



Starbucks Corporation (SBUX)

Updated January 30th, 2025, by Aristofanis Papadatos

Key Metrics

Current Price:	\$109	5 Year CAGR Estimate:	7.8%	Market Cap:	\$124 B
Fair Value Price:	\$85	5 Year Growth Estimate:	11.0%	Ex-Dividend Date:	2/14/25
% Fair Value:	128%	5 Year Valuation Multiple Estimate:	-4.8%	Dividend Payment Date:	2/28/25
Dividend Yield:	2.2%	5 Year Price Target	\$143	Years Of Dividend Growth:	14
Dividend Risk Score:	C	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

Starbucks began with a single store in Seattle's Pike Place Market in 1971 and now has more than 39,000 stores worldwide. Nearly half of the stores are in the U.S. and nearly 20% of the stores are in China. The company operates under the namesake Starbucks brand, but also holds the Teavana, Evolution Fresh, and Ethos Water brands in its portfolio. The \$124 billion market cap company generated \$36 billion in annual revenue in fiscal 2024.

In late January, Starbucks reported (1/28/25) financial results for the first quarter of fiscal year 2025 (Starbucks' fiscal year ends the Sunday closest to September 30th). Comparable store sales declined -4% due to a -4% decline in North America and a -4% decline in international markets. Same-store sales in China fell -6%. Adjusted earnings-per-share decreased -23%, from \$0.90 in the prior year's quarter to \$0.69, but exceeded the analysts' consensus by \$0.02. It was a decent earnings report, as sales and earnings decreased less than they did in the two preceding quarters, thus signaling the beginning of a turnaround. Due to the recent change in the CEO position, the new management did not provide any guidance for fiscal 2025.

Howard Schultz, the legendary CEO of Starbucks, stepped down from the CEO position in 2023. Starbucks thrived and enjoyed an impressive growth trajectory in the three tenures of Schultz. We had repeatedly stated that the successor of Schultz seemed incapable of keeping the company in growth mode. Therefore, we view the recent change of CEO as positive for Starbucks, though results are likely to remain volatile in the short run.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.58	\$1.91	\$2.06	\$2.42	\$2.83	\$1.17	\$3.24	\$2.96	\$3.54	\$3.31	\$3.70	\$6.23
DPS	\$0.64	\$0.80	\$1.00	\$1.26	\$1.44	\$1.64	\$1.80	\$1.96	\$2.12	\$2.28	\$2.44	\$3.44
Shares¹	1,485	1,461	1,432	1,309	1,185	1,182	1,186	1,153	1,149	1,136	1,130	1,100

Starbucks had put together an excellent operating record, growing earnings-per-share by 18% per annum in the 2010 to 2019 period. During that period, its net profit margin expanded from 5% to 13%, while the company-owned store count nearly doubled. Of course, this fantastic growth of the past makes future growth a bit harder to replicate.

In 2020, Starbucks incurred a -59% earnings hit due to the pandemic, but it recovered strongly in 2021, with record earnings. Looking further out, Starbucks has a strong growth trajectory available over the long-term thanks to a growing U.S. and International store count, where the company is still in the early innings of expansion, coupled with pricing power. Due to the disappointing performance in 2024 and the risk that results from new management, we have assumed 11% growth of earnings-per-share over the next five years, below the historical growth rate of the company.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	30.2	30.4	27.7	23.2	26.6	---	33.3	31.2	28.3	27.0	29.5	23.0
Avg. Yld.	1.3%	1.4%	1.8%	2.2%	1.9%	2.0%	2.1%	2.1%	2.1%	2.6%	2.2%	2.4%

¹ In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Starbucks Corporation (SBUX)

Updated January 30th, 2025, by Aristofanis Papadatos

Excluding 2020, Starbucks has traded hands with an average price-to-earnings ratio of 28.3. However, this was during a time when the company's growth rate was more robust. Moving forward, we have assumed a fair price-to-earnings ratio of 23.0, which still implies a premium valuation – reflecting solid growth prospects and overall quality – but note that growth will be more and more difficult to formulate over time. The stock is now trading at an earnings multiple of 29.5. If it trades at our assumed fair valuation level in five years, it will incur a -4.8% annualized drag in its return.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	41%	42%	49%	52%	51%	140%	56%	66%	60%	69%	66%	55%

