

# Starbucks Presents Its Five-Year Plan for Strong Global Growth Fueled by a Robust Pipeline of Innovation at Biennial Investor Conference

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Company to add 12,000 stores globally – to a total of 37,000 – by 2021

Projects 10 percent revenue growth, 15-20 percent EPS growth and mid-single digit comp growth annually

Roasteries and Starbucks Reserve® stores to elevate the Starbucks brand and customer experience

New innovation to further accelerate momentum of the company's digital flywheel and mobile ecosystem

NEW YORK--(BUSINESS WIRE)--Dec. 7, 2016-- Capping another record quarter, and year of growth and profitability, Starbucks (NASDAQ: SBUX) today will host its biennial Investor Conference to present the company's five-year strategic plan to grow revenue by 10 percent, EPS by 15-20 percent, and drive mid-single digit comp growth each year, as it plans to open approximately 12,000 new stores globally by 2021 while continuing to elevate the Starbucks Experience around the world.<sup>1</sup>

"Industry-leading innovation is driving our core business and creating further separation from competitors all around the world," said Howard Schultz, chairman and chief executive officer. "Our Roasteries and Starbucks Reserve stores will further transform – and elevate – the Starbucks Experience we deliver to our customers, and are laying the foundation for our next wave of profitable, global growth. I have never been more energized or optimistic about the opportunities ahead as Kevin transitions to the ceo role and leads the most talented and experienced leadership team in Starbucks history."

"Starbucks continues to deliver record financial performance. The customer experience created in our stores by partners who proudly wear the green apron is what makes Starbucks a destination for 80 to 90 million customers a week," said Kevin Johnson, president and chief operating officer. "We are today executing against an ambitious, carefully-curated, multi-year strategy to further elevate the entire Starbucks brand and customer experience around the world, and further extending Starbucks leadership around all things coffee, retail and mobile. The power of our brand, the strength and momentum in our business, and the world-class management talent we have

assembled give me great confidence in our ability to capture the enormous global growth opportunities ahead."

Last week, it was announced that Johnson will assume the role of president and ceo at Starbucks, and Schultz will become executive chairman, effective April 3, 2017.

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<sup>1</sup> Revenue and EPS growth are based on non-GAAP FY16 results. A reconciliation of FY16 GAAP revenue and EPS to non-GAAP revenue and EPS can be found at the end of this press release.

## Transforming the Premium Coffee Experience

Since opening two years ago, the Starbucks Reserve® Roastery in Seattle has become recognized as the most dynamic and immersive coffee forward retail experience in the world, delivering an unprecedented level of premiumization to the coffee category and fueling the next wave of transformation that is elevating the Starbucks Experience globally. Building on this, the company plans to accelerate the presentation of the Roastery experience around the world, opening its next Roastery in Shanghai in 2017, Tokyo and New York City in 2018, and a fifth location in Europe to be announced early next year.

Each Roastery will serve as the foundation for Starbucks Reserve® stores – a new retail format that will integrate the theatre and romance of the Roastery with the unique culinary experience of the company's new Italian food partner, Princi. These Starbucks Reserve® stores, under the leadership of the company's new Siren Retail organization, represent a significant growth opportunity for the company in the U.S. and around the world. The first of these new stores will open in Seattle and Chicago in the second half of FY17, with plans to open 1,000 or more globally over time. In addition, the company plans to open standalone Princi stores in Seattle, New York and Chicago in late 2017 and in early 2018. The company is also extending elements of the high-end Roastery experience to its core Starbucks® stores, adding Starbucks Reserve® experience bars in up to 20 percent of its total portfolio (including new and renovated locations) by 2021.

