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Starbucks Corporation (SBUX-US)

Hotels Restaurants & Leisure

- We reiterate our Buy rating on SBUX as key growth drivers including new product introductions and store growth combined with increasing operating efficiencies continue to drive accelerating Business Performance.
- Successful implementation of key growth initiatives continues to drive accelerating Business Performance trends.
- SBUX's strong brand equity and ongoing new store openings continue to drive its competitive advantage.
- SBUX's Global Coffee Alliance will continue to expand its ongoing channel development.
- SBUX continues to expand its product portfolio by introducing new beverages and core food offerings.
- SBUX's ongoing international expansion will drive significant future growth.
- SBUX's enhanced digital capabilities and growing its customer loyalty program improves operating efficiency, increases profitability, and further strengthens its brand which can increase traffic in other dayparts.
- SBUX's strong balance sheet and cash flow continues to fund growth and enhance shareholder returns through ongoing dividend increases and share repurchases.

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Company Note
Starbucks Corporation (SBUX-US)

Hotels Restaurants & Leisure

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Research Action:

Reiterate rating

Rating: Buy

Prior Rating: Buy

Price 02/06/2019: \$68.85

52 Week High /

Low: \$69.49

\$47.37

Key Data: (TTM as of Dec-18)

Excess Cash per Share: \$3.49

Annual Dividend: \$1.44

Dividend Yield: 2.09%

Avg. Volume (30 Day): 13.0M

Shares Outstanding: 1,243.6M

Float: 1,202.8M

Short Interest: 38.8M

SI % / Float 3.22%

Equity MV: \$85,621.9M

Sales TTM: \$25,277.0M

Beta: 0.80

EBITDAR: \$7,171.4M

NOPAT: \$3,370.4M

Total Invested Capital: \$14,192.8M

Return on Capital: 21.86%

Cost of Capital: 5.90%

Economic Profit: \$2,460.4M

Market Value Added: \$87,708.5M

Current Operations Value: \$57,103.9M

Future Growth Value: \$44,797.4M

- We reiterate our Buy rating on SBUX as key growth drivers including new product introductions and store growth combined with increasing operating efficiencies continue to drive accelerating Business Performance.** SBUX continues to experience increasing same-store sales growth driven by strength in both the U.S. and international markets. SBUX is investing in new initiatives including new technologies and innovation, new beverage introductions, loyalty program expansion, expanding delivery partnerships and new store openings. SBUX recently announced the expansion of its joint venture with UberEATS as it rolls out delivery in several major U.S. cities as well as launching a test program in London. SBUX is also ramping up its evening program with expanded food offerings along with wine and beer. SBUX continues to open its marquee Roastery platform stores including the grand opening of its New York City store last December. SBUX's successful operating history and incredible brand equity combined with its new expansion and digital initiatives will drive significant increases in Return on Capital, increasing Economic Profit, and creating greater shareholder value. SBUX is further enhancing shareholder returns through ongoing dividend increases and share repurchases. We believe significant upside exists in the shares from current levels and continue to recommend purchase.
- Successful implementation of key growth initiatives continues to drive accelerating Business Performance trends.** For the 12 months ending December 2018, Net Sales Revenue increased 11.22% Y/Y from \$22.73 billion to \$25.28 billion. We forecast a further increase of 5.8% to \$26.75 billion over the NTM. Economic Operating Cash Flow (EBITDAR) increased 4.46% Y/Y from \$6.87 billion to \$7.17 billion over the LTM. We forecast a further increase of 7.2% to \$7.99 billion over the NTM. Net Operating Profit After Tax (NOPAT) increased 6.73% Y/Y from \$3.16 billion to \$3.37 billion over the LTM. We forecast a further increase of 16.5% to \$3.93 billion over the NTM. Return on Capital (ROC) increased from 19.74% to 21.86% over the LTM. We forecast a further increase to 23.61% over the NTM. Economic Profit increased 12.23% Y/Y from \$2.19 billion to \$2.46 billion over the LTM. We forecast a further increase of 8% to \$2.66 billion over the NTM. SBUX's ongoing growth initiatives will continue to drive higher Returns on Capital, increasing Economic Profit and greater shareholder value creation.

