Company: Starbucks Corporation (SBUX)

Industry: Restaurants (Coffee & Quick Service)

Company Overview:

- Founded in 1971 in Seattle, Washington, Starbucks is the world's **largest coffeehouse chain**, operating over 35,000 stores in over 80 countries.
- They started as a roaster and retailer of coffee beans and tea, but have evolved into a global coffee experience destination offering brewed coffees, specialty drinks, pastries, and light meals.

Financials (as of 2023):

- **Market Capitalization:** ~$99.84 Billion (large, established company)
- **Revenue:** ~$109.13 Billion (high revenue generation)
- **Profit Margin:** ~11.7% (healthy profitability)
- **P/E Ratio:** ~27.6

Financial Strengths:

- **Strong Brand & Customer Loyalty:** Highly recognizable brand with a loyal customer base translates to consistent revenue.
- **Global Presence & Economies of Scale:** Extensive store network allows for efficient operations and bulk purchasing.
- **Product Diversification:** Offers a variety of beverages and food options to cater to diverse customer preferences.

- **Focus on Innovation:** Regularly introduces new drinks and seasonal offerings to maintain customer interest.

Financial Risks:

- **Commodity Price Fluctuations:** Coffee bean prices are vulnerable to weather events and global market changes.
- **Competition:** Faces competition from other coffee chains, local cafes, and convenience stores.
- **Economic Downturns:** Consumer spending on discretionary items like coffee can decline during recessions.
- **Real Estate Costs:** Renting and maintaining a large number of retail locations can be expensive.

Competitive Advantages:

- **Brand Recognition:** Starbucks is a highly recognizable brand synonymous with premium coffee and a comfortable atmosphere.
- **Strong Customer Loyalty:** Their loyalty program rewards frequent customers, fostering brand affinity and repeat business.
- **High-Quality Products:** Starbucks focuses on ethically sourced coffee beans and offers consistent quality across locations.
- **Innovation:** They constantly introduce new beverage options, seasonal specials, and store formats to keep customers engaged.
- **Focus on Experience:** Starbucks creates a welcoming atmosphere with comfortable seating, free Wi-Fi, and friendly service.

- **Global Presence:** Their extensive network allows them to leverage economies of scale and cater to diverse customer preferences.

Differences from Competitors:

- Compared to traditional coffee shops, Starbucks offers a wider beverage menu, including specialty drinks and innovative creations.
- They prioritize customer experience with comfortable seating, Wi-Fi, and a generally more upscale environment.
- While some competitors like Dunkin' Donuts focus on grab-and-go coffee and breakfast items, Starbucks encourages customers to linger and enjoy the in-store experience.
- Compared to high-end cafes, Starbucks offers a more standardized experience at a slightly lower price point.

1. list company’s business and main service :
    a. **Primary:** Coffee & Beverage Sales - Starbucks generates revenue by selling brewed coffees, specialty drinks, and bottled beverages in their stores.
    b. **Secondary:** Food Sales - Offerings include pastries, sandwiches, and light meals to complement beverages.
    c. **Merchandise:** Starbucks sells branded merchandise like mugs, tumblers, and coffee beans.

2. Show balance sheet, inc statement

STARBUCKS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	Oct 1, 2023	Oct 2, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,551.5	$ 2,818.4
Short-term investments	401.5	364.5
Accounts receivable, net	1,184.1	1,175.5
Inventories	1,806.4	2,176.6
Prepaid expenses and other current assets	359.9	483.7
Total current assets	7,303.4	7,018.7
Long-term investments	247.4	279.1
Equity investments	439.9	311.2
Property, plant and equipment, net	7,387.1	6,560.5
Operating lease, right-of-use asset	8,412.6	8,015.6
Deferred income taxes, net	1,769.8	1,799.7
Other long-term assets	546.5	554.2
Other intangible assets	120.5	155.9
Goodwill	3,218.3	3,283.5
TOTAL ASSETS	$ 29,445.5	$ 27,978.4
LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)		
Current liabilities:		
Accounts payable	$ 1,544.3	$ 1,441.4
Accrued liabilities	2,145.1	2,137.1
Accrued payroll and benefits	828.3	761.7
Current portion of operating lease liability	1,275.3	1,245.7
Stored value card liability and current portion of deferred revenue	1,700.2	1,641.9
Short-term debt	33.5	175.0
Current portion of long-term debt	1,818.6	1,749.0
Total current liabilities	9,345.3	9,151.8
Long-term debt	13,547.6	13,119.9
Operating lease liability	7,924.8	7,515.2
Deferred revenue	6,101.8	6,279.7
Other long-term liabilities	513.8	610.5
Total liabilities	37,433.3	36,677.1
Shareholders' deficit:		
Common stock ($0.001 par value) — authorized, 2,400.0 shares; issued and outstanding, 1,142.6 and 1,147.9 shares, respectively	1.1	1.1
Additional paid-in capital	38.1	205.3
Retained deficit	(7,255.8)	(8,449.8)
Accumulated other comprehensive income/(loss)	(778.2)	(463.2)
Total shareholders' deficit	(7,994.8)	(8,706.6)
Noncontrolling interests	7.0	7.9
Total deficit	(7,987.8)	(8,698.7)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)	$ 29,445.5	$ 27,978.4

