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# Chipotle Mexican Grill, Inc. (CMG) Q4 2025 Earnings Call Transcript

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## Q4: 2026-02-03 Earnings Summary

Insights



EPS of \$0.25 **beats by \$0.01** | Revenue of \$2.98B (4.86% Y/Y) **beats by \$18.95M**

Chipotle Mexican Grill, Inc. ([CMG](#)) Q4 2025 Earnings Call February 3, 2026 4:30 PM EST

### Company Participants

Cynthia Olsen - Head of Investor Relations & Strategy

Scott Boatwright - CEO & Director

Adam Rymer - Chief Financial Officer

### Conference Call Participants

Brian Mullan - Piper Sandler & Co., Research Division  
Sara Senatore - BofA Securities, Research Division  
Lauren Silberman - Deutsche Bank AG, Research Division  
David Tarantino - Robert W. Baird & Co. Incorporated, Research Division  
David Palmer - Evercore ISI Institutional Equities, Research Division  
John Ivankoe - JPMorgan Chase & Co, Research Division  
Danilo Gargiulo - Bernstein Institutional Services LLC, Research Division  
Dennis Geiger - UBS Investment Bank, Research Division  
Christopher O'Cull - Stifel, Nicolaus & Company, Incorporated, Research Division  
Andrew Charles - TD Cowen, Research Division  
Sharon Zackfia - William Blair & Company L.L.C., Research Division  
Hyun Jin Cho - Goldman Sachs Group, Inc., Research Division

## **Presentation**

### **Operator**

Good day, and welcome to the Chipotle Mexican Grill Fourth Quarter and Full Year 2025 Results Conference Call. [Operator Instructions] Please note this event is being recorded. I would now like to turn the conference over to Cindy Olsen, Head of Investor Relations. Please go ahead.

### **Cynthia Olsen**

#### *Head of Investor Relations & Strategy*

Hello, everyone, and welcome to our fourth quarter and full fiscal year 2025 earnings call. By now, you should have access to our earnings press release. If not, it may be found on our Investor Relations website at [ir.chipotle.com](https://ir.chipotle.com). Additionally, supplemental investor information is available on our site as a reference for today's call.

I will begin by reminding you that certain statements and projections made in this presentation about our future business and financial results constitute forward-looking statements. These statements are based on management's current business and market expectations, and our actual results could differ materially from those projected in the forward-looking statements.

Please see the risk factors contained in our annual report on Form 10-K and in our Form 10-Qs for a discussion of risks that may cause our actual results to vary from these forward-looking statements. Our discussion today will include non-GAAP financial measures. A reconciliation to GAAP measures can be found via the link included on the presentation page within the Investor Relations section of our website.

We will start today's call with prepared remarks from Scott Boatwright, Chief Executive Officer; and Adam Rymer, Chief Financial Officer, after which we will take your questions. Our entire executive leadership team is available during the Q&A session.

And with that, I will turn the call over to Scott.

## **Scott Boatwright**

*CEO & Director*

Good afternoon, and thank you for joining us. Today, I will spend a few minutes upfront discussing the highlights of our financial results, and Adam will cover the details. My remarks will cover a broader view into my vision for Chipotle and my deep confidence in our growth strategy as well as opportunities we have to sharpen our competitiveness by harnessing the core values of our brand. The results we issued this afternoon were in line with expectations and guidance for the full year. 2025 should be seen as a year of progress and resilience for our brand.

For the year, revenue grew 5.4% year-over-year, which included a 1.7% decline in comparable sales. Adjusted diluted earnings per share grew 4.5% year-over-year to \$1.17. We opened a record 334 new company-owned restaurants and 11 international partner-operated restaurants. We also made progress in the strategic areas that matter most for our long-term success, including investing in operational excellence, marketing and menu innovation, deploying new back-of-house technology and growing our footprint internationally.

It's important to emphasize all of this was achieved against a dynamic consumer backdrop with our guests placing heightened focus on value and quality and pulling back on overall restaurant spending. This makes our investments and progress even more significant and highlights Chipotle's commitment to succeed through consumer cycles.

With that in mind, I want to commend the incredible efforts of our teams for their thoughtful response and dedication during the recent winter storm. We have not seen a multistate storm like this in many years, and our operational excellence and prioritization of speed and agility were instrumental in reopening restaurants as quickly and safely as possible to serve our guests.

Turning to our path forward. Serving as Chipotle's CEO is an incredible honor. From our guests to our people, to our partners around the globe, there is a deep love for our brand and the food we serve. Over the past year, I've had the privilege of visiting Chipotle restaurants around the world, including our restaurants in Europe, Canada as well as the opening of our City Walk restaurant in Dubai. These experiences have reinforced my conviction in our momentum and our ability to continue delivering exceptional service and elevated experiences for our guests in our restaurants. So what actions are we taking to build a stronger, more profitable Chipotle? Over the last several months, we conducted a comprehensive review of our business as well as the current market landscape and consumer trends, which are fundamentally different from what we experienced a year ago. Here are a few key learnings.

Chipotle's brand and value proposition built on high-quality, delicious culinary and best-in-class operational throughput remains strong and relevant across all age groups and income cohorts. We are seeing positive momentum in the business with room to accelerate our growth and sharpen our competitiveness without compromising on the core values that define our brand. Our path for further success lies in leaning into what differentiates our brand, accelerating innovation into new offerings and occasions that are of growing importance to our guests and optimizing the in-restaurant and digital experience. And the strength of our business model and balance sheet allows us to execute against our long-term strategy and emerge from this consumer cycle in a position of greater strength. These insights have shaped the next evolution of our 5 key strategies, which we are calling our Recipe for Growth.

These strategies include protect and strengthen the core by driving operational and culinary excellence to deliver exceptional value for our guests, evolve the brand messaging and accelerate menu innovation and new occasions that drives demand in our restaurants, modernize our business model with industry-leading technology, including leveraging AI and relaunching our rewards program to elevate the experience for our guests and our teams, expand our global reach by scaling with intention through proven company-owned and partner-operated markets as well as strategic new regions and cultivate the best talent in the industry that is energized and focused on speed and agility. We are acting on these strategies now and are already seeing results. First, we entered 2026 with a strong foundation. We aim to solidify that through a relentless focus on operational and culinary excellence across all our channels. This will be critical as we continue to scale our brand and meet the need or demand for the future.

