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Dutch Bros Inc. (BROS) Q3 2025 Earnings Call Transcript

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Q3: 2025-11-05 Earnings Summary

Insights



EPS of \$0.19 **beats by \$0.02** | Revenue of \$423.58M (25.24% Y/Y) **beats by \$9.98M**

Dutch Bros Inc. ([BROS](#)) Q3 2025 Earnings Call November 5, 2025 5:00 PM EST

Company Participants

Neil Patel

Christine Barone - CEO, President & Director

Joshua Guenser - Chief Financial Officer

Conference Call Participants

Hyun Jin Cho - Goldman Sachs Group, Inc., Research Division
Dennis Geiger - UBS Investment Bank, Research Division
Andrew Barish - Jefferies LLC, Research Division
Andrew Charles - TD Cowen, Research Division
Sara Senatore - BofA Securities, Research Division
David Tarantino - Robert W. Baird & Co. Incorporated, Research Division
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Logan Reich - RBC Capital Markets, Research Division
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Christopher O'Cull - Stifel, Nicolaus & Company, Incorporated, Research Division

Presentation

Operator

Thank you for standing by, and welcome to the Dutch Bros Third Quarter 2025 Earnings Conference Call and Webcast. This conference call and webcast is being recorded today. November 5, 2025, at 5 p.m. Eastern Time and will be available for replay shortly after it has concluded. [Operator Instructions]

I would now like to turn the call over to Neil Patel, Dutch Bros Senior Manager, Investor Relations. Please go ahead.

Neil Patel

Good afternoon, and welcome. I'm joined by Christine Barone, CEO and President; and Josh Guenser, CFO. We issued our earnings press release for the quarter ended September 30, 2025, after the market closed today. The earnings press release, along with a supplemental information deck have been posted to our Investor Relations website at investors.dutchbros.com.

Please be aware that all statements in our prepared remarks and in response to your questions, other than those of historical fact are forward-looking statements and are subject to risks, uncertainties and assumptions that may cause actual results to differ materially. They are qualified by the cautionary statements in our earnings press release and the risk factors in our latest SEC filings, including our most recent annual report on Form 10-K and quarterly report on Form 10-Q. We assume no obligation to update any forward-looking statements.

We will also reference non-GAAP financial measures on today's call. As a reminder, non-GAAP measures are neither substitutes for nor superior to measures that are prepared under GAAP. Please review the reconciliation of non-GAAP measures to comparable GAAP results in our earnings press release.

Before I pass it off, I'd like to take a moment to acknowledge Paddy Warren, our former Senior Director of Investor Relations and Capital Markets, who has made a significant impact on Dutch Bros since the IPO. We are grateful for his contributions and look forward to continuing the dialogue with many of you at upcoming investor-focused events.

With that, I would now like to turn the call over to Christine.

Christine Barone

CEO, President & Director

Thank you, Neil, and good afternoon, everyone. Dutch Bros continues to exceed expectations, driven by the passion our Broistas bring to our shops every day and a focused set of transaction-driving initiatives that provide multiyear growth visibility. Our differentiated culture, our long-term shop growth model and our superior 4-wall economics reinforce that Dutch Bros is in a category of its own. Our third quarter results reaffirm the strength of our differentiated strategy, one that continues to fuel our momentum and unlock meaningful long-term value creation. The road ahead is both exciting and full of opportunity, and we are just getting started.

In Q3, we delivered revenue growth of 25%, system same-shop sales growth of 5.7% and company-operated same-shop sales growth of 7.4%, reflecting the strength of our strategic focus and continued customer demand. Our transaction-driving initiatives continue to demonstrate outstanding results, with growth across all dayparts.

System transaction growth was 4.7% and company-operated transaction growth was 6.8% in the quarter. Q3 marked our fifth consecutive quarter of transaction growth, making us a clear outlier in the current environment and putting Dutch Bros in a category of its own. This performance underscores our ability to drive durable growth through a focused set of idiosyncratic transaction drivers.

New shop productivity remains elevated with system-wide AUVs at record highs. We continue to see consistently long lines and strong customer demand as we expand into the Midwest and Southeast. These results underscore the broad appeal and portability of our brand across diverse geographies. Our long-term system shop opening cadence remains firmly on track and we remain highly confident in our goal of 2,029 shops in 2029. We've successfully expanded into six continuous new states this year, including five in the third quarter, bringing our total presence to 24 states.

I'm very excited to share that our shop opening cadence is expected to accelerate heading into next year, with approximately 175 new system shops projected to open in 2026. We continue to step forward in our growth journey, reflecting the strength of our pipeline, our confidence in our 4-wall model, our continued performance of shops in new markets and an annual growth rate consistent with our mid-teens new shop target. We've also made continued investments in people, tools and processes and market planning over the last 24 months. These investments enhance our ability to execute with discipline and transition us to a place of accelerating our pipeline.

Our pipeline, which has now reached record levels, has approved shops at a pace of 30-plus potential sites per month over the last 6 months as the investments in our real estate team and strong AUVs continue to reinforce our confidence in reaching our goal of 2,029 shops in 2029. Momentum is continuing to build, and I've never been more confident in our ability to execute on our ambitious growth plans.

