

## Starbucks (SBUX)

### Consumer Discretionary

November 14, 2018

#### Investment Thesis

Starbucks is a global, premium, coffee store with strong customer loyalty and brand recognition. Over the past 5 years they have consistently grown same-store sales by 3-7% and opened between 1,500-2,200 new locations. Their strong margins, loyal customer base, and growth focus are driving our BUY rating on Starbucks.

#### Drivers of Thesis

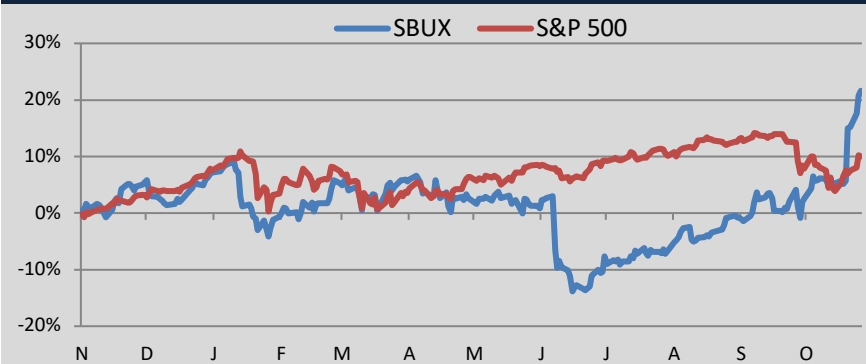
- Starbucks manages their 29,000 existing locations exceptionally well and has enjoyed same-store sales growth of between 3-7%. Their proven ability to manage stores well makes their expansion focus even more appealing.
- Starbucks' growth has always been primarily driven on opening new locations, a process they have gotten very good at. Starbucks had a net change in locations of 1,985 in FY2018 and expects net 2,100 new stores in FY2019.
- Starbucks Rewards is a loyalty program with that grew 15% to 15.3 million active users in the United States in FY2018. Rewards members are loyal and generated 40% of revenue in the US last year.
- In order to expand into China and grow their consumer-packaged goods business, Starbucks has made wise and strategic partnerships with Alibaba and Nestlé that we expect will hasten growth in these important areas.

#### Risks to Thesis

- While stores are well-managed, the US market appears to be approaching saturation. While same store sales in the US grew 4% in Q4, that growth consisted of a 5% increase in average ticket price, and -1% in number of transactions.
- Starbucks acquisition of Teavana has been largely unsuccessful, and they continue to close Teavana stores that were frequently located in malls.

Earnings Estimates						
Year	2016	2017	2018	2019E	2020E	2021E
EPS	\$1.91	\$1.99	\$2.67	\$2.76	\$3.05	\$3.24
growth	3.80%	4.19%	34.17%	3.50%	10.37%	6.19%

#### 12 Month Performance



#### Stock Rating

Buy

#### Target Price

\$74-76

Henry Fund DCF	\$74.18
Henry Fund DDM	\$61.54
Relative Multiple	\$69.67

#### Price Data

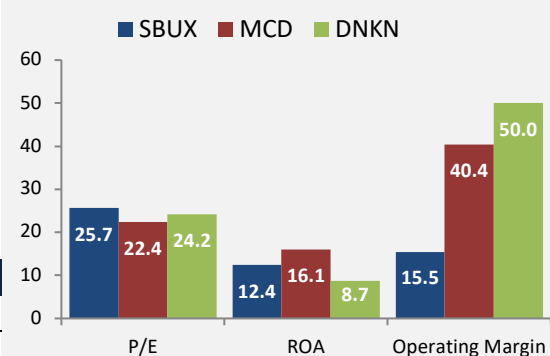
Current Price	\$67.41
52wk Range	\$47.37 – 68.98
Consensus 1yr Target	\$63

#### Key Statistics

Market Cap (B)	\$87.50
Shares Outstanding (M)	1,334
Institutional Ownership	74.14%
Five Year Beta	0.8
Dividend Yield	1.92%
Est. 5yr Growth	5.75%
Price/Earnings (TTM)	25.69
Price/Earnings (FY1)	24.82
Price/Sales (TTM)	3.54
Price/Book (mrq)	22.9

#### Profitability

Operating Margin	15.46%
Profit Margin	18.28%
Return on Assets (TTM)	12.40%
Return on Equity (TTM)	136.23%



#### Company Description

Provide a brief company description in this section. The description should be written in your own words. It should NOT simply be copied from the company profile on Google, Yahoo, FactSet, or the 10-K filing. Describe the company's products or services, important brands, geographical locations, customer base, etc. Avoid the use of acronyms anywhere on the tearsheet of the report unless you have specifically defined the acronym first.

## EXECUTIVE SUMMARY

Starbucks is a global coffee company that has grown rapidly since being founded in 1985 by increases same-store sales and opening new locations. They have created an extremely loyal customer base that has proven themselves willing to paying ever-increasing prices and try new, premium drinks.

Starbucks has become very efficient at opening new locations both in the United States and abroad. They are expecting to open 2,100 new locations in FY 2019, with a focus on China.

Starbucks also has a robust consumer-packaged goods segment that sells coffee beans, read-to-drink beverages, tea, and branded mugs and accessories. In order to grow this segment internationally, they have entered into a strategic partnership with Nestlé who has global distribution partners.

Loyal customers, strong brand recognition, and the potential of China are the underlying drivers of our \$74-\$76 price target and BUY rating.

## COMPANY DESCRIPTION

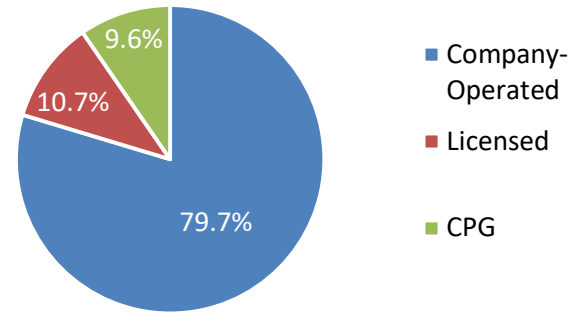
Starbucks is a global coffee shop that sells premium drinks and food that was founded in 1985. Starbucks has a highly recognizable brand and operates over 29,300 locations in 77 countries.

Starbucks segments its revenue by geography while indicating whether it is a company-operated location, licensed location, or consumer packaged goods (CPG).

### Company-Operated

As of September 30, 2018, 52.3% of locations were company-operated, and this segment generated 79.7% of Starbucks' total revenue. Stores primarily sell drinks, but also sell food, coffee beans, and merchandise such as mugs and coffee machines.

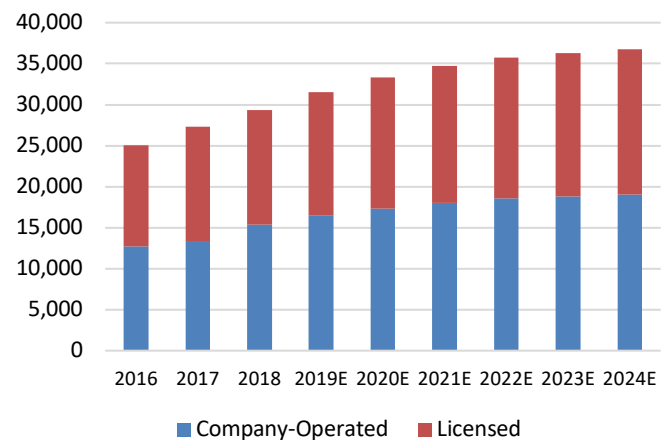
Revenue Breakdown - 2018



Source: Starbucks Q4-2018 10-Q

Starbucks has always grown primarily through the opening of new stores, and management has provided guidance of 2,100 net new stores in FY2019 [1]. We have forecasted 50% of all new locations will be company owned.

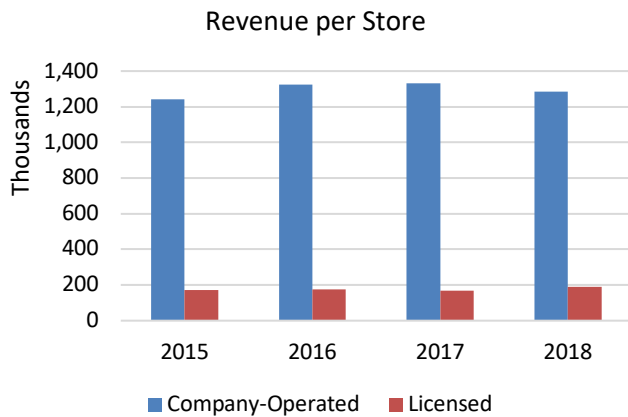
Total Stores



Source: Starbucks 10-K 2016-17, Q4-2018 10-Q, HF estimates

### Licensed

Licensed stores are owned by a 3<sup>rd</sup> party who pays a reduced share of revenues with Starbucks Corporation. As would be expected these stores generate significantly less revenue but have a higher operating margin.



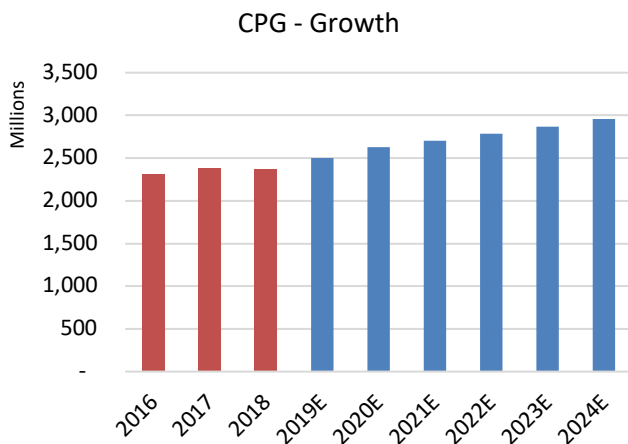
Source: Starbucks 10-K 2015-2017, Q4-2018 10-Q

Starbucks Corporation has seen the licensed model work better than company-operated locations in their Europe, Middle East, and Africa (EMEA) geographic segment, and is aggressively trying to switch to a pure-licensed model in those regions [2].

## Consumer Packaged Goods

The consumer-packaged goods segment includes coffee beans, ready-to-drink beverages, Tazo-branded teas, and other goods sold in convenience and grocery stores.

We have forecasted this segment to grow between 3-6% over the six-year horizon and remain between 8.5%-9.5% of total revenue.



