

## TD Cowen Future of the Consumer Conference

### Company Participants

- Rachel Ruggeri, Chief Financial Officer

### Other Participants

- Andrew Charles, Analyst, TD Cowen

### Presentation

#### Andrew Charles {BIO 16591426 <GO>}

Great. Well, thank you, everyone for joining us today. I am Andrew Charles, I'm TD Cowen's Restaurant Analyst. In today's session, really needs no introduction. Starbucks is the largest roaster and retailer of specialty coffee in the world with more than 36,000 stores spanning 80-plus countries.

I'm pleased to be joined by CFO, Rachel Ruggeri and we also in the audience, have VP and Head of Investor Relations, Tiffany Willis. And so, Rachel, thank you so much for joining us today.

#### Rachel Ruggeri {BIO 20021043 <GO>}

Thank you. Thanks for having me.

#### Andrew Charles {BIO 16591426 <GO>}

I wanted to start the conversation or talking about your new CEO, who has been on the job now for 70 days following a six-month apprenticeship with Howard. You guys laid out the Reinvention plan at the September Investor Meeting. And so, really curious about which parts of the plan is he leading most into whereas his focused been the most in the last 70 days or so.

#### Rachel Ruggeri {BIO 20021043 <GO>}

Sure. So, as Laxman comes in and he has taken a look at the Reinvention plan, and I would say he's expanded it. And so, we're focused on five areas which really focus on elevating the brand, which means running great stores, which is really the foundation of the Reinvention plan. In addition to that, it's continuing to drive our leadership position in digital and continuing to find ways to scale by bringing in more new and relevant experiences for customers.

In addition to that, it's becoming more global, both for our brand and our business. I think there's sometimes a misunderstanding that all about our growth is China and it's really our International segment. That's a big driver of our long-term growth algorithm. So even our markets outside of China. And so, it's becoming more global in terms of our brand and our business, as well as our focus on reducing waste and improving overall productivity and efficiency, not just from a financial standpoint, but also because it creates a better experience for partners and customers.

And then finally, it's all about reinvigorating the culture. And I think, all of those together is how we're thinking about moving forward and continuing to evolve the company while we continue to elevate the brand.

**Andrew Charles** {BIO 16591426 <GO>}

Excellent. So let's start digging your business domestically. So first on digital, where you guys are really amongst the most sophisticated, most advanced in the industry. You were encouraged by a record number of 31 million active rewards members that continues to drive record percentage tender. Two years ago, you made reference to ultimately reaching 50 million Starbucks Rewards members. And so, I'm really curious about what are the key unlocks to get to this point and do you see potential upside beyond 50 million members, just given the program's success in recent years.

**Rachel Ruggeri** {BIO 20021043 <GO>}

Yeah. Well, we're incredibly pleased with our digital program. We consider we're leading in this space. It's a competitive advantage for us and to give you a perspective while we're pleased with the 31 -- close to \$31 million, 90-day active members we had in the quarter, today, we have about one in every 10 US adults is the Starbucks Rewards members. So that's a good statistic, but I see a lot of opportunity in that.

And so when we think about how do you further that opportunity, believe it or not, one big opportunity for us is to continue the awareness. There's still a huge opportunity just in terms of awareness and having always-on marketing. There is an opportunity to continue to improve the perceived value of the program and while continuing to make it easier to sign-up.

And so, some of the things we've done more recently with MOP for example is we've changed some of the practices, so that it makes it easier to order. And we know that customization and convenience are key attributes to MOP. And our MOP customers and that increases (inaudible). We've recently launched our rewards together. So our program with Delta. So it allows Delta Rewards members and Starbucks Rewards members to continue to earn through the different loyalty programs and that creates a perceived value and actually a real value for our customers.

And then even Odyssey, you hear a lot about Odyssey and we're one of the few companies that's been able to integrate NFTs with a leading loyalty program and

there's benefits to customers like the journeys and the abilities to buy the paid NFTs, but really what it does for us is it be able to create a digital community. And so, it allows us to be able to create that opportunity to connect even outside the four walls of our stores. So it's a true third place digitally. So those are the ways that we continue to find value and we believe that will help us to capture an even share of wallet in the future.