STARBUCKS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

Fiscal Year Ended	Oct 1, 2023	Oct 2, 2022	Oct 3, 2021
Net earnings including noncontrolling interests	$ 4,124.7	$ 3,283.4	$ 4,200.3
Other comprehensive income/(loss), net of tax:			
Unrealized holding gains/(losses) on available-for-sale debt securities	3.3	(22.8)	(3.4)
Tax (expense)/benefit	(0.8)	5.6	0.7
Unrealized gains/(losses) on cash flow hedging instruments	(149.4)	259.5	283.8
Tax (expense)/benefit	17.2	(52.8)	(43.6)
Unrealized gains/(losses) on net investment hedging instruments	73.2	229.0	63.1
Tax (expense)/benefit	(18.5)	(57.9)	(16.0)
Translation adjustment and other	(109.0)	(794.7)	188.2
Tax (expense)/benefit	1.8	—	2.2
Reclassification adjustment for net (gains)/losses realized in net earnings for available-for-sale securities, hedging instruments, translation adjustment and other	(158.9)	(210.5)	41.8
Tax expense/(benefit)	26.1	34.2	(5.0)
Other comprehensive income/(loss)	(315.0)	(610.4)	511.8
Comprehensive income including noncontrolling interests	3,809.7	2,673.0	4,712.1
Comprehensive income/(loss) attributable to noncontrolling interests	(0.5)	1.8	1.0
Comprehensive income attributable to Starbucks	$ 3,810.2	$ 2,671.2	$ 4,711.1

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3. **purpose of all 5 distinct sections in 10 k :**

The 10-K includes five distinct sections:

- **Business**. This provides an overview of the company's main operations, including its products and services (i.e., how it makes money).
- **Risk factors**. These outline any and all risks the company faces or may face in the future. The risks are typically listed in order of importance.
- **Selected financial data**. This section details specific financial information about the company over the last five years. This section presents more of a near-term view of the company's recent performance.
- **Management's discussion and analysis** of financial condition and results of operations. Also known as MD&A, this gives the company an opportunity to explain its business results from the previous fiscal year. This section is where the company can tell its story in its own words.
- **Financial statements and supplementary data**. This includes the company's audited financial statements including the income statement, balance sheets, and statement of cash flows. A letter from the

company's independent auditor certifying the scope of their review is also included in this section.4

4. Describe Starbucks principle of risk factors and your thought of those :

Starbucks Risk & Thought Analysis:

1. Brand Risks:

- **Explanation:** Starbucks' success heavily relies on its brand image and customer trust. Negative events like data breaches, health scares, or unethical sourcing practices can erode trust and damage brand reputation.

- **Thought:** Strong crisis management plans and ethical sourcing practices build trust and loyalty. Regularly assess brand perception, develop clear communication strategies for potential crises, and prioritize ethical sourcing and social responsibility initiatives.

2. Business Operations Risks:

- **Explanation:** Starbucks depends on various partners and third-party providers – from coffee bean suppliers to logistics companies. Issues or failures from these partners can disrupt operations and impact financial results.

- **Thought:** Carefully vet partners and have backup plans to minimize disruptions from external dependencies. Conduct thorough due diligence on potential partners, clearly define performance expectations in contracts, and develop contingency plans to address potential issues with suppliers or logistics providers.

3. Product and Marketing Risks:

- **Explanation:** Customer preferences and market trends are constantly evolving. Failure to adapt marketing strategies or missteps in product development can lead to declining sales and market share.

- **Thought:** Stay data-driven, listen to customers, and adapt marketing strategies to maintain relevance. Conduct regular market research, analyze customer data, and use insights to develop innovative products and targeted marketing campaigns that resonate with evolving customer preferences.

4. Supply Chain and Commodity Risks:

- **Explanation:** High-quality arabica coffee beans are essential for Starbucks. Fluctuations in coffee bean prices due to weather events, market changes, or disruptions in the supply chain can impact profitability.

- **Thought:** Diversify suppliers, build strong relationships, and explore alternative sourcing options. Source coffee beans from multiple regions, develop strong relationships with key suppliers, and explore alternative coffee bean varieties or sourcing options to mitigate risks associated with price fluctuations or disruptions.

5. Macroeconomic Risks:

- **Explanation:** Economic downturns lead to decreased consumer spending. When discretionary items like coffee are seen as less essential, Starbucks' sales can suffer. Factors like interest rates and inflation also play a role.

- **Thought:** Maintain financial flexibility, optimize costs, and adjust pricing strategies as needed. Maintain a healthy cash reserve, explore cost-saving measures without compromising quality, and consider implementing dynamic pricing strategies based on economic conditions.

6. Global Operations Risks:

- **Explanation:** While North America is a strong market for Starbucks, they're expanding globally. This introduces challenges from currency fluctuations, different legal environments, and cultural variations in customer preferences.

- **Thought:** Localize menus, stores, and operations while complying with regulations and building local partnerships. Conduct thorough market research in new regions, adapt menus and store formats to local tastes, comply with local regulations, and build strong relationships with local partners to navigate regional nuances.

7. Human Capital Risks:

- **Explanation:** Starbucks relies on its workforce to deliver a positive customer experience. Shortages of qualified workers, high labor costs, or unionization efforts can impact their ability to operate efficiently.

- **Thought:** Offer competitive compensation, prioritize employee well-being, and cultivate a positive work environment. Offer competitive wages and benefits, invest in employee training and development, and foster a positive work environment to attract and retain talent.

8. Competition Risks:

- **Explanation:** The specialty coffee market is fiercely competitive, with established chains and local cafes vying for customers. Starbucks needs to constantly innovate and offer high-quality products and services to maintain its market position.

