

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

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

(State or other jurisdiction of
incorporation or organization)

110 SW 4th Street

Grants Pass, Oregon

(Address of principal executive offices)

87-1041305

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

97526

(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

Securities registered pursuant to section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting stock held by non-affiliates of the Registrant, as of June 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$1.2 billion, computed using the closing price on that day of \$28.45.

As of February 16, 2024, the registrant's outstanding shares of common stock were as follows:

Class A common stock	70,544,036
Class B common stock	60,071,226
Class C common stock	35,863,929
Class D common stock	10,668,841

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement relating to the 2024 Annual Meeting of Stockholders of Dutch Bros Inc., which will be filed with the Securities and Exchange Commission within 120 days of December 31, 2023, are incorporated by reference in Items 10, 11, 12, 13, and 14 of Part III of this report.

DUTCH BROS INC.
ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS

	Page
Glossary	1
Forward-Looking Statements	3
PART I	
ITEM 1. Business	4
ITEM 1A. Risk Factors	17
ITEM 1B. Unresolved Staff Comments	60
ITEM 1C. Cybersecurity	61
ITEM 2. Properties	63
ITEM 3. Legal Proceedings	64
ITEM 4. Mine Safety Disclosures	64
PART II	
ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	65
ITEM 6. [Reserved]	66
ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	67
ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk	86
ITEM 8. Financial Statements and Supplementary Data	88
ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	131
ITEM 9A. Controls and Procedures	131
ITEM 9B. Other Information	132
ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	133
PART III	
ITEM 10. Directors, Executive Officers and Corporate Governance	134
ITEM 11. Executive Compensation	134
ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	134
ITEM 13. Certain Relationships and Related Transactions, and Director Independence	134
ITEM 14. Principal Accountant Fees and Services	134
PART IV	
ITEM 15. Exhibits and Financial Statement Schedules	135
ITEM 16. Form 10-K Summary	137
SIGNATURES	138

GLOSSARY

As used in this Annual Report on Form 10-K (this Form 10-K), the terms identified below have the meanings specified below unless otherwise noted or the context requires otherwise. References in this Form 10-K 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 consolidated financial statements, included elsewhere in this Form 10-K
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.
Common Units	The Common Units of Dutch Bros OpCo, as defined in the Second LLC Agreement, issued and outstanding immediately prior to recapitalization.
Continuing Members	The Co-Founder and the Sponsor
DEI	Diversity, Equity, and Inclusion
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”.
Follow-On Offering	Has the meaning set forth in NOTE 1 — Organization and Background to the consolidated financial statements, included elsewhere in this Form 10-K
GAAP	U.S. Generally Accepted Accounting Principles
IPO	Initial Public Offering
MOB	A group of master broistas who travel to help open new locations and markets. They train new broistas on operations and infuse them with the culture of the Company.
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
Reorganization Transactions	The meaning set forth in NOTE 1 — Organization and Background to the consolidated financial statements, included elsewhere in this Form 10-K.
RSA	Restricted Stock Awards
RSU	Restricted Stock Units
SEC	Securities and Exchange Commission
Sponsor	TSG Consumer Partners, L.P. and certain of its affiliates.
Tax Receivable Agreements and TRAs	Each have the meaning set forth in NOTE 1 — Organization and Background to the consolidated financial statements, included elsewhere in this Form 10-K.
Western United States	The collection of states including Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Utah and Washington.



GLOSSARY

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-K are the property of their respective owners. Solely for convenience, the trademarks and trade names in this Form 10-K 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-K, including 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, anticipated capital expenditures, 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-K.

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 “Item 1A. Risk Factors” of this report, as such risk factors may be amended, supplemented or superseded from time to time by other reports we file with the SEC.

You should read the consolidated financial statements and the related notes in this Form 10-K together with our analysis and discussion of our consolidated financial condition and results of operations and other financial information included elsewhere in this Form 10-K.

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-K.



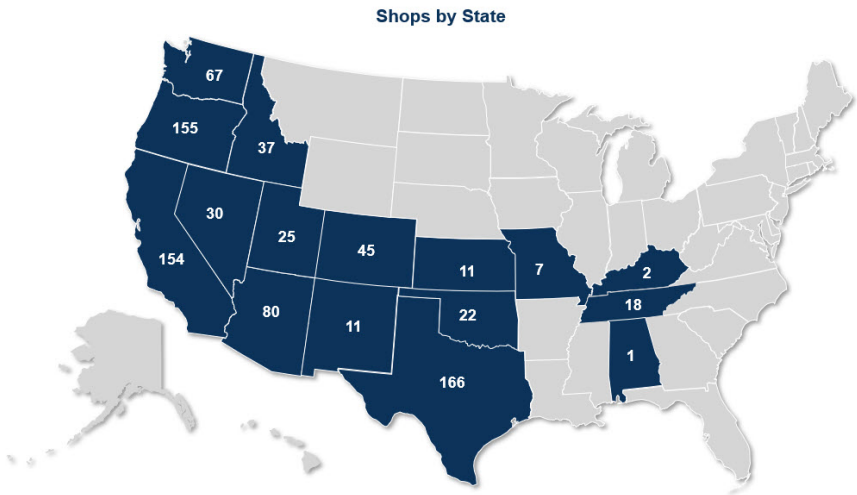
PART I

ITEM 1. BUSINESS

Dutch Bros Inc. is a Delaware corporation and its Class A common stock trades on the New York Stock Exchange under the symbol “BROS”.

OUR COMPANY

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 December 31, 2023, we had 831 shops, of which 542 were company-operated and 289 were franchise, across 16 states as shown in the graphic below. For additional information regarding company-operated and franchise shops by state, refer to Part I, Item 2 Properties of this Form 10-K.



The Dutch Bros Experience



Dutch Bros is more than just the products we serve: we are dedicated to making differences in the lives of our employees, customers, and the communities in which we operate. Our people are the key to our success, and our broistas are the face of Dutch Bros, delivering on the Company's core values of **QUALITY**, **SPEED**, and **SERVICE**.

- **QUALITY:** Our broistas are provided with the resources and training to provide high-quality hand-crafted beverages to our customers.
- **SPEED:** When our shops are busy, a “runner” broista leaves the shop and greets our customers before they reach the drive-thru window. This runner explains the menu and helps customers personalize their orders. Using tablets, our runners take orders, sending them to broistas inside the shop, who utilize our flexible systems to hand-craft custom beverages. This system, in combination with “escape lanes,” in many shops that allow customers to receive their drinks and exit before reaching the window if their drinks are ready, helps our team manage throughput all day. See “Our Shops” section for illustration of our shop model.
- **SERVICE:** We embrace a customer-first attitude and use every interaction during the drive-thru experience to connect with our customers and seek to deliver an experience that exceeds our customers’ expectations.

The combination of hand-crafted and high-quality beverages, our unique drive-thru experience and our community-driven, people-first culture has allowed us to successfully open new shops and continue to share the “Dutch Luv”. To achieve these experiences and create meaningful differentiation in our industry, we and our franchise partners are committed to attracting and retaining broistas who deliver an experience that exceeds our customers’ expectations. We empower our broistas to take the extra step to make each customer interaction remarkable.

Our Menu

We sell a wide range of customizable hot, iced, and blended beverages.

- **Coffee:** coffee-based beverages make up ~50%¹ of our menu mix. Coffee-based beverages include our espresso-based custom drinks, cold brew, and our proprietary “Freeze” blended beverages. Our Private Reserve coffee is a 100% Arabica three-bean blend, roasted in our Grants Pass facility. In our shops, we utilize premium La Marzocco machines to extract the coffee and deliver shots of smooth, full-bodied espresso.
- **Energy:** ~25%¹ of our menu mix is based upon our proprietary Blue Rebel energy drink, which is highly customizable with flavors and modifiers and can be served blended or over ice. Our energy platform helps unlock the afternoon daypart and helps us appeal to a diverse customer base.
- **Other:** the remaining ~25%¹ of our menu mix is a wide variety of teas, lemonades, sodas, and smoothies.

¹ Based on number of drinks sold across our system in 2023.



Customers are encouraged to explore our robust “secret” menu and customize beverages through the addition of flavors and other modifiers. Many of our customers add “soft-top,” a sweet, creamy whipped topping that can be added to almost any order. High-levels of customization encourage innovation, creating a competitive moat and helping drive a broad demographic appeal.

Our Dutch Rewards Loyalty Program

In early 2021, we released our app-based digital loyalty program (Dutch Rewards) and quickly scaled it to account for approximately 60% of transactions by the end of 2021. We have continued to grow penetration even as we have rapidly built new shops and entered new geographies. In 2023, approximately 65% of all transactions were attributable to Dutch Rewards members.

Dutch Rewards uses a spend-based model, where customers collect points that can be redeemed for rewards. These rewards can be utilized to receive free drinks or shared with others. Points and rewards generally expire after six months.

We offer members the ability to preload funds on their account and pay through our app, a function we call Dutch Pass. In addition to being convenient for customers, Dutch Pass enables us to increase our speed of service by reducing the payment collection time. Our Dutch Pass functionality also allows users to purchase and share digital gift cards, providing more customers the opportunity to share in the Dutch Bros Experience.

We utilize Dutch Rewards to communicate and interact directly with our customers and drive traffic. Over time, we have been developing increased sophistication as we have moved toward a more targeted approach where we use consumer insights to drive behaviors that we expect will create lasting value. We intend to continue investing in consumer insights and moving toward more personalized marketing to offer targeted messaging, offers, and rewards that enhance the Dutch Bros experience at an attractive return on investment.



Our Shops

We are a drive-thru focused business: over 90% of our business is conducted through the drive-thru. We believe that our drive-thru business model places a premium on customer convenience without sacrificing the personal experience. Our shops and our real estate strategy are designed from the ground up to support the drive-thru business.

Our shops typically have a smaller footprint than other drive-thru formats - this compact footprint allows us greater flexibility to place locations on more parcels. We typically target lots that are at least 25,000 square feet to handle substantial car volume. Except for a handful of legacy “coffee houses”, all our shops deploy either a single or double drive-thru window with multiple feeder lanes for traffic flow.

Legacy Configuration



Size: ~500 square feet

Geographies: Legacy West Coast

Characteristics: May have drive-thru lanes on both sides of the building; walk-up window optional; no lobby; storage outbuilding may be needed.

Current Configuration



Size: ~800-1,000 square feet

Geographies: Widespread

Characteristics: Multiple drive-thru lanes served by one window; ample car stacking and circulation, escape lane likely; walk-up window standard; no lobby.

Endcap Configuration

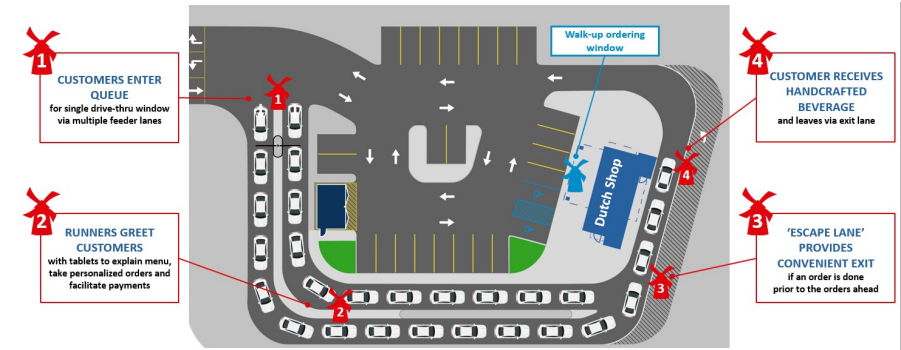


Size: ~1,200 square feet

Geographies: Select Locations

Characteristics: Attached to the end of a strip center or purpose built with co-tenants; may have lobby with walk-up window, but no seating.

Most of our shops also have walk-up ordering windows and “escape lanes” that enable customers to exit the line after a runner delivers their drink before reaching the window, helping increase throughput and reducing congestion. For illustration of our shop model, see the graphic below.



Our Long-Term Franchise Partners

Historically, we used a franchising strategy alongside company-operated shop development to drive growth in select markets. Over time, as we decided to grow more from within, we only offered franchise partnership opportunities to the highest-quality employees within our network. Since 2017, our focus has been a company-operated strategy with all operators recruited from within our system. While we maintain great relationships with our existing franchise partners and they continue to open new shops as they look to infill their high-demand markets, we anticipate that substantially all new shops we open each year will be company-operated shops.

OUR GROWTH STRATEGIES

We are in the early stages of our growth story. We will expand our business to positively impact our communities through the following growth strategies:



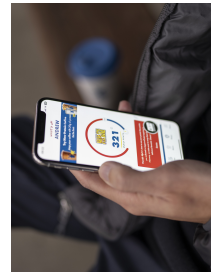
DEVELOP AND SUPPORT OUR PEOPLE, WHO ARE OUR GROWTH CAPITAL

- Recruit, develop, and retain great people
- Provide robust internal training and career advancement programs, which help develop a high-quality talent pool of candidates seeking larger roles within the Company
- Target 100% internal promotion for regional operators from a list of 350+ qualified candidates with an average tenure of 7 years
- Invest in leadership team to effectively scale



OPEN NEW SHOPS WHEREVER PEOPLE WANT GREAT BEVERAGES

- Leverage strong unit-level economics, ample liquidity, and robust underwriting standards to open shops with attractive returns, balancing building types, lease financing structure, and market entry strategies as needed
- Target 4,000+ shops with a focus on drive-thru convenience with the long term objective of mid-teen annual percentage growth rate



DEEPEN CUSTOMER ENGAGEMENT TO DRIVE TRAFFIC AND TRIAL

- Continue increasing the sophistication of our rewards program by investing in rewards and analytics and offering more specific and targeted offers
- Build and amplify brand awareness in new and existing markets through paid media and community engagement
- Utilize innovation to keep the brand fresh, encourage trial, and add occasions
- Employ promotions that encourage “multiples-based” purchases and facilitate group-buying behavior and word-of-mouth trial



EXPAND 4-WALL MARGINS AND DRIVE G&A LEVERAGE

- Continue targeting year-2 contribution margins of 30%+ for new shops, which support quick paybacks and funds new unit growth
- Continue to invest in state-of-the-art roasting facility in Texas to support our expansion strategy and supply chain requirements in what we believe will be a cost-advantaged manner in the long-term
- Continue achieving G&A leverage through strong top line growth and smart investments

Operations

Sourcing and Supply Chain

We pride ourselves on the quality of our coffee. To ensure we are able to consistently deliver high-quality coffee across our 831 shops in our system, we are actively involved in the sourcing, roasting, packaging, and distribution of coffee beans to our systemwide shops.



We partner with third-party importers and exporters to purchase and import our green coffee beans. Through this relationship, we source high-quality coffee beans from across Central and South America. We typically purchase coffee contracts 18-24 months in advance of when we take physical delivery of the beans, allowing us to lock in pricing and to better manage our input costs. This practice also allows us to be a good partner to our coffee producers, providing security of future business.



We currently roast all our coffee in our roasting facility in Grants Pass, Oregon. We roast our coffee bean varieties to specific profiles designed to highlight each of the coffee bean's unique flavors and aromas. After the coffee beans are roasted, we blend them to create our signature Private Reserve espresso.

We package and ship our Private Reserve, Decaf and White Coffee espresso blends to 15 distribution centers that supply all our company-operated and franchised locations.

We designed our supply chain to be flexible in response to changes in the market. On average, we typically have approximately four months of green coffee bean inventory stored at our two ports of entry in the United States or at our roasting facility in Grants Pass, Oregon. In the event of a supply disruption in any one of our production origins, we have identified alternate coffee beans with substantially similar flavor profiles that can be sourced and incorporated to produce our blend.

We have taken several steps to increase our diversity of supply and reduce transportation costs as we expand company-operated shops eastward within the United States. We anticipate our new roasting facility in Texas will be operational in 2024.

We also manufacture our own proprietary Dutch Bros. Blue Rebel Energy Drink via a co-bottling and co-packaging relationship. In 2023, we began testing beverage tap systems for our Blue Rebel Energy drink in shops. We believe distributing a portion of our Blue Rebel Energy drink via a "bag in a box" system for use in shop beverage taps will help us reduce our dependence on aluminum cans.



Quality, Health, and Safety

We and our franchise partners strive to maintain a safe, healthy environment at each shop through the careful training and supervision of personnel and by following rigorous quality standards. Our Quality Assurance team informs, monitors, and reports on standards for preparation and cleaning, as well as inspects every shop in the system on a quarterly basis in preparation for biannual health inspections. As part of our people-first culture, the health and safety of our customers and employees are our highest priority.

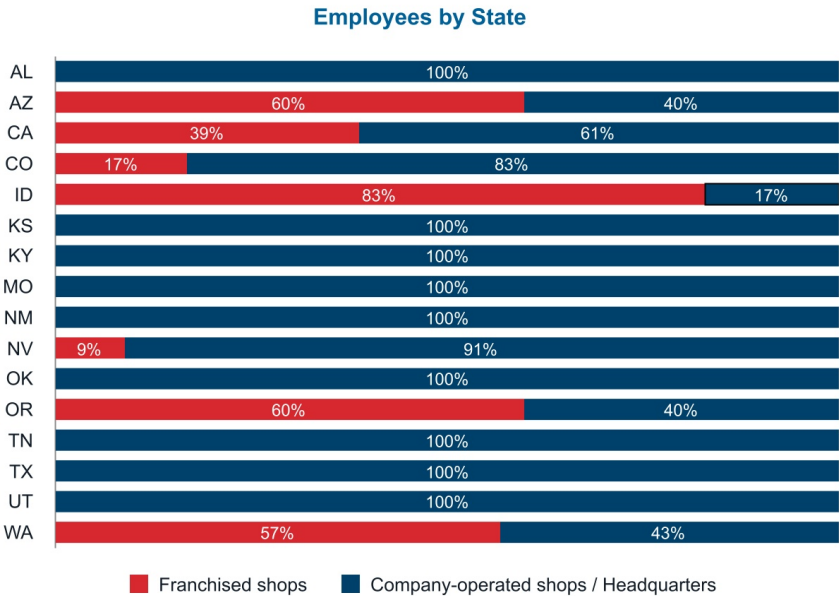


Our commitment to beverage and food safety is strengthened through the direct relationship between our supply chain, culinary, food safety, and quality assurance teams. We review our supply partners' material decisions regarding ingredients, and we reserve the right to conduct spot-checks. We examine each suppliers' safety and quality records and verify insurance coverage. We believe that our established requirement for franchise partners to purchase certain supplies and equipment from approved vendors further enhances safety and quality within our system.

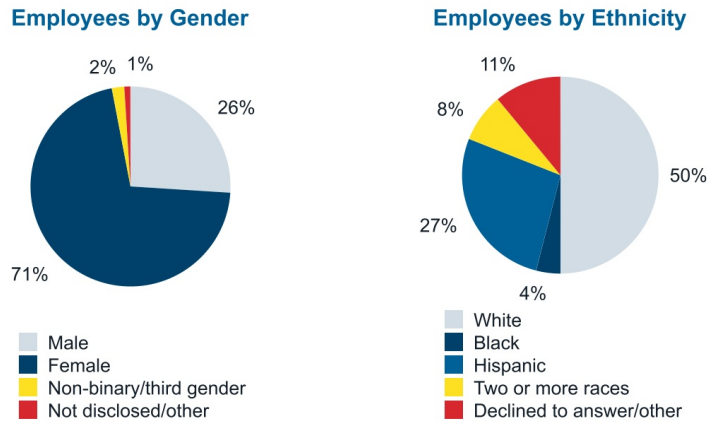
People

Our people are the driving force of our mission and are fundamental to our success. One of the most important relationships we have is with our employees, who are key members of the communities we love and support. We attract and seek out potential employees by identifying those with a love for life, a natural ability to connect with people under any circumstance, and most of all, a genuine smile!

As of December 31, 2023, we and our franchise partners have approximately 24,000 employees, of which 16,000 employees are in our company-operated shops and headquarters. The chart below provides the approximate percentage of systemwide employees by shop type and by state location:



The charts below provide the approximate percentages of our company-operated shop and headquarters employees by gender and ethnicity:



Diversity, Equity, and Inclusion

We are committed to DEI in our Company, at the window, and in our communities, cultivating an inclusive environment of love, acceptance, and kindness. Our DEI commitment strives to ensure all customers, crews, and communities are welcomed, honored, and loved. We are actively working to develop a holistic DEI program that can be a resource for everyone we serve. The events of the past several years have offered another reminder of how critically important our efforts have become, and as a result we have taken real, meaningful steps toward advancing our DEI program including, but not limited to, the following:

- hired two female executives in the past 18 months: our Chief Executive Officer and President and Chief Marketing Officer;
- expanded our library of DEI training, events, and resources to headquarters employees and shop management.

Total Rewards

We offer competitive salaries and wages and continually assess them across business environments and labor markets. We are continually making enhancements to our total rewards program to attract and retain top talent as part of our growth strategy. We offer a comprehensive suite of benefits to our broistas, shop management, and headquarters employees, including, but not limited to, the following:

- company-wide minimum wage of at least \$10.00 per hour across all markets;
- company paid parental leave of more than eight weeks, after one full year of employment for shop management and headquarters employees;
- wellness program to help employees live their best lives and free access to our employee assistance program for all employees;
- tuition assistance toward employees' professional development after one full year of employment;
- flexible working arrangements for headquarters employees, including on-site, hybrid, and remote options;

- up to 16 hours of paid volunteer hours for all employees to use when helping out the community; and
- team focused culture with growth and leadership opportunities that support career advancement.

Training and Development

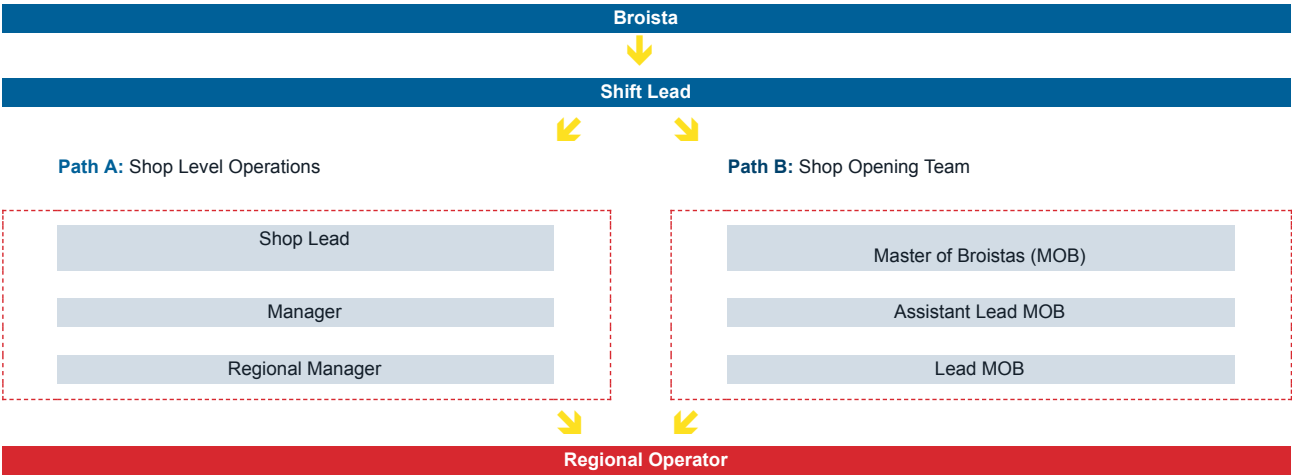
We are committed to inspiring and facilitating personal and professional growth for our people as they fulfill their dreams and contribute to their communities. As part of this commitment, we provide resources to train and develop our people.

Broista Training

- 2 day cultural immersion, history, and fundamental knowledge
- 10 shifts of on-the-job training
- Review of “Manifesto,” field guide, and employee handbook, and have proficiency tests twice per year

Leadership Pathways

We exclusively source regional operators, who we view as the linchpins of our field organization and lead between 3-7 shops at scale, from within our organization. For our continued growth, it is critical that we consistently train and develop new leaders. Our leadership development program outlines shop growth opportunities at all levels of the organization and furthers our philosophy of hiring and developing leaders from within. This program provides ample opportunities for our shop broistas to create their own pathway, which can be a mix of Path A and B, to reach their potential goals.



This leadership program develops a pipeline of home-grown talent, which we believe will be sufficient for our new shop growth over the next several years.

Philanthropy

Since our inception, we have been dedicated to giving back to the communities in which we serve, and we consider our brand to be a powerful platform for social impact. Our philanthropic efforts support local and national causes. A culture of philanthropy and giving back to build better communities permeates the entire Dutch Bros organization, energizing both our broistas and customers alike.

We host three company-wide givebacks days each year. The Company, along with our franchise partners and Dutch Bros Foundation (the Foundation) provide donations for funds raised in each of these giveback

days. The Foundation is a not-for-profit founded by the Company that provides philanthropy to coffee farmers and local communities.



“Dutch Luv”

Every February, we donate \$1 from every drink sold to local organizations working to fight food insecurity in our communities.



“Drink One for Dane”

Every May, in honor of our co-founder Dane Boersma, we raise funds for the Muscular Dystrophy Association to find a cause and cure for ALS (Amyotrophic Lateral Sclerosis), or Lou Gehrig’s disease.



“Buck for Kids”

Every September, we dedicate a day to give \$1 from every drink sold to nonprofit organizations helping create brighter futures for local kids.

2023 Donations		
More than \$0.9 million	\$2.5 million	More than \$0.9 million

Additionally, our operators and franchise partners are empowered to create their own local, shop-specific giveback programs that help support and build relationships within their communities. In addition to the 2023 donations noted above for the Company-wide giveback days, the Company, along with our franchise partners and the Foundation donated nearly \$2.5 million in 2023 to various organizations through our local giveback days.

Competition

The beverage industry is highly competitive and fragmented, and our shops compete on a variety of factors, including convenience, taste, price, quality, service, and location. We believe our primary competitors include national and regional coffee chains, local specialty coffee shops, regional drive-thru coffee chains, and drive-thru quick service restaurants with coffee and other beverage programs. Our competitors operate company-operated, franchised, and mixed business models. In addition, due to our proprietary Dutch Bros. Blue Rebel energy beverages, we also compete with convenience stores.

Intellectual Property

We own many registered trademarks and service marks in the United States, the most important of which might be our trademarked Windmill logo. Other important trademarks include our “Dutch Bros,” “Dutch Bros Coffee,” “Dutch Bros Rebel,” and “Dutch Bros. Blue Rebel” word marks and our recognizable Dutch Bros sign logo. We believe the Dutch Bros name and the many distinctive marks associated with it are of significant value and are very important to our business. Accordingly, as a general policy, we pursue registration and monitor the use of our marks in the United States and challenge unauthorized use.

We license the use of our marks to franchise partners, third-party vendors and others through franchise agreements, vendor agreements and licensing agreements. These agreements typically restrict third parties’ activities with respect to use of the marks, impose brand standards requirements, and require licensees to inform us of any potential infringement of the marks.

We register some of our copyrighted material and otherwise rely on common law protection of our copyrighted works. Such copyrighted materials are not material to our business.

Government Regulation and Environmental Matters

We are subject to extensive federal, state, local, and foreign laws and regulations, as well as other statutory and regulatory requirements, including those related to, among others, nutritional content labeling and disclosure requirements, food safety regulations, local licensure, building, and zoning regulations, employment regulations, and laws and regulations related to our licensed operations. New laws and regulations or new interpretations of existing laws and regulations may also impact our business. The costs of compliance with these laws and regulations are high, are likely to increase in the future, and any failure on our part to comply with these laws may subject us to significant liabilities and other penalties. See "Risk Related to Regulation and Litigation" in Item 1A, Risk Factors for more information.

We are not aware of any federal, state, or local provisions that have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, that have materially affected, or are reasonably expected to materially affect, our results of operations, competitive position, or capital expenditures.

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.

Information About our Executive Officers

The executive officers of Dutch Bros Inc. as of the filing of this Form 10-K, are as follows:

Travis Boersma, 53

Co-founder and Executive Chairman of the Board

Mr. Boersma is our Co-Founder and has served as our Executive Chairman since August 2021 and as the Executive Chairman of Dutch Bros OpCo since February 2021. Prior to serving as our Executive Chairman, he served as the Chief Executive Officer of Dutch Bros OpCo from February 2019 to February 2021. Mr. Boersma has led us as Co-Founder since 1992. Mr. Boersma attended Southern Oregon University.

Christine Barone, 50

Chief Executive Officer and President

Ms. Barone has served as our Chief Executive Officer and as a member of our Board since January 2024, and as our President since February 2023. Ms. Barone has worked in the food service and beverage industries for more than a decade, and most recently served as Chief Executive Officer at True Food Kitchen, a high growth restaurant and lifestyle brand, from August 2016 to February 2023. Prior to that, she served in various leadership roles at Starbucks Corporation (Nasdaq: SBUX). Earlier in her career, she held positions with Bain & Company and Raymond James. Since March 2020, Ms. Barone has served on the Board of Directors of Yelp Inc. Ms. Barone holds a B.A. in Applied Mathematics and an M.B.A. from Harvard University.

Charles Jemley, 60

Chief Financial Officer

Mr. Jemley has served as our Chief Financial Officer since August 2021 and the Chief Financial Officer of Dutch Bros OpCo since January 2020. Since June 2017, Mr. Jemley has served as a member of the Board of Directors of Four Corners Property Trust Inc., a real estate investment trust (NYSE: FCPT), where he chairs the Audit Committee and serves as a member of the Nominating and Governance Committee. From July 2018 to December 2019, he served as the Chief Financial Officer of CKE Restaurant Holdings, Inc., a quick service restaurant company. From February 2006 to January 2018, Mr. Jemley served in various senior management positions at Starbucks Corporation (Nasdaq: SBUX), including as Senior Vice President Finance, International and Consumer Products Group. From April 1990 to January 2006, Mr. Jemley served in various positions in finance and store development at Yum! Brands, Inc. (NYSE: YUM) including most recently as the Chief Financial Officer of Yum Restaurants China from December 2003 to January 2006. Mr. Jemley holds an M.B.A. from the Michael G. Foster School of Business at the University of Washington and a B.B.A in Accounting from the University of Louisville.

