Starbucks Corp and Nestle SA Form Global Coffee Alliance Conference Call

Company Participants

- John Culver, Group President of International & Channels Development
- Kevin R. Johnson, CEO, President & Director
- Scott Harlan Maw, Executive VP, CFO & Principal Accounting Officer
- Thomas Shaw, Unknown

Other Participants

- Christopher Thomas O'Cull, MD & Senior Analyst, Stifel, Nicolaus & Company, Incorporated, Research Division
- David E. Tarantino, Associate Director of Research and Senior Research Analyst, Robert W. Baird & Co. Incorporated, Research Division
- David Sterling Palmer, MD of Food and Restaurants and Consumer Analysts, RBC Capital Markets, LLC, Research Division
- Dennis Geiger, Director and Equity Research Analyst of Restaurants, UBS Investment Bank, Research Division
- Jeffrey Andrew Bernstein, Director & Senior Equity Research Analyst, Barclays Bank PLC, Research Division
- John Stephenson Glass, MD, Morgan Stanley, Research Division
- John William Ivankoe, Senior Restaurant Analyst, JP Morgan Chase & Co, Research Division
- Karen Holthouse, VP, Goldman Sachs Group Inc., Research Division
- Matthew James DiFrisco, Director and Senior Equity Analyst, Guggenheim Securities, LLC, Research Division
- Matthew Robert McGinley, Restaurant Analyst, Evercore ISI, Research Division
- Sharon Zackfia, Partner & Group Head of Consumer, William Blair & Company L.L.C., Research Division
- William Everett Slabaugh, MD, Stephens Inc., Research Division

Presentation

Operator

Good morning. My name is Jaclyn. And I will be your conference operator today. At this time, I would like to welcome everyone to Starbucks Coffee Company's conference call. (Operator Instructions)

I will now like to turn the call over to Tom Shaw, Vice President, Investor Relations. Mr. Shaw, you may begin your conference.

Thomas Shaw {BIO 17370352 <GO>}

Thanks. Good morning, everyone. And we appreciate you joining us this early to start your week. Last night, we announced that Starbucks and NestlÃ© will form a global coffee alliance to elevate and expand Consumer Packaged Goods and Foodservice categories. On today's call, Kevin Johnson, President and CEO of Starbucks, will provide further details and the strategic rationale behind the alliance. Then joining us for Q&A will be John Culver, Group President, International and Channels; and Scott Maw, CFO.

Before we get started, I would like to remind you that this conference call will contain forward-looking statements, which are subject to various risk and uncertainties that could cause our actual results to differ materially from these statements. Any such statements should be considered in conjunction with the cautionary statements and risk factor discussions in our filings with the SEC, including our last annual report on Form 10-K and the press release we issued last night regarding our plans with NestlÃ©. Starbucks assumes no obligation to update any of these forward-looking statements or information.

Please refer to our website at investor.starbucks.com for the related press release as well as to find a reconciliation of non-GAAP financial measures that may be referenced in today's call with our most directly comparable GAAP measures.

This conference call is being webcast. And an archive of the webcast will be available on our website until Wednesday, June 6, 2018.

I'd now like to turn the call over to Kevin.

Kevin R. Johnson {BIO 3773960 <GO>}

Thank you, Tom. Good morning, everyone. Our today's announcement of our new global coffee alliance with NestlÃ© is a significant strategic milestone for Starbucks. Underpinning the alliance is our continued focus on driving long-term value creation for our shareholders. And the alliance will also deliver many meaningful additional benefits for both companies. I'm pleased to have this opportunity to share my perspective on the alliance. And then John, Scott and I will take your questions.

First, this global coffee alliance brings together the world's leading coffee brand and retailer, the world's largest food and beverage company and the world's largest and fastest-growing installed base of at-home, single-serve coffee machines. Starbucks and NestlÃ© share similar values. And both companies have long coffee heritages with an emphasis on premium experience related to all things coffee.

