

Starbucks Outlines Growth Agenda and Announces Expansion of Starbucks Delivers in U.S. and China at 2018 Investor Conference

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- Announces long-term growth algorithm delivering double-digit growth in non-GAAP earnings per share
- Announces launch of Starbucks Delivers to nearly a quarter of U.S. company-operated stores with Uber Eats, beginning in 2019
- Expands Starbucks Delivers in China – on the **Ele.me** on-demand delivery platform – to 2,000 stores across 30 cities in China since launching three months ago
- Debuts first-of-its-kind virtual Starbucks store in China with Alibaba partnership
- Accelerates cold beverage innovation strategy, including plans to roll out Nitro Cold Brew in all U.S. company-operated stores in FY19
- Highlights efforts to amplify the brand globally while showcasing new products and market opportunities for Global Coffee Alliance with Nestlé
- Reaffirms commitment to offering a total pay benefit package that is unmatched in the industry to partners (employees) who work 20 hours or more per week

SEATTLE--(BUSINESS WIRE)-- Following a strong fiscal fourth quarter and a year of streamlining to focus the company for growth, Starbucks (NASDAQ: SBUX) hosted its biennial Investor Conference today in New York City. Chief executive officer Kevin Johnson and other members of Starbucks leadership team updated investors and analysts on the company's strategic priorities as it aims to expand its retail store portfolio by approximately 6% to 7% net new units and grow same store sales by 3% to 4%, globally, each year while continuing to invest in its partners and elevate the Starbucks Experience.

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

<https://www.businesswire.com/news/home/20181213005871/en/>

Starbucks president and chief executive officer, Kevin Johnson, details the company's

Through the lens of this

strategic initiatives on stage at Starbucks 2018 Biennial Investor Conference in New York City on December 13, 2018. (Photo: Business Wire)

commitment, Starbucks leaders highlighted the decisive actions the company has taken to

enable more focus on the core value drivers, outlining its ongoing growth model and efforts to build and amplify the brand.

“Coffee is one of the fastest growing beverage categories globally and our over 350,000 partners around the world who wear the green apron are now serving 100 million customer occasions a week,” said Johnson. “We have long been performance driven while staying true to our mission and values to create positive change and global social impact. The leadership team and I believe Starbucks is better positioned than ever for continued success.”

Reaffirms FY19 Targets and Presents Long-term Financial Targets

In his first Investor Conference presentation as Starbucks executive vice president and chief financial officer, Patrick (Pat) Grismer reiterated the company’s FY19 targets, as previously disclosed in the Q4 FY18 earnings announcement, while also articulating a sustainable double-digit non-GAAP EPS growth model for the future.

“As the undisputed category leader globally, Starbucks is well positioned to drive meaningful growth at scale, with more focus and discipline,” said Grismer. “Today we reaffirmed our FY19 guidance and outlined our ongoing growth model. The transformative Global Coffee Alliance with Nestlé will be accretive to non-GAAP EPS in FY20 and FY21, helping to deliver expected growth of at least 13% annually for those two years.”

Longer term, Starbucks expects consolidated revenue growth of 7% to 9% and non-GAAP earnings per share growth of at least 10%.

Creating Meaningful Customer Connections

Throughout the Investor Conference, Starbucks leadership team emphasized its renewed focus on the customer experience and operational excellence. In the U.S., Starbucks chief operating officer and group president Rosalind (Roz) Brewer provided details on how the company is progressing against each of its operating initiatives: enhancing the in-store experience, delivering beverage innovation, and driving digital relationships.

Enhancing the in-store experience: Starbucks heritage is built on the third place experience where everyone is welcome and where customers can enjoy high-quality arabica coffee while they stay for moments of connection with each other and with Starbucks partners. Some of the key initiatives Starbucks is undertaking to create an even better experience for customers and partners include:

- Repurposing partners' time spent on administrative tasks to enhance customer engagement with the goal of improving capacity and throughput.
- Deploying technology to automate inventory planning and replenishment by improving accuracy and efficiency of work routines.
- Optimizing the company's real estate footprint and store renovation strategy to deliver the next generation of the third place and drive higher financial returns.

Delivering beverage innovation: As Starbucks drives more innovation in its stores while meeting consumer preferences, the company has seen the proven highly incremental results from Draft Nitro Cold Brew. Based on this success, Starbucks announced today it plans to roll out Nitro to all U.S. company-operated stores by the end of FY19 to meet customer demand for this growing platform.

Driving digital relationships: With digitally-engaged customers purchasing 2 to 3 times as many products as those that are not digitally-engaged, Starbucks continues to see significant promise in its digital initiatives as an enabler for customer convenience, awareness and value. To unlock further growth, the company announced three key areas of focus expected to drive 1 to 2 points of comp, including new member acquisition and related spend lift; further adoption of Mobile Order & Pay and the habituation it drives; and upcoming enhancements to the popular Starbucks® Rewards loyalty program enabling customers to redeem for a variety of options, and to earn rewards even faster.

Accelerating Growth in China Through New Digital Initiatives

Starbucks group president, International and Channel Development John Culver provided an update on the strategic partnership in China with Alibaba Group, which was announced in August. This collaboration across key businesses within the Alibaba ecosystem, including **Ele.me**, Hema, Tmall, Taobao and Alipay aims to enable an even more seamless Starbucks digital experience and transform the coffee industry in China.

As part of this partnership, Starbucks is launching its first-ever, virtual Starbucks® store today in China. The virtual Starbucks store provides customers a one touch digital Starbucks Experience, utilizing the Starbucks® app and Alibaba's customer-facing mobile apps, including Taobao, Tmall and Alipay. Starbucks customers now have one seamless and easy-to-use consumer interface which enables them to earn Stars in the Starbucks Rewards program for their purchases reaching approximately 670 million Starbucks and Alibaba mobile active users. This latest digital innovation revolutionizes the traditional offline-to-online model by effectively extending the reach of the Starbucks Experience into the everyday lifestyle of Chinese customers.

