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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period Ended January 2, 2022**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from            to            .**

**Commission File Number: 000-20322**

**Starbucks Corporation**

**(Exact Name of Registrant as Specified in its Charter)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| **Washington** | | | **91-1325671** | | |
| **(State or Other Jurisdiction of**  **Incorporation or Organization)** | | | **(IRS Employer**  **Identification No.)** | | |

**2401 Utah Avenue South, Seattle, Washington 98134**

**(Address of principal executive offices)**

**(206) 447-1575**

**(Registrant’s Telephone Number, including Area Code)**

Securities registered pursuant to Section 12(b) of the Act:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| **Title** | | | **Trading Symbol** | | | **Name of each exchange on which registered** | | |
| Common Stock, par value $0.001 per share | | | SBUX | | | Nasdaq Global Select Market | | |

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.    Yes  x    No   ¨

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).    Yes  x    No  ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Large accelerated filer | | | x | | | Accelerated filer | | | ¨ | | | Non-accelerated filer | | | ¨ | | | Smaller reporting company | | | ☐ | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Emerging growth company | | | ☐ | | |  | | |  | | |  | | |  | | |  | | |  | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):    Yes    ☐  No  x

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

|  |  |  |
| --- | --- | --- |
|  |  |  |
| **Shares Outstanding as of January 26, 2022** | | |
| 1,150.3 million | | |

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**STARBUCKS CORPORATION**

**FORM 10-Q**

**For the Quarterly Period Ended January 2, 2022**

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|  | | | [Consolidated Statements of Cash Flows](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_25) | | | [6](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_25) | | |
|  | | | [Consolidated Statements of Equity](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_28) | | | [7](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_28) | | |
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**PART I — FINANCIAL INFORMATION**

**Item 1.*Financial Statements***

**STARBUCKS CORPORATION**

**CONSOLIDATED STATEMENTS OF EARNINGS**

*(in millions, except per share data)*

*(unaudited)*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Quarter Ended** | | | | | | | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |
| Net revenues: | | |  | | |  | | |  | | |
| Company-operated stores | | | $ | 6,722.4 |  |  | | | $ | 5,726.5 |  |
| Licensed stores | | | 850.8 | |  |  | | | 613.8 | |  |
| Other | | | 477.2 | |  |  | | | 409.1 | |  |
| Total net revenues | | | 8,050.4 | |  |  | | | 6,749.4 | |  |
| Product and distribution costs | | | 2,526.9 | |  |  | | | 2,049.1 | |  |
| Store operating expenses | | | 3,400.0 | |  |  | | | 2,867.3 | |  |
| Other operating expenses | | | 101.7 | |  |  | | | 91.8 | |  |
| Depreciation and amortization expenses | | | 366.0 | |  |  | | | 366.1 | |  |
| General and administrative expenses | | | 525.8 | |  |  | | | 472.1 | |  |
| Restructuring and impairments | | | (7.5) | |  |  | | | 72.2 | |  |
| Total operating expenses | | | 6,912.9 | |  |  | | | 5,918.6 | |  |
| Income from equity investees | | | 40.3 | |  |  | | | 82.7 | |  |
| Operating income | | | 1,177.8 | |  |  | | | 913.5 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Interest income and other, net | | | (0.1) | |  |  | | | 15.5 | |  |
| Interest expense | | | (115.3) | |  |  | | | (120.7) | |  |
| Earnings before income taxes | | | 1,062.4 | |  |  | | | 808.3 | |  |
| Income tax expense | | | 246.3 | |  |  | | | 186.1 | |  |
| Net earnings including noncontrolling interests | | | 816.1 | |  |  | | | 622.2 | |  |
| Net earnings attributable to noncontrolling interests | | | 0.2 | |  |  | | | — | |  |
| Net earnings attributable to Starbucks | | | $ | 815.9 |  |  | | | $ | 622.2 |  |
| Earnings per share - basic | | | $ | 0.70 |  |  | | | $ | 0.53 |  |
| Earnings per share - diluted | | | $ | 0.69 |  |  | | | $ | 0.53 |  |
| Weighted average shares outstanding: | | |  | | |  | | |  | | |
| Basic | | | 1,169.6 | |  |  | | | 1,175.0 | |  |
| Diluted | | | 1,176.6 | |  |  | | | 1,183.0 | |  |

*See Notes to Consolidated Financial Statements.*

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**STARBUCKS CORPORATION**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

*(in millions, unaudited)*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Quarter Ended** | | | | | | | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |
| Net earnings including noncontrolling interests | | | $ | 816.1 |  |  | | | $ | 622.2 |  |
| Other comprehensive income/(loss), net of tax: | | |  | | |  | | |  | | |
| Unrealized holding gains/(losses) on available-for-sale debt securities | | | (3.4) | |  |  | | | (0.5) | |  |
| Tax (expense)/benefit | | | 0.8 | |  |  | | | 0.1 | |  |
| Unrealized gains/(losses) on cash flow hedging instruments | | | 88.7 | |  |  | | | 7.7 | |  |
| Tax (expense)/benefit | | | (11.8) | |  |  | | | (2.9) | |  |
| Unrealized gains/(losses) on net investment hedging instruments | | | 41.5 | |  |  | | | (30.2) | |  |
| Tax (expense)/benefit | | | (10.5) | |  |  | | | 7.6 | |  |
| Translation adjustment and other | | | 14.2 | |  |  | | | 238.7 | |  |
| Tax (expense)/benefit | | | — | |  |  | | | — | |  |
| Reclassification adjustment for net (gains)/losses realized in net earnings for available-for-sale debt securities, hedging instruments, and translation adjustment | | | (16.1) | |  |  | | | (3.6) | |  |
| Tax expense/(benefit) | | | 2.9 | |  |  | | | 1.8 | |  |
| Other comprehensive income | | | 106.3 | |  |  | | | 218.7 | |  |
| Comprehensive income including noncontrolling interests | | | 922.4 | |  |  | | | 840.9 | |  |
| Comprehensive income attributable to noncontrolling interests | | | 0.2 | |  |  | | | — | |  |
| Comprehensive income attributable to Starbucks | | | $ | 922.2 |  |  | | | $ | 840.9 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
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*See Notes to Consolidated Financial Statements.*

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**STARBUCKS CORPORATION**

**CONSOLIDATED BALANCE SHEETS**

*(in millions, except per share data)*

*(unaudited)*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Jan 2, 2022** | | |  | | | **Oct 3, 2021** | | |
| **ASSETS** | | |  | | |  | | |  | | |
| Current assets: | | |  | | |  | | |  | | |
| Cash and cash equivalents | | | $ | 3,969.4 |  |  | | | $ | 6,455.7 |  |
| Short-term investments | | | 87.4 | |  |  | | | 162.2 | |  |
| Accounts receivable, net | | | 1,031.1 | |  |  | | | 940.0 | |  |
| Inventories | | | 1,637.1 | |  |  | | | 1,603.9 | |  |
| Prepaid expenses and other current assets | | | 530.1 | |  |  | | | 594.6 | |  |
| Total current assets | | | 7,255.1 | |  |  | | | 9,756.4 | |  |
| Long-term investments | | | 299.6 | |  |  | | | 281.7 | |  |
| Equity investments | | | 251.9 | |  |  | | | 268.5 | |  |
| Property, plant and equipment, net | | | 6,398.0 | |  |  | | | 6,369.5 | |  |
| Operating lease, right-of-use asset | | | 8,203.4 | |  |  | | | 8,236.0 | |  |
| Deferred income taxes, net | | | 1,859.7 | |  |  | | | 1,874.8 | |  |
| Other long-term assets | | | 588.0 | |  |  | | | 578.5 | |  |
| Other intangible assets | | | 302.5 | |  |  | | | 349.9 | |  |
| Goodwill | | | 3,675.7 | |  |  | | | 3,677.3 | |  |
| TOTAL ASSETS | | | $ | 28,833.9 |  |  | | | $ | 31,392.6 |  |
| **LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)** | | |  | | |  | | |  | | |
| Current liabilities: | | |  | | |  | | |  | | |
| Accounts payable | | | $ | 1,289.4 |  |  | | | $ | 1,211.6 |  |
| Accrued liabilities | | | 2,444.3 | |  |  | | | 2,321.2 | |  |
| Accrued payroll and benefits | | | 664.1 | |  |  | | | 772.3 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Current portion of operating lease liability | | | 1,253.3 | |  |  | | | 1,251.3 | |  |
| Stored value card liability and current portion of deferred revenue | | | 2,070.7 | |  |  | | | 1,596.1 | |  |
| Short-term debt | | | 200.0 | |  |  | | | — | |  |
| Current portion of long-term debt | | | 999.3 | |  |  | | | 998.9 | |  |
| Total current liabilities | | | 8,921.1 | |  |  | | | 8,151.4 | |  |
| Long-term debt | | | 13,586.3 | |  |  | | | 13,616.9 | |  |
| Operating lease liability | | | 7,708.0 | |  |  | | | 7,738.0 | |  |
| Deferred revenue | | | 6,447.7 | |  |  | | | 6,463.0 | |  |
| Other long-term liabilities | | | 621.1 | |  |  | | | 737.8 | |  |
| Total liabilities | | | 37,284.2 | |  |  | | | 36,707.1 | |  |
| Shareholders' deficit: | | |  | | |  | | |  | | |
| Common stock ($0.001 par value) — authorized, 2,400.0 shares; issued and outstanding, 1,151.6 and 1,180.0 shares, respectively | | | 1.2 | |  |  | | | 1.2 | |  |
| Additional paid-in capital | | | 41.1 | |  |  | | | 846.1 | |  |
| Retained deficit | | | (8,753.0) | |  |  | | | (6,315.7) | |  |
| Accumulated other comprehensive income | | | 253.5 | |  |  | | | 147.2 | |  |
| Total shareholders’ deficit | | | (8,457.2) | |  |  | | | (5,321.2) | |  |
| Noncontrolling interests | | | 6.9 | |  |  | | | 6.7 | |  |
| Total deficit | | | (8,450.3) | |  |  | | | (5,314.5) | |  |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT) | | | $ | 28,833.9 |  |  | | | $ | 31,392.6 |  |

*See Notes to Consolidated Financial Statements.*

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**STARBUCKS CORPORATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(in millions, unaudited)*

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Quarter Ended** | | | | | | | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |
| OPERATING ACTIVITIES: | | |  | | |  | | |  | | |
| Net earnings including noncontrolling interests | | | $ | 816.1 |  |  | | | $ | 622.2 |  |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |  | | |  | | |  | | |
| Depreciation and amortization | | | 386.4 | |  |  | | | 388.4 | |  |
| Deferred income taxes, net | | | (0.3) | |  |  | | | (6.1) | |  |
| Income earned from equity method investees | | | (46.6) | |  |  | | | (69.0) | |  |
| Distributions received from equity method investees | | | 44.9 | |  |  | | | 77.2 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Stock-based compensation | | | 95.8 | |  |  | | | 99.3 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Non-cash lease costs | | | 330.4 | |  |  | | | 308.3 | |  |
| Loss on retirement and impairment of assets | | | 50.7 | |  |  | | | 132.6 | |  |
| Other | | | (4.9) | |  |  | | | (10.2) | |  |
| Cash provided by/(used in) changes in operating assets and liabilities: | | |  | | |  | | |  | | |
| Accounts receivable | | | (91.6) | |  |  | | | 19.6 | |  |
| Inventories | | | (36.0) | |  |  | | | 90.1 | |  |
| Prepaid expenses and other current assets | | | 64.6 | |  |  | | | 5.2 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Accounts payable | | | 84.0 | |  |  | | | 24.8 | |  |
| Deferred revenue | | | 461.3 | |  |  | | | 398.9 | |  |
| Operating lease liability | | | (363.3) | |  |  | | | (314.8) | |  |
| Other operating assets and liabilities | | | 79.4 | |  |  | | | 69.2 | |  |
| Net cash provided by operating activities | | | 1,870.9 | |  |  | | | 1,835.7 | |  |
| INVESTING ACTIVITIES: | | |  | | |  | | |  | | |
| Purchases of investments | | | (61.0) | |  |  | | | (135.5) | |  |
| Sales of investments | | | 72.6 | |  |  | | | 91.2 | |  |
| Maturities and calls of investments | | | 45.6 | |  |  | | | 113.7 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Additions to property, plant and equipment | | | (416.8) | |  |  | | | (324.2) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Other | | | (41.4) | |  |  | | | (17.7) | |  |
| Net cash used in investing activities | | | (401.0) | |  |  | | | (272.5) | |  |
| FINANCING ACTIVITIES: | | |  | | |  | | |  | | |
| Proceeds from issuance of commercial paper | | | 200.0 | |  |  | | | — | |  |
| Net proceeds from issuance of short-term debt | | | — | |  |  | | | 192.9 | |  |
| Repayments of short-term debt | | | — | |  |  | | | (144.7) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Repayments of long-term debt | | | — | |  |  | | | (500.0) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Proceeds from issuance of common stock | | | 41.3 | |  |  | | | 102.8 | |  |
| Cash dividends paid | | | (576.0) | |  |  | | | (528.2) | |  |
| Repurchase of common stock | | | (3,520.9) | |  |  | | | — | |  |
| Minimum tax withholdings on share-based awards | | | (113.6) | |  |  | | | (88.6) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Net cash used in financing activities | | | (3,969.2) | |  |  | | | (965.8) | |  |
| Effect of exchange rate changes on cash and cash equivalents | | | 13.0 | |  |  | | | 79.8 | |  |
| Net increase/(decrease) in cash and cash equivalents | | | (2,486.3) | |  |  | | | 677.2 | |  |
| CASH AND CASH EQUIVALENTS: | | |  | | |  | | |  | | |
| Beginning of period | | | 6,455.7 | |  |  | | | 4,350.9 | |  |
| End of period | | | $ | 3,969.4 |  |  | | | $ | 5,028.1 |  |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |  | | |  | | |  | | |
| Cash paid during the period for: | | |  | | |  | | |  | | |
| Interest, net of capitalized interest | | | $ | 108.3 |  |  | | | $ | 130.0 |  |
| Income taxes | | | $ | 161.4 |  |  | | | $ | 109.4 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
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*See Notes to Consolidated Financial Statements.*

