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CAVA Group, Inc. (CAVA) Q4 2025 Earnings Call Transcript

Feb. 24, 2026 7:37 PM ET | CAVA Group, Inc. (CAVA) Stock

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Q4: 2026-02-24 Earnings Summary

Insights

EPS of \$0.04 **beats by \$0.01** | Revenue of \$274.99M (20.93% Y/Y) **beats by \$6.58M**

CAVA Group, Inc. (CAVA) Q4 2025 Earnings Call February 24, 2026 5:00 PM EST

Company Participants

Matt Milanovich - Senior Vice President of Finance

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

Tricia Tolivar - Chief Financial Officer

Conference Call Participants

John Ivankoe - JPMorgan Chase & Co, Research Division
Sharon Zackfia - William Blair & Company L.L.C., Research Division
Jake Bartlett - Truist Securities, Inc., Research Division
Sara Senatore - BofA Securities, Research Division
Christopher O'Cull - Stifel, Nicolaus & Company, Incorporated, Research Division
Andrew Charles - TD Cowen, Research Division
Danilo Gargiulo - Bernstein Institutional Services LLC, Research Division
David Tarantino - Robert W. Baird & Co. Incorporated, Research Division
Brian Harbour - Morgan Stanley, Research Division
Brian Mullan - Piper Sandler & Co., Research Division
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Christopher Carroll
Jacob Aiken-Phillips - Melius Research LLC
Todd Brooks - The Benchmark Company, LLC, Research Division
Brian Vaccaro - Raymond James & Associates, Inc., Research Division

Presentation

Operator

Good afternoon, ladies and gentlemen, and welcome to the CAVA Q4 and Full Year 2025 Earnings Conference Call.

[Operator Instructions]

This call is being recorded on Tuesday, February 24, 2026. I would now like to turn the conference over to Matt Milanovich, SVP Finance. Please go ahead.

Matt Milanovich

Senior Vice President of Finance

Good afternoon, and welcome to CAVA's Fourth Quarter and Full Year 2025 Financial Results Conference Call. Before we begin, if you do not already have a copy, the earnings release and related 8-K furnished to 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 as may be updated by its reports 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

Co-Founder, CEO, President & Director

Thanks, Matt, and welcome to the call, everyone. 2025 was a milestone year for CAVA, made possible by more than 13,000 team members who deliver on our mission of bringing heart, health and humanity to food every day. Before diving into the quarter and fiscal year, I want to thank our teams for their commitment to our guests and to one another. Their dedication is what continues to fuel our growth and made this another successful year at CAVA. In 2025, we continue to build with intention, strengthening our position as the clear leader of the Mediterranean category, guided by an unwavering long-term strategic focus. It was a record-setting year marked by our first full fiscal year, surpassing \$1 billion in revenue and our strongest new restaurant opening class to date.

The year also marked a transition point, shifting from a newly public company to a large-scale sustainable growth enterprise as the model we've been building began to grow more broadly with strong new restaurant performance translating into meaningful market share gains. We believe our momentum reflects more than just expansion. It signals that our value proposition is resonating with today's increasingly discerning consumer. As guests become more intentional with their spend, they are choosing brands like CAVA that deliver real differentiation through bold flavors, helpful food and hospitality that creates meaningful human connection.

Our fourth quarter highlights include a 21.2% increase in CAVA revenue and a 55.5% increase over the last 2 years, same-restaurant sales of 0.5%, restaurant-level profit margin of 21.4%, 24 net new restaurants, adjusted EBITDA of \$25.8 million and net income of \$4.9 million. And full year highlights include a 22.5% increase in CAVA revenue and a 63.1% increase over the last 2 years, same-restaurant sales of 4%, 72 net new restaurants, ending the year with 439 restaurants, a 19.6% increase year-over-year; adjusted EBITDA of \$152.8 million, a 21% increase over the full year 2024, net income of \$63.7 million and \$26.1 million in free cash flow. Just last month, we celebrated our 15-year anniversary. And when my co-founders and I started this business, our ambitions were simple: to make Mediterranean cuisine accessible to communities across the country, deliver it with genuine hospitality and create a platform where our team members could build a career, not just have employment.

That simple but powerful idea continues to shape our culture and how we serve our guests and support our teams every day. As we enter this next chapter of growth, I'm excited to welcome Doug Thompson as our new Chief Operations Officer, whose operational leadership will help us scale thoughtfully and sustainably. With our growth comes an even greater focus on the choices we make for our guests.

Today's industry environment is dominated by price discounting, a reflection of many brands who aggressively raised prices in recent years. We believe it's more important than ever to deliver real value every day and exceptional experiences. In recent years, we've taken less than half the price increases of industry peers while underpricing CPI by over 10%. It's these intentional decisions made consistently over time that reinforce trust with our guests and strengthen the long-term foundation of our brand. And that foundation comes to life through our 4 strategic pillars, starting with our first pillar, expand our Mediterranean Way in communities across the country. During the fourth quarter, we opened 24 net new restaurants, ending the year with 439 locations across 28 states and the District of Columbia.

