



# Starbucks

## Equity Research

### Report



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# STARBUCKS®

SECTOR: Consumer Discretionary  
INDUSTRY: Restaurants  
CURRENT MARKET PRICE: \$112.55

STOCK EXCHANGE: NASDAQ  
SYMBOL: SBUX  
RECOMMENDATION: SELL

## COMPANY OVERVIEW

- Starbucks is a global coffeehouse chain known for its premium coffee, espresso drinks, and specialty beverages which was formed in 1985 and since then it has become the premier roaster, marketer, and retailer of specialty coffee in the world, operating in 87 markets.
- The company operates a vast network of company-owned and licensed stores, serving millions of customers daily.
- Starbucks offers a wide range of coffee beverages, teas, pastries, and snacks, plant-based and healthier options, as well as packaged goods and merchandise.
- Starbucks has also pioneered mobile ordering, loyalty programs, and personalized customer experiences and the company has been committed to ethically sourcing and roasting high-quality arabica coffee around the globe.
- As of today, Starbucks stands as a prominent player in the global coffee industry, with millions of loyal customers and a well-established reputation for premium products and a premium customer experience.





## FISCAL 2024

### HIGHLIGHTS

#### Q1

- North America and U.S. store sales increased 5%.
- International store sales increased 7% and China store sales increased 10%.
- The company opened 549 net new stores in Q1, ending the period with 38,587 stores: 51% company-operated and 49% licensed.
- Consolidated net revenues up 8%, including on a constant currency basis, to a record \$9.4 billion.
- GAAP earnings per share of \$0.90 grew 22% over prior year.

#### Q2

- North America and U.S. store sales declined 3%.
- International store sales declined 6% and China store sales declined 11%.
- The company opened 364 net new stores in Q2, ending the period with 38,951 stores: 52% company-operated and 48% licensed.
- Consolidated net revenues declined 2%, to \$8.6 billion, or a 1% decline on a constant currency basis.
- GAAP earnings per share of \$0.68 declined 14% over prior year.

#### Q3

- North America store sales declined 2% and U.S. store sales declined 2%.
- International store sales declined 7% and China store sales declined 14%.
- The company opened 526 net new stores in Q3, ending the period with 39,477 stores: 52% company-operated and 48% licensed.
- Consolidated net revenues declined 1% to \$9.1 billion.
- GAAP earnings per share of \$0.93 declined 6% over prior year.

#### Q4

- North America and U.S. store sales declined 6%.
- International store sales declined 9% and China store sales declined 14%.
- The company opened 722 net new stores in Q4, ending the period with 40,199 stores: 52% company-operated and 48% licensed.
- Consolidated net revenues declined 3%, including on a constant currency basis, to \$9.1 billion.
- GAAP earnings per share of \$0.80 declined 25% over prior year.



# Revenue Generating Segments

- Starbucks has majorly three reportable revenue generating segments:

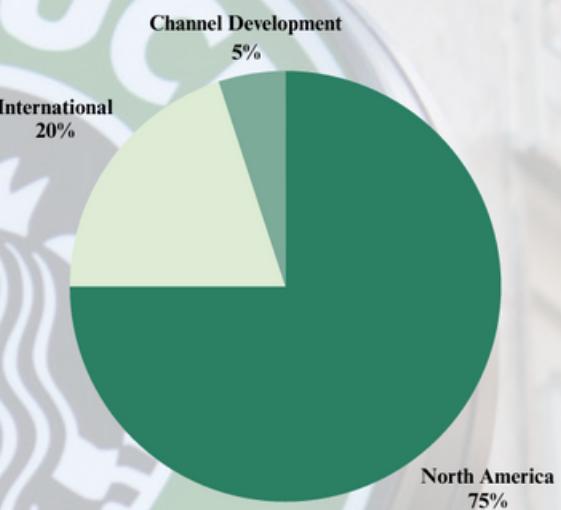
- 1) North America, which is inclusive of the U.S. and Canada
- 2) International
- 3) Channel Development; and unallocated corporate expenses are reported within 'Corporate and Other'.

- Revenues from Starbucks' revenue generating segments as a percentage of total net revenues for fiscal 2024 is as follows:

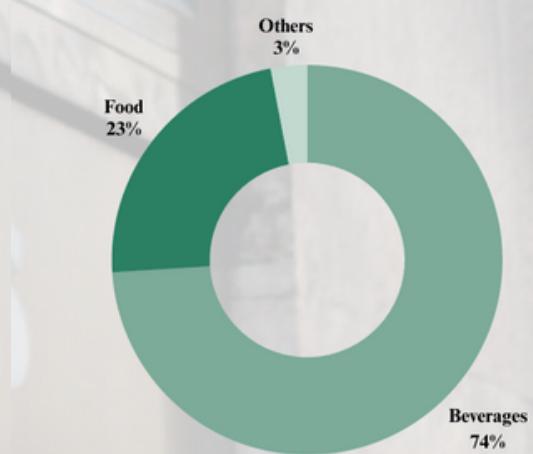
- 1) North America (75%);
- 2) International (20%); and
- 3) Channel Development (5%).

- The North America and International segments have a strong brand presence, and these include both company-operated and licensed stores.

- The Channel Development segment includes roasted whole bean and ground coffees, Starbucks-branded single-serve products, a variety of ready-to-drink beverages and other branded products as well.



Starbucks' Revenue Generating Segments



Starbucks' retail sales mix by product type for company-operated stores.



# Revenue Components

- Starbucks operates majority of its revenue through company-operated stores and licensed stores. Both company-operated stores and licensed stores play vital roles in Starbucks' expansion strategy. The combination of these two models enables Starbucks to optimize its global footprint, balance costs and risks, and maintain strong brand presence across diverse markets.

## Company-Operated Stores

- Company-operated stores are those locations where Starbucks owns and manages the entire operation. Starbucks handles everything, from staffing and inventory management to pricing and store layout.

## Licensed Stores

- Licensed stores are Starbucks locations operated by third-party partners under a licensing agreement. Starbucks licenses its brand, products, and intellectual property to the local partner, who operates the store and manages day-to-day operations.



Company-operated and Licensed Store  
Summary as of September 29, 2024

## Comparison between Company-Operated Stores and Licensed Stores

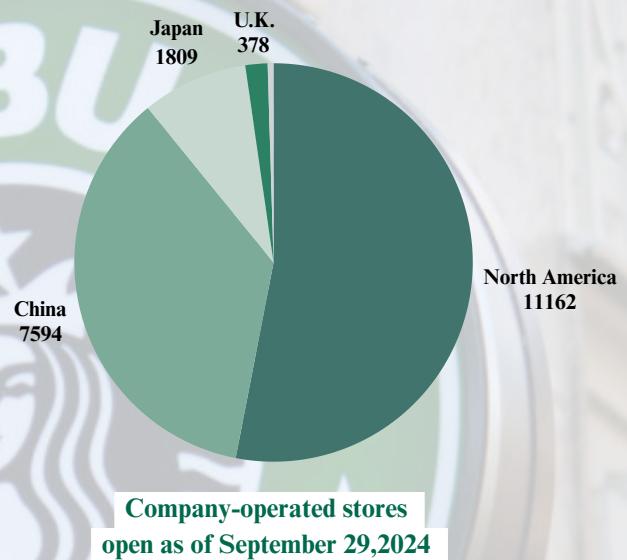
Aspect	Company-operated Stores	Licensed Stores
Ownership	Owned & managed by Starbucks	Owned & operated by third parties
Revenue Model	Full revenue goes to Starbucks	A percentage of revenue goes to Starbucks
Profit Margins	Higher profit margins	Lower profit margins
Control	Full control over operations	Limited control over operations
Global Reach	Direct control over expansion	Enables quicker expansion with low costs



# Store Summary

## Company-operated Stores

- Revenue from company-operated stores accounted for 82% of total net revenues during fiscal 2024.
- Starbucks company-operated stores are typically located in high-traffic, high-visibility locations.
- Starbucks' ability to vary the size and format of the stores allows it to locate them in or near retail centers, office buildings, university campuses, and rural and off-highway locations.



