

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period ended March 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-40798



DUTCH BROS INC.

(Exact name of Registrant as specified in its charter)

Delaware

87-1041305

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

110 SW 4th Street

Grants Pass, Oregon

97526

(Address of Principal Executive Offices)

(Zip Code)

(541) 955-4700

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Exchange on which Registered
Class A Common Stock, par value \$0.00001 per share	BROS	The New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o
		Emerging growth company	o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No x

As of May 1, 2024, the registrant's outstanding shares of common stock were as follows:

Class A common stock	88,419,220
Class B common stock	58,226,680
Class C common stock	23,879,467
Class D common stock	6,653,303

DUTCH BROS INC.
 QUARTERLY REPORT ON FORM 10-Q
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GLOSSARY

As used in this Quarterly Report on Form 10-Q (this Form 10-Q), the terms identified below have the meanings specified below unless otherwise noted or the context requires otherwise. References in this Form 10-Q to "Dutch Bros," the "Company," "we," "us" and "our" refer to Dutch Bros Inc. and its consolidated subsidiaries unless the context indicates otherwise.

TERM	DEFINITION
2022 Credit Facility	Has the meaning set forth in NOTE 9 — Debt to the condensed consolidated financial statements, included elsewhere in this Form 10-Q
AUV	Average Unit Volume
Blocker Companies	TSG7 A AIV VI Holdings, LLC and DG Coinvestor Blocker, LLC
BPS or bps	Basis points, which is used to express differences in rates. One basis point is the equivalent of 1/100 of one percent.
Co-Founder	Travis Boersma and affiliated entities over which he maintains voting control.
Continuing Members	The Co-Founder and the Sponsor
Dutch Bros OpCo	Dutch Mafia, LLC, a Delaware limited liability company and direct subsidiary of Dutch Bros Inc.
Dutch Bros Inc.	A Delaware corporation, the Class A common stock of which is publicly traded on the New York Stock Exchange under the symbol "BROS".
GAAP	U.S. Generally Accepted Accounting Principles
IPO	Initial Public Offering
N/M	A not meaningful percentage.
OpCo Units	Class A common units, Class B voting units and Class C voting units of Dutch Bros OpCo, each as further defined in the Third Amended and Restated Limited Liability Company Agreement of Dutch Bros OpCo, collectively.
Pre-IPO Blocker Holders	TSG7 A AIV VI Holdings-A, L.P. and DG Coinvestor Blocker Aggregator, L.P. or their assignees or successors pursuant to the terms of the certain Reorganization Tax Receivable Agreement.
QSR	Quick Service Restaurant
RSA	Restricted Stock Awards
RSU	Restricted Stock Units
Secondary Offerings	The registered underwritten public offerings of shares of Class A common stock of Dutch Bros Inc. by our Sponsor, as described in Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.
SEC	Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
Sponsor	TSG Consumer Partners, L.P. and certain of its affiliates.
Tax Receivable Agreements and TRAs	The Tax Receivable Agreement (Exchanges) and the Tax Receivable Agreement (Reorganization) that Dutch Bros Inc. entered into with the Continuing Members and the Pre-IPO Blocker Holders, respectively, in connection with the IPO.
Western United States	The collection of states including Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Utah and Washington.

Dutch Bros, our Windmill logo (), Dutch Bros Blue Rebel, and our other registered and common law trade names, trademarks and service marks are the property of Dutch Bros Inc. All other trademarks, trade names, and service marks appearing in this Form 10-Q are the property of their respective owners. Solely for convenience, the trademarks and trade names in this Form 10-Q may be referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert their rights thereto.

FORWARD-LOOKING STATEMENTS

Certain statements in this Form 10-Q that are not historical facts, including those regarding the impact of inflation, increased minimum wages, and general macroeconomic conditions on our results of operations, supply chain, or liquidity, the potential impact of actions we have taken to mitigate the impact of unforeseen circumstances, taxes and tax rates, our expectations regarding the number of new shops we may open, anticipated future revenues and earnings, consumer demand, and our expectations to generate positive cash flow in the foreseeable future are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. We use words such as "anticipate," "believe," "could," "should," "estimate," "expect," "intend," "may," "predict," "project," "target," and similar terms and phrases, including references to assumptions, to identify forward-looking statements. These forward-looking statements are based on information available to us as of the date any such statements are made, and we assume no obligation to update these forward-looking statements. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those described in the statements. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Form 10-Q.

You should read the following unaudited condensed consolidated financial statements and the related notes in this Form 10-Q together with our analysis and discussion of our financial condition and results of operations and other financial information included elsewhere in this Form 10-Q. You should also read our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission on February 23, 2024.

While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect actual results. You should evaluate all forward-looking statements made in this report in the context of the factors that could cause outcomes to differ materially from expectations. These factors include, but are not limited to, those listed under the "Risk Factors" section of this Form 10-Q, as such risk factors may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission.

Website Disclosure

We use our website as a distribution channel of material company information. Financial and other important information regarding our company is routinely posted on and accessible through our website at <https://investors.dutchbros.com>. In addition, you may automatically receive email alerts and other information about our company when you subscribe your email address by visiting the "Investor Email Alerts" section of our investor relations page at <https://investors.dutchbros.com/resources>. The information on our website is not incorporated herein or otherwise a part of this Form 10-Q.



PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DUTCH BROS INC.

Condensed Consolidated Balance Sheets

(in thousands, except per share amounts; unaudited)	March 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 262,719	\$ 133,545
Accounts receivable, net	11,659	9,124
Inventories, net	45,393	46,953
Prepaid expenses and other current assets	15,308	15,637
Total current assets	335,079	205,259
Property and equipment, net	585,271	542,440
Finance lease right-of-use assets, net	380,932	382,734
Operating lease right-of-use assets, net	234,352	199,673
Intangibles, net	4,615	5,415
Goodwill	21,629	21,629
Deferred income tax assets, net	507,357	402,995
Other long-term assets	4,080	3,865
Total assets	\$ 2,073,315	\$ 1,764,010
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 38,763	\$ 29,957
Accrued compensation and benefits	23,061	31,405
Other accrued liabilities	17,281	15,770
Other current liabilities	5,613	6,423
Deferred revenue	29,110	30,349
Current portion of finance lease liabilities	10,681	9,482
Current portion of operating lease liabilities	9,417	10,239
Current portion of long-term debt	12,618	4,491
Total current liabilities	146,544	138,116
Deferred revenue, net of current portion	6,313	6,676
Finance lease liabilities, net of current portion	368,198	367,775
Operating lease liabilities, net of current portion	226,877	191,419
Long-term debt, net of current portion	233,571	93,175
Tax receivable agreements liability	395,841	290,920
Other long-term liabilities	8	8
Total liabilities	1,377,352	1,088,089
Commitments and contingencies (Note 15)		



DUTCH BROS INC.

Condensed Consolidated Balance Sheets (continued)

(in thousands, except per share amounts; unaudited)	March 31, 2024	December 31, 2023
Preferred stock, \$ 0.00001 par value per share - 20,000 shares authorized; zero shares issued and outstanding as of March 31, 2024 and December 31, 2023	—	—
Class A common stock, \$ 0.00001 par value per share - 400,000 shares authorized; 86,575 and 69,958 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	1	1
Class B common stock, \$ 0.00001 par value per share - 144,000 shares authorized; 60,071 and 60,629 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	1	1
Class C common stock, \$ 0.00001 par value per share - 105,000 shares authorized; 23,879 and 35,864 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Class D common stock, \$ 0.00001 par value per share - 42,000 shares authorized; 6,653 and 10,669 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Additional paid-in capital	424,721	379,391
Accumulated other comprehensive income	925	544
Accumulated deficit	(8,530)	(15,592)
Total stockholders' equity attributable to Dutch Bros Inc.	417,118	364,345
Non-controlling interests	278,845	311,576
Total equity	695,963	675,921
Total liabilities and equity	\$ 2,073,315	\$ 1,764,010

See accompanying notes to condensed consolidated financial statements.

DUTCH BROS INC.

Condensed Consolidated Statements of Operations

(in thousands, except per share amounts; unaudited)	Three Months Ended March 31,	
	2024	2023
REVENUES		
Company-operated shops	\$ 248,085	\$ 173,164
Franchising and other	27,014	24,103
Total revenues	275,099	197,267
COSTS AND EXPENSES		
Cost of sales	203,326	151,523
Selling, general and administrative	46,194	45,976
Total costs and expenses	249,520	197,499
INCOME (LOSS) FROM OPERATIONS	25,579	(232)
OTHER EXPENSE		
Interest expense, net	(6,393)	(7,886)
Other income, net	5,801	1,307
Total other expense	(592)	(6,579)
INCOME (LOSS) BEFORE INCOME TAXES	24,987	(6,811)
Income tax expense	8,772	2,580
NET INCOME (LOSS)	\$ 16,215	\$ (9,391)
Less: Net income (loss) attributable to non-controlling interests	9,153	(5,549)
NET INCOME (LOSS) ATTRIBUTABLE TO DUTCH BROS INC.	\$ 7,062	\$ (3,842)
Net income (loss) per share of Class A and Class D common stock:		
Basic	\$ 0.08	\$ (0.07)
Diluted	\$ 0.08	\$ (0.07)
Weighted-average shares of Class A and Class D common stock outstanding:		
Basic	83,328	56,664
Diluted	83,410	56,664

See accompanying notes to condensed consolidated financial statements.



DUTCH BROS INC.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(in thousands; unaudited)	Three Months Ended March 31,	
	2024	2023
Net income (loss)	\$ 16,215	\$ (9,391)
Other comprehensive income (loss):		
Unrealized gain (loss) on derivative securities, effective portion, net of income tax expense (benefit) of \$ 79 and \$(80), respectively	674	(824)
Comprehensive income (loss)	16,889	(10,215)
Less: comprehensive income (loss) attributable to non-controlling interests	9,446	(6,150)
Comprehensive income (loss) attributable to Dutch Bros Inc.	<u>\$ 7,443</u>	<u>\$ (4,065)</u>

See accompanying notes to condensed consolidated financial statements.



DUTCH BROS INC.
Condensed Consolidated Statements of Stockholders' Equity

Three Months Ended March 31, 2024

(in thousands; unaudited)	Dutch Bros. Inc. Stockholders' Equity												
	Class A		Class B		Class C		Class D		Accumulated				
	Common Stock		Common Stock		Common Stock		Common Stock		Additional Paid-in-Capital	Other Comprehensive Income	Accumulated Deficit	Non-Controlling Interests	Total Equity
Balance, December 31, 2023	69,958	\$ 1	60,629	\$ 1	35,864	\$ —	10,669	\$ —	379,391	\$ 544	\$ (15,592)	\$ 311,576	\$ 675,921
Net income	—	—	—	—	—	—	—	—	—	—	7,062	9,153	16,215
Unrealized gain on derivative securities, effective portion, net of income tax expense of \$ 79	—	—	—	—	—	—	—	—	(135)	381	—	293	539
Equity-based compensation expense	—	—	—	—	—	—	—	—	991	—	—	—	942
Issuance of Class A common stock pursuant to vesting of equity awards, net of stock withheld for tax and forfeitures	58	—	—	—	—	—	—	—	1,867	—	—	(2,742)	(875)
Issuance of Class A common stock sold pursuant to secondary offerings	16,559	—	—	—	—	—	—	—	—	—	—	—	—
Effect of exchanges of Dutch Bros OpCo Class A common units	—	—	—	—	—	—	—	—	40,377	—	—	(40,377)	—
Impacts of Tax Receivable Agreements	—	—	—	—	—	—	—	—	2,230	—	—	—	2,230
Surrender and cancellation of Class B, C & D common stock	—	—	(558)	—	(11,985)	—	(4,016)	—	—	—	—	—	—
Balance, March 31, 2024	86,575	\$ 1	60,071	\$ 1	23,879	\$ —	6,653	\$ —	424,721	\$ 925	\$ (8,530)	\$ 278,845	\$ 695,963

DUTCH BROS INC.

Condensed Consolidated Statements of Stockholders' Equity (continued)

Three Months Ended March 31, 2023

(in thousands; unaudited)	Dutch Bros. Inc. Stockholders' Equity												
	Class A Common Stock		Class B Common Stock		Class C Common Stock		Class D Common Stock		Accumulated				
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid-in- Capital	Other Comprehensive Income	Accumulated Deficit	Non- Controlling Interests	Total Equity
Balance, December 31, 2022	45,544	\$ 1	64,699	\$ 1	41,056	\$ —	12,411	\$ —	145,613	\$ 813	\$ (17,310)	\$ 122,858	\$ 251,976
Net loss	—	—	—	—	—	—	—	—	—	—	(3,842)	(5,549)	(9,391)
Unrealized loss on derivative securities, effective portion, net of income tax benefit of \$ 80	—	—	—	—	—	—	—	—	(18)	(223)	—	(601)	(842)
Equity-based compensation	—	—	—	—	—	—	—	—	3,200	—	—	5,970	9,170
Issuance of Class A common stock pursuant to vesting of equity awards, net of stock withheld for tax and forfeitures	122	—	—	—	—	—	—	—	(661)	—	—	(1,234)	(1,895)
Tax impact of other equity-based compensation transactions	—	—	—	—	—	—	—	—	(315)	—	—	—	(315)
Effect of exchange of Dutch Bros OpCo Class A common units	—	—	—	—	—	—	—	—	1,054	—	—	(1,054)	—
									148,873				248,703
Balance, March 31, 2023	45,666	\$ 1	64,699	\$ 1	41,056	\$ —	12,411	\$ —	\$ 590	\$ (21,152)	\$ 120,390	\$ —	

See accompanying notes to condensed consolidated financial statements.



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DUTCH BROS INC.

Condensed Consolidated Statements of Cash Flows

	Three Months Ended March 31,	
	2024	2023
(in thousands; unaudited)		
Cash flows from operating activities:		
Net income (loss)	\$ 16,215	\$ (9,391)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	21,253	14,779
Non-cash interest expense	278	182
Gain on disposal of assets	(1)	(232)
Equity-based compensation	1,933	9,170
Deferred income taxes	8,395	2,146
Remeasurement gain on TRAs	(5,687)	(1,294)
Non-cash operating lease cost	3,320	2,698
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	(2,535)	3,188
Inventories, net	1,560	(4,728)
Prepaid expenses and other current assets	483	(3,450)
Other long-term assets	84	(349)
Accounts payable	8,299	462
Accrued compensation and benefits	(8,344)	(3,626)
Other accrued liabilities	768	(58)
Other current liabilities	(810)	(309)
Deferred revenue	(1,602)	(3,535)
Operating lease liabilities	(2,416)	(2,576)
Net cash provided by operating activities	<u>41,193</u>	<u>3,077</u>
Cash flows from investing activities:		
Purchases of property and equipment	(57,462)	(43,283)
Proceeds from disposal of fixed assets	—	240
Net cash used in investing activities	<u>(57,462)</u>	<u>(43,043)</u>
Cash flows from financing activities:		
Proceeds from line of credit	—	40,000
Payments on finance lease liabilities	(2,094)	(3,369)
Proceeds from long-term debt	150,000	—
Payments on long-term debt	(1,590)	(651)
Tax withholding payments upon vesting of equity awards	(873)	(1,896)
Net cash provided by financing activities	<u>145,443</u>	<u>34,084</u>
Net increase (decrease) in cash and cash equivalents	129,174	(5,882)
Cash and cash equivalents, beginning of period	<u>133,545</u>	<u>20,178</u>
Cash and cash equivalents, end of period	<u><u>\$ 262,719</u></u>	<u><u>\$ 14,296</u></u>



DUTCH BROS INC.

Condensed Consolidated Statements of Cash Flows (continued)

(in thousands; unaudited)	Three Months Ended March 31,	
	2024	2023
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 8,413	\$ 7,829
Income taxes paid	—	1,030
Supplemental disclosure of noncash investing and financing activities		
Additions of property and equipment accrued as of end of period	15,131	13,434

See accompanying notes to condensed consolidated financial statements.



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DUTCH BROS INC.

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DUTCH BROS INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1 — Organization and Background

Business

Dutch Bros is in the business of operating and franchising drive-thru coffee shops as well as the wholesale and distribution of coffee, coffee-related products, and accessories. As of March 31, 2024, there were 876 shops in operation in 17 U.S. states, of which 582 were company-operated and 294 were franchised.

Organization

Dutch Bros Inc. was formed on June 4, 2021 as a Delaware corporation for the purpose of facilitating an IPO and other related transactions in order to carry on the business of Dutch Bros OpCo. Dutch Bros Inc. is the sole managing member of Dutch Bros OpCo and operates and controls all of the business and affairs of Dutch Bros OpCo. As a result, Dutch Bros Inc. consolidates the financial results of Dutch Bros OpCo and reports a non-controlling interest representing the economic interest in Dutch Bros OpCo held by the other members of Dutch Bros OpCo. The Company's fiscal year end is December 31.

As of March 31, 2024, Dutch Bros Inc. held 100.0 % of the voting interest and 52.6 % of the economic interest of Dutch Bros OpCo. The Continuing Members held none of the voting interest and the remaining 47.4 % of the economic interest of Dutch Bros OpCo.

NOTE 2 — Basis of Presentation and Summary of Significant Accounting Policies

Financial Statements Presentation

The Company's condensed consolidated financial statements as of March 31, 2024 and for the three months ended March 31, 2024 and 2023 have been prepared in accordance with GAAP and pursuant to the rules and regulations of the SEC, consistent in all material respects with those applied in the Company's 2023 Form 10-K and as updated by this Form 10-Q.

The Company has made estimates and judgments affecting the amounts reported in its condensed consolidated financial statements and the accompanying notes. Although management bases its estimates on historical experience and assumptions that are believed to be reasonable under the circumstances, actual results could differ from those estimates. This report should be read in conjunction with the consolidated financial statements in the Company's 2023 Form 10-K that includes additional information on accounting estimates, policies, and the methods and assumptions used in its estimates.

In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company's consolidated financial statements for the periods presented. Operating results for the three months ended March 31, 2024 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2024.

Significant Accounting Policies Updates

There have been no material updates to the Company's significant accounting policies during the three months ended March 31, 2024 from those previously reported in the Company's 2023 Form 10-K.



Recently Issued Accounting Standards

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in this Update enhance the transparency and decision usefulness of income tax disclosures, primarily through improvements to the rate reconciliation and income taxes paid information, specifically requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation, and (2) income taxes paid disaggregation by jurisdiction. These amendments allow investors to better assess how an entity's operations and related tax risks and tax planning and operational opportunities affects its income tax rate and prospects for future cash flows. These amendments are effective for public business entities' annual periods beginning after December 15, 2024, and should be applied on a prospective basis. Early adoption is permitted for annual financial statements that have not yet been issued. The Company is currently assessing the potential impacts of this standard on its income tax disclosures, and expects to provide additional detail and disclosures under the new guidance.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments in this update improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. These improvements should enable investors to better understand an entity's overall performance and assist in assessing potential future cash flows. Effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. Public entities should apply the amendments in this Update retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company has completed its initial analysis and identified significant segment expenses primarily related to the Company's cost of sales for disclosure commencing with the 2024 Form 10-K. Based on the Company's initial analysis, the new standard is not expected to have a material impact on its consolidated financial statements; however, the Company expects to provide additional detail and disclosures under the new guidance.

NOTE 3 — Revenue Recognition

Revenue

The following table disaggregates revenue by major component:

(in thousands)	Three Months Ended March 31,	
	2024	2023
Company-operated shops	\$ 248,085	\$ 173,164
Franchising	25,771	22,645
Other	1,243	1,458
Total revenues	<u>\$ 275,099</u>	<u>\$ 197,267</u>



Deferred Revenue

Deferred revenue activity related to the Company's gift card and loyalty programs was as follows:

(in thousands)	Three Months Ended March 31,	
	2024	2023
Beginning balance	\$ 34,616	\$ 26,904
Revenue deferred - gift card activations, loyalty app loads, and loyalty points and rewards earned	89,394	78,711
Revenue recognized - gift card, loyalty app, loyalty rewards redemptions, and breakage	(91,057)	(79,729)
Ending balance	32,953	25,886
Less: current portion	(28,696)	(21,754)
Deferred revenue, net of current portion, gift card and loyalty programs	\$ 4,257	\$ 4,132

Deferred revenue may also include sales to distributors where the performance obligation has not been satisfied and control has not been transferred to the customer as of the reporting date, as well as initial unearned franchise fees from franchise partners. These deferred revenues reported in the Company's condensed consolidated balance sheets were as follows:

(in thousands)	March 31, 2024	December 31, 2023
	2024	2023
Initial unearned franchise fees from franchise partners	\$ 2,470	\$ 2,409
Total deferred revenue, excluding gift card and loyalty programs	2,470	2,409
Less: current portion	(414)	(412)
Deferred revenue, net of current portion, excluding gift card and loyalty programs	\$ 2,056	\$ 1,997

Revenue recognized during the three months ended March 31, 2024 and 2023 that was included in the respective deferred revenue liability balances at the beginning of the period are shown below.

(in thousands)	Three Months Ended March 31,	
	2024	2023
Gift card redemptions ¹	\$ 4,017	\$ 3,235
Earned franchise fees	113	114

¹ Amounts exclude cash loads and transactions related to the Company's loyalty rewards program.

Future recognition of initial unearned franchise fees as of March 31, 2024 is as follows:

(in thousands)	2024	2023
Remainder of 2024	\$ 316	
2025	376	
2026	334	
2027	289	
2028	240	
Thereafter	915	
Total	\$ 2,470	



NOTE 4 — Organization Realignment and Restructuring

On January 29, 2024, the Company's Board of Directors approved an organizational realignment and restructuring plan to expand the Company's support operations at its Phoenix, Arizona office. As part of this large-scale initiative, the Company will relocate certain of its support center staff from the Grants Pass, Oregon headquarters to the Phoenix office, and anticipates that by January 1, 2025, approximately 40 % of the Company's total support operations staff will be located in Phoenix, Arizona. All affected employees were either offered an opportunity to continue employment in the Phoenix office or were offered a severance package; these communications were largely completed by February 9, 2024. The Company expects to incur total aggregate charges of approximately \$ 24 million to \$ 31 million related to this initiative, consisting of (i) approximately \$ 19 million to \$ 26 million in employee-related costs, including relocation, retention and transition costs, termination benefits, and duplicate transition wages and benefits; and (ii) approximately \$ 5 million in other charges, including consulting fees and costs. Substantially all of the estimated charges are expected to result in current and future cash expenditures.

The Company records severance related to this initiative as a one-time termination benefit and recognizes the expense ratably over the employees' required future service period.

For any lease terminations that may occur, the Company would write-off the right-of-use assets and lease liabilities, including any applicable penalties, as of the date the parties to the lease agree to its termination. For any lease abandonments, the Company would reassess the right-of-use assets' useful lives as of the date the Company decides to abandon the lease and would recognize accelerated amortization over the period from the decision date to the date the Company expects to cease use of the asset. Any lease liabilities related to abandoned leases would continue to be amortized over the original lease term until and unless the terms of the lease are modified.

All other costs, including other employee transition costs, recruitment and relocation costs, and third-party costs, are recognized in the period incurred.

During the three months ended March 31, 2024, the Company recorded restructuring charges for employee-related costs of \$ 2.6 million in selling, general and administrative expense on the condensed consolidated statement of operations related to one-time termination benefits and relocation costs as follows:

(in thousands)	Three Months Ended March 31, 2024
Relocation and travel costs	\$ 2,429
One-time termination benefits	196
Total restructuring costs incurred	\$ 2,625

As of March 31, 2024, the accruals for our corporate restructuring costs are included in accounts payable, accrued compensation and benefits, and accrued expenses on the condensed consolidated balance sheet and totaled approximately \$ 2.1 million. The following table summarizes the activity included in our restructuring liability for the three months ended March 31, 2024:

(in thousands)	Liability, December 31, 2023		Charges		Cash Payments		Liability, March 31, 2024
Relocation and travel costs	\$	—	\$	2,429	\$	(522)	\$ 1,907
One-time termination benefits	—	—	196	—	—	196	
Totals	\$	—	\$	2,625	\$	(522)	\$ 2,103

NOTE 5 — Inventories

Inventories, net consist of the following:

(in thousands)	March 31, 2024	December 31, 2023
Raw materials	\$ 25,185	\$ 28,523
Finished goods	20,208	18,430
Total inventories	\$ 45,393	\$ 46,953

NOTE 6 — Property and Equipment

Property and equipment, net consists of the following:

(in thousands)	Useful Life (Years)	March 31, 2024	December 31, 2023
Software	3	\$ 7,175	\$ 7,212
Equipment and fixtures	3 — 7	173,890	157,352
Leasehold improvements	5 — 15	45,800	42,441
Buildings	10 — 20	321,809	269,186
Land	N/A	7,781	7,338
Aircraft ¹	N/A	9,195	9,195
Construction-in-progress ²	N/A	149,988	166,054
Property and equipment, gross		715,638	658,778
Less: accumulated depreciation		(130,367)	(116,338)
Property and equipment, net		\$ 585,271	\$ 542,440

¹ Aircraft is depreciated under the consumption method.

² Construction-in-progress primarily consists of construction and equipment costs for new and existing shops, as well as our new roasting facility in Texas.

Depreciation expense included in the Company's condensed consolidated statements of operations was as follows:

(in thousands)	Three Months Ended March 31,	
	2024	2023
Cost of sales	\$ 13,918	\$ 9,110
Selling, general and administrative expenses	248	412
Total depreciation expense	\$ 14,166	\$ 9,522

NOTE 7 — Intangible Assets

The details of the intangible assets are as follows:

(in thousands)	Weighted-average amortization period (in years)	Weighted-average amortization	
		March 31, 2024	December 31, 2023
Reacquired franchise rights	3.09	\$ 27,049	\$ 27,049
Less: accumulated amortization		(22,434)	(21,634)
Intangibles, net		\$ 4,615	\$ 5,415

Amortization expense included in the Company's condensed consolidated statements of operations was as follows:

(in thousands)	Three Months Ended March 31,	
	2024	2023
Cost of sales	\$ 800	\$ 911

NOTE 8 — Leases

The components of lease cost were as follows for the periods presented:

(in thousands)	Statement of Operations Classification	Three Months Ended March 31,	
		2024	2023
Finance lease cost			
Amortization of right-of-use assets	Cost of sales	\$ 6,287	\$ 4,346
Interest on lease liabilities	Interest expense	5,452	3,455
Total finance lease cost		11,739	7,801
Operating lease cost	Cost of sales	5,991	4,512
Variable lease cost	Cost of sales	1,559	1,378
Total lease cost		\$ 19,289	\$ 13,691



Supplemental cash flow information related to leases as of March 31, 2024 is as follows for the periods presented:

(in thousands)	Three Months Ended March 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 5,452	\$ 3,455
Operating cash flows from operating leases	5,087	4,390
Financing cash flows from finance leases	2,094	3,369
Right-of-use assets obtained in exchange for lease obligations:		
Finance leases	3,715	42,036
Operating leases	37,815	7,912

NOTE 9 — Debt

Credit Facility

On August 4, 2023, the Company amended its senior secured credit facility, dated February 28, 2022, with JPMorgan Chase Bank, N.A. (as amended, the 2022 Credit Facility) to increase borrowing capacity by \$ 150 million to a total of \$ 650 million. The 2022 Credit Facility consists of a \$ 350 million revolving credit facility, a term loan facility of up to \$ 100 million, and a delayed draw term loan facility of up to \$ 200 million. The 2022 Credit Facility also includes sublimits for letters of credit and swingline loans of up to \$ 50 million and \$ 15 million, respectively. The 2022 Credit Facility expires on February 28, 2027 (the Maturity Date).

