July 3rd, 2026

InvestingIQ

Equity Research

Recommendation:
Overweight

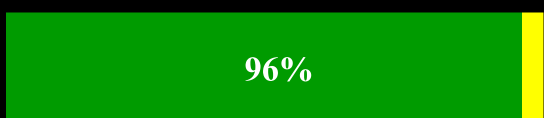


Figure 1: Street Sentiment Analysis

52-Wk Range:	$44.58-77.88
Current Price:	$71.78
Price Target:	$96.35
P/E (Forward):	76.34x
EPS (2025-adj):	$0.64
Market Cap (BN):	$10.06B
Beta:	2.37
Yield:	None

Dutch Bros Inc. (BROS)

Company Overview

Dutch Bros Inc. (NYSE: BROS) is a high-growth operator and franchisor of drive-thru beverage shops, founded in 1992. It's one of the fastest growing brands in the US quick-service beverage industry. The company's business model focuses on a small physical footprint with drive-thru lane service, offering highly customizable hot and cold drinks spanning coffee, energy, and other refreshments. As of Q1 2026, the company operates 1,177 locations and targets over 7000 in the US long-term. Its Dutch Rewards loyalty program comes in at 15 million members, driving 74% of transactions, and is consistently growing.

Industry Overview

BROS operates in the consumer discretionary/cyclical sector within the specialty beverages industry. Its overall market is expected to grow at a healthy pace in both energy and coffee areas. The US energy drink market is expected to grow at a CAGR of 7.2% towards 2030, driven by shifts towards sugar free options. Other positive popularity trends in areas such as gaming and fitness act as long-term tailwinds, as energy drink consumption is popular in those areas. Amongst the younger demographic, particularly males between 18-34, there's been increasing demand for energy drinks, reflecting this trend. On the other side, the US coffee market is expected to grow at a steady 3-4% CAGR toward 2032. Long-term tailwinds driving this are urbanization, cultural relevance, and evolving consumer preferences. The vast majority of US adults drink coffee weekly, with almost half drinking it every day. So, even while being a technically discretionary/cyclical item, millions of consumers have integrated it into their daily routine. This provides structural support for any short-term changes in coffee demand. In addition, young consumers demand more customization in their coffee experience. This is where Dutch Bros can excel, as it provides more customization of its beverages than most of its competition, both local and national.

Competition in the industry is wide-spread, both from fragmented shops/cafes and from major players like Dunkin' and Starbucks. While this is a structural disadvantage to the company, Dutch Bros' opportunity lies in its differentiation from the rest. It focuses on speed and extreme variability to cater directly towards Gen Z. Its sites operate on models prioritizing speed and efficiency to maximize sales volume. Beyond that, the company has built strong brand recognition in the western US, with a clear runway for continued expansion in the East. Its topline performance of 22% growth highlights a proven capability to capture market share with positive and improving unit economics.