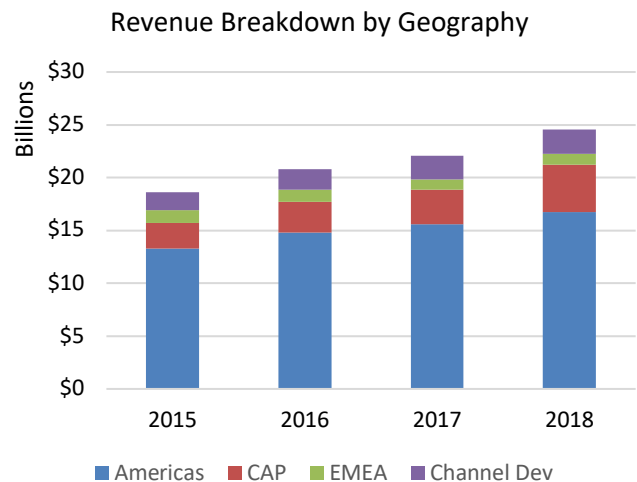
Source: Starbucks 10-K 2016-17, Q4-2018 10-Q, HF estimates

## Geographic Breakdown

Starbucks reports earnings and store count for 3 geographic regions: Americas, China/Asia Pacific (CAP), and Europe/Middle East/ Africa (EMEA). They also report a 4<sup>th</sup> segment – Channel Development. Channel Development includes CPG items sold world-wide.

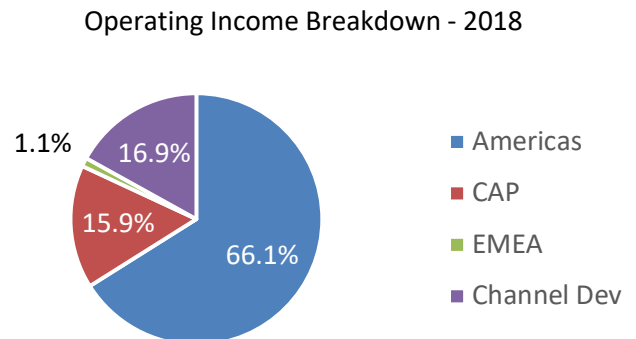
In 2018 the Americas accounted for 68.2% of total revenue.

Starbucks sees China – already their fastest growing market - as an area of strong future growth. While same-store sales growth was only 2% for the CAP segment in FY 2017, they successfully opened 585 new locations in 17 new cities [3].



Source: Starbucks 10-K 2015-2017, Q4-2018 10-Q

While Channel Development accounts for only 9.4% of revenue, it also represents 16.9% of operating revenue.



Source: Starbucks Q4-2018 10-Q

Differences in operating margin between geographic regions is primarily caused by their unique ratio of company-operated vs. licensed locations.

## Operations

Starbucks has garnered a lot of goodwill and customer loyalty through the way they operate their business. They are known for taking exceptional care of everyone they interact with.

We believe this reputation for generosity and care has given them a unique competitive advantage and has helped sustain growth despite fierce competition for local coffee shops.

## Supplier Relations

Starbucks purchases a substantial amount of coffee from small farms in South and Central America and will overpay to ensure the farmers are able to invest in their operations and employees. In their Q4 earnings they reported that due to low coffee prices in Central America Starbucks is spending \$20 million to ensure their smaller partners are able to keep a long-term focus.

## Employees

Starbucks employs over 275,000 people world-wide.

Starbucks is known for outstanding benefits for both part-time and full-time employees, including healthcare, retirement plans, PTO, parental leave and adoption reimbursement, a 100% tuition-covered bachelor's degree from Arizona State University, discounted and free Starbucks products, and their "Partner Assistance" which is a fund to help employees who suffer extreme circumstances such as death of family member or serious illness.

## Digital

Providing a seamless and exceptional digital experience is one of Starbucks' recent operational goals. With this, they announced a partnership with Alibaba in China, and has made significant investments in their digital application.

## Loyalty

Starbucks operates a loyalty program that rewards members with stars based on dollars spent and short-term goals – such as buying something 3 days in a row. Stars ad

up to a "reward" that can be redeemed for any free drink or food item. At FY2018 year end there were 15.3 million active rewards members who drove 40% of revenue in the US [3].

## RECENT DEVELOPMENTS

### FY2018 Q4 Earnings

On November 1, 2018 Starbucks released their Q4 and FY2018 earnings.

Consensus EPS for the quarter was \$0.59, but actual EPS came in at \$0.62. This growth was driven by increased prices and the opening of 250 new stores. The stock jumped 8% after earnings on optimism about future growth potential, specifically in china, and solid sales despite price increases.

Starbucks has proven that has loyal customers and the ability to attract new customers with almost every store it opens.

### Nestlé Partnership

On August 28, 2018 Starbucks announced a partnership with Nestlé providing them perpetual rights to sell Starbucks CPG and Foodservice products world-wide [4]. Starbucks has struggled to grow their CPG and Foodservice sales outside the United States, but Nestlé has global relationships with grocery stores and other vendors. On the other hand, Nestlé owns coffee brands NesCafé and Nespresso which have struggled to gain market share in the United States.

Both sides seem very pleased with the deal, and we believe that this will boost Starbucks' CPG and Foodservice segments.

### Alibaba Partnership

On August 2, 2018 Starbucks announced a partnership with Chinese tech giant, Alibaba. Starbucks will be utilizing Alibaba's mobile payment, food delivery, and online ordering ecosystems to fuel its expansion in China and improve the customer experience [5].

This appears to be another wise partnership that utilizes both company's strengths.

## Digital

Recent development #2 discussion.

Some key developments may include changes within the industry that are having a large role in shaping operations going forward, such as regulation changes, patent approvals, patent expirations, technological changes, cost changes from key inputs, supply disruptions, legal challenges and lawsuits, etc.

### INDUSTRY TRENDS

As with many industries, the fast-food and coffee industry is being heavily impacted by the rise of mobile phones and internet usage. Having customers be constantly connected to the internet allows restaurants and coffee shops to remain connected to their customers and interact with them digitally.

## Mobile App

Mobile apps have provided a new avenue for loyalty programs, delivering coupons, accepting payment, and communicating with customers.

Mobile order allows customers to independently purchase goods before they arrive at the store. Combined, drive-thru and Mobile Ordering now account for more than 50% of Starbucks' orders [3].

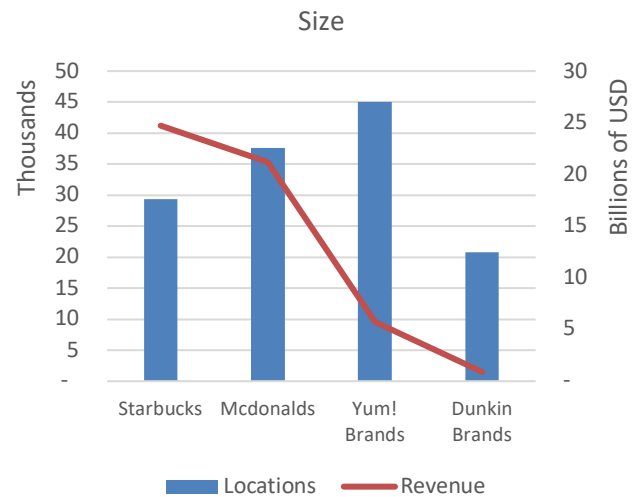
## Cold Brew

A new type of iced coffee, cold brew, is created similarly to tea. Coffee grounds are steeped in cool water for an extended period of time, and additional flavors are frequently added later. This new premium iced coffee became hugely popular over the past year and is now available in grocery stores as ready-to-drink beverage.

### MARKETS AND COMPETITION

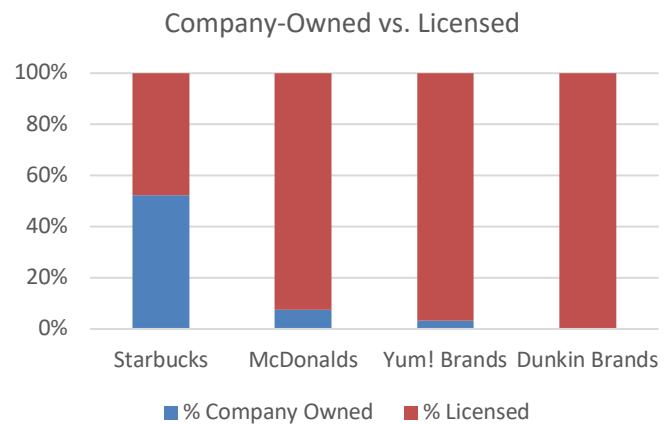
While their product mix is noticeable different, Starbucks competes primarily with fast-food restaurants, such as McDonalds and Dunkin Donuts. These companies, as well as Yum! Brands provide good peer comparisons because they are all international, consumer-discretionary, companies with thousands of locations.

The chart below shows the relative size of each company, based on number of global locations and 2017 revenue.



Source: Starbucks 2017 10-K, McDonalds 2017 10-K, Yum! Brands 2017 10-K, Dunkin Brands 2017 10-K

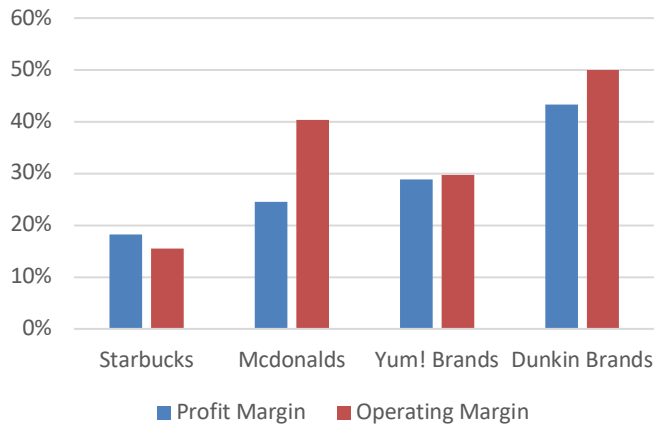
Each of these companies' profitability metrics is heavily impacted by their ratio of company-operated vs. licensed locations. Starbucks is unique in that it owns 52.4% of their locations. McDonalds owns 7.5%, Yum! Brands own 3.3%, and Dunkin Donuts does not own any stores.



Source: Starbucks 2017 10-K, McDonalds 2017 10-K, Yum! Brands 2017 10-K, Dunkin Brands 2017 10-K

Knowing the ratio of company-owned to licensed, we can better compare each company's margins. While Starbucks has the lowest overall margins, they are actually very strong considering the additional expenses (raw materials, employees, etc.) they have on their income statement.

Profit and Operating Margins



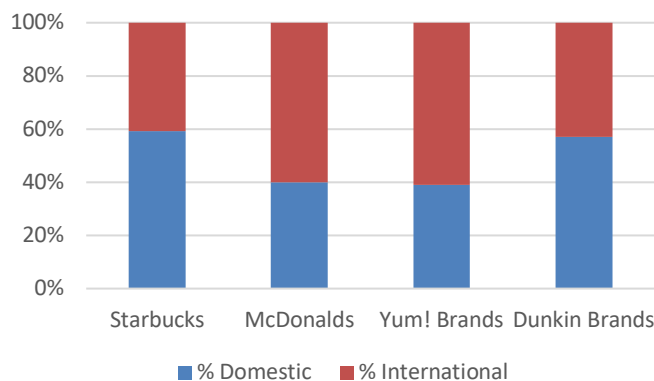
Source: Starbucks 2017 10-K, McDonalds 2017 10-K, Yum! Brands 2017 10-K, Dunkin Brands 2017 10-K

### McDonalds

McDonalds is the most direct competitor to Starbucks, especially internationally where their coffee brand, McCafé, has its own checkout counters within restaurants.