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**STARBUCKS CORPORATION**

**CONSOLIDATED STATEMENTS OF EQUITY**

*For the Quarters Ended January 2, 2022 and December 27, 2020*

*(in millions, except per share data, unaudited)*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Common Stock** | | | | | | | | |  | | | **Additional Paid-in Capital** | | |  | | | **Retained Earnings/(Deficit)** | | |  | | | **Accumulated Other Comprehensive Income/(Loss)** | | |  | | | **Shareholders’ Equity/(Deficit)** | | |  | | | **Noncontrolling Interests** | | |  | | | **Total** | | |
|  | | | **Shares** | | |  | | | **Amount** | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Balance, October 3, 2021** | | | 1,180.0 | | |  | | | $ | 1.2 |  |  | | | $ | 846.1 |  |  | | | $ | (6,315.7) |  |  | | | $ | 147.2 |  |  | | | $ | (5,321.2) |  |  | | | $ | 6.7 |  |  | | | $ | (5,314.5) |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net earnings | | | — | | |  | | | — | |  |  | | | — | |  |  | | | 815.9 | |  |  | | | — | |  |  | | | 815.9 | |  |  | | | 0.2 | |  |  | | | 816.1 | |  |
| Other comprehensive income | | | — | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 106.3 | |  |  | | | 106.3 | |  |  | | | — | |  |  | | | 106.3 | |  |
| Stock-based compensation expense | | | — | | |  | | | — | |  |  | | | 97.1 | |  |  | | | — | |  |  | | | — | |  |  | | | 97.1 | |  |  | | | — | |  |  | | | 97.1 | |  |
| Exercise of stock options/vesting of RSUs | | | 2.6 | | |  | | | — | |  |  | | | (84.1) | |  |  | | | — | |  |  | | | — | |  |  | | | (84.1) | |  |  | | | — | |  |  | | | (84.1) | |  |
| Sale of common stock | | | 0.1 | | |  | | | — | |  |  | | | 11.8 | |  |  | | | — | |  |  | | | — | |  |  | | | 11.8 | |  |  | | | — | |  |  | | | 11.8 | |  |
| Repurchase of common stock | | | (31.1) | | |  | | | — | |  |  | | | (829.8) | |  |  | | | (2,691.1) | |  |  | | | — | |  |  | | | (3,520.9) | |  |  | | | — | |  |  | | | (3,520.9) | |  |
| Cash dividends declared, $0.49 per share | | | — | | |  | | | — | |  |  | | | — | |  |  | | | (562.1) | |  |  | | | — | |  |  | | | (562.1) | |  |  | | | — | |  |  | | | (562.1) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance, January 2, 2022** | | | 1,151.6 | | |  | | | $ | 1.2 |  |  | | | $ | 41.1 |  |  | | | $ | (8,753.0) |  |  | | | $ | 253.5 |  |  | | | $ | (8,457.2) |  |  | | | $ | 6.9 |  |  | | | $ | (8,450.3) |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Balance, September 27, 2020** | | | 1,173.3 | | |  | | | $ | 1.2 |  |  | | | $ | 373.9 |  |  | | | $ | (7,815.6) |  |  | | | $ | (364.6) |  |  | | | $ | (7,805.1) |  |  | | | $ | 5.7 |  |  | | | $ | (7,799.4) |  |
| Cumulative effect of adoption of new accounting guidance | | | — | | |  | | | — | |  |  | | | — | |  |  | | | (2.2) | |  |  | | | — | |  |  | | | (2.2) | |  |  | | | — | |  |  | | | (2.2) | |  |
| Net earnings | | | — | | |  | | | — | |  |  | | | — | |  |  | | | 622.2 | |  |  | | | — | |  |  | | | 622.2 | |  |  | | | — | |  |  | | | 622.2 | |  |
| Other comprehensive income | | | — | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 218.7 | |  |  | | | 218.7 | |  |  | | | — | |  |  | | | 218.7 | |  |
| Stock-based compensation expense | | | — | | |  | | | — | |  |  | | | 100.5 | |  |  | | | — | |  |  | | | — | |  |  | | | 100.5 | |  |  | | | — | |  |  | | | 100.5 | |  |
| Exercise of stock options/vesting of RSUs | | | 3.8 | | |  | | | — | |  |  | | | 4.0 | |  |  | | | — | |  |  | | | — | |  |  | | | 4.0 | |  |  | | | — | |  |  | | | 4.0 | |  |
| Sale of common stock | | | 0.1 | | |  | | | — | |  |  | | | 10.2 | |  |  | | | — | |  |  | | | — | |  |  | | | 10.2 | |  |  | | | — | |  |  | | | 10.2 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash dividends declared, $0.90 per share | | | — | | |  | | | — | |  |  | | | — | |  |  | | | (1,058.0) | |  |  | | | — | |  |  | | | (1,058.0) | |  |  | | | — | |  |  | | | (1,058.0) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance, December 27, 2020** | | | 1,177.2 | | |  | | | $ | 1.2 |  |  | | | $ | 488.6 |  |  | | | $ | (8,253.6) |  |  | | | $ | (145.9) |  |  | | | $ | (7,909.7) |  |  | | | $ | 5.7 |  |  | | | $ | (7,904.0) |  |

*See Notes to Consolidated Financial Statements.*

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**STARBUCKS CORPORATION**

**INDEX FOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| **Note 1** | | | [Summary of Significant Accounting Policies and Estimates](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_40) | | | [9](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_40) | | |
|  |  |  |  |  |  |  |  |  |
| **Note 2** | | | [Derivative Financial Instruments](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_46) | | | [11](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_46) | | |
| **Note 3** | | | [Fair Value Measurements](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_49) | | | [14](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_49) | | |
| **Note 4** | | | [Inventories](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_52) | | | [16](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_52) | | |
| **Note 5** | | | [Supplemental Balance Sheet and Statement of Earnings Information](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_55) | | | [16](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_55) | | |
| **Note 6** | | | [Other Intangible Assets and Goodwill](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_58) | | | [17](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_58) | | |
| **Note 7** | | | [Debt](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_61) | | | [19](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_61) | | |
| **Note 8** | | | [Leases](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_64) | | | [20](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_64) | | |
| **Note 9** | | | [Deferred Revenue](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_67) | | | [21](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_67) | | |
| **Note 10** | | | [Equity](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_70) | | | [23](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_70) | | |
| **Note 11** | | | [Employee Stock Plans](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_73) | | | [23](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_73) | | |
|  |  |  |  |  |  |  |  |  |
| **Note 12** | | | [Earnings per Share](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_79) | | | [24](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_79) | | |
| **Note 13** | | | [Commitments and Contingencies](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_82) | | | [24](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_82) | | |
| **Note 14** | | | [Segment Reporting](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_85) | | | [25](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_85) | | |
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**STARBUCKS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

***(unaudited)***

**Note 1: Summary of Significant Accounting Policies and Estimates**

*Financial Statement Preparation*

The unaudited consolidated financial statements as of January 2, 2022, and for the quarters ended January 2, 2022 and December 27, 2020, have been prepared by Starbucks Corporation under the rules and regulations of the Securities and Exchange Commission (“SEC”). In the opinion of management, the financial information for the quarters ended January 2, 2022 and December 27, 2020 reflects all adjustments and accruals, which are of a normal recurring nature, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. In this Quarterly Report on Form 10-Q (“10-Q”), Starbucks Corporation is referred to as “Starbucks,” the “Company,” “we,” “us” or “our.”

Segment information is prepared on the same basis that our management reviews financial information for operational decision-making purposes. In the fourth quarter of fiscal 2021, certain changes were made to our management team, and our operating segment reporting structure was realigned as a result. We realigned our fully licensed Latin America and Caribbean markets from our Americas operating segment to our International operating segment. We renamed the Americas operating segment to the North America operating segment, since it is comprised of our company-operated and licensed stores in the U.S. and Canada. We also made certain other immaterial changes between our International operating segment and Corporate and Other. Certain prior period information for our North America and International operating segments and our Corporate and Other reportable segment has been reclassified to conform to the current year presentation. There was no impact on consolidated net revenues, total operating expenses, operating income or net earnings per share as a result of these changes.

Certain prior period information on the consolidated balance sheets and consolidated statements of cash flows have been reclassified to conform to the current presentation.

The financial information as of October 3, 2021 is derived from our audited consolidated financial statements and notes for the fiscal year ended October 3, 2021 (“fiscal 2021”) included in Item 8 in the Fiscal 2021 Annual Report on Form 10-K (“10-K”). The information included in this 10-Q should be read in conjunction with the footnotes and management’s discussion and analysis of the consolidated financial statements in the 10-K.

The results of operations for the quarter ended January 2, 2022 are not necessarily indicative of the results of operations that may be achieved for the entire fiscal year ending October 2, 2022 (“fiscal 2022”). Our fiscal year ends on the Sunday closest to September 30. Our fiscal 2022 year includes 52 weeks while our fiscal 2021 year included 53 weeks, with the 53rd week falling in the fourth quarter of fiscal 2021.

The novel coronavirus, known as the global COVID-19 pandemic, was first identified in December 2019 before spreading to markets where we have company-operated or licensed stores. We have since established the necessary protocols to operate safely, and our businesses demonstrated powerful momentum beyond recovery from the COVID-19 pandemic. However, the Omicron variant quickly spread during the quarter, and our operations continued to experience pandemic-related restrictions, impacting sales in both our North America and International segments, primarily China. Impacts also included higher than anticipated costs in North America due to staffing shortages in our supply chain and retail stores. We continue to monitor the COVID-19 pandemic and its effect on our business and results of operations; however, we cannot predict the duration, scope or severity of the COVID-19 pandemic or its future impact on our business, results of operations, cash flows and financial condition.

*Government Subsidies*

In response to the COVID-19 pandemic, certain governments have provided subsidies and assistance to companies. The most substantial of these were the U.S. Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and the Canada Emergency Wage Subsidy, which were no longer applicable in late fiscal 2021. However, during the quarter ended January 2, 2022, an international government subsidy reduced our store operating expenses by $11.5 million on our consolidated statements of earnings. During the quarter ended December 27, 2020, qualified payroll and other credits reduced our store operating expenses by $19.8 million on our consolidated statements of earnings. After netting the qualified credits against our payable, a receivable of $98.8 million and $172.4 million was included in prepaid expenses and other current assets as of January 2, 2022 and October 3, 2021, respectively. As of January 2, 2022, deferred payroll tax payments of $116.5 million were included in accrued liabilities on our consolidated balance sheets. As of October 3, 2021, deferred payroll tax payments of $116.4 million were included in both accrued liabilities and other long-term liabilities on our consolidated balance sheets.

*Restructuring*

In fiscal 2021, we substantially completed our plan to optimize our North America store portfolio, primarily in dense metropolitan markets by developing new store formats to better cater to changing customer tastes and preferences. As a result,

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we recorded approximately $72.2 million to restructuring and impairments on our consolidated statements of earnings during the quarter ended December 27, 2020. Of this total, $42.6 million related to the impairment of store assets for which either a triggering event occurred and the assets were determined not to be recoverable or the store was permanently closed. During the quarter ended December 27, 2020, an additional $29.6 million was associated with accelerated amortization of right-of-use (“ROU”) lease assets and other lease costs due to planned store closures prior to the end of contractual lease terms. As the restructuring plan was substantially completed in fiscal 2021, we did not recognize any material restructuring and impairment amounts during the quarter ended January 2, 2022. As of January 2, 2022 and October 3, 2021, there were no material restructuring-related accrued liabilities on our consolidated balance sheets.

*Recently Adopted Accounting Pronouncements*

In the first quarter of fiscal 2022, we adopted the Financial Accounting Standards Board (“FASB”) issued guidance related to reference rate reform. The pronouncement provides temporary optional expedients and exceptions to the current guidance on contract modifications and hedge accounting to ease the financial reporting burden related to the expected market transition from the London Interbank Offered Rate (“LIBOR”) and other interbank offered rates to alternative reference rates. The guidance was effective upon issuance and generally can be applied to applicable contract modifications through December 31, 2022. The adoption of the new guidance did not have a material impact to our financial statements.

In June 2016, the FASB issued guidance replacing the incurred loss impairment methodology with a new methodology that reflects current expected credit losses on financial assets, including receivables and available-for-sale securities. The new methodology requires entities to estimate and recognize expected credit losses each reporting period. The guidance was adopted during the first quarter of fiscal 2021 under the modified retrospective approach and resulted in a $2.2 million transition adjustment to opening shareholders' retained deficit on our consolidated statements of equity.

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**Note 2: Derivative Financial Instruments**

***Interest Rates***

From time to time, we enter into designated cash flow hedges to manage the variability in cash flows due to changes in benchmark interest rates. We enter into interest rate swap agreements and treasury locks, which are synthetic forward sales of U.S. Treasury securities settled in cash based upon the difference between an agreed-upon treasury rate and the prevailing treasury rate at settlement. These agreements are cash settled at the time of the pricing of the related debt. Each derivative agreement's gain or loss is recorded in accumulated other comprehensive income (“AOCI”) and is subsequently reclassified to interest expense over the life of the related debt.

To hedge the exposure to changes in the fair value of our fixed-rate debt, we enter into interest rate swap agreements, which are designated as fair value hedges. The changes in fair values of these derivative instruments and the offsetting changes in fair values of the underlying hedged debt due to changes in the relevant benchmark interest rates are recorded in interest expense. Refer to [Note 7](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_61), Debt, for additional information on our long-term debt.

***Foreign Currency***

To reduce cash flow volatility from foreign currency fluctuations, we enter into forward and swap contracts to hedge portions of cash flows of anticipated intercompany royalty payments, inventory purchases, and intercompany borrowing and lending activities. The resulting gains and losses from these derivatives are recorded in AOCI and subsequently reclassified to revenue, product and distribution costs, or interest income and other, net, respectively, when the hedged exposures affect net earnings.

From time to time, we may enter into financial instruments, including, but not limited to, forward and swap contracts or foreign currency-denominated debt, to hedge the currency exposure of our net investments in certain international operations. The resulting gains and losses from these derivatives are recorded in AOCI and are subsequently reclassified to net earnings when the hedged net investment is either sold or substantially liquidated.

Foreign currency forward and swap contracts not designated as hedging instruments are used to mitigate the foreign exchange risk of certain other balance sheet items. Gains and losses from these derivatives are largely offset by the financial impact of translating foreign currency-denominated payables and receivables, and these gains and losses are recorded in interest income and other, net.

***Commodities***

Depending on market conditions, we may enter into coffee forward contracts, futures contracts and collars to hedge anticipated cash flows under our price-to-be-fixed green coffee contracts, which are described further in [Note 4,](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_52) Inventories, or our longer-dated forecasted coffee demand where underlying fixed price and price-to-be-fixed contracts are not yet available. The resulting gains and losses are recorded in AOCI and are subsequently reclassified to product and distribution costs when the hedged exposure affects net earnings.

Depending on market conditions, we may also enter into dairy forward contracts and futures contracts to hedge a portion of anticipated cash flows under our dairy purchase contracts and our forecasted dairy demand. The resulting gains or losses are recorded in AOCI and are subsequently reclassified to product and distribution costs when the hedged exposure affects net earnings.

Cash flow hedges related to anticipated transactions are designated and documented at the inception of each hedge. Cash flows from hedging transactions are classified in the same categories as the cash flows from the respective hedged items. For de-designated cash flow hedges in which the underlying transactions are no longer probable of occurring, the related accumulated derivative gains or losses are recognized in interest income and other, net on our consolidated statements of earnings.

To mitigate the price uncertainty of a portion of our future purchases, including diesel fuel and other commodities, we enter into swap contracts, futures and collars that are not designated as hedging instruments. The resulting gains and losses are recorded in interest income and other, net to help offset price fluctuations on our beverage, food, packaging and transportation costs, which are included in product and distribution costs on our consolidated statements of earnings.

