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Starbucks Corp. (SBUX)

Q3 2025 Earnings Call

CORPORATE PARTICIPANTS

Catherine Park

Vice President, Investor Relations, Starbucks Corp.

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

Catherine R. Smith

Chief Financial Officer & Executive Vice President, Starbucks Corp.

OTHER PARTICIPANTS

David E. Tarantino

Analyst, Robert W. Baird & Co., Inc.

David Palmer

Analyst, Evercore ISI

Brian Harbour

Analyst, Morgan Stanley & Co. LLC

Sara H. Senatore

Analyst, BofA Securities, Inc.

Lauren Silberman

Analyst, Deutsche Bank Securities, Inc.

John Ivankoe

Analyst, JPMorgan Securities LLC

Andrew M. Charles

Analyst, TD Cowen

Christine Cho

Analyst, Goldman Sachs & Co. LLC

Jeffrey A. Bernstein

Analyst, Barclays Capital, Inc.

Chris O'Cull

Analyst, Stifel, Nicolaus & Co., Inc.

Jon Tower

Analyst, Citigroup Global Markets, Inc.

Danilo Gargiulo

Analyst, Bernstein Institutional Services LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is Diego, and I will be your conference operator today. I would like to welcome everyone to Starbucks Third Quarter Fiscal Year 2025 Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

I will now turn the call over to Catherine Park, Vice President of Investor Relations. Ms. Park, you may now begin your conference.

Catherine Park

Vice President, Investor Relations, Starbucks Corp.

Good afternoon, and thank you for joining us today to discuss Starbucks' third quarter fiscal year 2025 results. Today's discussion will be led by Brian Niccol, Chairman and Chief Executive Officer; and Cathy Smith, Executive Vice President and Chief Financial Officer.

This conference call will include forward-looking statements, which are subject to various risks and uncertainties that could cause actual results to differ from these statements. Any such statements should be considered in conjunction with cautionary statements in our earnings release and risk factors discussed in our filings with the SEC, including our latest Annual Report on Form 10-K and quarterly report on Form 10-Q.

Starbucks assumes no obligation to update any of these forward-looking statements or information. GAAP results in the third quarter fiscal year 2025 include restructuring charges that are excluded from our non-GAAP results. Revenue, operating margin, and EPS growth metrics on today's call are also measured in constant currency and represent non-GAAP measures.

Please refer to the earnings release and our website at investor.starbucks.com to find reconciliations of these non-GAAP measures to the corresponding GAAP measures. This conference call is being webcast, and an archive of the webcast will be available on our website through Friday, September 12, 2025. Also for your calendar planning purposes, please note that our fourth quarter fiscal year 2025 earnings conference call has been tentatively scheduled for Wednesday, October 29, 2025.

With that, I'll turn the call over to Brian.

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

Good afternoon, and thank you for joining today. It's clear Back to Starbucks is the right plan. It is grounded in feedback from our customers and partners, and it's rooted in what has always set us apart, a welcoming coffeehouse where people gather and where we serve the finest coffee, handcrafted by our skilled baristas.

This quarter, we've made meaningful progress, and we are ahead of our expectations. We're moving quickly to transform both the business and our culture. We're testing, learning, and focusing on the work that has the biggest impact. We're fixing the operational foundations of the business and building a platform for innovation in 2026. Some of the changes are already visible while others will be seen in the months ahead. There is still much to do, but I'm excited by what I see.

I'm confident that we're not just getting Back to Starbucks, we are building a better Starbucks, where everyone can experience the best of Starbucks, one that is stronger, more resilient and consistently growing. A Starbucks that is once again the gold standard in customer service, partner experience, the coffeehouse experience, and financial performance.

Let me start by sharing the results and then talk about the progress we are making. For the quarter, total company net revenue was \$9.5 billion, with a global comparable store sales decline of 2%, a global operating margin of 10.1%, global net new store growth of 4%, and earnings per share of \$0.50.

In North America, Canada led the way with its second consecutive quarter of positive comparable sales, while in the US comparable sales declined 2%. We are clearly in the early stages of our turnaround in the US, but our work is gaining momentum. In our international business, we achieved record breaking quarterly revenue. It is worth noting that China delivered two points of comparable sales growth and six points of transaction growth through Q3.

Our EPS in the quarter reflects the strategic investments we're making in our Back to Starbucks strategy, like Leadership Experience 2025, which we believe will power our future growth. While our financial results for the quarter don't yet reflect all the progress we've made, I see meaningful signs from across our US business that we're on the right path. Here are a few examples.

We've energized our partners and they see and feel the difference. Retail partner engagement scores are up and coffeehouse leader engagement is nearing historic highs. Hourly partner turnover is 49.1% and shift completion is at a record 98.2%. Customers are liking our marketing and noticing that our speed, hospitality, and accuracy are improving. Customer connection scores are up and customer complaints are down, both quarter-over-quarter and year-over-year.

Customer value perceptions are near two-year highs, driven by gains among Gen Z and millennials, who make up over half our customer base. We saw the percentage of company-operated coffeehouses with positive full-day transaction comps and positive morning transactions improve for the third straight quarter. Non-rewards customers delivered transaction growth year-over-year for the first time since the post-pandemic recovery. Our college and university license business saw year-over-year comparable sales growth in the low double digits, showing renewed brand love from younger customers.

We have huge strengths that differentiate us and form the foundation of our turnaround. We have three strong businesses, in-cafe, drive-thru and digital that are each substantial on their own. And we're rapidly growing a fourth with a delivery business that delivered year-over-year transaction growth of more than 25% and looks to be highly incremental. Average peak drive-thru times are under our service time goal at 3.20 minutes across our more than 7,600 drive-thru coffeehouses.

Our mobile app is highly rated and our reputation as a digital leader is a huge strength. We saw non-discounted transactions grow among our nearly 34 million 90-day active members in our rewards program, and we have one of the largest social communities in the industry with over 65 million followers. These strengths and signs of progress are why I remain confident in our ability to win.

We have a lot of work underway, but today I want to focus on three critical areas: operational changes in our coffeehouses, transforming our coffeehouse portfolio and then how we plan to build on these foundational changes with a wave of innovation in 2026. Let me start with the operational changes.

