

# CAVA Didn't Become the Next Big Thing Overnight



A decade of innovation and recent conversions have set the stage for the fast casual's next chapter.



CAVA's climb toward one of the [most successful IPOs in recent restaurant memory](#) wasn't always conventional. About 14 years ago, the brand, which began in 2006 as a 1,700-square-foot, full-service restaurant in Rockville, Maryland, known as Cava Mezze, recognized it could scale. Ike Grigoropoulos, Chef Dimitri Moshovitis, and Ted Xenohristos joined cofounder Brett Schulman in 2010 to open CAVA as a fast-casual, assembly line brand. Think Chipotle's service approach, but in an undersaturated Mediterranean segment that's been ranked the No. 1 diet seven years in a row by U.S. News & World Report.

Yet even in the earliest days, CAVA looked beyond scale as a numbers game. It launched a mobile payment and loyalty app in 2013, added second, dedicated digital order makelines in 2015, built an in-house digital platform in 2017, and started to construct digital drive-thru pickup lanes in 2018. Digital menuboards arrived in 2021 and CAVA rebuilt its digital order platform to a scalable, microservices architecture in 2022. Today, roughly 35 percent of the brand's business flows through digital channels.

However, arguably the most outside-the-playbook moment landed in 2018, when CAVA acquired publicly traded Zoës Kitchen in a \$300 million deal funded by Panera Bread founder Ron Shaich's ACT III Holdings.

***COME HEAR CAVA'S STORY IN PERSON: Chief people officer Kelly Costanza is among the speakers at this year's QSR Evolution Conference***

At the time, 1995-created Zoës had 261 units across 20 states, although it had struggled to generate sales in the quarters leading up to the deal. In Q1, it posted same-store sales declines of 2.3 percent driven by a 4.4 percent drop in transactions and product mix, year-over-year. Zoës informed investors it expected to slow unit growth in 2019 and shuttered some underperforming and older stores. CAVA had 66 restaurants then, and the deal spread the group to a total of 24 states.

CAVA would follow the sale with a \$40 million funding round in December 2019 and a \$190 million investment in April 2021, which soared the company's value to nearly \$1.3 billion. That would apex at \$2.45 billion in June when CAVA went public and sold 14.4 million shares.

Naturally, CAVA didn't buy Zoës to form a two-headed Mediterranean platform where units of the same brand could compete adjacent to each other. Rather, this was closer in design to when First Watch acquired The Egg and I and began converting company-owned stores in locations where it didn't have a presence.

CAVA CEO Brett Schulman said, in the company's recent annual report (the chain's first filed), it recognized population migration trends toward the Sunbelt and the suburbs—all while it was undergoing that decade-long digital transformation. It led to a "Coastal Smile" real estate strategy, but Zoës acquisition is where the fuel ignited. The deal took CAVA's footprint to prime real estate "where consumers converged, well ahead of our competitors," Schulman said.

In total, CAVA has opened 153 conversion restaurants. As of March 2, 2023, the company no longer operated Zoës. And the conversion journey officially concluded on October 20 of last year with the final opening.

CAVA exited 2023 with 309 restaurants in 24 states and Washington, D.C. Across the fiscal year, it had 72 net CAVA openings, including the conversion of 28 Zoës.

Now, CAVA heads into 2024 for the first time as a solo-minded growth brand in search of its own properties. Admittedly, this means CapEx requirements to open new restaurants as CAVA grows will be "significantly higher" than the young fast casual experienced in the past few years thanks to conversions. It projects a sizable portion of new restaurants opening in 2024 and beyond to include

drive-thru pickup capabilities as well, “which typically require additional capital expenditures and higher real estate costs as well as incremental infrastructure and construction costs.”

