



Starbucks Corp.

4Q23 Earnings Results



Economic Moat

4Q23 Earnings Results

Intangible Assets

- Brand Name
- Pricing Power

Starbucks



\$5

Homemade



<\$1



Earnings Results

4Q23 Earnings Results

Beat or Miss?

- **Beat** revenue estimates by 9.06%
- **Beat** EPS estimates by 1%

Announcement of latest stage of Reinvention Strategy:

- 17,000 new locations
- Cut \$3 billion in cost
 - More efficient stores
 - Lower product cost
- Increased wages



Earnings Results

4Q23 Earnings Results

- Revenue grew 12% to \$9.2 billion
- Operating margin expanded to 17.3% from 15.9%
 - Pricing
 - Productivity
 - More equity income
- EPS grew 25% to \$0.99
 - Lower tax rate
 - Margin expansion
 - Strong top line growth



Top Line Drivers – North America

4Q23 Earnings Results

(\$ in millions)	Jul 2, 2023	Jul 3, 2022	Change (%)
Change in Comparable Store Sales ⁽¹⁾	7%	9%	
Change in Transactions	1%	1%	
Change in Ticket	6%	8%	
Store Count	17,592	17,050	3%
Revenues	\$6,737.8	\$6,058.4	11%
Operating Income	\$1,463.9	\$1,330.1	10%
Operating Margin	21.7%	22.0%	(30) bps



Top Line Drivers - International

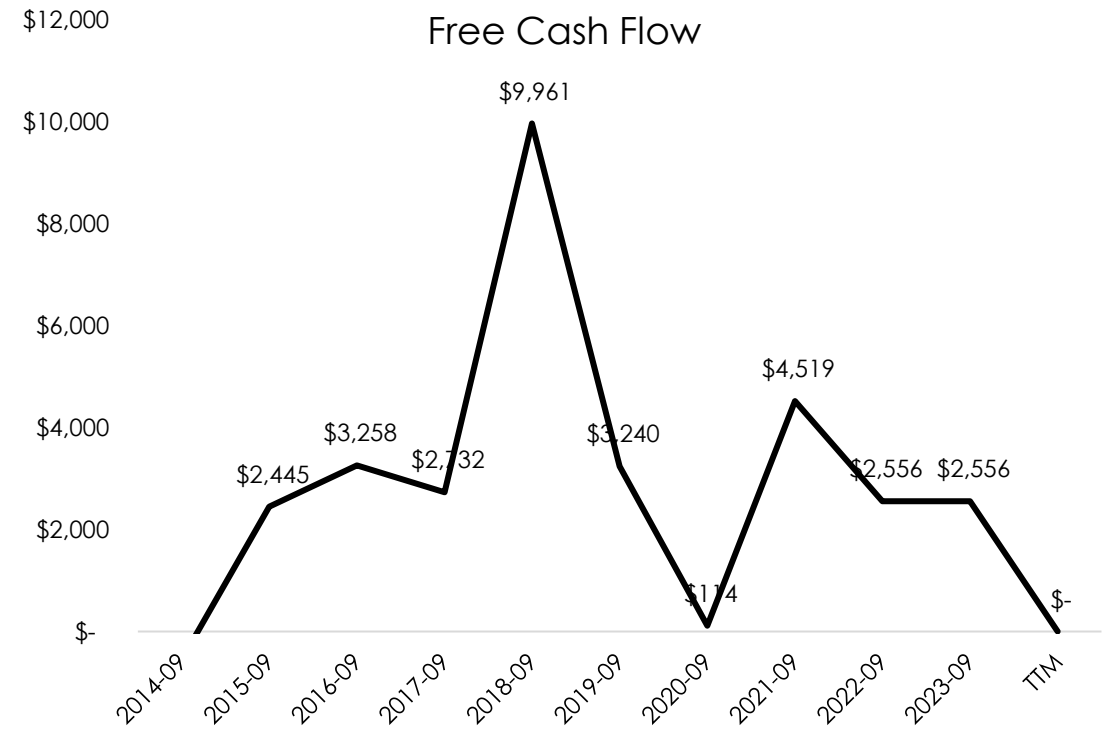
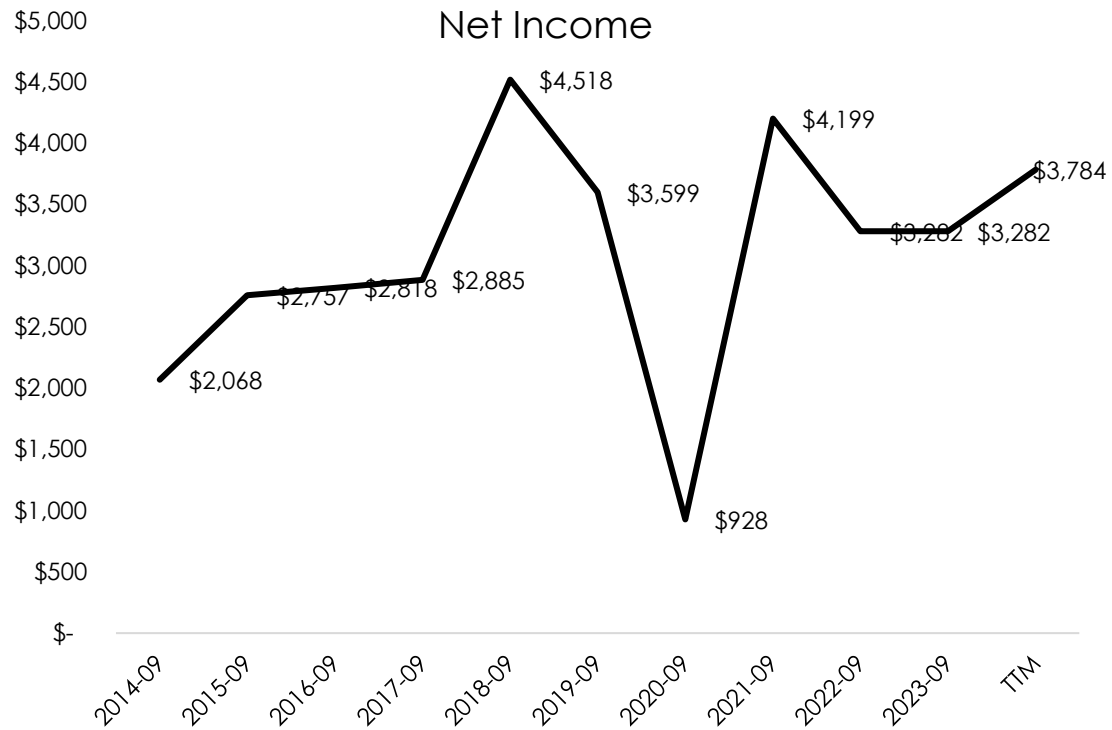
4Q23 Earnings Results

