



# Starbucks Coffee Company

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William Blair & Company  
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Chicago, IL  
June 21, 2007



# Forward Looking Statement

This presentation includes the following forward looking statements: anticipated store openings, comparable store sales expectations, trends in or expectations regarding the Company's net revenue, general and administrative expenses, operating margin, net earnings and earnings per share results, and capital expenditures. These forward looking statements are based on currently available operating, financial, and competitive information and are subject to various risks and uncertainties. Actual future results and trends may differ materially depending on a variety of factors including but not limited to, coffee, dairy and other raw material prices and availability, successful execution of internal performance and expansion plans, fluctuations in U.S. and international economies and currencies, the impact of initiatives by competitors, the effect of legal proceedings, and other risks detailed in the Company's filings with the Securities and Exchange Commission, including the "Risk Factors" section of Starbucks Annual Report on Form 10-K for the fiscal year ended October 1, 2006. The Company assumes no obligation to update any of these forward-looking statements.



# Starbucks Long-Term Growth Goals

- ✿ Open at least 10,000 new stores in next four years
- ✿ Double the size of the business in next 4 – 5 years
- ✿ Grow net earnings faster than revenue
- ✿ Potential for 40,000 stores worldwide





# FY 2007 Annual Targets

- ❖ 2,400 net new stores
- ❖ Approximately 20% net revenue growth
- ❖ 3% - 7% comparable store sales growth
- ❖ \$0.87 - \$0.89 EPS range



# The Coffee Industry

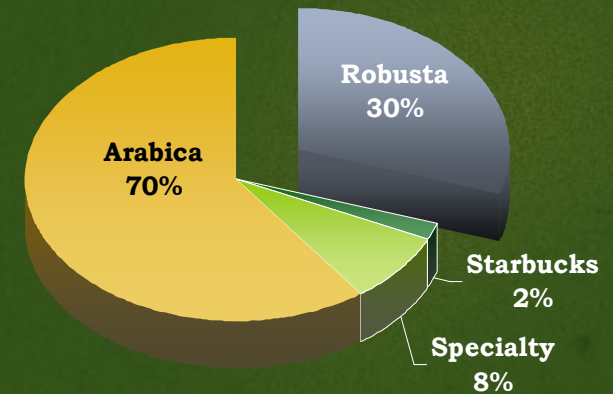




# Diverse and Fragmented Industry

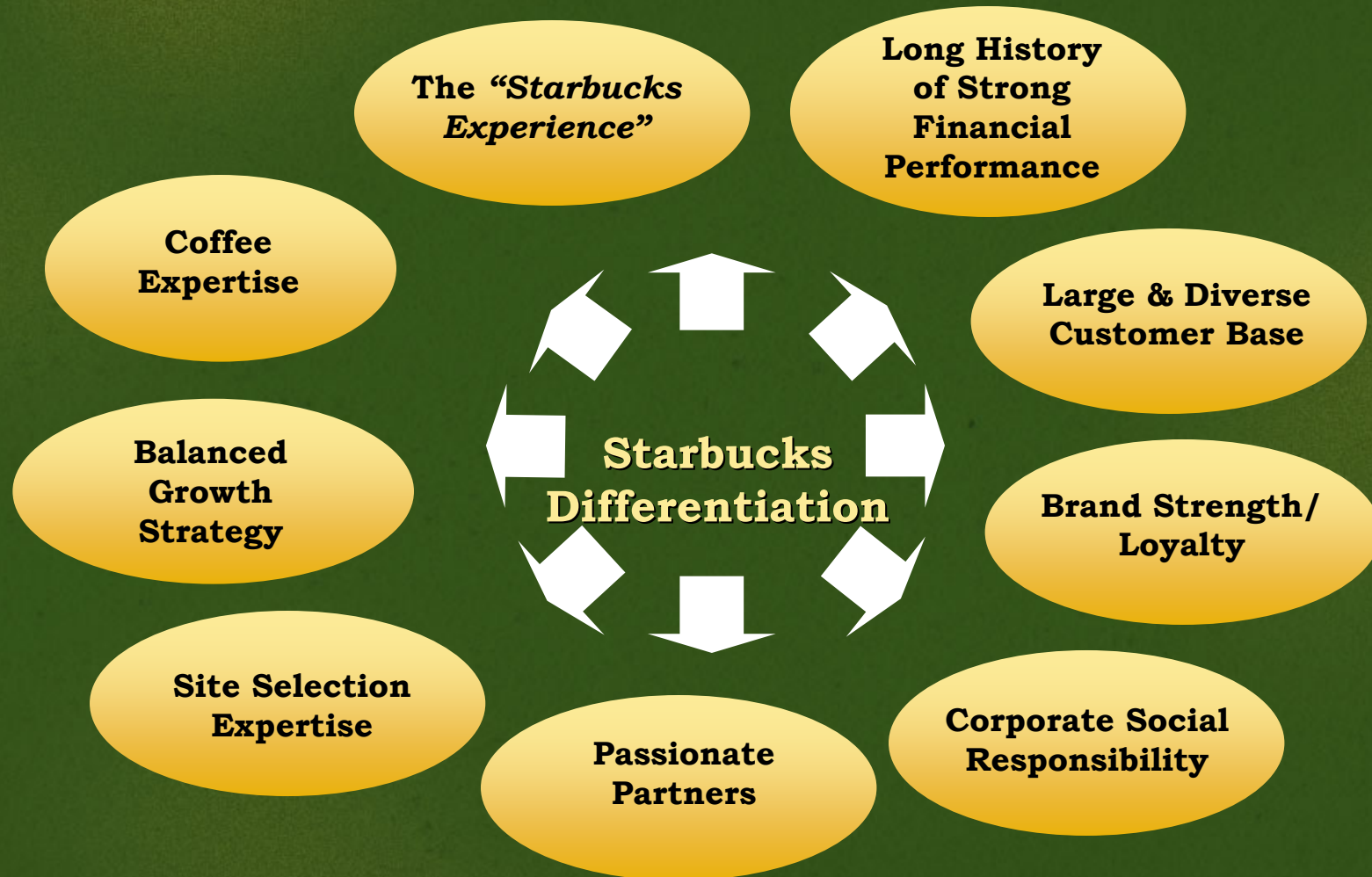
- ✧ Total worldwide coffee production – 15 billion lbs/year
- ✧ Starbucks purchases 2% of the world's coffee supply
- ✧ Starbucks market share
  - ✧ 2% globally
  - ✧ 7% in U.S.
- ✧ From 2001 to 2006 specialty coffee consumption grew over 48% in the U.S.

**World Coffee Supply  
By Type**



Sources: International Coffee Association and Specialty Coffee Association of America

# Starbucks Differentiators



# Key Drivers To Support Growth Strategy

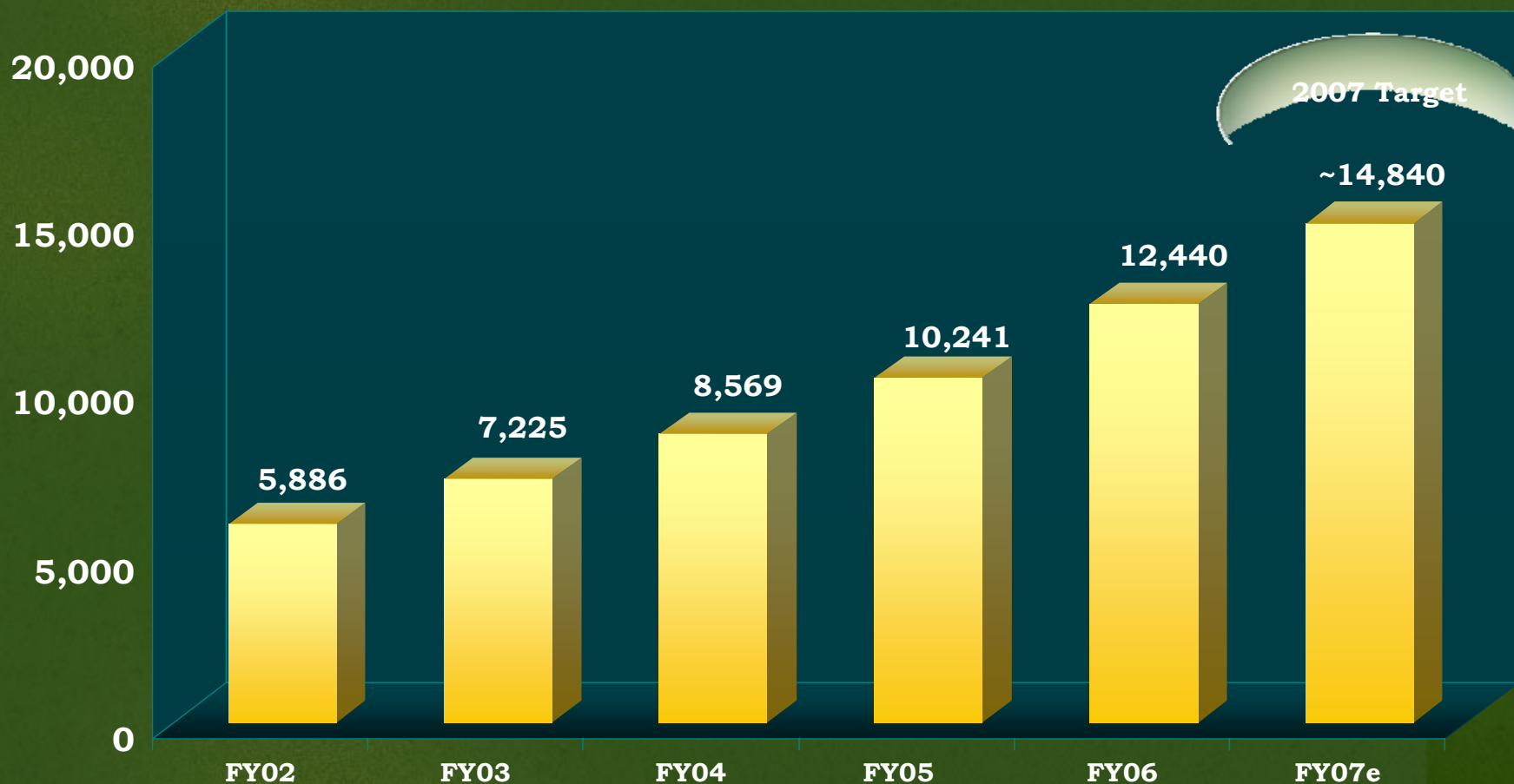
- ✿ Expand store footprint in new and existing markets
- ✿ Promote continuous innovation
- ✿ Leverage the Starbucks brand with complementary offerings
- ✿ Invest in infrastructure to support new markets
- ✿ Remain employer of choice
- ✿ Prudently manage expenses in a challenging cost environment
- ✿ Continue to leverage G&A expenses