## Licensed Stores

- Revenues from our licensed stores accounted for 12% of total net revenues in fiscal 2024.
- Under the licensed model, Starbucks receives a margin on branded products and supplies sold to the licensed store operator along with a royalty on retail sales.
- As part of these arrangements, Starbucks sells coffee, tea, food, and related products to licensees for resale to customers and receive royalties and license fees from the licensees.





# Market Position

Starbucks is the global leader in the premium coffee industry and one of the most recognized and trusted brands worldwide. The company's strong market position is built on several key factors:

- **Brand Recognition & Loyalty:** Starbucks enjoys immense brand recognition and a loyal customer base, enhanced by its Rewards program and focus on high-quality products.
- **Digital Leadership:** Starbucks has successfully embraced digital innovation, with a widely used mobile app for ordering, loyalty rewards, and delivery services, especially in markets like the U.S. and China.
- **Premium Offerings:** Known for its high-quality coffee and seasonal beverages, Starbucks continues to innovate with plant-based options and health-conscious menu items, maintaining its premium positioning.
- **Global Reach:** With a significant presence in North America, Europe, and Asia, Starbucks continues to expand, particularly in China, where it's the second-largest market after the U.S.
- **Sustainability:** Starbucks' commitment to ethical sourcing and sustainability strengthens its position among environmentally-conscious consumers.

With over 35,000 stores in 80+ countries, Starbucks is the leader in the premium coffee segment and continues to expand, particularly in emerging markets such as China, which has become one of its key growth areas.



# Competitive Landscape

Starbucks' dominates the global premium coffee market with over 35,000 stores in 80+ countries. The company has strong presence in key regions, particularly in North America and China (one of its largest growth markets) and is known for its high-quality coffee, innovative beverages, and loyal customer base.

However, Starbucks faces fierce competition from competitors like:

- Local coffee shops
- Large coffee chains like McCafé (McDonald's) which directly challenge Starbucks in the coffee sector.
- Quick-Service Restaurants (QSRs) like:

1. **Chipotle**: Has ventured into the beverage space, offering coffee and specialty drinks to health-conscious customers.

2. **Yum! Brands** (owns Taco Bell, Pizza Hut, KFC): These chains increasingly offer coffee and beverages, competing for the same consumer base.

3. **Darden Restaurants**: Integrating coffee and beverage options to enhance dining experiences and compete with Starbucks in the broader foodservice space.

4. **Dunkin'**: A go-to spot for coffee lovers, known for its doughnuts and signature hot and iced beverages.



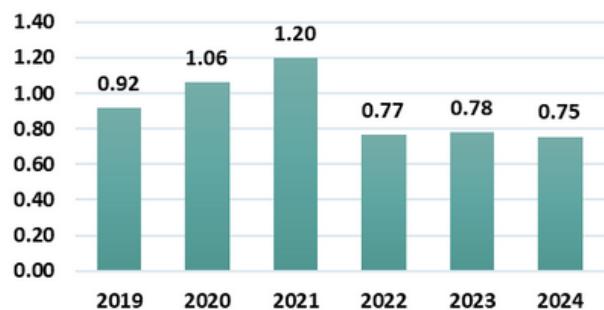


# Financial Analysis

## CURRENT RATIO

Starbucks' current ratio has shown a fluctuating trend from 2019 to 2024, starting at 0.92 in 2019, rising to 1.20 in 2021, and then gradually declining to 0.75 by 2024 which shows a decline in the company's short-term liquidity position over the past few years.

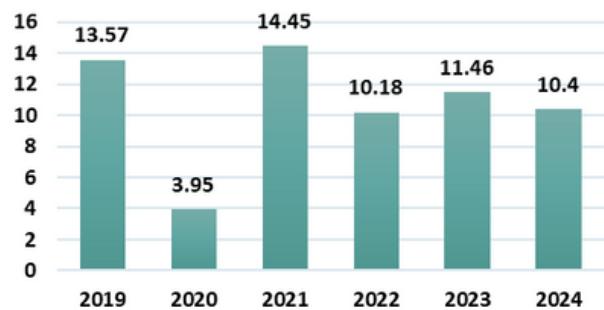
**CURRENT RATIO**



## NET PROFIT MARGIN

Starbucks' net profit margin has varied from 13.57% in 2019 to 10.4% in 2024, with a high of 14.45% in 2021. Although the margin has decreased in recent years, it remains strong, showing the company's ability to stay profitable.

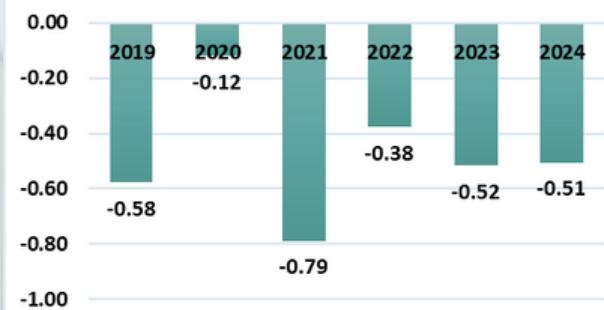
**NET PROFIT MARGIN**



## RETURN ON EQUITY

Starbucks' return on equity (ROE) has remained negative from 2019 to 2024, ranging from -0.58% to -0.12%. This indicates that the company has struggled to generate positive returns for its shareholders over the past few years.

**RETURN ON EQUITY**

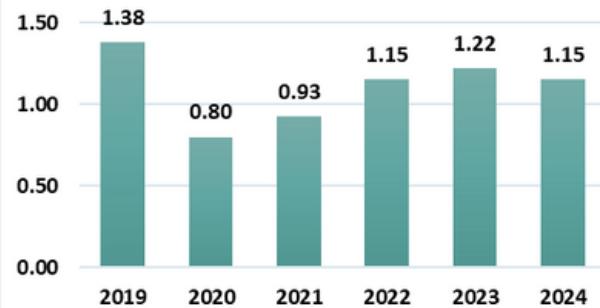




## TOTAL ASSET TURNOVER RATIO

The total asset turnover ratio of Starbucks peaked at 1.38 in 2019, indicating efficient asset utilization, but then declined to 0.80 in 2020, likely due to pandemic-related challenges. Afterward, it showed a gradual recovery, reaching 1.22 in 2024, suggesting improved asset efficiency.

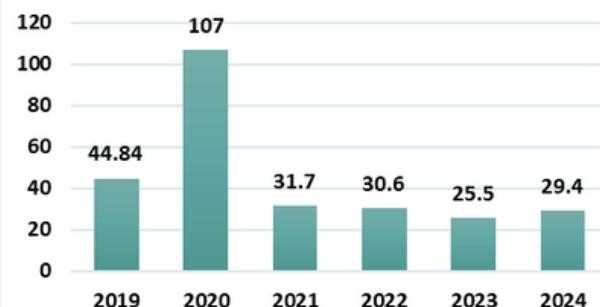
**TOTAL ASSET TURNOVER RATIO**



## PRICE-TO-EARNINGS RATIO

In 2019, the P/E Ratio of Starbucks was notably high at 44.84, reflecting investor optimism, but it surged to 107 in 2020, likely driven by market volatility and pandemic-related factors. Afterward, the ratio gradually recovered to 29.4 in 2024, indicating a stability.

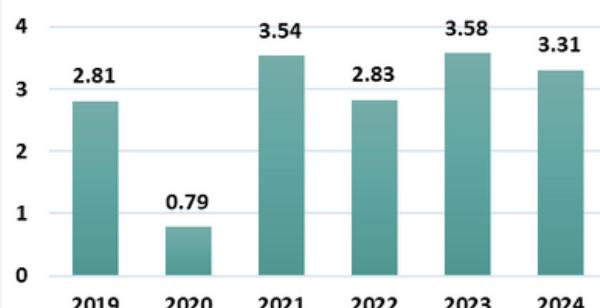
**P/E RATIO**



## EARNINGS PER SHARE

In 2019, the EPS for Starbucks was 2.81 but it dropped to 0.79 in 2020 due to the impact of the pandemic. The EPS then rebounded significantly from that point, and remained relatively strong, reaching 3.31 in 2024, signaling stable earnings.