2025 was a strong year for expansion, and we're excited to continue that momentum in 2026 with upcoming new market entries across the Midwest, including Cincinnati, St. Louis, Columbus and Minneapolis. All new restaurants will open with the full Project Soul design as we remain on track toward our next milestone of at least 1,000 restaurants by 2032. As we bring our Mediterranean Way to more communities, our food remains at the heart of how our guests experience our brand. With the new year just beginning and many guests leaning into healthier choices, we're meeting that moment with menu innovation rooted in both flavor and purpose. Our most recent culinary launch, our largest update yet, brings back the fan favorite and deliciously creamy roasted white sweet potato and introduces new offerings such as Sumac Slaw, Power Greens, Tangerine Aleppo Juice and Sumac Sour Cream and Onion Pita chips. By leaning into spices like Coriander, Paprika, Sumac and Aleppo Sour Pepper, we're delivering bold, satisfying high-quality food that feels both authentic and deeply craveable.

That same focus on health and balance carries directly into our next major culinary moment. I'm excited to share that towards the end of the first quarter, we'll be launching Pomegranate-glazed Salmon, our first-ever seafood offering and a natural extension of our menu. Salmon fits seamlessly into the Mediterranean diet and naturally expands the variety of choices we can offer our guests, inviting even more people to our CAVA table. Our roasted flakey filet is marinated in a subtly sweet blend of pomegranate, harissa, red wine vinegar and bold spices. As we prepare for this upcoming launch, we've taken a thoughtful and disciplined approach to testing to ensure a great guest and team member experience. We're excited to bring this to life in the coming months and can't wait for our guests to experience it.

Shifting to our second pillar, deepen personal relationships with guests even as we scale. This past fall, we rolled out tiered status levels as the next phase of our loyalty program. Through this evolution, we've been able to deliver differentiated benefits, surprise and delight moments and recognition through our Sea, Sand and Sun tiers. While still early, the introduction of these tiers has already strengthened engagement and created new personalized ways for guests to connect with our brand. Building on that foundation, we recently introduced Oasis, our invite-only tier designed to recognize our most loyal guests and strengthen long-term relationships. Oasis gives our most engaged members access to enhanced earning opportunities, additional perks, exclusive merchandise and special events throughout the year. This tier is another example of how we will utilize our new loyalty architecture to lean into more tailored and personalized guest experiences over time.

As we deepen our relationships with our guests, delivering on that promise requires a clear focus on our third pillar, running great restaurants every location, every shift. Our team members remain at the core of our business and enabling them with the right tools and technology is essential to delivering great guest experiences every day. A strong operational foundation allows us to consistently elevate hospitality, improve order accuracy and enhance speed and service across our restaurants.

Over the past year, we've continued to invest in technology that simplifies execution and makes our restaurants easier to run, including the rollout of our kitchen display screen system. In 2025, we completed all scheduled retrofits and opened every new restaurant with the new system, ending the year with our KDS live in 370 locations with the remaining 69 retrofits to be completed this year. This is a meaningful cross-functional effort driven by a shared focus on supporting operators and improving the day-to-day restaurant experience.

In that same spirit, we've completed the rollout of TurboChef ovens across our entire restaurant base, giving team members the equipment they need to execute consistently as our menu continues to evolve. These ovens have already played an important role in delivering the quality and consistency guests expect, including our recent white sweet potato launch, and they will be a key enabler of our upcoming salmon launch.

By simplifying execution and delivering faster, more consistent cook quality, these ovens help ensure our culinary innovation shows up in restaurants with the same integrity and care we design it with. As we continue to focus on running great restaurants every location, every shift, leadership in our restaurants matters more than ever. As I noted earlier, Doug Thompson will be joining CAVA as our Chief Operations Officer this March. Doug brings deep experience developing and mentoring restaurant leaders, building durable talent pipelines and creating environments where people can grow careers, not just sold roles. His leadership philosophy is closely aligned with our belief that great restaurants are built by great people, and we couldn't be more excited for him to partner with our teams as we enter our next phase of growth.

Doug's arrival builds upon the foundation that we started last October when we launched our Flavor Your Future initiative, a holistic team member development program designed to attract, develop and retain CAVA's next generation of leaders. One of our first actions under this program was the introduction of the Assistant General Manager role created to build a deeper bench of role-ready leaders as we continue to scale. Today, we are on schedule with 60% of AGM roles filled and a majority of them coming from internal promotions. While still early, we're seeing encouraging signs that this approach is having a positive impact. Restaurants with AGM coverage are outperforming those without as AGMs provide additional leadership support during peak dinner and weekend shifts, helping to strengthen execution across every shift, develop future team members and create more sustainable restaurant teams.

In addition to the AGM role, given our dynamic new restaurant growth, we are making deliberate changes to our field leadership model to support operator development and elevate standards as we scale. First, we introduced 2 zone leaders who will be reporting directly to Doug, splitting the country to increase focus, accountability and leadership proximity to restaurants. Second, we narrowed spans of control for our regional leaders, enabling deeper restaurant engagement and more consistent coaching in the field. And finally, we added a new market leader role to create a clear span breaker between regional and area leaders, strengthening day-to-day support and execution at the local level.

Together, these changes increase in-restaurant leadership presence, reinforce hospitality and build the leadership pipeline needed to support long-term sustainable growth. As we look ahead, we'll continue to scale with purpose, staying grounded in our mission while building a business designed to endure for the long term. The strength of what we've put in place gives us confidence in the path forward, and none of this would be possible without the dedication and trust of our team members across the field and support centers. Thank you to our teams and to all of you who continue to believe in our mission and the growth we're creating together.