(\$ in millions)	Jul 2, 2023	Jul 3, 2022	Change (%)
Change in Comparable Store Sales ⁽¹⁾	24%	(18)%	
Change in Transactions	21%	(15)%	
Change in Ticket	2%	(4)%	
Store Count	19,630	17,898	10%
Revenues	\$1,972.9	\$1,584.7	24%
Operating Income	\$374.5	\$135.3	177%
Operating Margin	19.0%	8.5%	1,050 bps



Valuation

4Q23 Earnings Results



IOFS

4Q23 Earnings Results

- 1) Doesn't pass obligation ratio
- 2) Eroding margins/ doesn't pash threshold
 - Unionizing workforce
 - Increasing competition
 - Shift towards convenience
- 3) Eroding returns/ doesn't pash threshold
- 4) Doesn't meet dividend payout ratio
- 5) Doesn't meet Capex/ net Income
 - Ability to scale weakening
 - Rising rates
- 6) Negative equity
 - Debt
 - Dividend payout ratio

	2014-09	2015-09	2016-09	2017-09	2018-09	2019-09	2020-09	2021-09	2022-09	2023-09	TTM
IOFS											
Revenue	\$ 16,448	\$ 19,163	\$ 21,316	\$ 22,387	\$ 24,720	\$ 26,509	\$ 23,518	\$ 29,061	\$ 32,250	\$ 35,804	\$ 35,016
Gross profit	\$ 4,951	\$ 5,964	\$ 6,743	\$ 6,835	\$ 7,317	\$ 7,488	\$ 5,059	\$ 8,391	\$ 8,371	\$ 8,371	\$ 9,286
Operating Income	\$ 2,793	\$ 3,351	\$ 3,854	\$ 3,897	\$ 3,807	\$ 3,916	\$ 1,518	\$ 4,657	\$ 4,430	\$ 4,430	\$ 5,056
Net Income	\$ 2,068	\$ 2,757	\$ 2,818	\$ 2,885	\$ 4,518	\$ 3,599	\$ 928	\$ 4,199	\$ 3,282	\$ 3,282	\$ 3,784
Free Cash Flow	\$ (553)	\$ 2,445	\$ 3,258	\$ 2,732	\$ 9,961	\$ 3,240	\$ 114	\$ 4,519	\$ 2,556	\$ 2,556	\$ 2,983
EBIT	\$ 3,224	\$ 3,974	\$ 4,280	\$ 4,410	\$ 5,950	\$ 4,797	\$ 1,601	\$ 5,827	\$ 4,715	\$ 5,687	\$ 5,442
EBITDA	\$ 3,972	\$ 4,907	\$ 5,310	\$ 5,477	\$ 7,256	\$ 6,247	\$ 3,105	\$ 7,351	\$ 6,244	\$ 7,085	\$ 6,877
Dividend Yield	1	1	1	2	2	2	2	2	2	0	2
Gross Margin	30.1%	31.1%	31.6%	30.5%	29.6%	28.2%	21.5%	28.9%	26.0%	23.4%	26.5%
Operating Margin	17.0%	17.5%	18.1%	17.4%	15.4%	14.8%	6.5%	16.0%	13.7%	12.4%	14.4%
Net Margin	12.6%	14.4%	13.2%	12.9%	18.3%	13.6%	3.9%	14.5%	10.2%	9.2%	10.8%
FCF Margin	-3.4%	12.8%	15.3%	12.2%	40.3%	12.2%	0.5%	15.6%	7.9%	7.1%	8.5%
D&A/ Gross Profit	15.1%	15.7%	15.3%	15.6%	17.8%	19.4%	29.7%	18.2%	18.3%	18.3%	15.4%
R&D/ Gross Profit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
SG&A/ Gross Profit	20.0%	20.1%	20.9%	20.6%	23.3%	24.4%	33.2%	23.0%	24.3%	24.3%	25.2%
SBC/ Revenue	1.1%	1.1%	1.0%	0.8%	1.0%	1.2%	1.1%	1.1%	0.8%	0.8%	0.8%
Capex/ Net Income	56.1%	47.3%	51.1%	52.7%	43.7%	50.2%	159.8%	35.0%	56.1%	56.1%	57.6%
Dividend Payout ratio	259.6%	284.4%	237.5%	197.0%	257.1%	202.8%	48.2%	196.7%	144.4%	0.0%	157.7%
Shares Outstanding	1526.3	1513.4	1486.7	1461.5	1394.6	1233.2	1181.8	1185.5	1158.5	1147.9	1150.5
Returns											
ROE	42.413	49.728	48.158	50.903	136.513	10000	10000	10000	10000	10000	10000
ROTE	55.2613	70.1227	76.4609	81.0582	16370.6522	Negative Tang	Negative Tang	Negative Tang	Negative Tang	Negative Tang	10000
ROIC	23.87	26.05	23.46	22.65	23.82	21.8	5.84	14.07	13.29	13.22	14.79
ROCE	46.541	48.215	46.185	44.298	41.586	30.436	9.13	25.743	22.415	30.207	28.17
ROA	18.5733	23.8023	21.0836	20.1178	23.4583	16.5954	3.8206	13.821	11.0546	11.729	13.35
ROC	95.95	104.47	99.28	93.3	109.7	77.62	15.39	40.21	32.31	39.02	36.69
Leverage & Liquidity											
LT Debt	2048	2348	3185	3933	9090	11167	22321	21355	20635	20635	21236
ST Debt	0	0	400	0	350	0	1689	999	1924	1924	1870
PF Stock	0	0	0	0	0	0	0	0	0	0	0
Leases*7	0	0	0	0	0	0	8742	8759	8720	8720	8856
Pension SF											
Cash	\$ 1,708	\$ 1,530	\$ 2,129	\$ 2,462	\$ 8,756	\$ 2,687	\$ 4,351	\$ 6,456	\$ 2,818	\$ 2,818	\$ 3,357
Obligation Ratio ⁽¹⁾	0.2x	0.3x	0.5x	0.5x	0.2x	2.4x	30.6x	5.9x	8.7x	8.7x	7.6x
Cash/ Revenue	10.4%	8.0%	10.0%	11.0%	35.4%	10.1%	18.5%	22.2%	8.7%	7.9%	9.6%



