Universidade do Minho
Escola de Economia e Gestão

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Equity Research Report
Starbucks Corporation

April 2026

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Equity Research Report
Starbucks Corporation

Master's Project
Master in Finance

Supervised by
Professor Gilberto Loureiro

April 2026

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RESUMO

Este *Equity Research Report* é o resultado do Projeto de Mestrado realizado como parte do Mestrado em Finanças na Universidade do Minho. O relatório centra-se na Starbucks Corporation (SBUX), uma empresa americana, líder global na indústria de cafés de especialidade, reconhecida pelo seu conceito "Third Place" e pela sua vasta presença global. Num momento de transição estratégica e pressões inflacionárias, esta análise oferece informações críticas sobre a capacidade de resiliência da marca perante desafios operacionais e mudanças no comportamento do consumidor.

Estruturado de acordo com as diretrizes do CFA Institute, o relatório inicia-se com o Resumo de Investimento que contextualiza a atual volatilidade da empresa. Segue-se uma Descrição detalhada do Negócio, abrangendo os segmentos operacionais, a relevância do mercado da América do Norte e a mudança estratégica na China através da parceria com a Boyu Capital. Adicionalmente, apresenta uma análise profunda dos fatores ESG, com especial foco nos riscos sociais e na dinâmica sindical (SBWU), juntamente com uma Visão Abrangente da Indústria, examinando o posicionamento competitivo face a concorrentes que atual no mesmo mercado, mas que utilizam métodos operacionais diferentes, que envolvem mais tecnologia e baixos custos.

A Análise Financeira baseia-se em dados dos Relatórios Anuais da Starbucks (2014-2025). As metodologias de Avaliação privilegiam a abordagem de Fluxos de Caixa Descontados (DCF) como método principal, complementada por uma Avaliação Relativa baseada em múltiplos históricos (trailling), de forma a garantir a objetividade perante o plano de recuperação "Back to Starbucks". Os dados foram atualizados pela última vez em 23 de janeiro de 2026.

O relatório é concluído com uma avaliação rigorosa dos riscos, destacando vertentes estratégicas, de mercado, financeiras e operacionais. É emitida uma recomendação de VENDA (SELL) para a Starbucks Corporation, um preço-alvo de 72,76$ para o final de 2026, refletindo um potencial de desvalorização (downside) de 25,47% face ao preço de fecho de 97,62$ em 23 de janeiro de 2026. Esta recomendação é sustentada por três fatores principais: i) Avaliação Excessiva (P/E de 57x) não alinhadas com as margens atuais; ii) Riscos de Execução do plano turnaround num ambiente de elevados custos e regulamentações sindicais na vertente laboral; e iii) Saturação e Perda de Diferenciação do conceito "Third Place" perante o aumento das transações digitais.

Palavras-Chave: Avaliação de Empresas. Equity Research, Starbucks, Back to Starbucks

ABSTRACT

This Equity Research Report is the result of the Master's Project conducted as part of the Master in Finance at the University of Minho. The report focuses on **Starbucks Corporation (SBUX)**, an American company and global leader in the specialty coffee industry, recognized for its "Third Place" concept and its vast global presence. At a time of strategic transition and inflationary pressures, this analysis offers critical insights into the brand's resilience in the face of operational challenges and changes in consumer behaviour.

Structured in accordance with the CFA Institute guidelines, the report begins with an Investment Summary that contextualizes the company's current volatility. This is followed by a detailed Business Description, covering the operating segments, the relevance of the North American market, and the strategic pivoting in China through the partnership with Boyu Capital. Additionally, it presents an in-depth analysis of ESG factors, with a special focus on social risks and labour union dynamics (SBWU), along with a Comprehensive Industry Overview, examining the competitive positioning against players operating in the same market but utilizing different operational methods involving more technology and lower costs.

The Financial Analysis is based on data from Starbucks' Annual Reports (2014-2025). The Valuation methodologies prioritize the Discounted Cash Flow (DCF) approach as the primary method, complemented by a Relative Valuation based on historical multiples (trailing), in order to ensure objectivity regarding the "Back to Starbucks" recovery plan. The data was last updated on January 23, 2026.

The report concludes with a rigorous risk assessment, highlighting strategic, market, financial, and operational aspects. A SELL recommendation is issued for Starbucks Corporation, with a target price of $72.76 for the end of 2026, reflecting a potential downside of 25,47% compared to the closing price of $97.62 on January 23, 2026. This recommendation is supported by three main factors: i) Excessive Valuation (P/E of 57x) not aligned with current margins; ii) Execution Risks of the turnaround plan in an environment of high costs and labour union regulations; and iii) Saturation and Loss of Differentiation of the "Third Place" concept due to the increase in digital transactions.

Keywords: Business Valuation, Equity Research, Starbucks, Back to Starbucks

LIST OF ABBREVIATIONS

$ – US Dollar

% – Percentage

AUV - Average Unit Volumes

B – Billions

CAGR – Compound Annual Growth Rate

CAPEX – Capital Expenditures

CAPM – Capital Asset Pricing Model

CCC - Cash Conversion Cycle

CEO – Chief Executive Officer

CFA – Chartered Financial Analyst

COGS – Cost of Goods Sold

D/E – Debt to Equity

D&A – Depreciation and Amortization

DCF – Discounted Cash Flow

EBIT – Earnings Before Interest and Taxes

EBITDA – Earnings Before Interest, Taxes, Depreciation, and Amortization

EPS – Earnings per Share

EPR – Extended Producer Responsibility

ERP – Equity Risk Premium

ESG – Environmental, Social, and Governance

EV – Enterprise Value

FCFF – Free Cash Flow to the Firm

FY – Fiscal Year

***g* –** Terminal Growth Rate

GDP – Gross Domestic Product

K – Thousands

Kd – Cost of Debt

Ke – Cost of Equity

M – Millions

NOPAT – Net Operating Profit After Tax

P/E – Price-to-Earnings Ratio

P/S – Price-to-Sales Ratio

PPE – Property, Plant, and Equipment

QSR – Quick Service Restaurant

R&D – Research and Development

Rf – Risk-Free Rate

ROA – Return on Assets

ROE – Return on Equity

ROIC – Return on Investment

RTD - Ready-to-Drink

SBUX – Starbucks Corporation (Ticket)

SBWU – Starbucks Workers United

SG&A – Selling, General, and Administrative Expenses

SVC – Store Card Value

SWOT – Strengths, Weaknesses, Opportunities, and Threats

WACC – Weighted Average Cost of Capital

US – United States

YOY – Year-over-Year

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STARBUCKS



Recommendation	SELL
Current Price (01/23/2026)	$97.62
Target price (FY 2026)	**$72.76**
Downside	**-25.47%**
52-Week Range	$75.50-$117.46
Industry	Restaurants
Sector	Consumer Cyclical
Ticker	SBUX
Stock Enchange	Nasdaq
Shares Outstanding (b)	1.139
Market Capitalization ($b)	111
EPS (2025)	1.6
Free Float	99.12%

Table 1 - Starbucks Investment Highlights
Source: Author, Company Data

Starbucks Corporation is a global leader in the Specialty Coffee Industry, established to offer a premium coffee experience as a **"Third Place"** between home and work. It is a designed as a space where customers can enjoy their beverage while socializing with friends, take a break from their chaotic routines, or seeking personalized experience rather than just using the store as a pickup hub. However, as illustrated in the recent performance trends (Figure 1), the company is navigating a highly sensitive period.

Since 2024, Starbucks has faced significant headwinds, with share price volatility reflecting a market struggling to price complex turnaround. The stock's current price of $97.62 (as of January 23, 2026) appears increasingly disconnected from its operational reality. The implementation of the new strategic plan "Back to Starbucks", seems to have left investors highly optimistic about its success, leaving no margin for operational or investments risks. In contrast to this optimistic scenario, this analysis suggests that Starbuck's intrinsic value is lower than its market price, justifying a **SELL** recommendation with a target price of $**72.76**, representing a downside of 25.47% (Table 1).

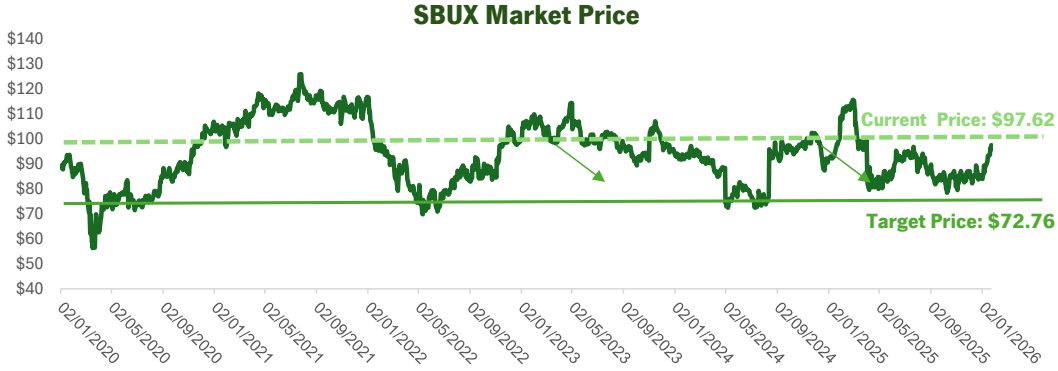


Figure 1 - SBUX Market Price
Source: Investing.com

Investment Summary

The Genesis of the Turnaround: A Response to Operational Decay

Starbucks' is currently at a strategic **inflection point**. Rather than a proactive strategic shift, this transition was a necessary response to severe operational bottlenecks. Between 2022 and 2024, the rapid growth of Starbucks' Mobile Order & Pay and Drive-thru channels led to significant capacity constraints, undermining the traditional "Third Place" store experience. During the FY25 Q4 Earnings Call, CEO Brian Niccol highlighted these store-level inefficiencies, noting that several underperforming locations "didn't demonstrate a viable path to profitability or create a warm, welcoming space for customers and partners."

These operational frictions negatively impacted customer satisfaction through extended wait times, diluting the brand's core value proposition and making it harder to justify premium pricing. Consequently, digital cart abandonment rates rose, culminating in a 4% decline in global sales in Q2 2024 (FY 2024 Annual Report). This top-line contraction indicated that pricing actions could no longer offset declining customer traffic, a shift that contributed to the departure of CEO Laxman Narasimhan.

In North America, store-level complexity—driven by highly customized menu options like the "Cold Foam" platform—resulted in significant labor strain. This dynamic accelerated unionization efforts under Starbucks Workers United (SBWU), introducing potential margin pressure from higher structural labor costs and broader reputational risks. These compounding headwinds attracted activist investors, notably Elliott Investment Management, who advocated for immediate operational restructuring. This pressure drove the strategic appointment of Brian Niccol as CEO to stabilize the business, although execution risks regarding the turnaround plan remain elevated.

"Back to Starbucks": Brian Niccol's Vision

Following his appointment in September 2024, CEO Brian Niccol initiated the "Back to Starbucks" turnaround plan, aimed at restoring the core brand identity and rectifying operational inefficiencies. The strategy centers on four key pillars: SKU rationalization (simplifying the menu), reinstating the traditional "Coffeehouse" environment (e.g., ceramic mugs, condiment bars), and rolling out the Siren Craft System. Powered by the SmartQ sequencing algorithm, this system reached an 80% penetration rate across US company-operated stores in 2025, targeting service times of four minutes or less (Figure 2; FY25 Q4 Earnings Call). Ultimately, management seeks to distance the brand from a high-volume fast-food model to defend its premium pricing power.

1. **Reclaiming the "Coffeehouse" Identity**
   Action: Restores the brand's soul by reintroducing physical craft elements (condiment stands, ceramic mugs)
2. **Empowering Baristas to Lead**
   Action: Reallocates capital to increase staffing levels and training hours, reducing turnover and ensuring the human connection is not sacrificed for operational speed.
3. **Fixing the Morning Reliability**
   Action: Deploys the *Siren Craft System* and rationalizes the menu to eliminate production bottlenecks, aiming for consistent, reliable execution with a sub-4-minute service target.
4. **Telling the Starbucks Story**
   Action: Repositions marketing to highlight artisanal quality and coffee heritage, replacing aggressive, discount-driven promotions with a narrative that **reinforces a premium brand image**.

Figure 2 - "Back to Starbucks" pillars
Source: Author, Company data

From an equity perspective, however, this strategic pivot toward a more labor-intensive, premium service model introduces structural margin pressures. The reintroduction of manual, personalized touchpoints—such as condiment bars and the Clover Vertica single-cup brewing system—adds operational complexity that inherently conflicts with the company's rapidly expanding off-premise channels.

Notably, the delivery segment experienced nearly 30% YoY growth in Q4, eclipsing $1 billion in FY2025 sales (FY25 Q4 Earnings Call). Balancing high-speed delivery growth with an artisanal, "cup-by-cup" in-store experience creates a dual-operating model that will likely prove difficult to scale without diluting overall operational efficiency.

Furthermore, executing the "Back to Starbucks" initiative requires significant capital allocation toward labor hours and store "Uplift" renovations. With management having completed 70 renovations and targeting 1,000 locations by FY26-end, this framework suggests that near-term top-line recovery will likely be offset by elevated CapEx and structural labor costs, thereby compressing margin expansion and limiting medium-term earnings visibility.

Implementation: Early Results and Structural Hurdles

The initial phase of the 2025 turnaround plan has yielded a modest stabilization in customer traffic, but it has simultaneously underscored the highly capital-intensive nature of this recovery. Based on our model estimates, FY25 operating margins contracted to a trough of 7.23% (driven by an EBIT of $2,689M on Total Revenues of $37,184M). This severe margin compression from historical double-digit levels reflects the elevated capital expenditures required for new equipment, store "Uplifts," and increased store-level staffing.

