# Starbucks Coffee Company
# Investor Day
# January 29, 2026

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**CORRECTED TRANSCRIPT**

**Presenters**
**Catherine Park – vice president Investor Relations**
**Brian Niccol – chairman and chief executive officer**
**Sergio Alvarez - master coffee developer**
**Tressie Lieberman - global chief brand officer**
**Mike Grams - chief operating officer**
**Brady Brewer – ceo, Starbucks International**
**Cathy Smith – chief financial officer**

**Q&A Participants**
**Lauren Silberman – Deutsche Bank**
**Sharon Zackfia - William Blair**
**David Tarantino - Baird**
**Andrew Charles - TD Cowen**
**John Ivankoe – JP Morgan**
**Jacob Aiken-Phillips - Melius Research**
**Brian Harbour – Morgan Stanley**
**Jeff Bernstein - Barclays**
**David Palmer - Evercore ISI**
**Brian Bittner - Oppenheimer**
**Christine Cho - Goldman Sachs**
**Dennis Geiger - UBS**
**Greg Francfort - Guggenheim Securities**
**Eric Gonzalez - KeyBanc Capital Markets**

**Catherine Park**
Good morning and welcome to Starbucks 2026 Investor Day. Thank you so much for joining us. I'm Catherine Park, vice president of Investor Relations, and it's our pleasure to host you both in person and virtually. And we have an exciting morning planned for you today.

Before we get into it, I'll direct you to our forward-looking statements behind me for everyone to reference. Now I'll briefly run through our agenda for the day, which begins with presentations from Brian, Tressie, and Mike, after which we will break for about 20 minutes. During our break, those in the room will have the opportunity to sample some of our exciting food and beverage offerings. And for those joining us virtually, we're bringing the event to you as we'll showcase some of our brand experiences during this time.

After our break, we'll resume with Brady and Cathy's presentation, and then we'll close with time for Q&A. Following the event, we'll make today's presentation materials available on our Investor Relations website. And with that, we're ready to begin. We'll start with remarks from Chairman and CEO Brian Niccol, but first we'll share a short video.

*[Begin Video]*

*[End Video]*

**Speaker**
Please welcome chairman and chief executive officer Brian Niccol.

**Brian Niccol**
All right. Good morning, everybody, and welcome. We're really excited to have everybody here. And on behalf of the Starbucks board, our executive leadership team that's here, I do want to say welcome and thank you for being here.

I think we're going to have a great day. And the reason why I think we're going to have a great day is you're going to hear us talk about our growth plan, you're going to hear us talking about the foundation of what makes this company great, our Green Apron Service model and our partners, and I think you're also going to hear about our purpose. And I think I want to start there, which is, obviously, you heard our Q1 results yesterday which I was really excited to share. I think it demonstrates the momentum that we have in this business and how things are really taking hold.

But obviously, we are the Starbucks Coffee Company, correct? So, there's no better way to start off a Starbucks meeting than grounding ourselves in coffee. And so, hopefully some of you got a chance to try the 1971 Roast that we're passing around right now. But to really get you up to speed on what makes this coffee so special, I want to invite up here one of our master coffee developers, Sergio Alvarez.

He's a longtime partner, I think nearly 20 years, and he's going to come and join me on stage to share what makes this blend so special. So, please join us in sharing this. All right, great. Thanks, Sergio.

**Sergio Alvarez**
Thank you. Good morning, everybody. So, thanks for having me. You know, I started nearly 17 years ago in our Pike Place store. You can see the picture. I was a little bit younger back then. But really, being part of the team that created this blend is truly a special, you know, moment for me. So, now I'm going to walk you through a coffee tasting and how we started Starbucks, which is with coffee.

So, first, let's just put our hand over the cup so we can get a hint of the aroma. Right off the bat, I get that striking aroma of a bold roast, right, with maybe some hints of caramelized sugar. I'm sure you guys are getting all that. I don't know about you, Brian, but I really get this kind of crème brulée smell, you know, right at -- right before you're going to break that top sugar.

**Brian Niccol**
Which is one of my favorite desserts --

**Sergio Alvarez**
-- Yeah. Great --

**Brian Niccol**
-- So, thank you.

**Sergio Alvarez**
Yeah. So, now for the most important part, which is the slurp. And what I usually say is don't be shy; the louder the better the coffee will taste. So, I want to hear everybody. Now, I've tasted this coffee a thousand times. We've been working on it for over a year, but that first sip never gets old, to be honest. Notes of toasted sugar and rich walnut the complement a bold yet smooth finish that will warm even the coldest New York winter day.

This is a perfect blend of innovation and nostalgia, with those wild spice flavors we love from Sumatra, the complex nuttiness we've come to expect from Colombia, and that smooth mouth feel from Brazil that truly shows what we do best at Starbucks, which is blending and roasting the finest coffees in the world since 1971.

The art and craft of coffee have never been more alive at Starbucks, and we're so excited to introduce customers to 1971 roast in our coffeehouse in North America soon, especially to those who love dark roast out there, but soon enough around the world. Cheers.

**Brian Niccol**
Cheers.

**Sergio Alvarez.**

And thank you for having me, Brian.

**Brian Niccol**
Yeah. Yeah. Thank you, Sergio. Oh, yeah. Yeah, thanks.

So, actually too, I don't know if you guys know this, but that 1971 roast is a dark roast that will be now in all our stores I think starting in February/March timing. And, you know, we've got a new piece of equipment called Clover Vertica, which really is, I think, is the best possible way for you to get brewed coffee, because you're going to be able to now get freshly ground coffee brewed into your cup every single time you walk into Starbucks.

So, you know, we know we have the world's greatest espresso equipment. We also now have the world's greatest brewed coffee equipment, and then I think we're also brewing some of the best coffee in the world with 1971 Roast Pike Place. So, hopefully you are enjoying that. And for those that are big Pike Place drinkers, hopefully you'll become a big 1971 drinker as well.

So, all right, let's get going a little bit on where we're headed for Starbucks and the exciting growth that we have in front of us. So, look, I took this role on nearly about a year and a half ago because, frankly, I saw an incredible opportunity, all right, an opportunity to lead one of the world's most iconic brands, really to build on its incredible legacy and heritage, and to help shape its next chapter of growth.

And from the very beginning, it was clear that Starbucks has always set out to be a different kind of company, one that is committed to serving the very finest coffee in the world and to inspiring and nurturing the human spirit one person, one cup, and one neighborhood at a time. So, from our original store at Park Place -- Pike Place in the market in Seattle, which I think you saw here Sergio started his career in, that dream really has grown over 55 years into one of the most iconic brands, frankly beloved brands in the world. And along the way, we've built truly an incredible business that's driven real value for our customers, partners, and our shareholders.

But it wasn't just great coffee that fueled our growth and love for our brand. It really was the sense of connection and community, our green apron partners, which, you know, you guys got to see come out and share that coffee with you, that shows up in every cup, every experience that I think ultimately sets Starbucks apart. And it's that human experience that I think became our competitive advantage, and still is our competitive advantage.

So, clearly, our coffeehouses became a third place. They were grounded in human connection, places where they welcomed and, frankly, greeted you by name, places where you could connect with others, take a moment for yourself, places that were woven into the routines of home and work and into the daily fabric of the neighborhoods that we serve. Our brand is defined by this intersection of coffee, craft, connection, and community that come to life in our coffeehouses.

And, you know, these are our enduring strengths, these enduring strengths, frankly, that tap into a fundamental human truth. And that fundamental human truth is people, which we all are, want to enjoy coffee in a place where they feel connected, whether it's a moment for themselves, to others in their community, or just a place where they know they can be.

And that's why Starbucks became the global leader in coffee, because our purpose, our partners created an impact in three areas that, frankly, no one else can replicate at our scale, and no one else can even match. And so, the first one I want to make sure we all understand is we have the unrivaled impact on the future of a large and growing coffee market. Our sourcing, our roasting, our blending, our crafting of the world's finest coffee is unmatched.

From Hacienda Alsacia, our Farmer Support Centers, our teams work to research and invest in a resilient future supply of Arabica coffee. Then our skilled team of master roasters carefully prepare these beans for distribution that go across the globe, okay? And then finally, our baristas, using the best equipment, handcraft your drinks and each order with care, truly reflecting excellence from bean to cup.

Second, a real impact for our partners, providing them with competitive pay, industry leading benefits, and a robust career path that makes Starbucks without a doubt the best job in retail. Because when our partners succeed, customers feel the difference, and our entire business gets stronger. And third, a lasting positive impact on the neighborhoods where we do business, reinforcing that a stronger Starbucks contributes to stronger communities.

So, let me give you a sense of the scale for the business that we're operating today. So, we operate more than 41,000 company-operated and licensed coffeehouses in 90 global markets, so this is more than any other coffee brand in the world. We serve more than 20 billion customer occasions across the globe annually, with more than 85 million loyal customers actively engaged with our brand as Starbucks Rewards members. And behind every one of those moments are more than 400,000 partners who proudly wear the green apron in Starbucks Coffeehouses and support centers around the world. They are the heart of our brand and the engine of our performance.

So, this global scale and reach makes Starbucks the clear market share leader in a growing away-from-home coffee category and the most widely accessed premium coffee brand in the world. From our core coffee forward platforms like our Cortado, which, frankly, is one of my personal favorites, to our iced shaken espresso, which is my daughter's favorite so I had to put these two in here, to other key beverages like matcha, Refreshers, we win. It's that simple. We win across hot, cold, and we truly provide our customers the personalization of what they want in every drink and experience that only Starbucks can.

So, we have an incredible reach and loyalty that extends our brand across millions more touchpoints through packaged coffee and delicious ready-to-drink products sold everywhere people buy drinks. So, these touchpoints create a level of familiarity, trust, and relevance that no other coffee brand comes close. So, in the U.S. alone, we are the scale leader across the four coffeehouse access points we operate. So, that's café, drive-thru, Mobile Order and Pay, and delivery.

Each of these businesses give customers unrivaled access to our handcrafted beverages and ensure we're able to serve them no matter what the occasion is. So, we have the largest footprint of cafes in the U.S., places where customers can sit, stay, and enjoy their beverage. Hopefully you get a chance to check out some of our new furniture of what we're going to create in our coffeehouses as well as the new Ristretto building that we're going to be building, which I personally believe is a home run.

And you also find out that -- and I've gotten this question a few times. You know, why are you only talking about the café? What about the drive-thru? What about mobile order and pay? The thing I want to remind everybody is over 60% of our customers just in this last month came into our café to order their cup of coffee or their drink. And that doesn't even include the people that order mobile order and pickup that came into the café to get their drink.

And the reason why that's important is because our cafés are our point of differentiation. It creates the halo that lifts every other coffeehouse order channel. You know, if you walk into a place and there's nobody sitting in the seats or it's a soulless place, you don't feel great about what you just ordered. If you walk into a place and the place is vibrant, it's connected to the community, people clearly are connected to both the baristas and each other, you feel really different about that cup of coffee. So, that's why the café is so important and it's such a point of difference.

We also operate the largest coffee drive-thru business in the United States, generating nearly $10 billion in annual sales. So, that's the size of a Fortune 500 company on its own. It is our biggest channel. And with Green Apron Service, we provide our customers convenience and connection with Starbucks quality and personalization. We also have the largest digital business of any coffeehouse, driven by our app and underpinned by our rewards program. And this ecosystem drives higher frequency, deep customer engagement, and convenience that, frankly, is unmatched in the industry.

And finally, we're rapidly scaling our delivery business, which surpassed a billion dollars in U.S. sales in fiscal 2025 and has significant headroom for growth. And delivery expands our reach beyond our physical footprint and, frankly, taps into new customer occasions. Some of you may not know this, but I went to Miami of Ohio for undergrad, and I happened to participate in a coffee delivery because I could not turn off the game since they were going 21-0. So, you know, I took advantage of that coffee delivery experience. So, if you haven't seen the Red Hawks, I highly recommend tuning in.

And so, these are all special occasions, okay? And so, these four access points to the Starbucks experience really do create a durable competitive advantage and position us to serve more customers more often in more moments throughout the day. So, to maintain our leadership position, it became clear when I joined the company that we needed to return to our core and refocus on what always set us apart.

So, before I started, I did what most people do that are between jobs. I spent some time in our coffeehouses, and I had a bunch of conversations with partners, customers. And it was great because a lot of folks didn't know I was going to be the CEO of Starbucks. Eventually people caught on because I was showing up multiple times a day and just about every day for the next month.

And what I heard about was unbelievable strengths, right, and these strengths that, frankly, define Starbucks: the quality of our coffee, tea, our handcrafted beverages; the craft and the commitment of our green apron partners, such passion came through these people; a long history of innovation; an industry leading app and rewards program; a brand that is part of people's daily routines and communities for millions of people.

But I also heard we had work to do. Customers told me that our menu needed to feel more relevant, that our service needed to be more timely. Partners also shared that our operations had, frankly, become too complex. And you know what was great to hear, though, is both partners and customers, they wanted the Starbucks experience. They wanted that personal, welcoming, consistent experience. I heard it over and over and over again. So, it became really clear to me, to turn this business around and build a platform for long-term growth, we had to change the way our business ran and the fundamentals of how we worked.

So, that meant strengthening the operational foundation of our business, simplifying processes, and restoring clarity and ownership to our coffeehouse leaders. It meant creating the conditions for partners to focus on what matters most, which is great craft and genuine moments of connection.

So, on my second day, I shared an open letter outlining our Back to Starbucks plan, and in that I was pretty clear on what I believe has always set us apart, a welcoming coffeehouse where people gather, where we serve the finest coffee, handcrafted by our skilled baristas. And really, the idea is simple. Let's get Back to Starbucks so everyone can experience the best of Starbucks.

So, it's a plan rooted in who we are and what's made us successful, and it's also centered around core pillars that provide us a clear path towards growth and a stronger future. So, I'm just going to repeat these for you. I'm sure you've heard these. But we will the world's greatest customer service company. We're going to be, and we are, the place that offers the best job in retail. We will be the community coffeehouse. And our brand will be visible, relevant, and loved everywhere. And you're going to see how we're going to be able to accelerate growth around the world. And then obviously, we will deliver on our commitments to create shareholder value.

So, Back to Starbucks reconnects us with our core. It gives us a platform to build the best of Starbucks with clarity, confidence, and purpose. So, for the past 18 months, we've been, frankly, really hard at work putting and following through on what we committed to do. And in that time, we've made meaningful progress and I believe have built real momentum, which is what we talked about yesterday.

We've put the customer back at the center of every decision we make. We are -- we focused our time, resources, and investments on work that has the greatest impact guess where? Inside the coffeehouse, okay? Second, we made it much easier to run great coffeehouses by launching Green Apron Service across North America in all of our company-operated stores.

It, frankly, is our largest ever investment in the customer experience. And what you've seen happen from this is we've expanded rosters. We've improved staffing. We've established new standards for how we serve customers, and we're operating with more consistency across every coffeehouse and every access point.

So, we've introduced new tools that support partners in real-time, for instance the Green Dot Assist, I think some of you might've seen this already or you will get to see it, because this helps partners solve challenges on the floor real-time using AI. Our Smart Queue program improves handoff speed and consistency by optimizing production. And these tools, frankly, reduce friction for our teams and create a smoother experience for our customers.