Brian Maxwell, 52

Chief Operating Officer

Mr. Maxwell has served as our Chief Operating Officer since August 2021 and the Chief Operating Officer of Dutch Bros OpCo since January 2017, and previously served in various roles at Dutch Bros OpCo, including as the Vice President and General Manager from April 2009 to December 2016, Vice President of Growth from January 2004 to March 2009 and Franchise Coordinator from January 1999 to December 2003. Prior to joining Dutch Bros, Mr. Maxwell worked in finance and investment advising. Mr. Maxwell attended Lewis & Clark College.



Tana Davila, 41**Chief Marketing Officer**

Ms. Davila has served as our Chief Marketing Officer since June 2023. Prior to joining Dutch Bros, she served as Chief Marketing Officer at CKE Restaurants, Inc., a quick service restaurant group, from September 2022 to June 2023. Prior to that, she served in various roles at PF Chang's China Bistro Inc., a casual dining restaurant chain, including most recently as Chief Marketing Officer from September 2019 to August 2022, as Senior Vice President – Marketing from January 2019 to September 2019, and as Vice President – Marketing and Brand Development from November 2017 to January 2019. Ms. Davila is a Fulbright Scholar and holds a B.A. from Washington University in St. Louis, a J.D. from Seton Hall University, and an M.B.A. from Emory University.

Victoria Tullett, 56**Chief Legal Officer**

Ms. Tullett has served as our Chief Legal Officer since September 2022 and has more than 20 years of experience helping diverse organizations manage operational risk and achieve record levels of growth, compliance, and profitability. Prior to joining Dutch Bros, she served Papa Murphy's International, a franchise model take-and-bake pizza company, for more than 20 years in various roles, including most recently as Senior Vice President, General Counsel, and head of new store Development from May 2019 to August 2022, and from May 2014 to May 2019, as Chief Legal Officer while the company was publicly traded on the Nasdaq. In addition to her role at Dutch Bros, Ms. Tullett serves on the Board of Directors for Vancouver Symphony Orchestra. Ms. Tullett holds a J.D. from Lewis & Clark, Northwestern School of Law.

Please refer to our website for a complete listing of our executive management team.

Available Information

Our website address is dutchbros.com. Our Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other filings with the SEC, and all amendments to these filings, can be obtained free of charge from our website at <https://investors.dutchbros.com/financials/sec-filings/default.aspx> or by contacting our Investor Relations department at our office address listed above as soon as reasonably practical following our filing or furnishing of any of these reports with the SEC. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. We also routinely use the investor relations page on our website as a channel of distribution for important Company information, including press releases, analyst presentations, and financial and corporate governance information. The contents of these websites are not incorporated into this filing. Further, the Company's references to the URLs for these websites are intended to be inactive textual references only.



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-K 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-K, 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-K, 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.

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, COVID-19 variants and other 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 December 31, 2023, Dutch Bros had 831 shops across 16 states, of which 542 were company-operated and 289 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 year ended December 31, 2023, we opened 146 new company-operated shops, across 13 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 December 31, 2023, approximately 35% 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 December 31, 2023, 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 25% of our systemwide net sales in the year ended December 31, 2023. 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 remained elevated during the year ended December 31, 2023. 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 during the year ended December 31, 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 our vendors) are unable to protect against software and hardware vulnerabilities, service interruptions, data corruption, cyber-based attacks, ransomware, fraud, or security breaches, or if we 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 upon which we rely) 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 upon which we rely 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 our third parties on whom we rely 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-party 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 our third-party service providers experience a security incident or other interruption, we could experience adverse consequences. While we may be entitled to damages if our third-party service providers 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 our third-party partners' supply chains have not been compromised.

While we take steps to detect and remediate vulnerabilities, our security measures (and those of the third parties upon which we rely) may not be adequate to prevent or detect service interruption, system failure data loss, fraud or theft, or other material adverse consequences. Vulnerabilities could be exploited but may not be detected until after a security incident has occurred and we may not be able to anticipate or to implement effective preventative and remedial measures against all vulnerabilities. Furthermore, there may be delays in developing and deploying patches and other remedial measures to adequately address vulnerabilities, and taking such remedial steps could adversely impact or disrupt our operations. 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 upon which we rely).

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 upon whom we rely experience 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 upon whom we rely) 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 ongoing 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, outbreaks 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 creates a minimum wage of \$20 per hour for fast food workers (beginning on 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, and hired Joshua Guenser as our Incoming Chief Financial Officer. 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 1993 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 our vendors) 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 our vendors 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 on our behalf.

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 our vendors.

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 vendors to process payment card data, and those vendors may be subject to PCI DSS, and our business may be negatively affected if our vendors 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 our vendors, 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 strive to comply with applicable data privacy and security obligations to the extent possible, but we may at times fail to do so, 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 vendors do not comply with applicable data privacy and security obligations. Any failure by us or a third-party processor 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 PROAct 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 17 — Commitments and Contingencies to the consolidated financial statements, included elsewhere in this Form 10-K 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 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.

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 17 — Commitments and Contingencies to the consolidated financial statements, included elsewhere in this Form 10-K 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 December 31, 2023, certain affiliates of our Co-Founder beneficially owned approximately 74.7% 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 17.1% 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. 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 54.5% of the Dutch Bros OpCo Class A common units as of December 31, 2023. 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 December 31, 2023, certain affiliates of our Co-Founder beneficially owned approximately 74.7% 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, an aggregate of 96,493,065 Dutch Bros OpCo Class A common units may be redeemed in exchange for shares of our Class A common stock and an aggregate of 10,668,841 shares of Class D common stock may be converted into shares of our Class A common stock as of December 31, 2023. 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 December 31, 2023, we had \$95.6 million outstanding under our term loan. 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, for example, we experienced such an increase during the year ended December 31, 2023. 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 will 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 1B. UNRESOLVED STAFF COMMENTS



None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

We rely on information technology networks and systems and data processing to manage a variety of business processes and activities, including, without limitation, to process customer payments and conduct our marketing efforts. We have implemented and maintain various information security processes designed to identify, assess, and manage material risks from cybersecurity threats to our critical computer networks, third party hosted services, communications systems, hardware and software, and our critical data, including intellectual property, confidential information that is proprietary, strategic, or competitive in nature, and customer data.

We utilize certain third-party service providers to perform a variety of functions, such as to outsource certain business critical functions, to augment staff for after-hours support, to help track chain of custody for physical PCI devices for our shops, application providers, hosting companies, distributors, supply chain resources, property management, cloud-based infrastructure, data center facilities, encryption and authentication technology, corporate productivity services, and other functions. Depending on the nature of the services provided, the sensitivity and quantity of information processed, and the identity of the service provider, for certain service providers, our vendor management process may include reviewing the cybersecurity practices of certain providers, contractually imposing obligations on certain providers related to the services they provide and/or the information they process, conducting security assessments, requiring providers to complete written questionnaires regarding their services and data handling practices, conducting periodic re-assessments during their engagement, using a third party vendor management security company to provide certain ongoing monitoring, or annually collect certain information security-related compliance documentation and reports.

Risks from cybersecurity threats are among those that we address in the Company's general risk management program. As part of our overall risk management processes, the Company maintains various policies related to information security, including an Incident Response Policy and a Cybersecurity Incident Reporting Policy. We identify cybersecurity threats as part of our risk management processes, including (depending on the environment or systems) through internal monitoring, monitoring the threat environment using manual and automated tools, subscribing to reports and services that identify cybersecurity threats, analyzing reports of threats and actors, conducting scans of the threat environments, evaluating our and our industry's risk profile, evaluating threats reported to us, conducting threat assessments for internal and external threats, and conducting vulnerability assessments to identify vulnerabilities. Our information technology team is responsible for identifying, assessing, and managing the Company's cybersecurity threats and risks under the oversight of our Chief Technology Officer. This team works with third parties from time to time to help identify, assess, and manage cybersecurity risks, including professional services firms and other vendors.

Based on our assessment process, we implement and maintain various technical, physical, and organizational measures designed to manage and mitigate cybersecurity risks and potential material impacts. Depending on the environment or systems, we implement measures designed to prevent, detect, respond to, mitigate, and recover from identified and significant cybersecurity threats. The risk management and reduction measures we implement for certain of our environments or systems include: policies and procedures designed to address cybersecurity threats, including an incident response policy, acceptable use policy, and vulnerability management policy; internal and/or external audits of some environments to assess our exposure to cybersecurity threats, environment, compliance with risk mitigation procedures, and effectiveness of relevant controls; documented risk assessments; encryption of certain data; network security controls in certain systems; physical and electronic access controls in certain environments; asset management, tracking and disposal; systems monitoring of certain systems; employee security training; penetration testing of certain environments; and maintaining cyber insurance; and a dedicated cybersecurity officer.



Our business, results of operations, or financial condition could be materially affected as a result of such risks, due to: the cost of and modification of business activities related to prevention or incident response; potential system failure, data loss, fraud or theft, or other material adverse consequences; disruptions, including in operations, due to potential delays in remediation of high risk or critical vulnerabilities; costs of notices and other disclosures that may be required by applicable data privacy and security obligations; or our inability to recover such costs under insurance policies or contractual rights. See "Risks Related to Our Business" in Item 1A, Risk Factors for more information.

Governance

The Audit and Risk Committee of the board of directors is responsible for oversight of the Company's processes and policies for enterprise risk identification, management, and assessment, including key risks around data privacy, technology, and information security. Our cybersecurity risk assessment and management processes are implemented and maintained by certain Company management, including our Chief Technology Officer (CTO), Leigh Gower, who has more than 20 years of experience in the information technology field, including work in cybersecurity risk management. Prior to serving the Company, our CTO gained cybersecurity experience serving as Vice President, Technology at Blue Nile, as Senior Director, Product & Technology at T-Mobile, and as Management Consultant at Slalom Consulting.

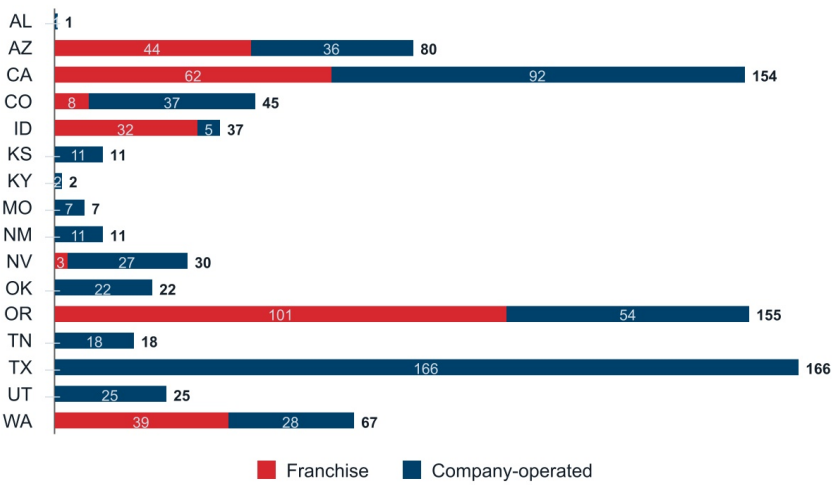
Our CTO is responsible for hiring appropriate personnel, helping to integrate cybersecurity risk considerations into the Company's overall risk management strategy, and communicating key priorities to relevant personnel. Our CTO and her team are responsible for approving budgets, helping prepare for cybersecurity incidents, approving cybersecurity processes, and reviewing security assessments and other security-related reports.

Our cybersecurity incident response processes are designed to escalate certain cybersecurity incidents to members of management depending on the circumstances, including reporting certain incidents to a cross-functional group responsible for making ongoing assessments of reported incidents, led by our Chief Legal Officer and Chief Technology Officer, and includes members of our standing Disclosure Committee. The Chief Legal Officer is responsible for informing the Audit and Risk Committee regarding the Company's significant cybersecurity threats and risk and meets with the Audit and Risk Committee at periodic or special meetings to review and discuss issues. Our Chief Legal Officer oversees an annual enterprise risk assessment that addresses certain applicable cybersecurity risks, the results of which are presented to the Audit and Risk Committee. We engage a third party consulting firm to assist with the annual enterprise risk assessment. Our Chief Legal Officer works with the Board, senior management, others at various levels of the organization, and our outside advisors to help identify, assess, and validate the Company's top risks, taking into account past risk mitigation activities and future plans. Under our Cybersecurity Incident Reporting Policy, the Chief Legal Officer is also responsible for communicating to the Audit and Risk Committee the activities of the Company related to the assessments and reporting of potentially significant cybersecurity incidents.



ITEM 2. PROPERTIES

As of December 31, 2023, we had 542 company-operated and 289 franchise shops with 831 total shops in 16 states. The chart below shows our properties by state as of December 31, 2023.



In addition to our company-operated shops, we own and lease the following facilities:

Location	Primary Function(s)	Square Feet	Owned or Leased
Grants Pass, Oregon	Corporate headquarters	16,000	Owned
Grants Pass, Oregon	Headquarters office space	26,000	Leased
Grants Pass, Oregon	Roasting and packing facility	36,000	Owned
Grants Pass, Oregon	Roasting and warehouse facility	21,000	Leased
Grants Pass, Oregon	Aircraft hangar and transportation operations	84,000	Leased
Scottsdale, Arizona	Office space	7,000	Leased

Our principal executive offices are located at 110 SW 4th Street, Grants Pass, Oregon, 97526. We believe our current facilities are suitable for our near term needs, and expect to add additional capacity related to the planned shift of approximately 40% of our total support staff to Arizona. In addition, we expect to continue to add additional capacity on an as-needed basis. We are in the process of constructing a roasting facility in Texas to service our shops in new markets as we expand eastward, in line with our growth strategy.

For additional information regarding leases, see NOTE 2 — Basis of Presentation and Summary of Significant Accounting Policies and NOTE 8 — Leases in our consolidated financial statements, included elsewhere in this Form 10-K.

ITEM 3. 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 17 — Commitments and Contingencies under the heading “Legal Proceedings” for further information.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.



PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information for Common Stock

Our Class A common stock is traded on the New York Stock Exchange under the symbol “BROS”. There is no established public trading market for our Class B common stock, Class C common stock, or Class D common stock.

Stockholders

As of December 31, 2023, our Class A common stock was held by 105 holders of record. The actual number of stockholders of Class A common stock is greater than this number of record holders and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities. As of December 31, 2023, we also had three holders of record of our Class B common stock, two holders of record of our Class C common stock, and two holders of record of our Class D common stock.

Dividend Policy

We have not paid dividends on our common stock, and we do not anticipate paying dividends in the foreseeable future.

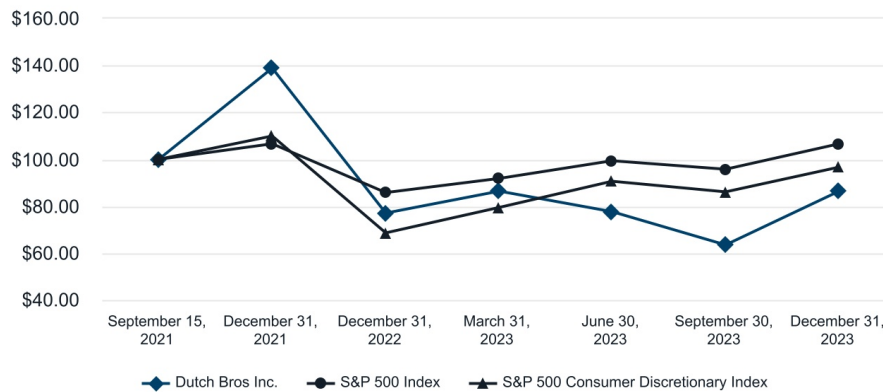
Stock Performance Graph

The graph below compares the cumulative total stockholder return on our Class A common stock (BROS) with the cumulative total return on the S&P 500 Index (SPX) and the S&P 500 Consumer Discretionary Index (SP500.25), assuming an initial investment of \$100 at the market close on September 15, 2021, the date our stock commenced trading on the New York Stock Exchange. Data for the S&P 500 Index and the S&P 500 Consumer Discretionary Index assume reinvestment of dividends. As noted above, no dividends have been declared on our Class A common stock to date.

The comparisons in the graph below are based upon historical data and are not indicative of, nor intend to forecast, future performance of our Class A common stock.



**Comparison of Since IPO Cumulative Total Return for
Dutch Bros Inc., S&P 500 Index, S&P 500 Consumer Discretionary Index**



	September 15, 2021	December 31, 2021	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
Dutch Bros Inc.	\$ 100.00	\$ 138.79	\$ 76.85	\$ 86.23	\$ 77.56	\$ 63.39	\$ 86.34
S&P 500 Index	\$ 100.00	\$ 106.37	\$ 85.69	\$ 91.71	\$ 99.32	\$ 95.70	\$ 106.45
S&P 500 Consumer Discretionary Index	\$ 100.00	\$ 109.67	\$ 68.46	\$ 79.25	\$ 90.59	\$ 86.06	\$ 96.55

The above Stock Performance Graph and related information shall not be deemed “soliciting material” or to be “filed” with the SEC nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

Recent Sales of Unregistered Securities

On October 23, 2023, 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 4.1 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 November 15, 2023 and December 18, 2023, we made an unregistered issuance of our Class A common stock via (i) exchange of approximately 4.2 million Dutch Bros OpCo Class A common units and conversion of approximately 1.4 million shares of Dutch Bros Inc. Class D common stock, and (ii) exchange of approximately 1.0 million Dutch Bros OpCo Class A common units and conversion of approximately 0.3 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 pursuant to Rule 144 of the Securities Act, and no proceeds were received by the Company.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

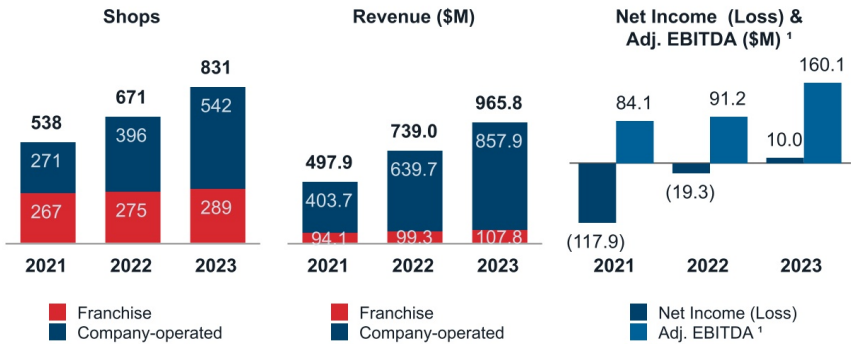
You should read the following discussion and analysis of our financial condition and results of operations together with our audited consolidated financial statements and the related notes included elsewhere in this Form 10-K. Some of the information contained in this discussion and analysis or set forth 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-K 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-K. 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. Further, the section of this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” generally discusses 2023 and 2022 items and year-to-year comparisons between 2023 and 2022. Discussions of 2021 items and year-to-year comparisons between 2022 and 2021 are not included in this Annual Report on Form 10-K and can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on February 27, 2023.

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 December 31, 2023, we had 831 company-operated and franchised shops in 16 states, an increase of approximately 23.8% from the same period in the prior year. For the year ended December 31, 2023, we generated \$965.8 million of revenue, \$10.0 million net income, and \$0.03 income 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 II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Key Highlights

- In February 2023, welcomed new Dutch Bros President, Christine Barone, who, in January 2024, assumed the role of CEO, in addition to President.
- Opened 146 company-operated shops across multiple new operating areas in the year ended December 31, 2023, bringing total company-operated shops to 65% of our total shops, an increase of approximately 37% over 2022.
- In September 2023, completed the first follow-on offering since our IPO, resulting in net proceeds of approximately \$331 million.

Impact of Global Events

Inflation and Minimum Wage Increases

Similar to many of our peers in our industry, we continued to experience the effects of elevated commodity costs due to inflation, including in dairy, coffee, fuel, packaging, 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 will increase to \$20 per hour beginning in April 2024 for covered employees in our industry. While these pressures have impacted our operating results, we have taken measures over the past year 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.

Consolidated Statements of Operations

(in thousands)	Year Ended December 31,		
	2023	2022	2021
REVENUES			
Company-operated shops	\$ 857,939	\$ 639,710	\$ 403,746
Franchising and other	107,837	99,302	94,130
Total revenues	965,776	739,012	497,876
COSTS AND EXPENSES			
Cost of sales	714,480	558,096	344,573
Selling, general and administrative	205,074	183,528	264,529
Total costs and expenses	919,554	741,624	609,102
INCOME (LOSS) FROM OPERATIONS	46,222	(2,612)	(111,226)
OTHER EXPENSE			
Interest expense, net	(32,321)	(18,018)	(7,093)
Other income (expense)	3,018	3,976	(1,240)
Total other expense	(29,303)	(14,042)	(8,333)
INCOME (LOSS) BEFORE INCOME TAXES	16,919	(16,654)	(119,559)
Income tax expense (benefit)	6,967	2,599	(1,628)
NET INCOME (LOSS)	9,952	(19,253)	(117,931)
Less: Net loss attributable to Dutch Bros OpCo prior to the Reorganization Transactions	—	—	(67,374)
Less: Net income (loss) attributable to non-controlling interests	8,234	(14,500)	(37,878)
NET INCOME (LOSS) ATTRIBUTABLE TO DUTCH BROS INC.	<u>\$ 1,718</u>	<u>\$ (4,753)</u>	<u>\$ (12,679)</u>



Segment Financials

(in thousands; unaudited)	Year Ended December 31,		
	2023	2022	2021
Revenues:			
Company-operated shops	\$ 857,939	\$ 639,710	\$ 403,746
Franchising and other	107,837	99,302	94,130
Total revenues	965,776	739,012	497,876
Cost of sales:			
Company-operated shops	677,704	518,383	317,045
Franchising and other	36,776	39,713	27,528
Total cost of sales	714,480	558,096	344,573
Segment gross profit:			
Company-operated shops	180,235	121,327	86,701
Franchising and other	71,061	59,589	66,602
Total gross profit	251,296	180,916	153,303
Depreciation and amortization:			
Company-operated shops	62,088	36,306	\$ 16,291
Franchising and other	5,398	5,706	6,263
All other ¹	1,649	2,716	2,663
Total depreciation and amortization	\$ 69,135	\$ 44,728	\$ 25,217
Segment contribution:			
Company-operated shops	242,323	157,633	102,992
Franchising and other	76,459	65,295	72,865
Total segment contribution	\$ 318,782	\$ 222,928	\$ 175,857
Selling, general and administrative	(205,074)	(183,528)	(264,529)
Interest expense, net	(32,321)	(18,018)	(7,093)
Other income (expense)	3,018	3,976	(1,240)
Income (loss) before income taxes	\$ 16,919	\$ (16,654)	\$ (119,559)

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)	Year Ended December 31,		
	2023	2022	2021
Shop count, beginning of period			
Company-operated	396	271	182
Franchised	275	267	259
Total shop count	671	538	441
Company-operated new openings	146	120	82
Franchised new openings	13	13	16
Acquisition of franchise shops	—	5	7
Re-openings / (Closures) ¹	1	—	(1)
Shop count, end of period			
Company-operated	542	396	271
Franchised	289	275	267
Total shop count	831	671	538
Systemwide AUV ²	\$ 1,973	\$ 1,924	\$ 1,850
Company-operated shops AUV ²	\$ 1,902	\$ 1,895	\$ 1,752
Systemwide same shop sales ^{3,4}	2.8 %	1.0 %	8.4 %
Company-operated same shop sales ³	1.5 %	0.6 %	9.0 %
Systemwide sales ⁴	\$ 1,444,433	\$ 1,163,182	\$ 913,822
Company-operated operating weeks ⁵	24,395	17,489	11,526
Franchising and other operating weeks ⁵	14,624	13,828	13,175
Dutch Rewards member registrations ⁶	2,252	2,004	3,202

(in thousands; unaudited)	Year Ended December 31,					
	2023		2022		2021	
	\$	%	\$	%	\$	%
Company-operated shop revenues	857,939	100.0	639,710	100.0	403,746	100.0
Company-operated shop gross profit	180,235	21.0	121,327	19.0	86,701	21.5
Company-operated shop contribution ⁷	242,323	28.2	157,633	24.6	102,992	25.5
Selling, general, and administrative expenses	205,074	21.2	183,528	24.8	264,529	53.1
Adjusted selling, general, and administrative expenses ⁷	160,749	16.6	136,441	18.5	96,498	19.4
Net income (loss)	9,952	1.0	(19,253)	(2.6)	(117,931)	(23.7)
Adjusted EBITDA ⁷	160,062	16.6	91,181	12.3	84,132	16.9



¹ Represents the re-opening of a shop that was temporarily closed in 2021.

² 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.

³ 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)	Year Ended December 31,		
	2023	2022	2021
Systemwide shop base	503	414	354
Company-operated shop base	246	173	120

⁴ 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.

⁵ 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.

⁶ 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.

⁷ Reconciliation of GAAP to non-GAAP results is provided in the section "Non-GAAP Financial Measures" in Part II, Item 7 "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)	Year Ended December 31,					
	2023		2022		2021	
	\$	%	\$	%	\$	%
Company-operated shop revenues	857,939	100.0	639,710	100.0	403,746	100.0
Beverage, food, and packaging costs	230,133	26.9	171,864	26.9	102,222	25.3
Labor costs	230,505	26.9	182,861	28.6	122,161	30.3
Occupancy and other costs	140,895	16.4	109,366	17.1	63,570	15.7
Pre-opening costs	14,083	1.6	17,986	2.8	12,801	3.2
Depreciation and amortization	62,088	7.2	36,306	5.6	16,291	4.0
Company-operated shop costs and expenses	677,704	79.0	518,383	81.0	317,045	78.5
Company-operated shop gross profit	180,235	21.0	121,327	19.0	86,701	21.5
Company-operated shop contribution ¹	242,323	28.2	157,633	24.6	102,992	25.5

¹ Reconciliation of GAAP to non-GAAP results is provided in the section "Non-GAAP Financial Measures" in Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."



Company-operated Shops Segment Performance

Company-operated Shop Revenues

(in thousands; unaudited)	Year Ended December 31,							
	2023	2022	2021	2023 v. 2022		2022 v 2021		
Company-operated shop revenues	\$ 857,939	\$ 639,710	\$ 403,746	\$ 218,229	34.1%	\$ 235,964	58.4%	

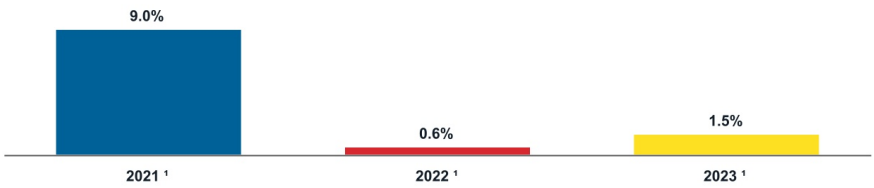
Year Ended December 31, 2023 v. 2022

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

- + \$208.6 million from company-operated shops opened in the last 15 months.
- + \$9.6 million from an increase in same shop sales in the comparable shop base.¹

¹ For purposes of calculating company-operated same shop revenue, the revenue for 246 company-operated shops was included in the comparable shop base.

Comparable Same Shop Sales



¹ The comparable shop bases were 120, 173, and 246 for the three years ended December 31, 2021, 2022, 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)	Year Ended December 31,							
	2023	2022	2021	2023 v. 2022		2022 v 2021		
Beverage, food and packaging costs	\$ 230,133	\$ 171,864	\$ 102,222	\$ 58,269	33.9 %	\$ 69,642	68.1 %	
As a percentage of company-operated shop revenues	26.9 %	26.9 %	25.3 %	N/A	— bps	N/A	160 bps	

[Year Ended December 31, 2023 v. 2022](#)

The beverage, food and packaging costs impacts for the year-over-year comparison, in dollars and basis points (as a percentage of current year company-operated shop revenues), were driven by the following:

(in thousands, except BPS; unaudited)	\$	BPS
Shop weeks	\$ 49,089	N/A
Ingredient costs	4,241	50
Volume	971	N/A
Timing	N/A	30
Pricing impacts	N/A	(130)
Other	3,968	50
Total change	\$ 58,269	—

Labor Costs

(in thousands; unaudited)	Year Ended December 31,							
	2023	2022	2021	2023 v. 2022		2022 v 2021		
Labor costs	\$ 230,505	\$ 182,861	\$ 122,161	\$ 47,644	26.1 %	\$ 60,700	49.7 %	
<i>As a percentage of company-operated shop revenues</i>	26.9 %	28.6 %	30.3 %	N/A	(170) bps	N/A	(170) bps	

[Year Ended December 31, 2023 v. 2022](#)

The labor costs impacts for the year-over-year comparison, presented in dollars and basis points (as a percentage of current year company-operated shop revenues), were driven by the following:

(in thousands, except BPS; unaudited)	\$	BPS
Shop weeks	\$ 52,966	N/A
Staffing management	(8,276)	(100)
Volume	517	N/A
Timing	N/A	20
Pricing impacts	N/A	(130)
Other	2,437	40
Total change	\$ 47,644	(170)

Occupancy and Other Costs

(in thousands; unaudited)	Year Ended December 31,							
	2023	2022	2021	2023 v. 2022		2022 v 2021		
Occupancy and other costs	\$ 140,895	\$ 109,366	\$ 63,570	\$ 31,529	28.8 %	\$ 45,796	72.0 %	
<i>As a percentage of company-operated shop revenues</i>	16.4 %	17.1 %	15.7 %	N/A	(70) bps	N/A	140 bps	

[Year Ended December 31, 2023 v. 2022](#)

The occupancy and other costs impacts for the year-over-year comparison, presented in dollars and basis points (as a percentage of current year company-operated shop revenues), were driven by the following:

(in thousands, except BPS; unaudited)	\$	BPS
Shop weeks	\$ 31,747	N/A
Timing	N/A	10
Pricing impacts	N/A	(80)
Other	(218)	—
Total change	\$ 31,529	(70)

Pre-opening Costs

(in thousands, except shop data; unaudited)	Year Ended December 31,						2022 v 2021	
	2023	2022	2021	2023 v. 2022				
Pre-opening costs	\$ 14,083	\$ 17,986	\$ 12,801	\$ (3,903)	(21.7) %	\$ 5,185	40.5 %	
<i>As a percentage of company-operated shop revenues</i>	1.6 %	2.8 %	3.2 %	N/A	(120) bps	N/A	(40) bps	
New company-operated shops opened	146	120	82	26	21.7 %	38	46.3 %	
Pre-opening costs per new company-operated shop	\$ 96	\$ 150	\$ 156	\$ (54)	(36.0) %	\$ (6)	(3.8) %	

[Year Ended December 31, 2023 v. 2022](#)

The decrease in pre-opening costs was primarily driven by opening a higher proportion of shops in existing markets, which do not require as much support, in the year ended December 31, 2023 as compared to 2022.