Looking forward, a primary execution risk remains the ongoing labor dynamic with Starbucks Workers United (SBWU). This relationship has introduced significant "operational rigidity." In many unionized locations, the company faces restrictions on optimizing labor schedules or deploying new technology without engaging in protracted collective bargaining processes. The market appears to be largely discounting this structural bottleneck; trading at an elevated 57x P/E multiple, the stock is currently priced for perfection. This valuation, juxtaposed with the heavy CapEx cycle required for store renovations and entrenched labor frictions, presents a highly challenging path to margin recovery, reinforcing our thesis that the equity is overvalued at current levels.

Business Description



Figure 3 - Starbucks' history
Source: Author, Company data

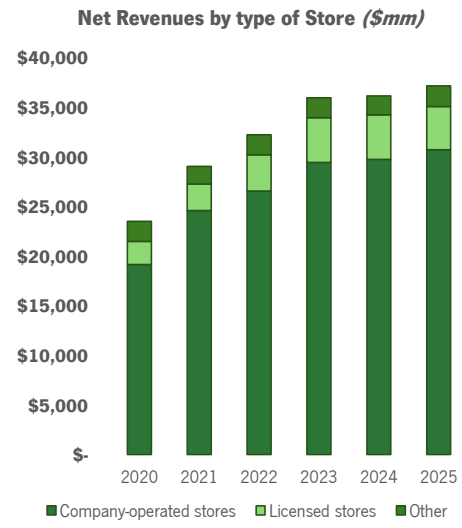


Figure 4 - Net Revenue by type of store
Source: Author, Company Data

Founded in 1971 in Seattle, Starbucks Corporation has evolved from a local coffee bean roaster into the global leader in specialty retail, currently operating more than **40,000 stores** across more than **80 markets**.

Howard Schultz, who, upon assuming the CEO role in 1987, transformed the company by introducing the **"Third Place"** concept: a welcoming environment between home and work. This value proposition, based on human connection and the handcrafted experience, allowed Starbucks to differentiate itself through premium positioning, expanding internationally starting in 1996 with its first store outside North America in Tokyo, Japan (Figure 3).

In Fiscal Year of 2025, the company stands at a strategic inflection point under the leadership of the actual CEO, Brian Niccol, with the implementation of the "Back to Starbucks" plan. Its primary objectives include improving the customer experience by reducing waiting times and ensuring orders are delivered "on time, every time", and reinvigorating the in-store environment to restore the "Third Place" connection. Operationally, the plan focuses on empowering baristas through the simplification of overly complex menus and the deployment of Siren System technology to enhance throughput.

Market Segmentation and Global Strategy

Starbucks operates through a hybrid model designed to balance direct brand control with global scalability. To provide the well-known customer experience in

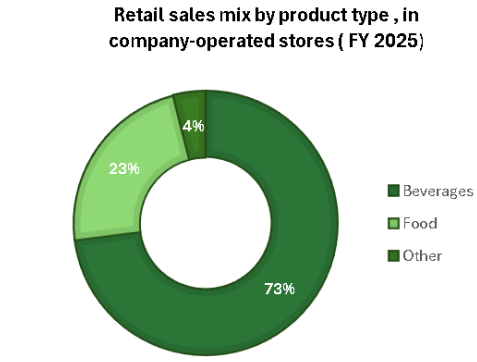


Figure 5 - Retail sales mix in company-operated stores, FY 2025
Source: Author, Company Data

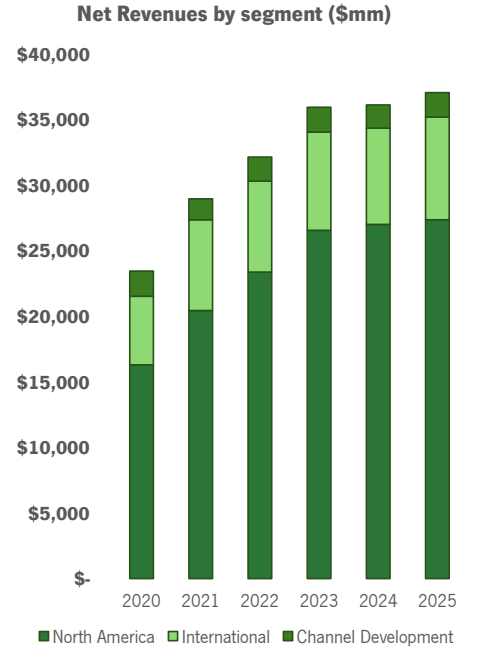


Figure 6 - Net Revenue by segment
Source: Author, Company Data

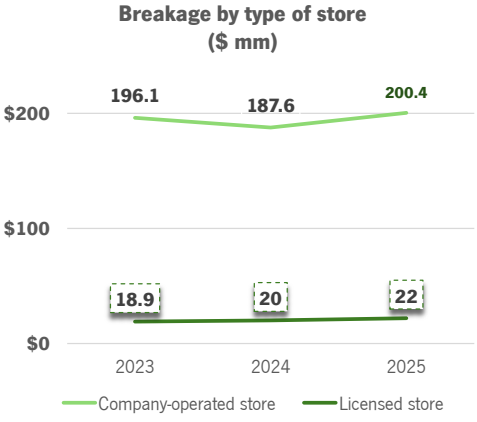


Figure 7 - Breakage revenue by type of store
Source: Author, Company Data

every store, Starbucks utilizes company-operated stores, where it manages the full customer experience, selling handcrafted beverages and food items and has licensed stores. For the latter, Starbucks develops the pre-opening services, including site evaluation and selection, store architectural/design and development, and operational training. These are considered performance obligations separate from the license to operate under the Starbucks brand.

Regarding its digital presence, Starbucks maintains a partnership named Global Coffee Alliance with Nestlé S.A. ("Nestlé) and sell goods and services under the following brands: Teavana®, Ethos®, and Starbucks Reserve®.

As of September 2025, Company-operated stores represent 73% of the Net ($30.7 billion) (Figure 4), which is mainly explain by the sales of beverages that account for 73% of the sales (Figure 5). Licensed stores Revenues contributed $4.35 billion, through product and equipment sales, royalties and other fees paid by licenses using the Starbucks brand.

Geographically, Starbucks is organized into three reportable segments: North America (U.S. and Canada), International (China, Japan, Asia Pacific, Europe, Middle East, Africa, Latin America and Caribbean) and Channel Development (Figure 6). North America remains the dominant market, generating $27.4 billion through Q4 of 2025, while the International segment contributed $7.8 billion and Channel development $1.87 billion.

Under the "Back to Starbucks" plan, management intends to closed stores that do not achieve key performance targets and have been implementing a transaction transformation plan. Furthermore, in November 2025, Starbucks established a Joint Venture with Boyu Capital, in China, retaining only a 40% minority stake. By moving to this partnership structure, Starbucks is de-risking its second-largest market, admitting that its independent competitive advantage is under pressure from local rivals and geopolitical volatility.

Digital Ecosystem and Customer Loyalty

Starbucks' Digital ecosystem, powered by the Starbucks Rewards program and Stored Value Cards (SVC), functions as a sophisticated engine for customer retention and financial efficiency. According to the company's fiscal 2025 filings, SVCs can be activated across multiple channels, including company-operated stores, most licensed store locations, online and third-party retailers.

Customers are able to load amounts onto SVCs that are initially recorded as a deferred revenue and recognized as revenue upon redemption. Historically, the majority of these balances are redeemed within one year, creating a high-velocity cycle of liquidity. From a financial perspective, these pre-loaded funds provide Starbucks with a massive source of interest-free working capital. By holding cash upfront before the product is delivered, the company optimizes its liquidity position at zero cost.

A strategic byproduct of this model is "Breakage" revenue: the portion of SVC funds not expected to be redeemed after the typical cycle. In fiscal 2025,

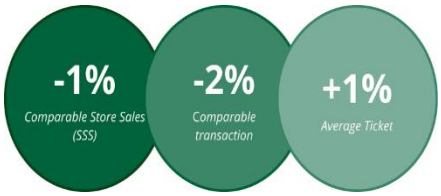


Figure 8 - Sales Evolution, FY 2025
Source: Author, Company Data

Starbucks recognized $222.4 million in total breakage revenue (Figure 7), up from $207.6 million in 2024, illustrating that this "customer-funded loan" not only carries zero interest expense but effectively grants the company a negative interest rate on these liabilities. The ecosystem is further bolstered by Starbucks Rewards program, where the company defers revenue associated with the estimated value of earned "Stars" (loyalty points), ensuring a continuous cycle of reinvestment and engagement.

Despites these digital strengths, fiscal 2025 results underscored the urgency of the "Back to Starbucks" strategy. While total net revenues increased 3% to $37.2 billion, this growth was primarily driven by the opening of 1,010 net new company-operated stores and the 100% acquisition of 23.5 Degrees Topco Limited, on October 2024, a U.K. licensed business partner. However, these gains were partially offset by a 1% decline in Comparable Store Sales, stores open for more than 12 months, fueled by 2% drop in comparable transaction, which was only partially mitigate by 1% increase in average ticket (Figure 8).

ESG Analysis

Environmental

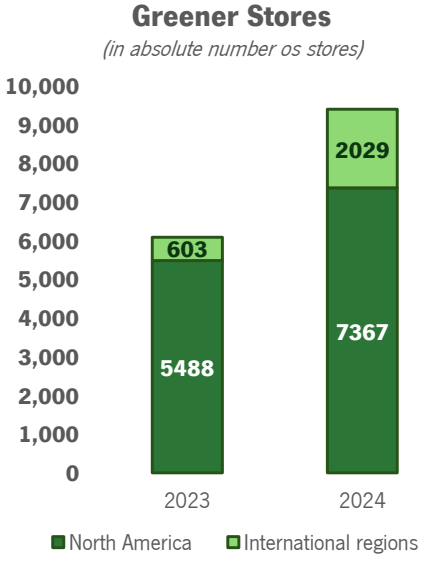


Figure 9 - Greener Stores
Source: Author, Company Data

Starbucks has established ambitious goals related to environmental sustainability. These include commitments to sustainable coffee sourcing through its C.A.F.E practices (Coffee and Farmer Equity Practices), developed with Conservation International. For fulfill that commitment, Starbucks outlines a clear roadmap for 2030, targeting a 50% absolute reduction in greenhouse gas (GHG) emissions, water withdrawals, and waste sent to landfills, using 2019 as the baseline year.

According to the Fiscal 2024 Global Impact Report, the company's strategy focuses on decoupling business growth from resources consumption. A primary driver of this transition is the Greener Stores initiatives, which reached 9,396 verified locations in 59 markets worldwide, an increase of 54% from the previous year (Figure 9). This expansion is particularly notable in international markets, where verified stores grew 236%, reflecting a standardized global effort to reduce energy and water costs.

The company's efficiency metrics demonstrate progress in resource intensity. While total Greenhouse Gas (GHG) emissions saw a slight 3% absolute increase from the Fiscal 2019 baseline, emissions intensity per dollar of revenue decreased by 25%. Similarly, Starbucks achieved a 27% reduction in water withdrawal per dollar of revenue, even though absolute water use remained relatively stable with only a 1% decline from the baseline.

However, significant challenges remain in waste management and packaging. Currently, only 27% of customer-facing packaging is reusable, recyclable or compostable, which is far from the 100% target for 2030. Furthermore, the use

of virgin fossil fuel-derived material in packaging increased by 8% from the Fiscal 2019 baseline, and the adoption of reusable cups remains low at 2.6% of total beverages. In its 2025 filing, Starbucks highlighted that the gap in waste reduction progress represents a tangible financial risk because it exposes the company to emerging plastic levies and Extended Producer Responsibility (EPR) taxes that could pressure future operating margins.

Social

Starbucks designs its strategies to maintain ethical standards throughout the entire value chain, from the bean to the cup. However, human capital management currently represents the company's most significant operational risk.



Figure 10 - Average hourly wage in U.S.
Source: Author, Company Data

Starbucks has significantly increased its investment in the workforce, raising the average U.S hourly wage to $18.73 (Figure 10) and improving total compensation packages to an average of $30 per hour. These efforts are reflected in a notable improvement in workforce stability, with total employee turnover in North America dropping 49% in 2024 compared to 58% in 2023 (Figure 11). Despite these improvements, financial investments alone appear insufficient to resolve underlying tensions. Since 2021, "Starbucks Workers United" (SBWU) movement has grown into a powerful organizing force. Throughout late 2025, persistent reports and "Red Cup Rebellion" initiatives have continued to expose conflicts regarding worker rights and staffing levels (Figure 12).

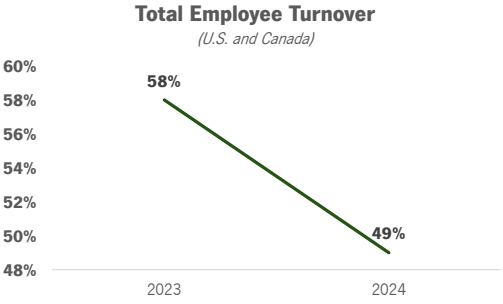


Figure 11 - Average hourly wage in U.S.
Source: Author, Company data

The relationship with the workforce is currently characterized by the friction between the corporate narrative and the operational reality on the ground. While Starbucks cited "constructive dialogue" in its 2025 filing, data from SBWU reveals a tangible operational risk. Legally, the company is constrained from making unilateral changes to scheduling, hours, or workflows in these units without prior collective bargaining. This factor serves as a direct bottleneck to the rapid execution of the "Back to Starbucks" plan, as operational streamlining and the rollout of new technologies, such as the Siren System, depend on uniform and swift implementation across the network.



