BARCLAYS

Equity Research
Retail | U.S. Restaurants
29 January 2020

Starbucks Corp.

1QF20 Solid… F20 Guide On the Rise Prior to Material Coronavirus Impact

Starbucks reported a solid 1QF20. And they reiterated all components of F20 guidance, though noting such would have been increased based on the strength of 1QF20, if not for coronavirus which will "materially affect" F20. The China situation is dynamic, and Starbucks is approaching with caution. We left our estimates unchanged (due to the uncertainty), believing the long-term growth story in China (& rest of world) intact. For reference, China represents ~10% of WW revenues & slightly above 10% of WW profits. We value SBUX on '21 estimates, and would not expect those to be impacted. With that said, we expect the shares to be pressured prior to greater visibility into the virus.

As for comps, the 1QF20 US/Americas was modestly above expectation, while the China/Int'l modestly below, & Channel Development better than expected. Importantly, both the US & China comp included positive traffic. We upgraded the shares in early January, and continue to believe Starbucks an anomaly with growth at scale. While the coronavirus is a material near-term disruption, we remain bullish long-term, and believe the stock price pullback will ultimately prove a buying opportunity, though timing TBD. The shares are at ~28x forward P/E relative to a 19-33x 3-year range & ~25.5x average.

Coronavirus; SBUX has temporarily closed more than half of their ~4,100 China stores, with the remainder also seeing traffic pressure. SBUX will update F20 guidance at the earliest in early March and the latest within 2QF20 on 4/28. SBUX stated "given the dynamic nature of these circumstances, the duration of business disruption, reduced customer traffic and related financial impact cannot be reasonably estimated at this time but are expected to materially affect our Int'l segment & consolidated results" in 2QF20 & F20.

F20 Outlook; All components were reiterated (prior to coronavirus), culminating in EPS of $3.00-3.05, +6-8% y-y, with consensus at $3.05. And F20 guidance would have been increased based on 1QF20 strength, if not for the virus impact. See below for detail.

SBUX: Quarterly and Annual EPS (USD)

	2019	2020			2021			Change y/y	
FY Sep	Actual	Old	New	Cons	Old	New	Cons	2020	2021
Q1	0.75A	0.75E	0.79A	0.76E	N/A	N/A	0.83E	5%	N/A
Q2	0.60A	0.66E	0.65E	0.66E	N/A	N/A	0.74E	8%	N/A
Q3	0.78A	0.82E	0.81E	0.82E	N/A	N/A	0.92E	4%	N/A
Q4	0.70A	0.82E	0.80E	0.80E	N/A	N/A	0.89E	14%	N/A
Year	2.83A	3.05E	3.05E	3.06E	3.45E	3.45E	3.44E	8%	13%
P/E	31.3		29.0			25.7			

Source: Barclays Research.
Consensus numbers are from Bloomberg received on 28-Jan-2020; 15:50 GMT

Stock Rating	OVERWEIGHT Unchanged
Industry View	NEUTRAL Unchanged
Price Target	USD 107.00 Unchanged

Price (28-Jan-2020)	USD 88.60
Potential Upside/Downside	+20.8%
Tickers	SBUX

Market Cap (USD mn)	104016
Shares Outstanding (mn)	1174.00
Free Float (%)	99.78
52 Wk Avg Daily Volume (mn)	7.6
Dividend Yield (%)	1.85
Return on Equity TTM (%)	N/A
Current BVPS (USD)	-5.26

Source: Bloomberg

Price Performance	Exchange-Nasdaq
52 Week range	USD 99.72-65.91

Source: IDC; Link to Barclays Live for interactive charting

U.S. Restaurants
Jeffrey A. Bernstein
+1 212 526 3855
jeffrey.bernstein@barclays.com
BCI, US

Pratik Patel
+1 212 526 4438
pratik.m.patel@barclays.com
BCI, US

Jeff Priester
+1 212 526 1880
jeff.priester@barclays.com
BCI, US

PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 9.