Driving this key strategy is the acceleration of our rollout of our high-efficiency equipment package, which will improve speed and consistency in our restaurants, delivering a better experience for our teams and our guests. As a reminder, this equipment improves prep by 2 to 3 hours, which helps eliminate prep time during peak periods and results in stronger and more consistent throughput execution. It also diminishes the learning curve for new team members in more challenging areas like the grill and improves the consistency of culinary with juicer steak and chicken that is cooked to perfection every time to meet our guests' expectations. For now, we are reinvesting the 2 to 3 hours of efficiency back into our restaurants to deliver greater hospitality. The results in the restaurants with the new equipment are compelling.

In addition to higher taste of food and overall guest satisfaction scores, we are beginning to see better throughput and meaningful improvement in comp sales. As a reminder, 350 restaurants have the full equipment package today, and we anticipate about 2,000 by year-end. Second is our brand positioning and menu innovation. Beyond our food, Chipotle excels at brand marketing. We have strong insights into what our guests want and powerful brand building and demand-generating programs that have helped to establish our company as an industry leader. As we move into 2026, the consumer landscape is shifting with a heightened focus on value as well as high-quality protein, fiber and clean ingredients, all of which are fundamental to Chipotle's North Star brand positioning.

There remains significant opportunity to expand our leadership in this fast-growing segment by sharpening our positioning, increasing spend and refreshing our campaigns to strengthen our value perception and further engage our guests through new occasions and increased menu innovation. A perfect example of this is the recent rollout of our high-protein line, which highlights our extraordinary value across a range of price points, starting with a single taco with 15 grams of protein at just \$3.50, to a double protein bowl with over 80 grams of high-quality protein. It also includes a new high-protein cup for around \$3.80 that is inspired by hacks that our guests rely on to boost their intake and offers a solution to those looking for smaller portions, which is a fast-growing trend with the adoption of GLP-1s. Early results are strong, with incidence of extra protein increasing 35% and our recent double protein promotion achieving a record digital sales day.

When I said that we will harness what is great about Chipotle and reinforce our value proposition to propel us forward, this is it in action. We also know from our data that our core guest is more likely to choose a restaurant that has a new menu item. To further drive demand, we will increase our menu innovation cadence to 4 limited time offers in 2026, giving our guests more reasons to visit Chipotle. This will include the return of Chicken al Pastor next week, which is the most celebrated limited time offer in history with 2x the requests on social media to bring it back compared to any other LTO. Limited time offers are not just delicious. They yield traffic by bringing in new guests while increasing the frequency of the existing base. Additionally, the LTO-acquired guests demonstrate higher long-term value, maintaining elevated spend and frequency levels throughout the year.

In addition to limited time offers, we will roll out new sauces and build a strong pipeline of innovation in untapped sales layers like sides and beverages. As new menu items make their way through the stage-gate process, we can pace and sequence these growth layers to provide a long path for transaction growth for years to come. We also see the group occasion as a big opportunity longer term. We are currently building awareness around Build Your Own Chipotle for families or groups of 4 to 6 as well as testing the expansion of catering. Today, these 2 group occasions represent less than 3% of combined sales, yet could be double-digit percentage of sales longer term. Build Your Own Chipotle continues to perform. It is also highly incremental and driving strong repeat purchases, which is why we are extending our trial promotion into 2026.

To build on our momentum, we will scale awareness across our marketing channels, leaning into moments that bring people together like sports, holidays and other shared occasions where we have seen our highest incidence. Regarding our catering tests, our teams are getting up to speed with the new equipment and technology that will support a bigger catering business. And we are ramping up our marketing efforts, including the recent rollout of one of the large third-party delivery platforms. While it is still early in the testing phase, we are seeing the catering orders begin to build, and we remain optimistic that we have found the right solution to help scale our catering business moving forward.

Third, we are in process of relaunching our rewards program this spring to widen the funnel and leverage our data and AI to power more personalized and impactful user experiences. 2025, we grew our active members to over 21 million, thanks in part to our Summer of Extras campaign as well as more engagement through programs like Freepotle throughout the second half of the year. Through that, we experienced an acceleration in loyalty comps in the back half of the year that outpaced total comps by several hundred basis points. Currently, about 30% of sales are realized through our rewards platform and the momentum gives us confidence that there remains significant runway for growth by bringing more guests into the funnel, deepening engagement and driving sales throughout the year. One of the biggest opportunities is in-restaurant as only about 20% of transactions are through our rewards program compared to nearly 90% of our app transactions.

Looking ahead, we have a strong campaign planned around the spring launch of a more engaging rewards program specifically designed to target the in-restaurant guest and remove friction from the checkout experience. Additionally, the campaign will include more programs like Summer of Extras and continuing to leverage gamification, which has resonated well with our guests. We look forward to sharing more details about rewards in the coming months. Fourth, accelerating global expansion. In 2025, we opened a record 345 new restaurants and saw over 9% new restaurant growth. We opened 334 company-owned restaurants where we surpassed 4,000 in December. This included 21 openings in Canada, an increase of 38% year-over-year for that country. We remain confident in our ability to reach 7,000 restaurants in North America longer term. And we are accelerating growth globally. In Europe, we ended the year with positive comps and another step change in the economic model. In fact, Central London and Frankfurt have reached strong cash-on-cash returns, which has unlocked growth for these markets in 2026.

Now turning to the Middle East with our regional partner, Alshaya Group. We opened 7 more partner-operated restaurants in the fourth quarter and 11 for the year, with a total of 14 restaurants in the region. I recently had the opportunity to experience an opening in Dubai, where the energy was electric and thousands of guests chaining Chipotle as we unveiled the new restaurant, powerfully demonstrating the brand's affinity and enthusiasm for our delicious food. With Alshaya Group, we plan to nearly double our footprint and sales in 2026, including entering new markets like Saudi Arabia. Longer term, we believe we can have hundreds of restaurants in this region.

