

Date: \_\_\_\_\_

Analyst Name: Michael Retallick, John Tupper**CIF Stock Recommendation Report (Spring 2015)**Company Name and Ticker: Starbucks Corp (SBUX)**Section (A) Investment Summary**

<b>Recommendation Buy: Yes</b>		<b>Target Price: 106.95</b>	<b>Stop-Loss Price: 80.00</b>
<b>Sector:</b> Consumer Discretionary	<b>Industry:</b> Specialty Eateries	<b>Market Cap (in Billions):</b> 71.16B	<b># of Shrs. O/S (in Millions):</b> 749.80M
<b>Current Price:</b> \$93.02	<b>52 WK Hi:</b> \$99.20	<b>52 WK Low:</b> \$67.93	<b>EBO Valuation:</b> 93.08
<b>Morningstar (MS) Fair Value Est.: \$100</b>	<b>MS FV Uncertainty:</b> Medium	<b>MS Consider Buying:</b> \$70.00	<b>MS Consider Selling:</b> \$135.00
<b>EPS (TTM): 3.30</b>	<b>EPS (FY1): 3.13</b>	<b>EPS (FY2):3.68</b>	<b>MS Star Rating:</b> 3 Star
<b>Next Fiscal Yr. End "Year": "Month": September 28, 2015</b>	<b>Last Fiscal Qtr. End: Less Than 8 WK: Y N</b>	<b>If Less Than 8 WK, next Earnings Ann. Date:</b>	<b>Analyst Consensus Recommendation:</b> Buy
<b>Forward P/E:</b> 25.66	<b>Mean LT Growth:</b>	<b>PEG:</b>	<b>Beta:</b>
<b>% Inst. Ownership:</b>	<b>Inst. Ownership- Net Buy: Y N</b>	<b>Short Interest Ratio:</b>	<b>Short as % of Float:</b>
<b><u>Ratio Analysis</u></b>	<b><u>Company</u></b>	<b><u>Industry</u></b>	<b><u>Sector</u></b>
<b>P/E (TTM)</b>	29.1	26.2	
<b>P/S (TTM)</b>	4.3	2.5	
<b>P/B (MRQ)</b>	12.5	9.2	
<b>P/CF (TTM)</b>			
<b>Dividend Yield</b>			
<b>Total Debt/Equity (MRQ)</b>	0.4	1.6	
<b>Net Profit Margin (TTM)</b>	14.8	9.1	
<b>ROA (TTM)</b>	22.2	10.4	
<b>ROE (TTM)</b>	47.1	30.2	

<p><b><u>Investment Thesis</u></b></p> <p><b><u>Pros</u></b></p> <ul style="list-style-type: none"> <li>• Expected to sustain a 40-45% dividend payout implying mid-teen dividend growth over the next decade despite their current growth plans.</li> <li>• Expansion into new product lines including a new food and beverage menu allows for continued growth into new consumer markets.</li> <li>• Able to strongly adapt to evolving consumer shopping habits through investments in technology, social media, mobile payment, and rewards programs as well as a unique in store experience.</li> <li>• Looking to expand globally to increase diversification and be less dependent upon U.S. cyclical movements for growth.</li> <li>• One of the strongest brands in the world and are proactively working on ways to improve it.</li> <li>• Very aware of current faults and actively addressing issues to be stronger overall company</li> </ul> <p><b><u>Cons</u></b></p> <ul style="list-style-type: none"> <li>• Minimal switching costs which allows for customers to easily change to competing coffee chains. Convenience of drive through coffee at restaurants such as McDonalds can potentially take away customer base.</li> <li>• The recent increase in product variety can potentially spread management too thin resulting in a loss of focus on Starbucks' core brand.</li> <li>• Quarter to quarter results relatively affected by volatile commodity and foreign currency movement.</li> </ul>	<p><b><u>Summary</u></b></p> <p><b><u>Company Profile:</u></b> Starbucks is the world's leading coffee retailer, with more than 21,000 global locations (with total units split roughly half company-owned and half licensed). The company purchases and roasts high-quality whole bean coffees and sells them, along with fresh, rich-brewed coffees, Italian-style espressos, teas, cold blended beverages, and complementary foods. Starbucks has recently expanded beyond its core retail business into consumer products leveraging the strength of its brand equity.</p> <p><b><u>Fundamental Valuation:</u></b> Starbucks 52 week range is between \$67.93 and \$99.20, and the stock currently sits at \$93.25. Our implied value is at 78.23, we believe that the stock is currently seeing an adjustment after its 52 week high recently and that now is a good time to buy.</p> <p><b><u>Relative Valuation:</u></b> Starbucks main competitors being evaluated are McDonalds, Yum! Brands, Dunkin Brands, and Keurig. While these competitors are relatively similar, our closest competitors such as Tully's are private companies. Valuations were calculated based on P/E, PEG, and the valuation ratio. Many of our valuations resulted in the indication that our stock is undervalued.</p> <p><b><u>Revenue and Earnings Estimates:</u></b> Starbucks' actual revenue compared to analyst estimates missed 3 out of the 5 quarters by small amounts. Earnings per share estimates all had positive surprises the past 5 quarters. Revenue and EPS growth has steadily been increasing in the past 3 years.</p> <p><b><u>Analyst Recommendations:</u></b> The overall analyst mean rating is 1.8. 13 analysts suggested buy and 6 said outperform. The change in recommendations has remained consistent in the upper half of the rankings between buy and hold.</p> <p><b><u>Institutional Ownership:</u></b> Institutional ownership in Starbucks accounts for 76.32% of the stock ownership. Over 16% of Starbucks' shares are held by the top three institutional holders.</p>
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<ul style="list-style-type: none"><li>• Cyclical Stock that is dependent on U.S. Economy, but that's true for every stock in our sector</li><li>• Reliant on global expansion and food for expansion,</li><li>• Heavy weight in the US.</li></ul>	<p><b><u>Short Interest:</u></b> Short interest has been falling in recent weeks, which is a good sign. Overall the stock is moving in a good direction, but is affected by cyclical movements.</p>
	<p><b><u>Stock Price Chart:</u></b> The stock has outperformed all measures over the last 5 years as well in shorter terms as well.</p>

## Section (B) Company Profile

### (B-1) Profile

Include in this section, at the minimum:

**Company Description; major business units and % breakdown of revenue/earnings; % breakdown of domestic and international business; business model; management strategy; competition and competitors of each major business unit; sensitivity to business cycle & macro environment; life cycle; significant merger/acquisition or major restructure in recent years; significant pending litigations, material patents or other intellectual properties-related issues; major risk factors; other company or industry-specific development or issues deemed material (e.g., labor disputes, trade tensions, regulatory or policy changes, technology & product innovations, natural disasters, etc.)**

Starbucks is the world's leading coffee retailer, with more than 21,000 global locations (with total units split roughly half company-owned and half licensed). The company purchases and roasts high-quality whole bean coffees and sells them, along with fresh, rich-brewed coffees, Italian-style espressos, teas, cold blended beverages, and complementary foods. Starbucks has recently expanded beyond its core retail business into consumer products leveraging the strength of its brand equity. Americas (73%), Europe, middle east and Africa EMEA (8%), China Asian pacific CAP (7%), Channel Development (9%) and All Other Segments (3%). Revenue from company-operated stores accounted for 79% of total net revenues during fiscal 2014. Our retail objective is to be the leading retailer and brand of coffee and tea in each of our target markets by selling the finest quality coffee, tea and related products, and by providing each customer with a unique *Starbucks Experience*. The *Starbucks Experience* is built upon superior customer service, as well as clean and well-maintained company-operated stores that reflect the personalities of the communities in which they operate, thereby building a high degree of customer loyalty.