U.S. Restaurants — **Industry View: NEUTRAL**

Starbucks Corp. (SBUX)

Stock Rating: OVERWEIGHT

Income statement ($mn)	2019A	2020E	2021E	2022E	CAGR
Revenue	26,509	28,422	30,839	33,375	8.0%
EBITDA (adj)	5,724	6,273	6,790	7,364	8.8%
EBIT (adj)	4,560	5,018	5,430	5,856	8.7%
Pre-tax income (adj)	4,326	4,675	5,149	5,562	8.7%
Net income (adj)	3,482	3,603	3,978	4,324	7.5%
EPS (adj) ($)	2.83	3.05	3.45	3.85	10.8%
Diluted shares (mn)	1,233.2	1,181.1	1,153.8	1,124.3	-3.0%
DPS ($)	1.44	1.64	1.89	2.11	13.6%

Margin and return data					Average
EBITDA (adj) margin (%)	21.6	22.1	22.0	22.1	21.9
EBIT (adj) margin (%)	17.2	17.7	17.6	17.5	17.5
Pre-tax (adj) margin (%)	16.3	16.4	16.7	16.7	16.5
Net (adj) margin (%)	13.1	12.7	12.9	13.0	12.9
ROIC (%)	36.8	37.3	36.9	37.6	37.2
ROA (%)	36.9	18.9	17.8	18.0	22.9
ROE (%)	N/A	N/A	N/A	N/A	N/A

Balance sheet and cash flow ($mn)					CAGR
Tangible fixed assets	6,432	7,017	7,696	8,427	9.4%
Intangible fixed assets	4,273	4,283	4,293	4,303	0.2%
Cash and equivalents	2,687	5,027	5,672	5,936	30.2%
Total assets	19,220	22,509	24,484	25,936	10.5%
Short and long-term debt	11,167	15,167	17,167	19,167	19.7%
Other long-term liabilities	1,371	1,473	1,584	1,703	7.5%
Total liabilities	25,451	30,014	33,127	36,070	12.3%
Net debt/(funds)	8,480	10,140	11,495	13,231	16.0%
Shareholders' equity	-6,231	-7,505	-8,643	-10,134	N/A
Change in working capital	-7,325	2,368	868	401	N/A
Cash flow from operations	5,047	5,077	5,872	6,388	8.2%
Capital expenditure	-1,807	-1,800	-2,000	-2,200	N/A
Free cash flow	3,240	3,277	3,872	4,188	8.9%

Valuation and leverage metrics					Average
P/E (adj) (x)	31.3	29.0	25.7	23.0	27.3
EV/EBITDA (adj) (x)	19.6	18.2	17.0	15.9	17.7
Equity FCF yield (%)	3.0	3.1	3.8	4.2	3.5
P/Sales (x)	3.9	3.7	3.4	3.1	3.5
Dividend yield (%)	1.6	1.9	2.1	2.4	2.0
Total debt/capital (%)	148.3	153.9	158.7	164.9	156.4
Net debt/EBITDA (adj) (x)	1.5	1.6	1.6	1.7	1.6

Selected operating metrics					Average
Comp growth (%)	5.0	3.5	3.2	3.0	3.7
Unit growth (%)	6.6	6.4	6.4	6.4	6.4
Average store volume	N/A	N/A	N/A	N/A	N/A
Store-level margins (%)	N/A	N/A	N/A	N/A	N/A

Price (28-Jan-2020)	USD 88.60
Price Target	USD 107.00

Why Overweight? SBUX offers an attractive combination of outsized global fundamental (i.e. comp & unit) growth within both retail and consumer products. The tempering of long-term guidance coupled with the recent fundamental re-acceleration, along with an acknowledged transition towards maturity (i.e. cost management and return of excess cash) leaves us bullishly inclined.

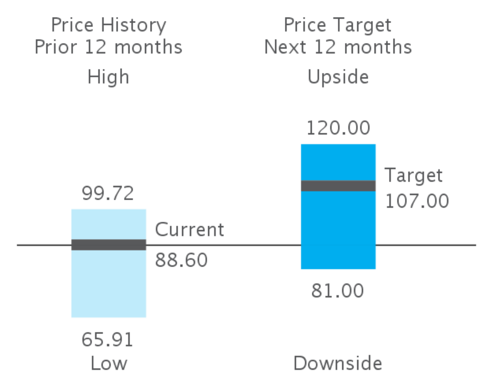
Upside case — **USD 120.00**

Upside comes primarily from comp acceleration and multiple or margin expansion. On an annual basis, we estimate an incremental 1pp of comp along with 100bps of margin increase (and the subsequent multiple expansion) would lead us to our upside scenario.

