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CAVA Group, Inc. (CAVA) Q3 2024 Earnings Call Transcript

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Press Release



10-Q

EPS of \$0.17 **beats by \$0.06** | Revenue of \$243.82M (38.89% Y/Y) **beats by \$10.73M**CAVA Group, Inc. (NYSE:[CAVA](#)) Q3 2024 Earnings Conference Call November 12, 2024 5:00 PM ET

Company Participants

Matt Milanovich - Investor Relations

Brett Schulman - Co-Founder and CEO

Tricia Tolivar - Chief Financial Officer

Conference Call Participants

Brian Harbour - Morgan Stanley

Chris O'Cull - Stifel

Zach Ogden - TD Cowen

David Tarantino - Baird

Jon Tower - Citi

Jeffrey Bernstein - Barclays

Brian Vaccaro - Raymond James

Ivan Yu - Jefferies

Matt Curtis - William Blair

Operator

Good afternoon, ladies and gentlemen. And welcome to the CAVA Third Quarter 2024 Earnings Conference Call. At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. [Operator Instructions]

This call is being recorded on Tuesday, November 12, 2024. I would now like to turn the conference over to Matt Milanovich. Please go ahead.

Matt Milanovich

Good afternoon. And welcome to CAVA's third quarter 2024 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 in CAVA's most recent annual report on Form 10-K, quarterly report on Form 10-Q, 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 third quarter, our results were once again exceptional and unmatched in the public restaurant sector. Our third quarter highlights include; a 39% increase in CAVA revenue with a \$2.8 million AUV; CAVA's same-restaurant sales growth of 18.1%, including traffic growth of 12.9%; 11 net new restaurants, ending the quarter with 352 restaurants, a 21.4% increase year-over-year; adjusted EBITDA of \$33.5 million, a 69% increase over the third quarter of 2023; net income of \$18 million, a 163% increase over the third quarter of 2023; and \$23.4 million in free cash flow during the quarter.

A confluence of factors is coming together to fuel our growth. We believe our outsized performance and ability to deliver long-term value to our guests, team members and shareholders are driven by the strength of our category-defining brand, the power of our unique and compelling value proposition, and our disciplined, relentless focus on execution.

As a clear leader in Mediterranean cuisine, we are defining what is now emerging as America's next major cultural cuisine category. For the modern consumer who craves bold, adventurous flavors, is increasingly mindful of their well-being, and sees food as cultural currency and a form of self-expression, Mediterranean is meeting the moment. We believe the category is at a tipping point, and as evidenced by our accelerating growth in each market we enter and with every restaurant we open.

CAVA was one of just a few publicly-traded restaurant brands with strong traffic growth in the third quarter. It is clear that our value proposition, quality Mediterranean cuisine where taste and health unite, the convenience of our multi-channel format, and the experiences we provide across our physical and digital channels is resonating with consumers.

We believe our Mediterranean hospitality is an increasingly powerful differentiator. Over the last two decades, as the world interacts more often with screens than people, we've lost 24 hours a month in personal connection.

As technology and automation infiltrate everyday life and the front lines of more concepts, consumer touchpoints are becoming increasingly transactional, removing the joy in humanity from the experience. At CAVA, we believe technology should enhance, not replace the human experience and we're leveraging it to create warm personal moments across our physical and digital channels and to support our team members in engaging and connecting with our guests.

Our business is built on the idea of welcoming everyone to our table and we are focused on creating the authentic human connections consumers are hungry for. This is core to our brand essence and our mission of bringing heart, health and humanity to food, and it uniquely positions us to deliver genuine hospitality to our guests.

To deliver on these promises, we are intently and effectively executing across our strategic pillars. We've made significant progress, launching our Reimagined Loyalty Program nationwide to develop personal relationships with our guests even as we scale. Just last week, we rolled out our new labor scheduling and deployment model ahead of schedule, positioning our team members to be in the right roles, at the right places, at the right moments, delivering exceptional guest experiences.

On the culinary innovation front, we launched our first-ever new flavor variation on our beloved pita chip. Achieving these milestones demonstrates our ability to execute, our focus on what matters and the strength of our team.

We continue to expand our Mediterranean way in communities across the country with 11 net new CAVA restaurants during Q3. We are growing in new markets like Chicago and existing markets including Texas, California, Virginia, South Carolina, Tennessee and Oklahoma.

Our 2024 new restaurant class is our strongest yet, outperforming our expectations and giving us even more confidence in the proven portability of our category-defining brand. We have significant white space in front of us and our 2025 restaurant pipeline is strong and growing.