**Andrew Charles** {BIO 16591426 <GO>}

Excellent. The long-term reinvention plan that you laid out in September is very exciting elements around automation via equipment upgrades. And I know this about 12 pieces of equipment that are coming in, that will fit like a jigsaw puzzle. And so, not to go through each 12 of them. But when I guess, I'm curious about just at a high level, if we zoom out, can you remind us of kind of a timeline around when you anticipate the key amount of legwork will be done with reinvention -- around the equipment upgrades. And when you anticipate the investments will wane whilst the benefits presumably drive operating leverage. So I know, we talked before about 15% to 20% operating EPS growth from '23 through '25, is the right way to think about that you'll see kind of a ramping if you will, kind of as that work unfolds.

**Rachel Ruggeri** {BIO 20021043 <GO>}

I think the way to think about it is, our Reinvention plan is sort of always ongoing. When you think about the idea is to elevate the brand by running great stores, we're always going to be having to work on. How do we run great stores? And currently, what we're focused on as part of reinvention is the stability of the operating environment that's through the right staffing and the right scheduling and the right hours for partners and the right training coupled with optimizing our production environment. And that's where the equipment comes in. And so equipment is critical to be able to make the production environment less complex and to be able to unlock capacity, but it has to be supported with the stability of the environment.

And so, what we've been doing is investing. As you know, what we saw more recently as those investments start to amplify. So we started to hit the benefits and we start to see the amplification. We saw that in the most recent quarter where our business in North America grew at 17%. We're able to expand margin 200 basis points, even though we're continuing to invest.

And so, that idea of driving strong performance, it unlocks the capital that we need to continue to invest in our stores, our partners and our customers and will support durable growth. So that's the way we think about these investments and these investment rollouts. And in particular to the equipment, Siren System which is very complicated. It's the biggest overhaul we've ever had in our production engine, ever know exactly where to look and looking at Andrew and I look at...

**Andrew Charles** {BIO 16591426 <GO>}

You're doing great.

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**Rachel Ruggeri** {BIO 20021043 <GO>}

Across. But, it's the first time we've overhauled our production environment in over 50 years and it's got a lot of complications, and since that, it's multiple pieces of equipment, it's multiple small wears and it takes a significant amount of training for our partners, it takes a significant amount of focus on repairs and maintenance. But it's a significant unlock. The Siren System both the food side and the beverage side, it's a significant unlock in terms of really optimizing our production environment, which will support the long-term growth that we've talked about.

**Andrew Charles** {BIO 16591426 <GO>}

Yeah. In Siren System yesterday, I know, US at a group meeting, you talked about how less than 10% of the system will have Siren System in 2023. Roughly we'll get to -- roughly 50%. I'm sorry, less than 10% by 2024, mostly through new stores, some retrofits, then obviously the big retrofits begin kind of in 2025. We get to roughly 50% by the end of 2025.

So, I think, how do you balance if you will, the speed that this is the right solution, it's a great unlock for the partner, a great unlock for the guests in terms of -- in terms of the speed-of-service benefits you're going to get with the fact that being gentle around operations and this could be disruptive. So wanted to be more deliberate about that. So, if you could talk about kind of how you marry[ph] the art and science around that.

**Rachel Ruggeri** {BIO 20021043 <GO>}

Yeah, and I would say first and foremost is, we would expect maybe less than 40% by the year 2025. And the reason for that is, it's largely rolled out through new stores, as well as renovations. And so, the thought around that is, you are able to leverage the cost in a new store because the new stores have such strong returns and we're able to be even more targeted around where is the best place to open new stores. So you're able to put that investment and still drive the business even though you're investing significantly.

And around renovations, it's the ability to take that renovation which was planned for a certain amount of downtime. And then you're able to further expand the return on that renovation by driving this system that's going to significantly grow sales, as well as overall profitability. But it's the pacing and sequencing, that's really important because it is such a big unlock, but it's also can be quite disruptive because the amount of change management involved.