# Rapid Global Retail Store Growth

## Total Store Count



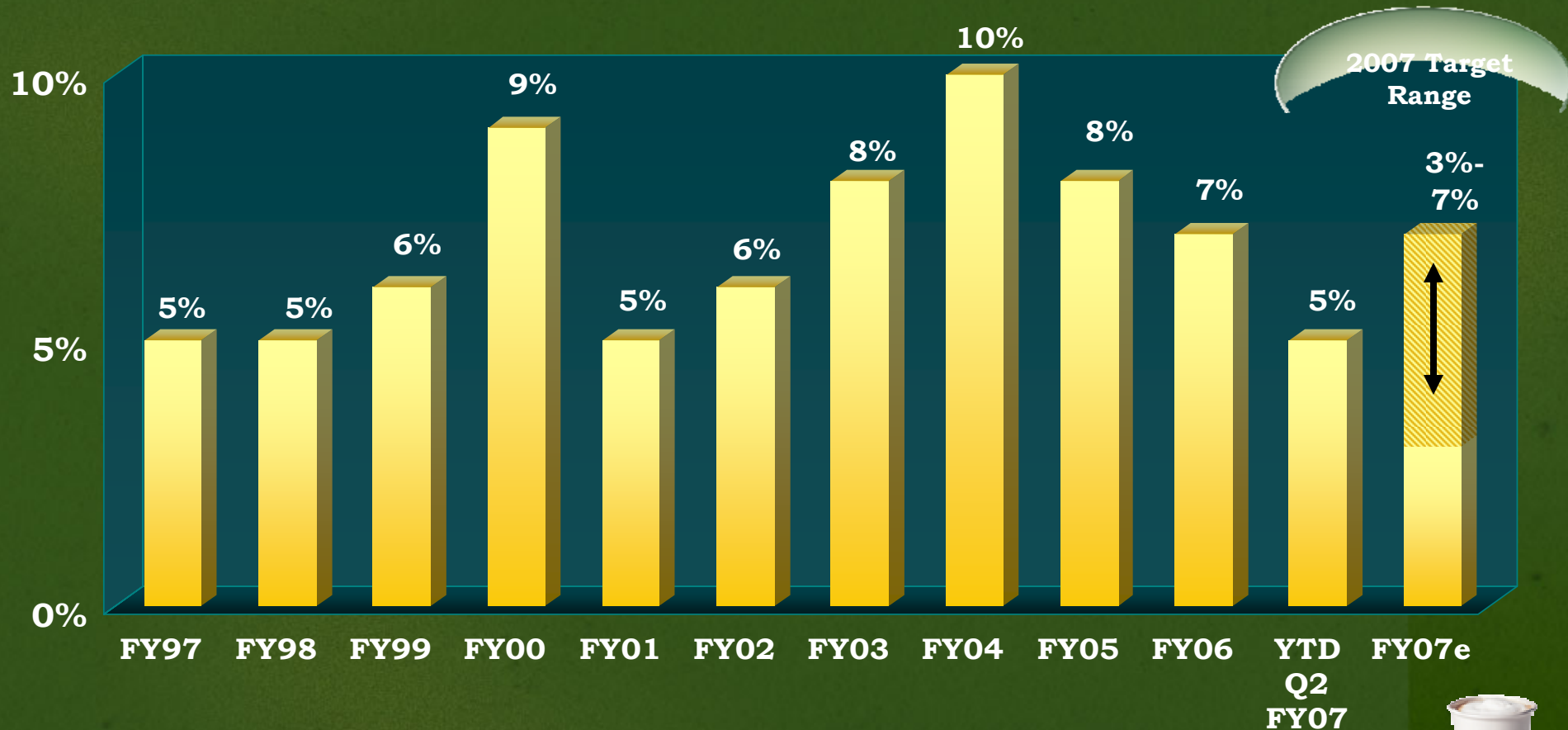
|                      |       |       |       |       |       |       |
|----------------------|-------|-------|-------|-------|-------|-------|
| Y-O-Y<br>Growth Rate | 25.0% | 22.7% | 18.6% | 19.5% | 21.5% | 19.3% |
|----------------------|-------|-------|-------|-------|-------|-------|

\* FY07 estimates based on Company store opening targets



# Strong Comparable Store Performance

## Comparable Store Sales Growth



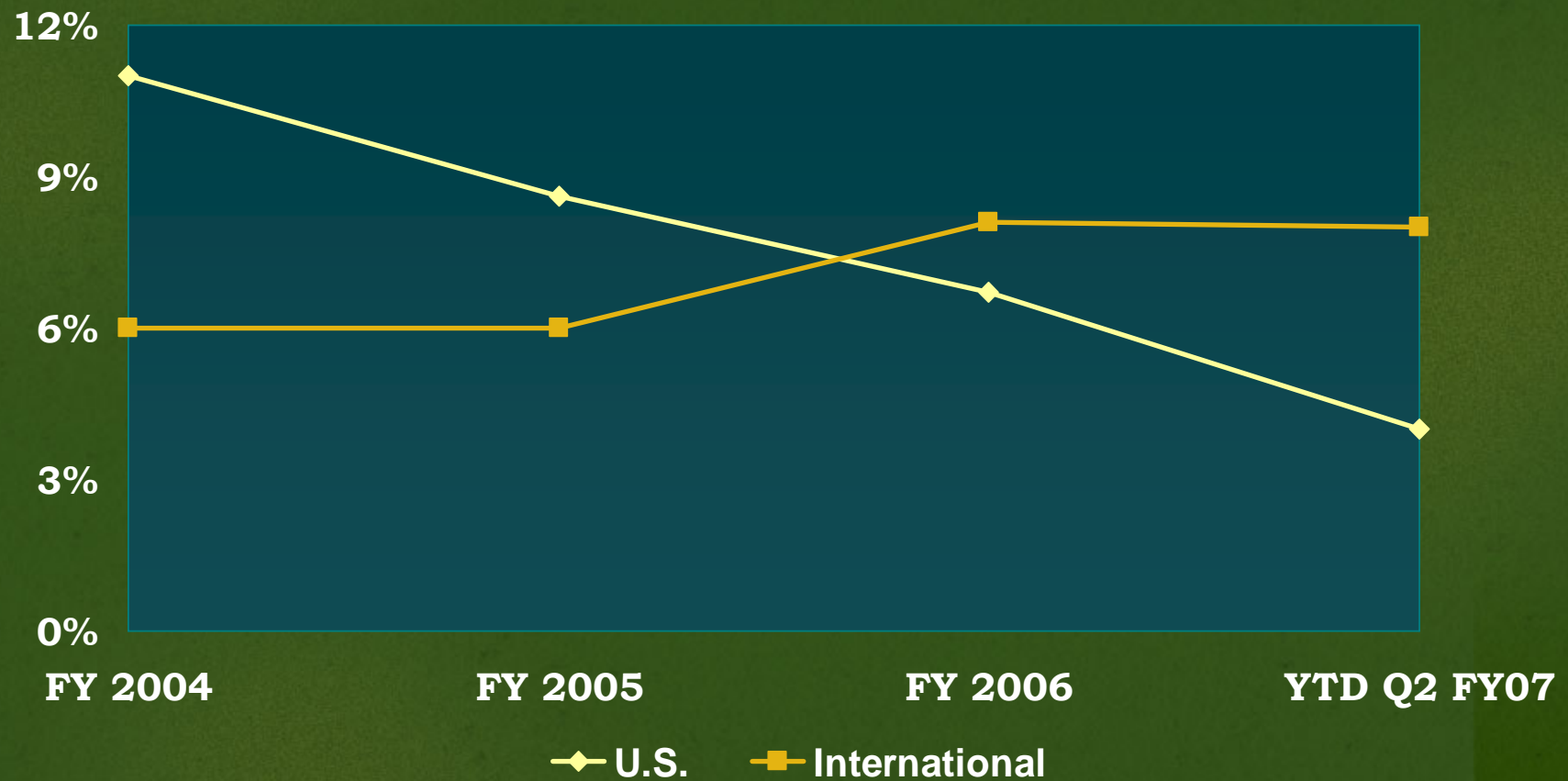
Company-operated stores open 13 months or longer