Our Q3 results set a strong tone for the year and the strength has continued through October. We are raising our full year guidance for total revenues and same-shop sales growth, reflecting the confidence in the long-term durability of our model and the effectiveness of our transaction-driving initiatives. Josh will share more details shortly.

Let's begin today's business update by talking about what differentiates our brand. Our culture and our baristas are the heartbeat of our brand. It's something that simply cannot be replicated. It is not just what we do, but how we do it that sets us apart. From the moment the customer pulls into our drive-thru, they experience energy, authenticity and a genuine sense of belonging. We are in the business of making people feel seen, heard and appreciated. Our baristas create a high-energy welcoming environment that turns a stop at a drive-thru into a memorable moment. Our service model is built around authentic interactions and fostering real relationships. This deep emotional connection keeps our customers coming back day after day.

We have a simple but very powerful mission. It is to be a fun loving, mind-blowing company that makes a massive difference one cup at a time. During every interaction, our baristas have an opportunity to brighten someone's day by living our core values of radiate kindness, get up early, stay up late and change the world. Our drive-thru model is purpose-built to deliver an exceptional experience that balances the interplay of speed, quality and service. This one-of-a-kind approach allows us to serve high quality, handcrafted, customized beverages with remarkable efficiency and consistency without compromising on our customer experience. Since 1992, we've been hand pulling espresso shots, crafting beverages and serving love with precision and care.

Our ability to offer extensive customization is unmatched, empowering customers to create drinks that are uniquely theirs, turning every drive-thru interaction into a moment of powerful emotional connection. This level of customization, paired with our high energy service model continues to resonate with our customers. It is about the connection, the excitement and the consistency of our experience that keeps the Dutch Bros customer emotional connection so powerful.

And our customization-forward approach is improving with our focus on throughput. The sequential transaction growth we saw in Q3 showed clear progress on this initiative as we begin translating our efforts into results. Our training programs for shop leadership are driving smarter labor deployment decisions across production zones and dayparts, improving quality and elevating the customer experience through consistency. We are beginning to see a shift in peak demand patterns, driven by our transaction-driving initiatives. With improved labor deployment, we are now better positioned to meet this evolving demand.

Enhanced shop dashboards are empowering shop leaders to make better deployment decisions during peak and off-peak hours. And as a result, we're gaining better traction across order taking, order making and order handoffs, all while delivering industry-leading customer service.

Let me take a moment to highlight how we ensure a consistent customer experience. Before Broistas ever make any beverage, they're immersed in our purpose. They learn what makes Dutch Bros so unique. It's the connection, service and energy. Only then do they begin our training, mastering not only the beverage-making process, but learning every role in the shop. We've built a shop environment that is electric, fun and unmistakably Dutch. It's this energetic environment that fuels a positive Broista experience which in turn drives a consistent differentiated experience for every customer.

Our company-operated model provides a clear path for growth, whether it's through the operator pathway or becoming a leader for our MOB training teams. Today, we have over 475 operators in the pipeline, with an average tenure of approximately 7.5 years. It's this clear pathway that allows us to build depth and experience and to scale our culture effectively, and it's working. In the 2025 InTouch Insight's QSR drive-thru report, we ranked #1 in order accuracy, satisfaction and beverage quality across beverage players. Dutch Bros also earned the top spot in Forbes 2026 Best Customer Service list in the beverage category within restaurants. That is the power of investing in our people, and the Dutch Bros' difference.

We're thoughtfully expanding our beverage-first concept through our food program, which has evolved from a pilot into a broader rollout as we close out 2025 and head into 2026. Our food program rollout is designed to strengthen our beverage offering by driving breakfast and morning daypart occasions, a time of the day where we have tremendous opportunity. As we expand the food program throughout 2026, we're aiming to be a one-stop shop during the morning daypart.

We continue to see both ticket and transaction lift from our food program, which expanded to approximately 160 shops by the end of Q3. We are regularly measuring customer feedback KPIs such as quality, likelihood to recommend and value and we are very pleased with the results, which have remained consistent or improved with each successive phase of the rollout. Looking forward, our 2026 rollout cadence will follow a strategic and methodical approach, with plans to complete the rollout by the end of the year.

Due to shop layout constraints, we expect that approximately 25% of our 2025 year-end shop count may not be able to accommodate hot food. However, that percentage will decline over time as our new shops are being built to accommodate hot food. Our strategic push into breakfast in the morning daypart through our focused food rollout only strengthens the Dutch Bros model, making it even more compelling. We have built a strong and differentiated digital presence, powered by our initiatives that are continuing to translate to transaction strength.

Our enhanced paid advertising strategy to build brand awareness continues to deliver impressive results across our shop base, especially in our newer markets and vintages. These efforts are fueling our transaction momentum, and we expect this trend to continue as we pursue our TAM in parallel with strategic paid media investments. We believe there is a sizable room for aided and unaided awareness to grow long term, and we are at the early innings of our momentum.

Order Ahead is continuing to gain traction and our investments are making accessing Dutch Bros seamless across multiple touch points. We're adding meaningful sophistication to our analytics engine, setting Dutch Bros apart even at this early stage. At the end of Q3, our Order Ahead mix reached 13% with some new markets mixing at nearly double the system average. This growth highlights the natural strength of our program and the enthusiasm our customers have for Dutch Bros. To build on this momentum, we recently enhanced the user experience by introducing a more precise order pickup time feature, which has already led to improvements in order readiness and an increase in scheduled orders.