- **Thought:** Focus on continuous innovation, exceptional customer service, and a welcoming in-store experience. Maintain a strong innovation pipeline to develop new beverages and food options, prioritize customer service training for baristas, and create a welcoming atmosphere in stores.

Continuing Starbucks Risk & Thought Analysis:

9. ESG and Governance Risks:

- **Explanation:** Environmental, Social, and Governance (ESG) factors are becoming increasingly important to stakeholders like investors and customers. These factors consider a company's environmental impact, social responsibility practices, and corporate governance structure. Failure to meet ESG goals (e.g., sustainability initiatives) or adapt to changing regulations (e.g., waste reduction laws) could harm the company's reputation and financial performance.

- **Thought:** Embrace sustainability efforts, social responsibility initiatives, and strong corporate governance for stakeholder trust. Implement sustainable sourcing practices (e.g., ethically sourced coffee beans), support social responsibility initiatives (e.g., community development programs), and ensure strong corporate governance (e.g., transparent board practices) to maintain stakeholder confidence.

10. Intellectual Property Risks:

- **Explanation:** Starbucks' brand identity, trademarks, and unique recipes are valuable assets. Inadequate protection of intellectual property (IP) like patents and trademarks, or infringement on the rights of others, can lead to legal costs, loss of brand value, and potential replication by competitors.

- **Thought:** Secure patents and trademarks, and actively monitor potential infringements. Invest in obtaining patents for unique inventions and trademarks for logos and branding elements. Proactively monitor the market for potential IP infringements and take legal action if necessary.

11. Data Privacy and Cybersecurity Risks:

- **Explanation:** Data breaches can expose customer information, such as names, payment details, and purchase history. This can lead to significant financial consequences (e.g., data breach fines), legal actions (e.g., lawsuits from affected customers), and a loss of trust from customers who value their privacy.

- **Thought:** Prioritize data security, implement privacy protocols, and be transparent with customers. Invest in robust cybersecurity measures to protect customer data, implement data privacy protocols that comply with regulations, and be transparent with customers about how their data is used.

12. Pandemic and Health Risks:

- **Explanation:** Health crises like pandemics can disrupt business operations (e.g., temporary store closures), impact supply chains (e.g., coffee bean shortages), alter customer behavior (e.g., reduced dine-in traffic), and negatively impact the company's financial outcomes (e.g., decreased sales).

- **Thought:** Develop contingency plans, invest in employee safety, and adapt operations to ensure business continuity. Develop pandemic preparedness plans to ensure business continuity during health crises, invest in employee safety measures (e.g., sanitation protocols), and adapt operations (e.g., increased online ordering options) to maintain business continuity during disruptions.

13. Regulatory Risks:

- **Explanation:** Starbucks operates in various countries with complex regulations covering areas like food safety, labor laws, data privacy, and environmental standards. Non-compliance with these regulations can lead to legal actions (e.g., fines), lawsuits, and damage to the company's reputation and profitability.

- **Thought:** Maintain a strong legal team, stay updated on regulations, and ensure compliance to avoid penalties and reputational harm. Maintain a strong legal team to navigate complex regulations, actively monitor regulatory changes, and ensure compliance with all applicable laws and regulations to avoid legal issues and reputational damage.

5. Explain movements and assets, liabilities, equity value, and provide specific reasons for this movement .

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Total deficit	(7,987.8)	(8,698.7)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)	$ 29,445.5	$ 27,978.4

Current assets : Current assets are money that Starbucks has or items, such as inventory and accounts receivable, that will turn into cash within 12 months.

Balance Sheet					
Column1	**2023**	**2022**	**2021**	**2020**	**2019**
Current Assets	7,303	7,019	9,756	7,806	5,653

Analysis:

- 2019 to 2021: There is a significant increase in total assets from 2019 to 2021, indicating growth in the company's asset base, which could be due to investments in long-term assets or an accumulation of more valuable assets.
- 2021 to 2023: However, there is a slight decrease in total assets from 2021 to 2023. This drop needs to be investigated further to understand the underlying reasons — it could be due to divestments, depreciation, or asset write-downs.

Total assets : Total assets are all of the assets that Starbucks owns and uses to make money.

Total Assets as a % of Sales					
Balance Sheet					
Column1	**2023**	**2022**	**2021**	**2020**	**2019**
Total Assets	29,446	27,978	31,392	29,374	19,220
% of Sales	122.2%	115.3%	92.6%	80.1%	137.9%
Growth	5.2%	-10.9%	6.9%	52.8%	N/A

Analysis :

1. Inefficiency Concerns: The percentage of total assets to sales being above 100% in recent years suggests that the company might be using more assets than necessary to generate sales, which could point to inefficiency. The ideal scenario is to have this percentage as low as possible, indicating that the company is using its assets efficiently to generate sales.

2. Possible Overinvestment: The increase in total assets not being accompanied by a proportional increase in sales could imply that the company is over-investing in assets that are not contributing to sales growth at the expected rate.

3. Growth Considerations: The fluctuation in the percentage indicates variable growth efficiency year on year. The substantial growth in assets in 2020, which is not matched by a

proportionate increase in sales, followed by a decrease in 2022, suggests a potential mismatch between asset acquisition and sales performance.

4. Asset Utilization: The declining percentage from 2019 to 2021 indicated improving asset utilization relative to sales, which reversed in 2022. In 2023, although there's an increase in total assets, it's a moderate increase compared to the sharp increase in 2020.

