

# Exploring the Future Value of Starbucks

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## ABSTRACT

Starbucks is an international coffee company, and this article mainly evaluates the market value of Starbucks and gives investors some reasonable advice. In this article, Starbucks is mainly introduced to the company, SWOT analysis and value analysis, and in the value analysis, Starbucks fundamental analysis and DCF model are mainly used to calculate the valuation. Through fundamental analysis, it is found that Starbucks' profitability has declined due to the impact of the epidemic, but it is gradually recovering. Due to the industrial nature of Starbucks, the enterprise has good liquidity, high inventory turnover, and stable current ratio and quick ratio. And through the analysis of valuation, it was found that the market value of Starbucks was undervalued, and now that the actual value of Starbucks is higher than the market price, investors should buy stocks to make a profit.

**Keywords:** Starbucks, SWOT analyst, DCF model

## 1. INTRODUCTION

### 1.1 Background

Starbucks is a chain coffee company in the United States, which was established in 1971 and its headquarters is in Seattle, Washington. In addition to coffee, Starbucks also has tea, pie, cake, and other commodities. Starbucks has nearly 12000 stores worldwide in North America, South America, Europe, the Middle East, and the Pacific. Starbucks' mission is to inspire and nurture the humanistic spirit. Everyone, every cup and every community take Starbucks partners, coffee and customers as the core, and strive to practice the following values: Create a warm and sense of belonging culture, readily accept and welcome everyone, take positive actions, dare to challenge the current situation and break the stereotypes; Achieve the common growth of the company and partners in innovative ways; Now of connecting each other, we focus on investment, meet each other honestly, respect each other; For everything, we do our best and dare to take responsibility.

### 1.2 Related research

Mui et al researched the impact of the Covid-19 on Starbucks. Three ways are used to analyze the impact of the epidemic on Starbucks: Summary of respondents' demographics, Survey on Starbucks customers on the im-

part of COVID-19 on Starbucks, and Customer perception of Starbucks COVID-19 Measures. The conclusion is that Starbucks can still survive under the huge impact. The covid-19 pandemic hit the world. And the overall score is given by the customer is very nice [1]. Anoud and Maitha analyzed the current financial situation of Starbucks by studying its financial statements. By analyzing the development trend of Starbucks through profitability, liquidity, leverage and cash flow, they finally came to the conclusion that Starbucks is an industry leader in the retail and snack industry. It is a company with good performance and good financial condition. Compared with competitors, the company is in a positive competitive position [2]. He, et al. researched the corporate value investment research of Starbucks in Covid-19. In this study, both qualitative and quantitative analysis methods are used to analyze the investment value of the company. Finally, it is concluded that Starbucks has a relatively stable turnover capacity, and its solvency and profitability decline year by year. However, the company still adheres to the active expansion strategy. In the short term, Starbucks will face heavy debt pressure. This paper reveals that Starbucks faces great challenges from the internal and external environment through qualitative analysis. Meanwhile, the novel coronavirus pneumonia outbreak improvement. If Starbucks can slow down the expansion of stores and adopt effective development strategies, Starbucks is also worth investing [3].

