

# Starbucks Corp

**S&P Capital IQ Recommendation**



**S&P Capital IQ Equity Analyst T. Amobi, CFA CPA**

**Price**  
\$56.53 (as of Sep 11, 2015 4:00 PM ET)

**12-Mo. Target Price**  
\$65.00

**Report Currency**  
USD

**Investment Style**  
Large-Cap Growth

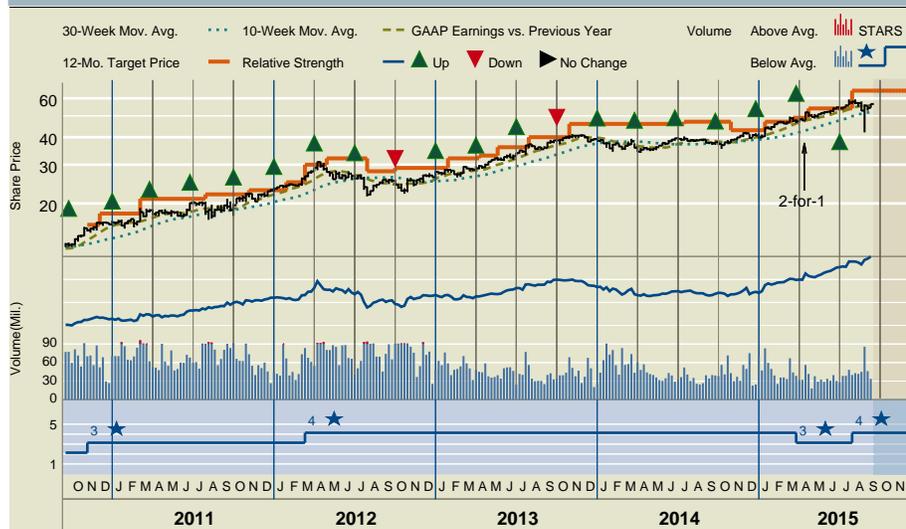
**GICS Sector** Consumer Discretionary  
**Sub-Industry** Restaurants

**Summary** Starbucks is the world's leading coffee retailer of high-quality coffee products, which it sells through its more than 20,800 retail stores globally, and multiple retail channels.

**Key Stock Statistics** (Source S&P Capital IQ, Vickers, company reports)

52-Wk Range	<b>\$59.32–35.38</b>	S&P Oper. EPS 2015E	<b>1.59</b>	Market Capitalization(B)	<b>\$83.902</b>	Beta	<b>0.77</b>
Trailing 12-Month EPS	<b>\$1.78</b>	S&P Oper. EPS 2016E	<b>1.87</b>	Yield (%)	<b>1.13</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>19</b>
Trailing 12-Month P/E	<b>31.8</b>	P/E on S&P Oper. EPS 2015E	<b>35.6</b>	Dividend Rate/Share	<b>\$0.64</b>	S&P Quality Ranking	<b>B+</b>
\$10K Invested 5 Yrs Ago	<b>\$47,831</b>	Common Shares Outstg. (M)	<b>1,484.2</b>	Institutional Ownership (%)	<b>72</b>		

**Price Performance**



Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst **T. Amobi, CFA CPA** on Jul 28, 2015 09:43 AM, when the stock traded at **\$56.98**.

**Highlights**

- After an 11% increase in FY 14 (Sep.), total revenues are likely to rise nearly 17% in FY 15 -- assuming some foreign currency headwinds. This reflects a mid- to high-single digit increase in same-store sales, about 1,650 in globally targeted net new stores and added revenues from SBUX's purchase of its Japan operations. Also, we see incremental growth from the company's expansion into tea, and increased sales of Starbucks-branded K-Cups. Total revenues should rise a further 12% in FY 16.
- We see adjusted EBIT margins little changed at 18.8% in FY 15 (versus 18.6% in FY 14), after stores pre-opening expenses, and temporarily constrained by the Japan acquisition versus largely neutral food input costs. However, with SBUX substantially locked for its coffee costs into 2016 at slightly more favorable rates (versus 2015), we see margins expanding to 19.9% in FY 16. Results should also benefit from ongoing supply chain initiatives, targeted for about \$1 billion in cumulative cost savings over the next several years.
- With a newly replenished share buyback plan, we forecast EPS of \$1.59 in FY 15 and \$1.87 in FY 16 versus FY 14 normalized EPS of \$1.33.