On February 20, 2024, the Company drew \$ 150 million on its delayed draw term loan facility before this portion expired on February 28, 2024. The remaining \$ 50 million of the delayed draw term loan is available until February 2025.

Interest on borrowings under the 2022 Credit Facility is based on (a) the Alternate Base Rate plus an applicable margin, or (b) the Adjusted Term SOFR plus an applicable margin, and is payable in accordance with the selected interest rate period (at least quarterly) and upon maturity. Principal payments for the term loans are required on a quarterly basis in accordance with an amortization schedule up through and including the Maturity Date.

The Company is required to pay a commitment fee on a quarterly basis, at a per annum rate of between 0.20 % and 0.45 % (depending on the Company's maximum net lease-adjusted total leverage ratio) based on the (i) average daily unused portion of the revolving credit facility, and (ii) the daily undrawn amount of the delayed draw term loan facility. These fees are recorded as interest expense on the Company's condensed consolidated statements of operations.

The 2022 Credit Facility contains financial covenants that require the Company to not exceed a maximum net lease-adjusted total leverage ratio and maintain a minimum fixed charge coverage ratio. The 2022 Credit Facility also contains certain negative covenants that, among other things, limit the Company's ability to incur additional debt, grant liens on assets, merge with or acquire other companies, make other investments, dispose of assets, and make restricted payments. Obligations under the 2022 Credit Facility are guaranteed by Dutch Bros OpCo and certain of its subsidiaries, and secured by a first priority perfected security interest in substantially all of the assets of the guarantors.

As of March 31, 2024, no amounts were outstanding on the Company's revolving credit facility, and \$ 349.2 million was available for borrowing, net of a \$ 0.8 million letter of credit, and approximately \$ 244.1 million of principal was outstanding on the term loan facilities. The term loans bear interest at approximately 6.93 % as of March 31, 2024, excluding the impact from the Company's interest rate swap. The Company was in compliance with its financial covenants as of that date.

Long-Term Debt

The Company's long-term debt consisted of the following for the periods presented:

(in thousands)	March 31, 2024	December 31, 2023
Term loans under credit facility	\$ 244,063	\$ 95,625
Finance obligation ¹	3,022	3,022
Unsecured note payable	387	415
Total debt	247,472	99,062
Less: loan origination fees	(1,283)	(1,396)
Less: current portion	(12,618)	(4,491)
Total long-term debt, net of current portion	\$ 233,571	\$ 93,175

¹ Represents failed sale-leaseback arrangements.

Future annual maturities of long-term debt as of March 31, 2024 are as follows:

(in thousands)		
Remainder of 2024		\$ 9,463
2025		17,311
2026		32,943
2027		184,733
2028		—
Thereafter		3,022
Total		\$ 247,472

NOTE 10 — Derivative Financial Instruments

The Company has a receive-variable (Receive Leg), pay-fixed (Pay Leg) interest rate swap with JPMorgan Chase Bank, N.A. The interest rate swap has a notional amount of \$ 70 million and hedges interest rate risk on the term loan under the 2022 Credit Facility. The interest rate swap matures on February 28, 2027 and has a fixed rate of 2.67 % per annum for the Pay Leg. The variable rate on the Receive Leg of the interest rate swap is the one-month adjusted term SOFR plus an applicable margin. As of March 31, 2024, the one-month adjusted term SOFR was 5.33 %.

The Company typically designates all interest rate swaps as cash flow hedges, and accordingly, records the change in fair value for the effective portion of the interest rate swap in AOCI rather than in current period earnings until the underlying hedged transaction affects earnings. As of March 31, 2024, the Company expects to reclassify a gain of approximately \$ 1.5 million from AOCI to earnings within the next twelve months.

Designated as a Level 2 instrument within the fair value hierarchy, the fair value and effect of the derivative instrument included in the Company's consolidated financial statements was as follows:

(in thousands)	Balance Sheet Classification	March 31,	December 31,
		2024	2023
Derivative instrument designated as cash flow hedge:			
Interest rate swap contract	Prepaid expenses and other current assets	\$ 1,525	\$ 1,371
	Other long-term assets	1,300	837
Total derivative instrument designated as cash flow hedge		\$ 2,825	\$ 2,208

(in thousands)	Financial Statements Classification	Three Months Ended March 31,	
		2024	2023
Derivative instrument designated as cash flow hedge:			
Income (loss) recognized in other comprehensive income (loss) before reclassifications	Statement of Comprehensive Income (Loss)	\$ 1,222	\$ (571)
Reclassification from accumulated other comprehensive income (loss) to earnings for the effective portion	Statement of Operations - Interest expense, net	(469)	(333)
Income tax benefit (expense)	Statement of Operations - Income tax expense	(79)	80

NOTE 11 — Income Taxes

(in thousands)	Three Months Ended March 31,	
	2024	2023
Income tax expense	\$ 8,772	\$ 2,580
Effective tax rate	35.1 %	(37.9)%

NOTE 12 — Equity-Based Compensation

Restricted Stock Awards

Activity for the Company's RSAs was as follows:

(in thousands, except per share amounts)	Restricted Stock Awards	Weighted-average grant date fair value per share	
		2024	2023
Balance, December 31, 2023	1,283	\$ 23.00	
Vested	(1,245)		23.00
Balance, March 31, 2024	38	\$ 23.00	

Restricted Stock Units

Activity for the Company's RSUs was as follows:

(in thousands, except per share amounts)	Restricted Stock Units	Weighted-average grant date fair value per share
Balance, December 31, 2023	648	\$ 35.99
New grants	693	29.67
Vested	(87)	31.06
Forfeitures	(64)	32.85
Balance, March 31, 2024	1,190	\$ 31.77

Total release date fair value of vested restricted stock awards and units for the three months ended March 31, 2024 and 2023 are presented below.

(in thousands, except per share amounts)	Three Months Ended March 31, 2024	Weighted-average	Three Months Ended March 31, 2023	Weighted-average
		vest date fair value per share		vest date fair value per share
Restricted stock awards	\$ 38,665	\$ 31.06	\$ 34,293	\$ 27.15
Restricted stock units	2,664	30.49	5,441	27.22

Equity-Based Compensation

Equity-based compensation expense is recognized on a straight-line basis and is included in the Company's condensed consolidated statements of operations as follows:

(in thousands)	Three Months Ended March 31,	
	2024	2023
Cost of sales	\$ 94	\$ —
Selling, general, and administrative expenses	1,839	9,170
Total stock-based compensation expense	\$ 1,933	\$ 9,170

As of March 31, 2024, total unrecognized stock-based compensation related to unvested stock awards was \$ 30.0 million, which will be recognized as follows:

(in thousands)	
Remainder of 2024	\$ 9,970
2025	11,302
2026	7,626
2027	1,117
Total unrecognized stock-based compensation	\$ 30,015

NOTE 13 — Non-Controlling Interests

Dutch Bros Inc. is the sole managing member of Dutch Bros OpCo, and, as a result, consolidates the financial results of Dutch Bros OpCo. The Company reports a non-controlling interest representing the economic interest in the Dutch Bros OpCo held by the other members of Dutch Bros OpCo. The Third Amended and Restated Limited Liability Company Agreement of Dutch Bros OpCo provides that holders of Dutch Bros OpCo Class A common units may, from time to time, require Dutch Bros OpCo to redeem all or a portion of its Dutch Bros OpCo Class A common units for newly-issued shares of Class A common stock on a one -for-one basis. In connection with any redemption or exchange, Dutch Bros Inc. will receive a corresponding number of Dutch Bros OpCo Class A common units, increasing Dutch Bros Inc.'s total ownership in Dutch Bros OpCo. Changes in Dutch Bros Inc.'s ownership in Dutch Bros OpCo, while Dutch Bros Inc. retains its controlling interest in Dutch Bros OpCo, will be accounted for as equity transactions. As such, future redemptions or direct exchanges of Dutch Bros OpCo Class A common units by the other members of Dutch Bros OpCo will result in a change in ownership and reduce the amount recorded as non-controlling interest and increase additional paid-in-capital.

The following table summarizes the ownership interest in Dutch Bros OpCo:

(in thousands)	March 31, 2024	
	OpCo Units	Ownership %
Dutch Bros OpCo Class A common units held by Dutch Bros Inc. ¹	93,228	52.6 %
Dutch Bros OpCo Class A common units held by non-controlling interest holders	83,951	47.4 %
Total Dutch Bros OpCo Class A common units outstanding	177,179	100.0 %

¹ Includes approximately 0.04 million Dutch Bros OpCo Class A common units related to unvested restricted stock awards held by former Profits Interest Units holders. These Dutch Bros OpCo Class A common units are excluded from non-controlling interest calculations.

The following table summarizes the effect of changes in ownership of Dutch Bros OpCo on the Company's equity for the periods presented:

(in thousands)	Three Months Ended March 31,	
	2024	2023
Net income (loss) attributable to Dutch Bros Inc.	\$ 7,062	\$ (3,842)
Other comprehensive income:		
Unrealized gain (loss) on derivative securities, effective portion, net of income tax impacts	381	(223)
Transfers from (to) non-controlling interests:		
Increase in additional paid-in capital as a result of equity-based compensation	991	3,200
Decrease in additional paid-in capital as a result of common stock issuances pursuant to vesting of equity awards, net of stock withheld for tax	1,867	(661)
Increase in additional paid-in capital as a result of the acquisition of Dutch Bros OpCo Class A common units	40,377	1,054
Total effect of changes in ownership interest on equity attributable to Dutch Bros Inc.	\$ 50,678	\$ (472)

The weighted-average ownership percentage for the applicable reporting period is used to attribute net income (loss) to Dutch Bros Inc. and the non-controlling interest holders. The non-controlling interest holders' weighted-average ownership percentage were as follows for the periods presented:

	Three Months Ended March 31,	
	2024	2023
Weighted-average ownership percentage	53.0 %	65.1 %

NOTE 14 — Income (Loss) Per Share

The following tables set forth the numerators and denominators used to compute basic and diluted net income (loss) per share of Class A and Class D common stock for the periods presented.

(in thousands)	Three Months Ended March 31,	
	2024	2023
Numerator:		
Net income (loss)	\$ 16,215	\$ (9,391)
Less: Net income (loss) attributable to non-controlling interests	9,153	(5,549)
Net income (loss) attributable to Dutch Bros Inc.	<u>\$ 7,062</u>	<u>\$ (3,842)</u>

(in thousands, except per share amounts)	Three Months Ended March 31,	
	2024	2023
Basic net income (loss) per share attributable to common stockholders		
Numerator:		
Net income (loss) attributable to Dutch Bros Inc.	\$ 7,062	\$ (3,842)
Denominator:		
Weighted-average number of shares of Class A and Class D common stock outstanding - basic	<u>83,328</u>	<u>56,664</u>
Basic net income (loss) per share attributable to common stockholders	<u>\$ 0.08</u>	<u>\$ (0.07)</u>



	Three Months Ended March 31,	
	2024	2023
(in thousands, except per share amounts)		
Diluted net income (loss) per share attributable to common stockholders		
Numerator:		
Undistributed net income (loss) for basic computation	\$ 7,062	\$ (3,842)
Increase in net income attributable to common stockholders upon conversion of potentially dilutive instruments	4	—
Allocation of undistributed net income (loss)	<u>\$ 7,066</u>	<u>\$ (3,842)</u>
Denominator:		
Number of shares used in basic computation	83,328	56,664
Add: weighted-average effect of dilutive securities		
Restricted stock awards	44	—
Restricted stock units	38	—
Weighted-average number of shares of Class A and Class D common stock outstanding used to calculate diluted net loss per share	<u>83,410</u>	<u>56,664</u>
Diluted net income (loss) per share attributable to common stockholders	<u>\$ 0.08</u>	<u>\$ (0.07)</u>

The following Class A common stock equivalents were excluded from diluted net income (loss) per share in the periods presented because they were anti-dilutive:

	Three Months Ended March 31,	
	2024	2023
(in thousands)		
Restricted stock awards	—	1,396
Restricted stock units	146	615
Total anti-dilutive securities	<u>146</u>	<u>2,011</u>

NOTE 15 — Commitments and Contingencies

Purchase Obligations

The Company enters into fixed-price and price-to-be fixed green coffee purchase commitments. For both fixed-price and price-to-be fixed purchase commitments, the Company expects to take delivery of green coffee and to utilize the coffee in a reasonable period of time in the ordinary course of business. Such contracts are used in the normal purchases of green coffee and not for speculative purposes. The Company does not enter into futures contracts or other derivative instruments related to its green coffee purchase commitments.

Guarantees

The Company periodically provides guarantees to franchise partners for lease payments. Annually, the Company determines if a liability needs to be recorded related to these guarantees. As of March 31, 2024 and December 31, 2023, the Company had guaranteed approximately \$ 1.4 million and \$ 1.4 million, respectively, in franchise partners' lease payments and has not established a liability for these guarantees as any liability arising from the guarantees is not material to the condensed consolidated financial statements.



Legal Proceedings

The Company is a party to routine legal actions arising in the ordinary course of and incidental to its business. These claims, legal proceedings, and litigation principally arise from alleged casualty, employment, and other disputes.

In determining loss contingencies, the Company considers the likelihood of loss as well as the ability to reasonably estimate the amount of such loss or liability. An estimated loss is recognized when it is considered probable that a liability has been incurred and when the amount of loss can be reasonably estimated.

Because litigation is inherently unpredictable, assessing contingencies is highly subjective and requires judgments about future events. When evaluating litigation contingencies, we may be unable to provide a meaningful estimate due to a number of factors, including the procedural status of the matter in question, developments in legislation or regulations that affect the validity of certain claims and defenses, the availability of appellate remedies, insurance coverage related to the claim or claims in question, the presence of complex or novel legal theories, and/or the ongoing discovery and development of information important to the matter.

Any claim, proceeding or litigation has an element of uncertainty, and an unfavorable outcome may have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

[Litigation Related to Securities Claims](#)

On March 1, 2023, plaintiff Jerry Peacock filed a putative class action lawsuit in U.S. District Court for the Southern District of New York against Dutch Bros Inc. and certain of its executive officers for alleged violations of U.S. federal securities laws. On August 3, 2023, the court appointed a lead plaintiff and re-captioned the case *Douglas Rein, Individually and On Behalf of All Others Similarly Situated v. Dutch Bros, Inc. et al.* On August 31, 2023 an amended complaint was filed (the Amended Complaint) which asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), on behalf of a proposed class consisting of those who acquired Dutch Bros Inc.'s securities between November 10, 2021 and May 11, 2022. The Amended Complaint generally alleges that the defendants made false or misleading statements about the impact of commodity inflation on the Company's financial results for the first quarter of 2022. The Amended Complaint primarily seeks compensatory damages for all affected members of the purported class. The parties await a ruling on the defendants' motion to dismiss the Amended Complaint, briefing on which was completed on November 9, 2023.

In addition, on June 14, 2023, June 30, 2023, and July 18, 2023, respectively, plaintiffs Brennan Hudson, Darren Wakefield, and Amanda Boster each filed a putative stockholder derivative lawsuit in U.S. District Court for the Southern District of New York. The complaints name Dutch Bros Inc. as a nominal defendant and purport to bring claims on behalf of Dutch Bros Inc. against certain of Dutch Bros Inc.'s directors and executive officers for alleged breaches of their fiduciary duties in relation to substantially the same factual allegations as the above-described putative class action lawsuit. The complaints each primarily seek to recover for Dutch Bros Inc. compensatory damages for losses allegedly sustained by Dutch Bros Inc. related to the facts alleged, restitution, and equitable relief in the form of revisions to Dutch Bros Inc.'s governing documents. On July 27, 2023, the three actions were consolidated, and the consolidated action is now captioned *In re Dutch Bros Inc. Derivative Litigation*. On September 14, 2023, the court entered an order staying the consolidated action pending the resolution of the motion to dismiss in the above-described putative class action lawsuit and entry of a scheduling order in the consolidated action.

On November 3, 2023, plaintiff David Briggs filed a putative stockholder derivative lawsuit in the Delaware Court of Chancery. The complaint names Dutch Bros Inc. as a nominal defendant and purports to bring claims on behalf of Dutch Bros Inc. against certain of Dutch Bros Inc.'s directors and executive officers for alleged breaches of their fiduciary duties in relation to substantially the same factual allegations as the above-described putative class action lawsuit. The complaint primarily seeks to recover for Dutch Bros

Inc. compensatory damages for losses allegedly sustained by Dutch Bros Inc. related to the facts alleged, restitution, and equitable relief in the form of revisions to Dutch Bros Inc.'s governing documents. On January 24, 2024, the court entered an order staying this action pending the resolution of the motion to dismiss in the above-described putative class action lawsuit.

The Company intends to vigorously defend these lawsuits. Given the nature of these cases, including that the proceedings are in their early stages, the Company is unable to predict the ultimate outcome of these cases or estimate the range of potential loss, if any.

Liabilities Under Tax Receivable Agreements

Under the TRAs, Dutch Bros Inc. is contractually committed to pay the non-controlling interest holders 85% of the amount of any tax benefits that Dutch Bros Inc. actually realizes, or in some cases is deemed to realize, as a result of certain transactions. As of March 31, 2024, Dutch Bros Inc. recognized \$ 395.8 million of liabilities related to its obligations under the TRAs.

NOTE 16 — Related Party Transactions

On January 22, 2024, the Company purchased a parcel of real property, on which one of the Company's shops operates, by exercising its purchase option under an existing lease between the Company and the Co-Founder's father, as trustee of a family trust. The total paid by the Company was approximately \$ 0.6 million.

NOTE 17 — Segment Reporting

Segment information is prepared on the same basis that the Company's CEO, who is the chief operating decision maker (the CODM), manages the segments, evaluates financial results and makes key operating decisions. The Company's CEO evaluates the financial performance of the Company based on two operating segments: Company-operated shops and Franchising and other. The Company-operated shops segment includes coffee shop sales to customers. The Franchising and other segment includes bean and product sales to franchise partners and includes the initial franchise fees, royalties, and marketing fees.

The CODM reviews segment performance and allocates resources based upon segment contribution, which is defined as segment gross profit before depreciation and amortization.

All segment revenue is earned in the United States, and there are no intersegment revenues. The CODM does not evaluate operating segments using discrete asset information, and we do not identify or allocate assets by operating segments.

Selling, general and administrative expenses primarily consist of the Company's unallocated corporate expenses. Unallocated corporate expenses include corporate administrative functions that support the segments but are not directly attributable to or managed by any segment and are not included in the reported financial results of the segments.

No changes have been made to the Company's segments during the three months ended March 31, 2024. In addition, no customer represented 10% or more of total revenue for the three months ended March 31, 2024 and 2023.

Financial information for the Company's reportable segments was as follows for the periods presented:

(in thousands)	Three Months Ended March 31,	
	2024	2023
Revenues:		
Company-operated shops	\$ 248,085	\$ 173,164
Franchising and other	27,014	24,103
Total revenues	<u>275,099</u>	<u>197,267</u>
Cost of sales:		
Company-operated shops	193,780	144,292
Franchising and other	9,546	7,231
Total cost of sales	<u>203,326</u>	<u>151,523</u>
Segment contribution:		
Company-operated shops	73,999	41,873
Franchising and other	18,763	18,233
Total segment contribution	<u>\$ 92,762</u>	<u>\$ 60,106</u>
Depreciation and amortization:		
Company-operated shops	19,694	13,001
Franchising and other	1,295	1,361
Total depreciation and amortization	<u>20,989</u>	<u>14,362</u>
Selling, general and administrative	(46,194)	(45,976)
Interest expense, net	(6,393)	(7,886)
Other income, net	5,801	1,307
Income (loss) before income taxes	<u>\$ 24,987</u>	<u>\$ (6,811)</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

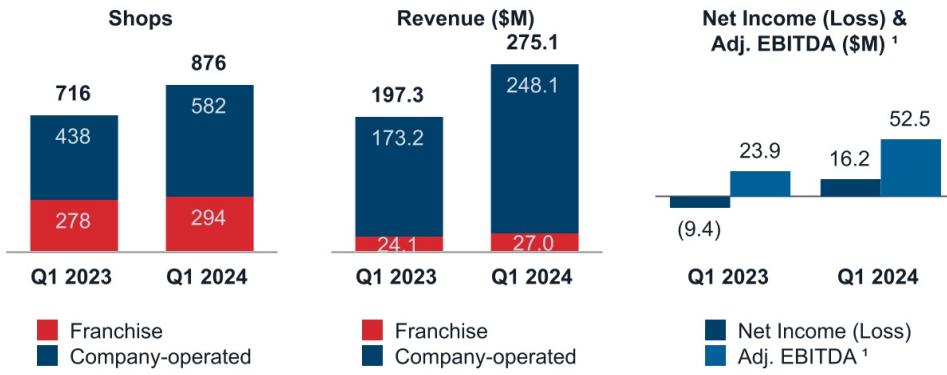
You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and the related notes included elsewhere in this Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this document includes forward looking statements that involve risks, uncertainties, and assumptions. You should carefully read the "Forward-Looking Statements" and "Risk Factors" sections of this Form 10-Q for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Form 10-Q. While we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

Overview and Highlights

Dutch Bros is a high growth operator and franchisor of drive-thru shops that focus on serving high QUALITY, hand-crafted beverages with unparalleled SPEED and superior SERVICE. Founded in 1992 by brothers Dane and Travis Boersma, Dutch Bros began with a double-head espresso machine and a pushcart in Grants Pass, Oregon. Today, we believe that Dutch Bros is one of the fastest-growing brands in the quick service beverage industry in the United States by location count.

As of March 31, 2024, we had 876 company-operated and franchised shops in 17 states, an increase of approximately 22.3% from the same period in the prior year. For the three months ended March 31, 2024, we generated \$275.1 million of revenue, \$16.2 million of net income, and \$0.08 earnings per diluted share. We have two reportable operating segments: Company-operated shops and Franchising and other.



¹ Reconciliation of GAAP to non-GAAP results is provided in the section "Non-GAAP Financial Measures" in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Key Highlights

- In January 2024, welcomed President of Operations, Sumitro Ghosh, and Chief People Officer, Jess Elmquist.
- In February 2024, welcomed Incoming Chief Financial Officer, Joshua Guenser.
- Announced a pilot test for mobile order functionality and began operational testing in Arizona.
- Raised \$0.9 million for our company-wide give back day, Dutch Luv, that supports local organizations to help feed the communities where we operate.

Impact of Global Events

Inflation and Minimum Wage Increases

We continued to experience the effects of elevated commodity costs due to inflation, including in dairy, sugar, packaging, coffee and fuel, and continuing legislated minimum wage increases that took effect this year in certain states. We expect these inflationary pressures to continue to affect our operating results in the foreseeable future. For example, California's minimum wage increased to \$20 per hour effective April 2024 for covered employees in our industry. While these pressures have impacted our operating results, we have taken measures to gradually increase our menu prices, adjust our Dutch Rewards loyalty program, and make operating adjustments that increase productivity to help offset them. Menu price increases may lead to decreases in consumer demand. We will continue to evaluate further pricing actions to protect our operating results, however, if there is a time lag between increasing commodity prices and our ability to increase menu prices or take other action in response, or if we choose not to pass on the cost increases by increasing menu prices, our operating results could be negatively affected.

General Macroeconomic Uncertainties

As a retailer that is dependent upon consumer discretionary spending, our results of operations are sensitive to changes in macroeconomic conditions. A continued economic downturn may have a material adverse effect on our business, financial condition or results of operations. Our customers may have or in the future have less money available for discretionary purchases and may stop or reduce their purchases of our products.

On a macro level, conditions (including bank failures and other events affecting financial institutions, rising interest rates, and the impacts of the Russia-Ukraine and Israel-Hamas wars) have created significant uncertainty in the global economy. While we are not able to fully predict the potential impacts of these conditions, we do not currently believe any potential impacts of these macroeconomic conditions would be material to our business.



Results of Operations

The following tables provide our operating results and explanation of changes for the periods presented.

Condensed Consolidated Statements of Operations

	Three Months Ended March 31,	
	2024	2023
(in thousands; unaudited)		
REVENUES		
Company-operated shops	\$ 248,085	\$ 173,164
Franchising and other	27,014	24,103
Total revenues	<u>275,099</u>	<u>197,267</u>
COSTS AND EXPENSES		
Cost of sales	203,326	151,523
Selling, general and administrative	46,194	45,976
Total costs and expenses	<u>249,520</u>	<u>197,499</u>
INCOME (LOSS) FROM OPERATIONS	25,579	(232)
OTHER EXPENSE		
Interest expense, net	(6,393)	(7,886)
Other income, net	5,801	1,307
Total other expense	<u>(592)</u>	<u>(6,579)</u>
INCOME (LOSS) BEFORE INCOME TAXES	24,987	(6,811)
Income tax expense	8,772	2,580
NET INCOME (LOSS)	16,215	(9,391)
Less: Net income (loss) attributable to non-controlling interests	9,153	(5,549)
NET INCOME (LOSS) ATTRIBUTABLE TO DUTCH BROS INC.	<u>\$ 7,062</u>	<u>\$ (3,842)</u>

Segment Financials

(in thousands; unaudited)	Three Months Ended March 31,	
	2024	2023
Revenues:		
Company-operated shops	\$ 248,085	\$ 173,164
Franchising and other	27,014	24,103
Total revenues	<u>275,099</u>	<u>197,267</u>
Cost of sales:		
Company-operated shops	193,780	144,292
Franchising and other	9,546	7,231
Total cost of sales	<u>203,326</u>	<u>151,523</u>
Segment gross profit:		
Company-operated shops	54,305	28,872
Franchising and other	17,468	16,872
Total gross profit	<u>71,773</u>	<u>45,744</u>
Depreciation and amortization:		
Company-operated shops	19,694	13,001
Franchising and other	1,295	1,361
All other ¹	264	417
Total depreciation and amortization	<u>\$ 21,253</u>	<u>\$ 14,779</u>
Segment contribution:		
Company-operated shops	73,999	41,873
Franchising and other	18,763	18,233
Total segment contribution	<u>\$ 92,762</u>	<u>\$ 60,106</u>
Selling, general and administrative		
Interest expense, net	(46,194)	(45,976)
Other income, net	(6,393)	(7,886)
Income (loss) before income taxes	<u>\$ 24,987</u>	<u>\$ (6,811)</u>

¹ Included in selling, general and administrative expenses and not part of segment contribution calculation.