McDonalds has seen a lot of success from selling breakfast items, including coffee, and also competes with Starbucks' CPG segment by selling McCafé branded coffee beans and products in grocery stores. As is expected, McCafé products are seen as a lower quality coffee, and are priced accordingly.

Domestic vs. International



Source: Starbucks 2017 10-K, McDonalds 2017 10-K, Yum! Brands 2017 10-K, Dunkin Brands 2017 10-K

McDonalds operates primarily outside the United States and has a strong presence in China – a country that Starbucks expects to see substantial growth.

McDonalds has very strong operations, brand-recognition, and financials. We believe that McDonalds is well poised for the future, but their strength and growth will not hinder Starbucks' success.

### Dunkin Brands

Dunkin Brands owns Dunkin Donuts and Baskin-Robbins and has 20,764 locations world-wide. As Dunkin Donuts expands internationally, they are positioning themselves as a coffee-focused chain and boasts 1.7 billion servings of coffee annually.

A significant difference between Starbucks and Dunkin Donuts is their stores. Dunkin Donuts measures "points of distribution" and is more likely to have a smaller location with minimal/no seating. Also, in 2016 Dunkin Brands sold all its company-owned locations to franchisees and now operates a 100% licensed model. This is a significant factor in their revenue being much lower than Starbucks.

We do not see Dunkin Donuts as a significant threat to Starbucks, primarily because of their smaller size and target of more cost-sensitive customers.

### Yum! Brands

Yum! Brands consists of Taco Bell, KFC, and Pizza Hut. Only 3.3% of their locations are company-owned and 61% of them are international. Yum! Brands is unique partially because of how different their brands are in each country. While Pizza Hut is low-cost restaurant in the United States, it is a relatively high-end restaurant in China, that services wine and has well-dress waiters. In our analysis, there is nothing spectacular that Yum! Brands does better than their competitors.

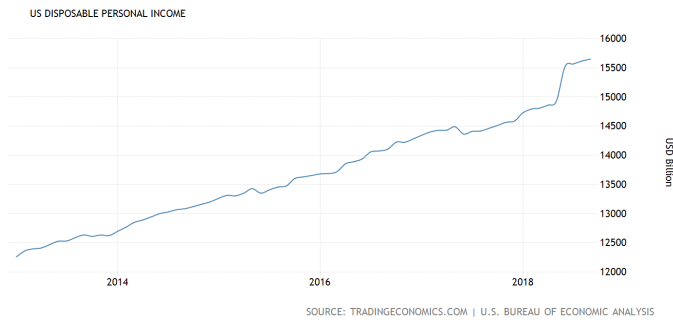
Yum! Brands is a useful comparison for Starbucks in terms of operations, but they serve different products and are targeting different clients.

## ECONOMIC OUTLOOK

### Disposable Personal Income

Disposable income is an important indicator of consumer spending on discretionary, or premium, products such as a \$6 latte. Disposable personal income has been rising consistently over the past 5 years, and we expect it to continue growing at a slower rate in the near future.





Source: Trading Economics

### Interest Rates

The 10-Year Treasury Constant Maturity rate was above 3.2% and we expect it to continue to climb. This is important to Starbucks as they continue to issue more debt to finance growth. In general, Starbucks will be negatively impacted by rising interest rates.



Source: Trading Economics

## CATALYSTS FOR GROWTH

The core drivers for future growth will how quickly they can open more locations in China and what same-store sales growth looks like in the United States. Same-store sales growth will likely be driven by increase in average ticket price, so look for price increases and heavy advertising of new higher-margin products like their Cold Brew drinks.

The relationship with Nestlé should result in an increase in Starbucks' international CPG sales. This is potentially a very lucrative market, but the success of this new distribution relationship is yet to be seen.

## INVESTMENT POSITIVES

- Starbucks' loyalty program is continuing to grow in popularity. In 2017 this customer segment is made up 40% of domestic sales, and we expect that number to continue to rise. Starbucks has created relationships with these customers and they have proven to be remarkably loyal even as prices increase.
- A new strategic partnership with Nestlé could be a catalyst for Starbucks' high-margin CPG segment. Their ready-to-drink products have done well in the United States, but this partnership provides the distribution channels necessary sell the products world-wide.
- Starbucks' new partnership with Alibaba will help accelerate growth in China and help them continue to innovate in with how to connect to customers digitally. China provides the largest growth opportunity for Starbucks.

## INVESTMENT NEGATIVES

- The number of same-store transactions has declined 1% in the Americas and China/Asia Pacific. This indicates that certain markets may be approaching saturation.
- Starbucks sells premium coffee and may be adversely impacted by a downturn in the US or world economy.

## VALUATION

### Revenue

We projected revenues by growing the average revenue per store by a sales growth rate and increasing the number of stores. For 2019 we project that they will open 2,200 total stores, missing management guidance by 100 stores. We also project that same-store sales will grow by 4%. We taper same-store sales growth down to only 1.5% by 2024.

We project they will open 2,200 stores in 2019, 1,800 in 2020, 1,400 in 2021, and taper down to only 400 stores in 2024. We project that 50% of all future stores will be company-owned.

We grow their CPG segment by their 5-year average for each quarter (Q1: 6.1%, Q2: 3.7%, Q3: 6.3%, Q4: 4.1%) for the next 3 years before tapering it to 3% annual growth. We believe this is the most likely scenario but are hopeful that the partnership with Nestlé will yield higher growth rates than our projection.

## Expenses

Starbucks' largest expense is "cost of sales" which has historically 41.25% of revenue. We have this growing modestly to 42% of revenue over the 6-year forecast horizon. This is in anticipation of increased labor costs and raw material costs.

Store operating expenses is forecasted as a percentage of revenue generated by company-operated stores. Historically this has averaged 36.5% annually, with some seasonality. We have forecasted a slight increase to 37% over the 6-year forecast horizon, while maintaining the quarterly seasonality.

We have forecasted SG&A to decline modestly over the forecast horizon, from 7% to 6.5% of revenues to the economies of scale – they likely do not need a proportional increase in administrative staff to handle the increase in licensed locations.

## Balance Sheet

We have forecasted capital expenditures in proportion to the number of company-owned locations. This means that growth in capex slows over our forecast horizon as we anticipate they will open fewer new locations.

We forecasted long-term debt as a percentage of non-current assets and anticipate that they increase the amount of debt on their balance sheet as they fund thousands of new locations in China. In 2017, long-term debt was 40% of non-current assets, and we have that growing to 60% in the short term before dropping to 35% in 2024.

## Difference from Consensus

Our target price is higher than consensus due in part to optimism in the number of new locations in China, and in part because many analyst projects are old and do not reflect the positive news from recent earnings reports.

## KEYS TO MONITOR

- Look at not only the number of locations opened in China, but also the number that are closed. Starbucks is very focused on China, and market acceptance will be very important for future growth.
- International CPG sales growth will indicate the effectiveness of Starbucks new partnership with Nestlé.

Strong numbers could indicate a much larger opportunity than we have forecasted.

- Watch the growth in number of transactions. We know that many customers are incredibly loyal to Starbucks, but their ability to attract new customers will be important for future growth.

## REFERENCES

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5. Starbucks Press Release  
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Starbucks

Revenue Decomposition

In Thousands of USD

Fiscal Years Ending Sept. 30	2016	2017	2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	2021	2022	2023	2024
Company-operated stores																	
Number of Stores	12,711	13,275	15,341	15,616	15,891	16,166	16,441	16,441	16,666	16,891	17,116	17,341	17,341	18,041	18,541	18,841	19,041
Revenue per Store	1,325	1,330	1,284	336	361	325	345	1,332	339	364	328	349	1,353	1,373	1,390	1,404	1,414
Total Revenue	16,844,100	17,650,700	19,690,300	5,243,432	5,732,992	5,255,680	5,673,104	21,905,208	5,651,954	6,154,699	5,620,177	6,043,493	23,470,323	24,762,463	25,763,103	26,462,126	26,914,785
Y-o-Y Growth	10.8%	4.8%	11.6%	10.6%	18.7%	3.9%	12.1%	11.2%	7.8%	7.4%	6.9%	6.5%	7.1%	5.5%	4.0%	2.7%	1.7%
Licensed stores																	
Number of Stores	12,374	14,064	13,983	14,258	14,533	14,808	15,083	15,083	15,308	15,533	15,758	15,983	15,983	16,683	17,183	17,483	17,683
Revenue per Store	174	167	190	50	51	52	53	201	54	55	56	56	216	229	239	246	250
Total Revenue	2,154,200	2,355,000	2,652,200	714,049	742,135	770,763	799,932	3,026,879	826,942	851,614	876,648	902,045	3,457,250	3,822,177	4,107,906	4,304,123	4,429,131
Y-o-Y Growth	15.7%	9.3%	12.6%	4.6%	18.6%	16.7%	17.0%	14.1%	15.8%	14.8%	13.7%	12.8%	14.2%	10.6%	7.5%	4.8%	2.9%
Consumer products group, foodservice & ot	2,317,600	2,381,100	2,376,900	689,231	599,581	626,454	583,105	2,498,372	731,393	621,753	665,838	607,272	2,626,256	2,705,043	2,786,195	2,869,780	2,955,874
Y-o-Y Growth	10.2%	2.7%	-0.2%	6.1%	3.7%	6.3%	4.1%	5.1%	6.1%	3.7%	6.3%	4.1%	5.1%	3.0%	3.0%	3.0%	3.0%
Total	21,315,900	22,386,800	24,719,400	6,646,712	7,074,708	6,652,897	7,056,141	27,430,458	7,210,289	7,628,066	7,162,663	7,552,810	29,553,829	31,289,684	32,657,204	33,636,029	34,299,790
Y-o-Y Growth	11.2%	5.0%	10.4%	9.4%	17.3%	5.4%	11.9%	11.0%	8.5%	7.8%	7.7%	7.0%	7.7%	5.9%	4.4%	3.0%	2.0%
New Company Operated Stores	476	564	2066	275	275	275	275	1100	225	225	225	225	900	700	500	300	200
New Licensed Stores	1566	1690	-81	275	275	275	275	1100	225	225	225	225	900	700	500	300	200
Total Stores	25085	27339	29324	550	550	550	550	2200	450	450	450	450	1800	1400	1000	600	400