**Investment Rationale/Risk**

- After SBUX's stronger-than-expected results through the first nine months of FY 15, we see likely continuing momentum into FY 16, with a ramp-up in mobile penetration, accelerating international expansion (including China, India and Russia) and a burgeoning customer loyalty program. With a more affluent customer base, SBUX should be less affected than its peers by some lingering weakness in US consumer spending. Also, we view positively the company's expansion into baked goods and other beverages, such as tea and orange juice. We believe SBUX has ample financial flexibility.
- Risks to our recommendation and target price include a worse-than-expected slowdown in global consumer spending; weaker-than-anticipated impact from ongoing revitalization initiatives on customer traffic, higher-than-expected coffee prices and potentially severe currency headwinds.
- Our 12-month target price is \$65, on a P/E of 34.7X our FY 16 estimate, a seemingly warranted premium to peers to reflect SBUX's superior long-term growth prospects, and slightly above the 10-year historic average of 33.2X. The stock recently offered a dividend yield of 1.1%.

**Analyst's Risk Assessment**

<b>LOW</b>	<b>MEDIUM</b>	<b>HIGH</b>
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Our risk assessment reflects the intense competition in the restaurant industry. We see a threat from specialty coffee offerings by competitors. Offsetting these concerns, SBUX has reinvigorated its brand by improving its services and offering premium bakery goods, we believe. Also, the company has significant financial strength.

**Revenue/Earnings Data**

**Revenue (Million \$)**

	1Q	2Q	3Q	4Q	Year
2015	4,803	4,564	4,881	--	--
2014	4,240	3,874	4,154	4,181	16,448
2013	3,800	3,556	3,742	3,795	14,892
2012	3,436	3,196	3,304	3,364	13,300
2011	2,951	2,786	2,932	3,032	11,700
2010	2,723	2,535	2,612	2,838	10,707

**Earnings Per Share (\$)**

	2015	2014	2013	2012	2011	2010
0.65	0.36	0.28	0.28	0.25	0.23	0.16
0.33	0.28	0.26	0.22	0.23	0.24	0.14
0.41	0.34	0.28	0.22	0.23	0.24	0.19
E0.43	0.39	-0.82	0.90	0.81	0.62	
E1.59	1.36	Nil	0.90	0.81	0.62	

Fiscal year ended Sep. 30. Next earnings report expected: Late October. EPS Estimates based on S&P Capital IQ Operating Earnings; historical GAAP earnings are as reported in Company reports.

**Dividend Data**

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.320	Jan 22	Feb 3	Feb 5	Feb 20 '15
2-for-1	Mar 18	Apr 9	Mar 30	Apr 8 '15
0.160	Apr 23	May 5	May 7	May 22 '15
0.160	Jul 23	Aug 4	Aug 6	Aug 21 '15

Dividends have been paid since 2010. Source: Company reports.

Past performance is not an indication of future performance and should not be relied upon as such.

**Please read the Required Disclosures and Analyst Certification on the last page of this report.**

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# Starbucks Corp



## Business Summary July 28, 2015

**CORPORATE OVERVIEW.** Starbucks is a leading retailer of specialty coffee in the world, operating in 62 countries. The company sells high-quality coffees, tea, and other beverages along with a variety of fresh food items through company-operated and licensed stores. SBUX has expanded its presence in the tea market with the acquisition of Teavana Holdings in December 2012. The company also plans to enhance its food offerings with the continued roll out of La Boulange bakery items in FY 14 (Sep.).

At September 28, 2014, SBUX owned and operated 7,303 (7,049 as of September 29, 2013) stores in the U.S., and 3,410 (3,145) stores in international markets. Revenues from company-operated stores accounted for 79% of total revenues in FY 14 (79% in FY 13). Stores are typically clustered in high-traffic, high-visibility locations in each market. In FY 14, the retail store sales mix by product type was 73% beverages, 18% food items, 4% whole bean coffees, and 5% coffee-related hardware items.

There were also 4,659 (4,408 as of September 29, 2013) licensed retail stores in the U.S. and 5,994 (5,165) in international markets at September 28, 2014. Revenue from retail licensees was approximately 10% of total revenues in FY 14 (9% in FY 13). The Global Consumer Products Group and a number of foodservice accounts contributed 11% of total revenues in FY 14 (12% in FY 13).

**CORPORATE STRATEGY.** SBUX brought back Howard Schultz as CEO in January 2008 after the company struggled for a couple years due to rapid expansion and deteriorating services, which we believe hurt the Starbucks brand. At the time of the reappointment of Howard Schultz as CEO, the company outlined a five-point agenda: 1) improve the U.S. business by focusing on the customer experience and other factors affecting store operations; 2) slow the pace of U.S. expansion and close underperforming U.S. locations; 3) re-energize the Starbucks brand and create an emotional connection to the brand with customers and employees; 4) realign and streamline management and back-end functions to better support customer-focused initiatives; and 5) accelerate expansion outside the U.S. and drive profit margins higher at international operations.

