack Relative Valuation			
Implied EV	1506.90	7829.00	4612.33
Net Debt		882.63	882.63
Implied Market Value		624.27	6946.37
Shares O/S		42.53	42.53
<b>Implied Value Per Share</b>	<b>14.68</b>	<b>163.32</b>	<b>87.69</b>

We base our analysis on the following considerations:

- The narrow dispersion in peer EV/EBITDA multiples, ranging from 12.6x to 163.1x, with a median of 39.1x, offering a reliable benchmark for valuation.
- The consistency and reliability of EBITDA as a pre-depreciation, pre-interest proxy for operating cash flows, especially useful for high-growth, asset-light restaurant models.
- The alignment of Shake Shack's current growth phase and operating margins with peers like CAVA and Chipotle, which trade at elevated multiples due to brand strength and scalability.
- Applying the median EV/EBITDA multiple of 39.1x to Shake Shack's forecasted EBITDA of \$118 million results in an implied enterprise value of approximately \$4.61 billion. Adjusting for net debt of \$862.63 million and dividing by the 42.53 million shares outstanding, we arrive at an implied equity value of \$87.69 per share.

This represents a modest premium of 5.3% over the current market price of \$83.22, and while not a standalone buy signal, it reinforces the upside case supported by our DCF and Monte Carlo analyses. It further validates our Buy recommendation on the stock within the context of peer comparable.

## Monte Carlo Simulation

To evaluate the robustness of our valuation and account for uncertainty in key forecast drivers, we conducted a Monte Carlo simulation consisting of 10,000 trials. The simulation applied probability distributions to Shake Shack's most critical valuation inputs, including revenue growth, operating margins, capital expenditures, depreciation & amortization, WACC, and terminal growth.

This probabilistic approach reinforces the credibility of our DCF valuation by confirming that the majority of outcomes suggest meaningful upside relative to the current market price of \$83.22. Moreover, the tight clustering around the \$112 mark indicates low volatility in valuation under a wide range of assumptions, strengthening the investment case for Shake Shack.

The \$103.50 target price for Shake Shack is primarily derived from our 5-year Discounted Cash Flow (DCF) model, supported by a Monte Carlo simulation with 10,000 trials. This target is reinforced by our bull and bear DCF scenarios, a relative valuation using peer EV/EBITDA multiples, and a Net Asset Value (NAV) model. Each of these valuation methodologies incorporates market conditions, historical performance, unit-level economics, and macroeconomic inputs to ensure a robust and comprehensive valuation.

Metric	Buy Case Estimate
Mean Valuation	\$112.00
25th Percentile	\$94.10
75th Percentile	\$129.70

The Monte Carlo simulation yields a mean per-share value of \$112.04, suggesting additional upside potential beyond our base DCF of \$87.69, while NAV-based modeling indicates a floor around \$77.35 per share. Relative valuation supports a more conservative price per share. These results together produce a valuation range of \$77 to \$115, with the base case achieving our target.

At the current market price of \$83.22, our target implies a potential upside of ~24.4%, supporting a HOLD recommendation. While Shake Shack does not currently pay a dividend, capital appreciation toward our target provides a compelling return profile for long-term investors. Given SHAK's strong brand, scalable store format, and margin expansion trajectory, we believe stock is undervalued relative to its intrinsic potential.

#### Recommendation: Hold

Our Hold recommendation is based on the view that Shake Shack's current market price of \$83.22 adequately reflects the company's near-term growth potential, margin profile, and expansion strategy. While our intrinsic valuation indicates moderate upside—with a target price of \$103.50 based on a DCF and a Monte Carlo-supported range of \$77-\$115—we believe much of the forward-looking optimism is already priced in.



The base case assumes a robust 5-year revenue CAGR of 18.27%, supported by aggressive store growth, modest same-store sales improvement, and continued digital penetration. However, meaningful multiple expansion or earnings re-rating would likely require acceleration in operating margins and evidence of sustained profitability across new formats such as drive-throughs and kiosks—factors that remain unproven at scale.

#### Buy Scenario Sensitivity

We estimate that a Buy recommendation would be warranted if:

- Shake Shack could sustain a 5-year CAGR above 22% while simultaneously expanding EBITDA margins.
- The stock was to trade below \$75, implying a 15% margin of safety to our base case valuation.
- Management could demonstrate consistent unit-level economics in underpenetrated regions (e.g., Midwest expansion, suburban drive-thru models).

