Prepared by: Trinh Bao Quyen Nguyen

RECOMMENDATION	HOLD
Date	02/22/2024
Current Price	$95.78
Target Price	$131.29
Upside	37.1%
Industry	Coffee & Snacks
Ticker	SBUX
Stock Exchange	NASDAQ
Shares Outstanding	1,142,600,000
Market Capitalization	$109,438,228
EPS (2023)	$3.60

Figure 1: Investment Summary
Source: Individual Analysis

Figure 2: Starbucks Logo

402,000 employees

38,000 stores

Presence in 80 countries

Source: Forbes

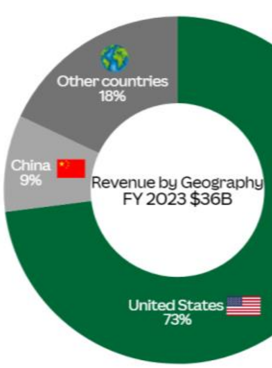


Figure 3: Revenue by Geography
Source: Individual Analysis

EXECUTIVE SUMMARY

Starbucks Corporation represents a compelling investment opportunity, underscored by its robust financial growth, strategic market expansions, and strong industry positioning. With a significant revenue increase projected from $35.976 billion in 2023 to $46.123 billion by 2028 and a DCF analysis indicating an intrinsic value per share significantly above the current market price, Starbucks appears undervalued, suggesting a potential for capital appreciation. Despite facing industry risks, the company's effective risk mitigation strategies and alignment with global coffee consumption trends bolster its long-term growth prospects. The recommendation to **HOLD** (Figure 1) reflects confidence in Starbucks' ongoing financial health, market adaptation capabilities, and potential for investor returns.

BUSINESS DESCRIPTION

Since its humble beginnings in 1971 at Seattle's historic Pike Place Market, Starbucks Corporation has grown from a single storefront to an international coffee giant, with over 38,000 locations in more than 80 countries (Starbucks 10-K, 2023) and approximately 402,000 employees (Forbes, 2024). Starbucks, known worldwide for its unique mermaid logo (Figure 2), has cemented its place as the leading roaster, marketer, and retailer of specialty coffee. The brand began modestly in a Seattle market and has since grown into a massive global coffeehouse chain. These places are acclaimed not only for their quality drinks, but also for their appealing environment, which provides a "third space" that crosses the divide between work and home, as noted by Starbucks in 2022.

BUSINESS SEGMENTS AND GEOGRAPHY REACH

Starbucks Corporation delivered outstanding performance during the fiscal year 2023, with major contributions from its three primary operational segments: North America, International, and Channel Development, according to the company's 10-K filing. The North America division, particularly United States and Canada, remains the most mature and biggest, reflecting Starbucks' considerable presence in these markets. The International section includes areas such as China, Japan, Asia Pacific, Europe, the Middle East and Africa, Latin America, and the Caribbean, with a concentration on selling coffee and other beverages, food, and products through company-owned and licensed outlets (Starbucks, 2023). The revenue distribution shows that beverages are the largest business segment, accounting for 60% of total revenue, followed by food at 18% and other income streams at 21% (Figure 4). Geographically, the United States dominates with 73% of total revenues, while China has a 9% share, highlighting its importance as a key growing market. Other nations contribute 18%, with Japan, Canada, and the United Kingdom accounting for nearly 71% of regional net revenues (Figure 3). This distribution highlights Starbucks' strong customer preference for its beverage choices, as well as its successful development and domination in the United States and expanding impact in other markets, notably China and other major countries.

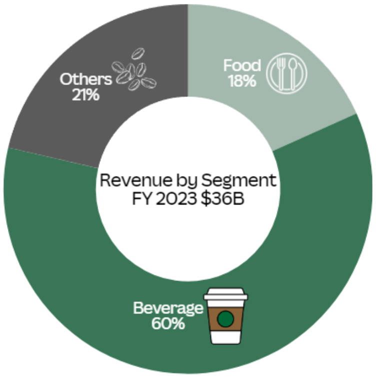
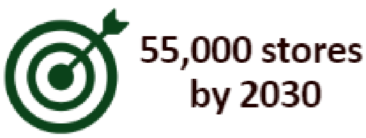


Figure 4: Revenue by Business Segments
Source: Individual Analysis

GROWTH STRATEGY

Starbucks announced its current growth strategy, which aims to achieve considerable expansion and cost reductions in the coming years. The strategy involves expanding its global footprint, with a target of 35,000 stores outside of North America by 2030, contributing to a total of 55,000 locations globally (Lucas, 2023). This expansion prioritizes international growth, with three out of every four new stores opening outside the United States. Furthermore, Starbucks announced a $3 billion cost-cutting plan, with savings resulting from improved retail productivity and lower cost of products sold (Lucas, 2023). Part of this strategy transformation, known as the "Triple Shot Reinvention Strategy," involves salary hikes for baristas, with the goal of doubling their hourly income from fiscal 2020 to fiscal 2025 (Starbucks, 2023). Despite recent challenges, including over 350 unionized sites and legal claims, Starbucks announced fiscal fourth-quarter earnings and revenue that exceeded Wall Street's expectations, indicating strong momentum (Lucas, 2023). The organization continues to address operational difficulties, with the goal of improving service speed and quality via the use of new technology and store styles. CEO Laxman Narasimhan, who succeeds Howard Schultz, is dedicated to accelerating this "reinvention" to improve sales and efficiency, which aligns with financial estimates that predict considerable profitability and same-store sales growth over the next several years (Starbucks 2023).

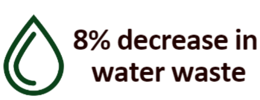


Source: CNBC

Source: CNBC

ENVIRONMENTAL

According to Starbucks’ 2023 Global Impact Report, Starbucks commits to a sustainable future with its Environmental Promise, aiming to become resource positive by 2030. This involves a comprehensive approach focusing on climate change, water conservation, and waste reduction. Starbucks has set ambitious goals to cut its climate, water, and waste footprints in half by 2030 compared to a FY19 baseline. Despite an 8% increase in total emissions since the baseline year, the company has achieved a 9% decrease in total water withdrawal and is addressing waste challenges, with 14% of customer packaging now being reusable, recyclable, or compostable. Starbucks is a founding member of Transform to Net Zero, indicating its leadership in corporate environmental responsibility (Starbucks, 2023). The company's efforts extend across its global operations, engaging with suppliers, nonprofit organizations, and industry partners to drive sustainable solutions.



Source: Starbucks’ 2023 Global Impact Report

SOCIAL

Starbucks' social initiatives are deeply integrated into its corporate ethos, focusing on diversity, equity, inclusion, and accessibility. The company is dedicated to creating an inclusive environment that supports its partners (employees) and communities. Efforts include the development and scaling of inclusive design standards, enhancing accessibility, and promoting equity within the workplace. Starbucks is committed to human rights, demonstrated by its adherence to international standards and completion of a comprehensive Human Rights Impact Assessment (Starbucks, 2023). The company actively supports its partners' rights, including their right to organize and bargain collectively, and has made strategic investments to enhance its governance processes and ensure adherence to labor laws. Starbucks' commitment to social impact is evident in its continued efforts to support its partners, farmers, and the broader community, aiming to create a positive and inclusive environment for all stakeholders (Starbucks, 2023).

GOVERNANCE

Starbucks' governance structure is designed to support its environmental and social goals, closely tied to the company's overall strategy. The Board of Directors plays a crucial role, with the formation of the Environmental Partner and Community Impact Board Committee to oversee and drive accountability across various sustainability and community impact initiatives (Starbucks, 2023). Starbucks has integrated environmental sustainability and diversity into its executive compensation programs, reinforcing its commitment to these areas. The company also emphasizes ethical leadership and integrity, with comprehensive Ethics & Compliance programs that cover a range of topics, including anti-harassment, anti-discrimination, and anti-bribery standards (Starbucks, 2023). These programs are designed to foster an environment of ethical business practices and responsible conduct, with a focus on transparency, accountability, and continuous improvement. Starbucks' governance practices reflect a commitment to ethical business conduct and the promotion of long-term, sustainable growth.

DIVERSITY

People of Color (POC)

30% in Corporate
40% in Retail & Manufacturing

Source: Starbucks' 2023 Global Impact Report

Female Representation

50% in Corporate
55% in Retail

Source: Starbucks' 2023 Global Impact Report

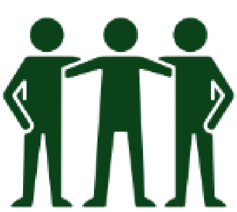
Starbucks is committed to fostering a diverse environment where every partner feels valued and respected. The company's efforts to build an inclusive culture are reflected in their workforce composition, with significant strides made towards racial and ethnic diversity. As of FY23, Starbucks has set ambitious targets to increase diversity within its team, aiming for at least 30% representation of people of color (POC) in corporate roles and 40% in retail and manufacturing roles by 2025 (Starbucks, 2023). Additionally, Starbucks is working towards achieving a minimum of 50% female representation across all corporate levels and 55% in retail roles (Starbucks, 2023). This commitment to diversity is evident in their current workforce metrics, demonstrating progress towards these goals.

Starbucks' approach to equity is deeply embedded in its corporate ethos, aiming to create a balanced and fair work environment for all employees. The company strives for equitable representation and opportunities across all levels of the organization (Starbucks, 2023). By setting clear goals for 2025, Starbucks is dedicated to ensuring that women and people of color are well-represented in its workforce, reflecting the company's commitment to fairness and equality. This dedication to equity is part of a larger mission to maintain Starbucks as a company where everyone has the opportunity to succeed and grow professionally.

INCLUSION

Inclusion at Starbucks is about creating a space where everyone feels they belong and can contribute meaningfully. The company is dedicated to nurturing an inclusive environment, highlighted by its comprehensive strategies to enhance belonging among all partners. Starbucks aims for all corporate, retail, and manufacturing roles to reflect the diversity of the communities they serve, promoting a sense of inclusion and belonging. By 2025, Starbucks is committed to increasing representation to create a more inclusive workforce, thereby ensuring that the company remains a welcoming space for all individuals (Starbucks, 2023).

BELONGING



Starbucks places a high priority on fostering a sense of belonging within its global community. This commitment is rooted in the company's mission and values, emphasizing that real inclusion and belonging require deliberate intent and are not merely reflected by metrics (Starbucks, 2023). Starbucks is on a continuous journey to create environments where everyone feels welcome and valued. The company's culture is a testament to the collective efforts of partners who have committed to making Starbucks a unique company focused on human connection. By continually making necessary improvements, Starbucks strives to maintain a diverse, inclusive, equitable, and accessible environment, ensuring that every partner and customer feels a strong sense of belonging.

INDUSTRY OVERVIEW

The coffee and beverage industry has been experiencing growth in the coffee sector, which was valued at $132.13 billion in 2024 and is forecasted to reach $166.39 billion by 2029 showing a growth rate (CAGR) of 4.72% annually (Modor Intelligence, 2024). The wider beverage market is highly competitive, with major players like Nestlé, PepsiCo and The Coca Cola Company leading the way and adapting to meet the increasing consumer demand for more environmentally friendly options.

In the coffee realm there's a range of products including beans, ground coffee, instant varieties, as well as newer options like coffee pods and capsules. On the hand the beverage industry offers everything from beer, wine, and spirits to non-alcoholic choices like energy drinks, sports beverages, soft drinks, and bottled water. The distribution channels have expanded beyond outlets to include growth in online retail sales post pandemic.

Internationally this industry sees consumption patterns established in North America and Europe while also witnessing rising demand in emerging markets across Asia. This underscores its presence spanning from sourcing raw materials to production processes and intricate supply chain networks. Companies are keen on catering to consumer preferences by focusing on market trends through expansion efforts and innovative strategies for staying competitive. There's a blend of tradition with modernization evident in the evolution of coffee offerings that align with lifestyles while embracing sustainability practices.

In the coming years the coffee and beverage sectors are expected to experience expansion with a focus on sustainability and ethical sourcing. Their success will depend on creating products that do not meet consumer preferences but align with environmental and social obligations. Future developments are likely to involve product offerings and market growth driven by consumer feedback and sustainable practices positioning companies that evolve and introduce ideas for long-term success and industry prominence.