**EARNINGS PER SHARE (EPS)**





# DuPont Analysis

For the DuPont Analysis of Starbucks, the company's Return on Equity (ROE) can be broken down into three key components:

1. Net Profit Margin
2. Total Asset Turnover, and
3. Financial Leverage.

STARBUCKS COFFEE COMPANY DUPONT ANALYSIS						
Particulars	RETURN ON EQUITY					
	OCT. 1, 2019	OCT. 1, 2020	OCT. 1, 2021	OCT. 1, 2022	OCT. 1, 2023	OCT. 1, 2024
Net Profit	3599.20	928.30	4199.30	3281.60	4124.50	3760.90
Equity	-6231.00	-7799.40	-5314.50	-8698.70	-7987.80	-7441.60
Return on Equity (RoE)	-0.58	-0.12	-0.79	-0.38	-0.52	-0.51
ROE-Dupont Equation						
Net Profit	3599.20	928.30	4199.30	3281.60	4124.50	3760.90
Revenue	26508.60	23518.00	29060.60	32250.30	35975.60	36176.20
Net Profit Margin	14%	4%	14%	10%	11%	10%
Revenue	26508.60	23518.00	29060.60	32250.30	35975.60	36176.20
Total Assets	19219.60	29374.50	31392.60	27978.40	29445.50	31338.90
Total Asset Turnover Ratio	1.38	0.80	0.93	1.15	1.22	1.15
Total assets	19219.60	29374.50	31392.60	27978.40	29445.50	31338.90
Shareholder's Equity	-6231.00	-7799.40	-5314.50	-8698.70	-7987.80	-7441.60
Equity Multiplier/ Financial Leverage	-3.08	-3.77	-5.91	-3.22	-3.69	-4.21
Return on Equity (A*B*C)	-0.578	-0.119	-0.790	-0.377	-0.516	-0.505
Return on Equity	-0.578	-0.119	-0.790	-0.377	-0.516	-0.505
Checksum	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE



# SWOT ANALYSIS

## STRENGTHS

## WEAKNESSES

Global Brand Recognition	Premium Pricing
Extensive Store Network	Dependence on Coffee Sales
Customer Loyalty Programs	High Employee Turnover Rates
Regular Product Innovations	Saturation in Developed Markets like Western Europe
Sustainability Initiatives	Vulnerability to Supply Chain Disruptions

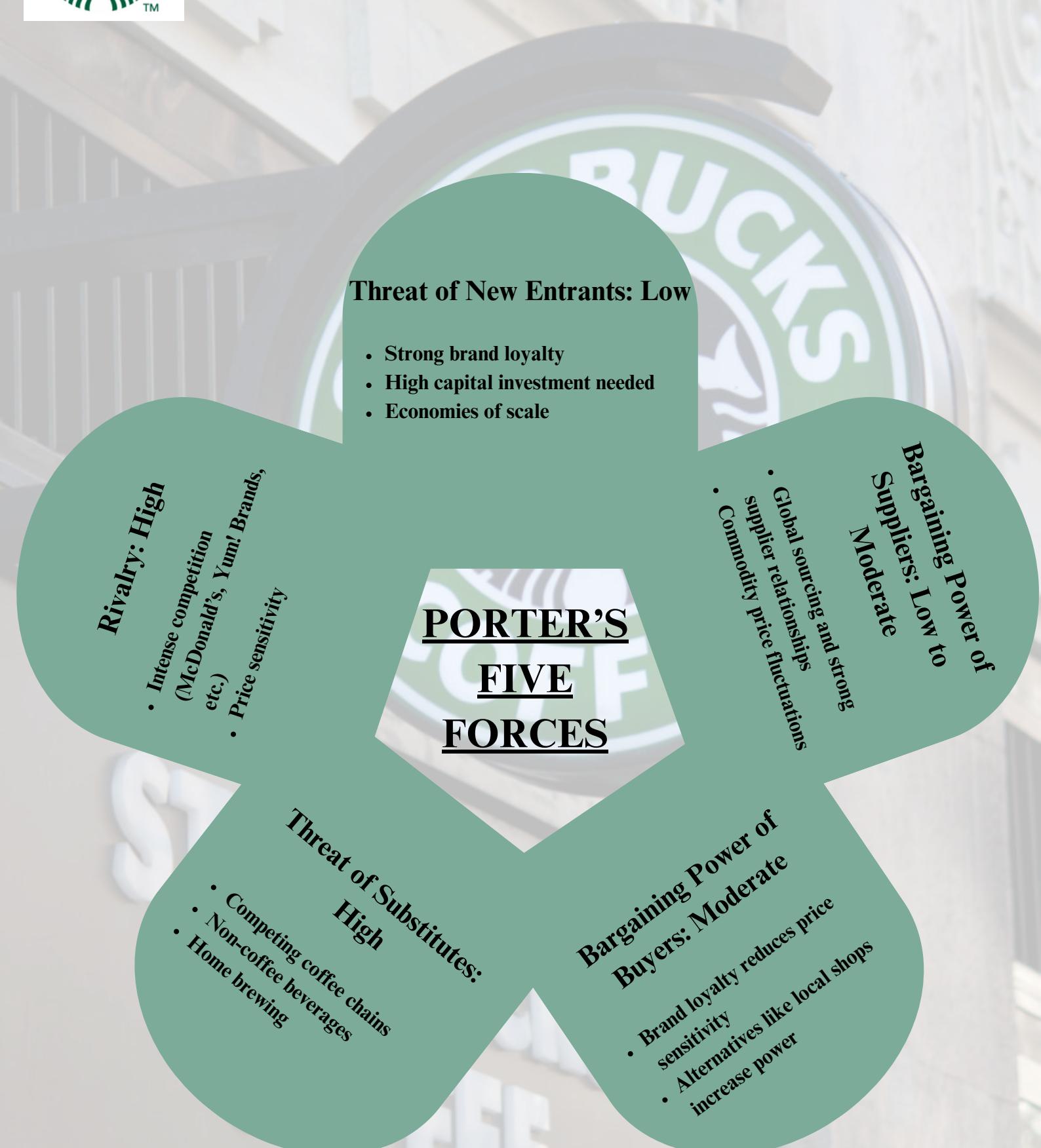
## OPPORTUNITIES

## THREATS

Expansion in Emerging Markets	Intense Competition
Health-Conscious Product Trends	Economic Downturns
Growth of Digital and Delivery Channels	Fluctuating Commodity Prices
Sustainability Focus	Regulatory Risks
Partnerships and Collaborations	Changing Consumer Preferences



# Porter's Five Forces Analysis





# Valuation of Starbucks using DCF

Valuation Date: 14 Feb,2025

The valuation of Starbucks has been conducted using the Discounted Cash Flow (DCF) method where the terminal value has been calculated using Gordon's Growth Model and Exit Multiple Model.

Gordon's Growth Model assumes perpetuity while the Exit Multiple Model assumes that the company will be sold off in the terminal year.

## Gordon's Growth Model

- In this model, we've assumed the long-term growth rate to be 2.50%.
- WACC came out to be 4.95%.
- The terminal value of \$109,357 was determined through the Gordon's Growth Model. This is the expected cash flow value of the business after the specified forecast period.
- The total enterprise value came out to be \$98,037 which is calculated by taking into account the operating enterprise value and non-operating assets.
- The expected value attributable to the common shareholders i.e., the market value came out to be \$85,762.
- Starbucks has 1,137.30 million outstanding shares.
- The Gordon's Growth Model yields the value per share of \$ 75.41.