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

Tricia Tolivar

Chief Financial Officer

Thanks, Brett, and hello, everyone. CAVA revenue in the fourth quarter of 2025 grew 21.2% year-over-year to \$272.8 million. During the quarter, we opened 24 net new restaurants, bringing our total CAVA restaurant count to 439. Same-restaurant sales increased 0.5%. On a 2-year basis, same-restaurant sales accelerated 170 basis points to 21.7%. On a 3-year basis, same-restaurant sales remained relatively stable at 33.1%. Our unit economic model continues to be strong, and we remain confident in the underlying structural strength of the business. We had a record-setting year with our new restaurant productivity remaining above 100% and our 2025 NRO AUVs trending above \$3 million, underscoring the resonance of our brand. CAVA restaurant level profit in the fourth quarter was \$58.3 million versus \$50.4 million in the fourth quarter of 2024, representing 15.7% growth.

CAVA's food, beverage and packaging costs were 30.4% of revenue, a 50 basis point increase from the fourth quarter of 2024. This increase reflects tariffs and our limited time-only Chicken Shawarma offering. CAVA labor and related costs were 27.1% of revenue, a decrease of approximately 20 basis points from the fourth quarter of 2024. This decrease reflects leverage from increased sales, partially offset by an investment in team member wages of 1.5%. CAVA occupancy and related expenses were 7.6% of revenue, flat with the fourth quarter of 2024. CAVA other operating expenses were 13.4% of revenue, reflecting an increase of 60 basis points from the fourth quarter of 2024. This increase was due to a higher mix of third-party delivery and ongoing technology costs associated with our kitchen display system rollout.

Shifting to overall performance. Our general and administrative expenses for the quarter, excluding stock-based compensation, was 10.5% of revenue compared with 10.4% of revenue in Q4 of 2024. This 10 basis point increase was primarily due to investments to support future growth, partially offset by leverage from higher sales. Preopening expenses were \$4.6 million in the current quarter compared with \$2.7 million in the prior year quarter. The \$1.9 million increase includes a higher number of units under construction and increased costs on a per unit basis. Adjusted EBITDA for the fourth quarter was \$25.8 million, a 2.6% increase versus Q4 of 2024. The increase in adjusted EBITDA was primarily driven by the number and continued strength of new restaurant openings, partially offset by investments to support growth, including higher preopening costs.

For full year 2025, equity-based compensation was \$18.1 million. In 2026, we expect stock-based compensation to be between \$22 million and \$24 million, which includes our new program to provide equity grants to general managers. In 2026, we plan to adopt a performance-based LTI program, which would transition from a 4- to 3-year vesting period, accelerating expense recognition without changing total equity granted. Approximately 55% of this expense will be recognized in the first half of the year, given the timing of payroll taxes associated with RSU vesting and the extra period in Q1. In 2025, our effective tax rate was 10%. For the full fiscal year 2026, we expect our effective tax rate to be between 25% and 30% with a slightly lower rate in the first half of the year versus the back half due to the timing of equity-based vesting.

This increase for the year is due to the anticipated lower permanent benefit from equity-based compensation. As a reminder, our cash taxes will continue to be immaterial until we fully utilize our net operating losses. For the full fiscal year, we reported GAAP net income of \$63.7 million compared to adjusted net income of \$50.2 million in the prior year, an increase of 26.9% due to higher operating performance and lower taxes, partially offset by higher depreciation and amortization. Diluted EPS for fiscal 2025 was \$0.54 per share compared with adjusted diluted EPS of \$0.42 in the prior year.

Turning to liquidity. At the end of the quarter, we had 0 debt outstanding, \$393 million in cash and investments and access to a \$75 million undrawn revolver with an option to increase our liquidity if needed. Note, we expect to increase the size of the revolving facility and extend its maturity date in the first quarter. When looking at full year 2025, cash flow from operations was \$184.8 million compared to \$161 million during the full year 2024. This increase was primarily driven by improved operating performance. Free cash flow in 2025 was \$26.1 million, a decrease of \$26.8 million compared to full year 2024 due to capital expenditures.

Now our outlook for full year 2026, we expect the following: 74 to 76 net new CAVA restaurant openings; CAVA same-restaurant sales of 3% to 5%; CAVA restaurant-level profit margin between 23.7% and 24.2% preopening costs between \$19.5 million and \$20 million; and adjusted EBITDA, including the burden of preopening costs between \$176 million and \$184 million. I'd like to provide some additional thoughts on our outlook.

Turning to same-restaurant sales. We expect 3% to 5% growth this year. As we exited last year, we began to see momentum in same-restaurant sales with first quarter comp trends tracking above full year guidance. Having said that, given the dynamic consumer backdrop in 2025 and uncertainty across today's macroeconomic landscape, our guidance for the rest of the year assumes a low to mid-single-digit same-restaurant sales, which is in line with our long-term algorithm. Additionally, in January 2026, we implemented an approximate 1.4% in-restaurant menu price adjustment, and we do not plan to take any additional price in 2026. Importantly, this adjustment did not include price increases to our base bowl, allowing us to maintain strong everyday value for our guests.

On the cost side, we expect low single-digit inflation across food, beverage and packaging and low to mid-single-digit labor inflation, inclusive of modest incremental investment to support our AGM program. Keep in mind, beginning in the second quarter, we expect salmon to be a margin rate headwind of approximately 100 basis points, while pricing will drive penny profit neutrality. Shifting to general and administrative expenses, as Brett outlined, we are making targeted investments in our field leadership model to support operations and elevate standards as we scale, including the addition of 2 zone leaders, a new market leader role and narrower spans of control. As a result, we expect G&A as a percent of revenue in 2026 to remain relatively flat year-over-year. These investments are well timed for our next phase of growth to ensure operational integrity and will support Doug as he comes on board and begin partnering with our teams.

