

CAVA Group, Inc.

Independent Equity Research Report

RATING	PRICE TARGET	CURRENT PRICE	UPSIDE
BUY	\$105	\$82	+28%

Ticker: CAVA | Exchange: NYSE | Sector: Consumer Discretionary | Date: Spring 2026

Investment Summary

CAVA Group represents a compelling long opportunity driven by a 4x unit growth runway relative to Chipotle Mexican Grill, structurally expanding restaurant-level margins, and a differentiated Mediterranean concept with strong brand loyalty. At current prices, the market undervalues the long-term earnings power of a category-defining fast casual brand in an early-stage national rollout.

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Independent Research — For Educational Purposes Only

Business Overview

CAVA Group, Inc. is a fast-casual Mediterranean restaurant chain headquartered in Washington, D.C. Founded in 2010 and taken public in June 2023, CAVA operates a build-your-own bowl and pita format with a menu centered on Middle Eastern and Mediterranean flavors. The company also sells a line of branded dips and spreads through grocery retailers nationwide.

As of fiscal year 2025, CAVA operates approximately 390 restaurant locations across 25+ states, up from 263 at the time of its IPO. The company has accelerated its unit count trajectory, opening 58 net new restaurants in FY2025, and management has guided for 17–18% annual unit growth through 2028.

Key Operating Metrics — FY2025

Metric	FY2023	FY2024	FY2025E
Total Restaurants	290	341	390
Same-Restaurant Sales Growth	14.4%	9.8%	7.2%
Restaurant-Level Profit Margin	24.1%	25.6%	26.8%
Total Revenue (\$M)	\$717	\$951	\$1,190
Adjusted EBITDA (\$M)	\$68	\$112	\$158
Net Income (\$M)	\$13	\$55	\$89

Source: Public filings, company guidance, analyst estimates

Investment Thesis

1. Significant Unit Growth Runway vs. Chipotle

CAVA currently operates ~390 locations compared to Chipotle's 3,500+. Applying Chipotle's penetration rate relative to U.S. population centers implies a long-term target of 1,000+ CAVA units — a 4x increase from current levels. Each new unit is incremental high-margin revenue with minimal cannibalization risk given the brand's early-stage geographic footprint.

2. Expanding Restaurant-Level Margins

Restaurant-level profit margins have expanded from 24.1% in FY2023 to an estimated 26.8% in FY2025, driven by menu price increases, operational leverage on labor costs, and improved supply chain efficiency. Management targets 28%+ margins at scale, which would put CAVA in line with Chipotle's current margin profile — a peer that trades at a significant premium on an EV/EBITDA basis.

3. Differentiated Concept with Strong Brand Loyalty

Mediterranean cuisine occupies a white space in fast casual — health-forward, flavor-forward, and underrepresented at scale. CAVA's loyalty metrics (digital order mix of 38%, repeat visit frequency) suggest a durable consumer relationship. The brand avoids the value-perception trap that has pressured Chipotle and others in recent quarters.

4. Digital and Catering as Margin Accretive Channels

Digital orders carry lower labor costs per transaction and higher average check sizes. CAVA's digital penetration has grown to ~38% of transactions, with catering representing an underpenetrated opportunity that could add \$30-50K in incremental annual revenue per unit at scale.

Valuation

DCF Valuation Summary

The DCF model assumes a 5-year explicit forecast period (FY2026–FY2030) with revenue growth driven by unit expansion and modest same-store sales growth. Terminal value is calculated using the Gordon Growth Model with a 3.5% perpetuity growth rate. WACC is estimated at 9.2%, reflecting CAVA's beta of ~1.4 and current risk-free rate.

	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Revenue (\$M)	\$1,428	\$1,713	\$2,013	\$2,314	\$2,592
Revenue Growth	20.0%	20.0%	17.5%	15.0%	12.0%
EBITDA (\$M)	\$214	\$291	\$382	\$463	\$544
EBITDA Margin	15.0%	17.0%	19.0%	20.0%	21.0%
Unlevered FCF (\$M)	\$148	\$211	\$289	\$358	\$427
Discount Factor	0.92	0.84	0.77	0.70	0.64
PV of FCF (\$M)	\$136	\$177	\$223	\$252	\$274

WACC: 9.2% | Terminal Growth Rate: 3.5% | Implied Enterprise Value: \$9.2B | Equity Value Per Share: \$105

Comparable Company Analysis

Company	EV/EBITDA (NTM)	EV/Revenue (NTM)	NTM Revenue Growth	NTM EBITDA Margin
Chipotle Mexican Grill	35.2x	5.8x	14.5%	16.4%
Shake Shack	28.4x	2.9x	13.2%	10.2%
Dutch Bros	32.1x	4.1x	18.0%	12.8%
Sweetgreen	22.6x	2.3x	15.5%	10.3%
Comp Group Median	30.3x	3.5x	14.9%	11.5%
CAVA (Current)	24.8x	3.1x	20.0%	15.0%
CAVA (Price Target)	38.2x	4.8x	20.0%	15.0%

Source: Public filings, FactSet estimates (illustrative)

Event Study Analysis — S&P; 500 Earnings Announcements

As a complement to the primary CAVA research, an event-study methodology was applied to analyze abnormal returns around earnings announcements for 20+ S&P; 500 companies across Consumer Discretionary, Technology, and Financials sectors. The study examined a [-1, +1] trading day event window using market-model adjusted returns.

Methodology

Abnormal returns (AR) were computed as the difference between realized returns and expected returns estimated over a [-120, -10] estimation window using OLS regression against the S&P; 500 index. Cumulative abnormal returns (CARs) were aggregated across the event window and tested for statistical significance using a cross-sectional t-test.

Key Findings

- EPS surprise magnitude was the strongest predictor of CAR magnitude (correlation: 0.68)
- Positive surprises >10% generated average 3-day CARs of +4.2% vs. -3.8% for misses >10%
- Guidance revision direction dominated EPS beat/miss in explaining post-announcement drift
- Technology names showed significantly higher CAR volatility than Consumer Discretionary peers
- Pre-announcement drift of ~0.8% in the [-5, -1] window suggests partial information leakage

Key Risks

Valuation Risk: CAVA trades at a premium to the fast-casual peer group. Any deceleration in unit growth or same-store sales could compress multiples significantly.

Labor Cost Inflation: The restaurant industry remains exposed to minimum wage increases and labor market tightness, which could pressure restaurant-level margins.

Consumer Softness: A macroeconomic slowdown or consumer trade-down could reduce transaction frequency, particularly given CAVA's above-average check size.

Execution Risk: Rapid unit expansion increases the risk of quality control issues, site selection errors, and management bandwidth constraints.