In summary, while there has been some growth in assets, it does not seem to be matched by sales growth, especially in 2023. This could indicate that the company might be investing in assets that are not directly contributing to increasing sales or that there are other issues affecting sales growth. This situation is typically not ideal, as it suggests the company might be using more money to make less money, which could negatively affect profitability and return on investment in the long run.

Current Liabilities :Total current liabilities are all the bills that Starbucks needs to pay within the next 12 months.

Balance Sheet					
Column1	**2023**	**2022**	**2021**	**2020**	**2019**
Current Liabilities	9,345	9,152	8,151	7,346	6,169

Analysis :

1. Year-over-Year Increase: There has been a consistent increase in current liabilities each year from 2019 to 2023. This indicates that the company is either taking on more short-term debt or has more short-term obligations that are due within the year.

2. Growth of Liabilities: The growth in current liabilities may suggest that the company is utilizing more short-term financing for its operations, or it may reflect an expansion in operations which naturally leads to an increase in accounts payable and other short-term obligations.

Current Assets vs. Current Liabilities:

Looking at the current assets and current liabilities tables, here is an analysis:

1. Growth in Assets and Liabilities: There is an observable growth in both current assets and current liabilities over the five-year period. Notably, current liabilities have grown at a faster pace than current assets, particularly in the last two years (2022 and 2023), which suggests a heavier reliance on short-term obligations.

2. Liquidity and Financial Health: From 2019 to 2021, there was a substantial increase in current assets, indicating a strengthened liquidity position. However, the drop in current

assets in 2022, despite a small recovery in 2023, when viewed against the backdrop of increasing current liabilities, raises concerns about potential liquidity pressures. The overall higher level of assets compared to 2019 is positive, but the increasing liabilities could create challenges in meeting short-term obligations without straining cash reserves.

Total equity : Total equity represents the dollar amount of total assets shareholders would be entitled to after all debts are paid

Total Equity					
Balance Sheet					
Column1	2023	2022	2021	2020	2019
Total Equity	(7,988)	(8,699)	(5,314)	(7,805)	(6,232)
Growth	-8.2%	63.7%	-31.9%	25.2%	N/A
% Total Assets	-27.1%	-31.1%	-16.9%	-26.6%	-32.4%

Analysis :

1. Negative Equity: The Total Equity is negative for the past 5 years, which is unusual and generally a concern. This could indicate that the company's liabilities have consistently exceeded its assets, leading to a deficit in owners' equity.

2. Equity Growth: The growth rate fluctuates significantly, with a notable increase of 63.7% in 2022, followed by a decrease of -8.2% in 2023. This volatility suggests substantial changes in the company's equity position, potentially due to changes in retained earnings (losses or profits) .

3. Proportion of Total Assets: The negative percentages of Total Equity to Total Assets indicate that the company's assets are predominantly financed by debt rather than equity. This is a precarious position as it implies high financial leverage, which can increase risk, especially if the company faces cash flow challenges.

In conclusion, the company's negative equity signals financial weaknesses and a potential risk for investors. The volatility in equity growth and its disproportionate relation to total assets suggest that the company might be financially over-leveraged.

6. Explain company's current ratio,

The current ratio measures the amount of cash and expected cash inflows (money coming into the company) in the last 12 months as compared to the amount of cash outflow (bills that needed to be paid by the company). From this measurement, we can determine whether a company had enough money coming in to cover funds going out.

Current Ratio					
Column1	**2023**	**2022**	**2021**	**2020**	**2019**
Current Assets	7,303	7,019	9,756	7,806	5,653
/ Current Liabilities	9,345	9,152	8,151	7,346	6,169
Current Ratio	**0.78**	**0.77**	**1.20**	**1.06**	**0.92**

Analysis :

- The fluctuation in the current ratio over the five years indicates varying degrees of liquidity and financial stability.
- The trend from 2019 through 2021 showed improving liquidity, but this reversed in 2022 and did not significantly improve in 2023.
- A current ratio below 1 in the last two years may suggest that the company could experience difficulties in meeting its short-term financial obligations without securing additional capital or restructuring its current liabilities.
- The consistent drop below the threshold of 1 in the most recent years requires attention from management, potentially indicating a need to reassess the company's operating capital requirements or financing strategies to improve its liquidity position.

7. What is liquid asset and ur thought on strabuck's liquid asset position

Liquid assets are specific assets that can be quickly and easily converted into cash without losing value. These include things like cash, money in checking or savings accounts, and marketable securities such as stocks and government bonds. The key characteristic of liquid assets is their ability to be swiftly turned into cash to meet financial obligations.

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Reviewing the balance sheet for Starbucks Corporation, the liquid asset position can be assessed by looking at the most easily convertible assets into cash without significant loss of value:

1. Cash and Cash Equivalents: The company's cash and cash equivalents have increased significantly, from $2,818.4 million in 2022 to $3,551.5 million in 2023. This is a positive sign as cash is the most liquid asset.

2. Short-Term Investments: These have also seen an increase from $364.5 million in 2022 to $401.5 million in 2023. Short-term investments typically include marketable securities that can be quickly liquidated.

3. Accounts Receivable: Although accounts receivable is less liquid than cash and short-term investments, it's still considered a liquid asset as it is expected to be converted to cash within a year. There's a slight increase here, which could either indicate improved sales or slower collection processes.