Depreciation and Amortization

(in thousands; unaudited)	Year Ended December 31,						2022 v 2021	
	2023	2022	2021	2023 v. 2022				
Depreciation and amortization	\$ 62,088	\$ 36,306	\$ 16,291	\$ 25,782	71.0 %	\$ 20,015	122.9 %	
<i>As a percentage of company-operated shop revenues</i>	7.2 %	5.6 %	4.0 %	N/A	160 bps	N/A	160 bps	

[Year Ended December 31, 2023 v. 2022](#)

The increase in depreciation and amortization was primarily driven by the opening of 146 new company-operated shops during 2023.



Company-operated Shop Gross Profit and Contribution¹

(in thousands; unaudited)	Year Ended December 31,							
	2023	2022	2021	2023 v. 2022		2022 v 2021		
Company-operated shop gross profit	\$ 180,235	\$ 121,327	\$ 86,701	\$ 58,908	48.6 %	\$ 34,626	39.9 %	
As a percentage of company-operated shop revenues	21.0 %	19.0 %	21.5 %	N/A	200 bps	N/A	(250) bps	
Company-operated shop contribution ¹	\$ 242,323	\$ 157,633	\$ 102,992	\$ 84,690	53.7 %	\$ 54,641	53.1 %	
As a percentage of company-operated shop revenues	28.2 %	24.6 %	25.5 %	N/A	360 bps	N/A	(90) bps	

¹ Reconciliation of GAAP to non-GAAP results is provided in the section "Non-GAAP Financial Measures" in Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Year Ended December 31, 2023 v. 2022

The Company-operated shop gross profit and contribution impacts for the year-over-year comparison, presented in basis points (as a percentage of current year company-operated shop revenues), were driven by the following:

(unaudited)	BPS
Ingredient costs	(50)
Labor costs	70
Costs decreases	20
Menu prices	360
Pricing and discounts	360
Pre-opening costs	120
New shop related items	120
Leverage (deleverage)	20
Loyalty points breakage ²	(60)
Other	(260)
Total change in Company-operated shop gross profit	200
Depreciation and amortization	160
Total change in Company-operated shop contribution ¹	360

¹ Reconciliation of GAAP to non-GAAP results is provided in the section "Non-GAAP Financial Measures" in Part I, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations".

² Recognition of \$4.9 million of breakage revenue from the loyalty points collected prior to January 1, 2022 that expired on December 31, 2022.



Franchising and Other Segment Performance

(in thousands; unaudited)	Year Ended December 31,							
	2023	2022	2021	2023 v. 2022			2022 v 2021	
Franchising and other revenue	\$ 107,837	\$ 99,302	\$ 94,130	\$ 8,535	8.6	%	\$ 5,172	5.5
Franchising and other gross profit	\$ 71,061	\$ 59,589	\$ 66,602	\$ 11,472	19.3	%	\$ (7,013)	(10.5)
As a percentage of franchising and other revenue	65.9	60.0	70.8	N/A	590	bps	N/A	(1,080)

Year Ended December 31, 2023 v. 2022

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

- + \$6.0 million primarily from products sold to franchisees, net of costs and adjustments.
- + \$3.1 million from shop weeks, driven by shop openings during the period.
- + \$2.4 million from same shop sales.

Selling, General, and Administrative

(in thousands; unaudited)	Year Ended December 31,							
	2023	2022	2021	2023 v. 2022			2022 v 2021	
Selling, General and Administrative	\$ 205,074	\$ 183,528	\$ 264,529	\$ 21,546	11.7	%	\$ (81,001)	(30.6)%
As a percentage of total revenues	21.2	24.8	53.1	N/A	N/M		N/A	N/M

Year Ended December 31, 2023 v. 2022

The selling, general, and administrative impacts for the year-over-year comparison, presented in dollars and basis points (as a percentage of current year total revenues), were driven by the following:

- + \$20.6 million from investments in human capital, processes, and systems to support our revenue growth.
- + \$2.2 million or 20 bps in consulting fees related to our long-term growth strategy and associated changes to our organizational structure to support growth.
- + \$2.0 million or 20 bps in estimated expense for certain legal disputes.
- \$2.4 million or 30 bps from prior year company-wide event costs celebrating 30 years serving high QUALITY, hand-crafted beverages with unparalleled SPEED and superior SERVICE to our customers.
- \$2.4 million or 30 bps from lower equity-based compensation charges.
- \$1.2 million or 10 bps from prior year write-off of prepaid expense for our virtual corporate engagement platform built in response to COVID-19 pandemic as a substitute for in person

engagement practices pre-pandemic. The platform was determined ineffective, particularly as we shifted back to in person engagement and easing of restrictions related to the COVID-19 pandemic.

The summation of the impact of the specific items above would have decreased selling, general and administrative expenses from prior year by 30 bps to be 24.5% of revenue. However, leverage from revenue growth reduces that percentage by 330 bps to be 21.2% of revenue.

Other Expense

(in thousands; unaudited)	Year Ended December 31,						
	2023	2022	2021	2023 v. 2022		2022 v 2021	
Interest expense on finance leases	\$ (17,516)	\$ (9,296)	\$ (4,145)	\$ (8,220)	88.4%	\$ (5,151)	124.3%
Other interest expense, net	(14,805)	(8,722)	(2,948)	(6,083)	69.7%	(5,774)	195.9%
Interest expense, net	\$ (32,321)	\$ (18,018)	\$ (7,093)	\$ (14,303)	79.4%	\$ (10,925)	154.0%
Other income (expense)	3,018	3,976	(1,240)	(958)	(24.1)%	5,216	N/M
Total other expense	\$ (29,303)	\$ (14,042)	\$ (8,333)	\$ (15,261)	108.7%	\$ (5,709)	68.5%

Year Ended December 31, 2023 v. 2022

The increase in interest expense, net was primarily driven by increased borrowings and higher interest rates associated with our credit facility, and additional finance leases for new shop builds.

The decrease in other income (expense), net was primarily driven by a decrease in remeasurement gains in the current period related to the TRAs liability.

Income Tax Expense (Benefit)

	Year Ended December 31,						
(in thousands; unaudited)	2023	2022	2021	2023 v. 2022		2022 v 2021	
Income tax expense (benefit)	\$ 6,967	\$ 2,599	\$ (1,628)	\$ 4,368	168.1 %	\$ 4,227	(259.6)%
Effective tax rate	41.2 %	(15.6)%	1.4 %	N/A	N/M	N/A	N/M

Year Ended December 31, 2023 v. 2022

The increase in tax expense was primarily driven by increased current year pre-tax income and changes in the state earnings mix, partially offset by increased credits.

Liquidity and Capital Resources

Cash Overview

We had cash and cash equivalents of \$133.5 million and \$20.2 million as of December 31, 2023 and December 31, 2022, respectively.

For the year ended December 31, 2023, our principal sources of liquidity were cash flows from our Follow-On Offering in September 2023, our revolving credit facility, and operations. Our principal uses of liquidity for the year ended December 31, 2023 were the payoff of our revolving credit facility, and to fund our new shop builds and other working capital needs.

For additional information related to the Follow-On Offering, see below.



Cash Flows

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

	Year Ended December 31,						
(in thousands; unaudited)	2023	2022	2021	2023 v. 2022		2022 v 2021	
Net cash provided by operating activities	\$ 139,915	\$ 59,883	\$ 80,375	\$ 80,032	133.6%	\$ (20,492)	(25.5)%
Net cash used in investing activities	(227,280)	(192,572)	(121,089)	(34,708)	18.0	(71,483)	59.0
Net cash provided by financing activities	200,732	134,361	27,580	66,371	49.4%	106,781	N/M
Net increase (decrease) in cash and cash equivalents	\$ 113,367	\$ 1,672	\$ (13,134)	\$ 111,695	6680.3%	\$ 14,806	(112.7)%
Cash and cash equivalents at beginning of period	20,178	18,506	31,640	1,672	9.0	(13,134)	(41.5)
Cash and cash equivalents at end of period	\$ 133,545	\$ 20,178	\$ 18,506	\$ 113,367	561.8%	\$ 1,672	9.0%

Operating Activities

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

- + 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.
- Shop acquisitions in the prior year compared to no acquisitions in the current year.

Financing Activities

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

- + Proceeds from our Follow-On Offering in September 2023.
- Payoff of our revolving credit facility.

Cash Requirements

We believe that proceeds from our Follow-On Offering, 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. 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.



From time to time, we may explore additional financing sources which could include equity, equity-linked, and debt financing arrangements. Further, the payments that we may be required to make under the TRAs may be significant, and we are currently unable to estimate the timing of the payments that may be due thereunder.

Other than operating expenses, including approximately \$24 million to \$31 million in costs related to our organizational realignment and restructuring initiative, our cash requirements for 2024 are expected to consist primarily of capital expenditures for investments in our new and existing shops, our supply chain, and our corporate facilities, including a new roasting facility that is estimated to be approximately \$10 million in incremental spend. The total capital expenditures for 2024 are estimated to be approximately \$280 million to \$320 million, including approximately \$6 million to \$10 million related to our organizational realignment and restructuring initiative.

Our current and long-term material cash requirements as of December 31, 2023, primarily include the following:

- **Debt Obligations:** Refer to NOTE 9 — Debt, of the notes to the consolidated financial statements, included elsewhere in this Form 10-K, for further information of our obligations and the timing of expected payments.
- **Operating and Finance Leases:** Refer to NOTE 8 — Leases, of the notes to the consolidated financial statements, included elsewhere in this Form 10-K, for further information of our obligations and the timing of expected payments.
- **Purchase Obligations:** include all legally binding contracts, including firm minimum commitments for inventory purchases, commitments for the purchase, construction or remodeling of real estate facilities, equipment purchases, marketing-related contracts, software acquisition/license commitments and service contracts. As of December 31, 2023, purchase obligations were approximately \$180 million, of which substantially all are expected to be paid within one to two years.
- **TRAs Obligations:** Refer to NOTE 11 — Tax Receivable Agreements and NOTE 17 — Commitments and Contingencies, of the notes to the consolidated financial statements, included elsewhere in this Form 10-K, for further information of our obligations.

Follow-On Offering

On September 12, 2023, Dutch Bros Inc. completed a follow-on offering of approximately 13.3 million shares of Class A common stock at a public offering price of \$26.00 per share, which included approximately 1.7 million shares issued pursuant to the exercise in full of the underwriters' option to purchase additional shares. This resulted in proceeds of approximately \$331.2 million, net of underwriting discounts and commissions. The proceeds were used to purchase an equal number of Class A common units of Dutch Bros OpCo. Dutch Bros OpCo used the proceeds for working capital and general corporate purposes, including principal repayment of \$202.7 million of our revolving credit facility, and for payment of offering costs of approximately \$1.1 million. The offering costs were charged to additional paid-in capital on our consolidated balance sheet.

Credit Facility

JP Morgan Credit Facility

On August 4, 2023, the Company amended its senior secured credit facility, dated February 28, 2022 with JP Morgan 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).



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.

Approximately \$202.7 million of proceeds from our September 2023 Follow-On Offering were used to pay off the balance of the revolving credit facility as of the repayment date.

[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.

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 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.

Refer to NOTE 2 — Basis of Presentation and Summary of Significant Accounting Policies within the consolidated financial statements, included elsewhere in this Form 10-K, for further information on our critical accounting estimates and policies, which are as follows:

Leases

At the commencement of each lease, we evaluate the lease agreement to determine whether it is an operating or finance lease. The evaluation requires significant judgments in determining the fair value of the lease right-of-use asset and the lease liability and appropriate lease terms.

Our lease agreements generally do not provide an implicit interest rate; as such, the discount rate used to measure the initial lease liability is equal to the rate the Company would pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Management uses a specialist to determine the discount rate, which is subject to fluctuation based on market interest rates and our credit risk profile.

We also estimate the lease term at commencement. The lease term commences on the date when we take possession of the leased property. To determine the length of the lease term at inception, we consider both termination and renewal option periods available. Reasonably certain renewal periods are included in the lease term at commencement.

Variations in judgment applied to these estimates could result in material differences such as the following:



- Lease expenses, including rent, depreciation and amortization
- Present value of lease right-of-use assets and lease liabilities
- Reasonably certain lease term

See NOTE 8 — Leases for further details.

Income Taxes

In determining the provision for income taxes, we make estimates and judgments which affect our evaluation of the carrying value of our deferred tax assets as well as our calculation of certain tax liabilities. We evaluate the carrying value of our deferred tax assets on a quarterly basis. In completing this evaluation, we consider all available positive and negative evidence. Such evidence includes historical operating results, the existence of cumulative earnings and losses in the most recent fiscal years, taxable income in prior carryback year(s) if permitted under the tax law, expectations for future pre-tax operating income, the time period over which our temporary differences will reverse, and the implementation of feasible and prudent tax planning strategies. Estimating future taxable income is inherently uncertain and requires judgment.

Our expense/(benefit) for income taxes, deferred tax assets and liabilities including valuation allowance requires the use of estimates based on our management's interpretation and application of complex tax laws and accounting guidance.

Deferred taxes are recorded using the asset and liability method, whereby tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. We regularly evaluate the valuation allowances established for deferred tax assets for which future realization is uncertain. In assessing the realizability of deferred tax assets, we consider both positive and negative evidence, including scheduled reversals of deferred tax assets and liabilities, projected future taxable income, tax planning strategies and results of recent operations. If, based on the weight of available evidence, it is more likely than not that the deferred tax assets will not be realized, a valuation allowance is recorded. See NOTE 12 — Income Taxes for further details.

Tax Receivable Agreements

In connection with our IPO, we entered into two TRAs with the Continuing Members and Pre-IPO Blocker Holders. The TRAs generally provide for us to pay the Continuing Members and Pre-IPO Blocker Holders 85% of the net cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize or are deemed to realize in certain circumstances. We will retain the benefit of the remaining 15% of these net cash savings. As of December 31, 2023, we recognized \$290.9 million of liabilities relating to our obligations under the TRAs.

Changes in the projected TRAs liability resulting from these tax benefit arrangements may occur based on changes in anticipated future taxable income, changes in applicable tax rates or other changes in tax attributes that may occur and impact the expected future tax benefits to be received by the Company. Estimating future taxable income is a key input in calculating the TRAs liability, and is inherently uncertain and requires judgment. In projecting future taxable income, we consider our historical results and incorporate certain assumptions. See NOTE 11 — Tax Receivable Agreements for further details.



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 (benefit), and depreciation and amortization expense.

Adjusted EBITDA — definition and/or calculation

Defined as EBITDA (as defined above), excluding equity-based compensation, expenses and donations associated with equity offerings, COVID-19: "Thank You" pay and catastrophic leave expenses, COVID-19: prepaid costs not utilized, costs incurred for company-wide milestone events, executives transitions costs, (gain) loss on the remeasurement of the liability related to the TRAs, estimated expenses related to certain legal disputes, 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 equity-based compensation expense, expenses and donations associated with equity offerings, COVID-19: prepaid costs not utilized, costs incurred for company-wide milestone events, executives transitions, estimated expense related to certain legal disputes, 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, restricted stock awards and restricted stock units in Dutch Bros Inc. and/or Profit Interest Units in Dutch Bros OpCo to certain eligible employees.

[Expenses associated with equity offerings](#)

Costs incurred as a result of our equity offerings. These costs include legal fees, consulting fees, tax and accounting fees, and payroll taxes related to the grant and vesting of equity awards for certain employees.

[Donations associated with equity offerings](#)

In connection with our IPO, we made a donation to the Foundation. This donation is separate from other donations to the Foundation that we may periodically make.

[COVID-19: "Thank You" pay and catastrophic leave](#)

Costs related to two separate programs established to support employees during the COVID-19 pandemic. We implemented an hourly wage supplement program for shop employees who continued to work while their state or county was under a stay at home order or similar lockdown requirement. This program lasted in various markets until April 2021. We also established a catastrophic leave policy that provided paid leave to employees who were required to quarantine due to in-shop exposures and could not work their regular hours. The catastrophic leave program was retired in May 2023.

[COVID-19: Prepaid costs not utilized](#)

Costs related to the write-off of previously prepaid expenses for the development of a virtual corporate engagement platform built in response to the health restrictions of the COVID-19 pandemic. The platform was developed as a substitute for in person engagement practices used pre-pandemic. The platform has been determined ineffective, particularly as we shift back to in-person events with the easing of restrictions related to the COVID-19 pandemic.

[Milestone events](#)

Costs incurred for company-wide events to celebrate 30 years of serving high QUALITY, hand-crafted beverages with unparalleled SPEED and superior SERVICE to our customers.

[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.

[TRAs remeasurements](#)

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

[Legal proceedings](#)

Estimated loss accrual related to certain legal disputes.

[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 are expected to continue for at least the next two years. 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:

	Year Ended December 31,					
	2023		2022		2021	
	\$	%	\$	%	\$	%
(in thousands; unaudited)						
Company-operated shop gross profit	180,235	21.0	121,327	19.0	86,701	21.5
Depreciation and amortization	62,088	7.2	36,306	5.6	16,291	4.0
Company-operated shop contribution	<u>242,323</u>	<u>28.2</u>	<u>157,633</u>	<u>24.6</u>	<u>102,992</u>	<u>25.5</u>

	Year Ended December 31,					
	2023		2022		2021	
	\$	%	\$	%	\$	%
(in thousands; unaudited)						
Net income (loss)	9,952	1.0	(19,253)	(2.6)	(117,931)	(23.7)
Depreciation and amortization	69,135	7.2	44,728	6.0	25,217	5.1
Interest expense, net	32,321	3.3	18,018	2.4	7,093	1.4
Income tax expense (benefit)	6,967	0.8	2,599	0.4	(1,628)	(0.3)
EBITDA	<u>118,375</u>	<u>12.3</u>	<u>46,092</u>	<u>6.2</u>	<u>(87,249)</u>	<u>(17.5)</u>
Equity-based compensation	39,222	4.1	41,657	5.6	157,716	31.7
Expenses associated with equity offerings	—	—	—	—	6,523	1.3
Donations associated with equity offerings	—	—	—	—	3,792	0.7
COVID-19: Thank You pay and catastrophic leave	—	—	1,468	0.2	3,350	0.7
COVID-19: prepaid costs not utilized	—	—	2,305	0.3	—	—
Milestone events	—	—	2,434	0.3	—	—
Executives transition	1,000	0.1	691	0.1	—	—
TRAs remeasurement	(2,638)	(0.3)	(3,466)	(0.4)	—	—
Legal proceedings	1,950	0.2	—	—	—	—
Organization realignment and restructuring:						
Consulting	2,153	0.2	—	—	—	—
Adjusted EBITDA	<u>160,062</u>	<u>16.6</u>	<u>91,181</u>	<u>12.3</u>	<u>84,132</u>	<u>16.9</u>

(in thousands; unaudited)	Year Ended December 31,					
	2023		2022		2021	
	\$	%	\$	%	\$	%
Selling, general, and administrative ¹	205,074	21.2	183,528	24.8	264,529	53.1
Equity-based compensation	(39,222)	(4.1)	(41,657)	(5.6)	(157,716)	(31.7)
Expenses associated with equity offerings	—	—	—	—	(6,523)	(1.3)
Donations associated with equity offerings	—	—	—	—	(3,792)	(0.7)
COVID-19: prepaid costs not utilized	—	—	(2,305)	(0.3)	—	—
Milestone events	—	—	(2,434)	(0.3)	—	—
Executives transition	(1,000)	(0.1)	(691)	(0.1)	—	—
Legal proceedings	(1,950)	(0.2)	—	—	—	—
Organization realignment and restructuring:						
Consulting	(2,153)	(0.2)	—	—	—	—
Adjusted selling, general and administrative	160,749	16.6	136,441	18.5	96,498	19.4

¹ Selling, general and administrative expenses include depreciation and amortization.

ITEM 7A. 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 year ended December 31, 2023, 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 December 31, 2023, 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 December 31, 2023, we had no revolving loans outstanding, and \$95.6 million was outstanding on our term loan. A hypothetical increase of interest rates up to 1% on our outstanding term loan as of December 31, 2023 would result in an increase in our annual interest expense of approximately \$1.0 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

Audited Consolidated Financial Statements of Dutch Bros Inc. and Subsidiaries	Page
Report of Independent Registered Public Accounting Firm	89
Consolidated Balance Sheets	92
Consolidated Statements of Operations	94
Consolidated Statements of Comprehensive Income (Loss)	95
Consolidated Statements of Stockholders' Equity	96
Consolidated Statements of Cash Flows	99
Notes to Consolidated Financial Statements	101

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Dutch Bros Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Dutch Bros Inc. and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2022 due to the adoption of ASC Topic 842, *Leases*, as amended.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included



performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Measurement of the tax receivable agreement liability

As discussed in Note 2 to the consolidated financial statements, the Company has tax receivable agreements (TRA) with certain Pre-IPO Owners, which are contractual commitments to pay an amount equal to 85% of certain tax attributes and benefits, deemed to be realized in certain circumstances by the Company, to the parties to the TRA. As discussed in Note 11, the Company's liability related to obligations under the TRA (TRA Liability) was \$290.9 million as of December 31, 2023.

We identified the measurement of the TRA liability as a critical audit matter. Subjective auditor judgment, including specialized skills and knowledge, was required in the evaluation of the Company's interpretation of tax law to determine the tax attributes and benefits subject to the TRA. In addition, evaluation of the interpretation of the tax law and the completeness of the inputs to the calculation used to determine the TRA liability required specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the TRA liability. This included the internal controls over the application of relevant tax law and the completeness of the inputs into the TRA liability calculation. We involved tax professionals with specialized skills and knowledge, who assisted in:

- developing an independent interpretation of the tax law to determine the tax attributes and benefits subject to the TRA and comparing to the Company's interpretation



- evaluating the completeness of the inputs to the model by comparing the Company's model and the inputs used to develop the TRA liability to our independently developed model.

/s/ KPMG LLP

We have served as the Company's auditor since 2020.

Portland, Oregon
February 23, 2024

DUTCH BROS INC.

Consolidated Balance Sheets

(in thousands, except per share amounts)		December 31, 2023	December 31, 2022
ASSETS			
Current assets:			
Cash and cash equivalents	\$	133,545	\$ 20,178
Accounts receivable, net		9,124	11,966
Inventories, net		46,953	39,229
Prepaid expenses and other current assets		15,637	10,949
Total current assets		205,259	82,322
Property and equipment, net		542,440	365,468
Finance lease right-of-use assets, net		382,734	247,943
Operating lease right-of-use assets, net		199,673	169,302
Intangibles, net		5,415	8,804
Goodwill		21,629	21,629
Deferred income tax assets, net		402,995	288,765
Other long-term assets		3,865	2,127
Total assets	\$	1,764,010	\$ 1,186,360
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable	\$	29,957	\$ 21,270
Accrued compensation and benefits		31,405	19,706
Other accrued liabilities		15,770	9,667
Other current liabilities		6,423	5,939
Deferred revenue		30,349	25,335
Line of credit		—	110,865
Current portion of finance lease liabilities		9,482	7,971
Current portion of operating lease liabilities		10,239	9,317
Current portion of long-term debt		4,491	2,609
Total current liabilities		138,116	212,679
Deferred revenue, net of current portion		6,676	6,119
Finance lease liabilities, net of current portion		367,775	237,130
Operating lease liabilities, net of current portion		191,419	161,228
Long-term debt, net of current portion		93,175	96,297
Tax receivable agreements liability		290,920	220,923
Other long-term liabilities		8	8
Total liabilities		1,088,089	934,384
Commitments and contingencies (Note 17)			

DUTCH BROS INC.

Consolidated Balance Sheets (continued)

(in thousands, except per share amounts)

	December 31, 2023	December 31, 2022
Preferred stock, \$0.00001 par value per share - 20,000 shares authorized; zero shares issued and outstanding as of December 31, 2023 and 2022, respectively	—	—
Class A common stock, \$0.00001 par value per share - 400,000 shares authorized; 69,958 and 45,544 shares issued and outstanding as of December 31, 2023 and 2022, respectively	1	1
Class B common stock, \$0.00001 par value per share - 144,000 shares authorized; 60,629 and 64,699 shares issued and outstanding as of December 31, 2023 and 2022, respectively	1	1
Class C common stock, \$0.00001 par value per share - 105,000 shares authorized; 35,864 and 41,056 shares issued and outstanding as of December 31, 2023 and 2022, respectively	—	—
Class D common stock, \$0.00001 par value per share - 42,000 shares authorized; 10,669 and 12,411 shares issued and outstanding as of December 31, 2023 and 2022, respectively	—	—
Additional paid-in capital	379,391	145,613
Accumulated other comprehensive income	544	813
Accumulated deficit	(15,592)	(17,310)
Total stockholders' equity attributable to Dutch Bros Inc.	364,345	129,118
Non-controlling interests	311,576	122,858
Total equity	675,921	251,976
Total liabilities and equity	\$ 1,764,010	\$ 1,186,360

See accompanying notes to consolidated financial statements.

DUTCH BROS INC.

Consolidated Statements of Operations

	Year Ended December 31,		
	2023	2022	2021
(in thousands, except per share amounts)			
REVENUES			
Company-operated shops	\$ 857,939	\$ 639,710	\$ 403,746
Franchising and other	107,837	99,302	94,130
Total revenues	965,776	739,012	497,876
COSTS AND EXPENSES			
Cost of sales	714,480	558,096	344,573
Selling, general and administrative	205,074	183,528	264,529
Total costs and expenses	919,554	741,624	609,102
INCOME (LOSS) FROM OPERATIONS	46,222	(2,612)	(111,226)
OTHER EXPENSE			
Interest expense, net	(32,321)	(18,018)	(7,093)
Other income (expense)	3,018	3,976	(1,240)
Total other expense	(29,303)	(14,042)	(8,333)
INCOME (LOSS) BEFORE INCOME TAXES	16,919	(16,654)	(119,559)
Income tax expense (benefit)	6,967	2,599	(1,628)
NET INCOME (LOSS)	\$ 9,952	\$ (19,253)	\$ (117,931)
Less: Net loss attributable to Dutch Bros OpCo prior to the Reorganization Transactions	—	—	(67,374)
Less: Net income (loss) attributable to non-controlling interests	8,234	(14,500)	(37,878)
NET INCOME (LOSS) ATTRIBUTABLE TO DUTCH BROS INC.	<u>\$ 1,718</u>	<u>\$ (4,753)</u>	<u>\$ (12,679)</u>
Net income (loss) per share of Class A and Class D common stock:			
Basic	<u>\$ 0.03</u>	<u>\$ (0.09)</u>	<u>\$ (0.28)</u>
Diluted	<u>\$ 0.03</u>	<u>\$ (0.09)</u>	<u>\$ (0.28)</u>
Weighted-average shares of Class A and Class D common stock outstanding:			
Basic	62,074	51,871	45,864
Diluted	62,074	51,871	45,864

See accompanying notes to consolidated financial statements.

DUTCH BROS INC.

Consolidated Statements of Comprehensive Income (Loss)

(in thousands)	Year Ended December 31,		
	2023	2022	2021
Net income (loss)	\$ 9,952	\$ (19,253)	\$ (117,931)
Other comprehensive income (loss)			
Unrealized gain (loss) on derivative securities, effective portion, net of income tax expense of \$10, \$273, and \$— respectively	(748)	2,908	—
Comprehensive income (loss)	9,204	(16,345)	(117,931)
Less: comprehensive loss attributable to Dutch Bros OpCo prior to the Reorganization Transactions	—	—	(67,374)
Less: comprehensive income (loss) attributable to non-controlling interests	7,755	(12,405)	(37,878)
Comprehensive income (loss) attributable to Dutch Bros Inc.	<u>\$ 1,449</u>	<u>\$ (3,940)</u>	<u>\$ (12,679)</u>

See accompanying notes to consolidated financial statements.



DUTCH BROS INC.

Consolidated Statements of Stockholders' Equity

Year Ended December 31, 2023

	Dutch Bros Inc. Stockholders' Equity												
	Class A		Class B		Class C		Class D						
	Common Stock		Common Stock		Common Stock		Common Stock						
(in thousands)	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid-in- Capital	Accumulated 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 income	—	—	—	—	—	—	—	—	—	—	1,718	8,234	9,952
Unrealized loss on derivative securities, effective portion, net of income tax expense of \$10	—	—	—	—	—	—	—	—	(217)	(269)	—	(479)	(965)
Equity-based compensation expense	—	—	—	—	—	—	—	—	15,177	—	—	24,045	39,222
Issuance of Class A common stock pursuant to vesting of equity awards, net of stock withheld for tax and forfeitures	140	—	—	—	—	—	—	—	(661)	—	—	(1,234)	(1,895)
Issuance of Class A common stock sold pursuant to follow-on offering, net of offering costs	13,269	—	—	—	—	—	—	—	330,081	—	—	—	330,081
Tax impacts of follow-on offering	—	—	—	—	—	—	—	—	46,594	—	—	—	46,594
Tax impacts of other equity-related transactions	—	—	—	—	—	—	—	—	655	—	—	—	655
Impacts of Tax Receivable Agreements	—	—	—	—	—	—	—	—	301	—	—	—	301
Effect of acquisition of Dutch Bros OpCo Class A common units	11,005	—	(4,070)	—	—	—	—	—	(158,152)	—	—	158,152	—
Surrender and cancellation of Class C & D common stock	—	—	—	—	(5,192)	—	(1,742)	—	—	—	—	—	—
Balance, December 31, 2023	69,958	\$ 1	60,629	\$ 1	35,864	\$ —	10,669	\$ —	\$ 379,391	\$ 544	\$ (15,592)	\$ 311,576	\$ 675,921

DUTCH BROS INC.