SBUX closed a significant number of units due to underperformance, totaling about 800 locations in the U.S., 61 in Australia, and another 100 in various international markets. The closures resulted in the elimination of 19,000 to 19,500 positions, and the company also eliminated about 1,700 corporate positions.

In addition, SBUX slowed expansion markedly in FY 09, to 273 new company-owned units and 676 licensed units. FY 09 capital expenditures were cut to \$446 million, from \$985 million in FY 08. In FY 10, the company opened 223 net new stores, most of which were licensed. In FY 11, SBUX added 620 new stores, excluding the closures of 475 stores due to the bankruptcy of Borders. In FY 12, the company added about 640 net stores.

**FINANCIAL TRENDS.** Largely as a result of its restructuring and revitalization efforts, in FY 09 the company achieved a more conservative capital structure compared to past years. SBUX reduced commercial paper and other short-term borrowings to zero as of September 30, 2010, while long-term debt remained stable at year-earlier levels of \$549 million, and cash and equivalents grew to \$1,164 million from \$600 million.

Aggregate write-offs, expenses and severance associated with closures on a pretax basis amounted to \$599 million. The closings, personnel reductions and other cost initiatives resulted in \$590 million of cost savings in FY 09, exceeding the \$500 million initial target. A nominal amount of additional restructuring charges was incurred in the first quarter of FY 10.

In January 2015, the company reiterated its full year targets. The company expects full year non-GAAP EPS of \$3.09 to \$3.13. This is based on 16% - 18% revenue growth, include mid-single digits higher comparable store sales. The acquisition of the remaining interest in Starbucks Japan should be modestly dilutive to operating margin for the year. Still, non-GAAP operating margins should be flat to slightly higher, according to Starbucks. The company plans to open 1,650 net new stores in FY 15.

## Corporate Information

### Investor Contact

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### Website

<http://www.starbucks.com>

### Officers

#### Chrmn & CEO

H.D. Schultz

#### Pres & COO

K.R. Johnson

#### EVP & CFO

S.H. Maw

#### EVP, Secy & General Counsel

L.L. Helm

#### Treas

R. Lautch

### Board Members

W. W. Bradley

M. L. Hobson

O. C. Lee

H. D. Schultz

C. Shih

M. E. Ullman, III

R. M. Gates

K. R. Johnson

J. C. Ramo

J. G. Shennan, Jr.

J. G. Teruel

C. E. Weatherup

### Domicile

Washington

### Founded

1985

### Employees

191,000

### Stockholders

17,800

# Starbucks Corp

## Quantitative Evaluations

<b>S&amp;P Capital IQ Fair Value Rank</b>	1+	1	2	3	4	5
		LOWEST				HIGHEST

Based on S&P Capital IQ's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

**Fair Value Calculation** **\$47.70** Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that SBUX is overvalued by 8.83 or 15.6%.

<b>Investability Quotient Percentile</b>	98
	LOWEST = 1 HIGHEST = 100

SBUX scored higher than 98% of all companies for which an S&P Capital IQ Report is available.

<b>Volatility</b>	LOW	AVERAGE	HIGH
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**Technical Evaluation** **NEUTRAL** Since August, 2015, the technical indicators for SBUX have been NEUTRAL.

<b>Insider Activity</b>	UNFAVORABLE	NEUTRAL	FAVORABLE
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For further clarification on the terms used in this report, please visit [www.spcapitaliq.com/stockreportguide](http://www.spcapitaliq.com/stockreportguide)

## Expanded Ratio Analysis

	2014	2013	2012	2011
Price/Sales	3.81	4.01	3.12	3.03
Price/EBITDA	17.68	20.87	17.41	17.07
Price/Pretax Income	19.82	NM	20.13	19.55
P/E Ratio	30.28	NM	29.96	28.43
Avg. Diluted Shares Outstg (M)	1,526.2	1,524.6	1,546.0	1,539.4

Figures based on calendar year-end price

## Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	10.45	12.02	11.21	9.69
Net Income	NM	-30.20	-15.20	-4.88

## Ratio Analysis (Annual Avg.)

Net Margin (%)	12.57	7.68	8.50	7.13
% LT Debt to Capitalization	27.97	20.05	16.85	15.22
Return on Equity (%)	42.41	NA	25.41	23.21

