



WEALTH PRESERVATION
EQUITY RESEARCH FRAMEWORK

Growth-Adapted Analysis

BROS
Dutch Bros Inc.
NYSE: BROS

RECOMMENDATION	CURRENT PRICE	FAIR VALUE	EXPECTED RETURN
HOLD / WATCHLIST	\$50.82	\$58 - \$72	12.5% CAGR

Report Date: February 13, 2026 | Analyst: Moschovakis Capital Research | Sector: Consumer Discretionary —
Quick-Service Restaurants

This analysis applies the Moschovakis Capital Wealth Preservation Framework with growth-stock modifications. For pre-profit or high-growth companies, traditional wealth preservation metrics are adapted to assess the durability of the growth runway, path to profitability, and asymmetric risk/reward potential.

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EXECUTIVE SUMMARY

Metric	Value
Recommendation	HOLD / WATCHLIST
Current Price (Feb 13, 2026)	\$50.82
Fair Value Range (Growth-Adjusted)	\$58 - \$72
Margin of Safety	-14% to +29%
Target Entry Price	\$42 - \$46
FY2025 Revenue	\$1.64 Billion (+28% YoY)
FY2025 Adj. EBITDA	\$303 Million (+31% YoY)
FY2025 Adj. EPS	\$0.49
2026E Revenue Guidance	\$2.0 - \$2.03 Billion (+22-24%)
2026E Adj. EBITDA Guidance	\$355 - \$365 Million
Shop Count (End FY2025)	1,136 Locations
2026E New Shop Openings	At Least 181
System Same-Shop Sales Growth (FY2025)	+5.6%
Q4 2025 Same-Shop Sales Growth	+7.7%
Dividend Yield	0.0% (No Dividend)
Beta (5Y Monthly)	2.56
Market Capitalization	~\$8.4 Billion

GROWTH-ADAPTED FRAMEWORK MODIFICATIONS

Dutch Bros is a high-growth, pre-dividend company operating in rapid expansion mode. The standard Moschovakis Capital Wealth Preservation Framework has been modified as follows to appropriately evaluate this opportunity:

- **Dividend Requirement Waived:** BROS does not pay a dividend. For growth stocks, we substitute dividend analysis with Free Cash Flow trajectory analysis and reinvestment return assessment. The income cushion typically provided by dividends must be replaced by a demonstrably strong growth runway and improving margins.
- **ROIC Threshold Adjusted:** Early-stage growth companies investing heavily in new unit openings will naturally show depressed ROIC. We evaluate ROIC on a unit-level basis (shop-level economics) rather than consolidated basis, and assess the trajectory toward corporate ROIC exceeding WACC as the company matures.
- **Balance Sheet Flexibility Increased:** Growth companies may carry higher leverage to fund expansion. We accept D/E up to 1.5x if interest coverage exceeds 4x and debt funds productive growth with clear unit economics.
- **Valuation Metrics Adjusted:** Traditional P/E is less meaningful for high-growth companies. We supplement with EV/Revenue, EV/EBITDA, and a PEG-style analysis benchmarked to the growth rate.

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- **Return Hurdle Enhanced:** Without a dividend income cushion, the price appreciation CAGR alone must exceed our 7% total return hurdle. We target 15%+ total return potential to compensate for the higher risk profile.

ONE-LINE THESIS

Dutch Bros is a rare high-growth compounder with exceptional unit economics, a cult-like brand following, and a proven expansion playbook that could triple its store count over the next decade — but at current valuations, the risk/reward is not yet asymmetrically in the investor's favor for a wealth preservation mandate.

Investment Thesis Summary: Dutch Bros represents one of the most compelling unit-growth stories in the U.S. restaurant sector. The company delivered a record-breaking FY2025, with revenues surging 28% to \$1.64 billion, adjusted EBITDA growing 31% to \$303 million, and 19 consecutive years of positive same-shop sales growth. The Q4 2025 quarter was particularly impressive, with revenue up 29.4% YoY to \$443.6 million, crushing estimates by 4.5%, and adjusted EPS of \$0.17 beating consensus by 73.9%. System-wide AUVs hit a record \$2.1 million. The company plans to open at least 181 new shops in 2026 and recently acquired Clutch Coffee Bar to accelerate East Coast expansion.

However, for a wealth preservation mandate, several concerns temper enthusiasm: (1) the stock trades at ~100x+ trailing earnings and ~35x EV/EBITDA, embedding significant growth expectations; (2) no dividend provides zero income floor; (3) the company has limited recession track record as a public entity; (4) beta of 2.56 implies substantial volatility risk; and (5) ROIC on a consolidated basis (~5.3%) remains below the cost of capital. We rate BROS as a HOLD/WATCHLIST with a target entry of \$42-\$46, where the growth-adjusted risk/reward becomes more favorable for capital preservation investors willing to allocate a modest growth sleeve.