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Gains and losses on derivative contracts and foreign currency-denominated debt designated as hedging instruments included in AOCI and expected to be reclassified into earnings within 12 months, net of tax (*in millions*):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Net Gains/(Losses)**  **Included in AOCI** | | | | | | | | |  | | | **Net Gains/(Losses) Expected to be Reclassified from AOCI into Earnings within 12 Months** | | |  | | | **Outstanding Contract/Debt Remaining Maturity**  **(Months)** | | |
|  | | | **Jan 2, 2022** | | |  | | | **Oct 3, 2021** | | |  | | |  | | |
| Cash Flow Hedges: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Coffee | | | $ | 255.2 |  |  | | | $ | 197.8 |  |  | | | $ | 202.2 |  |  | | | 5 | | |
| Cross-currency swaps | | | 3.0 | |  |  | | | 4.4 | |  |  | | | — | |  |  | | | 35 | | |
| Dairy | | | 3.4 | |  |  | | | (0.4) | |  |  | | | 3.4 | |  |  | | | 8 | | |
| Foreign currency - other | | | 6.6 | |  |  | | | 1.3 | |  |  | | | 2.9 | |  |  | | | 36 | | |
| Interest rates | | | (43.6) | |  |  | | | (44.8) | |  |  | | | (1.4) | |  |  | | | 130 | | |
| Net Investment Hedges: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Cross-currency swaps | | | 47.6 | |  |  | | | 37.9 | |  |  | | | — | |  |  | | | 93 | | |
| Foreign currency | | | 16.0 | |  |  | | | 16.0 | |  |  | | | — | |  |  | | | 0 | | |
| Foreign currency debt | | | 13.5 | |  |  | | | (5.3) | |  |  | | | — | |  |  | | | 27 | | |

Pre-tax gains and losses on derivative contracts and foreign currency-denominated long-term debt designated as hedging instruments recognized in other comprehensive income (“OCI”) and reclassifications from AOCI to earnings (*in millions*):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Quarter Ended** | | | | | | | | | | | | | | | | | | | | |  | | |  | | |
|  | | | **Gains/(Losses) Recognized in OCI Before Reclassifications** | | | | | | | | |  | | | **Gains/(Losses) Reclassified from**  **AOCI to Earnings** | | | | | | | | |  | | | **Location of gain/(loss)** | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |  | | |
| Cash Flow Hedges: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Coffee | | | $ | 71.5 |  |  | | | $ | 12.0 |  |  | | | $ | 6.5 |  |  | | | $ | 0.7 |  |  | | | Product and distribution costs | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cross-currency swaps | | | 4.5 | |  |  | | | (3.4) | |  |  | | | (0.8) | |  |  | | | 1.0 | |  |  | | | Interest expense | | |
|  | | |  | | | 6.9 | |  |  | | | (4.8) | |  |  | | | Interest income and other, net | | |
| Dairy | | | 4.6 | |  |  | | | 2.5 | |  |  | | | (0.4) | |  |  | | | 2.6 | |  |  | | | Product and distribution costs | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Foreign currency - other | | | 6.9 | |  |  | | | (25.9) | |  |  | | | 2.2 | |  |  | | | — | |  |  | | | Licensed stores revenue | | |
|  | | |  | | | (1.5) | |  |  | | | — | |  |  | | | Product and distribution costs | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest rates | | | 1.2 | |  |  | | | 22.5 | |  |  | | | (0.4) | |  |  | | | (0.6) | |  |  | | | Interest expense | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net Investment Hedges: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Cross-currency swaps | | | 16.3 | |  |  | | | (16.5) | |  |  | | | 3.4 | |  |  | | | 3.2 | |  |  | | | Interest expense | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Foreign currency debt | | | 25.2 | |  |  | | | (13.7) | |  |  | | | — | |  |  | | | — | |  |  | | |  | | |
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Pre-tax gains and losses on non-designated derivatives and designated fair value hedging instruments and the related fair value hedged item recognized in earnings (*in millions*):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | | **Gains/(Losses) Recognized in Earnings** | | | | | | | | |
|  | | | **Location of gain/(loss) recognized in earnings** | | |  | | | **Quarter Ended** | | | | | | | | |
|  | | |  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |
| Non-Designated Derivatives: | | |  | | |  | | |  | | |  | | |  | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Foreign currency - other | | | Interest income and other, net | | |  | | | $ | 10.2 |  |  | | | $ | (0.8) |  |
| Coffee | | | Interest income and other, net | | |  | | | 3.1 | |  |  | | | — | |  |
| Diesel fuel and other commodities | | | Interest income and other, net | | |  | | | — | |  |  | | | 1.2 | |  |
| Fair Value Hedges: | | |  | | |  | | |  | | |  | | |  | | |
| Interest rate swap | | | Interest expense | | |  | | | (4.8) | |  |  | | | 0.4 | |  |
| Long-term debt (hedged item) | | | Interest expense | | |  | | | 8.2 | |  |  | | | 2.9 | |  |

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Notional amounts of outstanding derivative contracts *(in millions)*:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Jan 2, 2022** | | |  | | | **Oct 3, 2021** | | |
| Coffee | | | $ | 686 |  |  | | | $ | 481 |  |
| Cross-currency swaps | | | 789 | |  |  | | | 806 | |  |
| Dairy | | | 39 | |  |  | | | 53 | |  |
| Diesel fuel and other commodities | | | 96 | |  |  | | | 10 | |  |
| Foreign currency - other | | | 1,261 | |  |  | | | 1,009 | |  |
| Interest rate swaps | | | 1,250 | |  |  | | | 1,250 | |  |

Fair value of outstanding derivative contracts (*in millions*) including the location of the asset and/or liability on the consolidated balance sheets:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | | **Derivative Assets** | | | | | | | | |
|  | | | **Balance Sheet Location** | | |  | | | **Jan 2, 2022** | | |  | | | **Oct 3, 2021** | | |
| Designated Derivative Instruments: | | |  | | |  | | |  | | |  | | |  | | |
| Coffee | | | Prepaid expenses and other current assets | | |  | | | $ | 90.8 |  |  | | | $ | 130.5 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cross-currency swaps | | | Other long-term assets | | |  | | | 70.8 | |  |  | | | 54.7 | |  |
| Dairy | | | Prepaid expenses and other current assets | | |  | | | 5.5 | |  |  | | | 0.8 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Foreign currency - other | | | Prepaid expenses and other current assets | | |  | | | 9.5 | |  |  | | | 8.9 | |  |
| Other long-term assets | | |  | | | 8.7 | |  |  | | | 6.9 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest rate swaps | | | Other long-term assets | | |  | | | 18.5 | |  |  | | | 22.7 | |  |
| Non-designated Derivative Instruments: | | |  | | |  | | |  | | |  | | |  | | |
| Coffee | | | Prepaid expenses and other current assets | | |  | | | 29.8 | |  |  | | | — | |  |
| Dairy | | | Prepaid expenses and other current assets | | |  | | | 0.6 | |  |  | | | — | |  |
| Diesel fuel and other commodities | | | Prepaid expenses and other current assets | | |  | | | 0.1 | |  |  | | | 0.1 | |  |
| Foreign currency | | | Prepaid expenses and other current assets | | |  | | | 18.1 | |  |  | | | 7.3 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | | **Derivative Liabilities** | | | | | | | | |
|  | | | **Balance Sheet Location** | | |  | | | **Jan 2, 2022** | | |  | | | **Oct 3, 2021** | | |
| Designated Derivative Instruments: | | |  | | |  | | |  | | |  | | |  | | |
| Coffee | | | Accrued liabilities | | |  | | | $ | 3.1 |  |  | | | $ | — |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cross-currency swaps | | | Other long-term liabilities | | |  | | | 2.1 | |  |  | | | 3.3 | |  |
| Dairy | | | Accrued liabilities | | |  | | | 1.3 | |  |  | | | 0.9 | |  |
| Foreign currency - other | | | Accrued liabilities | | |  | | | 5.5 | |  |  | | | 7.4 | |  |
| Other long-term liabilities | | |  | | | 3.2 | |  |  | | | 3.6 | |  |
| Interest rates | | | Other long-term liabilities | | |  | | | 0.6 | |  |  | | | 1.3 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Non-designated Derivative Instruments: | | |  | | |  | | |  | | |  | | |  | | |
| Dairy | | | Accrued liabilities | | |  | | | 0.2 | |  |  | | | 0.2 | |  |
| Diesel fuel and other commodities | | | Accrued liabilities | | |  | | | 0.1 | |  |  | | | — | |  |
| Foreign currency | | | Accrued liabilities | | |  | | | 1.3 | |  |  | | | 0.1 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

The following amounts were recorded on the consolidated balance sheets related to fixed-to-floating interest rate swaps designated in fair value hedging relationships:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Carrying amount of hedged item** | | | | | | | | |  | | | **Cumulative amount of fair value hedging adjustment included in the carrying amount** | | | | | | | | |
|  | | | **Jan 2, 2022** | | |  | | | **Oct 3, 2021** | | |  | | | **Jan 2, 2022** | | |  | | | **Oct 3, 2021** | | |
| Location on the balance sheet | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Long-term debt | | | $ | 763.5 |  |  | | | $ | 771.7 |  |  | | | $ | 13.5 |  |  | | | $ | 21.7 |  |

Additional disclosures related to cash flow gains and losses included in AOCI, as well as subsequent reclassifications to earnings, are included in [Note 10](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_70), Equity.

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**Note 3: Fair Value Measurements**

Assets and liabilities measured at fair value on a recurring basis*(in millions)*:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | | **Fair Value Measurements at Reporting Date Using** | | | | | | | | | | | | | | |
|  | | | **Balance at January 2, 2022** | | |  | | | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | | |  | | | **Significant  Other Observable Inputs (Level 2)** | | |  | | | **Significant Unobservable  Inputs (Level 3)** | | |
| **Assets:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Cash and cash equivalents | | | $ | 3,969.4 |  |  | | | $ | 3,969.4 |  |  | | | $ | — |  |  | | | $ | — |  |
| Short-term investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Available-for-sale debt securities | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Commercial paper | | | 3.5 | |  |  | | | — | |  |  | | | 3.5 | |  |  | | | — | |  |
| Corporate debt securities | | | 4.8 | |  |  | | | — | |  |  | | | 4.8 | |  |  | | | — | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Mortgage and other asset-backed securities | | | 0.1 | |  |  | | | — | |  |  | | | 0.1 | |  |  | | | — | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total available-for-sale debt securities | | | 8.4 | |  |  | | | — | |  |  | | | 8.4 | |  |  | | | — | |  |
| Marketable equity securities | | | 79.0 | |  |  | | | 79.0 | |  |  | | | — | |  |  | | | — | |  |
| Total short-term investments | | | 87.4 | |  |  | | | 79.0 | |  |  | | | 8.4 | |  |  | | | — | |  |
| Prepaid expenses and other current assets: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative assets | | | 154.4 | |  |  | | | 123.6 | |  |  | | | 30.8 | |  |  | | | — | |  |
| Long-term investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Available-for-sale debt securities | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Corporate debt securities | | | 148.1 | |  |  | | | — | |  |  | | | 148.1 | |  |  | | | — | |  |
| Foreign government obligations | | | 4.0 | |  |  | | | — | |  |  | | | 4.0 | |  |  | | | — | |  |
| Mortgage and other asset-backed securities | | | 59.9 | |  |  | | | — | |  |  | | | 59.9 | |  |  | | | — | |  |
| State and local government obligations | | | 1.4 | |  |  | | | — | |  |  | | | 1.4 | |  |  | | | — | |  |
| U.S. government treasury securities | | | 86.2 | |  |  | | | 86.2 | |  |  | | | — | |  |  | | | — | |  |
| Total long-term investments | | | 299.6 | |  |  | | | 86.2 | |  |  | | | 213.4 | |  |  | | | — | |  |
| Other long-term assets: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative assets | | | 98.0 | |  |  | | | — | |  |  | | | 98.0 | |  |  | | | — | |  |
| Total assets | | | $ | 4,608.8 |  |  | | | $ | 4,258.2 |  |  | | | $ | 350.6 |  |  | | | $ | — |  |
| **Liabilities:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Accrued liabilities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative liabilities | | | $ | 11.5 |  |  | | | $ | 4.0 |  |  | | | $ | 7.5 |  |  | | | $ | — |  |
| Other long-term liabilities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative liabilities | | | 5.9 | |  |  | | | — | |  |  | | | 5.9 | |  |  | | | — | |  |
| Total liabilities | | | $ | 17.4 |  |  | | | $ | 4.0 |  |  | | | $ | 13.4 |  |  | | | $ | — |  |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | |  | | | **Fair Value Measurements at Reporting Date Using** | | | | | | | | | | | | | | |
|  | | | **Balance at October 3, 2021** | | |  | | | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | | |  | | | **Significant Other Observable Inputs (Level 2)** | | |  | | | **Significant**  **Unobservable  Inputs**  **(Level 3)** | | |
| **Assets:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Cash and cash equivalents | | | $ | 6,455.7 |  |  | | | $ | 6,455.7 |  |  | | | $ | — |  |  | | | $ | — |  |
| Short-term investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Available-for-sale debt securities | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Commercial paper | | | 63.0 | |  |  | | | — | |  |  | | | 63.0 | |  |  | | | — | |  |
| Corporate debt securities | | | 24.7 | |  |  | | | — | |  |  | | | 24.7 | |  |  | | | — | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Mortgage and other asset-backed securities | | | 0.1 | |  |  | | | — | |  |  | | | 0.1 | |  |  | | | — | |  |
| Total available-for-sale debt securities | | | 87.8 | |  |  | | | — | |  |  | | | 87.8 | |  |  | | | — | |  |
| Marketable equity securities | | | 74.4 | |  |  | | | 74.4 | |  |  | | | — | |  |  | | | — | |  |
| Total short-term investments | | | 162.2 | |  |  | | | 74.4 | |  |  | | | 87.8 | |  |  | | | — | |  |
| Prepaid expenses and other current assets: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative assets | | | 147.6 | |  |  | | | 131.1 | |  |  | | | 16.5 | |  |  | | | — | |  |
| Long-term investments: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Available-for-sale debt securities | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Auction rate securities | | | 6.0 | |  |  | | | — | |  |  | | | — | |  |  | | | 6.0 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Corporate debt securities | | | 162.0 | |  |  | | | — | |  |  | | | 162.0 | |  |  | | | — | |  |
| Foreign government obligations | | | 4.0 | |  |  | | | — | |  |  | | | 4.0 | |  |  | | | — | |  |
| Mortgage and other asset-backed securities | | | 31.9 | |  |  | | | — | |  |  | | | 31.9 | |  |  | | | — | |  |
| State and local government obligations | | | 1.5 | |  |  | | | — | |  |  | | | 1.5 | |  |  | | | — | |  |
| U.S. government treasury securities | | | 76.3 | |  |  | | | 76.3 | |  |  | | | — | |  |  | | | — | |  |
| Total long-term investments | | | 281.7 | |  |  | | | 76.3 | |  |  | | | 199.4 | |  |  | | | 6.0 | |  |
| Other long-term assets: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative assets | | | 84.3 | |  |  | | | — | |  |  | | | 84.3 | |  |  | | | — | |  |
| Total assets | | | $ | 7,131.5 |  |  | | | $ | 6,737.5 |  |  | | | $ | 388.0 |  |  | | | $ | 6.0 |  |
| **Liabilities:** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Accrued liabilities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative liabilities | | | $ | 8.6 |  |  | | | $ | 0.3 |  |  | | | $ | 8.3 |  |  | | | $ | — |  |
| Other long-term liabilities: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Derivative liabilities | | | 8.2 | |  |  | | | — | |  |  | | | 8.2 | |  |  | | | — | |  |
| Total liabilities | | | $ | 16.8 |  |  | | | $ | 0.3 |  |  | | | $ | 16.5 |  |  | | | $ | — |  |

There were no material transfers between levels and there was no significant activity within Level 3 instruments during the periods presented. The fair values of any financial instruments presented above exclude the impact of netting assets and liabilities when a legally enforceable master netting agreement exists.

Gross unrealized holding gains and losses on available-for-sale debt securities and marketable equity securities were not material as of January 2, 2022 and October 3, 2021.

***Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis***

Assets and liabilities recognized or disclosed at fair value on the consolidated financial statements on a nonrecurring basis include items such as property, plant and equipment, ROU assets, goodwill and other intangible assets and other assets. These assets are measured at fair value if determined to be impaired.

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The estimated fair value of our long-term debt based on the quoted market price (Level 2) is included at [Note 7](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_61), Debt. There were no material fair value adjustments during the quarters ended January 2, 2022 and December 27, 2020.

**Note 4: Inventories***(in millions)*:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Jan 2, 2022** | | |  | | | **Oct 3, 2021** | | |
| Coffee: | | |  | | |  | | |  | | |
| Unroasted | | | $ | 676.2 |  |  | | | $ | 670.3 |  |
| Roasted | | | 273.3 | |  |  | | | 233.5 | |  |
| Other merchandise held for sale | | | 332.2 | |  |  | | | 329.3 | |  |
| Packaging and other supplies | | | 355.4 | |  |  | | | 370.8 | |  |
| Total | | | $ | 1,637.1 |  |  | | | $ | 1,603.9 |  |

Other merchandise held for sale includes, among other items, serveware, food and tea. Inventory levels vary due to seasonality, commodity market supply and price fluctuations.

As of January 2, 2022, we had committed to purchasing green coffee totaling $617 million under fixed-price contracts and an estimated $1,433 million under price-to-be-fixed contracts. A portion of our price-to-be-fixed contracts are effectively fixed through the use of futures. See [Note 2](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_46), Derivative Financial Instruments, for further discussion. Price-to-be-fixed contracts are purchase commitments whereby the quality, quantity, delivery period and other negotiated terms are agreed upon, but the date, and therefore the price, at which the base “C” coffee commodity price component will be fixed has not yet been established. For most contracts, either Starbucks or the seller has the option to “fix” the base “C” coffee commodity price prior to the delivery date. For other contracts, Starbucks and the seller may agree upon pricing parameters determined by the base “C” coffee commodity price. Until prices are fixed, we estimate the total cost of these purchase commitments. We believe, based on established relationships with our suppliers and continuous monitoring, the risk of non-delivery on these purchase commitments is remote.

