

Initiating Coverage:

CAVA Group, Inc. (\$CAVA)

Taste the Threat: A Cautionary Bite into CAVA

Key Take-away: CAVA Group Inc. has seen repeated averages of 30% revenue increase and a 569% valuation growth in the past three years establishing its dominance within the fast-casual sector. Its Mediterranean, high-quality, and innovative cuisine has built a strong consumer base in urban areas with high concentrations of millennials and Gen-Z health-enthusiasts. The company's recent announcement of 60 new locations across the United States in 2025 signals a strong sentiment of potential but unravels speculations about expansionary pressures. CAVA's aggressive rollout into suburban areas post-Zoes Kitchen conversions will increase costs through the implementations of new projects in untested waters. With its premium pricing model and urban success, CAVA's rollout strategy into suburban markets will increase variability, logistic and customer acquisition costs. Without a hefty real estate portfolio to decrease capital expenditures anymore, CAVA runs the risk of upsets as years of planned development begin to gain traction.

Normalized ROIC: CAVA's current ROIC of 19% is comfortable above WACC of 10.44% due to Zoes Kitchen conversions and unit economics, but as CAVA's previous locations mature and it adds restaurants in suburban areas with smaller brand recognition, a lower ROIC should be expected. Although many suspect CAVA to outperform, it is vital to consider the large hike we will see in coming quarters on capex and lengthier rollout periods. As the company's profits decrease, shareholder value will likely follow. When comparing CapEx between converted and greenfield units, all of the new locations are looking at doubling expenditures (500k → 1.1M). Although AUV and restaurant-level margin assumptions appear to be on par with historicals (20-24% vs 20-26%), untested markets and inflation may constrain margins. In turn, if new units cannot keep up with WACC, current CAVA ratings will be disconnected from reality.

Stable Pricing Confidence: With inflationary pressures from different directions and new legal wage requirements, some of CAVA's direct competitors, Chipotle and Sweetgreen, are raising prices by 4 % to 5% to combat new measures. Meanwhile, CAVA has maintained a cautious pricing strategy and imposed a 3.1% increase in 2024 and 1.71% raise in 2025 Q1. With more than 25% of CAVA's operational expenses falling within wage and labor costs, and an aggressive expansion upcoming, the pricing strategy signals CAVA's confidence and advantages over their competitors. Due to their vertically integrated supply chain (Chipotle and Sweetgreen do not have), the recently imposed tariffs and inflationary measures are not going to impact CAVA unless the taxes target Mediterranean imports. Additionally, CAVA's AUV is rising without the price hikes, which could signal great volume growth, but it is important to keep in consideration that many of those are converted facilities. With a growing consumer base, Cava believes that upholding a consumer-first approach will allow it to continue building brand loyalty as they expand into new suburban areas and are confident that their margins will not suffer.

Valuation: We initiate coverage with a \$79 PT.



Consortium Research Group
Consumer | Food and Beverage
July 13th, 2025

Stock Rating: Underweight

Price Target: \$79.00

Price: \$92.05

Potential Downside 14.61%

Ticker: \$CAVA

Market Cap: \$10.6b

Shares Outstanding: 115.7mm

Free Float (%): 103.9mm

Dividend Yield: N/A



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Company Overview

Full-Service Fallout: CAVA Group, Inc. is a growing leader in the fast-casual restaurant sector and operates more than 360 restaurants in the United States. Stemming from the losses of the full-service restaurant, Cava Mezze Grill, founders Ted Xenohristos, Ike Grigoropoulos, and Dimitri Moshovitis were converted to the fast-casual sector by fourth partner and previous investment banker, Brett Schulman in 2010. The first-generation Greek-American founders draw inspiration from Mediterranean dishes and culture to create their extensive menu and restaurant strategy. From communal hospitality to fresh ingredients like tzatziki, CAVA is meant to elude the simple, yet deeply soulful Mediterranean way of life. The chain unites healthy ingredients with vibrant dressings and meats to attract all types of consumers. CAVA provides continuous new experiences by allowing every customer to individualize their entire order from the over 17.4 billion possible combinations and ensures efficiency through their encouraging team environment and modern foundations. CAVA is proving to be a favorite among younger generations through its attractive restaurant design, customizable experience and dual focus on wellness and quality. Due to the evolving interest for authentic and ethnic cuisine, high quality expectations, and health trends, CAVA is looking to rapidly open its doors across new markets in 2025 and beyond.