Consolidated Statements of Stockholders' Equity (continued)

Year Ended December 31, 2022

(in thousands)	Dutch Bros. Inc. Stockholders' Equity												
	Class A		Class B		Class C		Class D		Additional Paid-in- Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Non- Controlling Interests	Total Equity
	Common Stock		Common Stock		Common Stock		Common Stock						
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balance, December 31, 2021	34,433	\$ —	64,699	\$ 1	49,006	\$ 1	15,441	\$ —	\$ 107,193	\$ —	\$ (12,679)	\$ 119,213	\$ 213,729
Adoption of ASU 2016-02, as amended	—	—	—	—	—	—	—	—	—	—	122	301	423
Net loss	—	—	—	—	—	—	—	—	—	—	(4,753)	(14,500)	(19,253)
Unrealized gain on derivative securities, effective portion, net of income tax expense of \$273	—	—	—	—	—	—	—	—	(17)	813	—	2,095	2,891
Equity-based compensation	—	—	—	—	—	—	—	—	13,743	—	—	27,914	41,657
Issuance of Class A common stock pursuant to vesting of equity awards, net of stock withheld for tax	131	—	—	—	—	—	—	—	(1,145)	—	—	(2,755)	(3,900)
Impact of Tax Receivable Agreements	—	—	—	—	—	—	—	—	16,429	—	—	—	16,429
Effect of exchange of Dutch Bros OpCo Class A common units	—	—	—	—	—	—	—	—	9,410	—	—	(9,410)	—
Surrender and cancellation of Class C & D common stock	10,980	1	—	—	(7,950)	(1)	(3,030)	—	—	—	—	—	—
Balance, December 31, 2022	<u>45,544</u>	<u>\$ 1</u>	<u>64,699</u>	<u>\$ 1</u>	<u>41,056</u>	<u>\$ —</u>	<u>12,411</u>	<u>\$ —</u>	<u>\$ 145,613</u>	<u>\$ 813</u>	<u>\$ (17,310)</u>	<u>\$ 122,858</u>	<u>\$ 251,976</u>



DUTCH BROS INC.

Consolidated Statements of Stockholders' Equity (continued)

Year Ended December 31, 2021

	Dutch Mafia LLC (Prior to Reorganization Transactions)	Dutch Bros. Inc. Stockholders' Equity											
		Class A Common Stock		Class B Common Stock		Class C Common Stock		Class D Common Stock					
(in thousands)	Members' Equity	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid-in- Capital	Accumulated Deficit	Non- Controlling Interests	Total Equity
Balance, December 31, 2020	\$ 77,487	—	\$ —	—	\$ —	—	\$ —	—	\$ —	\$ —	\$ —	—	77,487
Net loss prior to the Reorganization Transactions	(67,374)	—	—	—	—	—	—	—	—	—	—	—	(67,374)
Reclass of profits interest liability to equity	76,596	—	—	—	—	—	—	—	—	—	—	—	76,596
Member distributions	(213,308)	—	—	—	—	—	—	—	—	—	—	—	(213,308)
Equity-based compensation recognized prior to the Reorganization Transactions	78,579	—	—	—	—	—	—	—	—	—	—	—	78,579
Effect of the Reorganization Transactions and initial public offering on non-controlling interests	48,020	9,877	—	71,408	1	54,068	1	17,036	—	(195,936)	—	147,914	—
Issuance of Class A common stock sold in initial public offering, net of offering costs	—	24,211	—	—	—	—	—	—	—	520,804	—	—	520,804
Purchase of OpCo Units in connection with the initial public offering	—	—	—	(6,709)	—	(5,062)	—	—	—	(239,421)	—	(13,849)	(253,270)
Net loss subsequent to the Reorganization Transactions	—	—	—	—	—	—	—	—	—	—	(12,679)	(37,878)	(50,557)
Equity-based compensation recognized subsequent to the Reorganization Transactions	—	—	—	—	—	—	—	—	—	12,663	—	31,390	44,053
Issuance of Class A common stock pursuant to vesting of equity awards, net of stock withheld for tax	—	345	—	—	—	—	—	—	—	(3,258)	—	(8,075)	(11,333)
Impact of Tax Receivable Agreements	—	—	—	—	—	—	—	—	—	46,446	—	—	46,446
Effect of exchange of OpCo Class A common units	—	—	—	—	—	—	—	—	—	289	—	(289)	—
Surrender and cancellation of Class C & D common stock	—	—	—	—	—	—	—	(1,595)	—	(34,394)	—	—	(34,394)
Balance, December 31, 2021	\$ —	34,433	\$ —	64,699	\$ 1	49,006	\$ 1	15,441	\$ —	\$ 107,193	\$ (12,679)	\$ 119,213	\$ 213,729

DUTCH BROS INC.

Consolidated Statements of Cash Flows

(in thousands)	Year Ended December 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net income (loss)	\$ 9,952	\$ (19,253)	\$ (117,931)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	69,135	44,728	25,217
Non-cash interest expense	887	691	280
Loss (gain) on disposal of assets	(23)	(340)	657
Loss on extinguishment of debt	—	—	1,286
Equity-based compensation	39,222	41,657	157,716
Deferred income taxes	5,946	1,078	(2,663)
Remeasurement gain on TRAs	(2,638)	(3,466)	—
Non-cash operating lease cost	11,413	9,919	—
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable, net	2,842	(1,322)	193
Inventories, net	(7,724)	(15,817)	(7,668)
Prepaid expenses and other current assets	(4,775)	(695)	(3,761)
Other long-term assets	(578)	1,147	13
Accounts payable	3,903	1,606	2,154
Accrued compensation and benefits	11,699	5,333	5,224
Other accrued liabilities	3,738	643	2,864
Other current liabilities	484	1,001	4,794
Deferred revenue	5,571	3,367	11,706
Deferred rent	—	—	412
Other long-term liabilities	—	(672)	(118)
Operating lease liabilities	(9,139)	(9,722)	—
Net cash provided by operating activities	139,915	59,883	80,375
Cash flows from investing activities:			
Purchases of property and equipment	(228,457)	(187,880)	(118,444)
Proceeds from disposal of fixed assets	1,177	1,359	2,742
Acquisition of shops from franchisees	—	(6,051)	(5,387)
Net cash used in investing activities	(227,280)	(192,572)	(121,089)
Cash flows from financing activities:			
Proceeds from line of credit	90,000	157,705	65,000
Payments on line of credit	(202,705)	(10,000)	(15,000)
Payments on finance lease liabilities	(12,432)	(5,838)	(2,653)
Proceeds from financing lease obligations	—	—	1,484
Proceeds from long-term debt	1,647	1,375	200,000
Payments on long-term debt	(2,613)	(1,982)	(227,594)
Payments of debt issuance costs	(1,350)	(2,749)	(2,406)
Proceeds from equity offering, net of underwriting discounts and commissions	331,200	—	524,858
Distributions paid to members	—	—	(213,308)
Payments to repurchase outstanding equity/member units	—	—	(287,664)
Payment of deferred offering costs	(1,119)	(250)	(3,804)
Tax withholding payments upon vesting of equity awards	(1,896)	(3,900)	(11,333)
Net cash provided by financing activities	200,732	134,361	27,580
Net increase (decrease) in cash and cash equivalents	113,367	1,672	(13,134)
Cash and cash equivalents, beginning of period	20,178	18,506	31,640
Cash and cash equivalents, end of period	\$ 133,545	\$ 20,178	\$ 18,506



DUTCH BROS INC.

Consolidated Statements of Cash Flows (continued)

(in thousands)	Year Ended December 31,		
	2023	2022	2021
Supplemental disclosure of cash flow information			
Cash paid for interest	\$ 34,969	\$ 17,613	\$ 7,350
Income taxes paid	1,731	1,316	886
Supplemental disclosure of noncash investing and financing activities			
Additions of property with capital leases	—	—	35,169
Additions of property and equipment accrued as of end of period	13,880	6,731	6,452
Deferred offering costs accrued	—	—	250
Transfer between line of credit and term loan facility	—	100,000	—

See accompanying notes to consolidated financial statements.

DUTCH BROS INC.

Index for Notes to Consolidated Financial Statements

Note	Page
NOTE 1 — Organization and Background	102
NOTE 2 — Basis of Presentation and Summary of Significant Accounting Policies	102
NOTE 3 — Revenue Recognition	111
NOTE 4 — Shop Acquisitions	113
NOTE 5 — Inventories	114
NOTE 6 — Property and Equipment	114
NOTE 7 — Intangible Assets and Goodwill	115
NOTE 8 — Leases	115
NOTE 9 — Debt	117
NOTE 10 — Derivative Financial Instruments	119
NOTE 11 — Tax Receivable Agreements	120
NOTE 12 — Income Taxes	121
NOTE 13 — Equity-Based Compensation	123
NOTE 14 — Employee Benefit Plans	124
NOTE 15 — Non-Controlling Interests	125
NOTE 16 — Income (Loss) Per Share	126
NOTE 17 — Commitments and Contingencies	127
NOTE 18 — Related Party Transactions	129
NOTE 19 — Segment Reporting	129
NOTE 20 — Subsequent Events	130



DUTCH BROS INC.

Notes to Consolidated Financial Statements

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 December 31, 2023, there were 831 shops in operation in 16 U.S. states, of which 542 were company-operated and 289 were franchised.

Organization

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, the Company 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 December 31, 2023, the Company held 100.0% of the voting interest and 45.5% of the economic interest of Dutch Bros OpCo. The Continuing Members held none of the voting interest and the remaining 54.5% of the economic interest of Dutch Bros OpCo.

IPO and Reorganization Transactions

In 2021 the Company completed its IPO of approximately 24.2 million shares of Class A common stock at a public offering price of \$23.00 per share. In connection with the IPO, the Company completed various reorganization transactions, including amending and restating corporation and LLC documents, acquiring Dutch Bros OpCo's common and voting units, designating Dutch Bros Inc. as managing member of Dutch Bros OpCo, and entering into Tax Receivable Agreements with the Continuing Members and Pre-IPO Blocker Holders (collectively, the Reorganization Transactions).

Follow-On Offering

On September 12, 2023, Dutch Bros Inc. completed a follow-on offering of approximately 13.3 million shares of Class A common stock at a public offering price of \$26.00 per share, which included approximately 1.7 million shares issued pursuant to the exercise in full of the underwriters' option to purchase additional shares. This resulted in proceeds of approximately \$331.2 million, net of underwriting discounts and commissions. The proceeds were used to purchase an equal number of Class A common units of Dutch Bros OpCo. Dutch Bros OpCo used the proceeds for working capital and general corporate purposes, including principal repayment of the Company's revolving credit facility, and for payment of offering costs of approximately \$1.1 million. The offering costs were charged to additional paid-in capital on the Company's consolidated balance sheet.

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

Financial Statements Presentation

The Company's consolidated financial statements as of December 31, 2023 and for the three years then ended have been prepared in accordance with GAAP and pursuant to the rules and regulations of the SEC.

Reclassifications

The Company reclassified certain amounts in prior-period consolidated financial statements to conform to the current period's presentation. Accrued compensation and benefits costs have been reclassified from



other accrued liabilities and other current liabilities to be presented in a new line on the face of the consolidated balance sheets.

Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries that it controls due to ownership of a majority voting interest or pursuant to accounting guidance for non-controlling interests. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The presentation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions, primarily related to long-lived asset valuation, leases, deferred revenue, tax receivable agreements, income taxes, and equity-based compensation that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. 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.

Cash and Cash Equivalents

Cash and cash equivalents include all short-term highly liquid instruments with original maturities of three months or less at the time of purchase, as well as credit card receivables for sales to customers in company-operated shops that generally settle within two to five business days. The Company's cash accounts are maintained at various high credit quality financial institutions and may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Fair Value Measurements

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. The Company categorizes assets and liabilities, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as set forth below. The three levels of the hierarchy are defined as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets or liabilities, quoted prices for identical assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are both unobservable and significant to the overall fair value measurements reflecting an entity's estimates of assumptions that market participants would use in pricing the asset or liability.

The Company's consolidated balance sheets include cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued expenses and other current liabilities, for which the carrying amounts approximate fair value due to their short-term maturity. The fair value of the Company's variable-rate credit facilities approximate their carrying amounts as the Company's cost of borrowing is variable and approximates current market prices, which is considered Level 2 in the fair value hierarchy.



[Derivative Instruments](#)

The Company manages exposure to fluctuations in interest rates within its consolidated financial statements according to a hedging policy. Under this policy, the Company may from time to time enter into interest rate swap agreements to fix a portion of interest expense and hedge interest rate risk. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. The Company does not enter into derivative instruments for speculative purposes or for any other purpose other than to manage its risks related to fluctuations in interest rates.

By using swap instruments, the Company is exposed to potential credit risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. The Company minimizes this credit risk by entering into transactions with carefully selected, credit-worthy counterparties.

[Cash Flow Hedges](#)

Cash flow hedges related to anticipated transactions are designated and documented at the inception of each hedge. Cash flows from hedging transactions are classified in the same categories as the cash flows from the respective hedged items.

For derivative instruments that are designated and qualify as a cash flow hedge, the derivative's gain or loss is reported as a component of other comprehensive income (OCI) and recorded in accumulated other comprehensive income (AOCI) on the Company's consolidated balance sheets. The gain or loss is subsequently reclassified into net earnings when the hedged exposure affects net earnings, in the same line item as the underlying hedged item on the Company's consolidated statements of operations.

The Company discontinues hedge accounting when:

- it determines that the cash flow derivative is no longer effective in offsetting changes in the cash flows of a hedged item;
- the derivative expires or is sold, terminated or exercised;
- it is no longer probable that the forecasted transaction will occur; or
- management determines that designation of the derivatives as a hedge instrument is no longer appropriate.

Refer to NOTE 10 — Derivative Financial Instruments for further discussion of the Company's derivative instruments.

[Accounts Receivable](#)

Accounts receivable, net of allowance for credit losses, consist primarily of royalty revenues, outstanding balances for sales of roasted coffee beans, Blue Rebel, other retail-related supplies to franchisees, and vendor rebates. The allowance for credit losses is estimated based on the Company's historical losses adjusted for current, reasonable and supportable forecasts of economic conditions and other pertinent factors affecting the Company's customers, review of specific accounts, and the financial stability and credit worthiness of its customers. Accounts receivable are charged off against the allowance for credit losses when the financial condition of the Company's customers is adversely affected and they are unable to meet their financial obligations. The Company had no allowance for credit losses at December 31, 2023 and 2022.



[Inventories](#)

Inventories, net consist primarily of roasted and unroasted coffee beans, Blue Rebel, accessories, and other retail related supplies. Inventories are stated at the lower of cost or net realizable value, with cost being determined by the standard cost method which approximates actual cost on a first-in, first-out basis. The Company records product returns as they are received, and obsolete and slow-moving inventory when identified, as these types of transactions have generally been immaterial to the Company's historical operations.

[Property and Equipment](#)

Property and equipment, net are stated at historical cost less accumulated depreciation. Expenditures for maintenance, repairs, and routine replacements are charged to expense as incurred. Expenditures for major repairs and improvements that extend the useful lives of property and equipment are capitalized. When property or equipment is sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the balance sheet and any gain or loss is included in income (loss) from operations in the accompanying consolidated statements of operations. With the exception of the Company's aircraft which is depreciated under the consumption method, depreciation is computed on a straight-line basis over the following useful lives:

(in years, except for aircraft)	Estimated Useful Life
Software	3
Equipment and fixtures	3 - 7
Leasehold improvements	5 - 15 ¹
Buildings	10 - 20

¹ Lesser of lease term or useful life

The Company capitalizes costs associated with the acquisition or development of major software for internal use and amortizes the assets over the expected life of the software, generally 3 years. The Company only capitalizes subsequent additions, modifications, or upgrades to internal-use software to the extent that such changes allow the software to perform a task it previously did not perform. The Company expenses software maintenance and training costs as incurred.

[Leases](#)

The Company adopted ASC 842, as amended, using the modified retrospective transition method with an effective date of January 1, 2022. The modified retrospective approach permits a company to use its effective date as the date of initial application to apply the standard to its leases, and, therefore, not restate comparative prior period financial information. As such, results for reporting periods beginning on or after January 1, 2022 are presented under ASC 842. Prior period amounts were not revised and continue to be reported in accordance with ASC Topic 840 (ASC 840).

The Company leases its company-operated shops, warehouse facilities, most headquarters buildings, and certain equipment under non-cancelable lease agreements that expire on various dates through 2043. The Company's real estate leases consist of commercial ground leases and build-to-suite leases. The Company recognizes a right of use asset and lease liability for each lease with a contractual term of greater than 12 months at lease inception. The Company has elected not to recognize leases with terms of 12 months or less.

The Company's real estate leases typically have an initial term of 15 years and include one to three renewal periods of five-years each. The Company includes renewals in the lease term when it is reasonably certain that the renewal period will be exercised.



The Company calculates right-of-use assets and lease liabilities based on the present value of the fixed minimum lease payments, including any estimated lease incentives, at lease commencement using an estimated incremental borrowing rate corresponding to the lease term and applied on a portfolio basis. The Company has elected not to separate lease and non-lease components.

At lease commencement, the Company determines lease classification as operating or finance, and expense recognition occurs over the lease term from the date the Company takes possession of the property. For operating leases, expense is recognized on a straight-line basis; for finance leases, expense is recognized on an accelerated basis. The Company records lease expense in cost of sales on the Company's consolidated statements of operations. Variable lease costs are expensed as incurred and recognized in cost of sales on the consolidated statements of operations.

The Company has sale and leaseback transactions that do not qualify for sale-leaseback accounting because of deemed continuing involvement by the Company, which results in the transaction being recorded under the financing method. These financing obligations are included in long-term debt on the Company's consolidated balance sheets.

For additional information, see NOTE 8 — Leases and NOTE 9 — Debt to the consolidated financial statements.

[Business Combinations](#)

The Company accounts for the acquisition of reacquired franchises from franchisees using the acquisition method of accounting for business combinations. The Company allocates the purchase price paid for acquired assets and liabilities in connection with an acquisition based on the Company's estimated fair value at the time of acquisition. This allocation involves a number of assumptions, estimates, and judgments in determining the fair value of the following:

- Intangible assets, including valuation methodology, estimations of future cash flows, discount rates, market segment growth rates, assumed market share, and estimated useful life;
- Deferred tax assets and liabilities, uncertain tax positions, and tax-related valuation allowances estimate; and
- Other assets and liabilities, and contingent consideration, as applicable.

Fair value measurements for reacquired franchise rights and property and equipment were determined using the income approach and cost approach, respectively. The fair value measurement of acquired assets and liabilities as of the acquisition date is based on significant inputs not observed in the market, and as such, represents a Level 3 fair value measurement.

Goodwill is measured as the excess of the purchase price paid over the net of the acquisition date fair values of assets acquired and liabilities assumed. Goodwill is allocated to the company-operated shops reportable segment and is expected to be fully deductible for tax purposes.

[Goodwill](#)

The Company reviews the recoverability of goodwill on a reporting unit basis at least annually, as of the beginning of the Company's fourth fiscal quarter, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The annual impairment test includes an option to perform a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying value; the qualitative test may be performed prior to, or as an alternative to, performing a quantitative goodwill impairment test. If, after assessing the totality of events or circumstances, the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then the Company is required to perform the quantitative goodwill impairment test. Otherwise, no further analysis is required. The Company performed annual qualitative



impairment assessments for each of the three years in the period ended December 31, 2023, and no impairment charges were recognized.

[Impairment of Long-Lived Assets](#)

Long-lived assets are reviewed for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. The Company's assessment of recoverability of property and equipment and finite-lived intangible assets is performed at the component level, which is generally an individual shop, and requires judgment and an estimate of future undiscounted shop-generated cash flows. Estimates of fair values are based on the best information available and require the use of estimates, judgments, and projections. The Company tests for recoverability by comparing the carrying value of the asset (asset group) to the undiscounted cash flows. If the carrying value is not recoverable, the Company would recognize an impairment loss if the carrying value of the asset (asset group) exceeds the fair value. The Company performed an annual qualitative assessment in its fourth fiscal quarter of 2023, which indicated no changes in circumstances or triggering events for impairment.

[Revenue Recognition](#)

Consolidated revenues are recognized net of any discounts, returns, allowances and sales incentives in accordance with Accounting Standards Codification (ASC) Topic 606 (ASC 606), *Revenue from Contracts with Customers*.

[Company-operated Shops Revenue](#)

Retail sales from company-operated shops and through online channels are recognized at the point in time when the products are sold to the customers. The Company reports revenues net of sales taxes collected from customers and remitted to government taxing authorities.

[Loyalty Program](#)

Dutch Rewards, the Company's digital loyalty program that is accessible via mobile app, provides the following key opportunities for customers:

- Collect points based on purchases
- Convert points to rewards
- Redeem rewards for free drinks
- Receive birthday and other promotional awards

Points earned and not redeemed for rewards within 180 days automatically expire, and rewards that are not used within six months of issuance automatically expire. Separately, birthday and other promotional awards automatically expire after eight to 30 days, depending on the specific award.

The Company defers revenue based on the estimated value of beverages for which the points, rewards, and awards are expected to be redeemed. Based on historical expiration rates, a portion of points, rewards, and awards are not expected to be redeemed and are recognized as breakage. For the year ended December 31, 2023, the Company recognized breakage of approximately \$3.3 million. The Company completed its initial breakage assessment as of December 31, 2022, which resulted in revenue recognized of \$7.4 million, including \$4.9 million for points collected prior to January 1, 2022 that expired on December 31, 2022.

[Gift Card Program](#)

The Company operates a gift card program and maintains a contract liability for gift cards sold, recognizing revenue from gift cards when a gift card is redeemed. Gift cards do not have an expiration date or a service fee causing a decrement to the customer balance. Based on historical redemptions rates, a portion of gift cards are not expected to be redeemed and are recognized as breakage.



Franchising Revenue

Franchise royalty fees are generally computed as a percentage of net franchise sales and are charged for continuing support of franchisees for various services provided by the Company. These services are highly interrelated, and as such are accounted for as a single performance obligation.

Separately, the Company receives marketing fees from franchisees for promotion of the Dutch Bros brand. Contributions are based on a percentage of shop sales and marketing expenditures include payments to third parties and other costs. If receipts exceed expenditures, the excess is recorded as an accrued liability. As of December 31, 2023 and 2022, no excess marketing fees were accrued in the Company's consolidated financial statements.

Initial and other deferred franchise fees are recorded as a contract liability, and revenue is recognized ratably over the term of the franchise agreement, which is generally ten years.

Other franchising revenue, including coffee bean sales, Dutch Bros. Blue Rebel beverage sales, accessories and other sales, are recognized when shipped.

Other Revenue

Other revenue includes retail coffee and other food and beverage sales, recognized at the date of sale, as well as sales of products through the Company website, recognized at the point in time of shipment to customers.

Deferred Revenue

Deferred revenue primarily consists of the unredeemed gift card liability and unredeemed points/rewards from our Dutch Rewards loyalty program. Deferred revenue also includes bean and beverage sales to distributors where the performance obligation has not yet been satisfied as control has not transferred to the customer.

Shop Pre-opening Expenses

Pre-opening expenses incurred with the opening of new company-operated shops are expensed as incurred. These costs include rent expense, wages, benefits, travel and lodging for the training and opening management teams, and beverage and other operating expenses incurred prior to a shop opening for business and are included in cost of sales.

Vendor Rebates

The Company has entered into food and beverage supply agreements with certain major vendors. Per the terms of these arrangements, vendor rebates are provided to the Company based on the dollar value of purchases for systemwide shops. These rebates are recognized as earned throughout the year and are recorded as accounts receivable and a reduction to cost of sales.

Advertising Expense

Advertising costs are expensed as incurred. Franchise shops contribute to an advertising fund that the Company manages on behalf of the shops. Under the Company's standard franchise agreement, the contributions received must be spent on specific marketing-related activities. The expenditures are primarily amounts paid to third parties and other costs. Advertising expense was as follows for the periods presented:

(in thousands)	Year Ended December 31,		
	2023	2022	2021
Advertising expense	\$ 29,899	\$ 32,327	\$ 30,652

[Equity-based Compensation](#)

The Company granted time-based restricted stock awards (RSAs) to certain officers and employees in connection with the Reorganization Transactions and the IPO, and restricted stock units (RSUs) to directors and certain employees. The RSAs and RSUs are accounted for as equity-classified awards, and are granted at the fair value of the underlying Class A common stock of Dutch Bros Inc. as of the grant date and vest over the requisite service period.

The cost of the RSAs and RSUs is recognized as expense over the grantee's requisite service period, and forfeitures are accounted for as they occur. To date, the Company has not granted any performance-based awards .

[Tax Receivables Agreements](#)

In connection with the IPO and Reorganization Transactions, the Company entered into (i) the Exchange Tax Receivable Agreement with the holders of Class B common stock and Class C common stock (the Exchange Tax Receivable Agreement), and (ii) the Reorganization Tax Receivable Agreement with the holders of Class D common stock (the Reorganization Tax Receivable Agreement and together with the Exchange Tax Receivable Agreement, the Tax Receivable Agreements or TRAs). These TRAs provide for the payment by Dutch Bros Inc. to Continuing Members and the Pre-IPO Blocker Holders of 85.0% of the benefits, if any, Dutch Bros Inc. would be deemed to realize (calculated using certain assumptions) as a result of certain tax attributes and benefits covered by the TRAs.

The Company expects to obtain an increase in its share of the tax basis in the net assets of Dutch Bros OpCo when OpCo Units are exchanged by Pre-IPO Dutch Bros OpCo Unitholders. The Company treats any redemptions and exchanges of OpCo Units as direct purchases for U.S. federal income tax purposes. These increases in tax basis may reduce the amounts that it would otherwise pay in the future to various tax authorities. They may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

TRA-related liabilities are classified on the Company's consolidated balance sheets as current or non-current assets based on the expected date of payment under the captions "Current portion of tax receivable agreements liability" and "Tax receivable agreements liability, net of current portion," respectively. The Company does not currently have any current portion of tax receivable agreements liability.

[Income Taxes](#)

The Company is a corporation and sole managing member of Dutch Bros OpCo which is treated as a partnership for tax purposes.

The Company records income tax provision, deferred tax assets, deferred tax liabilities, uncertain tax positions, and valuation allowance, as applicable, only for the items for which the Company is responsible to the relevant tax authority.

Deferred income taxes result from temporary differences between the financial reporting and tax basis of assets and liabilities, and are measured using the enacted tax rates and laws expected to be in effect when such differences are expected to reverse. These temporary differences are reflected as deferred income tax assets, net on the consolidated balance sheets. A deferred tax asset is recognized if it is more likely than not that a tax benefit will be realized.

The Company recognizes tax benefits from entity-level uncertain tax positions if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.



[Income \(Loss\) Per Share](#)

Basic income (loss) per share of Class A and Class D common stock is computed by dividing net income (loss) attributable to Dutch Bros Inc. by the weighted-average number of shares of Class A and Class D common stock outstanding during the period. Diluted income (loss) per share of Class A and Class D common stock is computed by dividing net income (loss) attributable to Dutch Bros Inc., adjusted for the assumed exchange of all potentially dilutive instruments for Class A common stock, by the weighted-average number of shares of Class A and Class D common stock outstanding, adjusted to give effect to potentially dilutive elements. Share counts used in the diluted income (loss) per share calculations are adjusted for the deemed repurchases provided for in the treasury stock method for restricted stock awards and restricted stock units, and under the if-converted method for the outstanding convertible Class B and Class C common stock, if dilutive.

Shares of the Company's Class B and Class C common stock do not participate in the earnings or losses of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted income (loss) per share of Class B and Class C common stock under the two-class method has not been presented.

[Recently Issued Accounting Standards](#)

In October 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. The amendments in this update modify the disclosure or presentation requirements of a variety of Topics in the ASC in response to the SEC's Release No. 33-10532, *Disclosure Update and Simplification Initiative*, and align the ASC's requirements with the SEC's regulations. For entities subject to the SEC's existing disclosure requirements, the effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective. Early adoption is prohibited, and amendments should be applied prospectively. For all entities, if by June 30, 2027, the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the ASC and will not become effective for any entity. The Company does not expect this standard to have a material impact on its consolidated financial statements.

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 is currently reviewing the potential impacts the new standard may have on its consolidated financial statements and related disclosures, including potential changes to business processes, policies and procedures that may be required.



In December 2023, the FASB issued 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. 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.

Recently Adopted Accounting Standards

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The amendments in this update provide specific guidance to address diversity in practice related to (1) recognition of an acquired contract liability, and (2) payment terms and their effect on subsequent revenue recognized by the acquirer. The amendments in ASU 2021-08 are applied on a prospective basis, and were effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The Company's adoption of this standard effective January 1, 2023 did not have a material impact on its consolidated financial statements.

In July 2023, the FASB issued ASU No. 2023-03, *Presentation of Financial Statements (Topic 205), Income Statement—Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation—Stock Compensation (Topic 718): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the March 24, 2022 EITF Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280—General Revision of Regulation S-X: Income or Loss Applicable to Common Stock*. The ASU amends and supersedes various SEC paragraphs pursuant to SEC staff guidance and was effective upon issuance. The new standard has had no material impact on the Company's consolidated financial statements.

In August 2023, the FASB issued ASU No. 2023-04, *Liabilities (Topic 405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121*. The ASU amends and supersedes various SEC paragraphs pursuant to SEC staff guidance and was effective upon issuance. The new standard has had no material impact on the Company's consolidated financial statements.