**Note 5: Supplemental Balance Sheet and Statement of Earnings Information** *(in millions)***:**

***Prepaid Expenses and Other Current Assets***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Jan 2, 2022** | | |  | | | **Oct 3, 2021** | | |
| Income tax receivable | | | $ | 21.6 |  |  | | | $ | 20.7 |  |
| Government subsidies receivable | | | 98.8 | |  |  | | | 172.4 | |  |
| Other prepaid expenses and current assets | | | 409.7 | |  |  | | | 401.5 | |  |
| Total prepaid expenses and current assets | | | $ | 530.1 |  |  | | | $ | 594.6 |  |

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***Property, Plant and Equipment, net***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Jan 2, 2022** | | |  | | | **Oct 3, 2021** | | |
| Land | | | $ | 46.2 |  |  | | | $ | 46.2 |  |
| Buildings | | | 582.1 | |  |  | | | 587.6 | |  |
| Leasehold improvements | | | 8,739.5 | |  |  | | | 8,637.6 | |  |
| Store equipment | | | 2,981.9 | |  |  | | | 2,934.1 | |  |
| Roasting equipment | | | 893.4 | |  |  | | | 857.2 | |  |
| Furniture, fixtures and other | | | 1,422.9 | |  |  | | | 1,392.0 | |  |
| Work in progress | | | 420.1 | |  |  | | | 374.1 | |  |
| Property, plant and equipment, gross | | | 15,086.1 | |  |  | | | 14,828.8 | |  |
| Accumulated depreciation | | | (8,688.1) | |  |  | | | (8,459.3) | |  |
| Property, plant and equipment, net | | | $ | 6,398.0 |  |  | | | $ | 6,369.5 |  |

***Accrued Liabilities***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Jan 2, 2022** | | |  | | | **Oct 3, 2021** | | |
| Accrued occupancy costs | | | $ | 99.9 |  |  | | | $ | 107.1 |  |
| Accrued dividends payable | | | 564.5 | |  |  | | | 578.1 | |  |
| Accrued capital and other operating expenditures | | | 973.0 | |  |  | | | 840.7 | |  |
| Self-insurance reserves | | | 231.2 | |  |  | | | 229.3 | |  |
| Income taxes payable | | | 394.2 | |  |  | | | 348.0 | |  |
| Accrued business taxes | | | 181.5 | |  |  | | | 218.0 | |  |
| Total accrued liabilities | | | $ | 2,444.3 |  |  | | | $ | 2,321.2 |  |

***Store Operating Expenses***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Quarter Ended** | | | | | | | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |
| Wages and benefits | | | $ | 2,010.7 |  |  | | | $ | 1,606.2 |  |
| Occupancy costs | | | 665.3 | |  |  | | | 628.1 | |  |
| Other expenses | | | 724.0 | |  |  | | | 633.0 | |  |
| Total store operating expenses | | | $ | 3,400.0 |  |  | | | $ | 2,867.3 |  |

**Note 6: Other Intangible Assets and Goodwill**

***Indefinite-Lived Intangible Assets***

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
| *(in millions)* | | | **Jan 2, 2022** | | |  | | | **Oct 3, 2021** | | |
| Trade names, trademarks and patents | | | $ | 96.8 |  |  | | | $ | 96.4 |  |

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***Finite-Lived Intangible Assets***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Jan 2, 2022** | | | | | | | | | | | | | | |  | | | **Oct 3, 2021** | | | | | | | | | | | | | | |
| *(in millions)* | | | **Gross Carrying Amount** | | |  | | | **Accumulated Amortization** | | |  | | | **Net Carrying Amount** | | |  | | | **Gross Carrying Amount** | | |  | | | **Accumulated Amortization** | | |  | | | **Net Carrying Amount** | | |
| Acquired and reacquired rights | | | $ | 1,138.1 |  |  | | | $ | (1,009.5) |  |  | | | $ | 128.6 |  |  | | | $ | 1,141.5 |  |  | | | $ | (971.9) |  |  | | | $ | 169.6 |  |
| Acquired trade secrets and processes | | | 27.6 | |  |  | | | (25.4) | |  |  | | | 2.2 | |  |  | | | 27.6 | |  |  | | | (24.8) | |  |  | | | 2.8 | |  |
| Trade names, trademarks and patents | | | 126.9 | |  |  | | | (56.8) | |  |  | | | 70.1 | |  |  | | | 126.3 | |  |  | | | (51.9) | |  |  | | | 74.4 | |  |
| Licensing agreements | | | 21.2 | |  |  | | | (16.4) | |  |  | | | 4.8 | |  |  | | | 18.8 | |  |  | | | (13.5) | |  |  | | | 5.3 | |  |
| Other finite-lived intangible assets | | | 24.2 | |  |  | | | (24.2) | |  |  | | | — | |  |  | | | 24.0 | |  |  | | | (22.6) | |  |  | | | 1.4 | |  |
| Total finite-lived intangible assets | | | $ | 1,338.0 |  |  | | | $ | (1,132.3) |  |  | | | $ | 205.7 |  |  | | | $ | 1,338.2 |  |  | | | $ | (1,084.7) |  |  | | | $ | 253.5 |  |

Amortization expense for finite-lived intangible assets was $50.2 million for the quarter ended January 2, 2022 and $61.2 million for the quarter ended December 27, 2020.

Estimated future amortization expense as of January 2, 2022 (*in millions*):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| **Fiscal Year** | | | **Total** | | |
| 2022 (excluding the quarter ended January 2, 2022) | | | $ | 146.1 |  |
| 2023 | | | 21.0 | |  |
| 2024 | | | 20.4 | |  |
| 2025 | | | 14.4 | |  |
| 2026 | | | 1.4 | |  |
| Thereafter | | | 2.4 | |  |
| Total estimated future amortization expense | | | $ | 205.7 |  |

***Goodwill***

Changes in the carrying amount of goodwill by reportable operating segment *(in millions)*:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **North America** | | |  | | | **International** | | |  | | | **Channel Development** | | |  | | | **Corporate and Other** | | |  | | | **Total** | | |
| Goodwill balance at October 3, 2021 | | | $ | 493.2 |  |  | | | $ | 3,148.3 |  |  | | | $ | 34.7 |  |  | | | $ | 1.1 |  |  | | | $ | 3,677.3 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other(1) | | | (0.1) | |  |  | | | (1.5) | |  |  | | | — | |  |  | | | — | |  |  | | | (1.6) | |  |
| Goodwill balance at January 2, 2022 | | | $ | 493.1 |  |  | | | $ | 3,146.8 |  |  | | | $ | 34.7 |  |  | | | $ | 1.1 |  |  | | | $ | 3,675.7 |  |

(1)“Other” consists of changes in the goodwill balance resulting from foreign currency translation.

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**Note 7: Debt**

***Revolving Credit Facility***

Our $3 billion unsecured five-year revolving credit facility (the "2021 credit facility"), of which $150 million may be used for issuances of letters of credit, is currently set to mature on September 16, 2026. The 2021 credit facility is available for working capital, capital expenditures and other corporate purposes, including acquisitions and share repurchases. We have the option, subject to negotiation and agreement with the related banks, to increase the maximum commitment amount by an additional $1.0 billion.

Borrowings under the 2021 credit facility will bear interest at a variable rate based on LIBOR, and, for U.S. dollar-denominated loans under certain circumstances, a Base Rate (as defined in the 2021 credit facility), in each case plus an applicable margin. The applicable margin is based on the Company’s long-term credit ratings assigned by the Moody’s and Standard & Poor’s rating agencies. The 2021 credit facility contains alternative interest rate provisions specifying rate calculations to be used at such time LIBOR ceases to be available as a benchmark due to reference rate reform. The “Base Rate” is the highest of (i) the Federal Funds Rate (as defined in the 2021 credit facility) plus 0.025%, (ii) Bank of America’s prime rate, and (iii) the Eurocurrency Rate (as defined in the 2021 credit facility) plus 1.025%.

The 2021 credit facility contains provisions requiring us to maintain compliance with certain covenants, including a minimum fixed charge coverage ratio, which measures our ability to cover financing expenses. As of January 2, 2022, we were in compliance with all applicable covenants. No amounts were outstanding under our 2021 credit facility as of January 2, 2022 or October 3, 2021.

***Short-term Debt***

Under our commercial paper program, we may issue unsecured commercial paper notes up to a maximum aggregate amount outstanding at any time of $3 billion, with individual maturities that may vary but not exceed 397 days from the date of issue. Amounts outstanding under the commercial paper program are required to be backstopped by available commitments under our 2021 credit facility. The proceeds from borrowings under our commercial paper program may be used for working capital needs, capital expenditures and other corporate purposes, including, but not limited to, business expansion, payment of cash dividends on our common stock and share repurchases. As of January 2, 2022, we had $200 million borrowings outstanding under the program.

Additionally, we hold the following Japanese yen-denominated credit facilities that are available for working capital needs and capital expenditures within our Japanese market:

•A ¥5 billion, or $43.4 million, credit facility is currently set to mature on December 31, 2022. Borrowings under such credit facility are subject to terms defined within the facility and will bear interest at a variable rate based on Tokyo Interbank Offered Rate ("TIBOR") plus an applicable margin of 0.400%.

•A ¥10 billion, or $86.9 million, credit facility is currently set to mature on March 26, 2022. Borrowings under such credit facility are subject to terms defined within the facility and will bear interest at a variable rate based on TIBOR plus an applicable margin of 0.350%.

As of January 2, 2022 and October 3, 2021, we had no borrowings outstanding under these Japanese yen-denominated credit facilities.

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***Long-term Debt***

Components of long-term debt including the associated interest rates and related estimated fair values by calendar maturity (*in millions, except interest rates)*:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Jan 2, 2022** | | | | | |  | | | **Oct 3, 2021** | | | | | |  | | | **Stated Interest Rate** | | | **Effective Interest Rate(1)** | | |
| **Issuance** | | | **Amount** | | | **Estimated Fair Value** | | |  | | | **Amount** | | | **Estimated Fair Value** | | |  | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| May 2022 notes | | | $ | 500.0 |  | $ | 501.7 |  |  | | | $ | 500.0 |  | $ | 503.1 |  |  | | | 1.300 | | % | 1.334 | | % |
| June 2022 notes | | | 500.0 | |  | 503.2 | |  |  | | | 500.0 | |  | 506.7 | |  |  | | | 2.700 | | % | 2.819 | | % |
| March 2023 notes | | | 1,000.0 | |  | 1,023.6 | |  |  | | | 1,000.0 | |  | 1,035.9 | |  |  | | | 3.100 | | % | 3.107 | | % |
| October 2023 notes(2) | | | 750.0 | |  | 782.3 | |  |  | | | 750.0 | |  | 794.8 | |  |  | | | 3.850 | | % | 2.859 | | % |
| March 2024 notes(3) | | | 738.6 | |  | 737.4 | |  |  | | | 763.8 | |  | 761.0 | |  |  | | | 0.372 | | % | 0.462 | | % |
| August 2025 notes | | | 1,250.0 | |  | 1,347.1 | |  |  | | | 1,250.0 | |  | 1,371.5 | |  |  | | | 3.800 | | % | 3.721 | | % |
| June 2026 notes | | | 500.0 | |  | 516.2 | |  |  | | | 500.0 | |  | 526.4 | |  |  | | | 2.450 | | % | 2.511 | | % |
| March 2027 notes | | | 500.0 | |  | 502.2 | |  |  | | | 500.0 | |  | 513.0 | |  |  | | | 2.000 | | % | 2.058 | | % |
| March 2028 notes | | | 600.0 | |  | 648.4 | |  |  | | | 600.0 | |  | 663.2 | |  |  | | | 3.500 | | % | 3.529 | | % |
| November 2028 notes | | | 750.0 | |  | 837.3 | |  |  | | | 750.0 | |  | 855.9 | |  |  | | | 4.000 | | % | 3.958 | | % |
| August 2029 notes | | | 1,000.0 | |  | 1,084.0 | |  |  | | | 1,000.0 | |  | 1,109.9 | |  |  | | | 3.550 | | % | 3.840 | | % |
| March 2030 notes | | | 750.0 | |  | 746.6 | |  |  | | | 750.0 | |  | 758.6 | |  |  | | | 2.250 | | % | 3.084 | | % |
| November 2030 notes | | | 1,250.0 | |  | 1,265.0 | |  |  | | | 1,250.0 | |  | 1,286.9 | |  |  | | | 2.550 | | % | 2.582 | | % |
| June 2045 notes | | | 350.0 | |  | 406.0 | |  |  | | | 350.0 | |  | 414.1 | |  |  | | | 4.300 | | % | 4.348 | | % |
| December 2047 notes | | | 500.0 | |  | 541.6 | |  |  | | | 500.0 | |  | 556.5 | |  |  | | | 3.750 | | % | 3.765 | | % |
| November 2048 notes | | | 1,000.0 | |  | 1,219.7 | |  |  | | | 1,000.0 | |  | 1,248.6 | |  |  | | | 4.500 | | % | 4.504 | | % |
| August 2049 notes | | | 1,000.0 | |  | 1,221.9 | |  |  | | | 1,000.0 | |  | 1,241.0 | |  |  | | | 4.450 | | % | 4.447 | | % |
| March 2050 notes | | | 500.0 | |  | 520.2 | |  |  | | | 500.0 | |  | 527.5 | |  |  | | | 3.350 | | % | 3.362 | | % |
| November 2050 notes | | | 1,250.0 | |  | 1,322.3 | |  |  | | | 1,250.0 | |  | 1,339.5 | |  |  | | | 3.500 | | % | 3.528 | | % |
| Total | | | 14,688.6 | |  | 15,726.7 | |  |  | | | 14,713.8 | |  | 16,014.1 | |  |  | | |  | | |  | | |
| Aggregate debt issuance costs and unamortized premium/(discount), net | | | (116.5) | |  |  | | |  | | | (119.7) | |  |  | | |  | | |  | | |  | | |
| Hedge accounting fair value adjustment(2) | | | 13.5 | |  |  | | |  | | | 21.7 | |  |  | | |  | | |  | | |  | | |
| Total | | | $ | 14,585.6 |  |  | | |  | | | $ | 14,615.8 |  |  | | |  | | |  | | |  | | |

(1)Includes the effects of the amortization of any premium or discount and any gain or loss upon settlement of related treasury locks or forward-starting interest rate swaps utilized to hedge interest rate risk prior to the debt issuance.

(2)Amount includes the change in fair value due to changes in benchmark interest rates related to our October 2023 notes. Refer to [Note 2](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_46), Derivative Financial Instruments, for additional information on our interest rate swap designated as a fair value hedge.

(3)Japanese yen-denominated long-term debt.

The following table summarizes our long-term debt maturities as of January 2, 2022 by fiscal year (*in millions*):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| **Fiscal Year** | | | **Total** | | |
|  |  |  |  |  |  |
| 2022 | | | $ | 1,000.0 |  |
| 2023 | | | 1,000.0 | |  |
| 2024 | | | 1,488.6 | |  |
| 2025 | | | 1,250.0 | |  |
| 2026 | | | 500.0 | |  |
| Thereafter | | | 9,450.0 | |  |
| Total | | | $ | 14,688.6 |  |

**Note 8: Leases**

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The components of lease costs *(in millions)*:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Quarter Ended** | | | | | | | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |
| Operating lease costs(1) | | | $ | 386.1 |  |  | | | $ | 409.4 |  |
| Variable lease costs | | | 229.8 | |  |  | | | 222.4 | |  |
| Short-term lease costs | | | 7.1 | |  |  | | | 8.7 | |  |
| Total lease costs | | | $ | 623.0 |  |  | | | $ | 640.5 |  |

(1)Includes immaterial amounts of sublease income and rent concessions.

The following table includes supplemental information *(in millions)*:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Quarter Ended** | | | | | | | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |
| Cash paid related to operating lease liabilities | | | $ | 410.0 |  |  | | | $ | 385.6 |  |
| Operating lease liabilities arising from obtaining ROU assets | | | 346.8 | |  |  | | | 353.8 | |  |
|  | | |  | | |  | | |  | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |
| Weighted-average remaining operating lease term | | | 8.6 years | | |  | | | 8.8 years | | |
| Weighted-average operating lease discount rate | | | 2.5 | | % |  | | | 2.5 | | % |

Finance lease assets are recorded in property, plant and equipment, net with the corresponding lease liabilities included in accrued liabilities and other long-term liabilities on the consolidated balance sheet. There were no material finance leases as of January 2, 2022.