We've also restored ownership and accountability to our coffeehouse leaders, and this is big deal. Our coffeehouse leaders are the ones that make the difference in the stores. We cannot run this business based on averages or from spreadsheets from afar. It happens in the coffeehouse with our Coffeehouse Leaders. And putting that responsibility back in their hands has already improved the availability of products, the connection with customers. And we're hearing it in customer satisfaction over and over again.

Third, we took important steps to reclaim the third place and bring back the community coffeehouse. And we brought simple things back to make this a reality. We brought back the condiment bar. You might've saw the ceramic mug Sergio and I were experiencing the 1971 Roast in. That's our new ceramic mug that's going to be showing up in all our coffeehouses. Hopefully you'll see the new green chair that's going to be a unique element in our green -- in our coffeehouses as well.

And the reason why this is all important is because we want people to be in our coffeehouses. We want our customers to be in our coffeehouses. One of the things we had to do in order to make that happen is we had to introduce a new code of conduct that, frankly, prioritized a great customer and partner experience.

Along the way, we also had to reassess our coffeehouse portfolio, and we had to make some difficult but necessary decisions to close locations that could not meet our financial expectations or deliver on the environment that our customers and partners deserve.

We also began scaling our Uplift program, which brings more warmth, comfort, and seating back into the café. And by the end of fiscal 2026, we expect our Uplifts to add more than 25,000 additional seats across our U.S. company-operated portfolio and replace thousands more with more comfortable options. And customers are already responding with longer dwell times and, frankly, improved customer satisfaction and connection scores.

Fourth, we began reclaiming our leadership and culture. We refreshed our approach to marketing, and this work has improved the health of transactions and reached more customers and strengthened brand trust and affinity. And we've also built a disciplined innovation pipeline that includes coffee, espresso, matcha, premium chai, refreshers, and artisanal food. And this is going to make our menu more relevant, more exciting, and more attuned to evolving customer tastes, all while staying true to our craft and our commitment to quality.

And fifth, we defined the opportunity and our approach to our growing China business, and we returned our international markets to growth. So most of our work, to this point, has really focused on rebuilding those foundations and our brand to support a healthy, growing business in the US and, frankly, around the world. And I'm happy to say our plan is working. It is working.

And in the first quarter of 2026, you guys heard about this, we achieved same-store sales growth in the US and every major market around the world, driven by transactions. And while there's still more work to do, this is an early but important sign that our turnaround is taking hold, and it shows our growth trajectory is clear.

So with these fundamentals in place, we have a strong platform to innovate and accelerate, frankly, around the world. And in fiscal 2026, we are shifting to playing offense and innovating. We're going to be scaling the work already underway and raising the bar to ensure every visit to Starbucks feels worth it to our customers. So we're not finished with our Back to Starbucks plan or our broader transformation, but I am confident in our strategy. Our progress, the pace of change, and the opportunity ahead of us, I am unbelievably confident. And over the long-term, I am confident that this work will allow us to deliver the very best of Starbucks consistently and at scale.

So to help us execute this vision and deliver on our plan, I do believe we've built an unparalleled executive leadership team. Each are proven leaders with extensive experience leading retail operations and global brands, and each bring a unique perspective to the table to help shape our future. Their breadth of leadership and experience combined with their commitment to Starbucks' mission and values give me full confidence in our path forward and our ability to deliver the very best for our customers, real opportunity for our partners and long-term returns for our shareholders.

So throughout today, you're going to hear in much more detail from four members of our executive team about the work we've done to rebuild a strong operating foundation, what we're seeing in our business as a result, and how we're positioning Starbucks for sustainable growth in the years ahead. Each leader will take you deeper into one of the core pillars of our Back to Starbucks plan and share the progress, momentum, and opportunity they see in their areas.

So Tressie will start by taking you through how we're driving demand and building brand love and unleashing our growth potential. She will show you how we're making Starbucks more visible, relevant, and loved everywhere from meaningful menu innovation and a next generation loyalty program to marketing and digital experiences that meet customers where they are and move at the pace of culture.

Mike will then walk you through how we are becoming an operating company that drives repeatable experiences and results in our coffeehouses. He'll share the tangible progress we've made on throughput, service times, and operational consistency. He'll also discuss our new unit growth potential and what we're doing to strengthen our coffeehouse portfolio.

Brady will share our global growth strategy and how we are building more customer touch points around the world and he will walk you through our asset-light, globally consistent and locally relevant model that allows us to grow with seasoned licensed partners and how we are strengthening our presence in both mature and emerging markets. Brady will also highlight the opportunity we see globally beyond the coffeehouse and why our brand, our coffee, our drinks, and frankly our food show up in more customers hands globally than any other competitor.

And Cathy will bring it all together with probably the slides you're most interested in; our plan to deliver on our commitment to create shareholder value for the long-term. She'll walk you through our financial framework through fiscal 2028 and how our investments translate into profitable, sustainable growth.

So together these presentations will give you a clear picture of what we've accomplished, what we've done to strengthen the business, and our approach to growth over the next three years. So my hope is that you leave today with the same confidence and conviction that we have in the future of Starbucks, that I have in the future of Starbucks, and in what this company can achieve when we are at our best.

Before I turn it over to Tressie, I want to leave you with a sense of the financial performance we believe we can deliver by fiscal 2028. So based on the progress that we're seeing in the business and the strength of our plan, we believe we have the ability to consistently deliver both global and US comp growth of at least 3% over the next three years. In fiscal 2028, we also have plans for about 2% to 3% revenue contribution from new stores and expect to add more than 2,000 net new coffeehouses across our global company-operated and licensed businesses.

This includes ramping to open approximately 400 net new US company-operated coffeehouses annually by that time, and all this equates to consolidated net revenues growing by 5% or more in fiscal 2028. And as earnings outpace sales growth, we anticipate this will result in operating margins between 13.5% and 15%, which means $3.35 to $4 in earnings per share by fiscal 2028. I'm impressed. You guys didn't take out your phones and take pictures.

So this framework assumes our China retail operations are status quo. So in fiscal 2028, I want you to also recognize this is just a waypoint for us in our turnaround. Our ambitions extend well beyond this timeline. And as we get the business stabilized, grow it in position for greater earnings power in the long term. So Cathy will take you through how we built this framework and how it guides our near-term priorities and financial decisions and she will show you how the foundations we're putting in place today support the growth, profitability, and the returns we expect.

So to wrap up, I want to leave you with a thought. This is not a finish line. This is our framework for how we will win. It reflects what we believe is achievable when we operate with discipline, invest in our partners, deliver exceptional experiences for customers, continue to strengthen our brand, and broaden our reach around the world. And importantly, it sets us on a clear path to deliver the very best of Starbucks. Because when we deliver the best of Starbucks everywhere, or every customer, our potential is truly unmatched. Thank you for being here. And I will hand it over to Tressie.

**Speaker**
Please welcome global chief brand officer, Tressie Lieberman.

**Tressie Lieberman**
Thank you so much. Hello, everyone. I am thrilled to be here to share how we are unleashing the power of this iconic brand. I have the privilege of leading our teams across menu, merchandise, marketing, digital, and our CPG business. I am so confident in our plans to win today while we create the future. And I can't wait to show you what we have in the works as we reignite the soul of one global brand.

Customer behaviors, technology, and culture are changing faster than ever. And I build teams that know how to look around corners, stay relevant, and be on offense. I love to be part of brands that have truly passionate customers. And there is no brand with a community like Starbucks.

We are truly in a category of our own. From Seattle to Shanghai, Starbucks is more than a coffee brand. It's a global ritual. It's your third place to sit and stay a while, where your partner knows you by name. It's your drive-thru that feels like home. And our mobile app is so easy, you can order half awake. It's that first sip feeling with your drink too gorgeous not to post on social media, and the delight of Reward Stars appearing like magic after every order. It's our merchandise worth camping out for with your best friend, and our ability to make the season start feel official.

It's the iconic Siren with a handwritten note that makes you proud to carry your cup. And no other brand delivers this 360 experience with such consistency and equity, and certainly not with our scale. Before I took this role, I saw so many treasures to build on, and I was all in on the Back to Starbucks strategy. It's been just over a year since I joined Brian and this incredible leadership team, and I wake up every day with deep conviction to protect and grow this brand. And the longer I'm here, the more I realize just how special Starbucks is.

Today, I want to introduce you to our unique flywheel for growth. Our strategy reaches a mass audience to drive brand affinity and visitation while keeping our Rewards members feeling valued. As we have built our plan, we have asked if our ideas make Starbucks feel worthy of the customer's visit, sweating the details of every part of the journey.

The flywheel is working, and I want to take a minute to explain the three interconnected elements it's fueled by. First is experiences. When an experience is truly innovative, it sparks cultural movements. We're not just launching new items; we're making icons of our icons and investing in the development of new ones. From the menu to merchandise, we drive momentum by giving our customers things to talk about.

Second is rituals. We create moments that fuel brand passion, unleash loyalists, and unlock new occasions every day. And we are doubling down on our core platforms that customers love and evolving our Rewards program to make sure every member feels valued.

And third is connection. Our partners are the heart of the brand, creating connections across all channels. We have a unique opportunity to connect people over coffee during a time when loneliness is pervasive.

We share stories to remind customers that together is truly the best place to be. Each element fuels the next. Culture shaping products drive demand. An amazing experience in Starbucks Rewards ignite a ritual, and deeper connection creates true loyalty and keeps people coming back. It's a flywheel that's uniquely ours and I am standing here confident that our brand is operating from a position of strength, and we intend to stay there for generations to come.

Before the flywheel could truly gain momentum, we had to reclaim our narrative last year. And we grounded ourselves in a simple, powerful objective; to be visible, relevant, and loved everywhere. We sought to make highly intentional work that celebrates what makes Starbucks Starbucks - our love of coffee, craft, and connection.

In 2025, we reintroduced Starbucks to the world with our first ever global brand campaign: Hello Again. We elevated our visual system across every single creative asset from email to social to our menu boards. We set our team up to move at the speed of culture and ignite brand fandom. Let's take a look at how we have shown up in the last year to accelerate momentum.

*[Begin Video]*

*[End Video]*

**Tressie Lieberman**
Our customers are awesome. Watching that every time gets me so excited because we're just getting started. And everything you saw there was either coming from our team as creative assets or customers just showing up, being happy. They love this brand. It's an amazing thing to be a part of.

We know how to get people talking with our strong track record of breakthrough innovation. From seasonal lattes to Protein Cold Foam, we have consistently created platforms that redefine the industry. Innovation isn’t optional. It's oxygen for our brand, and our brand's strength is backed by a global innovation powerhouse. When an idea works in one market, we can scale it around the world.

Take Pumpkin Spice Latte, for example. It began in the US and now it's in more than 80 markets. And the famous Bearista you just saw the fan freaking out about, it first gained popularity in Korea and is now a viral hit in the US.

Today, I'll focus on the US so you can understand the scale, leadership and flexibility of our menu and Brady will share more on our global strategy. The US company-operated business represents more than 70% of total revenue and powers the flywheel. Cold represents two-thirds of all beverages we sell.

Our food business has doubled since 2020, now nearly $6 billion in annual revenue, accounting for about 25% of sales. Customization alone is a billion-dollar business, unlocking incremental value and driving higher attach. Cold Foam is now one of our largest modifiers and represents one-third of our billion-dollar customization business.

Customers can now make 90% of their drinks a protein drink with an upsell to protein milk or protein cold foam. Protein has been a great incremental driver. Customers love it. And it's pretty amazing that you can get 28 grams of protein in a grande Protein Matcha Latte.

As we look to the future of innovation, we're going to do it the Starbucks way, with handcrafted, high-quality, customizable offerings that you crave. We will continue winning the morning. In fiscal 2025, we generated more than $12 billion in revenue, and that's over 50% of our U.S. business all before 11:00 a.m.

From brewed coffees to macchiatos, our morning loyalists love the rich and wonderful ritual of their Starbucks order, and they rely on us to start the day. We own the morning occasion. We created this ritual, and we will keep it. In two weeks, you'll be able to enjoy the Starbucks 1971 roast, our newest premium coffee that many of you just experienced in the room. Thank you.

Our passion for coffee is unmatched, and we will continue to celebrate our coffee leadership. It is a core part of our heritage and central to our brand storytelling. We will launch delicious espresso, matcha, and Chai beverages with craveable flavors like ube and coconut coming this spring. We are also updating our core flavors to provide more variety and new always-on options like pistachio, lavender, and sugar-free caramel.

Approaching 30% of total morning sales, food is critical. We've created iconic options that people instantly associate with Starbucks, like our egg bites and our loafs. We'll maintain relevance by continuing to evolve our breakfast and bakery offerings. And this February, we're expanding our bakery case with a curated lineup of globally inspired flavors designed to elevate the customer experience, and today you will be amongst the first to sample some of these items, including the strawberry matcha loaf, which is my personal favorite.

This bakery case isn't just about the mornings. It's also about giving customers choice for that afternoon snack. Midday and afternoon dayparts already generate $11 billion after 11:00 a.m., but we believe there's room to create a true second peak. We see an opportunity to own a new Starbucks occasion in the afternoon, a true afternoon reset, a culture-shaping ritual that Starbucks is perfectly poised to define and own.

Tea is a category that has consistently over-indexed as an afternoon occasion. In fact, tea revenue is up more than 70% since fiscal 2021, and we have led with innovation here. We removed sugar from our matcha last year and innovated with new ways in, like this trending Dubai Chocolate Matcha. We are also introducing a dedicated matcha menu with more relevant flavors that will be coming just next week.

Next up, we'll launch Premium Chai. Arriving later this spring, it will give customers the ability to customize their sweetness levels and craft the beverage they already love in a new way. And the new fruit-forward core flavors we're adding, such as mango and raspberry, will give our customers more ways to discover their perfect beverage as we continue to grow the category.

And this spring, we're taking Refreshers, a $2 billion platform that is already one of our fastest growing, and changing the game again with Energy Refreshers. We are revamping the platform to deliver customizable energy from the option to make them decaf to adding an extra boost of energy. And to do it the Starbucks way, we are leveraging quality ingredients. Our proprietary Energy Blend uses B vitamins and caffeine naturally derived from green coffee extract.

And it doesn't stop there. We are always working on additional ways to extend energy refreshers from blended to sparkling. We're not chasing trends. We're building on a beloved platform and never giving customers a reason to go anywhere else. Offering new afternoon-friendly beverages is the first step on our path towards introducing a new afternoon ritual.

To complete the occasion and deliver sustainable growth, we're thinking beyond beverages. Our food sales in the morning show us what's possible when food and drink innovation work together to exceed customer expectations. You can expect more premium food offerings like flatbreads and wraps. And to fuel the afternoon, we'll continue to lean into all-day-snacking with delicious, on-trend grab-and-go options like our recently launched Khloud Popcorn and upcoming protein balls. And altogether, you can expect a steady pace of product innovation that builds a brand and drive sales.

Our plan has two layers. First, our five core seasons, winter, spring, summer, fall, and holiday. These are the anchors, the big bets that guide customers through the year with intention. Second, we are persistently in culture with relevant beats like social-first ideas, customer-generated beverages, limited merchandise, nostalgic moments, and partnerships. And this is critical in a high-frequency business.

Starbucks sits at the center of culture, from fan-made customizations that go viral to tapping in a cultural moment that naturally align with our values. In short, seasons set our emotional direction and cultural beats add texture and energy to drive relevance and continue momentum. Together, they connect discipline with speed and keep Starbucks shaping culture every day.