1. BUSINESS QUALITY ASSESSMENT

1.1 Business Model Overview

Dutch Bros Inc. is the third-largest drive-thru coffee chain in the United States, behind Starbucks and Dunkin' Brands. Founded in 1992 in Grants Pass, Oregon by brothers Dane and Travis Boersma, the company operates and franchises drive-thru shops specializing in hand-crafted beverages including espresso-based drinks, proprietary Blue Rebel energy drinks, teas, lemonades, smoothies, and an expanding food menu. As of December 31, 2025, the company operates 1,136 locations across 18 states.

The company operates through two segments: (1) Company-Operated Shops, which generated approximately 93% of FY2025 revenue, and (2) Franchising and Other. Dutch Bros has been strategically shifting toward a company-operated model, which provides higher revenue per shop and greater operational control, though at higher capital intensity. The vast majority of locations are drive-thru only with a small footprint (800-1,200 sq ft), which keeps build-out costs low and enables rapid deployment.

Key Business Characteristics: Drive-thru-only model with extremely efficient footprint. Average Unit Volumes (AUVs) reached a record \$2.1 million in FY2025. The Dutch Rewards loyalty program is a significant competitive advantage, with mobile order reaching 14% of transactions in Q4 2025. The company's culture-driven approach creates a differentiated customer experience that drives repeat visits and strong brand loyalty, particularly among younger demographics (Gen Z and Millennials).

1.2 Sector Assessment

Assessment Criteria	Rating	Commentary
Sector Understandable?	YES	Quick-service beverages — straightforward, observable business
Secular Decline?	NO	U.S. coffee market ~\$20B; growing steadily with energy drink overlap
Defensive vs. Cyclical	MODERATELY CYCLICAL	Consumer discretionary; small ticket size provides resilience
Sector Tailwinds	PRESENT	Shift to drive-thru, energy drink demand, Gen Z coffee culture
Sector Valuation vs. History	ELEVATED	QSR multiples above 10Y average; Dutch Bros premium to peers

Sector Verdict: CONTINUE — The quick-service beverage sector is well understood, not in secular decline, and benefits from multiple tailwinds. The moderately cyclical nature requires heightened balance sheet scrutiny, but the small average ticket (~\$6-7) provides inherent recession resilience.

1.3 Competitive Moat Assessment

Moat Type	Evidence	Durability (1-10)	Preservation Value
Brand Power / Culture	Cult-like following; 'broista' culture; Gen Z affinity	8	Excellent
Switching Costs (Loyalty)	Dutch Rewards program; 66%+ of transactions from members	7	Good
Network Effects (Limited)	Local brand density creates awareness; fortressing strategy	5	Moderate
Cost Advantages	Small footprint; drive-thru efficiency; lower build costs vs. Starbucks	7	Good
First-Mover (Regional)	Dominant position in Pacific NW; expanding national presence	6	Good

Primary Moat: Brand Power / Culture — Durability: 8/10. Dutch Bros' unique 'speed and service' culture creates genuine emotional connection with customers. The company has demonstrated 19 consecutive years of positive same-shop sales growth, suggesting durable brand loyalty. **Threat Assessment: MODERATE** — Starbucks and emerging competitors (7 Brew, Scooter's Coffee) are expanding drive-thru capacity, and major QSR chains are launching competing energy and iced coffee products. However, Dutch Bros' cultural differentiation provides meaningful insulation. **Moat Preservation Confidence: MEDIUM-HIGH.**

2. FINANCIAL FORTRESS ANALYSIS (Growth-Adapted)

2.1 Solvency Check

Metric	Value	Threshold	Assessment
Debt-to-Equity	~0.94x (TTM)	<1.5x (Growth-Adapted)	PASS
Interest Coverage (EBIT/Interest)	5.2x	>4.0x (Growth-Adapted)	PASS (Marginal)
Current Ratio	~1.6x	>1.0x	PASS
Total Debt	~\$1.04 Billion	—	Monitor
Cash & Equivalents	\$269 Million	—	Adequate
Total Liquidity	\$705 Million	—	Strong
Free Cash Flow (TTM)	~\$65 Million	Positive	PASS
FCF Positive (5Y)	3 of 5 Years	Growth: 3/5 acceptable	PASS (Adjusted)
Net Debt / EBITDA	~2.5x	<3.5x (Growth)	PASS

Solvency Assessment: ADEQUATE — Dutch Bros' balance sheet is acceptable for a high-growth company but does not qualify as a 'fortress.' Total debt of ~\$1.04 billion against equity of ~\$834 million yields a D/E of ~0.94x. However, the company has \$705 million in total liquidity (\$269M cash + \$436M available revolver capacity), which provides substantial runway for continued expansion. Interest coverage at 5.2x meets our growth-adapted minimum of 4.0x but is below our standard 8.0x preferred threshold.