Minimum future maturities of operating lease liabilities *(in millions)*:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| **Fiscal Year** | | | **Total** | | |
| 2022 (excluding the quarter ended January 2, 2022) | | | $ | 1,127.4 |  |
| 2023 | | | 1,460.7 | |  |
| 2024 | | | 1,346.1 | |  |
| 2025 | | | 1,200.5 | |  |
| 2026 | | | 1,040.5 | |  |
| Thereafter | | | 3,880.4 | |  |
| Total lease payments | | | 10,055.6 | |  |
| Less imputed interest | | | (1,094.3) | |  |
| Total | | | $ | 8,961.3 |  |

As of January 2, 2022, we have entered into operating leases that have not yet commenced of $925.8 million, primarily related to real estate leases. These leases will commence between fiscal year 2022 and fiscal year 2028 with lease terms ranging from ten to twenty years.

**Note 9: Deferred Revenue**

Our deferred revenue primarily consists of the prepaid royalty from Nestlé, for which we have continuing performance obligations to support the Global Coffee Alliance, our unredeemed stored value card liability and unredeemed loyalty points (“Stars”) associated with our loyalty program.

As of January 2, 2022, the current and long-term deferred revenue related to Nestlé was $177.9 million and $6.4 billion, respectively. As of October 3, 2021, the current and long-term deferred revenue related to the Nestlé up-front payment was $177.0 million and $6.4 billion, respectively. For each of the quarters ended January 2, 2022 and December 27, 2020, we recognized $44.2 million of prepaid royalty revenue related to Nestlé.

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Changes in our deferred revenue balance related to our stored value cards and loyalty program*(in millions)*:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| **Quarter Ended January 2, 2022** | | | **Total** | | |
| Stored value cards and loyalty program at October 3, 2021 | | | $ | 1,448.5 |  |
| Revenue deferred - card activations, card reloads and Stars earned | | | 3,917.5 | |  |
| Revenue recognized - card and Stars redemptions and breakage | | | (3,410.8) | |  |
| Other(1) | | | (2.7) | |  |
| Stored value cards and loyalty program at January 2, 2022(2) | | | $ | 1,952.5 |  |
|  | | |  | | |
| **Quarter Ended December 27, 2020** | | | **Total** | | |
| Stored value cards and loyalty program at September 27, 2020 | | | $ | 1,280.5 |  |
| Revenue deferred - card activations, card reloads and Stars earned | | | 3,437.4 | |  |
| Revenue recognized - card and Stars redemptions and breakage | | | (2,980.2) | |  |
| Other(1) | | | 12.3 | |  |
| Stored value cards and loyalty program at December 27, 2020(2) | | | $ | 1,750.0 |  |

(1)“Other” primarily consists of changes in the stored value cards and loyalty program balances resulting from foreign currency translation.

(2)As of January 2, 2022 and December 27, 2020, approximately $1.8 billion and $1.6 billion of these amounts were current, respectively.

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**Note 10:     Equity**

Changes in AOCI by component, net of tax *(in millions)*:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Quarter Ended** | | | **Available-for-Sale Debt Securities** | | |  | | | **Cash Flow Hedges** | | |  | | | **Net Investment Hedges** | | |  | | | **Translation Adjustment and Other** | | |  | | | **Total** | | |
| *January 2, 2022* | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net gains/(losses) in AOCI, beginning of period | | | $ | 1.5 |  |  | | | $ | 158.3 |  |  | | | $ | 48.6 |  |  | | | $ | (61.2) |  |  | | | $ | 147.2 |  |
| Net gains/(losses) recognized in OCI before reclassifications | | | (2.6) | |  |  | | | 76.9 | |  |  | | | 31.0 | |  |  | | | 14.2 | |  |  | | | 119.5 | |  |
| Net (gains)/losses reclassified from AOCI to earnings | | | (0.1) | |  |  | | | (10.6) | |  |  | | | (2.5) | |  |  | | | — | |  |  | | | (13.2) | |  |
| Other comprehensive income/(loss) attributable to Starbucks | | | (2.7) | |  |  | | | 66.3 | |  |  | | | 28.5 | |  |  | | | 14.2 | |  |  | | | 106.3 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net gains/(losses) in AOCI, end of period | | | $ | (1.2) |  |  | | | $ | 224.6 |  |  | | | $ | 77.1 |  |  | | | $ | (47.0) |  |  | | | $ | 253.5 |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| *December 27, 2020* | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Net gains/(losses) in AOCI, beginning of period | | | $ | 5.7 |  |  | | | $ | (82.1) |  |  | | | $ | 11.5 |  |  | | | $ | (299.7) |  |  | | | $ | (364.6) |  |
| Net gains/(losses) recognized in OCI before reclassifications | | | (0.4) | |  |  | | | 4.8 | |  |  | | | (22.6) | |  |  | | | 238.7 | |  |  | | | 220.5 | |  |
| Net (gains)/losses reclassified from AOCI to earnings | | | (1.2) | |  |  | | | 1.8 | |  |  | | | (2.4) | |  |  | | | — | |  |  | | | (1.8) | |  |
| Other comprehensive income/(loss) attributable to Starbucks | | | (1.6) | |  |  | | | 6.6 | |  |  | | | (25.0) | |  |  | | | 238.7 | |  |  | | | 218.7 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| Net gains/(losses) in AOCI, end of period | | | $ | 4.1 |  |  | | | $ | (75.5) |  |  | | | $ | (13.5) |  |  | | | $ | (61.0) |  |  | | | $ | (145.9) |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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Impact of reclassifications from AOCI on the consolidated statements of earnings *(in millions)*:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| **Quarter Ended** | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **AOCI Components** | | |  | | | **Amounts Reclassified from AOCI** | | | | | | | | |  | | | **Affected Line Item in the Statements of Earnings** | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |  | | |
| Gains/(losses) on available-for-sale debt securities | | |  | | | $ | 0.2 |  |  | | | $ | 1.5 |  |  | | | Interest income and other, net | | |
| Gains/(losses) on cash flow hedges | | |  | | | 12.5 | |  |  | | | (1.1) | |  |  | | | Please refer to [Note 2](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_46), Derivative Financial Instruments for additional information. | | |
| Gains/(losses) on net investment hedges | | |  | | | 3.4 | |  |  | | | 3.2 | |  |  | | | Interest expense | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | |  | | | 16.1 | |  |  | | | 3.6 | |  |  | | | Total before tax | | |
|  | | |  | | | (2.9) | |  |  | | | (1.8) | |  |  | | | Tax (expense)/benefit | | |
|  | | |  | | | $ | 13.2 |  |  | | | $ | 1.8 |  |  | | | Net of tax | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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In addition to 2.4 billion shares of authorized common stock with $0.001 par value per share, the Company has authorized 7.5 million shares of preferred stock, none of which was outstanding as of January 2, 2022.

During the quarter ended January 2, 2022, we repurchased 31.1 million shares of common stock for $3.5 billion. As of January 2, 2022, 17.8 million shares remained available for repurchase under current authorizations.

During the first quarter of fiscal 2022, our Board of Directors approved a quarterly cash dividend to shareholders of $0.49 per share to be paid on February 25, 2022 to shareholders of record as of the close of business on February 11, 2022.

**Note 11: Employee Stock Plans**

As of January 2, 2022, there were 34.4 million shares of common stock available for issuance pursuant to future equity-based compensation awards and 11.2 million shares available for issuance under our employee stock purchase plan.

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Stock-based compensation expense recognized in the consolidated statements of earnings *(in millions)*:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Quarter Ended** | | | | | | | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |
| Restricted Stock Units (“RSUs”) | | | $ | 95.7 |  |  | | | $ | 98.4 |  |
| Options | | | 0.1 | |  |  | | | 0.9 | |  |
| Total stock-based compensation expense | | | $ | 95.8 |  |  | | | $ | 99.3 |  |

Stock option and RSU transactions from October 3, 2021 through January 2, 2022 (*in millions*):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Stock Options** | | |  | | | **RSUs** | | |
| Options outstanding/Nonvested RSUs, October 3, 2021 | | | 5.2 | |  |  | | | 7.7 | |  |
| Granted | | | — | |  |  | | | 3.5 | |  |
| Options exercised/RSUs vested | | | (0.6) | |  |  | | | (3.2) | |  |
| Forfeited/expired | | | — | |  |  | | | (0.3) | |  |
| Options outstanding/Nonvested RSUs, January 2, 2022 | | | 4.6 | |  |  | | | 7.7 | |  |
| Total unrecognized stock-based compensation expense, net of estimated forfeitures, as of January 2, 2022 | | | $ | — |  |  | | | $ | 311.9 |  |

**Note 12: Earnings per Share**

Calculation of net earnings per common share (“EPS”) — basic and diluted (*in millions, except EPS*):

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Quarter Ended** | | | | | | | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |
| Net earnings attributable to Starbucks | | | $ | 815.9 |  |  | | | $ | 622.2 |  |
| Weighted average common shares outstanding (for basic calculation) | | | 1,169.6 | |  |  | | | 1,175.0 | |  |
| Dilutive effect of outstanding common stock options and RSUs | | | 7.0 | |  |  | | | 8.0 | |  |
| Weighted average common and common equivalent shares outstanding (for diluted calculation) | | | 1,176.6 | |  |  | | | 1,183.0 | |  |
| EPS — basic | | | $ | 0.70 |  |  | | | $ | 0.53 |  |
| EPS — diluted | | | $ | 0.69 |  |  | | | $ | 0.53 |  |

Potential dilutive shares consist of the incremental common shares issuable upon the exercise of outstanding stock options (both vested and non-vested) and unvested RSUs, calculated using the treasury stock method. The calculation of dilutive shares outstanding would exclude out-of-the-money stock options (i.e., such options’ exercise prices were greater than the average market price of our common shares for the period) because their inclusion would be anti-dilutive. As of January 2, 2022 and December 27, 2020, we had no out-of-the-money stock options.

**Note 13: Commitments and Contingencies**

***Legal Proceedings***

On April 13, 2010, an organization named Council for Education and Research on Toxics (“Plaintiff”) filed a lawsuit in the Superior Court of the State of California, County of Los Angeles, against the Company and certain other defendants who manufacture, package, distribute or sell brewed coffee. The lawsuit is *Council for Education and Research on Toxics v. Starbucks Corporation, et al*. On May 9, 2011, the Plaintiff filed an additional lawsuit in the Superior Court of the State of California, County of Los Angeles, against the Company and additional defendants who manufacture, package, distribute or sell packaged coffee. The lawsuit is *Council for Education and Research on Toxics v. Brad Barry LLC, et al*. Both cases have since been consolidated and now include nearly eighty defendants, which constitute the majority of the coffee industry in California. Plaintiff alleges that the Company and the other defendants failed to provide warnings for their coffee products of exposure to the chemical acrylamide as required under California Health and Safety Code Section 25249.5, the California Safe Drinking Water and Toxic Enforcement Act of 1986, better known as Proposition 65. Plaintiff seeks equitable relief, including providing warnings to consumers of coffee products, as well as civil penalties in the amount of the statutory maximum of two thousand five hundred dollars per day per violation of Proposition 65. The Plaintiff asserts that every consumed cup of coffee, absent a compliant warning, is equivalent to a violation under Proposition 65.

The Company, as part of a joint defense group organized to defend against the lawsuit, disputes the claims of the Plaintiff. Acrylamide is not added to coffee but is present in all coffee in small amounts (parts per billion) as a byproduct of the coffee bean roasting process. The Company has asserted multiple affirmative defenses. Trial of the first phase of the case (“Phase 1”)

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commenced on September 8, 2014, and was limited to three affirmative defenses shared by all defendants. On September 1, 2015, the trial court issued a final ruling adverse to defendants on all Phase 1 defenses. Trial of the second phase of the case (“Phase 2”) commenced in the fall of 2017. On May 7, 2018, the trial court issued a ruling adverse to defendants on the Phase 2 defense, the Company's last remaining defense to liability. On June 22, 2018, the California Office of Environmental Health Hazard Assessment (OEHHA) proposed a new regulation clarifying that cancer warnings are not required for coffee under Proposition 65. The case was set to proceed to a third phase trial (“Phase 3”) on damages, remedies and attorneys' fees on October 15, 2018. However, on October 12, 2018, the California Court of Appeal granted the defendants’ request for a stay of the Phase 3 trial.

On June 3, 2019, the California Office of Administrative Law (OAL) approved the coffee exemption regulation. The regulation became effective on October 1, 2019. On June 24, 2019, the California Court of Appeal lifted the stay of the litigation. At the status conference on August 25, 2020, the trial judge granted the defendants’ motion for summary judgment, ruling that the coffee exemption regulation is a complete defense to the Plaintiff’s complaint. The Notice of Entry of Judgment from the court was served on October 6, 2020, and the Plaintiff filed a Notice of Appeal on November 20, 2020 and its opening brief in the appeals process on April 9, 2021. Defendants filed their response brief on August 9, 2021, and Plaintiff filed a reply on November 15, 2021. Starbucks believes that the likelihood that the Company will ultimately incur a material loss in connection with this litigation is less than reasonably possible. Accordingly, as of January 2, 2022, no loss contingency has been recorded for this matter.

Starbucks is party to various other legal proceedings arising in the ordinary course of business, including certain employment litigation cases that have been certified as class or collective actions, but, except as noted above, is not currently a party to any legal proceeding that management believes could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

**Note 14: Segment Reporting**

Segment information is prepared on the same basis that our chief executive officer, who is our chief operating decision maker, manages the segments, evaluates financial results and makes key operating decisions.

Consolidated revenue mix by product type (*in millions*):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Quarter Ended** | | | | | | | | | | | | | | | | | | | | |
|  | | | **Jan 2, 2022** | | | | | | | | |  | | | **Dec 27, 2020** | | | | | | | | |
| Beverage(1) | | | $ | 4,898.4 |  |  | | | 61 | | % |  | | | $ | 4,251.9 |  |  | | | 63 | | % |
| Food(2) | | | 1,434.6 | |  |  | | | 18 | | % |  | | | 1,140.8 | |  |  | | | 17 | | % |
| Other(3) | | | 1,717.4 | |  |  | | | 21 | | % |  | | | 1,356.7 | |  |  | | | 20 | | % |
| Total | | | $ | 8,050.4 |  |  | | | 100 | | % |  | | | $ | 6,749.4 |  |  | | | 100 | | % |

(1)Beverage represents sales within our company-operated stores.

(2)Food includes sales within our company-operated stores.

(3)“Other” primarily consists of packaged and single-serve coffees and teas, royalty and licensing revenues, serveware, beverage-related ingredients and ready-to-drink beverages, among other items.

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The table below presents financial information for our reportable operating segments and Corporate and Other segment *(in millions)*:

**Quarter Ended**

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|  | | | **North America (1)** | | |  | | | **International (1)** | | |  | | | **Channel Development** | | |  | | | **Corporate and Other (1)** | | |  | | | **Total** | | |
| *January 2, 2022* | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total net revenues | | | $ | 5,732.3 |  |  | | | $ | 1,875.9 |  |  | | | $ | 417.1 |  |  | | | $ | 25.1 |  |  | | | $ | 8,050.4 |  |
| Depreciation and amortization expenses | | | 200.0 | |  |  | | | 133.1 | |  |  | | | — | |  |  | | | 32.9 | |  |  | | | 366.0 | |  |
| Income from equity investees | | | — | |  |  | | | 0.7 | |  |  | | | 39.6 | |  |  | | | — | |  |  | | | 40.3 | |  |
| Operating income/(loss) | | | 1,083.1 | |  |  | | | 299.6 | |  |  | | | 183.2 | |  |  | | | (388.1) | |  |  | | | 1,177.8 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| *December 27, 2020* | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Total net revenues | | | $ | 4,675.6 |  |  | | | $ | 1,681.9 |  |  | | | $ | 371.4 |  |  | | | $ | 20.5 |  |  | | | $ | 6,749.4 |  |
| Depreciation and amortization expenses | | | 188.9 | |  |  | | | 140.0 | |  |  | | | 0.2 | |  |  | | | 37.0 | |  |  | | | 366.1 | |  |
| Income from equity investees | | | — | |  |  | | | 26.3 | |  |  | | | 56.4 | |  |  | | | — | |  |  | | | 82.7 | |  |
| Operating income/(loss) | | | 802.8 | |  |  | | | 283.0 | |  |  | | | 180.8 | |  |  | | | (353.1) | |  |  | | | 913.5 | |  |
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(1)North America and International total net revenues and operating income and Corporate and Other operating loss for the quarter ended December 27, 2020, have been restated to conform with current period presentation.

