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CAVA Group, Inc. (NYSE:[CAVA](#))

Q4 2024 Earnings Conference Call

February 25, 2025, 17:00 PM ET

Company Participants

Brett Schulman - Co-Founder and CEO

Tricia Tolivar - CFO

Matt Milanovich - IR

Conference Call Participants

Brian Harbour - Morgan Stanley

Andrew Charles - TD Cowen

Chris O'Cull - Stifel

David Tarantino - Baird

Sharon Zackfia - William Blair

Jon Tower - Citi

Ivan Yu - Jefferies

Brian Mullan - Piper Sandler

Jeffrey Bernstein - Barclays

Danilo Gargiulo - Bernstein

Brian Vaccaro - Raymond James

John Ivankoe - JPMorgan

Operator

Good afternoon, ladies and gentlemen, and welcome to the CAVA Fourth 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, February 25, 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 fourth quarter and full year 2024 financial results conference call. Before we begin, if you do not already have a copy of the earnings release and the 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 measures 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 facts, 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. 2024 was another extraordinary year for CAVA, thanks to our more than 10,000 team members and their dedication to bringing heart, health and humanity to food. I'm inspired not just by their accomplishments, but by their spirit of generosity and how they take care of our guests, communities and one another.

In 2024, their contributions allowed us to firmly establish Mediterranean as the next major cultural cuisine category. And as our unique value proposition continued to resonate with consumers, we were one of just a few publicly traded restaurant brands that generated positive traffic growth. Our success in 2024 demonstrated our broad appeal, the power of our unit economic engine and the impact of the investments we have made in our teams, guests and infrastructure to support our growth.

In our first full fiscal year as a public company, we delivered four consecutive quarters of free cash flow. Our fourth quarter highlights include excluding the 53rd week in 2023, a 36.8% increase in CAVA revenue, 21.2% CAVA same restaurant sales growth, including a 15.6% increase in traffic; 15 net new restaurant openings ending the year with 367 restaurants; an 18.8% increase year-over-year; adjusted EBITDA of 25.1 million, a 60% increase over the fourth quarter of 2023; net income of 78.6 million and adjusted net income of 6.5 million, a 216% increase over the fourth quarter of 2023.

And for the full year, we increased CAVA revenue 35%, excluding the 53rd week in 2023, generated 13.4% CAVA same restaurant sales growth, including an 8.7% increase in traffic; opened 58 net new restaurants, delivered adjusted EBITDA of 126.2 million, a 71% increase over the full year 2023; produced net income of 130.3 million and adjusted net income of 50.2 million, a 278% increase over full year 2023; and drove \$52.9 million in free cash flow during the year.

It is clear that our unique value proposition, the quality and relevance of our Mediterranean cuisine, the convenience of our multichannel format and the experiences we provide across our physical and digital channels is meeting the moment for the modern consumer. We have significant white space opportunity ahead, and we're proud to say that 2024 is trending to be one of our strongest new restaurant classes yet.

Our most anticipated and successful market opening to date, Chicago, marked our entry into the Midwest and expanded our presence to 25 states in the District of Columbia. These new restaurants amplify our brand, many of them incorporating elements of our Project Soul design, and their performance demonstrates our broad appeal across socioeconomic, demographic and regional lines.

Last quarter, we announced plans to enter South Florida. Today, I'm excited to share that we are expanding our presence in the Midwest with openings planned in Detroit and Indianapolis later this year. In addition, we will continue to grow our Mid-Atlantic footprint with our first restaurant openings in Pittsburgh, Pennsylvania. As we move forward with our expansion efforts, we remain committed to deepening personal relationships with our guests, whether they are gathering in our dining rooms or engaging with our digital channels.

Our reimagined loyalty program is a foundational element of this strategy, and its new earn and bank points model has been warmly received, driving increased engagement and frequency while setting the stage for future innovation. Since we first introduced rewards reimagined, we've seen a 230 basis point increase in loyalty percent of sales. As we move into 2025, we will build on our multiphase plan by leveraging first party data to deepen guest insights using enhanced rewards, tiers and tailored communications to develop personal touch points across all of our channels.

On the culinary front, I'm incredibly proud of our best-in-class team. We continue to innovate and create newness across our menu while being thoughtful and operationally disciplined as we go through our stage gate process. Guest reception of grilled steak, which we introduced in the summer of 2024, exceeded our expectations, and incidence of this new main has remained strong. Similarly, we unveiled our new limited time garlic ranch pita chips, introducing a platform for future flavor innovation and further expansion into the snacking category.