Before we move to Q&A, I want to acknowledge our restaurant, manufacturing and support center teams. Our momentum reflects the strength of our model, and we're grateful to the teams who make that possible. Thank you all for bringing heart, health and humanity to food every day.

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

Question-and-Answer Session

Operator

[Operator Instructions]

Your first question comes from the line of John Ivankoe from JPMorgan.

John Ivankoe

JPMorgan Chase & Co, Research Division

So I'm going to ask the question about same-store sales and maybe a little bit differently. New unit volumes continue to be strong in the fourth quarter of '25. Quite frankly, they've been strong the last couple of years. I think there was at least some conversation that maybe these strong new units that were entering the comp base would actually be a negative throughout parts of '25 and certainly into '26. So I wanted to comment if that was still happening. And if that's the case where new units are coming into the comp base negative, can you describe the other pockets of strength in your more mature units that are leading to such outsized comps, particularly in the first quarter?

Tricia Tolivar*Chief Financial Officer*

John, thanks for the question. So as you know, our same-restaurant sales are calculated on a full year basis. So after about 12 months of performance, they come into the comp base. And as you called out, those restaurants have been performing very well and provided some headwinds. So as they came into the base in 2025. Those were not significant overall to the same-restaurant sales in general. And in fact, we're seeing strength across all of our vintages of restaurants, all of our geographies across the country, the income cohorts of our restaurants based on median household incomes in those markets that's really supporting the same-restaurant sales results that we've delivered and what we're seeing as we go into 2026 overall.

Operator

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

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

I guess just a follow-up on John's question. Can you talk about what your assumptions are for new unit productivity in '26 kind of embedded in your guidance? And then Tricia, on the comps, is there any inherent reason other than just general macro uncertainty that you would expect comps to decelerate for the rest of the year? It seems like salmon would also give you some extra ticket there.

Tricia Tolivar*Chief Financial Officer*

Thanks, Sharon. So our new restaurant productivity assumption included in our guidance is about 90%. As you know, our '25 cohort delivered over 100% productivity, but we wanted to be very thoughtful in our assumptions as we went into 2026. And we're seeing good results so far, but our guidance reflects a 90% new restaurant productivity assumption. And then as you think about comps, you would naturally expect that introductions of new menu items would drive performance and lifts in traffic overall. But our guidance reflects our long-term algorithm, which is low to mid-single-digit assumptions from here on out, again, and wanting to be very thoughtful, understanding and anticipating the broader consumer environment, any macro pressures that might be out there, volatility in the restaurant industry in general.

While we're not seeing that or experiencing that in our quarter results to date, we wanted to reflect that in our assumptions. So as we guide, we're thinking same-restaurant sales will be fairly even throughout the quarters of the year despite the fact that we have a very robust pipeline of opportunities ahead of us.

Operator

Your next question comes from the line of Jake Bartlett from Truist Securities.

Jake Bartlett

Truist Securities, Inc., Research Division

Mine was on your restaurant level margin outlook and actually also the pressure you had in '25 relative to your long-term guidance. So the question is, how much of the pressures that you're seeing -- you expect to see in '26 are temporary, things like bringing on the salmon and that will go away on their own. And then the other question is how -- what actions are you going to take or do you plan to take to get back to that 25% long-term target?

Tricia Tolivar

Chief Financial Officer

Yes. So as we think about going forward, we're always focused on making investments. So investments in team members, investments in the guests. And sometimes those have impacts on our restaurant level margins. But the power of our model is very strong. And with robust AUVs at \$2.9 million, we're able to pass things along into our business without passing costs on to the guests. So when I talk about investments, think about modest price increases. So our base bowls, for example, we did not increase at all when we raised prices at the beginning of this year, making investment in the guests and making ourselves even more accessible than we've ever been.

And as you're thinking about restaurant level margins overall, 25% is not our target. That is something that we have been able to deliver, but we've been also very thoughtful about making reinvestments to build this brand for the long term. So as it relates to 2026, Yes, we're going to introduce salmon, and it will be a premium item, much like steak was, and it will have a headwind to overall restaurant level margins of about 100 basis points when we launch it, but it will drive penny profit neutrality overall. Additionally, we'll continue to make investments in labor. We started with additional investments with our AGM program in December of 2025. There'll be some modest investments there on the labor line and then always looking to make sure that we're paying our team members a fair wage and evaluating that against our competitors so that we're a top payer in the market so that we can create opportunities for our team members so they can deliver on an amazing guest experience.

Operator

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

Sara Senatore

BofA Securities, Research Division

I guess maybe as I think about the -- to your point about the same-store sales growth kind of accelerating, I think you identified a few drivers. And I was wondering if maybe you could, I don't know, order of magnitude or help me think through what the sort of -- what really turned the dial because I think the rest of the industry hasn't seen this kind of inflection. But I think you mentioned you -- obviously, the AGM, you had some innovation, I think, and then the tiered loyalty. I don't know if you could sort of disaggregate, I know that's hard, but trying to think through kind of what of these maybe was the sort of hallmark of the improvement? And then as you think through kind of that AGM rollout, is there anything that we could look at that says like throughput gets better or I know they're performing better, but sort of anything to quantify as we think about getting to maybe 100%.