And now we are structured to identify, support, and operationalize these ideas. To deliver successful innovation, we always start with our biggest advocates, our amazing green apron partners. Did you know that our partners post on social media three times more than employees of other retailers at our scale? They are passionate and engaged with over 85% positive sentiment.

One of the first things I learned as a new partner was that a steady pace of product innovation only works if it's grounded in a partner-first mindset. Our approach to innovation is guided by three principles. First, an optimized foundation. In fiscal year 2025, we reduce SKUs by 25% and we continually keep a pulse on our menu performance with ongoing optimization while ensuring we maintain offerings that delight our customers.

Second, a simplified beverage framework. By leveraging our core recipes, we can accelerate innovation and deliver on the variety that our customers expect. This reduces additional training and allows partners to execute with excellence. And third, targeted expansion to fuel growth. We prioritize big ideas that build on platform innovation and exceed customer expectations. And when an innovation requires a shift in process, we collaborate with partners to simplify the execution while still delivering the best expression of the idea.

This approach extends beyond beverage builds to behind-the-bar space planning, oven guidelines, and back-of-house considerations. We're also leveraging digital innovation to reduce operational complexities and Mike will go into more details on Smart Queue and our revamped point-of-sale system next.

We're focusing on empowering rituals and our strategy unlocks the power of the And. Growing both Starbucks Rewards members and our broad customer base with mass reach and targeted engagement. And I have to tell you all, the Rewards program was one of the things I was most excited about when I joined Starbucks. The scale and frequency of our member base is unparalleled.

In fact, this last quarter, we reached a new all-time high of over 35 million 90-day active members in one quarter. In fiscal year 2025, Rewards drove nearly 60% of US company-operated revenue, equating to more than $13 billion in spend. However, the real superpower of this program is the brand love. They're our most loyal customers. Our best customers visit us more than four times a week on average. That's 19 times a month and over 200 visits per year. Our Rewards program is strong and we are building from a position of leadership.

Our current program has a one-size-fits-some approach, regardless of whether you transact once a year or once a day. By listening to member feedback, we saw a huge opportunity to make the experience more personal and more engaging. We also saw the opportunity to drive spend and frequency through tailored benefits and focus discount dollars on what our members value most.

Through the filter of member feedback, revenue, and efficiency, we identified clear actions to unlock the next generation of loyalty. Our reimagined program, which launches on March 10th, will reinvigorate what it means to be a Starbucks Rewards member. We're introducing three membership levels designed to make every member feel valued and rewarded.

Green is our first tier and it will be our largest. In addition to favorites like the Birthday Reward and personalized offers, we're adding a new benefit that gives members a free beverage modification monthly. Members at this level can also keep stars from expiring with monthly activity, which I am sure will be a crowd favorite. Gold members enjoy all Green benefits and their stars never expire, something unmatched by our key competitors. Unlocking Gold also means members earn stars 20% faster than Green. Our most loyal members at the Reserve level will get everything from Green and Gold plus access to exclusive merchandise and experiences, and they will earn stars 50% faster than Gold.

Our new program motivates members to reach higher tiers. This creates powerful incentives to drive frequency and fuel growth, and with the scale of the program, small changes in behavior can compound quickly. For example, if half our active Rewards members transact just one additional time each year, we will deliver an additional $150 million in revenue. And we believe it has the power to deliver up to a point of comp contribution for the US company-operated business. Results will grow with adoption and we're confident this design sets us up for success. In addition to creating meaningful value for our members, we're also developing amazing digital experiences for all customers. Building on the most beloved app in the category, we're adding features that make the Starbucks experience even more seamless. One of the first is scheduled ordering, giving customers a flexibility to choose exactly when they want to pick up their order, and we're on the path to scale it nationally this calendar year.

We're also making it easier than ever for customers to find their perfect drink. We've enhanced discovery in the app with a trending beverage category and a secret menu, harnessing the power of customization that occurs every day in social media and with our baristas. And as we all know, AI has profoundly impacted customer behavior, becoming ingrained in day-to-day life.

So I want you to imagine a world where customers can order a beverage not by scrolling a menu, but by describing their mood and goals for the day. Well, we can imagine it and we're making it a reality. We're actively developing a first-of-its-kind Starbucks ordering companion. Powered by AI, it will use quick customer prompts to discover that perfect drink.

For example, say you're in the mood for a banana bread latte. We'll provide you with a customized beverage recipe from Starbucks. But the value proposition goes deeper than just that drink ideation. We'll also help you find a coffeehouse and complete your order, making the whole process seamless. We plan to leverage experience-defining technology while relentlessly focusing on our customers. And by doing that, we are reinserting Starbucks into the global conversation.

Starbucks is a brand where the best of humanity and technology coexist. Grounding back on our flywheel, Connection is still the core of who we are. The Starbucks brand has always had the power to create moments of connection. We are the world's local coffeehouse. We are the familiar daily ritual that is rich and wonderful.

We will continue to showcase the power of connecting over coffee through premium elevated storytelling throughout the year. We don't copy culture. We create it. Through our menu experiences, our merchandise, our ownable seasons, and our unique events, we make things people want to be a part of. And when culture invites us in, when our community shows passion for something, we embrace it. We are actively listening to our customers, staying attuned to their needs, and moving Starbucks forward while staying true to our heritage. Our flywheel foundation has truly positioned us in a place of strength.

Starbucks is back. Today, one in three consumers say that Starbucks is their first choice for coffee or tea away from home, and that is as strong as it's been in five years. We are the number one coffee, tea, and beverage shop by a mile in the Piper Sandler Youth Report.

Last quarter, we grew Rewards and non-rewards transactions for the first time in nearly four years. And I'm pleased that the recent Restaurant Insights Monitor Report shows improvements in affordability perceptions driven by all age groups. We'll continue to translate brand love into growth. Over the next three months alone, here's what you'll be hearing about Starbucks.

We've scaled platform level innovation from our new matcha menu to Energy Refreshers. We launched new premium coffee blends and flavors people can't stop talking about. We redefined loyalty with a new program that makes every member feel valued. We met customers mid-conversation, launching our AI-powered beverage companion to convert discovery into orders.

We actively created and participated in culture from Mr. Beast to Winter Olympics. We deeply believe that as our pipeline rolls out, people will be saying, I can't wait to try it. And we can't wait for these ideas to be in the world. Matched with the power of Green Apron Service, we believe customers will want to keep coming back.

This is Starbucks: bold, visible, relevant, everywhere. And this is just the beginning. We're ready to show the world what happens when the best brand plays to win. Thank you for your time.

**Speaker**
Please welcome chief operating officer Mike Grams.

**Mike Grams**
So I'm the operator that gets to follow that. Never is appealing, but I hope I can do a good enough job today to give you confidence that we can do all that. I'm really excited to be here today. Mike Grams, for those I haven't met. Chief Operating Officer. I'm often asked what you do all day, whether it's a customer in a café, like what do you spend your time on, do you really run a coffee house. And I guess, simply put, my job, my role is to make sure that that beautiful cup of coffee gets into millions of hands every day, oftentimes, in very time-constrained moments across long operating hours, and ensuring that it's the highest quality always.

But there's more to the job. At Starbucks right now, it's re-establishing a customer centric culture, building teams that are aligned, accountable, empowered, agile, and results driven. And honestly, I want to have fun building an operational powerhouse that becomes consistent, repeatable day after day. And so, then when we turn up that dial of innovation that Tressie talked about, when we turn that up, it strengthens the coffeehouse, not strains it.

Today I'm going to talk about why my optimism for the Back to Starbucks plan and Green Apron Service, you've heard the words, why my optimism has turned to confidence. But here's the headline. It's working. It's clearly working across our coffeehouses, the energy, the excitement that I see and feel and how it shows up in the results.

You saw first quarter, terrific progress. The journey's not over with, but it's showing up in the right way. And for us, winning across all dayparts, particularly in the morning, is the most important piece. And I'll talk about that a little bit more.

Before I get going and begin, I wanted to acknowledge our green apron partners here today. There's -- they served you coffee in the morning, had your special beverage, which is no small feat, but we have some of the best from our New York region joining us here today. And they represent 400,000 green apron partners around the world, so please give them a round of applause.

You know, at -- as I joined Starbucks, certainly was a customer for a long time, traveling in hotels, every which way that I could access Starbucks. But, you know, I thought it'd be important to share just a couple of -- there's a lot of advantages with the Starbucks brand, but two very -- the most powerful ones, I think, that lend me the optimism and confidence that this brand is going to go bigger places.

First, partners are the heart of Starbucks, and they are our competitive advantage. We have the best team. Our commitment is to make sure working at Starbucks is the best job in retail. And we have the lowest turnover. It's about half of the industry average, which is pretty significant. And there's a clear reason. I've been in the retail QSR space for 30 years, and I can tell you nobody offers the competitive pay, the comprehensive benefits we offer.

It's simply unmatched; college degree with 100% tuition paid upfront, comprehensive healthcare, company equity, 18 weeks of family leave, and there's so much more. All of these benefits that are available are available for working just part-time, 20 hours a week. And we work really hard to make sure that our partners get that 20 hours, because having great partners and low turnover is that competitive advantage, and it shows up day after day. When our partners are set up to deliver the experience to millions of customers, Starbucks grows.

Another early observation is the morning peak. And as an operator, you love the morning peak of what Starbucks has. We do more business -- during our busiest hour in the U.S. alone, we serve more customers than our competitors serve, some of our competitors, in an entire day. By 9:30AM, we've pulled enough espresso shots to caffeinate all of Manhattan. Our scale is a privilege. It is also a responsibility.

When I joined over a year ago, we took an honest look at how we were operating. And what I saw was far too many competing priorities, too much centralized decision-making from Seattle, a focus on efficiency over experience, and the throughput wasn't keeping pace with demand. And our mobile orders created chaos instead of convenience. The brand was strong, the customers were there, but we didn't have the operating model built to serve it.

So, we reset our foundation. We reset it to build a durable, repeatable engine that can perform at a high standard day after day. We approached this by putting the customer back at the center of every decision, bringing decisions closer to where the work actually happens in our coffeehouses, listening deeply and responding quickly. And instead of designing for partners, we began to design with them.

So, that's why we created our Starting Five program, where we test new ideas in five locations with great coffeehouse leaders to learn in real operating conditions and adjust, learn, and scale only what works. One of these early ideas became our service standard and our operating model, Green Apron Service. It's how we're improving the customer experience and specifically throughput.

Green Apron Service began as a Starting Five pilot in Chicago in May of last year. We expanded to 650 coffeehouses. We listened, we learned before finally launching in August. We previously shared we're investing $500 million to ensure we have the right number of partners in the right place at the right time of day. This shows up a lot of different ways.

Specifically at peak, it may be an additional partner taking orders at the register, an extra set of hands crafting beverages, a partner supporting a smooth handoff at the handoff plane, and standardized operating hours across the U.S. As part of the rollout, we also deployed Smart Queue, where we intelligently sequence orders across café, mobile, drive-thru, and delivery. And over time, it's only going to get better, smarter.

Because Green Apron Service was built with partners, the adoption has been incredibly fast. And the results are powerful. Those same 650 pilot stores -- pilot locations continue to outperform our broader portfolio in transaction growth by 2 points. That tells me there's more runway. On average in the first quarter, we achieved less than four minute service time in café and drive-thru during peak across the portfolio -- and mobile orders were accurate and on time.

We said we would bring order to mobile order, and we've done that. We said we'd win the morning again, and we're winning again. We're setting up our partners for success with Green Apron Service because great execution creates better experiences, which drive repeat visits and it fuels growth.

Now, we reset the foundation. We've established the operating model. We're building on that foundation to unlock more additional growth. We're shifting away from the previous one-size-fits-all solutions and implementing hybrid solutions that reflect the unique needs of our coffeehouses.

First, let me talk about how we plan to further scale throughput. Take espresso. It's our most popular beverage platform and modifier. It's also our most time intensive. Last year, customers enjoyed more than one billion espresso shots, one billion. It takes a partner 70 seconds to pull four shots using our current Mastrena 2. Behind me is our new proprietary Mastrena 3.

It's not just beautiful or bold, it's fast and it delivers espresso shots at a higher quality. Our goal is to begin rolling it out in 2027. And when we do, it will cut that 70 seconds in half and double the capacity. That means, theoretically, we could caffeinate not just Manhattan; we could add the Bronx.

That kind of throughput is durable competitive advantage, and we're just getting started. Later this year, based on familiar technology, we plan to introduce a new solution that pulls espresso shots for cold beverages at our coffeehouses with the highest demand, freeing capacity where it matters most.

We're also leveraging technology as a force multiplier, working back -- working in the background to simplify some of the hardest tasks inside the coffeehouse. Starting later this year, we're going to modernize our point-of-sale. Smart logic anticipates a customer's order and improves speed of service. Our generative AI coffee companion, Green Dot Assist, surfaces information to partners. Everything flows seamlessly behind the bar, saving partners time.

And imagine how the power of AI can help us save countless hours with schedules, balancing partner preferred hours, better forecasting peak demand, and even the weather forecast. We're also transforming our broader supply chain. The spirit here is AI ready platforms with the goal of getting to 90% of our U.S. coffeehouses receiving daily replenishment.

In addition to equipment and technology, culture is one of our strongest drivers. To support our coffeehouses, we're focused on leadership stability and development, minimizing the unnecessary moves with the expectation that coffeehouse leaders stay in the same location for three years, evolving our assistant manager role to be a coffeehouse coach where they learn the skills to become a coffeehouse leader, and creating structured development pathways to prepare those leaders before they're even needed with a commitment to promote 90% of retail leadership roles to support our coffeehouse growth.

Stable leadership builds adaptable, confident teams. That improves customer experience and it drives growth. We see it in our own data. Our coffeehouse leaders who remain in their coffeehouse longer than two years outperform their peers in transaction growth and customer sentiment. That is how culture drives our performance.

We make our impact today at Starbucks not from behind a desk but from a coffeehouse. We reinforce our culture with hands-on coaching, including the executive team, who are trained to do coffeehouse walks, green aprons on, shoulder-to-shoulder, observing the key moments, connecting with customers. We spend time in locations where we aren't winning. And we use recognition as fuel to celebrate excellence publicly and often, from daily shout outs like the Golden Apron, which recognizes those that go above and beyond.

You know, one of the hardest things in this business and operating on our scale is managing performance. We found our solution. You ready? Start typing. Measure what matters most. Before joining Starbucks, I visited a coffeehouse in Michigan, and I asked the leader, Christine , how do you know if your coffeehouse is successful?

She had her iPad out, fumbling around a little bit. She said we've got a store health pyramid, dozens of metrics, many outside our control and none of it tied to sales. Probably important metrics for somewhere in the organization, but not inside a coffeehouse. That's exactly what the Grow program was designed to change.

Our key performance indicators are customer experience, the peak, partner scheduling, product availability, and health and safety, five simple measures all within the control of the coffeehouse leader. Each location earns between one and five shots. More shots are linked to stronger sales growth. In the first quarter, five shot coffeehouses delivered three times the same store comp of our broader portfolio.

But even more powerful is the impact on our culture. Every Tuesday at 11:30AM, 14,000 retail leaders across the U.S. access their Grow results. It's become a catalyst for change. Everyone wants to come in first. Through the first quarter, percentage of coffeehouses with four or more shots has nearly doubled, up to 40%. I hear it all the time. We're a quad shot coffeehouse. Let's go for five. That's ownership. That's accountability. That's the culture that's changing.