In 2025, we will continue to build on our robust pipeline of culinary innovation, which we'll speak to in the coming quarters. Our culinary launches in 2024 demonstrated our use of social and earned media to drive trial, awareness and affinity for our brand. In 2024, we generated 340 million social media impressions and over 50 billion earned media impressions by tapping into the organic love for CAVA through partnerships with like-minded influencers and creators, who are genuine fans, even before collaborating with us.

The most recent of these partners is Olympic Gold Medal sprinter, Gabby Thomas, who fuels her training regimen in her life with CAVA. Gabby partnered with us to launch our latest new seasonal menu items. This campaign focused on abundance rather than restriction, highlighting the benefits of eating Mediterranean cuisine. We're pleased with the response to the ongoing campaign, and we are seeing an incremental increase of our premium protein and avocado incidents as a result.

Shifting over to our team members, we are focused on empowering our leaders with the right tools, strategies and processes to run great restaurants at every location, every shift. Our new labor and deployment model helps us put the right people in the right places at the right moments, improving the team member experience and giving them more time to focus on our guests. While we are still in the early innings, we're already starting to see increased productivity across both dayparts. Reception from the team has been positive, with restaurants refining and optimizing the tools.

In 2025, we will continue to build on this initial deployment with a focus on improving speed and service. In 2024, our multiyear Connected Kitchen initiative advanced on multiple fronts. A key milestone was the completion of the test-and-learn phase for our generative AI video technology, which is now live in four restaurants, and we intend to expand to more restaurants in 2025.

Additionally, early results from our new kitchen display system, currently live in 25 locations, are promising. This technology has improved digital order accuracy and productivity while reducing customer experience complaints in the test locations. Encouraged by these outcomes, we are planning a broader rollout of the new KDS in 2025. Including new and existing restaurants, we expect to expand the technology to 250 restaurants by year-end.

Building on our exceptional 2024, we will continue to define the category we have created, Mediterranean, by anchoring in our four strategic pillars as a guiding force. In 2025, we will expand our Mediterranean way in communities across the country by opening restaurants in new and existing markets, offering warm and welcoming spaces to gather and delight guests with innovative flavors and menu creations.

As we move into the next phase of our reimagined loyalty program, we will continue to develop personal relationships with guests even as we scale, spreading our Mediterranean hospitality and creating a sense of connectedness across all our channels. As we focus on running great restaurants every location, every shift, we will integrate new technologies and tools to support our team members and enhance the guest experience. And finally, knowing great people are key to unlocking our significant white space opportunity, we will continue to operate as a high- performing team, build out our talent pipeline and create not just jobs but career opportunities.

In a world where screens and automation are infiltrating our everyday lives, we remain committed to using technology to enhance the human experience, not replace it. We're leveraging data personalization to help people feel seen for who they are and piloting AI technology that can improve team members' experience and give them more time to take care of our guests. As the spaces and experiences that once brought us together are being replaced by virtual interactions, we are creating inviting places for people to gather. We know consumers are hungry to feel cared for, and we believe that our success is driven not just by our category-defining brand and our unique value proposition, but also by our ability to authentically connect with the people we serve.

This spirit of connection was beautifully illustrated recently when we had the honor of participating in a 100th birthday celebration for Mike in New York, whose great grandson wrote to us about Mike's Love of CAVA and asked if we could be part of this special day. Whether it's Mike's 100th birthday or Anastasia, a high school student in New Jersey, who wrote us about her tradition of sharing a meal with her sister every Friday at CAVA and how to strengthen their bond; we're demonstrating the power and appeal of our brand to connect not just across geographies but across generations.

CAVA was built on the idea of welcoming everyone to our table. And at a time when people are craving happiness and connection, we are delivering on that promise and proving that bringing heart, health and humanity to food is a powerful formula for success.

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

Tricia Tolivar

Thanks, Brett. CAVA revenue in the fourth quarter of 2024, excluding the impact of the 53rd week of 2023, grew 36.8% year-over-year to 225.1 million. CAVA same-restaurant sales increased 21.2%, driven by traffic growth of 15.6%. As a reminder, to achieve an optimal comparison of fiscal weeks in the CAVA same-restaurant sales calculation, giving consideration the holiday period, each week of fiscal 2023 was shifted by one week. Had this shift not been made, CAVA same-restaurant sales growth would have been 18.3% for the quarter, representing the expected offset from Q1 of 2024. The impact of this shift was not material for the full year.