Downside case — **USD 81.00**

Downside comes primarily from comp deceleration and multiple or margin contraction. On an annual basis, we estimate a shortfall of 1pp to comp along with 100bps of margin decline (and multiple contraction) would lead us to our downside scenario.

Upside/Downside scenarios



Source: Company data, Bloomberg, Barclays Research
Note: FY End Sep

F20 Outlook; All components were reiterated (prior to coronavirus), culminating in EPS of $3.00-3.05, +6-8% y-y, with consensus at $3.05. And F20 guidance would have been increased based on 1QF20 strength, if not for the virus impact. As for specifics (all prior to the virus), WW revenue growth is expected at 6-8% y-y. Drivers include 3-4% WW comp, including 3-4% US & 1-3% China, both in-line with LT guide, yet both prudently assuming a deceleration from current levels. Unit growth is expected at 6%+, or ~2,000 net new, including ~600 or 3-4% in the US, and ~1,800 in int'l, including ~600 or ~15% in China. And with modest op margin expansion in all segments, guidance is for 8-10% op income growth, aided by significant G&A leverage.

1QF20 Review; Adj. EPS was $0.79, +5% y-y, above expectation of $0.75-0.76, & guidance for Flat to down. WW comp was 5%, above mid-4% expectation & F20 / long-term guidance for 3-4%. US comp was 6%, above expectation for ~5%, with traffic & ticket each ~3%. China comp was 3%, below expectation for ~4%, with traffic of 1% & ticket of 2%. Operating margin was 18.2%, +80bps, above expectation of mid-17%.

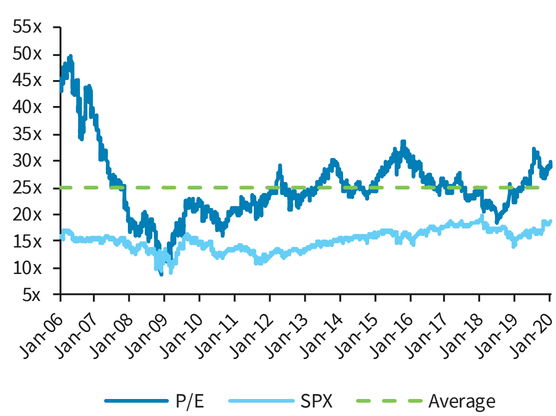
Valuation

Starbucks is an $100b+ market cap global retail & consumer products player, targeting 10%+ annual EPS growth, supported by 7-9% revenue growth, including 3-4% global comp growth and 6-7% global unit growth. Clearly, the recent coronavirus outbreak in their high-growth, co-op China market will impact F20 results. But importantly, the underlying fundamentals prior to the outbreak are strong across the globe. We left our estimates unchanged, with no visibility on the near-term implications. Looking beyond coronavirus…

As the Starbucks platform continues to grow, guidance metrics have been appropriately tempered, although still very impressive. And interestingly, many have already questioned whether the tempering is overly conservative. Importantly, there are no other restaurants (or retailers) of a similar size and with a similar long-term growth profile. Without true comparables, assessing valuation is difficult. Importantly, management continues to believe the initiatives that drove the re-acceleration in trend are sustainable.

