Q3 2026: growth up, margins squeezed, Q4 plan

Northwind Coffee Q3 2026 operations review for the board of directors: growth is solid, margin is under pressure, Q4 plan targets both

Revenue grew 12% but gross margin fell to 58.9%

$18.4m

Q3 revenue, up 12% on Q3 2025 ($16.4 million)

6.8%

Same-store sales growth

9

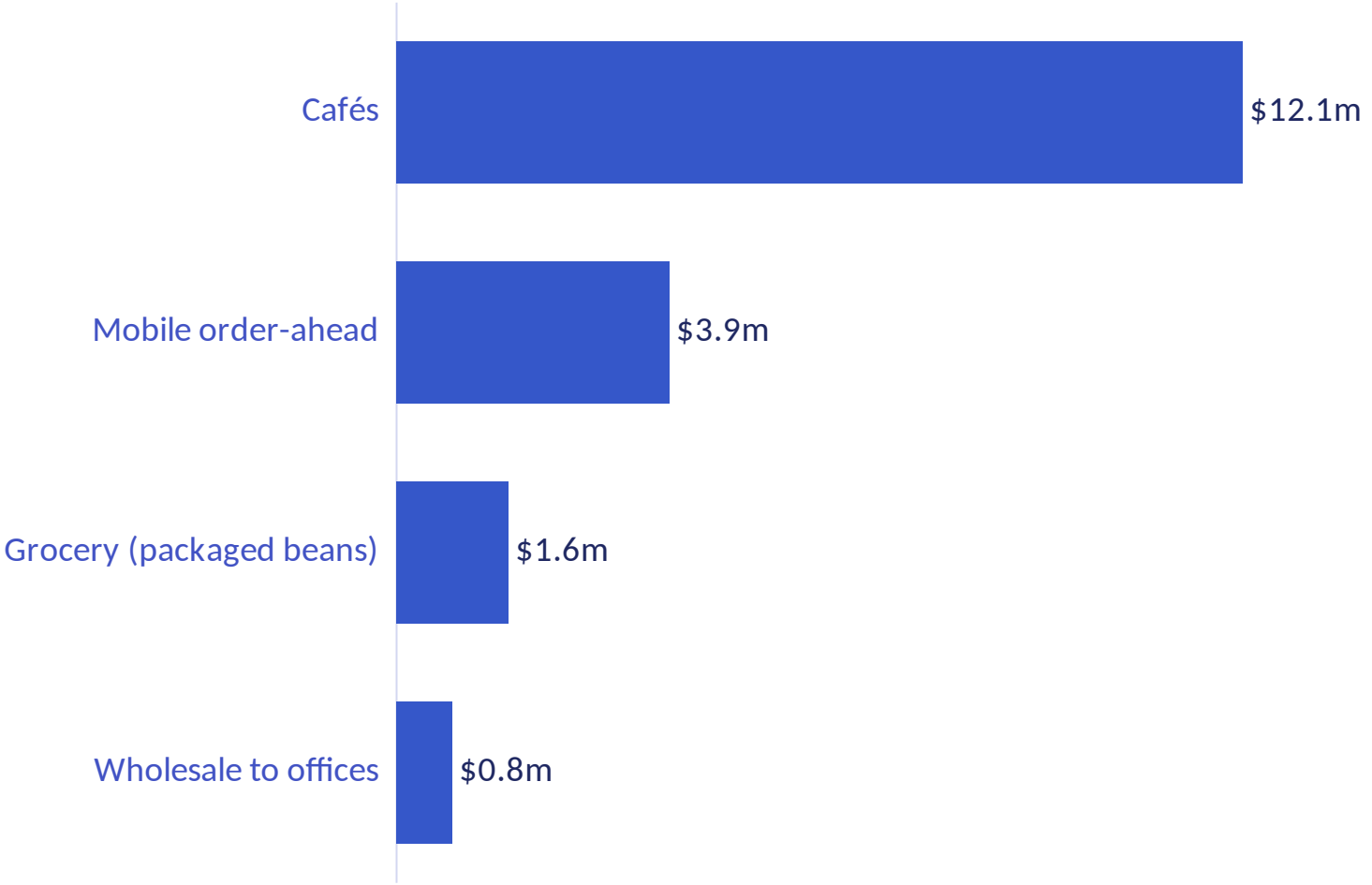
New cafés opened, total now 214

58.9%

Gross margin, down from 61.2%

> Growth is healthy, but the margin gap is the issue the Q4 plan must address

Cafés drive most revenue; mobile is the clear second channel



Mobile order-ahead at $3.9 million is the channel to watch

01

What drove the quarter

Mobile, people and costs, then the risks ahead

Mobile ordering is growing fast and carries bigger tickets

31%

Share of café transactions in September, up from 22% in March

$11.40

Average mobile ticket vs $8.70 at the counter

4.5

App rating after July redesign, up from 3.9

41%

Of mobile orders placed between 7 and 9 am

Mobile is growing fast, and its demand peaks in a two-hour morning window

Better staffing worked, but mobile pickup is still too slow

What worked: staffing

- Turnover fell from 64% to 49% annualised
- Driven by the June pay rise to $19 an hour
- Schedules now published two weeks ahead
- Fully staffed peak stores have 22% shorter waits

What is still broken: pickup

- Peak mobile pickup waits average 6.5 minutes
- Customers say over 5 minutes feels late
- Mobile demand is concentrated at 7 to 9 am

Coffee prices drove the margin loss; hedging and energy savings help

Cost line	Change	Detail
Green coffee	Up 27%	$3.10 per lb in Q3 2025, $3.94 in Q3 2026
2027 hedge	60% hedged	At $3.70 per pound
Rent	Up 4%	On renewals
Energy	Down 8%	LED and heat-pump retrofit in 40 cafés

> Coffee prices drove the margin loss; hedging and energy savings offset only part of it

Three risks could erode the gains in 2027

- Coffee prices may stay high through 2027, with only 60% of volume hedged at $3.70
- Two competitors are opening 30 drive-throughs in our Pacific Northwest markets
- POS vendor ends terminal support in June 2027 — a hard deadline

Q4 plan: four moves on revenue, service and risk

1

Subscription pilot

Launch in 20 Seattle cafés in November; 35% of surveyed customers would join at around $35 a month.

2

Faster mobile pickup

Add a second pickup shelf and a dedicated mobile barista at the 50 busiest cafés.

3

POS replacement

Start replacing terminals ahead of the June 2027 end of support: $2.3 million over 9 months.

4

Drive-through tests

Test two conversions, in Tacoma and Spokane.

Our ask: approve the Q4 plan and the $2.3 million POS budget

- Approve the $2.3 million POS replacement budget over 9 months
- Endorse the Seattle subscription pilot and the Tacoma and Spokane drive-through tests
- Endorse the mobile pickup investment at the 50 busiest cafés