Sources: Grand View Research, P&S Intelligence

Stock Chart Commentary

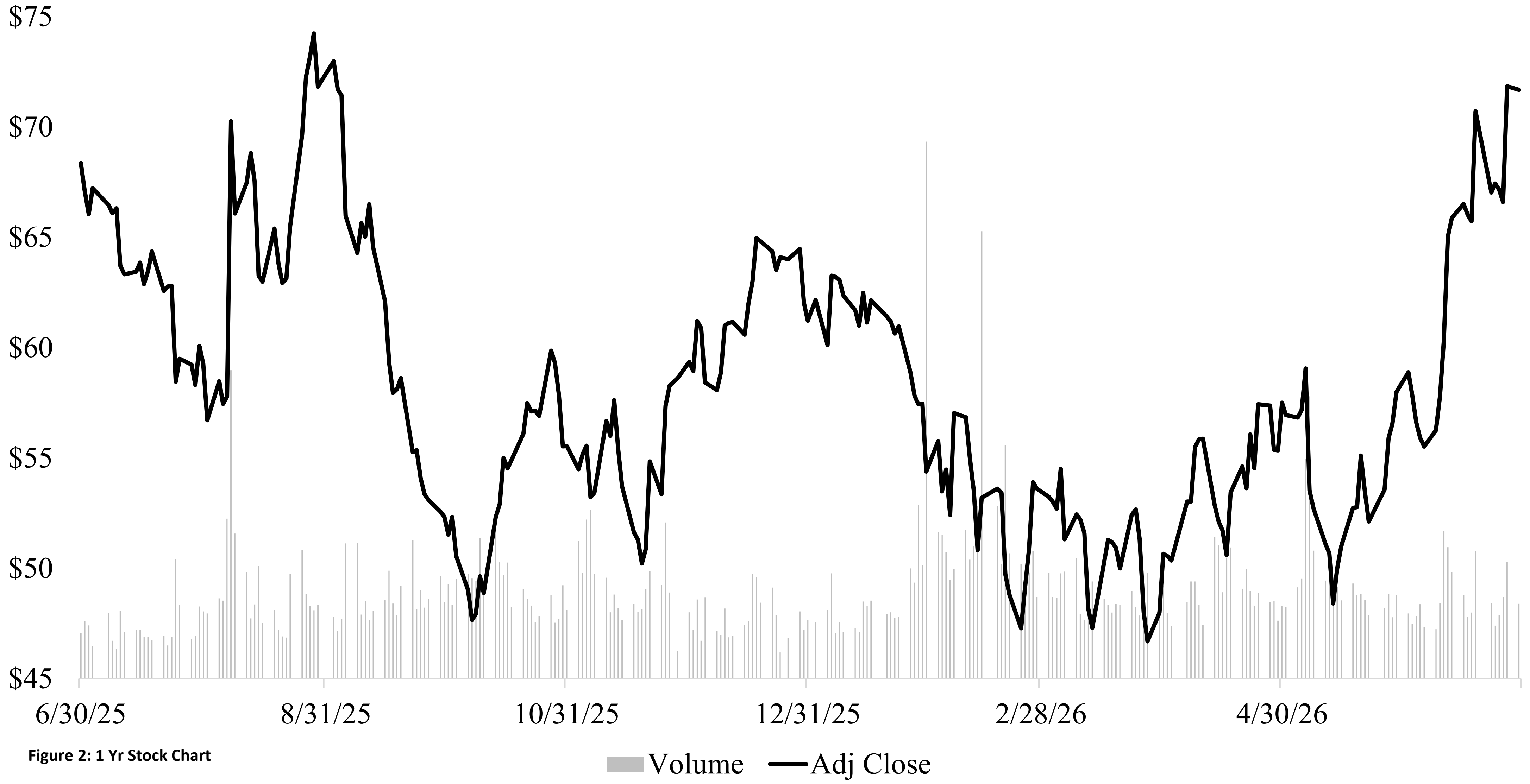


Figure 2: 1 Yr Stock Chart

$BROS has been volatile throughout the past year, going from all time highs the yearly lows in a short time span. Even so, the fundamentals remain strong and earnings driven, with each passing report resulting in outstanding results along with a beat and raise. Total stores have expanded from 1,043 to 1,177, highlighting a proven capability to grow market share. SSS growth reached 7.7% in Q4 FY2025 and 8.3% in Q1 FY2026. Systemwide AUV continues to improve as well. This has driven spikes in the stock price around early August and November. In February, the company reported top-line growth crushing estimates, but issued conservative guidance, causing the stock to drop ~5%, with shares sliding close to 21% over the following weeks. A large part of this was management's assessment of the commodity market, particularly the disproportionate effect of rising coffee import costs on COGS. As of the company's last earnings in May, management reiterated expectations of near-term margin pressures alleviating throughout the year, raising guidance in accordance. The stock has come roaring back as we head into June.

Financial Performance

Revenue & Profits

- Dutch Bros top-line growth has continued to outperform, with recent quarters hitting between 25-31% YoY growth. Full year revenue for FY2025 came in at $1.64B, with guidance for FY2026 raised to $2.05-2.08B, representing a 25-27% YoY growth.
- Rapid expansion costs inflicted negative profit on the company, but they have reached a sustained and growing trajectory into profitability since FY2023 ended. I expect growth and margin expansion to continue comfortably.

Margins & Costs

- Coffee costs were the primary driver of margin pressures in COGS, with much of the costs locked in at high levels for 2025. Coffee makes up around 10% of the company's COGS, with roughly 50% sourced from Brazil (40% import tariffs on coffee). However, these tariffs were rolled back at the end of 2025. While short-term pressures were locked in, management updated its guidance to account for prices forecasted to decrease by more than 21% from highs by the year-end due to incoming surpluses easing supply constraints.
- 200bp of pressure was expected in Q1, stepping down as the year progresses, with full-year guidance at around 60bp of pressure. I've accounted for these in my modeling and projections.
- The company is projecting higher occupancy costs as well, but this is structural and intentional. Dutch Bros uses a mix of build-to-suit and ground leases. Build-to-suit accounted for 15% of their leases in 2024, reaching close to 45% by the end of 2025. While this leads to higher rent expense, the overall CapEx contribution is much lower. This is a direct cause of average CapEx per new store going from $1.8 to $1.3MM.

Capital Structure

- Dutch Bros keeps very low debt on its balance sheet relative to its financial position, with a debt-to-EBITDA ratio of 0.72. Adjusting for lease liabilities brings this up to 3.2. While that's on the higher side, Dutch Bros is moving towards becoming self-sufficient in the long-term through more build-to-suit leases.

