

Investor Day - Morning Presentation

Company Participants

- Alberto Martinez, Executive Chairman, Executive President & Founder
- Brady Brewer, Executive VP & CMO
- David Song, Chief Executive Officer, Starbucks Coffee Korea
- Frank Britt, Executive Vice President, Chief Strategy and Transformation Officer
- Howard Schultz, CEO, Founder & Director
- John Culver, Group President of North America & COO
- Laxman Narasimhan, CEO
- Michael Conway, Group President of International & Channel Development
- Michelle Burns, EVP of Global Coffee, Tea & Cocoa
- Sara Kelly, Senior Vice President, Talent and Partner Experience
- Sara Trilling, Executive Vice President and President of Starbucks North America
- Tiffany Willis, VP of Head of IR
- Unidentified Speaker, Unknown

Presentation

Operator

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The unavailable information could have a significant impact on the company's GAAP financial results.

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Tiffany Willis {BIO 21492161 <GO>}

Good morning. I'm Tiffany Willis, Vice President and head of Investor Relations here at Starbucks.

On behalf of our leadership team, we welcome you to our 2022 Investor Day.

Now before we shift into our presentations, allow me to cover just a few housekeeping items, such as our forward-looking statements that we made available at the beginning of this meeting for everyone to reference.

Second, I would like to share our agenda for the day. And as you'll see, we have an action-packed day brewed just for you.

Now you may be wondering, wow. This is long. But don't worry. We have plenty of coffee, okay?

Then, third, for everyone joining us virtually online, you'll be able to follow these presentations, and they'll also be made available through our website for everyone to access throughout the day.

Now with that, let's get this show started in a way that only Starbucks knows how. And that's through our coffee tasting.

So please help me welcome Michelle Burns, Demetrius Brown [ph], and Neesha [ph] (inaudible) to the stage.

Michelle Burns {BIO 20642917 <GO>}

Good morning, everyone. As Tiffany shared, my name is Michelle Burns, and I lead our global coffee team here at Starbucks. I am so honored to be here today. And I

believe the last time that I was with this community, we were in New York. So welcome to Seattle and it's great to have you back. You're in for a great day. I'm honored this morning also to be standing alongside 2 of my Starbucks partners, Neesha [ph] and Demetrius [ph]. So over our most sacred rituals at Starbucks, one of them is always connecting over coffee. Our tradition has often been tasting hot coffee, the highest quality, ethically sourced arabica coffees from all over the world as we have done for over 50 years.

While I'm also here to tell you that all that care and quality continues, but it's a new day. And the fact is cold is hot. So today, we're really proud to share with you a future cold beverage that we will be tasting in just a bit. But before we do that, Demetrius [ph], I'd love to invite you to introduce yourself and tell us a little bit about you.

Unidentified Speaker

Thank you. My name is Demetrius Brown [ph]. I'm a 4.5-year partner at Kent Flexible Plant, where I'm currently plant lead. The highlight of my day really is bringing in coffee from all over the world from the farmers, roasting it to its own certain character of profile, and the shipping it off to Neesha [ph] and all the green aprons in the store, which I'd really love to thank the green aprons. They're out there on the front lines every day. And without them, there's no me, manufacturing or distribution. Whether it's Cold Brew or our journey, I'm really excited for tomorrow.

Michelle Burns {BIO 20642917 <GO>}

All right. Awesome. Thank you, Demetrius [ph]. Give it up for Demetrius [ph] and his green apron, bringing a lot of flash.

Neesha [ph], here for the very first time today is wearing her Black Coffee Master Apron, congratulations. Neesha [ph], tell us a little bit about yourself.

Unidentified Speaker

First, thank you Demetrius [ph] and all the (inaudible) partners. Because green stores can do, we do and serve our customers if it was not for you all. So I appreciate some of that. Hi friends, I am Neesha [ph], I am and almost 8-year partner. I started in the Chicago area, and I moved to Seattle in 2016, and I worked at various stores throughout Seattle. Currently I work at our Heritage store in Pike Place market at the very first Starbucks store. So I have the unique opportunity to welcome all of our guests from like across the world and share coffee and culture and little bit of like the store company history with them.

Tiffany Willis {BIO 21492161 <GO>}

Yes. Awesome. Thank you. And then Neesha [ph] and I both share a starting in Chicago here 8 years ago, (inaudible) 28 years ago. So it just kind of goes to show the beauty of this company and the expansion of what we do. Now we created Cold Brew in 2015 and brought the best of flavor and heritage of Starbucks to our

customers as a new cold coffee offering, and it has been growing ever since with the launch of Nitro in 2017, and then the incredibly favorable and favorite Cold Foam in 2018. But maybe instead of telling you all about it, let's all have a taste of this fantastic beverage that will be coming out in the winter.

Unidentified Speaker

All right. So we'll take a couple of seconds. And as the coffee is coming on.

Michelle Burns {BIO 20642917 <GO>}

Green Apron Partners, right on, thank you. Now while they're passing, our commitment to craft and great tasting coffee truly remains our ultimate responsibility. As I mentioned earlier, cold is hot. In fact, 2/3 -- thank you, 2/3 of beverages served in the U.S. today are cold beverages.

Now we've taken our coffee leadership to next level through cold, maintaining a premium coffee forward beverage that is innovative and differentiates us from all others. Now Cold Brew is our third fastest-growing segment over the last 2 years with a 30% CAGR. It's contributed significant growth over the pandemic. Cold Brew alone is over a \$1.2 billion business and growing.

Again, let me say that 2-year 30% CAGR on an over \$1.2 billion business. And I think really importantly, we are meeting our customers in relevant ways, cold refreshing customized beverages that are largely enjoyed by our largest customer segments Gen Z and Millennials. Now I think it looks like everyone has a beverage in their hands. Neesha [ph], why don't you go ahead and lead us in the tasting.

Unidentified Speaker

Absolutely. So I am excited to introduce our pistachio cream Cold Foam Cold Brew. It will be launching in stores (inaudible) 2023 so very soon. It is our Cold Brew and it has a pistachio cream Cold Foam on top with a cocoa dusting and a nice citrus spritz. This streak was inspired by our pistachio latte that it serves in our Roastery stores. It launched to commemorate the opening of the Chicago Roastery back in 2019.

Michelle Burns {BIO 20642917 <GO>}

All right. Let's take a taste. What do you think?

Unidentified Speaker

What do you think? How about the orange?

Michelle Burns {BIO 20642917 <GO>}

Little orange is the pistachio, the beautiful Cold Brew, just a fantastic, fantastic beverage.

Unidentified Speaker

Customers are going to love this.

Michelle Burns {BIO 20642917 <GO>}

You think customers a lot. She talks to how many hundreds of thousands of them every single week.

Unidentified Speaker

About 6,000 customers a week.

Michelle Burns {BIO 20642917 <GO>}

So our Cold Brew is truly unique with our signature Starbucks roasted beans from Africa and Latin America as the base for this Cold Brew that brings out the city, this brightness that you get, perfectly roasted, blended and crafted with passion and care. So thank you for joining us in a coffee tasting today. Thank you to Demetrius [ph] and Neesha [ph] for sharing your passion, your commitment to your coffee and to our customers.

Unidentified Speaker

Thank you, Michelle.

Michelle Burns {BIO 20642917 <GO>}

You bet and thank you to our investing community for joining us.

Unidentified Speaker

Thank you everybody.

Michelle Burns {BIO 20642917 <GO>}

Yes. We hope you all get a little bit of Starbucks Cold Brew energy to begin your day. So cheers.

Unidentified Speaker

Have a good day. Have a good day.

Michelle Burns {BIO 20642917 <GO>}

I now have the distinct honor and absolute privilege of introducing our iconic founder, and interim CEO of this company that we have all grown to love, the one

and the only Mr. Howard Schultz.

Howard Schultz {BIO 1432255 <GO>}

Good morning. It's great to see you all. It's really going to be a seminal day in the history of Starbucks Coffee Company. Let me first acknowledge our Chair, Mellody Hobson is here this morning. Mellody, please stand up. We also have, I think, about 30 of our international partners who have traveled very far to be here. Please stand up and be recognized. Thank you. Thank you, guys. Thank you so much. Well, it's been an interesting 5 months for the company and for me. And I think as we prepared for this morning, I think all of us could not be more excited, more enthused to really tell the story of the future of the company. And if I had to pick one word to describe what we're going to share with you, it would be ambition.

Now if you look about the slide behind me, you see Starbucks stores all over the world. But who could have imagined that a company that began in 1971 and had 11 stores in 1987 and just 100 employees would one day have 35,000 stores around the world in 80 markets, serving 100 million customers a week and approximately 400,000 people wearing the Green Apron. That was the ambition. It was ambition that was the entrepreneurial DNA of the company, and that was the courage and the curiosity to see around corners and really do things that other people did not think was possible. But here we are.

And what you're going to experience today, you're going to have a front row seat is that the ambition, the entrepreneurial DNA, the curiosity and the curve to see around corners and make big bets has never been greater than today. Now there's one difference between today and years past, and that is the strength of the equity of the brand and the demand that exists for Starbucks Coffee all over the world, which gives us extraordinary levels of encouragement in terms of what we have planned.

Now let me begin by telling you a story, a story that kind of defines the entrepreneurial DNA of the company. Here it is. In 1996, just 4 years after the IPO of the company, we had less than 400 stores, and we were getting calls from all over the world for Starbucks to open up internationally. Now here's the thing, none of us had any international experience to speak of, except one of us was from Canada.

And so with all the inquiries that we were getting, we decided to take a tour around the world. Remember, just 400 stores, we had a young group of people. Some of us had never been in Europe, never been to Asia. And we took this tour around the world, and we saw an extraordinary level of opportunity. And we decided that we were going to open up in Japan. Now the Board at the time, given their fiduciary responsibility, we had no experience, said, Howard, we need to hire a consulting firm to help us understand what the opportunity is and the challenges. So we did that.

Now I'm not big on consultants, but we did it. They went out for months did a comprehensive study of the market, came back to the Board with a thick book and

the headline was, if Starbucks goes to Japan, it will be dead on arrival. Dead on arrival, why? Our no smoking policy would not go well with the Japanese consumer.

Certainly, no Japanese customer would ever eat or drink in the street, they would lose space and the cost of real estate would be too expensive. So what did we do? We listened and we decided to go to Japan. And so in 1996, we opened up our first store in Tokyo in a great site in the Ginza, but we made one calculated mistake. And the mistake was we opened at the wrong time of the year.

August in Tokyo is a 100 degrees with 100% humidity, and we had no cold coffee at that point, no Frappuccino, just hot coffee with a 100-degree weather. So the night before I say to our Japanese partner through a translator, Yuji-Tsun [ph], you have to understand, we made a mistake, we should have opened up in the winter. It's going to be a tough day.

The translator was afraid to tell the truth. And she says to him, Mr. Schultz says it's going to be the biggest day in Starbucks history. I'm dying. I get to my hotel room, and I have an enthusiastic person on the other line saying, Howard, you got -- we have incredible news. CNN is going to cover the opening live. I didn't sleep the whole night, wake up that morning. Howard Behar, who's here.

We rushed to the store at 6:00 a.m. And as we're driving to the store, there is a line around the corner and I turn to the translator again. And I said, Yuji-Tsun, did you hire extras. It turns out they slept overnight. We cut the ribbon and a young man doesn't speak a word of English, rushes to the front of the line to the barista and says, Double tall Latte. And at that point, we all knew we were at home. That was 1996.

Just imagine what's happened since then? 400 stores now in Tokyo, 1,800 in Japan, 18,000 stores in 30 countries around the world because of the entrepreneurial courage, commitment of the leadership team, which you're going to see in spades today.

Now from the IPO in 1992 to 2008, we accomplished something that was unprecedented, never before done. 64 consecutive quarters of positive comps, 190 consecutive months of positive comps, while cannibalizing approximately 30% of our stores never done before, unheard of. It was really an extraordinary level of growth, development and just what we were doing as a leadership team in the company. And all of that was based on the quality of the coffee, the equity of the brand and the currency of trust that we were building with our people and customers all over the country.

And then, unfortunately, 2008. Now 2008 was a cataclysmic financial crisis. We all experienced it. There was something else going on at Starbucks. And we have to be honest about what happened and what we learned. And that was a disease entered the company in 2008, and it was hubris.

It was hubris in which the company was chasing, measuring and rewarding the wrong things, the stock price, comp store sales, operational efficiency at the expense of the customer and Starbucks lost its way. And we went negative.

I don't think we go negative, but look at the headlines. Some of you might even recognize that some of those headlines might have been yours. So what did Starbucks learn, what did we learn about ourselves? And probably most importantly, what did you learn about us that is threaded into the year 2022?

Now what we learned about ourselves is the resiliency of the brand, the relationship we had with our customers. And in 2008, the bloom is off the rose, everybody was counting us for dead. And believe it or not, we did our best work. The level of innovation was extraordinary. What we did in 2008 was literally transformed the company. Now look at this. 2008, we built for the first time our rewards program. That led to Mobile Order & Pay, which is currently a significant part of our business, 60 million rewards customers around the world, 30 million alone in the U.S. and driving about 50% of our business, born in 2008.

Bottled Frappuccino, here we were, we had blended Frappuccino in our store, and we said, why don't we bottle it and create a CPG business. Very few bricks-and-mortar companies have ever been able to do along the lines of the CPG business, which you'll hear about in a minute in terms of what we've been able to do. Bottled Frappuccino led to a multibillion-dollar partnership with PepsiCo.

Thirdly, we embraced our coffee. And in 2008, we said we need a coffee that appeals to the masses of Starbucks customers beyond our core customer base. And Pike Place Roast was introduced in 2008, today, the biggest selling coffee in the world for Starbucks. Again, innovation. And Dan, it was Clover, recognizing that we needed to really produce the highest quality brew coffee in a new machine, a new basis of how we're going to brew coffee. But what you're going to see today in the Tryer center is that Clover has led to Vertica, and Vertica will be rolled out nationally, Coffee on Demand, highest-quality coffee in the world and significant savings in waste.

That was 2008. Now what happened since 2008. 2008 with our -- everyone saying the world was over for Starbucks, we bounced back in approximately 17 months. In 17 months, we were back positive comp store sales, opening new stores at record numbers, the affinity of the brand, highest level of retention among our people, and we were back.

So what did we learn? We learned that there was a crisis externally. There was self-induced mistakes. And we had to look in the mirror and say to ourselves, what is the core purpose and reason for being for Starbucks. And it's always been the same. And that is our ambition has been to create a great enduring company to achieve outsized levels of returns for our shareholders and a level of benevolence and conscience in terms of the equity of the brand and how we share success with our people.

And from 2009 or so, until today, we were doing things again that produced \$100 billion in market cap for the company. And if you look at where we were \$11 billion, \$20 billion, we went all the way to \$100 billion in market cap, growing the company successfully embracing the conscience and the sensitivity of the brand and what we stand for.

And then once again, crisis occurs. Now let's just talk about what that is. 2008 was not a proxy for what has happened in 2022. There is no textbook whatsoever for how to navigate through a pandemic, the likes of which we've all seen. No proxy. But what it was a proxy for, unfortunately, is there was self-induced mistakes again where we lost our way.

And so when I came back in early April with the next generation of leaders at Starbucks, we looked at 2008, not as a proxy, but as a proof source of the capability of the company to once again innovate at levels that had never been seen before. And what I'm here to tell you is that the level of ambition, the level of innovation, the entrepreneurial DNA, which created the company has never been greater.

Our site line in terms of what we see for the company. is extraordinary. And different than 2008, in 2008, we came back in 17 months, but we did not have demand. Remember, we had negative comps. We had negative traffic. Right now, at Starbucks, domestically and around the world, record demand. Inflation number comes out today. So far, we have been immune, immune from any recognition whatsoever that there is a downturn in customer traffic, a downturn in terms of average ticket.

In fact, in terms of our business, the most significant thing that I can see is that despite the fact that the business has changed dramatically, 50% drive-through, 25% Mobile Order & Pay, 70% cold. Starbucks has adapted. And underneath all of that is the relationship we have with our customers, record demand. Our international partners are in the room today. With the exception of China, every single market internationally is either meeting or exceeding plan.

And if you look at the innovation that's taken place, go to the next slide, please. What we've been able to do in just 5 months is quite something, and it's just the beginning. What you're going to witness today is a level of thoughtfulness, understanding and a complete level of line of sight on how to once again capture the sizable market for Starbucks in which every market that we're in, we will be the leader in the U.S. and around the world.

Now what gives me comfort to say that. Well, just 2 weeks ago, just 2 weeks ago, we introduced our fall campaign, and we have the number one -- this is an incredible thing to say. We've been in business 51 years. Our highest record sales week in our 51-year history was 2 weeks ago. And I got to tell you, we are just getting started.

Now when I think about where we are today and the future of the company, we clearly had to recognize that I'm 69 years old, and I'm long in the tooth, and it's time for a new CEO. And so the Board, the search committee with Mellody leading the

search, we went out and looked for a global citizen, a servant leader, somebody who had an innate understanding of the heart and conscience of the company, someone who had the entrepreneurial DNA in his blood and someone who could embrace the vision of Starbucks in his own way. And I'm so proud to tell you that we found and we hit the jackpot with a number one draft choice.

So ladies and gentlemen, let me welcome Laxman Narasimhan to the stage.

So I don't want to embarrass Laxman. This is his first time meeting you all. I can just tell you in the time that he has been in Seattle, he's captured the hearts and minds of our people. And I think -- thank you. You can't teach heart, but his deep sense of humility, his understanding of the human connection at Starbucks, his understanding of people who wear the green apron and work so hard on behalf of the company. I just think he's the perfect person for the job. And so Laxman, I want to formally welcome you to Starbucks and I have something for you.

Laxman Narasimhan {BIO 19067074 <GO>}

Thank you, Howard.

Howard Schultz {BIO 1432255 <GO>}

So I've had this on my desk for almost 40 years. And a Guatemalan coffee farmer gave me this. It's been sitting on my desk, as I said, for almost 4 decades. It's got me where I am today, a little bit of luck along the way. And I just want to give it to you. And just as you put this on your desk, think about the responsibility we have to all the coffee farmers and everyone aware it's a green apron around the world.

Laxman Narasimhan {BIO 19067074 <GO>}

Thank you. Thank you so much, Howard. Thank you.

Howard Schultz {BIO 1432255 <GO>}

So we're going to give Laxman an opportunity to speak to our Head of HR, Sara Kelly is going to come up and speak to Laxman for a few minutes on stage. Sara?

Unidentified Speaker

We are live with Sara Kelly.

Sara Kelly {BIO 20201199 <GO>}

Well, good morning, Laxman.

Laxman Narasimhan {BIO 19067074 <GO>}

Thank you.

Sara Kelly {BIO 20201199 <GO>}

It's great to be with you this morning with our investor community to allow them to learn a little bit more about you just as we've been learning about you these last few days.

Laxman Narasimhan {BIO 19067074 <GO>}

Thank you.

Sara Kelly {BIO 20201199 <GO>}

And I know Howard said it, so I might just start off with just, I think, grounding us in what the search has been about for a new CEO and Mellody, and Howard have shared, we've been looking for a global citizen in entrepreneurial, a proven global operator, a world-class strategic thinker. And we have found all of those things in you. But above all, we were looking for humanity.

We were looking for a purpose-driven leader. And that is what you bring to Starbucks. And so I want to start this conversation today around humanity. And as I think about humanity, and I take this back to our origin story is one of the most fundamental aspects of our origin are our name. So Laxman, can you share a little bit with us about your name, your origin story and how that has shaped who you are today?