Meeting Customers Where They Are with Starbucks Delivers

As part of the Alibaba partnership and effort to transform the coffee market in China, Starbucks has been working with Ele.me, China's leading on-demand food delivery platform with 3 million registered delivery riders, to bring a best-in-class delivery experience to the market. Starbucks has also piloted two 'Star Kitchens' within two FRESHIPPO (previously known as Hema) supermarkets in Shanghai and Hangzhou, making Starbucks the first retail brand to establish a dedicated back of house presence in FRESHIPPO locations to utilize its distinct fulfillment and delivery capabilities to further reach and better serve customers. As part of the Investor Conference today, the company announced Starbucks Delivers has reached 2,000 stores across 30 cities in China since launching three months ago.

Leveraging learnings from its delivery experience in China, Starbucks sees further market opportunity with Starbucks Delivers. The company recently initiated pilots of Starbucks Delivers in both Tokyo and Miami with Uber Eats. Today, Starbucks announced plans to expand Starbucks Delivers to nearly a quarter of its U.S. company-operated stores in early 2019.

Unlocking New At-Home and Away-From-Home Coffee Channels

Under the Global Coffee Alliance, Starbucks and Nestlé are moving with speed to innovate and develop go-to-market strategies for the global rollout of Starbucks At-Home Coffee portfolio. Starbucks will be the only brand outside of Nestlé to have branded products produced and packaged by Nestlé on both the Nespresso and Dolce Gusto systems.

Today, Starbucks announced that both companies have developed a range of Starbucks-branded products for the Nespresso and Dolce Gusto platforms and Roast & Ground and Whole Bean coffees. The launch of these products in traditional CPG and Foodservice channels will take place beginning in the spring of next year.

With the Nespresso and Dolce Gusto install base estimated at more than any other single-serve system in the world, this is a tremendous incremental growth opportunity for the Global Coffee Alliance, as Starbucks and Nestlé work together to expand to new markets.

Creating a More Equitable and Inclusive Workforce by Investing in Partners

Since its earliest days, Starbucks has been built on a shared understanding that culture and success are driven by its partners and their achievements. As shareholders, even part-time partners who work just 20 hours or more a week have had access to comprehensive health insurance, stock ownership and a 401(k) retirement benefit as part of their total compensation at Starbucks.

Benefits introduced in 2018, including access to backup child and adult care through **Care.com** and expanded paid sick leave and parental leave contribute to a total benefits package valued at three times that of any other company

in the industry. As a company that pays above minimum wage in each market and offers industry-leading benefits, Starbucks believes even more can be done to create an equitable workplace across the U.S.

Over the last three years, Starbucks has:

- Hired over 21,000 Veterans and military spouses.
- Hired nearly 45,000 Opportunity Youth, which are young adults between the ages of 16 to 24 who were previously neither working nor in school.
- Set up more than 12,000 partners who are working toward a pathway to a college degree, including providing access to full college tuition coverage through the Starbucks College Achievement Plan (SCAP) with Arizona State University. These partners stay one and a half times longer and are promoted at nearly three times the rate of their peers.

With a proud history of industry-leading retention, Starbucks remains focused on providing opportunities and experiences for Starbucks partners to realize they are a part of something bigger. An industry-leading total pay approach along with inclusive and equitable hiring practices are just a couple of the ways Starbucks continues to create the best jobs in retail where partners feel uplifted and inspired to come to work every day.

Webcast

The presentations are available by webcast at <http://investor.starbucks.com>. A replay of the webcast will also be available on the website following the event.

About Starbucks

Since 1971, Starbucks Coffee Company has been committed to ethically sourcing and roasting high-quality arabica coffee. Today, with more than 25,000 stores around the globe, Starbucks 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 our stores or online at news.starbucks.com and Starbucks.com.

Forward-Looking Statements

Certain statements contained herein are “forward-looking” statements within the meaning of the applicable securities laws and regulations. Generally, these statements can be identified by the use of words such as “anticipate,” “expect,” “believe,” “could,” “estimate,” “feel,” “forecast,” “intend,” “may,” “plan,” “potential,” “project,” “should,” “will,” “would,” and similar expressions intended to identify forward-looking statements, although not all

forward-looking statements contain these identifying words. These forward-looking statements are based on information available to Starbucks as of the date hereof and Starbucks actual results or performance could differ materially from those stated or implied due to risks and uncertainties associated with its business. These risks and uncertainties include, but are not limited to, fluctuations in U.S. and international economies and currencies, our ability to preserve, grow and leverage our brands, 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, including the integration of Starbucks Japan and the East China business and successful execution of our Global Coffee Alliance with Nestlé, the acceptance of the company's products by our customers, our ability to obtain financing on acceptable terms, the impact of competition, the prices and availability of coffee, dairy and other raw materials, the effect of legal proceedings, the effects of changes in U.S. tax law and related guidance and regulations that may be implemented, and other risks detailed in the company filings with the Securities and Exchange Commission, including the "Risk Factors" section of Starbucks Annual Report on Form 10-K for the fiscal year ended September 30, 2018. The company assumes no obligation to update any of these forward-looking statements.

Non-GAAP Financial Measures

Non-GAAP measures included in our press release were not reconciled to the comparable GAAP financial measures because the GAAP measures are not accessible on a forward-looking basis. The Company is unable to reconcile these forward-looking non-GAAP financial measures to the most directly comparable GAAP measures 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. Such items may include acquisition, divestitures, restructurings and other items. The unavailable information could have a significant impact on the Company's GAAP financial results.

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