Valuation Date: 14 Feb,2025			
Terminal Value	Gordan's Growth Model	Exit Multiple	
Terminal growth	109356.65	operating income*16.5	193057.40
PV of TV	81846.25		144490.75
<b>Operating EV</b>	<b>98036.71</b>		<b>160681.21</b>
<b>Non operating assets</b>			
Current assets held for sale	0		0
Noncurrent assets held for sale	0		0
Current liabilities held for sale	0		0
<b>Total EV</b>	<b>98036.71</b>		<b>160681.21</b>
<b>Actual years</b>			
Debt and Debt Equivalents (LTD+STD+Cur)	15,568.40		15,568.40
Non-Controlling Interests	7.3		7.3
Cash	3,286.20		3,286.20
<b>Market Value</b>	<b>85,761.81</b>		<b>1,48,406.31</b>
O/s Shares assuming dilution	1,137.30		1,137.30
<b>Value per share</b>	<b>75.41</b>		<b>130.49</b>



## Exit Multiple Model

- In this model, we've assumed the long-term growth rate to be 2.50%.
- WACC came out to be 4.95%.
- The terminal value of \$193,057 was determined through the Exit Multiple Model. This is the expected cash flow value of the business after the specified forecast period.
- The total enterprise value came out to be \$160,681 which is calculated by taking into account the operating enterprise value and non-operating assets.
- The expected value attributable to the common shareholders i.e., the market value came out to be \$148,406.
- Starbucks has 1,137.30 million outstanding shares.
- The Exit Multiple Model yields the value per share of \$ 130.49.

### Why is the value per share via the exit multiple model greater than the value per share via the gordon's growth model?

Starbucks' value per share of the Exit Multiple Model is greater than the value per share of the Gordon's Growth Model.

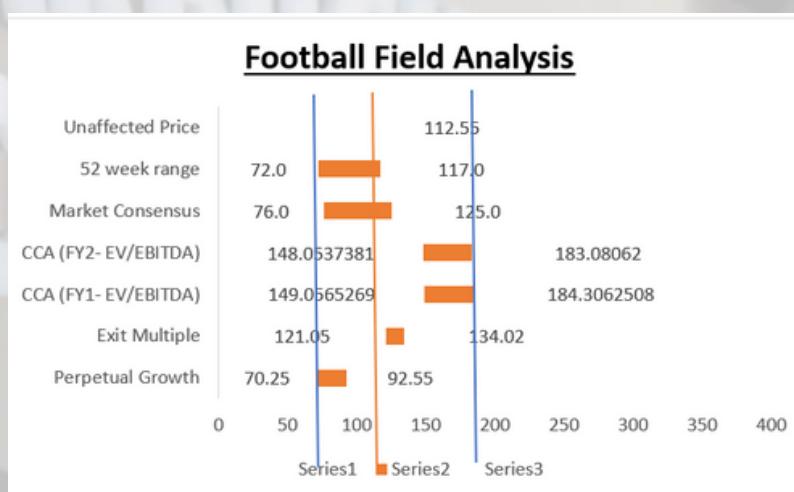
This can be possible because the assumption in the Exit Multiple Model is that the competitors are fairly valued which might not be the case in real life.

Whereas Gordon's Growth Model assumes the intrinsic valuation of the company based on how it can grow in future.



# Football Field Analysis

- **Perpetual Growth Range:** Taking into account the various rates of perpetual growth, the anticipated value range based on the Perpetual Growth range is \$70.25 as the lower range and \$92.55 as the higher range.
- **Exit Multiple Range:** Taking into account various exit multiples, the lower range is \$121.1 while \$134.02 is the higher range.
- **CCA FY1 (EV/EBITDA):** The price range based on the Comparative Company Analysis (CCA) method for the FY1 (EV/EBITDA) is between \$149.1 and \$184.3.
- **CCA FY2 (EV/EBITDA):** The price range based on the Comparative Company Analysis (CCA) method for the FY2 (EV/EBITDA) is between \$148.1 and \$183.1.
- **52-Week Range:** The 52-week range, which has a low of \$72.00 and a high of \$117.00, illustrates the low and high points of the stock price during the previous year.
- **Unaffected Price:** The unaffected price in this case is \$112.55.





# APPENDIX

## REVENUE SEGMENT

STARBUCKS COFFEE COMPANY (in USD millions except per share data)												
Segment Information	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 Months	
	OCT. 1, 2019	OCT. 1, 2020	OCT. 1, 2021	OCT. 1, 2022	OCT. 1, 2023	OCT. 1, 2024	OCT. 1, 2025	OCT. 1, 2026	OCT. 1, 2027	OCT. 1, 2028	OCT. 1, 2029	OCT. 1, 2030
<b>NORTH AMERICA</b>	18130.4	16296.2	20447.9	23370.8	26,569.6	27009.5	27,456.7	27,911.3	28,373.4	28,843.1	29,320.7	29,806.1
Growth%	-	-10%	25%	14%	14%	2%	11%	11%	11%	11%	11%	11%
<b>INTERNATIONAL</b>	6319.3	5230.6	6921.6	6940.1	7487.6	7338.9	7193.2	7050.3	6910.3	6773.1	6638.5	6506.7
Growth%	-	-17%	32%	0%	8%	-2%	6%	6%	6%	6%	6%	6%
<b>CHANNEL DEVELOPMENT</b>	1992.6	1925	1593.6	1843.6	1893.8	1769.8	1653.9	1545.6	1444.4	1349.8	1261.5	1178.9
Growth%	-	-3%	-17%	16%	3%	-7%	-1%	-1%	-1%	-1%	-1%	-1%
<b>CORPORATE &amp; OTHER</b>	66.3	66.2	97.5	95.8	24.6	58.0	136.75	322.41	760.16	1792.25	4225.64	9962.89
Growth%	-	0%	47%	-2%	-74%	136%	-7%	-7%	-7%	-7%	-7%	-7%
<b>Total revenue excluding Eliminations</b>	<b>26508.6</b>	<b>23518</b>	<b>29060.6</b>	<b>32250.3</b>	<b>35975.6</b>	<b>36176.2</b>	<b>36,440.5</b>	<b>36,829.6</b>	<b>37,488.3</b>	<b>38,758.3</b>	<b>41,446.3</b>	<b>47,454.6</b>