Stress Test: If revenue dropped 30% for 2 years, Dutch Bros would likely: (1) Remain solvent — yes, given \$705M liquidity and ability to slow new store openings; (2) Service debt — yes, though interest coverage would compress to ~2.5-3.0x; (3) Avoid dilutive equity raise — likely yes, as CapEx could be significantly curtailed. The company's ability to flex CapEx spending (projected \$270-290M in 2026) provides a meaningful lever in stress scenarios.

2.2 Profitability Metrics

Metric	FY2025	FY2024	FY2023	Trend
Revenue	\$1.64B	\$1.28B	\$966M	Strongly Improving
Gross Margin	~27%	~26.5%	~26%	Improving
Operating Margin	~8.9%	~6.6%	~3.7%	Strongly Improving
Adj. EBITDA Margin	~18.5%	~17.1%	~16.5%	Improving
Net Margin	~4.0%	~2.7%	~0.2%	Strongly Improving
ROIC (Consolidated)	~5.3%	~3.7%	~1.5%	Improving

Metric	FY2025	FY2024	FY2023	Trend
ROE	~11.7%	~5.1%	~0.5%	Strongly Improving

Earnings Quality: ACCEPTABLE (Improving) — Dutch Bros has shown remarkable margin expansion as it scales. Operating margins have more than doubled from 3.7% in FY2023 to ~8.9% in FY2025, demonstrating meaningful operating leverage. Adjusted EBITDA grew 31% in FY2025 to \$303 million. The Q4 2025 operating margin reached 7.7%, up from 4.6% in the prior year quarter. Net income in the first nine months of 2025 increased 85% YoY.

ROIC Assessment (Growth-Adapted): Consolidated ROIC of ~5.3% is below WACC (~16%), which under our standard framework would be a disqualifier. However, this reflects the heavy reinvestment phase — new shops take 12-18 months to reach maturity. **Shop-level unit economics are highly attractive:** with AUVs of \$2.1M and company-operated shop contribution margins of 27-29%, individual shop-level returns significantly exceed the cost of capital. As the store base matures and growth CapEx moderates, consolidated ROIC should converge upward toward 10-15% over the next 3-5 years.

2.3 Dilution Check

Dutch Bros' share count has increased from approximately 160 million shares at IPO (September 2021) to approximately 178 million diluted shares currently. This represents roughly 2.5-3% annualized dilution, primarily driven by stock-based compensation. Co-founder Travis Boersma sold his stake in November 2025, which has been a source of selling pressure.

Dilution Assessment: CONCERNING — Annual dilution of ~2.5-3% exceeds our preferred threshold of <2%. However, this is common among high-growth companies compensating employees with equity. The rate should moderate as the company matures. SBC as a percentage of revenue should decline as revenue scales faster than headcount growth.

2.4 Dividend Analysis

Not Applicable. Dutch Bros does not pay a dividend and is not expected to initiate one in the near term. All free cash flow is being reinvested into new unit growth. For our growth-adapted framework, this is acceptable given the company's ability to deploy capital at high incremental returns through new shop openings. However, the absence of a dividend eliminates the income floor that is central to our standard wealth preservation mandate. This significantly elevates the return threshold required from price appreciation alone.

3. GROWTH ENGINE ASSESSMENT (Replaces Dividend Analysis)

3.1 Unit Growth Runway

Metric	FY2023	FY2024	FY2025	FY2026E
Total Shop Count (End of Year)	876	982	1,136	~1,317
New Shop Openings	159	131	154	181+
Net Unit Growth Rate	~20%	~12%	~16%	~16%
Company-Operated Shops	~590	~700	~860	~1,040+
States with Presence	16	18	18	18+
System AUV	\$1.9M	\$2.0M	\$2.1M	~\$2.2M
System Same-Shop Sales	+2.1%	+1.0%	+5.6%	+3-5% (Guidance)

Growth Runway Assessment: EXCEPTIONAL — Dutch Bros' long-term opportunity is massive. With 1,136 locations today versus Starbucks' ~16,500 U.S. locations and Dunkin's ~9,000+, Dutch Bros has significant whitespace. Management has previously indicated a long-term target of 4,000+ shops. At the current pace of ~160-180 new openings per year (accelerating), the company has 15-20+ years of runway before approaching saturation. The January 2026 acquisition of Clutch Coffee Bar (20 locations in the Carolinas) signals accelerating East Coast expansion.

Same-Shop Sales Trajectory: The acceleration from +1.0% in FY2024 to +5.6% in FY2025 (with Q4 at a stunning +7.7%) is remarkable, driven by 5.4% transaction growth in Q4 — a sign of genuine demand rather than price-driven comps. This is particularly impressive during a period when many QSR peers experienced traffic declines. The 2026 guidance of +3-5% same-shop sales growth represents thoughtful conservatism given the strong Q4 exit rate.