Key Performance Indicators

The key performance indicators (KPIs) that we use to effectively manage and evaluate our business are as follows:

(in thousands, except shop count data; unaudited)	Three Months Ended March 31,	
	2024	2023
Shop count, beginning of period		
Company-operated	542	396
Franchised	289	275
Total shop count	831	671
Company-operated new openings	40	42
Franchised new openings	5	3
Shop count, end of period		
Company-operated	582	438
Franchised	294	278
Total shop count	876	716
Systemwide AUV ¹	\$ 1,995	\$ 1,916
Company-operated shops AUV ¹	\$ 1,915	\$ 1,879
Systemwide same shop sales ^{2, 3}	10.0 %	(2.0) %
Company-operated same shop sales ²	10.9 %	(3.5) %
Systemwide sales ³	\$ 397,553	\$ 302,782
Company-operated operating weeks ⁴	7,274	5,322
Franchising and other operating weeks ⁴	3,779	3,546
Dutch Rewards transactions as a percentage of total transactions ⁵	66.5 %	65.0 %

(in thousands; unaudited)	Three Months Ended March 31,	
	2024	2023
Company-operated shop revenues	\$ 248,085	100.0
Company-operated shop gross profit	54,305	21.9
Company-operated shop contribution ⁶	73,999	29.8
Selling, general, and administrative expenses	46,194	16.8
Adjusted selling, general, and administrative expenses ⁶	40,430	14.7
Net income (loss)	16,215	5.9
Adjusted EBITDA ⁶	52,540	19.1



¹ AUVs are determined based on the net sales for any trailing twelve-month period for systemwide and company-operated shops that have been open a minimum of 15 months. AUVs are calculated by dividing the systemwide and company-operated shop net sales by the total number of systemwide and company-operated shops, respectively. Management uses this metric as an indicator of shop growth and future expectations of mature locations.

² Same shop sales reflects the change in year-over-year sales, for the comparable shop base, which we define as shops open for 15 complete months or longer as of the first day of the reporting period. Management uses this metric as an indicator of shop growth and future expansion strategy. The number of shops included in the systemwide and company-operated comparable bases for the respective periods are presented in the following table.

(unaudited)	Three Months Ended March 31,	
	2024	2023
Systemwide shop base	641	503
Company-operated shop base	370	246

³ Systemwide sales and systemwide same shop sales are operating measures that include sales at company-operated shops and sales at franchised shops during the comparable periods presented. Franchise sales represent sales at all franchise shops and are revenues to our franchise partners. We do not record franchise sales as revenues; however, our royalty revenues and advertising fund contributions are calculated based on a percentage of franchise sales. As these metrics include sales reported to us by our non-consolidated franchise partners, these metrics should be considered as a supplement to, not a substitute for, our results as reported under GAAP. Management uses these metrics as indicators of our system's overall financial health, growth and future expansion prospects.

⁴ Company-operated and franchise shops operating weeks are calculated based on the number of operating days for the shop base and dividing by 7. Our shop base is defined as shops opened as of the period end date. The operating weeks calculations, reflect re-acquired franchises through 2022. Management uses these metrics as indicators of our system's overall financial health, growth and future expansion prospects.

⁵ Dutch Rewards, a digitally-based rewards program available exclusively through the Dutch Rewards mobile app, was launched February 2021. Management uses this metric as an indicator of customer loyalty adoption of our Dutch Rewards mobile app and future promotional plans.

⁶ Reconciliation of GAAP to non-GAAP results is provided in the section "Non-GAAP Financial Measures" in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Company-operated Shop Results

The results for our company-operated shops segment were as follows:

(in thousands; unaudited)	Three Months Ended March 31,			
	2024	2023	2024	2023
Company-operated shop revenues	\$ 248,085	100.0	\$ 173,164	100.0
Beverage, food, and packaging costs	63,716	25.7	48,952	28.3
Labor costs	65,427	26.4	48,549	28.0
Occupancy and other costs	41,496	16.7	30,559	17.6
Pre-opening costs	3,447	1.4	3,231	1.9
Depreciation and amortization	19,694	7.9	13,001	7.5
Company-operated shop costs and expenses	193,780	78.1	144,292	83.3
Company-operated shop gross profit	54,305	21.9	28,872	16.7
Company-operated shop contribution ¹	73,999	29.8	41,873	24.2

¹ Reconciliation of GAAP to non-GAAP results is provided in the section "Non-GAAP Financial Measures" in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Company-operated Shops Segment Performance

Company-operated Shop Revenues

(in thousands; unaudited)	Three Months Ended March 31,		
	2024	2023	2024 v. 2023
Company-operated shop revenues	\$ 248,085	\$ 173,164	\$ 74,921 43.3%

Three Months Ended March 31, 2024 v. 2023

The Company-operated shop revenue increase was driven by the following:

- + \$57.6 million from company-operated shops opened during 2024 and 2023.
- + \$17.4 million from increase in same shop sales in the comparable shop base. ¹

¹ For purposes of calculating company-operated same shop revenue, the revenue for 370 company-operated shops was included in the comparable shop base.

Comparable Same Shop Sales



¹ The comparable shop bases were 370 and 246 for the three months ended March 31, 2024 and 2023, respectively. The comparable shop base includes mature shops, which we define as open longer than 15 months.

Beverage, Food, and Packaging Costs

(in thousands; unaudited)	Three Months Ended March 31,		
	2024	2023	2024 v. 2023
Beverage, food and packaging costs	\$ 63,716	\$ 48,952	\$ 14,764 30.2 %
As a percentage of company-operated shop revenues	25.7 %	28.3 %	N/A (260) bps

Three Months Ended March 31, 2024 v. 2023

The beverage, food and packaging costs impacts for the year-over-year comparison, in dollars and basis points, were driven by the following:

(in thousands, except BPS; unaudited)	\$	BPS
Shop weeks	\$ 15,150	30
Volume	1,360	N/A
Ingredient costs	(589)	(20)
Pricing impacts	N/A	(190)
Discounts	N/A	(40)
Other	(1,157)	(40)
Total change	\$ 14,764	(260)

Labor Costs

(in thousands; unaudited)	Three Months Ended March 31,				
	2024	2023	2024 v. 2023		
Labor costs	\$ 65,427	\$ 48,549	\$ 16,878	34.8	%
As a percentage of company-operated shop revenues	26.4 %	28.0 %	N/A	(160)	bps

Three Months Ended March 31, 2024 v. 2023

The labor costs impacts for the year-over-year comparison, presented in dollars and basis points, were driven by the following:

(in thousands, except BPS; unaudited)	\$	BPS
Shop weeks	\$ 14,223	N/A
Wage inflation	2,798	110
Volume	1,030	(10)
Staffing management and other	(1,173)	(40)
Pricing impacts	N/A	(180)
Discounts	N/A	(40)
Total change	\$ 16,878	(160)

Occupancy and Other Costs

(in thousands; unaudited)	Three Months Ended March 31,				
	2024	2023	2024 v. 2023		
Occupancy and other costs	\$ 41,496	\$ 30,559	\$ 10,937	35.8	%
As a percentage of company-operated shop revenues	16.7 %	17.6 %	N/A	(90)	bps

Three Months Ended March 31, 2024 v. 2023

The occupancy and other costs impacts for the year-over-year comparison, presented in dollars and basis points, were driven by the following:

(in thousands, except BPS; unaudited)	\$	BPS
Shop weeks	\$ 9,027	N/A
Pricing impacts	577	(80)
Volume	347	(20)
Discounts	161	(20)
Other	825	30
Total change	\$ 10,937	(90)

Pre-opening Costs

(in thousands, except shop data; unaudited)	Three Months Ended March 31,				
	2024	2023	2024 v. 2023		
Pre-opening costs	\$ 3,447	\$ 3,231	\$ 216	6.7	%
As a percentage of company-operated shop revenues	1.4 %	1.9 %	N/A	(50)	bps
New company-operated shops opened	40	42	(2)	(4.8)	%
Pre-opening costs per new company-operated shop	\$ 86	\$ 77	\$ 9	11.7	%

Three Months Ended March 31, 2024 v. 2023

The increase in pre-opening costs was primarily driven by opening a lower proportion of shops in existing markets, in the three months ended March 31, 2024 as compared to the same period in 2023.

Depreciation and Amortization

(in thousands; unaudited)	Three Months Ended March 31,					
	2024	2023	2024 v. 2023			
Depreciation and amortization	\$ 19,694	\$ 13,001	\$ 6,693	51.5	%	
As a percentage of company-operated shop revenues	7.9 %	7.5 %	N/A	40	bps	

Three Months Ended March 31, 2024 v. 2023

The increase in depreciation and amortization was primarily driven by the opening of new company-operated shops during both 2024 and 2023.

Company-operated Shop Gross Profit and Contribution¹

(in thousands; unaudited)	Three Months Ended March 31,					
	2024	2023	2024 v. 2023			
Company-operated shop gross profit	\$ 54,305	\$ 28,872	\$ 25,433	88.1	%	
As a percentage of company-operated shop revenues	21.9 %	16.7 %	N/A	520	bps	
Company-operated shop contribution ¹	\$ 73,999	\$ 41,873	\$ 32,126	76.7	%	
As a percentage of company-operated shop revenues	29.8 %	24.2 %	N/A	560	bps	

¹ Reconciliation of GAAP to non-GAAP results is provided in the section "Non-GAAP Financial Measures" in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Three Months Ended March 31, 2024 v. 2023

The Company-operated shop gross profit for the year-over-year comparison, presented in basis points, was driven by the following:

(unaudited)	BPS
Menu prices	460
Discounts	90
Pricing and discounts	550
Pre-opening costs	(10)
New shop impact	20
New shop related items	10
Ingredient costs	20
Labor costs	(60)
Costs increases	(40)
Volume	40
Depreciation and amortization	(40)
Total change in Company-operated shop gross profit	520

Franchising and Other Segment Performance

(in thousands; unaudited)	Three Months Ended March 31,					
	2024		2023		2024 v. 2023	
Franchising and other revenue	\$ 27,014	\$ 24,103	\$ 2,911	12.1	%	
Franchising and other gross profit	\$ 17,468	\$ 16,872	\$ 596	3.5	%	
As a percentage of franchising and other revenue	64.7 %	70.0 %	N/A	(530)	bps	

Three Months Ended March 31, 2024 v. 2023

The Franchising and other gross profit impacts for the year-over-year comparison, presented in dollars, were driven by the following:

- + \$1.1 million from shop weeks, driven by shop openings during the period.
- + \$1.5 million from same shop sales.
- \$2.0 million primarily from products sold to franchisees, net of costs and adjustments.

Selling, General, and Administrative

(in thousands; unaudited)	Three Months Ended March 31,					
	2024		2023		2024 v. 2023	
Selling, General and Administrative	\$ 46,194	\$ 45,976	\$ 218	0.5	%	
As a percentage of total revenues	16.8 %	23.3 %	N/A	N/M		

Three Months Ended March 31, 2024 v. 2023

The selling, general, and administrative impacts for the year-over-year comparison, presented in dollars and basis points, were driven by the following:

- + \$4.0 million from investments in human capital, processes, and systems to support our revenue growth.
- + \$2.6 million or 100 bps from organization realignment and restructuring costs.
- + \$1.0 million or 30 bps from expenses related to equity offerings.
- \$7.3 million or 270 bps from lower equity-based compensation charges.

The summation of the dollar impacts of the latter three items above would have decreased selling, general and administrative expenses by 140 bps to be 21.9% of revenue. However, leverage from revenue growth reduces that percentage by 510 bps to be 16.8% of revenue.

Other Expense

(in thousands; unaudited)	Three Months Ended March 31,					
	2024		2023		2024 v. 2023	
Interest expense on finance leases	\$ (5,452)	\$ (3,455)	\$ (1,997)	57.8%		
Other interest expense, net	(941)	(4,431)	3,490	(78.8)%		
Interest expense, net	\$ (6,393)	\$ (7,886)	\$ 1,493	(18.9)%		
Other income, net	5,801	1,307	4,494	N/M		
Total other expense	\$ (592)	\$ (6,579)	\$ 5,987	(91.0)%		

[Three Months Ended March 31, 2024 v. 2023](#)

The decrease in interest expense, net was primarily driven by interest income on cash invested in money market funds, partially offset by additional finance leases for new shop builds.

The increase in other income, net was primarily driven by higher remeasurement gains in the current period related to the TRAs liability.

Income Tax Expense

(in thousands; unaudited)	Three Months Ended March 31,		
	2024	2023	2024 v. 2023
Income tax expense	\$ 8,772	\$ 2,580	\$ 6,192 240.0 %
Effective tax rate	35.1 %	(37.9)%	N/A N/M

[Three Months Ended March 31, 2024 v. 2023](#)

The increase in tax expense was primarily driven by changes in the state earnings mix and its impacts on deferred taxes.

Liquidity and Capital Resources**Cash Overview**

We had cash and cash equivalents of \$262.7 million and \$133.5 million as of March 31, 2024 and December 31, 2023, respectively.

For the three months ended March 31, 2024, our principal sources of liquidity were cash flows from our delayed draw term loan facility and operations. Our principal uses of liquidity for the three months ended March 31, 2024 were to fund our new shop builds and other working capital needs.

Cash Flows

The following table summarizes our cash flows for the periods presented:

(in thousands; unaudited)	Three Months Ended March 31,		
	2024	2023	2024 v. 2023
Net cash provided by operating activities	\$ 41,193	\$ 3,077	\$ 38,116
Net cash used in investing activities	(57,462)	(43,043)	(14,419)
Net cash provided by financing activities	145,443	34,084	111,359
Net increase (decrease) in cash and cash equivalents	\$ 129,174	\$ (5,882)	\$ 135,056
Cash and cash equivalents at beginning of period	133,545	20,178	113,367
Cash and cash equivalents at end of period	<u>\$ 262,719</u>	<u>\$ 14,296</u>	<u>\$ 248,423</u>

[Operating Activities](#)

The increase in operating activities cash flows was primarily driven by:

- + Higher net income as a result of year-over-year shop growth and leverage of general and administrative costs.
- + Working capital management and efficiencies with new shop openings.

[Investing Activities](#)

The increase in investing activities cash outflows was primarily driven by:

- + Investment in capital expenditures as a result of new company-operated shop openings.

Financing Activities

The increase in financing activities cash flows was primarily driven by:

- + The delayed draw term loan advance under our 2022 Credit Facility.

Cash Requirements

We believe that proceeds from our 2022 Credit Facility and cash provided by operating activities are adequate to fund our debt service requirements, lease obligations, and working capital obligations for at least the next 12 months.

Our future capital requirements may vary materially from period to period and will depend on many factors, primarily our expansion and growth by opening additional company-operated shops and/or reacquiring existing franchised shops, and our large-scale organization realignment including relocation of key business operations to Arizona. We currently expect to fund our current and long-term material capital requirements with operating cash flows and, as needed, additional proceeds from our 2022 Credit Facility, but we may also seek additional debt or equity financing.

As of March 31, 2024, cash requirements for the following items have materially changed from our Annual Report on Form 10-K for the year ended December 31, 2023:

- **Operating lease liabilities** — increased approximately \$67 million from newly commenced leases.
- **Debt obligations** — increased approximately \$148 million on a net basis primarily due to the proceeds from the delayed draw term loan under our 2022 Credit Facility.

Credit Facility

JPMorgan Credit Facility

On August 4, 2023, the Company amended its senior secured credit facility, dated February 28, 2022 with JPMorgan Chase Bank, N.A. (as amended, the 2022 Credit Facility) to increase borrowing capacity by \$150 million to a total of \$650 million. The 2022 Credit Facility consists of a \$350 million revolving credit facility, a term loan facility of up to \$100 million, and a delayed draw term loan facility of up to \$200 million. The 2022 Credit Facility also includes sublimits for letters of credit and swingline loans of up to \$50 million and \$15 million, respectively. The 2022 Credit Facility expires on February 28, 2027 (the Maturity Date).

On February 20, 2024, the Company drew \$150 million on its delayed draw term loan facility before this portion expired on February 28, 2024. The remaining \$50 million of the delayed draw term loan is available until February 2025.

Interest on borrowings under the 2022 Credit Facility is based on (a) the Alternate Base Rate plus an applicable margin, or (b) the Adjusted Term SOFR plus an applicable margin, and is payable in accordance with the selected interest rate period (at least quarterly) and upon maturity. Principal payments for the term loans are required on a quarterly basis in accordance with an amortization schedule up through and including the Maturity Date.

Obligations under the 2022 Credit Facility are guaranteed by each of Dutch Bros Inc.'s subsidiaries, and secured by a first priority perfected security interest in substantially all of the assets of the guarantors.

Interest Rate Swap Contract

The Company has an interest rate swap with JPMorgan Chase Bank, N.A. The interest rate swap has a notional amount of \$70 million and hedges interest rate risk on the term loan under the 2022 Credit Facility. The purpose of the floating-to-fixed interest rate swap is to fix the interest base rate charged on the term loan at 2.67% for the \$70 million notional amount. The interest rate swap matures on February 28, 2027. There were no changes to the interest rate swap contract resulting from the amendment to our credit facility.

See NOTE 9 — Debt and NOTE 10 — Derivative Financial Instruments for additional details related to our 2022 Credit Facility and interest rate swap contract.

Seasonality

Our business is subject to seasonal fluctuations that impact our revenue and company-operated shop gross profit margins. We typically experience higher nominal system sales in the summer months, which impacts revenue and company-operated shop gross profit margins in our second and third quarters of our fiscal year.

Critical Accounting Estimates

The methods, assumptions, and estimates that we use in applying our accounting policies may require us to apply judgments regarding matters that are inherently uncertain. We consider an accounting policy to be a critical estimate if: (1) we must make assumptions that were uncertain when the judgment was made, and (2) changes in the estimate assumptions, or selection of a different estimate methodology, could have a significant impact on our financial position and the results that we report in our condensed consolidated financial statements. While we believe that our estimates, assumptions, and judgments are reasonable, they are based on information available when the estimate was made.

There have been no material changes to our critical accounting estimates from those disclosed in our 2023 Form 10-K.

Non-GAAP Financial Measures

In addition to disclosing financial results in accordance with GAAP, this document contains references to the non-GAAP financial measures below. We believe these non-GAAP financial measures provide investors with useful supplemental information about our operating performance, enable comparison of financial trends and results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating our business and measuring our performance.

Our non-GAAP financial measures reflect adjustments based on one or more of the following items, as well as the related income tax effects where applicable. Income tax effects have been calculated based on the combined total non-GAAP adjustments using our total effective tax rate. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations from these results should be carefully evaluated.

Company-operated shop contribution (in dollars and as a percentage of revenue)

Definition and/or calculation

Company-operated segment gross profit, before company-operated shop depreciation and amortization. Company-operated shop contribution in dollars (as defined), taken as a percentage of company-operated shop revenue.

Usefulness to management and investors

This non-GAAP measure is used by our management in making performance decisions without the impact of non-cash depreciation and amortization charges. This is a standard metric used across our industry by investors.

EBITDA, Adjusted EBITDA (in dollars and as a percentage of revenue)

EBITDA — definition and/or calculation

Net income (loss) before interest expense (net of interest income), income tax expense, and depreciation and amortization expense.

Adjusted EBITDA — definition and/or calculation

Defined as EBITDA (as defined above), excluding equity-based compensation, expenses associated with equity offerings, executives transition, (gain) loss on the remeasurement of the liability related to the TRAs, and organization realignment and restructuring costs.

Adjusted EBITDA in dollars (as defined), taken as a percentage of total revenue.

Usefulness to management and investors

These non-GAAP measures are supplemental operating performance measures we believe facilitate comparisons to historical performance and competitors' operating results. We believe these non-GAAP measures presented provide investors with a supplemental view of our operating performance that facilitates analysis and comparisons of our ongoing business operations because they exclude items that may not be indicative of our ongoing operating performance.

Adjusted selling, general, and administrative (in dollars and as a percentage of revenue)

Definition and/or calculation

Selling, general, and administrative expenses, excluding depreciation and amortization, equity-based compensation expense, expenses associated with equity offerings, executives transition, and organization realignment and restructuring costs.

Adjusted selling, general, and administrative in dollars (as defined), taken as a percentage of total revenue.

Usefulness to management and investors

This non-GAAP measure is used as a supplemental measure of operating performance that we believe is useful to evaluate our performance period over period and relative to our competitors. We believe the non-GAAP measure presented provides investors with a supplemental view of our operating performance that facilitates analysis and comparisons of our ongoing business operations because it excludes items that may not be indicative of our ongoing operating performance.

Non-GAAP adjustments

Below are the definitions of the non-GAAP adjustments that are used in the calculation of our non-GAAP measures, as described above.

Equity-based compensation

Non-cash expenses related to the grant and vesting of stock awards, including restricted stock awards and restricted stock units, in Dutch Bros Inc. to certain eligible employees.

Expenses associated with equity offerings

Costs incurred as a result of our equity offerings, including Secondary Offerings by our Sponsor. These costs include, but are not limited to, legal fees, consulting fees, tax fees, and accounting fees.

Executives transition

Employee severance and related benefit costs, as well as sign-on bonus(es) for several executive-level transitions occurring in 2022 and 2023, and amortized through early 2024.

TRAs remeasurements

(Gain) loss impacts on condensed consolidated statements of operations related to adjustments of our TRAs liabilities.

Organization realignment and restructuring

Fees and costs, including consulting fees and costs, related to a comprehensive initiative to develop and implement a long-term strategy involving changes to our organizational structure to support our growth, and the resulting realignment activities that have occurred in 2023 and 2024, and are expected to continue for at least the next year. Given this strategic initiative's magnitude and scope, the Company

does not expect such costs will recur in the foreseeable future. The Company does not consider such costs reflective of the ongoing costs necessary to operate its business.

Following are the reconciliations of the most comparable GAAP metric to non-GAAP metrics presented:

	Three Months Ended March 31,			
	2024		2023	
(in thousands; unaudited)	\$	%	\$	%
Company-operated shop gross profit	54,305	21.9	28,872	16.7
Depreciation and amortization	19,694	7.9	13,001	7.5
Company-operated shop contribution	73,999	29.8	41,873	24.2

	Three Months Ended March 31,			
	2024		2023	
(in thousands; unaudited)	\$	%	\$	%
Net income (loss)	16,215	5.9	(9,391)	(4.8)
Depreciation and amortization	21,253	7.7	14,779	7.5
Interest expense, net	6,393	2.3	7,886	4.0
Income tax expense	8,772	3.2	2,580	1.3
EBITDA	52,633	19.1	15,854	8.0
Equity-based compensation	1,933	0.7	9,170	4.6
Expenses associated with equity offerings	961	0.3	—	—
Executives transition	75	—	150	0.1
TRAs remeasurement	(5,687)	(2.0)	(1,294)	(0.6)
Organization realignment and restructuring:				
Employee-related costs	2,625	1.0	—	—
Adjusted EBITDA	52,540	19.1	23,880	12.1

	Three Months Ended March 31,			
	2024		2023	
(in thousands; unaudited)	\$	%	\$	%
Selling, general, and administrative	46,194	16.8	45,976	23.3
Depreciation and amortization	(264)	(0.1)	(417)	(0.2)
Equity-based compensation	(1,839)	(0.7)	(9,170)	(4.6)
Expenses associated with equity offerings	(961)	(0.3)	—	—
Executives transition	(75)	—	(150)	(0.1)
Organization realignment and restructuring:				
Employee-related costs	(2,625)	(1.0)	—	—
Adjusted selling, general and administrative	40,430	14.7	36,239	18.4

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Risks

Our profitability is dependent on, among other things, our ability to anticipate and react to changes in the costs of key operating resources, including beverage commodities, energy, and other commodities. We have been able to partially offset cost increases resulting from several factors, including market conditions, shortages or interruptions in supply due to weather or other conditions beyond our control, governmental regulations, and inflation by increasing our menu prices over the past year, adjusting our Dutch Rewards loyalty program, and making operational adjustments that increase productivity. However, sustained inflation of or substantial increases in costs and expenses, including dairy, coffee, fuel, and packaging commodities pricing, as we experienced during the three months ended March 31, 2024, could impact our operating results to the extent that such costs and expenses remain elevated or increase and cannot be offset by menu price increases. Additionally, if there is a time lag between increasing commodity prices and our ability to increase menu prices or take other action in response, or if we choose not to pass on the cost increases by increasing menu prices, our operating results could be negatively affected.

Labor Costs

We have experienced minimum wage increases, which increases directly affect our labor costs, and other upward pressure on wage rates in several states. In the future, we may or may not be able to offset these cost increases with operational efficiencies, menu price increases, or other adjustments. As of March 31, 2024, we employed approximately 15,000 hourly workers in our company-operated shops.

Interest Rate Risk

We have historically been exposed to interest rate risk through fluctuations in interest rates on our debt obligations. Our 2022 Credit Facility carries interest at a floating rate. We seek to manage exposure to adverse interest rate changes through our normal operating and financing activities, including through the use of interest rate swaps to mitigate the potential impacts of changes in benchmark interest rates on interest expense and cash flows. As of March 31, 2024, we had no revolving loans outstanding, and \$244.1 million was outstanding on our term loan facilities. A hypothetical increase of interest rates up to 1% on our outstanding term loan as of March 31, 2024 would result in an increase in our annual interest expense of approximately \$2.4 million, excluding any potential impacts of interest rate swaps.

Impact of Inflation

The primary inflation factors affecting our operations are commodity and supplies, energy costs, labor costs, and construction costs of company-operated shops. Increases in the minimum wage requirements directly affect our labor costs. Our leases require us to pay taxes, maintenance, repairs, insurance, and utilities, all of which are generally subject to inflationary increases. Finally, the total cost to build our shops is impacted by inflation. Specifically, increases in sitework and permitting, construction materials, labor, and equipment may increase our overall development costs and capital expenditures, and potentially result in higher rent expenses of new shops. We continue to encounter current commodity inflation, known or pending legislation that will increase minimum wages in certain states, and labor market forces that at times may cause us to increase wages in order to adequately staff our shops. We expect these to affect our operating results in the foreseeable future. While these cost increases have impacted our operating results, we have taken measures to gradually increase our menu prices, adjust our Dutch Rewards loyalty program, and make operating adjustments that increase productivity to help offset these pressures. Price increases and other inflationary pressures may lead to decreases in consumer demand.



ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of March 31, 2024, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13(a)-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on the evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of that date.

Changes in Internal Control over Financial Reporting

There have been no changes during the three months ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We may, from time to time, be party to litigation and subject to claims incident to the ordinary course of business. As our company matures, we may become party to an increasing number of litigation matters and claims. The outcome of litigation and claims cannot be predicted with certainty, and the resolution of these matters could materially adversely affect our business, financial condition, results of operations, and growth prospects.

Please refer to NOTE 15 — Commitments and Contingencies under the heading "Legal Proceedings" for further information.

ITEM 1A. RISK FACTORS

Summary of Risk Factors

Below is a summary of the principal factors that make an investment in our Class A common stock speculative or risky. This summary does not address all of the risks that we face. Additional discussion of the risks summarized in this summary, and other risks that we face, can be found below under the heading "Risk Factors" and should be carefully considered, together with other information in this Form 10-Q and our other filings with the SEC before making investment decisions regarding our Class A common stock.

- Evolving consumer preferences and tastes or changes in consumer spending may adversely affect our business.
- Our financial condition and quarterly results of operations are subject to, and may be adversely affected by, a number of factors, many of which are also largely outside our control and as such our results may fluctuate significantly and may not fully reflect the underlying performance of our business.
- We may not be able to compete successfully with other shops, QSRs and convenience shops, including the growing number of coffee delivery options. Intense competition in the food service and restaurant industry could make it more difficult to expand our business and could also have a negative impact on our operating results if customers favor our competitors.
- Our failure to manage our growth effectively could harm our business and operating results.
- Our inability to identify, recruit, and retain qualified individuals for our shops could slow our growth and adversely impact our ability to operate.
- Our shops are geographically concentrated in the Western United States, and we could be negatively affected by conditions specific to that region.
- Interruption of our supply chain of coffee, flavored syrups or other ingredients, coffee machines and other restaurant equipment or packaging could affect our ability to produce or deliver our products and could negatively impact our business and profitability.
- Increases or sustained inflation in the cost of high-quality arabica coffee beans, dairy, or other commodities or decreases in the availability of high-quality arabica coffee beans, dairy, or other commodities could have an adverse impact on our business and financial results.

- Pandemics or disease outbreaks have had, and may continue to have, an effect on our business and results of operations.
- Our success depends substantially on the value of our brand and failure to preserve its value could have a negative impact on our financial results.
- Food safety and quality concerns may negatively impact our brand, business, and profitability, our internal operational controls and standards may not always be met and our employees may not always act professionally, responsibly and in our and our customers' best interests. Any possible instances or reports, whether true or not, of food and/or beverage-borne illness could reduce our sales.
- Changes in the availability of and the cost of labor could harm our business.
- Our culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the high employee engagement fostered by our culture, which could harm our business.
- Our Co-Founder and Sponsor continue to have significant influence over us, which could limit your ability to influence the outcome of matters submitted to stockholders for a vote.
- We are a "controlled company" within the meaning of the New York Stock Exchange rules and, as a result, qualify for, and may rely on, exemptions and relief from certain corporate governance requirements. You do not have the same protections afforded to stockholders of companies that are subject to such requirements.
- Our growth strategy depends in part on opening new shops in existing and new markets. We may be unsuccessful in opening new shops or establishing new markets, which could adversely affect our growth.
- Our operating results and growth strategies are closely tied to the success of our franchise partners, and we have limited control with respect to their operations. Additionally, our franchise partners' interests may conflict or diverge with our interests in the future, which could have a negative impact on our business.
- We have previously identified and remediated material weaknesses in our internal control over financial reporting. If we fail to maintain effective internal controls, we may be unable to produce timely and accurate financial statements, and we may conclude that our internal control over financial reporting is not effective, which could adversely impact our investors' confidence and our Class A common stock price.

Risk Factors

You should carefully consider the risks described below in addition to the other information set forth in this Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures about Market Risk," our consolidated financial statements and related notes in this Form 10-Q, before making an investment decision. If any of the risks and uncertainties described below occur, it could have a material adverse impact on our business, reputation, financial position, results of operations or cash flows, and the trading price of our Class A common stock. Although it is not possible to predict or identify all such risks and uncertainties, they may include, but are not limited to, the factors discussed below. The risks described herein are not the only risks we may face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may become material and adversely affect our business, reputation, financial condition, results of operations or cash flows, or the trading price of our Class A common stock. The risks relating to our business set forth in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 23, 2024, are set forth below and are unchanged substantively as of the date of this filing, except for those risks designated by an asterisk ().*

Risks Related to Our Business

Evolving consumer preferences and tastes or changes in consumer spending may adversely affect our business.

Dutch Bros' continued success depends on our ability to attract and retain customers. Our financial results could be adversely affected by a shift in consumer spending away from outside-the-home beverages, decreases in general discretionary consumer spending (including due to higher gas prices, inflation or lack of consumer confidence), lack of customer acceptance of new products (including due to price increases necessary to cover the costs of new beverages or higher input costs), brand perception (such as the existence or expansion of our competitors), platforms (such as features of our mobile application and changes in our loyalty rewards programs and initiatives), a reduction in individual car ownership, which in turn may reduce the usefulness and convenience of our drive-thru shops, or customers reducing their demand for our current offerings as new beverages are introduced. We may not be successful in introducing new products or new features to our mobile application that are adopted by our customers. Experimentation with and implementation of innovations in products and technologies may result in inefficiencies, such as a slowdown in our shop operations and traffic flow, disruption of workflows, technical glitches, disruption of current systems and technology, and negative customer experiences.

In addition, most of our beverages contain sugar, caffeine, dairy products, and other compounds, such as taurine and artificial coloring, the health effects of which are the subject of public and regulatory scrutiny, including the suggestion of linkages to a variety of adverse health effects. There is increasing consumer awareness of health risks that are attributed to ingredients we use, particularly in the United States, including obesity, increased blood pressure and heart rate, anxiety and insomnia, as well as increased consumer litigation based on alleged adverse health impacts attributed to the consumption of various food and beverage products. While we offer alternatives, including reduced sugar and sugar-free items, negative publicity or an unfavorable perception of the health effects of sugar, caffeine, or other ingredients in our products could significantly reduce the demand for our beverages and could harm our business.

Our financial condition and results of operations are subject to, and may be adversely affected by, a number of factors, many of which are also largely outside our control.

Our results of operations will be subject to a number of factors and may vary significantly in the future as they have in the past, many of which are outside of our control, and may not fully reflect the underlying performance of our business. Factors that may cause fluctuations in our results of operations and key metrics include, without limitation, those listed elsewhere in this Risk Factors section and those listed below. Any one or more of the factors listed below or described elsewhere in this section could harm our business:

- increases in real estate or labor costs in certain markets, which we have recently experienced;
- changes in consumer preferences;
- disruptions in our supply chain;
- the impact of shortages or inflation on our cost of goods or labor, including construction labor, which we have recently seen;
- changes in governmental laws and rules, including those regarding minimum wage, and approaches to taxation;
- severe weather or other natural or man-made disasters affecting a large market or several closely located markets that may temporarily but significantly affect our business in such markets, including the price or availability of goods;
- labor discord or disruption, geopolitical events, social unrest, war, including repercussions of the war between Russia and Ukraine or the war between Israel and Hamas and the related risk of a larger

- regional conflict, terrorism, political instability, acts of public violence, boycotts, hostilities and social unrest, or resurgence of or new epidemics; and
- adverse outcomes of litigation.

Our marketing programs may not be successful, and our new menu items and advertising campaigns may not generate increased revenues or profits.

We incur costs and expend resources in our marketing efforts on new menu items and advertising campaigns to raise brand awareness and attract and retain customers. For example, we engaged in 2023 in new marketing efforts, including "Fill-a-Tray" promotions. These initiatives may not be successful, resulting in expenses incurred without the benefit of higher revenue. Additionally, some of our competitors have substantially greater financial resources than we do, which enable them to spend significantly more on marketing, advertising, pricing and other initiatives. Should our competitors increase spending on marketing and advertising and other initiatives or our marketing funds decrease for any reason, or should our advertising, promotions and new menu items fail to reach our customers effectively and efficiently, for example if our marketing efforts do not continue to appeal to our current customers or are perceived negatively, there could be an adverse effect on our revenues and profits could decrease.

We may not be able to compete successfully with other coffee shops, QSRs, and convenience shops, including the growing number of coffee delivery options. Intense competition in the food service and restaurant industry could make it more difficult to expand our business and could also have a negative impact on our operating results if customers favor our competitors.

The food service and restaurant industry is intensely competitive. We expect competition in this market to continue to be intense as we compete on a variety of fronts, including convenience, taste, price, quality, service, and location. If our company-operated and franchised shops cannot compete successfully with other beverage and coffee shops, including Dunkin' Donuts, CosMc's, Starbucks, other specialty coffee shops, drive-thru QSRs, and the growing number of coffee delivery options in new and existing markets, we could lose customers and our revenue could decline. Our company-operated and franchised shops compete with national, regional, and local coffee chains, QSRs, and convenience shops for customers, shop locations, and qualified management and other staff. Compared to us, some of our competitors have been in business longer, have greater brand recognition, or are better established in the markets where our shops are located or are planned to be located. In some markets that we may grow into, there are already well-funded competitors in the drive-thru coffee or beverage business that may challenge our ability to grow into those regions. Certain markets may limit the number of drive-thru businesses operating within their geographic region, which could negatively affect our ability to grow into those markets. Some of our competitors have substantially greater financial and other resources to devote to innovation in products, technology, and market and consumer data analytics, including integration, use, or offering of new technologies, including artificial intelligence. We may be unable to offer new or innovative products and technologies to our customers that are offered by our competitors, or there may be a delay in our ability to innovate or implement new technologies. Any of these competitive factors may harm our business.

Additionally, if our competitors begin to evolve their business strategies and adopt aspects of the Dutch Bros business model, such as our drive-thru convenience, digital ordering, and similar product offerings or branding, our customers may be drawn to those competitors for their beverage needs and our business could be harmed.



***Our strategic initiatives and growth strategy may be unsuccessful which could adversely affect our business and financial results.**

As of March 31, 2024, Dutch Bros had 876 shops across 17 states, of which 582 were company-operated and 294 were franchised. One of the key means to achieving our growth strategy will be through opening new shops and operating those shops on a profitable basis. During the three months ended March 31, 2024, we opened 40 new company-operated shops, across 12 states. Our ability to open new shops is dependent upon a number of factors, many of which are beyond our control, including our and our franchise partners' ability to:

- identify available and suitable sites, specifically for drive-thru locations;
- compete for such sites;
- reach acceptable agreements regarding the lease of locations;
- obtain or have available the financing required to acquire and operate a shop, including construction and opening costs, which includes access to build-to-suit leases and ground lease construction arrangements;
- respond to unforeseen engineering or environmental problems with leased premises;
- avoid the impact of inclement weather, natural disasters, and other calamities;
- hire, train, and retain the skilled management and other employees necessary to meet staffing needs;
- obtain, in a timely manner and for an acceptable cost, required licenses, permits, and regulatory approvals and respond effectively to any changes in local, state, or federal law and regulations, such as regulatory bans on new drive-thru businesses, that adversely affect our and our franchise partners' costs or ability to open new shops; and
- control construction and equipment cost increases for new shops and secure the services of qualified contractors and subcontractors in an increasingly competitive environment.

There is no guarantee that a sufficient number of suitable sites for shops will be available in desirable areas or on terms that are acceptable to us in order to achieve our growth plan. If we are unable to open new shops, or if existing franchise partners do not open new shops, or if shop openings are significantly delayed, our revenue or earnings growth could be adversely affected and our business may be harmed.

As part of our longer-term growth strategy, we expect to continue to enter into geographic markets in which we have little or no prior operating experience. The challenges of entering new markets include: adapting to local regulations or restrictions that may limit our ability to open new shops, restrictions on the use of certain branding, or increases in the cost of development; difficulties in hiring qualified personnel; unfamiliarity with local real estate markets and demographics; consumer unfamiliarity with our brand; and different competitive and economic conditions, consumer tastes, and discretionary spending patterns that are more difficult to predict or satisfy than in our existing markets. Consumer recognition of our brand has been important in the success of our shops in our existing markets, and we will need to build this recognition in new markets. Shops we open in new markets may take longer to reach expected sales and profit levels on a consistent basis and may have higher construction, occupancy, and operating costs than existing shops, thereby affecting our overall profitability. Any failure on our part to recognize or respond to these challenges may adversely affect the success of any new shops.

New shops, once opened, may not be profitable or may close, and the increases in average per shop revenue and comparable sales that we have experienced in the past may not be indicative of future results.

We plan to continue to open additional company-operated Dutch Bros shops in markets, including in markets where we have little or no operating experience. The target customer base of our shops varies by location, depending on a number of factors, including population density, other local coffee and convenience beverage distributors, area demographics, and geography. Our results have been, and in the future may continue to be, significantly impacted by the timing of new shop openings, which is subject to a number of factors, many of which are outside of our control, including landlord delays, delays due to scarcity of construction labor, associated pre-opening costs, and operating inefficiencies, as well as changes in our geographic concentration due to the opening of new shops. We have typically incurred the most significant portion of pre-opening expenses associated with a given shop within the three months preceding the opening of the shop. Due to the impact of inflation and other factors, we are experiencing increased costs in connection with new shops. Our experience has been that labor and operating costs associated with a newly opened shop for the first several months of operation are materially greater than what can be expected after that time, both in aggregate dollars and as a percentage of sales. Our new shops commonly take three months or more to reach planned operating levels due to inefficiencies typically associated with new shops, including the training of new personnel, new market learning curves, inability to hire sufficient qualified staff, and other factors. We may incur additional costs in new markets, particularly for transportation and distribution, which may impact sales and the profitability of those shops. Accordingly, the volume and timing of new shop openings may have a material adverse impact on our profitability.

Some of Dutch Bros' shops open with an initial start-up period of higher-than-normal sales volumes and related costs, which subsequently decrease to stabilized levels. In new markets, the length of time before average sales for new shops stabilize is less predictable and can be longer as a result of our limited knowledge of these markets and consumers' limited awareness of our brand. In addition, we do not expect our AUV and comparable sales to continue to increase at the rates achieved over the past several years. Our ability to operate new shops profitably and increase average shop revenue and comparable shop sales will depend on many factors, some of which are beyond our control, including:

- consumer awareness and understanding of the Dutch Bros brand;
- general economic conditions, such as inflation, which can affect shop traffic, local labor costs, and prices we pay for the beverage and other supplies we use;
- consumption patterns and beverage preferences that differ from region to region;
- changes in consumer preferences and discretionary spending, which we have seen impacted recently by factors such as inflation;
- difficulties obtaining or maintaining adequate relationships with distributors or suppliers in new markets;
- increases or continued elevation in prices for commodities, including coffee, milk, and flavored syrups;
- inefficiency in our labor costs as the staff gains experience;
- competition, either from our competitors in the food service and restaurant industry or our own shops;
- temporary and permanent site characteristics of new shops;
- changes in government regulation;
- our ability to hire, motivate, and retain qualified employees who share our values; and

- other unanticipated increases in costs, including costs of construction materials and trade labor, any of which could give rise to delays or cost overruns.

If our new shops do not perform as planned or close, our business and future prospects could be harmed. In addition, an inability to achieve our expected average shop revenue could harm our business.

Additionally, opening new shops in existing markets may negatively impact sales at our, and our franchise partners', existing shops. The consumer target area of our shops varies by location, depending on a number of factors, including population density, other local retail and business attractions, area demographics, and geography. Our core business strategy anticipates achieving an ideal AUV through multiple mid-volume shops in a single region to infill and reduce the number of high-volume shops in order to provide continued efficient service. However, existing shops could also make it more difficult to build our and our franchise partners' consumer base for a new shop in the same market. Sales transfer between our shops may be significant in the future as we continue to expand our operations, and we expect it will have an impact on our sales growth, which could, in turn, harm our business.

As we expand, we may not be able to maintain our current average shop sales and our business may be harmed. Although we target specified operating and financial metrics, new shops may never meet these targets or may take longer than anticipated to do so. Any new shop we open may never become profitable or achieve operating results similar to those of our existing shops, which could adversely affect our business, financial condition, or results of operations.

Our failure to manage our growth effectively could harm our business and operating results.

We have experienced rapid growth. The growth and expansion of our business may place a significant strain on our management, operational, and financial resources. As we expand our business, it is important that we continue to maintain a high level of customer service and satisfaction which may place a significant strain on our management, sales and marketing, administrative, financial, and other resources. We may not be able to respond in a timely basis to all the changing demands that our planned expansion will impose on management and on our existing infrastructure, or be able to hire or retain the necessary management and broistas, which could harm our business. Further, if we are not able to continue to provide high quality customer service as a result of these demands, our reputation, as well as our business, could be harmed, including by a decline in financial performance. If we experience a decline in financial performance, we may decrease the number of or discontinue new Dutch Bros shop openings, or we may decide to close shops that we are unable to operate in a profitable manner.

We are required to manage multiple relationships with various strategic partners, our franchise partners, customers, and other third parties. In the event of further growth of our operations or in the number of our third-party relationships, our existing management systems, financial and management controls, and information systems may not be adequate to support our planned expansion and allow for us to accurately monitor and predict changes in our costs and customer demand. Additionally, we may face challenges of integrating, developing, training, and motivating a rapidly growing employee base in our various shops and maintaining our company culture across multiple offices and shops. In January 2024, we announced shifting approximately 40% of our total support staff to our Phoenix, Arizona office by January 1, 2025. If a large portion of our employees are unable to relocate to Arizona, we may see increased turnover in support functions, which could potentially lead to inefficiencies, such as operational delays or disruptions and increased labor costs. Our ability to manage our growth effectively will require us to continue to enhance our systems, procedures and controls, and to locate, hire, train, and retain management and broistas, particularly in new markets which may require significant capital expenditures.

Damage to our brand or reputation or negative publicity could negatively impact our business.

Our reputation and the quality of our Dutch Bros brand are critical to our business and success in existing markets and will be critical to our success as we enter new markets. We believe that we have built our reputation on the high quality of our hand-crafted beverages and service, our commitment to our customers and our strong employee culture, and we must protect and grow the value of our brand in

order for us to continue to be successful. Any incident that erodes consumer loyalty for our brand could significantly reduce its value and damage our business.

We may, from time to time, be faced with negative publicity, including on social media, regardless of its accuracy, relating to: beverage quality; pricing; the safety, sanitation and welfare of our shops; customer complaints or litigation alleging illness or injury; health inspection scores; integrity of our or our suppliers' or franchise partners' food processing, employment practices, and other policies, practices and procedures; or employee relationships and welfare; the appearance of our shops on third-party delivery platforms that may contain inaccurate menu pricing and extended delivery times; related parties, such as our Co-Founder, and their reputation, public perception, or actions, whether or not related to Dutch Bros; or other matters. Negative publicity may adversely affect us, regardless of whether the allegations are substantiated or whether we are determined to be responsible. In addition, the negative impact of adverse publicity relating to one shop may extend far beyond the shop involved, to affect some or all of our other shops, including our franchise partner shops. The risk of negative publicity is particularly great with respect to our franchise partner shops because we are limited in the manner in which we can regulate them, especially on a real-time basis, and negative publicity from our franchise partners' shops may also significantly impact company-operated shops. A similar risk exists with respect to beverage businesses unrelated to us if customers mistakenly associate such unrelated businesses with our operations. Employee claims against us based on, among other things, wage and hour violations, discrimination, harassment or wrongful termination may also create not only legal and financial liability but also negative publicity that could adversely affect us and divert our financial and management resources that would otherwise be used to benefit the future performance of our operations. These types of employee claims could also be asserted against us, on a co-employer theory, by employees of our franchise partners. A significant increase in the number of these claims or an increase in the number of successful claims could harm our business.

Additionally, there has been a marked increase in the use of social media platforms and similar devices, including blogs, social media websites and other forms of internet-based communications that provide individuals with access to a broad audience of consumers and other interested persons. The availability of information on social media platforms is virtually immediate as is its impact. Many social media platforms immediately publish the content their subscribers and participants can post, often without filters or checks on accuracy of the content posted. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning us may be posted on such platforms at any time. Such platforms could be used for or result in polarizing campaigns or movements involving our brand. Information posted may be adverse to our interests or may be inaccurate, each of which may harm our performance, prospects, or business. The harm may be immediate without affording us an opportunity for redress or correction.

Ultimately, the risks associated with any such negative publicity or incorrect information cannot be completely eliminated or mitigated and may harm our business.

Our inability to identify, recruit, and retain qualified individuals for our shops could slow our growth and adversely impact our ability to operate.

Our success also depends substantially on the contributions and abilities of our broistas on whom we rely to give customers a superior experience and elevate our brand. At Dutch Bros, it's about having fun and giving customers our special brand of "Dutch Luv," growing our people, and forming genuine relationships with our customers. Accordingly, our success depends in part upon our ability to attract, motivate, and retain a sufficient number of qualified operators, all of whom come from within our system, and broistas to meet the needs of our existing shops and to staff new shops. Some of our broistas advance to become operators and when they do, their prior positions need to be filled. We aim to hire warm, friendly, motivated, caring, self-aware, and intellectually curious individuals, who are excited and committed to championship performance, remarkable and enriching hospitality, embodying our culture and actively growing themselves and our brand. A sufficient number of qualified individuals to fill these positions and qualifications may be in short supply in some communities. Competition in these communities for qualified

staff is high and may require us to pay higher wages and provide greater benefits, especially if there is improvement in regional or national economic conditions. We place a heavy emphasis on the qualification and training of our personnel and spend a significant amount of time and money on training our employees. Any inability to recruit and retain qualified individuals may result in higher turnover and increased labor costs, and could compromise the quality of our service, all of which could adversely affect our business. Any such inability could also delay the planned openings of new shops and could adversely impact our existing shops. Any such inability to retain or recruit qualified employees, increased costs of attracting qualified employees or delays in shop openings could harm our business.

We are subject to the risks associated with leasing space subject to long-term non-cancelable leases and, with respect to the real property that we own, owning real estate.

Our leases generally have initial terms of 15 years with renewal options. Shop leases provide for a specified annual rent, typically at a fixed rate for the first five years, with incremental escalations thereafter, and which may contain Consumer Price Index increases and other escalators. Generally, our leases are "net" leases, which require us to pay all the cost of insurance, taxes, maintenance and utilities. We generally cannot terminate these leases without incurring substantial costs. Additional sites that we lease are likely to be subject to similar long-term non-cancelable leases. If an existing or future shop is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. In addition, as each of our leases expires, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close shops in desirable locations. Also, because we sometimes purchase real property for various shop locations, we are subject to all the risks generally associated with owning real estate, including changes in the investment climate for real estate, demographic trends and supply or demand for the use of the shops, which may result from competition from similar restaurants in the area as well as strict, joint and several liability for environmental contamination at or from the property, regardless of fault.

****Our operating results and growth strategies are closely tied to the success of our franchise partners and we have limited control with respect to their operations. Additionally, our franchise partners' interests may conflict or diverge with our interests in the future, which could have a negative impact on our business.***

As of March 31, 2024, approximately 34% of our shops were operated by Dutch Bros' franchise partners and, because of this, we depend on the financial success and cooperation of our franchise partners for our success. Our franchise partners are independent business operators and are not our employees, and as such we have limited control over how our franchise partners run their businesses, and their inability to operate successfully could adversely affect our operating results.

We receive royalties, franchise fees, contributions to our marketing development fund, and other fees from our franchise partners. Additionally, we sell proprietary products to our franchise partners at a markup over our cost to produce. We have established operational standards and guidelines for our franchise partners; however, we have limited control over how our franchise partners' businesses are run, including day to day operations. Even with these operation standards and guidelines, the quality of franchised Dutch Bros shops may be diminished by any number of factors beyond our control. Consequently, our franchise partners may not successfully operate shops in a manner consistent with our standards and requirements, such as quality, service, and cleanliness, or may not hire and train qualified shop managers, broistas and other shop personnel or may not implement marketing programs and major initiatives such as shop remodels or equipment or technology upgrades, which may require financial investment. Even if such unsuccessful operations do not rise to the level of breaching the related franchise documents, they may be attributed by customers to our Dutch Bros brand and could have a negative impact on our business.

Our franchise partners may not be able to secure adequate financing to open or continue operating their Dutch Bros shops. If they incur too much debt or if economic or sales trends deteriorate such that they

are unable to repay existing debt, our franchise partners could experience financial distress or even bankruptcy. If a significant number of our franchise partners become financially distressed, it could harm our operating results through reduced royalty revenue, marketing fees, and proprietary product sales, and the impact on our profitability could be greater than the percentage decrease in these revenue streams.

While we are responsible for ensuring the success of our entire system of shops and for taking a longer term view with respect to system improvements, our franchise partners have individual business strategies and objectives, which might conflict with our interests. Our franchise partners may from time to time disagree with us and our strategies and objectives regarding the business or our interpretation of our respective rights and obligations under the franchise agreement and the terms and conditions of the franchise partner relationship. This may lead to disputes with our franchise partners and we expect such disputes to occur from time to time in the future as we continue to have franchises. Such disputes may result in legal action against us. To the extent we have such disputes, the attention, time and financial resources of our management and our franchise partners will be diverted from our shops, which could harm our business even if we have a successful outcome in the dispute.

Actions or omissions by our franchise partners in violation of various laws may be attributed to us or result in negative publicity that affects our overall brand image, which may decrease consumer demand for our products. Franchise partners may engage in online activity via social media or activity in their personal lives that negatively impacts public perception of our franchise partners, our operations or our brand as a whole. This activity may negatively affect franchise partners' sales and in turn impact our revenue.

In addition, various state and federal laws govern our relationship with our franchise partners and our potential sale of a franchise. A franchise partner and/or a government agency may bring legal action against us based on the franchisee/franchisor relationships that could result in the award of damages to franchise partners and/or the imposition of fines or other penalties against us.

