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CAVA Group, Inc. (CAVA) Q2 2025 Earnings Call Transcript

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Q2: 2025-08-12 Earnings Summary

Insights



EPS of \$0.16 **beats by \$0.02** | Revenue of \$280.62M (20.18% Y/Y) **misses by \$4.84M**

CAVA Group, Inc. (NYSE:[CAVA](#)) Q2 2025 Earnings Conference Call August 12, 2025 5:00 PM ET

Company Participants

Brett Schulman - Co-Founder, CEO, President & Director

Matt Milanovich - Senior Vice President of Finance

Tricia K. Tolivar - Chief Financial Officer

Conference Call Participants

Andrew Marc Barish - Jefferies LLC, Research Division

Andrew Michael Charles - TD Cowen, Research Division

Brian Hugh Mullan - Piper Sandler & Co., Research Division

Brian James Harbour - Morgan Stanley, Research Division

Brian Michael Vaccaro - Raymond James & Associates, Inc., Research Division

Christopher Thomas O'Cull - Stifel, Nicolaus & Company, Incorporated, Research Division

Danilo Gargiulo - Sanford C. Bernstein & Co., LLC., Research Division

David E. Tarantino - Robert W. Baird & Co. Incorporated, Research Division

Dennis Geiger - UBS Investment Bank, Research Division

Eric Andrew Gonzalez - KeyBanc Capital Markets Inc., Research Division

Jeffrey Andrew Bernstein - Barclays Bank PLC, Research Division

John William Ivankoe - JPMorgan Chase & Co, Research Division

Jon Michael Tower - Citigroup Inc., Research Division

Sara Harkavy Senatore - BofA Securities, Research Division

Sharon Zackfia - William Blair & Company L.L.C., Research Division

Operator

Good afternoon, ladies and gentlemen, and welcome to the CAVA Second Quarter 2025 Earnings Conference Call. [Operator Instructions] This call is being recorded on Tuesday, August 12, 2025.

I would now like to turn the conference over to Matt Milanovich. Please go ahead.

Matt Milanovich

Good afternoon, and welcome to CAVA's Second Quarter 2025 Financial Results Conference Call. Before we begin, if you do not already have a copy, the earnings release and related 8-K furnished with the SEC are available on our website at investor.cava.com. The purpose of this conference call is to give investors further details regarding the company's financial results as well as a general update on the company's progress. You will find reconciliations of any non-GAAP financial measure discussed on today's call to the most directly comparable financial measure calculated in accordance with GAAP to the extent available without unreasonable efforts in today's earnings release and supplemental deck, each of which is posted on the company's website.

Before we begin, let me remind everyone that this call will contain forward-looking statements. For this purpose, any statements made during this call that are not statements of historical fact may be deemed to be forward-looking statements. Investors should be aware that any forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those discussed here today. These risk factors are explained in detail on CAVA's most recent annual report on Form 10-K and other filings with the SEC. Please refer to these filings for a more detailed discussion of forward-looking statements and the risks and uncertainties of such statements. All forward-looking statements are made as of today, and except as required by law, CAVA undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

And now I'll turn the call over to the company's Co-Founder and CEO, Brett Schulman.

Brett Schulman

Thanks, Matt, and welcome to the call, everyone. In the second quarter of 2025, we continue to cement Mediterranean as the next major cultural cuisine category, bringing together bold, flavorful food with the modern consumers' desire for health and human connection. It's a category we've pioneered and one we continue to have dominant leadership and grow market share. With significant white space still ahead, the strength of our model and the passion of our guests give us confidence in the growth yet to come.

Our second quarter highlights include: a 20.3% increase in CAVA revenue and a 62.6% increase over the last 2 years; CAVA same-restaurant sales growth of 2.1%; restaurant-level profit margin of 26.3%; 16 net new restaurants, ending the quarter with 398 restaurants, a 16.7% increase year-over-year; adjusted EBITDA of \$42.1 million, a 22.6% increase over the second quarter of 2024; net income of \$18.4 million; and \$21.9 million in year-to-date free cash flow.

While strong prior year results, including the launch of steak, our most significant protein launch in a number of years, impacted the quarterly same-restaurant sales comparison, we remain deeply confident in the long-term trajectory and the structural strength of our business. Surpassing \$1 billion in revenue on a trailing 12-month basis last quarter was a meaningful milestone. But as we noted then, it was just the beginning of the next chapter of our journey and ambitions. Our confidence is reinforced by the strength we're seeing in our 2025 new restaurant class, which is on track to deliver average unit volumes above \$3 million and is opening higher than 2024's record-setting cohort.

We're defining a category with powerful long-term tailwinds in Mediterranean, a concept and brand built on strong culinary credibility that resonates with guests and delivers high AUVs and a competitive leadership position that is difficult to replicate with over 400 restaurants and no scaled competition. We remain focused on the road ahead, guided by the proven portability and profitability of our model and the clear demand for Mediterranean across the country.

This demand comes to life through our first strategic pillar, expand our Mediterranean Way in communities across the country. In the quarter, we opened 16 net new restaurants, bringing our total restaurant count to 398 locations across 27 states in the District of

Columbia. This summer, we also celebrated 2 new market entries, Pittsburgh and our 28th state, Michigan, where our teams were met with long lines and warm welcomes from excited guests.

