

Initiated 2026-09-29 · Price \$52.20 (as of 2026-09-29 intraday, stockanalysis.com) · Mkt cap \$6.10bn · Consumer discretionary / fast-casual restaurants · Model: verified

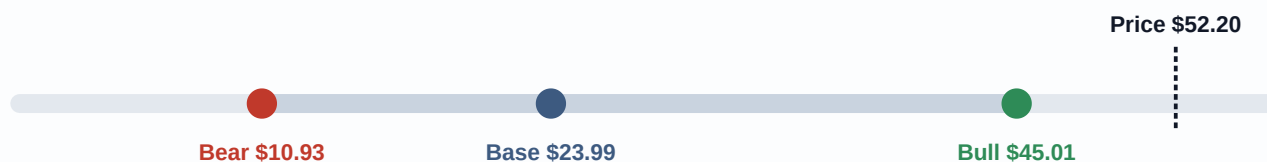
Rating: Sell — Conviction: High

CAVA is executing well: Q2 same-restaurant sales rose 9.0% on 5.3% traffic, far ahead of Chipotle, and it opens ~17% more units a year with no debt. The stock is already ~46% below its 52-week high of \$98.79, but at 44.6x lease-excluded FY2025 GAAP EBITDA and ~79x forward earnings it still prices in more than the bull case. With a 1.74 beta, a 5.2% 10-year yield and guidance implying slower comps in H2, too much of the value sits beyond year five.

Conviction tests (3a-v-c): T1 pass (base -56.1% at +1pp, -51.8% at -1pp; Sell at both) · T2 pass (Gordon -82%, exit-multiple -26%; Sell on either) · T3 pass · T4 pass

The rule's High probably overstates certainty, because both methods are five-year DCFs that can't fully credit a unit runway the market is valuing out to ~15 years.

MODEL VALUE RANGE VS PRICE



Business overview

CAVA runs 476 company-owned Mediterranean fast-casual restaurants (2026-07-12). Guests build bowls and pitas priced around the fast-casual premium tier. The small CPG line (dips and spreads sold in grocery) accounts for ~\$3mm of Q2's \$368.4mm revenue. There are no franchisees, so revenue is restaurant sales. Three variables drive earnings. The first is unit growth: 72 net openings in FY2025 and 75–77 guided for 2026, on a 439 base. The second is same-restaurant sales, which were +4.0% in FY2025, +0.5% in Q4 2025, +9.0% in Q2 2026, and are guided to +4.5% to +6.5% for FY2026. The third is restaurant-level margin: 25.0% in FY2024, 24.4% in FY2025, 25.7% in Q2 2026, and guided to 23.7–24.3% for 2026. AUV is \$3.1mm.

Competition

The main competitor is Chipotle, which fights for the same customer and lunch occasion and is where pressure on CAVA's traffic would show first. In Q2 2026 (to 2026-06-30), Chipotle's comparable sales rose 2.2% on 1.0% transaction growth, while CAVA's rose 9.0% on 5.3% traffic. CAVA is taking relative share for now. Sweetgreen and Shake Shack compete for the same premium lunch spend. Sector-wide softening shows up in traffic before price. August Placer.ai foot-traffic data softened across restaurants (Simply Wall St). A Cyclospora outbreak traced to Mexico-sourced iceberg lettuce weighed on fresh-produce chains; CAVA's own exposure is n/a (unverified). The closest listed comparables are all cheaper: Chipotle trades at 19.8x EV/EBITDA and 25.1x forward P/E, and Dutch Bros, the high-growth one, at 25.0x and 32.1x.

Bull case

1. **Unit runway** — ~17% unit growth on a self-funded balance sheet, with AUVs at \$3.1mm, gives a long compounding runway. Plays out if new units keep opening near 90% productivity and openings hold ~75+ a year, with comps of +3–4%. *Model: rev_growth*
2. **Margin leverage** — restaurant-level margin reached 25.7% in Q2. G&A leverage on a 25%+ revenue growth base could lift the GAAP EBITDA margin from 10.9% to ~14%. Plays out if food and labour inflation stay contained and new units ramp on schedule. *Model: ebitda_margin*
3. **Growth premium holds** — traffic-led share gains keep the multiple well above restaurant peers, and the beta normalises as the company matures. Plays out if comps beat Chipotle's by 4+ points for several more quarters. *Model: exit_ev_ebitda, wacc*