Tricia Tolivar

Chief Financial Officer

Sara, so as we look at the 2-year stack of same-restaurant sales, as you indicated, we saw a sequential improvement throughout 2025 from first quarter to second quarter to third quarter and into fourth quarter. There really isn't one thing that was driving that. You mentioned a lot of the initiatives that we put into place, and that there isn't any one single thing that was driving the overall results. I've sometimes talked in the past about how the drivers of same-restaurant sales are a little bit like a CAVA bowl, a lot of amazing individual items that come together to produce something that's pretty impactful. And that's what we're seeing.

So encouraged by what we're seeing with AGMs. That launched started launching in December of 2025, wanting to be thoughtful about throughput, but not wanting to compromise on the guest experience. So we didn't pull any significant levers in there. Marketing is a lever that we are modestly leaning into and leveraging our media mix modeling work to make -- be thoughtful in how we're communicating the guests to drive traffic. But again, wanting to make sure that we are delivering amazing culinary that is helpful, makes us feel good while we're e it and after with a great guest experience in hospitality. And we're going to continue to focus on that to build a long-term durable brand that delivers traffic momentum into the future.

Operator

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

Christopher O'Cull

Stifel, Nicolaus & Company, Incorporated, Research Division

Tricia, I had a follow-up on the conversation about media mix. I think the company has been leaning more towards -- or more heavily toward paid advertising. Just hoping maybe you can elaborate on what you've been evaluating, whether you believe the ROI on these investments have been attractive and whether there's any appetite to expand the effort?

Tricia Tolivar

Chief Financial Officer

So we're learning every time we update our media mix modeling work, and we tweak our investments as we learn more from that and monitor the ROAS and to make shifts accordingly. We haven't significantly changed our overall marketing investment, but we want to optimize that. One of the beauties of our model and the power of the appeal of the brand is it doesn't require a lot of media to drive the growth into the future, but we want to make sure that we're optimizing it. We did drive a significant impact or a significant increase in overall brand awareness over the past year. So from about 55% a year ago to 62% today, and that has something to do with more restaurants opening across the country and the way we're able to optimize our investments in media.

Operator

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

Andrew Charles

TD Cowen, Research Division

Trish, I want to come back to the new store maturation. If you go back to the time of the IPO, you guys talked about how when stores enter the comp base, they comp around 10% in year 1 and around 8% in year 2. And the output of that is usually around, call it, 250 or 300 basis points benefit to same-store sales. So I'm curious what's embedded within the impact from new store maturation within the 3% to 5% guidance. a question for you. Can you talk about the test of salmon and what you observed there? And how do you compare and contrast it versus what you saw with Chicken Shawarma?

Tricia Tolivar

Chief Financial Officer

Thanks, Andrew. So yes, our -- what we shared when we were on the IPO roadshow was that a new restaurant start at about \$2.3 million in AUV and grow about 10% in year 1. And in fact, over the past 2 years, we've seen those restaurants open much higher than that and experienced in some markets, a bit of a halo around those openings. We find that over time, those restaurants at about month 18 start to perform more like what we would have seen historically. It's a reflection of that increase in brand awareness, the excitement around the brand and the momentum that we're actually seeing. But at the end of the day, the cash-on-cash returns are much stronger because we're pulling forward those revenues such that in year 2, we're exceeding what our expectations were both on the top line and the bottom line perspective.

And so when we think about guidance, we know what we saw in 2024 with that cohort of openings, and we've modeled '25 impact of openings on '26 to be slightly larger of a negative impact in guidance than what we experienced in 2025 because those 25 openings were stronger than the '24 cohort themselves, and that has been built into the guidance overall.

You asked also about the salmon test versus Chicken Shawarma, bringing in salmon at the end of the quarter, it's amazing pomegranate-glazed and in test results performed a little bit better than Chicken Shawarma, but we've also been very thoughtful in how we're building that into our guidance assumptions and going back to -- we looked at trends quarter-to-date, layered on a low to mid-single-digit long-term algorithm assumption for the rest of the year. So we've been very thoughtful in how we're applying any new culinary initiatives that are going to roll out.

Operator

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

Danilo Gargiulo

Bernstein Institutional Services LLC, Research Division

Okay. I'll give a little breather to Tricia and ask the question to Brett this time. So Brett, I wonder if you can elaborate on Project Soul more, how many stores now have the new design, early learnings that you're seeing or different experiences from consumers? And if there is any financial metric that you're willing to share regarding the outperformance or underperformance or equal performance of the stores versus the control group, that would be helpful as well.

Brett Schulman

Co-Founder, CEO, President & Director

Danilo, thanks for the question and giving Tricia a breather. We have Project Soul -- elements of Project Soul in roughly 100 locations to date. Every new restaurant gets the full Project Soul design. And we have seen improved aesthetic scores from our guests. They certainly feel the warmer environment, the more vibrant environment and an environment that's more evocative of dwelling for a bit and sharing a meal in our physical space. So it certainly is communicating our brand essence in a compelling way, and we're excited to roll it out in all new restaurants.

And then as older restaurants age, we'll go back and remodel and apply the Project Soul design to those aging restaurants. As far as the quantifiable impact, we have not disclosed that to date on what we've seen from a Project Soul perspective.