As we expand our footprint into new regions like the Midwest and Southern Florida while broadening our presence in more established markets, we're inspired by the enthusiasm we're seeing from guests who are embracing CAVA as part of their daily lives. The strength of this demand and the performance of our recent new openings give us even greater confidence in reaching our next major milestone of at least 1,000 restaurants by 2032, and we look forward to sharing more about our restaurant expansion in the quarters ahead.

We are anchored in our belief that the human experience in our restaurants is essential, and we continue to remain focused on our Project Soul initiative, which brings our Mediterranean Way to life through warm, inviting spaces designed for connection. Our Project Soul prototype will be finished by this fall, and the complete set of design features is expected to roll out across all 2026 new restaurant openings. In addition to our inviting spaces and warm hospitality, we know that what keeps our guests coming back to us is what's in their bowl or pita, bold, flavorful and satisfying food that reflects the vibrancy of the Mediterranean.

As part of our disciplined innovation process, we're thrilled to share that we've been testing chicken shawarma in our Dallas and Tampa markets since late April, and we're very encouraged by the results. This protein is our modern take on a Mediterranean classic, juicy, roasted chicken breasts marinated in the signature spice blend, hand stacked on a spit and [shaved thin] to deliver one of the region's most iconic flavors.

With consumers increasingly seeking new protein options, this main offers an all-white meat chicken option that satisfies both healthy and flavorful cravings. We're pleased with the market test results to date, and we expect to roll out chicken shawarma as a limited- time offering company-wide in early fall. And while chicken shawarma strengthens the core of our menu, we're also leaning into the growing success of our fan favorite pita chips as a platform for flavor innovation. This fall, we'll introduce cinnamon sugar pita chips, our sprouted grain chips dusted with the perfect blend of cinnamon, sugar and a hint of cardamom accompanied by a side of honey for dipping, bringing a Mediterranean-inspired twist to both snacking and dessert occasions.

Our culinary innovation pipeline is robust, showcasing both our ability to reimagine Mediterranean classics like chicken shawarma and to introduce new proteins like salmon, an ingredient that aligns naturally with our concept essence. Salmon has just entered its market testing phase as part of the stage gate process, and we're excited about its potential to complement our existing menu in a way that feels authentic to CAVA. This disciplined, methodical approach to introducing new menu items is key to our goal of delivering the bold, vibrant flavors our guests know and love every time they visit while keeping them excited about what's next. We look forward to sharing more in the coming quarters as salmon progresses through our testing process.

And as we continue to innovate on the culinary front while expanding our geographic presence, we know it's more important than ever to stay true to the heart of our brand and continue to lean into our second strategic pillar, deepen personal relationships with guests even as we scale. This past quarter, we welcomed back our beloved team member, Peter Chip, as part of our summer solstice celebration. On our last call, we shared how we intentionally aligned Peter Chip's birthday with National Pita Day, offering complimentary pita chips to all CAVA Rewards members.

This summer, we brought that same spirit of generosity to life once again, inviting rewards members to celebrate the solstice with free pita chips. The result was our second highest day ever for app downloads and digital revenue. By building on Peter Chip's journey, we're creating narrative continuity that deepens guest relationships and reinforces the emotional connection at the heart of our brand.

In fact, just yesterday, we dropped our latest Peter Chip promotion, featuring 4 different flavors of blind-bag Peter Chip plushies as part of a limited edition Hot Harissa Meal. This playful extension of the story gives fans a tangible way to bring a little piece of CAVA home with them. Our reimagined loyalty program serves as the platform that enables these efforts, allowing us to engage with guests in more customized, impactful and creative ways. Later this year, we'll introduce the next phase of our rewards program, a tiered structure designed to recognize our most passionate guests while enhancing long-term engagement by aligning rewards more closely with guest preferences.

Heart, health and humanity are at our core, and we're committed to ensuring that every interaction, whether in our restaurants or through our digital channels, reflects that same sense of care and connection. We know that as we grow, our ability to innovate and build personal connections with guests is underpinned by a strong operational foundation.

Our third strategic pillar, run great restaurants every location, every shift, is central to delivering the consistency, efficiency, quality and hospitality that defines us. As part of this pillar, our Connected Kitchen initiative shows how we're leveraging technology to empower our teams and elevate the guest experience. We are on track to expand the rollout of our new kitchen display screen system to 270 locations by the end of the year with the new system now live in 95 locations. The new KDS continues to deliver

improvements in guest satisfaction scores driven by better digital accuracy and more proactive guest communications. Alongside our KDS expansion, we're rolling out our new TurboChef ovens in every restaurant, further enhancing speed, consistency and quality in our kitchens. Together, these innovations represent our commitment to operational excellence that provides the foundation for future innovations and makes our restaurants easier to operate.

Another advancement under the Connected Kitchen platform is our AI camera vision technology. After several quarters in a test- and-learn phase, we're encouraged by the results and plan to expand to 21 additional locations by the end of the year. By leveraging historical and real-time depletion data, the technology helps guide our teams toward more accurate food production, reducing waste and ensuring freshness.

Finally, I'm also pleased to announce that we've recently made an investment in Hyphen, a leader in developing automated make lines designed to improve the speed and efficiency of food production. In addition, we plan to begin a pilot test of Hyphen equipment in the coming quarters. The focus of this test is on our second digital make line, not our in-restaurant serving lines. As with all of our operational initiatives, this investment is rooted in our belief that technology should enhance, not replace the human experience.