3.2 Unit Economics

Metric	Value	Assessment
Average Unit Volume (AUV)	\$2.1 Million	Record — Excellent
Company-Operated Shop Contribution Margin	27-29%	Strong
Estimated New Shop Build Cost	\$1.5 - \$1.8M (Build-to-Suit)	Declining — Positive
Payback Period (Estimated)	~2.5 - 3 Years	Attractive
Estimated Shop-Level ROIC	>35%	Exceptional
Mobile Order Mix (Q4 2025)	14% of Transactions	Growing — Positive
Loyalty Program Penetration	>66% of Transactions	Industry-Leading

Dutch Bros' unit economics are the cornerstone of the investment case. With AUVs at a record \$2.1M and build costs declining through the shift to build-to-suit construction, the payback period on new shops

is approximately 2.5-3 years with shop-level ROICs exceeding 35%. This is exceptionally attractive and justifies the company's aggressive expansion strategy. The shift to build-to-suit has reduced capital outlay per shop, further improving unit-level returns.

4. COMPETITIVE MOAT & QUALITATIVE DEEP DIVE

4.1 Competitive Position

Dutch Bros occupies a unique competitive position in the U.S. coffee market. Unlike Starbucks, which has increasingly moved toward a 'third place' cafe model, Dutch Bros is exclusively drive-thru, offering speed and convenience as primary value propositions. The company competes on three dimensions:

1. Speed & Convenience: Drive-thru-only format with multiple lanes and walk-up windows. Average transaction times are industry-leading. The small footprint enables placement in high-traffic locations with lower real estate costs than traditional cafe formats.

2. Culture & Experience: The 'broista' model creates genuine interpersonal connections that differentiate Dutch Bros from competitors. Employees are trained to engage customers personally, creating a loyalty that transcends product quality alone. This is difficult for competitors to replicate as it requires deep cultural embedding throughout the organization.

3. Product Innovation: Dutch Bros' menu extends well beyond traditional coffee, including proprietary Blue Rebel energy drinks, boba, protein milk options, and an expanding food menu. The energy drink category is particularly strategic, as it captures a growing segment of beverage demand among younger consumers.

4.2 Key Competitive Threats

Threat	Severity	Likelihood	Mitigation
Starbucks drive-thru expansion	Moderate	High	Different brand positioning; smaller format advantage
QSR energy/iced coffee launches	Moderate	High	Beverage quality and customization superiority
Emerging competitors (7 Brew, Scooter's)	Low-Moderate	Moderate	Scale advantage; loyalty program; brand depth
Coffee price inflation (tariffs)	Moderate	Moderate	Pricing power; menu diversification beyond coffee
Labor cost pressures	Moderate	High	Operational efficiency; mobile order throughput gains
Market saturation (long-term)	Low	Low	4,000+ shop TAM vs. 1,136 current; decades of runway

4.3 Recession Performance History

Critical Limitation: Dutch Bros has been a public company only since September 2021, meaning we have no publicly verifiable recession performance data. The company was private during the 2008-2009 and 2020 downturns. However, several factors inform our recession resilience assessment:

1. Small Ticket Size: Average transactions of ~\$6-7 make Dutch Bros among the most recession-resilient QSR formats. Coffee is widely viewed as an affordable daily indulgence that consumers are reluctant to sacrifice. **2. 19 Consecutive Years of Positive SSS:** This includes the 2020 pandemic and the 2023-2024 consumer spending pullback, during which many QSR peers experienced

traffic declines. Dutch Bros' comps have remained positive throughout, suggesting genuine resilience. 3. **IPO Track Record:** Since going public, the stock has experienced significant drawdowns (from ~\$81 post-IPO to ~\$22 in 2022), though this was driven by valuation compression rather than operational deterioration.

Recession Profile: SENSITIVE (Limited Data) — While operational metrics suggest resilience, the stock's high beta (2.56) and premium valuation mean that in a recession, the share price could experience a 40-60% drawdown even if operations remain stable. This is a critical consideration for wealth preservation investors.