And so we're ensuring that we're coupling moves like Siren System with a lot of other moves around creating a more stable environment, having the very best operational practices and standards, having the very best partners and stores, and ensuring they get the hours they need and the schedules they need and the combination of all of that allows us to continue to invest over the long-term, while we continue to drive revenue and earnings. I mean, create this more durable growth.

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**Andrew Charles** {BIO 16591426 <GO>}

Very good. One of the keystones of the September Investor Meeting was long-term guidance for 7% to 9% US same-store sales in excess of the roughly 4% to 5% prior guidance pre-COVID. So can you talk about kind of your confidence now in achieving that over the long-term versus the guidance that was issued nine months ago?

**Rachel Ruggeri** {BIO 20021043 <GO>}

Yeah. Well, certainly you become more confident every month that goes by and every quarter that goes by. But when I think about that 7% to 9% in the US for this fiscal year, big driver of that is the pricing moves that we took last year, which are annualizing. So that gives us more confidence that that's an annualization of tickets.

But in addition to that, we're continuing to see growth in customization, we're seeing -- continuing to see to growth in mix, some more cold beverages and that helps drive the comp. In addition to that, we have the growth in the digital program. And our increased number of Rewards members when members joined the program, their frequency increases and so, too does the ticket. And when they actually joined MOP, frequency increases even further. So all of that helps us drive more tickets and transactions, the combination of all of that which gives us the confidence in the comp range.

**Andrew Charles** {BIO 16591426 <GO>}

Got you. Two more questions in the US. It's important to separate Starbucks' check growth. In recent years, that's largely a function of mix growth from all the stuff -- all the work you've done really help premiumized the brand, ice beverages, digital and food attachment rather than price which you guys have been very deliberate with this well.

So, I guess my question is that if we were to see a softening restaurant industry sales environment, where would you expect to tactically lean in to help preserve traffic without degrading the brand and all the work you've done on premiumizing?

**Rachel Ruggeri** {BIO 20021043 <GO>}

Yeah. The fact that we have a leading digital program is really an advantage for us and we have the opportunity to continue to evolve that as I shared earlier around creating new and relevant experiences for customers. And when we think about the very best marketing vehicle we have today, it's the digital program and it's our connection with our Rewards members.

So if we were to see the business soften in some way or the pressures that come with some of the headwinds in the current environment right now, one lever that we can always pull is continuing to be able to speak directly to those customers. We can market directly to them, we can create experiences that are more meaningful and

relevant. And that allows us to continue to keep the brand elevated, while we focus on particular targeted revenue growth.

**Andrew Charles** {BIO 16591426 <GO>}

Excellent. I want to switch gears to China, which I recognize as one international market you have, but I would categorize it as your most important one market that could be bigger than the US one day. And so, in the most recent quarter, the China business certainly came back faster than expected improving in March to a very impressive up 30% comps.

And so, while China is in an early stage of recovery and you're about to lap some various compares, you forecast that the pace of upcoming China improvement is expected to be more modest and this was obviously before the most recent COVID way over the last two weeks of the countries suffering through right now. Can you just expand on kind of the thoughts you had around the earnings, the philosophy around the kind of what you were guiding to with China? You did the comments reflect kind of one month of slowing improvement in April or perhaps I can just take a more kind of conservative outlook because of China's non-linear performance of the last three years, amid what was obviously the time unknown but what we're seeing today to be a COVID wave.

**Rachel Ruggeri** {BIO 20021043 <GO>}

I'd start by just saying, we're incredibly pleased with the performance we saw in Q2 in China. And that was driven by a sundry of different factors, but really it points to the fact that we have a market-leading portfolio. We have an increasing omnichannel capability and we have a leadership position as it relates to coffee in a very strong brand. We continue to be the number one choice in terms of away-from-home coffee.