At the heart of our success are our people. From our restaurants to our support center, our ability to innovate and scale is grounded in our fourth strategic pillar, operate as a high-performing team. The team members in our restaurants embody heart, health and humanity every day, and we remain deeply committed to fostering a workplace where they can grow and thrive in their careers. Building on what we shared last quarter, we're advancing work on a comprehensive talent development strategy aimed at strengthening every stage of the employee life cycle. This effort is grounded in our belief that growing and running great restaurants at scale starts with attracting, developing and retaining the leaders who bring CAVA to life every day.

As part of this work, we've begun rolling out 2 programs designed to elevate leadership and growth within our restaurants. First, beginning in 2026, general managers will be eligible annually for equity compensation, inspiring an owner-operator mindset and deepening their connection to the business. This approach reflects the critical role GM's play in driving operational excellence and shaping the culture in every restaurant.

Second, we are expanding a test of our new assistant general manager role across many of our restaurants. This role will provide a seasoned leader that not only strengthens the GM pipeline but also equips our teams with more hands-on leadership support, ensuring they can deliver exceptional hospitality and consistent performance shift after shift. By providing a clear intentional path for advancement, we're setting up our future leaders and our brand for sustained success. We look forward to sharing more about how these new programs roll up under our holistic development program next quarter.

These efforts are all about investing in our people, giving them the tools, opportunities and support they need to grow as leaders and deliver the kind of hospitality that defines our brand. And it's that same spirit of care and connection we see throughout CAVA in both big and small moments.

Before we wrap, I want to leave you with a story from our restaurant in Palm Harbor, Florida that brings this idea to life. Shortly after our CAVA Connect conference earlier this summer, a guest held the door open for another guest on a motorized scooter. It was a small, simple act of kindness but one that sparks something extraordinary. Moved by what he witnessed, our general manager used the love button to celebrate the gesture, setting the tone for what happened next.

For the following 1.5 hours, every person in line paid it forward, covering the meal for the guest behind them, no matter the cost. It all started with that one moment and grew into a wave of generosity that moved our entire team to tears. Moments like these are why we do what we do and are a powerful reminder that heart, health and humanity isn't just our mission, it's what happens in our restaurants every day, brought to life by our thousands of team members. To them and all of you who believe in our purpose and our journey, thank you.

And with that, I'll pass the call off to Tricia to walk you through the financials.

Tricia K. Tolivar

Thanks, Brett, and hello, everyone. CAVA revenue in the second quarter of 2025 grew 20.3% year-over-year to \$278.2 million and 62.6% compared to the second quarter of 2023. CAVA same-restaurant sales increased 2.1%, primarily from menu price and product mix, with guest traffic approximately flat. On a 2-year and 3-year stack basis, same-restaurant sales increased 16.5% and 34.7%, respectively. During the quarter, we opened 16 net new CAVA restaurants, bringing our total CAVA restaurant count to 398.

Despite the macroeconomic pressures impacting the broader industry, pressures to which we are not immune, we entered the second quarter with strong same-restaurant sales momentum in line with the guidance we provided in the first quarter. However, as we moved through June, we saw a deceleration in same-restaurant sales driven in part by the timing of our steak launch last year, a protein that filled a meaningful gap on our menu. At the same time, we saw a honeymoon effect from our 2024 new restaurant class, a dynamic we have not experienced before, which significantly outperformed expectations opening at higher-than-anticipated sales volumes. In fact, the strength of this class has driven year 1 cash-on-cash returns above 40%, already meeting our year 2 expectations.

Same-restaurant sales regained momentum in the latter part of the quarter, reaccelerating as we exited Q2 and continued into Q3, and we are encouraged by the sequential improvement. As Brett mentioned, our 2025 openings are also exceeding expectations, trending above \$3 million in first year average unit volumes compared to our \$2.3 million target, with new restaurant productivity of roughly 109%, further demonstrating the strength and proven portability of our operating model.

Despite a more modest same-restaurant sales increase, CAVA-restaurant level profit in the second quarter was \$73.3 million or 26.3% of revenue versus \$61.3 million or 26.5% of revenue in the second quarter of 2024, representing a 19.6% increase. This outcome reflects the power of our operating model and its ability to consistently generate attractive returns regardless of near-term sales variability.

CAVA's food, beverage and packaging costs were 29.5% of revenue, higher than the second quarter of 2024 by 10 basis points. This slight increase reflects the impact of steak, which launched mid-second quarter last year, partially offset by other lower input costs compared to the same period of the prior year.

CAVA labor and related costs were 25% of revenue, an improvement of approximately 20 basis points from the second quarter of 2024. This improvement in labor and related costs reflects leverage from higher sales partially offset by investments in our team member wages of approximately 2%. CAVA occupancy and related expenses were 6.8% of revenue, an improvement of 10 basis points from the second quarter of 2024, driven primarily by increased sales leverage.

CAVA other operating expenses were 12.4% of revenue, reflecting an increase of 40 basis points from the second quarter of 2024. This increase was primarily due to individually insignificant items partially offset by increased sales leverage.

Shifting to overall performance. Our general and administrative expenses for the quarter, excluding stock-based compensation, were 9.8% of revenue compared with 10.6% of revenue in Q2 of 2024. This 80 basis point improvement was primarily due to lower performance-based incentive compensation, leverage from higher sales and timing of legal costs in the prior year quarter, partially offset by investments to support our future growth, including our CAVA Connect conference. Preopening expenses were \$5.1 million in the current quarter compared with \$3.3 million in the prior year quarter. The \$1.8 million increase includes a higher number of units under construction and the timing of openings.

