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Dutch Bros, Inc. (BROS) Q4 2024 Earnings Call Transcript

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EPS of \$0.07 **beats by \$0.05** | Revenue of \$342.79M (34.89% Y/Y) **beats by \$24.01M**

Dutch Bros, Inc. (NYSE:[BROS](#)) Q4 2024 Earnings Conference Call February 12, 2025 5:00 PM ET

Company Participants

Paddy Warren - Senior Director, Investor Relations & Capital Markets

Christine Barone - President & Chief Executive Officer

Josh Guenser - Chief Financial Officer

Conference Call Participants

David Tarantino - Baird
Dennis Geiger - UBS
Chris O'Cull - Stifel
Andy Barish - Jefferies
Andrew Charles - TD Cowen
Sara Senatore - Bank of America
Jeffrey Bernstein - Barclays
John Ivankoe - JPMorgan
Gregory Francfort - Guggenheim Partners
Jeff Farmer - Gordon Haskett
Nick Setyan - Wedbush Securities
Sharon Zackfia - William Blair

Operator

Thank you for standing by and welcome to the Dutch Bros, Inc. Fourth Quarter 2024 Earnings Conference Call and Webcast. This conference call and webcast is being recorded today, February 12, 2025 at 5:00 p.m. Eastern Time and is available for replay shortly after the call is concluded. Following the company's presentation, we will open up the lines for questions and instructions to queue up will be given at that time.

I'd now like to turn the conference over to Paddy Warren, Dutch Bros' Senior Director, Investor Relations and Capital Markets. Please go ahead.

Paddy Warren

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 and year ended December 31, 2024, after the market closed today. The earnings press release, along with a supplemental information deck, has 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 also reference non-GAAP financial measures on today's call. As a reminder, non-GAAP measures are neither substitute 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. As a reminder, we will be hosting our inaugural Investor Day on March 27, 2025, in the Phoenix, Arizona market.

During this event, our leadership team plans to discuss our competitive differentiators and growth plans. We also anticipate providing updates to our long-term financial plan. On today's call, we plan to discuss our performance in the fourth quarter of 2024 and provide guidance on certain key metrics for 2025. Following our prepared remarks, there will be a question-and-answer session. We would ask that questions please be focused on these topics as we plan to cover longer time horizon topics next month at our Investor Day.

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

Christine Barone

Thank you, Paddy. Good afternoon, everyone. Dutch Bros' future has never looked brighter and we saw that represented in our 2024 results.

Revenue growth in 2024 was outstanding. We delivered 33% total revenue growth, driven by a healthy balance of 18% new shop growth with 151 new shop openings and 5.3% system same-shop sales growth in the year. New shop performance is strong and improved considerably throughout the year. We enter 2025 with heightened confidence in the size of the brand's white space and the ability of our development and operations teams to execute upon it. Adjusted EBITDA grew 44% in 2024, driven by strength in our 4-wall P&L and continued adjusted SG&A leverage. We have made and will continue to make the investments in people and capabilities which we believe only compounds our competitive advantage.

I am incredibly excited about the strength of our brand, the love from our customers and our clear path forward. As we survey the industry landscape, we believe Dutch Bros is uniquely positioned and on trend with an emphasis on iced beverages, personalization and speed. We see an increasing relevance of the customized energy occasion which has been core to our menu for over a decade. We also see the continued importance of genuine connection embodied by our Broistas and a cornerstone of Dutch Bros for the last 33 years.

Zooming into Q4, we saw substantial momentum across the board. Our brand is resonating with customers. In Q4, we saw a 6.9% same-shop sales growth as well as our largest quarterly transaction growth since 2022. Company-operated same-shop sales grew 9.5%. We experienced our first full quarter of mobile order and are beginning to see the benefits to our business.

In Q4, we returned our holiday favorite LTOs, Hazelnut Truffle Mocha and Candy Cane Mocha, offering our customers a spirited way of staying engaged during the holiday season. We saw the highest performance ever of our Candy Cane Mocha platform, where we sold almost 40% more total units than when we ran it last year.

Our enhanced marketing efforts continue to build brand awareness and gain traction and we are seeing great engagement and response in our Dutch Rewards program. Our real estate strategy is working. Once again, we saw strong new shop productivity as we have shifted our development focus and elevated our site selection process. And we continue to demonstrate remarkable consistency in our shop opening cadence with 32 new shops in the quarter. Our pipeline for 2025 is strong. Our efforts are translating to outstanding financial results. In the quarter, we drove a 35% revenue increase and a 41% adjusted EBITDA increase compared to the same quarter last year. System-wide AUVs were \$2 million in line with the record we posted earlier this year. This month, we are celebrating a major milestone as we open our 1,000th shop. We are extremely proud of our results.

And I would like to take a moment to sincerely thank our entire team. Our Broista teams wake up early and stay up late to make a massive difference 1 cup at a time. And our 2024 results are a reflection of this effort during each shift in each interaction every day. I'd now like to spend some time walking through our key growth drivers. Beginning with how we grow our people and scale our culture. Our people are the cornerstone of our strength. Our talented Broistas and the service they provide drive our growth and separate us from competitors.

One of the reasons we have chosen to grow primarily through a company-operated model is because we believe it enables us to scale our culture as we enter new markets. We make big investments in seeding our culture as we expand and we are pleased with how this is translating into strong service. Our people pipeline includes more than 450 regional operator candidates with an average tenure of more than 7 years. For context, we had approximately 200 operator candidates in our pipeline at the end of 2021.

