

RATING	PRICE TARGET	CURRENT PRICE	UPSIDE / DOWNSIDE
SELL	\$50.12	\$97.52	-48.6%

MARKET CAP	52-WEEK HIGH	52-WEEK LOW	NEXT EARNINGS
\$111.15B	\$110.51	\$77.99	Q4 FY2026 upcoming

P/E (TTM)	EV/EBITDA (TTM)	REVENUE (TTM)	EBITDA MARGIN
39.87x	33.0x (analyst)	~\$37.0B FY26E	12.0% FY26E

Report Date: October 17, 2026 • Market Data Through: October 16, 2026 • Analyst: Lucas Skomial | Vireo Capital Research

1. INVESTMENT THESIS

We initiate coverage of Starbucks Corporation (NASDAQ: SBUX) with an SELL rating based on our October 17, 2026 assessment and the October 16 closing price of \$97.52. Starbucks benefits from worldwide brand recognition, a large installed store base, and the ability to reach consumers through both company-operated and licensed locations. Nevertheless, brand strength alone does not establish an attractive entry price. Our five-year discounted cash flow and multiples framework produces a blended target of \$50.12 per share, representing 48.6% modeled downside. The individual valuation methods imply \$37.63 through DCF, \$57.18 through EV/FCF, and \$88.32 through normalized P/E; these are scenario estimates rather than independently published market targets.

The investment debate centers on whether the Back to Starbucks turnaround can translate better customer experiences into sustained transaction growth and higher store-level returns. Improved staffing, faster service, more consistent beverage preparation, and focused product offerings may support traffic, but the benefits are unlikely to appear all at once. Company-operated stores retain more direct exposure to labor, rent, and ingredients, whereas licensed operations generally require less capital. This mix gives Starbucks valuable flexibility but also complicates direct comparisons with heavily franchised restaurant chains. Our forecasts assume gradual progress, rather than an immediate return to peak profitability.

Our cautious view reflects the possibility that investors are capitalizing the anticipated recovery before the company has demonstrated its full financial benefit. If wage pressures persist or consumers trade down to lower-priced beverages, incremental sales may not flow through to operating profit at the rate implied by a premium valuation. Conversely, faster throughput, improved customer frequency, stronger loyalty engagement, and better cost management could cause performance to exceed our forecast. We would reassess the recommendation if the evidence showed a durable improvement in transactions and margins, rather than a recovery driven primarily by price increases.

The accompanying workbook connects revenue forecasts, normalized free cash flow, discount rates, and terminal assumptions to the final equity valuation. We use multiple methods because Starbucks' near-term margins may be temporarily affected by turnaround spending, making any single metric less informative. Importantly, the chosen peer multiples and projections are transparent analyst inputs, not a verified October 16 trading-comparables dataset or Wall Street consensus. The model's sensitivity table should therefore be read as a range of possible outcomes, and not as a precise prediction of where shares will trade.

BULL CASE vs. BEAR CASE

KEY BULL CASE	KEY BEAR CASE
Store throughput improves	Wage and commodity inflation
Loyalty drives repeat traffic	Weak consumer traffic
International mix improves	Turnaround spending persists
Labor efficiency expands margins	Valuation compression

2. COMPANY OVERVIEW

Starbucks operates an integrated global beverage and food business through its North America, International, and Channel Development activities. Company-operated stores generate sales directly from customers and provide control over service standards, menu development, and the brand experience. Licensed stores extend the footprint with comparatively lower capital requirements, but economics and reported revenue differ from those of owned locations. Channel Development creates additional consumer touchpoints through packaged products and other partnerships. Because the segments have different operating structures, evaluating overall store counts alone can obscure important differences in sales productivity, investment needs, and long-term margin potential.

As of the research cutoff, the latest reported results are for Q3 FY2026, announced July 29, 2026, with reported quarterly revenue of approximately \$9.323 billion. The report uses FY2026 adjusted EPS guidance of \$2.55–\$2.65. These figures provide context for the recovery, but they should not be interpreted as proof that the operating turnaround is complete. The most revealing indicators in coming quarters will be comparable-store transaction trends, the mix of customer visits and average tickets, progress in service times, and whether investments in labor translate into incremental recurring demand. Q4 FY2026 results had not yet been released on the report date.