Adjusted EBITDA for the second quarter was \$42.1 million, a 22.6% increase versus Q2 of 2024. The increase in adjusted EBITDA was primarily driven by the number of and continued strength in new restaurant openings, improved operations across the system and leverage in general and administrative expenses.

Equity-based compensation was \$4.6 million in the second quarter, which includes 2025 grants, compared with \$3.6 million in the prior year quarter. We continue to anticipate full year equity-based compensation to be between \$20 million and \$22 million with the remaining portion of equity expense to be spread evenly over the remainder of the year.

In the second quarter, our effective tax rate was 22.5%, which includes the impact of a discrete benefit from equity-based compensation of approximately \$1.7 million. We do not anticipate any further benefits for the remainder of the year. For the full year fiscal 2025, we expect our effective tax rate to be between 12% and 15%, which implies an effective tax rate of approximately 30% in Q3 and Q4. As a reminder, our cash taxes will continue to be immaterial until we fully utilize our net operating losses.

During the second quarter, we reported \$18.4 million of GAAP net income compared to \$16.8 million of adjusted net income in Q2 of 2024. Diluted EPS was \$0.16 in the second quarter compared with adjusted diluted EPS of \$0.14 in the second quarter of 2024.

Turning to liquidity. At the end of the quarter, we had 0 debt outstanding, \$385.8 million in cash and investments and access to a \$75 million undrawn revolver with an option to increase our liquidity, if needed. Year-to-date Q2 cash flow from operations was \$98.9 million compared to \$87.3 million during the year-to-date period in 2024. Year-to-date Q2 free cash flow was \$21.9 million.

Now to our outlook for full year 2025, we expect the following: 68 to 70 net new CAVA restaurant openings; CAVA same-restaurant sales growth of 4% to 6%; CAVA restaurant-level profit margin between 24.8% and 25.2%; preopening costs between \$15.5 million and \$16.5 million; and adjusted EBITDA, including the burden of preopening costs, between \$152 million and \$159 million.

Our guidance for same-restaurant sales embeds our Q2 results, the reacceleration we saw exiting the second quarter and the changing dynamics amidst the current macroeconomic landscape. Our conviction in the long-term trajectory and structural strength of our business remains unwavering, grounded in the momentum of our category, the power of our concept and the durability of our competitive positioning. The Mediterranean category continues to show strength reflected in our 3-year traffic growth of 19.7% and our growing market share. Our concept is deeply resonating with a robust culinary innovation pipeline, a differentiated in-restaurant and digital experience and a value proposition that delivers compelling unit economics and attractive cash-on-cash returns.

Finally, our competitive position continues to strengthen, giving us confidence in our path to at least 1,000 restaurants by 2032. Together, these elements reinforce a business built for the long term, one that's anchored in our mission to bring heart, health and humanity to food and that continues to create meaningful experiences for the guests we serve every day. Now I will turn the call back over to the operator and open it up for Q&A.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from the line of Brian Harbour from Morgan Stanley.

Brian James Harbour

Could you elaborate just on the same-store sales side? Do you think some of the kind of the macro pressures were what explained how you did in the 2Q? Do you think that was pretty broad across restaurants? And then -- or I guess, the honeymoon dynamic you described, do you think that, in fact, was a greater influence on that number and perhaps some of the older stores were delivering a better same-store sales number? Could you kind of parse out what drove that in the second quarter?

Tricia K. Tolivar

Yes. Sure, Brian. Good to hear from you. So certainly, we're operating in a fluid macroeconomic environment, and it's one that sort of creates a fog for consumers where things are changing constantly. It's hard to see the clear. And during those times, they tend to step off of the gas. We didn't see changes in our premium attachments or incident rates or other items driving the business overall. But certainly, it's present in there, and it's something that we're not immune to in this space.

As we think about the honeymoon effect, what we're experiencing is incredible results from our 2024 class as well as our '25 class, with the '24 class coming into the base and having an impact on sales from a same-restaurant sales perspective, but outperforming all of our expectations. So think about that restaurant class delivering their year 2 cash-on-cash returns in year 1, so well above the revenue expectations that we had, and delivering strong cash-on-cash returns while having a modest impact overall on same-restaurant sales in the period itself.

I think when you look at Q2, where we really started to see the deceleration is when we were lapping the launch of steak during the quarter. And that was a new menu item on our -- on the menu offering itself, one that was a perceived gap and resonated very well. And so it was -- the lapping of the steak during that period and what we saw as we exited the quarter and then entered into Q3, we're seeing a reacceleration in same-restaurant sales.

What we're excited about is that we are participating in a category that has tremendous strength in Mediterranean, driving tailwinds from a same-restaurant sales perspective and traffic overall with a concept that's resonating with consumers and a strong brand and then going back and delivering great cash-on-cash returns with a competitive position with no scaled competitor in the space overall.

Operator

Your next question is from the line of Chris O'Cull from Stifel.

Christopher Thomas O'Cull

Tricia, just a follow-up on your comments. Can you help level set where you're trending in the third quarter today, just given how far we're into the quarter at this point?

Tricia K. Tolivar

Yes. So when you look at our numbers, you look from Q1 to Q2, there was an acceleration in our 2-year same-restaurant sales stack, and we're seeing that trend continue into Q3, a continued acceleration of that 2-year trend.