#### Growth

Starbucks strategy for expanding global retail business is to increase market share in a disciplined manner, by selectively opening additional stores in new and existing markets, as well as increasing sales in existing stores, to support our long-term strategic objective to maintain Starbucks standing as one of the most recognized and respected brands in the world. Store growth in specific existing markets will vary due to many factors, including the maturity of the market.

<u>Fiscal Year Ended</u>	Sep 28, 2014	Sep 29, 2013	Sep 30, 2012
Beverages	73 %	74 %	75 %
Food	18 %	18 %	17 %
Packaged and single-serve coffees and teas	4 %	4 %	4 %
Other <sup>(1)</sup>	5 %	4 %	4 %
Total	100 %	100 %	100 %

#### Risk

“The price of coffee is subject to significant volatility. Both the premium and the commodity price depend upon the supply and demand at the time of purchase. Supply and price can be affected by multiple factors in the producing countries, including weather, natural disasters, crop disease, general increase in farm inputs and costs of production,

inventory levels and political and economic conditions. Price is also impacted by trading activities in the *arabica* coffee futures market, including hedge funds and commodity index funds. In addition, green coffee prices have been affected in the past, and may be affected in the future, by the actions of certain organizations and associations that have historically attempted to influence prices of green coffee through agreements establishing export quotas or by restricting coffee supplies.

We buy coffee using fixed-price and price-to-be-fixed purchase commitments, depending on market conditions, to secure an adequate supply of quality green coffee. Price-to-be-fixed contracts are purchase commitments whereby the quality, quantity, delivery period, and other negotiated terms are agreed upon, but the date, and therefore the price, at which the base "C" coffee commodity price component will be fixed has not yet been established. Starbucks depends upon relationships with coffee producers, outside trading companies and exporters for our supply of green coffee. Based on relationships established with our suppliers, the risk of non-delivery on such purchase commitments is remote.

### **Competition**

“Starbucks primary competitors for coffee beverage sales are quick-service restaurants and specialty coffee shops. In almost all markets in which they do business, there are numerous competitors in the specialty coffee beverage business. Customers choose among specialty coffee retailers primarily on the basis of product quality, service and convenience, as well as price. We continue to experience direct competition from large competitors in the US quick-service restaurant sector and the US ready-to-drink coffee beverage market, in addition to well-established companies in many international markets. Coffee and tea products sold through Channel Development segment compete directly against specialty coffees and teas sold through grocery stores, warehouse clubs, specialty retailers, convenience stores, and US foodservice accounts and compete indirectly against all other coffees and teas on the market.”

### **Seasonality and Quarterly Results**

Business is subject to seasonal fluctuations, including fluctuations resulting from the holiday season in December. Excluding the impact of a \$2.8 billion cash payment in the first quarter of fiscal 2014 related to the Kraft arbitration matter, our cash flows from operations are considerably higher in the first fiscal quarter than the remainder of the year. This is largely driven by cash received as Starbucks Cards are issued to and loaded by customers during the holiday season. Since revenues from Starbucks Cards are recognized upon redemption and not when purchased, the impact of seasonal fluctuations on the consolidated statements of earnings is much less pronounced. Quarterly results are also affected by the timing of the opening of new stores and the closing of existing stores. For these reasons, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year”

## (B-2) Revenue and Earnings History

### REVENUE & EARNINGS PER SHARE

		Revenue*	Earnings Per Share**
FY 2015	Dec	4,803.20	1.296
FY 2014	Sep '14	4,180.70	0.773
	Jun '14	4,153.70	0.674
	Mar '14	3,873.80	0.558
	Dec	4,239.60	0.707
FY 2013	Sep '13	3,788.70	-1.638
	Jun '13	3,735.30	0.548
	Mar '13	3,549.60	0.513
	Dec	3,799.50	0.568

**Fiscal 2013 – Annual Revenue: 14,873 Annual Earnings Per Share: -0.009**

**Fiscal 2014 – Annual Revenue: 16,448 Annual Earnings Per Share: 2.712**

**Fiscal 2015 – Annual Revenue: 4,803 Annual Earnings Per Share: 1.296**

**1) What are your observations on revenue? Was there a notable up- or down-trend, year-over-year? Was there a seasonal pattern?**

Over the past 3 years, revenue has been steadily increasing. Between 2013 and 2014, there was an increase of \$1,575M in annual revenue. The first quarter of 2015 has been released and the quarter's earnings has outperformed the first quarter in both 2013 and 2014 by \$1003M and \$564M respectively. After looking at the past 3 years, it doesn't seem to be a strong seasonal pattern. Since there isn't a clear seasonal pattern, you would need to study previous year's earnings reports to see if there is a trend of a stronger quarter of others.

**2) Likewise, what are your observations on earnings?**

Similar to Starbucks's revenue, there has been a steady increase of annual EPS over the past 3 years. In 2013, the annual EPS was slightly negative due to an extremely poor fourth quarter. Because of this, the annual EPS grew by over 2.7 between 2013 and 2014. The first quarter EPS in 2015 outperformed both 2013 and 2014 by .728 and .589 respectively.

Again, more historical data would be needed to determine if there is any seasonal relation with certain quarter's since there is no pattern shown in the data for the past 3 years.

### **(B-3) Most Recent Quarterly Earnings Release**

#### **1) When was the company's most recent earning release?**

January 22, 2015

#### **2) In that earnings report, was reported revenue a (1) beat, (2) match, or (3) miss from consensus estimate?**

Reported revenue of \$4.80 beat consensus estimates of \$4.79B but by not as much as hoped

#### **3) Likewise, was reported earnings a (1) beat, (2) match, or (3) miss from consensus estimate?**

Reported earnings were in line with consensus estimates. Adjusted earnings of \$0.80 per share were within the expected range of \$0.79-\$0.81

#### **4) What did the management attribute the beat/miss to?**

Management attributes these results to a few things. Revenue beat estimates but not by much. This is attributed to a 2% increase in global traffic as well as a 3% average ticket growth. Earnings were in line due to transaction costs of acquiring Japanese JV-Starbucks Coffee Japan didn't allow for a higher beat. Solid top line growth and margin expansion allowed earnings to grow as well.