## Company Financials Fiscal Year Ended Sep. 30

Per Share Data (\$)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Tangible Book Value	2.77	2.22	3.05	2.66	2.25	1.83	1.47	1.37	1.34	1.28
Cash Flow	1.85	0.44	1.27	1.17	0.98	0.62	0.58	0.76	0.63	0.53
Earnings	1.36	0.01	0.90	0.81	0.62	0.26	0.22	0.44	0.37	0.31
S&P Capital IQ Core Earnings	1.32	1.10	0.89	0.77	0.62	0.26	0.22	0.43	0.37	0.26
Dividends	0.52	0.42	0.34	0.26	0.12	Nil	Nil	Nil	Nil	Nil
Payout Ratio	38%	NM	38%	32%	19%	Nil	Nil	Nil	Nil	Nil
Prices:High	42.10	41.25	31.00	23.25	16.58	11.98	10.51	18.31	20.00	16.23
Prices:Low	33.97	26.26	21.52	15.38	10.63	4.06	3.53	9.95	14.36	11.15
P/E Ratio:High	31	NM	35	29	27	46	49	42	55	53
P/E Ratio:Low	25	NM	24	19	17	16	16	23	39	37

## Income Statement Analysis (Million \$)

Revenue	16,448	14,892	13,300	11,700	10,707	9,775	10,383	9,411	7,787	6,369
Operating Income	3,541	2,863	2,382	2,075	1,865	1,331	1,279	1,437	1,213	1,071
Depreciation	748	656	581	550	541	535	549	491	413	367
Interest Expense	64.1	28.1	32.7	33.3	32.7	42.0	60.6	Nil	Nil	Nil
Pretax Income	3,160	-230	2,059	1,811	1,437	559	460	1,056	906	796
Effective Tax Rate	34.6%	NM	32.8%	31.1%	34.0%	30.1%	31.3%	36.3%	35.8%	37.9%
Net Income	2,068	8.30	1,384	1,246	946	391	316	673	581	494
S&P Capital IQ Core Earnings	2,007	1,669	1,365	1,176	944	399	325	668	579	437

## Balance Sheet & Other Financial Data (Million \$)

Cash	1,844	3,234	2,037	2,051	1,450	666	322	281	313	174
Current Assets	4,169	5,409	4,200	3,795	2,756	2,036	1,748	1,696	1,530	1,209
Total Assets	10,753	11,517	8,219	7,360	6,386	5,577	5,673	5,344	4,429	3,514
Current Liabilities	3,039	5,377	2,210	2,076	1,779	1,581	2,190	2,156	1,936	1,227
Long Term Debt	2,048	1,299	550	550	549	549	550	550	1.96	2.87
Common Equity	5,272	4,480	5,109	4,385	3,675	3,046	2,491	2,284	2,229	2,091
Total Capital	7,322	5,782	5,664	4,939	4,232	3,595	3,059	2,834	2,230	2,094
Capital Expenditures	1,161	1,151	856	532	441	446	984	1,080	771	644
Cash Flow	2,817	664	1,964	1,796	1,486	926	865	1,164	994	862
Current Ratio	1.4	1.0	1.9	1.8	1.6	1.3	0.8	0.8	0.8	1.0
% Long Term Debt of Capitalization	28.0	22.5	9.7	11.1	13.0	15.3	18.0	19.4	0.1	0.1
% Net Income of Revenue	12.6	0.1	10.4	10.6	8.8	4.0	3.0	7.1	7.5	7.8
% Return on Assets	18.6	0.1	NA	18.1	15.8	7.0	5.7	13.8	14.6	14.3
% Return on Equity	42.4	0.2	NA	30.9	28.1	14.1	13.2	29.8	26.9	21.7

Data as originally reported in Company reports.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

# Starbucks Corp



## Sub-Industry Outlook

Our fundamental outlook for the restaurants sub-industry is positive. We project low single digit same-store sales growth in 2015. We think the U.S. economy will expand at a moderate pace. Nonfarm payroll employment has been rising, attaining the 200,000 per month that we think is needed to keep up with the population increase. Consumers have been cautious, and have been trading down or dining out less often, in particular during the weekdays. We project slower traffic for casual dining restaurants, while we think fast food and fast-casual dining restaurants will be less affected.

For the full-service restaurant segment, we project same-store sales growth of lower single-digits for the year. We think traffic will rise up to 1.0% as more people dine out. We also think they will likely purchase lower-priced menu items instead of higher-priced fare. However, we believe this will be more than offset by overall higher prices. Thus, we expect the average ticket price to increase slightly. We believe this segment of the restaurant industry will benefit less from faster growth in emerging countries. In our coverage universe, full-service restaurant companies have a higher percentage of their restaurants located in the U.S.