4.4 Catalyst Identification

Catalyst	Timeline	Probability	Impact	Risk
Continued 20%+ revenue growth	12-24 Months	High (80%)	Positive — supports premium valuation	Low
Margin expansion toward 20%+ Adj. EBITDA	12-36 Months	High (75%)	Positive — earnings acceleration	Low
Food menu national rollout	2026-2027	Moderate (60%)	Positive — AUV uplift, check growth	Moderate
East Coast expansion acceleration	2026-2028	High (70%)	Positive — TAM expansion	Moderate
S&P; MidCap 400 index inclusion	2026	Moderate (50%)	Positive — institutional flows	Low
Potential dividend initiation	2028+	Low (25%)	Positive — broadens investor base	Low
Same-shop sales deceleration	Ongoing Risk	Moderate (40%)	Negative — multiple compression	Moderate
Coffee tariff escalation	2026	Moderate (35%)	Negative — margin pressure	Moderate

5. MANAGEMENT & GOVERNANCE

5.1 CEO Assessment

Christine Barone — CEO & President (since January 2024)

Attribute	Detail
Background	Harvard BA (Applied Mathematics), Harvard MBA; Bain & Company; Starbucks SVP; True Food Kitchen CEO
Tenure as CEO	~2 years (joined as President Feb 2023; promoted to CEO Jan 2024)
Track Record	Under her leadership: same-shop sales accelerated from +1% to +5.6%; net income up 85%; stock doubled
Industry Recognition	2025 CNBC Changemaker; 2026 Restaurant Leader of the Year (Restaurant Business)
Notable Hires	Joshua Guenser (CFO) from MOD Pizza/Starbucks; Jennifer Somers (Chief Shops Officer)

Insider Ownership: Travis Boersma (co-founder, Executive Chairman) held ~74% voting power post-IPO through Class B shares but sold his stake in November 2025. Institutional ownership is approximately 70%. The transition from founder-led to professional management is well underway, with Barone bringing deep Starbucks scaling experience that is directly applicable to Dutch Bros' growth phase.

Capital Allocation Assessment: Management is prioritizing growth investment, which is appropriate given the unit economics. The Clutch Coffee Bar acquisition (January 2026, ~20 locations) demonstrates a disciplined M&A; approach — small, strategic tuck-in acquisitions for market entry rather than transformational deals. CapEx guidance of \$270-290M for 2026 is substantial but funded by operating cash flow and existing liquidity. No dilutive equity raises have been necessary.

Management Quality: GOOD — Barone is the right leader for this phase. Her Starbucks scaling experience, data-driven approach, and cultural sensitivity to Dutch Bros' unique brand identity inspire confidence. The management team has consistently under-promised and over-delivered on guidance.

6. PEER COMPARISON & QUALITY RANKING

6.1 Competitive Cohort

Metric	BROS	SBUX	WING	CAVA	SHAK
Market Cap	\$8.4B	\$107B	\$9.5B	\$10B	\$4.2B
Revenue (TTM)	\$1.64B	\$36B	\$625M	\$1.0B	\$1.3B
Revenue Growth (YoY)	28%	3%	19%	33%	16%
Adj. EBITDA Margin	~18.5%	~18%	~25%	~12%	~14%
Unit Count	1,136	16,500+	2,300+	380+	560+
Same-Store Sales Growth	+5.6%	+4%	+20%	+21%	+4%
D/E Ratio	~0.94x	N/M*	~3.5x	~0.1x	~0.6x
EV/Revenue (TTM)	~5.6x	~3.0x	~15x	~10x	~3.2x
P/E (Forward)	~70x	~28x	~55x	~120x	~60x
Dividend Yield	0%	2.5%	0%	0%	0%

*SBUX has negative equity due to share buybacks exceeding retained earnings.

Peer Assessment: Among high-growth QSR peers, Dutch Bros offers a compelling combination of strong revenue growth (28%), improving margins, and a massive expansion runway. Its valuation is elevated but not the most extreme in the cohort — CAVA trades at higher multiples with similar growth but less proven unit economics. Relative to Starbucks, Dutch Bros offers dramatically higher growth but at a much higher valuation multiple and without the dividend income floor.

6.2 Wealth Preservation Quality Score (Growth-Adapted)

Our standard scoring system has been modified for growth companies by replacing income reliability (dividends) with growth engine quality and adjusting balance sheet thresholds.

Category (Weight)	Criteria	Score
Balance Sheet (30 pts)	D/E 0.94x (<1.5x growth threshold): 10 pts	
	Interest Coverage 5.2x (>4.0x growth): 8 pts	
	FCF Positive 3/5 years: 3 pts	21 / 30
Growth Engine (30 pts)	Revenue CAGR >25%: 15 pts	
	SSS >5%: 10 pts	
	Unit growth runway >10 years: 5 pts	30 / 30
Capital Efficiency (15 pts)	Shop-level ROIC >35%: 10 pts	

Category (Weight)	Criteria	Score
	Consolidated ROIC improving: 3 pts	13 / 15
Valuation (25 pts)	Trading >75th percentile of range: 0 pts	
	Forward P/E ~70x vs. growth rate: 5 pts (PEG ~2.5x)	5 / 25
TOTAL SCORE		69 / 100

Growth-Adapted WP Score: 69 / 100 — This places Dutch Bros in the 'Good candidate; standard position' range (65-75). The score is dragged down primarily by valuation (only 5/25 points) and the balance sheet not being fortress-grade. The growth engine score is perfect (30/30), reflecting the exceptional business momentum.

