

STARBUCKS CORP
Form 10-Q
August 02, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 27, 2010

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____ to ____.

Commission File Number: 0-20322

STARBUCKS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

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Washington
(State or Other Jurisdiction of

91-1325671
(IRS Employer

Incorporation or Organization)

Identification No.)

2401 Utah Avenue South, Seattle, Washington 98134

(Address of principal executive offices)

(206) 447-1575

(Registrant's Telephone Number, including Area Code)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Title | Shares Outstanding as of July 26, 2010 |
|---|--|
| Common Stock, par value \$0.001 per share | 740.1 million |

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STARBUCKS CORPORATION

FORM 10-Q

For the Quarterly Period Ended June 27, 2010

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

STARBUCKS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

*(in millions, except per share amounts)**(unaudited)*

| | 13 Weeks Ended | | 39 Weeks Ended | |
|--|-----------------|-----------------|-----------------|-----------------|
| | Jun 27, 2010 | Jun 28, 2009 | Jun 27, 2010 | Jun 28, 2009 |
| Net revenues: | | | | |
| Company-operated retail | \$ 2,186.7 | \$ 2,013.8 | \$ 6,608.5 | \$ 6,151.8 |
| Specialty: | | | | |
| Licensing | 330.6 | 301.0 | 967.1 | 918.1 |
| Foodservice and other | 94.7 | 89.1 | 293.8 | 282.5 |
| Total specialty | 425.3 | 390.1 | 1,260.9 | 1,200.6 |
| Total net revenues | 2,612.0 | 2,403.9 | 7,869.4 | 7,352.4 |
| Cost of sales including occupancy costs | 1,076.2 | 1,043.4 | 3,286.0 | 3,283.7 |
| Store operating expenses | 888.9 | 821.4 | 2,613.0 | 2,577.6 |
| Other operating expenses | 77.2 | 69.2 | 210.9 | 205.8 |
| Depreciation and amortization expenses | 125.2 | 133.7 | 384.3 | 402.1 |
| General and administrative expenses | 132.7 | 110.3 | 408.6 | 319.8 |
| Restructuring charges | 20.4 | 51.6 | 46.6 | 279.2 |
| Total operating expenses | 2,320.6 | 2,229.6 | 6,949.4 | 7,068.2 |
| Income from equity investees | 36.3 | 29.7 | 100.1 | 78.4 |
| Operating income | 327.7 | 204.0 | 1,020.1 | 362.6 |
| Interest income and other, net | (1.4) | 18.6 | 28.4 | 15.6 |
| Interest expense | (7.9) | (8.6) | (24.1) | (30.5) |
| Earnings before income taxes | 318.4 | 214.0 | 1,024.4 | 347.7 |
| Income taxes | 109.9 | 65.8 | 354.6 | 109.7 |
| Net earnings including noncontrolling interests | 208.5 | 148.2 | 669.8 | 238.0 |
| Net earnings (loss) attributable to noncontrolling interests | 0.6 | (3.3) | 3.1 | (2.8) |
| Net earnings attributable to Starbucks | \$ 207.9 | \$ 151.5 | \$ 666.7 | \$ 240.8 |
| Earnings per share basic | \$ 0.28 | \$ 0.20 | \$ 0.89 | \$ 0.33 |
| Earnings per share diluted | \$ 0.27 | \$ 0.20 | \$ 0.87 | \$ 0.32 |
| Weighted average shares outstanding: | | | | |
| Basic | 746.1 | 739.4 | 745.8 | 737.9 |
| Diluted | 766.7 | 746.7 | 765.5 | 741.9 |
| Cash dividends declared per share | \$ 0.13 | \$ 0.0 | \$ 0.23 | \$ 0.0 |

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See Notes to Condensed Consolidated Financial Statements.