Under such conditions, the risk-reward profile would improve materially, particularly if supported by a receipt in systemwide same-store sales or favorable input cost trends.

Until these catalysts materialize, we view SHAK as valued. The current price already implies aggressive growth expectations, limiting further upside in the absence of margin acceleration or strategic surprises.

Shake Shack Board Independence Table			
	Board	Independent	Tenure
1	Randy	No	1200.00%
2	Jeff Flug	Yes	500.00%
3	Sumaiya	Yes	300.00%
4	Jonathan D.	No	1000.00%
5	Daniel	No	2000.00%

## Sensitivity Analysis

Sensitivity Analysis								
WACC								
Terminal Growth Rate	103.58	12.96%	13.06%	13.16%	13.34%	13.36%	13.46%	13.56%
	1.25%	99.24	98.83	98.43	97.70	97.62	97.22	96.83
	1.50%	101.04	100.62	100.21	99.47	99.39	98.98	98.57
	1.75%	102.91	102.49	102.06	101.31	101.23	100.81	100.40
	2.00%	104.87	104.44	104.00	103.23	103.15	102.73	102.30
	2.25%	106.92	106.47	106.03	105.25	105.16	104.73	104.30
	2.50%	109.06	108.61	108.16	107.35	107.27	106.82	106.38

To assess the impact of key valuation assumptions on Shake Shack's intrinsic value, we conducted a two-way sensitivity analysis varying the Weighted Average Cost of Capital (WACC) and Terminal Growth Rate (TGR). These two inputs significantly influence the terminal value in a DCF, which in turn heavily affects the total enterprise value for growth-stage companies like Shake Shack.

### Assumptions Tested:

WACC Range: 12.96% to 13.56%

Terminal Growth Rate Range: 1.25% to 2.50%

- Key Findings: At our base case assumptions (WACC of 13.34% and TGR of 2.00%), the implied per-share value is \$103.23.
- Increasing the terminal growth rate to 2.50% while holding WACC constant at 13.34% increases the share value to \$107.35.
- Conversely, a decrease in TGR to 1.25% under the same WACC assumption drops the valuation to \$97.70.
- A more optimistic WACC of 12.96% with the highest tested TGR of 2.50% yields the highest share value in the table: \$109.06.

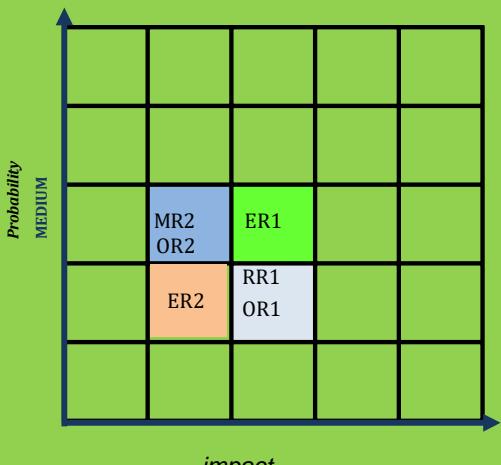
The lowest scenario — a combination of the highest WACC (13.56%) and the lowest terminal growth (1.25%) — results in a valuation of \$96.83, still close to current trading levels.

### Interpretation:

This sensitivity matrix illustrates that Shake Shack's valuation is moderately sensitive to both WACC and terminal growth assumptions, but not overly volatile. The valuation range stays between \$96.83 and \$109.06, suggesting a robust core valuation even under less favorable assumptions. This limited downside and visible upside reinforce the case for a Hold recommendation, with potential to upgrade should key catalysts (margin expansion, accelerated comp sales) materialize.

Sensitivity Analysis								
WACC								
Revenue Growth Rate	103.58	12.96%	13.06%	13.16%	13.26%	13.36%	13.46%	13.56%
	26.24%	103.58	103.58	103.58	103.58	103.58	103.58	103.58
	27.24%	103.58	103.58	103.58	103.58	103.58	103.58	103.58
	28.24%	103.58	103.58	103.58	103.58	103.58	103.58	103.58
	29.24%	103.58	103.58	103.58	103.58	103.58	103.58	103.58
	30.24%	103.58	103.58	103.58	103.58	103.58	103.58	103.58
	31.24%	103.58	103.58	103.58	103.58	103.58	103.58	103.58

In addition to testing sensitivity to terminal growth assumptions, we also analyzed the effect of varying revenue growth rates against changes in the WACC. Surprisingly, across a wide range of revenue growth inputs (from 26.24% to 31.24%) and WACC values (from 12.96% to 13.56%), the implied share price consistently remained at \$103.58. This outcome reflects the robustness of our forecast assumptions and indicates that within this range, the DCF valuation is not materially sensitive to small variations in top-line growth. The flat matrix underscores that other valuation drivers—such as margin expansion, capital expenditures, or cost of capital—may exert more influence on Shake Shack's intrinsic value than moderate changes in revenue growth alone. This finding reinforces the credibility of our base case model and strengthens the reliability of our target price of \$103.50 under varied yet realistic market assumptions.



