Value Line Select®

SUPPLEMENTARY REPORT

Organization	**STARBUCKS CORPORATION**
Release Date	**JANUARY 27, 2021**
Recommendation	**HOLD**

Starbucks Corporation

DECEMBER-PERIOD RESULTS

Value Line Ranks & Projections	
Timeliness	3
Safety	1
Technical	2
Recent Price	$99
3- to 5-Year Price Forecast	$120 - 145

Starbucks Corporation (SBUX), the world's premier roaster, marketer, and retailer of specialty coffee, has reported its December-period results. Revenues declined 5% since last year to $6.7 billion, and reported share profits of $0.53 compared poorly to $0.74. Still, adjusted share net of $0.61 exceeded expectations.

Management again attributed the lowered figures to COVID-19, which continues to impact results. Indeed, Starbucks is still navigating restrictions imposed by local officials trying to curb the coronavirus's spread. Management stated that the tepid results reflected fewer customers, reduced hours, and store closures related to the pandemic.

In all, global same-store sales declined 5% compared to the same period a year earlier. Still, the decline marked an improvement from the September quarter, when same-store sales fell 9%. Importantly, management said its sales are recovering, particularly in China. In fact, same-store sales in China increased 5% year over year in the December quarter.

That said, store closures in places where COVID-19 case counts are high continue to weigh on results. Indeed, some U.S. states have added back restrictions (including bans on indoor dining) on businesses and public gatherings as COVID-19 cases have risen.

Still, the company has restored lobby service to the majority of its stores in the U.S., and more than 90% of those in China. This is important, as Starbucks has said it experiences an immediate sales lift when customers are allowed back in cafes.

Starbucks Corporation

Looking forward, management expects earnings of $2.42 to $2.62 a share for its full fiscal year, up slightly from previous guidance.

Hold These Shares

Perhaps not surprisingly, the pandemic has prompted Starbucks to reassess the design of its stores, and shift toward more "to-go" formats. Starbucks plans to close 800 underperforming stores in the U.S. and Canada over the next 18 months as part of that shift. Still, the coffee purveyor added 278 stores during the quarter, bringing the global total to 32,938 stores. Management has stated it wants to have a network of 55,000 owned and licensed locations around the world by 2030.

According to management, it is "learning more about where our customers are returning to access their coffee." In fact, the chain has added additional locations where baristas can deliver coffee to customers in their cars, and has also opened to-go only stores in major metropolitan areas. It is also speeding up closures of underperforming stores as the pandemic progresses.

Meanwhile, Chief Operating Officer Roz Brewer is leaving the company at the end of February to lead Walgreens Boots Alliance Inc.

Share catalysts include the recovering global economy, which should support relatively inexpensive consumer discretionary purchases. In addition, a renewed focus on safe and convenient (including mobile) purchase methodologies enabled by an ongoing investment in computer systems and software should improve results.

The shares rank very highly on a number of important proprietary *Value Line* metrics, and the dividend yield is attractive. In addition, the company holds our Highest Financial Strength rating (A++), and the issue is ranked 1 (Highest) for Safety, suggesting that the shares are appropriate for most investors.

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