Sources: Dutch Bros Investor Relations/Earnings Calls, Reuters, RaboResearch

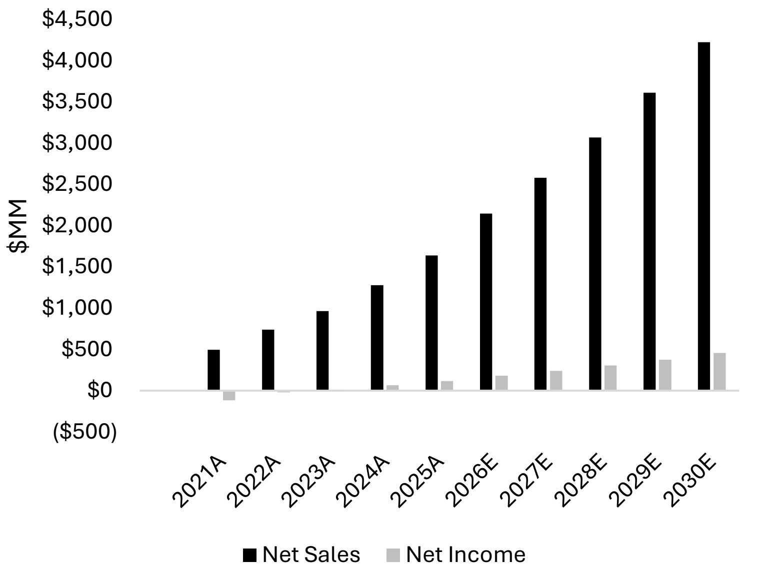


Figure 3: Revenue Forecast

WACC	
Risk Free Rate	4.31%
Beta	1.69
Market Risk Premium	5.39%
Cost of Equity	**13.41%**
Interest Expense	28,305
Total Debt	1,089,022
Tax Rate	13.53%
Cost of Debt	**2.25%**
Total Debt	1,089,022
Total Equity	7,800,000
Capital Structure	**8,889,022**
Weight of Equity	87.75%
Weight of Debt	12.25%
WACC	**12.04%**

Figure 4: WACC Calculation (uses relevered beta)

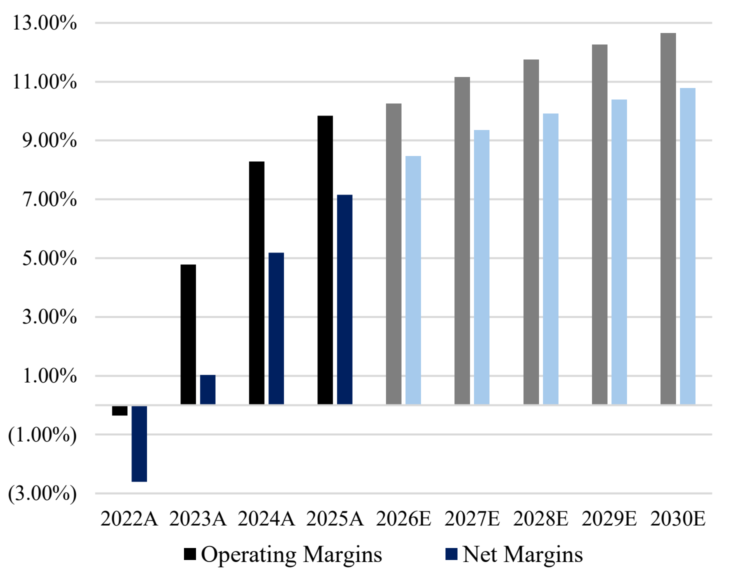


Figure 5: Operating vs Net Margins

Investment Thesis

Aggressive Expansion and Improving Unit Economics

- Dutch Bros is executing an aggressive growth strategy to grow its overall units, targeting 2,029 systemwide shops by 2029. As of Q1 2026, the company has reached 1,177, up from 982 at the end of 2024. The unit growth is supported by improving returns, where systemwide AUV has reached $2.16MM. New stores target 30%+ contribution margins , allowing them to quickly self-fund growth through cash. This is why the company keeps little debt on its balance sheet outside of lease liabilities. Combining this with a low-cost drive-through buildout, with increasing focus on build-to-suit leases, drives a sustainable growth process allowing for continued aggression. Dutch Bros continues to increase store concentration in successful markets while highlighting vast remaining whitespace in the eastern US.