Chu et al. divided the nine companies into three

groups for quantitative analysis. Quantitative analysis indicators are market cap, quick ratio, current ratio, debt ratio, Debt/Equity ratio, Beta coefficient, Total Asset Turnover, Profit Margin, ROA, ROE, PE ratios, PB ratios, PEG ratios. Finally, it is concluded that Kweichow Moutai, Estee Lauder and Nike companies are more likely to be loved by investors. However, this study only analyzes the financial data of each company and does not consider the internal growth of the company [4]. Oliveira will analyze the current situation of the coffee retail industry, how it will develop in the future and how it will affect Starbucks' value creation and make suggestions on whether to buy the company's shares. The research mainly includes the following aspects: the overall overview of Starbucks, the overall overview of the coffee industry and value analysis. Among them, value analysis includes FCM, DVM, WACC and other methods. Finally, it is concluded that if investors buy at this time, the total return is expected to exceed 10% in 12 months. If investors keep holding it, the return will remain 0% - 10% in 12 months. If investors sell it, there will be a negative return in 12 months [5]. Sakal studied whether Starbucks recommended buying its shares in 2018. This study analyzes the financial situation of Starbucks through fundamental and technical analysis. And through value analysis, including WACC, DCF, FCF and other models. The final conclusion is: in the basic case, the price of the stock is overvalued by about 44%. Only in the most optimistic upward case, the stock price will increase and spend reasonably. Unless Starbucks can maintain its expenses and the expenses of each store, its shares should not be purchased or sold [6]. Geeredy mainly studies the strategy of Starbucks. In this study, Starbucks' internal and external strategies are mentioned. One of the key strategies followed by Starbucks since its establishment is product differentiation and providing differentiation factors. At the same time, he analyzed the future and current form of Starbucks through SWOT analysis. Finally, he believed that Starbucks should grow in these emerging markets by winning the local market. Starbucks must maintain relevance with customers to grow in these markets,[7].

Bridget studied how to use the endorsement valuation method for company valuation and cited several examples of companies to explain. In the research, he used P / E ratio, EV / EBIT and other indicators to calculate the valuation of the target company. Finally, he believes that the calculation and analysis of valuation multiples is very useful for understanding the dynamics of the company and industry and is a benchmark. Since the valuation multiples capture the current market's view of the relationship between value and value drivers, it is possible to analyze the multiples of the whole industry to better understand why the valuation of Companies in an industry is different [8]. By observing the situation of the industry and company, Roby will determine the position of Starbucks in the world coffee industry, the reasons for Starbucks'

success and strategic suggestions for its future development. In the end, they believe that Starbucks is a powerful company in a growing industry. At the same time, Roby also believe that Starbucks has a strong international business model, but it must continue to establish its own goals and expectations [9]. Harris and Eisner studied the key issues related to Starbucks' future performance and solved the problem of whether Starbucks will achieve its growth forecast. In this study, it studies relevant issues through three aspects: Employment involvement, Social Responsibility and Workforce Diversity. In the end, they believed that Starbucks products are "affordable luxury goods", which enables the company to maintain growth under adverse economic conditions. Starbucks's endless innovation promotes growth. It can be expected that the company will continue to implement new ideas to help achieve its expansion goals [10].

### **1.3 Objective**

The purpose of this paper is to compare the difference between the actual share price of Starbucks and the current share price through the evaluation and valuation of Starbucks, so as to put forward suggestions on the investment behavior of investors

## **2. BUSINESS OPERATION OF STARBUCKS**

### **2.1 Company Strategy**

Starbucks' corporate strategy mainly focuses on the following two aspects: Product differentiation and Intensive Growth Strategies. In terms of product differentiation, Starbucks is different from other coffee companies. Starbucks has been highlighting the characteristics of its products - coffee culture through a pricing model higher than similar products. Starbucks has launched a high-level and high-level coffee value, which has achieved a fundamental strategic breakthrough in the current fast-food culture. In terms of intensive growth strategy, In view of the intensive growth opportunities in the global market, Starbucks adopts a variety of strategies to achieve effective business growth. While implementing the intensive growth strategy at the same time, the cafe company is more focused on expanding its international market influence and providing high-quality and high-value products. Starbucks has conducted business in more than 78 countries and regions. To maximize revenue and growth in these current markets, the company applies market penetration by opening more company owned stores or franchised / franchised cafes. However, the company needs to overcome the regulatory and social cultural challenges of these coffee markets. Starbucks' marketing mix or 4Ps supports the market penetration intensive growth strategy, especially when expanding the company's business through strategic location and promotion. Starbucks takes market development as its secondary

strategy of intensive growth. The strategy supports business growth by providing the company's current food and beverage product portfolio and generating revenue in new markets or new segments.