## Premiumization Strategy to Drive Innovative New Customer Experiences

Starbucks Reserve® Roasteries will serve as an innovation pipeline that will elevate the brand and contribute a "halo" to the entire Starbucks Experience. This includes new product breakthroughs that will contribute to the growth of the company's ecosystem, segmented strategically across all Starbucks® stores. Earlier this year, Starbucks introduced its first limited-time beverage offering inspired by the Roastery, the Smoked Butterscotch

Latte. This was followed by Nitro Cold Brew, which is now available in more than 500 U.S. company-owned locations and select stores in Canada and China, as Starbucks pursues a \$600 million global Cold Brew opportunity. Both products continue to reinforce the company's focus on Roastery-inspired craft at scale, as well as ongoing investment in the cold coffee category. In core stores, Starbucks innovative, coffee-forward beverages such as Flat White, Cold Brew, Latte Macchiato and Iced Coconut Milk Mocha Macchiato all support the company's premiumization strategy. In January, customers nationwide will be introduced to another Roastery offering with the introduction of the Cascara Latte. Made with the fruit of the coffee cherry, Cascara lends subtle notes of dark brown sugar and maple to classic Starbucks® espresso. With its strong retail foundation and operational excellence, Starbucks is bringing Roastery-inspired innovations like this to market more rapidly than ever before, creating further distinction from competitors.

Starbucks is simultaneously innovating and expanding its food menu with products customers have been looking for, starting with the launch of Sous Vide Egg Bites in January 2017 – a wheat-free, low calorie, high protein, convenient breakfast; the spring launch of a Certified Gluten-Free Breakfast Sandwich; the expansion of the successful Bistro Box platform; as well as a regional rollout of delicious organic soups. Relevant innovation has become fundamental to unlocking the lunch daypart and building on existing breakfast daypart momentum, giving the company the ability to realize additional profitability and incremental sales. Starbucks® Breakfast Sandwich sales have more than doubled over the past four years and innovation will continue to drive meaningful growth, creating and meeting customer demand for innovation across all dayparts. Building on this strong momentum, Starbucks once again aims to double food growth over the next five years.

## Extending the Digital Flywheel

Starbucks offers the largest and most robust mobile ecosystem of any retailer in the world, with more than 12 million Starbucks Rewards™ members (up 18 percent year on year), eight million mobile paying customers with one out of three now using Mobile Order & Pay, and more than \$6 billion loaded onto prepaid Starbucks Cards in North America during the past year alone. Today, Starbucks will unveil an innovative conversational ordering system, My Starbucks® Barista, powered by groundbreaking Artificial Intelligence (AI) for the Starbucks® Mobile App. Starbucks® Mobile App customers will be able to place their orders via voice command or messaging interface, delivering unparalleled speed and convenience, enhancing customer loyalty and engagement and further extending the accessibility of the Starbucks® app. The My Starbucks® Barista feature will roll out first on iOS in limited beta in early 2017 and be made available to more iOS and Android users in subsequent releases.

Starbucks digital flywheel has also continued to gain momentum with the launch of true one-to-one personalization. While still early in the evolution of this service, Starbucks hyper-personalized e-mail reward offerings – with more than 400,000 variations – have more than doubled customer response rates over previous

segmented email campaigns, translating into increased customer engagement and, importantly, accelerated spend. Starbucks has delivered personalized offers to customers directly on the front screen of the mobile app. By early 2017, the company expects to complete the rollout of suggested selling and recommendations (suggesting items for pairing or additions to a customer's order) during Mobile Order and Pay checkout, which the company believes will further fuel engagement and growth. With Starbucks Rewards™, the company's new spend-based loyalty program, customers are finding increased value when being rewarded for bigger purchases. This enables the company to boost ticket, create greater marketing flexibility and pursue "Stars Everywhere" partnerships to create further Star earning opportunities, while reducing "order splitting." With a 94 percent program retention rate, and new international markets on the horizon, the program is stronger than ever before.