During the quarter, we opened 15 net new CAVA restaurants, bringing our total CAVA restaurant count to 367. We continue to be pleased with our new restaurant openings, with newer vintages trending to be some of our strongest cohorts to date. In addition, our proven portability is reflected in our overall AUV, which increased from 2.6 million at the end of 2023 to \$2.9 million at the end of 2024. Excluding the benefit of the 53rd week in fiscal 2023, CAVA restaurant level profit margin increased by 50 basis points to 22.4% of revenue. This improvement was primarily due to operating leverage from higher sales, partially offset by an increase in food, beverage and packaging costs, driven by our national rollout of steak in the summer of 2024 and incremental wage investments.

CAVA's food, beverage and packaging costs were 29.9% of revenue, an increase of 110 basis points as compared to the fourth quarter of 2023. This anticipated increase as a percent of revenue was the result of the launch of the steak in June of 2024. CAVA's labor and related costs were 27.3%, a decrease of 50 basis points from the fourth quarter of 2023. This decrease reflects leverage from increased sales, partially offset by investments in our team member wages up 4%, including the impact of AB 1228, which we chose to not offset with menu price increases to the guests.

CAVA occupancy and related expenses were 7.6% of revenue, an improvement of 70 basis points from the fourth quarter of 2023 due to sales leverage. CAVA other operating expenses were 12.8% of revenue, an increase of 10 basis points relative to the fourth quarter of 2023, reflecting 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 23.6 million or 10.4% of revenue compared to 21.3 million or 12% of revenue in the fourth quarter of 2023. The 160 basis point improvement was driven by leverage from higher sales, partially offset by investments to drive future growth.

Equity-based compensation was 17.1 million in 2024 and as a result of the IPO pull-forward grant in June of 2023, did not include a significant impact from new 2024 grants. In 2025, we expect stock-based compensation to be between 20 million and 22 million, which includes new 2025 grants. And approximately 60% of this expense will be recognized in the first half of the year, given the timing of payroll taxes associated with RSU vestings and the extra period in Q1. Adjusted EBITDA, including the burden of preopening costs for the quarter, was 25.1 million, an increase of 60% versus the fourth quarter of 2023. The increase in adjusted EBITDA was driven by the number and continued strength of new restaurant openings, 21.2% CAVA same-restaurant sales growth and leverage in G&A.

During the fourth quarter, we reported \$78.6 million of net income. As I mentioned on our last earnings call, 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, we released this valuation allowance in the fourth quarter, which resulted in a onetime significant net P&L benefit of \$80.1 million as a reduction in tax expense. Keep in mind, we expect our cash taxes to continue to be immaterial until we fully utilize our net operating losses. In fiscal 2025, we expect our effective tax rate to be between 15% and 20%, which includes the expected permanent equity benefit of RSU awards vesting at a higher stock price relative to their grant date.

Excluding the impact of the 80.1 million benefit and applying a consistent effective tax rate to each quarter in fiscal 2024, adjusted net income was 6.5 million during the fourth quarter of 2024 compared with net income of 2 million in the fourth quarter of 2023. This represents an increase of 216%, further demonstrating the strength of our business. We reported GAAP diluted earnings per share of \$0.66 in the quarter. After accounting for the aforementioned net benefit, adjusted diluted EPS was \$0.05 in the fourth quarter compared to \$0.02 in the prior-year quarter. Shifting over to liquidity, at the end of the quarter, we had zero debt outstanding, 366.1 million in cash on hand and access to a \$75 million undrawn revolver with an option to increase our liquidity, if needed.

When looking at full year 2024, cash flow from operations was 161 million compared to 97.1 million during the full year 2023. This increase was primarily driven by our improved operations, generating increased profitability across the fleet. Free cash flow in 2024 was 52.9 million, an increase of 94.6 million compared to the full year of 2023. Before turning to our outlook for 2025, I would like to touch on some of the evolving dynamics amongst our most recent NRO classes. Our team has done an incredible job of delivering on its commitments. And as brand awareness and the appeal of Mediterranean cuisines continue to strengthen, we are exceeding our previous new unit economic model.

Based on data from the most recent NRO classes, we now anticipate year one average unit volumes to increase to 2.3 million from 2.1 million and year two average unit volumes to increase to 2.5 million from 2.3 million, year one revenue growth rate to remain at 10% and year 2 revenue growth rate to remain at 8%, year two restaurant-level profit margin to increase from 20% to 22%, capital expenditures net of tenant allowances at 1.375 million per restaurant and finally, year two average cash-on-cash returns to increase from at least 35% to at least 40%. Consistent with our prior earnings call, we expect net new restaurant growth of at least 17% during 2025, and we anticipate the openings to be slightly back half weighted.