****Our shops are geographically concentrated in the Western United States, and we could be negatively affected by conditions specific to that region.***

As of March 31, 2024, our company-operated and franchised shops in the Western United States represent approximately 70% of our total shops. Adverse changes in demographic, unemployment, economic, regulatory, or weather conditions in the Western United States, including recent significant increases in gas prices, have harmed, and may continue to harm, our business. As a result of our concentration in this market, we have been, and in the future may be, disproportionately affected by these adverse conditions compared to other chain beverage shops with a more expansive national footprint. For example, in recent years, wildfires spread across most western states causing poor air quality which reduced consumers' willingness to venture outside their homes and, we believe, reduced our AUVs, and any future wildfires may have a similar impact. If we experience wildfires, such wildfires may also damage shops and the communities in which they operate which could decrease demand for our products. For example, in 2018 a wildfire partially destroyed a town in northern California and damaged one of our shops. In addition to rebuilding costs, prolonged economic recovery within affected communities may have a negative impact on our results of operations. In addition, until our roasting facility in Texas is operational, our roasting operations are concentrated in this region and may experience closures or be subject to damage due to adverse weather conditions occurring in the Western United States. For example, in 2022 our roasting facility was temporarily under a "Level 1 - Be Ready" evacuation alert due to the Rum Creek Fire. Future wildfires may result in actual evacuations and closures, which would disrupt our operations and may harm our business.

****Interruption of our supply chain of coffee, flavored syrups or other ingredients, coffee machines, and other restaurant equipment or packaging could affect our ability to produce or deliver our products and could negatively impact our business and profitability.***

Any material interruption in our supply chain, such as material interruption of the supply of coffee, flavored syrups, dairy, coffee machines, cans for our Dutch Bros. Blue Rebel energy drink, and other restaurant

equipment or packaging, including any packaging for our for our proprietary products, for any reason, including: the casualty loss of our roasting facility; interruptions in service by our third-party logistic service providers or common carriers that ship goods within our distribution channels; trade restrictions, such as increased tariffs or quotas, embargoes or customs restrictions; pandemics; social or labor unrest; acts of terrorism; natural disasters; or political disputes and military conflicts could have a negative material impact on our business and our profitability. For example, in 2005, our roasting facility burned and our costs increased as we replaced these operations by purchasing coffee from other roasters and paying for contract roasting to cover for the shortage in our own supply, and, in 2021, there were global delays in shipping due in part to the COVID-19 pandemic.

Additionally, most of our beverage and other products are sourced from a wide variety of domestic and international business partners and we rely on these suppliers to provide high quality products and to comply with applicable laws. For certain products, we may rely on one or very few suppliers, such as for our proprietary Dutch Bros. Blue Rebel energy drinks, where we rely on relationships with our co-packers, Portland Bottling Co. and Lieb Foods, LLC to blend, package, label, and warehouse these drinks. Sales of Dutch Bros. Blue Rebel accounted for approximately 26% of our systemwide net sales in the three months ended March 31, 2024. Failures by our co-packers or any of our other suppliers or distributors to meet our standards, provide products in a timely and efficient manner, or comply with applicable laws is beyond our control. Failures by a supplier could have a direct negative impact that would harm our business by reducing our and our franchise partners' sales, which would reduce income from direct sales and royalties.

We have experienced disruptions in our supply chain for certain products including cups, canning supplies, lids, espresso machines and restaurant equipment parts, and certain building materials and supplies. While we have, to this point, been able to find acceptable replacements or substitutes or prepurchase certain materials or items, this may not always be possible, especially if supply chains continue to suffer disruptions for extended periods of time. If we are unable to source critical or proprietary supplies, find acceptable replacements or substitutes, or adapt our construction strategies effectively, we may be unable to sustain our growth, and it may negatively affect our business and profitability. Finding acceptable replacements or substitutes may require trial and error that could cause losses or delays. If construction and building materials are not of the quality or durability we typically require, this may lead to increased maintenance costs or even business interruption for necessary repairs or replacements in the future. If we are unable to locate sufficient building or construction materials, or to successfully scale our construction and new shop opening operations, we may not be able to achieve our stated growth objectives.

****Increases or sustained inflation in the cost of high-quality arabica coffee beans, dairy, or other commodities or decreases in the availability of high-quality arabica coffee beans, dairy, or other commodities could have an adverse impact on our business and financial results.***

The availability and prices of coffee beans, dairy, and other commodities are subject to significant volatility. We purchase, roast, and sell high-quality whole bean arabica coffee beans and related coffee products. The high-quality arabica coffee of the quality we seek tends to trade on a negotiated basis at a premium above the "C" price. This premium depends upon the supply and demand at the time of purchase and the amount of the premium can vary significantly. Increases in the "C" coffee commodity price increase the price of high-quality arabica coffee and also impact our ability to enter into fixed-price purchase commitments. We frequently enter into supply contracts whereby the quality, quantity, delivery period, and other negotiated terms are agreed upon, but the date, and therefore price, at which the base "C" coffee commodity price component will be fixed has not yet been established.

The supply and price of coffee we purchase can also be affected by multiple factors in the producing countries, such as weather (including the potential effects of climate change), natural disasters, crop disease, general increase in farm inputs and costs of production, inventory levels, political and economic conditions, and the actions of certain organizations and associations that have historically attempted to influence prices of green coffee through agreements establishing export quotas or by restricting coffee

supplies. Speculative trading in coffee commodities can also influence coffee prices. The price of coffee increased significantly in 2022, and has remained elevated, including during the three months ended March 31, 2024. Because of the significance of coffee beans to our operations, combined with our ability to only partially mitigate future price risk through purchasing practices and hedging activities, increases in the cost of high-quality arabica coffee beans could have a material adverse impact on our profitability. In addition, if we are not able to purchase sufficient quantities of green coffee due to any of the above factors or to a worldwide or regional shortage, we may not be able to fulfill the demand for our coffee, which could have a material adverse impact on our profitability.

We also purchase significant amounts of dairy products, particularly milk, to support the needs of our shops. For example, in 2022, there were material increases in dairy costs and such dairy costs remained elevated in 2023. If dairy costs further increase, this could harm our business. Additionally, and although less significant to our operations than coffee or dairy, other commodities, including but not limited to plant-based "milks," tea, sugar, syrups, energy and packaging material, such as plastics, corrugate, and canning materials, are important to our operations, and may be subject to increased costs, which could negatively impact our margins. For example, the cost of sugar increased significantly in 2022 and 2023.

Increases in the cost of other commodities, such as petroleum, may increase the cost of our packing materials, or lack of availability, whether due to supply shortages, delays or interruptions in processing, may impact consumer spending, or could otherwise harm our business. For example, in 2022, we believe fluctuating increases in gas prices negatively impacted consumer discretionary spending, particularly in the Western United States where such increases were relatively higher and where our shops are geographically concentrated.

If we fail to offer high-quality customer experience, our business and reputation will suffer.

Numerous factors may impact a customer's experience which may in turn impact the likelihood of such customer returning. Those factors include service, convenience, taste, price, quality, location of our shops, and brand image. In addition to providing high quality hand-crafted beverages, we empower our employees to provide an enhanced customer experience. Our broistas put customer needs first and we give them the flexibility required to build genuine, meaningful connections that keep our customers returning for more. From remembering our regulars by name and knowing their customary order, to having treats ready for the four-legged members of the family, or by offering a free drink to someone having a rough day—there is a hint of magic in the details of the Dutch Bros experience that leads to recurring, loyal customers. As we grow, it may be difficult for us to identify, recruit, train, and manage enough people with the right skills, talent, and attitude to provide this enhanced customer experience.

If we fail to maintain adequate operational and financial resources, particularly if we continue to grow rapidly, we may be unable to execute our business plan or maintain high levels of service and customer satisfaction.

Our continuous growth and expansion have placed, and may continue to place, significant demands on our management and our operational and financial resources. Our organizational structure is becoming more complex as we scale our operational, financial, and management controls, as well as our reporting systems and procedures. As we continue to grow, we face challenges of integrating, developing, training, and motivating a rapidly growing employee base in our various shops and maintaining our company culture across multiple offices and shops, and within our hybrid remote and remote workforce. Certain members of our management have not previously worked together for an extended period of time, and some do not have prior experience managing a public company, which may affect how they manage our growth. If we fail to manage our anticipated growth and change in a manner that preserves the key aspects of our corporate culture, the quality of our beverages and services may suffer, which could negatively affect our brand and reputation and harm our ability to attract users, employees, and organizations.

To manage growth in our operations and personnel, we need to continue to grow and improve our operational, financial, and management controls and our reporting systems and procedures. We will require significant capital expenditures and the allocation of valuable management resources to grow and change in these areas. Our expansion has placed, and our expected future growth will continue to place, a significant strain on our management, customer experience, research and development, sales and marketing, administrative, financial, and other resources.

In addition, as we expand our business, it is important that we continue to maintain a high level of customer service and satisfaction. As our customer base continues to grow, we will need to expand our customer service and other personnel, which will require more complex management and systems. If we are not able to continue to provide high levels of customer service, our reputation, as well as our business could be harmed.

We have a limited history of operating with a substantial remote workforce and the long-term impact on our financial results and business operations are uncertain.

Remote work has become the primary experience for a large number of our employees, and our intention is for our workforce to continue to have remote work opportunities into the future. However, we have a limited history of operating with a large remote workforce and the impact on our financial results and business operations remains uncertain, particularly in the near term. Additionally, there is no guarantee that we will realize any anticipated benefits to our business from our remote and hybrid remote workforce, such as any cost savings or operational efficiencies.

Our continuing support of a growing remote and hybrid workforce may make it increasingly difficult to manage our business and adequately oversee our employees and business functions, potentially resulting in harm to our company culture, increased employee attrition, the loss of key personnel, difficulty in properly classifying employees, and harm to the growth of our business. We may also experience an increased risk of privacy and data security breaches and incidents involving our information technology networks and systems and data processing as more of our employees utilize network connections outside our premises or network, including working at home, while in transit, and in public locations. The mobility of our remote workers may also subject us to an increased risk of regulatory claims if our remote employees establish a nexus for our business in unanticipated jurisdictions. This could cause us to be subject to tax and employment claims in the applicable jurisdiction. Any of these factors could adversely affect our financial condition and operating results.

****We are increasingly dependent on information technology and our ability to process data in order to operate and sell our products, and if we (or the third parties with whom we work) are unable to protect against software and hardware vulnerabilities, service interruptions, data corruption, cyber-based attacks, ransomware, fraud, or security breaches, or if we (or the third parties with whom we work) fail to comply with our commitments and assurances regarding the privacy and security of such data, our operations could be disrupted, our ability to provide our products could be interrupted, our reputation may be harmed and we may be exposed to liability and loss of customers and business.***

We rely on information technology networks and systems and data processing: to market; to sell and deliver our products; to fulfill orders; to collect, receive, store, process, generate, use, transfer, disclose, make accessible, protect, secure, dispose of and share (Process or Processing) personal information, confidential or proprietary information, financial information and other sensitive information (collectively, Sensitive Information); to manage a variety of business processes and activities; for financial reporting purposes; to operate our business; to process orders; to accept payments using credit cards and debit cards; to accept payments using the Dutch Rewards mobile app; for legal purposes; and to comply with regulatory, legal and tax requirements.

Our (and those of the third parties with whom we work) information technology networks and systems, and the Processing of Sensitive Information they perform, may be vulnerable to data security and privacy

threats, cyber and otherwise. These threats are becoming increasingly difficult to detect and come from a variety of sources, including traditional computer “hackers,” threat actors, “hacktivists,” personnel (such as through theft or misuse), organized criminal threat actors, sophisticated nation states, and nation-state supported actors. Some threat actors now engage and are expected to continue to engage in cyberattacks, including without limitation nation-state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other major conflicts, we and the third parties with whom we work may be vulnerable to a heightened risk of these attacks, including retaliatory cyberattacks that could materially disrupt our systems and operations, supply chain, and ability to market, produce, sell, and distribute our products.

The risk of unauthorized circumvention of our security measures or those of the third parties with whom we work has been heightened by advances in computer and software capabilities and the increasing sophistication of actors who employ complex techniques, including, without limitation, “phishing” or social engineering incidents (including deep fakes, which are becoming increasingly difficult to detect), ransomware, extortion, account takeover attacks, personnel misconduct or error, denial or degradation of service attacks, malicious code (such as viruses or worms), supply-chain attacks, software bugs, adware, attacks enhanced or facilitated by artificial intelligence, or malware. In particular, severe ransomware attacks are becoming increasingly prevalent and can lead to significant interruptions in our operations, loss of Sensitive Information and income, reputational harm, and diversion of funds. Extortion payments may alleviate the negative impact of a ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments. We may also experience server malfunctions, software or hardware failures, telecommunications failures, or loss of data or other information technology assets. Further, security incidents experienced by other companies may also be leveraged against us. For example, credential stuffing attacks are becoming increasingly common and sophisticated actors can mask their attacks, making them increasingly difficult to identify and prevent.

We rely upon third parties service providers and technologies to operate critical business systems to process Sensitive Information in a variety of contexts, including, without limitation, third-party payment processors, point of sale and order management systems, encryption and authentication technology, human resources systems including scheduling, payroll and compliance systems, internet service providers, enterprise resource planning and financial systems, document management and storage, employee email, our Dutch Rewards mobile app, and other functions. Our ability to monitor these third parties’ information security practices is limited, and these third parties may not have adequate information security measures in place. If these third parties experience a security incident or other interruption, we could experience adverse consequences. While we may be entitled to damages if the third parties with whom we work fail to satisfy their privacy or security-related obligations to us, any award may be insufficient to cover our damages, or we may be unable to recover such award. In addition, supply-chain attacks have increased in frequency and severity, and we cannot guarantee that third parties’ infrastructure in our supply chain or in the third-parties with whom we work supply chains have not been compromised.

While we have implemented security measures designed to protect against security incidents, our security measures (and those of the third parties with whom we work) may not be adequate to prevent or detect service interruption, system failure data loss, fraud or theft, or other material adverse consequences. Moreover, we take steps designed to detect, mitigate, and remediate vulnerabilities in our information systems (such as our hardware or software and those of the third parties with whom we work). We may not, however, detect and remediate all such vulnerabilities, including on a timely basis. Vulnerabilities could be exploited and result in a security incident. We expect similar issues to arise in the future as the Dutch Rewards mobile app is more widely adopted, and as we continue to expand the features and functionality of the Dutch Rewards mobile app.

Any of the previously identified or similar threats could cause a security incident or other interruption that could result in unauthorized, unlawful, or accidental acquisition, modification, destruction, loss, alteration,

encryption, disclosure of, or access to Sensitive Information or our information technology networks and systems (or those of the third parties with whom we work).

We may expend significant resources or modify our business activities to try to protect against such security incidents and/or fraud. Certain data privacy and security obligations may require us to implement and maintain specific security measures, industry-standard, or reasonable security measures to protect our information technology networks and systems and Sensitive Information. Despite our efforts to protect our information technology networks and systems, and our Processing of Sensitive Information, no security solution, strategy, or measures can address all possible security threats and/or fraud.

Applicable data privacy and security obligations may require us to notify relevant stakeholders of security incidents including affected individuals, customers, regulators, and investors. Such disclosures are costly, and the disclosure or the failure to comply with such requirements could lead to adverse consequences. If we or a third party with whom we work experiences a security incident or are perceived to have experienced a security incident, we may experience adverse consequences, including reputational harm, costly litigation (including class action litigation), material contract breaches, liability, settlement costs, loss of sales, disruption in our ability (or that of third parties with whom we work) to process payments, regulatory scrutiny, actions or investigations, a loss of confidence in our business, systems and Processing of Sensitive Information, a diversion of management's time and attention, and significant fines, penalties, assessments, fees and expenses.

Additionally, the costs to respond to a security incident and/or to mitigate any security vulnerabilities that may be identified could be significant, and our efforts to address these problems may not be successful. These costs include, but are not limited to, retaining the services of cybersecurity providers; compliance costs arising out of existing and future cybersecurity, data protection and privacy laws and regulations; and costs related to maintaining redundant networks, data backups and other damage-mitigation measures. We could be required to fundamentally change our business activities and practices in response to a security incident or related regulatory actions or litigation, which could have an adverse effect on our business.

We may not have adequate insurance coverage for handling security incidents, including fines, judgments, settlements, penalties, costs, attorney fees and other impacts that arise out of incidents or breaches. If the impacts of a security incident, or the successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), it could harm our business. In addition, we cannot be sure that our existing insurance coverage will continue to be available on acceptable terms or that our insurers will not deny coverage as to all or part of any future claim or loss. Our contracts may not contain limitations of liability, and even where they do, there can be no assurance that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to our data privacy and security obligations. Moreover, our information security risks are likely to increase as we continue to expand, grow our customer base, and process, store, and transmit increasingly large amounts of personal and/or Sensitive Information. In addition to experiencing a security incident, third parties may gather, collect, or infer sensitive information about us from public sources, data brokers, or other means that reveals competitively sensitive details about our organization and could be used to undermine our competitive advantage or market position.

Pandemics or disease outbreaks have had, and may continue to have, an effect on our business and results of operations.

Pandemics or disease outbreaks such as the COVID-19 pandemic have impacted and may continue to impact customer traffic at our Dutch Bros shops and may make it more difficult to staff our shops and, in more severe cases, may cause a temporary inability to obtain supplies and may increase commodity costs. The extent of the impact of pandemics or disease outbreaks on our business, operations, and development timelines and plans will depend on the specifics of any particular pandemic or disease outbreak that cannot be predicted at this time.

Our operations have been, and may continue to be, disrupted when employees or employees of our franchise partners are suspected of having a communicable disease or other illnesses since this requires us or our franchise partners to quarantine some or all such employees and close and disinfect our impacted shops. If a significant percentage of our workforce or the workforce of our franchise partners are unable to work, including because of illness or travel or government restrictions, like quarantine requirements, in connection with pandemics or disease outbreaks, our operations may be negatively impacted, potentially materially adversely affecting our business, liquidity, financial condition, or results of operations.

Our success is heavily reliant on our franchise partners and another pandemic may cause financial distress for certain franchise partners that have been or will be impacted, such as those partners who were negatively impacted by the COVID-19 pandemic. As a result of distress, our franchise partners may not be able to meet their financial obligations as they come due, including the payment of royalties, rent, or other amounts due to us. For example, in the past, this has led to write-offs of amounts we had due from our franchise partners beyond amounts we have reserved, as well as decreased future collections from franchise partners. Franchise partners' financial distress has also led to, and may continue to lead to, permanent shop closures and delayed or reduced new franchise partner development which would further harm our results and liquidity going forward. Further, in some cases, we are contingently liable for franchise partner lease obligations, and a failure by a franchise partner to perform its obligations under such lease could result in direct payment obligations for us.

While we have developed and continue to develop plans to help mitigate the potential negative impact of a pandemic, these efforts may not be effective, and any protracted economic downturn will likely limit the effectiveness of our efforts. Accordingly, it is not possible for us to predict the duration and extent to which this will affect our business at this time. There is no guarantee that a future outbreak of COVID-19 or any other widespread epidemics will not occur, or that the global economy will recover to pre-pandemic levels, either of which could seriously harm our business.

Unstable market and economic conditions may have serious adverse consequences on our business and financial condition.

The global credit and financial markets have experienced extreme volatility and disruptions (including as a result of the COVID-19 pandemic and actual or perceived changes in interest rates, continued economic inflation, and failures of financial institutions), which has included severely diminished liquidity and credit availability, declines in consumer confidence, prolonged weak consumer demand, a decrease in consumer discretionary spending, declines in economic growth, high inflation, uncertainty about economic stability, and increases in unemployment rates. The financial markets and the global economy may also be adversely affected by the current or anticipated impact of military conflict, including the war between Russia and Ukraine and the war between Israel and Hamas, terrorism, or other geopolitical events. Sanctions imposed by the United States and other countries in response to such conflicts, including the war in Ukraine, may also continue to adversely impact the financial markets and the global economy, and any economic countermeasures by the affected countries or others could exacerbate market and economic instability. There can be no assurance that further deterioration in credit and financial markets and confidence in economic conditions will not occur. Our general business strategy may be adversely affected by any such economic downturn, volatile business environment, or continued unpredictable and unstable market conditions, including disruption to customer demand and our ability to purchase necessary supplies on acceptable terms, if at all. If the current equity and credit markets deteriorate, it may make any necessary debt or equity financing more difficult, more costly, and more dilutive. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance, and stock price, and could require us to delay or abandon growth plans. In addition, there is a risk that one or more of our current suppliers, manufacturers, or other partners may not survive an economic downturn, which could directly affect our ability to attain our operating goals on schedule and on budget.

Risks Related to Our Brand

Our success depends substantially on the value of our brand and failure to preserve its value could have a negative impact on our financial results.

Our success depends in large part upon our and our franchise partners' ability to maintain and enhance our corporate reputation and the value and perception of our brand. Brand value is based in part on consumer perceptions on a variety of subjective qualities. To be successful in the future, particularly outside of the Western United States where the Dutch Bros brand may be less well-known, we believe we must preserve, grow, and leverage the value of our brand across interactions.

Business incidents, whether isolated or recurring and whether originating from us or our business partners, that erode consumer trust can significantly reduce brand value, potentially trigger boycotts of our shops, or result in civil or criminal liability and can have a negative impact on our financial results. Such incidents include actual or perceived breaches of privacy, contaminated products, broistas infected with communicable diseases, or other potential incidents discussed in this Risk Factors section. The impact of such incidents may be exacerbated if they receive considerable publicity, including rapidly through social or digital media (including for malicious reasons), or result in litigation. Consumer demand for our products and our brand equity could diminish significantly if we, our employees, franchise partners, or other business partners fail to preserve the quality of our products, act or are perceived to act in an unethical, illegal, racially-biased, unequal or socially irresponsible manner, including with respect to the sourcing, content or sale of our products, service and treatment of customers at Dutch Bros shops, or the use of customer data for general or direct marketing or other purposes. Additionally, if we fail to comply with laws and regulations, publicly take controversial positions or actions or fail to deliver a consistently positive consumer experience in each of our markets, including by failing to invest in the right balance of wages and benefits to attract and retain employees that represent the brand well or foster an inclusive and diverse environment, our brand value may be diminished.

Moreover, our success depends in large part upon our ability to maintain our corporate reputation. For example, the reputation of our Dutch Bros brand could be damaged by claims or perceptions about the quality or safety of our ingredients or beverages or the quality or reputation of our suppliers, distributors, or franchise partners or by claims or perceptions that we, our franchise partners, or other business partners have acted or are acting in an unethical, illegal, racially-biased, or socially irresponsible manner or are not fostering an inclusive and diverse environment, regardless of whether such claims or perceptions are substantiated. Our corporate reputation could also suffer from negative publicity or consumer sentiment regarding Dutch Bros' action or inaction or brand imagery, or a real or perceived failure of corporate governance or misconduct by any officer or any employee or representative of us or a franchise partner. Our corporate reputation could suffer from negative publicity or consumer sentiment regarding our charitable giving practices, campaigns, and marketing around such campaigns, including any change to our charitable giving practices or long-standing giveback days ("Drink One for Dane," "Dutch Luv," and "Buck for Kids"). We empower our operators and franchise partners to create their own local, shop-specific giveback programs within their communities. If the recipient of discretionary donations is subject to negative publicity or consumer sentiment, Dutch Bros could experience the same. Any such incidents (even if resulting from actions of a competitor or franchise partner) could cause a decline directly or indirectly in consumer confidence in, or the perception of, our Dutch Bros brand and/or our products and reduce consumer demand for our products, which would likely result in lower revenue and profits.



There has been an increased public focus, including from the United States federal and state governments, on environmental sustainability matters, including with respect to climate change, greenhouse gases, water resources, packaging and waste, animal health and welfare, deforestation, and land use. We are working to manage the risks and costs to us, our franchise partners and our supply chain associated with these types of environmental sustainability matters. In addition, as the result of such heightened public focus on environmental sustainability matters, we may face increased pressure to provide expanded disclosure, make or expand commitments, set targets, or establish additional goals and take actions to meet such goals, in connection with such environmental sustainability matters. For example, the state of California recently enacted Senate Bill 253 and Senate Bill 261, referred to as the Climate Accountability Package, which would require certain companies doing business in California to report on various environmental sustainability matters, including greenhouse gas emissions. These matters and our efforts to address them could expose us to market, operational, reputational, and execution costs or risks.

We may not be able to adequately protect our intellectual property, including trademarks, trade names, and service marks, which, in turn, could harm the value of our brand and adversely affect our business.

Our ability to implement our business plan successfully depends in part on our ability to further build brand recognition using our trademarks, service marks, proprietary products, and other intellectual property, including our name and logos and the unique character and atmosphere of our Dutch Bros shops. We rely on U.S. and foreign trademark, copyright, and trade secret laws, as well as license agreements, nondisclosure agreements, and confidentiality and other contractual provisions to protect our intellectual property. Nevertheless, our competitors may develop similar marks, menu items, and concepts, and adequate remedies may not be available in the event of an unauthorized use or disclosure of our trade secrets and other intellectual property.

The success of our business depends on our continued ability to use our existing trademarks, trade names, and service marks to increase brand awareness and further develop our brand as we expand into new markets. We have registered and applied to register trademarks and service marks in the United States and in foreign jurisdictions. We may not be able to adequately protect our trademarks and service marks, and our competitors and others may successfully challenge the validity and/or enforceability of our trademarks and service marks and other intellectual property. There can also be no assurance that pending or future trademark applications will be approved in a timely manner or at all, or that such registrations will effectively protect our brand names and trademarks.

Additionally, the steps we have taken to protect our intellectual property in the United States and internationally may not be adequate. If our efforts to maintain and protect our intellectual property are inadequate, or if any third party misappropriates, dilutes, or infringes on our intellectual property, the value of our brand may be harmed, which could have a material adverse effect on our business and might prevent our brand from achieving or maintaining market acceptance. Even with our own franchise partners, whose activities are monitored and regulated through our franchise agreements, we face risk that they may refer to or make statements about our Dutch Bros brand that do not make proper use of our trademarks or required designations, that improperly alter trademarks or branding, or that are critical of our brand or place our brand in a context that may tarnish our reputation. This may result in dilution of, or harm to, our intellectual property or the value of our brand.

We may also from time to time be required to institute enforcement action, including litigation, to enforce and preserve the value of our trademarks, service marks and other intellectual property. Such litigation could result in substantial costs and diversion of resources and could negatively affect our sales, business, profitability, and prospects regardless of whether we can successfully enforce our rights.

Third parties may oppose our trademark and service mark applications, or otherwise challenge our use of the trademarks and service marks. This risk may increase as we enter new markets with localized competitors. In the event that these or other intellectual property rights are successfully challenged, we



could experience brand dilution or be forced to rebrand our products, which would result in loss of brand recognition and would require us to devote resources to advertising and marketing new brands. Third parties may also assert that we infringe, misappropriate, or otherwise violate their intellectual property and may sue us for intellectual property infringement. Even if we are successful in these proceedings, we may incur substantial costs, and the time and attention of our management and other personnel may be diverted in pursuing these proceedings. If a court finds that we infringe a third party's intellectual property, we may be required to pay damages and/or be subject to an injunction. With respect to any third-party intellectual property that we use or wish to use in our business (whether or not asserted against us in litigation), we may not be able to enter into licensing or other arrangements with the owner of such intellectual property at a reasonable cost or on reasonable terms.

