

BUY: CAVA

Current Price: \$49

Target Price: \$86

Upside: 76%

## Cava Group (NYSE: CAVA)

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Consumer Staples: Food & Beverage Sector

Sector Head: Sarah McKay

Lead Analyst: Roman Charan

# Industry Overview

# CAVA

## Fast Casual Restaurants



Fast Casual Restaurants **fill the gap** between fast food and full service restaurants by **prioritizing efficiency, limited table service, and upscale ambiance**

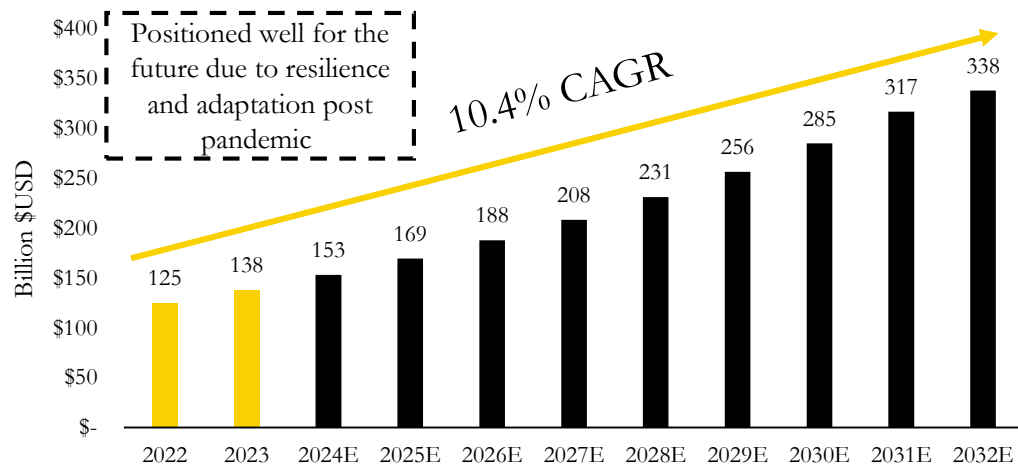


Market has seen **exponential growth** over the past decade, driven by **urbanizations**, busy life styles, and the consumer's desire for a **convenient high quality meal**



Many **opportunities** for these businesses to capitalize on **global expansion**, technology integration, **innovative menus**, and catering services

## Market Growth



## Key Trends

1

**Health-Conscious** and freshly sourced menu items

2

**Customization and personalization** of ingredient options

3

Increase use of **ghost kitchens** to **streamline operations** and appeal to new markets

Cava capitalizes on industry trends in order to drive consumer growth and retainment