It is important to note that in addition to almost doubling our shop count during this period, we also significantly expanded our operator candidate pipeline. We are able to attract, train and retain great people and continue to build a strong foundation for growth for many years into the future. This approach also enables us to create compelling futures, providing opportunities for Broistas to grow with us.

In 2024, our overall shop level turnover improved approximately 5 percentage points year-over-year. We are honored to be an employer of choice and blown away by the excitement of applicants seeking to join us as Broistas. In December, we had the opportunity to reinforce our culture by hosting our shop leadership at an event we call a better world. Almost 3,000 of our field leaders, franchisees and headquarters team were able to attend and experience this catalytic cultural event, many for the first time. The energy was electric and the team left with a renewed sense of purpose and clarity of mission.

In mid-December, Venki Krishnababu joined us as our Chief Technology and Information Officer. Previously, Venki served as Chief Technology Officer at Lululemon Athletica and brings nearly 30 years of experience leading transformational enterprise-shaping strategies and a proven track record of creating business value through technology, innovation and partnerships.

I'll now shift to how we are growing our shop base and capturing our white space. We are executing our real estate strategy and are very energized by the results. New shop productivity continued to increase in Q4 which we believe was a result of enhanced market planning as well as elevated paid ad spending in new markets. Once again, we delivered our shop development target in Q4 with 32 new shop openings, bringing total shop count to 982. For the year 2024, we opened 151 new shops, of which 128 are company operated. We have a strong 2025 pipeline.

In the second half of 2024, we made investments in our development, construction and market planning teams and continued elevating our site selection process. These investments, combined with our extensive white space and strong four-wall model, elevate our confidence in our pipeline in 2025 and position us to accelerate quarterly unit growth in the back half of this year.

Now, I'd like to discuss our efforts to grow transactions and develop sales layers. Early in 2024, we outlined a transaction-driving strategy focused on 3 foundational initiatives that we plan to use to jump-start transaction growth. Enhanced focus on innovation, increased paid advertising designed to build brand awareness and more targeted rewards program efforts. We are executing on all these elements and we are seeing success. Transaction growth accelerated as we exited the year, reaching 2.3% for the system in Q4. Our efforts are working and we believe we have considerable runway for further growth.

Here is a brief update on the 3 foundational traffic-driving initiatives. First, innovation. In the competitive beverage industry, we believe staying ahead of trends is critical. We utilize innovation to build sales layers and deepen our competitive moat through category-defining products. In the quarter, we returned the successful LTO offerings, Candy Cane and Hazelnut Truffle Mocha and added Jingle Nog and Winter Shimmer Rebel as seasonal offerings. Furthermore, we continued our strategy of utilizing promotional innovation to surprise and delight our customers with giveaways like the passenger princess straw topper and our custom holiday ornament. These were huge hits that drove both excitement and sales volume. We love doing these innovative promotions as it strengthens our brand loyalty and creates extra moments of connection with our customers.

Second, paid advertising. It is becoming increasingly clear that our upsized paid advertising investments are having a positive impact on our business. We saw an opportunity to raise brand awareness in new markets and we began increasing our digital ad spend. Those efforts have been successful. We have seen considerable improvements to both brand awareness and traffic.

During the second half of 2024, we expanded this program to build greater awareness in mature markets. We are encouraged by what we are observing in these markets as well. And third, Dutch Rewards. We continue to see exceptional traction in the Dutch Rewards program with a record 71% of transactions coming from Dutch Rewards members. This is an increase of over 500 basis points year-over-year. In the back half of 2024, we accelerated our segmentation efforts which we believe will enable us to reach customers more efficiently and provide even more personalized and relevant offers. While we are still in the early innings, the responses we have seen to date and the opportunity we see in front of us are encouraging.

Beyond these 3 foundational transaction drivers, we see a clear path forward with multiyear initiatives that layer on top of this foundation, including food and mobile order. We continue to be excited about mobile order and here are a few program updates. As of December 31, approximately 96% system and 99% company-operated shops at mobile order functionality. Our customers are enthusiastically embracing the mobile order occasion.

As of December 31, our Rewards customers have placed approximately 5.4 million mobile order transactions. Mobile order continues to over-index in a relative rush of the morning and in particular, with coffee-based beverages. This gives us confidence that we are on the right track with our strategy to further unlock the morning daypart with greater convenience.

And finally, we believe mobile order contributed to the traffic outperformance we experienced in Q4. As of December 31, approximately 8% of our channel mix was mobile order, representing a steady and deliberate increase quarter-over-quarter. We continue to observe that customers who use mobile order increase their frequency and mobile order penetration is more than twice the level of our overall system in some of our newer markets.

We believe that by placing the convenience of the digitized menu in the hands of our customers will bode well for us in newer markets as it allows customers to explore and learn our brand. Last quarter, we announced that we began a limited food test. This initial test has been focused on understanding the optimal assortment and how an expanded food program interacts with our existing operations. Although the test is small, initial signs are encouraging and point towards the viability of an expanded program. As we consider a food program, I'd like to share our guardrails.

First, Broista job satisfaction. As we expand their roles, we must consider how to do so in ways that continue to foster our fun and energetic work experience that are sure as we continue to attract and retain the very best people. Second, a targeted assortment focused on capturing the food attach opportunity and the potential incremental beverage opportunity while minimizing complexity.