Food safety and quality concerns may negatively impact our brand, business, and profitability, our internal operational controls and standards may not always be met, and our employees may not always act professionally, responsibly, and in our and our customers' best interests. Any possible instances or reports, whether true or not, of food and/or beverage-borne illness could negatively affect our brand and reduce our sales.

Incidents or reports, whether true or not, of food-borne or water-borne illness or other food safety issues, food contamination or tampering, employee hygiene and cleanliness failures, or improper employee conduct at our shops could lead to product liability or other claims. Such incidents or reports could negatively affect our brand and reputation as well as our business, revenue, and profits. Similar incidents or reports occurring at coffee and convenience shops unrelated to us could likewise create negative publicity, which could negatively impact consumer behavior towards us.

We cannot guarantee to customers that our internal controls and training will be fully effective in preventing all food-borne illnesses. New illnesses resistant to our current precautions may develop in the future, or diseases with long incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. One or more instances of food-borne illness in one of our company-operated or franchised shops could negatively affect sales at all our shops if highly publicized. This risk exists even if it were later determined that the illness was wrongly attributed to one of our shops. Additionally, even if food-borne illnesses were not identified at our shops, our sales could be adversely affected if instances of food-borne illnesses at other coffee and beverage chains were highly publicized.

If we, our franchise partners, or our vendors are unable to protect our customers' credit and debit card data or confidential information in connection with processing the same or confidential employee information, we could be exposed to data loss, litigation, liability, and reputational damage.

Our business requires the collection, transmission and retention of large volumes of customer and employee data, including credit and debit card numbers and other personally identifiable information, in various information technology systems that we maintain and in those maintained by third parties with whom we contract to provide services. The integrity and protection of that customer and employee data is critical to us.

We are subject to rules governing electronic funds transfers, including the Payment Card Industry Data Security Standard (PCI DSS) as discussed further below. Such rules could change or be reinterpreted to make it difficult or impossible for us to comply. If we (or a third party processing payment card transactions on our behalf) suffer a security breach affecting payment card information, we may have to pay onerous and significant fines, penalties and assessments arising out of the major card brands' rules and regulations, contractual indemnifications or liability contained in merchant agreements and similar contracts, and we may lose our ability to accept payment cards as payment for transactions, which could materially impact our operations and financial performance.

The information, security and privacy requirements imposed by governmental regulation are increasingly demanding. Our systems may not be able to satisfy these changing requirements and customer and

employee expectations or may require significant additional investments or time in order to do so. Efforts to hack or breach security measures, failures of systems or software to operate as designed or intended, viruses, operator error or inadvertent releases of data all threaten our and our service providers' information systems and records. A breach in the security of our information technology systems or those of our service providers could lead to an interruption in the operation of our systems, resulting in operational inefficiencies and a loss of profits. For example, in 2014, our online store and our customers were the victims of a security breach and as a result a few thousand of our customer's personal information records were exposed. Additionally, a significant theft, loss or misappropriation of, or access to, customers' or other proprietary data or other breach of our information technology systems could result in fines, legal claims or proceedings, including regulatory investigations and actions, or liability for failure to comply with privacy and information security laws, which could disrupt our operations, damage our reputation and expose us to claims from customers and employees, any of which could harm our business.

We are subject to payment-related fraud and an increase in or failure to deal effectively with fraud, fraudulent activities, fictitious transactions, or illegal transactions would materially and adversely affect our business, results of operations, and financial condition.

We process a significant volume of credit and debit card transactions on a daily basis through our point of sale and order management systems and our Dutch Rewards mobile app. We have in the past, and may again in the future, be the victim of fraudulent transactions arising out of the actual or alleged theft of credit or debit card information through such systems. Such instances have and can lead to the reversal of payments received by us for such payments, referred to as a "chargeback." We have been and will likely continue to be liable for chargebacks and other costs and fees related to fraudulent transactions. Our ability to detect and combat such fraudulent transactions, which have become increasingly common and sophisticated, could be adversely impacted by the emergence and innovation of new technology platforms, including mobile and other devices. We expect that technically knowledgeable criminals will continue to attempt to circumvent our anti-fraud systems. In addition, the payment card networks have rules around acceptable chargeback ratios. If we are unable to effectively combat the use of fraudulent or stolen credit cards, we may be subject to fines and higher transaction fees or be unable to continue to accept card payments because payment card networks have revoked our access to their networks, any of which would materially adversely impact our business, results of operations, and financial condition. We may also be subject to lawsuits, regulatory investigations, or other proceedings relating to these types of incidents.

Further, payments systems we use are susceptible to potentially illegal or improper uses, including money laundering, transactions in violation of economic and trade sanctions, corruption and bribery, terrorist financing, customer account takeovers, or the facilitation of other illegal activity. Use of our payments systems for illegal or improper uses could subject us to claims, lawsuits, and government and regulatory investigations, inquiries, or requests, which could result in liability and reputational harm for us. We have taken measures to detect and reduce fraud and illegal activities, but these measures need to be continually improved and may add friction to our payment processes. These measures may also not be effective against fraud and illegal activities, particularly new and continually evolving forms of circumvention. If these measures do not succeed in reducing fraud, our business, results of operations, and financial condition would be materially and adversely affected.

Risks Related to People and Culture

Changes in the availability of and the cost of labor could harm our business.

Our business could be harmed by increases in labor costs, including those increases triggered by inflation, regulatory actions regarding wages, scheduling and benefits, and increased health care and workers' compensation insurance costs, which, in a retail business such as ours, are some of our most significant costs. In particular, our broistas are typically paid wage rates at or based on the applicable federal, state, or local minimum wage, and increases in the applicable minimum wage have in the past

and will increase labor costs. From time to time, legislative proposals are made to increase the minimum wage at the federal, state, and local level, such as AB1228 in California, which created a minimum wage of \$20 per hour for fast food workers, effective April 1, 2024, among other provisions. As federal, state, or other applicable minimum wage rates increase, we may be required to increase not only the wage rates of minimum wage broistas or other employees, but also the wages paid to other hourly employees. As part of our focus on building long-term customer loyalty, we do not typically expect our customers to bear the entire burden of increased labor and commodity costs and, when possible, we do not increase prices in order to pass increased labor or commodity costs on to customers, as we believe such price increases would negatively impact our brand and consumer loyalty. If we do not increase prices to cover increased labor or commodity costs, or if such increase is delayed, this is likely to result in lower revenue, and may also reduce margins.

Furthermore, the successful operation of our business depends upon our, and our franchise partners', ability to attract, motivate, and retain a sufficient number of qualified employees. From time to time, there may be a shortage of qualified employees in certain of the communities in which we operate or to which we expand. Shortages may make it increasingly difficult and expensive to attract, train, and retain the services of a satisfactory number of qualified employees, which could delay the planned openings of new company-operated and franchised shops and adversely impact the operations and profitability of existing shops. Changing conditions beyond our control could affect the desirability of working in our shops, such as increases in extreme heat or cold, wildfire smoke, and other extreme weather events that make working outdoors or in a limited space more difficult. Furthermore, competition for qualified employees, particularly in markets where such shortages exist, could require us to pay higher wages, which could result in higher labor costs. Accordingly, if we and our franchise partners are unable to recruit and retain sufficiently qualified individuals, our business could be harmed.

Additionally, the growth of our business can make it increasingly difficult to locate and hire sufficient numbers of key employees, to maintain an effective system of internal controls for a dispersed chain, and to train employees to deliver consistently high-quality hand-crafted beverages and customer experiences, which could materially harm our business and results of operations. In addition, growth and the addition of new shops may result in inefficiencies in our staffing, which can increase overtime costs or otherwise impact profitability.

***We depend on our executive officers and other key employees, and the loss of one or more of these employees or an inability to attract and retain other highly skilled employees could harm our business.**

Our success depends largely upon the continued services of our executive officers and other key employees, and the hiring and retention of additional executives and other key personnel. We rely on our leadership team in the areas of finance, marketing, sales, customer experience, and selling, general and administrative. As we look to expand our business and strengthen the depth of our senior management team, we expect there will be changes in our executive management team resulting from the hiring or departure of executives, which could disrupt our business. In January 2024, our prior Chief Executive Officer, Joth Ricci, transitioned and Christine Barone was appointed as our Chief Executive Officer. In January 2024, we also announced the planned departure of our Chief Financial Officer, Charley Jemley, after the public release of the Company's quarterly results for the quarter ended March 31, 2024, and hired Joshua Guenser as our Incoming Chief Financial Officer, who, subject to his appointment by the Board, will succeed Mr. Jemley as Chief Financial Officer. In addition, in April 2024, Brian Maxwell transitioned from the role of our Chief Operating Officer to the newly created role of Vice Chair, and Sumi Ghosh was appointed President of Operations. Changes in our executive management team may also cause disruptions in, and harm to, our business. The loss of one or more of our executive officers or key employees could harm our business.

Dutch Bros continues to be led by our Executive Chairman and Co-Founder, Travis Boersma, who plays an important role in driving our culture, determining the strategy, and executing against that strategy across the Company. If Mr. Boersma's services became unavailable to Dutch Bros for any reason, it may

be difficult or impossible for us to find an adequate replacement, which could cause us to be less successful in maintaining our culture and developing and effectively executing on our company strategies.

Our culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the high employee engagement fostered by our culture, which could harm our business.

At Dutch Bros, we believe our people-first culture is a critical component of our success and customer loyalty. The success of this differentiated people-first culture and serving hand-crafted, high-quality beverages through the convenience of a premium drive-thru experience has helped us enter new markets and rapidly open new shops. We have invested substantial time and resources in developing pathways for our employees to create their own compelling future, which we believe has fostered the positive, people-first culture that defines our organization and is enjoyed by our customers. We have built out our leadership team with an expectation of protecting this culture, an emphasis on shared values and a commitment to diversity and inclusion. In January 2024, we announced shifting approximately 40% of our total support staff to our Phoenix, Arizona office by January 1, 2025, which may create additional challenges maintaining our corporate culture. As we continue to develop and expand across the United States, we will need to maintain our culture among a larger number of employees dispersed in various geographic regions. Any failure to preserve our company culture could negatively affect our future success, including our ability to retain and recruit personnel, and result in a loss of customer loyalty.

Unionization activities may disrupt our operations and affect our profitability.

Although none of our employees are currently covered under collective bargaining agreements, our employees may elect to be represented by labor unions in the future. If a significant number of our employees were to become unionized and collective bargaining agreement terms were significantly different from our current compensation arrangements, it could adversely affect our business, financial condition, or results of operations. In addition, one or more labor disputes involving some or all of our employees may harm our reputation, disrupt our operations and reduce our revenue, and resolution of disputes may increase our costs. Further, if we enter into a new market with unionized construction companies, or the construction companies in our current markets become unionized, construction and build out costs for new shops in such markets could materially increase.

Risks Related to Regulation and Litigation

Changes in statutory, regulatory, accounting, and other legal requirements, including changes in accounting principles generally accepted in the United States, could potentially impact our operating and financial results.

We are subject to numerous statutory, regulatory, and legal requirements. Our operating results could be negatively impacted by developments in these areas due to the costs of compliance in addition to possible government penalties and litigation in the event of deemed noncompliance. Changes in the regulatory environment in the area of food safety, wage and hour laws, among others, could potentially impact our operations and financial results.

Generally accepted accounting principles in the United States (GAAP) are subject to interpretation by the Financial Accounting Standards Board, the American Institute of Certified Public Accountants, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

Moreover, while we believe that we maintain insurance customary for businesses of our size and type, there are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure. Such losses could harm our business.

Fluctuations in our tax obligations and effective tax rate and realization of our deferred tax assets may result in volatility of our operating results and adversely affect our financial condition.

We are subject to taxes by the U.S. federal, state, and local tax authorities, and our tax liabilities will be affected by the allocation of expenses to differing jurisdictions. We record tax expense based on our estimates of future payments, which may include reserves for uncertain tax positions in multiple tax jurisdictions, and valuation allowances related to certain net deferred tax assets. At any one time, many tax years may be subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues. We expect that throughout the year there could be ongoing variability in our quarterly tax rates as events occur and exposures are evaluated. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowance;
- changes in tax laws, regulations, or interpretations thereof; or
- future earnings being lower than anticipated in jurisdictions where we have lower statutory tax rates and higher than anticipated earnings in jurisdictions where we have higher statutory tax rates.

In addition, our effective tax rate in a given financial statement period may be materially impacted by a variety of factors including but not limited to changes in the mix and level of earnings, varying tax rates in the different jurisdictions in which we operate, fluctuations in the valuation allowance, or by changes to existing accounting rules or regulations. Further, tax legislation may be enacted in the future which could negatively impact our current or future tax structure and effective tax rates. We may be subject to audits of our income, sales, and other transaction taxes by U.S. federal, state, and local taxing authorities. Outcomes from these audits could have an adverse effect on our operating results and financial condition.

We are subject to many federal, state, and local laws with which compliance is both costly and complex.

The food service and restaurant industry is subject to extensive federal, state, and local laws and regulations, including those relating to health care reform, building and zoning requirements, and the preparation and sale of food and beverages for consumption. Such laws and regulations are subject to change from time to time. Our failure to comply with these laws and regulations as they evolve could adversely affect our operating results. Typically, licenses, permits, and approvals under such laws and regulations must be renewed annually and may be revoked, suspended, or denied renewal for cause at any time if governmental authorities determine that our conduct violates applicable regulations. Difficulties or failure to maintain or obtain the required licenses, permits, and approvals could adversely affect our existing shops and delay or result in our decision to cancel the opening of new shops, which would adversely affect our business.

The development and operation of a shop depends, to a significant extent, on the selection of suitable sites for drive-thrus, which are subject to unique permitting, zoning, land use, environmental, traffic, and other regulations and requirements. We are also subject to licensing and regulation by state and local authorities relating to health, sanitation, safety, and fire standards.

We are subject to the Fair Labor Standards Act and various other federal, state and local laws that regulate the wages and hours of employees. These laws commonly apply a strict liability standard so that even inadvertent noncompliance can lead to claims, government enforcement actions, and litigation. These laws vary from state to state and are subject to frequent amendments and judicial interpretations that can require rapid adjustments to operations. Insurance coverage for violations of these laws is costly and sometimes is not available. Changes to these laws can adversely affect our business by increasing

labor and compliance costs. The failure to comply with these laws could adversely affect our business as a result of costly litigation or government enforcement actions.

We are also subject to a variety of other employee relations laws including Family and Medical Leave Act of 1933 and state leave laws, employment discrimination laws, predictive scheduling laws, occupational health and safety laws and regulations, and the National Labor Relations Act of 1935, to name a few. Together, these many laws and regulations present a thicket of compliance obligations and liability risks. As we grow, our compliance efforts in these areas will continue to increase, which may result in additional costs and affect our results from operations. Changes to these laws and regulations may increase these costs beyond our expectations or predictions, which would adversely affect our business operations and financial results. Violations of these laws could lead to costly litigation or governmental investigation or proceedings.

We are subject to compliance obligations of the Food Safety Modernization Acts (FSMA). Under FSMA, we are required to develop and implement a Food Safety Plan for our roasting operations. While we are not currently required to implement a FSMA Food Safety Plan or a Hazard Analysis and Critical Points system (HACCP) in our shops, many states have required restaurants to develop and implement HACCP, and the United States government continues to expand the sectors of the food industry that must adopt and implement HACCP. Additionally, our suppliers may initiate or otherwise be subject to food recalls that may impact the availability of certain products, result in adverse publicity or require us to take actions that could be costly for us or otherwise impact our business.

We are subject to the Americans with Disabilities Act (the ADA), which, among other things, requires our shops to meet federally mandated requirements for the disabled. The ADA prohibits discrimination in employment and public accommodations on the basis of disability. Under the ADA, we could be required to expend funds to modify our shops to provide service to, or make reasonable accommodations for the employment of, disabled persons. In addition, our employment practices are subject to the requirements of the Immigration and Naturalization Service relating to citizenship and residency.

In addition, our franchise activities are subject to laws enacted by a number of states and rules and regulations promulgated by the Franchise Trade Commission (the FTC). Failure to comply with new or existing franchise laws, rules, and regulations in any jurisdiction or to obtain required government approvals could negatively affect our franchising activities and our relationships with our franchisees.

The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations, or our inability to respond effectively to significant regulatory or public policy issues, could increase our compliance and other costs of doing business and, therefore, have an adverse effect on our results of operations. Failure to comply with the laws and regulatory requirements of federal, state, and local authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines, and civil and criminal liability. In addition, certain laws, including the ADA, could require us to expend significant funds to make modifications to our shops if we failed to comply with applicable standards. Compliance with all these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings.

****We (and the third parties with whom we work) are subject to stringent and changing laws, regulations, industry standards, contractual obligations, policies, and other obligations related to data privacy and security. The actual or perceived failure by us or the third parties with whom we work to comply with such obligations, may harm our business, financial condition and results of operations, and prospects.***

We Process Sensitive Information to provide our products and services and other business functions. Our Processing activities may subject us to numerous data privacy and security obligations, such as various laws, regulations, guidance, industry standards, external and internal privacy and security policies,

contracts, and other obligations that govern data privacy, security, and Processing of personal information by us and the third parties with whom we work.

Data privacy and security have become a significant issue in the United States. The legal and regulatory framework for data privacy and security issues is rapidly evolving and is expected to increase our compliance costs and exposure to liability. The number and scope of data privacy and security obligations is changing, subject to differing applications and interpretations, and may be inconsistent among jurisdictions, or in conflict with other obligations. We expect that there will continue to be new data privacy and security obligations, and any significant change to data privacy and security obligations could increase compliance costs for us and the third parties with whom we work.

In the United States, federal, state, and local governments have enacted numerous data privacy and security laws, including data breach notification laws, personal data privacy laws, consumer protection laws (e.g., Section 5 of the Federal Trade Commission Act), and other similar laws (e.g., wiretapping laws). For example, these include the Telephone Consumer Protection Act (TCPA), the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, the California Consumer Privacy Act, as amended (the CCPA), other state, local, and federal laws relating to data privacy and security, and rules and regulations promulgated under the authority of the Federal Trade Commission. In the past few years, numerous states in the United States—including California, Virginia, Colorado, Connecticut, and Utah—have enacted comprehensive privacy laws that impose certain obligations on covered businesses, including providing specific disclosures in privacy notices and affording residents with certain rights concerning their personal information. As applicable, such rights may include the right to access, correct, or delete certain personal information, and to opt-out of certain data processing activities, such as targeted advertising, profiling, and automated decision-making. The exercise of these rights may impact our business and ability to provide our products and services. These laws also impose stricter requirements for processing certain personal information, including sensitive personal data, such as data protection impact assessments. These state laws allow for statutory fines for noncompliance. For example, the CCPA applies to personal information of consumers, business representatives, and employees who are California residents, and requires businesses to provide specific disclosures in privacy notices and honor requests of California residents to exercise certain privacy rights. The CCPA provides for fines of up to \$7,500 per intentional violation and allows private litigants affected by certain data breaches to seek to recover potentially significant statutory damages. In addition, other data privacy and security laws have been proposed at the federal, state, and local levels in recent years, which could further complicate compliance efforts. We expect additional comprehensive privacy laws to be enacted. Compliance with data privacy and security laws or regulations may be challenging and cost- and time-intensive, and may require us to modify our data processing practices and policies and to incur substantial costs and potential liability in an effort to comply with such legislation.

In addition, we are subject to the terms of our external and internal privacy and security policies, marketing materials, and other statements, such as compliance with certain certifications, industry standards, publications and frameworks and contractual obligations to third parties related to data privacy, security and Processing of Sensitive Information. If these policies, materials or statements are found to be deficient, lacking in transparency, deceptive, unfair, or misrepresentative of our practices, we may be subject to investigation, enforcement actions by regulators or other adverse consequences.

We are also contractually subject to data privacy and security obligations, including contractual obligations to indemnify and hold harmless third parties from the costs or consequences of non-compliance with data privacy laws or other obligations and to comply with industry standards adopted by industry groups. We may become subject to new data privacy and security contractual obligations in the future. Additionally, because we accept payments using credit cards and debit cards, we are subject to the PCI DSS. The PCI DSS requires companies to adopt certain measures to ensure the security of cardholder information, including using and maintaining firewalls, adopting proper password protections for certain devices and software, and restricting data access. Noncompliance with the PCI DSS can result in penalties ranging from \$5,000 to \$100,000 per month by credit card companies, litigation, damage to our reputation, and revenue losses. We may also rely on third parties to process payment card data, and those third parties may be subject to PCI DSS. Our business may be negatively affected if these third parties are fined or suffer other consequences as a result of PCI DSS noncompliance (or perceived noncompliance).

Furthermore, we rely on a variety of marketing techniques and practices, including email and social media marketing, online targeted advertising, and cookie-based Processing, to sell our products and services and to attract new customers. We, and the third parties with whom we work, may be subject to various current and future obligations that govern marketing and advertising practices. For example, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (CAN-SPAM) and the TCPA impose specific requirements on communications with customers. Additionally, the TCPA imposes various consumer consent requirements and other restrictions on certain telemarketing activity and other communications with consumers by phone, fax or text message. TCPA violations can result in significant financial penalties, including penalties or criminal fines imposed by the Federal Communications Commission or fines of up to \$1,500 per violation imposed through private litigation or by state authorities.

We may at times fail to comply with applicable data privacy and security obligations, or may be perceived to have failed to do so. Moreover, despite our efforts, we may not be successful in achieving compliance if our employees, partners, or other third parties with whom we work do not comply with applicable data privacy and security obligations. Any failure (or perceived failure) by us or a third party with whom we work to comply with applicable data privacy and security obligations could subject us to litigation (including class claims), mass arbitration demands, claims, proceedings, actions or investigations by governmental entities, authorities, private parties, or regulators; additional reporting requirements and/or oversight; bans on Processing personal data; and orders to destroy or not use personal data. In particular, plaintiffs have become increasingly active in bringing privacy-related claims against companies, including class claims and mass arbitration demands. Some of these claims allow for the recovery of statutory damages on a per-violation basis, and, if viable, carry the potential for monumental statutory damages, depending on the volume of data and the number of violations. Any of the foregoing could result in an adverse consequences, including increase our compliance and operational costs; limit our ability to market our products or services and attract new and retain current customers; result in reputational harm; lead to a loss of customers; reduce the use of our products or services; cause us to incur significant costs, expenses, and fees (including attorney fees); cause a material adverse impact to business operations or financial results; and otherwise result in other material harm to our business.

We and our franchise partners are subject to extensive government regulations that could result in claims leading to increased costs and restrict our ability to operate franchises.

We and our franchise partners are subject to extensive government regulation at the federal, state and local government levels, including by the FTC. These include, but are not limited to, regulations relating to the preparation and sale of beverages, zoning and building codes, franchising, land use, and employee, health, sanitation and safety matters. We and our franchise partners are required to obtain and maintain a wide variety of governmental licenses, permits and approvals. Local authorities may suspend or deny renewal of our governmental licenses if they determine that our operations do not meet the standards for initial grant or renewal. Difficulty or failure in obtaining them in the future could result in delaying or canceling the opening of new shops and thus could harm our business. Any such failure could also subject us to liability from our franchise partners.

Additionally, governmental authorities may adopt broad standards for determining when two or more entities may be deemed joint employers of the same employees. For example, the National Labor Relations Board passed a rule in October 2023, broadening the standards applicable to establishing a joint employer relationship and Congress has a legislation proposal in process that could shift more liability for franchise partner employment practices onto franchisors. The federal PRO Act would codify the Browning-Ferris decision that redefined joint employment to include a broader category of conduct by the franchisor. If the proposed or similar laws or rules come into effect, it could increase the possibility of Dutch Bros being held liable for our franchise partners' employment practices.

Beverage and restaurant companies have been the target of class action lawsuits and other proceedings that are costly, divert management attention and, if successful, could result in our payment of substantial damages or settlement costs.

Our business is subject to the risk of litigation by employees, customers, competitors, landlords, or neighboring businesses, suppliers, franchise partners, stockholders, or others through private actions, class actions, administrative proceedings, regulatory actions, or other litigation. For example, in March 2023, a putative class action lawsuit was filed alleging that Dutch Bros Inc. and certain of its executive officers made false or misleading statements about the impact of commodity inflation on our financial results for the first quarter of 2022. See "Litigation Related to Securities Claims" in NOTE 15 — Commitments and Contingencies to the condensed consolidated financial statements, included elsewhere in this Form 10-Q for more information. The outcome of litigation, particularly class action and regulatory actions, is difficult to assess or quantify. In recent years, beverage and restaurant companies have also been subject to lawsuits, including class action lawsuits, alleging violations of federal and state laws regarding workplace and employment matters, discrimination, and similar matters. A number of these lawsuits have resulted in the payment of substantial damages by the defendants. Similar lawsuits have been instituted from time to time alleging violations of various federal and state wage and hour laws regarding, among other things, employee meal deductions, overtime eligibility of assistant managers and failure to pay for all hours worked. Any such lawsuits in which Dutch Bros, Dutch Bros OpCo, or any subsidiary thereof is named as a party may result in substantial expenses and/or damages.

Occasionally, our customers file complaints or lawsuits against us alleging that we are responsible for some illness or injury they suffered at or after a visit to one of our shops, including actions seeking damages resulting from food-borne illness or accidents in our shops. We also could be subject to a variety of other claims from third parties arising in the ordinary course of our business, including contract claims. The food service and restaurant industry has also been subject to a growing number of claims that their menus and actions have led to the obesity of certain of their customers.

Occasionally, we and our franchise partners are involved in disputes with neighbors, government officials, and landlords over the lines of cars attempting to visit our shops. These disputes have led to and could lead to the loss or changing of locations, changes to hours and operations, and costly litigation. If we are unable to reach agreement in future disputes or to alleviate pressure on certain shops by building additional shops or making operational changes, we may be required to close locations or alter operations at some locations. Lost sales and royalty payments caused by such closures or alterations, plus increased expenses from litigation, would harm our business.

Regardless of whether any claims against us are valid or whether we are liable, claims may be expensive to defend and may divert time and money away from our operations. In addition, they may generate negative publicity, which could reduce customer traffic and sales. Although we maintain what we believe to be adequate levels of insurance, insurance may not be available at all or in sufficient amounts to cover any liabilities with respect to these or other matters. A judgment or other liability in excess of our insurance coverage for any claims or any adverse publicity resulting from claims could harm our business.



Legislation and regulations requiring the display and provision of nutritional information for our menu offerings, and new information or attitudes regarding diet and health or adverse opinions about the health effects of consuming our menu offerings, could affect consumer preferences and negatively impact our business, financial condition, and results of operations.

