

DALALBYTES INVESTMENT REPORT

CAVA Group

Chipotle-class unit economics at one-tenth the unit count, but a 92x multiple prices perfection

September 27, 2026 · NYSE: CAVA

Reference price: \$51.58 (September 25, 2026 close)

74/100

DalalBytes score

Positive

Verdict

\$85

12-mo base target*

\$6.02B

Market cap

Headline verdict

Positive. Chipotle-class unit economics at one-tenth the unit count, but a 92x multiple prices perfection.

CAVA is the only scaled national Mediterranean fast-casual brand in the United States, and its unit economics now rival Chipotle's: a 25.7% restaurant-level margin and \$3.1M average unit volume against Chipotle's 25.2% and ~\$3.2M, at roughly one-tenth the store count. The stock has fallen ~42% in three months to \$51.58, reaffirming a truth about this name: the business is superb, the multiple is unforgiving. At ~92x trailing GAAP earnings and ~4.4x sales, CAVA is priced as if the 9% same-restaurant-sales prints continue forever and the 1,000-unit 2032 target lands without a stumble. The bull case is the flywheel: 75-77 openings a year at 40%+ cash-on-cash returns, funded from a debt-free balance sheet with \$435.6M of cash. The bear case is mean reversion: comps were +0.5% as recently as Q4 2025, and the current prints lap the weakest comparisons in the company's public history. DalalBytes score: 74/100. Twelve-month estimates: bear \$30, base \$85, bull \$120.

\$51.58	-42%	~92x	74/100	\$85	+65%
REFERENCE PRICE	3-MO DRAWDOWN	TTM GAAP P/E	SCORE	BASE TARGET*	BASE UPSIDE*

* Twelve-month targets are DalalBytes estimates, not facts. See the Valuation section for the full bear/base/bull framework.

Business overview

CAVA Group, Inc. (NYSE: CAVA), founded in 2006 in Washington, D.C., operates 476 company-owned Mediterranean fast-casual restaurants in 29 states plus D.C., alongside a grocery (CPG) business selling dips, spreads, and dressings through U.S. grocers including Whole Foods Market. The company went public on June 15, 2023. CEO Brett Schulman is a co-founder who joined in 2009.

The concept is Chipotle's assembly-line format applied to Mediterranean food: customizable bowls and pitas, a health-and-wellness positioning that resonates with millennial and Gen Z diners, and a digital-first ordering infrastructure. Mediterranean fast-casual is the fastest-growing fast-casual cuisine: Technomic data (via Fortune,

August 2026) puts U.S. sales at just under \$2.5B in 2025, up 16%, against 6% growth for the broader fast-casual segment. CAVA has no scaled national direct competitor; the closest named comp, NAYA, runs ~50 units, roughly one-tenth CAVA's size.

476	\$3.09M	25.7%	39.0%	\$0
RESTAURANTS	AUV (Q2'26)	RL MARGIN (Q2'26)	DIGITAL MIX	DEBT

Financial deep dive: Q2 2026 and the quarterly trend

Q2 2026 · 12 WEEKS ENDED JULY 12, 2026 · REPORTED AUGUST 11, 2026

Metric	Q2 2026	YoY
CAVA segment revenue	\$365.4M	+31.3%
Same-restaurant sales	+9.0%	traffic +5.3%
Net new openings	17	476 EOP
AUV	\$3.088M	+5.1%
Restaurant-level margin	25.7%	-60 bps
Adjusted EBITDA	\$54.7M	+30.0%
GAAP net income / EPS	\$23.0M / \$0.19	+25.3%
Digital revenue mix	39.0%	n/a