Laxman Narasimhan {BIO 19067074 <GO>}

Well, thank you, Sara. And it's really an honor to be here, and it's a privilege to be asked to lead this company. I haven't started yet. And so I'm really looking forward to being in the audience with all of you listening to the ambitious plans that this amazing team has put together. Firstly, you said my name right.

Sara Kelly {BIO 20201199 <GO>}

I've been practicing.

Laxman Narasimhan {BIO 19067074 <GO>}

Yes. You have. It's showing -- it's Laxman Narasimhan. Now by the way, I have a barista name, and it's important for me to say it because I -- when I go to the stores, I always tell them my name is Laks, L-A-K-S, and they write it down and they get it right all the time. But Laxman Narasimhan. So Laxman is actually the brother of Ram in the famous Indian story, the Ramayana. And I was named after my brother, Ram. Now Ram unfortunately passed when I was 6 and he was 8. And so it's a real story of loss, a real story of many challenges that have been thrown at me.

I came to this country with nothing. And so sitting in front of you, I truly am the epitome of the American dream. I had many ladders given to me, much like I know the latter that Starbucks offers to its partners to get to a better place in life. So loss challenges in life, but yet, the American Dream. And so it's not really what happens to me, but how I respond to it that defines me. So Sara, at the end of it, resilience is what defines me.

Sara Kelly {BIO 20201199 <GO>}

And defined by resilience, defined by purpose, you've had a remarkable career. So can you thread through some of those professional experiences and talk a little bit about what you're going to be bringing to Starbucks.

Laxman Narasimhan {BIO 19067074 <GO>}

Well, nothing could really prepare you to lead this beautiful special company. But I hope what I can do is call on a combination of experiences that will hopefully I can bring to bear on the company. The first is, I'm as global as they come. I've lived literally everywhere and worked everywhere, and I've had operating experiences, leading businesses with large numbers of people in varying environments, developed environments, developing environments, emerging markets.

I have led transformational journeys that have resulted in the creation of a significant amount of value. But I'm truly in my zone when I am leading, energizing, mobilizing large numbers of people around a mission. Now I've been a CEO before, but what really attracted me to the company is this mission? It truly inspires me.

Sara Kelly {BIO 20201199 <GO>}

So let's talk about that mission because one of the things we've talked to these last few days about is the impact that Starbucks can have on the world. Can you tell us a little bit about how you see that impact and what you believe?

Laxman Narasimhan {BIO 19067074 <GO>}

I think the best way to do this is to just tell you a bit of a story. I came here to Seattle to spend a weekend with Howard, and he took me to a store of stairs. And I think all of you met Neesha [ph]. Neesha [ph], you did a great job, by the way. Thank you very much.

So I met Neesha [ph] and Howard said, Hey, can you fix up something for my friend here. So I asked what do you recommend? And Neesha [ph] said to me, I recommend the Vanilla Sweet Cream Cold Brew. I said, "Wow, I've never had that. Can you make one for me? And she said, yes, I can. Actually did and it was amazing.

The Sunday morning, Howard said we've got to go to Pike Place. We've got to go to the place where it all started. So we went there and the store opened. And amazingly, Neesha [ph] was there. She looked at me and she said, I'd recognize you.

Now it's possible that you recognize me because I was Howard's friend. But I said, "What would you like?" I said I'd like an Espresso Doppio Macchiato, which is my drink of choice with a bit of hot milk on the side." And she said, "Got it. I'll make it. Now when I came here, I'm sort of looking for a place to stay, looking for care for my mother, I thought I'd go to Pike Place with you." And we went there and sure enough, Neesha [ph] was there.

And what did Neesha [ph] say? She said, "I know you well, the announcement came out, I went to (inaudible) store, and I said, "I know this guy." I know this guy. Now it's amazing how in that one moment. She demonstrated to me what the power of this brand was. But the power of this brand is about connection over a cup of coffee. And if we can get that to happen in a millions of times around the world always the opportunity set for this company is limitless.

Sara Kelly {BIO 20201199 <GO>}

When we ran Pike Place together, you put on the Green Apron for the first time. (inaudible)

Laxman Narasimhan {BIO 19067074 <GO>}

That was just one time. (inaudible) It was not voluntary, by the way.

Sara Kelly {BIO 20201199 <GO>}

Well, you did an exceptional job. So tell us a little bit you're going to go through Barista training, all 40 hours of Barista training.

Laxman Narasimhan {BIO 19067074 <GO>}

Stressful.

Sara Kelly {BIO 20201199 <GO>}

And become a certified Starbucks Barista in the near future. Why don't you start on October 1. Can you tell us a little bit about how you're gearing up for Barista training?

Laxman Narasimhan {BIO 19067074 <GO>}

Well, the first thing is I've had a -- I've had a lot of time and a lot of conversations through the process. The first is, I spent a lot of time with Mellody Hobson, our Chair. And we see the world with similar rise. I have had interactions, very encouraging interactions with members of the Board.

And I've also spent time with Howard. This whole weekend. We literally talked for a weekend. I've spent time with him in his New York apartment. And we've talked about the company, I was mesmerized and go to stores with Howard is something

else. You see the world through his eyes. You see what he looks for in design, what it looks at from an artistic perspective, that joy he has when a customer's order is fulfilled and frankly, the joy he has when a partner responds and connects with customers, just to joy. So I've got to see all of that.

So one of the things we did, which Howard and I did was we codesigned this structured emotion. And it's going to mean certainly with Melody, time with members of the Board, but also it's going to be really a learning of the culture of the company. engaging with the people of the company, understanding the brand, understanding the secret source of this special company.

So there's time in stores, there's time in the roasting plants, there's time with partners, they're time with investors, there's time observing customers. And so it's an incredible opportunity, by the way, for me, to be learning at the feet of one of the best entrepreneurs in the world, and that's what the next 6 months are about.

Sara Kelly {BIO 20201199 <GO>}

Excellent. Well, we can't wait to take you through your 40 years -- 40 hours of Barista training.

Laxman Narasimhan {BIO 19067074 <GO>}

It was 30 by the way.

Sara Kelly {BIO 20201199 <GO>}

It's 40, it's 40 hours.

Laxman Narasimhan {BIO 19067074 <GO>}

It's 40. 10 more. Okay. I got to make it through.

Sara Kelly {BIO 20201199 <GO>}

You're going to do exceptionally well backed by all of our Starbucks partners.

Laxman Narasimhan {BIO 19067074 <GO>}

Of course. Thank you.

Sara Kelly {BIO 20201199 <GO>}

So this is Investor Day. And here today, we're here to talk about value creation. Can you talk a little bit about how you see new value at Starbucks and value creation for Starbucks?

Laxman Narasimhan {BIO 19067074 <GO>}

I've been an operating CEO. I've been the CFO of a large operating division. I've engaged with investors. And I've recognize that the value creation model for this very special company is very unique, and it's grounded in the idea that we have to meet or exceed the partner experience. It's almost the second place for our partners. And through that, we need to exceed the expectations of our customers. And we do that with superior product, with innovation, with distinctive experience, across the physical world as well as the digital world and so if we do a great job with our partners, we're going to exceed the expectations of our customers, the third place as we have defined it.

And through that, we have an impact on the community. And we do that in a sustainable manner. It has a very positive impact on the world. And so as I look at value creation, this is the model that is core to the value creation model of the company. And if you do it right, the opportunity set is limitless, and I know what it will lead to is outsized returns for our shareholders.

Sara Kelly {BIO 20201199 <GO>}

I couldn't agree more, exceeding the expectations of our partners is where it begins, right, where it starts. Can you share just as we think about you joining the organization and tell us something maybe that the world doesn't know about you. Something that you want us to know as you join Starbucks.

Laxman Narasimhan {BIO 19067074 <GO>}

Well, if you read about me, I think what you're going to see is a lot of right brain stuff. A lot of things, analytics, (inaudible) strategic and all that. But what's not really not known is the left brain side, my love for Art, my love for design, the fact that I write poetry, the fact that I care deeply about people and ensuring that what I can do is provide ladders to millions. That really inspires me. And I hope what I can do is bring both sides of this to bear to this beautiful brand to this beautiful company to the beautiful and amazing people that work in it and help it realize its limitless potential.

Sara Kelly {BIO 20201199 <GO>}

Well, thank you in joining me in this conversation. And what I can share on behalf of all of our Starbucks partners is that we cannot begin -- wait to begin this brilliant journey with you and the limitless opportunities ahead.

Laxman Narasimhan {BIO 19067074 <GO>}

Thank you so much. And Howard, I want to thank you for this. I will live up to this. Thank you.

Howard Schultz {BIO 1432255 <GO>}

I just -- I think in just a few minutes, I saw somebody who just has the natural proclivity to be himself and so comfortable in his own skin and the kind of person and leader that is a perfect person at the perfect time to lead the company. And so over the next 6 months, as Laxman said, we'll spend time domestically and around the world, and we'll be in a great position to lead the company, and I'll stay on the board with Mellody and do my best to support him to ensure the fact that he's successful.

I won't be up here for another few minutes, and I'm going to give it to my colleague, Frank Britt.

But let me just say a couple of things about how I feel about this moment in the company and why I came back and why I feel so confident and enthused about the future. It's a word that's not used very often in business, and the word is love. I've spent my life at Starbucks and my love for the company, my responsibility to our partners is at the highest level possible. And when I came back over the last 5 months or so, I was once again reminded about the power of the culture and values and guiding principles of Starbucks, how unique it is, how rare it is and how it must be preserved and enhanced.

I mean we had a Board member for many years, Senator Bill Bradley, who was from Missouri. And once we're talking about the future of the company and he said, "You know what the motto is for the state of Missouri. I said, no, I don't know what the state model is, what is it?" And he said, it's the Show-Me State. And so I want you to think about that.

You're in for a really wonderful day, a world-class level of insight perspective about the brand, the future of the company and our responsibility as a leadership team in creating confidence and trust with you is to show you. And we've got to show up every day. We don't take for granted the responsibility that we have to our shareholders and all of you. And I said something the first day I came back in a company-wide meeting, which I actually believe more today than I did then, and that is the best days for Starbucks are ahead of us. It took us about 17 months to come back in 2008.

I'll go on the record and say it's going to take less time this time around. And I think you'll see that today with the quality of the people presenting, their understanding of the business and the opportunity in front of us. I'm going to steal a little bit of thunder from Rachel and just tell you some of the numbers that you're going to be hearing about. Double-digit revenue, double-digit EPS growth, continued strength in our comp store sales, record numbers of accelerated store growth and a significant return to shareholders in the form of dividend and a return at some point to buying back our stock.

All of that will be framed for you in the strategy and how we're going to go to market domestically and around the world and the plethora of opportunity that Starbucks Coffee has. We are reinventing the company, but we're not reinventing what we do.

We're just reinventing how we do it. I'll remind you about something else. Given the fact that there's been such a significant change in consumer behavior, where there's a different level of pattern recognition post-Covid. You would think that the relevance of Starbucks Coffee Company would be fading. It would make sense. People are no longer coming to the store the way they would when they used to.

But the question really is, given the fact that there's been such a significant change in consumer behavior, how is it that we are in a double-digit comp state in which our customers are using Starbucks in a different way, but more than ever before. And the level of transition that we've had is how quickly we have adapted to drive through Mobile Order & Pay and meeting customers where they are. We didn't have a delivery business 18 months ago. That delivery business is on fire today and it's just the beginning. You're going to hear so many new ideas today.

I worry sometimes when I sat through this yesterday, we're only giving you too much. But you're going to see all the things we're working on, the excitement we have for the future and the confidence we have and how quickly Starbucks is going to return to the kind of financial performance that you've seen from us from the past. So thank you very much. You've got a front row seat in terms of what you're going to see. I'm excited and so privileged to be in front of you again. Thank you very much.

Frank Britt {BIO 16521499 <GO>}

Good morning. Howard, thank you so much for grounding us Laxman. We're so privileged to have you join our team. On behalf of our 400,000-plus partners, our gratitude for your commitment to us is has only begun, but we're looking forward to the co-creation of the future that I think will be unlike any other. It has been said that there are years when nothing happens and there are weeks when years happen. And over the last 25 weeks, since our iconic founder has returned, he has done something that is unique to a founder.

He has reset and rebooted Starbucks, a company of 51 years in duration, and he's regrounded us as to what matters most at Starbucks. He's taken the ideas and the values that it's always made Starbucks such a different kind of company. And he's brought it to life, and he's role modeled it, and he's inspired each of us to think differently. In fact, he has challenged each of us. And he said, you will need to see the world differently if we are going to become the next and better version of ourselves.

You will need to think differently if we're going to become the next best version of ourselves. And most importantly, you need to act differently. You need to lead in a different way, in a different context and a different moment in time, and we are ready to do that. And so for today, we are going to provide you the most comprehensive and operationally transparent perspective on Starbucks.

Certainly, this has been provided in the last couple of years. It's designed to give you appreciation for the depth, the breadth, the reach, the potential of a company that already has scale, scope and efficiencies unmatched by any other firm and ultimately

give you the confidence, the confidence you need to continue to support our very ambitious agenda for the next few years.

So the agenda. The agenda is reinvention. And it makes sense, right? Because we're a coffee house and the origins of all coffee houses are about stories. And so what we're going to tell you today is about our new story. The story of Starbucks, past, present and most important future and our themes around reinvention. It's premised on the idea as Howard just noted in his own unique way, that the compass for Starbucks remains exactly and appropriately pointed at creating experiences that allow our partners to thrive and our customers to value our relationship uniquely.

However, while the compass is still right, the map must change. And what we're going to lay out for you today is what is that map and how are we going to get there? And what are the commitments and what are the capabilities and what is the rationale for why we have such conviction about that happening.

A question we get often is, what does reinvention mean at Starbucks? We hear the word, but give me the substance, what is it about? We think of it's about 3 things. Firstly, and very importantly, an iconic company of global scale like ours, you can only imagine it's unlimited opportunities. And the purpose of reinvention, perhaps more than any other thing was to establish a clear mandate and agenda and priorities.

We've gone through a rigorous frankly, ruthless process to prioritize what matters most at this time in our history to allow for short-term improvements in performance and partner experience and customer experience and set us on the trajectory to a very different kind of future. So part 1, prioritization. Part 2 is there are very tangible, targeted substantive improvements that we are making in the P&L in '23 and '24 directly tied to the reinvention agenda.

It's about fixing the fundamentals of the partner experience, the store experience and the customer experience. make no uncertain facts about that. We are focused on performance. And it's a process. It's a process designed to reveal insights to provide stepping stones to discovery that you can only get through the application of the work we're going to do. And so we are embracing this idea. We're embracing the idea that discovery are really accidents that meet a prepared mind and we are trying to earn the opportunity to have that prepared mind to put us in a position where we can do our best work.

And so ultimately, we are a company has focused on improving the basics, future proofing and ultimately enabling different kind of discoveries than we ever have before. And then finally, in the theme of focus, just to be even more clear, this reinvention plan, Phase 1 of the company reinvention is focused on U.S. company-owned retail stores with a primary emphasis on the green aprons in the store.

That said, we have a very expansive agenda to take what we're doing here and expand it around the world in partnership with our various license partners and

domestic partners in each of the countries and to expand to all of the partner cohort to Starbucks, our plants, our distribution centers, our support centers and of course, the folks that work each and every day in our stores on behalf of our customers.

And so that's kind of the master plan. For those of you who took a little bit of time and listened to the last earnings call, you'll recall we introduced the components of the reinvention agenda. Component number 1 and number 5, 1 being about mission and 5 being about a different kind of relationship with our partners.

We will not go through those in great detail today. But hopefully, you'll see that threaded through all of our comments and all of my colleagues insights through the rest of the day. And instead, what we will do is we will go deep, we will go deep on the core components of the reinvention agenda, which is the partner, the customer and the store. That will be the emphasis of the rest of today.

And so with that in mind, let me just say why that is the approach we're taking. The premise is that these 3 elements need to work individually better and they need to work as a system in kind. They need to be synchronized in service of ultimately an experience that works best for our partners and best for our customers. And so what we're trying to do in the next 90 minutes is to unpack each of these pieces in great detail to give all of you the depth and insights as to what, the why and the how of the reinvention agenda on these 3 dimensions.

Now as we do that, we are very mindful that coffee, the coffee remains very much at the epicenter of who Starbucks is. And so all that we do is premised in the idea that the heart and the soul of Starbucks is premium coffee. It's the DNA of the company, and no one should be confused, whether it be local to global, farm to cup, partner to customer, our reason for being is around coffee because coffee is the medium we use to create human connection.

And at the end of the day, we're a human connection company these as coffee as our medium to enable that to happen at scale. And that is the essence of the brand of Starbucks. And that is why, that is why we are always quite declarative that we are a premium coffee company. We are not a food company. We're not even a beverage company. We're a premium coffee company because that is the soul of the company. And we aspire, we aspire to continue to be the world's leader in premium coffee in both the art and the science of coffee and coffee innovation, which gives us permission and opportunities that are unparalleled for new kinds of occasions, new kinds of channels, and, frankly, even more countries.

That is the essence. From a competitive strategy perspective, the Starbucks business model is a competitive advantage that says from bean to cup, from bean to cup, we have built a one-of-a-kind vertically integrated platform that combines sourcing, blending, roasting and delivery at scale, with scope and with an unmatched level of sophistication. And that is the reason why we earn the opportunity each week around the world to enable 400 million occasions a week that Starbucks supports

around the world. And yet, it's why we even have more conviction that the white space for Starbucks ahead has never been greater.

So with that said, we have these 3 components. I'm going to take the partner section and go deep, and then I'll hand it off to Brady Brewer to go through customer and John Culver will go through store. So let's dig in. All the discussions today around balance sheets and income statements will be quite robust.

But there's a purely interesting argument that says the most important currency, the most important currency of Starbucks is actually not on the balance sheet or the income statement. It's the currency of trust, the currency of trust we have with our partners and our customers.

The reality is, and we are embracing reality, Howard has encouraged us to embrace the ruthless facts in service of getting to a different and better place. We have a trust deficit. We have a trust deficit with our partners. Not all our partners, but for too many of our partners, Green Apron partners in particular in our stores, we have not lived up to the highest level of obligations.

Our historical aspiration of meeting and exceeding the expectations of our partners and service of our customers. We have not done that consistently. There's a bunch of reasons. Some are exogenous, but frankly, a lot of it is self-induced. And we accept that, and we embrace that and we own that, and we plan to do quite a bit about it. We also acknowledge this generational shift happening. There's an awakening. There's a new dynamic emerging in the labor market at large, and we need to be responsive to that as best we can. And so what we're going to talk about today is what are we doing about our approach to reinventing the partner experience.

Now the good news is we start with a position of strength. And while there are always skeptics, the reality is that we didn't follow a playbook relative to the creation of new kinds of experiences for our partners, we invented the playbook. We invented the playbook that companies around the world look to for what is best-in-class standards, practices and ethos relative to partner experience with frontline workers.

And so the first reason we have conviction is because we've done it, we know how to do it, and we believe it's an opportunity that's unlike any other. The second reason, though, we have conviction, which actually might even be more important, it's because we are not creating this by ourselves. Our partners are creating the future of Starbucks.

Our line is we are creating the future by partners for partners. Our partners are co-creating the future with Starbucks. This is not a project in some ivory tower. It's a bottoms-up approach. It's a democratization of innovation at a company that has unique scale, engaging the people who have a unique window into America, unique window into America, who are most proximate to the challenges and the opportunities that the marketplace provides us and coming together as one unit in

order and in service of helping improve the partner experience and the store experience.