## INCOME STATEMENT

STARBUCKS COFFEE COMPANY (in USD millions except per share data)												
Segment Information	12 months											
	OCT. 1, 2019	OCT. 1, 2020	OCT. 1, 2021	OCT. 1, 2022	OCT. 1, 2023	OCT. 1, 2024	OCT. 1, 2025	OCT. 1, 2026	OCT. 1, 2027	OCT. 1, 2028	OCT. 1, 2029	OCT. 1, 2030
<b>NET REVENUE:</b>												
Company-operated stores	21,544.40	19,164.60	24,607.00	26,576.10	29,462.30	29,765.90						
Licensed stores	2,875.00	2,327.10	2,683.60	3,655.50	4,512.70	4,505.10						
Other	2,089.20	2,026.30	1,770.00	2,018.70	2,000.60	1,905.20						
<b>Total Net Revenues</b>	<b>26,508.60</b>	<b>23,518.00</b>	<b>29,060.60</b>	<b>32,250.30</b>	<b>35,975.60</b>	<b>36,176.20</b>	<b>36,440.50</b>	<b>36,829.61</b>	<b>37,488.25</b>	<b>38,758.30</b>	<b>41,446.33</b>	<b>47,454.60</b>
Product and Distribution Cost	8,526.90	7,694.90	8,738.70	10,317.40	11,409.10	11,180.60	11,471.53	11,502.76	11,795.57	12,154.34	12,967.94	12,999.65
Store Operating Expenses	10,493.60	10,764.00	11,930.90	13,561.80	14,720.30	15,286.50	15,454.37	15,371.94	15,698.03	16,216.12	17,417.17	17,397.92
Other Operating Expenses	371	430.3	359.5	461.5	539.4	565.60	551.02	533.51	558.91	582.49	623.18	618.22
Depreciation and Amortization Expenses	1,377.30	1,431.30	1,441.70	1,447.90	1,362.60	1,512.60	1,428.65	1,431.86	1,457.13	1,505.83	1,611.18	1,844.43
General and Administrative Expenses	1,824.10	1,679.60	1,932.60	2,032.00	2,441.30	2,523.30	2,467.29	2,466.31	2,513.89	2,630.46	2,812.96	2,797.37
Restructuring and Impairments	135.8	278.7	170.4	46	21.8	0	143.91	87.25	62.61	66.62	80.47	96.56
<b>Total Operating Expenses</b>	<b>22,728.70</b>	<b>22,278.80</b>	<b>24,573.80</b>	<b>27,866.60</b>	<b>30,494.50</b>	<b>31,068.6</b>	<b>31,516.78</b>	<b>31,393.63</b>	<b>32,086.14</b>	<b>33,155.87</b>	<b>35,512.90</b>	<b>35,754.15</b>
Income from Equity Investees	298	322.5	385.3	234.1	298.4	301.20						
Gain from sale of assets	0	0	0	0	91.3	0						
Operating Income	4,077.90	1,561.70	4,872.10	4,617.80	5,870.80	5,408.80	4,923.73	5,435.98	5,402.11	5,602.43	5,933.43	11,700.45
Gain resulting from acquisition of joint venture	0	0	0	0	0	0						
Net gain resulting from divestiture of certain operations	622.8	0	864.5	0	0	0						
Interest income and other, net	96.5	39.7	90.1	97	81.2	122.8						
Interest expense	-331	-437	-469.8	-482.9	-550.1	-562	-450.39	-389.96	-379.67	-358.49	-290.41	-289.55
<b>Earnings before income taxes</b>	<b>4,466.20</b>	<b>1,164.40</b>	<b>5,356.90</b>	<b>4,231.90</b>	<b>5,401.90</b>	<b>4,969.6</b>	<b>4,473.34</b>	<b>5,046.03</b>	<b>5,022.44</b>	<b>5,243.94</b>	<b>5,643.03</b>	<b>11,410.90</b>
Income Tax %	20%	21%	22%	22%	24%	24%	23%	23%	23%	23%	23%	23%
Income tax expense	871.6	239.7	1,156.60	948.5	1,277.20	1,207.3	1,006.74	1,155.00	1,162.65	1,221.64	1,310.69	2,626.03
<b>Net earnings including non-controlling interests</b>	<b>3,594.60</b>	<b>924.70</b>	<b>4,200.30</b>	<b>3,283.40</b>	<b>4,124.70</b>	<b>3,762.3</b>	<b>3,466.59</b>	<b>3,891.03</b>	<b>3,859.80</b>	<b>4,022.30</b>	<b>4,332.34</b>	<b>8,784.87</b>
Net loss attributable to non-controlling interests	-4.6	-3.6	1.00	1.8	0.2	1.4	1.3	1.4	1.4	1.5	1.6	3.3
<b>Net earnings attributable to Starbucks</b>	<b>3,599.20</b>	<b>928.30</b>	<b>4,199.30</b>	<b>3,281.60</b>	<b>4,124.50</b>	<b>3,760.9</b>	<b>3,465.30</b>	<b>3,889.58</b>	<b>3,858.36</b>	<b>4,020.80</b>	<b>4,330.72</b>	<b>8,781.60</b>



## BALANCE SHEET

Starbucks Coffee Company (in USD millions except per share data)												
Segment Information		12 months Oct. 1, 2020	12 months Oct. 1, 2021	12 months Oct. 1, 2022	12 months Oct. 1, 2023	12 months Oct. 1, 2024	12 months Oct. 1, 2025	12 months Oct. 1, 2026	12 months Oct. 1, 2027	12 months Oct. 1, 2028	12 Months Oct. 1, 2029	12 Months Oct. 1, 2030
<strong>Current Assets:</strong>												
Cash and Cash Equivalents		4,350.90	6,455.70	2,818.40	3,551.50	3,286.20	2790.16	1705.61	1534.97	1125.23	-773.98	-2892.37
Short-term Investments		281.2	162.2	364.5	401.5	257	257	257	257	257	257	257
Accounts receivable, net		883.4	940	1,175.50	1,184.10	1213.8	1251.07	1264.43	1287.04	1330.64	1422.93	1629.20
Inventories		1,551.40	1,603.90	2,176.60	1,806.40	1,777.30	2107.36	2102.09	2151.51	2220.57	2378.21	2378.78
Prepaid expenses and other current assets		739.5	594.6	483.7	359.9	313.1	313.1	313.1	313.1	313.1	313.1	313.1
<strong>Total Current Assets</strong>		<strong>7,806.40</strong>	<strong>9,756.40</strong>	<strong>7,018.70</strong>	<strong>7,303.40</strong>	<strong>6847.4</strong>	<strong>6,718.70</strong>	<strong>5,642.23</strong>	<strong>5,543.62</strong>	<strong>5,246.55</strong>	<strong>3,597.26</strong>	<strong>1,685.71</strong>
<strong>Non-Current Assets:</strong>												
Long-term investment		206.1	281.7	279.1	247.4	276	276	276	276	276	276	276
Equity investments		478.7	268.5	311.2	439.9	463.9	463.9	463.9	463.9	463.9	463.9	463.9
Property, plant and equipment, net		5784.3	6116	6502.1	7346	8643.7	7,989	8,075	8,219	8,497	9,087	10,404
Intangible assets		457.1	253.5	58.4	41.1	21.4	7	5	4	2	0	-2
Operating lease, right-of-use asset		8,134.10	8,236.00	8,015.60	8,412.60	9,286.20	9,286.20	9,286.20	9,286.20	9,286.20	9,286.20	9,286.20
Deferred income taxes, net		1,789.90	1,874.80	1,799.70	1,769.80	1,766.70	1,766.70	1,766.70	1,766.70	1,766.70	1,766.70	1,766.70
Other long-term assets		568.6	578.5	554.2	546.5	617	617	617	617	617	617	617
Other intangible assets		552.1	349.9	155.9	120.5	100.9	100.9	100.9	100.9	100.9	100.9	100.9
Goodwill		3,597.20	3,677.30	3,283.50	3,218.30	3,315.70	3315.7	3315.7	3315.7	3315.7	3315.7	3315.7
<strong>Total Non-Current Assets</strong>		<strong>21,568.10</strong>	<strong>21,636.20</strong>	<strong>20,959.70</strong>	<strong>22,142.10</strong>	<strong>24,491.5</strong>	<strong>23,823.12</strong>	<strong>23,906.33</strong>	<strong>24,048.93</strong>	<strong>24,326.18</strong>	<strong>24,913.31</strong>	<strong>26,228.38</strong>
<strong>TOTAL ASSETS</strong>		<strong>29,374.50</strong>	<strong>31,392.60</strong>	<strong>27,978.40</strong>	<strong>29,445.50</strong>	<strong>31338.9</strong>	<strong>30,541.81</strong>	<strong>29,548.56</strong>	<strong>29,592.55</strong>	<strong>29,572.73</strong>	<strong>28,510.57</strong>	<strong>27,914.09</strong>