Additionally, we remain on track to open our first restaurants in 3 new partner-operated markets this year, including Mexico, Singapore and South Korea. The global growth story is gaining momentum across all markets, and we know that when we deliver our fresh delicious culinary experience with speed and exceptional hospitality, it resonates around the world.

Fifth is the team. None of these strategies would be executable or goals attainable without our people. We know that when we take care of our team members, they take care of our guests. It's that simple. I'm extremely proud of the way in which our teams worked this year, both in restaurants and at our support centers to deliver for our guests. Key to our culture that sets us apart from the others is promoting top talent from within. In fact, in 2025, Chipotle had 23,000 internal promotions, including 100% of our regional Vice President roles, over 83% of our field leader positions and nearly 90% of our restaurant management. We will always keep opening doors for our people, creating more pathways for career growth and advancement at every level in our company. We move forward, we are building a culture of speed and agility and adding exceptional talent to drive our strategy.

As you may have seen last month, we announced that Roger Theodoredis and Chris Brandt transitioned out of their current roles. I want to thank Roger and Chris for their leadership and many contributions. Roger has been a trusted advisor, while Chris has been instrumental in helping Chipotle become a purpose-driven lifestyle brand as we grew our footprint to more than 4,000 restaurants. We have promoted Ilene Eskenazi to be our Chief Legal and Human Resources Officer. She will bring her extensive experience overseeing a broad range of legal and compliance matters as well as talent management and compensation and benefits to help us execute our talent strategy.

As I mentioned earlier, our marketing team and how we engage with our guests are at the heart of Chipotle's success. We have grown our marketing capabilities by leaps and bounds over the past 8 years, which makes this the exact right moment to take it to the next level and build upon our strong foundation. We are conducting a national search for our next Chief Marketing Officer, and I look forward to sharing more on that front soon. Additionally, to accelerate our approach to technology and innovation, we are hiring a new Chief Digital Officer and a Vice President of Emerging Technologies. Each will play a critical role in helping us to become more efficient, enhance our operations and develop and deploy industry-leading technology. The combination of our existing team, internal succession planning and external response to searches gives us a high degree of confidence that we will have exceptional talent executing the Recipe for Growth strategy. And our leadership teams are committed to staying close to our guests and the frontline experience because the fact is the answers are in the restaurants.

To close, I want to highlight that we recently celebrated the 20th anniversary of Chipotle's IPO in 2006. Looking back over the last 20 years, what stands out to me is the consistency of our brand. Two decades later, we still have the same unwavering transparent commitments to sourcing the best ingredients. We continue to deliver exceptional value for our guests, and we are investing in the development and growth of our world-class teams. We look forward to the next 20 years, I've never been more confident in the strength of this brand and our ability to win. Our Recipe for Growth and 2026 plan will position us for success in any environment, and we're confident it will drive transactions, allow us to move faster and create long-term sustainable growth for our people, our guests and our shareholders.

I will now turn it over to Adam.

**Adam Rymer**

*Chief Financial Officer*

Thanks, Scott, and good afternoon, everyone. I'm pleased to report that we delivered sales results that were in line with our expectations with accelerating trends throughout the quarter and into January. To support this performance, we made the strategic decision to elevate our marketing activity to ensure Chipotle remained top of mind with our guests.

Now turning to our results. For the fourth quarter, sales grew 4.9% to reach \$3 billion with a comp decline of 2.5%. Sales benefited from a \$27 million true-up following an annual gift card breakage analysis. This true-up did not impact comparable restaurant sales. Digital sales were 37.2% of total sales. Restaurant-level margin was 23.4%, down 140 basis points year-over-year. Restaurant-level margin also included a 70 basis point benefit from the gift card true-up. Adjusted diluted earnings per share was \$0.25, consistent with last year. And we opened 132 new restaurants, including 97 Chipotlanes as well as 7 additional partner-operated restaurants.

As we move into 2026, we anticipate our full year comparable restaurant sales to be about flat. We are confident in our Recipe for Growth strategy, and we are encouraged by the meaningful improvement in underlying trends we've seen in January following the launch of our new protein menu and marketing campaign. However, we believe it's prudent to keep our full year guidance grounded in a conservative baseline given the evolving consumer dynamic. We will continue to take a disciplined and measured approach to pricing, but do not expect it will fully offset inflation in the near term as we remain committed to delivering exceptional value for our guests. We anticipate the impact of pricing in the first quarter will be about 70 basis points compared to our expected inflation approaching the mid-single-digit range. We expect the gap between our pricing and inflation to be at its widest point in the first quarter and then will narrow meaningfully throughout the year.

I will now go through the key P&L line items, beginning with cost of sales. Cost of sales in the quarter were 30.2%, a decrease of about 20 basis points from last year. The benefit of menu price, lower dairy prices and cost of sales efficiencies offset inflation, primarily in beef and chicken as well as the impact of tariffs. Tariffs impacted the quarter by about 30 basis points. For Q1, we anticipate our cost of sales to be in the mid-30% range, primarily driven by higher costs across several items, most notably beef, avocados and cooking oils, partially offset by the benefit of carne asada ramping down, modest pricing leverage and lower tariffs. With the recent removal of tariffs on beef and other agricultural goods, we now anticipate our ongoing tariff impact to be around 15 basis points. Overall, we anticipate cost of sales inflation to be higher in the first half of the year and will step down to the low to mid-single-digit range in the second half of the year as we lap elevated beef costs. This results in full year cost of sales inflation in the mid-single-digit range.

Labor costs for the quarter were 25.5%, an increase of about 30 basis points from last year as higher pricing and lower performance-based bonuses were more than offset by lower volumes and wage inflation. For Q1, we expect our labor cost to be in the high 25% range with wage inflation in the low single-digit range.

Other operating costs for the quarter were 15.5%, an increase of about 100 basis points from last year, primarily driven by higher marketing, delivery and utility costs as well as lower sales volumes. Marketing costs were 3.5% of sales in Q4, an increase of about 50 basis points from last year. As I mentioned earlier, we accelerated our marketing spend in the quarter, which helped us remain top of mind with our guests. We expect our marketing costs to remain in the mid-3% range for Q1 and in the low 3% range for the full year. For Q1, we anticipate other operating costs to be in the mid-15% range.