7. VALUATION & SCENARIO ANALYSIS

7.1 Current Valuation Assessment

Metric	Current	1Y Avg	Since IPO Avg	vs. History
P/E (TTM)	~107x	~85x	N/M (losses)	Elevated
Forward P/E (FY2026E)	~70x	~65x	—	Elevated
EV/Revenue (TTM)	~5.6x	~5.0x	~6.5x	Below Average
EV/EBITDA (TTM)	~35x	~38x	~50x+	Below Average
P/Sales (TTM)	~5.0x	~4.5x	~5.5x	Slightly Elevated
Price / Adj. EBITDA	~28x	~32x	~40x+	Below Average

Valuation Commentary: Dutch Bros' current valuation is nuanced. The trailing P/E of ~107x appears extreme, but this reflects the company's early-stage profitability. More relevant are EV/Revenue (~5.6x) and EV/EBITDA (~35x), which are actually below their post-IPO averages. The stock has pulled back ~40% from its February 2025 high of ~\$86, creating a more reasonable entry point than what existed earlier.

Valuation Verdict: FAIR — approaching attractive on a growth-adjusted basis. At \$50.82, Dutch Bros is no longer in 'euphoric premium' territory but remains richly valued by traditional metrics. The key question is whether the growth justifies the multiple — our scenario analysis below addresses this.

7.2 Scenario Analysis (5-Year Horizon)

Given Dutch Bros' growth profile, we model on a 5-year rather than 10-year horizon, as visibility beyond 5 years is limited for a company in rapid expansion mode.

BEAR CASE (25% Weight) — Growth Stalls

Assumptions: Same-shop sales flatten to +1-2%, new store openings decelerate to ~120/year, margin expansion stalls due to coffee tariffs and labor costs, competitive pressure intensifies. Revenue CAGR: 15%. FY2030 Revenue: ~\$3.3 billion. FY2030 Adj. EBITDA: ~\$580M (17.5% margin). Terminal EV/EBITDA: 20x (mature QSR multiple). Implied Price: ~\$67. **5-Year Total Return CAGR: +5.7% (No Dividend).**

BASE CASE (50% Weight) — Continued Execution

Assumptions: Same-shop sales of +3-5%, new store openings average ~175/year reaching ~2,000 shops by 2030, EBITDA margins expand to 20-21%, management continues strong execution. Revenue CAGR: 20%. FY2030 Revenue: ~\$4.1 billion. FY2030 Adj. EBITDA: ~\$830M (20.5% margin). Terminal EV/EBITDA: 25x (premium growth QSR). Implied Price: ~\$120. **5-Year Total Return CAGR: +18.7%.**

BULL CASE (25% Weight) — Accelerated Expansion

Assumptions: Same-shop sales of +5-7% driven by food rollout and mobile order, new store openings accelerate to 200+/year reaching ~2,200+ shops, EBITDA margins reach 22%+, potential international expansion optionality. Revenue CAGR: 25%. FY2030 Revenue: ~\$5.0 billion. FY2030 Adj. EBITDA: ~\$1.1B (22% margin). Terminal EV/EBITDA: 30x. Implied Price: ~\$190. **5-Year Total Return CAGR: +30.2%.**

Scenario	Revenue CAGR	FY2030 Rev.	EBITDA Margin	EV/EBITDA	5Y Price Target	5Y CAGR	Weight
Bear	15%	\$3.3B	17.5%	20x	\$67	+5.7%	25%
Base	20%	\$4.1B	20.5%	25x	\$120	+18.7%	50%
Bull	25%	\$5.0B	22.0%	30x	\$190	+30.2%	25%

PROBABILITY-WEIGHTED EXPECTED RETURN

Expected 5-Year CAGR = (25% x 5.7%) + (50% x 18.7%) + (25% x 30.2%) = +18.3%

This significantly exceeds our 7% total return hurdle and even our enhanced 15% growth-stock hurdle. Critically, even the bear case produces a positive return (+5.7%), which meets our capital preservation requirement that downside scenarios not result in permanent capital loss over the investment horizon.

7.3 Downside Protection Analysis

Metric	Value	Assessment
Bear Case 5Y Return	+5.7% CAGR (\$67)	Capital Preserved
Maximum Historical Drawdown (IPO to date)	~73% (\$81 to \$22 in 2022)	SEVERE
52-Week High to Current	-42% (\$86.88 to \$50.82)	Significant
Beta (5Y Monthly)	2.56	Very High Volatility
Probability of >50% Drawdown (Recession)	~35-45%	ELEVATED
Probability of Permanent Capital Loss (5Y)	~10-15%	AT THRESHOLD

Critical Downside Assessment: While the bear case preserves capital on a 5-year basis, the path to that outcome could involve severe interim drawdowns. Dutch Bros' beta of 2.56 means a broad market decline of 30% could translate to a 50-70% drawdown for BROS. For a wealth preservation mandate, this interim volatility risk is the primary concern — not the terminal outcome. The probability of temporary significant capital impairment is ELEVATED, even though the probability of permanent loss over 5 years is manageable at 10-15%.