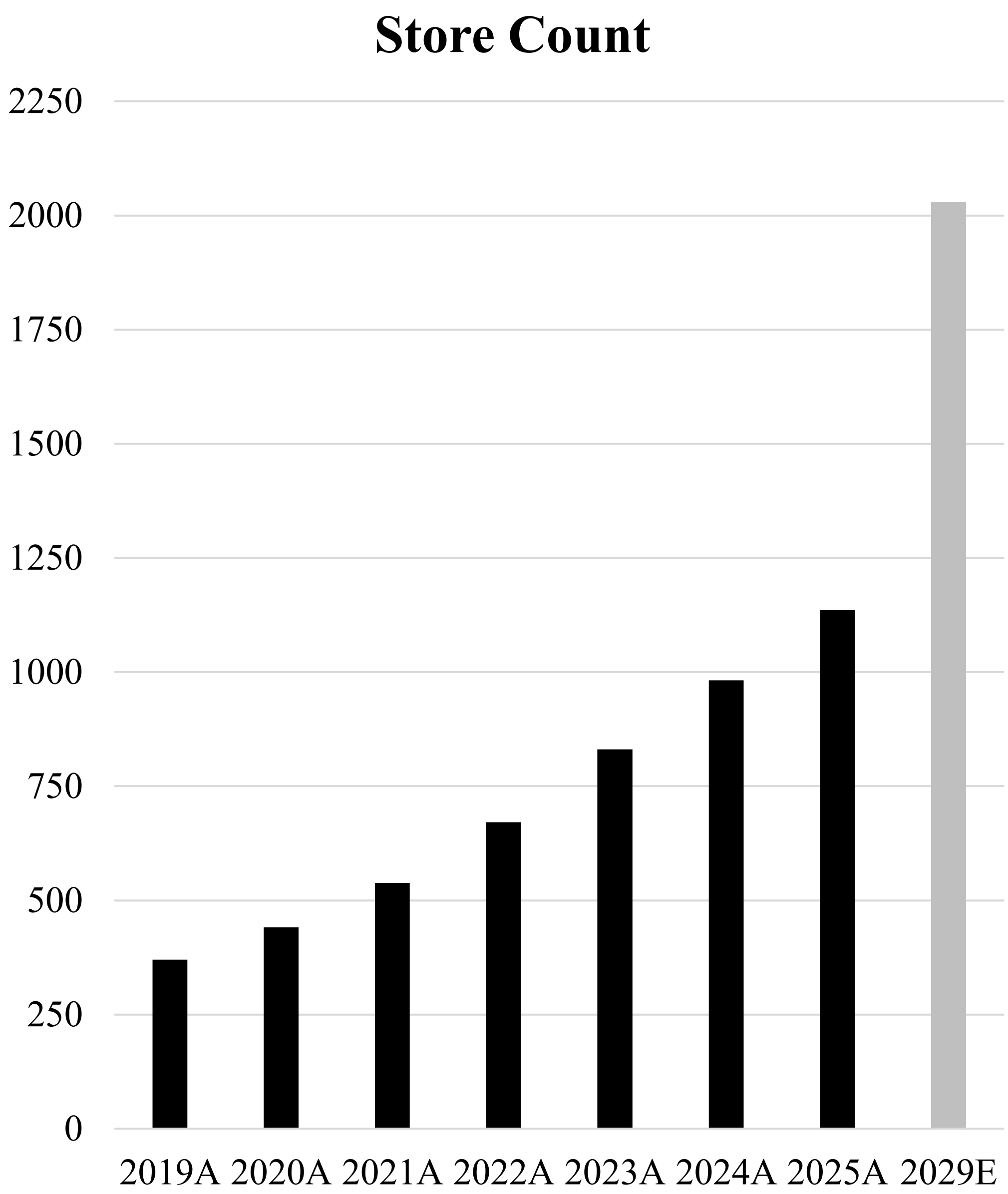


Figure 6: Historical and Projected Store Count

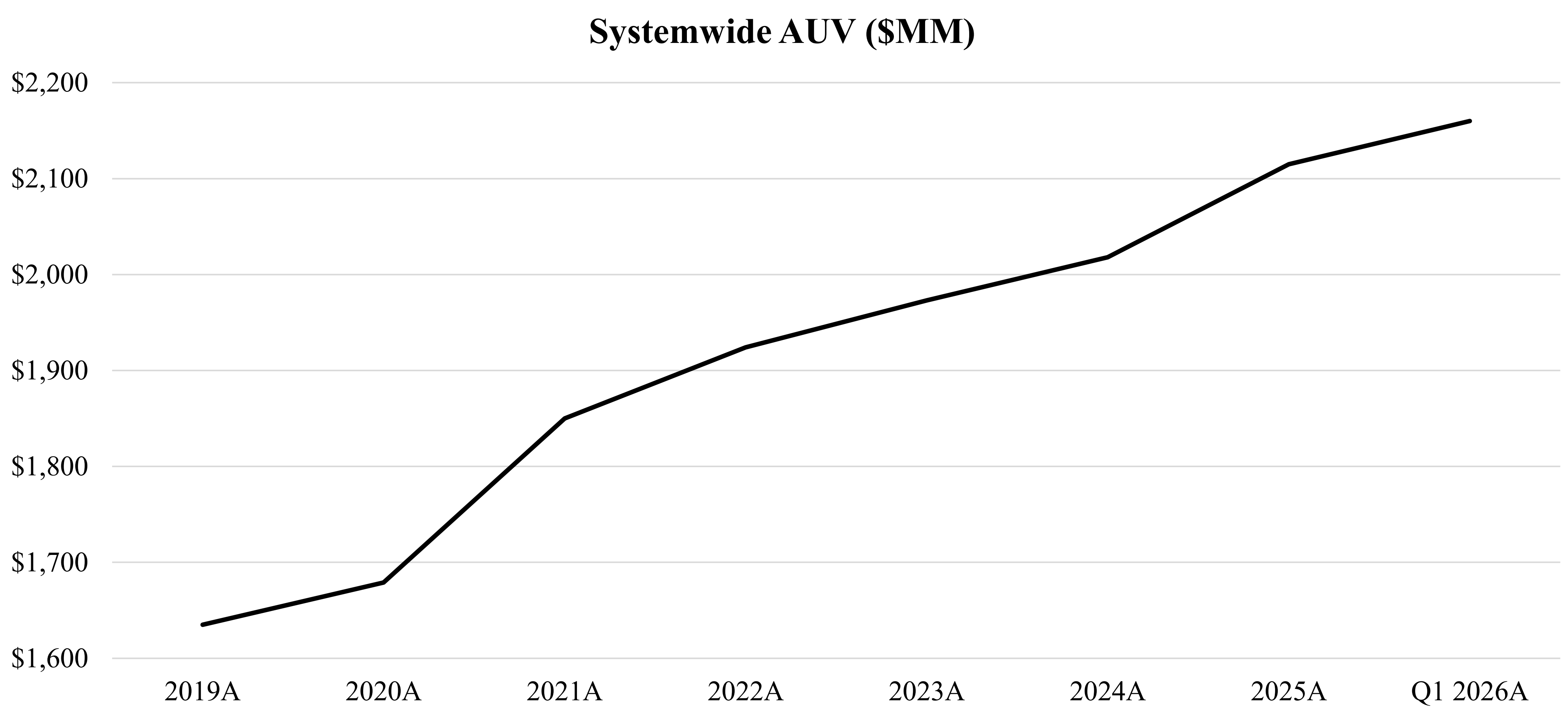


Figure 7: Systemwide AUV

Investment Thesis

Dutch Rewards Loyalty is Deepening Customer Engagement and Adds a New Element to the Growth Flywheel

- Dutch Rewards, the company's loyalty program, has quickly become a structural engine for store traffic. Around 72% of all of its 2025 transactions were attributable to Dutch Rewards members, up from 68% in 2024. Q1 2026 came up to 74%. This highlights how the company is successfully turning both new and existing customers into rewards members, further validating its aggressive expansion strategy. The rollout of mobile ordering has continued to drive popularity of the service, as it adds another dimension to the flywheel and had 10% transaction penetration. The company also saw a 20% increase in Dutch Rewards registrations per shop in recent months, meaning this addition of convenience has helped to turn normal customers into rewards members.