As part of the alliance, Starbucks will supply and license to NestlÃ© exclusive rights to market, sell and distribute Starbucks-, Seattle's Best Coffee; and Teavana-branded products through the Consumer Packaged Goods and Foodservice channels globally. NestlÃ© will bring our Starbucks brand into regional markets around the world where we currently have no CPG assets or presence. The alliance will also bring Starbucks Coffee to both the Nespresso and Dolce Gusto machine platforms. Together, the world's largest installed base of at-home coffee systems, a global installed base estimated to be greater than that of Keurig. This aspect of the alliance materially expands Starbucks' assets to the addressable, single-serve coffee market beyond our already sizable share of the Keurig K-cup category in North America. In consideration of this relationship, Starbucks will receive an upfront cash payment of $7.15 billion and ongoing revenue from product sales and royalties.

The NestlÃ© alliance will not be our first. It will be similar to the successful, collaborative relationships we currently enjoy with Pepsi, Anheuser-Busch, Tingyi, Arla and others around our global ready-to-drink beverage businesses, which are notably excluded from this alliance.

The alliance leverages the core strengths and combined scale and sophistication of 2 of the strongest and most recognized and respected consumer brands and consumer product companies in the world. It will, over time, transform, expand and elevate both the at-home and away-from-home coffee and related categories all around the world. And it will do so long into the future.

For all Starbucks shareholders, I want to walk you through both the strategic rationale as well as the economic rationale supporting this agreement. Let me begin by framing the opportunity for you.

Starbucks today operates over 28,000 retail stores in 76 markets around the world. And we are adding over 2,000 net new stores every year, including more than 500 in China alone. Our global leadership and authority around all things coffee and our reputation for sourcing and roasting the highest quality coffees in the world has been built, One Cup at a Time, over the last 42 years.

Today, Starbucks is recognized as the world's leading coffee brand and coffee retailer, serving nearly 100 million retail customer occasions around the world every week. Complementing Starbucks' North America retail store portfolio is a powerful CPG business, our Channel Development segment. This has been firing on all cylinders and has been a brand amplifier in North America, which has generated significant shareholder value over the past several years.

Let me explain what I mean by a brand amplifier. In the U.S., the Starbucks retail store footprint and the elevated Starbucks Experience we deliver to our customers has established broad awareness of the Starbucks brand. That brand awareness was amplified by Channel Development when Starbucks branded, packaged, roasted ground and single-serve coffee became available at tens of thousands of grocery, mass merchant and Foodservice locations across the U.S. The increased reach of

Starbucks at-home coffee enabled customers to sample new Starbucks coffees and become even more engaged with our brand, both at retail and CPG. In short, our retail stores established the brand. And our coffee at-home amplifies the brand. The fact is that we have established a global retail store footprint and global awareness of the Starbucks brand. But the brand amplifier, our Channel Development business, is nascent in all countries outside of North America. Therefore, the core strategic rationale for this agreement can be summarized as follows: leverage NestlÃ©'s reach and scale to rapidly accelerate growth in Channel Development globally as a brand amplifier for our retail store business; introduce Starbucks brands to the Nespresso and Dolce Gusto system platforms, together, the world's leading at-home coffee systems with particular strength outside of North America; and establish the definitive global coffee alliance in a rapidly changing, competitive landscape.

Every Starbucks market around the world will ultimately benefit strategically from this partnership. In addition to the strategic rationale, we also shape the alliance with an eye on long-term economic value, the value it would create for Starbucks shareholders, which includes an immediate upfront payment with significant ongoing economics; rapid expansion of addressable growth markets, both new countries and new platforms, including Nespresso and Dolce Gusto; further streamlining our business to enable increased focus on growing our core retail businesses, particularly in our critical markets of the U.S. and China; and scale economics for both Starbucks and NestlÃ© in North America and beyond.