NOTE 3 — Revenue Recognition

Revenue

The following table disaggregates revenue by major component:

(in thousands)	Year Ended December 31,		
	2023	2022	2021
Company-operated shops	\$ 857,939	\$ 639,710	\$ 403,746
Franchising	101,907	93,756	87,465
Other	5,930	5,546	6,665
Total revenues	<u>\$ 965,776</u>	<u>\$ 739,012</u>	<u>\$ 497,876</u>



Deferred Revenue

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

(in thousands)	Year Ended December 31,	
	2023	2022
Beginning balance	\$ 26,904	\$ 22,765
Revenue deferred - gift card activations, loyalty app loads, and loyalty points and rewards earned	362,482	261,909
Revenue recognized - gift card, loyalty app, loyalty rewards redemptions, and breakage	(354,770)	(257,770)
Ending balance	34,616	26,904
Less: current portion	(29,937)	(22,748)
Deferred revenue, net of current portion, gift card and loyalty programs	\$ 4,679	\$ 4,156

Deferred revenue also includes 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 consolidated balance sheets were as follows:

(in thousands)	December 31, 2023	December 31, 2022
Outstanding performance obligations	\$ —	\$ 2,152
Initial unearned franchise fees from franchise partners	2,409	2,398
Total deferred revenue, excluding gift card and loyalty programs	2,409	4,550
Less: current portion	(412)	(2,587)
Deferred revenue, net of current portion, excluding gift card and loyalty programs	\$ 1,997	\$ 1,963

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

(in thousands)	Year Ended December 31,		
	2023	2022	2021
Gift card redemptions ¹	\$ 5,149	\$ 3,965	\$ 3,805
Earned franchise fees	454	507	630

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



Future recognition of initial unearned franchise fees as of December 31, 2023 is as follows:

(in thousands)	
2024	\$ 412
2025	358
2026	316
2027	271
2028	222
Thereafter	830
Total	\$ 2,409

NOTE 4 — Shop Acquisitions

During the year ended December 31, 2023, the Company did not repurchase the franchise rights and assets of any shops from franchise partners.

For the year ended December 31, 2022, the Company repurchased the franchise rights and assets of seven shops from two separate franchise partners in Washington. The following table summarizes the allocations of the purchase prices to the estimated fair values of assets acquired and liabilities assumed. The fair values for the 2022 acquisitions were considered final as of December 31, 2022.

(in thousands)		December 31, 2022
Acquisition consideration:		
Purchase price consideration	\$	6,051
Equipment and fixtures		197
Building and leasehold improvements		1,470
Inventories		67
Other assets		6
Operating lease right-of-use assets		2,327
Reacquired franchise rights		1,735
Other liabilities		(88)
Gift card liability		(250)
Operating lease obligations		(2,327)
Net assets acquired		3,137
Goodwill	\$	2,914

Reacquired franchise rights had a weighted-average useful life of 4.2 years at the time of purchase for the acquisitions made during the year ended December 31, 2022.

The results of operations for the 2022 acquisitions are included in the Company's consolidated statements of operations beginning on the dates of acquisition. Revenues of approximately \$9.3 million and net income of approximately \$1.6 million are included in the Company's consolidated statements of operations for the year ended December 31, 2022.

The following table reflects the unaudited pro forma results of the Company and the five shops purchased in 2022 as if the acquisitions had taken place as of January 1, 2021:

(in thousands; unaudited)

	Year Ended December 31, 2022	
Revenue	\$	740,964
Net loss	\$	(18,875)

NOTE 5 — Inventories

Inventories, net consist of the following:

(in thousands)	December 31, 2023	December 31, 2022
Raw materials	\$ 28,523	\$ 21,335
Finished goods	18,430	17,894
Total inventories	<u>\$ 46,953</u>	<u>\$ 39,229</u>

NOTE 6 — Property and Equipment

Property and equipment, net consists of the following:

(in thousands)	Useful Life (Years)		December 31, 2023	December 31, 2022
Software	3		\$ 7,212	\$ 7,430
Equipment and fixtures	3	— 7	157,352	93,908
Leasehold improvements	5	— 15	42,441	29,985
Buildings	10	— 20	269,186	158,250
Land		N/A	7,338	7,956
Aircraft ¹		N/A	9,195	9,195
Construction-in-progress ²		N/A	166,054	131,240
Property and equipment, gross			658,778	437,964
Less: accumulated depreciation			(116,338)	(72,496)
Property and equipment, net			<u>\$ 542,440</u>	<u>\$ 365,468</u>

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 consolidated statements of operations was as follows:

(in thousands)	Year Ended December 31,		
	2023	2022	2021
Cost of sales	\$ 42,807	\$ 26,261	\$ 19,023
Selling, general and administrative expenses	1,634	2,705	2,663
Total depreciation expense	<u>\$ 44,441</u>	<u>\$ 28,966</u>	<u>\$ 21,686</u>

No impairment charges were recognized for the three years ended December 31, 2023.

NOTE 7 — Intangible Assets and Goodwill

Intangible Assets

The details of the intangible assets are as follows:

(in thousands)	Weighted-average amortization period (in years)	December 31, 2023	December 31, 2022
Reacquired franchise rights	3.10	\$ 27,049	\$ 27,049
Less: accumulated amortization		(21,634)	(18,245)
Intangibles, net		<u>\$ 5,415</u>	<u>\$ 8,804</u>

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

(in thousands)	Year Ended December 31,		
	2023	2022	2021
Cost of sales	<u>\$ 3,389</u>	<u>\$ 4,034</u>	<u>\$ 3,531</u>

The estimated future amortization expense of the reacquired franchise rights as of December 31, 2023 is as follows:

(in thousands)	
2024	\$ 2,469
2025	1,435
2026	681
2027	383
2028	247
Thereafter	200
Total	<u>\$ 5,415</u>

Goodwill

The carrying amount and activity of goodwill was as follows:

(in thousands)	
Balance, December 31, 2021	\$ 18,715
Business combinations	2,914
Balance, December 31, 2022	\$ 21,629
Business combinations	—
Balance, December 31, 2023	<u>\$ 21,629</u>

No impairment charges were recognized for the three years ended December 31, 2023.

NOTE 8 — Leases



A summary of finance and operating lease right-of-use assets and lease liabilities as of December 31, 2023 is as follows:

(in thousands)	Balance Sheet Classification	December 31, 2023	December 31, 2022
Right-of-use assets			
Finance leases	Finance lease right-of-use assets, net	\$ 382,734	\$ 247,943
Operating leases	Operating lease right-of-use assets, net	199,673	169,302
Total right-of-use assets		\$ 582,407	\$ 417,245
Lease liabilities			
Finance leases	Current portion of finance lease liabilities	\$ 9,482	\$ 7,971
	Finance lease liabilities, net of current portion	367,775	237,130
Operating leases	Current portion of operating lease liabilities	10,239	9,317
	Operating lease liabilities, net of current portion	191,419	161,228
Total lease liabilities		\$ 578,915	\$ 415,646

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

(in thousands)	Statement of Operations Classification	Year Ended December 31,	
		2023	2022
Finance lease cost			
Amortization of right-of-use assets	Cost of sales	\$ 21,305	\$ 11,728
Interest on lease liabilities	Interest expense	17,516	9,263
Total finance lease cost		38,821	20,991
Operating lease cost	Cost of sales	19,440	16,465
Variable lease cost	Cost of sales	5,216	3,979
Total lease cost		\$ 63,477	\$ 41,435

Future minimum lease payments for finance and operating lease liabilities as of December 31, 2023 are as follows:

(in thousands)	Finance	Operating
2024	\$ 31,006	\$ 19,553
2025	33,550	20,181
2026	33,856	19,844
2027	34,533	18,942
2028	35,610	18,355
Thereafter	433,244	191,530
Total	\$ 601,799	\$ 288,405
Less: imputed interest	(224,542)	(86,747)
Present value of minimum lease payments	377,257	201,658
Less: current portion	(9,482)	(10,239)
Lease liabilities, net of current portion	\$ 367,775	\$ 191,419

A summary of lease terms and discount rates for finance and operating leases is as follows:

	December 31, 2023	December 31, 2022
Weighted-average remaining lease term (years)		
Finance leases	16.3	16.1
Operating leases	14.7	14.9
Weighted-average discount rate (percentages)		
Finance leases	5.9%	5.3%
Operating leases	4.9%	4.2%

Supplemental cash flow information related to leases as of December 31, 2023 is as follows for the periods presented:

(in thousands)	Year Ended December 31,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 17,516	\$ 9,264
Operating cash flows from operating leases	17,167	16,269
Financing cash flows from finance leases	12,432	5,838
Right-of-use assets obtained in exchange for lease obligations¹:		
Finance leases	144,588	167,687
Operating leases	40,253	178,138

¹ The 2022 amounts include the transition adjustment for the adoption of ASU 2016-02, as amended.

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), and portions of the delayed draw term loan facility expire in February 2024 and 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 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.

In September 2023, the Company used proceeds received from the Follow-On Offering to repay approximately \$202.7 million of the 2022 Credit Facility, representing the balance of the Company's revolving loans as of the repayment date. As of December 31, 2023, \$349.4 million was available for borrowing on the revolving credit facility, net of a \$0.6 million letter of credit outstanding.

As of December 31, 2023, approximately \$95.6 million of principal was outstanding on the term loan. The term loan bears interest at 6.96% as of December 31, 2023. 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)	December 31, 2023	December 31, 2022
Term loan under credit facility	\$ 95,625	\$ 98,125
Finance obligation ¹	3,022	1,379
Unsecured note payable	415	524
Total debt	99,062	100,028
Less: loan origination fees	(1,396)	(1,122)
Less: current portion	(4,491)	(2,609)
Total long-term debt, net of current portion	\$ 93,175	\$ 96,297



¹ Represents failed sale-leaseback arrangements.

Future annual maturities of long-term debt as of December 31, 2023 are as follows:

(in thousands)	
2024	\$ 4,491
2025	6,998
2026	13,256
2027	71,295
2028	—
Thereafter	3,022
Total	\$ 99,062

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 December 31, 2023, the one-month adjusted term SOFR was 5.36%.

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 December 31, 2023, the Company expects to reclassify a gain of approximately \$1.4 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	December 31, 2023	December 31, 2022
Derivative instrument designated as cash flow hedge:			
Interest rate swap contract	Prepaid expenses and other current assets	\$ 1,371	\$ 1,457
	Other long-term assets	837	1,706
Total derivative instrument designated as cash flow hedge		\$ 2,208	\$ 3,163

(in thousands)	Financial Statements Classification	Year Ended December 31,	
		2023	2022
Derivative instrument designated as cash flow hedge:			
Income recognized in other comprehensive income (loss) before reclassifications	Statement of Comprehensive Income (Loss)	\$ 954	\$ 2,966
Reclassification from accumulated other comprehensive income to earnings for the effective portion	Statement of Operations - Interest expense, net	\$ (1,692)	\$ 215
Income tax expense	Statement of Operations - Income tax expense	\$ (10)	\$ (273)

There were no changes to the interest rate swap contract resulting from the amendment to the Company's 2022 Credit Facility as discussed in NOTE 9 — Debt.

NOTE 11 — Tax Receivable Agreements

The changes related to the Company's TRAs were as follows:

(in thousands)	December 31, 2023	December 31, 2022
TRAs liability, beginning balance	\$ 220,923	\$ 109,733
Additions (reductions) to TRAs:		
Exchange of Dutch Bros OpCo Class A common units for Class A common stock	72,635	114,656
TRAs remeasurements ¹	(2,638)	(3,466)
TRAs liability, ending balance	<u>\$ 290,920</u>	<u>\$ 220,923</u>

¹ Impact primarily related to state tax rates and adjustments from previous estimates upon finalization of the tax attributes subject to the TRA.

NOTE 12 — Income Taxes

The Company's income tax expense (benefit) consisted of the following:

(in thousands)	Year Ended December 31,		
	2023	2022	2021
Current tax provision			
Federal	\$ 193	\$ 181	\$ 170
State	844	1,340	865
Total current tax provision	1,037	1,521	1,035
Deferred tax expense (benefit)			
Federal	1,605	(6,081)	(2,265)
State	4,325	7,159	(398)
Total deferred tax provision	5,930	1,078	(2,663)
Income tax expense (benefit)	<u>\$ 6,967</u>	<u>\$ 2,599</u>	<u>\$ (1,628)</u>

The Company's effective income tax rate differs from the U.S. federal statutory income tax rate as itemized below:

	Year Ended December 31,		
	2023	2022	2021
U.S. federal statutory income tax rate	21.0 %	21.0 %	21.0 %
Income allocable to non-controlling interests not subject to tax	6.3 %	(32.9)%	(18.4)%
State and local income taxes, net of federal benefit	10.1 %	(9.5)%	(0.8)%
State rate adjustment	17.5 %	(39.1)%	— %
Net impact of GAAP basis shifts	— %	— %	(0.2)%
Non-deductible compensation	0.7 %	(2.0)%	(0.2)%
Tax credits	(12.9)%	10.1 %	0.3 %
TRA adjustments	0.2 %	4.4 %	— %
Return-to-provision adjustments	(5.4)%	32.4 %	— %
Stock-based compensation	3.8 %	— %	— %
Other	0.4 %	— %	— %
Valuation allowance	(0.5)%	— %	(0.3)%
Effective income tax rate	<u>41.2 %</u>	<u>(15.6)%</u>	<u>1.4 %</u>



The components of the Company's deferred tax assets are as follows:

(in thousands)	December 31, 2023	December 31, 2022
Deferred tax assets		
Investment in Dutch Bros OpCo	\$ 346,172	\$ 255,763
Net operating loss carryforwards	34,988	19,356
Interest expense	14,187	7,781
Credit carryforwards	4,991	2,813
Charitable contribution carryforward	1,546	1,498
Other	2,130	2,661
Total deferred tax assets	404,014	289,872
Less: valuation allowance	(1,019)	(1,107)
Net deferred tax assets	\$ 402,995	\$ 288,765

The Company recognizes deferred tax assets to the extent, based on available evidence, that it is more likely than not that they will be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and recent results of operations. For the year ended December 31, 2023, the Company recorded a valuation allowance on its deferred tax assets, primarily related to the Company's charitable contributions, of which it does not expect to recognize the benefit from in the foreseeable future. The Company has no deferred tax liabilities.

As of December 31, 2023, the Company had U.S. federal net operating losses of \$142.8 million and tax credit carryforwards of approximately \$5.0 million. The Company's federal net operating losses do not expire and tax credits will begin to expire in 2038 if not utilized. As of December 31, 2023, the Company had \$95.0 million of state tax net operating losses and no state tax credits. Of the state tax net operating losses, \$90.0 million will begin to expire in 2033 if not utilized and the remaining \$5.0 million do not expire.

Utilization of net operating losses, credit carryforwards, and certain deductions may be subject to a substantial annual limitation due to ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. The tax benefits related to future utilization of federal and state net operating losses, tax credit carryforwards, and other deferred tax assets may be limited or lost if cumulative changes in ownership exceeds 50% within any three-year period. Additional limitations on the use of these tax attributes could occur in the event of possible disputes arising in examinations from various taxing authorities.

There were no interest and penalties accrued for the three years ended December 31, 2023. The Company has assessed its tax positions taken and concluded there are no significant uncertain tax positions. The Company has no unrecognized tax benefits as of December 31, 2023 or 2022, that, if recognized, would affect the amount of income tax expense reported.

The Company files returns with the Internal Revenue Service and multiple state jurisdictions, which are subject to examination by the taxing authorities for years 2018 and later. The earlier tax years are subject to examination due to the utilization of net operating losses in recent tax years. None of our federal or state income tax returns are currently under examination by federal or state taxing authorities.



NOTE 13 — Equity-Based Compensation

Equity Awards

As of December 31, 2023, the Company had equity-based compensation awards outstanding consisting of time-based RSAs and RSUs with three years service vesting periods. Awards currently outstanding vest under one of the following schedules:

- Approximately one-third installments on each first, second, and third anniversary of the vesting commencement date;
- 50% each of the second and third anniversaries of the vesting commencement date; or
- 100% vesting on the third anniversary of the vesting commencement date.

Vesting of all awards granted are subject to the grantee's continued service to the Company through the applicable vesting date.

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
Balance, December 31, 2021	4,000	\$ 23.00
Vested	(1,333)	23.00
Balance, December 31, 2022	2,667	\$ 23.00
Vested	(1,366)	23.00
Forfeitures	(18)	23.00
Balance, December 31, 2023	1,283	\$ 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, 2021	596	\$ 43.55
New grants	196	45.85
Vested	(206)	51.69
Forfeitures	(3)	47.57
Balance, December 31, 2022	583	\$ 44.34
New grants	473	31.03
Vested	(228)	41.59
Forfeitures	(180)	42.92
Balance, December 31, 2023	648	\$ 35.99

Total release date fair value of vested restricted stock awards and units for the years ended December 31, 2023 and 2022 are presented below.



(in thousands, except per share amounts)	Year Ended December 31, 2023	Weighted-average vest date fair value per share	Year Ended December 31, 2022	Weighted-average vest date fair value per share
Restricted stock awards	\$ 37,373	\$ 27.36	\$ 69,604	\$ 52.22
Restricted stock units	6,185	27.16	10,627	51.59

Equity-Based Compensation

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

(in thousands)	Year Ended December 31,		
	2023	2022	2021
Selling, general, and administrative expenses	\$ 39,222	\$ 41,657	\$ 157,716

As of December 31, 2023, total unrecognized stock-based compensation related to unvested stock awards was \$13.8 million, which will be recognized as follows:

(in thousands)	
2024	\$ 7,703
2025	5,147
2026	931
Total unrecognized stock-based compensation	\$ 13,781

NOTE 14 — Employee Benefit Plans

The Company's 401(k) plan (the 401(k) Plan) covers substantially all employees of the Company who meet certain requirements. Contributions to the 401(k) Plan are determined by each participant by means of an elective compensation deferral, subject to annual limits. The Company matches 100% of employee contributions, up to 4% of eligible compensation. The total employer matching contributions to the 401(k) Plan recognized in the Company's consolidated statements of operations were as follows:

(in thousands)	Year Ended December 31,		
	2023	2022	2021
Selling, general, and administrative expenses	\$ 2,341	\$ 1,680	\$ 1,185



NOTE 15 — 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)	December 31, 2023	
	OpCo Units	Ownership %
Dutch Bros OpCo Class A common units held by Dutch Bros Inc. ¹	80,627	45.5 %
Dutch Bros OpCo Class A common units held by non-controlling interest holders	96,493	54.5 %
Total Dutch Bros OpCo Class A common units outstanding	177,120	100.0 %

¹ Includes approximately 1.3 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 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:

	Year Ended December 31,		
	2023	2022	2021 ¹
Weighted-average ownership percentage	62.8 %	67.8%	71.3%

¹ For the period from the September 14, 2021 Reorganization date to December 31, 2021.

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)	Year Ended December 31,		
	2023	2022	2021
Net income (loss) attributable to Dutch Bros Inc.	\$ 1,718	\$ (4,753)	\$ (12,679)
Other comprehensive income:			
Unrealized gain (loss) on derivative securities, effective portion, net of income tax expense	(269)	813	—
Transfers from (to) non-controlling interests:			
Decrease in additional paid-in capital as a result of the Reorganization Transactions	—	—	(195,936)
Decrease in accumulated deficit as a result of the adoption of ASC 842	—	122	—
Increase in additional paid-in capital as a result of equity-based compensation	15,177	13,743	12,663
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	(661)	(1,145)	(3,258)
Increase (decrease) in additional paid-in capital as a result of the acquisition of Dutch Bros OpCo Class A common units	(158,152)	9,410	(239,132)
Total effect of changes in ownership interest on equity attributable to Dutch Bros Inc.	\$ (142,187)	\$ 18,190	\$ (438,342)

NOTE 16 — 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)	Year Ended December 31,		
	2023	2022	2021
Numerator:			
Net income (loss)	\$ 9,952	\$ (19,253)	\$ (117,931)
Less: net loss attributable to Dutch Bros OpCo before Reorganization Transactions	—	—	(67,374)
Less: Net income (loss) attributable to non-controlling interests	8,234	(14,500)	(37,878)
Net income (loss) attributable to Dutch Bros Inc.	<u>\$ 1,718</u>	<u>\$ (4,753)</u>	<u>\$ (12,679)</u>

(in thousands, except per share amounts)	Year Ended December 31,		
	2023	2022	2021
Basic and diluted net income (loss) per share attributable to common stockholders			
Numerator:			
Net income (loss) attributable to Dutch Bros Inc.	\$ 1,718	\$ (4,753)	\$ (12,679)
Denominator:			
Weighted-average number of shares of Class A and Class D common stock outstanding - basic	62,074	51,871	45,864
Dilutive effect of restricted stock awards	—	—	—
Dilutive effect of restricted stock units	—	—	—
Weighted-average number of shares of Class A and Class D common stock outstanding - diluted	62,074	51,871	45,864
Basic net income (loss) per share attributable to common stockholders	\$ 0.03	\$ (0.09)	\$ (0.28)
Diluted net income (loss) per share attributable to common stockholders	\$ 0.03	\$ (0.09)	\$ (0.28)

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:

(in thousands)	Year Ended December 31,		
	2023	2022	2021
Restricted stock awards	1,283	2,667	4,000
Restricted stock units	648	583	595
Total anti-dilutive securities	1,931	3,250	4,595

NOTE 17 — 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 December 31, 2023 and December 31, 2022, the Company had guaranteed approximately \$1.4 million and \$1.6 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 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. Briefing on the defendants' motion to dismiss the Amended Complaint 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 December 31, 2023, Dutch Bros Inc. recognized \$290.9 million of liabilities related to its obligations under the TRAs.

NOTE 18 — Related Party Transactions

The Company's donations to the Dutch Bros Foundation (the Foundation), a not-for-profit founded by the Company that provides philanthropy to coffee farmers and local communities and for which the Company's Chief Executive Officer (CEO) and Chief Operating Officer (COO) serve on the board of directors, were as follows:

(in thousands)	Year Ended December 31,		
	2023	2022	2021
Donations to Dutch Bros Foundation	\$ 250	\$ 5,149	\$ 10,546

For the year ended December 31, 2023, the Company and the Foundation focused on local community givebacks.

NOTE 19 — 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 year ended December 31, 2023. In addition, no customer represented 10% or more of total revenue for the three years ended December 31, 2023.



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

(in thousands)	Year Ended December 31,		
	2023	2022	2021
Revenues:			
Company-operated shops	\$ 857,939	\$ 639,710	\$ 403,746
Franchising and other	107,837	99,302	94,130
Total revenues	965,776	739,012	497,876
Cost of sales:			
Company-operated shops	677,704	518,383	317,045
Franchising and other	36,776	39,713	27,528
Total cost of sales	714,480	558,096	344,573
Segment contribution:			
Company-operated shops	242,323	157,633	102,992
Franchising and other	76,459	65,295	72,865
Total segment contribution	\$ 318,782	\$ 222,928	\$ 175,857
Depreciation and amortization:			
Company-operated shops	62,088	36,306	16,291
Franchising and other	5,398	5,706	6,263
Total depreciation and amortization	67,486	42,012	22,554
Selling, general and administrative	(205,074)	(183,528)	(264,529)
Interest expense, net	(32,321)	(18,018)	(7,093)
Other income (expense), net	3,018	3,976	(1,240)
Income (loss) before income taxes	\$ 16,919	\$ (16,654)	\$ (119,559)

NOTE 20 — Subsequent Events

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 Arizona office, and anticipates that by January 1, 2025, approximately 40% of the Company's total support operations staff will be located in Phoenix, Arizona. The Company expects to incur approximately \$24 million to \$31 million in costs related to this initiative and approximately \$6 million to \$10 million in capital expenditures related to the Arizona office expansion.

Credit Facility

On February 20, 2024, the Company drew \$150 million on its delayed draw term loan facility under the 2022 Credit Facility before this portion was set to expire on February 28, 2024. The remaining \$50 million of the delayed draw term loan facility is available until February 2025. The Company expects to use the funds for general corporate purposes, including, but not limited to, building new shops.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Effectiveness of Disclosure Controls and Procedures

Based on an evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13(a)-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act), as of December 31, 2023, the Company's Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) have concluded that, as of the end of the period covered by this Form 10-K, the Company's disclosure controls and procedures were effective at the reasonable assurance level.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within an organization have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met.

Changes in Internal Control over Financial Reporting

Except for the changes in connection with Company's implementation of the remediation plans described below, there have been no changes during the quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management, including our principal executive officer and principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. GAAP and those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our company's receipts and expenditures are being made in accordance with appropriate authorizations; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on our consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As previously described in Part II, Item 9A of the Company's Annual Report on Form 10-K for the year ended December 31, 2022, management concluded that the Company's internal control over financial reporting was not effective because of the effect of the material weaknesses described below.

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.



Management identified the following deficiencies in our internal control over financial reporting for the year ended December 31, 2022:

- We did not have effective controls over change management of system configurations in two IT environments. As a result, process level automated controls that are dependent on the affected IT environments were ineffective because they could have been adversely impacted.
- We did not have effectively designed controls over the accounting for breakage estimates related to our Dutch Rewards loyalty program.

These control deficiencies were the result of our risk assessment not identifying controls to address system changes, as well as changes in the timing of the expiration of points collected through our Dutch Rewards loyalty program.

During 2023, we implemented our previously disclosed remediation plan that included the following:

- Purchased and implemented a software tool designed to facilitate the logging of system changes.
- Reviewed the organizational structure supporting systems administration and began implementing recommendations arising from this review to help ensure that we have the necessary expertise and experience to oversee system change management protocols and controls.
- Launched a review of system change control design with the assistance of third-party consultants and began implementing recommendations arising from this review to help ensure that all system changes to configurations within the IT environments are logged and approved.
- Designed and implemented reconciliation and review controls to ensure that the accounting for breakage is complete and accurate.

During the fourth quarter of 2023, we completed our testing of the operating effectiveness of the implemented controls and found them to be effective. As a result, we have concluded that the material weaknesses have been remediated as of December 31, 2023.

Management, under the supervision of our principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2023, based on the framework established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based upon this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2023.

The effectiveness of our internal control over financial reporting as of December 31, 2023 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included in Item 8 of this Form 10-K.

ITEM 9B. OTHER INFORMATION

Rule 10b5-1 Trading Arrangements

During our last fiscal quarter, Joth Ricci, our former Chief Executive Officer, adopted a Rule 10b5-1 trading arrangement (the Trading Plan), providing for the sale of up to 1,000,000 shares of our Class A common stock. The Trading Plan's expiration date is November 10, 2024. The Trading Plan is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act.



ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our executive officers is included in “Information about our Executive Officers” section in Part I, Item I of this Form 10-K.

We have adopted a Code of Business Conduct and Ethics that applies to all of our officers, directors, and employees, including our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions, which is posted on our website at <https://investors.dutchbros.com/governance>. Our Code of Business Conduct and Ethics is a “code of ethics,” as defined in Item 406(b) of Regulation S-K. We will make any legally required disclosures regarding amendments to, or waivers of, provisions for our Code of Business Conduct and Ethics on our website. The information contained on, or accessible from, our website is not part of this Form 10-K by reference or otherwise.

The remaining information required by this item will be included in our definitive Proxy Statement relating to our 2024 Annual Meeting of Stockholders, which will be filed with the SEC within 120 days of the end of our fiscal year ended December 31, 2023 (the 2024 Proxy Statement) and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be included in the “Executive Compensation” section of the 2024 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item will be included in the “Security Ownership of Certain Beneficial Owners and Management” section of the 2024 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item will be included in the “Transactions with Related Persons” section of the 2024 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our independent registered public accounting firm is:

- Firm name: KPMG LLP
- Firm location: Portland, Oregon
- Auditor Firm ID: 185

The information required by this item will be included in the “Audit and Related Fees” section of the 2024 Proxy Statement and is incorporated herein by reference.



PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits.

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

Exhibit Number	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
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.	8-K	001-40798	3.2	September 17, 2021	
4.1	Form of Common Stock Certificate.	S-1/A	333-258988	4.1	September 7, 2021	
4.2	Description of Capital Stock	10-K	001-40798	4.2	February 27, 2023	
	Third Amended and Restated Limited Liability Company Agreement of Dutch Mafia, LLC, dated September 14, 2021.	8-K	001-40798	10.1	September 17, 2021	
10.2	Tax Receivable Agreement (Reorganization), dated September 14, 2021.	8-K	001-40798	10.2	September 17, 2021	
10.3	Tax Receivable Agreement (Exchanges), dated September 14, 2021.	8-K	001-40798	10.3	September 17, 2021	
10.4	Amended and Restated Registration Rights Agreement, by and among the Registrant and the Investors party thereto, dated October 31, 2023.					X
10.5	Stockholders Agreement, by and between the Registrant and the Sponsor, dated September 17, 2021.	8-K	001-40798	10.5	September 17, 2021	
10.6	Form of Director and Officer Indemnification Agreement.	S-1	333-258988	10.2	August 20, 2021	
10.7†	2021 Equity Incentive Plan.	S-8	333-259618	99.1	September 17, 2021	
10.8†	Form of Stock Option Grant Notice, Stock Option Agreement and Notice of Exercise under the 2021 Equity Incentive Plan.	S-1/A	333-258988	10.8	September 7, 2021	
10.9†	Form of RSU Award Grant Notice and Award Agreement under the 2021 Equity Incentive Plan.	S-1/A	333-258988	10.9	September 7, 2021	
10.10†	Form of Restricted Stock Grant Notice and Restricted Stock Agreement under the 2021 Equity Incentive Plan.	S-1/A	333-258988	10.1	September 7, 2021	
10.11†	Offer Letter by and between Jonathan Ricci and the Company dated November 23, 2021.	8-K	001-40798	10.1	December 1, 2021	
10.12†	Offer Letter by and between Charles Jemley and the Company dated November 23, 2021.	8-K	001-40798	10.2	December 1, 2021	



Exhibit Number	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.13†	Offer Letter by and between Stephen Gillett and the Company dated November 5, 2021.	8-K	001-40798	10.1	December 15, 2021	
10.14†	Offer Letter by and between Brian Maxwell and the Company dated November 23, 2021.	10-K	001-40798	10.15	March 11, 2022	
10.15	Amended and Restated Credit Agreement by and between JPMorgan Chase Bank, N.A., the Company, and the other parties listed therein, dated February 28, 2022.	10-K	001-40798	10.16	March 11, 2022	
10.16	Amendment No. 1 to Credit Agreement, dated August 4, 2023, by and among Dutch Bros., LLC, DB Management Co., DB Franchising USA, LLC, Boersma Bros. LLC, the other Loan Parties party thereto, the financial institutions party thereto, and J.P. Morgan Chase Bank, N.A. as Administrative Agent.	8-K	001-40798	10.1	August 8, 2023	
10.17†	Offer Letter by and between Ann M. Miller and the Company, dated August 12, 2022.	8-K	001-40798	10.1	August 22, 2022	
10.18†	Amended Offer Letter by and between Christine Barone and the Company, dated December 27, 2023.	8-K	001-40798	10.1	January 2, 2024	
10.19†	Participation Agreement by and between Christine Barone and the Company, dated November 9, 2022.	8-K	001-40798	10.2	November 28, 2022	
10.20†	Offer Letter, dated as of November 2, 2023, by and between the Company and C. David Cone.	8-K	001-40798	10.1	November 7, 2023	
10.21†	Offer Letter, dated as of November 3, 2023, by and between the Company and Sean Sullivan.	8-K	001-40798	10.2	November 7, 2023	
10.22	Separation Letter Agreement, by and between John Graham and the Company, dated November 11, 2022.	10-K	001-40798	10.19	February 27, 2023	
10.23	Offer Letter, dated as of September 1, 2022, by and between the Company and Victoria Tullett					X
10.24	Offer Letter, dated as of June 7, 2023, by and between the Company and Tana Davila					X
21.1	Subsidiaries of Dutch Bros Inc.					X
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm.					X
24.1	Power of Attorney (included on signature page of this Form 10-K).					X
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



Exhibit Number	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
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
97.1†	Incentive Compensation Recoupment Policy, dated October 10, 2023					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 Annual Report on Form 10-K 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.