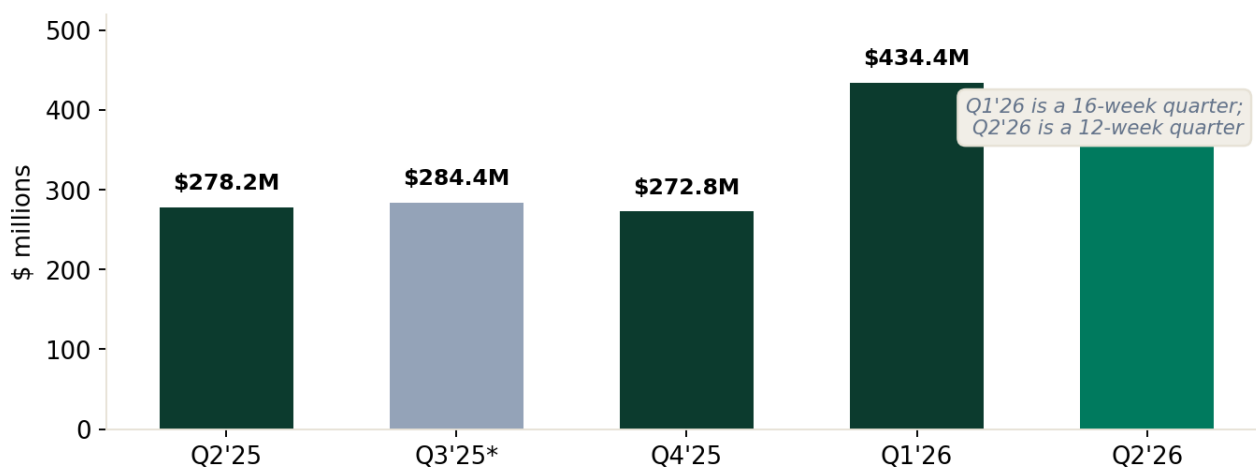
Margin decline drivers: input costs from the Pomegranate Glazed Salmon launch (April 20, 2026), higher third-party delivery mix (margin-rate dilutive but margin-dollar accretive), and incremental wage investments, partly offset by sales leverage. Cost stack: food/beverage/packaging 30.0%, labor 25.3%, occupancy 6.3%, other operating 12.8% of segment revenue.

THE QUARTERLY TREND

Quarter	SSS	RL margin	AUV (\$M)	Units	Openings
Q2 2025	+2.1%	26.3%	2.94	398	16
Q3 2025	+1.9%	24.6%	2.94	415	17

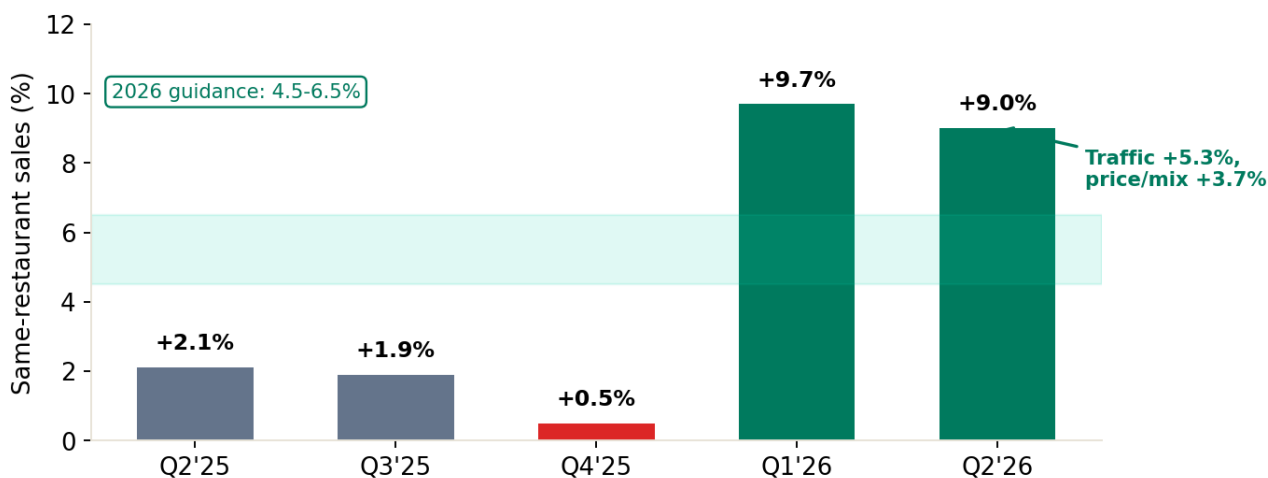
Q4 2025	+0.5%	21.4%	2.93	439	24
Q1 2026	+9.7%	25.1%	3.03	459	20
Q2 2026	+9.0%	25.7%	3.09	476	17