Every time I walk into one of our coffeehouses, I'm reminded one of the greatest advantage is the way our channels work together as one Starbucks. Sometimes I hear people ask, why does Starbucks believe in the third place? Why does Starbucks still believe it needs to have a café? The answer's simple. And it's not just because the café, the third place is the soul of our brand, or because every time we put chairs in cafés fill up. It's because the data shows that our ecosystem of access points reinforce each other.

Customers don't visit Starbucks for a single moment. They're across us for many; the café for connection, mobile for personalization, drive-thru on the go, and delivery for convenience, different occasions that reinforce one another. Because when you're part of a customer's daily rhythm, every channel makes the other better.

That's not a lane. That's an ecosystem. Connection and convenience are not trade-offs at Starbucks. We deliver both; speed and service, humanity and efficiency. Our cafés create the halo. They are the memory and they are the magnet. When we offer the full Starbucks experience, customers don't -- competitors do not move the needle, so we're leaning in.

Across our coffeehouses, we're shifting away from the disruptive million dollar remodels that take us offline. Instead, we're doing targeted coffeehouse Uplifts that add more seats, layering in the third place touches customers have grown to love and told us that they've missed. These uplifts cost roughly $150,000, are completed mostly overnight, and they keep our coffeehouses open.

We've completed about 200 already. I expect to surpass 1,000 by fiscal 2026 and finish the program in 2028. Check out some of these photos behind me. The vibe is back. It's early and our sample size is still small, but we're encouraged by what we see from customer feedback, partner feedback, and of course in sales. Our cafés are full, and the soul of Starbucks is back.

In parallel, we're building the next generation coffeehouse, a glimpse of which you can see later on over in the room next door; smaller where it should be, more productive for partners, flexible enough to meet the different dayparts and community needs, lower build and operating cost, yet unmistakably Starbucks. Same warmth, same familiarity, same welcome.

And even with our scale, the U.S. coffeehouse opportunity for Starbucks is big and broad. By fiscal 2028, we expect to ramp up to build 400 net new coffeehouses across our U.S. company-operated business. And we're going to do with discipline and pace. Today we see up to 5,000 new coffeehouse opportunities, which will ensure we maintain and grow our market share, particularly in the central U.S., the South, and parts of the Northeast. As we unlock the afternoon daypart and our AUVs grow, that number should double.

Our licensed business extends our reach even further, with licensed locations in hospitals, hotels, business campus, places where customers already are and where Starbucks remains part of their daily rhythm. We plan to support our high-traffic locations like airports differently in the future, with technology that offers more ways to order Starbucks, but you get the same Starbucks experience and handoff.

So, why will we continue to win? Because we're not a single channel brand. It's not us. We're not just fast. We're not just chasing deals. We're not a -- we are a relationship that customers value built on human connection, powered by digital, and anchored in the third place.

Each year, more than a million people raise their hand and say I want to work at Starbucks. And every year, we seek to choose the best, the ones who are passionate about coffee, driven by the belief that a small moment can make someone's day. You see it when a partner remembers your name, crafts a beverage just the way you like it, or offers a genuine smile that just makes you feel seen. That is the work of human connection and what our partners love most about Starbucks.

With Green Apron Service, we've given our partners what they need to deliver the craft and connection that define our brand. As we move back to – we move from Back to Starbucks to the best of Starbucks, there is a green wave building. So, when you walk into one of our coffeehouses and you notice our door is now opening at 5:00 AM, partners with their heads up, leaders present on the floor, seats that invite you to stay, a morning rush that moves with purpose, equipment and technology working quietly behind-the-scenes, and that unmistakable personal touch, know this. It is all intentional.

Growth doesn't require us to become something new. It requires us to be exceptionally good at what we already are. Our coffeehouses are ready. Our system is ready. Our partners are ready. And we cannot wait to welcome you back. Thank you.

*[Begin Video]*

*[End Video]*

*[Music]*

**Speaker**
Please welcome chief executive officer of Starbucks International Brady Brewer.

**Brady Brewer**
Thank you, everyone. Welcome back. I hope you had a little energizing beverage while you were on break and feel energized from the presentations this morning. You know as someone who has worked at Starbucks for nearly 25 years, people ask me why I have stayed at Starbucks for 25 years, which is nearly a quarter of a century. And after leadership roles around the world and the experiences I've had, the answer is straightforward.

I've been here for a quarter of a century because of the seductive feeling of this relentless pursuit of excellence and growth and high performance no matter the challenge and doing so in creating genuine moments of connection between people over coffee. Those moments of connection between our customers and our partners are truly the secret to our success in every market where we operate, and I see it all the time.

Truly, what I've consistently seen around the world is that the desire for human connection is universal and coffee, one of the most widely shared rituals on the planet, plays a powerful role in bringing people together across cultures.

Now the good news is that coffee not only connects people, but it is also a growing category globally. Global away-from-home coffee sales grew nearly 8% year-over-year with some markets above 9%. And with Starbucks as the world's leading global coffee brand, we are uniquely positioned to benefit from that growth.

So take China for example, where the average person consumes just three cups of coffee per year. That is just a fraction of the 85 in Japan, 189 in Korea, or 100x, 300 cups per year, per person in the US. So as coffee adoption accelerates in China and emerging markets everywhere, Starbucks is truly poised to meet that demand with beautiful coffeehouses that serve the world's finest coffee.

Now, we see a meaningful runway for growth not only through our coffeehouse expansion outside the US, but also our growing sales within our existing portfolio today. Today, our international coffeehouses generate about half the average unit volumes of our North America business, and our world-class Operators are prepared to capture the significant upside as these markets mature. You've heard us say, but I truly believe our strongest growth is ahead of us.

Consistent, durable comp growth is one way we're demonstrating that potential. Our international business returned to positive transaction growth in fiscal 2025, as you've seen, and we shared yesterday that we accelerated to 5% comp growth in Q1. This is driven by the same focus on a great coffeehouse experience, menu innovation, and digital leadership that's propelling the business globally. Simply put, the momentum is building and honestly, we've only just begun to unlock the full potential of Starbucks around the world.

Now, I want to show you a picture. It would be easy to think this is a TSA line, but it's not. This isn't even in an airport. This is a store opening a few months ago in Ecuador. Starbucks is already the leading premium coffee brand globally. We hold the number one position in away-from-home coffee in visitation share. Or, said another way, in nearly all of our top 10 markets, more customers choose Starbucks as their first choice over any competitor.

And in China, Japan, and Korea, our three largest international markets, our brand measurement consistently shows that Starbucks is the most loved brand. So why does that matter? Because when you combine rising global demand for coffee with our expanding coffeehouse footprint, and then you add in the strength of customer love for Starbucks and momentum of our Back to Starbucks Plan, the result is a powerful, strategic advantage.

And we're building on that advantage with urgency. We're expanding access to the green Siren for as many consumers around the world as possible, as quickly as possible. And the role of our international business in doing so is very clear. Our international business is an asset-light growth driver for Starbucks that increases Starbucks' margins.

Our strategy is straightforward: deliver a premium global and consistent, locally relevant experience. To leverage our expanding scale, to create efficiencies, and partner with world-class operators locally that we license Starbucks to, who operate Starbucks and the brand and help fuel new coffeehouse development. Our international growth engine is designed to scale and localize our Back to Starbucks plan for consistent, profitable expansion around the globe.

Now, there are four dimensions that I want to talk about to paint the picture of our international growth opportunity, so I'll set the stage with a reminder of international's existing scale within the Starbucks business, and then I'll follow with snapshots about our current growth momentum, growing margins, and then our expansion plans.

So first, I'd like to ground us in some numbers about our scale. Our international business today has more than 22,000 coffeehouses spanning 88 markets outside the US and Canada. In fiscal 2025, international made up roughly one third of global system sales and generated 20% of total company revenue. Approximately 40% of that revenue came from China. Our International Segment delivered more than a billion dollars in operating income in 2025, representing a 13% operating margin and soon we expect those margins to increase to the high teens. More on that in a minute.

Second, let's cover our current growth momentum. So if you see this chart behind me, our international business delivered 8% revenue growth in fiscal 2023. Revenue then declined by 2% in fiscal 2024, but now 7% growth in fiscal 2025 accelerating to double digits in Q1. Now, these numbers include China, which has returned to growth for several consecutive quarters.

In fiscal 2024, we hit some headwinds, but we course corrected. Those were not structural issues. In fact, it just proved again that Starbucks is agile. We learn and Back to Starbucks strategy is working around the world. During our earnings call yesterday, you heard that Q1 sales comp grew in 9 of our top 10 largest international markets, which just again underscores the strength and resilience of the Starbucks brand globally.

Now back to the margins point, I'd like to talk about how we're growing our margins. So this past fall we announced our joint venture in China with Boyu as our strategic partner. This partnership helps us capture the full potential of the market and will accelerate coffeehouse expansion in the region. Now, this growth that you're seeing from China comes from our established presence in tier one and tier two cities. And we'll see tier three and tier five cities growing where we have very high brand awareness and where there is plenty of opportunity for a premium brand like Starbucks to grow.

Our brand and our business are strong in China and we're excited to build on the momentum we're already seeing, and this has been fueled by a few things. You're seeing successful menu innovation. Hopefully you had a chance to see some of them out there. Successful marketing campaigns. Profitable growth across both physical and digital channels and continued expansion of our customer base in China.

Through our joint venture with Boyu, we're shifting our 8,000 coffeehouses from a company-operated model to a licensed model, and that will shift our international mix of coffeehouses from roughly 55 percent licensed to 90 percent licensed, underscoring the point that we are an asset-light, higher margin operating model.

So what does this mean for you as investors? Let's go through the before and after. In fiscal 2025, our international segment generated approximately $8 billion in total revenue with operating margins of 13%. And with our joint venture, here's the proforma view. Our International revenue will be approximately $5 billion. Yes, that's a little bit lower because Starbucks China is moving to a licensed model, but it yields a structural change in overall international segment reporting -- operating margin, which we expect to climb to the high teens. And that shift in margin is not something that's delayed. It's immediate once our ownership structure shifts in the spring.

So looking past the next year, we anticipate margins will continue to rise and the bulk of new coffeehouse expansion will occur in licensed markets, which generally have a more favorable margin profile. And with that continued portfolio growth, we believe our international operating margin could exceed 20% by fiscal 2028. Our partnership with Boyu shifts our international segment to a higher margin business model overnight. And at the same time, by retaining a 40% stake in China, we'll continue to benefit from future growth along with better returns on invested capital. We drive both growth and brand expansion with superior financial performance by leveraging the right local partner and a more asset-light model.

Now, switching to store growth, our growth plan extends beyond China, so let's take a closer look at how we're expanding access to Starbucks by increasing our coffeehouse presence across all markets. We see a significant long-term opportunity to double our international coffeehouse footprint, approaching 40,000 stores outside the US. The world wants more Starbucks and we're ready to meet them and their demand in our current coffeehouses and with that new coffeehouse development.

As we've shared, China remains a major driver with the potential to reach 15,000 to 20,000 coffeehouses up from 8,000 today. And beyond China, we also have a robust development pipeline across all regions including Asia Pacific, Latin America, Europe, and the Middle East. In fact, over the past two years -- three years alone, our International business outside of China has grown by more than 2,000 coffeehouses with markets like India, Mexico, and South Korea expanding anywhere from 20 percent to 60 percent and there is more opportunity ahead of us.

Looking out to the next few years, we expect international to grow new coffeehouses at double the rate of North America. Growth will be moderate through 2026, but it will then accelerate thereafter. Our strategic focus is on expanding large-scale markets with strong coffeehouse economics, and 90% of that growth we expect will come from our current licensing partners who are truly world-class operators. In our current model, we're fortunate to partner with nearly 30 licensees across our international markets many of them who've been with us for 20 years or more. They're well-capitalized and ready for meaningful expansion over the long term.

We're using Starbucks global scale to make it more efficient for our business partners to open and operate coffeehouses around the world. That reinforces what Starbucks has always been: a compelling investment and a trusted brand for our licensees.

Now, so far I've talked about our coffeehouses and global footprint. Yet as we accelerate our growth around the world, we're also broadening ways that customers can experience Starbucks beyond our coffeehouses. We also have world-class business partners who form the backbone of our asset-light global Channel Development model for our ready-to-drink and packaged coffee and food service businesses. This segment extends the reach of the Starbucks brand and products into homes, into offices, grocery stores, convenience stores, and beyond. And get this, we serve 300 million Starbucks occasions per week around the world through this part of our business.

In fiscal 2025, our Channel Development Segment delivered nearly $900 million in operating income with operating margins above 40%. Our channel business is getting Starbucks coffee into more hands around the world and represents a meaningful opportunity for margin-accretive growth.

Let's now look at the global Starbucks experience. For customers who visit our Starbucks coffeehouses around the world, what differentiates Starbucks is our globally consistent, locally relevant brand, and our customers know when they visit a coffeehouse, whether that's in Mexico or Japan or the US, they're going to find unwavering coffee quality, the highest customer service, and a third place experience that is warm and welcoming and offers a locally relevant menu and innovation. And that's why you'll find the Ajolito Acai Frappuccino in Mexico or Sakura beverages in Japan, all served by a partner smiling and in a green apron. And as you heard from Tressie, our global brand -- with that global brand, we’re able to share successes and leverage successes around the world from one region to another, like the Bearista that started in Korea and exploded here in the US, or pumpkin spice which started in the US and is now in more than 80 markets around the world, including China.

This international exchange of ideas extends beyond product innovation. For example, we're currently rolling out Green Apron Service like you heard about from Mike, and we're doing that around the world. And in places where we've implemented Green Apron Service as a consistent global standard, we've seen a positive impact on comp. Different markets, locally relevant offerings, and familiar experience.

Our global brand has a presence in 90 markets globally, each of which serves as a learning lab to innovate and learn and scale things that work across markets. That is yet another strategic advantage that Starbucks has. Plus, our scale and our diverse portfolio also contributes to business resilience that proves itself time and time again. No matter the market dynamic in one area of the world, our diversified portfolio and the presence provides opportunities elsewhere. It reduces dependency on any single international market while providing growth opportunities in emerging markets around the globe.

Now, before I turn it over to Cathy, let me leave you with the key takeaways. One, we have a leading brand, a trusted brand, and a resilient brand in the global growing coffee category. And we're leveraging our strategic advantage to accelerate the global business. Starbucks is both the first choice for away-from-home coffee and continues to lead in brand affinity across our international markets. We're widening our growth potential by reaching into new, at-home, and on-the-go coffee occasions globally through our global Channel Development business.

Starbucks International is an asset-light growth driver for the company. This structure increasingly expands our margins because we're growing coffeehouses faster than our North America business, and our international business will continue to increase profitability, adding value to our company and to our shareholders. We've positioned ourselves squarely in the premium and mass premium segments where the opportunities are emerging and significant.

Our strategy is straightforward: drive demand. We know how to do that. Use our growing scale to gain cost efficiencies. We're doing that. Support our licensing partnerships to open profitable new coffee houses. We're delivering that. And accelerate growth. We are on our way. International is a value creator for Starbucks. We're scaling rapidly and we are positioned for sustained growth. The opportunity is there and we are ready for it. Thank you.