The increasing Order Ahead mix has also created a powerful on-ramp for our Dutch Rewards program. This program continues to remain a key engine for driving transaction growth over the long term. In Q3, approximately 72% of system transactions were attributed to Dutch Rewards, marking a 5-point improvement year-over-year. With Order Ahead feeding into this ecosystem, we're now focused on unlocking the full potential of segmentation, deepening engagement and driving transaction growth by confidently reaching the right customer at the right time.

Notably, in Q3, Dutch Rewards contributed to transaction growth with us running almost exclusively segmented offers, further underscoring the organic strength behind our loyalty platform and the ability to manage discounts strategically year-over-year. Even more encouraging is the momentum we're seeing from younger cohorts within Dutch Rewards, highlighting the strength and long-term potential of our loyalty program. In addition to a strong digital presence, we have a differentiated innovation platform.

Since 1992, our commitment to beverage innovation has been a cornerstone of our success. We have seen success in leading the industry in beverage trends and delivering exceptional experiences across our coffee, energy and refreshment offerings. In July, we introduced three exciting new beverages, Blue Lagoon with Strawberry Fruit, Mudslide Mocha and Strawberry Colada, demonstrating the breadth and strength of our innovation across the entire menu.

We kept the buzz going throughout the quarter with engaging brand activations, including the launch of the FUNBOY drink floatie, National Dog Day Bandanna and Car Coasters, all designed to deepen customer connection and drive brand love. In August, we brought back fall LTO offerings like the Caramel Pumpkin Brûlée and Cookie Butter Latte, alongside the Candied Cherry Rebel, reinforcing our commitment to category-wide innovation and customer relevance. This LTO lineup was our most successful fall LTO launch to date.

At Dutch Bros, innovation goes far beyond beverages. Our value proposition is about the experience, the connection and the energy our customers feel every time they visit. We pioneered the drive-thru innovation platform, and these limited time offerings provide that unforgettable moment. In addition to our differentiated innovation engine and robust digital presence, we've reached an incredible and advantageous scale. Just 4 years ago, we celebrated our 500th shop opening in Texas during the year of our IPO. This year, we surpassed 1,000 shops and we're well on our way to doubling that as part of our multiyear journey to reach 2,029 shops in 2029.

Beyond shop growth, we've successfully scaled system-wide AUVs, which are at record levels and significantly improved adjusted EBITDA, clear indicators of the durability of the Dutch Bros brand. We've also assembled a management team with experience at scale, positioning us to execute on our rapid growth ambitions with confidence.

Our team brings depth, enabling us to successfully make agile strategic decisions that support our long-term vision. We are investing in advanced analytics, tools and processes to maintain differentiated momentum as we scale, laying the foundation for disciplined, self-funded growth.

In closing, the momentum in our business remains strong, and we are just getting started. We're in the early innings of a multiyear journey, and our focused strategy is clear and working. We are built around culture. It's the engine of our differentiated customer experience. Our Broistas bring this culture, energy and connection to life every single day, delivering magic at the window that continues to connect deeply with our customers. We are focused on delighting our customers and growing sales and it's paying off. Our multiyear transaction-driving initiatives continue to resonate, marking our fifth consecutive quarter of transaction growth.

We have a differentiated innovation engine and strong digital presence that isn't easily replicated. From high-velocity LTOs to the virality of our product in merch drops, we're delivering a best-in-class experience that is setting us apart and positioning us to naturally take share. We are on track to have 2,029 shops in 2029. Our AUVs are at record levels, highlighting the portability of our brand. Our long-term 4-pronged strategy is simple and powerful; grow our people, grow our shop base, grow our transactions and grow our margins. We are playing the long game, and we're executing. We are on the offensive and our efforts are positioning us to win.

With that, I will turn it to Josh, who will discuss our financial results.

Joshua Guenser

Chief Financial Officer

Thanks, Christine. I'll provide a recap of our third quarter results, along with an updated outlook for 2025. Our third quarter performance built on the strong momentum from Q2 and reinforced that a differentiated model is resonating with customers. With our digital presence and our other transaction-driving initiatives still in the early stages, we remain confident in the long-term growth potential of our business.

Third quarter revenue was \$424 million, an increase of 25% or \$85 million over the third quarter of last year. System same-shop sales growth was 5.7%, driven by an exceptional 4.7% transaction growth. We saw strength across our transaction-driving initiatives throughout the quarter, particularly Order Ahead and Dutch Rewards, which contributed to the Q3 momentum. With Q4 off to a great start, we are raising our full year system same-shop sales growth guidance to approximately 5%. This implies approximately 3% to 4% system same-shop sales growth in the fourth quarter, which includes the continued momentum we have seen in October, the early positive impact we are seeing from shops that have the new hot food program, a full quarter lap of Order Ahead and the impact of cycling a strong Q4 from last year.

We remain excited about the opportunity with food. Early shop results suggest that we could expect an approximate 4% comp lift in shops that have food, with about 1/4 of that coming from transaction growth. We plan to continue rolling this out to shops that can support hot food throughout 2026. So we would expect that lift to be phased in throughout the year.