CAVA segment revenue: the 2026 acceleration



*Q3'25 is a DalalBytes estimate (backed out of reported FY2025); all other quarters reported.

Same-restaurant sales: from +0.5% to +9%



All quarters reported. The 2026 prints lap the weakest comparisons in the company's public history.

The read: growth is accelerating hard off a soft 2025 base. H1 2026 revenue was \$806.7M (+31.8%); FY2025 was \$1,169.3M (+22.5%), the first \$1B+ year. On a trailing-twelve-month basis (Q3'25-Q2'26, DalalBytes computations from reported quarterlies): revenue ~\$1,374M, net income ~\$66.3M, adjusted EBITDA ~\$182.3M, operating cash flow ~\$220M, free cash flow ~\$49M.

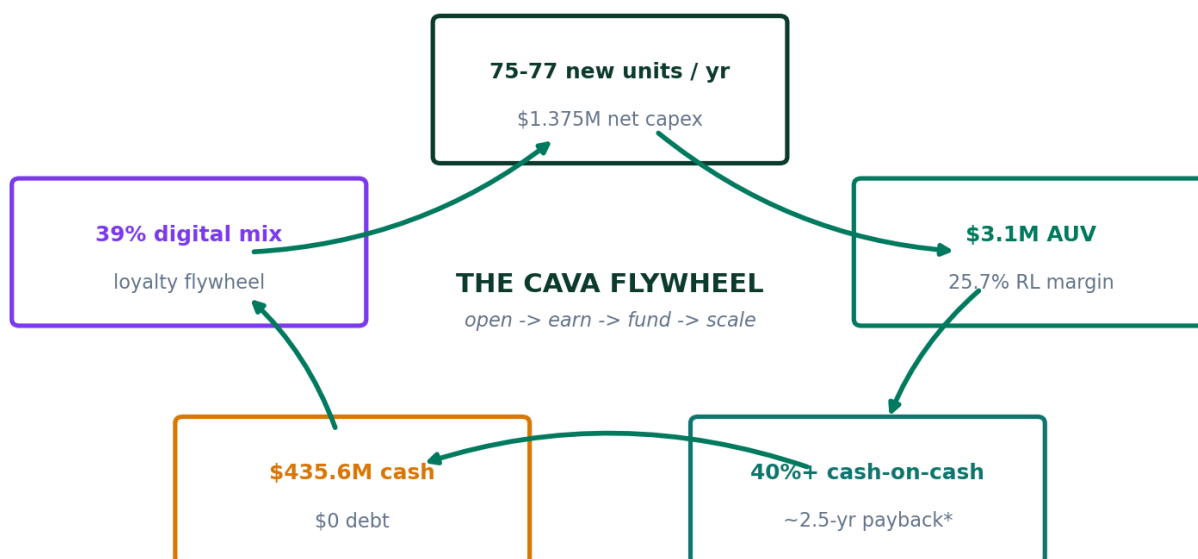
FY2026 GUIDANCE · REAFFIRMED AT Q2, NOT RAISED

Metric	FY2026 guidance
Net new restaurant openings	75 to 77
Same-restaurant sales	4.5% to 6.5%
Restaurant-level profit margin	23.7% to 24.3%
Pre-opening costs	\$22.0M to \$22.5M
Adjusted EBITDA	\$181.0M to \$191.0M

The reaffirmation after a 9.7% and 9.0% SSS first half read as sandbagging to bulls and as a ceiling to bears. The stock's reaction suggests the bears were louder. The company does not guide revenue.