And that's why since April 4, we've committed over \$1 billion, over \$1 billion to improving and elevating the partner experience, which we view as a significant statement of our intent and yet, as you'll hear through the rest of this conversation, we're just getting started. So let's talk about if you just zoom out just for a minute. Starbucks does not operate in a vacuum. It's part of a much larger context. So let's talk about the context of the market in which we compete.

And in this case, it's the competition for talent, not the competition for customers. So it turns out the category we're in, the frontline worker labor market is going through dramatic changes, significant changes, unprecedented changes. More than 50% of the people that worked in this sector 3 years ago are no longer working here. If you looked at last week's jobs report, there are 2.5 million open positions, 2.5 million open positions. Now keep in mind, this is in a context where participation rates in the labor market are about 62%, 63%, which are near historic lows, and unemployment is nearing historic low at 3.7%.

Those challenges pale compared to the challenges of finding talent in the category we're in. So that is the reality that we deal with, and we have to embrace that. Having said that, companies like Starbucks have always led by example and need to lead by example. And we have given deep reflection to what are the kinds of things we need to begin to do differently as a company and that we excel. Many of our leading company peers doing much the same.

So just briefly, first is a shift in orientation. We need to shift our mindset (inaudible), if you will, from labor to talent, from thinking about people in a store as a cost center to a value creation center, thinking about the idea that where we get talent can't only be from the traditional sources. There are lots of other components of the labor market we need to tap into. Those are the shifts we start to see in orientation.

Let's talk about the work experiences themselves. Well, firstly and most importantly, people need scheduling empowerment. They need to define their life, not be constrained by the company. And so you see companies like ours and others embracing the shift from fixed schedules to anytime shifts, thinking about wages as, of course, important, but think about a total rewards program and then perhaps most importantly, not viewing all Baristas as equals. Every person is unique in where they are in their lives and where they are in their careers, and we need to embrace a much more personalized journey and enabling them to achieve their highest and best self or as Laxman say, giving them the ladders they need to meet their goals and aspirations in their life.

And then finally, it's job design. The reality is the work we do in our stores today is too physically hard. It's too physically hard. So you should see and expect and we'll see (inaudible) today, implementation of workflow tools and automation tools that allow the lower value-added tasks to be done and to free up time energy for the 2

things that matter most in a Starbucks store, the craftsmanship of the production of the coffee itself and most importantly, the connection to customers.

And so we are beginning to see a shift in what we do, and that shifts our mindset to not just think about the productivity of a person, but what are their needs? What's the whole person design that's important? And then finally, companies like Starbucks, particularly need to think of themselves in the larger context of the labor market is not talent takers, but talent makers.

In the same way we've embraced sustainability in the green energy context. When you think about the sustainability of the talent market because the talent market is a rate-limiting factor to companies like ours ability to grow, and we see tremendous opportunities for us to contribute to grow the pool and move away from the zero-sum game kind of model. So that's the context of the labor market at large for frontline workers.

What does that mean to Starbucks? Glad you asked. Well, as you probably know, we are typically and historically a top employer in the category. One of the things we looked at very carefully is the Aon multinational company Aon, which is kind of the Malcolm Baldrige award equivalent for benefits. Starbucks is in the 100th percentile, 100th percentile, 5 years in a row relative to benefits to which we say, very pleased but hardly satisfied.

The reason we're not satisfied is this past year, in the last 12 months, we've added 183,000 people to the Starbucks Green Apron in the U.S. alone. And we have very ambitious plans for the future. So we're going to need to continue to distinguish ourselves and be thought of as a preferred employer brand in the same way that we have thought of as a consumer brand. Let's look at some facts. We've taken some data from across the category.

We've normalized it and index it for you. And what the data shows is, firstly, that Starbucks is demonstrably better in relative terms for turnover or retention, which are essentially the inverse of each other. So the data shows Starbucks is better than the market by a lot.

You might say, well, that's interesting, but how about you compare Starbucks to Starbucks because that's really the most important benchmark, we agree. If you look at the data here, not surprisingly, turnover rates peaked during Covid. Remember, this is all indexed, these are not absolute terms. The best and important news is the actions we've taken in the last 25 weeks are already starting to have effect. And you can see the turnover rates on the far right side of the page are starting to go down or said positively retention rates are starting to go up, and we couldn't be more pleased. But we also are hardly satisfied.

And so the work we have ahead is to say, let's build on the momentum we've built over the last 25 weeks, and let's see where it can take us. The reality is that is still a very, very difficult environment inside of our stores despite the incredible progress

we're making as a company. And so what we wanted to do here is to give you some sense that we accept empathetically that we have not lived up to our end of the bargain complete with our partners. We need our partners to help us figure out how to navigate to the future. And what this conversation then turns to is what are we going to do about making it a better place to be in service of their needs and ultimately in service of our customers.

The term we've been using is thrive. What does it mean to thrive? The word thrive, by the way, means not just growth, it means vigorous growth. When you thrive in your life, you're playing at a different level. And we think that word matters a lot. So as we talk about thriving and think about thriving for our partners, let's hear from our partners as they think about this topic in their own lives.

(presentation)

So the notion of thriving is the architecture and the framework we're using to evaluate and self-evaluate and design the future of the experience for our partners. And as we think about that, we think it includes 3 components.

Firstly, how do they thrive at work in their jobs. Secondly, how do they thrive as individual since their lives are much bigger than just looking into Starbucks. Then how do they thrive as a team. And our intent is to architect a master plan that allows each one of those components to be optimized and ladder up for each and every person and ultimately allow the company to get a commensurate number of awards as a result. And you might ask, well, why does an investment community meeting have to talk about thriving partners.

We're interested in the P&L and the income statement, the balance sheet and all the other components, we're with you. But we're going to kind of give you the argument for why everyone in this room for all the right reasons, should care deeply about what is thriving partners meet. And the reason is, it is the catalytic force that drives the value chain of Starbucks. It's that simple. It is the ignition for the flywheel of Starbucks financially and in terms of brand equity. And here's how it works. A thriving partner therefore, has what we call higher partner engagement scores, which is the Net Promoter Score equivalent for a partner. And when those scores are high, empirically, it drives customer connection.

And when customer connection is high, well, that's when life works just as you want because it drives top line growth, operating income, customer loyalty and brand affinity. And as if that weren't enough, if that's weren't enough, there's a set of derivative benefits as well, as you can see in the chart here, which is we spend less in aggregate on partner acquisition because we don't need as many partners because we have higher retention rates and ultimately, more labor leverage in the P&L. And so thriving partners with the foundation of the company and really the most important thing that affects all other factors vis-a-vis performance, however one wants to measure it.

So let's take for a few minutes and talk about what we mean when we talk about the thriving concept. The first of the 3 is Thrive at Work. Now you know because you're experts on Starbucks. We have a long history of education, healthcare, mental health programs. We are the definers. We invented things that didn't exist, like stock for part-time workers.

And our list and our history is strong, but it's not enough. It's not enough. And that's why since April 4, we've made a series of very bold and decisive commitments on behalf of our partners. We've increased wages for all eligible stores, all eligible people around the United States.

We have doubled the amount of training that we have in our stores because all people want to feel competent and confident in their roles. We have brought back our iconic program of Black Apron Coffee Master credentialing, which goes back to the joy of coffee and acknowledges the unique skills and capabilities of our people. And in the last 24 hours, as you probably noticed, we've rolled out 2 new programs.

One is what we call My Starbucks Savings program, which is designed to incent people to save, we will pay you to save if you're a green apron at Starbucks and mindful that student loans remain a tremendous complex challenge for many people. We've built out a solution in partnership with a leading company to create an expert-based coaching model to help you navigate student loan challenges.

Again, all of these things as part of the \$1 billion commitment, we would say pleased, but still not satisfied. So what other things should you be expecting from Starbucks going forward? Well, we think they fall into 3 categories: wage, innovation, well-being and recognition. On the wage innovation side, the most important thing is actually scheduling to complement absolute wages. People need empowerment in terms of their lives, and we need to move to a model that gives them more of that opportunity.

In the well-being area, you'll see us announce relatively soon, a much more advanced or progressive or generous sick time accrual model. You'll also see us roll out extended mental health support and a whole new level of capability set to empower people to take better control of their lives in terms of their mental health, which we believe is essential. And then the third component is in the recognition connection and there's some really interesting things happening there.

We're rolling out a whole new recognition program, which will allow people to acknowledge each other in the stores and across stores and ultimately allow the customer to do the same. We are rolling out what we call digital tipping, which is a complement to the current model we have on the mobile app, which we think will create more opportunities for customers to celebrate the great work our folks do. And we're rolling out a whole new digital ecosystem that will allow us to connect in a digital way with all our partners around the United States as a complement to the relationship we have in the stores.

So that's one of the 3 components: Thrive at Work. Let's talk about Thrive As Individual. The Drum Major Instinct Sermon argued that all people want to leave their parade. We couldn't agree more. And we need to give people the agency and the opportunity to do that. And how that manifests itself is people want to be able to have a path that works with their lives. Because by definition, we're all at a different place in our careers in our lives, and Starbucks needs to embrace that.

So we started in the context of the Thrive model to articulate what our alternative career path for barista. And then what do we need to do to create personalized experiences much like we've done on the customer side to enable folks to get the best and highest laddering and value creation for themselves out of their experience at Starbucks.

Let me give you 2 examples. There's a cohort of partners we have, which we call independent strivers and their needs are crystal clear. They want the same hours every week. They need a steady paycheck. They want to bring the joy of coffee and they want to be able to go back and meet their other domestic commitments, and we should create a pathway that allows that to happen. There's another cohort, and these are examples of some of the cohorts we've come up with of what we call a passionate career builder.

This person sees Starbucks is the path to their greatness in their careers. And we need to wrap services and capabilities in coaching and incentives that anything we can do to help encourage and affirm those behaviors and instincts they have. And so what you should expect over time at Starbucks, if you join, it's not a one-size-fits-all experience but one that works for you. And when that happens, we believe that will stabilize the store, improve retention rates and ultimately allow each person to achieve their highest and best level of actualization.

The third and final component of thrive is, Thrive as a team or Thrive as Together. And I think an argument could be made that the most important group that needs commitment, focus and intention at Starbucks is actually the store manager because the store manager is the person that brings the love to the store. They are the heart and the soul of the store. They build trust, they create equity in the brand, both as an employer and a consumer brand, and we need to do even better at helping them.

So we're rolling out to complement the work we're doing for the Green Apron, a new leadership model, new tools and capabilities and empower them to make different kinds of choices on scheduling, which is a very complicated part of their job and one that really matters enormously to both the culture of store and frankly, the financial performance of the store. And then they too need career maps that work for their lives. And the reason we think this is so important is because the data is overwhelming that if you have a partner that is stabilized as a store manager over 3 years, it lowers demonstrably the turnover rate in the store.

It increases customer connection scores. Those are 2 key factors I cited earlier, and it drives increases on a relative basis to an average store by plus 13%. So the store

manager is the key to the whole master plan at a store level, and that means they need to thrive in their work and in their jobs as an individual in the same way the folks in the stores do. Final thought for you as you think about the architecture of Starbucks and how we're rethinking ourselves, the notion of a partner as a source of value and thinking about it as a lifetime value equation, the way you would normally do in consumer marketing type context, we think applies to our partners.

However, while we are very preoccupied with the lifetime value per partner, we think it's important to get the order of operation or the sequence right, which is what we need to be obsessed with and preoccupied with is how to create more value for the partners because when we create more value for the partners or to the partners, the benefits that come off that are enormous.

Firstly, we spend less money to acquire more relationships because we have a higher retention, and we get more value from the partner over their lifetime. So this idea of lifetime value per partner is very much in the new thinking of Starbucks relative to the economics, the economics of talent in a store. And I think you'll see over time a lot of different innovations to come out of it because when you have this kind of lens, it changes your aperture and it frankly helps illuminate why it's so fundamentally important to drive retention by all the various cohorts we have of folks who work in our stores, which takes us back to the idea of a thriving partner.

A thriving partner is the best way to increase the net lifetime value per person in our store, and that is the center of the plate goal we have for the company prospectively. So that's the current state where are we going in my last few minutes with you. We are announcing today the formation of a partner experience innovation center. You will all have the unique pleasure and opportunity to go through the Tryer Center, where we do R&D on equipment and operations. We're going to stand up a comparable capability set to the Tryer Center focused on partner experience.

If the partner is the essence of the experiential brand, and we know that to be true, we need to devote the same types of capabilities and preoccupation we have for that part of our business to complement the store operations side. And that means new technologies, new innovations and really much more of a product management approach to thinking about talent in the same way we've always thought about it as it relates to beverages and beverage innovation. And that takes me back to the reinvention agenda, partner, customer and store. And so the partner, customer and store agenda is as important as it's ever been. And as we look at charts like this, while we think this is accurate, we think it may underrepresent the real need and opportunity.

While it's important to make the store better, make the customer better and make the experience for the partner better. The reality is that it's an integrated system and that the alpha of Starbucks prospectively is our ability not only to improve the store customer and partner, but how we connect the dots, how we synchronize and how we make that a high-performance engine in service of financial performance, partner experience and ultimately, the customer. And when we do that, well, that's actually the definition of reinvention of Starbucks, a new way to bring a high-performing,

high capable machine that works for humans, works for customers and works for the financial commitments we have as a company.

And when we do that, it will take us back to one of Howard's notions that the future is not something that we enter, the future is something we create. And this is an agenda for a reimagining of Starbucks against all the primary components of partner, customer and store. And with that said, I appreciate your time, and we're happy to hand off to a gear for Mr. Brady.

(presentation)

Brady Brewer {BIO 17845948 <GO>}

Good morning. Let's start really with the realities of today's business and the marketplace. We have a lot of challenges out there internally within Starbucks, outside of Starbucks. How many of you are Starbucks customers? Anyone hands not raised? Well, you see it firsthand. We have our fair share of challenges that you've come here today to hear about the future of Starbucks, which leads me to another question.

Earlier, Howard said the word ambition. And I want to ask you coming here today to hear about the future of Starbucks, what do you still have to see today? What did you come here to discover, to prove to you that our best days are truly ahead of us?

If you really look inward, what would it take to instill that absolute belief that even after 50 years, 51 years of business at Starbucks that we are a strong brand, there is place for growth. If there's 1 word you heard ambition, does anyone else want to share a word this morning? You were all good students, I know it, I am sure, we could get a word. Anybody?

Okay. No volunteers.

How about relevance? The relevance of the Starbucks brand, increasingly relevant with a younger and more diverse generation, how about adaptability, the ability to move quickly and adapt to fast moving market trends? How about differentiation, not just different, but an enduring strategic differentiation? And how about purpose, offering something genuinely meaningful in the world that the world needs more than ever.

The marketplace is challenging, and we have our challenges, but I'd like to illustrate that our best days are ahead of us. My name is Brady Brewer, I lead our marketing organization as a Chief Marketing Officer, and I've been with Starbucks for 21 years. You heard Howard talk about the vision. You heard him talk about ambition. You heard Frank talk about how we're going to reimagine the partner experience and elevate their experience with Starbucks. Really, for me, what I want to share today is that we are a strong brand that is poised for growth, very strong brand poised for growth.

And I'll cover that in 3 parts. Really, it's about elevating the customer experience, and I'll start with the essence of the Starbucks brand, and how we are adapting and evolving the third place, which you've heard so much about, about the Starbucks over the years, and how we are adopting that for a completely new era. Second, you will hear about the strength of our brand position and the incredible growth potential that it represents. And I'll conclude by sharing some of the key accelerators in our reinvention plan.

But let's start with the essence of Starbucks. Right in the center of the center of the circle here. If you really distill Starbucks down to its essence, you'll find 2 most essential elements, and you've heard them repeatedly today, coffee and human connection.

Now I want to focus on that sense of connection for a minute. Fundamentally, we believe in the value of human connection. And we believe that there will be an increasing premium on offering genuine human connection in the world over time. Now, at Starbucks, human connection means a sense of belonging with a sense of kindness and care, someone seeking to get to know you and service that is deeply personalized. That is what makes Starbucks, Starbucks.

Now for many years, you've heard Starbucks defined as the third place, a place of connection outside of work in home, and that's been the center of our success both as a business but also as a brand.

And naturally, and we've seen this play out in headlines. Some people in this fast pace, on-the-go convenience driven marketplace have wondered what is the role of the third place now? What's the role of the third place in the future? So here's a critical insight. As Starbucks continues to grow, the third place isn't going away.

We're growing it to more places than ever. We actually have more third places now than ever in our history around the world, 97% of our stores have seating, but we've expanded the concept of the third place and we're reaching people in new ways, where they need us to meet them in places like drive-thru, pickup stores, delivery, mobile order and in digital channels.

But let's go deeper than that. Let's really look at what the third place is. The third place, yes, it is a place -- but what we've come to understand over 51 years, and certainly, I have in my 21 years with the company is that the third place is also a feeling. And that might sound a bit squishy, but we look at it very deeply. What it means is thoughtful, caring service, someone making an effort to get to know you. We measure that. And here's the key point.

The third place has never been solely defined by 4 walls or a physical location. It has always been about that feeling. It's the relationships that we form in our stores every single day. We call that the third place connection. And that feeling of that third place connection is more valuable than ever. You can read any analysis of society these days, and they all say the same thing. There is an epidemic of loneliness, in

isolation and disconnection. We are in desperate need of more human connection. So we actually measure human connection in our scores. And what we see is that the feeling of being cared for by a Starbucks partner drives our brand and drives our business.

That feeling of care carries 3x the weight of any other factor at driving brand affinity and preference for Starbucks. Caring is what drives our business. So it is not some squishy notion. It actually is what drives our business, and it drives our brand and Starbucks leads the industry in care. But we're expanding that third place connection. That connection is no longer constrained by the 4 walls of a store or any physical location at all. We're serving customers across all of our channels. So we increasingly do that in formats that allow us to connect with more customers and a bigger audience than ever.

We're connecting with customers in their cars. We're connecting with customers on their doorsteps. We're connecting with customers in digital channels. And truly, we are building connections and loyalty at Starbucks far beyond anything we would have thought possible when I started at Starbucks. Today, in the U.S. business, we reached about 75 million individual customers each month. Those customers visit multiple times a month. If we take that internationally, we see 100 million customers a week.

If we add in our consumer packaged goods occasions, we are reaching 400 million customer occasions a week around the world, a week \$400 million -- it's incredible. The more connections we create, the stronger our brand and the stronger our business. The flywheel of Starbucks begins with that connection. It is our differentiation. It provides us scale and it provides us strength. Now the third place and the third place connection is who Starbucks has always been and it's stronger than ever.

Now we stayed true to who we are, throughout all these 51 years, but we've had dramatic shifts in how we serve the customer. And I want to share some realities you heard a little bit about earlier that illustrate this dramatic shift in our business over the past 5 years. And again, I have a question for you, but you don't have to answer it out loud, but I want you to think about this. If we went back in time 5 years and shared a vivid picture of today's marketplace, and all of the challenges that exist, how many would have questioned Starbucks relevance and is Starbucks could even succeed?

So let's talk about some of those shifts. If we had said 5 years ago that the consumer of the future would be primarily seeking a drive-through experience that many consumers would expect to order through their phones, not at a counter. The 2 out of 3 consumers would be seeking a cold beverage and cold coffee, not hot coffee. How many would have declared Starbucks as less relevant or maybe very challenged to succeed or losing its advantage.

