

Starbucks (SBUX US)

FUNDAMENTAL VIEW ¹

As of 24 Feb 2025

- SBUX operates and licenses Starbucks cafe locations. Management has historically targeted lease-adjusted leverage of under 3x and has expressed support for the current, high-BBB ratings profile.
- Recent results showed headwinds from lower traffic across the company's locations in the U.S. and weak results in its second-largest market, China, due to increased competition in the market and cautious consumer behavior in the region.
- SBUX navigated a volatile 2024, which included activist investments and an abrupt CEO change. While new CEO Brian Niccol is an experienced operator, we have reservations about the company's restaurant reimagining plans.

RISKS & CATALYSTS

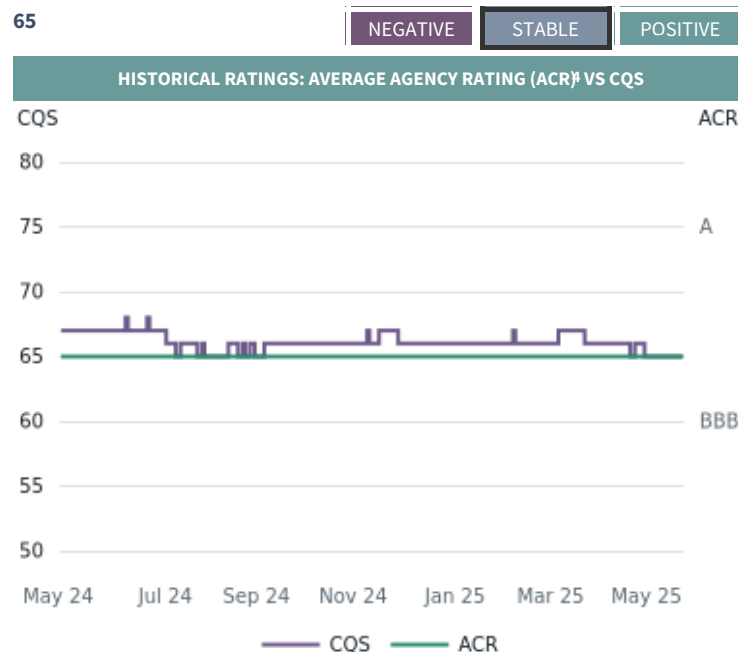
As of 24 Feb 2025

- In response to the activist attacks, SBUX announced an unexpected change in CEO and hired Brian Niccol, a veteran of the quick service restaurant industry with a successful track record at Taco Bell and Chipotle.
- Lower discretionary spending in the U.S. could continue to weigh on SBUX's sales outlook. We view its premium-priced beverage offerings as having significant risk of consumer trade down into more value-oriented options.
- SBUX faces activist pressure from both Elliott and Starboard Value. There have been reports that the company is considering strategic partnerships or alternatives for its locations in China, where SBUX has consistently reported weak results (China locations represent ~10% of total company operating income).
- S&P has a negative outlook on its BBB+ rating, and said a downgrade could occur if adjusted total leverage is sustained above 3x in F2025.

CREDIT QUALITY SCORE (CQS) ²

As of 07 May 2025

CURRENT CQS



KEY METRICS

As of 24 Feb 2025

\$ MN	Y21	Y22	Y23	Y24	LTM 1Q25
Revenue	29,061	32,250	35,976	36,176	36,149
EBITDA	6,775	6,385	7,252	7,001	6,685
EBITDA Margin	23.3%	19.8%	20.2%	19.4%	18.5%
EBITDA-Capex to Revenue	18.3%	14.1%	13.7%	11.7%	10.5%
Total Debt	14,616	15,044	15,400	15,568	15,561
Net Debt	8,160	12,226	11,848	12,282	11,890
Net Leverage	1.2x	1.9x	1.6x	1.8x	1.8x
Lease Adjusted Debt to EBITDAR	2.9x	3.1x	2.8x	3.0x	3.1x
EV / EBITDA	20.4x	17.1x	16.1x	17.6x	17.3x

BUSINESS DESCRIPTION

As of 24 Feb 2025

- SBUX is a leading coffee roaster and retailer. The company operates and licenses over 40,000 Starbucks locations worldwide where it sells premium coffee beverages as well as other specialty drinks and prepared foods. Slightly over half the locations are company operated (52%) and the rest are licensed to third party operators.
- In F2024, SBUX generated \$36.2 bn in revenue and \$7.0 bn in adjusted EBITDA. SBUX has three reporting segments: N. America (75% of F2024 revenue), which covers cafes in the U.S. and Canada; International (20%), which includes China, Japan, Latin America, and EMEA; and Channel Development (4.9%) which includes revenue from other branded products sold outside retail locations through partnerships with large consumer companies such as Nestle and PepsiCo.
- On a geographic basis, SBUX's two largest regions are the U.S. (42% of cafes), and China (19%).

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

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