On the heels of our successful market entry into Chicago, we are excited to announce that we expect to enter South Florida early next year and expand our Midwest presence with at least two additional new markets in 2025.

Many of these restaurants will incorporate our new Project Soul design. For some time, we've been at the forefront of a contrarian point of view, but the demise of the dining room is greatly exaggerated. In addition to convenience, consumers are looking for warm, welcoming places to dine with family and friends. Project Soul expresses our Mediterranean hospitality and taps into guests' desire for human connection, including softer seating, more greenery and a warmer brand palette.

As we work to deepen personal relationships with guests, even as we scale, we recently launched our Reimagined Loyalty Rewards Program, which includes an earn and bank points model with a menu of reward redemption options from our freshly made juices to entrees. The program launched earlier than planned, further demonstrating this team's ability to execute and deliver on our commitments.

The program has been well received, and since its launch, loyalty percentage of sales has grown more than 200 basis points. This initial phase of a multi-phase approach will grow our first party data and help us share our Mediterranean hospitality across platforms in ways that resonate with guests on a personal level.

Building on our Mediterranean authority and strength in culinary innovation, we continue to create new differentiated menu items. We know our classic pita chips are a cult favorite and we recently launched our first ever new flavor, Garlic Ranch. This limited time offering, which combines the perfect blend of buttermilk, mint, garlic, paprika, sea salt and onion, has been incredibly well received by guests and is driving incremental attachment.

Garlic Ranch pita chips are trending on social media with over 12 million impressions across multiple platforms, along with 347 million earned media impressions. In addition, we continue to see strong incidents in steak more than four months after our nationwide launch. These initiatives are driving brand awareness, which is up 8 percentage points since the IPO and growing with each new launch.

As we execute across the business, we recently launched a new labor scheduling and deployment model in all our restaurants. I just got back from our operations summit in Dallas, where area leaders participated in intensive training on the new model and deployment principles. This initiative aims to put the right people in the right places at the right moments, delivering exceptional guest experiences. The new model reallocates ideal forecasted hours more effectively and efficiently with better alignment to team member tasks, channel mix and revenue curves. Early results are promising and we have identified opportunities to strategically invest in lower volume restaurants to drive increased revenue over time.

Consistent with our focus on supporting our teams and making restaurants easier to run, we continue progressing on our multi-year Connected Kitchen initiative. Our generative AI video technology monitors how quickly ingredients on the in-restaurant make line are being depleted and alerts the team in real time for prep and cook batch amounts. The test and learn phase of the AI video pilot is complete and we are now live in four restaurants.

In addition, we have expanded our new kitchen display screen test to 25 locations. This test deploys new and improved digital order management capabilities for our second make line, enhancing productivity and order accuracy. While both initiatives are in the very early stages, we believe they can improve quality and consistency, increase order accuracy, boost speed of service and simplify prep and planning.

As we execute our strategic initiatives, expand our presence and create deeper human connections, our broad appeal continues to grow. We are serving the needs of everyone from athletes performing at the highest level, including feeding both the Dodgers and Yankees who played in the World Series to people looking to reestablish their everyday health and wellness, like our guest, Bob, in Florida.

After suffering a heart attack and spending 10 days in a coma, Bob's first stop on the way home from the hospital was our Jacksonville Riverside restaurant. He became a regular, incorporating our food into his month-long recovery process. He said that eating a CAVA meal following his three times a week cardiac rehab sessions was what he looked forward to most. Bob wrote to us recently to thank our team members for making him feel so welcome, always greeting him with a warm smile, getting started on his bowl as soon as they saw him come through the door, and on one occasion, using the love button to give him a free meal. After he recovered, he and his wife ordered CAVA catering for the cardiac ICU staff who cared for him.

Stories like Bob's demonstrate the power of our mission to bring heart health and humanity to food. I want to thank our more than 10,000 team members who bring that mission to life every day and whose work to define and in many ways create the Mediterranean category is coming to fruition. We have generated significant momentum, and as we continue to focus on sustainable growth, create exceptional experiences and invest in our guests, team members, and infrastructure, we believe we are well-positioned to capture the significant white space opportunity in front of us.

With that, I'll let Tricia walk you through the financials.

Tricia Tolivar

Thanks, Brett. CAVA revenue in the third quarter of 2024 grew 39% year-over-year to \$241.5 million. During the quarter, we opened 11 net new CAVA restaurants or 73 net new CAVA restaurants during or subsequent to the third quarter of 2023, bringing our total CAVA restaurant count to 352. We continue to be pleased with our new restaurant openings, which consistently exceed our expectations.