During the quarter, we opened 38 new shops, bringing our total system shop count to 1,081 shops. In Q3, a substantial portion of our openings occurred later in the quarter, and we anticipate a similar situation in Q4. Any new openings below 160 in 2025 are expected to be incremental to our 2026 target of approximately 175 system shops. As Christine mentioned, our development pipeline is at record levels. And the pace at which we are adding to our pipeline provides strong visibility on our path towards 2,029 shops in 2029.

In the quarter, adjusted EBITDA was \$78 million, an increase of 22% or \$14 million over the third quarter of last year.

Switching to our company-operated shops. Revenue in Q3 was \$393 million, an increase of 27% or \$85 million over the third quarter of last year. Company-operated same-shop sales growth was an outstanding 7.4% with 6.8% coming from transaction growth. Company-operated shop contribution was \$109 million, an increase of 20% or \$18 million year-over-year. Company-operated shop contribution margin was 27.8%.

Beverage, food and packaging costs were 25.9% of company-operated shop revenue, which is 60 basis points unfavorable year-over-year, driven primarily by higher coffee costs. We continue to expect the impact of coffee costs to accelerate into Q4 and as of now anticipate that coffee costs may remain elevated into 2026. We would also expect elevated costs associated with our broader hot food rollout to begin in Q4 of 2025.

Labor costs were 27.5% of company-operated shop revenue, which is 10 basis points favorable year-over-year, primarily driven by sales leverage and partially offset by the impact of labor investments made earlier in the year to support our long-term growth. Looking into Q4, we are anticipating the quarter to be impacted by approximately 50 basis points from regulatory changes, resulting in higher employer payroll taxes in the state of California.

Occupancy and other costs were 17% of company-operated shop revenue, which is 60 basis points unfavorable year-over-year, driven largely from the impact of occupancy rates from new shops as we have made great progress in shifting our portfolio to more capital-efficient, build-to-suit lease arrangements. We expect this impact to continue in Q4 and into 2026 as we maintain this momentum.

Preopening expenses were 1.8% of company-operated shop revenue, which is 60 basis points unfavorable year-over-year, driven by the proportion of shops in newer markets and the associated cost of sending our training teams to support these openings. Given our planned openings for Q4, we would expect preopening expenses on a per shop basis to remain relatively consistent with what we experienced in Q3.

Moving down the P&L. Adjusted SG&A was \$58 million or 13.6% of total revenue. We continue to be thoughtful about investments we make in SG&A while driving consistent leverage as we grow the top line. Given the continued momentum here, we now expect approximately 110 basis points of leverage on adjusted SG&A for 2025. For the quarter, we delivered \$0.19 of adjusted EPS, up from \$0.16 or 19% from Q3 of last year.

Let me now provide an update on our balance sheet, cash flow and liquidity. As of September 30, we have approximately \$706 million in total liquidity. This liquidity includes \$267 million in cash and cash equivalents and approximately \$440 million in our undrawn revolver. During the quarter, our net cash position sequentially increased by approximately \$14 million from Q2, driven by strong cash flow from operations.

In Q3, our average CapEx per shop was \$1.4 million, clearly demonstrating our ability to transition our portfolio to more capital-efficient, build-to-suit lease arrangements. This gives us strong visibility and confidence into positive cash flow generation, reinforcing the scale and strength of our long-term financial model.

Now let me provide an update on our 2025 guidance. In light of our strong performance throughout the third quarter and into October, we are raising our full year guidance for total revenues and system same-shop sales growth. Total revenues are now projected to be between \$1.61 billion and \$1.615 billion. System same-shop sales growth is now expected to be approximately 5%. Adjusted EBITDA remains in the range of \$285 million to \$290 million.

Total system shop openings in 2025 are targeted to be 160. Any new shop openings below 160 in 2025 are expected to be incremental to our 2026 target of approximately 175 shops, reflecting confidence in our shop growth trajectory.

Capital expenditures remain in the range of \$240 million to \$260 million. We are energized by the strength of our business. Our people, our resilient financial model and our differentiated transaction-driving initiatives place us in a category of our own. Our high-growth, multiyear trajectory is exceptionally well positioned to deliver consistent, dependable results supported by record high AUVs and a superior 4-wall model.

Thank you, everyone. We will now take your questions. Operator, please open the lines.

Question-and-Answer Session

Operator

[Operator Instructions]

Your first question comes from Christine Cho with Goldman Sachs.

Hyun Jin Cho

Goldman Sachs Group, Inc., Research Division

So I'd like to kind of understand a little bit better in terms of -- when comparing kind of innovation, paid advertising, Order Ahead, industry awards, all of these things that were catalyst to your traffic year-to-date which are some of the levers do you think have the highest remaining runway? And what 2026 product and platform innovations are most likely to continue as a Bros' multiyear growth algo?

Christine Barone

CEO, President & Director

Yes, Christine, thanks so much for your question. When I look across all of the different levers we have, I actually think we're in early innings in many of them. I look at innovation and how our teams are really looking at each promo period and understanding what worked exceptionally well, where the market is going and what they can tweak to add to that. We just had our strongest fall LTO launch and brought back a number of the drinks for last year and just executed them really well.

With paid advertising, I think we're continuing to do a lot of learning in which channels work best for us, where we spend versus the maturity of the market. And so again, early innings there as we continue to learn analytically just where to place those -- place our dollars in that paid advertising. And just as a reminder, we're really using paid advertising to grow brand awareness. It's that on-ramp for the brand that we then get customers into Dutch Rewards, where 72% of our transactions are Dutch Rewards transaction. So we really have this very efficient channel to speak with them.