The Back to Starbucks initiative is intended to strengthen the in-store experience rather than rely solely on promotional activity or pricing. In practice, that can involve staffing decisions, simplified workflows, product availability, and renewed emphasis on the coffeehouse environment. Each lever has a different earnings timeline: labor spending can increase immediately, while customer retention and operational efficiency generally take longer to improve. For that reason, the success of the plan should be measured not just by near-term revenue growth but by sustainable traffic gains and incremental cash generation after the related investments.

3. INDUSTRY AND COMPETITIVE LANDSCAPE

Starbucks participates in a fragmented market in which convenience, product quality, affordability, and customer habits all matter. Its competitors include McDonald's and Dunkin' in everyday beverages, specialized chains such as Dutch Bros, regional cafés, independent shops, and products consumed at home. Consumer demand can shift based on disposable income and the perceived value of a premium drink. Mobile ordering and loyalty programs provide Starbucks with distribution advantages, but they also raise expectations around speed and accuracy. Over time, protecting frequency among existing customers may matter as much as opening new stores.

The comparison set includes McDonald's, Chipotle, Yum! Brands, Restaurant Brands, and Dutch Bros because each offers a different perspective on consumer traffic, unit economics, brand durability, and growth expectations. However, those companies do not share an identical revenue-recognition model or franchise mix. A franchised operator may trade at a different margin and capital-intensity profile than a predominantly company-operated chain. Accordingly, we treat peer valuation as a reasonableness test alongside the DCF, rather than directly applying a peer median without adjustments. The workbook labels its peer figures as illustrative modeled assumptions.

At the October 16 market close, the snapshot used in this report shows Starbucks trading at \$97.52 per share, with an approximate \$111.15 billion equity market value and \$130.00 billion enterprise value. The approximately \$18.85 billion difference between the two reflects the market-data enterprise-value bridge, which can incorporate items beyond simple borrowings less cash. Because financial databases may classify lease liabilities and other claims differently, we distinguish this observed market EV from the analyst assumptions used in the valuation model. This distinction is particularly important for a retailer with substantial store-related commitments.

COMPARABLE COMPANY ANALYSIS

Company	Ticker	Mkt Cap (\$B)	EV (\$B)	Rev (\$B)	EV/Rev	EV/EBITDA	P/E (Fwd)	Rev Growth
Starbucks	SBUX	111.15	130.00	37.00	3.51x	33.0x	39.87x	3.0%
McDonald's	MCD	210.00	265.00	27.00	9.81x	19.0x	25.0x	4.0%
Chipotle	CMG	41.00	38.00	12.00	3.17x	25.0x	30.0x	8.0%
Yum! Brands	YUM	42.00	55.00	8.00	6.88x	17.0x	23.0x	5.0%
Restaurant Brands	QSR	25.00	40.00	9.00	4.44x	14.0x	19.0x	5.0%
Dutch Bros	BROS	8.00	9.00	2.00	4.50x	25.0x	45.0x	22.0%
Reference median	—	33.50	47.50	10.50	4.47x	22.0x	27.5x	5.0%

The comparable-company table is provided to illustrate the direction and relative magnitude of valuation differences across restaurant formats. It should not be read as a live, independently verified peer screen for October 16, 2026. Differences in franchise exposure, international markets, growth rates, and lease accounting can produce misleading comparisons even when headline multiples appear similar. For the investment conclusion, we therefore place greater emphasis on Starbucks' projected cash generation and explicitly identify the multiples used for cross-checking the DCF estimate.

4. FINANCIAL ANALYSIS

Our FY2026–FY2030 forecasts represent analyst scenarios rather than company guidance. The workbook's FY2026 modeled revenue begins at \$37.0 billion, with subsequent years reflecting moderate sales expansion and gradual improvement in normalized cash conversion. The central operating assumption is that efforts to rebuild store traffic produce a measured recovery while costs remain significant during the transition. We avoid assuming that every dollar of incremental revenue converts into profit at historical peak rates. Investors should pay close attention to the distinction between reported earnings, cash flow, and normalized estimates, especially when evaluating a turnaround business.