## Competitors

sweetgreen



QDOBA  
MEXICAN EATS

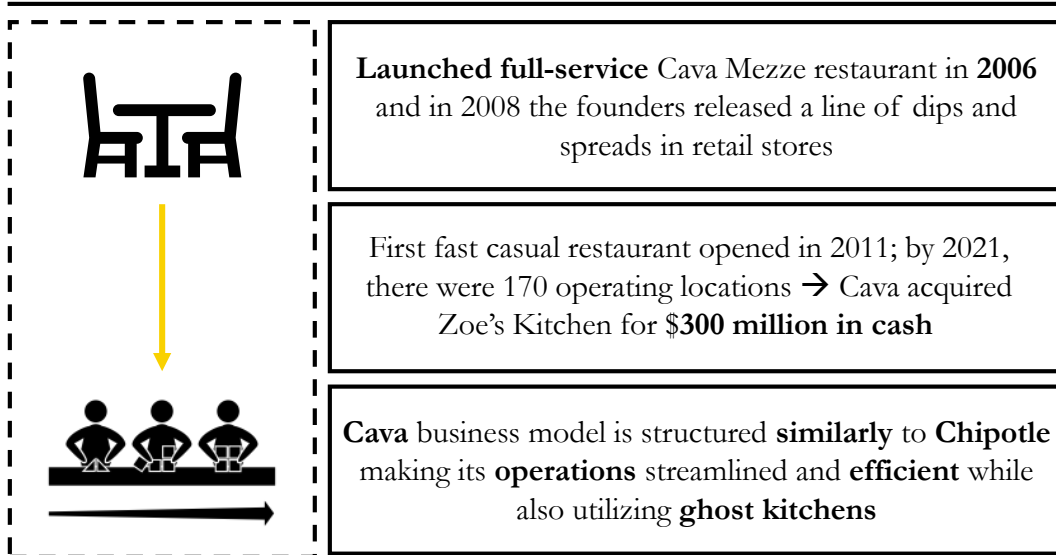
Panera  
BREAD



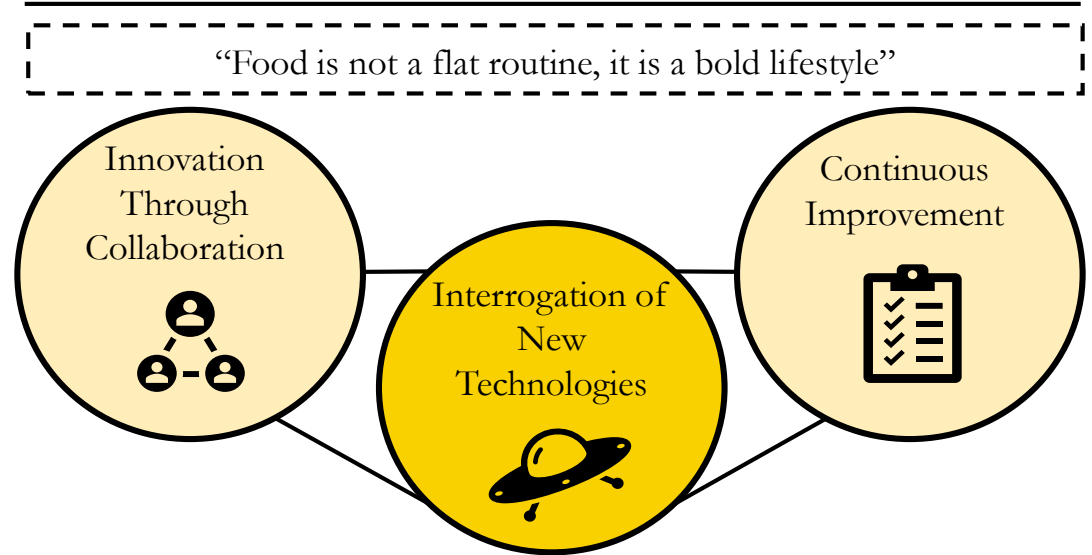
# Company Analysis



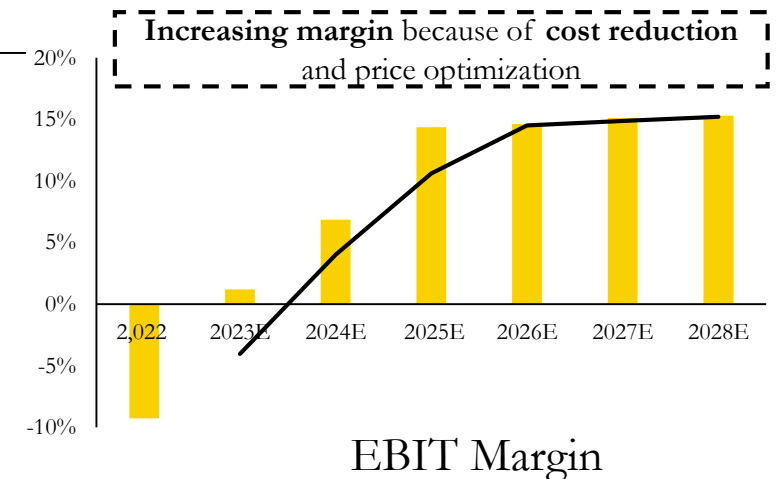
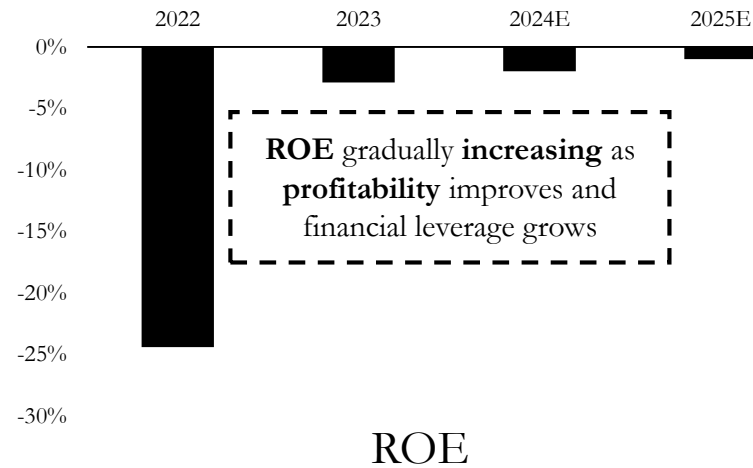
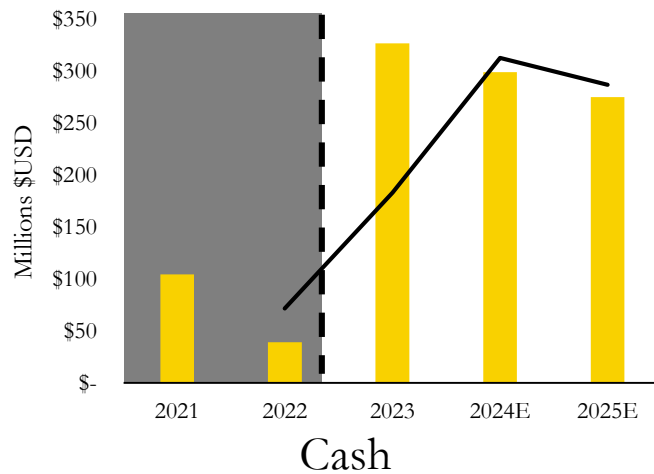
## History and Overview