Given these figures, Starbucks has a solid position in terms of cash and equivalents, as well as short-term investments, both of which are highly liquid. The increase in these areas year over year suggests that Starbucks is either generating more cash through its operations or is possibly liquidating other assets to increase its cash reserves.

The company's overall liquid asset position seems to be robust, with a clear capacity to cover short-term liabilities through these highly liquid assets. However, even with this strong position in liquid assets, the current ratio (total current assets divided by total current liabilities) is below 1, indicating that total current assets are less than current liabilities, which could be a concern for meeting short-term obligations without potentially liquidating other assets.

8. What is turnover assets
The total asset turnover ratio shows how much revenue Starbucks generates in terms of its assets under management. The ratio helps investors and financial analysts understand how many total assets are needed for the company to generate revenues.

Total Asset Turnover					
Column1	**2023**	**2022**	**2021**	**2020**	**2019**
Sales	35,975	32,250	29,060	23,518	26,508
/ Total Assets	29,446	27,978	31,392	29,374	19,220
Total Asset Turnover	**1.22**	**1.15**	**0.93**	**0.80**	**1.38**

Analysis :

The upward trend from 2020 to 2023 is positive, showing that Starbucks has been increasing its sales efficiency relative to its assets. In 2023, despite the overall increase in total assets, the company has managed to grow sales at a faster rate, which is an indication of improved asset utilization.

The trend of growing total asset turnover ratio year-over-year suggests that Starbucks is managing its asset base effectively and generating more revenues with the same or fewer assets, which is indicative of a strong performance in utilizing its resources to support sales growth.

9. income statement 2022-2023.

a. Net sales : Net sales or Revenues are funds received by Starbucks for products sold or services rendered. Revenues are the dollar amount of products or services a company sells to customers in the noted timeframe.

Revenues					
Revenues and Growth					
Column1	2023	2022	2021	2020	2019
Revenues	35,975	32,250	29,060	23,518	26,508

Analysis :

1. Recovery and Growth: After a dip in 2020, likely due to the global impact of COVID-19, the company has shown a strong recovery in 2021, with revenues surpassing pre-pandemic levels.

2. Consistent Growth: There has been a year-over-year increase in revenues from 2021 to 2023, indicating that the company is on a growth trajectory.

3. Moderate Pace: The growth appears to be at a moderate pace, which is typically viewed positively by financial analysts. It suggests sustainable growth, as opposed to erratic or substantial fluctuations that might indicate instability or increased risk.

4. Resilience: The ability to bounce back after a tough economic period reflects the resilience and potential adaptability of the business model.

5. Risk Evaluation: The lack of substantial fluctuations in growth after 2020 indicates a controlled expansion strategy, which may reduce the risk associated with rapid and potentially unsustainable growth.

b. Net Income : The net income is the profits Starbucks has available to either reinvest in the company or compensate investors through dividend payouts.

Column1	2023	2022	2021	2020	2019
Net Income	4,125	3,282	4,199	928	3,599

- 2019: The company had a net income of $3,599 million.
- 2020: A significant drop to $928 million, which could be attributed to the impact of the COVID-19 pandemic on business operations.
- 2021: A sharp recovery with net income increasing to $4,199 million.
- 2022: A decrease in net income to $3,282 million, which indicates a decline from the previous year but still above the pre-pandemic level.
- 2023: Net income rises again to $4,125 million, which is near the 2021 level and suggests a positive financial recovery and growth.

Analysis:

1. COVID-19 Impact: The drop in 2020 is consistent with many businesses impacted by the pandemic, reflecting operational challenges during that period.

2. Resilience and Recovery: The strong recovery in 2021 and the continued good performance in 2022 and 2023 indicate resilience and the ability of the company to bounce back from the challenges posed by the pandemic.

3. Stability: The net income for 2023 indicates stability in earnings, showcasing a return to growth that aligns closely with the upward trend in revenues.

4. Business Performance: The increasing net income, especially in the context of increasing revenues, indicates that the company is not only generating more sales but is also able to translate those sales into profits effectively.

5. Investor Confidence: The recent trend in net income could contribute positively to investor confidence as it reflects the company's potential for sustainable profitability.

c. Net operating cost : Operating expenses are costs that an organization incurs when conducting normal daily operations.

Operating Expenses					
Column1	**2023**	**2022**	**2021**	**2020**	**2019**
Operating Expenses	30,494	27,866	24,573	22,278	22,728

Analysis:

1. Efficiency and Cost Management: The increase in operating expenses from 2020 to 2023 indicates that the company has been investing more in its operations. Whether this is due to expansion, increased costs, or other factors would require additional context.

2. Comparison to Revenue: When compared to the revenues for these years, if the increase in operating expenses is proportional to or less than the increase in revenues, it would suggest that the company is managing to scale its operations effectively while maintaining or improving its efficiency. A faster increase in operating expenses compared to revenues, however, would suggest a decline in operational efficiency.

3. Post-Pandemic Recovery: The jump in operating expenses from 2020 to 2021 and beyond could be seen as part of the recovery and growth strategy post-pandemic, assuming that the company had reduced its expenses in 2020 as a response to pandemic conditions.

4. Inflationary Effects: Part of the increase in operating expenses over the years could be attributed to inflationary pressures affecting the costs of goods sold, labor, and other operational costs.

d. Profit margin : The profit margin ratio compares a company's net income, or profits, with its revenues. The higher this ratio, the better for investors.