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- **SBUX's strong brand equity and ongoing new store openings continue to drive its competitive advantage.** SBUX is one of the most recognized global coffee brands with an extremely diverse and loyal customer base. SBUX currently holds a leading position in all coffee segments. It is the world's largest operator of coffee restaurants globally and is the number-one premium packaged coffee brand in the U.S. SBUX will continue to further develop its brand through new product development and new beverage introductions with an emphasis on healthier beverages, and offering healthier enhancers such as almond, coconut, and soy milk, as well as new tea and juice-based product offerings. SBUX continues to increase its global market share through the strategic opening of additional stores in new and existing markets along with remodeling existing stores and employing technological advances to improve both operating efficiency and its customer experience. In 2018, SBUX added just over 2,500 net new stores which is up from 2,300 in 2017. SBUX plans to add an additional 2,100 stores in 2019. SBUX also continues to open its marquee Roastery platform stores including the grand opening of its one in New York City last December which followed the ongoing success of recently opened Roastery stores in Milan, Seattle and Shanghai, and will open two more locations in Chicago and Tokyo this year. SBUX plans on opening an additional 12,000 new stores globally over the next two years for a total of 37,000 by the end of FY 2021. SBUX also continues to expand in China and plans on having a total of 6,000 new stores by the end of 2022 up from about 3,300 stores today.
- **SBUX's Global Coffee Alliance will continue to expand its ongoing channel development.** In 2018, Nestlé SA (NSRGY-US, Non-Rated) paid \$7.15 billion plus ongoing annual royalties for the exclusive rights to market sell and distribute Starbucks brands of packaged coffees and teas including Starbucks, Starbucks Reserve, Starbucks VIA, Seattle's Best Coffee, Teavana Teas, and Torrefazione Italia around the world. This global distribution alliance brings together the world's leading coffee brand and leading food product marketer. It combines the world's largest coffee producer with the largest and fastest-growing installed base of at-home single-serving coffee machines. Nestlé will add SBUX products to its Nespresso and Dolce Gusto single-serving product offerings which illustrates the strength of the Starbucks brand. This partnership is similar to the other successful distribution partnerships that SBUX currently has with Anheuser Busch (BUD-US, Non-rated) and PepsiCo (PEP-US, Neutral-rated) along with others that respectively distribute its ready-to-drink coffee and tea beverages globally. SBUX is one of the few food-service operators that has the potential to become a world-class consumer packaged goods company. The alliance with Nestlé will also expand SBUX brands globally in consumer packaged goods and foodservice categories in 190 countries around the world.

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- **SBUX continues to expand its product portfolio by introducing new beverages and core food offerings.** Beverage innovation has been a significant driver of same-store sales growth for SBUX. SBUX's growth drivers have been the introduction of new beverages including cold-brewed coffee, iced espresso, and Teavana Infusion-flavored iced teas. SBUX is expanding its product offerings and enhancing its coffee experience by increasing the use of small-batch super-premium coffee products using innovative brewing techniques, along with including fast-growing categories like Cold Brew and Draft Nitro beverages. SBUX is offering more nutritional and healthier beverages by increasing the use of plant-based modifiers including almond, coconut, and soy milk. SBUX has also expanded distribution of its Evolution Fresh Juice brand. Food now contributes more than 21% of SBUX U.S. revenues. Currently, SBUX does most of its business before noon. An expanded menu to include lunch items, along with the rollout of its evening program can turn SBUX stores into a lunch destination and also drive greater traffic at night. SBUX's evening program that includes food, wine and beer is currently available at 100 stores and is expected to roll-out to 25% of all U.S. stores by the end of 2019. The ability to increase traffic throughout the day beyond morning hours will be a significant growth driver and profit opportunity.
- **SBUX's ongoing international expansion will drive significant future growth.** Regional expansion in China and Asia Pacific will drive significant growth over the next five years as SBUX opens new stores and increases its brand presence. The rising middle class and a younger population with rising incomes are embracing coffee beverages over tea and using digital and mobile platforms, and participating in loyalty programs at an increasing rate. SBUX plans on having over 6,000 stores in China by the end of 2022. SBUX is also focusing on delivery as a further growth initiative in the Chinese market. SBUX has partnered with Alibaba (BABA-US, Buy Rated) to offer delivery using its Ele.me platform and is currently servicing over 2,000 stores across 30 cities. SBUX's Chinese stores are performing well and continue to drive increasing same-store sales comps even as many skeptics continue to highlight the potential for increased competition from China coffee startup Luckin (which currently has 1,500 stores). In addition to China, SBUX will open stores in other Asia Pacific countries including Japan, South Korea, Indonesia, and Thailand.