COMPETITIVE POSITIONING

1. Inbound Logistics and Quality Control:

Starbucks secures a competitive edge through direct procurement and proprietary roasting of high-quality coffee beans from Latin America, Africa, and Asia, ensuring premium quality from the outset (Bajpai, 2023). The company's meticulous approach to selecting and roasting coffee beans underlines its commitment to quality, differentiating Starbucks from competitors and adding significant value to its offerings.

2. Global Operations and Market Presence:

Operating in over 80 markets with more than 36,000 stores globally, Starbucks' expansive retail footprint showcases its dominance (Starbucks, 2023). The blend of company-operated and licensed stores allows Starbucks to maintain control over the brand while leveraging local market expertise, contributing to its substantial revenue and widespread brand recognition (Starbucks, 2023).

3. Customer Experience and Service:

Starbucks enhances its competitive position through the unique Starbucks Experience, focusing on superior customer service and store ambiance. The company's investment in barista training and store environment creates a differentiated service that fosters customer loyalty and enhances the overall value proposition (Bajpai, 2023).

4. Technology Integration and Customer Engagement:

The integration of technology, particularly through the Starbucks app and rewards program, reinforces customer loyalty and streamlines operations. Starbucks' use of technology for customer engagement, feedback implementation, and innovative ordering processes, such as the iBeacon system, which allows consumers to purchase a drink via the Starbucks phone app and receive a notice of its availability when they walk into the store (Bajpai, 2023). This has positioned the company at the forefront of digital integration in the coffee industry.

Figure 5: Industry CAGR
Source: Motor Intelligence

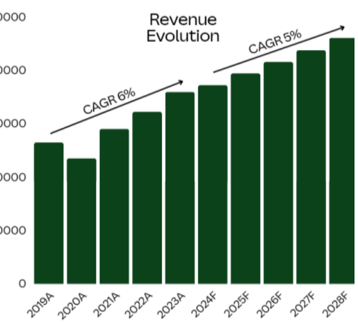


Figure 6: Revenue Evolution
Source: Individual Analysis

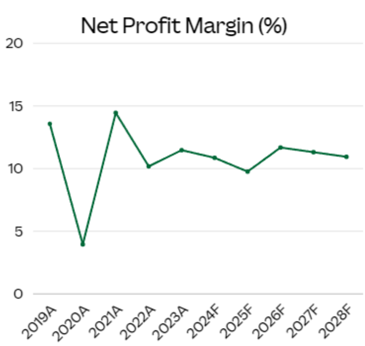


Figure 7: Return on Sales/Net Profit Margin
Source: Individual Analysis

1. Starbucks' Revenue Strategic Growth

Figure 6 shows Starbucks' impressive growth pattern with an annual growth rate (CAGR) of 6%, from 2019 to 2023 and a projected rate of 5% from 2024 to 2028 as seen in the revenue graph based on industry expectation and their business segments - food, beverage, and others. This strategic shift aligns with Starbucks goal to reach 55,000 stores by 2030 indicating an approach to sustainable expansion and market leadership. This expansion stands out compared to the industry's CAGR of 4.72% (Figure 5) showcasing Starbucks' strong performance and strategic positioning. The company's focus extends beyond opening stores; it also prioritizes improving current customer experiences, digital innovation and expanding into both current and new markets. Starbucks methodical growth strategy aims to leverage the increasing coffee trend while adapting to changing consumer preferences and behaviors. The slower growth pace post 2023 reflects a move towards solidifying its market presence and concentrating on development finding a balance between expansion and saturation. Additionally, Starbucks dedication to sustainability and ethical sourcing resonates with consumers enhancing its edge and customer loyalty. By integrating technology for efficiency and engaging customers effectively, Starbucks is poised to exceed market expectations while driving revenue growth forward in the long run.

Starbucks is focused on a strategy which includes improving the in-store experience and utilizing digital platforms. This demonstrates their commitment to staying at the forefront of the industry and expanding globally, ensuring success in the evolving coffee market.

2. Return on Sales (RoS)

The Return on Sales (RoS), which is often referred to as profit margin serves as a gauge of a company's operational efficiency. It represents the percentage of revenue that turns into profit after considering all expenses.

For Starbucks, the RoS data from 2023 to 2028 suggests that the company excels in converting sales into income essential for sustaining profitability in the coffee sector. Beginning at 11.47% in 2023 there is a slight decline to 9.76% in 2025 possibly due to factors like rising costs, expansion investments or competitive market challenges (Figure 7).

Nevertheless, this drop does not indicate a pattern because there is an uptick the following year to 11.68% in 2026 (Figure 7). This indicates that Starbucks might have efficiently managed its expenditures or enhanced operational efficiencies through economies of scale from its expansion approach or successful product and market innovations.

The gradual decrease in RoS over the years to reach 10.94% by 2028 (Figure 7) could signify market saturation increased investments in markets or stabilization of revenue growth following a phase of expansion. Despite this, Starbucks continues to perform above the industry average with a Compound Annual Growth Rate (CAGR) of 4.72% showing its ability to exceed market expectations.

With plans to reach 55,000 stores by 2030 and a steady industry CAGR, Starbucks is able to utilize its growing presence for increased revenue. The slight variations in Return on Sales (RoS) are typical for a company experiencing growth and expansion. Starbucks' RoS reflects health with a consistent trend that investors may find reassuring indicating the company's skill in managing growth while staying profitable. This financial strength and operational efficiency demonstrated by RoS are expected to play a role in Starbucks' ongoing success as it expands globally.

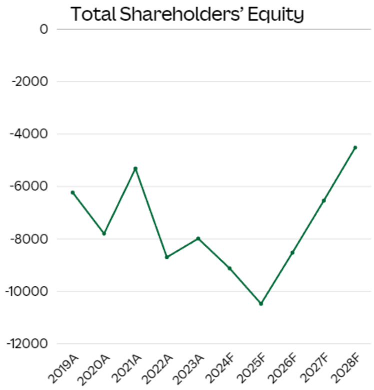


Figure 8: Total Equity Forecast
Source: Individual Analysis

3. Negative Total Shareholders' Equity:

The forecasted total shareholders' equity for Starbucks indicates a downward trend with equity dipping significantly into negative territory from 2020 to 2023. However, projections show a strong recovery by 2025, followed by a return to negative in 2026 before a steep climb back into positive figures by 2028 (Figure 8). This volatility suggests potential financial instability and uncertain future shareholder value.

Shareholders' equity, often associated with troubled businesses, is now being observed in profitable companies. This shift reflects a strategy rather than a distress signal (Porter, 2023). Companies such as McDonalds, Starbucks, Yum! Brands and Papa Johns have effectively employed this approach by distributing than 100% of their earnings through dividends and share buybacks, which can benefit their shareholders (Workman, 2021).

The presence of equity is made possible by a difference between the return on assets and the cost of liabilities. This allows these companies to borrow money at interest rates while generating returns on their assets due to valuable intangible assets such as brand reputation and efficient supply chain management. For businesses with brands and operational effectiveness conventional equity-based metrics may not accurately reflect their value. In situations where the cost of equity surpasses the cost of debt leveraging debt, for share repurchases can be a move that might result in undervaluation based on metrics potentially offering an opportunity for investors to benefit (Workman, 2021).

However, the sustainability of distributing over 100% of earnings is questionable, with Yum! Brands appearing to have limited capacity to continue this practice. Massive debt issuance to enable negative equity and shareholder payouts increases financial risk, particularly if future interest rates rise significantly. Negative equity can be characteristic of both high-quality and distressed companies, making it a potentially ambiguous signal that complicates investment decision-making. Companies with negative equity relying on non-traditional funding sources like negative working capital may face challenges if those sources dry up or become more costly. The aggressive financial strategy of using debt for share repurchases can lead to overvaluation in traditional metrics, potentially misleading investors about the company's financial health and long-term sustainability.

INVESTMENT SUMMARY

Starbucks Corporation, a global leader in the coffee industry, presents an attractive investment opportunity supported by robust financial performance, strategic initiatives, and favorable market dynamics. A thorough analysis incorporating quantitative metrics, market trends, and growth drivers reveals Starbucks' potential to deliver sustainable value for investors over the long term.

1. Financial Performance Analysis:

Starbucks has consistently delivered strong financial results, driven by its ability to generate revenue growth and maintain healthy profitability margins. Reviewing historical financial data, Starbucks achieved revenues of $35.976 billion in fiscal year 2023, representing a year-over-year growth rate of 16.6%. This growth momentum is expected to continue, with revenue forecasts indicating an increase to $46.123 billion by fiscal year 2028, reflecting a compounded annual growth rate (CAGR) of 5.3%. Despite slight fluctuations in margins, Starbucks maintains robust profitability metrics, with an EBITDA margin of 20% in fiscal year 2023 and a projected EBIT margin of 16% over the forecast period.

2. Outlook and Growth Drivers:

Looking ahead, Starbucks is well-positioned to capitalize on several growth drivers expected to fuel revenue expansion and enhance shareholder value. These include anticipated increases in global coffee consumption driven by population growth, rising disposable incomes, and evolving consumer preferences. Market research suggests that coffee consumption is rising, with forecasts indicating a CAGR of 2.2% from 2023 to 2028. Starbucks' strategic initiatives in product innovation, digitalization, and expanding its global footprint align with these growth trends and position the company for continued success.

3. Scenario Analysis

1. Scenario Forecasted Revenues

In $ millions	2019 A	2020 A	2021 A	2022 A	2023 A	*2024 F*	*2025 F*	*2026 F*	*2027 F*	*2028 F*
Base Case Revenues	26,509	23,518	29,061	32,250	35,976	37,250	39,462	41,606	43,792	46,123
Growth Rate (%)		*(11.3%)*	*23.6%*	*11.0%*	*11.6%*	*3.5%*	*5.9%*	*5.4%*	*5.3%*	*5.3%*
Bull Case Revenues (10% up)	26,509	23,518	29,061	32,250	35,976	40,975	43,408	45,767	48,171	50,735
Growth Rate (%)		*(11.3%)*	*23.6%*	*11.0%*	*11.6%*	*13.9%*	*5.9%*	*5.4%*	*5.3%*	*5.3%*
Bear Case Revenues (10% down)	26,509	23,518	29,061	32,250	35,976	33,525	35,516	37,445	39,413	41,510
Growth Rate (%)		*(11.3%)*	*23.6%*	*11.0%*	*11.6%*	*(6.8%)*	*5.9%*	*5.4%*	*5.3%*	*5.3%*

Starbucks' projected revenue scenarios provide insights into the financial paths ahead. The base case scenario, representing the expected revenue trajectory for the company, indicates a recovery following a 11.3% decline in 2020 with growth rates ranging from 11.0% to 5.3% between 2021 and 2028. This steady growth outlook reflects both optimism and caution regarding Starbucks' capacity to sustain sales growth over the coming years.

In contrast the bullish scenario projecting revenues 10% higher than the base case suggests that if Starbucks can leverage market conditions introduce successful new products or expand into new markets more aggressively it could achieve even stronger performance. This scenario peaks with a growth rate of 13.9% in 2024 before aligning with the base case growth rates after 2025 indicating that substantial growth potential may be concentrated in this outlook.

On the hand the bearish scenario—anticipating revenues to be 10% lower than the base case—reflects challenges stemming from factors, like market saturation heightened competition or economic downturns. Notably in 2023 this scenario predicts a decline of 6.3% underscoring risks that could impede Starbucks revenue expansion.

These examples show the outcomes for Starbucks in the future. Although the company is projected to expand there is an understanding of the uncertainty and potential dangers. Investors should be aware of the possibility that things may not go as hoped particularly given the recent decline in shareholders' equity, which could worsen with lower revenues. On a note there is a chance, for growth if strategic plans are carried out successfully and market conditions remain favorable.

