DALALBYTES FIVE-PILLAR ANALYSIS

# CAVA Group

Moderate fit: 3 of 5 pillars pass. A sunrise, a founder, a fortress, and two honest partials.

September 27, 2026 · NYSE: CAVA

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

| 3 of 5 | PASS | PASS | PARTIAL | PASS | PARTIAL |
|---|---|---|---|---|---|
| Pillars pass | Sunrise | Leadership | Moat | Fortress | Free cash flow |

© 2026 DalalBytes Research · For educational purposes only. Not investment advice.

DALALBYTES VERDICT

## Moderate fit · 3 of 5 pillars pass

**The engine's read on CAVA Group**

The five-pillar analysis is DalalBytes' engine for grading a business on the five traits that compound wealth: a sunrise sector, leadership, a moat, an iron-fortress balance sheet, and real free cash flow. CAVA passes three of the five as of September 27, 2026. The sunrise is Mediterranean fast-casual: the fastest-growing fast-casual cuisine in the U.S., up 16% in 2025 against 6% for the segment, with CAVA the category-defining national brand. Leadership is co-founder and CEO Brett Schulman, executing since 2009 through the IPO to 476 units. The balance sheet is an iron fortress: debt-free, $435.6M of cash and investments, 10 straight quarters of positive year-to-date cash flow. The two partials are honest. The moat is best-in-class unit economics inside a category with essentially no switching costs: brand affinity and habit, not lock-in. Free cash flow is thin by design: TTM FCF of ~$49M (a ~3.6% margin) because 75-77 openings a year at $1.375M each consume most of the ~$220M in operating cash flow. That is the correct trade at 40%+ cash-on-cash returns, but it is a build, not a harvest.

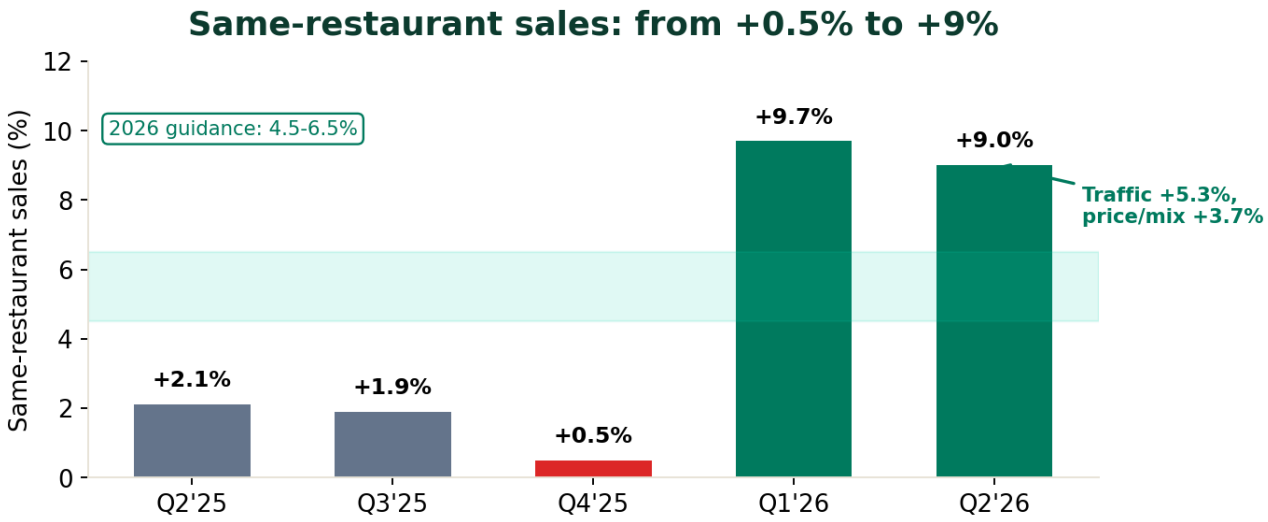
| $51.58 | $6.02B | -42% | 74/100 | $43.41-98.79 |
|---|---|---|---|---|
| REFERENCE PRICE | MARKET CAP | 3-MO DRAWDOWN | REPORT SCORE | 52-WK RANGE |

## Pillar 1: Sunrise sector

© 2026 DalalBytes Research · For educational purposes only. Not investment advice.