Unit economics: the engine deep dive

The unit-economics flywheel

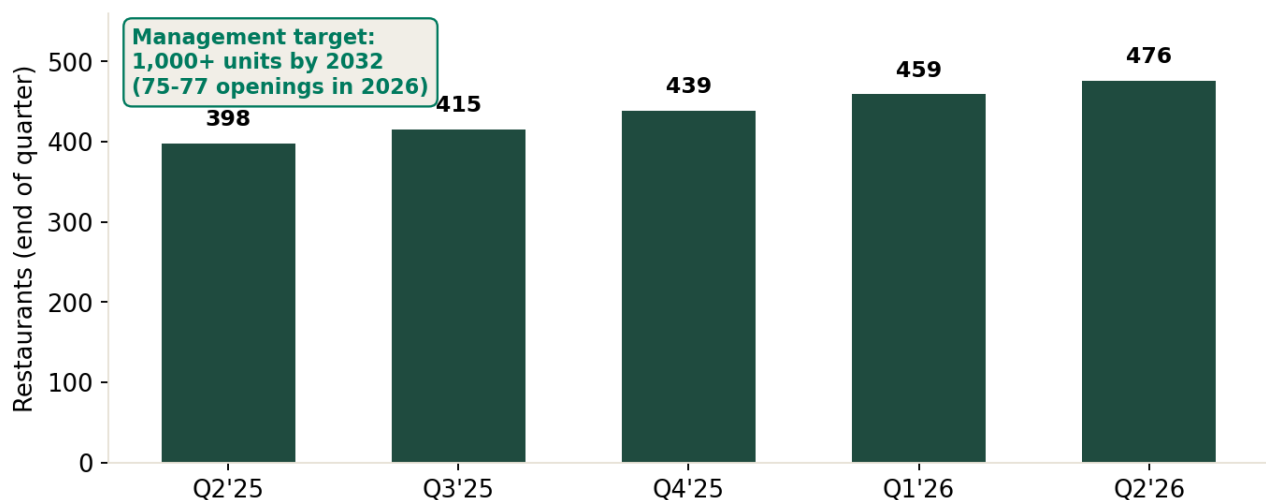


*Payback is a DalalBytes computation from the 40%+ year-two cash-on-cash model; management does not state a payback period.

The new-unit model: 40%+ cash-on-cash

Company-stated model (Q4 2024 call, most recent formal disclosure): \$1.375M net capex per restaurant (net of tenant allowances), year-one AUV \$2.3M, year-two AUV \$2.5M, year-two restaurant-level margin 22%, year-two cash-on-cash returns of at least 40%. The actual 2025 new-unit cohort is trending above \$3M in AUV, well ahead of this model. UBS (June 2026) cites cash-on-cash above 40%; Telsey cited ~50% earlier in 2026; Morgan Stanley's model assumes \$3M new-unit volumes deliver >40% cash-on-cash. At 40%+ on \$1.375M net investment, implied cash payback is roughly 2.5 years (DalalBytes computation; management does not state a payback period).