CAVA same-restaurant sales increased 18.1%, driven by a 12.9% increase from guest traffic and a 5.2% increase from menu price and product mix. CAVA restaurant level profit in the third quarter was \$61.8 million or 25.6% of revenue versus \$43.6 million or 25.1% of revenue in the prior year representing a 41.9% increase. This increase was due to leverage from higher sales, partially offset by incremental wage investment, and an increase in food, beverage, and packaging costs driven by our national rollout of steak in the middle of Q2 2024.

CAVA's food, beverage and packaging costs were 29.9% of revenue, an increase of 50 basis points as compared to the third quarter of 2023. This anticipated increase as a percent of revenue was the result of the launch of steak in June.

CAVA labor and related costs were 25.4%, up 10 basis points from the third quarter of 2023. This increase reflects investments in our team member wages of 8%, including the impact from AB 1228, which we chose not to offset with a menu price increase to the partially offset by leverage from increased sales compared to the prior year.

CAVA occupancy and related expenses were 6.8% of revenue, an improvement of 110 basis points from the third quarter of 2023 due to increased sales leverage.

CAVA other operating expenses were 12.3% of revenue and flat for the third quarter of 2023, primarily due to operating leverage associated with higher sales offset by investments in the integrity of our physical spaces in support of our increased restaurant volumes.

Shifting to overall performance, our general and administrative expenses for the quarter, excluding stock-based compensation, were \$26.3 million compared to \$21.3 million in the third quarter of 2023. However, as a percentage of revenue, we experienced an improvement of 130 basis points due to leverage from higher sales, partially offset by the timing of performance-based incentive compensation and investments to support future growth.

Adjusted EBITDA, including the burden of pre-opening costs for the quarter, was \$33.5 million, an increase of 69.2% versus the third quarter of 2023. The increase in adjusted EBITDA was driven by the number and continued strength of new restaurant openings, 18.1% CAVA same-restaurant sales growth and leverage in G&A.

During the third quarter of 2024, we reported \$18 million of net income compared with net income of \$6.8 million in the third quarter of 2023. This represents an increase of 162.9%, further exemplifying the power of our unit economic model.

We reported diluted earnings per share of \$0.15 in the quarter, compared with diluted earnings per share of \$0.06 in the third quarter of 2023.

Shifting over to liquidity, at the end of the quarter, we had zero debt outstanding, \$367.2 million in cash on hand, and access to a \$75 million undrawn revolver, with an option to increase our liquidity if needed.

We delivered cash flow from operations of \$43.9 million, compared to \$26 million during the third quarter of 2023. This increase was primarily driven by our improved operations, generating increased profitability across the fleet. Total company free cash flow was \$23.4 million in the current quarter, an increase of \$32.5 million compared to the third quarter of 2023.

Now to our outlook for full year 2024. We expect the following, 56 to 58 net new CAVA restaurant openings, CAVA same-restaurant sales growth of 12% to 13%, CAVA restaurant level profit margin between 24.5% to 25%, pre-opening costs between \$12 million and \$13 million, and adjusted EBITDA, including the burden of pre-opening costs between \$121 million to \$126 million.

In our prior earnings call, we embedded into our guidance the potential headwinds for macroeconomic and election-related uncertainty. Given the strength of our business and visibility to-date, our current guidance now removes those uncertainties.

I want to take a moment to provide an update on tax expectations. As I explained last quarter, we historically have had a full valuation allowance on our deferred tax assets, primarily relating to net operating loss carryforwards, which has resulted in immaterial tax expense. Based on our continued positive profitability trends, it is reasonably possible that we will be in a position to release the valuation allowance in Q4, which will result in a one-time significant P&L benefit as a reduction to tax expense. Keep in mind, we expect our cash taxes to continue to be immaterial until we fully utilize our net operating losses.

Looking ahead to 2025, we expect net new restaurant unit growth of at least 17%, given the visibility and strength of our pipeline. In 2025, we expect restaurant-level margins consistent with 2024, and we'll use any improved leverage to continue to invest in our team members and guests. We will provide further details around 2025 guidance in our next earnings call.

Before turning to Q&A, as Brett had mentioned, we recently had the opportunity to attend our operations summit in Dallas, where we gathered with field operation leadership from across the country. Their passion and dedication to our mission of bringing heart, health and humanity to food was truly an inspiration. We're excited about the tools and strategies we've introduced to help make life easier for our team and elevate the guest experience.