For the quick-service restaurant segment, we expect same-store sales to rise 2%-3% for the year, as we believe consumers will trade down from eating out at full-service outfits. We see incremental growth, as some quick-service restaurants are adding breakfast food to their menus. We see further growth opportunities in international markets, in particular China, with Yum! Brands, McDonald's and Starbucks opening more stores in that country.

The restaurant industry has been hit by higher food costs in the past year, resulting in lower operating

margins, as restaurants absorbed most of the higher input costs due to a weak economy. We think the impact of higher input costs will lessen in the next few quarters, as commodity price inflation has slowed down recently. Still, we think restaurants will have difficulty raising their prices. We also see higher labor costs from minimum wage legislation, and regional labor shortages, and higher healthcare costs due to Obamacare.

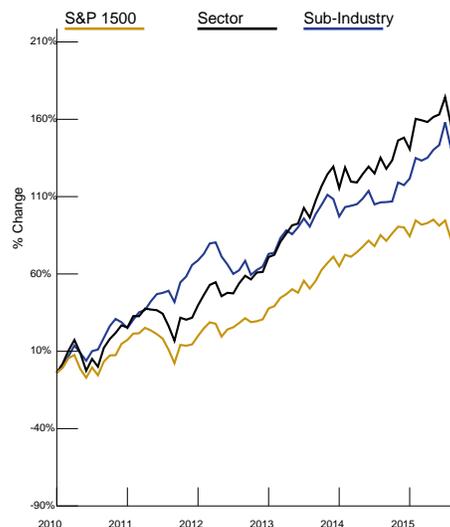
Year to date through August 14, the S&P Restaurants Index rose 16.3%, versus a 1.7% higher S&P 1500 Index. In 2014, the sub-industry index rose 4.3%, versus a 10.9% increase for the S&P 1500.

--Tuna N. Amobi, CFA, CPA

## Industry Performance

**GICS Sector: Consumer Discretionary**  
**Sub-Industry: Restaurants**

Based on S&P 1500 Indexes  
Five-Year market price performance through Sep 12, 2015



**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Past performance is not an indication of future performance and should not be relied upon as such.

## Sub-Industry : Restaurants Peer Group\*: Fast-food - Larger

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>Starbucks Corp</b>	<b>SBUX</b>	<b>83,902</b>	<b>56.53</b>	<b>59.32/35.39</b>	<b>0.77</b>	<b>1.1</b>	<b>32</b>	<b>47.70</b>	<b>B+</b>	<b>98</b>	<b>12.6</b>	<b>28.0</b>
Biglari Holdings	BH	782	378.49	459.43/312.00	1.07	Nil	2	NA	B-	26	3.6	25.2
Domino's Pizza	DPZ	6,053	110.22	119.73/75.64	0.97	1.1	36	75.20	B+	94	8.2	500.1
Jack in the Box	JACK	3,504	79.44	99.99/61.73	0.64	1.5	30	73.70	B	90	6.4	64.8
McDonald's Corp	MCD	91,742	97.41	101.88/87.50	0.36	3.5	23	80.80	A	99	17.3	53.9
Papa John's Intl	PZZA	2,767	69.71	79.40/37.45	0.47	1.0	41	61.50	B+	92	4.6	68.2
Yum Brands	YUM	35,113	81.43	95.90/65.81	0.79	2.0	40	66.00	A+	99	7.9	62.1

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

**S&P Capital IQ Analyst Research Notes and other Company News****July 24, 2015**

09:49 am ET ... S&P CAPITAL IQ RAISES OPINION ON SHARES OF STARBUCKS CORP. TO BUY, FROM HOLD (SBUX 56.56\*\*\*\*): With a ramp-up in mobile penetration, overseas expansion and customer loyalty program, we raise our 12-month target price by \$11 to \$65 (1.1% yield), on FY 16 (Sep.) P/E of 34.7x, a premium vs. peers, and vs. 10-year average of 33.2x. With replenished share buybacks, we raise FY 15 and FY 16 EPS estimates by \$0.02 each to \$1.59 and \$1.87. Jun-Q EPS of \$0.42 (before \$0.01 cost) vs. \$0.34, was \$0.01 above our estimate. Jun-Q revenues rose 18%, with a healthy +7% comps, on cross-regional gains. Jun-Q EBIT rose 22%, as margins widened 70 basis points, on track with FY 15 targets. /T. Amobi, CPA, CFA