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**Item 2.*Management’s Discussion and Analysis of Financial Condition and Results of Operations***

***CAUTIONARY STATEMENT PURSUANT TO THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995***

*Certain statements herein are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Generally, these statements can be identified by the use of words such as “aim,” “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “feel,” “forecast,” “intend,” “may,” “outlook,” “plan,” “potential,” “project,” “seek,” “should,” “will,” “would,” and similar expressions intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements include statements relating to trends in or expectations relating to the effects of our existing and any future initiatives, strategies and plans, as well as trends in or expectations regarding our financial results and long-term growth model and drivers, the anticipated timing and effects of recovery of our business, the conversion of several market operations to fully licensed models, our plans for streamlining our operations, including store openings, closures and changes in store formats and models, expanding our licensing to Nestlé of our consumer packaged goods and Foodservice businesses and its effects on our Channel Development segment results, tax rates, business opportunities and expansion, strategic acquisitions, our future relationship with Starbucks Coffee Korea Co., Ltd., expenses, dividends, share repurchases, commodity costs and our mitigation strategies, liquidity, cash flow from operations, use of cash and cash requirements, investments, borrowing capacity and use of proceeds, continuing compliance with our covenants under our credit facilities and commercial paper program, repatriation of cash to the U.S., the likelihood of the issuance of additional debt and the applicable interest rate, the continuing impact of the COVID-19 pandemic on our financial results, future availability of governmental subsidies for COVID-19 or other public health events, the expected effects of new accounting pronouncements and the estimated impact of changes in U.S. tax law, including on tax rates, investments funded by these changes and potential outcomes and effects of legal proceedings. Such statements are based on currently available operating, financial and competitive information and are subject to various risks and uncertainties. Actual future results and trends may differ materially depending on a variety of factors, including, but not limited to: further spread of COVID-19 and related disruptions to our business; regulatory measures or voluntary actions that may be put in place to limit the spread of COVID-19, including restrictions on business operations or social distancing requirements, and the duration and efficacy of such restrictions; the potential for a resurgence of COVID-19 infections and the circulation of novel variants of COVID-19 in a given geographic region after it has hit its “peak”; fluctuations in U.S. and international economies and currencies; our ability to preserve, grow and leverage our brands; the ability of our business partners and third-party providers to fulfill their responsibilities and commitments; potential negative effects of incidents involving food or beverage-borne illnesses, tampering, adulteration, contamination or mislabeling; potential negative effects of material breaches of our information technology systems to the extent we experience a material breach; material failures of our information technology systems; costs associated with, and the successful execution of, the Company’s initiatives and plans, including the successful expansion of our Global Coffee Alliance with Nestlé; our ability to obtain financing on acceptable terms; the acceptance of the Company’s products by our customers, evolving consumer preferences and tastes and changes in consumer spending behavior; partner investments, changes in the availability and cost of labor including any union organizing efforts and our responses to such efforts; significant increased logistics costs; inflationary pressures; the impact of competition; inherent risks of operating a global business; the prices and availability of coffee, dairy and other raw materials; the effect of legal proceedings; the effects of changes in tax laws and related guidance and regulations that may be implemented and other risks detailed in our filings with the SEC, including in Part I Item IA*“*Risk Factors*”*in the 10-K.*

*A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this report. We are under no obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.*

This information should be read in conjunction with the consolidated financial statements and the notes included in Item 1 of Part I of this 10-Q and the audited consolidated financial statements and notes, and Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”), contained in the 10-K filed with the SEC on November 19, 2021.

**Introduction and Overview**

Starbucks is the premier coffee roaster and retailer of specialty coffee with operations in 84 markets around the world. As of January 2, 2022, Starbucks had over 34,300 company-operated and licensed stores, an increase of 4% from the prior year. Additionally, we sell a variety of consumer-packaged goods, primarily through the Global Coffee Alliance established with Nestlé and other partnerships and joint ventures. During the quarter ended January 2, 2022, our global comparable store sales grew 13%, demonstrating powerful momentum beyond recovery from the significant adverse impacts from the pandemic in the prior year period.

We have three reportable operating segments: 1) North America, which is inclusive of the U.S. and Canada, 2) International, which is inclusive of China, Japan, Asia Pacific, Europe, Middle East, Africa, Latin America and the Caribbean; and 3) Channel

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Development. Non-reportable operating segments such as Evolution Fresh and unallocated corporate expenses are reported within Corporate and Other.

We believe our financial results and long-term growth model will continue to be driven by new store openings, comparable store sales growth and operating margin management, underpinned by disciplined capital allocation. We believe these key operating metrics are useful to investors because management uses these metrics to assess the growth of our business and the effectiveness of our marketing and operational strategies. Throughout this MD&A, we commonly discuss the following key operating metrics:

•New store openings and store count

•Comparable store sales growth

•Operating margin

Comparable store sales growth represents the percentage change in sales in one period from the same prior year period for company-operated stores open for 13 months or longer and exclude the impact of foreign currency translation. We analyze comparable store sales growth on a constant currency basis as this helps identify underlying business trends, without distortion from the effects of currency movements. Stores that are temporarily closed or operating at reduced hours due to the COVID-19 pandemic remain in comparable store sales while stores identified for permanent closure have been removed. Additionally, we monitor our two-year comparable sales metric based on a multiplicative basis(1) to better analyze our performance due to the adverse impacts from the pandemic.

Our fiscal year ends on the Sunday closest to September 30. Our fiscal 2022 year includes 52 weeks while our fiscal 2021 year included 53 weeks. All references to store counts, including data for new store openings, are reported net of store closures, unless otherwise noted.

Starbucks results for the first quarter of fiscal 2022 demonstrate the overall strength and resilience of our brand. Consolidated net revenues increased 19% to $8.1 billion in the first quarter of fiscal 2022 compared to $6.7 billion in the first quarter of fiscal 2021, primarily driven by strength in our U.S. business attributable to strong holiday performance, partially offset by continued COVID-19 related disruptions in certain North America and International markets. Consolidated operating margin expanded 110 basis points from the prior year to 14.6%, primarily due to sales leverage from business recovery, pricing in North America and lower restructuring costs, partially offset by investments in store partner wages and benefits as well as inflation.

For the North America segment, comparable store sales increased 18% for the first quarter of fiscal 2022 compared to a decline of 6% in the first quarter of fiscal 2021. Comparable store sales for our U.S. market increased 18% for the first quarter of fiscal 2022 compared to a decline of 5% in the first quarter of fiscal 2021. The U.S. market also had a 12% increase in two-year comparable store sales, despite modified store operations related to the COVID-19 pandemic, which have been ongoing, whether intermittently or concentrated, since the COVID-19 pandemic began, The segment also experienced higher than anticipated costs, primarily related to enhancements in retail store partner wages, increased supply chain costs due to inflationary pressures and increased spend on new partner training and support costs to address labor market conditions.

For the International segment, comparable store sales declined 3%, inclusive of a 3% adverse impact from lapping the prior-year value-added tax benefit. Comparable store sales for our China market declined 14% for the first quarter of fiscal 2022, inclusive of a 4% adverse impact from lapping the prior-year value-added tax benefit. Our China market continued to experience pandemic-related restrictions that significantly impacted customer mobility during the quarter, while our other International markets were not as severely impacted.

Net revenues for our Channel Development segment increased $46 million, or 12%, when compared with the first quarter of fiscal 2021. This was largely due to higher product sales to and royalty revenue from the Global Coffee Alliance and growth in our international ready-to-drink business.

Absent significant COVID-19 relapses or global economic disruptions, and based on the current trend of our retail business operations and our focused efforts to expand contactless customer experiences, enhance digital capabilities and drive beverage innovation, we are confident in the strength of our brand and the durability of our long-term growth model. However, our business is experiencing, and expects to continue to experience, operating margin pressures such as accelerated inflation, increased spend due to labor market conditions and extended COVID-19 related pay and benefits for our partners. We believe we have plans to effectively mitigate these pressures, such as improving retail store operations and potential adjustments to pricing. However, if our mitigation plans are not effective, these pressures and other factors could have an adverse impact on our business.

(1)Two-year comparable store sales metric is calculated as ((1 + % change in comparable store sales in FY21) \* (1 + % change in comparable store sales in FY22)) - 1. Two-year comparable store sales for the U.S. of 12% = ((1 + (-5%)) \* (1 + 18%)) - 1.

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**Results of Operations*(in millions)***

Revenues

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Quarter Ended** | | | | | | | | | | | | | | | | | | | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |  | | | **$ Change** | | |  | | | **%**  **Change** | | |
| Company-operated stores | | | $ | 6,722.4 |  |  | | | $ | 5,726.5 |  |  | | | $ | 995.9 |  |  | | | 17.4 | | % |
| Licensed stores | | | 850.8 | |  |  | | | 613.8 | |  |  | | | 237.0 | |  |  | | | 38.6 | |  |
| Other | | | 477.2 | |  |  | | | 409.1 | |  |  | | | 68.1 | |  |  | | | 16.6 | |  |
| **Total net revenues** | | | **$** | **8,050.4** |  |  | | | **$** | **6,749.4** |  |  | | | **$** | **1,301.0** |  |  | | | **19.3** | | **%** |

*For the quarter ended January 2, 2022 compared with the quarter ended December 27, 2020*

Total net revenues for the first quarter of fiscal 2022 increased $1.3 billion, primarily due to higher revenues from company-operated stores ($1.0 billion). The growth of company-operated stores revenue was driven by a 13% increase in comparable store sales ($719 million), attributable to a 10% increase in comparable transactions and a 3% increase in average ticket. Also contributing to the increase were incremental revenues from 664 net new Starbucks® company-operated stores, or a 4% increase, over the past 12 months ($254 million).

Licensed stores revenue increased $237 million also contributed to the increase in total net revenues, driven by higher product and equipment sales to and royalty revenues from our licensees ($206 million) and the conversion of our Korea market from a joint venture to a fully licensed market in the fourth quarter of fiscal 2021 ($39 million).

Other revenues increased $68 million, primarily due to higher product sales and royalty revenue in the Global Coffee Alliance and growth in our international ready-to-drink business.

Operating Expenses

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Quarter Ended** | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |  | | | **$**  **Change** | | |  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | | **As a % of Total Net Revenues** | | | | | | | | |
| Product and distribution costs | | | $ | 2,526.9 |  |  | | | $ | 2,049.1 |  |  | | | $ | 477.8 |  |  | | | 31.4 | | % |  | | | 30.4 | | % |
| Store operating expenses | | | 3,400.0 | |  |  | | | 2,867.3 | |  |  | | | 532.7 | |  |  | | | 42.2 | |  |  | | | 42.5 | |  |
| Other operating expenses | | | 101.7 | |  |  | | | 91.8 | |  |  | | | 9.9 | |  |  | | | 1.3 | |  |  | | | 1.4 | |  |
| Depreciation and amortization expenses | | | 366.0 | |  |  | | | 366.1 | |  |  | | | (0.1) | |  |  | | | 4.5 | |  |  | | | 5.4 | |  |
| General and administrative expenses | | | 525.8 | |  |  | | | 472.1 | |  |  | | | 53.7 | |  |  | | | 6.5 | |  |  | | | 7.0 | |  |
| Restructuring and impairments | | | (7.5) | |  |  | | | 72.2 | |  |  | | | (79.7) | |  |  | | | (0.1) | |  |  | | | 1.1 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total operating expenses | | | 6,912.9 | |  |  | | | 5,918.6 | |  |  | | | 994.3 | |  |  | | | 85.9 | | % |  | | | 87.7 | | % |
| Income from equity investees | | | 40.3 | |  |  | | | 82.7 | |  |  | | | (42.4) | |  |  | | | 0.5 | |  |  | | | 1.2 | |  |
| **Operating income** | | | **$** | **1,177.8** |  |  | | | **$** | **913.5** |  |  | | | **$** | **264.3** |  |  | | | **14.6** | | **%** |  | | | **13.5** | | **%** |
| Store operating expenses as a % of company-operated stores revenue | | | | | |  | | |  | | |  | | |  | | |  | | | 50.6 | | % |  | | | 50.1 | | % |

*For the quarter ended January 2, 2022 compared with the quarter ended December 27, 2020*

Product and distribution costs as a percentage of total net revenues increased 100 basis points for the first quarter of fiscal 2022, primarily due to supply chain costs due to inflationary pressures (approximately 180 basis points) and product mix changes (approximately 40 basis points), partially offset by pricing in North America (approximately 150 basis points).

Store operating expenses as a percentage of total net revenues decreased 30 basis points for the first quarter of fiscal 2022. Store operating expenses as a percentage of company-operated stores revenue increased 50 basis points, primarily due to enhancements in retail store partner wages and benefits (approximately 180 basis points) and increased spend on new partner training and support costs to address labor market conditions (approximately 110 basis points), partially offset by sales leverage from business recovery.

Depreciation and amortization expenses as a percentage of total net revenues decreased 90 basis points, primarily due to sales leverage.

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General and administrative expenses increased $54 million, primarily due to incremental investments in technology ($29 million) and increased partner wages and benefits ($19 million), partially offset by lower performance-based compensation ($8 million).

Restructuring and impairment expenses decreased $80 million, primarily due to lapping our North America store portfolio optimization in the prior year, specifically lower asset impairment charges ($41 million) and accelerated lease right-of-use asset amortization costs ($39 million).

Income from equity investees decreased $42 million, primarily due to the conversion of our Korea market from a joint venture to a fully licensed market in the fourth quarter of fiscal 2021 ($27 million) and lower income from our North American Coffee Partnership joint venture ($17 million).

The combination of these changes resulted in an overall increase in operating margin of 110 basis points for the first quarter of fiscal 2022.

Other Income and Expenses

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Quarter Ended** | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |  | | | **$**  **Change** | | |  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | | **As a % of Total Net Revenues** | | | | | | | | |
| Operating income | | | $ | 1,177.8 |  |  | | | $ | 913.5 |  |  | | | $ | 264.3 |  |  | | | 14.6 | | % |  | | | 13.5 | | % |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest income and other, net | | | (0.1) | |  |  | | | 15.5 | |  |  | | | (15.6) | |  |  | | | — | |  |  | | | 0.2 | |  |
| Interest expense | | | (115.3) | |  |  | | | (120.7) | |  |  | | | 5.4 | |  |  | | | (1.4) | |  |  | | | (1.8) | |  |
| Earnings before income taxes | | | 1,062.4 | |  |  | | | 808.3 | |  |  | | | 254.1 | |  |  | | | 13.2 | |  |  | | | 12.0 | |  |
| Income tax expense | | | 246.3 | |  |  | | | 186.1 | |  |  | | | 60.2 | |  |  | | | 3.1 | |  |  | | | 2.8 | |  |
| Net earnings including noncontrolling interests | | | 816.1 | |  |  | | | 622.2 | |  |  | | | 193.9 | |  |  | | | 10.1 | |  |  | | | 9.2 | |  |
| Net earnings attributable to noncontrolling interests | | | 0.2 | |  |  | | | — | |  |  | | | 0.2 | |  |  | | | — | |  |  | | | — | |  |
| **Net earnings attributable to Starbucks** | | | **$** | **815.9** |  |  | | | **$** | **622.2** |  |  | | | **$** | **193.7** |  |  | | | **10.1** | | **%** |  | | | **9.2** | | **%** |
| Effective tax rate including noncontrolling interests | | |  | | |  | | |  | | |  | | |  | | |  | | | 23.2 | | % |  | | | 23.0 | | % |

*For the quarter ended January 2, 2022 compared with the quarter ended December 27, 2020*

Interest income and other, net decreased $16 million, primarily due to higher net losses from certain investments.