Suggestion

4Q23 Earnings Results

Sell Outright Entire Position

Use funds for cash secured Monster Put



MNST vs. SBUX

4Q23 Earnings Results

	2013-12	2014-12	2015-12	2016-12	2017-12	2018-12	2019-12	2020-12	2021-12	2022-12	TTM
IOFS											
Revenue	\$ 2,246	\$ 2,465	\$ 2,723	\$ 3,049	\$ 3,369	\$ 3,807	\$ 4,201	\$ 4,599	\$ 5,541	\$ 6,311	\$ 6,691
Gross profit	\$ 1,173	\$ 1,340	\$ 1,632	\$ 1,942	\$ 2,138	\$ 2,295	\$ 2,519	\$ 2,724	\$ 3,109	\$ 3,175	\$ 3,490
Operating Income	\$ 573	\$ 748	\$ 732	\$ 1,085	\$ 1,199	\$ 1,284	\$ 1,403	\$ 1,633	\$ 1,797	\$ 1,585	\$ 1,821
Net Income	\$ 339	\$ 483	\$ 547	\$ 713	\$ 821	\$ 993	\$ 1,108	\$ 1,410	\$ 1,377	\$ 1,192	\$ 1,435
Free Cash Flow	\$ 290	\$ 566	\$ 480	\$ 596	\$ 895	\$ 1,087	\$ 1,003	\$ 1,297	\$ 1,098	\$ 676	\$ 1,329
EBIT	\$ 573	\$ 748	\$ 732	\$ 1,085	\$ 1,199	\$ 1,284	\$ 1,403	\$ 1,633	\$ 1,797	\$ 1,585	\$ 1,821
EBITDA	\$ 596	\$ 773	\$ 763	\$ 1,126	\$ 1,248	\$ 1,341	\$ 1,464	\$ 1,690	\$ 1,848	\$ 1,646	\$ 1,884
Dividend Yield	0	0	0	0	0	0	0	0	0	0	0
Gross Margin	52.2%	54.4%	60.0%	63.7%	63.5%	60.3%	60.0%	59.2%	56.1%	50.3%	52.2%
Operating Margin	25.5%	30.3%	26.9%	35.6%	35.6%	33.7%	33.4%	35.5%	32.4%	25.1%	27.2%
Net Margin	15.1%	19.6%	20.1%	23.4%	24.4%	26.1%	26.4%	30.7%	24.9%	18.9%	21.5%
FCF Margin	12.9%	23.0%	17.6%	19.5%	26.6%	28.6%	23.9%	28.2%	19.8%	10.7%	19.9%
D&A/ Gross Profit	1.9%	1.9%	1.9%	2.1%	2.3%	2.5%	2.4%	2.1%	1.6%	1.9%	1.8%
R&D/ Gross Profit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
SG&A/ Gross Profit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
SBC/ Revenue	1.3%	1.2%	1.2%	1.6%	1.5%	1.5%	1.5%	1.3%	1.3%	1.0%	1.0%
Capex/ Net Income	15.3%	6.5%	7.8%	14.8%	11.3%	7.5%	10.0%	4.8%	4.2%	17.8%	13.3%
Dividend Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Shares Outstanding	1040.322	1045.71	1155.516	1199.638	1154.282	1128.508	1093.216	1069.614	1071.278	1066.442	1060.093
Returns											
ROE	41.384	38.54	17.289	17.513	22.718	26.459	28.471	30.209	23.491	17.534	20
ROTE	44.6707	40.4186	23.9474	35.046	65.7881	71.8822	73.3444	61.8554	39.7362	27.8755	31.63
ROIC	58.76	78.57	29.69	25.24	25.15	30.6	33.19	39.91	35.42	26.47	28.27
ROCE	61.628	55.625	21.713	24.544	30.297	31.475	33.344	32.854	29.245	22.429	24.47
ROA	27.4906	28.7663	14.5598	14.6571	18.3505	21.3139	22.8957	24.8319	19.6677	14.8047	16.78
ROC	179.69	258.78	306.53	332.18	248.03	246.22	252.61	257.86	224.9	123.57	113.86
Leverage & Liquidity											
LT Debt	0	0	0	0	0	0	0	0	0	0	0
ST Debt	0	0	0	0	0	0	0	0	0	0	0
PF Stock	0	0	0	0	0	0	0	0	0	0	0
Leases*7	0	0	0	0	0	0	0	0	0	0	0
Pension SF											
Cash	\$ 211	\$ 370	\$ 2,175	\$ 378	\$ 529	\$ 638	\$ 798	\$ 1,180	\$ 1,326	\$ 1,307	\$ 1,870
Obligation Ratio ⁽¹⁾	(0.6)x	(0.8)x	(4.0)x	(0.5)x	(0.6)x	(0.6)x	(0.7)x	(0.8)x	(1.0)x	(1.1)x	(1.3)x
Cash/ Revenue	9.4%	15.0%	79.9%	12.4%	15.7%	16.7%	19.0%	25.7%	23.9%	20.7%	27.9%