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- **SBUX's enhanced digital capabilities and growing its customer loyalty program improves operating efficiency, increases profitability, and further strengthens its brand which can increase traffic in other dayparts.** SBUX continues to leverage its mobile and digital capabilities along with its loyalty and e-commerce platforms to capitalize on these trends and drive greater revenue. SBUX currently has one of the largest and most popular customer loyalty programs with over 40% participation by its customer base. In 2018, membership in the My Starbucks Rewards (MSR) loyalty program increased 15% Y/Y to 15.3 million members. SBUX customers are increasingly using their mobile app to pay for their purchases. SBUX mobile app and MSR are key business drivers as loyalty members have much higher repeat rates and average purchases than non-members. With SBUX's MOP (Mobile Order & Pay) service, customers can order ahead of time and have their purchases ready for pickup upon arrival, saving time and reducing lines. SBUX is expanding its rollout to include Canada and the United Kingdom and will focus on expansion in China as well. China's consumers have the highest adoption rate of using mobile-ordering apps and mobile-payment platforms of any country. MSR members can also earn reward points on the purchase of Starbucks products in grocery channels. SBUX is focusing on broadening the reach of its loyalty program and mobile app for use in its consumer product business and eventually other retail locations.
- **SBUX's strong balance sheet and cash flow continues to fund growth and enhance shareholder returns through ongoing dividend increases and share repurchases.** SBUX currently has \$4.33 billion, \$3.49 per share, in excess cash. SBUX will also generate \$7.99 billion in Economic Operating Cash Flow over the NTM giving it the resources to continue to fund its growth initiatives along with ongoing dividend increases and its current targeted share repurchase program. SBUX increased its quarterly dividend by 20% from \$0.30 a share to \$0.36 a share in 2018 which followed a 20% increase the prior year. SBUX will return a total of \$25 billion in cash to shareholders through a combination of dividend payments and share repurchases by March 2020.

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Investment Thesis

SBUX continues to leverage its numerous growth drivers including new product development, its global coffee alliance, and ongoing store growth. SBUX continues to drive down costs by emphasizing increasing operating efficiencies. SBUX is expanding its product portfolio, emphasizing new health and wellness beverages, teas, and core food offerings. New food and beverage offerings can drive increased customer traffic during the later hours. SBUX is investing in new digital initiatives to improve customer service, better manage its supply chain, expand its loyalty program, and increase mobile ordering and e-commerce capabilities. SBUX will drive future growth with its ongoing expansion in China and Asia Pacific region. We believe SBUX's successful operating history and incredible brand equity combined with new digital and growth initiatives will drive significant increases in Return on Capital, increasing Economic Profit and creating greater shareholder value.

Company Overview

Starbucks Corp. (SBUX-US) is the world's largest specialty coffee retailer operating more than 29,800 locations in over 75 countries. Starbucks produces and sells its roasted beans along with coffee, accessories, snack foods, and teas. In addition to Starbucks own brand, it owns a number of other brands including Evolution Fresh Juices, La Boulange Bakery, Seattle's Best Coffee, and Teavana Tea.

Starbucks currently operates over 14,700 stores in the U.S. and licenses over 15,100 stores internationally. Starbucks also markets and sells its coffee in grocery stores and through other foodservice operators. Starbucks licenses its brand for other coffee-based food and beverage products including bottled tea and coffee drinks (bottled Frappuccino made by PepsiCo), ice cream (made by Nestlé's Dreyer's Grand Ice Cream), coffee-flavored liqueur (made by Fortune Brands) and Teavana ready-to-drink tea (made by Anheuser-Busch) .

Starbucks generates revenue through company-operated and royalty fees from licensed international locations. Starbucks sells its packaged coffee and tea products along with ready-to-drink tea and coffee beverages through grocery, specialty retail stores, and warehouse clubs. Starbucks also earns revenue from licensing deals with partners that produce and sell its Starbucks and Seattle's Best coffee branded ready-to-drink products. Starbucks foodservice operations supplies coffee to, airlines and hotels, coffee distributors, and other foodservice outlets.