CAVA’s revenue in 2023 was \$717.060 million, a jump from \$448.594 million the prior year. The increase was mostly due to a \$177.4 million bump from 145 net new CAVA openings during or subsequent to fiscal 2022, of which the majority owed to 91 CAVA units that converted from Zoës. The remainder was pushed by same-store sales growth of 17.9 percent, which consisted of an eye-opening 10.4 percent guest traffic lift, and 7.5 percent in menu price increases and product mix. CAVA generated adjusted EBITDA of \$73.8 million, a \$61.2 million increase over 2022

Zoës’ business accounted for \$3.867 million in revenue last year, operating at a profit loss of \$177,000.

CAVA had cash and cash equivalents of \$332.4 million and \$39.1 million as of December 31, 2023, and December 25, 2022, respectively— an increase primarily attributed to net proceeds received in connection with its IPO. Operations in 2023 were primarily funded from cash flows from operations that, together with the IPO, the company said, funded capital expenditures.

CAVA’s average-unit volume in 2023 was \$2.639 million, higher than \$2.398 the year before.

The brand’s principal use of liquidity went to funding new restaurant openings, including conversions, as well as the construction of a new production facility in Verona, Virginia.

Speaking to the broader picture again, Schulman wrote in the annual report that CAVA’s IPO was not the destination; “it was the beginning of our next chapter.”

So what does life without Zoës look like? Schulman said CAVA has yet to find a market that doesn’t respond well to the brand. It projects to grow nationally by 15 percent this year and next. Building on that “Coastal Smile” approach, CAVA sees particular opportunity in an area of the country where it hasn’t previously existed—the Midwest. It broke through in April with the “first of many planned restaurants in the Chicago market.”

The store, in Wicker Park, is 3,100 square feet and features a 30-seat dining room, digital order pickup and delivery, and an expanded kitchen for centralized catering production, another growing lever that’s in the infant stages of CAVA’s lifecycle.

Schulman said, in the post-COVID, post-inflationary landscape, the brand has witnessed a convergence of segments across the industry. And it’s going to define what happens next. “The move away from traditional full-service chains suggests that these legacy formats are struggling to deliver a relevant value proposition to the modern consumer; the restrictive mechanics of these traditional full-service formats inhibit their ability to deliver quality food and flavor at a reasonable total cost, convenience of time, or differentiation of experience, and often leaves guests’ changing needs unsatisfied,” he said. “Likewise, we have seen an increased movement toward fast-food establishments driven by price and convenience. Yet, these choices are frequently unhealthy and unsatisfying, dominated by kiosks and drive-thrus that focus on transactions rather than human connection.”



*There are more than 30 digital pickup lanes in CAVA's fleet today. AUVs at those stores are typically 10–15 percent higher*

As Schulman has shared in the past, the guidepost of CAVA was always to bridge those divides. He told *QSR*, from CAVA's perspective, "the demise of the dining room was greatly exaggerated."

And so, to his point, there's runway in serving the consumer of today and tomorrow as not an "either-or" proposition, but an "and."

"At a time when people want the convenience of quick service but also crave human connection, CAVA occupies a distinctive space," he said.

CAVA calls this framework "Project Soul," which means elevating the experience in its physical channel with inviting, gather-ready cafes. Yet, also complementing with digital channels that allow guests to engage with CAVA across multiple occasions and ordering platforms.

In February, CAVA introduced a 3.0 store design that warmed up the interior with a fresher palette, colors, environmental aspects, and "softer seating."

In-store dining at CAVA mixes 64 percent, and units typically range from 2,000 to 3,000 square feet with seating anywhere from 35 to 55 guests.

CAVA has pickup shelves inside stores and 31 restaurants with outside lanes. And while CAVA tinkers with the dining room, it's also launching a new loyalty program aimed at developing deeper connections with customers and establishing frequency. Toward the end of 2023, the fast casual transitioned loyalty guests in the Houston market to a new construct that allowed them to earn and bank points. It began testing new types of rewards to redeem and ways to engage customers. That pilot will expand into the Carolinas market and roll out nationwide by the end of 2024.

"This program lays a foundation to create truly personalized experiences and differentiated, thoughtful moments, deepening guests' connection to CAVA and driving frequency, mix, and check," Schulman said.