### Investment Risk

While Shake Shack does not carry significant floating-rate debt exposure in the near term, a sharp rise in interest rates would impact the company's future borrowing costs, increase lease obligations through inflation adjustments, and reduce the attractiveness of growth investments. This would constrain access to capital for continued unit expansion, especially in high-cost urban markets.

#### Menu Labeling & Nutritional Compliance (RR1)

As a publicly traded restaurant chain operating across multiple states and jurisdictions, Shake Shack is subject to evolving federal and local food labeling laws, such as those under the FDA's menu labeling requirements. Any tightening of nutritional disclosure regulations, particularly related to calorie, sodium, or allergen information, may necessitate menu modifications or operational adjustments, potentially impacting customer experience and cost structure.

#### Consumer Sentiment and Discretionary Spending Cycles (MR2)

Shake Shack operates in the consumer discretionary space, making it sensitive to shifts in macroeconomic sentiment. In the event of a recession or slowdown in wage growth and employment levels, discretionary food-away-from-home spending may decline, impacting same-store sales growth. Given SHAK's premium positioning, it is more vulnerable to downtrading trends compared to value-based QSR peers. Illiquid Real Estate Market (MR 2)

#### Economic Risks

##### Input Cost Inflation and Supply Chain Pressure (ER1)

Shake Shack's margins are susceptible to increases in commodity prices, particularly beef, dairy, and packaging, as well as labor inflation in major urban centers. A prolonged cost surge could reduce restaurant-level margins unless offset by price increases, which carry competitive risk. Furthermore, continued disruptions in supply chain logistics could delay new store builds or limit menu flexibility.

##### Real Estate Saturation Risk in Core Markets (ER2)

While the U.S. store count is projected to scale rapidly, real estate saturation in core coastal markets such as NYC, LA, and Miami may constrain site selection and elevate occupancy costs. This could reduce returns on capital for new builds unless mitigated by strategic expansion into secondary markets or non-traditional formats (e.g., airports, drive-throughs, suburban hubs).