The reported baseline for this document remains Starbucks' Q3 FY2026 update, not an unreleased fourth-quarter result. As more information becomes available, the forecast should be recalibrated against reported comparable-sales growth, store-level productivity, labor costs, and capital expenditures. A positive change in customer traffic would be more persuasive if it coincided with improving cash generation rather than materially higher operating spending. Conversely, sales growth driven by pricing alone may be less sustainable in a value-conscious consumer environment. This is why we emphasize trends across several quarters instead of a single earnings headline.

Starbucks' quarterly dividend increased to \$0.63 per share, equivalent to an indicated \$2.52 annualized distribution. Based on the \$97.52 reference price, the indicated cash yield is approximately 2.58%. The dividend can support total shareholder return and signals a commitment to capital distributions, but it also competes with funds available for store reinvestment, debt reduction, and other strategic uses. Dividend sustainability ultimately depends on cash flow after required capital spending. We do not add a separate dividend value on top of the modeled equity value, since doing so could double-count shareholder cash flows.

The market-data enterprise value of approximately \$130.00 billion exceeds the stated equity capitalization of \$111.15 billion by roughly \$18.85 billion. This arithmetic is not interchangeable with a company's reported net debt: lease obligations, minority interests, and other adjustments can influence an enterprise-value definition. For consistency, the accompanying model follows its own stated bridge rather than mixing market-vendor EV with a different cash and debt date. This is a key area where an equity research model must be interpreted carefully, particularly when analysts compare cash-flow-based values with vendor trading multiples.

FINANCIAL SUMMARY

Metric	FY2022A	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E
Revenue (\$B)	37.00	38.48	40.40	42.63	44.76	44.76

YoY revenue growth	0.0%	4.0%	5.0%	5.5%	5.0%	5.0%
Normalized FCF margin	6.8%	7.8%	8.8%	9.8%	10.5%	10.5%
Normalized FCF (\$B)	2.50	3.00	3.56	4.18	4.70	4.70
EBIT margin	7.5%	8.5%	9.5%	10.5%	11.5%	11.5%
Adjusted EBITDA margin	13.5%	14.5%	15.5%	16.5%	17.5%	17.5%
Normalized tax rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Discount period	1	2	3	4	5	6
Annual dividend/share	\$2.52	\$2.52	\$2.52	\$2.52	\$2.52	\$2.52
Indicative dividend yield	2.58%	2.58%	2.58%	2.58%	2.58%	2.58%
FY2026 adjusted EPS guidance	\$2.55– \$2.65	\$2.55– \$2.65	\$2.55– \$2.65	\$2.55– \$2.65	\$2.55– \$2.65	\$2.55–\$2.65

Analyst estimates

5. VALUATION

We value Starbucks through three complementary approaches: a five-year discounted cash flow, an FY2027E EV/FCF cross-check, and an FY2027E normalized earnings multiple. The DCF places the highest emphasis on cash the business may generate over time, while the multiples provide a market-oriented comparison that is easier to communicate but more sensitive to the assumptions used. Weighting these methods helps reduce dependence on one technique, although all three still rely on uncertain operating forecasts. The blended output is a scenario-based fair-value estimate and should not be confused with a transaction price or a guarantee of future returns.

Our base DCF uses a 9.0% weighted-average cost of capital, 2.5% terminal growth, and a 25% normalized tax rate, with gradual improvement in free-cash-flow margins during the explicit forecast. A 9.0% WACC embodies a judgment about capital-market conditions and Starbucks' business risk; it is not an observable company-reported figure. Terminal growth represents the steady-state pace assumed after the forecast period, making that assumption especially influential when much of value lies beyond the five-year horizon. The workbook includes a sensitivity analysis to demonstrate the effect of alternative discount and terminal-growth assumptions.

For relative valuation, we apply 28.0x FY2027E EV/FCF and 32.0x FY2027E normalized P/E as analyst-selected reference multiples. They are not presented as independently verified peer medians. The EV/FCF approach tests the operating cash-generation profile, while P/E gives a perspective based on estimated after-tax earnings per share. Their outputs are materially higher than the base DCF, highlighting how different assumptions about a stabilized business can change implied value. We prefer to show that disagreement explicitly rather than conceal it in a single headline multiple.