Third, no impact to throughput. We believe we have an opportunity to expand market share in the morning daypart. We understand that many people seek the added convenience of a food pairing with their morning beverage choice. Food makes up less than 2% of our total sales and we are likely missing morning beverage transactions from would-be customers who are not satisfied with our current food offerings. With the expansion of our food program, we are targeting these incremental beverage occasions and aim to compete more aggressively for these high-value routinized occasions with a limited food offering that fulfills our customers' needs.

In closing, we are incredibly well positioned with a great brand and wonderful people. Momentum in the business is strong. We believe our runway is long and our path forward is clear. We have top-tier growth. In Q4, we delivered 35% year-over-year revenue growth and 32 new shop openings. We have multiyear visibility on key initiatives, including our core foundation of innovation, paid media and Dutch Rewards and exciting growth opportunities with mobile order and food.

Our real estate strategy is working and we have seen another quarter of excellent new shop productivity. This, combined with our strong pipeline, gives us great confidence as we execute our unit growth plans. We have an incredibly strong brand that is resonating. I am blown away that as we reach the 1,000 shop milestone, we have customers and mile long lines to experience those first smiles as we open our doors in new markets. Most importantly, we have great people, anchored by outstanding engaged Broista and a strong pipeline of operators ready to grow with us.

With that, I'll turn it over to Josh.

Josh Guenser

Thanks, Christine. I will provide a quick recap of 2024 results and then a deeper dive into Q4 2024 performance. Our performance in 2024 continues to build confidence in achieving that long runway of growth that Christine noted in her comments. For the year, we generated \$1.28 billion in revenue and \$230 million in adjusted EBITDA.

We grew revenue by 33%, including 18% new shop growth on 151 new shop openings and 5.3% system same-shop sales growth. We delivered 70 basis points of leverage on adjusted SG&A. Our adjusted EBITDA growth was 44% and our adjusted EBITDA margins expanded 140 basis points to 18%. For the year, we delivered \$0.49 per share of adjusted EPS.

For the fourth quarter, revenue was \$343 million, an increase of 35% or \$89 million over the fourth quarter of last year. In the quarter, we opened 32 new shops, of which 25 are company operated, representing focused and intentional progress. We remain encouraged by both our new shop productivity and our overall system AUVs of \$2 million.

Same shop sales performance in Q4 exceeded expectations. In the quarter, we delivered 6.9% system same-shop sales growth, of which 2.3% came from transaction growth and 4.6% from ticket growth driven by pricing and lower discounting. We attribute Q4 transaction growth through a variety of factors, including the maturation of newer markets driven by market planning and marketing efforts to drive brand awareness as well as the continued ramping of mobile order.

In the quarter, adjusted EBITDA grew 41%. We delivered \$49 million in adjusted EBITDA, an increase of \$14 million year-over-year. Our adjusted EPS was \$0.07 per share, up from \$0.04 per share in Q4 last year.

Moving on to our company-operated shops. Revenue was \$314 million, an increase of 38% or \$87 million over the fourth quarter of last year. Company-operated same-shop sales growth was 9.5%, of which 5.2% was transaction growth. Company-operated shop contribution was \$91 million, an increase of 51% or \$31 million year-over-year. In the quarter, company-operated shop contribution margin was an impressive 28.9%.

In Q4, beverage, food and packaging costs were 25.4% of company-operated shop revenue. This is 120 basis points favorable year-over-year, driven primarily by pricing. Although coffee prices rose throughout 2024 and into 2025, we did not see a meaningful impact on our margins in 2024. As we look ahead, coffee seed prices have remained elevated for a sustained period and we expect to see the impact in our cost of goods sold in 2025. If current coffee seed price levels are maintained, we would expect approximately 110 basis points of net COGS margin pressure in 2025 with the impacts beginning in Q1 and increasing in Q2.

Labor costs were 27.1% of company-operated shop revenue and in line with Q4 of 2023. We anticipate making wage investments and shop leadership in 2025 which will offset the leverage we would otherwise expect on sales growth. Occupancy and other costs were 17.5% of company-operated shop revenue which was 80 basis points favorable compared to Q4 2023, driven primarily by leverage from sales growth.

Adjusted SG&A was \$64 million or 18.8% of total revenue. For the full year 2024, adjusted SG&A was 15.8%, representing approximately 70 basis points in margin leverage versus the full year 2023. We are pleased by the leverage we have driven in adjusted SG&A during the year, while we continue to staff our new office in Arizona and make targeted investments in marketing.

In the quarter, interest expense net increased \$709,000 from 1 year ago to \$6.8 million. The increase is primarily driven by higher interest expense related to long-term debt, is partially offset by higher interest income. In 2024, our business demonstrated consistent and measured growth as evidenced by our balance sheet. Our Q4 results further underscores this momentum, reflecting our robust financial health and growing stability. As of December 31, we had \$293 million in cash and cash equivalents and \$235 million in drawn term notes, yielding a net cash position of approximately \$59 million. This is approximately \$21 million higher than our net cash position for the year ended December 31, 2023 and the majority of this increase is attributable to working capital timing.

We remain highly encouraged by the substantial progress this represents towards our goal of having a self-funding business. We continue to shift the composition of our new shop pipeline towards more capital-efficient lease arrangements but we still have work to do as we attempt to lower the per unit cash outlay. In Q4, our average CapEx per shop was approximately \$1.8 million. As of December 31, we had \$383 million in finance lease liabilities and \$323 million of operating lease liabilities.