**April 27, 2015**

11:10 am ET ... S&P CAPITAL IQ MAINTAINS HOLD OPINION ON SHARES OF STARBUCKS (SBUX 51.77\*\*\*\*): We raise our 12-month target \$5 to \$54, or 29X our FY 16 (Sep.) EPS estimate of \$1.85 (up \$0.01). We use a multiple above its forward average and peers, because of our increased confidence in various initiatives to drive higher traffic and average ticket size. Also, SBUX locked in relatively favorable near-term coffee bean prices. However, our enthusiasm is reduced by recent share price appreciation. Still, with a \$0.64 per share dividend that we see rising annually, hold SBUX for total return potential. SBUX posts Mar-Q EPS of \$0.33, vs. \$0.28, a penny shy of our estimates. /E. Levy-CFA

**March 26, 2015**

11:13 am ET ... S&P CAPITAL IQ CUTS VIEW ON SHARES OF STARBUCKS TO HOLD FROM BUY ON VALUATION (SBUX 94.21\*\*\*\*): We raise our 12-month target \$4 to \$98, or 26.6X our FY 16 EPS estimate of \$3.68 on updated historical and peer P/E analysis. We expect SBUX to continue to its rapid global expansion of stores, sales and profits. Fundamentals are generally favorable and we expect the company to target 5%-plus comparable store sales growth. Various initiatives should drive higher traffic and average ticket increases. However, our enthusiasm is reduced by recent share price appreciation. Still, with a \$1.28/share dividend that we see rising annually, hold SBUX for total return potential. /E. Levy-CFA

**January 22, 2015**

05:00 pm ET ... S&P CAPITAL IQ MAINTAINS BUY OPINION ON SHARES OF STARBUCKS CORP. (SBUX 82.74\*\*\*\*): We raise our 12-month target \$9 to \$94, or 25.5X our FY 16 (Sep.) EPS estimate of \$3.68 (cut \$0.04), between co.'s three-year and five-year average forward P/E, and near the peer average. We keep our FY 15 estimate at \$3.14, slightly above the upper end of guidance. SBUX posts Dec-Q adjusted EPS of \$0.80, vs. \$0.67, below our \$0.81 estimate, but in line with the Capital IQ consensus estimate, as SBUX met revenue forecasts. We are impressed by another quarter of 5% comparable-store sales, driven by traffic and ticket increases. We see further initiatives driving up sales. /E. Levy-CFA

**October 31, 2014**

10:56 am ET ... S&P CAPITAL IQ REITERATES BUY OPINION ON SHARES OF STARBUCKS (SBUX 75.53\*\*\*\*): We lower our 12-month target \$8 to \$85, or 27X our FY 15 (Sep.) EPS estimate of \$3.14 (reduced \$0.06), near its three-year average forward P/E multiple. We set FY 16's EPS at \$3.72. On its investor call, SBUX discussed new initiatives to enhance future growth including the Starbucks Roaster and Tasting Room experiences and new delivery options. SBUX posts Sep-Q adjusted EPs of \$0.74, vs. \$0.63, in line with our estimate. Although sales were 1% below the Capital IQ consensus projection, we see plenty of caffeine driven expansion opportunities for Starbucks around the globe. /E. Levy-CFA

**July 24, 2014**

05:15 pm ET ... S&P CAPITAL IQ MAINTAINS BUY OPINION ON SHARES OF STARBUCKS CORP. (SBUX 80.45\*\*\*\*): We raise our 12-month target price \$2 to \$93, or 29X our FY 15 (Sep.) EPS estimate of \$3.20 (raised \$0.03). We use an above-peer multiple reflecting our view of SBUX's favorable long-term growth prospects. Our FY 14 estimate remains \$2.67, the high end of company guidance. Even with increased competition, we expect SBUX to deliver strong (5%+) system-wide comparable store growth that will drive margin improvement. In addition, we expect revenues and profits to benefit from unit expansion internationally. SBUX posts Jun-Q EPS of \$0.67, vs. \$0.55, a penny above our forecast. /E. Levy-CFA

**June 19, 2014**

06:39 am ET ... STARBUCKS CORPORATION (SBUX 75.56) UNCHANGED, UBS UPGRADES STARBUCKS CORPORATION TO BUY... UBS upgrades Starbucks Corporation (NASDAQ: SBUX) from Neutral to Buy. 2014 Benzinga.com. Benzinga does not provide investment advice. All rights reserved.Acquire Media