On Dutch Rewards, we've really made the transition this year in moving from all broad-based offers to more segmented offers. We have a lot of runway still ahead to further segment that customer base, learning what drives different customers to increase their frequency. So a lot of runway still there as well.

Then looking at mobile order, again, we continue to see that nice steady march up in mobile order. And we are really learning like operationally as we hit some very high penetration levels, especially in newer markets. how to split our KDSes between different stations to deliver on those. And then we're at the very beginning of food, but incredibly encouraged by what we're seeing early on. The love from both our Broistas and our customers for that program. So when I look across the board, I actually think we still have a lot to go in each of our areas to drive transactions.

Hyun Jin Cho

Goldman Sachs Group, Inc., Research Division

We've heard some of the peers highlight consumers under 35 as kind of particularly challenged cohort in the recent months, driven by unemployment and student loan repayment, et cetera. So given kind of your exposure to this age cohort, could you kind of talk to any changes in consumer spending behavior that you're seeing amongst the younger consumers, although your numbers really seems to suggest that, that's not the case for you?

Christine Barone

CEO, President & Director

Yes. So as you can see, we had an incredibly strong quarter with 5.7% system same-shop sales growth. When we look across our younger cohorts, again, with 75% of those transactions coming from Dutch Rewards, we can segment that by age cohort. And we're seeing really incredible performance out of those younger cohorts. I think that during times like this, customers are choosing the brands that they love the most and really deciding to spend their dollars there. And what we're seeing out of gen Z and that continued growth and that huge in that cohort is really encouraging.

Operator

[Operator Instructions]

Next question comes from Dennis Geiger with UBS.

Dennis Geiger

UBS Investment Bank, Research Division

Congrats on the strong results, guys. Very helpful data points on the food offering. I was wondering if you could speak a little bit more to what you're seeing from a customer feedback standpoint. Employees, how that's working. I'm curious, anything else on sort of attachment for mentality. I mean you gave us the important numbers, I know.

And just related to that, that 25% that won't get food, can you give us a breakdown of company versus license there and what that looks like? And I guess last, just on the food. If you could touch at all more on the food costs in the fourth quarter, the hot food costs that you spoke to.

Christine Barone

CEO, President & Director

Thanks so much, Dennis. I'll start with customer and Broista feedback. So that's something that we're carefully managing. We actually have trackers in place to manage that every single week. One of the things I'm really encouraged by is, as we are rolling this out in successive markets, we're actually seeing improvements in both Broista feedback and in customer feedback as we continue to roll this out. So I think we have just an incredible launch and start of the hot food program. I am incredibly impressed with how our Broistas are embracing the program and rolling this out to our customers. I'll give it to Josh for some of the margin questions.

Joshua Guenser

Chief Financial Officer

Yes. Well, and the question on the kind of the breakout between company franchise, really, that limitation is related to space constraints and the size of the shop. So we haven't given the specific breakdown of what that looks like. But you can imagine in the older shops that where there are more franchise shops, that's where there would be challenges in being able to launch hot food.

On the margin specific, we're in 160 shops at the end of Q3. So you can imagine just on a relative percentage basis, it is a smaller impact, but as you might expect, COGS for food is relatively higher than beverage. So I would assume a slight amount of pressure coming into Q4 and then as we roll this out that adding to it in 2026 as well.

Operator

Next question, Andy Barish with Jefferies.

Andrew Barish

Jefferies LLC, Research Division

Could you give us a little more color just sort of on the ticket dynamic or check dynamics? Obviously, you're seeing a negative mix with pricing, I think, around 2% or so. What's going on there? And then as you look out to '26, I'm assuming food could be a part of getting that going back in the right direction.

Joshua Guenser

Chief Financial Officer

Yes, Andy, thanks for the question. As you pointed out, yes, we're sitting on about 2 points of price, that's being offset by about 1 point of mix. That has been fairly persistent, consistent throughout the year. So we've seen a bit of offset coming from mix, largely driven by lower items per transaction, certainly contributing to that as we've launched Order Ahead, that is targeting more of an individual type occasion. So that would be an element of it as well.

Certainly, not providing guidance on 2026 comp yet, but what I would share is we're sitting on about 2 points of price. We roll off about half of that in January and the other half in July. Going to be very thoughtful about how we think about our overall value prop for the year, but feel really good about how we're positioning ourselves heading into next year.

Christine Barone

CEO, President & Director

And I would just add with that 4% comp lift that we're seeing in food, about 1/4 of that is coming from transaction growth, which we're really excited about. We thought we might be missing a beverage occasion there. So starting to see that and then 3/4 of that coming from ticket and attach.

Operator

Next question, Andrew Charles with TD Cowen.

Andrew Charles

TD Cowen, Research Division

Your successes in competition with the largest restaurant in the world, piloting a new line of energy and iced coffee and beverages in Colorado at the start of September. Can you help articulate what you observed in the last 2 months of sales in that market since that pilot launch?

Christine Barone

CEO, President & Director

Yes. Thanks so much for your question, Andrew. So as we actually look across all of our markets and have been paying particular attention to shops in that market, we have not seen any impact on our shops. We continue to have a great quarter and into a great October. And so really excited by what we're seeing overall, but did not see an impact from that test.