Now to our outlook for full year 2025, we expect the following: 62 to 66 net new CAVA restaurant openings, CAVA same-restaurant sales growth of 6% to 8%, CAVA restaurant-level profit margin between 24.8% to 25.2%, preopening costs between \$14 million and \$15 million and adjusted EBITDA, including the burden of preopening costs, between \$150 million to \$157 million.

I want to share a few additional thoughts on our outlook. Turning to same-restaurant sales, as mentioned earlier, we anticipate 6% to 8% growth this year. Given the dynamic performance we've seen over the past few years, we believe the best way to think about same-restaurant sales on a normalized basis is to view it as a three-year stack. We anticipate our three-year stack to remain robust in the high 30s, with higher one-year same-restaurant sales growth in Q1 and moderating over the course of 2025. As it relates to restaurant level-margin, as of January 2025, we implemented an approximate 1.7% in-restaurant menu price adjustment. And at this time, we have no plans for further price increases this year.

Additionally, I'd like to remind everyone that we introduced steak in early June last year and expect the approximate 100 basis point imperative impact on food, beverage and packaging costs as a percent of sales to roll off by the summer of 2025. Further, our traditional seasonality, where the fourth quarter is typically approximately 200 basis points lower than the full year, experienced a more dramatic impact in 2024 as a result of the steak launch that we do not expect to reoccur in 2025.

Our guidance takes into consideration what we are currently seeing in the business and the fluidity of the macroeconomic policy environment. Our business continues to be and remains strong and resilient, and that strength is appropriately reflected in our guidance. CAVA's economic model is powerful. And as we mentioned on prior calls, we will continue to make prudent investments in the business to drive long-term growth.

Before turning to Q&A, I want to take a moment to reflect on what an incredible year 2024 has been. None of these results would have been possible without the hard work, dedication and commitment of our restaurant, manufacturing and collaboration center teams.

I often say CAVA is a very special place to work, and it's the passion and perseverance of our people that make it so. Together, we're building something truly remarkable as we continue to push forward with our mission of bringing heart, health and humanity to food.

And with that, I'll pass it over to the operator for Q&A.

Question-and-Answer Session

Operator

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

Brian Harbour

Yes, thanks. Good afternoon, guys. I know you previously mentioned kind of the generally flat margin view for this year, but could you just talk about some of the moving parts there? It sounds like food would be sort of a pressure. What are you thinking in terms of any team member investments this year? And anything else we should consider just in thinking about margins?

Tricia Tolivar

Hi, Brian. Thanks for the question. So when you think about food, the first thing you need to consider is the impact of steak, which we did not have in our offerings until June of last year. And so there's definite impact in first and second quarter as a result of that. Outside of steak, our inflation in food is in the low single digits. And as we reflected a 1.7% menu price increase, I don't anticipate a lot of significant movements in COGS outside of the steak impact. When we're thinking about labor, we've talked about investments that we have made and continue to make. Although at this point, there's not outsized investments planned, we do leave the opportunity to make incremental investments each quarter as we evaluate our competitiveness in wages in each and every market to make sure that we remain an employer of choice in the markets where we serve. Other than that, there's no other real significant changes. There should be continued leverage on the occupancy side as sales continue to grow, and we'll continue to look at other operating expenses and ensure that we're making the appropriate investments in our infrastructure that makes sure that our restaurants are keeping up with a high volume that is existing today.

Brian Harbour

Thank you.

Operator

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

Andrew Charles

Great. Thank you. Brett, I was hoping you could expand on the new focus on speed that won't be at the expense of service. Can you help contextualize the size of the prize that if you're able to deliver on targeted service times, how big of a traffic opportunity does this represent during peak periods?

Brett Schulman

Hi, Andrew. Thanks for the question. We know that there's an opportunity at many of our restaurants, our high-volume restaurants. I'm sure you've witnessed it in New York, where we have lines to the door. And we're mindful that we don't want people intimidated by those lines and walking away. But we're also mindful that it's many of our guests first time experiencing our brand, first time eating Mediterranean cuisine, and we want to make sure they have the space to have a great experience and choose their meal comfortably. So we haven't quantified it specifically, but we've seen with the new labor deployment scheduling model, incremental improvements in speed but also in addition to our service scores, and that's important for us. We don't want it to come at the expense of those customer experience scores. So we'll continue to work with the teams to optimize and ramp up those deployments so that we can continue to increase the speed and have it not come at the expense of service.

