



# Starbucks Corporation (SBUX)

Updated January 29<sup>th</sup>, 2026, by Aristofanis Papadatos

## Key Metrics

<b>Current Price:</b>	\$95	<b>5 Year CAGR Estimate:</b>	5.6%	<b>Market Cap:</b>	\$109 B
<b>Fair Value Price:</b>	\$53	<b>5 Year Growth Estimate:</b>	16.0%	<b>Ex-Dividend Date:</b>	2/13/26
<b>% Fair Value:</b>	180%	<b>5 Year Valuation Multiple Estimate:</b>	-11.0%	<b>Dividend Payment Date:</b>	2/27/26
<b>Dividend Yield:</b>	2.6%	<b>5 Year Price Target</b>	\$111	<b>Years Of Dividend Growth:</b>	15
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Consumer Discretionary	<b>Rating:</b>	Hold

## Overview & Current Events

Starbucks began with a single store in Seattle's Pike Place Market in 1971 and now has more than 40,000 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 \$109 billion market cap company generated \$37 billion in annual revenue in fiscal 2025.

In late January, Starbucks reported (1/28/26) results for the first quarter of fiscal 2026 (Starbucks' fiscal year ends the Sunday closest to September 30<sup>th</sup>). Comparable store sales accelerated from 1% in the previous quarter to 4% year-over-year. Same-store sales in China grew 7% for the first time after several quarters in a row. Earnings-per-share decreased -35% due to hefty investments in the business, from \$0.69 in the prior year's quarter to \$0.56, missing the analysts' consensus by \$0.03. It was a somewhat positive report, as same-store sales grew significantly for the first time in the last two years. Management initiated guidance for fiscal 2026. It expects at least 3% growth of comparable sales and earnings-per-share of \$2.15-\$2.40. Accordingly, we have lowered our forecast from \$2.50 to \$2.30.

Howard Schultz, the legendary CEO of Starbucks, stepped down from the CEO position in 2023. Starbucks thrived and enjoyed an impressive growth trajectory during 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	\$1.91	\$2.06	\$2.42	\$2.83	\$1.17	\$3.24	\$2.96	\$3.54	\$3.31	\$2.13	<b>\$2.30</b>	<b>\$4.83</b>
<b>DPS</b>	\$0.80	\$1.00	\$1.26	\$1.44	\$1.64	\$1.80	\$1.96	\$2.12	\$2.28	\$2.44	<b>\$2.48</b>	<b>\$3.00</b>
<b>Shares<sup>1</sup></b>	1,461	1,432	1,309	1,185	1,182	1,186	1,153	1,149	1,136	1,141	<b>1,140</b>	<b>1,100</b>

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 abnormally low comparison base formed by the depressed expected earnings-per-share this year, we have assumed 16% growth of earnings-per-share over the next five years.

## Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
<b>Avg. P/E</b>	30.4	27.7	23.2	26.6	---	33.3	31.2	28.3	27.0	44.1	<b>41.3</b>	<b>23.0</b>
<b>Avg. Yld.</b>	1.4%	1.8%	2.2%	1.9%	2.0%	2.1%	2.1%	2.1%	2.6%	2.6%	<b>2.6%</b>	<b>2.7%</b>

<sup>1</sup> In millions.

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Excluding 2025, 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 excessive earnings multiple of 41.3. If it trades at its fair valuation level in five years, it will incur an -11.0% annualized drag in its return.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	42%	49%	52%	51%	140%	56%	66%	60%	69%	115%	<b>108%</b>	<b>62%</b>

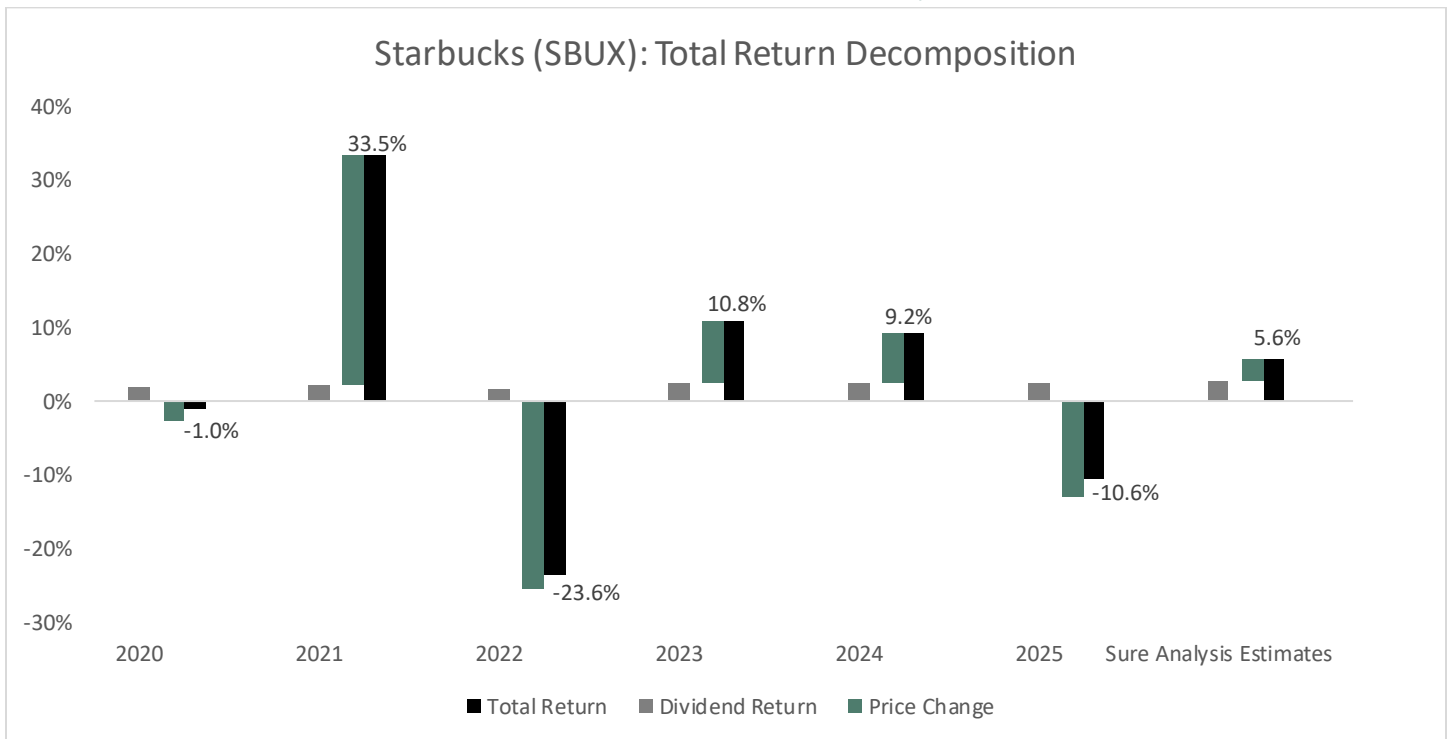
Starbucks sells an addictive product combined with a well-respected brand. This allows the company to sell its coffee at premium prices and generate repeat business from customers. Still, the company is somewhat cyclical. From fiscal year 2007 to 2008, earnings-per-share fell -18%, before increasing 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 offering a dividend yield of 2.6%. The payout ratio is excessive at 108% due to depressed earnings this year, but the dividend is unlikely to be cut if the turnaround of the company materializes.