Operator

Next question, Sara Senatore with Bank of America.

Sara Senatore

BofA Securities, Research Division

Hopefully, I can get in a question. The half is just a clarification on, Christine, your comment about your consumers kind of choosing the brands that resonate with them. I guess do you have a sense of coffee, you're sort of really taking share in the coffee segment? Or if coffee broadly is doing better? I guess just trying to put that in the context of this perception that maybe coffee would be more cyclical or more easily kind of given up. But it sounds like actually, there's a lot of strength, and I wasn't sure if that was the segment or Bros particular or both.

And the question was about seeing improved transactions during peak hours. Are there any metrics you can share about throughput? I don't know if it's a number of transactions or number of beverages? Just sort of where you are now and what you think a target might be as I think about how throughput might contribute to transaction growth.

Christine Barone

CEO, President & Director

Yes. So on your first question on the strength of the market, so we do believe it is a strong market overall. We also believe we're performing exceptionally well within that market and able to compete in a way that is likely driving some share gains. I think that we are just super well positioned when you take beverage overall. Both coffee and energy are growing. Energy is -- seems to be growing faster. And we are -- the category creator really of customized energy. So very well positioned in that high-growth space. We're also seeing higher iced, higher customization customers that want that quick interaction, but for it to be quite memorable. So we just believe we're incredibly well positioned across the market.

And then from throughput metrics, we haven't shared those, but that is something that we track. So we are tracking transactions at peak. We're tracking things like window time, other things like that. And then we're also very closely looking at how our labor is deployed to really match those demand curves. And all of those things, our teams are just doing a great job to make sure that our customers are having an incredible experience.

Operator

Next question, David Tarantino with Baird.

David Tarantino

Robert W. Baird & Co. Incorporated, Research Division

Congrats on great results here. Josh, I was wondering if you could comment on why the EBITDA guidance range didn't increase in the sales guidance range. I'm just wondering what some of the cost offsets were that you didn't contemplate previously?

Joshua Guenser

Chief Financial Officer

Yes. Great question, David. So we've been really thrilled with the overall performance of the business and the strength of our 4-wall model that supported us to the ability to make some investments. In particular, if you look at our preopening costs, we are continuing just to see incredible openings as we go into these new markets. We continue to be met with really long lines. So we're sending our training teams out to -- in support of those openings, just to really set our teams up for success.

So as we commented, we validated preopening costs in Q3, and we'd anticipate seeing on a per shop basis, preopening costs being consistent in Q4 with what we saw in Q3. Certainly, with a greater number of openings in Q4, that's higher absolute dollar basis as well.

The other side of that is we've continued to see accelerated coffee costs coming into the P&L. That will accelerate into Q4. Certainly previously contemplated, but it is one that will continue to accelerate into Q4. And then the third piece that is impacting is the higher taxes that I referenced in the State of California, putting about 50 basis points of margin pressure in the labor line. And that's really kind of a full year amount that we're expecting to impact the individual quarter.

Operator

Next question, Brian Harbour with Morgan Stanley.

Brian Harbour

Morgan Stanley, Research Division

When you talk about the lift from food, is that basically -- is that like the original cohort of stores that had it measured after 6 or 12 months. Could you just talk about how you arrived at that? And then is -- do you think that you can sort of augment that over time? Like obviously, once you have it more broadly rolled out, maybe awareness goes up, you could advertise it? Like how do you think about continuing to drive food over time?

Christine Barone

CEO, President & Director

Yes. So as we look at the lift from food and how we're measuring that, we are measuring a kind of pre-post versus control. We're looking at absolute transaction growth. We're looking at overall same-shop sales growth in those markets and have had the food program in some shops for a longer period of time now. So giving us confidence to share the numbers at that point.

And then I think the way to think about food is it's really a program that we're just getting started with. We've had traditionally about 4 SKUs within our shops, the 3 Muffin tops and the granola bar. This initial food rollout is just moving us to 8 SKUs, so just adding 4 SKUs there. But what it is, if it's providing a capability where we now have ovens. We're putting in the inventory management required to have that food program. So I think of it as really serving as a base for what this could be over time and think that it has huge potential as we go forward.

Operator

Next question, Sharon Zackfia with William Blair.

Sharon Zackfia

William Blair & Company L.L.C., Research Division

I'm curious, as you've been expanding into the Southeast and now into the Midwest, by the way, welcome to Greater Chicago. Are you seeing kind of a similar customer demographic? And anything that surprises you in the way that customers are using Dutch or the dayparts or the product mix? Just wondering what you're learning as you're growing further nationally.

Christine Barone

CEO, President & Director

I think we're seeing some of the same things that we've seen in that we do have a higher coffee mix as we first go into newer markets. We are seeing that higher mobile order mix as well as we go into new markets. Those things have been pretty consistent.

I do think if we really reach this more national scale as we pass that 1,000 shop mark, the brand kind of proceeds itself. And so when we show up in these markets, we're just met with incredible excitement initial demand. They already know that our sticker days are coming and are lining up for the sticker day. So I do think as we reach higher scale, we are seeing the benefits from that as we go into new markets. I think we've also done a lot of learning in what is the best way to go into a new market, make sure the team is set up for success and what are our phases of marketing as we go through those new markets. And as we've shared, we're incredibly excited by that new shop productivity that we continue to see.