8. RISK ASSESSMENT

Risk Category	Score (1-10)	Key Concern	Mitigation
Balance Sheet Risk	4	~\$1B debt; growth-funded leverage	\$705M liquidity; flexible CapEx
Earnings Volatility	5	Early-stage profitability; thin margins	Margins expanding rapidly; leverage improving
Competitive Threat	5	Starbucks drive-thru push; QSR energy drinks	Cultural moat; loyalty program; product innovation
Execution Risk	4	Scaling from 1,136 to 2,000+ shops	Proven playbook; experienced management
Regulatory Risk	3	Minimum wage increases; tariffs	Small footprint; pricing power
Valuation Risk	7	~70x forward P/E; ~35x EV/EBITDA	Growth rate justifies premium; pulling back from highs
Management Risk	3	Relatively new CEO (2 years)	Strong track record; Starbucks experience
Concentration Risk	4	Western U.S. weighted; single concept	Expanding East; diversifying menu
Aggregate Risk	4.4		

Overall Risk Level: MODERATE-ELEVATED. The aggregate risk score of 4.4/10 reflects a business with strong fundamentals and execution, offset by elevated valuation risk and high stock price volatility. The primary risk for wealth preservation investors is not business deterioration but rather multiple compression — if growth decelerates even modestly, the premium valuation could contract significantly, causing substantial capital impairment in the near term.

8.1 Recession Stress Test

Scenario	Estimated Impact
Revenue Decline (Mild Recession)	-5% to -10% (SSS decline offset by new store revenue)
Revenue Decline (Severe Recession)	-10% to -20% (store openings pause)
EBITDA Impact (Mild)	-15% to -25% (margin compression)
Dividend Action	N/A — No Dividend
Estimated Max Stock Drawdown	-50% to -70% (beta of 2.56)
Recovery Time to Prior Peak	18 - 36 Months (if operations remain sound)
Would Company Need Capital Raise?	Unlikely — can slow CapEx significantly

9. INVESTMENT DECISION FRAMEWORK

9.1 Wealth Preservation Scoring

Input	Score	Commentary
Downside Protection Score	55 / 100	Bear case positive (+5.7%), but high volatility and no income cushion
Return Adequacy Score	100 / 100	Expected CAGR of 18.3% far exceeds 7% hurdle
Growth-Adapted Quality Score	69 / 100	Strong business quality; valuation drag

Composite WP Score = $(55 \times 0.45) + (100 \times 0.30) + (69 \times 0.25) = 24.75 + 30.0 + 17.25 = 72.0 / 100$

A score of 72 places Dutch Bros in the 'Good candidate; standard position' range (65-75). However, the wide dispersion between the downside protection score (55) and the return adequacy score (100) highlights the fundamental tension: this is a potentially high-return investment with above-average risk.

9.2 Decision Threshold Checklist

Requirement	Status	Detail
Bear case total return $\geq 0\%$	PASS	+5.7% CAGR in bear case
Base case total return $\geq 7\%$	PASS	+18.7% CAGR in base case
Solvency: FORTRESS or ADEQUATE	PASS	ADEQUATE — \$705M liquidity
Dividend sustainability	N/A	Growth-adapted: waived; replaced by FCF trajectory
Probability of >50% permanent loss <10%	MARGINAL	~10-15% — at threshold
Growth-adapted: Revenue CAGR >15%	PASS	28% FY2025; 22-24% FY2026E
Growth-adapted: Unit economics >2x cost of capital	PASS	Shop-level ROIC >35%
Growth-adapted: Path to ROIC > WACC within 5 years	PASS	Trajectory improving; margins expanding

Assessment: Dutch Bros passes 7 of 8 absolute requirements. The marginal status on permanent loss probability (10-15% vs. our <10% threshold) is the primary constraint. Combined with the current valuation offering limited margin of safety, this leads to a HOLD/WATCHLIST recommendation rather than an outright BUY.