#### Operational Risks

##### Execution Risk in Format Innovation (OR1)

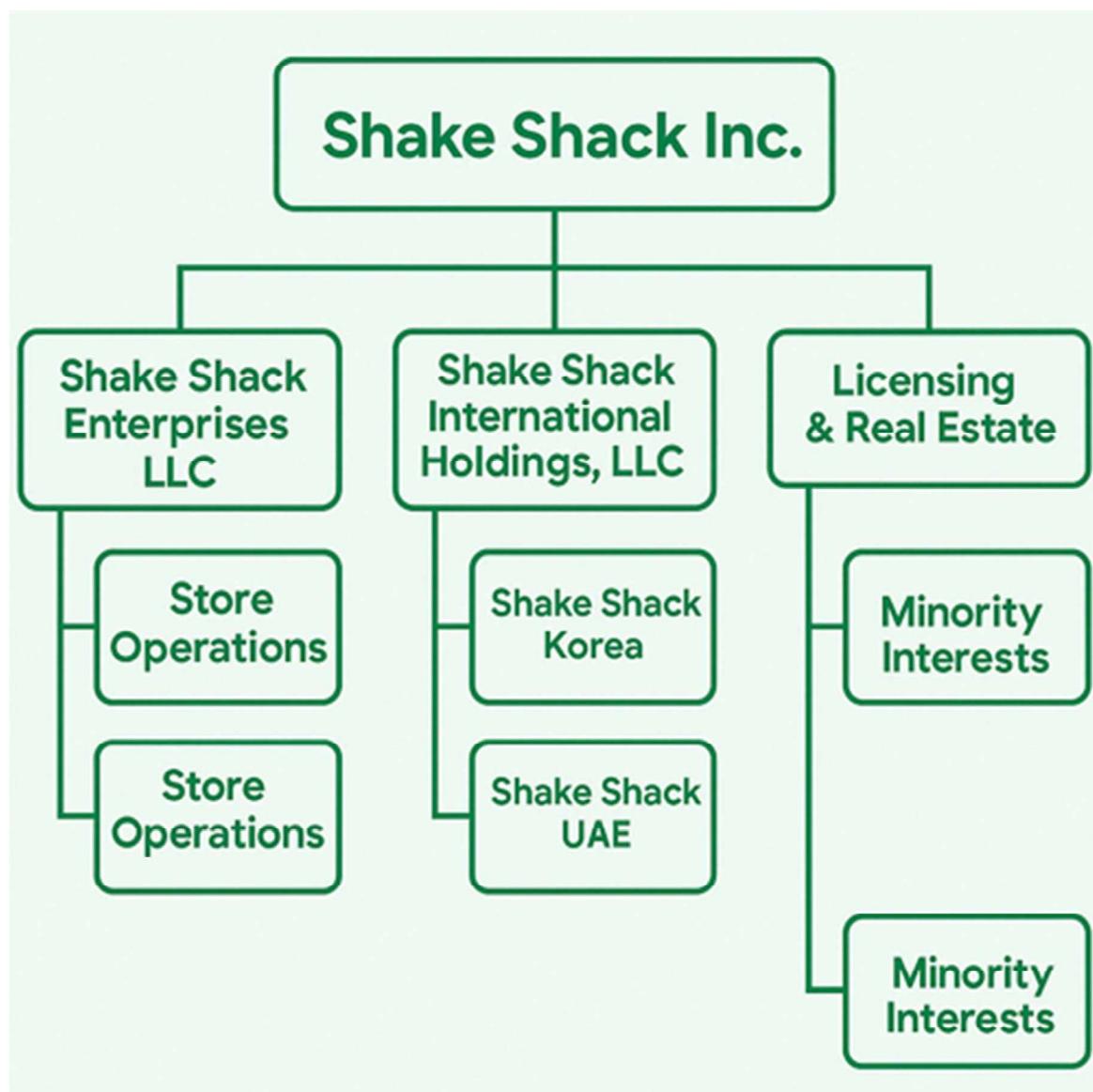
Shake Shack's expansion strategy increasingly relies on new store formats (e.g., drive-thru, digital-only, kiosk-heavy). There is risk that these formats may not yield the same throughput or unit-level margins as traditional stores. Additionally, operational complexity may increase with growing geographic dispersion, requiring enhanced supply chain coordination and localized marketing.

##### Talent Retention and Workforce Volatility (OR2)

Labor availability and wage competitiveness remain key risks for SHAK, particularly in tight labor markets. The brand's hospitality-driven culture depends heavily on staff engagement and consistent execution. Any failure to attract, train, and retain store-level employees could result in service quality deterioration and limit growth scalability.

Risk	Mitigation Strategy
Menu Labeling & Compliance	Compliance with FDA & local labeling laws
Interest Rate Sensitivity	Maintain capital-light model; preserve liquidity
Consumer Spending Cycles	Flexible pricing strategy; diversify store locations
Input Cost Inflation	Long-term supplier contracts; menu engineering
Real Estate Saturation	Expand into suburban & drive-thru formats
Format Execution Risk	Pilot test new formats; phased rollouts
Workforce Volatility	Incentivized training programs; wage benchmarking