Let's go a little bit further. If we had shared that the pandemic that there would be a pandemic and that, that would have accelerated at-home coffee consumption that offices would still be at a fraction of their pre-Covid occupancy and that restaurant spending, as we just saw in June was down year-over-year. If we had shared all of that information. A vivid picture of those things probably would have been a pessimistic outlook for Starbucks.

Here we are today, 2 out of 3, 70% of customers are seeking a cold coffee beverage at Starbucks. We're seeing drive-through at 50% of our business. Mobile order is 25%. Delivery is growing 20% year-over-year. And a footnote, in June, we saw restaurant spending down 3% in the U.S. Coffee shops were up 2%. What does that tell you about the resilience of the coffee category and therefore, also the resilience of Starbucks. Under these challenging conditions, Starbucks hasn't struggled, we have thrived. Our business is more -- is stronger than ever, and our brand, as you can see, is more relevant than ever.

How do we know this to be true. I want to share some additional information about our U.S. business. Before I do that, earlier, you heard about the currency of Starbucks. What is it that drives the Starbucks business?

The currency of Starbucks has proven all of those challenges that you have seen, the currency of Starbucks is coffee, and the currency of Starbucks success is our partners and the connections they create with our customers. That is what makes Starbucks, Starbucks. It allows us to define headwinds that other businesses struggle with. It's truly about human connection. We measure it. It's real. It's what drives our brand and that's what drives our business.

Now I want to call out some important points about this. Over the past few years, as we have seen these shifts, it has not been easy for our partners. Our stores were built for a different era, an era that didn't anticipate the volume and complexity of the business that we would see today. And that is why we are reinventing.

We're reinventing to increase the capacity of our stores to handle the demand that we're seeing and at the same time, reduce the effort that it takes from our partners to serve that business. And ultimately, what we're trying to do through our reinvention is make some of those tasks and that burden go away to enable our partners to focus on what they love to do. They tell us this every single day.

What I want to do is craft the world's best coffee beverages. I want to connect with my fellow partners and I want to connect with customers. That's what we're here to do. Now John Culver is going to share a lot more details coming soon about how we're going to go and achieve that very soon after my presentation.

Now connection is who Starbucks has always been, and we have a heritage of continuously adapting as you saw to those shifts. And one of the ways that we're doing that is we're taking customers to the future is meeting an increasing need for convenience.

Starbucks has had to very quickly adapt to these convenient driven convenience-driven on-the-go channels. It started with drive-thru years ago. We went to mobile order. We've gone to delivery. We've opened up pickup stores and so many more. And what has emerged for us is a very strategic intersection that is absolutely packed with potential for Starbucks, and that is the intersection between uplifting, third place connection and effortless convenience.

Now that evolving intersection that is moving so quickly is something that Starbucks owns globally, and we call it experiential convenience. Experiential convenience that nobody else can deliver, experiential, not transactional, an uplifting, connected, personal and personalized experience wherever the customer is on the go. Now I want to talk a little bit about how we're delivering that, and I want to show this video from a customer that she shared on TikTok.

(presentation)

I love that. I mean, that story happened in the drive-through, out the drive-thru window. When we talk about experiential convenience, it's uplifting connection, meaning effortless convenience. We met her in her car and delivered that kind of experience that made her want to share that story through TikTok. Now up on the screen here, I want to introduce Malcolm. We did a store visits in New York City. A lot of you probably came from New York, so welcome.

Outside of Penn Station and the Penn Plaza store, we wanted to go and understand why there was one store that had such high customer connection scores. So we went to the store, and I'll tell you right now, I could hear the music in the store before we even went in. When we went in, all the partners were looking great. They had their shirts, very cool shirts on. They all look the same with the shirts and they all had their own unique hat that gave a little piece of their personality. There were no seats in the store.

What I saw was incredible that led me to understand a little bit better about why our customer connection scores were so high in this store. There were about 15 customers congregating around the handoff plane, and you can see here the number of beverages that have been mobile ordered, waiting to be picked up by customers. Every single customer was smiling, and they were smiling because of Malcolm, who was dancing every customer, their drink.

Now all the people who were in the store, not a single person was looking at their phone. Beyond say was playing overhead, and I won't try and recreate Malcolm dance, but it was very good. A customer came in and her name was Christen. -- she was like, excuse me, I have a drink for and he was like, Kristen, I've got you. He goes over and hands her beverage. And she said, "I also got and he goes water. I know I'm on it, and he went over and grabbed her water and handed it to it. Not a single customer was looking at their phone. Every single person was smiling and everyone left feeling just a little bit better than when they walked in.

That is experiential convenience and partners like Malcolm are making that happen today. And when we hear from customers about what that experiential convenience looks like to them, we hear things like Starbucks is my secret superpower or you had my back. And during the pandemic, what we heard from customers was literally -- this was a description from a customer. She said, Starbucks is my micro moment of self-care. It's the one person I talk to outside of my home each day, and I specifically leave my house to get some interaction.

Experiential convenience is about knowing you and exactly what you need right now in this moment to take on whatever is next in your day. And that strategic differentiation that Starbucks offers of coffee, connection and convenience is more relevant and differentiating than ever. So let's take a look at the U.S. business. How do we know that, that relevance is true. Our weekly active customer base is the largest in our history.

We have more customers than ever in Starbucks history. If we look at some of the other dimensions of success, market share, number one, brand affinity, the degree to which customers love Starbucks, number one in the marketplace, and we maintain the number one spot for Starbucks, for away-from-home coffee purchases, first choice. Starbucks is the first choice for coffee away from home. Now what does that look like around the world?

In China, same story. In Japan, same story. Brazil, same story. Turkey, I don't have enough time to go through all 82 markets, but I will tell you that those things are globally consistent. Brand affinity leader, first choice leader. And it just reinforces that these strengths that we have are enduring and relevant, and they're driving our market leadership. It is a very strong foundation for future growth. Now let's go even deeper on why our best days are ahead of us.

The U.S. customer base is young. The majority of our customers in the U.S. business are now Gen Z and millennials. I'd like to say that you kind of write the story in your mind that Starbucks customers came in maybe with you've got mail, and then Devil Wear's product kind of aged with the company, not true. The majority of our customers are now GenZ and millennials. And the younger you go, the stronger our brand affinity gets. Gen Z has the highest brand love for Starbucks of any age cohort.

And as the U.S. diversifies and we look at the brand strength of different multicultural audiences, among away from home consumers or away-from-home coffee consumers that identify as Latin X, African-American, Asian-American, our affinity goes higher still. So when we think about Starbucks being a strong brand that is poised for growth, our ability to adapt and innovate has earned a relevance and love as a brand.

Our customer base is young, and the younger you go, the stronger the brand gets as the U.S. diversifies the stronger our brand gets. It all adds up again to a strong brand that's poised for growth, a strong brand with massive growth potential. So how are

we going to unleash it? I want to share some of the accelerators that we have in our reinvention plan.

Now customers tell us, as you probably tasted with your pistachio beverage. Customers tell us they're loyal to Starbucks because in part, they find a beverage they literally can't buy anywhere else. And that beverage is coffee. And today, that means increasingly, it is a cold, customized plant-based beverage. In the U.S. business now, the majority of our customers are seeking a cold beverage, around 70%, and that peaks at 80% during the summer months.

Platforms like Cold Brew, Nitro, Iced Shaken Espresso, have elevated traditional coffee categories. They're commanding a premium price, they're driving our sales, and they are among our highest margin products. And they're also more frequently customized. So when you think about that elevated handcrafted experience at Starbucks. -- cold customized plant-based beverages is where it's at. When we talk about customization, that's modifiers like adding espresso shots, adding flavors. It's increasingly customers choosing plant-based milks as well as new experiences like cold foams like you had this morning.

That increase in customization has resulted in beverage modifier sales of more than \$1 billion a year in our U.S. business. Now our unique heritage and capabilities in handcrafting customized beverages, plus the range of our menu is perfectly suited for the Gen Z social media, create and share, generation. As people discover a beverage they love, they want to share it online. I mean, we literally have billions and billions of views on TikTok of hashtag, Starbucks drinks. I know personally when I go to the drive-through with my 3 teenagers, I have to turn, calm their menu items down because I feel bad first has to make it.

The customization is what customers want. Truly today. Starbucks is uniquely able to deliver those beverages, and it's accelerating our growth. We've been in business for more than 51 years, and customers are doing things with coffee, we never could have even imagined. And here's what's interesting. We're growing from our core. After 51 years, coffee is what is driving our business.

As we look at espresso, now espresso, this is the first beverage category we offered at Starbucks. Espresso is driving our business. In fact, Iced Espresso is now our largest product category, and it's also our fastest-growing category. That's something that most businesses strive for, especially after 51 years driving from our core, cold, customized coffee, it's where the customer is going. It's where we're taking them, it's where we lead, and that means the customer is coming to Starbucks.

So where are we going to go next? We have an incredible pipeline of coffee beverages, all based on Iced Espresso, Cold Brew, Nitro, we also have Hot Coffee innovation. And you'll be tasting a lot of these products today. I know you've already had a fair amount of coffee. But I want to talk about hot brewed coffee for a second. You saw Howard talk about Clover Vertica.

Today, in our stores, we offer a lot of different coffees. But with the launch of Clover Vertica, it's going to allow you to have a freshly ground, freshly-brewed cup of the world's best coffee in 30 seconds or less. It uses proprietary Clover technology to brew coffee in what I call high definition. It's the equivalent of a French press. It brings out incredible nuances in each cup of coffee and it allows us to offer some of the amazing variety of Starbucks coffees all day long where customers can choose, including decaf all day long, which is something that customers have asked us for years to offer.

Now whether the coffee beverage is hot or cold, espresso or cold brew, we're increasingly using proprietary technology that Starbucks built in-house as only Starbucks can to elevate the categories and elevate craft and elevate quality. These are cutting-edge innovations that raise the bar on coffee quality, making it much easier for our partners to not just craft incredible beverages, but serve customers the highest quality coffee in the world. Coffee is at the center of who we are. And it will continue to serve as a key accelerator of our business and our growth as Starbucks takes the lead on what customers love and our partners are proud to deliver.

Now though coffee is our core. We also know that increasingly, customers are seeking out food at Starbucks, and food is another growth accelerator for us. Again, you'll see some of this downstairs in the trial lab. But increasingly, customers are adding food as a complement to their beverage, enough so that it's driving today 20% year-over-year growth in food sales at Starbucks. It wasn't that long ago that customers maybe 1 in 5 were adding food to their order. And today, 2 in 5, about 40% of customers now add food to their order.

And with a strong convenience-driven on-the-go customer of today, what they're seeking is one-handed meals. That's what we've called it. one-handed meals because often they have a phone on the other hand or maybe a steering wheel. So breakfast sandwiches have been incredible for us with a success at 19% year-over-year growth. Just to give you a sense of scale, our U.S. company-operated business is on track to sell more than 300 million breakfast sandwiches this year, \$300 million and over 100 million egg bites.

So when you think about that scale and the expertise it requires, it's another competitive moat for us as Starbucks scales and builds its business. But we're still in the early days of food, whether in the U.S. or around the world, we have market tests right now that are pushing the edges of what we plan to do with food. This includes things like fresh baking pastries in our stores every day.

It includes things like portable salads, healthier options, more plant-based items and egg products that raise the bar on quality in our stores. So we'll continue to innovate on food, fresher, healthier, innovative, thoughtfully crafted food and food will continue to drive our ticket as a craveable complement to our beverages.

Speaking of acceleration, let's talk about digital. So you've heard about experiential convenience and Starbucks' unique ability to meet customers wherever they're at.

Our digital vision is that your perfect order is always just one tap away no matter where you are. And in our reinvention plan, that is also at the center. We now have more than 58 million Starbucks Rewards members around the world, \$27 million in the U.S. That's up 13% year-over-year or nearly 60% increase since -- before the pandemic.

Another way to look at is 1 in 10 U.S. adults is a Starbucks Rewards member. More than half of U.S. transactions are now from our rewards members, half. And as a new member joins what we see is that they're spending with Starbucks and their frequency with Starbucks increases significantly. When they start to mobile order, it goes higher still. The convenience of Starbucks Rewards is attracting and developing our young, most loyal and affluent customers. Convenience matters. Truly, it's driving our business.

But we need to make important improvements to our convenience options like mobile order. And so at the center of our reinvention, we'll be doing things with mobile order to make it easier for customers to order, make it easier for our partners to receive those orders and help reduce the stress of peak when they see so many mobile orders coming in.

We're also extending the mobile order experience to more stores. Today, we deliver an inconsistent experience between our company-operated stores and our licensed stores. So we're extending Mobile Order and Starbucks Rewards to more locations. In our U.S. company-operated stores, we offer a holistic experience, mobile order, more star redemption options and Starbucks Rewards. But when you think about licensed stores and grocery stores, airports and other locations, we don't consistently offer that same experience. So we are committed to offering the same experience across all stores. And the technology we're going to use to do that is called Starbucks Connect.

More than 1,400 stores -- licensed stores have adopted Starbucks Connect and what that means is that they're offering mobile order and Starbucks Rewards and the full holistic experience and what we see as significant increases in both rewards usage as well as mobile order and all of that drives incremental spending in those locations. So with roughly 80% of our licensed store portfolio yet to implement Starbucks Connect, we see that as a significant growth opportunity to drive membership and also member engagement with Starbucks Rewards.

Now I'd also like to take a little bit of a wider look with our Starbucks Rewards program and just share some other facts. So when customers are on the go, they seek out Starbucks. In fact, Starbucks is one of the most searched brands on Google Maps, more than McDonald's, more than Dunkin', more than Pete's and more than many others combined, incredible. So if we can make it easier to order from within mapping applications, we see that as a significant opportunity.

When a customer wants to give a meaningful everyday gift, they're choosing Starbucks. Starbucks is one of the most gifted brands in the world, so much so that

last December, Starbucks sold more gift cards than Apple, Google, Home Depot and Target, combined. Starbucks in so many ways is a currency of kindness. It's one of the most gifted brands in the world in the world, and we're making it easier to give the gift of Starbucks.

And I'd like to point out something else under the surface. In the U.S. business, nearly half of all customer spending is prepaid, prepaid. Think about the strategic advantage and preference for Starbucks, when nearly half of all spending is prepaid, customers paying for their future visits to Starbucks. Now there's one thing I haven't spoken about much yet, and that is delivery.

I mentioned that it was up 20% year-over-year. Our delivery business is highly incremental. What we've discovered is that customers are choosing delivery when they can't get to Starbucks. The ticket is about twice that of our retail stores. Our relationship with Uber has allowed us to reach more customers and even new customers and new occasions than we could before.

And going forward, delivery represents a significant growth opportunity for us that we anticipate to double in revenue in the next couple of years. Now an accelerator of that is alongside Uber Eats, we're bringing DoorDash to market. We just launched a recent pilot, and we'll be taking DoorDash to national scale in 2023, which we believe will significantly accelerate this incremental opportunity for Starbucks.

Now honestly, whenever or wherever you are, Starbucks can now serve you, whether it's in your car, on your doorstep, on the beach, wherever you happen to be, Starbucks, wherever you want it. Starbucks is a very strong brand, poised for growth, and we'll continue to build on these experiences and experiential convenience for our customers. So creating opportunities for meaningful connection. I talked about the importance of connection, but between our customers and our partners is critical. And at the center of that is Starbucks Rewards.

Our member base is made up of our most loyal and engaged customers, and the program has become one of the most reliable business drivers for Starbucks but we see significant opportunities to grow the program ahead. We know these customers are highly engaged, and we're able to engage them in a very personalized ways, but these untapped opportunities, some of them are just right in front of us.

Increasing awareness of the program, increasing perceived value and making it easier to sign up for Starbucks Rewards are the top 3 ways, we can simply drive growth of this program and attract more members. So I'm going to talk about how we'll do that through a program called reward together.

So we've selected a group of the world's leading brands, and we've invited them to link their loyalty programs with Starbucks. So this will enable us to reward members of both brands, adding new benefits and new experiences that were not possible before, while increasing customer lifetime value. Imagine earning miles faster at Starbucks with your favorite airline through your everyday purchases at Starbucks.

Imagine earning Stars when you shop with your favorite retailer. Imagine joining Starbucks Rewards so easily by just tapping one button in another brand's loyalty program.

This is going to be a very powerful driver for us to drive membership growth as well as engagement and help drive customer lifetime value. We're going to be announcing one of our first U.S. based partnerships in October coming right around the corner. Now lastly, you might be wondering with Starbucks as a digital leader in such strong reach among digitally savvy customers, how are we thinking about Web3 technologies. You've heard about blockchain, NFT, Metaverse. How can we put these technologies to use with the Starbucks brand with this brand?

I'd like to introduce Starbucks Odyssey. You heard about it yesterday. It is a groundbreaking Web 3-enabled experience at Starbucks and our next big innovation in loyalty. It is a very exciting extension of our Starbucks Rewards program, and I want to share a little bit of preview before I share more about the program itself.

(presentation)

All right. So here's how it will work. Members will go on Starbucks Odyssey journeys. And the journeys will encourage customers to go deeper in their coffee knowledge. They'll have quizzes, they'll have games, They'll have an opportunity to learn about coffee. We'll engage customers in gamified challenges and will reward their engagement with Starbucks, whether it's in our stores or in digital communities.

Through these achievements, they will earn digital, collectible stamps. Those stamps are created with NFT technology. We'll also offer opportunities for members to buy and even sell those digital collectible stamps in a built-in marketplace within Starbucks Odyssey. And whether you earn these stamps or buy these stamps, they will unlock access to benefits and experiences that were never possible before.

Now it was really important for us to align our approach in this space with our environmental commitments. So we chose the Polygon blockchain technology. But I have to say when I say that, that no customer will be required to know that. In fact, many customers will not even understand that they are working on a blockchain or with NFTs because Starbucks is easy and accessible for everyone. That is what we're trying to do with this, just as we did with WiFi, just as we did with mobile payment. Just as we did with mobile order, making leading-edge technologies accessible to all of our customers and deepening their love and engagement with Starbucks.

No one will have to have a crypto wallet, no one will have to know about cryptocurrencies to participate. Now importantly, Odyssey members will not just be able to connect with Starbucks, but for the first time, we're creating a digital third place where members will be able to connect with each other in a dedicated digital community. We're offering this new game-changing way for customers to own their

loyalty with Starbucks. And it will serve as an access path to an entirely new digital and in real-world customer experience.

We could not be more excited to bring this to life. Not only will this bridge digital and physical worlds, it will start in the U.S. and a similar model will follow in China, within China specific digital ecosystem. And in the weeks ahead, you'll hear a lot more about this when we invite customers and potentially some of you into the full. So just to close out, in our essence, we are in the business of uplifting people. That's why I've been at Starbucks and have stayed at Starbucks for 21 years because I genuinely believe in the mission of the company.

I genuinely believe in our promise to uplift the every day for customers. And I believe that, that promise is more needed than ever. People are longing for connection, connection over coffee. We do this better than anybody, whether it's in our stores or whether it's in digital channels, the connection that Starbucks creates is worth something.

Yes. It drives loyalty. It commands a premium price, but it's globally scalable, but at the same time, relevant in the local community.

And it's more relevant now than 50 years ago. We are an exceptionally strong brand, and we are poised for growth. All of that leads me in everything that you've seen here, leads me to one confident declaration, and that is that our best days are truly ahead of us. I'd like to turn it over to John Culver.

John Culver {BIO 15817924 <GO>}

Good morning, everybody. It's great to welcome everybody back to Seattle, and I realize that it's been a long morning. And so I appreciate your attention. As I talk through how we're going to bring this to life in our stores. And I'm very excited to have the opportunity to represent all the great work that our team has done around the reinvention in the U.S.