During the quarter, we added \$3 million in finance lease liabilities and \$17 million in operating lease liabilities. We have access to ample liquidity to fuel our growth. As of December 31, we had over \$687 million in total liquidity which we believe to be sufficient to support our growth plans. Earlier this month, we drew down an expiring \$50 million delayed drop term loan to optimize flexibility, increasing both our cash and debt balance to maintain a consistent liquidity profile.

Finally, I'd like to provide guidance for 2025. Total revenues are projected to be between \$1.555 billion and \$1.575 billion. This represents approximately 21% to 23% growth year-over-year. We expect to open at least 160 new shops, representing system growth of 16%. System same-shop sales growth is estimated to be in the range of 2% to 4% for the full year. As a reminder, Q1 represents our toughest same-shop sales comparison of the year as we lap the benefit of leap day and our successful bubble launch.

Capital expenditures are estimated to be in the range of \$240 million to \$260 million, primarily made up of new shop construction costs. We estimate adjusted EBITDA to be between \$265 million and \$275 million, representing 15% to 20% growth year-over-year. At the midpoint of the range, we would expect 70 to 80 basis points of net adjusted EBITDA margin pressure, driven primarily by elevated coffee costs and partially offset by the benefit of approximately 80 basis points of adjusted SG&A leverage.

Thank you. And now we'll take your questions. Operator, please open the lines.

Question-and-Answer Session

Operator

[Operator Instructions] First question is from David Tarantino from Baird.

David Tarantino

Congratulations on such strong results. My question is about the company-operated comps. Can you maybe elaborate on why you think you saw such a big acceleration in the company locations? I know -- Josh, I think you mentioned maturation of new units. And I'm wondering if there was a change in trajectory there. But I guess, in general, are you seeing that being the biggest factor? Are you seeing mobile ordering maybe being a big factor? I guess how would you deconstruct this big acceleration you saw across the quarter?

Christine Barone

Yes, David, thanks so much for your question. I would start; I really think it was actually everything firing on all cylinders as we went through the quarter. And I think it starts with just the strength of the brand the amazing service that our people and our Broistas continue to provide. And then on top of that, I think we saw really all of those things working together. So we saw that Rewards program, a 500 basis point increase versus the prior year. When we look at what was happening with Rewards we were seeing an acceleration in new shop adoption. So as new shops came online, really getting people into that Rewards program quickly.

We also saw great results from our paid advertising in our -- especially in our newer markets and seeing that what really drove part of that acceleration in comps in those newer shops. Shops like those Texas shops coming online really helped out. We also saw strength in mobile order. We continue to see the newer markets adoption of mobile order happened more quickly. And so that was another factor as we went through. So really a lot of things working well at the same time. We are super happy also with the innovation in the quarter. I think some of the merge drops that we did just really drove excitement for the brand.

So, when we look across the quarter, it's actually not just one thing but we are actually quite happy to see everything kind of performing together with that real acceleration in the new shop performance.

Josh Guenser

Yes. David, the thing I might add to that, too, is just we did see really strong traffic performance with the result of that with strong traffic performance, we're actually able to dial back some of our discount position as well and that allowed us to have some strong ticket flow through. So we really saw -- as Christine said, we really saw it hitting across the board on all fronts.

Christine Barone

Yes, I think the final factor I would add is we also saw strength in the morning. So as we rolled out mobile order, the expectation was that, that would really benefit the morning a bit more and we saw that in the numbers.

David Tarantino

Great. And if I could just ask a follow-up. I think you mentioned that the exit rate or maybe you made a comment that suggests the exit rate for the quarter might have been much stronger than where you started, certainly seems evident in the results. Did that sort of strength carry over into Q1? I guess is there any context you want to give us about the first quarter and how you expect that to play out?

Christine Barone

Yes. So I would say we saw strength throughout the quarter. And as far as Q1 goes, we have seen strength in January as well. So we're very pleased with how we're starting the year.

Josh Guenser

Yes. And David, maybe just to put a little bit more specificity as we think about 2025. Our overall comp guide for the year reflects the fact that we're rolling off about 3 points of net pricing. So the net price roll off for the year would be about 3 points. And then we are lapping 10 points of comp from Q1 of 2024. And despite that, given what we've seen so far, we feel confident about the trajectory we're on. That full year guide of 2% to 4% contemplates about a 2% to 4% comp performance as well in Q1 and feel really good about that given what we're lapping from last year.

Operator

Next question is from Dennis Geiger from UBS.

Dennis Geiger

Congrats, guys. I wanted to ask a little bit on the throughput opportunity for this year. I'm sure this is something we'll hear more about at the Investor Day. But anything to share on if any of the throughput efforts are in place already and if there was a benefit in the quarter from that? And then really just kind of how to think about how impactful that might be in '25?

Christine Barone

Yes. So as we look at the throughput opportunity, it's certainly something we're focused on. We do have long lines in some of our shops. And as we look at that opportunity, right now, what we're very focused on is deployment. And so making sure that our Broistas are in the production zone when they need to be there that we have the right number of runners out taking orders to match the amount of production we have. And one of the benefits of mobile order is really in helping with throughput. One, because it takes out that order time as mobile order penetration grows. And it also balances our production. And so we continue to see that more of the mobile orders are being picked up at the walk-up window than through the drive-thru lane. So that is also something that helps with throughput.