## **2.2 Impact of COVID-19**

At the end of December 2019, the first case of coronavirus was found in Wuhan, China. Since then, the new coronavirus has been rampant all over the world, resulting in a decline in the global economy. During this period, due to the need to reduce close contact, the catering industry was most affected by the epidemic. Of course, Starbucks, as a giant company in the catering industry, was not spared. During the pandemic, Starbucks decided to close about 400 stores and support the use of the new feature "pickup" to place online orders on mobile phones to adapt to the dramatic changes brought about by the virus epidemic. However, from the perspective of global operations, Starbucks has not lost loyal customers in this epidemic, and more than half of Starbucks users are still buying Starbucks products.

## **2.3 Impact of price raising**

According to the official website of Starbucks, China is the second largest market for Starbucks, and the price increase of some Starbucks products has also had a certain impact on the Chinese market. Starbucks said that from February 16, 2022, Starbucks will make small price increases for some drinks and foods in Chinese mainland stores. Starbucks CEO Kevin Johnson said on Feb. 2 that the company has taken two "pricing actions" in the past four months and expects more action this year as salary increases and other cost increases for retail employees impact net profits. Behind the price increase, Starbucks is facing increasing competitive pressure in the Chinese market. On February 1, Starbucks released its fiscal 2022 first quarter financial report (October 4, 2021 - January 2, 2022), and the data showed that Starbucks' revenue for the quarter was \$8.050 billion, an increase of 19.28% year-on-year; net profit attributable to common shareholders was \$816 million, an increase of 31.13% year-on-year.

In terms of same-store sales, Starbucks' global same-store sales increased by 13% in the quarter, with same-store sales in the United States up 18% year-on-year. But outside the U.S. market, international same-store sales fell 3% and demand weakened, while Starbucks' second-largest market, same-store sales in the Chinese market fell 14%, average customer unit prices fell 9 percent, and transactions fell 6%.

## **3. SWOT ANALYSIS**

### **3.1 Strength**

#### *3.1.1 The business model is more flexible*

Starbucks operates globally, so Starbucks has a lot of advantageous experience in the mode of investment and cooperation for many years. Starbucks' choice of investment and cooperation mode is based on different markets around the world. For example, the operation mode in China has changed from the authorized operation mode of financial joint venture and franchise in the Chinese market to avoiding market risks. Now, with the gradual stability of consumer groups in the domestic market, to better control Starbucks' service quality and obtain greater profits, the direct operation mode has changed from franchising. For example, Patrick Grismer, executive vice president and chief financial officer of Starbucks, said: Starbucks plans to expand its global stores from 33000 to 55000. It is expected to achieve this goal by fiscal year 2030 and provide more customers with high-quality stores. For fiscal year 2022, Starbucks promises to open 600 new direct stores in China and will be stationed in 230 cities at the end of fiscal year 2022, with a total number of 6000 stores. At present, Starbucks is accelerating its store opening plan. Starbucks' direct marketing plan will have 100% decision-making power over the business structure and store expansion of Chinese companies and can promote the store expansion plan at its own pace. If the franchise or franchisee mode is adopted, the resistance in store transformation is generally large, and the brand often must pay a higher price. For example, McDonald's has also been opposed by many franchisees when promoting fresh beef hamburgers.

#### *3.1.2 Brand advantages*

The core concept of Starbucks is the "third living space" experience. In the era when the center of consumer demand changes from product special service to experience, Starbucks has successfully created a "coffee culture" characterized by creating "Starbucks experience". The difference between Starbucks and ordinary coffee shops is that it gives a cup of coffee style rich experience and deeper cultural connotation. For example, the decoration in the store can create a very warm environment. According to the information released by the Brand Finance company, Starbucks' brand value ranks 29th among all enterprises in the world and ranks first in the catering industry for six consecutive years from 2017 to 2022, although Starbucks suffered a serious impact during the epidemic.