4. Discounted Cash Flow (DCF) Analysis:

Valuation Based on Discounted Cash Flows Methodology

		Entry	2024 F	2025 F	2026 F	2027 F	2028 F
Date		*10/1/2023*	*10/1/2024*	*10/1/2025*	*10/1/2026*	*10/1/2027*	*10/1/2028*
Time Periods		0	1	2	3	4	5
Revenues		**35,976**	**37,250**	**39,462**	**41,606**	**43,792**	**46,123**
Growth (%)		*16.6%*	*3.5%*	*5.9%*	*5.4%*	*5.3%*	*5.3%*
EBITDA		7,233	7,216	7,058	8,486	8,715	8,950
Margin (%)		*20%*	*19%*	*18%*	*20%*	*20%*	*19%*
EBIT		5,871	5,786	5,556	6,908	7,059	7,211
Margin (%)		*16%*	*16%*	*14%*	*17%*	*16%*	*16%*
- Cash Taxes	*24%*	(1,388)	(1,368)	(1,314)	(1,633)	(1,669)	(1,705)
NOPAT		**4,483**	**4,418**	**4,242**	**5,275**	**5,390**	**5,506**
+ D&A		1,363	1,431	1,502	1,577	1,656	1,739
- Capex		88	437	459	482	506	532
- Changes in NWC		24,004	380	(711)	(1,215)	(741)	(516)
Unlevered FCF		**29,937**	**6,666**	**5,493**	**6,120**	**6,812**	**7,261**
(Entry)/Terminal		(121,286)					212,018
Transaction CF		(121,286)	6,666	5,493	6,120	6,812	219,280

Terminal Value	
FCF 2028F	7,662
Growth Rate	*6%*
Perpetual Value	**212,018**
Rate of Returns	
Target Upside Return (%)	37.1%
Cost of Equity (%)	9.2%
IRR (%)	16.1%
ROIC (%)	40.9%
WACC (%)	9.1%
Market Value vs Intrinsic Value	
Market Value	95.78
Upside	35.51
Intrinsic Value	**131.29**

Conducting a detailed DCF analysis provides valuable insights into Starbucks' intrinsic value and investment potential. Utilizing forecasted cash flows, terminal value, and discount rates, the study yields an intrinsic value per share of $131.29, significantly higher than the current market price of $95.78. This valuation differential suggests that Starbucks is undervalued, presenting an opportunity for investors to benefit from potential capital appreciation as the market reflects the company's true worth.

5. Market Value Assessment and Comparative Analysis:

Market Value	
Market Cap.	109,438
+ Debt	15,400
- Cash	3,552
Enterprise Value	121,286
Equity Value/Share	95.78

Intrinsic Value	
Enterprise Value	161,855
- Debt	15,400
+ Cash	3,552
Equity Value	150,007
Equity Value/Share	131.29

Final Target Price	($, %)
Final Target Price per share	131.29
- Market Price of CS per share (as of today)	95.78
= Expected G/L on the CS investment ($)	35.51
= Expected return on the CS investment (%)	37.07%
Investment Proposal (BUY / HOLD / SELL)	HOLD

Assessing Starbucks' market value through enterprise value analysis reveals an enterprise value of $121,286 million, translating to an equity value per share of $95.78. However, when considering the intrinsic value calculation, which incorporates factors such as net debt and cash reserves, Starbucks' equity value appears undervalued. A comparative analysis against industry peers further reinforces Starbucks' favorable valuation metrics and competitive positioning within the coffee retail sector (ICO Report, 2023).

6. Risk Factors and Mitigation Strategies:

While Starbucks exhibits strong growth prospects and financial resilience, it is not immune to risks inherent in the industry and broader economic environment. Key risk factors include potential disruptions in the global coffee supply chain, shifts in consumer preferences, regulatory challenges, and macroeconomic uncertainties. However, Starbucks has implemented robust risk mitigation strategies to navigate these challenges effectively, including diversification of sourcing regions, ongoing innovation, and agile market adaptation.

7. Recommendation:

Based on the analysis and evaluation of Starbucks' financial performance, market dynamics, growth potential, and the fundamental analysis of the coffee industry and Starbucks' strategic alignment within this context, the recommendation is to **HOLD** the stock.

INVESTMENT RISKS

1. Risks Related to Global Business Operation:

Starbucks is facing investment challenges, with its business operations especially because it heavily relies on the North American market, which contributed to around 74% of its total revenues in the fiscal year 2023 (Figure 3). This heavy reliance exposes a vulnerability; any slowdown or decrease in sales in North America, particularly the U.S., could negatively impact Starbucks financial well-being since other sectors may not be able to offset losses. Additionally, a decline in cash flow could put at risk the company’s expansion into markets and returns for shareholders.

Moreover, the ongoing tensions between the U.S. And China and escalating sensitivities in China present a risk considering China’s significance as a key market for Starbucks profitability and growth. As China is projected to be Starbucks fastest growing market, any adverse political or economic events could significantly affect the company’s operations and overall profits (Starbucks 10-K, 2023). These challenges are further compounded by consumer preferences, higher operational costs abroad and regulatory complexities in markets. While Starbucks success in markets emerging economies is crucial for its long-term expansion it faces risks such as fluctuations in foreign currencies anti American sentiments and disruptions in supply chains due, to government interventions (Starbucks 10-K, 2023).

Starbucks needs to address risks to maintain its financial performance and achieve its growth goals. Failing to navigate these challenges could impact Starbucks attractiveness, to investors highlighting the importance of diversification and strategic risk management, in its endeavors.

2. Risks Related to Macroeconomic Conditions

Starbucks is greatly affected by factors that are often beyond its control. These factors include changes in real estate prices, inflation rates, interest rates, disruptions in the supply chain, shifts in government tax policies fluctuations in foreign currency exchange rates and the impact of weather conditions (Starbucks 10-K, 2023). Additionally, Starbucks faces risks from events, labor disputes and health crises in key markets like the U.S. and China, which could result in decreased consumer spending and have a negative impact on sales and profits.

The company’s performance is also influenced by changes in consumer spending habits. During downturns or periods of uncertainty consumers may adjust their spending patterns. Choose more budget friendly options instead of Starbucks products. This could affect Starbucks profit margins and overall financial performance. Moreover, reliance on suppliers and licensees who may struggle financially during downturns poses risks for Starbucks (Starbucks, 2023).

In addition to these factors, Starbucks stock performance is influenced by market perceptions and expectations. Failing to meet these expectations, regarding results and strategic plans like the Reinvention Plan, could lead to a decline in the stock price and increased market volatility. Therefore, it's crucial for investors to take note of these risks since they could impact Starbucks’ day to day operations and financial health, ultimately shaping investment choices.

RATIONALE:

Starbucks demonstrates strong fundamentals, attractive valuation metrics, and promising growth prospects, which support the hold recommendation. The company's solid financial footing, strategic initiatives, and favorable market positioning make it an appealing investment opportunity. The current market undervaluation allows investors to accumulate shares at an advantageous price point. Investors should maintain a long-term investment horizon, monitor key performance indicators, and capitalize on potential buying opportunities.

The global coffee production dynamics indicate a stable supply foundation, with Brazil's significant production increase mitigating supply risks for Starbucks. Despite fluctuations in global consumption, Starbucks is well-positioned to leverage growth opportunities, particularly in non-producing countries, aligning with anticipated consumption rebounds. Economic indicators, especially in North America, Starbucks' key market, support the company's growth prospects, given the region's substantial coffee consumption rate and positive GDP growth (ICO Report, 2023).

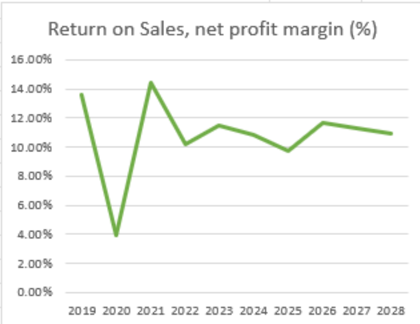
Additionally, Starbucks' financial valuation underscores its current undervaluation, with an intrinsic value signaling significant upside potential. The robust sensitivity analysis emphasizes the importance of closely monitoring market trends for adaptive investment strategies. As highlighted by the ICO report, regional economic influences may impact Starbucks' strategic decisions, reinforcing the company's initiatives in product innovation and customer experience alignment with economic trends in upcoming years.

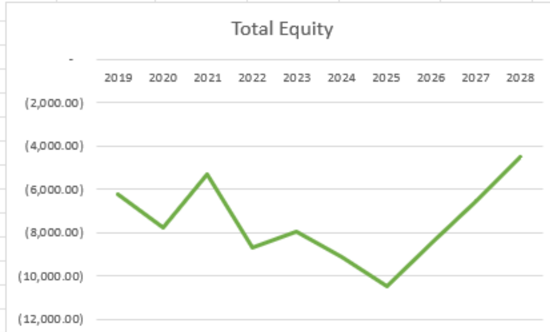
In conclusion, Starbucks' solid financials, strategic positioning, favorable industry conditions, and proactive response to economic dynamics support the hold recommendation. Investors should remain vigilant and attuned to economic conditions and coffee market trends for informed investment decisions. Holding Starbucks stock offers the opportunity to benefit from potential capital appreciation and long-term value creation as the company continues to execute its growth strategy and navigate evolving market dynamics (ICO Report, 2023).

APPENDIX A – Additional Graphs for Forecasted Net Profit Margin and Total Equity

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Return on Sales, net profit margin (%	13.58%	3.95%	14.45%	10.18%	11.47%	10.86%	9.76%	11.68%	11.31%	10.94%

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Total Equity	(6,231.00)	(7,799.40)	(5,314.50)	(8,698.70)	(7,987.80)	(9,121.92)	(10,473.33)	(8,524.19)	(6,537.68)	(4,516.08)





APPENDIX B – Estimating future stock repurchase and dividends given the announcement made.

"Starbucks forecasted that it would "return **$20 billion** to shareholders by the end of fiscal 2025" between regular **buybacks and dividends**. "
Source: https://perfectunion.us/starbucks-resumes-stock-buybacks-schultz/

	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F
Cash dividends paid	(1,761.30)	(1,923.50)	(2,119.00)	(2,263.30)	(2,431.80)	(2,385.96)	(2,269.70)	(2,865.90)	(2,920.88)	(2,975.74)
Repurchase of common stock	(10,222.30)	(1,698.90)	-	(4,013.00)	(984.40)	(2,767.79)	(2,884.05)	0	0	0
Forecasted buybacks and dividends remaining amount			20,000.00	13,723.70	10,307.50	5,153.75	-			
			(given from the press)							

APPENDIX C – Actual Consolidated Balance Sheet from 2019 to 2023

1. Balance sheet (B/S), as of year end	*2023 A*	*2022 A*	*2021 A*	*2020 A*	*2019 A*
ASSETS					
Current assets:					
Cash and cash equivalents	3,552	2,818	6,456	4,351	2,687
Short-term investments	402	365	162	281	71
Accounts receivable, net	1,184	1,176	940	883	879
Inventories	1,806	2,177	1,604	1,551	1,529
Prepaid expenses and other current assets	360	484	595	740	488
Total current assets	**7,303**	**7,019**	**9,756**	**7,806**	**5,654**
Long-term investments	247	279	282	206	220
Equity investments	440	311	269	479	396
Property, plant and equipment, net	7,387	6,561	6,370	6,241	6,432
Operating lease, right-of-use asset	8,413	8,016	8,236	8,134	0
Deferred income taxes, net	1,770	1,800	1,875	1,790	1,766
Other long-term assets	547	554	579	569	480
Other intangible assets	121	156	350	552	782
Goodwill	3,218	3,284	3,677	3,597	3,491
TOTAL ASSETS	**29,446**	**27,978**	**31,393**	**29,375**	**19,220**
LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)					
Current liabilities:					
Accounts payable	1,544	1,441	1,212	998	1,190
Accrued liabilities	2,145	2,137	1,973	1,161	1,754
Accrued payroll and benefits	828	762	772	696	665
Income tax payable	0	0	348	98	1,292
Current portion of operating lease liability	1,275	1,246	1,251	1,249	0
Stored value card liability and current portion of deferred revenue	1,700	1,642	1,596	1,457	1,269
Short-term debt	34	175	0	439	0
Current portion of long-term debt	1,819	1,749	999	1,250	0
Total current liabilities	**9,345**	**9,152**	**8,151**	**7,347**	**6,169**
Long-term debt	13,548	13,120	13,617	14,660	11,167
Operating lease liability	7,925	7,515	7,738	7,662	0
Deferred revenue	6,102	6,280	6,463	6,599	6,744
Other long-term liabilities	514	611	738	907	1,371
Total liabilities	**37,433**	**36,677**	**36,707**	**37,174**	**25,451**
Shareholders' deficit:					
Common stock ($0.001 par value)	1.10	1.10	1.20	1.20	1.20
Additional paid-in capital	38.1	205.3	846.1	373.9	41.1
Retained deficit	(7,256)	(8,450)	(6,316)	(7,816)	(5,771)
Accumulated other comprehensive income/(loss)	(778)	(463)	147	(365)	(503)
Total shareholders' deficit	(7,995)	(8,707)	(5,321)	(7,805)	(6,232)
Noncontrolling interests	7	8	7	6	1
Total deficit	**(7,988)**	**(8,699)**	**(5,315)**	**(7,799)**	**(6,231)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)	**29,446**	**27,978**	**31,393**	**29,375**	**19,220**