**Starbucks**
**Income Statement**

In Thousands of USD

<i>Fiscal Year Ending Sept. 30</i>	2016	2017	2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	2021	2022	2023	2024
Total net revenues	21,315,900	22,386,800	24,719,400	6,646,712	7,074,708	6,652,697	7,056,141	27,430,458	7,210,289	7,628,066	7,162,663	7,552,810	29,553,829	31,289,684	32,657,204	33,636,029	34,299,790
Cost of sales including occupancy costs	8,511,100	9,038,200	10,178,400	2,741,769	2,918,317	2,744,320	2,910,658	11,315,064	2,974,244	3,146,577	2,954,599	3,115,534	12,190,954	12,985,219	13,552,740	14,043,042	14,320,162
Store operating expenses	6,064,300	6,493,300	7,193,200	1,913,853	2,121,207	1,892,045	2,042,317	7,969,422	2,062,963	2,277,239	2,023,264	2,175,658	8,539,123	9,040,162	9,405,619	9,727,114	9,893,574
Other operating expenses	545,400	553,800	580,600	185,968	200,136	181,593	184,849	752,546	198,568	210,713	190,636	190,205	790,121	818,928	847,133	866,021	883,361
Depreciation & amortization expenses	980,800	1,011,400	1,247,000	259,511.25	259,511.25	259,511.25	259,511.25	1,038,045	278,205.61	278,205.61	278,205.61	278,205.61	1,112,822	1,222,098	1,287,280	1,344,911	1,382,766
General & administrative expenses	1,360,600	1,393,300	1,713,600	465,270	495,230	465,703	493,930	1,920,132	504,720	533,965	501,386	528,697	2,068,768	2,127,699	2,220,690	2,186,342	2,229,486
One-Time Charges (Credits)	-	153,500	224,400	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	17,462,200	18,643,500	21,137,200	5,566,370	5,994,401	5,543,172	5,891,266	22,995,209	6,018,701	6,446,699	5,948,090	6,288,299	24,701,789	26,194,105	27,313,461	28,167,430	28,709,349
Income from equity investees	318,200	391,400	301,200	79,818.00	79,818.00	79,818.00	79,818.00	319,272	84,607.08	84,607.08	84,607.08	84,607.08	338,428	358,734	380,258	403,074	427,258
Operating income (loss)	4,171,900	4,134,700	3,883,300	1,160,160	1,160,125	1,189,543	1,244,693	4,754,521	1,276,195	1,265,975	1,299,180	1,349,119	5,190,468	5,454,313	5,724,002	5,871,673	6,017,698
Gain resulting from acquisition of joint venture	-	-	1,376,400	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains (loss) resulting from divestiture of certain retail operat	-	-	499,200	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income & other income (expense), net	108,000	275,300	191,400	92,610	37,275	33,075	38,010	200,970	97,241	39,139	34,729	39,911	211,019	221,569	232,648	244,280	256,494
Interest expense	81,300	92,500	170,300	93,808.38	93,808	93,808	93,808	375,234	91,821	91,821	91,821	91,821	367,282	335,983	331,778	303,687	273,885
Earnings (loss) before income taxes	4,198,600	4,317,500	5,780,000	1,158,962	1,103,592	1,128,810	1,188,895	4,580,257	1,281,615	1,213,293	1,242,088	1,297,209	5,034,205	5,339,900	5,624,872	5,812,266	6,000,307
Income tax expense	1,379,700	1,432,600	1,261,900	225,998	215,200	220,118	231,834	893,150	249,915	236,592	242,207	252,956	981,670	1,041,281	1,096,850	1,133,392	1,170,060
Net earnings (loss) including noncontrolling interests	2,818,900	2,884,900	4,518,300	932,964	888,391	908,692	957,060	3,687,107	1,031,700	976,701	999,881	1,044,253	4,052,535	4,298,620	4,528,022	4,678,874	4,830,247
Net earnings (loss) attributable to noncontrolling interests	(1,200)	(200)	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net earnings attributable to Starbucks Corp.	2,817,700	2,884,700	4,518,600	932,964	888,391	908,692	957,060	3,687,107	1,031,700	976,701	999,881	1,044,253	4,052,535	4,298,620	4,528,022	4,678,874	4,830,247
Weighted average shares outstanding - basic	1,471,600	1,449,500	1,348,000	1,334,183	1,334,183	1,334,183	1,334,183	1,334,183	1,328,640	1,328,640	1,328,640	1,328,640	1,328,640	1,327,182	1,326,367	1,324,943	1,317,234
Net earnings (loss) per share - basic	1.91	1.99	2.67	0.70	0.67	0.68	0.72	2.76	0.78	0.74	0.75	0.79	3.05	3.24	3.41	3.53	3.67
Cash dividends declared per share	0.85	1.05	1.32	0.35	0.35	0.41	0.41	1.52	0.39	0.39	0.46	0.46	1.70	1.89	2.02	2.08	2.14

## Starbucks

## Balance Sheet

In Thousands of USD

<i>Fiscal Years Ending Sept. 30</i>	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E
Cash & cash equivalents	1,188,600	2,575,700	1,708,400	1,530,100	2,128,800	2,462,300	8,756,300	1,581,109	1,140,768	2,576,594	3,389,375	4,205,791	4,692,894
Short-term investments	848,400	658,100	135,400	81,300	134,400	228,600	181,500	186,945	192,553	198,330	204,280	210,408	216,720
Accounts receivable, net	485,900	561,400	631,000	719,000	768,800	870,400	693,100	992,983	1,069,849	1,132,687	1,182,191	1,217,624	1,241,652
Inventories	1,241,500	1,111,200	1,090,900	1,306,400	1,378,500	1,364,000	1,400,500	1,699,844	1,821,297	1,921,567	1,999,217	2,053,461	2,092,510
Prepaid expenses & other current assets	196,500	287,700	285,600	334,200	350,000	358,100	1,462,800	493,748	531,969	563,214	587,830	605,449	617,396
Deferred income taxes, net	238,700	277,300	317,400	381,700	-	-	-	-	-	-	-	-	-
Total current assets	4,199,600	5,471,400	4,168,700	4,352,700	4,760,500	5,283,400	12,494,200	4,954,629	4,756,436	6,392,392	7,362,892	8,292,733	8,861,173
Long-term investments	116,000	58,300	318,400	312,500	1,141,700	542,300	267,700	275,731	284,003	292,523	301,299	310,338	319,648
Equity & cost investments	459,900	496,500	514,900	352,000	354,500	481,600	334,700	344,741	355,083	365,736	376,708	388,009	399,649
Property, plant & equipment, gross	6,903,100	7,782,100	8,581,100	9,641,800	10,573,300	11,584,000	13,840,600	15,349,275	16,856,520	18,389,715	19,924,604	21,438,225	22,913,116
Accumulated depreciation	4,244,200	4,581,600	5,062,100	5,553,500	6,039,500	6,664,500	7,911,500	8,949,545	9,227,751	10,449,848	11,737,128	13,082,039	14,464,805
Property, plant & equipment, net	2,658,900	3,200,500	3,519,000	4,088,300	4,533,800	4,919,500	5,929,100	6,399,730	7,628,770	7,939,867	8,187,475	8,356,186	8,448,311
Deferred income taxes, net	-	967,000	903,300	828,900	885,400	795,400	134,700	75,000	75,000	-	-	-	-
Other long-term assets	242,000	185,300	198,900	415,900	417,700	362,800	412,200	458,089	493,549	522,538	545,375	561,722	572,806
Other intangible assets	143,700	274,800	273,500	520,400	516,300	441,400	1,042,200	900,000	700,000	500,000	300,000	100,000	-
Goodwill	399,100	862,900	856,200	1,575,400	1,719,600	1,539,200	3,541,600	3,541,600	3,541,600	3,541,600	3,541,600	3,541,600	3,541,600
Total assets	8,219,200	11,516,700	10,752,900	12,446,100	14,329,500	14,365,600	24,156,400	16,949,520	17,834,440	19,554,655	20,615,349	21,550,587	22,143,188
Accounts payable	398,100	491,700	533,700	684,200	730,600	782,500	1,179,300	971,977	1,070,441	1,147,630	1,217,520	1,261,590	1,302,323
Accrued liabilities	1,133,800	1,269,300	1,514,400	1,760,700	1,999,100	1,934,500	2,298,400	2,459,396	2,668,386	2,847,717	2,967,224	3,051,249	3,096,415
Insurance reserves	167,700	178,500	196,100	224,800	246,000	215,200	213,700	305,841	323,353	337,674	347,157	352,273	353,993
Stored value card liability	510,200	653,700	794,500	983,800	1,171,200	1,288,500	1,642,900	1,414,097	1,579,248	1,714,653	1,819,893	1,895,525	1,939,835
Total current liabilities	2,209,800	5,377,300	3,038,700	3,653,500	4,546,900	4,220,700	5,684,200	5,151,312	5,641,429	6,047,675	6,351,794	6,560,637	6,692,566
Long-term debt	549,600	1,299,400	2,048,300	2,347,500	3,602,200	3,932,600	9,440,100	9,240,060	8,452,626	8,346,836	7,640,127	6,890,390	6,070,679
Deferred Revenue	-	-	-	-	4,400	6,775,700	6,775,700	-	-	-	-	-	-
Other long-term liabilities	345,300	357,700	392,200	625,300	689,700	750,900	1,430,500	902,175	972,011	1,029,103	1,074,080	1,106,273	1,128,104
Total liabilities	3,104,700	7,034,400	5,479,200	6,626,300	8,438,800	8,908,600	23,330,500	15,293,546	15,066,066	15,423,614	15,066,001	14,557,299	13,891,349
Common stock plus additional paid-in capital	40,100	282,900	40,100	42,600	42,600	42,500	42,400	360,672	678,945	997,217	1,315,489	1,586,021	1,586,021
Retained earnings (accumulated deficit)	5,595,300	5,267,500	7,102,400	9,306,700	11,277,300	12,933,200	15,960,900	17,622,717	19,416,351	21,210,342	23,060,058	24,983,239	26,991,635
Treasury Account	549,100	1,137,200	1,895,800	3,331,900	5,327,500	7,370,000	14,503,500	16,003,500	17,003,500	17,753,500	18,503,500	19,253,500	20,003,500
Accumulated other comprehensive income (loss)	22,700	67,000	25,300	(199,400)	(108,400)	(155,600)	(330,300)	(330,300)	(330,300)	(330,300)	(330,300)	(330,300)	(330,300)
Total shareholders' equity	5,109,000	4,480,200	5,272,000	5,818,000	5,884,000	5,450,100	1,169,500	1,649,589	2,761,496	4,123,759	5,541,747	6,985,460	8,243,856
Noncontrolling interests	5,500	2,100	1,700	1,800	6,700	6,900	6,300	6,384	6,879	7,283	7,601	7,829	7,983
Total equity	5,114,500	4,482,300	5,273,700	5,819,800	5,890,700	5,457,000	1,175,800	1,655,974	2,768,375	4,131,042	5,549,348	6,993,288	8,251,839