Operator

Next question, John Ivankoe with JPMorgan.

John Ivankoe*JPMorgan Chase & Co, Research Division*

I was hoping to drill in a little bit in terms of what's going on in some specific markets. And obviously, you're located next or at least near some specialty coffee outlets that have been closing stores. And yet in other markets, there's a number of specialty coffee outlets that have been significantly opening stores. So I wanted to see if there is any interesting dynamics we can talk about on a market level basis that maybe you're influencing in positive or negatively, your access to real estate people and customers? Anything that we can maybe talk about that's a little bit below the surface.

Christine Barone*CEO, President & Director*

Yes. So I think as we continue to open shops like the one dynamic that you'll see is more of our new shops and those newer vintages, are in the company-operated side in the business. So I think as you probably saw, we had a 7.4% same-shop sales within company-owned driven by very strong traffic at almost 7% there, 6.8%. And as we continue to look for new shops and new markets, I think the strength of the brand, the longevity that we have, we have been out there as a landlord. We have incredibly attractive cap rates now as we continue to grow across the country.

We're really not seeing any shortage in sites. And as I shared in my prepared remarks, we've actually added about 30 sites per month over the last 6 months into our pipeline. So seeing great availability of great sites. And I think it's also due to, as we're ingesting data more quickly into our models and seeing the performance that we're seeing now, we're really able to better pinpoint how we're going to do in a market. So we have both confidence in what that will look like when it opens, but also, we are finding great sites as we move across the country.

Operator

Next question, Gregory Francfort with Guggenheim Partners.

Gregory Francfort*Guggenheim Securities, LLC, Research Division*

I just wanted to follow up on that, Christine. I mean 30 sites a month, I mean, that's a ton of stores. Is that normal that -- that would only translate if you open 300 sites approved or 350 sites approved, that would only translate into 150 or 200 openings? Or is this an indication that '27 and '28, you're going to really ramp the store growth? And can you maybe just talk about the availability of real estate and what you're seeing out there from a competitive perspective? Just a follow-up to John.

Christine Barone

CEO, President & Director

Yes. So thanks, Greg. As we look ahead, we're really confident in that 2,029 shops in 2029. And part of that is building that really strong pipeline right now. So as we look ahead, a lot of the shops that we're adding now are really going to open 2 years from now. And so that gives us just great visibility into getting to that ramped up period where we'll be opening those shops. Not all of them will translate, but the majority of them certainly do translate into actual sites as we've looked at history. So we are ramping up that pipeline to prepare for that higher growth as we move ahead.

Operator

Next question, Jeff Farmer with Gordon Haskett.

Jeffrey Farmer

Gordon Haskett Research Advisors

You did touch on it, but any color you can offer on the scale of your paid advertising efforts in the Q3, Q4, just the back half of this year relative to, let's say, a year ago? And then as we look forward, would you expect that scale to further build?

Christine Barone

CEO, President & Director

Yes. So as we look at paid advertising, we really look to continue to ramp that as we ramp our sales and for that to keep pace. We've been very happy with the results that we're seeing and really view that as paired along with our Dutch Rewards program. So 72% of our transactions are coming through Dutch Rewards at the shop level. And as we look at that, it's really important to use paid advertising to build the brand awareness and then to quickly get our customers into the Dutch Rewards program so that we can speak to them that way.

Operator

Next question, Jeffrey Bernstein with Barclays.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Great. Just a question on the mobile order and pay. I think you said it's now at a 13% mix, so creeping higher, but I don't believe that's with any material internal push on your part. And I think you mentioned some of those markets are actually double that, so maybe 1/4 of their sales or traffic from mobile order. So I'm just wondering -- there are clearly peers in the beverage segment well above that. I'm just wondering if you could talk about what you'd like to see with that in terms of the acceleration, maybe quantify any kind of benefits you see in terms of traffic or check or frequency? Anything incremental learnings as we think about the next couple of years and where that 13% goes?

Christine Barone

CEO, President & Director

Yes. So as we look at that 13% mix, we're very happy with where that is. I think we've shared in the past that this is something that's customer-driven and was the #1 thing that our customers were asking for from functionality from our app. And we want our customers to be able to order in the channel and in the way that they'd like to order. I think naturally, over time, given what we're seeing with new shops, if that percentage will increase as I think we're seeing very close to like market level volumes in mobile order in those new shops. And some -- I think customers actually really act in a way that makes a ton of sense. So in our smaller shops or our double -- original double drive-thrus, it just doesn't add as much speed to your day as it does in the new shops that we're rolling out.

So I would expect to have some bifurcation in the newer and legacy markets over time, but incredibly encouraged by what we're seeing. It continues to grow. We also like the interplay that we're seeing between mobile order and food and how easy it is to attach items once you're mobile ordering. So a lot of good things there.

Operator

Logan Reich with RBC Capital Markets.

Logan Reich

RBC Capital Markets, Research Division

Congrats on the solid results. My question is on the food rollout. More on the operational side. I'm trying to fit it into one question. But can you just give any additional color on what the changes in the operations are in the back of house for the stores that have proved? Like just curious if you need to add any additional labor to fulfill food or any differences you're noticing on throughput with the stores with food versus those without?