*[Begin Video]*

*[End Video]*

**Speaker**
Please welcome chief financial officer Cathy Smith.

**Cathy Smith**
Good morning. I'm so energized to be here with you. Before I start though, I have to say, some of you caught me at the break and said thank you for Brian giving the fiscal 2028 guidance ahead of time and not making us wait for three hours. So we listen.

Today, you've heard compelling updates about how we're executing our Back to Starbucks plan. Now I want to show you how these initiatives together work to drive sustainable, profitable growth that creates real long-term value for our shareholders. Even as our businesses face challenges, we have enduring strengths that we're building on. Our brand is iconic, recognized and trusted by consumers around the world.

We are the undisputed leader in a growing category, sourcing the world's finest Arabic coffee. We operate at truly global scale. Our business is diversified across not just geographies, but ownership structures. And we maintain a strong balance sheet with an investment grade rating.

This gives us the flexibility to invest where needed while still being fiscally responsible. Our Green Apron partners are our greatest advantage. Their daily interactions with our customers define our brand. And when their exceptional service is replicated at scale, it delivers meaningful, measurable growth.

These enduring strengths are what drew me to Starbucks, and they're the foundations on which Back to Starbucks is built and why we know it's the right plan. Getting Back to Starbucks means returning to stronger financial performance that delivers lasting value for our customers, our partners, and our shareholders. Today I want to share our financial commitment to our shareholders. This is how we'll run the business and why we are confident we will deliver long-term shareholder value.

First, consistent, reliable, same-store sales growth year after year. Second, disciplined coffeehouse expansion both in the US and across the globe. Third, steady margin expansion, resulting in operating income growth that outpaces revenue growth. And finally, prudent capital allocation so we can invest where it matters most. Delivering this commitment consistently requires the right strategy and the right leadership team.

We have both. Back to Starbucks is our strategy. You heard today about the work that's been done to reset the foundations on which our growth will be built. That includes investing in over $500 million of additional coffeehouse labor, investing in coffeehouse uplifts at $150,000 per store, investing in broad-reach brand marketing, continuing to invest in partner benefits, identifying Boyu as our strategic partner in China, significantly streamlining our non-retail organization to create run-rate G&A savings, closing underperforming coffeehouses, overhauling our procurement function, and outsourcing some transactional tasks.

Our plan is working and the turnaround is taking hold. As we look at our Q1 results, we're seeing what we want in our comps and we're making the investments we need to sustain our momentum through this year and beyond.

Earlier in my career, I walked the floor with a seasoned operator about one Friday every month. He was one of the best in the business and he carried this simple little black and white card that read “Sales aren't the most important thing, but they're right up there with oxygen.” I like that adage because it reminds you what matters most. We're rebuilding the top line with balance, of course, just as we said we would, and we're confident that profitability will follow.

On yesterday's earnings call, we laid out our fiscal 2026 guidance. For the year, we expect global comparable sales to grow 3% or better, underpinned by a 3% or better sales comp in our US company-operated business. Our consolidated net revenues will be in-line with our comp growth this year, reflecting a ramping new store pipeline, as well as our portfolio reshaping that we did at the end of fiscal 2025.

We expect consolidated operating margins to improve slightly year-over-year with improvement beginning in the back half as we lap our Green Apron Service investments. And our EPS guidance of $2.15 to $2.40 balances sustainable growth while funding the investments that drive our long-term value.

We have strong momentum and we're testing and learning at speed. We now have a clearer line of sight to the opportunities ahead and what it's going to take to realize them. So that's why I'm going to provide you with the longer-term guidance for fiscal 2028. Our outlook assumes status quo for our China business. In fiscal 2028, we expect net revenue growth of 5% or more. This includes 3% or better for global and US comps and new store revenue contribution building to 2% to 3% by fiscal 2028.

Starting in fiscal 2027, earnings will outpace revenue, resulting in fiscal 2028 operating margins of 13.5% to 15% and earnings per share of $3.35 to $4. When China moves to a JV structure as contemplated, then the fiscal 2028 EPS would be approximately $0.15 less.

Let me share the components of our framework in more detail. Our comparable sales drivers span both transactions and ticket providing balanced growth. We own the morning and we're building -- we're working to build the afternoon. And our playbook to drive demand is extensive from Green Apron Service to our menu innovation pipeline to our new Starbucks Rewards platform, new digital experiences, and to unlocking throughput and incremental capacity. These comp drivers coupled with new store growth position us for sustained top line performance.

We expect new stores to ramp through fiscal 2026 and 2027 and to contribute approximately 2 to 3 points of growth to consolidated net revenues by fiscal 2028. Our coffeehouse development strategy and new store pipeline is built around two key principles. First, coffeehouse design that aims to reduce average build costs by approximately 20%.

We're optimizing our coffeehouse footprint to make every square foot count from back of house optimization to lobby innovation. I'm actually excited about what you guys are going to see in there. There's a great ristretto setup and it's going to demonstrate exactly that. Second, we're going to focus our new builds on our omnichannel model. That provides our customers four distinct coffeehouse access points, café, drive-thru, Mobile Order and Pay and delivery.

We found that this model outperforms single channel formats, so we will focus on what works best for our customers. As we rebuild a strong new store pipeline, we believe this approach will allow us to deliver new stores yielding a three-year cash on cash payback in the coming years. All in, our expectations for global net new growth, including both company-operated and licensed, accelerates from 600 to 650 in fiscal 2026 to over 2,000 in fiscal 2028 with our international business outpacing North America, as Brady just mentioned. This means in fiscal 2028 we expect our US company-operated business to ramp to approximately 400 net new coffeehouses and our US licensed business to build to 150 to 200 net new coffeehouses.

Finally, we expect international net new openings will be at least 1,500 stores in fiscal 2028, far outpacing North America. Shifting to margin, our consolidated operating margin framework shows the bridge from where we are to where we expect to be in fiscal 2028. Building on this philosophy, we expect to achieve our 2028 operating margin guidance of 13.5 to 15% through a combination of drivers.

First is sales leverage. This is the foundation of our long -- longer term margin expansion. We also expect additional contribution from cost savings opportunities we've identified across the P&L. And finally, we expect some targeted pricing, mostly to offset inflation. As we think about the build to margin expansion beyond 2026, we expect the improvement to come from equal parts sales leverage and cost savings.

Within costs, we expect half of our savings to come from product and distribution costs and the other half to come from OpEx. All of this is underpinned by a broader discipline across the organization, allocating our spend towards our top priorities and leveraging technology where we can to drive efficiencies.

I want to talk more about the cost savings opportunities across the P&L. We're leveraging our size and scale to create efficiencies and achieve meaningful cost savings. But we will always do it in a way that maintains our highest standards of quality, supporting our premium brand positioning. In fact, our current pipeline is comprised of over 90 initiatives in various stage gates on which our category pods are actively working.

Starting with product and distribution cost optimization, this isn't just about renegotiating supplier contracts. We're rebuilding foundational sourcing and procurement processes, we're innovating in how and where we source ingredients, and we're eliminating sole source situations.

Second, in OpEx and depreciation savings, they're going to come from across various parts of the organization. As discussed, we're reducing store build costs, and we're using scale to reduce complexity and streamline processes like store equipment and maintenance. Every efficiency compounds at scale and they reduce upfront costs while lowering ongoing occupancy and operating expenses over time.

Finally, in G&A, our primary savings stem from the recent reorganization of our non-retail team, most of which will be realized in fiscal 2026. Moving forward, we will offset annual inflation pressures with technology-driven productivity efficiencies where practical. And as a result, we expect G&A expenses to grow more slowly than consolidated sales.

While these efforts are concentrated in our North America P&L, we're also applying some of these learnings in our markets around the world. I want to be clear, though. Our savings agenda is not about broad cost-cutting. It's about disciplined management of costs and allocating where they should be funded most, which is against our strategic investments. We are optimizing our business and cost structure to drive margin expansion while investing in what matters most. In addition, we expect our China JV structure to be accretive to consolidated operating margins by about 40 basis points on an annualized basis when compared to our 2025 base.

Now let's move to capital allocation. We approach capital allocation with discipline, focusing our investments on proven growth drivers and initiatives that generate lasting returns. Our philosophy reflects a disciplined balance across three priorities: strategically investing in the business, maintaining a competitive dividend, and returning cash to our shareholders supported by our investment grade profile.

Our top priority is investing in our Back to Starbucks initiatives that fuel that profitable growth. We expect our CAPEX to be at a rate of about 5% on a consolidated net revenue basis over the next several years. We will balance these growth investments with dividend stability. We have delivered more than 15 consecutive years of dividend increases and plan to grow into our payout target ratio over time with measured increases until we reach approximately 50%.

Finally, we intend to maintain our BBB+/Baa1 rating. We interpret this rating as approximately a three times leverage target and will prioritize delevering our balance sheet over share repurchases in the near term. This approach ensures we are funding growth while delivering shareholder value and preserving our investment grade profile. At this point in our turnaround, we want to focus our formal guidance on the three-year period ending in fiscal 2028. I want to be clear, fiscal 2028 isn't -- is just a mile post. It isn't the destination.

While we are moving fast, some of our work, for example, in supply chain and in store development, is going to take some time and will only begin to contribute fully several years out. Across every presentation today, I heard two things repeatedly: growth and opportunity. Few businesses have the enduring strengths that we do and few have the opportunities ahead of us.

While we have more work to do to strengthen our operating foundation, we have a clear plan and we've made a lot of progress. The work underway isn't incremental. It's transformational. The financial framework we shared today shows how we will translate our Back to Starbucks strategy into sustainable, profitable growth and, in turn, compelling shareholder returns.

Every element is in our control. We're not relying on external factors or favorable market conditions. This is fundamentally about executing on our core competencies with discipline and speed. For most of our history, Starbucks delivered exceptional shareholder returns and we are determined to create meaningful value again. This is our commitment to you and to every current and future shareholder. Now, let me welcome Brian back to the stage and he's going to share some closing thoughts.

**Brian Niccol**
All right. I was a little surprised by your music choice there, Cathy, but I like it. I like it a lot. Look, thank you for everybody hanging with us all day listening to us share where Starbucks is headed. I got to tell you, I am really proud of this team and where the brand stands today and the plan that we've created together and where we're headed going forward.

If you just look at the past 18 months, we really have built a disciplined plan. I think you've heard me say this before. We built the plan, we're working the plan, and I'm happy to say the plan is working. And obviously, we're seeing the results that tell you just that.

So I want to leave you today with what we truly mean by the Best of Starbucks and how that guides our long-term vision for the company. It's a customer experience that, frankly, stays with you because it sets the standard for what great feels like, an experience that's so defining that others, frankly, use it as a benchmark. A coffeehouse in every community that's warm and welcoming, comfortable and alive with great seats, thoughtful design, and the absolute right vibe. Where you feel you are seen by our partners who bring the third place to life, where you're greeted by name, and every order is customized to your taste and delivered to you by hand.

A brand that feels relevant and new, a menu that's on trend with personalized options to help you start your morning and to give you a boost in the afternoon. An app that knows what you like and makes ordering seamless and a Rewards program that feels made exactly for you. Where your drink is ready on time, every time because innovative tech is running behind the scenes to support our partners.

And where you can tell your barista loves what they do because they have opportunities to grow, develop, and build a future with Starbucks. And where your handcrafted drink is paired with the same great service, whether you sit and stay, stop by our drive-thru, get a mobile order to go, or frankly get it delivered right to your home. And for those moments that you can't visit a Starbucks, our range of packaged and ready-to-drink products are never more than an arm's reach away.

And finally, where a Siren in your hand gives you a sense of pride. Knowing that what's in your cup contributes positively to your community, and where every visit to a Starbucks creates real value for yourself and others. This is our vision for the future of Starbucks.

This reflects the best of who we are and what we can be. And based on my experience and the momentum I see, I believe we are well on our way. So Back to Starbucks is the strategic currency of our turnaround. And it is working and our work is ahead of schedule. Comps and transactions across our key markets are growing.

Visitation share in the US has grown. Brand trust, affinity is growing. Customer connection scores are in the right place and, frankly, are at record highs. Our innovation pipeline is full of breakthrough menu items. And frankly, the shine is back on Starbucks here in the United States and around the world.

So I'm confident that this is just the beginning for Starbucks and our iconic brand. We're building a business that delivers the best of Starbucks for every customer, every partner, and every shareholder. And we're positioning Starbucks for unrivaled success, global growth, and frankly, profitability for many years to come. So thank you. And if I can ask you to remember one thing, the shine is back. All right, we're going to move to Q&A now, okay?

**Speaker**
Please welcome back vice president Investor Relations, Catherine Park.

**Catherine Park**
We will now start our Q&A session. Let's invite our speakers back on stage. Okay, great. Thank you. We have Maggie and Betsy helping us today with the mics in the back. Please raise your hand to ask a question and they will bring it over to you.

We ask that you please limit yourself to one question at a time so that we can accommodate as many questions as possible, and we'll come back for follow-ups as time allows. We will now take the first -- I'll begin and Brian can take over. I'll step off stage. We can take the first question from Lauren up here.

**Lauren Silberman**
Hi, Lauren Silberman. So I guess one, I just want to confirm the $0.15 would be -- is what's not included in the current guide for EPS. And then, it's a fairly wide range on EPS, so can you just talk about what's contemplated in the guide and if you hit the 3% plus comps, can you get to the high-end? Is there enough margin lever there? Thank you.

**Brian Niccol**
Yeah, so to answer your question on the guide, obviously, I think what we tried to demonstrate is it requires both the sales performance and the cost discipline. But obviously, the sales performance, we hit that. We believe we've got the plans in place where we get the cost side of things. So that's how you end up getting to the high side of the guidance. And then on your China question --

**Cathy Smith**
-- Yeah, I'm happy to take that one. Thanks. Good morning. So I know we have calls with many of the sales side after this event today, so I'm happy to go even deeper into China. I know that many of you have questions about it. The $0.15 comment was to say, if we move to a JV as contemplated, our guide currently doesn't include the fact that we would be in a JV structure for China in 2028. So therefore, we anticipate that it'd be about $0.15, dilution or reduction.

However, I do want to say that's with our current plans for the China market. We fully expect with our new partner that, actually, we would see higher growth in China than what we would currently, I think we have a little bit more modest expectation. And so I would think that we would be able to offset some of that into the future, but we don't want to get ahead of ourselves. We have a new partner there and let's put those growth plans in place.

**Brian Niccol**
Now we can come over here.

**Sharon Zackfia**
So I guess I'm going to stay on --- Sharon Zackfia with William Blair. I was hoping you could talk about the embedded North American margin for 2028. And structurally, do you think there's an opportunity to get the entire business back to a 17%, 18% operating margin and would that just be sales leverage or do you think that's the combination of sales and continued savings over time? Thank you.

**Brian Niccol**
Yeah. So obviously for 2028, it's a similar story where delivering the sales comp consistently gets us to the high side of our margin guide. And then, obviously, we're going to have the cost discipline in it. And then as you go beyond 2028, we fully believe we have the ability to earn back to where we were back in 2019, which is those 17%, 18% margins you're referencing.

So that's what we're trying to say is, 2028 is really just a journey to where we think we ultimately can get to. The thing that is required though is you've got to continue to have the comp performance. And then we're going to always have some cost discipline in place.

Between now and 2028 is where we've got, I think, the clarity on the projects on the cost side. And I think the clarity, hopefully you saw up there on how we're going to drive the top line as well. So we're feeling really good about our ability to get back to those margins you mentioned, the 17%, 18% as we get further into the turnaround. Right up here, I think that's David.