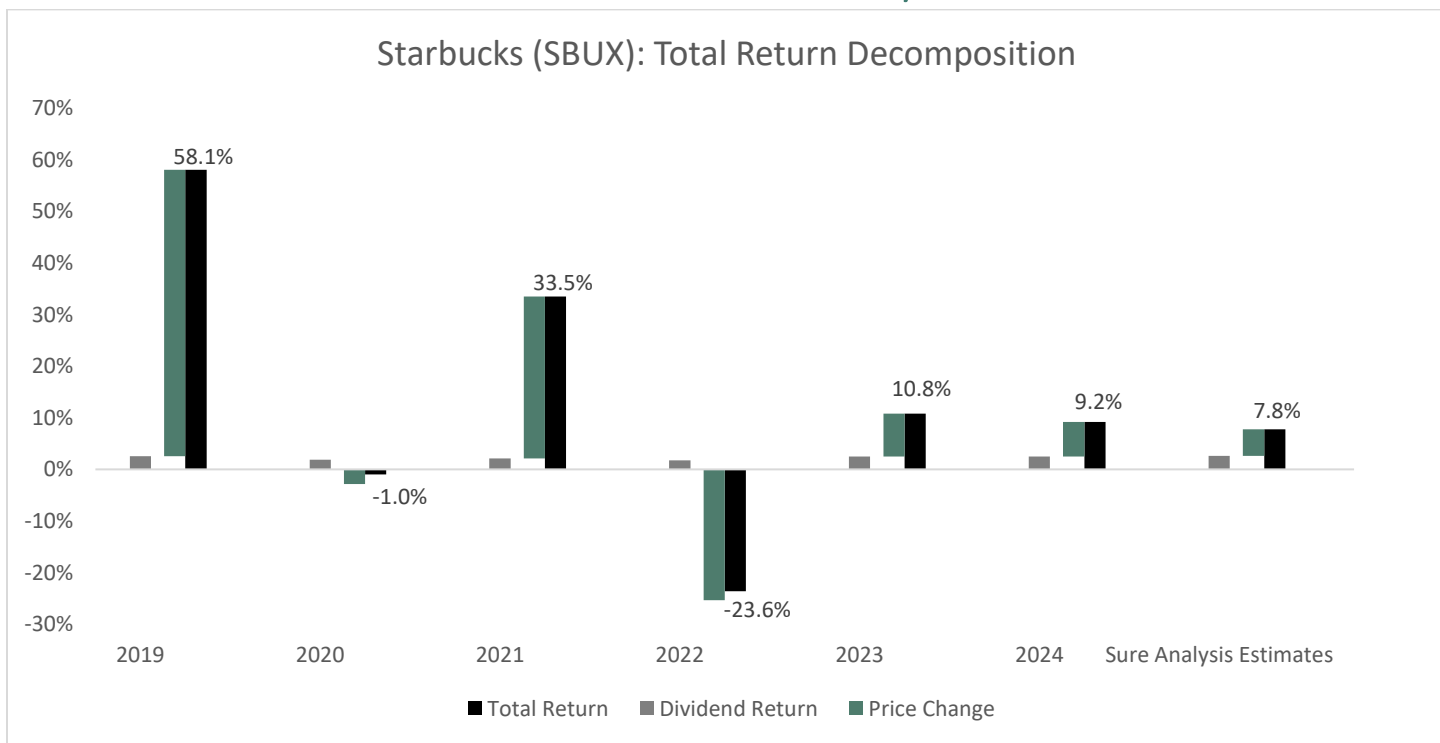
Starbucks sells an addictive product combined with a well-respected brand. This allows the company to sell its coffee at premium prices and generate repeat business from customers. Still, the company is somewhat cyclical. From fiscal year 2007 to 2008, earnings-per-share fell -18%, before increasing by 11% and 60% in the following two years. Earnings climbed higher every year since, until 2020 when the company was tested once again, seeing EPS decline -59%.