FIGURE 1

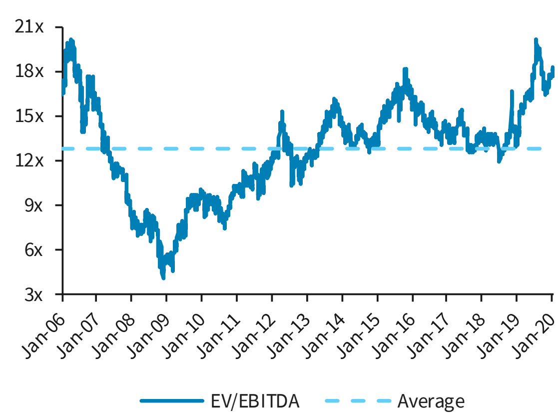
SBUX vs. S&P 500 NTM P/E Multiple



Source: Bloomberg, Barclays Research

FIGURE 2

SBUX NTM EV/EBITDA Multiple



Source: Bloomberg, Barclays Research

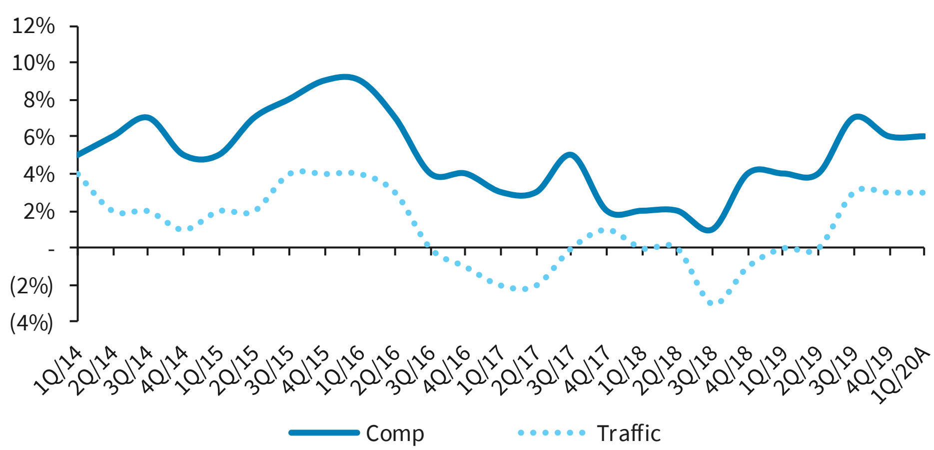
The question remains the price to pay for growth. The re-acceleration in fundamental momentum has eased questions around valuation in the short-term. The shares are above the mid-point of valuation ranges, ~28x forward EPS vs. the 19-33x 3-year range & ~25.5x average, and ~2.3x PEG assuming 12% LT growth. Our price target is $107, or ~30x our calendar '21 EPS of $3.55.

Top 10 Points Worth Noting

1) **F20 Guidance… To Be Determined;** On the heels of better than expected comp and profit growth in 1QF20, coupled with better visibility into the remainder of the year, management was planning on raising guidance for operating margins and EPS. With that said, coronavirus has led Starbucks to close more than half their Chinese stores (China is ~10% of global revenue) and the financial impact is expected to 'materially affect [their] International segment and consolidated results'. Needless to say, the impact is expected to be temporary and management will update guidance once they can 'reasonably estimate the impact of the coronavirus' in March or April.

2) **US comp firing on all cylinders;** The US business delivered an impressive 6% comp, above consensus for 5%, demonstrating stability on both a one and two-year basis. Importantly, the comp was evenly balanced between traffic and average check growth. In terms of drivers, beverages led growth for the 6th straight quarter and contributed ~5pp on the strength of the cold platform, successful holiday line-up, and a revamped happy hour offering. Beverage strength was across all dayparts and regions, with both the morning and afternoon occasions experiencing growth for the 3rd straight quarter.

FIGURE 3
Starbucks US Comps



Source: Company Reports, Barclays Research

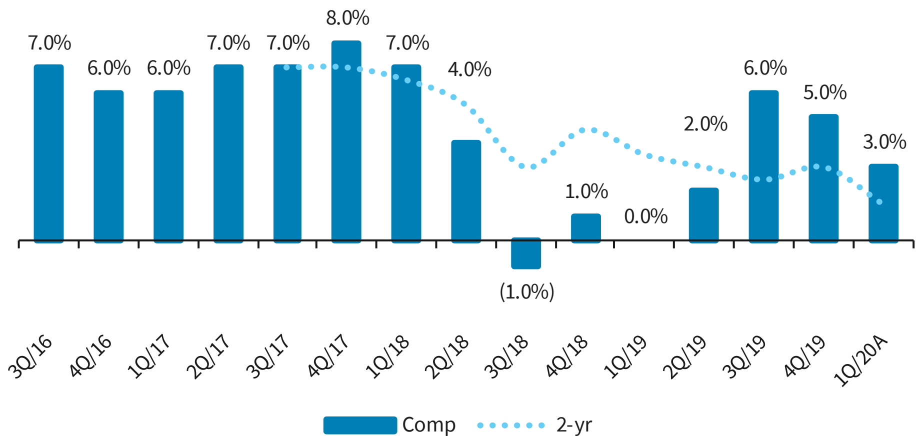
3) **China 1QF20 performance was solid;** The 1QF20 China result was not impacted by coronavirus. Ultimately, management characterized results as 'solid' with revenues up 15% (ex a ~2pp headwind from foreign currency) driven by ~16% net unit growth and a ~3% comp, inclusive of 1% transactions & 2% ticket. For the 4th consecutive quarter, transactions grew at a double digit percentage pace. Importantly, mobile order & pay is now available in ~90% of the store base, while delivery now in ~80%. And their loyalty program now up to 10.2m members, up 40% y-y.