# Comparable Store Performance

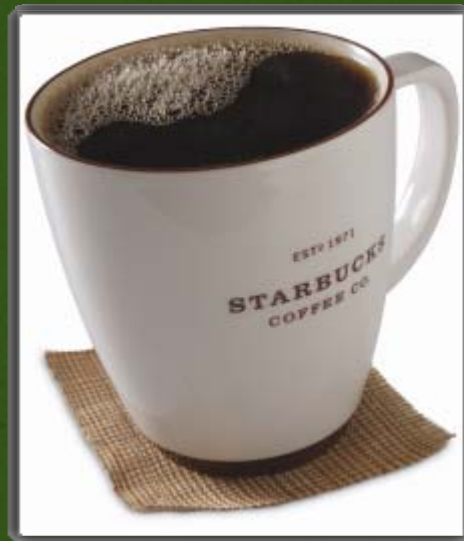
## Comparable Store Sales Growth by Segment



Company-operated stores open 13 months or longer

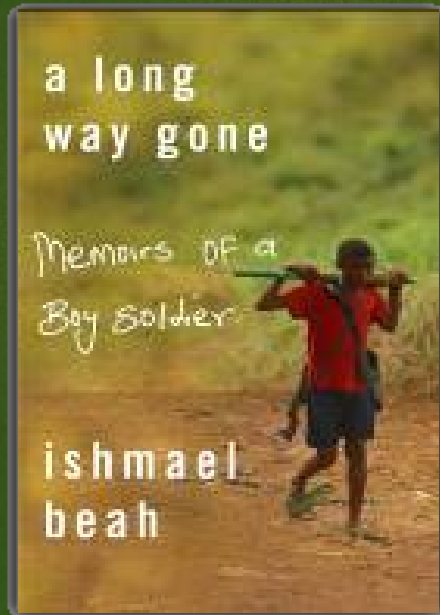


# Innovation: Expanded Beverage & Complementary Offerings



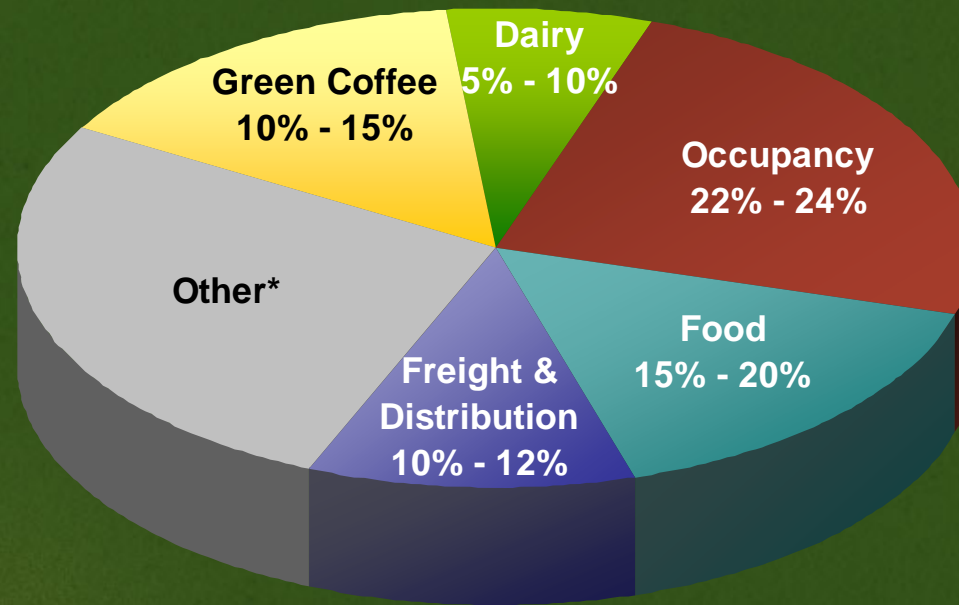


# Innovation: Expanded Beverage & Complementary Offerings



# Cost of Sales and Occupancy Structure

## Typical Components of Cost of Sales and Occupancy



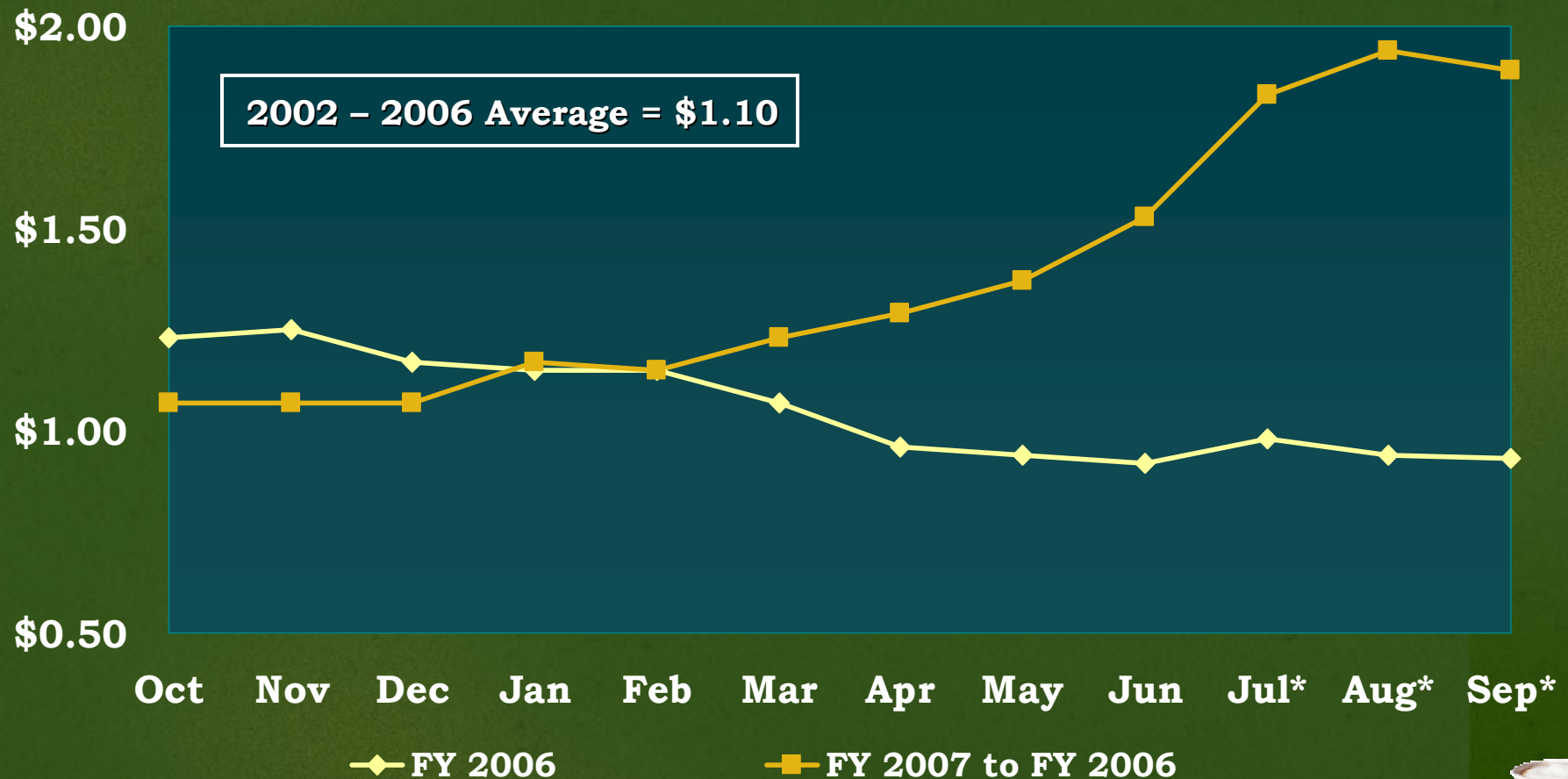
\* Other: Packaging, Supplies, etc.