We've already taken several steps to improve the customer and partner experience, including bringing back condiment bars, eliminating the upcharge for non-dairy milks, implementing a new coffeehouse code of conduct and rolling out coffeehouse walk certifications. In June, we brought together 14,000 coffeehouse leaders from across North America for Leadership Experience 2025. We focused on coffee, craft, connection, opportunity and sharpened our commitment to customer service excellence. The momentum from the event continues to inspire our coffeehouse leaders as they drive our transformation.

The most significant change will come as we begin fully scaling Green Apron Service across all US company-operated coffeehouses in mid-August. Green Apron Service is a new foundational operating model that establishes repeatable, consistent and scalable standards. It is Starbucks' biggest investment ever in operating standards and customer service.

Green Apron Service starts with the five key moments, including craft and connection that define the experience we want every customer to have every time they visit. It is enabled by an evolved staffing model, which includes adjustments to roster size, labor hours, peak coverage and deployment. We're also rolling out our Smart Queue technology, an advanced order sequencing algorithm designed to ensure consistent, timely service across all our access points.

We've accelerated the rollout of Green Apron Service well ahead of schedule because of the strong early results from our pilots. Just eight weeks into our 1,500-store test, partner feedback has been tremendous. Coffeehouses using Green Apron Service have driven improvements in transactions, sales and customer service times. Peak transaction comps have already started to grow and all-day transaction comps are outperforming the broader North American portfolio. Where we've deployed Smart Queue, we've seen a double-digit improvement in cafe orders handed off in under four minutes, with 80% of in-cafe orders now meeting that target. Drive-thru service times are consistently under four-minutes and mobile order and pay is more accurate and on time. Smart Queue is bringing order to mobile order.

Once all elements of Green Apron Service are fully implemented together and customers come to appreciate the improved experience, we believe these trends will continue to improve. To ensure they do, we're launching a new Grow Report in Q1 fiscal year 2026. It's a simple tool that helps coffeehouse leaders focus on five key drivers of same-store sales growth, and it'll provide sharper insights to improve our outlier performance and incentivize retail leaders. The Grow Report and our coffeehouse walks are emblematic of a fundamental shift in our expectations for retail leaders, who will be spending more time in stores focused on operational excellence and customer service.

Lastly, we still have an opportunity to meet the demand we already have by reducing unacceptably high out-of-stocks. The supply chain team is focused on it, and in our pilots, we've been able to improve item availability.

Now, I want to talk about the changes we're driving to our coffeehouse portfolio. Every coffeehouse we operate should be warm and welcoming and provide a place for customers to connect and gather. They should have a great seat for any occasion and they should provide customers access to a high-quality mobile order and pay experience and a drive-thru where possible.

We slowed new builds and major renovations to prioritize a new coffeehouse uplift program, with a target investment of approximately \$150,000 per store and minimal to no downtime. Uplifts are intended to quickly replace thousands of seats we removed and introduce greater texture, warmth and layered design. Work is

accelerating now in New York City. We'll begin in Southern California later in Q4. And by the end of calendar year 2026, we will have completed at least 1,000 uplifts across North America.

We've also begun work on the coffeehouse of the future. We have a new standalone prototype that will open in fiscal 2026 that has 32 seats, a drive-thru and a roughly 30% lower cost to build. A small format version with approximately 10 seats is under construction in New York City and will open in the next few months. We believe this new prototype will deliver an exceptional customer experience, improve unit economics and unlock growth opportunities in more markets.

We plan to complete an evaluation of our North American portfolio by the end of this fiscal year to ensure we have the right coffeehouses in the right locations to drive profitability and deliver the Starbucks experience. As a part of this work, we plan to sunset our mobile order and pick-up only concept in fiscal 2026. We found this format to be overly transactional and lacking the warmth and human connection that defines our brand. We have a strong digital offering and believe we can deliver the same level of convenience through our community coffeehouses with a superior mobile order and pay experience.

Together, we expect these changes to our operating model and our coffeehouse portfolio strategy will improve and transform the foundations of our North American business so that we are reestablishing that moment of connection between a barista and their customer, bringing back warm and welcoming coffeehouses with great seats, delivering drinks in four minutes or less in the cafe and drive-thru while bringing order to mobile order, rightsizing store renovations and new build costs, eliminating unproductive menu items and reducing our reliance on deep discounts and promotions. Because of this hard work, we are creating an operating platform to build on with a wave of innovation in 2026 across digital, loyalty and our menu.

This quarter, we made the most of legacy plans in place, but we have much higher ambition. Building on our Back to Starbucks plan and new foundations, we will bring a consistent drumbeat of innovation to market through fiscal year 2026. We're building a robust menu innovation pipeline, leveraging our Starting Five approach and Stage-Gate process that is centered on premium coffee experiences and exciting beverages beyond coffee, artisanal food that resonates across day parts, and the function forward modern offerings that customers want.

In late Q4, we'll introduce Protein Cold Foam. This is the first breakthrough innovation built and tested with our Starting Five approach. It taps into what has become one of our most popular modifiers, cold foam, which grew 23% year-over-year. Protein Cold Foam with no added sugar is an easy way to add 15 grams of protein to virtually any cold beverage. And customers can also add the flavor of their choice.

Early in calendar year 2026, we'll launch a reimagined artisanal baked case and a bold new 1971 dark roast coffee available on our Clover Vertica brewer in all US company-operated coffeehouses.

As we move further into 2026, expect more experiential beverages and nutritious-satisfying bites for the afternoon day part. This month, we'll start testing new coconut water-based tea and coffee beverages in select markets, and we'll lean into customer needs with upcoming tests of gluten-free and high-protein options to create food that's as artisanal as our beverages.

In 2026, we'll also introduce new platforms including global flavors and customizable energy offerings. And of course, we'll continue to own our hit seasons like fall with the Pumpkin Spice Latte and Holiday.

Our rewards program is a huge asset for us with those nearly 34 million 90-day active members. In early 2026, we'll launch significant innovations in our Starbucks Rewards program, addressing key customer feedback and

introducing exciting new features designed to grow loyalty, brand love and engagement. We have an incredible digital business, and in 2026, we'll lean in further with a new Starbucks app and significant enhancements to mobile order and pay that will further improve our ability to deliver a great customer experience at pickup.

As we work to turn around the US business, we believe we have huge opportunities outside the US too. This quarter, our international business posted more than \$2 billion in quarterly revenue for the first time ever. Many of the changes we are driving in the US, like lower cost store builds and renovations, can scale around the world, creating opportunities to grow the business faster.