Andrew Charles

Okay. Maybe just a quick follow-up. If I think about an average check for around \$15 or so per person, is it fair to say that a rule of thumb, every five incremental customers per store per day gets you about a 1% lift in traffic?

Tricia Tolivar

Pretty close.

Brett Schulman

Yes, it's pretty close. And Andrew, in the early results of the deployment, we are seeing this improvement across both dayparts and even on peak and nonpeak hours. So we're very encouraged by the early returns. But again, in this brand building phase of our growth, we want to make sure that we don't push on the gas pedal too hard and have those negative first-time guest experiences.

Operator

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

Chris O'Cull

Thanks. Good afternoon, guys. Brett, the update on the loyalty program was very encouraging. First, can you share some baseline frequency data maybe for a targeted consumer segment or core versus expansion markets or -- and then could you also expand on how quickly you can deploy programs using the consumer insights to drive that additional purchase frequency? And whether you've tested any programs to kind of prove out effectiveness?

Brett Schulman

Yes. So thanks for the question, Chris. On the first part of your question, we have not quantified frequency specifically. But what I can say is we've increased the revenue flowing through the loyalty program, 230 basis points, 2.3% since launch of the program. So we're getting a lot more people in our pool. And what we're also seeing is over half of the reward redemptions have come from our entry-level reward option in the catalog of menu rewards. So we're seeing -- and that was a goal of the program, if you remember, we wanted that initial reward opportunity bar to be lower. So people felt like it was more attainable, our lower-frequency users would be more engaged. We're seeing that happen. So it's very exciting. And then the second part of your question, one of the insights or one of the tactics that we are now able to leverage in the loyalty program when we launched our garlic ranch pita chips, the entry -- or the pita chip redemption option is 400 points. We did a limited-time offer for half those points for 200 points. You could try the garlic ranch pita chips, it was our highest redeemed item ever. So we got great trial of a new item, great engagement and excitement. And that's just a small example of the way we can use the rewards program and our first-party audience to really add value to their experience and influence behavior. And this year, we'll build on top of that initial deployment, and you'll see us add features on top like tiered status levels as well as nonfood reward options to excite our guests with our brand in unique ways.

Chris O'Cull

Great. Thanks.

Operator

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

David Tarantino

Hi, good afternoon. I had a question on the new unit economics that you shared. Thank you for that update. I'm wondering, Tricia, if you could comment on what you've seen out of the 2024 class and whether the new targets are anchored on what you're seeing? Or is it something different than that? I guess I would calculate something higher in terms of new unit volumes for what you did in 2024, but any perspective you could offer on kind of what informed your views on the targets, that would be great. Thanks.

Tricia Tolivar

Yes. Thanks, David. So certainly, as we look at the 2024 class and compare it to 2023, we're seeing very strong performance. And in fact, the cohort that opened in Q4 is performing at average weekly sales levels above 2023. Keep in mind, we're still early in looking at these restaurants and understanding how they're going to behave. But we feel very confident in our ability to deliver 2.3 million in year one with 10% growth driving to 2.5 million and then 8% growth in the following years. So really pleased with the performance of our new restaurants, the health of our pipeline and their ability to deliver well against new targets and as well as the increase in restaurant-level margin. It really gives us a lot of optionality as we think about greenfield locations and how we might have opportunities and go into other areas like Brett talked about on the call, entering South Florida, Detroit, Pittsburgh and Indianapolis this year. So really excited about what lies ahead and certainly what the portfolio has told us regarding proven portability and how this model can really deliver.

David Tarantino

Great. And one more, if I could, on this topic. Does your guidance for this year assume the \$2.3 million AUV for the class you're about to open?

Tricia Tolivar

It does.

David Tarantino

Great. Thank you very much.

Operator

Your next question comes from the line of Sharon Zackfia from William Blair. Please go ahead.

Sharon Zackfia

Hi. Good afternoon. Congratulations on a great 2024 to say the least. I guess my question was more on the G&A front. It seems like the imputed G&A is accelerating quite a bit in terms of dollar growth. And I know part of that is the stock comp that you mentioned. But is it fair to think that a lot of these initiatives that you talked about are falling into that G&A? And then, how do we think about G&A leverage in '26 and beyond?

Tricia Tolivar

Yes. So when we look at G&A, we isolate the stock-based compensation impact. And so therefore, we look at G&A growing but at a lesser rate than our revenue growth as well as our unit count growth. So you will see leverage in G&A over time. However, we've said we really think it's important to make appropriate investments in the business to drive for long-term growth. So just like you see on restaurant-level margins and wanting to invest in team members and guests, we've been thoughtful in leaning into G&A ahead of its needs so that we can be successful as we make prudent decisions to invest going forward.