G&A for the quarter was \$160 million on a GAAP basis or \$162 million on a non-GAAP basis, excluding a \$4 million reduction in legal contingencies and around \$2 million related to retention equity awards granted to key executives in August of 2024. G&A also includes \$145 million in underlying G&A, \$21 million related to noncash stock compensation, which included a reduction in our performance share accruals, \$1 million related to our upcoming All Manager Conference, which will be held in Q1 of this year, offset by \$5 million in lower bonus accruals.

We expect G&A in the first quarter to be around \$203 million on a non-GAAP basis, which will include \$142 million in underlying G&A, around \$26 million in noncash stock compensation, although this amount could move up or down based on our actual performance and is subject to the final 2026 grants, which are issued in Q1. Around \$28 million related to our upcoming All Manager Conference and around \$7 million related to employer taxes associated with shares that vest during the quarter.

Depreciation for the quarter was \$93 million or 3.1% of sales. For 2026, we expect it to remain around 3% of sales. Our effective tax rate for Q4 was 23.7% for GAAP and 23.4% for non-GAAP. Our effective tax rate benefited from an increase in U.S. federal income tax credits. For fiscal 2026, we estimate our underlying effective tax rate will be in the 24% to 26% range, though it may vary based on discrete items.

Our balance sheet remains strong as we ended the quarter with \$1.3 billion in cash, restricted cash and investments and no debt. During the fourth quarter, we purchased \$742 million of our stock at an average price of \$34.14, bringing our full year 2025 total to a record \$2.4 billion at an average price of \$42.54. During the quarter, the Board authorized an additional \$1.8 billion to our share repurchase authorization. And at the end of the quarter, we had \$1.7 billion remaining.

To close, the momentum we are seeing today reinforces our confidence in our Recipe for Growth strategy, enabling us to build on what differentiates Chipotle and to compete and win with greater efficiency and impact. We remain committed to the financial discipline required to both protect and strengthen our strong economic model. And with our brand strength and customer loyalty as our foundation, we will continue executing our strategy and expanding our runway for extraordinary growth. We look forward to sharing our progress along the way, and we are ready to take your questions.

## **Question-and-Answer Session**

### **Operator**

[Operator Instructions] Our first question comes from Brian Mullan with Piper Sandler.

### **Brian Mullan**

*Piper Sandler & Co., Research Division*

Just a question on the guidance for about flat same-store sales. I guess, one, can you just help us understand the components, what's embedded in there for transactions and menu price and mix? That would be helpful to understand. And then just two, anything you could offer on the cadence you'd expect? And I'm asking because you mentioned being encouraged by January, it would seem like there's some easy compares ahead. So just anything you could offer there would be helpful.

### **Adam Rymer**

*Chief Financial Officer*

Yes, definitely. Thanks, Brian. So for the full year, like we said in our prepared comments, we're excited about the momentum that we've seen in our underlying trends in January after the launch of the protein menu and that whole campaign. And we're confident in our Recipe for Growth strategies and that they'll continue to drive transactions up throughout the year, including with Chicken al Pastor launching next week. But with that said, we think that it's still very early in the year and consumer trends have been really tough to predict. So we wanted to be conservative in our full year guide to account for this. And our full year guide only includes, I would say, really a modest impact from the initiatives that we have this year. And then when you're thinking about how this works out throughout the rest of the year, we expect comps to improve throughout the year as our initiatives drive transactions and as our lap -- or sorry, as our compares get a little bit easier throughout the year.

**Brian Mullan**

*Piper Sandler & Co., Research Division*

Okay. And then just on the high-efficiency package, in the prepared remarks, you referenced seeing some increased throughput, maybe a lift to comp sales at those 350 restaurants. Just wondering at those restaurants, any quantification you could provide on what you're seeing at those stores? And if that's something you might -- I think you said 2,000 at the end of the year, but would you look to accelerate that over the next couple of years?

**Scott Boatwright**

*CEO & Director*

Brian, it's Scott. Thanks for the question. We're really excited and encouraged by the results we're seeing with the heat package. We're seeing better engagement -- consumer engagement scores. We're seeing better scores around food quality and taste of food. And like we said in the prepared remarks, we're seeing hundreds of basis points of improvement in comp sales in those restaurants alone. That gives us confidence that we are approaching the strategy the right way, and it's having a meaningful impact for our team members and for our guests. We have already accelerated the program. We should be at 2,000 restaurants by the end of the year. And then you could see that there is a path to probably finish the rollout at sometime in 2027, and we will go as absolutely fast as we possibly can.

**Operator**

Our next question comes from Sara Senatore with Bank of America.

**Sara Senatore***BofA Securities, Research Division*

I guess maybe 2 quick questions. One is if you could talk about the LTO. I know that that's something you're going to do more frequently. You talked about Chicken al Pastor being, I guess, twice as requested as anything else. I think about the fourth quarter, I think carne asada was maybe -- it didn't act exactly how you expected, although you can correct me if I'm wrong. So I guess how are you thinking about the LTOs? Are you going to market it differently or maybe it's a more accessible price point just in terms of ensuring that you get the biggest lift from the LTO than what you would normally expect? And then I'll have a follow-up, please.

**Scott Boatwright***CEO & Director*

Sara, it's Scott. Thank you for the question. So carne asada did perform as it relates to incidence just as well as it did in 2023, and I'm confident it did move the needle on transactions. To what extent, I can't really parse out at present. Here's what I will tell you is what we know from what we learned in 2025, which is really a year of progress, as I said, and resilience is that the LTO consumer -- the consumer that chooses an LTO at Chipotle has a higher lifetime value, visits the brand more often and spends more. And so we're going to lean into that moment with our core consumer.

We've done exhaustive work around who the Chipotle customer is this past year, what they're looking for from our brand and menu innovation and new news was really at the top of the list. As it relates to how we'll market those components, we've increased the spend this year to account for fully supporting 4 stand-alone LTOs. And I think the marketing message you'll see will begin to evolve. Hopefully, you've already seen the high protein launch that just happened, the Choices ad that just ran a couple of weeks ago. We're approaching the messaging differently, and we're going to celebrate what is unique and different about Chipotle in a more meaningful way in the upcoming year. And you'll see that evolve as we continue to -- as the year unfolds within the marketing strategy.