In China, the near-term changes we made are paying off. Through Q3, we achieved our third consecutive quarter of revenue growth and total comp turned positive. Beverage innovation and new customization options drove customer frequency and our changes to non-coffee pricing broaden our customer base and bolstered afternoon and evening sales.

As you know, we've been working to identify a strategic partner with a like-minded vision and values to help us capture future growth opportunities in China. We've received significant interest from more than 20 interested parties, and we're evaluating options. We remain committed to our China business and want to retain a meaningful stake. The intense interest in partnering with us is a testament to the great team, strong brand and long-term opportunity for Starbucks in China. It really is a vote of confidence. Finally, we will only enter a transaction if it makes sense for Starbucks.

Across other markets, performance continues to improve as well. In the UK, we see continued momentum with improving comparable sales performance in the low-single digits, driven by a focus on connection, beverage consistency, food innovation and labor investments to support peak operating hours. The momentum stretches across EMEA as well, with overall Q3 revenue and comparable sales up year-over-year.

Our business in Turkey, for example, is performing strongly despite a challenging economic environment, and we opened our 750th store in the market. In Latin America, we maintained double-digit year-over-year growth in system sales, revenue and operating income. Mexico is approaching the 1,000-store milestone and provides a roadmap for profitable growth in the region.

As we look forward, we see significant opportunity to accelerate growth across our international license markets. The team is focused on it and is thinking big.

As I look back on the progress, we've made this quarter and my 10 months here, I believe more than ever in our Back to Starbucks plan. We've had to fix a lot, but we've done the hard work on the hard things. We've moved quickly to build a more consistent operating model, set clear customer service standards, and bring order to mobile orders. We're rightsizing our new store builds and renovations to improve economics, and we're addressing inventory availability.

Though these are areas we know we can move even faster, and we're fixing our cost structure and finding offsets across our P&L to support investments at the store level. This transformation lays the operating foundation for an ambitious innovation agenda, and I'm confident by the end of 2026, Starbucks in the US will look and feel very different, delivering the industry's best customer experience. We're not just getting Back to Starbucks; we're building a better Starbucks where everyone can experience the best of our brand.

As we do, we believe we'll drive a stronger top line and in time, healthy, sustainable profits will follow. I know there's a lot of interest in our long-term plans, and I'm pleased to confirm that we will hold an Investor Day in Q2 of fiscal year 2026. I look forward to seeing many of you in person.

Before I close, I want to say thank you to our Green Apron Partners. The energy and enthusiasm at Leadership Experience was inspiring, and I continue to see that same momentum every time I visit our coffeehouses. Back to Starbucks is coming to life through the passion and leadership of our coffeehouse leaders and Green Apron Partners. I'm grateful for the way they're embracing change and delivering world-class customer experiences. Thank you. They're truly creating the green wave.

I also appreciate how our support center partners are embracing the changes in how we get work done. We're all committed to building a culture-centered on performance, accountability, and prioritizing support for our coffeehouse teams. Thank you for the important role you're playing in driving this change.

And with that, I'll turn it over to Cathy to share more detail on our financial results for the quarter.

Catherine R. Smith

Chief Financial Officer & Executive Vice President, Starbucks Corp.

Thank you, Brian, and good afternoon, everyone. I'm now four months into my role at Starbucks and I am confident we have the right strategy in place. We are moving with pace and urgency and are seeing encouraging results from our pilots. We are testing, learning and iterating quickly as we work towards rebuilding a better Starbucks, known for exceptional customer service and serving the world's finest coffee.

I'll now cover our Q3 results. Our Q3 consolidated revenue was \$9.5 billion, up 3% to the prior year, reflecting 6% net new company-operated store growth over the past 12 months, partially offset by a 2% decline in comparable store sales. Our global comparable store sales performance was led by a 2% decline in the US, with US transaction comps down less than 4%.

While our transactions remain impacted by lapping highly-discounted promotions in the prior year, we are seeing continued progress. US company-operated transaction comps improved for the third consecutive quarter. The percentage of US company-operated stores with positive full-day transaction comps and positive morning transactions also improved for the third consecutive quarter. We are seeing improvement across most urbanities, most notably in central business districts, and non-Starbucks Rewards members' transactions grew year-over-year for the first time since the post-pandemic recovery.

We're also making progress with our Starbucks Rewards customers, with quarter-over-quarter improvements in the number of transactions not on promotion. We'll continue to drive growth and loyalty with our rewards customers through a reimagined loyalty program next year.

Our ticket growth in the US for the quarter was 2%, reflecting fewer discount-driven offers in the current year. We have reduced the percentage of discounted transactions by a third, putting us back to more normalized levels as we build back a healthier transaction base and focus on improving the overall value proposition for our customers.

Rounding out North America, Canada had another strong quarter with sales comp growth in the low-single digits, propelled by product innovation, particularly in food. Our US licensed store portfolio revenue declined in Q3, driven by the grocery and retail channels. However, we saw strength in airports where sales volumes grew in the quarter despite TSA traffic declines, as well as in the college and university segment as Brian, mentioned.

Licensed stores are a critical part of our portfolio, and we have been actively addressing licensee economics and profitability to fulfill our aspiration to be a world-class licensor.

Outside the US, the international segment again delivered strong performance, with 7 out of the top 10 markets comping positively, with particular strength in the UK and Mexico. China continues to grow and improve profitability. Starbucks China's comparable store sales grew 2% in the quarter, driven by a 6% improvement in comparable transactions. The market's comp growth was driven by successful product innovation, including the new zero-sugar fall-flavor platform, a strong integrated marketing campaign, and outsized delivery growth.

Japan had negative comparable sales in the quarter as the market lapped strong LTO performance in the prior year, and has been challenged by soft consumer sentiment. However, our brand continues to be strong, and our core coffee and tea products are performing well.

In our Channel Development segment, our Q3 revenues grew 10% year-over-year due to higher revenue in the Global Coffee Alliance. We remain market share leaders in the North America at-home and ready-to-drink coffee categories, and continue to work with our partners to innovate and broaden our reach beyond our cafes.

Turning to store growth, we opened 308 net new stores globally in Q3, primarily consisting of company-operated growth in the US and China and international license growth. As Brian mentioned, we are conducting a comprehensive evaluation of our portfolio to ensure our coffeehouses can represent our brand and customer promise, which we expect to complete by the end of the fiscal year.

