



Dutch Bros Coffee

Go \$BROS or Go \$BROKE

Dutch Bros (\$BROS) is capitalizing on strong consumer demand and brand momentum. The company's continued operational outperformance—supported by 141 new openings in 2024, solid free cash flow generation, and growing traction from its mobile app it for sustained market share gains. With a robust growth outlook and expanding national footprint, we initiate a **Buy** rating on \$BROS with a **price target of \$80.06**.

Thesis Point 1 In 2024, Dutch Bros opened 141 new locations and plans to open 165 more in 2025. Despite relying primarily on internal financing, the company continues to expand efficiently: Dutch Bros generated \$272 million in operating cash flow last year and spent \$200 million in capex to open 131 new stores, resulting in \$72 million of free cash flow. As a result of this high capex and related store expansion, bolstered earnings will continue to drive growth toward their long-term goal of 2,029 shops by 2029. CEO Christine Barone reaffirmed this trajectory in the most recent earnings call, noting that Dutch Bros sees a long-term U.S. market potential of 7,000 shops.

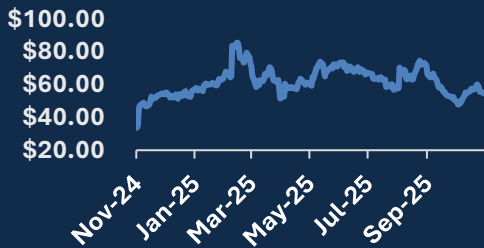
Thesis Point 2 Dutch Bros is effectively strengthening its connection with a youthful customer base through innovative marketing and product strategies. The company's visually appealing, seasonally themed beverages resonate with younger consumers who value both aesthetics and experience. Its recent introduction of protein-infused drinks has gained traction through fitness influencers on platforms like TikTok, broadening Dutch Bros reach and attracting a new segment of health-conscious customers. Word-of-mouth marketing is driving strong brand awareness and positioning Dutch Bros as more than just a traditional coffee chain. Furthermore, the company's mobile app enhances customer engagement and loyalty, bridging the gap between the traditional morning coffee routine and the modern, social, on-the-go beverage culture.

Company Overview Dutch Bros Inc. (NYSE: BROS) is a U.S. drive-thru coffee chain founded in 1992 that operates and franchises high-speed beverage stores focused on handcrafted hot, iced and blended drinks. BROS is currently in one of the most dynamic expansion phases in the consumer space. The company currently operates 1,012 shops across 18 states, with 695 company-owned and 317 franchised locations. Unlike one of its closest competitors, 7 Brew whose growth is entirely franchise-driven while Dutch Bros maintains a predominantly company owned model, allowing it to balance rapid expansion with greater control over operations and profitability.

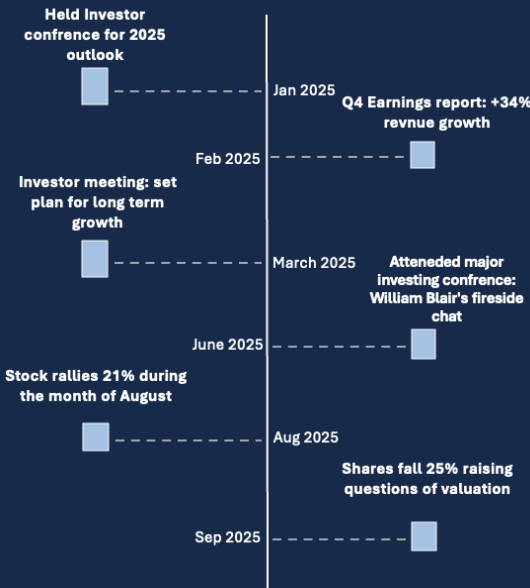


TICKER:	\$BROS
RATING:	BUY
PRICE:	\$55.56
PRICE TARGET:	\$80.06
MARKET CAP:	\$6.64b
52-W RANGE:	\$33.80 - \$86.88
P/E:	120.78x
IMPLIED UPSIDE:	43.54%

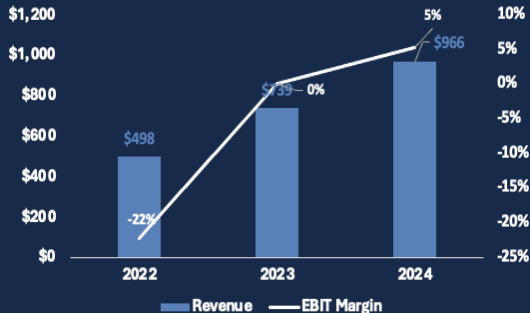
1 Year Price History



Recent Events Timeline



EBIT Margin with Annual Revenue



Risks Rising costs for key inputs such as coffee beans, dairy, and labor, combined with heightened competition from established coffee chains like Starbucks and Dunkin', as well as emerging drive-thru concepts like 7 Brew, present a significant risk to Dutch Bros' profitability. If inflation in these essential commodities continues, the company may be forced to raise menu prices to preserve margins. However, such increases could alienate its price sensitive customer base, leading to lower traffic and reduced average unit volumes (AUVs). Since Dutch Bros' expansion strategy relies heavily on consistent store level performance, declining AUVs could weaken its growth trajectory, slow revenue expansion, and ultimately hurt investor confidence potentially prompting a decline in stock price.