Starbucks is currently offering a dividend yield of 2.2%. Thanks to its decent payout ratio of 66%, its solid balance sheet and its promising growth prospects, the company is likely to keep raising its dividend meaningfully for many more years.

Final Thoughts & Recommendation

Starbucks is one of those companies that you would love to own, with a terrific past, strong financial position, excellent brand, and growth path ahead. Thanks to its high quality, it has almost always traded with a premium valuation. The company has stumbled since last year but we expect it to recover thanks to the change of its CEO. The stock has rallied 11% since our last research report, in October, but remains attractive from a long-term perspective. It could still offer a 7.8% average annual return over the next five years thanks to 11.0% growth and its 2.2% dividend, partly offset by a -4.8% valuation headwind. We lower our rating from “buy” to “hold”. Moreover, due to the recent change in the CEO position, the turnaround may take years to materialize. Therefore, the stock is suitable only for patient investors.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Starbucks Corporation (SBUX)

Updated January 30th, 2025, by Aristofanis Papadatos

Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	19163	21316	22387	24720	26509	23520	29060	32250	35976	36176
Gross Profit	11375	12805	13349	14545	7488	5059	8391	8371	9846	9709
Gross Margin	59.4%	60.1%	59.6%	58.8%	28.2%	21.5%	28.9%	26.0%	27.4%	26.8%
SG&A Exp.	1197	1361	1393	1759	1824	1680	1933	2032	2441	2523
D&A Exp.	934	1030	1067	1306	1449	1503	1524	1529	1450	1592
Operating Profit	3351	3854	3897	3807	3916	1518	4657	4430	5503	5108
Operating Margin	17.5%	18.1%	17.4%	15.4%	14.8%	6.5%	16.0%	13.7%	15.3%	14.1%
Net Profit	2757	2818	2885	4518	3599	928	4199	3282	4125	3761
Net Margin	14.4%	13.2%	12.9%	18.3%	13.6%	3.9%	14.5%	10.2%	11.5%	10.4%
Free Cash Flow	2445	3135	2655	9961	3240	114.2	4519	2556	3675	3318
Income Tax	1144	1380	1433	1262	872	239.7	1157	949	1277	1207

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	12416	14313	14366	24156	19220	29370	31390	27978	29446	31339
Cash & Equivalents	1530	2129	2462	8756	2687	4351	6456	2818	3552	3286
Accounts Receivable	719	769	870	693	879	883	940	1176	1184	1214
Inventories	1306	1379	1364	1401	1529	1551	1604	2177	1806	1777
Goodwill & Int. Ass.	2096	2236	1981	4584	4273	4149	4027	3439	3339	3417
Total Liabilities	6597	8422	8909	22981	25451	37170	36710	36677	37433	38781
Accounts Payable	684	731	783	1179	1190	998	1212	1441	1544	1596
Long-Term Debt	2348	3585	3933	9440	11167	16350	14620	15044	15400	15568
Shareholder's Equity	5818	5884	5450	1170	-6232	-7805	-5321	-8707	-7995	-7449
D/E Ratio	0.40	0.61	0.72	8.07	-1.79	-2.2	-2.75	-1.73	-1.93	-2.09

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	23.8%	21.1%	20.1%	23.5%	16.6%	3.8%	13.8%	11.1%	14.4%	12.4%
Return on Equity	49.7%	48.2%	50.9%	137%	---	---	---	---	---	---
ROIC	35.6%	31.9%	30.6%	45.2%	46.3%	13.8%	47.1%	41.9%	60.0%	48.4%
Shares Out.	1,485	1,461	1,432	1,309	1,185	1,182	1,186	1,159	1,151	1,137
Revenue/Share	12.66	14.34	15.32	17.73	21.50	19.9	24.51	27.84	31.25	31.81
FCF/Share	1.62	2.11	1.82	7.14	2.63	0.1	3.81	2.21	3.19	2.92

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.