#### *3.1.3 Advantages of coffee Technology*

*Starbucks' raw bean purchasing system is excellent. The quality of roasted coffee beans is very different from*

that of roasted coffee beans in most chains. In the world, raw coffee beans purchased from Indonesia, Vietnam, Laos, Brazil, central and South America and Africa must be baked to the same shape and to that depth. In practice, major compromises must be made. The difficulty and technology of this cooperation are developed by Starbucks over the years. This will be a big advantage for Starbucks

**3.2 Weakness**

**3.2.1 Different Standards**

Franchise stores have different standards, the experience is weakened, and the service level is reduced Starbucks has franchise stores all over the world, but although these stores have formulated a series of rules, the standards of each store are different, resulting in different service levels of each store, which will greatly change the public's attitude towards Starbucks and eventually affect the brand effect of Starbucks in some regions. For example, on February 14, 2021, the incident of driving the police out of a Starbucks store in Chongqing, China, has greatly affected the image of Starbucks in China.

**3.2.2 Unstable product line**

The product line is only a group of related products, which may have similar functions and be sold to the same group of customers. However, Starbucks is famous for its continuous improvement and innovation of products, and its products are also changing over time, which will lead to the instability of Starbucks' product line and put Starbucks at a disadvantage in the competition.

**3.2.3 Insufficient supply of capital chain**

The choice of Starbucks stores is always in the prime locations of some cities, and due to the rapid expansion of Starbucks, it further affects the company's cost control and financial decisions. Coupled with the impact of the epidemic in recent years, Starbucks capital chain is under great pressure, and there is great uncertainty about Starbucks profitability and future risks.

**3.3 Opportunity**

**3.3.1 The economies of developing countries are developing well**

The economic situation of developing countries is relatively good and in the stage of economic rise. There is huge commercial space in the coffee market, which is conducive to Starbucks to expand its brand effect, increase its customer base and bring huge profits to Starbucks.

**3.3.2 Globalization trend of coffee**

With the increasing globalization of coffee culture, Starbucks has brought great opportunities. The increase in market opportunities will be a very considerable expected profit for global companies such as Starbucks.

**3.4 Threat**

**3.4.1 Numerous competitors**

At present, the competition in the coffee industry is quite high, and there are countless coffee brands in each country, which has brought many adverse factors to Starbucks in the market competition. For example, in the Chinese market, Taiwan Shangdao coffee, Luckin coffee and other brands are big competitors. At the same time, some fast-food restaurants also compete in the market through low-cost coffee, which will be a major threat to Starbucks.

**3.4.2 Rising costs, rising prices**

Starbucks has extremely strict requirements on raw materials, which leads to the direct rise of Starbucks' material cost and squeezes Starbucks' large profits. This requires Starbucks to raise the price. In February, Starbucks announced an increase in coffee prices worldwide, which will lead to many consumers dissatisfaction and make Starbucks lose part of its consumer groups.

**Table 1.** SWOT of Starbucks

<p>Strength</p> <ul style="list-style-type: none"> <li>● The business model is more flexible</li> <li>● Brand advantages</li> <li>● Advantages of coffee Technology</li> </ul>	<p>Weakness</p> <ul style="list-style-type: none"> <li>● Different standard</li> <li>● Unstable product line</li> <li>● Insufficient supply of capital chain</li> </ul>
<p>Opportunity</p> <ul style="list-style-type: none"> <li>● The economies of developing countries are developing well</li> <li>● Globalization trend of coffee</li> </ul>	<p>Threat</p> <ul style="list-style-type: none"> <li>● Numerous competitors</li> <li>● Rising costs, rising prices</li> </ul>

**4. VALUATION**

**4.1 Fundamental analysis**

This part mainly analyzes the fundamentals of Starbucks from the financial aspect, and includes the following aspects: liquidity, operation ability and profitability.