APPENDIX C1 – Actual Consolidated Statement of Earnings from 2019 to 2023

2. Income Statement for the year ended		*2023 A*	*2022 A*	*2021 A*	*2020 A*	*2019 A*
Net revenues:						
Company-operated stores		29,462	26,576	24,607	19,165	21,544
Licensed stores		4,513	3,656	2,684	2,327	2,875
Other		2,001	2,019	1,770	2,026	2,089
Total net revenues		**35,976**	**32,250**	**29,061**	**23,518**	**26,509**
Product and distribution costs		11,409	10,317	8,739	7,695	8,527
Store operating expenses		14,720	13,562	11,931	10,764	10,494
Other operating expenses		539	462	360	430	371
Depreciation and amortization expenses		1,363	1,448	1,442	1,431	1,377
General and administrative expenses		2,441	2,032	1,933	1,680	1,824
Restructuring and impairments		22	46	170	279	136
Total operating expenses		**30,495**	**27,867**	**24,574**	**22,279**	**22,729**
Income from equity investees		298	234	385	323	298
Gain from sale of assets		91	0	0	0	0
Operating income		5,871	4,618	4,872	1,562	4,078
Net gain resulting from divestiture of certain operations		0	0	865	0	623
		32%	32%	30%	33%	32%
Interest income and other, net		81.2	97	90.1	39.7	96.5
Interest expense		(550)	(483)	(470)	(437)	(331)
Earnings before income taxes		5,402	4,232	5,357	1,165	4,467
Income tax expense		1,277	949	1,157	240	872
Net earnings including noncontrolling interests		4,125	3,284	4,201	925	3,595
Net earnings attributable to noncontrolling interests		0.20	1.80	1.00	(3.60)	(4.60)
Net earnings attributable to Starbucks		**4,124.82**	**3,281.92**	**4,199.60**	**928.63**	**3,599.52**
Earnings per share - basic	$	3.60	2.9	3.6	0.8	3.0
Earnings per share - diluted		3.58	2.83	3.54	0.79	2.92
Weighted average shares outstanding:						
Basic		1146.8	1153.3	1177.6	1172.8	1221.2
Diluted		1151.3	1158.5	1185.5	1181.8	1233.2

APPENDIX C2 - Actual Consolidated Statement of Cash Flows from 2019 to 2023

3. Statement of Cash Flows, for the year ended	*2023 A*	*2022 A*	*2021 A*	*2020 A*	*2019 A*
OPERATING ACTIVITIES:					
Net earnings including noncontrolling interests	4,124.70	3,283.40	4,200.30	924.70	3,594.60
Adjustments to reconcile net earnings to net cash provided by operating activities:					
Depreciation and amortization	1,450.30	1,529.40	1,524.10	1,503.20	1,449.30
Deferred income taxes, net	(59.40)	(37.80)	(146.20)	(25.80)	(1,495.40)
Income earned from equity method investees	(301.80)	(268.70)	(347.30)	(280.70)	(250.60)
Distributions received from equity method investees	222.80	231.20	336.00	227.70	216.80
Gain on sale of assets	(91.30)	-	-	-	-
Net gain resulting from divestiture of certain operations	-	-	(864.50)	-	(622.80)
Stock-based compensation	302.70	271.50	319.10	248.60	308.00
Goodwill impairments	-	-	-	-	10.50
Non-cash lease costs	1,365.90	1,497.70	1,248.60	1,197.60	-
Loss on retirement and impairment of assets	101.40	91.40	226.20	454.40	142.60
Other	26.80	(67.80)	(6.00)	24.50	45.30
Cash provided by/(used in) changes in operating assets and liabilities:					
Accounts receivable	(4.10)	(326.10)	(43.00)	(2.70)	(197.70)
Inventories	366.40	(641.00)	(49.80)	(10.90)	(173.00)
Income taxes payable	52.50	(149.60)	286.10	(1,214.60)	1,237.10
Accounts payable	100.10	345.50	189.90	(210.80)	31.90
Deferred revenue	(110.80)	(75.80)	(6.10)	31.00	(30.50)
Operating lease liability	(1,443.80)	(1,625.60)	(1,488.10)	(1,231.40)	-
Other operating assets and liabilities	(93.70)	339.60	609.80	(37.00)	780.90
Net cash provided by operating activities	**6,008.70**	**4,397.30**	**5,989.10**	**1,597.80**	**5,047.00**
INVESTING ACTIVITIES:					
Purchases of investments	(610.50)	(377.90)	(432.00)	(443.90)	(190.40)
Sales of investments	2.50	72.60	143.20	186.70	298.30
Maturities and calls of investments	616.90	67.30	345.50	73.70	59.80
Additions to property, plant and equipment	(2,333.60)	(1,841.30)	(1,470.00)	(1,483.60)	(1,806.60)
Proceeds from sale of assets	110.00	-	-	-	-
Net proceeds from the divestiture of certain operations	-	59.30	1,175.00	-	684.30
Other	(56.10)	(126.30)	(81.20)	(44.40)	(56.20)
Net cash used in investing activities	**(2,270.80)**	**(2,146.30)**	**(319.50)**	**(1,711.50)**	**(1,010.80)**
FINANCING ACTIVITIES:					
Net (payments)/proceeds from issuance of commercial paper	(175.00)	175.00	(296.50)	-	-
Net proceeds from issuance of short-term debt	114.60	36.60	215.10	1,406.60	-
Repayments of short-term debt	(78.80)	(36.60)	(349.80)	(967.70)	-
Net proceeds from issuance of long-term debt	1,497.80	1,498.10	-	4,727.60	1,996.00
Repayments of long-term debt	(1,000.00)	(1,000.00)	(1,250.00)	-	(350.00)
Proceeds from issuance of common stock	167.40	101.60	246.20	298.80	409.80
Cash dividends paid	(2,431.80)	(2,263.30)	(2,119.00)	(1,923.50)	(1,761.30)
Repurchase of common stock	(984.40)	(4,013.00)	-	(1,698.90)	(10,222.30)
Minimum tax withholdings on share-based awards	(89.30)	(127.20)	(97.00)	(91.90)	(111.60)
Other	(11.10)	(9.20)	-	(37.70)	(17.50)
Net cash used in financing activities	**(2,990.60)**	**(5,638.00)**	**(3,651.00)**	**1,713.30**	**(10,056.90)**

Effect of exchange rate changes on cash and cash equivalents	(14.20)	(250.30)	86.20	64.70	(49.00)
Net increase/(decrease) in cash and cash equivalents	733.10	(3,637.30)	2,104.80	1,664.30	(6,069.70)
CASH AND CASH EQUIVALENTS:					
Beginning of period	**2,818.40**	**6,455.70**	**4,350.90**	**2,686.60**	**8,756.30**
End of period	**3,551.50**	**2,818.40**	**6,455.70**	**4,350.90**	**2,686.60**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash paid during the period for:					
Interest, net of capitalized interest	524.30	474.70	501.10	396.90	299.50
Income taxes	1,294.20	1,157.60	756.30	1,699.10	470.10

APPENDIX C3 – Historical Financial Ratios from 2019 to 2023

Comparative Analysis with Ratios	2023 A	2022 A	2021 A	2020 A	2019 A
Liquidity (Safety)					
Current ratio (x)	0.78x	0.77x	1.20x	1.06x	0.92x
Quick ratio (x)	0.59x	0.53x	1.00x	0.85x	0.67x
Accounts Receivable Turnover (x)	30.38x	27.44x	30.92x	26.62x	30.15x
Days in Receivable	12.01	13.30	11.81	13.71	12.11
Productivity (Efficiency)					
Inventory Turnover (x)	19.92x	14.82x	18.12x	15.16x	17.33x
Days in Inventory	18.33	24.63	20.14	24.08	21.06
Total Asset Turnover (x)	1.22x	1.15x	0.93x	0.80x	1.38x
Total Fixed Asset Turnover (x)	4.87x	4.92x	4.56x	3.77x	4.12x
Days in Payables	43.83	44.41	43.09	39.60	43.53
Cash Conversion Cycle	-13.49	-6.47	-11.14	-1.81	-10.36
Profitability (Performance)					
Operating profit margin (%)	16.32%	14.32%	16.77%	6.64%	15.38%
Return on Asset (%)	14.01%	11.73%	13.38%	3.16%	18.73%
Return on Sales, net profit margin (%)	11.47%	10.18%	14.45%	3.95%	13.58%
Return on Equity (%)	-52%	-38%	-79%	-12%	-58%
Return Over Invested Capital (%)	60.48%	56.47%	41.07%	14.51%	66.49%
Sustainable Growth (%)	-21.20%	-11.71%	-39.15%	12.76%	-29.50%
Insolvency (Leverage)					
Debt Ratio (%)	127.13%	131.09%	116.93%	126.55%	132.42%
Asset to Equity (Equity Multiplier) (x)	-3.69x	-3.22x	-5.91x	-3.77x	-3.08x
Current Liabilities to Total Debt Ratio (%)	24.97%	24.95%	22.21%	19.76%	24.24%
Interest Coverage (x)	10.67x	9.56x	10.37x	3.57x	12.32x
Total Debt	15,400	15,044	14,616	16,348	11,167
Total Debt to EBITDA (x)	2.62x	3.26x	3.00x	10.47x	2.74x
Total Debt to Net Worth	-1.93x	-1.73x	-2.75x	-2.10x	-1.79x

DuPont Analysis. (ROE break-down)					
Return on Sales, net profit margin (%)	11.47%	10.18%	14.45%	3.95%	13.58%
Asset Turnover (x)	1.22x	1.15x	0.93x	0.80x	1.38x
Asset to Equity (x)	-3.69x	-3.22x	-5.91x	-3.77x	-3.08x
Return on Equity (%)	-51.64%	-37.73%	-79.02%	-11.91%	-57.77%
Dividend & Price Metrics					
Price per Share at year end	91.19	83.82	100.44	80.97	77.12
Earnings Per Share	3.60	2.85	3.57	0.79	2.95
Price to Earnings	25.35	29.46	28.16	102.26	26.17
Dividend per Share	2.12	1.96	1.80	1.64	1.44
Dividend Payout Ratio (%)	58.96%	68.96%	50.46%	207.13%	48.93%
Dividend Yield (%)	2.33%	2.34%	1.79%	2.03%	1.87%
Margins					
Revenue Growth (%)	11.55%	10.98%	23.57%	(11.28%)	n.a
COGS (excluding D&A) as % of Sales	27.68%	27.25%	24.83%	26.33%	26.70%
Gross Profit	48,835	44,097	39,323	32,716	36,485
Gross Margin (%)	135.74%	136.73%	135.32%	139.11%	137.63%
General and administrative expenses (% of sales)	6.79%	6.30%	6.65%	7.14%	6.88%
Store operating expenses (% of sales)	40.92%	42.05%	41.06%	45.77%	39.59%
EBITDA	5,871	4,618	4,872	1,562	4,078
EBITDA Margin	16.32%	14.32%	16.77%	6.64%	15.38%
NOPAT	4,483	3,583	3,820	1,240	3,282
Effective Tax Rate	23.64%	22.41%	21.59%	20.58%	19.51%
Capex as % of Sales	6.39%	5.58%	5.16%	6.38%	6.79%
Capex (in millions)	2,300	1,800	1,500	1,500	1,800