Over the last 2 decades, I've had the opportunity and the great privilege I would say, of seeing the best of Starbucks around the world. And it's during that time, I've had a front row seat at witnessing many of the major milestones in this journey. Today, I would say that we find ourselves at another unique moment, a moment where we can redefine what a new era of accelerated growth can be.

In a moment that challenges us to reinvent and think differently about our futures. Now Frank talked about our partners. Our partners have come to expect more from us. Brady shared about our customers, and our customers have also come to expect more from us.

And it's clear, and I'm going to talk about this, it's clear that our physical stores have to change. Our physical stores were built for a different era, and we have to modernize in order to meet this moment. Now what is unique about this moment is

that this reinvention plan is the product of co-creation, co-creation with our partners. We've held over 200 sessions around the country. We've held them in our stores. We've held them in our roasting facilities. We've also held them here at the support center. And for the first time ever, we have a comprehensive plan on how we're going to reinvent this company together as partners.

The pride product of all this work has been, we are defining new ways of working. We're focused on enabling smaller, more nimble teams, in order to drive faster decisions and make us more effective in the market. Frank shared, we're focused on the most important work that we have clearly defined for the company.

And I would say that over the 20 years that I've been with the company, that it has never been clear on what our priorities are and more importantly, what we expect to deliver with those priorities from a financial perspective. But what I'm most proud about around this work is that it allows us to tap into this next generation of leadership and really set the momentum and set the course for this new era that we're embarking on.

The goals of the reinvention are very clear. We will increase partner engagement. We will increase customer engagement. We will drive accelerated revenue growth in a meaningful way, and we will also drive increased margins as part of our plan. Now the work itself is well underway, and we're beginning to see positive traction across several key areas. We've improved retention in our stores. We've invested in training, and we're developing our partners and giving them the confidence to do their jobs and the ability to connect with our customers.

And we've also invested a significant amount in deploying new equipment technology, which is helping us lead and drive productivity improvements. Now there are other areas also that we're seeing improvements. We're seeing staffing in our stores, come back to prepandemic levels. We've normalized hours of operations across our entire store portfolio. And as Brady shared, we're also seeing our ability to accelerate growth across multiple channels, whether that be mobile order and pay, whether that be drive-thru, whether that be our cafes or whether that be through delivery.

Now the reinvention itself sets the stage for this next phase of growth for the company. And what I want to do is I want to share how we are reimagining the future of our stores and what that looks like for our partners as well as our customers. Today, in the U.S., we operate over 16,000 stores across the U.S. both company-owned as well as licensed stores. And when we think about our investments for our existing store portfolio, we think about delivering a few critical areas.

First and foremost, it's our ability as a company to reduce the complexity and make work easier for our partners. Equally, it's important as we do that, that we allow our partners the time to do what they do best, which is connect with our customers and also at the same time, this notion of experiential convenience and delivering that experiential convenience in a way that only Starbucks can do.

It will be a true differentiator for us. Three key levers that we're focused on simplifying the engine to drive greater throughput through our stores, leveraging automation so that we can simplify the task and reduce the complexity of the work. And for the future, as we think about our stores for the future, how do we design more efficient, more purpose-built stores to meet this moment.

Now it's also important to understand that as we reinvent, as we think differently, we do so through the lens of our values of who we are as a company. Going forward, we will increase accessibility in our stores. We'll do it in a way that creates an inclusive environment for everyone. And we'll always build our stores with an eye and a lens through sustainability and giving back more than we take. Now our existing store portfolio represents our greatest strength. It represents our greatest deeds and it represents the greatest opportunity that we have.

And our investments are squarely prioritized in this area. So let me go deeper on what those investments look like and how it's going to help us simplify the operations. In fiscal '23, we will invest an incremental \$450 million in our existing store base with continued investments in '24 and '25. The investments are designed to help us become more efficient, help us unlock capacity and also, at the same time, help us increase throughput in our stores.

Now a key cornerstone of the reinvention are the investments that we're making and continue to make on deploying more efficient equipment. We've already made investments in the areas of new Mastrena machines and introduce those across the store portfolio in the U.S. We've added new warming ovens now out into our stores. And we've also introduced a new proprietary Cold Brew system. And what we'll do over the course of this year and into early FY '23 is we will have this equipment package fully rolled out across our entire U.S. portfolio.

And I think it's important to note that what we see from this is meaningful savings of time for our partners to do the work that they want to do and allow them to connect directly with customers. We're seeing returns on the investments we're making in this area. A proof point here is that in our drive-thrus, where we have deployed this equipment already, we are seeing an improved out the window time. And it's clear that this new equipment leads to increased revenue. And also at the same time, allows us to more efficiently support the growing demand that we're seeing from our customers.

These 2 early proof points, more time for our partners to serve customers, increase revenues. Those 2 proof points give us the confidence that these are absolutely positively, the right investments to make at this moment in time to create a better experience for everyone. And in addition, allow us to grow our margins over time. Now the second area of the reinvention program centers around leveraging automation to help us simplify the task and remove complexity. And there are 2 enablers to automation. First is how are we going to reimagine our supply chain for the future. And second, how are we going to make the right investments in technology to make that work easier.

Now later today, Deb will come up and talk about specifics around technology investments. What I want to do is go a little bit deeper as it relates to supply chain. To date, we've implemented automated ordering across all our stores for food as well as our merchandise. This work that we've done on automation has enabled us to reduce the time spent by partners doing manual counting of SKUs on a daily basis. We've eliminated that, for food as well as for our merchandise.

In addition, we're leveraging our analytics and insights team, which has enabled us to get the right products, in the right stores, at exactly the right time. We're seeing benefits from this. What it's done is it's allowed us and driven increased sales. It's driven a higher food attach for us. And also it's given us the opportunity to drive meaningful waste reduction in our stores. Now going forward, we're working on automated ordering for our beverage category, which we intend to roll out across all U.S. stores in the next few years. This is a huge unlock for us.

Now beyond automated ordering, we're also testing additional innovation like automated accounting and receiving, new delivery capabilities for the supply chain. And what this does, it allows the opportunity all these investments do to free up time for our partners to connect with the customers and ultimately provide better labor leverage for us.

Simply said, automation for our supply chain creates a triple win. It's a win for our partners and simplifying the work they're doing. It's a win for our customers by increasing product availability and it's a win for our business as we accelerate revenue and expand our margins.

So now let me take a minute and let's shift to '24 and '25 and what you can expect. Today, we're serving more customers than ever. And those customers, as Brady shared are looking for more customization, ordering more items, with each order and wanting to transact with us through multiple channels. That's why we have to reimagine the store environment and put the foot on the accelerator on our plans to design purpose-built stores for our partners and for our customers.

Now a key area of the focus in this redesign is new innovation in beverage and food production. By unlocking beverage and food production, we will significantly reduce the complexity for our partners. And as you've heard from Brady, customer demand for cold beverages are expected to continue outpacing hot beverage growth in the coming years. Cold beverages are increasingly more complex. They are more time consuming and the surge in volume has caused bottlenecks in our stores.

Now keeping up with this demand has challenged our partners and their ability to balance speed, craft and connection. But it's not just about simplifying beverage production. The time it takes for us to deliver our warm food has to also be improved. And what I want to do now is I want to give you a glimpse to what the future will look like and introduce you to a game changer. And by doing that, I want to introduce our new faster proprietary Siren system. The Siren system is designed to

simplify tasks across both our beverage and food platforms. And this system has been created, cocreated with our partners down in the Tryer Center.

It improves quality and consistency while creating the capacity to meet the growing demands for customization across both hot, cold beverages as well as warming our food. And to demonstrate the new Siren system, I want to take you live and in person to the tryer Center and introduce you to Sarah Trilling, our President of North America, who is joined by 2 Seattle area baristas, Jalan Procter [ph] and Lisa Cost [ph]. So Sarah, down to you.

Sara Trilling {BIO 19784170 <GO>}

Wonderful, John. Thank you so much. It's fantastic to be here. Again, I'm Sarah Trilling. I'm down in our tryer center, and you all are going to have a chance to join us later this afternoon through a few rotation. So really think of this as a sneak peak into some of the innovation that you'll be seeing later on. Before I go any further, I think I need to take a moment and allow the partners I'm with, to introduce themselves.

Unidentified Speaker

I am Jalan Procter [ph], and I'm a 7-year partner.

I am Lisa Cost [ph], I'm a 3-year partner.

Sara Trilling {BIO 19784170 <GO>}

Thank you. Thank you, Both. All right. So here's what's going to happen next. We're going to focus on cold beverage. We're also going to focus on food. And to get started, Jalan is actually going to make us a Mocha Frappuccino, and she's going to do this on our existing station, essentially, the way that we make Frappuccino and 9,000 of our company-operated stores today. I'm going to actually time it, I think.

Are you all right with that? Okay. So you got to give me one second. So let me get off my timer here, and we're going to get going. Are you ready -- all right. Let's do it.

So what I want you to pay special attention to is the bending, the reaching, the touching, the number of steps that Jalan is taking. And I'm actually going to go quiet here for most of the cycle time because I actually want you to focus on all the activity that goes into making our Mocha Frappuccino. All right.

You may think that she is about wrapped up, but actually there's more. She's got to do the whip.

Wonderful. Thank you. Thank you very much. So that was about 83 seconds or so to make the Frappuccino on our existing station. So here is what we're going to do next. So I'm going to take you over. We're going to go look at our new Siren system

called Beverage Station. This was developed again here in Seattle, in our tryer center with engineers as well as our existing Baristas and really focusing on how to make it easier to be a partner to better serve our customers and in doing so, really increase the capacity and the throughput in our stores.

So Lisa is actually going to be the one who walks us through the build on this station. Let me reset my timer. And in just a minute, I'll ask you to get started. All right. Here we go. Let's do it.

Beautiful, beautiful. All right. So it's about 35 seconds or so with the smile. Thank you so much, really, really looking forward to tasting these beverages at some point. But why don't we actually jump in. Lisa, can you tell us what do you like about the new station?

Unidentified Speaker

Honestly, I love how the Iced is suspend right here. It is super easy, super simple. Currently, we have to use these big buckets to carry ice up from the back. It gets pretty heavy. We get to do it about every hour or so and to do all day long. But the new Siren system, we can get ice in the few -- click of a few buttons.

And this is so simple, so easy, I honestly love it.

Sara Trilling {BIO 19784170 <GO>}

Wonderful. We'd love to hear from Jalan as well. Jalan, can you share with us a little bit about what you think about the existing station or the new Siren system called Beverage Station. What is it that comes to mind?

Unidentified Speaker

Yes. My favorite part about the new station is that there's less movement involved. So there is no bending. There's less turning in usually after a long day of doing all of those movements. I'm pretty exhausted. So this helps prevent that.

Sara Trilling {BIO 19784170 <GO>}

Wonderful. Thank you both. Thanks for sharing. All right. So that is cold beverage, but we all know in order to actually see the productivity enhancements that we're looking for in our stores, we can't just sell for cold beverage. We have to sell for the total system. And so what I'd like to do next is to introduce a few additional partners who will help us by walking us through what's happening in food in terms of innovation.

Unidentified Speaker

I'm Heather Miner [ph]. I am a 19-year partner.

I'm Tim Miranda, and I'm a 4-year partner.

Sara Trilling {BIO 19784170 <GO>}

Thank you, Heather. Thank you, Tim. So imagine, you've had a cold beverage and now you might be sitting in the drive-thru lane and you're waiting, right, for your maybe Sous vide egg bites or maybe your warmed breakfast sandwiches. And so what we're going to show you next is going to really demonstrate the improvements that we're making there as well. Heather is going to walk us through next, what it takes to make a Sous vide egg bites on our current station. Are you already Heather? All right, let's go.

All right. I'm not going to make everybody actually wait to 70 seconds or so for the oven time.

So we'll just pick it up as if we finish the cook time, and we're now getting it ready. All right. Wonderful. So I mean the whole process start to finish, takes about 2 minutes. That's for a single item. So you can really imagine if we get into multiples or mixed orders, what happens to our speed with service.

Next up, very happy to have Tim who's going to show us what it takes to make a suit egg bite using the new Siren System food station. When you say, Tim, are you ready? All right. Let's do it. That's it. That's it.

Unidentified Speaker

Yes. That's it.

Sara Kelly {BIO 20201199 <GO>}

All right. That's it. So what do you like about the new station?

Unidentified Speaker

Oh, I like that it's not as messy Nowadays, if you're going really fast, the ovens, the cheese melts, it gets everywhere, and the packaging can get really messy. And so with this new system, it makes everything really clean, really fast, really simple.

Sara Kelly {BIO 20201199 <GO>}

Wonderful. Thank you. Thanks for sharing. Heather, how about you? Can you share what do you like about new station or as you think about the existing station?

Unidentified Speaker

Yes. I really appreciate that the new packaging reduces waste. In the new system, the food arrives in the same packaging that it's warmed and served in whereas today, we

raised a lot of plastic film, part on paper and warming bags.

Sara Kelly {BIO 20201199 <GO>}

Thank you. Thanks to you both. And again, that gives you a sneak peek of some of the innovation that's happening here in our Tryer Center. We are very much looking forward to showcasing additional enhancements that we're making when you're down with us later this afternoon. So I think we'll wrap it here.

And John, back over to you.

John Culver {BIO 15817924 <GO>}

Great. Thanks, Sara. I told you it was a game changer for us, right? And truly, this is the future for us as it relates to the Siren System, how we deliver both cold as well as hot beverages and then complement that with food and food warming. So a huge unlock for our partners.

It's a huge unlock for our customers, and it's a big win in helping us become more effective and more efficient and doing our jobs to serve our customers every day. And it clearly demonstrates our ability as a company to lead to challenge ourselves, to challenge the status quo and to really reinvent for the future as we think about the possibilities that exist. But beyond the cold beverage and food.

Our engineers have also been worked at work developing a new modernized proprietary piece of equipment. A piece of equipment that delivers the freshest cup of coffee ever, on demand, at a push with a button and offers a broader variety of unique flavors any time of day.

Now the new Clover Vertica System, as I shared, is a product that is able to freshly grind and brew a cup of coffee on demand in 30 seconds. And it really focuses on that single touch of a button to deliver that freshly brewed cup of coffee. And this is a game changer in terms of how we deliver brewed coffee to our customers.

Not only does it improve quality, but it also improves waste and allows us to reduce the amount of coffee that goes to waste each and every day in our stores. But we don't stop there. Another game-changing technology that we have worked on, and the team has developed is our proprietary cold pressed, cold brew technology. And this does both cold coffee as well as cold espresso. And let me put this one into context. Currently, in our stores, Cold Brew is steep for 20 hours, and it takes more than 20 steps to make across 16,000 stores, 365 days a year, it takes a lot of time, and it's a pain point for our partners.

This new technology that I'm talking about enables us to deliver the same great tasting cold brew product in a matter of seconds, a matter of seconds and in fewer than 4 steps. It's a step change in innovation and it's significant. And when you consider that we spend over \$50 million a year on labor to brew our cold coffee.

This is a significant game changer for us from 20 steps to 4 from 20 hours to a matter of seconds, we are completely reinventing the experience for our partners and for our customers through how we're producing the beverages and warming our food in our stores. So better beverages, delivered more quickly, less strain on our partners.

You can see firsthand with the new Siren System, we'll be able to do to enhance the experience for all. And you're going to get the opportunity a little bit later to see that as you tour the Siren Center. So all 3 of these levers that I've talked through, simplifying operations, leveraging automation.

I now want to get into how we're going to design more efficient purpose-built stores as we head to the future. and ultimately create a much more strategic advantage for Starbucks to deliver the accelerated growth and the margin growth for the long term. So as we've built the reinvention, we've built it for our stores, and we've leveraged our insights and our market planning data. And that's important to note. And what we see is an incredible opportunity, incredible opportunity to further accelerate and expand our new store footprint across the U.S.

Over the next 3 years, we expect our net new stores to grow approximately 3% to 4%. That's up from 3% that we previously communicated at our last Investor Day. When you think about the formats, today, drive-throughs make up 40% of our U.S. store portfolio. And as we previously shared with all of you, drive-throughs, deliver higher returns and overall stronger financial performance for the company.

Now we'll continue to accelerate our growth and drive through. But we also see tremendous opportunity to broaden our portfolio and to think differently to meet our customers' needs, cafes, delivery, pick up only or drive-through only will be formats that will continue to develop and evolve and put out in the marketplace. This is going to enable us to further unlock our channels to ensure we are meeting our customers' needs wherever and whenever they want.

Now regardless of the format, our new stores will continue to deliver best-in-class 50% return on investment, continue to deliver a 2:1 sales to investment ratio and also continue to drive 25% cash margins. And moving forward, as we design our purpose-built stores, we're absolutely laser-focused on increasing our customers' accessibility to Starbucks and ultimately, driving growth for Starbucks and our brand by increasing our share of the addressable coffee market. Make no mistake about it.

So Frank previously shared our focus on the well-being of our partners. Brady shared the opportunity that we have to unlock demand with our customers. And now, hopefully, you have a better understanding how we're reimagining the third place and accelerating our growth for our stores.

Now when you look across the areas of partner, customer in store, it's going to be critical for us that we track our progress and that we hold ourselves accountable to delivering the growth in revenue and the growth in margins that we expect.

Partner retention and labor leverage are 2 key metrics that we will track very closely. But the most important metrics of all will continue to be partner engagement and customer engagement because our history has proven that by delivering an elevated experience for our partners, they, in turn, deliver an elevated experience for our customers. This has always been the secret to our success, and it does not change. We get more laser focused on that.

Now with partners and coffee at our core, the reinvention plan unlocks and will deliver sustainable, profitable growth in the future. And when I'm talking growth, I'm talking abundant growth. Over the next 3 years, we will not only accelerate our store growth. We will increase our revenue by approximately 40%, and we will continue to deliver strong margin expansion as we think about the future. This is best-in-class performance for all of you, best in class. And this plan, make no mistake, is built to endure.

The plan and the work we've done has allowed us to think differently. It's allowed us to respond differently. And it's allowed us to challenge what was as we embrace what will be. Now the possibilities are endless when we're able to sit down and co-create with our partners and build the future for Starbucks collectively together.

Let me also share that our partners have been very clear with us about the challenge of meeting accelerating demand in their stores. The impact that the pandemic has had on them and on their lives and the things that we must and will do better. Now make no mistake, we feel a deep responsibility to get it right for our partners.

And on the subject of unionization, here's how we see it. There are 2 paths. We can work together as partners side-by-side or we can have a third party between us. Now working side by side we can efficiently deliver solutions that support our partners in their jobs as well as in their lives, supporting their physical, financial and mental well-being.

At the same time, let me be clear that we're committed to respecting the NLRB process. And we are now and will continue to bargain in good faith, bargain with the stores who have chosen to have a third party represent them. Now over the last 20 years, I've had the opportunity to serve partners across the globe. And I have never ever been more inspired or confident in the future that we are shaping for the company as we move forward. And I'm also incredibly, incredibly confident in our partners' ability to meet this moment.

Now at the end of this month, I will step down as the Chief Operating Officer for the company. And it's hard for me to leave something that I love so much, a company that I care about, partners that I care about and think about what's next in the future for me and my family. But this is the right thing to do. It is the right thing to do because this sets up the next generation of leadership for the company. And I'm extremely optimistic about our future. I want to thank more than 450,000 partners around the world for their commitment to one another and their commitment to our success as a company.