4) **China performance going forward;** With respect to the coronavirus outbreak, Starbucks has two key priorities: 1) Caring for the health and well-being of Starbucks

partners and customers in their stores & 2) Playing a constructive role in supporting local health officials and government leaders as they work to contain the coronavirus. The brand has closed more than half of their ~4,100 restaurants, and the remaining are also pressured by slowing foot traffic. Importantly, management remains 'committed to the long term growth potential in China', which currently represents ~10% of revenues and slightly more than that in terms of operating profit contribution.

FIGURE 4

Starbucks China Comps



Source: Company Reports, Barclays Research

5) **International 1QF20 comp disappoints, but finished strong;** The 1% comp for the Int'l segment disappointed relative to expectation in the 2-3% range. The result was negatively impacted by ~2pp from softer trends in Japan, which was reeling from a very powerful typhoon (impact of two full days), an increase in the country's consumption tax, and an LTO line-up that fell short of expectation. Importantly, Japan trends improved sequentially through the quarter, reverting back to more normalized levels. The International comp ex-Japan would have been closer to 3%.

6) **Nestle channel development alliance a win-win;** Channel development reported revenues down 2%, ahead of F20 guidance for down 7-9%. To date, the Nestle partnership has yielded better-than-expected results. Starbucks channel products saw an accelerating pace in terms of expansion into new markets, with a presence now in ~40 markets, with offerings across both grocery and food service outlets. The brand will be in 50+ markets by the end of 2QF20. And excitement is high for the upcoming launch of premium soluble coffee, a very large overseas opportunity for the brand. Interestingly, the channel business was one of the key outperformers in 1QF20 that would have had management raising F20 guidance prior to the coronavirus outbreak.

7) **Share gains in both retail and packaged coffee;** Starbucks' US comp outperformed all external indices and benchmarks (both in QSR and the broader restaurant sector) for five straight quarters, indicating healthy market share gains in the retail channel. As for the US packaged coffee market, Starbucks-branded products also continue to outperform peers, as share of roast & ground grew ~80bps & K-Cup grew ~40bps.

8) **Technology at the forefront of comp growth;** In China, mobile order & pay represents 15% of total revenue (9% delivery & 6% mobile order & pickup) vs. the US where mobile order & pay represents 17% of transactions (see below). And in China, Starbucks reward members reached 10.2m compared to the US at 18.9m. Needless to say, Starbucks a tech leader in both countries with significant runway for growth.

FIGURE 5

Starbucks Card, Loyalty & Mobile Dashboard

	1QF18	2QF18	3QF18	4QF18	1QF19	2QF19	3QF19	4QF19	1QF20
Starbucks Card									
Card as % of Transactions (1)	42%	46%	45%	43%	45%	48%	46%	46%	47%
y-y bps change	200bps	200bps	400bps	300bps	300bps	200bps	100bps	300bps	200bps
Total Dollars Loaded ($MM) (2)	$2,346.4	$1,757.7	$1,982.6	$1,901.8	$2,624.3	$1,939.2	$2,284.9	$2,182.1	$2,960.4
y-y growth	10%	17%	14%	14%	12%	10%	15%	15%	13%
Loyalty Program									
# of Active Members (M) (3)	14.2	14.9	15.1	15.3	16.3	16.8	17.2	17.6	18.9
y-y growth	11%	12%	14%	15%	15%	13%	14%	15%	16%
My Starbucks Rewards % of Tender - Dollars (4)	37%	39%	40%	39%	40%	41%	42%	42%	43%
y-y bps change	300bps	1100bps	1200bps	300bps	300bps	200bps	200bps	300bps	300bps
Starbucks Mobile App									
Mobile Transaction as % of Total Transactions (4)	31%	34%	35%	35%	35%				
y-y bps change	400bps	1300bps	500bps	500bps	400bps				
Mobile Order Transactions as % of Total Transactions (4)	11%	12%	13%	14%	15%	15%	16%	16%	17%
y-y bps change	400bps	400bps	400bps	400bps	400bps	300bps	300bps	200bps	200bps
# of Stores +20% Mobile Order Transactions at Peak (4)(5)	~3,300	~3,600	~3,900	~4,000	~4,300	~4,600	~4,800	~4,900	~5,400
% of Total US Co-Op Stores	35%	38%	41%	41%	44%	47%	49%	49%	54%