APPENDIX D1 – Projected Income Statements (2024-2028)

1. Projected Income Statements	% of Sales	2023, Actual	2024F	2025F	2026F	2027F	2028F
Total net revenues	100%	35,976	37,250	39,462	41,606	43,792	46,123
Less Operating expenses:							
Product and distribution costs	31.7%	11,409	11,813	12,909	12,363	13,012	13,705
Store operating expenses	40.9%	14,720	15,335	16,344	17,336	18,356	19,449
Other operating expenses	1.5%	539	652	789	936	1,095	1,268
Depreciation and amortization expenses	3.8%	1,363	1,431	1,502	1,577	1,656	1,739
General and administrative expenses	6.8%	2,441	2,528	2,678	2,823	2,972	3,130
Restructuring and impairments	0.1%	22	15	10	7	5	3
Total operating expenses	84.8%	30,495	31,773	34,233	35,043	37,096	39,294
Income from equity investees	0.8%	298	309	327	345	363	383
Gain from sale of assets	0.3%	91	-	-	-	-	-
Operating Income	16.3%	5,871	5,786	5,556	6,908	7,059	7,211
Interest income and other, net	0.2%	81	84	89	94	99	104
Less: Interest expense	-1.5%	(550)	(570)	(603)	(636)	(670)	(705)
Earnings before income tax	15.0%	5,402	5,300	5,042	6,366	6,488	6,610
Less Income tax expense	3.6%	1,277	1,253	1,192	1,505	1,534	1,563
Net Income	11.5%	4,125	4,047	3,850	4,861	4,954	5,047
(Cash dividends paid, Payout ratio)	-6.8%	(2,432)	(2,386)	(2,270)	(2,866)	(2,921)	(2,976)
(Stock Repurchased)	-2.7%	(984)	(2,768)	(2,884)	-	-	-

APPENDIX D2 – Projected Balance Sheets (2024-2028)

2. Projeced Balance Sheets	% of Sales	2023, Actual	2024F	2025F	2026F	2027F	2028F
ASSETS:							
Current assets:							
Cash and cash equivalents	9.9%	$ 3,552	3,677	3,896	4,107	4,323	4,553
Excess Cash	**0.0%**	**$ -**			**2,458**	**4,951**	**7,520**
Short-term investments	1.1%	$ 402	416	440	464	489	515
Accounts receivable, net	3.3%	1,184	1,226	1,299	1,369	1,441	1,518
Inventories	5.0%	1,806	1,870	1,981	2,089	2,199	2,316
Prepaid expenses and other current assets	1.0%	360	373	395	416	438	461
Total current assets	20.3%	7,303	7,562	8,011	10,905	13,842	16,883
Long-term investments	0.7%	247	256	271	286	301	317
Equity investments	1.2%	440	455	483	509	535	564
Property, plant and equipment, net	**20.5%**	**7,387**	**7,756**	**8,144**	**8,551**	**8,979**	**9,428**
Operating lease, right-of-use asset	23.4%	8,413	8,711	9,228	9,729	10,240	10,785
Deferred income taxes, net	4.9%	1,770	1,832	1,941	2,047	2,154	2,269
Other long-term assets	1.5%	547	566	599	632	665	701
Other intangible assets	0.3%	121	125	132	139	147	154
Goodwill	8.9%	3,218	3,332	3,530	3,722	3,918	4,126
TOTAL ASSETS	81.8%	**29,446**	**30,596**	**32,340**	**36,520**	**40,781**	**45,228**

LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT):							
Current liabilities:							
Accounts payable	4.3%	1,544	1,599	1,694	1,786	1,880	1,980
Accrued liabilities	6.0%	2,145	2,221	2,353	2,481	2,611	2,750
Accrued payroll and benefits	2.3%	828	858	909	958	1,008	1,062
Current portion of operating lease liability	3.5%	1,275	1,320	1,399	1,475	1,552	1,635
Stored value card liability and current portion of deferred revenue	4.7%	1,700	1,760	1,865	1,966	2,070	2,180
Short-term debt	0.1%	34	35	37	39	41	43
Current portion of long-term debt	5.1%	1,819	1,883	1,995	2,103	2,214	2,332
Total current liabilities	26.0%	9,345	9,676	10,251	10,808	11,376	11,981
Additional Financing Need (AFN): Debt or New Common stock issued if needed		**-**	**958.82**	**1,752.72**	**1,752.72**	**1,752.72**	**1,752.72**
Long-term debt	37.7%	13,548	14,028	14,861	15,668	16,491	17,369
Operating lease liability	22.0%	7,925	8,206	8,693	9,165	9,647	10,160
Deferred revenue	17.0%	6,102	6,318	6,693	7,057	7,428	7,823
Other long-term liabilities	1.4%	514	532	564	594	625	659
Total liabilities	104.1%	**37,433**	**39,718**	**42,814**	**45,045**	**47,319**	**49,744**

Shareholders' deficit:							
Common stock ($0.001 par value) - authorized, 2,400.0 shares; issued and outstanding, 1,142.6 and 1,147.9 shares, respectively	0.0%	1.10	1.10	1.10	1.10	1.10	1.10
Additional paid-in capital	0.1%	38	38	38	38	38	38
Retained deficit	-20.2%	(7,256)	(8,363)	(9,667)	(7,671)	(5,638)	(3,567)
Accumulated other comprehensive income/(loss)	-2.2%	(778)	(806)	(854)	(900)	(947)	(998)
Total shareholders' deficit	-22.2%	(7,995)	(9,129)	(10,481)	(8,532)	(6,546)	(4,525)
Noncontrolling interests	0.02%	7	7	8	8	9	9
Total deficit	-22.2%	**(7,988)**	**(9,122)**	**(10,473)**	**(8,524)**	**(6,538)**	**(4,516)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFIC	81.8%	**29,446**	**30,596**	**32,340**	**36,520**	**40,781**	**45,228**

APPENDIX D3 – Projected Cash Flow Statements (2024-2028)

3. Projected Cash Flow Statements	**2023, Actual**	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**
OPERATING ACTIVITIES:						
Net earnings		4,047	3,850	4,861	4,954	5,047
Adjustments to reconcile net earnings to net cash provided by operating activities:						
Depreciation and amortization		1,431	1,502	1,577	1,656	1,739
Income earned from equity investees		309	327	345	363	383
Gain from sale of assets		-	-	-	-	-
Restructuring and impairment		(15)	(10)	(7)	(5)	(3)
Cash provided by/(used in) changes in operating assets and liabilities:						
Accounts receivable		(41.95)	(72.81)	(70.57)	(71.95)	(76.72)
Inventories		(63.99)	(111.07)	(107.66)	(109.76)	(117.03)
Prepaid expenses and other current assets		(12.75)	(22.13)	(21.45)	(21.87)	(23.32)
Accounts payable		(55)	(95)	(92)	(94)	(100)
Accrued liabilities		(76)	(132)	(128)	(130)	(139)
Accrued payroll & benefits		(29)	(51)	(49)	(50)	(54)
Current portion of operating lease liability		(45)	(78)	(76)	(77)	(83)
Deferred revenue		(216)	(375)	(364)	(371)	(395)
Operating lease liability		(281)	(487)	(472)	(482)	(513)
Other long-term liabilities		(18)	(32)	(31)	(31)	(33)
Other impairment		**303**	**1,700**	**(962)**	**(1,030)**	**(978)**
Net cash provided by operating activities		5,236	5,913	4,403	4,500	4,653
INVESTING ACTIVITIES:						
Change in property, plant and equipment		(369)	(388)	(407)	(428)	(449)
Net cash used in investing activities		(369)	(388)	(407)	(428)	(449)
FINANCING ACTIVITIES:						
Change in short-term debt		(1)	(2)	(2)	(2)	(2)
Change in current portion of long-term debt		(64)	(112)	(108)	(110)	(118)
Change in long-term debt		(480)	(833)	(807)	(823)	(878)
Change in additional financing need (AFN)		958.82	793.90	-	-	-
Cash dividends paid		(2,386)	(2,270)	(2,866)	(2,921)	(2,976)
Repurchase of common stock		(2,768)	(2,884)	-	-	-
Net cash used in financing activities		(4,740)	(5,307)	(3,784)	(3,857)	(3,973)
Net Cash Flow		126	218	212	216	230
Beginning of period		$ 3,552	3,677	3,896	4,107	4,323
End of period		$ 3,677	$ 3,896	$ 4,107	$ 4,323	$ 4,553
Target cashflow		3,677	3,896	4,107	4,323	4,553
AFN		$ -	$ -	$ -	$ -	$ -

APPENDIX D4 – Projected Assumption Table

1. Projected Assumptions.	2023, Actual	2024F	2025F	2026F	2027F	2028F
Sales growth	12%	3.54%	5.94%	5.43%	5.25%	5.32%
Product and distribution costs	32%	32%	33%	30%	30%	30%
Store operating expenses	41%	41%	41%	42%	42%	42%
Other operating expenses	1%	2%	2%	2%	2%	3%
Depreciation and amortization expenses (% of fixed ass	18%	18%	18%	18%	18%	18%
General and administrative expenses	7%	7%	7%	7%	7%	7%
Restructuring and impairments (CAGR, subtract)	0.1%	-31%	-31%	-31%	-31%	-31%
Income from equity investees	1%	1%	1%	1%	1%	1%
Gain from sale of assets	16%	0%	0%	0%	0%	0%
Interest Income (% of sales)	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Interest Expense (% of interest bearing debt)	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Tax rate	24%	24%	24%	24%	24%	24%
Dividend (% of net income)	-59.0%	-59.0%	-59.0%	-59.0%	-59.0%	-59.0%
Stock Repurchase Program (% of sales)	-2.7%	-7%	-7%	0.0%	0.0%	0.0%
Fixed Assets, PP&E (CAGR, add)	21%	5%	5%	5%	5%	5%
Depr. (% of fixed assets)	18%	18%	18%	18%	18%	18%
CAGR of Restructuring & Impairments	-31%					
CAGR of PP&E	5%					

- Sales Growth: Revenue growth is based on business segments and industry growth expectation
- Product and distribution costs: COGS is ranging from 30% to 33% from 2019 to 2023. Assume the COGS increases to 33% of sales at peak by 2025 and decreases to 30% after that, which minimizing costs while maximizing sales growth on expansion.
- Increase 0.25% of store operating expenses every year due to expansion plan as well as wage raise for employees starting 2024
- Increase 0.25% of store other expenses every year due to expansion plan as well as wage raise for employees starting 2025
- Assuming same depreciation rate for the next 5 years using straightline method
- Assuming the same G&A expense rate unless further changes noticed
- Actively paying off the restructuring and impairments since COVID in 2020, thus, allocating approximately 31% (calculating CAGR of the past 5 years) and subtract from the recurring impairment expense for the next 5 years to pay off
- Based on past performance, income from equity investees is more or less than 1% of sales, thus, assuming constant rate for the next 5 years
- In January 2023, Starbucks sold a fraction of its assets to Nestle which results in gain of asset sale. But there are no information for future plans of acquisitions, so assuming 0% gain for the next 5 years
- Assuming the same rate because it is unpredictable and difficult to determine future investment percentages
- Assuming the same rate as current actual period because the past interest expense did not change significantly and remained quite consistent
- Assuming tax rate stays the same
- Assuming dividend % rate of net income stays the same because it is difficult to guess what the board of directors will decide for future dividend payments
- Starbucks' CEO announced to distribute $20 billions by 2025, split equally between dividend and stock repurchase. Hence, assume stock repurchase will pause after 2025
- Assume depreciation rate is fixed for the next 5 years using straight line method
- Restructuring & Impairments: Calculating CAGR of the past 5 years and apply to assumption
- Starbucks expects to expand from 38,038 stores (2023FY) to 55,000 stores globally by 2030. Thus, assuming PP&E will grow at the CAGR calculated Source: https://stories.starbucks.com/stories/2023/whats-next-starbucks-unveils-long-term-growth-strategy-for-a-limitless-future/