Market Launchpad: With the acquisition of Zoe's Kitchen in 2018 Q4, CAVA was set to produce shiny numbers through the newly gained ownership of over 250 fully-established Zoe's locations. The operational, financial, and strategic cloud the transaction provided for CAVA allowed for it to expand and develop at insanely cheap rates. By December 2023, CAVA had converted 153 Zoe's Kitchen locations which saved them from years of construction, large margins of capital expenditure, and customer scouting. The conversions led to higher topline revenue through increased AUVs, entrance into suburban markets (previous target of Zoe's Kitchen), and overall, tripling of its doors without tripling development costs. CAVA finished converting all of the intended Zoe's Kitchen locations by 2023 Q4. Therefore, the acquisition provided CAVA with a huge bounce to make powerful waves within the industry for years and is now poses a question for its future outlook.

Multi-Channel Development: CAVA's heavy emphasis on human connection, but footing within the fast-casual sector has led it to create a "Walk-The-Line" ordering system. The Line has allowed CAVA to divert from the traditional full-service costs it dealt with during Mezze Grill such as servers, hosts, and extensive supplementary elements to a hefty investment in its food quality and production. CAVA recognizes the silent transition to digital ordering and takeout trend, therefore it has been developing its digital business through brick-and-mortar digital kitchen units dedicated to the online and catering services. With approximately 10 digital kitchens nationwide, CAVA is looking to expand its digital channel as consumers sway to convenience. Their digital revenue mix brought in 34.6% of 2024 revenue. Additionally, CAVA has integrated drive-thru pickup in select locations and hopes to increase its presence in the 2025 units. Lastly, their CPG business can be found in Whole Foods and other local independents. Ultimately, their offerings can be accessed through their multi-channel experience consisting of in-restaurant dining, digital pick-up, drive-thru pick-up and in select locations, delivery, catering, and CPG carriers. All of these are facilitated by their digital infrastructure and vertically-integrated production.

Strategic Geographic Development: CAVA's consumer demographic leans towards Millennial and Gen-Z individuals with preferences for value/healthy options and higher willingness to spend on the premium pricing. CAVA's brand is positioned to appeal those interested in delicious ethnic bowls, without having to pay the hefty price tag for quality and healthy ingredients. Through a growing emphasis on health within media, consumers are reaching for foods that provide great experiences, food, and prices. Therefore, as CAVA continues its nationwide expansion, it plans to develop company units in suburban areas it theorizes to be

hotspots. Considering its thriving results in urban areas, CAVA is casting its net in new cities and states in 2025.

Industry Overview





Labor Market and Immigration Tension: Currently, the labor market is facing significant changes from all directions. When looking at immigration, stricter ICE activity and an aggressive national sentiment may cause a significant decline in manual based-labor and hospitality work. The two industries that will take the hardest hits with labor shortages would be the hospitality and construction sectors. Increased immigrant regulation has led multiple restaurants to increase staffing wages by \$2-\$3 and kitchen wages by \$4. Realistically, this is going to push out multiple restaurants who cannot adapt to new ongoing standards. Additionally, the recent hikes in local-minimum wages have caused setbacks for small restaurants in D.C. and other metropolitan areas. On another note, labor unions and state minimum wage increases such as California Assembly Bill No. 1228 are caving into labor costs for the restaurant industry.





Takeout Frenzy: The recent 2025 NRA (National Restaurant Association) report signaled a huge surge in convenience ordering as over 75% of restaurant traffic is now takeout. The rising consumer choices are leading to decreased in-store foot traffic and driving out full-service restaurants in urban areas with Gen-Z and Millennial consumers. Over 90% of this consumer base deems takeout options to be essential and fast-service to be the standard for up-and-coming restaurants. With industry same-store sales margins to still be positive at around 1%, there is a significant decrease in foot traffic – which can either point to the higher prices or opposing channel preference, or both.

Ingredient Pressures: Post-pandemic inflation, Ukraine, and Trump tariffs have shocked prime restaurant ingredient markets, such as avocados, tomatoes, oil, grain, other fresh produce and meat. Notably, with recent 25% tariffs on Mexican and Canadian produce, many restaurants are raising prices in hopes of combatting the expensive imports. The impact this has on restaurants is seen across their pricing strategies which could either drive traffic away, erode margins, or hit a good spot if priced with the market. Also, the expensive sourcing is leading chains to turn to local suppliers, seasonal dishes, stricter portioning and increased waste management focus.