Bear case

1. **Duration at a 5% risk-free rate** — at 44.6x EBITDA, most of the value lies beyond year five. CAPM gives a 13.9% cost of equity (5.21% + $1.74 \times 5.0\%$), and a de-rating toward peers is the base path. Plays out if the 10Y stays $\geq 5\%$ and growth multiples keep compressing. *Model: wacc, exit_ev_ebitda*
2. **Comp deceleration** — the full-year guide of +4.5% to +6.5% after a +9.0% Q2 implies H2 comps near the low single digits. Q4 2025 was +0.5%, and August traffic data were soft. Plays out if comps go flat to negative for two years and openings slow. *Model: rev_growth*
3. **Unit economics dilute** — restaurant margin fell 60bp in FY2025 and is guided lower again. Guidance assumes new units at ~90% productivity, so each opening needs the same capex for less revenue. Plays out if new-market AUVs undershoot. *Model: ebitda_margin, capex_pct_rev*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA (model basis: mkt cap – cash & investments, no debt; GAAP EBITDA, leases excluded)	44.6x FY2025 · 37.2x LTM	n/a (unverified)	CMG 19.8x · SHAK 18.0x · BROS 25.0x (trailing, lease-inclusive, aggregator)	Model; stockanalysis 2026-09-29
EV/EBITDA (aggregator, trailing, lease-inclusive)	38.9x	n/a (unverified)	same as above	stockanalysis 2026-09-29
EV/Sales (aggregator, trailing)	4.55x	n/a (unverified)	CMG 3.63x · SHAK 2.00x · BROS 4.28x	stockanalysis 2026-09-29
Forward P/E (consensus)	78.6x	n/a (unverified)	CMG 25.1x · SHAK 45.6x · BROS 32.1x	stockanalysis 2026-09-29
FCF yield (TTM FCF / mkt cap)	0.8% (\$49.0mm)	FY2025: OCF \$184.8mm – capex \$158.7mm = \$26.1mm	n/a	stockanalysis; EDGAR

Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$10.93 · Base \$23.99 · Bull \$45.01 per share, i.e. implied returns of –79.1% / –54.0% / –13.8% vs \$52.20. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits above the bull midpoint, so the market is paying for more than the bull case's five years of ~20% growth and margin expansion. The base exit multiple of 22x is a ~51% de-rating from today's 44.6x. The two methods differ widely (Gordon \$9.40, exit \$38.58). With year-five FCF still carrying growth capex (8% of revenue vs 6% D&A), the Gordon method embeds only ~3.6x year-five EBITDA. The exit method is the fairer read, and it is still 26% below the price. CAVA is a single brand, so I ran a tail sensitivity: FY2026 +22%, then revenue growth of +5% and +3% a year, EBITDA margin 8.5%, capex 6.5%, NWC –5%, a 12x exit and a 15.9% WACC. The bear midpoint falls to \$7.47.

Balance sheet: not meaningful (net cash). \$435.6mm of cash and current investments, no funded debt; net leverage –3.4x FY2025 EBITDA. \$520.7mm of operating lease liabilities is excluded from EV because EBITDA is after rent. A \$100mm repurchase authorisation was reported on 2026-09-18 (per Zacks, not tied to a filing this session). No ratings.

Model note: verified: LibreOffice recalculation matched all 3,206 formula cells. Unverified inputs: none. Assumptions without basis: none. No scenario CHECKS. The company doesn't guide EPS. Base Y1 GAAP EPS of \$0.61 sits ~7% below the ~\$0.66 implied by the consensus forward P/E, mainly because of SBC (GAAP vs adjusted) and the modelled tax path. Cash taxes are a judgment (15% rising to 25%) based on the \$51.6mm deferred tax asset. Historicals start in FY2023 because FY2021–22 include Zoës Kitchen conversions. FY2023 NWC was not retrieved.