Operator

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

Jon Tower

Great, thanks. Maybe I'll just dig into -- on the new store productivity side, I appreciate all the color you've been providing. Maybe you could provide a little bit more on perhaps what you're doing from a strategic standpoint within markets to ensure that this productivity level is so high and frankly, the returns remain so high. What you've done in the past 12 months, 24 months, I guess, to bump that number so much higher than what we were kind of modeling not that many years ago? Are you engaging kind of people in the market earlier, consumers earlier to build that brand awareness such that you're ramping faster? Just curious, if you could shed some light on that?

Brett Schulman

Hi, Jon. It's Brett. I think a couple of things. One, Tricia has spoken in the past about our balanced portfolio approach, and we take that same balanced approach within established growth, emerging markets where we're mindful of any impact, but we also see the opportunity of latent demand sometimes when we get outsized performance of a restaurant that there's demand in the adjacent market that we can open up. But we're mindful about how we space that out, and we use pretty robust analytics to make sure that we're thoughtful about how we populate these markets so that the restaurants have the space to open and open strong. I think from an awareness standpoint, you've seen since our IPO, significant awareness tailwinds and the incredible job our social media and our marketing team has done in amplifying that awareness and the user-generated content and the organic awareness that has been growing across social channels. And we're finding that in these markets, people are waiting for us to open and ready for us to open. And then we do our typical traditional community day activities as a way to introduce ourselves to our new neighbors and donate to the local philanthropic organization. So that all comes together to really create a lot of energy around the brand as we saw, whether it was a greenfield market like Chicago or many of our openings in Southern California this year in an existing market. And again, we have so many different ways to win, as we've talked about our top decile not being one type of restaurant or one geography, all different types of geographies and trade areas, urban, suburban, college adjacent, ex-urban, pickup-by-car location. So it allows us to create this balanced portfolio approach and then obviously capture the energy in these markets that's been building around the brand.

Operator

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

Ivan Yu

Just on -- maybe on menu innovation, is there anything to share on what we should expect, whether it's something on the protein side or other parts of the menu? Brett, I think you've used the term tent pole. And so how should we think about maybe leveraging digital and marketing to enhance the messaging around these offerings for this year?

Brett Schulman

Yes. Thanks, Ivan. I think you'll see a similar cadence to what we've spoken to that annually, we want to have at least one tent pole moment. That could be expressed by a new protein, bracketed by a couple of seasonal moments. And this quarter, the Gabby Thomas collaboration with the items we partnered with Gabby on that have been very positive in terms of our Spicy Lamb Meatball and Avocado that we've highlighted in those. It is an example of one of those bracketed seasonal moments. And then certainly, leveraging the success of our flavor innovation, Pita Chips as a platform, you can imagine another flavor innovation on the Pita Chips front. But more to come in the coming months. We're excited to bring some new news, but in the stage gate test process now, but would expect the same kind of sequence that you saw last year.

Ivan Yu

That's helpful. And then separately, I just wanted to touch on the topic of relative value. And I think you've said in the past that CAVA sort of operates in this sweet spot in terms of price points, and that kind of helped take share of occasions from both fast food and some casual dining as well. How are you thinking about that dynamic for this year, particularly as we're seeing some others get more sharper on price points and some trade down still occurring? Any color would be helpful.

Brett Schulman

Yes. Continuing with that philosophy, now that we've turned the page on 2024, when you look at the time frame from the end of '19 to the end of '24, in aggregate, our price increases have amounted to 15%. CPI was almost 23% during that time period. So we underpriced inflation by eight points. When you look at the Department of Labor statistics, traditional fast food QSR is upwards of the mid-30s. So we're not even half of that price increase, which certainly has amplified our value proposition from a price standpoint. In '25, Tricia spoke to our price -- menu price adjustment only being 1.7%, which is under expected CPI for this year and what we've already seen some peers take. So working on behalf of our guests, investing in our guests, driving that value proposition, not just from a price point, but again, how we view value, that combination of factors, the quality of the ingredients we source, the relevance of Mediterranean cuisine, again, ranked Number 1 diet; the convenience of the multichannel format that our guests can opt into their channel of choice on their terms and the experience we deliver. I talked in the prepared remarks about the importance of human connection. 64% of our guests come in and they want to engage with our team members. And the ability for our team members to connect, deliver that Mediterranean hospitality while they're having that experiential walk the line experience and smelling the food, tasting or seeing the food and hearing it cook is powerful. And I think all of that comes together, that bang for the buck, to really be capturing whether it's folks trading down from a legacy casual dining experience and sharing a meal in our dining room, like we've talked about the Project Soul investments or trading up from traditional QSR for \$1 or \$2 more, sometimes at parity and then trading over from other players in the space that we're clearly resonating with the modern consumer with what we're able to deliver. And so we continue to lean into that this year.