Figure 12 - "Red Cup Rebellion" initiatives
Source: Author, Starbucks Workers United

Beyond operational rigidity, the social pillar directly impacts brand equity. Frequent work stoppages and strikes documented by the SBWU create a reputational overhang that risks alienating a customer base loyal to the "Third Place" experience. The success of "Back to Starbucks" in this pillar will ultimately depend on management's ability to transform high labor costs into a productivity return that stabilizes Comparable Store Sales.

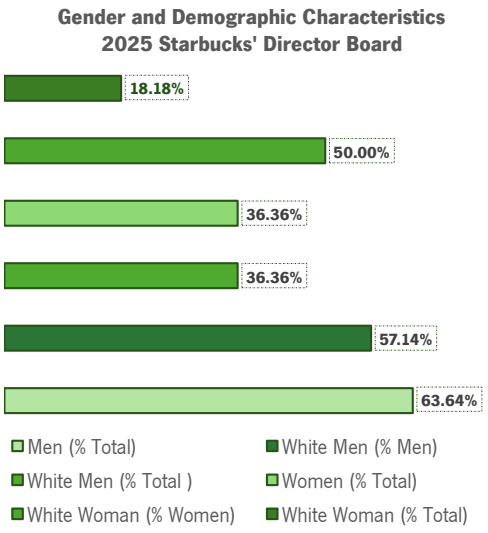


Figure 13 - Gender and Demographic Characteristics of Direct Board

Source: Author, Company Data experience

Category	Compensation Components
Non-Employee Directors	• Annual cash retainer; • Annual equity (stock) retainer; • Additional retainers for specific roles (e.g., Committee Chair, Lead Independent Director)
Employee Directors	• Base salary; • Annual cash incentive; • Long-term equity incentives

Figure 14 - Board Compensation

Source: Author, Company Data

Governance

In September 2024, following a period of operational underperformance and strategic execution challenges, the board appointed Brian Niccol as Chief Executive Officer (CEO) and Chairman, signaling a decisive shift. Niccol's "Back to Starbucks" initiative seeks to reclaim the brand´s identity as a "Third Place", focus on a personalized and aesthetic experience for the customer.

To counterbalance the dual role of Brian Niccol, the company utilizes a Lead Independent Director model to ensure a separation of powers. This role, held by Mellody Hobson and transitioned to Jorgen Vig Knudstorp, in March 2025, is designed to lead executive sessions and provide independent oversight of management.

Board composition remains a cornerstone of Starbucks' governance narrative. The company emphasizes that its board is intentionally structured to balance continuity with refreshment, ensuring the presence of both institutional knowledge and new perspectives. In 2025, the Board is composed of 11 members, 63.64% are men and 57.14% of these men are white (Figure 13) (Annex 1 – Board Composition).

The Starbucks compensation framework is strategically bifurcated to drive executive accountability while preserving board independence. Independent directors receive a fixed compensation mix, composed of cash and equity retainers, with additional fees for leadership roles. They do not participate in performance-based incentives plans in order to support independence and objective oversight. In contrast, employee directors, who are also company executives, do not receive additional compensation for board service. Brian Niccol, in particular, as CEO, has compensation that is predominantly variable and performance-linked combines base salary, short-term cash incentives and long-term equity-awards. This structure ensure that executive decision-making is directly aligned with long-term shareholder value and successful execution pf the company´s strategic plan (Figure 14).

Starbucks presents a complex ESG profile where governance and environmental roadmaps are currently tested by social operational friction. The success of the "Back to Starbucks" strategy depends on management's ability to translate high labor investment (Social) into productive gains, while simultaneously closing the gap in waste management (Environmental) to avoid emerging regulatory costs. From Governance perspective, the board´s decisive leadership transition and strict alignment of executive pay with long-term performance provide a solid foundation for risk mitigation.

Industry Overview and Competitive Position

Industry Dynamics and Strategic Reset

The global coffee industry is undergoing a structural transition toward "Experience-Driven Premiumization". According to *Grand View Research*, the global coffee market was valued at $ 284.8 billion in 2025 and is projected to

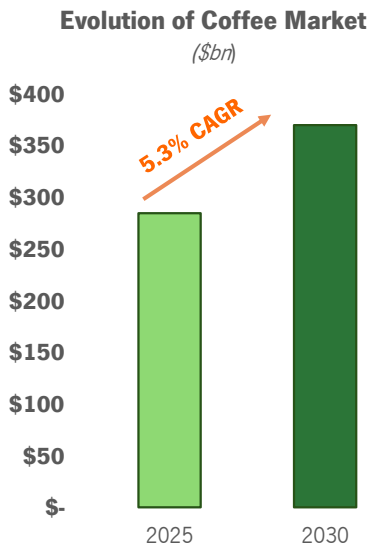


Figure 15 - Evolution of Coffee Market
Source: Author, Grand View Research

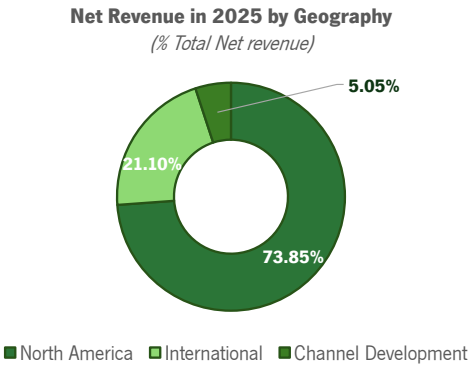


Figure 16 - Net Revenue by Geography, FY 2025
Source: Author, Company Data

Company	Ticket	Country of Origin
McDonald's (McCafé)	MCD	USA
Costa Coffee (Coca-Cola)	KO	United Kingdom
Tim Hortons (Restaurant Brands Intl.)	QSR	Canadá
Keurig Dr Pepper	KDP	USA
Luckin Coffee	LKNCY	China
Dutch Bros Coffee	BROS	USA

Table 2 - Starbucks' key peers
Source: Author

reach $369.5 billion by 2030, representing a **5.3% CAGR** (Figure 15). This growth is fundamentally anchored in the B2C channel, which accounted for 62.4% of the global revenue of sales coffee in 2024.

Starbucks operates at the epicenter of world's most mature coffee market: United States. In Fiscal Year of 2025, 73.85% of company's Net Revenues are originated from North America (U.S and Canada), turn it Starbucks' Cash Cow (Figure 16). In the U.S, coffee consumption has evolved into a systemic habit, with approximately 400 million cups consumed daily and an average intake of 3 cups per capita (Balance Coffee, 2025).

Recent academic research from the University of Tarumanagara (2025) concludes that Starbucks' digital interaction and brand prestige significantly drive consumer purchase intention. This psychological "Moat" is evidenced by Starbucks dominance in the hyper-customization segment, where the brand serves as a tool for consumer self-expression. By prioritizing speed and personalization over price, the average U.S consumer reinforces Starbucks ability to maintain high margins despite inflationary pressures.

Taken together, current industry dynamics indicate that value creation in the global coffee market is changing. Customers expectation is shifting toward high-quality experiences, faster and more personalized service, and brand-led engagement, rather than a product differentiation alone or a simple cup of black coffee. This trend increases competitive intensity, creating execution challenges in operational consistency for Starbucks and highlighting the need for differentiated in-store experiences. This environmental helps explain the strategic rationale behind the "Back to Starbucks" plan as a necessary response to realign the company's operating model with evolving market demands.

Competitive Landscape: Positioning and Peer Benchmarking

The structural attractiveness of the coffee industry is currently defined by a "War" of operating models rather than simple product differentiation. In this demanding landscape, sustained competitive advantage is increasingly depending on brand strength, scale and the integration of digital ecosystems as defensive moats. To evaluate Starbucks' competitive position against its key peers (Table 2), a Porter's Five Forces analysis (Figure 17) was conducted to assess the industry's underlying pressures and the company's defensive capabilities.

Competitive Rivalry – Very High – 5/5

Competition is intense and multifaceted, varying by market and price point.

In U.S mass market, the cash cow of Starbucks, chains like McDonald´s and Dukin compete primarily on price and speed, establishing a value proposition that puts a ceiling on Starbucks' ability to raise prices without risking customer churn to more affordable options. In this type of model, the priority is convenience and practicality instead of customer experience in-store and customization.

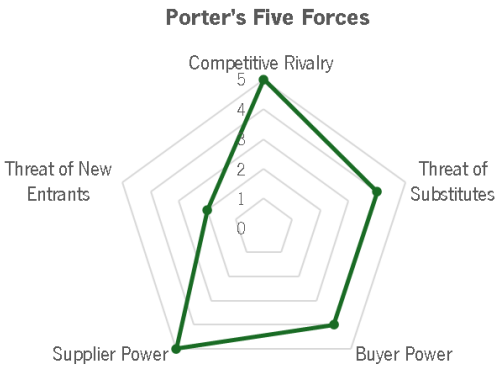


Figure 17 - Starbucks' Porter's Five Forces analysis
Source: Author

On the other hand, Dutch Bros focuses on drive-thru-only model resulting in efficient operating systems that can be corroborated through Average Unit Volumes (AUV) of $1.97 million against Starbucks $1.82 million in 2024. This rapid expansion in suburban markets represents a direct threat to Starbucks core territory.

In Fiscal Year 2025, Starbucks's International Net Revenues increased 3%, driven strongly by China, which saw an increase of 2% and represents the international geography with the greatest growth opportunities. However, in this market, Luckin Coffee has reshaped operational process by emphasizes efficiency, cost-effectiveness, cashless transactions (all orders must be placed and paid via the app or in-store QR codes) and quick pick up instead "Third Place" experience. This strategy leads to reduce human error and labor costs, that forced Starbucks into a defensive posture, resulting in FY25 strategic retreat to 40% minority stake Joint Venture to mitigate further losses.

While "Back to Starbucks" strategy aims to reclaim premium customers, the market has moved toward efficiency. Reintroducing a social setting and customized service increases labor intensity and service times, potentially widening the efficiency gap between Starbucks and its leaner competitors.

Threat of Substitutes – High – 4/5

The threat of substitutes is high, driven by the proliferation of premium at-home coffee systems, ready-to-drink (RTD) beverages and alternative caffeine sources.

Keurig Dr Pepper and Nestlé's Nespresso dominated the most direct substitute niche which serves as the most direct substitute for the away-from-home coffee occasion. The U.S pod and capsule market is forecast to reach $12.84 billion by 2030, reflecting a 6.03% CAGR (Mordor Intelligence, 2025), with convenience remains the primary purchase driver. Starbucks competes in this channel largely via its Global Coffee Alliance with Nestlé, allowing Starbucks to retain control over the core brand elements while seamlessly plugging into Nestlé's unparalleled global manufacturing and distribution infrastructure.

For the consumer, the convenience and lower cost-per-cup of at-home systems create a high barrier for Starbucks to reclaim the daily habitual visit, contributing to the 1% decline in global comparable store sales observed in FY 2025.

Furthermore, the functional beverage segment, particularly energy drinks, is increasingly competing for the same "caffeine occasion" and gaining market from traditional coffee. This trend has prompted major coffee chains, including Starbucks, to introduce their own energy drinks on menus to respond to evolving market demands.

This convergence of high-quality at-home alternatives and evolving consumer preferences limits Starbucks' pricing power and adds further pressure to store-level profitability.



Figure 18 - Swot Analysis
Source: Author

Buyer Power – High – 4/5

While Starbucks historically leveraged strong brand loyalty to maintain pricing power, recent data suggests a significant shift in buyer behavior. Customers who are typically willing to pay a premium price point in exchange for a personalized experience are now demonstrate a lower tolerance for "value mismatches", as evidenced by the 2% drop in comparable transactions in FY 2025.

Despites a 1% increase in average ticket, this was insufficient to offset the loss in foot traffic, proving that buyers are increasingly willing to switch to more affordable or efficient alternatives. The premium experience that once justified high prices is now under scrutiny, placing a form ceiling on Starbucks' ability to further increase prices without accelerating customer churn.

Supplier Power – Very High – 5/5

Starbucks are exposure essentially to pressure from two key Suppliers groups: labor and commodities.

Labor represents a growing pressure point, as recent organized efforts Starbucks Workers United (SBWU) requesting better working conditions constitute a material financial and operational risk. This movement could lead to structurally higher labor costs, reduce operational flexibility in scheduling and store operations, and potential reputational damage that could alienate its core customer base and erode brand value.

As a massive buyer of high-quality Arabica coffee and dairy, Starbucks is inherently exposed to volatile commodity markets. Most recently, this exposure has been exacerbated by the inflationary impact of import tariffs implemented in February 2025 by Trump administration. These trade policies act as a direct tax on the supply chain of North American, increasing the cost of goods sold (COGS) and putting additional pressure on operating margins.

Threat of New Entrants – Low – 2/5

The threat of new entrants at scale is low due to high capital requirements, brand intensity, and operational complexity. While the barrier to opening a single independent coffee shop is relatively low, achieving the scale necessary to challenge an incumbent like Starbucks is substantial. The company's most significant barrier to entry is its digital ecosystem, specifically the Starbucks Rewards program, which serves as a defensive moat. With over 75 million active members globally and more than 32 million active members in U.S alone in 2024, these loyal customers are valuable, accounting for 57% of U.S revenue and spending, on average, three times more than non-members (Starbucks Corporation, 2024 Form 10-K).