Net Profit Margin					
Column1	**2023**	**2022**	**2021**	**2020**	**2019**
Net Income	4,125	3,282	4,199	928	3,599
/ Sales	35,975	32,250	29,060	23,518	26,508
Net Profit Margin	**11.47%**	**10.18%**	**14.45%**	**3.95%**	**13.58%**

Analysis:

1. Resilience: After the pandemic-related dip in 2020, the company bounced back strongly in 2021, suggesting effective cost management and recovery in sales.

2. Continued Profitability: In 2022 and 2023, while the net profit margin did not reach the peak of 2021, it remained well above the low of 2020, indicating the company managed to maintain profitability.

3. Trend Analysis: The trend shows that after the initial shock of the pandemic, the company has managed to increase its net profit margins. This upward trend from the low point in 2020 is a positive signal.

4. Cost Management: The increase in net profit margins post-2020 suggests that Starbucks has been successful in keeping its costs in line with revenues or that it has found ways to increase revenues at a higher rate than costs.

5. Company Performance: A net profit margin ratio that is increasing or steady is typically seen as positive, indicating that the company is effectively converting sales into actual profit.

e. operating margin : The operating profit margin ratio helps investors understand how much profit Starbucks is generating from the perspective of operations as compared to total sales for the same timeframe. This ratio is a great indicator of how well the company's management team is controlling operations.

Operating Profit Margin					
Column1	2023	2022	2021	2020	2019
EBIT	5,870	4,617	4,872	1,561	4,077
/ Sales	35,975	32,250	29,060	23,518	26,508
Operating Profit Margin	**16.32%**	**14.32%**	**16.77%**	**6.64%**	**15.38%**

Analysis:

1. Recovery and Growth: After the 2020 decline, the company showed a robust recovery in operating efficiency in 2021, which has been sustained through to 2023.

2. Steadiness: Despite the fluctuations, especially the dip in 2020, the company returned to and maintained operating profit margins similar to pre-pandemic levels in 2019, indicating a return to steady operations and possibly low-risk management of operational costs.

3. Management Efficiency: The increase in the operating profit margin in 2023 compared to 2022 suggests that management might have effectively controlled costs or improved operational efficiency.

4. Fluctuations Analysis: The fluctuations in operating profit margin, especially the dip in 2020, could be attributed to extraordinary events rather than lax management oversight or aggressive cost-cutting measures, as there has been a strong rebound in the subsequent years.

10. What is the defn of free cash flow?
    Free cash flow (FCF) represents the cash that a company generates after accounting for cash outflows to support operations and maintain its capital assets. Unlike earnings or net income, free cash flow is a measure of profitability that excludes the non-cash expenses of the income statement and includes spending on equipment and assets as well as changes in working capital from the balance sheet.
    Free cash flow is the money that the company has available to repay its creditors or pay dividends and interest to investors.

11. Benchmarking - similar to same company- 2, and compare 5 different ratio with these 2 companies
    Similar Companies :

Chipotle Mexican grill
Sector : Consumer Discretionary
Industry: Restaurant
Market Cap : 79.64B

DoorDash
Sector : Consumer Discretionary
Industry: Restaurant
Market Cap : 51.42B

5 different ratio comparison from 2023:

Ratios	SBUX	CMG	DASH
Current Ratio (Current Assets/ Current Liabilities)	0.78	1.57	1.64
Debt to Equity Ratio (Debt/Equity)	(192.8)%	132.31%	7.66%
Quick Ratio ((Current assets- inventory)/ Current liabilities)	0.59	1.42	1.35
Return on assets (Net Income/ Total assets)	14.01%	15.94%	(4.12)%
Net Profit margin (Net Income/ Sales)	11.47%	12.46%	(6.46)%

Analysis :

Starbucks (SBUX):

- Current Ratio (0.78): Indicates potential liquidity challenges, suggesting SBUX may struggle to meet its short-term obligations.
- Debt to Equity Ratio (-192.8%): Shows a negative equity situation, implying the company has more debt than equity, which can be a risk if not managed properly.
- Quick Ratio (0.59): Further reinforces the liquidity concern, indicating that Starbucks may not be able to meet its short-term liabilities promptly without selling inventory.
- Return on Assets (14.01%): Suggests Starbucks is effectively using its assets to generate earnings.

- Net Profit Margin (11.47%): Indicates a strong profit generation capability from its revenues.

Chipotle Mexican Grill (CMG):
- Current Ratio (1.57): Reflects good liquidity, with CMG likely able to cover its short-term liabilities.
- Debt to Equity Ratio (132.31%): Indicates a more moderate use of debt relative to equity compared to SBUX.
- Quick Ratio (1.42): Suggests healthy liquidity excluding inventory, reinforcing CMG's ability to cover short-term debts.
- Return on Assets (15.94%): Indicates very effective use of assets to generate earnings, slightly outperforming SBUX.
- Net Profit Margin (12.46%): Reveals CMG has a slightly higher proportion of revenue retained as profit compared to SBUX.

DoorDash (DASH):
- Current Ratio (1.64): Shows strong liquidity and an ability to meet short-term obligations.
- Debt to Equity Ratio (7.66%): Signifies a low reliance on debt financing, which implies lower financial risk.
- Quick Ratio (1.35): Indicates good liquidity even when inventory is not considered.
- Return on Assets (-4.12%): Suggests DASH is currently not using its assets to generate positive earnings, likely due to investment for growth.
- Net Profit Margin (-6.46%): Indicates that DASH is losing money on its operations, which could be acceptable if it's in an investment and expansion phase.