#### **5) Did the management provide guidance about their current quarter and their outlook for the year? What were the key points of the guidance?**

Management says they expect revenues to grow 16%-17% in the coming 2015 fiscal year. They believe 6-7% of this will come from the Japanese acquisition. The company expects to open 1,650 stores this year and should show higher growth in the second half of the year. Coffee costs have also gone down in the past few months and doesn't show any indication of slowdown in the coffee supply.

#### **6) How did the stock react to that earnings release?**

Starbucks stock saw a strong growth after the earnings report. Stocks rose in value by 6.73% from 1.6% to 8.33%. The stock evened out at 8.33 in the following day after the announcement.

#### **7) Other observations worth noting?**

The recent acquisition of the Japanese Starbucks company should show an increase in revenue in the next year on top of exiting revenue growth from existing operations.

## **Section (C) Fundamental Valuation (EBO)**

Include the following here

SBUZ	PARAMETERS	FY1	FY2	Ltg	term Growth Period (Years)
	EPS Forecast	3.13	3.68	16.97%	7
	Total Equity	5272.00			
	Preferred Stock	0.00			
	Book Value (end of last	5272.00			
	Common Equity Shr. Of:	749.50			
	Book value/shrs (last	7.034			
	30-Year T-Bond Rate	2.51%			
	E(r <sub>m</sub> )	7.00%			
	Beta	0.83			
	Discount Rate	6.21%			
	Dividend Payout Ratio	34.64%			
	Next Frc Year end	2015			
	Current Frc Mth (1 to 12)	6			
	Target ROE (industry av	16.00%			

**Fundamental Valuation (EBO)**  
 Model 1: 9, 10, or 12-year forecasting horizon (T=9, 10 or 12).  
 with a 4, 5 or 7-year growth period.

**Please download and save this template to your own storage device**  
 You only need to input values in cells highlighted in "yellow"  
 The rest of the spreadsheet is calculated automatically  
 Please read "Guidelines for Fundamental Valuation Prof Leo Spreadsheet" fi

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Long-term EPS Growth Rate (Ltg)			0.1697	0.1697	0.1697	0.1697	0.1697					
Forecasted EPS	3.13	3.68	4.30	5.03	5.89	6.89	8.06					
Eq. of year B/W Shr	7.034	9.080	11.485	14.298	17.589	21.439	25.941					
Implied ROE		0.405	0.375	0.352	0.335	0.321	0.311					
ROE (Eq. ROE, from EPS forecast)	0.445	0.405	0.375	0.352	0.335	0.321	0.311	0.280	0.250	0.220	0.190	0.160
Abnormal ROE (ROE-k)	0.383	0.343	0.313	0.290	0.273	0.259	0.248	0.218	0.188	0.158	0.128	0.098
growth rate for B (1-POR)*(ROE <sub>t</sub> -1)	0.000	0.291	0.265	0.245	0.230	0.219	0.210	0.203	0.183	0.164	0.144	0.124
Compounded growth	1.000	1.291	1.633	2.033	2.501	3.048	3.688	4.437	5.250	6.109	6.989	7.857
growth*AROE	<b>0.383</b>	<b>0.443</b>	<b>0.510</b>	<b>0.589</b>	<b>0.682</b>	<b>0.790</b>	<b>0.916</b>	<b>0.969</b>	<b>0.988</b>	<b>0.966</b>	<b>0.894</b>	<b>0.769</b>
required rate (k)	0.062	0.062	0.062	0.062	0.062	0.062	0.062	0.062	0.062	0.062	0.062	0.062
Compound discount rate	1.062	1.128	1.198	1.273	1.352	1.436	1.525	1.620	1.720	1.827	1.941	2.062
div. payout rate (k)	0.346											
Add to P/B	PV(growth*AROE)	0.36	0.39	0.43	0.46	0.50	0.55	0.60	0.60	0.57	0.53	0.46
Cum P/B		1.36	1.75	2.18	2.64	3.15	3.70	4.30	4.90	5.47	6.00	6.46
Add: Perpetuity beyond current yr (Assume this yr's AROE forever)		5.80	6.32	6.86	7.45	8.12	8.85	9.67	9.62	9.24	8.51	7.42
Total P/B	(P/B if we start opt. this period)	7.16	8.07	9.03	10.10	11.26	12.55	13.97	14.52	14.71	14.50	13.88
<b>Implied price</b>		<b>51.93</b>	<b>54.54</b>	<b>65.53</b>	<b>73.22</b>	<b>81.44</b>	<b>91.82</b>	<b>103.28</b>	<b>105.31</b>	<b>104.71</b>	<b>105.29</b>	<b>92.40</b>
<b>Check:</b>												
Eq. B/W Shr		7.034	9.080	11.485	14.298	17.589	21.439	25.941	31.208	36.929	42.972	49.158
Implied EPS		3.130	3.680	4.304	5.035	5.889	6.889	8.058	8.754	9.246	9.465	9.346
Implied EPS growth			0.176	0.170	0.170	0.170	0.170	0.170	0.086	0.056	0.024	-0.013

Inputs (provide below input values used in your analysis)

EPS forecasts (FY1 & FY2): 3.13 & 3.68

Long-term growth rate: 7 Years

\*\*\* Indicate next to the number if you made an adjustment to the consensus LTG estimate. Justify at the bottom of this panel how you derive the adjusted value, if any \*\*\*

Book value /share (along with book value and number of shares outstanding):

Book value: \_\_\_\_\_  
 # of shares outstanding: 749.50  
 Book value / share: 7.034

Dividend payout ratio: 36.64

Next fiscal year end: 2015

Current fiscal month: 6

Target ROE: \_\_\_\_\_ 16% \_\_\_\_\_

\*\*\* Indicate next to the number if you made an adjustment to the target ROE estimate.

Justify at the bottom of this panel how you derive the adjusted value, if any \*\*\*

Discount rate \_\_\_\_\_ 7.45% \_\_\_\_\_

Input for discount rate:

Risk-free rate: \_\_\_\_\_ 2.51 \_\_\_\_\_

Beta: \_\_\_\_\_ .83 \_\_\_\_\_

Market risk premium: \_\_\_\_\_ 4.94 \_\_\_\_\_

## Output

Above normal growth period chosen: \_\_\_\_\_ 7 \_\_\_\_\_

\*\*\* Justify at the bottom of this panel your choice of abnormal growth period \*\*\*

EBO valuation (Implied price from the spreadsheet): \_\_\_\_\_ 78.23 \_\_\_\_\_

### 1) Comment on the fundamental value obtained in relation to the stock's current price and its 52-week price range.

Starbucks 52 week range is between \$67.93 and \$99.20, and the stock currently sits at \$93.25. Our implied value is at 78.23, we believe that the stock is currently seeing an adjustment after its 52 week high recently and that now is a good time to buy.