**Sara Senatore***BofA Securities, Research Division*

Okay. It's a very helpful clarification. And then just a follow-up is related, you mentioned doing a national search for a Chief Marketing Officer. Just curious, since you are, as you noted, spending more as a percentage of revenues and you have multiple LTOs, does that -- the fact that you perhaps are doing a search, is there any, I don't know, risk of disruption or that the plan changes? Just trying to understand kind of the cadence.

**Scott Boatwright**

*CEO & Director*

Yes. I would think of this, Sara, more as a chapter change. And here's what I would tell you is we have both great internal candidates for the position as well as a lot of interest externally. And what we want to do is ensure that we stay on brand. We're going to stay core to who we are, and we're just going to lean into celebrating what, again, our points of differentiation and our uniqueness in a more compelling way. So think of it as a chapter change for the brand. Chris Brandt did a tremendous job making us a purpose-driven lifestyle brand. That doesn't change, and that doesn't go away. So I think this is the next evolution of the marketing strategy that really pushes us into the next phase of growth for Chipotle.

**Operator**

Our next question comes from Lauren Silberman with Deutsche Bank.

**Lauren Silberman**

*Deutsche Bank AG, Research Division*

I have a question on comp and then one on the value side. Just on the comp for January, I know there's a lot of noise. Can you just help level set what you're seeing quarter-to-date, perhaps pre-storm, if that's the best thought on what's going on there? And then are you assuming underlying trends from January continue throughout the year? Or just help contextualize what's embedded there?

**Scott Boatwright**

*CEO & Director*

Yes. I said in the prepared remarks, we saw a lot of momentum coming into January. Recall that the protein menu launched kind of late December, and we really saw an acceleration in the trends all the way up until fern hit a multistate impact with massive restaurant closures. So there's a lot of noise in the underlying trend at present. But I'll pass it to Adam. Adam, do you have anything you want to add to that?

**Adam Rymer***Chief Financial Officer*

Yes. And I would just say, for Q1, this gets us to an underlying trend somewhere in that minus 1% to minus 2% range, and that's what's embedded in our expense line guidance in our prepared comments. But you have to keep in mind that, that comp range includes about 100 basis points impact from the restaurant closures from the large winter storm that Scott just mentioned.

**Scott Boatwright***CEO & Director*

And that's 100 points of impact on the quarter.

**Adam Rymer***Chief Financial Officer*

For the quarter, correct?

**Scott Boatwright***CEO & Director*

Yes.

**Adam Rymer***Chief Financial Officer*

Yes.

**Lauren Silberman***Deutsche Bank AG, Research Division*

Okay. Very helpful. On the value proposition side, you guys have -- you're talking about opportunity to strengthen that. You've been promoting protein with the single taco, the cup of protein for under \$4. Is there more opportunity for entry-level pricing or how you're thinking about smaller portions overall? And just how you're thinking about balancing that with not cannibalizing the core business?

**Scott Boatwright***CEO & Director*

Yes. What's great about the offering in the protein menu is we're not discounting the product. We're just celebrating something that's on the menu that may have little awareness today. I think having a taco at \$3.50 and a protein cup around \$3.80 across the country is really an approachable price point that really gives the consumer a meaningful way into the brand, but also solves for those people that are looking for a different choice, whether they're GLP-1 users or looking for other dietary restrictions, more high protein or high fiber.

We will test and learn on a couple of new ideas that may be price pointed throughout the year and see if they make their way through stage-gate and actually make a national calendar. But we feel really comfortably situated where we are today, given the pace of LTOs that will unfold starting with Chicken al Pastor on February 10. We have some new news. We have a couple of tried favorites, true favorites that have performed well historically. I think the marketing calendar, I don't think -- the marketing calendar this year is more robust and it will be better supported with targeted media than we've seen historically in the brand.

## **Operator**

Our next question comes from David Tarantino with Baird.

## **David Tarantino**

*Robert W. Baird & Co. Incorporated, Research Division*

I have a question on the margin outlook. And Adam, I was wondering if you could comment on where you think the full year restaurant margin would shake out on a comp that's about flat. I think you have some pricing coming in. You said you're going to narrow the gap versus inflation. But just any comment on where the full year might shake out given the guidance on the comp?

## **Adam Rymer**

*Chief Financial Officer*

Yes. Yes, definitely, David. So margins in 2026 will be under pressure, and it's mostly due to our investment of taking less price compared to the inflation that we're experiencing. But again, I would emphasize that's temporary, and we'll balance it out towards the end of the year. And like I said in my prepared comments, that gap will be the widest in the first quarter. So to put some numbers into it, we expect pricing to be about 70 basis points of impact in the first quarter, while inflation is closer to about 4%. So just then and there, that's about a 250-basis-point margin headwind that we'll chip away at throughout the year. When you think about it on a full year basis, I would anticipate pricing to be in that 1% to 2% range, while inflation will be closer to that 3% to 4% range.

So just that dislocation alone will be about 150 basis points on a year-over-year decline. And then there's a little -- a couple of other adjustments in there, like ad promo is going to go up maybe 10 or 20 basis points. You had the gift card benefit in 2025, which is another 20 basis points or so. And then, of course, you've got to make the adjustment for transactions. So on a flat guide, there'll be a slight degradation in the margin from there. But the good news is that dislocation is temporary. We'll get that back by the end of the year. And all the initiatives that we have in place to drive transactions will resonate with our guests this year, and we're confident that we can drive up above that full year guide with some upside potential from those. So that's a good way to think about it, though, thinking from '25 to '26.

**Scott Boatwright***CEO & Director*

David, I would add to that, we still have confidence in the long-term algorithm of getting to \$4 million AUVs and approaching 30% margins, although this year will be challenged for a couple of reasons. We have no reason to think that the long-term algorithm doesn't hold.