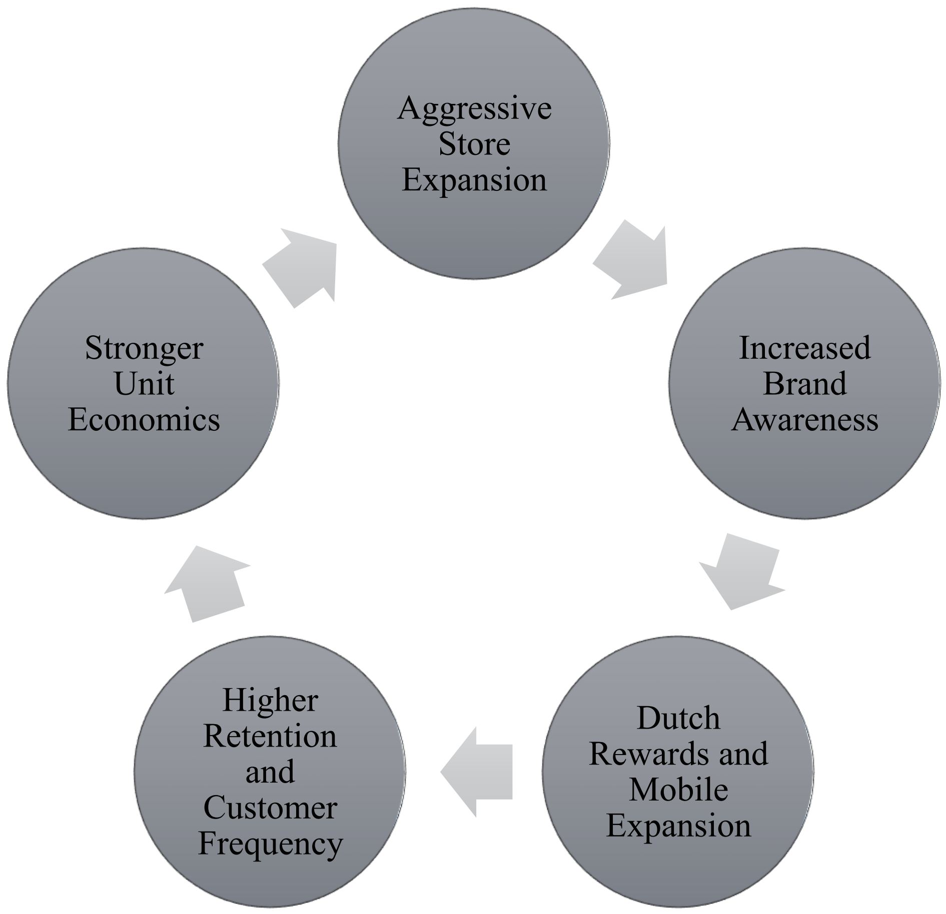


Figure 8: Growth Flywheel

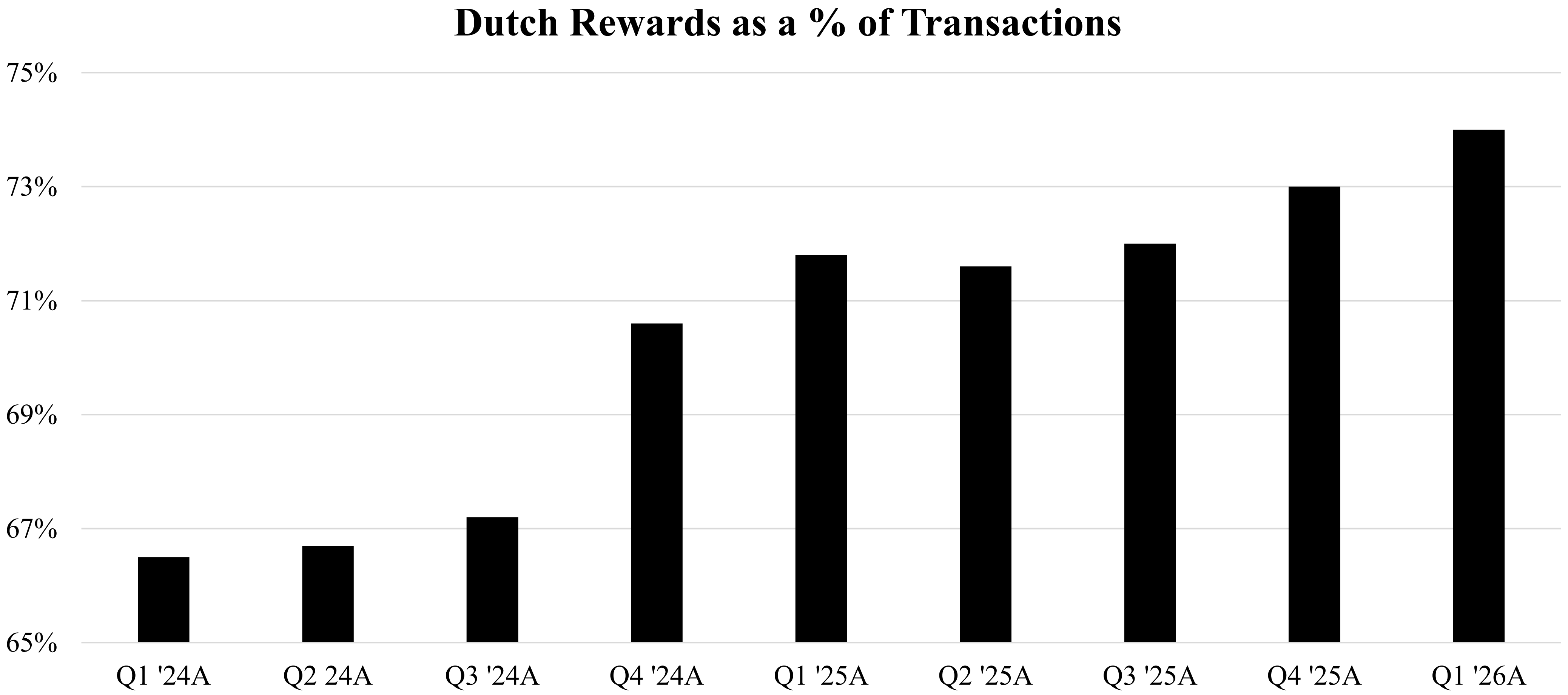


Figure 9: Reward Loyalty Program as a % of Transactions

Porter's 5 Analysis

Rivalry

- Rivalry is extremely high as Dutch Bros competes with Starbucks, Dunkin', and any local coffee shops/cafes. The market has its giants but also fragmented sections, as coffee is a huge market. At the same time, Dutch Bros operates in the energy drink area as well, where fierce competition exists with Monster, Celsius, and others.

Threat of Substitutes

- Coffee is the main market of Dutch Bros, and it's an integral part of the American diet/morning routine. There aren't many substitute products that most would switch to on a consistent basis, as it's drank by close to half of American adults every day. The threat from rising energy drink popularity is worth noting, but the company has its own energy brand to give it exposure.

Threat of New Entrants

- The risk of new entrants is moderate. It's not difficult to enter the coffee market from the standpoint of local shops and chains opening and gaining a footprint. However, gaining a national presence is less likely. While, Dutch Bros has been consistently able to gain market share, it's been in operation for decades. 7 Brew is one example, but there aren't many outside of that. It would be difficult for new companies to successfully grow in a crowded market.

Supplier Power

- Supplier power is moderate since while there are only a few countries the company sources from, coffee is a commodity traded on global markets, which limits any single supplier's leverage. Dutch Bros does not publicly disclose exclusive sourcing agreements, and the availability of multiple coffee-growing regions gives the company flexibility to switch suppliers if needed. That said, quality consistency requirements and the scale of their procurement do create some dependency on established supplier relationships.