Financial Analysis

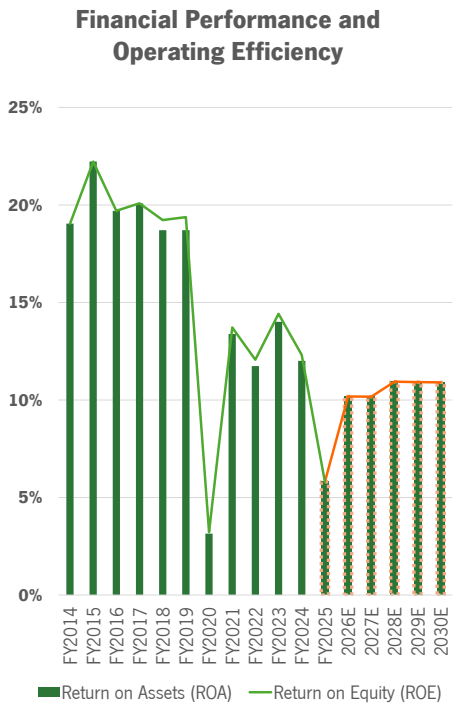


Figure 19 - ROE and ROA evolution
Source: Author, Company Data

Starbucks' historical financial performance (FY2014–FY2025) illustrates a transition from a high-return operating model to a business currently facing structural cost headwinds (Figure 19).

Between FY2014 and FY2019, the company demonstrated robust profitability, with Return on Assets (ROA) and Return on Equity (ROE) consistently in the 19-22% range. This stability was interrupted by the COVID-19 pandemic, which caused a structural break. Consequently, ROA declined sharply to 3.15% in FY2020, as store closures and mobility restrictions necessitated a strategic rethink of store formats.

Although profitability rebounded during FY2021–2023, recent data indicates renewed and significant margin pressure. In FY2025, ROA and ROE declined to 5.81%, reflecting margin compression driven by rising labor costs and increased operational complexity. This fiscal year was characterized by the heavy capital expenditures required to implement the "Back to Starbucks" strategic plan. These investments have yet to yield accretive returns, as Return on Invested Capital (ROIC) contracted to 10.18% in FY2025, nearly half of its FY2021 levels (Figure 20).

The financial forecast presented in this analysis extends to FY2030 to capture the full implementation cycle of the "Back to Starbucks" turnaround plan. While management's guidance assumes a successful transition to a highly efficient operating model, our model adopts a more cautious stance, appropriately pricing in the entrenched structural challenges currently faced by the brand.

Profitability and Returns

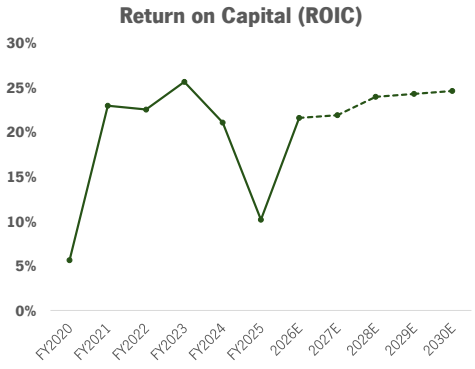


Figure 20 - Starbucks' ROIC
Source: Author, Company Data

Return on Invested Capital (ROIC) serves as a critical metric for assessing Starbucks' ability to generate economic profit. Following a robust post-pandemic rebound to over 25% in FY2023, ROIC contracted to 10.18% in FY2025 (Figure 20), driven by structural cost pressures and the capital intensity of the current turnaround efforts. Key headwinds include elevated labor costs, the rollout of the Siren System, and the restructuring of the core North American segment, the company's primary revenue driver.

The model projects a moderate ROIC recovery to 15.16% by FY2030. However, it is crucial to note that this high-return profile is inflated by Starbucks' capital structure. A history of aggressive **buybacks** [1] has driven shareholders' equity into negative territory (-$7,055M in FY2025), compressing the invested capital base. Consequently, the projected ROIC is largely reflective of a highly leveraged balance sheet rather than underlying operational efficiency.

[1] The negative Shareholders' Equity observed is the result of Starbucks' historical capital allocation strategy, which prioritized aggressive share buybacks and dividend payments over the retention of earnings. By utilizing low-cost debt to repurchase shares, the company effectively optimized its Earnings Per Share (EPS) and WACC in a low-interest-rate environment. However, this has left the company with a highly leveraged balance sheet and minimal equity buffer to absorb the current operational headwinds and elevated CAPEX requirements for the Siren System rollout.

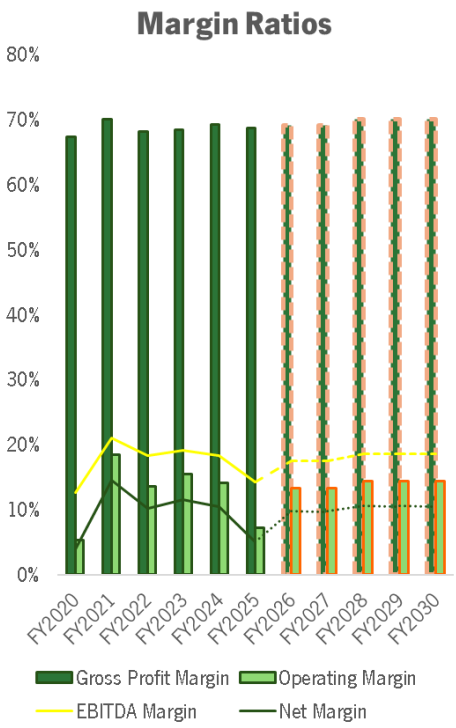


Figure 21 - Starbucks' Margin Ratios
Source: Author, Company Data

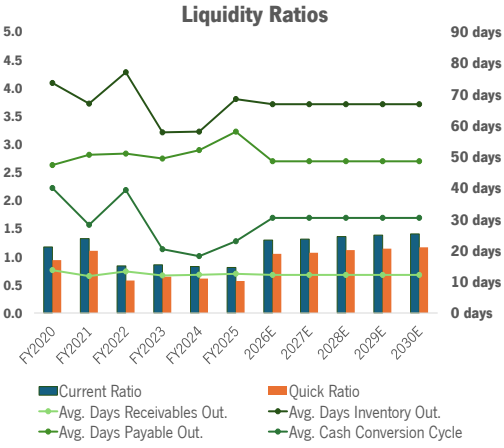


Figure 22 - Liquidity Ratios
Source: Author, Company Data

Furthermore, the forecast normalizes profitability using a 25.60% marginal tax rate (aligning with Damodaran's 2026 U.S. corporate benchmarks). This ensures that NOPAT projections (reaching $4,365M by FY2030) strictly reflect core operations, excluding non-recurring tax benefits.

Although the projected ROIC remains above the 6.55% industry WACC benchmark (Damodaran, 2025), the economic spread has narrowed significantly. This indicates the current brand revitalization is primarily a capital-intensive defensive pivot. Trading at an elevated 57x P/E multiple, the market is pricing in a outstanding turnaround, leaving a negligible margin of safety against execution missteps or persistent inflationary pressures.

Margin Evolution and Cost Structure

Margin evolution supports the cautious outlook for the company. Gross margins have remained structurally resilient, averaging close to 70% in recent years (Figure 21). While this high figure initially suggests strong pricing power and a premium brand status, it masks a growing strategic misalignment identified in Five Forces analysis. This resilience does not stem from sustainable pricing power, but rather from **aggressive price hikes** used to offset declining transaction volumes. By prioritizing high unit margins, Starbucks is increasingly alienating its value-conscious customer base. As reported in the FY2025 earnings calls, management has been forced to adopt a disciplined stance, reducing the net number of company-operated stores in North America by 1% to cut underperforming locations that no longer meet profitability thresholds (Earnings Call 2025).

The Operating Margin saw a sharp decline in FY2020 due to the pandemic, and experience another contraction in FY2025, reaching 7.23%. This latter decline was driven by heavy labor investments inflationary pressures linked to recent tariff announcements, and inefficiencies in store-level execution. However, is projected to recover gradually to 14% by FY2028. This recovery relies heavily on the Siren System's automation to reduce labor drag and a significant pivot in China. In this key market, Starbucks has transitioned to minority position, retaining 40% stake in joint venture, while Boyu Capital holds the 60% majority. This "asset-light" shift allows Starbucks to mitigate direct exposure to the hyper-competitive Chinese coffee market and mounting geopolitical risks.

The recent "Back to Starbucks" strategic plan reflects an operational reality focused on store closures, minority stakes in growth regions and defensive margin protection. This suggests that management is prioritizing brand preservation in the short term, even if this "retrenchment" prototype long-term profitability, independence, and growth potential.

Liquidity, Solvency and Operational Efficiency

In terms of liquidity (Figure 22), Starbucks' current ratio is expected to increase from 0.81 in 2025 to 1.41 in 2030, compared to the recent three-year historical

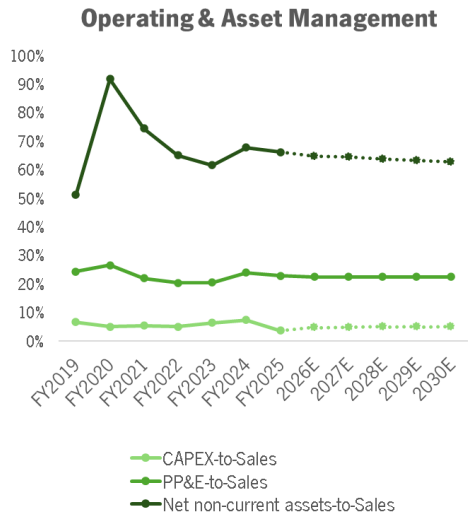


Figure 23 - Operating and Asset Management
Source: Author, Company Data

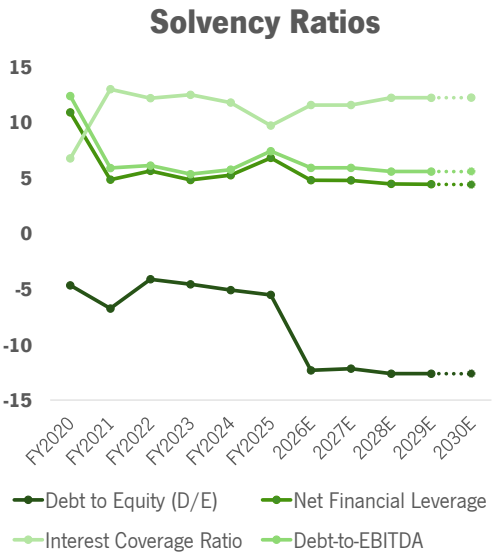


Figure 24 - Starbucks' solvency ratios
Source: Author, Company Data

average of 0.83. This upward trend suggests that Starbucks is successfully recovering from its intensive reinvestment phase, strengthening its short-term cash position as operational cash flow stabilizes.

This liquidity profile is deeply supported by the company's Working Capital management, specifically its Cash Conversion Cycle (CCC). The CCC is projected to stabilize at 30 days through 2030. This performance is underpinned by a robust Asset Turnover, projected at a steady 1.05x, and a rapid Receivables Turnover (averaging 12 days).

Furthermore, Starbucks demonstrates high discipline Inventory management (averaging 67 days processing period) and a controlled Payables Processing Period. By maintaining Accounts Payable at approximately 49 days, Starbucks effectively utilizes its supply chain to finance its daily operations. This rapid circulation of capital allows the firm to maintain low cash buffers without compromising the implementation of "Back to Starbucks" strategic plan, which requires a sustained CAPEX-to-Sales ratio of 5% to modernize store environments (Figure 23).

Regarding Solvency, Starbucks' capital structure underwent a paradigm shift between 2018 and 2019, transitioning from a positive equity position of $1,170 M in 2018 to a deep deficit of - $6,232 M in 2019 dure to an aggressive capital allocation policy prioritizing share buyback. This negative Shareholders' equity reached its lowest point in 2022 at -$8,707M but shows a consistent recovery trend, projected to reach -$3,776M by (Figure 24). While this contraction of the equity deficit reflects an improved ability to retain, the persistence of a negative base renders traditional Debt-to-Equity (D/E) ratios non-meaningful.

Therefore, Net Debt-to-EBITDA is prioritized as the primary gauge of solvency. After peaking at 7.41x in 2025, this ratio is expected to embark on a steady deleveraging path toward 4.39x by 2030 as EBITDA recovers. This trend, combined with an interest coverage ratio forecast to strengthen to 12.22x by 2030, ensures that the company remains well-equipped to meet its obligations. Overall, this unconventional balance sheet structure represents a lack of financial "cushion". Any shortfall in the projected EBITDA recovery would quickly jeopardize this deleveraging path, leaving the company vulnerable in a high-interest-rate environmental. The forecasted financial statements are presented in Appendices 3 and 4

Financial Soundness Summary

Starbucks' financial trajectory through 2030 transitions from a period of intensive reinvestment FY2025 to a phase of defensive consolidation. While the model projects an ROIC recovery to 15.16% by 2030, it is imperative to note that this return is mathematically inflated by the company's negative equity base rather than purely organic growth. This "high" ROIC masks the underlying reality of a balance sheet with no margin for error, where years of aggressive buybacks have left the firm without a capital buffer to absorb future shocks.

Despites the operational efficiency reflected in a 30-day Cash Conversion Cycle, the solvency profile remains a point of concern. The deleveraging path toward a 4.39x Net Debt-to-EBITDA ratio depends on a flawless execution of the "Back to Starbucks" plan and the success of the new minority-stake model in China. Any shortfall in EBITDA growth would jeopardize this recovery, leaving the company vulnerable in a high-interest-rate environmental where interest coverage is only now beginning to stabilize.

