

2 for 1 Index[®]

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April 12, 2024

Chipotle Mexican Grill (CMG) announced a 50 for 1 split on 3/19/24 to be paid on 6/25/24, subject to the approval of its stockholders. We can assume this approval will be forthcoming, thus knocking off one of the highest priced stocks on any of the major exchanges.

CMG has had a significant runup in price over the last six months and its growth in revenues and earnings are impressive. However, most of the other metrics I use to evaluate candidates for the Index are weak. The stock is significantly more volatile than the market. The stock pays no dividend. The company's debt-to-equity ratio does not compare well with its peers. And the biggies are a PE ratio (66), price-to book ratio (26), and PEG ratio (2.9); all off the chart when compared to others in the restaurant business.

There is another reason I've decided to take a pass on Chipotle. One might ask why it took so long for the Chipotle board of directors to come to the decision to do a split and/or why they decided to do this split at all. I have no answers but, because it's so unusual, I'm going to conclude this split may not be the signal supplied by the more typical 2 for 1 split announcement; specifically, that there will probably be the two to three year "stock split advantage" that has propelled the 2 for 1 Index to a 12% annualized return over 27+ years.

Turning to the stock that has reached the top of the Index ladder, Hawkins, Inc. (HWKN) was one of our winners, for sure. This company, one that most people have never heard of, has produced a total return of around 35% per year over the three years it's been in the Index. HWKN confirms, for me, the wisdom of owning well run companies that make and sell stuff we actually need. I wish there were more of them announcing splits.

The market and the Index are at their all-time highs. For those readers tracking the Index in their personal portfolios, I see no harm in building up your cash account with the sale proceeds from HWKN and any dividends you may be collecting. However, keeping the cash in your brokerage settlement account may be producing only a miniscule return in interest. It might be better to move the cash to a money market ETF or a short-term CD paying 4 or 5%. Check it out.

In summary, for April, **HWKN will be deleted from the Index and there will be no addition.** There will be a rebalance, reducing the 2 for 1 Index to 28 equally weighted positions, as of the market close on Monday 4/15/24.

Neil Macneale

HWKN	HAWKINS, INC.	APR-21	TECH	BIO-TECHNE CORP.	SEP-22	2 for 1 Index inception 7/31/1996
CP	CANADIAN PACIFIC	MAY-21	UHAL	U-HAUL HOLDING CO.	NOV-22	
CSX	CSX CORPORATION	JUN-21	PCAR	PACCAR, INC.	DEC-22	Value at inception = 100
SCVL	SHOE CARNIVAL, INC.	JUL-21	SSRM	SSR MINING INC.	FEB-23	
ISRG	INTUITIVE SURGICAL, INC.	AUG-21	GCBC	GREENE COUNTY BANCORP	MAR-23	Value as of 4/11/24 = 2341.56
RJF	RAYMOND JAMES FINANCIAL	SEP-21	AAON	AAON INC.	JUL-23	
TM	TOYOTA MOTORS CORP	OCT-21	CRPT	COPART, INC.	AUG-23	All time high - 4/8/24 = 2370.11
MBIN	MERCHANTS BANCORP	DEC-21	SRE	SEMPRA	AUG-23	
NSSC	NAPCO SECURITY TECH.	DEC-21	NVO	NOVO NORDISK	SEP-23	52-week low - 10/27/23 = 1814.17
GOOGL	ALPHABET, INC.	FEB-22	MLI	MUELLER INDUSTRIES	OCT-23	
CM	CIBC	MAR-22	SNEX	STONEX GROUP INC.	NOV-23	Overall annualized return = 12.06%
PTSI	P. A. M. TRANSPORTATION	APR-22	HUBG	HUB GROUP, INC.	JAN-24	
CTO	CTO REALTY GROWTH, INC.	MAY-22	ODFL	OLD DOMINION FREIGHT LN	MAR-24	Comparable S&P total return = 9.87%
AMRK	A-MARK PRECIOUS METALS	JUN-22	COO	COOPER INC.	MAR-24	
REX	REX AMERICAN RESOURCES	JUL-22				