Buyer Power

- Buyer power is relatively low. Dutch Bros has cultivated a loyal customer base through its drive-thru model, rewards program, and brand identity, which reduces price sensitivity among its core users. Individual consumers have no pricing power, and switching costs, while not contractual, are reinforced by habit and brand affinity. The Dutch Rewards loyalty program deepens retention further by incentivizing repeat visits. The one caveat is that consumers do have abundant alternatives nearby, meaning Dutch Bros cannot stray too far on pricing without risking volume loss, particularly among more casual customers.

Risks and Mitigants

Highly Competitive Market

- The coffee industry is highly competitive and crowded. This is primarily a result of both fragmentation of local players/cafes combined with the consolidation seen in worldwide domination by Dunkin' and Starbucks. This means that Dutch Bros' white space will not always signify a market opportunity, as competition will be strong in many areas. The emergence of new, high-growth operators like 7 Brew also complicates things as Dutch Bros continues to try and establish market share.
    - **Mitigant – Gen-Z Strength and Brand Recognition:** One of Dutch Bros' biggest strengths is its intense focus on customizability, which has allowed it to capture strong customer loyalty amongst Gen-Z. This is an advantage that will grow with time and lead to stronger brand recognition. This goes in hand with the nature of the company's operations, which focuses on young "Bro"-istas (with an average age of 20) who go through a training program designed to promote engagement and leadership. Their social media presence also emphasizes this, which makes for an advantageous strategy in capturing the same loyalty in eastern markets as they have in western ones.