Starbucks Coffee Company (in USD millions except per share data)													
Segment Information		12 months Oct. 1, 2020	12 months Oct. 1, 2021	12 months Oct. 1, 2022	12 months Oct. 1, 2023	12 months Oct. 1, 2024	12 months Oct. 1, 2025	12 months Oct. 1, 2026	12 months Oct. 1, 2027	12 months Oct. 1, 2028	12 Months Oct. 1, 2029	12 Months Oct. 1, 2030	
<strong>LIABILITIES AND SHAREHOLDERS' EQUITY</strong>													
<strong>Current Liabilities:</strong>													
Accounts payable	997.9	1,211.60	1,441.40	1,544.30	1,595.50	1593.39	1589.41	1626.77	1678.99	1798.18	1798.61		
Accrued liabilities	1,160.70	1,973.20	2,137.10	2,145.10	2,194.70	2,194.70	2,194.70	2,194.70	2,194.70	2,194.70	2,194.70	2,194.70	2,194.70
Accrued payroll and benefits	696	772.3	761.7	828.3	786.6	786.6	786.6	786.6	786.6	786.6	786.6	786.6	786.6
Income tax payable	98.2	348	-	-	-	-	-	-	-	-	-	-	-
Current portion of operating lease liability	1,248.80	1,251.30	1,245.70	1,275.30	1,463.10	1,463.10	1,463.10	1,463.10	1,463.10	1,463.10	1,463.10	1,463.10	1,463.10
Stored value card liability and current portion of deferred revenue	1,456.50	1,596.10	1,641.90	1,700.20	1,781.20	1,781.20	1,781.20	1,781.20	1,781.20	1,781.20	1,781.20	1,781.20	1,781.20
Short-term debt	438.8	-	175	33.5	0.00	1,500	500	600	1,750	1,750	1,750	1,750	0
Current portion of long-term debt	1,249.90	998.9	1,749.00	1,818.60	1,248.90								
<strong>Total Current Liabilities</strong>	<strong>7,346.80</strong>	<strong>8,151.40</strong>	<strong>9,151.80</strong>	<strong>9,345.30</strong>	<strong>9,070.00</strong>	<strong>9,318.99</strong>	<strong>8,315.01</strong>	<strong>8,452.37</strong>	<strong>9,654.59</strong>	<strong>9,773.78</strong>	<strong>8,024.21</strong>		
Long-term debt	14,659.60	13,616.90	13,119.90	13,547.60	14,319.50	12,818	12,318	11,718	9,968	8,218	8,218		
Operating lease liability	7,661.70	7,738.00	7,515.20	7,924.80	8,771.60	8,771.60	8,771.60	8,771.60	8,771.60	8,771.60	8,771.60	8,771.60	8,771.60
Deferred revenue	6,598.50	6,463.00	6,279.70	6,101.80	5,963.60	5,963.60	5,963.60	5,963.60	5,963.60	5,963.60	5,963.60	5,963.60	5,963.60
Other long-term liabilities	907.3	737.8	610.50	513.8	656.20	656.2	656.2	656.2	656.2	656.2	656.2	656.2	656.2
<strong>Total Non-Current Liabilities</strong>	<strong>29,827.10</strong>	<strong>28,555.70</strong>	<strong>27,525.30</strong>	<strong>28,088.00</strong>	<strong>29,710.9</strong>	<strong>28,209.80</strong>	<strong>27,709.80</strong>	<strong>27,109.80</strong>	<strong>25,359.80</strong>	<strong>23,609.80</strong>	<strong>23,609.80</strong>		
<strong>TOTAL LIABILITIES</strong>	<strong>37,173.90</strong>	<strong>36,707.10</strong>	<strong>36,677.10</strong>	<strong>37,433.30</strong>	<strong>38,780.90</strong>	<strong>37,528.79</strong>	<strong>36,024.81</strong>	<strong>35,562.17</strong>	<strong>35,014.39</strong>	<strong>33,383.58</strong>	<strong>31,634.01</strong>		



## CASH FLOW STATEMENT

STARBUCKS COFFEE COMPANY (in USD million except per share data)		12 Months OCT. 1, 2025	12 Months OCT. 1, 2026	12 Months OCT. 1, 2027	12 Months OCT. 1, 2028	12 Months OCT. 1, 2029	12 Months OCT. 1, 2030
<b>Cash Flow Statement</b>							
<b>OPERATING ACTIVITIES</b>							
Net Income		3,467	3,891	3,860	4,022	4,332	8,785
Depreciation and amortization		1,429	1,432	1,457	1,506	1,611	1,844
Interest Expense		450	390	380	358	290	290
Share-based compensation expense		-	-	-	-	-	-
Change in assets and liabilities:							
Accounts Receivable		(37)	(13)	(23)	(44)	(92)	(206)
Inventories		(330)	5	(49)	(69)	(158)	(1)
Prepaid expenses and other current assets		-	-	-	-	-	-
Accounts Payable		(2)	(4)	37	52	119	0
<b>Net Cash from Operating Activities</b>		<b>4,976</b>	<b>5,701</b>	<b>5,662</b>	<b>5,826</b>	<b>6,103</b>	<b>10,712</b>
<b>INVESTING ACTIVITIES</b>							
Capital Expenditure		(760)	(1,515)	(1,600)	(1,783)	(2,198)	(3,159)
<b>Net Cash Used for Investing Activities</b>		<b>(760)</b>	<b>(1,515)</b>	<b>(1,600)</b>	<b>(1,783)</b>	<b>(2,198)</b>	<b>(3,159)</b>
<b>FINANCING ACTIVITIES</b>							
Cash Dividends Paid		(3,012)	(3,380)	(3,353)	(3,494)	(3,764)	(7,632)
Interest Expense		-450	-390	-380	-358	-290	-290
Debt Raised		-	-	-	-	-	-
Debt Repaid		(1,250)	(1,500)	(500)	(600)	(1,750)	(1,750)
<b>Net Cash Used for Financing Activities</b>		<b>(4,712)</b>	<b>(5,270)</b>	<b>(4,233)</b>	<b>(4,453)</b>	<b>(5,804)</b>	<b>(9,671)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>-496</b>	<b>-1,085</b>	<b>-171</b>	<b>-410</b>	<b>-1,899</b>	<b>-2,118</b>
<b>Cash and Cash Equivalents (Beginning of the Year)</b>		<b>3,286</b>	<b>2,790</b>	<b>1,706</b>	<b>1,535</b>	<b>1,125</b>	<b>-774</b>
<b>Cash and Cash Equivalents (End of the Year)</b>		<b>2,790</b>	<b>1,706</b>	<b>1,535</b>	<b>1,125</b>	<b>-774</b>	<b>-2,892</b>



## DCF

STARBUCKS COFFEE COMPANY (in USD million except per share data)		1	2	3	4	5	6
Free cash flow to the firm	OCT. 1, 2025	OCT. 1, 2026	OCT. 1, 2027	OCT. 1, 2028	OCT. 1, 2029	OCT. 1, 2030	
EBIT	4,923.73	5,435.98	5,402.11	5,602.43	5,933.43	11,700.45	
Tax rate	23%	23%	23%	23%	23%	23%	
Tax	1108.10	1244.26	1250.54	1305.15	1378.14	2692.66	
NOPAT	3815.62	4191.72	4151.58	4297.28	4555.29	9007.79	
(+)Depreciation	1,415	1,430	1,455	1,505	1,609	1,842	
(+)Net changes in working capital	-183.19	-201.94	-222.67	-245.56	-270.86	-270.86	
(-)Capex	-2432.34	-2666.73	-2925.34	-3210.72	-3525.69	-3525.69	
FCFF(Explicit cash flow)	2614.75	2752.80	2458.90	2345.63	2367.72	7053.47	
WACC	4.95%						
Growth rate	2.5%						
PV of Explicit Cash Flow (FCFF)	2491.47	2499.35	2127.24	1933.58	1859.77	5279.05	
Discount Factor	0.95	0.91	0.87	0.82	0.79	0.75	
	2491.47	2499.35	2127.24	1933.58	1859.77	5279.05	
Sum of PV of Explicit Cash Flow	16190.46						
			EV/EBITDA (2027, marketscreener)			16.5	

Valuation Date: 14 Feb,2025			
Terminal Value	Gordan's Growth Model	Exit Multiple	
Terminal growth	109356.65	operating income*16.5	193057.40 (
PV of TV	81846.25		144490.75 (
Operating EV	98036.71		160681.21 (
<b>Non operating assets</b>			
Current assets held for sale	0		0
Noncurrent assets held for sale	0		0
Current liabilities held for sale	0		0
Total EV	98036.71		160681.21
<i>Actual years</i>			
Debt and Debt Equivalents (LTD+STD+Current Liabilities)	15,568.40		15,568.40
Non-Controlling Interests	7.3		7.3
Cash	3,286.20		3,286.20
Market Value	85,761.81		1,48,406.31
O/s Shares assuming dilution	1,137.30		1,137.30
Value per share	75.41		130.49
<b>RECOMMENDATION</b>	SELL		
CMP	112.55		
MV = Equity = CMP*O/S Shares	1,28,003.12		
Debt = BookValue	15,568.40		
Wd	0.108		
W <sub>e</sub>	0.892		