And with that, I'll pass it over to the Operator.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] Your first question comes from the line of Brian Harbour of Morgan Stanley. Please go ahead.

Brian Harbour

Yeah. Thank you. Hi, guys. Glad to see everything continuing to go really well. I wanted to pick up on sort of one comment you made just about the new labor scheduling model and kind of early lessons from that and how you thought that there were also some things that could kind of help drive AUVs in some of your lower buying stores. Could you elaborate on that and sort of how you think about that opportunity into next year and how that could sort of be an ongoing same-store sale forever?

Tricia Tolivar

Yeah. Hey, Brian. So the new labor and deployment model really takes, for the most part, existing hours in the restaurant and redeploys them into peak periods. And then also creating significant clarity around the roles and where they should be placed during those peak times.

What we found during the pilot is in that some of our lower volume restaurants, when we added a little bit more labor to the restaurants, we saw a modest increase in restaurant sales, as well as overall an improvement in guest scores and experience and so that's where we think we might have an opportunity.

But it's a small portion of the overall portfolio and just an example of the early lessons and how they might help drive our average weekly sales as we move into 2025. The real thing about the labor model and the labor and deployment model is that we're really excited to see it improve speed and service, and that's something that's going to benefit the guests, as well as CAVA.

Brian Harbour

Thank you.

Operator

The next question comes from the line of Chris O'Cull of Stifel. Please go ahead.

Chris O'Cull

Yeah. Thanks. Brett, I was hoping you could help us just understand how you're thinking about comp drivers for next year as you think about beginning to lap some of the success you've had this year and what you believe may be some of the more important drivers to maintaining kind of this momentum?

Brett Schulman

Yeah. Hey, Chris. Thanks for the question. It really is consistent with what we've talked about in the past, having one or two tentpole moments with a couple seasonal moments to continue to bring newness and excitement to our guests, as well as keep things simple for our restaurant operations.

So we see those drivers. We see loyalty. Remember, we just launched it as the first phase of a multi-phase program and so there's other opportunities to enhance the loyalty experience. You certainly have steak in the first half.

Remember, we didn't launch it until the middle of Q2 and I'm really excited to see the impact of our Garlic Ranch Pita Chip launch, which is the first flavor innovation of what is a true fan favorite in our craveable pita chips. So we think there's opportunity to bring additional flavor innovation in the coming months and years to our guests.

Chris O'Cull

Great. Thanks. Congratulations, guys.

Brett Schulman

Thank you.

Operator

Your next question comes from the line of Andrew Charles of TD Cowen. Please go ahead.

Zach Ogden

Thank you. This is Zach Ogden on for Andrew. I'm just hoping you could help us dissect the sequential increase in same-store sales from 2Q to 3Q. I guess how much of that was an underlying acceleration versus an easier comparison? Thank you.

Tricia Tolivar

Yeah. So when you look at same-restaurant sales from Q2 to Q3 and look at it on a two-year basis, you really see consistency in the trends overall. So the two-year stack was about 33 in Q2 and about 32 in Q3. So really consistency in what we've been able to deliver and how we're serving the guests. And as you know, keep in mind Q3 had a 12.9% traffic growth, so really strong momentum with our guests and how much they enjoy CAVA.

Zach Ogden

Okay. Great. Thank you.

Operator

Your next question comes from the line of David Tarantino of Baird. Please go ahead.

David Tarantino

Hi. Good afternoon and congratulations on great results. Tricia, I wanted to follow up on a comment you made about restaurant margin for next year being similar to what you're expecting to deliver this year with a mindset that you're going to continue to invest. So I guess the bigger question is, it makes sense to continue investing at this stage of growth, but I guess, how do you think about restaurant margin longer term and perhaps maybe you can frame up what's needed to drive that higher in terms of same-store sales or however you want to frame it up? Thanks.

Tricia Tolivar

Yeah. Thanks, David. So certainly as we think about our restaurant level margins, a 25 restaurant level margin is really an outstanding performance in general as the way we see it in the market today. We do know that as AUVs increase, there's leverage in this model. If you look at our labor model itself, it's like the Henry Ford production line and you really have a lot of momentum with it.

We just want to make sure that we don't overheat the engine and don't over-earn in the short-term. So we want to make those continued investments and really give back to our team members and our guests as much as we can so that we can drive long-term value over time. But this model is pretty powerful and it does have the opportunity to leverage. We just want to make sure we do it mindfully.

David Tarantino

Great. Makes sense. Thank you.