## Core Principles



## Financial Analysis

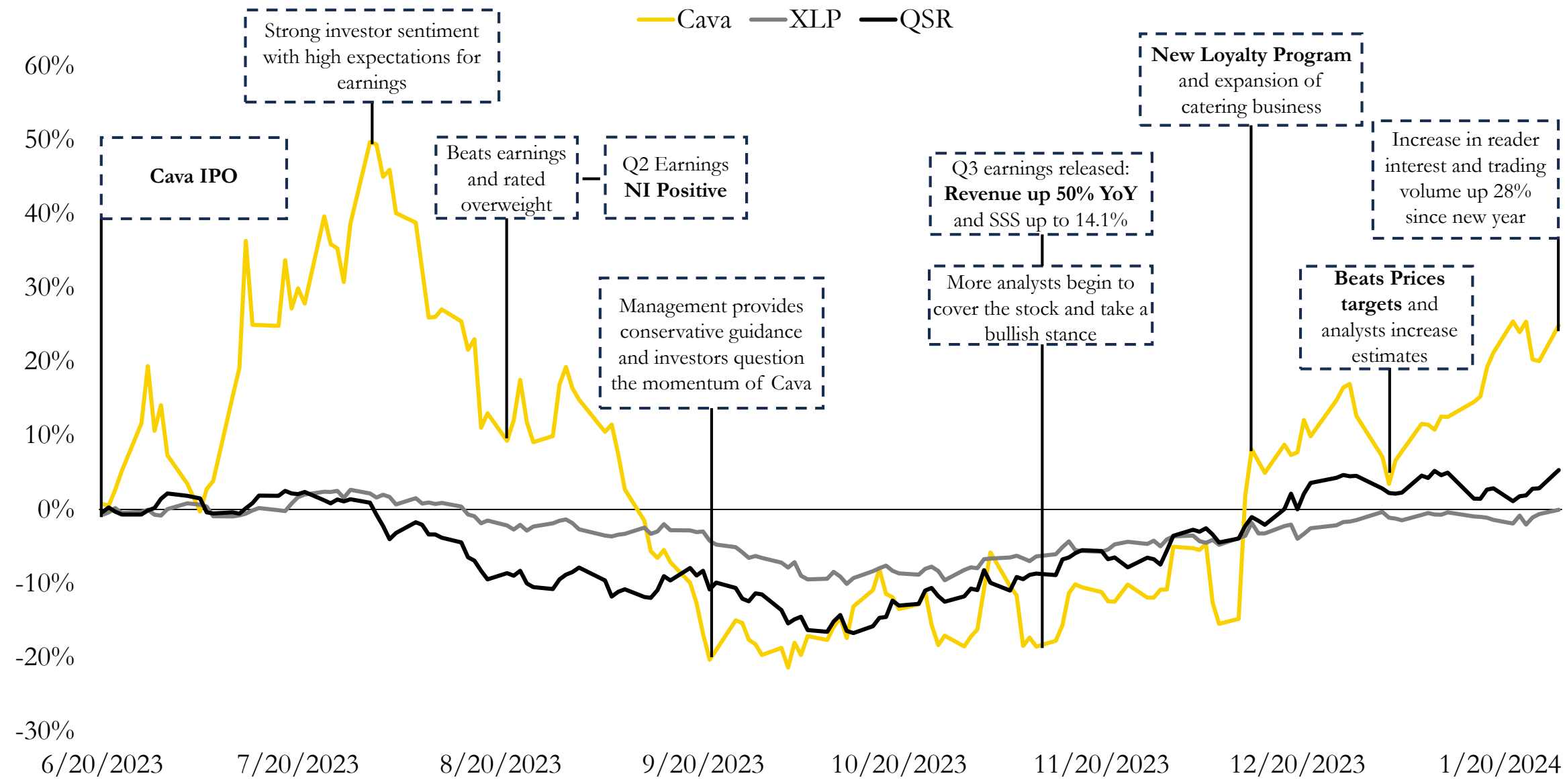


# Stock Performance Compared to XLP and QSR



BIF: Consumer Staples Food & Beverage

— Cava — XLP — QSR



Massive Plans for Expansion  
and Solidified Future Pipeline

Strong Consumer Sentiment  
due to Prevalent Shift in  
Preference

Trusted Business Model Funded  
by Resilient Balance Sheet and  
Well-Capitalized Positioning

# Rapid Expansion




## Menu Expansion

**Limited time and seasonal offers** such as Balsamic Date Chicken Balls

**Introducing steak** option to menu by end of FY2024

**38 specific ingredients** and over **17 billion combinations**

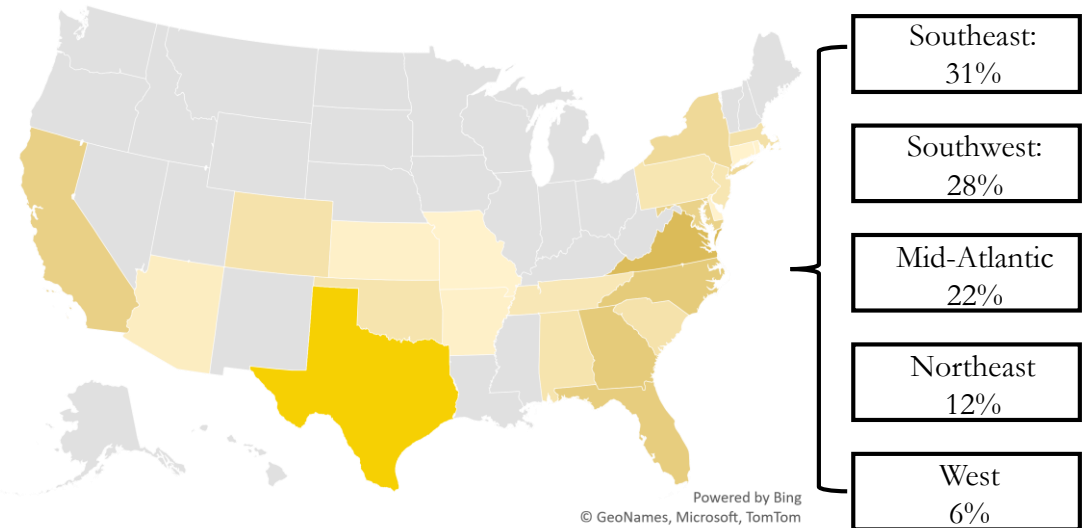


**Valerie N. Elite '24**

Updated 2 months ago

I absolutely love Cava and this is consistently one of the better locations! The chicken is usually juicy and tender and the lentils and rice are usually cooked properly.

## Restaurant Location Placement




## Pipeline and Supply Chain Integration


**New manufacturing facility** to be built in **Q12024**


Expected to **support** at least **750 restaurants**

**Vertically integrated** manufacture

Increase hedges against **diversified risk**

**Greenfield Expansion** 

**Semi-Established Markets** 

**Original Markets** 

At time of IPO Cava had **no long-term operational debt**

**Number of Units**

Year	Number of Units
2023	307
2024E	354
2025E	412
2026E	480
2027E	555
2028E	645

85% of ingredients sourced from over **50 partners**

Pipeline contains **125 units** and new manufacturing facilities for every **400 units**