**David Tarantino**
Thank you. David Tarantino from Baird. So I wanted to ask just kind of philosophically how you're thinking about growth for the business. So 2028, you mentioned is just a point in time. And I'm curious specifically on the unit growth side, you mentioned 400 a year in North, or I guess US.

What's your thought on how that number can change as you move beyond fiscal 2028 and what contribution do you think you can get from unit growth as you get full speed in your plan?

**Brian Niccol**
Yeah. So, you know, look, one of the things that I think is really exciting on the new unit side of things is, one, we've got a new building that's got lower cost. I think it will be more efficient from a dollars per square foot standpoint. And then what gets me really excited about this is we now have a small format where I can put all access modes in every time we're pretty much building Starbucks. You know, there'll be these exceptions where maybe you do not have all the access modes. There'll still be these urban settings where you won't have a drive-thru.

But nonetheless, it presents a huge opportunity for us as you look around the United States. And one of the things that gets me even more excited within the 5,000 that we're talking about that we have line of sight on right now, is the fact there's like 1,000 sites out there where there are competitors where we don't have Starbucks within a mile of them. So, you know, the ability for us to say that there's coffee demand out there that exceeds where we are today is -- it's crystal clear.

And then, when you start adding in the additional average unit volume that I think we're going to grow with the innovation, combined with Rewards, digital, afternoon daypart, you know, you can quickly see how the 5,000 sites that we have line of sight on become many more thousand than that.

The other key piece in this is in order for us to go faster than 400 a year is developing people. And that's why it's so important for us to have this assistant store manager, which we're calling the coffeehouse coach, because that creates the people pipeline to also sync up with what I would call the economic pipeline and opportunity that's out there.

So, you know, in the U.S., you know, look, I think when we get to opening net new over 400 in 2028, we'll probably be talking about how we can do a little bit more than that as we get moving down the line, and the same thing goes for international. You know, the thing I'm really excited about with our partner in China is Boyu and we both believe there's line of sight where you could have 15,000, 20,000 Starbucks in China, and there will be a moment where we're opening over 1,000 stores a year in China.

It's coming. It's not going to happen this year or next year, but it's coming. And then when you combine that with the growth that Brady's talking about, where you could be opening 1,000 outside the United States and exclusive of China, you start to see how this engine can really ramp up once we get Green Apron Service rolling with the right innovation and the right partners around the world.

So, hugely optimistic about where we go beyond 2028, and frankly, very confident about what we can achieve by 2028.

Yeah, sure.

**Andrew Charles**
All right, great. Andrew Charles from TD Cowen. Thank you so much for the presentation, the abundant amount of caffeine as well. So, first, just a clarification for Cathy. I just wanted to know what's contemplated in the 3% plus guidance, you know, do you expect an outsized piece from traffic or check, would be first helpful.

And then Brian or Brady, I was just kind of curious about, you know, you talked about the benefits, unlocking grown in China and then the joint venture structure. What's your open mind it is to potentially refranchise other international company owned markets like Japan, the UK, and Canada? And what would you potentially do with the proceeds if that was something you were to contemplate? Thanks.

**Cathy Smith**
You want me to start?

**Brian Niccol**
Yeah. Why don't you start?

**Cathy Smith**
Yeah. So, on the 3%, it -- we always believe in transaction growth first. That tells the health of the business and makes sure that more customers are choosing us more often. So, that's where I always will say -- start.

We did mention, though, that we would anticipate longer-term, we always -- price is going to be the last thing we -- lever we try to pull. But we recognize we need to do a little bit of price when there's inflation, so we'll use a little bit there. But ticket will grow from some of the innovation that Tressie went through as well. But the primary growth -- the primary driver is always going to be on transaction for us on top line.

**Brian Niccol**
Yeah. And, you know, look, as far as the partnerships that we identify around the world, you know, I actually had the opportunity to spend some time with our partner in the Middle East, the Alshaya Group. And I think they might even still be here. We have the best partners around the world, which sets us up to expand in I think a really exciting way.

You know, look, we're always going to evaluate what the right ownership structure is as you look around to these other markets. The thing that's great is Japan is a great market. So, if we decide the ownership should be different, I'm sure we're going to be able to have a terrific partner to join up with us on a Japan or even our UK business.

But, you know, obviously we're going to be 90% licensed. You kind of can tell what our strategy is as far as outside the U.S., that we're going to be a licensed, asset-light, partner-driven model. And the good news is we've got great partners. We've got tremendous growth in front of us. So, that's why you attract the best, right? You attract the best when you've got the best to offer, and I think that's what we have around the world.

Yeah, we can stay over here. Come front maybe.

**John Ivankoe**
Thank you. John Ivankoe with JP Morgan. As a U.S. company-operated business, I think this question is particularly important as you think about how to motivate a new generation of employee, which I imagine both creates challenges and, very importantly, opportunities as well. So, talk about how your ability to motivate these desired outcomes, whatever they may be, you know, is changing specifically, you know, for this current generation of employee, and whether it makes sense to create an ownership mentality not just to the GM, but also even below the GM, much like that successful Bean Stock program that you put into place in 1991. In other words, how might that ownership mentality -- or should that ownership mentality evolve as a structural opportunity to Starbucks as a company-operated system? Thank you.

**Brian Niccol**
Yeah. You know, in -- look, one of the things that I think is really exciting is us putting in this coffeehouse coach role creates a development path for people so they can see how they can grow their career, and then also be, you know, kind of ready to go to be a coffeehouse leader and move up.

Your comment on, you know, how do we make sure we keep people engaged and motivated and excited to be a part of this, you know, I do think the Bean Stock program is one that is really special, really unique, because to have equity and share in the growth that the company is going to achieve here going forward and, frankly, the success that we've had to date really does get people engaged.

You know, it's really interesting. Like, when I walk into stores, they will ask me what do you think's going on with the stock price? And I love it because you know what that means? They care. And what I have noticed is, it doesn't matter, you know, whether you're 20 years old, 40 years old, 60 years old, you want to be at a company that you care about being a part of, and you want to be at a company that you think makes a difference in the community that you live in.

And that's ultimately our proposition that we provide to our partners, which is, look, we're going to give you a great career professionally. We're also going to give you terrific opportunities personally. And it's a place you can be really proud of, to, you know, tell your friends and family you work at Starbucks, because it's changing not just your life, but the community that you operate in.

So, I've seen this over and over again, and it really is powerful. You know, whether, you know, I'm here in New York City or, you know, you're in Omaha, Nebraska, it's a truth with all our partners, and it really is something special to our culture. And I think it speaks to, you know, the simple idea of, hey, we want to be a different kind of company. We want to be the kind of company that people can have a career with but also can ultimately say you know what? We're doing the right thing for the communities that we operate in.

So, Mike, I don't know if you want to add anything as a --

**Mike Grams**
-- I would just build on that on the engagement piece. I think one of the things we've learned about ourselves is how we communicate with people is really important, and this generation is TikTok and Instagram. Tressie has a social career program. We're now modernizing how we look -- go-to-market and launch products.

If you want a follow her, her name is vickyblueeyes. And we discovered her because she was a partner who is creating hacks on how -- and hacks in a way where it's like how do you do a Clean Play in a store? And I'd go in coffeehouses, and partners would be like, hey, Mike, did you see vickyblueeyes? I don't know Vicky. I don't TikTok. They'd dial it up, and she's -- like, she teaches us how to do it better than our manual.

So, it's like getting away from paper and the old environment and moving into a mainstream, how do people interact, which -- you know, videos access content that's short and live. It's in process right now. We'll be launching I think our first product bake case. It will go out that way. And so, we'll continue to evolve, because you're right. You have to be relevant. It's gotta be connecting. And it's gotta -- and the voice of a partner is far more preferred than the voice of someone who, you know, creates the documents.

**Brian Niccol**
Right. Right. We don't need more corporate-ese, you know?

Go over here. Maybe back left. That looks like Seattle, Pacific Northwest.

**Jacob Aiken-Phillips**
Hi, Jacob Aiken-Phillips, Melius Research. So, my question is on the operating margin. One, I assume that the JV, it's business as usual, so how would that affect the operating margin targets when the deal goes through? And then more strategically, what parts of the operating margin

expansion are more exposed to execution risk versus stuff that's already been, like, done within the system?

**Brian Niccol**
Well, so, I think -- well, Cathy can talk to the impact of the margin as it relates to the JV. I think it's about 40 --

**Cathy Smith**
Yeah. So, it's about 40 basis points improvement in margin is what we shared, on an annualized basis, is what's contemplated currently.

**Brian Niccol**
And then your -- I think your question on the operating margin, how do we get there, you know, I think hopefully what you saw today is we've got clear plans on how to drive the top line, and we also have clear plans on how we're going to address the cost opportunities that we've identified in the business. You know, we have multiple projects with clear owners, clear accountability, clear deliverable dates.

And the thing that is also exciting is that we've got more ideas to come behind those projects. And the thing I love about it is, it's not just one big mega solution. This is opportunities across the business that we know we can capture, all right? We've got line of sight on it. It's clear. You know, we've identified I believe it's like $2 billion over the next, you know, couple years, two years. $800 million of which, you know, pretty darn clear on how we're going to deliver that. And then frankly, even the balance, we've got a lot of clarity on how we deliver it.

So, you know, we're going to constantly be refilling the pipe on that. There's opportunities for efficiency, on how we use tech and AI going forward, and then obviously the sales leverage from the growth that we're going to consistently drive. So, we feel great about our ability to deliver consistently. And, you know, I've said this over and over again. You know, this, frankly, is just the beginning, which genuinely just gets me really excited about where we can go from here.

**Cathy Smith**
Maybe I'll double down a little bit, because I know I've had this question. I got caught at break on it a lot. We feel confident enough, which is why we gave the guidance we did, because we today have 90 -- over 90 projects that add up to that savings. And they're in various stages -- stage gates. We have five stage gates from ideation through execution and then measurement afterwards. And we have -- so, they're in various stages of it.

But we've -- they're already identified now, those 90 plus projects that get us to those numbers. And we're not stopping, as Brian just said. So, every single day -- and they're in category pods. They're working on their -- specific to those categories, and it's across the entire P&L. And they're working those every single day.

And if for some reason one of those ideas or initiatives doesn't bring the same level of expectation or we decide it's not the right answer for the company, then they're generating new ones, and so -- in their category. So, that would -- that's what gives us so much confidence, obviously, then to put it into our guidance.

**Brian Niccol**
Yeah. Where's -- oh, there you are. We've got a bunch of hands up in front here. Maybe start in the front and then work our way back, ok?

**Brian Harbour**
Hi, guys. Brian Harbour . Could we talk maybe just about supply chain specifically? So, it – obviously, I think there is a number -- quantitatively, there is a number. And I think in your proxy filings, you kind of had some numbers with and without product cost savings. So, could you talk about more specifically what that'll be from?

And I guess just qualitatively, what are still some of the challenges with supply chain? I think – you know, my perception is that maybe some of the stuff that was talked about in the past wasn't actioned. Maybe there's still out of stock issues. Do you think you're, you know, missing sales because of supply chain today? Or, I guess asked a different way, you know, are some of the innovation plans you have kind of dependent on improvements to supply chain?

**Brian Niccol**
Yeah. You know, I can start and then you guys can get into the detail on it. You know, look, one of the things I'm delighted about is we've got Sanjay and Anand as a part of our leadership team, and, you know, these guys are two pros. And, you know, as a result, we're going to be at a place where we're going to have daily replenishment by the end of calendar year 2026.

And the reason why that's so important is because, if we're going to do the food program that we want to do, we gotta have that. Because if we're going to put items on our menu, we gotta be in-stock with those items. And so, one thing we definitely learned is, I mean, this is not earth shattering news, when you're in-stock, you sell more items, okay?

And what we were discovering is we were out of stock way too often. Now, we've improved that dramatically over the last six months, partly because now we're finally measuring whenever we demonstrate that we're out of stock. And, you know, I remember when I first started with Starbucks, I was listening on a headset to a drive-thru experience, and I heard a customer say do you have X? Do you have this? And I'm like, well, that's odd, because it's on the menu. Why are you asking if we have it?

And so, there should never be a perception for a customer that they -- it's kinda rolling the dice. And so, we've -- I think we've made tremendous improvement on that, but there is just still tremendous opportunity for more efficiency and better execution of in-stock with daily replenishment, and then the right technology and the right signals happening at the right time. And that's what's going to happen between now and the end of this fiscal year.

And so, you know, the opportunity on sales I know is there, and then I also know there's an opportunity for more efficiency. And that's what we're going to go capture, is both of those things. So --

**Cathy Smith**
-- Yeah. So, maybe to --

**Brian Niccol**
I don't know if Cathy will add anything --

**Cathy Smith**
-- Double down on the efficiency side, it really is across supply chain. So, I think of supply chain in two pieces. There's the sourcing and procurement side, and then there's the logistics and distribution side. And the great news is we have opportunity in both. The -- also the great news is that the team is actively working it. So, Sanjay and the team have a very good plan around the optimization of the delivery fulfillment side Brian just talked about, to get us to a place where we have more regular daily deliveries to stores so we delight our customers.

And then on the procurement sourcing side, we equally have the opportunity. Again, we're getting after it, but it's everything from -- I mentioned sole source situations, which, frankly, at our scale and maturity, we have too many of. And so, we're working on those to making sure that we provide dual sourcing. But we're also -- things -- simple things like reformulation where we should have already thought about that, making sure that we have a better customer experience.

So, it is -- it's -- the great news is we have great opportunity, and we're getting after it.

**Brian Niccol**
Hey, I think I see David Palmer back there.

**Cathy Smith**
It is.

**Brian Niccol**
Or we can go with you.

**Cathy Smith**
Yeah.

**Brian Niccol**
Yeah. Yeah.

**Jeff Bernstein**
Jeff Bernstein from Barclays.

**Brian Niccol**
Hey, Jeff.

**Jeff Bernstein**
Just, Brian, thinking about your resume over the past many years, you spent time at Taco Bell, 100% franchised. You spent time at Chipotle, 100% company-operated. I understand at Starbucks we're talking 90% internationally licensed or franchised. But as you think about the U.S. business, you've inherited a business that's, you know, maybe 60% company-operated, 40% licensed. Just wondering, if you were building this business from scratch today, like, what's the right balance there? I mean, seemingly the business has grown well. You'd like to be all company-operated. I'm just thinking about which direction we should be pushing that needle, whether more company-operated, more licensed.

And then just to clarify something, I think you mentioned, maybe more for Cathy, but you said you can get operating margins back to 17% to 18%. That's over a longer period of time. And I'm just wondering how do we think about the earnings per share. I mean, it sounds like we're talking about 25% the next couple of years to get to that number you talked about. But beyond that, should we just think of Starbucks as a 10% earnings grower? Kind of what's the baseline that you want people to assume as we think beyond the next couple of years, which clearly have a lot of opportunity for outsized earnings growth? Thank you.

**Brian Niccol**
Yeah. So, I'll start with your first question. I loved working in all those businesses. And now that I have the opportunity to work at Starbucks, it's equally as exciting. The one thing I'll tell you is, it is powerful to be able to have the ownership that we have so that we can make the changes and the impact that we need to make.