Operator

Your next question comes from the line of Jon Tower of Citi. Please go ahead.

Jon Tower

Oh! Hey, guys. Thanks for taking the question. Brett, you had mentioned earlier in the call the idea that your brand awareness is up roughly 8 points since the IPO. And I'm just curious you could kind of drill down into where that's coming from specifically. I mean, I think that you're probably seeing across all demographics, but are you seeing any key demographics, whether it's ages or household incomes in particular, kind of pulse up relative to what you'd seen pre-IPO?

Brett Schulman

Hey, Jon. Thanks for the question. I mean, it's been pretty consistent across all age groups, all income strata. In fact, as we've been growing across the country, we've been able to really broaden out our appeal down the income strata. What I will say is as to awareness specifically, certainly Gen Z and even Gen Alpha, we've seen great growth in those customer segments given some of the momentum we have on social channels and the exceptional work our marketing team has done and our social team has done to proliferate awareness and really connect with guests on those channels. So our younger cohorts are definitely growing quicker, but we are growing across all cohorts.

Jon Tower

Got it. Thank you.

Operator

Your next question comes from the line of Jeffrey Bernstein of Barclays. Please go ahead.

Jeffrey Bernstein

Great. Thanks very much. I think in your comments about the 2025 outlook, you also mentioned unit growth, which I believe is 17% plus. I think that's relative to the 15% that you guys have talked about, maybe annual over the next number of years. I'm just wondering, how do you think about that more broadly in terms of being the right level, whether there's some guardrails, not to say you should be growing faster, but what are the guardrails that keep it at that range? And maybe how are you thinking about the new versus existing markets? I know you mentioned a couple of markets that you were excited for for next year. So just trying to figure out the balance of new versus existing as we try and understand brand recognition? Thank you.

Tricia Tolivar

Hey, Jeff. So, yes, we did indicate that in 2025, we anticipate growth, a new unit growth of at least 17% over our base in 2024 and that's really driven by the visibility and the strength of the pipeline that we have in 2025. And so when we are thinking about it, we also want to make sure that we've got a good balance of growth in new and existing markets and our new markets are performing really, really well. And so that gives us the opportunity to lean in there, but still create that balance so we don't over-index and put too much strain on the system overall and in general.

The other governor important factor in ensuring that we've got the proper growth is having the right GMs to open those restaurants. And so for 2025, we feel really good about our pipeline of GMs to be able to meet that 17%, at least 17% in that year and then we'll continue to provide updates and refinements for the years ahead as we get closer.

Jeffrey Bernstein

And has there been any change in terms of the returns on the newest units, whether it's cost to build or presumably the stronger volumes, any color in terms of those financial metrics around these new stores?

Tricia Tolivar

So our real estate design and construction teams have done a great job managing the cost to build and really hitting our targets in a nice way. And then as we mentioned, our new restaurants themselves are opening very strong and exceeding our expectations. So what that's resulting in is higher cash on cash returns even earlier than we anticipated.

So seeing really strong results, both on the sales line, as well as the overall restaurant level margin in those new locations and it's been consistent. All of the markets that opened last year and this year, and it really gives us the real momentum as we go and expand into that enormous white space that we have ahead of us.

Jeffrey Bernstein

Thank you.

Operator

Your next question comes from the line of Brian Vaccaro of Raymond James. Please go ahead.

Brian Vaccaro

Hi. Thanks. Good evening. Just -- I was going to circle back to the comps if I could and I assume very broad strengths. It's pretty broad. But I'm just curious if you're seeing outsized growth at dinner versus lunch. And then you noted the class of 2024 being the strongest yet. Could you level set where new unit AUVs are shaking out, however you'd be willing to quantify that? Thank you.

Tricia Tolivar

Yeah. So back to your question around comps, I mean, we're seeing strengths in every vintage, every geography, suburban, urban, all income cohorts. So really finding strengths across the board itself.

Regarding dinner and lunch, I'm seeing some improvement, but a really good balance between the two. So dinner's increasing modestly. But there's nothing outsized in any area that's driving the comp overall. And really, when you even look at our new restaurants in the pipeline, they're driving comp, but that's not what's driving the overall growth in general.

So in regards to AUV, we have shared that they're exceeding our expectations. I think you can back into the productivity and see how strong they're performing, but haven't given specific numbers on that.

Brian Vaccaro

Thank you.

Operator

Your next question comes from the line of Ivan Yu of Jefferies. Please go ahead.