As we look to the future, we are focused on disciplined capital deployment, with work underway to reduce the cost of both new stores and renovations without compromising a warm, welcoming, community coffeehouse environment.

Shifting to margin. Our Q3 consolidated operating margin was 10.1%, contracting 650 basis points from the prior year, primarily driven by deleverage and investments in support of Back to Starbucks, including additional labor hours and leadership experience 2025.

Shifting to G&A. In Q3, G&A increased by 18% versus the prior year, driven by our investment in Leadership Experience 2025. This event was a galvanizing moment for our coffeehouse leaders, and they returned to their communities inspired to take action and deliver world-class customer service across our stores in North America.

Q3 EPS was \$0.50, down 45% from the prior year, primarily reflecting the impact of expense deleverage and our Back to Starbucks investments, including labor and leadership experience 2025. Our effective tax rate was higher this quarter due to a discrete tax item in the quarter, as we optimize cash deployment across markets. This, combined with the Leadership Experience investment, drove approximately \$0.11 of our Q3 EPS decline on a year-over-year basis.

To conclude my remarks on our Q3 results, we remain committed to our capital allocation strategy and disciplined capital investment, maintaining our strong balance sheet and BBB+/Baa1 credit rating and returning cash to shareholders via dividends.

While we have not provided official guidance for the year, I'd like to offer some preliminary thoughts on our broader outlook and the shape of Q4. As Brian said, we continue to make the most of the existing innovation plans and believe we have a strong fall platform, including the return of our popular Pumpkin Spice Latte that overlays the transformative work taking place on the company, brand and customer experience.

Taking into account that we have a lot in flight, combined with the uncertain consumer environment, we are conservative on how the current year-over-year trends will change in Q4 for the US company-operated business. We know we lose the benefit of ticket and that transactions are improving. Just where they will net out is unclear. We are pleased to be ahead of schedule with key foundational programs like Green Apron Service, and we are confident that 2026 will continue to improve as we see the effects of our Back to Starbucks strategy begin to scale.

Both the tariff environment and coffee prices continue to be dynamic. We continue to mitigate expected tariff exposure outside of green coffee and are pleased to see green coffee prices moderate. We have also increased our coffee coverage relative to last quarter, as prices have declined. Due to our coffee buying and hedging practices, you should expect to see both moving average coffee costs and coffee tariff impacts lag the market, with year-over-year coffee cost increases expected to peak in the first half of fiscal 2026.

Our margins in the near-term are impacted by critical investments in our stores, partners and customers. However, the early signs of progress we're seeing in partner engagement, transactions in our critical day parts and customer feedback give us confidence that these investments will yield the returns to drive much healthier margins over time. As we progress on our Back to Starbucks strategy, we will invest over \$0.5 billion of additional labor hours into our US company-operated portfolio over the next year, beginning with our Green Apron Service rollout in mid-August.

To offset these investments, we are focusing on driving a healthier and more efficient cost structure that allows us to weather macro headwinds, drive strong sales flow-through, and simultaneously fund our Back to Starbucks strategy. We are working on resetting and improving our cost structure across the entire P&L with disciplined prioritization, driving more efficiency, accountability and agility into the organization.

In closing, I am impressed with how far we've come and know we have more work to do. We know this turnaround is a multiyear effort. We are rebuilding our core foundation on which we can scale and innovate to deliver the best of Starbucks customer experience, while instilling stronger discipline in our cost structure and capital deployment plans.

A lot is happening today behind the scenes and these efforts will come together more visibly by the end of next year. And when they do, I am highly confident that our financial performance will follow, first in our comps, then in our earnings. I'd like to thank our partners around the world for their commitment to transforming Starbucks into the premier customer service organization that all our stakeholders, partners, customers and shareholders will be proud of.

And with that, Brian and I are happy to take your questions. Thank you, operator.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And your first question comes from David Tarantino with Baird. Your line is now live.

David E. Tarantino

Analyst, Robert W. Baird & Co., Inc.

Q

Hi. Good afternoon and congrats on the early progress. I wanted to ask about the investment you're making in the stores. Thank you, Cathy, for quantifying that \$0.5 billion in labor hours. Can you maybe just frame up some of the cost offsets you mentioned to that number and whether you think it's possible to fully offset that number, or whether you're going to need to see sales leverage in addition to the cost offsets to get the right return? I guess, how are you thinking about the overall margin impact from that collective effort?

Catherine R. Smith

Chief Financial Officer & Executive Vice President, Starbucks Corp.

A

Yeah. Good afternoon, David. Thanks for the question. First and foremost, let's make sure we understand, though, that the Green Apron Service is a foundational operating model that establishes the repeatable, consistent, scalable standards that we want and need in customer service. And so it's such an important investment.

But to answer your question then, we are, as we shared even last quarter, working across the entire P&L, so named it in the prepared remarks. But from cost of goods sold to operating expenses to G&A, the team is taking on both short-term and long-term cost structure efficiency work that we're doing.

So, not ready to quantify the exact offset. I would tell you, we see lots and lots of opportunity and we're getting after it. Some of it will start to come together pretty quickly and some of it is going to take us a little bit longer. What I would tell you is we're working on 2026, 2027 and 2028. So, we're putting in the more durable, sustainable activities to make sure we don't just address it once, but we actually address it long-term. What's really exciting, though, is when we start to grow, we'll actually like what comes through to the bottom line when we start to see that top line come through.

Operator: Thank you. And your next question comes from David Palmer with Evercore ISI. Please state your question.

David Palmer

Analyst, Evercore ISI

Q

Great. Yeah, just building on what David was just talking about. I guess, conceptually, right now, we're in an investment mode and we can imagine that margins may not be moving up very quickly, might be moving down a little bit here in the near-term. But I'm wondering how you're thinking about things evolving longer-term. I would imagine there'll be an Analyst Day where you'll want to go through each of the pieces of this.

But just conceptually, do you see the company going back to pre-COVID levels of margin that might be, the 17% type margin corporate-wide, a little over 20% in the Americas? Is that reasonable to expect? And what sort of journey do you think would – how long could that take? And what are the big things that are – the must get right

that you're thinking over the next 2 or 3 years that would really get you there if you think you could get back there? And thank you.