Demand for “Fast-Casual”: In the past few years, McDonald’s and Burger King began receiving backlash for its bad quality ingredients, meanwhile other restaurants such as Chipotle and Shake Shack have thrived off the consumer drawn by intersectionality. Fast-casual food spots have grabbed customers by storm through combining all of the benefits from QSR (Quick-Service Dining) and sit-down restaurants in one hub. By intersecting quality with fast-paced and customized offerings, fast-casual is the fastest growing sector within the restaurant sector in the past decade.

Peer Comparisons

Comparable Companies					
\$mm					
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
 SWEETGREEN, INC. (XNYS:SG)	\$1,729	\$1,874	19.4x	\$685	-\$35
 SHAKE SHACK INC. (XNYS:SHAK)	\$5,710	\$6,255	460.4x	\$1,283	\$143
 Dutch Bros Inc (XNYS:BROS)	\$8,532	\$9,433	196.1x	\$1,361	\$226
 FIRST WATCH RESTAURANT GROUP	\$1,077	\$1,896	98.8x	\$1,056	\$96
CAVA	\$10,001	\$10,045	70.4x	\$1,037	\$119

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
 SWEETGREEN, INC. (XNYS:SG)	-53.1x	20.0%	(5.2%)	(13.5%)	14.0%
 SHAKE SHACK INC. (XNYS:SHAK)	43.7x	38.8%	11.2%	3.1%	16.5%
 Dutch Bros Inc (XNYS:BROS)	41.7x	26.3%	16.6%	9.4%	22.8%
 FIRST WATCH RESTAURANT GROUP	19.8x	20.8%	9.1%	3.2%	19.2%
CAVA	84.3x	37.5%	11.5%	5.3%	19.2%

High	84.34x	38.8%	16.6%	9.4%	22.8%
75th Percentile	43.65x	37.5%	11.5%	5.3%	19.2%
Average	27.27x	28.7%	8.6%	1.5%	18.3%
Median	41.70x	26.3%	11.2%	3.2%	19.2%
25th Percentile	19.77x	20.8%	9.1%	3.1%	16.5%
Low	-53.10x	20.0%	-5.2%	-13.5%	14.0%

CAVA Valuation	
Implied Enterprise Value (25th Percentile)	\$ 2,355
Implied Enterprise Value (Median)	\$ 4,967
Implied Enterprise Value (75th Percentile)	\$ 5,199
Implied Share Price (25th Percentile)	\$ 19.29
Implied Share Price (Median)	\$ 41.88
Implied Share Price (75th Percentile)	\$ 43.89

Source: CapIQ

Investment Theses

Post-Zoe's Conversion Rollout: With nearly half (42%) of CAVA's 2024 successful units (highest AUV's) being conversions, the new expansionary period will prove to be a capital-intensive and confidence test for CAVA. CAVA is planning to reach 1000 operating units by 2032 with a planned 68 new locations in 2025. As of December of 2024, CAVA operated 367 units with 153 of those being converted from Zoes Kitchens to CAVA restaurants. The company's greenfield expansion in untested markets combined with more drive-thru implementation across units will lead to increased capex, construction, and operating costs compared to previous years with Zoe's cushion and lack of drive-thru interest. The new unit margins will be a strained because of ambitious sentiments and hurt operating margins, ROIC, and likely cause a hike in losses within the coming quarters. Considering costs were low for CAVA in their early success, the market is overhyping the company's five-year potential.

