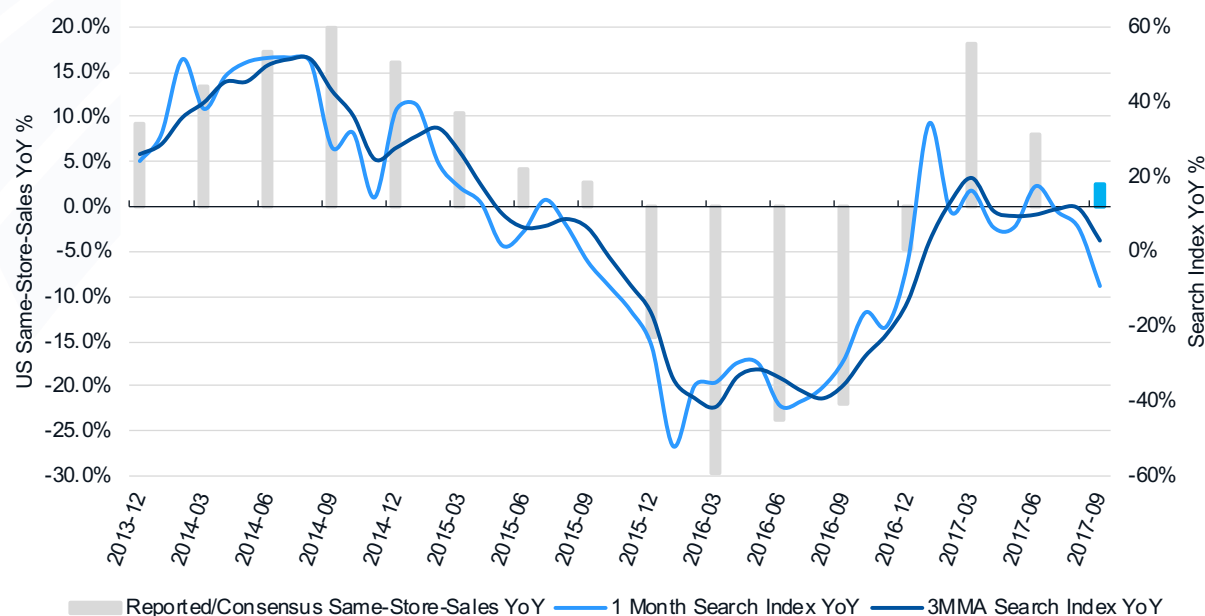


Chipotle: Job Listings and Online Search Point to Further Slowdown



Summary:

There is evidence of further slowing momentum for Chipotle. Growth in total online job listings (sourced from Eagle Alpha's data partner) has inflected downwards since Q2'17, and Eagle Alpha's Search Signals indicator also shows weakening trends in recent quarters. Both have shown a strong relationship with same-store-sales in the past, although there has been a lead time of two to three quarters for online listings.

Eagle Alpha Insight:

Search data and online job listing have both inflected downwards, pointing to further weakness for Chipotle in coming quarters.

Signal: Negative
Conviction: Moderate

See appendix 1 for definitions



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Sector: **Consumer Discretionary**
Sub-Sector: **Restaurants**

Companies mentioned: • **Chipotle Mexican Grill Inc (CMG)**

Key Takeaways



1. Datasets

- **Job Listings:** A unique dataset that indexes greater than 4m jobs directly from over 30,000 employer websites globally on a daily basis.
- **Search Signals:** Indicators built from Google Trends that is related to company specific terms associated with company sales.

[See Appendix 1](#) →



2. Backtesting/Significance

- **Job Listing:** In recent years, inflections in job listings growth has preempted inflections in revenue growth by two to three quarters.
- **Search Signals:** The indicator correctly predicted the QoQ direction of YoY revenue growth 90% of the time in in-sample testing.

