

Starbucks Enters New Era of Growth Driven by an Unparalleled Reinvention Plan

9/13/2022

Introduces Three-Year Financial Roadmap, Delivering Annual 7-9% Comparable Store Sales Growth, 10-12% Revenue Growth, and 15-20% Non-GAAP EPS Growth

SEATTLE--(BUSINESS WIRE)-- Starbucks (NASDAQ: SBUX) today hosted its biennial Investor Day in Seattle where interim chief executive officer Howard Schultz, chief financial officer Rachel Ruggeri, and Starbucks leaders showcased the company's Reinvention plan to an in-person audience of more than 150 investors. Presentations highlighted decisive actions and targeted investments in partners, customers, and stores that are expected to accelerate the company's long-term growth, progressively expand operating margin, and drive high-teens non-GAAP EPS growth annually through fiscal 2025.

This press release features multimedia. View the full release here:

<https://www.businesswire.com/news/home/20220913006189/en/>

Starbucks interim chief executive officer Howard Schultz showcases the company's Reinvention plan to an in-person audience of more than 150 investors. (Photo: Business Wire)

"As we execute on our Reinvention plan, we are building on our 51-year history of market leading innovation to

position our business and our brand for the next chapter of growth," said Schultz. "Guided directly by our partners, we have already begun to take action on an inspired roadmap to build the future of Starbucks, all while staying true to our mission of uplifting communities through a shared love for coffee and further extending our coffee leadership and innovation. I am confident that our partners and world-class leadership team will capture the significant global growth opportunity ahead, unlocking value for all our stakeholders."

Schultz also introduced incoming CEO Laxman Narasimhan, who shared his enthusiasm for the Reinvention plan. Narasimhan will officially join Starbucks on October 1, 2022 and will work closely with Schultz before assuming the CEO role and joining the Board in April 2023. Schultz will remain as a member of the Board after the transition.

Starbucks Unveils Roadmap for Accelerated EPS Growth

In connection with its Reinvention plan, Starbucks introduced a framework for accelerated earnings growth over the next three years, underpinned by enhanced comparable store sales growth, increased store count growth, continued margin expansion, and disciplined capital allocation.

"Starbucks is a growth company, and our accelerated expansion is a direct reflection of the expected returns from our Reinvention plan," said Ruggeri. "By making strategic and highly targeted investments to drive value for partners, Starbucks will also drive value for customers and shareholders, while managing costs, improving margins, and elevating the Starbucks Experience for all stakeholders."

From fiscal 2023 to fiscal 2025, Starbucks expects comparable store sales growth to be in the range of 7% to 9% annually, both globally and in the U.S., up from the previous range of 4% to 5%. In China, Starbucks expects outsized comparable store sales performance in fiscal 2023 and fiscal 2024, as the market laps the severe impact of COVID-related lockdowns, with growth normalizing in the new range of 4% to 6% in fiscal 2025, an increase from the prior range of 2% to 4%, reflecting an increased digital capability and confidence in the vast opportunity ahead in this key growth market.

The company's global store portfolio is expected to grow by roughly 7% annually on a net basis from fiscal 2023 to fiscal 2025, up from the previous estimate of approximately 6%. This increase is driven largely by accelerated growth across the U.S. portfolio as purpose-built store formats in conjunction with the Reinvention plan is expected to deliver net new store growth of 3% to 4% annually, compared to approximately 3% as previously estimated. Starbucks also expects to continue robust store development in China, with net unit growth of approximately 13% annually. Globally, Starbucks expects to approach 45,000 stores by the end of 2025, and is well on track to reach approximately 55,000 stores by 2030, as projected at its 2020 Investor Day.

Starbucks now expects global revenue growth in the range of 10% to 12% annually from fiscal 2023 to fiscal 2025. This represents an improvement from the company's previous range of 8% to 10%, driven by priority investments that elevate partner engagement and store efficiency, industry-leading digital programs, an engaged and growing Starbucks® Rewards membership base, game-changing product innovation, and a rapidly expanding global footprint. The company expects solid margin expansion in fiscal 2023 with progressively more expansion in fiscal 2024 and fiscal 2025. Non-GAAP EPS growth is expected to be in the range of 15% to 20% annually through fiscal 2025, representing an improvement from the previous range of 10% to 12%.