Dennis Geiger

That's great. And one more maybe related to that, shifting over to mobile. It sounds like it is going well. Just curious as it relates to sort of incrementality, you mentioned frequency still sounds really positive. If any sense on incrementality or kind of what the benefit to sales may be if there's any way to kind of articulate that. Related sort of as we think about the marketing here, it seems like you want to go at a generally measured pace on the mobile adoption. Just curious where we're at from a marketing perspective? Is it just the always-on marketing in the app? Are you doing anything more from a marketing perspective or not yet?

Christine Barone

Yes. So as far as building mobile order, our goal here is really to have this be super stable and steady as it's adopted at our shops so that our Broistas are incredibly successful. We feel, I think, really most proud of the service that we are providing along with mobile order. So feel really good about the pace at which this is growing right now. And as far as looking at incrementality, we really view that in 3 different ways. So I think we've shared from the Dutch Rewards perspective, we can measure what happens before and after. We -- as we move through that, we are seeing as we add more cohorts that the most likely to order cohorts get at it first and so see a little bit of a drop in that but still very pleased with that incrementality that we're seeing directly from Dutch Rewards.

The second piece is, is that we continue to see that increase in the Dutch Rewards program. So new members joining and immediately making a mobile order. So really likely joining because of mobile order. And then finally, where you started, those throughput opportunities. So customers coming through the lines and seeing that it's a little shorter or there's less time. And so we're really pleased across the board with what we're seeing from a mobile order perspective.

Operator

Our next question is from Chris O'Cull from Stifel.

Chris O'Cull

Congrats on a strong finish to the year. Josh, the company's CapEx target for '25 is lower than we expected. And I know you mentioned CapEx per shop was \$1.8 million in the fourth quarter. But what's the company expecting for 2025 in terms of cash outlay per store? And is leasing the primary reason for the cash -- lower cash outlay? Or are there some other cost savings as well?

Josh Guenser

Yes. Thanks for the question. Yes, our focus on driving down the per unit CapEx is really shifting the lease components. So is shifting to a greater proportion of build-to-suit leases. We are making progress in that way and certainly have focused on that in '24 and into '25 and we'll start seeing the benefits of that as we move ourselves into '25. I think we shared previously that we expected that 2024 would be kind of our peak per unit CapEx. So we're expecting to see that come down. We are expecting to be able to provide you guys a little bit more granularity and specificity of that as we get into our Investor Day conversations but that's what's really driving the CapEx outlook.

Chris O'Cull

Do you expect additional lease arrangements to impact the shop level margin this year? And how should we think about it impacting the long-term margin goals, I think which are in like the high 20% range?

Josh Guenser

Yes. I mean certainly, it is a factor, as you're referencing build-to-suit leases tend to be higher rent than the ground lease. That's factored into the guidance we're providing. So what we're seeing is included in the overall guide for both -- for our EBITDA guide for the year. I think over the longer term, again, it's something as we share our longer-term trajectory, something we can provide more specificity on at a later date.

Operator

Next question is from Andy Barish from Jefferies.

Andy Barish

Yes, tough to find anything concerning but it was with the 25 company openings in the quarter was the lowest number since the IPO. Is that just kind of end result of some of the work done over the past year? And then I think you made some commentary around openings picking up in the back half of the year, at least historically, the 1Q has been the highest number of openings annually on the company-owned side. So can you just kind of give us a little bit of the shape and help us level set on the modeling there?

Christine Barone

Yes. So as we look at the year, we're really pleased with the market planning efforts we've had and the impact that we've had on that new shop productivity. One outcome of that is just shifting some of the units out towards the back half of next year. So as we look at Q1 and Q2, they'll be at about 30 really similar to Q4. And then as we will ramp as we go into Q3 and Q4 of next year. And again, that is really an outcome from the market planning efforts we've done over the last year, 1.5 years, to really shape that pipeline to drive that new shop productivity and to lower the unit per unit CapEx for those units which we're incredibly pleased with the results that we're seeing from that.

Andy Barish

Got it. And then just one quick follow-up, Josh, on the 2% to 4% guide for system same-store sales, should we expect the company owned to continue higher? Or just given the laps, will that kind of normalize a little bit?

Josh Guenser

Yes. I mean we have -- over 2024, what I'd say is we have seen that spread of company performance stronger than the franchise performance. Part of that being the contribution of those newer markets, we're just growing faster on the company side than we are on the franchise side and that contributing certainly to the performance that we've seen overall but that has contributed to the spread. So I'd expect there to remain a spread throughout '25 as well.

Operator

Next question is from Andrew Charles from TD Cowen & Company.

Andrew Charles

Josh, can you expand a little more on how you came up with the 2% to 4% same-store sales guidance for 2025? You talked about how that's the right level to think about lapping 1Q, your toughest comparison of the year. But with all the good stuff you guys have gone on for 2025, mobile order mix is increasing, the advertising is obviously paying off. How did you come up with 2% to 4%?

Josh Guenser

Yes. I mean -- so I guess a few things I'd highlight is, as we think about that full year, we're coming over -- a little over 5% for 2024, we're all rolling off a net of about 3 points in price. So that's certainly -- we'll just take on the ticket side. I think the -- as we think about the trajectory through the rest of the year, we have factored in the performance we saw in Q4. We factored in the strength we've seen so far in January. We do have the lap of Q1, the tough lap in Q1. So when you put all those pieces together, we are assuming that, that does drive some positive traffic which we're very pleased with and very encouraged with just given the momentum we've seen. But I do feel really good about the ability to be able to drive that 2% to 4% despite the lap we have in Q1 and what we've seen today.