# Recent Dairy Commodity Cost Increase

## Class I Base FY07 Progression Compared to FY06

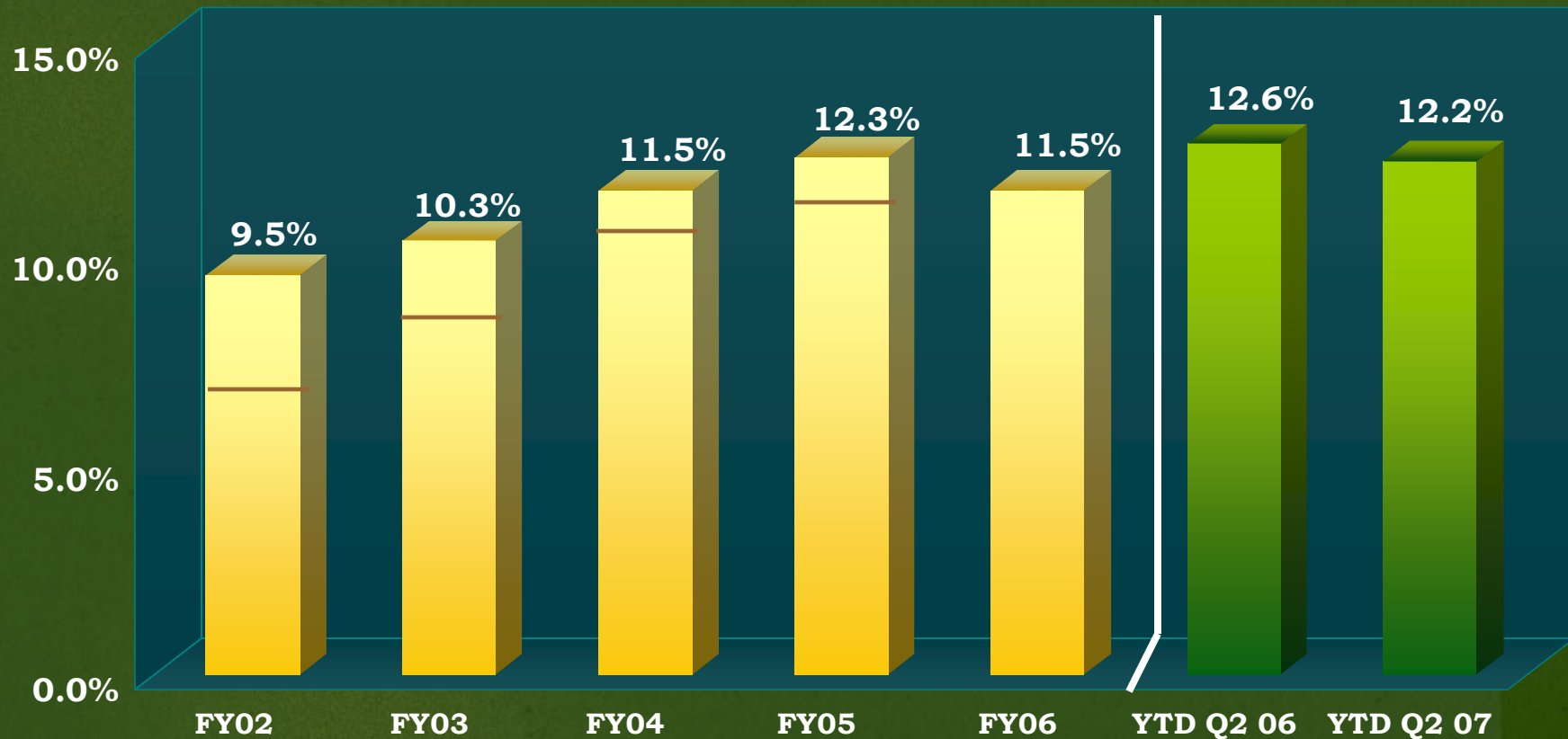


\* FY 2007 July, August and September data are Company estimates.  
Source: Actuals based on USDA class announcements.



# Operating Margin Performance

## Operating Margin

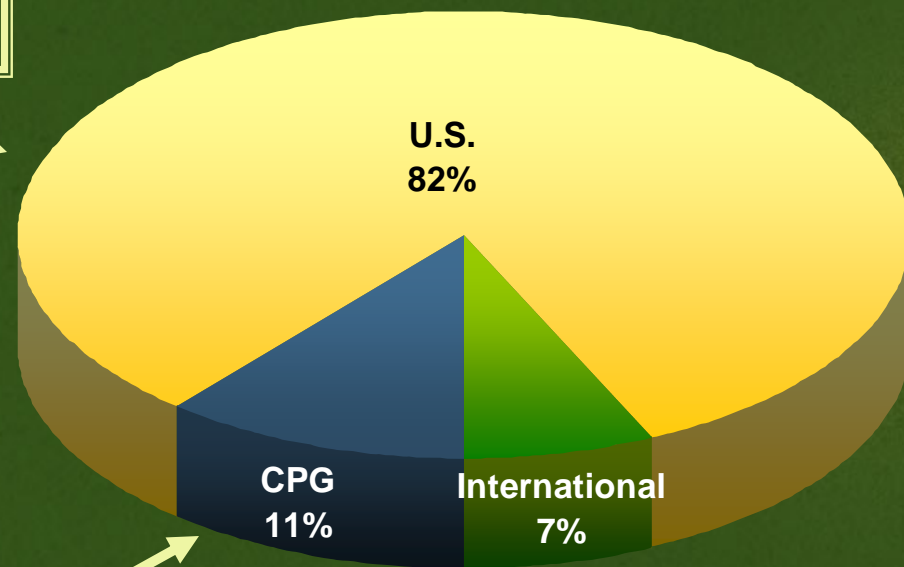




# Segment Contributions to Profitability

- ✧ Established and experienced business
- ✧ Leverage efficiencies of operating in a homogeneous market

**Operating Margin Contribution  
By Segment  
YTD FY 2007**



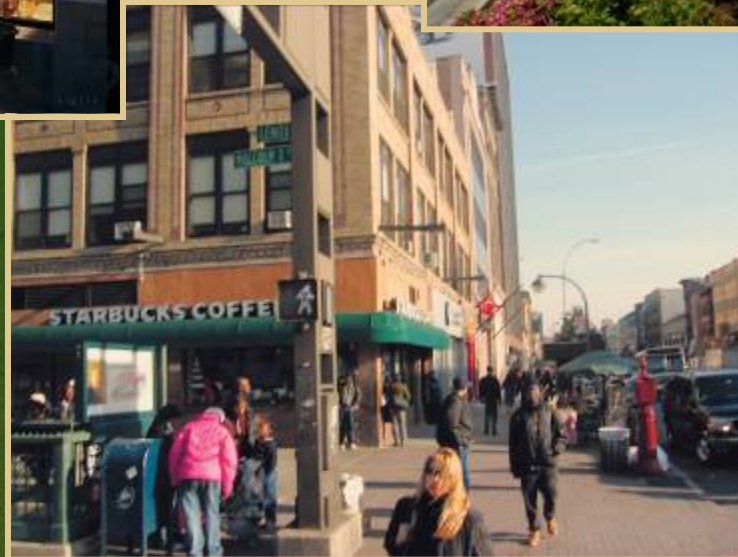
- ✧ Solid margin contribution due to low cost structure of business
- ✧ Substantial growth potential lies in expanding to international markets

- ✧ Early stages of growth require significant investment
- ✧ Long-term margin expansion opportunity



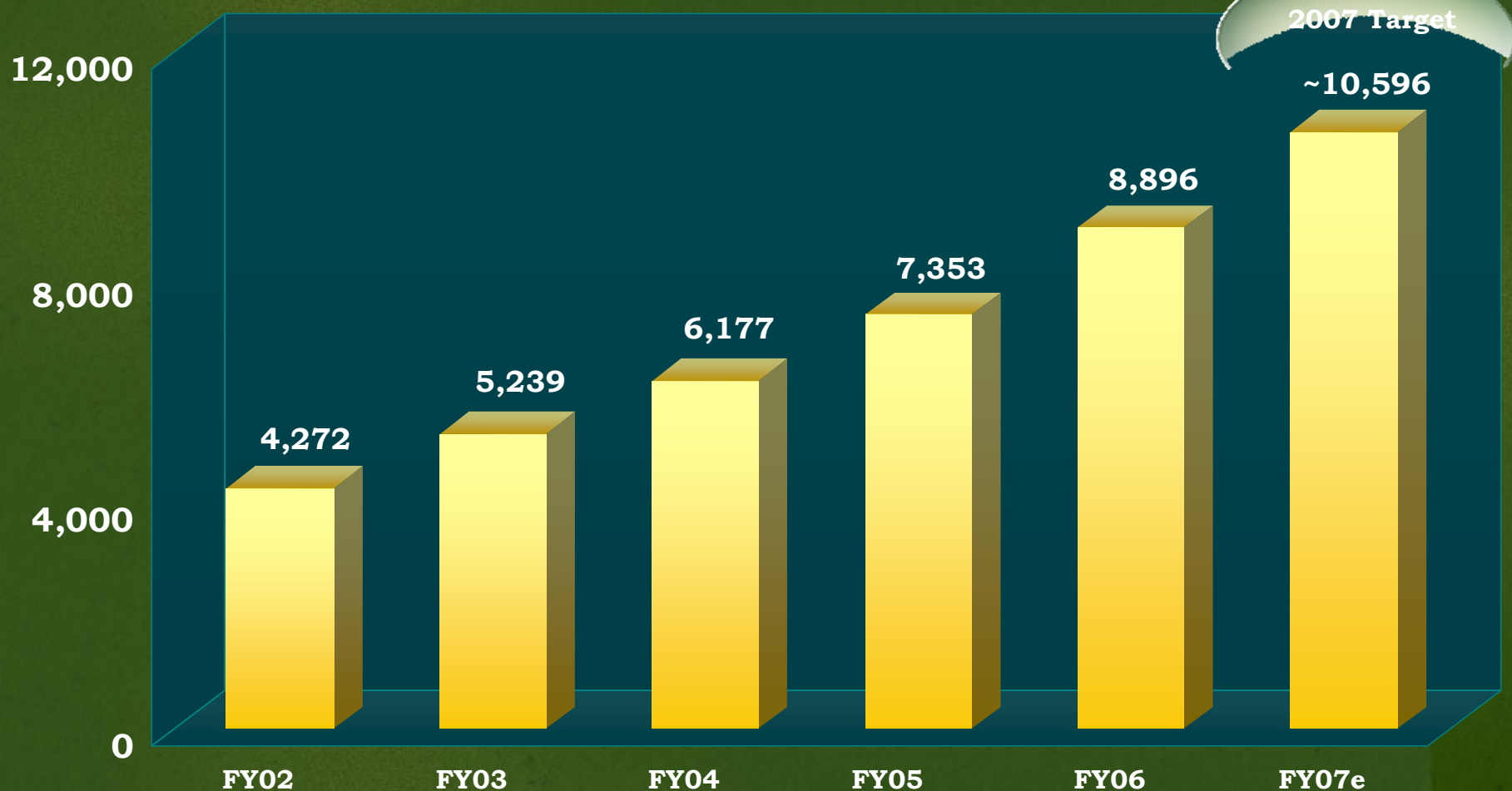
# U.S. Business Segment

## Continued opportunity for growth



# Strong U.S. Retail Store Growth

## U.S. Store Count



|                      |       |       |       |       |       |       |
|----------------------|-------|-------|-------|-------|-------|-------|
| Y-O-Y<br>Growth Rate | 22.0% | 22.6% | 17.9% | 19.0% | 21.0% | 19.1% |
|----------------------|-------|-------|-------|-------|-------|-------|

