



Starbucks Reports Q1 Fiscal 2021 Results

Q1 Comparable Store Sales of -5% in the U.S. and 5% in China, Demonstrating Sustained Recovery

Q1 GAAP EPS \$0.53; Non-GAAP EPS \$0.61 Reflecting Substantial Margin Improvement from Prior Quarter

Active Starbucks® Rewards Membership in the U.S. Up 15% Year-Over-Year to 21.8 Million
Fiscal 2021 Outlook Reaffirms Path to Full Recovery

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SEATTLE--([BUSINESS WIRE](#))--Starbucks Corporation (NASDAQ: SBUX) today reported financial results for its 13-week fiscal first quarter ended December 27, 2020. GAAP results in fiscal 2021 and fiscal 2020 include items that are excluded from non-GAAP results. Please refer to the reconciliation of GAAP measures to non-GAAP measures at the end of this release for more information.

"I am very pleased with our start to fiscal 2021, with meaningful, sequential improvements in quarterly financial results despite ongoing business disruption from the pandemic. Investments in our partners, beverage innovation and digital customer relationships continued to fuel our recovery and position Starbucks for long-term, sustainable growth," said Kevin Johnson, president and ceo.

"Our results demonstrate the continued strength and relevance of our brand, the effectiveness of the actions we've taken to adapt to changes in consumer behavior and the steadfast commitment of our green apron partners to serve our customers and communities. We remain optimistic about our robust operating outlook for fiscal 2021 as well as our ability to unlock the full potential of Starbucks to create value for our stakeholders," concluded Johnson.

Q1 Fiscal 2021 Highlights

- Global comparable store sales declined 5%, driven by a 19% decrease in comparable transactions, partially offset by a 17% increase in average ticket
 - Americas comparable store sales declined 6%, driven by a 21% decrease in comparable transactions, partially offset by a 20% increase in average ticket; U.S. comparable store sales declined 5%, driven by a 21% decrease in comparable transactions, partially offset by a 19% increase in average ticket
 - International comparable store sales were down 3%, driven by a 10% decline in comparable transactions, partially offset by an 8% increase in average ticket; China comparable store sales were up 5%, driven by a 9% increase in average ticket, partially offset by a 3% decline in transactions; International and China comparable store sales are inclusive of a benefit from value-added tax exemptions of approximately 3% and 5%, respectively
- The company opened 278 net new stores in the first quarter of fiscal 2021, yielding 4% year-over-year unit growth, ending the period with 32,938 stores globally, of which 51% and 49% were company-operated and licensed, respectively
 - Stores in the U.S. and China comprised 61% of the company's global portfolio at the end of the first quarter of fiscal 2021, with 15,340 and 4,863 stores, respectively
- Consolidated net revenues of \$6.7 billion declined 5% from the prior year primarily due to the impact of the COVID-19 pandemic

- Impact included the effects of reduced customer traffic, modified operations, reduced store operating hours and temporary store closures
- GAAP operating margin of 13.5%, down from 17.2% in the prior year primarily due to the COVID-19 pandemic, mainly sales deleverage, as well as growth in wages and benefits and Americas store portfolio optimization expenses, partially offset by labor efficiency and the impact of pricing in the Americas
 - Non-GAAP operating margin of 15.5%, down from 18.2% in the prior year
- GAAP earnings per share of \$0.53, down from \$0.74 in the prior year primarily due to unfavorable impacts related to the COVID-19 pandemic
 - Non-GAAP earnings per share of \$0.61, down from \$0.79 in the prior year
- Starbucks® Rewards loyalty program 90-day active members in the U.S. increased to 21.8 million, up 15% year-over-year

Q1 Americas Segment Results

(\$ in millions)	Quarter Ended		Change
	Dec 27, 2020	Dec 29, 2019	(%)
Change in Comparable Store Sales ⁽¹⁾	(6)%	6%	
Change in Transactions	(21)%	2%	
Change in Ticket	20%	3%	
Store Count	18,308	18,203	1%
Revenues	\$4,703.2	\$5,010.9	(6)%
Operating Income	\$813.5	\$1,098.8	(26)%
Operating Margin	17.3%	21.9%	(460) bps

(1) Includes only Starbucks® company-operated stores open 13 months or longer. Comparable store sales exclude the effects of fluctuations in foreign currency exchange rates and Siren Retail stores. Stores that are temporarily closed or operating at reduced hours due to the COVID-19 pandemic remain in comparable store sales while stores identified for permanent closure have been removed.

