

Chipotle shares fall as E. coli outbreak hits sales

NEW YORK - Shares of Chipotle Mexican Grill fell on Monday after the restaurant chain projected much lower-than-expected profits on plunging sales due to an E. coli outbreak in the United States.



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Near 1630 GMT, Chipotle shares were down 3.2 percent at \$543.31 after earlier falling as low as \$515.00.

Following the market close on Friday, Chipotle erased its 2016 outlook for comparable sales, saying sales trends "have been extremely volatile" since its 3 November announcement that it had temporarily closed 43 restaurants on the West Coast due to the outbreak.

Daily sales fell as much as 22 percent at one point before recovering somewhat.

"In light of recent sales trends and additional uncertainty related to the E. coli incident, we cannot reasonably estimate 2016 comparable restaurant sales at this time," Chipotle said in the December 4 securities filing.

Chipotle projected fourth-quarter earnings of \$2.45-\$2.85 per share, much below the \$4 expected by analysts.

Chipotle, which prior to the E. coli outbreak had been a standout among restaurant-chain stocks, said it was stepping up measures to try to avert future problems with bad or spoiled ingredients.

These plans include high-resolution testing of all fresh produce and enhanced employee training.

On Friday, the US Centers for Disease Control and Prevention said it had found seven more E. coli cases linked to Chipotle, taking the case count to 52 people in nine states with 20 hospitalizations.

The latest cases include victims in Illinois and Ohio in the Midwest and Maryland and Pennsylvania on the East Coast.

The CDC said it believes "a common meal item or ingredient" links the victims, but that the investigation has not identified the specific cause.

Barclays said Monday the outbreak was "all the more damaging" because Chipotle has emphasized its commitment to fresh ingredients with a big "food with integrity" public relations campaign.

Barclays lowered its share price target by 18 percent to \$540.

"With ongoing headlines to further pressure near-term results, we remain cautious" on the stock, Barclays said.

Source: AFP

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