Operator

Your next question comes from the line of Brian Mullan from Piper Sandler. Please go ahead.

Brian Mullan

Thank you. A question on the catering sales channel. Can you talk about what the priorities are for catering this year, what you'll be evaluating? And I'm wondering if 2026 might be a year where you push forward with catering in a bigger way? Any update would be great?

Tricia Tolivar

Yes. Thanks for the question. We're very excited about the catering opportunity. But again, we're going to be very patient and work through our stage gate process. I think we've catered most professional sports teams at this point, many college teams, let alone offices and schools. And what we're finding is the demand is clearly there. What we want to make sure is that we get the packaging right, the technology right, on our self- service site in complement to our high-touch catering sales team. And so we're going to expand the test this year to a major metro market test, where we're going to take a whole major market. And we're going to be testing the different production support, whether that's our hybrid kitchens, our digital kitchens, the centralized hubs; in concert with regular restaurants to really truly understand the capacity of the regular CAVA restaurants in concert with the hub production while we parallel path the new packaging and the new self-service site to position ourselves for a national launch, not this year, certainly not the beginning of '26, but as we see the team's progress on the test and we gain greater confidence that this is ready for prime time and we're setting our operators up for success and to be able to deliver on those commitments from a catering experience, we'll be excited to bring this across the country in the future.

Brian Mullan

Okay. Thank you.

Operator

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

Jeffrey Bernstein

Great. Thank you very much. The EBITDA growth, obviously incredible in '24, and you're looking for, obviously, outsized growth in '25. As I look at '25, based on your guidance, it looks like you're expecting maybe 19% to 24% growth. When I compare that to your long-term algo, I think you've talked about mid- to high 20s. So just curious, just because it is below consensus and maybe below the long-term algo, just wondering, what the puts and takes are? Especially because of the comps like -- looks like you're talking about 6% to 8%, that will be above kind of your long-term plan. Your unit growth is in line. So wondering, where you see the greatest differential? What line items maybe see the greatest leverage or deleverage relative to that long-term thought process? Thank you.

Tricia Tolivar

Thanks for the question. So certainly, as we look at the opportunity that lies ahead, we feel very good about our long-term algorithm. What we're looking at from '24 to '25 is really anniversary very outsized growth in 2024 and the investments we're making in the business to drive the results over the long term. So while you might see some modest adjustments in a shorter-term horizon, there's nothing that leads us to believe that the long-term algorithm is not fully intact. This model is super powerful. Our top quartile of restaurants deliver restaurant-level margins above 30%, but we want to make sure that we're making the right investments, leaning into the right things at this stage of our growth, so that we're positioning the business for sustainable long-term success.

Jeffrey Bernstein

Great. Thank you.

Operator

Your next question comes from the line of Danilo Gargiulo from Bernstein. Please go ahead.

Danilo Gargiulo

Thank you. So I wonder if you can talk about the puts and takes of same-store sales guidance, especially any reflections on what you're currently seeing in the business leading to the lower range of your same-store sales expectations to be mid-single digits. And how do you think about the drivers of your guidance between traffic and mix in '25?

Tricia Tolivar

Yes. Thank you. So when we think about same-restaurant sales, we have to consider the dynamic performance we've experienced over the past few years. And we believe the best way to think about same-restaurant sales on a normalized basis is to look at it at 3-year stack. So when you're looking at the 3-year stack, we anticipate it to be in the high 30s. And as you just focused on a 1 year in 2025, we expect a higher amount in Q1 and then moderating over Q2, 3 and 4 to deliver that 6% to 8% same-restaurant sales. And so within that same-restaurant sales, we mentioned that price is 1.7%. We don't anticipate taking any further price increases throughout 2025, and that really leads traffic and perhaps very modest mix impact. So looking for robust traffic even on top of the strong results that we've delivered in '24 and '23.

Danilo Gargiulo

Thank you. And Brett, if you don't mind. As you're stepping back and looking at your organization and assessing the growth readiness, which areas of your business you think require disproportionate investment from today's levels? And what material outcomes are you expecting from this incremental investment? In other words, if you were to talk two years from now, what will be some of the big initiatives that you think you might be launching?