And we have a leadership position in terms of frequency and visitation. All of that supports strong growth for us, puts us in a position of strength as we think about the growth that's to come. But I think, as it relates to recovery which we are even though we're in a great position to recover, we are dependent on consumer behaviors and behaviors normalizing. We saw that in every single market, US went through a period of recovery. We're seeing even benefits today in our license business as we continue to see recovery. And so, China goes through -- is going to go through that as well as we're seeing.

So when we spoke in the quarter about the moderation, it wasn't relative to comp. We actually expect our comp will improve in the back half of the year, particularly as we lap Q3 prior year where we had the mobility restrictions. And so, we expect our Q3 comp to be higher of course than what we saw even in March. And the back-half of the year comp will have to be stronger, to be able to hit that low to mid-single-digit comp that I guided for a full-year basis. The moderation was relative to average weekly sales.

So we saw our average weekly sales in the market in Q1 to Q2 grow by near 20%. We expect that they'll continue to grow in Q3 and Q4 as the business recovers. But just not at 20%. So maybe something less. It could be 10, it could be 13, but it's not going to be 20 in terms of our expectations, but it's still growing, which I think is the key message.

The point that I also want to make though, that sometimes gets lost in a lot of this recovery is that China in terms of a comp weighted on international. It's typically about 70%. And because of the mobility restrictions last year, our revenue for China last year was about 46% of International's total company-operated revenue last year, which is a proxy for what comp leading would be this year. So that means the Q3 comp this year is closer to a weighting of about 46%. We're previously and historically at 60% to 70%.

So that's something that's unique about the quarter as we think about the lap. That is in a comment on any subsequent quarters or any quarters in the future that's really relative to Q3.

**Andrew Charles** {BIO 16591426 <GO>}

Got you. Just arithmetic, I got you. Okay. And then looking ahead, how does the impact of increased -- China coffee competition factor into the slope of the sales to around as long-term guidance for 4% to 6%. Obviously when you have a business that is high returns, yes, you have a mode obviously around digital, but obviously, anyone start a coffee shop in China of course, how do -- has that factor into your long-term guidance.

**Rachel Ruggeri** {BIO 20021043 <GO>}

Well, definitely the market in China has changed over the past couple of years and the specialty coffee market has grown. And what's good about that is, we're in a great position because we're in a position of strength. But you see an increasing consumption around coffee, so coffee consumption is increasing. And so, that's a good position for us.

And when we think about what that means for us over the long-term, where we've continued to focus and where we strengthened as a business, we believe puts us in a position of strength even with all of the competition. So, we've continued to open stores all through COVID. And that gives us a market-leading portfolio that allows us to not only capture new occasions but brings in new customers.

In addition to that, we have this increasing omnichannel capability, which is really new in the past, I'd say, two to three years. So prior to COVID, our digital was about 15% of our business collectively. We were closer to 47% last quarter. And so that's growth in delivery, that's growth in MOP, that helps drive a morning occasion and the new daypart for us.

And we also have this ability now from an omnichannel capability to leverage social media as a way to bring customers into our stores. So that's a significant, I'd say new driver for us and creates new channels of convenience, that will help support growth in the future and lends well to that 4% to 6% comp we've talked about.

In addition to that, we have a very strong brand as I talked about just a minute ago. And that's the reason why we see such great loyalty from our customers and that was evidenced in the fact that even in the last quarter, we saw our 90-day active members near record high. And they were about 68% of tenders. So we have strength in that loyalty program that we have, as well as a coffee leadership.

And one of the things I'd say about China that's also unique is we have an incredible partner base. So we have low turnover, we have high engagement and we really have incredible partners. And when you put the combination of all of that together, it gives us confidence that we'll be able to recover this business, but more importantly, it will continue to be a strong driver of our growth in the future.