CAVA told investors in Q4 digital and dining rooms worked well in units with pickup lanes, leading to higher AUVs and slightly better restaurant-level margin. CFO Tricia Tolivar added the goal remains to exceed a targeted 35 percent cash-on-cash return.

Meanwhile, CAVA continues to progress a “Connected Kitchen” initiative aimed to make stores easier to operate, upgrades like predictive scheduling, prep, and cooking batching using data and AI models.

This multi-year approach will focus on exploring and implementing data-driven and generative AI technologies that can tell teams “exactly how much food to prep or cook in real time, drive quality consistency, increase order accuracy, and boost speed of service,” Schulman said.

“The right data, used the right way, can free team members from menial tasks and simplify the complexities of operations, inventory, and scheduling management,” he added. “By extension, we can improve quality, mitigate food waste, and allow our team members to focus on great food and great service, driving deeper connections with guests. Ultimately, this makes it easier for our employees to do their jobs successfully and deliver on our mission to bring heart, health, and humanity to food.”

The digital ecosystem CAVA hand-built over the past 10 years is unique in its tailored nature. Schulman said he believes the industry is on the precipice of another decade of transformation—“this time, data transformation.”

With the advent of third-party privacy regulations, growing its audience of first-party data and building one-to-one lines of communication with guests will be critical, he added.

“We believe there is a significant opportunity to leverage this data to create deeper, more personal relationships with our guests, even as we scale,” Schulman said.

CAVA’s new Virginia manufacturing facility produces dips and spreads and can support at least 750 restaurants (the overarching goal for CAVA is 1,000 nationwide), alongside the expansion of the brand’s CPG business. There’s an existing facility in Maryland.

And speaking more to catering, Schulman said group settings, small and large, offer another chance for CAVA to meet guests on their terms. “We see catering as an exciting way to extend our hospitality and reach beyond the four walls of our restaurants, and we are working on optimal ways to bring it to consumers,” he said.

This, too, is an evolving asset conversation. In 2024, CAVA will test multiple product formats, as it’s been doing in recent years. This includes Digital Kitchens and Hybrid Kitchens for centralized hub production, along with traditional restaurant production where capacity allows.

“These tests will inform how we successfully launch and grow a full-scale catering program, presenting an attractive channel growth opportunity in the years to come,” Schulman said.

A “hybrid kitchen” for CAVA means serving dine-in guests but with expanded catering production and digital order capabilities. The “digital kitchen” offers digital order pickup and catering.

While perhaps less flashy, Schulman noted CAVA overall must invest in operational infrastructure to scale without falling into the pits some other brands have. This includes paying attention to food safety through a “Critical Four” strategy that requires more frequent, stringent restaurant audits and a shift to a new third-party auditor.

The labor side of the business has to support development as well. The company ended 2023 with 55 “Academy GMs,” including seven recently promoted to the multi-unit leader position. CAVA delivered on its target to place 75 percent of its new restaurant GMs internally.

Academy GMs are employees certified to develop and train new GMs and lead training restaurants. The directive being to have at least one of them in each of CAVA's "gardens," or groups of eight restaurants. In addition to stuffing the talent pool from the inside out, it minimizes pre-opening costs by creating training hubs in growth markets.

As part of its IPO, CAVA gave employees opportunities to own CAVA shares at list price. Through stock grants, employees down to the GM level became shareholders.

The brand's "High-Performance Teamwork" blueprint is a seven-core competency outline that's in the opening phase of cascading through the organization, with leaders to the director level participating in the program, which is built around collaboration and career development.

CAVA also plans to implement tech that gathers guest feedback at the restaurant level and in nearly real time, Schulman said. In addition to this "restaurant health" system, CAVA will roll enhanced operational scorecard data and AI capabilities to unlock insights about the business.

Schulman unveiled some culinary updates in the annual report as well. In 2024, a new "main" with Grilled Steak. There hasn't been a beef item on CAVA's menu since January 2023. Schulman said the new product is high in protein and "rich in flavor, with the brightness of sun-dried tomato, herby Oregon, and a touch of red chili for fruity heat."