## Appendix A: SHAK Organizational Chart



## Appendix B: Pre-Simulation Historical and Projected Income Statement

### Forecasted Income Statement

For the Fiscal Period Ending	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Currency	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Revenue	522.9	739.9	900.5	1,087.5	1,210.2	1564.06	2037.03	2673.40	3535.31	4710.45
Revenue Growth Rate		41.50 %	21.71 %	20.77%	11.28%	29.24%	30.24%	31.24%	32.24%	33.24%
Other Revenue	-	-	-	-	-					
<b>Total Revenue</b>	<b>522.9</b>	<b>739.9</b>	<b>900.5</b>	<b>1,087.5</b>	<b>1,210.2</b>	<b>1564.06</b>	<b>2037.03</b>	<b>2673.40</b>	<b>3535.31</b>	<b>4710.45</b>
Cost Of Goods Sold	361.7	492.6	587.5	689.1	754.1	979.43	1255.24	1620.64	2107.78	2761.30
	69.17 %	66.58 %	65.24 %	63.37%	62.31%	62.62%	61.62%	60.62%	59.62%	58.62%
<b>Gross Profit</b>	<b>161.1</b>	<b>247.3</b>	<b>313</b>	<b>398.4</b>	<b>456.1</b>	<b>584.64</b>	<b>781.80</b>	<b>1052.77</b>	<b>1427.53</b>	<b>1949.15</b>
Selling General & Admin Exp.	64.3	87	120	126.1	140.4	171.54	203.05	239.75	281.69	328.21
	12.30 %	11.76 %	13.33 %	11.60%	11.60%	10.97%	9.97%	8.97%	7.97%	6.97%
Pre-Opening Costs	8.6	13.3	15.1	19.2	15.6	25.09	27.58	29.52	30.19	28.45
	1.64%	1.80%	1.68%	1.77%	1.29%	1.60%	1.35%	1.10%	0.85%	0.60%
R & D Exp.	-	-	-	-	-	0				
Depreciation & Amort.	48.8	59	72.8	91.2	101.2	131.82	166.59	211.94	271.44	349.89
	9.33%	7.97%	8.08%	8.39%	8.36%	8.43%	8.18%	7.93%	7.68%	7.43%
Other Operating Expense/(Income)	73.2	102	129.7	149.4	172.5	215.44	275.50	361.56	478.13	637.06
	14.00 %	13.79 %	14.40 %	13.74%	14.25%	13.77%	13.52%	13.52%	13.52%	13.52%
<b>Other Operating Exp., Total</b>	<b>194.9</b>	<b>261.3</b>	<b>337.5</b>	<b>386.1</b>	<b>429.6</b>	<b>543.89</b>	<b>672.71</b>	<b>842.77</b>	<b>1061.45</b>	<b>1343.62</b>
<b>Operating Income</b>	<b>-33.7</b>	<b>-14</b>	<b>-24.5</b>	<b>12.3</b>	<b>26.5</b>	<b>40.75</b>	<b>109.09</b>	<b>210.00</b>	<b>366.08</b>	<b>605.53</b>
Interest Expense	-0.8	-1.6	-1.5	-1.7	-2	-2.68	-3.49	-4.58	-6.06	-8.08
	-	-	-	-0.16%	-0.17%	-0.17%	-0.17%	-0.17%	-0.17%	-0.17%
	0.15%	0.22%	0.17%							
Interest and Invest. Income	0.4	0.3	1	2.9	1.7	1.99	2.59	3.40	4.49	5.98
	0.08%	0.04%	0.11%	0.27%	0.14%	0.13%	0.13%	0.13%	0.13%	0.13%
<b>Net Interest Exp.</b>	<b>-0.5</b>	<b>-1.3</b>	<b>-0.5</b>	<b>1.2</b>	<b>-0.3</b>	<b>-0.69</b>	<b>-0.91</b>	<b>-1.19</b>	<b>-1.57</b>	<b>-2.09</b>
Other Non-Operating Inc. (Exp.)	0	0.1	3.3	9.8	11.6	7.01	9.12	11.97	15.84	21.10
	0.00%	0.01%	0.37%	0.90%	0.96%	0.45%	0.45%	0.45%	0.45%	0.45%
<b>EBT Excl. Unusual Items</b>	<b>-34.2</b>	<b>-15.2</b>	<b>-21.7</b>	<b>23.3</b>	<b>37.8</b>	<b>47.06</b>	<b>117.30</b>	<b>220.79</b>	<b>380.35</b>	<b>624.54</b>

<b>EBT Excl. Unusual Items</b>	<b>-34.2</b>	<b>-15.2</b>	<b>-21.7</b>	<b>23.3</b>	<b>37.8</b>	<b>47.06</b>	<b>117.30</b>	<b>220.79</b>	<b>380.35</b>	<b>624.54</b>
Income Tax Expense: Assumed 25%	0.1	-11.3	-1.2	-4	-5.9	11.7640515 5	29.3261161 9	55.1963742 6	95.0873751 7	156.134715 8
<b>Earnings from Cont. Ops.</b>	<b>-45.5</b>	<b>-6</b>	<b>-23.1</b>	<b>21</b>	<b>8.7</b>	<b>35.29</b>	<b>87.98</b>	<b>165.59</b>	<b>285.26</b>	<b>468.40</b>

### Appendix C: Cost of Debt Calculation – Scenarios and Methods

IRR Method			
Calculating Cost of Debt	Bull Case	Base Case	Bear Case
Face Value of Bond	1000	1000	1000
Conversion Price (\$/share)	170.42	170.42	170.42
<b>Assumed Future Stock Price</b>	<b>220</b>	<b>180</b>	<b>170</b>
Years to Maturity	3	3	3
Shares Per Bond	5.867855885	5.867855885	5.867855885
Value at Maturity (VT)	1290.928295	1056.214059	997.5355005
Initial Investment (P0)	1000	1000	1000
IRR / Pre-tax Cost of Debt	8.88%	1.84%	-0.08%
Tax Rate	25.00%	25.00%	25.00%
<b>After-tax Cost of Debt</b>	<b>6.66%</b>	<b>1.38%</b>	<b>-0.06%</b>