And I also want to thank the entire senior leadership team, the Board of Directors, Melody, for your leadership; and in particular, Howard, for the opportunity and the privilege that I've been given to be a partner and a leader in this company. Thank you. And I also want to thank all of you, all of you are investors, for your belief in the company and your belief in our future.

But let me close by having our partners share their story and share their optimism and their passion for Starbucks and the possibilities that they see for Starbucks in the future.

(presentation)

Sara Kelly {BIO 20201199 <GO>}

Thank you, John. He's in the back of the room. Can I ask everybody to just take a moment and celebrate John for his over 20 years of servant leadership. And now we're going to move into a break. We're going to take a break for about 15 minutes. And so we ask that you exit the room and the back team can enjoy some of our top growth in key selling items that we have outside of the room, and then we will start our presentations promptly at 10:30 a.m. back in this room. Thank you.

(Break)

Hello, and good morning, everyone. Starbucks China has been navigating unprecedented challenges since the onset of the Covid pandemic in 2020. But if there's any silver lining in all of this, it has forced us to further strengthen our focus, our muscle and our operations, and the digital innovation we have introduced is enabling us to deepen our connection with our customers.

Starbucks' values and the Starbucks Experience we deliver to our customers have never been more relevant. In the video we just showed, you can just see the joy and the renewed moments of connection that Starbucks has brought to our partners and our customers with the reopening of our stores. I could not be more proud of our China partners for the incredible courage and resilience serving and uplifting our customers, communities and each other during the adversity.

Today, with a partial lifting of Covid restrictions in different cities, I am very pleased to report that our recovery in China is well underway. However, given ongoing restrictions under China's dynamic zero-Covid policy and the unpredictability of the future outbreaks, we remain vigilant, and our recovery path will continue to be nonlinear. But we remain focused on delivering our long-term growth aspirations.

In 2 weeks, we will open our 6,000 stores in China. 2 years of almost an imaginable disruption has not interfered without delivering on the commitments we made at our 2018 China Investor Day in Shanghai. And it's just not the speed but also the quality. Our new stores continue to deliver best-in-class returns and profitability. No coffee

retailer in China even comes close to enjoying the deep brand love and connection loyalty to customers that Starbucks has built.

Our mobile ordering capabilities have grown from nothing to now driving over 40% of our business in less than 4 years and enabling and supporting our business is a flexible, resilient and strengthen supply chain and distribution network as well as our family of over 60,000 passionate and engaged partners.

Despite our growth, China's coffee market is still in its early stages with huge potential to expand the addressable market. Per capita demand for coffee in China will grow further from 12 cups per year to 14 cups by 2025. By comparison in Japan, per capita consumption of coffee approaches 200 cups per year and in the U.S. here, close to 380 cups. China's urbanization rate is expected to increase to 75% and the number of middle-class households in China is expected to grow another 70% to \$395 million within this decade.

China's coffee market is about to enter a new era of growth and no coffee retailer is better positioned than Starbucks to capture and benefit from the growth ahead. Covid has accelerated profound shifts in Chinese consumer needs and behaviors. These changes have required us to examine and evolve Starbucks' purpose growth - purpose-driven growth agenda for the next chapter of our journey.

And I'm very excited to unveil our newly evolved growth flywheel fueled by 6 key growth drivers that are each highly synergistic and mutually reinforcing. By growing our store portfolio and expanding our omnichannel at home and on-the-go coffee capabilities, we will efficiently acquire new customers and drive accelerating Starbucks Rewards membership.

In addition, our efforts to enhance member engagement, coffee leadership, product innovation and partner experience will elevate the Starbucks Experience we deliver to our customers. This will drive greater demand and vacancy across all channels. Underpinning these growth engines are our relentless efforts to drive productivity and efficiency through digitalization and technology enablement as well as our investments to strengthen our supply chain and coffee ecosystem.

At the core of our flywheel is our commitment to uplifting our customers and our communities. We strive to contribute to the growth of China's specialty coffee industry and help establish the standard of coffee excellence from farm to cup customers to communities. All of these combine to create a very unique and powerful flywheel effect that will propel our growth in the years ahead.

Let me take you through them one by one. Over the past decade, we have grown Starbucks footprint in China nearly tenfold to 6,000 stores. Store development will remain a key growth engine for us in the years ahead. Our ambition is to enter 70 more new cities as well as to expand our store count by 50% more to operate 9,000 stores in China by 2025. 9,000 stores, this is close to the number of company-operated stores in the U.S. today. It means we will open one new store nearly every 9

hours for the next 3 years. We expect our new stores to continue to deliver 2:1 sales investment ratio with a payback period of less than 2 years.

How are we going to do that? In higher-tier cities, we'll optimize store portfolio and density in key trade zones. We'll leverage data and analytics to build the right store format and size at the right location with the right investment to fulfill omnichannel customer needs. We will also accelerate the rollout of Starbucks Greener stores framework in China with a plan to operate 2,500 greener stores by 2025. Our reserve stores will deliver evolved, elevated premium coffee experiences, and our new core stores will focus on fulfilling the need states of community, connection and convenience.

Beyond growing our store footprint, there are enormous opportunities to expand our business and share by meeting customers' needs wherever and whenever they create Starbucks. Starbucks will be a more accessible than ever, putting us in an incredible position to capture the rapidly growing customer occasions within and beyond our stores.

By 2025, our portfolio of 9,000 retail stores will be complemented by additional 5,000 we proudly serve Starbucks coffee foodservice locations. 550,000 ready-to-drink product points of distribution and at home coffee available to every customer through ecommerce and leading premium supermarkets, giving us a level of brand awareness and market penetration unrivaled by any other coffee retailer in China.

We're also leveraging the huge opportunity of Starbucks gift cards and merchandise as gifting items by expanding our ecommerce footprint to include even more social platforms. In addition, we're capturing increasing out-of-store demand through our fast-growing delivery business, enabling us to serve more customers anywhere, anytime for any occasion.

Let me share a bit more about our delivery business. Starbucks -- since the launch of Starbucks Delivers in 2018, Starbucks has defined and elevated the standards for coffee delivery in China, bringing the same promise of premium coffee quality and consistency beyond our stores and into the hands of our customers in just 19 minutes on average, 19 minutes.

Our delivery service features packaging innovations that include splashproof lids, temper-proof packaging seals and a unique hot and cold delivery system that maintains beverage temperatures and quality. Our service is supported by over 5,000 dedicated riders who ensure each order is delivered with speed and experience.

Our delivery channel is driving significant customer revenue and transaction incrementally. Our goal is more than double our delivery business by 2025. And which means fulfilling over 400 million orders in the next 3 years. Our ecommerce channel is also becoming a focus of our growth agenda, projected to growth -- to

grow at a 30% CAGR rate, fueled by the tremendous popularity and opportunity of our merchandise and gifting products.

Our ecommerce platform is a great extended engine for us to reach new customers and drive incremental traffic to our stores and other channels. Our omnichannel expansion will create new opportunities to reach and build meaningful relationships with even more customers. Our aspiration is to double our active Starbucks Rewards membership and with total registered members in China reaching over 170 million over the next 3 years.

Members who engage with us across retail, delivery and ecommerce channels spent 10x more than those who visit our retail stores only. There's huge opportunity ahead to drive engagement and incremental sales by cultivating cross-channel trials. We also see opportunities to up level the Starbucks Rewards program, by leveraging automated data and AI capabilities to deliver more personalized rewards and experiences. In addition, just as Web 3 is opening up new possibilities in the U.S., is also going to open up new possibilities in China.

Next is our coffee leadership. We'll leverage both our global and local expertise to accelerate our innovation speed even further. We'll focus on developing new products tailored to our new and young generation of Chinese customers. and we'll continue to lead on both strategic platforms, hot and cold. We'll also be bringing our omnichannel approach to beverage and food innovation by satisfying customer need states across all channels with different menus and products designed for in-store on the go and delivery consumption.

We'll empower our partners to further elevate coffee craft, fostering pride and the quality of every handcrafted beverage they serve and will bring customization to a whole new level in China that will allow every customer to enjoy his or her beverage, just the way they want it in ways no other retailer can. 2/3 of our retail partners are Gen Z. Over the past few months, we have connected with hundreds of retail partners who have provided us incredible insights and ideas. We're building a culture of co-creation in China to ensure we understand, stay current and address their needs, hopes and aspirations.

At the previous Investor Day, I highlighted our pioneering critical illness insurance program for the parents of our partners. Fast forward to today, we're proud to be pioneering another disruptive unprecedented benefit, paying out a 14-month bonus to all full-time retail partners on top of the 13-month salary they already enjoy annually. Once again, demonstrating our commitment to sharing success with our partners. We'll also continue to invest in coffee education by up-leveling our coffee master program and creating new coffee career paths to fuel coffee passion and pride.

Now let's talk about our productivity drivers. The ambitious investments we are making to further digitalize our operations are all geared towards improving our partner experience. Operational excellence and productivity as we scale in the

market. We're driving simplification and automation of daily store tasks, so our partners can focus on the 2 most important things coffee craft and customer connection.

The deployment of IoT solutions, inventory and auto replenishment planning system, our new digitalized foot safety management system, all great examples of technology investment that will help us to manage at scale and drive improved economics. All of these technology innovations will need to be powered by a robust in-house technology and data infrastructure, and we're now ready for the next phase of our technology advancement.

Over the next 3 years, we'll invest \$220 million and launch a dedicated China digital and technology innovation center to power our technology transformation journey. Our innovation center will be a magnet hub to attract the best tech and data talent and companies across China. Equally exciting is our investment in the Starbucks China Coffee Innovation Park, a next generation facility that will revolutionize copy roasting when it opens in summer 2023.

Starbucks will become the only coffee retailer in China to fulfill all aspects of the value chain from bean to cup from helping coffee farm and coffee farmers grow better quality coffee through our Yunnan Pharma Support Center to importing the finest green beans from around the world to roasting coffee locally at the Coffee Innovation Park and to delivering the highest quality coffee and exceptional customer experiences at our stores and across our other channels of distribution. Our Coffee Innovation Park will house a state-of-the-art roasting plant.

Starbucks' largest outside the United States, but the capacity to rose 135 million pounds a year. The Roasting plant will also incorporate cutting-edge technologies that will make it Starbucks most sustainable grossing plant in the world. In addition, the Coffee Innovation Park will feature an integrated distribution center that deploys the most advanced automation technologies.

You'll also have an immersive experience center showcasing to the public, sustainable practices at every chapter of the Starbucks bean to cup coffee journey. We are super, super proud of the unique coffee ecosystem that we're building in China. It will provide us with unique competitive advantage, the scale, the efficiency we need to continue to win in the market.

Core to our China purpose-driven growth agenda is our commitment to further developing China specialty coffee industry and uplifting our partners and the communities we serve, bringing Starbucks mission and values to life in a meaningful way in China is central to our growth strategy. Hence, I'm very proud to announce that we'll be investing \$12 million more over the next 3 years to advance our Starbucks people and planet positive aspirations. We're more committed than ever to build a brighter future in China with China and for China.

In closing, Starbucks is well positioned to drive long-term, sustainable, profitable growth in our largest international markets. By 2025, we'll double the size of our business today and quadruple our operating income. And we will be the employer of choice for more than 95,000 proud and engaged Chinese partners. We are ready to fully unlock and capture the enormous opportunities. The best days for Starbucks China's are ahead. And I could not be more excited to deliver on this vision together with our family of partners in China. Thank you.

I'd like to hand it over to Mike Conway.

(presentation)

Michael Conway {BIO 18036959 <GO>}

Good morning. That was our beautiful store in Vale, our experience center, and I had the wonderful opportunity to be there just a few weeks ago. My name is Michael Conway, and I am a 9-year partner. And you just heard from Belinda how important China is to the international segment. I'm excited to show you why our optimism for the entire international segment is so high. And while interest from our licensees to invest in the Starbucks brand will fuel our path forward.

Now since 1996, Starbucks International has grown to serve customers across 81 markets with more than 200,000 Green Apron partners and more than 18,000 stores, half of which are company operated and the other half are licensed. Today, the scale of our business is tremendous, and we actually have more Starbucks stores internationally than we do in North America.

Now when looking more deeply at our international portfolio, we have 4 markets with well over 1,000 stores that include China, Japan, South Korea and the U.K. We also now have 8 international markets with more than 500 stores, including Indonesia, Mexico, Taiwan and Turkey. We have 4 fast-growing emerging markets, including Thailand, the Philippines, Saudi Arabia and India that will hit 500 stores in the next few years, and we believe could extend far beyond that in the future.

In total, 24 of our markets operate more than 100 Starbucks stores. The reach and scale of our footprint positions Starbucks as a global leader among restaurant brands. In fact, from 2019 to 2021, Starbucks International grew our store base by 16%, which is faster than any other global brands in our segment. When others were restricting investment, Starbucks, along with our licensees, seize the opportunity to accelerate our global position.

This speaks to the strength of our brand and the power of our model. And we're not just opening stores. We're winning in the markets that we operate. We are the clear market leader in many of our largest international markets. And in a number of cases, this lead is sizable.

Clearly, Starbucks is the consumer's choice around the world. So you can see a few other global retailers have achieved what Starbucks together with our licensed business partners have achieved in terms of number of stores, reach and market leadership. All of this has translated into a tremendous year for our international markets outside of China. This year, we're driving meaningful comp across every major region. Total revenue, up 30% for the first 3 quarters of this year.

Operating income is up nearly 50%, and we've opened more than 600 net new stores, excluding the impact of the Russia market closure, all while accelerating investments in many areas to enhance future growth. It's clear that customers around the world are returning to Starbucks and our markets and our partners are welcoming them.

Now an important facet of our success is our diversified business model. In markets where we have significant scale like China and Japan, the company-operated model is a very deliberate choice and highly accretive to our earnings. We also benefit tremendously from our license model, which today represents 56% of our international portfolio. Now let me frame why this is.

Licensing leverages strength and expertise of our business. It drives higher operating margin. It insulates Starbucks from wage and inflationary pressures and requires little CapEx, culminating in a higher return on invested capital. Furthermore, by diversifying across multiple ownership structures and geographies, we minimize risk and volatility, creating a win-win.

We invest in further innovation across the system that strengthens our model and build our licensee capabilities, which, in turn, attracts more excitement and investment from our licensees. As an example of why we prefer to operate in our larger markets, I'd like to speak to Starbucks' third largest market, Japan, and the enormous growth potential that exists. Japan will reach nearly 2,000 stores in the next 3 years, and the momentum in the market has been steadily building. We can see our success drivers playing out all across Japan, beverage innovation, beautifully designed stores and the power of the digital flywheel unleashed to drive growth and connections.

Now while the digital flywheel in the U.S. and China have been with us for many years, Japan only launched Mobile Order & Pay 3 years ago. And over the last year, we accelerated digital convenience through innovative MOP exclusive beverages, customer campaigns and third-party partnerships. And as a result, digital is surging in Japan, doubling this past year to 6% of transactions. And it's no coincidence that Japan delivered record revenue and operating profit in Q3. But trust me when I say we are not celebrating 6%. We are targeting even higher goal on par with our lead markets at 25% and 40%. The opportunity in front of us in Japan is enormous, and we're incredibly optimistic for the future of that market.

Now let's shift from our company-operated markets to our international licensing business. With accelerating momentum and the huge opportunity that's in front of

us, we have great confidence because of our world-class licensees. As you heard, many of them are actually here in the room with us today. They are fully immersed in Starbucks and our culture. They understand our mission and values, who we are and what we stand for. Simply put, they are the best set of licensees anywhere in any industry. Along with our proven keys to success in beverage innovation, store design and the digital flywheel, our licensees are a true competitive advantage for Starbucks.

Now why do I say that? They have significant scale in their markets. They are highly capable, they are well capitalized, which allows them not just to run our stores but to invest in innovation across partners, stores and digital to spark future growth. For example, in digital in South Korea, SHINSEGAE innovated with Siren order in 2014, it was actually our first market around the world to roll out Mobile Order & Pay.

And today, they are continuing to innovate with solutions like MyDrive through Pass. It allows customers to register their license plate and then it stands upon entry into the drive-through, allowing them to pay for their orders, bringing contactless payment to the next level of convenience.

Now the reason why our licensees are so motivated to invest in such a significant way is because we have one of the most attractive models in the industry. We have a strong global brand and we generate high financial returns. And this leads to investment. Investment in stores like this. This is a store in Guatemala, and you can see the transformation. It's a store in the downtown historic district. And our licensee in Guatemala invested to transform it into this amazing store that just opened up earlier this year.

Also, just last week, I was in Mexico with our partners, Alsea, as they were celebrating their 20th anniversary, and they marked that commitment to the future by announcing a \$225 million investment in stores and partners. This is just one example, which demonstrates our licensees are committed to the Starbucks brand and to investing to accelerate growth in their markets.

And for the first time, you're going to hear directly from 3 of our largest licensees about working with Starbucks. They are Alsea, Alshaya and SHINSEGAE, all 3 of them are long-term strategic partners that we've been working with for more than 2 decades. And together, they account for more than 5,000 stores across 27 markets, representing 50% of our international licensee footprint. They are doing incredible things in the markets that they serve.

(presentation)

Unidentified Speaker

Everyone's here. Thank you, Mike.

Michael Conway {BIO 18036959 <GO>}

Thank you. Thank you for being with us. Good morning.

Unidentified Speaker

Thank you.

Michael Conway {BIO 18036959 <GO>}

So please join me in welcoming Alberto Torrado, Chairman of the Board, Alsea Group; John Haddon [ph], Chief Executive Officer of Alshaya Group; David Song, Chief Executive Officer, Starbucks Coffee Korea, which is a SHINSEGAE company. Thank you all for being with me this morning to share your views on Starbucks and the future that you see in front of us.

So okay, this first question, I'm actually going to ask all 3 of you, and I'll start with you, Alberto. If you can talk about -- a little bit about the history of our 2 companies, as well as the role that Starbucks plays in your portfolio and how you feel about the business model?

Alberto Martinez {BIO 1963442 <GO>}

Yes. Thank you. Hello, everybody. Well, as you know, we started this company 30 years ago. And we started with other brands. And by the 10 year, we were really aiming to get the brand. Starbucks was not as Howard said, in international markets. So I was a final Starbucks, which I love the brand when I travel to the United States for several reasons. I love the product, I love the partners for more than anything I really love the look and feel of the stores and the passion and the third space. So we -- after a big competition in Mexico to get in this brand, we were choosing by Starbucks to be developing the brand with them in Mexico.

So we started in our 10 year with the Starbucks brand. I remember opening the first store and trying to replicate exactly what I was feeling as a consumer in the United States, having this beautiful store full of (inaudible), with a leather sofa with the reading table and the fireplace, et cetera, to really try to show to the Mexican market what the brand was. And obviously, we were very concerned, as you can imagine, because there was not this type of product in Mexico and the social economic level in Mexico is -- and the income is not as what is in the United States, as you know. So how much is the people willing to pay for this quality of coffee and the price and everything.

And I remember that the initial plan that we present to Starbucks was 350 stores. And after we opened in the first store, it was magical. What I can tell you is that today, we have, as you saw, 750 stores in the Mexican market and more than 1,500 stores in all our geographies and we keep opening and open and opening. As you said, what makes the difference, and you've been hearing this all day, but believe me, it's the partners. The culture and the magical of this brand is quite unique. So we believe that from those 350 stores that we originally planned, we are going to

triplicate that by the next 10 years. So it's been a very good ride and a good story. So...

Michael Conway {BIO 18036959 <GO>}

Great. Thank you. Thank you. John [ph]?