Profitability and Efficiency Ratios											Average	
	FY2021	FY2022	FY2023	FY2024	FY2025	2026E	2027E	2028E	2029E	2030E	Last 5 years	Last 3 years
Return on Assets (ROA)	13.4%	11.7%	14.0%	12.0%	5.8%	10.2%	10.2%	10.9%	10.9%	10.9%	11%	11%
Return on Equity (ROE)	13.7%	12.1%	14.4%	12.3%	5.8%	10.2%	10.2%	10.9%	10.9%	10.9%	12%	11%
Return on Capital (ROIC)	22.9%	22.5%	25.6%	21.1%	10.2%	21.3%	21.6%	23.6%	24.0%	24.3%	20%	19%
Margin Ratios												
	FY2021	FY2022	FY2023	FY2024	FY2025	2026E	2027E	2028E	2029E	2030E		
Gross Profit Margin	69.9%	68.0%	68.3%	69.1%	68.6%	69.0%	69.0%	70.0%	70.0%	70.0%	69%	69%
Operating Margin	18.4%	13.6%	15.5%	14.1%	7.2%	13.3%	13.3%	14.3%	14.3%	14.3%	14%	12%
EBITDA Margin	21.0%	18.2%	19.1%	18.3%	14.2%	17.5%	17.5%	18.5%	18.5%	18.5%	18%	17%
Net Margin	14.5%	10.2%	11.5%	10.4%	5.0%	9.7%	9.7%	10.4%	10.4%	10.3%	10%	9%
Liquidity Ratios												
	FY2021	FY2022	FY2023	FY2024	FY2025	2026E	2027E	2028E	2029E	2030E		
Current Ratio	1.32	0.84	0.86	0.83	0.81	1.30	1.31	1.36	1.38	1.41	0.93	0.83
Quick Ratio	1.10	0.58	0.65	0.61	0.57	1.05	1.07	1.12	1.14	1.17	0.70	0.61
Avg. Days Receivables Out.	12 days	13 days	12 days	12 days	13 days	12 days	12 days	12 days	12 days	12 days	12 days	12 days
Avg. Days Inventory Out.	67 days	77 days	58 days	58 days	68 days	67 days	67 days	67 days	67 days	67 days	66 days	61 days
Avg. Days Payable Out.	51 days	51 days	49 days	52 days	58 days	49 days	49 days	49 days	49 days	49 days	52 days	53 days
Avg. Cash Conversion Cycle	28 days	39 days	20 days	18 days	23 days	30 days	30 days	30 days	30 days	30 days	26 days	21 days
Solvency Ratios												
	FY2021	FY2022	FY2023	FY2024	FY2025	2026E	2027E	2028E	2029E	2030E		
Debt to Equity (D/E)	-6.75	-4.13	-4.58	-5.10	-5.53	-12.32	-12.17	-12.62	-12.62	-12.62	-5.22	-5.07
Net Financial Leverage	4.83	5.63	4.82	5.24	6.80	4.79	4.77	4.46	4.42	4.39	5.47	5.62
Interest Coverage Ratio	12.98	12.17	12.48	11.78	9.70	11.56	11.56	12.22	12.22	12.22	11.82	11.32
Debt-to-EBITDA	5.89	6.11	5.33	5.74	7.41	5.90	5.91	5.57	5.57	5.57	6.10	6.16
Operating & Asset Management												
	FY2021	FY2022	FY2023	FY2024	FY2025	2026E	2027E	2028E	2029E	2030E		
Receivable Turnover	0.03	0.04	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Inventory Turnover	0.18	0.21	0.16	0.16	0.19	0.18	0.18	0.18	0.18	0.18	0.18	0.17
Payables Turnover	0.14	0.14	0.14	0.14	0.16	0.13	0.13	0.13	0.13	0.13	0.14	0.15
Assets Turnover	1.08	0.87	0.82	0.87	1.16	1.05	1.05	1.05	1.05	1.05	0.96	0.95
CAPEX-to-Sales	5%	5%	6%	7%	4%	5%	5%	5%	5%	5%	6%	6%
PP&E-to-Sales	22%	20%	21%	24%	23%	22%	22%	22%	22%	22%	22%	22%
Net non-current assets-to-Sales	74%	65%	62%	68%	66%	65%	64%	64%	63%	63%	67%	65%

Table 3 - Financial Ratios and forecasts

Source: Author, Company Data

Valuation

Free Cash Flow to the Firm ($mm)	
PV FY 2026	$3,468
PV FY2027	$3,487
PV FY 2028	$3,563
PV FY 2029	$3,564
PV FY 2030	$3,515
PV Terminal Value	$88,484

Table 4 - Free Cash Flow to the Firm
Source: Author, Company Data

The **SELL** recommendation for Starbucks is supported by a 2026 year-end target price of $72.76, which indicates a 25.47% downside potential relative to the closing price of $97.62 on January 23, 2026. This valuation is primarily derived from a Discounted Cash Flow (DCF) analysis, which was specifically structured to incorporate the financial implications of the "Back to Starbucks" strategic plan, alongside the persistent headwinds from labor conflicts and volatile political and economic local challenges.

To ensure the robustness of the intrinsic value estimation, a sensitivity analysis and a scenario analysis were developed to quantify the impact of key investment risks on the firm's terminal value. Furthermore, a relation valuation was conducted to contrast the market's perspective on Starbucks against its global peer group, providing a comprehensive view of the company's current trading multiples in relation to its historical average and industry competitors.

Discounted Cash Flow Valuation

DCF Valuation FY 2026	
Value of firm	$106,082
Cash and Cash Equivalents (+)	$3,220
Market Securities (+)	$247
Debt (-)	$26,612
Value of Equity	$82,937
Shares Outstanding	$1,140
Implied Share Price	$72.76
Current Price (01/23/2026)	$97,62
Overvalued	

Table 5 - DCF Valuation
Source: Author, Company data

The DCF valuation incorporates the Free Cash Flow to the Firm (FCFF) methodology (Annex 5 – Free Cash Flow to the Firm) to estimates the cash flows over the projected period (2027-2030), using the Gordon Growth Model to determine the Terminal Value (Table 4). By establishing end of Fiscal Year 2026 as the base Year (Year 0), the 2026 FCFF is not discounted, as it represents the liquid position at the valuation date. This approach aligns with Starbuck's mature yet evolving profile, enabling the incorporation of the "Back to Starbucks" strategic plan's impact on future operational efficiency, independent of its aggressive capital structure and negative equity position.

The explicit forecast period captures the critical execution phase of the "Back to Starbucks" plan. These initiatives are expected to drive margin expansion toward a steady-state by 2030 (Annex 2 – Assumptions). The decision to project until 2030, rather than a longer period, is justified by the maturity of the brand and the expected timeline for the full implementation cycle of the turnaround strategy, including the modernization of stores formats and the deployment of the Siren System. Using a WACC of 6.57%, this methodology yields an Enterprise Value of $106.1 Billion and an implied Equity value per share of $72.76 as of year-end 2026.

The Terminal Value was determined using a terminal growth rate (g) of 2.50% directly to the 2030 FCFF. The use of the final year's FCFF as a base is justified because, by 2030, the company is expected to reach a "steady-state", where capital expenditures and working capital requirements are normalized to sustain long-term operations. To eliminate any arbitrariness in the terminal growth rate, a weighted average approach was applied (Table 6), anchoring g to the long-term GDP projections of Starbucks' primary revenue drivers as of FY 2025: North

America (72.95%) and China (8.50%). For all other markets, a base inflation rate of 2% was used as a proxy for stable growth.

Market / Segment	Net Revenues FY2025 ($mm)	Revenue Weight (%)	Proxy GDP Growth (IMF)
North America	$27,124	72.95%	2.40%
China	$3,160	8.50%	4.50%
Other Countries	$6,898	18.55%	2.00%
Total	**$37,184**	**100.00%**	**2.50%**

Table 6 – Terminal Growth computations
Source: Author, Company data

Weighted Average Cost of Capital (WACC)

Cost of Debt	
Current Debt	$1,499
Current Operating Lease Liabilities	$1,565
Long-Term Debt	$14,576
Non-current Operating Lease Liabilities	$8,972
Total Book Debt	$26,612
Intereste Coverage Ratio > 8.50	0.78%
Risk free rate (10y bond yield)	4.01%
Cost of Debt pre-tax	4.79%
Effective Tax (Tc)	25.60%
Cost of Debt after Tax (Rd)	**3.56%**

Cost of Equity	
Weighted avg. shares outstanding	1139.8
Share Value at 01/23/2026	$97.62
Total Market Cap of Equity	$111,267
Risk free rate (10y bond yield)	4.01%
Market risk premium	4.61%
Relevered beta	0.71
Cost of Equity	**7.29%**

Weighted Average Cost of Capital FY 2025	
Book Value of Debt (D)	$26,612
Market Cap of Equity (E)	$111,267
Starbucks Value (V)	**$137,879**
D/V	19.30%
E/V	80.70%
WACC	**6.57%**
Brechmark for Bevereage (Soft) Industry	6.55%

Table 7 - WACC computations
Source: Author, Company Data

The WACC of 6.57% was derived using the market value of equity ($ 111.27 billion) and the book value of debt ($ 26.6 billion) at the end of FY 2025 (table 7). While equity is valued at market prices to reflect current investor expectations, the book value of debt was utilized as a reliable proxy for its market value. This choice is justified by Starbucks' investment-grade credit profile (rated BBB+ by S&P Global), as the debt structure primarily consists of senior unsecured notes. This given the stability of this credit rating and the proximity of the notes terms to market standards, the deviation between book and market value is considered immaterial.

The pre-tax cost of debt was determined by adding the default spread – sourced from the Damodaran data base for large non-financial service firms based on the company's interest coverage ratio - to the risk-free rate of 4.01%, which corresponds to the 10- Year U.S. Treasury Bond yield. The marginal tax rate of 25.63% was applied, sourced from Damodaran's statutory tax rate database (2026), ensuring that the after-tax cost of debt and the subsequent NOPAT calculations reflects the long-term fiscal reality rather than temporary effective tax rate fluctuations.

Adopting the Capital Asset Pricing Model (CAPM), the cost of equity was estimated using the previously mentioned risk-free rate, an Equity Risk Premium of 4.62% (weighted by operating region sales in FY 2025), and a re-leverage beta of 0.71. This beta was calculated through a bottom-up approach using a peer group of six comparable companies, reflecting the systematic risk of the beverage and restaurant industry (Annex 6).

The resulting WACC of 6.57% is aligned with the beverage industry benchmark of 6.55% reported by Damodaran, confirming the model's consistency with sector-wide capital costs.

Sensitivity Analysis

Given that the intrinsic value derived from DCF model is highly sensitive to long-term assumptions, especially during a strategy transition, a Sensitivity Analysis

was conducted to assess the robustness of the valuation against changes in the Weighted Average Cost of Capital (WACC) and the Terminal Growth Rate (*g*) (table 8). This matrix assesses the impact of +/- 5% incremental changes in the Weighted Average Cost of Capital (WACC) and the Terminal Growth Rate (*g*) on the target price

As illustrated in Table 8, the Base- Case scenario, utilizing a WACC of 6.57% and a Terminal Growth rate of 2.50%, results in a target price of $72.76. The analysis reveals that the valuation is highly elastic. For instance, increasing the WACC by 5% (to 6.90%), keeping *g* constant, would compress the share value to $65.99. Conversely, a more optimistic growth rate, of 3%, at a current WACC would result in a value of $84.06, which remains below the current market price $97.62 (as of January 23, 2026).

To fundamentally justify the current market price of $97.62 (as of January 23, 2026), investors would need to assume a scenario near the matrix's lower-right boundary. This would require either a significant drop in the perceived risk (a WACC near 5.63%) and a terminal growth rate well above inflationary proxies, assuming a near-perfect execution of "Back to Starbucks" plan.

The market's current valuation likely reflects a high degree of optimistic regarding the "Back to Starbucks" plan. A terminal growth rate near 2.88% suggests that investors expect the turnaround strategy to not only succeed in the short term but to permanently elevate the company's long-term growth trajectory above standard inflationary and GDP benchmarks. While this scenario is possible, it leaves no room for execution errors. In contrast, this model adopts a more prudent *g* of 2.50% and a WACC of 6.57% reflecting the historical difficulty of maintaining above GDP growth in mature, saturated industry and the persistent geopolitical tensions.

Ultimately, the gap between the market price and this valuation indicates that investors are discounting a best-case scenario. By falling to account for significant execution risks, the current market price offers no margin of safety, reinforcing the SELL recommendation with a target price of $72.76.

		Cost of Capital (%)								
		7.99%	7.61%	7.25%	6.90%	**6.57%**	6.24%	5.93%	5.63%	5.35%
Growth Rate (%)	2.00%	44.56	48.80	53.42	58.44	63.94	70.28	77.29	85.07	93.73
	2.13%	45.69	50.10	54.92	60.18	65.96	72.66	80.09	88.38	97.66
	2.25%	46.86	51.46	56.49	62.02	68.10	75.18	83.08	91.93	101.91
	2.38%	48.09	52.88	58.15	63.95	70.36	77.86	86.27	95.75	106.51
	2.50%	49.37	54.38	59.89	65.99	72.76	80.73	89.70	99.88	111.52
	2.63%	50.71	55.94	61.73	68.16	75.32	83.79	93.39	104.35	116.98
	2.75%	52.11	57.59	63.67	70.45	78.04	87.07	97.37	109.21	122.97
	2.88%	53.59	59.33	65.72	72.89	80.95	90.59	101.67	114.51	129.57
	3.00%	55.14	61.16	67.90	75.48	84.06	94.39	106.34	120.32	136.86

Figure 25 - Sensitive Analysis
Source: Author, Company Data

Scenario Analysis

A scenario analysis was conducted to evaluate the sensitivity of the implied share price to simultaneous changes in revenue growth drivers, EBIT margins, WACC, and the terminal growth rate. Recognizing Starbucks' ongoing strategy, the model divides the forecast into an implementation phase (FY2026-2027) for the "Back to Starbucks" turnaround, followed by a stabilization period reflecting the projected realization of these investments.