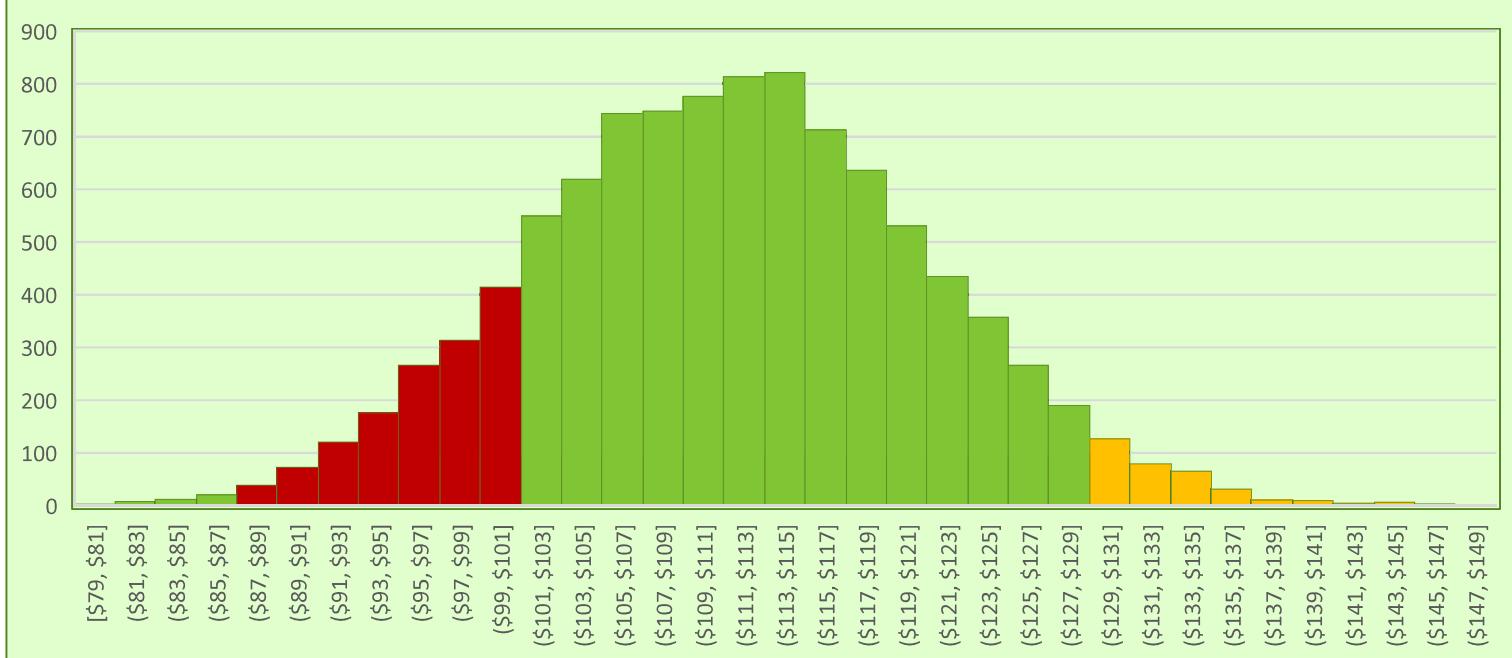
YTM Method			
Total Issuance	250	FV	1000
Net Proceeds	217.9	PV	871.6
Maturity	7	YTM	1.98%
Coupon	0	<b>After-tax Cost of Debt</b>	<b>1.49%</b>

WACC	Bull Case	Base Case	Bear Case	YTM Method
W Debt	0.067683144	0.067683144	0.067683144	0.067683144
W Equity	0.932316856	0.932316856	0.932316856	0.932316856
WACC	13.69%	13.33%	13.23%	13.34%

Shake Shack has issued a 0% convertible bond, which makes traditional interest-based cost of debt calculations inapplicable. To address this, we evaluated two approaches: the IRR method, which estimates the implied return based on future stock price scenarios, and the YTM method, treating the bond as a zero-coupon instrument. Given the bond structure and lack of periodic payments, we found the YTM method more appropriate and objective for WACC purposes. Our final after-tax cost of debt input is 1.49 percent, with IRR-based bull, base, and bear case scenarios included for comparison.