Comparative Analysis:
- Starbucks shows signs of stress in liquidity but demonstrates strong profitability.
- Chipotle has healthier liquidity ratios and profitability, suggesting a balanced financial structure.
- DoorDash, while exhibiting strong liquidity, is currently not profitable, which may be due to its growth-stage investments.

In conclusion, SBUX appears to be leveraged with liquidity constraints, yet it is profitable. CMG shows balanced financial health with good profitability. DASH seems to be in a high-growth phase with sufficient liquidity but is currently not profitable. The differing ratios reflect each company's unique strategy and stage in the business life cycle.

12. Why is completing utilizing either IFRS sustainability or ,

13. What is alpha, BETA, and importance for portfolio management

Alpha measures an investment's return (aka performance) relative to a benchmark, while beta measures an investment's risks (volatility) compared to the overall market. Together, these statistical measurements help investors evaluate the performance of a stock, fund, or investment portfolio.

- Alpha and beta are two different parts of an equation used to explain the performance of stocks and investment funds.
- Beta is a measure of volatility relative to a benchmark, such as the S&P 500.
- Alpha is the excess return on an investment after adjusting for market-related volatility and random fluctuations.
- Alpha and beta are both measures used to compare and predict returns.

Because alpha represents the performance of a portfolio relative to a benchmark, it is often considered to represent the value that a portfolio manager adds to or subtracts from a fund's return. In other words, alpha is the return on an investment that is not a result of a general movement in the greater market.

The beta calculation is used to help investors understand whether a stock moves in the same direction as the rest of the market. It also provides insights into how volatile–or how risky–a stock is relative to the rest of the market.

Starbuck’s Beta 0.97, alpha : -0.14
Alpha = R – Rf – beta (Rm-Rf)
R : portfolio's return,
Rf represents the risk-free rate of return,
beta represents the systematic risk of a portfolio,
Rm represents the market return, for each benchmark.

14. In ur words, LIST 3 RATIOS FROM 10 K FOR CREDIT ANALYSTS, EXPLAIN RATIONALE

Ratio	2023	2022	2021	2020	2019
Current Ratio (Current Asset / Current Liability)	0.78	0.77	1.20	1.06	0.92
Total Asset Turnover Ratio (Sales/ Total Assets)	1.22	1.15	0.93	0.80	1.38
Return on Assets (Net Income/Total Assets)	14.01%	11.73%	13.38%	3.16%	18.73%
Time Interest Earned (EBIT/ Interest Expense)	10.67	9.56	10.39	3.57	12.32

Analysis:

- Current Ratio: Consistently below 1 for 2022 and 2023, suggesting that Starbucks could have challenges meeting its short-term liabilities. This factor is crucial for short-term credit considerations.
- Total Asset Turnover Ratio: An increasing trend from 2020 to 2023 indicates improved efficiency in generating sales from total assets. This is favorable as it suggests better utilization of assets.
- Return on Assets: There's a substantial recovery in ROA post-2020, with a particularly strong performance in 2023. This indicates a solid earning ability from Starbucks' assets, which is a good sign for the repayment capacity for long-term credit.
- Times Interest Earned (TIE): The TIE ratio, which shows how many times a company can cover its interest expenses with its earnings, is robust across the board. It suggests that Starbucks is more than capable of meeting its interest obligations, which is encouraging from a credit risk perspective.

2023 Observations:

- Current Ratio: Raises short-term liquidity concerns.
- Total Asset Turnover: Indicates good operational efficiency.
- ROA: Demonstrates effective asset utilization for profit generation.

- TIE Ratio (10.67): Implies strong coverage for interest expenses.

Conclusions as a Credit Analyst:

- Short-Term Credit: The current ratio poses a risk for short-term credit.
- Long-Term Credit: The solid ROA and TIE suggest Starbucks has a strong ability to generate earnings and cover interest expenses. This could justify long-term credit, albeit potentially with a higher interest rate or stricter covenants due to liquidity concerns.
- Interest Rate Sensitivity: Given the strong TIE ratio, Starbucks appears to have a cushion against rising interest rates, which is favorable for long-term loans.
- Overall Creditworthiness: Despite the current liquidity concerns, the company's ability to generate revenue and cover interest expenses, combined with strong profitability, would likely support a favorable long-term credit decision, provided the terms are structured to account for the liquidity risk.

15. EQUITY ANALYSTS

Ratio	2023	2022	2021	2020	2019
Debt to Equity Ratio ((Short term debt + Long term debt)/ Total Equity)	-192.8%	-172.94%	-275.01%	-209.43%	-179.18%
Return on equity (Net Income/ Total Equity)	-51.64%	-37.73	-79.02%	-11.89%	-57.75
PE ratio (Market value per share/ Earnings per share)	25.52	33.66	29.99	178.71	26.34

Analysis :

- Debt to Equity Ratio:The negative debt to equity ratio from 2019 to 2023 iindicates negative shareholder equity. This situation usually occurs when total debt exceeds total assets, which could suggest the company has been financing growth through debt rather than equity or has been incurring losses.

- Return on Equity (ROE): The negative ROE over the years suggests that the company has been losing money, as reflected by negative net income in relation to shareholder equity. This could be due to significant losses or other comprehensive income that has reduced equity. In 2023, the ROE is -51.64%, which is a strong negative return. This would be concerning for equity holders as it indicates their investment has lost more than half of its value over the year, presumably due to losses incurred by the company.