	2026-2027E		
	Bear Case	Base Case	Bull Case
North America	2.00%	3.00%	4.50%
Corporate and Other	0.00%	0.00%	0.00%
International	3.00%	4.00%	5.00%
Channel Development	6.00%	8.00%	10.00%
EBIT	12.00%	13.30%	17.50%
WACC	7.23%	6.57%	5.91%
Terminal Growth Rate	2.25%	2.50%	2.75%

	2028-2030E		
	Bear Case	Base Case	Bull Case
North America	3.00%	4.50%	6.00%
Corporate and Other	0.00%	0.00%	0.00%
International	5.00%	6.00%	7.00%
Channel Development	7.50%	10.00%	12.00%
EBIT	13.50%	14.30%	19.00%
WACC	7.23%	6.57%	5.91%
Terminal Growth Rate	2.25%	2.50%	2.75%

Table 8 - Scenario Analysis
Source: Author

The **Bear Case** outlines a downside scenario where management fails to arrest traffic declines in mature markets and cedes market share internationally. Under these assumptions, North American revenue grows at 2% during the implementation phase, capping at 3% long-term. The International and Channel Development segments experience marginally higher growth due to lower market penetration. These top-line pressures are compounded by entrenched labor inflation and supply chain frictions. Applying an elevated 7.23% WACC and a conservative 2.25% terminal growth rate (TGR) yields an implied share price of $47.24, representing a 52% downside to the current market price ($97.62 as of January 23, 2026) (Table 9; Image 25).

In contrast, the **Bull Case** projects an outstanding execution of the "Back to Starbucks" strategy. This scenario assumes the Siren Craft System meaningfully reduces store-level complexity, driving a 6% revenue growth in North America and outperforming the Consumer Discretionary average. International segments achieve 7% growth, catalyzed by the Boyu Capital joint venture in China. Additionally, Channel Development surges 12%, reflecting maximized synergies from the Nestlé Global Coffee Alliance. Under these peak operating conditions, EBIT margins expand to 19%, WACC compresses to 5.91%, and the TGR increases to 2.75%. This generates a target price of $151, implying a 55% upside (Table 9; Image 25).

The wide dispersion between the Bull and Bear valuations highlights the elevated execution risk and high degree of uncertainty surrounding the current turnaround. While the Bull Case implies a strong 'Buy' recommendation, the analysis attributes a low probability to this optimal scenario, given the significant operational hurdles, labor frictions, and geopolitical headwinds extensively detailed in this report.

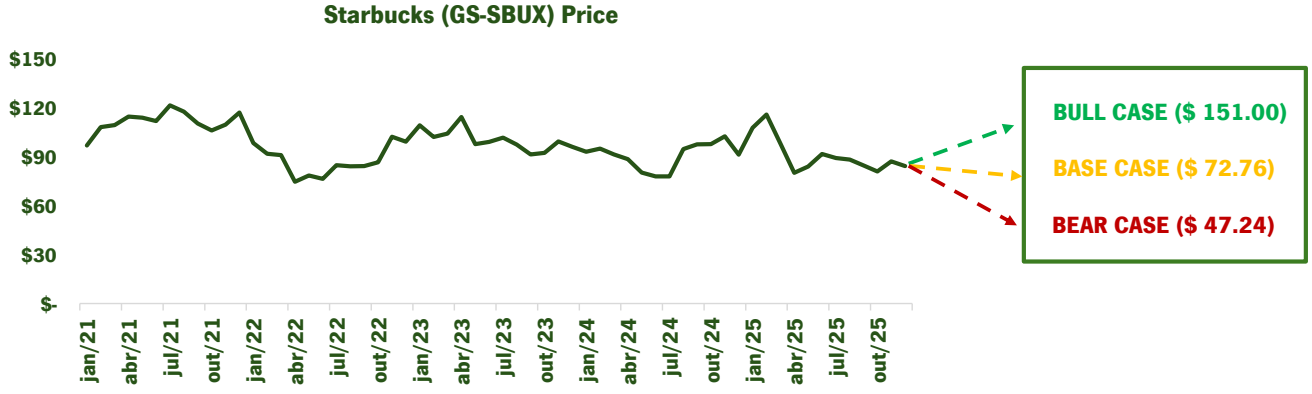


Figure 26 - Forecast share price based on scenario analysis
Source: Author

Ticker	Company Name	EV/Revenue	EV/EBITDA	P/E
SBUX	**Starbucks Corporation**	**3.5**	**23.6**	**57**
MCD	McDonald's	10.4	19.1	26.2
KO	Coca-Cola	7.1	20.7	23.3
QSR	Restaurant Brands International	4.3	14.8	25.9
KDP	Keurig Dr Pepper	3.6	13.5	25.5
LKNCY	Luckin Coffee	2.3	11	23.9
BROS	Dutch Bros	5.4	31.9	113.9
Mean		**5.5**	**18.5**	**39.8**
Median		**4.9**	**17.0**	**25.7**

Implied Share Price ($)	EV/Revenue	EV/EBITDA	P/E
Mean	**159.5**	**64.9**	**64.8**
Median	**137.7**	**57.8**	**41.9**

Table 9- Relative Valuation
Source: Author

2025E Financial Metric ($mm)		
Revenue	**EBITDA**	**Net Income**
37,184	5,265	1,857
37,184	5,265	1,857

2025E Enterprise Value ($mm)		
Revenue	**EBITDA**	**Net Income**
205,134	97,412	73,878
180,344	89,250	47,725
Cash	**Debt**	**Shares**
3,220	26,612	1,140
3,220	26,612	1,140

Equity Value ($mm)		
Revenue	**EBITDA**	**Net Income**
181,742	74,020	73,878
156,953	65,859	47,725

Implied Share Price		
Revenue	**EBITDA**	**Net Income**
$159.45	$64.94	$64.82
$137.70	$57.78	$41.87

Table 10 - Calculating Implied Share Price
Source: Author

Relative Valuation

To support the DCF analysis, a Relative Valuation was performed by comparing Starbucks to a peer group referred before using trailing trading multiples (Table 10. This market-based approach provides a clear benchmark by comparing Starbucks' current valuation against its primary industry peers.

Starbucks is currently trading at a significant premium. The company's trailing EV/EBITDA stands at 23.6x, which is notably higher than the peer median of 16.95x. Applying this peer median to Starbucks' 2025 EBITDA of $5,265 M yields an implied Enterprise Value of $89.25 billion. After adjusting for net debt (adding cash and subtracting total debt), the resulting implied Equity Value leads to a share price of approximately $58. This discrepancy suggests that investors are paying a premium for Starbucks that is not aligned with the current operational profitability levels of its direct peers.

The most striking evidence of overvaluation is found in the P/E ratio. While the peer group maintains a median P/E of 25.7x, Starbucks is trading at 57x. This represents more than double the valuation multiple of established players like McDonald's (26.2x). Valuing Starbucks based on the peer median P/E results in an implied share price of $42, which is substantially lower than the current market price of $97.62.

Although the EV/Revenue multiple suggests a higher implied price ($138 using the mean or $159 using the median), this multiple was discounted in this final assessment as it fails to capture the significant divergence in operational efficiency and cost of structures between Starbucks and its peers. Given the current environment of rising labor costs and capital-intensive nature of "Back to Starbucks" store renovations, earnings-based multiples (EV/EBITDA and P/E) provide a far more accurate reflection of the firm's ability to generate shareholder value. Since these multiples converge to a range of $42 to $65 implied share priced, this market-based valuation provides strong evidence to support the SELL recommendation, as it highlights a significant disconnect between the firm's stock price and its fundamental peers.

Investment Risks

Starbucks is at a critical strategic inflection point. While the "Back to Starbucks" plan has shown early signs of stabilization, with a global increase of 1% in Q4 FY2025, the firms face a confluence of structural and macroeconomics headwinds that threaten its premium valuation multiple. Based on the last investor information launch by the company, the investments risks can be set apart into: Strategic risks (SR), Market Risks (MR), Operational Risks (OR) and Financial Risks (FR).

Strategic Risks (SR)

SR1: China Market Competitiveness & Geopolitical Decoupling

Probability: High – Impact: High

China, currently Starbucks' second-largest market and its primary growth engine, has shifted from an expansion opportunity to a profitability anchor. Competitive dynamics have shifted with the rise of domestic players such as Luckin Coffee. These competitors operate **low-cost, tech-driven models that enable significantly lower pricing,** putting pressure on Starbucks'

unit economics and growth. At the same time, macroeconomic weakness and high sensitivity among Chinese consumers have accelerated a shift toward lower-cost alternatives. While Starbucks attempted to maintain its premium positioning, the relentless industry price war poses a structural threat.

Impact on valuation: The strategic partnership with Boyu Capital (selling a 60% stake) reduces capital requirements (CAPEX) and direct operational risk. However, it also drastically reduces the segment's contribution to consolidated revenue and long-term growth expectation, potentially leading to permanent multiple compression.

Mitigation: Starbucks must accelerate digitalization to improve convenience and operational efficiency, a core pillar of "Back to Starbucks". Since the management team is primarily US-based, deepening partnerships with local investors is vital leveraging local consumer insights and optimizing the average ticket.

SR2: Execution Risk of the "Back to Starbucks" Turnaround Plan

Probability: Moderate – Impact: High

The "Back to Starbucks" strategy aims to simplify operations, improve service quality and restore brand identity through increased labor investments, operational simplification and cultural repositioning. While early results show stabilization, the plan requires higher operating costs before revenue benefits materialize. The key risk is margin deterioration if increased labor costs and operational investments fail to generate sufficient traffic growth and pricing power recovery.

Impact on valuation: Failure to restore operating margins to target levels would materially reduce earnings expectation and lead to downward valuation revisions.

Mitigation: Menu simplification is essential to ease store operations and allow baristas to focus on the "human connection". Implementing in-store coaching programs, will help standardize service quality and operational expectations.

SR3. Brand Identity Crisis and Scalability (The Third Place Paradox)

Probability: Moderate – Impact: Moderate

Starbucks' transition toward mobile order and drive-thru has weakness its traditional "Third Place" positioning, transforming stores into transactional distribution hubs. This creates strategic risks as Starbucks may become less competitive against both speed-focused chains and premium independent cafés. This shift reduces brand differentiation and may weaken customer loyalty, particularly among younger consumers.

Impact valuation: Loss of premium brand perception could compress Starbucks' valuation multiple toward quick-service restaurant peer levels.

Mitigation: Store renovations must reinforce the premium in-store experience, while the rewards program should be leveraged to incentive physical store visits rather than just "grab-and-go" transactions.

Market Risks (MR)

MR1. Commodity Price Volatility

Probability: High – Impact: High

Starbucks is exposed to the price of high-quality Arabic coffee beans. Between 2024 and 2025, Arabic futures surged by more than 70% driven by severe droughts in Brazil and Vietnam (key production regions). This supply shock coincides with a Starbuck's risky strategic decision of significantly reduced its hedging program, cutting fixed-price contracts from $1 Billion in 2019 to less than $200 million by the end of 2024.

Significant commodity price increases, combined with reduced hedging coverage, increase earnings sensitivity to input cost fluctuations. Potential tariffs on coffee imports could further increase Cost of Goods Sold (COGS) and compress margins.

Impact on valuation: Sustained commodity inflation would negatively affect gross margins, earnings and cash flow generation.

Mitigation: Starbucks' has a vertical integration operating with coffee farms to develop climate-resilient varieties supports R&D but does not provide sufficient volume to offset global price shocks.

MR2. Consumer Discretionary Spending and Inflation

Probability: Moderate – Impact: Moderate

Starbucks products are classified as an "affordable luxury". However, in an environmental of persistent inflation and high interest rates, consumer purchasing power is eroded. This could leave to "elasticity wall" the price points at which even loyal customers reduce consumption.

Impact on valuation: A recession or further economic slowdown reduce the purchasing power of customers. Faced to the opportunity costs, the luxury products as the first to feel a demand decrease. If there are a recuse in sales, this directly cause a decrease in revenue level.

Mitigation: Use of the Starbucks Rewards program to offer personalized discounts without lowering menu prices.

Operational Risks (OR)

OR1. Labor Relations and Unionization

Probability: High – Impact: High

The unionization movement led by Starbucks Workers United (SBWU), grew from a single store in buffalo to more than 650 stores and 14,000 Workers by 2025. Although representing a small fraction of approximately 10,000 company-operated U.S stores, the threat of unionization drives systemic cost increases. To discourage union spread, Starbucks proactively raised wages, improved benefits, and enhanced training, leading to a structural reset in labor costs.

Impact on valuation: Labor investments have been the primary driver of operating margin contraction in North America. A scenario of full unionization would permanently impair operating margins.

Mitigation: The company has resumed negotiations with SBWU to reach a contractual framework while increasing average hourly pay to improve employee retention and reduce unionization incentives.

Financial Risks (FR)

FR1. Foreign Exchange Risk

Probability: Moderate – Impact: Low

Generating nearly 20% of its revenue in international markets, Starbucks is exposed to currency fluctuations. A strong U.S. dollar acts as a headwind, reducing the reported value of overseas earnings.