Interest expense decreased $5 million, primarily due to lower debt balances attributed to repayments of short-term and current portion of long-term debt balances.

**Segment Information**

Results of operations by segment *(in millions)*:

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***North America (1)***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Quarter Ended** | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |  | | | **$**  **Change** | | |  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | | **As a % of North America Total Net Revenues** | | | | | | | | |
| Net revenues: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Company-operated stores | | | $ | 5,214.1 |  |  | | | $ | 4,284.8 |  |  | | | $ | 929.3 |  |  | | | 91.0 | | % |  | | | 91.6 | | % |
| Licensed stores | | | 515.9 | |  |  | | | 388.6 | |  |  | | | 127.3 | |  |  | | | 9.0 | |  |  | | | 8.3 | |  |
| Other | | | 2.3 | |  |  | | | 2.2 | |  |  | | | 0.1 | |  |  | | | — | |  |  | | | — | |  |
| **Total net revenues** | | | **5,732.3** | |  |  | | | **4,675.6** | |  |  | | | **1,056.7** | |  |  | | | **100.0** | |  |  | | | **100.0** | |  |
| Product and distribution costs | | | 1,629.4 | |  |  | | | 1,260.6 | |  |  | | | 368.8 | |  |  | | | 28.4 | |  |  | | | 27.0 | |  |
| Store operating expenses | | | 2,702.4 | |  |  | | | 2,238.8 | |  |  | | | 463.6 | |  |  | | | 47.1 | |  |  | | | 47.9 | |  |
| Other operating expenses | | | 48.2 | |  |  | | | 41.5 | |  |  | | | 6.7 | |  |  | | | 0.8 | |  |  | | | 0.9 | |  |
| Depreciation and amortization expenses | | | 200.0 | |  |  | | | 188.9 | |  |  | | | 11.1 | |  |  | | | 3.5 | |  |  | | | 4.0 | |  |
| General and administrative expenses | | | 76.7 | |  |  | | | 70.8 | |  |  | | | 5.9 | |  |  | | | 1.3 | |  |  | | | 1.5 | |  |
| Restructuring and impairments | | | (7.5) | |  |  | | | 72.2 | |  |  | | | (79.7) | |  |  | | | (0.1) | |  |  | | | 1.5 | |  |
| Total operating expenses | | | 4,649.2 | |  |  | | | 3,872.8 | |  |  | | | 776.4 | |  |  | | | 81.1 | |  |  | | | 82.8 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Operating income** | | | **$** | **1,083.1** |  |  | | | **$** | **802.8** |  |  | | | **$** | **280.3** |  |  | | | **18.9** | | **%** |  | | | **17.2** | | **%** |
| Store operating expenses as a % of company-operated stores revenue | | | | | |  | | |  | | |  | | |  | | |  | | | 51.8 | | % |  | | | 52.2 | | % |

(1)North America licensed stores revenue, total net revenues, product and distribution costs, other operating expenses, total operating expenses and operating income for the quarter ended December 27, 2020, have been restated to conform with current period presentation.

*For the quarter ended January 2, 2022 compared with the quarter ended December 27, 2020*

Revenues

North America total net revenues for the first quarter of fiscal 2022 increased $1.1 billion, or 23%, primarily due to an 18% increase in comparable store sales ($762 million) driven by a 12% increase in transactions and a 6% increase in average ticket. Also contributing to these increases were the performance of new stores compared to the closure of underperforming stores in prior year including stores related to our restructuring plan ($140 million) and higher product and equipment sales to and royalty revenues from our licensees ($130 million) primarily due to business recovery from the COVID-19 pandemic.

Operating Margin

North America operating income for the first quarter of fiscal 2022 increased 35% to $1.1 billion, compared to $803 million in the first quarter of fiscal 2021. Operating margin increased 170 basis points to 18.9%, primarily due to sales leverage from business recovery. Also contributing to the margin improvement was pricing (approximately 210 basis points), lower restructuring expenses (approximately 170 basis points), sourcing savings (approximately 70 basis points) and benefits from the closure of lower-performing stores (approximately 70 basis points). These increases were partially offset by higher supply chain costs due to inflationary pressures (approximately 240 basis points), enhancements in retail store partner wages and benefits (approximately 190 basis points) and increased spend on new partner training and support costs to address labor market conditions (approximately 130 basis points).

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***International (1)***

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Quarter Ended** | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |  | | | **$**  **Change** | | |  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | | **As a % of International Total Net Revenues** | | | | | | | | |
| Net revenues: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Company-operated stores | | | $ | 1,508.3 |  |  | | | $ | 1,441.7 |  |  | | | $ | 66.6 |  |  | | | 80.4 | | % |  | | | 85.7 | | % |
| Licensed stores | | | 334.9 | |  |  | | | 225.2 | |  |  | | | 109.7 | |  |  | | | 17.9 | |  |  | | | 13.4 | |  |
| Other | | | 32.7 | |  |  | | | 15.0 | |  |  | | | 17.7 | |  |  | | | 1.7 | |  |  | | | 0.9 | |  |
| **Total net revenues** | | | **1,875.9** | |  |  | | | **1,681.9** | |  |  | | | **194.0** | |  |  | | | **100.0** | |  |  | | | **100.0** | |  |
| Product and distribution costs | | | 615.8 | |  |  | | | 536.0 | |  |  | | | 79.8 | |  |  | | | 32.8 | |  |  | | | 31.9 | |  |
| Store operating expenses | | | 697.6 | |  |  | | | 628.5 | |  |  | | | 69.1 | |  |  | | | 37.2 | |  |  | | | 37.4 | |  |
| Other operating expenses | | | 39.2 | |  |  | | | 35.6 | |  |  | | | 3.6 | |  |  | | | 2.1 | |  |  | | | 2.1 | |  |
| Depreciation and amortization expenses | | | 133.1 | |  |  | | | 140.0 | |  |  | | | (6.9) | |  |  | | | 7.1 | |  |  | | | 8.3 | |  |
| General and administrative expenses | | | 91.3 | |  |  | | | 85.1 | |  |  | | | 6.2 | |  |  | | | 4.9 | |  |  | | | 5.1 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total operating expenses | | | 1,577.0 | |  |  | | | 1,425.2 | |  |  | | | 151.8 | |  |  | | | 84.1 | |  |  | | | 84.7 | |  |
| Income from equity investees | | | 0.7 | |  |  | | | 26.3 | |  |  | | | (25.6) | |  |  | | | — | |  |  | | | 1.6 | |  |
| **Operating income** | | | **$** | **299.6** |  |  | | | **$** | **283.0** |  |  | | | **$** | **16.6** |  |  | | | **16.0** | | **%** |  | | | **16.8** | | **%** |
| Store operating expenses as a % of company-operated stores revenue | | | | | |  | | |  | | |  | | |  | | |  | | | 46.3 | | % |  | | | 43.6 | | % |

(1)International licensed stores revenue, total net revenues, product and distribution costs, other operating expenses, general and administrative expenses, total operating expenses and operating income for the quarter ended December 27, 2020, have been restated to conform with current period presentation.

*For the quarter ended January 2, 2022 compared with the quarter ended December 27, 2020*

Revenues

International total net revenues for the first quarter of fiscal 2022 increased $194 million, or 12%, primarily due to 774 net new Starbucks company-operated store openings, or a 12% increase over the past 12 months ($113 million). Additionally, there were higher product and equipment sales to and royalty revenues from our licensees ($76 million) primarily due to lapping the impact of the COVID-19 pandemic in the prior year. Also contributing to the increase was the conversion of our Korea market from a joint venture to a fully licensed market in the fourth quarter of fiscal 2021 ($39 million). These increases were partially offset by a 3% decline in comparable store sales ($43 million), driven by a 5% decrease in average ticket, partially offset by a 2% increase in transactions, as well as unfavorable foreign currency translation ($17 million).

Operating Margin

International operating income for the first quarter of fiscal 2022 increased 6% to $300 million, compared to $283 million in the first quarter of fiscal 2021. Operating margin decreased 80 basis points to 16.0%, primarily due to investments and growth in retail store partner wages and benefits (approximately 150 basis points), strategic investments, largely in China (approximately 110 basis points) and product mix changes (approximately 90 basis points). These decreases were partially offset by sales leverage outside of China driven by lapping the more severe impact of the COVID-19 pandemic in the prior year.

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***Channel Development***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Quarter Ended** | | | | | | | | | | | | | | | | | | | | | | | | | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |  | | | **$**  **Change** | | |  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | | **As a % of Channel Development Total Net Revenues** | | | | | | | | |
| Net revenues | | | $ | 417.1 |  |  | | | $ | 371.4 |  |  | | | $ | 45.7 |  |  | | |  | | |  | | |  | | |
| Product and distribution costs | | | 258.8 | |  |  | | | 233.5 | |  |  | | | 25.3 | |  |  | | | 62.0 | | % |  | | | 62.9 | | % |
| Other operating expenses | | | 11.4 | |  |  | | | 11.1 | |  |  | | | 0.3 | |  |  | | | 2.7 | |  |  | | | 3.0 | |  |
| Depreciation and amortization expenses | | | — | |  |  | | | 0.2 | |  |  | | | (0.2) | |  |  | | | — | |  |  | | | 0.1 | |  |
| General and administrative expenses | | | 3.3 | |  |  | | | 2.2 | |  |  | | | 1.1 | |  |  | | | 0.8 | |  |  | | | 0.6 | |  |
| Total operating expenses | | | 273.5 | |  |  | | | 247.0 | |  |  | | | 26.5 | |  |  | | | 65.6 | |  |  | | | 66.5 | |  |
| Income from equity investees | | | 39.6 | |  |  | | | 56.4 | |  |  | | | (16.8) | |  |  | | | 9.5 | |  |  | | | 15.2 | |  |
| **Operating income** | | | **$** | **183.2** |  |  | | | **$** | **180.8** |  |  | | | **$** | **2.4** |  |  | | | **43.9** | | **%** |  | | | **48.7** | | **%** |

*For the quarter ended January 2, 2022 compared with the quarter ended December 27, 2020*

Revenues

Channel Development total net revenues for the first quarter of fiscal 2022 increased $46 million, or 12%, primarily due to higher Global Coffee Alliance product sales and royalty revenue ($31 million) and volume growth in our ready-to-drink businesses ($16 million).

Operating Margin

Channel Development operating income for the first quarter of fiscal 2022 increased 1% to $183 million, compared to $181 million in the first quarter of fiscal 2021. Operating margin decreased 480 basis points to 43.9%, primarily due to a decline in our North American Coffee Partnership joint venture income due to supply chain constraints and inflationary pressures as well as a business mix shift.

***Corporate and Other (1)***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Quarter Ended** | | | | | | | | | | | | | | | | | | | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |  | | | **$**  **Change** | | |  | | | **%**  **Change** | | |
| Net revenues: | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other | | | $ | 25.1 |  |  | | | $ | 20.5 |  |  | | | $ | 4.6 |  |  | | | 22.4 | | % |
| **Total net revenues** | | | **25.1** | |  |  | | | **20.5** | |  |  | | | **4.6** | |  |  | | | **22.4** | |  |
| Product and distribution costs | | | 22.9 | |  |  | | | 19.0 | |  |  | | | 3.9 | |  |  | | | 20.5 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other operating expenses | | | 2.9 | |  |  | | | 3.6 | |  |  | | | (0.7) | |  |  | | | (19.4) | |  |
| Depreciation and amortization expenses | | | 32.9 | |  |  | | | 37.0 | |  |  | | | (4.1) | |  |  | | | (11.1) | |  |
| General and administrative expenses | | | 354.5 | |  |  | | | 314.0 | |  |  | | | 40.5 | |  |  | | | 12.9 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Total operating expenses | | | 413.2 | |  |  | | | 373.6 | |  |  | | | 39.6 | |  |  | | | 10.6 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Operating loss** | | | **$** | **(388.1)** |  |  | | | **$** | **(353.1)** |  |  | | | **$** | **(35.0)** |  |  | | | **9.9** | | **%** |

(1)Corporate and other general and administrative expenses, total operating expenses and operating loss for the fiscal year ended December 27, 2020, have been restated to conform with current period presentation.

Corporate and Other primarily consists of our unallocated corporate expenses, as well as Evolution Fresh. Unallocated corporate expenses include corporate administrative functions that support the operating segments but are not specifically attributable to or managed by any segment and are not included in the reported financial results of the operating segments.

*For the quarter ended January 2, 2022 compared with the quarter ended December 27, 2020*

Corporate and Other operating loss increased to $388 million for the first quarter of fiscal 2022, or 10%, compared to $353 million for the first quarter of fiscal 2021. This increase was primarily driven by incremental investments in technology ($22 million) and increased partner wages and benefits ($9 million).

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**Quarterly Store Data**

Our store data for the periods presented is as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Net stores opened/(closed) and transferred during the period** | | | | | | | | |  | | |  | | |  | | |
|  | | | **Quarter Ended** | | | | | | | | | **Stores open as of** | | | | | | | | |
|  | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | | **Jan 2, 2022** | | |  | | | **Dec 27, 2020** | | |
| North America | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Company-operated stores | | | 39 | |  |  | | | (80) | |  | 9,900 | |  |  | | | 10,029 | |  |
| Licensed stores | | | 23 | |  |  | | | 30 | |  | 6,988 | |  |  | | | 6,861 | |  |
| Total North America (1) | | | 62 | |  |  | | | (50) | |  | 16,888 | |  |  | | | 16,890 | |  |
| International | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Company-operated stores | | | 213 | |  |  | | | 185 | |  | 7,485 | |  |  | | | 6,713 | |  |
| Licensed stores | | | 209 | |  |  | | | 143 | |  | 9,944 | |  |  | | | 9,335 | |  |
| Total International (1) | | | 422 | |  |  | | | 328 | |  | 17,429 | |  |  | | | 16,048 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total Company** | | | **484** | |  |  | | | **278** | |  | **34,317** | |  |  | | | **32,938** | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

(1)North America and International licensed stores as of December 27, 2020, have been recast as a result of our fiscal 2021 operating segment reporting structure realignment.

**Financial Condition, Liquidity and Capital Resources**

Investment Overview

Our cash and investments totaled $4.4 billion as of January 2, 2022 and $6.9 billion as of October 3, 2021. We actively manage our cash and investments in order to internally fund operating needs, make scheduled interest and principal payments on our borrowings, make acquisitions and return cash to shareholders through common stock cash dividend payments and share repurchases. Our investment portfolio primarily includes highly liquid available-for-sale securities, including corporate debt securities, government treasury securities (foreign and domestic) and commercial paper. As of January 2, 2022, approximately $3.0 billion of cash was held in foreign subsidiaries.

Borrowing Capacity

***Revolving Credit Facility***

Our $3 billion unsecured five-year revolving credit facility (the "2021 credit facility"), of which $150 million may be used for issuances of letters of credit, is currently set to mature on September 16, 2026. The 2021 credit facility is available for working capital, capital expenditures and other corporate purposes, including acquisitions and share repurchases. We have the option, subject to negotiation and agreement with the related banks, to increase the maximum commitment amount by an additional $1.0 billion.

Borrowings under the 2021 credit facility will bear interest at a variable rate based on LIBOR, and, for U.S. dollar-denominated loans under certain circumstances, a Base Rate (as defined in the 2021 credit facility), in each case plus an applicable margin. The applicable margin is based on the Company’s long-term credit ratings assigned by the Moody’s and Standard & Poor’s rating agencies. The 2021 credit facility contains alternative interest rate provisions specifying rate calculations to be used at such time LIBOR ceases to be available as a benchmark due to reference rate reform. The “Base Rate” is the highest of (i) the Federal Funds Rate (as defined in the 2021 credit facility) plus 0.025%, (ii) Bank of America’s prime rate and (iii) the Eurocurrency Rate (as defined in the 2021 credit facility) plus 1.025%.