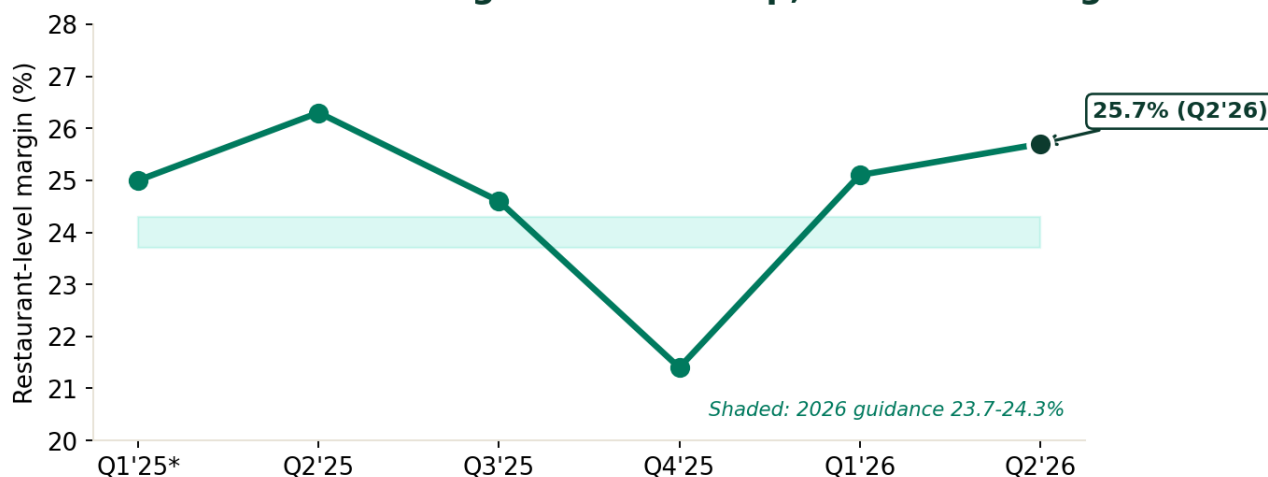
Unit growth: +19.6% YoY, toward 1,000+ by 2032



All figures reported. 476 company-owned restaurants in 29 states plus D.C. at Q2 2026.

- New units open at or above systemwide average sales across all geographies, formats, and markets, per William Blair's September 2026 note, and the company has underpriced inflation since 2019, with outsized growth among lower-income cohorts.
- The margin has two structural dilutants: premium-protein launches (the salmon cost 50 bps of margin rate) and third-party delivery mix (commissions sit in other operating expenses, dilutive to rate but accretive to dollars). Neither breaks the model; both are the price of the traffic growth the market demands.

Restaurant-level margin: seasonal dip, now recovering



*Q1'25 (~25.0%) is a DalalBytes derivation from reported H1 2025; all other quarters reported.

CAVA's 25.7% restaurant-level margin and \$3.1M AUV now rival Chipotle's 25.2% and ~\$3.2M at one-tenth the unit count. That is the core bull case.

DalalBytes Research

Digital, loyalty, and throughput

- Digital is 39.0% of revenue (Q2 2026). CAVA Rewards was revamped in late 2025 into three tiers (Sea, Sand, Sun) plus invite-only 'Oasis' for top guests; the Flavor Passport in-app experience launched in Q2 2026. The member base is growing faster than new restaurant openings; the absolute member count is not publicly disclosed.
- Menu innovation is the traffic engine: the Pomegranate Glazed Salmon (April 20, 2026) drove new-customer acquisition and higher loyalty-member frequency. Digital-exclusive NIL athlete bowls (Azzi Fudd, Yaxel Lendeborg) keep the app channel culturally current.
- Throughput: CAVA invested up to \$10M in Hyphen's Series B (August 2025) and is piloting a second automated makeline in back-of-house for digital and takeout orders; Hyphen's system assembles a bowl every 10-15 seconds. Chipotle's Chipotlane model (80% of its 2026 openings) has no disclosed CAVA equivalent.
- Marketing has historically been frugal; management sees room to increase spend from low levels based on returns. A CMO search was underway as of Q2 2026, and a new operational leader/COO joined in 2025.

