

# PART II

(continued)

## CHIPOTLE MEXICAN GRILL, INC. CONSOLIDATED BALANCE SHEET (in thousands, except per share data)

	December 31,	
	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 184,569	\$ 87,880
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$259 as of December 31, 2017 and 2016, respectively	40,453	40,451
Inventory	19,860	15,019
Prepaid expenses and other current assets	50,918	44,080
Income tax receivable	9,353	5,108
Investments	324,382	329,836
Total current assets	629,535	522,374
Leasehold improvements, property and equipment, net	1,338,366	1,303,558
Long term investments	–	125,055
Other assets	55,852	53,177
Goodwill	21,939	21,939
Total assets	\$ 2,045,692	\$ 2,026,103
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 82,028	\$ 78,363
Accrued payroll and benefits	82,541	76,301
Accrued liabilities	159,324	127,129
Total current liabilities	323,893	281,793
Deferred rent	316,498	288,927
Deferred income tax liability	814	18,944
Other liabilities	40,042	33,946
Total liabilities	681,247	623,610
Shareholders' equity:		
Preferred stock, \$0.01 par value, 600,000 shares authorized, no shares issued as of December 31, 2017 and 2016, respectively	–	–
Common stock \$0.01 par value, 230,000 shares authorized, and 35,852 and 35,833 shares issued as of December 31, 2017 and 2016, respectively	359	358
Additional paid-in capital	1,305,090	1,238,875
Treasury stock, at cost, 7,826 and 7,019 common shares at December 31, 2017 and 2016, respectively	(2,334,409)	(2,049,389)
Accumulated other comprehensive income (loss)	(3,659)	(8,162)
Retained earnings	2,397,064	2,220,811
Total shareholders' equity	1,364,445	1,402,493
Total liabilities and shareholders' equity	\$ 2,045,692	\$ 2,026,103

See accompanying notes to consolidated financial statements.

**CHIPOTLE MEXICAN GRILL, INC.**  
**CONSOLIDATED STATEMENT OF INCOME**  
(in thousands, except per share data)

	Year ended December 31,		
	2017	2016	2015
Revenue	\$4,476,412	\$3,904,384	\$4,501,223
Restaurant operating costs (exclusive of depreciation and amortization shown separately below):			
Food, beverage and packaging	1,535,428	1,365,580	1,503,835
Labor	1,205,992	1,105,001	1,045,726
Occupancy	327,132	293,636	262,412
Other operating costs	651,644	641,953	514,963
General and administrative expenses	296,388	276,240	250,214
Depreciation and amortization	163,348	146,368	130,368
Pre-opening costs	12,341	17,162	16,922
Loss on disposal and impairment of assets	13,345	23,877	13,194
Total operating expenses	4,205,618	3,869,817	3,737,634
Income from operations	270,794	34,567	763,589
Interest and other income, net	4,949	4,172	6,278
Income before income taxes	275,743	38,739	769,867
Provision for income taxes	(99,490)	(15,801)	(294,265)
Net income	\$ 176,253	\$ 22,938	\$ 475,602
Earnings per share:			
Basic	\$ 6.19	\$ 0.78	\$ 15.30
Diluted	\$ 6.17	\$ 0.77	\$ 15.10
Weighted average common shares outstanding:			
Basic	28,491	29,265	31,092
Diluted	28,561	29,770	31,494

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(in thousands)

	Year ended December 31,		
	2017	2016	2015
Net income	\$176,253	\$22,938	\$475,602
Other comprehensive income (loss), net of income taxes:			
Foreign currency translation adjustments	4,689	(1,291)	(6,322)
Unrealized gain (loss) on available-for-sale securities	(274)	2,251	(2,468)
Tax benefit (expense)	88	(849)	946
Other comprehensive income (loss), net of income taxes	4,503	111	(7,844)
Comprehensive income	\$180,756	\$23,049	\$467,758

See accompanying notes to consolidated financial statements.

CHIPOTLE MEXICAN GRILL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS  
(in thousands)

	Year ended December 31,		
	2017	2016	2015
<b>Operating activities</b>			
Net income	\$ 176,253	\$ 22,938	\$ 475,602
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	163,348	146,368	130,368
Deferred income tax (benefit) provision	(18,026)	(14,207)	11,666
Loss on disposal and impairment of assets	13,345	23,877	13,194
Bad debt allowance	214	(262)	(23)
Stock-based compensation expense	65,255	64,166	57,911
Excess tax benefit on stock-based compensation	–	(1,320)	(74,442)
Other	(218)	(604)	582
Changes in operating assets and liabilities:			
Accounts receivable	(140)	(1,923)	(3,504)
Inventory	(5,250)	(91)	262
Prepaid expenses and other current assets	(6,710)	(4,259)	(5,259)
Other assets	(2,587)	(4,855)	(5,619)
Accounts payable	10,908	(6,734)	19,525
Accrued liabilities	38,574	33,491	(7,440)
Income tax payable/receivable	(4,173)	54,340	32,756
Deferred rent	29,996	37,030	32,911
Other long-term liabilities	6,316	1,287	4,826
Net cash provided by operating activities	467,105	349,242	683,316
<b>Investing activities</b>			
Purchases of leasehold improvements, property and equipment	(216,777)	(258,842)	(257,418)
Purchases of investments	(199,801)	–	(559,372)
Maturities of investments	330,000	45,000	352,650
Proceeds from sale of investments	–	540,648	–
Net cash provided by (used in) investing activities	(86,578)	326,806	(464,140)
<b>Financing activities</b>			
Acquisition of treasury stock	(285,920)	(837,655)	(460,675)
Excess tax benefit on stock-based compensation	–	1,320	74,442
Stock plan transactions and other financing activities	26	52	(207)
Net cash used in financing activities	(285,894)	(836,283)	(386,440)
Effect of exchange rate changes on cash and cash equivalents	2,056	110	(4,196)
Net change in cash and cash equivalents	96,689	(160,125)	(171,460)
Cash and cash equivalents at beginning of year	87,880	248,005	419,465
Cash and cash equivalents at end of year	\$ 184,569	\$ 87,880	\$ 248,005
<b>Supplemental disclosures of cash flow information</b>			
Income taxes paid	\$ 119,787	\$ 23,862	\$ 248,547
Increase (decrease) in purchases of leasehold improvements, property, and equipment accrued in accounts payable and accrued liabilities	\$ (7,690)	\$ (1,781)	\$ (2,870)
Increase (decrease) in acquisition of treasury stock accrued in accrued liabilities	\$ (900)	\$ (22,778)	\$ 25,178

See accompanying notes to consolidated financial statements.