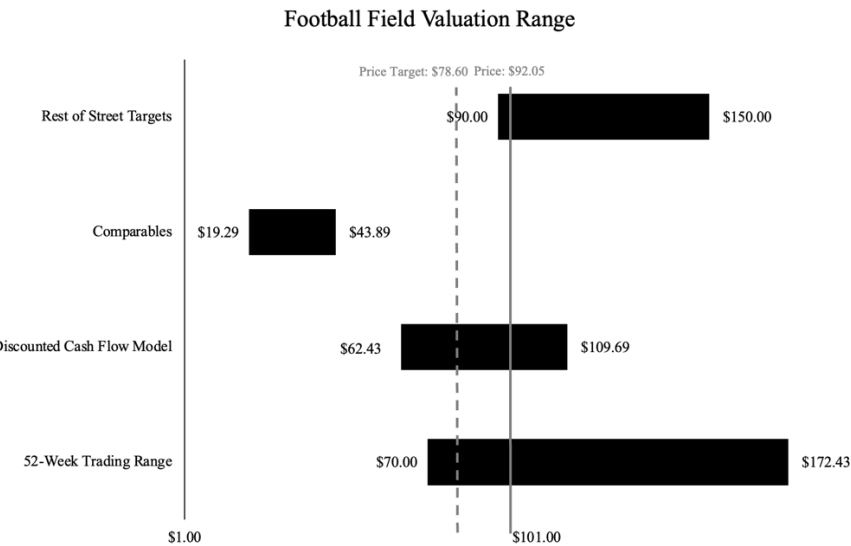
Project Soul Aggression: Dipping into previously tested flavors, CAVA seems to crave something familiar. With the recent announcement of Project Soul, a witty take on the Mediterranean's "sol" and CAVA's mission for human connection, the restaurant has ambitions to completely transform its restaurant strategy and slowly begin returning to its Cava Mezze Grill roots. Through Project Soul, CAVA plans to reinvent its dining room layout by incorporating warmer tones, expensive upholstery, and overall encourage the average consumer to have a seat at one of its tables. CAVA's 2025 and beyond approach to its indoor foot traffic is to convince customers to enjoy their meals within the restaurant instead of ordering and leaving. Therefore, it plans to

upgrade units to appear more “seatable” by increasing the quality of seating, incorporating welcoming lighting, and adding greenery. Nevertheless, as CAVA continues to buildout greenfield units, margins will not only suffer from a significant rise in baseline construction costs but also experience longer periods of time before restaurant openings. Diverting from the industrial-chic with a pop of yellow aesthetic will lead to expensive interiors diluting ROIC, increasing unit capex, longer unit development times, brand confusion (fast-casual to dine-in), and if successful – lower order output. Especially with a different endeavor to hone in on digital business development, CAVA is attempting to shoot in all baskets at once. When considering that CAVA saw 58 new restaurant openings in 2024 and is shooting for a bullish 70 every year post-2025, it is going to be difficult for CAVA to keep up with quality service considering its team size per unit, increasing margins as it begins to hire more employees, and investments in dine-in experiences. Additionally, it will lead to consumer confusion and cause a rift for the fast-casual and full-service mogul CAVA is trying to become – especially in early growth stages and a market fiending for fast ordering and delivery.

Expansion into Untested Markets: As CAVA’s expansion rollout occurs, it is vital to consider the markets it is entering in this likely capital-intensive era. With plans to add locations within the Midwest in places such as Burlington, North Carolina and Plantation, Florida, both of whom do not align with CAVA’s target consumer demographic, it carries the risk of losing momentum as it invests. Compared to its high-growth patterns within urban areas such as New York City, Los Angeles, Washington D.C., and Chicago, CAVA may struggle to gain a foothold and perform on a profitable basis. It is crucial that CAVA’s new locations outperform their investments as capital expenditures will be doubling per unit (previously 0.5M-1M to 1.5M-2M). Although CAVA has not released a complete list of new locations, considering they are present in most United States urban areas, if the company fails to reach Millennial and Gen-Z hotspots, units will lose AUV, affecting overall growth margins.

Price Target & Valuation

Our analysis gives \$CAVA a price target of \$79.00 and an underweight rating.



Potential Upside Risks to Our Rating

Perfect Execution: If CAVA enters new markets and attracts significant foot traffic across most new locations, the restaurant may see AUV match high-performing units at \$2.6mm and watch RLPM outperform our plateauing 25% margins. This would lead CAVA to increase operating leverage and reassure high valuation multiples, pushing our PT significantly higher. If new units are placed in high-demand areas, AUV across those regions may see faster than expected ramp-up periods (12 months vs 24 months) and boost cash flows within the next year. Therefore, if CAVA can expand its EBIT margins to a minimum of 8% versus our estimated 6%, the new EBIT will add at least \$60mm more derailing our thesis and proving the market valuation.

Streamlined Efficiency: CAVA has been investing in innovative back-of-the-house tech to improve its operating efficiency. Chipotle’s similar technology has decreased operational inefficiencies by nearly 25% and would serve as a needed boost during CAVA’s rollout. This includes automated prep-timing systems, kitchen display systems, and order management technology that will increase capacity and significantly decrease production times. Additionally, these systems would be implemented in previous high-margin stores in urban areas, many with AUV’s higher than \$2.7 million, increasing AUV across the board and making up for lagging units.