**David Tarantino***Robert W. Baird & Co. Incorporated, Research Division*

Great. I was just going to ask about that, Scott. So thanks for preempting my question. But I guess what is the path then from this baseline to get to, I guess, margins approaching 30%? I guess, is it as simple as getting the volumes up \$1 million or so a unit? Or I guess, is there something else or levers that you have to pull to strengthen productivity? Or I guess, what is your framework for getting to that higher margin?

**Adam Rymer***Chief Financial Officer*

Yes, I'll start and then Scott definitely jump in. And so in the short term, it's definitely that dislocation that I talked about earlier, but we'll solve that by the end of the year. From there, it's all about driving transactions north and getting the flow-through on those additional transactions. That will allow us to get not only back to the historical margins that we were at a year or 2 ago at the volumes slightly above where we're at now, but to continue to increase those margins into the 27%, 28% range and beyond as we approach \$4 million in AUVs.

**Scott Boatwright***CEO & Director*

Yes. And I'll tell you, David, that pricing approach we're taking this year at 1% to 2%, compared to where the industry is closer to 4%, will continue to strengthen our value proposition and give us pricing power in years to come. And so that, combined with other initiatives that we have identified, whether it's in supply chain or in labor as we make this reinvestment in the business around heat, there could still be opportunity down the road to capture some margin savings there as well.

**Operator**

Our next question comes from David Palmer with Evercore ISI.

**David Palmer***Evercore ISI Institutional Equities, Research Division*

Just a couple of follow-ups on that topic of pricing power and efforts you can make to lean into boosting your value perception. First, there's been some pricing rolled out so far. Is there any learnings you have from that pricing? What does price elasticity look like as you've rolled those out selectively?

**Adam Rymer***Chief Financial Officer*

Yes. Yes. So as you know, we started this approach probably about, what, October, November or so last year. And it's going really well and it's pretty much as anticipated. And so we expect to continue down this path of this really disciplined and measured approach to raising prices throughout the year. As I mentioned earlier, I expect the full year impact to be about 1% to 2%. But the beauty of this approach is it allows us to adjust throughout the year depending on what we're seeing, get much better data points as well as get better reads throughout the year on inflation. But so far, so good with this approach.

**David Palmer**

*Evercore ISI Institutional Equities, Research Division*

And I wonder, you're going to be existing among these giant fast food players that are rolling out value menus. And you've done some things along the way. You have an entry price point cup with the new protein menu. You said you have some price pointed things. It looks like you have a new style of advertising where you've pointed out pretty clearly, there's a difference in the way Chipotle makes its food versus what you'd see at a traditional fast food place. I just wonder, is there any -- do you feel like the offense might be working with these price pointed things and the messaging? And I'm just wondering if there's anything you can do to really shorten this cycle, this reinvestment in cycle rather than just wait for your price to underprice inflation for a while.

**Scott Boatwright**

*CEO & Director*

Yes. Thanks, David. I'll tell you, with the momentum we saw in early January and the first part of January gives us confidence that the strategy is exactly what our consumer is looking for. I talked earlier about doing this deep dive on the core Chipotle consumer to really parse out who that consumer is and what they want. What we've learned is the guest skews younger, a little more higher income is typically a digital native and that their grounded purpose aligns with our North Star as a brand around clean food, clean ingredients, high protein, and we are the way they want to eat. And we're going to lean into that in the most meaningful way. Now I'll tell you, after looking at the data last week, we learned that 60% of our core users are over \$100,000 a year in income -- in average household income. That gives us confidence that we can lean into that group in a more meaningful way, whether it's the solo occasion and/or group occasions to really drive meaningful transaction performance in the year.

**Operator**

Our next question comes from John Ivankoe with JPMorgan.

**John Ivankoe**

*JPMorgan Chase & Co, Research Division*

Okay. I'm going to follow up on the income question, and then I'll have a question on development. First, on the income side, 60% of customers over \$100,000. There's a lot of puts and takes with tax refunds and just overall changes in tax rate and student loans, what have you. Do you think the core consumer that Chipotle has will actually benefit in '26 from all the different puts and takes that are just kind of happening out of DC in terms of affecting the customers' wallet and spending ability?

**Scott Boatwright**

*CEO & Director*

Yes. I would tell you that we believe it's going to be a nice tailwind to spend and aligns nicely with our ramp-up in menu innovation as it is a larger percentage of overall guests. And I think initially for the under \$100,000, there'll be a nice bump after tax season and spending in general. And I think we have an opportunity to really garner more than our fair share in that window as well.

**John Ivankoe**

*JPMorgan Chase & Co, Research Division*

Okay. Helpful. And the second question is on development, specifically North America company development. Have we -- I don't know exactly the number, 330, 340, 350, it's something between '25 and '26. So just correct me on that exact number. Are we kind of hitting a natural level of, hey, we should be thinking about nominal growth rates of units in this core important market as opposed to expecting what has been historically some pretty decent leg ups in development? In other words, and I'll ask the question more succinctly. Are we at the kind of development level in company North America that should just be the absolute level going forward? Or do you think you actually have an ability to ramp it? Maybe that's a better way to ask it.

**Scott Boatwright**

*CEO & Director*

Yes. We built 334 restaurants in 2025, and we did it successfully. And we had the right teams ready, prepared at the right development level to take on new growth and not affect or impact -- negatively impact the core business. This year, we'll build 350. So think 1 new Chipotle restaurant almost every day. And we think that's the right growth rate for our brand and gives us a lot of confidence that we'll continue to build them and have returns in the 60% range. And so we still can neck up to the 9%, 10% new unit growth if we add in partner-operated restaurants into the mix as well. But we feel really comfortable at that growth rate out to 7,000 restaurants in North America.

**John Ivankoe**

*JPMorgan Chase & Co, Research Division*

And the final one, just confidence outside of Central London and Frankfurt. Those are obviously 2 very specific type markets. Are you feeling good elsewhere in U.K., good elsewhere in Germany? And I'll conclude there.