Catherine R. Smith

Chief Financial Officer & Executive Vice President, Starbucks Corp.

A

Good afternoon, David. I'll start and then I'm sure Brian can add to. So first off, you asked about maybe longer-term kind of earning potential. And first off, Brian mentioned it in his remarks. We're excited. We've put a date on the calendar a time early 2026. We believe we'll be in a good position to share not just short-term, but really longer-term, how we see about see this company playing out. So, we're really excited about, putting a date out there for the Investor Day, early 2026.

Then to answer your question around 2019, is that the right benchmark, and aspiration, what I would tell you is it's a good guidepost. It helps us to understand what is possible. Obviously, you have to drive top line first and foremost. That's the most important thing. So, but once we do start to drive the top line, can we set up a cost structure below that, that delivers the kinds of profitability that we would expect?

And so, 2019 is just my best guidepost, our best guidepost right now. We'll see, as we approach that guidepost if that's – if there's more room pass that. But right now. let's look at that as our guidepost. It provides a really clear – if you unpack the P&L, a really clear path to get there. And that's what the team is working on, right now, is literally that path. And it's going to take a little bit. I'll leave it there.

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

A

Yeah. Hey, David, it's Brian. The only thing I would add is, I've gotten this question before around, do you think Starbucks over-earned? And as I better understand the business and I see the opportunities in front of us, I don't think that is the case. I think there is tremendous opportunity in front of us where we get the operating foundation in place, and then we put into place the innovation that we know resonates with customers, and then we continue to do the right thing so that our partners are set up for success, to deliver the innovation and the ongoing operating model.

And as Cathy mentioned, we put a really strong focus on our cost structure. The idea then is you build back a better Starbucks and that's what we're after. So, 2019 serves as a good roadmap. But we have aspirations to not only achieve that but hopefully exceed that. And, as we go on this journey, we'll bring you guys along with us. And I look forward to sharing our thoughts on how this all unfolds at the Investor Day early next year.

Operator: Thank you. Your next question comes from Brian Harbour with Morgan Stanley. Please state your question.

Brian Harbour

Analyst, Morgan Stanley & Co. LLC

Q

Yeah, thanks. Good afternoon, guys. Just on the Green Apron Service thing. Obviously, you've sort of accelerated that, it sounds like. Could you talk about sort of how fast you would expect that to spread through the whole company's store base, how fast, those investments will happen? And I think you talked about, at your conference, sort of making sure there was an assistant store manager in every location. Is that also part of that 500, or I guess, what exactly is sort of included there?

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

A

Yeah. Look, so the Green Apron Service model will start rolling out the middle of this month. And, obviously, it takes a little bit of time to get it across all our stores and implemented where our rosters are the right size and then deployed correctly. But what we've seen in pilot is, it takes a little bit of time for us to get into a rhythm with the new labor that we have on the team. And then it also takes a little bit of time for our customers to recognize that they're getting a different kind of service experience.

The good news is, once both of those things stick, we see transactions move in the right direction from there. And so, you heard in my earlier comments, what I'm excited about is as the time goes on, we see this building and building and building. And then when you start thinking about the innovation, you can layer on top of that. Now you're building from a place of strength with innovation as opposed to, kind of a place of weakness or trying to recover with innovation.

In regard to the assistant managers, that's going to be part of the roster, and it really is an element of then I think staying true to our mission of we want to promote within greater than 90%. And this presents a tremendous opportunity. And we talked about this at our Leadership Experience, tremendous opportunity for people to grow with Starbucks through the assistant manager role.

And so, that's what you see unfolding over time is as we get the roster size right, we'll then figure out how we can promote within that roster and within the organization. So, that assistant manager role, which then nicely sets us up to build a pipeline for the future growth of new stores with managers and so on and so forth.

So, I'm delighted that Mike and the operating team have just done a really great job of bringing the Green Apron Service model from an idea to true execution that's now scalable. And now we're in the process of scaling it. So, really excited for mid-August to get here. And then really excited, for us to build on that strong foundation.

Operator: Thank you. And your next question comes from Sara Senatore with Bank of America. Please state your question.

Sara H. Senatore

Analyst, BofA Securities, Inc.

Q

Thank you. Just a clarification, Brian, on your last comment. And then a question about food innovation. So, it sounds like actually operational improvements perhaps weren't the primary driver of the sequential improvement transactions, given it takes customers time to sort of appreciate them. So, has it been marketing? I know you've invested maybe a more traditional marketing or I guess to what do you credit the sequential improvement, if the operations are sort of still early days?

And then just on food, I think this is the second quarter where you've called out food in Canada. Are there any kind of lessons you can take from that that can be applied to the US? Because I know food has feels like it's been an opportunity for a very long time. So, just trying to understand what maybe moves the dial on that. Thank you.

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

A

Yeah. Thanks, Sara. So yeah, look, to answer your question on the operating side, I do believe we're operating better as a system. The Green Apron Service model is not across the system yet. But remember, we rolled out

the five key moments. We brought forward the condiment bar. We brought forward, obviously, the idea of speed as it relates to less than four minutes in-cafe and also less than four minutes in the drive-thru.

And this is one of the things I think is always impressive is when you give clarity to operating leaders. They understand what the mission is and then they figure out how best to achieve it. What the Green Apron Service model does is it takes that and makes it even more consistent, more reliable, and also gives, frankly, our partners more tools to achieve those key customer metrics that we're after over and over again.

So, we've made operational progress, which I'm really excited about. And, I think Green Apron Service then will kind of institutionalize it and become our system. And hopefully I think we'll become famous for Green Apron Service and be the defining customer service company that I think Starbucks should be. And that's what we're after. That's our mission.

To answer your other part of this question, though, I do think our marketing is playing a positive effect on the business. You might have heard in our comments we're seeing both non-discounted rewards customer transactions pick up and we're also seeing non-rewards transaction customers increase. And we're up year-over-year in the third quarter. So, I think we've got a couple of things working in our favor, much better marketing. And I think a stronger operating system right now. And I think we're going to continue to drive against both of those things going forward.

So, I'm delighted that what you're seeing is people respond to the marketing and the message. And then I'm also delighted and frankly, impressed by our operators on their ability to take a clear message and figure out how to make that happen in their stores. And now we're going to, I think, amplify that with the Green Apron Service model.