Intersection Jackpot: Positioned at the crossover of health, convenience, affordability and premium feel, CAVA could benefit

Our Price Target: \$79.00

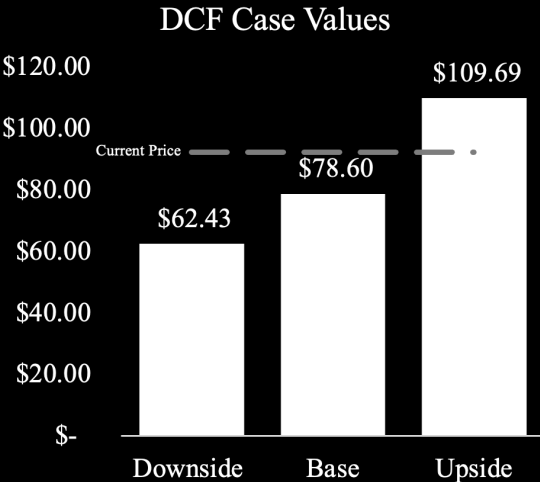
Our PT assumes that CAVA will enter new markets at similar rates as 2024, but lose revenue growth momentum in 2026 Q1 due to less proven geographies and longer development periods. With the implementation of Project Soul and more drive-thrus, CAVA will experience a longer rollout period than expected. We also assume that RLPM will plateau as CAVA expands based off the 0.2% growth between 2023 and 2024 (+58 restaurants).

Our Upside Case: \$110.00

Our upside case assumes that CAVA achieves street expectations, successfully enters new geographic regions and excels brand infiltration into suburban areas. It also assumes that RLPM will substantially increase and every unit will outperform historical data. We also assume that CAVA will reflect investor confidence with the current 70x EV/EBIT multiple.

Our Downside Case: \$62.00

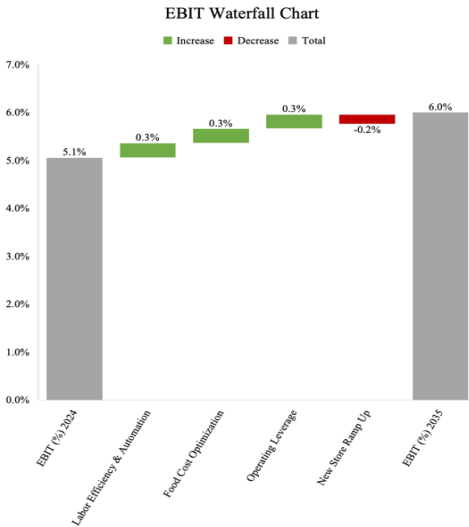
Our downside case assumes that CAVA will lose RLPM to 24% or lower as AUV decreases across new regions and SSS margins mature. It also assumes that the aggressive expansion plan will continue until 2032 and drain free cash flow. This will place pressure on the current high valuation metrics. Additionally, it assumed that Project Soul was a mistake for CAVA due to its ambitious pull in all directions. From higher construction, rollout, labor, and operating costs in again – untested and unfavorable markets – CAVA may be positioning itself for loss.



from rising health consumer trends. Compared to other fast- casual restaurants, CAVA addresses the consumer interest in all four areas. 77% of American consumers identify themselves as “health-conscious”, especially post-GLP-1 adoption in the United States. CAVA’s marketing model already attracts health-conscious and mindful customers, therefore the if the structural trend persists in new locations, the restaurant will benefit by seeing SSS and new unit growth.

Projections

Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	964	1,250	1,500	1,750	2,100	29.6%
EBITDA	109	125	164	201	242	30.4%
EBIT	49	55	75	91	111	31.6%
NOPAT	120	(42)	(34)	16	119	-0.2%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	11.3%	10.0%	10.9%	11.5%	11.5%	11.1%
EBIT Margin	5.1%	4.4%	5.0%	5.2%	5.3%	5.0%
Revenue Growth	32.3%	29.7%	20.0%	16.7%	20.0%	23.7%
EBIT Growth	189.9%	12.8%	36.4%	21.3%	22.0%	56.5%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	33.2x	44.6x	29.4x	23.7x	19.7x	30.1x
EV/Sales	10.5x	8.1x	6.8x	5.8x	4.8x	7.2x
EV/EBITDA	92.8x	81.0x	61.8x	50.4x	41.9x	65.6x
FCF Yield	3.0%	2.2%	3.4%	4.2%	5.1%	6.0%