Because ultimately, I think the technology that we're going to need to drive long-term, we have to have the ability to lead and then we'll disseminate that around the world, right? And, you know, I think when the operating margin gets back to 17%, 18%, 19% and the returns that we're going to get on what we're building, we're actually going to want to be owning.

So, you know, there's a place for the licensed business in the United States, but there's also a place for meaningful company operations and ownership in the United States. So, I'm excited about what that looks like for us going forward so that we can lead and also demonstrate a really powerful economic model that makes sense for us to continue owning.

You know, and then on your question about, okay, when you get to the 17 plus percent margins, you know, I think we just have a really simple principle. We want to be growing earnings faster than we're growing revenue, and I think that's what Cathy talked about. And, you know, look, we're obviously going to have an acceleration here on the earnings growth. But, you know, over time, eventually we want to get into the sustainable, consistent expectations of, you know, consistent performance on revenue and earnings that are outperforming revenue.

I don't know if you want to add anything to that.

**Cathy Smith**
Yeah. No. And the only other thing I would say is today we're giving you guidance through 2028 because we feel like we have great line of sight to that and that makes sense. We're excited to talk to you about next, which is what Brian was talking about. We absolutely believe that there's the path beyond next. But let's take 2028's milestone, between 13.5% and 15% first, and then we'll take on what's next. But I think at our scale, if we continue to grow earnings faster than sales, that's a pretty good day.

**Brian Niccol**
This time David for real. Jeff, you were great too.

**David Palmer**
Thanks. Dave Palmer, Evercore ISI. I'm squeezing two quick ones. First for you, Mike. I wonder if you can maybe give us a sense of what you think the operational opportunity is for sales. And you -- we've gotten some nuggets from you guys around the Green Apron Service model comping two points faster than the overall system.

You mentioned the Mastrena 3. That should be a nice unlock. You said something about the five-shot stores doing three times the comps, I think, maybe something like that. You know, maybe bring it together in terms of what's reasonable to expect in terms of an improvement in terms of maybe the weighted-average shots for store, you know, where you think it can go and what sort of comp improvement can happen, you know, across all those things.

And then another one just sort of for Tressie and maybe Brian. You know, in the past, Starbucks didn't get what it was expecting from innovation. You know, it was sort of -- your spicy lemonade didn't really work. You know, we did protein. We have Energy Refreshers coming, new tiered Rewards. Want to give us a sense of, like, what your certainty is around the lifts of those things in your pipeline ahead, just give us a sense if this stuff's going to be meaningful.

**Brian Niccol**
Yeah, sure. So, you want to start with the operational upside and then we'll talk about the marketing upside and menu upside?

So, look, one of the things I love about the Grow report is it clarifies where everybody is. And part of the way you get better is you gotta know where you are. And that's really one of the powerful things in here. I -- we've mentioned it to everybody about this idea of putting accountability back into the coffeehouse. That is a great example of how you put accountability back in the coffeehouse.

Because if you're at two shots or three shots or four shots, you're clearly not a five. And what this does, is it gives you direct feedback on what you -- action you need to take in order to get, you know, to that next shot level and ultimately the five shot level. The thing that's also great about this is, when we get everybody to three or four shots, you know, we're just gonna shift the expectation and the standard will continue to go up.

And so, the idea is you want to shrink, you know, the performance that's really wide, which we're already starting to do. You don't have nearly the performance on the tails anymore. It's coming in closer. And then, you know, you want that mean so that ultimately more of our stores are performing the way we want.

You know, today, we've got what, two-thirds of our stores that are positively comping? And so, you know, we have a third of stores that have clarity now on the feedback on how they get to, you know, north of that 2.5 shots, three shot area so that they're positively comping. And, you know, each of these things contribute, and it's not a perfect science. You know, I wish it was because it would make it -- make this Investor Day a shorter day, but it isn't.

And so, that's why it's important we have to have multiple elements happening at all times. And I think that's why Mike is consistently making sure that our coffeehouse leaders know what they're accountable for, how they should be visiting the store, and how they should be supporting and developing their partners in the store.

Because that shoulder-to-shoulder aspect and then the clarity of what you're accountable for, that's where you get better customer service, better throughput, and then ultimately, you know, better consistent performance. And I think that's really what ultimately the whole Green Apron Service model is all about.

**Mike Grams**
Yeah, I would say two things on that. The way this all works together is you have what we measure in the coffeehouse. You empower the coffeehouse leader to make decisions. They know their customers better than anyone else. They know what moves that 2:00PM in the afternoon and what they need at 5:00PM.

So, you start there, which I think most of 2025 was, reestablishing that ownership and empowerment inside the coffeehouse, establish a measurement that's fun and it doesn't feel like pain because it leads to sales, which by the way helps their bonus plans throughout the year. So, there's a terrific marriage there.

Then you marry that with district managers that are in stores every week doing a coffeehouse walk. And you know what the coffeehouse walk looks like? The same five things on the Grow report. Every week it's repetition. And as you build the muscle of great operations, and you still have the great culture feel of being a partner at Starbucks, but, like, the energy that people get from knowing where they rank in those 10,000 stores and how am I going to be number one, and then we build our recognition programs at the coffee farms where we celebrate the success, those are -- it's not new, but it hasn't been part of the recency at Starbucks. So, we're really proud to have that back.

And then I would just say the other thing on channel service, we have just scratched the surface. The Mastrena 3 will help. Doubling the output in half the time is going to change the game at that two-hour peak in the morning. But becoming experts on drive-thru service, we want to have the fastest drive-thru in America. We do not today. It's good. It's competitive. It's not bad, but it can be a lot better.

So, as we build capability through stable teams in the coffeehouse and then you start building and creating experts on channel service and you reinforce it with your field leadership, you know, doubling down on that, that all comes together and you see that steady, predictable growth that you've seen, you know, work in different ways in other places well.

**Brian Niccol**
Yeah. And, you know, so the reason why it's so important to get to the Mastrena 3 or the Presta, which is the shot puller for cold, is I think we now have clarity on what is the innovation we want in operations. The innovation we want is to enable throughput and greater connection.

So, you know, look, even the AI aspect or the tech that we're going to put in -- did you talk about this a little bit, where, you know, we're going to pilot -- for, like, instance in the drive-thru, the person will no longer have to input the order because, in the headset, AI is listening and then also our partner is listening. And with the AI listening, it inputs the order accurately so that then our partner can focus on actually making the craft and handing off the product.

But we don't want to lose the person-to-person interaction of actually taking the order, right? So, what happens here is our partner actually now has more time to greet and connect while AI takes technically the order, and then they have more time to actually focus on the production because they're not worried about inputting the order correctly.

So, that frees us up on a couple levels. One, better connection, better speed, and then ultimately more accurate execution. So, all these things -- I love Mike's line of, like, everything we're doing is intentional. It's intentional around throughput. It's intentional about giving our partners the tools so that they can have great connection and also great craft. And so, that results in better customer experiences.

And what we see over and over again is, when we get better customer experiences, they don't just come Monday and Tuesday for their morning ritual. They come Wednesday, Thursday, Friday and then, like myself, you walk the dog with your wife and you show up on Saturday as well. So, that's where we're going to get to.

And then on the menu and marketing side of things, look, we've been late to the game on some of these clear places that customers are saying they want to have beverage experiences. Refreshers Energy is, without a doubt, a proven category that we have a right to win in. And so, I have high confidence and high conviction that we're going to get this right.

And then the other piece is we're doing it in a way that's uniquely Starbucks, because it's personalized, it's with craft, because now you're going to be able to personalize the level of caffeine in your energy drink in the afternoon, which I think is a really powerful insight that Tressie uncovered, which is people want a reset in the afternoon, and that reset is different, depending on what you've got going on. You know, there's some people that are looking for a reset because they need more energy, because they're going to go work out. There are other people that are looking for an end to their day, so they're going to indulge.

And then there are other people that are, frankly, just needing a moment. And so we need to make sure we can meet all these occasions, and the thing that I love about our menu innovation and our marketing is it's rooted in customer insights, customer occasions, customer needs. And in some cases, there's already a clearly defined category that, frankly, we've been a little bit absent from, that we're now going to compete in. And I think we're going to compete really successfully in a meaningful way. I don't know if you want to add.

**Tressie Lieberman**
Yeah, I mean, customer obsessed and culture obsessed. We are so near-in on what we think customers will love, and then when we think about seasons, we're getting incredible feedback as we work these ideas with customers. But I think the important thing to remember is we used to launch a season, and everything was hanging on that season, and we were launching that season to our Rewards members.

So we were telling them about one product, riding the season from that. Now we have a whole flywheel, which you really started to see last quarter, where we have not just one drop of the season, we have mass visible storytelling about connection, and us being the place for holiday. You walk into the coffee house, you've got garland and all these beautiful touches that make you feel like this is a place you want to be.

A beautiful cup, a beautiful menu board, and products that don't just start at the beginning, but a drop again in December, merch that breaks through in November, merch that's breaking through again in December. So every week we're out with news, building the brand to the masses and to the people who love us most through the Rewards program, and then they have an amazing service experience, which we really started to see that moving last quarter.

So as we go into this next year, we're not hanging everything on one idea. It is a series of ideas that drive momentum to broad and specific audiences that we think will really start to get the flywheel moving.

**Brian Niccol**
Oh yeah, I want to come over here.

**Brian Bittner**
Thank you. Brian Bittner from Oppenheimer. As it relates to the new reimagined loyalty program that is dropping on March 10th, I don't know if this is going in and out here.

**Brian Niccol**
No, we can hear it.

**Brian Bittner**
Okay, can you talk about how the 35.5 million current users immediately break down across the tiers of Green, Gold, and Reserve? I'm assuming you've thoughtfully constructed this to give yourself the best chance at driving incremental traffic. And secondly, what is the, in your minds, the most important component of this new loyalty program that is going to drive increased frequency across your rewards space?

**Brian Niccol**
Yeah, I'll let you take that, yeah.

**Tressie Lieberman**
I mean, most of our best customers, right, they're going to fit within the Gold and Reserve tiers. And when you think about protecting your core, you want them to feel seen and valued. And we have addressed all of the feedback we've heard about the program through the years that they want to see that will keep them coming to Starbucks. Whether it's just points not expiring, their birthday reward lasting longer, it used to last just one day for those tiers, being able to give them special experiences and point multipliers. So we're giving more points to our best customers to really keep that frequency driving.

But then with the Green customers, so the, you know, it's a broad audience, but less of the revenue, those customers didn't feel like it was worth it, right? They're like, oh, I'm going to sign up, but maybe I don't come enough to really get a reward. So we've addressed that with everyday value, with Free Mod Monday. So Free Mod Monday. I mentioned customization is a billion dollar category and people love to take the drink and make it uniquely theirs and experiment, things like cold foam, protein cold foam.

So now they get that once a month. Come into Starbucks, try it out. And we have the flywheel built to keep them coming back. And then beyond that, we've added a $2 credit that you can earn faster. So that was a big piece of feedback for a broad audience, I'm not earning fast enough, and now you can get 60 stars and earn. So we've really looked at each piece of Green, Gold, and Reserve and made it feel special.

And even for Reserve, we're introducing our Reserve card. So many of you may be gold card members from the past, like Cathy, really engaged Starbucks customers. We're creating these black Reserve cards and making those customers feel super valued and special. I think that a lot of rewards programs are actually burying their terms and conditions about what they're changing.

We actually announced our terms and conditions today in an email, fully stating what we're doing because we believe in it. And I think it's going to be a big deal when people get to find out their status. Like, I can't wait to see all the TikToks of people sharing Reserve or Gold and just making everybody feel like they're a part of this community.

**Brian Niccol**
So that means I'm going to get a lot of TikTok.

**Tressie Lieberman**
You will. I send Brian a lot of TikToks. Sorry.

**Brian Niccol**
Look forward to it. All right.

**Unknown**
She's had her hand up.

**Brian Niccol**
Where? Right here?

**Unknown**
She's had her hand up.

**Brian Niccol**
Yeah, sure.

**Christine Cho**
Thank you. Christine Cho from Goldman Sachs. My question is related to the licensed business. How do you plan to engage the 7,000 licensed stores in North America, as well as growing international licensed partners to align with the Back to Starbucks strategy so that the customer experience, the brand messaging stays consistent across all of your locations around the world? Thank you.

**Brian Niccol**
Yeah. Look, thanks for the question because frankly, there should be no difference to the customer whether they go to a licensed store or a company store, no matter where you go in the world. Obviously, you'll have some local nuances, but specifically to the US licensed business -- so we brought in all our licensed partners, I guess that was probably two months ago, two or three months ago, to talk about how do we get Back to Starbucks in our licensed business? Because frankly, they need to be staffed correctly and we also need to make sure that they are set up for success with the right menu mix, the right merchandising mix, and then the right experience.

And frankly, some of the opportunities we have with our licensed partners is just a higher capture rate. There should be ways for us to get people's order into production faster, because in a lot of these situations, it is about time constraint. You know, if you're in the grocery store, it'd be great if you walked in and there was a kiosk and you could order your coffee while you go grab whatever you need to grab, and then you come back and your coffee's ready for you to leave.

We just put in mobile order in a lot of these places, which is going to be a big unlock as well. Airports is another great example. You know, it kills me, the lines that we have. I take that back. It's great to have the lines, but I wish there was a way for us to make those lines move faster. One of those ways is, frankly, we should have more Starbucks in those locations. The other thing too is we're going to work hard to figure out how we can unlock that bottleneck of getting the order into production and then getting handed off on time for people so they can get going.

So we have a very focused effort. We've just done a whole lot of restructuring and redesigning our licensed business so that we have clarity on what are the standards that matter, and then how do we support them so that they can be successful delivering the Starbucks experience.

And look, they're simple things, right? Like I think we were forcing some people to carry merchandise or carry things that ultimately is already available in the grocery store. It's already available in the retail outlet. Like, that creates more work, more management of inventory that's unnecessary. We want to get after the things that matter most to the customer and to the experience for our licensed partner.

So, you know, Back to Starbucks, you're going to see come to life in our licensed units. And then around the world, the thing that's really exciting is we have partners that want to grow, not a little, a lot. And, you know, I've had the opportunity to pretty much get to all 10 of our top 10 markets. And if you've been to South Korea, this is a place that's amazing because there is coffee shop literally next to coffee shop, next to coffee shop, next to coffee shop. And then we've got three Starbucks around all those coffee shops. And when you talk to our partner, they're like, hey, you know what, we can build more.

There's more opportunities. So you're going to see us experiment as well. I'm really excited, like even in Italy, we're experimenting with an espresso bar experience where, you know, the ritual in Italy for some people is you walk in, you don't actually queue up, you actually walk up to a bar and get a shot of espresso and go on your way.

Meanwhile, younger people are used to queuing up and sitting and dwelling. So, there are partners that want to experiment with us, but they're partners that want to protect the integrity of the Starbucks experience and they're partners that want to grow. And you know what, we're listening, we're taking action, and I think that's why Brady's talking about why there's so much opportunity in front of us.

So, you know, the Back to Starbucks program is alive and well around the world. And I was just talking to somebody, I was just over in Spain, our Madrid partners, which is the Alsea Group, you know, they're helping us think through how we can make food even more beautiful and more delicious. And I would say they're arguably maybe ahead of us in the US on creating great afternoon food solutions.

So, this is the power of being a global, iconic brand with great partners that have terrific ideas that are committed to our mission and values. And it really gets me excited because I think there's just so much opportunity. And we have such a place in all these communities around the world.