Catherine R. Smith

Chief Financial Officer & Executive Vice President, Starbucks Corp.

Food?

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

Oh, food. Your question on food. Yeah, the team in Canada has done a nice job. I was actually just up in Toronto with the team and up there they've done some waffles and pancakes, and I think they're just getting ready to do some bagel bites, which are also really exciting. And yeah, of course, there's opportunity for us to figure out what they're doing up in Canada from a food standpoint, to figure out what makes sense for us to bring not only to the US, but around the world.

And I would also share with you, I happened to be in London a week or so ago, and the same thing, the team is doing a great job on enhancing their food and their baked case. And this is one of the things I think, frankly, Starbucks has an opportunity in general on is we have 40,000 stores around the world. We have examples of success all over the place. And we're going to do a much better job of taking advantage of where we see success somewhere else in the world and reapply it globally. And so, you'll continue to see us figure out how we can leverage these things around the world, share it with our licensed partners. And then obviously, where it makes sense, bring it into the United States market as well.

Operator: And your next question comes from Lauren Silberman with Deutsche Bank. Please state your question.

Lauren Silberman

Analyst, Deutsche Bank Securities, Inc.

Q

Thanks so much. I wanted to just follow up on the Green Apron Service model. Can you help contextualize, like, anything around the traffic lift that you might be seeing in test stores, whether you're seeing it across day parts, channels that are more significant? And then my actual question is just on the rewards program, which has always been important to the brand's growth. What do you think is missing in the current platform, and what are the key elements of the reimaged program of the future? Thank you.

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

A

Yeah. So, look, one of the things that's exciting about the Green Apron Service model is I think you might have heard my remarks. I think it was maybe like the first three weeks I was with the company. I had the opportunity to do an earnings call with everybody. And, one of the things I wanted to do was make sure we won the morning.

And one of the things we're seeing right out of the gate is those peaks. We're seeing really nice progress. And then we also see growth throughout the day. We still have an opportunity in the afternoon. And I think you heard me talk about this. We're going to figure out how we get the right food and the right drinks so that we're more relevant in that afternoon occasion. But early on, not surprisingly, we said we wanted to win the morning and we wanted to have a more effective full day of business. And that's what we're seeing out of the Green Apron Service model. So that's where we are.

And then to your question on rewards, right now, I'd say the rewards program became too much of a one-size-fits-all and a discounting mechanism, as opposed to a program that really recognizes people for their loyalty and builds more engagement. And the feedback we've gotten from customers that are part of it is if I'm a really big, loyal customer, I think there should be more, um, recognition of that. And if I'm of a less frequent customer, we should then set up the program so that it fits for them.

So, you're going to see us really tailoring the system to become more about recognizing the loyalty, recognizing the engagement, and then building the brand through this rewards program, as opposed to what I think unfortunately, became a system of just discounting and a one-size-fits-all. So that's where we're moving towards, and I'm really excited about what that program will entail, and I'm excited that we'll probably be able to show you kind of all the bells and whistles when we're together in February.

Lauren Silberman

Analyst, Deutsche Bank Securities, Inc.

Q

Thank you.

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

A

Yeah.

Operator: Thank you. Your next question comes from John Ivankoe with JPMorgan. Please state your question.

John Ivankoe

Analyst, JPMorgan Securities LLC

Q

Hi. Thank you so much. There's so much color in the prepared remarks that I'm going to have to read the transcript to catch all of it. But oftentimes innovation and consistency and speed and accuracy are oftentimes enemies of one another. So, Brian, I guess how do we handle so much innovation that we talked about in some of your prepared remarks without maybe slowing down or complicating the line, complicating operations, the coffeehouse experience?

And are there any solutions around equipment, or do you have an opportunity to consider splitting the day parts at Starbucks, maybe having some afternoon innovation that really is available only in the afternoon. That allows you to focus specifically on the morning? How are you thinking about, I guess, both this opportunity and risk?

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

A

Yeah. Thanks, John, for the question. You know, one of the principles for our innovation is it cannot negatively impact our ability to deliver on cafe orders less than four minutes, right. The drive-thru less than four minutes and then being on time and accurate with our mobile order. So that is, one of the key entry points for any innovation that we have to do.

With that said, what I also think, we're doing much better job of now is making sure that we understand what are the current approaches for how we make drinks, how we prepare food, so that when we do the innovation, we aren't always having to reinvent the process of how you make the drink.

And so, I think what you're going to see, John, is it's innovation that is unique. It's what customers have been asking for. It's what meets customer needs. And then we do it in a way where our partners give us feedback so that we're able to execute it consistently and with the right type of throughput. And this is why it's so important that we have this approach of the Starting Five, because this innovation is being kind of co built with our baristas in our stores versus we build it in the support center. We throw it over the wall. And we hope that our baristas can figure it out. Like those days are over.

The way we're going to do this is we're going to build it together. We're going to build it with the field and our baristas in store at the start of the process. And so, it's been very powerful for us. And even the protein platform that we're going to be bringing out later this year, is a great example of how we've done just that system, where we tapped into our baristas to help us fine tune the program so that it's executed in a way that can be a great drink every time on the speed requirements that our customers expect, and it sets our partners up to be successful with every drink that they're preparing.

So – and this is also probably the reason why we had to initially set out on menu simplification. You got to clear out kind of the low hanging things that are, frankly, a distraction and taking away people's time so that it frees up space to do meaningful innovation that we know can be executed by our partners in our stores.

So, the Green Apron Service model hugely important to get that established and set, and we were purposeful to make sure we did that first before we layered in the innovation. But the good news is where we're testing this with the Green Apron Service model, we see our ability to then implement the innovation that we're talking about bringing down the pike. So, very excited about what's to come. And I love the fact that these things are built by baristas and the ideas can come from anywhere. And that's the kind of company we need to be.

Operator: Thank you. And your next question comes from Andrew Charles with TD Cowen. Please state your question.

Andrew M. Charles

Analyst, TD Cowen

Q

Great. Thank you. One quick housekeeping first. Just curious, how many mobile order and pay stores are in the portfolio as you go through the process of system optimization? And my real question is that if I go back earlier this month, there was an 8-K highlighting a bonus contingent on reducing operating expenses through fiscal 2027. Can you help us understand what level of reduction is necessary to hit this?

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

A

So, to answer your first question, it's roughly like 80, 90 stores in the mobile order pickup space.