Starbucks plans to resume its share buyback program reinstituting a healthy return of shareholder capital, yielding an annual EPS benefit of approximately 1%, net of incremental interest, beginning in fiscal year 2024. Between dividends and share buybacks, the company expects to return approximately \$20 billion to its shareholders in the next three years.

Centering the Partner Experience in a Thriving Network

Starbucks partners are at the core of the Reinvention plan, as the company recommits to investing in its partner base with a three-pronged model of support that empowers partners to thrive at work, thrive as individuals, and thrive together. Specifically, by investing in partners through recruiting, training, and onboarding, partners will be better empowered and equipped to deliver high-quality customer experiences, uplifting brand affinity and customer loyalty. This, in turn, enables increased value back to partners through wages, benefits, programming, and tools for continued personal growth, which are expected to increase retention and productivity.

For fiscal 2023, Starbucks has identified a number of near-term solutions that will be implemented to ensure a thriving partner experience:

- Wage and recognition innovation, including helping give partners the hours they need, expanding digital tipping, and incorporating other opportunities to increase overall pay.
- New well-being benefits, including offering enhanced sick pay, new savings and student loan management benefits, and additional mental health support.
- Personalized career mobility through a newly introduced partner app and the development of personalized career paths.
- Investments in store managers, including new leadership trainings, reinvention of scheduling and decisioning tools, and career journey mapping to improve store manager retention and empower them to focus on core functions of the job that increase satisfaction and overall performance of their store partners. Stores managed by partners with over three years of tenure have 13% greater weekly sales and higher customer satisfaction.

This important work is beginning with Starbucks over 9,000 U.S. company-operated stores. Starbucks then plans to rapidly implement the most effective and scalable best practices to its other U.S. and global stores.

Unlocking Experiential Convenience for Customers

As part of the Reinvention plan, Starbucks is unlocking the intersection of convenience and connection by introducing enhancements to the customer experience across retail and digital that meet customers wherever they are, expanding the Third Place experience beyond the physical store. As part of these efforts, Starbucks is investing in purpose-built store concepts, delivering beverage innovation, and expanding effortless digital convenience.

Investing in purpose-built store concepts : Starbucks is reimagining the store environment by introducing purpose-built store concepts that meet customers wherever and whenever they want and improve the partner

experience. This includes investing an incremental \$450M in the existing U.S. store base in fiscal year 2023 with continued investment in fiscal 2024 and 2025. Starbucks expects these investments will create efficiencies, unlock capacity for partners, and enable increased throughput to support increasing customer demand.

With new store economics expected to continue delivering 50% return on investment and 25% cash margin, Starbucks looks to accelerate U.S. store growth to 3-4% annually. The company sees tremendous opportunity to further diversify and expand formats across cafes, pick up, delivery-only and drive-thru only locations. The diversified portfolio of stores and customer channels such as Mobile Order & Pay will enable Starbucks to further meet its customers whenever and wherever they want.

Delivering beverage innovation : To improve partner and customer experiences, Starbucks has developed the Siren System, a proprietary new equipment innovation designed to meet the growing demand for customization of hot and cold beverages and warm foods. As part of the Siren System, Starbucks has redesigned its cold beverage station, which significantly reduces the time and number of steps to make cold beverages, unlocking productivity gains and ultimately freeing up time for partners to connect with customers. In addition, Starbucks is developing a new way of extracting cold coffee and espresso with the Cold Pressed Cold Brew system. This new, proprietary technology delivers cold press coffee in a matter of seconds and in fewer than four steps, a step-change improvement when compared to today's cold brew which is steeped for 20 hours and takes more than 20 steps to make. The Cold Pressed Cold Brew will begin testing in stores in fiscal 2023.

Starbucks is also elevating the quality and craft of hot brewed coffee with the launch of Clover Vertica. Using proprietary Clover technology, Clover Vertica offers every customer a freshly ground, freshly brewed cup of hot coffee in just 30 seconds. Starbucks has already begun rolling out this equipment to stores and expects it will be fully deployed to all U.S. stores in the next three years.