Operator

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

David Tarantino

Robert W. Baird & Co. Incorporated, Research Division

Brett, I'll keep you involved in the conversation here. I wanted to ask, I guess, 2026, according to your guidance, will be the year where you cross over the 500-unit mark. And I know you and I have talked about that being a critical point where you need the right infrastructure and right systems to support growth for the next 500 or so units. So I wanted you to maybe give an update on where you think you are in terms of what ideally you need in terms of systems, infrastructure, people. I know you mentioned the field leadership model that you recently rolled out. But I guess, any other changes do you think you need to accomplish the growth you want to beyond this year?

Brett Schulman

Co-Founder, CEO, President & Director

Yes. Thanks, David. I mean I feel good about where we stand from a manufacturing infrastructure, technology infrastructure, our digital ecosystem, we've invested heavily in our data infrastructure, we made a lot of progress in the past year on our new data foundation to be able to leverage modern data technologies and LLMs and really unlock productivity improvements in the business, both in our restaurants on marketing and insights across corporate.

Certainly, the priority from an infrastructure standpoint beyond what we've already built is deepening and broadening our people development pipeline. And I referenced it in the prepared remarks as Doug comes on board and the new flavor, Your Future Platform, we launched this past fall. So very excited to create real clear explicit development path and have a developmental system that takes our team members from entering our door as a team member on the line to growing into a multimillion-dollar restaurant leader. That is the biggest governor, as I've said, to our growth.

And I feel good about where we stand today, but this is really to ensure that we have the foundation in place that our guidance is for 74 to 76 restaurants next year. But as we continue to grow our compound annual unit growth rate, we'll be staring down the barrel of 100-plus restaurants a year that we've got that role-ready bench of leaders and career paths for them.

And then lastly, I'll say, we also referenced in the prepared remarks some of the infrastructure we put in the kitchen to make sure not only from simplicity of operations, but flexibility from an innovation standpoint, our TurboChef ovens as well as from an execution standpoint on digital order accuracy, our new KDS system. So I feel good about where we stand. And as Tricia talked about, we continue to reinvest in our teams and in our guests for long-term sustainable growth and long-term sustainable restaurant level margin expansion.

Operator

Your next question comes from the line of Brian Harbour from Morgan Stanley.

Brian Harbour

Morgan Stanley, Research Division

Maybe just now that you have a new COO in place, what -- you talked a lot about people, but I guess what are some of the other kind of operations priorities? Or what are some things that you think can really make the difference as we think about this year and next on the operations side?

Brett Schulman

Co-Founder, CEO, President & Director

Yes, Brian, thanks for the question. Certainly, #1 priority is that people development pipeline. Number two, I'd say, is elevating our hospitality to truly be reflective of our Mediterranean brand essence in every interaction that every guest has across our restaurants. And lastly, I'd say to just elevate the consistency of how we deliver our operational execution every location, every shift, whether that's Sunday night, not just peak lunch on a Wednesday.

Operator

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

Brian Mullan*Piper Sandler & Co., Research Division*

Just wanted to ask about catering. Can you update us on what you're learning or testing for in the Houston market? Is the plan still to test in a new market at some point this year? And then just related to that, I'm not trying to get ahead of ourselves with this, but when you do decide the business is ready for catering more broadly, do you envision kind of a region by region? Or would it be something you'd look to turn on everywhere? And does that require dedicated sales? Or are there other ways to grow awareness? I know you believe there's demand. So just your take on all that.

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

Yes. Thanks, Brian. We certainly are excited about the potential of catering and the demand we see. And we are also very sensitive to making sure that we do this thoughtfully to set our operators up for success and to be able to deliver the guest experience we're committing to. So we do expect a second market test in addition to our ongoing Houston market test later this year and would see a potential expansion in '27 to additional markets. I don't think you'd see us go from a standing start to a national launch, but I do think we would get to a certain point of markets with catering that we felt confident enough that we have perfected and refined our catering channel that we would then move to a national launch progressing through our stage gate process.

So we've had tremendous learnings to date. We have progressed and formalized our packaging. We are working on the final technology that will roll out into that second market test from a self-service model. We have an internal sales team that harkens back to our Zoe's Kitchen days. So we've got a great B2B sales team in place already. So a lot of the elements there. We're just trying to be very thoughtful and very methodical because the production rhythm of catering is very different than our traditional channels of in-restaurant and digital. It's highly concentrated, high volume. So we want to make sure that we have the load balancing thought through and correct and that we have our operators positioned and our guests user experience up to the par of our other channels.

And once we feel like we've got that in the position we feel very confident in, we'll be very excited to take advantage of the demand that's out there and launch the catering channel.

Operator

Your next question comes from the line of Logan Reich from RBC Capital Markets.

Logan Reich

RBC Capital Markets, Research Division

Congrats on the really solid quarter. My question was on the Q1 to date performance. It seems like you guys have had a pretty material improvement from Q4 relative to some other players in the industry. Where do you guys think the outperformance is coming from? And what are the key drivers of the improvement you guys are seeing year-to-date? And then if you could just quantify the impact of anything you're seeing on the weather in January, that would be helpful.

Brett Schulman

Co-Founder, CEO, President & Director

Yes, Logan, it's Brett. I'll take this one. As Tricia noted earlier, sequentially, we had a 2-year improvement every quarter last year. And we tried to stress after Q2 and Q3, the idiosyncratic nature of some of the high hurdles we were lapping, including the launch of steak as well as you had things like government shutdown and some other things I know other brands are dealing with. But I felt like at the time, it was obfuscating and we noted the underlying strength we were seeing in the brand. And we talked about this as it relates to our new restaurant openings, our best class ever.