APPENDIX D5 – Projected Financial Ratios (2024-2028)

2. Financial Ratios	2023, Actual	2024F	2025F	2026F	2027F	2028F
1. Liquidity (Safety)						
Current ratio	0.78x	0.78x	0.78x	1.01x	1.22x	1.41x
Quick ratio	0.15x	0.14x	0.14x	0.20x	0.25x	0.29x
Accounts Receivable Turnover	30.38x	30.38x	30.38x	30.38x	30.38x	30.38x
Days in Receivable	12.01x	12.01x	12.01x	12.01x	12.01x	12.01x
Accounts Payable Turnover	23.30x	23.30x	23.30x	23.30x	23.30x	23.30x
Days in Payable	15.67x	15.67x	15.67x	15.67x	15.67x	15.67x
2. Productivity (Efficiency)						
Inventory Turnover	19.92x	19.92x	19.92x	19.92x	19.92x	19.92x
Days in Inventory	18.33x	18.33x	18.33x	18.33x	18.33x	18.33x
Total Asset Turnover	1.22x	1.22x	1.22x	1.14x	1.07x	1.02x
Total Fixed Asset Turnover	4.87x	4.80x	4.85x	4.87x	4.88x	4.89x
3. Profitability (Performance)						
Gross margin (%)	68.29%	68.29%	67.29%	70.29%	70.29%	70.29%
Operating profit margin (%)	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%
Return on Asset (%)	14.01%	13.23%	11.90%	13.31%	12.15%	11.16%
Return on Sales, net profit margin (%)	11.47%	10.86%	9.76%	11.68%	11.31%	10.94%
Return on Equity (%)	-51.64%	-44.37%	-36.76%	-57.03%	-75.78%	-111.76%
EVA ($, million)	2,350	2,287	2,060	2,744	2,503	2,249
Residual Income (RI, $ in million)	4,924	4,960	4,898	5,714	5,609	5,499
4. Insolvency (leverage)						
Debt ratio	1.27x	1.30x	1.32x	1.23x	1.16x	1.10x
Asset to Equity	-3.69x	-3.35x	-3.09x	-4.28x	-6.24x	-10.01x
Debt to Equity	-4.69x	-4.35x	-4.09x	-5.28x	-7.24x	-11.01x
Interest Coverage	10.67x	10.16x	9.21x	10.86x	10.54x	10.23x
5. DuPont Analysis. (ROE break-down)						
Return on Sales, net profit margin (%)	11.47%	10.86%	9.76%	11.68%	11.31%	10.94%
Asset Turnover	1.22x	1.22x	1.22x	1.14x	1.07x	1.02x
Asset to Equity	-3.69x	-3.35x	-3.09x	-4.28x	-6.24x	-10.01x
Return on Equity (%)	-51.64%	-44.37%	-36.76%	-57.03%	-75.78%	-111.76%
6. Other ratios						
EBIT margin (%)	***16%***	***16%***	***14%***	***17%***	***16%***	***16%***

APPENDIX E – Starbucks' Actual WACC Calculation

Weighted Average Cost of Capital SBUX Corporation

Part I. Collecting Monthly price of market and stock

60 months	S&P500 (SPY ETF)		SBUX Corporation	
Dates	Prices	Monthly rate	Prices	Monthly rate
3/1/2019	260.324066		67.234779	
4/1/2019	272.152435	4.54%	70.255539	4.49%
5/1/2019	254.796967	-6.38%	68.79039	-2.09%
6/1/2019	271.208313	6.44%	76.169479	10.73%
7/1/2019	276.647797	2.01%	86.037071	12.95%
8/1/2019	272.015869	-1.67%	87.736191	1.97%
9/1/2019	276.033966	1.48%	80.644547	-8.08%
10/1/2019	283.438446	2.68%	77.123978	-4.37%
11/1/2019	293.698456	3.62%	77.917496	1.03%
12/1/2019	300.753326	2.40%	80.589355	3.43%
1/1/2020	302.109955	0.45%	77.757019	-3.51%
2/1/2020	278.193146	-7.92%	71.890633	-7.54%
3/1/2020	242.031586	-13.00%	60.539539	-15.79%
4/1/2020	274.369537	13.36%	70.660164	16.72%
5/1/2020	287.441956	4.76%	71.820503	1.64%
6/1/2020	291.257874	1.33%	68.151527	-5.11%
7/1/2020	309.767944	6.36%	70.87426	4.00%
8/1/2020	331.388763	6.98%	78.227486	10.38%
9/1/2020	317.708527	-4.13%	80.003166	2.27%
10/1/2020	311.026978	-2.10%	80.971542	1.21%
11/1/2020	344.859528	10.88%	91.269905	12.72%
12/1/2020	356.118011	3.26%	100.082611	9.66%
1/1/2021	353.991516	-0.60%	90.568314	-9.51%
2/1/2021	363.834381	2.78%	101.064911	11.59%
3/1/2021	379.110596	4.20%	102.660164	1.58%
4/1/2021	400.476898	5.64%	107.564423	4.78%
5/1/2021	403.106506	0.66%	106.991295	-0.53%
6/1/2021	410.803101	1.91%	105.464478	-1.43%
7/1/2021	422.208649	2.78%	114.538528	8.60%
8/1/2021	434.773468	2.98%	110.822128	-3.24%
9/1/2021	413.186981	-4.96%	104.453461	-5.75%
10/1/2021	443.594177	7.36%	100.438576	-3.84%
11/1/2021	440.029999	-0.80%	103.819016	3.37%
12/1/2021	458.768646	4.26%	111.237442	7.15%
1/1/2022	436.099365	-4.94%	93.501457	-15.94%
2/1/2022	423.22702	-2.95%	87.291489	-6.64%
3/1/2022	437.776306	3.44%	86.950325	-0.39%
4/1/2022	400.593658	-8.49%	71.341888	-17.95%
5/1/2022	401.497955	0.23%	75.031342	5.17%
6/1/2022	366.805756	-8.64%	73.528831	-2.00%
7/1/2022	402.314423	9.68%	81.604576	10.98%
8/1/2022	385.89917	-4.08%	80.921158	-0.84%
9/1/2022	348.791565	-9.62%	81.56617	0.80%
10/1/2022	378.689026	8.57%	83.821663	2.77%
11/1/2022	399.740967	5.56%	98.93261	18.03%
12/1/2022	374.982697	-6.19%	96.580406	-2.38%
1/1/2023	400.394562	6.78%	106.257927	10.02%
2/1/2023	390.327576	-2.51%	99.394096	-6.46%
3/1/2023	403.260956	3.31%	101.888222	2.51%
4/1/2023	411.266663	1.99%	111.829498	9.76%
4/1/2023	411.266663	1.99%	111.829498	9.76%
5/1/2023	413.165192	0.46%	95.537933	-14.57%
6/1/2023	438.310059	6.09%	97.410004	1.96%
7/1/2023	454.338837	3.66%	99.878197	2.53%
8/1/2023	446.954926	-1.63%	95.816994	-4.07%
9/1/2023	424.257324	-5.08%	90.228348	-5.83%
10/1/2023	416.511292	-1.83%	91.187271	1.06%
11/1/2023	454.557037	9.13%	98.16671	7.65%
12/1/2023	473.390686	4.14%	95.435814	-2.78%
1/1/2024	482.880005	2.00%	92.473633	-3.10%
2/1/2024	499.51001	3.44%	92.662498	0.20%

Part II. CAPM & WACC

1. Input variables I. CAPM of Brown-Forman Corporation	
Rf (T-bill, LT %)	4.33% https://
Rm (S&P500, %)	10.26%
Market Risk Premium (MRP, %)	5.93%
Beta (Starbucks Corporation)	0.96
Unlevered Beta	0.87
Equity Risk Premium (ERP, %)	5.68%
Required rate of return on Equity	**10.01%**

2. Input variables II. Weighted Average Cost of Capital	
Price of CS per share ($) as of today	96
CS outstanding shares (million)	1,143
Weighted Average interest bearing debt (%)	3.57%
Tax rate (%)	23.6%
MV of Debt ($, million)	15,400
MV of CS ($, million)	109,438
Total MV of Capital Resouces ($, million)	124,838
Cost of Debt after tax (%)	2.73%
Cost of CS (%)	10.01%
WACC (%)	**9.11%**

Derivation.

D + E = Vu + t*D = VL

D/(D+E) + E/(D+E) = Vu/(D+E) + t*D/(D+E)

Transforming the equation to β term,

β_D*D/(D+E) + β_L*E/(D+E)

= β_U*Vu/(D+E) + β_D*t*D/(D+E)

Because β_D= 0,

β_L*E/(D+E) = β_U*Vu/(D+E)

β_L*E = β_U*Vu

Above, D + E = Vu + t*D

Vu = D + E – t*D

Replacing Vu to D + E – t*D

β_L*E = β_U*Vu

β_L*E = β_U*(D + E – t*D)

β_L = β_U* (D + E – t*D)/E

= β_U* (1 + (1–t)*D/E)

β_U= β_L / (1+(1–t)*D/E)

Part III. Financial Statements (I/S & B/S)

CONSOLIDATED STATEMENTS OF EARNI	2023	2022
Net revenues:		
Company-operated stores	29,462	26,576
Licensed stores	4,513	3,656
Other	2,001	2,019
Total net revenues	35,976	32,250
Less Operating expenses:		
Product and distribution costs	11,409	10,317
Store operating expenses	14,720	13,562
Other operating expenses	539	462
Depreciation and amortization expenses	1,363	1,448
General and administrative expenses	2,441	2,032
Restructuring and impairments	22	46
Total operating expenses	30,495	27,867
Income from equity investees	298	234
Gain from sale of assets	91	-
Operating Income	5,871	4,618
Interest income and other, net	81	97
Less: Interest expense	550	483
Earnings before income tax	5,402	4,232
Less Income tax expense	1,277	949
Net Income	4,125	3,283

CONSOLIDATED BALANCE SHEETS (In millions,	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,552	$ 2,818
Short-term investments	402	365
Accounts receivable, net	1,184	1,176
Inventories	1,806	2,177
Prepaid expenses and other current assets	360	484
Total current assets	7,303	7,019
Long-term investments	247	279
Equity investments	440	311
Property, plant and equipment, net	7,387	6,561
Operating lease, right-of-use asset	8412.6	8015.6
Deferred income taxes, net	1769.8	1799.7
Other long-term assets	547	554
Other intangible assets	121	156
Goodwill	3,218	3,284
TOTAL ASSETS	**29,446**	27,978
LIABILITIES AND SHAREHOLDERS' EQUITY/(DEFICIT)		
Current liabilities:		
Accounts payable	$ 1,544	$ 1,441
Accrued liabilities	2145.1	2137.1
Accrued payroll and benefits	828.3	761.7
Current portion of operating lease liability	$ 1,275	$ 1,246
Stored value card liability and current portion of d	1,700	1,642
Short-term debt	34	175
Current portion of long-term debt	1,819	1,749
Current portion of long-term debt	1,819	1,749
Total current liabilities	9,345	9,152
Long-term debt	13,548	13,120
Operating lease liability	7924.8	7515.2
Deferred revenue	6101.8	6279.7
Other long-term liabilities	514	611
Total liabilities	**37,433**	36,677
Shareholders' deficit:		
Common stock ($0.001 par value) - authorized, 2,4(	1.10	1.10
Additional paid-in capital	38	205
Retained deficit	(7,256)	(8,450)
Accumulated other comprehensive income/(loss)	(778)	(463)
Total shareholders' deficit	(7,995)	(8,707)
Noncontrolling interests	7	8
Total deficit	**(7,988)**	(8,699)
TOTAL LIABILITIES AND SHAREHOLDERS' EC	**29,446**	27,978

APPENDIX F – Starbucks' Weighted Average Cost of Capital (Using Sensitivity Method)