[See Appendix 1](#) →



3. Key Insights

Job listings and search interest both turning negative for Chipotle

Tracking total active online job listings on Chipotle's US websites has been a valuable indicator of infections in SSS growth for the company in the past. Listings growth inflected sharply down in mid 2015, ahead of the slowdown in SSS, and inflected up again around the time SSS bottomed out in mid-2016. Both 3MMA and 12MMA growth in job listings is showing negative momentum in Q2'17.

Eagle Alpha's Search Signals indicator for Chipotle peaked in March of this year, and it has taken a noticeable downward turn since June/July.

[See page 3 & 4](#) →



4. Implications

Both datasets point to the potential for further revenue slowdown for Chipotle

Negative trends in job listings and search interest are both worrying signals for revenue growth for Chipotle. The lead time between movements in Eagle Alpha's Search Signals indicator and Chipotle SSS has been only one quarter in the past. However, online job listings have shown a lead time of two to three quarters in the past. Seeing as job listings only inflected down in Q2'17, it could be another quarter before these trends feed through to SSS in a meaningful way.

Key Insights

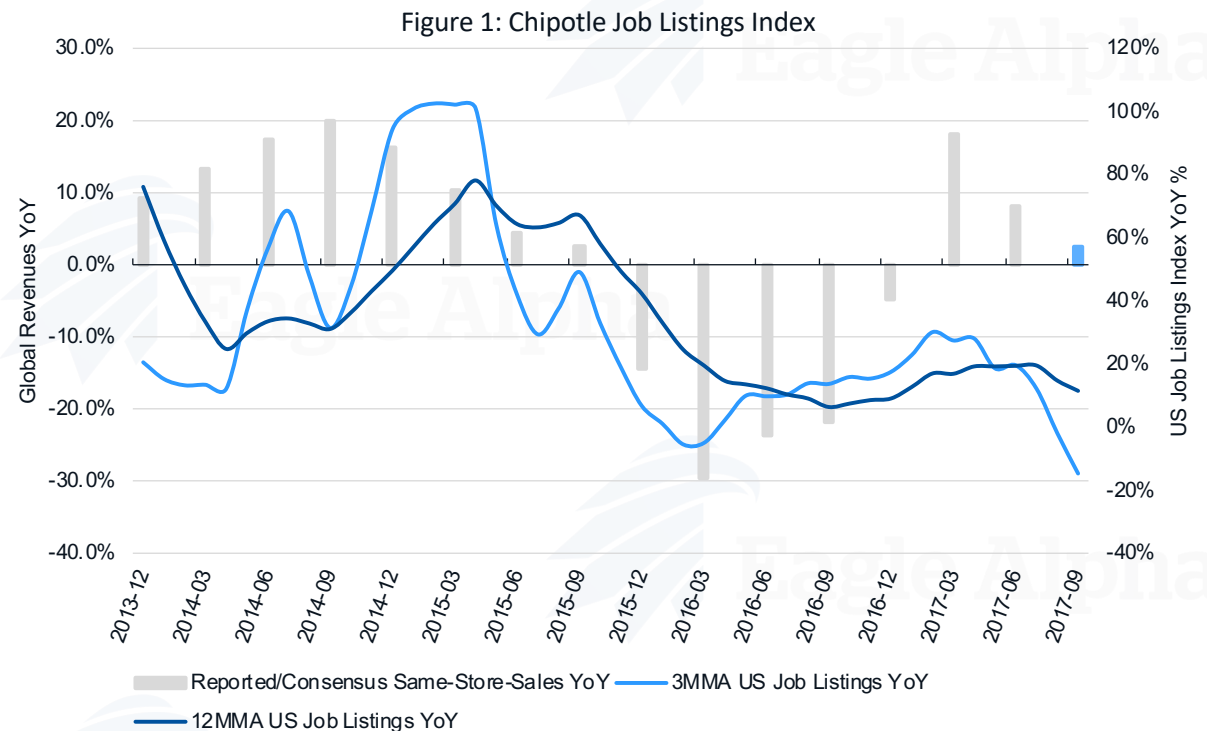
Job listings data inflecting down

Growth in active jobs listings from Eagle Alpha's job listings data partner has been a strong indicator of inflections in revenue growth in the past. In the chart to the right we plot a 3 and 12 month moving average (MMA) of company job listings data against quarterly SSS. Listings growth inflected sharply down in mid 2015, ahead of the slowdown in SSS, and inflected up again around the time SSS bottomed out in mid-2016.