Net revenues for the Americas segment of \$4.7 billion in Q1 FY21 were 6% lower relative to Q1 FY20, primarily due to a 6% decline in comparable store sales as well as lower product sales to and royalty revenues from our licensees primarily due to the impact of the COVID-19 pandemic. These declines were slightly offset by 105 net new store openings, or 1% store growth, over the past 12 months.

The Americas segment reported operating income of \$813.5 million in Q1 FY21, compared to \$1.1 billion in Q1 FY20. Operating margin of 17.3% contracted 460 basis points, primarily due to the impact of the COVID-19 pandemic, including sales deleverage and additional costs incurred, growth in retail partner wages and benefits as well as expenses relating to the Americas store portfolio optimization, partially offset by labor efficiency and pricing.

Q1 International Segment Results

(\$ in millions)	Quarter Ended		Change
	Dec 27, 2020	Dec 29, 2019	(%)
Change in Comparable Store Sales ⁽¹⁾	(3)%	1%	
Change in Transactions	(10)%	(1)%	
Change in Ticket	8%	2%	
Store Count	14,630	13,592	8%
Revenues	\$1,654.3	\$1,571.1	5%
Operating Income	\$274.8	\$275.9	0%
Operating Margin	16.6%	17.6%	(100) bps

(1) Includes only Starbucks® company-operated stores open 13 months or longer. Comparable store sales exclude the effects of fluctuations in foreign currency exchange rates and Siren Retail stores. Stores that are temporarily closed or operating at reduced hours due to the COVID-19 pandemic remain in comparable store sales while stores identified for permanent closure have been removed. For the first quarter of fiscal 2021, the International segment's comparable store sales included a 3% benefit related to a temporary value-added tax exemption in China.

Net revenues for the International segment grew 5% over Q1 FY20 to \$1.7 billion in Q1 FY21, primarily driven by 1,038 net new store openings, or 8% store growth, over the past 12 months as well as favorable foreign currency translation, partially offset by lower product sales to and royalty revenues from our international licensees and a 3% decline in comparable store sales primarily due to the impact of the COVID-19 pandemic.

The International segment reported operating income of \$274.8 million in Q1 FY21 compared to \$275.9 million in Q1 FY20. Operating margin contracted 100 basis points to 16.6%, primarily due to the impact of the COVID-19 pandemic, mainly sales deleverage, partially offset by improved labor efficiency.

Q1 Channel Development Segment Results

(\$ in millions)	Quarter Ended		Change
	Dec 27, 2020	Dec 29, 2019	(%)
Revenues	\$371.4	\$494.6	(25)%
Operating Income	\$180.8	\$175.5	3%
Operating Margin	48.7%	35.5%	1,320 bps

Net revenues for the Channel Development segment of \$371.4 million in Q1 FY21 were 25% lower relative to Q1 FY20. The decline was primarily driven by a 22% unfavorable impact of Global Coffee Alliance transition-related activities, including a structural change in our single-serve business as well as an adverse impact of COVID-19 on the Foodservice business, partially offset by growth in at-home coffee and our ready-to-drink business.

Operating income increased 3% to \$180.8 million in Q1 FY21, up from \$175.5 million in Q1 FY20. Operating margin expanded 1,320 basis points to 48.7%, primarily due to the structural change in our single-serve business and strength in our ready-to-drink business.

Full Year Fiscal 2021 Guidance

Please note that Starbucks fiscal year 2021 is a 53-week year instead of the usual 52 weeks. The impact of the 53rd week will be reflected in our results for the fourth quarter of fiscal 2021. All full-year guidance for the metrics noted below is for fiscal year 2021 on a 53-week basis except comparable store sales growth metrics, which are relative to fiscal year 2020 on a 52-week basis.