So we were seeing that strength underneath. And as we cycled through some of those short-term cyclical headwinds, we've seen those comps reaccelerate and reemerge. And I also think we focused on delivering great value every day. And there was a very intense promotional discount environment in Q2, Q3 and somewhat Q4. And I feel like there's a sense that there may have been some buying of transactions in other places where consumers were gravitating back to where they find great bang for the buck as they're becoming increasingly discerning about where they're spending those dollars.

And we look at value from a holistic standpoint, the quality of the ingredients we're serving, the relevance of our Mediterranean cuisine, especially when you look at trends, including GLP behavioral eating shifts, like our unique cuisine where taste and healthy night and then delivered with convenience in a multichannel format with the experience we're delivering operationally and from a brand perspective, that is long term, a secular trend as we celebrated our 15th anniversary last month that hasn't changed over those 15 years and continues to build momentum. And I think you're seeing that momentum reaccelerate as we came out of last year and started this year.

And from a weather standpoint, I'd like to say, winter comes every year. Came a little harder this year, but our guidance and our quarter-to-date context includes all of the storms, including the recent blizzard here in the Northeast.

Operator

Your next question comes from the line of Nick Setyan from Mizuho Securities.

Nick Setyan

The digital mix is up like 200 basis points plus for 3 quarters in a row now. And that obviously predates the October revamp of loyalty. So maybe just give us a peek of what's going on under the hood, the third-party versus first-party average check of digital versus nondigital, anything would be very helpful.

Brett Schulman

Co-Founder, CEO, President & Director

Yes. Nick, I won't get into the details of the check on delivery. What I will say is that we've gotten better at execution on our digital channels. We always felt we had opportunity there. The KDS investment has helped as we improve our accuracy scores, as we improve our timeliness scores. So whether it's online order, whether it's first-party or third-party delivery, we've improved operationally, and that has led to increased transaction growth on those channels.

Operator

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

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Great. Brett, I just wanted to follow up on the AGM discussion. I mean it seems like that's core to your focus on improving operations. I think you mentioned you're now 60% complete in terms of filling those roles. Just wondering if you can give a little bit more color in terms of what you think are the primary benefits there and maybe the time frame to complete what seems like a pretty key rollout. And I think you mentioned -- I mean, that's the biggest constraint to unit growth. Just wondering if you feel like you have the pipeline of managers to stay at these new units as you especially ramp up to that 100-unit number per year.

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

Yes. Thank you. We do feel like we've got the pipeline in place and the reinforced focus on it is to make sure we stay in front of that and stay ahead of it given our accelerated growth. I think the 2 big things the AGM role is meant to address and is addressing is, one, that broadening and deepening of role-ready leaders to fill that pipeline and open those new restaurants with operational integrity. And two, it goes to our third pillar is title. It's running great restaurants every location, every shift. So having a more seasoned manager complement across all 14 dayparts, 7 lunch and 7 dinners every day of the week. And that really is the focus of that role, and we're very pleased with the early results we've seen with restaurants that have that role. And the timing of completion of having those roles filled, we expect to have that complete by the middle of the year.

Operator

Your next question comes from the line of Christine Cho from Goldman Sachs.

Hyun Jin Cho*Goldman Sachs Group, Inc., Research Division*

So great to see the loyalty program continuing to evolve. And now with the tiered loyalty program being live for a few months, wondering if you're seeing any shift in the guest behavior, specifically any early evidence that the tiered structure is moving guests up the frequency curve and that the loyalty is helping alleviate some of the pressures coming from the younger consumers you've highlighted previously.

Tricia Tolivar*Chief Financial Officer*

We are seeing encouraging results as a result of the introduction of tiers. And we're seeing modest increases in frequency, and it's driving the behaviors that we were hoping for and that being engaging with guests earlier in their loyalty journey. So we had a lot of high-frequency users in the past before we introduced tiers that didn't even really understand or value the benefits they were receiving and the engagement was not that significant. And so the introduction of the tiers has brought our guests into the brand sooner and driving up frequency and experiencing new items, whether it might be a pita chip promotion or a drink promotion that will drive greater attachment over the long term as well.

Operator

Your next question comes from the line of Dennis Geiger from UBS.

Dennis Geiger

UBS Investment Bank, Research Division

I was curious if you could talk a little bit more at a high level about menu innovation looking ahead. Obviously, salmon, the big one and not to get too far ahead of ourselves. But just as it relates to menu innovation going forward, you have the tent-pole moments and then some other innovation around that. Can you just talk about the philosophy going forward, what the pipeline maybe looks like at a high level? Anything to add on thinking about that menu innovation looking ahead?

Brett Schulman

Co-Founder, CEO, President & Director

Yes. Dennis, it's Brett. Similar philosophy as what we've spoken to the last few years, that tent-pole moment bracketed by a few seasonal moments. You saw us in this most recent quarter in Q1 launch or bring back our roasted white sweet potatoes, which is a fan favorite. We launched a new greens mix, our Power Greens blend, which has been very popular, our Tangerine Aleppo juice and our new Sumac Sour Cream and Onion Pita Chips, which are delicious. I encourage all of you on the call. If you haven't tried it yet, you got to try them. So really building out our pita chip platform as a flavor innovation platform, which has helped drive incremental attachment of our pita chips and snacking and side occasions.