**Brady Brewer**
Can I add one thing onto that internationally? You know, Back to Starbucks is not about going back in time to some different era of Starbucks. It's about, as Brian said, making sure that everyone can experience the best of Starbucks.

It's really getting more focused on who we are and doing that even better. And around the world, including the US, what that means is the world's finest coffee, a great third place experience, and great customer service, the world's best customer service. And so what that looks like in each international market may look different, but they're using the language of Back to Starbucks around the world.

The reason why I wanted to interject is because Brian and I were recently in Cambodia. And that's a licensed market. We do that, we lead that market with Maxim's. I don't know if Brian will remember this, but we're going into stores, visiting stores, and a barista humbly, maybe shaking a little bit, walked up to Brian. I was standing next to him and he said, excuse me, Brian, can I tell you what Back to Starbucks means to me?

And for me, that was just a moment to say that regardless of the ownership structure, regardless of the distance, vertically in the organization or geographically, here we are in Phnom Penh, and a barista who had worked with Starbucks for only a short time, walked up and said, I want to share what Back to Starbucks means to me. And what I think I've seen across all of our licensees is if you're in a meeting with Starbucks, it could be a business meeting with our business partner, or it can be like I was recently in Mexico in an auditorium with a thousand partners, store managers, and above, talking about Starbucks. You cannot tell who works for Starbucks and who works for the licensee. It's impossible.

Once you put on a green apron in a store, you are a Starbucks partner, and when we sit down with our licensees that we've worked with for 20 years, they are embracing Back to Starbucks and making it a reality in their market in a way that's relevant. So, a lot of momentum ahead.

**Brian Niccol**
I think there's some back there.

**Dennis Geiger**
Thank you. Dennis Geiger, UBS. Given the importance of sales to drive margins, Cathy, could you talk a little bit more about what level of North America comps you think you need to drive North America margins? Recognizing it's going to depend on where inflation is, what pricing levels you're running, but just sort of what that level might be, maybe with cost saves that you've announced and without the cost saves. Any additional color on that would be great, thank you.

**Cathy Smith**
Yeah, maybe I can start with, historically, we've actually had a really good flow through or leverage on every incremental transaction. We're not there today right now, but we'll get back to that and we see a path. So we actually historically have -- it looks like based best I can tell in the very near term, so like as in the next year or so, we probably need in that one to 2% comp range, but let's keep asking that question, so I would encourage you come ask me that question again in another six months, because we're learning a little bit more about what really is truly variable versus fixed there.

**Brian Niccol**
Here, this gentleman right here.

**Greg Francfort**
Thank you, Greg Francfort from Guggenheim Securities. Can you just help us frame up where we stand on the labor journey? I mean, it's been years of investments. I think you had a metric in the proxy about employee satisfaction with their hours, but just any metrics on hours per employee,

employees per store, and how you feel comfortable, we are where we need to be. And then as you think about the $2 billion of savings going forward, I imagine you have to touch the labor line in some way to get there. What does that look like in terms of touching labor, but not kind of going back on the investments you've made the last few years? Thanks.

**Brian Niccol**
Yeah, actually, it doesn't really have anything to do with our benefits or wages or how we've invested in labor on the cost savings. And to answer your question on how are we seeing as far as satisfaction or engagement, it's frankly at an all-time high. That's part of the reason why the turnover is at an all-time low.

And so we do these surveys consistently to get feedback across our entire partner network. And over and over again, Green Apron Service has actually, I think, demonstrated that we're listening and that we're implementing things that actually make their job a successful job for their customer. And ultimately, that's -- people go into the job wanting to have a great day.

Nobody wants to go in and be out of stock of something, or not make your drink correctly or do something slow. So the more we can set them up where you have a lot of these moments where our customers, frankly, are excited about their experience, the more you're excited about your job. And so that's the cycle that we're after, which is great customer experiences, ultimately driven by great partner experiences, result in a really engaged and, you know, I think satisfied partner. And I think that's what Mike has seen over and over again.

**Mike Grams**
Yeah, it's that partner schedule. You saw it on Grow and it's embedded in our business. We hire partners, select partners to join our team, and we ask for their availability on the front end, right? And we are really committed to making sure they get it.

The way that shows up is 25 to 28 hours a week is what the majority of partners want to work. What is great for our business is, because when we hit holiday season, they can go up to 30. And I don't have to go hire a person to necessarily replace it to go down in January, February. So it really gives flexibility inside the coffeehouse.

And we still have a segment that's full-time that want more hours or leadership opportunities to go into management. But all of the data points to that partner scheduling being so important. And I do believe it's a big driver of the turnover at Starbucks being as low as it is. And I personally just went through the holiday season. I was, you know, the average went up to 30, right? For a couple of weeks there, those peak moments when we launch holiday and a little bit at PS – Pumpkin Spice.

So it gives us flexibility to be able to go do that. And then, again, as we get the afternoon daypart on, it's going to unlock a whole additional segment of hours. And, you know, going back to the comment made over here, the workforce has changed. It's no longer, I want to work 35 to 40 hours a week.

It's just not. There are some, but it's not as common as it was 10 years ago. And so us being flexible with that, being committed when they say that's what we want, and then making sure we're really clear on the front end, like what shifts we need you. Like it's, we don't need you from 2:00PM to 5:00PM, generally. We need you in that morning peak, which also means shorter shifts to manage that peak, which, you know, having been in the industry, that's a big challenge for everybody, is how do I get people in for those two or three hours versus a complete, you know, six to eight hour shift that goes around.

**Brian Niccol**
We got some hands over here. Yeah, raise your hand. There you go. Go to the guy in the front row.

**Brian Mullan**
Thank you. Brian Mullan, Piper Sandler. Just a question on food in the US business. Brian, you alluded to the opportunity a little bit in an earlier answer, but could you just talk broadly about the vision for the food occasion, specifically after 11:00 a.m., how you see that evolving over the next few years?

You know, you've said a couple of times today, the afternoon's about a reset. You're going to have a beverage occasion to match that. Talk about how food will play a role, and what needs to be addressed in order to kind of realize your full potential for that piece of the business.

**Brian Niccol**
Yeah, sure. So obviously, we want to have the beverage because we know beverage drives the occasion, and then we want to have the food that is the right food that can complete the occasion for you.

And you know, the trends are pretty clear. It's more snackable, more bite-size, more protein, more fiber, and frankly, you know, we have the ability to do all those things. And we also have the ability to do it in a way that I think is uniquely Starbucks, where it makes sense to have a snackable, protein-forward solution, right? We have the jalapeno chicken pocket.

That'll probably become a protein pocket, right? And that makes total sense for it to go with your Energy Refresher in the future. Now, the way for us to do this really well, we got to have the daily deliveries, got to have the daily replenishment, because these items require that. And so we got to have the supply chain to sync up with the food experience that we want to provide. And so we'll have that capability by the end of this year.

And then if there are items that we can execute within the current supply chain system that we have, so that we can be in-stock and have a delicious, great food experience to go with the beverage, we'll be doing that here between now and that point in which we get the supply chain capability. But the good news is Tressie and the team, they've got clarity on a pipeline of food and a pipeline of beverage that I think hits the mark on what consumers are saying they want for an afternoon reset. As I mentioned, whether it's energy or indulgence, we're going to be able to cover the gamut, but also health and wellness. So I don't know if you want to add anything.

**Tressie Lieberman**
Yeah, I mean, it's a pipeline plus the merchandising because we have some menu items today, for example, our grilled cheese that people love, but we have low awareness of them. And as we're moving to digital menu boards in all of our US company-operated locations by the end of this fiscal year, we'll be able to really show you different things within the experience in our coffeehouses on the digital menu board, as well as how we're thinking about the bakery case display and the cold case that's being rounded out, adding in, we have new yogurts, mush overnight oats, and we're looking at cottage cheese and other things that are just like easy grab and go.

And then our app as well, we have not been smart, right? Like, we have the best app in the world, but it's not highly personalized and relevant right now. That as well as CRM. So being able to get the right message to you to help drive that afternoon occasion, show you the right menu item that's going to be best to pair with your particular beverage, not just any beverage. So I think that we just have a ton of opportunity, especially with the assortment we have, as well as what's to come, to make sure we're merchandising those ideas to customers.

**Brian Niccol**
Looks like -- yeah, sure, right. Gentleman right here in the front.

**Eric Gonzalez**
Hi, thanks. It's Eric Gonzalez from KeyBanc Capital Markets, and just want to appreciate you guys having us here today, and certainly appreciate the coordinated outfits. So thanks.

**Brian Niccol**
Well, thank you.

**Eric Gonzalez**
Just regarding the $2 to $3 billion in cost savings you talked about, can you frame that and how you're thinking about that in terms of whether you expect that to flow through to the bottom line, or perhaps you're contemplating reinvesting a portion of that into the business? It would seem like you might need to flow through a fair amount of that to get to the upper end of the guidance range. So just wondering if that's a fair assumption. And then also, is it possible to talk about the pace of the savings and over the three-year forecast period?

**Brian Niccol**
That’s a good question.

**Cathy Smith**
Yeah, let me -- I'm happy to start. First off, you said two to three. It's not two to three. Two. So let's start there. So I would expect it to be about -- timing-wise, it's over multi-year, which we've shared. So it's 2026, 2027, and 2028. So think about it over the three years.

And obviously, Brian already shared what's kind of contemplated through this year. We are also expecting to make sure we continue to invest in what matters most. And so you see it this year with the Green Apron Service Investment. We know we've got a little bit of investment we need and is contemplated in our supply chain organization. We also see opportunities for offsets. And so that's all contemplated as well in our expectations. So you'll see a little bit of both. We have some investment and we have some, obviously some savings expected. And Daniel, he's behind the pole, so you can’t see him.

**Brian Niccol**
Oh, I can’t see him. Sorry.

**Cathy Smith**
Straight back. Sorry.

**Brian Niccol**
Yeah, sorry.

**Unknown**
I guess I’ll ask my question standing up. To honor how we drink coffee in Italy, okay. So first off clarification for Cathy. I wonder if you can expand on your point of the one to two percent comp needed for the margin to be expanding. And specifically, if you can help us understand the marginal contribution of the marginal dollar post-reaching this, you know, call it like 1.5% in the middle point.

And Mike, I was wondering if you can give us the timeline and the biggest opportunities that you see for harmonization of the best practices between the licensed stores and the company operated stores, specifically because you are under some physical constraints in the licensed stores. And as well, there are some actions that you cannot directly take like staffing levels. So I was wondering what is the timeline and the biggest opportunities for this harmonization. Thank you.

**Cathy Smith**

Yeah, so maybe I can start and then I'll turn it to Mike. On the, where do we have leverage or where do we start to lever as we continue to grow the business, think about our business as every single transaction, then we want to make sure we've got the right partner experience to have the right customer experience. So that's where we start is what do we need an additional labor? Obviously, there's the cost of goods sold that goes with whatever the item is as well.

So as I've continued to look at that, which is why the company historically has seen around a 65% or so flow through on incremental transactions. Like I said, we're not there today, but I see a path to get back into the right range. So let us keep, we're continuing to invest to make sure we have that great customer experience. We're continuing to drive the right cost profile across our cost of goods sold. So again, like I said, let us come back and let's keep having that conversation because I think our underlying cost structure is continuing to evolve.

Best I can see is, and based on all the modeling we can see, is somewhere between that 1% and 2%, comp is what's needed to cover the fixed. And then we start to move into the bigger flow through.

**Mike Grams**
And on the licensed opportunity, first, we've met with, oh my gosh, I guess the last couple of months with Target, Kroger, Albertsons, most of the partners. Brian mentioned we did a bit of a reorganization and that was really meant to establish a business consultant, operational consultant relationship because each one -- those three businesses on the retail side, they show up differently, right?

It's a different customer set. The airports obviously certainly bring a lot. Tremendous opportunity in all of them to deliver the Starbucks experience. What I took away from the call was, hey, we love, you know, they're customers of other coffeehouses. And then at Starbucks, and they're like, hey, we love Green Apron Service. How can we do that in our environment?

I think what we have to do as a brand to help them become successful is, as Brian mentioned, is we're a little too rigid on the wrong things. And create a, you know, like, I don't really care where they get their salt packets. You don't need to buy those from Starbucks. You could certainly -- you're in a grocery store. So that's a small example, but there's many examples where as we build the relationship, Connect, which is the mobile device, is a huge unlock. Everybody benefits when you turn on Connect. We're making good progress on that.

The third party brand standard reviews. We've got quarterly now service standards that are in place and evaluated. So we can go back and coach and truly consult on how to make the Starbucks experience better. The opportunities to grow in licensed are endless. The travel cruise line, amazing. Hospitals. All those little regional hospitals you see, if you put a Starbucks center and it's impressive to see just what's happened.

So we've got a lot of opportunity to grow. We've made progress in 2025 on just getting core operating frameworks, standards in place. And then I think we got a lot of feedback from those partners -- our partners in those meetings about what we can be better at when it comes to what we expect of Starbucks, which is great craft, great connection. And what I asked for is that it's a consistent experience every single time I go in there.

Airports, I mentioned, we're going to show up differently and use some, you know, think of order ahead and how that could change the experience, right? So there's a lot of little things, but the relationship is in a much better spot, I think, because we have clarity on both sides of what we can do for each other, which will unlock more growth as we get going down the road.

**Brian Niccol**
All right, I think we got time for one more question here. Let me go over here if you want, yeah.

**Unknown**
Well, thanks for the last question and hosting us all today. My question is in regards to owning the day. So as you invest across beverages, food, store experience, and you expand relevance into the dayparts, is -- how much is that incremental contribution from owning the day already embedded to the outlook? Or, put differently, should investors view that as upside on top of the 2028 outlook?

**Brian Niccol**
Yeah, look, obviously we do have an afternoon daypart right now, but we think we can meaningfully grow it. And the good news is there's some clear opportunities where we have missing elements in our menu that I think demonstrate there's incremental opportunity for the afternoon daypart.

And then obviously, look, the Rewards program, the digital enhancements, the Green Apron Service model, the throughput improvements that we're going to have because of technology, equipment, that's going to benefit us in the morning, the afternoon, and frankly, all day. So it's not just one component, but I definitely think there's a big incremental opportunity in that afternoon daypart.

So, well, look, I want to wrap it up. And first of all, I want to thank these guys. I started my conversations today saying I believe we've built a world-class team. Hopefully you agree with me. I do believe they're the best in the industry when it comes to marketing, operations, Starbucks.

Brady has got years of experience. I always love traveling with him because I always learn something about Starbucks. So thank you. And Cathy I think is one of the best when it comes to being a financial partner that's focused on growth as well as being smart about how we deliver the earnings. So a world-class team, so honored to work with each and every one of you, so thank you.

And also, I couldn't be prouder of where we are as a company. And I love the questions that we're getting because you're talking about growth with us. And those are the questions I love talking about because Starbucks has the opportunity to, I think, become something really special around the world. And the brand is back. The plans are clear. We have deadlines, dates, names, people that are going to deliver. And I couldn't be more confident in where this business is today and where this business is headed in the future. And hopefully you share that confidence with me.

You know, I'm excited about the guidance for 2028, but I'm also excited about what happens once we achieve what we've outlined for 2028 and where we go beyond there. So thank you for being here. Thank you to you guys for doing a great job. And look, I look forward to seeing all of you in a Starbucks really soon. Take care, thank you.