

FINAL PROJECT

ECON 235

CORPORATE FINANCE



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INTRODUCTION

The project involves our team to work as financial analysts for Starbucks Corporation that is considering opening a new store on University of California, Santa Cruz campus. In this project, we have evaluated the profitability of the project through the following financial analysis tools. Also, before we present the conclusions, we have stated the assumptions on which the project is based.

PROFORMA INCOME STATEMENT

COST OF CAPITAL (CAPM Model)

SCENARIO ANALYSIS

ASSUMPTIONS

1. The tax rate is 34%.
2. In Americas region, the total number of employees is 92000.
3. Wages are accounted for at market rates and NOT at state minimum wage.
4. Inflation is accounted for in wages over the years.
5. Growth rate of students is equal to the growth rate of the campus population over the years.
6. Depreciation (MACRS category) was accounted for on expenses paid to the university for plumbing, flooring and painting expenses.

CONCLUSIONS

- The NPV of the project in the following cases is -
 - Base - **\$387,969.97**
 - Optimistic - **\$1,715,200.91**
 - Pessimistic - **(\$1,049,682.23)**
- The Standard Deviation of the NPV is **\$1,382,809.01**
- The Expected NPV is **\$561,575.20**
- Therefore, the verbal conclusion states that the **PROJECT SHOULD BE ACCEPTED**. This is because the base case as well as the expected based on the weights of the three cases suggested by the manager NPVs are greater than 0. We also observe that over the years, the **net income margin increases significantly**.
- The change in share price is **0.00066%**

SOURCES

1. NASDAQ

<https://www.nasdaq.com/symbol/sbux/financials?query=income-statement>

2. STARBUCKS CORPORATION

<https://investor.starbucks.com/financial-data/annual-reports/default.aspx>

3. GLASSDOOR

<https://www.glassdoor.com/Salary/Starbucks-Salaries-E2202.htm>