2023

➔

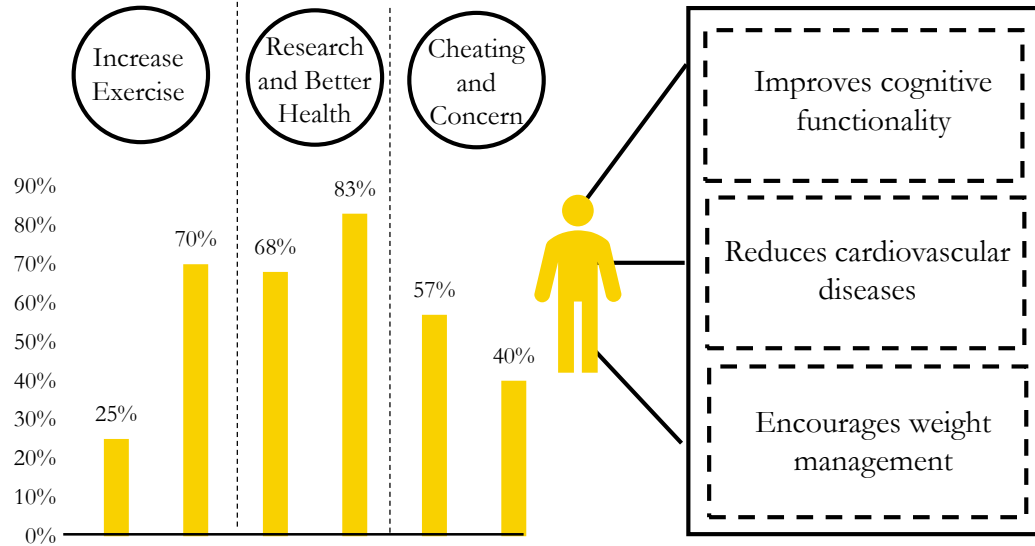
2028

BIF: Consumer Staples Food & Beverage

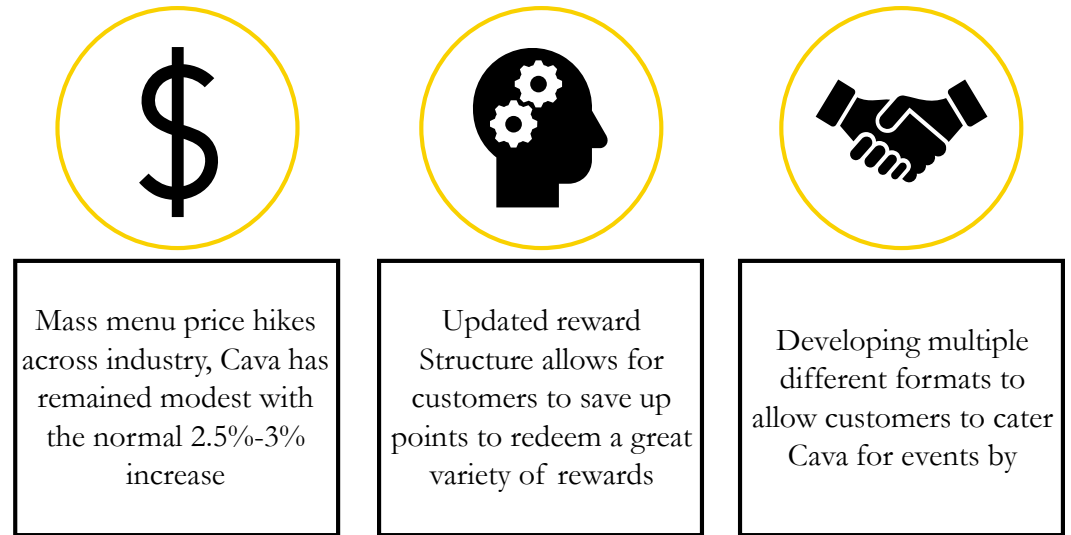
# Consumer Preference



## Mediterranean Diet

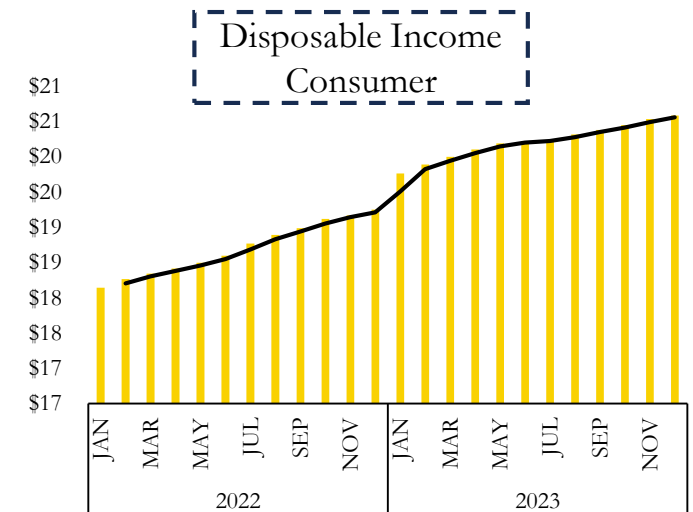
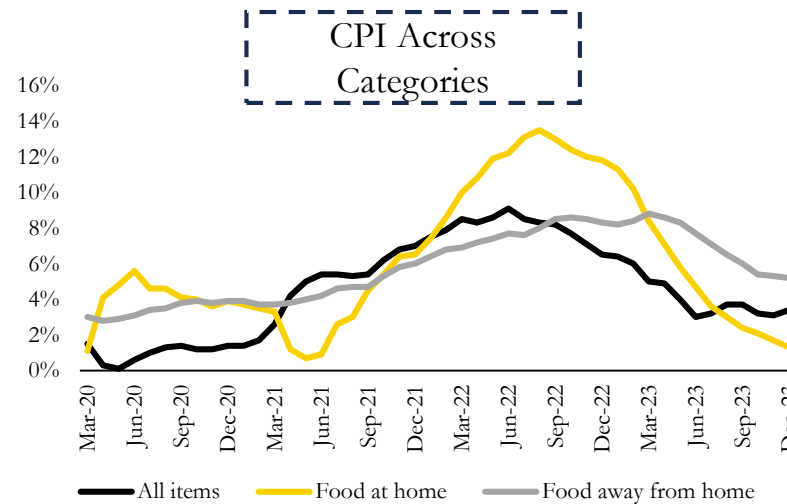
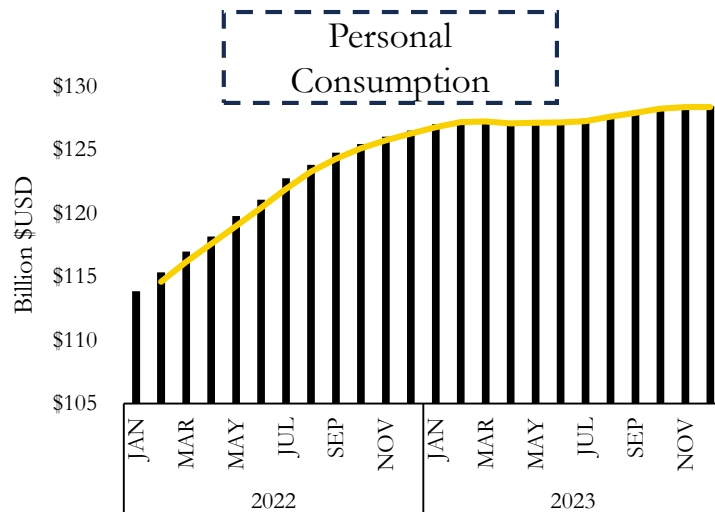