**Starbucks**
**Cash Flow Statement**

Thousands of USD

<i>Fiscal Years Ending Sept. 30</i>	2012	2013	2014	2015	2016	2017	2018
Net earnings (loss) including noncontrolling interests	1,384,700	8,800	2,067,700	2,759,300	2,818,900	2,884,900	4,518,300
Depreciation & amortization	580,600	655,600	748,400	933,800	1,030,100	1,067,100	1,305,900
Litigation charge	-	2,784,100	-	-	-	-	-
Deferred income taxes, net	61,100	(1,045,900)	10,200	21,200	265,700	95,100	714,900
Income earned from equity method investees	(49,300)	(56,200)	(182,700)	(190,200)	(250,200)	(310,200)	(242,800)
Distributions received from equity method investees	-	-	139,200	148,200	223,300	186,600	226,800
Loss (gain) resulting from sale/acquisition of joint ventures	-	(80,100)	-	-	-	-	(1,376,400)
Loss (gain) resulting from acquisition/sale of equity in joint ventures & certain retail operations	-	-	(70,200)	(394,300)	(6,100)	(93,500)	(499)
Loss on extinguishment of debt	-	-	-	61,100	-	-	-
Stock-based compensation	153,600	142,300	183,200	209,800	218,100	176,000	250,300
Excess tax benefit on share-based awards	-	-	(114,400)	(132,400)	(122,800)	(77,500)	-
Goodwill Impairments	-	-	-	-	-	87,200	37,600
Other adjustments	23,600	23,000	36,200	53,800	45,100	68,900	89,000
Accounts receivable	(90,300)	(68,300)	(79,700)	(82,800)	(55,600)	(96,800)	131,000
Inventories	(273,300)	152,500	14,300	(207,900)	(67,500)	14,000	(41,200)
Accounts payable	(105,200)	88,700	60,400	137,700	46,900	46,400	391,600
Accrued litigation charge	-	-	(2,763,900)	-	-	-	-
Income taxes payable, net	-	-	309,800	87,600	-	-	-
Accrued liabilities & insurance reserves	23,700	87,600	103,900	124,400	-	-	-
Deferred revenue	60,800	139,900	140,800	170,300	-	-	7,109,400
Prepaid expenses, other current assets & other assets	(19,700)	76,300	4,600	49,500	-	-	-
Stored value card liability	-	-	-	-	180,400	130,800	-
Other operating assets & liabilities	-	-	-	-	<u>248,800</u>	<u>(4,700)</u>	<u>(677,400)</u>
Net cash flows from operating activities	<u>1,750,300</u>	<u>2,908,300</u>	<u>607,800</u>	<u>3,749,100</u>	<u>4,575,100</u>	<u>4,174,300</u>	<u>11,937,800</u>
Purchase of investments	(1,748,600)	(785,900)	(1,652,500)	(567,400)	(1,585,700)	(674,400)	(191,900)
Sales of investments	-	-	1,454,800	600,600	680,700	1,054,500	459,000
Maturities & calls of investments	1,796,400	-	456,100	18,800	27,900	149,600	45,300
Sales, maturities & calls of investments	-	1,040,200	-	-	-	-	-
Acquisitions, net of cash acquired	(129,100)	(610,400)	-	(284,300)	-	-	(1,311,300)
Net sales (purchases) of equity, other investments & other assets	-	-	-	-	-	-	-
Additions to property, plant & equipment	(856,200)	(1,151,200)	(1,160,900)	(1,303,700)	(1,440,300)	(1,519,400)	1,976,400
Net proceeds from sale of equity in joint ventures & certain retail operations	-	-	103,900	8,900	69,600	85,400	608,200
Proceeds from the sale of property, plant, & equipment	5,300	15,300	-	-	-	-	-
Proceeds from sale of equity in joint ventures	-	108,000	-	-	-	-	-
Other investing activities	<u>(41,800)</u>	<u>(27,200)</u>	<u>(19,100)</u>	<u>6,800</u>	<u>24,900</u>	<u>54,300</u>	<u>5,600</u>
Net cash flows from investing activities	<u>(974,000)</u>	<u>(1,411,200)</u>	<u>(817,700)</u>	<u>(1,520,300)</u>	<u>(2,222,900)</u>	<u>(850,000)</u>	<u>(2,361,500)</u>
Proceeds from issuance of long-term debt	-	749,700	748,500	848,500	1,254,500	750,200	5,584,100
Repayments of long-term debt	-	(35,200)	-	(610,100)	-	(400,000)	-
Proceeds (payments) on short-term borrowings	(30,800)	-	-	-	-	-	-
Cash used for purchase of non-controlling interest	-	-	-	(360,800)	-	-	-
Proceeds from issuance of common stock	236,600	247,200	139,700	191,800	160,700	150,800	153,900
Excess tax benefit from share-based awards	169,800	258,100	114,400	132,400	122,800	77,500	-
Cash dividends paid	(513,000)	(628,900)	(783,100)	(928,600)	(1,178,000)	(1,450,400)	(1,743,400)
Repurchase of common stock	(549,100)	(588,100)	(758,600)	(1,436,100)	(1,995,600)	(2,042,500)	(7,133,500)
Minimum tax withholdings on share-based awards	(58,500)	(121,400)	(77,300)	(75,500)	(106,000)	(82,800)	(62,700)
Other financing activities	<u>(500)</u>	<u>10,400</u>	<u>(6,900)</u>	<u>(18,100)</u>	<u>(8,400)</u>	<u>(4,400)</u>	<u>(41,200)</u>
Net cash flows from financing activities	<u>(745,500)</u>	<u>(108,200)</u>	<u>(623,300)</u>	<u>(2,256,500)</u>	<u>(1,750,000)</u>	<u>(3,001,600)</u>	<u>(6,294,000)</u>
Cash & cash equivalents, beginning of period	1,148,100	1,188,600	2,575,700	1,708,400	1,530,100	2,128,800	2,462,300
Cash & cash equivalents, end of period	1,188,600	2,575,700	1,708,400	1,530,100	2,128,800	2,462,300	8,756,300

**Starbucks***Cash Flow Statement*

Thousands of USD

<i>Fiscal Years Ending Sept. 30</i>	2019E	2020E	2021E	2022E	2023E	2024E
Net Income	3,687,107	4,052,535	4,298,620	4,528,022	4,678,874	4,830,247
Depreciation	1,038,045	278,206	1,222,098	1,287,280	1,344,911	1,382,766
<b>Operating</b>						
Accounts receivable, net	(299,883)	(76,866)	(62,838)	(49,504)	(35,433)	(24,028)
Inventories	(299,344)	(121,453)	(100,270)	(77,650)	(54,244)	(39,049)
Prepaid expenses & other current assets	969,052	(38,221)	(31,245)	(24,615)	(17,619)	(11,948)
Deferred income taxes, net	59,700	-	75,000	-	-	-
Accounts payable	(207,323)	98,464	77,189	69,889	44,070	40,733
Accrued liabilities	160,996	208,990	179,331	119,507	84,025	45,166
Insurance reserves	92,141	17,512	14,321	9,483	5,116	1,720
Stored value card liability	(228,803)	165,151	135,405	105,240	75,631	44,310
Deferred Revenue	(6,775,700)	-	-	-	-	-
Total Cash from Operating Activities	(1,804,011)	4,584,318	5,807,610	5,967,652	6,125,331	6,269,917
<b>Investing</b>						
Short-term investments	(5,445)	(5,608)	(5,777)	(5,950)	(6,128)	(6,312)
Long-term investments	(8,031)	(8,272)	(8,520)	(8,776)	(9,039)	(9,310)
Equity & cost investments	(10,041)	(10,342)	(10,652)	(10,972)	(11,301)	(11,640)
Capital Expenditure	(1,508,675)	(1,507,245)	(1,533,195)	(1,534,889)	(1,513,621)	(1,474,891)
Other long-term assets	(45,889)	(35,460)	(28,989)	(22,838)	(16,346)	(11,085)
Other intangible assets	142,200	200,000	200,000	200,000	200,000	100,000
Long-term debt	(200,040)	(787,434)	(105,790)	(706,709)	(749,738)	(819,711)
Other long-term liabilities	(528,325)	69,837	57,091	44,977	32,193	21,831
Total Cash from Investing Activities	(2,164,246)	(2,084,525)	(1,435,831)	(2,045,156)	(2,073,981)	(2,211,119)
<b>Financing</b>						
Common stock plus additional paid-in capital	318,272	318,272	318,272	318,272	270,531	-
Repurchase of Stock	(1,500,000)	(1,000,000)	(750,000)	(750,000)	(750,000)	(750,000)
Noncontrolling interests	84	494	404	318	228	154
Dividends Paid	(2,025,290)	(2,258,900)	(2,504,629)	(2,678,306)	(2,755,693)	(2,821,851)
	(3,206,934)	(2,940,133)	(2,935,953)	(3,109,716)	(3,234,934)	(3,571,696)
Net Changed	(7,175,191)	(440,341)	1,435,827	812,780	816,416	487,102
Beginning	8756300	1581108.89	1140767.63	2576594.42	3389374.82	4205791.29
End	1,581,109	1,140,768	2,576,594	3,389,375	4,205,791	4,692,894