**Andrew Charles** {BIO 16591426 <GO>}

Super. China of course carries tremendous operating leverage in the model, just given it's 100% company-operated. You mentioned the business will unlikely get back through pre-COVID margin levels on a percentage basis, just given the material level of growth in low-margin delivery. So I guess what I'm curious about the opportunities to offset that margin drag, just given the company historically didn't really emphasize China margins if you will. I mean, are you exploring supply chain enhancements, expanding in lower-tier cities where wages and rents are lower, or just other opportunities really leading to your scale a bit more?

**Rachel Ruggeri** {BIO 20021043 <GO>}

I would say, we're always looking at opportunities to further our margin expansion. But when you think about the market in China when we talk about the fact that, we don't expect to see our margins return to pre-COVID levels, that's really because of the mix-shift towards digital. Delivery is still a strong margin business for us, but it has a lower percentage than an in-store experience.

But what's important about delivery and specifically, digital, is that allows us to drive more revenue and subsequently more profit. So even though we will see a lower margin per set, we'll still see greater revenue and greater profit. And that's what drives the higher comps that we spoke about just a moment ago.

What I will point to though is our International segment. We expect, we can get back to pre-COVID levels from a margin percentage in our International segment. And what's important about that is that realize on the recovery in China, but it also speaks to the growth that we have in our international markets outside of China.

What we point to is the fact that outside of China, we have incredible revenue headroom. We have partners that are really willing and able to invest with us. We



have strong unit economics and we're increasing our digital capability. And so that allows our International segment to continue to grow even outside of China. So you coupled that with the recovery of China and we expect that our margins in this segment will return to pre-COVID levels, sort of time.

**Andrew Charles** {BIO 16591426 <GO>}

It's very helpful. Thank you. Just last question for me on China. As you know, can you talk about what you're observing with the unit economics for the newest class of China openings? Typically, China sales items open at low volumes and then ramp. Have there been any aberrations with the newest class of openings, sales volumes that's slope of sales growth if you will in year-one and year two.

**Rachel Ruggeri** {BIO 20021043 <GO>}

Now we actually have been incredibly impressed with the performance of our new stores even all the way through COVID, which is why we continue to open. When you step back, it's really about the unit economics that you can drive. It isn't about store count. And so the fact that we've been able to see the strong unit economics has given us the confidence to continue to open stores. And that's why we continue to open all the way through COVID and even in this last quarter, we doubled openings. So that we ended the quarter with over 6,200 stores across 244 cities. We see that as a competitive advantage for us in many of different ways. Again, because it brings in new customers and it creates new occasions.

And so because of that, we still see 2:1 investment. Currently, we also see a strong payback. And so we'll continue to open stores as long as those unit economics prevail. And as they do, we'll continue to get to that 9,000 stores that we talked about by 2025.

**Andrew Charles** {BIO 16591426 <GO>}

Very good. Keeping the development, you highlighted also at 2:1 sales investment ratio for the US stores, as well as in China translated 50% cash-on-cash returns. And so, what was kind of interesting is the breadth of the different type of openings, different store formats that you have in the US going forward. And so, can you help us kind of rank the unit economics between your three US store formats of traditional drive-thru, drive-thru primary call-it kind of the other formats, if you will.

**Rachel Ruggeri** {BIO 20021043 <GO>}

Let's start with, our portfolio today we have over 9,300 stores in US. And I'm focusing on company operated only, not including license into this. And we have about 70% of our stores today are drive-thru, about 29% are cafe and then we have about 1% that are pickup. And of course, the strongest economics are in our drive-thru.

But it's important to be able to have stores that meet customers for different occasions and different reasons. And so, pickup is a perfect example of that. It

doesn't have the unit economics that are quite that of the drive-thru, but it meets the customer need and it helps with overall demand. And so, when we think about our opportunity in the future, it's how do we leverage our portfolio to unlock, keep and build capacity, but also in a way that best meets the customer needs and demands. And so that's going to be different versions of drive-thru stores, it's going to be delivery-only stores, as well as different versions of pickup stores. So, a lot of different what I'd call store designs and types to be able to meet the increasing demand that we see.