**June 19, 2014**

10:23 am ET ... STARBUCKS CORPORATION (SBUX 77.2384) UP 1.68, ANALYST BUZZ HEATS UP STARBUCKS SHARES... UBS analyst raised the rating of Starbucks (NASDAQ: SBUX) from Neutral to Buy and raised the price target from \$80.00 to \$87.00. UBS noted that the stock offers a "compelling" entry with "limited downside risk." The firm emphasized that Starbucks is a top long-term global growth opportunity among consumer multinationals. The company has "good sales, earnings visibility and optionality around out-year initiatives." Shares of Starbucks closed at \$75.56 on Wednesday. The stock is currently trading at \$77.25, up 2.237 percent. 2014 Benzinga.com. Benzinga does no...Acquire Media

**May 28, 2014**

09:07 am ET ... STARBUCKS CORPORATION (SBUX 73.66) UNCHANGED, STANDPOINT RESEARCH INITIATES COVERAGE ON STARBUCKS CORPORATION AT STRONG SELL... Standpoint Research initiates coverage on Starbucks Corporation (NASDAQ: SBUX) with a Strong Sell rating. 2014 Benzinga.com. Benzinga does not provide investment advice. All rights reserved.Acquire Media

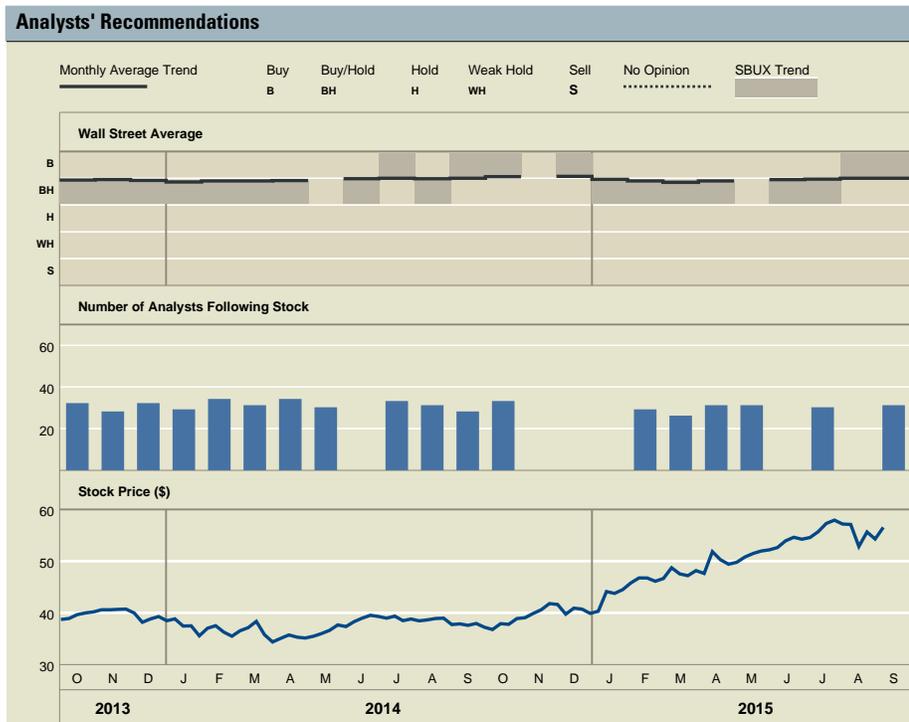
**May 28, 2014**

09:00 am ET ... STARBUCKS CORPORATION (SBUX 73.66) UNCHANGED, STANDPOINT RESEARCH INITIATES COVERAGE ON STARBUCKS CORPORATION AT STRONG SELL... Standpoint Research initiates coverage on Starbucks Corporation (NASDAQ: SBUX) with a Strong Sell rating. 2014 Benzinga.com. Benzinga does not provide investment advice. All rights reserved.Acquire Media