**PASS: the fastest-growing fast-casual cuisine**

Technomic data (via Fortune, August 2026) puts U.S. Mediterranean fast-casual sales at just under $2.5B in 2025, up 16%, against 6% growth for the broader fast-casual segment (a ~$77B U.S. market). Global estimates put the category at $15.7-22.4B in 2025 with an 8-11% projected CAGR to 2034. The drivers are durable, not cyclical: the health-and-wellness positioning of the Mediterranean diet, millennial and Gen Z preference for customizable bowls, and digital ordering adoption. CAVA is the category-defining brand at national scale: 476 company-owned units, no scaled direct competitor (NAYA, the closest comp, runs ~50 units). William Blair (September 17, 2026): CAVA stands out in a 'highly promotional' industry with broad-based strength across geographies and income cohorts, including outsized growth among lower-income customers.




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

Already at the ceiling; the downgrade triggers would be Mediterranean category growth converging to the segment average (the category advantage evaporating), or a sustained consumer shift away from bowls toward another format.

## Pillar 2: Leadership

© 2026 DalalBytes Research · For educational purposes only. Not investment advice.

**PASS: founder-led, executing since 2009**

Brett Schulman, co-founder and CEO since 2009, led the company from a handful of D.C. restaurants through the 2018 Zoe's Kitchen acquisition to the June 2023 IPO and now 476 units. His background is finance and natural foods: 10+ years in investment banking (Alex. Brown, Deutsche Bank Alex. Brown, FBR), then Partner/COO at Snikiddy Snacks (acquired by Utz). The operating record since the IPO is the evidence: 72 net openings in 2025, 75-77 guided for 2026, restaurant-level margins restored to 25.7%, and back-to-back 9%+ comp quarters driven by menu innovation (the salmon launch) and loyalty work (tiered Rewards, Flavor Passport).

> The watch items: Schulman sold 33,174 shares in June 2026 at $89.43 near the highs, and the CMO seat was vacant as of Q2 2026. This is a pass with watch items, not an unqualified pass.
>
> DalalBytes Research

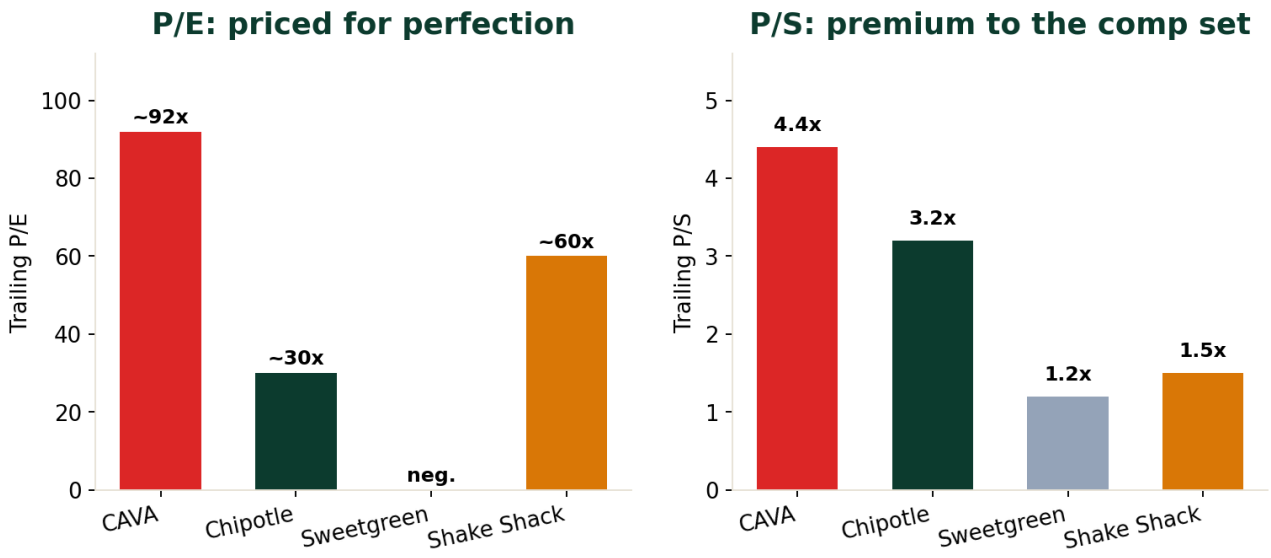
Insider ownership is 6.70%; Schulman still holds 798,669 shares (~$41.2M at current prices), and insider Douglas Thompson bought 6,500 shares on August 31, 2026 at $66.52. Founder-led, meaningfully invested, executing. Upgrade path: the CMO hire landing well and marketing spend scaling from frugal to measured. Downgrade triggers: a stall in unit openings or comp momentum suggesting the operating system is fraying at 75+ openings a year, or sustained insider selling into strength.