Partnerships

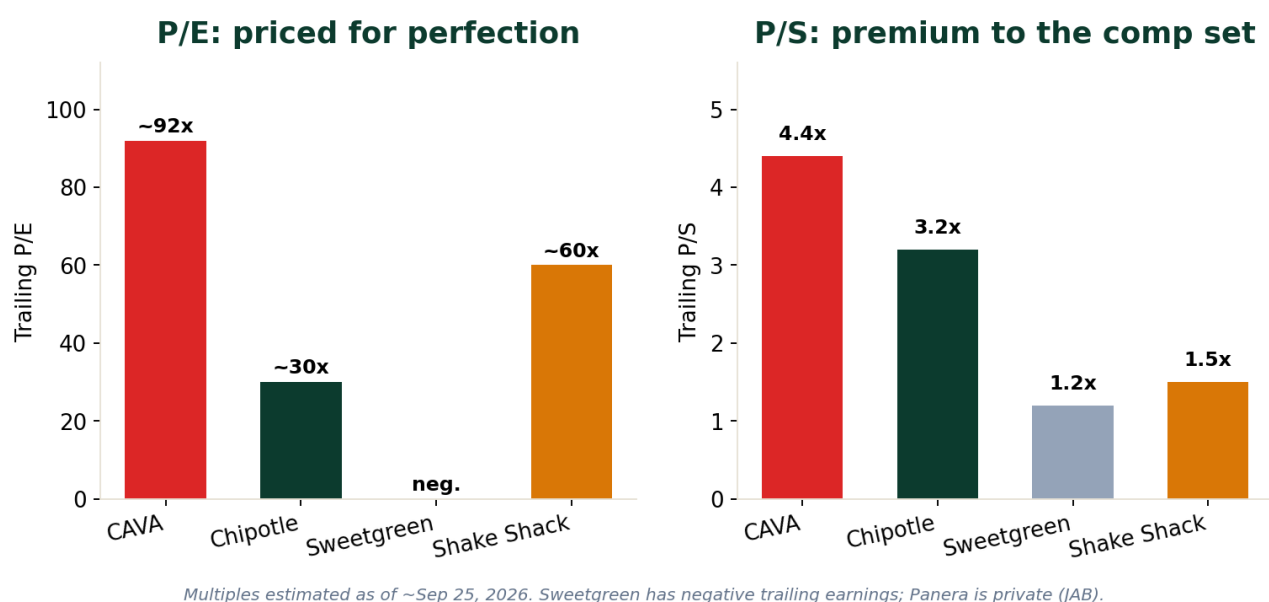
- Third-party delivery: CAVA sells through DoorDash and Uber Eats marketplaces. Specific commission rates and contract terms are not publicly disclosed. Rising third-party mix dilutes the restaurant-level margin rate while adding margin dollars.
- Supply chain: central production facilities manufacture signature dips, spreads, sauces, and dressings for restaurants and grocery. Commodity exposures include olive oil and chickpeas, subject to climate-driven volatility in the Mediterranean and North Africa.
- Automation: strategic investment (up to \$10M) in Hyphen, Series B, August 2025; second automated makeline pilot. Loyalty tech is first-party (app and cava.com); no third-party loyalty vendor disclosed.

Competition: head-to-head

LATEST QUARTER REPORTED · PRICES ~ SEPTEMBER 25-26, 2026
· ESTIMATES

Metric	CAVA	Chipotle	Sweetgreen	Shake Shack
Market cap	\$6.0B	~\$41.3B	~\$0.9B	~\$2.4B
Trailing P/E	~92x	~30x	negative	~60x
Trailing P/S	4.4x	3.2x	1.2x	1.5x
Units	476	4,186	287	systemwide
AUV	\$3.1M	~\$3.2M	~\$2.7M	~\$4.1M
RL margin	25.7%	25.2%	13.1%	23.0%
SSS	+9.0%	+2.2%	-6.2%	+3.5%

The cautionary comp is Sweetgreen: -6.2% comps, 13.1% restaurant-level margin, and a loss-making operation (Q2 adjusted EBITDA -\$0.2M) show what happens when unit economics never arrive. Panera is private (JAB) and publishes no comps.