**Scott Boatwright**

*CEO & Director*

Yes. France is a tough one, I'll be honest with you, because of wage inflation, because of occupancy costs. It's not to say we don't like France as an opportunity. We're just not seeing -- we're seeing some recovery there, but not at the same pace. But -- so we just need a little more time in France, I believe. As it relates to London proper or U.K. proper, Central London is our biggest opportunity. We've made some strategic bets a couple of years back outside of Central London that didn't perform at the level we wanted them to perform at. So we think about the strategy for London more similar to New York or downtown Chicago, where there's so much opportunity to build within Central London and have very successful return on investment that that's what we're going to lean into. But then we'll look to expand to other adjacent markets, whether that's Benelux, the Nordics, Poland or Spain.

**Operator**

Our next question comes from Danilo Gargiulo with Bernstein.

**Danilo Gargiulo**

*Bernstein Institutional Services LLC, Research Division*

Scott, in the past, you mentioned that you may have identified 100 to maybe 150 basis points of margin upside opportunities that over time, you should be able to unlock. I was wondering if you can give more color on the timing of those opportunities and what levers you can pull today without impacting demand?

**Scott Boatwright**

*CEO & Director*

Yes. So we are in the throes -- great question. Thank you for that, Danilo. We are in the throes of going through a very comprehensive supply chain review, and there are strategic savings that are there that don't affect the ingredient quality that we bring in the back of our restaurants. So we have a lot of confidence we'll be able to pull margin there. But also the equipment -- high equipment -- high-efficiency equipment package has margin savings that we are reinvesting at present that over time could have a meaningful impact to margin as well.

**Danilo Gargiulo**

*Bernstein Institutional Services LLC, Research Division*

Great. And I would like to follow-up also on the snacking occasion, specifically, handheld seem to be another area where you could be leaning more into. And I was wondering how does this fit into your marketing strategy? And more importantly, how are you going to be enhancing your value orientation while ensuring that you're not cannibalizing your own sales and using consumers to trade down?

**Scott Boatwright**

*CEO & Director*

Yes. That was -- the consumer trade down concern was one of the concerns we had around the high-protein menu. And frankly, we just didn't see it. Extra protein incidence is up 35% during the menu launch, which gives us confidence that the core consumer is not necessarily looking for a smaller, lower price pointed component to the menu. What they are looking for is excellent culinary, excellent in-restaurant and digital experiences and then product that is on brand and on trend. And so that gives us confidence in the strategy. We will test ideas like, dare I say, a Happier Hour to see what that looks like for our brand. I don't know if it will be a meaningful unlock for Chipotle, but we're going to test the idea and stage-gate it and give it the appropriate resources necessary.

**Operator**

Our next question is Dennis Geiger with UBS.

**Dennis Geiger**

*UBS Investment Bank, Research Division*

Wondering if you guys could talk a little bit more about how you're sizing up those key sales drivers in '26, many of which I know you commented on. But I believe you mentioned only embedding a modest impact from the initiatives this year. So I was just curious if you could sort of unpack, is that sort of consistent with your methodology on often not embedding LTOs in the comp guide? Or is it much more of a, let's be conservative in thinking about a lot of these impactful initiatives just given the environment that we're in? Just curious if you could unpack that for us, guys.

**Scott Boatwright**

*CEO & Director*

Yes. I'll let Adam jump in on historical reference as it relates to embedding in guide, LTOs or other strategies. Here's what I'll tell you, we have sized up the opportunities, whether that's relaunching or reimagining rewards or group occasions or what the heat equipment package will do for our brand. Of course, we're still early days on many of those things. So we dare say what that will look like. We have a pretty broad range on each of those items. But I think they're more multiyear than a 2026 initiative.

**Adam Rymer**

*Chief Financial Officer*

Yes. And then in terms of looking at the guide, if you look at more of our short-term guides, what I mentioned, example, for Q1 of a minus 1% to minus 2%, that does not include any further initiatives within the quarter. So think of Chicken al Pastor or that momentum that we're getting from the protein menu and campaign that can provide upside to it. But then when we're thinking about full year guidance, we usually include a modest impact from the initiatives throughout the year. And this year, we definitely took into account, though, like I said earlier, just what's going on in the consumer environment. So we just wanted to be a little bit more conservative on that full year just because of that.

**Operator**

Our next question is Chris O'Cull with Stifel.

**Christopher O'Cull**

*Stifel, Nicolaus & Company, Incorporated, Research Division*

Sorry about that. Can you hear me now?

**Scott Boatwright**

*CEO & Director*

We have you, Chris. Go ahead.

**Christopher O'Cull**

*Stifel, Nicolaus & Company, Incorporated, Research Division*

Okay. Great. Scott, I had a follow-up question regarding the CMO search. I'm just wondering what specific next level expertise are you looking for in a leader to help drive Chipotle into this next phase of growth?

**Scott Boatwright**

*CEO & Director*

Yes. We're just looking to evolve our key messaging, really talk about our points of differentiation in a new way that's compelling, continue to drive strong menu innovation for our brand that is on brand and that drives really consumer demand and then support and help as it relates to digital to help support our new Chief Digital Officer as we think about digital commerce differently in the years to come, whether that's reimagining the loyalty program, which I talked about or better partnership with our third-party aggregators and really figuring out meaningful ways to drive transaction through those channels because we know those channels to be different, whether you're talking about Uber or DoorDash.

One is heavily focused on price differentials for in-restaurant versus delivery. The other one is more promotionally driven. And so figuring out the right approach to that. And then also really making our white label experience more approachable to really accelerate the transactions we're seeing in that channel as well. So holistically, I know I said a lot there, Chris, looking for, I guess, a unicorn. Good news is, I talked about this earlier, we have great internal talent. We have great external excitement for the job. So I think we'll have someone in the chair in the coming months that is world-class and that will deliver on the expectation and deliver on our Recipe for Growth strategy.

**Christopher O'Cull**

*Stifel, Nicolaus & Company, Incorporated, Research Division*

Okay. And then just my second one, how are you thinking about communicating to light or lapsed users who probably represent a big opportunity but are likely not going to see the first-party loyalty offers?

**Scott Boatwright**

*CEO & Director*

Yes. So I think we've talked about personalization in the past, Chris, and we're starting to really accelerate the personalization journey. I'll give you an example. We're leveraging the AI model to really identify those lapsed users and create journeys that get them reengaged with our brand. More importantly is we're able to parse out deals or offers for consumers based on how often they frequent our brand in the past and what we anticipate their lifetime value to be, which is really a meaningful step change in how we really drive demand in the channel and targeting lapsed and at-risk consumers.