## Pillar 3: Moat

**PARTIAL: best-in-class economics, zero switching costs**

The honest version first: fast-casual dining has essentially no switching costs. A customer can walk across the street to Chipotle, Sweetgreen, or a local Mediterranean shop with zero friction. What CAVA has is the strongest version of a non-lock-in moat in its category: the category-defining brand at national scale, $3.1M AUV and 25.7% restaurant-level margin that now match Chipotle's, 40%+ cash-on-cash returns on new units, and a loyalty program whose member base is growing faster than the unit count. The central production facilities for dips, spreads, and sauces add operational differentiation, and the Hyphen automated-makeline pilot points at a throughput edge.

© 2026 DalalBytes Research · For educational purposes only. Not investment advice.




*Multiples estimated as of ~Sep 25, 2026. Sweetgreen has negative trailing earnings; Panera is private (JAB).*

But none of this is lock-in. The moat is brand affinity, habitual purchase, and the loyalty habit, not switching costs; differentiation rests on taste, health positioning, and convenience. Against the house bar for a PASS (a structural advantage that protects returns on capital through a cycle), CAVA earns a PARTIAL. Upgrade path: loyalty data compounding into a genuine personalization advantage, or the automated makeline creating a throughput cost edge competitors cannot match. Downgrade to FAIL: NAYA or regional chains reaching 200+ units with comparable AUVs, or sustained head-to-head share loss.

## Pillar 4: Iron fortress

**PASS: debt-free, $435.6M of cash, ten straight quarters of cash flow**

Debt-free, $435.6M of cash and investments ($322.8M cash plus $112.8M investments at fair value), a $75M undrawn revolver, and the company's 10th consecutive quarter of positive year-to-date cash flow. Total liabilities of $658.5M against $1,499.8M of assets; stockholders' equity $841.3M. For a company opening 75+ units a year at ~$1.375M net capex each, funding the build from operating cash flow with zero drawn debt is the fortress in action. The $100M buyback authorized through September 2027 adds modest capital-return optionality.

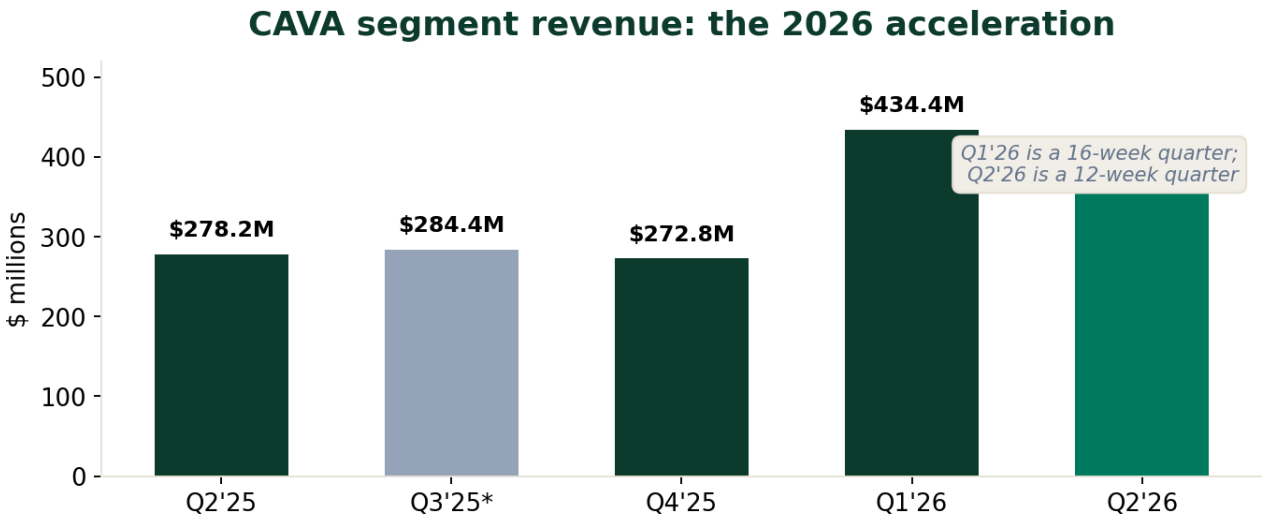
Watch item: roughly $520.7M of total debt including operating leases per PitchBook/Morningstar fundamental data; lease liabilities are standard for restaurant chains and do not change the verdict. Downgrade triggers: drawing the revolver, taking on funded debt to sustain the opening pace, or a balance-sheet-funded acquisition.