## Appendix D: Monte Carlo Simulation

Monte Carlo Simulation



To enhance the robustness of our valuation, we conducted a Monte Carlo simulation on our Discounted Cash Flow (DCF) model to account for uncertainty in key financial assumptions. Specifically, we modeled volatility in revenue growth, operating margin, WACC, and terminal growth rate, drawing from normal distributions centered around base-case inputs with appropriately calibrated standard deviations based on historical variability and industry trends.

The simulation was run 10,000 times, producing a distribution of potential equity values per share. As shown in the histogram, the outcomes followed a right-skewed distribution, with the most frequent values clustered between \$100 and \$115. The mean equity value across all trials was approximately \$110.72, which we incorporated into our blended valuation framework alongside DCF and relative valuation.

This approach provides additional confidence in our valuation range, illustrating how sensitive Shake Shack's intrinsic value is to small changes in assumptions. It also helps investors better understand downside and upside scenarios, especially given Shake Shack's exposure to macroeconomic factors, expansion-related risks, and margin volatility.

The Monte Carlo simulation strengthens our base-case recommendation by contextualizing the target price within a range of likely outcomes rather than relying on a single deterministic forecast.

## Appendix E: Geographic Distribution of Shake Shack Units

	Company Operated	Licensed	Total
Alabama	1	—	1
Arizona	4	1	5
California	44	1	45
Colorado	9	1	10
Connecticut	6	—	6
Delaware	1	—	1
District of Columbia	6	1	7
Florida	19	2	21
Georgia	7	1	8
Illinois	10	—	10
Indiana	3	1	4
Kansas	1	—	1
Kentucky	1	—	1
Louisiana	3	1	4
Maryland	8	1	9
Massachusetts	13	—	13
Michigan	7	—	7
Minnesota	4	1	5
Missouri	6	1	7
Nevada	5	2	7
New Hampshire	1	—	1
New Jersey	14	7	21
New York	41	8	49
North Carolina	7	2	9
Ohio	8	1	9
Oregon	3	—	3
Pennsylvania	11	2	13
Rhode Island	2	—	2
Tennessee	4	1	5
Texas	28	2	30
Utah	4	1	5
Virginia	6	1	7
Washington	5	—	5
Wisconsin	3	—	3
<b>DOMESTIC</b>	<b>295</b>	<b>39</b>	<b>334</b>
Bahamas	—	1	1
Bahrain	—	2	2
Mainland China, Hong Kong and Macau	—	45	45
Japan	—	13	13
Kuwait	—	16	16
Mexico	—	14	14
Philippines	—	7	7
Qatar	—	5	5
Saudi Arabia	—	5	5
Singapore	—	10	10
South Korea	—	26	26
Thailand	—	2	2
Turkey	—	8	8
United Arab Emirates	—	15	15
United Kingdom	—	14	14
Wales	—	1	1
<b>INTERNATIONAL</b>	<b>—</b>	<b>184</b>	<b>184</b>
<b>SYSTEM-WIDE</b>	<b>295</b>	<b>223</b>	<b>518</b>

## Appendix F: Shake Shack Board Members

Name	Title	Tenure	Career History at Shake Shack
Rob Lynch	Chief Executive Officer & Director	Since May 20, 2024	Appointed as the first external CEO of Shake Shack. Previously served as President & CEO of Papa John's International (2019–2024), where he led global sales exceeding \$5 billion. Held leadership roles at Arby's, Taco Bell, Heinz, and Procter & Gamble.
Danny Meyer	Founder & Chairman of the Board	Since January 2010	Founder of Union Square Hospitality Group. Instrumental in Shake Shack's inception and growth. Brings extensive experience in hospitality and strategic planning.
Stephanie Sentell	Chief Operating Officer	Since July 1, 2024	Appointed as COO in July 2024. Details about her previous roles and experience are currently limited.
Katherine Fogertey	Chief Financial Officer	Since June 14, 2021	Oversees financial operations. Prior experience includes roles in finance and strategy, though specific details are limited.
Jeffrey Flug	Lead Independent Director	Since January 2010	Extensive experience in finance and strategic planning. Served in leadership roles at Goldman Sachs and JPMorgan Chase.
Sumaiya Balbale	Director	Since March 2019	Chief Operating Officer at Sequoia Capital. Former VP of E-commerce, Mobile, and Digital Marketing at Walmart US.
Chuck Chapman	Director	Since July 24, 2023	Former COO of Panera Bread and International Dairy Queen. Currently CEO of Tatte Bakery & Café.
Anna Fieler	Director	Since December 2017	Founder & Partner of Madison Park Ventures. Former Chief Marketing Officer at PopSugar Inc.
Jeffrey Lawrence	Director	Since May 2023	Former CFO of Domino's Pizza. Brings over 25 years of experience in the consumer retail and restaurant industries.
Joshua Silverman	Director	Since November 2016	CEO of Etsy, Inc. since May 2017. Former President of Consumer Products and Services at American Express.
Tristan Walker	Director	Since June 2020	Founder and CEO of Walker & Company Brands. Merged with Procter & Gamble in December 2018.
Lori George	Director	Since October 2022	Former Global Chief Diversity, Equity, and Inclusion Officer at The Coca-Cola Company.