Catalysts Dutch Bros' launch of its mobile app and digital ordering platform marks a major step toward operating like established coffee chains while maintaining its flexible, high-growth model. The app, integrated with its Dutch Rewards program, allows customers to order and pay ahead, improving drive-thru efficiency and convenience. With nearly 70% of transactions already tied to loyalty members, the app deepens engagement and encourages higher visit frequency. This digital expansion also provides valuable data insights, enabling personalized marketing. As adoption grows, the mobile app could drive higher average unit volumes and strengthen Dutch Bros' competitive positioning nationwide.

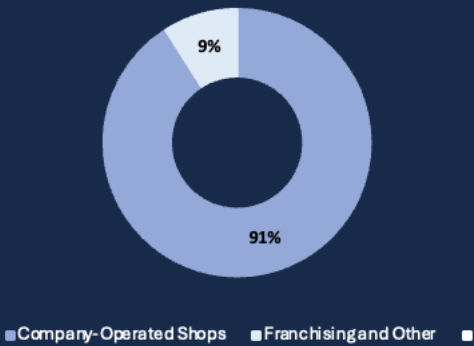
Valuation

DCF Analysis (\$mm)							
	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/24	12/31/2025	12/31/26	12/31/27	12/30/28	12/30/29	12/31/30
Revenue	1,281	1,669	2,153	2,776	3,574	4,595	5,893
Revenue Growth	33%	30%	29%	29%	29%	29%	28%
Company-Operated Sho	1,166	1,550	2,031	2,650	3,445	4,461	5,755
Franchising and Other	115	119	122	126	130	134	138
N/A	0	0	0	0	0	0	0
EBIT	124	176	280	354	447	563	707
EBIT Margin	10%	11%	13%	13%	13%	12%	12%
Tax Expense	18	25	40	50	61	75	92
Effective Tax Rate	15%	14%	14%	14%	14%	13%	13%
NOPAT	105.61	150.75	239.57	304.18	385.59	487.70	615.18
D&A	93	132	170	221	288	373	483
Capex	222	300	387	478	589	723	884
Changes in NWC	(51)	(55)	(65)	(68)	(68)	(62)	(47)
UFCF	28	38	87	115	152	200	262
PV of FCF		37	80	92	106	122	139

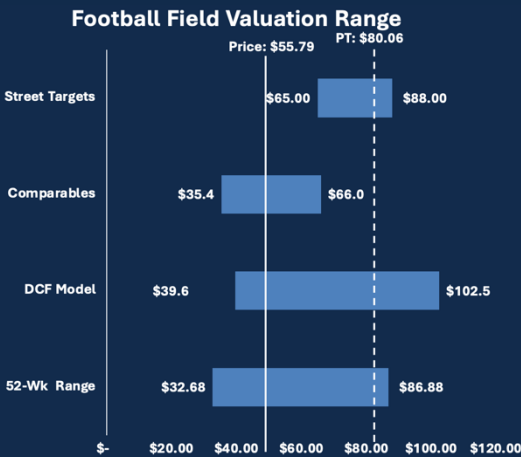
The DCF analysis incorporates Dutch Bros' recent surge in revenue, with EBIT margins growing over the five-year projection then tapering to reflect a normalization toward mature growth levels. The company's value proposition lies in location growth and the mobile app, which enhance customer engagement. By targeting younger consumers through vibrant, visually appealing beverages and a strong social media presence (particularly on platforms like TikTok) Dutch Bros benefits from organic, influencer driven marketing.

Conclusion Dutch Bros is expected to grow rapidly over the next few years. As the chain becomes bigger, they will rely more on their youthful customer base. Consistently the stock is undervalued when the hype of earnings is over. We rate this as a **BUY** because we believe earnings will be beat again, solidifying our valuation and proving Barone's strategy.

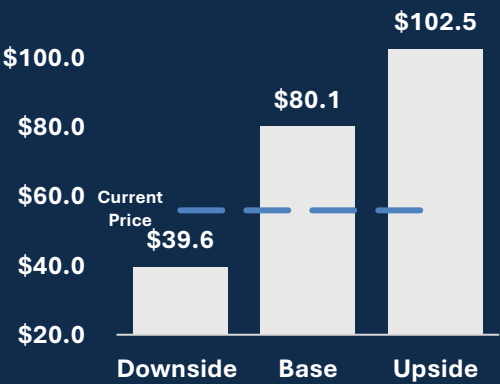
Revenue Segments



Terminal Value	
Exit Multiple Method	
2034 EBITDA	\$1,190
EV/EBITDA Exit Multiple	21.0x
Terminal Value	\$24,996
PV of Terminal Value	\$13,323
PV of Projection Period	\$577
PV of Terminal Value	\$13,323
Implied TEV	\$13,900
(-) Debt	\$981
(+) Cash	\$255
Implied Equity Value	\$13,174
Diluted Shares Outstanding	165
Implied Share Price	\$80.08
Upside/Downside	43.5%