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Starbucks operates and reports revenue through four Business Segments:

Americas: (68% of revenue) includes operations in the United States, Canada, and Latin America.

China/Asia Pacific: (19% of revenues) includes Starbucks operations in China and other Asia-Pacific regions.

Channel Development: (9% of revenue) includes its consumer-package goods (CPG) and food-services business including roasted whole bean and ground coffee, Tazo Tea, ready to drink beverages, K-Cups, and other retail branded products.

Europe, Middle East, and Africa: (4% of revenue) includes operations in those regions and countries.

Starbucks reports revenue by three Geographic Segments: The United States (70% of revenue); Canada, China, Japan and the UK (24% of revenue); and Other Countries (6% of revenue).



Company Report – Research Update

Starbucks Corporation (SBUX-US)

Hotels Restaurants & Leisure

Financial Data

Report Basis	LTM	LTM	LTM	LTM	LTM	LTM	LTM	NTM	5 Yr	3 Yr	Current
Reported Period Ending	12/29/2013	12/28/2014	12/27/2015	01/01/2017	12/31/2017	12/30/2018	12/31/2019		Average	Average	Trend
Net Sales Revenue	\$15,350.3	\$17,004.8	\$19,718.4	\$21,672.2	\$22,726.2	\$25,277.0	\$26,753.1	\$21,279.7	\$23,225.1	\$26,015.0	
Sales Growth	12.35%	10.78%	15.96%	9.91%	4.86%	11.22%	5.84%	10.55%	8.67%	8.53%	
Sales Growth Trend	12.26%	11.41%	13.89%	12.33%	6.88%	8.68%	7.99%	10.64%	9.30%	8.34%	
Economic Operating Cash Flow (EBITDAR)	\$4,289.0	\$4,834.6	\$5,722.8	\$6,526.6	\$6,865.4	\$7,171.4	\$7,909.6	\$6,224.2	\$6,854.5	\$7,540.5	
EBITDAR Margin	27.94%	28.43%	29.02%	30.12%	30.21%	28.37%	29.57%	29.23%	29.57%	28.97%	
EBITDAR Growth	24.72%	12.72%	18.37%	14.05%	5.19%	4.46%	10.29%	10.96%	7.90%	7.38%	
Net Operating Profit Before Tax (NOPBT)	\$2,715.4	\$3,075.8	\$3,620.2	\$4,257.4	\$4,459.9	\$4,161.9	\$4,970.2	\$3,915.0	\$4,293.1	\$4,566.1	
NOPBT Margin	17.69%	18.09%	18.36%	19.64%	19.62%	16.47%	18.58%	18.44%	18.58%	17.52%	
NOPBT Growth	33.02%	13.27%	17.70%	17.60%	4.76%	-6.68%	19.42%	9.33%	5.23%	6.37%	
Cash Operating Income Tax	\$0.0	\$953.8	\$1,180.0	\$1,391.2	\$1,301.8	\$791.5	\$1,043.7	\$1,123.7	\$1,161.5	\$917.6	
Economic Tax Effective Rate	0.00%	31.01%	32.60%	32.68%	29.19%	19.02%	21.00%	28.90%	26.96%	20.01%	
Net Operating Profit After Tax (NOPAT)	\$2,864.7	\$2,121.9	\$2,440.2	\$2,866.3	\$3,158.0	\$3,370.4	\$3,926.5	\$2,791.4	\$3,131.6	\$3,648.5	