Job listings growth inflected down in Q2'17. We view this negatively for SSS growth, although past experience would suggest this will take another quarter for this to play out.

For more on Eagle Alpha's offering contact:

enquires@eaglealpha.com



Source: Eagle Alpha Analysis, Job Listings Data ([click here](#) for underlying data)

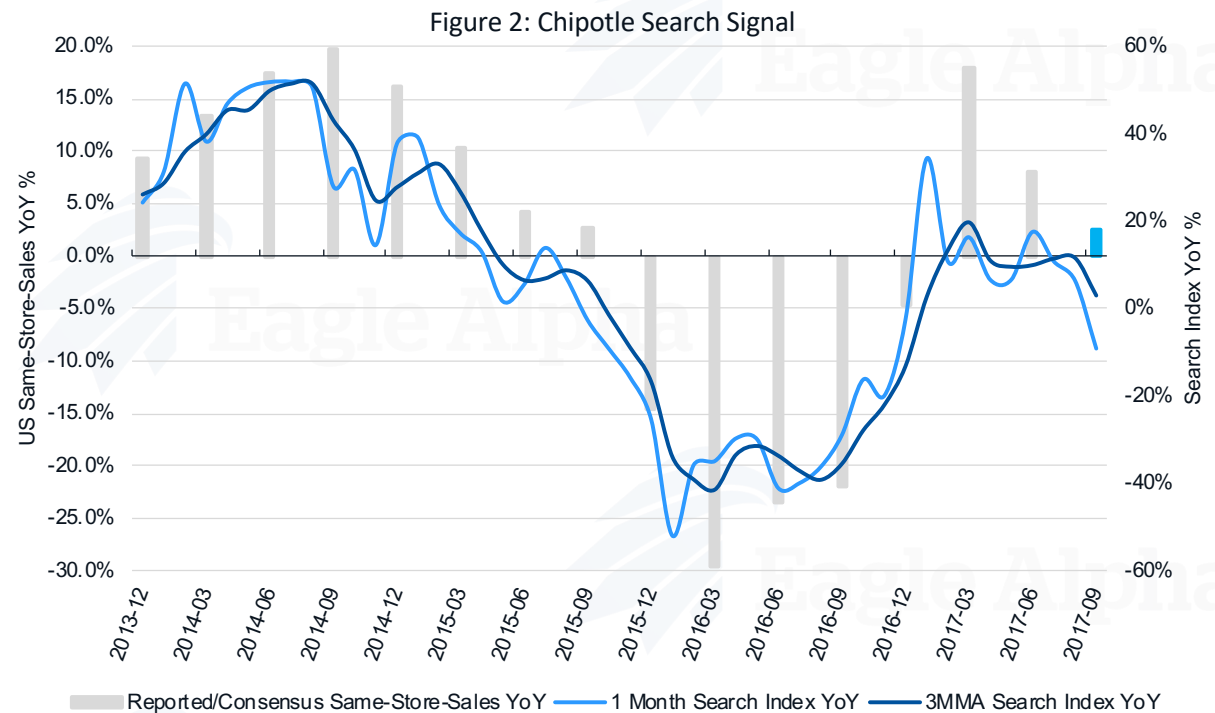
Key Insights

Search Signals negative

Eagle Alpha's Search Signal indicator, built using Chipotle specific terms from Google Trends, bottomed in mid-2016 and had been on an upward trend until March of this year.

However, trends were more flat since then and the 1 month index crossed over the 3 MMA moving average in Q2'17. We view the cross over as a negative sign for same-store-sales growth. Historically there has been c. one quarter lead time before search trends are reflected in reported numbers.