**4.1.1 Liquidity**

Through the ratio analysis of the data related to the financial statements, we can reflect the liquidity of the enterprise's assets, the level of liabilities and the ability to

repay debts, so as to let us know the financial status and financial risks of the enterprise. The relevant data of Starbucks are as follows:

**Table 2.** Liquidity data analysis

Item	2021	2020	2019	2018	2017
Current ratio	1.2	1.06	0.92	2.2	1.25
Quick ratio	1	0.85	0.67	1.95	0.93
Asset liability ratio (%)	116.93	126.55	132.42	95.13	62.01

4.1.1.1 Current ratio

The current ratio of Starbucks in the last five years exceeded 2.00 in 2018 and remained between 1-1.2 in the other four years, which shows that the company has a strong ability to repay its debts in time. This may be caused by the temporary closure of more than 8000 stores in the United States on the afternoon of May 29 in 2018, to educate employees on racial nondiscrimination.

creditors in total assets. The lower the asset liability ratio is, the less assets are obtained with liabilities, and the ability of enterprises to use external funds is poor; The higher the assets and liabilities, the more assets the enterprise raises through borrowing, and the greater the risk. Therefore, the asset liability ratio should be maintained at a certain level. However, it can be seen from the above data that Starbucks' asset liability ratio surged to 132.42% from 2019 and has been above 100% until now. When the asset liability ratio is greater than 100%, it means that the company has become insolvent. The analysis of financial statements regards the enterprise as a going concern unit, which is not based on bankruptcy liquidation. Over the past three years, Starbucks' asset liability ratio has shown a downward trend, so Starbucks' solvency may be declining in the future.

4.1.1.2 Quick Ratio

Quick ratio is an indicator used to measure the short-term debt repayment ability of enterprises. The quick ratio can be calculated by  $(\text{Current assts} - \text{Inventory}) / \text{Current Liabilities}^1$ . The quick ratio of Starbucks is low and basically maintained at about 1, which may be related to the growth of inventory and is in a leading position in the industry.

**4.1.2 Operation ability**

The operation capability of an enterprise refers to the utilization and management capability of assets. Assets are the foundation of the enterprise. Next, the operation capability of Starbucks will be analyzed through relevant ratios. See the following table for relevant data :

4.1.1.3 Asset liability ratio

Asset liability ratio is the ratio of total liabilities to total assets. It shows the proportion of funds provided by

**Table 3.** Operating ability data analysis

Item	2021	2020	2019	2018	2017
Inventory turnover	5.54	5.00	5.82	7.36	6.59
Trade receivables days	11.8	11.09	11.04	8.7	10.93
Current assets turnover	3.31	3.49	2.92	2.78	4.46

4.1.2.1 Inventory turnover

Except for 2018, Starbucks' inventory turnover is basically maintained at about 5 times a year, with an average of 73 days each time, which is better than the industry standard, indicating strong inventory management ability and rapid inventory turnover.

11 days, and the turnover rate of accounts receivable is basically in the leading position in the industry. This is because Starbucks itself belongs to the cash trading industry, so the payback period of its accounts receivable is large, making the payback period relatively low.

4.1.2.2 Trade receivables days

The operation speed of accounts receivable is about

4.1.2.3 Current assets turnover

It further reveals that the main factor affecting the liquidity of assets is the utilization rate of all assets, which further reflects the liquidity efficiency of assets. Generally speaking, the higher the index, the faster the turnover

speed of the enterprise's current assets and the better the utilization. Under the fast turnover speed, the current assets will be relatively saved, which is equivalent to the expansion of current asset investment and enhances the income generating ability of enterprises to some extent; If the turnover speed is slow, it is necessary to supplement working capital to participate in turnover, resulting in capital waste and reducing the income generating capacity of enterprises. In the past five years, Starbucks has basically maintained the turnover rate of current assets at

3.5-4.00, which is relatively good and has high capital utilization efficiency.