Weighted Average Cost of Capital. Starbucks

Weighted Average Cost of Capital Calculations

Beta Methodology	Starbucks	Comparables (Mean)
Capital Structure		
Debt / Total Capitalization	11.98%	45.90%
Equity / Total Capitalization	88.02%	54.10%
Debt / Equity	**13.61%**	**84.85%**
Cost of Equity Breakdown		
Risk Free-Rate (Current Rf)	4.33%	4.33%
Expected Market Return	10.26%	10.26%
Benchmark Risk Free-Rate	4.25%	4.25%
Market Risk Premium	5.93%	6.01%
Asset (Unlevered) Beta	0.868	0.317
Levered Beta	0.958	0.824
Cost of Equity	**10.01%**	**9.28%**
Cost of Debt	3.55%	3.55%
Tax Rate	23.64%	21.00%
After Tax Cost of Debt	**2.71%**	**2.80%**
WACC	**9.14%**	**6.31%**

Capital Structure Breakdown

	Date	Value	Weight
Median Current Price	2/22/2024	95.78	
Market Value of Debt		**14,896**	**12%**
Market Value of Equity	2/22/2024	109,438	88%
Total Capitalization		**124,335**	**100%**

Cost of Debt Breakdown

	Value	Weight	Rate
Short-term debt	34	0.2%	0.100%
October 2023 notes	750	4.8%	2.859%
February 2024 notes	500	3.2%	6.084%
March 2024 notes	569	3.7%	0.462%
August 2025 notes	1,250	8.0%	3.721%
February 2026 notes	1000	6.4%	4.788%
June 2026 notes	500	3.2%	2.511%
March 2027 notes	500	3.2%	2.058%
March 2028 notes	600	3.9%	3.529%
November 2028 notes	750	4.8%	3.958%
August 2029 notes	1000	6.4%	3.840%
March 2030 notes	750	4.8%	3.084%
November 2030 notes	1250	8.0%	2.582%
February 2032 notes	1000	6.4%	3.155%
February 2033 notes	500	3.2%	3.798%
June 2045 notes	350	2.3%	4.348%
December 2047 notes	500	3.2%	3.765%
November 2048 notes	1000	6.4%	4.504%
August 2049 notes	1000	6.4%	4.447%
March 2050 notes	500	3.2%	3.362%
November 2050 notes	1250	8.0%	3.528%
Total Debt	**15,553**		

Weighted Average Cost of Debt	**3.55%**

WACC Sensitivity Analysis. Stressing (+/- 1%): Cost of Debt, Debt to Total Capitalization

	Cost of Debt				
D/V	**1.55%**	**2.55%**	**3.55%**	**4.55%**	**5.55%**
9.98%	9.04%	9.12%	9.19%	9.27%	9.35%
10.98%	9.00%	9.08%	9.17%	9.25%	9.33%
11.98%	8.95%	9.05%	9.14%	9.23%	9.32%
12.98%	8.91%	9.01%	9.11%	9.21%	9.31%
13.98%	8.87%	8.97%	9.08%	9.19%	9.29%

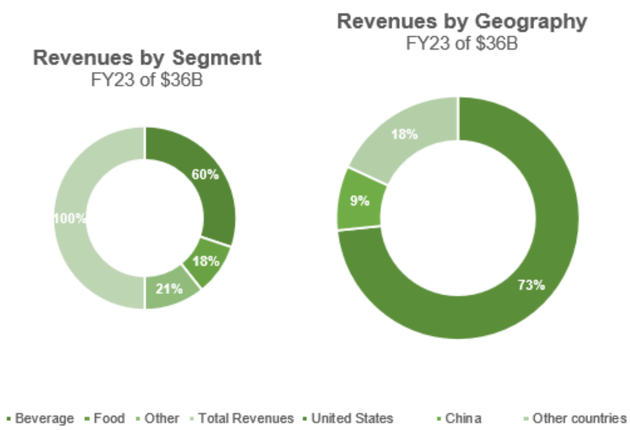
High	**9.35%**	**Median**	**9.14%**
Low	**8.87%**	**Average**	**9.14%**

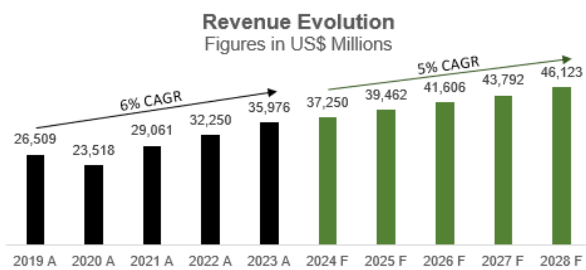
Beta Buildup Based on Selected Comparable Industry Peers

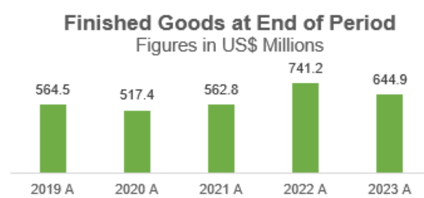
Company Name	Country	Equity Beta	Tax Rate	D / E	Unlevered Beta
McDonald's (MCD)	USA	0.710	19.51%	-1292.9%	(0.075)
Chipotle Mexican Grill (CMG)	USA	1.140	24.18%	162.7%	0.510
Dutch Bros (BROS)	USA	2.420	41.18%	161.0%	1.243
Keurig Dr Pepper (KDP)	USA	0.540	16.52%	106.3%	0.286
Luckin Coffee (LKNCY)	China	(0.590)	56.67%	107.6%	(0.402)
Krispy Kreme Doughnuts (DNUT	USA	1.480	10.60%	156.4%	0.617
JDE Peet's (JDEP)	Netherlands	0.070	25.25%	103.3%	0.040
Low		**(0.590)**	**11%**	**-1293%**	**(0.402)**
Median		**0.710**	**24%**	**108%**	**0.286**
Mean		**0.824**	**28%**	**-71%**	**0.317**
High		**2.420**	**57%**	**163%**	**1.243**

APPENDIX G – Top-down Analysis

Long-term Revenue Projection. SBUX (based on Top-down Analysis)







1. Scenario Forecasted Revenues

In $ millions	2019 A	2020 A	2021 A	2022 A	2023 A	*2024 F*	*2025 F*	*2026 F*	*2027 F*	*2028 F*
Base Case Revenues	26,509	23,518	29,061	32,250	35,976	37,250	39,462	41,606	43,792	46,123
Growth Rate (%)		*(11.3%)*	*23.6%*	*11.0%*	*11.6%*	*3.5%*	*5.9%*	*5.4%*	*5.3%*	*5.3%*
Bull Case Revenues (10% up)	26,509	23,518	29,061	32,250	35,976	40,975	43,408	45,767	48,171	50,735
Growth Rate (%)		*(11.3%)*	*23.6%*	*11.0%*	*11.6%*	*13.9%*	*5.9%*	*5.4%*	*5.3%*	*5.3%*
Bear Case Revenues (10% down)	26,509	23,518	29,061	32,250	35,976	33,525	35,516	37,445	39,413	41,510
Growth Rate (%)		*(11.3%)*	*23.6%*	*11.0%*	*11.6%*	*(6.8%)*	*5.9%*	*5.4%*	*5.3%*	*5.3%*

2. Backlog and Dealer Inventory Orders, Forecasted with Industry Expectations

In $ millions	2019 A	2020 A	2021 A	2022 A	2023 A	19 - 23 CAGR	20 - 23 CAGR
Finished goods (Roasted coffee+Other merchandise held for sal	564.5	517.4	562.8	741.2	644.9	3%	8%
Growth Rate (%)		*(8.3%)*	*8.8%*	*31.7%*	*(13.0%)*		

3. Revenues by Business Segment, Forecasted with Industry Expectations

Business Segment	2019 A	2020 A	2021 A	2022 A	2023 A	*2024 F*	*2025 F*	*2026 F*	*2027 F*	*2028 F*
Beverage	15,921	14,338	18,317	19,555	21,685	22,301	23,340	24,361	25,398	26,530
Food	4,336	3,799	5,053	5,804	6,585	6,772	7,088	7,398	7,713	8,057
Other	6,251	5,381	5,690	6,891	7,706	8,177	9,034	9,848	10,682	11,536
Total Revenues	**26,509**	**23,518**	**29,061**	**32,250**	**35,976**	**37,250**	**39,462**	**41,606**	**43,792**	**46,123**
Growth Rate (%)										

As % of Total	2019 A	2020 A	2021 A	2022 A	2023 A	2024 F	2025 F	2026 F	2027 F	2028 F
Beverage	60%	61%	63%	61%	60%	60%	59%	59%	58%	58%
Food	16%	16%	17%	18%	18%	18%	18%	18%	18%	17%
Other	24%	23%	20%	21%	21%	22%	23%	24%	24%	25%
Total Revenues	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

4. Economic Indicators. Industry Revenue

	2019 A	2020 A	2021 A	2022 A	2023 A	*2024 F*	*2025 F*	*2026 F*	*2027 F*	*2028 F*
Coffee & Snacks Shops in the US Revenues (in Millions)	55,000.0	51,200.0	62,200.0	63,600.0	64,400.0	64,000.0	64,800.0	65,500.0	66,200.0	67,100.0
Starbucks Market Share	29.6%	38.9%	33.2%	30.3%	28.7%	29.7%	30.7%	31.7%	32.7%	33.7%
Demand in the US for Starbucks Corporation	16,280	19,917	20,650	19,271	18,483	19,008	19,894	20,764	21,647	22,613
Coffee & Snacks Shops Growth Rate		*22%*	*4%*	*(7%)*	*(4%)*	*3%*	*5%*	*4%*	*4%*	*4%*
Coffee Production in the US Revenues (in Millions)	12,000.0	12,200.0	12,100.0	13,000.0	13,000.0	12,700.0	13,000.0	13,200.0	13,400.0	13,600.0
Starbucks Market Share	2.4%	2.3%	3.4%	3.0%	2.9%	3.2%	3.4%	3.7%	3.9%	4.2%
Demand in the US for Starbucks Corporation	288	281	411	390	377	400	442	482	523	564
Coffee Production Growth Rate		*(3%)*	*47%*	*(5%)*	*(3%)*	*6%*	*10%*	*9%*	*8%*	*8%*

5. Revenues by Geographic Presence, Forecasted with GDP Expectations

	2019 A	2020 A	2021 A	2022 A	2023 A	*2024 F*	*2025 F*	*2026 F*	*2027 F*	*2028 F*
United States	18,623	16,880	20,378	23,366	26,398	26,794	27,277	27,849	28,434	29,031
China	2,872	2,583	3,675	3,008	3,082	3,211	3,343	3,480	3,608	3,731
Other countries	5,014	4,055	5,008	5,876	6,496	6,587	6,705	6,833	6,956	7,074
Total Revenues	**26,509**	**23,518**	**29,061**	**32,250**	**35,976**	**36,592**	**37,324**	**38,162**	**38,998**	**39,836**
Growth Rate (%)		*(11.3%)*	*23.6%*	*11.0%*	*11.6%*	*1.7%*	*2.0%*	*2.2%*	*2.2%*	*2.1%*

As % of Total	2019 A	2020 A	2021 A	2022 A	2023 A	*2024 F*	*2025 F*	*2026 F*	*2027 F*	*2028 F*
United States	70%	72%	70%	72%	73%	73%	73%	73%	73%	73%
China	11%	11%	13%	9%	9%	9%	9%	9%	9%	9%
Other countries	19%	17%	17%	18%	18%	18%	18%	18%	18%	18%
Total Revenues	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

6. Economic Indicators. GDP Growth

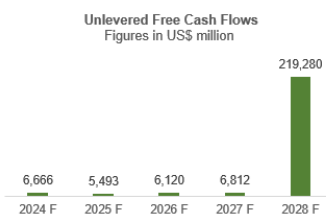
	2019 A	2020 A	2021 A	2022 A	2023 A	*2024 F*	*2025 F*	*2026 F*	*2027 F*	*2028 F*
US GDP Growth (%)	2.3%	(2.8%)	5.9%	2.1%	2.1%	1.5%	1.8%	2.1%	2.1%	2.1%
China GDP Growth (%)	6.0%	2.2%	8.4%	3.0%	5.0%	4.2%	4.1%	4.1%	3.7%	3.4%
Other GDP Growth (%)	1.7%	(4.2%)	5.6%	2.6%	1.5%	1.4%	1.8%	1.9%	1.8%	1.7%