As a result of the transaction, we now expect our 3-year commitment for cash returned to shareholders via dividends and share repurchases to approach $20 billion with most of the incremental $5 billion of net after-tax proceeds of this transaction impacting fiscal '19 share repurchases. And we expect the transaction to be EPS accretive within three years or sooner.

Now I've had the pleasure to work closely with NestlÃ©'s CEO, Mark Schneider. And the NestlÃ© senior leadership team over the past several months defining this alliance and has come to realize just how operationally and culturally well suited Starbucks and NestlÃ© are together. We are both like-minded and purpose-driven companies with values-based leadership teams and long-standing commitments to social, environmental and community responsibility. We share similar views on the need to expand C.A.F. E. Practices, coffee farmer education and support and agronomy initiatives around the world. And we share the belief that a public company can have a positive impact on society and the environment, while still delivering increased profits and creating long-term shareholder value.

Mark has become a friend and a valued business partner. And we are both personally committed to making this a win-win partnership for both companies and both companies' shareholders while, at the same time, serving our customers in all parts of the world. It is also important to note that upon closing, which we expect to occur this summer or early fall, NestlÃ© will offer employment to virtually all Starbucks' partners impacted by this transaction, assuring a seamless transition.

In closing, we are all exceptionally proud of the channels business we've built and the entrepreneurial partners that have consistently driven this business to perform at well-above industry averages. We're looking forward to working with our colleagues at NestlÃ© to bring Starbucks-branded coffee and Teavana-branded teas to even more consumers and more global markets in the years ahead.

We'll now take questions. Operator?

Questions And Answers

Operator

(Operator Instructions) Your first question comes from John Glass from Morgan Stanley.

Q - John Stephenson Glass {BIO 2450459 <GO>}

Scott or others, could you please just maybe provide a little bit more detail on 2 things? One is you said, earnings accretive within the next three years. So does it mean that it is dilutive or maybe this just earnings neutral in the intermediate time? Then maybe how can we look at what the remaining shell development revenues and profit streams are? You're going to be selling coffee to NestlÃ©, I assume. And getting a royalty. Is there any way to dimensionalize how big that piece of the business is on a new go-forward basis?

A - Scott Harlan Maw {BIO 18637895 <GO>}

Thanks, John. First I want to reiterate what Kevin said that we're excited to start this new alliance, creating new opportunities to unlock new avenues of growth on a global basis, while driving a deeper focus on our own retail operations. And some of the specific financial impacts are yet to be finalized from an accounting standpoint, especially the revenue recognition of the upfront payment, which is a material part of the financials going forward. But let me give you some preliminary ranges that I think will help with John's question. So in 2019, using our non-GAAP financials as a base and assuming the deal closes on October 1 and including an initial estimate of the accounting for the upfront payment, we expect total company revenue growth will be impacted by about 2 to 3 points from lower revenues under the license model. Fiscal '19 revenue growth normalized for this. And all other streamline-related activities is still expected to grow in the high single digits. When you exclude the transaction-related costs, we expect fiscal '18 EPS growth will also be impacted by about 2 to 3 points. And as Kevin stated, we expect this will become accretive to EPS within three years or sooner. So significant ongoing retained economics plus the upside that we get from participation on NestlÃ©'s systems plus the impact of the buybacks gets us to EPS breakeven pretty quickly. And we'll give more specifics as we move through the year. We need to better understand the accounting treatment. We're working with our accountants and auditors to further dimensionalize that. And we'll get back to you before our planning cycle and our guidance as we move through earnings.

Operator

Your next question comes from Jeffrey Bernstein from Barclays.

Q - Jeffrey Andrew Bernstein {BIO 7208345 <GO>}

Great. Just wondering, broadly speaking, how you arrive at the valuation and whether you're able to share any of the royalty terms, perhaps related to that? I'm just wondering for perspective, if you can maybe compare the past partnerships? I know that in the past, you had a relationship with Kraft related to the CPG business and, ultimately, brought it back in-house, believing it was better run by yourself. So just wondering how this partnership might differ from that, both positive and negative.