Ivan Yu

Great. Thanks for taking my question. I just wanted to go back on -- go back to the same-store sales again. Would you be willing to unpack maybe the contribution from steak in the quarter? Is it mostly sort of incremental traffic and guest acquisition or is it also balanced against maybe increased frequency or trade up from the existing guests? And I know steak sort of filled a perceived gap in the menu, and going forward, I guess, how should we think about menu innovation, whether it's in proteins or maybe some of the secondary items?

Tricia Tolivar

Yeah. I'll speak to the components of comp and how it relates to steak, and I'll pass it over to Brett to talk about the menu innovation component of it. So when you look at our overall performance, we shared the traffic at 12.9%. Certainly, there's a piece of that related to steak, but not a significant component. And then when you look at price mix combined, mix was about, excuse me, when you look at the mix component, it was around 2% and steak did have some impact in that because of the premium associated with it.

Brett Schulman

Hey, Ivan. It's Brett. Regarding menu innovation, my partner, my Co-Founder, Ted Xenohristos, is our Chief Concept Officer and he leads our culinary innovation team. And they've been building a multiyear pipeline of innovation that we see opportunity in all categories across the serving line, whether that's the main section, the bases, the grains, the beans, the toppings, as well as in attachments.

As you saw with Garlic Ranch Pita Chips, we believe pita chips can be a flavor platform with multiple opportunities to come behind Garlic Ranch with other exciting new products for our guests.

So whether it's beverages, the dessert category, they're looking at each area as an opportunity to bring newness and excitement to our guests while maintaining the discipline of the amount of ingredients we serve on the line and keeping operations simplified.

Ivan Yu

Great. Thank you very much.

Operator

JPMorgan. Please go ahead.

Unidentified Analyst

Hey, team. Good afternoon. Great results across. I just wanted to pick up on the new store volumes comment. I mean, given the strong brand hello and strong awareness now, how are you evolving your thinking around the new market entry strategy? We can take South Florida, for example, versus how is it different from intensifying an existing market, like Chicago, for example? And what specifically around pre-opening or marketing is driving this trend, which you're implementing very well versus, say, a year ago?

Tricia Tolivar

Yeah. So when you're talking about new restaurant openings, we've often shared our approach to have a very balanced pipeline. So with 10% to 20% in established markets and 20% to 30% in greenfield or brand new markets and the bulk of our openings in our growth and emerging markets.

As you pointed out, our new restaurants have been performing really well and so that gives us the opportunity to lean into those greenfield markets and perhaps the higher end of that range. And South Florida and the other markets next year will certainly be examples of that.

And then when you think about marketing and pre-opening for those markets themselves, we haven't done a lot of incremental marketing to support our new restaurants that have opened in 2024.

And in fact, in Chicago, there was some marketing we pulled back on because the restaurant was performing so well, we didn't want to hurt the restaurant and make sure that they were continuing to operate and deliver. And so I don't anticipate a significant change in what we're doing from a marketing perspective.

And keep in mind, our community days are a major component of our approach from a go-to-market standpoint, as well as our social media. These are both very effective, cost-effective tools that help drive the momentum, increase the brand awareness and really spread the word around CAVA and help our new restaurants perform in a meaningful way.

Operator

[Operator Instructions] Your next question comes from the line of Matt Curtis of William Blair. Please go ahead.

Matt Curtis

Hi. Good evening. I just wanted to circle back on the loyalty program. I was wondering if you could provide any details on what the impact on frequency or overall sales has been, both in the quarter and what you anticipate going forward?

Tricia Tolivar

Yeah. So what we were able to notice in the quarter is that our loyalty sales as a percent of revenue increased by 200 basis points in the quarter. And while we're in early days and looking at frequency, we anticipate we'll have a benefit, but at this point, not sharing any frequency numbers to answer that question. So really encouraged by what we saw on the test and we'll continue to keep a close eye on it and update you as we move forward.

Matt Curtis

Okay. Thanks.

Operator

There are no further questions at this time. I'd now like to turn the call back over to Brett Schulman, Co-Founder and CEO for final closing remarks. Please go ahead.

Brett Schulman

Thanks everyone for joining the call today. As Mediterranean becomes the next major cultural cuisine category, and as CAVA continues to define it, the white space opportunity ahead of us will only grow. We are well positioned to make the most of that opportunity and deliver long-term value thanks to the hard work and dedication of our team members. So I want to once again thank them for their relentless focus on execution, their dedication to creating the human connections modern consumers crave, and all they do to bring heart, health and humanity to food. Thanks again for joining us and have a happy holiday season.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.

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