### 2) What might be "soft spots" of the inputs? And why?

Doing some tests I would say the soft spots are the target ROE and long term growth. We chose 7 because American's seem too addicted to give up that coffee when things get tight, Starbucks had some problems during the recession, due to analyst's believing they had peaked. However it seems like they have more room for growth with expected expansion into a more food based realm.

## Sensitivity Analysis

### 1) Explain the input values used in sensitivity analysis. Compare the fundamental values obtained here in relation to the value from the base case

The numbers used in the sensitivity analysis were mainly gathered from analyst observations and predictions found on multiple financial websites including Morningstar, Yahoo Finance, and Reuters. The main numbers changed for the sensitivity analysis are different ROEs, discount rates, and growth rates. Overall very part was changed to better reflect our company rather than the bases case.

We chose to change the ROE after careful consideration, looking at some competitors with as high as 69, while ours is around 28. This change of around 3 percent increased our implied price by roughly 20 dollars.

**EBO valuation would be (you can include more than one scenario in each of the following):**

**59.91 if changing above normal growth period to 5**

**82.95 if changing growth rate from mean (consensus) to the highest estimate 19**

**73.98 if changing growth rate from mean (consensus) to the lowest estimate 15**

**72.78 if changing discount rate to 7%**

**57.66 if changing target ROE to 12.21%**

## Section (D) Relative Valuation

SBUX													
Mean FY2													
Ticker	Name	Mkt Cap	Current Price	Earnings Estimate (next fiscal year)	Forward P/E	Mean LT Growth Rate	PEG	P/B (MRQ)	ROE 5 yr ave	Value Ratio	P/S TTM	P/CF TTM	
1	MCD	McDonalds	\$ 94,074.30	\$ 97.44	\$ 5.35	18.21	5.78%	3.15	7.33	35.59%	0.21	3.43	14.69
2	YUM	Yum! Brands, Inc.	\$ 34,415.85	\$ 78.72	\$ 4.04	19.49	11.25%	1.73	22.28	69.03%	0.32	2.59	15.29
3	DNKN	Dunkin' Brands Group	\$ 4,645.93	\$ 47.56	\$ 2.19	21.72	13.33%	1.63	13.54	10.17%	1.33	6.21	21.01
4	GMCR	Keurig Green Mountain	\$ 18,424.49	\$ 111.73	\$ 4.72	23.67	15.00%	1.58	5.34	18.06%	0.30	3.91	21.94
	SBUX	Starbucks Corp.	\$ 71,965.80	\$ 94.70	\$ 3.68	25.73	16.97%	1.52	12.47	25.92%	0.48	4.23	21.83
Implied Price based on:					P/E (forward)			PEG	P/B	Value	P/S	P/CF	
1	MCD	McDonalds				\$67.02		\$196.78	\$55.67	\$40.54	\$76.79	\$63.73	
2	YUM	Yum! Brands, Inc.				\$71.71		\$108.16	\$169.20	\$63.53	\$57.98	\$66.33	
3	DNKN	Dunkin' Brands Group				\$79.92		\$101.74	\$102.83	\$262.07	\$139.03	\$91.14	
4	GMCR	Keurig Green Mountain				\$87.11		\$98.55	\$40.55	\$58.20	\$87.54	\$95.18	
		High				\$87.11		\$196.78	\$169.20	\$262.07	\$139.03	\$95.18	
		Low				\$67.02		\$98.55	\$40.55	\$40.54	\$57.98	\$63.73	
		Mean				\$76.44		\$126.31	\$92.06	\$106.09	\$90.33	\$79.09	

**Note: Your discussions in this section should address all of the following valuation metrics: forward P/E, PEG, P/B (MRQ), P/S (TTM), and P/CF (TTM). If you made a decision excluding a competitor from calculation of median of a particular valuation multiple, you must justify your decision (i.e., reasons why you feel strongly that particular valuation multiple from a particular competitor is not a good indicator).**

- 1) Discuss various valuation multiples of your stock and its peers. Comment if any of these stocks have multiples far off from the others and explain whether it makes sense.**

Starbucks forward P/E ratio is the highest compared to all four competitors at 25.73. This most likely means that they are expecting higher earnings growth in the future. Also, the

forward P/E is lower than the current P/E which also means that earnings are expected to grow in the future. The PEG is similar to P/E but also takes into account growth so it is a more accurate ratio. Starbucks PEG is the lowest among all competitors which means that it is considered the most undervalued given its earnings performance. A PEG below 1 is most desirable so while Starbucks has the most favorable PEG among its competitors, it isn't extremely undervalued.

**2) Discuss the various implied prices of your stock derived from peers' ("Comparables") multiples. Compare these implied prices to current price and 52-week high and low. How different are the prices derived from the various valuation metrics? Note any valuation metrics that seem to yield outlier prices and explain whether it makes sense.**

Starbucks current P/E ratio is 29.03. The forward P/E is 25.73 which means that earnings are expected to grow in the coming future. Based on the forward P/E, Starbucks is currently overvalued when compared to all competitors individually as well as a whole. The P/E to growth values a stock while taking the company's growth into account. It is considered a more accurate valuation than P/E alone. The lower the PEG ratio, the more a stock may be undervalued. When compared to all competitors, Starbucks has the lowest PEG ratio which means it has the highest probability that it is undervalued. Based on the PEG, Starbucks is considered undervalued when compared to all competitors individually as well as a whole. The lowest value when compared to Keurig is \$98.55 which is still higher than the current price of \$94.70. The P/B ratio measures the stock's value to the book value. While a low P/B ratio could mean the stock is undervalued, it could also mean there is something fundamentally wrong with the company. This measurement varies by industry so we will not be using this valuation as a strong measurement of the stock. Their value ratio has a spread that's between \$40.54-\$262.07 based on which company it is being compared to. This is such a large spread because the sizes and expected growth of the competing companies vary greatly. Since the expected long term growth of McDonald's is only 5.78% compared to Starbucks' 16.97%, the resulting valuation is extremely low at \$40.54. Duncan resulted in a valuation of \$262.07 due to a very low market cap and fairly high LT growth rate. This is also a bad comparison since Starbucks market cap is much larger at 71B compared to 4B. While some of the resulting valuations are in line with the 52 week high and low, the majority of the values are above the current price and many are above the 52 week high. The majority of the valuations were higher than the current price which potentially means that the stock is undervalued. However, it is important to keep in mind that the size and returns on the four competitors vary so the values that are much higher and lower may not be the most accurate representation of the stock's value.