## Starbucks

## Common Size Income Statement

Fiscal Years Ending Sept. 30	2016	2017	2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	2021	2022	2023	2024
Total net revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of sales including occupancy cos	39.93%	40.37%	41.18%	41.25%	41.25%	41.25%	41.25%	41.25%	41.25%	41.25%	41.25%	41.25%	41.25%	41.50%	41.50%	41.75%	41.75%
Store operating expenses	28.45%	29.01%	29.10%	28.79%	29.98%	28.44%	28.94%	29.05%	28.61%	29.85%	28.25%	28.81%	28.89%	28.89%	28.80%	28.92%	28.84%
Other operating expenses	2.56%	2.47%	2.35%	2.80%	2.83%	2.73%	2.62%	2.74%	2.75%	2.76%	2.66%	2.52%	2.67%	2.62%	2.59%	2.57%	2.58%
Depreciation & amortization expenses	4.60%	4.52%	5.04%	3.90%	3.67%	3.90%	3.68%	3.78%	3.86%	3.65%	3.88%	3.68%	3.77%	3.91%	3.94%	4.00%	4.03%
General & administrative expenses	6.38%	6.22%	6.93%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	6.80%	6.80%	6.50%	6.50%
One-Time Charges (Credits)	0.00%	0.69%	0.91%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total operating expenses	81.92%	83.28%	85.51%	83.75%	84.73%	83.32%	83.49%	83.83%	83.47%	84.51%	83.04%	83.26%	83.58%	83.71%	83.64%	83.74%	83.70%
Income from equity investees	1.49%	1.75%	1.22%	1.20%	1.13%	1.20%	1.13%	1.16%	1.17%	1.11%	1.18%	1.12%	1.15%	1.15%	1.16%	1.20%	1.25%
Operating income (loss)	19.57%	18.47%	15.71%	17.45%	16.40%	17.88%	17.64%	17.33%	17.70%	16.60%	18.14%	17.86%	17.56%	17.43%	17.53%	17.46%	17.54%
Gain resulting from acquisition of joint	0.00%	0.00%	5.57%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Loss on extinguishment of debt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gains (loss) resulting from divestiture c	0.00%	0.00%	2.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest income & other income (exper	0.51%	1.23%	0.77%	1.39%	0.53%	0.50%	0.54%	0.73%	1.35%	0.51%	0.48%	0.53%	0.71%	0.71%	0.71%	0.73%	0.75%
Interest expense	0.38%	0.41%	0.69%	1.41%	1.33%	1.41%	1.33%	1.37%	1.27%	1.20%	1.28%	1.22%	1.24%	1.07%	1.02%	0.90%	0.80%
Earnings (loss) before income taxes	19.70%	19.29%	23.38%	17.44%	15.60%	16.97%	16.85%	16.70%	17.77%	15.91%	17.34%	17.18%	17.03%	17.07%	17.22%	17.28%	17.49%
Income tax expense	6.47%	6.40%	5.10%	3.40%	3.04%	3.31%	3.29%	3.26%	3.47%	3.10%	3.38%	3.35%	3.32%	3.33%	3.36%	3.37%	3.41%
Net earnings (loss) including noncontn	13.22%	12.89%	18.28%	14.04%	12.56%	13.66%	13.56%	13.44%	14.31%	12.80%	13.96%	13.83%	13.71%	13.74%	13.87%	13.91%	14.08%
Net earnings (loss) attributable to noni	-0.01%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net earnings attributable to Starbucks	13.22%	12.89%	18.28%	14.04%	12.56%	13.66%	13.56%	13.44%	14.31%	12.80%	13.96%	13.83%	13.71%	13.74%	13.87%	13.91%	14.08%



**Starbucks**
**Common Size Balance Sheet**

<i>Fiscal Years Ending Sept. 30</i>	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E
Cash & cash equivalents	8.94%	17.30%	10.39%	7.98%	9.99%	11.00%	35.42%	5.76%	3.86%	8.23%	10.38%	12.50%	13.68%
Short-term investments	6.38%	4.42%	0.82%	0.42%	0.63%	1.02%	0.73%	0.68%	0.65%	0.63%	0.63%	0.63%	0.63%
Accounts receivable, net	3.65%	3.77%	3.84%	3.75%	3.61%	3.89%	2.80%	3.62%	3.62%	3.62%	3.62%	3.62%	3.62%
Inventories	9.33%	7.46%	6.63%	6.82%	6.47%	6.09%	5.67%	6.20%	6.16%	6.14%	6.12%	6.10%	6.10%
Prepaid expenses & other current ass	1.48%	1.93%	1.74%	1.74%	1.64%	1.60%	5.92%	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
Deferred income taxes, net	1.79%	1.86%	1.93%	1.99%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total current assets	31.58%	36.74%	25.35%	22.71%	22.33%	23.60%	50.54%	18.06%	16.09%	20.43%	22.55%	24.65%	25.83%
Long-term investments	0.87%	0.39%	1.94%	1.63%	5.36%	2.42%	1.08%	1.01%	0.96%	0.93%	0.92%	0.92%	0.93%
Equity & cost investments	3.46%	3.33%	3.13%	1.84%	1.66%	2.15%	1.35%	1.26%	1.20%	1.17%	1.15%	1.15%	1.17%
Property, plant & equipment, gross	51.90%	52.26%	52.17%	50.32%	49.60%	51.74%	55.99%	55.96%	57.04%	58.77%	61.01%	63.74%	66.80%
Accumulated depreciation	31.91%	30.77%	30.78%	28.98%	28.33%	29.77%	32.01%	32.63%	31.22%	33.40%	35.94%	38.89%	42.17%
Property, plant & equipment, net	19.99%	21.49%	21.39%	21.33%	21.27%	21.98%	23.99%	23.33%	25.81%	25.38%	25.07%	24.84%	24.63%
Deferred income taxes, net	0.00%	6.49%	5.49%	4.33%	4.15%	3.55%	0.54%	0.27%	0.25%	0.00%	0.00%	0.00%	0.00%
Other long-term assets	1.82%	1.24%	1.21%	2.17%	1.96%	1.62%	1.67%	1.67%	1.67%	1.67%	1.67%	1.67%	1.67%
Other intangible assets	1.08%	1.85%	1.66%	2.72%	2.42%	1.97%	4.22%	3.28%	2.37%	1.60%	0.92%	0.30%	0.00%
Goodwill	3.00%	5.79%	5.21%	8.22%	8.07%	6.88%	14.33%	12.91%	11.98%	11.32%	10.84%	10.53%	10.33%
Total assets	61.80%	77.33%	65.38%	64.95%	67.22%	64.17%	97.72%	61.79%	60.35%	62.50%	63.13%	64.07%	64.56%
Accounts payable	2.99%	3.30%	3.24%	3.57%	3.43%	3.50%	4.77%	3.54%	3.62%	3.67%	3.73%	3.75%	3.80%
Accrued litigation charge	0.00%	18.70%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Accrued liabilities	8.53%	8.52%	9.21%	9.19%	9.38%	8.64%	9.30%	8.97%	9.03%	9.10%	9.09%	9.07%	9.03%
Insurance reserves	1.26%	1.20%	1.19%	1.17%	1.15%	0.96%	0.86%	1.11%	1.09%	1.08%	1.06%	1.05%	1.03%
Stored value card liability	3.84%	4.39%	4.83%	5.13%	5.49%	5.76%	6.65%	5.16%	5.34%	5.48%	5.57%	5.64%	5.66%
Total current liabilities	16.62%	36.11%	18.47%	19.07%	21.33%	18.85%	22.99%	18.78%	19.09%	19.33%	19.45%	19.50%	19.51%
Long-term debt	4.13%	8.73%	12.45%	12.25%	16.90%	17.57%	38.19%	33.69%	28.60%	26.68%	23.39%	20.49%	17.70%
Deferred Revenue	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	27.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other long-term liabilities	2.60%	2.40%	2.38%	3.26%	3.24%	3.35%	5.79%	3.29%	3.29%	3.29%	3.29%	3.29%	3.29%
Total liabilities	23.34%	47.24%	33.31%	34.58%	39.59%	39.79%	94.38%	55.75%	50.98%	49.29%	46.13%	43.28%	40.50%
Common stock plus additional paid-in	0.30%	1.90%	0.24%	0.22%	0.20%	0.19%	0.17%	1.31%	2.30%	3.19%	4.03%	4.72%	4.62%
Retained earnings (accumulated defic	42.07%	35.37%	43.18%	48.57%	52.91%	57.77%	64.57%	64.25%	65.70%	67.79%	70.61%	74.28%	78.69%
Accumulated other comprehensive inc	0.17%	0.45%	0.15%	-1.04%	-0.51%	-0.70%	-1.34%	-1.20%	-1.12%	-1.06%	-1.01%	-0.98%	-0.96%
Total shareholders' equity	38.41%	30.08%	32.05%	30.36%	27.60%	24.35%	4.73%	6.01%	9.34%	13.18%	16.97%	20.77%	24.03%
Noncontrolling interests	0.04%	0.01%	0.01%	0.01%	0.03%	0.03%	0.03%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Total equity	38.46%	30.10%	32.06%	30.37%	27.64%	24.38%	4.76%	6.04%	9.37%	13.20%	16.99%	20.79%	24.06%

**Starbucks**
**Value Driver Estimation**

<i>Fiscal Years Ending Sept. 30</i>	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E
<b>Tax Rate</b>									
Marginal Tax Rate	35.70%	35.00%	19.50%	19.50%	19.50%	19.50%	19.50%	19.50%	19.50%
<b>NOPLAT</b>									
Operating Revenues	21,315,900	22,386,800	24,719,400	27,430,458	29,553,829	31,289,684	32,657,204	33,636,029	34,299,790
COGS	(8,511,100)	(9,038,200)	(10,178,400)	(11,315,064)	(12,190,954)	(12,985,219)	(13,552,740)	(14,043,042)	(14,320,162)
SG&A	(7,970,300)	(8,593,900)	(9,711,800)	(10,642,100)	(11,398,012)	(11,986,788)	(12,473,441)	(12,779,477)	(13,006,422)
Depreciation	(980,800)	(1,011,400)	(1,247,000)	(1,038,045)	(1,112,822)	(1,222,098)	(1,287,280)	(1,344,911)	(1,382,766)
Implied Interest on Op Leases	285,098	343,425	394,938	454,179	522,306	590,206	661,030	733,744	807,118
EBITA	4,138,798	4,086,725	3,977,138	4,889,428	5,374,346	5,685,785	6,004,774	6,202,343	6,397,559
Provision for Income Taxes	1,379,700	1,432,600	1,261,900	893,150	981,670	1,041,281	1,096,850	1,133,392	1,170,060
Tax on Other Income (Expense), Net									
Tax Shield on Op Lease Interest	101,780	120,199	77,013	88,565	101,850	115,090	128,901	143,080	157,388
Taxes on Interest income & other income (expense), net	(38,556)	(96,355)	(37,323)	(39,189)	(41,149)	(43,206)	(45,366)	(47,635)	(50,016)
Taxes on income from equity investors	113,597	136,990	58,734	62,258	65,994	69,953	74,150	78,599	83,315
Tax Shield on Interest expense	29,024	32,375	33,209	73,171	71,620	65,517	64,697	59,219	53,408
Total Adjusted Taxes	205,845	193,209	131,632	184,804	198,315	207,354	222,382	233,264	244,095
Change in Deferred Taxes	56,500	(90,000)	(660,700)	(59,700)	-	(75,000)	-	-	-
NOPLAT	3,989,452	3,803,516	3,184,806	4,644,924	5,176,031	5,403,431	5,782,392	5,969,079	6,153,464
Growth	16.82%	-4.66%	-16.27%	45.85%	11.43%	4.39%	7.01%	3.23%	3.09%
<b>Invested Capital</b>									
Cash & cash equivalents	2,128,800	2,462,300	8,756,300	1,581,109	1,140,768	2,576,594	3,389,375	4,205,791	4,692,894
% of Cash	40%	40%	40%	40%	40%	40%	40%	40%	40%
Normal Cash	851,520	984,920	3,502,520	632,444	456,307	1,030,638	1,355,750	1,682,317	1,877,157
Accounts receivable, net	768,800	870,400	693,100	992,983	1,069,849	1,132,687	1,182,191	1,217,624	1,241,652
Inventories	1,378,500	1,364,000	1,400,500	1,699,844	1,821,297	1,921,567	1,999,217	2,053,461	2,092,510
Prepaid Expenses	350,000	358,100	1,462,800	493,748	531,969	563,214	587,830	605,449	617,396
Accounts payable	(730,600)	(782,500)	(1,179,300)	(971,977)	(1,070,441)	(1,147,630)	(1,217,520)	(1,261,590)	(1,302,323)
Accrued litigation charge	-	-	-	-	-	-	-	-	-
Accrued liabilities	(1,999,100)	(1,934,500)	(2,298,400)	(2,459,396)	(2,668,386)	(2,847,717)	(2,967,224)	(3,051,249)	(3,096,415)
Insurance reserves	(246,000)	(215,200)	(213,700)	(305,841)	(323,353)	(337,674)	(347,157)	(352,273)	(353,993)
Stored value card liability	(1,171,200)	(1,288,500)	(1,642,900)	(1,414,097)	(1,579,248)	(1,714,653)	(1,819,893)	(1,895,525)	(1,939,835)
Operating Working Capital	(798,080)	(643,280)	1,724,620	(1,332,293)	(1,762,007)	(1,399,569)	(1,226,807)	(1,001,786)	(863,850)
<b>Other Operating Assets</b>									
Property & equipment, net	4,533,800	4,919,500	5,929,100	6,399,730	7,628,770	7,939,867	8,187,475	8,356,186	8,448,311
Intangible assets, net	516,300	441,400	1,042,200	900,000	700,000	500,000	300,000	100,000	-
Present Value of Op Leases	5,782,919	6,966,018	8,010,920	9,212,558	10,594,442	11,971,719	13,408,326	14,883,241	16,371,566
Other non-current assets	417,700	362,800	412,200	458,089	493,549	522,538	545,375	561,722	572,806
Total	11,250,719	12,689,718	15,394,420	16,970,377	19,416,761	20,934,124	22,441,176	23,901,149	25,392,683
<b>Other Operating Liabilities</b>									
Deferred revenue, non-current	-	4,400	6,775,700	-	-	-	-	-	-
Other long-term liabilities	689,700	750,900	1,430,500	902,175	972,011	1,029,103	1,074,080	1,106,273	1,128,104
Total	689,700	755,300	8,206,200	902,175	972,011	1,029,103	1,074,080	1,106,273	1,128,104
Invested Capital	9,762,939	11,291,138	8,912,840	14,735,909	16,682,742	18,505,452	20,140,290	21,793,090	23,400,730
Return on Invested Capital (ROIC)	47.50%	38.96%	28.21%	52.11%	35.13%	32.39%	31.25%	29.64%	28.24%
Free Cash Flow (FCF)	2,625,540	2,275,317	5,563,103	(1,178,145)	3,229,198	3,580,721	4,147,555	4,316,279	4,545,824
Economic Profit (EP)	3,425,051	3,147,462	2,426,059	4,045,995	4,185,802	4,282,377	4,538,856	4,615,684	4,689,003