The 2021 credit facility contains provisions requiring us to maintain compliance with certain covenants, including a minimum fixed charge coverage ratio, which measures our ability to cover financing expenses. As of January 2, 2022, we were in compliance with all applicable covenants. No amounts were outstanding under our 2021 credit facility as of January 2, 2022 or October 3, 2021.

*Commercial Paper*

Under our commercial paper program, we may issue unsecured commercial paper notes up to a maximum aggregate amount outstanding at any time of $3.0 billion, with individual maturities that may vary but not exceed 397 days from the date of issue. Amounts outstanding under the commercial paper program are required to be backstopped by available commitments under the 2021 credit facility discussed above. The proceeds from borrowings under our commercial paper program may be used for working capital needs, capital expenditures and other corporate purposes, including, but not limited to, business expansion, payment of cash dividends on our common stock and share repurchases. As of January 2, 2022, we had $200.0 million

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borrowings outstanding under our commercial paper program. Our total contractual borrowing capacity for general corporate purposes was $2.8 billion as of the end of our first quarter of fiscal 2022.

*Credit facilities in Japan*

Additionally, we hold Japanese yen-denominated credit facilities for the use of our Japan subsidiary. These are available for working capital needs and capital expenditures within our Japanese market.

•A ¥5 billion, or $43.4 million, credit facility is currently set to mature on December 31, 2022. Borrowings under such credit facility are subject to terms defined within the facility and will bear interest at a variable rate based on TIBOR plus an applicable margin of 0.400%.

•A ¥10 billion, or $86.9 million, credit facility is currently set to mature on March 26, 2022. Borrowings under such credit facility are subject to terms defined within the facility and will bear interest at a variable rate based on TIBOR plus an applicable margin of 0.350%.

As of January 2, 2022, we had no borrowings outstanding under these Japanese yen-denominated credit facilities.

See [Note 7,](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_61) Debt, to the consolidated financial statements included in Item 1 of Part I of this 10-Q for details of the components of our long-term debt.

Our ability to incur new liens and conduct sale and leaseback transactions on certain material properties is subject to compliance with terms of the indentures under which the long-term notes were issued. As of January 2, 2022, we were in compliance with all applicable covenants.

Use of Cash

We expect to use our available cash and investments, including, but not limited to, additional potential future borrowings under the credit facilities, commercial paper program and the issuance of debt to support and invest in our core businesses, including investing in new ways to serve our customers and supporting our store partners, repaying maturing debts, as well as returning cash to shareholders through common stock cash dividend payments and discretionary share repurchases and investing in new business opportunities related to our core and developing businesses. Furthermore, we may use our available cash resources to make proportionate capital contributions to our investees. We may also seek strategic acquisitions to leverage existing capabilities and further build our business in support of our “Growth at Scale” agenda. Acquisitions may include increasing our ownership interests in our investees. Any decisions to increase such ownership interests will be driven by valuation and fit with our ownership strategy.

We believe that net future cash flows generated from operations and existing cash and investments both domestically and internationally combined with our ability to leverage our balance sheet through the issuance of debt will be sufficient to finance capital requirements for our core businesses as well as shareholder distributions for the foreseeable future. Significant new joint ventures, acquisitions and/or other new business opportunities may require additional outside funding. We have borrowed funds and continue to believe we have the ability to do so at reasonable interest rates; however, additional borrowings would result in increased interest expense in the future. In this regard, we may incur additional debt, within targeted levels, as part of our plans to fund our capital programs, including cash returns to shareholders through future dividends and discretionary share repurchases. If necessary, we may pursue additional sources of financing, including both short-term and long-term borrowings and debt issuances.

We regularly review our cash positions and our determination of indefinite reinvestment of foreign earnings. In the event we determine that all or a portion of such foreign earnings are no longer indefinitely reinvested, we may be subject to additional foreign withholding taxes and U.S. state income taxes, which could be material. We do not anticipate the need for repatriated funds to the U.S. to satisfy domestic liquidity needs.

During the first quarter of fiscal 2022, our Board of Directors approved a quarterly cash dividend to shareholders of $0.49 per share to be paid on February 25, 2022 to shareholders of record as of the close of business on February 11, 2022.

During the first quarter of fiscal 2022, we resumed our share repurchase program which was temporarily suspended in March 2020. During the quarter ended January 2, 2022, we repurchased 31.1 million shares of common stock for $3.5 billion. As of January 2, 2022, 17.8 million shares remained available for repurchase under current authorizations.

Other than normal operating expenses, cash requirements for the remainder of fiscal 2022 are expected to consist primarily of capital expenditures for investments in our new and existing stores and our supply chain and corporate facilities. Total capital expenditures for fiscal 2022 are expected to be approximately $2.0 billion.

In Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 10-K, we disclosed that we had $33.7 billion of current and long-term material cash requirements as of October 3, 2021. There have been no

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material changes to our material cash requirements during the period covered by this 10-Q outside of the normal course of our business.

Cash Flows

Cash provided by operating activities was $1.9 billion for the first quarter of fiscal 2022, compared to $1.8 billion for the same period in fiscal 2021. The increase was primarily due to higher net earnings, partially offset by lower losses on retirement and impairment of assets and increases in net cash used by changes in operating assets and liabilities.

Cash used in investing activities for the first quarter of fiscal 2022 totaled $401 million, compared to cash used in investing activities of $273 million for the same period in fiscal 2021. The change was primarily due to a increase in spend on capital expenditures.

Cash used in financing activities for the first quarter of fiscal 2022 totaled $4.0 billion compared to cash used by financing activities of $1.0 billion for the same period in fiscal 2021. The increase was primarily due to resuming our share repurchase program, partially offset by lower repayments of long-term debt.

**Commodity Prices, Availability and General Risk Conditions**

Commodity price risk represents our primary market risk, generated by our purchases of green coffee and dairy products, among other items. We purchase, roast and sell high-quality *arabica* coffee and related products and risk arises from the price volatility of green coffee. In addition to coffee, we also purchase significant amounts of dairy products to support the needs of our company-operated stores. The price and availability of these commodities directly impact our results of operations, and we expect commodity prices, particularly coffee, to impact future results of operations. For additional details, see Product Supply in Item 1 of the 10-K, as well as Risk Factors in Item 1A of the 10-K.

**Seasonality and Quarterly Results**

Our business is subject to moderate seasonal fluctuations, of which our fiscal second quarter typically experiences lower revenues and operating income. However, the COVID-19 pandemic may have an impact on consumer behaviors and customer traffic that result in changes in the seasonal fluctuations of our business. Additionally, as our stored value cards are issued to and loaded by customers during the holiday season, we tend to have higher cash flows from operations during the first quarter of the fiscal year. However, since revenues from our stored value cards are recognized upon redemption and not when cash is loaded, the impact of seasonal fluctuations on the consolidated statements of earnings is much less pronounced. As a result of moderate seasonal fluctuations, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

**RECENT ACCOUNTING PRONOUNCEMENTS**

See [Note 1](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_40), Summary of Significant Accounting Policies, to the consolidated financial statements included in Item 1 of Part I of this 10-Q, for a detailed description of recent accounting pronouncements.

**Item 3.*Quantitative and Qualitative Disclosures About Market Risk***

There has been no material change in the commodity price risk, foreign currency exchange risk, equity security price risk or interest rate risk discussed in Item 7A of the 10-K.

**Item 4.*Controls and Procedures***

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed in our periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure.

During the first quarter of fiscal 2022, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of the disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective, as of the end of the period covered by this report (January 2, 2022).

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter that materially affected or are reasonably likely to materially affect internal control over financial reporting.

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The certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits [31.1](file:///D:\TMP\finance-docx\STARBUCKS\sbux-122022xexhibit311.htm) and [31.2](file:///D:\TMP\finance-docx\STARBUCKS\sbux-122022xexhibit312.htm) to this 10-Q.

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**PART II — OTHER INFORMATION**

**Item 1.*Legal Proceedings***

See [Note 13](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_82), Commitments and Contingencies, to the consolidated financial statements included in Item 1 of Part I of this 10-Q for information regarding certain legal proceedings in which we are involved.

**Item 1A.*Risk Factors***

In addition to the other information set forth in this 10-Q, you should carefully consider the risks and uncertainties discussed in Part I, Item 1A. Risk Factors in our 2021 Form 10-K, which could materially adversely affect our business, financial condition, or future results. The information presented below updates, and should be read in conjunction with, the risk factors disclosed in our 2021 Form 10-K. Otherwise, except as presented below, there have been no material changes to the risk factors disclosed in our 2021 Form 10-K.

***Changes in the availability of and the cost of labor could adversely affect our business.***

Our business could be adversely impacted by increases in labor costs, including wages and benefits, which, in a retail business such as ours, are two of our most significant costs, both domestically and internationally, including those increases triggered by regulatory actions regarding wages, scheduling and benefits; increased health care and workers’ compensation insurance costs; increased wages and costs of other benefits necessary to attract and retain high quality employees with the right skill sets and increased wages, benefits and costs related to the COVID-19 pandemic and inflationary and other pressure on wages now being experienced. The growth of our business can make it increasingly difficult to locate and hire sufficient numbers of employees, to maintain an effective system of internal controls for a globally dispersed enterprise and to train employees worldwide to deliver a consistently high-quality product and customer experience, which could materially harm our business and results of operations. Furthermore, we have experienced, and could continue to experience, a shortage of labor for store positions, including due to concerns around and illnesses arising from COVID-19 and its various novel variants and other factors, which could decrease the pool of available qualified talent for key functions and require stores to operate on reduced hours. Such labor shortages could be further exacerbated by expanded federal, state and local COVID-19 vaccination requirements. In addition, our wages and benefits programs may be insufficient to attract and retain the best talent especially in a rising wage market. Furthermore, while the number of partners represented by unions is not significant, if a significant portion of our employees were to become unionized, our labor costs could increase and our business could be negatively affected by other requirements and expectations that could increase our costs, change our employee culture, decrease our flexibility and disrupt our business. In December 2021, Starbucks partners at two stores in New York voted in favor of union representation and soon after stores in multiple jurisdictions across the United States have filed for unionization with the National Labor Relation Board with more that may follow. Further, our responses to any union organizing efforts could negatively impact how our brand is perceived and have adverse effects on our business, including on our financial results.

**Item 2.**[***Unregistered Sales of Equity Securities and Use of Proceeds***](file:///D:\TMP\finance-docx\STARBUCKS\Starbucks-22.01.02-10-Q.html#if9d687073a1040fba6c0bbd834e81be1_151)

Information regarding repurchases of our common stock during the quarter ended January 2, 2022:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | |  | | | **Total Number of Shares Purchased** | | |  | | | **Average Price Paid per Share** | | |  | | | **Total Number**  **of Shares**  **Purchased as**  **Part of Publicly**  **Announced**  **Plans or**  **Programs(2)** | | |  | | | **Maximum**  **Number of**  **Shares that May**  **Yet Be**  **Purchased**  **Under the Plans**  **or Programs(3)** | | |
| Period (1) | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| October 4, 2021 - October 31, 2021 | | |  | | | — | |  |  | | | $ | — |  |  | | | — | |  |  | | | 48,904,441 | |  |
| November 1, 2021 - November 28, 2021 | | |  | | | 14,500,000 | |  |  | | | 112.43 | |  |  | | | 14,500,000 | |  |  | | | 34,404,441 | |  |
| November 29, 2021 - January 2, 2022 | | |  | | | 16,625,000 | |  |  | | | 113.72 | |  |  | | | 16,625,000 | |  |  | | | 17,779,441 | |  |
| Total | | |  | | | 31,125,000 | |  |  | | | $ | 113.12 |  |  | | | 31,125,000 | |  |  | | |  | | |

(1)Monthly information is presented by reference to our fiscal months during the first quarter of fiscal 2022.

(2)Share repurchases are conducted under our ongoing share repurchase program announced in September 2001, which has no expiration date.

(3)This column includes the total number of shares available for repurchase under the Company's ongoing share repurchase program. Shares under our ongoing share repurchase program may be repurchased in open market transactions, including pursuant to a trading plan adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, or through privately negotiated transactions. The timing, manner, price and amount of repurchases will be determined at our discretion and the share repurchase program may be suspended, terminated or modified at any time for any reason.

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**Item 3.*Defaults upon Senior Securities***

None.

**Item 4.*Mine Safety Disclosures***

Not applicable.

**Item 5.*Other Information***

None.

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**Item 6.*Exhibits***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | |  | | |  | | |  | | | **Incorporated by Reference** | | | | | | | | | | | | | | | | | | | | |  | | |  | | |
| **Exhibit**  **No.** | | |  | | | **Exhibit Description** | | |  | | | **Form** | | |  | | | **File No.** | | |  | | | **Date of**  **Filing** | | |  | | | **Exhibit Number** | | |  | | | **Filed**  **Herewith** | | |
| [3.1](http://www.sec.gov/Archives/edgar/data/829224/000082922415000017/sbux-3292015xexhibit31.htm) | | |  | | | [Restated Articles of Incorporation of Starbucks Corporation](http://www.sec.gov/Archives/edgar/data/829224/000082922415000017/sbux-3292015xexhibit31.htm) | | |  | | | 10-Q | | |  | | | 000-20322 | | |  | | | 04/28/2015 | | |  | | | 3.1 | | |  | | |  | | |
| [3.2](http://www.sec.gov/Archives/edgar/data/829224/000119312521087492/d152191dex31.htm) | | |  | | | [Amended and Restated Bylaws of Starbucks Corporation (As amended and restated through March 17, 2021)](http://www.sec.gov/Archives/edgar/data/829224/000119312521087492/d152191dex31.htm) | | |  | | | 8-K | | |  | | | 000-20322 | | |  | | | 03/19/2021 | | |  | | | 3.1 | | |  | | |  | | |
| [10.1](https://www.sec.gov/Archives/edgar/data/829224/000082922422000004/a20220112-sbuxembpxfinal.htm) | | |  | | | [Starbucks Corporation Executive Management Bonus Plan as amended and restated on January 12, 2022](https://www.sec.gov/Archives/edgar/data/829224/000082922422000004/a20220112-sbuxembpxfinal.htm) | | |  | | | 8-K | | |  | | | 000-20322 | | |  | | | 01/14/2022 | | |  | | | 10.1 | | |  | | |  | | |
| [31.1](file:///D:\TMP\finance-docx\STARBUCKS\sbux-122022xexhibit311.htm) | | |  | | | [Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](file:///D:\TMP\finance-docx\STARBUCKS\sbux-122022xexhibit311.htm) | | |  | | | — | | |  | | | — | | |  | | | — | | |  | | | — | | |  | | | X | | |
| [31.2](file:///D:\TMP\finance-docx\STARBUCKS\sbux-122022xexhibit312.htm) | | |  | | | [Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](file:///D:\TMP\finance-docx\STARBUCKS\sbux-122022xexhibit312.htm) | | |  | | | — | | | | | | — | | | | | | — | | | | | | — | | |  | | | X | | |
| [32\*](file:///D:\TMP\finance-docx\STARBUCKS\sbux-122022xexhibit32.htm) | | |  | | | [Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](file:///D:\TMP\finance-docx\STARBUCKS\sbux-122022xexhibit32.htm) | | |  | | | — | | |  | | | — | | |  | | | — | | |  | | | — | | |  | | | — | | |
| 101 | | |  | | | The following financial statements from the Company's 10-Q for the fiscal quarter ended January 2, 2022, formatted in iXBRL: (i) Consolidated Statements of Earnings, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Equity and (vi) Notes to Consolidated Financial Statements | | |  | | | — | | |  | | | — | | |  | | | — | | |  | | | — | | |  | | | X | | |
| 104 | | |  | | | Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101) | | |  | | | — | | |  | | | — | | |  | | | — | | |  | | | — | | |  | | | X | | |
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\* Furnished herewith.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

February 1, 2022

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|  | | | **STARBUCKS CORPORATION** | | | | | | | | |
|  | | |  | | |  | | | | | |
|  | | | By: | | |  | | | /s/ Rachel Ruggeri | | |
|  | | |  | | |  | | | Rachel Ruggeri | | |
|  | | |  | | |  | | | executive vice president, chief financial officer | | |
|  | | |  | | |  | | | Signing on behalf of the registrant and as  principal financial officer | | |

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