Risks

- Valuation multiple (primary): ~92x trailing GAAP P/E, ~4.4x P/S, ~33x TTM adjusted EBITDA (DalalBytes computations). Simply Wall St pegs fair P/E at ~28x against ~94x current. Any SSS or margin miss invites a sharp de-rating; the stock fell 42% in three months on reaffirmed guidance plus sector headlines.
- SSS mean reversion: comps were +0.5% as recently as Q4 2025; the current 9-10% prints lap weak comparisons and are traffic-led. This is the key debate.
- Labor and food inflation: labor 25.3% (+30 bps on 3% wage investments), food/beverage/packaging 30.0% (+50 bps on the salmon launch); olive oil and chickpea volatility noted.
- Delivery mix dilution: commissions in other operating expenses (12.8% and rising) dilute the margin rate even as they add dollars.
- Food-safety headline risk: the summer 2026 Cyclospora outbreak (12,883 illnesses, 21 states; Taylor Farms de Mexico iceberg lettuce; CDC declared it over September 11, 2026) was tied to Taco Bell, not CAVA, but weighed on CAVA shares via sector sentiment. Restaurant brands carry permanent food-safety tail risk.
- Competition: Chipotle's 4,186 units and Chipotlane rollout, Sweetgreen turnaround attempts, NAYA targeting 200 units, and broad fast-casual promo pressure.
- Geographic concentration: footprint concentrated in the Southeast and Southwest (PitchBook); newer Midwest markets (Cincinnati, St. Louis, Columbus, Minneapolis) are unproven at scale.
- Insider selling: CEO Brett Schulman sold 33,174 shares on June 15, 2026 at \$89.43

(~\$2.97M); the IPO lockup expired long ago, so insider sales are ongoing background supply. Insider Douglas Thompson bought 6,500 shares on August 31, 2026 at \$66.52 (~\$432K).

- Execution risk: 75+ openings a year means hiring ~2,500 people in 2026; training consistency and site selection at that pace leave little room for error.

Valuation: the ruler and DalalBytes estimates

CAVA at \$51.58 trades at ~92x trailing GAAP P/E and ~4.4x sales (DalalBytes computations). Chipotle, the aspirational comp at 4,186 units, trades at ~30x P/E and ~3.2x sales with comparable unit economics. Shake Shack trades at ~60x P/E and ~1.5x sales. Simply Wall St pegs CAVA's fair P/E at ~28x against ~94x current. Consensus: Moderate Buy across 27-29 brokerages; average 12-month target \$88.64, median \$85, range \$18-\$110. Implied upside to \$88.64 from \$51.58 is ~72% (DalalBytes computation). The \$18-\$110 range is the honest signal: a high-disagreement stock.

DalalBytes 12-month targets (estimates)

Case	Target	Return	What has to happen
Bear	\$30	-42%	Comps revert to low single digits; margin compresses; 92x de-rates toward ~35x on ~\$0.85 GAAP EPS
Base	\$85	+65%	SSS normalizes to mid single digits; 75+ units land at 40%+ cash-on-cash; margin holds 24%+
Bull	\$120	+133%	9% comps persist into 2027; margin recovers toward 26%; multiple holds as 1,000-unit path de-risks

The base case sits near the \$85 analyst median and the \$88.64 consensus average: the disagreement is not about the destination, it is about whether the multiple survives the journey.

Catalysts

- Q3 2026 print (November 2026): a third straight high-single-digit comp quarter converts the 'easy-lap' debate into a trend.
- Margin recovery: salmon-lap and delivery-mix stabilization could push restaurant-level margin back toward 26%+.
- CMO appointment and marketing ramp: frugal spend from low levels with measured

returns is the cheapest traffic lever available.

- \$100M buyback through September 2027: modest but real support at these prices (announced mid-September 2026).
- Second makeline rollout: Hyphen pilot scaling would defend digital margins as delivery mix grows.

Bottom line

CAVA owns its category, prints Chipotle-class unit economics at one-tenth the store count, funds 75+ annual openings from a debt-free balance sheet, and just posted back-to-back 9%+ comp quarters. The business is superb. The price, at ~92x earnings, assumes it stays superb without interruption. Score 74/100. Positive, with the multiple as the margin of safety's enemy and the unit flywheel as its friend.