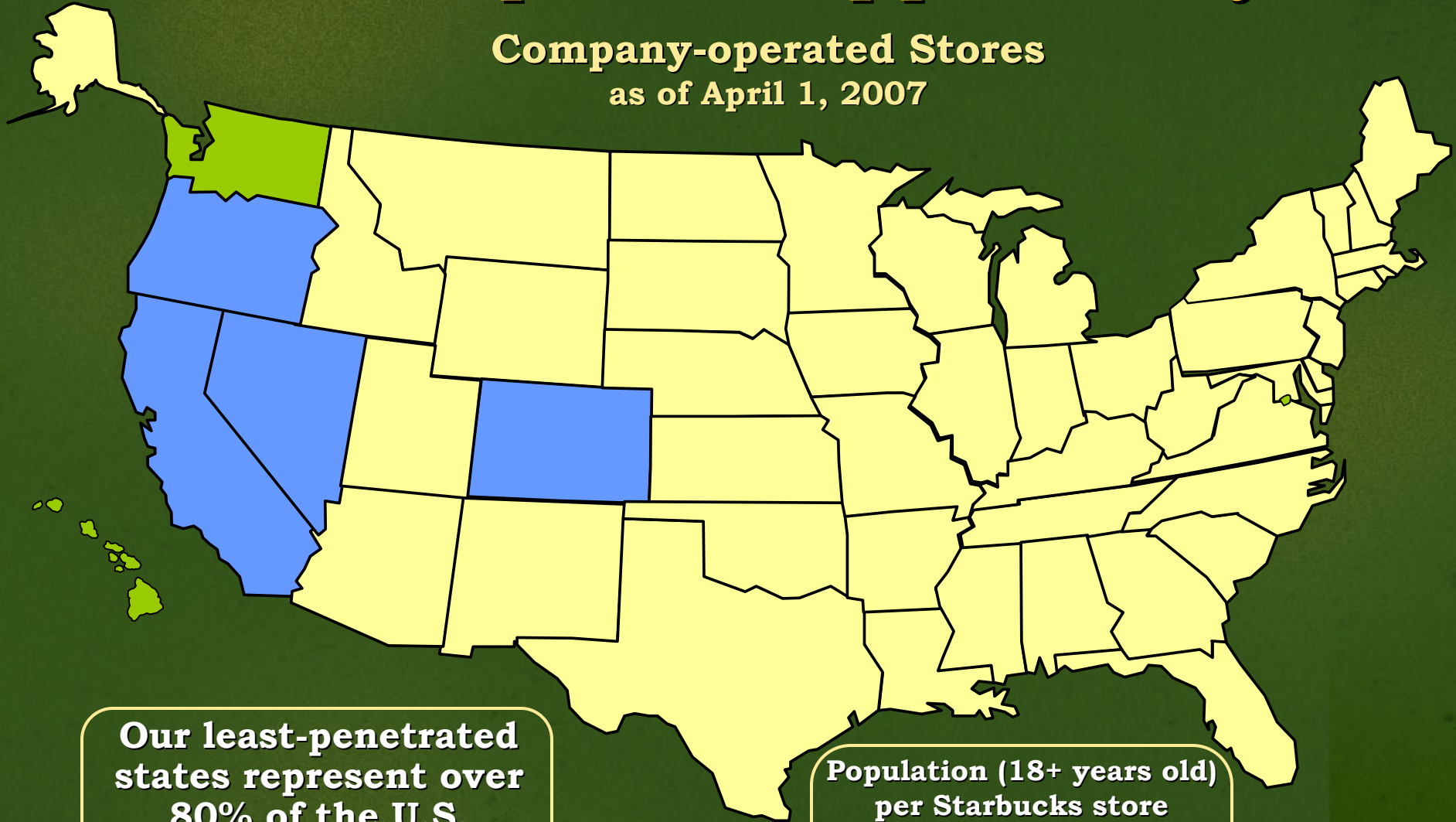
\* FY07 estimates based on Company store opening targets





