

Company: Starbucks Corporation	Ticker: SBUX	Price: 90.60	Industry: Consumer Discretionary Sub Industry: Leisure Facilities & Services
Target Price: \$94.71 Stop Loss: \$68 52 Week High/Low: 68.39, 117.80	TTM P/E: 25.57 Forward P/E: 23.81 EPS: 3.55	Beta: .86 Credit Rating: Baa1 Rating Outlook: Baa1	Market Cap: 104B Avg. Vol. (12 M): 7.7M Div. Yield: 2.50%

Company Background:

Starbucks began in Seattle in 1971. Today, Starbucks is the premier roaster, marketer, and retailer of specialty coffee in the world. Starbucks operates in 84 countries and 6 continents, with 33,833 total stores. Starbucks' objective is to maintain its standing as one of the most recognized and respected brands in the world through their profit-positive, people-positive, and planet-positive approaches. Starbucks revenue segment are made up of company-operated stores, licensed stores, and channel development, and currently North America amounts for 70% of Starbucks' net revenue.

Industry Outlook:

The consumer discretionary industry outlook for the rest of 2022 and into 2023 are changes in priorities as there is increased pressure on household budgets, reduced discretionary spending, cutting back on dining out, more selective shopping, preference for private labels.

Investment Thesis:

Starbucks has incredible brand recognition, competitive dividend growth, wise free-cash-flow spending, and major global expansion plans where they are still in early growth phases. Starbucks also has highly ethical standards, a very strong market share, a loyal customer base, and strong management that will take the business where it wants to go in the future.

Investment Risks:

Risks for Starbucks Corporation include high inflation that may negatively affect ticket sales, a narrow moat for competitors, Covid 0 policies in international markets, employees unionizing, and potential for damage to the brand regarding food or beverage-borne illnesses and contamination.

3-5 takeaway's from last quarter investor call transcript:

- Global revenue grew 13% over prior year to a record 32.3 billion driven by 8% comp growth globally and 12% comp growth in NA
- Starbucks grew their global store base 6% in fiscal '22 and ended the year with roughly 36,000 stores in 83 countries.
- Starbucks loyalty program saw its active membership climb 16% to 28.7 million people in Q4.
- The company's international same-store sales fell 5%, largely due to new covid rules and regulations in China. Starbucks is confident that sales will rise once covid regulations get lifted in China.
- U.S. consumers were spending more on their orders this quarter, even with rising costs due to inflation.

5-Year Financial Performance:



Discounted Cash Flow Valuation:

Implied Perpetuity Growth Rate	
Terminal Value FCF	\$ 8,368
Discount Rate	9%
Terminal Value	\$ 143,643
Perpetuity Growth Rate	3%

Implied Equity Value and Share Price	
PV of FCF	\$ 22,439
PV of Terminal Value	\$ 93,358
Enterprise Value	\$ 115,796
Less: Debt	\$ 13,616
Add: Cash & Equivalents	\$ 6,455
Equity Value	\$ 108,635
Shares Outstanding	1147
Implied Share Price	\$ 94.71
Current Price	\$ 84.68
Margin of Safety	12%

ESG

Environmental

- 4.66 score (Leading vs Peers)
- In 2020 Starbucks committed to a resource-positive future, formalizing environmental goals to cut its carbon, water, and waste footprints by half
- Committed to Carbon Neutral Green Coffee and to conserve water usage in green coffee processing by 50%, both by 2030



Governance

- 8.19 Score (Leading vs Peers)
- Currently, Governance board has 9 directors including the founder and multiple Fortune 500 CEOs

Social

- 1.48 Score (Below Media vs Peers)
- Starbucks Ethical Sourcing of Sustainable Products
- Views employees as partners

Total Return %

	Company	Industry	S&P 500
YTD	-22.48%	-43.47%	-20.63%
2022	-22.48	-43.47%	-20.63%
3 Years	10.62%	11.49%	23.10%
5 Years	58.57%	32.25%	47.42%