Store Expansion Execution Risk

- Dutch Bros faces a store expansion execution risk as it scales toward 2,029 stores by 2029. The company has suffered in the past with successful ramp-up periods for new stores reaching mature AUV in previously underpenetrated markets. Even while management has since noted much improvement (as recent as Q1 2026), there is potential for this risk to persist. Beyond that, hiring proper talent quick enough to support such growth is also important, as a large part of Dutch Bros' identity is friendly and social employees. Dutch Bros has also relied upon word-of-mouth engagement in the past, which is not present in new markets. They've noted lack of brand awareness, which they've responded to with increased advertising. Cannibalization of same-store sales is also prevalent as they continue to fill in existing markets. Dutch Bros has noted significant drag as high as 110 basis points on SSS due to this in the past.
    - **Mitigant – Outstanding and Improving AUV + Build-to-suit:** Dutch Bros has been consistently improving their unit economics to improve systemwide AUV, reaching to $2.16MM recently. The expansion of build-to-suit leases has also reduced their average new store capex burden from $1.8 to $1.3MM. This is huge improvement in reducing reaching greater levels of free cash flow in the coming year. This not only structurally drives the valuation and investment case, but allows the company to invest in cash and recover quickly. This reduces the debt burden as well. Heading into the future, my modeling assumes a 5 year paydown of their current long-term debt with no significant additions of loans to speak of. This is because original debt was taken out to finance pre-IPO owner payment, M&A, and capex associating with initial expansion (which, considering the incoming cash they can expect, should not be a significant). Management is confidently striding towards their self-funded goal.

Financials & DCF

DCF	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Revenue	$739,012	$965,776	$1,281,015	$1,638,159	$2,142,165	$2,575,505	$3,051,811	$3,584,223	$4,177,360
Operating Income (EBIT)	(2,612)	46,222	106,093	161,180	219,779	287,418	358,883	439,414	528,840
(-) Income Tax Expense	2,599	6,967	18,435	18,348	28,379	37,672	47,374	58,316	70,480
EBIAT	(5,211)	39,255	87,658	142,832	191,400	249,746	311,509	381,099	458,360
(+) D&A	44,700	69,100	93,000	115,100	139,459	175,133	212,107	247,644	285,697
(-) Changes in NWC	(51,043)	84,133	(77,082)	(9,041)	(30,277)	(26,830)	(56,800)	(40,386)	(23,445)
(-) CapEx	187,900	228,500	221,700	241,100	297,000	297,541	296,460	293,756	300,928
Unlevered Free Cash Flow	**(97,368)**	**(204,278)**	**36,040**	**25,873**	**64,137**	**154,167**	**283,956**	**375,373**	**466,574**
Discount					*1*	*2*	*3*	*4*	*5*
Discount Factor					*89.25%*	*79.66%*	*71.10%*	*63.46%*	*56.64%*
NPV of UFCF					**57,244.55**	**122,813.42**	**201,897.99**	**238,215.70**	**264,274.25**
EBITDA	**42,088**	**115,322**	**199,093**	**276,280**	**359,239**	**462,551**	**570,991**	**687,058**	**814,537**

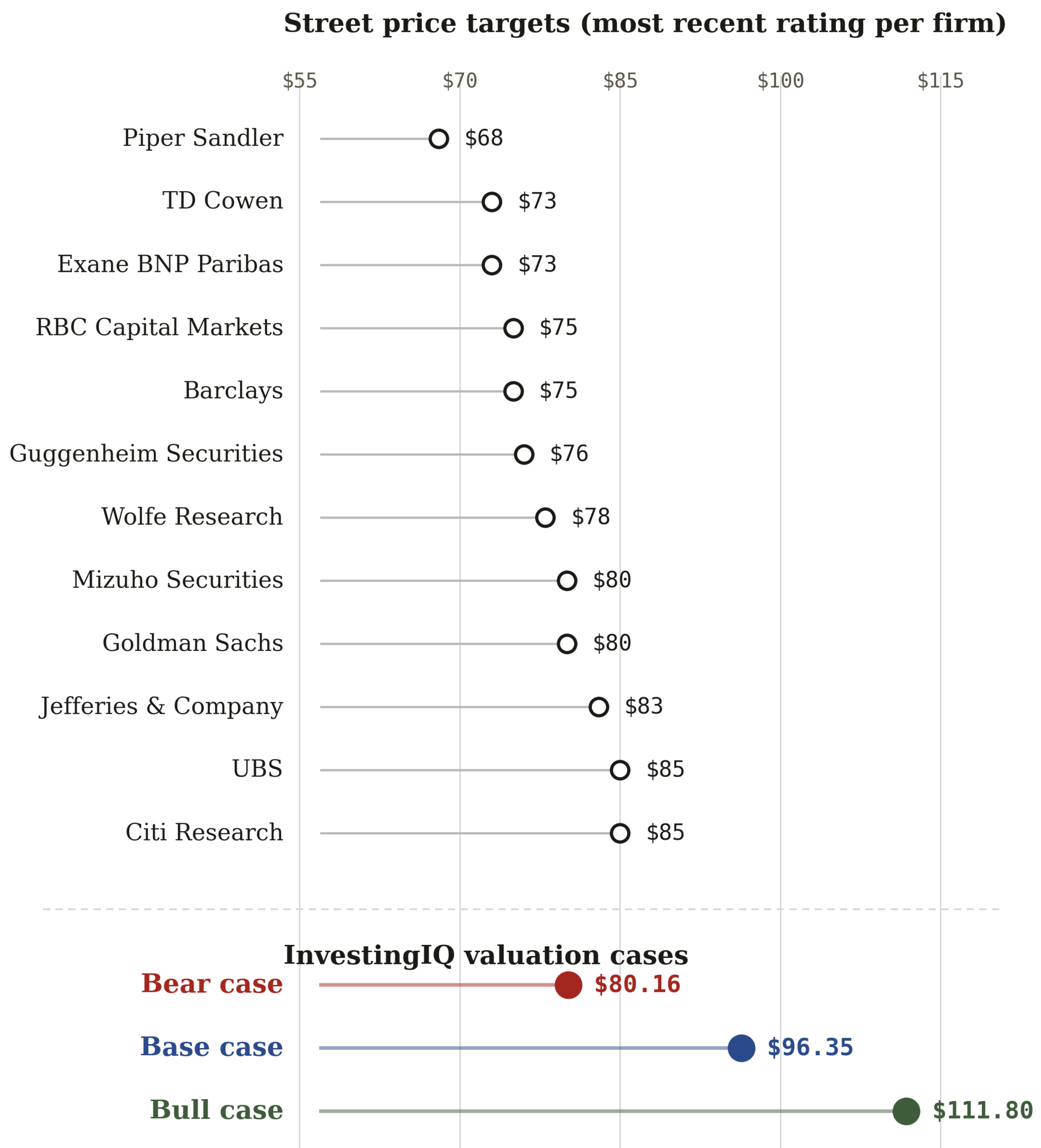
Exit Multiple Method		
WACC	**12.04%**	
Exit Multiple	**24.19x**	
Bear	22.19x	2.00x
Base	24.19x	
Bull	26.19x	2.00x
Terminal Value	19,703,649	
PV of TV	11,160,432	
PV of UFCF	884,446	
Enterprise Value	**12,044,878**	
(-) Debt	196,295	
(+) Cash	269,404	
Equity Value	**12,117,987**	
Shares Outstanding	125,764	
Implied Share Price	**$96.35**	
Current Share Price	$71.78	
Implied Upside(Downside)	**34.24%**	