## Starbucks

### *Weighted Average Cost of Capital (WACC) Estimation*

Beta	0.8
Risk-Free Rate	3.40%
Equity Risk Premium	4.80%
<b>Cost of Equity</b>	<b>7.24%</b>
Default Spread	1.53%
Pre-Tax Cost of Debt	4.93%
Tax Rate (Marginal)	19.50%
<b>After-Tax Cost of Debt</b>	<b>3.97%</b>
Market Value of Equity	86,774,000
Market Value of Debt	16,406,118
MV Weight of Equity	84.10%
MV Weight of Debt	15.90%
MV Weight of Pfd	0%
<b>Forward WACC</b>	<b>6.72%</b>

## Starbucks

### Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

#### Key Inputs:

CV Growth	3.09%
CV ROIC	26.51%
WACC	6.72%
Cost of Equity	7.24%

Fiscal Years Ending Sept. 30	2019E	2020E	2021E	2022E	2023E	2024E	2025E
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DCF Model							
Number of Periods	1	2	3	4	5	CV 6	7
NOPLAT	4,644,924	5,176,031	5,403,431	5,782,392	5,969,079	6,153,464	6,202,520
Change in Invested Capital	5,823,069	1,946,833	1,822,710	1,634,838	1,652,800	1,607,640	2,881,833
FCF	(1,178,145)	3,229,198	3,580,721	4,147,555	4,316,279	4,545,824	3,320,688
CV						150,920,127	
Total FCF	(1,178,145)	3,229,198	3,580,721	4,147,555	4,316,279	155,465,951	
PV of FCF	(1,103,961)	2,835,335	2,946,016	3,197,507	3,118,054	105,235,990	
<b>Value of Operating Assets</b>	<b>116,228,941</b>						
<b>Non Operating Assets &amp; Liabilities, Debt, Other</b>							
Excess Cash	948,665						
Marketable Securities	186,945						
Equity in Minority Investments	344,741						
ESOP	(1,143,631)						
Long-term Debt	(9,240,060)						
PV of Operating Leases	(9,212,558)						
Non-Controlling Interest	(6,384)						
Value of Equity	98,106,659						
Shares Outstanding	1,334,183						
Price per share	73.53						
Partial Year Adj.	74.17						

EP Model							
Number of Periods	1	2	3	4	5	CV 6	7
Economic Profit	4,045,995	4,185,802	4,282,377	4,538,856	4,615,684	4,689,003	4,630,029
CV						127,519,397	
Total EP	4,045,995	4,185,802	4,282,377	4,538,856	4,615,684	132,208,400	
PV of EP	3,791,231	3,675,262	3,523,299	3,499,175	3,334,343	89,492,791	
Total PV of EP	107,316,100						
Initial Invested Capital	8,912,840						
<b>Value of Operations</b>	<b>116,228,941</b>						
<b>Non Operating Assets &amp; Liabilities, Debt, Other</b>							
Excess Cash	948,665						
Marketable Securities	186,945						
Equity in Minority Investments	344,741						
ESOP	(1,143,631)						
Long-term Debt	(9,240,060)						
PV of Operating Leases	(9,212,558)						
Non-Controlling Interest	(6,384)						

**Starbucks***Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

<i>Fiscal Years Ending Sept. 30</i>	2019E	2020E	2021E	2022E	2023E	2024E
	1	2	3	4	5	6
EPS	\$ 2.76	\$ 3.05	\$ 3.24	\$ 3.41	\$ 3.53	\$ 3.67

**Key Assumptions**

CV growth	3.09%
CV ROE	58.54%
Cost of Equity	7.24%

**Future Cash Flows**

P/E Multiple (CV Year)						22.82
EPS (CV Year)						3.67
Future Stock Price						83.68
Dividends Per Share	1.52	1.70	1.89	2.02	2.08	
Future Cash Flows	1.52	1.70	1.89	2.02	2.08	83.68
Discounted Cash Flows		\$ 1.478	\$ 1.530	\$ 1.527	\$ 1.466	\$ 55.013
Intrinsic Value	\$ 61.01					
Partial Year Adjustment	\$ 61.54					

**Starbucks***Relative Valuation Models*

Ticker	Company	Price	EPS	EPS	P/E 18	P/E 19	Est. 5yr	PEG 18	PEG 19
			2018E	2019E			EPS gr.		
MCD	McDonalds	\$177.51	\$7.75	\$8.27	22.9	21.5	8.8	2.61	2.44
DNKN	Dunkin Donuts	\$72.19	\$2.84	\$2.98	25.4	24.2	12.4	2.05	1.96
YUM	Yum!	\$87.01	\$3.68	\$3.81	23.6	22.8	12.8	1.85	1.79
			Average		24.0	22.8		2.2	2.1
SBUX	Starbucks	\$68.60	2.76	3.05	24.8	22.5	13.0	1.9	1.7

**Implied Value:**

Relative P/E (EPS18)	\$ 66.30
Relative P/E (EPS19)	\$ 69.67
PEG Ratio (EPS18)	\$ 77.98
PEG Ratio (EPS19)	\$ 81.79



## Starbucks

### Key Management Ratios

<i>Fiscal Years Ending Sept. 30</i>	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E
<b>Liquidity Ratios</b>									
Current Ratio (Current Assets/Current Liabilities)	1.05	1.25	2.20	0.96	0.84	1.06	1.16	1.26	1.32
Operating Cash Flow Ratio (Operating CF/Current Liabilities)	1.01	0.99	2.10	(0.35)	0.81	0.96	0.94	0.93	0.94
Quick Ratio (Cash & Other Liquid Assets/Current Liabilities)	0.47	0.58	1.54	0.31	0.20	0.43	0.53	0.64	0.70
<b>Activity or Asset-Management Ratios</b>									
Asset Turnover (Sales/ Total Assets)	1.49	1.56	1.02	1.62	1.66	1.60	1.58	1.56	1.55
Receivables Turnover (Sales/ Average Accounts Receivable)	27.73	25.72	35.66	27.62	27.62	27.62	27.62	27.62	27.62
<b>Financial Leverage Ratios</b>									
Debt-to-Equity (Total Debt/ Total Equity)	0.61	0.72	8.03	5.58	3.05	2.02	1.38	0.99	0.74
Equity Ratio (Total Equity/ Total Assets)	0.41	0.38	0.05	0.10	0.16	0.21	0.27	0.32	0.37
<b>Profitability Ratios</b>									
Return on Assets (Net Income/ Total Assets)	19.7%	20.1%	18.7%	21.8%	22.7%	22.0%	22.0%	21.7%	21.8%
Return on Equity (Net Income/ Total Equity)	47.8%	52.9%	384.3%	222.7%	146.4%	104.1%	81.6%	66.9%	58.5%
Gross Margin (Revenue-COGS/ Revenue)	60.1%	59.6%	58.8%	58.8%	58.8%	58.5%	58.5%	58.3%	58.3%
Profit Margin (Net Income/ Sales)	13.2%	12.9%	18.3%	13.4%	13.7%	13.7%	13.9%	13.9%	14.1%
<b>Payout Policy Ratios</b>									
Total Payout Ratio (Dividends + Repurchases) / Net Income	115.2%	123.6%	197.2%	95.6%	80.4%	75.7%	75.7%	74.9%	73.9%
Dividend Payout Ratio (Dividends/ Net Income)	44.4%	52.8%	39.4%	54.9%	55.7%	58.3%	59.1%	58.9%	58.4%

**Present Value of Operating Lease Obligations (2017)**

Fiscal Years Ending Sept. 30	Operating Leases
1 Year	1213100
2 Years	1105100
3 Years	1105100
4 Years	937500
5 Years	937500
Thereafter	3315200
Total Minimum Payments	8613500
Less: Interest	1647482
PV of Minimum Payments	6966018