NOPAT Margin	18.66%	12.48%	12.38%	13.23%	13.90%	13.33%	14.68%	13.06%	13.49%	14.01%	
NOPAT Growth	106.33%	-25.93%	15.00%	17.46%	10.18%	6.73%	16.50%	4.69%	11.46%	11.61%	
Cash & Equivalents	\$2,672.1	\$2,581.5	\$3,036.4	\$3,827.4	\$4,419.1	\$5,592.9	\$6,040.0	\$3,891.5	\$4,613.1	\$5,816.4	
Total Assets	\$10,255.2	\$12,351.1	\$12,943.5	\$14,017.3	\$18,518.5	\$19,981.3	\$21,578.5	\$15,562.3	\$17,505.7	\$20,779.9	
Non - Interest Bearing Liabilities (NIBLs)	\$2,761.0	\$3,467.4	\$3,853.4	\$4,206.8	\$6,885.7	\$12,723.1	\$13,740.1	\$6,227.3	\$7,938.5	\$13,231.6	
Net Assets	\$7,492.1	\$8,501.3	\$9,088.2	\$9,804.0	\$11,626.0	\$7,252.1	\$7,831.8	\$9,254.3	\$9,560.7	\$7,541.9	
Economic Asset Adjustments	\$2,331.6	\$2,980.2	\$3,920.8	\$5,360.9	\$6,926.8	\$6,940.7	\$7,495.5	\$5,237.1	\$6,428.1	\$7,218.1	
Net Operating Assets	\$9,823.7	\$11,481.5	\$13,009.0	\$15,164.9	\$18,608.8	\$14,192.8	\$15,327.3	\$14,491.4	\$15,988.8	\$14,760.1	
Debt & Debt Equivalents	\$5,960.2	\$6,576.5	\$7,489.1	\$9,668.8	\$12,455.7	\$17,199.7	\$18,574.6	\$10,678.0	\$13,108.1	\$17,887.1	
Equity & Equivalents	\$4,887.4	\$5,775.4	\$5,981.5	\$5,796.6	\$5,752.1	(\$2,884.9)	(\$3,115.5)	\$4,084.1	\$2,887.9	(\$3,000.2)	
Total Capital - Financing Sources	\$10,847.6	\$12,351.9	\$13,470.6	\$15,465.4	\$18,207.8	\$14,314.8	\$15,459.1	\$14,762.1	\$15,996.0	\$14,886.9	
Capital Adjustments	(\$1,580.7)	(\$1,547.9)	(\$1,220.6)	(\$1,122.2)	(\$556.5)	(\$1,128.3)	(\$1,218.5)	(\$1,115.1)	(\$935.7)	(\$1,173.4)	
Net Capital Financing Sources	\$9,266.9	\$10,804.0	\$12,250.0	\$14,343.2	\$17,651.3	\$13,186.5	\$14,240.6	\$13,647.0	\$15,060.3	\$13,713.5	
Net Working Capital	\$433.6	\$569.9	\$83.2	(\$41.8)	(\$1,272.1)	(\$464.9)	(\$502.0)	(\$225.1)	(\$592.9)	(\$483.4)	
Cost of Net Working Capital	\$36.7	\$25.8	\$17.7	\$1.2	(\$39.7)	(\$51.3)	(\$55.4)	(\$9.2)	(\$29.9)	(\$53.3)	
% of Revenue	0.24%	0.15%	0.09%	0.01%	-0.17%	-0.20%	-0.21%	-0.03%	-0.12%	-0.20%	
Operational Capital	\$7,229.4	\$8,540.9	\$9,079.0	\$10,653.1	\$11,250.1	\$13,178.0	\$14,231.3	\$10,540.2	\$11,693.7	\$13,704.6	
Cost of Operational Capital	\$442.1	\$405.6	\$478.4	\$573.3	\$661.1	\$720.9	\$778.5	\$567.9	\$651.8	\$749.7	
% of Revenue	2.88%	2.38%	2.43%	2.65%	2.91%	2.85%	2.91%	2.64%	2.80%	2.88%	
Productive Capital	\$8,368.1	\$10,681.3	\$11,160.4	\$12,722.7	\$16,171.1	\$17,719.9	\$19,136.3	\$13,691.1	\$15,537.9	\$18,428.1	
Cost of Productive Capital	\$495.1	\$489.9	\$593.0	\$693.8	\$872.1	\$1,000.2	\$1,080.1	\$729.8	\$855.4	\$1,040.1	