- Price to Earnings (PE) Ratio:The PE ratio varies significantly, with a notably high ratio in 2020. A high PE ratio can indicate that the market expects future growth in earnings or that the stock is overvalued. The drop in the PE ratio in 2023 to 25.52 suggests that while the market may still be assigning value based on future earnings expectations, it's not as optimistic as it was in 2020.

Conclusions:

- Financial Leverage: Starbucks appears to be heavily leveraged, which increases financial risk for equity holders, especially if the company has difficulties servicing its debt.
- Profitability Concerns: The negative ROE highlights ongoing or recent challenges in profitability. It raises questions about whether losses are a one-time event or part of a negative trend.
- Investor Sentiment: The fluctuating PE ratio reflects changing investor sentiment and expectations about future profitability. The very high PE in 2020 suggests investors were willing to pay a premium for Starbucks shares, possibly expecting a strong post-pandemic recovery.
- Stock Valuation: As an equity analyst, I would consider the stock potentially overvalued in 2020 given the high PE ratio. The subsequent lower PE ratio in 2023 suggests a more conservative market valuation, which could be due to adjusted earnings expectations or a reevaluation of the company's growth prospects.

Given the negative ROE and debt to equity ratios, I would be cautious about the company's equity at present.

16. CFO
    - Liquidity Position (Current and Quick Ratios): The current and quick ratios below 1 in 2023 reflect a liquidity risk. As a CFO, I would investigate ways to improve working capital management, such as accelerating the collection of receivables, better inventory management, or restructuring short-term debt.

    - Asset Utilization (Total Asset Turnover Ratio):The increasing total asset turnover ratio suggests that we are utilizing our assets more efficiently to generate revenue. I would continue to monitor asset utilization closely to ensure that this trend persists.

- Profitability (Return on Assets): An increasing ROA is a strong sign. It means we are getting more profitable and using our assets efficiently. I would analyze the operational factors contributing to this and focus on reinforcing these areas.

- Solvency (Debt to Equity Ratio):The negative debt to equity ratios over the years indicate that we might have a negative shareholder equity. This is unusual and concerning. It suggests that our debts far exceed our equity. As CFO, I would look into strategic financial restructuring to better balance our debt and equity.

- Return on Equity (ROE):The negative ROE is troubling, as it suggests we are not creating value for our shareholders. This could be due to cumulative losses reducing equity. I would consider strategies to improve net income, such as cost reductions or revenue enhancement measures.

- Market Valuation (PE Ratio):The fluctuating PE ratio, particularly the spike in 2020, would prompt me to communicate to investors the reasons for such variations. It could reflect their optimism about our future growth prospects. However, ensuring that the PE ratio aligns more realistically with our actual performance and industry averages would be crucial to maintain investor trust.

- Interest Coverage (Times Interest Earned):The TIE ratio is quite strong, indicating that we can cover our interest expenses multiple times over. This is reassuring from a solvency perspective, but given our negative equity, it could also suggest we are not using debt effectively.

As CFO, my action plan would include:

- Engaging with the operational teams to maintain or improve efficiency and profitability.
- Working with the treasury team to assess and optimize the company's capital structure.
- Developing a plan to address the negative equity situation and improve shareholder value.
- Communicating with investors about our strategy to ensure sustainable growth and profitability, which might involve explaining the financial anomalies and how we plan to address them.

Ratio	2023	2022	2021	2020	2019
Cash Ratio ((Cash+Short term investments)/Current Liabilities	0.42	0.35	0.81	0.63	0.45
Day sales outstanding (Ave. Accounts Receivables / (Annual Sales / 365)	11.97	11.97	11.45	13.67	N/A
Operating Profit Margin (EBIT/Revenue)	16.32%	14.32%	16.77%	6.64%	15.38%

- Cash Ratio:There's a noticeable fluctuation in the cash ratio over the years. The increase to 0.42 in 2023 from 0.35 in 2022 shows an improved position but remains below the more comfortable level of 0.81 in 2021. It suggests we need to bolster our cash position to improve immediate liquidity to cover current liabilities.

- Day Sales Outstanding (DSO): The DSO has remained fairly consistent over the past three years, hovering around 12 days. This indicates stability in how quickly we are collecting receivables. Maintaining or reducing this number would improve cash flow and potentially the cash ratio.

- Operating Profit Margin:The operating profit margin shows an increase in 2023 to 16.32% from 14.32% in 2022, suggesting an improvement in operational efficiency and cost control. However, it's still below the peak of 16.77% in 2021. As CFO, I would analyze the factors contributing to this variation to identify areas where operational efficiency can be further improved.

Strategic Financial Actions as CFO :

- Improving Liquidity: I'll consider options for improving our cash position, such as better inventory management, more favorable payment terms with suppliers, or refinancing short-term debt.
- Cash Flow Management: Maintain strict control over credit policies to avoid any increase in DSO and keep cash flows healthy.

- Cost Management: Investigate any increases in costs that may have affected the operating profit margin and implement measures to streamline operations and reduce expenses.
- Communication with Stakeholders: Clearly communicate with stakeholders about the company's strategies to manage liquidity and profitability.

In conclusion, while the company's profitability from operations is strong, the lower cash ratio indicates that improving liquidity is necessary. Maintaining the efficiency in receivables collection is crucial for cash flow. The objective would be to ensure we have the liquidity to meet short-term obligations and the profitability to sustain long-term growth. These efforts combined would present a strong financial position to shareholders, creditors, and other stakeholders.