Brett Schulman

Yes. Thanks, Danilo. I feel very good about where we stand organizationally. I think that's something that we've been very committed to throughout our journey, is investing ahead of the growth and investing in our infrastructure, whether it's our manufacturing, our technology or our people. And last year, we announced the hiring of Jeff Gaul, our Chief Development Officer, which was the last addition to our ELT that we've built over the last few years, and we've built across the organization. So whether it's Beth McCormick or Andy Rebhun, who joined us the prior year in technology and marketing, we've made those investments not just at an executive level, but across all functions and teams. So feel pretty well balanced and positioned across the org as we invested ahead of growth to prepare for building this for the next decade, not necessarily the next quarter, but the next decade and beyond. So I'd say, no specific area of the business that would need outsized investment from a people perspective.

Operator

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

Brian Vaccaro

Hi, thanks and good evening. I just wanted to quickly follow up on Danilo's question. And not to harp on the near term too much, but just given what's been a softer weather impact to start for the industry in '25, Tricia, that's 3-year comp thinking maybe through that lens, do you expect to be in the high 30s in Q1 as well? I just wanted to make sure that I was clear on the message you were trying to deliver there. And then my question was -- I think you used to disclose this historically, but could you level set us on where your AUVs are across different regions, however you break that down? Thank you.

Tricia Tolivar

Yes. Thanks, Brian. So yes, we do anticipate our three years stack in Q1 to be in the high 30s. So our business has been and continues to be strong and resilient, and that strength is reflected in our guidance. We've seen increases in premium attachment. We've seen strength in our lower income cohorts and the improvement in same-restaurant sales that they've got. And so we've reflected all of that in the guidance to deliver that expected result in Q1 and for the rest of the year. And then when you talk about AUVs across the region, what we've seen that AUV growing from 2.6 to 2.9, it's happening across all regions of the country. So Northeast, Mid-Atlantic, Southeast, Southwest and the West, all have experienced significant increases from the last time that we shared that information. We view all of this in totality. And so we haven't shared the specifics by region. But what I will say is each region has delivered year-over-year and quarter-over-quarter increases in AUV, which again underscores our confidence in the proven portability of the brand and our opportunity to take this to more and more prices across the country.

Operator

Your last question is from the line of John Ivankoe from JPMorgan. Please go ahead.

John Ivankoe

Hi, thank you. The question is on KDS, Obviously, going from 25 units, I think, to 250 units is a pretty big jump and really expresses your confidence in the system. So can you talk about -- I understand the accuracy, but can you talk about some of the speed of service benefit that, that KDS might get? And as you put that system in, might it make sense in the relatively near future to have kiosks as part of the CAVA experience for people that want to interact with the brand in-store in a digital manner?

Brett Schulman

John, it's Brett. I know you love kiosks, but don't expect them in CAVA anytime soon. We believe in human interaction in our restaurants. And if people want a kiosk-type experience they can download, open up the app and order on the app. I feel very strongly about that. Very excited about the KDS. The KDS, what we've seen in the expanded test now in 25 restaurants is the ability to increase productivity on the second make line, so there is certainly an opportunity with the number of bowls we do every 15 minutes to increase that productivity. Most importantly, we've seen an improvement in order accuracy and an improvement in the customer experience. So the last thing I'll say is we also have the ability now with the new KDS to be able to do order status updates. And if you opt into text notification, we can give you dynamic order status updates, your order has been received, your order is working, your order is ready. And if for some reason, the order is either ahead of time or behind time, we can give you a dynamic update that your order is now ready ahead of time or that it's running 3 or 4 minutes late, which certainly, that visibility to the guest has improved, the experience and customer satisfaction, which we're very excited and not only to make the guest experience better, but also improve our team member experience and be able to managing the productivity of those lines.

Operator

There are no further questions at this time. I'd like to turn the call over to Brett Schulman for closing remarks. Sir, please go ahead.

Brett Schulman

Thank you for joining us today. Before we wrap up, I want to take a moment to express my gratitude to our entire team for an incredible 2024. Your dedication and passion made CAVA a special place, enabling the results that we have been consistently delivering.

As we step into the new year, we recognize that many have been affected by the California wildfires last month. Our thoughts are with those impacted, and we remain committed to supporting in any way we can, whether through our bowl donations to first responders or affected guests or direct assistance to our team members.

Moments like these remind us why our mission matters. Heart, health and humanity aren't just words, they are a mission that guides everything we do. Together, we will continue to make a meaningful difference, both inside and outside our restaurants. We look forward to speaking with you all on our next call.

Operator

This concludes today's conference call. Thank you very much for your participation. You may now disconnect.

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