## Loyalty Program



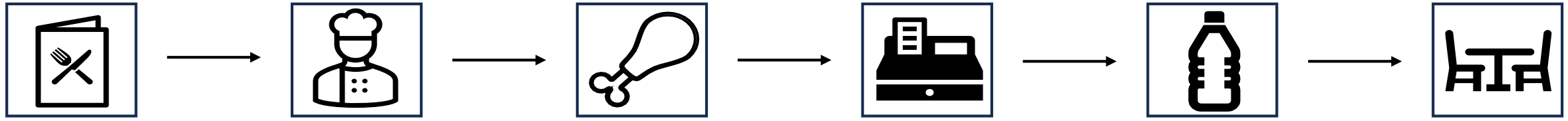
## Alternatives Research

BIF: Consumer Staples Food & Beverage



# Strong Business Model

**CAVA**

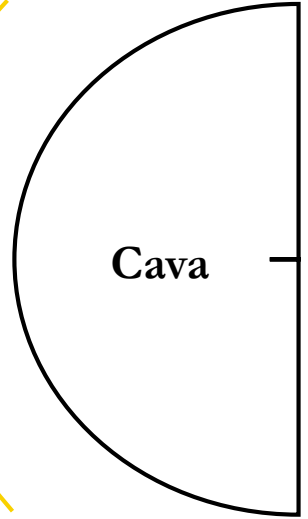


Successful IPO in down market with **279 restaurants** compared to **22 restaurants** in 2016 due to acquisition of Zoe's Kitchen

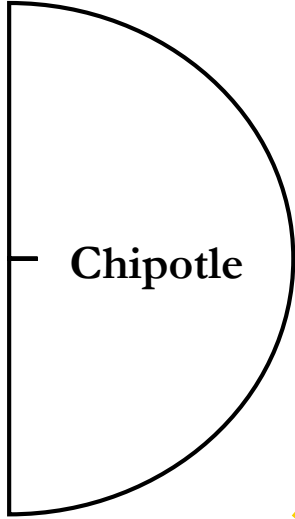
Unit Growth F06-F10 **13% CAGR**  
 Revenue Growth F22-F26E **20% CAGR**  
 EBITDA F22-F26E **72% CAGR**

Given Cava's Higher quality, about 60% of customers range in the 100k+ range, however a broader income demographic on an occasional usage

Premium



Original



IPO entering a down market with **481 units** due to large investments made by McDonalds

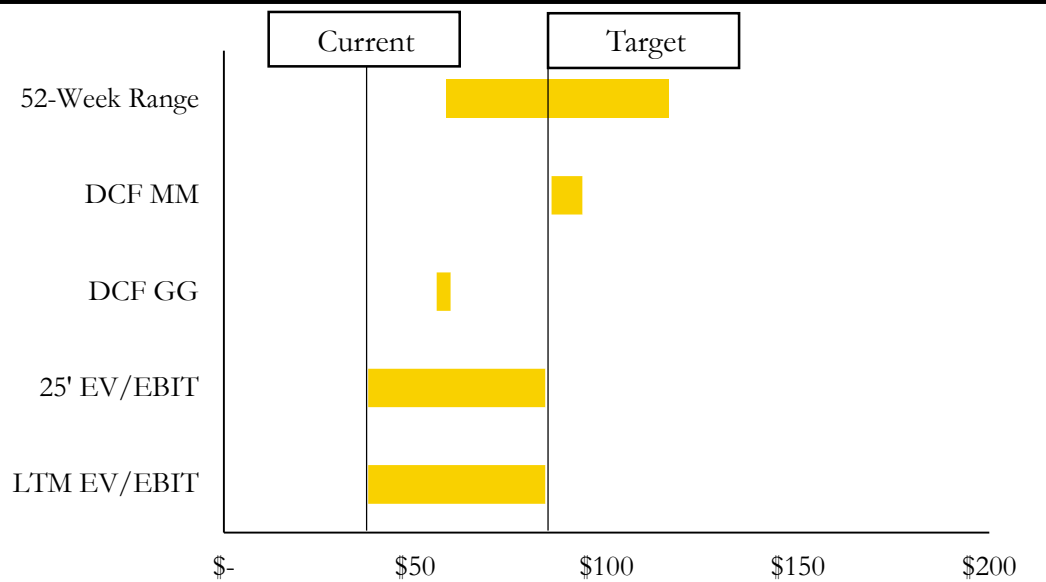
Unit Growth F06-F10 **19% CAGR**  
 Revenue Growth F06-F10 **22% CAGR**  
 EBITDA F06-F10 **39% CAGR**

**Higher quality ingredients** and freshly sourced from partnered farms leading to a **15-20% premium** compared to Chipotle Prices

BIF: Consumer Staples Food & Beverage



## Football Field



## Valuation

Multiple	Share Price	Weight	Result
DCF GG	\$ 59.31	0.4	\$ 23.72
DCF MM	\$ 85.68	0.45	\$ 38.56
LTM EV/EBIT	\$ 84.05	0.05	\$ 4.20
LTM P/E	\$ 210.86	0.05	\$ 10.54
25' EV/Revenue	\$ 51.53	0.05	\$ 2.58
<b>Price Target</b>			<b>\$ 79.60</b>
<b>Upside</b>			<b>61.10%</b>