Andrew Charles

Okay, great. And then, Christine, at a high level, how are you thinking about the advertising plan for 2025 versus '24? What are the ways that you can build on the success that you've seen while perhaps as you grow the budget, new opportunities that would afford you? And I'm also curious is embedded within the guidance, EBITDA guidance, is there a step-up in advertising in percent of sales embedded in that as well?

Christine Barone

Yes. So as we look at 2025 and what we're going to do from an advertising perspective, we've learned a lot in 2024 which we will apply. So I think we continue to get smarter about which channels work best, what we should put in front of our potential customers and really have honed in on how we're using paid advertising to find new guests and then trying to get them into the Rewards program as rapidly as possible so that we can speak directly to them with that Rewards program. We did begin testing some increase in paid advertising in our mature markets towards the end of the year. So we're pleased with early results there.

And as we look at the year, I think we will continue to understand how we're driving ROI across our advertising efforts. And if we see opportunities to step that up, we might lean in.

Operator

Next question is from Sara Senatore from Bank of America.

Sara Senatore

Quick housekeeping and then a question on new store productivity. You mentioned 3 points of prices rolling off. So you had, I think, 4 points in the quarter. I just wanted to confirm that. And then as we think about 2025, that implies pretty modest pricing. And then, the question is on new unit productivity. I mean, Christine, you mentioned how strong it's been. This is the first quarter and it's always kind of confounded by opening timing, where it actually looks like maybe the new unit productivity is perhaps even higher than the system average. I guess if you could just speak to that and maybe anything you're seeing early days in Florida.

Josh Guenser

Yes. So I'll start with your pricing question. You're right. So we had about 4 points of price in Q4 is a bit more than that for the full year but we are rolling off a net of 3 for the full year as we go through the year which does imply a very modest price -- incremental price coming in on -- for the balance of '25.

Christine Barone

Yes. And on new shop productivity, we were very pleased with the fourth quarter. As we look overall, some of the openings, we have had some very, very strong openings in Southern California. And so as some of those came into the system, just saw the results from that. So definitely pleased with what we're seeing. And then as far as Florida, still really early days but very excited by what we're seeing from a customer reception. I was -- last week, I was just at one of our openings in Florida. And amazing to see that folks were waiting in line at 11:00 p.m. the night before we opened and just a neat reception to see in a very new market, very far away from where it all started.

Sara Senatore

Yes, certainly, what we saw was very exciting. I guess if I could just sneak one more in. What you're doing with advertising or real estate strategy, does that change how I should think about sales transfer, something that I think you talked about last quarter but not this quarter, so just as I look at traffic?

Josh Guenser

Yes. I mean I think as we've shared before, we feel comfortable with sales transfer in the range we've talked about previously as we are opening shops and creating greater convenience for customers, that's going to result in some intentional transfer. So I think I feel good about that range. Over time, certainly, as we grow and that comp base grows, it will come down. So again, very consistent with what we've referenced in the past.

Operator

Next question is from Jeffrey Bernstein from Barclays.

Jeffrey Bernstein

Great. My first question is just following up on the 2025 unit pipeline. I mean clearly, comps come and go depending on the consumer and promotions and whatnot. But the unit growth is obviously the key driver of the top line. So can you just talk about the mix of new versus existing markets? And maybe you can compare and contrast Florida versus Texas performance. It sounds like you're pleased with Florida. I know you have a more of a refined new market approach. So just trying to get a sense for that white space opportunity and maybe compare and contrast in those 2 big markets that you had a different approach in. And then I had one follow-up.

Christine Barone

So we're just getting started in Florida. And I would say the learnings from Texas where as we go in, we will still go in with the same number and the same penetration into the market. We just might time it over time a little bit differently. And so we are pleased with what we're seeing from that so far. But this is certainly -- we have customers that come to us quite often, so we can put shops quite close together. We will open some new markets next year but we continue to have a lot of infill still in our existing markets as we grow. So Florida, I mean we are like at 7 or 8 shops right now. So we are just getting started in the state of Florida and we'll have some new cities that we'll open in next year as we go. And I do think at our Investor Day, we are going to share a little bit more about how we're performing in some of these newer markets as well.

Jeffrey Bernstein

Great. And then just following up on the coffee cost question. Josh, I think you said 110 basis point headwind in '25 but I got the impression, I guess, you're thinking that pace of the headwind accelerates through the year. So I'm just wondering how we should think about that, whether there's any potential for contracting to mitigate or whether at some point you would consider incremental pricing to offset. I know you mentioned you're really not planning on taking much but just curious why the thought process around whether it makes sense to take or whether you're trying to protect your value scores or how you think about that?

Josh Guenser

Yes. Yes. Happy to talk to coffee a little bit. So the 110 basis points you referenced is the company margin impact that we're expecting. I'd add to that, there's the franchise margin as well. So overall adjusted EBITDA margin impact, we're expecting to be about 150 basis points. For purposes of guidance and as we've looked at this, I'm guessing not all of you in the coffee market as much as maybe I am but coffee has been trading at very high levels. We've, for modeling purposes, assumed that it maintains about \$4 for the balance of the year. For historical context and even '24, we were closer to the \$2 mark per pound. So substantial increase year-over-year.