(1) US & Canada Co-Op Retail Stores Only (2) US & Canada Only (3) US Only (4) US & Canada Co-Op Retail Stores Only (5) The busiest 4 consecutive half hours, M-F
Source: Company Reports, Barclays Research

9) **Starbucks going even greener;** Last week, Starbucks announced an ambitious, multi-decade plan for the company to become 'resource positive'. Ultimately, the company aspires to 'give more than we take from the planet' in terms of its impact on climate change, water usage & waste generation. Given the heavy lifting that will be needed, management has engaged advocacy groups, environmental scientists, and industry partnerships to forge ahead with preliminary targets for 2030 that will be incorporated into operational plans going forward. Updated targets will be provided in F21, which coincides with the brand's 50-year anniversary from its founding.

10) **See #1-9…**

FIGURE 6

SBUX F20 & Long-Term Guidance

	F20 Guidance			LONG-TERM GUIDANCE	
	7/25/2019	9/4/2019	10/30/2019 & 1/28/2020	5/16/2018 & 6/19/2018	12/13/2018
Revenue Growth			+6-8%; ~1pp combined headwind from sale of Thailand ownership stake and decline in Channel Development due to lap of certain items related to Global Coffee Alliance; Channel Development growth at the low-end of 4-6% target	China revenues to triple by F22	Enterprise: 7-9%; Retail: 8-10%; CPG: 4-6% (more significant contribution starting F20); US: 50% from comps, 50% from units; China: 20% from comps, 80% from units; Food to represent ~25% of US sales by F25
Comps			+3-4% (Global); +3-4% (US); +1-3% (China)		Global: 3-4%; US: 3-4% (includes 1-2pp growth from MSR membership growth, expect positive contribution from transactions, pricing, & mix); China: 1-3% (drag from sales transfer, competition, softer macro & East China acquisition)
Units			+2,000 net, +6-7% y-y (Global); +600, +3-4% (Americas); +1,400, +10-11% (International); 1,000+ net new units in US and China combined; ~600 net new units in China, mid-teens growth	6,000 stores in China by F22; Eventually 'tens of thousands' of stores in China, expected to surpass the US; 600 net new stores per year; ~230 cities in mainland China by F22	Global: 6-7% growth; US: 3-4% growth (~550 net new units, ~60% co-op); China: mid-teens percentage growth (~600 net new units); Reiterated ~6,000 stores in China across ~230 cities by F22, up from ~3,600 today
Commodities	Majority of needs locked for F20; do not anticipate much by the way of volatility based on positions taken		Expect to have minimal y-y impact on COGS; expect favorability in green coffee prices (net of farmer payments) that will be more than offset by higher dairy costs		Expect coffee costs to 'creep up' over the next few years
Operating Income			+8-10%	China operating profit to double by F22	8-10% growth
Total Op. Margin			'Improving modestly'; benefit from sales leverage and supply chain cost savings, along with overhead efficiencies; partial offset in ongoing investment in labor and technology in retail stores		17-18%; accretion from sales leverage, supply chain savings, G&A efficiency, and store productivity; dilution from hourly wage rates, product mix (i.e. food), strategic investments, and commodities
G&A	$1.7B by 2021		'Meaningful leverage' from organizational efficiencies, completion of Roastery re-development and lap of leadership conference; meaningful benefit from reclassification of items out of G&A and into store operating expenses	Opportunity to find ~1pp (as percent of system sales) reduction over next ~3 years; implies ~1pp of ~$35b or ~$350m, with 35-45% expected in F19	Reiterated
Interest Income & Other					
Interest expense			$415-425m (GAAP); reflects debt issuances of $5b in past 14 months and expected issuance in F20		
Capex			~$1.8b, ~Flat y-y; 80%+ to be allocated to retail portfolio 'where we see significant return opportunities'		~1/3 of cash flow from operations
Dividend					Maintain ~50% payout ratio
Tax Rate	Expect much closer to 25% normalized rate due to discrete tax benefits in F19 that will not recur		22-24% (non-GAAP); do not expect recurrence of unplanned tax benefits in F20		
Balance Sheet			Maintain leverage ratio below 3.0x adjusted debt-to-EBITDAR	Target lease-adjusted leverage ratio less than 3x; committed to credit rating of BBB+ / Baa1	Reiterated ~$25b to be returned to shareholders over next 3 years (F18-F20) via share repurchase & dividends; Reiterated commitment to lease-adjusted leverage ratio ~3x after interest and credit rating of BBB+ / Baa1
Capital Allocation	~$4b to be returned between share repurchase and dividend to achieve ~$25b 3-year guidance				~1/3 capital investments with high ROICs; ~1/3 dividends (maintain ~50% payout or ~2% yield); ~1/3 ongoing share repurchase (add ~2pp to EPS growth)
FX			Minimal impact		
Adjusted EPS			**$3.00 - 3.05 (non-GAAP)**		
EPS Growth	**Expect ~6pp headwind from normalized tax rate due to discrete items from F19 that will not recur; expect to have less benefit from share repurchase in F20 due to the pull-forward in F19 and the fact that the share price is now much higher than anticipated; will face higher interest expenses in F20 due to debt transactions**	**'Below our ongoing growth model of at least 10%' driven by pull forward of share repurchases into F19 causing lower share repurchases in F20 and higher debt (& associated interest)**	**+6-8% y-y, or 11-13% y-y ex higher tax rate y-y; EPS growth to be Flat to down in F1Q, and highest in F4Q due to lap of leadership conference**		**EPS growth of at least 10%, ex non-core, non-recurring items; ~2pp contribution from ongoing share repurchases; At least 13% combined average EPS growth in F20 / F21; 'given the cadence of share repurchases, we would expect F20 to be above that number and F21 to be below'**