## SENSITIVITY ANALYSIS

		SENSITIVITY ANALYSIS USING GORDON'S GROWTH MODEL							
		<i>Growth Rate</i>							
WACC	75.41	1.00%	1.50%	2.00%	2.50%	3.00%	3.50%	4.00%	
	2.95%	154.4	155.1	155.8	156.6	157.3	158.1	158.8	
	3.45%	125.1	125.7	126.3	126.9	127.5	128.1	128.7	
	3.95%	103.6	104.1	104.6	105.1	105.6	106.1	106.6	
	4.45%	87.2	87.6	88.0	88.4	88.8	89.3	89.7	
	4.95%	74.3	74.7	75.0	75.4	75.7	76.1	76.4	
	5.45%	64.0	64.3	64.6	64.9	65.2	65.5	65.8	
	5.95%	55.5	55.8	56.1	56.3	56.6	56.9	57.1	

		SENSITIVITY ANALYSIS USING EXIT MULTIPLE MODEL						
		<i>Exit Multiple</i>						
WACC	130.49	14.50x	15.00x	15.50x	16.00x	16.50x	17.00x	17.50x
	2.95%	129.8	134.2	138.5	142.8	147.1	151.4	155.8
	3.45%	126.0	130.2	134.4	138.6	142.8	147.0	151.1
	3.95%	122.2	126.3	130.4	134.4	138.5	142.6	146.7
	4.45%	118.6	122.5	126.5	130.5	134.4	138.4	142.4
	4.95%	115.1	118.9	122.8	126.6	130.5	134.3	138.2
	5.45%	111.7	115.4	119.2	122.9	126.6	130.4	134.1
	5.95%	108.4	112.0	115.7	119.3	122.9	126.6	130.2
	6.45%	105.2	108.7	112.3	115.8	119.4	122.9	126.4
	6.95%	102.1	105.6	109.0	112.4	115.9	119.3	122.8



## WACC

### Cost of Debt (rd)

rd as per Rating Based Method:

$$rd = rf + \text{credit spread}$$

Here,  
rd = Risk Free Spread  
rf = Risk Free Rate

Credit Rating of Starbucks on S&P	BBB+
Credit Spread (on Damodaran's site) of Starbucks	1.47%
Risk Free Rate (Investing.com) i.e., rf	4.57%
rd	6.04%

$$\text{WACC} = Wd * Rd * (1-t) + We * Re$$

WACC	4.95%
Tax Rate (t)	23%
Wd	10.84%
We	89.16%

Here,  
wd = Weight of Debt  
rd = Rate of Debt  
we = Weight of Equity  
re = Rate of Equity  
t = Tax Rate

NOTE: We've taken Cost of Debt (rd) as per Rating Based Method for calculating WACC

### Cost of Equity (re)

re as per Rating Based Method

ERP (Damodaran)	4.6%
Risk Free Rate i.e., rf	4.57%
Regression BETA	1.04
Cost of Equity	4.98%

## REGRESSION BETA

## STARBUCKS

BETA 1.037

### Competitors of Starbucks:

Name	BETA
Chipotle Mexican Grill Inc.	1.138
Yum! Brands Inc.	1.045
Darden Restaurants Inc.	1.568
Domino's Pizza Inc.	0.732
Cava Group Inc.	2.208



## UNLEVERED BETA

STARBUCKS COFFEE COMPANY (in USD millions except per share data)									
UNLEVERED BETA CALCULATION - COMPARABLES									
Name	Levered Beta	Debt	% Debt	Equity	% Equity	Tax Rate	Unlevered Beta	Relevered Beta	DFL
Chipotle Mexican Grill Inc.	1.138	-	-	61,152	27%	1.138	1.000		
Yum! Brands Inc.	1.045	11,250	36.715	36,715	27%	0.854	1.224		
Darden Restaurants Inc.	1.568	1,052.10	17.575	17,575	27%	1.502	1.044		
Domino's Pizza Inc.	0.732	4,508.80	13.981	13,981	27%	0.593	1.235		
Cava Group Inc.	2.208	5.11	5.996	5,996	27%	2.207	1.001		
Median		1,052.10	17.575	17,575		1.259			
STARBUCKS COFFEE COMPANY									
	1.037	13,693		1,04,733	27%	1.379		1.095	
Bottom up Beta		1.379							
Regression Beta		1.037							

### Calculation of Capital Structure of Peer Group Companies

	Debt	Equity			Tax Rate
		Share Price	Shares O/S	M.Cap	
<b>Chipotle Mexican Grill Inc.</b>					
2024	-	-	-	82,227	27%
2023	-	-	-	62,765	27%
2022	-	-	-	38,463	27%
<b>Yum! Brands Inc.</b>					
2024	11,250	-	-	37,440	27%
2023	11,100	-	-	36,625	27%
2022	11,400	-	-	36,079	27%
<b>Darden Restaurants Inc.</b>					
2024	1,370	-	-	17,617	27%
2023	885	-	-	19,504	27%
2022	901	-	-	15,603	27%
<b>Domino's Pizza Inc.</b>					
2024	3,765	-	-	14,836	27%
2023	4,865	-	-	14,379	27%
2022	4,897	-	-	12,728	27%
<b>Cava Group Inc.</b>					
2024	-	-	-	13,104	27%
2023	-	-	-	4,883	27%
2022	15.34	-	-	-	27%
<b>Starbucks</b>					
2024	14,340	-	-	1,10,328	27%
2023	13,590	-	-	1,04,541	27%
2022	13,150	-	-	99,330	27%



## COMPANY COMPARABLE ANALYSIS

Industry Geography Currency	Restaurants																	
	US				USD													
	F10	F33	F18	F32	K59	K65	K63	K74	L59	L65	L63	L74	M59	M65	M63	M74	P65	
Peer Group Companies	Reported	Exchange			LTM Multiples													
Chipotle	USD	1,000	57	77,866	EV	EV/Sales	EV/EBITDA	EV/EBIT	P/E	EV/Sales	EV/EBITDA	EV/EBIT	P/E	EV/Sales	EV/EBITDA	EV/EBIT	P/E	Growth
YumBrands	USD	1,000	148	41,656	52,863	6.52x	31.45x	36.44x	43.51x	6.39x	30.91x	35.91x	44.67x	5.64	26.36	30.20	37.51	0.00%
Darden	USD	1,000	191	22,554	28,670	2.48x	15.66x	21.33x	21.62x	6.51x	18.46x	19.71x	24.91x	6.13	17.17	18.28	22.71	0.00%
Dominos	USD	1,000	477	1,26,390	1,31,381	26.85x	129.35x	142.49x	198.39x	26.50x	127.06x	140.06x	211.78x	24.83	118.57	130.34	194.99	0.00%
Cava	USD	1,000	131	15,631	15,643	13.62x	92.42x	205.89x	172.36x	13.20x	98.57x	257.46x	247.63x	10.92	77.71	185.10	189.71	0.00%
					Mean	11.3x	57.8x	85.6x	92.6x	11.0x	57.9x	94.6x	109.9x	9.9x	50.6x	76.4x	92.6x	
					Median	6.9x	31.5x	36.4x	43.5x	6.5x	30.9x	35.9x	44.7x	6.1x	26.362x	30.2x	37.5x	
					25th Percentile	6.5x	20.1x	21.7x	27.3x	6.4x	18.5x	19.8x	24.9x	5.6x	17.2x	18.3x	22.7x	
					75th Percentile	13.6x	92.4x	142.5x	172.4x	13.2x	98.6x	140.1x	211.8x	10.9x	77.7x	130.3x	189.7x	