We are -- if you were to look at the future curve and look at how that might shape up, the future market would suggest that it might come down in the back part of the year but we're assuming that it holds at about \$4 for the balance. As we think about this longer term, history in the coffee market would suggest that these are temporary spikes that should not have a prolonged impact. And therefore, as we think about pricing, we're taking the longer view of making sure that we maintain our value proposition, make sure we're taking a pricing according to the overall structure of the business.

If, for some reason, the coffee prices were to be a more structural change, a more foundational change that were to be more persistent, certainly, there's other factors we could look at considering price being one and then potentially other offsets in the P&L. So it's one we'll -- it's been incredibly volatile, especially more recently. It's one we'll just keep you guys updated on as we progress throughout the year.

Christine Barone

And Jeff, the only thing I would add to that is our customer value proposition is really strong right now. And when we look at what's driving our performance overall, we continue to feel incredibly good about where we are in that space. And so I think from a price perspective, we have great shop-level margins. And so ensuring that we're continuing to provide our customers with the incredible value that they see today is a top priority for us.

Operator

Next question is from John Ivankoe from JPMorgan.

John Ivankoe

I wanted to get back to the topic of using paid media for existing legacy or maybe even more mature markets. What is the, I guess, addressable need that you think that marketing would actually achieve? I mean do you still have a lack of awareness for certain consumer cohorts? Do you think the paid media could generate? And when we talk about paid media, is it billboards? Is it drive-time radio? If there's still such a thing? Is it broadcast TV? Or is it highly targeted digital? Or is it influencer digital? Just give us a sense in terms of what that marketing might look like? Because clearly, in many of these markets, you would have a fairly big system-wide sales budget to spread those dollars across.

Christine Barone

Yes. So from a marketing perspective, we're doing, I would say, targeted digital marketing for the most part. And we are doing some unique things within communities where they make sense as well that are a little bit broader than that. And as far as mature markets go that we certainly have a big opportunity to grow brand awareness in our new markets where it is quite low. However, even in many of our mature markets, we really are much lower from a brand awareness than other large players in those markets. And so we do believe that there's an opportunity even in those markets to drive that awareness. So I think that as we look at this, we can look at our returns as we do different things across the advertising spectrum and are really making targeted investments that we believe makes sense for us from a financial perspective.

Josh Guenser

Yes, John and maybe just on the cost side of it, of how we're thinking about it. We did really start ramping up more of those marketing efforts in the back part of last year. So I'd expect that we'll maintain that. All this is contemplated in that full guide that we provided. But I would expect that, that would be a little bit more level throughout the year this year. That combined with the people investments that we've made throughout the year really would create a flatter shape to that curve than what we saw in '24.

Christine Barone

Yes, the advertising cost within SG&A. Yes.

Josh Guenser

Yes, that's right.

John Ivankoe

Okay, I'll follow up on that. And I know there's obviously been a lot of success from the brand using unpaid organic influencer marketing. Does it make sense to maybe do some incentivized influencer marketing at some point as some of these assets, obviously, are realizing their worth, especially when it comes to brands like your own?

Christine Barone

Yes. So we do continue to speak with our super fans and find them out there and send sometimes special boxes to some of our super fans. What we are really thoughtful about is that for us, it has to be super authentic and really people that love our brand and are already users of the brand and actually reaching out to them, engaging with them in ways that are fun for them and fun for their followers. So that we do believe that there is something there but I think we're going to definitely do it in a unique Dutch Bros way.

Operator

Next question is from Gregory Francfort from Guggenheim Securities.

Gregory Francfort

Josh, I think you talked about the waterfall effect on the new stores, maybe helping the comp. But can you just update us on what kind of the year 2, year 3 AUV ramp is for your new stores? And how are you maybe most mature markets comping?

Josh Guenser

Yes. So I mean, Greg, thanks for the question. I'd say we're seeing strength across the board. What we have seen is really strong performance as those newer vintages are maturing really through the combination of the paid media that we've been leading into the market planning efforts that we have to really improve the overall shop productivity as well as the adoption of what we've seen in mobile orders. So I feel like there's really good strength in those new markets and strength across the board. As we think about just kind of the geographic breakdown of vintages, that's something we can talk a bit more about in our Investor Day, not something that we're dissecting right now.

Operator

Next question is from Jeff Farmer from Gordon Haskett.

Jeff Farmer

You did share a lot of information on the drivers of that very strong 6.9% comp in the quarter. But I'm curious, again, you touched on it but what were some of the biggest upside surprises relative to what you were thinking about when you guided to low single-digit same-store sales in November? So the big upside, what were you guys seeing there?

Christine Barone

Yes. So I think if you break it down that seeing that real strength in transactions, so that 2 points of traffic and all of the drivers behind it. Again, everything really just hitting in the right way. So it's coming together with mobile order and the paid advertising and all of those pieces and having a strong line-up for the holidays with our beverages. So all of those things, plus we increased those merch drops that we did throughout the quarter. And although they do drive outsized sales on the day that we launched them, they also drive interest in the brand. And so all of those things together are what we believe are really driving the traffic.

The other piece, as we were seeing the strength in the quarter, we were able to pull back on discounts. And so that discount rate added a little bit over 1 point as well to what we saw. So very excited that everything was able to hit. I think the brand is resonating. And then the strength and just as we continue to read where we sit from a customer value proposition and what our customers think about us, from that perspective, it's really working that way. And then I would just finally add this new shop performance. And so those newer vintages coming into the comp were also something that we're certainly at the high end of where we thought they might be.