A - Scott Harlan Maw {BIO 18637895 <GO>}

Thanks, Jeff. I'll talk a bit about valuation. And then I'll hand it to Kevin for the second part of your question. I think it's important to understand that we love our CPG business. We are most definitely not selling it outright. And while we receive a very large upfront payment from NestlÃ©, we will retain a significant interest in the ongoing economics and significant rights in the brands. Under NestlÃ©'s stewardship and on their global platforms, we expect the distribution channel to meaningfully grow, providing us the chance to participate in a much greater pool, while simultaneously reducing the complexity of running both retail and CPG channels. You also have to value the initial cash flows we will receive from participating on their platforms globally. We believe that fills quickly over the first few years, add in the value Starbucks for efficiencies across the supply chain and beyond. And the related multiple that we're getting on this deal is actually in the high teens, which is very, very compelling. I'd remind you that Channel Development will continue to report the profits of our ready-to-drink business, which is a meaningful portion of the segment's earnings and future expected growth. And we looked at the entire package that we'll receive. And again, just to summarize where the value sits for Starbucks: the upfront payment, the continued economics from the existing activities, new products and channels we'll build together with NestlÃ© all over the world. And the efficiencies that I mentioned. We then factored in the tax impact of the upfront payment. And the value of the entire package was significantly higher than our status quo valuation assumption. So that's important to understand. But in addition to that, because this was not a traditional asset sale due to all the continuing and growing economics received -- we'll receive, we hired Morgan Stanley near the end of our process to provide an independent view of our valuation work. And their independent analysis supports our conclusions regarding the financial merits of the deal to Starbucks. Kevin, you want to handle the second part?

A - Kevin R. Johnson {BIO 3773960 <GO>}

Yes, Jeffrey. In terms of your question regarding this relationship with NestlÃ© compared to the relationship in the past, this is a completely different scope of relationship. First of all, NestlÃ© has a long, long heritage in coffee, premium coffee. They're the #1 at-home coffee system with Nespresso and Dolce Gusto, globally. And they have declared coffee to be one of their top growth priorities as a company. So this is just core to what NestlÃ© does. That's number one. Number two, this is a global relationship. In the past, we've had regional relationships. And the fact this is a global relationship allows us to do much more with NestlÃ© as our partner, allows us to put our energy into NestlÃ© and that relationship as our global CPG and Foodservice's partners for roasted ground coffee for single-serve, whether it's Nespresso, Dolce Gusto, K-Cup, the work we're doing now to bring Teavana sachets and the dry teas down the aisle. This does not conflict with the ready-to-drink partnerships. But it opens up a whole new aperture of things that we can do globally. And by doing that, it creates that brand amplifier. And third, the cultural fit, I think, between our 2 companies, is evident. We've had dialogue with them over the past and, I think, clearly shared values and a shared focus on how we not only are driving for shareholder value. But trying to do good along the way, specifically as it relates to origin of coffee. The work that I think we have an opportunity to do together to make coffee the first sustainable agricultural product in the world, whether that be agronomy research, whether that's the farmer support that we provide, I think we have an opportunity to have a very positive impact together. And I think for those reasons, we look at this in a very different light than anything we've done in the past as it relates to roasted ground and our single-serve coffees.

A - John Culver {BIO 15817924 <GO>}

The other thing I would just add to that, Jeffrey, is that this also goes beyond CPG and includes Foodservice. And as Kevin highlighted in his script, obviously, outside of the U.S., both our CPG business packaged coffee as well as our Foodservice business is really nascent. And NestlÃ© clearly gives us the scale and the opportunity and capability to grow much faster. So we're excited about it.

Operator

Your next question comes from Sharon Zackfia from William Blair.

Q - Sharon Zackfia {BIO 4804954 <GO>}

I think recalling back to the buyout of Kraft, one of the rationales is the ability to do integrated marketing and kind of coordinated product launches between retail and CPGs. So can you talk about the availability to do that with a NestlÃ© relationship going forward? Then I might have missed this. But what is your % ownership of the alliance?