Christopher Thomas O'Cull

Okay. And then, Brett, has the company evaluated its marketing media mix now that you've achieved higher awareness in a lot of these new markets? Obviously, new stores are opening up really well. I'm just wondering if there's an opportunity to reallocate the spend or even just increase it maybe as a percentage of sales.

Brett Schulman

Yes. Chris, thanks for the question. There's certainly that opportunity. I mean we are -- as you can see, we do not have a high marketing spend as a percentage of revenue. And we have continued to do a lot of testing around the media mix modeling, and we've seen some very positive results. So that's something we can certainly lean into if we see these kind of macroeconomic headwinds persist.

And as Tricia noted, I mean, when you look at the 2-year quarter-over-quarter, we actually accelerated. And that's -- the dynamic nature of our comp the last few years has been significant. So we guided on a 3-year basis last quarter to try and filter out the noise. But then underneath when you look at a 2-year, it's actually strengthening. So we're trying to be mindful of that and then look what we can do in the near term, and certainly, media mix modeling is a part of that and leaning into it, versus also staying steadfast on our long-term strategy and our initiatives.

And we've talked about this at length since the IPO that this is a marathon, not a sprint for us, that we are in this for the next 10 years, not the next 10 weeks and that we want to be positioned to deliver on our long-term strategic plan, which we are positioned to do and then be mindful in these cyclical instances of some macroeconomic headwinds, learning at these levers as we test them what we can lean into to drive increased awareness and adoption in the short term.

Operator

Your next question is from the line of Sara Senatore from Bank of America.

Sara Harkavy Senatore

A clarification then a question. Just in terms of the honeymoon period, does that mean the first year comps are negative or flat or just not giving you that 10% lift? I'm just trying to understand the magnitude of the shift. The question is about the Harissa Meal. I know you talked about the branding component of it. Was there like sort of a value component, too? It doesn't sound like you're seeing value seeking based on what they -- what you said about attach and premiumization. But just trying to understand the kind of shift that you might be seeing and if that was what motivated the meal.

Brett Schulman

Yes. Thanks, Sara. I'll take the latter part of your question and then hand it back to Tricia to speak to the new restaurant comp complexion. So the meal is not really geared to be a value meal, more so to really tap into the emotional connection of our guests and to celebrate their excitement over our pita chips and give them a little piece of CAVA to take home with them and certainly play off some of the cultural trends that we're seeing in regards to plushies. And again, this is a long-term brand building exercise and something that people can get excited about and drive conversation and drive awareness, and we've seen that. We sold out at a number of our restaurants in the first day and have been very pleased with the response. So again, this is how we think about it in the long term and was not geared specifically to be a value meal per se.

Tricia K. Tolivar

Regarding the 2024 class, there's certainly restaurants in that class delivering on our economic model expectations with \$2.3 million in AUVs and generating 10% cash-on-cash returns. But due to the robust nature of some of the results in that class, those locations are experiencing some negative overall comps and impacting same-restaurant sales for us. And all of that was -- is a new dynamic from a honeymoon experience for us, and so one that we're going to keep a close eye on. But coming back to the restaurants in general are just really demonstrating the power and the demand behind CAVA and the interest that consumers have with the brand.

Operator

Your next question is from the line of David Tarantino from Baird.

David E. Tarantino

I guess another question on the comp trend you're seeing recently or maybe 2 questions. One is if I look at the guidance for the full year, the midpoint would assume something in the neighborhood of 3% or a little bit better than that in the second half. And Tricia, could you just maybe comment on whether your current trend line is tracking to achieve that kind of number or not?

And then I guess my other question is as you diagnose some of the slowdown that occurred, you talked a lot about macro issues and perhaps cycling steak and a small impact from the honeymoon. But are you looking at any brand metrics or operating metrics that might have changed over the last 3 to 6 months that might indicate there's something in the operations or consumer experience that may have changed?

Tricia K. Tolivar

Yes. Thanks, David. Our current trend line is in line with your expectations. So we saw strength as we exited the quarter above the 2.1% that we delivered, and we're continuing to see that accelerate as we move through Q3. I'll let Brett answer the second part of your question.

Brett Schulman

Yes, David. We haven't seen any atypical nature in a region, in an income cohort, urban versus suburban. The fleet has been moving very consistently. And then we recently did another run of our brand health scores. Our NPS actually went up. Again, we're #2 in the entire limited service space. We've seen our value scores continue to improve. And every external survey that we've looked into, we've seen that data strong as well from a value proposition standpoint. And then as Tricia spoke to earlier, no trade-down, no check management.

So again, thinking more in the terms of the dynamic of the challenging hurdles, the launch of steak, as well as what you've seen across the industry in consumer discretionary of the headwinds that consumers are facing in general. So nothing that we've seen structural and if anything, more confidence in the structural strength and long-term trajectory of the business with the health of our NROs and the consistency, no matter if it's Nashua, New Hampshire; Burlington, North Carolina; Plantation, Florida; recently opened in Pittsburgh, only gets us more excited for the white space opportunity in front of us.

Operator

Next question is from the line of Danilo Gargiulo from Bernstein.

Danilo Gargiulo

I have 2-part question really. First of all, Tricia, as you're thinking about your guidance for the second half, I mean, you were saying in the second quarter, same-store sales were impacted by the steak lapping. So as you're looking in the second half of the year, how much of the guidance is actually derisked? Or are you expecting to see another potential revision in terms of your expectations on the steak lapping?

