

Item 8. Financial Statements and Supplementary Data

STARBUCKS CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
(in millions, except per share data)

Fiscal Year Ended	Sep 29, 2019	Sep 30, 2018	Oct 1, 2017
Net revenues:			
Company-operated stores	\$ 21,544.4	\$ 19,690.3	\$ 17,650.7
Licensed stores	2,875.0	2,652.2	2,355.0
Other	2,089.2	2,377.0	2,381.1
Total net revenues	26,508.6	24,719.5	22,386.8
Cost of sales	8,526.9	7,930.7	7,065.8
Store operating expenses	10,493.6	9,472.2	8,486.4
Other operating expenses	371.0	554.9	518.0
Depreciation and amortization expenses	1,377.3	1,247.0	1,011.4
General and administrative expenses	1,824.1	1,708.2	1,408.4
Restructuring and impairments	135.8	224.4	153.5
Total operating expenses	22,728.7	21,137.4	18,643.5
Income from equity investees	298.0	301.2	391.4
Operating income	4,077.9	3,883.3	4,134.7
Gain resulting from acquisition of joint venture	—	1,376.4	—
Net gain resulting from divestiture of certain operations	622.8	499.2	93.5
Interest income and other, net	96.5	191.4	181.8
Interest expense	(331.0)	(170.3)	(92.5)
Earnings before income taxes	4,466.2	5,780.0	4,317.5
Income tax expense	871.6	1,262.0	1,432.6
Net earnings including noncontrolling interests	3,594.6	4,518.0	2,884.9
Net earnings/(loss) attributable to noncontrolling interests	(4.6)	(0.3)	0.2
Net earnings attributable to Starbucks	\$ 3,599.2	\$ 4,518.3	\$ 2,884.7
Earnings per share — basic	\$ 2.95	\$ 3.27	\$ 1.99
Earnings per share — diluted	\$ 2.92	\$ 3.24	\$ 1.97
Weighted average shares outstanding:			
Basic	1,221.2	1,382.7	1,449.5
Diluted	1,233.2	1,394.6	1,461.5

See Notes to Consolidated Financial Statements.

STARBUCKS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

Fiscal Year Ended	Sep 29, 2019	Sep 30, 2018	Oct 1, 2017
Net earnings including noncontrolling interests	\$ 3,594.6	\$ 4,518.0	\$ 2,884.9
Other comprehensive income/(loss), net of tax:			
Unrealized holding gains/(losses) on available-for-sale securities	10.5	(7.0)	(9.5)
Tax (expense)/benefit	(2.3)	1.9	2.9
Unrealized gains/(losses) on cash flow hedging instruments	(14.1)	24.4	53.2
Tax (expense)/benefit	3.4	(6.5)	(12.6)
Unrealized gains/(losses) on net investment hedging instruments	(39.8)	7.8	20.1
Tax (expense)/benefit	10.1	(2.2)	(7.4)
Translation adjustment and other	(146.2)	(220.0)	(38.3)
Tax (expense)/benefit	2.5	3.4	(2.4)
Reclassification adjustment for net (gains)/losses realized in net earnings for available-for-sale securities, hedging instruments, and translation adjustment	1.3	24.7	(67.2)
Tax expense/(benefit)	1.6	(1.2)	14.0
Other comprehensive income/(loss)	(173.0)	(174.7)	(47.2)
Comprehensive income including noncontrolling interests	3,421.6	4,343.3	2,837.7
Comprehensive income/(loss) attributable to noncontrolling interests	(4.6)	(0.3)	0.2
Comprehensive income attributable to Starbucks	<u>\$ 3,426.2</u>	<u>\$ 4,343.6</u>	<u>\$ 2,837.5</u>

See Notes to Consolidated Financial Statements.