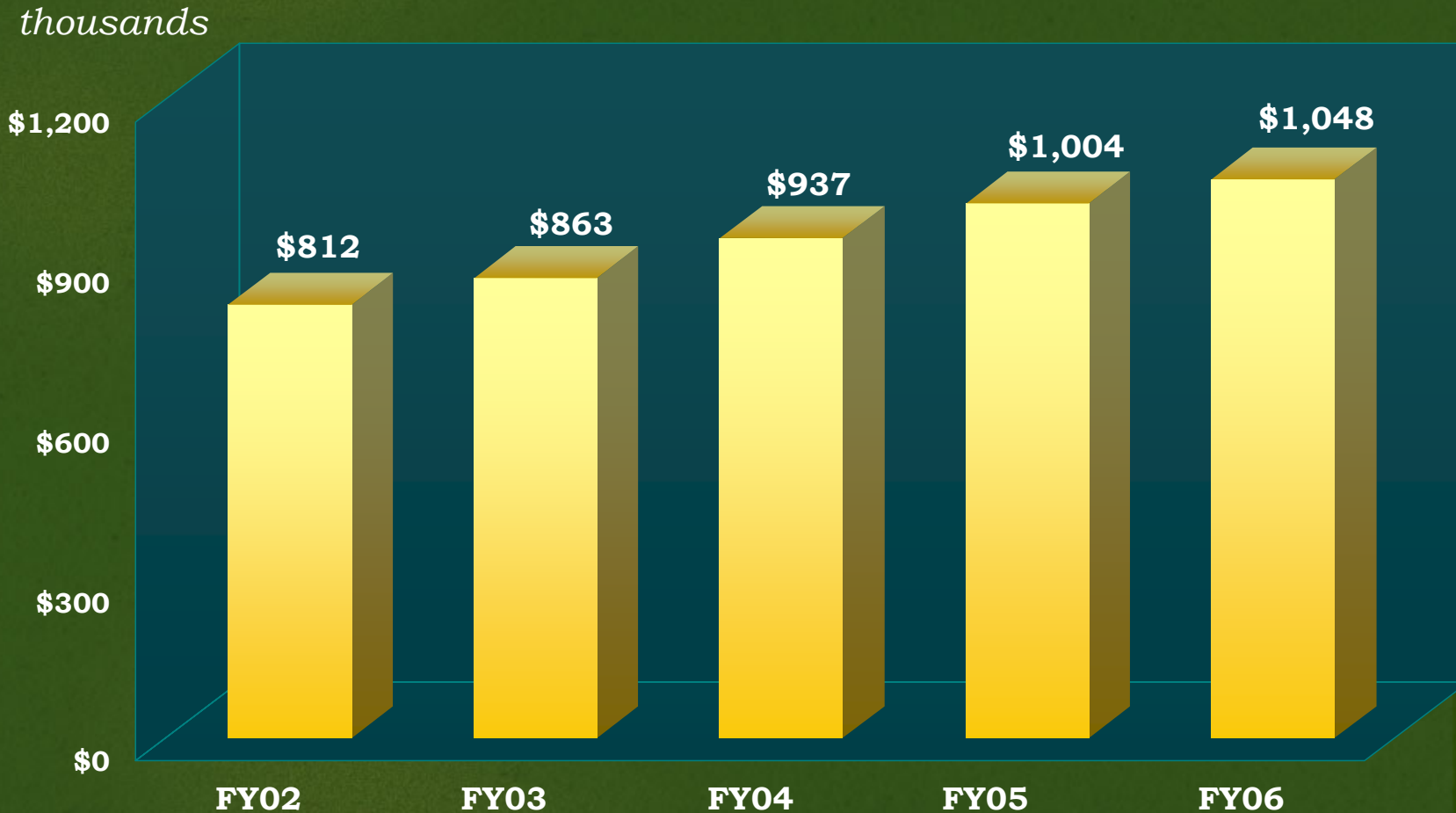
# U.S. Development Opportunity

Company-operated Stores  
as of April 1, 2007



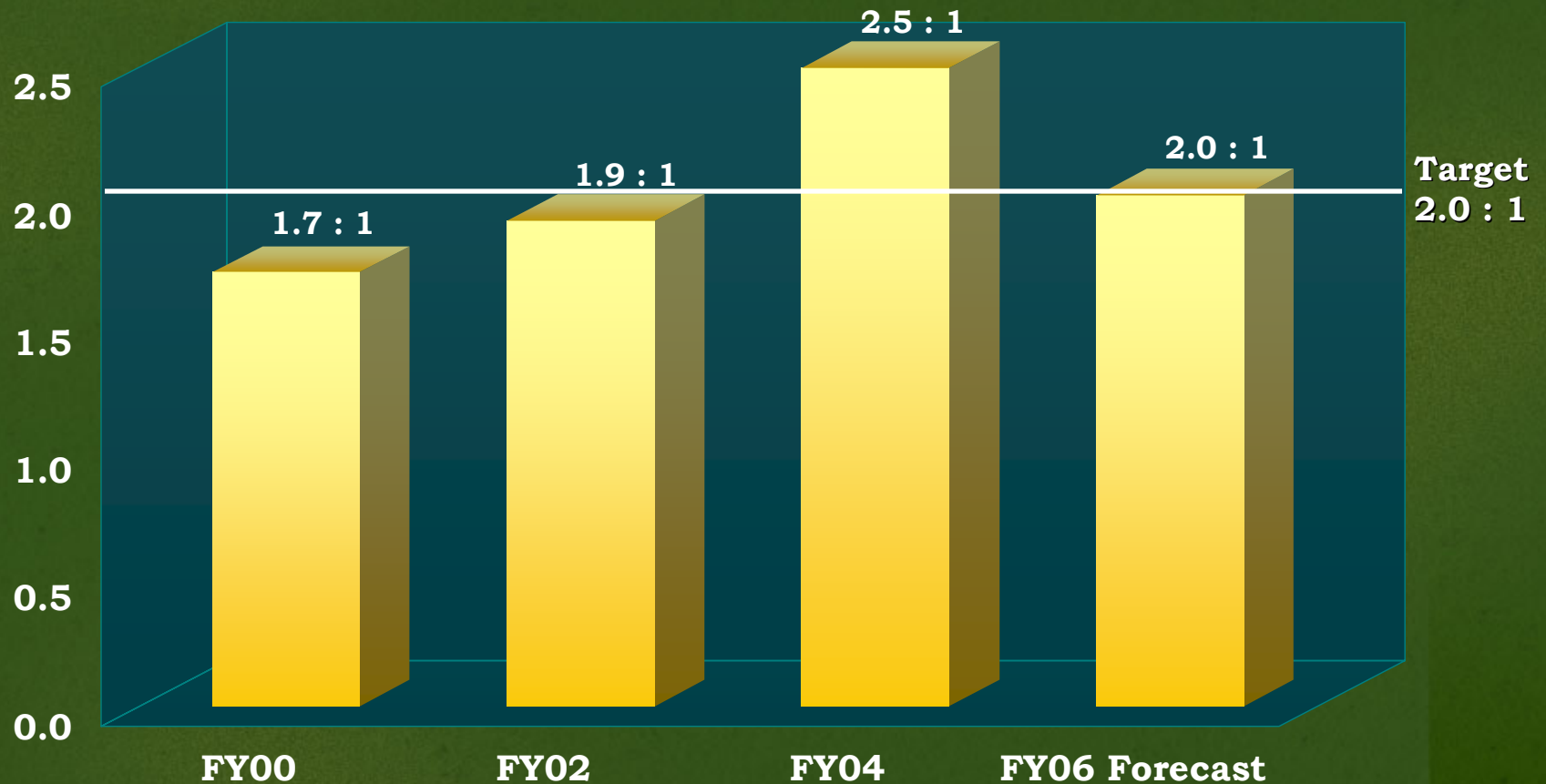
# Increasing Average Unit Volumes

## Average U.S. Company-operated Store Sales



# Compelling New Store Performance

**First-Year U.S. Company-operated Retail Stores  
Sales to Investment Ratio**



**FY06 new store first-year sales to investment ratio based on current Company forecast.  
Actuals not reported until stores have been open 13 months.**