ITEM 16. FORM 10-K SUMMARY

None.



Pursuant to the requirements of Section 13 or 15(d) 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.

February 23, 2024
Date

By: /s/ CHRISTINE BARONE
Christine Barone
Chief Executive Officer and President

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Christine Barone and Charles L. Jemley, and each one of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or his, her or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ CHRISTINE BARONE</u> Christine Barone	Chief Executive Officer and President and Director (Principal Executive Officer)	February 23, 2024
<u>/s/ TRAVIS BOERSMA</u> Travis Boersma	Executive Chairman	February 23, 2024
<u>/s/ CHARLES L. JEMLEY</u> Charles L. Jemley	Chief Financial Officer (Principal Financial and Accounting Officer)	February 23, 2024
<u>/s/ C. DAVID CONE</u> C. David Cone	Director	February 23, 2024
<u>/s/ THOMAS DAVIS</u> Thomas Davis	Director	February 23, 2024
<u>/s/ KATHRYN GEORGE</u> Kathryn George	Director	February 23, 2024
<u>/s/ STEPHEN GILLETT</u> Stephen Gillett	Director	February 23, 2024
<u>/s/ BLYTHE JACK</u> Blythe Jack	Director	February 23, 2024
<u>/s/ ANN MILLER</u> Ann Miller	Director	February 23, 2024
<u>/s/ SEAN SULLIVAN</u> Sean Sullivan	Director	February 23, 2024

AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT
OF
DUTCH BROS INC.

This AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT (as it may be amended from time to time in accordance with the terms hereof, the "Agreement"), is entered into as of October 31, 2023, by and among Dutch Bros Inc., a Delaware corporation (the "Company"); and each Person executing this Agreement and listed as an "Investor" on Exhibit A hereto (collectively, together with their Permitted Transferees (as defined below) that become party hereto, the "Investors").

RECITALS

WHEREAS, the Company and the Investors previously entered into that certain Registration Rights Agreement, dated September 17, 2021 (the "Prior Agreement").

WHEREAS, the Investors own shares of the Company's Class B common stock, par value \$0.00001 per share, Class C common stock, par value \$0.00001 per share, and/or Class D common stock, par value \$0.00001 per share, of the Company and any securities issued in respect thereof, including any rights to exchange any units of Dutch Mafia, LLC, in accordance with its Third Amended and Restated Limited Liability Company Agreement, dated as of September 14, 2021, as may be amended and/or restated from time to time, or in substitution therefor, in connection with any stock split, dividend or combination, or any reclassification, recapitalization, merger, consolidation, exchange or other similar reorganization (collectively, with the Class A Common Stock, the "Common Stock"); and

WHEREAS, the parties believe that it is in the best interests of the Company and the other parties hereto to amend and restate the Prior Agreement in its entirety and to accept the rights created pursuant to this Agreement in lieu of the rights granted to them under the Prior Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises, covenants and agreements of the parties hereto, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree that the Prior Agreement is hereby amended and restated in its entirety by this Agreement, and the parties to this Agreement further agree as follows:

ARTICLE I

EFFECTIVENESS

SECTION 1.1 Effectiveness. This Agreement shall become effective upon the closing of the IPO.

ARTICLE II

DEFINITIONS

SECTION 2.1 Definitions. As used in this Agreement, the following terms shall have the following meanings:

"Adverse Disclosure" means public disclosure of material non-public information that, in the good faith judgment of the board of directors of the Company: (i) would be required to be made in any Registration Statement filed with the SEC by the Company so that such Registration Statement, from and after its effective date, does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) would not be required to be made at such time but for the filing, effectiveness or continued use of such Registration Statement; and (iii) the Company has a bona fide business purpose for not disclosing publicly.

"Affiliate" means, means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with, such Person; provided that the Company and its subsidiaries shall not be deemed to be Affiliates of the TSG Investors.

"Agreement" shall have the meaning set forth in the preamble.

"Board" means the board of directors of the Company.

"Business Day" means any day, other than a Saturday, Sunday or any other day on which commercial banks located in the State of New York are authorized or obligated by law or executive order to close.

"Common Stock" shall have the meaning set forth in the Recitals.

"Demand Notice" shall have the meaning set forth in Section 3.1(c).

"Demand Registration" shall have the meaning set forth in Section 3.1(a)(i).

"Demand Registration Request" shall have the meaning set forth in Section 3.1(a)(i).

"Demand Registration Statement" shall have the meaning set forth in Section 3.1(a)(iii).

"Demand Suspension" shall have the meaning set forth in Section 3.1(f).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and applicable rules and regulations thereunder, and any successor to such statute, rules or regulations. Any reference herein to a specific section, rule or regulation of the Exchange Act shall be deemed to include any corresponding provisions of future law.

"FINRA" means the Financial Industry Regulatory Authority.

"Founder Investors" means DMI Holdco, Inc., a Delaware corporation, DM Individual Aggregator, LLC, a Delaware limited liability company, and DM Trust Aggregator, LLC, a Delaware limited liability company collectively (along with their Permitted Transferees).

"Holders" means Investors who then hold Registrable Securities under this Agreement.

"Investor" shall have the meaning set forth in the preamble.

"IPO" shall mean the Company's initial public offering of shares of its Class A common stock, par value \$0.00001 per share (the "Class A Common Stock").

"Issuer Free Writing Prospectus" means an issuer free writing prospectus, as defined in Rule 433 under the Securities Act, relating to an offer of the Registrable Securities.

"Loss" shall have the meaning set forth in Section 3.9(a).

"Participation Conditions" shall have the meaning set forth in Section 3.2(e)(ii).

"Permitted Transferee" shall have the meaning set forth in the Company's amended and restated certificate of incorporation in effect, as may be amended and/or restated from time to time.

"Person" means an individual or a corporation, partnership, limited liability company, trust, unincorporated organization, association or other entity.

"Piggyback Notice" shall have the meaning set forth in Section 3.3(a).

"Piggyback Registration" shall have the meaning set forth in Section 3.3(a).

"Potential Takedown Participant" shall have the meaning set forth in Section 3.2(e)(ii).

"Pro Rata Portion" means, with respect to each Holder requesting that its shares be registered or sold in an Underwritten Public Offering, a number of such shares equal to the aggregate number of Registrable Securities requested to be registered or sold in such Public Offering (excluding any shares to be registered or sold for the account of the Company) multiplied by a fraction, the numerator of which is the aggregate number of Registrable Securities then held by such Holder, and the denominator of which is the aggregate number of Registrable Securities then held by all Holders requesting that their Registrable Securities be registered or sold.

"Prospectus" means (i) the prospectus included in any Registration Statement, all amendments and supplements to such prospectus, including post-effective amendments and supplements, and all other material incorporated by reference in such prospectus, and (ii) any Issuer Free Writing Prospectus.

"Public Offering" means the offer and sale of Registrable Securities for cash pursuant to an effective Registration Statement under the Securities Act (other than a Registration Statement on Form S-4 or Form S-8 or any successor form).

"Registrable Securities" means (i) all shares of Class A Common Stock that are not then subject to forfeiture to the Company, (ii) all shares of Class A Common Stock issued or issuable upon exercise, conversion or exchange of any option, warrant, units of the Dutch Mafia, LLC (or any successor thereto) or convertible security not then subject to vesting or forfeiture to the Company and (iii) all shares of Class A Common Stock directly or indirectly issued or then issuable with respect to the securities referred to in clauses (i) or (ii) above by way of unit or stock dividend or unit or stock split, or in connection with a combination of units or shares, recapitalization, merger, consolidation or other reorganization. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (w) a Registration Statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such Registration Statement, (x) such securities shall have been Transferred pursuant to Rule 144, (y) such holder is able to immediately sell such securities under Rule 144 without any restrictions on transfer (including without application of paragraphs (c), (d), (e), (f) and (h) of Rule 144), as determined in the reasonable opinion of the holder (it being understood that a written opinion of the Company's outside legal counsel to the effect that such securities may be so sold removed shall be conclusive evidence this clause has been satisfied), or (z) such securities shall have ceased to be outstanding.

"Registration" means registration under the Securities Act of the offer and sale of shares of Class A Common Stock under a Registration Statement. The terms "register", "registered" and "registering" shall have correlative meanings.

"Registration Expenses" shall have the meaning set forth in Section 3.8.

"Registration Statement" means any registration statement of the Company filed with, or to be filed with, the SEC under the Securities Act, including the related Prospectus, amendments and supplements to such registration statement, including pre- and post-effective amendments, and all exhibits and all material incorporated by reference in such registration statement other than a registration statement (and related Prospectus) filed on Form S-4 or Form S-8 or any successor form thereto.

"Representatives" means, with respect to any Person, any of such Person's officers, directors, employees, agents, attorneys, accountants, actuaries, consultants, equity financing partners or financial advisors or other Person associated with, or acting on behalf of, such Person.

"Requisite Investors" means the Founder Investors and TSG Investors holding then-outstanding Registrable Securities.

"Rule 144" means Rule 144 under the Securities Act (or any successor rule).

"SEC" means the U.S. Securities and Exchange Commission or any successor agency having jurisdiction under the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended, and any successor thereto, and any rules and regulations promulgated thereunder, all as the same shall be in effect from time to time.

"Selling Stockholder Information" shall have the meaning set forth in Section 3.9(a).

"Shelf Period" shall have the meaning set forth in Section 3.2(c).

"Shelf Registration" shall have the meaning set forth in Section 3.2(a)(i).

"Shelf Registration Notice" shall have the meaning set forth in Section 3.2(b).

"Shelf Registration Request" shall have the meaning set forth in Section 3.2(a)(i).

"Shelf Registration Statement" shall have the meaning set forth in Section 3.2(a)(i).

"Shelf Suspension" shall have the meaning set forth in Section 3.2(d).

"Shelf Takedown Notice" shall have the meaning set forth in Section 3.2(e)(ii).

"Shelf Takedown Request" shall have the meaning set forth in Section 3.2(e)(i).

"TSG Investors" means Dutch Holdings, LLC, a Delaware limited liability company, TSG7 A AIV VI, L.P., a Delaware limited partnership, TSG7 A AIV VI Holdings-A, L.P., a Delaware limited partnership, and DG Coinvestor Blocker Aggregator, L.P., a Delaware limited partnership (along with their respective Permitted Transferees).

"Underwritten Public Offering" means an underwritten Public Offering, including any underwritten block trade, bought deal, auction block trade or block sale to a financial institution conducted as an underwritten Public Offering.

"Underwritten Shelf Takedown" means an Underwritten Public Offering pursuant to an effective Shelf Registration Statement.

"WKSI" means any Securities Act registrant that is a well-known seasoned issuer as defined in Rule 405 under the Securities Act at the most recent eligibility determination date specified in paragraph (2) of that definition.

SECTION 2.2 Other Interpretive Provisions.

(i) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(ii) The words "hereof", "herein", "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and any subsection and section references are to this Agreement unless otherwise specified.

(iii) The term "including" is not limiting and means "including without limitation."

(iv) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(v) Whenever the context requires, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms.

ARTICLE III

REGISTRATION RIGHTS

The Company will perform and comply, and cause each of its subsidiaries to perform and comply, with such of the following provisions as are applicable to it. Each Holder will perform and comply with such of the following provisions as are applicable to such Holder.

SECTION 3.1 Demand Registration.

(a) Request for Demand Registration.

(i) Following the consummation of the IPO, each of the Founder Investors and the TSG Investors shall have the right to make up to three (3) written requests from time to time (each a "Demand Registration Request") to the Company for Registration of all or part of the Registrable Securities held by such Holder. Any such Registration pursuant to a Demand Registration Request shall hereinafter be referred to as a "Demand Registration".

(ii) Each Demand Registration Request shall specify (x) the aggregate amount of Registrable Securities to be registered, and (y) the intended method or methods of disposition thereof.

(iii) Upon receipt of a Demand Registration Request, the Company shall as promptly as practicable file a Registration Statement (a "Demand Registration Statement") relating to such Demand Registration, and use its reasonable best efforts to cause such Demand Registration Statement to be promptly declared effective under the Securities Act.

(b) Limitation on Demand Registrations. The Company shall not be obligated to take any action to effect any Demand Registration if (x) during the period that is 30 days before the Company's good faith estimate of the date of filing of, and ending on a date that is 90 days after the effective date of, a Company-initiated Registration, (y) a Demand Registration or Piggyback Registration was declared effective or an Underwritten Shelf Takedown was consummated within the preceding 90 days, or (z) if the value of the Registrable Securities proposed to be sold by the initiating Holders is not at least the lesser of \$25 million and all of such Holder's Registrable Securities.

(c) Demand Notice. Promptly upon receipt of a Demand Registration Request pursuant to Section 3.1(a) (but in no event more than 5 Business Days thereafter), the Company shall deliver a written notice (a "Demand Notice") of any such Demand Registration Request to all other Holders and the Demand Notice shall offer each such Holder the opportunity to include in the Demand Registration that number of Registrable Securities as each such Holder may request in writing. Subject to Section 3.1(g), the Company shall include in the Demand Registration all such Registrable Securities with respect to which the Company has received written requests for inclusion therein as soon as practicable, and in any event within 10 Business Days, after the date that the Demand Notice was delivered.

(d) Demand Withdrawal. Each Requisite Investor that has requested the inclusion of Registrable Securities in a Demand Registration pursuant to Section 3.1(c) may withdraw all or any portion of its Registrable Securities included in a Demand Registration from such Demand Registration at any time prior to the effectiveness of the applicable Demand Registration Statement. Upon receipt of a notice to such effect with respect to all of the Registrable Securities included in such Demand Registration by such Requisite Investors, the Company shall cease all efforts to secure effectiveness of the applicable Demand Registration Statement. Any such withdrawn Demand Registration Statement shall count as a Demand Registration with respect to any participating Requisite Investor unless such Requisite Investor reimburses the Company its pro rata portion (based on shares requested to be included in such Registration) of the Registration Expenses incurred prior to the withdrawal.

(e) Effective Registration. The Company shall use reasonable best efforts to cause the Demand Registration Statement to become effective and remain effective for not less than 180 days (or such shorter period as will terminate when all Registrable Securities covered by such Demand Registration Statement have been sold or withdrawn), or, if such Demand Registration Statement relates to an Underwritten Public Offering, such longer period

as in the opinion of counsel for the underwriter or underwriters a Prospectus is required by law to be delivered in connection with sales of Registrable Securities by an underwriter or dealer.

(f) **Delay in Filing; Suspension of Registration.** If the filing, initial effectiveness or continued use of a Demand Registration Statement at any time would require the Company to make an Adverse Disclosure, the Company may, upon giving prompt written notice of such action to the Holders, delay the filing or initial effectiveness of, or suspend use of, the Demand Registration Statement (a "Demand Suspension"); provided, however, that the Company shall not be permitted to exercise a Demand Suspension more than once during any 365-day for a period not to exceed 60 days. In the case of a Demand Suspension, the Holders agree to suspend use of the applicable Prospectus in connection with any sale or purchase, or offer to sell or purchase, Registrable Securities, upon receipt of the notice referred to above, provided that any such delay may not exceed 60 days during any 365-day period. The Company shall immediately notify the Holders in writing upon the termination of any Demand Suspension, amend or supplement the Prospectus, if necessary, so it does not contain any untrue statement or omission and furnish to the Holders such numbers of copies of the Prospectus as so amended or supplemented as the Holders may reasonably request, which the Company shall do upon the expiration of the 60-day period referenced above. The Company shall, if necessary, supplement or amend the Demand Registration Statement, if required by the registration form used by the Company for the Demand Registration or by the instructions applicable to such registration form or by the Securities Act or the rules or regulations promulgated thereunder or as may reasonably be requested by the Holders of a majority of Registrable Securities that are included in such Demand Registration Statement.

(g) **Priority of Securities Registered Pursuant to Demand Registrations.** If the managing underwriter or underwriters of a proposed Underwritten Public Offering of the Registrable Securities included in a Demand Registration, the Founder Investors and the TSG Investors determine in good faith, and advise the Company in writing that, in their opinion, the number of securities requested to be included in such Demand Registration exceeds the number that can be sold in such offering without being likely to have an adverse effect on the price, timing or distribution of the securities offered or the market for the securities offered, then the securities to be included in such Registration shall be in the case of any Demand Registration (x) first, allocated to each of Founder Investors and TSG Investors that has requested to participate in such Demand Registration an amount equal to the lesser of (i) the number of such Registrable Securities requested to be registered or sold by such Founder Investors and TSG Investors, and (ii) a number of such shares equal to their respective Pro Rata Portion, and (y) second, and only if all the securities referred to in clause (x) have been included, the number of other securities that, in the opinion of such managing underwriter or underwriters can be sold without having such adverse effect.

(h) **Resale Rights.** In the event that a Holder requests to participate in a Registration pursuant to this Section 3.1 in connection with a distribution of Registrable Securities to its partners or members or to a charitable organization, the Registration shall provide for resale by such partners or members or organizations, if reasonably requested by such Holder.

SECTION 3.2 Shelf Registration.

(a) Request for Shelf Registration.

(i) At such time as the Company is eligible to file a Registration Statement on Form S-3, upon the written request of any Requisite Investor from time to time (a "Shelf Registration Request"), the Company shall promptly file with the SEC a shelf Registration Statement pursuant to Rule 415 under the Securities Act ("Shelf Registration Statement") relating to the offer and sale of Registrable Securities by any Holders thereof from time to time in accordance with the methods of distribution elected by such Holders and the Company shall use its reasonable best efforts to cause such Shelf Registration Statement to promptly become effective under the Securities Act. Any such Registration pursuant to a Shelf Registration Request shall hereinafter be referred to as a "Shelf Registration."

(ii) If on the date of the Shelf Registration Request the Company is a WKSI, then the Shelf Registration Request may request Registration of an unspecified amount of Registrable Securities to be sold by unspecified Holders. If on the date of the Shelf Registration Request the Company is not a WKSI, then the Shelf Registration Request shall specify the aggregate amount of Registrable Securities to be registered. The Company shall provide to the Holders the information necessary to determine the Company's status as a WKSI upon request.

(b) Shelf Registration Notice. Promptly upon receipt of a Shelf Registration Request (but in no event more than 5 Business Days thereafter or such shorter period as may be reasonably requested in connection with an underwritten "block trade"), the Company shall deliver a written notice (a "Shelf Registration Notice") of any such request to all other Holders, which notice shall specify, if applicable, the amount of Registrable Securities to be registered, and the Shelf Registration Notice shall offer each such Holder the opportunity to include in the Shelf Registration that number of Registrable Securities as each such Holder may request in writing. The Company shall include in such Shelf Registration all such Registrable Securities with respect to which the Company has received written requests for inclusion therein within 3 Business Days (or such shorter period as may be reasonably requested in connection with an underwritten "block trade") after the date that the Shelf Registration Notice has been delivered.

(c) Continued Effectiveness. The Company shall use its reasonable best efforts to keep such Shelf Registration Statement continuously effective under the Securities Act in order to permit the Prospectus forming part of the Shelf Registration Statement to be usable by Holders until the earlier of: (i) the date as of which all Registrable Securities have been sold pursuant to the Shelf Registration Statement or another Registration Statement filed under the Securities Act (but in no event prior to the applicable period referred to in Section 4(a)(3) of the Securities Act and Rule 174 thereunder); and (ii) the date as of which no Holder holds Registrable Securities (such period of effectiveness, the "Shelf Period"). Subject to Section 3.2(d), the Company shall be deemed not to have used its reasonable best efforts to keep the Shelf Registration Statement effective during the Shelf Period if the Company voluntarily takes any action or omits to take any action that would result in Holders of the Registrable Securities covered thereby not being able to offer and sell any Registrable Securities pursuant to such Shelf Registration Statement during the Shelf Period, unless such action or omission is required by applicable law.

(d) Suspension of Registration. If the continued use of such Shelf Registration Statement at any time would require the Company to make an Adverse Disclosure, the Company may, upon giving prompt written notice of such action to the Holders, suspend use of the Shelf Registration Statement (a "Shelf Suspension") provided, however, that the Company shall not be permitted to exercise a Shelf Suspension more than once during any 365-day period for a period not to exceed 30 days; provided, further, any Shelf Suspension during the two-week period following the Company's public announcement of earnings for a fiscal quarter shall not exceed 48-hours. In the case of a Shelf Suspension, the Holders agree to suspend use of the applicable Prospectus in connection with any sale or purchase of, or offer to sell or purchase, Registrable Securities, upon receipt of the notice referred to above, provided that any such suspension may not exceed 30 days during any 365-day period or during the two-week period following the Company's public announcement of earnings for a fiscal quarter, 48-hours. The Company shall immediately notify the Holders in writing upon the termination of any Shelf Suspension, amend or supplement the Prospectus, if necessary, so it does not contain any untrue statement or omission and furnish to the Holders such numbers of copies of the Prospectus as so amended or supplemented as the Holders may reasonably request, which the Company shall do upon the expiration of the 30-day period, or 48-hour period, as applicable, referenced above. The Company shall, if necessary, supplement or amend the Shelf Registration Statement, if required by the registration form used by the Company for the Shelf Registration Statement or by the instructions applicable to such registration form or by the Securities Act or the rules or regulations promulgated thereunder or as may reasonably be requested by the Holders of a majority of Registrable Securities that are included in such Shelf Registration Statement.

(e) Shelf Takedown.

(i) At any time the Company has an effective Shelf Registration Statement with respect to Registrable Securities, by notice to the Company specifying the intended method or methods of disposition thereof, any Requisite Investor may make a written request (a "Shelf Takedown Request") to the Company to effect a Public Offering, including an Underwritten Shelf Takedown, of all or a portion of such Holder's Registrable Securities that are registered on such Shelf Registration Statement, and as soon as practicable the Company shall amend or supplement the Shelf Registration Statement as necessary for such purpose. No Holder, other than a Requisite Investor, may effect a Public Offering pursuant to this Section 3.2, except pursuant to Section 3.2(e)(ii) as a Potential Takedown Participant.

(ii) Promptly upon receipt of a Shelf Takedown Request (but in no event more than 3 Business Days thereafter or such shorter period as may be reasonably requested in connection with an underwritten "block trade") for any Underwritten Shelf Takedown, the Company shall deliver a notice (a "Shelf Takedown Notice") to each other Holder with Registrable Securities covered by the applicable Registration Statement, or to all other Holders

if such Registration Statement is undesignated (each a "Potential Takedown Participant"). The Shelf Takedown Notice shall offer each such Potential Takedown Participant the opportunity to include in any Underwritten Shelf Takedown such number of Registrable Securities as each such Potential Takedown Participant may request in writing. The Company shall include in the Underwritten Shelf Takedown all such Registrable Securities with respect to which the Company has received written requests for inclusion therein within 3 Business Days (or such shorter period as may be reasonably requested in connection with an underwritten "block trade") after the date that the Shelf Takedown Notice has been delivered. Any Potential Takedown Participant's request to participate in an Underwritten Shelf Takedown shall be binding on the Potential Takedown Participant; provided that each such Potential Takedown Participant that elects to participate may condition its participation on the Underwritten Shelf Takedown being completed within 10 Business Days of its acceptance at a price per share (after giving effect to any underwriters' discounts or commissions) to such Potential Takedown Participant of not less than ninety percent (90%) (or such lesser percentage specified by such Potential Takedown Participant) of the closing price for the shares on their principal trading market on the Business Day immediately prior to such Potential Takedown Participant's election to participate (the "Participation Conditions"). Notwithstanding the delivery of any Shelf Takedown Notice, but subject to the Participation Conditions (to the extent applicable), all determinations as to whether to complete any Underwritten Shelf Takedown and as to the timing, manner, price and other terms of any Underwritten Shelf Takedown contemplated by this Section 3.2(e) shall be determined by the initiating Requisite Investors.

(iii) The Company shall not be obligated to take any action to effect any Underwritten Shelf Takedown if (x) sales were made pursuant to an underwritten Demand Registration or an underwritten Piggyback Registration or an Underwritten Shelf Takedown was consummated within the preceding 60 days or (y) the value of the Registrable Securities proposed to be sold by the initiating Holders is not at least the lesser of \$25 million and all of such Holder's Registrable Securities.

(f) Priority of Securities Sold Pursuant to Shelf Takedowns. If the managing underwriter or underwriters of a proposed Underwritten Shelf Takedown pursuant to Section 3.2(e), the Founder Investors and the TSG Investors, determine in good faith, and advise the Company in writing that, in their opinion, the number of securities requested to be included in the proposed Underwritten Shelf Takedown exceeds the number that can be sold in such Underwritten Shelf Takedown without being likely to have an adverse effect on the price, timing or distribution of the securities offered or the market for the securities offered, the number of Registrable Securities to be included in such offering shall be (x) first, allocated to each of the Founder Investors and the TSG Investors that has requested to participate in such Underwritten Shelf Takedown an amount equal to the lesser of (i) the number of such Registrable Securities requested to be registered or sold by such Founder Investors and the TSG Investors, and (ii) a number of such shares equal to their respective Pro Rata Portion, and (y) second, and only if all the securities referred to in clause (x) have been included, the number of other securities that, in the opinion of such managing underwriter or underwriters can be sold without having such adverse effect.

(g) Resale Rights. In the event that an Investor elects to request a Registration pursuant to this Section 3.2 in connection with a distribution of Registrable Securities to its partners or members or to a charitable organization, the Registration shall provide for resale by such partners or members or organizations, if reasonably requested by such Holder.

SECTION 3.3 Piggyback Registration.

(a) Participation. If the Company at any time proposes to file a Registration Statement under the Securities Act or to conduct a Public Offering with respect to any offering of its equity securities for its own account or for the account of any other Persons (other than (i) a Registration under Sections 3.1 or 3.2, (ii) a Registration on Form S-4 or Form S-8 or any successor form to such forms, or (iii) a Registration of securities solely relating to an offering and sale to employees or directors of the Company or its subsidiaries pursuant to any employee stock plan, employee stock purchase plan, dividend reinvestment program or other employee benefit plan arrangement, then, as soon as practicable (but in no event less than 10 Business Days prior to the proposed date of filing of such Registration Statement or, in the case of a Public Offering under a Shelf Registration Statement, the anticipated pricing or trade date), the Company shall give written notice (a "Piggyback Notice") of such proposed filing or Public Offering to all Holders, and such Piggyback Notice shall offer the Holders the opportunity to register under such Registration Statement, or to sell in such Public Offering, such number of Registrable Securities as each such Holder may request in writing (a "Piggyback Registration"). Subject to Section 3.3(b), the Company shall include in such Registration

Statement or in such Public Offering as applicable, all such Registrable Securities that are requested to be included therein within 5 Business Days after the receipt by such Holder of any such notice; provided, however, that if at any time after giving written notice of its intention to register or sell any securities and prior to the effective date of the Registration Statement filed in connection with such Registration, or the pricing or trade date of a Public Offering under a Shelf Registration Statement, the Company determines for any reason not to register or sell or to delay Registration or the sale of such securities, the Company shall give written notice of such determination to each Holder and, thereupon, (i) in the case of a determination not to register or sell, shall be relieved of its obligation to register or sell any Registrable Securities in connection with such Registration or Public Offering (but not from its obligation to pay the Registration Expenses in connection therewith), without prejudice, however, to the rights of any Holders entitled to request that such Registration or sale be effected as a Demand Registration under Section 3.1 or an Underwritten Shelf Takedown under Section 3.2, as the case may be, and (ii) in the case of a determination to delay Registration or sale, in the absence of a request for a Demand Registration or an Underwritten Shelf Takedown, as the case may be, shall also be permitted to delay registering or selling any Registrable Securities. Any Holder shall have the right to withdraw all or part of its request for inclusion of its Registrable Securities in a Piggyback Registration by giving written notice to the Company of its request to withdraw.