**4.1.3 Profitability**

For users of enterprise statements, the most concerned is usually the ability of enterprises to earn profits. The analysis of profitability is a very important link in enterprise financial analysis and a wind vane of enterprise operation. Relevant data are as follows:

**Table 4.** Profitability data analysis

Item	2021	2020	2019	2018	2017
Operating Revenue growth rate	23.57	-11.28	7.24	10.42	5.02
Return on net assets	-63.98	-13.23	-142.19	136.51	50.90
Return on assets	13.82	3.82	16.60	23.46	20.11

**4.1.3.1 Operating Revenue Growth**

The income growth has fluctuated greatly in the past five years. For example, the outbreak of the epidemic in 2020 has a great impact on every industry, especially the food industry such as Starbucks. However, according to the previous trend of Starbucks, the economic cycle of Starbucks is basically four years old, and 2021 is at the peak, In the next three years, Starbucks' operating profit growth rate is likely to show a downward trend.

**4.1.3.2 Return on net assets**

The return on net assets reflects the return on investment of the company's owner's equity, which is highly comprehensive. It is generally believed that the higher the rate of return on net assets of an enterprise, the stronger the ability of the enterprise's own capital to obtain income, the better the operating efficiency, and the better the degree of guarantee to the enterprise's investors and creditors. However, the return on net assets of Starbucks has been negative in the past three years, which is related to Starbucks' continuous expansion policy. For example, Starbucks expanded more than 600 stores in China in 2019, so the ratio will be negative.

**4.1.3.3 Return on assets**

The return on assets has changed steadily in recent three years, but it can also be seen that the ratio is declining in 2020 and 2021, which may be the impact of the global epidemic on various industries. However, the reduction of Starbucks is still within the controllable range, which can show that Starbucks has strong vitality

Overall, Starbucks' solvency is optimistic, but the quick freezing ratio is a little low. In terms of operation, as the expansion strategy may lead to a significant increase in costs and the impact of the epidemic, profitability may decline. In terms of liquidity, Starbucks' liquidity is optimistic. Combined with the company strategy mentioned above and SWOT analysis, it can be considered that Starbucks has good fundamentals

**4.2 Relative Valuation**

To make a correct valuation of Starbucks using the relative value method, this paper will select four competitive companies for multifaceted Valuation: McDonald's, Yum!, Coca Cola and Dunkin Donuts. Because the operating products and scale of these companies are very similar to Starbucks, the operating conditions of Starbucks are analyzed by comparing the price earnings ratio and other indicators of these companies. The data are as follows:

**Table 5.** Multiples of Four Comparable Companies

Item	Starbucks	Coca Cola	Yum!	McDonald's	Restaurant Brands
P/E	25.02	23.99	23.75	24.85	26.53
EV/EBITDA	16.61	11.58	19.56	21.56	17.36
P/Sales	3.61	0.82	5.67	8.08	5.77

**Table 6.** Multiples Valuation Results

EBITDA		Sales	30,361	Earnings	4199.3
Lower	11x	Lower	0x	Lower	23x
Median	17x	Median	5x	Median	24x
Upper	21x	Upper	8x	Upper	26x
Enterprise value	126180				
Less: Net debt	81.6				
Equity value	126098.4		172146		104352.6
Share Outstanding	1150		1150		1150
Share price	109.65		143.28		90.74

According to our model, the stock prices of Starbucks are respectively \$109.65,\$143.28 and \$90.74 of which the minimum value is \$90.74. However, the current stock price of Starbucks is \$83.12. Compared with the current stock price, it is obvious that the stock price of Starbucks is undervalued and the stock of Starbucks is likely to rise in the future, According to the results of the model, investors are advised to buy Starbucks shares to earn profits.

**4.3 Discounted cash-flow model**

The cash flow discount method is to restore the expected cash flow of the enterprise in a specific period in the future to the current present value. This method well reflects the essence of enterprise value and can reflect the level and experience of enterprise management through various assumptions. This part will use the discounted cash flow model to calculate the valuation of Starbucks. The following indicators must be used to use the model: growth rate, WACC and discount factor.