STARBUCKS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	Sep 29, 2019	Sep 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,686.6	\$ 8,756.3
Short-term investments	70.5	181.5
Accounts receivable, net	879.2	693.1
Inventories	1,529.4	1,400.5
Prepaid expenses and other current assets	488.2	1,462.8
Total current assets	5,653.9	12,494.2
Long-term investments	220.0	267.7
Equity investments	396.0	334.7
Property, plant and equipment, net	6,431.7	5,929.1
Deferred income taxes, net	1,765.8	134.7
Other long-term assets	479.6	412.2
Other intangible assets	781.8	1,042.2
Goodwill	3,490.8	3,541.6
TOTAL ASSETS	\$ 19,219.6	\$ 24,156.4
LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)		
Current liabilities:		
Accounts payable	\$ 1,189.7	\$ 1,179.3
Accrued liabilities	1,753.7	1,752.5
Accrued payroll and benefits	664.6	656.8
Income taxes payable	1,291.7	102.8
Stored value card liability and current portion of deferred revenue	1,269.0	1,642.9
Current portion of long-term debt	—	349.9
Total current liabilities	6,168.7	5,684.2
Long-term debt	11,167.0	9,090.2
Deferred revenue	6,744.4	6,775.7
Other long-term liabilities	1,370.5	1,430.5
Total liabilities	25,450.6	22,980.6
Shareholders' equity/(deficit):		
Common stock (\$0.001 par value) — authorized, 2,400.0 shares; issued and outstanding, 1,184.6 and 1,309.1 shares, respectively	1.2	1.3
Additional paid-in capital	41.1	41.1
Retained earnings/(deficit)	(5,771.2)	1,457.4
Accumulated other comprehensive loss	(503.3)	(330.3)
Total shareholders' equity/(deficit)	(6,232.2)	1,169.5
Noncontrolling interests	1.2	6.3
Total equity/(deficit)	(6,231.0)	1,175.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)	\$ 19,219.6	\$ 24,156.4

See Notes to Consolidated Financial Statements.

STARBUCKS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

<u>Fiscal Year Ended</u>	Sep 29, 2019	Sep 30, 2018	Oct 1, 2017
OPERATING ACTIVITIES:			
Net earnings including noncontrolling interests	\$ 3,594.6	\$ 4,518.0	\$ 2,884.9
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	1,449.3	1,305.9	1,067.1
Deferred income taxes, net	(1,495.4)	714.9	95.1
Income earned from equity method investees	(250.6)	(242.8)	(310.2)
Distributions received from equity method investees	216.8	226.8	186.6
Gain resulting from acquisition of joint venture	—	(1,376.4)	—
Net gain resulting from divestiture of certain retail operations	(622.8)	(499.2)	(93.5)
Stock-based compensation	308.0	250.3	176.0
Goodwill impairments	10.5	37.6	87.2
Other	187.9	89.0	68.9
Cash provided by changes in operating assets and liabilities:			
Accounts receivable	(197.7)	131.0	(96.8)
Inventories	(173.0)	(41.2)	14.0
Prepaid expenses and other current assets	922.0	(839.5)	(20.0)
Income taxes payable	1,237.1	146.0	(91.9)
Accounts payable	31.9	391.6	46.4
Deferred revenue	(30.5)	7,109.4	130.8
Other operating assets and liabilities	(141.1)	16.4	107.2
Net cash provided by operating activities	5,047.0	11,937.8	4,251.8
INVESTING ACTIVITIES:			
Purchases of investments	(190.4)	(191.9)	(674.4)
Sales of investments	298.3	459.0	1,054.5
Maturities and calls of investments	59.8	45.3	149.6
Acquisitions, net of cash acquired	—	(1,311.3)	—
Additions to property, plant and equipment	(1,806.6)	(1,976.4)	(1,519.4)
Net proceeds from the divestiture of certain operations	684.3	608.2	85.4
Other	(56.2)	5.6	54.3
Net cash used by investing activities	(1,010.8)	(2,361.5)	(850.0)
FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	1,996.0	5,584.1	750.2
Repayments of long-term debt	(350.0)	—	(400.0)
Proceeds from issuance of common stock	409.8	153.9	150.8
Cash dividends paid	(1,761.3)	(1,743.4)	(1,450.4)
Repurchase of common stock	(10,222.3)	(7,133.5)	(2,042.5)
Minimum tax withholdings on share-based awards	(111.6)	(62.7)	(82.8)
Other	(17.5)	(41.2)	(4.4)
Net cash used by financing activities	(10,056.9)	(3,242.8)	(3,079.1)
Effect of exchange rate changes on cash and cash equivalents	(49.0)	(39.5)	10.8
Net increase/(decrease) in cash and cash equivalents	(6,069.7)	6,294.0	333.5
CASH AND CASH EQUIVALENTS:			
Beginning of period	8,756.3	2,462.3	2,128.8
End of period	\$ 2,686.6	\$ 8,756.3	\$ 2,462.3
SUPPLEMENTAL DISCLOSURE OF CASH FLOW			
Cash paid during the period for:			
Interest, net of capitalized interest	\$ 299.5	\$ 137.1	\$ 96.6
Income taxes, net of refunds	\$ 470.1	\$ 1,176.9	\$ 1,389.1

See Notes to Consolidated Financial Statements.