And then just separately on your last comment related to mobile order pay. Like do you view food as a driver of mobile order pay or vice versa? I'm just trying to get an understanding of the interplay between those two aspects of your business.

Christine Barone

CEO, President & Director

Yes. So from an operations standpoint with food, we are adding new equipment into the shop. We're adding new training, obviously, as we roll that out. And then some of the operational metrics we're looking at is, one, as we built out the food platform and the offering that we have, the oven cycle time for the food items is below the average drink make time. And so that was very intentional. We never want to slow down our line as we add in food. And as we roll this out to new shops, we're continuing to see throughput gains in those AM dayparts in the shops that we've rolled out food. So we really are seeing that work seamlessly.

And then from a labor perspective, we are investing in labor and food as those sales grow. So overall, I think that food has slightly higher COGS, but a lot of the other line items, really, as you scale, work quite well with food, and it can really leverage some of those other places. So as we are seeing those volume gains, we are investing against the volume gains themselves.

And then for mobile order and how that's interplaying, I just think that the app is such an easy way to discover new offerings that we have. And so I think part of that is interplaying with it. I also think that there is a high mix between a customer in the morning, who wants mobile order, who might also want a food item. And so I think we're seeing some of that natural mix together as well.

Operator

Nick Setyan with Mizuho.

Nerses Setyan

Mizuho Securities USA LLC, Research Division

Congrats on the great quarter. Just a clarification, a question. The clarification, the 50 bps labor headwind, that's just in Q4? Or is that something that's going to continue into 2026? And then the question is just an update on the CPG rollout in 2026. But how are we supposed to think about modeling it? Is it just pure licensing flow through? Any numbers around it or just bracket in terms of how we should think about the CPG overlap next year would be very helpful.

Joshua Guenser

Chief Financial Officer

Nick, thanks for the question. Yes, the labor impact is a full year impact that we would anticipate in Q4 as a result of some regulatory changes. So that would come into effect in Q4. The ongoing run rate, obviously, would be something less than that. The amount is a full year amount in a quarter. Christine, would you talk through the CPG piece?

Christine Barone

CEO, President & Director

Yes. and then on the CPG rollout, so we are really in the midst of selling right now to retailers. We are also finalizing all the products and doing all the final testings as we get ready to launch this. We are really encouraged by the enthusiasm that we're seeing from retailers for the CPG lineup. That is something that we'll roll out throughout 2026. So as retailers do their resets throughout the year, you'll start to see the Dutch Bros product come in. We've also shared that we're really going to have the CPG offering follow our shops. And so it will be a regional rollout based on where we have shops so that customers can really experience Dutch Bros at the shop first and then go experience at home.

Operator

Chris O'Cull with Stifel.

Christopher O'Cull

Stifel, Nicolaus & Company, Incorporated, Research Division

Congrats on another great quarter. Christine, I appreciate the comments you made earlier about the people first culture and the Broista engagement as being the concept's primary competitive moat. But as you scale to, let's say, 2,000 or more shops, it would be harder to sustain this culture. And I'm just wondering, beyond promoting from within, what specific or measurable mechanisms do you have in place to ensure the quality and consistency of the Broista experience isn't diluted? For instance, how do you systematically identify and correct any kind of cultural drift as you expand?

Christine Barone

CEO, President & Director

Yes. Thanks so much for your question. So as we look ahead, I think we are in a really unique position with being able to open all of our new shops in all of our new markets with operators that have been with the brand for quite some time, on average 7.5 years. And I think at 1,000 shops, that's what's really served us incredibly well is having culture carriers who have been looking forward to that opportunity to go open a new market. We do have measurement mechanisms in place. We do surveys. We do things like that. I think that those are important metrics to have, but we also have great listening systems. And I think that's the most important piece is making sure that as we roll anything out, we are listening very deeply to how our teams are feeling about different things to make sure that we're enhancing the experience as we roll out food, for example, doing a food benefit for our Broista and so that they can taste and share in that great food as they come on to their shifts.

And so I think we're being incredibly thoughtful about ensuring that our shops are staffed well, that we're listening to what's driving satisfaction at the Broista level and just continuing to enhance that experience the same way we're looking at our customer experience.

Operator

I would like to turn the floor over to management for closing remarks.

Christine Barone

CEO, President & Director

Yes, thanks for your questions. In September, we proudly hosted our annual book for Kids Day with the Dutch Bros Foundation supporting over 245 local nonprofit organizations focused on programs serving youth in our communities. Giving back to the communities we serve is core to who we are. Our local operators and franchisees selected each of these nonprofit partners, ensuring the impact was felt directly in the neighborhoods we serve. Also in September [indiscernible] from all around the country to join us at our headquarters for a leadership development program. It was an incredible opportunity to share stories, learn from each other and continue building the strong foundation that fuels our growth.

Investing in our people and giving back to our communities is core to who we are and our mission remains unchanged. Whether we are swinging drinks or serving up love, Dutch Bros has always been and will always be about the people. It's this deep connection with our communities that continues to fuel our purpose and drive our growth. Thank you to all our team members for bringing our mission to life. You are the reason our customers continue to show up every single day. I am incredibly grateful for all of you. Thank you.

Operator

This concludes today's teleconference. You may disconnect your lines at this time, and thank you for your participation.

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