## Unlocking High-Value Opportunities in China

Customers in China have continued to embrace the Starbucks brand, with some of the company's most innovative, efficient and profitable stores producing record revenue and strong same-store sales growth in FY16. Starbucks newest class of stores in China are delivering the highest AUVs, ROI and profitability of any store class in the company's 17-year history in the market. Starbucks now operates approximately 2,500 stores in 118 cities in China and employs more than 30,000 partners (employees), opening over a store a day – a growth rate that will continue to accelerate well into the future. Starbucks remains on track to open more than 5,000 stores in China by 2021 and expects the market will eclipse that in the U.S. over time. While Starbucks business in China is in its very early stages of development, the company will announce today a series of strategic moves it is making in the digital and mobile space to further extend customer engagement and loyalty.

## Expanding Global Leadership Position in At-Home Coffee and Ready-to-Drink

Over the next five years, Starbucks expects its Channel Development segment, which includes its Consumer Packaged Goods (CPG) portfolio, Branded Solutions (licensed stores and foodservice), and Ready-to-Drink (RTD) segments, will generate an incremental \$1 billion in revenue, grow operating income by 75 percent, and double its RTD business outside of the U.S. The company is the industry leader in premium single serve, premium packaged roast and ground coffee, and Ready-to-Drink products, and is well positioned to grow its share of these markets both in the U.S. and globally. The company's more than 20-year partnership with PepsiCo to create the North America Coffee Partnership (NACP) is a more than \$2 billion business and has approximately 97 percent share of the RTD coffee category. The NACP continues to bring to the market highly relevant, new and innovative coffee and energy products to meet the needs of customers looking for premium, on-the-go coffee offerings. In spring 2017, the company will launch new bottled Starbucks® Cold Brew Cocoa and Honey with Cream in select markets across the U.S. In Latin America, Starbucks has expanded its partnership with PepsiCo to begin distribution of the iconic bottled Frappuccino® chilled coffee beverage across ten markets. In China, where the RTD coffee and energy

category represents a \$6 billion opportunity that is projected to grow by 20 percent over the next three years, Starbucks and its partner, Tingyi Holding Corp., have rapidly achieved distribution in over 37 major Chinese cities and over 7,100 points of distribution, experiencing strong consumer demand.

Starbucks is extending this same disciplined growth and innovation to the RTD tea category, which is a fast growing \$4 billion category, starting with the upcoming launch of bottled Teavana® Craft Iced Teas in partnership with Anheuser-Busch. The first line of teas will begin shipping to select Northeast U.S. retailers in February and customers will soon enjoy four new, vibrant varieties brewed from the finest Teavana® teas and botanicals with no artificial flavors. The new RTD teas include Pineapple Berry Blue Herbal Tea, Peach Green Tea, Mango Black Tea and Passion Tango® Herbal Tea. Later in 2017, select flavors will roll out to Starbucks® stores with plans for national channel availability by 2018.

## Creating Long-Term Opportunities for Partners

From being among the first to offer comprehensive health benefits and equity in the form of stock for partners who work 20 hours or more a week, to providing them with the opportunity for full tuition reimbursement for a bachelor's degree from Arizona State University through the innovative Starbucks College Achievement Plan, Starbucks has continued to invest in and innovate around the partner experience while balancing the needs of its customers, shareholders and the marketplace. Starbucks has now matched \$78 million in 401K savings in the U.S. with a total fund balance of \$1.3 billion as of FY16. Its Global Bean Stock program, which grants partners equity in the form of company stock, generated \$221.6 million in pre-taxed gains in FY16. The company also recently announced it will add an enhancement to the program in 2017, doubling the annual Bean Stock award for U.S. hourly store partners with at least two years of continuous service with the company. Further, with the recent move to a new healthcare platform, U.S. partners are now saving an average of 15 percent per pay check on healthcare premiums compared to last year.