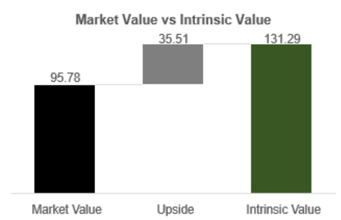
APPENDIX H – Discounted Cash Flow Model

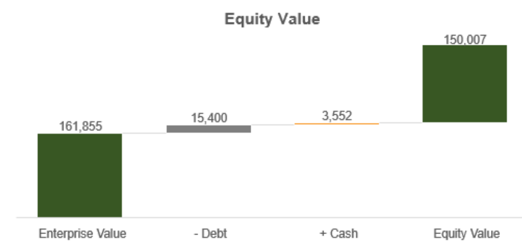
Discounted Cash Flow Model - Starbucks Corporation

General Considerations

SCENARIO	
Tax Rate	24%
Discount Rate	9.14%
Terminal Growth Rate	5.5%
Current Price	95.78
Shares Outstanding	1,143
Asset Beta (Unlevered)	0.87
Equity Risk Premium	5.7%
Risk Free Rate	4.3%
Cost of Debt	3.5%
Price of Debt	15,399.70







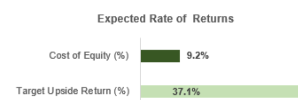
Valuation Based on Discounted Cash Flows Methodology

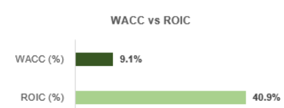
		Entry	2024 F	2025 F	2026 F	2027 F	2028 F
Date		*10/1/2023*	*10/1/2024*	*10/1/2025*	*10/1/2026*	*10/1/2027*	*10/1/2028*
Time Periods		0	1	2	3	4	5
Revenues		**35,976**	**37,250**	**39,462**	**41,606**	**43,792**	**46,123**
Growth (%)		*16.6%*	*3.5%*	*5.9%*	*5.4%*	*5.3%*	*5.3%*
EBITDA		7,233	7,216	7,058	8,486	8,715	8,950
Margin (%)		*20%*	*19%*	*18%*	*20%*	*20%*	*19%*
EBIT		5,871	5,786	5,556	6,908	7,059	7,211
Margin (%)		*16%*	*16%*	*14%*	*17%*	*16%*	*16%*
- Cash Taxes	*24%*	(1,388)	(1,368)	(1,314)	(1,633)	(1,669)	(1,705)
NOPAT		**4,483**	**4,418**	**4,242**	**5,275**	**5,390**	**5,506**
+ D&A		1,363	1,431	1,502	1,577	1,656	1,739
- Capex		88	437	459	482	506	532
- Changes in NWC		24,004	380	(711)	(1,215)	(741)	(516)
Unlevered FCF		**29,937**	**6,666**	**5,493**	**6,120**	**6,812**	**7,261**
(Entry)/Terminal		(121,286)					212,018
Transaction CF		(121,286)	6,666	5,493	6,120	6,812	219,280

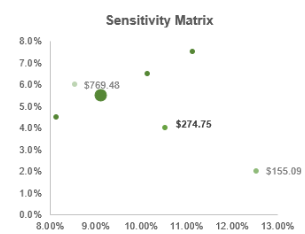
Terminal Value	
FCF 2028F	7,662
Growth Rate	6%
Perpetual Value	**212,018**

Rate of Returns	
Target Upside Return (%)	37.1%
Cost of Equity (%)	9.2%
IRR (%)	16.1%
ROIC (%)	40.9%
WACC (%)	9.1%

Market Value vs Intrinsic Value	
Market Value	95.78
Upside	35.51
Intrinsic Value	**131.29**



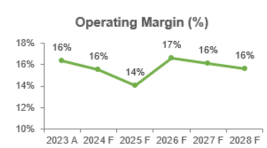




Market Value	
Market Cap.	**109,438**
+ Debt	15,400
- Cash	3,552
Enterprise Value	**121,286**
Equity Value/Share	**95.78**

Intrinsic Value	
Enterprise Value	**161,855**
- Debt	15,400
+ Cash	3,552
Equity Value	**150,007**
Equity Value/Share	**131.29**

Final Target Price	**($, %)**
Final Target Price per share	**131.29**
- Market Price of CS per share (as of today)	**95.78**
= Expected G/L on the CS investment ($)	**35.51**
= Expected return on the CS investment (%)	**37.07%**
Investment Proposal (BUY / HOLD / SELL)	**HOLD**



Sensitivity Analysis. Stressing (+/- 1% Cost of Capital & Growth Rate)

Intrinsic Price / Share

	WACC				
Growth	**7.14%**	**8.14%**	**9.14%**	**10.14%**	**11.14%**
3.5%	168.57	135.42	114.08	99.21	88.25
4.5%	219.63	163.29	131.38	110.84	96.52
5.5%	333.96	212.48	158.24	127.52	107.74
6.5%	820.75	322.65	205.66	153.42	123.82
7.5%	(1,214.31)	791.68	311.84	199.14	148.80
High	**820.75**			**Median**	**153.42**
Low	**(1,214.31)**			**Average**	**165.22**

Equity Value

	WACC				
Growth	**7.14%**	**8.14%**	**9.14%**	**10.14%**	**11.14%**
3.5%	192,606	154,726	130,351	113,356	100,833
4.5%	250,948	186,572	150,111	126,647	110,284
5.5%	381,585	242,785	180,806	145,699	123,103
6.5%	937,793	368,657	234,987	175,294	141,478
7.5%	(1,387,473)	904,574	356,308	227,534	170,023
High	**937,793**			**Median**	**175,294**
Low	**(1,387,473)**			**Average**	**188,784**

Enterprise Value

	WACC				
Growth	**7.14%**	**8.14%**	**9.14%**	**10.14%**	**11.14%**
3.5%	173,655	135,775	111,400	94,405	81,882
4.5%	231,996	167,621	131,160	107,696	91,333
5.5%	362,634	223,834	161,855	126,748	104,152
6.5%	918,841	349,706	216,036	156,343	122,527
7.5%	(1,406,424)	885,622	337,357	208,583	151,072
High	**918,841**			**Median**	**156,343**
Low	**(1,406,424)**			**Average**	**169,832**

Working Capital Summary

	2023 A	2024 F	2025 F	2026 F	2027 F	2028 F
Accounts Receivable	17,869	19,026	19,848	21,035	21,836	22,710
Inventory	16,270	13,658	13,827	14,211	14,594	14,274
Accounts Payable	8,689	7,615	7,894	8,251	8,694	8,731
Working Capital	**25,450**	**25,070**	**25,781**	**26,995**	**27,736**	**28,252**
Changes in W/C	**(24,004)**	**(380)**	**711**	**1,215**	**741**	**516**

CAPEX Summary

	2023 A	2024 F	2025 F	2026 F	2027 F	2028 F
PPE, net	7,387.10	7,756.46	8,144.28	8,551.49	8,979.07	9,428.02
Depreciation	1,363	1,431	1,502	1,577	1,656	1,739
CAPEX	**8,750**	**9,187**	**9,647**	**10,129**	**10,635**	**11,167**
Changes in CAPEX	**(88)**	**(437)**	**(459)**	**(482)**	**(506)**	**(532)**

Terminal Growth Rate		
	Revenue Weight	Risk Free Rate
United States	70%	4.330%
China	11%	2.595%
Other countries	19%	4.229%
Weighted Terminal Growth Rate		**4.1%**
Premium		1.40%
Terminal Growth Rate		**5.5%**

4. Target Prices on Relative Methods	($, %)	Firm	Industry
Target Price by P/E Forward	73.03	26.53	20.23
Target Price by P/B	-50.61	-13.70	7.24
Target Price by P/S	45.02	3.47	1.43
Target Price by EV/EBITDA	121.86	22.38	16.63
Target Price by EV/Sales	66.02	4.50	1.57
Target Price by EV/EBIT	214.25	27.57	38.47

APPENDIX I – Relative Valuation (Multiple) Approach

Relative Valuation (Multiple) Approach. SBUX

Relative Valuation Summary

	Company Information		Market Data			Financial Data				Valuation			
Company Name	Ticker	Country	Price ($/share)	Market Cap ($millions)	EV ($millions)	Sales ($millions)	EBIT	EBITDA	Earnings	EV/Sales	EV/EBIT	EV/EBITDA	P/E
1. McDonald's	MCD	USA	295.92	212,240.00	257,880.00	25,494	11,883	12,265	**8,469**	0.3x	0.7x	0.7x	25.1x
2. Chipotle Mexican Grill	CMG	USA	2,627.37	70,460.00	73,210.00	9,900	1,558	1,877	**1,230**	0.1x	0.8x	0.7x	57.3x
3. Dutch Bros	BROS	USA	27.40	2,070.00	2,890.00	966	49	185	**10**	0.01x	0.2x	0.1x	207.0x
4. Keurig Dr Pepper	KDP	USA	30.37	44,190.00	58,280.00	14,810	2,922	3,639	**2,500**	0.2x	0.9x	0.7x	17.7x
5. Luckin Coffee	LKNCY	China	24.00	6,700.00	6,690.00	987	158	343	**135**	0.1x	0.9x	0.4x	49.6x
6. Krispy Kreme Doughnuts	DNUT	USA	13.17	2,250.00	3,700.00	1,686	9	135	**-37**	-0.02x	-3.9x	-0.3x	-61.4x
7. JDE Peet's	JDEP	Netherlands	24.04	11,550.00	16,160.00	8,856	1,068	1,501	**800**	0.1x	0.7x	0.5x	14.4x
Low										**-0.02x**	**-3.92x**	**-0.27x**	**-61.40x**
Median										**0.1x**	**0.7x**	**0.5x**	**25.1x**
Mean										**0.1x**	**0.0x**	**0.4x**	**44.2x**
High										**0.3x**	**0.9x**	**0.7x**	**207.0x**
Starbucks Corporation	**SBUX**	**USA**	**95.78**	**107,580**	**128,670**	**35,976**	**5,871**	**7,321**	**4,125**	**3.6x**	**21.9x**	**17.6x**	**26.1x**

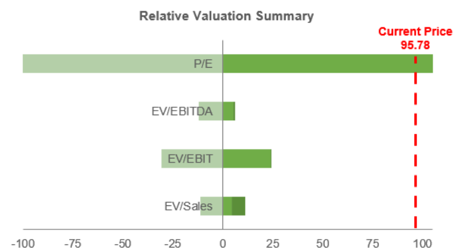
NOTE: Selection of peers is based on size and similarity of product offering and business risk to SBUX

Source: PitchBook, Yahoo Finance

SBUX Intrinsic Value Based on Selected Comparable Companies

	EV/Sales	EV/EBIT	EV/EBITDA	P/E
Selected Multiple	0.1x	0.7x	0.5x	25.1x
Operating Metric	35,976	5,871	7,321	4,125
Enterprise Value	**4,470**	**4,397**	**3,902**	**115,224**
- Debt	(15,400)	(15,400)	(15,400)	(15,400)
+ Cash	3,552	3,552	3,552	3,552
- Minority Interest				
Equity Value	**(7,379)**	**(7,451)**	**(7,947)**	**103,376**
Shares Outstanding	1,143	1,143	1,143	1,143
Implied Price	**(6.46)**	**(6.52)**	**(6.95)**	**90.47**

NOTE: Median value of comparable companies table to eliminate outliers



	SBUX Relative Valuation			
	EV/Sales	EV/EBIT	EV/EBITDA	P/E
Low	-11.05	-30.51	-12.11	-221.65
Median	-6.46	-6.52	-6.95	90.47
Mean	-6.59	-10.19	-7.86	149.35
High	0.09	-5.97	-5.95	747.31

	Low	Median	High
EV/Sales	-11.05	-6.46	0.09
EV/EBIT	-30.51	-6.52	-5.97
EV/EBITDA	-12.11	-6.95	-5.95
P/E	-221.65	90.47	747.31

	Low	Median	High
EV/Sales	-11.05	4.60	6.55
EV/EBIT	-30.51	23.99	0.55
EV/EBITDA	-12.11	5.15	1.01
P/E	-221.65	312.13	656.84

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