For more on Eagle Alpha's offering contact:
enquires@eaglealpha.com



Source: Eagle Alpha Analysis, Job Listings Data ([click here](#) for live chart)

Appendix 1:

Data Sources, Methodology and Backtesting



Google Trends Data

[Click here](#) for live charts

Google Trends is a public web facility based on Google Search that shows how often a particular search-term is entered relative to the total search-volume over time across various regions of the world.

The process for constructing indicators for each company using Google Trends includes:

- Research analyst spends time identify relevant terms specific to each company.
- Used third part tools to aid process.
- Examine significance of terms using Adwords.
- Research analyst refines terms for inclusion.
- Build Google Trends index with relevant terms.
- Plot 12, 6, 3 or 1 month moving averages of the index. Chart YoY% move in index to sales or same store sales (SSS).
- Examine chart to see if index leads future changes in revenue or SSS and observe the time lag from a change in the moving average indicator to any change in relevant metrics in future quarters.

Over the last 20 quarters the Chipotle indicator has demonstrated a three-quarter hit rate of 90% in in-sample testing. This means that 90% of the time the three-month moving average has moved in the same direction as same store sales over a three-quarter period. One-quarter hit rate is 82%.

For more information please [click here](#).

Job Listings Data

Please [click here](#) for more info or contact enquiries@eaglealpha.com.

Completely unique in the industry, the job listing dataset only indexes jobs directly from employer websites. Updated daily with over 4 million jobs from more than 30,000 employers, the platform eliminates duplicate and expired job listings, as well as job pollution. From the core platform, the company has developed an array of products and services and achieved significant market traction in two primary business units: Candidate Sourcing and Job Market Data and Analytics.

Backtesting of the dataset demonstrated alpha in the dataset, with “Jobs Active” producing the highest and most consistent returns. Yearly hedge returns were between 6-8%. For more information please [click here](#).

Isolating company specific job listings data we found use cases where quarterly year over year growth in job listings has demonstrated a strong relationship with year over year revenue growth.

Appendix 2:

Related Eagle Alpha Content




Eagle Alpha



Coach: Alternative Data Points to Improving Momentum Longer Term

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Fitbit: Ionic Gains Highest Interest But Samsung Gear Sport Has Better Sentiment

07 September 2017 by DAVID JELLY



GoPro: Online Data Confirms Management Sales Strategy

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Chipotle: Alternative Data Provides an Insight into the Latest Food Scare

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Lululemon: Online Data Suggests Improving Trends in FQ2

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Chipotle: Alternative Data Suggests Q2 Revenue Estimates Are Too High

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GoPro: Online Data Points to Weaker Top Line Growth in Q2

10 July 2017 by DAVID JELLY



Luxury Goods: Positive Trends For Burberry and Kors, Negative Trends for Coach

10 July 2017 by BRENDAN FURLONG

Appendix 3:

About Eagle Alpha



Company Overview

Eagle Alpha is focused on solving the challenges that asset managers face when working with alternative data. The Eagle Alpha solution has six parts:

Teach In

Teach-ins educate our clients to enable them to catch up with the innovators and early adopters in alternative data field.

Thought Leadership

Thought Leadership ensures that our clients do not fall behind the curve regarding how to obtain value from alternative data.

Bespoke Projects

Bespoke Projects enable clients, who don't have the skillset and/or capacity to work with alternative data, to commission specific projects.

Data Insights

Data Insights reports and indicators give clients actionable ideas and demonstrate, based on 4 years of experience, how different types of alternative datasets can be leveraged.

Analytical Tools

Analytical Tools enable clients to obtain proprietary analytics on 90 million data sources for research into items like product launches and elections. In addition, we have a proprietary algorithm that enables clients to build databases of experts.

Data Sources

Data Sourcing keeps clients on top of the world's alternative datasets and ensures they do not miss out on the best datasets.

Appendix 4:

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