(b) **Priority of Piggyback Registration.** If the Founder Investors, the TSG Investors and if the proposed filing or Public Offering is underwritten, the managing underwriter or underwriters of such proposed filing or Public Offering, determine in good faith, and advise the Company in writing that, in their opinion, the number of securities requested to be included in the proposed Piggyback Registration exceeds the number that can be sold in such Piggyback Registration without being likely to have an adverse effect on the price, timing or distribution of the securities offered or the market for the securities offered, the number of Registrable Securities to be included in such offering shall be (x) first, allocated to each of the Founder Investors and the TSG Investors that has requested to participate in such Piggyback Registration an amount equal to the lesser of (i) the number of such Registrable Securities requested to be registered or sold by such Founder Investors and the TSG Investors, and (ii) a number of such shares equal to their respective Pro Rata Portion, and (y) second, and only if all the securities referred to in clause (x) have been included, the number of other securities that, in the opinion of such managing underwriter or underwriters can be sold without having such adverse effect.

(c) **No Effect on Other Registrations.** No Registration of Registrable Securities effected pursuant to a request under this Section 3.3 shall be deemed to have been effected pursuant to Sections 3.1 and 3.2 or shall relieve the Company of its obligations under Sections 3.1 and 3.2.

SECTION 3.4 Lock-Up Agreements. In connection with each Registration or sale of Registrable Securities pursuant to Section 3.1, 3.2 or 3.3 conducted as an Underwritten Public Offering, each Holder agrees, if requested, to become bound by and to execute and deliver a lock-up agreement with the underwriter(s) of such Public Offering restricting such Holder's right to (a) transfer, directly or indirectly, any equity securities of the Company held by such Holder or (b) enter into any swap or other arrangement that transfers to another any of the economic consequences of ownership of such securities during the period commencing on the date of the final Prospectus relating to such Public Offering and ending on the date specified by the underwriters (such period not to exceed 90 days plus such additional period as may be requested by the Company or an underwriter due to regulatory restrictions on the publication or other distribution of research reports and analyst recommendations and opinions, if applicable). The terms of such lock-up agreements shall be negotiated among the Requisite Investors, the Company and the underwriters and shall include customary carve-outs from the restrictions on transfer set forth therein.

SECTION 3.5 Registration Procedures.

(a) **Requirements.** In connection with the Company's obligations under Sections 3.1, 3.2 and 3.3, the Company shall use its reasonable best efforts to effect such Registration and to permit the sale of such Registrable Securities in accordance with the intended method or methods of distribution thereof as expeditiously as reasonably practicable, and in connection therewith the Company shall:

(i) as promptly as practicable, prepare the required Registration Statement, including all exhibits and financial statements required under the Securities Act to be filed therewith and Prospectus, and, before filing a Registration Statement or Prospectus or any amendments or supplements thereto, (x) furnish to the underwriters, if any, and to the Holders of the Registrable Securities covered by such Registration Statement, copies

of all documents prepared to be filed, which documents shall be subject to the review of such underwriters and such Holders and their respective counsel, (y) make such changes in such documents concerning the Holders prior to the filing thereof as such Holders, or their counsel, may reasonably request and (z) except in the case of a Registration under Section 3.3, not file any Registration Statement or Prospectus or amendments or supplements thereto to which the participating Holders, in such capacity, or the underwriters, if any, shall reasonably object;

(ii) prepare and file with the SEC such amendments and post-effective amendments to such Registration Statement and supplements to the Prospectus as may be (x) reasonably requested by any participating Holder with Registrable Securities covered by such Registration Statement, (y) reasonably requested by any participating Holder (to the extent such request relates to information relating to such Holder), or (z) necessary to keep such Registration Statement effective for the period of time required by this Agreement, and comply with provisions of the applicable securities laws with respect to the sale or other disposition of all securities covered by such Registration Statement during such period in accordance with the intended method or methods of disposition by the sellers thereof set forth in such Registration Statement;

(iii) notify the participating Holders and the managing underwriter or underwriters, if any, and (if requested) confirm such notice in writing and provide copies of the relevant documents, as soon as reasonably practicable after notice thereof is received by the Company (A) when the applicable Registration Statement or any amendment thereto has been filed or becomes effective, and when the applicable Prospectus or any amendment or supplement thereto has been filed, (B) of any written comments by the SEC, or any request by the SEC or other federal or state governmental authority for amendments or supplements to such Registration Statement or such Prospectus, or for additional information (whether before or after the effective date of the Registration Statement) or any other correspondence with the SEC relating to, or which may affect, the Registration, (C) of the issuance by the SEC of any stop order suspending the effectiveness of such Registration Statement or any order by the SEC or any other regulatory authority preventing or suspending the use of any preliminary or final Prospectus or the initiation or threatening of any proceedings for such purposes, (D) if, at any time, the representations and warranties of the Company in any applicable underwriting agreement cease to be true and correct in all material respects and (E) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities for offering or sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;

(iv) promptly notify each selling Holder and the managing underwriter or underwriters, if any, when the Company becomes aware of the happening of any event as a result of which the applicable Registration Statement or the Prospectus included in such Registration Statement (as then in effect) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein (in the case of such Prospectus or any preliminary Prospectus, in light of the circumstances under which they were made) not misleading, when any Issuer Free Writing Prospectus includes information that may conflict with the information contained in the Registration Statement, or, if for any other reason it shall be necessary during such time period to amend or supplement such Registration Statement or Prospectus in order to comply with the Securities Act and, as promptly as reasonably practicable thereafter, prepare and file with the SEC, and furnish without charge to the selling Holders and the managing underwriter or underwriters, if any, an amendment or supplement to such Registration Statement or Prospectus, which shall correct such misstatement or omission or effect such compliance;

(v) to the extent the Company is eligible under the relevant provisions of Rule 430B under the Securities Act, if the Company files any Shelf Registration Statement, the Company shall include in such Shelf Registration Statement such disclosures as may be required by Rule 430B under the Securities Act (referring to the unnamed selling security holders in a generic manner by identifying the initial offering of the securities to the Holders) in order to ensure that the Holders may be added to such Shelf Registration Statement at a later time through the filing of a Prospectus supplement rather than a post-effective amendment;

(vi) to prevent, or obtain the withdrawal of, any stop order or other order or notice preventing or suspending the use of any preliminary or final Prospectus;

(vii) promptly incorporate in a Prospectus supplement, Issuer Free Writing Prospectus or post-effective amendment such information as the managing underwriter or underwriters and the participating Requisite Investors agree should be included therein relating to the plan of distribution with respect to such Registrable Securities; and make all required filings of such Prospectus supplement, Issuer Free Writing Prospectus or post-

effective amendment as soon as reasonably practicable after being notified of the matters to be incorporated in such Prospectus supplement, Issuer Free Writing Prospectus or post-effective amendment;

(viii) furnish to each selling Holder and each underwriter, if any, without charge, as many conformed electronic copies as such Holder or underwriter may reasonably request of the applicable Registration Statement and any amendment or post-effective amendment or supplement thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits (including those incorporated by reference);

(ix) deliver to each selling Holder and each underwriter, if any, without charge, as many electronic copies of the applicable Prospectus (including each preliminary Prospectus) and any amendment or supplement thereto and such other documents as such Holder or underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities by such Holder or underwriter (it being understood that the Company shall consent to the use of such Prospectus or any amendment or supplement thereto by each of the selling Holders and the underwriters, if any, in connection with the offering and sale of the Registrable Securities covered by such Prospectus or any amendment or supplement thereto);

(x) on or prior to the date on which the applicable Registration Statement becomes effective, use its reasonable best efforts to register or qualify, and cooperate with the selling Holders, the managing underwriter or underwriters, if any, and their respective counsel, in connection with the Registration or qualification of such Registrable Securities for offer and sale under the securities or "Blue Sky" laws of each state and other jurisdiction as any such selling Holder or managing underwriter or underwriters, if any, or their respective counsel reasonably request in writing and do any and all other acts or things reasonably necessary or advisable to keep such Registration or qualification in effect for such period as required by Section 3.1 or Section 3.2, as applicable, provided that the Company shall not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to taxation or general service of process in any such jurisdiction where it is not then so subject;

(xi) cooperate with the selling Holders and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any restrictive legends; and enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriters may request prior to any sale of Registrable Securities to the underwriters;

(xii) cause the Registrable Securities covered by the applicable Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such Registrable Securities;

(xiii) make such representations and warranties to the Holders being registered, and the underwriters or agents, if any, in form, substance and scope as are customarily made by issuers in public offerings similar to the offering then being undertaken;

(xiv) enter into such customary agreements (including underwriting and indemnification agreements) and take all such other actions as the participating Requisite Investors or the managing underwriter or underwriters, if any, reasonably request in order to expedite or facilitate the Registration and disposition of such Registrable Securities;

(xv) obtain for delivery to the Holders being registered and to the underwriter or underwriters, if any, an opinion or opinions from counsel for the Company dated the most recent effective date of the Registration Statement or, in the event of an Underwritten Public Offering, the date of the closing under the underwriting agreement, in customary form, scope and substance, which opinions shall be reasonably satisfactory to such Holders or underwriters, as the case may be, and their respective counsel;

(xvi) in the case of an Underwritten Public Offering, obtain for delivery to the Company and the managing underwriter or underwriters, with electronic copies to the Holders included in such Registration or sale, a

comfort letter from the Company's independent certified public accountants or independent auditors (and, if necessary, any other independent certified public accountants or independent auditors of any subsidiary of the Company or any business acquired by the Company for which financial statements and financial data are, or are required to be, included in the Registration Statement) in customary form and covering such matters of the type customarily covered by comfort letters as the managing underwriter or underwriters reasonably request, dated the date of execution of the underwriting agreement and brought down to the closing under the underwriting agreement;

(xvii) cooperate with each seller of Registrable Securities and each underwriter, if any, participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with FINRA;

(xviii) comply with all applicable securities laws and, if a Registration Statement was filed, make available to its security holders, as soon as reasonably practicable, an earnings statement satisfying the provisions of Section 11(a) of the Securities Act and the rules and regulations promulgated thereunder;

(xix) provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by the applicable Registration Statement;

(xx) cause all Registrable Securities covered by the applicable Registration Statement to be listed on each securities exchange on which any of the Company's equity securities are then listed or quoted and on each inter-dealer quotation system on which any of the Company's equity securities are then quoted.

(xxi) make available upon reasonable notice at reasonable times and for reasonable periods for inspection by a representative appointed by the participating Requisite Investors, by any underwriter participating in any disposition to be effected pursuant to such Registration Statement and by any attorney, accountant or other agent retained by such Holders or any such underwriter, all pertinent financial and other records and pertinent corporate documents and properties of the Company, and cause all of the Company's officers, directors and employees and the independent public accountants who have certified its financial statements to make themselves available to discuss the business of the Company and to supply all information reasonably requested by any such Person in connection with such Registration Statement;

(xxii) in the case of an Underwritten Public Offering, cause the senior executive officers of the Company to be available in advance of any such Underwritten Public Offering for due diligence and other purposes, including participation in the customary "road show" presentations that may be reasonably requested by the managing underwriter or underwriters in any such offering and otherwise to facilitate, cooperate with, and participate in each proposed offering contemplated herein and customary selling efforts related thereto;

(xxiii) take no direct or indirect action prohibited by Regulation M under the Exchange Act;

(xxiv) take all reasonable action to ensure that any Issuer Free Writing Prospectus utilized in connection with any Registration complies in all material respects with the Securities Act, is filed in accordance with the Securities Act to the extent required thereby, is retained in accordance with the Securities Act to the extent required thereby and, when taken together with the related Prospectus, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(xxv) take all such other commercially reasonable actions as are necessary or advisable in order to expedite or facilitate the disposition of such Registrable Securities in accordance with the terms of this Agreement.

(b) Company Information Requests. The Company may require each seller of Registrable Securities as to which any Registration or sale is being effected to furnish to the Company such information regarding the distribution of such securities and such other information relating to such Holder and its ownership of Registrable Securities as the Company may from time to time reasonably request in writing and the Company may exclude from such Registration or sale the Registrable Securities of any such Holder who unreasonably fails to furnish such information within a reasonable time after receiving such request. Each Holder agrees to furnish such information to

the Company and to cooperate with the Company as reasonably necessary to enable the Company to comply with the provisions of this Agreement.

(c) **Discontinuing Registration.** Each Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 3.5(a)(iv), such Holder will discontinue disposition of Registrable Securities pursuant to such Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 3.5(a)(iv), or until such Holder is advised in writing by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus, or any amendments or supplements thereto, and if so directed by the Company, such Holder shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice. In the event the Company shall give any such notice, the period during which the applicable Registration Statement is required to be maintained effective shall be extended by the number of days during the period from and including the date of the giving of such notice to and including the date when each seller of Registrable Securities covered by such Registration Statement either receives the copies of the supplemented or amended Prospectus contemplated by Section 3.5(a)(iv) or is advised in writing by the Company that the use of the Prospectus may be resumed. The Company may not take advantage of this provision for more than 60 days during any 365-day period, after which the Company shall make any such filings or disclosures as are required to eliminate the existence of the Adverse Disclosure.

SECTION 3.6 Underwritten Offerings.

(a) **Shelf and Demand Registrations.** If requested by the underwriters for any Underwritten Public Offering, pursuant to a Registration or sale under Sections 3.1 or 3.2, the Company shall enter into an underwriting agreement with such underwriters, such agreement to be reasonably satisfactory in substance and form to each of the Company, the participating Requisite Investors and the underwriters, and to contain such representations and warranties by the Company and such other terms as are generally prevailing in agreements of that type, including indemnities no less favorable to the recipient thereof than those provided in Section 3.9. The Holders of the Registrable Securities proposed to be distributed by such underwriters shall cooperate with the Company in the negotiation of the underwriting agreement and shall give consideration to the reasonable suggestions of the Company regarding the form thereof, and such Holders shall complete and execute all questionnaires, powers of attorney and other documents reasonably requested by the underwriters and required under the terms of such underwriting arrangements. Any such Holder shall not be required to make any representations or warranties to or agreements with the Company or the underwriters other than representations, warranties or agreements regarding such Holder, such Holder's title to the Registrable Securities, such Holder's intended method of distribution and any other representations to be made by the Holder as are generally prevailing in agreements of that type, and the aggregate amount of the liability of such Holder under such agreement shall not exceed such Holder's proceeds from the sale of its Registrable Securities in the offering, net of underwriting discounts and commissions but before expenses.

(b) **Piggyback Registrations.** If the Company proposes to register or sell any of its securities under the Securities Act as contemplated by Section 3.3 and such securities are to be distributed through one or more underwriters, the Company shall, if requested by any Holder pursuant to Section 3.3 and, subject to the provisions of Section 3.3(b), use its reasonable best efforts to arrange for such underwriters to include on the same terms and conditions that apply to the other sellers in such Registration or sale all the Registrable Securities to be offered and sold by such Holder among the securities of the Company to be distributed by such underwriters in such Registration or sale. The Holders of Registrable Securities to be distributed by such underwriters shall be parties to the underwriting agreement between the Company and such underwriters and shall complete and execute all questionnaires, powers of attorney and other documents reasonably requested by the underwriters and required under the terms of such underwriting arrangements. Any such Holder shall not be required to make any representations or warranties to or agreements with the Company or the underwriters other than representations, warranties or agreements regarding such Holder, such Holder's title to the Registrable Securities, such Holder's intended method of distribution and any other representations to be made by the Holder as are generally prevailing in agreements of that type, and the aggregate amount of the liability of such Holder shall not exceed such Holder's proceeds from the sale of its Registrable Securities in the offering, net of underwriting discounts and commissions but before expenses.

(c) Selection of Underwriters; Selection of Counsel. In the case of an Underwritten Public Offering under Sections 3.1, 3.2 or Section 3.3, except for underwritten "block trades", the managing underwriter or underwriters to administer the offering shall be determined by the Company; provided that such underwriter or underwriters shall be reasonably acceptable to the Holders of a majority of the Registrable Securities being sold. In the case of an underwritten "block trade", the managing underwriter or underwriters to administer the offering shall be determined by the Holders of a majority of the Registrable Securities being sold. In the case of an Underwritten Public Offering under Sections 3.1, 3.2 or 3.3, legal counsel for Investor shall be selected by the Investor and legal counsel for the other Holders shall be selected by participating Holders holding a majority of the Registrable Securities proposed to be included in the Public Offering.

SECTION 3.7 No Inconsistent Agreements; Additional Rights. Neither the Company nor any of its subsidiaries shall hereafter enter into, and neither the Company nor any of its subsidiaries is currently a party to, any agreement with respect to its securities that is inconsistent with the rights granted to the Holders by this Agreement. Neither the Company nor any of its subsidiaries shall enter into any agreement granting registration or similar rights to any Person, and the Company hereby represents and warrants that, as of the date hereof, no registration or similar rights have been granted to any other Person other than pursuant to this Agreement.

SECTION 3.8 Registration Expenses. All expenses incident to the Company's performance of or compliance with this Agreement shall be paid by the Company, including (a) all registration and filing fees, and any other fees and expenses associated with filings required to be made with the SEC or FINRA, (b) all fees and expenses in connection with compliance with any securities or "Blue Sky" laws (including reasonable fees and disbursements of counsel for the underwriters in connection with blue sky qualifications of the Registrable Securities), (c) all printing, duplicating, word processing, messenger, telephone and delivery expenses, (d) all fees and disbursements of counsel for the Company and of all independent certified public accountants or independent auditors of the Company and any subsidiaries of the Company (including the expenses of any special audit and comfort letters required by or incident to such performance), (e) Securities Act liability insurance or similar insurance if the Company so desires or the underwriters so require in accordance with then-customary underwriting practice, (f) all fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange or quotation of the Registrable Securities on any inter-dealer quotation system, (g) all reasonable fees and disbursements of Founder Investors and the TSG Investors per Public Offering, with Founder Investors and the TSG Investors each retaining up to one legal counsel, (h) all fees and expenses of any special experts or other Persons retained by the Company in connection with any Registration or sale, (i) all of the Company's internal expenses (including all salaries and expenses of its officers and employees performing legal or accounting duties) and (j) all expenses related to the "road show" for any Underwritten Public Offering (including the reasonable out-of-pocket expenses of the Holders and underwriters, if so requested). All such expenses are referred to herein as "Registration Expenses". The Company shall not be required to pay any fees and disbursements to underwriters not customarily paid by the issuers of securities in an offering similar to the applicable offering, including underwriting discounts and commissions and transfer taxes, if any, attributable to the sale of Registrable Securities not sold by the Company.

SECTION 3.9 Indemnification.

(a) Indemnification by the Company. If any Registrable Securities are included in a Registration Statement pursuant to this Agreement, the Company shall indemnify and hold harmless, to the full extent permitted by law, each Holder, each shareholder, member, limited or general partner of such Holder, each shareholder, member, limited or general partner of each such shareholder, member, limited or general partner, each of their respective Affiliates, officers, directors, shareholders, employees, advisors, and agents and each Person who controls (within the meaning of the Securities Act or the Exchange Act) such Persons and each of their respective Representatives from and against any losses, damage, claim or liability (joint or several) to which a party hereto may become subject under the Securities Act, the Exchange Act, or other federal or state law, insofar as such loss, damage, claim or liability (or any action in respect thereof) (each, a "Loss" and collectively "Losses") arising out of or based upon (i) any untrue or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Securities are registered or sold under the Securities Act (including any final, preliminary or summary Prospectus contained therein or any amendment thereof or supplement thereto or any documents incorporated by reference therein) or any other disclosure document produced by or on behalf of the Company or any of its subsidiaries including any report and other document filed under the Exchange Act, (ii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a Prospectus or

preliminary Prospectus, in light of the circumstances under which they were made) not misleading or (iii) any violation or alleged violation by the Company or any of its subsidiaries of any federal, state, foreign or common law rule or regulation applicable to the Company or any of its subsidiaries and relating to action or inaction in connection with any such registration, disclosure document or other document or report; provided, that no selling Holder shall be entitled to indemnification pursuant to this Section 3.9(a) in respect of any untrue statement or omission contained in any information relating to such selling Holder furnished in writing by such selling Holder to the Company specifically for inclusion in a Registration Statement and used by the Company in conformity therewith (such information, "Selling Stockholder Information"), nor shall the Company be liable for amounts paid in settlement of any such claim or proceeding if such settlement is effected without the written consent of the Company, which consent shall not be unreasonably withheld. This indemnity shall be in addition to any liability the Company may otherwise have. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Holder or any indemnified party and shall survive the transfer of such Registrable Securities by such Holder and regardless of any indemnity agreed to in the underwriting agreement that is less favorable to the Holders.

(b) Indemnification by the Selling Holders. To the extent permitted by law, each selling Holder agrees (severally and not jointly) to indemnify and hold harmless, to the fullest extent permitted by law, the Company, its directors and officers and each Person who controls the Company (within the meaning of the Securities Act or the Exchange Act) from and against any Losses resulting from (i) any untrue statement of a material fact in any Registration Statement under which such Registrable Securities were registered or sold under the Securities Act (including any final, preliminary or summary Prospectus contained therein or any amendment thereof or supplement thereto or any documents incorporated by reference therein) or (ii) any omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a Prospectus or preliminary Prospectus, in light of the circumstances under which they were made) not misleading, in each case to the extent, but only to the extent, that such untrue statement or omission is contained in such selling Holder's Selling Stockholder Information. In no event shall the liability of any selling Holder hereunder be greater in amount than the dollar amount of the proceeds from the sale of its Registrable Securities in the offering giving rise to such indemnification obligation, net of underwriting discounts and commissions but before expenses, less any amounts paid by such Holder pursuant to Section 3.9(d) and any amounts paid by such Holder as a result of liabilities incurred under the underwriting agreement, if any, related to such sale.

(c) Conduct of Indemnification Proceedings. Any Person entitled to indemnification hereunder shall (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided that any delay or failure to so notify the indemnifying party shall relieve the indemnifying party of its obligations hereunder only to the extent, if at all, that it is actually and materially prejudiced by reason of such delay or failure) and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; provided, however, that any Person entitled to indemnification hereunder shall have the right to select and employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such Person unless (i) the indemnifying party has agreed in writing to pay such fees or expenses, (ii) the indemnifying party shall have failed to assume the defense of such claim within a reasonable time after receipt of notice of such claim from the Person entitled to indemnification hereunder and employ counsel reasonably satisfactory to such Person, (iii) the indemnified party has reasonably concluded (based upon advice of its counsel) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party or (iii) in the reasonable judgment of any such Person (based upon advice of its counsel) a conflict of interest may exist between such Person and the indemnifying party with respect to such claims (in which case, if the Person notifies the indemnifying party in writing that such Person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such Person). If the indemnifying party assumes the defense, the indemnifying party shall not have the right to settle such action without the prior written consent of the indemnified party. No indemnifying party shall consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of an unconditional release from all liability in respect to such claim or litigation without the prior written consent of such indemnified party. If such defense is not assumed by the indemnifying party, the indemnifying party will not be subject to any liability for any settlement made without its prior written consent, but such consent may not be unreasonably withheld. It is understood that the indemnifying party or parties shall not, except as specifically set forth in this Section 3.9(c), in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements or other charges of more than one separate firm admitted to practice in such jurisdiction at any

one time unless (x) the employment of more than one counsel has been authorized in writing by the indemnifying party or parties, (y) an indemnified party has reasonably concluded (based on the advice of counsel) that there may be legal defenses available to it that are different from or in addition to those available to the other indemnified parties or (z) a conflict or potential conflict exists or may exist (based upon advice of counsel to an indemnified party) between such indemnified party and the other indemnified parties, in each of which cases the indemnifying party shall be obligated to pay the reasonable fees and expenses of such additional counsel or counsels.

(d) Contribution. If for any reason the indemnification provided for in Section 3.9(a) and Section 3.9(b) is unavailable to an indemnified party or insufficient in respect of any Losses referred to therein (other than as a result of exceptions or limitations on indemnification contained in Section 3.9(a) and Section 3.9(b)), then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such Loss in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and the indemnified party or parties on the other hand in connection with the acts, statements or omissions that resulted in such Losses, as well as any other relevant equitable considerations. In connection with any Registration Statement filed with the SEC by the Company, the relative fault of the indemnifying party on the one hand and the indemnified party on the other hand shall be determined by reference to, among other things, whether any untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just or equitable if contribution pursuant to this Section 3.9(d) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in this Section 3.9(d). No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The amount paid or payable by an indemnified party as a result of the Losses referred to in Sections 3.9(a) and 3.9(b) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 3.9(d), in connection with any Registration Statement filed by the Company, a selling Holder shall not be required to contribute any amount in excess of the dollar amount of the proceeds from the sale of its Registrable Securities in the offering giving rise to such contribution obligation, net of underwriting discounts and commissions but before expenses, less any amounts paid by such Holder pursuant to Section 3.9(b) and any amounts paid by such Holder as a result of liabilities incurred under the underwriting agreement, if any, related to such sale. If indemnification is available under this Section 3.9, the indemnifying parties shall indemnify each indemnified party to the full extent provided in Sections 3.9(a) and 3.9(b) hereof without regard to the provisions of this Section 3.9(d). The remedies provided for in this Section 3.9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

SECTION 3.10 Rules 144 and 144A and Regulation S. The Company shall file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder (or, if the Company is not required to file such reports, it will, upon the request of any Holder, make publicly available such necessary information for so long as necessary to permit sales that would otherwise be permitted by this Agreement pursuant to Rule 144, Rule 144A or Regulation S under the Securities Act, as such rules may be amended from time to time or any similar rule or regulation hereafter adopted by the SEC), and it will take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Holder to sell Registrable Securities without Registration under the Securities Act in transactions that would otherwise be permitted by this Agreement and within the limitation of the exemptions provided by (i) Rule 144, Rule 144A or Regulation S under the Securities Act, as such rules may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the SEC. Upon the request of any Holder, the Company will deliver to such Holder a written statement as to whether it has complied with such requirements and, if not, the specifics thereof.

SECTION 3.11 Existing Registration Statements. Notwithstanding anything herein to the contrary and subject to applicable law and regulation, the Company may satisfy any obligation hereunder to file a Registration Statement or to have a Registration Statement become effective by a specified date by designating, by notice to the Holders, a Registration Statement that previously has been filed with the SEC or become effective, as the case may be, as the relevant Registration Statement for purposes of satisfying such obligation, and all references to any such obligation shall be construed accordingly; provided that such previously filed Registration Statement may be, and is, amended or, subject to applicable securities laws, supplemented to add the number of Registrable Securities, and, to

the extent necessary, to identify as selling stockholders those Holders demanding the filing of a Registration Statement pursuant to the terms of this Agreement. To the extent this Agreement refers to the filing or effectiveness of other Registration Statements, by or at a specified time and the Company has, in lieu of then filing such Registration Statements or having such Registration Statements become effective, designated a previously filed or effective Registration Statement as the relevant Registration Statement for such purposes, in accordance with the preceding sentence, such references shall be construed to refer to such designated Registration Statement, as amended or supplemented in the manner contemplated by the immediately preceding sentence.

ARTICLE IV

MISCELLANEOUS

SECTION 4.1 Authority: Effect. Each party hereto represents and warrants to and agrees with each other party that the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized on behalf of such party and do not violate any agreement or other instrument applicable to such party or by which its assets are bound. This Agreement does not, and shall not be construed to, give rise to the creation of a partnership among any of the parties hereto, or to constitute any of such parties' members of a joint venture or other association. The Company and its subsidiaries shall be jointly and severally liable for all obligations of each such party pursuant to this Agreement.

SECTION 4.2 Notices. Any notices, requests, demands and other communications required or permitted in this Agreement shall be effective if in writing and (i) delivered personally, (ii) sent by facsimile or e-mail, or (iii) sent by overnight courier, in each case, addressed as follows:

If to the Company to:

Dutch Bros Inc.
110 SW 4th Street
Grants Pass, OR 97526
Email: legal@dutchbros.com
Attn: Legal

with a copy (which shall not constitute notice) to:

Cooley LLP
3175 Hanover Street
Palo Alto, CA 94304
Email: ejensen@cooley.com
Attn: Eric Jensen

If to an Investor (other than a Founders Investor) to:

[•]
[•]
[•]
[•]

with a copy to:

ROPES & GRAY LLP
Prudential Tower, 800 Boylston Street
Boston, MA 02199-3600
Email: christopher.comeau@ropesgray.com
Attn: Christopher D. Comeau

If to a Founder Investors to:

[•]
[•]
[•]
[•]

with a copy to:

MCDERMOTT WILL & EMERY LLP
500 North Capital Street, NW
Washington, DC 20001-1531
Email: tconaghan@mwe.com
Attn: Thomas P. Conaghan

Notice to the holder of record of any Registrable Securities shall be deemed to be notice to the holder of such securities for all purposes hereof.

Unless otherwise specified herein, such notices or other communications shall be deemed effective (i) on the date received, if personally delivered, (ii) on the date received if delivered by facsimile or e-mail on a Business Day, or if not delivered on a Business Day, on the first Business Day thereafter and (iii) 3 Business Days after being sent by overnight courier. Each of the parties hereto shall be entitled to specify a different address by giving notice as aforesaid to each of the other parties hereto.

SECTION 4.3 Termination and Effect of Termination. This Agreement shall terminate upon the date on which no Holder holds any Registrable Securities, except for the provisions of Sections 3.9 and 3.10, which shall survive any such termination. No termination under this Agreement shall relieve any Person of liability for breach or Registration Expenses incurred prior to termination. In the event this Agreement is terminated, each Person entitled to indemnification rights pursuant to Section 3.9 hereof shall retain such indemnification rights with respect to any matter that (i) may be an indemnified liability thereunder and (ii) occurred prior to such termination.

SECTION 4.4 Permitted Transferees. The rights of a Holder hereunder may be assigned (but only with all related obligations as set forth below) in connection with a transfer to a Permitted Transferee of Registrable Securities. Without prejudice to any other or similar conditions imposed hereunder with respect to any such transfer, no assignment permitted under the terms of this Section 4.4 will be effective unless the Permitted Transferee to which the assignment is being made, if not a Holder, has delivered to the Company a written acknowledgment and agreement in form and substance reasonably satisfactory to the Company that the Permitted Transferee will be bound by, and will be a party to, this Agreement. A Permitted Transferee to whom rights are transferred pursuant to this Section 4.4 may again transfer those rights to any other Permitted Transferee, as provided in this Section 4.4.