**3) Compare your findings with comments from analysts from *Morningstar Direct* and other online resources.**

Morningstar analysts believe that Starbucks currently has meaningful growth potential through new store formats, new product offerings, and new structure for the rewards program and online payment systems. This is in line with the PEG ratio shown on the relative valuation since it shows Starbucks with high future growth expectations.

Morningstar's analysts gave Starbucks a fair value estimate of \$100 which is in line with the majority of our mean valuations. They also expect an average revenue growth of 11% which is slightly lower than the consensus estimate of 16.97% but fairly close.

**4) Other observations worth noting?**

It is important to note that all the competing companies shown are not perfect competitors for Starbucks. There is a large size difference between the largest and smallest competitors on our valuation with McDonalds larger than Starbucks and Dunkin' much smaller than our market cap. Because there is such a wide spread of numbers as well as the fact that the four competing companies aren't perfect competitors so our resulting values are fairly skewed and should not be directly used to value Starbucks.

## Section (E) Revenue and Earnings Estimates

### (E-1) "Historical Surprises"

#### HISTORICAL SURPRISES

Sales and Profit Figures in US Dollar (USD)  
Earnings and Dividend Figures in US Dollar (USD)

Estimates vs Actual	Estimate	Actual	Difference	Surprise %
<b>SALES (in millions)</b>				
Quarter Ending Dec-14	4,797.16	4,803.20	6.04	0.13
Quarter Ending Sep-14	4,233.22	4,180.80	52.42	1.24
Quarter Ending Jun-14	4,140.98	4,153.70	12.72	0.31
Quarter Ending Mar-14	3,949.82	3,873.80	76.02	1.92
Quarter Ending Dec-13	4,293.61	4,239.60	54.01	1.26
<b>Earnings (per share)</b>				
Quarter Ending Dec-14	0.80	0.80	0.00	0.36
Quarter Ending Sep-14	0.74	0.74	0.00	0.34
Quarter Ending Jun-14	0.66	0.67	0.01	1.09
Quarter Ending Mar-14	0.56	0.56	0.00	0.59
Quarter Ending Dec-13	0.69	0.69	0.00	0.10

Review recent trends in company's reported revenue and earnings, and discuss whether (1) the company has a pattern of "surprising" the market with numbers different from analysts' estimates; (2) Were the surprises positive(actual greater than estimate) or negative (actual less than estimate)? (3) Were the surprises more notable for revenue or earnings? (4) Look up the stock chart to see how the stock price reacted to the "surprises.

**NOTE: Reuters does not put the sign on the surprise. You need to put a "-" sign when it is a negative surprise.**

Starbucks missed on 3 of the last 5 earnings releases by a little over 1% each time. While these misses are relatively low and doesn't warrant major concern for the future revenue growth, it is important to note the reasons for these misses. These misses can be attributed to many different factors including strong competition from fast food services offering coffee, many new products being released resulting in high startup costs, and lower store traffic in these quarters. Analysts do note that the positive expected performances outweigh the negative aspects and they expect to see positive revenue going into the coming year. Earnings have been in line for the past 5 quarters with analyst estimates. It is worth noting that earnings per share for a larger

company like Starbucks will be more certain and easier to predict than smaller, more volatile companies.

**(E-2) “Consensus Estimates Analysis”**

**CONSENSUS ESTIMATES ANALYSIS**

Sales and Profit Figures in US Dollar (USD)

Earnings and Dividend Figures in US Dollar (USD)

	# of Estimates	Mean	High	Low	1 Year Ago
<b>SALES (in millions)</b>					
Quarter Ending Jun-15	17	4,844.25	4,906.30	4,635.50	4,574.70
Quarter Ending Sep-15	17	4,899.14	5,206.35	4,555.62	4,681.02
Year Ending Sep-15	23	19,057.50	19,255.80	18,266.00	18,369.00
Year Ending Sep-16	23	21,258.00	21,947.80	20,510.00	20,373.20
<b>Earnings (per share)</b>					
Quarter Ending Jun-15	23	0.80	0.86	0.78	0.79
Quarter Ending Sep-15	23	0.87	0.92	0.84	0.86
Year Ending Sep-15	25	3.13	3.20	3.09	3.17
Year Ending Sep-16	26	3.68	3.91	3.58	3.71
LT Growth Rate (%)	3	16.97	19.00	15.00	19.67

**Percent Difference of High Estimate from Mean (Revenue)**

Q1:1.01% Q2: 1.06% FY1: 1.01% FY: 1.03%

**Percent Difference of Low Estimate from Mean (Revenue)**

Q1: 1.05% Q2:1.08% FY1: 1.04% FY2: 1.04%

**Percent Difference of High Estimate from Mean (EPS)**

Q1:1.08% Q2: 1.06% FY1: 1.02% FY2: 1.06%

**Percent Difference of Low Estimate from Mean (EPS)**

Q1: 1.03% Q2: 1.04% FY1: 1.01% FY2: 1.03%

Review the range and the consensus of analysts' estimates. (1) Calculate the % difference of the "high" estimate from the consensus (mean); (2) Calculate the % (negative) difference of the "low" estimate from the consensus; (3) Are the divergent more notable for the current or out- quarter, FY1 or FY2, revenue or earnings? (4) Note the number of analysts providing LT growth rate estimate. It that roughly the same as the number of analysts providing revenue and earnings estimates?

Consensus analyst estimates have a fairly small spread among all analyst estimates. If you look at the percentages above, you will see that the largest difference between the mean and high and low was 1.08% which is very low. There are between 17-23 analysts making predictions for revenue and around 23-26 analysts for earnings so there is surprisingly low difference in these numbers for how many analysts input their expectations. This indicates that all analysts expected similar results which is good because it shows that Starbucks is a stable company without any major surprises or uncertainties.

### (E-3) "Consensus Estimates Trend"

#### CONSENSUS ESTIMATES TREND

Sales and Profit Figures in US Dollar (USD)

Earnings and Dividend Figures in US Dollar (USD)

	Current	1 Week Ago	1 Month Ago	2 Month Ago	1 Year Ago
<b>SALES (in millions)</b>					
Quarter Ending Jun-15	4,844.25	4,844.25	4,853.18	4,857.50	4,574.70
Quarter Ending Sep-15	4,899.14	4,899.14	4,908.84	4,916.93	4,681.02
Year Ending Sep-15	19,057.50	19,057.50	19,077.00	19,089.80	18,369.00
Year Ending Sep-16	21,258.00	21,258.00	21,277.10	21,271.70	20,373.20
<b>Earnings (per share)</b>					
Quarter Ending Jun-15	0.80	0.80	0.80	0.80	0.79
Quarter Ending Sep-15	0.87	0.87	0.87	0.87	0.86
Year Ending Sep-15	3.13	3.13	3.13	3.13	3.17
Year Ending Sep-16	3.68	3.68	3.69	3.67	3.71

**Review recent trend of analysts' consensus (mean) estimates on revenue and earnings. (1) Are the consensus estimates trending up, down, or stay the same? (2) Is the trend more notable for the near- or out- quarter, FY1 or FY2, revenue or earnings?**

Recent analyst estimates for revenue and earnings are trending upwards from 1 year ago towards the current estimates. Although they are slowly trending upwards, there is no major surprise in earnings estimates which means that there hasn't been any major surprises or changes in the company. Earnings are also trending upwards slowly with the exception of the FY1 and FY2 which both declined slightly between 1 year and 2 months.

