Camden Polley
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"CAVA" LBO Investment Memorandum

Entry Strategy: Seeing as Cava Group, Inc. (hereafter CAVA) is a publicly-traded company, the entry strategy hinges upon the market capitalization of the company's common stock shares. As of 9 November 2025, CAVA's equity is trading at $5.5 billion; applying a 15% premium over the market price yields a $6.3 billon purchase price and an entry EV/Revenue multiple of 6.6x.

Sources and Uses: Due to the substantial scale of the company, the purchase is financed with 24% equity and 76% debt. The debt is structured with a revolving line of credit (10%), fully-amortizing term loan (20%), slow-amortizing term loan (40%), high-yield debt (20%), and mezzanine debt (10%). CAVA currently has zero outstanding debt, so this capital will be allocated almost entirely toward the purchase price—resulting in initial debt/revenue of 5.0x.

Company Overview: CAVA's apparently meteoric growth since 2019 stems from its acquisition of Zoe's Kitchen (a major Mediterranean food chain) in 2018. In the years post-acquisition, a majority of Zoe's locations were converted into CAVA's. The company now operates in the burgeoning healthy, fast-casual restaurant industry. They currently operate around 400 restaurants, all of which are in the U.S.

Investment Thesis: CAVA's location portfolio and sales per restaurant growth continue to increase, together creating a high expected revenue growth. Combined with a strong gross margin (consistently 25%), the company will generate substantial free cash flow once it reaches its 1,000-location goal. This EBITDA stabilization will reassure market sentiment and prompt a similar EV/Revenue ratio as Chipotle's (CMG) current 3.9x.

Key Assumptions: The key lever for this model is sales growth, which can be disaggregated into same-store volume growth, PMO growth, and location growth. Location growth is the primary driver, which (following management guidance) will likely grow by 10% to 18% per annum over the next 5 years. Same-store volume growth is likely to stagnate at around 1% per annum, while PMO growth is modeled to be 3% over the long term, in line with consumer food inflation expectations. COGS are likewise expected to increase in line with volume and food inflation.

Returns Summary:

- 5 year hold period
- Sponsor Equity IRR: 19.6%
- MoIC: 2.4x
- Exit EV: $10.1 billion (Net Debt: $6.1 billion)
- Sponsor Equity at Exit: $3.3 billion ($1.4 billion initial investment)

Sensitivity & Risks Analysis: The critical sensitivities for the model are the revenue growth rate, entry purchase premium, and exit multiple. The strong equity return is predicated on CAVA being able to continue to slightly increase its same-store volume growth over the near term. The company is successfully mitigating this negative possibility with constant menu innovations and loyalty rewards gamification. The company is protected against food inflation costs due to its natural dual exposure thereto: positive exposure with selling food products and negative exposure with purchasing foodstuffs. The exit multiple is conservatively lower than the entry multiple, assuming that the growth premium currently attached to the company will disappear as it develops into a later-stage restaurant chain.