% of Revenue	3.23%	2.88%	3.01%	3.20%	3.84%	3.96%	4.04%	3.38%	3.67%	4.00%	
Total Operating Capital	\$7,919.1	\$9,750.2	\$10,958.6	\$12,421.1	\$15,326.0	\$9,863.8	\$10,652.2	\$11,663.9	\$12,537.0	\$10,258.0	
Cost of Total Operating Capital	\$473.0	\$454.4	\$562.3	\$679.2	\$837.5	\$743.4	\$802.8	\$655.4	\$753.4	\$773.1	
% of Revenue	3.08%	2.67%	2.85%	3.13%	3.69%	2.94%	3.00%	3.06%	3.25%	2.97%	
Non - Operating Capital	\$1,904.6	\$1,731.3	\$2,050.5	\$2,743.8	\$3,282.8	\$4,329.1	\$4,675.1	\$2,827.5	\$3,451.9	\$4,502.1	
Cost of Non - Operating Capital	\$132.4	\$93.5	\$102.7	\$139.3	\$181.9	\$224.6	\$242.6	\$148.4	\$181.9	\$233.6	
% of Revenue	0.86%	0.55%	0.52%	0.64%	0.80%	0.89%	0.91%	0.68%	0.78%	0.90%	
Total Capital	\$9,823.7	\$11,481.5	\$13,009.0	\$15,164.9	\$18,608.8	\$14,192.8	\$15,327.3	\$14,491.4	\$15,988.8	\$14,760.1	
Cost of Total Capital	\$605.4	\$547.9	\$664.9	\$818.5	\$1,019.4	\$968.0	\$1,045.4	\$803.8	\$935.3	\$1,006.7	
% of Revenue	3.94%	3.22%	3.37%	3.78%	4.49%	3.83%	3.91%	3.74%	4.03%	3.87%	
Cost of Capital (WACC)	6.28%	5.14%	5.43%	5.81%	6.04%	5.90%	5.90%	5.66%	5.92%	5.90%	
Capital Structure											
Debt & Debt Equivalents	\$5,960.2	\$6,576.5	\$7,489.1	\$9,668.8	\$12,455.7	\$17,199.7	\$18,574.6	\$10,678.0	\$13,108.1	\$17,887.1	
Debt & Debt Equivalents % of Market Value	9.15%	9.70%	7.72%	10.69%	13.23%	17.95%	17.95%	11.99%	14.02%	17.95%	
Preferred Equity	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
Preferred Equity % of Market Value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Market Value of Common Equity	\$59,210.3	\$61,233.4	\$89,563.1	\$80,803.8	\$81,711.4	\$78,641.6	\$84,927.8	\$78,390.7	\$80,385.6	\$81,784.7	
Common Equity % of Market Value	90.85%	90.30%	92.28%	89.31%	86.77%	82.05%	82.05%	88.01%	85.98%	82.05%	
Total Economic Market Value (MV)	\$65,170.5	\$67,809.9	\$97,052.3	\$90,472.6	\$94,167.1	\$95,841.3	\$103,502.3	\$89,068.7	\$93,493.7	\$99,671.8	
Total %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Excess Cash	\$1,904.6	\$1,731.3	\$2,050.5	\$2,743.8	\$3,282.8	\$4,329.1	\$4,675.1	\$2,827.5	\$3,451.9	\$4,502.1	
Economic Enterprise Value	\$63,266.0	\$66,078.6	\$95,001.8	\$87,728.8	\$90,884.3	\$91,512.3	\$98,827.2	\$86,241.2	\$90,041.8	\$95,169.8	
Average Capital	\$9,117.7	\$10,035.4	\$11,527.0	\$13,296.6	\$15,997.3	\$15,418.9	\$13,713.5	\$13,255.1	\$14,904.3	\$14,566.2	
Capital Δ	\$298.4	\$1,537.1	\$1,446.0	\$2,093.1	\$3,308.1	(\$4,464.8)	\$1,054.1	\$783.9	\$312.2	(\$1,705.4)	