10. FINAL RECOMMENDATION & MONITORING

RECOMMENDATION: HOLD / WATCHLIST

Parameter	Detail
Current Price	\$50.82
Target Entry Price	\$42 - \$46 (17-20% below current)
Fair Value Range	\$58 - \$72
Entry Strategy	Scale in on weakness; accumulate at \$42-46; full position only at \$42 or below
Position Size (if bought at target)	Reduced position: 3-5% of portfolio (growth sleeve allocation)
Expected 5Y CAGR (Base Case)	+18.7%
Bear Case 5Y CAGR	+5.7%
Probability-Weighted 5Y CAGR	+18.3%
WP Score	72 / 100

Why HOLD / WATCHLIST (Not BUY)

Dutch Bros is an exceptional business that does not yet meet the full wealth preservation criteria for an immediate BUY at current prices. Specifically:

- 1. Insufficient Margin of Safety:** At \$50.82, the stock is within our fair value range (\$58-72) but offers no meaningful margin of safety. Our framework requires $\geq 10\%$ discount to fair value for growth stocks, implying a target entry below ~\$52. A more conservative entry of \$42-46 would provide 20-35% upside to the low end of fair value while significantly improving the risk/reward.
- 2. No Income Floor:** Without dividends, the entire return must come from price appreciation. In a wealth preservation context, this means zero downside cushion during periods of market stress.
- 3. Elevated Volatility Risk:** Beta of 2.56 means a market correction could temporarily impair capital by 50%+ even if the business remains strong. For a preservation mandate, this requires either a smaller position size or a lower entry price to compensate.
- 4. Permanent Loss Probability at Threshold:** Our 10-15% estimate for $>50\%$ permanent loss exceeds our standard $<10\%$ maximum, though it's within acceptable range for a growth sleeve.

Upgrade Triggers (HOLD to BUY)

Trigger	Threshold	Rationale
Price decline to target range	\$42 - \$46	Provides 20-35% margin of safety to fair value
Continued margin expansion	Adj. EBITDA margin $>20\%$	De-risks profitability trajectory
ROIC improvement	Consolidated ROIC $>8\%$	Demonstrates capital efficiency convergence

Trigger	Threshold	Rationale
Interest coverage improvement	>7.0x	Strengthens balance sheet fortress assessment
Successful food rollout	AUV increase to \$2.3M+	Validates next growth lever
Broad market correction	S&P; 500 -20%+	BROS likely -40-50%; creates asymmetric entry

Expected Outcome Comparison (5 Years, Base Case)

Investment	Initial	5Y Outcome	Total Return	CAGR
Dutch Bros (Base Case)	\$100	\$234	+134%	+18.7%
HYS A (4%)	\$100	\$122	+22%	+4.0%
S&P; 500 (Historical ~10%)	\$100	\$161	+61%	+10.0%
Dutch Bros (Bear Case)	\$100	\$132	+32%	+5.7%
Dutch Bros (Bull Case)	\$100	\$371	+271%	+30.2%

Key Takeaway: Even in the bear case, Dutch Bros outperforms a HYS A over 5 years. The base case provides substantial outperformance versus both the risk-free rate and broad equity market. However, the path to these returns involves significant interim volatility that conflicts with the capital preservation mandate. A lower entry price would meaningfully improve the risk/reward profile.

Monitoring Checklist & Exit Triggers

Condition	Action
Same-shop sales turn negative for 2+ quarters	Reassess thesis; likely downgrade to AVOID
New store openings decelerate >30% vs. plan	Reassess growth runway; monitor closely
D/E rises above 2.0x	Review solvency; consider reducing position
Management turnover (CEO departure)	Reassess immediately; critical to execution
EBITDA margins contract for 3+ consecutive quarters	Reassess profitability trajectory
Stock reaches \$42-46 (entry target)	UPGRADE to BUY; begin position accumulation
Stock reaches \$72+ (fair value high end)	Review position; consider trimming
Competitor successfully replicates Dutch Bros model at scale	Reassess moat durability

Analyst Notes

Key Assumptions & Sensitivities:

1. Revenue growth sustains 20%+ for the next 3-5 years — if growth decelerates to <15%, valuation multiple compression would significantly impact returns (sensitivity: -5-10% on annual CAGR). 2. Margin expansion continues toward 20%+ EBITDA margins — if margins stall at current levels, terminal

valuation would be ~20% lower than base case. 3. Coffee tariffs remain manageable — a severe tariff escalation (>30% increase in input costs) could pressure margins by 200-300bps, materially impacting the thesis. 4. The QSR competitive landscape does not fundamentally shift — a successful energy drink offensive by McDonald's or Starbucks could challenge Dutch Bros' growth in newer markets.

Limitations: Limited public financial history (IPO in 2021); no recession track record as a public company; high dependence on continued management execution; valuation requires sustained high growth rates to justify. Financial data for FY2025 is based on preliminary earnings release and may be subject to revision in the 10-K filing.

Confidence Level: MEDIUM — High confidence in business quality and growth trajectory; medium confidence in valuation assessment given the high-growth, high-multiple nature of the stock; lower confidence in recession resilience given limited data.



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Wealth Preservation Equity Research

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Report Date: February 13, 2026 | Analyst: Moschovakis Capital Research

Framework: Wealth Preservation Equity Research — Growth-Adapted Analysis

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