

Starbucks Annual Shareholders Meeting Spotlights Record Performance Driven Through the Lens of Humanity

Wednesday, March 19, 2014 05:00:00 PM (GMT)

- *Reinforces Ongoing Investments in Starbucks 200,000 Partners (Employees), including \$250 Million in Healthcare Benefits and \$234 Million in Bean Stock in Fiscal 2013*
- *Reaffirms Long-Term Growth Targets, Aiming to Double Market Cap to \$100 Billion*
- *Announces Plans to Reinvent \$90 Billion Global Tea Category Ripe for Innovation*

Howard Schultz, chairman, president and ceo of Starbucks Coffee Company (NASDAQ:SBUX), opened the company's Annual Meeting of Shareholders by showcasing how Starbucks 200,000 partners (employees) are leveraging the company's unique combination of physical and digital assets to deliver long-term global growth through the lens of humanity.

"We're still in the early stages of the growth and development of Starbucks, we're delivering record profits and revenue, sharing our success with our partners and heading towards and past a \$100 billion market cap," said Schultz. "No other brick-and-mortar retailer matches our size and growth profile nor the relevancy and strength of the Starbucks brand. Together we're building one of the world's most trusted, admired and enduring brands, and redefining the role of a public company while we do it. There has never been a more exciting time to be a Starbucks partner and shareholder."

Delivering Record Performance through the Lens of Humanity

Legendary American television writer and producer Norman Lear kicked-off the meeting by introducing the Playing For Change Band, whose third album will be available in select Starbucks® stores in June. Schultz then highlighted the company's significant achievements over the six years since Starbucks returned from the height of the cataclysmic financial crisis in November 2008 following the implementation of the company's 2008 Transformation Agenda and 2011 Blueprint for Profitable Growth, including:

- Stock price growth of 948 percent;
- Market cap expansion from \$5 billion to \$57 billion;
- A more than ten-fold increase in total shareholder return; and
- Serving more than 70 million customers per week in more than 20,000 stores in 64 countries.

Schultz and Starbucks chief operating officer Troy Alstead also highlighted the company's significant accomplishments since last year's meeting, including:

- Record revenues of \$14.9 billion (12 percent growth) and record earnings per share of \$2.26¹ (26 percent growth) in fiscal 2013;
- \$2.5 billion² in net operating income (23 percent growth) in fiscal 2013;
- 55 percent total shareholder return in fiscal 2013, following a 38 percent return in fiscal 2012 and a 46 percent return in fiscal 2011;
- Four years of seven percent or greater global comp growth; and
- \$1.2 billion in cash returned to shareholders in the form of dividends and share repurchases.

With \$15 billion in revenue and an average sale of \$5, Schultz emphasized the importance of the unique relationship Starbucks partners have built with customers around the world, and attributed the company's success to partners' contributions.

"The equity of the Starbucks brand has been built by the experience, which comes to life through our partners and the relationships they have with our customers," Schultz said. "At a time when many

companies are cutting benefits, we are continuing to invest in our most important assets: our people.”

Last year Starbucks invested \$250 million in healthcare benefits for eligible full and part-timers, shared \$234 million in pre-tax stock gains with partners, and matched \$50 million in 401(k) contributions. Since the company started offering equity to partners in 1991, it has shared more than \$1 billion in value in the form of stock with partners at every level of the company.

Schultz also highlighted how the company is redefining the role and responsibility of a public company in response to critical societal challenges, citing several examples:

- **Create Jobs for USA:** In 2011 amid greater than nine percent unemployment rate, Starbucks collaborated with the non-profit Opportunity Finance Network to launch the Create Jobs for USA program, which funds loans to small businesses who face challenges getting credit. The effort has raised \$15 million, which has been leveraged to deliver \$105 million in loans and create or retain more than 5,000 jobs over the past several years.
- **Come Together:** Last October in the middle of the 16-day federal government shutdown which cost the country \$2 billion in lost productivity and more than 120,000 private sector jobs, Starbucks launched a nationwide petition in its more than 7,000 company-operated U.S. stores urging the government to re-open, pay its debts on time and reach a long-term, bipartisan budget deal by the end of the year. In less than a week, the company collected and delivered nearly two million signatures to the U.S. Congress and the White House.
- **Veterans and Military Families:** More than one million service members will transition back to civilian life after a decade of war over the next several years, facing an unemployment rate that is more than double the national average despite having valuable skills and directly transferable experience that can benefit many of the nation's top-performing companies and non-profit organizations. Schultz reiterated Starbucks commitment to hire 10,000 veterans and military spouses by the end of 2018 and to open five community stores that will make a contribution for every transaction to non-profit organizations that support veterans entering the civilian workforce and spouses of active-duty military personnel. He also announced that the company is making good on its commitment by hiring hundreds of veterans already, investing in the company's recruitment and retention programs for veterans and military spouses, and by opening two community stores serving military communities in Lakewood, Washington and San Antonio, Texas.

Record Starbucks Card and Loyalty Growth, New Mobile App

Starbucks chief digital officer Adam Brotman announced the release of an updated Starbucks mobile app for iPhone®, which will extend the company's leadership in mobile payment and allow customers to recognize Starbucks partners with a tip directly from the Starbucks app for iPhone® starting today in the U.S. Mobile payment now represents 14 percent of all in-store transactions in the U.S. More than 25 percent of all transactions are made by My Starbucks Rewards™ loyalty members.