Source: Company reports, Barclays Research

1QF20 Earnings Review

Starbucks 1QF20 adjusted EPS was $0.79, +5% y-y, above both our $0.75 estimate and consensus of $0.76… guidance was for 'Flat to down' EPS growth. Net revenue growth was ~7%, supported by 5% system comp (traffic +2% & average check +3%), and new unit growth of ~6.5%. Global comps were above the high end of F20 annual guidance for 3-4% (+6% Americas, +1% Int'l). Adj. operating margins were 18.2%, up 80bps, above expectation in the mid-17% range. The greatest deltas versus our view were lower than expected cost of sales (+$0.05 tailwind) partially offset by higher than expected store operating expenses (-$0.02 headwind). Otherwise, below the line, lower interest expense provided a modest benefit to EPS (~$0.01). See below for complete detail.

FIGURE 7
SBUX 1QF20 Earnings Review ($ millions except for per share data)

Earnings Analysis	1 Qtr - December			Barclays	($/share)	Consensus	($/share)
($ Millions, ex per share data)	1QF19	1QF20A	% Chng	1QF20E	vs. Actual	1QF20E	vs. Actual
Company-operated stores	$5,370.3	$5,780.7	8%	$5,779.1		$5,791.6	
Licensed stores	737.1	792.0	7%	826.8		818.4	
Other	525.3	524.4	(0%)	536.9		515.1	
Total Revenues	6,632.7	7,097.1	7.0%	7,142.8	($0.01)	7,125.1	($0.00)
Cost of sales	2,176.0	2,236.4	3%	2,329.8	$0.05	2,307.6	$0.04
Gross Profit	4,456.7	4,860.7	9.1%	4,813.0		4,817.5	
Store operating expenses	2,582.1	2,818.2	9%	2,808.2	($0.02)	2,796.5	($0.02)
Other operating expenses	92.6	96.5	4%	100.9	$0.00	100.1	$0.00
Operating Profit	1,782.0	1,946.0	9.2%	1,903.9		1,920.9	
D&A	281.0	297.9	6%	299.7	($0.00)	307.5	$0.01
G&A	415.1	430.6	4%	431.3	($0.00)	429.6	($0.00)
Restructuring and impairments	0.0	0.0	N/A	0.0	$0.00	0.0	$0.00
Total operating expenses	5,546.8	5,879.6		5,969.9		5,941.4	
Income from equity investees	67.8	73.9	9%	72.5	$0.00	71.5	$0.00
Operating Income	1,153.7	1,291.4	11.9%	1,245.4		1,255.3	
Interest / Other Income, net	24.8	15.9	(36%)	25.0	($0.01)	20.2	($0.00)
Interest Expense	(75.0)	(91.9)	23%	(104.7)	$0.01	(100.2)	$0.01
Pretax Income	1,103.5	1,215.4	10.1%	1,165.7		1,175.3	
Income taxes	167.5	276.4	65%	268.1	$0.00	271.2	$0.00
Net Income	936.0	939.0	0.3%	897.6		904.1	
Tax Rate	15.2%	22.7%	49.8%	23.0%		23.1%	
Fully Diluted Avg Shares	1,253.4	1,191.0	(5%)	1,197.2	$0.00	1,194.6	$0.00
Operating EPS	$0.75	$0.79	5.6%	$0.75	$0.04	$0.76	$0.03
GAAP EPS	$0.61	$0.74	22.5%	$0.75		$0.76	