**Andrew Charles** {BIO 16591426 <GO>}

Yeah. You kind of tackle my next question, I'm kind of curious on more the new-store format that you're exploring. So, delivery only is interesting, digital only. Doubling drive-thrus, I think there'll be kind of key opportunity for you. I know sometimes you see partners with iPads, you're taking orders, but maybe that's an opportunity as well for you guys. AI voice ordering to drive-thru something the conference we've been exploring a lot as well. Do either of those sound something like -- something of that service could pursue?

**Rachel Ruggeri** {BIO 20021043 <GO>}

Yes, we're currently in test. We have as you talked about our purpose-built designs. And really what that's about is to be able to elevate the experience by creating stores that not only unlock productivity, but they best meet the type of demand.

So when we talk about a delivery-only store as an example. When you look at a store today, it has, you can go to a store that has all the channels and has a drive-thru, it has MOP, it has delivery, it has an in-store experience, that can be complex. And it sometimes doesn't create the best experience for our customer and it's certainly challenging for partners.

And so when we talk about a delivery-only store, we see a path towards that and the future's delivery is becoming a more-and-more meaningful part of our business. And so, we look at delivery-only as a way to take the complexity out of the existing stores and it creates a better experience for both the partner and the customer.

Drive-thrus, we look at like a drive-thru only model where you might have a lane that services drive-thru and a lane that services MOP as an example, that's for a very highly virtual type of customer. It may not be right for a customer like me who likes to walk into the store, but it's ways to be able to use the store designed to elevate the experience for the customer. And also at the same time, taking into account what it means for the partner.

**Andrew Charles** {BIO 16591426 <GO>}

Very good. Couple of questions I just wanted to ask you. At the Investor Meeting, you guys issued 2023 through 2025 annual EPS growth of 15% to 20%. (inaudible) the Investor Meeting was that this is going to ramp in '23 through '25 with 15%

indicated for 2023. And so, I guess, China has kind of rebounded back in September, obviously zero COVID was in-full effect. It is not today. But China has moved out of COVID with obviously some near-term noise. But just more of an opportunity with zero COVID going away. We talk about the tremendous momentum in the US business. Was there anything that would lead this anticipated '23 through '25 ramp in EPS growth to dematerialize?

**Rachel Ruggeri** {BIO 20021043 <GO>}

To dematerialize?

**Andrew Charles** {BIO 16591426 <GO>}

Yeah, dematerialize, not coming to fruition.

**Rachel Ruggeri** {BIO 20021043 <GO>}

Yeah. What would I say is, we're encouraged by what we're seeing in our North America business. So that was evidenced in the last quarter where we've been on this journey of investing and part of the reinvention for a little bit now. And this last quarter was really a good testament to the fact that our strategies are working and so we have a lot of opportunity ahead. And so, we're encouraged by what we see in our North American business.

Clearly, China we've talked about the strength of China and the competitive advantage we have but there is a dependency on recovery. And so, it's hard to know exactly how the consumer behaviors will normalize. We see a business in International outside of China today, that is benefiting from a different customer behavior than what we saw pre-COVID.

As an example, Japan and UK. We talked about in our last earnings update. Japan and UK are at double-digit comps for the eight consecutive quarter. That is new relative to COVID because we've been able to open more drive-thrus. We've been able to open in more suburban areas. And so, we've seen the customer behavior shift and we've been able to meet that. So that's created more opportunities and strengthened our International business outside of China.

So, I think with China, it really depends on where the recovery will come and how soon that it comes. But I think when I look across all of those areas and opportunities, and then you look at our channels business, right. And our ability to continue to be able to amplify the brand and grow through basically, they have seasonal moment opportunities in grocery stores, we have opportunities with new flavors and innovation in RTD. I just look at that universe and you always have to be mindful of the fact that there's going to be headwinds to come, but I feel pretty confident that we're on the right path with even those five strategic areas that I spoke about that Laxman is helping us focus on, that I think will create that business resiliency, that will help support the long-term growth over-time.