Figure 10: DCF Model

	20.19x	22.19x	24.19x	26.19x	28.19x
10.04%	$89.13	$97.16	$105.19	$113.22	$121.25
11.04%	$85.31	$92.98	$100.65	$108.33	$116.00
12.04%	$81.68	$89.02	**$96.36**	$103.69	$111.03
13.04%	$78.24	$85.26	$92.28	$99.30	$106.31
14.04%	$74.98	$81.69	$88.41	$95.13	$101.84

Figure 11: Price Sensitivity

Valuation vs. The Street



Assumptions & Modeling Notes

- My assumptions on margins in the short-term reflect SG&A leverage outlined by management. COGS margin contraction is also due to short-term factors like tariffs (though those have largely been reduced) as well as coffee price spikes. But long-term, through both efficiently scaling and an assumed cooldown in macroeconomic factors, I have built in a reasonable margin expansion thesis that slows over time to account for operational maturity.
- My revenue projection assumes largely rolling averages in the second and third disaggregated portions. The first and main disaggregated portion, company-operated stores, is projected through a more advanced model of SSS growth, store expansion, AUV, and ramp-up to maturity. First year AUV ramp up for new stores spans between 20-80%, with newer stores leaning on the higher side of the range. To make a reasonable approximation for the model, I set the baseline estimate to 65% and expanded a bit annually.
- Balance Sheet consists of mostly projections by a % of revenue, with some scaled down to avoid unreasonable results. However, CapEx projections are fully modeled out (both growth and maintenance) along with retained earnings and PP&E. For the first time, I have also done I full debt waterfall as part of my modeling.
- Another first for me is my beta calculation. Along with a full calculation of the beta, I unlevered and relevered it as well. This results in my most complete model to date and helps to heighten the accuracy of the reports published on InvestingIQ.

A Note on InvestingIQ vs The Street:

- My projections and valuation are notably more bullish than the rest of the market. However, I defend this stance and my assumptions given my belief in the company's growing brand loyalty (reinforced by the flywheel) and clear runway for expansion. The unit economics only show postives thus far, giving the company room to maneuver through expansion execution risks that may persist. I believe the street is a bit cautious with its guidance.

Comps Analysis

Public Comps (as of 7/3/26) USD ($) thousands						
Company Name	**Ticker**	**Market Cap**	**EV**	**Forward P/E**	**EV/EBITDA**	**EV/Revenue**
Starbucks	SBUX	$117,830,000	$140,520,000	35.21x	29.49x	3.65x
Shake Shack	SHAK	$2,290,000	$2,920,000	50.76x	16.17x	1.96x
Krispy Kreme	DNUT	$641,330	$1,840,000	N/A	24.19x	1.22x
Luckin Coffee	LKNCY	$8,310,000	$8,170,000	22.08x	7.99x	1.06x
Dutch Bros	BROS	$10,060,000	$10,950,000	76.34x	37.25x	6.27x
Median				**42.99x**	**24.19x**	**1.96x**
Mean				46.10x	23.02x	2.83x
Min				22.08x	7.99x	1.06x
Max				76.34x	37.25x	6.27x

Figure 12: Comps Table

The comps case for $BROS shows us a clear premium being assigned to the company. However, I consider that to be acceptable in this case as the company is experiencing rapid growth. High growth companies often have elevated P/E multiples due to how investors are willing to pay a premium for the future cash flows. This is the case for Dutch Bros, which I believe justifies the premium. The compression from current to forward P/E (113x to 76x) also tells us the market is valuing the stock based on a much higher projected net income. The PEG ratio is around 2.6x. While this looks like a premium at first glance, the broader beverage industry normally trades around a 1.7x to 2.3x PEG according to most sources. So, Dutch Bros isn't trading at a massive premium relative to its growth an industry.