Government regulation and customer consumption habits may impact our business as a result of changes in attitudes regarding diet and health or new information regarding the health effects of consuming our menu offerings. These changes have resulted in, and may continue to result in, the enactment of laws and regulations that impact the ingredients and nutritional content of our menu offerings, or laws and regulations requiring us to disclose the nutritional content of our food offerings.

For example, a number of states, counties, and cities have enacted menu labeling laws requiring multi-unit restaurant operators to disclose certain nutritional information to customers, or have enacted legislation restricting the use of certain types of ingredients in food sold at restaurants. Furthermore, the Patient Protection and Affordable Care Act of 2010 (the PPACA) establishes a uniform, federal requirement for certain restaurants to post certain nutritional information on their menus. Specifically, the PPACA amended the Federal Food, Drug and Cosmetic Act to require certain chain restaurants to publish the total number of calories of standard menu items on menus and menu boards, along with a statement that puts this calorie information in the context of a total daily calorie intake. The PPACA also requires covered restaurants to provide to consumers, upon request, a written summary of detailed nutritional information for each standard menu item, and to provide a statement on menus and menu boards about the availability of this information. The PPACA further permits the Food and Drug Administration to require covered restaurants to make additional nutrient disclosures, such as disclosure of trans-fat content. An unfavorable report on, or reaction to, our menu ingredients, the size of our portions or the nutritional content of our menu items could negatively influence the demand for our offerings.

We cannot make any assurances regarding our ability to effectively respond to changes in customer health perceptions or our ability to successfully implement the nutrient content disclosure requirements and to adapt our menu offerings to trends in drinking and consumption habits. The imposition of menu-labeling laws could have an adverse effect on our results of operations and financial position, as well as the food service and restaurant industry in general.

Risks Related to Our Organizational Structure

Dutch Bros Inc. is a holding company, and its only material asset is its interest in Dutch Bros OpCo. Accordingly, Dutch Bros Inc. is dependent upon distributions from Dutch Bros OpCo to pay its taxes and expenses (including payments under the Tax Receivable Agreements) and to pay dividends.

Dutch Bros Inc. is a holding company, and has no material assets other than its ownership of OpCo Units. Dutch Bros Inc. has no independent means of generating revenue or cash flow, and its ability to pay taxes, operating expenses and dividends in the future, if any, will be dependent upon the financial results and cash flows of Dutch Bros OpCo and its subsidiaries and distributions received from Dutch Bros OpCo. There can be no assurance that Dutch Bros OpCo and its subsidiaries will generate sufficient cash flow to make such distributions, or that applicable state law and contractual restrictions, including negative covenants in our debt instruments, will permit such distributions.

We anticipate that Dutch Bros OpCo will continue to be treated as a partnership for U.S. federal income tax purposes and, as such, generally will not be subject to any entity-level U.S. federal income tax. Instead, taxable income will be allocated to holders of Dutch Bros OpCo Class A common units. Accordingly, Dutch Bros Inc. will incur income taxes on its allocable share of any net taxable income of Dutch Bros OpCo and will also incur expenses related to its operations, including payments under the Tax Receivable Agreements, which we expect could be significant. Furthermore, Dutch Bros Inc.'s allocable share of Dutch Bros OpCo's net taxable income will increase over time as the Continuing Members

redeem or exchange their Dutch Bros OpCo Class A common units for shares of Class A common stock or cash.

We intend, through Dutch Bros Inc.'s role as managing member, to cause Dutch Bros OpCo to make cash distributions to the holders of Dutch Bros OpCo Class A common units, including Dutch Bros Inc., in an amount sufficient to (i) fund each holder's tax obligations in respect of allocations of taxable income from Dutch Bros OpCo and (ii) cover Dutch Bros Inc.'s operating expenses, including payments under the Tax Receivable Agreements. However, Dutch Bros OpCo's ability to make such distributions may be subject to various limitations and restrictions, such as restrictions on distributions that would either violate any contract or agreement to which Dutch Bros OpCo is then a party, including debt agreements, or any applicable law, or that would have the effect of rendering Dutch Bros OpCo insolvent. In addition, for taxable years beginning after December 31, 2017, liability for adjustments to a partnership's tax return can be imposed on the partnership itself in certain circumstances, absent an election to the contrary. Dutch Bros OpCo could be subject to material liabilities pursuant to adjustments to its partnership tax returns if, for example, its calculations or allocations of taxable income or loss are incorrect, which also could limit its ability to make distributions to us.

If Dutch Bros Inc. does not have sufficient funds to pay taxes or other liabilities or to fund its operations, we may have to borrow funds, which could materially adversely affect our liquidity and financial condition and subject us to various restrictions imposed by any such lenders. To the extent that Dutch Bros Inc. is unable to make payments under the Tax Receivable Agreements for any reason, such payments generally will be deferred and will accrue interest until paid; provided, however, that nonpayment for a specified period may constitute a material breach of a material obligation under the Tax Receivable Agreements and therefore accelerate payments due under the Tax Receivable Agreements. In addition, if Dutch Bros OpCo does not have sufficient funds to make distributions, Dutch Bros Inc.'s ability to declare and pay cash dividends will also be restricted or impaired.

Dutch Bros OpCo may make distributions of cash to Dutch Bros Inc. in excess of the amounts used by Dutch Bros Inc. to make distributions to its stockholders and pay its expenses (including taxes and payments under the Tax Receivable Agreements). To the extent Dutch Bros Inc. does not distribute such excess cash as dividends on Class A and Class D common stock, the Continuing Members would benefit from any value attributable to such cash as a result of their ownership of Class A common stock upon a redemption or exchange of their Dutch Bros OpCo Class A common units.

Distributions from Dutch Bros OpCo may in certain periods exceed Dutch Bros Inc.'s liabilities, including tax liabilities, obligations to make payments under the Tax Receivable Agreements, and other expenses. Dutch Bros Inc.'s board of directors, in its sole discretion, will make any determination from time to time with respect to the use of any such excess cash so accumulated, which may include, among other uses, to pay dividends on its Class A common stock and Class D common stock. Dutch Bros Inc. will have no obligation to distribute such cash (or other available cash other than any declared dividend) to its stockholders.

No adjustments to the exchange ratio of Dutch Bros OpCo Class A common units for shares of Class A common stock will be made as a result of either (i) any cash distribution by Dutch Bros Inc. or (ii) any cash that Dutch Bros Inc. retains and does not distribute to its stockholders. To the extent Dutch Bros Inc. does not distribute such cash as dividends on Class A and Class D common stock and instead, for example, holds such cash balances, buys additional Dutch Bros OpCo Class A common units or lends such cash to Dutch Bros OpCo, this may result in shares of Class A common stock increasing in value relative to the Dutch Bros OpCo Class A common units. The holders of Dutch Bros OpCo Class A common units may benefit from any value attributable to such cash balances if they receive shares of Class A common stock on redemption or exchange of their Dutch Bros OpCo Class A common units or if Dutch Bros Inc. acquires additional Dutch Bros OpCo Class A common units (whether from Dutch Bros OpCo or from holders of Dutch Bros OpCo Class A common units) at a price based on the market price of our Class A common stock at the time.



The Tax Receivable Agreements with the Continuing Members and Pre-IPO Blocker Holders require Dutch Bros Inc. to make cash payments to them in respect of certain tax benefits to which it may become entitled, and such payments may be substantial.

In connection with the IPO, Dutch Bros Inc. entered into the Tax Receivable Agreements with the Continuing Members and the Pre-IPO Blocker Holders, as applicable. These Tax Receivable Agreements provide for the payment by Dutch Bros Inc. to such Continuing Members and Pre-IPO Blocker Holders of 85% of the benefits, if any, that Dutch Bros Inc. is deemed to realize (calculated using certain assumptions) as a result of certain tax attributes and benefits covered by the Tax Receivable Agreements. The Exchange Tax Receivable Agreement provides for the payment by Dutch Bros Inc. to the Continuing Members of 85% of the benefits, if any, that Dutch Bros Inc. is deemed to realize (calculated using certain assumptions) as a result of (i) Dutch Bros Inc.'s allocable share of existing tax basis attributable to certain assets of Dutch Bros OpCo and its subsidiaries (including assets that will eventually be subject to depreciation or amortization once placed in service) at the time of any redemption or exchange of Dutch Bros OpCo Class A common units (including certain transactions in connection with the IPO) which tax basis is allocated to such redeemed or exchanged Dutch Bros OpCo Class A common units acquired by Dutch Bros Inc., (ii) adjustments that will increase the tax basis of the tangible and intangible assets of the Dutch Bros OpCo and its subsidiaries as a result of Dutch Bros Inc.'s taxable acquisition of Dutch Bros OpCo Class A common units from the Continuing Members in connection with the IPO and in connection with future redemptions or exchanges of Dutch Bros OpCo Class A common units for shares of Class A common stock (or a corresponding amount of cash), (iii) disproportionate allocations (if any) of tax benefits to Dutch Bros Inc. under Section 704(c) of the Internal Revenue Code of 1986, as amended (the Code), as a result of Dutch Bros Inc.'s earlier acquisition of other Dutch Bros OpCo Class A common units in connection with the IPO and (iv) certain other tax benefits, including tax benefits attributable to payments under the Exchange Tax Receivable Agreement. The Reorganization Tax Receivable Agreement provides for the payment by Dutch Bros Inc. to Pre-IPO Blocker Holders of 85% of the benefits, if any, that Dutch Bros Inc. is deemed to realize (calculated using certain assumptions) as a result of (i) existing tax basis and certain adjustments to the tax basis of certain assets of Dutch Bros OpCo and its subsidiaries, in each case, that are attributable to Dutch Bros OpCo Class A common units acquired by Dutch Bros Inc. from the Blocker Companies in connection with the IPO, (ii) certain tax attributes of the Blocker Companies (including net operating losses, capital losses, research and development credits, work opportunity tax credits, excess Section 163(j) limitation carryforwards, charitable deductions, foreign Tax credits and any Tax attributes subject to carryforward under Section 381 of the Code), and (iii) certain other tax benefits, including tax benefits attributable to payments under the Reorganization Tax Receivable Agreement.

In each case, these increases in Dutch Bros Inc.'s allocable share of existing tax basis, the tax basis adjustments generated over time, and the application of Section 704(c) of the Code, may increase (for tax purposes) depreciation and amortization deductions allocated to Dutch Bros Inc. and, therefore, may reduce the amount of tax that Dutch Bros Inc. would otherwise be required to pay in the future. Actual tax benefits realized by Dutch Bros Inc. may differ from tax benefits calculated under the Tax Receivable Agreements as a result of the use of certain assumptions in the Tax Receivable Agreements, including the use of an assumed weighted-average state and local income tax rate to calculate tax benefits. The payment obligations under the Tax Receivable Agreements are an obligation of Dutch Bros Inc., but not of Dutch Bros OpCo. While the amount of existing tax basis, the anticipated tax basis adjustments, the application of Section 704(c) of the Code, and the actual amount and utilization of tax attributes, as well as the amount and timing of any payments under the Tax Receivable Agreements, will vary depending upon a number of factors, including the timing of redemptions and exchanges, the price of shares of our Class A common stock at the time of redemptions and exchanges, the extent to which such redemptions and exchanges are taxable, and the amount and timing of our income, we expect that as a result of the size of the transfers and increases in the tax basis of the tangible and intangible assets of Dutch Bros OpCo and our possible utilization of tax attributes, including existing tax basis attributable to Dutch Bros OpCo Class A common units acquired in connection with the IPO, the payments that Dutch Bros Inc. may make under the Tax Receivable Agreements may be substantial. The payments under the Tax Receivable

Agreements are not conditioned upon continued ownership of Dutch Bros Inc. by the exchanging holders of Dutch Bros OpCo Class A common units or the Pre-IPO Blocker Holders.

Payments under the Tax Receivable Agreements will be based on the tax reporting positions that we determine, and the Internal Revenue Service (IRS) or another tax authority may challenge all or part of the tax basis increases, as well as other related tax positions we take, and a court could sustain such challenge. The Continuing Members and Pre-IPO Blocker Holders will not reimburse Dutch Bros Inc. for any payments previously made under the Tax Receivable Agreements if such basis increases or other tax benefits are subsequently disallowed, except that any excess payments made by Dutch Bros Inc. to the Continuing Members and Pre-IPO Blocker Holders will be netted against future payments that it might otherwise be required to make to them under the applicable Tax Receivable Agreements. However, a challenge to any tax benefits initially claimed may not arise for a number of years following the initial time of such payment or, even if challenged early, such excess cash payment may be greater than the amount of future cash payments that Dutch Bros Inc. might otherwise be required to make under the terms of the Tax Receivable Agreements and, as a result, there might not be sufficient future cash payments against which the prior payments can be fully netted. The applicable U.S. federal income tax rules are complex and factual in nature, and there can be no assurance that the IRS or a court will not disagree with our tax reporting positions. As a result, in certain circumstances Dutch Bros Inc. may make payments to the Continuing Members and Pre-IPO Blocker Holders under the Tax Receivable Agreements in excess of its actual cash tax savings. Therefore, payments could be made under the Tax Receivable Agreements in excess of the tax savings that we realize in respect of the tax attributes with respect to the Continuing Members and Pre-IPO Blocker Holders that are the subject of the Tax Receivable Agreements.

In certain cases, payments under the Tax Receivable Agreements may be accelerated and/or significantly exceed the actual benefits Dutch Bros Inc. realizes in respect of the tax attributes subject to the Tax Receivable Agreements.

Dutch Bros Inc.'s payment obligations under the Tax Receivable Agreements may be accelerated in the event of certain changes of control or certain material breaches of material obligations and will be accelerated in the event it elects to terminate the Tax Receivable Agreements early. The accelerated payments will relate to all relevant tax attributes that may subsequently be available to Dutch Bros Inc. The accelerated payments required in such circumstances will be calculated by reference to the present value (at a discount rate equal to the lesser of (i) 6.5% per annum and (ii) one year LIBOR, or its successor rate, plus 100 "basis points") of all future payments that the Continuing Members and Pre-IPO Blocker Holders would have been entitled to receive under the Tax Receivable Agreements, and such accelerated payments and any other future payments under the Tax Receivable Agreements will utilize certain valuation assumptions, including that Dutch Bros Inc. will have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the Tax Receivable Agreements and sufficient taxable income to fully utilize any remaining net operating losses subject to the Tax Receivable Agreements on a straight line basis over the shorter of the statutory expiration period for such net operating losses and the five-year period after the early termination or change of control.

Accordingly, it is possible that the actual cash tax benefits realized by Dutch Bros Inc. may be significantly less than the corresponding Tax Receivable Agreement payments or that payments under the Tax Receivable Agreements may be made years in advance of the actual realization, if any, of the anticipated future tax benefits. There may be a material negative effect on our liquidity if the payments under the Tax Receivable Agreements exceed the actual cash tax benefits that Dutch Bros Inc. realizes in respect of the tax attributes subject to the Tax Receivable Agreements and/or payments to us from Dutch Bros OpCo are not sufficient to permit Dutch Bros Inc. to make payments under the Tax Receivable Agreements after it has paid taxes and other expenses. We may need to incur additional indebtedness to finance payments under the Tax Receivable Agreements to the extent our cash resources are insufficient to meet our obligations under the Tax Receivable Agreements as a result of timing discrepancies or otherwise, and these obligations could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations, or other changes of control.

The acceleration of payments under the Tax Receivable Agreements in the case of certain changes of control may impair our ability to consummate change of control transactions or negatively impact the value received by owners of our Class A common stock.

The Tax Receivable Agreements provide that upon certain mergers, asset sales or other forms of business combination, or certain other changes of control, Dutch Bros Inc.'s (or its successor's) obligations with respect to the Tax Receivable Agreements would be based on certain assumptions, including that we (or our successor) would have sufficient taxable income to fully utilize the benefits arising from the increased tax deductions and tax basis and other benefits covered by the Tax Receivable Agreements. Consequently, it is possible, in these circumstances, that the actual cash tax savings realized by us may be significantly less than the corresponding tax benefit payments under the Tax Receivable Agreements. Dutch Bros Inc.'s accelerated payment obligations and/or assumptions adopted under the Tax Receivable Agreements in the case of a change of control may impair our ability to consummate a change of control transactions or negatively impact the value received by owners of our Class A common stock in a change of control transaction.

If we were deemed to be an investment company under the Investment Company Act of 1940, as amended (the 1940 Act), as a result of our ownership of Dutch Bros OpCo, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

Under Sections 3(a)(1)(A) and (C) of the 1940 Act, a company generally will be deemed to be an "investment company" for purposes of the 1940 Act if (i) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (ii) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an "investment company," as such term is defined in either of those sections of the 1940 Act.

As the sole managing member of Dutch Bros OpCo, we control and operate Dutch Bros OpCo. On that basis, we believe that our interest in Dutch Bros OpCo is not an "investment security" as that term is used in the 1940 Act. However, if we were to cease participation in the management of Dutch Bros OpCo or if Dutch Bros OpCo itself becomes an investment company, our interest in Dutch Bros OpCo, as applicable, could be deemed an "investment security" for purposes of the 1940 Act.

We and Dutch Bros OpCo intend to conduct our operations so that we will not be deemed an investment company. If it were established that we were an unregistered investment company, there would be a risk that we would be subject to monetary penalties and injunctive relief in an action brought by the SEC, that we would be unable to enforce contracts with third parties, and that third parties could seek to obtain rescission of transactions undertaken during the period it was established that we were an unregistered investment company. If we were required to register as an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

Risks Related to Ownership of Our Class A Common Stock

****Additional stock issuances (including pursuant to the redemption or exchange of Dutch Bros OpCo Class A common units from our Continuing Members) could result in significant dilution to our stockholders and cause the trading price of our Class A common stock to decline.***

We may issue our capital stock or securities convertible into our capital stock from time to time in connection with financing our business operations and growth, to repay debt, or for acquisitions, investments, or otherwise (including pursuant to the redemption or exchange of Dutch Bros OpCo Class A

common units from our Continuing Members). Any such issuances could result in substantial dilution to our existing stockholders and cause the trading price of our Class A common stock to decline.

In particular, following the issuance of shares of Class A common stock in connection with the redemption or exchange of Dutch Bros OpCo Class A common units from our Continuing Members and the related cancellation of shares of our Class B common stock or Class C common stock, such shares of Class A common stock will have the same economic rights as other shares of Class A common stock. For example, in each of February and March 2024, we facilitated a registered underwritten public offering of shares of our Class A common stock by our Sponsor. In connection with such offerings, our Sponsor exchanged an aggregate of approximately 12 million Dutch Bros OpCo Class A common units and converted an aggregate of approximately 4 million shares of our Class D common stock for approximately 16 million shares of our Class A common stock.

The trading price of our Class A common stock may be volatile, and you could lose all or part of your investment.

The price of our Class A common stock may be volatile and could be subject to fluctuations in response to various factors, some of which are beyond our control. These fluctuations could cause you to lose all or part of your investment in our Class A common stock. Factors that could cause fluctuations in the trading price of our Class A common stock include the risk factors set forth in this section as well as the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the trading prices and trading volumes of competitors' stocks;
- changes in operating performance and stock market valuations of other companies generally, or those in our industry in particular;
- sales of shares of our Class A common stock by us or our stockholders, including the Continuing Members;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- changes in our financial, operating or other metrics, regardless of whether we consider those metrics as reflective of the current state or long-term prospects of our business, and how those results compare to securities analyst expectations, including whether those results fail to meet, exceed or significantly exceed securities analyst expectations, particularly in light of the significant portion of our revenue derived from a limited number of customers;
- announcements by us or our competitors of new products or services;
- the public's reaction to our press releases, other public announcements, and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our results of operations;
- actual or anticipated developments in our business, our competitors' businesses, or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- actual or perceived privacy or data security incidents;
- developments or disputes concerning our intellectual property or other proprietary rights;



- announced or completed acquisitions of businesses, franchises or other assets by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in our management; and
- general political and economic conditions and slow or negative growth of our markets.

In addition, in the past, following periods of volatility in the overall market and in the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. For example, in March 2023, a putative class action lawsuit was filed alleging that Dutch Bros Inc. and certain of its executive officers made false or misleading statements about the impact of commodity inflation on our financial results for the first quarter of 2022. See "Litigation Related to Securities Claims" in NOTE 15 — Commitments and Contingencies to the condensed consolidated financial statements, included elsewhere in this Form 10-Q for more information. This litigation, and other litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

The multi-class structure of our common stock has the effect of concentrating voting control with Continuing Members, limiting your ability to influence corporate matters.

Each share of our Class A common stock entitles its holder to one vote on all matters on which stockholders are entitled to vote generally. Our shares of Class B common stock have no economic rights but each share entitles its holder to ten votes (or such lower number as required to prevent the holders of Class B common stock from holding, in the aggregate, 80% or more of the aggregate voting power of Dutch Bros Inc. at any time) for so long as the aggregate number of outstanding shares of our Class B common stock represents at least 5% of the total outstanding shares of common stock, and thereafter, one vote per share on all matters on which stockholders are entitled to vote generally. All of our Class B common stock are held by certain Continuing Members affiliated with our Co-Founder. Our shares of Class C common stock and Class D common stock entitle its holder to three votes for each share (for so long as the aggregate number of outstanding shares of our Class C common stock and Class D common stock represents at least 5% of the total outstanding shares of common stock, and thereafter, one vote per share) on all matters on which stockholders are entitled to vote generally. Our shares of Class C common stock have no economic rights but Class D common stock have the same economic rights as shares of Class A common stock. All of our Class C common stock are held by certain Continuing Members affiliated with our Sponsor and all our Class D common stock are held by the Pre-IPO Blocker Holders.

The difference in voting rights could adversely affect the value of our Class A common stock by, for example, delaying or deferring a change of control or if investors view, or any potential future purchaser of our company views, the superior voting rights of the Class B common stock, Class C common stock and Class D common stock to have value. Because of the ten-to-one voting ratio between our Class B common stock, on the one hand, and our Class A common stock, and the three-to-one voting ratio between our Class C common stock and Class D common stock, on the one hand, and our Class A common stock on the other hand, the holders of our Class B common stock, Class C common stock and Class D common stock collectively will continue to control a majority of the combined voting power of our common stock and therefore be able to control all matters submitted to our stockholders so long as they collectively represent at least a majority of the total voting power. This concentrated control will limit or preclude the ability of holders of Class A common stock to influence corporate matters for the foreseeable future.

As a public company utilizing a multi-class capital structure, FTSE Russell and Standard & Poor's will not include our stock in their indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400 and S&P SmallCap 600, which together make up the S&P Composite 1500. Our multi-class capital structure makes us ineligible for inclusion in certain indices, and as a result, mutual funds, exchange-traded funds and other investment vehicles that attempt to passively track these indices will not be investing in our Class A common stock. In addition, we cannot assure you that other stock indices will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from certain stock indices would likely preclude investment by many of these funds and would make our Class A common stock less attractive to other investors. As a result, the trading price and volume of our Class A common stock could be adversely affected.

****Our Co-Founder and Sponsor have significant influence over us, which could limit your ability to influence the outcome of matters submitted to stockholders for a vote.***

As of March 31, 2024, certain affiliates of our Co-Founder beneficially owned approximately 77.3% of the combined voting power of our Class A common stock, Class B common stock, Class C common stock and Class D common stock, and our Sponsor, directly and through affiliated investment funds, beneficially owns approximately 11.8% of the combined voting power of our Class A common stock, Class B common stock, Class C common stock and Class D common stock. Each share of Class A common stock entitles the holder to one vote, each share of Class B common stock entitles the holder to ten votes (for so long as the aggregate number of outstanding shares of our Class B common stock represents at least 5% of the total outstanding common stock, and thereafter, one vote per share, provided that the number of votes per share may be adjusted from time to time in accordance with our amended and restated certificate of incorporation, as required to prevent the holders of Class B common stock from holding, in the aggregate, 80% or more of the aggregate voting power of Dutch Bros Inc. at any time) and each share of Class C common stock and Class D common stock entitles the holder to three votes (for so long as the aggregate number of outstanding shares of our Class C common stock and Class D common stock represents at least 5% of the total outstanding common stock, and thereafter, one vote per share) on all matters on which stockholders are entitled to vote generally. Thus, our Co-Founder and our Sponsor exercise control over all corporate actions requiring stockholder approval, irrespective of how our other stockholders may vote, including the election and removal of directors and the size of our board of directors, any amendment of our certificate of incorporation or bylaws or the approval of any merger or other significant corporate transaction, including a sale of substantially all our assets.

In addition, our amended and restated certificate of incorporation provides that the holders of Class C common stock, which our Sponsor and its affiliates hold all of, are entitled to elect up to two members of our board of directors, voting as a separate class. The Stockholders Agreement similarly provides that we will agree to nominate to our board of directors individuals designated by our Sponsor, which will retain the right to designate up to two members of the board of directors for so long as the holders of shares of Class C common stock are entitled to elect one or more members to the board of directors pursuant to our amended and restated certificate of incorporation. As of March 31, 2024, our Sponsor is entitled to elect one director pursuant to the Stockholders Agreement and our amended and restated certificate of incorporation. Our Sponsor may therefore have influence over management and substantial control over matters requiring stockholder approval, including the annual election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets, for the foreseeable future. It is possible that our Co-Founder's and our Sponsor's interests may not align with the interests of our other stockholders.

Our Co-Founder and Sponsor owned approximately 47.4% of the Dutch Bros OpCo Class A common units as of March 31, 2024. Because they hold their ownership interest in our business directly in Dutch Bros OpCo, rather than through Dutch Bros Inc., the Continuing Members may have conflicting interests with holders of shares of our Class A common stock. For example, if Dutch Bros OpCo makes distributions to Dutch Bros Inc., the non-managing members of Dutch Bros OpCo will also be entitled to receive such distributions pro rata in accordance with their ownership of Dutch Bros OpCo Class A common units and their preferences as to the timing and amount of any such distributions may differ from

those of our public stockholders. The Continuing Members may also have different tax positions from Dutch Bros Inc. that could influence their decisions regarding whether and when to dispose of assets, especially in light of the existence of the Tax Receivable Agreements, whether and when to incur new or refinance existing indebtedness and whether and when Dutch Bros Inc. should terminate the Tax Receivable Agreements and accelerate its obligations thereunder. In addition, the structuring of future transactions may take into consideration our pre-IPO owners' (pre-IPO Dutch Bros OpCo unitholders and Pre-IPO Blocker Holders) tax or other considerations even where no similar benefit would accrue to us.