Mitigation: To mitigate this risk, Starbucks can use forward contracts and currency swaps, but also matching costs and revenues in local currencies whenever possible.

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Appendices

Annex 1: Board Composition

	Gender		Demophafic					
	Male	Female	African American or Black	Asian	Alaskan Native or American Indian	Hispanic or Latinx	Native Hawaiian or Pacific Islander	White
Ritch Allison *CEO Domino's*	X							X
Andy Campion *CEO Unirivald Sport*	X							X
Beth Ford *CEO Land O'Lakes*		X						X
Jorgen Knudstorp *Chairman LEGO*	X							X
Neal Mohan *CEO Youtube*	X			X				
Brian Niccol *CEO Starbucks*	X							
Daniel Servitje Executive Chair	X					X		
Mike Sievert *CEO T-Mobile US*	X							X
Wei Zhang *President Alibaba*		X				X		
Marissa Mayer *CEO Dazzle AI*		X						X
Dambisa Mayo *Co-principal of Versace Investments*		X	X					

Source: Author, Company Data

Annex 2: Assumptions

Assumptions Forecasted Statements	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	Average (3y)	Average (5y)	2026E	2027E	2028E	2029E	2030E
North America	-10.1%	25.5%	14.3%	13.7%	1.7%	1.3%	**5.6%**	**11.3%**	3.0%	3.0%	4.5%	4.5%	4.5%
Corporate and Other	-0.2%	47.3%	-1.7%	-74.3%	135.8%	106.4%	**55.9%**	**42.7%**	0.0%	0.0%	0.0%	0.0%	0.0%
International	-17.2%	32.3%	0.3%	7.9%	-2.0%	6.6%	**4.2%**	**9.0%**	4.0%	4.0%	6.0%	6.0%	6.0%
Channel Development	-3.4%	-17.2%	15.7%	2.7%	-6.5%	5.8%	**0.6%**	**0.1%**	8.0%	8.0%	10.0%	10.0%	10.0%
China/Asia Pacific	–	--	--	--	--	-	**-**	**-**	-	-	-	-	-
Europe, Middle East and Africa (EMEA)	–	--	--	--	--	-	**-**	**-**	-	-	-	-	-
Cost of Sales (% of Sales)	32.7%	30.1%	32.0%	31.7%	30.9%	31.4%	**31.3%**	**31.2%**	31.0%	31.0%	30.0%	30.0%	30.0%
Store Operating Expenses (% Sales)	45.8%	41.1%	42.1%	40.9%	42.3%	45.9%	**43.0%**	**42.4%**	43.0%	43.0%	43.0%	43.0%	43.0%
Net Other Operating Expenses (% Sales)	1.8%	1.2%	1.4%	1.5%	1.6%	1.6%	**1.5%**	**1.5%**	1.5%	1.5%	1.5%	1.5%	1.5%
SG&A (% of Sales)	7.1%	6.7%	6.3%	6.8%	7.0%	7.0%	**6.9%**	**6.8%**	6.9%	6.9%	6.9%	6.9%	6.9%
Depreciation rate (% of PPE)	22.9%	22.6%	22.1%	18.4%	17.5%	19.8%	**18.6%**	**20.1%**	18.6%	18.6%	18.6%	18.6%	18.6%
Financial Income (% of Cash and Cash Equivalents)	-6.4%	10.8%	-1.6%	2.0%	0.0%	-27.7%	**-8.6%**	**-3.3%**	2.0%	2.0%	2.0%	2.0%	2.0%
Financial Expenses (% Long Term Debt)	3.0%	3.5%	3.7%	4.1%	3.9%	3.7%	**3.9%**	**3.8%**	3.9%	3.9%	3.9%	3.9%	3.9%
Income Tax Expense (% EBT)	20.6%	21.6%	22.4%	23.6%	24.3%	25.9%	**24.6%**	**23.6%**	25.6%	25.6%	25.6%	25.6%	25.6%
Receivable Turnover	0.04	0.04	0.04	0.04	0.03	0.03	**0.03**	**0.03**	0.03	0.03	0.03	0.03	0.03
Inventory Turnover	0.16	0.17	0.16	0.19	0.18	0.18	**0.18**	**0.18**	0.18	0.18	0.18	0.18	0.18
Payables Turnover	0.08	0.09	0.09	0.11	0.15	0.14	**0.13**	**0.11**	0.13	0.13	0.13	0.13	0.13
Assets Turnover	1.25	1.08	0.87	0.82	0.87	1.16	**0.95**	**0.96**	0.95	0.95	0.95	0.95	0.95
Other Current Assets Turnover	0.03	0.02	0.01	0.01	0.01	0.01	**0.01**	**0.01**	0.01	0.01	0.01	0.01	0.01
PP&E-to-Sales	26.5%	21.9%	20.3%	20.5%	24.0%	22.8%	**22.4%**	**21.9%**	22.4%	22.4%	22.4%	22.4%	22.4%
Accrued Liabilities (% of Cost os Sales)	15.1%	26.6%	20.7%	18.8%	19.6%	20.2%	**19.6%**	**21.2%**	19.6%	19.6%	19.6%	19.6%	19.6%
Operating Lease Right-of-Use Assets (%Sales)	34.6%	28.3%	24.9%	23.4%	25.7%	25.1%	**24.7%**	**25.5%**	24.7%	24.7%	24.7%	24.7%	24.7%
Non-Current Lease Liabilities (% Right-of-Use Assets)	94.2%	94.0%	93.8%	94.2%	94.5%	96.3%	**95.0%**	**94.5%**	95.0%	95.0%	95.0%	95.0%	95.0%
Lease Liabilities (% Right-of-Use Assets)	14.3%	28.2%	26.7%	25.5%	23.6%	25.3%	**24.8%**	**25.9%**	24.8%	24.8%	24.8%	24.8%	24.8%
Current Operating Lease Liabilities (% of Sales)	5.3%	4.3%	3.9%	3.5%	4.0%	4.2%	**3.9%**	**4.0%**	3.9%	3.9%	3.9%	3.9%	3.9%
Marketable Securities (% Total Asset)	1.0%	0.5%	1.3%	1.4%	0.8%	0.8%	**1.0%**	**1.0%**	1.0%	1.0%	1.0%	1.0%	1.0%
Long-term (% of sales)	62.3%	46.9%	40.7%	37.7%	39.6%	39.2%	**38.8%**	**40.8%**	38.8%	38.8%	38.8%	38.8%	38.8%
Long-term Deferred Revenue (% Total Revenue)	28.1%	22.2%	19.5%	17.0%	16.5%	15.5%	**16.3%**	**18.1%**	16.3%	16.3%	16.3%	16.3%	16.3%
Other Non-Current Assets (% of sales)	10.0%	7.7%	6.1%	5.3%	5.2%	5.4%	**5.3%**	**5.9%**	5.3%	5.3%	5.3%	5.3%	5.3%
Deferred Revenue & Customer Prepayment (% of sales)	6.2%	5.5%	5.1%	4.7%	4.9%	4.9%	**4.9%**	**5.0%**	4.9%	4.9%	4.9%	4.9%	4.9%
Current Debt (% Long Term Debt)	11.5%	7.3%	14.7%	13.7%	8.7%	10.3%	**10.9%**	**10.9%**	10.9%	10.9%	10.9%	10.9%	10.9%
Other Non-Current Liabilities (% of sales)	3.9%	2.5%	1.9%	1.4%	1.8%	1.6%	**1.6%**	**1.8%**	1.6%	1.6%	1.6%	1.6%	1.6%

Source: Author, Company Data

Assumptions	Rational
1. Revenues	
1.1 North America	**Market Maturity & Recovery:** The initial 3.0% reflects the short-term impact of the current operational and competitive pressures. The acceleration to **4.5%** in the latter years is based on the successful execution of the *Back to Starbucks* strategy, anticipating sustained, stable growth driven by strong **Starbucks Rewards** engagement and streamlined operations.
1.2 Corporate and Other	**Marginal Impact:** This segment holds a negligible weighting in total revenue and is not core to the business. A null growth estimate is appropriate to avoid skewing core assumptions.
1.3 International	**Penetration Opportunity:** These markets offer greater room for store count growth and market penetration than the US. The acceleration to 6.0% assumes that investments in new stores and market consolidation will yield higher returns in the latter half of the projection period.
1.4 Channel Development	**At-Home Premiumization:** This high-growth assumption is justified by the increasing consumer trend of at-home premium coffee consumption and Starbucks' leading position in the CPG segment, greatly boosted by the Global Coffee Alliance with Nestlé. The acceleration to 10.0% anticipates capitalizing fully on this market trend.
1.5 China/Asia Pacific	**Aggressive Expansion:** Despite facing strong local competition, China remains the primary global growth engine. The constant 10.0% growth rate reflects the aggressive planned store expansion and the long-term potential for strong comparable store sales as the coffee culture matures in the region.
1.6 Europe, Middle East and Africa (EMEA)	**Consistent Growth:** EMEA provides stable expansion opportunities, particularly in emerging economies within the region. The 6.0% rate assumes steady growth driven by store expansion and consistent market performance.
2. Cost os Sales	Estimate of Cost of Sales declining from 31.0% to 30.0% because successful operational efficiencies and increased economies of scale are expected to exceed future commodity inflation.
3. SG&A	Estimate of SG&A at a constant 7.0% because sustained investment in digital technology and brand marketing is required to execute the Back to Starbucks plan and support global expansion.
4. Store Operating Expenses	Estimate of Store Operating Expenses at a constant 42.0% because sustained labor cost inflation and increased employee benefits are expected to keep store-level expenses above the historical average.
5. Net Other Operating Expenses	Estimate of Net Other Operating Expenses at a constant 1.5% because this non-core item is projected to remain proportional to sales, based on the historical three-year average.
6. D&A	Estimate of the depreciation rate at a constant 19.0% because this value aligns with the recent historical average, reflecting a consistent expected useful life for store assets.
7. Financial Income	Estimate of Financial Income at a constant 2.0% because cash balances are projected to earn a higher return, reflecting a long-term outlook for structurally higher interest rates.
8. Financial Expenses	Estimate of Financial Expenses at a constant 3.90% because this percentage aligns with the recent historical average interest rate, reflecting a stable cost of debt.
9. Icome Tax Expense	Estimate of the effective tax rate at a constant 26.0% because this rate is marginally above the recent historical average, accounting for potential global tax changes.

Assumptions	Rational
1. Accounts Receivables	Estimate of Accounts Receivable based on a constant Receivable Turnover because collection efficiency and the ratio of credit sales to cash sales are projected to remain stable over the period.
2, Inventory	Estimate of Inventory based on a constant Inventory Turnover because supply chain efficiency and inventory management are projected to remain stable over the projection period.
3. Other Current Assets	Estimate of Other Current Assets at a constant 1.0% because this non-core balance sheet item is projected to grow proportionally to sales, aligning with the historical average.
4. Property, Plant and Equipment (Net)	Estimate of Gross PP&E at a constant 22.0% because capital intensity is projected to remain stable, aligning with the historical investment ratio required to support revenue generation.
5. Operating Lease Right-of-Use Assets	Estimate of ROU Assets at a constant 25.0% because, while the Back to Starbucks plan drives efficiency in the store footprint, the proportion of lease liability to revenue is expected to remain consistent with the historical average.
6. Other Non-Current Assets (including deferred tax)	Estimate of Other Non-Current Assets at a constant 5.0% because this long-term residual item is projected to grow proportionally to sales, aligning with the historical average.
7. Accounts Payable	Estimate of Accounts Payable at a constant 12.0% because vendor payment terms and negotiating leverage are projected to remain stable, aligning with the historical Payables Turnover efficiency.
8. Accrued Operating Liabilities	Estimate of Accrued Operating Liabilities at a constant 20.0% because the timing of payment for operating expenses is projected to remain stable, aligning with the historical average.
8. Current Debt	Estimate of Current Debt at a constant 11.0% because the maturity structure of the company's financial liabilities is projected to remain stable, aligning with the historical ratio.
9. Current Operating Lease Liabilities	Estimate of Current Operating Lease Liabilities at a constant 4.0% because the annual lease payment schedule and the store-level rent expense ratio are projected to remain stable.
10. Deferred Revenue & Customer Prepayments	Estimate of Deferred Revenue at a constant 5.0% because the stability of the Rewards program and customer prepayment trends are projected to maintain a consistent ratio to sales.
11. Long-term Debt	Estimate of Long-Term Debt at a constant 39.0% because the company's leverage policy and capital structure are projected to remain stable, aligning with the historical ratio.
12. Non-Current Operating Lease Liabilities	Estimate of Non-Current Operating Lease Liabilities at a constant 94.0% because the long-term nature of store leases is expected to maintain a stable financing ratio relative to the Right-of-Use Assets.
13. Long-term Deferred Revenue	Estimate of Long-term Deferred Revenue at a constant 19.0% because the long-term usage and breakage rate of customer prepayments (Rewards program) are projected to remain stable, aligned with the recent historical average.
14. Other Non-Current Liabilities	Estimate of Other Non-Current Liabilities at a constant 2.0% because this long-term residual item is projected to grow proportionally to sales, aligning with the historical average.