A - Scott Harlan Maw {BIO 18637895 <GO>}

I think John will start. And I'll answer the second part.

A - John Culver {BIO 15817924 <GO>}

So Sharon, I think for us, obviously, we want to continue to work very closely with NestlÃ© in terms of how our brand shows up in the marketplace, how we think about innovation and how we continue to drive growth for packaged coffee and tea down the aisle as well as in the Foodservice business. I think what you'll see is that within this alliance, we have a detailed framework of how we will work together to maximize that opportunity to leverage the best of both companies and our capabilities, to drive meaningful growth and, in particular, drive meaningful share growth, both in packaged coffee as well as on their single-serve systems.

A - Scott Harlan Maw {BIO 18637895 <GO>}

And on the second part, Sharon, because it's an alliance, there's not an equity ownership. But I think your question is probably more what's our ownership of the economics going forward. Without getting into the specifics, what I will tell you is the product supply revenue plus the royalties received, we receive both on our existing businesses and in the future leaves significant economics with Starbucks. And you can see that, I think, in the relatively moderate impact on our EPS growth next year and the speed at which this gets to accretion as we build this partnership with NestlÃ©.

Operator

Your next question comes from David Tarantino from Baird.

Q - David E. Tarantino {BIO 15144105 <GO>}

Scott, just a clarification maybe to help with some of the modeling on this. Could you maybe just talk about if the deal was in place today, how much operating profit dilution you would have from the arrangement versus your current structure? Then my second question is, why does it take until fiscal '20 or '21 for this to be accretive? Is this something that you're assuming in terms of the pace of buyback activity? Or are you assuming some level of growth once NestlÃ© controls the distribution that makes it accretive in the out-years?

A - Scott Harlan Maw {BIO 18637895 <GO>}

Yes, David. So on the financial impact on operating income, the guidance I gave was on EPS. And there's a reason why. And let me just talk a little bit about the accounting. I'll try to stay out of the details here. But first of all, this accounting is under the new revenue recognition rule. So there's no real precedent. So we're working through with our auditors to figure it out. But there are basically 2 methods we'll be using and they have very different outcomes within the P&L. And they have a different outcome on the bottom line initially. They end up being the same over time. And one actually has an impact on interest expense because it's a financing method. And one is basically straight-line amortization of the revenue over time. So you can understand on the operating income line item, one is a straight-line amortization of the revenue and an equal amount in operating income and one actually reports more revenue with the significant amount of interest expense. So with that detail, that's why it's hard for me to guide on operating income because the geography on the P&L is actually quite different. But if you look at the revenue impact, that's the range of the revenue impact that I gave you picked up both of those methods and the range of the EPS impact that I gave you picked up both of those methods, one impacting operating income significantly differently because of the interest treatment. So that's the best way to think about it, modeling it all up. And we'll get back to you as we know, obviously, what's the impact on channels margin, what's the impact on the company's margin and as we get into guidance, we'll clarify all that with you.

Operator

Your next question comes from David Palmer from RBC Capital Markets.

Q - David Sterling Palmer {BIO 6061984 <GO>}

Scott, just to follow up on your comment about the multiple being in the high teens, is that EBITDA multiple on the profit stream you're selling before tax on proceeds? Then could you let us know what you think the tax might be on that $7.15 billion? Then lastly, I assume that you think that this is going to bolster your EPS growth over time. In other words, it's not only going to be better in the joint hands of you and NestlÃ©. But perhaps this was going to be a drag on your growth before you sold it if you ran it yourself versus your long-term algorithm as a company.