**(E-4) "Estimates Revisions Summary"**

**ESTIMATES REVISIONS SUMMARY**

Number Of Revisions:	Last Week		Last 4 Weeks	
	Up	Down	Up	Down
<b>Revenue</b>				
Quarter Ending Jun-15	0	0	0	1
Quarter Ending Sep-15	0	0	0	1
Year Ending Sep-15	0	1	0	3
Year Ending Sep-16	1	0	1	1
<b>Earnings</b>				
Quarter Ending Jun-15	0	0	0	0
Quarter Ending Sep-15	0	0	0	0
Year Ending Sep-15	0	0	0	1
Year Ending Sep-16	0	0	1	1

**Review the number of analysts revising up or down their estimates (both revenue and earnings) in the last and last four weeks. (1) Note whether there are more up or down revisions; (2) are the revisions predominantly one directional? (3) Any notable difference last week versus last four weeks, revenue versus earnings?**

In the last four weeks, there have only been a few analysts revising their estimates for both revenue and earnings. For revenue, there was only one analyst who downgraded their estimate in the past two quarters and three analysts who downgraded for the year ending 2015. Even though there were analyst downgrades and no upgrades in the last 4 weeks, the number of downgrades compared to the number of analyst estimates for Starbucks is very low. These changes could be due to market uncertainty or lower estimated earnings by an individual analyst. For earnings, there were no estimate upgrades or downgrades for the last two quarters and only one downgrade for the year ending 2015 and 2016. There was also one upgrade for the year ending 2016. The low number of analyst revisions is a good sign that Starbucks is expected to be stable in the coming years and that there is minimal uncertainty about expected growths or company concerns. The noted downgrades shown in this graph should be noted when evaluating this stock but should not play a defining role in determining whether Starbucks is a good investment for the coming year.

**(E-5) “Consensus Earnings Revisions” from CNBC**

Go to <http://www.cnbc.com/>, “news”, “earnings”, “calendar”, “consensus revisions”. Look for whether your stock had consensus earnings revision today. Copy/paste the information, if any, to the following table. Go back one day, copy/paste the information if there was consensus earnings revision. Repeat the process back one month. Add rows to the table if needed.

Revision Date	Revision Type	Revision Up/Down	Current	Previous	% Change	# of Analysts Reporting
Most recent revision date						

Earliest revision date in the last month						

- 1) **Make note of the company's (1) last earnings reporting date, and (2) next earnings reporting date. N/A , nothing was reported in the whole month of march.**
- 2) **Review revisions day by day, and comment on (1) whether they tend to be clustered, and (2) if clustered, were they near earnings reporting date?**
- 3) **Were there any greater than 10% consensus revisions? What is the maximum % consensus revision?**
- 4) **Observe stock price chart, how did the stock trade around dates of greater than 10% consensus revisions?**
- 5) **Other observations worth noting?**

## Section (F) Analysts' Recommendations

### (F-1) Reuters Most Recent Three Months Analysts Recommendations

#### ANALYST RECOMMENDATIONS AND REVISIONS

1-5 Linear Scale	Current	1 Month Ago	2 Month Ago	3 Month Ago
(1) BUY	13	13	15	16
(2) OUTPERFORM	5	5	6	6
(3) HOLD	6	5	5	4
(4) UNDERPERFORM	1	1	1	0
(5) SELL	0	0	0	0
No Opinion	0	0	0	0
Mean Rating	1.80	1.75	1.70	1.54

**1) Review the trend of analyst recommendations over the last three months. Is there a notable change of analyst opinions, turning more bullish or bearish?**

Over the past 3 months, analyst recommendations have stayed fairly steady. There was a decrease of 1 buy and an increase of 1 hold and 1 underperform between 3 and 2 months. Between 2 and 1 month, the only change was a decrease of 2 in buy. Between 1 month and the current recommendation, the only change was an increase of 1 hold. The above analyst revisions are very minimal and does not indicate a major change in either a bearish or bullish direction. When looking at the below mean ratings, you will see that the rating is steadily increasing from 3 months ago heading towards the current recommendations. This implies a slight move in an expected bullish direction but the increase being seen is very minimal so it is hard to use this data as a bullish indicator. A low analyst change in recommendation is a good thing since it shows that there is minimal uncertainty and the stock is currently performing the way analysts expected it to.

**2) How many different ratings out of the five possible ones did the company receive currently, one, two, and three months ago?**

In the past three months, two months, and one month respectively, 16, 15, and 13 analysts have rated Starbucks as buy, 6, 6, and 5 have rated it as outperform, 4, 5, and 5 have rated it as hold, and 0, 1, and 1 analysts have rated the stock as underperform. Currently, 13

analysts have rated the stock as buy, 5 have rated it as outperform, 6 have rated it as hold, and 1 has rated it as underperform.

**3) Is there a notable trend of opinion convergence or divergence?**

There has been no major trend of opinion in either direction. The analyst recommendations have remained fairly steady with a small decrease in analysts recommending to buy the stock.

**4) Cross check (1) *Morningstar* analyst's research report; and (2) media or other analysts' comments from online financial sites. Is what you see here consistent to comments elsewhere?**

The analyst recommendations on the above chart are consistent with both the Morningstar analyst report as well as multiple analyst recommendations on various financial websites. The majority of analysts expect the stock to steadily grow in the coming years with very minimal uncertainty. The growth of the company in Japan as well as new product lines and customer payment and reward system upgrades shows the company is in line to see steady growth in the next fiscal year.

**5) Other observations worth noting?**

It is important to note that when there is much uncertainty in a stocks future, analysts are hesitant to make recommendations because of the potential for them to make a wrong recommendation. This usually results in minimal analyst recommendations on volatile and uncertain stocks. The fact that there are around 25 analysts making recommendations on Starbucks performance shows that there is confidence in the stocks future performance.

**NOTE: On a Five-point scale, Reuters assigns "1" to "Buy", the most bullish recommendation, and "5" to "Sell", the most bearish recommendation. Some other online sites have opposite scale, with their "1" being the most bearish and "5" being the most bullish recommendations.**

**(F-2) Most Recent One Month Analysts Upgrades/Downgrades from CNBC**

Go to <http://www.cnbc.com/>, “news”, “earnings”, “calendar”, “upgrades” and “downgrades”. Look for whether your stock was up- or down-graded by one or more analysts today. Copy/paste the information, if any, to the following table. Go back one day, copy/paste the information if there was (were) upgrades or downgrades. Repeat the process back one month. Add rows to the table if needed.

