

STARBUCKS CORP
Form 10-Q
May 04, 2010
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended March 28, 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)

Washington **91-1325671**
(State or Other Jurisdiction of Incorporation or Organization) (IRS Employer 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.

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Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

(Do not check if a 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 April 26, 2010
Common Stock, par value \$0.001 per share	745.1 million

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STARBUCKS CORPORATION

FORM 10-Q

For the Quarterly Period Ended March 28, 2010

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Table of Contents**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		26 Weeks Ended	
	Mar 28, 2010	Mar 29, 2009	Mar 28, 2010	Mar 29, 2009
Net revenues:				
Company-operated retail	\$ 2,128.9	\$ 1,961.8	\$ 4,421.8	\$ 4,138.0
Specialty:				
Licensing	310.4	282.8	636.5	617.1
Foodservice and other	95.4	88.7	199.1	193.4
Total specialty	405.8	371.5	835.6	810.5
Total net revenues	2,534.7	2,333.3	5,257.4	4,948.5
Cost of sales including occupancy costs	1,064.1	1,043.5	2,209.8	2,240.3
Store operating expenses	828.0	819.6	1,724.1	1,756.2
Other operating expenses	61.8	64.0	133.7	136.6
Depreciation and amortization expenses	128.5	134.1	259.1	268.4
General and administrative expenses	139.0	104.3	275.9	209.5
Restructuring charges	7.9	152.1	26.2	227.6
Total operating expenses	2,229.3	2,317.6	4,628.8	4,838.6
Income from equity investees	34.4	25.2	63.8	48.7
Operating income	339.8	40.9	692.4	158.6
Interest income and other, net	4.7	3.0	29.8	(3.0)
Interest expense	(8.0)	(8.9)	(16.2)	(21.9)
Earnings before income taxes	336.5	35.0	706.0	133.7
Income taxes	118.7	9.9	244.7	43.9
Net earnings including noncontrolling interests	217.8	25.1	461.3	89.8
Net earnings attributable to noncontrolling interests	0.5	0.1	2.5	0.5
Net earnings attributable to Starbucks	\$ 217.3	\$ 25.0	\$ 458.8	\$ 89.3
Earnings per share basic	\$ 0.29	\$ 0.03	\$ 0.62	\$ 0.12
Earnings per share diluted	\$ 0.28	\$ 0.03	\$ 0.60	\$ 0.12
Weighted average shares outstanding:				
Basic	747.1	738.0	745.6	737.2
Diluted	766.9	739.9	764.9	739.5

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Cash dividends declared per share	\$	0.10	\$	0.0	\$	0.10	\$	0.0
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See Notes to Condensed Consolidated Financial Statements.

Table of Contents**STARBUCKS CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS***(in millions, except per share data)**(unaudited)*

	Mar 28, 2010	Sep 27, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,086.0	\$ 599.8
Short-term investments available-for-sale securities	158.3	21.5
Short-term investments trading securities	49.6	44.8
Accounts receivable, net	299.7	271.0
Inventories	488.7	664.9
Prepaid expenses and other current assets	136.1	147.2
Deferred income taxes, net	272.0	286.6
Total current assets	2,490.4	2,035.8
Long-term investments available-for-sale securities	270.0	71.2
Equity and cost investments	318.8	352.3
Property, plant and equipment, net	2,414.6	2,536.4
Other assets	319.0	253.8
Other intangible assets	69.1	68.2
Goodwill	262.8	259.1
TOTAL ASSETS	\$ 6,144.7	\$ 5,576.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 286.8	\$ 267.1
Accrued compensation and related costs	308.3	307.5
Accrued occupancy costs	164.4	188.1
Accrued taxes	66.1	127.8
Insurance reserves	152.5	154.3
Other accrued liabilities	234.6	147.5
Deferred revenue	433.9	388.7
Total current liabilities	1,646.6	1,581.0
Long-term debt	549.3	549.3
Other long-term liabilities	394.1	389.6
Total liabilities	2,590.0	2,519.9
Shareholders' equity:		
Common stock (\$0.001 par value) authorized, 1,200.0 shares; issued and outstanding, 748.2 and 742.9 shares, respectively (includes 3.4 common stock units in both periods)	0.7	0.7
Additional paid-in-capital	275.9	147.0
Other additional paid-in-capital	39.4	39.4
Retained earnings	3,177.1	2,793.2
Accumulated other comprehensive income	47.9	65.4

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Total shareholders' equity	3,541.0	3,045.7
Noncontrolling interests	13.7	11.2
Total equity	3,554.7	3,056.9
TOTAL LIABILITIES AND EQUITY	\$ 6,144.7	\$ 5,576.8

See Notes to Condensed Consolidated Financial Statements.

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

	26 Weeks Ended	
	Mar 28, 2010	Mar 29, 2009
OPERATING ACTIVITIES:		
Net earnings including noncontrolling interest	\$ 461.3	\$ 89.8
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	272.5	282.2
Provision for impairments and asset disposals	44.3	145.7
Deferred income taxes	(10.6)	(29.9)
Equity in income of investees	(41.4)	(29.6)
Distributions of income from equity investees	41.0	18.8
Stock-based compensation	53.4	42.5
Tax benefit from exercise of stock options	6.9	0.6
Excess tax benefit from exercise of stock options	(13.8)	(5.9)
Other	(8.5)	16.1
Cash provided/(used) by changes in operating assets and liabilities:		
Inventories	174.7	59.9
Accounts payable	3.3	(47.3)
Accrued taxes	(48.6)	29.9
Deferred revenue	44.3	66.9
Other operating assets	(1.6)	60.8
Other operating liabilities	(19.4)	14.9
Net cash provided by operating activities	957.8	715.4
INVESTING ACTIVITIES:		
Purchase of available-for-sale securities	(359.8)	(7.0)
Maturities and calls of available-for-sale securities	23.9	0.0
Acquisitions, net of cash acquired	(10.6)	0.0
Net purchases of equity, other investments and other assets	1.2	(10.7)
Additions to property, plant and equipment, net	(184.5)	(236.9)
Net cash used by investing activities	(529.8)	(254.6)