Margin Analysis	1 Qtr - December					Consensus	
					vs. Actual	Forecast	vs. Actual
Cost of sales % Total Revenues	32.8%	31.5%	(130bps)	32.6%	(111)bps	32.4%	(88)bps
Gross Profit Margin	67.2%	68.5%	130bps	67.4%	111bps	67.6%	88bps
Store Operating % Co-Op Revenues	48.1%	48.8%	67bps	48.6%	16bps	48.3%	47bps
Other Op. Expense % Total Revenues	1.4%	1.4%	(4bps)	1.4%	(5)bps	1.4%	(4)bps
Operating Profit Margin	**26.9%**	**27.4%**	**55bps**	**26.7%**	**76bps**	**27.0%**	**46bps**
G&A % Total Revenues	6.3%	6.1%	(19bps)	6.0%	3bps	6.0%	4bps
D&A % Total Revenues	4.2%	4.2%	(4bps)	4.2%	0bps	4.3%	(12)bps
Companywide Operating Margin	**17.4%**	**18.2%**	**80bps**	**17.4%**	**76bps**	**17.6%**	**58bps**
Pretax Margin	16.6%	17.1%	49bps	16.3%	81bps	16.5%	63bps
Net Margin	14.1%	13.2%	(88bps)	12.6%	66bps	12.7%	54bps

Source: Company reports and Barclays Research

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Primary Stocks (Ticker, Date, Price)

Starbucks Corp. (SBUX, 28-Jan-2020, USD 88.60), Overweight/Neutral, CD/CE/J

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McDonald's Corp. (MCD)	Performance Food Group Co. (PFGC)	Restaurant Brands International (QSR)
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Texas Roadhouse, Inc. (TXRH)	The Cheesecake Factory (CAKE)	The Wendy's Company (WEN)
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Starbucks Corp. (SBUX / SBUX)	Stock Rating	Industry View
USD 88.60 (28-Jan-2020)	**OVERWEIGHT**	**NEUTRAL**

Rating and Price Target Chart - USD (as of 28-Jan-2020)

Source: IDC, Barclays Research

Currency=USD

Publication Date	Closing Price	Rating	Adjusted Price Target
09-Jan-2020	88.88	Overweight	107.00
26-Jul-2019	99.11		90.00
26-Apr-2019	77.45		75.00
19-Dec-2018	64.06		69.00
07-Dec-2018	65.47		65.00
02-Nov-2018	64.32		60.00
27-Jul-2018	52.15		56.00
18-Jul-2018	51.15		57.00
20-Jun-2018	52.22		60.00
16-Jan-2018	60.56		65.00
28-Jul-2017	54.00		58.00
28-Apr-2017	60.06		60.00

On 28-Jan-2017, prior to any intra-day change that may have been published, the rating for this security was Equal Weight, and the adjusted price target was 61.00.

Source: Bloomberg, Barclays Research

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Link to Barclays Live for interactive charting

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Valuation Methodology: Our price target is $107, or ~30x our calendar 2020 EPS forecast of $3.55.

SBUX has historically traded within a 3-year P/E range of 19-33x with an average of ~25x.

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