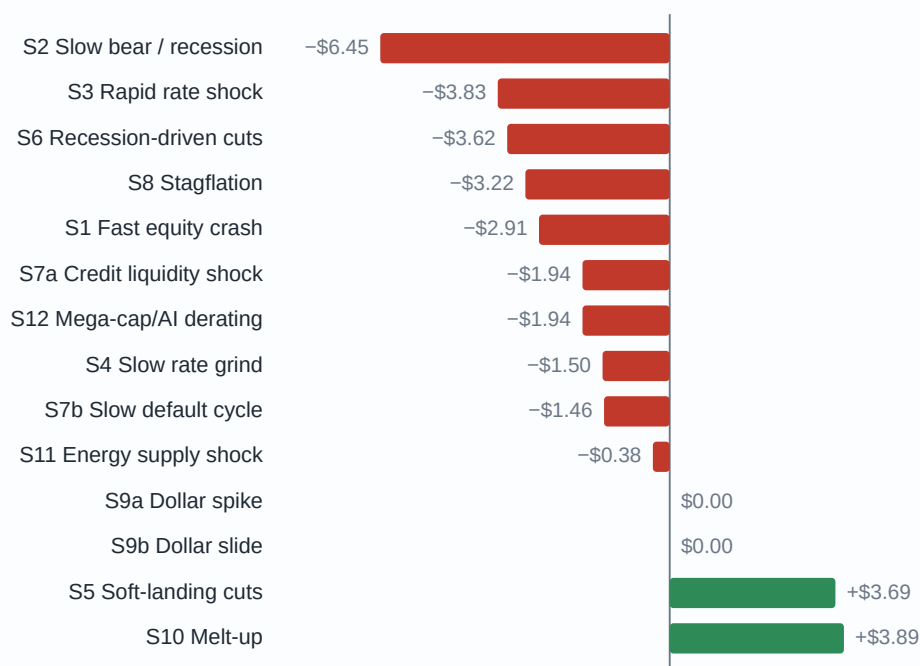
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	1.74 beta and 12.6% short interest; multiple de-risks, no operating channel	Med	–\$2.91
S2 Slow bear / recession	–	Discretionary ~\$15 bowl: comps negative, new units under plan, fixed costs deleverage; transitory, so milder than the multi-year bear plateau	High	–\$6.45
S3 Rapid rate shock	–	No debt; long-duration value re-prices on discount rate and growth multiple	Med	–\$3.83
S4 Slow rate grind	–	Same channel, grinding	Low	–\$1.50
S5 Soft-landing cuts	+	Lower discount rate plus consumer relief	Med	+\$3.69
S6 Recession-driven cuts	–	Traffic loss and growth de-rating outweigh lower rates	Med	–\$3.62
S7a Credit liquidity shock	–	Self-funded, so no funding channel; forced selling hits high-multiple equities	Low	–\$1.94
S7b Slow default cycle	–	Developer and landlord financing slows some site deliveries	Low	–\$1.46
S8 Stagflation	–	Protein, produce and wage inflation vs a consumer resisting more price	Med	–\$3.22
S9a Dollar spike	0	No material effect, not modeled (all US)	Low	\$0.00
S9b Dollar slide	0	No material effect, not modeled	Low	\$0.00
S10 Melt-up	+	Heavily shorted high-beta growth name: covering and re-rating	Med	+\$3.89
S11 Energy supply shock	–	Gasoline squeezes discretionary spend; distribution and packaging costs	Low	–\$0.38
S12 Mega-cap/AI derating	–	Leadership unwind de-rates long-duration growth multiples broadly	Low	–\$1.94

Dollar moves look small because the base value is already less than half the price; relative to that base, S2 is –27%. **Currently active/on watch per the playbook:** S3 partially active (price leg met); S8, S10 and S11 on watch. S3 is the live one here: CAVA has no debt, so the risk-free rate reaches it only through the discount rate, but that is the channel its valuation is most exposed to.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: the price falls toward the base range. Or H2 comps hold $\geq +5\%$ on positive traffic while restaurant margin holds $\geq 24\%$ and 2027 unit growth is guided $\geq 16\%$, which would move the base toward the bull case. **Downgrades if:** n/a at Sell. The thesis strengthens if Q3 comps come in below $+3\%$, if 2027 openings are guided below ~ 75 , or if restaurant margin falls below the 23.7% guide floor.

Watch items

- **W1:** Q3 same-restaurant sales and traffic vs the implied H2 slowdown (full-year $+4.5\%$ to $+6.5\%$) — Q3 release — $\sim$ early Nov 2026 — *Model: rev_growth*
- **W2:** Restaurant-level margin vs the $23.7\text{--}24.3\%$ FY2026 guide — Q3 release / Q4 release — Nov 2026 / Feb 2027 — *Model: ebitda_margin*
- **W3:** FY2027 net-opening guide and new-unit productivity vs the $\sim 90\%$ assumption — Q4 release — $\sim$ Feb 2027 — *Model: rev_growth, capex_pct_rev*
- **W4:** Buyback execution under the $\$100\text{mm}$ authorisation (share count vs 118.4mm diluted) — Q3 10-Q — Nov 2026 — *Model: none*

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Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.