Risk vs. Reward - DCF Cases



Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	1,281	1,669	2,153	2,776	3,574	29.2%
EBITDA	217	308	450	575	735	35.6%
EBIT	124	176	280	354	447	37.8%
NOPAT	106	151	240	304	386	38.2%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	16.9%	18.4%	20.9%	20.7%	20.6%	19.5%
EBIT Margin	9.7%	10.5%	13.0%	12.8%	12.5%	11.7%
Revenue Growth	32.6%	30.3%	29.0%	28.9%	28.8%	29.9%
EBIT Growth	141.7%	41.7%	59.2%	26.5%	26.3%	59.1%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/CF	325.9x	243.6x	105.3x	79.7x	60.5x	163.0x
EV/Sales	7.7x	5.9x	4.6x	3.6x	2.8x	4.9x
EV/EBITDA	45.7x	32.2x	22.0x	17.2x	13.5x	26.1x
FCF Yield	0.3%	0.4%	1.0%	1.3%	1.7%	0.9%

Comparable Companies

\$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Starbucks Corporation (NasdaqGS:SBUX)	\$90,497	\$113,649	34.5x	\$36,689	\$5,576
Shake Shack Inc. (NYSE:SHAK)	\$3,802	\$4,334	92.5x	\$1,374	\$165
CAVA Group, Inc. (NYSE:CAVA)	\$5,995	\$6,043	44.6x	\$1,132	\$127
Black Rock Coffee Bar, Inc. (NasdaqGM:BRCB)	\$377	\$855	0.0x	\$180	\$18
Dutch Bros Inc. (NYSE:BROS)	\$7,004	\$7,928	114.9x	\$1,452	\$249

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth	Rate LF
Starbucks Corporation (NasdaqGS:SBUX)	20.4x	23.7%	15.2%	10.5%		0.6%
Shake Shack Inc. (NYSE:SHAK)	26.3x	40.0%	12.0%	4.3%		13.5%
CAVA Group, Inc. (NYSE:CAVA)	47.6x	37.6%	11.2%	5.4%		23.9%
Black Rock Coffee Bar, Inc. (NasdaqGM:BRCB)	46.5x	49.2%	10.3%	3.9%		-
Dutch Bros Inc. (NYSE:BROS)	31.8x	26.7%	17.2%	10.0%		29.8%

High	47.58x	49.2%	17.2%	10.5%	29.8%
75th Percentile	46.48x	40.0%	15.2%	10.0%	25.4%
Average	34.50x	35.4%	13.2%	6.8%	17.0%
Median	31.80x	37.6%	0.0%	5.4%	18.7%
25th Percentile	26.25x	26.7%	11.2%	4.3%	10.3%
Low	20.38x	23.7%	10.3%	3.9%	0.6%

DutchBros

Implied Enterprise Value (25th Percentile)	\$	6,544
Implied Enterprise Value (Median)	\$	7,928
Implied Enterprise Value (75th Percentile)	\$	11,588

Implied Share Price (25th Percentile)	\$	35.37
Implied Share Price (Median)	\$	43.78
Implied Share Price (75th Percentile)	\$	66.03

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	2.56
Risk Free Rate	4.39%
Cost of Equity	13.99%
Weighted Average Cost of Debt	5.95%
Tax Rate	14.40%
Cost of Debt	0.49%
Total Equity	\$9,178
Total Debt	\$726
Equity/Total Capitalization	90.34%
Debt/Total Capitalization	9.66%
WACC	14.48%

Downside Case: Dutch Bros' growth strategy faces potential headwinds from tariffs on key input materials, which could pressure margins. The company has limited pricing power relative to larger competitors. More established coffee chains possess greater scale and supply chain flexibility to absorb cost pressures. Our downside scenario implies a 29% valuation decline at a 14.0x EV/EBITDA multiple, reflecting uncertainty of current tariff policies.

Upside Case: The introduction of protein enhanced beverages aligns with consumer preferences for health-oriented products and further differentiates the brand within the specialty coffee segment. Combined with continued digital engagement through the mobile app and visually distinctive drinks gives us an upside case of 83% when employing a 21.0x EV/EBITDA multiple.

Disclosures and Ratings: Bluegrass Capital Research does not hold any professional relationships with the securities mentioned in this report. Our ratings are defined as follows: **Buy** (expected to outperform the market), **Hold** (expected to perform in line with the market), and **Sell** (expected to underperform the market), typically over a 12-month horizon. This report is for educational and informational purposes only and should not be considered as financial advice.