A - Scott Harlan Maw {BIO 18637895 <GO>}

Yes. Thanks for the question, David. So the multiple I mentioned includes all of the pieces. So the after-tax impact of buying back shares of the upfront payment. And just to answer your second question, we'll take our buyback and dividend targets over the next three years up from $15 billion to $20 billion. So that gives you an idea that the after-tax proceeds is about $5 billion, in that range. Then all of the other economic streams that we talked about, not only our ongoing interest in the North American, particularly, piece of the partnership. But the international opportunities that this opens up with NestlÃ©. And it absolutely is EPS accretive once you get through that first few years. And we think this is a significant upside to the status quo valuation in earnings of the business, just given what NestlÃ© unlocks for us internationally, both in our existing businesses and in their platforms.

Operator

Your next question comes from John Ivankoe from JPMorgan.

Q - John William Ivankoe {BIO 1556651 <GO>}

First, I think, a basic question and then maybe a bigger one. What percentage of CPG revenue and operating income is actually being sold, is the first question? Then secondly, I mean, you did mention Keurig and K-Cups. How does this in any way affect that relationship in the U.S.? I mean, obviously, there's been ownership changes for that business. But contractually, what are you allowed to do, what may you be forced to do in terms of any change on single cup on the K-Cup platform?

A - Kevin R. Johnson {BIO 3773960 <GO>}

Yes, John, this is Kevin. I'll take your second question, then I'll hand over to Scott to address your first question. Look, regarding K-Cup, certainly, we've got a great relationship with Keurig. And we've got a great business on K-Cup. We're the #1 share player of coffee on the Keurig system. And we intend to keep that. And we have an agreement in place, allows us to continue to do that. Clearly, we're reaching out and having a discussion with Keurig. But the -- strategically, we're going to stay in the K-Cup business, full stop. Scott?

A - Scott Harlan Maw {BIO 18637895 <GO>}

Yes. And on the first part of your question, John, while we won't disclose the actual retained economic interest, what I would tell you is that 2% to 3% that I quote at the company level, obviously, the vast majority of that is going to be in the CPG business. And so for your modeling on the top line, you can put it in there. And just on the operating income line, I would just again reemphasize the different methods have quite a different impact on channel operating income. So we've given total company EPS impact. And we'll come back to you when we get the accounting landed.

Operator

Your next question comes from Matthew DiFrisco from Guggenheim.

Q - Matthew James DiFrisco {BIO 3948570 <GO>}

Just a clarification than a question. So that was 2% to 3% of the revenue today? Or 2% to 3% of future growth coming down?

A - Scott Harlan Maw {BIO 18637895 <GO>}

Sorry, 2% to 3% of growth.

Operator

Your next question comes from Karen Holthouse from Goldman Sachs.

Q - Karen Holthouse {BIO 17433865 <GO>}

Actually just another quick clarification question. If I'm looking at as -- at CPG as reported Channel Development segment, that's about $2 billion in revenue, which is what the NestlÃ© press release indicated they were buying. So are they buying both the CPG business and the Foodservice business that's included in that segment? Or are there revenues sort of elsewhere on the P&L that are also getting pulled into the agreement?

A - Scott Harlan Maw {BIO 18637895 <GO>}

It's a little bit of both, Karen. First of all, Foodservice globally is absolutely included in that and we're pretty excited about the partnership and the upside that exists in our Foodservice business with NestlÃ©. There is a little bit of revenue in some of the other segments that are impacted by this agreement. Then I would just remind you that the significant economics we have in our ready-to-drink business, those are not impacted by this NestlÃ©'s 100% with Starbucks.

Operator

Your next question comes from Dennis Geiger from UBS.

Q - Dennis Geiger {BIO 19694619 <GO>}

Can you talk about today's announcement in the context of your strategic priorities to streamline operations a bit more? Any broader cost savings that exist outside of the Channel Development segment as you streamline the business further? Then just if you could touch a little bit more on what this can do as it relates to a greater focus on the retail business, both in the U.S. and China. And how significant that could be as you don't have to be as focused on the Channel Development business?