<b>Revision Date</b>	<b>Current Recommendation</b>	<b>Previous Recommendation</b>	<b>Firm</b>	<b>Last Revision</b>
Most recent revision date				
N/A	N/A	N/A	N/A	N/A
Earliest revision date in the last month				

- 1) Make note of the company’s (1) last earnings reporting date, and (2) next earnings reporting date.**

No upgrades or downgrades were reported in the month of March

- 2) Add up the number of upgrades on weekly basis. Do the same for downgrades. Were there more up- or down-grades? Were there any consistent trend you observe in the recent month? Were there any up- or down-grades of more than “one grade”?**

N/A

- 3) Were there clustering of up- or down-grades? If so, were they clustered around earnings report date?**

N/A

- 4) Observe stock price chart, how did the stock trade around dates of up- or down-grades?**

N/A

- 5) Other observations worth noting?**

## Section (G) Institutional Ownership (Guidelines Have Been Updated)

Copy/paste the completed "CIF Institutional Ownership" spreadsheet here.

SBUX				
Section 1				
Ownership Activity	# of Holders	% Beg. Holders	Shares	% Shares
Shares Outstanding			749,790,012	100.00%
# of Holders; Total Shares Held/ Shares	1,399	108.37%	558,143,685	74.44%
# New Positions	163	12.63%		
# Closed Positions	55	4.26%		
# Increased Positions	682	52.83%		
# Decreased Positions	449	34.78%		
Beg. Total Inst. Positions	1,291	100.00%	550,127,904	73.37%
# Net Buyers; 3 Mo. Net Chg	233	60.30%	8,015,781	1.07%
Section 2				
Ownership Information	% Outstanding			
% Institutional Ownership	76.32			
Top 10 Institutions % Ownership	30.17%			
Mutual Fund % Ownership	40.32%			
Section 3				
> 5% Ownership				
Holder Name	% Outstanding	Report Date		
FMR, LLC	7.29%	12/31/2014		
Vanguard Group, Inc. (The)	5.14%	12/31/2014		
State Street Corporation	4.16%	12/31/2014		

Combine information provided in all three sections to discuss:

- 1) Whether institutions, on net basis, have been increasing or decreasing ownership and whether the change can be considered as substantial

Institutions, on a net basis, have been increasing ownership in Starbucks. There has been a net increase of 233 buyers in the past 3 months. This is not extremely substantial in comparison to the company's outstanding stock. However, it is a good sign that net buyers

are increasing because that implies that investor's feel that Starbucks is a good stock to be holding for the future.

**2) Whether the stock has sizable institution interests/support**

Institutional investors hold 76.32 of the company which is a fairly significant amount. This is a good sign since institutions often have analysts and data at their disposal to make more educated investment decisions. This means that they often times do more in depth analyses of their investment. Since there is such a high institutional ownership, this means that the analyses performed by these companies resulted in expected future gains making them buy the stock.

**3) The extent of the (> 5%) owners by adding up all >5% ownership, and make an effort to identify those that are mutual funds**

The three institutional owners who hold over 4% of Starbucks comes to a total of 16.59% ownership. There are other institutions that hold between 3-4% of the company which includes Blackrock and T. Rowe Price.

**Note:**

**Select "mutual fund ownership" in the view box, it will bring up large mutual fund ownership. Cross check the two lists. You need to know that the "institution ownership" list is reported at the fund family level, while the "mutual fund ownership" list is reported at the fund level.**

**Alternatively, you can google funds included in the "institution ownership" list to learn if they are mutual fund family or hedged funds, etc.**

**4) Other observations worth noting?**

It is worth noting that Starbucks' high institutional ownership indicates positive growth and earnings expectations. However, it is also important to note that this can also result in large sales of the stock in times of poor performance. Institutions often dump large amounts of stock in the hopes of achieving parity with stock indexes in the next quarter. This surplus of stock being sold can decrease the stock's value. A company with a high amount of outstanding stocks like Starbucks doesn't necessarily have to worry about this but it is an important not to keep in mind.

## Section (H) Short Interest (**Guidelines for H-2 Have Been Updated**)

(H-1) Short Interest Data from <http://www.nasdaq.com/> (NASDAQ's website)

# Starbucks

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
3/13/2015	8,895,819	3,467,075	2.565799
2/27/2015	9,758,872	3,404,922	2.866107
2/13/2015	9,809,304	4,450,553	2.204064
1/30/2015	9,101,336	7,611,167	1.195787
1/15/2015	10,062,823	5,756,896	1.747960
12/31/2014	12,211,960	4,533,714	2.693589
12/15/2014	11,808,282	5,602,730	2.107594
11/28/2014	10,203,748	3,761,603	2.712606
11/14/2014	9,569,244	3,631,420	2.635125
10/31/2014	8,638,887	5,524,622	1.563706
10/15/2014	7,384,271	4,551,430	1.622407
9/30/2014	6,073,288	4,083,471	1.487286
9/15/2014	6,147,697	3,856,373	1.594166
8/29/2014	7,346,442	2,526,403	2.907866
8/15/2014	7,556,135	3,330,428	2.268818
7/31/2014	9,447,419	4,582,509	2.061626
7/15/2014	10,339,291	3,223,397	3.207576
6/30/2014	10,529,964	4,194,315	2.510532
6/13/2014	9,711,204	3,268,862	2.970821
5/30/2014	8,909,544	3,853,352	2.312154
5/15/2014	8,502,743	4,022,569	2.113759
4/30/2014	7,819,585	5,295,682	1.476596
4/15/2014	7,767,563	5,643,109	1.376469

## McDonalds

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
3/13/2015	15,768,849	8,841,727	1.783458
2/27/2015	14,456,449	8,642,781	1.672662
2/13/2015	14,622,879	6,354,298	2.301258
1/30/2015	11,562,576	9,445,658	1.224115
1/15/2015	12,012,579	5,831,982	2.059776
12/31/2014	12,979,005	7,024,372	1.847710
12/15/2014	12,870,012	8,566,687	1.502332
11/28/2014	12,441,524	4,914,915	2.531381
11/14/2014	13,192,820	4,543,968	2.903370
10/31/2014	12,888,165	6,195,432	2.080269
10/15/2014	11,874,527	5,680,623	2.090356
9/30/2014	11,233,928	7,098,266	1.582630
9/15/2014	10,906,859	6,780,177	1.608639
8/29/2014	12,159,339	5,164,461	2.354426
8/15/2014	11,901,108	4,752,702	2.504072
7/31/2014	11,775,278	6,743,536	1.746158
7/15/2014	11,013,091	3,602,130	3.057383
6/30/2014	11,228,154	4,160,996	2.698429
6/13/2014	11,439,897	4,133,063	2.767898
5/30/2014	11,079,515	4,474,751	2.476007
5/15/2014	12,694,090	3,799,136	3.341310
4/30/2014	13,426,211	5,596,452	2.399058
4/15/2014	14,010,190	5,355,493	2.616041