Shake Shack complies with SEC requirements by maintaining a majority-independent Board of Directors. Currently, 8 of 11 board members are classified as independent. While the board demonstrates diversity in professional backgrounds and includes recent additions such as Jeffrey Lawrence and Chuck Chapman, some members, including Danny Meyer and Jeffrey Flug, have held positions since the company's IPO, raising modest concerns around refreshment. However, their extended tenure contributes to strategic continuity, deep institutional knowledge, and alignment with Shake Shack's founding values. The recent appointment of Rob Lynch as CEO, the first external hire to this position, marks a meaningful shift in governance dynamics and signals openness to outside leadership.

## Appendix G: Shake Shack Committee Assignments

Committee	Responsibility	Members
<b>Audit Committee</b>	Oversees the company's financial reporting and internal controls	Sumaiya Balbale, Jeff Flug, Jeffrey Lawrence, Josh Silverman
<b>Compensation Committee</b>	Responsible for executive officer compensation	Sumaiya Balbale, Chuck Chapman, Anna Fieler, Jeff Flug, Lori George
<b>Nominating &amp; Corporate Governance</b>	Handles board nominations and oversees corporate governance practices	Chuck Chapman, Lori George, Josh Silverman, Tristan Walker

Source: Company Website: <https://investor.shakeshack.com/corporate-governance/default.aspx>

## Appendix H: Corporate Governance

To assess the strength of Shake Shack's corporate governance framework, we applied evaluation criteria from both the **U.S. Securities and Exchange Commission (SEC)** and the **Institutional Shareholder Services (ISS) Governance Quality Score** methodology. The company's corporate governance rating is summarized as follows:

KEY		Criteria	Risk Level
1	Insignificant threat to Shareholders	Board Structure	Medium
2	Low threat to Shareholders	Shareholder Rights	Low
3	Moderate threat to Shareholders	Compensation	Low
4	Significant threat to Shareholders	Audit & Risk Oversight	Low
5	High Threat to Shareholders		

### ***Disclosure and Transparency – 1***

Shake Shack provides detailed quarterly earnings reports, 10-Ks, and ESG updates through its investor relations site. The company also publishes an annual "Stand For Something Good" summary with disclosures on diversity, supply chain ethics, and sustainability. Investor transparency is strong and aligned with industry best practices.

### ***Executive Management – 2***

Shake Shack's new CEO, Rob Lynch, is the first external executive to lead the company, bringing experience from Papa John's and Arby's. While he is highly qualified, the change in leadership introduces some transition risk. Overall, the executive team is experienced in scaling operations and brand development.

### ***Board of Directors – 3***

Shake Shack's board is majority-independent (8 out of 11 members), but key founders such as Danny Meyer (Chairman) and long-serving directors like Jeffrey Flug remain in key roles. The presence of newly appointed directors (e.g., Chuck Chapman, Jeffrey Lawrence) improves board refreshment, but founder influence remains notable.

### ***Rights and Obligations of Shareholders – 2***

Shake Shack does not have a dual-class share structure, and shareholders have standard voting rights. However, as a "controlled company" for several years post-IPO, there were exemptions from certain governance standards. These have since expired, and shareholder rights have normalized.

### ***Takeover Defense – 2***

There are no significant anti-takeover defenses in Shake Shack's current structure. The board is classified (not staggered), and the company's charter does not include poison pill provisions or supermajority requirements for takeovers, resulting in a relatively neutral stance on acquisition risk.

Our governance score aligns with the ISS methodology, suggesting **low governance-related risk** to shareholders.