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**Andrew Charles** {BIO 16591426 <GO>}

Excellent. Okay. So, good to hear that it's still kind of on pace, obviously keeping an eye on China. But it sounds like obviously, the slope is still there and still something that obviously you intend to execute on. So, that's very helpful.

Rachel, we talked a little bit about this, I want to put a final point on it. But the 2022 Investor Meeting, probably the biggest difference from the 2020 meeting is that Starbucks seems to want to keep the company on markets other than the US and China. And so, what's driving that decision is naturally, it's easier to streamline your focus on fewer company-owned markets rather than more. Is it the strength in international markets that you guys have seen over the last two years or so, that gives you confidence?

**Rachel Ruggeri** {BIO 20021043 <GO>}

I think that's exactly it's what I spoke about it. Since COVID, we've seen strength in some of our markets like Japan and UK and our other international markets outside of China, that didn't exist in exactly the same way pre-COVID. And so what it's given us line of sight to is, there's a lot of growth opportunity and growth potential.

But what I'd say is, we just want to have flexibility in terms of how we consider our ownership decisions and we'll continually always assess that. And we may make moves overtime that our contract or maybe they do go to licensed, maybe we do but I think the flexibility of being able to assess our ownership structure is important as we think about how we grow in the future.

**Andrew Charles** {BIO 16591426 <GO>}

Yeah. And just on that, so totally get Japan obviously is a very big and profitable market for you guys. But if I think about some of your low to no-growth markets that you are seeing obviously an improvement in same-store sales, but the runway for growth perhaps isn't as lucrative as some of the other markets. I'm thinking of the UK, I'm thinking of Canada, that have historically underperformed. What would you need to see for those markets to potentially license? I mean, obviously, we're going to start with having a great partner, but what other factors should we consider for that?

**Rachel Ruggeri** {BIO 20021043 <GO>}

It definitely comes down to, first and foremost, you have to have a great partner and the right partner. And part of being the right partner is that you -- you align with the values of the company, that you align with the growth objectives that we have. And so, those are some aspects. We've been very successful in a lot of our markets internationally. We have very strong partnerships. And those partners have worked well with Starbucks. They understand our values, they support our values, they run in a very similar manner in great operators and that's helped our growth.

And so I think it really comes down to that as to be able to find, but then you also have to make sure that the business is strong enough to be able to be attractive as well. And so, we've seen that growth more recently in some of these markets. But it's consistency that really drives that over time.

**Andrew Charles** {BIO 16591426 <GO>}

Yeah. My last question in a minute and a half that we have left. US competition, we've seen, if I go back six, seven years ago was more about the third-wave artisanal craft coffee shops that were coming up. Today in 2023, it's more on the drive-thru based coffee shops, very much focused on specializing in iced beverage. And so, just given your strategy focused on drive-thru and iced beverages, do you worry about the more competitive environment going forward?

**Rachel Ruggeri** {BIO 20021043 <GO>}

I think competition is always important because it keeps you sharp. And so, competition is, it also shows that there is opportunity. And so we look at that opportunity and we try to focus on what is our competitive advantage. And for us, we believe the competitive advantage wholeheartedly is the experiences that we can create in whichever way a customer comes to us.

So whether it be through the drive-thru, whether it'd be through digital, whether it's through an import experience delivery, it's creating the very best experience. And whether it be through products, whether it be through convenience, all of those different opportunities are the way that we set ourselves apart. And we're on a journey, we've got -- we've gotten right for a very long time, but we have to continue to evolve. And I think, we've shown that our reinvention plan help support that and we have a great opportunity in the future. So, I'm actually encouraged. Laxman uses a phrase that says we have limitless opportunity and I truly believe that even after all these years.

**Andrew Charles** {BIO 16591426 <GO>}

Super. That's all the time we have. Rachel, Tiffany, thank you guys so much.

**Rachel Ruggeri** {BIO 20021043 <GO>}

Thank you.

**Andrew Charles** {BIO 16591426 <GO>}

Thank you everyone in the room.

**Rachel Ruggeri** {BIO 20021043 <GO>}

Thank you.

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