## Pillar 5: Free cash flow

© 2026 DalalBytes Research · For educational purposes only. Not investment advice.

**PARTIAL: the cash is real; the build consumes it**

The cash is real: TTM operating cash flow of ~$220M (DalalBytes computation from reported quarterlies), and the company has printed 10 straight quarters of positive year-to-date cash flow. But the pillar grades free cash flow, and FCF is thin by design: TTM free cash flow is ~$49M, a ~3.6% FCF margin, about a 0.8% yield on the $6.02B market cap. Capex intensity is structural: ~$1.375M net per new unit times 75-77 openings is $103-106M in growth capex annually, plus maintenance. Growth consumes most of operating cash flow. That is the correct trade at 40%+ cash-on-cash returns, but it is the opposite of a cash harvest: the equity story is unit-count compounding, not near-term FCF.




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

Upgrade path: same-store sales leverage pushing restaurant-level margins durably above 26%, widening the FCF conversion (the 1,000-unit target by 2032 means the build continues for years, so margin is the honest upgrade trigger). Downgrade to FAIL: FCF turning negative because the opening pace outruns operating cash flow, or restaurant-level margins compressing below 22% on a sustained basis.

## What would change each grade

| Pillar | Upgrade path | Downgrade trigger |
|---|---|---|
| 1. Sunrise (PASS) | Already at ceiling | Category growth converges to segment average |
| 2. Leadership (PASS) | CMO hire lands; marketing scales | Openings stall; sustained insider selling |
| 3. Moat (PARTIAL) | Loyalty data or automation edge | NAYA/regionals reach scale; share loss |

© 2026 DalalBytes Research · For educational purposes only. Not investment advice.

| | | |
|---|---|---|
| 4. Fortress (PASS) | Already at ceiling | Funded debt for openings; large acquisition |
| 5. FCF (PARTIAL) | Margins above 26% widen conversion | FCF negative; margins below 22% sustained |

Everything resolves through the next two quarters. Q3 2026 (November) is when a third straight high-single-digit comp quarter converts the 'easy lap' debate into a trend. The CMO hire and the Hyphen makeline pilot are the two watch items that could upgrade pillars 2 and 3. The multiple (~92x GAAP P/E) means the market has already granted CAVA every pillar; the engine has not.

## Bottom line

**Moderate fit · 3 of 5 pillars pass**

A sunrise category, founder-led execution, and an iron-fortress balance sheet are real passes. The moat is honestly partial: best-in-class unit economics inside a category with no switching costs. Free cash flow is partial by design: the build consumes the cash, correctly, at 40%+ returns. The market prices all five pillars as passes; the engine grades three. At $51.58, that gap is the entire investment question.

- Scorecard: Sunrise PASS · Leadership PASS · Moat PARTIAL · Iron fortress PASS · Free cash flow PARTIAL.
- Watch next: Q3 2026 print (November), the CMO hire, the Hyphen makeline pilot, and whether restaurant-level margins push durably above 26%.

© 2026 DalalBytes Research · For educational purposes only. Not investment advice.