And then on your second question, look, incentives are powerful tool and I wanted to have an incentive for the organization to get after the cost side of things. And I think the good news is I'm seeing people galvanized around getting after what these incentives have set out to do.

And so, you'll see how that unfolds over the, I think, the coming months and coming years. And I think Cathy said it well. We ultimately want a better cost structure so that as we grow, we're happy with how the top line falls to the bottom line.

Operator: Thank you. And your next question comes from Christine Cho with Goldman Sachs. Please state your question.

Christine Cho

Analyst, Goldman Sachs & Co. LLC

Q

Great. Thank you for taking the question. So, Brian, could you talk a little bit about your decision to expedite the rollout of the Green Apron Service model? So were there any notable surprises or key metrics from your earlier tests across the 2,000 stores last quarter that kind of gave you that confidence to proceed with a full rollout in all of the US stores by the end of the summer, as opposed to the one-third of the stores by then?

Additionally, just your thoughts on how you will measure the ongoing success of the model and how you incorporate some feedback from both customers and partners? Thank you.

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

A

Yeah. Thanks for the question. Look, it really boils down to how we saw the pilots be able to both hire, train, deploy. It was all about getting the right partners in the right place at the right time.

And then also when you layered in the technology behind it of the Smart Queue, which is all about the ordering algorithm, we saw how that was effective. And then not surprising, what we also saw is we saw a nice movement in transactions in the dayparts that I talked about earlier, both the morning and for the whole day.

And then I also think I mentioned this in my remarks. We've gotten clarity on what are the key metrics that ultimately drive performance. And that's our Grow Scorecard that we're going to be adopting going forward.

And so, you'll see us continue to talk about that ongoing, and you're not going to be surprised. It's about the customer. It's about our being staffed correctly. It's about ensuring that we obviously get the right speed

requirements hit. And so, when we do those things, we see the outcomes that we want, which is transaction growth, which then ultimately, I think, is a key indicator of health in the business.

So, we loved what we saw. Mike and the team demonstrated that we had the ability to scale it. And so, we were like, you know what, the time is right, because I love the fact that we're going to get this Green Apron Service model in place before we hit Pumpkin Spice Latte, our big fall holiday season. There's going to be a lot of customers that come into our business because of those two marquee moments, and now they're going to experience Green Apron Service. And I just think that's a winning proposition for us that sets the table for what's to come in 2026.

Operator: And your next question comes from Jeffrey Bernstein with Barclays. Please state your question.

Jeffrey A. Bernstein

Analyst, Barclays Capital, Inc.

Q

Great. Thank you very much. Brian, just a question on the US business. Investors often express concern around a few things that could limit return to outsized US comp growth, whether it's US competition from above or below, your unit comp penetration maybe being already elevated and value perception.

I'm just wondering, what do you perceive as the greatest challenge among those? It does seem like based on your comments, maybe these things aren't concerns internally. So, I'm just looking for your thoughts on, right, the implications from competition, penetration and value perception. Thank you.

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

A

Yeah. Look, I think one of the most important things you do with a consumer-facing company is making sure that the brand is perceived to be valuable. And one of the things I was really delighted to see is we've made tremendous progress on that value front and I think it's the highest level we've had in the last two years. And so, I'm very focused on how are we driving this brand to be more valuable for our customers tomorrow, because that's – I think that's how you have to think. It's like, maybe we were good today, but we need to be even better tomorrow.

And I think the Green Apron Service model is a foundational element, because if we become the great customer service company that I know we can be consistently, there's tremendous value in that. Nobody else does it. And it's uniquely something Starbucks has always stood for in the past and I think it's uniquely something we can own going forward.

And look, the best way I know to compete is to be the best form of yourself. And that best form of Starbucks is, without a doubt, world-class customer service, driven by the connection between our barista and our customer, with the craft of our drinks in a special third place. And so that makes this brand super valuable to every customer and every partner that's a part of this company. So, that's what I'm focused on. I love playing offense in a very competitive environment. And we're in competitive environments all around the world, and you're going to continue to see Starbucks be on the offensive as it relates to great connection, great community, and great craft.

Operator: Your next question comes from Chris O'Cull with Stifel. Please state your question.

Chris O'Cull

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Yeah, thanks. Brian, I was hoping you could expand on your thinking around the China business just for a moment. I mean, the company's been clear. It's looking for a partner, but I was hoping you could elaborate on exactly what you believe you would gain from a strategic relationship? I mean, it doesn't look like capital is really an issue when you consider, the investments that need to be made in that market. But so, I'm just wondering, is the primary goal to bring in maybe better expertise in operations or marketing in China, or what would you consider a win for Starbucks, I guess?

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

A

Yeah. Look, I think the good news is our brand is well respected, held in high regard with the Chinese customer, and our team has been doing a really nice job. I think figuring out how to compete in a new environment. As I mentioned in my earlier remarks, and as we look at, the partners that have come forward, what we are hoping we can have is a partner, first of all, that shares our mission and value. It's got to be a consistent approach to our mission and values. And then I think, be a great partner to figure out how we can operate more, effectively in that local market.

And, because it's not about capital, what this is about is how do we ensure that the Starbucks brand is in a much better place in the future, because I do believe there's going to be thousands of more Starbucks in China. And I think there's no reason why this can't be one of the best businesses in China. And so, we're looking for a partner that shares that passion and shares that belief that there's this opportunity to grow one of the special brands in China. And we think having somebody that's a local partner, sets us up to ensure that is the case for the Starbucks brand long term.

Operator: Thank you. Your next question comes from Jon Tower with Citi. Please state your question.

Jon Tower

Analyst, Citigroup Global Markets, Inc.

Q

Great. Thanks for taking the question. Maybe, Brian, circling back to a topic you kind of hit on a little bit earlier on value. And specifically, I know in previous calls you talked about the idea of looking at the menu architecture and the pricing architecture. And I'm just curious with a lot of the innovation that you outlined earlier in the call. I'm just curious how you're thinking about maybe how value fits into the new products that are coming out next year? Are you thinking about different, cup sizes that are coming through specifically and price points around that? And then on top of that, how are you thinking about incremental pricing beyond this fourth quarter and into 2026 in aggregate?