A - Kevin R. Johnson {BIO 3773960 <GO>}

Yes, Dennis, thanks for the question. This is Kevin. I'll comment. And then let Scott add to that. But clearly, we've called out the fact that we've been very focused on streamlining the company in a way that allows us to put our focus and energy behind the highest-priority value-creation drivers for the company. And certainly, our retail business in the U.S. and China are the 2 big growth engines. We're in 76 countries around the world. We care about every single country and what we're doing. But the real emphasis has been on U.S. and China. So certainly, as part of that, you've seen some of the actions that we've taken to address things like the underperformance of the Teavana mall stores and closing those stores to allow us to save the G&A and put more of our energy into the core business. We sold Tazo Tea, as an example. We have gone through a SKU rationalization process to help trim some SKUs. That gives us more efficiency, a number of things on that front. Secondly, then as you look at the markets around the world, we've consistently been transitioning a number of those markets to licensed markets whether that was Singapore, Germany, Brazil, the market in Taiwan as well as then the acquisition of the East China. So getting the markets lined up in the right operating models. Then certainly, this particular step is a significant one because this is a piece of the business that is very important. And as I described in my comments, the way we look at this is when we open stores in a market, we establish the brand and we begin engaging with customers in that market. As soon as we then extend and have that CPG and Foodservice relationship and tens of thousands or hundreds of thousands of more points of presence where a customer can engage with Starbucks and buy our coffee and our ready-to-drink and the tea products, that becomes a brand amplifier. And we've proven that. We've proved that in North America. And so this opportunity is really about growth. It's a brand amplifier and it's growth in new markets. And it's growth on our new systems platform -- platforms with Nespresso and Dolce Gusto. You see what happened when we got on the Keurig platform and how we helped to grow that platform. The Nespresso and Dolce Gusto platforms are estimated globally to have an installed base that far exceeds that of Keurig. And so this is a big unlock for growth. It's a big unlock for the brand amplifier. And it's very consistent with what we've been doing to streamline the company. So we put more and more of our energy into the core value drivers of growing our retail business and specifically in the markets of U.S. and China. Scott?

A - Scott Harlan Maw {BIO 18637895 <GO>}

I think the only thing I would add from a financial perspective is in addition to what Kevin talked about strategically with streamline, there's a capital deployment aspect of this. So if you take the sum of what Kevin talks about and you think about what we've done to date, it's about really getting capital deeper into the business that we want to grow. So if you look at the buyback program that we announced and the dividend program of $15 billion now up to $20 billion, you look at the deal we did in China to emphasize our retail operations there, we're taking capital in these growth businesses and deploying where we think we can grow faster and taking capital out where we think we have a better opportunity to deploy it elsewhere.

A - John Culver {BIO 15817924 <GO>}

Yes. And I would just add that this is also clearly utilizing NestlÃ©'s size, scale, infrastructure to accelerate the growth that Kevin spoke about, whether that's on the Packaged Goods product or Foodservice or on the single-serve systems. And clearly, that is a huge opportunity that, to Scott's point, from a capital standpoint, would have taken us a lot of capital in many years to build outside the U.S.

Operator

Your next question comes from Matt McGinley from Evercore ISI.

Q - Matthew Robert McGinley {BIO 17063863 <GO>}

I guess on that last point, are there facilities that are being transferred as part of the partnership? And how does this change what you currently produce and distribute? And does this impact your CapEx related to the plans in the future?

A - Scott Harlan Maw {BIO 18637895 <GO>}

So there are a small amount of assets that are transferred. But really nothing in our supply chain. So we'll continue to source roast and distribute our coffee through NestlÃ©, similar to the way we do it today. The important part of the alliance, right, is NestlÃ©'s strategic ability to help us with the branding, help us with the product set, help us get into markets that were sort of nascent for us today. So that's really the way I think about it from an overall capital deployment standpoint. No real change in CapEx because, again, we're retaining all of our supply chain facilities.