**Capitalization of Operating Leases**

Pre-Tax Cost of Debt	4.93%
Number Years Implied by Year 6 Payment	3.5

Year	Lease Commitment	PV Lease Payment
1	1213100	1156104.1
2	1105100	1003696.1
3	1105100	956538.7
4	937500	773343.8
5	937500	737009.2
6 & beyond	937500	2339325.7
PV of Minimum Payments		6966017.5

**Present Value of Operating Lease Obligations (2016)**

Fiscal Years Ending Sept. 30	Operating Leases
1 Year	1215100
2 Years	851300
3 Years	851300
4 Years	753900
5 Years	753900
Thereafter	2695500
Total Minimum Payments	7121000
Less: Interest	1338081
PV of Minimum Payments	5782919

**Capitalization of Operating Leases**

Pre-Tax Cost of Debt	4.93%
Number Years Implied by Year 6 Payment	3.6

Year	Lease Commitment	PV Lease Payment
1	1215100	1158010.1
2	851300	773184.8
3	851300	736857.7
4	753900	621892.1
5	753900	592673.3
6 & beyond	753900	1900301.0
PV of Minimum Payments		5782918.9

**Present Value of Operating Lease Obligations (2015)**

Fiscal Years Ending	Operating Leases
1 Year	1032400
2 Years	816150
3 Years	816150
4 Years	586450
5 Years	586450
Thereafter	1831900
Total Minimum Payments	5669500
Less: Interest	987913
PV of Minimum Payments	4681587

**Capitalization of Operating Leases**

Pre-Tax Cost of Debt	4.93%
Number Years Implied by Year 6 Payment	3.1

Year	Lease Commitment	PV Lease Payment
1	1032400	983894.0
2	816150	741260.1
3	816150	706433.0
4	586450	483762.6
5	586450	461033.7
6 & beyond	586450	1305203.5
PV of Minimum Payments		4681586.9

**Present Value of Operating Lease Obligations (2014)**

Fiscal Years Ending	Operating Leases
1 Year	925600
2 Years	761450
3 Years	761450
4 Years	503550
5 Years	503550
Thereafter	1502300
Total Minimum Payments	4957900
Less: Interest	839983
PV of Minimum Payments	4117917

**Capitalization of Operating Leases**

Pre-Tax Cost of Debt	4.93%
Number Years Implied by Year 6 Payment	3.0

Year	Lease Commitment	PV Lease Payment
1	925600	882111.9
2	761450	691579.4
3	761450	659086.4
4	503550	415378.4
5	503550	395862.4
6 & beyond	503550	1073898.6
PV of Minimum Payments		4117917.1

## Effects of ESOP Exercise and Share Repurchases on Common Stock Balance Sheet Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	39,000
Average Time to Maturity (years):	4.85
Expected Annual Number of Options Exercised:	8,049

Current Average Strike Price:	\$ 39.54
Cost of Equity:	7.24%
Current Stock Price:	\$68.60

	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Increase in Shares Outstanding:	8,049	8,049	8,049	8,049	6,842		
Average Strike Price:	\$ 39.54	\$ 39.54	\$ 39.54	\$ 39.54	\$ 39.54	\$ 39.54	\$ 39.54
<b>Increase in Common Stock Account:</b>	<b>318,272</b>	<b>318,272</b>	<b>318,272</b>	<b>318,272</b>	<b>270,531</b>	-	-
Change in Treasury Stock	1,500,000	1,000,000	750,000	750,000	750,000	750,000	750,000
Expected Price of Repurchased Shares:	\$ 68.60	\$ 73.57	\$ 78.89	\$ 84.60	\$ 90.73	\$ 97.30	\$ 104.34
<b>Number of Shares Repurchased:</b>	<b>21,866</b>	<b>13,593</b>	<b>9,507</b>	<b>8,865</b>	<b>8,266</b>	<b>7,708</b>	<b>7,188</b>
Shares Outstanding (beginning of the year)	1,348,000	1,334,183	1,328,640	1,327,182	1,326,367	1,324,943	1,317,234
Plus: Shares Issued Through ESOP	8,049	8,049	8,049	8,049	6,842	0	0
Less: Shares Repurchased in Treasury	21,866	13,593	9,507	8,865	8,266	7,708	7,188
<b>Shares Outstanding (end of the year)</b>	<b>1,334,183</b>	<b>1,328,640</b>	<b>1,327,182</b>	<b>1,326,367</b>	<b>1,324,943</b>	<b>1,317,234</b>	<b>1,310,047</b>

## VALUATION OF OPTIONS GRANTED IN ESOP

Ticker Symbol	SBUX
Current Stock Price	\$68.60
Risk Free Rate	3.40%
Current Dividend Yield	1.92%
Annualized St. Dev. of Stock Returns	21.60%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	31,400	36.51	5.80	\$ 32.22	\$ 1,011,716
Range 2	7,600	52.06	0.90	\$ 17.36	\$ 131,915
Total	39,000	\$ 39.54	4.85	\$ 35.65	<b>\$ 1,143,631</b>

Cost of Equity	WACC											
	\$ 74.18	4.22%	4.72%	5.22%	5.72%	6.22%	6.72%	7.22%	7.72%	8.22%	8.72%	9.22%
	9.74%	284.74	191.00	141.28	110.48	89.54	74.39	62.92	53.95	46.73	40.80	35.86
	9.24%	284.58	190.89	141.19	110.42	89.49	74.35	62.89	53.91	46.70	40.78	35.84
	8.74%	284.41	190.78	141.11	110.35	89.44	74.31	62.85	53.88	46.67	40.76	35.81
	8.24%	284.25	190.67	141.03	110.29	89.39	74.26	62.81	53.85	46.65	40.73	35.79
	7.74%	284.09	190.55	140.95	110.23	89.34	74.22	62.78	53.82	46.62	40.71	35.77
	7.24%	283.92	190.44	140.87	110.16	89.28	74.18	62.74	53.79	46.59	40.68	35.75
	6.74%	283.75	190.33	140.78	110.10	89.23	74.13	62.70	53.76	46.56	40.66	35.73
	6.24%	283.59	190.22	140.70	110.03	89.18	74.09	62.66	53.72	46.54	40.64	35.71
	5.74%	283.42	190.11	140.62	109.96	89.12	74.04	62.63	53.69	46.51	40.61	35.69
	5.24%	283.25	189.99	140.53	109.90	89.07	74.00	62.59	53.66	46.48	40.59	35.66
	4.74%	283.08	189.88	140.45	109.83	89.02	73.95	62.55	53.63	46.45	40.56	35.64

CV Growth of NOPLAT	Beta											
	\$ 74.18	0.55	0.60	0.65	0.70	0.75	0.80	0.85	0.90	0.95	1.00	1.05
	2.09%	82.76	77.27	72.32	67.86	63.80	60.10	56.71	53.59	50.72	48.06	45.59
	2.29%	87.01	80.99	75.61	70.76	66.39	62.41	58.78	55.46	52.40	49.59	46.98
	2.49%	91.79	85.15	79.25	73.97	69.23	64.94	61.04	57.49	54.23	51.24	48.48
	2.69%	97.21	89.82	83.32	77.54	72.37	67.72	63.51	59.70	56.21	53.02	50.09
	2.89%	103.39	95.12	87.89	81.51	75.85	70.79	66.23	62.12	58.37	54.96	51.83
	3.09%	110.51	101.16	93.07	85.99	79.74	74.20	69.24	64.78	60.74	57.07	53.73
	3.29%	118.81	108.13	98.98	91.05	84.12	78.00	72.57	67.71	63.34	59.39	55.80
	3.49%	128.60	116.25	105.79	96.83	89.07	82.28	76.29	70.97	66.21	61.93	58.06
	3.69%	140.34	125.82	113.73	103.49	94.72	87.12	80.48	74.61	69.40	64.74	60.54
	3.89%	154.65	137.29	123.09	111.25	101.24	92.65	85.21	78.70	72.96	67.85	63.29
	4.09%	172.49	151.28	134.30	120.41	108.82	99.02	90.61	83.33	76.96	71.33	66.34

Depreciation Expense as % of CapEx	Same-store Sales Growth CV Year											
	\$ 74.18	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%
	5.95%	136.03	137.91	139.84	141.84	143.89	146.00	148.18	150.43	152.75	155.15	157.62
	6.05%	115.50	116.83	118.18	119.58	121.00	122.47	123.97	125.51	127.09	128.71	130.37
	6.15%	100.68	101.67	102.68	103.71	104.76	105.83	106.93	108.05	109.20	110.37	111.57
	6.25%	89.48	90.25	91.03	91.82	92.63	93.45	94.29	95.15	96.02	96.90	97.81
	6.35%	80.72	81.33	81.95	82.58	83.23	83.88	84.54	85.21	85.90	86.60	87.31
	6.45%	73.68	74.18	74.69	75.20	75.72	76.25	76.79	77.33	77.89	78.45	79.02
	6.55%	67.89	68.31	68.73	69.16	69.59	70.03	70.48	70.93	71.39	71.85	72.32
	6.65%	63.06	63.41	63.77	64.13	64.50	64.87	65.24	65.62	66.01	66.40	66.79
	6.75%	58.95	59.26	59.56	59.87	60.19	60.50	60.82	61.15	61.48	61.81	62.14
	6.85%	55.42	55.69	55.95	56.22	56.50	56.77	57.05	57.33	57.61	57.90	58.19
	695.00%	-66.34	-66.33	-66.33	-66.33	-66.33	-66.33	-66.33	-66.33	-66.33	-66.33	-66.33

Net New Licensed Stores in CV Year	Net New Company-Operated Stores in CV Year											
	\$ 74.18	-	50	100	150	200	250	300	350	400	450	500
	-	61.57	62.81	64.10	65.45	66.86	68.34	69.88	71.51	73.21	75.01	76.90
	50	62.98	64.28	65.64	67.05	68.54	70.10	71.73	73.45	75.25	77.15	79.16
	100	64.46	65.83	67.25	68.75	70.32	71.96	73.69	75.50	77.42	79.44	81.57
	150	66.02	67.46	68.96	70.54	72.19	73.93	75.76	77.69	79.72	81.87	84.14
	200	67.67	69.18	70.77	72.43	74.18	76.02	77.96	80.01	82.17	84.46	86.89
	250	69.40	71.00	72.67	74.43	76.29	78.24	80.30	82.48	84.79	87.24	89.84
	300	71.23	72.92	74.69	76.56	78.53	80.61	82.80	85.13	87.59	90.22	93.01
	350	73.17	74.96	76.84	78.82	80.91	83.13	85.47	87.96	90.60	93.42	96.42
	400	75.23	77.12	79.12	81.23	83.46	85.82	88.33	91.00	93.83	96.87	100.11
	450	77.42	79.43	81.55	83.80	86.18	88.71	91.40	94.26	97.32	100.60	104.11
	500	79.74	81.88	84.15	86.55	89.10	91.81	94.70	97.79	101.09	104.64	108.46