Expanding effortless digital convenience : Today's customers are increasingly prioritizing the effortless, experiential convenience and personalization enabled by Starbucks Rewards, Mobile Order & Pay, and Starbucks Delivers. To make it even easier for customers to get Starbucks when and where they want, Starbucks is growing its Starbucks Delivers program in the U.S. with a new partnership with DoorDash, which will expand to a national scale alongside UberEats in fiscal 2023.

As previously announced, Starbucks is also evolving its Starbucks Rewards program with Starbucks Odyssey, a Web3-enabled experience that will bridge the physical and digital customer experience. Through Starbucks Odyssey, customers will unlock a new generation of experiential benefits – both digitally and in-person – and become a part of a digital community built on human connection.

Accelerating Starbucks Leadership Position in International

Starbucks International segment continues to accelerate growth for the company, with two-thirds of global retail growth over the next three years expected to come from its international business. Underpinning this strong foundation and ongoing momentum is the strength of the licensing model, acceleration of the digital Starbucks Experience, and the purpose-driven growth agenda in China.

Strength of the licensing model: Licensed stores represent more than 50% of the Starbucks International portfolio and are driving a significant portion of future growth through best-in-class operations experience, paired with unparalleled expertise in the markets they operate and the needs of their local customers. Under Starbucks licensing model, licensees are positioned as business partners, who not only operate stores but also invest in and drive innovation at the company – for example, through region-specific beverages – and growth in their markets and across the globe. The licensing model is a key competitive advantage and enabler for Starbucks, culminating in higher return on invested capital and positioning the company to realize the full potential of the brand. In total, Starbucks has over 17,000 licensed stores including 6,500 in the U.S.

Acceleration of the digital Starbucks Experience: While International is still in the early stages of digital expansion, Starbucks has the foundation in place to significantly accelerate growth with 28 million active Starbucks Rewards members internationally. Today, just over 10% of transactions in international licensed stores originate digitally. To accelerate the rollout of the digital Starbucks Experience around the world, Starbucks is unveiling Starbucks Digital Solutions, a platform created exclusively for our International markets to deliver a consistent digital experience for partners and customers in every location.

Purpose-driven growth agenda in China: Even as Starbucks second largest market, China's coffee market is still in its early stages, and Starbucks is evolving its growth framework in the market to capture its full growth potential. Through the flywheel of continued store expansion, growth in omni-channel, ongoing digitization efforts, increased customer and partner engagement, and the extension of coffee craft and innovation leadership, Starbucks will drive meaningful growth in China, as sales are expected to nearly double over the next three years, while store count is expected to grow by 50%, reaching 9,000 stores.

Long Runway for Growth in At-Home and Ready-to-Drink

Through Starbucks leadership position in the at-home and ready-to-drink channels, the company reaches customers across every major coffee segment, providing an elevated experience wherever its customers are. Today, Starbucks serves 300 million consumer occasions per week across 86 markets in channels outside of its retail stores. Starbucks sees significant opportunity for further growth through portfolio expansion, innovation and leveraging Starbucks partnership expertise. In at-home coffee, Starbucks is expanding its reach with products that highlight its strengths in locally relevant ways, such as the recent launch of Starbucks super-premium mini cups in

China, and the upcoming launch of Starbucks® Reserve on Nespresso Vertuo. Starbucks is also innovating and introducing new bold flavors and formats in ready-to-drink, entering the energy category with the launch of Starbucks Baya™ Energy and bringing the Starbucks® Pink Drink, inspired by a global customer favorite, to a convenient new ready-to-drink format.

Webcast

A replay of the webcast and slides shown during the event's presentations will be available on the **Events & Presentations** section of the company's website on Wednesday, September 14, 2022.

About Starbucks

Since 1971, Starbucks Coffee Company has been committed to ethically sourcing and roasting high-quality arabica coffee. Today, with nearly 35,000 stores worldwide, the company is the premier roaster and retailer of specialty coffee in the world. Through our unwavering commitment to excellence and our guiding principles, we bring the unique Starbucks Experience to life for every customer through every cup. To share in the experience, please visit us in our stores or online at stories.starbucks.com or www.starbucks.com.