	2014-09	2015-09	2016-09	2017-09	2018-09	2019-09	2020-09	2021-09	2022-09	2023-09	TTM
IOFS											
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Gross profit	\$ 4,951	\$ 5,964	\$ 6,743	\$ 6,835	\$ 7,317	\$ 7,488	\$ 5,059	\$ 8,391	\$ 8,371	\$ 8,371	\$ 9,286
Operating Income	\$ 2,793	\$ 3,351	\$ 3,854	\$ 3,897	\$ 3,807	\$ 3,916	\$ 1,518	\$ 4,657	\$ 4,430	\$ 4,430	\$ 5,056
Net Income	\$ 2,068	\$ 2,757	\$ 2,818	\$ 2,885	\$ 4,518	\$ 3,599	\$ 928	\$ 4,199	\$ 3,282	\$ 3,282	\$ 3,784
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Dividend Yield	1	1	1	2	2	2	2	2	2	0	2
Gross Margin	30.1%	31.1%	31.6%	30.5%	29.6%	28.2%	21.5%	28.9%	26.0%	23.4%	26.5%
Operating Margin	17.0%	17.5%	18.1%	17.4%	15.4%	14.8%	6.5%	16.0%	13.7%	12.4%	14.4%
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FCF Margin	-3.4%	12.8%	15.3%	12.2%	40.3%	12.2%	0.5%	15.6%	7.9%	7.1%	8.5%
D&A/ Gross Profit	15.1%	15.7%	15.3%	15.6%	17.8%	19.4%	29.7%	18.2%	18.3%	18.3%	15.4%
R&D/ Gross Profit	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
SG&A/ Gross Profit	20.0%	20.1%	20.9%	20.6%	23.3%	24.4%	33.2%	23.0%	24.3%	24.3%	25.2%
SBC/ Revenue	1.1%	1.1%	1.0%	0.8%	1.0%	1.2%	1.1%	1.1%	0.8%	0.8%	0.8%
Capex/ Net Income	56.1%	47.3%	51.1%	52.7%	43.7%	50.2%	159.8%	35.0%	56.1%	56.1%	57.6%
Dividend Payout ratio	259.6%	284.4%	237.5%	197.0%	257.1%	202.8%	48.2%	196.7%	144.4%	0.0%	157.7%
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ROTE	55.2613	70.1227	76.4609	81.0582	16370.6522	Negative Tang	Negative Tang	Negative Tang	Negative Tang	Negative Tang	10000
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ROCE	46.541	48.215	46.185	44.298	41.586	30.436	9.13	25.743	22.415	30.207	28.17
ROA	18.5733	23.8023	21.0836	20.1178	23.4583	16.5954	3.8206	13.821	11.0546	11.729	13.35
ROC	95.95	104.47	99.28	93.3	109.7	77.62	15.39	40.21	32.31	39.02	36.69
Leverage & Liquidity											
LT Debt	2048	2348	3185	3933	9090	11167	22321	21355	20635	20635	21236
ST Debt	0	0	400	0	350	0	1689	999	1924	1924	1870
PF Stock	0	0	0	0	0	0	0	0	0	0	0
Leases*7	0	0	0	0	0	0	8742	8759	8720	8720	8856
Pension SF											
Cash	\$ 1,708	\$ 1,530	\$ 2,129	\$ 2,462	\$ 8,756	\$ 2,687	\$ 4,351	\$ 6,456	\$ 2,818	\$ 2,818	\$ 3,357
Obligation Ratio ⁽¹⁾	0.2x	0.3x	0.5x	0.5x	0.2x	2.4x	30.6x	5.9x	8.7x	8.7x	7.6x
Cash/ Revenue	10.4%	8.0%	10.0%	11.0%	35.4%	10.1%	18.5%	22.2%	8.7%	7.9%	9.6%