And then the other question I have is a little bit more general and looking in 2026 and beyond. I mean I'm trying to understand how you're thinking about the potential benefit that might be coming from the One Big Beautiful Bill in terms of accelerated depreciation and interest deductibility in terms of the accelerated unit growth that you might be seeing in 2026 and beyond.

Tricia K. Tolivar

Yes. So to your first question regarding the lapping of steak and how we think about the rest of the year, certainly, what we are -- what we saw in the second quarter was the trial period for the introduction of steak, of which we have passed. So as we go into Q3 and Q4, we're excited about our robust culinary innovation pipeline with chicken shawarma coming in the next few weeks as well as the introduction of cinnamon sugar pita chips. Pita chips are becoming a very strong platform for us for flavor innovation, coupled with other enhancements to our loyalty program. So lots of things in the pipeline that drive same-restaurant sales, and that's what gives us confidence in how we think about the business going forward and the trends we're seeing today.

Regarding your question regarding the Big Beautiful Bill implications, one of the biggest things is ironically around income taxes. And certainly, there's some benefits that we will experience that will push out our use of NOLs for another 2 years. So that's certainly something that's very helpful from a cash perspective. But really navigating changes in - - and this isn't really to your specific question, but changes in the tariff situation are very fluid. They're happening all the time. So as we think about going into Q3 and Q4, there are

some very modest tariff impacts as some of our products are sourced from countries that have been impacted. All of that has been captured based on what we know today. It's been captured in our guidance.

But there isn't anything -- other significant items. We are very excited about our ability to continue to invest in new restaurants. The team has done an outstanding job navigating tariffs, both on the supply chain side as well as the design, development and construction side so that we're not anticipating material changes at all in our ability to grow and continue to leverage those robust new restaurant openings that we've been experiencing.

Operator

Your next question is from the line of Andrew Charles from TD Cowen.

Andrew Michael Charles

Just one clarification in the near term. What do you attribute to the July improvement? You spoke about 2-year trends improving, but I'm curious if this is just easy comparisons. Or did you see the 3-year trend also improve? And the bigger picture question, though, is that this dynamic of strong year 1 sales volumes in '24 and '25 that leads to a lower new store maturation tailwind, does that lead you to think that long-term same-store sales will be closer to low single digit as you'll be facing this embarrassment of riches really. I mean it's a good problem to have. But -- or do you believe in the next few years, with the playbook that you outlined, that you can execute closer to your mid-single-digit track record?

Tricia K. Tolivar

Yes. So regarding your first question, what do you attribute the improvement in July to, it's really the lap of steak. Steak was launched at the beginning of June. And so after we get through that lap, that helps accelerate the business, but also coupled with making sure we're delivering and enhancing our guest experience, being very relevant in the cultural conversation itself, and as Brett talked about a little while ago, continuing to test and optimize from a media mix modeling perspective. So those are the factors that helps contribute to the acceleration after the lap of steak and then bring us into Q3 as we move forward.

Now regarding long-term same-restaurant sales growth, I appreciate your color on being very fortunate to be in this place and driving outsized returns early on. We're going to keep a very close eye on it and continue to update. There isn't anything about the business that causes us any concern. And we'll continue to focus on those restaurants in the upcoming quarters, give you updates.

Operator

Next question is from the line of Sharon Zackfia from William Blair.

Sharon Zackfia

I guess I wanted to ask about the assistant manager addition. So Brett, can you talk about how that's planned to be rolled out? And is that more of a human resources pipeline building initiative? Or is there something you're seeing in the restaurants that you really want the assistant managers to focus on to elevate operations?

Brett Schulman

Yes. Thanks, Sharon. It's a little bit of both. We will start the rollout in November and through the course of the following 6 months, ramp up to staff roughly 2/3 of our restaurants with the AGM position. And what we're seeing is -- you talk about the 3-year comp, you talk about when we went public -- right before we went public, I think our year 1 AUV model was \$1.9 million then it went to \$2.1 million. We recalibrated to \$2.3 million. We have restaurants -- the whole class is now trending above \$3 million.

And these restaurants are doing significant high volumes, and we want to make sure as we always have, that we continue to invest in our team, invest in the business and the guest experience and put that support in the restaurants so that we now have more seasoned leadership and a second manager. We have GMITs in many restaurants, but this is a more experienced position that helps support not only the general manager and the leader, but to create more balanced shifts and greater support on nights and weekends and has the -- also the double impact of building and deepening our pipeline to have role-ready leaders to support our new restaurant openings.

So we're very excited about this. And again, we always are looking operationally to stay in front of the business and how we can continue to invest in our guests and in our team. And this just gives a stronger leadership complement, especially in our high-volume restaurants.

Operator

Your next question is from the line of Andy Barish from Jefferies.

Andrew Marc Barish

Can you talk to the 2Q mix? Part of the comp component looked a little bit lower, maybe a little more promotional activity or something going on during the quarter. And then looking forward with chicken shawarma, do you expect that to be at a premium price versus chicken items on the menu, so maybe a little bit of a mix driver there?

Tricia K. Tolivar

Yes. So as we looked at mix, we didn't see significant changes overall. So we talked a little bit earlier, premium attachments are consistent with what we've seen before. Also seeing increases in pita chip attachment overall. As we think about chicken shawarma, that will have a premium price, not at the same level as steak, but it will be a premium price and does come with a little bit of a higher cost as well because its hand stacked and marinated and processed for our restaurants overall.