SECTION 4.5 Remedies. The parties to this Agreement shall have all remedies available at law, in equity or otherwise in the event of any breach or violation of this Agreement or any default hereunder. The parties acknowledge and agree that in the event of any breach of this Agreement, in addition to any other remedies that may be available, each of the parties hereto shall be entitled to specific performance of the obligations of the other parties hereto and, in addition, to such other equitable remedies (including preliminary or temporary relief) as may be appropriate in the circumstances. No delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any such delay, omission nor waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

SECTION 4.6 Amendments. This Agreement may not be orally amended, modified, extended or terminated, nor shall any oral waiver of any of its terms be effective. This Agreement may be amended, modified, extended or terminated, and the provisions hereof may be waived, only by an agreement in writing signed by the Company and each Requisite Investor. Each such amendment, modification, extension or termination shall be binding

upon each party hereto. In addition, each party hereto may waive any right hereunder by an instrument in writing signed by such party.

SECTION 4.7 Governing Law. This Agreement and all claims arising out of or based upon this Agreement or relating to the subject matter hereof shall be governed by and construed in accordance with the domestic substantive laws of the State of New York without giving effect to any choice or conflict of laws provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction.

SECTION 4.8 Consent to Jurisdiction. Each party to this Agreement, by its execution hereof, (i) hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the State of New York for the purpose of any action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation arising out of or based upon this Agreement or relating to the subject matter hereof, (ii) hereby waives to the extent not prohibited by applicable law, and agrees not to assert, and agrees not to allow any of its subsidiaries to assert, by way of motion, as a defense or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that any such proceeding brought in one of the above-named courts is improper, or that this Agreement or the subject matter hereof or thereof may not be enforced in or by such court and (iii) hereby agrees not to commence or maintain any action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation arising out of or based upon this Agreement or relating to the subject matter hereof or thereof other than before one of the above-named courts nor to make any motion or take any other action seeking or intending to cause the transfer or removal of any such action, claim, cause of action or suit (in contract, tort or otherwise), inquiry, proceeding or investigation to any court other than one of the above-named courts whether on the grounds of inconvenient forum or otherwise. Notwithstanding the foregoing, to the extent that any party hereto is or becomes a party in any litigation in connection with which it may assert indemnification rights set forth in this Agreement, the court in which such litigation is being heard shall be deemed to be included in clause (i) above. Notwithstanding the foregoing, any party to this Agreement may commence and maintain an action to enforce a judgment of any of the above-named courts in any court of competent jurisdiction. Each party hereto hereby consents to service of process in any such proceeding in any manner permitted by New York law, and agrees that service of process by registered or certified mail, return receipt requested, at its address specified pursuant to Section 4.2 hereof is reasonably calculated to give actual notice.

SECTION 4.9 WAIVER OF JURY TRIAL. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW WHICH CANNOT BE WAIVED, EACH PARTY HERETO HEREBY WAIVES AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE OR ACTION, CLAIM, CAUSE OF ACTION OR SUIT (IN CONTRACT, TORT OR OTHERWISE), INQUIRY, PROCEEDING OR INVESTIGATION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE TRANSACTIONS CONTEMPLATED HEREBY, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING. EACH PARTY HERETO ACKNOWLEDGES THAT IT HAS BEEN INFORMED BY THE OTHER PARTIES HERETO THAT THIS SECTION 4.9 CONSTITUTES A MATERIAL INDUCEMENT UPON WHICH THEY ARE RELYING AND WILL RELY IN ENTERING INTO THIS AGREEMENT. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 4.9 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

SECTION 4.10 Entire Agreement; Merger; Binding Effect, Etc. Upon the effectiveness of this Agreement, the Prior Agreement shall be deemed amended and restated and superseded and replaced in its entirety by this Agreement, and shall be of no further force or effect. This Agreement constitutes the entire agreement of the parties with respect to its subject matter, supersedes all prior or contemporaneous oral or written agreements or discussions with respect to such subject matter, and shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective heirs, representatives, successors and permitted assigns. Except as otherwise expressly provided herein, no Holder or other party hereto may assign any of its respective rights or delegate any of its respective obligations under this Agreement without the prior written consent of the other parties hereto, and any attempted assignment or delegation in violation of the foregoing shall be null and void.

SECTION 4.11 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one instrument. Counterpart signature

pages to this Agreement may be delivered by facsimile or electronic delivery (i.e., by email of a PDF signature page) and each such counterpart signature page will constitute an original for all purposes.

SECTION 4.12 Severability. In the event that any provision hereof would, under applicable law, be invalid or unenforceable in any respect, such provision shall be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable law. The provisions hereof are severable, and in the event any provision hereof should be held invalid or unenforceable in any respect, it shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

SECTION 4.13 No Recourse. Notwithstanding anything that may be expressed or implied in this Agreement, the Company and each Holder covenant, agree and acknowledge that no recourse under this Agreement or any documents or instruments delivered in connection with this Agreement shall be had against any current or future director, officer, employee, general or limited partner or member of any Holder or of any Affiliate or assignee thereof, as such, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any current or future officer, agent or employee of any Holder or any current or future member of any Holder or any current or future director, officer, employee, partner or member of any Holder or of any Affiliate or assignee thereof, as such, for any obligation of any Holder under this Agreement or any documents or instruments delivered in connection with this Agreement for any claim based on, in respect of or by reason of such obligations or their creation.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the undersigned has duly executed this Agreement as of the date first above written.

COMPANY:

Dutch Bros Inc.

By: /s/ Joth Ricci

Name: Joth Ricci

Title: Chief Executive Officer

SIGNATURE PAGE TO
AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

IN WITNESS WHEREOF, each of the undersigned has duly executed this Agreement as of the date first above written.

INVESTORS:

Dutch Holdings, LLC
By: Dutch Group Holdings, LLC, its Manager
By: TSG7 A Management L.L.C., its Manager

By: /s/ Charles Esserman
Name: Charles H. Esserman
Title: Authorized Signatory

TSG7 A AIV VI, L.P.
By: TSG7 A Management L.L.C.
Its: General Partner

By: /s/ Charles Esserman
Name: Charles H. Esserman
Title: Authorized Signatory

TSG7 A AIV VI Holdings-A, L.P.
By: TSG7 A Management L.L.C.
Its: General Partner

By: /s/ Charles Esserman
Name: Charles H. Esserman
Title: Authorized Signatory

DG Coinvestor Blocker Aggregator, L.P.
By: TSG7 A Management L.L.C.
Its: General Partner

By: /s/ Charles Esserman
Name: Charles H. Esserman
Title: Authorized Signatory

IN WITNESS WHEREOF, each of the undersigned has duly executed this Agreement as of the date first above written.

Investors:

DMI Holdco, LLC

By: /s/ Travis Boersma
Name: Travis Boersma
Title: Manager

DM Individual Aggregator, LLC

By: /s/ Travis Boersma
Name: Travis Boersma
Title: Manager

DM Trust Aggregator, LLC

By: /s/ Travis Boersma
Name: Travis Boersma
Title: Manager

SIGNATURE PAGE TO
AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

Exhibit A

Dutch Holdings, LLC
DMI Holdco, LLC
DM Individual Aggregator, LLC
DM Trust Aggregator, LLC
TSG7 A AIV VI, L.P.
TSG7 A AIV VI Holdings-A, L.P.
DG Coinvestor Blocker Aggregator, L.P.



OFFER DATE

9-1-2022

We are pleased to offer you the full-time position as company **Chief Legal Officer** at Dutch Bros. with a start date of 9-19-22 contingent on your passing of our standard background check and I-9 verification process. You will be reporting directly to the CEO Joth Ricci at the Headquarters office located in Grants Pass, Oregon.

The starting annual salary for this position is \$450,000 to be paid on a semi-monthly basis by direct deposit, starting with the first paycycle following your hire date.

In addition to this starting salary, we're offering you the following:

- A 50% annual target bonus with exact metrics to be determined (equal to \$225,000.00, pro-rated for 2022 with performance assumed at target)
- A 2022 Long-Term Annual Incentive Award equal to \$350,000 (Vesting 50% after year 2, 50% after year 3, Pro-rated for 2022)
- Cell phone and internet stipend valued at \$1,800 annually and paid out semi-monthly
- 4 months Travel expense reimbursement to and from Grants Pass, OR.

Your employment with Dutch Bros. will be on an at-will basis, which means you and the company are free to terminate the employment relationship at any time for any reason. This letter is not a contract or guarantee of employment for a definite amount of time.

As an employee of the company, you are also eligible for our benefits program, which includes a premium health care package (medical, dental, vision, life insurance, STD and LTD), 401(k) with a 4% match, unlimited vacation time, and other benefits which will be described in more detail in the employee handbook and compensation package. You will be receiving an employment agreement and severance agreement upon starting employment.

We are excited to have you join our team! We believe your skills and experience are an excellent match for our company. If you have any questions, please feel free to reach out at any time.

/s/ Christine Schmidt 9-2-22

/s/ Victoria Tullett 9-2-22

June 7, 2023

Exhibit 10.24

Tana Davila
VIA EMAIL/DOCUSIGN

Dear Tana:

We are pleased to offer you the full-time position of Chief Marketing Officer of Dutch Bros Inc. and its direct and indirect subsidiaries (the “**Company**”) pursuant to the terms of this letter (this “**Offer Letter**”).

1. **Position; Duties.** You will serve as Chief Marketing Officer, reporting directly to the Company’s President. Unless and until alternate arrangements are made with the President, your work location for no less than two weeks per month must be the Company’s Headquarters office located in Grants Pass, Oregon. You will have such duties and responsibilities as may be reasonably assigned by the Company from time to time consistent with your position. You agree to devote your best efforts and full business time, skill and attention to the performance of your duties. You are also required to adhere to the general employment policies and practices of the Company that may be in effect from time to time, except that when the terms of this Offer Letter conflict with the Company’s general employment policies or practices, this Offer Letter will control. The Company may change your position, duties, work location, compensation, and benefits from time to time, in its discretion. Your employment is scheduled to begin on a date to be mutually agreed upon between you and the President (the “**Start Date**”).

2. **Compensation.**

a. **Salary.** Your annual base salary will initially be \$500,000, less applicable deductions and withholdings, payable in accordance with the Company’s payroll practices, as may be in effect from time to time.

b. **Annual Bonus.** You will be eligible to earn an annual bonus (“**Annual Bonus**”), which will initially be at a target of 50% of your annual base salary, less applicable deductions and withholdings, payable in accordance with the Company’s payroll practices, as may be in effect from time to time. Your Annual Bonus will be awarded based on metrics to be determined by the Company’s Board of Directors (the “**Board**”) or its Compensation Committee. Your Annual Bonus for 2023 will be prorated based on the Start Date, and will be calculated assuming all target metrics are achieved.

c. **Annual Equity Award.** You will be eligible to earn an annual award of restricted stock units (“**RSUs**”) under the Company’s 2021 Equity Incentive Plan (the “**Plan**”) with a grant date fair value of \$450,000 (“**LTIP Award**”). Your initial LTIP Award will be granted on or about July 1, 2023, and will be prorated based on the Start Date. 50% of the subject RSUs will vest on the second anniversary of the grant date, and the other 50% will vest on the third anniversary of the grant date, provided all vesting conditions are met. Each LTIP Award is subject to Board approval and will be subject to the terms and conditions of the Plan and all related agreements.



d. **Additional Equity Award.** The Company will grant you a one-time award of RSUs under the Plan with a grant date fair value of \$500,000 (the “*RSU Award*”). The RSU Award will be granted on or about July 1, 2023. 50% of the subject RSUs will vest on the second anniversary of the grant date, and the other 50% will vest on the third anniversary of the grant date, provided all vesting conditions are met. The RSU Award will be subject to the terms and conditions of the Plan and all related agreements.

e. **Cell Phone/Internet.** The Company will pay you a monthly cell phone/internet allowance of \$150.

f. **Benefits.** You will be eligible to participate in the Company’s standard benefit programs, subject to the terms and conditions of such plans. The Company may, from time to time, change these benefits in its discretion.

3. **At Will Employment; Severance.** Your employment with the Company will be “at-will.” This means that either you or Company may terminate your employment at any time, with or without Cause (as defined in the Plan), and with or without advance notice. You will be eligible for participation in the Company’s Severance and Change in Control Plan, and your Participation Agreement under the Severance and Change in Control Plan is attached hereto as *Exhibit A*.

4. **Confidentiality Obligations.** As a condition of your employment, you must enter into and abide by the Company’s standard form of employee confidentiality and inventions assignment agreement attached hereto as *Exhibit B*.

5. **Contingencies.** Your employment with the Company is contingent upon (i) approval of, and appointment by, the Board, and (ii) satisfactory results of a background check to be completed, as well as verification of your legal authorization to be employed in the United States.

6. **Arbitration.** To ensure the timely and economical resolution of disputes that may arise between you and the Company, both you and the Company mutually agree that pursuant to the Federal Arbitration Act, 9 U.S.C. §1-16, and to the fullest extent permitted by applicable law, you will submit solely to final, binding and confidential arbitration any and all disputes, claims, or causes of action arising from or relating to: the negotiation, execution, interpretation, performance, breach or enforcement of this Offer Letter; or your employment with the Company (including but not limited to all statutory claims); or the termination of your employment with the Company (including but not limited to all statutory claims). BY AGREEING TO THIS ARBITRATION PROCEDURE, BOTH YOU AND THE COMPANY WAIVE THE RIGHT TO RESOLVE ANY SUCH DISPUTES THROUGH A TRIAL BY JURY OR JUDGE OR THROUGH AN ADMINISTRATIVE PROCEEDING. The Arbitrator will have the sole and exclusive authority to determine whether a dispute, claim or cause of action is subject to arbitration under this section and to determine any procedural questions which grow out of such disputes, claims or causes of action and bear on their final disposition. All claims, disputes, or causes of action under this section, whether by you or the Company, must be brought solely in an individual capacity, and will not be brought as a plaintiff (or claimant) or class

member in any purported class or representative proceeding, nor joined or consolidated with the claims of any other person or entity. The Arbitrator may not consolidate the claims of more than one person or entity, and may not preside over any form of representative or class proceeding. To the extent that the preceding sentences in this paragraph are found to violate applicable law or are otherwise found unenforceable, any claim(s) alleged or brought on behalf of a class will proceed in a court of law rather than by arbitration. Any arbitration proceeding under this Arbitration section will be presided over by a single arbitrator and conducted by JAMS, Inc. (“JAMS”) under the then applicable JAMS rules for the resolution of employment disputes (available upon request and also currently available at <http://www.jamsadr.com/rules-employment-arbitration/>). You and the Company both have the right to be represented by legal counsel at any arbitration proceeding, at each party’s own expense. The Arbitrator will: (a) have the authority to compel adequate discovery for the resolution of the dispute; (b) issue a written arbitration decision, to include the arbitrator’s essential findings and conclusions and a statement of the award; and (c) be authorized to award any or all remedies that you or the Company would be entitled to seek in a court of law. The Company will pay all JAMS arbitration fees in excess of the amount of court fees that would be required of you if the dispute were decided in a court of law. This section will not apply to any action or claim that cannot be subject to mandatory arbitration as a matter of law to the extent such claims are not permitted by applicable law to be submitted to mandatory arbitration and such applicable law is not preempted by the Federal Arbitration Act or otherwise invalid (collectively, the “*Excluded Claims*”). Nothing in this section is intended to prevent either you or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any final award in any arbitration proceeding hereunder may be entered as a judgment in the federal and state courts of any competent jurisdiction and enforced accordingly.

7. **Miscellaneous.** This Offer Letter (including the agreements referenced herein) is the complete and exclusive statement of your agreement with the Company on the subject matters herein, and supersedes and replaces any and all prior agreements or representations with regard to the subject matter hereof, whether written or oral. It is entered into without reliance on any promise or representation other than those expressly contained herein, and it cannot be modified, amended or extended except in a writing signed by you and a duly authorized officer of the Company or member of the Board. This Offer Letter is intended to bind and inure to the benefit of and be enforceable by you and the Company, and our respective successors, assigns, heirs, executors and administrators, except that you may not assign any of your duties or rights hereunder without the express written consent of the Company. Whenever possible, each provision of this Offer Letter will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Offer Letter is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Offer Letter will be reformed, construed and enforced as if such invalid, illegal or unenforceable provisions had never been contained herein. This Offer Letter and the terms of your employment with the Company will be governed in all aspects by the laws of the State of Oregon, without reference to its conflicts of laws principles.



If you have any questions about this Offer Letter, please do not hesitate to call me.

Best regards,

/s/ Christine Barone

Christine Barone
President

Exhibit A: Severance and Change in Control Plan and Participation Agreement

Exhibit B: Employee Confidential Information and Inventions Assignment Agreement

ACCEPTED AND AGREED:

/s/ Tana Davila

Tana Davila

Date: 6/8/23



Subsidiaries of Dutch Bros Inc.

As of December 31, 2023

Name of Subsidiary	Jurisdiction of Incorporation or Organization
Dutch Mafia, LLC	Delaware
Boersma Bros. LLC	Oregon
DB Franchising USA, LLC	Oregon
DB Management Co.	Delaware
Dutch Bros., LLC	Oregon
Dutchwear, LLC	Oregon
BB Holdings AL, LLC	Oregon
BB Holdings AR, LLC	Oregon
BB Holdings AZ, LLC	Oregon
BB Holdings CA, LLC	Oregon
BB Holdings Colorado, LLC	Oregon
BB Holdings FL, LLC	Oregon
BB Holdings ID, LLC	Oregon
BB Holdings KS, LLC	Oregon
BB Holdings KY, LLC	Oregon
BB Holdings MO, LLC	Oregon
BB Holdings NM, LLC	Oregon
BB Holdings NV, LLC	Oregon
BB Holdings OK Group, LLC	Oregon
BB Holdings OR, LLC	Oregon
BB Holdings TN, LLC	Oregon
BB Holdings TX, LLC	Oregon
BB Holdings UT, LLC	Oregon
BB Holdings WA, LLC	Oregon



Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (Nos. 333-270044, 333-263493 and 333-259618) on Form S-8 and the registration statement (No. 333-274368) on Form S-3ASR of our report dated February 23, 2024, with respect to the consolidated financial statements of Dutch Bros Inc. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Portland, Oregon
February 23, 2024



Dutch Bros Inc. | Exhibit 23.1

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 Annual Report on Form 10-K for the period ended December 31, 2023 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.

February 23, 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 Annual Report on Form 10-K for the period ended December 31, 2023 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.

February 23, 2024

Date

/s/ Charles L. Jemley

Charles L. Jemley

Chief Financial Officer

(Principal Financial and Accounting Officer)



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 Annual Report of Dutch Bros Inc. (the Company) on Form 10-K for the period ended December 31, 2023, 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:

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

February 23, 2024
Date

/s/ Christine Barone
Christine Barone
Chief Executive Officer and President
(Principal Executive Officer)

February 23, 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.
INCENTIVE COMPENSATION RECOUPMENT POLICY
ADOPTED BY THE COMPENSATION COMMITTEE OF
THE BOARD OF DIRECTORS
October 10, 2023

1. INTRODUCTION

The Compensation Committee (the “**Compensation Committee**”) of the Board of Directors (the “**Board**”) of Dutch Bros Inc., a Delaware corporation (the “**Company**”), has determined that it is in the best interests of the Company and its stockholders to adopt this Incentive Compensation Recoupment Policy (this “**Policy**”) providing for the Company’s recoupment of Recoverable Incentive Compensation that is received by Covered Officers of the Company under certain circumstances. Certain capitalized terms used in this Policy have the meanings given to such terms in Section 3 below.

This Policy is designed to comply with, and shall be interpreted to be consistent with, Section 10D of the Exchange Act, Rule 10D-1 promulgated thereunder (“**Rule 10D-1**”) and Section 303A.14 of the New York Stock Exchange Listed Company Manual (the “**Listing Standards**”).

2. EFFECTIVE DATE

This Policy shall apply to all Incentive Compensation that is received by a Covered Officer on or after October 2, 2023 (the “**Effective Date**”). Incentive Compensation is deemed “**received**” in the Company’s fiscal period in which the Financial Reporting Measure specified in the Incentive Compensation award is attained, even if the payment or grant of such Incentive Compensation occurs after the end of that period.

3. DEFINITIONS

“**Accounting Restatement**” means an accounting restatement that the Company is required to prepare due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

“**Accounting Restatement Date**” means the earlier to occur of (a) the date that the Board, a committee of the Board authorized to take such action, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (b) the date that a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.

“**Administrator**” means the Compensation Committee or, in the absence of such committee, the Board.

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“**Covered Officer**” means each current and former Executive Officer.

“Exchange” means the New York Stock Exchange.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Executive Officer” means the Company’s president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. Executive officers of the Company’s parent(s) or subsidiaries are deemed executive officers of the Company if they perform such policy-making functions for the Company. Policy-making function is not intended to include policy-making functions that are not significant. Identification of an executive officer for purposes of this Policy would include at a minimum executive officers identified pursuant to Item 401(b) of Regulation S-K promulgated under the Exchange Act.

“Financial Reporting Measures” means measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures derived wholly or in part from such measures, including Company stock price and total stockholder return (“TSR”). A measure need not be presented in the Company’s financial statements or included in a filing with the SEC in order to be a Financial Reporting Measure.

“Incentive Compensation” means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

“Lookback Period” means the three completed fiscal years immediately preceding the Accounting Restatement Date, as well as any transition period (resulting from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years (except that a transition period of at least nine months shall count as a completed fiscal year). Notwithstanding the foregoing, the Lookback Period shall not include fiscal years completed prior to the Effective Date.

“Recoverable Incentive Compensation” means Incentive Compensation received by a Covered Officer during the Lookback Period that exceeds the amount of Incentive Compensation that would have been received had such amount been determined based on the Accounting Restatement, computed without regard to any taxes paid (*i.e.*, on a gross basis without regarding to tax withholdings and other deductions). For any compensation plans or programs that take into account Incentive Compensation, the amount of Recoverable Incentive Compensation for purposes of this Policy shall include, without limitation, the amount contributed to any notional account based on Recoverable Incentive Compensation and any earnings to date on that notional amount. For any Incentive Compensation that is based on stock price or TSR, where the Recoverable Incentive Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement, the Administrator will determine the amount of Recoverable Incentive Compensation based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive Compensation was received. The Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to the Exchange in accordance with the Listing Standards.

“SEC” means the U.S. Securities and Exchange Commission.

4. RECOUPMENT

(a) **Applicability of Policy.** This Policy applies to Incentive Compensation received by a Covered Officer (i) after beginning services as an Executive Officer, (ii) who served as an Executive Officer at any time during the performance period for such Incentive Compensation, (iii) while the Company had a class of securities listed on a national securities exchange or a national securities association, and (iv) during the Lookback Period.

(b) **Recoupment Generally.** Pursuant to the provisions of this Policy, if there is an Accounting Restatement, the Company must reasonably promptly recoup the full amount of the Recoverable Incentive Compensation, unless the conditions of one or more subsections of Section 4(c) of this Policy are met and the Compensation Committee, or, if such committee does not consist solely of independent directors, a majority of the independent directors serving on the Board, has made a determination that recoupment would be impracticable. Recoupment is required regardless of whether the Covered Officer engaged in any misconduct and regardless of fault, and the Company's obligation to recoup Recoverable Incentive Compensation is not dependent on whether or when any restated financial statements are filed.

(c) **Impracticability of Recovery.** Recoupment may be determined to be impracticable if, and only if:

(i) the direct expense paid to a third party to assist in enforcing this Policy would exceed the amount of the applicable Recoverable Incentive Compensation; provided that, before concluding that it would be impracticable to recover any amount of Recoverable Incentive Compensation based on expense of enforcement, the Company shall make a reasonable attempt to recover such Recoverable Incentive Compensation, document such reasonable attempt(s) to recover, and provide that documentation to the Exchange in accordance with the Listing Standards; or

(ii) recoupment of the applicable Recoverable Incentive Compensation would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Code Section 401(a)(13) or Code Section 411(a) and regulations thereunder.

(d) **Sources of Recoupment.** To the extent permitted by applicable law, the Administrator shall, in its sole discretion, determine the timing and method for recouping Recoverable Incentive Compensation hereunder, provided that such recoupment is undertaken reasonably promptly. The Administrator may, in its discretion, seek recoupment from a Covered Officer from any of the following sources or a combination thereof, whether the applicable compensation was approved, awarded, granted, payable, or paid to the Covered Officer prior to, on, or after the Effective Date: (i) direct repayment of Recoverable Incentive Compensation previously paid to the Covered Officer; (ii) cancelling prior cash or equity-based awards (whether vested or unvested and whether paid or unpaid); (iii) cancelling or offsetting against any planned future cash or equity-based awards; (iv) forfeiture of deferred compensation, subject to compliance with Code Section 409A; and (v) any other method authorized by applicable law or contract. Subject to compliance with any applicable law, the Administrator may effectuate recoupment under this Policy from any amount otherwise payable to the Covered Officer, including amounts payable to such individual under any otherwise applicable Company plan or program, *e.g.*, base salary, bonuses, or commissions and compensation previously deferred by the Covered Officer. The Administrator need not utilize the same method of recovery for all Covered Officers or with respect to all types of Recoverable Incentive Compensation.

(e) **No Indemnification of Covered Officers.** Notwithstanding any indemnification

agreement, applicable insurance policy or any other agreement or provision of the Company's certificate of incorporation or bylaws to the contrary, no Covered Officer shall be entitled to indemnification or advancement of expenses in connection with any enforcement of this Policy by the Company, including paying or reimbursing such Covered Officer for insurance premiums to cover potential obligations to the Company under this Policy.

(f) Indemnification of Administrator. Any members of the Administrator, and any other members of the Board who assist in the administration of this Policy, shall not be personally liable for any action, determination, or interpretation made with respect to this Policy and shall be indemnified by the Company to the fullest extent under applicable law and Company policy with respect to any such action, determination, or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board under applicable law or Company policy.

(g) No "Good Reason" for Covered Officers. Any action by the Company to recoup or any recoupment of Recoverable Incentive Compensation under this Policy from a Covered Officer shall not be deemed (i) "good reason" for resignation or to serve as a basis for a claim of constructive termination under any benefits or compensation arrangement applicable to such Covered Officer, or (ii) to constitute a breach of a contract or other arrangement to which such Covered Officer is party.

5. ADMINISTRATION

Except as specifically set forth herein, this Policy shall be administered by the Administrator. The Administrator shall have full and final authority to make any and all determinations required under this Policy. Any determination by the Administrator with respect to this Policy shall be final, conclusive, and binding on all interested parties and need not be uniform with respect to each individual covered by this Policy. In carrying out the administration of this Policy, the Administrator is authorized and directed to consult with the full Board or such other committees of the Board as may be necessary or appropriate as to matters within the scope of such other committee's responsibility and authority. Subject to applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions that the Administrator, in its sole discretion, deems necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

6. SEVERABILITY

If any provision of this Policy or the application of any such provision to a Covered Officer shall be adjudicated to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Policy, and the invalid, illegal, or unenforceable provisions shall be deemed amended to the minimum extent necessary to render any such provision or application enforceable.

7. NO IMPAIRMENT OF OTHER REMEDIES

Nothing contained in this Policy, and no recoupment or recovery as contemplated herein, shall limit any claims, damages, or other legal remedies the Company or any of its affiliates may have against a Covered Officer arising out of or resulting from any actions or omissions by the Covered Officer. This Policy does not preclude the Company from taking any other action to enforce a Covered Officer's obligations to the Company, including, without limitation, termination of employment and/or institution of civil proceedings. This Policy is in addition to the requirements of Section 304 of the Sarbanes-Oxley Act of 2002 ("**SOX 304**") that are applicable to the Company's Chief Executive Officer and Chief Financial Officer and to any other compensation recoupment policy and/or similar provisions in any employment, equity plan, equity award, or other individual agreement, to which the Company is a party or which the

Company has adopted or may adopt and maintain from time to time; provided, however, that compensation recouped pursuant to this policy shall not be duplicative of compensation recouped pursuant to SOX 304 or any such compensation recoupment policy and/or similar provisions in any such employment, equity plan, equity award, or other individual agreement except as may be required by law.

8. AMENDMENT; TERMINATION

The Administrator may amend, terminate, or replace this Policy or any portion of this Policy at any time and from time to time in its sole discretion. The Administrator shall amend this Policy as it deems necessary to comply with applicable law or any Listing Standard.

9. SUCCESSORS

This Policy shall be binding and enforceable against all Covered Officers and, to the extent required by Rule 10D-1 and/or the applicable Listing Standards, their beneficiaries, heirs, executors, administrators, or other legal representatives.

10. REQUIRED FILINGS

The Company shall make any disclosures and filings with respect to this Policy that are required by law, including as required by the SEC.

* * * * *

DUTCH BROS INC.

INCENTIVE COMPENSATION RECOUPMENT POLICY

FORM OF EXECUTIVE ACKNOWLEDGMENT

I, the undersigned, agree and acknowledge that I am bound by, and subject to, the Dutch Bros Inc. Incentive Compensation Recoupment Policy, as may be amended, restated, supplemented, or otherwise modified from time to time (the “**Policy**”). In the event of any inconsistency between the Policy and the terms of any employment agreement, offer letter, or other individual agreement with Dutch Bros Inc. (the “**Company**”) to which I am a party, or the terms of any compensation plan, program, or agreement, whether or not written, under which any compensation has been granted, awarded, earned, or paid to me, the terms of the Policy shall govern.

In the event that the Administrator (as defined in the Policy) determines that any compensation granted, awarded, earned, or paid to me must be forfeited or reimbursed to the Company pursuant to the Policy, I will promptly take any action necessary to effectuate such forfeiture and/or reimbursement. I further agree and acknowledge that I am not entitled to indemnification, and hereby waive any right to advancement of expenses, in connection with any enforcement of the Policy by the Company.

Agreed and Acknowledged:

Name: _____

Title: _____

Date: _____