Starbucks is finding that these incremental investments in both wages and benefits have helped support and elevate its partners, attract and retain the best talent, provide measured improvement in service to customers and deliver outsized returns to shareholders. In fact, since announcing the Starbucks College Achievement Plan two years ago, the company has enrolled more than 6,300 U.S. partners in the program and is on track to celebrate 1,000 graduates in 2017, with a commitment to graduating 25,000 partners from the program by 2025. Early results from the program are showing that participants have twice the retention rate and are more than four times more likely to achieve a promotion in responsibility.

In the spirit of the company's Mission and Values, Starbucks CUP (Caring Unites Partners) Fund, an emergency financial assistance program for partners impacted by natural disasters and family emergencies, generated over \$2.1 million in contributions from partners in FY16 through a combination of "round up" in stores and payroll

contributions. Since it launched in 1998, partners have raised more than \$18 million toward the CUP Fund. The company also matched \$784,000 in individual partner charitable donations and volunteer hours, and donated more than 300,000 meals since launching its FoodShare initiative in select U.S. markets in March 2016. Looking ahead, Starbucks plans to roll out FoodShare to all 8,000+ U.S. company-operated stores over the next three years.

## Live Webcast Details

Starbucks Investor Day 2016 will be live-streamed exclusively on Yahoo Finance at <http://finance.yahoo.com/live/starbucks>, and simultaneously available at <http://investor.starbucks.com>. The event is scheduled to begin at 8:00 a.m. ET and will continue until approximately 12 noon ET. Following a break for lunch, the webcast of the live event will resume at approximately 1:30 p.m. ET and is expected to conclude at approximately 3:00 p.m. ET.

## About Starbucks

Since 1971, Starbucks Coffee Company has been committed to ethically sourcing and roasting high-quality arabica coffee. Today, with stores around the globe, 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 [news.starbucks.com](http://news.starbucks.com) or [www.starbucks.com](http://www.starbucks.com).

## Forward-Looking Statement

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 statements are based upon 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, 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, the acceptance of the company's products by our customers, the impact of competition, coffee, dairy and other raw materials prices and availability, the effect of legal proceedings, and other risks detailed in the company filings with

the Securities and Exchange Commission, including the "Risk Factors" section of the Starbucks Annual Report on Form 10-K for the fiscal year ended October 2, 2016. The company assumes no obligation to update any of these forward-looking statements.

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STARBUCKS CORPORATION  
HISTORICAL REVENUE AND EARNINGS PER SHARE DATA  
INCLUDING A RECONCILIATION OF SELECTED GAAP MEASURES TO NON-GAAP MEASURES  
(unaudited)

Consolidated	Year Ended October 2, 2016
Revenue, as reported (GAAP) - 53 weeks	\$ 21,315.9
Impact of the extra week	412.4
Non-GAAP revenue - 52 weeks	\$ 20,903.5
 Diluted net earnings per share, as reported (GAAP)	\$ 1.90
Starbucks Japan acquisition-related items - other <sup>(1)</sup>	0.04
Sale of Germany retail operations <sup>(2)</sup>	-
Income tax effect on Non-GAAP adjustments <sup>(3)</sup>	(0.01)
Other tax matters <sup>(4)</sup>	(0.01)
Non-GAAP net earnings per share - 53 weeks	\$ 1.91
Impact of the extra week	(0.09)
Income tax effect on the impact of the extra week	0.03
Non-GAAP net earnings per share - 52 weeks	\$ 1.85

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<sup>(1)</sup> Includes ongoing amortization expense of acquired intangible assets and transaction and integration costs, such as incremental IT and compensation-related costs associated with the acquisition.

<sup>(2)</sup> The sale of Germany retail operations is net of certain costs associated with the transfer of these stores to licensed stores.

<sup>(3)</sup> Income tax effect on non-GAAP adjustments was determined based on the nature of the underlying items and their relevant jurisdictional tax rates.

<sup>(4)</sup> Other tax matters include the incremental benefit from additional domestic manufacturing deductions claimed in our U.S. consolidated tax returns pertaining to periods prior to FY16.

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