Name of Target Company	STARBUCKS				Median			1			Implied Per Share Value-STARBUCKS				
	Metrics	Industry Multiple Range		Implied EV-STARBUCKS		Minority Interest	Total Debt	Debt Equivalent	Cash & Cash Eq	Investments	Implied Equity-STARBUCKS		Diluted Shares O/S	Lower	Higher
		Lower	Higher	Lower	Higher						Lower	Higher			
LTM EV/EBITDA	6,921	28.3x	34.6x	1,95,911	2,39,447	7.1	15561.4	0	3671.4	962.4	1,84,977	2,28,512	1142.9	161.8	199.9
FY1 EV/EBITDA	6,517	27.8x	34.0x	1,81,296	2,21,584	7.1	15561.4	0	3671.4	962.4	1,70,362	2,10,650	1142.9	149.1	184.3
FY2 EV/EBITDA	7,593	23.7x	29.0x	1,80,150	2,20,184	7.1	15561.4	0	3671.4	962.4	1,69,215	2,09,249	1142.9	148.1	183.1
Starbucks Valuation Range as per Trading Comps												149.1	184.3		
Name of Target Company	Metrics	Industry Multiple Range		Implied EV-STARBUCKS		Minority Interest	Total Debt	Debt Equivalent	Cash & Cash Eq	Investments	Implied Equity-STARBUCKS		Diluted Shares O/S	Lower	Higher
		Lower	Higher	Lower	Higher						Lower	Higher			
	10%	10%	10%	10%	10%										
LTM EV/EBIT	5,409	32.8x	40.1x	1,77,380	2,16,798	7.1	15561.4	0	3671.4	962.4	1,66,445	2,05,863	1142.9	145.6	180.1
FY1 EV/EBIT	4,844	32.3x	39.5x	1,56,567	1,91,360	7.1	15561.4	0	3671.4	962.4	1,45,632	1,80,425	1142.9	127.4	157.9
FY2 EV/EBIT	5,885	27.2x	33.2x	1,59,930	1,95,470	7.1	15561.4	0	3671.4	962.4	1,48,995	1,84,535	1142.9	130.4	161.5
Starbucks Valuation Range as per Trading Comps												130.4	161.5		
Name of Target Company	Metrics	Industry Multiple Range		Implied EV-STARBUCKS		Minority Interest	Total Debt	Debt Equivalent	Cash & Cash Eq	Investments	Implied Equity-STARBUCKS		Diluted Shares O/S	Lower	Higher
		Lower	Higher	Lower	Higher						Lower	Higher			
	10%	10%	10%	10%	10%										
LTM EV/Sales	36,176	6.2x	7.6x	2,23,639.93	2,73,337.69	7.1	15561.4	0	3671.4	962.4	2,12,705	2,62,403	1142.9	186.1	229.6
FY1 EV/Sales	37,440	5.9x	7.2x	2,19,341.19	2,68,083.67	7.1	15561.4	0	3671.4	962.4	2,08,406	2,57,149	1142.9	182.3	225.0
FY2 EV/Sales	40,037	5.5x	6.7x	2,20,977.53	2,70,083.65	7.1	15561.4	0	3671.4	962.4	2,10,043	2,59,149	1142.9	183.8	226.7
Starbucks Valuation Range as per Trading Comps												183.8	226.7		

Metrics	Industry Multiple Range		Implied Per Share Value-STARBUCKS		
	Lower	Higher		Lower	Higher
FY1 P/E	2.88	40.2x	49.1x	115.8	141.5
FY2 P/E	3.10	33.8x	41.3x	104.6	127.9
Starbucks Valuation Range as per Trading Comps					
			110.2	134.7	

Calculation of Diluted Shares-STARBUCKS	
Basic Shares o/s	1,133.8
Diluted Shares o/s	1142.9

STARBUCKS CMP (14 Feb 2025)	112.55					
ESOPs/Warrants etc. Treasury Stock Method						
Exercise Price	Notional					
O/S	ITM?	Shares Issued	Cash Buyback	Net Dilution		
0.9	58.5	Yes	0.9	53	0.5	0.4
8.7	-	Yes	8.7	-	-	8.7
				9.1		
0.43	TRUE					

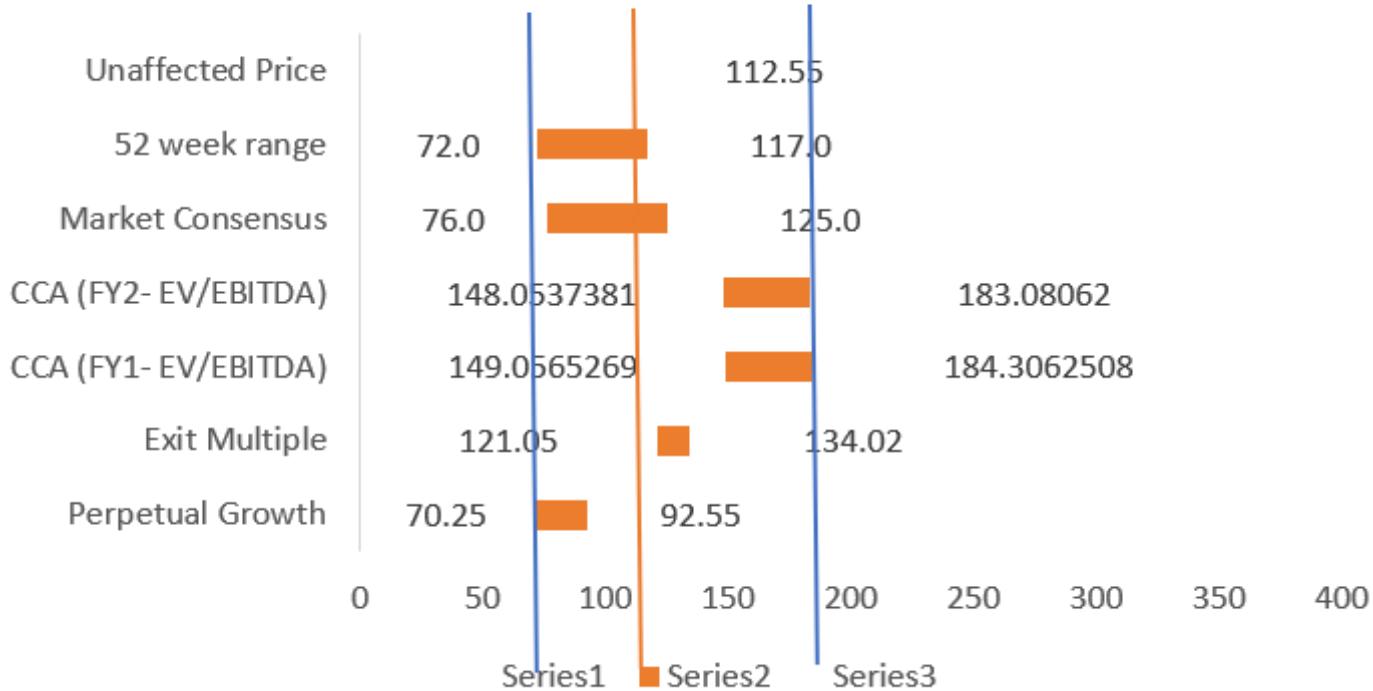
  

STARBUCKS	2024	2025	2026
Sales	36,176	37,440	40,037
EBITDA	6,921	6,517	7,593
EBIT	5,409	4,844	5,885



## FOOTBALL FIELD ANALYSIS

### Football Field Analysis



Method	Lower	Difference	Higher
Perpetual Growth	70.25	22.3	92.55
Exit Multiple	121.1	13.0	134.02
CCA (FY1- EV/EBITDA)	149.1	35.2	184.3
CCA (FY2- EV/EBITDA)	148.1	35.0	183.1
Market Consensus	76.0	49.0	125.0
52 week range	72.0	45.0	117.0
Unaffected Price	112.55		112.55
Final range	70.25		184.3