Jeff Farmer

Okay, that's very helpful. And just 2 follow-ups on that. So on pulling back on discounting, I'm curious how that will continue or how you expect that to continue over the next few quarters? And then also sort of the tailwind associated with the newer shops entering the comparable store base, it sounds like that's -- it's been a question but a healthy tailwind here. But if we put those things together, not looking for the math but again, in terms of thinking about you guys pulling back on discounting, does that continue? And should we expect to continue to see a pretty nice tailwind as it relates to new stores entering the comparable store base?

Christine Barone

No. So but I would say it was a pretty -- it was a relatively minor pullback on the discounting. And one of the things, when you think about customer value proposition, it's made up of a lot of things. It's what our customers are receiving. We believe the strength of the Rewards program and the value that our customers see from that Rewards program is a big factor in helping to drive our customer value proposition strength right now. And so those extra points getting those free rewards are an important part of being a customer at Dutch Bros. And so although we will look at that discount rate consistently with how we're performing, we will also continue to add value to our customers in that way. So that's something important to us.

And then on the new shops entering the comp base, again, just saw strength from that. And I think that, that's driven by getting to a place where you're driving past a lot of Dutch Bros as we have more shops in new markets, all of the paid advertising that we've had throughout the last year into those new markets. And then that real concerted effort to get customers into the Rewards program quickly, so that we can speak to them directly, share with them new drinks, share with them when we're doing a sticker drop and all of that is just building on each other.

Operator

Next question is from Nick Setyan from Wedbush Securities.

Nick Setyan

Thanks for the question. Aside from the coffee impact on COGS, where do you think all the inflation could be? How should we think about sort of all in COGS aside from the 150 bps headwind from coffee?

Josh Guenser

Yes. Nick, so the way I think about COGS and the guidance we provided was really the overall net impact for COGS was the deleverage of about 110 basis points that is inclusive of impacts of pricing that we plan to take as well as other impacts of commodities. So -- we -- I would say the majority of that, as we referenced, is coming from coffee -- the vast majority of that is coming from coffee but there are some other factors -- other impacts that we've included in that as well.

Nick Setyan

Okay. And you shared a lot of information on the food test. Would you mind just reminding us what percentage of system that test is taking place in whether you plan to expand the test as the year progresses? And any other helpful information like attach rates or where it's mixing in the test -- in the test market?

Christine Barone

Yes. So as we look at the food test, we are just in 8 shops right now. So we are still an assortment testing. We are planning out how we're going to do this from a supply chain perspective and we are refining all of the operational protocols that we want to use as we look at this. So we're definitely not at a place right now where we would share additional numbers from that.

Operator

Next question is from Sharon Zackfia from William Blair.

Sharon Zackfia

I guess I wanted to talk about the development pipeline which I know is in great shape. I'm curious how you're kind of handicapping potential construction delays with deportations and how you're also thinking about raw materials kind of coming into play for the actual building costs?

Christine Barone

Yes. So as we look at our development pipeline, we do consider those things. We are definitely in an environment that is changing right now. And so can't consider everything that we haven't heard about yet. But I think as far as the development pipeline, what we're always trying to do is have a larger pipeline than what we actually plan to open. And so that's how we're starting off this year. And so really put some of that into -- to derisk the pipeline by just having more shops in the pipeline than the number that we actually plan to open in the year. And then those shops can move into the next year. So that's kind of how we think about managing potential delays and other pieces.

Sharon Zackfia

And just one follow-up. On the mobile journey, I mean, it's very impressive that it's already 8% as of the end of December. In your experience, kind of how does that look as we kind of build going forward? Is it something with a gradual build over time? Is there a concerted marketing push for it at some point? I mean how are you viewing that internally?

Christine Barone

Yes. So the way that we view it internally, as we always have, is 1 mobile order has to fit within our brand. We have to continue to deliver the awesome service that we're known for and that awesome connection with our Broistas. And so what we are most pleased by is that feels like it's going incredibly well right now. And as we think about growth in mobile order, that steady growth of it is really what works best from an operations standpoint and continuing to listen to our Broistas and what can make it easier for them, continuing to listen to our customers and what additional updates they want on our app and pieces like that. So all of those things are in consideration.

But I would say we are pleased with the pace, very pleased with the pace at which it's going because it's what sets us up in the best way possible from an operations perspective.

Operator

This concludes the question-and-answer session. I'd like to turn the floor back to management for any closing comments.

Christine Barone

Thanks for all your questions. At A Better World in December, we felt the energy of our field crews and leaders. Afterwards, they shared with us how important it was to get together, celebrate the culture and bring our core values to life. Those core values are radiate kindness, get up early, stay up late and change the world. Our teams live those values every single day. Our customers feel it when they go to the window and our communities feel it as we partner to make a meaningful impact.

In 2024, our company, customers and crews work together to give more than \$5 million to our communities. That includes a donation to support a local children's museum in our home of Grants Pass and funds raised to support non-profits through our company-wide giving days and local givebacks. In total, we supported more than 500 local organizations. Our growth is a compelling story but it's the different Dutch Bros makes and the opportunities we provide both within the company and in our communities that drives us. We look forward to continuing our momentum so we can truly make a massive difference one cup at a time.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you again for your participation.

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