As far as innovation in the protein category, salmon, as we've talked about, is launching at the end -- before the end of Q1. We have other proteins in the stage gate process. We've had a market test of shrimp, our roasted garlic shrimp. So that is something we're also excited about as well as a number of other proteins that are in development. So there's a good pipeline of just the protein section, but we have many other opportunities from a category perspective, whether it's desserts, whether it's a complementary beverage platform, whether it is -- we have our pita sandwiches, there's opportunities to innovate and elevate around our sandwich platform as well as our base vehicle platform. You look at the grains category, I talked about the power greens and the greens category.

So all this comes together, toppings, dips and spreads to create a powerful holistic energy around innovation when you've got the ability to make 17.4-plus billion combinations and have unique ways through all these different categories to continue to drive excitement and interest and frequency.

Operator

Your next question comes from the line of Chris Carroll from KeyBanc Capital Markets.

Christopher Carroll

Maybe just following up on the topic of new restaurant performance and productivity. Can you maybe comment on what you're seeing from new restaurant performance in existing markets versus new markets? And curious if there's anything you're seeing in new versus existing market openings that's impacting how you're thinking about development strategy over the coming years?

Tricia Tolivar

Chief Financial Officer

We're seeing strength across our categories of openings. So we look at existing growth, emerging and greenfield markets, and we're seeing lift in those restaurant openings across those categories. So again, really just a reflection of the power of the brand and the momentum behind CAVA and Mediterranean and a reflection of the increase in brand awareness. And as we continue to open more restaurants, I would expect that, that would continue to build on that development and opportunity. So when we're thinking about the real estate strategy, we're always working with our real estate team. Jeff Gaul leads that for us. And we don't have any significant changes, just keep focusing on doing -- finding great sites and giving us an opportunity to welcome CAVA to more and more people across the country.

Operator

Your next question comes from the line of Jacob Aiken-Phillips from Melius Research.

Jacob Aiken-Phillips

Melius Research LLC

So just on throughput, as you've improved digital execution, you got salmon coming, are you starting to bump up against peak capacity in any of the mature stores? Or do you still think there's meaningful headroom to drive transactions without compromising speed and hospitality?

Brett Schulman

Co-Founder, CEO, President & Director

Yes. Thanks, Jacob, for the question. No, we think we have meaningful room to grow transaction growth at peak hour. And I've talked a lot in the past that we're not going to push that gas pedal too hard, too fast and overheat the engine, especially when it's many of our guests first time experiencing CAVA, let alone Mediterranean cuisine, and we want to give them the space to be able to have a great experience and not feel rushed. Now having said that, we know in many of our locations and urban locations in particular, we can get very long lines at lunch, and we don't want people intimidated and walking away.

So we continue to work on ways, whether it's our new labor deployment model we launched a year ago that we continue to refine deployments, whether it's new equipment, our new Project Soul design has a new layout on the line where they no longer turn around to get the greens and the greens are in front of them on the line, saving steps in motion to naturally help those lines flow better at POS checkout, redesigning the POS area so that we're not pushing our teams to rush people through in an unnatural way. But we think over time, there is a good amount of opportunity to drive transaction growth by improving speed, but not at the expense of service.

Operator

Your next question comes from the line of Todd Brooks from Benchmark.

Todd Brooks

The Benchmark Company, LLC, Research Division

Just wondering on KDS. Now that we're about 80% rolled out, what's the curve of a restaurant getting the platform and really getting to those efficiencies around digital order accuracy that start to bend the needle with the consumer and driving digital mix higher? And then I guess, what percent of the base has kind of reached that tipping point?

Tricia Tolivar*Chief Financial Officer*

So I'd say we're still evaluating that performance, but we do find that it's a fairly quick transition to the KDS system where you can see improvements overall. One of the other features of KDS is that guests have more visibility into the status of the order. So if they opt in for text notifications, we send that information on to the guests and then -- and create opportunities to have a better guest experience overall. The other thing it allows us to do is get better from an accuracy standpoint.

So over time, the combination of those 2 things should drive continued improvement in guest experience and overall results. And so I would say with the slope that's impacting it, but not an outsized driver of overall traffic driving, and it's certainly not something that we've layered in significantly in our guidance as we think about it going forward.

Operator

Our last question comes from the line of Brian Vaccaro from Raymond James.

Brian Vaccaro*Raymond James & Associates, Inc., Research Division*

Just a quick one on loyalty for me. And sorry if I missed it, but how many active users were in the program, either current or exiting '25? And could you frame the percent of sales that are being driven by the program and how that might compare to prior year?

Tricia Tolivar*Chief Financial Officer*

It drives about 1/3 of our overall sales through the loyalty program, and we haven't given a number on active users in the program. We're pleased with the progress we're making, and we'll continue to enhance the program itself and keep moving forward from there.

Operator

There are no further questions at this time. I will now turn the call over to our Co-Founder and CEO, Brett Schulman. Sir, please continue.

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

Thanks for joining today. Before we wrap, I want to take a moment to thank our entire team for their dedication and commitment. 2025 was a milestone year for CAVA, and it was only possible because of the team members who bring our mission of heart, health and humanity to food to life every day. As we look ahead, we're energized by the opportunity in front of us and confident in the foundation we've built for the next phase of growth. We look forward to sharing our progress and speaking with you again in the spring.

Operator

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

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