About \$CAVA

CAVA Group, Inc. (\$CAVA) is a leading fast-casual restaurant brand specializing in Mediterranean cuisine, founded in 2006 and headquartered in Washington, D.C. The company operates primarily in the United States, offering customizable bowls, pitas, and salads made with bold, health-conscious ingredients. CAVA’s business model emphasizes digital ordering, efficient kitchen operations, and a vertically integrated supply chain following its acquisition of Zoe’s Kitchen. Its revenue streams are driven by dine-in, digital, and catering channels, with a strategic focus on urban expansion and suburban growth. The company’s mission is to bring heart-healthy, flavorful food to a broad demographic, capitalizing on rising consumer demand for nutritious and convenient dining options in the fast-casual segment.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities. **Overweight** means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Active Case:	2 Base
Current Share Price	\$92.05

DCF Analysis (\$mm)															
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
	12/31/21	12/31/22	12/31/23	12/31/24	12/31/2025	12/31/26	12/31/27	12/31/28	12/31/29	12/31/30	12/31/31	12/31/32	12/31/33	12/31/34	12/31/35
Stub					0.53	1.53	2.53	3.53	4.53	5.53	6.53	7.53	8.53	9.53	10.53
Discount Period					0.23	0.97	1.97	2.97	3.97	4.97	5.97	6.97	7.97	8.97	9.97
Revenue	500	564	729	964	1,250	1,500	1,750	2,100	2,600	3,100	3,670	4,300	5,000	5,709	6,450
Revenue Growth	#DIV/0!	13%	29%	32%	30%	20%	17%	20%	24%	19%	18%	17%	16%	14%	13%
Restaurant-Level Profit	0	20	25	25	25	25	25	25	25	25	24	24	24	24	24
0.00	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0.00	-	-	-	-	0	0	0	0	0	0	0	0	0	0	0
EBIT	(42)	(34)	17	49	55	75	91	111	140	170	205	245	290	336	387
EBIT Margin	-8%	-6%	2%	5%	4%	5%	5%	5%	5%	5%	6%	6%	6%	6%	6%
Tax Expense	0	0	1	(70)	50	19	23	28	35	43	51	61	73	84	97
Effective Tax Rate	0%	0%	5%	-144%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
NOPAT	(42.32)	(34.19)	16.05	119.15	5.00	56.25	68.25	83.25	105.00	127.50	153.75	183.75	217.50	252.00	290.25
D&A	44	43	47	60	70	89	110	131	152	172	189	204	216	227	236
Capex	(56)	(104)	(139)	(108)	(123)	(158)	(194)	(231)	(268)	(303)	(333)	(362)	(381)	(402)	(418)
Changes in NWC	0	2	(18)	(13)	(27)	(37)	(50)	(62)	(75)	(88)	(100)	(112)	(122)	(130)	(133)
UFCF	58	111	220	301	225	340	422	507	600	691	776	862	937	1,011	1,077
PV of FCF					219	309	347	378	405	422	429	431	425	415	400

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	2.16
Risk Free Rate	4.28%
Cost of Equity	8.68%
Weighted Average Cost of Debt	6.26%
Tax Rate	25.00%
Cost of Debt	1.70%
Total Equity	\$10,007
Total Debt	\$123
Equity/Total Capitalization	63.77%
Debt/Total Capitalization	36.23%
WACC	10.38%

Terminal Value	
Perpetuity Growth Method	
2034 FCF	\$1,077
Growth	7.00%
Terminal Value	\$31,834
PV of Terminal Value	\$11,861
PV of Projection Period	\$4,181
PV of Terminal Value	\$11,861
Implied TEV	\$16,042
(-) Debt	\$412
(+) Cash	\$289
Implied Equity Value	\$15,919
Basic Shares Outstanding	116
Implied Share Price	\$137.64
Upside/Downside	59.08%
Implied Exit BF EV/EBIT	41.5x

Terminal Value	
Exit Multiple Method	
2034 EBIT	\$387
EV/EBIT Exit Multiple	35.0x
Terminal Value	\$13,545
PV of Terminal Value	\$5,047
PV of Projection Period	\$4,181
PV of Terminal Value	\$5,047
Implied TEV	\$9,228
(-) Debt	\$412
(+) Cash	\$289
Implied Equity Value	\$9,105
Diluted Shares Outstanding	116
Implied Share Price	\$78.72
Upside/Downside	-9.0%
Implied PGR	-9.0%

Blended Share Price	
Perpetuity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	\$78.72
Upside/Downside	-9.02%