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

A

Yeah. Yeah, obviously, as we bring out the innovation, we want the innovation to be relevant for the day part that we're going after and the occasion that we're going after. So, in some cases that may mean, a smaller size. In some cases, it may mean we think differently about where that price falls within our menu architecture. So obviously it's important. We all remember the old marketing class we took, right. I can't remember if it's 4Ps or 5Ps, but, one of the Ps is definitely price.

And we got to make sure that for the customer experience. And here's the one thing I think it's really important to remember. We are – everything we do will be valuable. We are a premium brand that give people access to premium experiences. And so, this is not about, changing that trajectory of our business.

With that said, there are different ways to execute, both the size and the package, that you experience, whether it's an afternoon snack or an afternoon pick-me-up or customizing your energy, customizing your protein. Like there are a lot of different ways for us to think about how we bring value to the customer in a premium way. And so that's very much top of mind for us. And I think it's critical for us to continue to be positioned correctly for every occasion. And what was the second part of your question?

Catherine R. Smith

Chief Financial Officer & Executive Vice President, Starbucks Corp.

Pricing.

A

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

Oh, pricing

A

Jon Tower

Analyst, Citigroup Global Markets, Inc.

It had to do with pricing.

Q

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

Yeah, pricing in the future. Yeah, look, I think you've heard me say this all the time, and I still fundamentally believe this is pricing is always the last lever I'd like to pull. But with that said, pricing will be a part of our business model. There are times where it makes sense to take some price. And when those situations present itself, we're going to do it in the least amount of pricing necessary. I prefer to always hold back on that one as much as possible. So, will we have to use it in the future? Absolutely. It's going to be the last lever I'd like to pull. And when we pull that lever, I probably want to do as little as possible.

A

Operator: Thank you. The last question comes from Danilo Gargiulo with Bernstein. You may ask your question.

Danilo Gargiulo

Analyst, Bernstein Institutional Services LLC

Great. Thank you. Brian, I'd like to go back to a couple of topics that you were hinting before, specifically like competition and at some point, Cathy was also talking about the potential macro pressures in the fourth quarter. And with great progress on a sequential basis on traffic, sequential improvement on traffic, but it still remains negative on a one-year basis. So how do you assess that the contraction was actually driven by the lapping of promotions rather than perhaps consumer finding alternatives? That could be either, potentially evolving competitive landscape or consumers switching to a coffee consumption at home?

Q

And then given your assessment, out of all the initiatives that you have been launching, which one do you think is going to be the most critical one to be driving consumers back to stores? Thank you.

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

Yeah, well, look, I think it's a combination of things that's going to ultimately bring customers consistently back to our stores. But I do believe getting the foundation right with the Green Apron Service model is mission critical, and step one. And then obviously having relevant innovation that puts us in front of culture and in culture is hugely

A

important. And you've heard me outline it, that innovation is going to go from menu across beverage and food to digital to rewards. So, I think that's our success platform that we're going to continue to drive towards, and we'll talk more about it at our Investor Day.

In regard to the macros and what we see in the business, look, one of the things I was delighted to see is that we continue to see sequential improvements in transactions. And, as we exited the quarter, we continue to see that. And so, we just right now obviously are still figuring our way through these initiatives that are in flight and until everything's in place. You have some ups and downs as you move through the quarter.

So, I think, the good news for us is I think a lot of the opportunity of growth is in our control. And, I think that's what I've asked our team to stay focused on is what are the things we can control. We do that to the best of our ability. We will continue to grow share and we will build a brand that's beloved and that's what we're after.

I can't control some of the other forces that are out there, but I can bring the best Starbucks in whatever environment we have to compete in. And that's where we're going to stay focused on Danilo. And it served me well over my last 20 years working in this industry. And I've seen a lot. And the good news is what I see always working is make sure that you value every customer, you set your partners up for success, and then you stay on the offensive for your brand. And then that's how you come out on the other side, a stronger, better business. And that's what we're focused on right now.

Obviously, we're still turning this business around. And when you're in a turnaround, there are some unexpected things that happen. And I think we're smart to make sure that we're honest about that. And the reality is I believe we're working on the right things. And whatever comes our way, we'll handle accordingly.

Operator: Thank you. That was our last question. I will now turn the call over to Brian Niccol for closing remarks.

Brian R. Niccol

Chairman & Chief Executive Officer, Starbucks Corp.

All right. Well, thank you, everybody, for joining the call. Thank you for the questions. And thanks for all the time. Obviously, you heard in my remarks and hopefully through this Q&A, how genuinely proud I am of this team, both our partners in our stores, as well as our partners here in the office with me on working through this turnaround. And as we kind of close out this conversation, this quarter was really all about laying the operational foundation for Starbucks. And, our point is, we want a Starbucks that's not only stronger and more resilient now, but we're ready to start innovating and innovating at scale in 2026.

So obviously, we're making some significant investments in our Green Apron Partners and in the operational foundations that support them. And the rollout of our Green Apron Service model is really our most ambitious operational transformation to date. But I'm really excited about the early signs of success that we're seeing. And we're also, I think, going to continue to reset our coffeehouse portfolio strategy. We're prioritizing warmth, connection, community. And I'm really excited about what I'm seeing in the uplifts that we've started to do and how we're creating the coffeehouse of the future with the new building that we're going to be building going forward.

It's really energizing, frankly, to partner with this new leadership team. I'm confident in the strength and vision of this group of leaders. And I'm really excited for what we're going to accomplish together. So, all of this work, every investment, all the operational change is all about helping us build the best Starbucks and one that is ultimately

grounded in purpose, powered by our partners and positioned to lead with innovation in the years ahead. So, I'm proud of the progress we've made. I'm really confident in our path forward.

Obviously, I'm excited for the fall program. I, like many customers, love the Pumpkin Spice Latte. And that comes out August 26th. So, and quickly thereafter, you'll see us innovating with our Protein Cold Foam and our protein platform.

So, couldn't be prouder of where we are. As I mentioned in my comments, I do feel like, as I've been a part of a lot of these turnarounds, we're ahead of schedule where I would have thought we would have been. And I think that's evidenced by the fact of rather than rolling out Green Apron Service model to just a couple thousand stores, we're going to be putting it in all our stores. So, excited about what's to come and excited to be able to share even more of these details in our next quarterly call, and then obviously at our Investor Day. So, thank you everybody. Take care.

Operator: This concludes Starbucks third quarter fiscal year 2025 conference call. You may now disconnect.

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