# International Business Segment

Key future growth driver

Lebanon



France



Greece



China

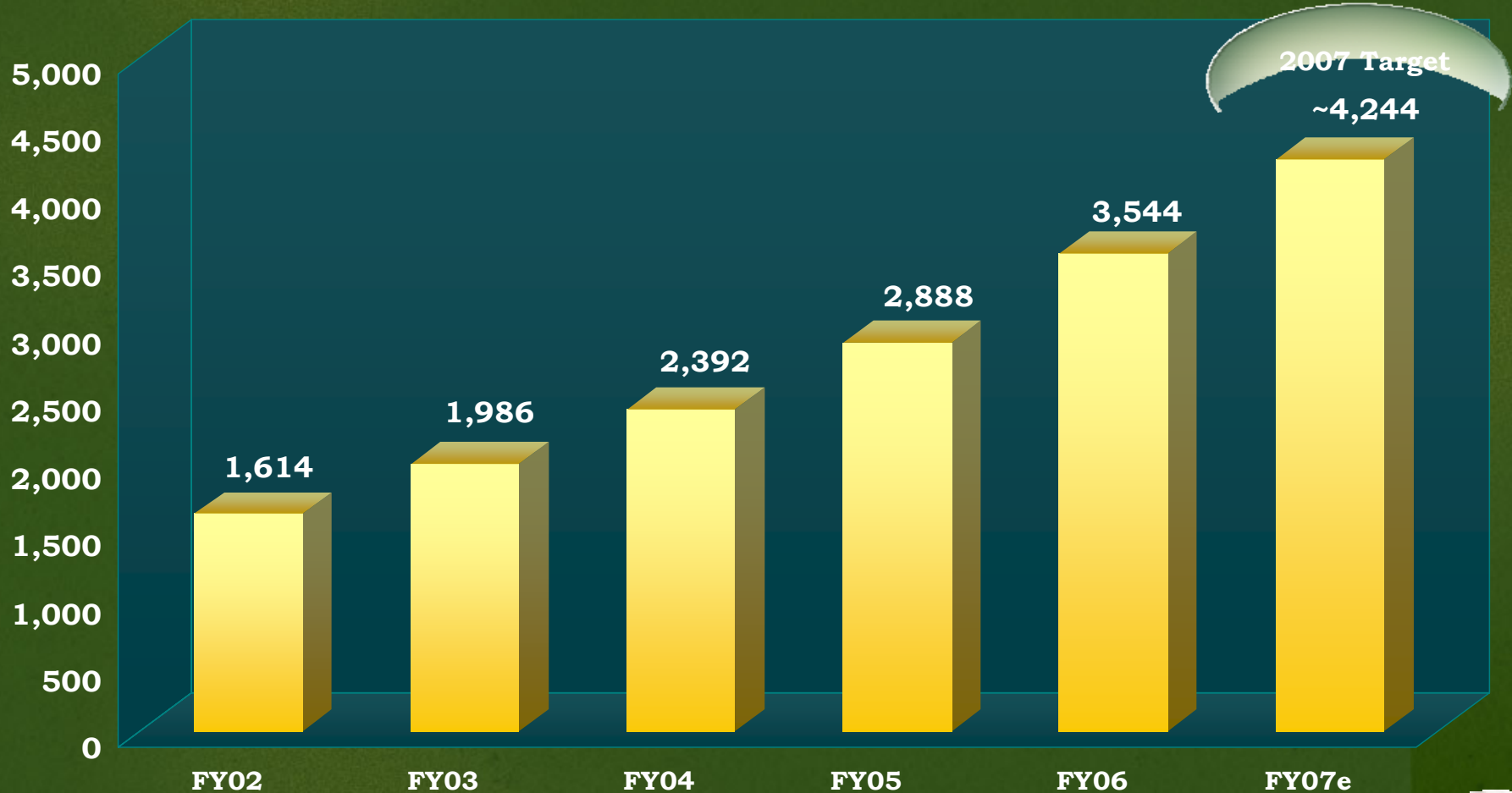


Kuwait



# Tremendous Opportunity for Growth

## International Store Count



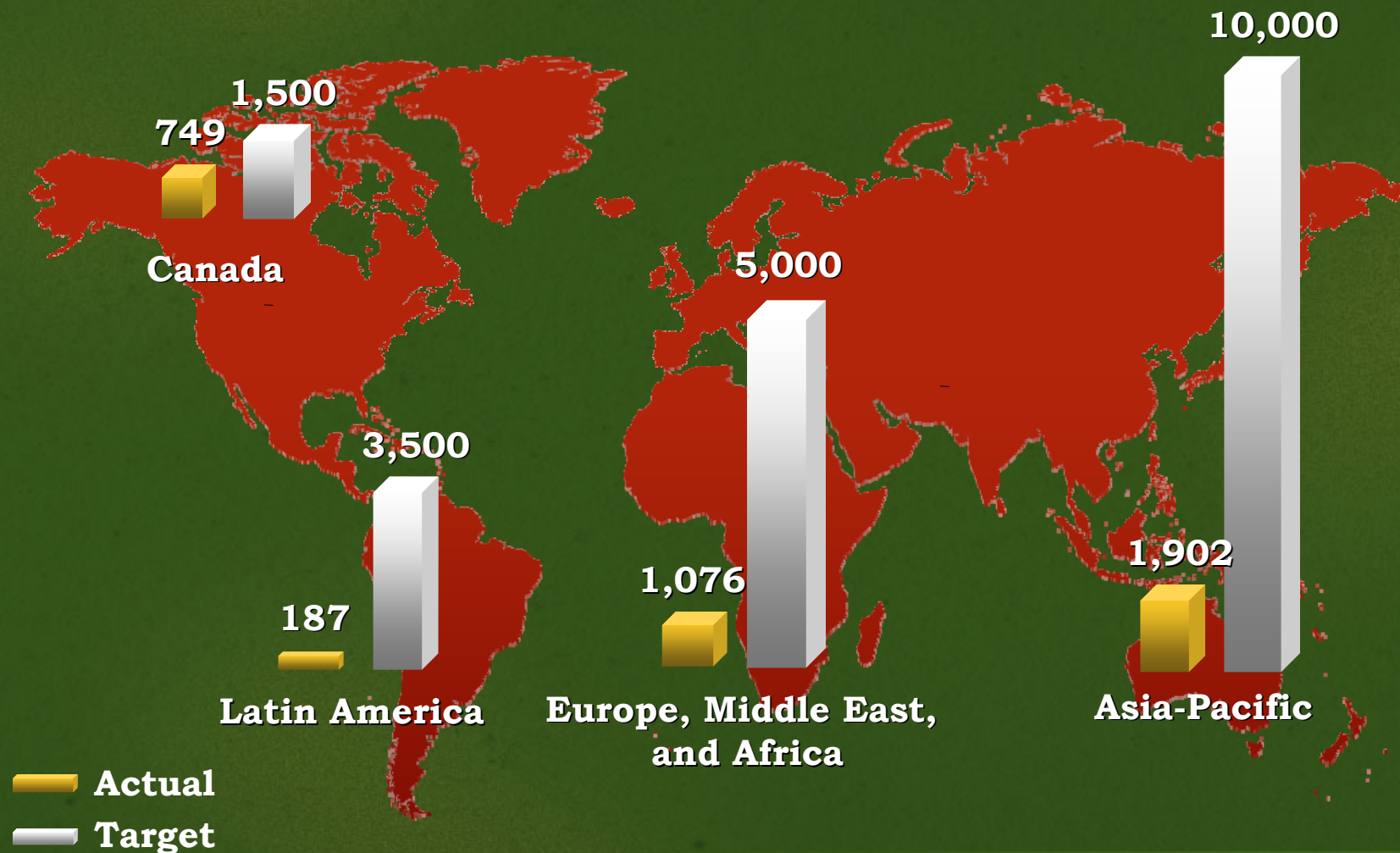
|                   |       |       |       |       |       |       |
|-------------------|-------|-------|-------|-------|-------|-------|
| Y-O-Y Growth Rate | 33.6% | 23.0% | 20.4% | 20.7% | 22.7% | 19.8% |
|-------------------|-------|-------|-------|-------|-------|-------|

\* FY07 estimates based on Company store opening targets



# International Retail Presence:

## 3,914 Locations In 38 Countries



As of April 1, 2007

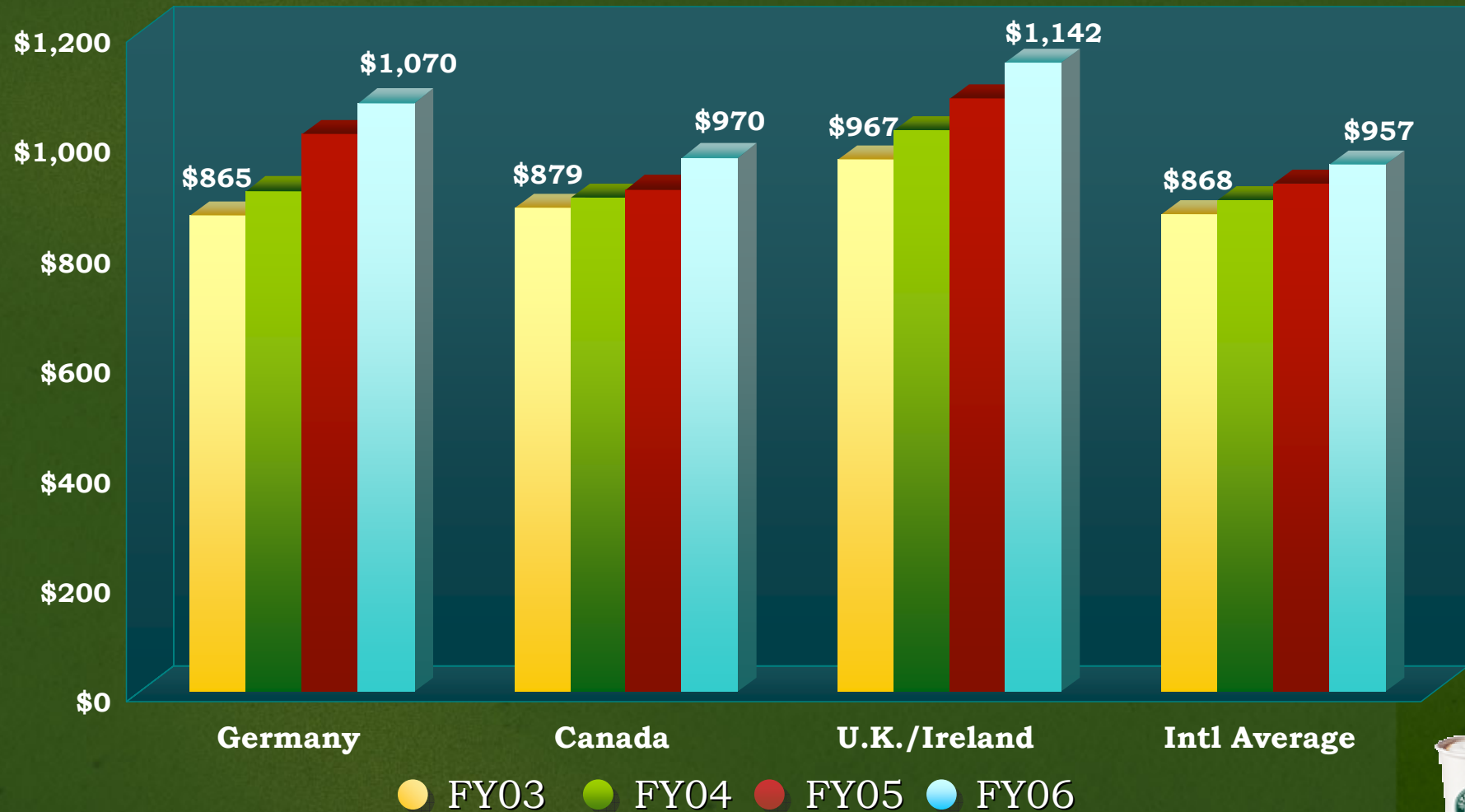




# Increasing Average Unit Volume\*

## Average International Company-operated Store Sales

*thousands*

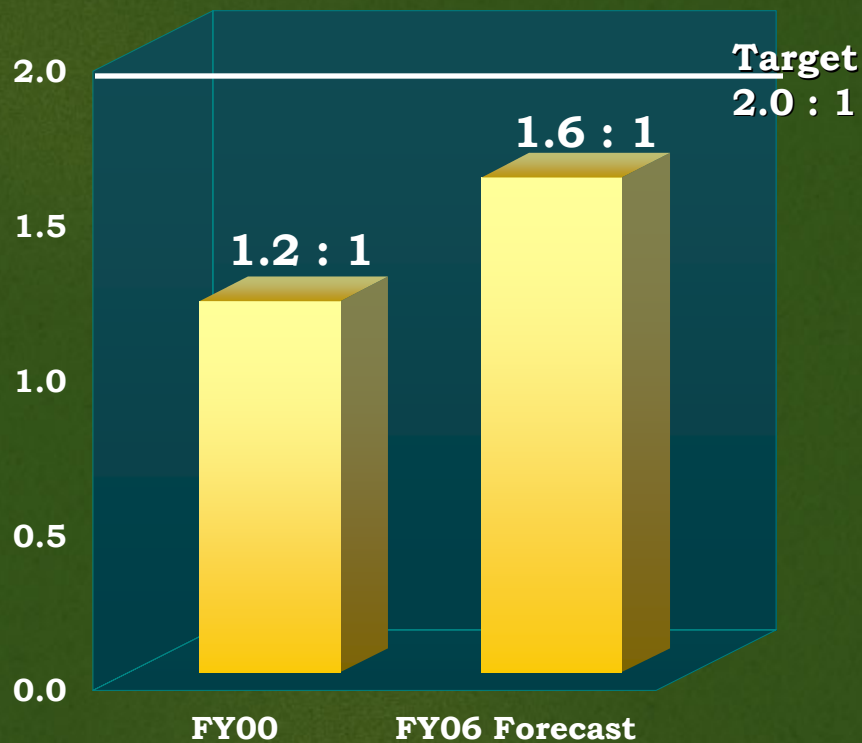


\* Excludes impact of foreign exchange rates. Converted at June 15, 2007 exchange rates.