None traditional approach to valuation

Only 2 quarters of historical

## Analysts Rating

JP Morgan	<b>Overweight</b>
Morgan Stanley	<b>Overweight</b>
Jefferies	<b>Buy</b>
Citi	<b>Buy</b>
Raymond James	<b>Neutral</b>
Piper Sandler	<b>Overweight</b>
William Blair	<b>Outperform</b>
Cowen	<b>Outperform</b>

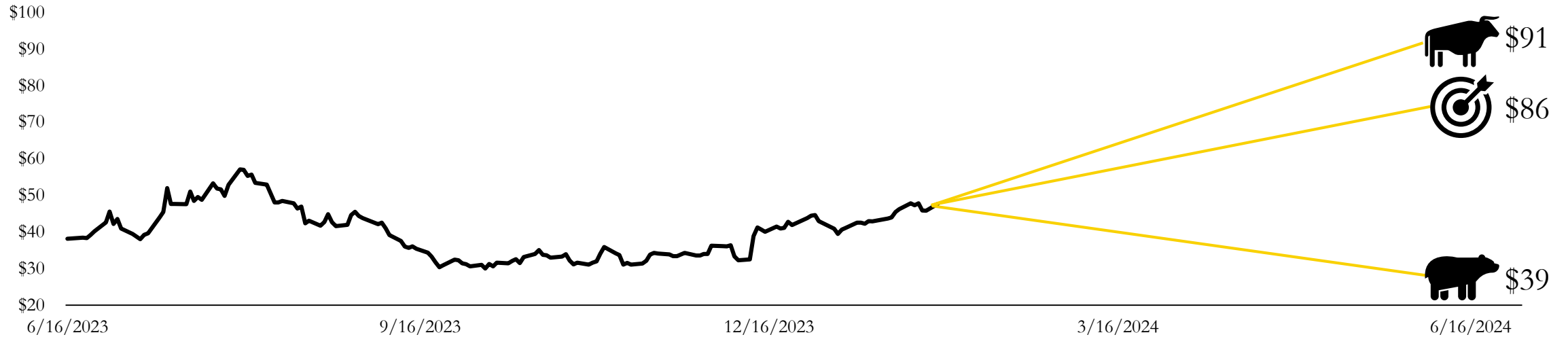
	9.81%	10.81%	11.81%	12.81%	13.81%
1.00%	\$ 63.68	\$ 60.45	\$ 57.95	\$ 55.97	\$ 54.38
1.50%	\$ 64.84	\$ 61.31	\$ 58.59	\$ 56.47	\$ 54.77
2.00%	\$ 66.15	\$ 62.27	\$ 59.31	\$ 57.01	\$ 55.19
2.50%	\$ 67.64	\$ 63.33	\$ 60.10	\$ 57.60	\$ 55.65
3.00%	\$ 69.35	\$ 64.54	\$ 60.97	\$ 58.26	\$ 56.15

	9.81%	10.81%	11.81%	12.81%	13.81%
16x	\$ 88.45	\$ 84.67	\$ 81.26	\$ 78.18	\$ 75.39
17x	\$ 91.10	\$ 87.09	\$ 83.47	\$ 80.20	\$ 77.23
18x	\$ 93.76	\$ 89.52	\$ 85.68	\$ 82.21	\$ 79.07
19x	\$ 96.42	\$ 91.94	\$ 87.89	\$ 84.23	\$ 80.91
20x	\$ 99.08	\$ 94.36	\$ 90.10	\$ 86.25	\$ 82.76

# Investment Analysis

# CAVA

## Bear vs. Bull Case



## Upside/Downside Analysis

### Bear Case

Food Safety becomes more of a concern given that many of the fresh ingredients are handled on site

Consumer sentiment for Mediterranean diet decreases

-19% downside with

### Base Case

Cava continues to beat earnings expectations each quarter and gains more solidified financial footing

Expansion plans are executed smoothly as they continue to grow into new parts of the country

### Bull Case

Cava solidifies its place as a nation brand attractive many different demographics

Continues to streamline operations while cutting cost


Expands past guided TAM with more than 2000 Units

# Allocation With Cava



## Returns

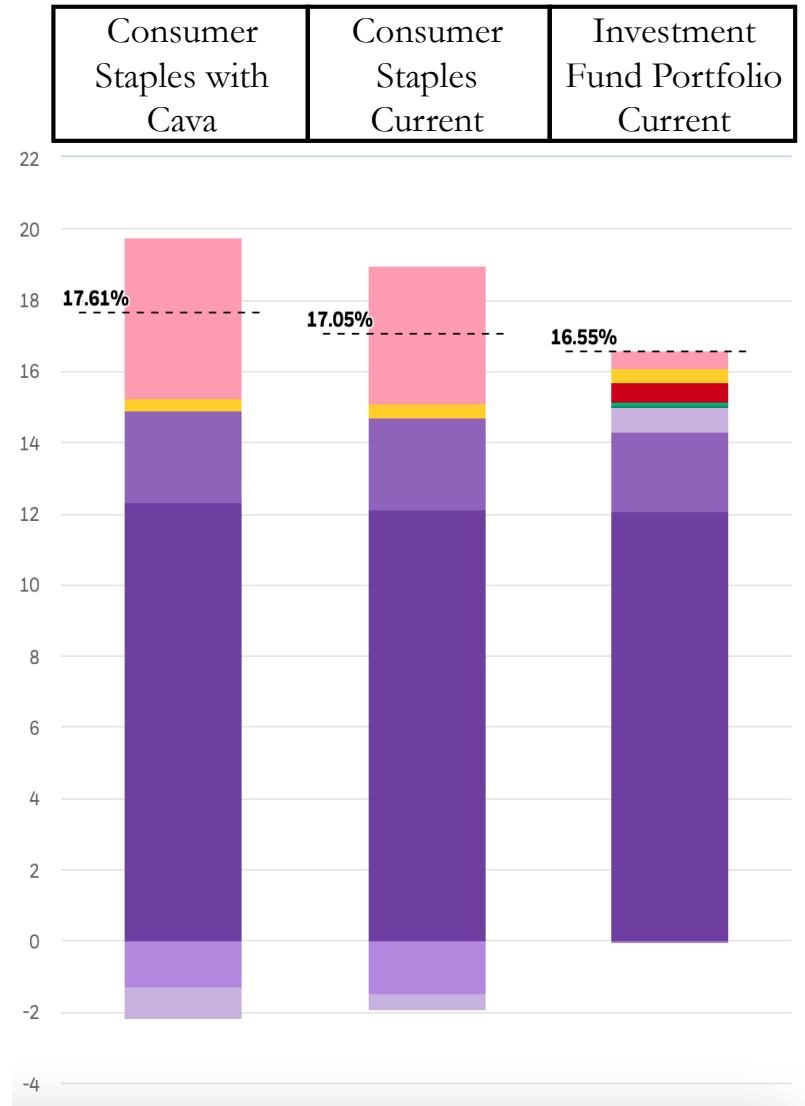
Portfolio	Performance Type	Last Month	Last Quarter
Staples w Cava	Gross of an advisory fee	5.27%	11.42%
Staples CURRENT (w/WMT)	Gross of an advisory fee	2.16%	7.38%
Fund Portfolio Currently	Gross of an advisory fee	4.95%	9.19%