****We are a “controlled company” within the meaning of the New York Stock Exchange rules and, as a result, qualify for, and may rely on, exemptions and relief from certain corporate governance requirements. You do not have the same protections afforded to stockholders of companies that are subject to such requirements.***

As of March 31, 2024, certain affiliates of our Co-Founder beneficially owned approximately 77.3% of the combined voting power of our Class A common stock, Class B common stock, Class C common stock and Class D common stock. As a result, we are a “controlled company” within the meaning of the New York Stock Exchange corporate governance standards. Under these corporate governance standards, a company of which more than 50% of the voting power in the election of directors is held by an individual, group or another company is a “controlled company” and may elect not to comply with certain corporate governance requirements. For example, controlled companies are not required to have:

- a board that is composed of a majority of “independent directors,” as defined under the New York Stock Exchange rules;
- a compensation committee that is composed entirely of independent directors; and
- director nominations be made, or recommended to the full board of directors, by its independent directors, or by a nominations/governance committee that is composed entirely of independent directors.

We have in the past, and may in the future, utilize one or more of these exemptions until we are no longer eligible for them. Accordingly, you do not have the same protections afforded to stockholders of companies that are subject to all the corporate governance requirements of the New York Stock Exchange.

Certain of our directors have in the past and may in the future have relationships with our Sponsor, which may cause conflicts of interest with respect to our business.

Certain of our directors have in the past been, and may in the future be, affiliated with our Sponsor. Such Sponsor-affiliated directors have fiduciary duties to us and, in addition, have duties to our Sponsor. As a result, such a director may face real or apparent conflicts of interest with respect to matters affecting both us and our Sponsor, whose interests may be adverse to ours in some circumstances.

Additionally, our amended and restated certificate of incorporation provides that we renounce any interest or expectancy in, or in being offered an opportunity to participate in, business opportunities that are from time to time available to Sponsor and of its officers, directors, agents, stockholders, members, partners, affiliates and subsidiaries and each such party shall not have any obligation to offer us those opportunities unless presented to one of our directors or officers in his or her capacity as a director or officer.

****Future sales of shares of our Class A or Class D common stock could cause the market price of our Class A common stock to decline.***

Sales of a substantial number of shares of our Class A or Class D common stock (after converting to Class A common stock) in the public market, or the perception that these redemptions, exchanges or sales might occur, could depress the market price of our Class A common stock and could impair our ability to raise capital through the sale of additional equity securities. Many of our existing equity holders

have substantial unrecognized gains on the value of the equity they hold based upon the price per share of the IPO, and therefore they may take steps to sell their shares or otherwise secure the unrecognized gains on those shares.

Subject to the terms of the Third Amended and Restated Limited Liability Company Agreement of Dutch Bros OpCo, as of March 31, 2024, an aggregate of 83,950,693 Dutch Bros OpCo Class A common units may be redeemed in exchange for shares of our Class A common stock and an aggregate of 6,653,303 shares of Class D common stock may be converted into shares of our Class A common stock. Any shares we issue upon redemption or exchange of Dutch Bros OpCo Class A common units or upon the conversion of shares of Class D common stock, as applicable, will be “restricted securities” as defined in Rule 144 and may not be sold in the absence of registration under the Securities Act of 1933, as amended (Securities Act) unless an exemption from registration is available, including the exemptions contained in Rule 144.

However, all such shares are now eligible for resale in the public market, subject, in the case of shares held by our affiliates, to volume, manner of sale, and other limitations under Rule 144.

Our trading price and trading volume could decline if securities or industry analysts do not publish research about our business, or if they publish unfavorable research.

The trading market for our Class A common stock relies in part on the research and reports that equity research analysts publish about us or our business. A lack of adequate research coverage may harm the liquidity and trading price of our Class A common stock. We do not have any control over the content and opinions included in their reports. The trading price of our Class A common stock could decline if one or more equity research analysts downgrade our stock or publish other unfavorable commentary or research. If one or more equity research analysts cease coverage of our company, or fail to regularly publish reports on us, the demand for our Class A common stock could decrease, which in turn could cause our trading price or trading volume to decline.

General Risks

Our results may fluctuate significantly and may not meet our expectations or those of investors or securities analysts.

Our results of operations, including the levels of our revenue, deferred revenue, working capital, and cash flows, may vary significantly in the future, such that period-to-period comparisons of our results of operations may not be meaningful. Our financial results may fluctuate due to a variety of factors, many of which are outside of our control and may be difficult to predict, including, but not limited to:

- changes in consumer tastes and nutritional and dietary trends;
- successful identification and acquisition of appropriate sites to timely develop and expand our number of profitable shops;
- protection of our brand and reputation;
- dependence on a small number of suppliers, including for roasting;
- expectations regarding our future operating and financial performance;
- the size of our addressable markets, market share, and market trends;
- effective management and continued growth of our workforce and operations;
- our ability to attract, retain, and motivate skilled personnel, including key members of our senior management;
- generation of projected same shop sales growth;



- the sufficiency of our cash, cash equivalents, and investments to meet our liquidity needs;
- dependence on long-term non-cancelable leases;
- our employees and the status of our workers;
- our inability to maintain good relationships with our franchising partners;
- the timing and amount of deferred expenses related to the maintenance of company-operated shops;
- the effects of seasonal trends on our results of operations;
- our vulnerability to global financial market conditions, including the continuing effects from the recent recession;
- adverse weather conditions in local or regional areas where our shops are located; and
- our realization of any benefit from our organizational structure net of expenses associated with the same (including our obligations under the Tax Receivable Agreements).

Any one or more of the factors above may result in significant fluctuations in our results of operations, which may negatively impact the trading price of our Class A common stock. You should not rely on our past results as an indicator of our future performance.

****Our outstanding indebtedness could materially adversely affect our financial condition and our ability to operate our business, pursue our growth strategy, and react to changes in the economy or industry.***

As of March 31, 2024, we had \$244.1 million outstanding under our term loan facility. In addition, subject to certain restrictions under the 2022 Credit Facility, we may incur additional debt.

Our debt could have important consequences to you, including the following:

- it may be difficult for us to satisfy our obligations, including debt service requirements under our outstanding debt, resulting in possible defaults on and acceleration of such indebtedness;
- we may need to issue additional Class A common stock to fund the repayment of our debt, which would result in additional dilution to existing investors and may cause our stock price to decline;
- our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, or other general corporate purposes may be impaired;
- a substantial portion of cash flow from operations may be dedicated to the payment of principal and interest on our debt, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures, future business opportunities, acquisitions, and other general corporate purposes;
- we are more vulnerable to economic downturns and adverse industry conditions and our flexibility to plan for, or react to, changes in our business or industry is more limited;
- our ability to capitalize on business opportunities and to react to competitive pressures, as compared to our competitors, may be compromised due to our level of debt; and
- our ability to borrow additional funds or to refinance debt may be limited.

Furthermore, all of our debt under our 2022 Credit Facility bears interest at variable rates, which may increase from time to time. If these rates were to increase significantly, whether because of an increase in market interest rates or a decrease in our creditworthiness, our ability to borrow additional funds may be reduced and the risks related to our substantial debt would intensify.

Restrictions imposed by our outstanding indebtedness and any future indebtedness may limit our ability to operate our business, execute our growth strategy, and finance our future operations or capital needs or engage in other business activities.

The covenants under our 2022 Credit Facility restrict our ability, among other things, to:

- incur additional debt;
- grant liens on assets;
- sell or dispose of assets;
- merge with or acquire other companies, or make other investments;
- enter into sale and leaseback transactions and swap agreements;
- liquidate or dissolve ourselves;
- engage in businesses that are not in a related line of business; or
- pay dividends or make other distributions.

In addition, our 2022 Credit Facility contains financial covenants that require us not to exceed a maximum net lease-adjusted total leverage ratio and maintain a minimum fixed charge coverage ratio. Our ability to comply with these financial covenants can be affected by events beyond our control, and we may not be able to satisfy them.

A breach of any of the covenants in the 2022 Credit Facility could result in an event of default, which could trigger acceleration of our indebtedness and may result in the acceleration of or default under other debt we may incur in the future, which could have a material adverse effect on our business, results of operations, and financial condition. In the event of such event of default under our 2022 Credit Facility, the applicable lenders could elect to terminate their commitments and declare all outstanding loans, together with accrued and unpaid interest and any fees and other obligations, to be due and payable, and/or exercise their rights and remedies under the loan documents governing our 2022 Credit Facility or any applicable law. Our obligations under the 2022 Credit Facility are guaranteed by our subsidiaries and secured by substantially all of our and such subsidiary guarantors' assets.

If we were unable to repay or otherwise refinance these loans when due, the applicable lenders could proceed against the collateral granted to them to secure such indebtedness, which could force us into bankruptcy or liquidation. In the event the applicable lenders accelerate the repayment of our loans, we and our subsidiaries may not have sufficient assets to repay such indebtedness. Any acceleration of amounts due under our 2022 Credit Facility or the exercise by the applicable lenders of their rights and remedies would likely have a material adverse effect on our business.

As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our strategy.

Furthermore, the terms of any future indebtedness we may incur could have further additional restrictive covenants. We may not be able to maintain compliance with these covenants in the future, and in such

event, we cannot assure you that we will be able to obtain waivers from the lenders or amend the covenants.

We are vulnerable to interest rate risk with respect to our debt, and swap agreements entered into to manage such risk may not effectively limit our exposure.

We are subject to interest rate risk in connection with our 2022 Credit Facility, which carries interest at a floating rate. We have, and may in the future, use interest rate swap agreements to fix all or a portion of our variable rate debt in order to manage interest rate risk. We may not be successful in structuring such agreements to manage our risks effectively in the future, which could adversely affect our business, financial condition, and results of operations. There can be no assurance that we can develop and implement a strategy that can effectively insulate us from risks associated with interest rate fluctuations, or that our swap agreements will have the desired beneficial impact. We might be subject to additional costs, such as transaction or termination fees, if we terminate these arrangements.

We have previously identified and remediated material weaknesses in our internal control over financial reporting. If we fail to maintain effective internal controls, we may be unable to produce timely and accurate financial statements, and we may conclude that our internal control over financial reporting is not effective, which could adversely impact our investors' confidence and our Class A common stock price.

In connection with the audit of our consolidated financial statements as of and for the year ended December 31, 2022, our management and auditors determined that material weaknesses existed in the internal control over financial reporting because we did not have effective controls over (1) change management of system configurations in two IT environments, and (2) the accounting for breakage estimates related to our Dutch Rewards loyalty program. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Although we have implemented measures designed to improve our internal control over financial reporting and remediated these material weaknesses, we cannot assure you that the measures we have taken to date will be sufficient to avoid potential future material weaknesses.

If we identify new material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 of the Sarbanes-Oxley Act, if we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected. As a result of such failures, we could also become subject to investigations by the New York Stock Exchange, the SEC or other regulatory authorities, and become subject to litigation from investors and stockholders, which could harm our reputation and financial condition or divert financial and management resources from our regular business activities.

A failure to establish and maintain an effective system of disclosure controls and internal control over financial reporting, could adversely affect our ability to produce timely and accurate financial statements or comply with applicable regulations.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. For

example, as we prepared to become a public company, we worked to improve the controls around our key accounting processes and our quarterly close process, and we have hired additional accounting and finance personnel to help us implement these processes and controls. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and investments to strengthen our accounting systems.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. In addition, changes in accounting principles or interpretations could also challenge our internal controls and require that we establish new business processes, systems, and controls to accommodate such changes. We have limited experience with implementing the systems and controls that are necessary to operate as a public company, as well as adopting changes in accounting principles or interpretations mandated by the relevant regulatory bodies. Additionally, if these new systems, controls, or standards and the associated process changes do not give rise to the benefits that we expect or do not operate as intended, it could adversely affect our financial reporting systems and processes, our ability to produce timely and accurate financial reports, or the effectiveness of internal control over financial reporting. Moreover, our business may be harmed if we experience problems with any new systems and controls that result in delays in their implementation or increased costs to correct any post-implementation issues that may arise.

Further, deficiencies in our disclosure controls and internal control over financial reporting have been and may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our consolidated financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we are required to include in our periodic reports filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the New York Stock Exchange. As a public company, we are required to provide an annual management report on the effectiveness of our internal control over financial reporting, and make a formal assessment of the effectiveness of our internal control over financial reporting in compliance with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act.

Our independent registered public accounting firm is required to formally attest to the effectiveness of our internal control over financial reporting. Our independent registered public accounting firm has issued and may in the future issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed, or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could harm our business, results of operations, and financial condition and could cause a decline in the trading price of our common stock.

We may engage in merger and acquisition activities or strategic partnerships, which could require significant management attention, disrupt our business, dilute stockholder value, and adversely affect our business, results of operations, and financial condition.

As part of our business strategy to grow our business, we have in the past and may in the future make investments or acquisitions in, or enter into strategic partnerships with, other companies, including acquisitions of franchises from our franchise partners. The identification of suitable acquisition or partnership candidates can be difficult, time-consuming, and costly, and we may not be able to complete acquisitions or partnerships on favorable terms, if at all. These acquisitions or partnerships may not ultimately strengthen our competitive position or achieve the intended goals of such acquisition or partnership, and any acquisitions or partnerships we complete could be viewed negatively by customers

or investors. We may encounter difficult or unforeseen expenditures in integrating an acquisition or partnership. In addition, if we fail to successfully integrate such acquisitions, assets, technologies, or personnel associated with such acquisitions or partnerships into our company, the business and results of operations of the combined company would be adversely affected.

These transactions may disrupt our ongoing operations, divert management from their primary responsibilities, subject us to additional liabilities, increase our expenses, subject us to increased regulatory requirements, cause adverse tax consequences or unfavorable accounting treatment, expose us to claims and disputes by stockholders and third parties, and adversely impact our business, financial condition, and results of operations. We may not successfully evaluate or utilize the acquired assets and accurately forecast the financial impact of an acquisition or partnership transaction, including accounting charges. We may have to pay cash for any such acquisition or partnership which would limit other potential uses for our cash. If we incur debt to fund any such acquisition or partnership, such debt may subject us to material restrictions in our ability to conduct our business, result in increased fixed obligations, and subject us to covenants or other restrictions that would decrease our operational flexibility and impede our ability to manage our operations. If we issue a significant amount of equity securities in connection with future acquisitions or partnerships, existing stockholders' ownership would be diluted.

We may need additional capital, and we cannot be sure that additional financing will be available.

Historically, we have financed our operations and capital expenditures primarily through sales of OpCo Units that are convertible into our capital stock and debt financing. In September 2023, we raised additional capital through the sale and issuance of approximately 13.3 million shares of our Class A common stock in an underwritten public offering. In the future, we may raise additional capital through additional equity or debt financings to support our business growth, to respond to business opportunities, challenges, or unforeseen circumstances, to repay our debt, or for other reasons. On an ongoing basis, we are evaluating sources of financing and may raise additional capital in the future. Our ability to obtain additional capital will depend on our development efforts, business plans, investor demand, operating performance, the condition of the capital markets, and other factors. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of existing stockholders, and existing stockholders may experience dilution. Further, if we are unable to obtain additional capital when required, or are unable to obtain additional capital on satisfactory terms, our ability to continue to support our business growth or to respond to business opportunities, challenges, or unforeseen circumstances would be adversely affected.

If a financial institution holding our funds fails, we may not be able to pay our operational expenses or make other payments, which could adversely impact our liquidity and financial performance. Deterioration of financial markets may result in our inability to borrow on favorable terms, which could adversely impact our ability to pursue our growth and other strategic initiatives.

We regularly maintain cash balances at financial institutions in amounts exceeding the Federal Deposit Insurance Corporation (FDIC) insurance limit. If a financial institution in which we hold such funds fails, or is subject to significant adverse conditions in the financial or credit markets, we could lose all or a portion of our uninsured funds, or be subject to a delay in accessing all or a portion of our funds. If we are unable to access all or a significant portion of our funds for any extended period of time, we may not be able to pay our operational expenses or make other payments, including to our vendors and employees, and we may be subject to other operational challenges, any of which could adversely impact our liquidity and financial performance. In addition, any inability of our franchisees, suppliers, distributors, or other third parties to meet their contractual obligations to the Company because of similar risks could adversely impact our business and financial performance.

Despite the steps taken to date by the FDIC to protect depositors, the follow-on effects of the events surrounding the March 2023 failures of Silicon Valley Bank and Signature Bank and the pressures on

other financial institutions and the broader financial services industry are unknown and could include failures of other financial institutions or wide-ranging liquidity shortages. In the event of a sustained deterioration of financial market liquidity, we may be unable to borrow from financial institutions on favorable terms, or at all, which could adversely impact our ability to pursue our growth strategy and fund strategic initiatives.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware and, to the extent enforceable, the federal district courts of the United States of America will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law:

- any derivative claim or cause of action brought on our behalf;
- any claim or cause of action for a breach of fiduciary duty owed by any of our current or former directors, officers, or other employees to us or our stockholders;
- any claim or cause of action against us or any of our current or former directors, officers, or other employees arising out of or pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws (as each may be amended from time to time);
- any claim or cause of action seeking to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or our amended and restated bylaws (as each may be amended from time to time, including any right, obligation, or remedy thereunder);
- any claim or cause of action as to which the Delaware General Corporation Law confers jurisdiction to the Court of Chancery of the State of Delaware; and
- any claim or cause of action against us or any of our current or former directors, officers, or other employees governed by the internal-affairs doctrine.

This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the U.S. federal courts have exclusive jurisdiction. In addition, our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause or causes of action arising under the Securities Act, including all causes of action asserted against any defendant to such complaint. For the avoidance of doubt, this provision is intended to benefit and may be enforced by us, our officers and directors, the underwriters to any offering giving rise to such complaint, and any other professional entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying such offering. If a court were to find either choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions. For example, the Court of Chancery of the State of Delaware recently determined that the exclusive forum provisions of federal district courts of the United States of America for resolving any complaint asserting a cause of action arising under the Securities Act is not enforceable.

These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions, and there can be no assurance that such provisions will be enforced by a court in those other jurisdictions. We note that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

Additionally, our amended and restated certificate of incorporation provides that any person or entity holding, owning, or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to these provisions.

Provisions in our corporate charter documents and under Delaware law may prevent or frustrate attempts by our stockholders to change our management or hinder efforts to acquire a controlling interest in us, and the market price of our Class A common stock may be lower as a result.

There are provisions in our amended and restated certificate of incorporation and amended and restated bylaws that may make it difficult for a third party to acquire, or attempt to acquire, control of our company, even if a change in control was considered favorable by our stockholders.

Our charter documents also contain other provisions that could have an anti-takeover effect, such as:

- permitting the board of directors to establish the number of directors and fill any vacancies and newly created directorships;
- providing that directors may only be removed pursuant to the provisions of Section 141(k) of the Delaware General Corporation Law;
- prohibiting cumulative voting for directors;
- the ability of the holders of our Class C common stock, voting as a separate class, to elect up to two directors, subject to the limitations set forth in our amended and restated certificate;
- requiring super-majority voting to amend some provisions in our amended and restated bylaws;
- authorizing the issuance of "blank check" preferred stock that our board of directors could use to implement a stockholder rights plan;
- eliminating the ability of stockholders to call special meetings of stockholders; and
- our multi-class common stock structure as described above.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibit a person who owns 15% or more of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. Any provision in our amended and restated certificate of incorporation or our amended and restated bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our Class A common stock and could also affect the price that some investors are willing to pay for our Class A common stock.

Catastrophic events may disrupt our business.

Labor discord or disruption, geopolitical events, social unrest, war, including repercussions of the recent war between Russia and Ukraine and the war between Israel and Hamas, terrorism, political instability,

acts of public violence, boycotts, hostilities and social unrest, and other health pandemics that lead to avoidance of public places or cause people to stay at home could harm our business.

Additionally, natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce, and the global economy, and thus could harm our business. In particular, the west coast wildfires and wildfire smoke and extreme weather conditions in other areas in which we operate, such as hurricanes, high winds, and flooding in Texas and other states, water scarcity or drought in California and other states, extreme heat and cold, snow or ice storms, and other extreme weather events across the country, and disease outbreaks or pandemics, including the reactions of governments, markets, and the general public, may result in a number of adverse consequences for our business, operations, and results of operations, many of which are beyond our control. We rely on the stable provision of utilities such as power and water that are subject to disruption or increased costs due to such events, which may cause significant operational disruptions or our operating costs to increase significantly. In the event of a major earthquake, hurricane, or catastrophic event such as drought, fire, power loss, telecommunications failure, cyber-attack, war, or terrorist attack, we may be unable to continue our operations and may endure system interruptions, property loss, reputational harm, breaches of data security, and loss of critical data, all of which would harm our business, results of operations, and financial condition. Our drive-thru model relies heavily on the ability of customers to safely drive to and from our shops, which can be negatively affected by extreme weather. Such extreme weather events may affect traffic to our shops and may have a harmful effect on the local economy, decreasing the demand for our products. In addition, the insurance we maintain would likely not be adequate to cover our losses resulting from disasters or other business interruptions.

Economic and business factors that are largely beyond our control may adversely affect consumer behavior and the results of our operations.

Our business is dependent upon consumer discretionary spending, which may be affected by general economic conditions that are beyond our control. For example, increasing and sustained inflation, international, domestic and regional economic conditions, consumer income levels, financial market volatility, a slow or stagnant pace of economic growth, rising energy costs, rising interest rates, social unrest, and governmental, political, and budget concerns, uncertainty, or divisions may have a negative effect on consumer confidence and discretionary spending. For example, the federal government provided relief from student loan payments beginning in March 2020, and extended such relief multiple times through September 2023, when loan payments resumed. This and similar governmental acts could have significant impact on consumer discretionary spending. A significant decrease in our customer traffic or average value per transaction without a corresponding decrease in costs would put downward pressure on margins and would negatively impact our financial results.

There is also a risk that if negative economic conditions or uncertainty persist for a long period of time or worsen, consumers may make long-lasting changes to their discretionary purchasing behavior, including less frequent discretionary purchases on a more permanent basis or there may be a general downturn in our industry. These and other macroeconomic factors could have an adverse effect on our sales, profitability, or shop development and expansion plans, which could harm our results of operations and financial condition. These factors also could cause us to, among other things, reduce the number and frequency of new shop openings or close shops.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On January 24, 2024, pursuant to Section 3(a)(9) of the Securities Act, we made an unregistered issuance of our Class A common stock via exchange of approximately 0.6 million Dutch Bros OpCo Class A common units held by our Co-Founder for shares of our Class A common stock on a one-for-one basis. Such shares of Class A common stock were then reserved for sale directly by our Co-Founder pursuant to a Rule 10b5-1 trading arrangement, and no proceeds were received by the Company.

Pursuant to Section 3(a)(9) of the Securities Act, on March 1, 2024 and March 26, 2024, in connection with the Secondary Offerings, we made an unregistered issuance of our Class A common stock via (i) exchange of approximately 6.0 million Dutch Bros OpCo Class A common units and conversion of approximately 2.0 million shares of Dutch Bros Inc. Class D common stock, and (ii) exchange of approximately 6.0 million Dutch Bros OpCo Class A common units and conversion of approximately 2.0 million shares of Dutch Bros Inc. Class D common stock, respectively, held by our Sponsor for shares of our Class A common stock on a one-for-one basis. Such shares of Class A common stock were then sold directly by our Sponsor in a registered underwritten public offering pursuant to Dutch Bros Inc.'s automatic shelf registration statement on Form S-3ASR (File No. 333-274368) filed with the Commission on September 6, 2023, and which was deemed effective upon filing with the Commission, a free writing prospectus and prospectus supplement, each dated February 27, 2024, and a free writing prospectus and prospectus supplement, each dated March 21, 2024, each to the prospectus dated September 6, 2023. No proceeds were received by the Company.

Issuer Purchases of Equity Securities

The following table summarizes purchases of Class A common stock during the three months ended March 31, 2024:

Period	Total Number of Shares Purchased ¹	Weighted-Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 - 31, 2024	14,653	\$ 31.06	N/A	N/A
February 1 - 29, 2024	—	—	N/A	N/A
March 1 - 31, 2024	14,134	29.67	N/A	N/A

¹ In connection with the vesting of restricted stock units granted pursuant to the Dutch Bros Inc. 2021 Equity Incentive Plan, as amended, shares of Class A common stock are delivered to Dutch Bros by employees to satisfy tax withholding obligations.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Arrangements

None.

ITEM 6. EXHIBITS

(a) Exhibits.

The following exhibits are included herein or incorporated herein by reference:

Exhibit Number	Description	Incorporated by Reference				
		Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of Registrant	8-K	001-40798	3.1	September 17, 2021	
3.2	Amended and Restated Bylaws of Registrant	S-1	333-258988	3.4	August 20, 2021	
4.1	Form of Common Stock Certificate	S-1/A	333-258988	4.1	September 13, 2021	
10.1†	Amended Offer Letter, dated as of December 27, 2023, by and between Dutch Bros Inc. and Christine Barone	8-K	001-40798	10.1	January 2, 2024	
31.1	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page with Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)					X

† Management contract or compensatory plan or arrangement.

- * The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DUTCH BROS INC.

(Registrant)

May 8, 2024

By:

Is/ Christine Barone

Date

Christine Barone

Chief Executive Officer and President

(Principal Executive Officer)

May 8, 2024

By:

Is/ Charles L. Jemley

Date

Charles L. Jemley

Chief Financial Officer

(Principal Financial and Accounting Officer)



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DUTCH BROS INC.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Christine Barone, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2024 of Dutch Bros Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 8, 2024

Date

/s/ Christine Barone

Christine Barone

Chief Executive Officer and President

(Principal Executive Officer)



Dutch Bros Inc. | Exhibit 31.1

DUTCH BROS INC.

CERTIFICATION OF CHIEF FINANCIAL OFFICER
 PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a) OF
 THE SECURITIES EXCHANGE ACT OF 1934
 AS ADOPTED PURSUANT TO SECTION 302 OF
 THE SARBANES-OXLEY ACT OF 2002

I, Charles L. Jemley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2024 of Dutch Bros Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 8, 2024

Date

Is/ Charles L. Jemley

Charles L. Jemley

Chief Financial Officer

(Principal Financial and Accounting Officer)



Dutch Bros Inc. | Exhibit 31.2

DUTCH BROS INC.

CERTIFICATIONS OF
 CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
 PURSUANT TO 18 U.S.C. SECTION 1350
 AS ADOPTED PURSUANT TO SECTION 906 OF
 THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Dutch Bros Inc. (the Company) on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date of the signatures below (the Report), Christine Barone, Chief Executive Officer and President of the Company, and Charles L. Jemley, Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their respective knowledge:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 8, 2024

Date

/s/ **Christine Barone**

Christine Barone

Chief Executive Officer and President

(Principal Executive Officer)

May 8, 2024

Date

/s/ **Charles L. Jemley**

Charles L. Jemley

Chief Financial Officer

(Principal Financial and Accounting Officer)

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Dutch Bros Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.



Dutch Bros Inc. | Exhibit 32.1