The company updates fiscal year 2021 GAAP EPS guidance:

- GAAP EPS in the range of \$2.42 to \$2.62, inclusive of a \$0.10 impact attributable to the 53rd week
 - (previously \$2.34 to \$2.54, inclusive of a \$0.10 impact attributable to the 53rd week)

The company reiterates the following fiscal year 2021 guidance:

- Global comparable store sales growth of 18% to 23%
- Americas and U.S. comparable store sales growth of 17% to 22%
- International comparable store sales growth of 25% to 30%
 - China comparable store sales growth of 27% to 32%
- Approximately 2,150 new store openings and 1,100 net new Starbucks stores globally
 - Americas approximately 850 new store openings and approximately 50 net new stores
 - International approximately 1,300 new store openings and 1,050 net new stores
 - Approximately 600 net new stores in China
- Consolidated revenue of \$28.0 billion to \$29.0 billion, inclusive of a \$500 million impact attributable to the 53rd week

- Channel Development revenue of \$1.4 billion to \$1.6 billion
- Consolidated GAAP operating margin of 14% to 15%
 - Consolidated Non-GAAP operating margin of 16% to 17%
- Interest expense of approximately \$470 million to \$480 million
- GAAP and non-GAAP effective tax rates in the mid-20%*s*
- Non-GAAP EPS in the range of \$2.70 to \$2.90, inclusive of a \$0.10 impact attributable to the 53rd week
- Capital expenditures of approximately \$1.9 billion

Q2 Fiscal 2021 Guidance

The company introduces the following Q2 fiscal 2021 guidance (growth targets are relative to Q2 fiscal 2020):

- Q2 FY21 U.S. comparable store sales growth of approximately 5% to 10%
- Q2 FY21 China comparable store sales growth of nearly 100%
- Q2 FY21 GAAP EPS in the range of \$0.36 to \$0.41
 - Q2 FY21 Non-GAAP EPS in the range of \$0.45 to \$0.50

Please note, the guidance provided above is dependent on our current expectations, which may be impacted by evolving external conditions and local safety guidelines as well as shifts in customer routines, preferences and mobility.

Please refer to the reconciliation of GAAP measures to non-GAAP measures at the end of this release.

The company will provide additional information regarding its business outlook during its regularly scheduled quarterly earnings conference call today; this information will also be available following the call on the company's website at <http://investor.starbucks.com>.

Company Updates

1. Announced today, Roz Brewer has accepted a chief executive officer role at another publicly traded company and will be leaving Starbucks at the end of February. Her next position will be announced publicly in the near future. Starbucks chief operating role responsibilities are being distributed to other members of the existing leadership team.
2. In early January, the company announced that Patrick Grismer, executive vice president and chief financial officer (cfo), will retire from his position effective February 1, 2021. Rachel Ruggeri, senior vice president of Finance, Americas and a 16-year Starbucks partner, will succeed Grismer, who will remain with the company as an advisor through May 2, 2021.
3. In December, the company announced that Mellody Hobson will serve as the next non-executive chair of its Board of Directors starting in March 2021. Hobson, who first joined the board as an independent director in 2005 and was appointed as the board's independent vice-chair in 2018, will succeed Myron (Mike) E. Ullman, III. Hobson will assume the role of chair in conjunction with the Starbucks Annual Meeting of Shareholders in March 2021.
4. The company hosted its biennial Investor Day virtually on December 9, 2020. Chief executive officer Kevin Johnson and other Starbucks leaders outlined a vision for the future, discussed the company's progress against its Growth at Scale agenda and provided updates to its ongoing growth model.
5. In December, the company announced deeper investments in operations and product development in support of its planet positive goals, which include an intent to support the Net Zero Initiative, the rollout of oatmilk nationwide in the U.S., an additional \$50 million investment in the Global Farmer Fund and a diversified renewable energy portfolio.
6. The Board of Directors declared a cash dividend of \$0.45 per share, payable on March 5, 2021, to shareholders of record as of February 18, 2021.