The addition of Cava would be a hedge in the Fund's Portfolio while only increasing risk 100bps

Cava also would have nearly doubled the Fund's returns in the previous quarter

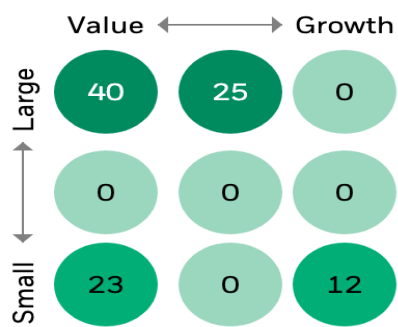
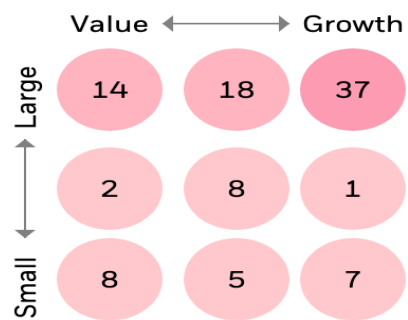
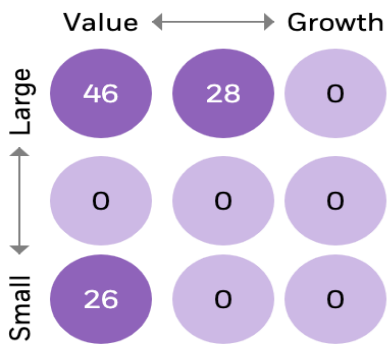
## Risk Analysis



### Consumer Staples Current

### Consumer Staples with Cava

### Investment Fund Portfolio Current



# Executive Summary

CAVA

Cava is going to grow and expand to become a national brand

Consumers are moving towards healthier options and are drawn to Cava due to its high flavor profile

Has the potential and consumer backing to grow at a similar pace to Chipotle

BUY: CAVA

Current Price: \$49

Target Price: \$86

Upside: 76%

Thank You, Questions?

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**CAVA**

# Revenue Build



Cava (NYSE:CAVA)																			
Revenue Projections	FY 2020	FY 2021	FY 2022	FY 2023E	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E	FY 2033E	FY 2034E	FY 2035E	FY 2036E	FY 2037E	FY 2038E
<b>System Units (excl. Digital/Licensed)</b>	286	298	292	307	354	412	480	555	645	750	870	1002	1142	1292	1452	1622	1807	2000	2000
# CAVA Grill Units	104	164	237	307	354	412	480	557	648	745	857	985	1133	1292	1473	1664	1864	2069	2255
Y/Y % Change		57.69%	44.51%	29.54%	15.31%	16.38%	16.50%	16.07%	16.32%	15.00%	15.00%	15.00%	15.00%	14.00%	14.00%	13.00%	12.00%	11.00%	9.00%
# Zoes Kitchen Units	182	134	55	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
# New CAVA Units	9	5	11	42	47	58	68	79	91	103	117	131	147	163	179	197	217	238	262
# Zoes Conversions	7	54	63	28	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross New CAVA U.S. + Zoe's Converted Units	16	59	74	70	47	58	68	79	91	103	117	131	147	163	179	197	217	238	262
<b>Same Store Sales</b>	41.4%	14.2%	5.0%	3.5%	3.0%	3.0%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Existing AUVs		2508	2561	2623	2742	2701	2787	2846	2947	3020	3094	3155	3211	3277	3336	3399	3449	3500	3500
% Growth			2.11%	2.42%	4.54%	-1.50%	3.18%	2.12%	3.55%	2.48%	2.45%	1.97%	1.77%	2.06%	1.80%	1.89%	1.47%	1.48%	0.00%
New AUVs				2225	2227	2250	2250	2306	2364	2423	2483	2545	2609	2661	2714	2769	2824	2881	2881
New Unit % Existing				85%	81%	83%	81%	81%	80%	80%	80%	81%	81%	81%	81%	81%	82%	82%	82%
Total AUVs	1230	1869	2314	2424	2485	2476	2519	2576	2656	2722	2789	2850	2910	2969	3025	3084	3137	3191	3191
% Growth			23.81%	4.75%	2.50%	-0.36%	1.74%	2.28%	3.09%	2.49%	2.46%	2.21%	2.11%	2.03%	1.89%	1.95%	1.70%	1.72%	0.00%
<b>Net New Units</b>	15	60	73	70	47	58	68	79	91	103	117	131	147	163	179	197	217	238	262
Y/Y % Change		300.00%	21.67%	-4.11%	-32.86%	23.40%	17.24%	16.00%	15.00%	14.00%	13.00%	12.00%	12.00%	11.00%	10.00%	10.00%	10.00%	10.00%	10.00%
# Digital CAVA Kitchens	0	1	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
<b>Total System Units (incl. Digital Kitchens)</b>	286	299	302	317	364	422	490	567	658	755	867	995	1143	1302	1483	1674	1874	2079	2265
Change % y/y		4.55%	1.00%	0.00%	0.00%	15.93%	16.11%	15.71%	16.03%	14.77%	14.80%	14.83%	14.85%	13.88%	13.89%	12.91%	11.93%	10.94%	8.96%
# Licensed CAVA Units	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
<b>Total System Units (incl. Licensed + Digital)</b>	287	300	303	318	365	423	491	568	659	756	868	997	1144	1302	1484	1675	1875	2080	2200
CAVA Foods - Revenue	6.5	6.0	7.1	7.5	9.7	10.7	11.7	12.7	13.9	15.1	16.6	18.3	20.1	22.1	24.4	26.6	29.5	33	33.3
% Growth		-6.61%	18.15%	5.79%	28.88%	10.41%	8.77%	8.74%	9.45%	8.63%	9.93%	10.24%	9.84%	9.95%	10.41%	9.02%	10.90%	11.86%	0.91%
CAVA Foods Margin (15% LT)		1.7	0.8			1.6	1.8	1.9	2.1	2.3	2.5	2.7	3.0	3.3	3.7	4.0	4.4	5.0	5.0
<b>CAVA Grill Revenues</b>	374,968	500,073	564,119	737,534	852,271	1,047,531	1,236,989	1,463,573	1,750,117	2,058,067	2,420,382	2,840,063	3,329,966	3,865,496	4,488,514	5,166,450	5,880,709	6,636,036	7,019,100
% Growth		33.36%	12.81%	30.74%	15.56%	22.91%	18.09%	18.32%	19.58%	17.60%	17.60%	17.34%	17.25%	16.08%	16.12%	15.10%	13.82%	12.84%	5.77%
<b>Total Revenue</b>	374,974	500,079	564,126	737,541	852,281	1,047,542	1,237,001	1,463,586	1,750,131	2,058,082	2,420,399	2,840,081	3,329,986	3,865,518	4,488,539	5,166,477	5,880,738	6,636,069	7,019,133
% Growth		33.36%	12.81%	30.74%	15.56%	22.91%	18.09%	18.32%	19.58%	17.60%	17.60%	17.34%	17.25%	16.08%	16.12%	15.10%	13.82%	12.84%	5.77%