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STARBUCKS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except per share data)

(unaudited)

| | Jun 27, 2010 | Sep 27, 2009 |
|---|-------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,125.2 | \$ 599.8 |
| Short-term investments available-for-sale securities | 223.9 | 21.5 |
| Short-term investments trading securities | 46.0 | 44.8 |
| Accounts receivable, net | 282.5 | 271.0 |
| Inventories | 496.6 | 664.9 |
| Prepaid expenses and other current assets | 156.0 | 147.2 |
| Deferred income taxes, net | 280.7 | 286.6 |
| Total current assets | 2,610.9 | 2,035.8 |
| Long-term investments available-for-sale securities | 263.9 | 71.2 |
| Equity and cost investments | 328.9 | 352.3 |
| Property, plant and equipment, net | 2,361.5 | 2,536.4 |
| Other assets | 311.1 | 253.8 |
| Other intangible assets | 69.7 | 68.2 |
| Goodwill | 260.9 | 259.1 |
| TOTAL ASSETS | \$ 6,206.9 | \$ 5,576.8 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 288.2 | \$ 267.1 |
| Accrued compensation and related costs | 344.3 | 307.5 |
| Accrued occupancy costs | 175.1 | 188.1 |
| Accrued taxes | 69.1 | 127.8 |
| Insurance reserves | 145.5 | 154.3 |
| Other accrued liabilities | 270.1 | 147.5 |
| Deferred revenue | 434.3 | 388.7 |
| Total current liabilities | 1,726.6 | 1,581.0 |
| Long-term debt | 549.4 | 549.3 |
| Other long-term liabilities | 396.3 | 389.6 |
| Total liabilities | 2,672.3 | 2,519.9 |
| Shareholders' equity: | | |
| Common stock (\$0.001 par value) authorized, 1,200.0 shares; issued and outstanding, 743.7 and 742.9 shares, respectively (includes 3.4 common stock units in both periods) | 0.7 | 0.7 |
| Additional paid-in-capital | 162.1 | 147.0 |
| Other additional paid-in-capital | 39.4 | 39.4 |
| Retained earnings | 3,288.3 | 2,793.2 |
| Accumulated other comprehensive income | 30.4 | 65.4 |

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| | | |
|-------------------------------------|-------------------|-------------------|
| Total shareholders' equity | 3,520.9 | 3,045.7 |
| Noncontrolling interests | 13.7 | 11.2 |
| Total equity | 3,534.6 | 3,056.9 |
| TOTAL LIABILITIES AND EQUITY | \$ 6,206.9 | \$ 5,576.8 |

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**STARBUCKS CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS***(in millions, unaudited)*

| | 39 Weeks Ended | |
|---|-------------------------|-------------------------|
| | Jun 27, 2010 | Jun 28, 2009 |
| OPERATING ACTIVITIES: | | |
| Net earnings including noncontrolling interests | \$ 669.8 | \$ 238.0 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 404.5 | 423.2 |
| Provision for impairments and asset disposals | 60.2 | 199.0 |
| Deferred income taxes | (15.9) | (48.8) |
| Equity in income of investees | (67.9) | (45.5) |
| Distributions of income from equity investees | 59.0 | 19.3 |
| Stock-based compensation | 81.9 | 63.1 |
| Tax benefit from exercise of stock options | 10.7 | 1.1 |
| Excess tax benefit from exercise of stock options | (20.7) | (6.7) |
| Other | (3.9) | 11.0 |
| Cash provided/(used) by changes in operating assets and liabilities: | | |
| Inventories | 163.6 | (12.4) |
| Accounts payable | 1.3 | (60.4) |
| Accrued taxes | (39.0) | 52.9 |
| Deferred revenue | 44.8 | 48.2 |
| Other operating assets | 1.3 | 100.7 |
| Other operating liabilities | 25.7 | 34.0 |
| Net cash provided by operating activities | 1,375.4 | 1,016.7 |
| INVESTING ACTIVITIES: | | |
| Purchases of available-for-sale securities | (459.1) | (7.0) |
| Maturities and calls of available-for-sale securities | 63.5 | 7.4 |
| Sales of available-for-sale securities | 0.0 | 5.0 |
| Acquisitions, net of cash acquired | (10.6) | 0.0 |
| Net purchases of equity, other investments and other assets | (2.7) | (13.6) |