Alberto Martinez {BIO 1963442 <GO>}

Sorry. You just say what we had the business model, yes, which was the second part of the question. Well, first of all, as you heard and Alsea, around other brands and -- but the uniqueness of this business model is, of course, not only the passion that happened in the stores, but it's so perfectly in terms of the unit economics, the loan investment that you have to do, the small footprint that you need.

There are a few numbers of SKU, the limited menu that you have that you don't have any key chance that you don't need a lot of labor to run a store, the frequency of the customers, the return on investment that you saw and everything makes this brand, very unique, at least in our portfolio, and it's by far our number brand right now because of that.

Michael Conway {BIO 18036959 <GO>}

Thank you. And it was an honor for me to be with you last week to celebrate 20 years together with your partners. So thank you. So John [ph], same question, a little bit about the history and how Starbucks fits in place in your portfolio.

Unidentified Speaker

Michael, thank you for having us today. It's great to catch up with some friends. So it's great to be here. So give you a bit of context about Alshaya. Alshaya is a Kuwait family-owned business going back 50 years. And we operate 70 international brands across 18 markets, from the Middle East through North Africa through into Europe. And we started the journey with Starbucks just over 22 years ago.

So 22 years ago, we opened our first Starbucks store, and I'm so proud to be here today to see Howard as well. Because Howard Behar basically opened the store with us, and I was there at that time back in 1999. And we signed a contract with 50 stores because that's what we thought the scale and we thought the opportunity was.

And I'm so proud on behalf of the family and now trying to see here today is saying, we've been a partner now of over 22 years. The partnership is as strong as it's ever been. And we just see such amazing growth in terms of the future. And as we've grown, and we've taken that stalwarts partnership, we've got into 13 markets, as I say, through the Middle East, through North Africa into the likes of Kazakhstan to Azerbaijan. And the partnership that we have with Starbucks is why we believe it's so successful.

The trust that we have with the brand unique economics that Alberto so rightly talked about makes it very unique. As I say, we operate 17 international brands, American brands, European brands and the unit economics that we see from Starbucks is unparalleled. The investment, the margin, the return on investment, the capital employed, everything against every other business we operate, whether it's in home furnishing, whether it's in apparel, whether it's other food and beverage, SBUX is unique. I think that's what gives us the confidence to want to continue the growth journey and the partnership we've had over so many years.

Michael Conway {BIO 18036959 <GO>}

Thank you. Thank you. We appreciate your partnership. David, same question.

Unidentified Speaker

Yes. So thank you very much for having me here. It's a privilege to be part of this session. Just a quick background about the SHINSEGAE Group for those that might not know, I actually started as the retail arm of the Samsung company, and it actually broke off, and as the video mentioned, the aspiration of the group is to become a customer lifestyle company. And so what does that mean? So they have businesses across fashion retail on and off cosmetics, F&B, digital technology, residential, construction, IT. And so it's only natural to have this strong relationship with Starbucks that actually goes back 23 years now. And so after 23 years, we're over 1,700 stores.

We've grown double digits CAGR, both top line and bottom line. And we're probably the only directly operated model of scale in Korea. And so what does that mean from a business model and a financial point of view?

It's continuing to generate high cash flows and returns that is actually self-funding now. And not only from a financial point of view, but from a customer interaction and a connection point of view, we have the highest daily interaction from a retail point of view that's actually creating a lot of momentum and opportunities for the group to continue to expand their customer lifestyle journey. And all of that's been possible because of the trust, the relationships and the resources that both parties have continued to pour into the business to continue to grow the brand, to be one of the strongest lifestyle brands in Korea.

Michael Conway {BIO 18036959 <GO>}

Yes. Great. Great. Thank you. Thank you. I want to turn now to talk about partners. You heard earlier today how partners is so key to our success. And Alberto, I think you shared how partners is part of what's made us so successful in your region. Can you talk about some of the investments you're making in partners and how that is positively impacting the business?

Alberto Martinez {BIO 1963442 <GO>}

Yes. Of course. As you know, we have very ambitious growing plans. So talent is the biggest concern that we have. And as you know, in this industry, I mean, recruiting, training and retaining is the clue to success. And we are in a high volatility market today with high rotation and turnover, as you said. So what we are doing, especially in this brand is not only because the culture brings a lot of talent, but we need to develop them in 3 ways.

We need to develop them personally, which we invest a lot of money in giving them opportunities to go to school, to finish the universities, et cetera, with a flexible dayparts. We also develop them economically. We have to be the leaders in the markets of how we compensate our partners and our collaborators in the company. And the third one, we want to give them opportunities to grow professionally so that we give them a complete role so they can grow not only in the Starbucks brand, but internationally in our different markets. We operate, as you know, 11 different markets for Starbucks, but also we give them opportunities to grow in the different positions of the company.

So today, in Mexico, just to give you an example, we have a turnover less than 30%, and that's really based upon making them really partners of the company. And as we call in Mexico, (foreign language), which is they own the stores. They are the owners of the stores, and we love them. And if we love our partners, they will love the customers and the business will be good.

Michael Conway {BIO 18036959 <GO>}

So I appreciate the investment you're making in partners. And I just want to share it, so last week, we were together and Alberto brought together every store manager in Mexico, every support partner, over 1,000 individuals together to celebrate, to be together, to immerse in coffee and to celebrate the success of the Starbucks brand. And there's even an individual that started in the first store who's now one -- running one of your regions. So talk about partner investment and development. It's true across all our markets. I know all of our partners are investing in our partners in that way.

John [ph], I'd like to turn now and talk a little bit about stores. And you operate in a fairly unique region. Can you talk about how design taps into some of the ways in which customers are using the store and maybe some of the changes you've made recently as it relates to the in-store experience?

Unidentified Speaker

Okay. Yes. We'll do that. Obviously, store design in our particular part of the world is very, very important to our customers. Most of our customers are dining customers. So as we've got quite a different dynamic to the U.S. and other markets, that in-store experience for us is absolutely paramount. And I think one of the things that we've learned with Starbucks over the year is the power of the collaboration on the design. And what I mean by that is our ability to listen locally, listen to the customers, listen to customers' needs but not lose the essence of what Starbucks is all about.

And I think one of the things that we're very proud of is our collaboration with the Starbucks design team where they listen, they understand. They listen to our customers, they listen to our partners, they listen to us, but then produce these most wonderful, wonderful store designs. And I think you've seen today and on the videos, collectively, there's some beautiful, beautiful stores across the rest of the world, and that's really all about the collaboration that we have.

And as we've sort of gone through the pandemic, and we thought about the future and what it looks like, I think we're in a position today now where we have so many different opportunities, so many different formats. But that store design that we come up with can meet that customer needs wherever they want to show up and however they want to use this.

And when I look against the competition, I think store design is what makes Starbucks so unique. As I said, we operate another 70 other brands. And also, obviously, we look at the competition in the coffee space. And every single Starbucks store that we see and we design is uniquely different.

Now a lot of the equipment will be the same. A lot of it will be the same. But that customer wants their own local store. They want to walk into it, feel comfortable, interact with the partners. And what we've managed to do through store design and especially over the last 5 years is collaborate to make sure that in-store experience is unique for that customer but also is something that our landlords want. And that's so true now more than ever.

Landlords want Starbucks. Starbucks is the coffee brand of choice, not just because of the name and the brand integrity, but of the uniqueness of the design. And in many, many markets that we operate in, and we have a shopping mall in Kuwait, where we have 16 Starbucks in 1 shopping mall and every single one is a different unique experience. And best of all, everyone is profitable.

So the ability to work with design, work with Starbucks to be able to do that and engage with that is what, for us, makes the design so much more important. As we evolve post pandemic, the drive-through piece, which for us has been much slower than some of the other markets has really, really become true. And over half of our stores, and we're opening over 220 stores every single year at the moment, over half of those stores are drive-through.

So as we start to think about the future and infill strategies and convenience, which is what the pandemic has brought, not only are we able to offer that in-restaurant experience or in-dining experience, but also the drive-through convenience as well, so.

Michael Conway {BIO 18036959 <GO>}

Thank you. It's interesting. Early, we heard from Brady how the third place experience is so important. And clearly, it's alive and well in your market in all of our markets around the world.

David, I want to shift to technology and I highlight it and say I get a little bit earlier in the innovation that you created. And I love the example of actually how you're leading the way and driving innovation into some of our other markets. But can you talk about some of the other ways in which you are using technology to innovate and how that links directly to the Starbucks brand and your success?

David Song {BIO 21001276 <GO>}

Yes. To talk about innovation and technology, you really have to understand where Korea is on the map. And so if you look at the Asian map, you have 2 Asian superpowers of Japan and China. And so innovation for Korea is not an option. It's a necessity, not only to survive, but to try and at least play a role and be visible. And so the government has continued to push in terms of investments in technology, innovation, infrastructure. And so as a result, Korea is the number one country for high-speed Internet connection, both wired and wireless. And so if you look at mobile connection and penetration, we talked about high-speed penetration only.

And so as a result, the Korean customer is used to 24/7 connection and they actually demanded across the board. And so it's only natural for Starbucks to really embrace that right from the beginning. And so as you mentioned, we have our Siren Order MOP, myDT pass. But because of the high penetration of mobile messenger service, which is Kakao, we've been able to launch an e-gifting service, an ecommerce platform. We have our own in-app delivery service.

And so as a result, the Starbucks app in Korea is ranked number 50 in terms of most used apps in Korea. And so not from a coffee or an F&B point of view, but across all ecomm players, finance players, portals, messenger platforms, et cetera, the Starbucks app is number 50.

And so how are we going to continue to expand that? We're positioning our app to be a stand-alone digital platform to really serve the purpose to continue to not only connect with our existing customers, but really, really bring in and attract new Gen Z customers to continue to expand our membership base in Korea. And so what's next? Only time will tell.

Michael Conway {BIO 18036959 <GO>}

Well, we're going to keep an eye on what you're doing in Korea because I'm sure there'll be more innovation that we might be able to apply to our other markets around the world.

So I want to close by talking about the future and talking about what's possible. And so David, I'm going to start with you. And can you talk about what you see for the opportunity of Starbucks in your market? And what excites you about that?

David Song {BIO 21001276 <GO>}

That's what excites me every day. We've had 23 years of fantastic growth. And you can see Korea is a pretty mature market in general, especially on the coffee scene. There are over 90,000 coffee retail chains or points of sale in Korea. But despite that, especially through Covid-19, where it was difficult for everyone, we continued to grow. And so we see huge opportunities for future growth even in a mature state.

And so we'd like to bucket into 4 different groups. And so obviously, the most important part is our core business or cafe business. We've seen record number of new store growth in the past couple of years, and we see that for the foreseeable future, not only coming from the existing core cafes, drive-throughs, reserve, but also from some of the new formats that are being developed globally and also locally.

We're starting to further accelerate our Starbucks Rewards members. So Korea has over 9 million rewards members. And the speed of getting -- acquiring 1 million new members is actually shrinking or getting faster each year. And so we have a long-term aspiration to get to over 15 million rewards members in Korea. And it's not about just acquisitions, we're just starting to activate our existing members through personalization and customization to continue to drive that. And obviously, all the automation and efforts that we're doing around store development and store design to make our partners feel more comfortable and better serve our customers is what's going to continue to drive our core business.

The second bucket is what we consider kind of the new core, the business outside the store. And obviously, it's digital innovation that's been at the forefront of that. And so obviously, Siren Order upgrades, myDT pass upgrades. E-gifting, not only on a third-party platform, but bringing that into our app, ecommerce with the ultimate goal of really creating what we consider an on-demand platform. And so creating an opportunity for our customers to connect with Starbucks wherever and whenever they want, 24/7.

The third bucket is completely new businesses. And obviously, what we're -- what Starbucks is moving into with Web 3.0, but we see that in Korea as well with investments in Metaverse, NFT. And so that's online opportunities, but also offline with our group resources in terms of customer lifestyle, creating what we consider customer lifestyle centers and with Starbucks as a key hub. And so that's a completely new line of business in terms of really, really fully leveraging assets and managing our assets.

And finally, on the aspect of sustainability, as with technology, Korea is at the forefront, of sustainability in general. It's become a necessity to just to do business in Korea. All our efforts around adopting reusables with more plant-based options, our investment in our partners to provide more opportunities for growth, investment in the community store program to invest more in the community and provide opportunities for underprivileged youth and community to continue to grow.

And so all in all, we see more opportunities for growth than we've seen in the past 23 years. So really, really...

Michael Conway {BIO 18036959 <GO>}

That's great. Very exciting growth plan for a market that's quite mature, but there's so much potential ahead. So thank you.

John [ph], talk about the future?

Unidentified Speaker

So if my boss -- my Chairman was here today, he would say, John [ph], the future has only just started and the growth opportunity with Starbucks is literally from today. So despite the fact we've been a 22-year partner of Starbucks, we believe we're only just starting the journey. And that's one of the things that we try and get across to all of our partners, the opportunity is so huge.

And there's various different reasons for that. I think, first and foremost, we operate in 13 markets with Starbucks, and we have huge white space opportunities. So when we look at mapping the markets, we look at the size, we look at the opportunity just in pure real estate, we have the opportunities in the markets that we have to more than double the store count that we have at the moment. And that's the commitment that we've made and the commitment we've made to the family in terms of funding is that we will double the number of stores we had over the next 5 years. And clearly double the profitability as well at the same time.

Why that is so unique for us with Starbucks is, and something that David talked about earlier, format flexibility. With the other retail concepts that we operate, there is not the format flexibility. They can show up in one way, shape or form. Starbucks is very, very unique.

So whether it's a drive-through, whether it's a drive-through only store, whether it's a kiosk, whether it's showing up in a retail mall, when we talk to our landlords and we look at the space and we look at where the customer needs are, there is so much opportunity because of the format flexibility. So if we can still continue to grow the business as we see, build on that format flexibility, we think we've got huge opportunity to grow more stores.

At the same time, we think we've got a real opportunity on our current store portfolio because unlike David, we're a little bit further behind, both in terms of we've only recently done Mobile Order & Pay and we've only recently started Starbucks Rewards.

So when you start to think about all the digital initiatives that Starbucks are giving us and we're able to work with, we believe also that there's a big opportunity to continue to grow our LFL and continue to grow our like-for-like stores at the same time, whilst growing new store formats as well at the same time.

So we couldn't be, as I say, more enthusiastic. We couldn't be more happy. And we couldn't be at a better place to grow the markets that we have. And at the same time, pick up new markets as and when they make sense for us in Starbucks collectively to grow this business and grow this partnership for another 20, 30 years and beyond.

Michael Conway {BIO 18036959 <GO>}

I agree with Mr. Alshaya that the journey is just beginning. So thank you.

Alberto, we'll end with you.

Alberto Martinez {BIO 1963442 <GO>}

I'm going to try not to repeat what my colleagues said here, which is going to be hard. But let me go back to -- because we had 2 very tough years. We all did. And for the one of those that operate or the brands and operating so many different geographies, the way that Starbucks has come back and the resilience of the brand as it was mentioned here is just incredible. We only compare our numbers with 2019, so we can get real numbers. And all our markets are growing double digits compared to 2019. So the comeback of Starbucks has been amazing.

We have invested in Starbucks as of today about \$1 billion. And as you said, we announced an investment of about \$250 million. Just this year, we're going to invest another \$140 million, opening 170 stores. So we're going to be opening not 1 store and be 9 hours like (foreign language) but we will be opening a store every 48 hours, which (inaudible) 36% of our stores, 32% of our sales, or 40% of our EBITDA.

So as we keep growing the brand, and obviously, it's a brand four-wall that has the better return of investment from all our portfolio, we operate about 4,000 restaurants, Starbucks being just 1/3 of that. So the opportunity that we see after what happened in the Covid is even bigger, not only because we can open everywhere, as you mentioned, in the different type of locations of that, but also the omnichannel opportunity that we learned through the crisis is incredible with Starbucks Reward, Mobile Order & Pay and delivery.

Today, for example, in Mexico, the liberty represents about 11%, 12% of sales already, and we've seen that as an incremental with not necessarily double the ticket, but 30%, 40% more of the particular that we had before or that we have normal in the stores.

So we do believe that in our market, where we operate today, we can at least open 2x the stores that we have today. So our next goal is to be able to reach 3,000 stores in the next 5 years. I think when you help as always, we're going to be able to make it. And really, I do believe that the opportunity of the brand with everything that just happened is better than everything.

I hate to say sometimes that this crisis have hit the competition, but it's true. It has hit the competition in a way that we are better capitalized. We are back -- part of this big company with technology, with partners, with so much culture that I think we're going to win market share in each of our geographies, and it's happening as I'm traveling to see all our brands in the different markets.

Michael Conway {BIO 18036959 <GO>}

Great. Thank you. Thank you for that. And thank you all for being with me, sharing firsthand how you feel about the Starbucks brand and importantly, the future that you see and why you're so excited about that. So thank you very much, and I appreciate your time.

Alberto Martinez {BIO 1963442 <GO>}

Thank you, Michael.

Unidentified Speaker

Thank you.

Michael Conway {BIO 18036959 <GO>}

All right. Once again, thank you, Alberto, John [ph] and David for joining us. So far, we've talked about the significant size, scale, momentum of our international business. We talked about the strength and attractiveness of our business model. And you heard here on stage that our licensees are excited for the future and ready to invest. And now I'd like to turn to how all of this will fuel the tremendous opportunity that's in front of us.

Consistent with the company's reinvention plan, our international growth plan is squarely focused on our partners, our stores and our customers. Let me start with partners. Together with our licensees, we've invested heavily in our store partners, and we are entering this new phase of growth with a strong and engaged workforce.

We offer benefits design for what matters most locally for partners from mental health to education to all women's stores in markets where this is forging new ground like India and Saudi Arabia. And of course, coffee education is important to experience our partners all around the world.

Starbucks Coffee Master program and Barista Championship display coffee excellence and are a huge source of pride and accomplishment for our partners. In fact, while we recently reintroduced the Coffee Master program in the U.S., today, around 1 in 3 international partners have earned the honor of calling themselves a Starbucks Coffee Master.

And that passion to create an incredible Starbucks experience carries through to another opportunity, which is our stores. We are dramatically transforming the way in which we approach our store formats to enable increased connections and convenience, which is why drive-through is now a core focus for international markets.

For example, in Japan, drive-through transactions have grown from 9% in fiscal '19 to over 15% this year. And over the next 3 years, drive-throughs will represent nearly 2/3 of all stores of Japan and their openings. And in the U.K., which is Starbucks' fourth largest international market, 75% of all store openings will be drive-through. As a result of this shift, in fiscal '23, drive-through will represent 45% of international new stores outside of China, a dramatic shift in our store portfolio. And what's really exciting is, as we've seen in the U.S., these drive-throughs deliver higher AUVs, stronger margins and a higher return on investment.

Acceleration of this drive-through format is fueling our international store growth, and it's meaningful. Including China, we plan on accelerating total store growth to more than 30% over the next 3 years to nearly 25,000 international stores.

Our third significant opportunity is through customer-focused product innovation. International is taking the best innovation from the U.S. like Iced Shaken Espresso and refreshers, which are now offered across every region. And we also tap into local taste preferences with region-specific beverages like Chocolate Glazed Latte in Korea and Melon of Melon Frappuccino in Japan.

Now the gold standard of innovation in the U.S. is our pumpkin spice platform, which just launched in a big way a few weeks ago. But get this, the Melon of Melon Frappuccino sold twice as many units per day during launch as pumpkin spice did in the U.S. Product innovation is absolutely critically delighting our customers.