BIF: Consumer Staples Food & Beverage

# Premium Menu Prices



<b>NYC</b>	Premium Chicken Bowl	% Difference	Basic Salad Bowl	% Difference
<b>CAVA</b>	16.95		12.55	
<b>Chipotle</b>	14.4	18%	11.35	11%

<b>Boston</b>	Premium Chicken Bowl	% Difference	Basic Salad Bowl	% Difference
<b>CAVA</b>	15.7		11.75	
<b>Chipotle</b>	12.4	27%	9.45	24%

<b>Atlanta</b>	Premium Chicken Bowl	% Difference	Basic Salad Bowl	% Difference
<b>CAVA</b>	14.6		10.95	
<b>Chipotle</b>	12	22%	9.1	20%

<b>Dallas</b>	Premium Chicken Bowl	% Difference	Basic Salad Bowl	% Difference
<b>CAVA</b>	14.6		10.95	
<b>Chipotle</b>	12	22%	8.85	24%

# Recent IPO Concerns



## A Performance Outlier

113%

Upside since initial public offering of \$22

7th

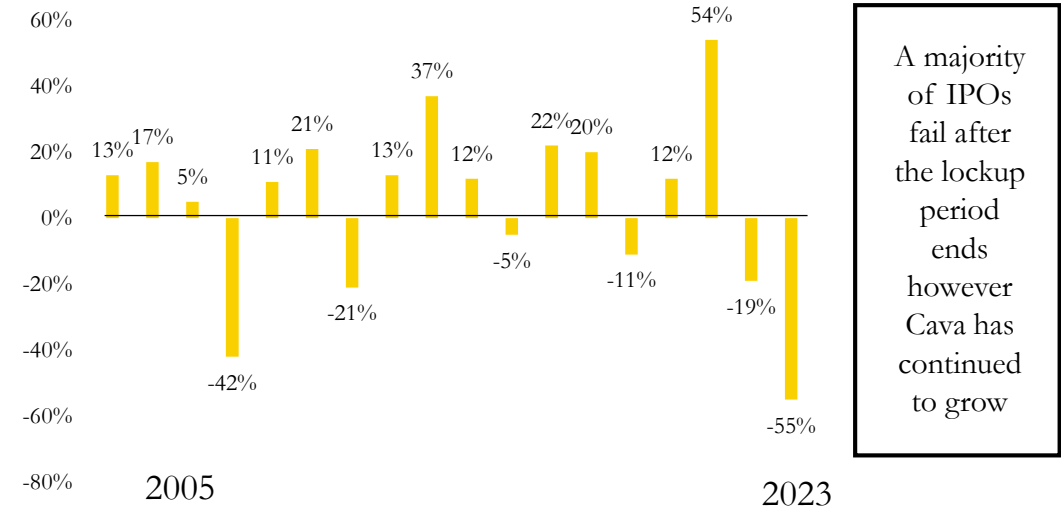
Best Performing IPO in 2023

2023: **154 IPOs** with an **average year-end gain of -55%** and 53.7% of them having negative returns in the first six months

Majority of IPOs fail due to underestimating the expensive cost of IPOs and failing to find strategic timing that lowers harvesting costs

Cava IPOed during a 6-month market rally and is using their new cash strictly for expansion and have no debt costs currently

## Historical Year End IPO Returns



## Cash is IPO King

With 150+ suppliers and 1,000+ documents to manage, the company streamlined all supplier information and documentation into one centralized database

Quality incidents are easy to manage using metrics that help CAVA save time and money and allow them to provide customers with an even higher quality product