Source: Company Data, Financial statements and Tigress Research

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Company Report – Research Update

Starbucks Corporation (SBUX-US)

Hotels Restaurants & Leisure

Financial Analysis

Table with 11 columns: Report Basis, Reported Period Ending, LTM (12/29/2013, 12/28/2014, 12/27/2015, 01/01/2017, 12/31/2017, 12/30/2018, 12/31/2019), NTM, 5 Yr Average, 3 Yr Average, Current Trend. Rows include Return on Market Value, Return on Enterprise Value, Return on Capital, Cost of Capital (WACC), Economic Profit, GAAP Earnings Per Share, Performance Drivers (Sales Growth, EBITDAR Margin, etc.), Risk Factors (Free Cash Flow, Financial Leverage, etc.), and Valuation Measures (Total Economic Market Value, etc.).

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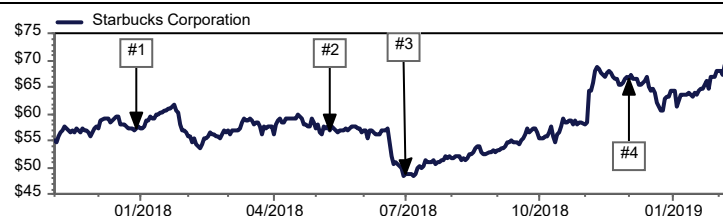
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Starbucks Corporation (SBUX-US)
Hotels Restaurants & Leisure
Ratings History

Starbucks Corporation (SBUX-US)				
Item #	Date	Research Action	Rating	Price
#4	11/30/2018	Reiterate Rating	Buy	\$66.72
#3	06/29/2018	Reiterate Rating	Buy	\$48.85
#2	05/09/2018	Reiterate Rating	Buy	\$57.04
#1	12/27/2017	Initiation of Coverage	Buy	\$57.27


Tigress Research Methodology Overview

We employ proprietary quantitative valuation models combined with dynamic fundamental analysis based on the principles of Economic Profit to formulate timely and insightful investment ratings, analysis, strategies, and recommendations.

We make key adjustments to reported financial data eliminating GAAP-based accounting distortions and measuring all companies on a cash operating basis.

Our proprietary research framework is a multi-factor model that scores and ranks companies based on their risk-adjusted ability to create Economic Profit relative to their current market value focusing on three key components:

Business Performance: Measuring economic profitability, growth and operating efficiency.

Risk: Measuring business sustainability, volatility, strength, and consistency.

Valuation: Linking business performance to market value. Measuring value created relative to capital employed and enterprise multiples of economic profit and cash flow.

We score and rank 24 key measurements of performance, risk, and value into relative market and industry investment recommendations.

Glossary of Key Terms and Measures

Excess Cash per Share:	Excess Cash per Share is the amount of excess cash divided by basic shares outstanding. Excess Cash consists of all cash and short-term securities less operating cash needed to run the business. Operating Cash is 5% of TTM net sales revenue.
EBITDAR:	Earnings Before Interest, Taxes, Depreciation, Amortization, and Restructuring and Rent Costs. This is especially important when comparing companies that use a significant amount of leased assets like restaurants and retailers.
NOPAT:	Net Operating Profit after Tax represents a company's after-tax cash operating profit excluding financing costs.
Total Invested Capital:	Total Invested Capital the total cash investment that shareholders and debt holders have made during the life of the company.
Return on Capital:	Return on Capital equals NOPAT divided by Total Invested Capital. It is a key measure of operating efficiency. ROC quantifies how well a company generates cash flow relative to the capital invested in its business.
Cost of Capital:	Is the proportionately weighted cost of each category of capital – common equity, preferred equity and debt.
Economic Profit:	Economic Profit is the net operating income after tax less the opportunity cost of the total capital invested. It is the most important driver of shareholder value.
Current Operations Value:	Current Operations Value is the portion of market value based on the discounted present value of the current earnings stream assuming it remains constant forever.
Future Growth Value:	Future Growth Value is the portion of market value based on un-earned Economic Profit

For more information on the key terms and measures, please review the Tigress Investment Research Guide to Company Valuation and Analysis.

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Rating:	Meaning:
Strong Buy:	Expect significant price gains in the price of the stock relative to its industry peer group and general market over the next 12 months.
Buy:	Expect out-performance for the price of the stock relative to its industry peer group and general market over the next 12 months.
Neutral:	Expect little or no outperformance opportunity over the next 12 months.
Underperform:	Expect underperformance for the price of the stock relative to its industry peer group and general market over the next 12 months.
Sell:	Expect price decline or significant relative market and industry underperformance over the next 12 months.
Not Rated	No Current Research Rating

Rating Distribution (02/06/2019)

	Companies Under Coverage		Relationship Companies Under Coverage*	
	#	%	#	%
Strong Buy:	16	14%	1	15%
Buy:	51	44%	5	70%
Neutral:	44	38%	1	15%
Underperform:	5	4%	0	0%
Sell:	0	0%	0	0%
Not Rated	NA	NA	65	NA
Total	116	100%	72	100%

*Relationship Companies under research coverage are companies in which Tigress Financial Partners LLC or one of its affiliates has received compensation for investment banking or non-investment banking services from the company, affiliated entities and / or its employees within the past twelve months or expects to do so within the next three months.

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Company:	Disclosure:
Starbucks Corporation (SBUX-US)	14

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