**May 8, 2014**

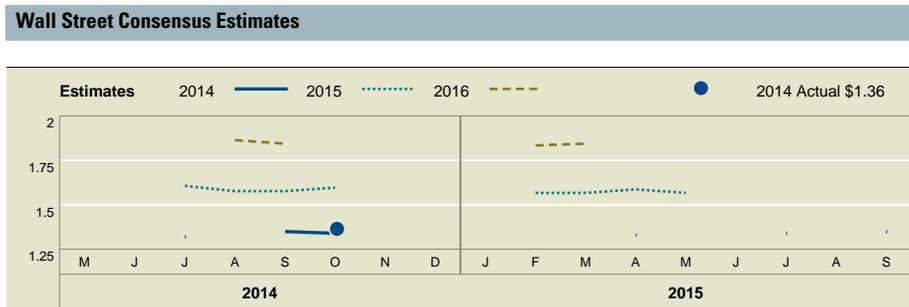
08:16 am ET ... STARBUCKS CORPORATION (SBUX 69.74) UNCHANGED, WALL STREET REMAINS BULLISH ON STARBUCKS FOLLOWING Q2 EARNINGS... Wall Street analysts are sharing their views on Starbucks' (NYSE: SBUX) second quarter results. Deutsche Bank analyst Jason West believes the stock is "likely to respond favorably to these results," given the "broader backdrop of weather-driven misses and SBUX's share price underperformance YTD," -- Buy rating, \$84 price target. Wells Fargo analyst Bonnie Herzog "continues to be impressed with SBUX's ability to deliver results and believes the future for the company remains very bright," based on: -- Outperform rating, \$89-91 valuation range. Oppenheimer an...Acquire Media

# Starbucks Corp



Of the total 30 companies following SBUX, 30 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	19	63	19	0
Buy/Hold	7	23	6	0
Hold	4	13	5	0
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>30</b>	<b>100</b>	<b>30</b>	<b>0</b>



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2016	1.88	1.94	1.80	30	30.1
2015	1.58	1.60	1.57	29	35.8
<b>2016 vs. 2015</b>	<b>▲ 19%</b>	<b>▲ 21%</b>	<b>▲ 15%</b>	<b>▲ 3%</b>	<b>▼ -16%</b>
Q4'16	0.52	0.56	0.49	14	NM
Q4'15	0.43	0.45	0.43	26	NM
<b>Q4'16 vs. Q4'15</b>	<b>▲ 21%</b>	<b>▲ 24%</b>	<b>▲ 14%</b>	<b>▼ -46%</b>	<b>NA</b>

A company's earnings outlook plays a major part in any investment decision. S&P Capital IQ organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

### Wall Street Consensus Opinion

**BUY**

### Companies Offering Coverage

- Accountability Research Corporation
- Argus Research Company
- BMO Capital Markets Equity Research
- BTIG, LLC
- Barclays
- BofA Merrill Lynch
- CLSA
- Citigroup Inc
- Cleveland Research Company
- Cowen and Company, LLC
- Credit Suisse
- Deutsche Bank
- Erste Group Bank AG
- Goldman Sachs
- Guggenheim Securities, LLC
- JP Morgan
- Jefferies LLC
- Morgan Stanley
- Morningstar Inc.
- Oppenheimer & Co. Inc.
- Piper Jaffray Companies
- RBC Capital Markets
- Robert W. Baird & Co.
- Sanford C. Bernstein & Co., Inc.
- Stephens, Inc.
- Stifel
- UBS Investment Bank
- Wedbush Securities Inc.
- Wells Fargo Securities, LLC
- William Blair & Company L.L.C.

### Wall Street Consensus vs. Performance

For fiscal year 2015, analysts estimate that SBUX will earn US\$ 1.58. For the 3rd quarter of fiscal year 2015, SBUX announced earnings per share of US\$ 0.41, representing 26% of the total annual estimate. For fiscal year 2016, analysts estimate that SBUX's earnings per share will grow by 19% to US\$ 1.88.

## Glossary

### S&P Capital IQ STARS

Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has ranked Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P Capital IQ equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

### S&P Capital IQ Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

### S&P Capital IQ EPS Estimates

S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

### S&P Capital IQ Core Earnings

S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

### S&P Capital IQ 12-Month Target Price

The S&P Capital IQ equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Capital IQ Fair Value.

### S&P Capital IQ Equity Research

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### Abbreviations Used in S&P Capital IQ Equity Research Reports

CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

### Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

### S&P Capital IQ Qualitative Risk Assessment

Reflects an S&P Capital IQ equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The S&P Capital IQ Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

### STARS Ranking system and definition:

#### ★★★★★ 5-STARS (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★★☆ 4-STARS (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★☆☆ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

#### ★★☆☆☆ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

#### ★☆☆☆☆ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

### Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

# Starbucks Corp

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### STARS Stock Reports:

#### S&P Capital IQ Global STARS Distribution as of June 30, 2015

Ranking	North America	Europe	Asia	Global
Buy	39.8%	27.9%	31.8%	37.0%
Hold	48.9%	46.6%	39.5%	47.5%
Sell	11.3%	25.5%	28.7%	15.5%
Total	100%	100%	100%	100%

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**Starbucks Corp**

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