PRICE TARGET DERIVATION

Methodology	Weight	Implied Price	Key Assumptions
DCF	60%	\$37.63	9.0% WACC; 2.5% terminal growth
EV/FCF	25%	\$57.18	28.0x FY2027E FCF
P/E	15%	\$88.32	32.0x FY2027E EPS \$2.76
Blended	100%	\$50.12	DCF 60%; EV/FCF 25%; P/E 15%

6. CATALYSTS

A sustained improvement in service speed could become a significant positive catalyst. More predictable preparation times and lower congestion may improve customer satisfaction during the morning rush, potentially helping Starbucks win back

transactions that migrated to faster or less expensive alternatives. The effect would be most convincing if comparable-store traffic improved alongside stable or better unit profitability. Our stance could become less cautious if multiple quarters showed these gains without a corresponding acceleration in labor costs.

International and licensed-store results may provide another route to better profitability. Certain licensed arrangements require less capital than company-operated stores and can extend distribution while sharing execution responsibility with partners. Stronger international performance could diversify the source of earnings recovery beyond North America, although regional competition, foreign-exchange moves, and local consumer conditions remain important. We would look for evidence of sustained partner economics, consistent store productivity, and a disciplined pace of expansion rather than judging success solely by new locations.

The Starbucks Rewards ecosystem and digital ordering channels offer opportunities to improve customer frequency, retention, and marketing efficiency. Targeted offers may increase visits, but excessive discounting can weaken margins and train customers to wait for promotions. Operational simplification can also reduce waste and improve throughput, potentially benefiting free cash flow even before a broad acceleration in sales. Higher-quality cash conversion, supported by actual customer demand, would provide a stronger reason to revise our valuation than announcements of new initiatives alone.

7. RISKS TO OUR THESIS

Labor costs are an important financial risk because staffing is central to the turnaround strategy and is also a major store expense. Higher wages, benefit costs, occupancy expenses, or coffee and dairy inflation could limit operating leverage even as revenue improves. Starbucks may be able to offset some inflation with productivity gains or menu pricing, but consumers' willingness to absorb additional price increases cannot be assumed. If gross margin or labor productivity falls short of expectations, our normalized cash-flow forecast would prove too optimistic and the estimated fair value could decline.

Consumer demand and competition introduce a separate risk. Premium beverages are purchased frequently, but customers still have lower-priced substitutes and the option to prepare drinks at home. If household budgets tighten or rivals deliver better value and faster service, Starbucks may face a longer recovery in transactions. A weakening mix between food, cold drinks, and core coffee offerings could also affect average ticket and margins. Management needs to balance promotional spending, brand positioning, and operational reliability without depending on constant price increases to support growth.

Valuation and execution risks reinforce each other. Even if Starbucks meets its operating targets, changes in required returns or terminal-growth expectations can materially change a discounted cash-flow value. Differences between market enterprise value and a model-specific net-debt bridge may also distort comparisons if they are not handled consistently. Our 9.0% WACC and 2.5% terminal growth are assumptions, not facts. The biggest risk to the SELL thesis is that operational recovery occurs considerably faster than modeled; the biggest risk to the company is that investment spending fails to restore recurring transactions.

8. ESG NOTE

The material environmental and social factors for Starbucks include responsible coffee sourcing, exposure to agricultural supply conditions, water and packaging use, labor relations, and employee retention. These factors connect directly to economics rather than functioning only as reputational considerations: disruptions in coffee supply may raise ingredient costs, while workforce dissatisfaction can affect service consistency and turnover expenses. The company's ability to maintain consumer trust and comply with changing expectations around sourcing and waste may support long-term brand durability. We do not apply an independent ESG valuation premium; these considerations are discussed as contributors to operating and execution risk.

9. MANAGEMENT AND OWNERSHIP

Starbucks is led by chairman and CEO Brian Niccol, whose Back to Starbucks strategy places significant emphasis on execution in stores and restoring the customer experience. Leadership's near-term challenge is to coordinate staffing, service standards, menu operations, and digital demand while protecting profitability and cash generation. Investors should evaluate management on measurable improvements in traffic, store-level productivity, and returns on capital, rather than relying on the reputation of

the leadership team alone. The durability of the turnaround will depend on whether progress continues after the initial operational changes have been implemented.