## 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 in the last two years but we expect it to recover thanks to the change of its CEO. The stock could offer a 5.6% average annual return over the next five years thanks to 16.0% growth of earnings-per-share and its 2.6% dividend, partly offset by an -11.0% valuation headwind. The stock maintains its hold rating. Nevertheless, 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



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## Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenue</b>	21316	22387	24720	26509	23520	29060	32250	35976	36176	37184
<b>Gross Profit</b>	12805	13349	14545	7488	5059	8391	8371	9846	9709	6198
<b>Gross Margin</b>	60.1%	59.6%	58.8%	28.2%	21.5%	28.9%	26.0%	27.4%	26.8%	16.7%
<b>SG&amp;A Exp.</b>	1361	1393	1759	1824	1680	1933	2032	2441	2523	---
<b>D&amp;A Exp.</b>	1030	1067	1306	1449	1503	1524	1529	1450	1592	1772
<b>Operating Profit</b>	3854	3897	3807	3916	1518	4657	4430	5503	5108	3581
<b>Operating Margin</b>	18.1%	17.4%	15.4%	14.8%	6.5%	16.0%	13.7%	15.3%	14.1%	9.6%
<b>Net Profit</b>	2818	2885	4518	3599	928	4199	3282	4125	3761	1857
<b>Net Margin</b>	13.2%	12.9%	18.3%	13.6%	3.9%	14.5%	10.2%	11.5%	10.4%	5.0%
<b>Free Cash Flow</b>	3135	2655	9961	3240	114.2	4519	2556	3675	3318	---
<b>Income Tax</b>	1380	1433	1262	872	239.7	1157	949	1277	1207	651

## Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total Assets</b>	14313	14366	24156	19220	29370	31390	27978	29446	31339	32020
<b>Cash &amp; Equivalents</b>	2129	2462	8756	2687	4351	6456	2818	3552	3286	3467
<b>Accounts Receivable</b>	769	870	693	879	883	940	1176	1184	1214	1278
<b>Inventories</b>	1379	1364	1401	1529	1551	1604	2177	1806	1777	2186
<b>Goodwill &amp; Int. Ass.</b>	2236	1981	4584	4273	4149	4027	3439	3339	3417	3536
<b>Total Liabilities</b>	8422	8909	22981	25451	37170	36710	36677	37433	38781	40109
<b>Accounts Payable</b>	731	783	1179	1190	998	1212	1441	1544	1596	1853
<b>Long-Term Debt</b>	3585	3933	9440	11167	16350	14620	15044	15400	15568	25047
<b>Shareholder's Equity</b>	5884	5450	1170	-6232	-7805	-5321	-8707	-7995	-7449	-8097
<b>D/E Ratio</b>	0.61	0.72	8.07	-1.79	-2.2	-2.75	-1.73	-1.93	-2.09	-3.29

## Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Return on Assets</b>	21.1%	20.1%	23.5%	16.6%	3.8%	13.8%	11.1%	14.4%	12.4%	5.9%
<b>Return on Equity</b>	48.2%	50.9%	137%	---	---	---	---	---	---	---
<b>ROIC</b>	31.9%	30.6%	45.2%	46.3%	13.8%	47.1%	41.9%	60.0%	48.4%	10.1%
<b>Shares Out.</b>	1,461	1,432	1,309	1,185	1,182	1,186	1,159	1,151	1,137	1,140
<b>Revenue/Share</b>	14.34	15.32	17.73	21.50	19.9	24.51	27.84	31.25	31.81	32.60
<b>FCF/Share</b>	2.11	1.82	7.14	2.63	0.1	3.81	2.21	3.19	2.92	2.14

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

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