Non-GAAP Financial Measures

Certain financial measures included in the release are not measures of financial performance under U.S. generally accepted accounting principles ("GAAP"). Certain non-GAAP measures such as earnings per share were not reconciled to the comparable GAAP financial measures because the GAAP measures are not accessible on a forward-looking basis. All forward-looking non-GAAP measures may exclude estimates for acquisitions, divestitures, restructuring, and other items, which are fluid and unpredictable in nature. The company is unable to reconcile these forward-looking non-GAAP financial measures to the most directly comparable GAAP measures with sufficient precision without unreasonable efforts because the company is currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact GAAP measures for these periods but would not impact the non-GAAP measures. The unavailable information could have a significant impact on the company's GAAP financial results. References in the release are on a non-GAAP basis unless otherwise noted, or if there's no non-GAAP adjustment related to the metric.

Forward-Looking Statements

Certain statements contained herein are "forward-looking" statements within the meaning of applicable securities laws and regulations. Generally, these statements can be identified by the use of words such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "feel," "forecast," "intend," "may," "outlook," "plan," "potential,"

"predict," "project," "seek," "should," "will," "would," and similar expressions intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements include statements relating to trends in or expectations relating to the effects of our existing and any future initiatives, strategies, investments and plans, including our reinvention plan, as well as trends in or expectations regarding our financial results and long-term growth model and drivers; our operations in the U.S. and China; our environmental, social and governance efforts; our partners; economic and consumer trends, including the impact of inflationary pressures; impact of foreign currency translation; strategic pricing actions; the conversion of certain market operations to fully licensed models; our plans for streamlining our operations, including store openings, closures and changes in store formats and models; expanding our licensing to Nestlé of our consumer packaged goods and Foodservice businesses and its effects on our Channel Development segment results; tax rates; business opportunities and expansion; strategic acquisitions; our dividends programs; commodity costs and our mitigation strategies; our liquidity, cash flow from operations, investments, borrowing capacity and use of proceeds; continuing compliance with our covenants under our credit facilities and commercial paper program; repatriation of cash to the U.S.; the likelihood of the issuance of additional debt and the applicable interest rate; the continuing impact of the COVID-19 pandemic on our financial results and future availability of governmental subsidies for COVID-19 or other public health events; our ceo transition; our share repurchase program; our use of cash and cash requirements; the expected effects of new accounting pronouncements and the estimated impact of changes in U.S. tax law, including on tax rates, investments funded by these changes and potential outcomes; and effects of legal proceedings. Such statements are based on currently available operating, financial and competitive information and are subject to various risks and uncertainties. Actual future results and trends may differ materially depending on a variety of factors, including, but not limited to: the continuing impact of COVID-19 on our business; regulatory measures or voluntary actions that may be put in place to limit the spread of COVID-19, including restrictions on business operations or social distancing requirements, and the duration and efficacy of such restrictions; the resurgence of COVID-19 infections and the circulation of novel variants of COVID-19; fluctuations in U.S. and international economies and currencies; our ability to preserve, grow and leverage our brands; the ability of our business partners and third-party providers to fulfill their responsibilities and commitments; potential negative effects of incidents involving food or beverage-borne illnesses, tampering, adulteration, contamination or mislabeling; potential negative effects of material breaches of our information technology systems to the extent we experience a material breach; material failures of our information technology systems; costs associated with, and the successful execution of, the Company's initiatives and plans; new initiatives and plans or revisions to existing initiatives or plans; our ability to obtain financing on acceptable terms; the acceptance of the Company's products by our customers, evolving consumer preferences and tastes and changes in consumer spending behavior; partner investments, changes in the availability and cost of labor including any union organizing efforts and our responses to such efforts; failure to attract or retain key executive or employee talent or successfully transition executives; significant increased logistics costs; inflationary pressures; the impact of competition; inherent risks of operating a global business including any potential negative effects stemming from the Russian invasion of Ukraine; the prices

and availability of coffee, dairy and other raw materials; the effect of legal proceedings; and the effects of changes in tax laws and related guidance and regulations that may be implemented and other risks detailed in our filings with the Securities and Exchange Commission, including in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of the company's most recently filed periodic reports on Form 10-K and Form 10-Q and subsequent filings.

A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on the forward-looking statements, which speak only as of the date of this release. We are under no obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

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Source: Starbucks