Now this leads to digital, which is the single biggest growth opportunity across all of international. Our markets are embracing and seeing the benefits of the digital flywheel. Delivery, which became essential in some markets during the pandemic, now is worse, and exceeds 10% transaction mix in some key strategic markets. Mobile Order & Pay, which also grew during the same time is now present in 59% of our international stores.

While we continue to ramp -- is with our international license markets, where today, we generate just over 1 in 10 transactions, which is well behind where we could be. The good news is that where we have successfully expanded our digital offerings, we're seeing stronger frequency, higher engagement.

So knowing the power of our rewards members, combined with the convenience of mobile order and delivery, we challenge ourselves to answer the question, how can we dramatically accelerate the rollout of Starbucks digital experience? And that led us to Starbucks Digital Solutions, a platform created exclusively for our international business to deliver a consistent Starbucks experience.

(presentation)

Now this is an idea that is not years away. In fact, we've already launched Digital Solutions across Europe and we're working to roll out in Latin America next year. Our digital feature for international is now.

So as I conclude, you've heard me speak to the following: First, Starbucks has an incredibly strong global brand. We also have scale and reach around the world. Our momentum is every single region, and you heard firsthand right here that our licensees are ready and excited to invest driven by the attractive. And all of this leads me to be so excited about the runway that we have in front of us for growth. And we've only just begun to realize the future for this.

And now I'd like to (inaudible) high-margin, high potential channel development business. Chanda?

Unidentified Speaker

Hi, everyone. I'm Chanda Beppu [ph]. I am a 17-year Starbucks partner, and I'm looking forward to sharing our channel development business with you today.

When Starbucks customers see our brand, they know that an elevated coffee experience awaits them. This is the strategic brand role, the channel development play -- for the Starbucks brand as we reach customers outside our stores where they live, work and play.

We've talked to you today about the incredible plans we have for our stores. Now through channel development, Starbucks plays across all -- food service, ready-to-drink, whole bean, ground, instant and single serve. These segments represent 70% of the global coffee opportunity.

No other cafe brand has the packaged coffee reach, the trend and meet customers wherever they are with innovative flavors. And no package coffee brand -- can leverage a global cafe footprint like Starbucks to tap into rich real-time consumer insights from handcrafted cafe trends and quickly bring them to life in a packaged portfolio. This competitive advantage gives Starbucks -- speed, and it's how our brand ecosystem drives parallel growth in both our cafe and channel marketplaces.

Starbucks reach might surprise you. We (inaudible). Brady talked about it. We now serve 300 million consumer occasions per week. Let me say that one more time, 300 million consumer occasions per week. These moments show you all the ways that Starbucks is the brand of choice in coffee moments, at home and on the go.

The uncertainty over the last few years, consumers reach for trusted brands and experiences they could count (inaudible) 19% CAGR in system sales over the last 3 years for our combined at-home coffee and ready-to-drink businesses. And as we

look to the future, Starbucks currently holds a relatively small market share, leaving us tremendous opportunity from (inaudible).

As we think about how we go to market, Starbucks global business partners are world-class industry experts with strong local market capabilities and shared values. Together, we have built a solid foundation to innovate for future -- competitive advantage with our partnerships because of our complementary strengths, bringing together the best of what Starbucks has to offer in coffee equity and brand strength with the exceptional market capabilities of our partners.

Starbucks has always been a brand of connection, and we're proud of both the growing and long-lasting the business, including the number one and number two global food and beverage companies. Nestle, our partner in the Global Coffee Alliance has been in business for more than 150 years. And their global supply chain expertise has allowed us to expand to 80 markets since we established the Global Coffee Alliance in 2018. One of our longest partnerships, nearly 28 years has been with PepsiCo. With this globally recognized strength, and after 28 years, we still have a robust pipeline of innovation in the wings.

Our focus is having key partnerships with the right capabilities in the right place. Starbucks brand equity is strong. And with our partnerships -- making our brand reach, we can stretch to meet more customers with premium coffee experiences, all the best Starbucks has to offer.

Channel development success is driven by 3 elements: Brand leadership, broad reach across global markets and our expansive premium portfolio. Let's talk about the at-home coffee segment of our business. We have been able to significantly expand our portfolio and our reach with the Global Coffee Alliance. Starbucks has been the number one in an \$11 billion category for the past 9 consecutive quarters where we have -- as we gained market share.

Since our last Investor Day, we have added 6 additional markets to now reach 73 relevant coffee markets with our at-home portfolio. Starbucks stretches across 14 key at-home coffee platforms. This spans growth in our existing platforms, such as roast and ground and K-Cup. And the portfolio expansion we've created in single-serve, Starbucks fine espresso and we've been successful in this expansion. Last year, Starbucks Creamers were the biggest brand contributor to category growth with 24% growth in dollar sales. In just 3 short years since launch, Starbucks Creamers have grown to a \$200 million business.

In addition, Starbucks is now the leader in Nespresso compatible category in the U.S. with 65% dollar share -- Nespresso Vertuo System since we launched in 2020, delivering a compelling platform that offers a variety of coffee cup sizes in your favorite Starbucks roast profile. You may have been able to try that just outside. Our goal is to introduce consumers to more ways to enjoy their favorite coffee.

Looking to the future, we intend to bring products that highlight the strength of Starbucks in locally relevant ways such as the recent launch of Starbucks super premium mini cups in China, the launch of our Starbucks bland roast single origin Guatemala on the Nespresso original line and Starbucks Reserve on the Nespresso Vertuo System, furthering our coffee leadership.

Now turning to ready-to-drink. You might not know that Starbucks is the number one global ready-to-drink coffee brand with 15% -- category. Like at-home coffee, our reach is broad. We extend across 65 global markets. Our ready-to-drink portfolio is robust, and we continue to innovate, introducing bold flavors in 22 platforms that are globally inspired and locally relevant.

Let's talk a little bit more about how ready-to-drink portfolio has evolved and matured. Brady talked about growing from our core. Our iconic ready-to-drink Frappuccino platform -- and we're expanding it into new offerings that meet today's consumer taste profiles, like plant-based Frappuccino in the U.S. and Frappuccino mini in Asia. Our customers have always guided our approach, and we've taken what we do best in cold beverages in Starbucks cafes to introduce new platforms like daily brew and Oatmilk Frappuccino and Oatmilk espresso chilled cup in China and Korea.

Our opportunity extends beyond coffee as customers seek out more choices in their daily lives. We made an exciting move into the energy category with the launch of Starbucks Baya. And we're going to continue coffee. In fact, we're excited to announce that we're bringing a customer favorite to a convenient new ready-to-drink format with the launch of Starbucks Pink Drink. Inspired by our popular handcrafted beverage in Starbucks cafes, which first began -- the customer.

As we grow our brand reach, we're taking advantage of the opportunity to extend the Starbucks brand and ready-to-drink coffees in Latin America and Southeast Asia. We'll meet new young -- with our portfolio of signature cold ready-to-drink Starbucks favorites. We'll enter 3 new markets in Latin America and Southeast Asia this month, with the 6 more anticipated for the balance of fiscal '23. Every new market entry adds to our -- in the markets we already serve.

Finally, system sales best represents our business growth, and we're on track from 2020 to double system sales in this business by 2030 -- be a margin-accretive segment to Starbucks, and we anticipate strong and consistent performance to continue. But importantly, channel development will continue to amplify the brand and create customer occasions outside our stores, reaching customers wherever they are across at-home and on-the-go moments to deliver a premium Starbucks Experience around the world.

Thank you. I'd like to introduce my friend, Deb Hall Lefevre [ph], who will highlight our digital leadership in the industry.

Hi -- the home stretch here. Hello. My name is Deb Hall Lefevre [ph], or as some are starting to call me around here, DHL. I am a 4-month partner. And I want to say that these past 4 months have been some of the most interesting -- career. I could not be more humbled or excited to be here today to talk about the future of technology at Starbucks.

As I'm new around here, it's probably worth a quick introduction. I'll go back to some of the beginning where I'm a Chicago native. And I chose a career in technology, largely thanks to our internship that I had with a little Chicago company called Motorola. It was real enthusiasm that people had to bring technology to drive business performance. It also helps me understand that technology was really shaping how we live, how we work and how we play.

After -- a little at Chicago company called McDonald's. At McDonald's, I had the privilege of leading teams that helped build and deliver on our digital agenda. Those teams and that moment did the hard work of aligning 120 different countries - - so that we could deliver innovation a little faster.

That global perspective and alignment helps drive faster-paced innovation. Our digital footprint soon grew to include things like digital menu boards, kiosks -- were delivered in scale in rapid succession across tens of thousands of restaurants.

After 15 years, I left McDonald's and I joined Couche-Tard, the company behind Circle K. Many of you are probably -- about 15,500 sites globally, about 125,000 employees and about \$60 billion in revenue. I joined absolutely energized to join as the Global CTO to help drive reinvention of the customer experience in an industry that just had not done that before. And I love the scale -- this is our leadership team was to become the world's preferred destination for fuel and retail. And one of the leverage we were using was differentiated customer experiences. (inaudible) journey of reinventing fueling and the C-store experience. And I never expected to leave Couche-Tard.

However, Starbucks is a company that I've always -- for amazing technology and a very special culture, focused on bringing people together around coffee. In short, the mission, the people and the brand presented an opportunity that I just couldn't pass up.

In just a few months, I have been -- and already, I've been inspired by the singular mission that everyone around here shares and that is delivering kindness and connection. I'm also impressed by the incredible technology and the incredible technology team that's already here. But I'm also already seeing opportunities to unlock greater speed at scale.

The insights are driven, first and foremost, by the time I've been spending in stores, working shoulder to shoulder with the -- our partners and our customers. I am seeing an incredible team, an incredible ecosystem of technology solutions and suppliers and alignment across all teams to deliver on the -- and Starbucks biggest global

priorities. It is such a privilege to be here to help write the next chapter of technology history at Starbucks.

Starbucks spent much of the past year reflecting on where we are and where we need to go. It resulted in a clear articulation of what reinvention needs to look like. And as you heard -- today, technology is fundamental to our plans. And the technology foundation that we have today, it is absolutely strong. But what we have today has not been built for our vision of the future.

Through my Starbucks learning journey, I've developed a clear analogy to describe Starbucks' approach to technology, education. In the last 150 years, our approach to teaching has continuously -- chalk and a board and off they went. As technology evolved, so did education delivery. We began to publish textbooks, design learning toys, incorporate computers, the Internet, Zoom and Teams most recently, all along the way in. But all of those technology advances never took the teacher out of the classroom -- our teachers to do their work at their highest caliber. Why? Because it's the connection. It's the connection between the student and the teacher that makes all the difference.

In technology at Starbucks, we aspire to the same goals (inaudible) our baristas, they are the core of who we are, and they deliver that connection to our customers every day. We are -- on how we enable our partners to bring humanity, kindness and coffee to every one of those 14 million one-on-one connections that they make every single day. Simply put, our job is to automate the work and simplify it so their job is easier and more joyful.

As I mentioned, the Starbucks tech stack is impressive, envy of every retailer. We scaled our commerce and rewards programs to support Starbucks' aggressive digital growth. And with 24.7 million active reward members driving over half of our U.S. company-operated sales, I'd say we've done (inaudible).

We're also data-driven. Our millions of daily customer interactions give us the ability to use our data and our incredible data expertise to guide our business. We integrate data and insights into every part of our -- use to provide the great personalized customer experiences that surprise and delight, or micro level pricing, or partner engagement moments and so many more. We possess the real-time data on our digital and our physical footprint. This enables performance visibility that propels our business forward with each and every passing moment.

As you've heard from John [ph], we've prioritized our partners. We're automating store tasks, providing task management tools, building playbooks for shifts and launching automated inventory ordering. That helps continue to underpin our success, which is wonderful. We must also acknowledge that, that channel growth has created a few challenges for our partners.

Those pressures are absolutely top of mind as we design the technology that makes us to deliver the experiences of the future for our customers, wherever they may be

in our stores, in their living rooms, in their cars or as you heard from Brady, maybe even in a Web 3 experience.

So as you can see, we have a lot more to -- building on our track record of leadership success and delivery, we're planning to continue to accelerate innovation to focus on value creation at the scale of Starbucks.

As we look to the future of technology, it's actually pretty simple, speed to market with digital innovation at our global scale. Our approach to this speed at scale agenda has 3 pillars. Stabilize. First, we must stabilize. What I'm talking about here is store operations. Things just need to work. As many of you are aware, our mobile app has had a few brief outages over the past few months. And with the core digital channels, it's just imperative that the tech works.

So we know that even a few minutes of downtime can mean lost moments of connection between our partners and confusion in our stores and, of course, lost business opportunities. That's why our top priority is to have resilience in our digital channels because reliable store operations is just a must for our customers and our partners.

Second, we need to modernize -- increasingly modernized customer experiences. And as we've been lighting them up, we've created a bit of complexity. We've absolutely been making the right decisions for our customers, but that complexity has built up a little bit in our tech ecosystem, and it sometimes slows us down. We will modernize and set to scale new ideas in innovation faster, and we will unlock ourselves from the shackles of multiple monolithic systems become more agile.

The good news is this work is -- a good example of this is what you just heard about from Michael, our Starbucks Digital Solution. In EMEA, 67% of our store portfolio is now live on this tech stack. It's bringing online new capabilities like mobile ordering and scaling them much faster than we've been able to do in the past. And what's truly exciting is that this not only creates a consistent customer experience -- it started in Europe, is going to Latin America and the Caribbean and eventually to Asia -- of enabling a consistent customer experience across store types is a solution we call Starbucks Connect. You heard Brady talk about that earlier.

We've built a technical solution for licensees to participate in our Starbucks Reward program, Mobile Order & Pay. With Connect, our customers will have a consistent experience wherever they are. Connects attracts new Starbucks Reward members and helps grow our licensed store business. It's a big deal, and it's rolling out quickly -- in stores. And the value is clear. We see Connect stores quickly scaling from what used to be zero to almost 1/4 of transactions coming through the digital like that.

Third, we will optimize. As we become speedier, we will also become -- The opportunities to streamline and simplify are immense. We will eliminate redundancies, and we will leverage the world-class technology that we already have. This will provide cost savings that we can direct to future technology investments.

One area for optimizing is rationalizing the hardware we have in our stores. This spring, we began to ask ourselves, where else could we go with the multitude of digital assets that today almost -- how could we use what we already have to power new experiences?

We launched a test that went live last August at the Microsoft Campus Learning store, where we're testing different digital experiences of the future for our customers and -- important experiment. We're seeking to find ways to extend our digital assets, the ones we already have to do more for our business. We have an opportunity to transform the partner experience if we take our customer-facing digital assets and make them barista-facing as well.

Some of the highlights of the proof of concept that will -- include things like multitasking, multiuse hardware, finding ways to equip our partners with devices that enable a more modern experience to support key shift work through a single pane of glass, customer usuals, all -- and add customer favorites to in-store orders. Imagine how this could approve millions of daily customer interactions and enable faster speed of service.

Nutritional information. Adding this information to ordering workflows, which stream -- reusable technology, determining where we can make our tech more flexible and reusable. Hardware independent, if you will. We want any high performance application to work -- this will maximize the value of the equipment we put in our stores while giving us the flexibility for future store designs and future customer and partner experiences.

Accessibility. I'm especially proud that we are designing inclusive experiences that support our partners' accessibility needs and ways of working. In our -- partner was able to take orders with the help of a screen reader. Talk about being performance-driven through the lens of humanity.

We have an incredible focus on reinventing the -- customers in our stores. You've heard that all morning. The bottom line is this, tech is at the heart of bringing all of these experiences to life. You heard me talk about stabilizing MLP a little bit earlier. Is that in service of our customer -- of course, it's in service of all three. Our technology cannot be designed for a single stakeholder. It must be built to support the holistic Starbucks Experience.

It's about our 5 strategic shifts. Technology does not support those moves discretely. It spans all of the reinvention plan, lighting up different aspects of it. And we are making unprecedented investments to fuel this reinvention. We're investing roughly \$200 million across all of our functions -- going towards technology.

Now when it comes to our customers, we're leaning into innovation and embracing emerging tech solutions to deliver hyper-relevant, scalable customer experiences. And we're converging our digital customer-facing assets with in-store tools to help design these experiences of the future.

As you heard from Brady with -- our transactions, making digital ordering effortless is a top investment priority. We're building the foundation to enable even more customer personalization -- journeys by driving the next best action in our Starbucks Reward life cycle and in our app, providing relevant event-based offers and content, simplify the process.

In addition, we're developing a frictionless payment program that will automatically recognize and authenticate our customers as they pass the drive-through, helping unlock a more personalized and effortless experience for them and for -- more way that we're improving the customer experience is making enhancements to our mobile app. That means real-time updates. So our customers know the status of their orders before they arrive to the store.

We're also load balancing across multiple stores to improve throughput and evenly distribute peak hours. We'll also be using artificial intelligence and machine learning to really tweak and fine-tune our wait time algorithm so that they take into account changing customer behavior, more mobile orders and more business coming through our delivery channel.

Now shifting to our stores and partners. We've got a number of things in flight that automate, test and streamline processes. One of the ways that we're optimizing the experience for our partners is handheld ordering. Our partners have been using it to expedite orders in the drive-through. And what they're telling us is that these tablets are easy to use and easy to read. Whether that's on a sunny day in Florida, or it's a little rainy here in Seattle, working on this partner app, which I think you heard Frank talk about earlier.

We're starting to deploy it. And the whole idea here is to unite all partners as one Starbucks. And as Frank said, it's one of these personalized tools that we believe is going to empower our partners to thrive at work. It's really important.

We're co-creating the app with features that are important to our partners. And we'll continue to learn and develop more of these features as we continue to roll it out. And they're telling us that they would like things like viewing and managing their schedule and pay, things -- fostering connections and then helping drive personal career growth and even more. The launch of the partner app is a great example of how tech is helping redesign what it means to be a partner.

And perhaps even more exciting -- we're doing to enable customers to reward great service with tipping. Today, we enable in-app tipping for Starbucks Reward members who use the store value card. And we're going to make that easier. And we're making it easier for all customers to be -- no matter how they pay or where they pay.

Whether it's automated ordering, smart capacity planning, automated receiving and counting or micro fulfillment, the tech team has the same job each and every day. We're striving to eliminate task for our partners (inaudible), master making great beverages and connecting with our customers.

So I want to end with where we began, education. The history of education technology is one of continuously giving teachers more and better tools to deliver -- education professionals to build the trust-based relationships that they need to inspire and nurture their students' minds.

As a company, we have spent 50 years inspiring and nurturing the human spirit. Our partners do that every day -- that trust with our customers. And we are relying on our partners to continue to foster those moments of connection.

So much like education technology, Starbucks technology does not seek to replace our partners, but instead seeks to elevate -- century's worth of connections. I'm so excited to be here on behalf of the tech team and to help power those experiences at scale that only Starbucks can. Thank you.

Tiffany Willis {BIO 21492161 <GO>}

All right. So now we're going to actually break for our rotation. So everyone should have a badge. And if you look on the back of your badge, you're going to see your group name and a table number. So the group name Espresso, you're going to go and enjoy lunch first, followed by experience in our Tryer showcase. If it's refresher, you're going to go to the Tryer showcase first and then you'll enjoy lunch. And then the table number that you have is the table that you -- we have one of our leaders at each of the lunches in both sessions. And so you'll have the experience of sitting and talking with some of our Starbucks leaders. But just as a kind reminder, we're still under -- ask that you hold any and all financial questions to the broader Q&A session this afternoon.

We have Green Apron Partners that will escort you throughout your rotations.

So now Green Apron Partners, the audience is in your hands.

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