**Operator**

Our next question is with Andrew Charles from TD Cowen.

**Andrew Charles**

*TD Cowen, Research Division*

Scott, you reiterated the 2026 development guidance. And I'm curious what you would need to see the slow development to intensify the focus on improving traffic. Is it overly simplistic to think if 2026 comps were to be negative instead of flat, and this would make you reconsider development plans?

**Scott Boatwright**

*CEO & Director*

Yes. I think it's a couple of things. I think number one is if we started to see cannibalization that exceeds our historical levels, which we haven't seen any deterioration there to date or in the last couple of years and/or if we stop seeing the performance of new restaurants at 80% or better of the existing asset base or we see margins or return on investment start to be marginalized, that would cause us to slow down. Fortunately, we're not seeing any of that to date, which gives us confidence we're on the right track.

**Andrew Charles**

*TD Cowen, Research Division*

Very clear. Okay. And then my follow-up question was just for the 4 new LTOs this year, should we think about them being roughly evenly spaced around 3 months each? Or Chicken al Pastor, obviously, has been a hero for you guys in '23 and '24, might that one run a little bit longer than the implied 3 months each?

**Scott Boatwright**  
*CEO & Director*

Yes. So think about them between 8 to 12 months in total. So there'll be different cadences, and we have the ability to extend or reduce that time line based on how we see the market trending. But I think you're thinking about it the right way.

**Operator**

Our next question is from Sharon Zackfia with William Blair.

**Sharon Zackfia**  
*William Blair & Company L.L.C., Research Division*

There was a lot of talk over the summer about the younger consumer slowing down. And I'm curious as you've seen the comps accelerate, it sounds like through the fourth quarter and into January, have you seen that consumer as well kind of come back? Is there anything to call out from a demographic standpoint?

**Scott Boatwright**  
*CEO & Director*

Yes. So I'll tell you, Sharon, that -- I'll give you an anecdote and then I'll tell you the story. So we started down the path in fourth quarter of really finding out how to reengage that younger consumer or lower-income consumer and get them reengaged with the brand. And I'll tell you, our digital team worked wonders as it relates to finding ways to gamify the experience and create rewards that were meaningful enough to drive that cohort back into our restaurants. One of those examples, I was in Florida just before the holidays, and we launched our Freepotle campaign. I was in a restaurant, and I was like father time standing in the line that was out the door. The average age of the customer in the line that day had to be 20, maybe 21 years old. And so I'll tell you, that worked tremendously getting those consumers back in our restaurants, and it will be used to inform the 2026 strategy as we engage that cohort more meaningfully.

**Adam Rymer**  
*Chief Financial Officer*

Yes. And I would just add to that as well. I mean a lot of the initiatives that we've done since last summer, especially with Red Chimichurri, the new protein menu and campaign as well as just LTOs in general, really have outsized performance with that group. So you're going to see us continue to lean in on those as well for that reason.

**Sharon Zackfia**

*William Blair & Company L.L.C., Research Division*

And then as a follow-up, on the high protein launch, was that successful in bringing in new customers to Chipotle? Or was it really kind of a frequency or upsell kind of dynamic?

**Scott Boatwright**

*CEO & Director*

It did both, actually, Sharon. So new customers to our brand who really didn't know about the high-quality proteins that we have. And I shared this with the marketing team and they share my enthusiasm around the topic. We have the best proteins in the world. Why wouldn't we celebrate those in the most meaningful way to really, again, drive our points of differentiation compared to our competitors who may also be promoting protein at the same time. And I think we had a meaningful impact on the trend change in the business. But more importantly, the adoption of the protein cup, protein side being up 35% is evidence that the strategy works.

**Operator**

Our final question will come from Christine Cho with Goldman Sachs.

**Hyun Jin Cho**

*Goldman Sachs Group, Inc., Research Division*

So just a quick follow-up on the performance of the high protein cup. So are you seeing any specific consumer cohorts responding more favorably such as the younger consumers? And did you also see any impact on the late afternoon traffic? And then also incremental color on your plans to address the new kind of side and beverage occasions throughout the year would be appreciated.

**Adam Rymer**

*Chief Financial Officer*

Yes. So I'll start on the protein side. So absolutely, I think this protein trend that we're seeing across the nation right now is having an outsized impact on the younger cohort. It really is across the board, but we're definitely seeing an outsized impact there. And again, it's mostly coming through additions. There's a little bit coming in and just getting the cup or just getting a single taco, but the vast majority are utilizing that as a checkout on. And then you had a second question about drinks?

**Hyun Jin Cho**

*Goldman Sachs Group, Inc., Research Division*

Yes. Your plans for the sides and drinks and occasions throughout the year.

**Scott Boatwright**

*CEO & Director*

Yes. So we will -- Christine, we will pepper in new sides and beverages. We'll do a beverage in the summer, and we will look at different sides that we'll bring in, whether they're dips or other sides that we'll bring in that really tested really well through stage-gate that we're really excited about. I wish I could tell you, I think if I did, my marketing team would throw me out of the building. But we're super excited about what we have to offer and look forward to an incredible year.

**Operator**

This concludes our question-and-answer session. I would like to turn the conference back over to Scott Boatwright for any closing remarks.

**Scott Boatwright**

*CEO & Director*

Thanks, everyone. I just want to close by thanking our team members for their hard work and dedication across our 4,000 restaurants and around the globe. They truly are the backbone of this great brand. I also want to reiterate my deep confidence in our growth strategy. We are doubling down on what uniquely differentiates our brand to position Chipotle for what I talked about earlier, our next phase of growth. We will win by investing in operational excellence, accelerating innovation in the new offerings and occasions, relaunching our rewards program, deploying new back-of-house technology and equipment and growing our global footprint. As I laid out, we're already seeing progress and it validates that our focus on these strategic priorities is already resonating with our consumer. Our Recipe for Growth plan will position us for success in any environment, and I am confident it will drive transactions, allow us to move faster and create long-term sustainable growth for the brand. And with that, I just want to say thank you, and have a great day, everyone.

## Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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