**4.3.1 Growth**

The growth rate is an important indicator in the model. Through the growth rate, the cash flow of the enterprise in the next five years can be estimated. The growth rate selected in this paper is 2.3% (data from Yahoo Finance), and the estimated terminal growth rate is 2.28%. After determining these two, we can determine the cash flow of the enterprise in the next five years. The data are as follows:

**Table 7.** Estimated free cash-flows

	2022	2023	2024	2025	2026	2027
Growth	0	2.3%	2.3%	2.3%	2.3%	2.3%
Cash-	4153.3	4248	4346	4446	4548	4153.
flows(m)	8	.9	.6	.6	.9	4

**4.3.2 Weighted average cost of capital –WACC**

WACC is an important factor used to determine the discount coefficient in the estimated cash flow model.

WACC includes two parts, one is cost of equity and the other is cost of debt. Next, this paper will calculate these two values.

**4.3.2.1 Cost-to-equity**

When calculating this part, this paper will use CAPM model to determine the value of equity cost. The calculation formula of CAPM is  $E(R_i)=R_f+\beta_i(E(R_m)-R_f)$ . Among them,  $R_f$  is replaced by the interest rate of five-year US Treasury bonds which is 1.875%, with a beta value of 0.9, and  $R_m$  is replaced by the expected dividend return of the company in the next five years, with a value of 9%. The data as follow:

**Table 8.** cost of equity estimation

Item	Ratio
Rf	1.875%
$\beta$	0.9
Rm	9%
Cost-to-equity	8.29%

**4.3.2.2 Cost**

Cost of cost is an important indicator used to measure the debt financing cost of Starbucks. This paper will use the 30-year fixed mortgage average interest rate in the U.S. market as the cost of debt which is 4.28%, the cost of debt  $K_{dat}$  is 3.38% with statutory tax rate of 21%.

**4.3.2.3 Capital structure of Starbucks**

According to the balance sheet of Starbucks, the total equity of Starbucks is 95197 million and the total liability is 36707.1 millions.The weighted average of Starbucks' capital is as follows:

**Table 9.** Calculation of WACC

Item	Value
Equity(m)	95197

Liability(m)	36707.1
Ke	8.92%
Kdat	3.38%
WACC	6.9%

The company's cash flow and current value will be estimated as follows:

### 4.3.3 Estimated Cash-flows

**Table 10.** Estimation of cash-flows (\$) )

Year	2022	2023	2024	2025	2026	2027
Cash-flows(m)	4153.38	4248.91	4346.63	4446.61	4548.88	4153.38
Discounted Factor	1	1/(1+6.9%)	1/(1+6.9%) <sup>2</sup>	1/(1+6.9%) <sup>3</sup>	1/(1+6.9%) <sup>4</sup>	(1+2.28%)/(6.9%-2.3%)
Present value(m)	3885.29	3718.11	3558.11	3405.00	101163.07	3885.29
NPV(m)	115729.6					

According to the cash flow model constructed in this paper, the calculated share price is \$100.6, but now Starbucks' share price is \$83.12. It is obvious that Starbucks' share price is undervalued, which is like the result of multiple valuation method. It is suggested that investors buy Starbucks' shares to make profits

## 5. CONCLUSION

Finally, this paper evaluates the management ability of Starbucks through the analysis of its corporate strategy, corporate culture, and SWOT. Through the comparison of these aspects, it is found that Starbucks has good management, product diversification and the concept of "third space" are in a dominant position in the market competition, but due to the impact of the epidemic, Starbucks still needs to optimize its management in the future, such as reducing costs. Then this paper makes a valuation analysis of Starbucks. When using the multiple valuation method, it is found that the current share price of Starbucks is undervalued compared with the results of the model. Through the analysis of DCF model, like the result of multiple valuation method, Starbucks' share price is \$83.12 still undervalued compared with the model structure which is \$100.6. Finally, according to the results calculated by the model constructed in this paper, Starbucks' share price is likely to rise in the future. It is suggested that investors buy it to make a profit.

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