Capital allocation is another important test for management. Starbucks must balance dividends, investment in its existing store network, selective growth, and obligations reflected in its balance sheet and leases. Shareholders benefit when additional investments produce sustainable returns exceeding their cost, but spending that increases complexity without improving customer demand can destroy value. For that reason, our analysis focuses on future cash flows and disciplined reinvestment more than on headline ownership statistics. Specific shareholding percentages have not been assumed as an investment catalyst in the model.

MANAGEMENT TEAM

Name	Role	Background
Brian Niccol	Chairman & CEO	Back to Starbucks strategy
CFO office	Finance leadership	Financial reporting and capital allocation
Board of Directors	Governance	Oversight of strategy and capital allocation

The principal management catalyst is demonstrable operating improvement under Brian Niccol's leadership. We would look for evidence that initiatives translate into more consistent visits, faster service, and better margins after including the cost of staffing and other changes. Strong execution could warrant higher forecast assumptions; missed milestones or persistent cash-flow pressure would support a more cautious assessment. Our rating is therefore linked to measurable business performance rather than to a permanent judgment about the brand or its management team.

10. CONCLUSION

Starbucks continues to own one of the best-recognized consumer brands in the coffee industry, supported by a broad network and established purchasing habits. Its size and brand equity create a foundation for recovery, and the Back to Starbucks initiative addresses genuine operating opportunities. However, investors must distinguish a plausible improvement story from an attractive valuation. With near-term spending and uncertain traffic recovery, our assumptions support a more conservative assessment than the market's October 16 share price. A clear pattern of stronger transactions, normalized profitability, and cash flow could change that assessment over time.

The scenario framework produces an estimated \$37.63 per share under the DCF, \$57.18 using FY2027E EV/FCF, and \$88.32 using normalized P/E. Blending the three methods yields a \$50.12 target, 48.6% below the \$97.52 reference price, supporting our SELL rating. The gap between methods is meaningful: it underscores uncertainty around the appropriate steady-state margins, cash conversion, and valuation multiple. These values are generated by Vireo's stated assumptions rather than verified peer medians or market consensus. We recommend revisiting the thesis when Starbucks reports its next earnings results and provides additional evidence on the turnaround.

ANALYST CERTIFICATION

I, Lucas Skomial, certify that the views expressed in this report accurately reflect my personal views about Starbucks Corporation and its securities. I have not received and will not receive direct or indirect compensation related to the specific recommendations expressed herein. This report represents my independent analysis based on publicly available information.

DISCLAIMER

This report is produced for educational purposes only and does not constitute investment advice. Vireo Capital Research is a student-led equity research organization. All financial data sourced from SEC filings (EDGAR), company press releases, and publicly available market data. Past performance is not indicative of future results. Investors should conduct their own due diligence before making any investment decisions.

OCTOBER 17, 2026 DATA AND SOURCES

Source methodology: The report uses a market-price snapshot through October 16, 2026 and information available by October 17, 2026. Reported results and company guidance are distinguished from Vireo analyst forecasts. Model projections and reference valuation multiples are assumptions; they should not be read as audited company disclosures, verified peer quotes, or consensus estimates.

How to read the valuation: The DCF depends on the cost of capital, terminal growth, and projected free cash flow. The EV/FCF and P/E methods instead depend on FY2027 estimates and chosen multiples. Their different outputs make uncertainty visible. Neither a target price nor a rating guarantees a particular investment result, and later quarterly disclosures may require updating these assumptions.

Market price \$97.52; market cap \$111.15B; EV \$130.00B; 52-week range \$77.99–\$110.51. Source: StockAnalysis and Investing.com, October 16, 2026.

Q3 FY2026 results and balance sheet: Starbucks Investor Relations and Form 10-Q for June 28, 2026.

October 12: Starbucks denied speculation of a Chipotle acquisition (Reuters).

Valuation inputs and FY2026E–FY2030E projections are Vireo analyst assumptions; peer inputs are illustrative.

Sources: <https://investor.starbucks.com/> ; <https://www.sec.gov/Archives/edgar/data/829224/000082922426000130/sbux-20260628.htm> ; <https://stockanalysis.com/stocks/sbux/market-cap/>