Brotman also emphasized record Starbucks Card growth with an estimated 1 in 8 American adults receiving a Starbucks Card this past holiday season, which translated to 1.5 million new customers registering their Starbucks Card and joining the My Starbucks Rewards™ loyalty program for the first time. Starbucks now has more than 8 million My Starbucks Rewards™ members in the North America alone. Globally, Starbucks Cards are available in more than 28 countries, and more than \$18 billion has been loaded onto Starbucks Cards since the start of the program in 2001.

Brand Continues to Resonate Around the Globe

Avani Davda, ceo, Tata Starbucks Limited for India, and Belinda Wong, president, Starbucks China, shared how their respective markets continue to represent significant long-term growth potential for the company.

Wong shared that China today has more than 1,100 stores, across 68 cities and nearly 20,000 partners. Continuing on pace to reach 1,500 stores in 2015, the team is focused on elevating the *Starbucks Experience* through unique, market-level innovation, while building the brand holistically.

Davda highlighted that India today has 40 stores in 4 cities, with nearly 1,000 partners. The fastest growing market in Starbucks history, the team is focused on delivering a *Starbucks Experience* that resonates with

India customers and engages partners.

Building a different kind of company, both are focused on developing future leaders for their markets through training and education investments for partners and defining unique, locally relevant ways to invest in their coffee growing communities of Yunnan, China and Coorg, South India.

Celebrating Coffee at Our Core, Hacienda Alsacia and the Evolution of Starbucks Reserve® Coffees

Last year, Starbucks announced the acquisition of Hacienda Alsacia, a 240-hectare coffee farm in Costa Rica that is now acting as a global agronomy and research center. The work on this farm is expanding the company's comprehensive approach to ethical sourcing as part of its commitment and investment in supporting long-term, sustainable approaches to farming that will benefit the broader specialty coffee industry.

Schultz recounted his experience visiting the farm during its first harvest earlier this year. The working farm is actively refining Starbucks Coffee and Farmer Equity (C.A.F.E.) Practices model and responsible growing practices, housing a nursery of more than 160,000 hybrid seedlings. Its research represents an extension of Starbucks more than ten year history of agronomy in collaboration with leading industry organizations to help farmers improve productivity and coffee quality around the world. All of this insight is supporting the diverse, complex ecosystem of farmers, helping to support their livelihoods and to produce high-quality *arabica* coffee for the specialty market.

Schultz celebrated this rich diversity by recognizing the Starbucks Reserve® program, which makes some of Starbucks® rarest small batch coffee available to customers by the half-pound or cup with the company's patented Clover® brewing system. In the coming year, Schultz announced the company will further evolve the Starbucks Reserve® program with new packaging and offerings, bringing the purest expression of an exquisite cup of coffee to customers around the world.

Doing for Tea What Starbucks Did for Coffee by Reinventing the \$90 Billion Global Tea Category

Schultz called the \$90 billion global tea category "ripe for innovation" and showcased the company's ambition to do with tea what it has done with coffee. One year following Starbucks largest acquisition to date, Schultz highlighted how the company is growing, expanding, and reinventing the Teavana brand and customer experience. Since the acquisition, Starbucks has opened nearly 40 new mall-based stores and announced plans to open more than 20 additional stores through the rest of fiscal 2014. Schultz also announced plans to expand the company's reimagined Teavana® Fine Teas + Tea Bar concepts to Chicago, Los Angeles and additional locations in New York City later this year. The company opened two of the concepts last fall in New York and Seattle, featuring handcrafted tea beverages, premium loose leaf teas, tea-inspired food offerings and beautiful tea merchandise.

About Starbucks

Since 1971, Starbucks Coffee Company has been committed to ethically sourcing and roasting high-quality *arabica* coffee. Today, with stores around the globe, the company is the premier roaster and retailer of specialty coffee in the world. Through our unwavering commitment to excellence and our guiding principles, we bring the unique *Starbucks Experience* to life for every customer through every cup. To share in the experience, please visit us in our stores or online at news.starbucks.com.

Forward-Looking Statements

This release contains forward-looking statements relating to certain company initiatives, strategies and plans, as well as trends in or expectations regarding our growth and growth opportunities, market capitalization, store openings, tea innovation and the strength, health and potential of our business, operations and brand. These forward-looking statements are based on currently available operating, financial and competitive information and are subject to a number of significant risks and uncertainties. Actual future results may differ materially depending on a variety of factors including, but not limited to, coffee, dairy and other raw material prices and availability, costs associated with, and the successful execution of, the company's initiatives, strategies and plans, the acceptance of the company's products by our customers, fluctuations in U.S. and international economies and currencies, the impact of competition, the effect of legal proceedings, and other risks detailed in the company filings with the Securities and Exchange Commission, including the "Risk Factors" section of Starbucks Annual Report on Form 10-K for the fiscal year ended

September 29, 2013. The company assumes no obligation to update any of these forward-looking statements.

¹ Non-GAAP. FY13 GAAP EPS of \$0.01 includes a \$2.25 per share litigation charge resulting from the conclusion of the arbitration with Kraft Foods Global, Inc.

² Non-GAAP. FY13 GAAP operating loss of \$325 million includes a pre-tax charge of \$2,784.1 million resulting from the conclusion of the arbitration with Kraft Foods Global, Inc.

--30-- MTB/LA

Contact:

Starbucks Coffee Company

Media:

Jim Olson, 206-318-7100

press@starbucks.com

or

Investor Relations:

JoAnn DeGrande / Greg Smith, 206-318-7118

investorrelations@starbucks.com

Copyright Business Wire 2014

1.2

Industries: Restaurant/Bar, Retail, Food/Beverage

Languages: English

Primary Identifiers: SBUX-US

Related Identifiers: SBUX-US

Source: Starbucks Coffee Company

Subjects: Conference, Event