Annex 3: Income Statement

Income Statement (mm $)	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	2026E	2027E	2028E	2029E	2030E	CAGR 5Y
North America	$16,296	$20,448	$23,371	$26,570	$27,010	$27,373	$28,194	$29,040	$30,347	$31,713	$33,140	4%
Corporate and Other	$66	$98	$96	$25	$58	$120	$120	$120	$120	$120	$120	0%
International	$5,231	$6,922	$6,940	$7,488	$7,339	$7,820	$8,133	$8,458	$8,965	$9,503	$10,074	5%
Channel Development	$1,925	$1,594	$1,844	$1,894	$1,770	$1,872	$2,021	$2,183	$2,401	$2,642	$2,906	9%
China/Asia Pacific												-
Europe, Middle East and Africa (EMEA)												-
Total Revenues	**$23,518**	**$29,061**	**$32,250**	**$35,976**	**$36,176**	**$37,184**	**$38,468**	**$39,801**	**$41,834**	**$43,977**	**$46,239**	4%
Cost of Sales	-$7,695	-$8,739	-$10,317	-$11,409	-$11,181	-$11,658	-$11,925	-$12,338	-$12,550	-$13,193	-$13,872	4%
Gross Profit	**$15,823**	**$20,322**	**$21,933**	**$24,567**	**$24,996**	**$25,526**	**$26,543**	**$27,463**	**$29,284**	**$30,784**	**$32,367**	5%
SG&A	-$1,680	-$1,933	-$2,032	-$2,441	-$2,523	-$2,617	-$2,667	-$2,759	-$2,900	-$3,049	-$3,206	4%
Store Operating Expenses	-$10,764	-$11,931	-$13,562	-$14,720	-$15,287	-$17,059	-$16,548	-$17,121	-$17,995	-$18,917	-$19,890	3%
Net Other Operating Expenses	-$430	-$360	-$462	-$539	-$566	-$585	-$594	-$615	-$646	-$679	-$714	4%
EBITDA	**$2,949**	**$6,099**	**$5,878**	**$6,866**	**$6,620**	**$5,265**	**$6,734**	**$6,967**	**$7,741**	**$8,138**	**$8,557**	10%
D&A	-$1,431	-$1,442	-$1,448	-$1,363	-$1,513	-$1,685	-$1,604	-$1,660	-$1,744	-$1,834	-$1,928	3%
Unsual Income	-$279	$694	-$46	$70	$0	-$892	$0	$0	$0	$0	$0	–
EBIT	**$1,239**	**$5,351**	**$4,384**	**$5,572**	**$5,108**	**$2,689**	**$5,130**	**$5,308**	**$5,997**	**$6,304**	**$6,629**	20%
Financial Income	$40	$90	$97	$81	$123	$113	$149	$158	$173	$187	$202	12%
Financial Expenses	-$437	-$470	-$483	-$550	-$562	-$543	-$583	-$603	-$634	-$666	-$700	5%
Net Financial Income	-$397	-$380	-$386	-$469	-$439	-$429	-$433	-$445	-$461	-$479	-$499	3%
Other Net Non-Operating and Financial Income	$323	$385	$234	$298	$301	$248	$301	$301	$301	$301	$301	4%
EBT	**$1,164**	**$5,357**	**$4,232**	**$5,402**	**$4,970**	**$2,507**	**$4,998**	**$5,164**	**$5,837**	**$6,126**	**$6,431**	21%
Income Tax Expense	-$240	-$1,157	-$949	-$1,277	-$1,207	-$651	-$1,279	-$1,322	-$1,494	-$1,568	-$1,646	20%
Profit After Tax (Net income)	$925	$4,200	$3,283	$4,125	$3,762	$1,857	$3,718	$3,842	$4,343	$4,558	$4,785	21%
Minority Interest	$4	-$1	-$2	$0	-$1	$0	$0	$0	$0	$0	$0	–
Net Profit Attributable to Shareholders	**$928**	**$4,199**	**$3,282**	**$4,125**	**$3,761**	**$1,857**	**$3,718**	**$3,842**	**$4,343**	**$4,558**	**$4,785**	21%

Annex 4: Balance Sheet

Balance Sheet (mm $)	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	2026E	2027E	2028E	2029E	2030E	CAGR
Cash and Cash Equivalents	4,351	6,456	2,818	3,552	3,286	3,220	7,469	7,902	8,639	9,340	10,079	26%
Marketable Securities	281	162	365	402	257	247	247	247	247	247	247	0%
Accounts Receivable	883	940	1,176	1,184	1,214	1,278	1,283	1,328	1,396	1,467	1,543	4%
Inventories	1,551	1,604	2,177	1,806	1,777	2,186	2,182	2,258	2,297	2,414	2,538	3%
Other Current Assets	740	595	484	360	313	452	395	409	430	452	475	1%
Total Current Assets	**7,806**	**9,756**	**7,019**	**7,303**	**6,847**	**7,382**	**11,577**	**12,144**	**13,009**	**13,920**	**14,882**	**15%**
Property, Plant and Equipment (Net)	6,241	6,370	6,561	7,387	8,666	8,494	8,633	8,933	9,389	9,870	10,377	4%
Operating Lease Right-of-Use Assets	8,134	8,236	8,016	8,413	9,286	9,316	9,502	9,832	10,334	10,863	11,422	4%
Goodwill	3,597	3,677	3,284	3,218	3,316	3,317	3,317	3,317	3,317	3,317	3,317	0%
Long-term Investments & Financial Assets	1,253	1,129	1,145	1,234	1,357	1,466	1,466	1,466	1,466	1,466	1,466	0%
Other Non-Current Assets (including deferred tax) *	2,342	2,225	1,956	1,890	1,868	1,994	2,023	2,093	2,200	2,313	2,432	4%
Total Non-Current Assets	**21,568**	**21,636**	**20,960**	**22,142**	**24,492**	**24,585**	**24,941**	**25,640**	**26,705**	**27,828**	**29,013**	**3%**
Total Assets	**29,375**	**31,393**	**27,978**	**29,446**	**31,339**	**31,968**	**36,519**	**37,784**	**39,714**	**41,749**	**43,896**	**7%**
Accounts Payable	998	1,212	1,441	1,544	1,596	1,853	1,586	1,641	1,669	1,755	1,845	0%
Accrued Operating Liabilities	1,161	2,321	2,137	2,145	2,195	2,360	2,332	2,413	2,454	2,580	2,713	3%
Current Debt	1,689	999	1,924	1,852	1,249	1,499	1,626	1,683	1,769	1,859	1,955	5%
Current Operating Lease Liabilities	1,249	1,251	1,246	1,275	1,463	1,565	1,513	1,565	1,645	1,729	1,818	3%
Current Tax Liabilities	98	0	0	0	0	0	0	0	0	0	0	--
Deferred Revenue & Customer Prepayments	1,457	1,596	1,642	1,700	1,781	1,841	1,872	1,937	2,036	2,140	2,250	4%
Other Current Liabilities (Non-operating)	0	0	0	0	0	0	0	0	0	0	0	--
Total Current Liabilities	**6,651**	**7,379**	**8,390**	**8,517**	**8,283**	**9,117**	**8,929**	**9,238**	**9,573**	**10,063**	**10,581**	**3%**
Long-term Debt	14,660	13,617	13,120	13,548	14,320	14,576	14,931	15,448	16,237	17,069	17,947	4%
Non-current Operating Lease Liabilities	7,662	7,738	7,515	7,925	8,772	8,972	8,983	9,339	9,816	10,319	10,850	4%
Long-term Deferred Revenue	6,599	6,463	6,280	6,102	5,964	5,773	6,279	6,497	6,829	7,179	7,548	6%
Non-controlling Interests (Minority Interest)	6	7	8	7	7	7	7	7	7	7	7	0%
Other Non-Current Liabilities	907	738	611	514	656	578	615	636	669	703	739	5%
Total Non-Current Liabilities	**29,833**	**28,562**	**27,533**	**28,095**	**29,718**	**29,906**	**30,816**	**31,928**	**33,558**	**35,277**	**37,091**	**4%**
Total Liabilities	**36,484**	**35,942**	**35,923**	**36,612**	**38,002**	**39,022**	**39,745**	**41,166**	**43,131**	**45,340**	**47,672**	**4%**
Common Stock and Additional Paid-in Capital (APIC)	1	1	1	1	1	1	1	1	1	1	1	0%
Retained Earnings	-7,816	-6,316	-8,450	-7,256	-7,344	-8,273	-3,402	-3,558	-3,593	-3,768	-3,952	--
Accumulated Other Comprehensive Income	9	993	-258	-740	-106	175	175	175	175	175	175	0%
Total Shareholders' Equity	**-7,805**	**-5,321**	**-8,707**	**-7,995**	**-7,449**	**-7,055**	**-3,226**	**-3,382**	**-3,417**	**-3,592**	**-3,776**	**--**
Total Liabilities and Shareholders' Equity	**28,679**	**30,620**	**27,217**	**28,617**	**30,553**	**31,968**	**36,519**	**37,784**	**39,714**	**41,749**	**43,896**	**7%**

Annex 5: Free Cash Flow to the Firm

	FY2025	2026E	2027E	2028E	2029E	2030E
North America	27,373	28,194	29,040	30,347	31,713	33,140
% growth	*1.3%*	3.0%	3.0%	4.5%	4.5%	4.5%
Corporate and Other	120	120	120	120	120	120
% growth	*106.4%*	0%	0%	0%	0%	0%
International	7,820	8,133	8,458	8,965	9,503	10,074
% growth	*6.6%*	4.0%	4.0%	6.0%	6.0%	6.0%
Channel Development	1,872	2,021	2,183	2,401	2,642	2,906
% growth	*5.8%*	8.0%	8.0%	10.0%	10.0%	10.0%
Revenues	**37,184**	38,468	39,801	41,834	43,977	46,239
% growth	*2.8%*	3.5%	3.5%	5.1%	5.1%	5.1%
EBIT	2,689	5,130	5,308	5,997	6,304	6,629
% EBIT Margin	**7.2%**	13.3%	13.3%	14.3%	14.3%	14.3%
% tax rate	25.9%	25.6%	25.6%	25.6%	25.6%	25.6%
NOPAT	1,991	3,817	3,949	4,462	4,691	4,932
D&A	1,685	1,604	1,660	1,744	1,834	1,928
Working Capital Changes	-129	-208	67	41	104	110
CAPEX	-1,513	-1,744	-1,959	-2,200	-2,315	-2,436
Free Cash Flows to Firm (FCFF)	**2,034**	3,468	3,717	4,047	4,314	4,534

Annex 6: WACC

Country	Revenues ($mm, Annual Report FY 2025)	% Revenues in Total (Annual Report FY 2025)	Market Risk Premium
United States	27124.7	72.95%	4.33%
China	3160.8	8.50%	5.27%
Other Countries	6898.9	18.55%	5.45%
	37184.4	100%	**4.62%**

Cost of Equity	
Risk free rate (10y bond yield)	4.01%
Market risk premium	4.62%
Relevered beta	0.71
Cost of equity	**7.29%**

Company	Ticker	Country of Origin	Total Debt ($b) 31/12/2025	Market Cap ($b) 10/11/2025	β (5y Monthly)	Interest Rate	β Unleverage
McDonald's (McCafé)	**MCD**	USA	51.94	219.38	0.53	25%	0.45
Coca-Cola (Costa Coffee)	**KO**	United Kingdom	44.52	303.47	0.42	25%	0.38
Restaurant Brands Intl. (Tim Hortons)	**QSR**	Canada	15.95	30.64	0.67	27%	0.48
Keurig Dr Pepper (KDP)	**KDP**	USA	17.27	35.26	0.36	25%	0.26
Luckin Coffee	**LKNCY**	China	0.82	10.63	-0.36	25%	-0.34
Dutch Bros Coffee	**BROS**	USA	0.94	8.79	2.57	25%	2.38

Average SBUX β unleverage	0.60

β Re-leverage SBUX	**0.71**
Total Debt ($mm)	26,612
Market Cap ($mm)	111,267
D/E	23.92%

Cost of Debt

	FY 2025
Interest Expenses	542.60
EBIT	2688.80
Intereste Coverage Ratio	4.96

	Rating	Spread
Intereste Coverage Ratio > 4.96	A2/A	0.78%
Risk free rate (10y bond yield)		4.01%
Cost of Debt		**4.79%**

The discount rate used in this valuation was estimated through the Weighted Average Cost of Capital (WACC) framework, ensuring that the firm's future cash flows are discounted at a rate reflecting its specific risk profile and capital structure. The Cost of Equity (*Ke*) was derived using the Capital Asset Pricing Model (CAPM). The Risk-Free Rate (*Rf*) of 4.1% was based on the 10-year U.S. Treasury yield as of January 2026, serving as the benchmark for a long-term risk-neutral investment in USD.

To reflect the systematic risk of Starbucks, a levered beta (β) was applied, computed through a bottom-up approach. This involved de-levering the average beta of a peer group of companies within the restaurant and specialty coffee industry to isolate the pure business risk (unlevered beta) and subsequently re-levering it based on Starbucks' specific capital structure. The Equity Risk Premium (ERP) was sourced from Damodaran's 2025 updated data, adjusted to reflect the global risk exposure of the brand. Regarding the Cost of Debt (*Kd*), given the company's unique negative equity position resulting from aggressive share buyback programs, a Synthetic Rating approach was utilized. This method determines the credit spread based on the Interest Coverage Ratio, providing a more accurate reflection of Starbucks' actual creditworthiness and borrowing costs than traditional solvency ratios.

Finally, the Terminal Growth Rate (*g*) was set at 2.5%. To eliminate any arbitrariness in the terminal growth rate, a weighted average approach was applied (Table 6), anchoring g to the long-term GDP projections of Starbucks' primary revenue drivers as of FY 2025: North America (72.95%) and China (8.50%). For all other markets, a base inflation rate of 2% was used as a proxy for stable growth.