# YUM

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
3/13/2015	5,401,012	3,908,087	1.382009
2/27/2015	5,413,690	3,811,911	1.420204
2/13/2015	4,547,342	3,659,540	1.242599
1/30/2015	4,303,331	3,300,952	1.303664
1/15/2015	4,774,253	3,103,066	1.538560
12/31/2014	5,742,233	3,052,442	1.881193
12/15/2014	5,660,132	4,608,433	1.228212
11/28/2014	4,372,366	2,726,261	1.603796
11/14/2014	4,917,009	2,590,204	1.898310
10/31/2014	5,605,686	2,423,586	2.312972
10/15/2014	5,519,455	4,278,012	1.290192
9/30/2014	5,492,368	2,033,572	2.700848
9/15/2014	6,563,224	3,075,270	2.134194
8/29/2014	5,282,104	3,092,996	1.707763
8/15/2014	5,140,467	3,642,709	1.411166
7/31/2014	4,935,436	6,627,112	1.000000
7/15/2014	6,514,318	2,040,909	3.191871
6/30/2014	7,348,015	1,876,421	3.915974
6/13/2014	6,914,422	2,004,249	3.449882
5/30/2014	6,093,022	2,231,671	2.730251
5/15/2014	6,276,817	2,177,247	2.882915
4/30/2014	6,924,632	3,547,584	1.951929
4/15/2014	7,097,085	3,107,594	2.283788

(H-2) Short Interest Data From <http://finance.yahoo.com/>

Copy/paste required data from the “share statistics” table to the following table for (1) your stock, and (2) two competitors (in separate tables).

Avg Vol (3 month)	Avg Vol (10 day)	Shares Outstanding	Float
5,028,140	4,248,630	749.80M	729.18M
Shares Short (Include as of date)	Short Ratio (Include as of date)	Short % of Float (Include as of date)	Shares Short (Prior Month)
March 13 <sup>th</sup> 8.90M	March 13 <sup>th</sup> 2.60	1.20%	9.76M

McDonalds

Share Statistics	
Avg Vol (3 month) <sup>3</sup> :	7,520,480
Avg Vol (10 day) <sup>3</sup> :	6,789,840
Shares Outstanding <sup>5</sup> :	961.12M
Float:	960.23M
% Held by Insiders <sup>1</sup> :	0.04%
% Held by Institutions <sup>1</sup> :	65.30%
Shares Short (as of Mar 13, 2015) <sup>3</sup> :	15.77M
Short Ratio (as of Mar 13, 2015) <sup>3</sup> :	1.80
Short % of Float (as of Mar 13, 2015) <sup>3</sup> :	1.60%
Shares Short (prior month) <sup>3</sup> :	14.46M

Yum

Share Statistics	
Avg Vol (3 month) <sup>3</sup> :	3,492,340
Avg Vol (10 day) <sup>3</sup> :	2,904,770
Shares Outstanding <sup>5</sup> :	433.12M
Float:	431.53M
% Held by Insiders <sup>1</sup> :	0.28%
% Held by Institutions <sup>1</sup> :	80.30%
Shares Short (as of Mar 13, 2015) <sup>3</sup> :	5.40M
Short Ratio (as of Mar 13, 2015) <sup>3</sup> :	1.40
Short % of Float (as of Mar 13, 2015) <sup>3</sup> :	1.20%
Shares Short (prior month) <sup>3</sup> :	5.41M

- 1) Make note of the company's (1) last earnings reporting date, and (2) next earnings reporting date.**

January 22<sup>nd</sup>, 2015, April 23<sup>rd</sup> 2015

- 2) Discuss market sentiment on the stock based on the short interest statistics, recent trend reported in in (H-1) and (H-2)? Has the sentiment turned more bullish or bearish over the last year? How about in more recent month and why?**

When looking at the data on short interest of the Starbucks and the competing companies McDonald's and Yum! Brand, you can see that the short interest ratio is 2.60 for Starbucks which is lower than McDonalds is 1.80 and Yum! Is 1.40. This means that market sentiment for Home Depot is more bullish than their competitors. A low short interest ratio indicates a bullish trend and a ratio around 5 or greater usually indicates a bearish signal. Starbucks has the median amount of shares short but when compares to the float, Starbucks is tied for the lowest short percentage of float at 1.20%.

- 3) From (H-1), observe "short interest" and "# of days to cover" values for two reporting dates immediately before and one reporting date immediately after earnings report. (1) Were there notable increase or decrease in the values, right before or right after earnings report? (2) Observe stock price chart and comment on how stock traded around those dates.**

At last earnings date Starbucks stock went up from 81.29 to 88.22 an all-time high for the stock at the time. However the data only goes back to March 13<sup>th</sup> far beyond the earnings report. Overall the amount of short interest has fallen by around million shares, which is worth noting. This indicates more of a bullish look on the stock relative to the past. This also could be attributed to the fact that around a million less shares are being traded daily.

**Section (I) Stock Charts (Guidelines for I-4 Have Been Updated)**

For (I-1) – (I-3), the stock price charts should include (1) your stock, (2) 1 competitor, (3) sector ETF, and (4) SP500

**(I-1) A three months price chart**

Copy/paste the “3 Mos.” stock chart here



**(I-2) A one year price chart**

Copy/paste the “1 Yr” stock chart here



**(I-3) A five year price chart**

Copy/paste the "5 Yrs." stock chart here



1) (I-1) – (I-3) Discuss what you observe from the above stock price charts. This should include comparing your stock to competitors, sector, and SP500 over the three different time horizons.

Overall we have been outperforming every metric chosen, this point is emphasized when looking at our five year chart. Looking at the 5 year you can see we are up almost 300% in relation to the other metrics which are roughly 125%, 75% and 40% respectively.

(I-4) Technical Indicators (“Moving Average” and “Relative Strength Index” from

<https://www.google.com/finance?tab=we>

Short-term moving average and relative strength index indicators

Follow instructions in the revised guidelines to generate price chart. Copy/Paste to the report



Long-term moving average and relative strength index indicators

Follow instructions in the revised guidelines to generate price chart. Copy/Paste to the report



**1) Discuss your findings from these sets of technical indicators. Compare your findings here to findings from fundamental analysis. Are findings from technical analysis supportive of your other findings?**

When looking 1 year we can see a bullish trend as the 10 day SMA has exceeded the 50 day SMA and has been increasing the gap. This shows that the stock is very bullish recently. When looking at the 10 year we can see that overall since 2010 Starbucks has really been on an upward trend, with a few small corrections here and there. We feel that it has hit one of those quick corrections as it tends to do after reaching an all-time high and will soon be rising again.