But -- so -- and then you asked about promos. Really weren't highly promotional. We saw others trying to buy sales in the quarter, and that isn't something that we're going to do. We don't want to discount our brand. What we're focused on is the long term, continuing to do the things Brett talked about and investing in team members and guests and bringing CAVA to more and more people across the country.

Operator

The next question is from the line of John Ivankoe from JPMorgan.

John William Ivankoe

I wanted to revisit the question on marketing, if I could. Now that you've crossed the \$1 billion of trailing system sales, congratulations on that, what kind of marketing opportunities could potentially open for you? In other words, I mean, are there platforms or services or other types of reach that you can now have or at least have more frequently now that you're getting to be and have the visibility to be an even bigger company? That's part A of the question.

And part B, it's -- competition in a market like New York, but I'll just choose that one, is notably evolving and changing, I would even argue, increasing in a lot of trade areas who clearly want your customer base, your customer occasion. Could you comment on competition of whether there are pockets where you've seen short-term impact and how you've typically done with that impact over some series of months or quarters?

Brett Schulman

Yes. John, in regards to competition, it's no different today than it's always been in the restaurant industry. What are you doing to have the people, the guests walk by the 3 restaurants next to you to come in and share a meal with you as opposed to your competition? And that ebbs and flows, but it's always been there, and it's always our job to make a more compelling relevant experience for our guests and value proposition for them. And we haven't seen anything in the New York market, in particular, that's different from any other market across the country. And we have not seen any specific pockets of weakness certainly related to competition.

On the marketing point, that is a lever we absolutely have to be able to pull that we have not pulled to date in a meaningful way. We certainly have culinary innovation. We have the long secular tailwinds of Mediterranean in the category that we dominate and define. So we have had these great tailwinds fueling us for the last few years, and marketing is another lever to pull at the appropriate time. And as you said, crossing \$1 billion in revenue, we are starting to get scale in certain markets where we have a scaled enough restaurant base that it can start to make sense to amortize and leverage those investments across those markets.

And certainly, things like -- we've tested CCTV, over-the-top, certainly outdoor and some upper funnel activity. We still see paid being highly efficient, effective, lower funnel, and we've done some tests in the quarter to lean into that a little bit and understand the efficacy of it. So that's absolutely a lever we'll look to pull at the appropriate time and something that hasn't been embedded in our comps to date.

Operator

Your next question is from the line of Brian Mullan from Piper Sandler.

Brian Hugh Mullan

Wanted to ask what you said in the prepared remarks about Hyphen. Maybe just talk a little bit about how that came together. What makes you think that technology could be an attractive option for CAVA? And just kind of related to that, as you move to the pilot that you mentioned, what are the key things you'll be watching? Just talk about what success looks like short term and long term there.

Brett Schulman

Yes. We've been speaking with the team for a few years now. We've looked at a lot of different automation companies. We are familiar with the space. We have a lot of automated equipment in our manufacturing facilities, our pneumatic fillers. And what -- we like the approach of the Hyphen team and the progress that they've made. And we look at it, again, as how do we make our restaurants easier to run, how do we free up our team members to deliver human connection. And when you look at our channel, our multichannel experience, one of the biggest opportunities we have is digital order accuracy. And we know that on the digital channel, our guest priorities are convenience, speed and accuracy.

And this is where automation can come and deliver that on behalf of our team members and help our team members and alleviate some of the labor requirements on those second make lines to free that labor component up to be able to interact with our guests, be in the dining room, be on the main serving line in the restaurant and delivering that human connection. So we see it with a couple of benefits and second-order benefits of making our restaurants easier to run, delivering better, more accurate, consistent guest experiences and allowing us to reallocate labor to deliver that great Mediterranean hospitality.

Operator

The next question is from the line of Jon Tower from Citi.

Jon Michael Tower

Maybe just kind of following that same thread in terms of the tech investments you had mentioned, Brett, earlier in the call with respect to KDS or the AI camera. I'm just curious if you could -- I still -- I understand it's still in test for many of them, but is there any chance you could quantify what you're seeing with respect to store profit improvements with those technology in the stores? And then as you're thinking through using those or rolling those out to the store base, do you expect to take some of the savings that you'll generate and use that to fund the AGM investments in the stores over the next 12 months or so?

Brett Schulman

Jon, the kitchen display screen system is in 95 restaurants today. It will be in 270 by the end of the year. And we are seeing improvement in accuracy and productivity in some of these restaurants. We haven't quantified it to date. But when you think about the kitchen display screen system, the TurboChef ovens, which are now in 188 restaurants, it will be in all restaurants by the end of the year, again, this makes our operations easier to use. We are seeing guest improvement scores. And then the AGM position in the test pilot, we've seen this role, in a sense, be self-funded with some transaction growth we've seen, having that stronger management -- manager complement across all shifts throughout the 14 daypart, 7 lunch and 7 dinner.

Operator

Your next question is from the line of Jeffrey Bernstein from Barclays.

Jeffrey Andrew Bernstein

Just a question on the margin and earnings flow-through. The 2Q upside, despite the comp shortfall, I assume that -- well, the comp shortfall probably caught you by surprise in June. But the fact that you were still able to beat those expectations pretty handily, just hoping to get your kind of bigger picture thoughts on over-earning. Maybe there's an opportunity to reinvest in the system. Maybe there are some areas that could help drive sales long term, whether it's in value or labor hours. It just seems like an operator's dream to have the upside that you're seeing to margin and earnings to potentially reinvest or whether you feel like these are levels that you want to stay at, and therefore, there isn't as much incremental opportunity to reinvest in the system.