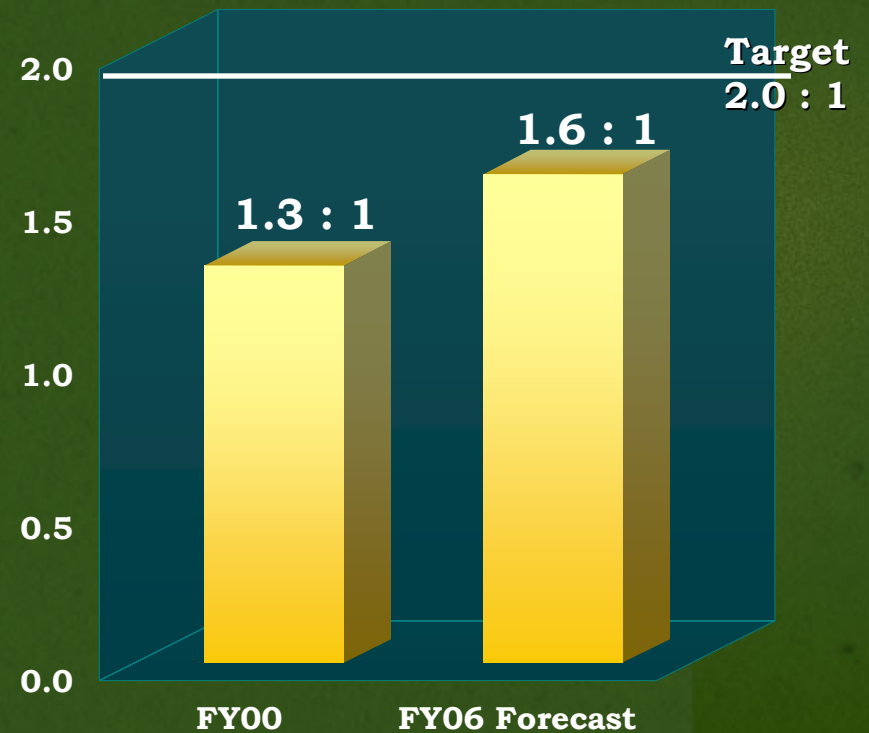
# Strong First-Year Store Returns

## First-Year Company-operated Retail Stores Sales to Investment Ratio

### Canada



### U.K. / Ireland



- (1) Company-operated retail stores only
- (2) Excludes the impact of foreign currency fluctuations
- (3) FY 2006 new store data is estimated



# Global Consumer Products Group (CPG) Beyond the Retail Store





# Extends the *Starbucks Experience*



SUNTORY



Leverages business partners' manufacturing and distribution competencies while managing brand integrity



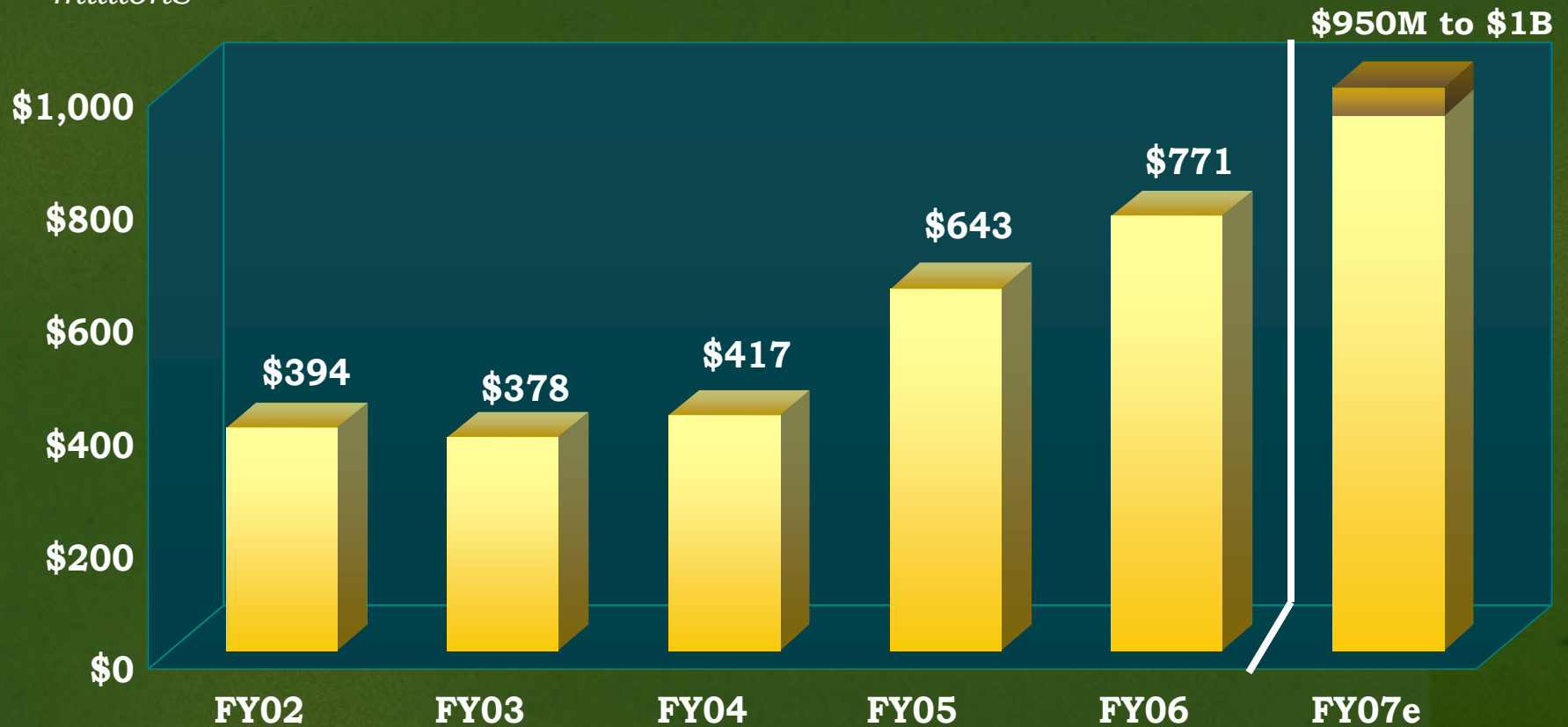
Represented 4% of consolidated net revenues, 25% of specialty revenues and 19% of consolidated operating income in 2006



# Capital Expenditures Fund Growth

## Capital Expenditures

*millions*



**As a % of  
total net  
revenues**

12%

9%

8%

10%

10%

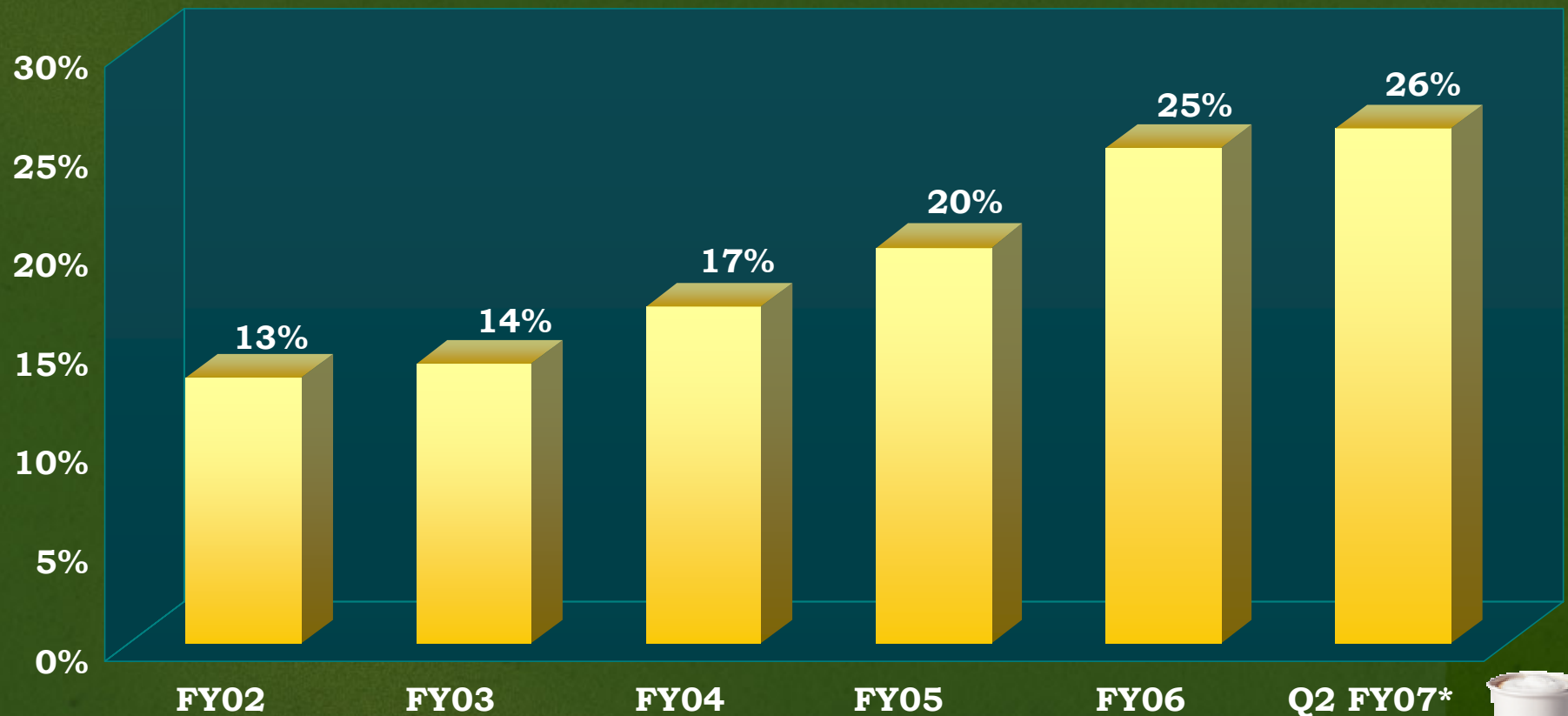
~10%

\* FY 04 capital expenditures as a % of total net revenues reflects the 53 week in FY 04.



# Improving Return On Equity

## Return on Average Shareholders Equity



\* Q2 FY 07 net earnings are based on a trailing 12 months.





# Investment Considerations

- ❖ Worldwide brand recognition
- ❖ Industry leader
- ❖ Substantial unit growth potential
- ❖ Tremendous brand expansion opportunities outside the retail store
- ❖ Demonstrated ability to execute strategy
- ❖ Strong financial fundamentals
- ❖ Talented & cohesive management team