A - John Culver {BIO 15817924 <GO>}

Yes. And I would just add that from a people's perspective, as Kevin shared, NestlÃ© will take the majority of our people that sit -- our partners that sit in the Channel Development and Foodservice organization. Then also we will continue to keep those people located here in Seattle. And it'll be a business that will report directly into NestlÃ© to support the growth.

Operator

Your next question comes from Will Slabaugh from Stephens.

Q - William Everett Slabaugh

I want to ask on the single-serve market more broadly. That's been a pretty important piece of the growth to attain Channel Development over the years. And it sounds like that's expanding pretty meaningfully here. So I was wondering if you could put numbers around what that may mean from a standpoint of households served with Nespresso and Dolce Gusto versus where you stand currently?

A - John Culver {BIO 15817924 <GO>}

Yes. Will, this is John. With regards to the single-serve opportunity, clearly, the market and the customers have shifted their at-home coffee consumption to single-serve. We have been on the Keurig system now for six years. And we've built a leading share. We're going to continue to be on that system. And clearly, the opportunity with NestlÃ© as the leading single-serve system provider through the Nespresso system as well as through Dolce Gusto creates a tremendous opportunity for us to continue to meet the customers' needs in their homes. So we're very bullish on the opportunity to continue to grow, both in-home as well as within the Foodservice channels on the single-serve systems. And we're going to continue to invest in this area. If -- in the most recent quarter, our single-serve business, K-Cups, actually outgrew the total category by 2x. And we've seen consistent, strong growth and share growth in single-serve. Starbucks is the leading share. And we're going to continue to expand that globally now on the Nespresso and Dolce Gusto systems.

A - Scott Harlan Maw {BIO 18637895 <GO>}

Let me just add one more comment for perspective. So about five years ago at our Investor Day, we started talking about the significant international opportunity that Starbucks had in CPG. And at that time, CPG was about 10% of our business. And five years later, the team has done a nice job growing that business. CPG has grown a lot. But it's still about 10% of our business. Just with all the markets and all the execution, we work really hard. Basically, the whole share the same. And so when you think about what NestlÃ© brings internationally and the power of the Starbucks brand, there's a huge unlock in these international markets that we've been working at that this accelerates that meaningfully.

A - Kevin R. Johnson {BIO 3773960 <GO>}

And just to put that into context, we operate and have our CPG products available. And it's been pretty dominant in the ready-to-drink category. But in about 28 countries around the world. And when you look at NestlÃ©, they operate in nearly 190 countries around the world. So clearly, they have a scale that we don't have. And this is going to be a great partnership. And we're going to realize that opportunity for growth.

Operator

And the last question comes from Chris O'Cull from Stifel.

Q - Christopher Thomas O'Cull

Just had a modeling question and then a strategic question. The 2% to 3% impact on revenue growth implies significantly less revenue reduction than the $2 billion in the CPG Foodservice segment revenue. So Scott, is it fair to assume the primary difference is the ongoing supply revenue? Then my last question is, did the process include discussions with any other potential partners?

A - Scott Harlan Maw {BIO 18637895 <GO>}

Yes. I'll start then. I'll take both of those. And Kevin can add on. The reason it's not a bigger portion of that $2 billion is we still give what we call product sales revenue. So the coffee that we'll be selling to NestlÃ© will still go through the revenue line item and then the range is, obviously, impacted by the accounting. And yes, we talked to a number of parties in this deal. And we're quite far with a number as well. And we feel that NestlÃ© is not only the right strategic partner, as evidenced by all the things we talked about strategically. But also the right financial partner. And this is the right financial agreement for Starbucks.

Operator

I will now turn the call over to Mr. Shaw for his closing remarks.

A - Thomas Shaw {BIO 17370352 <GO>}

Great. And that will conclude our call today. So I want to thank you again for joining us. We look forward to seeing many of you next week at our Investor Day in China. Have a great day.

Operator

This concludes Starbucks Coffee Company's conference call. You may now disconnect.