Tricia K. Tolivar

Certainly, in the quarter, the strong NRO performance contributed to our ability to manage the lower-than-expected same-restaurant sales. I will also call out that at these AUVs, it's easier to manage disruptions or less than expectations from a sales perspective. And the team does a remarkable job in acting with agility and really adjusting the business as they keep a close eye on it each and every day and each and every week. So those things combined certainly contribute to it.

And then regarding reinvestments, we're always looking at the business to make reinvestments and -- back in the team member or in the guest. And in this quarter, we didn't have outside investments that we made, but we're still able to deliver on our expectations from a restaurant-level margin perspective and adjusted EBITDA that we contributed.

Operator

Next question is from the line of Dennis Geiger from UBS.

Dennis Geiger

Just another one on the strong new store opens [indiscernible], if I could. Any additional commentary on kind of what year 2 could look like, how the algorithm could change? Or is it just too early given the strength you're seeing across these recent cohorts. I guess more importantly, as you think about this dynamic, which is a strong issue or whatever the right word is to have, do you contemplate what you do to support that year 2 performance, whether it's marketing or something else? Or again, is it really just a function of that really strong year 1 and then you don't worry too much about how to support that year 2 on these stronger cohorts?

Tricia K. Tolivar

Yes. So when we look at the 2023 cohort and how they're performing in year 2, they're outpacing our expectations from a cash-on-cash return perspective and delivering at a 50% cash-on-cash return. And as I mentioned, the 2024 cohort is delivering at above 40% cash-on-cash returns, which was what we thought they would do a year from now. And so looking at those restaurants, it's a combination of higher sales performance as well as better-than-expected restaurant-level margins in those restaurants with a very stable CapEx investment. So I don't see that changing very significantly. And the dynamic is we're just accelerating and pulling forward those good -- that good value and that investment return for us.

Do I want -- I will continue to look at it and we will work and share more information. At this point, we're not going to revise anything. We believe that opening year 1 at \$2.3 million and growing 10% makes sense. And then when you perform above that, we naturally would have to think that, that might be a pull-forward that you'd have to reflect appropriately.

Operator

Your next question is from the line of Brian Vaccaro from Raymond James.

Brian Michael Vaccaro

Just back to the Q2 comps, I think you said no regional differences. But curious if you're seeing any differences from a daypart or day of the week perspective. And as it relates to sales transfer and as you build out existing markets, I'm curious to what degree that might have increased and maybe having a greater impact on comps.

Tricia K. Tolivar

Yes. We are not seeing any shifts in daypart, seeing consistent performance between urban, suburban and specialty markets, saw a slight increase in our digital mix, partially driven by delivery, but more so by in-restaurant pickup. There really isn't anything that stands out overall. And when we think about sales transfer, that's a natural part of our growth and development. And what we find is that when we do open restaurants and there's some sales transfer, 1 plus 1 ends up being 3, which is what drives continued value. And the strength we're seeing gives us the confidence in that white space opportunity and for us to be at least 1,000 restaurants by 2032.

Operator

Your last question is from the line of Eric Gonzalez from KeyBanc.

Eric Andrew Gonzalez

I wanted to ask about throughput. Maybe perhaps you could speak to any metrics you're willing to share. And do you think there's an opportunity to capture more of the excess demand as your stores develop that muscle memory over time?

Brett Schulman

Yes. Thanks for the question. We've talked about in the past, we want to be mindful of not pushing our team and our guests too hard, too fast. This is many guests first time experiencing Mediterranean, certainly experiencing the CAVA brand. And we've seen some of that negative impact in some of our peers that have overly focused on it. Having said that, we want to make sure guests aren't frustrated getting through the line and that the long lines we have in our restaurants don't intimidate folks from coming in and getting their CAVA meal.

So we are working to support our team to help them naturally do that, whether that's our kitchen display screen system, whether it was the new labor deployment model we rolled out late last year. And we do track it internally, and we do track at peak, are they using the proper labor deployments and complement of hours. And we are seeing improvements where the teams are adhering to those disciplines. So we continue to work with them. And then as I talked about the AGM test, the assistant general manager test, having more seasoned leadership across all shifts is also an opportunity to drive improved speed of service and transaction growth as we roll that program out. So very focused on striking the right balance as we are in brand building mode and growth mode and many guests first time experiencing us, but also mindful of not having the lines be too long and frustrating other guests.

Operator

Thank you very much. There are no further questions at this time. I'd like to turn the call over to CEO and Co-Founder, Mr. Brett Schulman, for closing comments. Sir, please go ahead.

Brett Schulman

I want to thank everyone for joining us today. Before we wrap, I want to take a moment to share my gratitude for our entire team. Just days ago, we celebrated our 400th restaurant, a milestone that reflects how far we've come and how deeply we remain rooted in our mission to bring heart, health and community to food.

As summer draws to a close, we're also mindful of the recent floods in Texas and the many lives impacted. Our thoughts are with those affected, and we remain committed to supporting our communities. Through meal donations to first responders and local residents, we're reminded that nourishing our communities and showing care are at the heart of who we are. Thank you for your time and support, and we look forward to continuing this journey together and speaking with you next quarter.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you very much for your participation. You may now disconnect.

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